

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

House Bill 1086 (Delegate Bartlett)

Appropriations

Correctional Officers' Retirement System - Additional Members

This pension bill provides that correctional dietary officers, correctional maintenance officers, correctional supply officers, and members of the clergy employed by the Division of Correction are members of the Correctional Officers' Retirement System (CORS) and may receive a vested benefit at age 55. This bill takes effect July 1, 2000.

Fiscal Summary

State Effect: Total increase in pension liabilities of \$44.9 million, resulting in an increase in annual employer pension contributions of \$2.7 million beginning in FY 2002, and increasing thereafter based on actuarial assumptions.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
All Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
All Expenditures	0.0	2.7	3.1	3.5	4.0
Net Effect	\$0.0	(\$2.7)	(\$3.1)	(\$3.5)	(\$4.0)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - =indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Correctional officers serving in any of the first six job classifications, and security attendants at Clifton T. Perkins Hospital Center, are eligible for membership in CORS. Members of CORS must contribute 5% of their annual salary. Members are eligible for a service retirement benefit with 20 years of creditable service, of which the last five must be as an eligible correctional officer, security attendant, or a combination of these positions.

Correctional officers qualify for a vested benefit at age 55 with at least five years of creditable service. Security attendants at Clifton T. Perkins Hospital Center are eligible to collect a vested benefit at age 60. Retirees of CORS receive an unlimited, compound cost-of-living adjustment.

Background: The employer contribution rate for participation in CORS is the same as the contribution rate for the employees' retirement and pension systems (blended in the employees' system rate) even though the employer cost of the CORS benefit is significantly higher. Thus, the additional liabilities associated with this proposal will affect not only the Department of Public Safety and Correctional Services, but all agencies with employees that participate in the employees' systems.

State Expenditures: This proposal would place correctional dietary, maintenance, and supply officers in CORS (20-year plan), rather than in the Employees' Retirement System or Employees' Pension System (30-year plans). They would be eligible to receive a vested benefit at age 55.

It is estimated that 720 employees would be eligible for CORS as a result of this proposal, of whom 158 are correctional supply officers, 298 are correctional dietary officers, 246 are correctional maintenance officers, and 18 are members of the clergy. The estimated average salary of these employees is \$31,581.

The bill has not been presented to the State's actuary for a formal actuarial analysis. Based on the above demographic information, however, the actuary informally estimates that the proposal will increase system liabilities by \$44.9 million. Amortizing these liabilities over 19 years (fiscal 2002 through fiscal 2020) results in a first-year amortization payment of \$2.7 million in fiscal 2002. These amortization payments would increase by more than 5% per year because the blended employees' rate does not reflect, and underestimates, the true cost of the CORS benefit provided to these employees.

The State Retirement Agency advises that it will require an additional \$16,000 for contractual personnel to make the necessary membership changes. Legislative Services believes this estimate is excessive and advises that the agency could make these changes with existing resources.

Additional Information

Prior Introductions: A similar bill, HB 642 of 1999, received an unfavorable report from the House Appropriations Committee. A similar bill, SB 661 of 1998, passed the Senate but was not reported from the House Appropriations Committee.

Cross File: SB 700 (Senator Munson) - Budget and Taxation.

Information Source(s): State Retirement Agency; Milliman and Robertson, Inc.;
Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2000
nncsjr

Analysis by: Matthew D. Riven

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510