

**Department of Legislative Services**  
 Maryland General Assembly  
 2003 Session

**FISCAL AND POLICY NOTE**  
**Revised**

House Bill 557  
 Appropriations

(Delegates Marriott and Fulton)

Budget and Taxation

**Correctional Officers' Retirement System - Baltimore City Jail Employees - Early Service Retirement**

This pension bill allows certain employees of the Baltimore City Jail who were transferred from Baltimore City employment to State employment in 1991 to retire in 2006 from the Correctional Officers' Retirement System (CORS) with less than the 20 years of State service currently required for a CORS normal service retirement.

The bill takes effect July 1, 2003.

**Fiscal Summary**

**State Effect:** State pension liabilities could increase by approximately \$4.5 million, based on estimates about the eligible group's retirement patterns absent the bill. These liabilities would result in increased employer contributions (all funds) of \$248,600 beginning in FY 2005 and increasing 5% per year thereafter based on actuarial assumptions.

(in dollars)	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	149,200	156,700	164,500	172,700
SF Expenditure	0	49,700	52,200	54,800	57,600
FF Expenditure	0	49,700	52,200	54,800	57,600
Net Effect	\$0	(\$248,600)	(\$261,100)	(\$274,100)	(\$287,900)

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

**Local Effect:** None. The State pays the costs of the Baltimore City Jail.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The bill applies only to a Baltimore City Jail employee who: (1) on or before June 30, 1991, was employed by the City of Baltimore as an employee of the jail for at least five years; and (2) is a member of CORS on or after June 30, 2006. The bill allows these eligible individuals to retire with an unreduced allowance based on the member's State service if on or before the date of retirement, the member has at least 10 years but less than 20 years of eligibility service.

**Current Law:** CORS allows for a normal service retirement after 20 years of service ("20 and out"). There is no early service retirement provision.

**Background:** As of July 1, 1991, employees of the Baltimore City Jail (now the Division of Pretrial Detention and Services) became State employees and were enrolled in either the Employees' Pension System or CORS. No previous service credit under the Baltimore City Employees' Retirement System could be transferred to these State systems. Employees who were vested in Baltimore City's Employees' Retirement System kept their vested benefit in that system, while nonvested employees were given a cash benefit equal to the value of their existing credit.

**State Expenditures:** It is estimated that approximately 73 individuals meet the bill's criteria. Using a hypothetical employee, age 45, currently with 12 years of State service and a salary of \$36,290, the State's actuary informally estimates that if the individual otherwise would have terminated and accepted a vested benefit, but chooses to retire in 2006 under this bill, the State's pension liabilities increase by \$97,800, with a first-year cost of \$5,450.

The actuary advises that for each individual who otherwise would have worked another 5 years to reach 20 years, there is no fiscal impact. Thus, the fiscal impact of the bill depends on the behavior of the group in the absence of the bill, which cannot be reliably estimated. Assuming that the hypothetical employee represents the group's average, and that approximately two-thirds of the group would otherwise have terminated employment prior to retirement, then State pension liabilities would increase by approximately \$4.5 million, with an increase in employer contributions (all funds) of \$248,600 beginning in fiscal 2005 and increasing 5% per year thereafter based on actuarial assumptions.

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## Additional Information

**Prior Introductions:** No identical prior introductions. HB 1416 of 2002, a similar bill, was passed with amendments by the House of Delegates, but was not reported on by the Senate Budget and Taxation Committee.

**Cross File:** None.

**Information Source(s):** State Retirement Agency, Milliman USA, Department of Legislative Services

**Fiscal Note History:** First Reader - March 4, 2003  
mld/jr Revised - House Third Reader - March 26, 2003  
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