

**Department of Legislative Services**  
Maryland General Assembly  
2005 Session

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

Senate Bill 422 (Senator Kasemeyer) (Chairman, Joint Committee on Pensions)

Budget and Taxation

Appropriations

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**Employees' Pension System and Correctional Officers' Retirement System -  
Disability Retirement Allowances**

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This pension bill allows a member of the Employees' Pension System (EPS) to combine eligibility service accrued in the Correctional Officers' Retirement System (CORS) and EPS to determine if the member is eligible for an ordinary disability retirement allowance from EPS, if the individual: (1) is promoted within the Department of Corrections to a position that no longer is eligible for membership in CORS; (2) elects not to transfer the years of creditable service the individual accrued in CORS to EPS; and (3) is eligible to receive a vested allowance from CORS.

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**Fiscal Summary**

**State Effect:** The bill will not materially affect State pension system liabilities or contribution rates.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** A member described above is eligible to combine eligibility service accrued in CORS and EPS to determine eligibility for ordinary disability retirement allowances in EPS based on the following formula:

- a normal service retirement allowance in CORS based on the member's years of service accrued in CORS; plus
- an ordinary disability retirement allowance based on the member's total years of creditable service accrued in EPS.

A member described above is eligible to receive an accidental disability retirement (two-thirds of the member's average final compensation) allowance in EPS if the member:

- does not elect to receive a vested allowance from CORS; and
- transfers the member's accumulated contributions in CORS to EPS.

The legislation takes effect July 1, 2005.

**Current Law:** To participate in CORS, a correctional officer must be in Grades I through VI. Therefore, it is possible for a CORS member to be promoted out of CORS (a 20-year retirement plan) into EPS, a 30-year plan. If this occurs, many promoted correctional officers who could have considerable years of accrued service choose not to transfer their CORS service into the lower benefited EPS. For those CORS employees who are promoted and who elect not to transfer service credits to EPS, there are potential problems if after joining EPS the member becomes disabled:

- If the member does not have five years of service under EPS, the member cannot apply for ordinary disability retirement.
- If the member seeks accidental disability, the pension system bears the cost of the accidental disability (after a relatively short period of service) plus the vested benefit from CORS at age 55.

**Background:** The State Retirement Agency advises that one member has been unable to seek ordinary disability under current law, but these circumstances could arise again.

**State Fiscal Effect:** The State's actuary cannot reliably estimate the liability increase based on future claims of disability, but past trends suggest that State pension system liabilities and contribution rates are not materially affected by the additional members who may obtain a disability retirement under these circumstances.

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## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

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

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