

Department of Legislative Services
 Maryland General Assembly
 2006 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 255

(Senators McFadden and Colburn)

Budget and Taxation

Appropriations

Correctional Officers' Retirement System - Membership

This bill requires individuals employed as correctional dietary, maintenance, or supply officers to participate in the Correctional Officers' Retirement System (CORS) as a condition of their employment. If any of those individuals previously participated in either the Employees' Retirement System (ERS) or the Employees' Pension System (EPS), the State Retirement and Pension System must transfer employer and employee contributions made on behalf of those individuals to CORS, including interest. Individuals who participated in EPS would be exempted from having to pay the difference between the lower EPS contribution rate and the higher CORS contribution rate for the prior service credit that transfers to CORS. However, members of ERS who have been contributing 7% would receive a refund of the difference between the 7% contributions they have been making and the 5% contribution required by CORS, including interest.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: Total State pension liabilities could increase by \$26.0 million, resulting in increased pension contributions of \$930,000 beginning in FY 2008, and increasing thereafter according to actuarial assumptions.

(in dollars)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	930,000	1,080,000	1,230,000	1,390,000
Net Effect	\$0	(\$930,000)	(\$1,080,000)	(\$1,230,000)	(\$1,390,000)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Correctional dietary, maintenance, or supply officers are excluded from participation in CORS. Instead, they participate in either ERS or EPS.

CORS members contribute 5% of their annual compensation and are eligible for retirement after 20 years of service. The CORS benefit formula provides 1.8% of average final compensation for each year of service. By contrast, EPS members contribute just 2% of their annual compensation and are eligible for full retirement after 30 years of service. The EPS benefit formula provides 1.4% of average final compensation for each year of service.

When a member of EPS transfers service credit to another contributory system (such as CORS), the accumulated employer contributions made on his or her behalf must be transferred to the new system, which the bill requires. However, State law also requires an individual who seeks to transfer service credit under these circumstances to deposit an amount equal to the difference between the employee contributions made to EPS, including interest. In this case, EPS members transferring to CORS would have to pay the difference between their 2% employee contribution under EPS and the 5% employee contribution for CORS for each year of service credit they transfer to CORS. The bill exempts EPS members from that requirement. The Department of Legislative Services notes that CORS assets are subsumed within the ERS assets, so a “transfer” of assets would not actually occur.

State Fiscal Effect: The Department of Public Safety and Correctional Services reports that there are 647 employees currently serving either as correctional dietary, maintenance, or supply officers. The average salaries are \$41,970 for dietary officers, \$43,241 for maintenance officers, and \$34,260 for supply officers.

The State’s actuary estimates that total State pension liabilities would increase by \$26.0 million, resulting in an increase in State pension contributions of \$930,000 beginning in fiscal 2008, and increasing thereafter according to actuarial assumptions. This is based on an assumption that 90% of employees transferring to CORS are currently members of the Employees Contributory Pension Systems and 10% are members of ERS.

Additional Information

Prior Introductions: SB 469 of 2005, a larger bill that contained the provisions of this bill, was not acted upon by the Budget and Taxation Committee.

Cross File: None.

Information Source(s): Milliman USA, Maryland State Retirement Agency, Department of Public Safety and Correctional Services, Department of Legislative Services

Fiscal Note History: First Reader - February 7, 2006
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Analysis by: Michael C. Rubenstein

Direct Inquiries to:
(410) 946-5510
(301) 970-5510