

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 1249

(Chair, Appropriations Committee) (By Request –
Departmental – Public Safety and Correctional Services)

Appropriations

Budget and Taxation

**Correctional Officers' Retirement System - Division of Pretrial Detention and
Services and Patuxent Institution - Reemployment of Retirees**

This departmental bill exempts retirees of the Correctional Officers' Retirement System (CORS) from retirement benefit reductions if they are reemployed on a contractual basis for less than four years by the Division of Pretrial Detention and Services or the Patuxent Institution as correctional officers. The Department of Public Safety and Correctional Services (DPSCS) has to report annually to the Joint Committee on Pensions regarding the number and salary of reemployed and newly-hired correctional officers.

The bill takes effect July 1, 2007

Fiscal Summary

State Effect: No discernable effect on State pension liabilities or contributions.

Local Effect: None.

Small Business Effect: DPSCS has determined that this bill has minimal no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

Current Law: CORS retirees are subject to a reduction in their benefit payments if they accept employment with a participating employer (State agency or participating governmental unit) on a permanent, temporary, or contractual basis. Prior to accepting

re-employment, a retiree must notify the Board of Trustees of the State Retirement and Pension System of their intention to accept reemployment and of their compensation.

The reduction in a retiree's benefit is equal to the amount by which the sum of their initial retirement payment and annual compensation during reemployment exceeds their average final compensation at the time of retirement.

Chapter 392 of 2006 exempted CORS retirees from the benefit reduction if they were rehired by the Division of Correction as correctional officers in a correctional facility on a contractual basis for less than four years. In addition, retirees who have been retired for more than 10 years or whose average final compensation was less than \$10,000 are exempt from the benefit reduction. Retirees serving as elected State or county officials are also exempt. Any individual who retires from State service must wait 45 days before being reemployed by any State agency, including their original employer.

Background: As of December 31, 2006, the Patuxent Institution had 58 vacant positions, or 11.4% of its workforce. The Division of Pretrial Detention and Services had 126 vacant positions, or 7.9% of its workforce.

State Expenditures: The State Retirement Agency (SRA) reports that there are 3,309 retired members of CORS. It also reports that since the enactment of Chapter 392, only two CORS retirees have been re-employed. SRA notes that retirees who are re-employed as contractual employees are not eligible for accidental disability benefits, which could be dissuading many retirees from returning to employment in dangerous work environments. Therefore, it is assumed that the number of CORS retirees who seek re-employment under this bill will not be large enough to affect CORS retirement rates. As a result, the only costs resulting from this bill are the foregone benefit offsets for the small number of CORS retirees who become re-employed. SRA advises that the actuary for the State Retirement and Pension System does not account for foregone offsets in calculating pension liabilities, so there is no effect on State pension liabilities or contribution rates.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Mercer Human Resources Consulting, Maryland State Retirement Agency, Department of Public Safety and Correctional Services, Department of Legislative Services

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ncs/jr

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