

Department of Legislative Services

Maryland General Assembly

2019 Session

FISCAL AND POLICY NOTE

Third Reader

House Bill 861

(Delegate B. Barnes)(Chair, Joint Committee on Pensions)

Appropriations

Budget and Taxation

State Retirement and Pension System - Service Credit for Unused Sick Leave

This bill entitles specified members of the Correctional Officers' Retirement System (CORS) to receive creditable service for the total amount of unused sick leave accrued by the member at the time of retirement. The bill includes a retroactive provision that requires, for specified CORS retirees, an adjustment to their retirement benefit to reflect credit for unused sick leave. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: State pension liabilities and employer contributions (all funds) likely increase significantly, but a reliable estimate is not feasible, as discussed below. No effect on revenues.

Local Effect: None. The bill affects only State employees.

Small Business Effect: None.

Analysis

Bill Summary: The bill applies to a member of CORS who was required to transfer from either the Employees' Retirement System (ERS) or Employees' Pension System (EPS) due to a change in membership status but who did not transfer prior service credit from ERS/EPS to CORS. When the member retires and earns a vested benefit from ERS, EPS, or CORS under specified circumstances, the member is entitled to receive creditable

service for the total amount of unused sick leave earned by the individual. The bill specifies how the credit for unused sick leave is to be calculated.

The retroactive provisions entitle CORS retirees who meet the same criteria for active CORS members to have their retirement benefit adjusted to reflect the total amount of unused sick leave they earned prior to retirement.

Current Law/Background: In general, an individual who is retiring from the State Retirement and Pension System (SRPS) is entitled to one month of creditable service for every 22 days of unused sick leave, or fractional days totaling at least 11 days of unused sick leave. A member may not accumulate more than 15 days of sick leave per year. Credit for unused sick leave may only be claimed within 30 days of separating from service.

Since 2016, various laws have required members of EPS/ERS to transfer to CORS (Chapters 218 and 219 of 2016; Chapters 688, 689, and 690 of 2017; and Chapter 579 of 2018) but gave some of these members the option to not transfer their eligibility and creditable service to CORS. These individuals, if vested in EPS/ERS, will retire as members of CORS but earn a vested benefit from EPS/ERS. Most of them are not eligible for credit for unused sick leave earned in EPS/ERS because they are not retiring within 30 days of ending service in EPS/ERS. Thus, if they have many years of service in EPS/ERS, they lose (or have lost) most of their credit for unused sick leave.

The SRPS board of trustees asked the Joint Committee on Pensions (JCP) to sponsor this legislation on the grounds that it was not legislative intent to deprive individuals of their credit for unused sick leave in EPS/ERS, and JCP agreed to do so.

State Expenditures: The above referenced enacted legislation affected more than 1,900 EPS members who became members of CORS. Based on information provided by the State Retirement Agency (SRA), substantially more than half of those affected either elected or were required to transfer their service credit from EPS to CORS too; thus, they are not affected by the bill. Also, only a small number of the affected individuals have already retired. Accordingly, the bill likely affects only a few hundred members and retirees who elected not to transfer service credit from EPS to CORS. SRA does not have information on the amount of unused sick leave forfeited by those who already retired because it was not credited to them, and the amount of unused sick leave to be claimed by current members cannot be known because they do not claim it until they retire. For these reasons, a reliable estimate of the bill's effect on State pension liabilities and contributions is not feasible.

Given that several hundred CORS members and retirees will likely each claim several months of unused sick leave that would otherwise be forfeited, pension liabilities and employer contributions (all funds) likely increase significantly. SRA speculates that

previous estimates of the fiscal effect of the legislation that transferred members from EPS to CORS may have factored in the additional credit from unused sick leave, but that is not the case. Those analyses were based only on the members' accrued service because additional creditable service for unused sick leave cannot be known until the time of retirement.

Additional Information

Prior Introductions: None.

Cross File: SB 829 (Senator Griffith)(Chair, Joint Committee on Pensions) - Budget and Taxation.

Information Source(s): Department of Budget and Management; State Retirement Agency; Department of Juvenile Services; Department of Public Safety and Correctional Services; Department of Legislative Services

Fiscal Note History: First Reader - February 27, 2019
mm/vlg Third Reader - March 15, 2019

Analysis by: Michael C. Rubenstein

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