

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 446

(Delegates McKay and Chang)

Appropriations

Correctional Officers' Retirement System - Membership - Chaplains

This bill makes chaplains employed by the Department of Public Safety and Correctional Services (DPSCS) members of the Correctional Officers' Retirement System (CORS) as a condition of their employment. It also allows service credit earned in the Employees' Pension System (EPS) to be combined with service credit in CORS for specified individuals and requires service credit to be combined for specified individuals. **The bill takes effect July 1, 2020.**

Fiscal Summary

State Effect: Negligible increase in State pension liabilities and contributions because the bill enhances benefits for only a small number of individuals. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: An individual who is employed as a chaplain in DPSCS on or before June 30, 2020, is eligible to retire from CORS if vested in CORS with a combined total of at least 20 years of *eligibility* credit in CORS and either EPS or the Employees' Retirement System (ERS). Any individual who retires under this provision is entitled to a normal service retirement benefit based on *creditable* service in CORS. Provisions in current law related to the transfer of service credit do not apply to individuals affected by the bill. By January 1, 2021, the State Retirement Agency must notify individuals affected by the bill of their *right* to transfer service from EPS or ERS to CORS.

Individuals affected by the bill who do not have creditable service in EPS before July 1, 2008, must have their service credit in EPS transferred to CORS and combined with future CORS service. If any of these individuals is granted an ordinary disability benefit, the Board of Trustees of the State Retirement and Pension System (SRPS) must calculate and pay the ordinary disability benefit that is greater under either CORS or EPS.

Current Law/Background: Eligibility for CORS membership has been expanded in recent years from just correctional officers in the first six job classifications and security attendants at the Clifton T. Perkins Hospital Center to now also include:

- correctional dietary, maintenance, and supply workers (Chapter 340 of 2006);
- correctional laundry workers and designated employees of Maryland Correctional Enterprises (Chapters 408 and 409 of 2008);
- correctional case management specialists, supervisors, and managers (Chapters 218 and 219 of 2016);
- parole and probation agents, supervisors, and regional administrators (Chapters 688 and 689 of 2017);
- specified counselors, social workers, psychologists, and recreation officers within DPSCS (Chapter 690 of 2017); and
- specified detention center employees of the Department of Juvenile Services and specified supervisory positions within DPSCS (that had been inadvertently omitted from earlier legislation) (Chapter 579 of 2018).

Although the bill applies to members of both ERS and EPS, all affected members are assumed to participate only in EPS (ERS was closed to new members in 1980). Based on data provided by DPSCS, the bill affects approximately 22 individuals currently employed as chaplains and an additional one vacant position.

Exhibit 1 shows the key provisions for CORS and EPS. As the exhibit shows, Chapter 110 of 2006 phased in a higher EPS employee contribution rate, from 2.0% in fiscal 2006 to 5.0% in fiscal 2009. Chapter 397 of 2011 made additional changes, raising the member contribution rate to 7.0% and reducing the benefit multiplier to 1.5% for members hired after June 30, 2011. Prior to July 1, 1998, EPS was noncontributory for most members.

Chapter 397 also raised the vesting requirement from 5 to 10 years for all members of SRPS hired on or after July 1, 2011. However, Chapters 608 and 609 of 2012 allow a member of any SRPS system who was a member on June 30, 2011, and who transfers into another SRPS system on or after July 1, 2011, without a break in employment (of more than 30 days) to be subject to the same requirements for the new system that were in effect on June 30, 2011. For the purposes of this bill, individuals who were members of

EPS before July 1, 2011, and who transfer to CORS under the bill, require only 5 years (instead of 10) to vest in CORS. Individuals who joined EPS on or after July 1, 2011, and transfer under the bill will still need 10 years to vest in CORS.

Exhibit 1 **Pension Plan Provisions**

Employees' Pension System

	<u>Hired Before July 1, 2011</u>	<u>Hired After June 30, 2011</u>	<u>CORS</u>
Normal Retirement Age	62 ¹	65 ²	55 ³
Years of Service for Normal Retirement	30	Age and service add to 90	20
Employee Contribution	None prior to 1998 2.0% (1998-2006) 3.0% in 2007 4.0% in 2008 5.0% (2009-2011) 7.0% after June 30, 2011	7.0%	5.0%
Benefit Multiplier	1.8% (after 1998) 1.2% (before 1998)	1.5%	1.82% of AFC

AFC: average final compensation

CORS: Correctional Officers' Retirement System

¹Retiree must have at least 5 years of service.

²Retiree must have at least 10 years of service.

³Retiree must have 5 years of service if hired before July 1, 2011; otherwise, retiree must have 10 years of service if hired on or after July 1, 2011.

Source: Maryland Annotated Code; State Personnel and Pensions Article

“Eligibility service” means service credit that is recognized for determining eligibility for a retirement benefit. In general, a member of EPS receives one year of eligibility service credit for completing at least 500 hours of employment in a fiscal year. “Creditable service” is service credit that is recognized for computing a retirement benefit. In general, it equals eligibility service credit plus credit for unused sick leave.

Title 37 of the State Personnel and Pensions Article governs transfers from EPS to another contributory pension system (like CORS). Under Title 37, a “new system” means the system into which the member is transferring service credit, and “previous system” means the system from which the individual is transferring. Members transferring creditable service from EPS to another contributory system must pay the member contribution rates

in effect for the period of service covered by the transferred service credit, plus interest. They are also refunded any accumulated contributions in the previous system that are in excess of the member contributions required by the new system.

Under the terms of Title 37, therefore, EPS members transferring creditable service to CORS have to pay the difference between the contribution rate paid to EPS, if any, and the 5.0% CORS contribution rate, plus interest, for any service credit earned prior to fiscal 2009, when the EPS member contribution rate was less than the 5.0% CORS contribution. For service credit earned prior to 1998, they likely must pay the full CORS contribution of 5.0% (plus interest) since EPS was noncontributory for most members. However, they will also receive credit for the higher member contributions (7.0%) paid in EPS since June 30, 2011, because those contributions are also transferred to CORS and credited to their account. Any net deficiency in their member contributions results in an actuarial reduction to their benefit at the time of retirement. The Department of Legislative Services notes that there is no actual transfer of assets between plans because CORS and EPS/ERS are considered a single plan for the purpose of valuing their assets and liabilities.

Under Title 37, an individual who retires from a new system within five years of transferring to that system receives benefits for the transferred credit that would have been payable under the previous system. However, the bill exempts affected individuals from this provision of Title 37.

Normal retirement age for most CORS members is age 55 if they have vested; they can also retire with 20 years of service regardless of age.

Additional Information

Prior Introductions: HB 29 of 2019 received a hearing in the House Appropriations Committee, but no further action was taken on the bill.

Designated Cross File: None.

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

Fiscal Note History: First Reader - January 30, 2020
an/vlg

Analysis by: Michael C. Rubenstein

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