

Department of Legislative Services
Maryland General Assembly
2023 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 527
Appropriations

(Delegate Forbes)(Chair, Joint Committee on Pensions)

Budget and Taxation

**Correctional Officers' Retirement System – Transfer of Membership –
Modifications**

This bill requires the Board of Trustees of the State Retirement and Pension System (SRPS) to transfer service credit earned in the Employees' Retirement System or Employees' Pension System (ERS/EPS) to the Correctional Officers' Retirement System (CORS) for specified individuals whose membership was transferred by statute from ERS/EPS to CORS. Affected members may opt out of the transfer of service credit. The bill also requires the SRPS board to include any credit for unused sick leave accrued during membership in ERS/EPS in its calculation of unused sick leave credit for specified individuals whose membership was transferred by statute from ERS/EPS to CORS. **The bill takes effect July 1, 2023, and the transfer provisions terminate June 30, 2024.**

Fiscal Summary

State Effect: State pension liabilities and contributions (all funds) increase minimally beginning in FY 2025, but a more precise estimate is not feasible. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary:

Transfer of Service Credit

The mandatory transfer of service credit applies to current members of CORS whose membership was transferred from ERS/EPS to CORS by:

- Chapters [218 and 219](#) of 2016 – case management specialists, managers, and supervisors employed by the Department of Public Safety and Correctional Services (DPSCS);
- Chapters [688, 689](#), and [690](#) of 2017 – parole and probation agents, supervisors, and regional administrators and specified counselors, psychologists, social workers, and recreational officers employed by DPSCS;
- Chapters [579](#) and [580](#) of 2018 – specified community detention officers, resident advisors, transportation officers, recreation specialists employed by the Department of Juvenile Services (DJS), and correctional maintenance officers and other individuals employed by DPSCS; and
- Chapter [147](#) of 2022 – specified case management specialists and group life managers employed by DJS.

By June 1, 2024, an individual included in the Acts listed above may elect not to transfer service credit from ERS/EPS to CORS on a form provided by the State Retirement Agency (SRA).

Unused Sick Leave

The requirement to combine unused sick leave credit applies to specified case management specialists and group life managers employed by DJS whose membership was transferred from ERS/EPS to CORS by Chapter 147.

Current Law:

Transfers of Membership from the Employees' Retirement System/Employees' Pension System to the Correctional Officers' Retirement System

The Acts specified above each transferred membership from ERS/EPS to CORS for the individuals described. At the time of enactment, affected members had the option to transfer service credit earned in ERS/EPS to CORS, but they had to make an affirmative decision to do so within one year. SRA did not have the time to assess whether it was to each member's benefit to transfer service credit or leave it in ERS/EPS before each piece of legislation passed. Therefore, the Acts gave each member the option to transfer credit following enactment, after consulting with SRA to determine whether it was in their best interest. Some affected members in each cohort elected not to transfer service credit.

Unused Sick Leave Credit

In general, an individual who is retiring from 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.

In the absence of a statutory remedy, individuals whose membership was transferred from ERS/EPS to CORS by the Acts listed above generally cannot claim unused sick leave credit earned while members of ERS/EPS because they are not retiring within 30 days of ending service in ERS/EPS (they are retiring as members of CORS). However, Chapter 347 of 2019 allowed those who were transferred before July 1, 2019, to combine their unused sick leave credit from ERS/EPS and CORS. However, a similar statutory remedy has not been enacted for those individuals whose membership was transferred by Chapter 147.

State Expenditures: SRA advises that in every instance in which it was asked to determine whether a transfer of service credit from ERS/EPS to CORS was in the member's best interest, it determined that it was. However, some members have still opted not to transfer service credit from ERS/EPS to CORS. Based on its records, SRA estimates that about 300 individuals have not transferred service credit (more than half of them are in the 2022 cohort that is still within the one-year window to elect to transfer credit without the bill).

As SRA advises that, for all remaining affected CORS members, the transfer in service credit is to their benefit, it follows that the bill increases State pension liabilities by requiring their service credit to be transferred. However, information is not available on those members who have not transferred service credit that would allow an estimate of the increase in liabilities to be calculated. Therefore, a precise estimate is not available.

Nevertheless, the Department of Legislative Services notes that the actuarial analyses that accompanied the enacted transfer legislation assumed that virtually all affected members would elect to transfer their service credit (except those who were nearing retirement eligibility). Therefore, any increase in State pension liabilities has largely already been reflected in earlier analyses, even if it has not been accounted for by the system.

Similarly, a calculation of the actuarial effect of adding credit for unused sick leave cannot be completed because unused sick leave credit is only communicated to SRA at the time of retirement. Therefore, SRA has no information about how much unused sick leave may be claimed by the 2022 cohort of CORS transfers affected by the bill.

Additional Information

Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 369 (Senator Jackson)(Chair, Joint Committee on Pensions) - Budget and Taxation.

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

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