

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 748

(Senator McKay)

Budget and Taxation

Appropriations

Correctional Officers' Retirement System - Allegany County

This bill makes Allegany County detention center officers members of the Correctional Officers' Retirement System (CORS) as a condition of employment, subject to Allegany County beginning participation in CORS as a participating governmental unit (PGU). Past eligibility and creditable service with Allegany County transfers to CORS for the affected officers, and they are not subject to specified credit transfer provisions in current law. **The bill takes effect June 1, 2026.**

Fiscal Summary

State Effect: None. The bill affects only Allegany County.

Local Effect: Assuming Allegany County elects to participate in CORS and based on an actuarial analysis as of June 30, 2025, its pension liabilities increase by \$2.4 million. Due to a new entrant liability credit, net contributions increase by \$165,000 beginning as early as FY 2028. No discernible effect on pension liabilities or employer contribution rates for other PGUs in CORS. No effect on local revenues.

Small Business Effect: None.

Analysis

Bill Summary/Current Law: In general, when a PGU withdraws or transfers from a State pension plan, assets and liabilities credited to the withdrawing members are calculated in a manner specified by statute. If there is a net withdrawal liability, the withdrawing PGU must make regular payments to the State Retirement and Pension System until the liability is paid off. In the case of transfers to another plan, the assets and liabilities from the original plan are transferred to the members' "new" plan, but they are still subject to the same withdrawal asset/liability calculation.

Title 37 of the State Personnel and Pensions Article governs transfers from the Employees' Pension System (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 difference in 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.

Allegany County is currently a PGU in EPS, but the county seeks to transfer its 73 detention center officers from EPS to CORS. **Exhibit 1** shows the benefit structures for both plans.

Exhibit 1
Pension Plan Provisions

| | Employees' Pension System | | CORS |
|--|--|---|-----------------|
| | <u>Hired Before July 1, 2011</u> | <u>Hired After June 30, 2011</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

¹ Retiree must have at least 5 years of service.

² Retiree must have at least 10 years of service.

³ Retiree 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

As Exhibit 1 shows, the member contribution rate for EPS was less than the CORS rate of 5% prior to fiscal 2009. Thus, under Title 37, an employee of the Allegany County SB 748/ Page 2

detention center would have to pay the difference in contribution rates for any prior service credit in EPS before fiscal 2009, with interest. However, the bill exempts them from that requirement.

Local Expenditures: Typically, when a PGU is considering transferring personnel from one State plan to another State plan, it requests that the State Retirement Agency conduct an actuarial valuation to determine the costs or benefits associated with the transfer. For this bill, Allegany County requested an actuarial valuation of the cost of transferring its detention center officers from EPS to CORS. The analysis was conducted in November 2025.

Under CORS, Allegany County liabilities for the transferring detention officers increase by \$2,396,120, and the annual cost for those members is initially estimated to increase by \$311,155 starting in fiscal 2028 due to a higher employer contribution rate for CORS (19.16%) when compared with EPS (12.10%). The CORS municipal pool is small, so the addition of Allegany County's 73 detention officers increases the size of the pool by more than 45%, which alters the demographic composition of the group. Because the Allegany officers transferring to CORS are generally younger and paid less than current members of CORS, the assets transferring with the 73 members from EPS to CORS are favorable relative to their CORS liabilities. Therefore, Allegany County receives an incremental new entrant liability credit of \$146,609 per year for 25 years, resulting in a net estimated contribution increase of \$164,546 beginning in fiscal 2028 (\$311,155 – \$146,609).

Additional Information

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

Designated Cross File: HB 1102 (Delegate Buckel, *et al.*) - Appropriations.

Information Source(s): Bolton; Allegany County; State Retirement Agency; Department of Legislative Services

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