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HOUSE BILL 778 Correctional Officers' Retirement System – Membership (M. Jackson)

STATEMENT OF INFORMATION

DATE: February 27, 2020

COMMITTEE: House Appropriations Committee

SUMMARY OF BILL: HB 778 seeks to expand eligibility to the Correctional Officers' Retirement System (CORS) to include residential group life managers, youth center cooks or cook leads, food service workers or supervisors, and maintenance assistants, chiefs, mechanics, mechanic seniors, or supervisors of the Department of Juvenile Services on or after July 1, 2020. These employees are currently covered under the Employee Pension System (EPS).

EXPLANATION: The State's Other Post Employment Benefit (OPEB) liability will increase due to the assumption that the impacted employees will retire earlier under CORS than under EPS. The most recent OPEB valuation (June 30, 2019) assumed enactment of Chapter 767 of 2019 (State Retirees Prescription Drug Assistance Programs) would take effect January 1, 2021, and the current Employer Group Waiver Plan (EGWP) would be terminated (Scenario A); however, in the event the State loses *Fitch v. State of Maryland*, the OPEB impact of HB 778 compared to EGWP continuing indefinitely has also been evaluated (Scenario B).

The net OPEB liability would increase by \$34,000 per active participant in the first year under Scenario A, and by \$39,500 per active participant in the first year under Scenario B. The fiscal 2021 allowance budgets 142 full-time equivalents for the positions identified in this bill, which would cause an OPEB liability increase of \$4.8 million under Scenario A or \$5.6 million under Scenario B.

As of June 30, 2019, the State's net OPEB liability was \$14.3 billion and reflects a 2.4% funded ratio. High unfunded liabilities can be a cause of concern for rating agencies and threaten the State's AAA bond rating.

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