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HOUSE BILL 763 Correctional Officers' Retirement System – Membership (Bridges and Wells)

STATEMENT OF INFORMATION

DATE: February 17, 2022

COMMITTEE: House Appropriations

SUMMARY OF BILL:. HB 763 expands eligibility to the Correctional Officers' Retirement System (CORS) for the following positions within the Department of Juvenile Services (DJS): residential group life managers; youth center cooks or cook leads; food service workers or supervisors; and maintenance assistants, chiefs, mechanics, mechanic seniors, or supervisors. These employees are currently covered under the Employee Pension System (EPS).

EXPLANATION: The additional employees eligible for CORS would increase State pension costs and liabilities. The Department of Budget and Management is commenting on the resulting increase in the State's Other Post Employment Benefit (OPEB) liability. Further, reducing the retirement age of DJS employees may exacerbate employee retention issues.

Using assumptions from the most recent OPEB valuation (June 30, 2021), these changes would increase the net OPEB liability by \$39,800 per active employee impacted.

The fiscal 2022 allowance for these positions was 145 full-time equivalents, which means the estimated cost of the legislation is \$5,765,000 to the net OPEB liability.

As of June 30, 2021, the State's net OPEB liability was \$14.8 billion and reflects a 3% 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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