

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 582

(Delegate B. Barnes)(Chair, Joint Committee on
Pensions)

Appropriations

**Correctional Officers' Retirement System - Clifton T. Perkins Maximum
Security Guards - Vested Allowances**

This bill lowers the normal retirement age, from 60 to 55, for members of the Correctional Officers' Retirement System (CORS) who are maximum security attendants at the Clifton T. Perkins Hospital Center and who become members of CORS on or after the bill's effective date.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: No effect on State pension liabilities or contribution rates, as explained below. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Membership in CORS is a condition of employment for State employees who are:

- correctional officers in the first six job classifications;
- security attendants at the Clifton T. Perkins Hospital Center;

- correctional dietary, maintenance, and supply officers;
- specified employees of Maryland Correctional Enterprises; and
- specified correctional officers serving as security chiefs, facility administrators, assistant wardens, or wardens.

All CORS members, regardless of employment, are eligible for a normal service retirement after 20 years. However, normal service retirement *age* differs for those seeking to retire with fewer than 20 years of service. Except for security attendants at Perkins, CORS members are also eligible for a normal service retirement if they:

- are at least age 55; and
- have at least 5 years of service credit if they became a CORS member before July 1, 2011, or have at least 10 years of service credit if they became a CORS members on or after July 1, 2011.

By contrast, security attendants at Perkins are eligible for a normal service retirement if they:

- are at least age 60; and
- have at least 5 years of service credit if they became a CORS member before July 1, 2011, or have at least 10 years of service credit if they became a CORS members on or after July 1, 2011.

CORS members who retire with a normal service benefit receive a retirement allowance equal to one fifty-fifth (1.818%) of their average final compensation for each year of service.

Background: The State Retirement Agency (SRA) advises that Chapter 596 of 1982 transferred security attendants at Perkins from the Employees' Retirement System and Employees' Pension System (ERS/EPS) to CORS, giving them a 20-year normal service retirement (and, at the time, a higher benefit multiplier for those transferring from EPS). Normal retirement age at the time was 60 years for ERS and 62 years for EPS, so normal retirement age for the security attendants in CORS was set at 60 by Chapter 474 of 1983, while it remained age 55 for all other CORS members.

SRA staff believe that the provisions of Chapter 474 were not intended to maintain the discrepancy in retirement age for all future Perkins attendants, only for those who transferred from ERS/EPS. Therefore, SRA recommended to the Joint Committee on Pensions (JCP) that the normal retirement age for Perkins attendants be reduced to age 55. JCP agreed to sponsor the legislation, with the understanding that it apply only to those hired on or after July 1, 2016.

In fiscal 2016, there are 332 security attendant positions at Perkins.

State Fiscal Effect: The State Retirement and Pension System's actuary advises that its annual valuation of pension liabilities does not distinguish between CORS members employed at Perkins and other CORS members. Any calculation of CORS liabilities conducted by the system has already assumed a normal retirement age of 55 for Perkins attendants. Therefore, lowering the normal retirement age for future Perkins attendants who become members of CORS has no practical effect on pension liabilities.

Additional Information

Prior Introductions: None.

Cross File: SB 473 (Senator Peters)(Chair, Joint Committee on Pensions) - Budget and Taxation.

Information Source(s): State Retirement Agency; Cheiron; Gabriel, Roeder, Smith & Co.; Department of Legislative Services

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