



Maryland

DEPARTMENT OF BUDGET
AND MANAGEMENT

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HOUSE BILL 1005 Correctional Officers' Retirement System - Membership

STATEMENT OF INFORMATION

DATE: March 5, 2024

COMMITTEE: Appropriations

SUMMARY OF BILL: House Bill 1005 would move employees in CAMH associate - CI, development disability associate- CI, direct care assistant - CI, licensed practical nurse - CI, resident associate SETT - CI, and security attendant positions to the Correctional Officers' Retirement System (CORS). This bill would only impact employees serving in these positions on or after July 1, 2024.

EXPLANATION: House Bill 1005 would transfer the pension credit of 754 current employees at the Maryland Department of Health (MDH) from the Employees' Pension System (EPS) to CORS, unless an employee opts out of the transfer. State pension liabilities would increase by \$13.7 million, and normal costs increase by \$2.5 million. Amortizing the increase in liabilities over 10 years and adding the full normal cost results in State pension contributions increasing by \$4.9 million in fiscal 2027, increasing annually thereafter.

In addition to retirement impacts, House Bill 1005 will likely have staffing impacts on MDH facilities. According to MDH, 74 current employees would become immediately eligible to retire with the transfer of credit to CORS, and 58 current employees would be eligible in the next five years. CORS requires only 20 years of service to reach full retirement, versus 30 years or the rule of 90 (age plus years of service = 90) for EPS. Early retirement of these employees may exacerbate staffing shortages, leading to additional overtime costs. Alternatively, the State may consider implementation of a retention incentive bonus, similar to the Retention and Longevity Payment Incentive (RLPI) the State offers to correctional officers and other specified positions at the Department of Public Safety and Correctional Services (DPSCS), to incentivize employees to stay an additional four years after reaching full retirement. If the State pursued a similar program for the positions identified in House Bill 1005, a comparable program would cost \$2.8 million over 4 years for the 74 employees ready to retire now, and \$2.2 million over four years for the 58 employees eligible to retire in the next 5 years.

The Department of Budget and Management (DBM) believes the inclusion of these positions in CORS is an appropriate topic to be vetted and negotiated during collective bargaining, particularly given the potential impacts on staffing, overtime, and the possibility of additional incentive pay needed to encourage workers to delay retirement.

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