

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 1034
Appropriations

(Delegate Forbes)(Chair, Joint Committee on Pensions)

Budget and Taxation

State Retirement and Pension System – Alterations and Clarifications

This bill alters (1) due dates for specified annual reports prepared by the State Retirement Agency (SRA) and (2) requirements for participation in the State Police Retirement System (SPRS) Deferred Retirement Option Program (DROP) by linking eligibility to years of employment rather than to years of service credit. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: The bill has no material effect on governmental operations or finances, as discussed below.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary:

Annual Reports

The bill alters the due date, from September 1 to November 1, for an annual report submitted to the Governor’s Office of Small, Minority, and Women Business Affairs and the General Assembly by SRA’s Investment Division on:

- the identity of minority business enterprise (MBE) brokerage and investment services firms used by the Investment Committee in the immediately preceding fiscal year;

- the percentage and dollar value of the assets controlled by the Investment Committee that are under the investment control of MBE brokerage and investment services firms for each allocated asset class; and
- the measures taken by the Investment Committee in the immediately preceding fiscal year to remove barriers that limit the full participation by MBEs in brokerage and investment management services opportunities with the committee.

The bill also alters the due date, from December 1 to December 31, for an annual report submitted to specified committees of the General Assembly that includes information regarding the State Retirement and Pension System's private equity and venture capital investments in entities or vehicles that are located in the State, operate in the State, or that are reasonably expected to invest in entities in the State.

Deferred Retirement Option Program

A member of SPRS is eligible for DROP for a period not to exceed the lesser of 7 years or the difference between 32 years and the member's *employment*, rather than the difference between 32 years and the member's *eligibility service*.

Current Law: Maryland State Troopers, Maryland State Police Cadets, and the Secretary of State Police are members of SPRS as a condition of their employment. Their member contribution is 8% of earnable compensation, except that they stop making contributions after 28 years of service. Members hired on or before June 30, 2011, are eligible for a normal service retirement after 22 years of service or at age 50. Members hired after that date are eligible for a normal service retirement after 25 years or at age 50. Their normal service retirement allowance is equal to 2.55% of their average final compensation for each year of creditable service, except that members stop accruing creditable service after 28 years. SPRS members are not eligible for Social Security benefits and, except for the Secretary of State Police, must retire at age 60.

SPRS members are eligible for participation in DROP. Members hired on or before June 30, 2011, are eligible if they have at least 22 years but fewer than 32 years of eligibility service and are younger than age 60. Members hired after that date are eligible if they have at least 25 years but fewer than 32 years of service and are younger than age 60. Regardless of their date of hire, SPRS members may participate in DROP for the lesser of (1) 7 years; (2) the difference between 32 years and their eligibility service; (3) the difference between 60 years and their age; or (4) a term chosen by a member. While in DROP, members are deemed to be retired, but they continue to work with their normal salary and benefits. While in DROP, they do not accumulate any additional service credit, and their retirement benefits are deposited into an account that earns 4% interest annually. Upon retirement, members receive the lump sum payment from their DROP account and their normal service retirement benefit.

State Expenditures: The bill's provisions that alter eligibility for SPRS DROP correct an unintended consequence due to the enactment of Chapters 587 and 588 of 2020, which exempted members of SPRS from making member contributions when they reached 28 years of service credit. Section 24-302 of the State Personnel and Pensions Article specifies that members only earn service credit for months in which a member contribution is made. Thus, SPRS members never reach 32 years of eligibility credit, which is one of the caps for participation in DROP, and could stay in DROP for up to four additional years. SRA advises that it is aware of only one individual whose eligibility for DROP is affected by the bill. Thus, linking DROP eligibility to years of employment rather than service credit restores eligibility to intended levels and has no material effect on State pension liabilities or contribution rates.

Additional Information

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

Designated Cross File: SB 692 (Senator M. Jackson)(Chair, Joint Committee on Pensions) - Budget and Taxation.

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

Fiscal Note History: First Reader - February 12, 2025
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