

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 872
Appropriations

(Delegate Coley, *et al.*)

Budget and Taxation

Law Enforcement Officers' Pension System - Seat Pleasant Police Department

This bill makes local law enforcement officers of the Seat Pleasant Police Department members of the Law Enforcement Officers' Pension System (LEOPS) as a condition of employment, subject to Seat Pleasant beginning participation in LEOPS as a participating governmental unit (PGU). Participating members receive eligibility and creditable service in LEOPS for past employment with Seat Pleasant. **The bill takes effect June 1, 2026.**

Fiscal Summary

State Effect: None. The bill affects only the city of Seat Pleasant.

Local Effect: Assuming Seat Pleasant elects to participate in CORS and based on an actuarial analysis as of June 30, 2025, its pension liabilities increase by \$2,104,315. Due to a new entrant liability credit, net contributions increase by \$541,380 beginning as early as FY 2028. No discernible effect on pension liabilities or employer contribution rates for other PGUs in LEOPS. No effect on local revenues.

Small Business Effect: None.

Analysis

Current Law: Counties and municipal corporations are eligible to participate in LEOPS as PGUs. The legislative body of an eligible governmental unit may approve participation by its law enforcement officers, firefighters, or emergency medical technicians in LEOPS if the legislative body adopts a resolution in the form prescribed by the Board of Trustees of the State Retirement and Pension System. If the eligible governmental unit participates in a State system or operates a local plan, at least 60% of the specified participants of the

plan must petition to become members of LEOPS and the legislative body must approve participation in lieu of participation in the State system or local plan. Furthermore, the State system or local plan of the eligible governmental unit must require (1) member contributions of the same rate as the member contribution rate that would be applicable to members of LEOPS or (2) if the eligible governmental unit does not offer an employer pickup program for member contributions, it must certify that it will not use one following participation in LEOPS. According to the Internal Revenue Service, a pickup program refers to a retirement plan established by a governmental unit where the contributions of employing units are designated employee contributions, but the employer “picks up” the contributions so that they may be treated as employer contributions for tax purposes.

If the eligible governmental unit approves participation in LEOPS, the operation of any local plan or State system for law enforcement officers, firefighters, emergency medical technicians, or paramedics terminates on the effective date, which is July 1 of the year following the fiscal year in which the governmental unit elects to participate in LEOPS. If a law enforcement officer, firefighter, emergency medical technician, or paramedic joins LEOPS on the effective date, the member is entitled to credit for employment with the governmental unit before the effective date.

The assets to the credit of the local plan or State plan with respect to the specified members must be transferred to LEOPS and the trustee or administrative head of the local plan or State system must certify the proportion of the funds of the local plan or State system that represents the accumulated contributions of the members as of that date. The accumulated contributions must be credited to the respective annuity savings accounts of the members in LEOPS. The balance of the funds transferred to LEOPS may be offset against any special accrued liability to be funded by the governmental unit.

If an eligible governmental unit does not satisfy the requirements to participate in LEOPS, it may still submit a request to the Board of Trustees. The Board of Trustees must consider this request and determine whether any legislation is necessary to allow the governmental unit to participate in LEOPS. The Board of Trustees must subsequently make recommendations to the Joint Committee on Pension regarding any legislation that it determines is necessary to allow the eligible governmental unit to participate in LEOPS.

Local Expenditures: Typically, when a PGU is considering joining a State plan, it requests that the State Retirement Agency conduct an actuarial valuation to determine the costs or benefits of doing so. For this bill, Seat Pleasant requested an actuarial valuation of the cost for its law enforcement officers to join LEOPS. The analysis was conducted in November 2025.

Under LEOPS, Seat Pleasant liabilities for the 25 law enforcement officers that would be added to the system increase by \$2,104,315, and the annual cost for those members is

initially estimated to increase by \$680,330 starting in fiscal 2028 due to the employer contributions Seat Pleasant must make on behalf of its officers (39.56%). However, because the 25 Seat Pleasant law enforcement officers are generally younger, have less service credit, and have lower average compensation than the current municipal LEOPS membership pool, Seat Pleasant receives a new entrant liability credit of \$138,950 per year for 25 years, resulting in a net estimated contribution increase of \$541,380 beginning in fiscal 2028 (\$680,330 - \$138,950).

Additional Comments: Seat Pleasant is not currently a PGU in any State pension system.

Additional Information

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

Designated Cross File: None.

Information Source(s): Bolton; State Retirement Agency; Internal Revenue Service; Department of Legislative Services

Fiscal Note History: First Reader - February 20, 2026
jg/mcr Third Reader - March 12, 2026

Analysis by: Andrew Stover

Direct Inquiries to:
(410) 946-5510
(301) 970-5510