



Testimony in Support of Senate Bill 724
State Retirement and Pension System - Cost-of-Living Adjustments - Clarification
Senate Budget and Tax Committee
February 19, 2026
9:00 A.M.

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The Board of Trustees for the State Retirement and Pension System wishes to express its support for Senate Bill 724, State Retirement and Pension System - Cost-of-Living Adjustments - Clarification.

Senate Bill 724 clarifies the method to calculate the Consumer Price Index as defined under § 29-401(d) of the State Personnel and Pensions Article, for calendar year 2025. This definition provides that the “Consumer Price Index is the annual average of the Consumer Price Index value (all urban consumers, United States city average, all items, not seasonally adjusted, 1982-1984 = 100) for the calendar year, as published by the U.S. Department of Labor, Bureau of Labor Statistics.” The annual “average” referenced in § 29-401(d) is based on the average of the CPI Value reported by Bureau of Labor Statistics (BLS) for each month in a given calendar year. Senate Bill 724 defines “CPI Value” as “the Consumer Price Index value (all urban consumers, United States city average, all items, not seasonally adjusted, 1982-1984 = 100) for a month, as published by the U.S. Department of Labor, Bureau of Labor Statistics.”

For calendar year 2025, the BLS did not publish a CPI Value for October. Without this data point for October, under the current provisions of Title 29 Subtitle 4 of the State Personnel and Pensions Article, it is not possible to calculate the annual Consumer Price Index for calendar year 2025 that is necessary to determine the cost-of-living rate used to adjust an allowance effective July 1, 2026 and July 1, 2027. The cost-of-living rate used to determine the annual cost of living adjustments for the retirees and beneficiaries of the System is further subject to cost-of-living rate caps as provided by statute.

Senate Bill 724 provides a method to determine an October 2025 Index Value that would make it possible to determine the cost-of-living rate for FY 2027 and 2028. Using the method described in the bill produces an October 2025 Index Value of 324.461, which will result in a cost-of-living rate of 2.698% effective July 1, 2026. Importantly, the cost-of-living adjustment payable to retirees may not exceed the cost-of-living rate cap that is applicable to an allowance pursuant to statute, therefore, an individual’s actual cost-of-living adjustment may be lower than the cost-of-living rate. For example, retirees of the Employees’ Pension System and Teachers’ Pension System are subject to a cost-of-living rate cap of 3% for the portion of an allowance based on creditable service earned before July 1, 2011. For an allowance

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based upon creditable service earned on or after July 1, 2011, the cost-of-living rate cap for these individuals is either 2.5% or 1%, depending on the total investment performance for the calendar year ending December 31 of the preceding fiscal year.

We appreciate being given this opportunity to express our support to the Budget and Tax Committee for this legislation and would request a favorable report on Senate Bill 724.