HB 415

Department of Legislative Services
Maryland General Assembly
2024 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 415 (Delegate Forbes)(Chair, Joint Committee on Pensions)
Appropriations Budget and Taxation

State Retirement and Pension System - Administration - Clarification and Technical Correction

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This bill authorizes the Board of Trustees of the State Retirement and Pension System (SRPS) to pay, within 30 days, any remaining earned financial incentives to the Chief Investment Officer (CIO) if the CIO retires directly from the Investment Division. It also clarifies that only members of the State Police Retirement System (SPRS) (and, therefore, not members of the Law Enforcement Officers' Pension System (LEOPS)) must terminate their participation in the Deferred Retirement Option Program (DROP) before reaching age 60. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: None. The bill is technical and clarifying in nature and has no direct effect on State pension liabilities or contribution rates. No effect on revenues.

Local Effect: None. The bill is technical (with respect to LEOPS) and has no direct effect on local pension liabilities or contribution rates. No effect on revenues.

Small Business Effect: None.

Analysis

Current Law:

Chief Investment Officer Compensation

In addition to setting the compensation of the CIO, the SRPS board may also award financial incentives to the CIO. Any financial incentives must be paid over multiple fiscal years in equal installments. If the CIO separates from employment, the SRPS board may not pay out any remaining financial incentives due to be paid after the date of separation.

Deferred Retirement Option Program

An SPRS member is eligible to retire at age 50 or after accumulating 22 years of eligibility service (if hired before July 1, 2011) or 25 years of eligibility service (if hired on or after July 1, 2011). A member must retire at age 60.

SPRS and LEOPS members are eligible to participate in DROP. For SPRS, members hired before July 1, 2011, are eligible to participate if they have at least 22 years of eligibility service but less than 30 years. SPRS members hired on or after July 1, 2011, and all LEOPS members are eligible for DROP if they have at least 25 years of eligibility service but less than 30 years. Regardless of their date of hire, their time in DROP cannot exceed 7 years (some members are subject to shorter limits if their time in DROP will cause them to pass age 60 (for SPRS) or their maximum number of years of service). During the DROP period, members continue employment at their regular salary but are deemed to be retired and do not earn any additional service credit. The retirement allowance is placed in an account earning 4% annual interest. At the end of the DROP period, the lump sum held in the DROP account is paid to the member, who must then terminate employment and receive a regular retirement allowance.

More specifically, Chapter 400 of 2023 allows members of SPRS or LEOPS to remain in DROP for up to seven years (two additional years beyond the five years previously allowed). However, it inadvertently establishes that members of both systems terminate participation in DROP before reaching age 60. As only SPRS has mandatory retirement at age 60, Chapter 400 erroneously requires LEOPS members to end participation early. The State Retirement Agency became aware of this error and has been interpreting the provision to apply only to SPRS members, consistent with the Attorney General's bill review letter.

Additional Information

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

Designated Cross File: SB 320 (Senator Jackson)(Chair, Joint Committee on Pensions) - Budget and Taxation.

Information Source(s): Department of State Police; State Retirement Agency; Office of the Attorney General; Department of Legislative Services

Fiscal Note History: First Reader - January 18, 2024
rh/ljm Third Reader - March 16, 2024
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