

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 331 (Senator Jackson)
 Budget and Taxation

State Police Retirement System - Mandatory Retirement Age - Repeal

This bill repeals mandatory retirement at age 60 for members of the State Police Retirement System (SPRS) and clarifies eligibility requirements for participation in the SPRS Deferred Retirement Option Program (DROP). Specifically, 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*. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: State pension liabilities *decrease* by \$3.2 million and the normal cost *decreases* by \$120,000, yielding a first-year general fund savings of \$470,000 in FY 2027; savings continue to accrue in the out-years according to actuarial assumptions. Potential operational effects on the Department of State Police (DSP). Altering eligibility for DROP has no material effect on State pension liabilities or contribution rates. No effect on revenues.

(in dollars)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	(470,000)	(490,000)	(500,000)	(510,000)
Net Effect	\$0	\$470,000	\$490,000	\$500,000	\$510,000

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: None.

Analysis

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 has two contrasting effects on SPRS liabilities. First, it allows some SPRS members to accrue additional service credit if they do not have the maximum 28 years of service credit by age 60. However, it also allows SPRS members to defer their retirement for an unlimited amount of time, which reduces the amount of their total lifetime retirement benefits. The net effect is a slight *reduction* in SPRS unfunded liabilities.

To estimate the bill's effects on SPRS liabilities, the General Assembly's consulting actuary adjusted the assumed rates of retirement to reflect the fact that some members would continue working beyond age 60. The actuary set the retirement rate at 100% for members reaching age 70, with commensurate adjustments between age 60 and 70. However, the actuary advises that the bill may have a limited effect because more than 90% of current members will have more than 28 years of service at age 60 and, therefore, may not wish to continue working. Based on the actuary's new assumptions, no members are assumed to still be in service at age 65. Thus, to the extent that members remain in

service beyond age 60, they mostly generate savings for the plan due to delayed retirement payments.

As a result, under these assumptions, State pension liabilities *decrease* by \$3.2 million and the normal cost *decreases* by \$120,000. Amortizing the savings according to the system's amortization policy and adding the full normal cost yields first-year savings of \$470,000 in fiscal 2027. Savings continue to accrue in the out-years in accordance with actuarial assumptions. State Police compensation is paid entirely with general funds.

Deferred Retirement Option Program Provisions

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. The Department of Legislative Services notes, that, based on the actuarial analysis described above, very few SPRS members likely remain employed for that long. Nevertheless, 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.

Operational Effects

DSP advises that repealing mandatory retirement at age 60 may have detrimental effects on the department. Allowing older troopers to remain employed limits promotional opportunities for younger members and could affect officer safety and effectiveness in jobs that are mentally and physically demanding.

Additional Information

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

Designated Cross File: None.

Information Source(s): Bolton; Department of State Police; Department of Legislative Services

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