

Department of Legislative Services
 Maryland General Assembly
 2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 812 (Senators Bailey and Jackson)
 Budget and Taxation

**Law Enforcement Officers' Pension System and State Police Retirement System -
 Line-of-Duty Catastrophic Injury Disability**

This bill creates a catastrophic disability benefit for members of the State Police Retirement System (SPRS) and Law Enforcement Officers' Pension System (LEOPS). Under the new benefit, a member of SPRS or LEOPS who is unable to engage in any substantial gainful activity due to a medically determinable physical or mental impairment that can be expected to result in death or to be of long-continued and indefinite duration is entitled to a disability benefit equal to the sum of (1) an annuity that is the actuarial equivalent of the member's accumulated contributions and (2) a pension equal to 100% of the member's average final compensation (AFC). A member of SPRS or LEOPS who is awarded a catastrophic disability benefit is not eligible for an accidental, special, or ordinary disability benefit. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: Based on actuarial assumptions discussed below, State pension liabilities increase by *at least* \$6.98 million and the normal cost increases by *at least* \$3.65 million, resulting in State pension contributions increasing by *at least* \$4.57 million in FY 2027. Those costs are projected to increase annually according to actuarial assumptions and are paid by a combination of general and special funds. No effect on revenues.

(\$ in millions)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	2.20	2.25	2.30	2.36
GF/SF Exp.	0	2.37	2.44	2.51	2.58
Net Effect	\$0.00	(\$4.57)	(\$4.69)	(\$4.81)	(\$4.94)

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

Local Effect: Based on the same actuarial assumptions, employer pension contributions for 35 LEOPS participating governmental units (PGUs) increase by *at least* \$1.44 million beginning in FY 2027, as discussed below. No effect on revenues.

Small Business Effect: None.

Analysis

Current Law: A member of LEOPS is eligible for an accidental disability retirement benefit if (1) *the member is totally and permanently incapacitated for duty arising out of or in the course of the actual performance of duty* without willful negligence by the member (emphasis added) and (2) the medical board certifies that the member is totally incapacitated, either mentally or physically, for the further performance of duty; the incapacity is likely to be permanent; and the member should be retired. A member of SPRS is entitled to the same benefit under the same conditions, except that it is called a “special” disability benefit instead of an accidental disability benefit.

An accidental or special disability benefit is equal to the lesser of (1) a member’s AFC or (2) the sum of an annuity based on the actuarial value of the member’s accumulated contributions and a pension equal to two-thirds of the member’s AFC.

State Expenditures: The catastrophic disability benefit created by the bill is different from an accidental or special disability benefit in three important ways:

- the disabling condition need not result from or occur in the line of duty;
- the disabling condition must result in the member being unable to engage in *any* substantial gainful activity (instead of being incapacitated for duty); and
- the benefit includes 100% of AFC instead of two-thirds of AFC (the most common benefit awarded under accidental or special disability).

To estimate the bill’s effect on State pension liabilities, the General Assembly’s consulting actuary modeled the effect if 50% of claims for accidental or special disability benefits under current law are instead awarded the catastrophic disability benefit. Based on that assumption, State pension liabilities increase by \$6.98 million and the normal cost increases by \$3.65 million. Amortizing the increased liabilities in accordance with the State Retirement and Pension System’s amortization policy and adding the full normal cost results in State pension contributions increasing by \$4.57 million in fiscal 2027. Those costs are projected to increase in the out-years according to actuarial assumptions and are paid by a combination of general and special funds (all general funds for SPRS and both general and special funds for LEOPS).

The Department of Legislative Services notes that the bill has the potential to increase the number of disability claims overall because the catastrophic disability benefit does not require that the disabling condition occur in the line of duty. To the extent that the number

of disability claims increases and the claims are evenly split between accidental/special and catastrophic, costs may be substantially greater.

Local Expenditures: Local governments can participate in LEOPS as PGUs. Using the same assumptions as for the State plans, the actuary estimates that local pension contributions for PGUs increase by \$1.44 million in fiscal 2027. Those costs similarly increase annually according to actuarial assumptions and are shared by 35 PGUs (proportionally based on membership payroll) that participate in LEOPS.

Additional Information

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

Designated Cross File: None.

Information Source(s): Bolton; Maryland Municipal League; Department of State Police; State Retirement Agency; Department of Legislative Services

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rh/ljm

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