

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 710 (Senator Corderman, *et al.*)
 Budget and Taxation

Correctional Officers' Retirement System - Reemployment After Retirement -
 Exemption from Earnings Offset

This bill allows a retiree of the Correctional Officers' Retirement System (CORS) to be reemployed with any employer on a permanent, temporary, or contractual basis that participates in the State Retirement and Pension System (SRPS) without being subject to a reduction to the retiree's allowance. The bill also repeals existing exemptions to the benefit reduction and reporting requirements related to the reemployment of CORS retirees. **The bill takes effect July 1, 2026.**

Fiscal Summary

State Effect: State pension liabilities increase by \$42.4 million, and the normal cost increases by \$2.08 million due to earlier retirements. As a result, State pension contributions increase by \$8.23 million in FY 2029. These costs are assumed to be allocated 60% general funds, 20% special funds, and 20% federal funds and increase annually according to actuarial assumptions. No effect on revenues.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	0	0	4,938,000	5,070,000	5,214,000
SF Expenditure	0	0	1,646,000	1,690,000	1,738,000
FF Expenditure	0	0	1,646,000	1,690,000	1,738,000
Net Effect	\$0	\$0	(\$8,230,000)	(\$8,450,000)	(\$8,690,000)

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

Local Effect: Since it is assumed that the bill applies in a limited number of cases, there is no discernible effect on pension liabilities or contribution rates for participating governmental units that participate in CORS. No effect on revenues.

Small Business Effect: None.

Analysis

Current Law:

Normal Service Retirement

A CORS member may retire with a normal service retirement allowance if the member (1) has 20 years of service or (2) is at least 55 years old with at least 5 years of eligibility service credit if the member was a member on June 30, 2011, or at least 10 years of eligibility service credit for an individual who became a member on or after July 1, 2011.

Offset of Benefits for Reemployment

In general, a retiree who receives a retirement benefit from SRPS may be reemployed, except that the retiree may not be reemployed by the State or any participating SRPS employer within 45 days of retiring. In most cases, a retiree who is rehired by the same employer for whom the retiree worked at the time of retirement is subject to an earnings cap. The purpose of the cap, which is the member's average final compensation at the time of retirement, is to ensure that a retiree does not earn more in retirement than the retiree earned as an active member with the same employer. If the sum of a retiree's earnings with the same employer and initial retirement allowance exceeds the earnings cap, the retiree is subject to a dollar-for-dollar offset of the retirement benefit for any amount that exceeds the cap. For a member who retires directly from State service, the State is regarded as a single employer, so reemployment with any State agency activates the benefit reduction.

For CORS retirees, the benefit reduction does not apply to:

- an individual who has been retired for five years, beginning on January 1, after the date the individual retires;
- an individual whose average final compensation was less than the minimum annual salary on the standard State pay scale as of January 1 of the preceding year;
- an individual serving in an elected position as an official of a participating governmental unit (PGU) or as a constitutional officer for a county that is a PGU;
- a retiree of CORS who is reemployed on a contractual basis for no more than four years by the Division of Corrections, Division of Pretrial Detention and Services, or the Patuxent Institution in the Department of Public Safety and Correctional Services (DPSCS) as a correctional officer in a correctional facility; or
- a retiree of CORS who is reemployed on a contractual basis for no more than four years as a parole and probation employee.

An individual who is receiving a service retirement allowance or a vested allowance and is reemployed by a participating employer may not receive creditable service or eligibility service during the period of reemployment.

Immediately upon the employment of an individual receiving an allowance, participating employers must notify the State Retirement Agency (SRA) of the type of employment and the anticipated earnings of the individual. At least once per year, each participating employer must provide SRA with a list of all employees included on any payroll of the employer, the Social Security numbers of the employees, and their earnings for that year.

The Division of Corrections, Division of Pretrial Detention and Services, and Patuxent Institution in DPSCS must notify SRA of retirees who are eligible for an exemption to the benefit reduction as a correctional officer in a correctional facility. These entities must also annually report to the Joint Committee on Pensions on (1) the number of rehired retirees eligible for specified exemptions; (2) the annual salary of each retiree at the time of retirement and the current annual salary of each rehired retiree; (3) the number of correctional officers hired who are not retirees; and (4) the annual salary of each correctional officer who is hired.

State Expenditures:

Offsets for Current CORS Retirees

Most CORS members who retire and begin receiving benefits are not rehired by a participating employer. Over the past five calendar years, the highest number of CORS retirees rehired by a participating employer in a single year was 60 individuals in calendar year 2024, out of approximately 7,400 retirees. Furthermore, the highest number of CORS retirees eligible for an exemption from the benefit offset under current law (for returning as a correctional officer) was 5 individuals in calendar year 2020. SRA's actuary has indicated that benefit offsets are not reflected in its annual actuarial valuation. As a result, the valuation effectively assumes that all rehired retirees receiving a CORS benefit, including the 60 individuals rehired in calendar year 2024, receive both their full salary and full pension benefit. As the bill eliminates the offsets for all CORS retirees who are reemployed with a participating employer, it reflects current actuarial practice (which does not account for the offsets) and therefore has no practical effect on State pension liabilities.

Earlier Retirements

However, by allowing all CORS retirees to be reemployed by any participating employer and in any position (instead of just in correctional positions) without an offset, the bill creates an incentive for retirement-eligible CORS members to retire earlier than they otherwise might. Rather than delaying retirement, members can retire as soon as they become eligible, begin receiving their full CORS pension benefit, and then, after at least 45 days, be rehired by a participating employer (including their former employer) and also receive a full salary (effectively increasing their annual income by at least 40%). Earlier-than-expected retirements increase State pension liabilities because it requires SRPS to pay benefits to each retiree over a longer period of time.

With this in mind, the General Assembly's consulting actuary adjusted the retirement assumptions for CORS to reflect earlier retirements. Specifically, the actuary increased expected retirement rates by 10 percentage points at the point when an employee first becomes eligible for retirement, with that adjustment gradually declining to 5 percentage points over a 15-year period. Although not included in this analysis, CORS may see normal cost savings as individuals retire and are subsequently rehired to the extent that those individuals are filling positions that would have otherwise been filled by new hires to the system. Since these individuals are returning as CORS retirees that earn no new benefits for their reemployment, the State does not have to make employer contributions for these members.

Based on these assumptions and the bill's July 1, 2026 effective date, the change in the CORS offset policy is first recognized with the June 30, 2027 actuarial valuation (when new retirees are first reflected in retiree counts), which determines pension contribution rates for fiscal 2029. Thus, there is no fiscal effect until fiscal 2029. The actuary estimates that pension liabilities increase by \$42.36 million and the normal cost increases by \$2.08 million. Amortizing the increase in liabilities over 10 years and adding the full normal cost increase results in first-year State pension contributions increasing by \$8.23 million in fiscal 2029. Costs are assumed to be allocated 60% general funds, 20% special funds, and 20% federal funds and increase annually according to actuarial assumptions. To the extent that actual retirement patterns differ from the assumptions used in this analysis, the fiscal effects will differ.

Additional Information

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

Designated Cross File: HB 1194 (Delegate D. Jones) - Appropriations.

Information Source(s): Bolton; Maryland Department of Health; Department of Juvenile Services; Department of Public Safety and Correctional Services; State Retirement Agency; Department of Legislative Services

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