

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 930 (Senator Harris)
Budget and Taxation

State Police Retirement System - Special Disability Retirement

This bill allows an individual who (1) became a member of the State Police Retirement System (SPRS) Deferred Retirement Option Program (DROP) on or after July 1, 2020; (2) ceased participation in DROP before July 1, 2026; and (3) prior to enrolling in DROP, was involved in a work-related incident to submit an application for a special disability retirement allowance. **The bill takes effect July 1, 2026, and terminates December 31, 2026.**

Fiscal Summary

State Effect: Since it is assumed that the bill applies in a limited number of cases, there is no discernible effect on State pension liabilities or contribution rates. No effect on revenues.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: An individual that meets the bill's criteria must submit an application to the State Retirement Agency (SRA) for a special disability retirement allowance on or before December 31, 2026.

If the State Retirement and Pension System grants a special disability retirement allowance in accordance with the bill, the retiree is entitled to (1) benefits from the date of the award of a special disability retirement allowance and (2) a retroactive benefit equal to the

difference between the special disability benefits that would have been paid in accordance with State law and the normal service retirement benefits already received through the date of an award of a special disability retirement allowance.

Current Law:

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 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 32 years. SPRS members hired on or after July 1, 2011, are eligible for DROP if they have at least 25 years of eligibility service but less than 32 years. Regardless of their date of hire, their time in DROP cannot exceed 7 years (however, members are subject to shorter limits if their time in DROP will cause them to pass age 60 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.

Special Disability Retirement for DROP Members

A DROP member is eligible to apply for a special disability retirement allowance if after the DROP member commences participation in DROP:

- the member is totally and permanently incapacitated for duty arising out of or in the course of the actual performance of duty that occurs while participating in DROP, and without willful negligence of the member; and
- the medical board certifies that (1) the member is totally incapacitated, either mentally or physically, for the further performance of duty by the occurrence that happened in the performance of duty; (2) the incapacity is likely to be permanent; and (3) the member should be retired.

A special disability retirement allowance for a member equals the lesser of the member's average final compensation as of the DROP member's application for a special disability retirement allowance or the sum of (1) an annuity that is the actuarial equivalent of the member's accumulated contributions at retirement and (2) a pension equal to two-thirds of the member's average final compensation.

Additional Comments: This bill authorizes (but does not require) the award of a disability retirement allowance to a retiree that has already retired with a normal service retirement benefit. Before a service retirement can be converted retroactively to a line of duty disability, SRA would need to receive a private letter ruling from the Internal Revenue Service (IRS) approving this retroactive provision. Without IRS approval, the award of a disability retirement allowance after retirement could jeopardize the system's tax qualified status. Based on previous decisions, SRA does not expect the IRS to approve the award.

Additional Information

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

Designated Cross File: None.

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

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