

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 654 (Senator Augustine)
 Budget and Taxation

State Police Retirement System - Mandatory Retirement Age - Alteration

This bill increases the mandatory retirement age for members of the State Police Retirement System (SPRS) from 60 to 62 and makes corresponding changes to eligibility requirements for the Deferred Retirement Option Program (DROP). The bill also allows any SPRS member that began participation in DROP before June 1, 2026, and continues participation on or after that date to extend their participation in DROP until reaching age 62 or completing seven years in DROP, whichever occurs first. **The bill takes effect June 1, 2026.**

Fiscal Summary

State Effect: State pension liabilities *decrease* by \$2.11 million, and the normal cost *decreases* by \$60,000. As a result, State pension contributions (general funds) *decrease* by \$290,000 in FY 2028. Savings continue to accrue in the out years 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	(290,000)	(300,000)	(310,000)	(320,000)
Net Effect	\$0	\$290,000	\$300,000	\$310,000	\$320,000

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: 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 fewer 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 fewer 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.

State Expenditures: With an increased mandatory retirement age, some members of SPRS may decide to retire later than they might otherwise have. For this analysis, the General Assembly's consulting actuary adjusted the retirement assumptions for SPRS. Specifically, the actuary delayed the 100% retirement assumption at age 60 (the current age of mandatory retirement) to 100% by age 62, phased in with 10% of members with less than 22 years of service (the years of service required for a normal retirement for members hired before July 1, 2011) retiring by ages 60 and 61, and 40% of members with 22 or more years of service retiring by ages 60 and 61. However, most members who have more than 22 years of service are not expected to be working at age 60. This analysis assumes that the bill does not materially change the average length of the DROP period for members who would be in DROP as of the effective date of the bill.

For the current population, more than 90% of SPRS members will have more than 28 years of service at age 60, which is the number of years of service needed to reach the maximum accrual rate of 71.4% of average final compensation. After 28 years of service, the only increase that members see to their pension benefits is from an increase in average final compensation. Therefore, any members that do stay beyond age 60 end up contributing to the pension system without receiving any additional accrual benefits, which decreases liabilities and contributions for the State.

An increase in retirement age would first be recognized in the June 30, 2026 actuarial valuation, which determines pension contribution rates for fiscal 2028. Thus, there is no fiscal effect until fiscal 2028. SPRS employer contributions are made entirely with general

funds. The actuary estimates that pension liabilities decrease by \$2.11 million and the normal cost decreases by \$60,000. Amortizing the decrease in liabilities over 12 years and subtracting the full normal cost decrease results in a decrease in first-year expenditures (general funds) for State pension contributions of \$290,000. Savings continue accrue in the out years 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 1020 (Delegate Chang) - Appropriations.

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

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jg/mcr

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