

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1139
Appropriations

(Delegate Forbes)(Chair, Joint Committee on Pensions)

Budget and Taxation

State Retirement and Pension System - Administration and Clarification

This bill makes various procedural and technical changes to the administration of State Retirement and Pension System (SRPS) plans. **The bill takes effect June 1, 2026.**

Fiscal Summary

State Effect: None. The bill is clarifying and procedural in nature and does not directly affect governmental finances.

Local Effect: Local government expenditures increase to the extent that a county fails to make timely payments to SRPS required under current law. No effect on revenues.

Small Business Effect: None.

Analysis

Bill Summary:

Local Payments to the State for Teacher's Retirement and Pension Systems

The bill establishes an interest rate of 7.75% on delinquent payments that county governments are required to make to SRPS under current law. The interest payments are added to the amount that the Comptroller is required to pay to the SRPS Board of Trustees when a county is delinquent in its payments to the system.

Participation in SRPS as a Participating Governmental Unit

For an eligible governmental unit to participate in the Employees' Pension System (EPS), Law Enforcement Officers' Pensions System (LEOPS), or Correctional Officers' Retirement System (CORS) as a participating governmental unit (PGU), the unit must make enrollment in the applicable system available to all of the unit's eligible employees. Eligible employees must submit necessary documentation, which includes election forms indicating affirmatively that an employee does or does not intend to participate in the plan; except in specified cases, an employee that does not complete the documentation is deemed to have elected to participate. As a condition of joining an applicable plan, the appointing local authority of an employee that does complete the necessary documentation must submit an affidavit to the State Retirement Agency (SRA) that states the date that the authority provided an employee with the necessary forms and the name of any employee that did not submit the forms.

Service Credit for Prior Employee Service

Except as otherwise specified, eligible employees of a PGU that elect to join EPS, LEOPS, or CORS on the effective date of PGU's participation in the plan must receive 100% service credit for their prior employment with the PGU.

Current Law:

Local Payments for Teachers' Retirement and Pension Systems

Employer contributions for the Teachers' Retirement System (TRS) and the Teachers' Pension System (TPS) are shared by the State and local school boards of education. Accordingly, local school boards make payments to the Board of Trustees equivalent to the actuarial normal cost for TRS and TPS members. Payments for the normal cost must be made to the Board on a quarterly basis, although the Board may allow a grace period of up to 10 days for late payments. However, in the event that local school systems do not make the payment within the required time, the Comptroller must withhold the amount due from any payments due to the school system from the general fund and pay that amount to the Board of Trustees. An interest penalty of 7.75% per year is added to late payments. On receipt of payment from a local school board or the Comptroller, the Board of Trustees must credit the payments to the accumulation fund of the appropriate State system.

Chapter 604 of 2025 (the Budget and Reconciliation Act of 2025) included a permanent reduction of \$97.7 million to the State share of employer contributions for TRS/TPS members employed by local governments. Instead, counties and Baltimore City are required to pay a commensurate amount to SRPS each year. The county payments are due in full by September 1 of each year, and are subject to the same offset by the Comptroller

in the event of a late payment. However, there is no statutory interest penalty for late payments by county governments or Baltimore City as there is for late normal cost payments by local school boards.

Participation in SRPS as a Participating Governmental Unit

Counties and municipal corporations are eligible to participate in EPS, LEOPS, and CORS, while special taxing areas and specially identified governmental units are also eligible to participate in EPS as PGUs. The legislative body of an eligible governmental unit may approve participation by its employees in one of the State Retirement and Pension Systems' (SRPS) plans if the legislative body adopts a resolution in the form prescribed by the SRPS Board of Trustees. For LEOPS, employees eligible to participate in the plan include law enforcement officers, firefighters, or emergency medical technicians, while local detention officers are eligible to participate in CORS.

If the eligible governmental unit participates in a State system or operates a local plan, at least 60% of the eligible members of the local plan must petition to become members of the specified SRPS plan and the legislative body must approve participation in lieu of participation in the State system or local plan. Furthermore, the State system or local plan of the eligible governmental unit must require (1) member contributions of the same rate as the member contribution rate that would be applicable to members of the specified SRPS plan or (2) if the eligible governmental unit does not offer an employer pickup program for member contributions, it must certify that it will not use one following participation in the specified SRPS plan. According to the Internal Revenue Service, a pickup program refers to a retirement plan established by a governmental unit where the contributions of employing units are designated employee contributions, but the employer "picks up" the contributions so that they may be treated as employer contributions for tax purposes.

If the eligible governmental unit approves participation in specified SRPS plan, the effective date of participation is the July 1 following the fiscal year in which the governmental unit elects to participate in the plan. If the unit does not provide the Board of Trustees with the necessary documentation to join the plan on or before the effective date, the effective date will be postponed until July 1 of the second year following the fiscal year in which the unit elects to participate.

If an eligible governmental unit does not satisfy the requirements to participate in the specified SRPS plan, it may still submit a request to the Board of Trustees. The Board of Trustees must consider this request and determine whether any legislation is necessary to allow the governmental unit to participate in the plan. The Board of Trustees must subsequently make recommendations to the Joint Committee on Pension regarding any legislation that it determines is necessary to allow the eligible governmental unit to participate in the specified SRPS plan.

Employee Participation in a Participating Governmental Unit's Plan

Except as specified, an employee that joins the specified SRPS plan on the effective date of participation for a PGU is entitled to service credit for employment with the PGU before the effective date.

Membership in EPS is optional for employees of PGUs employed by the PGU before the effective date of participation in EPS and that remain an employee through the effective date. Those employees that wish to participate in EPS must elect to do so by filing a written application with the Board of Trustees prior to the effective date of participation. An election to join EPS is a one-time, irrevocable decision.

Additional Information

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

Designated Cross File: SB 734 (Senator Lewis Young)(Chair, Joint Committee on Pensions) - Budget and Taxation.

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

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