

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 647

(Senator Bailey)

Budget and Taxation

Appropriations

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 totally and permanently unable to engage in any substantial gainful activity because of a medically determinable physical impairment that is the natural and proximate result of an accident that occurred in the actual performance of duty at a definite time and place without negligence by the member is entitled to a catastrophic disability benefit. The benefit is 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, 2027.**

Fiscal Summary

State Effect: As the bill is expected to apply in a limited number of circumstances, as discussed below, it likely has no discernible effect on State pension liabilities or contribution rates. The State Retirement Agency (SRA) can likely implement the bill with existing budgeted resources, as discussed below. No effect on revenues.

Local Effect: As with the State, for participating governmental units that participate in LEOPS, the bill is expected to apply in only a limited number of cases, as discussed below, and, therefore, likely has no discernible effect on local governmental pension liabilities or contribution rates. No effect on revenues.

Small Business Effect: None.

Analysis

Bill Summary: The bill applies only prospectively and does not apply to any accident before the bill's delayed effective date of July 1, 2027.

Participants in Deferred Retirement Option Programs under SPRS or LEOPS are eligible for the catastrophic disability benefit under the same conditions as members not in the Deferred Retirement Option Programs.

An individual receiving the catastrophic disability benefit must have the benefit reduced to an accidental/special disability retirement if the individual is (1) employed at any time by an employer that participates in the State Retirement and Pension System or (2) engages in any substantial gainful activity. An individual who has the benefit reduced in this manner is no longer eligible for a catastrophic disability benefit.

Each year, an individual receiving a catastrophic disability benefit must provide SRA the individual's annual federal tax return with supporting documentation and any other information that SRA requires. An individual may request, and SRA may grant, an extension to provide the information, as specified. In the absence of an extension, if the individual fails to provide the information within 45 days after SRA sends a late notice, the individual's benefit is suspended. Once the information is provided, the benefit is restored, as specified.

By November 1, 2028, and annually thereafter, SRA must report to the Joint Committee on Pensions specified information about the awarding of catastrophic disability benefits.

Current Law: A member of LEOPS is eligible for an accidental disability retirement benefit (also called a "line-of-duty" 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/Local Expenditures:

Pension Liabilities

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

- the disabling condition must be physical (*i.e.*, not mental health related) and be the natural and proximate result of an accident that occurs at a specific time and place;
- 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).

Although the catastrophic disability benefit provides a more generous benefit payment than accidental/special disability, it is expected to apply in a very limited number of circumstances. The benefit is limited to instances in which a member of SPRS or LEOPS is severely *physically* injured in the line of duty as a result of a discrete accident or incident and can no longer engage in gainful employment of any kind. Such accidents (including shootings and vehicle accidents), while certainly not unprecedented, are fortunately rare. The Department of Legislative Services (DLS) notes that common causes of accidental/special disability benefits are not physical injuries, but rather mental health conditions and hypertension and related ailments, none of which qualify for the catastrophic benefit. Therefore, it is anticipated that the catastrophic disability benefit applies in only a limited number of instances over time and has no discernible effect on State pension liabilities and contribution rates.

State Retirement Agency

SRA advises that, if five or more SPRS and LEOPS members apply for and/or are awarded the catastrophic disability benefit each year, it may require one additional position to manage the application and review process. However, neither SRA nor DLS expects the number of applicants or awardees to exceed that amount in most years. Moreover, the bill does not increase the number of applicants for disability benefits, as a member who applies for the catastrophic benefit under the bill likely would have applied for an accidental/special disability benefit under current law. For both of these reasons, SRA likely does not require additional staff to implement the bill.

Additional Information

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

Designated Cross File: None.

Information Source(s): Anne Arundel, Baltimore, Charles, Dorchester, Garrett, and Howard counties; City of College Park; Maryland Municipal League; Department of State Police; State Retirement Agency; Department of Legislative Services

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