
By: **Delegate Proctor (Chairman, Joint Committee on Pensions)**

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Assigned to: Appropriations

Committee Report: Favorable

House action: Adopted

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CHAPTER 362

1 AN ACT concerning

2 **Retirement and Pensions - Transfers to or from Contributory Employees'**
3 **Pension System or Teachers' Pension System**

4 FOR the purpose of altering provisions of law that relate to the transfer of service
5 credit to or from certain State or local retirement or pension systems and to or
6 from the Employees' Pension System or the Teachers' Pension System by
7 members or former members who are subject to a certain contributory pension
8 benefit; altering the amount of the contributions to be deposited in certain
9 retirement or pension systems under certain circumstances for the transfer of
10 service credit to or from the part of the Employees' Pension System or the
11 Teachers' Pension System that provides a contributory pension benefit;
12 providing for certain reductions in retirement allowances based on certain
13 transfers of service credit under certain circumstances; defining certain terms;
14 and generally relating to transfers of service credit to or from the part of the
15 Employees' Pension System or the Teachers' Pension System that provides a
16 contributory pension benefit.

17 BY repealing and reenacting, with amendments,
18 Article - State Personnel and Pensions
19 Section 37-101(d), (j), (o), and (p) and 37-203
20 Annotated Code of Maryland
21 (1997 Replacement Volume and 1999 Supplement)

22 BY adding to
23 Article - State Personnel and Pensions
24 Section 37-101(o) and (p) and 37-203.1
25 Annotated Code of Maryland

1 (1997 Replacement Volume and 1999 Supplement)

2 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
3 MARYLAND, That the Laws of Maryland read as follows:

4 **Article - State Personnel and Pensions**

5 37-101.

6 (d) "Contributory system" means a State or local retirement or pension
7 system, OTHER THAN THE STATE CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR
8 THE STATE CONTRIBUTORY TEACHERS' PENSION SYSTEM, under which member
9 contributions are deducted from all compensation.

10 (j) (1) "Noncontributory system" means a State or local retirement or
11 pension system under which member contributions are not deducted from all
12 compensation.

13 (2) "NONCONTRIBUTORY SYSTEM" INCLUDES THE PART OF THE
14 EMPLOYEES' PENSION SYSTEM OF THE STATE OF MARYLAND AND THE PART OF THE
15 TEACHERS' PENSION SYSTEM OF THE STATE OF MARYLAND THAT DOES NOT PROVIDE
16 A CONTRIBUTORY PENSION BENEFIT UNDER TITLE 23, SUBTITLE 2, PART II OF THIS
17 ARTICLE.

18 (O) "STATE CONTRIBUTORY EMPLOYEES' PENSION SYSTEM" MEANS THE PART
19 OF THE EMPLOYEES' PENSION SYSTEM OF THE STATE OF MARYLAND THAT
20 PROVIDES A CONTRIBUTORY PENSION BENEFIT UNDER TITLE 23, SUBTITLE 2, PART II
21 OF THIS ARTICLE.

22 (P) "STATE CONTRIBUTORY TEACHERS' PENSION SYSTEM" MEANS THE PART
23 OF THE TEACHERS' PENSION SYSTEM OF THE STATE OF MARYLAND THAT PROVIDES
24 A CONTRIBUTORY PENSION BENEFIT UNDER TITLE 23, SUBTITLE 2, PART II OF THIS
25 ARTICLE.

26 [(o)] (Q) "State or local retirement or pension system" means any retirement
27 or pension system operated under the laws of the State or any political subdivision of
28 the State.

29 [(p)] (R) "State system" means a retirement or pension system that is included
30 in the Maryland State Retirement and Pension Systems under § 21-102 of this
31 article.

32 37-203.

33 (a) THIS SECTION DOES NOT APPLY TO A TRANSFER OF SERVICE CREDIT TO
34 OR FROM THE STATE CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE STATE
35 CONTRIBUTORY TEACHERS' PENSION SYSTEM.

1 (B) (1) An individual may not transfer service credit under this title unless
2 the individual makes a claim for the service credit within 1 year after becoming a
3 member of the new system.

4 (2) An individual may not transfer service credit from one contributory
5 system to another contributory system unless within 1 year after becoming a member
6 of the new system the individual deposits in the annuity savings fund or other
7 corresponding fund of the new system the total accumulated contributions to the
8 individual's credit in the annuity savings fund or other corresponding fund of the
9 previous system.

10 [(b)] (C) Except as provided in § 37-204 of this subtitle, an individual who
11 transfers service credit under this title shall receive service credit in the new system
12 in the amount of service credit accumulated under the previous system.

13 [(c)] (D) On verification of the service credit, the previous system may not
14 provide any benefit for service credit transferred from the previous system to a new
15 system under this title.

16 [(d)] (E)(1) Except as provided in paragraph (2) of this subsection, if an
17 individual transfers service credit under this title, the previous system shall refund
18 the individual's accumulated contributions on request.

19 (2) Accumulated contributions applicable to the receipt of service credit
20 or benefits in the new system may not be refunded if:

21 (i) an individual transfers from one noncontributory system to
22 another noncontributory system; or

23 (ii) a former member transfers under § 37-202(b) of this subtitle.

24 [(e)] (F) (1) Except as otherwise provided in this subsection, after an
25 individual transfers service credit to a new system under this title, the individual:

26 (i) shall pay the rate of contribution applicable to a member of the
27 new system; and

28 (ii) is eligible for a pension and annuity as provided under the new
29 system, determined by taking into account the transferred service credit.

30 (2) Except as provided in § 37-204 of this subtitle, if an individual
31 transfers from a noncontributory system to a contributory system, on retirement the
32 individual's retirement allowance shall be reduced by the actuarial equivalent of the
33 accumulated contributions that would have been deducted if the individual had
34 earned the transferred service credit under the new system, including interest on
35 those contributions.

36 (3) If an individual retires within 5 years after transferring into a new
37 system, the benefits payable with respect to the transferred service credit may not be

1 greater than the benefits that would have been payable by the previous system with
2 respect to that service if the individual had remained in the previous system.

3 37-203.1.

4 (A) (1) AN INDIVIDUAL MAY TRANSFER SERVICE CREDIT FROM A
5 CONTRIBUTORY SYSTEM TO THE STATE CONTRIBUTORY EMPLOYEES' PENSION
6 SYSTEM OR THE STATE CONTRIBUTORY TEACHERS' PENSION SYSTEM IF, WITHIN 1
7 YEAR AFTER BECOMING A MEMBER OF THE PENSION SYSTEM, THE INDIVIDUAL:

8 (I) COMPLETES A CLAIM FOR THE SERVICE CREDIT AND FILES IT
9 WITH THE BOARD OF TRUSTEES OF THE STATE RETIREMENT AND PENSION SYSTEM
10 ON A FORM THAT THE BOARD OF TRUSTEES PROVIDES; AND

11 (II) DEPOSITS IN THE ANNUITY SAVINGS FUND OF THE
12 EMPLOYEES' PENSION SYSTEM OR TEACHERS' PENSION SYSTEM MEMBER
13 CONTRIBUTIONS AT THE RATE OF 2% OF THE INDIVIDUAL'S EARNABLE
14 COMPENSATION WHILE A MEMBER OF THE CONTRIBUTORY SYSTEM AFTER JUNE 30,
15 1998, INCLUDING REGULAR INTEREST ON THE CONTRIBUTIONS AT THE RATE OF 5%
16 PER YEAR COMPOUNDED ANNUALLY.

17 (2) THE CONTRIBUTORY SYSTEM SHALL REFUND THE INDIVIDUAL'S
18 ACCUMULATED CONTRIBUTIONS IN EXCESS OF THE AMOUNT DETERMINED UNDER
19 PARAGRAPH (1) OF THIS SUBSECTION ON REQUEST.

20 (B) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, AN INDIVIDUAL
21 MAY TRANSFER SERVICE CREDIT FROM A NONCONTRIBUTORY SYSTEM TO THE
22 STATE CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE STATE
23 CONTRIBUTORY TEACHERS' PENSION SYSTEM IF, WITHIN 1 YEAR AFTER BECOMING A
24 MEMBER OF THE PENSION SYSTEM, THE INDIVIDUAL COMPLETES A CLAIM FOR THE
25 SERVICE CREDIT AND FILES IT WITH THE BOARD OF TRUSTEES FOR THE STATE
26 RETIREMENT AND PENSION SYSTEM ON A FORM THAT THE BOARD OF TRUSTEE
27 PROVIDES.

28 (2) THE NONCONTRIBUTORY SYSTEM MAY NOT REFUND THE
29 INDIVIDUAL'S ACCUMULATED CONTRIBUTIONS.

30 (3) (I) THIS PARAGRAPH APPLIES ONLY TO AN INDIVIDUAL WHO
31 EARNED ANY PORTION OF THE TRANSFERRED SERVICE CREDIT IN A
32 NONCONTRIBUTORY SYSTEM AFTER JUNE 30, 1998.

33 (II) ON RETIREMENT FROM THE STATE CONTRIBUTORY
34 EMPLOYEES' PENSION SYSTEM OR THE STATE CONTRIBUTORY TEACHERS' PENSION
35 SYSTEM, THE INDIVIDUAL'S RETIREMENT ALLOWANCE SHALL BE REDUCED BY THE
36 ACTUARIAL EQUIVALENT OF THE ACCUMULATED CONTRIBUTIONS THAT WOULD
37 HAVE BEEN DEDUCTED DURING THE PERIOD AFTER JUNE 30, 1998, WHEN THE
38 INDIVIDUAL WAS A MEMBER OF THE NONCONTRIBUTORY SYSTEM, IF THE
39 INDIVIDUAL HAD EARNED THE TRANSFERRED SERVICE CREDIT UNDER THE STATE
40 CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE STATE CONTRIBUTORY

1 TEACHERS' PENSION SYSTEM, INCLUDING REGULAR INTEREST ON THOSE
2 CONTRIBUTIONS AT THE RATE OF 5% PER YEAR COMPOUNDED ANNUALLY.

3 (C) (1) AN INDIVIDUAL MAY TRANSFER SERVICE CREDIT FROM THE STATE
4 CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE STATE CONTRIBUTORY
5 TEACHERS' PENSION SYSTEM TO A NONCONTRIBUTORY SYSTEM IF, WITHIN 1 YEAR
6 AFTER BECOMING A MEMBER OF THE NONCONTRIBUTORY SYSTEM, THE INDIVIDUAL
7 COMPLETES A CLAIM FOR THE SERVICE CREDIT AND FILES IT WITH THE
8 ADMINISTRATOR OF THE NONCONTRIBUTORY SYSTEM ON A FORM THAT THE
9 ADMINISTRATOR PROVIDES.

10 (2) THE STATE CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE
11 STATE CONTRIBUTORY TEACHERS' PENSION SYSTEM SHALL REFUND THE
12 INDIVIDUAL'S TOTAL ACCUMULATED CONTRIBUTIONS TO THE INDIVIDUAL ON
13 REQUEST.

14 (D) (1) AN INDIVIDUAL MAY TRANSFER SERVICE CREDIT FROM THE STATE
15 CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE STATE CONTRIBUTORY
16 TEACHERS' PENSION SYSTEM TO A CONTRIBUTORY SYSTEM IF, WITHIN 1 YEAR AFTER
17 BECOMING A MEMBER OF THE CONTRIBUTORY SYSTEM, THE INDIVIDUAL:

18 (I) COMPLETES A CLAIM FOR THE SERVICE CREDIT AND FILES IT
19 WITH THE ADMINISTRATOR OF THE CONTRIBUTORY SYSTEM ON A FORM THAT THE
20 ADMINISTRATOR PROVIDES; AND

21 (II) DEPOSITS IN THE ANNUITY SAVINGS FUND OR OTHER
22 CORRESPONDING FUND OF THE CONTRIBUTORY SYSTEM THE SUM OF:

23 1. THE TOTAL ACCUMULATED CONTRIBUTIONS TO THE
24 INDIVIDUAL'S CREDIT IN THE ANNUITY SAVINGS FUND OF THE STATE
25 CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE STATE CONTRIBUTORY
26 TEACHERS' PENSION SYSTEM;

27 2. THE DIFFERENCE, IF ANY, BETWEEN THE MEMBER
28 CONTRIBUTIONS AT THE RATE PROVIDED FOR IN THE CONTRIBUTORY SYSTEM,
29 INCLUDING INTEREST ON THOSE CONTRIBUTIONS, AND THE TOTAL ACCUMULATED
30 CONTRIBUTIONS TO THE INDIVIDUAL'S CREDIT IN THE ANNUITY SAVINGS FUND OF
31 THE STATE CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE STATE
32 CONTRIBUTORY TEACHERS' PENSION SYSTEM; AND

33 3. THE ACCUMULATED CONTRIBUTIONS THAT WOULD HAVE
34 BEEN DEDUCTED DURING THE PERIOD THE INDIVIDUAL WAS A MEMBER OF THE
35 STATE SYSTEM WHILE IT WAS A NONCONTRIBUTORY SYSTEM IF THE INDIVIDUAL
36 HAD EARNED THE TRANSFERRED SERVICE CREDIT UNDER THE CONTRIBUTORY
37 SYSTEM, INCLUDING INTEREST ON THOSE CONTRIBUTIONS.

38 (2) ON RETIREMENT FROM THE CONTRIBUTORY SYSTEM, THE
39 INDIVIDUAL'S RETIREMENT ALLOWANCE SHALL BE REDUCED BY THE ACTUARIAL
40 EQUIVALENT OF THE AMOUNTS DETERMINED UNDER PARAGRAPH (1)(II)2 AND 3 OF
41 THIS SUBSECTION IF THE MEMBER ELECTS NOT TO DEPOSIT THOSE AMOUNTS IN

1 THE ANNUITY SAVINGS FUND OR OTHER CORRESPONDING FUND OF THE
2 CONTRIBUTORY SYSTEM.

3 (E) EXCEPT AS PROVIDED IN § 37-204 OF THIS SUBTITLE, AN INDIVIDUAL WHO
4 TRANSFERS SERVICE CREDIT UNDER THIS TITLE SHALL RECEIVE SERVICE CREDIT IN
5 THE NEW SYSTEM IN THE AMOUNT OF SERVICE CREDIT ACCUMULATED UNDER THE
6 PREVIOUS SYSTEM.

7 (F) ON VERIFICATION OF THE SERVICE CREDIT, THE PREVIOUS SYSTEM MAY
8 NOT PROVIDE ANY BENEFIT FOR SERVICE CREDIT TRANSFERRED FROM THE
9 PREVIOUS SYSTEM TO A NEW SYSTEM UNDER THIS TITLE.

10 (G) (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, AFTER AN
11 INDIVIDUAL TRANSFERS SERVICE CREDIT TO A NEW SYSTEM UNDER THIS TITLE,
12 THE INDIVIDUAL:

13 (I) SHALL PAY THE RATE OF CONTRIBUTION APPLICABLE TO A
14 MEMBER OF THE NEW SYSTEM; AND

15 (II) IS ELIGIBLE FOR A PENSION AND ANNUITY AS PROVIDED
16 UNDER THE NEW SYSTEM, DETERMINED BY TAKING INTO ACCOUNT THE
17 TRANSFERRED SERVICE CREDIT.

18 (2) IF AN INDIVIDUAL RETIRES WITHIN 5 YEARS AFTER TRANSFERRING
19 INTO A NEW SYSTEM, THE BENEFITS PAYABLE WITH RESPECT TO THE TRANSFERRED
20 SERVICE CREDIT MAY NOT BE GREATER THAN THE BENEFITS THAT WOULD HAVE
21 BEEN PAYABLE BY THE PREVIOUS SYSTEM WITH RESPECT TO THAT SERVICE IF THE
22 INDIVIDUAL HAD REMAINED IN THE PREVIOUS SYSTEM.

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
24 July 1, 2000.