HOUSE BILL 604

Unofficial Copy 2000 Regular Session
K4 (0lr0157)

ENROLLED BILL
-- Appropriations/Budget and Taxation --

Introduced by **Chairman, Appropriations Committee (Departmental - Budget and Management)**

Read and Examined by Proofreaders:

_____
Proofreader.

_____
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this _____ day of _____ at _____ o'clock, _____M.

_____
Speaker.

CHAPTER 395

AN ACT concerning

Law Enforcement Officers' Pension System - Benefits

FOR the purpose of altering the contribution rate of certain members of the Law Enforcement Officers' Pension System; altering the formula for computing the retirement allowance of certain members of the Law Enforcement Officers' Pension System; establishing a Deferred Retirement Option Program for certain members in the System; altering the criteria for which certain members of the System may be granted an accidental disability retirement allowance; altering the cost-of-living adjustment to be received by certain members of the System; providing for a contingency; *repealing a certain exception to provisions of law that govern certain transfers between State and local retirement and pension systems; providing for the application of a portion of this Act;* and generally relating to the Law Enforcement Officers' Pension System.

BY adding to
Article - State Personnel and Pensions

New part designation "Part I. Membership Generally" to immediately precede Section 26-201
Annotated Code of Maryland
(1997 Replacement Volume and 1999 Supplement)

BY repealing and reenacting, with amendments,
Article - State Personnel and Pensions
Section 26-204, 26-206, 26-302, 26-401, 29-104, 29-109, 29-303, 29-404, ~~and 29-425~~ *29-425, and 37-201(b)*
Annotated Code of Maryland
(1997 Replacement Volume and 1999 Supplement)

BY repealing
Article - State Personnel and Pensions
Section 26-303
Annotated Code of Maryland
(1997 Replacement Volume and 1999 Supplement)

BY adding
Article - State Personnel and Pensions
Section 26-209, 26-210, and 26-211 to be under the new part "Part II. Law Enforcement Officers' Modified Pension Benefit"; 26-303, 26-307.1, and 26-401.1
Annotated Code of Maryland
(1997 Replacement Volume and 1999 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND, That the new part designation "Part I. Membership Generally" be added to immediately precede Section 26-201 of Article - State Personnel and Pensions of the Annotated Code of Maryland.

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article - State Personnel and Pensions

26-204.

(a) Except as provided in subsection (b) of this section, a member's contribution rate is [5] 4% of the [part of the] member's earnable compensation [that exceeds the taxable wage base for each year].

(b) (1) THIS SUBSECTION APPLIES ONLY TO A MEMBER WHO:

(I) TRANSFERRED TO THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM FROM THE EMPLOYEES' RETIREMENT SYSTEM; AND

(II) DID NOT ELECT TO PARTICIPATE IN THE LAW ENFORCEMENT OFFICERS' MODIFIED PENSION BENEFIT ON OR BEFORE DECEMBER 31, 2000 AS PROVIDED IN § 26-211 OF THIS ARTICLE.

(2) The contribution rate for a member who has transferred from the Employees' Retirement System is the rate set under:

(i) Section 22-214(a) of this article, for a member who had elected Selection A (Additional member contributions) under § 22-219 of this article; or

(ii) Section 22-214(b) of this article, for a member who had elected Selection B (Limited cost-of-living adjustment) under § 22-220 of this article.

26-206.

(A) [Membership] EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, MEMBERSHIP ends on separation from employment.

(B) (1) THIS SUBSECTION APPLIES ONLY TO A MEMBER WHO IS SUBJECT TO THE LAW ENFORCEMENT OFFICERS' MODIFIED PENSION BENEFIT UNDER PART II OF THIS SUBTITLE.

(2) MEMBERSHIP ENDS IF THE MEMBER:

(I) IS SEPARATED FROM EMPLOYMENT FOR MORE THAN 4 YEARS;

(II) WITHDRAWS THE MEMBER'S ACCUMULATED CONTRIBUTIONS;

(III) BECOMES A RETIREE; OR

(IV) DIES.

26-207. RESERVED.

26-208. RESERVED.

PART II. LAW ENFORCEMENT OFFICERS' MODIFIED PENSION BENEFIT.

26-209.

(A) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, THIS PART II OF THIS SUBTITLE APPLIES TO AN INDIVIDUAL WHO IS A MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM.

(B) THIS PART II OF THIS SUBTITLE DOES NOT APPLY TO AN INDIVIDUAL WHO:

(1) IS A MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM;

(2) TRANSFERRED TO THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM FROM THE EMPLOYEES' RETIREMENT SYSTEM; AND

(3) DID NOT ELECT TO PARTICIPATE IN THE CONTRIBUTORY LAW ENFORCEMENT OFFICERS' MODIFIED PENSION BENEFIT AS PROVIDED IN § 26-211 OF THIS ARTICLE.

26-210.

(A) A MEMBER WHO IS SUBJECT TO THIS PART II OF THIS SUBTITLE SHALL:

(1) RECEIVE AN ALLOWANCE FOR ALL CREDITABLE SERVICE AS FOLLOWS:

(I) FOR NORMAL SERVICE RETIREMENT AS PROVIDED IN § 26-401(B) OF THIS TITLE;

(II) FOR ORDINARY DISABILITY RETIREMENT AS PROVIDED IN § 29-108 OF THIS ARTICLE; AND

(III) FOR ACCIDENTAL DISABILITY RETIREMENT AS PROVIDED IN §§ 29-109(C) AND 29-110 OF THIS ARTICLE;

(2) HAVE THE ALLOWANCE ADJUSTED AS PROVIDED IN TITLE 29, SUBTITLE 4, PART VI OF THIS ARTICLE; AND

(3) MAKE MEMBER CONTRIBUTIONS AT THE RATE SPECIFIED IN § 26-204(A) OF THIS TITLE.

(B) A MEMBER WHO IS NOT SUBJECT TO THIS PART II OF THIS SUBTITLE SHALL RECEIVE AN ALLOWANCE FOR ACCIDENTAL DISABILITY RETIREMENT AS PROVIDED IN §§ 29-109(C) AND 29-110 OF THIS ARTICLE.

26-211.

(A) THIS SECTION APPLIES ONLY TO A MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM WHO TRANSFERRED TO THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM FROM THE EMPLOYEES' RETIREMENT SYSTEM.

(B) ON OR BEFORE DECEMBER 31, 2000, A MEMBER MAY ELECT TO PARTICIPATE IN THE LAW ENFORCEMENT OFFICERS' MODIFIED PENSION BENEFIT UNDER PART II OF THIS SUBTITLE BY SUBMITTING AN ELECTION ON A FORM PROVIDED BY THE STATE RETIREMENT AGENCY.

(C) (1) AN ELECTION BY A MEMBER UNDER THIS SECTION IS IRREVOCABLE.

(2) SUBJECT TO § 26-401(A)(2) OF THIS ARTICLE, AN ELECTION BY A MEMBER UNDER THIS SECTION SHALL BE EFFECTIVE ON THE DATE THAT IT IS FILED WITH THE STATE RETIREMENT AGENCY.

(3) THE BOARD OF TRUSTEES MAY NOT ACCEPT AN ELECTION TO PARTICIPATE IN THE LAW ENFORCEMENT OFFICERS' MODIFIED PENSION BENEFIT THAT IS FILED WITH THE STATE RETIREMENT AGENCY AFTER 5 P.M. ON DECEMBER 29, 2000.

26-302.

(a) Subject to subsection (b) AND (C) of this section, a member is entitled to eligibility service for periods of employment while a member of the Law Enforcement Officers' Pension System.

(b) (1) If a member completes at least 500 hours of employment while a member in any fiscal year, the member is entitled to 1 year of eligibility service.

(2) Except in the first and last fiscal years, a member may not receive any eligibility service for a fiscal year in which the member completes less than 500 hours of employment while a member.

(3) In the first and last fiscal years, if a member completes less than 500 hours of employment while a member, the Board of Trustees shall prorate the eligibility service based on the number of hours worked.

(C) IF A MEMBER WHO IS SUBJECT TO THE LAW ENFORCEMENT OFFICERS' MODIFIED PENSION BENEFIT UNDER SUBTITLE 2, PART II OF THIS TITLE COMPLETES LESS THAN 500 HOURS OF EMPLOYMENT WHILE A MEMBER, THE BOARD OF TRUSTEES SHALL PRORATE THE MEMBER'S ELIGIBILITY SERVICE BASED ON THE NUMBER OF HOURS WORKED.

[26-303.

(a) In this section, "break in service" means a period of separation from employment in a fiscal year after the one in which a member first becomes employed, if during that fiscal year the member does not complete more than 350 hours of employment while a member.

(b) A former member is entitled to the eligibility service to which the former member was entitled before the separation from employment if:

(1) the former member has not incurred a break in service;

(2) the former member was entitled to a vested allowance at the time of separation from employment; or

(3) (i) the former member has completed 1 year of eligibility service after a break in service; and

(ii) the number of consecutive years in which the member incurred a break in service is less than the years of eligibility service as a member before the break in service.

(c) To determine if a former member is eligible for prior eligibility service under subsection (b)(3)(ii) of this section, the Board of Trustees shall determine the number of years of prior eligibility service:

(1) as of the day the former member separated from employment; but

(2) excluding any eligibility service lost because of a prior break in service.]

26-303.

(A) THIS SECTION APPLIES TO A MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM WHO:

(1) IS SUBJECT TO THE LAW ENFORCEMENT OFFICERS' MODIFIED PENSION BENEFIT UNDER SUBTITLE 2, PART II OF THIS TITLE; AND

(2) HAS NOT WITHDRAWN THE MEMBER'S ACCUMULATED CONTRIBUTIONS UNDER § 29-303(H) OF THIS ARTICLE.

(B) A MEMBER IS ENTITLED TO THE ELIGIBILITY SERVICE TO WHICH THE MEMBER WAS ENTITLED BEFORE THE SEPARATION FROM EMPLOYMENT IF THE MEMBER:

(1) WAS ENTITLED TO A VESTED ALLOWANCE FROM THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM AT THE TIME OF THE SEPARATION FROM EMPLOYMENT; AND

(2) HAS COMPLETED 1 YEAR OF EMPLOYMENT AS A MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM WHO IS SUBJECT TO THE LAW ENFORCEMENT OFFICERS' MODIFIED PENSION BENEFIT UNDER SUBTITLE 2, PART II OF THIS TITLE.

26-307.1.

(A) A MEMBER MAY PURCHASE SERVICE CREDIT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION FOR PERIODS OF EMPLOYMENT DESCRIBED IN SUBSECTION (C) OF THIS SECTION FOR WHICH THE MEMBER IS NOT OTHERWISE ENTITLED.

(B) (1) A MEMBER WHO PURCHASES SERVICE CREDIT UNDER THIS SECTION SHALL:

(I) COMPLETE A CLAIM FOR THE SERVICE CREDIT AND FILE IT WITH THE BOARD OF TRUSTEES ON A FORM THAT THE BOARD OF TRUSTEES PROVIDES; AND

(II) PAY TO THE BOARD OF TRUSTEES IN A SINGLE PAYMENT THE MEMBER CONTRIBUTIONS THE MEMBER WOULD HAVE MADE FOR THE PERIOD OF EMPLOYMENT FOR WHICH SERVICE CREDIT IS BEING PURCHASED PLUS REGULAR INTEREST TO THE DATE OF PAYMENT.

(2) A MEMBER MAY PAY FOR SERVICE CREDIT PURCHASED UNDER THIS SECTION AT ANY TIME BEFORE RETIREMENT.

(C) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, A MEMBER MAY PURCHASE SERVICE CREDIT FOR A PERIOD OF EMPLOYMENT AS A MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM IF THE MEMBER:

(I) HAS WITHDRAWN THE MEMBER'S ACCUMULATED CONTRIBUTIONS AFTER A PRIOR TERMINATION OF MEMBERSHIP; AND

(II) WAS SUBJECT TO THE MODIFIED PENSION BENEFIT UNDER SUBTITLE 2, PART II OF THIS TITLE WHEN THE MEMBER PREVIOUSLY TERMINATED MEMBERSHIP IN THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM.

(2) A MEMBER MAY NOT PURCHASE ELIGIBILITY SERVICE CREDIT THAT EXCEEDS THE MEMBER'S CREDITABLE SERVICE CREDIT.

26-401.

(a) (1) Subject to paragraph (2) of this subsection, a member may retire with a normal service retirement allowance if:

(i) on or before the date of retirement, the member:

1. has at least 25 years of eligibility service; or

2. is at least 50 years old; and

(ii) the member completes and submits a written application to the Board of Trustees on the form that the Board of Trustees provides stating the date when the member desires to retire.

(2) A member may not retire before the first day of the month after employment ends.

(b) (1) Except as provided in [paragraph] PARAGRAPHS (2) AND (3) of this subsection, on retirement under this section, a member is entitled to receive a normal service retirement allowance that equals the number of years of the member's creditable service multiplied by[:

(i) 1% of the member's average final compensation that is not in excess of the Social Security integration level; and

(ii) 1.7% of the member's average final compensation that exceeds the Social Security integration level] 2% OF THE MEMBER'S AVERAGE FINAL COMPENSATION.

(2) A MEMBER'S NORMAL SERVICE RETIREMENT ALLOWANCE UNDER PARAGRAPH (1) OF THIS SUBSECTION MAY NOT EXCEED 60% OF THE MEMBER'S AVERAGE FINAL COMPENSATION.

(3) (I) THIS PARAGRAPH APPLIES ONLY TO A MEMBER WHO IS NOT SUBJECT TO THE LAW ENFORCEMENT OFFICERS' MODIFIED PENSION BENEFIT UNDER SUBTITLE 2, PART II OF THIS TITLE.

(II) [As to a member who has transferred from the Employees' Retirement System and who has elected Selection A (Additional member contributions) or Selection B (Limited cost-of-living adjustment), on] ON retirement under this [section] PARAGRAPH, the member is entitled to receive a normal service retirement allowance that equals:

1. 2% of the member's average final compensation multiplied by each year of the member's first 30 years of creditable service; and

2. 1% of the member's average final compensation multiplied by each year of creditable service in excess of 30 years.

[(c) (1) This subsection applies only to a member who:

(i) has retired under subsection (b)(1) of this section; and

(ii) is under the age of 62 years.

(2) On retirement, a member shall receive a supplemental service retirement allowance that equals the difference between:

(i) the member's normal service retirement allowance; and

(ii) 1.7% of the member's average final compensation for each year of creditable service.]

29-104.

(a) Except as provided in subsection (c) of this section and subject to subsection (d) of this section, an application for disability retirement must be submitted before the date membership ends.

(b) (1) (I) This subsection applies only to an application for an ordinary or accidental disability retirement allowance under the Employees' Pension System, Local Fire and Police System, Law Enforcement Officers' Pension System, or the Teachers' Pension System.

(II) THIS SUBSECTION DOES NOT APPLY TO A MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM WHO IS SUBJECT TO THE LAW ENFORCEMENT OFFICERS' MODIFIED PENSION BENEFIT UNDER TITLE 26, SUBTITLE 2, PART II OF THIS ARTICLE.

(2) For the purpose of submitting an application for disability, membership continues for 3 years after paid employment ends.

(c) (1) Except as provided in [paragraph] PARAGRAPHS (2) AND (3) of this subsection, the Board of Trustees may accept an application for ordinary, accidental, or special disability retirement from a former member within 36 months after the month membership ended if the former member proves to the satisfaction of the

medical board that failure to submit an application while a member was attributable solely to physical or mental incapacity during the filing period.

(2) The Board of Trustees may accept an application for ordinary or accidental disability retirement from a former member of the Teachers' Retirement System within 12 months after the month membership ended if the former member of the Teachers' Retirement System proves to the satisfaction of the medical board that failure to submit an application while a member of the Teachers' Retirement System was attributable solely to physical or mental incapacity during the filing period.

(3) (I) THIS PARAGRAPH APPLIES ONLY TO A FORMER MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM WHO IS SUBJECT TO THE LAW ENFORCEMENT OFFICERS' MODIFIED PENSION BENEFIT UNDER TITLE 26, SUBTITLE 2, PART II OF THIS ARTICLE.

(II) THE BOARD OF TRUSTEES MAY ACCEPT AN APPLICATION FOR ORDINARY OR ACCIDENTAL DISABILITY RETIREMENT FROM A FORMER MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM WITHIN 24 MONTHS AFTER THE MONTH MEMBERSHIP ENDED IF THE FORMER MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM PROVES TO THE SATISFACTION OF THE MEDICAL BOARD THAT FAILURE TO SUBMIT AN APPLICATION WHILE A MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM WAS ATTRIBUTABLE SOLELY TO PHYSICAL OR MENTAL INCAPACITY DURING THE FILING PERIOD.

(4) If the Board of Trustees accepts a disability retirement application under this subsection and grants a disability retirement allowance, the retirement allowance begins as of the first day of the month after the Board of Trustees receives the application.

(d) (1) This subsection does not apply to an application for special disability under the State Police Retirement System OR AN APPLICATION FOR ACCIDENTAL DISABILITY UNDER THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM.

(2) The Board of Trustees may not accept an application for accidental disability filed by a member or former member more than 5 years after the date of the claimed accident.

29-109.

(a) This section does not apply to the State Police Retirement System.

(b) [The] EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, THE Board of Trustees shall grant an accidental disability retirement allowance to a member if:

(1) the member is totally and permanently incapacitated for duty as the natural and proximate result of an accident that occurred in the actual performance of duty at a definite time and place without willful negligence by the member; and

(2) the medical board certifies that:

(i) the member is mentally or physically incapacitated for the further performance of the normal duties of the member's position;

(ii) the incapacity is likely to be permanent; and

(iii) the member should be retired.

(C) THE BOARD OF TRUSTEES SHALL GRANT AN ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE TO A MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM 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; AND

(2) THE MEDICAL BOARD CERTIFIES THAT:

(I) THE MEMBER IS TOTALLY INCAPACITATED, EITHER MENTALLY OR PHYSICALLY, FOR THE FURTHER PERFORMANCE OF DUTY;

(II) THE INCAPACITY IS LIKELY TO BE PERMANENT; AND

(III) THE MEMBER SHOULD BE RETIRED.

29-303.

(a) This section applies only to members of:

(1) the Employees' Pension System;

(2) the Local Fire and Police System;

(3) the Law Enforcement Officers' Pension System; or

(4) the Teachers' Pension System.

(b) A member is eligible to receive a vested allowance if:

(1) the member separated from employment other than by death or retirement; and

(2) the member has at least 5 years of eligibility service.

(c) Except as provided in subsections (e), [and] (f), AND (G) of this section, a vested allowance:

(1) is a deferred allowance that begins at normal retirement age;

(2) is computed as a normal service retirement allowance on the basis of the member's average final compensation and eligibility service at separation from employment; and

(3) may be paid in one of the optional forms of allowances under § 21-403 of this article.

(d) If a member of the Employees' Pension System or the Teachers' Pension System separated from employment on or before June 30, 1990, unused sick leave reported by the member's employer at the time of separation from employment is creditable service for computing the vested allowance.

(e) Except as provided in subsection (f) of this section, a former member of the Employees' Pension System or the Teachers' Pension System who has separated from employment before the age of 55 with at least 15 years of eligibility service is eligible to receive a vested allowance that:

(1) begins on the first day of the month following the member's 55th birthday; and

(2) equals the reduced allowance computed under § 23-402 of this article.

(f) (1) The vested allowance of a former member of the Employees' Pension System or the Teachers' Pension System who separates from employment on or before June 30, 1998:

(i) is a deferred allowance that begins at normal retirement age;

(ii) is computed on the basis of the member's average final compensation and eligibility service at separation from employment;

(iii) shall equal the number of years of the member's creditable service multiplied by:

1. 0.8% of the member's average final compensation that is not in excess of the Social Security integration level; and

2. 1.5% of the member's average final compensation that exceeds the Social Security integration level; and

(iv) may be paid in one of the optional forms of allowances under § 21-403 of this article.

(2) A former member of the Employees' Pension System or the Teachers' Pension System who has separated from employment on or before June 30, 1998 and before the age of 55 with at least 15 years of eligibility service is eligible to receive a vested allowance that:

(i) begins on the first day of the month following the member's 55th birthday; and

(ii) equals the allowance under paragraph (1) of this subsection, reduced by 0.5% for each month that the member's early retirement date precedes the date the member will be 62 years old.

(g) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION AND SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, THE VESTED ALLOWANCE OF A FORMER MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM WHO SEPARATES FROM EMPLOYMENT ON OR BEFORE JUNE 30, 2000:

(I) IS A DEFERRED ALLOWANCE THAT BEGINS AT NORMAL RETIREMENT AGE;

(II) IS COMPUTED ON THE BASIS OF THE MEMBER'S AVERAGE FINAL COMPENSATION AND ELIGIBILITY SERVICE AT SEPARATION FROM EMPLOYMENT; AND

(III) SHALL EQUAL THE NUMBER OF YEARS OF THE MEMBER'S CREDITABLE SERVICE MULTIPLIED BY:

1. 1% OF THE MEMBER'S AVERAGE FINAL COMPENSATION THAT IS NOT IN EXCESS OF THE SOCIAL SECURITY INTEGRATION LEVEL; AND

2. 1.7% OF THE MEMBER'S AVERAGE FINAL COMPENSATION THAT EXCEEDS THE SOCIAL SECURITY INTEGRATION LEVEL.

(2) (I) THIS SUBSECTION APPLIES ONLY TO A FORMER MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM WHO:

1. TRANSFERRED TO THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM FROM THE EMPLOYEES' RETIREMENT SYSTEM; AND

2. SEPARATES FROM EMPLOYMENT ON OR BEFORE JUNE 30, 2000.

(II) THE VESTED ALLOWANCE OF A FORMER MEMBER:

1. IS A DEFERRED ALLOWANCE THAT BEGINS AT NORMAL RETIREMENT AGE;

2. IS COMPUTED ON THE BASIS OF THE MEMBER'S AVERAGE FINAL COMPENSATION AND ELIGIBILITY SERVICE AT SEPARATION FROM EMPLOYMENT; AND

3. SHALL EQUAL:

A. 2% OF THE MEMBER'S AVERAGE FINAL COMPENSATION MULTIPLIED BY EACH YEAR OF THE MEMBER'S FIRST 30 YEARS OF CREDITABLE SERVICE; AND

B. 1% OF THE MEMBER'S AVERAGE FINAL COMPENSATION MULTIPLIED BY EACH YEAR OF CREDITABLE SERVICE IN EXCESS OF 30 YEARS.

(3) (I) THIS PARAGRAPH APPLIES ONLY TO A FORMER MEMBER WHO IS:

1. RECEIVING A DEFERRED ALLOWANCE UNDER PARAGRAPH (1) OF THIS SUBSECTION; AND

2. UNDER THE AGE OF 62 YEARS.

(II) ON RECEIPT OF A VESTED ALLOWANCE, A FORMER MEMBER SHALL RECEIVE A SUPPLEMENTAL DEFERRED ALLOWANCE THAT EQUALS THE DIFFERENCE BETWEEN:

1. THE FORMER MEMBER'S VESTED ALLOWANCE; AND

2. 1.7% OF THE MEMBER'S AVERAGE FINAL COMPENSATION FOR EACH YEAR OF CREDITABLE SERVICE.

(III) PAYMENT OF THE SUPPLEMENTAL DEFERRED ALLOWANCE ENDS WHEN THE FORMER MEMBER:

1. ATTAINS THE AGE OF 62 YEARS; OR

2. DIES.

(H) (1) If a former member who elected a vested allowance requests the return of accumulated contributions before payment of the vested allowance begins, the Board of Trustees shall return the accumulated contributions to the former member.

(2) (I) [When] EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS PARAGRAPH, WHEN the former member is eligible to begin receiving a vested allowance, the former member shall receive a pension only.

(II) WHEN ACCUMULATED CONTRIBUTIONS ARE RETURNED TO A FORMER MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM WHO IS SUBJECT TO THE LAW ENFORCEMENT OFFICERS' MODIFIED PENSION BENEFIT UNDER TITLE 26, SUBTITLE 2, PART II OF THIS ARTICLE, THE FORMER MEMBER IS NOT ENTITLED TO FURTHER BENEFITS ON ACCOUNT OF THE FORMER MEMBER'S PREVIOUS MEMBERSHIP UNLESS THE FORMER MEMBER PURCHASES THE SERVICE CREDIT UNDER § 26-307.1 OF THIS ARTICLE.

29-404.

(a) Except as provided in subsection (b) of this section, this Part II of this subtitle applies only to an allowance received by a former member, retiree, or surviving beneficiary of a deceased member, former member, or retiree of:

(1) the Employees' Pension System if the deceased member, former member, or retiree was an employee of a participating governmental unit or a former participating governmental unit that has withdrawn while a member; OR

(2) the Local Fire and Police System[; or

(3) the Law Enforcement Officers' Pension System].

(b) This Part II of this subtitle does not apply to an allowance that is subject to adjustment under Part II, Part IV, Part V, or Part VI of this subtitle.

29-425.

(a) This Part VI of this subtitle applies:

(1) on or after July 1, 1998 only to an allowance received by a former member, retiree, or surviving beneficiary of a deceased member, former member, or retiree of the Employees' Pension System or the Teachers' Pension System who:

[(1)] (I) is subject to the contributory pension benefit under Title 23, Subtitle 2, Part II of this article; or

[(2)] (II) transferred from the Employees' Retirement System or the Teachers' Retirement System to the Employees' Pension System or the Teachers' Pension System after April 1, 1998; AND

(2) ON OR AFTER DECEMBER 31, 2000, TO AN ALLOWANCE RECEIVED BY A FORMER MEMBER, RETIREE, OR SURVIVING BENEFICIARY OF A DECEASED MEMBER, FORMER MEMBER, OR RETIREE OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM.

(b) This Part VI of this subtitle does not apply if:

(1) the member, former member, or retiree was an employee of:

[(1)] (I) a participating governmental unit that has not elected the contributory pension benefit of its employees under § 31-116 of this article; or

[(2)] (II) a former participating governmental unit that has withdrawn while a member; OR

(2) THE MEMBER, FORMER MEMBER, OR RETIREE:

(I) TRANSFERRED TO THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM FROM THE EMPLOYEES' RETIREMENT SYSTEM; AND

(II) DID NOT ELECT TO PARTICIPATE IN THE LAW ENFORCEMENT OFFICERS' MODIFIED PENSION BENEFIT ON OR BEFORE DECEMBER 31, 2000 AS PROVIDED IN § 26-211 OF THIS ARTICLE.

SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article - State Personnel and Pensions

26-401.1.

(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(2) "DROP" MEANS THE DEFERRED RETIREMENT OPTION PROGRAM ESTABLISHED UNDER THIS SECTION.

(3) "DROP MEMBER" MEANS A MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM WHO:

(I) IS ELIGIBLE TO PARTICIPATE IN THE DROP AS PROVIDED IN SUBSECTION (C) OF THIS SECTION; AND

(II) ELECTS TO PARTICIPATE IN THE DROP AS PROVIDED IN SUBSECTION (E) OF THIS SECTION.

(B) THERE IS A DROP FOR ELIGIBLE MEMBERS OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM.

(C) A MEMBER OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM IS ELIGIBLE TO PARTICIPATE IN THE DROP IF THE MEMBER HAS AT LEAST 25 AND LESS THAN 30 YEARS OF ELIGIBILITY SERVICE.

(D) AN ELIGIBLE MEMBER MAY ELECT TO PARTICIPATE IN THE DROP FOR A PERIOD NOT TO EXCEED THE LESSER OF:

(1) 5 YEARS;

(2) THE DIFFERENCE BETWEEN 30 YEARS AND THE MEMBER'S ELIGIBILITY SERVICE AS OF THE DATE OF THE MEMBER'S ELECTION TO PARTICIPATE IN THE DROP AND RETIRE FROM THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM; OR

(3) A TERM SELECTED BY THE MEMBER.

(E) (1) AN ELIGIBLE MEMBER WHO ELECTS TO PARTICIPATE IN THE DROP SHALL:

(I) COMPLETE AND SUBMIT A WRITTEN ELECTION FORM TO THE BOARD OF TRUSTEES, ON THE FORM THAT THE BOARD OF TRUSTEES PROVIDES, STATING:

1. THE MEMBER'S INTENTION TO PARTICIPATE IN THE DROP;

2. THE DATE WHEN THE MEMBER DESIRES TO RETIRE;

3. THE PERIOD THAT THE MEMBER DESIRES TO PARTICIPATE IN THE DROP, AS PROVIDED IN SUBSECTION (D) OF THIS SECTION;

4. THE DATE WHEN THE MEMBER INTENDS TO TERMINATE EMPLOYMENT WITH THE STATE IN THE FORM OF A BINDING LETTER OF RESIGNATION ACCEPTED BY THE SECRETARY OR THE SECRETARY'S DESIGNEE OF THE DEPARTMENT FOR WHICH THE MEMBER IS EMPLOYED; AND

5. ANY OTHER INFORMATION REQUIRED BY THE BOARD OF TRUSTEES TO IMPLEMENT THE DROP; AND

(II) COMPLETE AND SUBMIT A WRITTEN RETIREMENT APPLICATION FORM TO THE BOARD OF TRUSTEES, ON THE FORM THAT THE BOARD OF TRUSTEES PROVIDES.

(2) AN ELIGIBLE MEMBER'S ELECTION TO PARTICIPATE IN THE DROP IS IRREVOCABLE.

(F) (1) A DROP MEMBER'S PARTICIPATION IN THE DROP SHALL COMMENCE ON THE FIRST DAY OF THE MONTH FOLLOWING ACCEPTANCE BY THE BOARD OF TRUSTEES OF THE DROP MEMBER'S COMPLETED ELECTION FORM, RETIREMENT APPLICATION FORM, AND ANY OTHER INFORMATION REQUIRED BY THE BOARD OF TRUSTEES.

(2) A DROP MEMBER IS A RETIREE OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM.

(G) PARTICIPATION IN THE DROP ENDS IF THE DROP PARTICIPANT:

(1) SEPARATES FROM EMPLOYMENT IN ACCORDANCE WITH THE BINDING LETTER OF RESIGNATION SUBMITTED WITH THE MEMBER'S ELECTION FORM;

(2) DIES;

(3) IS TERMINATED FROM EMPLOYMENT BY THE DROP MEMBER'S PARTICIPATING EMPLOYER AT ANY TIME BEFORE THE DATE SPECIFIED ON THE MEMBER'S ELECTION FORM;

(4) SHORTENS THE TIME PERIOD FOR PARTICIPATION IN THE DROP BY DELIVERING TO THE DROP MEMBER'S PARTICIPATING EMPLOYER AND THE BOARD OF TRUSTEES WRITTEN NOTICE OF THE INTENT OF THE DROP MEMBER TO TERMINATE EMPLOYMENT; OR

(5) ACCEPTS AN ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE AS PROVIDED IN SUBSECTION (K) OF THIS SECTION.

(H) (1) AS OF THE EFFECTIVE DATE OF PARTICIPATION IN THE DROP, THE BOARD OF TRUSTEES SHALL DETERMINE THE DROP MEMBER'S NORMAL SERVICE RETIREMENT ALLOWANCE UNDER § 26-401 OF THIS SUBTITLE.

(2) DURING THE PERIOD THAT A DROP MEMBER PARTICIPATES IN THE DROP, THE BOARD OF TRUSTEES SHALL:

(I) DEPOSIT THE DROP MEMBER'S NORMAL SERVICE RETIREMENT ALLOWANCE IN THE DROP FOR THE DROP MEMBER'S BENEFIT;

(II) ADJUST THE DROP MEMBER'S NORMAL SERVICE RETIREMENT ALLOWANCE EACH FISCAL YEAR AS PROVIDED IN TITLE 29, SUBTITLE 4, PART VI OF THIS ARTICLE; AND

(III) ACCRUE INTEREST ON THE AMOUNTS CALCULATED UNDER SUBPARAGRAPHS (I) AND (II) OF THIS PARAGRAPH FOR THE DROP MEMBER INTO THE DROP AT THE RATE OF 6% A YEAR, COMPOUNDED MONTHLY.

(3) A DROP MEMBER MAY NOT RECEIVE CREDITABLE SERVICE OR ELIGIBILITY SERVICE DURING THE PERIOD THAT THE DROP MEMBER PARTICIPATES IN THE DROP.

(4) A DROP MEMBER'S COMPENSATION DURING THE PERIOD THAT THE DROP MEMBER PARTICIPATES IN THE DROP MAY NOT BE:

(I) SUBJECT TO THE EMPLOYER PICKUP PROVISIONS OF § 21-303 OF THIS ARTICLE OR ANY REDUCTION OR DEDUCTION AS A MEMBER CONTRIBUTION FOR PENSION OR RETIREMENT PURPOSES; OR

(II) USED TO INCREASE THE DROP MEMBER'S AVERAGE FINAL COMPENSATION EXCEPT AS PROVIDED IN SUBSECTION (K) OF THIS SECTION.

(5) DURING THE PERIOD THAT A DROP MEMBER PARTICIPATES IN THE DROP, THE DROP MEMBER SHALL:

(I) CONTINUE TO RECEIVE COMPENSATION, HEALTH INSURANCE, AND OTHER BENEFIT OPTIONS ESTABLISHED UNDER THE STATE EMPLOYEE AND RETIREE HEALTH AND WELFARE BENEFIT PROGRAM ADMINISTERED BY THE SECRETARY OF THE DEPARTMENT OF BUDGET AND MANAGEMENT, AND ANY OTHER BENEFITS AS AN EMPLOYEE OF THE STATE;

(II) BE SUBJECT TO THE PERSONNEL LAW, REGULATIONS, AND POLICIES APPLICABLE TO AN EMPLOYEE OF THE STATE AGENCY FOR WHICH THE MEMBER IS EMPLOYED; AND

(III) RECEIVE RETIREMENT BENEFITS ONLY TO THE EXTENT PROVIDED IN THIS SECTION.

(6) THE BOARD OF TRUSTEES IS NOT REQUIRED TO ESTABLISH AN INDIVIDUAL DROP ACCOUNT FOR EACH DROP MEMBER.

(7) EACH YEAR, THE BOARD OF TRUSTEES SHALL PROVIDE A DROP MEMBER WITH A WRITTEN ACCOUNTING OF THE DROP MEMBER'S ACCOUNT BALANCE IN THE DROP.

(I) (1) SUBJECT TO PARAGRAPHS (2), (3), AND (4) OF THIS SUBSECTION, ON TERMINATION OF A DROP MEMBER'S PARTICIPATION IN THE DROP, THE BOARD OF TRUSTEES SHALL PAY TO THE DROP MEMBER OR, IF THE DROP MEMBER HAS DIED, THE DESIGNATED BENEFICIARY OF THE DROP MEMBER, THE AMOUNT ACCRUED IN THE DROP FOR THE DROP MEMBER UNDER SUBSECTION (H)(2) OF THIS SECTION, REDUCED BY ANY WITHHOLDING TAXES REMITTED TO THE INTERNAL REVENUE SERVICE OR OTHER TAXING AUTHORITY, IN A LUMP SUM.

(2) THE DESIGNATED BENEFICIARY OF A DROP MEMBER IS:

(I) THE DROP MEMBER'S SURVIVING SPOUSE;

(II) IF THERE IS NOT A SURVIVING SPOUSE OR IF THE SURVIVING SPOUSE DIES BEFORE THE YOUNGEST CHILD IS 18 YEARS OLD, EACH CHILD OF THE DECEASED DROP MEMBER WHO IS UNDER 18 YEARS OLD; OR

(III) IF THERE IS NOT A SURVIVING SPOUSE OR A CHILD WHO IS UNDER 18 YEARS OLD, THE PERSON NAMED AS A BENEFICIARY IN AN ACKNOWLEDGED WRITTEN DESIGNATION FILED WITH THE BOARD OF TRUSTEES BY THE DROP MEMBER.

(3) A DROP MEMBER OR DESIGNATED BENEFICIARY OF A DROP MEMBER MAY DIRECT THE BOARD OF TRUSTEES TO PAY ALL OR A PORTION OF THE AMOUNT ACCRUED FOR THE DROP MEMBER'S BENEFIT UNDER SUBSECTION (H)(2) OF THIS SECTION DIRECTLY TO THE CUSTODIAN OF AN ELIGIBLE RETIREMENT PLAN AS PROVIDED IN TITLE 21, SUBTITLE 6 OF THIS ARTICLE.

(4) A DROP MEMBER OR DESIGNATED BENEFICIARY OF A DROP MEMBER IS ELIGIBLE TO RECEIVE THE AMOUNT DUE UNDER THIS SUBSECTION WITHIN 90 DAYS AFTER:

(I) THE DATE OF TERMINATION OF THE DROP MEMBER'S PARTICIPATION IN THE DROP;

(II) THE RECEIPT BY THE BOARD OF TRUSTEES OF A COMPLETED APPLICATION TO RECEIVE THE DROP AMOUNT, ON THE FORM THAT THE BOARD OF TRUSTEES PROVIDES; AND

(III) THE RECEIPT BY THE BOARD OF TRUSTEES OF ANY OTHER INFORMATION THAT THE BOARD OF TRUSTEES REQUIRES TO PROCESS PAYMENT OF THE DROP MEMBER'S ACCOUNT BALANCE TO THE DROP PARTICIPANT, THE DESIGNATED BENEFICIARY OF THE DROP PARTICIPANT, OR THE CUSTODIAN OF AN ELIGIBLE RETIREMENT PLAN.

(J) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, AS OF THE FIRST DAY OF THE MONTH FOLLOWING TERMINATION OF A DROP MEMBER'S PARTICIPATION IN THE DROP, THE BOARD OF TRUSTEES SHALL COMMENCE AND CONTINUE PAYMENT OF THE NORMAL SERVICE RETIREMENT ALLOWANCE, INCLUDING THE COST-OF-LIVING ADJUSTMENTS AS PROVIDED IN TITLE 29,

SUBTITLE 4, PART VI OF THIS ARTICLE, TO THE MEMBER AS PROVIDED IN §§ 26-401 AND 26-402 OF THIS SUBTITLE.

(2) IF A DROP MEMBER DIES BEFORE TERMINATION OF THE DROP MEMBER'S PARTICIPATION IN THE DROP, THE BOARD OF TRUSTEES SHALL PAY 50% OF THE NORMAL SERVICE RETIREMENT ALLOWANCE, INCLUDING THE COST-OF-LIVING ADJUSTMENTS AS PROVIDED IN TITLE 29, SUBTITLE 4, PART VI OF THIS ARTICLE, TO THE BENEFICIARY AS PROVIDED IN § 26-402 OF THIS SUBTITLE.

(K) (1) A DROP MEMBER IS ELIGIBLE TO APPLY FOR AN ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE UNDER § 29-109 OF THIS ARTICLE.

(2) IF THE BOARD OF TRUSTEES GRANTS A DROP MEMBER AN ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE, THE DROP MEMBER MAY ELECT TO RECEIVE THE ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE OR CONTINUE TO PARTICIPATE IN THE DROP.

(3) (I) IF A DROP MEMBER ELECTS TO RECEIVE A DISABILITY RETIREMENT ALLOWANCE INSTEAD OF CONTINUING TO PARTICIPATE IN THE DROP, THE DROP MEMBER SHALL:

1. SUBMIT AN APPLICATION TO THE BOARD OF TRUSTEES, ON THE FORM THE BOARD OF TRUSTEES PROVIDES, TO RECEIVE PAYMENT OF THE AMOUNT ACCRUED IN THE DROP IN ACCORDANCE WITH SUBSECTION (I) OF THIS SECTION;

2. EXECUTE A WRITTEN WAIVER OF ANY BENEFITS TO WHICH THE DROP MEMBER MAY BE ENTITLED UNDER THE DROP; AND

3. SUBMIT AN APPLICATION TO RETIRE WITH AN ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE, ON THE FORM THE BOARD OF TRUSTEES PROVIDES, STATING THE EFFECTIVE DATE OF THE DROP MEMBER'S RETIREMENT AS AN ACCIDENTAL DISABILITY RETIREE.

(II) ON ACCEPTANCE OF THE APPLICATION FOR PAYMENT AND APPLICATION TO RETIRE, THE BOARD OF TRUSTEES SHALL COMMENCE PAYMENT OF AN ACCIDENTAL DISABILITY ALLOWANCE TO THE DROP MEMBER AS PROVIDED IN § 29-110 OF THIS ARTICLE, EXCEPT THAT THE DROP MEMBER'S AVERAGE FINAL COMPENSATION SHALL BE COMPUTED AS OF THE EFFECTIVE DATE OF THE DROP MEMBER'S APPLICATION FOR AN ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE.

SECTION 4. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article - State Personnel and Pensions

37-201.

(b) This title does not apply to:

(1) a transfer to the Judges' Retirement System of the State of Maryland;

(2) a transfer to or from the Legislative Pension Plan of the State of Maryland except to the extent provided by the Joint Resolution submitted to the General Assembly by the General Assembly Compensation Commission under Article III, § 15 of the Maryland Constitution;

(3) a transfer from the Employees' Retirement System of the State of Maryland to the Employees' Pension System of the State of Maryland under § 22-212 or § 22-213 of this article; OR

(4) a transfer from the Teachers' Retirement System of the State of Maryland to the Teachers' Pension System of the State of Maryland under § 22-212 or § 22-213 of this article[; or

(5) a transfer from the Employees' Retirement System of the State of Maryland or the Employees' Pension System of the State of Maryland to the Law Enforcement Officers' Pension System of the State of Maryland].

SECTION ~~4.~~ *5.* AND BE IT FURTHER ENACTED, That, on or before July 1, 2000, the State Retirement Agency shall request a determination letter from the Internal Revenue Service that confirms the continued qualification under § 401 of the Internal Revenue Code of the Law Enforcement Officers' Pension System, as amended by the Deferred Retirement Option Program established under Section 3 of this Act.

SECTION ~~5.~~ *6.* AND BE IT FURTHER ENACTED, That Section 3 of this Act shall take effect contingent on receipt of a determination letter from the Internal Revenue Service that confirms that the Law Enforcement Officers' Pension System, as amended by the Deferred Retirement Option Program, is a qualified plan under § 401 of the Internal Revenue Act. If a favorable determination letter is received, Section 3 of this Act shall take effect the first day of the month after the State Retirement Agency receives the letter. If the State Retirement Agency does not receive a favorable determination letter, Section 3 of this Act, with no further action required by the General Assembly, shall be null and void and of no further force and effect. The State Retirement Agency, within 5 days after receiving the determination letter from the Internal Revenue Service, shall forward a copy of the ruling to the Department of Legislative Services, 90 State Circle, Annapolis, Maryland 21401.

SECTION 7. AND BE IT FURTHER ENACTED, That Section 4 of this Act shall be construed retroactively and shall be applied to and interpreted to affect all transfers to the Law Enforcement Officers' Pension System from the Employees' Retirement System or the Employees' Pension System on or after July 1, 1996.

SECTION ~~6.~~ *8.* AND BE FURTHER ENACTED, That, subject to the provisions of Section ~~5~~ *6* above, this Act shall take effect July 1, 2000.