

HOUSE BILL 534
EMERGENCY BILL

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2002 Regular Session
2lr1036

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

Introduced and read first time: January 31, 2002

Assigned to: Appropriations

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 22, 2002

CHAPTER 375

1 AN ACT concerning

2 **Retirement and Pensions - Limitations on Benefits and Contributions**

3 FOR the purpose of amending the compensation limits that are used to determine the
4 retirement allowances of certain members of the State Retirement and Pension
5 System to reflect certain provisions of the Internal Revenue Code; allowing
6 members of the State retirement and pension systems to fund purchases of prior
7 service credit from certain funding sources; amending certain definitions to
8 reflect certain provisions in the Internal Revenue Code; altering the method of
9 payment certain members of the State Retirement and Pension System may use
10 to pay for certain creditable service as provided for in the Internal Revenue
11 Code; making this an emergency measure; and generally relating to certain
12 limitations on benefits and contributions of members of the State Retirement
13 and Pension System.

14 BY repealing and reenacting, with amendments,
15 Article - State Personnel and Pensions
16 Section 20-207, 21-601(c) and (d), and 23-308
17 Annotated Code of Maryland
18 (1997 Replacement Volume and 2001 Supplement)

19 BY adding to
20 Article - State Personnel and Pensions
21 Section 20-208(g)
22 Annotated Code of Maryland
23 (1997 Replacement Volume and 2001 Supplement)

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

3 **Article - State Personnel and Pensions**

4 20-207.

5 (a) This section does not apply to an individual who is a member of a State
6 system on or before June 30, 1996.

7 (b) Notwithstanding any other provision of law, for plan years beginning on or
8 after July 1, 1996, the annual compensation that may be taken into account when
9 determining the retirement allowance payable to a member of a State system, may
10 not exceed the compensation limit under § 401(a)(17)(B) of the Internal Revenue
11 Code[, of \$150,000, as adjusted by the Commissioner of Internal Revenue for
12 increases in the cost of living in accordance with § 401(a)(17)(B) of the Internal
13 Revenue Code] and regulations adopted thereunder.

14 20-208.

15 (G) A MEMBER MAY PURCHASE PRIOR SERVICE CREDIT USING FUNDS FROM
16 ANY FUND SOURCE THAT IS NOT SPECIFICALLY PROHIBITED BY THE INTERNAL
17 REVENUE CODE.

18 21-601.

19 (c) (1) "Eligible rollover distribution" means a distribution on or after
20 January 1, 1993, to a participant of all or any part of the balance to the credit of the
21 participant in any State system.

22 (2) "Eligible rollover distribution" does not include:

23 (i) any distribution that is one of a series of substantially equal
24 periodic payments that are made at least annually for the life or life expectancy of the
25 participant or the joint lives or joint life expectancies of the participant and the
26 participant's beneficiary;

27 (ii) any distribution that is one of a series of substantially equal
28 periodic payments made for a specified period of at least 10 years; OR

29 (iii) any distribution that is required under § 401(a)(9) of the
30 Internal Revenue Code[; or

31 (iv) except for a distribution under § 21-602(c) of this subtitle, the
32 part of any distribution that is not includable in the participant's gross income].

33 (d) "Eligible retirement plan" means:

34 (1) an individual retirement account described in § 408(a) of the Internal
35 Revenue Code;

1 (2) an individual retirement annuity, other than an endowment contract,
2 described in § 408(b) of the Internal Revenue Code;

3 (3) a qualified trust described in § 401(a) of the Internal Revenue Code
4 that is exempt from tax under § 501(a) of the Internal Revenue Code; [or]

5 (4) an annuity plan described in § 403(a) of the Internal Revenue Code;

6 (5) AN ANNUITY PLAN DESCRIBED IN § 403(B) OF THE INTERNAL
7 REVENUE CODE; OR

8 (6) A DEFERRED COMPENSATION PLAN THAT IS MAINTAINED BY AN
9 ELIGIBLE EMPLOYER DESCRIBED IN § 457 OF THE INTERNAL REVENUE CODE OR ANY
10 SUCCESSOR PROVISIONS.

11 23-308.

12 (a) In the year of retirement, a member of the Teachers' Pension System may
13 purchase credit for eligibility service for periods of employment described in
14 subsection [(g)] (F) of this section for which the member is not otherwise entitled to
15 service credit.

16 (b) Except as provided in § 23-308.2 of this subtitle, to purchase service credit
17 under this section, a member must:

18 (1) complete and file a claim for the service credit with the Board of
19 Trustees on the form that the Board of Trustees provides; and

20 (2) pay to the Board of Trustees an amount equal to the annuity reserve
21 and pension reserve required to fund the additional allowance.

22 (c) A member may pay the amount required by subsection (b) of this section:

23 (1) on an installment basis by contributing at least 2% of earnable
24 compensation per year; or

25 (2) by transferring, on written request to the Board of Trustees, any
26 prior contributions to a voluntary retirement benefit, less any costs of administering
27 that benefit.

28 (d) [A member who transfers contributions under subsection (c)(2) of this
29 section may not transfer contributions qualifying under § 403(b) of the Internal
30 Revenue Code.

31 (e) A member who elects to make payments under subsection (c) of this section
32 and who retires before completing the payments required to purchase this service
33 credit:

34 (1) is entitled to receive the service credit purchased before the date of
35 retirement; or

1 (2) may pay at the time of retirement the amount necessary to receive
2 full credit.

3 [(f)] (E) The surviving spouse of a member who elects to make payments
4 under subsection (c) of this section may pay for the appropriate final adjustment if:

5 (1) the member dies while actively employed as a member; and

6 (2) the deceased member's service qualifies for a death benefit under §
7 29-206 of this article.

8 [(g)] (F) A member may only purchase service credit under this section for
9 employment:

10 (1) with an out-of-state public school;

11 (2) with the federal government;

12 (3) with a nonpublic school;

13 (4) with a political subdivision;

14 (5) as a postsecondary teacher;

15 (6) with the State;

16 (7) with a public school as a teacher; or

17 (8) as a Baltimore City teacher on or before December 31, 1970, on
18 verified leave of absence of not more than 2 years that is similar in all respects to
19 leaves of absence approved by the Board of Trustees.

20 [(h)] (G) The total amount of service credit in the Teachers' Retirement
21 System or Teachers' Pension System that a member may purchase under this section
22 and § 23-308.2 of this subtitle may not exceed 10 years.

23 SECTION 2. AND BE IT FURTHER ENACTED, That this Act is an emergency
24 measure, is necessary for the immediate preservation of the public health or safety,
25 has been passed by a ye and nay vote supported by three-fifths of all the members
26 elected to each of the two Houses of the General Assembly, and shall take effect from
27 the date it is enacted.

