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By: **Senator Kasemeyer (Chairman, Joint Committee on Pensions)**

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Committee Report: Favorable

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CHAPTER 23

1 AN ACT concerning

2 **State Contributory Law Enforcement Officers' Pension System - Transfers**  
3 **of Service Credit**

4 FOR the purpose of authorizing transfers of service credit to and from the State  
5 Contributory Law Enforcement Officers' Pension System under certain  
6 circumstances; requiring certain individuals who transfer service credit from a  
7 contributory system to the State Contributory Law Enforcement Officers'  
8 Pension System to meet certain requirements, including depositing a certain  
9 amount of money at a certain rate of interest, into the annuity savings fund of  
10 the Law Enforcement Officers' Pension System; requiring that the retirement  
11 allowance of certain individuals who transfer service credit from a  
12 noncontributory system to the State Contributory Law Enforcement Officers'  
13 Pension System be reduced by a certain amount; requiring the State  
14 Contributory Law Enforcement Officers' Pension System to refund the total  
15 accumulated contributions of certain individuals under certain circumstances;  
16 requiring certain individuals who transfer service credit from the State  
17 Contributory Law Enforcement Officers' Pension System to a contributory  
18 system to deposit certain funds into a certain account of the contributory  
19 system; altering certain defined terms; defining a certain term; and generally  
20 relating to the transfer of service credit to and from the State Contributory Law  
21 Enforcement Officers' Pension System.

22 BY renumbering

23 Article - State Personnel and Pensions  
24 Section 37-101(p), (q), and (r), respectively  
25 to be Section 37-101(q), (r), and (s), respectively  
26 Annotated Code of Maryland

1 (1997 Replacement Volume and 2002 Supplement)

2 BY repealing and reenacting, without amendments,  
3 Article - State Personnel and Pensions  
4 Section 37-101(a)  
5 Annotated Code of Maryland  
6 (1997 Replacement Volume and 2002 Supplement)

7 BY repealing and reenacting, with amendments,  
8 Article - State Personnel and Pensions  
9 Section 37-101(d), 37-203(a), and 37-203.1  
10 Annotated Code of Maryland  
11 (1997 Replacement Volume and 2002 Supplement)

12 BY adding to  
13 Article - State Personnel and Pensions  
14 Section 37-101(p)  
15 Annotated Code of Maryland  
16 (1997 Replacement Volume and 2002 Supplement)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
18 MARYLAND, That Section(s) 37-101(p), (q), and (r), respectively, of Article - State  
19 Personnel and Pensions of the Annotated Code of Maryland be renumbered to be  
20 Section(s) 37-101(q), (r), and (s), respectively.

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

23 **Article - State Personnel and Pensions**

24 37-101.

25 (a) In this title the following words have the meanings indicated.

26 (d) "Contributory system" means a State or local retirement or pension  
27 system, other than the State Contributory Employees' Pension System, THE STATE  
28 CONTRIBUTORY LAW ENFORCEMENT OFFICERS' PENSION SYSTEM, or the State  
29 Contributory Teachers' Pension System, under which member contributions are  
30 deducted from all compensation.

31 (P) "STATE CONTRIBUTORY LAW ENFORCEMENT OFFICERS' PENSION  
32 SYSTEM" MEANS THE PART OF THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM  
33 OF THE STATE OF MARYLAND THAT PROVIDES A CONTRIBUTORY PENSION BENEFIT  
34 UNDER TITLE 26, SUBTITLE 2, PART II OF THIS ARTICLE.

1 37-203.

2 (a) This section does not apply to a transfer of service credit to or from the  
3 State Contributory Employees' Pension System, THE STATE CONTRIBUTORY LAW  
4 ENFORCEMENT OFFICERS' PENSION SYSTEM, or the State Contributory Teachers'  
5 Pension System.

6 37-203.1.

7 (a) (1) An individual may transfer service credit from a contributory system  
8 to the State Contributory Employees' Pension System, THE STATE CONTRIBUTORY  
9 LAW ENFORCEMENT OFFICERS' PENSION SYSTEM, or the State Contributory  
10 Teachers' Pension System if, within 1 year after becoming a member of the pension  
11 system, the individual:

12 (i) completes a claim for the service credit and files it with the  
13 Board of Trustees of the State Retirement and Pension System on a form that the  
14 Board of Trustees provides; and

15 (ii) deposits in the annuity savings fund of:

16 1. the Employees' Pension System or Teachers' Pension  
17 System member contributions at the rate of 2% of the individual's earnable  
18 compensation while a member of the contributory system after June 30, 1998,  
19 including regular interest on the contributions at the rate of 5% per year compounded  
20 annually; OR

21 2. THE LAW ENFORCEMENT OFFICERS' PENSION SYSTEM  
22 MEMBER CONTRIBUTIONS AT THE RATE OF 4% OF THE INDIVIDUAL'S EARNABLE  
23 COMPENSATION WHILE A MEMBER OF THE CONTRIBUTORY SYSTEM AFTER JUNE 30,  
24 2000, INCLUDING REGULAR INTEREST ON THE CONTRIBUTIONS AT THE RATE OF 5%  
25 PER YEAR COMPOUNDED ANNUALLY.

26 (2) The contributory system shall refund the individual's accumulated  
27 contributions in excess of the amount determined under paragraph (1) of this  
28 subsection on request.

29 (b) (1) Subject to paragraph (2) of this subsection, an individual may  
30 transfer service credit from a noncontributory system to the State Contributory  
31 Employees' Pension System, THE STATE CONTRIBUTORY LAW ENFORCEMENT  
32 OFFICERS' PENSION SYSTEM, or the State Contributory Teachers' Pension System if,  
33 within 1 year after becoming a member of the Pension System, the individual  
34 completes a claim for the service credit and files it with the Board of Trustees for the  
35 State Retirement and Pension System on a form that the Board of Trustees provides.

36 (2) The noncontributory system may not refund the individual's  
37 accumulated contributions.

38 (3) (i) 1. This [paragraph] SUBPARAGRAPH applies only to an  
39 individual who TRANSFERRED SERVICE CREDIT FROM A NONCONTRIBUTORY

1 SYSTEM TO THE STATE CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE  
2 STATE CONTRIBUTORY TEACHERS' PENSION SYSTEM AND earned any portion of the  
3 transferred service credit in a noncontributory system after June 30, 1998.

4 [(ii)] 2. On retirement [from the State Contributory Employees'  
5 Pension System or the State Contributory Teachers' Pension System], the individual's  
6 retirement allowance shall be reduced by the actuarial equivalent of the accumulated  
7 contributions that would have been deducted during the period after June 30, 1998,  
8 when the individual was a member of the noncontributory system, if the individual  
9 had earned the transferred service credit under the State Contributory Employees'  
10 Pension System or the State Contributory Teachers' Pension System, including  
11 regular interest on those contributions at the rate of 5% per year compounded  
12 annually.

13 (II) 1. THIS SUBPARAGRAPH APPLIES ONLY TO AN INDIVIDUAL  
14 WHO TRANSFERRED SERVICE CREDIT FROM A NONCONTRIBUTORY SYSTEM TO THE  
15 STATE CONTRIBUTORY LAW ENFORCEMENT OFFICERS' PENSION SYSTEM AND  
16 EARNED ANY PORTION OF THE TRANSFERRED SERVICE CREDIT IN A  
17 NONCONTRIBUTORY SYSTEM AFTER JUNE 30, 2000.

18 2. UPON RETIREMENT THE INDIVIDUAL'S RETIREMENT  
19 ALLOWANCE SHALL BE REDUCED BY THE ACTUARIAL EQUIVALENT OF THE  
20 ACCUMULATED CONTRIBUTIONS THAT WOULD HAVE BEEN DEDUCTED DURING THE  
21 PERIOD AFTER JUNE 30, 2000, WHEN THE INDIVIDUAL WAS A MEMBER OF THE  
22 NONCONTRIBUTORY SYSTEM, IF THE INDIVIDUAL HAD EARNED THE TRANSFERRED  
23 SERVICE CREDIT UNDER THE STATE CONTRIBUTORY LAW ENFORCEMENT OFFICERS'  
24 PENSION SYSTEM, INCLUDING REGULAR INTEREST ON THOSE CONTRIBUTIONS AT  
25 THE RATE OF 5% PER YEAR COMPOUNDED ANNUALLY.

26 (c) (1) An individual may transfer service credit from the State  
27 Contributory Employees' Pension System, THE STATE CONTRIBUTORY LAW  
28 ENFORCEMENT OFFICERS' PENSION SYSTEM, or the State Contributory Teachers'  
29 Pension System to a noncontributory system if, within 1 year after becoming a  
30 member of the noncontributory system, the individual completes a claim for the  
31 service credit and files it with the administrator of the noncontributory system on a  
32 form that the administrator provides.

33 (2) The State Contributory Employees' Pension System, THE STATE  
34 CONTRIBUTORY LAW ENFORCEMENT OFFICERS' PENSION SYSTEM, or the State  
35 Contributory Teachers' Pension System shall refund the individual's total  
36 accumulated contributions to the individual on request.

37 (d) (1) An individual may transfer service credit from the State  
38 Contributory Employees' Pension System, THE STATE CONTRIBUTORY LAW  
39 ENFORCEMENT OFFICERS' PENSION SYSTEM, or the State Contributory Teachers'  
40 Pension System to a contributory system if, within 1 year after becoming a member of  
41 the contributory system, the individual:

1 (i) completes a claim for the service credit and files it with the  
2 administrator of the contributory system on a form that the administrator provides;  
3 and

4 (ii) deposits in the annuity savings fund or other corresponding  
5 fund of the contributory system the sum of:

6 1. the total accumulated contributions to the individual's  
7 credit in the annuity savings fund of the State Contributory Employees' Pension  
8 System, THE STATE CONTRIBUTORY LAW ENFORCEMENT OFFICERS' PENSION  
9 SYSTEM, or the State Contributory Teachers' Pension System;

10 2. the difference, if any, between the member contributions  
11 at the rate provided for in the contributory system, including interest on those  
12 contributions, and the total accumulated contributions to the individual's credit in the  
13 annuity savings fund of the State Contributory Employees' Pension System, THE  
14 STATE CONTRIBUTORY LAW ENFORCEMENT OFFICERS' PENSION SYSTEM, or the  
15 State Contributory Teachers' Pension System; and

16 3. the accumulated contributions that would have been  
17 deducted during the period the individual was a member of the State system while it  
18 was a noncontributory system if the individual had earned the transferred service  
19 credit under the contributory system, including interest on those contributions.

20 (2) On retirement from the contributory system, the individual's  
21 retirement allowance shall be reduced by the actuarial equivalent of the amounts  
22 determined under paragraph (1)(ii) 2 and 3 of this subsection if the member elects not  
23 to deposit those amounts in the annuity savings fund or other corresponding fund of  
24 the contributory system.

25 (e) Except as provided in § 37-204 of this subtitle, an individual who transfers  
26 service credit under this title shall receive service credit in the new system in the  
27 amount of service credit accumulated under the previous system.

28 (f) On verification of the service credit, the previous system may not provide  
29 any benefit for service credit transferred from the previous system to a new system  
30 under this title.

31 (g) (1) Except as otherwise provided in this subsection, after an individual  
32 transfers service credit to a new system under this title, the individual:

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

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

37 (2) If an individual retires within 5 years after transferring into a new  
38 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 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect  
4 July 1, 2003.