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By: **Delegates James**

Rules suspended

Introduced and read first time: March 17, 2006

Assigned to: Rules and Executive Nominations

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A BILL ENTITLED

1 AN ACT concerning

2 **State Employees' and Teachers' Retirement Enhancement Benefit Act of 2006**

3 FOR the purpose of altering the formula used to calculate the normal service  
 4 retirement allowances of certain members of the Employees' Pension System or  
 5 the Teachers' Pension System as of a certain date; providing for a modified  
 6 contributory pension benefit for certain members of the Employees' Pension  
 7 System and the Teachers' Pension System; providing for the member  
 8 contribution rate and benefits for certain members of the Employees' Pension  
 9 System and the Teachers' Pension System under a certain modified contributory  
 10 pension benefit; requiring that certain members of the Employees' Pension  
 11 System or Teachers' Pension System receive a refund of certain member  
 12 contributions plus regular interest under certain circumstances; providing for a  
 13 delayed effective date for certain provisions of this Act; and generally relating to  
 14 enhancements and modifications to pension and retirement benefits for State  
 15 employees and teachers.

16 BY repealing and reenacting, with amendments,  
 17 Article - State Personnel and Pensions  
 18 Section 23-212, 23-217, and 23-401  
 19 Annotated Code of Maryland  
 20 (2004 Replacement Volume and 2005 Supplement)

21 BY adding to  
 22 Article - State Personnel and Pensions  
 23 Section 23-221 and 23-222 to be under the new part "Part III. Modified  
 24 Contributory Pension Benefit"  
 25 Annotated Code of Maryland  
 26 (2004 Replacement Volume and 2005 Supplement)

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

1

**Article - State Personnel and Pensions**

2 23-212.

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

6 (b) The contribution rate of a member who is subject to the contributory  
7 pension benefit under Part II of this subtitle is 2% of the member's earnable  
8 compensation.

9 (C) THE CONTRIBUTION RATE OF A MEMBER OF THE EMPLOYEES' PENSION  
10 SYSTEM WHO IS SUBJECT TO THE MODIFIED CONTRIBUTORY PENSION BENEFIT  
11 UNDER PART III OF THIS SUBTITLE IS:

12 (1) 3.17% OF THE MEMBER'S EARNABLE COMPENSATION RECEIVED  
13 FROM JULY 1, 2006 TO JUNE 30, 2007, BOTH INCLUSIVE;

14 (2) 4.3% OF THE MEMBER'S EARNABLE COMPENSATION RECEIVED FROM  
15 JULY 1, 2007 TO JUNE 30, 2008, BOTH INCLUSIVE; AND

16 (3) 5.5% OF THE MEMBER'S EARNABLE COMPENSATION RECEIVED ON  
17 OR AFTER JULY 1, 2008.

18 (D) THE CONTRIBUTION RATE OF A MEMBER OF THE TEACHERS' PENSION  
19 SYSTEM WHO IS SUBJECT TO THE MODIFIED CONTRIBUTORY PENSION BENEFIT  
20 UNDER PART III OF THIS SUBTITLE IS 5.5% OF THE MEMBER'S EARNABLE  
21 COMPENSATION.

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

24

**Article - State Personnel and Pensions**

25 23-217.

26 (a) Except as provided in subsection (b) of this section, this Part II of this  
27 subtitle applies to an individual who is:

28 (1) a member of the Employees' Pension System or the Teachers' Pension  
29 System; or

30 (2) a member of the Employees' Retirement System or the Teachers'  
31 Retirement System subject to Selection C (Combination Formula) as provided in §  
32 22-221 of this article.

33 (b) This Part II of this subtitle does not apply to an individual who is:

34 (1) an employee of:

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

3 (ii) a former participating governmental unit, other than Frederick  
4 County, that has withdrawn; [or]

5 (2) a member of the Employees' Pension System or Teachers' Pension  
6 System who transferred from the Employees' Retirement System or Teachers'  
7 Retirement System after April 1, 1998; OR

8 (3) A MEMBER OF THE EMPLOYEES' PENSION SYSTEM OR THE  
9 TEACHERS' PENSION SYSTEM WHO IS SUBJECT TO THE MODIFIED CONTRIBUTORY  
10 PENSION BENEFIT UNDER PART III OF THIS SUBTITLE.

11 23-219. RESERVED.

12 23-220. RESERVED.

13 PART III. MODIFIED CONTRIBUTORY PENSION BENEFIT.

14 23-221.

15 (A) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, THIS PART  
16 APPLIES TO AN INDIVIDUAL WHO IS A MEMBER OF THE EMPLOYEES' PENSION  
17 SYSTEM OR THE TEACHERS' PENSION SYSTEM ON OR AFTER JULY 1, 2006.

18 (B) THIS PART III DOES NOT APPLY TO:

19 (1) AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL UNIT  
20 PARTICIPATING IN THE EMPLOYEES' PENSION SYSTEM OR A FORMER PARTICIPATING  
21 GOVERNMENTAL UNIT THAT HAS WITHDRAWN FROM THE EMPLOYEES' PENSION  
22 SYSTEM; OR

23 (2) A MEMBER OF THE EMPLOYEES' PENSION SYSTEM OR THE  
24 TEACHERS' PENSION SYSTEM WHO TRANSFERRED FROM THE EMPLOYEES'  
25 RETIREMENT SYSTEM OR THE TEACHERS' RETIREMENT SYSTEM AFTER APRIL 1, 1998.

26 23-222.

27 A MEMBER WHO IS SUBJECT TO THIS PART SHALL:

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

30 (I) FOR NORMAL SERVICE RETIREMENT AS PROVIDED IN §  
31 23-401(D) OF THIS TITLE;

32 (II) FOR EARLY SERVICE RETIREMENT AS PROVIDED IN § 23-402 OF  
33 THIS TITLE;

1 (III) FOR ORDINARY DISABILITY RETIREMENT AS PROVIDED IN §  
2 29-108 OF THIS ARTICLE; AND

3 (IV) FOR ACCIDENTAL DISABILITY RETIREMENT AS PROVIDED IN §  
4 29-110 OF THIS ARTICLE;

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

7 (3) MAKE THE MEMBER CONTRIBUTIONS AT THE RATE SPECIFIED IN §§  
8 23-212(C) AND (D) OF THIS SUBTITLE.

9 23-401.

10 (a) A member may retire with a normal service retirement allowance if:

11 (1) the member completes and submits a written application to the  
12 Board of Trustees stating the date when the member desires to retire; and

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

14 (i) has at least 30 years of eligibility service;

15 (ii) has a combined total of at least 30 years of eligibility service  
16 from the Employees' Pension System, the Teachers' Pension System, the Employees'  
17 Retirement System, or the Teachers' Retirement System; or

18 (iii) has attained the age and the years of eligibility service as  
19 follows:

20 Age		Years of Eligibility Service
21 62	with	5
22 63	with	4
23 64	with	3
24 65	or more with	2

25 (b) Except as provided in [subsections (c) and (d)] SUBSECTIONS (C), (D), AND  
26 (E) of this section, on retirement under this section, a member is entitled to receive a  
27 normal service retirement allowance that equals the number of years of the member's  
28 creditable service multiplied by:

29 (1) 0.8% of the member's average final compensation that is not in excess  
30 of the Social Security integration level; and

31 (2) 1.5% of the member's average final compensation that exceeds the  
32 Social Security integration level.

33 (c) Except as provided in [subsection (d)] SUBSECTION (E) of this section, on  
34 retirement under this section, a member who is subject to the contributory pension

1 benefit under Subtitle 2, Part II of this title is entitled to receive a normal service  
2 retirement allowance that equals the sum of:

3 (1) the number of years of the member's creditable service on or after  
4 July 1, 1998 multiplied by 1.4% of the member's average final compensation; and

5 (2) the greater of:

6 (i) the number of years of the member's creditable service on or  
7 before June 30, 1998 multiplied by 1.2% of the member's average final compensation;  
8 or

9 (ii) the number of years of the member's creditable service on or  
10 before June 30, 1998 multiplied by:

11 1. 0.8% of the member's average final compensation that is  
12 not in excess of the Social Security integration level; and

13 2. 1.5% of the member's average final compensation that  
14 exceeds the Social Security integration level.

15 (d) EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS SECTION, A MEMBER  
16 WHO IS SUBJECT TO THE MODIFIED CONTRIBUTORY PENSION BENEFIT UNDER  
17 SUBTITLE 2, PART III OF THIS TITLE IS ENTITLED TO RECEIVE A NORMAL SERVICE  
18 RETIREMENT ALLOWANCE THAT EQUALS THE SUM OF:

19 (1) THE NUMBER OF YEARS OF THE MEMBER'S CREDITABLE SERVICE ON  
20 OR BEFORE JUNE 30, 1998 MULTIPLIED BY 1.2% OF THE MEMBER'S AVERAGE FINAL  
21 COMPENSATION;

22 (2) THE NUMBER OF YEARS OF THE MEMBER'S CREDITABLE SERVICE ON  
23 OR AFTER JULY 1, 1998 AND ON OR BEFORE JUNE 30, 2002 MULTIPLIED BY 1.4% OF  
24 THE MEMBER'S AVERAGE FINAL COMPENSATION;

25 (3) THE NUMBER OF YEARS OF THE MEMBER'S CREDITABLE SERVICE ON  
26 OR AFTER JULY 1, 2002 AND ON OR BEFORE JUNE 30, 2006 MULTIPLIED BY 1.6% OF  
27 THE MEMBER'S AVERAGE FINAL COMPENSATION; AND

28 (4) THE NUMBER OF YEARS OF THE MEMBER'S CREDITABLE SERVICE ON  
29 OR AFTER JULY 1, 2006 MULTIPLIED BY 1.95% OF THE MEMBER'S AVERAGE FINAL  
30 COMPENSATION.

31 (E) (1) This subsection applies only to a member who has a combined total of  
32 30 years of eligibility service as provided in subsection (a)(2)(ii) of this section.

33 (2) A member is entitled to receive a normal service retirement  
34 allowance that equals:

35 (i) an allowance based on the creditable service the member  
36 earned in the Employees' Pension System;

1 (ii) an allowance based on the creditable service the member  
2 earned in the Employees' Retirement System;

3 (iii) an allowance based on the creditable service the member  
4 earned in the Teachers' Pension System; plus

5 (iv) an allowance based on the creditable service the member  
6 earned in the Teachers' Retirement System.

7 SECTION 3. AND BE IT FURTHER ENACTED, That:

8 (a) This section applies to an individual who begins making member  
9 contributions of 3.17% of the member's earnable compensation on or after July 1,  
10 2006, and retires from either the Employees' Pension System or Teachers' Pension  
11 System on or before June 30, 2007.

12 (b) An individual described in subsection (a) of this section shall receive a  
13 refund of any member contributions made on or after July 1, 2006 in excess of 2% of  
14 the member's earnable compensation, plus regular interest.

15 SECTION 4. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall  
16 take effect July 1, 2007.

17 SECTION 5. AND BE IT FURTHER ENACTED, That, except as provided in  
18 Section 4 of this Act, this Act shall take effect July 1, 2006.