

# HOUSE BILL 1383

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By: **Delegate McDermott**

Introduced and read first time: February 14, 2013

Assigned to: Rules and Executive Nominations

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## A BILL ENTITLED

1 AN ACT concerning

2 **Law Enforcement Officers' Pension System – Deferred Retirement Option**  
3 **Program – Expanded Eligibility**

4 FOR the purpose of authorizing additional members of the Law Enforcement Officers'  
5 Pension System to participate in the Deferred Retirement Option Program for a  
6 certain period of time if the member has a certain number of years of creditable  
7 service; altering the formula for computing the normal service retirement  
8 allowance of certain members of the Law Enforcement Officers' Pension System  
9 who are participating in the Deferred Retirement Option Program; and  
10 generally relating to expanded eligibility in the Deferred Retirement Option  
11 Program for members of the Law Enforcement Officers' Pension System.

12 BY repealing and reenacting, with amendments,  
13 Article – State Personnel and Pensions  
14 Section 26–401.1  
15 Annotated Code of Maryland  
16 (2009 Replacement Volume and 2012 Supplement)

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

19 **Article – State Personnel and Pensions**

20 26–401.1.

21 (a) (1) In this section the following words have the meanings indicated.

22 (2) “DROP” means the Deferred Retirement Option Program  
23 established under this section.

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (3) “DROP member” means a member of the Law Enforcement  
2 Officers’ Pension System who:

3 (i) is eligible to participate in the DROP as provided in  
4 subsection (c) of this section; and

5 (ii) elects to participate in the DROP as provided in subsection  
6 (e) of this section.

7 (b) There is a DROP for eligible members of the Law Enforcement Officers’  
8 Pension System.

9 (c) (1) In this subsection, “creditable service” does not include credit for  
10 unused sick leave as provided in § 20–206 of this article.

11 (2) A member of the Law Enforcement Officers’ Pension System is  
12 eligible to participate in the DROP if:

13 (I) the member has at least 25 and less than ~~[30]~~ **29** years of  
14 creditable service; **OR**

15 (II) **THE MEMBER HAS AT LEAST 29 AND LESS THAN 34**  
16 **YEARS OF CREDITABLE SERVICE.**

17 (d) (1) In this subsection, “creditable service” does not include credit for  
18 unused sick leave as provided in § 20–206 of this article.

19 (2) An eligible member **WHO HAS AT LEAST 25 AND LESS THAN 29**  
20 **YEARS OF CREDITABLE SERVICE** may elect to participate in the DROP for a period  
21 not to exceed the lesser of:

22 (i) 5 years;

23 (ii) the difference between 30 years and the member’s creditable  
24 service as of the date of the member’s election to participate in the DROP and retire  
25 from the Law Enforcement Officers’ Pension System; or

26 (iii) a term selected by the member.

27 (3) **AN ELIGIBLE MEMBER WHO HAS AT LEAST 29 YEARS AND**  
28 **FEWER THAN 34 YEARS OF CREDITABLE SERVICE MAY ELECT TO PARTICIPATE**  
29 **IN THE DROP FOR A PERIOD OF 2 YEARS.**

30 (e) (1) An eligible member who elects to participate in the DROP shall:

1 (i) complete and submit a written election form to the Board of  
2 Trustees, on the form that the Board of Trustees provides, stating:

3 1. the member's intention to participate in the DROP;

4 2. the date when the member desires to retire;

5 3. the period that the member desires to participate in  
6 the DROP, as provided in subsection (d) of this section;

7 4. the date when the member intends to terminate  
8 employment with the State in the form of a binding letter of resignation accepted by  
9 the Secretary or the Secretary's designee of the Department for which the member is  
10 employed; and

11 5. any other information required by the Board of  
12 Trustees to implement the DROP; and

13 (ii) complete and submit a written retirement application form  
14 to the Board of Trustees, on the form that the Board of Trustees provides.

15 (2) An eligible member's election to participate in the DROP is  
16 irrevocable.

17 (f) (1) A DROP member's participation in the DROP shall commence on  
18 the first day of the month following acceptance by the Board of Trustees of the DROP  
19 member's completed election form, retirement application form, and any other  
20 information required by the Board of Trustees.

21 (2) A DROP member is a retiree of the Law Enforcement Officers'  
22 Pension System.

23 (g) Participation in the DROP ends if the DROP participant:

24 (1) separates from employment in accordance with the binding letter  
25 of resignation submitted with the member's election form;

26 (2) dies;

27 (3) is terminated from employment by the DROP member's  
28 participating employer at any time before the date specified on the member's election  
29 form;

30 (4) shortens the time period for participation in the DROP by  
31 delivering to the DROP member's participating employer and the Board of Trustees  
32 written notice of the intent of the DROP member to terminate employment; or

1           (5)     accepts an accidental disability retirement allowance as provided  
2 in subsection (k) of this section.

3           (h)     (1)     **(I)**     As of the effective date of participation in the DROP, the  
4 Board of Trustees shall determine the DROP member's normal service retirement  
5 allowance under § 26–401 of this subtitle.

6                                 **(II) IF AT THE TIME THE DROP MEMBER ELECTS TO**  
7 **PARTICIPATE IN THE DROP THE MEMBER HAS AT LEAST 30 AND LESS THAN 34**  
8 **YEARS OF CREDITABLE SERVICE, THE NORMAL SERVICE RETIREMENT**  
9 **ALLOWANCE CALCULATED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH**  
10 **SHALL EQUAL 60% OF THE DROP MEMBER'S AVERAGE FINAL COMPENSATION.**

11           (2)     During the period that a DROP member participates in the DROP,  
12 the Board of Trustees shall:

13                                 (i)     deposit the DROP member's normal service retirement  
14 allowance in the DROP for the DROP member's benefit;

15                                 (ii)    adjust the DROP member's normal service retirement  
16 allowance each fiscal year as provided in Title 29, Subtitle 4, Part VI of this article;  
17 and

18                                 (iii)  accrue interest on the amounts calculated under  
19 subparagraphs (i) and (ii) of this paragraph for the DROP member into the DROP at  
20 the rate of:

21   1.     6% a year, compounded monthly if the individual is a  
22 DROP member on or before June 30, 2011; or

23   2.     4% a year, compounded annually, if the individual  
24 becomes a DROP member on or after July 1, 2011.

25           (3)     A DROP member may not receive creditable service or eligibility  
26 service during the period that the DROP member participates in the DROP.

27           (4)     A DROP member's compensation during the period that the DROP  
28 member participates in the DROP may not be:

29                                 (i)     subject to the employer pickup provisions of § 21–303 of this  
30 article or any reduction or deduction as a member contribution for pension or  
31 retirement purposes; or

32                                 (ii)    used to increase the DROP member's average final  
33 compensation except as provided in subsection (k) of this section.

1           (5) During the period that a DROP member participates in the DROP,  
2 the DROP member shall:

3                   (i) continue to receive compensation, health insurance, and  
4 other benefit options established under the State Employee and Retiree Health and  
5 Welfare Benefit Program administered by the Secretary of Budget and Management,  
6 and any other benefits as an employee of the State;

7                   (ii) be subject to the personnel law, regulations, and policies  
8 applicable to an employee of the State agency for which the member is employed; and

9                   (iii) receive retirement benefits only to the extent provided in  
10 this section.

11           (6) The Board of Trustees is not required to establish an individual  
12 DROP account for each DROP member.

13           (7) Each year, the Board of Trustees shall provide a DROP member  
14 with a written accounting of the DROP member's account balance in the DROP.

15           (i) (1) Subject to paragraphs (2), (3), and (4) of this subsection, on  
16 termination of a DROP member's participation in the DROP, the Board of Trustees  
17 shall pay to the DROP member or, if the DROP member has died, the designated  
18 beneficiary of the DROP member, the amount accrued in the DROP for the DROP  
19 member under subsection (h)(2) of this section, reduced by any withholding taxes  
20 remitted to the Internal Revenue Service or other taxing authority, in a lump sum.

21           (2) The designated beneficiary of a DROP member is:

22                   (i) the DROP member's surviving spouse;

23                   (ii) if there is not a surviving spouse or if the surviving spouse  
24 dies before the youngest child is 18 years old, each child of the deceased DROP  
25 member who is under 18 years old; or

26                   (iii) if there is not a surviving spouse or a child who is under 18  
27 years old, the person named as a beneficiary in an acknowledged written designation  
28 filed with the Board of Trustees by the DROP member.

29           (3) A DROP member or designated beneficiary of a DROP member  
30 may direct the Board of Trustees to pay all or a portion of the amount accrued for the  
31 DROP member's benefit under subsection (h)(2) of this section directly to the  
32 custodian of an eligible retirement plan as provided in Title 21, Subtitle 6 of this  
33 article.

34           (4) A DROP member or designated beneficiary of a DROP member is  
35 eligible to receive the amount due under this subsection within 90 days after:

1 (i) the date of termination of the DROP member's participation  
2 in the DROP;

3 (ii) the receipt by the Board of Trustees of a completed  
4 application to receive the DROP amount, on the form that the Board of Trustees  
5 provides; and

6 (iii) the receipt by the Board of Trustees of any other information  
7 that the Board of Trustees requires to process payment of the DROP member's account  
8 balance to the DROP participant, the designated beneficiary of the DROP participant,  
9 or the custodian of an eligible retirement plan.

10 (j) (1) Except as provided in paragraph (2) of this subsection, as of the  
11 first day of the month following termination of a DROP member's participation in the  
12 DROP, the Board of Trustees shall commence and continue payment of the normal  
13 service retirement allowance, including the cost-of-living adjustments as provided in  
14 Title 29, Subtitle 4, Part VI of this article, to the member as provided in §§ 26-401 and  
15 26-402 of this subtitle.

16 (2) If a DROP member dies before termination of the DROP member's  
17 participation in the DROP, the Board of Trustees shall pay 50% of the normal service  
18 retirement allowance, including the cost-of-living adjustments as provided in Title 29,  
19 Subtitle 4, Part VI of this article, to the beneficiary as provided in § 26-402 of this  
20 subtitle.

21 (k) (1) A DROP member is eligible to apply for an accidental disability  
22 retirement allowance under § 29-109 of this article if after the DROP member  
23 commences participation in the DROP:

24 (i) the member is totally and permanently incapacitated for  
25 duty arising out of or in the course of the actual performance of duty that occurs while  
26 participating in **THE** DROP, and without willful negligence of the member; and

27 (ii) the medical board certifies that:

28 1. the member is totally incapacitated, either mentally  
29 or physically, for the further performance of duty by the occurrence described under  
30 item (i) of this paragraph;

31 2. the incapacity is likely to be permanent; and

32 3. the member should be retired.

33 (2) If the Board of Trustees grants a DROP member an accidental  
34 disability retirement allowance, the DROP member may elect to receive the accidental  
35 disability retirement allowance or continue to participate in the DROP.

1                   (3)   (i)    If a DROP member elects to receive a disability retirement  
2 allowance instead of continuing to participate in the DROP, the DROP member shall:

3                               1.    submit an application to the Board of Trustees, on the  
4 form the Board of Trustees provides, to receive payment of the amount accrued in the  
5 DROP in accordance with subsection (i) of this section;

6                               2.    execute a written waiver of any benefits to which the  
7 DROP member may be entitled under the DROP; and

8                               3.    submit an application to retire with an accidental  
9 disability retirement allowance, on the form the Board of Trustees provides, stating  
10 the effective date of the DROP member's retirement as an accidental disability retiree.

11                               (ii)   On acceptance of the application for payment and  
12 application to retire, the Board of Trustees shall commence payment of an accidental  
13 disability allowance to the DROP member as provided in § 29-110 of this article,  
14 except that the DROP member's average final compensation shall be computed as of  
15 the effective date of the DROP member's application for an accidental disability  
16 retirement allowance.

17                   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
18 July 1, 2013.