

Chapter 32

(Senate Bill 432)

AN ACT concerning

Employees' and Teachers' Pension Systems – Combination of Service – Clarification

FOR the purpose of clarifying the manner in which a member of the Employees' Pension System or Teachers' Pension System may combine certain prior eligibility service with the member's current service; clarifying that certain prior service does not need to be subject to a different rate of member contributions; making conforming changes; ~~clarifying that a member who combines certain prior eligibility service with the member's current service has no further rights to a certain rate of benefit accrual~~; and generally relating to clarifying the combination of prior service credit in the Employees' and Teachers' Pension Systems.

BY repealing and reenacting, with amendments,
 Article – State Personnel and Pensions
 Section 23–303.1
 Annotated Code of Maryland
 (2009 Replacement Volume and 2014 Supplement)

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

Article – State Personnel and Pensions

23–303.1.

(a) This section applies to a member of the Employees' Pension System or Teachers' Pension System who has prior service in a part of the Employees' Pension System or Teachers' Pension System that is subject to a different rate of ~~member contributions and~~ benefit accrual.

(b) A member who is subject to the contributory pension benefit, Alternate Contributory Pension Selection, or Reformed Contributory Pension Benefit is entitled to combine the member's prior eligibility service with the member's current service if the member:

(1) at the time of separation from employment, was entitled to a vested allowance from:

- (i) the Employees' Pension System; or
- (ii) the Teachers' Pension System;

(2) did not transfer to the Employees' Pension System or the Teachers' Pension System from the Employees' Retirement System or Teachers' Retirement System after April 1, 1998; and

(3) has completed 1 year of employment as a member of the pension benefit or selection in which the member is earning service credit as an active member at the time the prior service credit is combined with the current service credit.

(c) A member who is subject to the noncontributory pension benefit is entitled to combine the member's prior eligibility service with the member's current service if the member did not transfer to the Employees' Pension System or Teachers' Pension System from the Employees' Retirement System or Teachers' Retirement System after April 1, 1998.

(d) (1) A member may combine the member's prior credit for eligibility service with the member's current service under this section if the member:

(i) completes a claim for the service credit and files it with the Board of Trustees on the form that the Board of Trustees provides at any time before retirement; and

(ii) deposits into the annuity savings fund the [member contributions, if any, that would have been due if the member had earned the prior service in the same part of the Employees' Pension System or Teachers' Pension System in which the member is currently enrolled, plus regular interest on the contributions] **AMOUNTS REQUIRED UNDER SUBSECTION (F), (G), (H), OR (I) OF THIS SECTION.**

(2) When a member combines credit for eligibility service under this section, the member has no further rights ~~[in the prior system] TO THE PRIOR RATE OF BENEFIT ACCRUAL.~~

[(3) Subject to § 414(h)(2) of the Internal Revenue Code, an individual's accumulated contributions in excess of the amount determined under paragraph (1) of this subsection shall be refunded on request.]

(e) If a member withdrew the member's accumulated contributions after the prior separation from employment, the member shall:

(1) redeposit any of the amounts withdrawn with regular interest to the date of redeposit; or

(2) on retirement, the individual's retirement allowance shall be reduced by the actuarial equivalent of the accumulated contributions withdrawn with regular interest to the date of retirement.

(F) (1) A MEMBER SUBJECT TO THE CONTRIBUTORY PENSION BENEFIT MAY COMBINE PRIOR CREDIT FOR ELIGIBILITY SERVICE WITH THE MEMBER'S CURRENT SERVICE BY DEPOSITING INTO THE ANNUITY SAVINGS FUND:

(I) FOR PRIOR ELIGIBILITY SERVICE EARNED BEFORE JULY 1, 1998, AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT WOULD HAVE BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME AS THE CONTRIBUTION RATE IN EFFECT FOR THE CONTRIBUTORY PENSION BENEFIT ON THE DATE THE APPLICATION TO COMBINE PRIOR CREDIT FOR ELIGIBILITY SERVICE IS SUBMITTED;

(II) FOR PRIOR ELIGIBILITY SERVICE EARNED ON OR AFTER JULY 1, 1998, AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT WOULD HAVE BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME AS THE CONTRIBUTION RATE IN EFFECT FOR THE CONTRIBUTORY PENSION BENEFIT WHEN THE PRIOR ELIGIBILITY SERVICE WAS EARNED; AND

(III) REGULAR INTEREST ON THE AMOUNTS UNDER ITEMS (I) AND (II) OF THIS PARAGRAPH, AT THE RATE SPECIFIED UNDER § 23-213 OF THIS TITLE.

(2) (I) A MEMBER'S ACCUMULATED CONTRIBUTIONS ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE THAT IS COMBINED UNDER THIS SECTION SHALL BE CREDITED TO THE AMOUNTS REQUIRED TO BE DEPOSITED UNDER PARAGRAPH (1) OF THIS SUBSECTION.

(II) IF A MEMBER'S ACCUMULATED CONTRIBUTIONS ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE EXCEED THE AMOUNT REQUIRED TO BE DEPOSITED UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE ACCUMULATED CONTRIBUTIONS IN EXCESS OF THE AMOUNT DETERMINED UNDER PARAGRAPH (1) OF THIS SUBSECTION SHALL BE REFUNDED ON REQUEST, SUBJECT TO § 414(H)(2) OF THE INTERNAL REVENUE CODE.

(G) (1) A MEMBER SUBJECT TO THE ALTERNATE CONTRIBUTORY PENSION SELECTION MAY COMBINE PRIOR CREDIT FOR ELIGIBILITY SERVICE WITH THE MEMBER'S CURRENT SERVICE BY DEPOSITING INTO THE ANNUITY SAVINGS FUND:

(I) FOR PRIOR ELIGIBILITY SERVICE EARNED BEFORE JULY 1, 1998, AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT WOULD HAVE BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME AS THE CONTRIBUTION RATE IN EFFECT FOR THE ALTERNATE CONTRIBUTORY PENSION

SELECTION ON THE DATE THE APPLICATION TO COMBINE PRIOR CREDIT FOR ELIGIBILITY SERVICE IS SUBMITTED;

(II) FOR PRIOR ELIGIBILITY SERVICE EARNED ON OR AFTER JULY 1, 1998, AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT WOULD HAVE BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME AS THE CONTRIBUTION RATE IN EFFECT FOR THE ALTERNATE CONTRIBUTORY PENSION SELECTION WHEN THE PRIOR ELIGIBILITY SERVICE WAS EARNED; AND

(III) REGULAR INTEREST ON THE AMOUNTS UNDER ITEMS (I) AND (II) OF THIS PARAGRAPH, AT THE RATE SPECIFIED UNDER § 23-213 OF THIS TITLE.

(2) (I) A MEMBER'S ACCUMULATED CONTRIBUTIONS ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE THAT IS COMBINED UNDER THIS SECTION SHALL BE CREDITED TO THE AMOUNTS REQUIRED TO BE DEPOSITED UNDER PARAGRAPH (1) OF THIS SUBSECTION.

(II) IF A MEMBER'S ACCUMULATED CONTRIBUTIONS ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE EXCEED THE AMOUNT REQUIRED TO BE DEPOSITED UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE ACCUMULATED CONTRIBUTIONS IN EXCESS OF THE AMOUNT DETERMINED UNDER PARAGRAPH (1) OF THIS SUBSECTION SHALL BE REFUNDED ON REQUEST, SUBJECT TO § 414(H)(2) OF THE INTERNAL REVENUE CODE.

(H) (1) A MEMBER SUBJECT TO THE REFORMED CONTRIBUTORY PENSION BENEFIT MAY COMBINE PRIOR CREDIT FOR ELIGIBILITY SERVICE WITH THE MEMBER'S CURRENT SERVICE BY DEPOSITING INTO THE ANNUITY SAVINGS FUND:

(I) FOR PRIOR ELIGIBILITY SERVICE EARNED BEFORE JULY 1, 2011, AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT WOULD HAVE BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME AS THE CONTRIBUTION RATE IN EFFECT FOR THE REFORMED CONTRIBUTORY PENSION BENEFIT ON THE DATE THE APPLICATION TO COMBINE PRIOR CREDIT FOR ELIGIBILITY SERVICE IS SUBMITTED;

(II) FOR PRIOR ELIGIBILITY SERVICE EARNED ON OR AFTER JULY 1, 2011, AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT WOULD HAVE BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME AS THE CONTRIBUTION RATE IN EFFECT FOR THE REFORMED CONTRIBUTORY PENSION BENEFIT WHEN THE PRIOR ELIGIBILITY SERVICE WAS EARNED; AND

(III) REGULAR INTEREST ON THE AMOUNTS UNDER ITEMS (I) AND (II) OF THIS PARAGRAPH, AT THE RATE SPECIFIED UNDER § 23-213 OF THIS TITLE.

(2) (I) A MEMBER'S ACCUMULATED CONTRIBUTIONS ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE THAT IS COMBINED UNDER THIS SECTION SHALL BE CREDITED TO THE AMOUNTS REQUIRED TO BE DEPOSITED UNDER PARAGRAPH (1) OF THIS SUBSECTION.

(II) IF A MEMBER'S ACCUMULATED CONTRIBUTIONS ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE EXCEED THE AMOUNT REQUIRED TO BE DEPOSITED UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE ACCUMULATED CONTRIBUTIONS IN EXCESS OF THE AMOUNT DETERMINED UNDER PARAGRAPH (1) OF THIS SUBSECTION SHALL BE REFUNDED ON REQUEST, SUBJECT TO § 414(H)(2) OF THE INTERNAL REVENUE CODE.

(I) (1) SUBJECT TO SUBSECTION (C) OF THIS SECTION, A MEMBER SUBJECT TO THE NONCONTRIBUTORY PENSION BENEFIT MAY COMBINE PRIOR CREDIT FOR ELIGIBILITY SERVICE WITH THE MEMBER'S CURRENT SERVICE BY DEPOSITING INTO THE ANNUITY SAVINGS FUND:

(I) AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT WOULD HAVE BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME AS THE CONTRIBUTION RATE IN EFFECT FOR THE NONCONTRIBUTORY PENSION BENEFIT WHEN THE PRIOR ELIGIBILITY SERVICE WAS EARNED; AND

(II) REGULAR INTEREST ON THE AMOUNTS UNDER ITEM (I) OF THIS PARAGRAPH, AT THE RATE SPECIFIED UNDER § 23-213 OF THIS TITLE.

(2) (I) A MEMBER'S ACCUMULATED CONTRIBUTIONS ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE THAT IS COMBINED UNDER THIS SECTION SHALL BE CREDITED TO THE AMOUNTS REQUIRED TO BE DEPOSITED UNDER PARAGRAPH (1) OF THIS SUBSECTION.

(II) IF A MEMBER'S ACCUMULATED CONTRIBUTIONS ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE EXCEED THE AMOUNT REQUIRED TO BE DEPOSITED UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE ACCUMULATED CONTRIBUTIONS IN EXCESS OF THE AMOUNT DETERMINED UNDER PARAGRAPH (1) OF THIS SUBSECTION SHALL BE REFUNDED ON REQUEST, SUBJECT TO § 414(H)(2) OF THE INTERNAL REVENUE CODE.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2015.

Approved by the Governor, April 14, 2015.