SENATE BILL 764

 $\mathrm{K4}$ $\mathrm{0lr}2003$ $\mathrm{CF}\,\mathrm{HB}\,\mathrm{948}$

By: Senator Elfreth (Chair, Joint Committee on Pensions)

Introduced and read first time: February 3, 2020

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: February 25, 2020

CHAPTER

- 1 AN ACT concerning
- 2 State Retirement and Pension System Pension Benefits Calculation
- FOR the purpose of providing that, under certain retirement and pension systems, a member's normal service retirement allowance shall equal the member's annuity
- 4 member's normal service retirement allowance shall equal the member's annuity 5 under certain circumstances; providing that, under certain pension systems, a
- former member's vested allowance shall equal the former member's annuity under
- 7 certain circumstances; altering a certain definition; providing for the application of
- 8 this Act; and generally relating to the calculation of benefits in the State Retirement
- 9 and Pension System.
- 10 BY repealing and reenacting, without amendments,
- 11 Article State Personnel and Pensions
- 12 Section 20-101(a), 22-102, 23-101, 24-101, 25-101, and 26-101
- 13 Annotated Code of Maryland
- 14 (2015 Replacement Volume and 2019 Supplement)
- 15 BY repealing and reenacting, with amendments,
- 16 Article State Personnel and Pensions
- 17 Section 20–101(e), 22–401, 23–401, 24–401, 25–401, 26–401, and 29–303
- 18 Annotated Code of Maryland
- 19 (2015 Replacement Volume and 2019 Supplement)
- 20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
- 21 That the Laws of Maryland read as follows:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

<u>Underlining</u> indicates amendments to bill.

Strike out indicates matter stricken from the bill by amendment or deleted from the law by amendment.



28

Article - State Personnel and Pensions 1 2 20 - 1013 (a) In this Division II the following words have the meanings indicated. "Annuity" means the part of an allowance that is derived IN WHOLE OR IN 4 (e) 5 PART from the accumulated contributions of a member. 6 22-102.7 This title applies to: 8 (1)the Employees' Retirement System; and 9 (2)the Teachers' Retirement System. 10 22-401. 11 A member may retire with a normal service retirement allowance if: (a) 12 (1) on or before the date of retirement, the member: 13 (i) has at least 30 years of eligibility service; or 14 is at least 60 years old; and (ii) 15 the member completes and submits a written application to the Board 16 of Trustees stating the date when the member desires to retire. 17 (b) **(1)** [On] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS 18 SUBSECTION, ON retirement under this section, a member is entitled to receive a normal 19 service retirement allowance that equals one fifty-fifth of the member's average final compensation multiplied by the number of years of creditable service. 20 21ON RETIREMENT UNDER THIS SECTION, IF A MEMBER'S ANNUITY **(2)** 22IS GREATER THAN THE MEMBER'S NORMAL SERVICE RETIREMENT ALLOWANCE 23 CALCULATED UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE MEMBER'S NORMAL SERVICE RETIREMENT ALLOWANCE SHALL EQUAL THE MEMBER'S 2425 ANNUITY. 23-101.26

(1) the Employees' Pension System; and

This title applies only to:

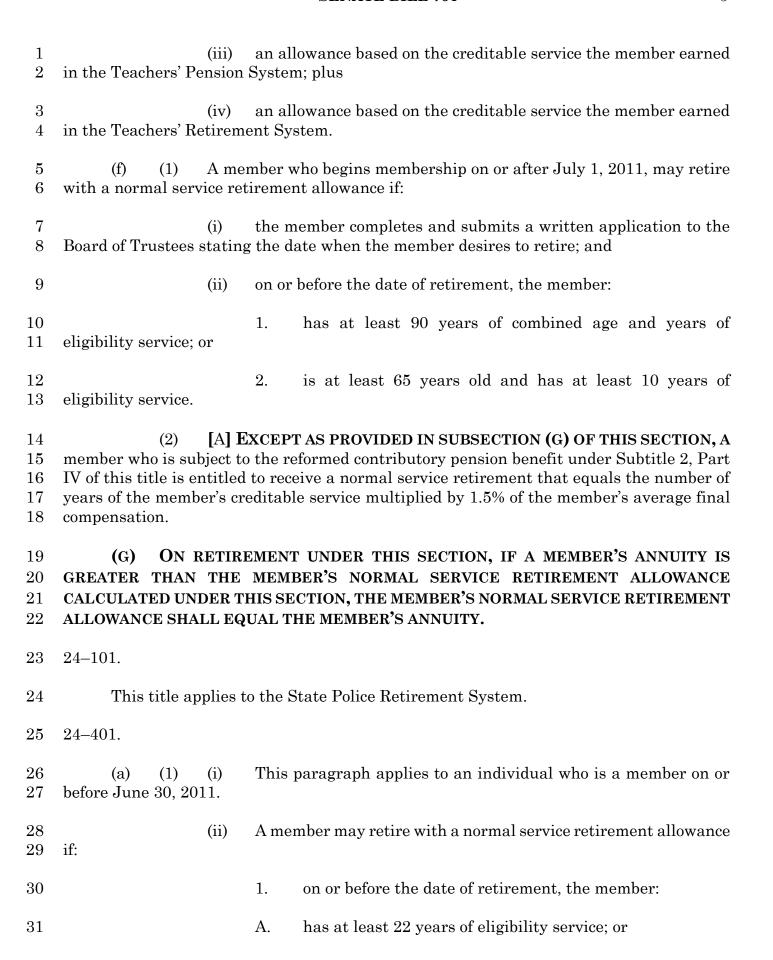
- 1 (2) the Teachers' Pension System.
- 2 23-401.
- 3 (a) Except as provided in subsection (f) of this section, a member may retire with 4 a normal service retirement allowance if:
- 5 (1) the member completes and submits a written application to the Board 6 of Trustees stating the date when the member desires to retire; and
- 7 (2) on or before the date of retirement, the member:
- 8 (i) has at least 30 years of eligibility service;
- 9 (ii) has a combined total of at least 30 years of eligibility service from 10 the Employees' Pension System, the Teachers' Pension System, the Employees' Retirement 11 System, or the Teachers' Retirement System; or
- 12 (iii) has attained the age and the years of eligibility service as follows:

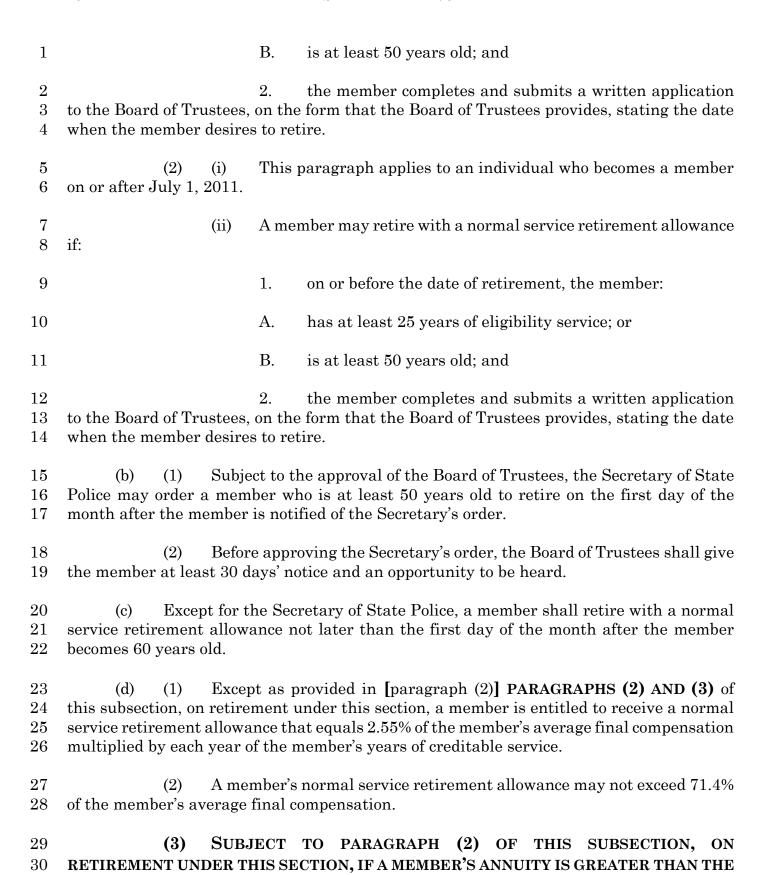
13	Age		Years of Eligibility
14			Service
15	62	with	5
16	63	with	4
17	64	with	3
18	65	or more with	2

- 19 (b) Except as provided in subsections (c), (d), (e), [and] (f), AND (G) of this section, 20 on retirement under this section, a member is entitled to receive a normal service 21 retirement allowance that equals the number of years of the member's creditable service 22 multiplied by:
- 23 (1) 0.8% of the member's average final compensation that is not in excess 24 of the Social Security integration level; and
- 25 (2) 1.5% of the member's average final compensation that exceeds the Social Security integration level.
- (c) Except as provided in [subsection (e)] SUBSECTIONS (E) AND (G) of this section, on retirement under this section, a member who is subject to the contributory pension benefit under Subtitle 2, Part II of this title is entitled to receive a normal service retirement allowance that equals the sum of:
- 31 (1) the number of years of the member's creditable service on or after July 32 1, 1998 multiplied by 1.4% of the member's average final compensation; and

in the Employees' Pension System;

- 1 (2) the greater of: 2 the number of years of the member's creditable service on or 3 before June 30, 1998 multiplied by 1.2% of the member's average final compensation; or 4 the number of years of the member's creditable service on or (ii) 5 before June 30, 1998 multiplied by: 6 1. 0.8% of the member's average final compensation that is 7 not in excess of the Social Security integration level; and 8 2. 1.5% of the member's average final compensation that 9 exceeds the Social Security integration level. 10 Except as provided in [subsection (e)] SUBSECTIONS (E) AND (G) of this (d) 11 section, a member who is subject to the Alternate Contributory Pension Selection under 12 Subtitle 2, Part III of this title is entitled to receive a normal service retirement allowance 13 that equals the sum of: 14 (1) the greater of: the number of years of the member's creditable service on or 15 (i) 16 before June 30, 1998 multiplied by 1.2% of the member's average final compensation; or 17 the number of years of the member's creditable service on or (ii) 18 before June 30, 1998 multiplied by: 19 0.8% of the member's average final compensation that is 1. 20 not in excess of the Social Security integration level; and 211.5% of the member's average final compensation that 22exceeds the Social Security integration level; and 23(2)the number of years of the member's creditable service on or after July 1, 1998 multiplied by 1.8% of the member's average final compensation. 2425This subsection applies only to a member who has a combined total of (e) (1)26 30 years of eligibility service as provided in subsection (a)(2)(ii) of this section. 27 (2)A member is entitled to receive a normal service retirement allowance that equals: 28 29 (i) an allowance based on the creditable service the member earned
- 31 (ii) an allowance based on the creditable service the member earned 32 in the Employees' Retirement System;





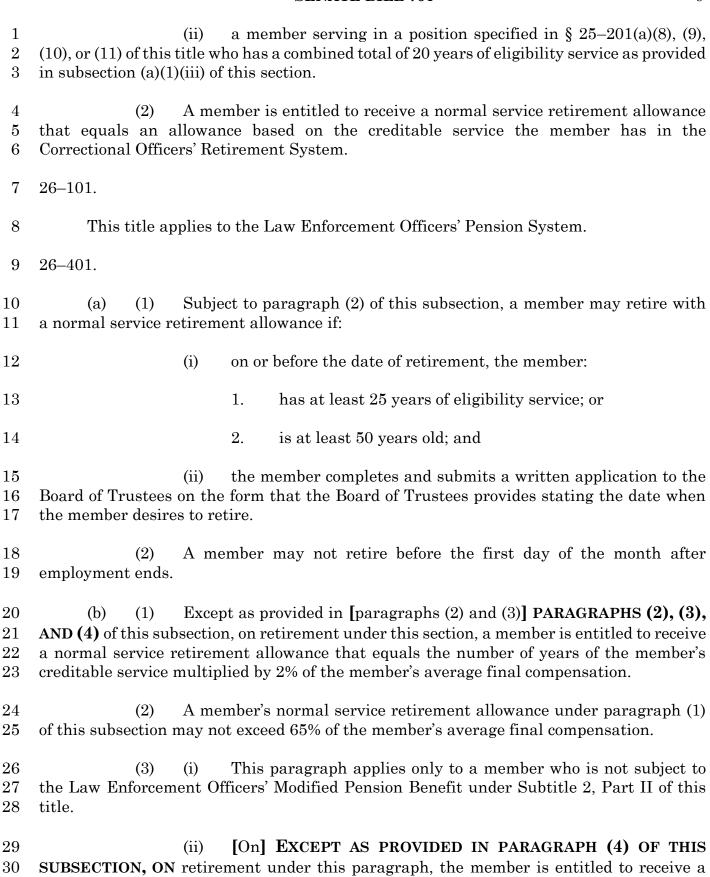
MEMBER'S NORMAL SERVICE RETIREMENT ALLOWANCE CALCULATED UNDER

1 PARAGRAPH (1) OF THIS SUBSECTION, THE MEMBER'S NORMAL SERVICE 2 RETIREMENT ALLOWANCE SHALL EQUAL THE MEMBER'S ANNUITY.

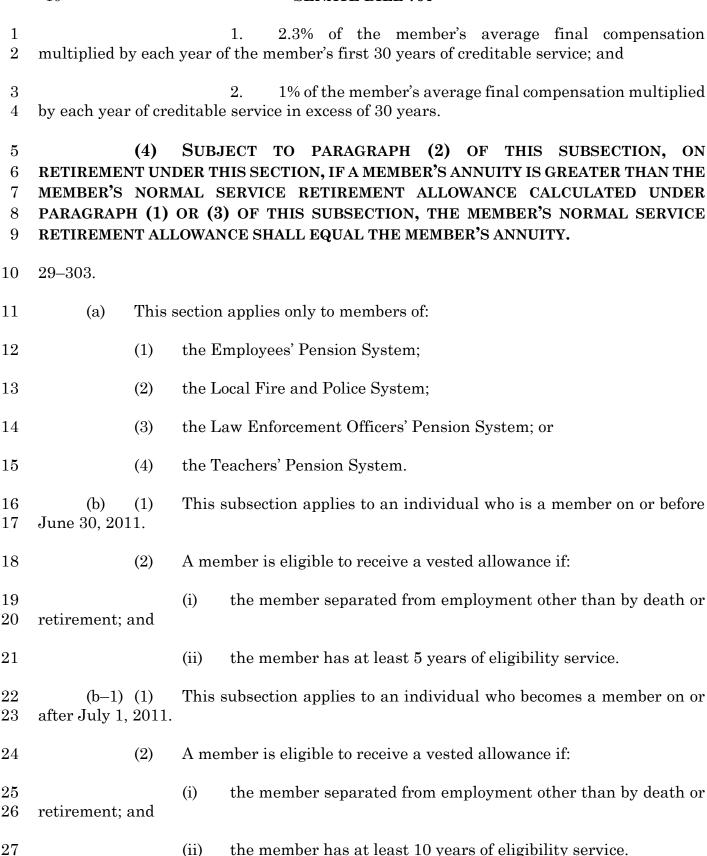
- 3 (e) Subject to §§ 29–401, 29–402, and 29–403 of this article, a retiree, or a beneficiary of a retiree, who retires on or before June 30, 1999 with a service retirement allowance, shall receive an annual retirement allowance adjustment as of July 1, 1999, as
- 6 follows:
- 7 (1) for a retiree who has been retired not more than 5 years, \$1,200;
- 8 (2) for a retiree who has been retired more than 5 years but not more than 9 10 years, \$1,500;
- 10 (3) for a retiree who has been retired more than 10 years but not more than 11 15 years, \$1,800; and
- 12 (4) for a retiree who has been retired more than 15 years, \$2,100.
- 13 25–101.
- This title applies to the Correctional Officers' Retirement System.
- 15 25-401.
- 16 (a) A member may retire with a normal service retirement allowance if:
- 17 (1) on or before the date of retirement, the member:
- 18 (i) has at least 20 years of eligibility service;
- 19 (ii) 1. is a correctional case management specialist, supervisor, 20 or manager on or before June 30, 2016;
- 2. is vested in the Correctional Officers' Retirement System;
- 22 and
- 23 3. has a combined total of at least 20 years of eligibility
- 24 service from:
- A. the Correctional Officers' Retirement System and the
- 26 Employees' Retirement System; or
- B. the Correctional Officers' Retirement System and the
- 28 Employees' Pension System;
- 29 (iii) 1. is serving in a position specified in:

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1 2	or	A.	\S 25–201(a)(8) or (9) of this title on or before June 30, 2017;
3 4	2018;	В.	§ 25–201(a)(10) or (11) of this title on or before June 30,
5 6	and	2.	is vested in the Correctional Officers' Retirement System;
7 8	service from:	3.	has a combined total of at least 20 years of eligibility
9	Employees' Retirement S	A. System	the Correctional Officers' Retirement System and the ; or
$\frac{1}{2}$	Employees' Pension Syst	B. sem; or	the Correctional Officers' Retirement System and the
13	(iv)	is at	least 55 years old and has:
14 15	is a member on or before	1. June	at least 5 years of eligibility service credit, if the member 30, 2011; or
16 17	becomes a member on or	2. after	at least 10 years of eligibility service credit, if the member July 1, 2011; and
18 19			r completes and submits a written application to the Board en the member desires to retire.
20 21 22 23	service retirement allow	ance	EPT AS PROVIDED IN PARAGRAPH (2) OF THIS under this section, a member is entitled to receive a normal that equals one fifty—fifth of the member's average final enumber of years of creditable service.
24 25 26 27 28	IS GREATER THAN TH CALCULATED UNDER	E ME	EMENT UNDER THIS SECTION, IF A MEMBER'S ANNUITY MBER'S NORMAL SERVICE RETIREMENT ALLOWANCE GRAPH (1) OF THIS SUBSECTION, THE MEMBER'S MENT ALLOWANCE SHALL EQUAL THE MEMBER'S
29	(c) (1) This	subsec	tion applies only to:
30 31 32	(i) manager who has a comb (a)(1)(ii) of this section; o	ined to	rrectional case management specialist, supervisor, or otal of 20 years of eligibility service as provided in subsection



normal service retirement allowance that equals:

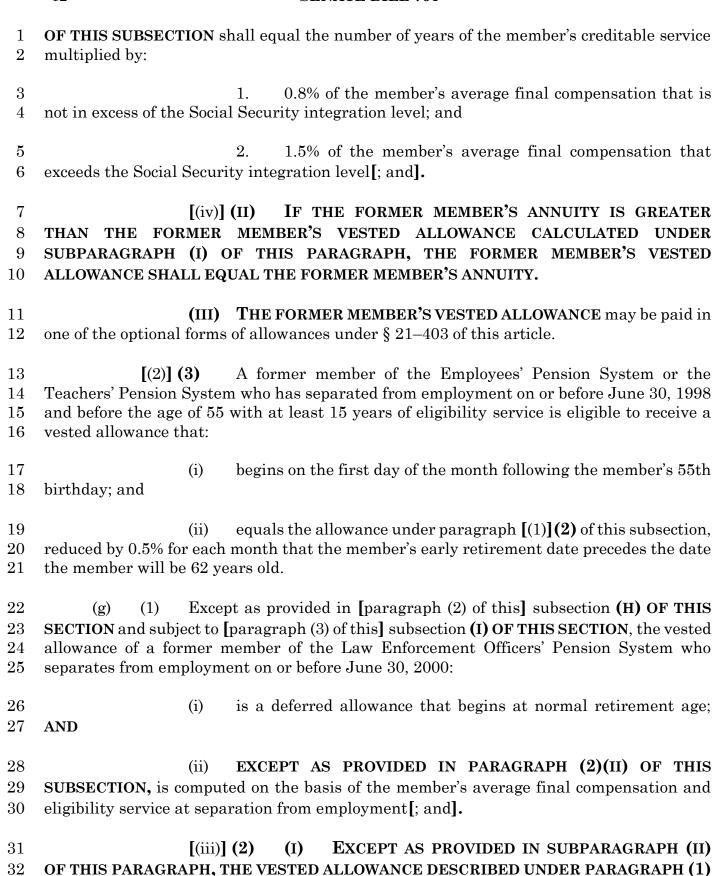


28 (c) (1) Except as provided in subsections [(e), (f), and (g)] (E) THROUGH (I) of this section, a vested allowance:

1	[(1)] (I) is a deferred allowance that begins at normal retirement age;
2 3 4 5	[(2)] (II) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, is computed as a normal service retirement allowance on the basis of the member's average final compensation and eligibility service at separation from employment; and
6 7	[(3)] (III) may be paid in one of the optional forms of allowances under \S 21–403 of this article.
8 9 10 11 12	(2) ON RETIREMENT UNDER THIS SUBSECTION, IF A FORMER MEMBER'S ANNUITY IS GREATER THAN THE FORMER MEMBER'S NORMAL SERVICE RETIREMENT ALLOWANCE CALCULATED UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE FORMER MEMBER'S NORMAL SERVICE RETIREMENT ALLOWANCE SHALL EQUAL THE FORMER MEMBER'S ANNUITY.
13 14 15 16	(d) If a member of the Employees' Pension System or the Teachers' Pension System separated from employment on or before June 30, 1990, unused sick leave reported by the member's employer at the time of separation from employment is creditable service for computing the vested allowance.
17 18 19 20	(e) Except as provided in subsection (f) of this section, a former member of the Employees' Pension System or the Teachers' Pension System who has separated from employment before the age of 55 with at least 15 years of eligibility service is eligible to receive a vested allowance that:
21 22	(1) begins on the first day of the month following the member's 55th birthday; and
23	(2) equals the reduced allowance computed under § 23–402 of this article.
24 25 26	(f) (1) The vested allowance of a former member of the Employees' Pension System or the Teachers' Pension System who separates from employment on or before June 30, 1998:
27 28	(i) is a deferred allowance that begins at normal retirement age; AND
29 30 31	(ii) EXCEPT AS PROVIDED IN PARAGRAPH (2)(II) OF THIS SUBSECTION, is computed on the basis of the member's average final compensation and eligibility service at separation from employment[;].
32	[(iii)] (2) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II)

OF THIS PARAGRAPH, THE VESTED ALLOWANCE DESCRIBED UNDER PARAGRAPH (1)

33



OF THIS SUBSECTION shall equal the number of years of the member's creditable service multiplied by:

$\frac{1}{2}$	1. 1% of the member's average final compensation that is not in excess of the Social Security integration level; and
3 4	2. 1.7% of the member's average final compensation that exceeds the Social Security integration level.
5 6 7 8	(II) IF THE FORMER MEMBER'S ANNUITY IS GREATER THAN THE FORMER MEMBER'S VESTED ALLOWANCE CALCULATED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE FORMER MEMBER'S VESTED ALLOWANCE SHALL EQUAL THE FORMER MEMBER'S ANNUITY.
9 10	[(2) (i)] (H) (1) This [paragraph] SUBSECTION applies only to a former member of the Law Enforcement Officers' Pension System who:
11 12	[1.] (I) transferred to the Law Enforcement Officers' Pension System from the Employees' Retirement System; and
13 14	[2.] (II) separates from employment on or before June 30, 2000.
15	[(ii)] (2) The vested allowance of a former member:
16 17	[1.] (I) is a deferred allowance that begins at normal retirement age; AND
18 19 20	[2.] (II) EXCEPT AS PROVIDED IN PARAGRAPH (4) OF THIS SUBSECTION, is computed on the basis of the member's average final compensation and eligibility service at separation from employment[; and].
21 22 23	[3.] (3) EXCEPT AS PROVIDED IN PARAGRAPH (4) OF THIS SUBSECTION, THE VESTED ALLOWANCE DESCRIBED UNDER PARAGRAPH (2) OF THIS SUBSECTION shall equal:
24 25	[A.] (I) 2% of the member's average final compensation multiplied by each year of the member's first 30 years of creditable service; and
26 27	[B.] (II) 1% of the member's average final compensation multiplied by each year of creditable service in excess of 30 years.
28 29 30	(4) IF THE FORMER MEMBER'S ANNUITY IS GREATER THAN THE FORMER MEMBER'S VESTED ALLOWANCE CALCULATED UNDER PARAGRAPH (3) OF THIS SUBSECTION, THE FORMER MEMBER'S VESTED ALLOWANCE SHALL EQUAL THE

FORMER MEMBER'S ANNUITY.

1	[(3) (i)] (I) (1) This paragraph applies only to a former member who is:
2 3	[1.] (I) receiving a deferred allowance under [paragraph (1) of this] subsection (G) OF THIS SECTION; and
4	[2.] (II) under the age of 62 years.
5 6	[(ii)] (2) On receipt of a vested allowance, a former member shall receive a supplemental deferred allowance that equals the difference between:
7	[1.] (I) the former member's vested allowance; and
8 9	[2.] (II) 1.7% of the member's average final compensation for each year of creditable service.
10 11	[(iii)] (3) Payment of the supplemental deferred allowance ends when the former member:
12	[1.] (I) attains the age of 62 years; or
13	[2.] (II) dies.
14 15 16	[(h)] (J) (1) If a former member who elected a vested allowance requests the return of accumulated contributions before payment of the vested allowance begins, the Board of Trustees shall return the accumulated contributions to the former member.
17 18 19	(2) When accumulated contributions are returned to a former member, the former member is not entitled to further benefits on account of the former member's previous membership.
20 21 22 23	SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall be construed to apply retroactively and shall be applied to and interpreted to affect any individual who on or after October 1, 2013, had a retirement account created or adjusted in one of the following systems of the State Retirement and Pension System:
24	(1) the Employees' Retirement System;
25	(2) the Employees' Pension System;
26	(3) the Teachers' Retirement System; or
27	(4) the Teachers' Pension System.
28 29	SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect July $1,2020.$