

MARYLAND REGISTER

Proposed Action on Regulations

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| Transmittal Sheet PROPOSED OR REPROPOSED Actions on Regulations | Date Filed with AELR Committee | TO BE COMPLETED BY DSD |
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1. Desired date of publication in Maryland Register: 4/29/2016

2. COMAR Codification

Title Subtitle Chapter Regulation

22 02 01 01, .02, .03, .04, .05

3. Name of Promulgating Authority

State Retirement and Pension System

4. Name of Regulations Coordinator

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Title 22
STATE RETIREMENT AND PENSION SYSTEM
Subtitle 02 OPTION AND ANNUITY TABLES

22.02.01 Option Factors and Annuity Values

Authority: State Personnel and Pensions Article, §§ 20-202, 21-108, 21-110, 21-125, and 21-402, Annotated Code of Maryland

Notice of Proposed Action

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The Board of Trustees for the State Retirement and Pension System proposes to adopt amendments to Regulations .01-.05 under COMAR 22.02.01 Option Factors and Annuity Values.

This action was considered by the Board of Trustees for the State Retirement and Pension System at an open meeting held on March 15, 2016, notice of which was given by publication on the website for the Maryland State Retirement and Pension System pursuant to § 10-506 of the State Government Article, Maryland Annotated Code.

Statement of Purpose

The purpose of this action is to update the option factors and annuity factors used by the State Retirement Agency when making calculations related to benefits payable upon the commencement of a retirement allowance, vested allowance, or allowance payable on the death of an active member. These proposed regulations are being amended to define certain terms and to explain when the updated factors will apply to the Agency's calculation.

Comparison to Federal Standards

There is no corresponding federal standard to this proposed action.

Estimate of Economic Impact

The proposed action has no economic impact.

Economic Impact on Small Businesses

The proposed action has minimal or no economic impact on small businesses.

Impact on Individuals with Disabilities

The proposed action has no impact on individuals with disabilities.

Opportunity for Public Comment

Comments may be sent to Anne E. Gawthrop, Director, Legislative Affairs, State Retirement Agency, 120 East Baltimore Street, Baltimore, MD 21202, or call 410-625-5602, or email to agawthrop@sra.state.md.us, or fax to 410-468-1710. Comments will be accepted through July 7, 2016. A public hearing has not been scheduled.

Open Meeting

Final action on the proposal will be considered by the Board of Trustees of the State Retirement and Pension System during a public meeting to be held on July 19, 2016, at 120 East Baltimore Street, 16th Floor, Baltimore, Maryland 21202.

Economic Impact Statement Part C

- A. Fiscal Year in which regulations will become effective: FY 2017
- B. Does the budget for the fiscal year in which regulations become effective contain funds to implement the regulations?
No
- C. If 'yes', state whether general, special (exact name), or federal funds will be used:
- D. If 'no', identify the source(s) of funds necessary for implementation of these regulations:
No funds are necessary to implement these regulations.
- E. If these regulations have no economic impact under Part A, indicate reason briefly:
- F. If these regulations have minimal or no economic impact on small businesses under Part B, indicate the reason and attach small business worksheet.
- G. Small Business Worksheet:

Attached Document:

Title 22 STATE RETIREMENT AND PENSION SYSTEM

Subtitle 02 OPTION AND ANNUITY TABLES

Chapter 01 Option Factors and Annuity Values

Authority: State Personnel and Pensions Article, §§20-202, 21-108, 21-110, 21-125, and 21-402, Annotated Code of Maryland

.01 [Incorporation by Reference] Definitions.

- [A. In this chapter, the following document is incorporated by reference.
- B. Document Incorporated. Option Factors and Annuity Values (State Retirement and Pension System, State Retirement Agency, August 1995) is incorporated by reference.]
- A. *In this chapter, the following terms have the meanings indicated.*

B. Terms Defined.

(1) Effective date of retirement.

(a) "Effective date of retirement" means the effective date of the commencement of:

(i) a retirement allowance;

(ii) a vested allowance;

(iii) an allowance payable on the death of an individual employed as a member; or

(iv) for a member of a deferred retirement option program, participation in the deferred retirement option program.

(b) "Effective date of retirement" does not mean the date of a change of beneficiary by a retiree, or the date of commencement of an allowance to a beneficiary of a retiree.

(2) "Post-reform COLA Rate" means the assumed cost-of-living adjustment rate under Regulation .03 of this chapter, for creditable service that is subject to State Personnel and Pensions Article, § 29-408, Annotated Code of Maryland.

(3) "Pre-reform COLA Rate" means the assumed cost-of-living adjustment rate under Regulation .03 of this chapter, for creditable service that is not subject to State Personnel and Pensions Article, § 29-408, Annotated Code of Maryland.

(4) "System's actuary" means the actuary designated by the Board of Trustees in accordance with State Personnel and Pensions Article, § 21-125, Annotated Code of Maryland.

.02 [General Annuity Factors.] Option and Annuity Factors on or before June 30, 2017.

A. This regulation applies to an effective date of retirement on or before June 30, 2017.

B. Incorporation by Reference.

(1) In this regulation, the following document is incorporated by reference.

(2) Document Incorporated. Option Factors and Annuity Values (State Retirement and Pension System, State Retirement Agency, August 1995) is incorporated by reference.

C. The general option factors and annuity values, set forth in Chapter 02 of Option Factors and Annuity Values, shall be applicable to the Correctional Officers' Retirement System, Employees' Pension System, Employees' Retirement System, Judges' Retirement System, Teachers' Pension System, and Teachers' Retirement System.

D. The law enforcement option factors and annuity values, set forth in Chapter 03 of Option Factors and Annuity Values, shall be applicable to the Law Enforcement Officers' Pension System, Local Fire and Police System, and State Police Retirement System.

.03 [Law Enforcement Annuity Factors] Option and Annuity Factors on or after July 1, 2017.

A. [The law enforcement option factors and annuity values, set forth in Chapter 03 of Option Factors and Annuity Values, shall be applicable to the Law Enforcement Officers' Pension System, Local Fire and Police System, and State Police Retirement System.] This regulation applies to an effective date of retirement on or after July 1, 2017.

B. General option factors and annuity values which are established by the System's actuary and are based on the actuarial assumptions adopted by the Board of Trustees as set forth in §E of this regulation shall be applicable to the Correctional Officers' Retirement System, Employees' Pension System, Employees' Retirement System, Judges' Retirement System, Teachers' Pension System, and Teachers' Retirement System.

C. Law Enforcement option factors and annuity values which are established by the System's actuary and based on the actuarial assumptions adopted by the Board of Trustees as set forth in §E of this regulation shall be applicable to the Law Enforcement Officers' Pension System, Local Fire and Police System, and State Police Retirement System.

D. Upon request, the Retirement Agency shall make the option factors and annuity values established by the System's actuary available to a participant.

E. Actuarial Assumptions.

| | <i>Interest Rate</i> | <i>Pre-reform COLA Rate</i> | <i>Post-reform COLA Rate</i> | <i>Mortality</i> | <i>Disabled Mortality</i> | <i>Unisex Mix</i> |
|--|----------------------|-----------------------------|------------------------------|---|--|--------------------------------|
| <i>General Option Factors and Annuity Values</i> | 5.85% | 2.29% | 1.49% | <i>RP 2014 Combined Annuitant Mortality</i> | <i>RP 2014 Disabled Annuitant Mortality, Set forward 1 / 3 Years for Males / Females</i> | <i>50% / 50% Male / Female</i> |
| <i>Law Enforcement Option Factors and Annuity Values</i> | 5.85% | 2.46% | 1.49% | <i>RP 2014 Combined Annuitant Mortality</i> | <i>RP 2014 Blue Collar Annuitant Mortality</i> | <i>85% / 15% Male / Female</i> |

.04 Legislative Pension Plan.

[On receipt of a written request from] *For* a member of the Legislative Pension Plan, the Retirement Agency shall *apply the annuity factors and values provided by* [request] the System’s actuary [to determine the annuity factors and values] applicable to the Legislative Pension Plan.

.05 Determining a Member's or Beneficiary's Age.

A. Except as provided in §B *or* C of this regulation, to determine the applicable option factor or annuity value [set forth in COMAR 22.02.02 or 22.02.03], the Retirement Agency shall use the age of a member, former member, or designated beneficiary as of the effective date of [receipt of an allowance payable under State Personnel and Pensions Article, Division II, Annotated Code of Maryland, by the member, former member, or designated beneficiary of a member or former member] *retirement* .

B. If the effective date of [receipt of an allowance by a member, former member, or designated beneficiary of the member or former member] *retirement* is 6 months or more from the previous birth date of the member, former member, or designated beneficiary, the Retirement Agency shall increase the age of the member, former member, or designated beneficiary to the next full year.

C. *For the recalculation of an allowance payable under State Personnel and Pensions Article, §§ 21-403(b), (c), (e), or (f) (Options 2, 3, 5, or 6), to determine the applicable option factor, the Retirement Agency shall use:*

(1) *The option factors and annuity values described under Regulation .02 or .03 of this chapter which are applicable to the retiree as of the effective date of retirement; and*

(2) *Subject to § B of this regulation, the ages of the retiree and designated beneficiary at the time of the change of beneficiary.*