
By: Delegate Proctor

Introduced and read first time: February 3, 1997

Assigned to: Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 Employees' and Teachers' Pension Systems - Alternate Pension Selection

3 FOR the purpose of providing for an alternate pension selection for members of the
4 Employees' Pension System and the Teachers' Pension System; making the selection
5 optional for certain members and mandatory for certain other members; providing
6 for the member contribution rate, the benefits, and the cost-of-living adjustment
7 for members subject to the alternate pension selection; requiring that certain
8 members who elect to be subject to the alternate pension selection have at least a
9 certain number of years of eligibility service to receive certain benefits; and
10 generally relating to an alternate pension selection for members of the Employees'
11 Pension System and the Teachers' Pension System.

12 BY adding to

13 Article - State Personnel and Pensions
14 New part designation "Part I. Membership Generally" to immediately precede
15 Section 23-201
16 Annotated Code of Maryland
17 (1994 Volume and 1996 Supplement)

18 BY repealing and reenacting, with amendments,

19 Article - State Personnel and Pensions
20 Section 23-212, 23-401, and 29-404
21 Annotated Code of Maryland
22 (1994 Volume and 1996 Supplement)

23 BY adding to

24 Article - State Personnel and Pensions
25 Section 23-217 and 23-218 to be under the new part "Part II. Alternate Pension
26 Selection"; and 29-425 through 29-427, inclusive, to be under the new part
27 "Part VI. Three Percent Compound Adjustment"
28 Annotated Code of Maryland
29 (1994 Volume and 1996 Supplement)

30 BY repealing and reenacting, without amendments,

31 Article - State Personnel and Pensions

2

1 Section 23-402, 29-108, and 29-110
2 Annotated Code of Maryland
3 (1994 Volume and 1996 Supplement)

4 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
5 MARYLAND, That the new part designation "Part I. Membership Generally" be added
6 to immediately precede Section 23-201 of the State Personnel and Pensions Article of the
7 Annotated Code of Maryland.

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

10 **Article - State Personnel and Pensions**

11 23-212.

12 (A) [A] EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, A
13 member's contribution rate is 5% of the part of the member's earnable compensation that
14 exceeds the taxable wage base for each year.

15 (B) THE CONTRIBUTION RATE OF A MEMBER SUBJECT TO THE ALTERNATE
16 PENSION SELECTION UNDER PART II OF THIS SUBTITLE IS 3% OF THE MEMBER'S
17 EARNABLE COMPENSATION.

18 23-215. RESERVED.

19 23-216. RESERVED.

20 PART II. ALTERNATE PENSION SELECTION.

21 23-217.

22 THIS PART II OF THIS SUBTITLE APPLIES TO:

23 (1) AN INDIVIDUAL WHO BECOMES A MEMBER OF THE EMPLOYEES'
24 PENSION SYSTEM OR TEACHERS' PENSION SYSTEM ON OR AFTER JULY 1, 1997; AND

25 (2) AN INDIVIDUAL WHO ON OR BEFORE JUNE 30, 1997 IS A MEMBER OF
26 THE EMPLOYEES' PENSION SYSTEM OR TEACHERS' PENSION SYSTEM AND WHO
27 ELECTS TO BE SUBJECT TO THIS PART II OF THIS SUBTITLE.

28 23-218.

29 (A) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, A MEMBER
30 WHO IS SUBJECT TO THIS PART II OF THIS SUBTITLE SHALL:

31 (1) RECEIVE AN ALLOWANCE FOR ALL CREDITABLE SERVICE AS
32 FOLLOWS:

33 (I) FOR NORMAL SERVICE RETIREMENT AS PROVIDED BY §
34 23-401(C) OF THIS TITLE;

35 (II) FOR EARLY SERVICE RETIREMENT AS PROVIDED BY § 23-402
36 OF THIS TITLE;

3

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

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

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

7 (3) MAKE THE MEMBER CONTRIBUTIONS AT THE RATE SPECIFIED BY §
8 23-212(B) OF THIS TITLE.

9 (B) (1) A MEMBER WHO ELECTS TO BE SUBJECT TO THIS PART II OF THIS
10 SUBTITLE IS ELIGIBLE TO RECEIVE THE BENEFITS AS PROVIDED UNDER
11 SUBSECTION (A)(1) OF THIS SECTION ONLY IF THE MEMBER EARNS AT LEAST 5
12 YEARS OF ELIGIBILITY SERVICE AFTER THE ELECTION.

13 (2) IF A MEMBER WHO ELECTS TO BE SUBJECT TO THIS PART II OF THIS
14 SUBTITLE RETIRES, SEPARATES FROM EMPLOYMENT, OR DIES BEFORE THE
15 MEMBER HAS EARNED AT LEAST 5 YEARS OF ELIGIBILITY SERVICE AFTER THE
16 ELECTION:

17 (I) THE MEMBER OR THE MEMBER'S DESIGNATED BENEFICIARY
18 SHALL RECEIVE BENEFITS AS IF THE MEMBER HAD NOT MADE THE ELECTION; AND

19 (II) ON REQUEST, THE MEMBER OR THE MEMBER'S DESIGNATED
20 BENEFICIARY MAY RECEIVE THE MEMBER'S ACCUMULATED CONTRIBUTIONS MADE
21 AFTER THE ELECTION WITHOUT ANY REDUCTION IN BENEFITS.

22 23-401.

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

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

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

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

28 (ii) has attained the age and the years of eligibility service as follows:

29	Age	Years of Eligibility Service
30	62	with 5
31	63	with 4
32	64	with 3
33	65 or more	with 2

34 (b) [On] EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, ON
35 retirement under this section, a member is entitled to receive a normal service retirement
36 allowance that equals the number of years of the member's creditable service multiplied
37 by:

4

1 (1) 0.8% of the member's average final compensation that is not in excess of
2 the social security integration level; and

3 (2) 1.5% of the member's average final compensation that exceeds the social
4 security integration level.

5 (C) ON RETIREMENT UNDER THIS SECTION, A MEMBER WHO IS SUBJECT TO
6 THE ALTERNATE PENSION SELECTION UNDER PART II OF THIS SUBTITLE IS
7 ENTITLED TO RECEIVE A NORMAL SERVICE RETIREMENT ALLOWANCE THAT
8 EQUALS THE NUMBER OF YEARS OF THE MEMBER'S CREDITABLE SERVICE
9 MULTIPLIED BY 1.5% OF THE MEMBER'S AVERAGE FINAL COMPENSATION THAT
10 EXCEEDS THE SOCIAL SECURITY INTEGRATION LEVEL.

11 23-402.

12 (a) A member may retire with an early service retirement allowance if:

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

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

16 (i) has at least 15 years but less than 30 years of eligibility service; and

17 (ii) is at least 55 but less than 62 years old.

18 (b) On retirement under this section, a member is entitled to receive an early
19 service retirement allowance that equals the normal service retirement allowance under §
20 23-401 of this subtitle, reduced by 0.5% for each month that the member's early
21 retirement date precedes the date the member will be 62 years old.

22 29-108.

23 (a) This section applies only to members of:

24 (1) the Employees' Pension System;

25 (2) the Local Fire and Police System;

26 (3) the Law Enforcement Officers' Pension System; and

27 (4) the Teachers' Pension System.

28 (b) Except as provided in subsections (c) and (d) of this section, an ordinary
29 disability retirement allowance equals:

30 (1) if the member is at least normal retirement age, a normal service
31 retirement allowance; or

32 (2) if the member is under normal retirement age, a normal service
33 retirement allowance that is computed by using:

34 (i) the number of years of creditable service the member would have
35 received if the member continued employment until normal retirement age; and

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1 (ii) an average final compensation the member would have received if
2 the member continued employment without a change in earnable compensation.

3 (c) A member of the Employees' Pension System or the Teachers' Pension System
4 who has transferred from the Employees' Retirement System or the Teachers'
5 Retirement System shall receive the benefits provided under the State system from which
6 the member transferred, offset by any refunded contributions including any interest
7 received in connection with the transfer, if:

8 (1) the member applies for the retirement allowance within 2 years after the
9 transfer; and

10 (2) the Board of Trustees grants a disability retirement allowance to the
11 member.

12 (d) (1) This subsection applies only to:

13 (i) a member of the Local Fire and Police Pension System who has
14 transferred from the Employees' Retirement System; or

15 (ii) a member of the Law Enforcement Officers' Pension System who
16 has transferred from the Employees' Retirement System after electing to receive benefits
17 in accordance with Selection A (Additional member contributions) as defined in §
18 22-101(b) of this article or Selection B (Limited cost-of-living adjustment) as defined in
19 § 22-101(c) of this article.

20 (2) An ordinary disability retirement allowance equals the greater of:

21 (i) a normal service retirement allowance; or

22 (ii) 25% of the member's average final compensation.

23 29-110.

24 (a) This section does not apply to the State Police Retirement System.

25 (b) Except as provided in subsection (c) of this section, an accidental disability
26 retirement allowance equals the lesser of:

27 (1) the member's average final compensation; or

28 (2) the sum of:

29 (i) an annuity that is the actuarial equivalent of the member's
30 accumulated contributions at retirement; and

31 (ii) a pension equal to two-thirds of the member's average final
32 compensation.

33 (c) (1) This subsection applies to a member of a State system other than the
34 Law Enforcement Officers' Pension System who is at least normal retirement age.

35 (2) An accidental disability retirement allowance equals the greater of:

36 (i) a normal service retirement allowance; or

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1 (ii) an accidental disability retirement allowance computed in
2 accordance with subsection (b) of this section.

3 29-404.

4 (a) Except as provided in subsection (b) of this section, this Part II of this subtitle
5 applies only to an allowance received by a former member, retiree, or surviving
6 beneficiary of a deceased member, former member, or retiree of:

7 (1) the Employees' Pension System;

8 (2) the Local Fire and Police System;

9 (3) the Law Enforcement Officers' Pension System; or

10 (4) the Teachers' Pension System.

11 (b) This Part II of this subtitle does not apply to an allowance that is subject to
12 adjustment under Part III, Part IV, [or] Part V, OR PART VI of this subtitle.

13 29-423. RESERVED.

14 29-424. RESERVED.

15 PART VI. THREE PERCENT COMPOUND ADJUSTMENT.

16 29-425.

17 (A) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, THIS PART VI
18 OF THIS SUBTITLE APPLIES ONLY TO AN ALLOWANCE RECEIVED BY A FORMER
19 MEMBER, RETIREE, OR SURVIVING BENEFICIARY OF A DECEASED MEMBER,
20 FORMER MEMBER, OR RETIREE OF THE EMPLOYEES' PENSION SYSTEM OR THE
21 TEACHERS' PENSION SYSTEM, WHO IS SUBJECT TO THE ALTERNATE PENSION
22 SELECTION UNDER TITLE 23, TITLE 2, SUBTITLE 2, PART II OF THIS ARTICLE.

23 (B) THIS PART VI OF THIS SUBTITLE DOES NOT APPLY IF THE MEMBER,
24 FORMER MEMBER, OR RETIREE ELECTED TO BE SUBJECT TO THE ALTERNATE
25 PENSION SELECTION AND DID NOT HAVE AT LEAST 5 YEARS OF ELIGIBILITY
26 SERVICE.

27 29-426.

28 EACH FISCAL YEAR, THE BOARD OF TRUSTEES SHALL ADJUST EACH
29 ALLOWANCE AS PROVIDED IN THIS PART VI OF THIS SUBTITLE.

30 29-427.

31 (A) EACH FISCAL YEAR, THE BOARD OF TRUSTEES SHALL ADJUST AN
32 ALLOWANCE BY MULTIPLYING THE ALLOWANCE FOR THE PRECEDING FISCAL
33 YEAR, EXCLUSIVE OF ANY ADDITIONAL VOLUNTARY ANNUITY, BY A RATE NOT
34 EXCEEDING 3%, THAT IS OBTAINED BY DIVIDING THE CONSUMER PRICE INDEX FOR
35 THE CALENDAR YEAR ENDING DECEMBER 31 IN THE PRECEDING FISCAL YEAR BY
36 THE CONSUMER PRICE INDEX FOR THE CALENDAR YEAR ENDING DECEMBER 31 IN
37 THE SECOND PRECEDING FISCAL YEAR.

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1 (B) THE ADJUSTMENT UNDER SUBSECTION (A) OF THIS SECTION SHALL
2 BEGIN THE SECOND JULY 1 AFTER THE DAY PRECEDING THE RETIREE'S DATE OF
3 RETIREMENT OR THE FORMER MEMBER'S EFFECTIVE DATE FOR RECEIPT OF A
4 VESTED ALLOWANCE.

5 (C) THE TOTAL ALLOWANCE PAYABLE IN EACH FISCAL YEAR SHALL BE THE
6 SUM OF:

7 (1) THE ANNUAL RATE OF ALLOWANCE PAID DURING THE PRECEDING
8 FISCAL YEAR;

9 (2) THE ADJUSTMENT IN ALLOWANCE PROVIDED FOR UNDER THIS
10 SECTION; AND

11 (3) ANY ADDITIONAL ANNUITY.

12 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
13 July 1, 1997.