

HOUSE BILL 987

Unofficial Copy  
K4

1998 Regular Session  
(81r1786)

*ENROLLED BILL*  
*-- Appropriations/Budget and Taxation --*

Introduced by **Delegates Proctor, Barve, Benson, Bobo, Bozman, Branch, E. Burns, Cadden, Conroy, C. Davis, DeCarlo, Donoghue, Dypski, Exum, Goldwater, Harrison, Healey, Heller, Hubbard, B. Hughes, Hurson, Jones, Linton, Malone, Marriott, McIntosh, Menes, Mohorovic, Opara, Taylor, Pitkin, Nathan-Pulliam, Workman, Howard, Frush, Owings, Weir, Stull, Muse, Patterson, Moe, McHale, Mossburg, Edwards, Palumbo, R. Baker, Morgan, Walkup, McClenahan, Wood, Montague, and Vallario**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this  
\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_M.

\_\_\_\_\_  
Speaker.

CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Employees' and Teachers' Pension Systems - ~~Alternate Pension Selection~~**  
3 **Modification of Benefits and Contributions - Optional Defined Contribution**  
4 **System**

5 FOR the purpose of ~~providing for an alternate pension selection for~~ *altering benefits*  
6 *and contributions for certain* members of the Employees' Pension System ~~who~~  
7 ~~are not employees of participating governmental units~~ *who are not employees of*  
8 *certain governmental units and who did not transfer from the Employees'*  
9 *Retirement System or the Teachers' Retirement System after a certain date* and  
10 for *certain* members of the Teachers' Pension System; making the selection

1 ~~optional for mandatory certain members of the Employees' Pension System, the~~  
2 ~~Employees' Retirement System, who are not employees of certain governmental~~  
3 ~~units and for certain members of the Teachers' Pension System, and the~~  
4 ~~Teachers' Retirement System and mandatory for certain other members;~~  
5 ~~authorizing the Board of Trustees for the State Retirement and Pension System~~  
6 ~~under certain circumstances to extend the period for making a certain election;~~  
7 ~~making an election irrevocable; prohibiting the Board of Trustees from revoking~~  
8 ~~or overturning an election; providing for the member contribution rate, the~~  
9 ~~benefits, and the cost-of-living adjustment for members subject to the alternate~~  
10 ~~pension selection who are not employees of certain governmental units and who~~  
11 ~~did not transfer from the Employees' Retirement System or the Teachers'~~  
12 ~~Retirement System after a certain date; requiring that certain members who~~  
13 ~~elect to be subject to the alternate pension selection make member contributions~~  
14 ~~for a certain minimum number of months to receive certain benefits;~~  
15 ~~authorizing certain members who are eligible for a normal service retirement~~  
16 ~~allowance to retire without making contributions for a certain minimum~~  
17 ~~number of months if the members pay a certain amount; providing for a certain~~  
18 ~~adjustment of an allowance for certain members who transferred from the~~  
19 ~~Employees' Retirement System or the Teachers' Retirement System and who~~  
20 ~~received a certain transfer refund; providing for the prorating of certain credit~~  
21 ~~for service for certain members who elect to be subject to the alternate pension~~  
22 ~~selection and work fewer than a certain number of hours; establishing an~~  
23 ~~Optional Defined Contribution System for the purpose of allowing certain~~  
24 ~~members of the Employees' Pension System and members of the Teachers'~~  
25 ~~Pension System to contribute to certain plans with tax qualified status under~~  
26 ~~the Internal Revenue Code and receive a certain maximum amount from the~~  
27 ~~State as a match; requiring the State Board of Trustees of the Maryland~~  
28 ~~Teachers and State Employees Supplemental Retirement Plans to administer~~  
29 ~~the Optional Defined Contribution System, to adopt certain regulations, and to~~  
30 ~~adopt, implement, and maintain certain plans qualified under the Internal~~  
31 ~~Revenue Code; providing that the Supplemental Board is not required to adopt~~  
32 ~~or amend certain plans in a certain manner; providing for contributions by~~  
33 ~~participating employees and the State under the Optional Defined Contribution~~  
34 ~~System; requiring the Governor to include certain amounts in the annual State~~  
35 ~~budget bill; altering the eligibility for participation in certain plans~~  
36 ~~administered by the Supplemental Board; establishing a Defined Contribution~~  
37 ~~System Plan for certain eligible participants; providing for authorizing certain~~  
38 ~~negotiations with a certain administrator of the Supplemental Retirement~~  
39 ~~Plans; providing for the termination of and renegotiation of a certain contract;~~  
40 ~~requiring the State Retirement Agency and the Supplemental Board to~~  
41 ~~coordinate certain efforts to give certain information to certain members of~~  
42 ~~certain State pension systems; providing for the release of certain pension~~  
43 ~~records under certain circumstances; defining certain terms; providing for the~~  
44 ~~funding of certain liabilities under this Act; authorizing the Governor to take~~  
45 ~~certain actions for a certain fiscal year to implement the provisions of this Act;~~  
46 ~~requiring a certain study and report on or before a certain date; declaring the~~  
47 ~~intent of the General Assembly; providing for a delayed effective date for certain~~  
48 ~~provisions of this Act; and generally relating to an alternate pension selection~~

1 modifications in benefits and contributions and the establishment of an  
 2 Optional Defined Contribution System for certain members of the Employees'  
 3 Pension System who are not employees of certain governmental units who are  
 4 State employees and for certain members of the Teachers' Pension System.

5 BY repealing and reenacting, with amendments,

6 Article - State Government  
 7 Section 10-616(e)(5)  
 8 Annotated Code of Maryland  
 9 (1995 Replacement Volume and 1997 Supplement)

10 BY adding to

11 Article - State Personnel and Pensions  
 12 New part designation "Part I. Membership Generally" to immediately precede  
 13 Section 23-201  
 14 Annotated Code of Maryland  
 15 (1997 Replacement Volume)

16 BY repealing and reenacting, with amendments,

17 Article - State Government  
 18 Section 10-616(g)(5)  
 19 Annotated Code of Maryland  
 20 (1995 Replacement Volume and 1997 Supplement)

21 BY repealing and reenacting, with amendments,

22 Article - State Personnel and Pensions  
 23 Section 21-304(d), ~~21-305.2(e)~~, 23-212, 23-302, 23-303, 23-401, and ~~29-404~~  
 24 ~~29-303, 29-404, and 35-101(c)~~  
 25 Annotated Code of Maryland  
 26 (1997 Replacement Volume)

27 BY adding to

28 Article - State Personnel and Pensions  
 29 Section ~~21-505, 23-217 and 23-218~~ to be under the new part "Part II. Alternate  
 30 Pension Selection"; and 29-425 through 29-427, inclusive, to be under the  
 31 new part "Part VI. Three Percent Compound Adjustment"; ~~32-101 through~~  
 32 32-206, inclusive, to be under the new title "Title 32. Optional Defined  
 33 Contribution System"; and 35-701 and 35-702, to be under the new  
 34 subtitle "Subtitle 7. Defined Contribution Plan"  
 35 Annotated Code of Maryland  
 36 (1997 Replacement Volume)

37 BY repealing and reenacting, without amendments,

38 Article - State Personnel and Pensions  
 39 Section 23-402, 29-108, 29-110, and 29-206

1 Annotated Code of Maryland  
2 (1997 Replacement Volume)

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

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

9 **Article - State Government**

10 10-616.

11 (g) (5) A custodian shall permit release of information as provided in §  
12 21-504 OR § 21-505 of the State Personnel and Pensions Article.

13 **Article - State Personnel and Pensions**

14 21-304.

15 (d) (1) For each State system, the accrued liability contribution rate shall be  
16 computed as the percent of the aggregate annual earnable compensation of the State  
17 members of that State system that is sufficient to liquidate over 40 years beginning  
18 July 1, 1980, the amount, as of June 30, 1980, by which the total liabilities of that  
19 State system on account of State members exceeded the sum of:

20 (i) the assets of the accumulation fund and the annuity savings  
21 fund of that State system, other than assets to the credit of the participating  
22 governmental units; and

23 (ii) the present value of future normal contributions and future  
24 member contributions to that State system on behalf of or by State members.

25 (2) On the recommendation of the actuary, the Board of Trustees may  
26 adjust the accrued liability contribution rates to reflect, over the greater of 15 years or  
27 the time remaining to amortize the accrued liability:

28 (i) experience gains and losses; and

29 (ii) the effect of changes in actuarial assumptions.

30 (3) Except as provided in [paragraph (4)] PARAGRAPHS (4) AND (5) of this  
31 subsection, if the accrued liability is increased by legislation enacted after July 1,  
32 1980, the additional liability shall be funded over 30 years beginning on July 1  
33 coincident with or next following the effective date of the increase.

1 (4) If the accrued liability is increased by legislation that provides for  
 2 early retirement of State employees, the additional liability shall be funded over a  
 3 period of 5 years beginning on:

4 (i) July 1, 1997 for legislation effective June 1, 1996; and

5 (ii) July 1, 1998 for legislation effective June 1, 1997.

6 (5) IF THE ACCRUED LIABILITY IS INCREASED BY LEGISLATION  
 7 EFFECTIVE JULY 1, 1998, THAT PROVIDES FOR AN ALTERNATE PENSION SELECTION  
 8 ~~FOR CHANGES IN THE METHOD OF COMPUTING THE RETIREMENT ALLOWANCE OF~~  
 9 MEMBERS OF THE EMPLOYEES' PENSION SYSTEM OR THE TEACHERS' PENSION  
 10 SYSTEM, THE ADDITIONAL LIABILITY SHALL BE FUNDED OVER A PERIOD OF 20  
 11 YEARS BEGINNING ON JULY 1, 1999.

12 ~~21-305.2.~~

13 ~~(e) (1) On the recommendation of the actuary, the Board of Trustees may~~  
 14 ~~adjust the accrued liability contribution rate to reflect:~~

15 ~~(1) (I) experience gains and losses;~~

16 ~~(2) (II) the effect of changes in actuarial assumptions; and~~

17 ~~(3) (III) the effect of legislation enacted after July 1, 1980.~~

18 ~~(2) IF THE ACCRUED LIABILITY IS INCREASED BY LEGISLATION~~  
 19 ~~EFFECTIVE JULY 1, 1998, THAT PROVIDES FOR AN ALTERNATE PENSION SELECTION~~  
 20 ~~FOR MEMBERS OF THE EMPLOYEES' PENSION SYSTEM, THE ADDITIONAL LIABILITY~~  
 21 ~~SHALL BE FUNDED OVER A PERIOD OF 20 YEARS BEGINNING ON JULY 1, 1999.~~

22 ~~21-505.~~

23 ~~THE BOARD OF TRUSTEES AND THE STATE BOARD OF TRUSTEES OF THE~~  
 24 ~~MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS~~  
 25 ~~SHALL EXCHANGE INFORMATION ABOUT PARTICIPATING EMPLOYEES OF THE~~  
 26 ~~OPTIONAL DEFINED CONTRIBUTION SYSTEM AS NECESSARY TO ADMINISTER THE~~  
 27 ~~SYSTEM.~~

28 23-212.

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

32 (B) (1) THIS SUBSECTION DOES NOT APPLY TO:

33 (1) AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL UNIT OR  
 34 A FORMER PARTICIPATING GOVERNMENTAL UNIT THAT HAS WITHDRAWN; OR

1 (II) A MEMBER OF THE EMPLOYEES' PENSION SYSTEM OR  
 2 TEACHERS' PENSION SYSTEM WHO TRANSFERRED FROM THE EMPLOYEES'  
 3 RETIREMENT SYSTEM OR TEACHERS' RETIREMENT SYSTEM AFTER APRIL 1, 1998.

4 (2) THE CONTRIBUTION RATE OF A MEMBER SUBJECT TO THE  
 5 ALTERNATE PENSION SELECTION UNDER PART II OF THIS SUBTITLE IS ~~3%~~ 2% OF THE  
 6 MEMBER'S EARNABLE COMPENSATION.

7 ~~23-215. RESERVED.~~

8 ~~23-216. RESERVED.~~

9 PART II. ~~ALTERNATE PENSION SELECTION.~~

10 ~~23-217.~~

11 (A) ~~THIS PART II OF THIS SUBTITLE APPLIES TO:~~

12 ~~(I) AN INDIVIDUAL WHO ON OR AFTER JULY 1, 1998 BECOMES A MEMBER~~  
 13 ~~OF:~~

14 ~~(I) THE EMPLOYEES' PENSION SYSTEM AND IS NOT AN EMPLOYEE~~  
 15 ~~OF A PARTICIPATING GOVERNMENTAL UNIT; OR~~

16 ~~(II) THE TEACHERS' PENSION SYSTEM; AND~~

17 ~~(2) AN INDIVIDUAL WHO ON OR BEFORE JUNE 30, 1999 OR ANY DATE OF~~  
 18 ~~AN EXTENSION MADE UNDER PARAGRAPH (B) OF THIS SUBSECTION SUBSECTION (B)~~  
 19 ~~OF THIS SECTION, ELECTS TO BE SUBJECT TO THIS PART II OF THIS SUBTITLE AND~~  
 20 ~~WHO ON OR BEFORE JUNE 30, 1998:~~

21 ~~(I) IS NOT AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL~~  
 22 ~~UNIT, BUT WHO IS A MEMBER OF THE EMPLOYEES' PENSION SYSTEM OR A MEMBER~~  
 23 ~~OF THE EMPLOYEES' RETIREMENT SYSTEM WHO TRANSFERS TO THE EMPLOYEES'~~  
 24 ~~PENSION SYSTEM BEFORE THE ELECTION; OR~~

25 ~~(II) IS A MEMBER OF THE TEACHERS' PENSION SYSTEM OR A~~  
 26 ~~MEMBER OF THE TEACHERS' RETIREMENT SYSTEM WHO TRANSFERS TO THE~~  
 27 ~~TEACHERS' PENSION SYSTEM BEFORE THE ELECTION.~~

28 ~~(B) (1) THE BOARD OF TRUSTEES MAY EXTEND THE DATE FOR WHICH AN~~  
 29 ~~INDIVIDUAL MAY ELECT TO BE SUBJECT TO PART II OF THIS SUBTITLE IF, ON OR~~  
 30 ~~BEFORE JUNE 30, 1999, FEWER MAKE THE ELECTION THAN 60% OF THE NUMBER WHO~~  
 31 ~~ON JUNE 30, 1998 ARE MEMBERS OF THE TEACHERS' PENSION SYSTEM OR MEMBERS~~  
 32 ~~OF THE EMPLOYEES' PENSION SYSTEM WHO ARE NOT EMPLOYEES OF A~~  
 33 ~~PARTICIPATING GOVERNMENTAL UNIT.~~

34 ~~(2) AN EXTENSION UNDER PARAGRAPH (1) OF THIS SUBSECTION MAY BE~~  
 35 ~~MADE ONLY ONCE FOR A PERIOD OF UP TO 12 MONTHS.~~

1       (C)   (1)    AN ELECTION TO BE SUBJECT TO THIS PART II OF THIS SUBTITLE IS  
2 IRREVOCABLE.

3           (2)    THE BOARD OF TRUSTEES MAY NOT REVOKE OR OVERTURN AN  
4 ELECTION EVEN IF REQUESTED BY THE MEMBER MAKING THE ELECTION.

5           (3)    THE EFFECTIVE DATE OF THE ELECTION IS THE FIRST DAY OF THE  
6 MONTH IN WHICH AN APPLICATION FOR THE ELECTION IS RECEIVED BY THE STATE  
7 RETIREMENT AGENCY.

8 23-218.

9       (A)    EXCEPT AS PROVIDED IN SUBSECTIONS (B) AND (C) OF THIS SECTION, A  
10 MEMBER WHO IS SUBJECT TO THIS PART II OF THIS SUBTITLE SHALL:

11           (1)    RECEIVE AN ALLOWANCE FOR ALL CREDITABLE SERVICE AS  
12 FOLLOWS:

13                   (I)    FOR NORMAL SERVICE RETIREMENT AS PROVIDED BY §  
14 23-401(C) OF THIS TITLE;

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

17                   (III)   FOR ORDINARY DISABILITY RETIREMENT AS PROVIDED BY §  
18 29-108 OF THIS ARTICLE; AND

19                   (IV)   FOR ACCIDENTAL DISABILITY RETIREMENT AS PROVIDED BY §  
20 29-110 OF THIS ARTICLE;

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

23           (3)    MAKE THE MEMBER CONTRIBUTIONS AT THE RATE SPECIFIED BY §  
24 23-212(B) OF THIS SUBTITLE.

25       (B)   (1)    ~~SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, A MEMBER WHO~~  
26 ~~ELECTS TO BE SUBJECT TO THIS PART II OF THIS SUBTITLE IS ELIGIBLE TO RECEIVE~~  
27 ~~THE BENEFITS AS PROVIDED UNDER SUBSECTION (A)(1) AND (2) OF THIS SECTION~~  
28 ~~ONLY IF THE MEMBER MAKES MEMBER CONTRIBUTIONS UNDER § 23-212(B) OF THIS~~  
29 ~~SUBTITLE FOR AT LEAST 60 MONTHS.~~

30           (2)    ~~EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION, IF A~~  
31 ~~MEMBER WHO ELECTS TO BE SUBJECT TO THIS PART II OF THIS SUBTITLE RETIRES,~~  
32 ~~SEPARATES FROM EMPLOYMENT, BECOMES DISABLED, OR DIES BEFORE THE~~  
33 ~~MEMBER MAKES MEMBER CONTRIBUTIONS FOR AT LEAST 60 MONTHS:~~

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

1                   (H)     ~~THE MEMBER OR THE MEMBER'S DESIGNATED BENEFICIARY~~  
2  ~~SHALL RECEIVE THE MEMBER'S CONTRIBUTIONS MADE AFTER THE ELECTION PLUS~~  
3  ~~REGULAR INTEREST, LESS AN AMOUNT EQUAL TO ANY MEMBER CONTRIBUTIONS~~  
4  ~~THAT WOULD HAVE BEEN MADE UNDER § 23-212(A) OF THIS SUBTITLE IF THE~~  
5  ~~MEMBER HAD NOT MADE THE ELECTION PLUS REGULAR INTEREST.~~

6                   (3)     ~~(H)     THIS PARAGRAPH DOES NOT APPLY TO A MEMBER WHO ELECTS~~  
7  ~~TO RETIRE UNDER CHAPTER \_\_\_\_\_ (H.B. 199) OF THE ACTS OF 1998.~~

8                   (H)     ~~ON OR BEFORE JUNE 30, 2003, A MEMBER WHO ELECTS TO BE~~  
9  ~~SUBJECT TO THIS PART II OF THIS SUBTITLE AND WHO IS ELIGIBLE FOR A NORMAL~~  
10  ~~SERVICE RETIREMENT ALLOWANCE, BUT HAS NOT MADE MEMBER CONTRIBUTIONS~~  
11  ~~UNDER § 23-212(B) OF THIS SUBTITLE FOR AT LEAST 60 MONTHS, MAY RETIRE~~  
12  ~~WITHOUT MAKING ALL OR PART OF THE CONTRIBUTIONS IF THE MEMBER:~~

13                             ~~1.     COMPLETES AND FILES AN APPLICATION WITH THE~~  
14  ~~BOARD OF TRUSTEES ON THE FORM THAT THE BOARD OF TRUSTEES PROVIDES; AND~~

15                             ~~2.     PAYS TO THE BOARD OF TRUSTEES AN AMOUNT EQUAL TO~~  
16  ~~THE ANNUITY RESERVE AND PENSION RESERVE REQUIRED TO FUND THE~~  
17  ~~ADDITIONAL ALLOWANCE BY THE ALTERNATE PENSION SELECTION.~~

18                   (C)     ~~(1)     THIS SUBSECTION DOES NOT APPLY TO THE COMPUTATION OF AN~~  
19  ~~ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE.~~

20                   (2)     ~~A MEMBER OR FORMER MEMBER WHO TRANSFERRED MEMBERSHIP~~  
21  ~~OR VESTED RIGHTS FROM THE EMPLOYEES' RETIREMENT SYSTEM OR THE~~  
22  ~~TEACHERS' RETIREMENT SYSTEM AND RECEIVED A REFUND UNDER § 22-212 OR §~~  
23  ~~22-213 OF THIS ARTICLE SHALL BE SUBJECT TO AN ADJUSTMENT OF THE MEMBER'S~~  
24  ~~OR FORMER MEMBER'S BASIC ALLOWANCE AS PROVIDED IN THIS SUBSECTION.~~

25                   (3)     ~~THE PRELIMINARY INCREASE IN ALLOWANCE SHALL BE COMPUTED~~  
26  ~~BY SUBTRACTING THE BASIC ALLOWANCE THE MEMBER OR FORMER MEMBER IS~~  
27  ~~ENTITLED TO UNDER § 23-401(C) OF THIS TITLE AND THE ALLOWANCE THE MEMBER~~  
28  ~~OR FORMER MEMBER WOULD HAVE BEEN ENTITLED TO UNDER § 23-401(B) OF THIS~~  
29  ~~TITLE.~~

30                   (4)     ~~THE PRELIMINARY INCREASE IN PRESENT VALUE OF THE~~  
31  ~~ALLOWANCE SHALL BE COMPUTED BY SUBTRACTING THE PRESENT VALUE OF THE~~  
32  ~~BASIC ALLOWANCE THE MEMBER OR FORMER MEMBER IS ENTITLED TO UNDER §~~  
33  ~~23-401(C) OF THIS TITLE AND THE PRESENT VALUE OF THE ALLOWANCE THE~~  
34  ~~MEMBER OR FORMER MEMBER WOULD HAVE BEEN ENTITLED TO UNDER § 23-401(B)~~  
35  ~~OF THIS TITLE.~~

36                   (5)     ~~THE ANNUITY FACTOR FOR THE MEMBER OR FORMER MEMBER~~  
37  ~~SHALL BE COMPUTED BY DIVIDING THE AMOUNT COMPUTED UNDER PARAGRAPH (4)~~  
38  ~~OF THIS SUBSECTION BY THE AMOUNT COMPUTED IN PARAGRAPH (3) OF THIS~~  
39  ~~SUBSECTION.~~

1           (6)     ~~THE PORTION OF THE PRELIMINARY INCREASE IN PRESENT VALUE~~  
2 ~~OF THE ALLOWANCE THAT IS ATTRIBUTABLE TO EMPLOYER CONTRIBUTIONS SHALL~~  
3 ~~BE COMPUTED BY SUBTRACTING THE ACCUMULATED CONTRIBUTIONS OF THE~~  
4 ~~MEMBER OR FORMER MEMBER AFTER BECOMING SUBJECT TO THIS PART II OF THIS~~  
5 ~~SUBTITLE FROM THE AMOUNT COMPUTED IN PARAGRAPH (4) OF THIS SUBSECTION.~~

6           (7)     ~~THE ADJUSTED INCREASE IN PRESENT VALUE OF THE ALLOWANCE~~  
7 ~~THAT IS ATTRIBUTABLE TO EMPLOYER CONTRIBUTIONS SHALL BE COMPUTED TO BE~~  
8 ~~AN AMOUNT NOT LESS THAN ZERO THAT IS EQUAL TO THE AMOUNT COMPUTED IN~~  
9 ~~PARAGRAPH (6) OF THIS SUBSECTION LESS THE SUM OF:~~

10           (I)     ~~THE AMOUNT AS INTEREST EARNED THAT THE MEMBER OR~~  
11 ~~FORMER MEMBER RECEIVED AS A REFUND UNDER § 22-212 OR § 22-213 OF THIS~~  
12 ~~ARTICLE; AND~~

13           (II)    ~~INTEREST ON THE AMOUNT IN ITEM (I) OF THIS PARAGRAPH AT~~  
14 ~~THE ACTUARIAL RATE OF INTEREST APPLICABLE FOR THE PERIOD FROM THE DATE~~  
15 ~~OF THE REFUND THROUGH THE DATE OF RETIREMENT.~~

16           (8)     ~~THE ADJUSTED INCREASE IN PRESENT VALUE IN THE ALLOWANCE~~  
17 ~~SHALL BE COMPUTED BY ADDING THE AMOUNT COMPUTED IN PARAGRAPH (7) OF~~  
18 ~~THIS SECTION AND THE ACCUMULATED CONTRIBUTIONS OF THE MEMBER OR~~  
19 ~~FORMER MEMBER AFTER BECOMING SUBJECT TO THIS PART II OF THIS SUBTITLE.~~

20           (9)     ~~THE ADJUSTED INCREASE IN ALLOWANCE SHALL BE COMPUTED BY~~  
21 ~~DIVIDING THE AMOUNT COMPUTED IN PARAGRAPH (8) OF THIS SUBSECTION BY THE~~  
22 ~~ANNUITY FACTOR COMPUTED IN PARAGRAPH (5) OF THIS SUBSECTION.~~

23           (10)    ~~THE FINAL ADJUSTED BASIC ALLOWANCE SHALL BE COMPUTED BY~~  
24 ~~ADDING THE AMOUNT COMPUTED IN PARAGRAPH (9) OF THIS SUBSECTION TO THE~~  
25 ~~BASIC ALLOWANCE THE MEMBER OR FORMER MEMBER WOULD HAVE BEEN~~  
26 ~~ENTITLED TO UNDER § 23-401(B) OF THIS TITLE.~~

27 23-302.

28       (a)     Subject to subsection (b) of this section, a member is entitled to eligibility  
29 service for periods of employment while a member of the Employees' Pension System  
30 or the Teachers' Pension System.

31       (b)     (1)     If a member completes at least 700 hours of employment while a  
32 member in any fiscal year, the member is entitled to 1 year of eligibility service.

33           (2)     Except in the first and last fiscal years OR EXCEPT AS PROVIDED IN  
34 SUBSECTION (C) OF THIS SECTION, a member may not receive any eligibility service  
35 for a fiscal year in which the member completes less than 700 hours of employment  
36 while a member.

37           (3)     In the first and last fiscal years, if a member completes less than 700  
38 hours of employment while a member, the Board of Trustees shall prorate the  
39 eligibility service based on the number of hours worked.

1 (C) (1) THIS SUBSECTION DOES NOT APPLY TO:

2 (I) AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL UNIT OR  
3 A FORMER PARTICIPATING GOVERNMENTAL UNIT THAT HAS WITHDRAWN; OR

4 (II) A MEMBER OF THE EMPLOYEES' PENSION SYSTEM OR  
5 TEACHERS' PENSION SYSTEM WHO TRANSFERRED FROM THE EMPLOYEES'  
6 RETIREMENT SYSTEM OR TEACHERS' RETIREMENT SYSTEM AFTER APRIL 1, 1998.

7 (2) IF A MEMBER WHO IS SUBJECT TO THE ALTERNATE PENSION  
8 SELECTION UNDER SUBTITLE 2, PART II OF THIS TITLE COMPLETES LESS THAN 700  
9 500 HOURS OF EMPLOYMENT WHILE A MEMBER SUBJECT TO THAT SELECTION, THE  
10 BOARD OF TRUSTEES SHALL PRORATE THE ELIGIBILITY SERVICE BASED ON THE  
11 NUMBER OF HOURS WORKED.

12 23-303.

13 (a) In this section, "break in service" means a period of separation from  
14 employment in a fiscal year after the one in which a member first becomes employed,  
15 if during that fiscal year the member does not complete more than 350 hours of  
16 employment while a member.

17 (b) (1) This section applies to a member of the Employees' Pension System  
18 or the Teachers' Pension System who was a member of one of those State systems.

19 (2) This section does not apply to:

20 (I) a retiree of the Employees' Pension System or the Teachers'  
21 Pension System; OR

22 (II) A MEMBER OF THE EMPLOYEES' PENSION SYSTEM OR  
23 TEACHERS' PENSION SYSTEM WHO IS ~~SUBJECT TO THE ALTERNATE PENSION~~  
24 ~~SELECTION UNDER SUBTITLE 2, PART II OF THIS TITLE~~ NOT AN EMPLOYEE OF A  
25 PARTICIPATING GOVERNMENTAL UNIT OR A FORMER PARTICIPATING  
26 GOVERNMENTAL UNIT THAT HAS WITHDRAWN OR WHO TRANSFERRED FROM THE  
27 EMPLOYEES' RETIREMENT SYSTEM OR TEACHERS' RETIREMENT SYSTEM ON OR  
28 BEFORE APRIL 1, 1998.

29 (c) A member is entitled to the eligibility service to which the member was  
30 entitled before the separation from employment if:

31 (1) the member has not incurred a break in service;

32 (2) the member was entitled to a vested allowance at the time of the  
33 separation from employment; or

34 (3) (i) the member has completed 1 year of eligibility service after a  
35 break in service; and

1 (ii) the number of consecutive years in which the member incurred  
 2 a break in service is less than the years of eligibility service as a member before the  
 3 break in service.

4 (d) To determine if a member is eligible for prior eligibility service under  
 5 subsection (c)(3)(ii) of this section, the Board of Trustees shall determine the number  
 6 of years of prior eligibility service:

7 (1) as of the day the member separated from employment; but

8 (2) excluding any eligibility service lost because of a prior break in  
 9 service.

10 (e) When a member receives credit for eligibility service under subsection (c)  
 11 of this section from the other system, the member has no further rights in the other  
 12 system.

13 23-401.

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

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

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

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

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

21 Age	Years of Eligibility Service
22 62 with	5
23 63 with	4
24 64 with	3
25 65 or more with	2

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

30 (1) 0.8% of the member's average final compensation that is not in excess  
 31 of the social security integration level; and

32 (2) 1.5% of the member's average final compensation that exceeds the  
 33 social security integration level.

34 (C) (1) THIS SUBSECTION DOES NOT APPLY TO:

1 (I) AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL UNIT OR  
 2 A FORMER PARTICIPATING GOVERNMENTAL UNIT THAT HAS WITHDRAWN; OR

3 (II) A MEMBER OF THE EMPLOYEES' PENSION SYSTEM OR  
 4 TEACHERS' PENSION SYSTEM WHO TRANSFERRED FROM THE EMPLOYEES'  
 5 RETIREMENT SYSTEM OR TEACHERS' RETIREMENT SYSTEM AFTER APRIL 1, 1998.

6 (2) ON RETIREMENT UNDER THIS SECTION, A MEMBER WHO IS ~~SUBJECT~~  
 7 ~~TO THE ALTERNATE PENSION SELECTION UNDER SUBTITLE 2, PART II OF THIS TITLE~~  
 8 ~~IS ENTITLED TO RECEIVE A NORMAL SERVICE RETIREMENT ALLOWANCE THAT~~  
 9 EQUALS THE SUM OF:

10 (I) THE NUMBER OF YEARS OF THE MEMBER'S CREDITABLE  
 11 SERVICE ON OR AFTER JULY 1, 1998 MULTIPLIED BY ~~4.5%~~ 1.4% OF THE MEMBER'S  
 12 AVERAGE FINAL COMPENSATION; AND

13 (II) THE GREATER OF:

14 1. THE NUMBER OF YEARS OF THE MEMBER'S CREDITABLE  
 15 SERVICE ON OR BEFORE JUNE 30, 1998 MULTIPLIED BY 1.2% OF THE MEMBER'S  
 16 AVERAGE FINAL COMPENSATION; OR

17 2. THE NUMBER OF YEARS OF THE MEMBER'S CREDITABLE  
 18 SERVICE ON OR BEFORE JUNE 30, 1998 MULTIPLIED BY:

19 A. 0.8% OF THE MEMBER'S AVERAGE FINAL COMPENSATION  
 20 THAT IS NOT IN EXCESS OF THE SOCIAL SECURITY INTEGRATION LEVEL; AND

21 B. 1.5% OF THE MEMBER'S AVERAGE FINAL COMPENSATION  
 22 THAT EXCEEDS THE SOCIAL SECURITY INTEGRATION LEVEL.

23 23-402.

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

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

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

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

29 and

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

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

1 29-108.

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

- 3 (1) the Employees' Pension System;
- 4 (2) the Local Fire and Police System;
- 5 (3) the Law Enforcement Officers' Pension System; and
- 6 (4) the Teachers' Pension System.

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

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

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

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

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

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

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

24 (2) the Board of Trustees grants a disability retirement allowance to the  
25 member.

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

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

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

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

- 1 (i) a normal service retirement allowance; or  
2 (ii) 25% of the member's average final compensation.

3 29-110.

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

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

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

8 (2) the sum of:

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

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

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

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

16 (i) a normal service retirement allowance; or

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

19 29-206.

20 (a) This section applies to the surviving spouse of an individual who died  
21 while employed as a member of:

22 (1) the Employees' Pension System;

23 (2) the Teachers' Pension System; or

24 (3) the Local Fire and Police System, if the member had not transferred  
25 from the Employees' Retirement System.

26 (b) A surviving spouse may elect to receive one of the following:

27 (1) the death benefit under § 29-202 of this subtitle; or

28 (2) an allowance equal to the amount payable under Option 2 as  
29 described in § 21-403 of this article, if:

30 (i) the spouse is the sole primary designated beneficiary; and

- 1 (ii) the member:
- 2 1. was eligible to retire;
- 3 2. had at least 25 years of eligibility service; or
- 4 3. was at least 55 years old with at least 15 years of
- 5 eligibility service.

6 29-303.

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

8 (1) the Employees' Pension System;

9 (2) the Local Fire and Police System;

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

11 (4) the Teachers' Pension System.

12 (b) A member is eligible to receive a vested allowance if:

13 (1) the member separated from employment other than by death or  
14 retirement; and

15 (2) the member has at least 5 years of eligibility service.

16 (c) Except as provided in [subsection (e)] SUBSECTIONS (E) AND (F) of this  
17 section, a vested allowance:

18 (1) is a deferred allowance that begins at normal retirement age;

19 (2) is computed as a normal service retirement allowance on the basis of  
20 the member's average final compensation and eligibility service at separation from  
21 employment; and

22 (3) may be paid in one of the optional forms of allowances under § 21-403  
23 of this article.

24 (d) If a member of the Employees' Pension System or the Teachers' Pension  
25 System separated from employment on or before June 30, 1990, unused sick leave  
26 reported by the member's employer at the time of separation from employment is  
27 creditable service for computing the vested allowance.

28 (e) [A] EXCEPT AS PROVIDED IN SUBSECTION (F) OF THIS SECTION, A former  
29 member of the Employees' Pension System or the Teachers' Pension System who has  
30 separated from employment before the age of 55 with at least 15 years of eligibility  
31 service is eligible to receive a vested allowance that:

1           (1)     begins on the first day of the month following the member's 55th  
2 birthday; and

3           (2)     equals the reduced allowance computed under § 23-402 of this article.

4       (F)     (1)     THE VESTED ALLOWANCE OF A FORMER MEMBER OF THE  
5 EMPLOYEES' PENSION SYSTEM OR THE TEACHERS' PENSION SYSTEM WHO  
6 SEPARATES FROM EMPLOYMENT ON OR BEFORE JUNE 30, 1998:

7                     (I)     IS A DEFERRED ALLOWANCE THAT BEGINS AT NORMAL  
8 RETIREMENT AGE;

9                     (II)    IS COMPUTED ON THE BASIS OF THE MEMBER'S AVERAGE  
10 FINAL COMPENSATION AND ELIGIBILITY SERVICE AT SEPARATION FROM  
11 EMPLOYMENT;

12                    (III)   SHALL EQUAL THE NUMBER OF YEARS OF THE MEMBER'S  
13 CREDITABLE SERVICE MULTIPLIED BY:

14                             1.     0.8% OF THE MEMBER'S AVERAGE FINAL COMPENSATION  
15 THAT IS NOT IN EXCESS OF THE SOCIAL SECURITY INTEGRATION LEVEL; AND

16                             2.     1.5% OF THE MEMBER'S AVERAGE FINAL COMPENSATION  
17 THAT EXCEEDS THE SOCIAL SECURITY INTEGRATION LEVEL; AND

18                    (IV)    MAY BE PAID IN ONE OF THE OPTIONAL FORMS OF  
19 ALLOWANCES UNDER § 21-403 OF THIS ARTICLE.

20           (2)     A FORMER MEMBER OF THE EMPLOYEES' PENSION SYSTEM OR THE  
21 TEACHERS' PENSION SYSTEM WHO HAS SEPARATED FROM EMPLOYMENT ON OR  
22 BEFORE JUNE 30, 1998 AND BEFORE THE AGE OF 55 WITH AT LEAST 15 YEARS OF  
23 ELIGIBILITY SERVICE IS ELIGIBLE TO RECEIVE A VESTED ALLOWANCE THAT:

24                    (I)     BEGINS ON THE FIRST DAY OF THE MONTH FOLLOWING THE  
25 MEMBER'S 55TH BIRTHDAY; AND

26                    (II)    EQUALS THE ALLOWANCE UNDER PARAGRAPH (1) OF THIS  
27 SUBSECTION, REDUCED BY 0.5% FOR EACH MONTH THAT THE MEMBER'S EARLY  
28 RETIREMENT DATE PRECEDES THE DATE THE MEMBER WILL BE 62 YEARS OLD.

29       [(f)]   (G)     (1)     If a former member who elected a vested allowance requests the  
30 return of accumulated contributions before payment of the vested allowance begins, the  
31 Board of Trustees shall return the accumulated contributions to the former member.

32                    (2)     When the former member is eligible to begin receiving a vested  
33 allowance, the former member shall receive a pension only.

1 29-404.

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

5 (1) the Employees' Pension System IF THE DECEASED MEMBER, FORMER  
6 MEMBER, OR RETIREE WAS AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL  
7 UNIT OR A FORMER PARTICIPATING GOVERNMENTAL UNIT THAT HAS WITHDRAWN  
8 WHILE A MEMBER;

9 (2) the Local Fire and Police System; OR

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

11 ~~(4) the Teachers' Pension System.~~

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

14 29-423. RESERVED.

15 29-424. RESERVED.

16 PART VI. THREE PERCENT COMPOUND ADJUSTMENT.

17 29-425.

18 (A) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, THIS PART VI  
19 OF THIS SUBTITLE APPLIES ON OR AFTER JULY 1, 1998 ONLY TO AN ALLOWANCE  
20 RECEIVED BY A FORMER MEMBER, RETIREE, OR SURVIVING BENEFICIARY OF A  
21 DECEASED MEMBER, FORMER MEMBER, OR RETIREE OF THE EMPLOYEES' PENSION  
22 SYSTEM OR THE TEACHERS' PENSION SYSTEM, ~~WHO IS SUBJECT TO THE ALTERNATE~~  
23 ~~PENSION SELECTION UNDER TITLE 23, SUBTITLE 2, PART II OF THIS ARTICLE.~~

24 ~~(B) THIS PART VI OF THIS SUBTITLE DOES NOT APPLY IF THE MEMBER,~~  
25 ~~FORMER MEMBER, OR RETIREE ELECTED TO BE SUBJECT TO THE ALTERNATE~~  
26 ~~PENSION SELECTION AND DID NOT MAKE MEMBER CONTRIBUTIONS UNDER §~~  
27 ~~23-212(B) OF THIS ARTICLE FOR AT LEAST 60 MONTHS.~~

28 (B) THIS PART VI OF THIS SUBTITLE DOES NOT APPLY IF THE MEMBER,  
29 FORMER MEMBER, OR RETIREE WAS AN EMPLOYEE OF A PARTICIPATING  
30 GOVERNMENTAL UNIT OR A FORMER PARTICIPATING GOVERNMENTAL UNIT THAT  
31 HAS WITHDRAWN WHILE A MEMBER.

32 29-426.

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

1 29-427.

2 (A) EACH FISCAL YEAR, THE BOARD OF TRUSTEES SHALL ADJUST AN  
3 ALLOWANCE BY MULTIPLYING THE ALLOWANCE FOR THE PRECEDING FISCAL YEAR,  
4 EXCLUSIVE OF ANY ADDITIONAL VOLUNTARY ANNUITY, BY A RATE NOT EXCEEDING  
5 3%, THAT IS OBTAINED BY DIVIDING THE CONSUMER PRICE INDEX FOR THE  
6 CALENDAR YEAR ENDING DECEMBER 31 IN THE PRECEDING FISCAL YEAR BY THE  
7 CONSUMER PRICE INDEX FOR THE CALENDAR YEAR ENDING DECEMBER 31 IN THE  
8 SECOND PRECEDING FISCAL YEAR.

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

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

15 (1) THE ANNUAL RATE OF ALLOWANCE PAID DURING THE PRECEDING  
16 FISCAL YEAR;

17 (2) THE ADJUSTMENT IN ALLOWANCE PROVIDED FOR UNDER THIS  
18 SECTION; AND

19 (3) ANY ADDITIONAL ANNUITY.

20 SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
21 read as follows:

22 Article - State Personnel and Pensions

23 TITLE 32. OPTIONAL DEFINED CONTRIBUTION SYSTEM.

24 SUBTITLE 1. DEFINITIONS.

25 32-101.

26 (A) IN THIS TITLE THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

27 (B) "ELIGIBLE EMPLOYEE" MEANS:

28 ~~(1)~~ A MEMBER OF THE EMPLOYEES' PENSION SYSTEM OTHER THAN:

29 (1) AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL UNIT; OR

30 ~~(2)~~ A MEMBER OF THE TEACHERS' PENSION SYSTEM OR A FORMER  
31 PARTICIPATING GOVERNMENTAL UNIT THAT HAS WITHDRAWN; OR

32 (2) A MEMBER OF THE EMPLOYEES' PENSION SYSTEM WHO  
33 TRANSFERRED FROM THE EMPLOYEES' RETIREMENT SYSTEM AFTER APRIL 1, 1998.

1 (C) "OPTIONAL DEFINED CONTRIBUTION SYSTEM" MEANS THE SYSTEM  
2 ESTABLISHED UNDER § 32-201 OF THIS TITLE.

3 (D) "PARTICIPATING EMPLOYEE" MEANS AN ELIGIBLE EMPLOYEE WHO  
4 PARTICIPATES IN THE OPTIONAL DEFINED CONTRIBUTION SYSTEM.

5 (E) (1) "STATE SUPPLEMENTAL PLAN" MEANS A PLAN QUALIFIED UNDER  
6 THE INTERNAL REVENUE CODE AND ADMINISTERED BY THE SUPPLEMENTAL  
7 BOARD.

8 (2) "STATE SUPPLEMENTAL PLAN" INCLUDES:

9 (I) A SALARY REDUCTION PLAN QUALIFIED UNDER § 401(K) OF THE  
10 INTERNAL REVENUE CODE;

11 (II) A TAX SHELTERED ANNUITY PLAN QUALIFIED UNDER § 403(B)  
12 OF THE INTERNAL REVENUE CODE;

13 (III) A DEFERRED COMPENSATION PLAN QUALIFIED UNDER § 457 OF  
14 THE INTERNAL REVENUE CODE; OR

15 (IV) A PLAN QUALIFIED UNDER § 401(A) OF THE INTERNAL REVENUE  
16 CODE.

17 (F) "SUPPLEMENTAL BOARD" MEANS THE STATE BOARD OF TRUSTEES OF THE  
18 MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS  
19 ESTABLISHED UNDER § 35-201 OF THIS ARTICLE.

20 SUBTITLE 2. OPTIONAL DEFINED CONTRIBUTION SYSTEM.

21 32-201.

22 THERE IS AN OPTIONAL DEFINED CONTRIBUTION SYSTEM.

23 32-202.

24 THE SUPPLEMENTAL BOARD SHALL ADMINISTER THE OPTIONAL DEFINED  
25 CONTRIBUTION SYSTEM.

26 32-203.

27 (A) THE SUPPLEMENTAL BOARD SHALL ADOPT, IMPLEMENT, AND MAINTAIN  
28 THE SPECIFIC QUALIFIED PLANS THAT ARE PART OF THE OPTIONAL DEFINED  
29 CONTRIBUTION SYSTEM.

30 (B) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, THE  
31 SUPPLEMENTAL BOARD SHALL ADOPT REGULATIONS TO CARRY OUT THIS TITLE.

32 (2) THE SUPPLEMENTAL BOARD IS NOT REQUIRED TO ADOPT  
33 REGULATIONS TO ADOPT OR AMEND THE PLANS UNDER THE OPTIONAL DEFINED  
34 CONTRIBUTION SYSTEM.

1 (C) A PARTICIPATING EMPLOYEE'S INTEREST IN THE PLANS UNDER THE  
2 OPTIONAL DEFINED CONTRIBUTION SYSTEM:

3 (1) SHALL IMMEDIATELY BE 100% VESTED;

4 (2) SHALL BE HELD IN TRUST FOR THE EXCLUSIVE BENEFIT OF THE  
5 PARTICIPATING EMPLOYEE, EXCEPT AS OTHERWISE REQUIRED UNDER § 403(B) OF  
6 THE INTERNAL REVENUE CODE FOR INVESTMENTS HELD UNDER A PLAN THAT  
7 QUALIFIES UNDER § 403(B) OF THE INTERNAL REVENUE CODE; AND

8 (3) MAY BE DISTRIBUTED ONLY AT THE TIMES, IN THE MANNER, TO THE  
9 EXTENT, AND TO THE INDIVIDUALS THAT ALLOW THE PLANS TO MAINTAIN THEIR  
10 TAX QUALIFIED STATUS UNDER THE INTERNAL REVENUE CODE.

11 32-204.

12 THE PARTICIPATING EMPLOYEE CONTRIBUTIONS SHALL BE MADE AS  
13 PAYROLLS ARE PAID BY PAYROLL DEDUCTION OR BY A REDUCTION IN SALARY IN  
14 ACCORDANCE WITH THE INTERNAL REVENUE CODE AND AS PROVIDED BY THE  
15 APPLICABLE STATE SUPPLEMENTAL PLAN.

16 32-205.

17 (A) FOR EACH PARTICIPATING EMPLOYEE WHO MAKES CONTRIBUTIONS  
18 UNDER § 32-204 OF THIS SUBTITLE, THE STATE SHALL CONTRIBUTE TO THE  
19 APPLICABLE STATE SUPPLEMENTAL PLAN EMPLOYER CONTRIBUTIONS AN AMOUNT  
20 EQUAL TO THE LESSER OF 50% OF THE PARTICIPATING EMPLOYEE'S CONTRIBUTIONS  
21 OR \$250 \$600 PER FISCAL YEAR.

22 (B) (1) THIS SUBSECTION APPLIES TO PARTICIPATING EMPLOYEES WHO  
23 ARE PAID THROUGH THE CENTRAL PAYROLL BUREAU.

24 (2) AS PAYROLLS ARE PAID, THE CENTRAL PAYROLL BUREAU SHALL PAY  
25 THE EMPLOYER CONTRIBUTIONS TO THE APPLICABLE STATE SUPPLEMENTAL PLAN  
26 AS DIRECTED BY THE SUPPLEMENTAL BOARD.

27 (3) THE PAYMENTS SHALL BE CHARGED AGAINST THE BUDGETS OF THE  
28 UNITS EMPLOYING THE PARTICIPATING EMPLOYEES.

29 (4) IF A PARTICIPATING EMPLOYEE'S SALARY IS PAID FROM SPECIAL  
30 FUNDS OR FEDERAL FUNDS, OR BOTH, THE EMPLOYER CONTRIBUTION FOR THAT  
31 EMPLOYEE SHALL BE PAID FROM THOSE FUNDS.

32 (C) (1) THIS SUBSECTION APPLIES TO PARTICIPATING EMPLOYEES WHO  
33 ARE NOT PAID THROUGH THE CENTRAL PAYROLL BUREAU.

34 (2) THE SUPPLEMENTAL BOARD SHALL PROVIDE BY REGULATION HOW  
35 EMPLOYER CONTRIBUTIONS AND PARTICIPATING EMPLOYEE CONTRIBUTIONS ARE  
36 TO BE MADE.

1           (3)     THE PAYMENTS SHALL BE CHARGED AGAINST THE BUDGETS OF THE  
 2 UNITS EMPLOYING THE PARTICIPATING EMPLOYEES WHO ARE EMPLOYED BY THE  
 3 STATE.

4           (4)     IF A PARTICIPATING EMPLOYEE'S SALARY IS PAID FROM SPECIAL  
 5 FUNDS OR FEDERAL FUNDS, OR BOTH, THE EMPLOYER CONTRIBUTION SHALL BE  
 6 PAID FROM THOSE FUNDS.

7           ~~(5)     IF A PARTICIPATING EMPLOYEE'S SALARY IS NOT PAID BY THE~~  
 8 ~~STATE, THE EMPLOYER CONTRIBUTION FOR THAT EMPLOYEE SHALL BE PAID FROM~~  
 9 ~~THE SAME BUDGET CODE FROM WHICH EMPLOYER CONTRIBUTIONS TO THE STATE~~  
 10 ~~RETIREMENT AND PENSION SYSTEM ARE PAID.~~

11 32-206.

12     THE GOVERNOR SHALL INCLUDE IN THE ANNUAL STATE BUDGET BILL AN  
 13 APPROPRIATION THAT IS SUFFICIENT TO PAY THE EMPLOYER CONTRIBUTIONS FOR  
 14 PARTICIPATING EMPLOYEES.

15 35-101.

16     (c)     "Supplemental retirement plans" means the deferred compensation, tax  
 17 sheltered annuity, [and] salary reduction savings plans, AND ANY OTHER PLANS  
 18 authorized by this title.

19                                     SUBTITLE 7. DEFINED CONTRIBUTION PLAN.

20 35-701.

21     THERE IS A DEFINED CONTRIBUTION PLAN FOR ELIGIBLE PARTICIPANTS AS  
 22 ALLOWED BY § 401(A) OF THE INTERNAL REVENUE CODE.

23 35-702.

24     AN INDIVIDUAL IS ELIGIBLE TO PARTICIPATE IN THE DEFINED CONTRIBUTION  
 25 PLAN IF THE INDIVIDUAL IS AN ELIGIBLE EMPLOYEE AS DEFINED IN § 32-101 OF THIS  
 26 ARTICLE.

27     ~~SECTION 3. 4. AND BE IT FURTHER ENACTED, That:~~

28     ~~(a)     the State Board of Trustees of the Maryland Teachers and State Employees~~  
 29 ~~Supplemental Retirement Plans shall may negotiate separately with the~~  
 30 ~~administrator of the Supplemental Retirement Plans a contract for the~~  
 31 ~~administration of a plan that is qualified under § 401(a) of the Internal Revenue Code~~  
 32 ~~for the contributions made under the Optional Defined Contribution System~~  
 33 ~~established under this Act; and~~

34     ~~(b)     the current contract between the State Board of Trustees of the Maryland~~  
 35 ~~Teachers and State Employees Supplemental Retirement Plans and the~~  
 36 ~~administrator of the Supplemental Retirement Plans shall terminate on June 30,~~

~~1 2000 and a new contract that will apply to existing Supplemental Retirement Plans  
2 as well as any plans established under this Act shall be subject to renegotiation in  
3 accordance with Division II of the State Finance and Procurement Article.~~

4 SECTION 4. 5. AND BE IT FURTHER ENACTED, That the State Retirement  
5 Agency and the State Board of Trustees of the Maryland Teachers and State  
6 Employees Supplemental Retirement Plans shall coordinate efforts to inform  
7 members of the Employees' Pension System and the Teachers' Pension System about  
8 the elections that the members are entitled to make under this Act.

~~9 SECTION 5. AND BE IT FURTHER ENACTED, That, for Fiscal Year 1999, the  
10 Governor may use existing appropriations in the State budget and transfer funds as  
11 needed to implement the provisions of this Act. To the extent necessary, the Governor  
12 may request additional funds for Fiscal Year 1999 in the budget submitted to the  
13 General Assembly at the 1999 legislative session.~~

14 SECTION 6. AND BE IT FURTHER ENACTED, That it is the intent of the  
15 General Assembly that the Board of Trustees of the State Retirement and Pension  
16 System modify the actuarial assumptions of the State systems in a manner consistent  
17 with sound actuarial principles and independent of any increase in accrued liability  
18 under this Act.

19 SECTION 7. AND BE IT FURTHER ENACTED, That:

20 (a) On or before December 15, 1998, the Joint Committee on Pensions, in  
21 consultation with the Board of Trustees of the State Retirement and Pension System  
22 and the State Board of Trustees of the Maryland Teachers and State Employees  
23 Supplemental Retirement Plans shall conduct a study and prepare a report on:

24 (1) the feasibility of creating a stand-alone defined contribution plan for  
25 State employees and teachers as a portable alternative to the defined benefit plan  
26 under the Employees' Pension System;

27 (2) issues related to local governments that currently participate in the  
28 Employees' Pension System or have withdrawn from participation but continue to  
29 make unfunded liability payments to the System;

30 (3) the appropriateness of member benefits and employer contribution  
31 rates for any system within the State Retirement and Pension System which is over  
32 100% funded;

33 (4) actuarial valuation procedures relating to the crediting of unused sick  
34 leave and military service credit at the time of retirement, service credit for part time  
35 employees, and mortality assumptions;

36 (5) a comparison of the benefits provided under this Act compared to the  
37 benefits provided to State employees and teachers in all other states;

38 (6) the advisability of eliminating the State subsidy for health insurance  
39 benefits for retirees who are hired in the future; and

1           (7)     the unfunded liabilities of the State retirement and pension systems.

2     (b)     The Board of Trustees of the State Retirement and Pension System shall  
3 pay all consulting fees and actuarial costs associated with the study under subsection  
4 (a) of this section.

5     SECTION 8. AND BE IT FURTHER ENACTED, That, notwithstanding any  
6 other provision of this Act, no benefits may be conferred, nor may any obligation be  
7 imposed on the State or any member of a State retirement or pension system under this  
8 Act, unless the State's actuary has certified to the Board of Trustees the actuarial cost  
9 of this Act, and the Board has adopted a resolution by June 30, 1998, certifying that  
10 the provisions of this Act can be implemented without adversely affecting the funded  
11 status of the State retirement or pension systems or the estimated aggregate employer  
12 contribution rate for Fiscal Year 2000, after taking into account the benefit  
13 improvements under this Act and actuarially sound assumptions and principles.

14     SECTION 9. AND BE IT FURTHER ENACTED, That Section 3 of this Act  
15 shall take effect July 1, 1999.

16     SECTION ~~3, 7, 10~~. AND BE IT FURTHER ENACTED, That, *except as provided*  
17 in Section 9 of this Act, this Act shall take effect July 1, 1998.