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CHAPTER _____

1 AN ACT concerning

2 **Employees' and Teachers' Pension Systems - Alternate Pension Selection -**
3 **Optional Defined Contribution System**

4 FOR the purpose of providing for an alternate pension selection for members of the
5 Employees' Pension System ~~who are not employees of participating~~
6 ~~governmental units~~ and for members of the Teachers' Pension System; making
7 the selection optional for certain members of the Employees' Pension System,
8 the Employees' Retirement System, the Teachers' Pension System, and the
9 Teachers' Retirement System and mandatory for certain other members;
10 authorizing the Board of Trustees for the State Retirement and Pension System
11 under certain circumstances to extend the period for making a certain election;
12 making an election irrevocable; prohibiting the Board of Trustees from revoking
13 or overturning an election; providing for the member contribution rate, the
14 benefits, and the cost-of-living adjustment for members subject to the alternate
15 pension selection; requiring that certain members who elect to be subject to the
16 alternate pension selection make member contributions for a certain minimum
17 number of months to receive certain benefits; authorizing certain members who
18 are eligible for a normal service retirement allowance to retire without making
19 contributions for a certain minimum number of months if the members pay a
20 certain amount; providing for a certain adjustment of an allowance for certain
21 members who transferred from the Employees' Retirement System or the

1 Teachers' Retirement System and who received a certain transfer refund;
2 providing for the prorating of certain credit for service for certain members who
3 elect to be subject to the alternate pension selection and work fewer than a
4 certain number of hours; establishing an Optional Defined Contribution System
5 for the purpose of allowing certain members of the Employees' Pension System
6 and members of the Teachers' Pension System to contribute to certain plans
7 with tax qualified status under the Internal Revenue Code and receive a certain
8 maximum amount from the State as a match; requiring the State Board of
9 Trustees of the Maryland Teachers and State Employees Supplemental
10 Retirement Plans to administer the Optional Defined Contribution System, to
11 adopt certain regulations, and to adopt, implement, and maintain certain plans
12 qualified under the Internal Revenue Code; providing that the Supplemental
13 Board is not required to adopt or amend certain plans in a certain manner;
14 providing for contributions by participating employees and the State under the
15 Optional Defined Contribution System; requiring the Governor to include
16 certain amounts in the annual State budget bill; altering the eligibility for
17 participation in certain plans administered by the Supplemental Board;
18 establishing a Defined Contribution System Plan for certain eligible
19 participants; providing for certain negotiations with a certain administrator of
20 the Supplemental Retirement Plans; providing for the termination of and
21 renegotiation of a certain contract; requiring the State Retirement Agency and
22 the Supplemental Board to coordinate certain efforts to give certain information
23 to certain members of certain State pension systems; providing for the release of
24 certain pension records under certain circumstances; defining certain terms;
25 providing for the funding of certain liabilities under this Act; authorizing the
26 Governor to take certain actions for a certain fiscal year to implement the
27 provisions of this Act; declaring the intent of the General Assembly; and
28 generally relating to an alternate pension selection and the establishment of an
29 Optional Defined Contribution System for members of the Employees' Pension
30 System who are State employees and for members of the Teachers' Pension
31 System.

32 BY repealing and reenacting, with amendments,
33 Article - State Government
34 Section 10-616(g)(5)
35 Annotated Code of Maryland
36 (1995 Replacement Volume and 1997 Supplement)

37 BY adding to
38 Article - State Personnel and Pensions
39 New part designation "Part I. Membership Generally" to immediately precede
40 Section 23-201
41 Annotated Code of Maryland
42 (1997 Replacement Volume)

43 BY repealing and reenacting, with amendments,
44 Article - State Personnel and Pensions

1 Section 21-304(d), 21-305.2(e), 23-212, 23-302, 23-303, 23-401, ~~and 29-404~~
 2 ~~29-404, and 35-101(c)~~
 3 Annotated Code of Maryland
 4 (1997 Replacement Volume)

5 BY adding to

6 Article - State Personnel and Pensions
 7 Section ~~21-505~~; 23-217 and 23-218 to be under the new part "Part II. Alternate
 8 Pension Selection"; ~~and 29-425 through 29-427, inclusive, to be under the~~
 9 ~~new part "Part VI. Three Percent Compound Adjustment"; 32-101 through~~
 10 ~~32-206, inclusive, to be under the new title "Title 32. Optional Defined~~
 11 ~~Contribution System"; and 35-701 and 35-702, to be under the new~~
 12 ~~subtitle "Subtitle 7. Defined Contribution Plan"~~
 13 Annotated Code of Maryland
 14 (1997 Replacement Volume)

15 BY repealing and reenacting, without amendments,

16 Article - State Personnel and Pensions
 17 Section 23-402, 29-108, 29-110, and 29-206
 18 Annotated Code of Maryland
 19 (1997 Replacement Volume)

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

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

26 **Article - State Government**

27 10-616.

28 (g) (5) A custodian shall permit release of information as provided in §
 29 21-504 OR § 21-505 of the State Personnel and Pensions Article.

30 **Article - State Personnel and Pensions**

31 21-304.

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

1 (i) the assets of the accumulation fund and the annuity savings
 2 fund of that State system, other than assets to the credit of the participating
 3 governmental units; and

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

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

9 (i) experience gains and losses; and

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

11 (3) Except as provided in [paragraph (4)] PARAGRAPHS (4) AND (5) of this
 12 subsection, if the accrued liability is increased by legislation enacted after July 1,
 13 1980, the additional liability shall be funded over 30 years beginning on July 1
 14 coincident with or next following the effective date of the increase.

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

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

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

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

25 21-305.2.

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

28 [(1)] (I) experience gains and losses;

29 [(2)] (II) the effect of changes in actuarial assumptions; and

30 [(3)] (III) the effect of legislation enacted after July 1, 1980.

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

1 21-505.

2 THE BOARD OF TRUSTEES AND THE STATE BOARD OF TRUSTEES OF THE
3 MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS
4 SHALL EXCHANGE INFORMATION ABOUT PARTICIPATING EMPLOYEES OF THE
5 OPTIONAL DEFINED CONTRIBUTION SYSTEM AS NECESSARY TO ADMINISTER THE
6 SYSTEM.

7 23-212.

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

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

14 23-215. RESERVED.

15 23-216. RESERVED.

16 PART II. ALTERNATE PENSION SELECTION.

17 23-217.

18 (A) THIS PART II OF THIS SUBTITLE APPLIES TO:

19 (1) AN INDIVIDUAL WHO ON OR AFTER JULY 1, 1998 BECOMES A MEMBER
20 OF:

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

23 (II) THE TEACHERS' PENSION SYSTEM; AND

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

28 (I) ~~IS NOT AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL~~
29 ~~UNIT, BUT WHO~~ IS A MEMBER OF THE EMPLOYEES' PENSION SYSTEM OR A MEMBER
30 OF THE EMPLOYEES' RETIREMENT SYSTEM WHO TRANSFERS TO THE EMPLOYEES'
31 PENSION SYSTEM BEFORE THE ELECTION; OR

32 (II) IS A MEMBER OF THE TEACHERS' PENSION SYSTEM OR A
33 MEMBER OF THE TEACHERS' RETIREMENT SYSTEM WHO TRANSFERS TO THE
34 TEACHERS' PENSION SYSTEM BEFORE THE ELECTION.

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

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

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

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

13 (3) THE EFFECTIVE DATE OF THE ELECTION IS THE FIRST DAY OF THE
14 MONTH IN WHICH AN APPLICATION FOR THE ELECTION IS RECEIVED BY THE STATE
15 RETIREMENT AGENCY.

16 23-218.

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

19 (1) RECEIVE AN ALLOWANCE FOR ALL CREDITABLE SERVICE AS
20 FOLLOWS:

21 (I) FOR NORMAL SERVICE RETIREMENT AS PROVIDED BY §
22 23-401(C) OF THIS TITLE;

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

25 (III) FOR ORDINARY DISABILITY RETIREMENT AS PROVIDED BY §
26 29-108 OF THIS ARTICLE; AND

27 (IV) FOR ACCIDENTAL DISABILITY RETIREMENT AS PROVIDED BY §
28 29-110 OF THIS ARTICLE;

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

31 (3) MAKE THE MEMBER CONTRIBUTIONS AT THE RATE SPECIFIED BY §
32 23-212(B) OF THIS SUBTITLE.

33 (B) (1) SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION, A MEMBER WHO
34 ELECTS TO BE SUBJECT TO THIS PART II OF THIS SUBTITLE IS ELIGIBLE TO RECEIVE
35 THE BENEFITS AS PROVIDED UNDER SUBSECTION (A)(1) AND (2) OF THIS SECTION

1 ONLY IF THE MEMBER MAKES MEMBER CONTRIBUTIONS UNDER § 23-212(B) OF THIS
2 SUBTITLE FOR AT LEAST 60 MONTHS.

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

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

9 (II) THE MEMBER OR THE MEMBER'S DESIGNATED BENEFICIARY
10 SHALL RECEIVE THE MEMBER'S CONTRIBUTIONS MADE AFTER THE ELECTION PLUS
11 REGULAR INTEREST, LESS AN AMOUNT EQUAL TO ANY MEMBER CONTRIBUTIONS
12 THAT WOULD HAVE BEEN MADE UNDER § 23-212(A) OF THIS SUBTITLE IF THE
13 MEMBER HAD NOT MADE THE ELECTION PLUS REGULAR INTEREST.

14 (3) (I) THIS PARAGRAPH DOES NOT APPLY TO A MEMBER WHO ELECTS
15 TO RETIRE UNDER CHAPTER _____ (H.B. 199) OF THE ACTS OF 1998.

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

21 1. COMPLETES AND FILES AN APPLICATION WITH THE
22 BOARD OF TRUSTEES ON THE FORM THAT THE BOARD OF TRUSTEES PROVIDES; AND

23 2. PAYS TO THE BOARD OF TRUSTEES AN AMOUNT EQUAL TO
24 THE ANNUITY RESERVE AND PENSION RESERVE REQUIRED TO FUND THE
25 ADDITIONAL ALLOWANCE BY THE ALTERNATE PENSION SELECTION.

26 (C) (1) THIS SUBSECTION DOES NOT APPLY TO THE COMPUTATION OF AN
27 ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE.

28 (2) A MEMBER OR FORMER MEMBER WHO TRANSFERRED MEMBERSHIP
29 OR VESTED RIGHTS FROM THE EMPLOYEES' RETIREMENT SYSTEM OR THE
30 TEACHERS' RETIREMENT SYSTEM AND RECEIVED A REFUND UNDER § 22-212 OR §
31 22-213 OF THIS ARTICLE SHALL BE SUBJECT TO AN ADJUSTMENT OF THE MEMBER'S
32 OR FORMER MEMBER'S BASIC ALLOWANCE AS PROVIDED IN THIS SUBSECTION.

33 (3) THE PRELIMINARY INCREASE IN ALLOWANCE SHALL BE COMPUTED
34 BY SUBTRACTING THE BASIC ALLOWANCE THE MEMBER OR FORMER MEMBER IS
35 ENTITLED TO UNDER § 23-401(C) OF THIS TITLE AND THE ALLOWANCE THE MEMBER
36 OR FORMER MEMBER WOULD HAVE BEEN ENTITLED TO UNDER § 23-401(B) OF THIS
37 TITLE.

38 (4) THE PRELIMINARY INCREASE IN PRESENT VALUE OF THE
39 ALLOWANCE SHALL BE COMPUTED BY SUBTRACTING THE PRESENT VALUE OF THE

1 BASIC ALLOWANCE THE MEMBER OR FORMER MEMBER IS ENTITLED TO UNDER §
2 23-401(C) OF THIS TITLE AND THE PRESENT VALUE OF THE ALLOWANCE THE
3 MEMBER OR FORMER MEMBER WOULD HAVE BEEN ENTITLED TO UNDER § 23-401(B)
4 OF THIS TITLE.

5 (5) THE ANNUITY FACTOR FOR THE MEMBER OR FORMER MEMBER
6 SHALL BE COMPUTED BY DIVIDING THE AMOUNT COMPUTED UNDER PARAGRAPH (4)
7 OF THIS SUBSECTION BY THE AMOUNT COMPUTED IN PARAGRAPH (3) OF THIS
8 SUBSECTION.

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

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

18 (I) THE AMOUNT AS INTEREST EARNED THAT THE MEMBER OR
19 FORMER MEMBER RECEIVED AS A REFUND UNDER § 22-212 OR § 22-213 OF THIS
20 ARTICLE; AND

21 (II) INTEREST ON THE AMOUNT IN ITEM (I) OF THIS PARAGRAPH AT
22 THE ACTUARIAL RATE OF INTEREST APPLICABLE FOR THE PERIOD FROM THE DATE
23 OF THE REFUND THROUGH THE DATE OF RETIREMENT.

24 (8) THE ADJUSTED INCREASE IN PRESENT VALUE IN THE ALLOWANCE
25 SHALL BE COMPUTED BY ADDING THE AMOUNT COMPUTED IN PARAGRAPH (7) OF
26 THIS SECTION AND THE ACCUMULATED CONTRIBUTIONS OF THE MEMBER OR
27 FORMER MEMBER AFTER BECOMING SUBJECT TO THIS PART II OF THIS SUBTITLE.

28 (9) THE ADJUSTED INCREASE IN ALLOWANCE SHALL BE COMPUTED BY
29 DIVIDING THE AMOUNT COMPUTED IN PARAGRAPH (8) OF THIS SUBSECTION BY THE
30 ANNUITY FACTOR COMPUTED IN PARAGRAPH (5) OF THIS SUBSECTION.

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

35 23-302.

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

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

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

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

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

15 23-303.

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

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

22 (2) This section does not apply to:

23 (I) a retiree of the Employees' Pension System or the Teachers'
24 Pension System; OR

25 (II) A MEMBER OF THE EMPLOYEES' PENSION SYSTEM OR
26 TEACHERS' PENSION SYSTEM WHO IS SUBJECT TO THE ALTERNATE PENSION
27 SELECTION UNDER SUBTITLE 2, PART II OF THIS TITLE.

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

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

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

33 (3) (i) the member has completed 1 year of eligibility service after a
34 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:

	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) ON RETIREMENT UNDER THIS SECTION, A MEMBER WHO IS SUBJECT TO
35 THE ALTERNATE PENSION SELECTION UNDER SUBTITLE 2, PART II OF THIS TITLE IS
36 ENTITLED TO RECEIVE A NORMAL SERVICE RETIREMENT ALLOWANCE THAT EQUALS

1 THE NUMBER OF YEARS OF THE MEMBER'S CREDITABLE SERVICE MULTIPLIED BY
2 ~~4.5%~~ 1.4% OF THE MEMBER'S AVERAGE FINAL COMPENSATION.

3 23-402.

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

5 (1) the member completes and submits a written application to the
6 Board 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 15 years but less than 30 years of eligibility service;
9 and

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

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

15 29-108.

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

17 (1) the Employees' Pension System;

18 (2) the Local Fire and Police System;

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

20 (4) the Teachers' Pension System.

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

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

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

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

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

31 (c) A member of the Employees' Pension System or the Teachers' Pension
32 System who has transferred from the Employees' Retirement System or the Teachers'

1 Retirement System shall receive the benefits provided under the State system from
2 which the member transferred, offset by any refunded contributions including any
3 interest received in connection with the transfer, if:

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

6 (2) the Board of Trustees grants a disability retirement allowance to the
7 member.

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

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

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

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

17 (i) a normal service retirement allowance; or

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

19 29-110.

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

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

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

24 (2) the sum of:

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

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

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

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

32 (i) a normal service retirement allowance; or

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

3 29-206.

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

6 (1) the Employees' Pension System;

7 (2) the Teachers' Pension System; or

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

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

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

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

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

15 (ii) the member:

16 1. was eligible to retire;

17 2. had at least 25 years of eligibility service; or

18 3. was at least 55 years old with at least 15 years of
19 eligibility service.

20 29-404.

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

24 (1) the Employees' Pension System;

25 (2) the Local Fire and Police System;

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

27 (4) the Teachers' Pension System.

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

1 29-423. RESERVED.

2 29-424. RESERVED.

3 PART VI. THREE PERCENT COMPOUND ADJUSTMENT.

4 29-425.

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

11 (B) THIS PART VI OF THIS SUBTITLE DOES NOT APPLY IF THE MEMBER,
12 FORMER MEMBER, OR RETIREE ELECTED TO BE SUBJECT TO THE ALTERNATE
13 PENSION SELECTION AND DID NOT MAKE MEMBER CONTRIBUTIONS UNDER §
14 23-212(B) OF THIS ARTICLE FOR AT LEAST 60 MONTHS.

15 29-426.

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

18 29-427.

19 (A) EACH FISCAL YEAR, THE BOARD OF TRUSTEES SHALL ADJUST AN
20 ALLOWANCE BY MULTIPLYING THE ALLOWANCE FOR THE PRECEDING FISCAL YEAR,
21 EXCLUSIVE OF ANY ADDITIONAL VOLUNTARY ANNUITY, BY A RATE NOT EXCEEDING
22 3%, THAT IS OBTAINED BY DIVIDING THE CONSUMER PRICE INDEX FOR THE
23 CALENDAR YEAR ENDING DECEMBER 31 IN THE PRECEDING FISCAL YEAR BY THE
24 CONSUMER PRICE INDEX FOR THE CALENDAR YEAR ENDING DECEMBER 31 IN THE
25 SECOND PRECEDING FISCAL YEAR.

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

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

32 (1) THE ANNUAL RATE OF ALLOWANCE PAID DURING THE PRECEDING
33 FISCAL YEAR;

34 (2) THE ADJUSTMENT IN ALLOWANCE PROVIDED FOR UNDER THIS
35 SECTION; AND

36 (3) ANY ADDITIONAL ANNUITY.

1 TITLE 32. OPTIONAL DEFINED CONTRIBUTION SYSTEM.2 SUBTITLE 1. DEFINITIONS.3 32-101.4 (A) IN THIS TITLE THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.5 (B) "ELIGIBLE EMPLOYEE" MEANS:6 (1) A MEMBER OF THE EMPLOYEES' PENSION SYSTEM OTHER THAN AN
7 EMPLOYEE OF A PARTICIPATING GOVERNMENTAL UNIT; OR8 (2) A MEMBER OF THE TEACHERS' PENSION SYSTEM.9 (C) "OPTIONAL DEFINED CONTRIBUTION SYSTEM" MEANS THE SYSTEM
10 ESTABLISHED UNDER § 32-201 OF THIS TITLE.11 (D) "PARTICIPATING EMPLOYEE" MEANS AN ELIGIBLE EMPLOYEE WHO
12 PARTICIPATES IN THE OPTIONAL DEFINED CONTRIBUTION SYSTEM.13 (E) (1) "STATE SUPPLEMENTAL PLAN" MEANS A PLAN QUALIFIED UNDER
14 THE INTERNAL REVENUE CODE AND ADMINISTERED BY THE SUPPLEMENTAL
15 BOARD.16 (2) "STATE SUPPLEMENTAL PLAN" INCLUDES:17 (I) A SALARY REDUCTION PLAN QUALIFIED UNDER § 401(K) OF THE
18 INTERNAL REVENUE CODE;19 (II) A TAX SHELTERED ANNUITY PLAN QUALIFIED UNDER § 403(B)
20 OF THE INTERNAL REVENUE CODE;21 (III) A DEFERRED COMPENSATION PLAN QUALIFIED UNDER § 457 OF
22 THE INTERNAL REVENUE CODE; OR23 (IV) A PLAN QUALIFIED UNDER § 401(A) OF THE INTERNAL REVENUE
24 CODE.25 (F) "SUPPLEMENTAL BOARD" MEANS THE STATE BOARD OF TRUSTEES OF THE
26 MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS
27 ESTABLISHED UNDER § 35-201 OF THIS ARTICLE.28 SUBTITLE 2. OPTIONAL DEFINED CONTRIBUTION SYSTEM.29 32-201.30 THERE IS AN OPTIONAL DEFINED CONTRIBUTION SYSTEM.

1 32-202.

2 THE SUPPLEMENTAL BOARD SHALL ADMINISTER THE OPTIONAL DEFINED
3 CONTRIBUTION SYSTEM.

4 32-203.

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

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

10 (2) THE SUPPLEMENTAL BOARD IS NOT REQUIRED TO ADOPT
11 REGULATIONS TO ADOPT OR AMEND THE PLANS UNDER THE OPTIONAL DEFINED
12 CONTRIBUTION SYSTEM.

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

15 (1) SHALL IMMEDIATELY BE 100% VESTED;

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

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

23 32-204.

24 THE PARTICIPATING EMPLOYEE CONTRIBUTIONS SHALL BE MADE AS
25 PAYROLLS ARE PAID BY PAYROLL DEDUCTION OR BY A REDUCTION IN SALARY IN
26 ACCORDANCE WITH THE INTERNAL REVENUE CODE AND AS PROVIDED BY THE
27 APPLICABLE STATE SUPPLEMENTAL PLAN.

28 32-205.

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

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

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

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

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

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

11 (2) THE SUPPLEMENTAL BOARD SHALL PROVIDE BY REGULATION HOW
12 EMPLOYER CONTRIBUTIONS AND PARTICIPATING EMPLOYEE CONTRIBUTIONS ARE
13 TO BE MADE.

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

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

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

24 32-206.

25 THE GOVERNOR SHALL INCLUDE IN THE ANNUAL STATE BUDGET BILL AN
26 APPROPRIATION THAT IS SUFFICIENT TO PAY THE EMPLOYER CONTRIBUTIONS FOR
27 PARTICIPATING EMPLOYEES.

28 35-101.

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

32 SUBTITLE 7. DEFINED CONTRIBUTION PLAN.

33 35-701.

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

1 35-702.

2 AN INDIVIDUAL IS ELIGIBLE TO PARTICIPATE IN THE DEFINED CONTRIBUTION
3 PLAN IF THE INDIVIDUAL IS AN ELIGIBLE EMPLOYEE AS DEFINED IN § 32-101 OF THIS
4 ARTICLE.

5 SECTION 3. AND BE IT FURTHER ENACTED, That:

6 (a) the State Board of Trustees of the Maryland Teachers and State Employees
7 Supplemental Retirement Plans shall negotiate separately with the administrator of
8 the Supplemental Retirement Plans a contract for the administration of a plan that is
9 qualified under § 401(a) of the Internal Revenue Code for the contributions made
10 under the Optional Defined Contribution System established under this Act; and

11 (b) the current contract between the State Board of Trustees of the Maryland
12 Teachers and State Employees Supplemental Retirement Plans and the
13 administrator of the Supplemental Retirement Plans shall terminate on June 30,
14 2000 and a new contract that will apply to existing Supplemental Retirement Plans
15 as well as any plans established under this Act shall be subject to renegotiation in
16 accordance with Division II of the State Finance and Procurement Article.

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

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

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

32 SECTION ~~3~~ 7. AND BE IT FURTHER ENACTED, That this Act shall take
33 effect July 1, 1998.

