
By: **Delegates Kach and Heller**

Introduced and read first time: February 12, 1999

Assigned to: Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 **Employees' Pension System - University of Maryland Medical System**
3 **Corporation - Inclusion in Contributory Pension Benefit**

4 FOR the purpose of authorizing certain employees of the University of Maryland
5 Medical System Corporation who participate in the Employees' Pension System
6 to qualify for certain contributory pension benefits; providing that certain
7 employees of the University of Maryland Medical System Corporation are
8 entitled to certain benefits as of a certain date; providing a certain exception for
9 certain employees who transferred from the Employees' Retirement System;
10 providing for the purchase of certain service credit to avoid a certain actuarial
11 deficiency adjustment in an allowance payable on behalf of certain members;
12 making certain stylistic and technical changes; providing for the payment of
13 certain liabilities under this Act; providing for the application of this Act; and
14 generally relating to the participation of certain employees of the University of
15 Maryland Medical System Corporation in the Employees' Pension System.

16 BY repealing and reenacting, with amendments,
17 Article - State Personnel and Pensions
18 Section 23-212, 23-302, 23-303, 23-401, and 29-425
19 Annotated Code of Maryland
20 (1997 Replacement Volume and 1998 Supplement)

21 BY adding to
22 Article - State Personnel and Pensions
23 Section 23-217 and 23-218 to be under the new part "Part II. Contributory
24 Pension Benefit"; and 23-307.1
25 Annotated Code of Maryland
26 (1997 Replacement Volume and 1998 Supplement)

27 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
28 MARYLAND, That the Laws of Maryland read as follows:

1 **Article - State Personnel and Pensions**

2 23-212.

3 (a) Except as provided in subsection (b) of this section, a member's
4 contribution rate is 5% of the part of the member's earnable compensation that
5 exceeds the taxable wage base for each year.

6 (b) [(1) This subsection does not apply to:

7 (i) an employee of a participating governmental unit or a former
8 participating governmental unit that has withdrawn; or

9 (ii) a member of the Employees' Pension System or Teachers'
10 Pension System who transferred from the Employees' Retirement System or Teachers'
11 Retirement System after April 1, 1998.

12 (2)] The contribution rate of a member WHO IS SUBJECT TO THE
13 CONTRIBUTORY PENSION BENEFIT UNDER PART II OF THIS SUBTITLE is 2% of the
14 member's earnable compensation.

15 23-215. RESERVED.

16 23-216. RESERVED.

17 **PART II. CONTRIBUTORY PENSION BENEFIT.**

18 23-217.

19 (A) EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, THIS PART II
20 OF THIS SUBTITLE APPLIES TO AN INDIVIDUAL WHO IS:

21 (1) A MEMBER OF THE EMPLOYEES' PENSION SYSTEM, INCLUDING A
22 MEMBER WHO IS AN EMPLOYEE OF THE UNIVERSITY OF MARYLAND MEDICAL
23 SYSTEM CORPORATION, OR A MEMBER OF THE TEACHERS' PENSION SYSTEM; OR

24 (2) A MEMBER OF THE EMPLOYEES' RETIREMENT SYSTEM SUBJECT TO
25 SELECTION C (COMBINATION FORMULA) AS PROVIDED IN § 22-221 OF THIS ARTICLE
26 WHO IS AN EMPLOYEE OF THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM
27 CORPORATION.

28 (B) THIS PART II OF THIS SUBTITLE DOES NOT APPLY TO AN INDIVIDUAL WHO
29 IS:

30 (1) AN EMPLOYEE OF:

31 (I) A PARTICIPATING GOVERNMENTAL UNIT; OR

32 (II) A FORMER PARTICIPATING GOVERNMENTAL UNIT THAT HAS
33 WITHDRAWN OTHER THAN THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM
34 CORPORATION; OR

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

4 23-218.

5 A MEMBER WHO IS SUBJECT TO THIS PART II OF THIS SUBTITLE SHALL:

6 (1) RECEIVE AN ALLOWANCE FOR ALL CREDITABLE SERVICE AS
7 FOLLOWS:

8 (I) FOR NORMAL SERVICE RETIREMENT AS PROVIDED IN §
9 23-401(C) OF THIS TITLE;

10 (II) FOR EARLY SERVICE RETIREMENT AS PROVIDED IN § 23-402 OF
11 THIS TITLE;

12 (III) FOR ORDINARY DISABILITY RETIREMENT AS PROVIDED IN §
13 29-108 OF THIS ARTICLE; AND

14 (IV) FOR ACCIDENTAL DISABILITY RETIREMENT AS PROVIDED IN §
15 29-110 OF THIS ARTICLE;

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

18 (3) MAKE THE MEMBER CONTRIBUTIONS AT THE RATE SPECIFIED IN §
19 23-212(B) OF THIS SUBTITLE.

20 23-302.

21 (a) Subject to [subsection (b)] SUBSECTIONS (B) AND (C) of this section, a
22 member is entitled to eligibility service for periods of employment while a member of
23 the Employees' Pension System or the Teachers' Pension System.

24 (b) (1) If a member completes at least 500 hours of employment while a
25 member in any fiscal year, the member is entitled to 1 year of eligibility service.

26 (2) Except in the first and last fiscal years or except as provided in
27 subsection (c) of this section, a member may not receive any eligibility service for a
28 fiscal year in which the member completes less than 500 hours of employment while
29 a member.

30 (3) In the first and last fiscal years, if a member completes less than 500
31 hours of employment while a member, the Board of Trustees shall prorate the
32 eligibility service based on the number of hours worked.

33 (c) [(1) This subsection does not apply to:

34 (i) an employee of a participating governmental unit or a former
35 participating governmental unit that has withdrawn; or

1 (ii) a member of the Employees' Pension System or Teachers'
2 Pension System who transferred from the Employees' Retirement System or Teachers'
3 Retirement System after April 1, 1998.

4 (2)] If a member who IS SUBJECT TO THE CONTRIBUTORY PENSION
5 BENEFIT UNDER SUBTITLE 2, PART II, OF THIS TITLE completes less than 500 hours of
6 employment while a member, the Board of Trustees shall prorate the eligibility
7 service based on the number of hours worked.

8 23-303.

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

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

15 (2) This section does not apply to:

16 (i) a retiree of the Employees' Pension System or the Teachers'
17 Pension System; or

18 (ii) a member of the Employees' Pension System or Teachers'
19 Pension System who is [not an employee of a participating governmental unit or a
20 former participating governmental unit that has withdrawn or who transferred from
21 the Employees' Retirement System or Teachers' Retirement System on or before April
22 1, 1998] SUBJECT TO THE CONTRIBUTORY PENSION BENEFIT UNDER SUBTITLE 2,
23 PART II, OF THIS TITLE.

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

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

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

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

31 (ii) the number of consecutive years in which the member incurred
32 a break in service is less than the years of eligibility service as a member before the
33 break in service.

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

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

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

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

7 23-307.1.

8 (A) THIS SECTION APPLIES ONLY TO A FORMER MEMBER, MEMBER, RETIREE
9 OR SURVIVING BENEFICIARY OF THE EMPLOYEES' PENSION SYSTEM WHO, WHILE A
10 MEMBER, WAS AN EMPLOYEE OF THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM
11 CORPORATION.

12 (B) EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, A MEMBER OF
13 THE EMPLOYEES' PENSION SYSTEM WHO IS AN EMPLOYEE OF THE UNIVERSITY OF
14 MARYLAND MEDICAL SYSTEM CORPORATION MAY PURCHASE CREDIT FOR
15 ELIGIBILITY SERVICE FOR THE PERIOD OF EMPLOYMENT FROM JULY 1, 1998
16 THROUGH JUNE 30, 1999 BY PAYING TO THE BOARD OF TRUSTEES:

17 (1) ON OR BEFORE JUNE 30, 2000, THE AMOUNT THE MEMBER WOULD
18 HAVE BEEN REQUIRED TO CONTRIBUTE FOR THAT PERIOD OF EMPLOYMENT; OR

19 (2) ON OR AFTER JULY 1, 2000, THE AMOUNT THE MEMBER WOULD HAVE
20 BEEN REQUIRED TO CONTRIBUTE FOR THAT PERIOD OF EMPLOYMENT PLUS
21 REGULAR INTEREST COMPOUNDED ANNUALLY.

22 (C) IF THE MEMBER FAILS TO MAKE THE PAYMENT REQUIRED UNDER
23 SUBSECTION (B) OF THIS SECTION, THE BOARD OF TRUSTEES SHALL REDUCE
24 ACTUARIALLY THE ALLOWANCE PAYABLE TO A FORMER MEMBER, RETIREE, OR
25 SURVIVING BENEFICIARY OF A DECEASED MEMBER, FORMER MEMBER, OR MEMBER.
26 23-401.

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

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

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

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

32 (ii) has attained the age and the years of eligibility service as

33 follows:

34 Age Years of Eligibility Service

35 62 with 5

1 63 with 4
2 64 with 3
3 65 or more with 2

4 (b) Except as provided in subsection (c) of this section, on retirement under
5 this section, a member is entitled to receive a normal service retirement allowance
6 that equals the number of years of the member's creditable service multiplied by:

7 (1) 0.8% of the member's average final compensation that is not in excess
8 of the Social Security integration level; and

9 (2) 1.5% of the member's average final compensation that exceeds the
10 Social Security integration level.

11 (c) [(1) This subsection does not apply to:

12 (i) an employee of a participating governmental unit or a former
13 participating governmental unit that has withdrawn; or

14 (ii) a member of the Employees' Pension System or Teachers'
15 Pension System who transferred from the Employees' Retirement System or Teachers'
16 Retirement System after April 1, 1998.

17 (2)] On retirement under this section, a member WHO IS SUBJECT TO THE
18 CONTRIBUTORY PENSION BENEFIT UNDER SUBTITLE 2, PART II OF THIS TITLE is
19 entitled to receive a normal service retirement allowance that equals the sum of:

20 (i) the number of years of the member's creditable service on or
21 after July 1, 1998 multiplied by 1.4% of the member's average final compensation;
22 and

23 (ii) the greater of:

24 1. the number of years of the member's creditable service on
25 or before June 30, 1998 multiplied by 1.2% of the member's average final
26 compensation; or

27 2. the number of years of the member's creditable service on
28 or before June 30, 1998 multiplied by:

29 A. 0.8% of the member's average final compensation that is
30 not in excess of the Social Security integration level; and

31 B. 1.5% of the member's average final compensation that
32 exceeds the Social Security integration level.

1 29-425.

2 (a) [Except as provided in subsection (b) of this section, this] THIS Part VI of
3 this subtitle applies on or after July 1, 1998 only to an allowance received by a former
4 member, retiree, or surviving beneficiary of a deceased member, former member, or
5 retiree of the Employees' Pension System or the Teachers' Pension System WHO:

6 (1) IS SUBJECT TO THE CONTRIBUTORY PENSION BENEFIT UNDER
7 TITLE 23, SUBTITLE 2, PART II OF THIS ARTICLE; OR

8 (2) TRANSFERRED FROM THE EMPLOYEES' RETIREMENT SYSTEM OR
9 THE TEACHERS' RETIREMENT SYSTEM TO THE EMPLOYEES' PENSION SYSTEM OR THE
10 TEACHERS' PENSION SYSTEM AFTER APRIL 1, 1998.

11 (b) This Part VI of this subtitle does not apply if the member, former member,
12 or retiree was an employee of :

13 (1) a participating governmental unit WHILE A MEMBER; or

14 (2) a former participating governmental unit that has withdrawn,
15 OTHER THAN THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION,
16 while a member.

17 SECTION 2. AND BE IT FURTHER ENACTED, That the additional liabilities
18 resulting from this Act as determined by the State actuary shall be amortized over 20
19 years and paid by the University of Maryland Medical System Corporation.

20 SECTION 3. AND BE IT FURTHER ENACTED, That this Act shall take effect
21 July 1, 1999. It shall be construed retroactively and shall be applied to and
22 interpreted to affect the participants of the Employees' Pension System who are
23 affected by this Act beginning July 1, 1998.