

SENATE BILL 141

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K4

1999 Regular Session
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By: **The President (Administration) and Senators Baker, Blount, Bromwell,
Munson, Middleton, McFadden, Ruben, Conway, Frosh, Hollinger,
Jimeno, Kelley, Mitchell, Sfikas, and Stone**

Introduced and read first time: January 22, 1999

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **State Police Retirement System - Benefits**

3 FOR the purpose of altering the formula for computing the retirement allowance of
4 certain members of the State Police Retirement System; altering the years of
5 eligibility service required for a normal service retirement under the System;
6 altering the contribution rate for certain members in the System; establishing a
7 Deferred Retirement Option Program for certain members in the System;
8 defining certain terms; and generally relating to retirement benefits under the
9 State Police Retirement System.

10 BY repealing and reenacting, with amendments,
11 Article - State Personnel and Pensions
12 Section 24-205, 24-207, 24-401, and 24-405
13 Annotated Code of Maryland
14 (1997 Replacement Volume and 1998 Supplement)

15 BY adding to
16 Article - State Personnel and Pensions
17 Section 24-401.1
18 Annotated Code of Maryland
19 (1997 Replacement Volume and 1998 Supplement)

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

22 **Article - State Personnel and Pensions**

23 24-205.

24 A member's contribution rate is [:

25 (1)] 8% of the member's earnable compensation[, if the member has 25
26 years or less of creditable service; or

1 (2) 4% of the member's earnable compensation, if the member has more
2 than 25 years of creditable service].

3 24-207.

4 Membership ends if the member:

5 (1) is separated from employment for more than 3 years;

6 (2) withdraws the member's accumulated contributions;

7 (3) becomes a retiree; [or]

8 (4) dies; OR

9 (5) ELECTS TO PARTICIPATE IN THE DEFERRED RETIREMENT OPTION
10 PROGRAM ESTABLISHED UNDER § 24-401.1 OF THIS TITLE.

11 24-401.

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

13 (1) on or before the date of retirement, the member:

14 (i) has at least [25] 20 years of eligibility service; or

15 (ii) is at least 50 years old; and

16 (2) the member completes and submits a written application to the
17 Board of Trustees, on the form that the Board of Trustees provides, stating the date
18 when the member desires to retire.

19 (b) (1) Subject to the approval of the Board of Trustees, the Secretary of the
20 State Police may order a member who is at least 50 years old to retire on the first day
21 of the month after the member is notified of the Secretary's order.

22 (2) Before approving the Secretary's order, the Board of Trustees shall
23 give the member at least 30 days' notice and an opportunity to be heard.

24 (c) Except for the Secretary of the State Police, a member shall retire with a
25 normal service retirement allowance not later than the first day of the month after
26 the member becomes 60 years old.

27 (d) (1) [On] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION,
28 ON retirement under this section, a member is entitled to receive a normal service
29 retirement allowance that equals[:

30 (1) one forty-fifth] 2.75% of the member's average final compensation
31 multiplied by each year of the member's [first 25] years of creditable service[: and

1 (2) one-ninetieth of the member's average final compensation multiplied
2 by each year of creditable service in excess of 25 years].

3 (2) A MEMBER'S NORMAL SERVICE RETIREMENT ALLOWANCE MAY NOT
4 EXCEED 77% OF THE MEMBER'S AVERAGE FINAL COMPENSATION.

5 24-401.1.

6 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
7 INDICATED.

8 (2) "DROP" MEANS THE DEFERRED RETIREMENT OPTION PROGRAM
9 ESTABLISHED UNDER THIS SECTION.

10 (3) "DROP MEMBER" MEANS A MEMBER OF THE STATE POLICE
11 RETIREMENT SYSTEM WHO:

12 (I) IS ELIGIBLE TO PARTICIPATE IN THE DROP AS PROVIDED IN
13 SUBSECTION (C) OF THIS SECTION; AND

14 (II) ELECTS TO PARTICIPATE IN THE DROP AS PROVIDED IN
15 SUBSECTION (E) OF THIS SECTION.

16 (B) THERE IS A DROP FOR ELIGIBLE MEMBERS OF THE STATE POLICE
17 RETIREMENT SYSTEM.

18 (C) (1) EXCEPT FOR THE SECRETARY OF THE STATE POLICE, A MEMBER OF
19 THE STATE POLICE RETIREMENT SYSTEM IS ELIGIBLE TO PARTICIPATE IN THE DROP
20 IF THE MEMBER:

21 (I) HAS AT LEAST 23 YEARS OF ELIGIBILITY SERVICE; AND

22 (II) IS LESS THAN 60 YEARS OLD.

23 (2) THE SECRETARY OF THE STATE POLICE IS ELIGIBLE TO PARTICIPATE
24 IN THE DROP IF THE SECRETARY HAS AT LEAST 23 YEARS OF ELIGIBILITY SERVICE.

25 (D) AN ELIGIBLE MEMBER MAY ELECT TO PARTICIPATE IN THE DROP FOR A
26 PERIOD NOT TO EXCEED THE LESSER OF:

27 (1) 5 YEARS;

28 (2) THE DIFFERENCE BETWEEN 28 YEARS AND THE MEMBER'S
29 ELIGIBILITY SERVICE AS OF THE DATE OF THE MEMBER'S ELECTION TO
30 PARTICIPATE IN THE DROP AND RETIRE FROM THE STATE POLICE RETIREMENT
31 SYSTEM;

32 (3) THE DIFFERENCE BETWEEN AGE 60 AND THE MEMBER'S AGE AS OF
33 THE DATE OF THE MEMBER'S ELECTION TO PARTICIPATE IN THE DROP AND RETIRE
34 FROM THE STATE POLICE RETIREMENT SYSTEM; OR

1 (4) A TERM SELECTED BY THE MEMBER.

2 (E) (1) AN ELIGIBLE MEMBER WHO ELECTS TO PARTICIPATE IN THE DROP
3 SHALL:

4 (I) COMPLETE AND SUBMIT A WRITTEN ELECTION FORM TO THE
5 BOARD OF TRUSTEES, ON THE FORM THAT THE BOARD OF TRUSTEES PROVIDES,
6 STATING:

7 1. THE MEMBER'S INTENTION TO PARTICIPATE IN THE
8 DROP;

9 2. THE DATE WHEN THE MEMBER DESIRES TO RETIRE;

10 3. THE PERIOD THAT THE MEMBER DESIRES TO
11 PARTICIPATE IN THE DROP, AS PROVIDED IN SUBSECTION (D) OF THIS SECTION;

12 4. THE DATE WHEN THE MEMBER INTENDS TO TERMINATE
13 EMPLOYMENT WITH THE MARYLAND STATE POLICE IN THE FORM OF A BINDING
14 LETTER OF RESIGNATION ACCEPTED BY THE SECRETARY OF THE STATE POLICE OR
15 THE SECRETARY'S DESIGNEE; AND

16 5. ANY OTHER INFORMATION REQUIRED BY THE BOARD OF
17 TRUSTEES TO IMPLEMENT THE DROP; AND

18 (II) COMPLETE AND SUBMIT A WRITTEN RETIREMENT
19 APPLICATION FORM TO THE BOARD OF TRUSTEES, ON THE FORM THAT THE BOARD
20 OF TRUSTEES PROVIDES.

21 (2) AN ELIGIBLE MEMBER'S ELECTION TO PARTICIPATE IN THE DROP IS
22 IRREVOCABLE.

23 (F) (1) A DROP MEMBER'S PARTICIPATION IN THE DROP SHALL COMMENCE
24 ON THE FIRST DAY OF THE MONTH FOLLOWING ACCEPTANCE BY THE BOARD OF
25 TRUSTEES OF THE DROP MEMBER'S COMPLETED ELECTION FORM, RETIREMENT
26 APPLICATION FORM, AND ANY OTHER INFORMATION REQUIRED BY THE BOARD OF
27 TRUSTEES.

28 (2) A DROP MEMBER IS A RETIREE OF THE STATE POLICE RETIREMENT
29 SYSTEM.

30 (G) PARTICIPATION IN THE DROP ENDS IF THE DROP PARTICIPANT:

31 (1) SEPARATES FROM EMPLOYMENT IN ACCORDANCE WITH THE
32 BINDING LETTER OF RESIGNATION SUBMITTED WITH THE MEMBER'S ELECTION
33 FORM;

34 (2) EXCEPT FOR THE SECRETARY OF THE STATE POLICE, ATTAINS AGE
35 60;

36 (3) DIES;

1 (4) IS TERMINATED FROM EMPLOYMENT BY THE MARYLAND STATE
2 POLICE AT ANY TIME BEFORE THE DATE SPECIFIED ON THE MEMBER'S ELECTION
3 FORM;

4 (5) SHORTENS THE TIME PERIOD FOR PARTICIPATION IN THE DROP BY
5 DELIVERING TO THE MARYLAND STATE POLICE AND THE BOARD OF TRUSTEES
6 WRITTEN NOTICE OF THE INTENT OF THE DROP MEMBER TO TERMINATE
7 EMPLOYMENT; OR

8 (6) ACCEPTS A SPECIAL DISABILITY RETIREMENT ALLOWANCE AS
9 PROVIDED IN SUBSECTION (K) OF THIS SECTION.

10 (H) (1) AS OF THE EFFECTIVE DATE OF PARTICIPATION IN THE DROP, THE
11 BOARD OF TRUSTEES SHALL DETERMINE THE DROP MEMBER'S NORMAL SERVICE
12 RETIREMENT ALLOWANCE UNDER § 24-401 OF THIS SUBTITLE.

13 (2) DURING THE PERIOD THAT A DROP MEMBER PARTICIPATES IN THE
14 DROP, THE BOARD OF TRUSTEES SHALL:

15 (I) ACCRUE THE DROP MEMBER'S NORMAL SERVICE RETIREMENT
16 ALLOWANCE IN THE DROP FOR THE DROP MEMBER'S BENEFIT;

17 (II) ADJUST THE DROP MEMBER'S NORMAL SERVICE RETIREMENT
18 ALLOWANCE EACH FISCAL YEAR AS PROVIDED IN TITLE 29, SUBTITLE 4, PART III OF
19 THIS ARTICLE; AND

20 (III) ACCRUE INTEREST ON THE AMOUNTS CALCULATED UNDER
21 SUBPARAGRAPHS (I) AND (II) OF THIS PARAGRAPH FOR THE DROP MEMBER INTO THE
22 DROP AT THE RATE OF 6.5% A YEAR, COMPOUNDED MONTHLY.

23 (3) A DROP MEMBER MAY NOT RECEIVE CREDITABLE SERVICE OR
24 ELIGIBILITY SERVICE DURING THE PERIOD THAT THE DROP MEMBER PARTICIPATES
25 IN THE DROP.

26 (4) A DROP MEMBER'S COMPENSATION DURING THE PERIOD THAT THE
27 DROP MEMBER PARTICIPATES IN THE DROP MAY NOT BE:

28 (I) SUBJECT TO THE EMPLOYER PICKUP PROVISIONS OF § 21-303
29 OF THIS ARTICLE OR ANY REDUCTION OR DEDUCTION AS A MEMBER CONTRIBUTION
30 FOR PENSION OR RETIREMENT PURPOSES; OR

31 (II) USED TO INCREASE THE DROP MEMBER'S AVERAGE FINAL
32 COMPENSATION EXCEPT AS PROVIDED IN SUBSECTION (K) OF THIS SECTION.

33 (5) DURING THE PERIOD THAT A DROP MEMBER PARTICIPATES IN THE
34 DROP, THE DROP MEMBER SHALL:

35 (I) CONTINUE TO RECEIVE COMPENSATION, HEALTH INSURANCE
36 AND OTHER BENEFIT OPTIONS ESTABLISHED UNDER THE STATE EMPLOYEE AND
37 RETIREE HEALTH AND WELFARE BENEFIT PROGRAM ADMINISTERED BY THE

1 SECRETARY OF THE DEPARTMENT OF BUDGET AND MANAGEMENT, AND ANY OTHER
2 BENEFITS AS AN EMPLOYEE OF THE MARYLAND STATE POLICE;

3 (II) BE SUBJECT TO THE PERSONNEL LAW, REGULATIONS, AND
4 POLICIES APPLICABLE TO AN EMPLOYEE OF THE MARYLAND STATE POLICE; AND

5 (III) RECEIVE RETIREMENT BENEFITS ONLY TO THE EXTENT
6 PROVIDED IN THIS SECTION.

7 (6) THE BOARD OF TRUSTEES IS NOT REQUIRED TO ESTABLISH AN
8 INDIVIDUAL DROP ACCOUNT FOR EACH DROP MEMBER.

9 (7) EACH YEAR, THE BOARD OF TRUSTEES SHALL PROVIDE A DROP
10 MEMBER WITH A WRITTEN ACCOUNTING OF THE DROP MEMBER'S ACCOUNT
11 BALANCE IN THE DROP.

12 (I) (1) SUBJECT TO PARAGRAPHS (2), (3), AND (4) OF THIS SUBSECTION, ON
13 TERMINATION OF A DROP MEMBER'S PARTICIPATION IN THE DROP, THE BOARD OF
14 TRUSTEES SHALL PAY TO THE DROP MEMBER OR, IF THE DROP MEMBER HAS DIED,
15 THE DESIGNATED BENEFICIARY OF THE DROP MEMBER, THE AMOUNT ACCRUED IN
16 THE DROP FOR THE DROP MEMBER UNDER SUBSECTION (H)(2) OF THIS SECTION,
17 REDUCED BY ANY WITHHOLDING TAXES REMITTED TO THE INTERNAL REVENUE
18 SERVICE OR OTHER TAXING AUTHORITY, IN A LUMP SUM.

19 (2) THE DESIGNATED BENEFICIARY OF A DROP MEMBER IS:

20 (I) THE DROP MEMBER'S SURVIVING SPOUSE;

21 (II) IF THERE IS NOT A SURVIVING SPOUSE OR IF THE SURVIVING
22 SPOUSE DIES BEFORE THE YOUNGEST CHILD IS 18 YEARS OLD, EACH CHILD OF THE
23 DECEASED DROP MEMBER WHO IS UNDER 18 YEARS OLD; OR

24 (III) IF THERE IS NOT A SURVIVING SPOUSE OR A CHILD WHO IS
25 UNDER 18 YEARS OLD, THE PERSON NAMED AS A BENEFICIARY IN AN
26 ACKNOWLEDGED WRITTEN DESIGNATION FILED WITH THE BOARD OF TRUSTEES BY
27 THE DROP MEMBER.

28 (3) A DROP MEMBER OR DESIGNATED BENEFICIARY OF A DROP MEMBER
29 MAY DIRECT THE BOARD OF TRUSTEES TO PAY ALL OR A PORTION OF THE AMOUNT
30 ACCRUED FOR THE DROP MEMBER'S BENEFIT UNDER SUBSECTION (H)(2) OF THIS
31 SECTION DIRECTLY TO THE CUSTODIAN OF AN ELIGIBLE RETIREMENT PLAN AS
32 PROVIDED IN TITLE 21, SUBTITLE 6 OF THIS ARTICLE.

33 (4) A DROP MEMBER OR DESIGNATED BENEFICIARY OF A DROP MEMBER
34 IS ELIGIBLE TO RECEIVE THE AMOUNT DUE UNDER THIS SUBSECTION WITHIN 90
35 DAYS AFTER THE:

36 (I) DATE OF TERMINATION OF THE DROP MEMBER'S
37 PARTICIPATION IN THE DROP;

1 (II) RECEIPT BY THE BOARD OF TRUSTEES OF A COMPLETED
2 APPLICATION TO RECEIVE THE DROP AMOUNT, ON THE FORM THAT THE BOARD OF
3 TRUSTEES PROVIDES; AND

4 (III) RECEIPT BY THE BOARD OF TRUSTEES OF ANY OTHER
5 INFORMATION THAT THE BOARD OF TRUSTEES REQUIRES TO PROCESS PAYMENT OF
6 THE DROP MEMBER'S ACCOUNT BALANCE TO THE DROP PARTICIPANT, THE
7 DESIGNATED BENEFICIARY OF THE DROP PARTICIPANT, OR THE CUSTODIAN OF AN
8 ELIGIBLE RETIREMENT PLAN.

9 (J) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, AS
10 OF THE FIRST DAY OF THE MONTH FOLLOWING TERMINATION OF A DROP MEMBER'S
11 PARTICIPATION IN THE DROP, THE BOARD OF TRUSTEES SHALL COMMENCE AND
12 CONTINUE PAYMENT OF THE NORMAL SERVICE RETIREMENT ALLOWANCE,
13 INCLUDING THE COST OF LIVING ADJUSTMENTS AS PROVIDED IN TITLE 29, SUBTITLE
14 4, PART III OF THIS ARTICLE, TO THE MEMBER AS PROVIDED IN §§ 24-401 AND 24-403
15 OF THIS SUBTITLE.

16 (2) IF A DROP MEMBER DIES BEFORE TERMINATION OF THE DROP
17 MEMBER'S PARTICIPATION IN THE DROP, THE BOARD OF TRUSTEES SHALL PAY 50%
18 OF THE NORMAL SERVICE RETIREMENT ALLOWANCE, INCLUDING THE COST OF
19 LIVING ADJUSTMENTS AS PROVIDED IN TITLE 29, SUBTITLE 4, PART III OF THIS
20 ARTICLE, TO THE BENEFICIARY AS PROVIDED IN § 24-403 OF THIS SUBTITLE.

21 (K) (1) A DROP MEMBER IS ELIGIBLE TO APPLY FOR A SPECIAL DISABILITY
22 RETIREMENT ALLOWANCE UNDER § 29-111 OF THIS ARTICLE.

23 (2) IF THE BOARD OF TRUSTEES GRANTS A DROP MEMBER A SPECIAL
24 DISABILITY RETIREMENT ALLOWANCE, THE DROP MEMBER MAY ELECT TO RECEIVE
25 THE SPECIAL DISABILITY RETIREMENT ALLOWANCE OR CONTINUE TO PARTICIPATE
26 IN THE DROP.

27 (3) (I) IF A DROP MEMBER ELECTS TO RECEIVE A SPECIAL DISABILITY
28 RETIREMENT ALLOWANCE INSTEAD OF CONTINUING TO PARTICIPATE IN THE DROP,
29 THE DROP MEMBER SHALL:

30 1. SUBMIT AN APPLICATION TO THE BOARD OF TRUSTEES,
31 ON THE FORM THE BOARD OF TRUSTEES PROVIDES, TO RECEIVE PAYMENT OF THE
32 AMOUNT ACCRUED IN THE DROP IN ACCORDANCE WITH SUBSECTION (I) OF THIS
33 SECTION;

34 2. EXECUTE A WRITTEN WAIVER OF ANY BENEFITS TO
35 WHICH THE DROP MEMBER MAY BE ENTITLED UNDER THE DROP; AND

36 3. SUBMIT AN APPLICATION TO RETIRE WITH A SPECIAL
37 DISABILITY RETIREMENT ALLOWANCE, ON THE FORM THE BOARD OF TRUSTEES
38 PROVIDES, STATING THE EFFECTIVE DATE OF THE DROP MEMBER'S RETIREMENT AS
39 A SPECIAL DISABILITY RETIREE.

1 (II) ON ACCEPTANCE OF THE APPLICATION FOR PAYMENT AND
2 APPLICATION TO RETIRE, THE BOARD OF TRUSTEES SHALL COMMENCE PAYMENT OF
3 A SPECIAL DISABILITY ALLOWANCE TO THE DROP MEMBER AS PROVIDED IN §
4 29-111(C) OF THIS ARTICLE, EXCEPT THAT THE DROP MEMBER'S AVERAGE FINAL
5 COMPENSATION SHALL BE COMPUTED AS OF THE EFFECTIVE DATE OF THE DROP
6 MEMBER'S APPLICATION FOR A SPECIAL DISABILITY RETIREMENT ALLOWANCE.

7 24-405.

8 (a) Subject to subsections (b) and (c) of this section, an individual who is
9 receiving a service retirement allowance or vested allowance may accept employment
10 with a participating employer on a temporary basis, if:

11 (1) the employment is not in a regularly allocated position; and

12 (2) the individual immediately notifies the Board of Trustees:

13 (i) of the individual's intention to accept the employment; and

14 (ii) of the compensation that the individual will receive.

15 (b) (1) This subsection does not apply to:

16 (I) an individual who has been retired for more than 10 years; OR

17 (II) AN INDIVIDUAL WHO PARTICIPATES IN THE DEFERRED
18 RETIREMENT OPTION PROGRAM ESTABLISHED UNDER § 24-401.1 OF THIS SUBTITLE.

19 (2) The Board of Trustees shall reduce an individual's allowance by the
20 amount that the sum of the individual's initial annual basic allowance and the
21 individual's annual compensation exceeds the average final compensation used to
22 compute the basic allowance.

23 (c) For purposes of this section, employment is not on a temporary basis if, in
24 any 12-month period, an individual works:

25 (1) full time for more than 6 months; or

26 (2) part time for the equivalent of more than 6 months of full-time work.

27 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
28 effect July 1, 1999.