

SENATE BILL 363

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1999 Regular Session
9r0650

By: **Senator Kasemeyer (Chairman, Joint Committee on Pensions)**

Introduced and read first time: February 5, 1999

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Employees' Pension System - Participating Governmental Units - Inclusion**
3 **in Contributory Pension Benefit**

4 FOR the purpose of authorizing certain governmental units that participate in the
5 Employees' Pension System to elect to provide its employees with certain
6 contributory pension benefits; providing that the employees of a participating
7 governmental unit that makes the election are entitled to certain benefits as of
8 a certain date; providing a certain exception for certain employees who
9 transferred from the Employees' Retirement System; making the election by the
10 participating governmental unit irrevocable; providing for the purchase of
11 certain service credit to avoid a certain actuarial deficiency adjustment in an
12 allowance payable on behalf of certain members; making certain stylistic and
13 technical changes; providing for the application of this Act; and generally
14 relating to the participation of certain governmental units in the Employees'
15 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, 29-425, and 31-112
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"; 23-307.1 and 31-116
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8 participating governmental unit that has withdrawn; or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 OR THE
22 TEACHERS' PENSION SYSTEM; OR

23 (2) A MEMBER OF THE EMPLOYEES' RETIREMENT SYSTEM SUBJECT TO
24 SELECTION C (COMBINATION FORMULA) AS PROVIDED IN § 22-221 OF THIS ARTICLE
25 WHO IS AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL UNIT THAT HAS
26 ELECTED THE CONTRIBUTORY PENSION BENEFIT FOR ITS EMPLOYEES UNDER §
27 31-116 OF THIS ARTICLE.

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 THAT HAS NOT
32 ELECTED THE CONTRIBUTORY PENSION BENEFIT FOR ITS EMPLOYEES UNDER §
33 31-116 OF THIS ARTICLE; OR

1 (II) A FORMER PARTICIPATING GOVERNMENTAL UNIT THAT HAS
2 WITHDRAWN; OR

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

6 23-218.

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

8 (1) RECEIVE AN ALLOWANCE FOR ALL CREDITABLE SERVICE AS
9 FOLLOWS:

10 (I) FOR NORMAL SERVICE RETIREMENT AS PROVIDED IN §
11 23-401(C) OF THIS TITLE;

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

14 (III) FOR ORDINARY DISABILITY RETIREMENT AS PROVIDED IN §
15 29-108 OF THIS ARTICLE; AND

16 (IV) FOR ACCIDENTAL DISABILITY RETIREMENT AS PROVIDED IN §
17 29-110 OF THIS ARTICLE;

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

20 (3) MAKE THE MEMBER CONTRIBUTIONS AT THE RATE SPECIFIED IN §
21 23-212(B) OF THIS SUBTITLE.

22 23-302.

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

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

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

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

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

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

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

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

10 23-303.

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

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

17 (2) This section does not apply to:

18 (i) a retiree of the Employees' Pension System or the Teachers'
19 Pension System; or

20 (ii) a member of the Employees' Pension System or Teachers'
21 Pension System who is [not an employee of a participating governmental unit or a
22 former participating governmental unit that has withdrawn or who transferred from
23 the Employees' Retirement System or Teachers' Retirement System on or before April
24 1, 1998] SUBJECT TO THE CONTRIBUTORY PENSION BENEFIT UNDER SUBTITLE 2,
25 PART II OF THIS TITLE.

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

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

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

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

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

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

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

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

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

10 23-307.1.

11 (A) THIS SECTION APPLIES ONLY TO A FORMER MEMBER, MEMBER, RETIREE,
12 OR SURVIVING BENEFICIARY OF THE EMPLOYEES' PENSION SYSTEM WHO, WHILE A
13 MEMBER, WAS AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL UNIT THAT
14 ELECTED THE CONTRIBUTORY PENSION BENEFIT FOR ITS EMPLOYEES UNDER §
15 31-116 OF THIS ARTICLE.

16 (B) EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, A MEMBER
17 WHO IS SUBJECT TO THE CONTRIBUTORY PENSION BENEFIT UNDER SUBTITLE 2,
18 PART II OF THIS TITLE MAY PURCHASE CREDIT FOR ELIGIBILITY SERVICE FOR THE
19 PERIOD OF EMPLOYMENT FROM JULY 1, 1998, THROUGH JUNE 30, 1999, BY PAYING TO
20 THE BOARD OF TRUSTEES:

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

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

26 (C) IF THE MEMBER FAILS TO MAKE THE PAYMENT REQUIRED UNDER
27 SUBSECTION (B) OF THIS SECTION, THE BOARD OF TRUSTEES SHALL REDUCE
28 ACTUARIALLY THE ALLOWANCE PAYABLE TO A FORMER MEMBER, RETIREE, OR
29 SURVIVING BENEFICIARY OF A DECEASED MEMBER, FORMER MEMBER, OR MEMBER.
30 23-401.

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

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

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

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

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

3 Age	Years of Eligibility Service:
4 62 with	5
5 63 with	4
6 64 with	3
7 65 or more with	2

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

11 (1) 0.8% of the member's average final compensation that is not in excess
12 of the Social Security integration level; and

13 (2) 1.5% of the member's average final compensation that exceeds the
14 Social Security integration level.

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

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

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

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

24 [(i)] (1) the number of years of the member's creditable service on
25 or after July 1, 1998 multiplied by 1.4% of the member's average final compensation;
26 and

27 [(ii)] (2) the greater of:

28 [1.] (I) the number of years of the member's creditable
29 service on or before June 30, 1998 multiplied by 1.2% of the member's average final
30 compensation; or

31 [2.] (II) the number of years of the member's creditable
32 service on or before June 30, 1998 multiplied by:

33 [A.] 1. 0.8% of the member's average final compensation
34 that is not in excess of the Social Security integration level; and

1 [B.] 2. 1.5% of the member's average final compensation
2 that exceeds the Social Security integration level.

3 29-425.

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

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

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

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

15 (1) a participating governmental unit THAT HAS NOT ELECTED THE
16 CONTRIBUTORY PENSION BENEFIT OF ITS EMPLOYEES UNDER § 31-116 OF THIS
17 ARTICLE; or

18 (2) a former participating governmental unit that has withdrawn while a
19 member.

20 31-112.

21 (A) [An] SUBJECT TO SUBSECTION (B) OF THIS SECTION, AN employee of a
22 participating governmental unit who is a member of one of the employees' systems is
23 entitled to the benefits to which State employees are entitled under that system.

24 (B) (1) AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL UNIT THAT
25 HAS ELECTED TO PARTICIPATE IN THE CONTRIBUTORY PENSION BENEFIT OPTION
26 UNDER § 31-116 OF THIS SUBTITLE SHALL BE SUBJECT TO TITLE 23, SUBTITLE 2, PART
27 II OF THIS ARTICLE.

28 (2) AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL UNIT THAT
29 HAS NOT ELECTED TO PARTICIPATE IN THE CONTRIBUTORY PENSION BENEFIT
30 OPTION UNDER § 31-116 OF THIS SUBTITLE IS NOT SUBJECT TO TITLE 23, SUBTITLE 2,
31 PART II OF THIS ARTICLE.

32 31-116.

33 (A) ON OR BEFORE DECEMBER 31, 1999, A PARTICIPATING GOVERNMENTAL
34 UNIT MAY ELECT TO PROVIDE ITS EMPLOYEES WITH THE CONTRIBUTORY PENSION
35 BENEFIT UNDER TITLE 23 OF THIS ARTICLE AS PROVIDED IN THIS SECTION BY
36 SUBMITTING ITS ELECTION ON A FORM PROVIDED BY THE STATE RETIREMENT
37 AGENCY.

1 (B) (1) IF A PARTICIPATING GOVERNMENTAL UNIT ELECTS TO PROVIDE ITS
2 EMPLOYEES WITH THE CONTRIBUTORY PENSION BENEFIT UNDER TITLE 23 OF THIS
3 ARTICLE, AN EMPLOYEE OF THE PARTICIPATING GOVERNMENTAL UNIT WHO IS A
4 MEMBER OF THE EMPLOYEES' PENSION SYSTEM SHALL BE ENTITLED TO THE
5 BENEFITS AS PROVIDED IN § 23-218 OF THIS ARTICLE, EFFECTIVE ON THE LATER OF
6 JULY 1, 1998, OR THE DATE THE EMPLOYEE BECAME A MEMBER OF THE EMPLOYEES'
7 PENSION SYSTEM, UNLESS THE EMPLOYEE TRANSFERRED TO THE EMPLOYEES'
8 PENSION SYSTEM AFTER APRIL 1, 1998.

9 (2) IF AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL UNIT
10 TRANSFERRED TO THE EMPLOYEES' PENSION SYSTEM AFTER APRIL 1, 1998, THE
11 EMPLOYEE IS NOT SUBJECT TO TITLE 23, SUBTITLE 2, PART II OF THIS ARTICLE AND
12 IS NOT ENTITLED TO THE BENEFITS AS PROVIDED IN § 23-218 OF THIS ARTICLE.

13 (C) AN ELECTION BY A PARTICIPATING GOVERNMENTAL UNIT UNDER THIS
14 SECTION IS IRREVOCABLE.

15 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
16 July 1, 1999. It shall be construed retroactively and shall be applied to and
17 interpreted to affect the participants of the Employees' Pension System who are
18 affected by this Act beginning July 1, 1998.