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By: **Delegate Proctor (Chairman, Joint Committee on Pensions)**

Introduced and read first time: February 2, 2000

Assigned to: Appropriations

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A BILL ENTITLED

1 AN ACT concerning

2                                   **Retirement and Pensions - Transfers to or from Contributory Employees'**  
3                                   **Pension System or Teachers' Pension System**

4 FOR the purpose of altering provisions of law that relate to the transfer of service  
5 credit to or from certain State or local retirement or pension systems and to or  
6 from the Employees' Pension System or the Teachers' Pension System by  
7 members or former members who are subject to a certain contributory pension  
8 benefit; altering the amount of the contributions to be deposited in certain  
9 retirement or pension systems under certain circumstances for the transfer of  
10 service credit to or from the part of the Employees' Pension System or the  
11 Teachers' Pension System that provides a contributory pension benefit;  
12 providing for certain reductions in retirement allowances based on certain  
13 transfers of service credit under certain circumstances; defining certain terms;  
14 and generally relating to transfers of service credit to or from the part of the  
15 Employees' Pension System or the Teachers' Pension System that provides a  
16 contributory pension benefit.

17 BY repealing and reenacting, with amendments,  
18 Article - State Personnel and Pensions  
19 Section 37-101(d), (j), (o), and (p) and 37-203  
20 Annotated Code of Maryland  
21 (1997 Replacement Volume and 1999 Supplement)

22 BY adding to  
23 Article - State Personnel and Pensions  
24 Section 37-101(o) and (p) and 37-203.1  
25 Annotated Code of Maryland  
26 (1997 Replacement Volume and 1999 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 37-101.

3 (d) "Contributory system" means a State or local retirement or pension  
4 system, OTHER THAN THE STATE CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR  
5 THE STATE CONTRIBUTORY TEACHERS' PENSION SYSTEM, under which member  
6 contributions are deducted from all compensation.

7 (j) (1) "Noncontributory system" means a State or local retirement or  
8 pension system under which member contributions are not deducted from all  
9 compensation.

10 (2) "NONCONTRIBUTORY SYSTEM" INCLUDES THE PART OF THE  
11 EMPLOYEES' PENSION SYSTEM OF THE STATE OF MARYLAND AND THE PART OF THE  
12 TEACHERS' PENSION SYSTEM OF THE STATE OF MARYLAND THAT DOES NOT PROVIDE  
13 A CONTRIBUTORY PENSION BENEFIT UNDER TITLE 23, SUBTITLE 2, PART II OF THIS  
14 ARTICLE.

15 (O) "STATE CONTRIBUTORY EMPLOYEES' PENSION SYSTEM" MEANS THE PART  
16 OF THE EMPLOYEES' PENSION SYSTEM OF THE STATE OF MARYLAND THAT  
17 PROVIDES A CONTRIBUTORY PENSION BENEFIT UNDER TITLE 23, SUBTITLE 2, PART II  
18 OF THIS ARTICLE.

19 (P) "STATE CONTRIBUTORY TEACHERS' PENSION SYSTEM" MEANS THE PART  
20 OF THE TEACHERS' PENSION SYSTEM OF THE STATE OF MARYLAND THAT PROVIDES  
21 A CONTRIBUTORY PENSION BENEFIT UNDER TITLE 23, SUBTITLE 2, PART II OF THIS  
22 ARTICLE.

23 [(o)] (Q) "State or local retirement or pension system" means any retirement  
24 or pension system operated under the laws of the State or any political subdivision of  
25 the State.

26 [(p)] (R) "State system" means a retirement or pension system that is included  
27 in the Maryland State Retirement and Pension Systems under § 21-102 of this  
28 article.

29 37-203.

30 (a) THIS SECTION DOES NOT APPLY TO A TRANSFER OF SERVICE CREDIT TO  
31 OR FROM THE STATE CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE STATE  
32 CONTRIBUTORY TEACHERS' PENSION SYSTEM.

33 (B) (1) An individual may not transfer service credit under this title unless  
34 the individual makes a claim for the service credit within 1 year after becoming a  
35 member of the new system.

36 (2) An individual may not transfer service credit from one contributory  
37 system to another contributory system unless within 1 year after becoming a member  
38 of the new system the individual deposits in the annuity savings fund or other

1 corresponding fund of the new system the total accumulated contributions to the  
2 individual's credit in the annuity savings fund or other corresponding fund of the  
3 previous system.

4 [(b)] (C) Except as provided in § 37-204 of this subtitle, an individual who  
5 transfers service credit under this title shall receive service credit in the new system  
6 in the amount of service credit accumulated under the previous system.

7 [(c)] (D) On verification of the service credit, the previous system may not  
8 provide any benefit for service credit transferred from the previous system to a new  
9 system under this title.

10 [(d)] (E)(1) Except as provided in paragraph (2) of this subsection, if an  
11 individual transfers service credit under this title, the previous system shall refund  
12 the individual's accumulated contributions on request.

13 (2) Accumulated contributions applicable to the receipt of service credit  
14 or benefits in the new system may not be refunded if:

15 (i) an individual transfers from one noncontributory system to  
16 another noncontributory system; or

17 (ii) a former member transfers under § 37-202(b) of this subtitle.

18 [(e)] (F) (1) Except as otherwise provided in this subsection, after an  
19 individual transfers service credit to a new system under this title, the individual:

20 (i) shall pay the rate of contribution applicable to a member of the  
21 new system; and

22 (ii) is eligible for a pension and annuity as provided under the new  
23 system, determined by taking into account the transferred service credit.

24 (2) Except as provided in § 37-204 of this subtitle, if an individual  
25 transfers from a noncontributory system to a contributory system, on retirement the  
26 individual's retirement allowance shall be reduced by the actuarial equivalent of the  
27 accumulated contributions that would have been deducted if the individual had  
28 earned the transferred service credit under the new system, including interest on  
29 those contributions.

30 (3) If an individual retires within 5 years after transferring into a new  
31 system, the benefits payable with respect to the transferred service credit may not be  
32 greater than the benefits that would have been payable by the previous system with  
33 respect to that service if the individual had remained in the previous system.

34 37-203.1.

35 (A) (1) AN INDIVIDUAL MAY TRANSFER SERVICE CREDIT FROM A  
36 CONTRIBUTORY SYSTEM TO THE STATE CONTRIBUTORY EMPLOYEES' PENSION

1 SYSTEM OR THE STATE CONTRIBUTORY TEACHERS' PENSION SYSTEM IF, WITHIN 1  
2 YEAR AFTER BECOMING A MEMBER OF THE PENSION SYSTEM, THE INDIVIDUAL:

3 (I) COMPLETES A CLAIM FOR THE SERVICE CREDIT AND FILES IT  
4 WITH THE BOARD OF TRUSTEES OF THE STATE RETIREMENT AND PENSION SYSTEM  
5 ON A FORM THAT THE BOARD OF TRUSTEES PROVIDES; AND

6 (II) DEPOSITS IN THE ANNUITY SAVINGS FUND OF THE  
7 EMPLOYEES' PENSION SYSTEM OR TEACHERS' PENSION SYSTEM MEMBER  
8 CONTRIBUTIONS AT THE RATE OF 2% OF THE INDIVIDUAL'S EARNABLE  
9 COMPENSATION WHILE A MEMBER OF THE CONTRIBUTORY SYSTEM AFTER JUNE 30,  
10 1998, INCLUDING REGULAR INTEREST ON THE CONTRIBUTIONS AT THE RATE OF 5%  
11 PER YEAR COMPOUNDED ANNUALLY.

12 (2) THE CONTRIBUTORY SYSTEM SHALL REFUND THE INDIVIDUAL'S  
13 ACCUMULATED CONTRIBUTIONS IN EXCESS OF THE AMOUNT DETERMINED UNDER  
14 PARAGRAPH (1) OF THIS SUBSECTION ON REQUEST.

15 (B) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION, AN INDIVIDUAL  
16 MAY TRANSFER SERVICE CREDIT FROM A NONCONTRIBUTORY SYSTEM TO THE  
17 STATE CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE STATE  
18 CONTRIBUTORY TEACHERS' PENSION SYSTEM IF, WITHIN 1 YEAR AFTER BECOMING A  
19 MEMBER OF THE PENSION SYSTEM, THE INDIVIDUAL COMPLETES A CLAIM FOR THE  
20 SERVICE CREDIT AND FILES IT WITH THE BOARD OF TRUSTEES FOR THE STATE  
21 RETIREMENT AND PENSION SYSTEM ON A FORM THAT THE BOARD OF TRUSTEE  
22 PROVIDES.

23 (2) THE NONCONTRIBUTORY SYSTEM MAY NOT REFUND THE  
24 INDIVIDUAL'S ACCUMULATED CONTRIBUTIONS.

25 (3) (I) THIS PARAGRAPH APPLIES ONLY TO AN INDIVIDUAL WHO  
26 EARNED ANY PORTION OF THE TRANSFERRED SERVICE CREDIT IN A  
27 NONCONTRIBUTORY SYSTEM AFTER JUNE 30, 1998.

28 (II) ON RETIREMENT FROM THE STATE CONTRIBUTORY  
29 EMPLOYEES' PENSION SYSTEM OR THE STATE CONTRIBUTORY TEACHERS' PENSION  
30 SYSTEM, THE INDIVIDUAL'S RETIREMENT ALLOWANCE SHALL BE REDUCED BY THE  
31 ACTUARIAL EQUIVALENT OF THE ACCUMULATED CONTRIBUTIONS THAT WOULD  
32 HAVE BEEN DEDUCTED DURING THE PERIOD AFTER JUNE 30, 1998, WHEN THE  
33 INDIVIDUAL WAS A MEMBER OF THE NONCONTRIBUTORY SYSTEM, IF THE  
34 INDIVIDUAL HAD EARNED THE TRANSFERRED SERVICE CREDIT UNDER THE STATE  
35 CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE STATE CONTRIBUTORY  
36 TEACHERS' PENSION SYSTEM, INCLUDING REGULAR INTEREST ON THOSE  
37 CONTRIBUTIONS AT THE RATE OF 5% PER YEAR COMPOUNDED ANNUALLY.

38 (C) (1) AN INDIVIDUAL MAY TRANSFER SERVICE CREDIT FROM THE STATE  
39 CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE STATE CONTRIBUTORY  
40 TEACHERS' PENSION SYSTEM TO A NONCONTRIBUTORY SYSTEM IF, WITHIN 1 YEAR  
41 AFTER BECOMING A MEMBER OF THE NONCONTRIBUTORY SYSTEM, THE INDIVIDUAL  
42 COMPLETES A CLAIM FOR THE SERVICE CREDIT AND FILES IT WITH THE

1 ADMINISTRATOR OF THE NONCONTRIBUTORY SYSTEM ON A FORM THAT THE  
2 ADMINISTRATOR PROVIDES.

3 (2) THE STATE CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE  
4 STATE CONTRIBUTORY TEACHERS' PENSION SYSTEM SHALL REFUND THE  
5 INDIVIDUAL'S TOTAL ACCUMULATED CONTRIBUTIONS TO THE INDIVIDUAL ON  
6 REQUEST.

7 (D) (1) AN INDIVIDUAL MAY TRANSFER SERVICE CREDIT FROM THE STATE  
8 CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE STATE CONTRIBUTORY  
9 TEACHERS' PENSION SYSTEM TO A CONTRIBUTORY SYSTEM IF, WITHIN 1 YEAR AFTER  
10 BECOMING A MEMBER OF THE CONTRIBUTORY SYSTEM, THE INDIVIDUAL:

11 (I) COMPLETES A CLAIM FOR THE SERVICE CREDIT AND FILES IT  
12 WITH THE ADMINISTRATOR OF THE CONTRIBUTORY SYSTEM ON A FORM THAT THE  
13 ADMINISTRATOR PROVIDES; AND

14 (II) DEPOSITS IN THE ANNUITY SAVINGS FUND OR OTHER  
15 CORRESPONDING FUND OF THE CONTRIBUTORY SYSTEM THE SUM OF:

16 1. THE TOTAL ACCUMULATED CONTRIBUTIONS TO THE  
17 INDIVIDUAL'S CREDIT IN THE ANNUITY SAVINGS FUND OF THE STATE  
18 CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE STATE CONTRIBUTORY  
19 TEACHERS' PENSION SYSTEM;

20 2. THE DIFFERENCE, IF ANY, BETWEEN THE MEMBER  
21 CONTRIBUTIONS AT THE RATE PROVIDED FOR IN THE CONTRIBUTORY SYSTEM,  
22 INCLUDING INTEREST ON THOSE CONTRIBUTIONS, AND THE TOTAL ACCUMULATED  
23 CONTRIBUTIONS TO THE INDIVIDUAL'S CREDIT IN THE ANNUITY SAVINGS FUND OF  
24 THE STATE CONTRIBUTORY EMPLOYEES' PENSION SYSTEM OR THE STATE  
25 CONTRIBUTORY TEACHERS' PENSION SYSTEM; AND

26 3. THE ACCUMULATED CONTRIBUTIONS THAT WOULD HAVE  
27 BEEN DEDUCTED DURING THE PERIOD THE INDIVIDUAL WAS A MEMBER OF THE  
28 STATE SYSTEM WHILE IT WAS A NONCONTRIBUTORY SYSTEM IF THE INDIVIDUAL  
29 HAD EARNED THE TRANSFERRED SERVICE CREDIT UNDER THE CONTRIBUTORY  
30 SYSTEM, INCLUDING INTEREST ON THOSE CONTRIBUTIONS.

31 (2) ON RETIREMENT FROM THE CONTRIBUTORY SYSTEM, THE  
32 INDIVIDUAL'S RETIREMENT ALLOWANCE SHALL BE REDUCED BY THE ACTUARIAL  
33 EQUIVALENT OF THE AMOUNTS DETERMINED UNDER PARAGRAPH (1)(II)2 AND 3 OF  
34 THIS SUBSECTION IF THE MEMBER ELECTS NOT TO DEPOSIT THOSE AMOUNTS IN  
35 THE ANNUITY SAVINGS FUND OR OTHER CORRESPONDING FUND OF THE  
36 CONTRIBUTORY SYSTEM.

37 (E) EXCEPT AS PROVIDED IN § 37-204 OF THIS SUBTITLE, AN INDIVIDUAL WHO  
38 TRANSFERS SERVICE CREDIT UNDER THIS TITLE SHALL RECEIVE SERVICE CREDIT IN  
39 THE NEW SYSTEM IN THE AMOUNT OF SERVICE CREDIT ACCUMULATED UNDER THE  
40 PREVIOUS SYSTEM.

1 (F) ON VERIFICATION OF THE SERVICE CREDIT, THE PREVIOUS SYSTEM MAY  
2 NOT PROVIDE ANY BENEFIT FOR SERVICE CREDIT TRANSFERRED FROM THE  
3 PREVIOUS SYSTEM TO A NEW SYSTEM UNDER THIS TITLE.

4 (G) (1) EXCEPT AS OTHERWISE PROVIDED IN THIS SUBSECTION, AFTER AN  
5 INDIVIDUAL TRANSFERS SERVICE CREDIT TO A NEW SYSTEM UNDER THIS TITLE,  
6 THE INDIVIDUAL:

7 (I) SHALL PAY THE RATE OF CONTRIBUTION APPLICABLE TO A  
8 MEMBER OF THE NEW SYSTEM; AND

9 (II) IS ELIGIBLE FOR A PENSION AND ANNUITY AS PROVIDED  
10 UNDER THE NEW SYSTEM, DETERMINED BY TAKING INTO ACCOUNT THE  
11 TRANSFERRED SERVICE CREDIT.

12 (2) IF AN INDIVIDUAL RETIRES WITHIN 5 YEARS AFTER TRANSFERRING  
13 INTO A NEW SYSTEM, THE BENEFITS PAYABLE WITH RESPECT TO THE TRANSFERRED  
14 SERVICE CREDIT MAY NOT BE GREATER THAN THE BENEFITS THAT WOULD HAVE  
15 BEEN PAYABLE BY THE PREVIOUS SYSTEM WITH RESPECT TO THAT SERVICE IF THE  
16 INDIVIDUAL HAD REMAINED IN THE PREVIOUS SYSTEM.

17 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
18 July 1, 2000.