

SENATE BILL 571

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2000 Regular Session
0lr2161
CF 0lr1816

By: **Senator Harris**
Introduced and read first time: February 4, 2000
Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Employees' Retirement and Pension Systems - University of Maryland**
3 **Medical System Corporation**

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 providing for the payment of certain liabilities under this Act; allowing certain
13 employees of the University of Maryland Medical System Corporation who are
14 members of the Employees' Retirement System or the Employees' Pension
15 System to retire early with a service retirement allowance during a certain
16 period of time under certain circumstances; authorizing the Board of Trustees
17 for the State Retirement and Pension System to adopt certain regulations
18 providing for the benefits on early retirement under this Act; allowing certain
19 employees who are separated from employment under certain circumstances to
20 be eligible for certain retirement benefits; requiring the Chief Executive Officer
21 of the University of Maryland Medical System Corporation to notify the Board of
22 Trustees if a member revokes an application for retirement under this Act;
23 providing for a certain choice of death benefits to a designated beneficiary if an
24 employee dies under certain circumstances; providing for the funding of certain
25 retirement and pension costs under this Act; providing for the delay of the
26 effective date for certain employees to retire under this Act until a certain date;
27 requiring notification to the Board of Trustees of certain information by a
28 certain date; making the election to retire under this Act irrevocable except
29 under certain circumstances; providing that unused sick leave may not be used
30 to determine eligibility for the incentive provided for under this Act or to
31 determine the amount of the incentive provided for under this Act; providing
32 that the application for retirement shall be void if a member dies prior to the
33 effective date of retirement under certain circumstances; declaring the intent of
34 the General Assembly; providing for a certain refund of certain member
35 contributions plus regular interest; providing for the application of a portion of

1 this Act; and generally relating to the participation of certain employees of the
2 University of Maryland Medical System Corporation in a certain contributory
3 pension benefit and early retirement incentive.

4 BY adding to
5 Article - State Personnel and Pensions
6 Section 21-307(k) and 23-307.2
7 Annotated Code of Maryland
8 (1997 Replacement Volume and 1999 Supplement)

9 BY repealing and reenacting, with amendments,
10 Article - State Personnel and Pensions
11 Section 23-217, 29-404, 29-422, and 29-425
12 Annotated Code of Maryland
13 (1997 Replacement Volume and 1999 Supplement)

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

16 **Article - State Personnel and Pensions**

17 21-307.

18 (K) FOR EACH EMPLOYEE OF THE UNIVERSITY OF MARYLAND MEDICAL
19 SYSTEM CORPORATION WHO IS SUBJECT TO THE CONTRIBUTORY PENSION BENEFIT
20 UNDER TITLE 23, SUBTITLE 2, PART II OF THIS ARTICLE, THE UNIVERSITY OF
21 MARYLAND MEDICAL SYSTEM CORPORATION SHALL PAY THE ADDITIONAL
22 LIABILITIES THAT RESULT FROM THE CONTRIBUTORY PENSION BENEFIT
23 ACCORDING TO A SCHEDULE OF AMORTIZATION THAT IS SUBJECT TO THE APPROVAL
24 OF THE BOARD OF TRUSTEES.

25 23-217.

26 (a) Except as provided in subsection (b) of this section, this Part II of this
27 subtitle applies to an individual who is:

28 (1) a member of the Employees' Pension System, INCLUDING A MEMBER
29 WHO IS AN EMPLOYEE OF THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM
30 CORPORATION, or the Teachers' Pension System; or

31 (2) a member of the Employees' Retirement System, INCLUDING A
32 MEMBER WHO IS AN EMPLOYEE OF THE UNIVERSITY OF MARYLAND MEDICAL
33 SYSTEM CORPORATION, or the Teachers' Retirement System subject to Selection C
34 (Combination Formula) as provided in § 22-221 of this article.

35 (b) This Part II of this subtitle does not apply to an individual who is:

36 (1) an employee of:

1 (i) a participating governmental unit that has not elected the
2 contributory pension benefit for its employees under § 31-116 of this article; or

3 (ii) a former participating governmental unit that has withdrawn,
4 OTHER THAN THE UNIVERSITY OF MARYLAND MEDICAL SYSTEM CORPORATION; or

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

8 23-307.2.

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

13 (B) EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, A MEMBER OF
14 THE EMPLOYEES' PENSION SYSTEM WHO IS AN EMPLOYEE OF THE UNIVERSITY OF
15 MARYLAND MEDICAL SYSTEM CORPORATION MAY PURCHASE CREDIT FOR
16 ELIGIBILITY SERVICE FOR THE PERIOD OF EMPLOYMENT FROM JULY 1, 1998
17 THROUGH JUNE 30, 2000 BY PAYING TO THE BOARD OF TRUSTEES:

18 (1) ON OR BEFORE JUNE 30, 2001, THE AMOUNT THE MEMBER WOULD
19 HAVE BEEN REQUIRED TO CONTRIBUTE FOR THAT PERIOD OF EMPLOYMENT; OR

20 (2) ON OR AFTER JULY 1, 2001, THE AMOUNT THE MEMBER WOULD HAVE
21 BEEN REQUIRED TO CONTRIBUTE FOR THAT PERIOD OF EMPLOYMENT PLUS
22 REGULAR INTEREST COMPOUNDED ANNUALLY.

23 (C) IF THE MEMBER FAILS TO MAKE THE PAYMENT REQUIRED UNDER
24 SUBSECTION (B) OF THIS SECTION, THE BOARD OF TRUSTEES SHALL REDUCE
25 ACTUARIALLY THE ALLOWANCE PAYABLE TO A FORMER MEMBER, RETIREE, OR
26 SURVIVING BENEFICIARY OF A DECEASED MEMBER, FORMER MEMBER, OR MEMBER.
27 29-404.

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

31 (1) the Employees' Pension System if the deceased member, former
32 member, or retiree was an employee of a participating governmental unit or a former
33 participating governmental unit, OTHER THAN THE UNIVERSITY OF MARYLAND
34 MEDICAL SYSTEM CORPORATION, that has withdrawn while a member;

35 (2) the Local Fire and Police System; or

36 (3) the Law Enforcement Officers' Pension System.

1 (b) This Part II of this subtitle does not apply to an allowance that is subject to
2 adjustment under Part III, Part IV, Part V, or Part VI of this subtitle.

3 29-422.

4 (a) In this section, "effective date of selection" means the date that the
5 member, former member, or retiree first became subject to Selection C (Combination
6 formula) as provided in § 22-221 of this title.

7 (b) Except as provided in subsections (c) and (d) of this section, the Board of
8 Trustees shall adjust an allowance described in § 29-421 of this subtitle:

9 (1) for creditable service before the effective date of selection, as provided
10 by Part III of this subtitle; and

11 (2) for creditable service on or after the effective date of selection, as
12 provided by Part VI of this subtitle.

13 (c) Subject to subsection (d) of this section, for a member, former member, or
14 retiree who was subject to Selection B (Limited cost-of-living adjustment) before
15 electing Selection C (Combination formula), the Board of Trustees shall adjust an
16 allowance described in § 29-421 of this subtitle:

17 (1) for creditable service before the effective date of selection, as provided
18 by Part IV of this subtitle; and

19 (2) for creditable service on or after the effective date of selection, as
20 provided by Part VI of this subtitle.

21 (d) If an allowance is received by a former member, retiree, or surviving
22 beneficiary of a deceased member, former member, or retiree who, while a member,
23 was an employee of a participating governmental unit that has not elected the
24 contributory pension benefit of its employees under § 31-116 of this article or a
25 former participating governmental unit, OTHER THAN THE UNIVERSITY OF
26 MARYLAND MEDICAL SYSTEM CORPORATION, that has withdrawn, the Board of
27 Trustees shall adjust the allowance for creditable service on or after the effective date
28 of selection as provided in Part II of this subtitle.

29 29-425.

30 (a) This Part VI of this subtitle applies on or after July 1, 1998 only to an
31 allowance received by a former member, retiree, or surviving beneficiary of a deceased
32 member, former member, or retiree of the Employees' Pension System or the Teachers'
33 Pension System who:

34 (1) is subject to the contributory pension benefit under Title 23, Subtitle
35 2, Part II of this article; or

1 (2) transferred from the Employees' Retirement System or the Teachers'
 2 Retirement System to the Employees' Pension System or the Teachers' Pension
 3 System after April 1, 1998.

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

6 (1) a participating governmental unit that has not elected the
 7 contributory pension benefit of its employees under § 31-116 of this article; or

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

11 SECTION 2. AND BE IT FURTHER ENACTED, That:

12 (1) Except as provided under subsection (2) of this section, a member of the
 13 Employees' Retirement System or the Employees' Pension System may retire if the
 14 member:

15 (i) submits a written application to the Board of Trustees from July 1,
 16 2000 through August 31, 2000, inclusive;

17 (ii) is an employee of the University of Maryland Medical System
 18 Corporation on June 1, 2000;

19 (iii) is a member of the respective Retirement or Pension System on
 20 January 1, 2000, as reflected in the records of the State Retirement Agency; and

21 (iv) on or before June 30, 2000:

22 1. has at least 30 years of creditable service;

23 2. A. has at least 25 years of creditable service; and

24 B. is at least 50 years old; or

25 3. is otherwise eligible to retire under § 22-401, § 22-402, §
 26 23-401, or § 23-402 of the State Personnel and Pensions Article.

27 (2) A member of the Employees' Retirement System or the Employees' Pension
 28 System who is an employee of the University of Maryland Medical System
 29 Corporation on January 1, 2000 and is separated from employment as a result of the
 30 elimination of the employee's position by the University of Maryland Medical System
 31 Corporation may retire if the member:

32 (i) submits a written application to the Board of Trustees from June 1,
 33 2000 through August 31, 2000, both inclusive, if the member's position is eliminated
 34 by the University of Maryland Medical System Corporation before August 1, 2000 or
 35 not later than 30 days after the member is separated from employment before July 1,
 36 2001;

- 1 (ii) is a member of the respective system on January 1, 2000; and
2 (iii) on or before June 30, 2000 has at least 20 years of creditable service.

3 (3) (i) Except as otherwise provided in paragraph (ii) or (iii) of this
4 subsection and Section 3 of this Act, a member of the Employees' Retirement System
5 or the Employees' Pension System who elects the early retirement incentive under
6 this section shall retire on October 1, 2000.

7 (ii) An employee who has timely filed an application in accordance with
8 subsection (1) of this section and who does not satisfy the eligibility requirements on
9 or before October 1, 2000, shall retire on the first day of the month following the
10 month in which the employee becomes eligible to retire under this Act.

11 (iii) An employee who has timely filed an application in accordance with
12 subsection (2) of this section and who does satisfy the eligibility requirements as of
13 the effective date of retirement specified in the application shall retire on the first day
14 of the month following the month in which the employee files the application.

15 (4) (i) Except as provided in paragraph (ii) of this subsection, an application
16 to retire under this section is irrevocable.

17 (ii) The Chief Executive Officer of the University of Maryland Medical
18 System Corporation may allow a member to revoke an application if that member has
19 experienced extenuating circumstances since submitting the application, and the
20 member submits a written request to the Chief Executive Officer for a revocation of
21 the member's application.

22 (iii) If a member revokes an application for retirement that is allowed
23 under paragraph (ii) of this subsection, the Chief Executive Officer of the University
24 of Maryland Medical System Corporation shall notify the Board of Trustees of the
25 revocation not later than 2 weeks after the revocation.

26 (5) (i) Except as provided in paragraph (ii) of this subsection, a member who
27 retires under this section shall receive an additional 1 month of credit for each full
28 year of such member's creditable service.

29 (ii) For any part of a year of creditable service that is at least one-half of
30 1 year, the member shall receive an additional 1 month of credit.

31 (iii) A member's credit for unused sick leave may not be used to determine
32 the member's creditable service that is used to compute the additional service credit
33 under this paragraph.

34 (6) (i) Except as provided in paragraphs (ii) and (iii) of this subsection, a
35 member of the Employees' Retirement System who retires under this section shall
36 receive a service retirement allowance equal to one fifty-fifth of the member's
37 average final compensation multiplied by the sum of:

38 1. the member's creditable service; and

1 2. the additional credit described in subsection (5) of this section.

2 (ii) If a member has less than 30 years of eligibility service and is less
3 than 60 years old, the member's retirement allowance computed under paragraphs (i)
4 and (iii) of this subsection shall be:

5 1. reduced by the lesser of 0.5% for each month by which the
6 member's date of retirement precedes the earlier of the date the member would be 60
7 years old or the date the member would have completed 30 years of eligibility service
8 or 30%; and

9 2. increased by the lesser of 18% or the amount of the reduction
10 under subparagraph 1 of this paragraph.

11 (iii) A member of the Employees' Retirement System who is subject to
12 Selection C (Combination formula) shall receive a service retirement allowance:

13 1. for creditable service before July 1, 1984, as provided in
14 paragraph (i) of this subsection; and

15 2. for creditable service from July 1, 1984, as provided in
16 subsection (7) of this section.

17 (7) (i) Except as provided in paragraphs (ii) and (iii) of this subsection, a
18 member of the Employees' Pension System who retires under this section shall
19 receive a service retirement allowance equal to the sum of the member's creditable
20 service and the additional credit described in subsection (5) of this section multiplied
21 by:

22 1. 0.8% of the member's average final compensation that is not in
23 excess of the Social Security integration level; and

24 2. 1.5% of the member's average final compensation that exceeds
25 the Social Security integration level.

26 (ii) If a member has less than 30 years of eligibility service and is less
27 than 62 years old, the member's retirement allowance computed under paragraph (i)
28 of this subsection shall be:

29 1. reduced by the lesser of 0.5% for each month by which the
30 member's date of retirement precedes the date the member would be 62 years old, or
31 42%; and

32 2. increased by the lesser of 18% or the amount of the reduction
33 under subparagraph 1 of this paragraph.

34 (iii) If a member's retirement is delayed under Section 3 of this Act, the
35 member shall receive the greater of a service retirement allowance computed under
36 paragraphs (i) and (ii) of this subsection as of the retirement date or a service
37 retirement allowance that is equal to the sum of the member's creditable service as of

1 October 1, 2000 and the additional credit described in subsection (5) of this section as
2 of October 1, 2000:

3 1. multiplied by 0.8% of the member's average final compensation
4 that is not in excess of the Social Security integration level that is in effect on October
5 1, 2000;

6 2. multiplied by 1.5% of the member's average final compensation
7 that exceeds the Social Security integration level that is in effect on October 1, 2000;
8 and

9 3. if, as of October 1, 2000, the member has less than 30 years of
10 eligibility service and is less than 62 years old, the member's retirement allowance
11 computed under items 1 and 2 of this paragraph shall be:

12 A. reduced by the lesser of 0.5% for each month by which October
13 1, 2000 precedes the date the member would be 62 years old or 42%; and

14 B. increased by the lesser of 18% or the amount of the reduction
15 under item A of this item.

16 (8) The Board of Trustees:

17 (i) may adopt regulations to carry out this section; and

18 (ii) may not accept an application for retirement under this section of
19 this Act that:

20 1. is filed with the State Retirement Agency after 5:00 p.m. on
21 August 31, 2000; or

22 2. is other than an application entitled Application to Retire with
23 Incentive.

24 (9) A member who retires under this section may not receive a basic allowance
25 that exceeds the member's average final compensation.

26 (10) Except as provided in subsection (11) of this section, if the member dies
27 prior to the effective date of retirement, an application to retire in accordance with
28 the provisions of this section shall be void and of no effect, and the benefits payable on
29 the member's account shall be computed as if the application had not been filed.

30 (11) Notwithstanding any other provision of law, if an employee whose effective
31 retirement date is delayed under Section 3 of this Act dies before the effective date of
32 retirement, the employee's designated beneficiary shall have the option of receiving
33 either the death benefit under Title 29, Subtitle 2 of the State Personnel and Pensions
34 Article, including, if the designated beneficiary is eligible for an Option 2 allowance,
35 an Option 2 allowance based on a retirement allowance computed as provided under
36 this Act, or the retirement benefit based on the retirement allowance that the

1 designated beneficiary would otherwise be entitled to receive in accordance with the
2 member's application for retirement.

3 (12) Notwithstanding any other provision of law, if an employee whose
4 retirement date is delayed under Section 3 of this Act becomes disabled before the
5 effective date of retirement, then the employee shall have the option of revoking the
6 employee's application to retire under this Act.

7 SECTION 3. AND BE IT FURTHER ENACTED, That prior to September 15,
8 2000, the Chief Executive Officer of the University of Maryland Medical System
9 Corporation shall review the positions of those members of the Employees'
10 Retirement System or the Employees' Pension System who have elected early
11 retirement under this Act, and shall determine whether the Corporation's needs and
12 mission require the delay of retirement for some of these members. In the event that
13 the Chief Executive Officer determines that such delay is required, the retirement for
14 members identified by the Chief Executive Officer shall be delayed until no later than
15 June 30, 2001. In no event shall the number of persons whose retirement is delayed
16 exceed 50% of each Corporation's employees who are members of the Employees'
17 Retirement System or the Employees' Pension System who have elected to retire
18 under this Act. The Chief Executive Officer shall notify the Board of Trustees by
19 September 15, 2000 of those employees whose retirement date will be delayed under
20 this section, and shall provide the retirement date for those employees. The
21 retirement date of any employee whose retirement date is delayed under this section
22 of this Act shall be on the first day of a month and shall be no later than July 1, 2000.

23 SECTION 4. AND BE IT FURTHER ENACTED, That:

24 (1) If a retiree who elected the early retirement incentive pursuant to this Act
25 is reemployed in a permanent, temporary, or contractual position with the
26 participating employer, the retiree's retirement allowance shall be reduced by the
27 amount that the sum of the retiree's annual compensation and the retiree's annual
28 basic allowance at the time of retirement, including the incentive provided by this Act,
29 exceeds the average final compensation used to compute the basic allowance.

30 (2) If a member who applies to retire under this Act applies to purchase
31 service credit under § 22-304, § 22-305, § 22-307, or § 23-308 of the State Personnel
32 and Pensions Article, the member shall pay before the effective date of retirement the
33 amount required to purchase the service credit.

34 SECTION 5. AND BE IT FURTHER ENACTED, That it is the intent of the
35 General Assembly that the retirement incentive established under Section 2 of this
36 Act does not represent an ongoing policy of the State and is a one-time offer only.

37 SECTION 6. AND BE IT FURTHER ENACTED, That an individual who retires
38 under Section 2 of this Act is entitled to an initial retirement allowance only as
39 provided in Section 2 of this Act and is not entitled to an initial retirement allowance
40 computed as provided under Section 1 of this Act; however, any member contributions
41 made as required under Section 1 of this Act shall be refunded on retirement under
42 Section 2 of this Act with regular interest.

1 SECTION 7. AND BE IT FURTHER ENACTED, That the additional liabilities
2 resulting from Section 2 of this Act as determined by the State actuary shall be
3 amortized over 20 years and paid by the University of Maryland Medical System
4 Corporation.

5 SECTION 8. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall
6 take effect July 1, 2000. Section 1 of this Act shall be construed retroactively and shall
7 be applied to and interpreted to affect the participants of the Employees' Pension
8 System who are affected by this Act beginning July 1, 1998.

9 SECTION 9. AND BE IT FURTHER ENACTED, That, except as provided in
10 Section 8 of this Act, this Act shall take effect June 1, 2000.