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

Introduced and read first time: January 31, 2002

Assigned to: Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 **Retirement and Pensions - Limitations on Benefits and Contributions**

3 FOR the purpose of amending the compensation limits that are used to determine the
4 retirement allowances of certain members of the State Retirement and Pension
5 System to reflect certain provisions of the Internal Revenue Code; amending
6 certain definitions to reflect certain provisions in the Internal Revenue Code;
7 altering the method of payment certain members of the State Retirement and
8 Pension System may use to pay for certain creditable service as provided for in
9 the Internal Revenue Code; making this an emergency measure; and generally
10 relating to certain limitations on benefits and contributions of members of the
11 State Retirement and Pension System.

12 BY repealing and reenacting, with amendments,
13 Article - State Personnel and Pensions
14 Section 20-207, 21-601(c) and (d), and 23-308
15 Annotated Code of Maryland
16 (1997 Replacement Volume and 2001 Supplement)

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

19 **Article - State Personnel and Pensions**

20 20-207.

21 (a) This section does not apply to an individual who is a member of a State
22 system on or before June 30, 1996.

23 (b) Notwithstanding any other provision of law, for plan years beginning on or
24 after July 1, 1996, the annual compensation that may be taken into account when
25 determining the retirement allowance payable to a member of a State system, may
26 not exceed the compensation limit under § 401(a)(17)(B) of the Internal Revenue
27 Code[, of \$150,000, as adjusted by the Commissioner of Internal Revenue for
28 increases in the cost of living in accordance with § 401(a)(17)(B) of the Internal
29 Revenue Code] and regulations adopted thereunder.

1 21-601.

2 (c) (1) "Eligible rollover distribution" means a distribution on or after
3 January 1, 1993, to a participant of all or any part of the balance to the credit of the
4 participant in any State system.

5 (2) "Eligible rollover distribution" does not include:

6 (i) any distribution that is one of a series of substantially equal
7 periodic payments that are made at least annually for the life or life expectancy of the
8 participant or the joint lives or joint life expectancies of the participant and the
9 participant's beneficiary;

10 (ii) any distribution that is one of a series of substantially equal
11 periodic payments made for a specified period of at least 10 years; OR

12 (iii) any distribution that is required under § 401(a)(9) of the
13 Internal Revenue Code[; or

14 (iv) except for a distribution under § 21-602(c) of this subtitle, the
15 part of any distribution that is not includable in the participant's gross income].

16 (d) "Eligible retirement plan" means:

17 (1) an individual retirement account described in § 408(a) of the Internal
18 Revenue Code;

19 (2) an individual retirement annuity, other than an endowment contract,
20 described in § 408(b) of the Internal Revenue Code;

21 (3) a qualified trust described in § 401(a) of the Internal Revenue Code
22 that is exempt from tax under § 501(a) of the Internal Revenue Code; [or]

23 (4) an annuity plan described in § 403(a) of the Internal Revenue Code;

24 (5) AN ANNUITY PLAN DESCRIBED IN § 403(B) OF THE INTERNAL
25 REVENUE CODE; OR

26 (6) A DEFERRED COMPENSATION PLAN THAT IS MAINTAINED BY AN
27 ELIGIBLE EMPLOYER DESCRIBED IN § 457 OF THE INTERNAL REVENUE CODE OR ANY
28 SUCCESSOR PROVISIONS.

29 23-308.

30 (a) In the year of retirement, a member of the Teachers' Pension System may
31 purchase credit for eligibility service for periods of employment described in
32 subsection [(g)] (F) of this section for which the member is not otherwise entitled to
33 service credit.

34 (b) Except as provided in § 23-308.2 of this subtitle, to purchase service credit
35 under this section, a member must:

- 1 (1) complete and file a claim for the service credit with the Board of
2 Trustees on the form that the Board of Trustees provides; and
- 3 (2) pay to the Board of Trustees an amount equal to the annuity reserve
4 and pension reserve required to fund the additional allowance.
- 5 (c) A member may pay the amount required by subsection (b) of this section:
- 6 (1) on an installment basis by contributing at least 2% of earnable
7 compensation per year; or
- 8 (2) by transferring, on written request to the Board of Trustees, any
9 prior contributions to a voluntary retirement benefit, less any costs of administering
10 that benefit.
- 11 (d) [A member who transfers contributions under subsection (c)(2) of this
12 section may not transfer contributions qualifying under § 403(b) of the Internal
13 Revenue Code.
- 14 (e)] A member who elects to make payments under subsection (c) of this section
15 and who retires before completing the payments required to purchase this service
16 credit:
- 17 (1) is entitled to receive the service credit purchased before the date of
18 retirement; or
- 19 (2) may pay at the time of retirement the amount necessary to receive
20 full credit.
- 21 [(f)] (E) The surviving spouse of a member who elects to make payments
22 under subsection (c) of this section may pay for the appropriate final adjustment if:
- 23 (1) the member dies while actively employed as a member; and
- 24 (2) the deceased member's service qualifies for a death benefit under §
25 29-206 of this article.
- 26 [(g)] (F) A member may only purchase service credit under this section for
27 employment:
- 28 (1) with an out-of-state public school;
- 29 (2) with the federal government;
- 30 (3) with a nonpublic school;
- 31 (4) with a political subdivision;
- 32 (5) as a postsecondary teacher;
- 33 (6) with the State;

1 (7) with a public school as a teacher; or

2 (8) as a Baltimore City teacher on or before December 31, 1970, on
3 verified leave of absence of not more than 2 years that is similar in all respects to
4 leaves of absence approved by the Board of Trustees.

5 [(h)] (G) The total amount of service credit in the Teachers' Retirement
6 System or Teachers' Pension System that a member may purchase under this section
7 and § 23-308.2 of this subtitle may not exceed 10 years.

8 SECTION 2. AND BE IT FURTHER ENACTED, That this Act is an emergency
9 measure, is necessary for the immediate preservation of the public health or safety,
10 has been passed by a yea and nay vote supported by three-fifths of all the members
11 elected to each of the two Houses of the General Assembly, and shall take effect from
12 the date it is enacted.