

SENATE BILL 166

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2002 Regular Session  
2lr0638

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By: **Senator Haines**

Introduced and read first time: January 16, 2002

Assigned to: Budget and Taxation

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A BILL ENTITLED

1 AN ACT concerning

2 **State Retirement and Pension System - Purchase of Service Credit**

3 FOR the purpose of allowing certain members of the Employees' Retirement System,  
4 Employees' Pension System, Teachers' Retirement System, and Teachers'  
5 Pension System to purchase certain service credit; altering the amount that  
6 certain members of the Employees' Retirement System, Employees' Pension  
7 System, Teachers' Retirement System, and Teachers' Pension System shall pay  
8 to the Board of Trustees of the State Retirement and Pension System when  
9 purchasing certain service credit; and generally relating to purchase of service  
10 credit by certain members of the Employees' Retirement System, Employees'  
11 Pension System, Teachers' Retirement System, and Teachers' Pension System.

12 BY repealing and reenacting, with amendments,  
13 Article - State Personnel and Pensions  
14 Section 22-305, 23-307, 23-308, and 23-308.2  
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 22-305.

21 (a) (1) [A] EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, A  
22 member may purchase [service credit as provided in this section] CREDIT FOR  
23 ELIGIBILITY SERVICE OF UP TO 10 YEARS for periods of employment described in  
24 PARAGRAPHS (3) AND (4) OF THIS subsection [(c) or (d) of this section] for which the  
25 member is not otherwise entitled to service credit.

26 [(b) (1)] (2) A member who purchases service credit under this [section]  
27 SUBSECTION shall:

1 (i) complete a claim for the service credit and file it with the Board  
2 of Trustees on a form that the Board of Trustees provides; and

3 (ii) pay to the Board of Trustees an amount equal to the annuity  
4 reserve and pension reserve required to fund the additional allowance.

5 [(2) Except as provided in paragraphs (3) and (4) of this subsection, the  
6 member shall pay for service credit purchased under this section at retirement.

7 (3) A member may reduce the final cost of service credit purchased under  
8 this section through a payroll deduction of not less than 2% of annual salary per year,  
9 with the appropriate final adjustment made at retirement for:

10 (i) the purchase of federal or out-of-state municipal service credit  
11 for a member of the Employees' Retirement System; or

12 (ii) the purchase of service credit under subsection (d) of this  
13 section for a member of the Teachers' Retirement System.

14 (4) The surviving spouse of a member of the Teachers' Retirement  
15 System may pay for the appropriate final adjustment under paragraph (3) of this  
16 subsection if:

17 (i) the member dies while employed as a member;

18 (ii) the member was purchasing service credit through a payroll  
19 deduction; and

20 (iii) the service credit qualifies for benefits under § 29-205 of this  
21 article.

22 (c)] (3) A MEMBER OF THE EMPLOYEES' RETIREMENT SYSTEM MAY  
23 PURCHASE SERVICE CREDIT FOR:

24 (I) OUT-OF-STATE PUBLIC SCHOOL TEACHING SERVICE OR  
25 NONPUBLIC SCHOOL TEACHING SERVICE; OR

26 (II) FEDERAL SERVICE OR OUT-OF-STATE SERVICE WITH A  
27 POLITICAL SUBDIVISION.

28 (4) A MEMBER OF THE TEACHERS' RETIREMENT SYSTEM MAY PURCHASE  
29 SERVICE CREDIT FOR:

30 (I) OUT-OF-STATE PUBLIC SCHOOL TEACHING SERVICE,  
31 NONPUBLIC SCHOOL TEACHING SERVICE, OR POSTSECONDARY TEACHING SERVICE;  
32 OR

33 (II) FEDERAL OR OUT-OF-STATE MUNICIPAL SERVICE.

34 (B) (1) A member of the Employees' Retirement System may purchase  
35 service credit for a period of employment[:

1 (1) not exceeding 10 years of out-of-state public school teaching service  
2 or nonpublic school teaching service;

3 (2) not exceeding 10 years of federal service or out-of-state service with  
4 a political subdivision; or

5 (3)] as an employee of a political subdivision of the State if:

6 (i) the member is not otherwise entitled to receive service credit for  
7 the same period under this Division II;

8 (ii) the member is not receiving retirement benefits from a political  
9 subdivision of the State for the same period; and

10 (iii) the member, the political subdivision, or both, pay the amount  
11 required under subsection (b)(1) of this section.

12 [(d)] (2) A member of the Teachers' Retirement System may purchase service  
13 credit for a period of employment:

14 [(1) not exceeding 10 years of out-of-state public school teaching service,  
15 nonpublic school teaching service, or postsecondary teaching service;

16 (2)] (I) on or before December 31, 1970, with Baltimore City as a  
17 teacher on a verified leave of absence not exceeding 2 years that is similar in all  
18 respects to leaves of absence approved by the Board of Trustees;

19 [(3) not exceeding 10 years of federal or out-of-state municipal service; or

20 (4)] (II) employment as an employee of a municipal corporation of the  
21 State if the member is not otherwise entitled to receive service credit under this  
22 Division II;

23 (III) WITH THE STATE;

24 (IV) WITH A PUBLIC SCHOOL AS A TEACHER IN THE STATE;

25 (V) WITH A NONPUBLIC SCHOOL AS A TEACHER IN THE STATE;

26 (VI) WITH A POLITICAL SUBDIVISION; OR

27 (VII) AS A POSTSECONDARY TEACHER IN THE STATE.

28 (3) TO PURCHASE SERVICE CREDIT UNDER THIS SUBSECTION, A  
29 MEMBER MUST:

30 (I) COMPLETE A CLAIM FOR THE SERVICE CREDIT AND FILE IT  
31 WITH THE BOARD OF TRUSTEES ON THE FORM THAT THE BOARD OF TRUSTEES  
32 PROVIDES; AND

1 (II) PAY TO THE BOARD OF TRUSTEES AN AMOUNT EQUAL TO  
2 ONE-HALF OF THE ANNUITY RESERVE AND ONE-HALF OF THE PENSION RESERVE  
3 REQUIRED TO FUND THE ADDITIONAL ALLOWANCE.

4 (C) (1) EXCEPT AS PROVIDED IN PARAGRAPHS (2) AND (3) OF THIS  
5 SUBSECTION, THE MEMBER SHALL PAY FOR SERVICE CREDIT PURCHASED UNDER  
6 THIS SECTION AT RETIREMENT.

7 (2) A MEMBER MAY REDUCE THE FINAL COST OF SERVICE CREDIT  
8 PURCHASED UNDER THIS SECTION THROUGH A PAYROLL DEDUCTION OF NOT LESS  
9 THAN 2% OF ANNUAL SALARY PER YEAR, WITH THE APPROPRIATE FINAL  
10 ADJUSTMENT MADE AT RETIREMENT FOR:

11 (I) THE PURCHASE OF FEDERAL OR OUT-OF-STATE MUNICIPAL  
12 SERVICE CREDIT FOR A MEMBER OF THE EMPLOYEES' RETIREMENT SYSTEM; OR

13 (II) THE PURCHASE OF SERVICE CREDIT UNDER SUBSECTIONS  
14 (A)(4) OR (B)(2) OF THIS SECTION FOR A MEMBER OF THE TEACHERS' RETIREMENT  
15 SYSTEM.

16 (3) THE SURVIVING SPOUSE OF A MEMBER OF THE TEACHERS'  
17 RETIREMENT SYSTEM MAY PAY FOR THE APPROPRIATE FINAL ADJUSTMENT UNDER  
18 PARAGRAPH (2) OF THIS SUBSECTION IF:

19 (I) THE MEMBER DIES WHILE EMPLOYED AS A MEMBER;

20 (II) THE MEMBER WAS PURCHASING SERVICE CREDIT THROUGH A  
21 PAYROLL DEDUCTION; AND

22 (III) THE SERVICE CREDIT QUALIFIES FOR BENEFITS UNDER §  
23 29-205 OF THIS ARTICLE.

24 (D) THE TOTAL AMOUNT OF SERVICE CREDIT THAT A MEMBER MAY  
25 PURCHASE UNDER THIS SECTION AND §§ 23-307, 23-308, AND 23-308.2 OF THIS  
26 ARTICLE MAY NOT EXCEED 10 YEARS.

27 23-307.

28 (a) (1) Except as provided in subsection (b) of this section, in the year of  
29 retirement, a member of the Employees' Pension System may purchase credit for  
30 eligibility service of up to 10 years for periods of employment described in paragraph  
31 (4) of this subsection for which the member is not otherwise entitled to service credit.

32 (2) To purchase service credit under this subsection, a member must:

33 (i) complete a claim for the service credit and file it with the Board  
34 of Trustees on the form that the Board of Trustees provides; and

35 (ii) pay to the Board of Trustees an amount equal to the annuity  
36 reserve and pension reserve required to fund the additional allowance.

1 (3) A member may pay the amount required by paragraph (2) of this  
2 subsection on an installment basis by contributing at least 2% of earnable  
3 compensation per year with the appropriate final adjustments being made in the year  
4 the member retires.

5 (4) A member may only purchase service credit under this subsection for  
6 employment with:

7 (i) [the State;

8 (ii) the Division of Employment Service while the Division was  
9 under federal control;

10 (iii) the Maryland Tuberculosis Association as the operator of  
11 radiological equipment under the supervision of the Maryland Health Department;

12 (iv) a political subdivision in the State;

13 (v)] an out-of-state school as a teacher;

14 [(vi)] (II) the federal government; OR

15 [(vii)] (III) an out-of-state political subdivision[; or

16 (viii) a public school as a teacher].

17 (b) (1) This subsection does not apply to an employee of a participating  
18 governmental unit or a former participating governmental unit that has withdrawn.

19 (2) In the year of retirement, a member of the Employees' Pension  
20 System may purchase credit for eligibility service for periods of employment [with the  
21 State] AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION for which the member  
22 is not otherwise entitled to service credit in a State system.

23 (3) A MEMBER MAY ONLY PURCHASE SERVICE CREDIT UNDER THIS  
24 SUBSECTION FOR EMPLOYMENT WITH:

25 (I) THE STATE;

26 (II) THE DIVISION OF EMPLOYMENT SERVICE WHILE THE DIVISION  
27 WAS UNDER FEDERAL CONTROL;

28 (III) THE MARYLAND TUBERCULOSIS ASSOCIATION AS THE  
29 OPERATOR OF RADIOLOGICAL EQUIPMENT UNDER THE SUPERVISION OF THE  
30 MARYLAND HEALTH DEPARTMENT;

31 (IV) A POLITICAL SUBDIVISION IN THE STATE; OR

32 (V) A PUBLIC SCHOOL AS A TEACHER IN THE STATE.

1                   (4)     A member who purchases service credit under this subsection, may  
2 not purchase[:  
3                   (i)     more than a total of 10 years of service credit in the Employees'  
4 Pension System; or

5                   (ii)]    service credit for any period of employment during which the  
6 member participated in the optional retirement program.

7                   [(4)]   (5)     To purchase service credit under this subsection, a member  
8 must:

9                   (i)     complete a claim for the service credit and file it with the Board  
10 of Trustees on the form that the Board of Trustees provides; and

11                   (ii)    pay to the Board of Trustees an amount equal to one-half of the  
12 annuity reserve and one-half of the pension reserve required to fund the additional  
13 allowance.

14                   [(5)]   (6)     A member may pay the amount required by [paragraph (4)]  
15 PARAGRAPH (5) of this subsection on an installment basis by contributing at least 2%  
16 of earnable compensation per year with the appropriate final adjustments being made  
17 in the year the member retires.

18       (c)       (1)     A member of the Employees' Pension System may purchase credit for  
19 eligibility service for previous service in a position described in § 23-204(a) of this  
20 title.

21                   (2)     To purchase the service credit, the member must pay in a single  
22 payment, the contributions, with interest, that the Board of Trustees considers  
23 appropriate.

24       (d)       (1)     A member of the Employees' Pension System who is employed by a  
25 member of the State Senate or House of Delegates for at least 130 days per year as a  
26 legislative employee before becoming a member is considered to have been a  
27 permanent part-time legislative employee.

28                   (2)     A member described in paragraph (1) of this subsection may purchase  
29 credit for eligibility service for that period of legislative employment by paying to the  
30 Board of Trustees:

31                   (i)     for a period of employment on or before December 31, 1979, the  
32 sum of:

33                               1.     the amount that the member would have been required to  
34 contribute for that period of employment; and

35                               2.     interest on the member's contributions, compounded  
36 annually; and

1 (ii) for a period of employment on or after January 1, 1980, the sum  
2 of:

3 1. the amount that the member would have been required to  
4 contribute for that period of employment;

5 2. the amount that the State would have been required to  
6 contribute for the member for that period of employment; and

7 3. interest on the member's and State's contributions,  
8 compounded annually.

9 (3) The rate of interest to be paid under this subsection is the average for  
10 the 5 years preceding the year of payment of the yearly rate of interest computed as  
11 the sum of the investment income and the realized gains and losses divided by the  
12 book value of the total investments.

13 (E) THE TOTAL AMOUNT OF SERVICE CREDIT THAT A MEMBER MAY  
14 PURCHASE UNDER THIS SECTION AND §§ 22-305, 23-308, AND 23-308.2 OF THIS  
15 ARTICLE MAY NOT EXCEED 10 YEARS.

16 23-308.

17 (a) In the year of retirement, a member of the Teachers' Pension System may  
18 purchase credit for eligibility service for periods of employment described in  
19 subsection (g) of this section for which the member is not otherwise entitled to service  
20 credit.

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

23 (1) complete and file a claim for the service credit with the Board of  
24 Trustees on the form that the Board of Trustees provides; and

25 (2) pay to the Board of Trustees an amount equal to the annuity reserve  
26 and pension reserve required to fund the additional allowance.

27 (c) A member may pay the amount required by subsection (b) of this section:

28 (1) on an installment basis by contributing at least 2% of earnable  
29 compensation per year; or

30 (2) by transferring, on written request to the Board of Trustees, any  
31 prior contributions to a voluntary retirement benefit, less any costs of administering  
32 that benefit.

33 (d) A member who transfers contributions under subsection (c)(2) of this  
34 section may not transfer contributions qualifying under § 403(b) of the Internal  
35 Revenue Code.

1 (e) A member who elects to make payments under subsection (c) of this section  
2 and who retires before completing the payments required to purchase this service  
3 credit:

4 (1) is entitled to receive the service credit purchased before the date of  
5 retirement; or

6 (2) may pay at the time of retirement the amount necessary to receive  
7 full credit.

8 (f) The surviving spouse of a member who elects to make payments under  
9 subsection (c) of this section may pay for the appropriate final adjustment if:

10 (1) the member dies while actively employed as a member; and

11 (2) the deceased member's service qualifies for a death benefit under §  
12 29-206 of this article.

13 (g) A member may only purchase service credit under this section for  
14 employment:

15 (1) with an out-of-state public school;

16 (2) with the federal government;

17 (3) with [a] AN OUT-OF-STATE nonpublic school; OR

18 (4) [with a political subdivision;

19 (5)] as [a] AN OUT-OF-STATE postsecondary teacher[;

20 (6) with the State;

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

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

25 (h) The total amount of service credit [in the Teachers' Retirement System or  
26 Teachers' Pension System] that a member may purchase under this section, §§ 22-305,  
27 23-307, and [§] 23-308.2 of this [subtitle] ARTICLE may not exceed 10 years.

28 23-308.2.

29 (a) (1) [For periods of employment as a member of the Teachers' Retirement  
30 System or the Teachers' Pension System for which the member is not otherwise  
31 entitled to service credit, a] A member of the Teachers' Pension System may purchase  
32 credit for eligibility service as provided in [this section] PARAGRAPH (2) OF THIS  
33 SUBSECTION FOR WHICH THE MEMBER IS NOT OTHERWISE ENTITLED TO SERVICE  
34 CREDIT IN A STATE SYSTEM.

1           (2)     A MEMBER MAY ONLY PURCHASE SERVICE CREDIT UNDER THIS  
2 SECTION FOR EMPLOYMENT:

3                   (I)     WITH THE STATE;

4                   (II)    WITH A PUBLIC SCHOOL AS A TEACHER IN THE STATE;

5                   (III)   WITH A NONPUBLIC SCHOOL AS A TEACHER IN THE STATE;

6                   (IV)   WITH A POLITICAL SUBDIVISION;

7                   (V)     AS A POSTSECONDARY TEACHER IN THE STATE; OR

8                   (VI)    AS A BALTIMORE CITY TEACHER ON OR BEFORE DECEMBER 31,  
9 1970, ON VERIFIED LEAVE OF ABSENCE OF NOT MORE THAN 2 YEARS THAT IS  
10 SIMILAR IN ALL RESPECTS TO LEAVES OF ABSENCE APPROVED BY THE BOARD OF  
11 TRUSTEES.

12       (b)     The total amount of service credit [in the Teachers' Retirement System or  
13 Teachers' Pension System] that a member may purchase under this section and [§  
14 23-308] §§ 22-305, 23-307, AND 23-308 of this [subtitle] ARTICLE may not exceed 10  
15 years.

16       (c)     A member who purchases service credit under this section may not  
17 purchase service credit for any period of employment during which the member  
18 participated in the optional retirement program.

19       (d)     To purchase service credit under this section, a member must:

20                   (1)     complete a claim for the service credit and file it with the Board of  
21 Trustees on the form that the Board of Trustees provides; and

22                   (2)     pay to the Board of Trustees an amount equal to one-half of the  
23 annuity reserve and one-half of the pension reserve required to fund the additional  
24 allowance.

25       SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
26 July 1, 2002.