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By: **Delegate Fulton**  
Introduced and read first time: January 30, 2004  
Assigned to: Appropriations

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A BILL ENTITLED

1 AN ACT concerning

2                   **Employees' Retirement System and Employees' Pension System - (Comeback**  
3                   **Early Out) Deferred Retirement Option Program**

4 FOR the purpose of establishing a Deferred Retirement Option Program (DROP) for  
5 certain employees who are members of the Employees' Retirement System and  
6 the Employees' Pension System; altering the circumstances for terminating  
7 membership from the Employees' Retirement System and the Employees'  
8 Pension System; providing a certain period for certain employees to elect to  
9 participate in the DROP; altering certain retirement allowances and terms and  
10 conditions of employment for members participating in the DROP; providing for  
11 the termination of participation in the DROP; providing for the compensation of  
12 members participating in the DROP; requiring that certain retirement  
13 allowances be altered under certain circumstances; authorizing a member  
14 participating in the DROP to apply for an accidental disability retirement  
15 allowance under certain circumstances; defining certain terms; requiring any  
16 accrued pension liability increased by this Act to be funded over a certain period;  
17 requiring the Department of Budget and Management to identify and report to  
18 the Governor and budget committees on certain budgetary savings; requiring  
19 certain special fund budgetary savings to be transferred to the General Fund of  
20 the State; and generally relating to the establishment of a Deferred Retirement  
21 Option Program in the Employees' Retirement System and the Employees'  
22 Pension System.

23 BY adding to  
24 Article - State Personnel and Pensions  
25 Section 21-304(d)(4), 22-401.1, and 23-401.1  
26 Annotated Code of Maryland  
27 (1997 Replacement Volume and 2003 Supplement)

28 BY repealing and reenacting, with amendments,  
29 Article - State Personnel and Pensions  
30 Section 22-217 and 23-215  
31 Annotated Code of Maryland  
32 (1997 Replacement Volume and 2003 Supplement)

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

3 **Article - State Personnel and Pensions**

4 21-304.

5 (d) (4) IF THE ACCRUED LIABILITY IS INCREASED BY PARTICIPATION OF  
6 MEMBERS OF THE EMPLOYEES' RETIREMENT SYSTEM AND THE EMPLOYEES'  
7 PENSION SYSTEM IN THE DEFERRED RETIREMENT OPTION PROGRAMS ESTABLISHED  
8 UNDER §§ 22-401.1 AND 23-401.1 OF THIS ARTICLE, THE ADDITIONAL LIABILITY SHALL  
9 BE FUNDED OVER A PERIOD OF 15 YEARS BEGINNING ON JULY 1, 2005.

10 22-217.

11 Membership ends if the member:

- 12 (1) is separated from employment for more than:
- 13 (i) 3 years, if a member of the Employees' Retirement System; or
- 14 (ii) 5 years, if a member of the Teachers' Retirement System;
- 15 (2) withdraws the member's accumulated contributions;
- 16 (3) transfers to the Employees' Pension System or Teachers' Pension  
17 System;
- 18 (4) becomes a retiree; [or]
- 19 (5) dies; OR
- 20 (6) ELECTS TO PARTICIPATE IN THE DEFERRED RETIREMENT OPTION  
21 PROGRAM (DROP) ESTABLISHED UNDER § 22-401.1 OF THIS TITLE.

22 22-401.1.

23 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
24 INDICATED.

25 (2) "DROP" MEANS THE DEFERRED RETIREMENT OPTION PROGRAM  
26 ESTABLISHED UNDER THIS SECTION.

27 (3) "DROP MEMBER" MEANS A MEMBER OF THE EMPLOYEES'  
28 RETIREMENT SYSTEM WHO:

29 (I) IS ELIGIBLE TO PARTICIPATE IN THE DROP AS PROVIDED IN  
30 SUBSECTION (C) OF THIS SECTION; AND

31 (II) ELECTS TO PARTICIPATE IN THE DROP AS PROVIDED IN  
32 SUBSECTION (E) OF THIS SECTION.

1 (B) (1) THERE IS A DROP FOR STATE EMPLOYEES WHO ARE ELIGIBLE  
2 MEMBERS OF THE EMPLOYEES' RETIREMENT SYSTEM.

3 (2) THIS DROP DOES NOT APPLY TO EMPLOYEES OF PARTICIPATING  
4 GOVERNMENTAL UNITS WHO ARE MEMBERS OF THE EMPLOYEES' RETIREMENT  
5 SYSTEM.

6 (C) A MEMBER OF THE EMPLOYEES' RETIREMENT SYSTEM IS ELIGIBLE TO  
7 PARTICIPATE IN THE DROP IF THE MEMBER HAS AT LEAST 25 AND LESS THAN 35  
8 YEARS OF ELIGIBILITY SERVICE.

9 (D) AN ELIGIBLE MEMBER MAY ELECT TO PARTICIPATE IN THE DROP FOR A  
10 PERIOD NOT LESS THAN THE GREATER OF:

11 (1) 3 YEARS;

12 (2) FOR A MEMBER WITH LESS THAN 30 YEARS OF ELIGIBILITY SERVICE,  
13 THE DIFFERENCE BETWEEN 30 YEARS AND THE MEMBER'S ELIGIBILITY SERVICE AS  
14 OF THE DATE OF THE MEMBER'S ELECTION TO PARTICIPATE IN THE DROP AND  
15 RETIRE FROM THE EMPLOYEES' RETIREMENT SYSTEM; OR

16 (3) A TERM AGREED TO BY THE MEMBER AND THE SECRETARY OR THE  
17 SECRETARY'S DESIGNEE OF THE DEPARTMENT FOR WHICH THE MEMBER IS  
18 EMPLOYED.

19 (E) (1) AN ELIGIBLE MEMBER WHO ELECTS TO PARTICIPATE IN THE DROP  
20 SHALL:

21 (I) COMPLETE AND SUBMIT A WRITTEN ELECTION FORM TO THE  
22 BOARD OF TRUSTEES, ON THE FORM THAT THE BOARD PROVIDES, STATING:

23 1. THE MEMBER'S INTENTION TO PARTICIPATE IN THE  
24 DROP;

25 2. THE DATE WHEN THE MEMBER DESIRES TO RETIRE;

26 3. THE PERIOD THAT THE MEMBER DESIRES TO  
27 PARTICIPATE IN THE DROP, AS PROVIDED IN SUBSECTION (D) OF THIS SECTION;

28 4. THE DATE WHEN THE MEMBER INTENDS TO TERMINATE  
29 EMPLOYMENT WITH THE STATE IN THE FORM OF A BINDING LETTER OF  
30 RESIGNATION ACCEPTED BY THE SECRETARY OR THE SECRETARY'S DESIGNEE OF  
31 THE DEPARTMENT FOR WHICH THE MEMBER IS EMPLOYED; AND

32 5. ANY OTHER INFORMATION REQUIRED BY THE BOARD OF  
33 TRUSTEES TO IMPLEMENT THE DROP; AND

34 (II) COMPLETE AND SUBMIT A WRITTEN RETIREMENT  
35 APPLICATION FORM TO THE BOARD OF TRUSTEES, ON THE FORM THAT THE BOARD  
36 PROVIDES.

1 (2) AN ELIGIBLE MEMBER'S ELECTION TO PARTICIPATE IN THE DROP IS  
2 IRREVOCABLE.

3 (F) (1) A DROP MEMBER'S PARTICIPATION IN THE DROP SHALL COMMENCE  
4 ON THE FIRST DAY OF THE MONTH FOLLOWING ACCEPTANCE BY THE BOARD OF THE  
5 MEMBER'S COMPLETED ELECTION FORM, RETIREMENT APPLICATION FORM, AND  
6 ANY OTHER INFORMATION REQUIRED BY THE BOARD OF TRUSTEES.

7 (2) A DROP MEMBER IS A RETIREE OF THE EMPLOYEES' RETIREMENT  
8 SYSTEM.

9 (G) PARTICIPATION IN THE DROP ENDS IF THE DROP MEMBER:

10 (1) SEPARATES FROM EMPLOYMENT IN ACCORDANCE WITH THE  
11 BINDING LETTER OF RESIGNATION SUBMITTED WITH THE MEMBER'S ELECTION  
12 FORM;

13 (2) DIES;

14 (3) IS TERMINATED FROM EMPLOYMENT BY THE DROP MEMBER'S  
15 PARTICIPATING EMPLOYER AT ANY TIME BEFORE THE DATE SPECIFIED ON THE  
16 MEMBER'S ELECTION FORM;

17 (4) SHORTENS THE TIME PERIOD FOR PARTICIPATION IN THE DROP BY  
18 DELIVERING TO THE DROP MEMBER'S PARTICIPATING EMPLOYER AND THE BOARD  
19 OF TRUSTEES WRITTEN NOTICE OF THE INTENT OF THE DROP MEMBER TO  
20 TERMINATE EMPLOYMENT; OR

21 (5) ACCEPTS AN ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE AS  
22 PROVIDED IN SUBSECTION (L) OF THIS SECTION.

23 (H) (1) AS OF THE EFFECTIVE DATE OF PARTICIPATION IN THE DROP, THE  
24 BOARD OF TRUSTEES SHALL DETERMINE THE DROP MEMBER'S RETIREMENT  
25 ALLOWANCE BASED ON THE COMPUTATION OF THE NORMAL SERVICE RETIREMENT  
26 ALLOWANCE PROVIDED UNDER § 22-401 OF THIS SUBTITLE WITH THE FOLLOWING  
27 ADJUSTMENTS:

28 (I) ELIGIBILITY SERVICE SHALL BE THE GREATER OF:

29 1. 30 YEARS; OR

30 2. THE MEMBER'S ELIGIBILITY SERVICE AS OF THE DATE OF  
31 THE MEMBER'S ELECTION TO PARTICIPATE IN THE DROP AND RETIRE FROM THE  
32 EMPLOYEES' RETIREMENT SYSTEM;

33 (II) CREDITABLE SERVICE SHALL BE THE GREATER OF:

34 1. 30 YEARS; OR

1                                 2.       THE MEMBER'S CREDITABLE SERVICE AS OF THE DATE OF  
2 THE MEMBER'S ELECTION TO PARTICIPATE IN THE DROP AND RETIRE FROM THE  
3 EMPLOYEES' RETIREMENT SYSTEM;

4                                 (III)    AVERAGE FINAL COMPENSATION SHALL BE AN AMOUNT  
5 DETERMINED BY THE BOARD OF TRUSTEES BASED ON AN ACTUARIAL ASSUMPTION  
6 OF WHAT THE MEMBER'S AVERAGE FINAL COMPENSATION WOULD BE AT THE TIME  
7 THE MEMBER SEPARATES FROM EMPLOYMENT IN ACCORDANCE WITH THE BINDING  
8 LETTER OF RESIGNATION REQUIRED UNDER SUBSECTION (E) OF THIS SECTION.

9                                 (2)       DURING THE PERIOD THAT A DROP MEMBER PARTICIPATES IN THE  
10 DROP, THE BOARD SHALL:

11                                (I)       PAY DIRECTLY TO THE DROP MEMBER THE RETIREMENT  
12 ALLOWANCE PROVIDED FOR IN THIS SUBSECTION; AND

13                                (II)     ADJUST THE DROP MEMBER'S RETIREMENT ALLOWANCE EACH  
14 FISCAL YEAR AS PROVIDED IN TITLE 29, SUBTITLE 4 OF THIS ARTICLE.

15                                (3)       A DROP MEMBER MAY NOT RECEIVE CREDITABLE SERVICE OR  
16 ELIGIBILITY SERVICE DURING THE PERIOD THAT THE DROP MEMBER PARTICIPATES  
17 IN THE DROP.

18                                (4)       A DROP MEMBER'S COMPENSATION DURING THE PERIOD THAT THE  
19 DROP MEMBER PARTICIPATES IN THE DROP MAY NOT BE:

20                                (I)       SUBJECT TO THE EMPLOYER PICKUP PROVISIONS OF § 21-303  
21 OF THIS ARTICLE OR ANY REDUCTION OR DEDUCTION AS A MEMBER CONTRIBUTION  
22 FOR PENSION OR RETIREMENT PURPOSES; OR

23                                (II)     USED TO INCREASE THE DROP MEMBER'S AVERAGE FINAL  
24 COMPENSATION EXCEPT AS PROVIDED IN SUBSECTION (L) OF THIS SECTION.

25                                (I)       DURING THE PERIOD THAT A DROP MEMBER PARTICIPATES IN THE DROP,  
26 THE DROP MEMBER SHALL:

27                                (1)       CONTINUE TO RECEIVE COMPENSATION, AS PROVIDED IN  
28 SUBSECTION (J) OF THIS SECTION;

29                                (2)       CONTINUE TO RECEIVE HEALTH INSURANCE, BENEFIT OPTIONS  
30 ESTABLISHED UNDER THE STATE EMPLOYEE AND RETIREE HEALTH AND WELFARE  
31 BENEFIT PROGRAM ADMINISTERED BY THE SECRETARY OF BUDGET AND  
32 MANAGEMENT, AND ANY OTHER BENEFITS AS AN EMPLOYEE OF THE STATE;

33                                (3)       BE SUBJECT TO THE PERSONNEL LAWS, REGULATIONS, AND  
34 POLICIES APPLICABLE TO AN EMPLOYEE OF THE STATE AGENCY FOR WHICH THE  
35 MEMBER IS EMPLOYED; AND

36                                (4)       RECEIVE RETIREMENT BENEFITS ONLY TO THE EXTENT PROVIDED  
37 IN THIS SECTION.

1 (J) (1) SUBJECT TO THE PROVISIONS OF PARAGRAPH (2) OF THIS  
2 SUBSECTION, A DROP MEMBER SHALL RECEIVE THE FOLLOWING COMPENSATION  
3 DURING THE PERIOD THAT THE MEMBER PARTICIPATES IN THE DROP:

4 (I) AS OF THE EFFECTIVE DATE OF PARTICIPATION IN THE DROP,  
5 THE ANNUAL COMPENSATION THE MEMBER RECEIVED IMMEDIATELY PRIOR TO  
6 PARTICIPATING IN THE DROP, PLUS A ONETIME SALARY ADJUSTMENT AS FOLLOWS:

7 1. FOR A MEMBER WHO HAS AT LEAST 25 AND LESS THAN 30  
8 YEARS OF ELIGIBILITY SERVICE PRIOR TO PARTICIPATING IN THE DROP, A 10%  
9 INCREASE IN THE MEMBER'S ANNUAL SALARY; AND

10 2. FOR A MEMBER WHO HAS AT LEAST 30 YEARS OF  
11 ELIGIBILITY SERVICE PRIOR TO PARTICIPATING IN THE DROP, A 15% INCREASE IN  
12 THE MEMBER'S ANNUAL SALARY; AND

13 (II) ANY APPLICABLE COST-OF-LIVING ADJUSTMENT, PAY-FOR-  
14 PERFORMANCE ADJUSTMENT, STEP ADJUSTMENT, OR ADJUSTMENT RELATED TO A  
15 RECLASSIFICATION OR PROMOTION.

16 (2) THE DROP MEMBER'S ANNUAL COMPENSATION PROVIDED FOR IN  
17 PARAGRAPH (1) OF THIS SUBSECTION SHALL BE REDUCED BY AN AMOUNT EQUAL TO  
18 THE MEMBER'S ANNUAL RETIREMENT ALLOWANCE PROVIDED FOR IN SUBSECTION  
19 (H) OF THIS SECTION.

20 (K) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, AS  
21 OF THE FIRST DAY OF THE MONTH FOLLOWING TERMINATION OF A DROP MEMBER'S  
22 PARTICIPATION IN THE DROP, THE BOARD SHALL CONTINUE PAYMENT OF THE  
23 NORMAL SERVICE RETIREMENT ALLOWANCE, INCLUDING THE COST-OF-LIVING  
24 ADJUSTMENTS AS PROVIDED IN TITLE 29, SUBTITLE 4 OF THIS ARTICLE, TO THE  
25 MEMBER AS PROVIDED IN SUBSECTION (H) OF THIS SECTION AND §§ 21-401 THROUGH  
26 21-406 OF THIS ARTICLE.

27 (2) IF A DROP MEMBER DIES BEFORE TERMINATION OF THE DROP  
28 MEMBER'S PARTICIPATION IN THE DROP, THE BOARD OF TRUSTEES SHALL PAY  
29 BENEFITS, INCLUDING THE COST-OF-LIVING ADJUSTMENTS AS PROVIDED IN TITLE  
30 29, SUBTITLE 4 OF THIS ARTICLE, TO THE BENEFICIARY AS PROVIDED IN § 21-403 OF  
31 THIS ARTICLE.

32 (3) (I) THIS PARAGRAPH APPLIES ONLY TO A DROP MEMBER WHO HAS  
33 AT LEAST 25 AND LESS THAN 30 YEARS OF ELIGIBILITY SERVICE PRIOR TO  
34 PARTICIPATING IN THE DROP AND WHO:

35 1. IS TERMINATED FROM EMPLOYMENT BY THE DROP  
36 MEMBER'S PARTICIPATING EMPLOYER FOR CAUSE AT ANY TIME BEFORE THE DATE  
37 SPECIFIED ON THE MEMBER'S ELECTION FORM; OR

38 2. SHORTENS THE TIME PERIOD FOR PARTICIPATION IN THE  
39 DROP BY DELIVERING TO THE DROP MEMBER'S PARTICIPATING EMPLOYER AND THE

1 BOARD OF TRUSTEES WRITTEN NOTICE OF THE INTENT OF THE DROP MEMBER TO  
2 TERMINATE EMPLOYMENT.

3 (II) AS OF THE FIRST DAY OF THE MONTH FOLLOWING  
4 TERMINATION OF A DROP MEMBER'S PARTICIPATION IN THE DROP, THE BOARD  
5 SHALL RECALCULATE AND REDUCE THE ANNUAL RETIREMENT ALLOWANCE FOR A  
6 DROP MEMBER BY REDUCING THE MEMBER'S CREDITABLE SERVICE BY ONE MONTH  
7 FOR EACH MONTH THAT THE MEMBER'S ACTUAL CREDITABLE SERVICE IS LESS  
8 THAN 30 YEARS.

9 (L) (1) A DROP MEMBER IS ELIGIBLE TO APPLY FOR AN ACCIDENTAL  
10 DISABILITY RETIREMENT ALLOWANCE UNDER § 29-109 OF THIS ARTICLE.

11 (2) IF THE BOARD GRANTS A DROP MEMBER AN ACCIDENTAL  
12 DISABILITY RETIREMENT ALLOWANCE, THE DROP MEMBER MAY ELECT TO RECEIVE  
13 THE ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE OR CONTINUE TO  
14 PARTICIPATE IN THE DROP.

15 (3) (I) IF A DROP MEMBER ELECTS TO RECEIVE AN ACCIDENTAL  
16 DISABILITY RETIREMENT ALLOWANCE INSTEAD OF CONTINUING TO PARTICIPATE IN  
17 THE DROP, THE DROP MEMBER SHALL SUBMIT AN APPLICATION TO RETIRE WITH AN  
18 ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE, ON THE FORM THE BOARD  
19 PROVIDES, STATING THE EFFECTIVE DATE OF THE DROP MEMBER'S RETIREMENT AS  
20 AN ACCIDENTAL DISABILITY RETIREE.

21 (II) ON ACCEPTANCE OF THE APPLICATION TO RETIRE, THE BOARD  
22 OF TRUSTEES SHALL COMMENCE PAYMENT OF AN ACCIDENTAL DISABILITY  
23 ALLOWANCE TO THE DROP MEMBER AS PROVIDED IN § 29-110 OF THIS ARTICLE,  
24 EXCEPT THAT THE DROP MEMBER'S AVERAGE FINAL COMPENSATION SHALL BE  
25 COMPUTED AS OF THE EFFECTIVE DATE OF THE DROP MEMBER'S APPLICATION FOR  
26 AN ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE.

27 23-215.

28 (a) Except as provided in subsection (b) of this section, membership ends on  
29 separation from employment.

30 (b) If a member is subject to the contributory pension benefit under Part II of  
31 this subtitle, membership ends if the member:

32 (1) is separated from employment for more than 4 years;

33 (2) withdraws the member's accumulated contributions;

34 (3) becomes a retiree; [or]

35 (4) dies; OR

36 (5) ELECTS TO PARTICIPATE IN THE DEFERRED RETIREMENT OPTION  
37 PROGRAM (DROP) ESTABLISHED UNDER § 23-401.1 OF THIS TITLE.

1 23-401.1.

2 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
3 INDICATED.

4 (2) "DROP" MEANS THE DEFERRED RETIREMENT OPTION PROGRAM  
5 ESTABLISHED UNDER THIS SECTION.

6 (3) "DROP MEMBER" MEANS A MEMBER OF THE EMPLOYEES' PENSION  
7 SYSTEM WHO:

8 (I) IS ELIGIBLE TO PARTICIPATE IN THE DROP AS PROVIDED IN  
9 SUBSECTION (C) OF THIS SECTION; AND

10 (II) ELECTS TO PARTICIPATE IN THE DROP AS PROVIDED IN  
11 SUBSECTION (E) OF THIS SECTION.

12 (B) (1) THERE IS A DROP FOR STATE EMPLOYEES WHO ARE ELIGIBLE  
13 MEMBERS OF THE EMPLOYEES' PENSION SYSTEM.

14 (2) THIS DROP DOES NOT APPLY TO EMPLOYEES OF PARTICIPATING  
15 GOVERNMENTAL UNITS WHO ARE MEMBERS OF THE EMPLOYEES' PENSION SYSTEM.

16 (C) A MEMBER OF THE EMPLOYEES' PENSION SYSTEM IS ELIGIBLE TO  
17 PARTICIPATE IN THE DROP IF THE MEMBER HAS AT LEAST 25 AND LESS THAN 35  
18 YEARS OF ELIGIBILITY SERVICE.

19 (D) AN ELIGIBLE MEMBER MAY ELECT TO PARTICIPATE IN THE DROP FOR A  
20 PERIOD NOT LESS THAN THE GREATER OF:

21 (1) 3 YEARS;

22 (2) FOR MEMBERS WITH LESS THAN 30 YEARS OF CREDITABLE SERVICE,  
23 THE DIFFERENCE BETWEEN 30 YEARS AND THE MEMBER'S ELIGIBILITY SERVICE AS  
24 OF THE DATE OF THE MEMBER'S ELECTION TO PARTICIPATE IN THE DROP AND  
25 RETIRE FROM THE EMPLOYEES' PENSION SYSTEM; OR

26 (3) A TERM AGREED TO BY THE MEMBER AND THE SECRETARY OR THE  
27 SECRETARY'S DESIGNEE OF THE DEPARTMENT FOR WHICH THE MEMBER IS  
28 EMPLOYED.

29 (E) (1) AN ELIGIBLE MEMBER WHO ELECTS TO PARTICIPATE IN THE DROP  
30 SHALL:

31 (I) COMPLETE AND SUBMIT A WRITTEN ELECTION FORM TO THE  
32 BOARD OF TRUSTEES, ON THE FORM THAT THE BOARD PROVIDES, STATING:

33 1. THE MEMBER'S INTENTION TO PARTICIPATE IN THE  
34 DROP;

35 2. THE DATE WHEN THE MEMBER DESIRES TO RETIRE;



1                               3.       THE PERIOD THAT THE MEMBER DESIRES TO  
2 PARTICIPATE IN THE DROP, AS PROVIDED IN SUBSECTION (D) OF THIS SECTION;

3                               4.       THE DATE WHEN THE MEMBER INTENDS TO TERMINATE  
4 EMPLOYMENT WITH THE STATE IN THE FORM OF A BINDING LETTER OF  
5 RESIGNATION ACCEPTED BY THE SECRETARY OR THE SECRETARY'S DESIGNEE OF  
6 THE DEPARTMENT FOR WHICH THE MEMBER IS EMPLOYED; AND

7                               5.       ANY OTHER INFORMATION REQUIRED BY THE BOARD OF  
8 TRUSTEES TO IMPLEMENT THE DROP; AND

9                               (II)     COMPLETE AND SUBMIT A WRITTEN RETIREMENT  
10 APPLICATION FORM TO THE BOARD OF TRUSTEES, ON THE FORM THAT THE BOARD  
11 PROVIDES.

12                           (2)     AN ELIGIBLE MEMBER'S ELECTION TO PARTICIPATE IN THE DROP IS  
13 IRREVOCABLE.

14       (F)     (1)     A DROP MEMBER'S PARTICIPATION IN THE DROP SHALL COMMENCE  
15 ON THE FIRST DAY OF THE MONTH FOLLOWING ACCEPTANCE BY THE BOARD OF THE  
16 MEMBER'S COMPLETED ELECTION FORM, RETIREMENT APPLICATION FORM, AND  
17 ANY OTHER INFORMATION REQUIRED BY THE BOARD.

18                           (2)     A DROP MEMBER IS A RETIREE OF THE EMPLOYEES' PENSION  
19 SYSTEM.

20       (G)     PARTICIPATION IN THE DROP ENDS IF THE DROP MEMBER:

21                           (1)     SEPARATES FROM EMPLOYMENT IN ACCORDANCE WITH THE  
22 BINDING LETTER OF RESIGNATION SUBMITTED WITH THE MEMBER'S ELECTION  
23 FORM;

24                           (2)     DIES;

25                           (3)     IS TERMINATED FROM EMPLOYMENT BY THE DROP MEMBER'S  
26 PARTICIPATING EMPLOYER AT ANY TIME BEFORE THE DATE SPECIFIED ON THE  
27 MEMBER'S ELECTION FORM;

28                           (4)     SHORTENS THE TIME PERIOD FOR PARTICIPATION IN THE DROP BY  
29 DELIVERING TO THE DROP MEMBER'S PARTICIPATING EMPLOYER AND THE BOARD  
30 OF TRUSTEES WRITTEN NOTICE OF THE INTENT OF THE DROP MEMBER TO  
31 TERMINATE EMPLOYMENT; OR

32                           (5)     ACCEPTS AN ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE AS  
33 PROVIDED IN SUBSECTION (L) OF THIS SECTION.

34       (H)     (1)     AS OF THE EFFECTIVE DATE OF PARTICIPATION IN THE DROP, THE  
35 BOARD SHALL DETERMINE THE DROP MEMBER'S RETIREMENT ALLOWANCE BASED  
36 ON THE COMPUTATION OF THE NORMAL SERVICE RETIREMENT ALLOWANCE  
37 PROVIDED UNDER § 23-401 OF THIS SUBTITLE WITH THE FOLLOWING ADJUSTMENTS:

- 1 (I) ELIGIBILITY SERVICE SHALL BE THE GREATER OF:
- 2 1. 30 YEARS; OR
- 3 2. THE MEMBER'S ELIGIBILITY SERVICE AS OF THE DATE OF
- 4 THE MEMBER'S ELECTION TO PARTICIPATE IN THE DROP AND RETIRE FROM THE
- 5 EMPLOYEES' PENSION SYSTEM;
- 6 (II) CREDITABLE SERVICE SHALL BE THE GREATER OF:
- 7 1. 30 YEARS; OR
- 8 2. THE MEMBER'S CREDITABLE SERVICE AS OF THE DATE OF
- 9 THE MEMBER'S ELECTION TO PARTICIPATE IN THE DROP AND RETIRE FROM THE
- 10 EMPLOYEES' PENSION SYSTEM;
- 11 (III) AVERAGE FINAL COMPENSATION SHALL BE AN AMOUNT
- 12 DETERMINED BY THE BOARD BASED ON AN ACTUARIAL ASSUMPTION OF WHAT THE
- 13 MEMBER'S AVERAGE FINAL COMPENSATION WOULD BE AT THE TIME THE MEMBER
- 14 SEPARATES FROM EMPLOYMENT IN ACCORDANCE WITH THE BINDING LETTER OF
- 15 RESIGNATION REQUIRED UNDER SUBSECTION (E) OF THIS SECTION.
- 16 (2) DURING THE PERIOD THAT A DROP MEMBER PARTICIPATES IN THE
- 17 DROP, THE BOARD OF TRUSTEES SHALL:
- 18 (I) PAY DIRECTLY TO THE DROP MEMBER THE RETIREMENT
- 19 ALLOWANCE PROVIDED FOR IN THIS SUBSECTION; AND
- 20 (II) ADJUST THE DROP MEMBER'S RETIREMENT ALLOWANCE EACH
- 21 FISCAL YEAR AS PROVIDED IN TITLE 29, SUBTITLE 4 OF THIS ARTICLE.
- 22 (3) A DROP MEMBER MAY NOT RECEIVE CREDITABLE SERVICE OR
- 23 ELIGIBILITY SERVICE DURING THE PERIOD THAT THE DROP MEMBER PARTICIPATES
- 24 IN THE DROP.
- 25 (4) A DROP MEMBER'S COMPENSATION DURING THE PERIOD THAT THE
- 26 DROP MEMBER PARTICIPATES IN THE DROP MAY NOT BE:
- 27 (I) SUBJECT TO THE EMPLOYER PICKUP PROVISIONS OF § 21-303
- 28 OF THIS ARTICLE OR ANY REDUCTION OR DEDUCTION AS A MEMBER CONTRIBUTION
- 29 FOR PENSION OR RETIREMENT PURPOSES; OR
- 30 (II) USED TO INCREASE THE DROP MEMBER'S AVERAGE FINAL
- 31 COMPENSATION EXCEPT AS PROVIDED IN SUBSECTION (L) OF THIS SECTION.
- 32 (I) DURING THE PERIOD THAT A DROP MEMBER PARTICIPATES IN THE DROP,
- 33 THE DROP MEMBER SHALL:
- 34 (1) CONTINUE TO RECEIVE COMPENSATION, AS PROVIDED IN
- 35 SUBSECTION (J) OF THIS SECTION;

1 (2) CONTINUE TO RECEIVE HEALTH INSURANCE, BENEFIT OPTIONS  
2 ESTABLISHED UNDER THE STATE EMPLOYEE AND RETIREE HEALTH AND WELFARE  
3 BENEFIT PROGRAM ADMINISTERED BY THE SECRETARY OF THE DEPARTMENT OF  
4 BUDGET AND MANAGEMENT, AND ANY OTHER BENEFITS AS AN EMPLOYEE OF THE  
5 STATE;

6 (3) BE SUBJECT TO THE PERSONNEL LAWS, REGULATIONS, AND  
7 POLICIES APPLICABLE TO AN EMPLOYEE OF THE STATE AGENCY FOR WHICH THE  
8 MEMBER IS EMPLOYED; AND

9 (4) RECEIVE RETIREMENT BENEFITS ONLY TO THE EXTENT PROVIDED  
10 IN THIS SECTION.

11 (J) (1) SUBJECT TO THE PROVISIONS OF PARAGRAPH (2) OF THIS  
12 SUBSECTION, A DROP MEMBER SHALL RECEIVE THE FOLLOWING COMPENSATION  
13 DURING THE PERIOD THAT THE MEMBER PARTICIPATES IN THE DROP:

14 (I) AS OF THE EFFECTIVE DATE OF PARTICIPATION IN THE DROP,  
15 THE ANNUAL COMPENSATION THE MEMBER RECEIVED IMMEDIATELY PRIOR TO  
16 PARTICIPATING IN THE DROP, PLUS A ONETIME SALARY ADJUSTMENT AS FOLLOWS:

17 1. FOR A MEMBER WHO HAS AT LEAST 25 AND LESS THAN 30  
18 YEARS OF ELIGIBILITY SERVICE PRIOR TO PARTICIPATING IN THE DROP, A 10%  
19 INCREASE IN THE MEMBER'S ANNUAL SALARY; AND

20 2. FOR A MEMBER WHO HAS AT LEAST 30 YEARS OF  
21 ELIGIBILITY SERVICE PRIOR TO PARTICIPATING IN THE DROP, A 15% INCREASE IN  
22 THE MEMBER'S ANNUAL SALARY; AND

23 (II) ANY APPLICABLE COST-OF-LIVING ADJUSTMENT, PAY-FOR-  
24 PERFORMANCE ADJUSTMENT, STEP ADJUSTMENT, OR ADJUSTMENT RELATED TO A  
25 RECLASSIFICATION OR PROMOTION.

26 (2) THE DROP MEMBER'S ANNUAL COMPENSATION PROVIDED FOR IN  
27 PARAGRAPH (1) OF THIS SUBSECTION SHALL BE REDUCED BY AN AMOUNT EQUAL TO  
28 THE MEMBER'S ANNUAL RETIREMENT ALLOWANCE PROVIDED FOR IN SUBSECTION  
29 (H) OF THIS SECTION.

30 (K) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, AS  
31 OF THE FIRST DAY OF THE MONTH FOLLOWING TERMINATION OF A DROP MEMBER'S  
32 PARTICIPATION IN THE DROP, THE BOARD OF TRUSTEES SHALL CONTINUE PAYMENT  
33 OF THE NORMAL SERVICE RETIREMENT ALLOWANCE, INCLUDING THE  
34 COST-OF-LIVING ADJUSTMENTS AS PROVIDED IN TITLE 29, SUBTITLE 4 OF THIS  
35 ARTICLE, TO THE MEMBER AS PROVIDED IN SUBSECTION (H) OF THIS SECTION AND  
36 §§ 21-401 THROUGH 21-406 OF THIS ARTICLE.

37 (2) IF A DROP MEMBER DIES BEFORE TERMINATION OF THE DROP  
38 MEMBER'S PARTICIPATION IN THE DROP, THE BOARD SHALL PAY BENEFITS,  
39 INCLUDING THE COST-OF-LIVING ADJUSTMENTS AS PROVIDED IN TITLE 29,

1 SUBTITLE 4 OF THIS ARTICLE, TO THE BENEFICIARY AS PROVIDED IN § 21-403 OF  
2 THIS ARTICLE.

3 (3) (I) THIS PARAGRAPH APPLIES ONLY TO A DROP MEMBER WHO HAS  
4 AT LEAST 25 AND LESS THAN 30 YEARS OF ELIGIBILITY SERVICE PRIOR TO  
5 PARTICIPATING IN THE DROP AND WHO:

6 1. IS TERMINATED FROM EMPLOYMENT BY THE DROP  
7 MEMBER'S PARTICIPATING EMPLOYER FOR CAUSE AT ANY TIME BEFORE THE DATE  
8 SPECIFIED ON THE MEMBER'S ELECTION FORM; OR

9 2. SHORTENS THE TIME PERIOD FOR PARTICIPATION IN THE  
10 DROP BY DELIVERING TO THE DROP MEMBER'S PARTICIPATING EMPLOYER AND THE  
11 BOARD WRITTEN NOTICE OF THE INTENT OF THE DROP MEMBER TO TERMINATE  
12 EMPLOYMENT.

13 (II) AS OF THE FIRST DAY OF THE MONTH FOLLOWING  
14 TERMINATION OF A DROP MEMBER'S PARTICIPATION IN THE DROP, THE BOARD OF  
15 TRUSTEES SHALL RECALCULATE AND REDUCE THE ANNUAL RETIREMENT  
16 ALLOWANCE FOR A DROP MEMBER BY REDUCING THE MEMBER'S CREDITABLE  
17 SERVICE BY ONE MONTH FOR EACH MONTH THAT THE MEMBER'S ACTUAL  
18 CREDITABLE SERVICE IS LESS THAN 30 YEARS.

19 (L) (1) A DROP MEMBER IS ELIGIBLE TO APPLY FOR AN ACCIDENTAL  
20 DISABILITY RETIREMENT ALLOWANCE UNDER § 29-109 OF THIS ARTICLE.

21 (2) IF THE BOARD OF TRUSTEES GRANTS A DROP MEMBER AN  
22 ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE, THE DROP MEMBER MAY ELECT  
23 TO RECEIVE THE ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE OR CONTINUE  
24 TO PARTICIPATE IN THE DROP.

25 (3) (I) IF A DROP MEMBER ELECTS TO RECEIVE AN ACCIDENTAL  
26 DISABILITY RETIREMENT ALLOWANCE INSTEAD OF CONTINUING TO PARTICIPATE IN  
27 THE DROP, THE DROP MEMBER SHALL SUBMIT AN APPLICATION TO RETIRE WITH AN  
28 ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE, ON THE FORM THE BOARD  
29 PROVIDES, STATING THE EFFECTIVE DATE OF THE DROP MEMBER'S RETIREMENT AS  
30 AN ACCIDENTAL DISABILITY RETIREE.

31 (II) ON ACCEPTANCE OF THE APPLICATION TO RETIRE, THE BOARD  
32 SHALL COMMENCE PAYMENT OF AN ACCIDENTAL DISABILITY ALLOWANCE TO THE  
33 DROP MEMBER AS PROVIDED IN § 29-110 OF THIS ARTICLE, EXCEPT THAT THE DROP  
34 MEMBER'S AVERAGE FINAL COMPENSATION SHALL BE COMPUTED AS OF THE  
35 EFFECTIVE DATE OF THE DROP MEMBER'S APPLICATION FOR AN ACCIDENTAL  
36 DISABILITY RETIREMENT ALLOWANCE.

37 SECTION 2. AND BE IT FURTHER ENACTED, That members of the  
38 Employees' Retirement System and the Employees' Pension System who have 25 or  
39 more years of eligibility service as of December 30, 2004, will be provided a onetime,  
40 6-month window of opportunity to elect to participate in the Deferred Retirement  
41 Option Programs established by this Act from July 1, 2004, to December 30, 2004.

1 SECTION 3. AND BE IT FURTHER ENACTED, That the Department of  
2 Budget and Management shall identify the budgetary savings resulting from  
3 members of the Employees' Retirement System and the Employees' Pension System  
4 participating in the Deferred Retirement Option Programs established by this Act  
5 and provide to the Governor and the budget committees an annual account of these  
6 savings.

7 SECTION 4. AND BE IT FURTHER ENACTED, That, notwithstanding any  
8 other provision of law, all special fund budgetary savings identified by the  
9 Department of Budget and Management under Section 3 of this Act shall be  
10 transferred to the General Fund of the State.

11 SECTION 5. AND BE IT FURTHER ENACTED, That this Act shall take effect  
12 June 1, 2004.