

SENATE BILL 208

Unofficial Copy  
K4  
HB 1447/02 - APP

2004 Regular Session  
4r0882

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By: **Senator Munson**

Introduced and read first time: January 28, 2004

Assigned to: Budget and Taxation

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A BILL ENTITLED

1 AN ACT concerning

2                           **Employees' Retirement System and Employees' Pension System - Deferred**  
3                           **Retirement Option Program**

4 FOR the purpose of establishing a Deferred Retirement Option Program for certain  
5 employees who are members of the Employees' Retirement System and the  
6 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 Deferred Retirement Option Program; requiring the State  
10 Retirement Agency to request a private letter ruling from the Internal Revenue  
11 Service that makes certain confirmations; making this Act contingent on receipt  
12 of a certain ruling from the Internal Revenue Service; defining certain terms;  
13 and generally relating to the establishment of a Deferred Retirement Option  
14 Program in the Employees' Retirement System and the Employees' Pension  
15 System.

16 BY repealing and reenacting, with amendments,  
17 Article - State Personnel and Pensions  
18 Section 22-217 and 23-215  
19 Annotated Code of Maryland  
20 (1997 Replacement Volume and 2003 Supplement)

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

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

1 **Article - State Personnel and Pensions**

2 22-217.

3 Membership ends if the member:

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

14 22-401.1.

15 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS

16 INDICATED.

17 (2) "DROP" MEANS THE DEFERRED RETIREMENT OPTION PROGRAM

18 ESTABLISHED UNDER THIS SECTION.

19 (3) "DROP MEMBER" MEANS A MEMBER OF THE EMPLOYEES'

20 RETIREMENT SYSTEM WHO:

21 (I) IS ELIGIBLE TO PARTICIPATE IN THE DROP AS PROVIDED IN

22 SUBSECTION (C) OF THIS SECTION; AND

23 (II) ELECTS TO PARTICIPATE IN THE DROP AS PROVIDED IN

24 SUBSECTION (E) OF THIS SECTION.

25 (B) (1) THERE IS A DROP FOR STATE EMPLOYEES WHO ARE ELIGIBLE

26 MEMBERS OF THE EMPLOYEES' RETIREMENT SYSTEM.

27 (2) THIS DROP DOES NOT APPLY TO EMPLOYEES OF PARTICIPATING

28 GOVERNMENTAL UNITS WHO ARE MEMBERS OF THE EMPLOYEES' RETIREMENT

29 SYSTEM.

30 (C) A MEMBER OF THE EMPLOYEES' RETIREMENT SYSTEM IS ELIGIBLE TO

31 PARTICIPATE IN THE DROP IF THE MEMBER HAS AT LEAST 30 AND LESS THAN 35

32 YEARS OF ELIGIBILITY SERVICE.

1 (D) AN ELIGIBLE MEMBER MAY ELECT TO PARTICIPATE IN THE DROP FOR A  
2 PERIOD NOT TO EXCEED THE LESSER OF:

3 (1) 5 YEARS;

4 (2) THE DIFFERENCE BETWEEN 35 YEARS AND THE MEMBER'S  
5 ELIGIBILITY SERVICE AS OF THE DATE OF THE MEMBER'S ELECTION TO  
6 PARTICIPATE IN THE DROP AND RETIRE FROM THE EMPLOYEES' RETIREMENT  
7 SYSTEM; OR

8 (3) A TERM SELECTED BY THE MEMBER.

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

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

14 1. THE MEMBER'S INTENTION TO PARTICIPATE IN THE  
15 DROP;

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

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

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

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

25 (II) COMPLETE AND SUBMIT A WRITTEN RETIREMENT  
26 APPLICATION FORM TO THE BOARD OF TRUSTEES, ON THE FORM THAT THE BOARD  
27 OF TRUSTEES PROVIDES.

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

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

35 (2) A DROP MEMBER IS A RETIREE OF THE EMPLOYEES' RETIREMENT  
36 SYSTEM.

1 (G) PARTICIPATION IN THE DROP ENDS IF THE DROP PARTICIPANT:

2 (1) SEPARATES FROM EMPLOYMENT IN ACCORDANCE WITH THE  
3 BINDING LETTER OF RESIGNATION SUBMITTED WITH THE MEMBER'S ELECTION  
4 FORM;

5 (2) DIES;

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

9 (4) SHORTENS THE TIME PERIOD FOR PARTICIPATION IN THE DROP BY  
10 DELIVERING TO THE DROP MEMBER'S PARTICIPATING EMPLOYER AND THE BOARD  
11 OF TRUSTEES WRITTEN NOTICE OF THE INTENT OF THE DROP MEMBER TO  
12 TERMINATE EMPLOYMENT; OR

13 (5) ACCEPTS AN ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE AS  
14 PROVIDED IN SUBSECTION (K) OF THIS SECTION.

15 (H) (1) AS OF THE EFFECTIVE DATE OF PARTICIPATION IN THE DROP, THE  
16 BOARD OF TRUSTEES SHALL DETERMINE THE DROP MEMBER'S NORMAL SERVICE  
17 RETIREMENT ALLOWANCE UNDER § 22-401 OF THIS SUBTITLE.

18 (2) DURING THE PERIOD THAT A DROP MEMBER PARTICIPATES IN THE  
19 DROP, THE BOARD OF TRUSTEES SHALL:

20 (I) DEPOSIT THE DROP MEMBER'S NORMAL SERVICE RETIREMENT  
21 ALLOWANCE IN THE DROP FOR THE DROP MEMBER'S BENEFIT;

22 (II) ADJUST THE DROP MEMBER'S NORMAL SERVICE RETIREMENT  
23 ALLOWANCE EACH FISCAL YEAR AS PROVIDED IN TITLE 29, SUBTITLE 4, PART VI OF  
24 THIS ARTICLE; AND

25 (III) ACCRUE INTEREST ON THE AMOUNTS CALCULATED UNDER  
26 SUBPARAGRAPHS (I) AND (II) OF THIS PARAGRAPH FOR THE DROP MEMBER INTO THE  
27 DROP AT THE RATE OF 6% A YEAR, COMPOUNDED MONTHLY.

28 (3) A DROP MEMBER MAY NOT RECEIVE CREDITABLE SERVICE OR  
29 ELIGIBILITY SERVICE DURING THE PERIOD THAT THE DROP MEMBER PARTICIPATES  
30 IN THE DROP.

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

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

1 (II) USED TO INCREASE THE DROP MEMBER'S AVERAGE FINAL  
2 COMPENSATION EXCEPT AS PROVIDED IN SUBSECTION (K) OF THIS SECTION.

3 (5) DURING THE PERIOD THAT A DROP MEMBER PARTICIPATES IN THE  
4 DROP, THE DROP MEMBER SHALL:

5 (I) CONTINUE TO RECEIVE COMPENSATION, HEALTH INSURANCE,  
6 AND OTHER BENEFIT OPTIONS ESTABLISHED UNDER THE STATE EMPLOYEE AND  
7 RETIREE HEALTH AND WELFARE BENEFIT PROGRAM ADMINISTERED BY THE  
8 SECRETARY OF BUDGET AND MANAGEMENT, AND ANY OTHER BENEFITS AS AN  
9 EMPLOYEE OF THE STATE;

10 (II) BE SUBJECT TO THE PERSONNEL LAW, REGULATIONS, AND  
11 POLICIES APPLICABLE TO AN EMPLOYEE OF THE STATE AGENCY FOR WHICH THE  
12 MEMBER IS EMPLOYED; AND

13 (III) RECEIVE RETIREMENT BENEFITS ONLY TO THE EXTENT  
14 PROVIDED IN THIS SECTION.

15 (6) THE BOARD OF TRUSTEES IS NOT REQUIRED TO ESTABLISH AN  
16 INDIVIDUAL DROP ACCOUNT FOR EACH DROP MEMBER.

17 (7) EACH YEAR, THE BOARD OF TRUSTEES SHALL PROVIDE A DROP  
18 MEMBER WITH A WRITTEN ACCOUNTING OF THE DROP MEMBER'S ACCOUNT  
19 BALANCE IN THE DROP.

20 (I) (1) SUBJECT TO PARAGRAPHS (2), (3), AND (4) OF THIS SUBSECTION, ON  
21 TERMINATION OF A DROP MEMBER'S PARTICIPATION IN THE DROP, THE BOARD OF  
22 TRUSTEES SHALL PAY TO THE DROP MEMBER OR, IF THE DROP MEMBER HAS DIED,  
23 THE DESIGNATED BENEFICIARY OF THE DROP MEMBER, THE AMOUNT ACCRUED IN  
24 THE DROP FOR THE DROP MEMBER UNDER SUBSECTION (H)(2) OF THIS SECTION,  
25 REDUCED BY ANY WITHHOLDING TAXES REMITTED TO THE INTERNAL REVENUE  
26 SERVICE OR OTHER TAXING AUTHORITY, IN A LUMP SUM.

27 (2) THE DESIGNATED BENEFICIARY OF A DROP MEMBER IS THE PERSON  
28 NAMED AS A BENEFICIARY IN AN ACKNOWLEDGED WRITTEN DESIGNATION FILED  
29 WITH THE BOARD OF TRUSTEES BY THE DROP MEMBER.

30 (3) A DROP MEMBER OR DESIGNATED BENEFICIARY OF A DROP MEMBER  
31 MAY DIRECT THE BOARD OF TRUSTEES TO PAY ALL OR A PORTION OF THE AMOUNT  
32 ACCRUED FOR THE DROP MEMBER'S BENEFIT UNDER SUBSECTION (H)(2) OF THIS  
33 SECTION DIRECTLY TO THE CUSTODIAN OF AN ELIGIBLE RETIREMENT PLAN AS  
34 PROVIDED IN TITLE 21, SUBTITLE 6 OF THIS ARTICLE.

35 (4) A DROP MEMBER OR DESIGNATED BENEFICIARY OF A DROP MEMBER  
36 IS ELIGIBLE TO RECEIVE THE AMOUNT DUE UNDER THIS SUBSECTION WITHIN 90  
37 DAYS AFTER:

38 (I) THE DATE OF TERMINATION OF THE DROP MEMBER'S  
39 PARTICIPATION IN THE DROP;

1 (II) THE RECEIPT BY THE BOARD OF TRUSTEES OF A COMPLETED  
2 APPLICATION TO RECEIVE THE DROP AMOUNT, ON THE FORM THAT THE BOARD OF  
3 TRUSTEES PROVIDES; AND

4 (III) THE RECEIPT BY THE BOARD OF TRUSTEES OF ANY OTHER  
5 INFORMATION THAT THE BOARD OF TRUSTEES REQUIRES TO PROCESS PAYMENT OF  
6 THE DROP MEMBER'S ACCOUNT BALANCE TO THE DROP PARTICIPANT, THE  
7 DESIGNATED BENEFICIARY OF THE DROP PARTICIPANT, OR THE CUSTODIAN OF AN  
8 ELIGIBLE RETIREMENT PLAN.

9 (J) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, AS  
10 OF THE FIRST DAY OF THE MONTH FOLLOWING TERMINATION OF A DROP MEMBER'S  
11 PARTICIPATION IN THE DROP, THE BOARD OF TRUSTEES SHALL COMMENCE AND  
12 CONTINUE PAYMENT OF THE NORMAL SERVICE RETIREMENT ALLOWANCE,  
13 INCLUDING THE COST-OF-LIVING ADJUSTMENTS AS PROVIDED IN TITLE 29,  
14 SUBTITLE 4, PART VI OF THIS ARTICLE, TO THE MEMBER AS PROVIDED IN § 22-401 OF  
15 THIS SUBTITLE AND §§ 21-401 THROUGH 21-406 OF THIS ARTICLE.

16 (2) IF A DROP MEMBER DIES BEFORE TERMINATION OF THE DROP  
17 MEMBER'S PARTICIPATION IN THE DROP, THE BOARD OF TRUSTEES SHALL PAY  
18 BENEFITS, INCLUDING THE COST-OF-LIVING ADJUSTMENTS AS PROVIDED IN TITLE  
19 29, SUBTITLE 4, PART VI OF THIS ARTICLE, TO THE BENEFICIARY AS PROVIDED IN §  
20 21-403 OF THIS ARTICLE.

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

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

27 (3) (I) IF A DROP MEMBER ELECTS TO RECEIVE A DISABILITY  
28 RETIREMENT ALLOWANCE INSTEAD OF CONTINUING TO PARTICIPATE IN THE DROP,  
29 THE DROP MEMBER SHALL:

30 1. SUBMIT AN APPLICATION TO THE BOARD OF TRUSTEES,  
31 ON THE FORM THE BOARD OF TRUSTEES PROVIDES, TO RECEIVE PAYMENT OF THE  
32 AMOUNT ACCRUED IN THE DROP IN ACCORDANCE WITH SUBSECTION (I) OF THIS  
33 SECTION;

34 2. EXECUTE A WRITTEN WAIVER OF ANY BENEFITS TO  
35 WHICH THE DROP MEMBER MAY BE ENTITLED UNDER THE DROP; AND

36 3. SUBMIT AN APPLICATION TO RETIRE WITH AN  
37 ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE, ON THE FORM THE BOARD OF  
38 TRUSTEES PROVIDES, STATING THE EFFECTIVE DATE OF THE DROP MEMBER'S  
39 RETIREMENT AS AN ACCIDENTAL DISABILITY RETIREE.

1 (II) ON ACCEPTANCE OF THE APPLICATION FOR PAYMENT AND  
2 APPLICATION TO RETIRE, THE BOARD OF TRUSTEES SHALL COMMENCE PAYMENT OF  
3 AN ACCIDENTAL DISABILITY ALLOWANCE TO THE DROP MEMBER AS PROVIDED IN §  
4 29-110 OF THIS ARTICLE, EXCEPT THAT THE DROP MEMBER'S AVERAGE FINAL  
5 COMPENSATION SHALL BE COMPUTED AS OF THE EFFECTIVE DATE OF THE DROP  
6 MEMBER'S APPLICATION FOR AN ACCIDENTAL DISABILITY RETIREMENT  
7 ALLOWANCE.

8 23-215.

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

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

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

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

15 (3) becomes a retiree; [or]

16 (4) dies; OR

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

19 23-401.1.

20 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
21 INDICATED.

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

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

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

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

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

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

1 (C) A MEMBER OF THE EMPLOYEES' PENSION SYSTEM IS ELIGIBLE TO  
2 PARTICIPATE IN THE DROP IF THE MEMBER HAS AT LEAST 30 AND LESS THAN 35  
3 YEARS OF ELIGIBILITY SERVICE.

4 (D) AN ELIGIBLE MEMBER MAY ELECT TO PARTICIPATE IN THE DROP FOR A  
5 PERIOD NOT TO EXCEED THE LESSER OF:

6 (1) 5 YEARS;

7 (2) THE DIFFERENCE BETWEEN 35 YEARS AND THE MEMBER'S  
8 ELIGIBILITY SERVICE AS OF THE DATE OF THE MEMBER'S ELECTION TO  
9 PARTICIPATE IN THE DROP AND RETIRE FROM THE EMPLOYEES' PENSION SYSTEM;  
10 OR

11 (3) A TERM SELECTED BY THE MEMBER.

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

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

17 1. THE MEMBER'S INTENTION TO PARTICIPATE IN THE  
18 DROP;

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

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

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

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

28 (II) COMPLETE AND SUBMIT A WRITTEN RETIREMENT  
29 APPLICATION FORM TO THE BOARD OF TRUSTEES, ON THE FORM THAT THE BOARD  
30 OF TRUSTEES PROVIDES.

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

33 (F) (1) A DROP MEMBER'S PARTICIPATION IN THE DROP SHALL COMMENCE  
34 ON THE FIRST DAY OF THE MONTH FOLLOWING ACCEPTANCE BY THE BOARD OF  
35 TRUSTEES OF THE DROP MEMBER'S COMPLETED ELECTION FORM, RETIREMENT



1 APPLICATION FORM, AND ANY OTHER INFORMATION REQUIRED BY THE BOARD OF  
2 TRUSTEES.

3 (2) A DROP MEMBER IS A RETIREE OF THE EMPLOYEES' PENSION  
4 SYSTEM.

5 (G) PARTICIPATION IN THE DROP ENDS IF THE DROP PARTICIPANT:

6 (1) SEPARATES FROM EMPLOYMENT IN ACCORDANCE WITH THE  
7 BINDING LETTER OF RESIGNATION SUBMITTED WITH THE MEMBER'S ELECTION  
8 FORM;

9 (2) DIES;

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

13 (4) SHORTENS THE TIME PERIOD FOR PARTICIPATION IN THE DROP BY  
14 DELIVERING TO THE DROP MEMBER'S PARTICIPATING EMPLOYER AND THE BOARD  
15 OF TRUSTEES WRITTEN NOTICE OF THE INTENT OF THE DROP MEMBER TO  
16 TERMINATE EMPLOYMENT; OR

17 (5) ACCEPTS AN ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE AS  
18 PROVIDED IN SUBSECTION (K) OF THIS SECTION.

19 (H) (1) AS OF THE EFFECTIVE DATE OF PARTICIPATION IN THE DROP, THE  
20 BOARD OF TRUSTEES SHALL DETERMINE THE DROP MEMBER'S NORMAL SERVICE  
21 RETIREMENT ALLOWANCE UNDER § 23-401 OF THIS SUBTITLE.

22 (2) DURING THE PERIOD THAT A DROP MEMBER PARTICIPATES IN THE  
23 DROP, THE BOARD OF TRUSTEES SHALL:

24 (I) DEPOSIT THE DROP MEMBER'S NORMAL SERVICE RETIREMENT  
25 ALLOWANCE IN THE DROP FOR THE DROP MEMBER'S BENEFIT;

26 (II) ADJUST THE DROP MEMBER'S NORMAL SERVICE RETIREMENT  
27 ALLOWANCE EACH FISCAL YEAR AS PROVIDED IN TITLE 29, SUBTITLE 4, PART VI OF  
28 THIS ARTICLE; AND

29 (III) ACCRUE INTEREST ON THE AMOUNTS CALCULATED UNDER  
30 SUBPARAGRAPHS (I) AND (II) OF THIS PARAGRAPH FOR THE DROP MEMBER INTO THE  
31 DROP AT THE RATE OF 6% A YEAR, COMPOUNDED MONTHLY.

32 (3) A DROP MEMBER MAY NOT RECEIVE CREDITABLE SERVICE OR  
33 ELIGIBILITY SERVICE DURING THE PERIOD THAT THE DROP MEMBER PARTICIPATES  
34 IN THE DROP.

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

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

4 (II) USED TO INCREASE THE DROP MEMBER'S AVERAGE FINAL  
5 COMPENSATION EXCEPT AS PROVIDED IN SUBSECTION (K) OF THIS SECTION.

6 (5) DURING THE PERIOD THAT A DROP MEMBER PARTICIPATES IN THE  
7 DROP, THE DROP MEMBER SHALL:

8 (I) CONTINUE TO RECEIVE COMPENSATION, HEALTH INSURANCE,  
9 AND OTHER BENEFIT OPTIONS ESTABLISHED UNDER THE STATE EMPLOYEE AND  
10 RETIREE HEALTH AND WELFARE BENEFIT PROGRAM ADMINISTERED BY THE  
11 SECRETARY OF BUDGET AND MANAGEMENT, AND ANY OTHER BENEFITS AS AN  
12 EMPLOYEE OF THE STATE;

13 (II) BE SUBJECT TO THE PERSONNEL LAW, REGULATIONS, AND  
14 POLICIES APPLICABLE TO AN EMPLOYEE OF THE STATE AGENCY FOR WHICH THE  
15 MEMBER IS EMPLOYED; AND

16 (III) RECEIVE RETIREMENT BENEFITS ONLY TO THE EXTENT  
17 PROVIDED IN THIS SECTION.

18 (6) THE BOARD OF TRUSTEES IS NOT REQUIRED TO ESTABLISH AN  
19 INDIVIDUAL DROP ACCOUNT FOR EACH DROP MEMBER.

20 (7) EACH YEAR, THE BOARD OF TRUSTEES SHALL PROVIDE A DROP  
21 MEMBER WITH A WRITTEN ACCOUNTING OF THE DROP MEMBER'S ACCOUNT  
22 BALANCE IN THE DROP.

23 (I) (1) SUBJECT TO PARAGRAPHS (2), (3), AND (4) OF THIS SUBSECTION, ON  
24 TERMINATION OF A DROP MEMBER'S PARTICIPATION IN THE DROP, THE BOARD OF  
25 TRUSTEES SHALL PAY TO THE DROP MEMBER OR, IF THE DROP MEMBER HAS DIED,  
26 THE DESIGNATED BENEFICIARY OF THE DROP MEMBER, THE AMOUNT ACCRUED IN  
27 THE DROP FOR THE DROP MEMBER UNDER SUBSECTION (H)(2) OF THIS SECTION,  
28 REDUCED BY ANY WITHHOLDING TAXES REMITTED TO THE INTERNAL REVENUE  
29 SERVICE OR OTHER TAXING AUTHORITY, IN A LUMP SUM.

30 (2) THE DESIGNATED BENEFICIARY OF A DROP MEMBER IS THE PERSON  
31 NAMED AS A BENEFICIARY IN AN ACKNOWLEDGED WRITTEN DESIGNATION FILED  
32 WITH THE BOARD OF TRUSTEES BY THE DROP MEMBER.

33 (3) A DROP MEMBER OR DESIGNATED BENEFICIARY OF A DROP MEMBER  
34 MAY DIRECT THE BOARD OF TRUSTEES TO PAY ALL OR A PORTION OF THE AMOUNT  
35 ACCRUED FOR THE DROP MEMBER'S BENEFIT UNDER SUBSECTION (H)(2) OF THIS  
36 SECTION DIRECTLY TO THE CUSTODIAN OF AN ELIGIBLE RETIREMENT PLAN AS  
37 PROVIDED IN TITLE 21, SUBTITLE 6 OF THIS ARTICLE.

1 (4) A DROP MEMBER OR DESIGNATED BENEFICIARY OF A DROP MEMBER  
2 IS ELIGIBLE TO RECEIVE THE AMOUNT DUE UNDER THIS SUBSECTION WITHIN 90  
3 DAYS AFTER:

4 (I) THE DATE OF TERMINATION OF THE DROP MEMBER'S  
5 PARTICIPATION IN THE DROP;

6 (II) THE RECEIPT BY THE BOARD OF TRUSTEES OF A COMPLETED  
7 APPLICATION TO RECEIVE THE DROP AMOUNT, ON THE FORM THAT THE BOARD OF  
8 TRUSTEES PROVIDES; AND

9 (III) THE RECEIPT BY THE BOARD OF TRUSTEES OF ANY OTHER  
10 INFORMATION THAT THE BOARD OF TRUSTEES REQUIRES TO PROCESS PAYMENT OF  
11 THE DROP MEMBER'S ACCOUNT BALANCE TO THE DROP PARTICIPANT, THE  
12 DESIGNATED BENEFICIARY OF THE DROP PARTICIPANT, OR THE CUSTODIAN OF AN  
13 ELIGIBLE RETIREMENT PLAN.

14 (J) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, AS  
15 OF THE FIRST DAY OF THE MONTH FOLLOWING TERMINATION OF A DROP MEMBER'S  
16 PARTICIPATION IN THE DROP, THE BOARD OF TRUSTEES SHALL COMMENCE AND  
17 CONTINUE PAYMENT OF THE NORMAL SERVICE RETIREMENT ALLOWANCE,  
18 INCLUDING THE COST-OF-LIVING ADJUSTMENTS AS PROVIDED IN TITLE 29,  
19 SUBTITLE 4, PART VI OF THIS ARTICLE, TO THE MEMBER AS PROVIDED IN § 23-401 OF  
20 THIS SUBTITLE AND §§ 21-401 THROUGH 21-406 OF THIS ARTICLE.

21 (2) IF A DROP MEMBER DIES BEFORE TERMINATION OF THE DROP  
22 MEMBER'S PARTICIPATION IN THE DROP, THE BOARD OF TRUSTEES SHALL PAY  
23 BENEFITS, INCLUDING THE COST-OF-LIVING ADJUSTMENTS AS PROVIDED IN TITLE  
24 29, SUBTITLE 4, PART VI OF THIS ARTICLE, TO THE BENEFICIARY AS PROVIDED IN §  
25 21-403 OF THIS ARTICLE.

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

28 (2) IF THE BOARD OF TRUSTEES GRANTS A DROP MEMBER AN  
29 ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE, THE DROP MEMBER MAY ELECT  
30 TO RECEIVE THE ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE OR CONTINUE  
31 TO PARTICIPATE IN THE DROP.

32 (3) (I) IF A DROP MEMBER ELECTS TO RECEIVE A DISABILITY  
33 RETIREMENT ALLOWANCE INSTEAD OF CONTINUING TO PARTICIPATE IN THE DROP,  
34 THE DROP MEMBER SHALL:

35 1. SUBMIT AN APPLICATION TO THE BOARD OF TRUSTEES,  
36 ON THE FORM THE BOARD OF TRUSTEES PROVIDES, TO RECEIVE PAYMENT OF THE  
37 AMOUNT ACCRUED IN THE DROP IN ACCORDANCE WITH SUBSECTION (I) OF THIS  
38 SECTION;

39 2. EXECUTE A WRITTEN WAIVER OF ANY BENEFITS TO  
40 WHICH THE DROP MEMBER MAY BE ENTITLED UNDER THE DROP; AND

