

(PRE-FILED)

By: **Delegates Cadden, Boutin, Cluster, Edwards, and Jones**

Requested: October 20, 2004

Introduced and read first time: January 12, 2005

Assigned to: Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 **Law Enforcement Officers' Pension System - Deferred Retirement Option**
3 **Program - Eligibility**

4 FOR the purpose of providing that certain members of the Law Enforcement Officers'
5 Pension System are eligible to participate in the Deferred Retirement Option
6 Program; providing the period of time certain members of the Law Enforcement
7 Officers' Pension System may participate in the Deferred Retirement Option
8 Program; requiring that certain members of the Law Enforcement Officers'
9 Pension System complete and submit certain forms to the Board of Trustees for
10 the State Retirement and Pension System; providing that the period of time
11 certain members of the Law Enforcement Officers' Pension System may
12 participate in the Deferred Retirement Option Program be applied retroactively;
13 requiring the Board of Trustees for the State Retirement and Pension System to
14 calculate the normal service retirement allowance for certain members of the
15 Law Enforcement Officers' Pension System as of a certain date; requiring the
16 Board of Trustees for the State Retirement and Pension System to make certain
17 adjustments to the normal service retirement allowance for certain members of
18 the Law Enforcement Officers' Pension System; requiring certain members of
19 the Law Enforcement Officers' Pension System to forfeit certain creditable and
20 eligibility service for a certain period of time; requiring the Board of Trustees for
21 the State Retirement and Pension System to make certain payments to certain
22 individuals within a certain period of time; providing that certain payments
23 made by the Board of Trustees for the State Retirement and Pension System to
24 certain individuals may be made in a certain manner; defining a certain term;
25 providing for the termination of this Act; and generally relating to the eligibility
26 of members of the Law Enforcement Officers' Pension System to participate in
27 the Deferred Retirement Option Program.

28 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
29 MARYLAND, That:

30 (a) In this section, "DROP" means the Deferred Retirement Option Program
31 established under § 26-401.1 of the State Personnel and Pensions Article.

1 (b) This section applies only to a member of the Law Enforcement Officers'
2 Pension System who:

3 (1) is a member of the Law Enforcement Officers' Pension System on
4 July 1, 2005;

5 (2) was a member of the Law Enforcement Officers' Pension System on
6 or before July 1, 2000; and

7 (3) had accrued more than 25 years of eligibility service as of July 1,
8 2000, preventing the member from participating in the DROP for 5 years.

9 (c) A member who is described in subsection (b) of this section, may elect to
10 participate in the DROP for a period not to exceed the lesser of:

11 (i) 5 years;

12 (ii) the difference between the mandatory retirement age for the
13 member and the member's age as of the date that the member completes an
14 application under subsection (d) of this section to participate in the DROP; or

15 (iii) a term selected by the member.

16 (d) (1) An eligible member who elects to participate in the DROP shall:

17 (i) complete and submit a written election form to the Board of
18 Trustees on or before December 31, 2005, on the form that the Board of Trustees
19 provides, stating:

20 1. the member's intention to participate in the DROP;

21 2. the date when the member desires to retire;

22 3. the period that the member desires to participate in the
23 DROP, as provided in subsection (c) of this section;

24 4. the date when the member intends to terminate
25 employment with the State in the form of a binding letter of resignation accepted by
26 the Secretary or the Secretary's designee of the Department for which the member is
27 employed; and

28 5. any other information required by the Board of Trustees to
29 implement the DROP; and

30 (ii) complete and submit a written retirement application form to
31 the Board of Trustees, on the form that the Board of Trustees provides.

32 (2) An eligible member's election to participate in the DROP is
33 irrevocable.

1 (e) (1) The DROP period is the period elected by the member under
2 subsection (c) of this section.

3 (2) The DROP period ends on the date the member submits a DROP
4 application to the Board of Trustees.

5 (3) The start date for the DROP period is the date that precedes the
6 member's application date by the number of days in the DROP period.

7 (f) (1) The Board of Trustees shall determine the member's normal service
8 retirement allowance under § 26-401 of the State Personnel and Pensions Article, as
9 of the member's date of retirement under subsection (e)(3) of this section.

10 (2) For the period that a member retroactively participates in the DROP,
11 the Board of Trustees shall:

12 (i) adjust the member's normal service retirement allowance for
13 each fiscal year as provided in Title 29, Subtitle 4, Part III of the State Personnel and
14 Pensions Article that is included in the DROP period; and

15 (ii) calculate any interest retroactively, that would have accrued on
16 the amounts calculated under subparagraph (i) of this paragraph for the member into
17 the DROP at the rate of 6% a year, compounded monthly.

18 (g) Any creditable service or eligibility service that the member has received
19 during the DROP period is forfeited by the member.

20 (h) (1) Upon approving the member's application under subsection (d) of this
21 section, the Board of Trustees shall pay in a lump sum to the member or, if the
22 member has died, the designated beneficiary of the member:

23 (i) the amount determined under subsection (f)(2) of this section;
24 and

25 (ii) any member contributions the member made during the DROP
26 period, plus regular interest.

27 (2) Any payments made under this subsection shall be reduced by any
28 withholding taxes remitted to the Internal Revenue Service or other taxing authority.

29 (3) The designated beneficiary of a member is:

30 (i) the member's surviving spouse;

31 (ii) if there is not a surviving spouse or if the surviving spouse dies
32 before the youngest child is 18 years old, each child of the deceased member who is
33 under 18 years old; or

34 (iii) if there is not a surviving spouse or a child who is under 18
35 years old, the person named as a beneficiary in an acknowledged written designation
36 filed with the Board of Trustees by the member.

1 (4) A member or designated beneficiary of a member may direct the
2 Board of Trustees to pay all or a portion of the amount under paragraph (1) of this
3 subsection directly to the custodian of an eligible retirement plan as provided in Title
4 21, Subtitle 6 of the State Personnel and Pensions Article.

5 (5) A member or designated beneficiary of a member is eligible to receive
6 the amount due under this subsection within 90 days after the:

7 (i) date the Board of Trustees approves the member's application
8 to participate retroactively in the DROP; and

9 (ii) receipt by the Board of Trustees of any other information that
10 the Board of Trustees requires to process payments under paragraph (1) of this
11 subsection to the member, the designated beneficiary of the member, or the custodian
12 of an eligible retirement plan.

13 (j) (1) Except as provided in paragraph (2) of this subsection, as of the first
14 day of the month following the date the Board of Trustees approves the member's
15 retroactive participation in the DROP, the Board of Trustees shall commence and
16 continue payment of the normal service retirement allowance, including the
17 cost-of-living adjustments as provided in Title 29, Subtitle 4, Part III of the State
18 Personnel and Pensions Article, to the member as provided in §§ 26-401 and 26-402
19 of the State Personnel and Pensions Article.

20 (2) If a member dies before the Board of Trustees approves the member's
21 application to participate retroactively in the DROP, the Board of Trustees shall pay
22 50% of the normal service retirement allowance, including the cost-of-living
23 adjustments as provided in Title 29, Subtitle 4, Part III of the State Personnel and
24 Pensions Article, to the beneficiary as provided in § 26-402 of the State Personnel and
25 Pensions Article.

26 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
27 July 1, 2005. It shall remain effective for a period of 1 year and, at the end of June 30,
28 2006, with no further action required by the General Assembly, this Act shall be
29 abrogated and of no further force and effect.