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By: **Delegate Donoghue**

Introduced and read first time: January 25, 2006

Assigned to: Appropriations

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A BILL ENTITLED

1 AN ACT concerning

2 **Correctional Officers' Retirement System - DROP**

3 FOR the purpose of establishing a Deferred Retirement Option Program (DROP) for  
4 certain members in the Correctional Officers' Retirement System; requiring the  
5 State Retirement Agency to request certain documentation from the Internal  
6 Revenue Service; making this Act subject to a certain contingency; and generally  
7 relating to establishing a DROP for members of the Correctional Officers'  
8 Retirement System.

9 BY renumbering  
10 Article - State Personnel and Pensions  
11 Section 25-401.1  
12 to be Section 25-401.2  
13 Annotated Code of Maryland  
14 (2004 Replacement Volume and 2005 Supplement)

15 BY adding to  
16 Article - State Personnel and Pensions  
17 Section 25-401.1  
18 Annotated Code of Maryland  
19 (2004 Replacement Volume and 2005 Supplement)

20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
21 MARYLAND, That Section(s) 25-401.1 of Article - State Personnel and Pensions of  
22 the Annotated Code of Maryland be renumbered to be Section(s) 25-401.2.

23 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
24 read as follows:

1 **Article - State Personnel and Pensions**

2 25-401.1.

3 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS  
4 INDICATED.5 (2) "DROP" MEANS THE DEFERRED RETIREMENT OPTION PROGRAM  
6 ESTABLISHED UNDER THIS SECTION.7 (3) "DROP MEMBER" MEANS A MEMBER OF THE CORRECTIONAL  
8 OFFICERS' RETIREMENT SYSTEM WHO:9 (I) IS ELIGIBLE TO PARTICIPATE IN THE DROP AS PROVIDED IN  
10 SUBSECTION (C) OF THIS SECTION; AND11 (II) ELECTS TO PARTICIPATE IN THE DROP AS PROVIDED IN  
12 SUBSECTION (E) OF THIS SECTION.13 (B) THERE IS A DROP FOR ELIGIBLE MEMBERS OF THE CORRECTIONAL  
14 OFFICERS' RETIREMENT SYSTEM.15 (C) A MEMBER OF THE CORRECTIONAL OFFICERS' RETIREMENT SYSTEM IS  
16 ELIGIBLE TO PARTICIPATE IN THE DROP IF THE MEMBER:17 (1) HAS AT LEAST 20 AND LESS THAN 25 YEARS OF ELIGIBILITY SERVICE;  
18 AND

19 (2) IS LESS THAN 62 YEARS OLD.

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

22 (I) 5 YEARS; OR

23 (II) A TERM SELECTED BY THE MEMBER.

24 (2) A MEMBER WHO HAS MORE THAN 25 YEARS OF SERVICE ON JULY 1,  
25 2006, MAY ELECT TO PARTICIPATE IN THE DROP FOR A PERIOD NOT TO EXCEED 5  
26 YEARS, IF THE ELECTION IS MADE UNDER SUBSECTION (E) OF THIS SECTION ON OR  
27 BEFORE DECEMBER 31, 2006.28 (E) (1) AN ELIGIBLE MEMBER WHO ELECTS TO PARTICIPATE IN THE DROP  
29 SHALL:30 (I) COMPLETE AND SUBMIT A WRITTEN ELECTION FORM TO THE  
31 BOARD OF TRUSTEES, ON THE FORM THAT THE BOARD OF TRUSTEES PROVIDES,  
32 STATING:33 1. THE MEMBER'S INTENTION TO PARTICIPATE IN THE  
34 DROP;

- 1                                   2.       THE DATE WHEN THE MEMBER DESIRES TO RETIRE;
- 2                                   3.       THE PERIOD THAT THE MEMBER DESIRES TO  
3 PARTICIPATE IN THE DROP, AS PROVIDED IN SUBSECTION (D) OF THIS SECTION;
- 4                                   4.       THE DATE WHEN THE MEMBER INTENDS TO TERMINATE  
5 EMPLOYMENT WITH THE STATE IN THE FORM OF A BINDING LETTER OF  
6 RESIGNATION ACCEPTED BY THE COMMISSIONER OF CORRECTIONS OR THE  
7 COMMISSIONER'S DESIGNEE OF THE DEPARTMENT FOR WHICH THE MEMBER IS  
8 EMPLOYED; AND
- 9                                   5.       ANY OTHER INFORMATION REQUIRED BY THE BOARD OF  
10 TRUSTEES TO IMPLEMENT THE DROP; AND

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

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

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

21                                   (2)     A DROP MEMBER IS A RETIREE OF THE CORRECTIONAL OFFICERS'  
22 RETIREMENT SYSTEM.

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

24                                   (1)     SEPARATES FROM EMPLOYMENT IN ACCORDANCE WITH THE  
25 BINDING LETTER OF RESIGNATION SUBMITTED WITH THE MEMBER'S ELECTION  
26 FORM;

27                                   (2)     ATTAINS AGE 62;

28                                   (3)     DIES;

29                                   (4)     IS TERMINATED FROM EMPLOYMENT BY THE DROP MEMBER'S  
30 PARTICIPATING EMPLOYER AT ANY TIME BEFORE THE DATE SPECIFIED ON THE  
31 MEMBER'S ELECTION FORM;

32                                   (5)     SHORTENS THE TIME PERIOD FOR PARTICIPATION IN THE DROP BY  
33 DELIVERING TO THE DROP MEMBER'S PARTICIPATING EMPLOYER AND THE BOARD  
34 OF TRUSTEES WRITTEN NOTICE OF THE INTENT OF THE DROP MEMBER TO  
35 TERMINATE EMPLOYMENT; OR

1 (6) ACCEPTS AN ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE AS  
2 PROVIDED IN SUBSECTION (K) OF THIS SECTION.

3 (H) (1) AS OF THE EFFECTIVE DATE OF PARTICIPATION IN THE DROP, THE  
4 BOARD OF TRUSTEES SHALL DETERMINE THE DROP MEMBER'S NORMAL SERVICE  
5 RETIREMENT ALLOWANCE UNDER § 25-401 OF THIS SUBTITLE.

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

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

10 (II) ADJUST THE DROP MEMBER'S NORMAL SERVICE RETIREMENT  
11 ALLOWANCE EACH FISCAL YEAR AS PROVIDED IN TITLE 29, SUBTITLE 4, PART III OF  
12 THIS ARTICLE; AND

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

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

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

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

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

26 (5) DURING THE PERIOD THAT A DROP MEMBER PARTICIPATES IN THE  
27 DROP, THE DROP MEMBER SHALL:

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

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

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

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

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

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

13           (2)     THE DESIGNATED BENEFICIARY OF A DROP MEMBER IS:

14                   (I)     THE DROP MEMBER'S SURVIVING SPOUSE;

15                   (II)    IF THERE IS NOT A SURVIVING SPOUSE OR IF THE SURVIVING  
16 SPOUSE DIES BEFORE THE YOUNGEST CHILD IS 18 YEARS OLD, EACH CHILD OF THE  
17 DECEASED DROP MEMBER WHO IS UNDER 18 YEARS OLD; OR

18                   (III)   IF THERE IS NOT A SURVIVING SPOUSE OR A CHILD WHO IS  
19 UNDER 18 YEARS OLD, THE PERSON NAMED AS A BENEFICIARY IN AN  
20 ACKNOWLEDGED WRITTEN DESIGNATION FILED WITH THE BOARD OF TRUSTEES BY  
21 THE DROP MEMBER.

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

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

30                   (I)     THE DATE OF TERMINATION OF THE DROP MEMBER'S  
31 PARTICIPATION IN THE DROP;

32                   (II)    THE RECEIPT BY THE BOARD OF TRUSTEES OF A COMPLETED  
33 APPLICATION TO RECEIVE THE DROP AMOUNT, ON THE FORM THAT THE BOARD OF  
34 TRUSTEES PROVIDES; AND

35                   (III)   THE RECEIPT BY THE BOARD OF TRUSTEES OF ANY OTHER  
36 INFORMATION THAT THE BOARD OF TRUSTEES REQUIRES TO PROCESS PAYMENT OF  
37 THE DROP MEMBER'S ACCOUNT BALANCE TO THE DROP PARTICIPANT, THE  
38 DESIGNATED BENEFICIARY OF THE DROP PARTICIPANT, OR THE CUSTODIAN OF AN  
39 ELIGIBLE RETIREMENT PLAN.

1 (J) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, AS  
2 OF THE FIRST DAY OF THE MONTH FOLLOWING TERMINATION OF A DROP MEMBER'S  
3 PARTICIPATION IN THE DROP, THE BOARD OF TRUSTEES SHALL COMMENCE AND  
4 CONTINUE PAYMENT OF THE NORMAL SERVICE RETIREMENT ALLOWANCE,  
5 INCLUDING THE COST-OF-LIVING ADJUSTMENTS AS PROVIDED IN TITLE 29,  
6 SUBTITLE 4, PART III OF THIS ARTICLE, TO THE MEMBER AS PROVIDED IN § 25-401 OF  
7 THIS SUBTITLE.

8 (2) IF A DROP MEMBER DIES BEFORE TERMINATION OF THE DROP  
9 MEMBER'S PARTICIPATION IN THE DROP, THE BOARD OF TRUSTEES SHALL PAY 50%  
10 OF THE NORMAL SERVICE RETIREMENT ALLOWANCE, INCLUDING THE  
11 COST-OF-LIVING ADJUSTMENTS AS PROVIDED IN TITLE 29, SUBTITLE 4, PART III OF  
12 THIS ARTICLE, TO THE BENEFICIARY.

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

15 (2) IF THE BOARD OF TRUSTEES GRANTS A DROP MEMBER AN  
16 ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE, THE DROP MEMBER MAY ELECT  
17 TO RECEIVE THE ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE OR CONTINUE  
18 TO PARTICIPATE IN THE DROP.

19 (3) (I) IF A DROP MEMBER ELECTS TO RECEIVE A DISABILITY  
20 RETIREMENT ALLOWANCE INSTEAD OF CONTINUING TO PARTICIPATE IN THE DROP,  
21 THE DROP MEMBER SHALL:

22 1. SUBMIT AN APPLICATION TO THE BOARD OF TRUSTEES,  
23 ON THE FORM THE BOARD OF TRUSTEES PROVIDES, TO RECEIVE PAYMENT OF THE  
24 AMOUNT ACCRUED IN THE DROP IN ACCORDANCE WITH SUBSECTION (I) OF THIS  
25 SECTION;

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

28 3. SUBMIT AN APPLICATION TO RETIRE WITH AN  
29 ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE, ON THE FORM THE BOARD OF  
30 TRUSTEES PROVIDES, STATING THE EFFECTIVE DATE OF THE DROP MEMBER'S  
31 RETIREMENT AS AN ACCIDENTAL DISABILITY RETIREE.

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

39 SECTION 3. AND BE IT FURTHER ENACTED, That, on or before July 1, 2006,  
40 the State Retirement Agency shall request a determination letter from the Internal  
41 Revenue Service that confirms the continued qualification under § 401 of the Internal

1 Revenue Code of the Correctional Officers' Retirement System, as amended by the  
2 Deferred Retirement Option Program established under Section 2 of this Act.

3 SECTION 4. AND BE IT FURTHER ENACTED, That Sections 1 and 2 of this  
4 Act shall take effect contingent on receipt of a determination letter from the Internal  
5 Revenue Service that confirms that the Correctional Officers' Retirement System, as  
6 amended by the Deferred Retirement Option Program, is a qualified plan under § 401  
7 of the Internal Revenue Code. If a favorable determination letter is received, Sections  
8 1 and 2 of this Act shall take effect the first day of the month after the State  
9 Retirement Agency receives the letter. If the State Retirement Agency does not  
10 receive a favorable determination letter, Sections 1 and 2 of this Act, with no further  
11 action required by the General Assembly, shall be null and void and of no further force  
12 and effect. The State Retirement Agency, within 5 days after receiving the  
13 determination letter from the Internal Revenue Service, shall forward a copy of the  
14 ruling to the Department of Legislative Services, 90 State Circle, Annapolis,  
15 Maryland 21401.

16 SECTION 5. AND BE IT FURTHER ENACTED, That, subject to Section 4 of  
17 this Act, this Act shall take effect July 1, 2006.