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By: **Delegate James (Chairman, Joint Committee on Pensions)**

Introduced and read first time: February 10, 2006

Assigned to: Appropriations

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A BILL ENTITLED

1 AN ACT concerning

2 **State Retirement and Pension System - Administration - Simplification**

3 FOR the purpose of requiring the Board of Trustees of the State Retirement and  
4 Pension System to reduce the retirement allowance of certain members of the  
5 State Retirement and Pension System under certain circumstances by a certain  
6 amount, including a certain rate of interest; authorizing certain members of the  
7 Employees' Retirement System, the Teachers' Retirement System, or the State  
8 Police Retirement System to purchase certain service credit; clarifying certain  
9 types, and the amount of, service credit that certain members of certain systems  
10 in the State Retirement and Pension System may purchase under certain  
11 circumstances; repealing a certain provision to allow certain members of the  
12 Employees' Retirement System to purchase certain service credit on an  
13 installment basis; altering the period of time when a certain offset to a  
14 retirement allowance is applied for certain members of certain systems in the  
15 State Retirement and Pension System; prohibiting certain retirees of the State  
16 Police Retirement System from being rehired within a certain period of time  
17 under certain circumstances; repealing the requirement that certain disability  
18 retirees provide the Board of Trustees of the State Retirement and Pension  
19 System with certain information; providing for the application of certain  
20 provisions of this Act; and generally relating to simplifying the administration of  
21 the State Retirement and Pension System.

22 BY repealing and reenacting, with amendments,  
23 Article - State Personnel and Pensions  
24 Section 21-312, 22-304(c) and (d), 22-305(c) and (d), 23-307(a) and (b),  
25 23-308(g), 24-305(a), 24-405, 25-305, 25-306(c), 25-403(b), 28-402(b),  
26 and 29-115  
27 Annotated Code of Maryland  
28 (2004 Replacement Volume and 2005 Supplement)

29 BY adding to  
30 Article - State Personnel and Pensions  
31 Section 24-405.1  
32 Annotated Code of Maryland

(2004 Replacement Volume and 2005 Supplement)

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

**Article - State Personnel and Pensions**

21-312.

(a) To determine the earnable compensation of a member in a payroll period,  
the Board of Trustees may deem that the rate of annual compensation payable to the  
member on the first day of the payroll period continues throughout the payroll period.

(b) The Board of Trustees may omit member contributions for a period less  
than a full payroll period for an individual who was not a member on the first day of  
the payroll period.

(c) To facilitate the making of member contributions, the Board of Trustees  
may modify the member contribution required of any member by an amount not  
exceeding 0.1% of the annual earnable compensation on the basis of which the  
member contribution is to be made.

(1) The member contributions provided for under this Division II shall be  
made notwithstanding any resulting reduction in the actual compensation received  
below the minimum compensation provided for by law for a member.

(2) Each member is deemed to agree to make the member contributions  
required by this Division II and to have received full compensation.

(3) Except for the benefits provided under this Division II, payment of  
compensation less any member contribution is a complete discharge of all claims for  
services rendered by an employee during the time covered by the payment.

(E) IF A MEMBER DOES NOT MAKE THE MEMBER CONTRIBUTIONS REQUIRED  
BY THIS DIVISION II, ON RETIREMENT, THE MEMBER'S RETIREMENT ALLOWANCE  
SHALL BE REDUCED BY THE ACTUARIAL EQUIVALENT OF THE MISSED  
ACCUMULATED CONTRIBUTIONS, INCLUDING REGULAR INTEREST ON THOSE  
CONTRIBUTIONS AT THE RATE OF 5% PER YEAR COMPOUNDED ANNUALLY.

22-304.

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

(i) by the State or a participating governmental unit;

(ii) as a member of the State Police Retirement System for which  
the member was not vested in that State system;

1 (iii) when the member was on an employer-approved leave of  
2 absence not exceeding 2 years that has qualified for purchase under regulations  
3 adopted by the Board of Trustees;

4 (iv) by the Department of Legislative Services, the Office of the  
5 Attorney General, or as secretary to the Speaker of the House of Delegates or as  
6 secretary to the President of the Senate during a session of the General Assembly;

7 (v) by a member of the Senate or House of Delegates or the office of  
8 the Secretary of the Senate or the Chief Clerk of the House of Delegates; [or]

9 (vi) as a member of the Employees' Retirement System or the  
10 Teachers' Retirement System for which the member had withdrawn the member's  
11 accumulated contributions after a prior termination of membership; OR

12 (VII) WHEN MEMBERSHIP WAS MANDATORY BUT FOR WHICH  
13 MEMBER CONTRIBUTIONS WERE NOT MADE.

14 (2) For service credit purchased under:

15 (i) paragraph (1)(iv) of this subsection, a year or part of a year of  
16 employment equals 1 year of service credit; and

17 (ii) paragraph (1)(v) of this subsection, employment for at least 130  
18 days per year as a legislative employee equals 1 year of service credit.

19 (d) A member of the Teachers' Retirement System may purchase service credit  
20 for periods of employment:

21 (1) during which a member held an emergency teaching certificate;

22 (2) as a member of the State Police Retirement System for which the  
23 member was not vested in that State system;

24 (3) when membership was mandatory but for which member  
25 contributions were not made;

26 (4) when the member was on an employer-approved leave of absence not  
27 exceeding 2 years that has qualified for purchase under regulations adopted by the  
28 Board of Trustees; [or]

29 (5) as a member of the Employees' Retirement System or the Teachers'  
30 Retirement System for which the member had withdrawn the member's accumulated  
31 contributions after a prior termination of membership; OR

32 (6) BY THE STATE OR A PARTICIPATING GOVERNMENTAL UNIT ON A  
33 PERMANENT BASIS.

1 22-305.

2 (c) A member of the Employees' Retirement System may purchase service  
3 credit for a period of employment:

4 (1) not exceeding 10 years of out-of-state public school teaching service  
5 [or nonpublic school teaching service];

6 (2) NOT EXCEEDING 10 YEARS FOR PUBLIC OR NONPUBLIC SCHOOL  
7 TEACHING SERVICE;

8 (3) NOT EXCEEDING 5 YEARS FOR POSTSECONDARY SCHOOL TEACHING  
9 SERVICE;

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

12 [(3)] (5) as an employee of a political subdivision of the State if:

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

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

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

19 (d) A member of the Teachers' Retirement System may purchase service credit  
20 for a period of employment:

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

23 (2) NOT EXCEEDING 10 YEARS OF PUBLIC OR NONPUBLIC SCHOOL  
24 TEACHING SERVICE;

25 (3) NOT EXCEEDING 5 YEARS OF POSTSECONDARY SCHOOL TEACHING  
26 SERVICE;

27 [(2)] (4) on or before December 31, 1970, with Baltimore City as a  
28 teacher on a verified leave of absence not exceeding 2 years that is similar in all  
29 respects to leaves of absence approved by the Board of Trustees;

30 [(3)] (5) not exceeding 10 years of federal or out-of-state municipal  
31 service; or

32 [(4)] (6) employment as an employee of a municipal corporation of the  
33 State if the member is not otherwise entitled to receive service credit under this  
34 Division II.

1 23-307.

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

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

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

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

11 (3) A member may only purchase service credit under this subsection for  
12 employment with:

13 (i) the State;

14 (ii) a political subdivision in the State;

15 (iii) an out-of-state school as a teacher;

16 (iv) the federal government;

17 (v) an out-of-state political subdivision; [or]

18 (vi) a public OR NONPUBLIC school as a teacher; OR

19 (VII) A POSTSECONDARY SCHOOL AS A TEACHER.

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

22 (2) In the year of retirement, a member of the Employees' Pension  
23 System may purchase credit for eligibility service for periods of employment with the  
24 State for which the member is not otherwise entitled to service credit in a State  
25 system.

26 (3) [A] EXCEPT AS PROVIDED IN PARAGRAPH (4) OF THIS SUBSECTION,  
27 A member who purchases service credit under this subsection, may not purchase:

28 (i) more than a total of 10 years of service credit in the Employees'  
29 Pension System; or

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

32 (4) A MEMBER WHO PURCHASES SERVICE CREDIT UNDER THIS  
33 SUBSECTION FOR EMPLOYMENT AS A POST SECONDARY SCHOOL TEACHER MAY NOT

1 PURCHASE MORE THAN A TOTAL OF 5 YEARS OF SERVICE CREDIT IN THE  
2 EMPLOYEES' PENSION SYSTEM.

3 (5) To purchase service credit under this subsection, a member must:

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

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

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

13 23-308.

14 (g) (1) [The] EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS  
15 SUBSECTION, THE total amount of service credit in the Teachers' Retirement System  
16 or Teachers' Pension System that a member may purchase under this section and §  
17 23-308.2 of this subtitle may not exceed 10 years.

18 (2) A MEMBER WHO PURCHASES SERVICE CREDIT UNDER THIS  
19 SUBSECTION FOR EMPLOYMENT AS A POSTSECONDARY SCHOOL TEACHER MAY NOT  
20 PURCHASE MORE THAN A TOTAL OF 5 YEARS OF SERVICE CREDIT IN THE TEACHERS'  
21 PENSION SYSTEM.

22 24-305.

23 (a) A member may purchase service credit as provided in subsection (b) of this  
24 section:

25 (1) for a period of employment when the member was on an  
26 employer-approved leave of absence not exceeding 2 years that has qualified for  
27 purchase under regulations adopted by the Board of Trustees; OR

28 (2) WHEN MEMBERSHIP WAS MANDATORY BUT FOR WHICH MEMBER  
29 CONTRIBUTIONS WERE NOT MADE.

30 24-405.

31 (a) Except as provided in [subsection (d) of this section] § 24-405.1 OF THIS  
32 SUBTITLE and subject to subsections (b) and (c) of this section, an individual who is  
33 receiving a service retirement allowance or vested allowance may accept employment  
34 with a participating employer on a temporary basis, if:

35 (1) the employment is not in a regularly allocated position; and

36 (2) the individual immediately notifies the Board of Trustees:

1 (i) of the individual's intention to accept the employment; and

2 (ii) of the compensation that the individual will receive.

3 (b) (1) This subsection does not apply to:

4 (i) an individual who has been retired for [more than 10 years] 9  
5 YEARS, BEGINNING ON JANUARY 1, AFTER THE DATE THE INDIVIDUAL RETIRES; or

6 (ii) an individual who participates in the Deferred Retirement  
7 Option Program established under § 24-401.1 of this subtitle.

8 (2) The Board of Trustees shall reduce an individual's allowance by the  
9 amount that the sum of the individual's initial annual basic allowance and the  
10 individual's annual compensation exceeds the average final compensation used to  
11 compute the basic allowance.

12 (c) For purposes of this section, employment is not on a temporary basis if, in  
13 any 12-month period, an individual works:

14 (1) full time for more than 6 months; or

15 (2) part time for the equivalent of more than 6 months of full-time work.

16 [(d) An individual who is rehired under this section may not be rehired within  
17 45 days of the date the individual retired if the individual's current employer is any  
18 unit of State government and the individual's employer at the time of the individual's  
19 last separation from employment with the State before the individual commenced  
20 receiving a service retirement allowance was also a unit of State government.]

21 24-405.1.

22 A RETIREE OF THE STATE POLICE RETIREMENT SYSTEM WHO IS REHIRED ON A  
23 PERMANENT, TEMPORARY, OR CONTRACTUAL BASIS MAY NOT BE REHIRED WITHIN  
24 45 DAYS OF THE DATE THE INDIVIDUAL RETIRED IF THE INDIVIDUAL'S CURRENT  
25 EMPLOYER IS ANY UNIT OF STATE GOVERNMENT AND THE INDIVIDUAL'S EMPLOYER  
26 AT THE TIME OF THE INDIVIDUAL'S LAST SEPARATION FROM EMPLOYMENT WITH  
27 THE STATE BEFORE THE INDIVIDUAL COMMENCED RECEIVING A SERVICE  
28 RETIREMENT ALLOWANCE WAS ALSO A UNIT OF STATE GOVERNMENT.

29 25-305.

30 (a) A member may purchase service credit as provided in subsection (b) of this  
31 section for periods of employment for which the member:

32 (1) (I) would have been entitled to purchase service credit under the  
33 Employees' Retirement System; and

34 [(2)] (II) is not otherwise entitled to service credit under the Correctional  
35 Officers' Retirement System; OR

1 (2) WAS NOT VESTED IN THE EMPLOYEES' PENSION SYSTEM.

2 (b) (1) A member who purchases service credit under this section shall:

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

5 (ii) pay to the Board of Trustees in a single payment the member  
6 contributions the member would have made for the period of employment for which  
7 service credit is being purchased plus regular interest to the date of payment.

8 (2) A member may pay for service credit purchased under this section at  
9 any time before retirement.

10 25-306.

11 (c) A member may purchase service credit for a period of employment:

12 (1) not exceeding 10 years for out-of-state public school teaching service  
13 [or nonpublic school teaching service];

14 (2) NOT EXCEEDING 10 YEARS FOR PUBLIC OR NONPUBLIC SCHOOL  
15 TEACHING SERVICE;

16 (3) NOT EXCEEDING 5 YEARS FOR POSTSECONDARY SCHOOL TEACHING  
17 SERVICE;

18 [(2)] (4) not exceeding 10 years for federal service or out-of-state service  
19 with a political subdivision; or

20 [(3)] (5) as an employee of a political subdivision of this State if the  
21 employee is not receiving retirement benefits from a political subdivision of the State  
22 for the same period of employment.

23 25-403.

24 (b) (1) The Board of Trustees shall reduce the allowance of an individual  
25 who accepts employment as provided under subsection (a) of this section if the  
26 individual's current employer is any unit of State government and the individual's  
27 employer at the time of the individual's last separation from employment with the  
28 State before the individual commenced receiving a service retirement allowance or  
29 vested allowance was also a unit of State government.

30 (2) The reduction under paragraph (1) of this subsection shall equal the  
31 amount by which the sum of the individual's initial annual basic allowance and the  
32 individual's annual compensation exceeds the average final compensation used to  
33 compute the basic allowance.

34 (3) The reduction under this subsection does not apply to:



1 (i) an individual who has been retired for [more than 10 years] 9  
2 YEARS, BEGINNING ON JANUARY 1, AFTER THE DATE THE INDIVIDUAL RETIRES;

3 (ii) an individual whose average final compensation was less than  
4 \$10,000 and who is reemployed on a temporary or contractual basis; or

5 (iii) an individual who is serving in an elected position as an official  
6 of a participating governmental unit or as a constitutional officer for a county that is  
7 a participating governmental unit.

8 28-402.

9 (b) (1) The Board of Trustees shall reduce the allowance of an individual  
10 who accepts employment as provided under subsection (a) of this section if the  
11 individual's current employer is a participating employer other than the State and is  
12 the same participating employer that employed the individual at the time of the  
13 individual's last separation from employment with a participating employer before  
14 the individual commenced receiving a service retirement allowance or vested  
15 allowance.

16 (2) The reduction required under paragraph (1) of this subsection shall  
17 equal the amount that the sum of the individual's initial annual basic allowance and  
18 the individual's annual compensation exceeds the average final compensation used to  
19 compute the basic allowance.

20 (3) Except for an individual whose allowance is subject to a reduction as  
21 provided under paragraph (1) of this subsection, the reduction of an allowance under  
22 this subsection does not apply to:

23 (i) an individual whose average final compensation was less than  
24 \$10,000 and who is reemployed on a temporary or contractual basis; [or]

25 (ii) an individual who is serving in an elected position as an official  
26 of a participating governmental unit or as a constitutional officer for a county that is  
27 a participating governmental unit; OR

28 (III) AN INDIVIDUAL WHO HAS BEEN RETIRED FOR 9 YEARS,  
29 BEGINNING ON JANUARY 1 AFTER THE DATE THE INDIVIDUAL RETIRES.

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

32 **Article - State Personnel and Pensions**

33 29-115.

34 (a) (1) This section applies only to a disability retiree who is not eligible to  
35 receive a normal service retirement.

1           (2)       This section does not apply to a disability retiree of the State Police  
2 Retirement System or the Law Enforcement Officers' Pension System if the retiree is  
3 reemployed by a participating employer in any position other than a probationary  
4 status law enforcement officer, a law enforcement officer, or chief, as defined in §  
5 3-101 of the Public Safety Article.

6       (b)       (1)       (i)       Except as provided in subsection (a)(2) of this section, the Board  
7 of Trustees shall, after giving notice, temporarily suspend the retiree's allowance if  
8 the retiree:

9                               1.       began receiving a disability retirement allowance on or  
10 after July 1, 1998; and

11                           2.       is employed by a participating employer at an annual  
12 compensation that is at least equal to the retiree's average final compensation at  
13 retirement.

14                   (ii)       A temporary suspension under this subsection shall begin as of  
15 the date the retiree is reemployed by a participating employer under subparagraph  
16 (i)2 of this paragraph.

17           (2)       A retiree whose allowance is temporarily suspended under this  
18 subsection is not subject to a reduction as provided in § 29-116 of this subtitle during  
19 the period of employment by a participating employer.

20           (3)       Upon receiving satisfactory documentation that the retiree is no  
21 longer employed by a participating employer, the Board of Trustees shall reinstate the  
22 retiree's allowance with accumulated cost-of-living adjustments from the date the  
23 allowance was temporarily suspended.

24           (4)       The retiree's allowance will be reinstated on the first day of the  
25 month following the month in which the retiree ceased employment with the  
26 participating employer.

27       (c)       [A member who retires on or after July 1, 1982, and receives a disability  
28 retirement allowance shall provide yearly medical and earnings information on  
29 request of the Board of Trustees until the retiree attains normal retirement age.

30       (d)]       If the retiree refuses to provide the information, the Board of Trustees  
31 shall suspend the retiree's allowance until the information is provided.

32       SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall  
33 be construed to apply retroactively and shall be applied to and interpreted to affect  
34 any individual who on or after January 1, 2005, was granted a disability retirement  
35 allowance from the Board of Trustees of the State Retirement and Pension System.

36       SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect  
37 July 1, 2006.