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

Introduced and read first time: February 10, 2006

Assigned to: Appropriations

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 19, 2006

CHAPTER_____

1 AN ACT concerning

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

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

24 BY repealing and reenacting, with amendments,

25 Article - Education

26 Section 6-116(d)

27 Annotated Code of Maryland

1 (2004 Replacement Volume and 2005 Supplement)

2 BY repealing and reenacting, with amendments,

3 Article - State Personnel and Pensions

4 Section 21-312, 22-304(c) and (d), 22-305(c) and (d), 23-307(a) and (b),

5 23-308(g), 24-305(a), 24-405, 25-305, 25-306(c), 25-403(b), 28-402(b),

6 ~~and 29-115~~ 29-115, and 37-201(d)

7 Annotated Code of Maryland

8 (2004 Replacement Volume and 2005 Supplement)

9 BY adding to

10 Article - State Personnel and Pensions

11 Section 24-405.1

12 Annotated Code of Maryland

13 (2004 Replacement Volume and 2005 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF

15 MARYLAND, That the Laws of Maryland read as follows:

16 Article - Education

17 6-116.

18 (d) (1) A fellow shall receive an annual compensation that consists of:

19 (i) A salary at the level and step the fellow would have received

20 according to the salary scale of the employer school system; and

21 (ii) A \$20,000 annual stipend.

22 (2) [The compensation described under paragraph (1) of this subsection

23 shall be included in the State calculation for retirement purposes under Titles 22 and

24 23 of the State Personnel and Pensions Article.

25 (3) For each year of the fellow's placement in a receiving school, the

26 Department shall issue a grant to the receiving school system in an amount that

27 covers:

[illegible]

29 (ii) If the fellow's salary at the level and step on the salary scale of

30 the receiving school system as of July 1 is less than that of the level and step on the

31 salary scale of the employer school system, the amount of the difference.

32 [(4)] (3) The receiving school system shall reimburse the employer

33 school system for:

34 (i) The salary of the fellow;

- 1 (ii) The annual stipend; and
- 2 (iii) The fringe benefit costs associated with the fellow's annual
- 3 salary including the stipend.

4 **Article - State Personnel and Pensions**

5 21-312.

6 (a) To determine the earnable compensation of a member in a payroll period,

7 the Board of Trustees may deem that the rate of annual compensation payable to the

8 member on the first day of the payroll period continues throughout the payroll period.

9 (b) The Board of Trustees may omit member contributions for a period less

10 than a full payroll period for an individual who was not a member on the first day of

11 the payroll period.

12 (c) To facilitate the making of member contributions, the Board of Trustees

13 may modify the member contribution required of any member by an amount not

14 exceeding 0.1% of the annual earnable compensation on the basis of which the

15 member contribution is to be made.

16 (d) (1) The member contributions provided for under this Division II shall be

17 made notwithstanding any resulting reduction in the actual compensation received

18 below the minimum compensation provided for by law for a member.

19 (2) Each member is deemed to agree to make the member contributions

20 required by this Division II and to have received full compensation.

21 (3) Except for the benefits provided under this Division II, payment of

22 compensation less any member contribution is a complete discharge of all claims for

23 services rendered by an employee during the time covered by the payment.

24 (E) IF A MEMBER DOES NOT MAKE THE MEMBER CONTRIBUTIONS REQUIRED

25 BY THIS DIVISION II, ON RETIREMENT, THE MEMBER'S RETIREMENT ALLOWANCE

26 SHALL BE REDUCED BY THE ACTUARIAL EQUIVALENT OF THE MISSED

27 ACCUMULATED CONTRIBUTIONS, INCLUDING REGULAR INTEREST ON THOSE

28 CONTRIBUTIONS AT THE STATUTORY RATE OF 5% PER YEAR EARNED ON MEMBER

29 CONTRIBUTIONS IN THE MEMBER'S SYSTEM, COMPOUNDED ANNUALLY.

30 22-304.

31 (c) (1) A member of the Employees' Retirement System may purchase

32 service credit for a period of employment:

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

34 (ii) as a member of the State Police Retirement System for which

35 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; OR

1 (III) MORE THAN A TOTAL OF 5 YEARS OF SERVICE CREDIT IN THE
2 EMPLOYEES' PENSION SYSTEM FOR EMPLOYMENT AS A POSTSECONDARY SCHOOL
3 TEACHER.

4 ~~(4) A MEMBER WHO PURCHASES SERVICE CREDIT UNDER THIS~~
5 ~~SUBSECTION FOR EMPLOYMENT AS A POST SECONDARY SCHOOL TEACHER MAY NOT~~
6 ~~PURCHASE MORE THAN A TOTAL OF 5 YEARS OF SERVICE CREDIT IN THE~~
7 ~~EMPLOYEES' PENSION SYSTEM.~~

8 ~~(5)~~ (4) To purchase service credit under this subsection, a member
9 must:

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

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

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

19 23-308.

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

24 (2) A MEMBER WHO PURCHASES SERVICE CREDIT UNDER THIS
25 SUBSECTION FOR EMPLOYMENT AS A POSTSECONDARY SCHOOL TEACHER MAY NOT
26 PURCHASE MORE THAN A TOTAL OF 5 YEARS OF SERVICE CREDIT IN THE TEACHERS'
27 PENSION SYSTEM MAY NOT PURCHASE MORE THAN 5 YEARS OF SERVICE CREDIT IN
28 THE TEACHERS' PENSION SYSTEM FOR EMPLOYMENT AS A POSTSECONDARY SCHOOL
29 TEACHER.

30 24-305.

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

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

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

1 24-405.

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

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

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

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

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

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

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

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

15 (2) The Board of Trustees shall reduce an individual's allowance by the
16 amount that the sum of the individual's initial annual basic allowance and the
17 individual's annual compensation exceeds the average final compensation used to
18 compute the basic allowance.

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

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

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

23 [(d) An individual who is rehired under this section may not be rehired within
24 45 days of the date the individual retired if the individual's current employer is any
25 unit of State government and the individual's employer at the time of the individual's
26 last separation from employment with the State before the individual commenced
27 receiving a service retirement allowance was also a unit of State government.]

28 24-405.1.

29 A RETIREE OF THE STATE POLICE RETIREMENT SYSTEM WHO IS REHIRED ON A
30 PERMANENT, TEMPORARY, OR CONTRACTUAL BASIS MAY NOT BE REHIRED WITHIN
31 45 DAYS OF THE DATE THE INDIVIDUAL RETIRED IF THE INDIVIDUAL'S CURRENT
32 EMPLOYER IS ANY UNIT OF STATE GOVERNMENT AND THE INDIVIDUAL'S EMPLOYER
33 AT THE TIME OF THE INDIVIDUAL'S LAST SEPARATION FROM EMPLOYMENT WITH
34 THE STATE BEFORE THE INDIVIDUAL COMMENCED RECEIVING A SERVICE
35 RETIREMENT ALLOWANCE WAS ALSO A UNIT OF STATE GOVERNMENT.

1 25-305.

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

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

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

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

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

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

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

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

17 25-306.

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

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

21 (2) NOT EXCEEDING 10 YEARS FOR PUBLIC OR NONPUBLIC SCHOOL
22 TEACHING SERVICE;

23 (3) NOT EXCEEDING 5 YEARS FOR POSTSECONDARY SCHOOL TEACHING
24 SERVICE;

25 [(2)] (4) not exceeding 10 years for federal service or out-of-state service
26 with a political subdivision; or

27 [(3)] (5) as an employee of a political subdivision of this State if the
28 employee is not receiving retirement benefits from a political subdivision of the State
29 for the same period of employment.

30 25-403.

31 (b) (1) The Board of Trustees shall reduce the allowance of an individual
32 who accepts employment as provided under subsection (a) of this section if the
33 individual's current employer is any unit of State government and the individual's
34 employer at the time of the individual's last separation from employment with the

1 State before the individual commenced receiving a service retirement allowance or
2 vested allowance was also a unit of State government.

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

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

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

10 (ii) an individual whose average final compensation was less than
11 \$10,000 and who is reemployed on a temporary or contractual basis; or

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

15 28-402.

16 (b) (1) The Board of Trustees shall reduce the allowance of an individual
17 who accepts employment as provided under subsection (a) of this section if the
18 individual's current employer is a participating employer other than the State and is
19 the same participating employer that employed the individual at the time of the
20 individual's last separation from employment with a participating employer before
21 the individual commenced receiving a service retirement allowance or vested
22 allowance.

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

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

30 (i) an individual whose average final compensation was less than
31 \$10,000 and who is reemployed on a temporary or contractual basis; [or]

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

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

1 37-101.

2 (d) "Contributory system" means a State or local retirement or pension
3 system[, other than the State Contributory Employees' Pension System, the State
4 Contributory Law Enforcement Officers' Pension System, or the State Contributory
5 Teachers' Pension System,] under which member contributions are deducted from all
6 compensation.

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

9 **Article - State Personnel and Pensions**

10 29-115.

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

13 (2) This section does not apply to a disability retiree of the State Police
14 Retirement System or the Law Enforcement Officers' Pension System if the retiree is
15 reemployed by a participating employer in any position other than a probationary
16 status law enforcement officer, a law enforcement officer, or chief, as defined in §
17 3-101 of the Public Safety Article.

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

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

23 2. is employed by a participating employer at an annual
24 compensation that is at least equal to the retiree's average final compensation at
25 retirement.

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

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

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

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

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

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

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

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