
By: **Senators McFadden, Colburn, and Munson**

Introduced and read first time: February 1, 2006

Assigned to: Budget and Taxation

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 HAS AT LEAST 20 AND LESS
17 THAN 25 YEARS OF ELIGIBILITY SERVICE.18 (D) (1) AN ELIGIBLE MEMBER MAY ELECT TO PARTICIPATE IN THE DROP
19 FOR A PERIOD NOT TO EXCEED THE LESSER OF:

20 (I) 5 YEARS; OR

21 (II) A TERM SELECTED BY THE MEMBER.

22 (2) A MEMBER WHO HAS MORE THAN 25 YEARS OF SERVICE ON JULY 1,
23 2006, MAY ELECT TO PARTICIPATE IN THE DROP FOR A PERIOD NOT TO EXCEED 5
24 YEARS, IF THE ELECTION IS MADE UNDER SUBSECTION (E) OF THIS SECTION ON OR
25 BEFORE DECEMBER 31, 2006.26 (E) (1) AN ELIGIBLE MEMBER WHO ELECTS TO PARTICIPATE IN THE DROP
27 SHALL:28 (I) COMPLETE AND SUBMIT A WRITTEN ELECTION FORM TO THE
29 BOARD OF TRUSTEES, ON THE FORM THAT THE BOARD OF TRUSTEES PROVIDES,
30 STATING:31 1. THE MEMBER'S INTENTION TO PARTICIPATE IN THE
32 DROP;

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

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

3 4. THE DATE WHEN THE MEMBER INTENDS TO TERMINATE
4 EMPLOYMENT WITH THE STATE IN THE FORM OF A BINDING LETTER OF
5 RESIGNATION ACCEPTED BY THE COMMISSIONER OF CORRECTIONS OR THE
6 COMMISSIONER'S DESIGNEE OF THE DEPARTMENT FOR WHICH THE MEMBER IS
7 EMPLOYED; AND

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

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

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

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

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

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

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

26 (2) DIES;

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

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

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

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

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

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

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

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

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

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

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

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

24 (5) DURING THE PERIOD THAT A DROP MEMBER PARTICIPATES IN THE
25 DROP, THE DROP MEMBER SHALL:

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

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

34 (III) RECEIVE RETIREMENT BENEFITS ONLY TO THE EXTENT
35 PROVIDED IN THIS SECTION.

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

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

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

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

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

19 (I) THE DATE OF TERMINATION OF THE DROP MEMBER'S
20 PARTICIPATION IN THE DROP;

21 (II) THE RECEIPT BY THE BOARD OF TRUSTEES OF A COMPLETED
22 APPLICATION TO RECEIVE THE DROP AMOUNT, ON THE FORM THAT THE BOARD OF
23 TRUSTEES PROVIDES; AND

24 (III) THE RECEIPT BY THE BOARD OF TRUSTEES OF ANY OTHER
25 INFORMATION THAT THE BOARD OF TRUSTEES REQUIRES TO PROCESS PAYMENT OF
26 THE DROP MEMBER'S ACCOUNT BALANCE TO THE DROP PARTICIPANT, THE
27 DESIGNATED BENEFICIARY OF THE DROP PARTICIPANT, OR THE CUSTODIAN OF AN
28 ELIGIBLE RETIREMENT PLAN.

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

36 (2) IF A DROP MEMBER DIES BEFORE TERMINATION OF THE DROP
37 MEMBER'S PARTICIPATION IN THE DROP, THE BOARD OF TRUSTEES SHALL PAY THE
38 RETIREMENT ALLOWANCE SELECTED BY THE DROP MEMBER, INCLUDING THE
39 COST-OF-LIVING ADJUSTMENTS AS PROVIDED IN TITLE 29, SUBTITLE 4, PART III OF
40 THIS ARTICLE, TO THE BENEFICIARY.

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

3 (2) IF THE BOARD OF TRUSTEES GRANTS A DROP MEMBER AN
4 ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE, THE DROP MEMBER MAY ELECT
5 TO RECEIVE THE ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE OR CONTINUE
6 TO PARTICIPATE IN THE DROP.

7 (3) (I) IF A DROP MEMBER ELECTS TO RECEIVE AN ACCIDENTAL
8 DISABILITY RETIREMENT ALLOWANCE INSTEAD OF CONTINUING TO PARTICIPATE IN
9 THE DROP, THE DROP MEMBER SHALL:

10 1. SUBMIT AN APPLICATION TO THE BOARD OF TRUSTEES,
11 ON THE FORM THE BOARD OF TRUSTEES PROVIDES, TO RECEIVE PAYMENT OF THE
12 AMOUNT ACCRUED IN THE DROP IN ACCORDANCE WITH SUBSECTION (I) OF THIS
13 SECTION;

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

16 3. SUBMIT AN APPLICATION TO RETIRE WITH AN
17 ACCIDENTAL DISABILITY RETIREMENT ALLOWANCE, ON THE FORM THE BOARD OF
18 TRUSTEES PROVIDES, STATING THE EFFECTIVE DATE OF THE DROP MEMBER'S
19 RETIREMENT AS AN ACCIDENTAL DISABILITY RETIREE.

20 (II) ON ACCEPTANCE OF THE APPLICATION FOR PAYMENT AND
21 APPLICATION TO RETIRE, THE BOARD OF TRUSTEES SHALL COMMENCE PAYMENT OF
22 AN ACCIDENTAL DISABILITY ALLOWANCE TO THE DROP MEMBER AS PROVIDED IN §
23 29-110 OF THIS ARTICLE, EXCEPT THAT THE DROP MEMBER'S AVERAGE FINAL
24 COMPENSATION SHALL BE COMPUTED AS OF THE EFFECTIVE DATE OF THE DROP
25 MEMBER'S APPLICATION FOR AN ACCIDENTAL DISABILITY RETIREMENT
26 ALLOWANCE.

27 SECTION 3. AND BE IT FURTHER ENACTED, That, on or before July 1, 2006,
28 the State Retirement Agency shall request a determination letter from the Internal
29 Revenue Service that confirms the continued qualification under § 401 of the Internal
30 Revenue Code of the Correctional Officers' Retirement System, as amended by the
31 Deferred Retirement Option Program established under Section 2 of this Act.

32 SECTION 4. AND BE IT FURTHER ENACTED, That Sections 1 and 2 of this
33 Act shall take effect contingent on receipt of a determination letter from the Internal
34 Revenue Service that confirms that the Correctional Officers' Retirement System, as
35 amended by the Deferred Retirement Option Program, is a qualified plan under § 401
36 of the Internal Revenue Code. If a favorable determination letter is received, Sections
37 1 and 2 of this Act shall take effect the first day of the month after the State
38 Retirement Agency receives the letter. If the State Retirement Agency does not
39 receive a favorable determination letter, Sections 1 and 2 of this Act, with no further
40 action required by the General Assembly, shall be null and void and of no further force
41 and effect. The State Retirement Agency, within 5 days after receiving the
42 determination letter from the Internal Revenue Service, shall forward a copy of the

1 ruling to the Department of Legislative Services, 90 State Circle, Annapolis,
2 Maryland 21401.

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