

ENROLLED BILL

-- Budget and Taxation/Appropriations --

Introduced by ~~Senator Klausmeier~~ **Senators Klausmeier, Kasemeyer, Currie, Hogan, DeGrange, Jones, Kramer, Lawlah, McFadden, Munson, Ruben, and Schrader Schrader, Miller, Astle, Brinkley, Britt, Brochin, Colburn, Conway, Della, Dyson, Forehand, Frosh, Garagiola, Giannetti, Green, Grosfeld, Hafer, Hollinger, Hooper, Hughes, Jacobs, Jimeno, Kelley, Kittleman, Middleton, Mooney, Pinsky, Pipkin, Stone, and Teitelbaum**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this _____ day of _____ at _____ o'clock, _____ M.

President.

CHAPTER _____

1 AN ACT concerning

2 **Employees' and Teachers' Pension Systems – Pension Benefit Enhancement**
3 **State Employees' and Teachers' Retirement Enhancement Benefit Act of 2006**

4 FOR the purpose of altering the formula used to calculate the normal service
5 retirement allowances of certain members of the Employees' Pension System or
6 the Teachers' Pension System as of a certain date; providing for an alternate
7 contributory pension selection for certain members of the Employees' Pension
8 System and the Teachers' Pension System; providing for the member
9 contribution rate and benefits for certain members of the Employees' Pension
10 System and the Teachers' Pension System under a certain alternate
11 contributory pension selection option; ~~stating the intent of the General~~
12 ~~Assembly to allow participating governmental units to elect to participate in a~~

1 ~~certain alternate contribution pension selection; requiring the State Retirement~~
 2 ~~Agency to study and address issues related to allowing participating~~
 3 ~~governmental units to elect to participate in a certain alternate contributory~~
 4 ~~pension selection and to submit draft legislation to the Joint Committee on~~
 5 ~~Pensions by a certain date; authorizing certain governmental units that~~
 6 ~~participate in the Employees' Pension System to elect to participate in the~~
 7 ~~alternate contributory pension selection under this Act; providing that the~~
 8 ~~election by a participating governmental unit to participate is irrevocable;~~
 9 ~~providing for a certain purchase of service credit by certain employees of~~
 10 ~~participating governmental units that elect to participate in the alternate~~
 11 ~~contributory pension selection under this Act; requiring the Joint Committee on~~
 12 ~~Pensions to commission a certain study by an actuarial consulting firm on or~~
 13 ~~before a certain date and periodically thereafter; requiring that the findings of~~
 14 ~~the actuarial consulting firm be submitted to the Joint Committee on Pensions on~~
 15 ~~or before a certain date of certain years; requiring the State actuary to prepare a~~
 16 ~~certain evaluation on or before a certain date; defining a certain term; and~~
 17 generally relating to enhancements and modifications to pension and retirement
 18 benefits for State employees and teachers.

19 BY repealing and reenacting, with amendments,
 20 Article - State Personnel and Pensions
 21 Section 23-212, 23-217, ~~and 23-401~~ 23-401, and 31-112
 22 Annotated Code of Maryland
 23 (2004 Replacement Volume and 2005 Supplement)

24 BY adding to
 25 Article - State Personnel and Pensions
 26 Section 21-125.1; 23-221 and 23-222 to be under the new part "Part
 27 III. Alternate Contributory Pension Selection"; 23-307.5, and 31-116.1
 28 Annotated Code of Maryland
 29 (2004 Replacement Volume and 2005 Supplement)

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

32 **Article - State Personnel and Pensions**

33 21-125.1.

34 (A) BEGINNING ON OR BEFORE SEPTEMBER 1, 2008, AND EVERY 5 YEARS
 35 THEREAFTER, THE JOINT COMMITTEE ON PENSIONS SHALL COMMISSION AN
 36 ACTUARIAL CONSULTING FIRM TO CONDUCT A STUDY OF THE SEVERAL SYSTEMS IN
 37 ADDITION TO THE ACTUARIAL INVESTIGATION AND VALUATION PERFORMED BY THE
 38 ACTUARY UNDER § 21-125 OF THIS SUBTITLE AND A COMPARISON OF THE SEVERAL
 39 SYSTEMS WITH OTHER SIMILARLY SITUATED PUBLIC PENSION PLANS.

1 (B) THE ACTUARIAL CONSULTING FIRM SHALL CONSIDER THE FOLLOWING
 2 ISSUES WITH REGARD TO THE SEVERAL SYSTEMS AND OTHER SIMILARLY SITUATED
 3 PUBLIC PENSION PLANS:

4 (1) THE FUNDING STATUS OF THE STATE RETIREMENT AND PENSION
 5 SYSTEM, INCLUDING ITS CURRENT UNFUNDED ACCRUED LIABILITY;

6 (2) THE COMPOSITION OF THE SEVERAL SYSTEMS, INCLUDING:

7 (I) THE NUMBER OF ACTIVE MEMBERS, RETIREES, DISABILITY
 8 RETIREES, AND BENEFICIARIES OF ALL RETIREES;

9 (II) THE AVERAGE ANNUAL SALARIES OF THE ACTIVE MEMBERS IN
 10 THE VARIOUS PLANS IN THE STATE RETIREMENT AND PENSION SYSTEM;

11 (III) THE AVERAGE ANNUAL BENEFITS OF THE RETIREES AND
 12 BENEFICIARIES OF THE STATE RETIREMENT AND PENSION SYSTEM; AND

13 (IV) THE AVERAGE AGE AND YEARS OF SERVICE OF ACTIVE
 14 MEMBERS RETIRING FROM THE VARIOUS PLANS IN THE STATE RETIREMENT AND
 15 PENSION SYSTEM; AND

16 (3) THE BENEFIT LEVELS PROVIDED BY THE VARIOUS STATE SYSTEMS,
 17 INCLUDING A COMPARISON OF MEMBER CONTRIBUTION RATES AND THE ACCRUAL
 18 RATES.

19 (C) THE FINDINGS OF THE ACTUARIAL CONSULTING FIRM SHALL BE
 20 SUBMITTED TO THE JOINT COMMITTEE ON PENSIONS ON OR BEFORE DECEMBER 31,
 21 OF THE YEAR OF STUDY, IN ACCORDANCE WITH § 2-1246 OF THE STATE
 22 GOVERNMENT ARTICLE.

23 23-212.

24 (a) Except as [provided in subsection (b) of] OTHERWISE PROVIDED IN this
 25 section, a member's contribution rate is 5% of the part of the member's earnable
 26 compensation that exceeds the taxable wage base for each year.

27 (b) The contribution rate of a member who is subject to the contributory
 28 pension benefit under Part II of this subtitle is 2% of the member's earnable
 29 compensation.

30 (C) THE CONTRIBUTION RATE OF A MEMBER ~~OF THE EMPLOYEES' PENSION~~
 31 ~~SYSTEM OR THE TEACHERS' PENSION SYSTEM~~ WHO IS SUBJECT TO THE ALTERNATE
 32 CONTRIBUTORY PENSION SELECTION UNDER PART III OF THIS SUBTITLE IS:

33 (1) 3% OF THE MEMBER'S EARNABLE COMPENSATION RECEIVED ~~ON OR~~
 34 ~~BEFORE JUNE 30, 2007~~ FROM JULY 1, 2006 TO JUNE 30, 2007, BOTH INCLUSIVE;

35 (2) 4% OF THE MEMBER'S EARNABLE COMPENSATION RECEIVED FROM
 36 JULY 1, 2007; TO JUNE 30, 2008, BOTH INCLUSIVE; AND

1 (3) 5% OF THE MEMBER'S EARNABLE COMPENSATION RECEIVED ON OR
2 AFTER JULY 1, 2008.

3 23-217.

4 (a) Except as provided in subsection (b) of this section, this Part II of this
5 subtitle applies to an individual who is:

6 (1) a member of the Employees' Pension System or the Teachers' Pension
7 System; or

8 (2) a member of the Employees' Retirement System or the Teachers'
9 Retirement System subject to Selection C (Combination Formula) as provided in
10 § 22-221 of this article.

11 (b) This Part II of this subtitle does not apply to an individual who is:

12 (1) an employee of:

13 (i) a participating governmental unit that has not elected the
14 contributory pension benefit for its employees under § 31-116 of this article; or

15 (ii) a former participating governmental unit, other than Frederick
16 County, that has withdrawn; [or]

17 (2) a member of the Employees' Pension System or Teachers' Pension
18 System who transferred from the Employees' Retirement System or Teachers'
19 Retirement System after April 1, 1998; OR

20 (3) ~~A MEMBER OF THE EMPLOYEES' PENSION SYSTEM OR TEACHERS'~~
21 ~~PENSION SYSTEM WHO IS SUBJECT TO THE ALTERNATE CONTRIBUTORY PENSION~~
22 ~~SELECTION UNDER PART III OF THIS SUBTITLE.~~

23 23-219. RESERVED.

24 23-220. RESERVED.

25 PART III. ALTERNATE CONTRIBUTORY PENSION SELECTION.

26 23-221.

27 (A) IN THIS SECTION, "ACTIVE MEMBER" MEANS A MEMBER WHO IS NOT
28 SEPARATED FROM EMPLOYMENT WITH THE STATE OR A PARTICIPATING EMPLOYER
29 OF THE STATE.

30 (A) (B) EXCEPT AS PROVIDED IN SUBSECTION (B) (C) OF THIS SECTION, THIS
31 PART APPLIES TO AN INDIVIDUAL WHO IS A ON OR AFTER JUNE 30, 2006, IS:

32 (1) AN ACTIVE MEMBER OF THE EMPLOYEES' PENSION SYSTEM OR
33 TEACHERS' PENSION SYSTEM ON OR AFTER JULY 1, 2006 SYSTEM; OR

1 (2) A MEMBER OF THE TEACHERS' RETIREMENT SYSTEM OR
 2 EMPLOYEES' RETIREMENT SYSTEM WHO IS SUBJECT TO SELECTION C
 3 (COMBINATION FORMULA) AS PROVIDED IN § 22-221 OF THIS ARTICLE.

4 ~~(B)~~ (C) THIS PART III DOES NOT APPLY TO:

5 (1) AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL UNIT
 6 PARTICIPATING IN THE EMPLOYEES' PENSION SYSTEM THAT HAS NOT ELECTED TO
 7 PARTICIPATE IN THE ALTERNATE CONTRIBUTORY PENSION SELECTION UNDER §
 8 31-116.1 OF THIS ARTICLE OR A FORMER PARTICIPATING GOVERNMENTAL UNIT THAT
 9 HAS WITHDRAWN FROM THE EMPLOYEES' PENSION ~~SYSTEM.~~ SYSTEM; OR

10 (2) A MEMBER OF THE EMPLOYEES' PENSION SYSTEM OR THE
 11 TEACHERS' PENSION SYSTEM WHO TRANSFERRED FROM THE EMPLOYEES'
 12 RETIREMENT SYSTEM OR THE TEACHERS' RETIREMENT SYSTEM AFTER APRIL 1,
 13 1998.

14 23-222.

15 A MEMBER WHO IS SUBJECT TO THIS PART SHALL:

16 (1) RECEIVE AN ALLOWANCE FOR ALL CREDITABLE SERVICE AS
 17 FOLLOWS:

18 (I) FOR NORMAL SERVICE RETIREMENT AS PROVIDED IN
 19 § 23-401(D) OF THIS TITLE;

20 (II) FOR EARLY SERVICE RETIREMENT AS PROVIDED IN § 23-402 OF
 21 THIS TITLE;

22 (III) FOR ORDINARY DISABILITY RETIREMENT AS PROVIDED IN
 23 § 29-108 OF THIS ARTICLE; AND

24 (IV) FOR ACCIDENTAL DISABILITY RETIREMENT AS PROVIDED IN
 25 § 29-110 OF THIS ARTICLE;

26 (2) HAVE THE ALLOWANCE ADJUSTED AS PROVIDED IN TITLE 29,
 27 SUBTITLE 4 OF THIS ARTICLE; AND

28 (3) MAKE THE MEMBER CONTRIBUTIONS AT THE RATE SPECIFIED IN
 29 § 23-212(C) OF THIS SUBTITLE.

30 23-307.5.

31 (A) THIS SECTION APPLIES ONLY TO A FORMER MEMBER, MEMBER, RETIREE,
 32 OR SURVIVING BENEFICIARY OF THE EMPLOYEES' PENSION SYSTEM WHO, WHILE A
 33 MEMBER, WAS AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL UNIT THAT
 34 ELECTED THE ALTERNATE CONTRIBUTORY PENSION SELECTION FOR ITS
 35 EMPLOYEES UNDER § 31-116.1 OF THIS ARTICLE.

1 (B) EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION, A MEMBER
 2 WHO IS SUBJECT TO THE ALTERNATE CONTRIBUTORY PENSION SELECTION UNDER
 3 SUBTITLE 2, PART III OF THIS TITLE MAY PURCHASE CREDIT FOR ELIGIBILITY
 4 SERVICE FOR THE PERIOD OF EMPLOYMENT FROM JULY 1, 2006, THROUGH THE
 5 EFFECTIVE DATE OF ELECTION OF THE MEMBER'S PARTICIPATING EMPLOYER, BY
 6 PAYING TO THE BOARD OF TRUSTEES:

7 (1) ON OR BEFORE JUNE 30, 2007, THE AMOUNT THE MEMBER WOULD
 8 HAVE BEEN REQUIRED TO CONTRIBUTE FOR THAT PERIOD OF EMPLOYMENT; OR

9 (2) ON OR AFTER JULY 1, 2007, THE AMOUNT THE MEMBER WOULD HAVE
 10 BEEN REQUIRED TO CONTRIBUTE FOR THAT PERIOD OF EMPLOYMENT PLUS
 11 REGULAR INTEREST COMPOUNDED ANNUALLY.

12 (C) IF THE MEMBER FAILS TO MAKE THE PAYMENT AS PROVIDED UNDER
 13 SUBSECTION (B) OF THIS SECTION, THE BOARD OF TRUSTEES SHALL REDUCE
 14 ACTUARIALLY THE ALLOWANCE PAYABLE TO A FORMER MEMBER, RETIREE, OR
 15 SURVIVING BENEFICIARY OF A DECEASED MEMBER, FORMER MEMBER, OR RETIREE.
 16 23-401.

17 (a) A member may retire with a normal service retirement allowance if:

18 (1) the member completes and submits a written application to the
 19 Board of Trustees stating the date when the member desires to retire; and

20 (2) on or before the date of retirement, the member:

21 (i) has at least 30 years of eligibility service;

22 (ii) has a combined total of at least 30 years of eligibility service
 23 from the Employees' Pension System, the Teachers' Pension System, the Employees'
 24 Retirement System, or the Teachers' Retirement System; or

25 (iii) has attained the age and the years of eligibility service as
 26 follows:

Age	Years of Eligibility Service
28 62	with 5
29 63	with 4
30 64	with 3
31 65	or more with 2

32 (b) Except as provided in [subsections (c) and (d)] SUBSECTIONS (C), (D), AND
 33 (E) of this section, on retirement under this section, a member is entitled to receive a
 34 normal service retirement allowance that equals the number of years of the member's
 35 creditable service multiplied by:

36 (1) 0.8% of the member's average final compensation that is not in excess
 37 of the Social Security integration level; and

1 (2) 1.5% of the member's average final compensation that exceeds the
2 Social Security integration level.

3 (c) Except as provided in [subsection (d)] SUBSECTION (E) of this section, on
4 retirement under this section, a member who is subject to the contributory pension
5 benefit under Subtitle 2, Part II of this title is entitled to receive a normal service
6 retirement allowance that equals the sum of:

7 (1) the number of years of the member's creditable service on or after
8 July 1, 1998 multiplied by 1.4% of the member's average final compensation; and

9 (2) the greater of:

10 (i) the number of years of the member's creditable service on or
11 before June 30, 1998 multiplied by 1.2% of the member's average final compensation;
12 or

13 (ii) the number of years of the member's creditable service on or
14 before June 30, 1998 multiplied by:

15 1. 0.8% of the member's average final compensation that is
16 not in excess of the Social Security integration level; and

17 2. 1.5% of the member's average final compensation that
18 exceeds the Social Security integration level.

19 (d) EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS SECTION, A MEMBER
20 WHO IS SUBJECT TO THE ALTERNATE CONTRIBUTORY PENSION SELECTION UNDER
21 SUBTITLE 2, PART III OF THIS TITLE IS ENTITLED TO RECEIVE A NORMAL SERVICE
22 RETIREMENT ALLOWANCE THAT EQUALS THE SUM OF:

23 (1) THE GREATER OF:

24 (I) THE NUMBER OF YEARS OF THE MEMBER'S CREDITABLE
25 SERVICE ON OR BEFORE JUNE 30, 1998 MULTIPLIED BY 1.2% OF THE MEMBER'S
26 AVERAGE FINAL COMPENSATION; AND ~~AND~~ OR

27 (II) THE NUMBER OF YEARS OF THE MEMBER'S CREDITABLE
28 SERVICE ON OR BEFORE JUNE 30, 1998 MULTIPLIED BY:

29 1. 0.8% OF THE MEMBER'S AVERAGE FINAL
COMPENSATION
30 THAT IS NOT IN EXCESS OF THE SOCIAL SECURITY INTEGRATION LEVEL; AND

31 2. 1.5% OF THE MEMBER'S AVERAGE FINAL
COMPENSATION
32 THAT EXCEEDS THE SOCIAL SECURITY INTEGRATION LEVEL; AND

33 (2) THE NUMBER OF YEARS OF THE MEMBER'S CREDITABLE SERVICE ON
34 OR AFTER JULY 1, 1998 MULTIPLIED BY 1.8% OF THE MEMBER'S AVERAGE FINAL
35 COMPENSATION.

1 (E) (1) This subsection applies only to a member who has a combined total of
2 30 years of eligibility service as provided in subsection (a)(2)(ii) of this section.

3 (2) A member is entitled to receive a normal service retirement
4 allowance that equals:

5 (i) an allowance based on the creditable service the member
6 earned in the Employees' Pension System;

7 (ii) an allowance based on the creditable service the member
8 earned in the Employees' Retirement System;

9 (iii) an allowance based on the creditable service the member
10 earned in the Teachers' Pension System; plus

11 (iv) an allowance based on the creditable service the member
12 earned in the Teachers' Retirement System.

13 31-112.

14 (a) Subject to subsection (b) of this section, an employee of a participating
15 governmental unit who is a member of one of the employees' systems is entitled to the
16 benefits to which State employees are entitled under that system.

17 (b) (1) An employee of a participating governmental unit that has elected to
18 participate in:

19 (I) the contributory pension benefit option under § 31-116 of this
20 subtitle shall be subject to Title 23, Subtitle 2, Part II of this article; OR

21 (II) THE ALTERNATE CONTRIBUTORY BENEFIT SELECTION UNDER
22 § 31-116.1 OF THIS SUBTITLE SHALL BE SUBJECT TO TITLE 23, SUBTITLE 2, PART III
23 OF THIS ARTICLE.

24 (2) An employee of a participating governmental unit that has not elected
25 to participate in:

26 (I) the contributory pension benefit option under § 31-116 of this
27 subtitle is not subject to Title 23, Subtitle 2, Part II of this article; OR

28 (II) THE ALTERNATE CONTRIBUTORY BENEFIT SELECTION UNDER
29 § 31-116.1 OF THIS SUBTITLE IS NOT SUBJECT TO TITLE 23, SUBTITLE 2, PART III OF
30 THIS ARTICLE.

31 31-116.1.

32 (A) ON OR BEFORE JUNE 30, 2007, A PARTICIPATING GOVERNMENTAL UNIT
33 MAY ELECT TO PROVIDE ITS EMPLOYEES WITH THE ALTERNATE CONTRIBUTORY
34 PENSION SELECTION UNDER TITLE 23, SUBTITLE 2, PART III OF THIS ARTICLE BY
35 SUBMITTING ITS ELECTION ON A FORM PROVIDED BY THE STATE RETIREMENT
36 AGENCY.

1 (B) AN ELECTION BY A PARTICIPATING GOVERNMENTAL UNIT UNDER THIS
 2 SECTION IS IRREVOCABLE.

3 (C) (1) IF A PARTICIPATING GOVERNMENTAL UNIT ELECTS TO PROVIDE ITS
 4 EMPLOYEES WITH THE ALTERNATE CONTRIBUTORY PENSION SELECTION UNDER
 5 TITLE 23, SUBTITLE 2, PART III OF THIS ARTICLE, AN EMPLOYEE OF THE
 6 PARTICIPATING GOVERNMENTAL UNIT WHO IS A MEMBER OF THE EMPLOYEES'
 7 PENSION SYSTEM SHALL BE ENTITLED TO THE BENEFITS AS PROVIDED IN § 23-222
 8 OF THIS ARTICLE, EFFECTIVE ON THE LATER OF JULY 1, 2006, OR THE DATE THE
 9 EMPLOYEE BECAME A MEMBER OF THE EMPLOYEES' PENSION SYSTEM, UNLESS THE
 10 EMPLOYEE TRANSFERRED TO THE EMPLOYEES' PENSION SYSTEM FROM THE
 11 EMPLOYEES' RETIREMENT SYSTEM OR TEACHERS' RETIREMENT SYSTEM AFTER
 12 APRIL 1, 1998.

13 (2) IF AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL UNIT
 14 TRANSFERRED TO THE EMPLOYEES' PENSION SYSTEM FROM THE EMPLOYEES'
 15 RETIREMENT SYSTEM OR TEACHERS' RETIREMENT SYSTEM AFTER APRIL 1, 1998,
 16 THE EMPLOYEE IS NOT SUBJECT TO TITLE 23, SUBTITLE 2, PART III OF THIS ARTICLE
 17 AND IS NOT ENTITLED TO THE BENEFITS AS PROVIDED IN § 23-222 OF THIS ARTICLE.

18 ~~SECTION 2. AND BE IT FURTHER ENACTED, That it is the intent of the~~
 19 ~~General Assembly that participating governmental units in the Employees' Pension~~
 20 ~~System be allowed to elect to participate in the Alternate Contributory Pension~~
 21 ~~Selection established under this Act and that the State Retirement Agency shall:~~

22 (a) ~~study and address the issues relating to allowing participating~~
 23 ~~governmental units in the Employees' Pension System to elect to participate in the~~
 24 ~~Alternate Contributory Pension Selection established under this Act; and~~

25 (b) ~~prepare draft legislation to be submitted to the Joint Committee on~~
 26 ~~Pensions on or before December 1, 2006, that would allow participating governmental~~
 27 ~~units in the Employees' Pension System to elect to participate in the Alternate~~
 28 ~~Contributory Pension Selection established under this Act in a manner that is~~
 29 ~~retroactive to the effective date of this Act.~~

30 ~~SECTION 2. AND BE IT FURTHER ENACTED, That, on or before August 1,~~
 31 ~~2006, the State Actuary shall prepare an evaluation of the Employees' Pension System~~
 32 ~~to reflect the actuarial cost of the alternate contributory pension selection enacted~~
 33 ~~under this Act to the participating governmental units that are participating in the~~
 34 ~~Employees' Pension System on or before July 1, 2006.~~

35 ~~SECTION 2. 3.~~ AND BE IT FURTHER ENACTED, That this Act shall take
 36 effect July 1, 2006.

