

SENATE BILL 334

K4

71r2300

By: **Senator Gladden**

Introduced and read first time: February 1, 2007

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Employees' Pension System – Purchase of Service Credit**

3 FOR the purpose of providing that certain members of the Employees' Pension System
4 may purchase certain service credit in a certain manner; requiring the Board of
5 Trustees to hold certain contributions made by certain members of the
6 Employees' Pension System in trust earning regular interest; and generally
7 relating to the purchase of service credit in the Employees' Pension System.

8 BY repealing and reenacting, with amendments,
9 Article – State Personnel and Pensions
10 Section 23–307
11 Annotated Code of Maryland
12 (2004 Replacement Volume and 2006 Supplement)

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

15 **Article – State Personnel and Pensions**

16 23–307.

17 (a) (1) Except as provided in subsection (b) of this section, [in the year of
18 retirement] **AT ANY TIME PRIOR TO THE DATE A MEMBER RETIRES**, a member of
19 the Employees' Pension System may purchase credit for eligibility service of up to 10
20 years for periods of employment described in paragraph [(4)] **(3)** of this subsection for
21 which the member is not otherwise entitled to service credit.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

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

8 (i) the State;

9 (ii) a political subdivision in the State;

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

11 (iv) the federal government;

12 (v) an out-of-state political subdivision;

13 (vi) a public or nonpublic school as a teacher; or

14 (vii) a postsecondary school as a teacher.

15 (4) **(I) A MEMBER MAY PAY THE AMOUNT REQUIRED BY**
16 **PARAGRAPH (2) OF THIS SUBSECTION ON AN INSTALLMENT BASIS BY**
17 **CONTRIBUTING AT LEAST 2% OF EARNABLE COMPENSATION PER YEAR WITH**
18 **THE APPROPRIATE FINAL ADJUSTMENTS BEING MADE IN THE YEAR THE**
19 **MEMBER RETIRES.**

20 **(II) THE CONTRIBUTIONS MADE UNDER SUBPARAGRAPH (I)**
21 **OF THIS PARAGRAPH SHALL BE HELD IN TRUST BY THE BOARD OF TRUSTEES**
22 **FOR THE EXCLUSIVE BENEFIT OF THE MEMBER, EARNING REGULAR INTEREST.**

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

25 (2) **[In the year of retirement] AT ANY TIME PRIOR TO THE DATE A**
26 **MEMBER RETIRES,** a member of the Employees' Pension System may purchase credit

1 for eligibility service for periods of employment with the State for which the member is
2 not otherwise entitled to service credit in a State system.

3 (3) Except as provided in paragraph (4) of this subsection, a member
4 who purchases service credit under this subsection, may not purchase:

5 (i) more than a total of 10 years of service credit in the
6 Employees' Pension System;

7 (ii) service credit for any period of employment during which the
8 member participated in the optional retirement program; or

9 (iii) more than a total of 5 years of service credit in the
10 Employees' Pension System for employment as a postsecondary school teacher.

11 (4) To purchase service credit under this subsection, a member must:

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

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

17 **(5) (I) A MEMBER MAY PAY THE AMOUNT REQUIRED BY**
18 **PARAGRAPH (4) OF THIS SUBSECTION ON AN INSTALLMENT BASIS BY**
19 **CONTRIBUTING AT LEAST 2% OF EARNABLE COMPENSATION PER YEAR WITH**
20 **THE APPROPRIATE FINAL ADJUSTMENTS BEING MADE IN THE YEAR THE**
21 **MEMBER RETIRES.**

22 **(II) THE CONTRIBUTIONS MADE UNDER SUBPARAGRAPH (I)**
23 **OF THIS PARAGRAPH SHALL BE HELD IN TRUST BY THE BOARD OF TRUSTEES**
24 **FOR THE EXCLUSIVE BENEFIT OF THE MEMBER, EARNING REGULAR INTEREST.**

25 (c) (1) A member of the Employees' Pension System may purchase credit
26 for eligibility service for previous service in a position described in § 23-204(a) of this
27 title.

28 (2) To purchase the service credit, the member must pay in a single
29 payment, the contributions, with interest, that the Board of Trustees considers
30 appropriate.

1 (d) (1) A member of the Employees' Pension System who is employed by a
2 member of the State Senate or House of Delegates for at least 130 days per year as a
3 legislative employee before becoming a member is considered to have been a
4 permanent part-time legislative employee.

5 (2) A member described in paragraph (1) of this subsection may
6 purchase credit for eligibility service for that period of legislative employment by
7 paying to the Board of Trustees:

8 (i) for a period of employment on or before December 31, 1979,
9 the sum of:

10 1. the amount that the member would have been
11 required to contribute for that period of employment; and

12 2. interest on the member's contributions, compounded
13 annually; and

14 (ii) for a period of employment on or after January 1, 1980, the
15 sum of:

16 1. the amount that the member would have been
17 required to contribute for that period of employment;

18 2. the amount that the State would have been required
19 to contribute for the member for that period of employment; and

20 3. interest on the member's and State's contributions,
21 compounded annually.

22 (3) The rate of interest to be paid under this subsection is the average
23 for the 5 years preceding the year of payment of the yearly rate of interest computed
24 as the sum of the investment income and the realized gains and losses divided by the
25 book value of the total investments.

26 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
27 July 1, 2007.