

SENATE BILL 374

K4

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CF 8lr1980

By: **Senators McFadden, Currie, Kasemeyer, Kramer, Munson, and Robey**
Introduced and read first time: January 30, 2008
Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Employees' Retirement and Pension Systems - Purchase of Contractual**
3 **Service Credit**

4 FOR the purpose of allowing certain members of the Employees' Retirement System or
5 Employees' Pension System to purchase a certain amount of service credit;
6 requiring certain members of the Employees' Retirement System or Employees'
7 Pension System who purchase certain service credit to file certain documents
8 with the Board of Trustees for the State Retirement and Pension System;
9 providing the rate at which certain service credit shall be purchased; providing
10 that certain service credit that certain members purchase is applied toward
11 their retirement allowance using a certain accrual rate; and generally relating
12 to the purchase of service credit in the Employees' Retirement System or
13 Employees' Pension System.

14 BY repealing and reenacting, with amendments,
15 Article - State Personnel and Pensions
16 Section 22-304 and 23-307
17 Annotated Code of Maryland
18 (2004 Replacement Volume and 2007 Supplement)

19 BY adding to
20 Article - State Personnel and Pensions
21 Section 22-304.1 and 23-307.6
22 Annotated Code of Maryland
23 (2004 Replacement Volume and 2007 Supplement)

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

26 **Article - State Personnel and Pensions**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.



1 22-304.

2 (A) THIS SECTION DOES NOT APPLY TO A MEMBER WHO WAS EMPLOYED
3 BY THE STATE AS A CONTRACTUAL EMPLOYEE PRIOR TO JOINING THE
4 EMPLOYEES' RETIREMENT SYSTEM.

5 [a] (B) A member may purchase service credit as provided in subsection
6 [(b)](C) of this section for periods of employment described in subsection [(c) or (d)]
7 (D) OR (E) of this section for which the member is not otherwise entitled to service
8 credit.

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

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

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

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

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

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

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

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

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

29 (v) by a member of the Senate or House of Delegates or the
30 Office of the Secretary of the Senate or the Chief Clerk of the House of Delegates;

31 (vi) as a member of the Employees' Retirement System or the
32 Teachers' Retirement System for which the member had withdrawn the member's
33 accumulated contributions after a prior termination of membership; or

1 (vii) when membership was mandatory but for which member
2 contributions were not made.

3 (2) For service credit purchased under:

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

6 (ii) paragraph (1)(v) of this subsection, employment for at least
7 130 days per year as a legislative employee equals 1 year of service credit.

8 [(d)](E) A member of the Teachers' Retirement System may purchase
9 service credit for periods of employment:

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

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

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

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

18 (5) as a member of the Employees' Retirement System or the Teachers'
19 Retirement System for which the member had withdrawn the member's accumulated
20 contributions after a prior termination of membership; or

21 (6) by the State or a participating governmental unit on a permanent
22 basis.

23 **22-304.1.**

24 (A) **THIS SECTION APPLIES TO A MEMBER WHO WAS EMPLOYED BY THE**
25 **STATE AS A CONTRACTUAL EMPLOYEE PRIOR TO JOINING THE EMPLOYEES'**
26 **RETIREMENT SYSTEM.**

27 (B) **AT ANY TIME PRIOR TO RETIREMENT, A MEMBER MAY PURCHASE UP**
28 **TO 10 YEARS OF SERVICE CREDIT FOR PERIODS OF EMPLOYMENT WHEN THE**
29 **MEMBER WAS A CONTRACTUAL FULL-TIME EMPLOYEE OF THE STATE PRIOR TO**
30 **JOINING THE EMPLOYEES' RETIREMENT SYSTEM.**

1 **(C) A MEMBER WHO PURCHASES SERVICE CREDIT UNDER THIS SECTION**
2 **SHALL COMPLETE A CLAIM FOR THE SERVICE CREDIT AND FILE IT WITH THE**
3 **BOARD OF TRUSTEES ON A FORM THAT THE BOARD OF TRUSTEES PROVIDES.**

4 **(D) A MEMBER WHO PURCHASES SERVICE CREDIT UNDER THIS SECTION**
5 **SHALL PAY IN A SINGLE PAYMENT TO THE BOARD OF TRUSTEES AN AMOUNT**
6 **EQUAL TO EMPLOYEE CONTRIBUTIONS AT THE RATE OF 5% OF THE MEMBER'S**
7 **ANNUAL EARNABLE COMPENSATION AT THE TIME OF PURCHASE FOR EACH**
8 **YEAR OF SERVICE CREDIT THE MEMBER PURCHASES.**

9 **(E) THE SERVICE CREDIT THAT A MEMBER PURCHASES UNDER THIS**
10 **SECTION SHALL BE APPLIED TO THE MEMBER'S RETIREMENT ALLOWANCE**
11 **USING THE ACCRUAL RATE IN EFFECT AT THE TIME THE MEMBER PURCHASES**
12 **THE SERVICE CREDIT.**

13 23-307.

14 **(A) THIS SECTION DOES NOT APPLY TO A MEMBER WHO WAS EMPLOYED**
15 **BY THE STATE AS A CONTRACTUAL EMPLOYEE PRIOR TO JOINING THE**
16 **EMPLOYEES' PENSION SYSTEM.**

17 [a] **(B) (1) Except as provided in subsection [(b)] (C) of this section, in**
18 **the year of retirement, a member of the Employees' Pension System may purchase**
19 **credit for eligibility service of up to 10 years for periods of employment described in**
20 **paragraph (4) of this subsection for which the member is not otherwise entitled to**
21 **service credit.**

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

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

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

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

29 (i) the State;

30 (ii) a political subdivision in the State;

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

32 (iv) the federal government;

- 1 (v) an out-of-state political subdivision;
- 2 (vi) a public or nonpublic school as a teacher; or
- 3 (vii) a postsecondary school as a teacher.

4 **[(b)](C)** (1) This subsection does not apply to an employee of a
5 participating governmental unit or a former participating governmental unit that has
6 withdrawn.

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

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

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

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

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

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

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

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

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

31 **[(d)](E)** (1) A member of the Employees' Pension System who is
32 employed by a member of the State Senate or House of Delegates for at least 130 days

1 per year as a legislative employee before becoming a member is considered to have
2 been a permanent part-time legislative employee.

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

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

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

10 2. interest on the member's contributions, compounded
11 annually; and

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

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

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

18 3. interest on the member's and State's contributions,
19 compounded annually.

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

24 **23-307.6.**

25 (A) **THIS SECTION APPLIES TO A MEMBER WHO:**

26 (1) **HAS AT LEAST 5 YEARS OF ELIGIBILITY SERVICE IN THE**
27 **EMPLOYEES' PENSION SYSTEM; AND**

28 (2) **WAS EMPLOYED BY THE STATE AS A CONTRACTUAL**
29 **EMPLOYEE PRIOR TO JOINING THE EMPLOYEES' PENSION SYSTEM.**

30 (B) **AT ANY TIME PRIOR TO RETIREMENT, A MEMBER MAY PURCHASE UP**
31 **TO 10 YEARS OF CREDIT FOR ELIGIBILITY SERVICE FOR PERIODS OF**

1 EMPLOYMENT WHEN THE MEMBER WAS A CONTRACTUAL FULL-TIME EMPLOYEE
2 OF THE STATE PRIOR TO JOINING THE EMPLOYEES' PENSION SYSTEM.

3 (C) A MEMBER WHO PURCHASES SERVICE CREDIT UNDER THIS SECTION
4 SHALL COMPLETE A CLAIM FOR THE SERVICE CREDIT AND FILE IT WITH THE
5 BOARD OF TRUSTEES ON A FORM THAT THE BOARD OF TRUSTEES PROVIDES.

6 (D) A MEMBER WHO PURCHASES SERVICE CREDIT UNDER THIS SECTION
7 SHALL PAY IN A SINGLE PAYMENT TO THE BOARD OF TRUSTEES AN AMOUNT
8 EQUAL TO EMPLOYEE CONTRIBUTIONS AT THE RATE OF 5% OF THE MEMBER'S
9 ANNUAL EARNABLE COMPENSATION AT THE TIME OF PURCHASE FOR EACH
10 YEAR OF SERVICE CREDIT THE MEMBER PURCHASES.

11 (E) THE SERVICE CREDIT THAT A MEMBER PURCHASES UNDER THIS
12 SECTION SHALL BE APPLIED TO THE MEMBER'S RETIREMENT ALLOWANCE
13 USING THE ACCRUAL RATE IN EFFECT AT THE TIME THE MEMBER PURCHASES
14 THE SERVICE CREDIT.

15 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
16 July 1, 2008.