

SENATE BILL 749

K4

8lr2869

By: **Senator McFadden**

Introduced and read first time: February 1, 2008

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Retirement and Pensions – Election of Benefits – Surviving Spouses**

3 FOR the purpose of providing that surviving spouses of certain members of the
4 Employees' Retirement System or Employees' Pension System may make
5 certain elections with regard to retirement allowances and survivorship benefits
6 within a certain period of time; requiring that certain survivorship benefits be
7 calculated in a certain manner; requiring that certain survivorship benefits be
8 reduced by a certain amount; requiring certain surviving spouses of certain
9 members of the Employees' Retirement System or Employees' Pension System
10 to complete and file certain documents with the Board of Trustees of the State
11 Retirement and Pension System within a certain period of time; prohibiting
12 certain surviving spouses of certain members of the Employees' Retirement
13 System or Employees' Pension System from changing certain elections
14 regarding certain retirement allowances and survivorship benefits; and
15 generally relating to changing retirement allowance and survivorship benefit
16 selections in the Employees' Retirement System and Employees' Pension
17 System.

18 BY repealing and reenacting, with amendments,
19 Article – State Personnel and Pensions
20 Section 21–401
21 Annotated Code of Maryland
22 (2004 Replacement Volume and 2007 Supplement)

23 BY repealing and reenacting, without amendments,
24 Article – State Personnel and Pensions
25 Section 21–403
26 Annotated Code of Maryland
27 (2004 Replacement Volume and 2007 Supplement)

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

3 **Article – State Personnel and Pensions**

4 21–401.

5 (a) (1) Subject to paragraph (2) of this subsection, instead of the basic
6 allowance provided under the State system of a member, the member may elect a
7 reduced allowance to be paid as one of the options under § 21–403 of this subtitle.

8 (2) Paragraph (1) of this subsection applies to a member of:

9 (i) the Law Enforcement Officers’ Pension System or State
10 Police Retirement System only if, at retirement, the member does not have a spouse;
11 and

12 (ii) the Judges’ Retirement System only if, at retirement, the
13 member does not have a spouse or child under the age of 18 years.

14 (b) To elect an optional form of allowance, a member shall:

15 (1) complete the appropriate form that the Board of Trustees provides;
16 and

17 (2) file the form with the Board of Trustees before the first allowance
18 payment normally becomes due.

19 (c) A member who has elected an optional form of allowance may change the
20 election only if the member notifies the Board of Trustees before the first allowance
21 payment normally becomes due.

22 (d) If a member dies before the effective date of retirement, the Board of
23 Trustees shall pay the benefits payable on the member’s behalf as if the member had
24 not elected an optional form of allowance.

25 **(E) (1) THIS SUBSECTION APPLIES TO A MEMBER OF THE**
26 **EMPLOYEES’ RETIREMENT SYSTEM OR EMPLOYEES’ PENSION SYSTEM WHO:**

27 **(I) AT THE TIME OF RETIREMENT HAS AT LEAST 25 YEARS**
28 **OF SERVICE CREDIT;**

29 **(II) AT THE TIME OF RETIREMENT DOES NOT SELECT AN**
30 **OPTIONAL FORM OF ALLOWANCE UNDER § 21–403 OF THIS SUBTITLE; AND**

31 **(III) DIES WITHIN 18 MONTHS OF THE MEMBER’S EFFECTIVE**
32 **DATE OF RETIREMENT.**

1 **(2) A SURVIVING SPOUSE OF A MEMBER DESCRIBED UNDER**
2 **PARAGRAPH (1) OF THIS SUBSECTION MAY ELECT AN OPTIONAL FORM OF**
3 **ALLOWANCE UNDER § 21-403 OF THIS SUBTITLE AND RECEIVE THE**
4 **SURVIVORSHIP BENEFIT ASSOCIATED WITH THAT OPTIONAL ALLOWANCE.**

5 **(3) (I) IF A SURVIVING SPOUSE OF A MEMBER SELECTS AN**
6 **OPTIONAL FORM OF ALLOWANCE UNDER § 21-403 OF THIS SUBTITLE, THE**
7 **SURVIVORSHIP BENEFIT SHALL BE CALCULATED AS IF THE MEMBER HAD**
8 **SELECTED THE OPTIONAL FORM OF ALLOWANCE AT THE TIME OF RETIREMENT.**

9 **(II) THE SURVIVORSHIP BENEFIT SHALL BE REDUCED TO**
10 **REFLECT THE DIFFERENCE OF THE AMOUNT OF THE BASIC ALLOWANCE THAT**
11 **THE MEMBER RECEIVED PRIOR TO THE MEMBER'S DEATH AND THE AMOUNT OF**
12 **THE OPTIONAL ALLOWANCE THAT THE MEMBER WOULD HAVE RECEIVED FOR**
13 **THE SAME PERIOD OF TIME.**

14 **(4) A SURVIVING SPOUSE WHO ELECTS AN OPTIONAL FORM OF**
15 **ALLOWANCE UNDER § 21-403 OF THIS SUBTITLE AND THE SURVIVORSHIP**
16 **BENEFIT ASSOCIATED WITH THAT OPTIONAL ALLOWANCE, SHALL COMPLETE AN**
17 **APPLICATION TO CHANGE THE ALLOWANCE THE MEMBER WAS RECEIVING ON A**
18 **FORM PROVIDED BY THE BOARD OF TRUSTEES AND FILE IT WITH THE BOARD**
19 **OF TRUSTEES ON OR BEFORE 3 YEARS AFTER THE DATE OF THE MEMBER'S**
20 **DEATH.**

21 **(5) A SURVIVING SPOUSE WHO ELECTS AN OPTIONAL FORM OF**
22 **ALLOWANCE AND THE SURVIVORSHIP BENEFITS ASSOCIATED WITH THAT**
23 **RETIREMENT ALLOWANCE UNDER PARAGRAPH (2) OF THIS SUBSECTION MAY**
24 **NOT CHANGE THAT ELECTION.**

25 21-403.

26 (a) (1) Under Option 1, if a retiree dies before receiving payments equal to
27 the actuarial equivalent present value of the retiree's basic allowance computed at the
28 time of retirement, the Board of Trustees shall pay the balance as a single payment:

29 (i) to the designated beneficiary; or

30 (ii) if there is no designated beneficiary, to the retiree's estate.

31 (2) (i) At the time of retirement, a member of the Judges'
32 Retirement System described in § 21-401(a)(2) of this subtitle may designate more
33 than one beneficiary for the optional benefit provided in paragraph (1) of this
34 subsection.

1 (ii) If, at the time of retirement, a member of the Judges'
2 Retirement System does designate more than one beneficiary for the optional benefit
3 provided in paragraph (1) of this subsection, the single payment will be paid in equal
4 shares to each of the designated beneficiaries.

5 (b) Under Option 2, when a retiree dies, the Board of Trustees shall pay the
6 retiree's reduced allowance to the designated beneficiary for the designated
7 beneficiary's life.

8 (c) Under Option 3, when a retiree dies, the Board of Trustees shall pay 50%
9 of the retiree's reduced allowance to the designated beneficiary for the designated
10 beneficiary's life.

11 (d) Under Option 4, if a retiree dies before receiving payments equal to the
12 value of the retiree's accumulated contributions at the time of retirement, the Board of
13 Trustees shall pay the balance as a single payment:

14 (1) to the designated beneficiary; or

15 (2) if there is no designated beneficiary, to the retiree's estate.

16 (e) (1) Subject to paragraph (2) of this subsection, under Option 5, when a
17 retiree dies, the Board of Trustees shall pay the retiree's reduced allowance to the
18 designated beneficiary for the designated beneficiary's life.

19 (2) If the designated beneficiary dies before the retiree, then:

20 (i) beginning in the month following the date of death of the
21 designated beneficiary, the Board of Trustees shall pay the retiree the basic allowance;
22 or

23 (ii) 1. the retiree may designate a new beneficiary in
24 accordance with § 21-404 of this subtitle; and

25 2. the Board of Trustees shall pay the retiree an
26 allowance as provided in § 21-404(d)(2) of this subtitle.

27 (f) (1) Subject to paragraph (2) of this subsection, under Option 6, when a
28 retiree dies, the Board of Trustees shall pay 50% of the retiree's reduced allowance to
29 the designated beneficiary for the designated beneficiary's life.

30 (2) If the designated beneficiary dies before the retiree, then:

31 (i) beginning in the month following the date of death of the
32 designated beneficiary, the Board of Trustees shall pay the retiree the basic allowance;
33 or

1 (ii) 1. the retiree may designate a new beneficiary in
2 accordance with § 21-404 of this subtitle; and

3 2. the Board of Trustees shall pay the retiree an
4 allowance as provided in § 21-404(d)(2) of this subtitle.

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