

# HOUSE BILL 1231

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By: **Delegates Haynes, Benson, Carter, Gaines, Guzzone, Kirk, Robinson,  
Rosenberg, Schuler, Stein, and Valderrama**  
Introduced and read first time: February 13, 2009  
Assigned to: Appropriations

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## A BILL ENTITLED

1 AN ACT concerning

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

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

12 BY repealing and reenacting, with amendments,  
13 Article – State Personnel and Pensions  
14 Section 23–307  
15 Annotated Code of Maryland  
16 (2004 Replacement Volume and 2008 Supplement)

17 BY adding to  
18 Article – State Personnel and Pensions  
19 Section 23–307.6  
20 Annotated Code of Maryland  
21 (2004 Replacement Volume and 2008 Supplement)

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

24 **Article – State Personnel and Pensions**

25 23–307.

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



1           **(A) THIS SECTION DOES NOT APPLY TO A MEMBER WHO:**

2                   **(1) IS CURRENTLY EMPLOYED BY THE STATE;**

3                   **(2) HAS AT LEAST 5 YEARS OF ELIGIBILITY SERVICE IN THE**  
4 **EMPLOYEES' PENSION SYSTEM; AND**

5                   **(3) IMMEDIATELY PRIOR TO JOINING THE EMPLOYEES' PENSION**  
6 **SYSTEM WAS EMPLOYED BY THE STATE AS A CONTRACTUAL EMPLOYEE.**

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

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

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

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

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

19                           (i)    the State;

20                           (ii)   a political subdivision in the State;

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

22                           (iv)   the federal government;

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

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

25                           (vii) a postsecondary school as a teacher.

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

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

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

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

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

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

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

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

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

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

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

25           **[(d)] (E)** (1) A member of the Employees' Pension System who is  
26 employed by a member of the State Senate or House of Delegates for at least 130 days  
27 per year as a legislative employee before becoming a member is considered to have  
28 been a permanent part-time legislative employee.

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

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

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

3                                   2.    interest on the member's contributions, compounded  
4 annually; and

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

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

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

11                                  3.    interest on the member's and State's contributions,  
12 compounded annually.

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

17 **23-307.6.**

18                    (A)   **THIS SECTION APPLIES ONLY TO A MEMBER WHO:**

19                                  (1)   **IS CURRENTLY EMPLOYED BY THE STATE;**

20                                  (2)   **HAS AT LEAST 5 YEARS OF ELIGIBILITY SERVICE IN THE**  
21 **EMPLOYEES' PENSION SYSTEM; AND**

22                                  (3)   **IMMEDIATELY PRIOR TO JOINING THE EMPLOYEES' PENSION**  
23 **SYSTEM WAS EMPLOYED BY THE STATE AS A CONTRACTUAL EMPLOYEE.**

24                    (B)   **(1) WITHIN 5 YEARS AFTER VESTING IN THE EMPLOYEES'**  
25 **PENSION SYSTEM, A MEMBER MAY PURCHASE UP TO 10 YEARS OF CREDIT FOR**  
26 **ELIGIBILITY SERVICE FOR PERIODS OF EMPLOYMENT WHEN THE MEMBER WAS**  
27 **A CONTRACTUAL FULL-TIME EMPLOYEE OF THE STATE IMMEDIATELY PRIOR TO**  
28 **JOINING THE EMPLOYEES' PENSION SYSTEM.**

29                                  (2)   **A MEMBER DESCRIBED UNDER SUBSECTION (A) OF THIS**  
30 **SECTION WHO WAS VESTED IN THE EMPLOYEES' PENSION SYSTEM ON OR**  
31 **BEFORE JUNE 30, 2009, MAY PURCHASE UP TO 10 YEARS OF CREDIT ON OR**  
32 **BEFORE JULY 1, 2014, FOR ELIGIBILITY SERVICE FOR PERIODS OF**  
33 **EMPLOYMENT WHEN THE MEMBER WAS A CONTRACTUAL FULL-TIME EMPLOYEE**

1 OF THE STATE IMMEDIATELY PRIOR TO JOINING THE EMPLOYEES' PENSION  
2 SYSTEM.

3 (3) A MEMBER DESCRIBED UNDER SUBSECTION (A) OF THIS  
4 SECTION WHO DOES NOT PURCHASE SERVICE CREDIT WITHIN THE PERIODS OF  
5 TIME PROVIDED UNDER PARAGRAPH (1) OR (2) OF THIS SUBSECTION MAY NOT  
6 PURCHASE SERVICE CREDIT UNDER THIS SECTION.

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

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

15 (E) THE SERVICE CREDIT THAT A MEMBER PURCHASES UNDER THIS  
16 SECTION SHALL BE APPLIED TO THE MEMBER'S RETIREMENT ALLOWANCE  
17 USING THE ACCRUAL RATE IN EFFECT DURING THE YEARS OF SERVICE CREDIT  
18 PURCHASED BY THE MEMBER.

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
20 July 1, 2009.