

SENATE BILL 432

K4

51r0899

By: **Senator Peters**

Introduced and read first time: February 6, 2015

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 9, 2015

CHAPTER _____

1 AN ACT concerning

2 **Employees' and Teachers' Pension Systems – Combination of Service –**
3 **Clarification**

4 FOR the purpose of clarifying the manner in which a member of the Employees' Pension
5 System or Teachers' Pension System may combine certain prior eligibility service
6 with the member's current service; clarifying that certain prior service does not need
7 to be subject to a different rate of member contributions; making conforming
8 changes; ~~clarifying that a member who combines certain prior eligibility service with~~
9 ~~the member's current service has no further rights to a certain rate of benefit accrual;~~
10 and generally relating to clarifying the combination of prior service credit in the
11 Employees' and Teachers' Pension Systems.

12 BY repealing and reenacting, with amendments,
13 Article – State Personnel and Pensions
14 Section 23–303.1
15 Annotated Code of Maryland
16 (2009 Replacement Volume and 2014 Supplement)

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

19 **Article – State Personnel and Pensions**

20 23–303.1.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 (a) This section applies to a member of the Employees' Pension System or
2 Teachers' Pension System who has prior service in a part of the Employees' Pension System
3 or Teachers' Pension System that is subject to a different rate of ~~member contributions and~~
4 benefit accrual.

5 (b) A member who is subject to the contributory pension benefit, Alternate
6 Contributory Pension Selection, or Reformed Contributory Pension Benefit is entitled to
7 combine the member's prior eligibility service with the member's current service if the
8 member:

9 (1) at the time of separation from employment, was entitled to a vested
10 allowance from:

11 (i) the Employees' Pension System; or

12 (ii) the Teachers' Pension System;

13 (2) did not transfer to the Employees' Pension System or the Teachers'
14 Pension System from the Employees' Retirement System or Teachers' Retirement System
15 after April 1, 1998; and

16 (3) has completed 1 year of employment as a member of the pension benefit
17 or selection in which the member is earning service credit as an active member at the time
18 the prior service credit is combined with the current service credit.

19 (c) A member who is subject to the noncontributory pension benefit is entitled to
20 combine the member's prior eligibility service with the member's current service if the
21 member did not transfer to the Employees' Pension System or Teachers' Pension System
22 from the Employees' Retirement System or Teachers' Retirement System after April 1,
23 1998.

24 (d) (1) A member may combine the member's prior credit for eligibility service
25 with the member's current service under this section if the member:

26 (i) completes a claim for the service credit and files it with the Board
27 of Trustees on the form that the Board of Trustees provides at any time before retirement;
28 and

29 (ii) deposits into the annuity savings fund the [member
30 contributions, if any, that would have been due if the member had earned the prior service
31 in the same part of the Employees' Pension System or Teachers' Pension System in which
32 the member is currently enrolled, plus regular interest on the contributions] **AMOUNTS**
33 **REQUIRED UNDER SUBSECTION (F), (G), (H), OR (I) OF THIS SECTION.**

34 (2) When a member combines credit for eligibility service under this
35 section, the member has no further rights ~~in the prior system] TO THE PRIOR RATE OF~~
36 ~~BENEFIT ACCRUAL.~~

1 [(3) Subject to § 414(h)(2) of the Internal Revenue Code, an individual's
2 accumulated contributions in excess of the amount determined under paragraph (1) of this
3 subsection shall be refunded on request.]

4 (e) If a member withdrew the member's accumulated contributions after the prior
5 separation from employment, the member shall:

6 (1) redeposit any of the amounts withdrawn with regular interest to the
7 date of redeposit; or

8 (2) on retirement, the individual's retirement allowance shall be reduced
9 by the actuarial equivalent of the accumulated contributions withdrawn with regular
10 interest to the date of retirement.

11 **(F) (1) A MEMBER SUBJECT TO THE CONTRIBUTORY PENSION BENEFIT
12 MAY COMBINE PRIOR CREDIT FOR ELIGIBILITY SERVICE WITH THE MEMBER'S
13 CURRENT SERVICE BY DEPOSITING INTO THE ANNUITY SAVINGS FUND:**

14 **(I) FOR PRIOR ELIGIBILITY SERVICE EARNED BEFORE JULY 1,
15 1998, AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT WOULD HAVE
16 BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME AS THE
17 CONTRIBUTION RATE IN EFFECT FOR THE CONTRIBUTORY PENSION BENEFIT ON
18 THE DATE THE APPLICATION TO COMBINE PRIOR CREDIT FOR ELIGIBILITY SERVICE
19 IS SUBMITTED;**

20 **(II) FOR PRIOR ELIGIBILITY SERVICE EARNED ON OR AFTER
21 JULY 1, 1998, AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT WOULD
22 HAVE BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME AS THE
23 CONTRIBUTION RATE IN EFFECT FOR THE CONTRIBUTORY PENSION BENEFIT WHEN
24 THE PRIOR ELIGIBILITY SERVICE WAS EARNED; AND**

25 **(III) REGULAR INTEREST ON THE AMOUNTS UNDER ITEMS (I)
26 AND (II) OF THIS PARAGRAPH, AT THE RATE SPECIFIED UNDER § 23-213 OF THIS
27 TITLE.**

28 **(2) (I) A MEMBER'S ACCUMULATED CONTRIBUTIONS
29 ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE THAT IS COMBINED
30 UNDER THIS SECTION SHALL BE CREDITED TO THE AMOUNTS REQUIRED TO BE
31 DEPOSITED UNDER PARAGRAPH (1) OF THIS SUBSECTION.**

32 **(II) IF A MEMBER'S ACCUMULATED CONTRIBUTIONS
33 ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE EXCEED THE AMOUNT
34 REQUIRED TO BE DEPOSITED UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE
35 ACCUMULATED CONTRIBUTIONS IN EXCESS OF THE AMOUNT DETERMINED UNDER**

1 PARAGRAPH (1) OF THIS SUBSECTION SHALL BE REFUNDED ON REQUEST, SUBJECT
2 TO § 414(H)(2) OF THE INTERNAL REVENUE CODE.

3 (G) (1) A MEMBER SUBJECT TO THE ALTERNATE CONTRIBUTORY
4 PENSION SELECTION MAY COMBINE PRIOR CREDIT FOR ELIGIBILITY SERVICE WITH
5 THE MEMBER'S CURRENT SERVICE BY DEPOSITING INTO THE ANNUITY SAVINGS
6 FUND:

7 (I) FOR PRIOR ELIGIBILITY SERVICE EARNED BEFORE JULY 1,
8 1998, AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT WOULD HAVE
9 BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME AS THE
10 CONTRIBUTION RATE IN EFFECT FOR THE ALTERNATE CONTRIBUTORY PENSION
11 SELECTION ON THE DATE THE APPLICATION TO COMBINE PRIOR CREDIT FOR
12 ELIGIBILITY SERVICE IS SUBMITTED;

13 (II) FOR PRIOR ELIGIBILITY SERVICE EARNED ON OR AFTER
14 JULY 1, 1998, AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT WOULD
15 HAVE BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME AS THE
16 CONTRIBUTION RATE IN EFFECT FOR THE ALTERNATE CONTRIBUTORY PENSION
17 SELECTION WHEN THE PRIOR ELIGIBILITY SERVICE WAS EARNED; AND

18 (III) REGULAR INTEREST ON THE AMOUNTS UNDER ITEMS (I)
19 AND (II) OF THIS PARAGRAPH, AT THE RATE SPECIFIED UNDER § 23-213 OF THIS
20 TITLE.

21 (2) (I) A MEMBER'S ACCUMULATED CONTRIBUTIONS
22 ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE THAT IS COMBINED
23 UNDER THIS SECTION SHALL BE CREDITED TO THE AMOUNTS REQUIRED TO BE
24 DEPOSITED UNDER PARAGRAPH (1) OF THIS SUBSECTION.

25 (II) IF A MEMBER'S ACCUMULATED CONTRIBUTIONS
26 ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE EXCEED THE AMOUNT
27 REQUIRED TO BE DEPOSITED UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE
28 ACCUMULATED CONTRIBUTIONS IN EXCESS OF THE AMOUNT DETERMINED UNDER
29 PARAGRAPH (1) OF THIS SUBSECTION SHALL BE REFUNDED ON REQUEST, SUBJECT
30 TO § 414(H)(2) OF THE INTERNAL REVENUE CODE.

31 (H) (1) A MEMBER SUBJECT TO THE REFORMED CONTRIBUTORY
32 PENSION BENEFIT MAY COMBINE PRIOR CREDIT FOR ELIGIBILITY SERVICE WITH
33 THE MEMBER'S CURRENT SERVICE BY DEPOSITING INTO THE ANNUITY SAVINGS
34 FUND:

35 (I) FOR PRIOR ELIGIBILITY SERVICE EARNED BEFORE JULY 1,
36 2011, AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT WOULD HAVE

1 BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME AS THE
2 CONTRIBUTION RATE IN EFFECT FOR THE REFORMED CONTRIBUTORY PENSION
3 BENEFIT ON THE DATE THE APPLICATION TO COMBINE PRIOR CREDIT FOR
4 ELIGIBILITY SERVICE IS SUBMITTED;

5 (II) FOR PRIOR ELIGIBILITY SERVICE EARNED ON OR AFTER
6 JULY 1, 2011, AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT WOULD
7 HAVE BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME AS THE
8 CONTRIBUTION RATE IN EFFECT FOR THE REFORMED CONTRIBUTORY PENSION
9 BENEFIT WHEN THE PRIOR ELIGIBILITY SERVICE WAS EARNED; AND

10 (III) REGULAR INTEREST ON THE AMOUNTS UNDER ITEMS (I)
11 AND (II) OF THIS PARAGRAPH, AT THE RATE SPECIFIED UNDER § 23-213 OF THIS
12 TITLE.

13 (2) (I) A MEMBER'S ACCUMULATED CONTRIBUTIONS
14 ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE THAT IS COMBINED
15 UNDER THIS SECTION SHALL BE CREDITED TO THE AMOUNTS REQUIRED TO BE
16 DEPOSITED UNDER PARAGRAPH (1) OF THIS SUBSECTION.

17 (II) IF A MEMBER'S ACCUMULATED CONTRIBUTIONS
18 ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE EXCEED THE AMOUNT
19 REQUIRED TO BE DEPOSITED UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE
20 ACCUMULATED CONTRIBUTIONS IN EXCESS OF THE AMOUNT DETERMINED UNDER
21 PARAGRAPH (1) OF THIS SUBSECTION SHALL BE REFUNDED ON REQUEST, SUBJECT
22 TO § 414(H)(2) OF THE INTERNAL REVENUE CODE.

23 (I) (1) SUBJECT TO SUBSECTION (C) OF THIS SECTION, A MEMBER
24 SUBJECT TO THE NONCONTRIBUTORY PENSION BENEFIT MAY COMBINE PRIOR
25 CREDIT FOR ELIGIBILITY SERVICE WITH THE MEMBER'S CURRENT SERVICE BY
26 DEPOSITING INTO THE ANNUITY SAVINGS FUND:

27 (I) AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT
28 WOULD HAVE BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME
29 AS THE CONTRIBUTION RATE IN EFFECT FOR THE NONCONTRIBUTORY PENSION
30 BENEFIT WHEN THE PRIOR ELIGIBILITY SERVICE WAS EARNED; AND

31 (II) REGULAR INTEREST ON THE AMOUNTS UNDER ITEM (I) OF
32 THIS PARAGRAPH, AT THE RATE SPECIFIED UNDER § 23-213 OF THIS TITLE.

33 (2) (I) A MEMBER'S ACCUMULATED CONTRIBUTIONS
34 ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE THAT IS COMBINED
35 UNDER THIS SECTION SHALL BE CREDITED TO THE AMOUNTS REQUIRED TO BE
36 DEPOSITED UNDER PARAGRAPH (1) OF THIS SUBSECTION.

1 **(II) IF A MEMBER’S ACCUMULATED CONTRIBUTIONS**
 2 **ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE EXCEED THE AMOUNT**
 3 **REQUIRED TO BE DEPOSITED UNDER PARAGRAPH (1) OF THIS SUBSECTION, THE**
 4 **ACCUMULATED CONTRIBUTIONS IN EXCESS OF THE AMOUNT DETERMINED UNDER**
 5 **PARAGRAPH (1) OF THIS SUBSECTION SHALL BE REFUNDED ON REQUEST, SUBJECT**
 6 **TO § 414(H)(2) OF THE INTERNAL REVENUE CODE.**

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
 8 1, 2015.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.