

SENATE BILL 432

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By: **Senator Peters**

Introduced and read first time: February 6, 2015

Assigned to: Budget and Taxation

A BILL ENTITLED

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; making conforming changes; clarifying that a
7 member who combines certain prior eligibility service with the member's current
8 service has no further rights to a certain rate of benefit accrual; and generally
9 relating to clarifying the combination of prior service credit in the Employees' and
10 Teachers' Pension Systems.

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

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

18 **Article – State Personnel and Pensions**

19 23–303.1.

20 (a) This section applies to a member of the Employees' Pension System or
21 Teachers' Pension System who has prior service in a part of the Employees' Pension System
22 or Teachers' Pension System that is subject to a different rate of member contributions and
23 benefit accrual.

24 (b) A member who is subject to the contributory pension benefit, Alternate
25 Contributory Pension Selection, or Reformed Contributory Pension Benefit is entitled to

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 combine the member's prior eligibility service with the member's current service if the
2 member:

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

5 (i) the Employees' Pension System; or

6 (ii) the Teachers' Pension System;

7 (2) did not transfer to the Employees' Pension System or the Teachers'
8 Pension System from the Employees' Retirement System or Teachers' Retirement System
9 after April 1, 1998; and

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

13 (c) A member who is subject to the noncontributory pension benefit is entitled to
14 combine the member's prior eligibility service with the member's current service if the
15 member did not transfer to the Employees' Pension System or Teachers' Pension System
16 from the Employees' Retirement System or Teachers' Retirement System after April 1,
17 1998.

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

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

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

28 (2) When a member combines credit for eligibility service under this
29 section, the member has no further rights [in the prior system] **TO THE PRIOR RATE OF
30 BENEFIT ACCRUAL.**

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

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

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

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

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

11 **(I) FOR PRIOR ELIGIBILITY SERVICE EARNED BEFORE JULY 1,**
12 **1998, AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT WOULD HAVE**
13 **BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME AS THE**
14 **CONTRIBUTION RATE IN EFFECT FOR THE CONTRIBUTORY PENSION BENEFIT ON**
15 **THE DATE THE APPLICATION TO COMBINE PRIOR CREDIT FOR ELIGIBILITY SERVICE**
16 **IS SUBMITTED;**

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

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

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

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

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

5 (I) FOR PRIOR ELIGIBILITY SERVICE EARNED BEFORE JULY 1,
6 1998, AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT WOULD HAVE
7 BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME AS THE
8 CONTRIBUTION RATE IN EFFECT FOR THE ALTERNATE CONTRIBUTORY PENSION
9 SELECTION ON THE DATE THE APPLICATION TO COMBINE PRIOR CREDIT FOR
10 ELIGIBILITY SERVICE IS SUBMITTED;

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

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

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

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

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

33 (I) FOR PRIOR ELIGIBILITY SERVICE EARNED BEFORE JULY 1,
34 2011, AN AMOUNT EQUAL TO THE MEMBER CONTRIBUTIONS THAT WOULD HAVE
35 BEEN MADE IF THE RATE OF MEMBER CONTRIBUTIONS WAS THE SAME AS THE
36 CONTRIBUTION RATE IN EFFECT FOR THE REFORMED CONTRIBUTORY PENSION

1 **BENEFIT ON THE DATE THE APPLICATION TO COMBINE PRIOR CREDIT FOR**
2 **ELIGIBILITY SERVICE IS SUBMITTED;**

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

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

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

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

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

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

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

31 **(2) (I) A MEMBER'S ACCUMULATED CONTRIBUTIONS**
32 **ATTRIBUTABLE TO PRIOR CREDIT FOR ELIGIBILITY SERVICE THAT IS COMBINED**
33 **UNDER THIS SECTION SHALL BE CREDITED TO THE AMOUNTS REQUIRED TO BE**
34 **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.