

# HOUSE BILL 581

P6

3lr2249  
CF SB 395

---

By: **Delegates T. Morgan, Crosby, and M. Morgan**

Introduced and read first time: February 3, 2023

Assigned to: Appropriations

---

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 11, 2023

---

## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **State Employee and Retiree Health Benefits – Creditable Service** ~~– Historic St.~~  
3 ~~Mary’s City Commission~~

4 FOR the purpose of requiring the inclusion of ~~certain~~ all State service while an individual  
5 was employed by the ~~Historic St. Mary’s City Commission~~ State in the Executive,  
6 Legislative, or Judicial Branch of government for the purpose of determining  
7 eligibility for State retiree health benefits ~~for a retiree of the Historic St. Mary’s City~~  
8 ~~Commission~~; and generally relating to retiree health benefits.

9 BY repealing and reenacting, with amendments,  
10 Article – State Personnel and Pensions  
11 Section 2–508(a) and 2–509  
12 Annotated Code of Maryland  
13 (2015 Replacement Volume and 2022 Supplement)

14 BY repealing and reenacting, without amendments,  
15 Article – State Personnel and Pensions  
16 Section ~~2–508(a)(1), (2)(i), and (3)(i)1. and (b)(1), (2), and (4)(i) and 20–101(d), (m),~~  
17 ~~(dd), and (H)~~ 2–508(b) and (c)  
18 Annotated Code of Maryland  
19 (2015 Replacement Volume and 2022 Supplement)

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

---

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 Article – State Personnel and Pensions

2 ~~2-508.~~

3 (a) (1) ~~In this section the following words have the meanings indicated.~~

4 (2) ~~“Creditable service” means:~~

5 (i) ~~service credited toward a retirement allowance under Division II~~  
6 ~~of this article;~~

7 (3) (i) ~~“Retiree” means:~~

8 ~~1. a former State employee who receives a retirement~~  
9 ~~allowance under Division II of this article;~~

10 (b) (1) ~~This subsection applies to a retiree who:~~

11 (i) ~~began State service on or before June 30, 2011; or~~

12 (ii) ~~1. began State service on or after July 1, 2011; and~~

13 ~~2. is a retiree of the Judges’ Retirement System.~~

14 (2) ~~A retiree may enroll and participate in the health insurance benefit~~  
15 ~~options established under the Program if the retiree:~~

16 (i) ~~ended State service with at least 10 years of creditable service~~  
17 ~~and within 5 years before the age at which a vested retirement allowance normally would~~  
18 ~~begin;~~

19 (ii) ~~ended State service with at least 16 years of creditable service;~~

20 (iii) ~~ended State service on or before June 30, 1984;~~

21 (iv) ~~retired directly from State service with a State retirement~~  
22 ~~allowance on or after July 1, 1984, and had at least 5 years of creditable service;~~

23 (v) ~~retired directly from State service with a State disability~~  
24 ~~retirement allowance on or after July 1, 1984; or~~

25 (vi) ~~retired directly from State service in the Judges’ Retirement~~  
26 ~~System at the mandatory retirement age required by Article IV, § 3 of the Maryland~~  
27 ~~Constitution with less than 5 years of creditable service.~~

~~(4) (i) If a retiree receives a State disability retirement allowance or has 16 or more years of creditable service, the retiree or the retiree's surviving spouse or dependent child is entitled to the same State subsidy allowed a State employee.~~

~~20-101.~~

~~(d) "Allowance" means a benefit that is payable in equal monthly installments for the life of the recipient, except as otherwise provided for an optional form of an allowance under § 21-403 of this article.~~

~~(m) "Creditable service" means the service credit of a member that is recognized for computing a benefit under this Division II.~~

~~(dd) "Participating employer" means the employer of an individual who, because of the employment relationship, is eligible for membership in a State system.~~

~~(ll) (1) "Retirement allowance" means an allowance that is payable at the time of separation from employment with a participating employer.~~

~~(2) "Retirement allowance" includes:~~

~~(i) a service retirement allowance; and~~

~~(ii) a disability retirement allowance.~~

~~(3) "Retirement allowance" does not include a vested allowance.~~

~~SECTION 2. AND BE IT FURTHER ENACTED, That:~~

~~(a) (1) In this subsection, "Optional Retirement Program" means the Optional Retirement Program under Title 30 of the State Personnel and Pensions Article.~~

~~(2) This section applies to a retiree who:~~

~~(i) receives a retirement allowance from the Employees' Pension System;~~

~~(ii) was employed by the Historic St. Mary's City Commission, with employment beginning on or after July 1, 1995;~~

~~(iii) was enrolled in the Optional Retirement Program while employed by the Historic St. Mary's City Commission; and~~

~~(iv) was disenrolled from the Optional Retirement Program and enrolled in the Employees' Pension System while employed by the Historic St. Mary's City Commission.~~

~~(b) To determine eligibility for health insurance benefits under § 2-508 of the State Personnel and Pensions Article for an individual described under subsection (a) of this section:~~

~~(1) the calculation of years of creditable service shall include the individual's employment by the Historic St. Mary's City Commission while enrolled in the Optional Retirement Program; and~~

~~(2) the individual shall be considered as having begun service as an employee of the State on or before June 30, 2011.~~

2-508.

(a) (1) In this section the following words have the meanings indicated.

(2) “Creditable service” means:

(i) [service credited toward a retirement allowance under Division II of this article;

(ii) service while a member of the Judges' Retirement System under Title 27 of this article;

**(iii) ANY PERIOD DURING WHICH AN INDIVIDUAL WAS EMPLOYED BY THE STATE IN THE EXECUTIVE, LEGISLATIVE, OR JUDICIAL BRANCH AND ENROLLED AS A MEMBER OF ONE OF THE SEVERAL SYSTEMS UNDER DIVISION II OF THIS ARTICLE OR THE OPTIONAL RETIREMENT PROGRAM UNDER TITLE 30 OF THIS ARTICLE;**

(II) service while an employee was employed by the Domestic Relations Division of the Anne Arundel County Circuit Court, prior to transfer on or before July 1, 2002 into the State Personnel Management System, in accordance with § 2-510 of the Courts Article; or

[(iv)] (III) service while a member of the Maryland Transit Administration Retirement Plan under § 7-206 of the Transportation Article.

(3) (i) “Retiree” means:

1. a former State employee who receives a retirement allowance under Division II of this article;

2. a former employee of the Medical System Corporation, as defined in § 13-301 or § 13-401 of the Education Article, who receives a retirement allowance from the Employees' Retirement System of the State of Maryland or the

1 Employees' Pension System of the State of Maryland under Title 22 or Title 23 of this  
2 article; or

3                   3. a former employee of the Maryland Transit  
4 Administration who receives a Maryland Transit Administration retirement allowance  
5 under § 7–206 of the Transportation Article.

6                   (ii) “Retiree” does not include:

7                   1. a member of the faculty or staff of a community college;

8                   2. a teacher or a staff member employed by a county board of  
9 education; or

10                   3. an individual who retired under an optional program  
11 under Title 30 of this article.

12                   (4) “State service” means service with the State by:

13                   (i) an employee while a member of the Employees' Retirement  
14 System or the Employees' Pension System under Title 22 or Title 23 of this article;

15                   (ii) a member of the Judges' Retirement System under Title 27 of  
16 this article;

17                   (iii) a teacher while a member of the Teachers' Retirement System or  
18 Teachers' Pension System under Title 22 or Title 23 of this article;

19                   (iv) a correctional officer, while a member of the Correctional  
20 Officers' Retirement System under Title 25 of this article;

21                   (v) an employee of the Medical System Corporation, as defined in §  
22 13–301 or § 13–401 of the Education Article, while a member of the Employees' Retirement  
23 System of the State of Maryland or the Employees' Pension System of the State of Maryland  
24 under Title 22 or Title 23 of this article;

25                   (vi) a State Police officer while a member of the State Police  
26 Retirement System under Title 24 of this article;

27                   (vii) a law enforcement officer while a member of the Law  
28 Enforcement Officers' Pension System under Title 26 of this article; or

29                   (viii) an employee while a member of the Maryland Transit  
30 Administration Plan under § 7–206 of the Transportation Article.

31                   (b) (1) This subsection applies to a retiree who:

1           (i)    began State service on or before June 30, 2011; or

2           (ii)   1.    began State service on or after July 1, 2011; and

3                   2.    is a retiree of the Judges' Retirement System.

4           (2)    A retiree may enroll and participate in the health insurance benefit  
5 options established under the Program if the retiree:

6           (i)    ended State service with at least 10 years of creditable service  
7 and within 5 years before the age at which a vested retirement allowance normally would  
8 begin;

9           (ii)   ended State service with at least 16 years of creditable service;

10          (iii)   ended State service on or before June 30, 1984;

11          (iv)   retired directly from State service with a State retirement  
12 allowance on or after July 1, 1984, and had at least 5 years of creditable service;

13          (v)    retired directly from State service with a State disability  
14 retirement allowance on or after July 1, 1984; or

15          (vi)   retired directly from State service in the Judges' Retirement  
16 System at the mandatory retirement age required by Article IV, § 3 of the Maryland  
17 Constitution with less than 5 years of creditable service.

18          (3)    (i)    The surviving spouse or dependent child of a deceased retiree  
19 who was eligible to enroll may enroll and participate in the health insurance benefit options  
20 established under the Program as long as the spouse or child is receiving a periodic  
21 allowance under Division II of this article or the Maryland Transit Administration  
22 Retirement Plan under § 7-206 of the Transportation Article.

23               (ii)    Subparagraph (i) of this paragraph does not apply to a deceased  
24 retiree's spouse or dependent child who receives an Option 1, Option 4, or Option 7 benefit  
25 under Division II of this article or a lump-sum payment of benefits under the Maryland  
26 Transit Administration Retirement Plan under § 7-206 of the Transportation Article.

27          (4)    (i)    If a retiree receives a State disability retirement allowance or has  
28 16 or more years of creditable service, the retiree or the retiree's surviving spouse or  
29 dependent child is entitled to the same State subsidy allowed a State employee.

30               (ii)    In all other cases, if a retiree has at least 5 years of creditable  
31 service, the retiree or the retiree's surviving spouse or dependent child is entitled to 1/16 of  
32 the State subsidy allowed a State employee for each year of the retiree's creditable service  
33 up to 16 years.

1           (iii) Notwithstanding subparagraph (ii) of this paragraph and  
2 subsection (a)(4)(i) of this section, if a retiree is an additional employee or agent of the State  
3 Racing Commission, for the purposes of determining a retiree's State subsidy, creditable  
4 service shall be determined with respect to service as an additional employee or agent  
5 beginning from the initial date of employment or January 1, 1986, whichever is later.

6           (iv) 1. This paragraph applies only to a retiree of the Judges'  
7 Retirement System who retired directly from State service at the mandatory retirement  
8 age required by Article IV, § 3 of the Maryland Constitution with less than 5 years of  
9 creditable service.

10           2. Notwithstanding subparagraph (ii) of this paragraph, a  
11 retiree of the Judges' Retirement System or the retiree's surviving spouse or dependent  
12 child is entitled to 1/16 of the State subsidy allowed a State employee for each year of the  
13 retiree's creditable service.

14           (c) (1) (i) Except as provided in subparagraph (ii) of this paragraph, this  
15 subsection applies to a retiree who begins State service on or after July 1, 2011.

16           (ii) This subsection does not apply to:

17           1. a retiree of the Judges' Retirement System; or

18           2. a former Governor of Maryland who began serving as  
19 Governor on or after January 21, 2015.

20           (2) A retiree may enroll and participate in the health insurance benefit  
21 options established under the Program if the retiree:

22           (i) ends State service with at least 25 years of creditable service;

23           (ii) ends State service with at least 10 years of creditable service  
24 within 5 years before the age at which a vested retirement allowance normally would begin;

25           (iii) retires directly from State service with a State retirement  
26 allowance and has 10 years of creditable service; or

27           (iv) retires directly from State service with a State disability  
28 retirement allowance.

29           (3) (i) The surviving spouse or dependent child of a deceased retiree  
30 who was eligible to enroll may enroll and participate in the health insurance benefit options  
31 established under the Program as long as the spouse or child is receiving a periodic  
32 allowance under Division II of this article or the Maryland Transit Administration  
33 Retirement Plan under § 7-206 of the Transportation Article.

1                   (ii) Subparagraph (i) of this paragraph does not apply to a deceased  
2 retiree's spouse or dependent child who receives an Option 1, Option 4, or Option 7 benefit  
3 under Division II of this article or a lump-sum payment of benefits under the Maryland  
4 Transit Administration Retirement Plan under § 7-206 of the Transportation Article.

5                   (4) (i) If a retiree receives a State disability retirement allowance or has  
6 25 or more years of creditable service, the retiree or the retiree's surviving spouse or  
7 dependent child is entitled to the same State subsidy allowed a State employee.

8                   (ii) In all other cases, if a retiree has at least 10 years of creditable  
9 service, the retiree or the retiree's surviving spouse or dependent child is entitled to 1/25 of  
10 the State subsidy allowed a State employee for each year of the retiree's creditable service  
11 up to 25 years.

12                   (iii) Notwithstanding subparagraph (ii) of this paragraph and  
13 subsection (a)(4)(i) of this section, if a retiree is an additional employee or agent of the State  
14 Racing Commission, for the purposes of determining a retiree's State subsidy, creditable  
15 service shall be determined with respect to service as an additional employee or agent  
16 beginning from the initial date of employment.

17 2-509.

18                   (a) (1) This subsection applies to a retiree of an optional retirement program  
19 under Title 30 of this article who began service as an employee of the State in the Executive,  
20 Legislative, or Judicial Branch of government on or before June 30, 2011.

21                   (2) (i) Subject to subparagraph (ii) of this paragraph, an individual may  
22 enroll and participate in the health insurance benefit options established under the  
23 Program if the individual retired under an optional program under Title 30 of this article  
24 and:

25                                   1. ended service with a State institution of higher education  
26 with at least 10 years of service and was at least age 57;

27                                   2. ended service with a State institution of higher education  
28 with at least 16 years of service; or

29                                   3. retired directly from and had at least 5 years of service  
30 with a State institution of higher education with a periodic distribution of benefits on or  
31 after July 1, 1984.

32                   (ii) 1. For purposes of this subsection only, years of service shall  
33 be calculated as follows:

34                                   A. except as provided in subparagraph 2 of this  
35 subparagraph, a year of service means a period of 12 months during which an employee



1 was a participant in an optional retirement program under Title 30 of this article and the  
2 participant's employer made contributions to the participant's account in the Program; [or]

3 B. if an employee's work year is an academic year of at least  
4 9 but less than 12 months, a year of service means a period equal to the academic year  
5 during which an employee was a participant in an optional retirement program under Title  
6 30 of this article and the participant's employer made contributions to the participant's  
7 account in the Program; OR

8 C. ANY PERIOD DURING WHICH AN INDIVIDUAL WAS  
9 EMPLOYED BY THE STATE IN THE EXECUTIVE, LEGISLATIVE, OR JUDICIAL BRANCH  
10 AND ENROLLED AS A MEMBER OF ONE OF THE SEVERAL SYSTEMS UNDER DIVISION  
11 II OF THIS ARTICLE.

12 2. To determine eligibility for health insurance benefits  
13 under this section, each year of service shall be multiplied by the participant's percentage  
14 of full-time employment for that year of service.

15 (iii) The surviving spouse or dependent child of a deceased individual  
16 who was eligible to enroll may enroll and participate in the health insurance benefit options  
17 established under the Program as long as the spouse or child is receiving a periodic  
18 distribution of benefits under an optional retirement program under Title 30 of this article.

19 (3) (i) An enrollee under this section who was in service with a State  
20 institution of higher education at the time of the retirement is entitled to the same State  
21 subsidy allowed a retiree under § 2-508(b)(4) of this subtitle. However, except as provided  
22 in subparagraph (ii) of this paragraph, the subsidy shall apply only to the costs of coverage  
23 for the enrollee and may not apply to any additional costs of coverage for the enrollee's  
24 spouse or children.

25 (ii) If the enrollee has 25 or more years of service as an employee of  
26 the State in the Executive, Legislative, or Judicial Branch of government, the enrollee or  
27 the enrollee's surviving spouse or dependent child is entitled to the same State subsidy  
28 allowed a retiree with 16 or more years of creditable service under § 2-508(b)(4)(i) of this  
29 subtitle.

30 (b) (1) This subsection applies to a retiree of an optional retirement program  
31 under Title 30 of this article who begins service as an employee of the State in the  
32 Executive, Legislative, or Judicial Branch of government on or after July 1, 2011.

33 (2) (i) Subject to subparagraph (ii) of this paragraph, an individual may  
34 enroll and participate in the health insurance benefit options established under the  
35 Program if the individual retired under an optional program under Title 30 of this article  
36 and:

1 1. ended service with a State institution of higher education  
2 with at least 10 years of service and was at least age 57;

3 2. ended service with a State institution of higher education  
4 with at least 25 years of service; or

5 3. retired directly from and had at least 10 years of service  
6 with a State institution of higher education with a periodic distribution of benefits on or  
7 after July 1, 2011.

8 (ii) 1. For purposes of this paragraph only, years of service shall  
9 be calculated as follows:

10 A. except as provided in subsubparagraph 2 of this  
11 subparagraph, a year of service means a period of 12 months during which an employee  
12 was a participant in an optional retirement program under Title 30 of this article and the  
13 participant's employer made contributions to the participant's account in the Program; [or]

14 B. if an employee's work year is an academic year of at least  
15 9 but less than 12 months, a year of service means a period equal to the academic year  
16 during which an employee was a participant in an optional retirement program under Title  
17 30 of this article and the participant's employer made contributions to the participant's  
18 account in the Program; OR

19 C. ANY PERIOD DURING WHICH AN INDIVIDUAL WAS  
20 EMPLOYED BY THE STATE IN THE EXECUTIVE, LEGISLATIVE, OR JUDICIAL BRANCH  
21 AND ENROLLED AS A MEMBER OF ONE OF THE SEVERAL SYSTEMS UNDER DIVISION  
22 II OF THIS ARTICLE.

23 2. To determine eligibility for health insurance benefits  
24 under this section, each year of service shall be multiplied by the participant's percentage  
25 of full-time employment for that year of service.

26 (iii) The surviving spouse or dependent child of a deceased individual  
27 who was eligible to enroll may enroll and participate in the health insurance benefit options  
28 established under the Program as long as the spouse or child is receiving a periodic  
29 distribution of benefits under an optional retirement program under Title 30 of this article.

30 (3) (i) An enrollee under this subsection who was in service with a State  
31 institution of higher education at the time of the retirement is entitled to the same State  
32 subsidy allowed a retiree under § 2-508(c)(4) of this subtitle. However, except as provided  
33 in subparagraph (ii) of this paragraph, the subsidy shall apply only to the costs of coverage  
34 for the enrollee and may not apply to any additional costs of coverage for the enrollee's  
35 spouse or children.

1                   (ii) If the enrollee has 25 or more years of service as an employee of  
2 the State in the Executive, Legislative, or Judicial Branch of government, the enrollee or  
3 the enrollee's surviving spouse or dependent child is entitled to the same State subsidy  
4 allowed a retiree with 25 or more years of creditable service under § 2-508(c)(4)(i) of this  
5 subtitle.

6           SECTION ~~2~~ 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
7 June 1, 2023.

Approved:

---

Governor.

---

Speaker of the House of Delegates.

---

President of the Senate.