

# SENATE BILL 575

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CF HB 612

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By: **Senator Jones–Rodwell (Chair, Joint Committee on Pensions)**

Introduced and read first time: January 30, 2014

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **State Retirement and Pension System – Code Simplification and**  
3 **Clarification**

4 FOR the purpose of making clarifying changes to a certain definition of “eligible  
5 retirement plan” and a certain definition of “eligible rollover distribution” as  
6 they relate to provisions on rollover distributions under the State pension laws;  
7 clarifying the manner in which a certain transfer of funds from the State  
8 Retirement Agency to an eligible rollover plan shall be made; clarifying that  
9 certain distributions of funds to a designated spouse beneficiary may be paid to  
10 an eligible retirement plan in a direct rollover; clarifying that certain references  
11 to individual retirement accounts include traditional and Roth individual  
12 retirement accounts; clarifying that a member of the Employees’ Pension  
13 System who resumes employment before a certain date may resume  
14 participation in the Alternate Contributory Pension Selection if the employer  
15 participates in the Alternate Contributory Pension Selection; clarifying that the  
16 Reformed Contributory Pension Benefit does not apply to employees of certain  
17 participating governmental units; repealing an option to continue participation  
18 in the Deferred Retirement Option Program in the State Police Retirement  
19 System if a member is granted a special disability retirement allowance;  
20 repealing an option to continue participation in the Deferred Retirement Option  
21 Program in the Law Enforcement Officers’ Pension System if a member is  
22 granted a special disability retirement allowance; increasing the maximum  
23 average final compensation that retirees of the Local Fire and Police System  
24 must have at the time of retirement in order to be exempt from a certain  
25 reemployment earnings limitation; altering the number of years required after  
26 retirement for certain retirees of the Local Fire and Police System to be exempt  
27 from a certain reemployment earnings limitation; clarifying that certain former  
28 members of the State Retirement and Pension System shall have their  
29 accumulated contributions returned upon making a certain request; clarifying  
30 that certain former members of the State Retirement and Pension System who  
31 have their accumulated contributions returned are not entitled to further

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 benefits; clarifying that regular interest may not be paid on certain member  
 2 contributions after a certain time period under certain circumstances; altering  
 3 the methods that certain members of the Teachers' Pension System may use to  
 4 purchase certain service credit; providing for a delayed effective date for a  
 5 certain provision of this Act; and generally relating to clarifying provisions that  
 6 apply to the State Retirement and Pension System.

7 BY repealing and reenacting, with amendments,  
 8 Article – State Personnel and Pensions  
 9 Section 21–601, 21–602, 22–215, 23–213, 23–215.1, 23–225, 23–308(c), 24–206,  
 10 24–401.1(k), 25–204, 26–205, 26–401.1(k), 28–205, and 28–402(b)  
 11 Annotated Code of Maryland  
 12 (2009 Replacement Volume and 2013 Supplement)

13 BY repealing and reenacting, without amendments,  
 14 Article – State Personnel and Pensions  
 15 Section 22–217, 24–401.1(a) and (g), 26–401.1(a) and (g), 29–302(a) and (f), and  
 16 29–303(a)  
 17 Annotated Code of Maryland  
 18 (2009 Replacement Volume and 2013 Supplement)

19 BY adding to  
 20 Article – State Personnel and Pensions  
 21 Section 29–303(h)  
 22 Annotated Code of Maryland  
 23 (2009 Replacement Volume and 2013 Supplement)

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

26 **Article – State Personnel and Pensions**

27 21–601.

28 (a) In this subtitle the following words have the meanings indicated.

29 (b) “Direct rollover” means a payment by the State Retirement Agency  
 30 directly to the eligible retirement plan specified by the participant, the surviving  
 31 spouse of a participant, or the designated beneficiary of the participant.

32 (c) “Eligible retirement plan” means:

33 (1) an individual retirement account described in § 408(a) of the  
 34 Internal Revenue Code;

35 (2) an individual retirement annuity, other than an endowment  
 36 contract, described in § 408(b) of the Internal Revenue Code;

1           (3) a qualified trust described in § 401(a) of the Internal Revenue Code  
2 that is exempt from tax under § 501(a) of the Internal Revenue Code;

3           (4) an annuity plan described in § 403(a) of the Internal Revenue  
4 Code;

5           (5) an annuity plan described in § 403(b) of the Internal Revenue  
6 Code;

7           (6) a deferred compensation plan **DESCRIBED IN § 457(B) OF THE**  
8 **INTERNAL REVENUE CODE, OR ANY SUCCESSOR PROVISIONS**, that is maintained  
9 by [an eligible employer described in § 457 of the Internal Revenue Code or any  
10 successor provisions] **A STATE, POLITICAL SUBDIVISION OF A STATE, OR ANY**  
11 **AGENCY OR INSTRUMENTALITY OF A STATE OR A POLITICAL SUBDIVISION OF A**  
12 **STATE THAT AGREES TO ACCOUNT SEPARATELY FOR AMOUNTS TRANSFERRED**  
13 **INTO THAT PLAN; or**

14           (7) effective January 1, 2008, a Roth Individual Retirement Account  
15 described in § 408A of the Internal Revenue Code.

16           (d) (1) “Eligible rollover distribution” means a distribution:

17                   (i) on or after January 1, 1993, to a participant of all or any  
18 part of the balance to the credit of the participant in any State system;

19                   (ii) on or after January 1, 2002, to the surviving spouse of a  
20 member, former member, or retiree, or to a spouse or former spouse who is an  
21 alternate payee under an eligible domestic relations order, as defined in § 414(p) of the  
22 Internal Revenue Code, of all or any part of the balance to the credit of the member,  
23 former member, retiree, or surviving spouse in any State system; or

24                   (iii) on or after January 1, 2007, to the designated **NONSPOUSE**  
25 beneficiary of a member, former member, or retiree of all or any part of the balance to  
26 the credit of the member, former member, retiree, or designated **NONSPOUSE**  
27 beneficiary in any State system.

28           (2) “Eligible rollover distribution” does not include:

29                   (i) any distribution that is one of a series of substantially equal  
30 periodic payments that are made at least annually for the life or life expectancy of the  
31 participant or the joint lives or joint life expectancies of the participant and the  
32 participant’s beneficiary;

33                   (ii) any distribution that is one of a series of substantially equal  
34 periodic payments made for a specified period of at least 10 years;

1 (iii) any distribution that is required under § 401(a)(9) of the  
2 Internal Revenue Code; [or]

3 (iv) any distribution that is reasonably expected to total less  
4 than \$200 during the calendar year; **OR**

5 **(V) ANY OTHER DISTRIBUTION THAT THE INTERNAL**  
6 **REVENUE SERVICE DOES NOT CONSIDER ELIGIBLE FOR ROLLOVER**  
7 **TREATMENT, INCLUDING CORRECTIVE DISTRIBUTIONS NECESSARY TO COMPLY**  
8 **WITH THE PROVISIONS OF § 415 OF THE INTERNAL REVENUE CODE.**

9 (3) (i) Effective January 1, 2002, a portion of a distribution will not  
10 fail to be an eligible rollover distribution merely because that portion consists of  
11 after-tax employee contributions that are not includible in gross income.

12 (ii) A portion of a distribution described in subparagraph (i) of  
13 this paragraph may be transferred only to:

14 1. an individual retirement account or annuity described  
15 in § 408(a) or (b) of the Internal Revenue Code;

16 2. a qualified defined contribution plan described in §  
17 401(a) of the Internal Revenue Code **THAT AGREES TO ACCOUNT SEPARATELY FOR**  
18 **AMOUNTS TRANSFERRED TO THE ACCOUNT AND EARNING RECEIVED AS A**  
19 **RESULT OF THE TRANSFERRED AMOUNTS; [or]**

20 3. on or after January 1, 2007, to a qualified defined  
21 benefit plan described in § 401(a) of the Internal Revenue Code or to an annuity  
22 contract described in § 403(b) of the Internal Revenue Code, that agrees to account  
23 separately for amounts transferred to the account and earnings received as a result of  
24 the transferred amounts; **OR**

25 **4. ON OR AFTER JANUARY 1, 2008, TO A ROTH IRA**  
26 **DESCRIBED IN § 408 OF THE INTERNAL REVENUE CODE.**

27 **(III) A TRANSFER TO AN ELIGIBLE ROLLOVER PLAN**  
28 **DESCRIBED IN SUBPARAGRAPH (II)2, 3, OR 4 MAY BE MADE ONLY THROUGH A**  
29 **DIRECT ROLLOVER.**

30 (e) “Supplemental plan” means the Board of Trustees of the Maryland  
31 Teachers and State Employees Supplemental Retirement Plans.

1           (a) [Except as provided in subsections (b) and (c) of this section, a] **A**  
2 participant may elect on the form the Board of Trustees requires to have all or any  
3 part of an eligible rollover distribution paid to [the] **AN** eligible retirement plan in a  
4 direct rollover.

5           (b) (1) [Except as provided in paragraph (2) of this subsection, if] **IF** an  
6 eligible rollover distribution is payable to the designated **SPOUSE** beneficiary of a  
7 member, former member, or retiree, the designated **SPOUSE** beneficiary may [only]  
8 elect to have all or any part of the eligible rollover distribution paid [in a direct  
9 rollover] to an [individual] **ELIGIBLE** retirement [account or individual retirement  
10 annuity] **PLAN IN A DIRECT ROLLOVER.**

11           (2) (i) A nonspouse designated beneficiary may roll over an eligible  
12 rollover distribution only to [an] **A TRADITIONAL OR ROTH** individual retirement  
13 account or individual retirement annuity established for the purpose of receiving the  
14 distribution.

15                           (ii) [An] **A TRADITIONAL OR ROTH** individual retirement  
16 account or individual retirement annuity established under this paragraph shall be  
17 treated as an inherited individual retirement account or annuity within the meaning  
18 of § 408(d)(3)(C) of the Internal Revenue Code.

19           (c) A member who is eligible to participate in the plan administered by the  
20 supplemental plan under Title 35, Subtitle 5 of this article may elect to have all or any  
21 part of the eligible rollover distribution paid in a direct rollover to the plan in  
22 accordance with the regulations adopted by the supplemental plan.

23 23–215.1.

24           (a) This section applies to a member who:

25                           (1) on or before June 30, 2011, is subject to the Alternate Contributory  
26 Pension Selection;

27                           (2) (i) is separated from employment for 4 years or less; or

28   (ii) 1. is separated from employment for more than 4 years  
29 for military service that meets the requirements of the federal Uniformed Services  
30 Employment and Reemployment Rights Act; and

31   2. resumes employment within 1 year of leaving military  
32 service in a position that is included in the Employees' Pension System or Teachers'  
33 Pension System;

34                           (3) does not withdraw the member's accumulated contributions; and

1 (4) does not become a retiree.

2 (b) A member described in subsection (a) of this section who on or before  
3 June 30, 2016, resumes employment and is rehired into a position that is included in  
4 the Employees' Pension System or Teachers' Pension System, shall resume  
5 participation in the Alternate Contributory Pension Selection **IF THE REHIRING**  
6 **EMPLOYER PARTICIPATES IN THE ALTERNATE CONTRIBUTORY PENSION**  
7 **SELECTION.**

8 (c) On or before October 1, 2012, and each October 1 through October 1,  
9 2016, the Board of Trustees shall submit a report in accordance with § 2-1246 of the  
10 State Government Article to the Joint Committee on Pensions that provides the  
11 number of members described under subsection (a) of this section who were:

12 (1) rehired in the preceding fiscal year into a position included in the  
13 Employees' Pension System or Teachers' Pension System; and

14 (2) participating in the Alternate Contributory Pension Selection.

15 23-225.

16 (a) This Part IV of this subtitle (Reformed Contributory Pension Benefit)  
17 applies to:

18 (1) an individual who becomes a member of the Employees' Pension  
19 System or the Teachers' Pension System on or after July 1, 2011; and

20 (2) except as provided in § 23-215.1 of this subtitle, a member of the  
21 Employees' Pension System or Teachers' Pension System who separated from  
22 employment on or before June 30, 2011, and subsequently becomes employed in a  
23 position eligible for membership in the Employees' Pension System or the Teachers'  
24 Pension System on or after July 1, 2011.

25 (b) This Part IV does not apply to an employee of:

26 (1) a participating governmental unit **THAT WAS** participating in the  
27 Employees' Pension System **PRIOR TO JULY 1, 2011, AND** that has not elected to  
28 participate in the Alternate Contributory Pension Selection under § 31-116.1 of this  
29 article; or

30 (2) a former participating governmental unit, other than Frederick  
31 County, that has withdrawn from the Employees' Pension System.

32 24-401.1.

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

1           (2) “DROP” means the Deferred Retirement Option Program  
2 established under this section.

3           (3) “DROP member” means a member of the State Police Retirement  
4 System who:

5                   (i) is eligible to participate in the DROP as provided in  
6 subsection (c) of this section; and

7                   (ii) elects to participate in the DROP as provided in subsection  
8 (e) of this section.

9           (g) Participation in the DROP ends if the DROP participant:

10                   (1) separates from employment in accordance with the binding letter  
11 of resignation submitted with the member’s election form;

12                   (2) except for the Secretary of State Police, attains age 60;

13                   (3) dies;

14                   (4) is terminated from employment by the Maryland State Police at  
15 any time before the date specified on the member’s election form;

16                   (5) shortens the time period for participation in the DROP by  
17 delivering to the Maryland State Police and the Board of Trustees written notice of the  
18 intent of the DROP member to terminate employment; or

19                   (6) accepts a special disability retirement allowance as provided in  
20 subsection (k) of this section.

21           (k) (1) A DROP member is eligible to apply for a special disability  
22 retirement allowance under § 29–111 of this article if after the DROP member  
23 commences participation in the DROP:

24                   (i) the member is totally and permanently incapacitated for  
25 duty arising out of or in the course of the actual performance of duty that occurs while  
26 participating in DROP, and without willful negligence of the member; and

27                   (ii) the medical board certifies that:

28                           1. the member is totally incapacitated, either mentally  
29 or physically, for the further performance of duty by the occurrence described under  
30 item (i) of this paragraph;

31                           2. the incapacity is likely to be permanent; and





1 (1) separates from employment in accordance with the binding letter  
2 of resignation submitted with the member's election form;

3 (2) dies;

4 (3) is terminated from employment by the DROP member's  
5 participating employer at any time before the date specified on the member's election  
6 form;

7 (4) shortens the time period for participation in the DROP by  
8 delivering to the DROP member's participating employer and the Board of Trustees  
9 written notice of the intent of the DROP member to terminate employment; or

10 (5) accepts an accidental disability retirement allowance as provided  
11 in subsection (k) of this section.

12 (k) (1) A DROP member is eligible to apply for an accidental disability  
13 retirement allowance under § 29-109 of this article if after the DROP member  
14 commences participation in the DROP:

15 (i) the member is totally and permanently incapacitated for  
16 duty arising out of or in the course of the actual performance of duty that occurs while  
17 participating in DROP, and without willful negligence of the member; and

18 (ii) the medical board certifies that:

19 1. the member is totally incapacitated, either mentally  
20 or physically, for the further performance of duty by the occurrence described under  
21 item (i) of this paragraph;

22 2. the incapacity is likely to be permanent; and

23 3. the member should be retired.

24 (2) [If the Board of Trustees grants a DROP member an accidental  
25 disability retirement allowance, the DROP member may elect to receive the accidental  
26 disability retirement allowance or continue to participate in the DROP.

27 (3)] (i) If a DROP member elects to receive a disability retirement  
28 allowance [instead of continuing to participate in the DROP], the DROP member  
29 shall:

30 1. submit an application to the Board of Trustees, on the  
31 form the Board of Trustees provides, to receive payment of the amount accrued in the  
32 DROP in accordance with subsection (i) of this section;

1                   2.     execute a written waiver of any benefits to which the  
2 DROP member may be entitled under the DROP; and

3                   3.     submit an application to retire with an accidental  
4 disability retirement allowance, on the form the Board of Trustees provides, stating  
5 the effective date of the DROP member's retirement as an accidental disability retiree.

6                   (ii)    On acceptance of the application for payment and  
7 application to retire, the Board of Trustees shall commence payment of an accidental  
8 disability allowance to the DROP member as provided in § 29-110 of this article,  
9 except that the DROP member's average final compensation shall be computed as of  
10 the effective date of the DROP member's application for an accidental disability  
11 retirement allowance.

12 28-402.

13           (b)   (1)   The Board of Trustees shall reduce the allowance of an individual  
14 who accepts employment as provided under subsection (a) of this section if the  
15 individual's current employer is a participating employer other than the State and is  
16 the same participating employer that employed the individual at the time of the  
17 individual's last separation from employment with a participating employer before the  
18 individual commenced receiving a service retirement allowance or vested allowance.

19                   (2)    The reduction required under paragraph (1) of this subsection shall  
20 equal the amount that the sum of the individual's initial annual basic allowance and  
21 the individual's annual compensation exceeds the average final compensation used to  
22 compute the basic allowance.

23                   (3)    Except for an individual whose allowance is subject to a reduction  
24 as provided under paragraph (1) of this subsection, the reduction of an allowance  
25 under this subsection does not apply to:

26                   (i)     an individual whose average final compensation was less  
27 than ~~[\$10,000]~~ **\$25,000** and who is reemployed on a temporary or contractual basis;

28                   (ii)    an individual who is serving in an elected position as an  
29 official of a participating governmental unit or as a constitutional officer for a county  
30 that is a participating governmental unit; or

31                   (iii)   an individual who has been retired for ~~[9]~~ **5** years, beginning  
32 on January 1 after the date the individual retires.

33 29-302.

34           (a)    This section applies only to members of:

35                   (1)     the Correctional Officers' Retirement System;

- 1           (2)    the Employees' Retirement System;
- 2           (3)    the State Police Retirement System; and
- 3           (4)    the Teachers' Retirement System.

4           (f)    (1)    If a former member who elected a vested allowance requests the  
5 return of accumulated contributions before payment of the vested allowance begins,  
6 the Board of Trustees shall return the accumulated contributions to the former  
7 member.

8                   (2)    When accumulated contributions are returned to a former member,  
9 the former member is not entitled to further benefits on account of the former  
10 member's previous membership.

11 29–303.

12           (a)    This section applies only to members of:

- 13                   (1)    the Employees' Pension System;
- 14                   (2)    the Local Fire and Police System;
- 15                   (3)    the Law Enforcement Officers' Pension System; or
- 16                   (4)    the Teachers' Pension System.

17           **(H)    (1)    IF A FORMER MEMBER WHO ELECTED A VESTED ALLOWANCE**  
18 **REQUESTS THE RETURN OF ACCUMULATED CONTRIBUTIONS BEFORE PAYMENT**  
19 **OF THE VESTED ALLOWANCE BEGINS, THE BOARD OF TRUSTEES SHALL RETURN**  
20 **THE ACCUMULATED CONTRIBUTIONS TO THE FORMER MEMBER.**

21                   **(2)    WHEN ACCUMULATED CONTRIBUTIONS ARE RETURNED TO A**  
22 **FORMER MEMBER, THE FORMER MEMBER IS NOT ENTITLED TO FURTHER**  
23 **BENEFITS ON ACCOUNT OF THE FORMER MEMBER'S PREVIOUS MEMBERSHIP.**

24           SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
25 read as follows:

26                                   **Article – State Personnel and Pensions**

27 22–215.

1           **(A)** Regular interest is payable on member contributions at the rate of 4% a  
2 year compounded annually, until retirement or withdrawal of the accumulated  
3 contributions.

4           **(B) (1) REGULAR INTEREST MAY NOT BE PAID ON MEMBER**  
5 **CONTRIBUTIONS AFTER 4 YEARS FROM THE DATE A FORMER MEMBER OF THE**  
6 **EMPLOYEES' RETIREMENT SYSTEM CEASES TO BE EMPLOYED BY A**  
7 **PARTICIPATING EMPLOYER IF THE FORMER MEMBER DOES NOT HAVE THE**  
8 **MINIMUM ELIGIBILITY SERVICE NEEDED TO QUALIFY FOR A VESTED BENEFIT**  
9 **UNDER TITLE 29, SUBTITLE 3 OF THIS ARTICLE.**

10           **(2) REGULAR INTEREST MAY NOT BE PAID ON MEMBER**  
11 **CONTRIBUTIONS AFTER 5 YEARS FROM THE DATE A FORMER MEMBER OF THE**  
12 **TEACHERS' RETIREMENT SYSTEM CEASES TO BE EMPLOYED BY A**  
13 **PARTICIPATING EMPLOYER IF THE FORMER MEMBER DOES NOT HAVE THE**  
14 **MINIMUM ELIGIBILITY SERVICE NEEDED TO QUALIFY FOR A VESTED BENEFIT**  
15 **UNDER TITLE 29, SUBTITLE 3 OF THIS ARTICLE.**

16 22–217.

17 Membership ends if the member:

18           (1) is separated from employment for more than:

19                   (i) 4 years, if a member of the Employees' Retirement System;

20 or

21                   (ii) 5 years, if a member of the Teachers' Retirement System;

22           (2) withdraws the member's accumulated contributions;

23           (3) transfers to the Employees' Pension System or Teachers' Pension  
24 System;

25           (4) becomes a retiree; or

26           (5) dies.

27 23–213.

28           **(A)** Regular interest is payable on member contributions at the rate of 5% per  
29 year compounded annually until retirement or withdrawal of contributions and  
30 interest.

31           **(B) REGULAR INTEREST MAY NOT BE PAID ON MEMBER**  
32 **CONTRIBUTIONS AFTER 4 YEARS FROM THE DATE A FORMER MEMBER CEASES**

1 **TO BE EMPLOYED BY A PARTICIPATING EMPLOYER IF THE FORMER MEMBER**  
2 **DOES NOT HAVE THE MINIMUM ELIGIBILITY SERVICE NEEDED TO QUALIFY FOR**  
3 **A VESTED BENEFIT UNDER TITLE 29, SUBTITLE 3 OF THIS ARTICLE.**

4 24–206.

5 (A) Regular interest is payable on member contributions at the rate of 4% a  
6 year, compounded annually, until retirement or withdrawal of the accumulated  
7 contributions.

8 (B) **REGULAR INTEREST MAY NOT BE PAID ON MEMBER**  
9 **CONTRIBUTIONS AFTER 4 YEARS FROM THE DATE A FORMER MEMBER CEASES**  
10 **TO BE EMPLOYED BY A PARTICIPATING EMPLOYER IF THE FORMER MEMBER**  
11 **DOES NOT HAVE THE MINIMUM ELIGIBILITY SERVICE NEEDED TO QUALIFY FOR**  
12 **A VESTED BENEFIT UNDER TITLE 29, SUBTITLE 3 OF THIS ARTICLE.**

13 25–204.

14 (A) Regular interest is payable on member contributions at the rate of 4% a  
15 year, compounded annually, until retirement or withdrawal of the accumulated  
16 contributions.

17 (B) **REGULAR INTEREST MAY NOT BE PAID ON MEMBER**  
18 **CONTRIBUTIONS AFTER 4 YEARS FROM THE DATE A FORMER MEMBER CEASES**  
19 **TO BE EMPLOYED BY A PARTICIPATING EMPLOYER IF THE FORMER MEMBER**  
20 **DOES NOT HAVE THE MINIMUM ELIGIBILITY SERVICE NEEDED TO QUALIFY FOR**  
21 **A VESTED BENEFIT UNDER TITLE 29, SUBTITLE 3 OF THIS ARTICLE.**

22 26–205.

23 (A) Regular interest is payable on member contributions until retirement or  
24 withdrawal of accumulated contributions at the rate of:

25 (1) 4% a year, compounded annually, for a member who has  
26 transferred from the Employees' Retirement System on or before December 31, 2004;  
27 or

28 (2) 5% a year, compounded annually, for each other member.

29 (B) **REGULAR INTEREST MAY NOT BE PAID ON MEMBER**  
30 **CONTRIBUTIONS AFTER 4 YEARS FROM THE DATE A FORMER MEMBER CEASES**  
31 **TO BE EMPLOYED BY A PARTICIPATING EMPLOYER IF THE FORMER MEMBER**  
32 **DOES NOT HAVE THE MINIMUM ELIGIBILITY SERVICE NEEDED TO QUALIFY FOR**  
33 **A VESTED BENEFIT UNDER TITLE 29, SUBTITLE 3 OF THIS ARTICLE.**

1 28–205.

2 (A) Regular interest is payable on member contributions until retirement or  
3 withdrawal of accumulated contributions at the rate of:

4 (1) 4% a year, compounded annually, for a member who has  
5 transferred from the Employees' Retirement System; or

6 (2) 5% a year, compounded annually, for each other member.

7 (B) **REGULAR INTEREST MAY NOT BE PAID ON MEMBER**  
8 **CONTRIBUTIONS AFTER 4 YEARS FROM THE DATE A FORMER MEMBER CEASES**  
9 **TO BE EMPLOYED BY A PARTICIPATING EMPLOYER IF THE FORMER MEMBER**  
10 **DOES NOT HAVE THE MINIMUM ELIGIBILITY SERVICE NEEDED TO QUALIFY FOR**  
11 **A VESTED BENEFIT UNDER TITLE 29, SUBTITLE 3 OF THIS ARTICLE.**

12 SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland  
13 read as follows:

14 **Article – State Personnel and Pensions**

15 23–308.

16 (c) A member may pay the amount required by subsection (b) of this section[:

17 (1) on an installment basis by contributing at least 2% of earnable  
18 compensation per year; or

19 (2)] by transferring, on written request to the Board of Trustees, any  
20 prior contributions to a voluntary retirement benefit, less any costs of administering  
21 that benefit.

22 SECTION 4. AND BE IT FURTHER ENACTED, That Section 3 of this Act shall  
23 take effect January 1, 2015.

24 SECTION 5. AND BE IT FURTHER ENACTED, That, except as provided in  
25 Section 4 of this Act, this Act shall take effect July 1, 2014.