

(1) (a) The Annuity Savings Fund shall be a fund [in which shall be] CONSISTING OF accumulated contributions [from the compensation] CREDITED TO INDIVIDUAL ACCOUNTS of members to provide for their annuities. Upon the basis of such tables as the board of trustees shall adopt and an interest rate of four per centum per annum compounded annually, the actuary of the retirement system shall determine for each member who shall have become a member prior to July 1, 1973, the proportion of earnable compensation which, when deducted from each payment of his prospective compensation earnable prior to his attainment of the age of 60 and accumulated at interest of four per centum per annum compounded annually until his attainment of said age, shall be computed to provide at that time an annuity equal to one one-hundred-and-fortieth of his average final compensation for each year of service as a member. Such proportion of compensation shall be computed to remain constant.

However, commencing as of July 1, 1973, the proportion of compensation payable by any member as of June 30, 1973 shall be the lesser of (i) the proportion so determined or (ii) 5 percent of his earnable compensation, and the proportion of compensation payable by any person who becomes a member after June 30, 1973 shall be 5 percent of his earnable compensation. Any member who elects under § 9(2)(d) of this article for a full service credit for regular part-time service in the computation of the retirement allowance or benefit shall contribute 5 percent of the compensation the member would have earned had the member been a full-time employee during the period of disability.

(H) (I) IN THIS PARAGRAPH, "APPROVED EMPLOYER" MEANS AN EMPLOYER OF MEMBERS IN THE RETIREMENT SYSTEM, WHO HAS OBTAINED THE APPROVAL OF THE INTERNAL REVENUE SERVICE TO HAVE AN EMPLOYER PICKUP PROGRAM IN ACCORDANCE WITH § 414(H)(2) OF THE INTERNAL REVENUE CODE.

(II) AFTER JANUARY 1, 1989, THE STATE OR OTHER APPROVED EMPLOYER OF THE MEMBER SHALL PICK UP THE MEMBER CONTRIBUTIONS REQUIRED UNDER PARAGRAPH (A) OF THIS SUBSECTION FOR SERVICE RENDERED BY THE MEMBER FROM JANUARY 1, 1989.

(III) THE CONTRIBUTIONS PICKED UP UNDER ITEM (II) OF THIS PARAGRAPH SHALL:

1. BE TREATED AS EMPLOYER CONTRIBUTIONS IN DETERMINING TAX TREATMENT UNDER SECTION 414(H)(2) OF THE INTERNAL REVENUE CODE, AS AMENDED;

2. BE IMPLEMENTED BY A REDUCTION, EQUAL TO THE AMOUNT OF THE PICKUP, OF THE COMPENSATION OF EACH MEMBER REQUIRED TO MAKE CONTRIBUTIONS TO THE ANNUITY SAVINGS FUND UNDER THIS SUBSECTION AND MAY NOT BE INCLUDED AS GROSS INCOME OF THE MEMBER UNTIL THE PICKUP AMOUNTS ARE DISTRIBUTED OR MADE AVAILABLE TO THE MEMBER;