

(3) EVERY MEMBER SHALL BE DEEMED TO CONSENT TO THE DEDUCTIONS MADE AND PROVIDED IN THIS SECTION AND SHALL RECEIVE FOR THE MEMBER'S FULL COMPENSATION, AND PAYMENT OF COMPENSATION LESS THE DEDUCTIONS SHALL BE A FULL AND COMPLETE DISCHARGE AND ACQUITTANCE OF ALL CLAIMS AND DEMANDS WHATSOEVER FOR THE SERVICES RENDERED BY THE PERSON DURING THE PERIOD COVERED BY THE PAYMENT. ANY DEPARTMENT THAT FAILS TO PAY TO THIS PENSION SYSTEM THE DEDUCTIONS FROM THE COMPENSATION OF ITS EMPLOYEES ON THE DATE THE EMPLOYEES ARE PAID SHALL BE LIABLE FOR A PENALTY OF 10 PERCENT OF THE AMOUNTS DUE. HOWEVER, THE SECRETARY OF THE BOARD MAY ALLOW A GRACE PERIOD NOT TO EXCEED 10 ADDITIONAL CALENDAR DAYS. ALL AMOUNTS DUE AND UNPAID ON THE DATE OF PAYMENT SHALL ALSO BEAR INTEREST AT THE RATE OF 10 PERCENT A YEAR UNTIL THE DATE OF PAYMENT. THE STATE COMPTROLLER, IF NOTIFIED BY THE SECRETARY THAT A DELINQUENCY EXISTS, SHALL IMMEDIATELY EXERCISE THE RIGHT OF SETOFF AGAINST ANY MONEY DUE OR TO BECOME DUE TO THE DELINQUENT DEPARTMENT.

(4) THE ACCUMULATED CONTRIBUTIONS OF A MEMBER THAT ARE WITHDRAWN BY THE MEMBER OR PAID TO THE MEMBER'S PERSONAL REPRESENTATIVE OR TO THE MEMBER'S DESIGNATED BENEFICIARY AT THE MEMBER'S DEATH, SHALL BE PAID FROM THE ANNUITY SAVINGS FUND. ON THE RETIREMENT OF A MEMBER, THE MEMBER'S ACCUMULATED CONTRIBUTIONS SHALL BE TRANSFERRED FROM THE ANNUITY SAVINGS FUND TO THE ACCUMULATION FUND.

(5) (I) IN THIS PARAGRAPH, "APPROVED EMPLOYER" MEANS AN EMPLOYER OF MEMBERS IN THIS PENSION 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 JULY 1, 1989, THE STATE OR OTHER APPROVED EMPLOYER OF THE MEMBER SHALL PICK UP THE MEMBER CONTRIBUTIONS REQUIRED UNDER SUBSECTION (B) OF THIS SECTION FOR SERVICE RENDERED BY THE MEMBER FROM JULY 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 § 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;