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SB 218/95 - B&T

1996 Regular Session
6lr1262

By: Delegate Proctor (Chairman, Joint Committee on Pensions)

Introduced and read first time: January 18, 1996

Assigned to: Appropriations

A BILL ENTITLED

1 AN ACT concerning

2 **Pensions - Compensation Limit**

3 FOR the purpose of providing a compensation limit of a certain amount, as adjusted by
4 the Commissioner of Internal Revenue, that applies to the annual compensation
5 that may be taken into account when determining the retirement allowances that
6 may be payable to certain members of a State retirement or pension system; and
7 providing for the effective date of this Act.

8 BY adding to

9 Article - State Personnel and Pensions
10 Section 20-207
11 Annotated Code of Maryland
12 (1994 Volume and 1995 Supplement)

13 Preamble

14 WHEREAS, The amendments to § 401(a)(17) of the Internal Revenue Code by
15 the Omnibus Budget Reconciliation Revenue Act of 1993 established that the amount of
16 the annual compensation of an employee that may be taken into account under the plan
17 may not exceed \$150,000, as adjusted by the Commissioner of Internal Revenue for
18 increases in the cost of living in accordance with § 401(a)(17)(B) of the Internal Revenue
19 Code; and

20 WHEREAS, A transition rule was enacted for governmental plans under which
21 individuals who are members of a State system prior to July 1, 1996 are not subject to the
22 compensation limit provided that the governmental plan is amended to incorporate the
23 compensation limit effective for individuals who become members of the plan on or after
24 July 1, 1996; and

25 WHEREAS, If a governmental plan is not amended to incorporate the
26 compensation limit, the governmental plan may not take advantage of the transition rule;
27 and

28 WHEREAS, It is important to amend the plan to incorporate the transition rule
29 to assure that individuals who became members before July 1, 1996 are not subject to the
30 compensation limit under § 401(a)(17) of the Internal Revenue Code and that the several

2

1 systems remain in compliance with the requirements of § 401(a)(17) of the Internal
2 Revenue Code for purposes of tax qualification; now, therefore,

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

5 **Article - State Personnel and Pensions**

6 20-207.

7 (A) THIS SECTION DOES NOT APPLY TO AN INDIVIDUAL WHO IS A MEMBER OF
8 A STATE SYSTEM ON OR BEFORE JUNE 30, 1996.

9 (B) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, FOR PLAN YEARS
10 BEGINNING ON OR AFTER JULY 1, 1996, THE ANNUAL COMPENSATION THAT MAY BE
11 TAKEN INTO ACCOUNT WHEN DETERMINING THE RETIREMENT ALLOWANCE
12 PAYABLE TO A MEMBER OF A STATE SYSTEM, MAY NOT EXCEED THE
13 COMPENSATION LIMIT UNDER § 401(A)(17)(B) OF THE INTERNAL REVENUE CODE, OF
14 \$150,000, AS ADJUSTED BY THE COMMISSIONER OF INTERNAL REVENUE FOR
15 INCREASES IN THE COST OF LIVING IN ACCORDANCE WITH § 401(A)(17)(B) OF THE
16 INTERNAL REVENUE CODE AND REGULATIONS ADOPTED THEREUNDER.

17 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
18 June 30, 1996.