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

Introduced and read first time: January 18, 1996

Assigned to: Appropriations

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Committee Report: Favorable

House action: Adopted

Read second time: February 15, 1996

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CHAPTER \_\_\_\_

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

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1 WHEREAS, If a governmental plan is not amended to incorporate the  
2 compensation limit, the governmental plan may not take advantage of the transition rule;  
3 and

4 WHEREAS, It is important to amend the plan to incorporate the transition rule  
5 to assure that individuals who became members before July 1, 1996 are not subject to the  
6 compensation limit under § 401(a)(17) of the Internal Revenue Code and that the several  
7 systems remain in compliance with the requirements of § 401(a)(17) of the Internal  
8 Revenue Code for purposes of tax qualification; now, therefore,

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

11 **Article - State Personnel and Pensions**

12 20-207.

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

15 (B) NOTWITHSTANDING ANY OTHER PROVISION OF LAW, FOR PLAN YEARS  
16 BEGINNING ON OR AFTER JULY 1, 1996, THE ANNUAL COMPENSATION THAT MAY BE  
17 TAKEN INTO ACCOUNT WHEN DETERMINING THE RETIREMENT ALLOWANCE  
18 PAYABLE TO A MEMBER OF A STATE SYSTEM, MAY NOT EXCEED THE  
19 COMPENSATION LIMIT UNDER § 401(A)(17)(B) OF THE INTERNAL REVENUE CODE, OF  
20 \$150,000, AS ADJUSTED BY THE COMMISSIONER OF INTERNAL REVENUE FOR  
21 INCREASES IN THE COST OF LIVING IN ACCORDANCE WITH § 401(A)(17)(B) OF THE  
22 INTERNAL REVENUE CODE AND REGULATIONS ADOPTED THEREUNDER.

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