

BY: Appropriations Committee

AMENDMENTS TO HOUSE BILL NO. 987

(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 2, after "Selection" insert "- Optional Defined Contribution System"; strike beginning with "who" in line 4 down through "units" in line 5; in line 16, after "benefits;" insert "authorizing certain members who are eligible for a normal service retirement allowance to retire without making contributions for a certain minimum number of months if the members pay a certain amount;"; in line 21, after "hours;" insert "establishing an Optional Defined Contribution System for the purpose of allowing certain members of the Employees' Pension System and members of the Teachers' Pension System to contribute to certain plans with tax qualified status under the Internal Revenue Code and receive a certain maximum amount from the State as a match; requiring the State Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans to administer the Optional Defined Contribution System, to adopt certain regulations, and to adopt, implement, and maintain certain plans qualified under the Internal Revenue Code; providing that the Supplemental Board is not required to adopt or amend certain plans in a certain manner; providing for contributions by participating employees and the State under the Optional Defined Contribution System; requiring the Governor to include certain amounts in the annual State budget bill; altering the eligibility for participation in certain plans administered by the Supplemental Board; establishing a Defined Contribution System Plan for certain eligible participants; providing for certain negotiations with a certain administrator of the Supplemental Retirement Plans; providing for the termination of and renegotiation of a certain contract; requiring the State Retirement Agency and the Supplemental Board to coordinate certain efforts to give certain information to certain members of certain State pension systems; providing for the release of certain pension records under certain circumstances; defining certain terms;"; in line 22, after "Act;" insert "authorizing the Governor to take certain actions for a certain fiscal year to implement the provisions of this Act; declaring the intent of the General Assembly;"; in line 23, after "selection" insert "and the establishment of an Optional Defined Contribution System"; in lines 23 and 24, strike "who are State employees"; and after line 24, insert:

(Over)

“BY repealing and reenacting, with amendments,

Article - State Government

Section 10-616(g)(5)

Annotated Code of Maryland

(1995 Replacement Volume and 1997 Supplement)”.

On page 2, in line 6, after “21-304(d),” insert “21-305.2(e),”; in the same line, strike “and 29-404” and substitute “29-404, and 35-101(c)”; in line 11, after “Section” insert “21-505;”; in line 12, strike “and”; in line 13, after “Adjustment” insert “; 32-101 through 32-206, inclusive, to be under the new title “Title 32. Optional Defined Contribution System”; and 35-701 and 35-702, to be under the new subtitle “Subtitle 7. Defined Contribution Plan”; and in line 18, after “29-110,” insert “and”.

AMENDMENT NO. 2

On page 12, after line 36, insert:

“TITLE 32. OPTIONAL DEFINED CONTRIBUTION SYSTEM.

SUBTITLE 1. DEFINITIONS.

32-101.

(A) IN THIS TITLE THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(B) “ELIGIBLE EMPLOYEE” MEANS:

(1) A MEMBER OF THE EMPLOYEES’ PENSION SYSTEM OTHER THAN AN EMPLOYEE OF A PARTICIPATING GOVERNMENTAL UNIT; OR

(2) A MEMBER OF THE TEACHERS’ PENSION SYSTEM.

(C) “OPTIONAL DEFINED CONTRIBUTION SYSTEM” MEANS THE SYSTEM ESTABLISHED UNDER § 32-201 OF THIS TITLE.

(D) “PARTICIPATING EMPLOYEE” MEANS AN ELIGIBLE EMPLOYEE WHO PARTICIPATES IN THE OPTIONAL DEFINED CONTRIBUTION SYSTEM.

(E) (1) "STATE SUPPLEMENTAL PLAN" MEANS A PLAN QUALIFIED UNDER THE INTERNAL REVENUE CODE AND ADMINISTERED BY THE SUPPLEMENTAL BOARD.

(2) "STATE SUPPLEMENTAL PLAN" INCLUDES:

(I) A SALARY REDUCTION PLAN QUALIFIED UNDER § 401(K) OF THE INTERNAL REVENUE CODE;

(II) A TAX SHELTERED ANNUITY PLAN QUALIFIED UNDER § 403(B) OF THE INTERNAL REVENUE CODE;

(III) A DEFERRED COMPENSATION PLAN QUALIFIED UNDER § 457 OF THE INTERNAL REVENUE CODE; OR

(IV) A PLAN QUALIFIED UNDER § 401(A) OF THE INTERNAL REVENUE CODE.

(F) "SUPPLEMENTAL BOARD" MEANS THE STATE BOARD OF TRUSTEES OF THE MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS ESTABLISHED UNDER § 35-201 OF THIS ARTICLE.

SUBTITLE 2. OPTIONAL DEFINED CONTRIBUTION SYSTEM.

32-201.

THERE IS AN OPTIONAL DEFINED CONTRIBUTION SYSTEM.

32-202.

THE SUPPLEMENTAL BOARD SHALL ADMINISTER THE OPTIONAL DEFINED CONTRIBUTION SYSTEM.

32-203.

(A) THE SUPPLEMENTAL BOARD SHALL ADOPT, IMPLEMENT, AND MAINTAIN THE SPECIFIC QUALIFIED PLANS THAT ARE PART OF THE OPTIONAL DEFINED CONTRIBUTION SYSTEM.

(B) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, THE SUPPLEMENTAL BOARD SHALL ADOPT REGULATIONS TO CARRY OUT THIS TITLE.

(2) THE SUPPLEMENTAL BOARD IS NOT REQUIRED TO ADOPT REGULATIONS TO ADOPT OR AMEND THE PLANS UNDER THE OPTIONAL DEFINED CONTRIBUTION SYSTEM.

(C) A PARTICIPATING EMPLOYEE'S INTEREST IN THE PLANS UNDER THE OPTIONAL DEFINED CONTRIBUTION SYSTEM:

(1) SHALL IMMEDIATELY BE 100% VESTED;

(2) SHALL BE HELD IN TRUST FOR THE EXCLUSIVE BENEFIT OF THE PARTICIPATING EMPLOYEE, EXCEPT AS OTHERWISE REQUIRED UNDER § 403(B) OF THE INTERNAL REVENUE CODE FOR INVESTMENTS HELD UNDER A PLAN THAT QUALIFIES UNDER § 403(B) OF THE INTERNAL REVENUE CODE; AND

(3) MAY BE DISTRIBUTED ONLY AT THE TIMES, IN THE MANNER, TO THE EXTENT, AND TO THE INDIVIDUALS THAT ALLOW THE PLANS TO MAINTAIN THEIR TAX QUALIFIED STATUS UNDER THE INTERNAL REVENUE CODE.

32-204.

THE PARTICIPATING EMPLOYEE CONTRIBUTIONS SHALL BE MADE AS PAYROLLS ARE PAID BY PAYROLL DEDUCTION OR BY A REDUCTION IN SALARY IN ACCORDANCE WITH THE INTERNAL REVENUE CODE AND AS PROVIDED BY THE APPLICABLE STATE SUPPLEMENTAL PLAN.

32-205.

(A) FOR EACH PARTICIPATING EMPLOYEE WHO MAKES CONTRIBUTIONS UNDER § 32-204 OF THIS SUBTITLE, THE STATE SHALL CONTRIBUTE TO THE APPLICABLE STATE SUPPLEMENTAL PLAN EMPLOYER CONTRIBUTIONS AN AMOUNT EQUAL TO THE LESSER OF 50% OF THE PARTICIPATING EMPLOYEE'S CONTRIBUTIONS OR \$250 PER FISCAL YEAR.

(B) (1) THIS SUBSECTION APPLIES TO PARTICIPATING EMPLOYEES WHO ARE PAID THROUGH THE CENTRAL PAYROLL BUREAU.

(2) AS PAYROLLS ARE PAID, THE CENTRAL PAYROLL BUREAU SHALL PAY THE EMPLOYER CONTRIBUTIONS TO THE APPLICABLE STATE SUPPLEMENTAL PLAN AS DIRECTED BY THE SUPPLEMENTAL BOARD.

(3) THE PAYMENTS SHALL BE CHARGED AGAINST THE BUDGETS OF THE UNITS EMPLOYING THE PARTICIPATING EMPLOYEES.

(4) IF A PARTICIPATING EMPLOYEE'S SALARY IS PAID FROM SPECIAL FUNDS OR FEDERAL FUNDS, OR BOTH, THE EMPLOYER CONTRIBUTION FOR THAT EMPLOYEE SHALL BE PAID FROM THOSE FUNDS.

(C) (1) THIS SUBSECTION APPLIES TO PARTICIPATING EMPLOYEES WHO ARE NOT PAID THROUGH THE CENTRAL PAYROLL BUREAU.

(2) THE SUPPLEMENTAL BOARD SHALL PROVIDE BY REGULATION HOW EMPLOYER CONTRIBUTIONS AND PARTICIPATING EMPLOYEE CONTRIBUTIONS ARE TO BE MADE.

(3) THE PAYMENTS SHALL BE CHARGED AGAINST THE BUDGETS OF THE UNITS EMPLOYING THE PARTICIPATING EMPLOYEES WHO ARE EMPLOYED BY THE STATE.

(4) IF A PARTICIPATING EMPLOYEE'S SALARY IS PAID FROM SPECIAL FUNDS OR FEDERAL FUNDS, OR BOTH, THE EMPLOYER CONTRIBUTION SHALL BE

PAID FROM THOSE FUNDS.

(5) IF A PARTICIPATING EMPLOYEE'S SALARY IS NOT PAID BY THE STATE, THE EMPLOYER CONTRIBUTION FOR THAT EMPLOYEE SHALL BE PAID FROM THE SAME BUDGET CODE FROM WHICH EMPLOYER CONTRIBUTIONS TO THE STATE RETIREMENT AND PENSION SYSTEM ARE PAID.

32-206.

THE GOVERNOR SHALL INCLUDE IN THE ANNUAL STATE BUDGET BILL AN APPROPRIATION THAT IS SUFFICIENT TO PAY THE EMPLOYER CONTRIBUTIONS FOR PARTICIPATING EMPLOYEES.

35-101.

(c) "Supplemental retirement plans" means the deferred compensation, tax sheltered annuity, [and] salary reduction savings plans, AND ANY OTHER PLANS authorized by this title.

SUBTITLE 7. DEFINED CONTRIBUTION PLAN.

35-701.

THERE IS A DEFINED CONTRIBUTION PLAN FOR ELIGIBLE PARTICIPANTS AS ALLOWED BY § 401(A) OF THE INTERNAL REVENUE CODE.

35-702.

AN INDIVIDUAL IS ELIGIBLE TO PARTICIPATE IN THE DEFINED CONTRIBUTION PLAN IF THE INDIVIDUAL IS AN ELIGIBLE EMPLOYEE AS DEFINED IN § 32-101 OF THIS ARTICLE.

SECTION 3. AND BE IT FURTHER ENACTED, That:

(a) the State Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans shall negotiate separately with the administrator of the Supplemental Retirement

Plans a contract for the administration of a plan that is qualified under § 401(a) of the Internal Revenue Code for the contributions made under the Optional Defined Contribution System established under this Act; and

(b) the current contract between the State Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans and the administrator of the Supplemental Retirement Plans shall terminate on June 30, 2000 and a new contract that will apply to existing Supplemental Retirement Plans as well as any plans established under this Act shall be subject to renegotiation in accordance with Division II of the State Finance and Procurement Article.

SECTION 4. AND BE IT FURTHER ENACTED, That the State Retirement Agency and the State Board of Trustees of the Maryland Teachers and State Employees Supplemental Retirement Plans shall coordinate efforts to inform members of the Employees' Pension System and the Teachers' Pension System about the elections that the members are entitled to make under this Act.

SECTION 5. AND BE IT FURTHER ENACTED, That, for Fiscal Year 1999, the Governor may use existing appropriations in the State budget and transfer funds as needed to implement the provisions of this Act. To the extent necessary, the Governor may request additional funds for Fiscal Year 1999 in the budget submitted to the General Assembly at the 1999 legislative session.

SECTION 6. AND BE IT FURTHER ENACTED, That it is the intent of the General Assembly that the Board of Trustees of the State Retirement and Pension System modify the actuarial assumptions of the State systems in a manner consistent with sound actuarial principles and independent of any increase in accrued liability under this Act."

On page 13, in line 1, strike "3." and substitute "7.".

AMENDMENT NO.3

On page 3, in line 27, strike "3%" and substitute "2%".

On page 9, in line 2, strike "1.5%" and substitute "1.4%".

AMENDMENT NO. 4

On page 2, after line 26, insert:

“Article - State Government

10-616.

(g) (5) A custodian shall permit release of information as provided in § 21-504 OR § 21-505 of the State Personnel and Pensions Article.”.

On page 3, before line 22, insert:

“21-505.

THE BOARD OF TRUSTEES AND THE STATE BOARD OF TRUSTEES OF THE MARYLAND TEACHERS AND STATE EMPLOYEES SUPPLEMENTAL RETIREMENT PLANS SHALL EXCHANGE INFORMATION ABOUT PARTICIPATING EMPLOYEES OF THE OPTIONAL DEFINED CONTRIBUTION SYSTEM AS NECESSARY TO ADMINISTER THE SYSTEM.”.

AMENDMENT NO. 5

On page 5, in line 13, after “(1)” insert “SUBJECT TO PARAGRAPH (3) OF THIS SUBSECTION.”; in line 17, after “(2)” insert “EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION.”; and after line 26, insert:

“(3) (I) THIS PARAGRAPH DOES NOT APPLY TO A MEMBER WHO ELECTS TO RETIRE UNDER CHAPTER _____ (H.B. 199) OF THE ACTS OF 1998.

(II) ON OR BEFORE JUNE 30, 2003, A MEMBER WHO ELECTS TO BE SUBJECT TO THIS PART II OF THIS SUBTITLE AND WHO IS ELIGIBLE FOR A NORMAL SERVICE RETIREMENT ALLOWANCE, BUT HAS NOT MADE MEMBER CONTRIBUTIONS UNDER § 23-212(B) OF THIS SUBTITLE FOR AT LEAST 60 MONTHS, MAY RETIRE WITHOUT MAKING ALL OR PART OF THE CONTRIBUTIONS IF THE MEMBER:

1. COMPLETES AND FILES AN APPLICATION WITH THE BOARD OF TRUSTEES ON THE FORM THAT THE BOARD OF TRUSTEES PROVIDES;

AND

2. PAYS TO THE BOARD OF TRUSTEES AN AMOUNT EQUAL TO THE ANNUITY RESERVE AND PENSION RESERVE REQUIRED TO FUND THE ADDITIONAL ALLOWANCE BY THE ALTERNATE PENSION SELECTION.”.

AMENDMENT NO. 6

On page 3, after line 21, insert:

“21-305.2.

(e) (1) On the recommendation of the actuary, the Board of Trustees may adjust the accrued liability contribution rate to reflect:

[(1)] (I) experience gains and losses;

[(2)] (II) the effect of changes in actuarial assumptions; and

[(3)] (III) the effect of legislation enacted after July 1, 1980.

(2) IF THE ACCRUED LIABILITY IS INCREASED BY LEGISLATION EFFECTIVE JULY 1, 1998, THAT PROVIDES FOR AN ALTERNATE PENSION SELECTION FOR MEMBERS OF THE EMPLOYEES’ PENSION SYSTEM, THE ADDITIONAL LIABILITY SHALL BE FUNDED OVER A PERIOD OF 20 YEARS BEGINNING ON JULY 1, 1999.”.

On page 4, strike beginning with “AND” in line 3 down through “UNIT” in line 4; in line 7, strike “PARAGRAPH (B) OF THIS SUBSECTION” and substitute “SUBSECTION (B) OF THIS SECTION”; strike beginning with “IS” in line 9 down through “WHO” in line 10; and strike beginning with “WHO” in line 20 down through “UNIT” in line 21.