

SENATE BILL 121

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1999 Regular Session
9r0651

By: **Senator Kasemeyer (Chairman, Joint Committee on Pensions)**

Introduced and read first time: January 22, 1999

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Optional Defined Contribution System - Supplemental Retirement Plans**
3 **Authorized by Institutions of Higher Education**

4 FOR the purpose of authorizing certain members of the Employees' Pension System
5 who contribute to certain supplemental retirement plans authorized by certain
6 institutions of higher education to participate in the Optional Defined
7 Contribution System and receive a certain matching contribution from the State
8 up to a certain maximum amount; restricting the plans that may be authorized
9 by certain institutions of higher education to be offered only on a certain basis
10 and to a certain class of employees; requiring the State Board of Trustees of the
11 Maryland Teachers and State Employees Supplemental Retirement Plans to
12 make a certain determination of eligibility to participate in the Optional Defined
13 Contribution System; altering a certain definition; and generally relating to the
14 Optional Defined Contribution System.

15 BY repealing and reenacting, without amendments,
16 Article - State Personnel and Pensions
17 Section 30-101(e)
18 Annotated Code of Maryland
19 (1997 Replacement Volume and 1998 Supplement)

20 BY repealing and reenacting, without amendments,
21 Article - State Personnel and Pensions
22 Section 32-204 and 32-205
23 Annotated Code of Maryland
24 (1997 Replacement Volume and 1998 Supplement)
25 (As enacted by Chapter 530 of the Acts of the General Assembly of 1998)

26 BY repealing and reenacting, with amendments,
27 Article - State Personnel and Pensions
28 Section 32-101 and 32-203
29 Annotated Code of Maryland
30 (1997 Replacement Volume and 1998 Supplement)

1 (As enacted by Chapter 530 of the Acts of the General Assembly of 1998)

2 BY adding to

3 Article - State Personnel and Pensions

4 Section 32-207

5 Annotated Code of Maryland

6 (1997 Replacement Volume and 1998 Supplement)

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

9 **Article - State Personnel and Pensions**

10 30-101.

11 (e) "Employing institution" means:

12 (1) the University System of Maryland;

13 (2) Morgan State University;

14 (3) St. Mary's College; and

15 (4) the Maryland Higher Education Commission with respect to eligible
16 employees of the Commission or any community college or regional community college
17 established under Title 16 of the Education Article.

18 32-101.

19 (a) In this title the following words have the meanings indicated.

20 (b) (1) "Eligible employee" means a member of the Employees' Pension
21 System other than:

22 [(1)] (I) an employee of a participating governmental unit or a former
23 participating governmental unit that has withdrawn; or

24 [(2)] (II) a member of the Employees' Pension System who transferred
25 from the Employees' Retirement System after April 1, 1998.

26 (2) "ELIGIBLE EMPLOYEE" INCLUDES A MEMBER OF THE EMPLOYEES'
27 PENSION SYSTEM WHO CONTRIBUTES TO A STATE SUPPLEMENTAL PLAN
28 AUTHORIZED BY AN EMPLOYING INSTITUTION AS DEFINED IN § 30-101 OF THIS
29 ARTICLE.

30 (c) "Optional Defined Contribution System" means the system established
31 under § 32-201 of this title.

32 (d) "Participating employee" means an eligible employee who participates in
33 the Optional Defined Contribution System.

1 (e) (1) "State supplemental plan" means a plan qualified under the Internal
2 Revenue Code and:

3 (I) administered by the Supplemental Board; OR

4 (II) AUTHORIZED FOR ELIGIBLE EMPLOYEES BY AN EMPLOYING
5 INSTITUTION AS DEFINED IN § 30-101 OF THIS ARTICLE.

6 (2) "State supplemental plan" includes:

7 (i) a salary reduction plan qualified under § 401(k) of the Internal
8 Revenue Code;

9 (ii) a tax sheltered annuity plan qualified under § 403(b) of the
10 Internal Revenue Code;

11 (iii) a deferred compensation plan qualified under § 457 of the
12 Internal Revenue Code; or

13 (iv) a plan qualified under § 401(a) of the Internal Revenue Code.

14 (f) "Supplemental Board" means the State Board of Trustees of the Maryland
15 Teachers and State Employees Supplemental Retirement Plans established under §
16 35-201 of this article.

17 32-203.

18 (a) [The] EXCEPT FOR THE STATE SUPPLEMENTAL PLANS THAT ARE
19 AUTHORIZED BY EMPLOYING INSTITUTIONS AS DEFINED IN § 30-101 OF THIS
20 ARTICLE, THE Supplemental Board shall adopt, implement, and maintain the specific
21 qualified plans that are part of the Optional Defined Contribution System.

22 (b) (1) Except as provided in paragraph (2) of this subsection, the
23 Supplemental Board shall adopt regulations to carry out this title.

24 (2) The Supplemental Board is not required to adopt regulations to adopt
25 or amend the plans under the Optional Defined Contribution System.

26 (c) A participating employee's interest in the plans under the Optional
27 Defined Contribution System:

28 (1) shall immediately be 100% vested;

29 (2) shall be held in trust for the exclusive benefit of the participating
30 employee, except as otherwise required under § 403(b) of the Internal Revenue Code
31 for investments held under a plan that qualifies under § 403(b) of the Internal
32 Revenue Code; and

33 (3) may be distributed only at the times, in the manner, to the extent,
34 and to the individuals that allow the plans to maintain their tax qualified status
35 under the Internal Revenue Code.

1 32-204.

2 The participating employee contributions shall be made as payrolls are paid by
3 payroll deduction or by a reduction in salary in accordance with the Internal Revenue
4 Code and as provided by the applicable State supplemental plan.

5 32-205.

6 (a) For each participating employee who makes contributions under § 32-204
7 of this subtitle, the State shall contribute to the applicable State supplemental plan
8 employer contributions an amount equal to the lesser of the participating employee's
9 contributions or \$600 per fiscal year.

10 (b) (1) This subsection applies to participating employees who are paid
11 through the Central Payroll Bureau.

12 (2) As payrolls are paid, the Central Payroll Bureau shall pay the
13 employer contributions to the applicable State supplemental plan as directed by the
14 Supplemental Board.

15 (3) The payments shall be charged against the budgets of the units
16 employing the participating employees.

17 (4) If a participating employee's salary is paid from special funds or
18 federal funds, or both, the employer contribution for that employee shall be paid from
19 those funds.

20 (c) (1) This subsection applies to participating employees who are not paid
21 through the Central Payroll Bureau.

22 (2) The Supplemental Board shall provide by regulation how employer
23 contributions and participating employee contributions are to be made.

24 (3) The payments shall be charged against the budgets of the units
25 employing the participating employees who are employed by the State.

26 (4) If a participating employee's salary is paid from special funds or
27 federal funds, or both, the employer contribution shall be paid from those funds.

28 32-207.

29 (A) A STATE SUPPLEMENTAL PLAN THAT IS AUTHORIZED FOR ELIGIBLE
30 EMPLOYEES BY AN EMPLOYING INSTITUTION AS DEFINED IN § 30-101 OF THIS
31 ARTICLE MAY BE OFFERED ONLY ON THE SAME BASIS AND TO THE SAME CLASS OF
32 EMPLOYEES AS AUTHORIZED UNDER CHAPTER 619, § 2 OF THE ACTS OF THE
33 GENERAL ASSEMBLY OF 1996.

34 (B) THE SUPPLEMENTAL BOARD, IN CONSULTATION WITH THE STATE
35 RETIREMENT AGENCY, SHALL DETERMINE WHICH EMPLOYEES OF AN EMPLOYING
36 INSTITUTION ARE ELIGIBLE EMPLOYEES.

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 July 1, 1999.