

SENATE BILL 121

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1999 Regular Session
9lr0651

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

Introduced and read first time: January 22, 1999

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 2, 1999

CHAPTER _____

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~~
12 certain institutions to make a certain determination of eligibility to participate
13 in the Optional Defined Contribution System; altering a certain definition; and
14 generally relating to the 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)

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

2 BY repealing and reenacting, with amendments,

3 Article - State Personnel and Pensions

4 Section 32-101 and 32-203

5 Annotated Code of Maryland

6 (1997 Replacement Volume and 1998 Supplement)

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

8 BY adding to

9 Article - State Personnel and Pensions

10 Section 32-207

11 Annotated Code of Maryland

12 (1997 Replacement Volume and 1998 Supplement)

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

15 **Article - State Personnel and Pensions**

16 30-101.

17 (e) "Employing institution" means:

18 (1) the University System of Maryland;

19 (2) Morgan State University;

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

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

24 32-101.

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

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

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29 participating governmental unit that has withdrawn; or

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

32 (2) "ELIGIBLE EMPLOYEE" INCLUDES A MEMBER OF THE EMPLOYEES'
33 PENSION SYSTEM WHO CONTRIBUTES TO A STATE SUPPLEMENTAL PLAN

1 AUTHORIZED BY AN EMPLOYING INSTITUTION AS DEFINED IN § 30-101 OF THIS
2 ARTICLE.

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

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

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

9 (I) administered by the Supplemental Board; OR

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

12 (2) "State supplemental plan" includes:

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

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

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

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

20 (f) "Supplemental Board" means the State Board of Trustees of the Maryland
21 Teachers and State Employees Supplemental Retirement Plans established under §
22 35-201 of this article.

23 32-203.

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

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

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

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

34 (1) shall immediately be 100% vested;

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

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

8 32-204.

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

12 32-205.

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

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

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

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

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

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

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

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

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

1 32-207.

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

7 (B) ~~THE SUPPLEMENTAL BOARD~~ THE EMPLOYING INSTITUTION, IN
8 CONSULTATION WITH THE STATE RETIREMENT AGENCY, SHALL DETERMINE WHICH
9 EMPLOYEES OF ~~AN EMPLOYING~~ ITS INSTITUTION ARE ELIGIBLE EMPLOYEES.

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