HB 1396

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE

House Bill 1396 (Delegate Bohanan)
Appropriations Budget and Taxation

St. Mary's College of Maryland - Supplemental Retirement Plans

This bill allows St. Mary's College of Maryland to operate its own matching supplemental retirement defined contribution program for its employees or a separate matching program for another supplemental retirement plan adopted and operated by the college's board of trustees. The amount of the employer match under any matching program operated by St. Mary's College must be the same as the employer match available to State employees. Employees who participate in the college's optional deferred compensation program cannot participate in the State's Optional Defined Contribution System.

The bill takes effect July 1, 2006.

Fiscal Summary

State Effect: None. Although higher education expenditures by St. Mary's College could increase by $57,400 in FY 2007, expenditures would be increasing by the same amount in the absence of this bill.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Maryland Supplemental Retirement Program (MSRP) allows State employees, including those employed by State higher education institutions, to defer a portion of their pre-tax compensation to personal retirement accounts. Employees control how their deferrals are invested, choosing from among diverse mutual funds and a contract pool with a guaranteed rate of return. State employees who participate in the MSRP receive a matching contribution from the State up to $600.

Background: In fiscal 2004 and 2005, the State suspended the matching contribution. In fiscal 2006, it restored the match at $400. The fiscal 2007 budget includes funds for the full $600 match.

Most State agencies receive an allocation for the employer match in their annual budgets, but there is no dedicated amount for the employer match in the State formula for higher education institutions. Therefore, State colleges and universities received no additional funding during the years that the employer match was in place. Nevertheless, during fiscal 2004 and 2005, St. Mary's College sought to pay the employer match because it was popular with employees and was an attractive benefit for recruiting new employees. However, it was barred from doing so because the suspension of the match applied equally to all State employees.

State Fiscal Effect: Approximately 70% of St. Mary's College's 410 employees participate in the MSRP and therefore receive the employer match. With the match scheduled to increase from $400 to $600 in fiscal 2007, St. Mary's College will pay an additional $57,400 in fiscal 2007. However, the college would be paying the increased match without this bill because the increase applies to all State employees. The bill allows St. Mary's to be able to continue the employer match if future matches are suspended again.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Milliman USA, St. Mary's College, Maryland State Retirement Agency, Department of Legislative Services

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