

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE
Revised

House Bill 823
Appropriations

(Delegate Rosenberg, *et al.*)

Budget and Taxation

Task Force to Study a Maryland Voluntary Employee Accounts Program

This bill establishes a task force to study the feasibility of establishing a Voluntary Employee Accounts Program (VEAP) to provide voluntary employee retirement plans to private sector employers. The task force is charged with examining the range of supplemental retirement plans that could be offered to private employers, the potential liability incurred by the State in sponsoring VEAP, cost efficiencies that can be achieved by VEAP, and responsibility for overseeing VEAP. The Department of Legislative Services (DLS) will staff the task force. A final report is due to the Joint Committee on Pensions by December 31, 2007.

The bill is effective July 1, 2007 and expires June 30, 2008.

Fiscal Summary

State Effect: None. DLS could staff the task force within existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: The Maryland Supplemental Retirement Plan (MSRP) allows State employees to open tax-deferred retirement savings plans permitted by the Internal Revenue Code. Currently, State employees may open three different types of accounts: 401(k), 457, or 403(b). The first two are available to all State employees, but the 403(b) is available only to State employees working in educational institutions. All the plans

allow employees to defer a portion of their pre-tax compensation to their accounts, subject to limits established in federal law. All contributions are invested in mutual funds or a contract pool with a fixed interest rate according to instructions provided by each account holder. All investment earnings accrue tax-free, and account balances may be withdrawn when account holders reach retirement age or, in the case of the 457 plan, when they leave State employment.

State law allows MSRP to assess account fees to cover its administrative expenses. The current fee is 0.05% of each account balance. Revenue generated by the fee mostly goes toward providing educational and pre-retirement workshops for State employees to enhance their understanding of the need to save for retirement and of the savings options available to them. In addition, Nationwide Retirement Solutions, which actually administers the accounts, assesses an additional 0.23% fee on all account balances to cover its expenses.

For State employee members of the Employees' Pension System only, the State matches employee contributions to their retirement savings plans, up to \$600 annually per account. The match was suspended for two years due to budgetary constraints, but was restored in fiscal 2006, up to \$400. It has been increased to \$600 for fiscal 2007, the maximum allowed by statute. The State match would not be available to VEAP members, although employers would be free to match their employees' contributions.

In fiscal 2006, MSRP had 59,000 members and 14 employees.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Maryland Supplemental Retirement Plans, Department of Budget and Management, Department of Legislative Services

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