

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 66

(Chair, Budget and Taxation Committee)(By Request -
Departmental - Higher Education Commission)

Budget and Taxation

Appropriations

**Supplemental Retirement Plans and Optional Retirement Program - Employing
Institutions - Community Colleges**

This departmental bill establishes community colleges as independent employing institutions with respect to their employees' eligibility for the Optional Retirement Program (ORP) and administration of supplemental retirement plans. It requires each institution to administer the participation, termination, and retirement of its employees with respect to ORP, and authorizes each institution, except Baltimore City Community College (BCCC), to establish and administer its own supplemental retirement plans in accordance with federal tax law. The bill applies retroactively to supplemental retirement accounts authorized and contributions made, after December 31, 2008.

The bill takes effect July 1, 2009.

Fiscal Summary

State Effect: None. The bill conforms State law to existing practice and does not alter ORP eligibility or benefits.

Local Effect: None. ORP employer contributions for eligible community college employees are paid by the State.

Small Business Effect: The Maryland Higher Education Commission has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Bill Summary: Community college employees who administer supplemental retirement plans or manage their assets are entitled to indemnification and insurance.

The bill may not be construed to diminish in any way the State's contribution to the funding of ORP for community college employees. It also expresses legislative intent that the bill does not limit, expand, or alter employees' eligibility to participate in supplemental plans offered by the Maryland Supplemental Retirement Plans (MSRP).

Current Law: Only employees of employing institutions are eligible to join ORP. Employing institutions include:

- University System of Maryland;
- Morgan State University;
- St. Mary's College of Maryland; and
- Maryland Higher Education Commission (MHEC).

MHEC serves as an employing institution with respect to its own employees and to community college or regional college employees. Employees of employing institutions who administer supplemental retirement plans or manage their assets are entitled to indemnification and insurance.

Eligible employees of employing institutions have the option of joining ORP rather than enrolling in the State Retirement and Pension System (SRPS). ORP is a defined contribution program that provides an employer contribution of 7.25% of a member's compensation, which is paid by the State. Unlike SRPS plans, there is no mandated employee contribution in ORP. Employing institutions are authorized to establish supplemental retirement plans in accordance with §§ 401(a), 403(b) or 457 of the Internal Revenue Code, which allow employees to contribute to retirement accounts on a tax-deferred basis. As a State institution, BCCC does not operate its own supplemental plan, but its employees may participate in MSRP.

To join ORP, individuals in employing institutions must be eligible for membership in SRPS and be:

- members of the faculty of an employing institution;
- professional employees of a community college;
- nonclassified employees of the University System of Maryland;

- employees of Morgan State University who are not subject to the provisions of Division I of the State Personnel and Pensions Article; or
- professional employees or faculty members of St. Mary's College of Maryland.

Background: MHEC and the Maryland Association of Community Colleges (MACC) both advise that community colleges have traditionally administered ORP and supplemental retirement plans on behalf of their participating employees. MACC further notes that all community colleges currently offer supplemental retirement plans to their employees.

Additional Information

Prior Introductions: A similar bill was introduced in the 2008 session as HB 683. It was heard by the House Committee on Appropriations and then withdrawn.

Cross File: None.

Information Source(s): Maryland Higher Education Commission, Maryland State Retirement Agency, Maryland Supplemental Retirement Plans, Maryland Association of Community Colleges, Department of Legislative Services

Fiscal Note History: First Reader - February 17, 2009
mlm/rhh Revised - Senate Third Reader - March 31, 2009

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Supplemental Retirement Plans and Optional Retirement Program –
Employing Institutions – Community Colleges

BILL NUMBER: SB 66

PREPARED BY: Maryland Higher Education Commission

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.