

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 119

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

Budget and Taxation

Appropriations

**State Personnel and Pensions - Optional Retirement Program - Maryland Higher
Education Commission**

This departmental bill clarifies that professional employees of the Maryland Higher Education Commission (MHEC) are eligible to participate in the Optional Retirement Program (ORP). The bill also states the intent of the General Assembly that the bill does not diminish in any way the right or obligation of a current or former MHEC employee who is participating, or has participated, in ORP.

The bill takes effect June 1, 2012.

Fiscal Summary

State Effect: None. The bill is technical in nature and conforms statute to current practice.

Local Effect: None.

Small Business Effect: MHEC has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

Analysis

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;
- community colleges and regional community colleges; and
- MHEC, with respect to eligible employees.

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; in fact, employee contributions are not authorized. Instead, 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.

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

- eligible employees of MHEC;
- members of the faculty of an employing institution;
- professional employees of a community college;
- nonclassified employees of the University System of Maryland;
- professional or administrative employees of Morgan State University; or
- professional employees or faculty members of St. Mary's College of Maryland.

Background: Title 30 of the State Personnel and Pensions (SPP) Article of the Maryland Annotated Code designates MHEC as an employing institution "with respect to eligible employees," but it does not specify, as it does for other employing institutions, which MHEC employees are eligible to participate in ORP. However, Title 11 of the Education Article authorizes MHEC employees who are determined by the Secretary of Higher Education to be professional employees to participate in ORP. Under that authority, professional employees of MHEC have been participating in ORP for many years. This bill conforms the statutory language in SPP with the authorization already provided in the Education Article.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Higher Education Commission, Maryland State Retirement Agency, Department of Legislative Services

Fiscal Note History: First Reader - February 8, 2012
mm/rhh

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: State Personnel and Pensions – Optional Retirement Program –
Maryland Higher Education Commission

BILL NUMBER: SB 119

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.