

Department of Legislative Services  
Maryland General Assembly  
2006 Session

**FISCAL AND POLICY NOTE**

House Bill 992  
Appropriations

(Delegate Barkley, *et al.*)

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**Education - Retirees of a County Board of Education - Health Benefits**

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This bill requires a county board of education that requires a retiree to have completed a specified number of years of service to be eligible for retiree health benefits, to include the number of years in which a retiree has been a member of the State Teachers' Retirement System, the State Teachers' Pension System, the State Employees' Retirement System, or the State Employees' Pension System, and the county's retirement or pension system.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** In situations where a county board must provide health benefits to additional retirees because of additional years of service, county board health benefits expenditures could increase by a significant amount. The impact would vary by county.  
**This bill imposes a mandate on a unit of local government.**

**Small Business Effect:** None.

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**Analysis**

**Current Law:** County boards of education are not required to provide health benefits to either employees or retirees.

**Background:** According to a survey conducted in 2004 by the Maryland Retired Teachers Association (MRTA), all 24 county boards of education provide some type of retiree health benefits. The nature of the health plan(s) offered and the amount of county

subsidy, if any, vary widely by jurisdiction. Minimum service requirements range from 3 to 30 years, with 8 counties requiring a minimum of 5 years.

There are about 46,205 retirees receiving health benefits from county boards. Not all county boards responded to the survey questions regarding the costs of retiree health benefits. The 20 boards that did respond were paying about \$119.8 million in fiscal 2005 for the employers' cost. Eighteen boards reported their retirees will contribute about \$57.1 million toward the cost of their health benefit premiums.

In fiscal 2005, about 8,241 members of the State Teachers' Retirement or Pensions Systems retired. The State Retirement Agency tracks "creditable service," or service credit recognized for computing a retirement benefit (allowance). Creditable service includes service as a member, purchased service, military service, and service for unused sick leave. If each county defines "years of service" for the purpose of determining retiree health benefit eligibility, it is unclear if any or all these types of creditable service would count toward a county's service definition.

**Local Fiscal Effect:** Every county board requires a minimum number of years of service, ranging from 3 to 30, before it will subsidize retiree health benefits costs. To the extent more retirees become eligible for a county subsidy, county board expenditures could increase significantly.

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### Additional Information

**Prior Introductions:** Identical bills, SB 346 and HB 474 of 2005, were reported unfavorably by the Senate Finance Committee and the House Appropriations Committee, respectively.

**Cross File:** SB 427 (Senator Astle, *et al.*) – Finance.

**Information Source(s):** Maryland Association of Boards of Education, Maryland State Department of Education, Maryland State Retirement Agency, Department of Legislative Services

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