SB 329

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

Senate Bill 329 — Senator Kasemeyer (Ch Jt Com on Pensions) (Chairman, Joint Committee on Pensions)

Budget and Taxation — Appropriations

Task Force to Study the State's Retiree Health Insurance Liabilities

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This bill creates a seven-member Task Force to Study the State's Retiree Health Insurance Liabilities. The task force's report must be completed by January 8, 2002. The task force is charged with, among other tasks: (1) reviewing other states' approaches to retiree health care; (2) commissioning an actuarial valuation of the liabilities associated with the retiree health insurance subsidy (with the costs of the valuation to be borne by the State Retirement and Pension System); and (3) developing options and a recommendation to address this issue for the 2002 session. The task force will be staffed by the Department of Legislative Services.

The bill takes effect July 1, 2001.

Fiscal Summary

State Effect: Contractual expenditures by the State Retirement Agency could increase by approximately $50,000 (special funds) for an actuarial valuation of the liabilities. Any expense reimbursements for task force members and staffing costs for the Department of Legislative Services are assumed to be minimal and absorbable within existing budgeted resources.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: None applicable.

Background: Maryland, like the majority of states around the country, partially subsidizes the health insurance premiums for retired State employees. Like most other states, Maryland currently funds this subsidy on a "pay-as-you-go" basis. The State's actuary informally estimates the unfunded liabilities associated with this subsidy to be approximately $3 billion. Increased future liabilities result from two factors: (1) the growing number of retirees; and (2) the escalation in health care costs. To address these growing costs and anticipate the time when government accounting standards may require recognition of these liabilities, a growing minority of states have begun to prefund these liabilities. The Joint Committee on Pensions was requested by the Senate Budget and Taxation Committee to conduct a study during the 2000 interim of SB 583 of 2000, which proposed changes to the State's funding of retiree health insurance. Given the complexity of this issue, the magnitude of the cost of full actuarial prefunding, and the variety of approaches taken by other states, the joint committee decided that further study was necessary.

State Expenditures: The bill requires that an actuarial valuation of the liabilities associated with the subsidy be performed, with the costs to be borne by the State Retirement and Pension System. This valuation would cost approximately $50,000 and is outside the scope of the existing retainer the agency pays the State's actuary. Task force members would be reimbursed for expenses under the Standard State Travel Regulations. Any such expenditures would depend upon the time, location, and frequency of the task force's meetings. Expenses are assumed to be minimal and absorbable within budgeted agency resources.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Retirement Agency; Milliman & Robertson, Inc.; Department of Legislative Services

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Analysis by: Matthew D. Riven

Direct Inquiries to:
John Rixey, Coordinating Analyst
(410) 946-5510
(301) 970-5510