

**Department of Legislative Services**  
Maryland General Assembly  
2003 Session

**FISCAL AND POLICY NOTE**

Senate Bill 300

(Senator Kasemeyer)

(Chairman, Joint Committee on Pensions)

Budget and Taxation

Appropriations

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**Task Force to Study the State's Retiree Health Insurance Liabilities - Extension  
of Final Reporting Date**

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This bill extends the deadline for the work of the Task Force to Study the State's Retiree Health Insurance Liabilities. The six-member task force's report must be completed by January 6, 2004, rather than January 7, 2003. 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; and (3) developing options and a recommendation to address this issue for the 2004 session. The task force will be staffed by the Department of Legislative Services.

The bill takes effect July 1, 2003.

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**Fiscal Summary**

**State Effect:** Special fund expenditures by the State Retirement Agency could increase by approximately \$55,000 for an actuarial valuation in FY 2004. 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.

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## Analysis

**Current Law:** Chapter 348 of 2002 created the task force. Due to redistricting and primary and general elections, the task force was never fully appointed and therefore could not produce the required report by the January 2003 deadline.

**Background:** Maryland 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 liabilities associated with this subsidy to be approximately \$3 billion. Increased future liabilities result from the growing number of retirees and 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. Given the complexity of the issue, the magnitude of the cost of full actuarial prefunding, and the variety of approaches taken by other states, the Joint Committee on Pensions decided that further study by a task force was necessary.

**State Expenditures:** The bill calls for an actuarial valuation of the liabilities associated with the health care subsidy. The cost of the valuation, estimated at approximately \$55,000, is to be borne by the State Retirement and Pension System. This valuation would be outside the scope of the existing retainer the agency pays the State 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, and are assumed to be minimal and absorbable within budgeted agency resources.

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## Additional Information

**Prior Introductions:** See discussion above.

**Cross File:** None.

**Information Source(s):** State Retirement Agency, Milliman USA, Department of Legislative Services

**Fiscal Note History:** First Reader - February 7, 2003  
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