

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

**FISCAL AND POLICY NOTE**

Senate Bill 189 (Chairman, Budget and Taxation Committee)  
(By Request – Departmental – University System of Maryland)

Budget and Taxation Appropriations

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**Retirement - Optional Retirement Program - Health Insurance Benefits for Retirees, Surviving Spouses, and Dependent Children**

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This departmental bill clarifies how eligibility for participation in the State Employee and Retiree Welfare Benefits Plan (State health plan) is determined for Optional Retirement Program (ORP) retirees, surviving spouses, and dependent children.

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**Fiscal Summary**

**State Effect:** None. The bill clarifies current law.

**Local Effect:** None.

**Small Business Effect:** The University System of Maryland has determined that this bill has minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

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**Analysis**

**Bill Summary:** To determine eligibility to participate in the State health plan, each year of service for an ORP retiree must be multiplied by the participant's percentage of full-time employment for that year of service. A retiree's years of service must be calculated as follows: (1) a year of service is a period of 12 months during which an employee was a participant in ORP and the participant's employer made contributions to the participants account in the program; or (2) if an employee's work year is an academic year of at least 9 but fewer than 12 months, a year of service is a period equal to the academic year

during which an employee was a participant in ORP and the participant's employer made contributions to the participant's account in the program.

**Current Law:** The surviving spouse of a State employee who died while employed by the State may participate in the State Employee Health Benefits Plan (without any State subsidy) if the surviving spouse is the sole primary designated beneficiary and receiving a periodic distribution under ORP.

An individual may participate in the State plan (without any State subsidy) if the individual: (1) ended service with a State institution of higher education with at least ten years of creditable service and was at least age 57; (2) ended service with a State institution of higher education with at least 16 years of creditable service; or (3) retired directly from service with a State institution of higher education with a periodic distribution of benefits from ORP. Also, the surviving spouse or dependent child of a deceased individual who was eligible to enroll may enroll in the State plan as long as the spouse or child is receiving a periodic distribution of benefits under ORP.

**State Fiscal Effect:** Since the law's enactment, various University System of Maryland institutions are informally defining a "year of service" in an inconsistent manner, resulting in some families being declared eligible for subsidies at an earlier time than families at other campuses. The bill defines "year of service" for all ORP employees, their spouses, and dependents for the purpose of determining eligibility for enrollment in the State health plan. Because the bill clarifies how eligibility is determined but does not change actual eligibility requirements, overall State health plan expenditures would not be affected.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Morgan State University, University System of Maryland, Department of Budget and Management, Department of Legislative Services

**Fiscal Note History:** First Reader - February 11, 2003  
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