

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 346

(Senator Stone, *et al.*)

Finance

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

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.

Fiscal Summary

State Effect: None.

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

Small Business Effect: None.

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 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. Eighteen of the 24 boards require retirees to meet minimum years-of-service requirements to be eligible for any county subsidy. Five county boards, including Baltimore, Calvert, Cecil, Frederick, and Queen Anne's counties, limit county subsidies to those retirees participating in the State Teachers Retirement and Pension Systems.

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 are paying about \$119,781,800 for the employers' cost. Eighteen boards reported their retirees will contribute about \$57,083,800 toward the cost of their health benefit premiums.

In fiscal 2004, about 2,541 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, for it to subsidize retiree health benefits costs. To the extent more retirees become eligible for a county subsidy, county board expenditures could increase significantly. Carroll County reports its expenditures could increase by \$228,400 to provide a subsidy to additional qualifying retirees. No other county board responded to Legislative Services' request for information.

Additional Information

Prior Introductions: A similar bill, SB 465 of 2004, would have required county boards to count a retiree's years as a member of the State Teachers Retirement and Pension Systems toward retiree health benefits eligibility. It received an unfavorable report from the Finance Committee.

Cross File: HB 474 (Delegate Conroy, *et al.*) – Appropriations.

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

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