
By: **Delegate James**
Introduced and read first time: February 10, 2006
Assigned to: Appropriations

Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 22, 2006

CHAPTER_____

1 AN ACT concerning

2 **Blue Ribbon Commission to Study Retiree Health Care Funding Options**

3 FOR the purpose of establishing a Blue Ribbon Commission to Study Retiree Health
4 Care Funding Options; providing for the membership, chair, principles, duties,
5 and staffing of the Commission; requiring the Department of Budget and
6 Management to provide the Commission with certain information; requiring the
7 Department to fund the hiring of certain consulting firms by the Commission;
8 requiring the Commission to report to the Governor and the General Assembly
9 on its findings; authorizing certain funds to be transferred, only for a certain
10 fiscal year and only as provided in the budget bill, to the Dedicated Purpose
11 Account to be used for a certain purpose; providing for the termination of this
12 Act; and generally relating to the establishment of a Blue Ribbon Commission to
13 Study Retiree Health Care Funding Options.

14 BY adding to
15 Article - State Personnel and Pensions
16 Section 34-201, to be under the new subtitle "Subtitle 2. Blue Ribbon
17 Commission to Study Retiree Health Care Funding Options"
18 Annotated Code of Maryland
19 (2004 Replacement Volume and 2005 Supplement)

20 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
21 MARYLAND, That the Laws of Maryland read as follows:

1 **Article - State Personnel and Pensions**

2 SUBTITLE 2. BLUE RIBBON COMMISSION TO STUDY RETIREE HEALTH CARE
3 FUNDING OPTIONS.

4 34-201.

5 (A) THERE IS A BLUE RIBBON COMMISSION TO STUDY RETIREE HEALTH CARE
6 FUNDING OPTIONS.

7 (B) THE COMMISSION SHALL CONSIST OF THE FOLLOWING MEMBERS:

8 (1) ~~FOUR~~ THREE MEMBERS FROM THE SENATE OF MARYLAND,
9 APPOINTED BY THE PRESIDENT OF THE SENATE, INCLUDING:

10 (I) THE SENATE CHAIR OF THE JOINT COMMITTEE ON PENSIONS;
11 AND

12 (II) ~~THREE TWO~~ MEMBERS FROM AMONG THE MEMBERS OF THE
13 JOINT COMMITTEE ON PENSIONS; ~~AND~~

14 (H) ~~ONE MEMBER FROM AMONG THE MEMBERS OF A STANDING~~
15 ~~COMMITTEE THAT CONSIDERS STATE PERSONNEL ISSUES;~~

16 (2) ~~FOUR~~ THREE MEMBERS FROM THE HOUSE OF DELEGATES,
17 APPOINTED BY THE SPEAKER OF THE HOUSE, INCLUDING:

18 (I) THE HOUSE CHAIR OF THE JOINT COMMITTEE ON PENSIONS;
19 AND

20 (II) ~~THREE TWO~~ MEMBERS FROM AMONG THE MEMBERS OF THE
21 JOINT COMMITTEE ON PENSIONS; ~~AND~~

22 (H) ~~ONE MEMBER FROM AMONG THE MEMBERS OF A STANDING~~
23 ~~COMMITTEE THAT CONSIDERS STATE PERSONNEL ISSUES;~~

24 (3) THE STATE TREASURER, OR THE TREASURER'S DESIGNEE;

25 (4) THE COMPTROLLER, OR THE COMPTROLLER'S DESIGNEE;

26 (5) THE SECRETARY OF BUDGET AND MANAGEMENT, OR THE
27 SECRETARY'S DESIGNEE;

28 (6) THE CHANCELLOR OF THE UNIVERSITY SYSTEM OF MARYLAND OR
29 THE CHANCELLOR'S DESIGNEE;

30 (7) THE EXECUTIVE DIRECTOR OF THE STATE RETIREMENT AND
31 PENSION SYSTEM, OR THE EXECUTIVE DIRECTOR'S DESIGNEE; AND

1 (8) ~~ONE MEMBER OF THE PUBLIC, APPOINTED BY THE GOVERNOR, WITH~~
2 ~~EXPERTISE IN EITHER FUNDING RETIREE HEALTH BENEFITS OR INVESTING~~
3 ~~PENSION FUND ASSETS.~~

4 (8) THREE MEMBERS OF THE PUBLIC WITH EXPERTISE IN EITHER
5 FUNDING RETIREE HEALTH BENEFITS, THE ECONOMICS OF AFFORDABLE RETIREE
6 HEALTH CARE PROGRAMS, OR INVESTING PENSION FUND ASSETS, WITH ONE
7 MEMBER EACH APPOINTED BY THE GOVERNOR, THE PRESIDENT OF THE SENATE,
8 AND THE SPEAKER OF THE HOUSE.

9 ~~(C) THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE~~
10 ~~SHALL JOINTLY DESIGNATE THE CHAIR OF THE COMMISSION.~~

11 (C) THE SENATE AND HOUSE CHAIRS OF THE JOINT COMMITTEE ON
12 PENSIONS SHALL SERVE JOINTLY AS THE CHAIRS OF THE COMMISSION.

13 (D) THE COMMISSION SHALL BE GUIDED BY THE FOLLOWING PRINCIPLES:

14 (1) A RECOGNITION THAT:

15 (I) FUNDING STATE RETIREE HEALTH BENEFITS SOLELY ON A
16 PAY-AS-YOU-GO BASIS IS NO LONGER A VIABLE SOLUTION; AND

17 (II) ANY PROPOSED SOLUTION, FUNDING OR OTHERWISE, SHOULD
18 TREAT EMPLOYEES, RETIREES, AND TAXPAYING CITIZENS FAIRLY;

19 (2) IN LIGHT OF THE ENORMITY OF THE STATE'S PROJECTED
20 UNFUNDED ACCRUED LIABILITY FOR RETIREE HEALTH CARE ~~OF THAT IS ESTIMATED~~
21 TO BE AS HIGH AS \$20,400,000,000 AND THE POTENTIAL EFFECT THIS LIABILITY MAY
22 HAVE ON THE STATE'S BOND RATING, THE STATE'S ULTIMATE GOAL SHOULD BE TO
23 FULLY FUND THE OBLIGATIONS SET FORTH UNDER THE GOVERNMENT ACCOUNTING
24 STANDARDS BOARD (GASB) STATEMENT 45;

25 (3) A CLEAR MESSAGE SHOULD BE SENT TO THE BOND RATING
26 AGENCIES THAT THE STATE IS TAKING THIS ISSUE SERIOUSLY, AND A MULTIYEAR
27 PLAN THAT CLEARLY ARTICULATES THE STATE'S COMMITMENT TO ADDRESS THIS
28 ISSUE SHOULD BE IMPLEMENTED AS SOON AS PRACTICABLE;

29 (4) ANY FUNDING SOLUTION PROPOSED BY THE COMMISSION WILL
30 LIKELY INCLUDE SOME DIRECT STATE APPROPRIATION, WITH THE COMMISSION
31 PURSUING ANY AND ALL VIABLE FUNDING SOURCES, INCLUDING THE POSSIBILITY
32 OF EMPLOYEE CONTRIBUTIONS DURING ACTIVE SERVICE;

33 (5) THE COMMISSION SHOULD CONSIDER THE ACTUAL IMPACT ANY
34 CHANGES IN THE STATE EMPLOYEE AND RETIREE HEALTH AND WELFARE BENEFITS
35 PROGRAM WILL HAVE ON THE STATE'S ANNUAL REQUIRED CONTRIBUTION AND
36 SHOULD LOOK FOR APPROPRIATE COST EFFICIENCIES THAT MAINTAIN THE
37 QUALITY HEALTH CARE COVERAGE THE STATE PROVIDES FOR RETIREES; AND

1 (6) SPECIAL CONSIDERATION SHOULD BE GIVEN TO STATE RETIREES
2 WHO ARE RECEIVING BENEFITS OR STATE EMPLOYEES WHO HAVE ACCRUED AT
3 LEAST 16 YEARS OF SERVICE WITH THE STATE AND HAVE VESTED FOR STATE
4 RETIREE HEALTH BENEFITS UNDER CURRENT LAW, RECOGNIZING THAT WHILE
5 THERE MAY BE NO LEGAL OBLIGATION ON THE PART OF THE STATE TO PROVIDE
6 RETIREE HEALTH CARE BENEFITS TO THESE INDIVIDUALS, THE COMMISSION
7 SHOULD VIEW THE COMMITMENT TO PROVIDE RETIREE HEALTH CARE BENEFITS TO
8 THESE INDIVIDUALS AS AN ETHICAL ONE.

9 (E) THE COMMISSION SHALL:

10 (1) CONTRACT WITH AN ACTUARIAL CONSULTING FIRM TO:

11 (I) COMMISSION AN ACTUARIAL VALUATION THAT ILLUSTRATES
12 THE STATE'S ANNUAL REQUIRED CONTRIBUTION AS BOTH A FIXED DOLLAR AMOUNT
13 AND ALSO AS A PERCENTAGE OF PAYROLL; AND

14 (II) PROVIDE ONGOING SERVICES TO THE COMMISSION
15 THROUGHOUT ITS EXISTENCE;

16 (2) REVIEW THE SPECIFIC LEGAL OBLIGATIONS OF THE STATE TO
17 PROVIDE RETIREE HEALTH BENEFITS TO EXISTING RETIREES, FULLY VESTED
18 EMPLOYEES, ACTIVE EMPLOYEES, AND NEW EMPLOYEES;

19 (3) STUDY THE COST DRIVERS ASSOCIATED WITH THE STATE'S
20 UNFUNDED RETIREE HEALTH CARE LIABILITIES WHICH PROVIDE THE BASIS FOR
21 THE UNFUNDED ACCRUED LIABILITY ~~OF~~ THAT IS ESTIMATED TO BE AS HIGH AS
22 \$20,400,000,000 AS WELL AS THE ONGOING NORMAL COSTS ASSOCIATED WITH THE
23 RETIREE HEALTH CARE LIABILITIES;

24 (4) REVIEW THE CURRENT HEALTH CARE BENEFIT LEVELS FOR BOTH
25 STATE EMPLOYEES AND RETIREES AND HOW THE BENEFITS COMPARE TO BENEFITS
26 PROVIDED UNDER MEDICARE, BY PRIVATE EMPLOYERS, AND BY OTHER PUBLIC
27 EMPLOYERS, WITH A PARTICULAR EMPHASIS ON WHETHER THE VARIOUS LEVELS
28 ARE APPROPRIATE, EQUITABLE, AND SUSTAINABLE;

29 (5) REVIEW THE ELIGIBILITY REQUIREMENTS FOR STATE RETIREE
30 HEALTH CARE BENEFITS WITH A PARTICULAR EMPHASIS ON WHETHER THE
31 REQUIREMENTS ARE APPROPRIATE AND EQUITABLE;

32 (6) REVIEW ALTERNATIVE VEHICLES FOR PROVIDING HEALTH CARE
33 BENEFITS TO STATE RETIREES INCLUDING VOLUNTARY EMPLOYEE BENEFICIARY
34 ACCOUNTS (VEBAS), SECTION 401(H) ACCOUNTS, SECTION 115 TRUSTS, HEALTH
35 REIMBURSEMENT ARRANGEMENTS, AND HEALTH SAVINGS ACCOUNTS; AND

36 (7) RECOMMEND A MULTIYEAR IMPLEMENTATION PLAN TO ADDRESS
37 FULLY FUNDING THE OBLIGATIONS OF THE STATE AS SET FORTH IN GASB
38 STATEMENT 45 AS SOON AS PRACTICABLE.

1 (F) (1) THE COMMISSION SHALL BE STAFFED BY THE DEPARTMENT OF
2 LEGISLATIVE SERVICES.

3 (2) (I) THE DEPARTMENT OF BUDGET AND MANAGEMENT SHALL
4 PROVIDE ANY INFORMATION THE COMMISSION MAY REQUIRE WITH REGARD TO
5 HEALTH CARE BENEFITS AND HEALTH BENEFIT COSTS FOR STATE EMPLOYEES AND
6 RETIREES.

7 (II) IF THE DEPARTMENT OF BUDGET AND MANAGEMENT IS
8 UNABLE TO PROVIDE THE INFORMATION REQUESTED BY THE COMMISSION UNDER
9 SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE COMMISSION MAY CONTRACT WITH AN
10 INDEPENDENT HEALTH CARE CONSULTING FIRM FOR ASSISTANCE.

11 (3) (I) THE DEPARTMENT OF BUDGET AND MANAGEMENT SHALL
12 PROVIDE THE FUNDING FOR THE COMMISSION TO HIRE ~~AN~~ MORE THAN ONE
13 ACTUARIAL CONSULTING FIRM AND A HEALTH CARE CONSULTING FIRM.

14 (II) 1. THE COMMISSION MAY REQUEST UP TO TWO ACTUARIAL
15 VALUATIONS ANNUALLY.

16 2. IF THE COMMISSION REQUESTS TWO ACTUARIAL
17 VALUATIONS IN THE SAME YEAR, EACH SHALL BE PERFORMED BY A DIFFERENT
18 ACTUARIAL CONSULTING FIRM.

19 (G) ON OR BEFORE DECEMBER 31, 2008, THE COMMISSION SHALL ISSUE A
20 FINAL REPORT OF ITS FINDINGS AND RECOMMENDATIONS TO THE GOVERNOR AND,
21 IN ACCORDANCE WITH § 2-1246 OF THE STATE GOVERNMENT ARTICLE, THE GENERAL
22 ASSEMBLY.

23 SECTION 2. AND BE IT FURTHER ENACTED, That, notwithstanding § 7-310
24 of the State Finance and Procurement Article or any other provision of law, for fiscal
25 2007 only, and only as provided in the budget bill, funds may be transferred to the
26 Dedicated Purpose Account to help defray future State costs associated with benefits
27 provided to retirees.

28 SECTION 2-3. AND BE IT FURTHER ENACTED, That this Act shall take
29 effect July 1, 2006. It shall remain effective for a period of 3 years and, at the end of
30 June 30, 2009, with no further action required by the General Assembly, this Act shall
31 be abrogated and of no further force and effect.