

*ENROLLED BILL*  
*-- Budget and Taxation/Appropriations --*

Introduced by **Senators Kasemeyer, Haines, Hogan, and Munson**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this  
\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_ M.

\_\_\_\_\_  
President.

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

1 Commission to Study Retiree Health Care Funding Options"  
 2 Annotated Code of Maryland  
 3 (2004 Replacement Volume and 2005 Supplement)

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

6 **Article - State Personnel and Pensions**

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

9 34-201.

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

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

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

15 (I) THE SENATE CHAIR OF THE JOINT COMMITTEE ON PENSIONS;  
 16 AND

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

19 ~~(II) ONE MEMBER FROM AMONG THE MEMBERS OF A STANDING~~  
 20 ~~COMMITTEE THAT CONSIDERS STATE PERSONNEL ISSUES;~~

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

23 (I) THE HOUSE CHAIR OF THE JOINT COMMITTEE ON PENSIONS;  
 24 AND

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

27 ~~(II) ONE MEMBER FROM AMONG THE MEMBERS OF A STANDING~~  
 28 ~~COMMITTEE THAT CONSIDERS STATE PERSONNEL ISSUES;~~

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

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

31 (5) THE SECRETARY OF BUDGET AND MANAGEMENT, OR THE  
 32 SECRETARY'S DESIGNEE;

1 (6) THE CHANCELLOR OF THE UNIVERSITY SYSTEM OF MARYLAND, OR  
2 THE CHANCELLOR'S DESIGNEE;

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

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

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

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

15 ~~(C) THE SENATE AND HOUSE CHAIRS OF THE JOINT COMMITTEE ON~~  
16 ~~PENSIONS SHALL SERVE JOINTLY AS THE CHAIRS OF THE COMMISSION.~~

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

18 (1) A RECOGNITION THAT:

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

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

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

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

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

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

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

14 (E) THE COMMISSION SHALL:

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

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

19 (II) PROVIDE ONGOING SERVICES TO THE COMMISSION  
20 THROUGHOUT ITS EXISTENCE;

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

24 (3) STUDY THE COST DRIVERS ASSOCIATED WITH THE STATE'S  
25 UNFUNDED RETIREE HEALTH CARE LIABILITIES WHICH PROVIDE THE BASIS FOR  
26 THE UNFUNDED ACCRUED LIABILITY ~~OF~~ THAT IS ESTIMATED TO BE AS HIGH AS  
27 \$20,400,000,000 AS WELL AS THE ONGOING NORMAL COSTS ASSOCIATED WITH THE  
28 RETIREE HEALTH CARE LIABILITIES;

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

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

37 (6) REVIEW ALTERNATIVE VEHICLES FOR PROVIDING HEALTH CARE  
38 BENEFITS TO STATE RETIREES INCLUDING VOLUNTARY EMPLOYEE BENEFICIARY  
39 ACCOUNTS (VEBAS), SECTION 401(H) ACCOUNTS, SECTION 115 TRUSTS, HEALTH  
40 REIMBURSEMENT ARRANGEMENTS, AND HEALTH SAVINGS ACCOUNTS; AND

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

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

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

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

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

17 (II) 1. THE COMMISSION MAY REQUEST UP TO TWO ACTUARIAL  
18 VALUATIONS ANNUALLY.

19 2. IF THE COMMISSION REQUESTS TWO ACTUARIAL  
20 VALUATIONS IN THE SAME YEAR, EACH SHALL BE PERFORMED BY A DIFFERENT  
21 ACTUARIAL CONSULTING FIRM.

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

26 SECTION 2. AND BE IT FURTHER ENACTED, That, notwithstanding § 7-310  
27 of the State Finance and Procurement Article or any other provision of law, for fiscal  
28 2007 only, and only as provided in the budget bill, funds may be transferred to the  
29 Dedicated Purpose Account to help defray future State costs associated with benefits  
30 provided to retirees.

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

