
By: **Senators Kasemeyer, Haines, Hogan, and Munson**

Introduced and read first time: February 1, 2006

Assigned to: Budget and Taxation

A BILL ENTITLED

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; providing for the termination of this Act; and generally relating
10 to the establishment of a Blue Ribbon Commission to Study Retiree Health Care
11 Funding Options.

12 BY adding to

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

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

20 **Article - State Personnel and Pensions**

21 **SUBTITLE 2. BLUE RIBBON COMMISSION TO STUDY RETIREE HEALTH CARE**
22 **FUNDING OPTIONS.**

23 34-201.

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

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

1 (1) FOUR MEMBERS FROM THE SENATE OF MARYLAND, APPOINTED BY
2 THE PRESIDENT OF THE SENATE, INCLUDING:

3 (I) THREE MEMBERS FROM AMONG THE MEMBERS OF THE JOINT
4 COMMITTEE ON PENSIONS; AND

5 (II) ONE MEMBER FROM AMONG THE MEMBERS OF A STANDING
6 COMMITTEE THAT CONSIDERS STATE PERSONNEL ISSUES;

7 (2) FOUR MEMBERS FROM THE HOUSE OF DELEGATES, APPOINTED BY
8 THE SPEAKER OF THE HOUSE, INCLUDING:

9 (I) THREE MEMBERS FROM AMONG THE MEMBERS OF THE JOINT
10 COMMITTEE ON PENSIONS; AND

11 (II) ONE MEMBER FROM AMONG THE MEMBERS OF A STANDING
12 COMMITTEE THAT CONSIDERS STATE PERSONNEL ISSUES;

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

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

15 (5) THE SECRETARY OF BUDGET AND MANAGEMENT, OR THE
16 SECRETARY'S DESIGNEE;

17 (6) THE CHANCELLOR OF THE UNIVERSITY SYSTEM OF MARYLAND, OR
18 THE CHANCELLOR'S DESIGNEE;

19 (7) THE EXECUTIVE DIRECTOR OF THE STATE RETIREMENT AND
20 PENSION SYSTEM; AND

21 (8) ONE MEMBER OF THE PUBLIC, APPOINTED BY THE GOVERNOR, WITH
22 EXPERTISE IN EITHER FUNDING RETIREE HEALTH BENEFITS OR INVESTING
23 PENSION FUND ASSETS.

24 (C) THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE
25 SHALL JOINTLY DESIGNATE THE CHAIR OF THE COMMISSION.

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

27 (1) A RECOGNITION THAT:

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

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

32 (2) IN LIGHT OF THE ENORMITY OF THE STATE'S PROJECTED
33 UNFUNDED ACCRUED LIABILITY FOR RETIREE HEALTH CARE OF \$20,400,000,000 AND
34 THE POTENTIAL EFFECT THIS LIABILITY MAY HAVE ON THE STATE'S BOND RATING,

1 THE STATE'S ULTIMATE GOAL SHOULD BE TO FULLY FUND THE OBLIGATIONS SET
2 FORTH UNDER THE GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB)
3 STATEMENT 45;

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

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

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

17 (6) SPECIAL CONSIDERATION SHOULD BE GIVEN TO STATE RETIREES
18 WHO ARE RECEIVING BENEFITS OR STATE EMPLOYEES WHO HAVE ACCRUED AT
19 LEAST 16 YEARS OF SERVICE WITH THE STATE AND HAVE VESTED FOR STATE
20 RETIREE HEALTH BENEFITS UNDER CURRENT LAW, RECOGNIZING THAT WHILE
21 THERE MAY BE NO LEGAL OBLIGATION ON THE PART OF THE STATE TO PROVIDE
22 RETIREE HEALTH CARE BENEFITS TO THESE INDIVIDUALS, THE COMMISSION
23 SHOULD VIEW THE COMMITMENT TO PROVIDE RETIREE HEALTH CARE BENEFITS TO
24 THESE INDIVIDUALS AS AN ETHICAL ONE.

25 (E) THE COMMISSION SHALL:

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

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

30 (II) PROVIDE ONGOING SERVICES TO THE COMMISSION
31 THROUGHOUT ITS EXISTENCE;

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

35 (3) STUDY THE COST DRIVERS ASSOCIATED WITH THE STATE'S
36 UNFUNDED RETIREE HEALTH CARE LIABILITIES WHICH PROVIDE THE BASIS FOR
37 THE UNFUNDED ACCRUED LIABILITY OF \$20,400,000,000 AS WELL AS THE ONGOING
38 NORMAL COSTS ASSOCIATED WITH THE RETIREE HEALTH CARE LIABILITIES;

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

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

9 (6) REVIEW ALTERNATIVE VEHICLES FOR PROVIDING HEALTH CARE
10 BENEFITS TO STATE RETIREES INCLUDING VOLUNTARY EMPLOYEE BENEFICIARY
11 ACCOUNTS (VEBAS), SECTION 401(H) ACCOUNTS, SECTION 115 TRUSTS, HEALTH
12 REIMBURSEMENT ARRANGEMENTS, AND HEALTH SAVINGS ACCOUNTS; AND

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

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

18 (2) (I) THE DEPARTMENT OF BUDGET AND MANAGEMENT SHALL
19 PROVIDE ANY INFORMATION THE COMMISSION MAY REQUIRE WITH REGARD TO
20 HEALTH CARE BENEFITS AND HEALTH BENEFIT COSTS FOR STATE EMPLOYEES AND
21 RETIREES.

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

26 (3) THE DEPARTMENT OF BUDGET AND MANAGEMENT SHALL PROVIDE
27 THE FUNDING FOR THE COMMISSION TO HIRE AN ACTUARIAL CONSULTING FIRM
28 AND A HEALTH CARE CONSULTING FIRM.

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

33 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
34 July 1, 2006. It shall remain effective for a period of 3 years and, at the end of June
35 30, 2009, with no further action required by the General Assembly, this Act shall be
36 abrogated and of no further force and effect.