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

Introduced and read first time: February 1, 2006

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 13, 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 MEMBERS FROM THE SENATE OF MARYLAND, APPOINTED BY
9 THE PRESIDENT OF THE SENATE, INCLUDING:10 (I) THREE MEMBERS FROM AMONG THE MEMBERS OF THE JOINT
11 COMMITTEE ON PENSIONS; AND12 (II) ONE MEMBER FROM AMONG THE MEMBERS OF A STANDING
13 COMMITTEE THAT CONSIDERS STATE PERSONNEL ISSUES;14 (2) FOUR MEMBERS FROM THE HOUSE OF DELEGATES, APPOINTED BY
15 THE SPEAKER OF THE HOUSE, INCLUDING:16 (I) THREE MEMBERS FROM AMONG THE MEMBERS OF THE JOINT
17 COMMITTEE ON PENSIONS; AND18 (II) ONE MEMBER FROM AMONG THE MEMBERS OF A STANDING
19 COMMITTEE THAT CONSIDERS STATE PERSONNEL ISSUES;

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

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

22 (5) THE SECRETARY OF BUDGET AND MANAGEMENT, OR THE
23 SECRETARY'S DESIGNEE;24 (6) THE CHANCELLOR OF THE UNIVERSITY SYSTEM OF MARYLAND, OR
25 THE CHANCELLOR'S DESIGNEE;26 (7) THE EXECUTIVE DIRECTOR OF THE STATE RETIREMENT AND
27 PENSION SYSTEM, OR THE EXECUTIVE DIRECTOR'S DESIGNEE; AND28 (8) ONE MEMBER OF THE PUBLIC, APPOINTED BY THE GOVERNOR, WITH
29 EXPERTISE IN EITHER FUNDING RETIREE HEALTH BENEFITS OR INVESTING
30 PENSION FUND ASSETS.31 (C) THE PRESIDENT OF THE SENATE AND THE SPEAKER OF THE HOUSE
32 SHALL JOINTLY DESIGNATE THE CHAIR OF THE COMMISSION.

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

1 (1) A RECOGNITION THAT:

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

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

6 (2) IN LIGHT OF THE ENORMITY OF THE STATE'S PROJECTED
7 UNFUNDED ACCRUED LIABILITY FOR RETIREE HEALTH CARE OF \$20,400,000,000 AND
8 THE POTENTIAL EFFECT THIS LIABILITY MAY HAVE ON THE STATE'S BOND RATING,
9 THE STATE'S ULTIMATE GOAL SHOULD BE TO FULLY FUND THE OBLIGATIONS SET
10 FORTH UNDER THE GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB)
11 STATEMENT 45;

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

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

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

25 (6) SPECIAL CONSIDERATION SHOULD BE GIVEN TO STATE RETIREES
26 WHO ARE RECEIVING BENEFITS OR STATE EMPLOYEES WHO HAVE ACCRUED AT
27 LEAST 16 YEARS OF SERVICE WITH THE STATE AND HAVE VESTED FOR STATE
28 RETIREE HEALTH BENEFITS UNDER CURRENT LAW, RECOGNIZING THAT WHILE
29 THERE MAY BE NO LEGAL OBLIGATION ON THE PART OF THE STATE TO PROVIDE
30 RETIREE HEALTH CARE BENEFITS TO THESE INDIVIDUALS, THE COMMISSION
31 SHOULD VIEW THE COMMITMENT TO PROVIDE RETIREE HEALTH CARE BENEFITS TO
32 THESE INDIVIDUALS AS AN ETHICAL ONE.

33 (E) THE COMMISSION SHALL:

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

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

38 (II) PROVIDE ONGOING SERVICES TO THE COMMISSION
39 THROUGHOUT ITS EXISTENCE;

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

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

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

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

16 (6) REVIEW ALTERNATIVE VEHICLES FOR PROVIDING HEALTH CARE
17 BENEFITS TO STATE RETIREES INCLUDING VOLUNTARY EMPLOYEE BENEFICIARY
18 ACCOUNTS (VEBAS), SECTION 401(H) ACCOUNTS, SECTION 115 TRUSTS, HEALTH
19 REIMBURSEMENT ARRANGEMENTS, AND HEALTH SAVINGS ACCOUNTS; AND

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

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

25 (2) (I) THE DEPARTMENT OF BUDGET AND MANAGEMENT SHALL
26 PROVIDE ANY INFORMATION THE COMMISSION MAY REQUIRE WITH REGARD TO
27 HEALTH CARE BENEFITS AND HEALTH BENEFIT COSTS FOR STATE EMPLOYEES AND
28 RETIREES.

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

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

36 (II) 1. THE COMMISSION MAY REQUEST UP TO TWO ACTUARIAL
37 VALUATIONS ANNUALLY.

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

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

8 SECTION 2. AND BE IT FURTHER ENACTED, That, notwithstanding § 7-310
9 of the State Finance and Procurement Article or any other provision of law, for fiscal
10 2007 only, and only as provided in the budget bill, funds may be transferred to the
11 Dedicated Purpose Account to help defray future State costs associated with benefits
12 provided to retirees.

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