HB 231

Department of Legislative Services

Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

House Bill 231 (The Speaker)(By Request - Governor's Salary Commission)
Rules and Executive Nominations

Governor - Pension and Health Benefits

This bill raises the retirement age and changes eligibility requirements for retirement health benefits for former Governors who begin serving on or after January 21, 2015.

Fiscal Summary

State Effect: None. It is assumed that a Governor who begins serving on or after January 21, 2015, will complete at least one term and therefore not qualify for retirement pension or health benefits until after FY 2019, which is beyond the scope of this analysis. Any reduction in pension liabilities or increase in health care liabilities after that time is expected to be minimal and have no discernible effect on State pension contributions or health care costs.

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: A former Governor may begin receiving a retirement allowance upon reaching age 62. Adjustments are also made to eligibility for disability and surviving spouse retirement benefits for former Governors to reflect the new age of eligibility.

A former Governor who begins serving on or after January 21, 2015, and is receiving a *normal service* retirement allowance from the State Retirement and Pension System (SRPS):

- may participate in State retiree health benefits provided under the State Employee and Retiree Health and Welfare Benefits Program upon reaching age 62;
- is entitled to one-sixteenth of the State premium subsidy for retiree health care services for each year of service as Governor. The former Governor's surviving spouse is entitled to the same benefit.

A former Governor who begins serving on or after January 21, 2015, and is receiving a *disability* retirement allowance may also enroll in the retiree health benefits program at age 62 and receive the same subsidy as a State employee.

Current Law: A former Governor is eligible to begin receiving a retirement allowance upon reaching age 55. A former Governor who completed one term receives one-third the salary of the current Governor; a former Governor who completed two terms receives one-half the salary of the current Governor. Eligibility for disability benefits and surviving spouse benefits for former Governors are also linked to the age 55 eligibility requirement.

Under specified circumstances, retired State employees and their spouses, including former Governors, are entitled to participate in the retiree health benefits program. In all cases, the retiree must be receiving either a normal service or disability retirement benefit from SRPS. If the retiree began working for the State prior to July 1, 2011, or is a member of the Judges Retirement System (JRS), the retiree must have:

- left State service with at least 16 years of creditable service;
- retired directly from State service with at least 5 years of creditable service;
- left State service with at least 10 years of creditable service within 5 years of retirement eligibility; or
- retired directly from State service with a disability retirement allowance.

Except for JRS members, if the retiree began working for the State on or after July 1, 2011, the retiree must have:

- left State service with at least 25 years of creditable service;
- retired directly from State service with at least 10 years of creditable service;
- left State service with at least 10 years of creditable service within 5 years of retirement eligibility; or
- retired directly from State service with a disability retirement allowance.

In addition, retirees may qualify for a premium subsidy; the size of the subsidy is linked to length of service. For retirees who began working for the State before July 1, 2011, the subsidy is equal to one-sixteenth of the subsidy provided to a State employee for each year of service, if the retiree has met the 5-year vesting requirement. For retirees who began working for the State on or after July 1, 2011, the subsidy is equal to one-twenty-fifth of the subsidy provided to a State employee for each year of service, if the retiree meets the 10-year vesting requirement.

Background: The State Constitution requires that a Governor's Salary Commission convene every four years to make recommendations to the General Assembly regarding compensation and benefits for future Governors. Recommendations regarding salary are incorporated into a joint resolution; the General Assembly may amend the joint resolution to decrease recommended salaries but may not increase salaries above levels recommended by the commission. Recommendations regarding benefits are incorporated into proposed legislation. This bill reflects the commission's recommendations regarding pension and retiree health benefits.

Due to term limits, a Governor may not accrue 10 years of service and, therefore, cannot qualify for retiree health benefits under current law. Hence, the commission recommended that the Governor qualify for retiree health benefits upon assuming office and retain the previous 16-year rule with respect to the premium subsidy; JRS members also retained the 16-year rule because very few judges serve for 25 years.

The Budget Reconciliation and Financing Act of 2011 (Chapter 397) directed the commission to make recommendations regarding pension and retiree health care eligibility requirements for future Governors in light of eligibility changes made for State employees and teachers.

Additional Information

Prior Introductions: None.

Cross File: SB 235 (The President)(By Request - Governor's Salary Commission) - Budget and Taxation.

Information Source(s): Department of Legislative Services

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