



# Maryland

DEPARTMENT OF BUDGET  
AND MANAGEMENT

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## **HOUSE BILL 1294 State Employee and Retiree Health and Welfare Benefits Program – BWI Airport Fire and Rescue Department – Employees and Dependents (Mautz)**

### **STATEMENT OF INFORMATION**

**DATE: March 15, 2022**

**COMMITTEE: House Appropriations**

**SUMMARY OF BILL:** HB 1294 authorizes retirees who began employment with the BWI Airport Fire and Rescue Department before October 1, 1993, and who are receiving a retirement allowance from the Baltimore City Fire and Police Retirement System to participate in the State Employee and Retiree Health and Welfare Benefits Program; and authorizes surviving spouses and dependent children of a deceased retiree to participate in the Program, if the spouse or dependent is receiving a retirement allowance from the Baltimore City Fire and Police Employees' Retirement System.

**EXPLANATION:** The Maryland Department of Transportation (MDOT) identified 59 current/former employees and retirees that may be eligible for the Program as a result of the legislation. Surviving spouses and dependents of these retirees are also eligible to enroll in the Program. The Department of Budget and Management's (DBM) actuary has reviewed the fiscal impact of this legislation on the State's Other Post-Employment Benefits (OPEB) liability as a consequence of allowing this expansion in eligibility for the Program.

The addition of the 59 members identified by MDOT would add between \$349,600 and \$425,000 in annual costs to the State health plan, depending on whether the members were pre-Medicare or Medicare-eligible, as well as the outcome of the State retirees' prescription drug lawsuit and the resulting extent of prescription drug coverage. The bill also adds spouses, dependents, and surviving spouses and dependents to the State's retiree health care, which would be in addition to the costs noted above.

Assuming the 59 members identified by MDOT enroll in the Program, the State's OPEB liability would increase by \$20.2 - \$24.6 million in the first year, depending on the outcome of the State retirees' prescription drug lawsuit and the resulting extent of prescription drug coverage. However, the actual impact on the OPEB liability will be dependent on the number of eligible members who enroll and their spouses, dependents, and surviving spouses and dependents

As of June 30, 2021, the State's net OPEB liability was \$14.8 billion and reflects a 3% funded ratio. High amounts of unfunded liabilities can be a cause of concern for rating agencies and threaten the State's AAA bond rating.

It is important to note that those employees that remained in the Baltimore City Fire and Police Retirement System after 1993 were eligible for a retirement benefit more than double the benefit amount had they transferred to the State retirement system, which would have afforded them State retiree health benefits.

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