

Social Security, Pension, and Retirement Costs

(Adopted 1981; amended 1984, 1985, 1988, 1991, 1992, 1993, 1994, 1997, 2000, 2002, 2004, 2007, 2010, 2011)

WHEREAS, the Maryland Association of Boards of Education (MABE) believes that the men and women who work for the public school systems are the key to educating our young people; and

WHEREAS, MABE believes that providing adequate retirement benefits is essential to addressing the areas of critical teacher shortages and making Maryland more competitive relative to our neighboring states; and

WHEREAS, for too long Maryland's pension system failed to provide an adequate level of income and benefits to ensure economic independence for retirees; and

WHEREAS, MABE has consistently supported legislation to significantly increase the level of teachers' and school employees' pension benefits; and

WHEREAS, MABE strongly supported the General Assembly's action in 2006 to phase-in significant increases to the teachers' and school employees' retirement systems; and

WHEREAS, MABE recognizes that funding adequate teacher and employee retirement benefits is a significant and growing financial obligation of the state budget; and

WHEREAS, MABE strongly opposed the Maryland state legislature's decision in 1991 to shift 100% of the state's funding responsibility for Social Security costs to county governments and local school systems, and unsuccessfully sought the restoration of this funding in subsequent legislative sessions; and

WHEREAS, local governments and boards of education already make a significant contribution to the costs of providing for the retirement benefits of school system employees by paying 100% of Social Security costs for school employees; a total cost of approximately \$500 million per year which complements the State's nearly \$1 billion in annual teachers' and school employees' retirement costs; and

WHEREAS, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions (OPEB)", which imposes new and costly accounting and reporting requirements for health insurance and other post-employment benefits provided to eligible school system retirees; and

WHEREAS, in 2011, the General Assembly enacted comprehensive pension reforms impacting the employee contribution, benefit level, average final compensation, vesting period, early retirement allowance, and cost of living adjustment; and

WHEREAS, the pension reforms enacted in 2011 are projected to significantly reduce costs, improve the solvency of the State retirement System, and generate revenues contributing to the reduction of the State's structural deficit; and

WHEREAS, MABE supported the Governor's and General Assembly's effort to craft a more sustainable teachers' and employees' retirement system, including requiring employees to contribute more to retain current benefit levels; but MABE opposed reducing the benefit level for new employees and the roll-back of pension enhancements made in 2006 for all future employees because of the adverse impact such a reduction will have on school systems' ability to recruit and retain highly qualified teachers and principals; and

WHEREAS, legislation enacted in 2011 imposes new annual fees of more than \$15 million that school systems must pay the State Retirement Agency for administrative costs relating to processing benefits for our employees;

NOW, THEREFORE, BE IT RESOLVED, that MABE urges the Governor and General Assembly to continue to fully fund pension and retirement costs and pursue legislative and budgetary action to sustain the increased level of benefits provided through the state teacher pension and retirement systems; and

BE IT FURTHER RESOLVED, that MABE urges local governments to adequately fund retiree health care benefit programs in accordance with the requirements of GASB 45 and in a manner that does not supplant increased investments in educational programs and services; and

BE IT FURTHER RESOLVED, that MABE opposes any shift in funding responsibility for teacher retirement costs from the state to county governments and local school systems.