

School System Employees' Retirement Benefits and Costs

(Adopted 1981; amended 1984, 1985, 1988, 1991, 1992, 1993, 1994, 1997, 2000, 2002, 2004, 2007, 2010, 2011, 2014, 2017)

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 recruiting and retaining highly qualified educators and making Maryland more competitive relative to our neighboring states; and

WHEREAS, MABE has supported legislation to increase the level of teachers' and school employees' pension benefits when the pension system was failing to provide an adequate level of income and benefits to ensure economic independence for retirees; 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 and local budgets; 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, reporting, and funding requirements for health insurance and other post-employment benefits provided to eligible school system retirees; and

WHEREAS, in response to GASB 45, MABE created a Pooled OPEB Investment Trust in 2008 to provide participating school districts a structure to pool assets to reduce investment costs and to share administrative expenses relating to local board investments in employees' post-retirement health and welfare benefits; 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 were intended 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, MABE consistently opposed any shift in funding responsibility for teacher retirement costs from the state to county governments and local school systems; and

WHEREAS, legislation enacted in 2012 shifted teacher retirement costs from the state to local governments by phasing in over four years school board payments of 100% of the annual "normal" costs attributable to a school system's employer contributions on behalf of current employees; set out the payment required from each school board for FY 2013 through FY 2016, at increments of 50-65-85-100%; and mandated that local governments provide additional local school board maintenance of effort (MOE) payments during each year of the phase-in; and

WHEREAS, beginning in FY 2015, the amount each county is required to provide their local board of education in addition to the MOE amount, may not be sufficient to satisfy the amount the local board is obligated to pay the State Retirement Agency; and

WHEREAS, in 2017 the legislature and Governor provided relief to local boards of education from their FY 2017 obligation to pay the State Retirement Agency nearly \$20 million, the amount attributable to unfunded increases in the local share of retirement costs for current employees;

NOW, THEREFORE, BE IT RESOLVED, that MABE urges the Governor and General Assembly to continue to fully fund the state share of pension and retirement costs and pursue legislative and budgetary action to sustain the 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 investments in educational programs and services; and

BE IT FURTHER RESOLVED, that MABE urges the legislature and Governor to continue to provide relief to local boards of education from their obligation to pay the State Retirement Agency the amount attributable to unfunded increases in the local share of retirement costs for current employees; and

BE IT FURTHER RESOLVED, that MABE urges the Governor and General Assembly to pursue legislative and budgetary action to ensure that local board obligations to pay the State Retirement Agency are fully funded in a manner that does not supplant investments in educational programs and services.