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# **Overview of Teacher Pension Funding**

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## **Presentation to The Blueprint for Maryland's Future Funding Formula Workgroup**

**Department of Legislative Services  
Office of Policy Analysis  
Annapolis, Maryland  
September 19, 2019**

# Teacher Retirement Costs

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(\$ in Millions)

- Prior to fiscal 2013, the State paid 100% of retirement costs for teachers employed by local school systems

	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>
<b>State</b>	\$621.8	\$759.1	\$849.8	\$923.3

- Chapter 1 of the 2012 special session phased in a requirement that locals share in the cost of teacher retirement

	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
<b>Local</b>	\$136.6	\$173.2	\$221.6	\$254.8	\$279.8

- Retirement aid is not wealth equalized

# State and Local Cost Share for Teacher Retirement Payments

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(\$ in Millions)

	<u>FY 2019</u>	<u>FY 2020</u>	<u>Difference</u>	<u>Percent Difference</u>
Salary Base (June 30, second prior year)	\$6,239.2	\$6,390.4	\$151.2	2.4%
Actuary Salary Base Adjustment <sup>1</sup>	6,435.7	6,588.5	152.7	2.4%
Annual Contribution Rate	15.43%	15.59%	0.16	
Employer Share	993.0	1,027.1	34.1	3.4%
Supplemental Payment	46.3	46.8	0.4	1.0%
<b>Total Cost</b>	<b>\$1,039.4</b>	<b>\$1,073.9</b>	<b>\$34.6</b>	<b>3.3%</b>
Local Shares				
Administrative Costs	\$22.6	\$17.5	-\$5.2	-22.9%
Local Board Retirement Payments	283.8	288.6	4.8	1.7%
State Share	732.9	767.9	35.0	4.8%
<b>Total</b>	<b>\$1,039.4</b>	<b>\$1,073.9</b>	<b>\$34.6</b>	<b>3.3%</b>
<b>Local Retirement as Percent of Payroll</b>	<b>4.41%</b>	<b>4.38%</b>		

<sup>1</sup> 3.15% for fiscal 2019 and 3.10% for fiscal 2020.

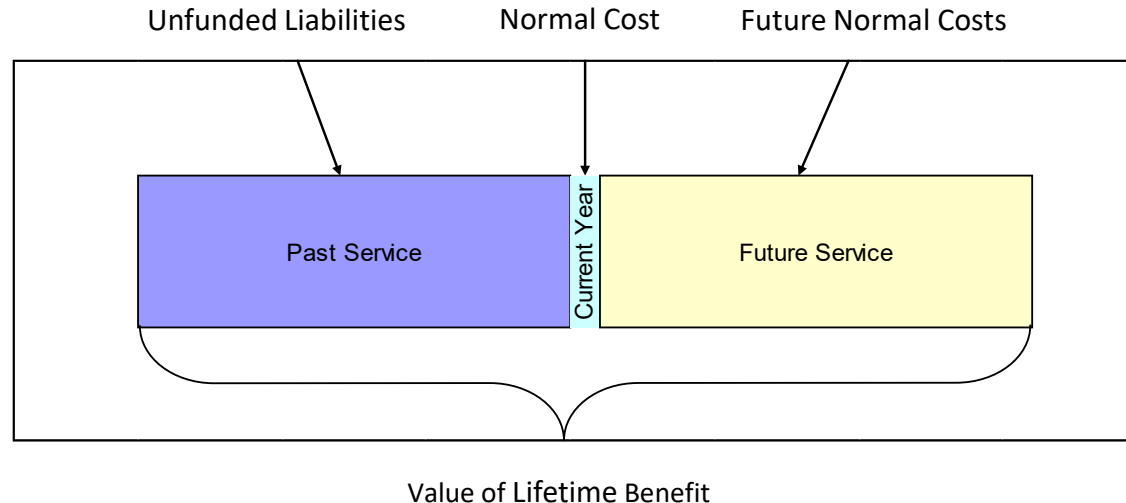
# Local Cost Share for Teacher Retirement

County	FY 2019	FY 2020	Difference
Allegany	\$2,603,702	\$2,586,615	-\$17,088
Anne Arundel	23,850,572	23,980,202	129,630
Baltimore City	24,102,293	23,369,744	-732,549
Baltimore	33,736,865	34,533,331	796,465
Calvert	5,023,147	5,180,760	157,613
Caroline	1,748,847	1,774,954	26,107
Carroll	7,364,920	7,556,167	191,247
Cecil	4,973,590	5,003,332	29,742
Charles	8,105,946	8,104,510	-1,437
Dorchester	1,425,429	1,466,013	40,584
Frederick	11,828,994	12,431,646	602,653
Garrett	1,127,463	1,083,257	-44,206
Harford	10,358,563	10,728,741	370,177
Howard	21,469,703	22,365,863	896,161
Kent	665,863	645,035	-20,828
Montgomery	60,354,730	61,086,328	731,598
Prince George's	42,208,998	43,283,640	1,074,642
Queen Anne's	2,261,317	2,282,178	20,861
St. Mary's	4,980,167	5,089,054	108,887
Somerset	1,020,976	1,072,925	51,949
Talbot	1,290,459	1,291,686	1,227
Washington	6,203,703	6,377,926	174,222
Wicomico	4,567,171	4,663,780	96,609
Worcester	2,542,199	2,617,511	75,313
<b>Total</b>	<b>\$283,815,618</b>	<b>\$288,575,197</b>	<b>\$4,759,579</b>

# Local Share of Teacher Retirement

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- Beginning in fiscal 2017, local school systems must pay the “normal cost” share of teacher retirement costs



- Unfunded liabilities arise when actual experience is different from assumptions

# Kirwan Recommendations

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- Reduce instructional time for individual teachers
  - Commission assumes that more teachers will be hired to maintain total instructional time
  - New teachers do not affect unfunded liabilities because they have no prior service
  - New teachers add to normal cost, so local expenditures increase
- Raise teacher salaries
  - If salary increases exceed actuarial projections, unfunded liabilities **and** normal cost increase
  - State is responsible for any increase in unfunded liabilities, and local school systems are responsible for normal cost increases