

Eastern Shore superintendents are very concerned about any decisions made by the General Assembly that would transfer funding of the Maryland Teacher's Pension System from the State to local governments. The focus needs to be on improving the gains made in 2006. Transferring the funding of this program would definitely decrease the ability to continue to improve the program and would dramatically impact the quality of the educational program within each county. Therefore, any legislation that would cause this transfer to happen must be defeated.

There are many factors that influence a school system's ability to attract and retain quality teachers. It can not be argued that this is a critical issue to school systems within Maryland because the state college and university system is currently unable to produce anything close to the number of new teachers that are needed each year. Therefore, it is essential that each local school system provide a salary and benefit package, including a pension plan that is competitive with neighboring states.

When the Maryland Teacher's Pension System was established in 1980, it was a contributory system that linked the benefit structure to the Social Security Integration Level. (S.S.I.L) The SSIL is the average of the annual Social Security wage base for the 35 years prior to the year of retirement. In 1998 the Maryland General Assembly improved the teachers' pension program by adding a 2% employee contribution, eliminating the use of the SSIL, and increasing the percentage applied to the AFS for years of service. The annual (3% cap) cost of living adjustment (COLA) applied to the pension benefit was also improved to include compounding, instead of an increase based only on the first year's pension allowance.

During the 2006 legislative session, the General Assembly correctly made improvements to the multiplier used to calculate the benefits. Also, the new calculation was applied retroactively to all service earned since 1998. The employee contribution was increased over three years to 5% of salary. As a result of these improvements, Maryland's relative position among the states was improved. Teachers and other school system personnel can now expect to receive up to 54% of final salary upon retirement after thirty years.

Although the 2006 changes provides the kinds of increases needed to improve our competitive relationship with neighboring districts, it can not be assumed that the problem is resolved. Future decisions must continue to be made within a context of our competitive relationship with other states.

It is for these reasons that we believe that efforts to reduce State spending by transferring the funding for current and future retirees must be defeated. The goal should be to improve upon the existing system. The impact of a decision to transfer the costs to local government would not only prevent such improvements, it would have catastrophic impact on all aspects of the public school program. In order to fund retirement programs, local school systems would have to make decisions regarding class size, salaries, health insurance, transportation, and all other aspects of a school budget. There is simply no way that the majority of the Eastern Shore counties could fund pension programs without a dramatic impact on the instructional program. There is not enough flexibility within local school budgets to enable funding of the pension plan without directly impacting the classroom.

Recommendations:

1. Defeat any legislation that would transfer the funding of the pension program from state government to local government.
2. Revise the annual COLA adjustment to assure that the original purchasing power of the pension benefit is maintained over time. A current cap on the COLA does not accomplish this end.
3. Improve the pension benefit provided to employees by exempting payments from State income tax, as is the case in other states.
4. Revise the salary calculation to include all compensation received. Examples of addition include that should be part of the calculation include:
 - o Extra duty pay
 - o National Board teacher's certification
 - o Bonuses
 - o Summer employment
 - o Stipends
5. Decision on penalties for early retirement should be actuarially based.
6. Calculate sick leave benefits in a manner that provides full credit for employees who work more than ten months per year.
7. Provide a Deferred Retirement Option Plan (DROP) for all employees.