

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE

Senate Bill 836

(Senators Pipkin and Brinkley)

Budget and Taxation

Teachers' Retirement and Pension Systems - Local Employer Contributions

This bill requires counties where the median employee salaries for local boards of education, community colleges, and libraries exceed the statewide medians to pay a portion of the employer share of pension costs for the employees. The bill applies to employees who are members of the Teachers' Retirement System (TRS) or Teachers' Pension System (TPS) beginning July 1, 2013. County employers are required to pay the employer pension cost for that portion of their employees' salaries that exceeds the statewide median salary. The bill establishes a schedule for local payments and financial penalties for late payments by local employers.

The bill takes effect July 1, 2012, and is applicable beginning in fiscal 2014.

Fiscal Summary

State Effect: General fund expenditures decrease by \$96.3 million in FY 2014 due to the shift of a portion of teachers' retirement costs from the State to local governments. General fund savings increase annually with projected growth in local salaries and increased pension contribution rates. Revenues are not affected.

Local Effect: Local expenditures increase by \$96.3 million in FY 2014 for pension contributions of TRS/TPS members employed by local governments; expenditures increase only in those jurisdictions whose median salaries for members of TRS/TPS exceed the statewide median salary, by type of employer. Local revenues are not affected. **This bill imposes a mandate on a unit of local government.**

Small Business Effect: None.

Analysis

Bill Summary: The bill applies to TRS/TPS members who are employed by a local board of education as a clerk, helping teacher, teacher, supervisor, principal, or superintendent; librarians or clerical employees of a local public library; or faculty, professional, or clerical employees of a local community college.

For a regional community college, the local share of the employer pension contribution for community college faculty and staff is prorated among the counties that support the college. The prorated amounts are based on the proportion of full-time equivalent students enrolled at the college who reside in each county.

The State continues to pay the full employer contribution for TRS/TPS members who are:

- employed by Baltimore City Community College;
- faculty members employed by educational institutions (other than a community college) supported and controlled by the State; or
- staff members of the University System of Maryland, Morgan State University, or St. Mary's College of Maryland and who were members of TPS as of January 1, 1998, or who transferred from TRS to TPS on or after that date.

Quarterly, counties must pay their shares of the TRS/TPS employer contributions after annually receiving certified contribution rates from the State Retirement and Pension System (SRPS) board, subject to a grace period of no more than 10 days at the discretion of the board's secretary. Failure to pay on specified dates or to secure a grace period results in a 10% penalty and 10% annual interest on the delinquent amount. If notified by the board's secretary that a delinquency exists for a particular county, the Comptroller must immediately exercise the right of setoff against any money due or coming due to that county from the State.

Current Law: The State pays the full employer contribution for all TRS/TPS members, including employees of local boards of education, libraries, and community colleges. For the purpose of calculating the employer contribution, the two systems are treated as one.

Membership in TRS/TPS includes:

- employees of a day school in the State under the authority and supervision of a local board of education or the Baltimore City Board of School Commissioners;
- faculty employees of an educational institution supported and controlled by the State;

- librarians and clerical employees of local libraries;
- community college faculty and staff;
- staff members of the University System of Maryland, Morgan State University, or St. Mary's College of Maryland as of January 1, 1998; and
- nonfaculty employees of the Baltimore City Community College, prior to October 1, 2002.

Background: Fiscal 2012 median salaries, by employer, for each county are shown in **Exhibit 1**. As the exhibit shows, seven local boards of education, five community colleges, and eight public libraries have median salaries above the respective statewide medians in fiscal 2012. Therefore, if the bill applied to fiscal 2012 salaries, those employers would have to pay the portion of their employees' pension cost that is attributable to the portion of their salary that exceeds the statewide median.

The geographic cost of education index formula education aid program is designed to provide additional funds to local school systems where educational resources, including school personnel, cost more than the statewide average.

State and Local Fiscal Effect: An estimated \$96.3 million in local employee pension costs are shifted from the State to 12 counties where salaries for local employees are higher than the statewide median. This results in a general fund savings for the State and an equivalent increase in expenses for the counties. **Exhibit 2** shows the projected fiscal 2014 local pension contributions for the affected counties. This analysis assumes that counties will not share in the reinvestment of savings from the 2011 pension restructuring efforts.

Future years reflect an assumption of 1% annual increases in local salary bases and projected State contribution rates for TRS/TPS. However, the amount of savings and the affected employers are subject to change each year due to different levels of pay increases given to employees and potential efforts to curtail teacher, librarian, and/or community college salaries in some jurisdictions.

Exhibit 1
Median Salaries for TRS/TPS Local Employees
Fiscal 2012

County	Boards of Education		Community Colleges		Libraries	
	Employees	Median	Employees	Median	Employees	Median
Allegany	1,101	\$63,607	218	\$43,377	28	\$28,337
Anne Arundel	8,095	56,521	464	50,053	186	39,240
Baltimore City	9,060	63,154	n/a	n/a	285	42,894
Baltimore	11,461	55,033	740	50,884	275	44,401
Calvert	1,830	69,091	n/a	n/a	52	39,858
Caroline	670	46,902	n/a	n/a	24	32,582
Carroll	3,062	53,440	114	37,639	139	30,785
Cecil	1,880	53,500	110	32,117	69	32,274
Charles	2,858	55,127	n/a	n/a	37	53,622
Dorchester	549	40,640	n/a	n/a	15	22,174
Frederick	4,481	53,964	163	49,241	159	24,757
Garrett	523	58,658	52	38,860	25	22,880
Harford	4,524	50,633	267	36,720	218	34,749
Howard	6,594	61,402	274	50,112	245	38,903
Kent	297	46,168	n/a	n/a	10	31,481
Montgomery	16,879	65,469	889	63,669	*	*
Prince George's	13,005	59,909	666	46,396	260	50,322
Queen Anne's	891	51,845	n/a	n/a	14	45,273
St. Mary's	1,768	57,765	n/a	n/a	55	30,128
Somerset	395	47,970	n/a	n/a	12	29,151
Talbot	475	54,200	n/a	n/a	23	30,907
Washington	2,357	54,635	174	43,452	83	27,581
Wicomico	1,911	46,690	n/a	n/a	38	29,120
Worcester	957	52,776	n/a	n/a	44	29,414
Chesapeake CC	n/a	n/a	133	36,504	n/a	n/a
Southern MD CC	n/a	n/a	260	41,847	n/a	n/a
Wor-Wic CC	n/a	n/a	137	43,000	n/a	n/a
Total/Statewide Median	95,623	\$58,463	4,661	\$48,806	2,296	\$37,094

n/a = not applicable

*Employees of the Montgomery County Public Library participate in a county retirement plan, not TRS/TPS.

Source: State Retirement and Pension System, Department of Legislative Services

Exhibit 2
Estimated Fiscal 2014 Local Pension Contributions under SB 836/HB 863
(\$ in Thousands)

County	Board of Education Contribution	Community College Contribution	Library Contribution	Total County Payments
Allegany	\$1,108	\$0	\$0	\$1,108
Anne Arundel	0	730	267	997
Baltimore City	12,797	0	370	13,167
Baltimore	0	1,120	482	1,602
Calvert	3,732	0	65	3,797
Caroline	0	0	0	0
Carroll	0	0	0	0
Cecil	0	0	0	0
Charles	0	0	91	91
Dorchester	0	0	0	0
Frederick	0	191	0	191
Garrett	368	0	0	368
Harford	0	0	0	0
Howard	10,689	360	358	11,407
Kent	0	0	0	0
Montgomery	40,708	2,440	0	43,149
Prince George's	19,908	0	448	20,356
Queen Anne's	0	0	34	34
St. Mary's	0	0	0	0
Somerset	0	0	0	0
Talbot	0	0	0	0
Washington	0	0	0	0
Wicomico	0	0	0	0
Worcester	0	0	0	0
Total	\$89,310	\$4,841	\$2,113	\$96,265

*Figures may not sum due to rounding.

Source: State Retirement and Pension System, Department of Legislative Services

Additional Information

Prior Introductions: None.

Cross File: HB 863 (Delegate Serafini) – Appropriations.

Information Source(s): Maryland State Retirement Agency, Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2012
ncs/mwc

Analysis by: Scott P. Gates

Direct Inquiries to:
(410) 946-5510
(301) 970-5510