POLICY BOARD OF EDUCATION OF MONTGOMERY COUNTY

Responsible Division~~ Office~~: Division of Financial Management~~Chief Operating Officer~~

Funding Retirement/Pension System

A. PURPOSE

To establish the responsibilities of the Montgomery County Board of Education with respect to funding ~~set forth the priorities of~~ the Montgomery County Public Schools (MCPS) Employees' Retirement and Pension System

B. ISSUE

The MCPS Employees' Retirement and Pension System (retirement/pension plan) ~~will~~ was established to provide supplemental retirement/pension plan benefits for eligible employees who are members of the Maryland State Teachers' Retirement and Pension System or provide full retirement/pension plan benefits for eligible employees who are not eligible for membership in the Maryland system.

C. POSITION

1. The Board of Education established the MCPS Retirement System Trust (Trust) to hold the assets of the retirement/pension plan and the~~In 1995 the Board of Education created a~~ Board of Investment Trustees (Trustees) to oversee the investment of the retirement/pension plan assets.

   a. The Trustees are recommended by the superintendent of schools and appointed by the Board of Education.

   b. The powers and duties of the Trustees shall be stipulated in the Trust Agreement with the Board of Education.

   c. The Trustees shall –

      i. invest and manage the MCPS Trust assets prudently and solely in the interest of the retirement/pension plan participants and their beneficiaries;

ii. develop and recommend investment strategies; and

iii. review the investment strategies annually with the Board of Education and update as necessary to reflect prudent investment practice.

2. Any modifications to retirement/pension plan benefits will be announced in a timely manner prior to Board of Education action allowing opportunities to receive input from active/retired employees and all employee organizations.

D. DESIRED OUTCOME

Montgomery County Public Schools will maintain a plan of retirement/pension benefits which is adequately funded and will provide eligible employees income during their retirement years.

E. IMPLEMENTATION STRATEGIES

The superintendent of schools/designee shall establish such regulations or procedures as necessary to implement this policy as follows:

1. Contract with a credentialed actuarial firm –

   a. to prepare an annual actuarial valuation report to inform budget recommendations for the coming fiscal year; and

   b. to conduct an evaluation of the retirement/pension plan at least every five years in terms of funding and assumption goals and objectives.

2. ~~Staff will m~~Meet annually each fall with the Board of Education Fiscal Management Committee to review the findings of the annual actuarial valuation report, including ~~on the actuarial valuation of the retirement/pension plan from the actuary,~~ actuarial plan assumptions, rate of return, and budget recommendations for the coming fiscal year. Assumptions used in developing the actuarial valuation report are determined by the Board of Education and will be kept current and adjusted as economic and demographic conditions change.

3. ~~The results of the annual actuarial study will be made available at the conclusion of each fiscal year to establish funding percentages for the Board of Education's~~

~~next annual operating budget request based on the actuarial unit credit cost method.~~

4. ~~The study will include a funding percentage known as the "normal cost contribution" rate which when applied to annual compensation shall represent the cost of operating the plan during the current year.~~

5. ~~The study also will include a funding percentage known as the "accrued liability" rate which when applied to annual compensation will produce an amount sufficient to liquidate the additional accrued liability over a period of no less than 15 years from the date of the actuarial valuation reducing such gain or loss.~~

6. ~~The study also will include a funding percentage known as "expenses", which when applied to the annual compensation will represent the cost to manage and administer the plan during the current year.~~

7. ~~The amount of money calculated by applying the sum of the "normal contribution", the "expenses", and the "accrued liability" rate to the budgeted annual compensation less the employee contribution portion will be included in the fixed charges category of the superintendent of schools' annual recommended operating budget.~~
8. ~~MCPS will have as a funding goal each year the improvement of the asset to accrued liability ratio toward the 100 percent funded level by the end of the amortization period.~~

F. REVIEW AND REPORTING

This policy will be reviewed in accordance with the Board of Education policy review process.

Policy History: Resolution No. 53483, June 1983; amended by resolution No. 449-09, October 26, 2009; amended by Resolution No. .