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Montgomery County Public Schools
ROCKVILLE, MARYLAND



Employee and Retiree Service Center

Changes Coming to Employee Pensions

As you may be aware, changes will soon be coming to Montgomery County Public Schools employee pensions. These changes are necessary to respond to the current budget situation and to maintain parity with the Maryland State Teachers' Pension Plan, which was amended by the Maryland General Assembly in April 2011 as part of House Bill 72.

New employees hired after July 1, 2011, will see the most changes. Newly hired employees will receive detailed materials explaining their pensions and future retiree benefits during the hiring and orientation process.

Current employees who are members of the MCPS or State Retirement Plan, also known as the "old retirement plan," and current employees who are members of the Bifurcated Plan are not affected by any changes in the pension plan and may disregard this message.

All other current employees will see two basic changes to your pensions—

- an increase in the mandatory pension contribution for core plans, and
- a difference in your retiree cost-of-living calculations.

This e-mail explains changes to your pension. Employees who were hired after July 1, 2006, and who are less than 55 years old also may be affected by changes to the cost-sharing structure of future retiree health benefits, depending on the length of time they will have been employed by MCPS when they retire. If you fall into this group, you will receive another e-mail with additional information.

Increase in Mandatory Pension Contributions

Mandatory contributions to your core pension plan will increase from five to seven percent of your salary. This increase applies to **both** the Maryland State Teachers' Pension Plan and MCPS Pension Plan.

In addition to your core pension benefit, all employees receive a supplemental pension benefit from MCPS. You currently contribute an additional 0.5 percent of your salary to your supplemental benefit, for a total pension contribution of five and a half percent of your salary. While the core pension plan contribution is increasing, your supplemental plan contribution will remain at 0.5 percent. Therefore, this increase will bring your total pension contribution for your

core and supplemental plans to seven and a half percent of your salary. Remember, however, that pension contributions are made pre-tax, so the effect on your net pay will be slightly less than this total.

The two percent increase to your core pension plan will be effective on July 1, 2011. Because pension contributions are deducted from your pay on a ten-month schedule, you will not see the increased contribution until the pay date of **September 16, 2011**.

Retiree Cost-of-Living Adjustment Calculations

When you retire, you receive an annual cost-of-living adjustment, or COLA, based on inflation. One of the changes to the employee pensions is the way in which the COLA will be calculated for all credited service you earn after July 1, 2011. The Maryland State Teachers' Pension Plan and MCPS Pension Plan (both the core and supplemental plans) will handle COLAs for this period of time differently.

State core plan members: You will receive a conditional COLA for benefits based on credited service earned after July 1, 2011. A conditional COLA is only applied if certain conditions are met for that year. If the State Teacher Pension Trust's investment returns meet their expectations for the year, then a COLA will be applied that is equal to the consumer price index (CPI) with a two and a half percent cap. If the plan does not do as well as expected during the year, then the adjustment will be equal to the CPI but will be capped at one percent. For additional information about the conditional COLA, please visit the [Maryland State Retirement Agency website](#).

County core plan members: The COLA for benefits based on credited service earned after July 1, 2011, will be based on the CPI and capped at two percent. No additional conditions will be applied to obtain the yearly COLA.

County supplement (all employees, regardless of core plan membership): The COLA for benefits based on credited service earned after July 1, 2011, will be based on the CPI and capped at two percent. No additional conditions will be applied to obtain the yearly COLA.

For benefits based on credited service earned **prior** to July 1, 2011, the annual COLA you receive as a retiree will be applied according to the yearly CPI with a three percent cap, with no additional conditions. The COLA for all service earned prior to July 1, 2011, is applied in the same way regardless of your core plan membership.

Learn More

Additional information is available on the [ERSC website](#) or by searching "pension changes" from any MCPS webpage. Here you will find the following helpful information—

- Frequently Asked Questions regarding these changes
- A chart to help you understand who is most affected by these changes
- Definitions of common terms such as "credited service"

In addition, the Employee and Retiree Service Center (ERSC) will be offering two information sessions to assist you in understanding the changes to your employee pensions and the changes to future retiree health benefits (will not affect all employees). During these sessions, ERSC staff members will present information about the changes and will be available to answer your questions. Each session will be held from 4:30 to 5:30 p.m. at the Carver Educational Services Center (CESC) auditorium, located at 850 Hungerford Dr., Rockville, MD 20850.

You may choose to attend either of the following dates—

- Tuesday, May 31
- Thursday, June 16

If you require additional assistance in understanding this change, you may contact ERSC Monday through Friday between the hours of 8:00 a.m. and 4:30 p.m. at 301-517-8100 or via e-mail at ERSC@mcpsmd.org.