



# MONTGOMERY COUNTY BOARD OF EDUCATION

850 Hungerford Drive ♦ Room 123 ♦ Rockville, Maryland 20850



Bill: Senate Bill 674  
Title: Teachers' Retirement and Pension System - Employer Contribution for Local Employees  
Committee: Budget and Taxation  
Date: February 25, 2015  
Position: **SUPPORT**  
Contact: Michael Durso, President, Montgomery County Board of Education

The Montgomery County Board of Education supports Senate Bill 674.

This bill introduces a lessor of clause to the county required contribution of the normal cost of the Maryland State Teachers Retirement and Pension system for the Board of Education's eligible employees. The clause caps the contribution at 4.05 percent of salaries.

Having a cap limits the maximum amount that must be contributed on behalf of Montgomery County Public Schools (MCPS) in the event of significant investment losses, changes to investment return assumptions, or changes in actuarial assumptions of the state plan such as longevity expectations. Since the contribution is a percentage of salary, this cap is not impacted by future negotiated salary increases.

Putting a cap on the contribution limits maximum future potential liability. The current (FY 2016) contribution from Montgomery County for MCPS employees' normal cost is \$50,761,802. This is 3.94 percent of eligible scheduled salaries. Typically, contributions increase over time as longevity increases or other factors increase the costs of pensions. The 4.05 percent cap limits future increases to the contribution or at least presents MCPS with a maximum rate that could be assessed.

For these reasons, we support this bill and ask for an favorable report.