

Teacher Pension Benefits in Maryland

On January 1, 1980 the Teachers' Pension System was established in Maryland. At that time the State Retirement System was under funded and the Teachers' Retirement System was closed to new membership. The Pension System was established as a non-contributory system with a multiplier linked to the Social Security Integration Level (SSIL). Up to the integration level (which was changed each year) a participant would have a multiplier of .8% applied to their final average salary. Any salary above that was computed at 1.5%. COLA's were computed on a simple interest basis and capped at 3% a year.

For most education support professionals this resulted in their entire pension benefit being computed on .8% or 24% of their average final salary. Teachers were generally at a level of 33% of average final salary. A further negative impact would occur in a year when there was no salary increase but the SSIL did go up. The result was someone working one additional year received a reduced benefit than a colleague who retired one year earlier.

Eighteen years later in 1998 the first improvements to this system were enacted by the General Assembly. An employee contribution of 2% was introduced and the SSIL was eliminated. The multiplier from the effective date of the legislation (July 1, 1998) forward became 1.4% and service prior to that date computed at 1.2%. Therefore those hired after July 1, 1998 will receive a benefit equal to 42% of their final average salary (FAS) while mid career teachers will have a benefit of something less than that, depending on how many years of service they have. In addition, the COLA was changed to a compounded COLA instead of simple interest.

Both regionally and nationally Maryland is at the bottom. All states in our region meet the NEA minimum recommendation of 50% of final average salary in retirement and all but one (Virginia) have at least some part of their benefit exempted from state income tax. In addition many states provide a stipend toward retiree health care costs, and others allow for the purchase of service credit much earlier in a person's career and at a cost much less than Maryland charges.

Not only is Maryland at the bottom of the heap regarding teacher benefits in other states but the Teachers' Contributory Pension System is the worst among the Maryland Systems. Although similar to state employees, state workers are provided a \$600 dollar for dollar match on an annual basis for contributions to a 401k plan. (This additional benefit has not been funded in recent years.)

In the spring of 2001 the MSTA Board of Directors formed a Task Force on Pension Issues to address the matter of inadequate benefits. This Task Force has been researching benefits and possible enhancements. The Task Force has been meeting with potential coalition partners who could work together toward better pension benefits. A subcommittee of the coalition has been meeting and working on member education, possible benefits and setting the stage with the legislature for the introduction of legislation.

Enhancement legislation was introduced in both the 2004 and 2005 legislative sessions but did not move out of committee. However MSTA was successful in bringing the importance of this issue to the forefront of the General Assembly. In 2005 budget language was included in the Budget Reconciliation and Financing Act mandating pension enhancement legislation for educators and state employees be introduced in the 2006 legislative session. The Joint Committee on Pensions will be focus on drafting that legislation they meet this fall.

Enhanced benefits for active members and retirees in both the pension and retirement systems are a top priority for MSTA. Members will continue to be informed on the work of this committee and the status of potential legislation.

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