

Department of Legislative Services
 Maryland General Assembly
 2000 Session

FISCAL NOTE

House Bill 968 (Delegates Klausmeier and Boutin)

Appropriations

Teachers' Retirement and Pension Systems - Service Credit for Employment as Coach

This pension bill allows a member of the Teachers' Retirement System (TRS) or Teachers' Pension System (TPS) to purchase pension service credit for periods of employment as a coach for an athletic team of a high school. A member may purchase a year of service credit for each six seasons of coaching, with a maximum purchase of four years of service credit. The member must pay the corresponding member contributions for the period of employment for which service credit is being purchased plus regular interest to the date of payment.

The bill takes effect July 1, 2000.

Fiscal Summary

State Effect: Total pension liabilities would increase by approximately \$54.4 million as a result of the additional service credit, resulting in increased State pension contributions (general funds) of \$3.7 million beginning in FY 2002, and increasing 5% thereafter. Revenues would not be affected.

(in millions)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
GF Revenues	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
GF Expenditures	0.0	3.7	3.9	4.0	4.3
Net Effect	\$0.0	(\$3.7)	(\$3.9)	(\$4.0)	(\$4.3)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: Currently, members of the TRS may purchase service credit for certain

eligible periods of employment at a reduced rate by paying the appropriate employee contributions for the period to be purchased at the annual salary for that time, plus 4% interest. Such purchases generally involve periods of teaching for a Maryland board of education (or eligible leaves of absence) that are not covered under the member's current TRS account. TRS members also may make full-cost purchases for periods of federal employment, out-of-state or private school teaching, etc. In these situations, the members pay the full actuarial cost, which is significantly higher than the reduced rate discussed above. Payment occurs only within the year of actual retirement.

Members of the TPS are eligible to purchase the same types of service. However, all purchases are at full actuarial cost and occur within the year of retirement.

These purchase-of-service rules, under either of the teachers' systems, do not provide for purchases of service as a high school coach.

Bill Summary: This proposal permits members of the TRS and TPS to purchase service credit at the reduced rate for periods of employment when the member served as a coach for an athletic team of a high school. A member may purchase a year of service credit for each six seasons of coaching, with a maximum purchase of four years of service credit.

The members must pay in a single payment the employee contributions the member would have made for the period of employment for which service credit is being purchased plus regular interest (4% for TRS, 5% for TPS) to the date of payment. For a TRS member, the State Retirement Agency would calculate the cost based on the 5% or 7% employee contribution (depending on which inflation adjustment the member selected) plus 4% interest. For TPS members, the cost would be based on the 2% employee contribution plus 5% interest.

State Expenditures: The State Department of Education advises that there are between 2,500 and 3,000 teacher members who serve as coaches on the high school level. There are three "seasons" in a school's sport year (fall, winter, and spring). It is assumed that half of these members coach one season per school year and the other half coach two seasons. Therefore, if a teacher coaches two seasons a year for 12 years, that member would be eligible to purchase the maximum of four years of service. Those coaching one season per year for 12 years would be eligible to purchase two years.

This service credit would be in addition to the year of creditable service that teachers currently receive for each year of employment. In other words, a teacher who coaches three seasons in a given year would receive 12 months of credit for his or her teaching service plus six months of service for coaching, if the member chose to purchase it, for a total of 18 months in a single calendar year.

This bill has not been presented to the State's actuary for a formal actuarial valuation. Informally, the State's actuary estimates that pension liabilities will increase by \$54.4 million. These liabilities would be amortized over 19 years (from fiscal 2002 through fiscal 2020) resulting in a first-year payment of \$3.7 million in fiscal 2002, and increasing 5% per year based on actuarial assumptions.

This estimate is based on the assumption above that half of the 3,000 coaches purchase two years of credit and half purchase four years. It assumes that approximately three-quarters of the coaches are members of the TPS and the remainder are members of TRS (the same proportion as total teacher membership). Salaries are assumed to correspond to the average for each group. The bill is not clear on the basis for determining the necessary member contributions for the service purchase; it is assumed that the member will pay based on the member's salary at the time of purchase times the appropriate contribution rate times the number of years being purchased.

The State Retirement Agency's administrative expenses would increase to handle the benefit processing if as many as 3,000 current members immediately apply to purchase credit for their coaching service. The agency advises that it would need an additional \$20,000 in fiscal 2001 to hire temporary or contractual employees to handle these additional service purchase requests.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Retirement Agency; Milliman & Robertson, Inc.; Department of Legislative Services

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drg/jr

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