

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1181

(Delegates Rudolph and James)

Appropriations

Budget and Taxation

Teachers' Retirement System and Teachers' Pension System - Reemployment of Retirees

This bill allows a retired member of the Teachers' Retirement System or the Teachers' Pension System to be rehired as a teacher by a former employer without triggering a reduction in pension payments if the retired teacher is rehired by one of nine designated school systems and works in a school that is subject to at least a 5% increase in student enrollment above the projected student enrollment, as determined by the Superintendent. The retired teacher may not be reemployed for more than four years. The bill adjusts reporting requirements for the Maryland State Department of Education to conform to these statutory changes.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: No discernable effect on State pension liabilities or contribution rates.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: In general, retirees who are receiving retirement benefits from the State may be reemployed, subject to a reduction in their retirement benefits under specified

circumstances. Retired teachers who are reemployed by their former employer (the same school district) are subject to the benefit reduction, which is calculated as follows:

[Current annual compensation] + [Initial annual retirement allowance] – [Average final compensation at retirement]

To avoid a reduction in pension benefit payments, retired teachers in TRS or TPS who are rehired by their former employer on a contractual basis must be reemployed as a classroom teacher, substitute teacher, or teacher mentor in a public school and satisfy at least one of the following criteria:

- (1) teach in a school that • is not making adequate yearly progress (AYP) under the federal No Child Left Behind Act of 2001 (NCLB); • has more than 50% of its students eligible for federally subsidized school lunches; • receives federal funds under Title I of NCLB Act of 2001; or • provides an alternative education program for adjudicated youth or students who have been suspended, expelled, or identified for suspension from a public school; and
- (2) teach • an area of critical shortage; • special education; or • English for speakers of other languages (ESOL).

Each school system may also hire from 5 to 15 retired teachers, depending on the total number of teachers in the county, to either:

- teach any subject at an eligible school, as described above, or;
- teach an area of critical shortage, special education, or ESOL in any school in the county.

Background:

Reemployment of Retired Teachers

Prior to the imposition of strict conditions on the rehiring of retired teachers and principals imposed by Chapter 499 of 2005, between 770 and 950 retired teachers and principals were rehired by local school systems each year. Prince George's County and Baltimore City public schools were responsible for the largest number of rehires, together accounting for more than 80% of all reemployed teachers and principals. As shown in **Exhibit 1**, Chapter 499 dramatically reduced the number of retired teachers and principals who were reemployed by local school systems, with only 133 teachers and principals being rehired during the 2006-07 school year.

Exhibit 1
Retired Teachers and Principals Reemployed by Local School Systems

	<u>2001-02</u>	<u>2002-03</u>	<u>2003-04</u>	<u>2004-05</u>	<u>2005-06</u>	<u>2006-07</u>
Rehired teacher and principal retirees	772	950	774	174	148	133

Source: Maryland State Department of Education

Base Realignment and Closure (BRAC)

In order to address an excess capacity of military facilities, the U.S. Congress created a process in 1990 known as Base Realignment and Closure (BRAC). The final plans regarding military installations nationwide became effective in November 2005. The 2005 BRAC plans impact many of the federal military installations in the State, resulting in an estimated 19,536 to 20,836 direct new jobs and placing Maryland among the largest beneficiaries nationally. These changes at each of the State's installations are expected to be phased in over a five- to six-year period. The bulk of the gains are expected at Aberdeen Proving Ground, Andrews Air Force Base, Fort Meade, and the National Naval Medical Center, and most of these jobs are projected to be medical professionals, engineers, and managers. An additional 40,000 or more indirect jobs could be created through contractors and related services. It is further estimated that Maryland will gain approximately 28,000 households by the time the BRAC process is complete.

Chapter 6 of 2007 created a 10-member BRAC Subcabinet in State government chaired by the Lieutenant Governor. The subcabinet is required to submit an annual report until it terminates December 31, 2011. It held a number of public meetings throughout the State beginning in May 2007, and submitted its comprehensive plan to the Governor in December 2007.

Exhibit 2 provides projected student enrollment figures for the nine counties designated by the bill, as of September 30 of each year.

Exhibit 2
Projected Student Enrollment in BRAC-affected Counties

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Anne Arundel	71,442	71,613	71,452	71,673	71,985
Baltimore City	75,566	73,500	71,938	70,880	70,485
Baltimore	99,901	99,432	99,342	99,761	100,429
Cecil	15,779	15,877	16,034	16,259	16,641
Frederick	39,968	40,471	40,866	41,369	42,001
Harford	38,109	38,129	38,149	38,397	38,745
Howard	48,756	48,986	48,926	48,856	48,966
Montgomery	134,811	135,429	136,037	137,133	138,509
Prince George's	122,111	121,180	120,813	120,288	120,011

Source: Maryland State Department of Education; Maryland Department of Planning; Department of Legislative Services

State Fiscal Effect: The Maryland Department of Planning's 2007 BRAC report states, "The anticipated in-migration of households associated with projected employment growth at the four BRAC installations will result in what is currently an *undetermined increase* in the number of school-aged children in each of the affected jurisdictions" (emphasis added). Although the economic and demographic effects of BRAC could be significant, they are expected to occur over several years and be spread across multiple jurisdictions, including some of the State's most populous areas and some jurisdictions in neighboring states. Moreover, at least some of the schools likely to be affected by BRAC are already eligible to reemploy retired teachers under current law.

Given the lack of reliable projections of BRAC's effect on student enrollment in selected areas, Legislative Services believes, for the purpose of this analysis, that most schools in the affected areas will be able to absorb BRAC's impact without severe disruption, and that only a subset of both new and existing schools will experience significant shortages in the supply of teachers due to BRAC-driven enrollment growth. Therefore, the bill would only slightly expand opportunities for retired teachers to be rehired without a pension benefit reduction, and should not affect overall teacher retirement rates to a significant degree.

With these assumptions, the bill's primary impact would be in the form of foregone pension offsets by the State Retirement Agency for a select number of TRS/TPS retirees rehired to teach in BRAC-impacted schools. Estimating the total value of those foregone

offsets would require information on the number of rehired TRS/TPS retirees, their work and compensation history, and their pension benefits at retirement. As a result, Legislative Services cannot reliably estimate the total value of foregone offsets. Regardless, the system's actuary advises that it does not consider foregone offsets in calculating the State's accrued pension liabilities or State contribution rates. Therefore, the bill should have no noticeable effect on either liabilities or contribution rates.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Mercer Human Resources Consulting, Maryland Department of Planning, Maryland State Department of Education, State Retirement Agency, Department of Legislative Services

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