

POLICY

BOARD OF EDUCATION OF MONTGOMERY COUNTY

Related Entries:

Responsible Office: Chief Operating Officer

Funding Retirement/Pension System

A. PURPOSE

To set forth the priorities of the Montgomery County Public Schools (MCPS) Employees' Retirement and Pension System

B. ISSUE

The MCPS Employees' Retirement and Pension System will provide supplemental retirement/pension plan benefits for eligible employees who are members of the Maryland State Teachers' Retirement and Pension System or provide full retirement/pension plan benefit for eligible employees who are not eligible for membership in the Maryland system.

C. POSITION

1. In 1995 the Board of Education created a Board of Investment Trustees to oversee the investment of the pension assets based on an Investment Policy approved by the Board of Investment Trustees.
2. The Board of Investment Trustees shall review the Investment Policy annually and update as necessary to reflect prudent investment practice.
3. The results of the annual actuarial study will be made available at the conclusion of each fiscal year to establish funding percentages for the Board of Education's next annual operating budget request based on the actuarial unit credit cost method. Assumptions used in developing the actuarial valuation are determined by the Board of Education and will be kept current and adjusted as economic and demographic conditions change.
4. The study will include a funding percentage known as the "normal cost contribution" rate which when applied to annual compensation shall represent the cost of operating the plan during the current year.

5. The study also will include a funding percentage known as the “accrued liability” rate which when applied to annual compensation will produce an amount sufficient to liquidate the additional accrued liability over a period of no less than 15 years from the date of the actuarial valuation reducing such gain or loss.
6. The study also will include a funding percentage known as “expenses”, which when applied to the annual compensation will represent the cost to manage and administer the plan during the current year.
7. The amount of money calculated by applying the sum of the “normal contribution”, the “expenses”, and the “accrued liability” rate to the budgeted annual compensation less the employee contribution portion will be included in the fixed charges category of the superintendent of schools’ annual recommended operating budget.
8. MCPS will have as a funding goal each year the improvement of the asset to accrued liability ratio toward the 100 percent funded level by the end of the amortization period.
9. Any modifications to plan benefits will be announced in a timely manner prior to Board action allowing opportunities to receive input from active/retired employees and all employee organizations.

D. DESIRED OUTCOME

Montgomery County Public Schools will maintain a plan of retirement/pension benefits which is adequately funded and will provide employees income during their retirement years.

E. IMPLEMENTATION STRATEGIES

1. Every three to five years a credentialed actuarial firm will be contracted to evaluate the plan in terms of goals and objectives and this report will be made available to the Board of Education Fiscal Management Committee.
2. Staff will meet annually each fall with the Board of Education Fiscal Management Committee to review the annual report on the actuarial valuation of the retirement/pension plan from the actuary, actuarial plan assumptions, rate of return, and budget recommendations for the coming fiscal year.

F. REVIEW AND REPORTING

This policy will be reviewed in accordance with the Board of Education policy review process.

Policy History: Resolution No. 534-83, June 1983; amended by resolution No. 449-09, October 26, 2009.