

ANNE ARUNDEL COUNTY BOARD OF EDUCATION

2644 Riva Road · Annapolis · Maryland · 21401

BILL: HB1072 STATE EMPLOYEES AND TEACHERS - CASH BALANCE PLAN

HEARING DATE: FEBRUARY 21, 2017

COMMITTEE: APPROPRIATIONS COMMITTEE

POSITION: OPPOSE

CONTACT PERSON: JEANETTE ORTIZ, ESQ., *LEGISLATIVE & POLICY COUNSEL* (410.703.5352)

The Anne Arundel County Board of Education **OPPOSES House Bill 1072 - State Employees and Teachers - Cash Balance Plan**. This bill freezes benefits for current members of the Teachers' Pension System (TPS) and Employees' Pension System (EPS), terminates their membership in both plans, and requires current members of TPS/EPS whose membership is terminated to participate in a cash balance plan established by the bill as a condition of employment. The bill closes TPS/EPS and the Optional Retirement Program (ORP) to new members. All new employees hired on or after July 1, 2018, who would otherwise be eligible for EPS, TPS, or ORP must participate in the cash balance plan. The bill does not apply to participating governmental units (PGUs) that joined EPS before July 1, 2018.

House Bill 1072 would adversely impact the retirement benefit due to approximately 83 percent of Anne Arundel County Public Schools (AACPS) employees currently enrolled in the State pension and retirement plans. Additionally, this bill does not indicate any provision for a disability retirement benefit. The Cash Balance Plan would significantly delay access to an early retirement benefit payout and reduce the number of pension payment options from seven to three. It would also increase the vesting period to 10 years, whereas impacted employees currently enjoy a 5-year vesting period.

As a result of this adverse impact, AACPS anticipates an increase in the number of retirements that would occur prior to the effective date of this legislation. This would adversely impact the opening of schools for the 2018-2019 school year. The elimination of the Teacher's Pension System would also negatively impact AACPS' ability to recruit and retain teachers.

Accordingly, the Anne Arundel County Board of Education respectfully urges an **UNFAVORABLE** committee report on **House Bill 1072**.