

## Review of Pension Changes Passed by the 2011 General Assembly

Issue	Current Pension System*	Changes to pension system as of July 1, 2011 for current employees**	Changes to pension system for new hires as of July 1, 2011***
<b>Type of pension system</b>	Defined Benefit	Defined Benefit	Defined Benefit
<b>Benefit Multiplier</b>	1.8%	1.8%	1.5%
<b>Employee Contribution</b>	5%	7%	7%
<b>Retiree COLA</b>	For service up to July 1, 2011, adjusted for CPI with 3% cap.	For service after July 1, 2011, adjusted for CPI with 1% cap if plan's investment returns are less than target (currently 7.75%) or with 2.5% cap if returns meet or exceed the target.	Adjusted for CPI with 1% cap if plan's investment returns are less than target (currently 7.75%) or with 2.5% cap if returns meet or exceed the target.
<b>Average Final Compensation</b>	Highest 3 consecutive years	Highest 3 consecutive years	Highest 5 consecutive years
<b>Vesting</b>	5 years	5 years	10 years
<b>Normal Retirement Age</b>	Any age with 30 years of service; Age 62 with five years of service; Age 65 with two years of service.	Any age with 30 years of service; Age 62 with five years of service; Age 65 with two years of service.	"Rule of 90": Age plus years of service equal 90; Age 65 with ten years of service
<b>Early Retirement</b>	Age 55 with 15 years of service	Age 55 with 15 years of service	Age 60 with 15 years of service
<b>Pension Cost Shift to local Jurisdictions</b>		\$16.6 million generated to operate State Retirement System by shifting a \$162.77 per employee fee to local school boards. (BCPS \$2 million)	
<b>Reinvestment of Savings and Permanent Teacher Tax</b>		Establishes \$300 million cap on "savings" back to the pension fund. Additional "savings" are used to benefit the general fund (roughly \$3 billion over the next 12 years).	

\*The items above address the State Pension System. There were no changes made to the State Retirement System and to current retirees or those retiring as of July 1, 2011.

\*\*Current employees who continue employment will have a **bifurcated** pension benefit plan. Meaning all benefits earned in the years prior to July 1, 2011 will be calculated under plan benefit provisions at the time earned. For years starting July 1, 2011 until you retire, they will be calculated under the new plan benefit provisions.

\*\*\*New hires are anyone hired after July 1, 2011. This also includes those who signed advanced contracts to begin employment as of August 2011.