

# Pension costs soar for Montgomery County schools

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The Montgomery County school system will need to significantly increase its contributions to employee pension plans over the next two to three years, according to new findings by the County Council's Office of Legislative Oversight.

The increase -- necessary in fiscal 2014 and 2015, which begin on July 1, 2013 -- could be greater than 17 percent, according to the report, despite a 2 percent increase this year in employee contributions to the plan and reduced pension benefits for new hires.

If Montgomery County Public Schools hire new teachers or raise salaries between now and June 30, 2016, that number will further increase, the report says. And with student enrollment predicted to grow by 8,000 students before the 2016-2017 academic year begins, Bowers said, additional hiring is to be expected.

School employees have given up cost of living increases for three consecutive years and step increases for two, according to Montgomery County Public Schools spokesman Dana Tofig.

Still, Chief Operating Officer Larry Bowers said he doesn't expect employee contributions to increase again "anytime soon."

The \$77.8 million pension fund contribution budgeted for the current fiscal year already represents a 369 percent increase over the \$16.6 million contribution made 10 years ago.

Overall funding of employee benefits -- like health insurance, Social Security, retirement and tuition reimbursement -- more than doubled in the last decade from \$235.1 million in fiscal 2003 to \$462.2 million in fiscal 2011. It now makes up 23 percent of the school system's budget, up from 18 percent 10 years ago.

The County Council requested the report following a dispute in the spring over an unexpected \$21.6 million surplus in the school system's insurance fund. At the time, Council President Valerie Ervin, who heads the council's Education Committee, accused the school board of hiding a "slush fund."

The report explains the surplus by pointing to health care claims costing \$9.1 million less than projected in the fiscal 2011 budget and revenue exceeding projections by about \$4 million. The fund also began the year with an \$8.5 million balance.

To prevent repeat confusion, the report advises the County Council to request semiannual financial reports from the Board of Education, timed to prepare the council for the budget process.