Summary

Maryland's state and local pension and retirement benefits plans are in for some hard times ahead. Facing budget shortfalls, governments are underfunding their retirement plans, while at the same time expanding the benefit promises to public employees. This unsustainable financing places both taxpayers and public employees at risk.

Today, the Maryland State Retirement and Pension System suffers from an unfunded deficit of over $11 billion. The State's unfunded liabilities for non-pension retirement benefits (such as retirees' health care) are estimated to range anywhere from $8 billion to $15 billion. Many county and local government entities face similarly severe deficits. Those liabilities will constrain state and local budgets in the decades ahead.

To make matters worse, with the implementation of the Governmental Accounting Standards Board Statement 45, state and local governments will be required for the first time to calculate and make public their retirement benefit liabilities. Those liabilities will reduce the governments' creditworthiness and increase their borrowing costs.

This joint study by the Maryland Public Policy Institute and the Calvert Institute evaluates Maryland's unfunded retirement liabilities for its public employees. The first report, by George Liebmann, specifically examines pension liabilities, while the second report, by Gabriel Michael, examines liabilities for other retirement benefits.