

*Please retain this packet for upcoming Committee and Council worksessions.*

**MEMORANDUM**

April 17, 2008

TO: Management and Fiscal Policy Committee  
FROM: Stephen B. Farber, Council Staff Director *SBF*  
SUBJECT: Compensation and Benefits for All Agencies

This worksession on compensation and benefits for all agencies in the FY09 operating budget is to review issues in five separate areas: (1) recommended pay changes in the region and the County, (2) retirement, (3) County Government compensation-related Non-Departmental Accounts (NDAs), (4) group insurance, and (5) other compensation issues.

This packet contains extensive information on compensation issues. The **appendix** to this packet contains additional background information, including the Personnel Management Reviews and related data prepared by the agencies.<sup>1</sup>

Budget and human resources staff from all agencies have provided valuable assistance once again this year and will be present to answer the Committee's questions. Representatives of employee organizations and others concerned with compensation issues will also be present.

**At this worksession the Committee will review the full range of compensation issues. On May 9 the Committee will meet to make recommendations to the Council.**

**BUDGET CONTEXT AND COMPENSATION OVERVIEW**

Although the County's economy remains much more vibrant than the national economy, it too has clearly slowed. While the unemployment rate remains very low at 2.7 percent, job growth is anemic. Existing home sales in FY08 are projected to fall 33.8 percent to the lowest level in nine years. County revenues can no longer sustain the spending base, which is up more than 80 percent in the last decade. Direct State operating aid is no longer growing rapidly; for FY09 it is actually **down 0.4 percent** from the FY08 level, \$527.7 million. Even with Council approval of a \$33.2 million savings plan in FY08, the Executive has proposed both service reductions and a large property tax increase in FY09.

<sup>1</sup> To see the appendix, go to [www.montgomerycountymd.gov/council](http://www.montgomerycountymd.gov/council), click on Agendas, Packets, and Actions, and select April 21, 2008, MFP Committee, Compensation and Benefits (Data).

The Executive's recommended FY09 tax supported operating budget is \$3.7701 billion, up 3.2 percent (\$117.4 million) from the Council-approved FY08 budget. Apples-to-apples, the increase is 4.2 percent.<sup>1</sup>

Employee salaries and benefits are always a key building block of the budget. Once again this year they account overall for 80 percent of the budget. For example, of the \$126.2 million increase requested by the Board of Education, \$112.7 million (89.3 percent) is for salaries and benefits. For details, see the tables on ©1-15, prepared by Legislative Analyst Chuck Sherer, on agency requests for the FY09 tax supported budget.<sup>2</sup>

Total workyears for all agencies, listed in Schedule D-2 of the Executive's recommended budget, are up 1.5 percent to 34,098.5. In recent years workforce growth, like budget growth, has been explosive. County Government added 1,300 jobs (a 15 percent increase) over the last five years and 2,200 (a 28 percent increase) over the last 10 years, while population in those periods rose only 4 percent and 15 percent. MCPS added 5,000 jobs in the last 10 years (a 30 percent increase) while enrollment rose 7 percent. All these increases were for purposes deemed important at the time.

Meanwhile, the current three-year negotiated agreements with the six County and MCPS unions all provide compounded salary increases in the 26-29 percent range for the two-thirds of employees who are eligible for annual service increments, as well as enhancements to already excellent benefits. The FY09 General Wage Adjustments – GWAs, also called COLAs – are 5.0 percent for MCPS employees, 4.5 percent for MCGEO, 4.0 percent for the FOP (after 7.5 percent last year), and a total of 4.0 percent for the IAFF – all plus 3.5 percent (or similar) service increments for those not at maximum salary. For the College and M-NCPPC, where decisions are not final, see the table on page 8. Additional pay increases are based on longevity, specialized work, performance (for non-represented employees), and promotions. For example, the MCGEO contract calls for a 10 percent pay increase upon promotion.

Councilmember Trachtenberg has requested information on agency compensation costs over time. One measure of these costs is the cumulative fiscal impact of the current or pending three-year negotiated agreements with the six County and MCPS unions, starting with the base year. See the fiscal impact statements on ©37-39 and ©111-113. The cumulative fiscal impacts are \$117.9 million for MCGEO, \$45.4 million for the FOP, \$37.2 million for the IAFF, \$61.9 million for non-represented employees in County Government, and \$577.7 million for MCPS.

The total of these amounts, \$840.1 million, does not include higher ongoing costs for health benefits for active and retired employees, nor does it include the \$1.2 billion cost of the proposed eight-year pre-funding schedule for future retiree health benefits.

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<sup>1</sup> This is because the recommended budget shifts \$32.6 million in State social services funding (HB669) from the tax supported budget to the Grant Fund. Similarly, the apples-to-apples recommended increase for County Government is 4.2 percent rather than the nominal 1.6 percent. The total recommended budget, including grants and enterprise funds, is up 3.9 percent (\$161.8 million) to \$4.3243 billion.

<sup>2</sup> The shift described in footnote 1 makes the overall numbers in these tables, and the numbers for County Government in particular, appear smaller than they would on an apples-to-apples basis.

## Retirement Benefits

The MCGEO reopener also calls for an increase of 2 percent of salary (from 6 to 8 percent) in the County contribution to the Retirement Savings Plan, which covers more than 4,000 employees. For most such employees, this 2 percent, plus the 4.5 percent GWA and the 3.5 percent service increment, amounts to a 10 percent increase in FY09. The new IAFF contract "caps" employees' overtime pay at 100 percent of their salary and allows waivers to exceed that amount.

Another provision in the MCGEO reopener would give members of the Retirement Savings Plan and new employees a one-time option, starting in July 2009, to transfer to a new **Guaranteed Retirement Income Plan (GRIP)**. This cash balance plan would provide a guaranteed annual return of 7.25 percent.<sup>1</sup> This would be a new liability for the County; in the RSP, employees' returns depend on their own investment choices.

The GRIP may be a good option for some employees to have, but it raises the potential exposure of the County's pension fund, whose unfunded liability is now \$631 million. The fiscal impact statement projects that the GRIP will actually save the County money because the fund's assumed annual actuarial return, 8.0 percent, is more than 7.25 percent. This saving would occur only if the fund actually achieves this return. If it doesn't, the County's unfunded liability will increase.

Two other examples from **Fire and Rescue (MCFRS)** illustrate the impact of compensation costs. As the Office of Legislative Oversight noted in phase I of its base budget review (February 2007), between FY02 and FY07 the MCFRS workforce grew by 17 percent (171 positions) while compensation costs grew by 83 percent (\$70.1 million). As the Fiscal Plan excerpt on ©16 shows, the projected cost of four-person staffing, compared to FY09, rises from \$3.8 million in FY10 to \$19.2 million in FY14, not including the higher salary and benefit costs associated with the new contract starting in FY09.

**Retiree health benefits are another example.** Last year the Council agreed to a five-year phase-in of the annual required contribution (ARC) to pay future benefits. For the four agencies combined, the ARC was calculated at \$240 million, nearly \$190 million more than the pay-as-you-go amount for current retirees. The FY08 phase-in amount, \$31.9 million, was scheduled to rise to \$70.7 million in FY09. This year the ARC has been recalculated at \$250 million. The Executive proposed an eight-year phase-in, saving \$15.6 million in FY09. Under this schedule the **\$55.1 million** contribution in FY09 will rise sharply in future years, from **\$92.2 million** in FY10 to **\$269.0 million** in FY15. The FY09-15 total is **\$1.2 billion**. See ©17.

In recent negotiations with the three County unions, there was agreement on achieving savings in prescription drug costs, partly through greater use of mail order and generic drugs. But on the issue of considering modest revisions to retiree health benefits for future employees (not current or retired employees), the agreement was to study the issue until September 1, 2009, when negotiations will start for the new contracts to be bargained in the election year of 2010.

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<sup>1</sup> The County Attorney and Council attorneys are reviewing questions about the legally permissible return level.

**These are the costs that drive the County budget and ratchet up the spending base.** They are affordable when times are good and revenue growth is strong. But in downturns – in the early 1990s, the early part of this decade, and again now – they require large tax increases.<sup>1</sup> The time will come when such increases reach a tipping point.

The County is an outstanding employer, and its compensation policies rightly promote efforts to recruit and retain employees in a competitive marketplace. OHR's annual surveys show clearly that for almost all job categories, County agencies' salaries and benefits compare favorably with those in other jurisdictions and the private sector. Our permanent employees also have something that many others in this economy do not have: virtual job security.

**Given the way the collective bargaining process now functions in County agencies, their costs for improved salaries and benefits will probably continue to rise strongly. But for future budgets to be sustainable, all stakeholders – unions, managers, and the community alike – will have to join in focusing more systematically on slowing workforce growth and improving productivity.**

One step in this direction could be for the Council to require all agencies to transmit, by September 1 each year (or in conjunction with their budget transmittals), a **workforce right-sizing plan** for the coming fiscal year. Such plans would focus on normal annual turnover of positions – for example, about 600 in County Government and 1,700 at MCPS – and more effective use of technology. Layoffs are not only undesirable but unnecessary.

The Executive's proposed **Retirement Incentive Program**, which is projected to save \$5 million in FY09, is a very modest step. It assumes the abolishment of just 54 positions in County Government; see the fiscal impact statement on ©18-21. Overall the Executive proposes to abolish 225 positions. Executive staff estimate that only 60 of these positions would be subject to the County's reduction-in-force procedures. Based on the County's experience in the early 1990s, every employee who seeks an alternative County Government placement will be offered one.

## **I. RECOMMENDED PAY CHANGES IN THE REGION AND THE COUNTY**

This year's edition of our annual survey of pay changes in the region, compiled by Legislative Analyst Amanda Mihill, is attached on ©77-110. The FY09 data at this point reflect the recommendations of county executives or managers, not the final actions of governing boards, and in some cases are not yet available because of ongoing negotiations or other factors.

**This survey indicates that in most area jurisdictions, especially those in Virginia, the recommended General Wage Adjustments (GWAs) – apart from normal steps or service increments – are very low (in some cases, zero) to moderate.**

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<sup>1</sup> Balancing the FY04 budget involved not only service reductions, deferral of new initiatives, large tax increases, and lower reserves but also a four-month delay in negotiated pay increases. Then during FY04, department and agency budgets had to be cut further by up to 3 percent in two mid-year savings plans. During the recession of the early 1990s most County employees received no general wage adjustment for three straight years (FY92-94).

The summary of FY09 pay increase requests for County agencies is on page 8. The recommended GWAs are once again generally on the high side for the region. **Important points in the data compiled by Ms. Mihill include the following:**

1. **Arlington County Government**, like most Virginia jurisdictions, faces a constrained budget because residential property tax assessments are down once again and there is no local income tax. The recommended GWA for all employees is zero. The county manager has also called for restructuring "unsustainable" retiree health benefits. **Arlington County Public Schools** is considering a 2.2 percent GWA plus a 0.6 percent increase in the 403(b) plan match.

2. **Fairfax County Government** is considering an average 2.3 percent increase for employees in its performance-based pay system and larger increases for public safety employees. **Fairfax County Public Schools** is considering a 3.0 percent GWA.

3. **Frederick County Government** is considering performance-based lump sum awards and no GWA, while the GWA for the Public Schools is not yet determined. **Howard County Government**, which benefits from a 2.4 percent unemployment rate despite weakness in housing and financial services, is considering GWAs of 3.0 percent for *Service/Labor/Trades*, 5.0 for Police, and 6.0 for Fire, along with 5.0 percent for the Public Schools.

4. The **State budget** projects a 2.0 percent GWA. State salary increases have consistently lagged. The GWA was 2.0 percent in FY08, 2.0 for most employees in FY07 (with limited enhancements for some), 1.5 percent in FY06, and a flat dollar increase of \$752 in FY05, plus increments. In FY03-04 State employees received neither GWAs nor increments. In FY04 they also lost the State's deferred compensation match of up to \$500 and were required to pay more for prescription drugs.

5. The **President's FY09 federal budget** again recommends a weighted average 1.5 percent increment. The recommended GWA, not including locality pay, is 2.9 percent, but Congress may raise this figure once again. The percentage increases in January 2000-2008 were 4.94, 3.81, 4.77, 4.27, 4.42, 3.71, 3.44, 2.64, and 4.49 percent, including the locality adjustment.

These GWAs show a pattern of generally large annual increases. (The step or increment schedule for federal employees is variable; for County agencies it is annual.) The increases have occurred even in the difficult years of the early 1990s and the early 2000s, when many local jurisdictions could not afford increases, and even when the federal budget deficit has been huge.

**Important points about County Government pay increases are as follows:**

1. The GWA for the **MCGEO Local 1994** units, in the second year of the FY08-10 agreement, is 4.5 percent in July 2008. The 3.5 percent annual service increments, for which 68.5 percent of MCGEO members are eligible, bring the total pay increase for eligible employees to 8.0 percent. There are additional adjustments for Bus Operators, Correctional Officers, and Deputy Sheriffs. The longevity increment effective for employees at the top of their pay grade with 20 years of completed service rose from 2.0 to 3.0 percent in January 2008.

2. The GWA for **FOP Lodge 35**, in the second year of the FY08-10 agreement, is 4.0 percent in July 2008. Last year's pay plan adjustment was 7.5 percent. The 3.5 percent service increments apply to 66.3 percent of FOP members. These increases apply as well to uniformed Police management.

3. The first year of the FY09-11 agreement with **IAFF Local 1664** calls for a 2.0 percent GWA in July 2008 and 2.0 percent more in January 2009. This increase, along with 3.5 percent service increments, for which 55.0 percent of employees are eligible, also applies to Fire and Rescue uniformed managers. The GWA in FY10 is 4.0 percent. The pay plan adjustment in FY11 is 7.0 percent.

4. **Non-represented** employees are scheduled to receive the same GWA and service increments as those in MCGEO. This has been the historical pattern, but in FY04-05 the Executive declined to extend key improvements to non-represented employees. Non-represented employees are also eligible for two kinds of performance-based pay: annual lump-sum awards (1.0 or 2.0 percent of salary) for those rated "highly successful" or "exceptional," and longevity increases (2.0 percent addition to base salary) for employees who have at least 20 years of service, are at the top of their pay grade, and are rated "highly successful" or "exceptional." Employees in the Management Leadership Service receive performance-based increases instead of annual service increments.

5. Data from OHR's Personnel Management Review show that in FY97-00, total pay increases for County Government employees (not including the police and fire bargaining units) not at maximum salary were 18.2 percent more than the CPI increase and 9.2 percent more than private sector increases. In FY01-04 these differentials were 18.8 percent and 12.8 percent. In FY05-08 they were 14.4 percent and 14.8 percent. Comparisons for employees at maximum salary and for earlier periods show significantly different results. **See ©A30-33 in the Appendix to this packet (MFP#2).**

6. Productivity improvement has not kept pace with these large salary increases. The chart on ©42 shows that **County Government tax supported workyears per 1,000 population**, which had declined steadily from FY92 to FY98, started to rise in FY99. Thus, despite the County's heavy investments in technology, total tax supported workyears per 1,000 population were 10.0 percent higher in FY02 than in FY98. In the leaner budgets of FY03-04 this measure declined slightly. But in FY05 it started to rise again, and **for the FY09 recommended budget it is 15.7 percent above the FY98 level.**

7. Other interesting OHR data compare maximum and minimum salaries of certain County agency employees with those in the metropolitan area and selected local jurisdictions. See ©A36-40. For most job classes these comparisons are favorable to County agency employees, especially to County Government employees.

8. The table on ©A35 shows that minimum and maximum County Government salaries for middle management professional positions are mostly below those of comparable **federal government** positions. The minimum salaries for County Government are lower because our

range is broader than the federal range. Also, our annual 3.5 percent service increments make progress through the range faster. The maximum salaries for County Government are themselves substantial and compare favorably with those elsewhere in the region.

9. The table on ©A41 shows that again last year the average County Government total pay increase (6.5 percent) substantially exceeded the average increases cited in four regional or national surveys by professional firms. The table projects a similar differential for 2008.

### **Agency Pay Increase Requests**

**The agency requests for FY09 increments and GWAs listed on page 8 reflect in part the provisions of new or existing contracts. Agreement on increases for some employees of the College and M-NCPPC has not yet been reached. At its next worksession the Committee will consider whether to support the required funding for these agency requests. The Committee will also consider whether to support the proposed FY08 County Government salary schedules listed on ©29-36.**

**These schedules are (in order) for non-represented employees, the Management Leadership Service, seasonal employees, Medical Doctors, the MCGEO OPT and SLT units, Sheriff Management, Deputy Sheriffs, the IAFF, Fire and Rescue Management, Police Management, the FOP, Uniformed Correctional Management, and Uniformed Correctional Officers.**

**SUMMARY OF FY09 AGENCY PAY INCREASE REQUESTS  
Increments and General Wage Adjustments (% Increase)**

Agency	Increments For Eligible Employees	General Wage Adjustments
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<b>County Government</b>		
MCGEO units	3.5	4.5 <sup>1</sup>
FOP	3.5	4.0
IAFF	3.5	2.0 + 2.0 <sup>2</sup>
Non-represented	3.5	4.5 <sup>3</sup>

<b>M-NCPPC</b>		
MCGEO units	3.5	3.25
Non-represented	3.5	TBD <sup>4</sup>
FOP	3.5	TBD <sup>5</sup>

<b>Montgomery College</b>		
Faculty	\$2,242 <sup>6</sup>	5.5
Administration	TBD	TBD
Staff (non-bargaining)	TBD	TBD
Staff (AFSCME)	5.0	3.0

<b>MCPS</b>		
MCEA	1.5-3.9	5.0
MCAASP	3.0	5.0
SEIU Local 500	1.9-5.5	5.0

<b>WSSC</b>	3.0 <sup>7</sup>	3.5
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**For specific details, see the tables on ©77-110 of this packet.**

<sup>1</sup> Additional adjustments for Bus Operators, Correctional Officers, and Deputy Sheriffs, plus longevity increases

<sup>2</sup> 2.0 percent in 7/08 and 2.0 percent more in 1/09

<sup>3</sup> Plus performance-based longevity increases and lump-sum awards

<sup>4</sup> The Commission will decide in June. The current planning assumption is 3.25 percent.

<sup>5</sup> Tentative agreement on a new three-year contract has been reached. Formal approval is pending.

<sup>6</sup> Lump sum payment

<sup>7</sup> For non-represented employees, a new Performance Management System will tie increases to performance appraisals. For represented employees, the contract with AFSCME is being negotiated.

## II. RETIREMENT ISSUES

**Important points on the County Government retirement program are as follows:**

1. The FY09 budget on ©28 for the County Government's defined benefit plan, the Employees' Retirement System, projects \$110.0 million as the County contribution. This is a **decrease** of \$3.0 million (2.7 percent) from the FY08 approved amount, thanks to improved investment returns. The County contribution in FY00 was \$44.3 million, less than half as much.

The key factors each year are the return on pension fund assets, any benefit improvements included in collective bargaining agreements, any change in actuarial assumptions, and actual plan experience versus projections. Recent years have seen continuous increases, sometimes large: \$2.4 million (2.2 percent) in FY08, \$3.1 million (2.8 percent) in FY07, \$8.3 million (10.7 percent) in FY06, \$15.5 million (25.1 percent) in FY05, \$9.5 million (17.1 percent) in FY04, and \$16.4 million (41.8 percent) in FY03. In earlier years there were much smaller changes, with the FY02 amount down and the FY01 amount up.

2. During the 1990s the return on County pension fund assets was well above the plan's 8.0 percent annual actuarial return assumption, but that changed with the sharp market decline of 2000-2002. The County's actuarial consultant applies five-year smoothing to the fund's returns to even out gains and losses. The large gains of the mid and late 1990s reduced the required County contribution to the fund, but the early years of this decade were quite different.

**The FY09 contribution rates are shown on ©27. This table is worth close attention.** While the rates are down from FY08, they remain at high levels as percentage of salary, ranging from **21.3 percent** for the non-public safety mandatory integrated plan to **32.5 percent** for the mandatory integrated public safety plans and **80.2 percent** for the optional non-integrated public safety plans.

The market rebound of the past four years, combined with the superior relative investment performance of the ERS, may help improve this picture in the future, but the current year – with the first quarter of 2008 showing the worst stock market returns in nearly five years – will hurt. The ERS has consistently ranked in the top quartile of similar funds, and sometimes even higher, but poor market conditions still have large impact.

3. The other key factor is negotiated improvements in pension benefits. In the last decade, all three unions have secured major improvements, including larger pension multipliers, lower benefit reductions at integration with social security, and, for the IAFF, 20-year retirement at 50 percent of average final earnings.

**The combined impact of these pension changes and market conditions is large. For example, MCFRS retirement costs are up from \$9.1 million in FY00 to \$36.7 million in FY08. For Police the increase is from \$12.7 million to \$35.6 million.**

**There are additional pension improvements this year.** The FOP reopener provides for an increase in maximum credited service from 30 to 36 years (including sick leave), an

unreduced pension with 25 years of service at any age, and a maximum benefit of 86.4 percent of final earnings for veteran officers rather than the current 76 percent. The reopener also creates a permanent **Deferred Retirement Option Plan (DROP)** that enables employees who are at least 46, and have at least 25 years of credited service, to elect to retire, but continue to work for a maximum of 3 years. Neither they nor the County make additional pension contributions during the DROP period. The pension payments they would have received if they had retired are placed in a DROP account, invested in fund options selected by the Board of Investment Trustees. The account is paid out upon retirement. The fiscal impact of these changes in FY10 is **\$803,000**, including \$502,000 for the DROP and \$291,000 for the higher maximum service credit.

The MCGEO reopener improves the social security integration multiplier from 1.25 percent to 1.65 percent for deputy sheriffs and corrections officers in the defined benefit plan. The cost in FY10 is **\$753,000**.

4. The FY07 annual report from the Board of Investment Trustees on the County's three retirement plans (see ©43-51) shows on ©49 that as of June 30, 2007 the ERS was **79.5 percent** funded on an actuarial basis, which includes the five-year smoothing of results. (The current national average for state pension plans is 90 percent.) As the excerpt from Mercer's 2007 Actuarial Valuation Report shows on ©52, this is down from **98.9 percent** in FY00. The current unfunded liability is \$631 million. The benefits improvements described above account for most of the difference between the ERS' current funded ratio and the national average.

The investment returns for the past four years, as noted above, should help improve the funded ratio over time, but the costs of future negotiated agreements will work in the opposite direction. Raising the funded ratio to at least the national average would require one of two things: future investment returns that are consistently much higher than historical returns, or a further sharp increase in the County's annual contribution to the plan.

5. The picture for the County's defined contribution plan, the **Retirement Savings Plan**, is quite different. The RSP, which includes non-public safety employees hired since October 1, 1994 (plus a small number of public safety employees), now has more than 4,000 members. The County's total FY09 contribution is \$19.5 million, up \$7.2 million (58.5 percent) from FY08.

**One reason is increased plan enrollment. The key reason comes from the MCGEO reopener. It provides for an increase of 2 percent of salary (from 6 to 8 percent) in the County contribution to the RSP. Another key provision in the reopener, as noted above, would give RSP members and new employees a one-time option, starting in July 2009, to transfer to a new Guaranteed Retirement Income Plan (GRIP). See page 2 of this memo.<sup>1</sup>**

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<sup>1</sup> The employee contribution to the RSP or the GRIP would also rise, from 3 to 4 percent up to the FICA maximum and from 6 to 8 percent above it. Also, employees would need to have 180 days of employment before becoming eligible to participate in either the RSP or the GRIP. As noted on page 3 above, the County Attorney and Council attorneys are reviewing questions about the legally permissible level of the GRIP return.

6. The three investment-related retirement plan budgets that have been reviewed and approved by the Board of Investment Trustees are on ©28. The FY09 budgets for the Deferred Compensation Plan, the Employees' Retirement System, and the Retirement Savings Plan include charges from OHR, Finance, and the County Attorney's Office. The Committee will review these budgets separately. Mr. Sherer has prepared the packet for this review.

### **III. COUNTY GOVERNMENT COMPENSATION-RELATED NDAs**

The FY09 recommended budget contains six compensation-related Non-Departmental Accounts. The first three are hardy perennials that require little comment.

#### **1. Judges' Retirement Contributions NDA**

A description of this NDA is on ©53. The recommended amount for FY09 is \$3,740, the same as for FY08.

#### **2. State Positions Supplement NDA**

A description of this NDA is on ©55. The recommended amount for FY09 is \$144,950. The FY08 amount was \$119,330.

#### **3. State Retirement Contribution NDA**

A description of this NDA is on ©56. The recommended amount for FY09 is \$934,920. The FY08 amount was \$890,580.

#### **4. Group Insurance for Retirees NDA**

A description of this NDA is on ©53. The recommended amount for FY09 is \$25,725,330. The FY08 amount was \$24,810,190. This account has fluctuated both up and down over time. The recommended FY09 allocation is discussed further in the section below on group insurance.

#### **5. Compensation and Employee Benefits Adjustments NDA**

A description of this NDA is on ©54. The recommended amount for FY08 is a negative \$1,567,930. The FY08 amount was \$3,565,090. Each year this NDA captures several separate personnel-related adjustments. This year's adjustments, including a comparison with FY08, are outlined on ©57. The key difference is the projected savings of \$5 million from the proposed **Retirement Incentive Plan**. See page 4 of this memo.

#### **6. Retiree Health Benefits Trust**

A description of this NDA, which has a much improved name compared to last year's ("Other Post Employment Benefits"), when it first appeared, is on ©55. The recommended

amount for FY09, \$19,571,930, is for the General Fund. The FY08 amount was \$12,067,320. Other County Government and outside agency contributions are detailed on ©24.

This cost is related to the disclosure standard in GASB Statement No. 45 on Other Post Employment Benefits, chiefly retiree health benefits. On April 1 the Council approved creation of a trust for County Government. One year ago the Council approved a five-year schedule to phase in full funding of these obligations. See ©58-59. This year the Executive proposed an eight-year schedule instead. See page 3 of this memo. Also see the proposed funding schedule on ©17 and the Executive's memo on ©60-63 strongly advising against further extending this schedule. The Council will need to amend last year's resolution to modify the funding schedule.

#### IV. GROUP INSURANCE

During the past several years the Committee has devoted extensive time and effort to group insurance issues. The Committee has met regularly with an **interagency benefits group** that has provided valuable assistance and taken action in several areas.

Starting in FY03, issues addressed by the Committee and the benefits group include **joint bidding** of group insurance contracts to reduce costs, implementation of the **joint long-term care insurance** program, providing coverage for **out-of-area retirees**, and the option to **take or waive coverage** year-by-year.

The list of issues addressed also includes implementation of the **re-election opportunity** for County Government retiree group insurance and a revised **MCPS retiree health insurance program**. In addition, three major Council resolutions resulted from the work of the Committee and the benefits group: **Policy Guidance for Agency Group Insurance Programs** (December 2003), **Establishing a Voluntary Program for Securing Safe, High Quality, Lower-Priced Prescription Maintenance Drugs for Employees and Retirees of County and Bi-County Agencies** (September 2004), and **Establishing a Countywide Prescription Drug Discount Card Program** (October 2004).

The Committee's work on GASB OPEB issues started five years ago. The benefits group members joined with agency finance, budget, and legal staff to form the Multi-Agency OPEB Work Group, which has worked closely and productively with the Committee.

#### Group Insurance Costs in FY09

All agencies continue to address sharply rising group insurance costs. For example, County Government made major plan design changes for 2005, including a new CareFirst Standard Option POS, carve-out of prescription drug coverage from the CareFirst and Optimum Choice plans, and an employee-plus-one option for Choice plan members.

For FY09 there will be prescription drug savings from agreements with the three bargaining units, also affecting non-represented and retired employees. The County contribution is fixed to 80 percent of the standard option; employees may buy-up at their own cost. There are incentives for mail order and generic drugs. High option co-payments remain at \$4/8 for

MCGEO and the IAFF but rise to \$5/10 for the FOP and for non-represented and retired employees.

Total projected FY09 savings from this change are \$1,308,530. Of this amount, \$471,370 is projected to come from retired employees, who have not yet been briefed on the change. OHR has scheduled a briefing for MCREA on April 30. We have requested an analysis of the components of the projected savings.

Over the past decade rate adjustments have ranged from a 5.3 percent decline in 2000 to a 26.0 percent increase in 2002. This year's overall increase is 4.3 percent, with the usual variation among plans. Use of fund balance above the 5 percent target helped to mitigate the increase. Last year's increase overall increase was 6.0 percent.

Private sector premiums rose on average by 6.1 last year and are projected to rise by 6.7 percent this year. The average cost increase for plans for federal employees was just 1.6 percent last year and 2.1 percent this year. OPM held down the increases in both years by drawing on reserves and having employees pay more for some deductibles.

For County Government, the current projection for the average annual increase in FY09-14 is 8.8 percent. The comparable six-year projections one, two, three, and four years ago were 10.7, 9.5, 7.3, and 11.0 percent.

The FY09-14 fiscal projection for the **Employee Health Benefits Self Insurance Fund**, which serves as a premium stabilization reserve, is on ©64. The summary of expenditures and revenues is on ©65. The crosswalk between the appropriation for FY08 (\$151,126,430) and FY09 (\$162,276,190) is on ©66.

One item in the crosswalk is a savings of \$40,000 from not printing and mailing the Total Compensation Statements that OHR prepares for employees. These statements, which are well regarded by employees, will instead be made available online.

The agencies' FY09 tax supported costs for group insurance for **retired** employees are listed in the tables on ©1-15. The pay-as-you-go amounts total \$66.0 million, up 3.3 percent from FY08. The tables show \$24.8 million for County Government (up 3.6 percent), \$38.4 million for MCPS (up 2.9 percent), \$2.5 million for the College (no increase), and \$1.4 million for M-NCPPC (up 16.4 percent). The new OPEB pre-funding costs are separate. See ©24.

The tax supported costs for **active** employees are also in the individual agency tables. The total is \$276.9 million, up 6.5 percent from FY08. The tables show \$80.7 million for County Government (up 11.6 percent), \$179.6 million for MCPS (up 4.5 percent), \$11.2 million for the College (almost no increase), and \$5.4 million for M-NCPPC (up 15.9 percent).

WSSC's rate-supported costs for group insurance are \$9.4 million for active employees (up 3.5 percent) and \$13.6 million for retired employees (up 10.7 percent).

After budget the Committee can review two issues it has considered in the past. One issue is **high-deductible and consumer-driven plans**. Such options are controversial, and the agencies have not pursued them. But Consumer Check's guide to federal health plans, which includes these options, says they are worth a second look. The other issue is **next steps on retiree health insurance costs**. On November 27, 2007 the Committee discussed options for limiting liability and suggestions from our actuarial consultant. See ©67-71. Given the huge fiscal impact of these costs, this issue should return soon to the Committee's agenda.

## V. OTHER COMPENSATION ISSUES

### A. Agency Analysis of Personnel Management

Each agency has prepared again this year a report on its workforce containing data that are comparable (but not necessarily identical) to the information provided in the County Government's Personnel Management Review. Material of this kind is a valuable adjunct to the agency personnel information that comes from budget documents and Council staff data requests. Agency responses appear in the **appendix** to this packet, which can be found on the Council's web site<sup>1</sup> and in a limited number of hard copies. Agency staff have worked hard to assemble these displays of personnel information, and their efforts again deserve recognition.

This year the **County Government** again prepared a PMR like the ones it first issued in the 1991-94 period (see ©A1-41). The PMR, prepared by OHR, has consistently provided useful basic information on the merit system employment profile, turnover, and wage and salary comparability. In this year's PMR the information is once again clearly presented and readily understandable. The comparative information on salaries (see ©A30-41) is especially useful; some of it is cited in the earlier discussion here of pay changes in the County and the region. Other useful information includes turnover data on the 584 employees (6.5 percent of the workforce) who left County Government service in 2007 (see ©A26-28). There are again data on temporary and seasonal workers (see ©A22-24), who are represented by MCGEO.

**M-NCPPC** again prepared a detailed Personnel Management Review, which it initiated in 1995. This PMR (see ©A42-188) covers personnel data affecting both counties and is a comprehensive and highly informative document. Its clearly presented data and excellent graphics provide detailed information about the full range of workforce issues and personnel policies. This year's edition again provides expanded data by department and for seasonal, intermittent, temporary, and term employees.

**WSSC** again prepared a Human Resources Management Review that contains new and comparative data in a number of areas (see ©A189-220). This report, which WSSC initiated in 1995, includes data on such matters as the diversity of WSSC's workforce in 2007: 44.5 percent Caucasian, 46.3 percent African American, 6.1 percent Asian, 2.3 percent Hispanic, and 0.8 percent Native American.

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<sup>1</sup> To see the appendix, go to [www.montgomerycountymd.gov/council](http://www.montgomerycountymd.gov/council), click on Agendas, Packets, and Actions, and select April 21, 2008, MFP Committee, Compensation and Benefits (Data).

MCPS again provided a Staff Statistical Profile (see ©A221-307), which contains a wide range of useful data – for example, salary and turnover data that were helpful in 2006 in the Council’s review of the Superintendent’s request to improve pensions for MCPS employees.

The College again provided a Personnel Profile (see ©A308-315). This brief report contains useful graphics and more detailed information on group insurance benefits and composition of faculty and staff.

After budget the Committee can resume its review of how these documents can be made even more informative and useable. Last year the Committee reviewed two OLO reports that relate to this question: 2007-7, *Linking MCPS Workforce Data to Council Decision-Making* (April 2007) and 2007-3, *The Presentation of Workforce Information in Budget Documents* (December 2006). Minutes of the Committee’s review of these reports and related issues on June 25, 2007 are on ©72-73. Mrs. Praisner’s July 10, 2007 memo to OMB Director Beach on ©74-75 raises several follow-up issues. Mr. Sherer’s packet for the Committee meeting on September 17, 2007 shows that OMB has acted on most of these issues.

**B. Employee Awards and Tuition Assistance**

In past briefings on compensation, the Committee has examined such programs as County Government leave awards, M-NCPPC’s employee recognition program, WSSC’s merit pay system, and performance-based pay. The Committee has also reviewed tuition assistance issues.

The Committee’s review of employee awards and tuition assistance is reflected in the 2001 rewrite of the County Government Personnel Regulations. Section 13 deals in detail with a range of awards programs, on which OHR reports annually.<sup>1</sup> Section 14 deals with tuition assistance, including detailed new criteria. FY08 costs and FY09 requests are as follows:

	Employee Awards		Tuition Assistance	
	FY08	FY09	FY08	FY09
County Government	see ©76	TBD	\$ 651,800	\$ 700,880
MCPS	none	none	2,588,844	3,488,844
Montgomery College	\$ 70,000	\$ 75,000	600,000	675,000
M-NCPPC	174,900*	126,000	38,500*	36,000
WSSC	121,400	121,200	100,000	150,000

\*Montgomery County only

<sup>1</sup>This report does not include performance-based pay awards for employees in the Management Leadership Service or for non-represented employees. Eight years ago County Government also began the *Montgomery’s Best* honors awards, which are based on recognition rather than cash awards. The program’s purpose is to “recognize exceptional efforts by individuals, teams, and organizations to support the County’s guiding principles and programs.”

## **C. Additional Compensation Information**

**1. Annual Leave Cash Out.** Under the 2001 Personnel Regulations the Chief Administrative Officer, subject to budget limitations, may authorize employees to cash out part of their accrued annual leave in excess of the annual carry-over limit. For FY02-04 the CAO decided that because of the County's fiscal situation there would be no annual leave cash out.

For FY05 the CAO authorized a cash-out of 30 percent. The cost was \$368,245 for 385 employees. For FY06 the CAO authorized a cash-out of 50 percent. The cost was \$812,731 for 482 employees. For FY07 the CAO again authorized a cash-out of 50 percent. The cost was \$1,092,439 for 630 employees. For FY08, given the fiscal situation, there was no cash-out.

**2. Testimony.** During the course of the Council's five public hearings on the FY09 operating budget on April 7-10, a number of speakers addressed compensation issues. Councilmembers have copies of this testimony and also of all correspondence related to compensation.

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**TAX SUPPORTED SALARIES AND BENEFITS BY AGENCY**  
(FY08 Approved and FY09 Agency Requests)

Agency	FY	Total Compensation Active Employees	Retiree Benefits	Total Compensation	Agency budget without debt service	Total Compensation as % of Budget
County Government	FY08	803,937,500	36,877,510	840,815,010	1,260,592,540	66.7%
	FY09	816,801,450	45,297,260	862,098,710	1,281,388,700	67.3%
	% Change	1.6%	22.8%	2.5%	1.6%	
MCPS	FY08	1,600,874,790	53,370,767	1,654,245,557	1,851,742,727	89.3%
	FY09	1,705,188,547	70,479,298	1,775,667,845	1,978,222,425	89.8%
	% Change	6.5%	32.1%	7.3%	6.8%	
College	FY08	151,858,541	3,106,400	154,964,941	196,667,872	78.8%
	FY09	166,320,071	3,712,800	170,032,871	215,035,603	79.1%
	% Change	9.5%	19.5%	9.7%	9.3%	
MNCPPC	FY08	75,407,114	2,292,286	77,699,400	104,508,900	74.3%
	FY09	87,463,387	3,609,963	91,073,350	129,743,450	70.2%
	% Change	16.0%	57.5%	17.2%	24.1%	
TOTAL	FY08	2,632,077,946	95,646,963	2,727,724,908	3,413,512,039	79.9%
	FY09	2,775,773,456	123,099,321	2,898,872,777	3,604,390,178	80.4%
Amount Change		143,695,510	27,452,358	171,147,868	190,878,139	
% Change		5.5%	28.7%	6.3%	5.6%	

**TAX SUPPORTED WORKYEARS, WAGES AND BENEFITS BY AGENCY**

(FY08 Approved and FY09 Agency Requests)

Benefits are social security, retirement, and group insurance

<b>I. Active Employees</b>					Total comp for Active empl
Agency	FY	WY	Wages	Benefits	
County Government	FY08	8,547	569,700,980	234,236,520	803,937,500
	FY09	8,370	576,182,120	240,619,330	816,801,450
	% Change	-2.1%	1.1%	2.7%	1.6%
MCPS	FY08	19,571	1,276,960,747	323,914,043	1,600,874,790
	FY09	19,783	1,363,737,137	341,451,410	1,705,188,547
	% Change	1.1%	6.8%	5.4%	6.5%
College	FY08	1,653	128,082,685	23,775,856	151,858,541
	FY09	1,743	140,576,707	25,743,364	166,320,071
	% Change	5.5%	9.8%	8.3%	9.5%
MNCPPC	FY08	950	59,676,677	15,730,437	75,407,114
	FY09	1,001	69,217,929	18,245,458	87,463,387
	% Change	5.4%	16.0%	16.0%	16.0%
TOTAL	FY08	30,721	2,034,421,089	597,656,857	2,632,077,945
	FY09	30,898	2,149,713,893	626,059,563	2,775,773,456
	% Change	0.6%	5.7%	4.8%	5.5%

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<b>II. Retiree Benefits: Group insurance</b>					Total
County Government	FY08				36,877,510
	FY09				45,297,260
	% Change				22.8%
MCPS	FY08				53,370,767
	FY09				70,479,298
	% Change				32.1%
College	FY08				3,106,400
	FY09				3,712,800
	% Change				19.5%
MNCPPC	FY08				2,292,286
	FY09				3,609,963
	% Change				57.5%
TOTAL	FY08				95,646,963
	FY09				123,099,321
	% Change				28.7%

2

SELECTED COMPENSATION DATA, FY09 REQUESTS

Item	County Government	MCPS	College	MNCPPC	Total
Cost of General Wage Adjustment (wages, social security, retirement)	31,430,863	71,658,744	6,230,974	2,682,200	112,002,781
Cost of other Wage Adjustment (wages, social security, retirement)	0	9,600	0	0	9,600
Cost per 1% General Wage Adjustment (wages, social security, retirement)	6,539,906	14,331,748	1,246,195	820,900	22,938,749
Cost per furlough day (wages, social security, retirement)	2,851,930	6,679,188	647,898	314,400	10,493,416
Cost of increments for employees not at top of grade (wages, social security, retirement)	5,859,188	27,011,133	2,354,578	1,877,600	37,102,499
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	1,674,054	7,742,807	784,859	574,600	10,776,320

A	B	C	D	E	F	
1	COUNTY GOVERNMENT WAGES, SOCIAL SECURITY, and RETIREMENT					
2	TAX SUPPORTED FUNDS, FY08 BUDGET AND FY09 REQUEST					
3	"Other" costs below are costs not collected by bargaining unit, such as overtime, shift differential, and temporary/seasonal employees budgeted in group positions.					
4	Tax Supported Funds, FY08 Approved Budget	MCGEO	IAFF	FOP	Non Represented	TOTAL
5	Filled positions, tax and non-tax supported, December 31, 2006	4,250	1,003	1,039	2,383	8,675
6	Percent of total	49.0%	11.6%	12.0%	27.5%	100.0%
7						
8	Workyears (bargaining units estimated)	4,187	988	1,024	2,348	8,547
9						
10	Active employees:					
11	Wages					542,864,695
12	Social Security					42,083,550
13	Retirement					119,898,850
14	Group insurance for active employees					72,254,120
15	Subtotal	305,731,772	130,877,403	128,743,721	211,748,319	777,101,215
16	Other					26,836,285
17	Total compensation for active employees	305,731,772	130,877,403	128,743,721	211,748,319	803,937,500
18	Retiree benefits: group insurance					
19	Pay as you go amount					24,810,190
20	First year phase in of OPEB					12,067,320
21	Total compensation for retired employees					36,877,510
22						
23	Total compensation for active and retired employees	305,731,772	130,877,403	128,743,721	211,748,319	840,815,010
24		39%	17%	17%	27%	100%
25	Operating budget without debt service					1,260,592,540
26						
27	Total compensation as % of total operating budget					66.7%
28						
29						
30	% General Wage Adjustment	4.00%	5.00%	\$3,151*	4.00%	NA
31	Cost of General Wage Adjustment (wages, social security, retirement)	10,098,996	5,580,227	8,131,659	7,619,981	31,430,863
32	Cost of other Wage Adjustment (wages, social security, retirement)					0
33	Cost per 1% General Wage Adjustment (wages, social security, retirement)	2,524,749	1,116,045	1,084,221	1,814,890	6,539,906
34	Cost per furlough day (wages, social security, retirement)	911,921	839,324	421,379	679,306	2,851,930
35	Cost of increments for employees not at top of grade (wages, social security, retirement)	2,683,244	848,372	1,284,212	1,043,360	5,859,188
36	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	766,641	242,392	366,918	298,103	1,674,054
37	*\$3,151 salary schedule adjustment to starting pay for Police Officers.					

(S)

	A	B	C	D	E	F
38	<b>Tax Supported Funds, FY09 Request</b>	MC GEO	IAFF	FOP	Non Represented	TOTAL
39	Filled positions, tax and non-tax supported, December 31, 2007	4,703	1,091	1,144	2,121	9,059
40	Percent of total	51.9%	12.0%	12.6%	23.4%	100.0%
41						
42	Workyears (bargaining units estimated)	4,345	1,008	1,057	1,960	8,370
43						
44	<b>Active employees:</b>					
45	Wages					558,314,613
46	Social Security					43,328,130
47	Retirement					116,609,640
48	Group insurance for active employees					80,681,560
49	Subtotal	317,101,743	133,574,614	133,453,456	214,804,130	798,933,943
50	Other					17,867,507
51	Total compensation for active employees	317,101,743	133,574,614	133,453,456	214,804,130	816,801,450
52	<b>Retiree benefits: group insurance</b>					
53	Pay as you go amount					25,725,330
54	Second year phase in of OPEB					19,571,930
55	Total compensation for retired employees					45,297,260
56						
57	Total compensation for active and retired employees	317,101,743	133,574,614	133,453,456	214,804,130	862,098,710
58		40%	17%	17%	27%	100%
59	Operating budget without debt service					1,281,388,700
60						
61	Total compensation as % of total operating budget					67.3%
62						
63						
64	% General Wage Adjustment	4.50%	3.0%*	4.00%	4.50%	NA
65	Cost of General Wage Adjustment (wages, social security, retirement)	11,777,765	3,430,536	4,615,059	8,032,807	27,856,167
66	Cost of other Wage Adjustment (wages, social security, retirement)					0
67	Cost per 1% General Wage Adjustment (wages, social security, retirement)	2,617,281	1,143,512	1,153,765	1,822,147	6,736,705
68	Cost per furlough day (wages, social security, retirement)	937,894	877,025	442,020	690,721	2,947,659
69	Cost of increments for employees not at top of grade (wages, social security, retirement)	2,811,505	783,410	1,194,082	899,044	5,688,041
70	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	803,287	223,832	341,166	256,870	1,625,155
71	* 2.0% July 2008, 2.0% January 2009					

5

	A	B	C	D	E	F
		MC GEO	IAFF	FOP	Non Represented	TOTAL
72	Amount increase FY08-FY09	158	20	33	(388)	(178)
73	Workyears					
74						
75	Active employees:					
76	Wages					15,449,918
77	Social Security					1,244,580
78	Retirement					(3,289,210)
79	Group insurance for active employees					8,427,440
80	Subtotal					21,832,728
81	Other					(8,968,778)
82	Total compensation for active employees	11,369,972	2,697,211	4,709,735	3,055,811	12,863,950
83	Retiree benefits: group insurance					
84	Pay as you go amount					915,140
85	Phase in of the Annual Required Contribution					7,504,610
86	Total compensation for retired employees					8,419,750
87						
88	Total compensation for active and retired employees					21,283,700
89						
90						
91	Percent increase FY08-FY09	3.71%	1.97%	3.20%	-16.30%	-2.05%
92	Workyears					
93	Active employees:					
94	Wages					2.85%
95	Social Security					2.96%
96	Retirement					-2.74%
97	Group insurance for active employees					11.66%
98	Subtotal					2.81%
99	Other					-33.42%
100	Total compensation for active employees	3.72%	2.06%	3.66%	1.44%	1.60%
101	Retiree benefits: group insurance					
102	Pay as you go amount					3.69%
103	Phase in of the Annual Required Contribution					62.19%
104	Total compensation for retired employees					22.83%
105						
106	Total compensation for active and retired employees					2.53%

	A	B	C	D	E	F
1	MONTGOMERY COUNTY PUBLIC SCHOOLS WAGES, SOCIAL SECURITY, and RETIREMENT					
2	TAX SUPPORTED FUNDS, FY08 BUDGET AND FY09 REQUEST					
3						
4	Tax Supported Funds, FY08 Approved Budget	MCAASP	MCEA	SEIU	Non Represented	TOTAL
5	Workyears	699,000	11,373,540	7,299,015	199,250	19,570,805
6	Active employees:					
7	Wages	82,341,022	878,495,538	297,310,336	18,813,851	1,276,960,747
8	Social Security	6,160,641	65,727,764	22,244,323	1,407,632	95,540,360
9	Retirement	3,647,601	38,916,167	13,170,441	833,435	56,567,644
10	Group insurance for active employees	6,136,305	99,845,119	64,075,469	1,749,146	171,806,039
11	Total compensation for active employees	98,285,569	1,082,984,588	396,800,569	22,804,064	1,600,874,790
12	Retiree benefits: group insurance					
13	Pay as you go amount					37,310,767
14	First year phase in of OPEB					16,060,000
15	Total compensation for retired employees					53,370,767
16						
17	Total compensation for active and retired employees	98,285,569	1,082,984,588	396,800,569	22,804,064	1,654,245,557
18						
19	Operating budget without debt service	NA	NA	NA	NA	1,851,742,727
20						
21	Total compensation as % of total operating budget	NA	NA	NA	NA	89.3%
22						
23						
24	% General Wage Adjustment	4.80%	4.80%	4.80%	4.80%	NA
25	Cost of General Wage Adjustment (wages, social security, retirement)	4,253,100	42,998,015	15,716,907	811,014	63,779,036
26	Cost of other Wage Adjustment (wages, social security, retirement)	330,100	1,718,000	916,000	0	2,964,100
27	Cost per 1% General Wage Adjustment (wages, social security, retirement)	954,833	9,315,836	3,465,189	168,961	13,904,819
28	Cost per furlough day (wages, social security, retirement)	249,901	4,365,842	1,450,355	80,907	6,147,005
29	Cost of increments for employees not at top of grade (wages, social security, retirement)	871,529	17,259,735	5,308,868	111,304	23,551,436
30	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	290,510	4,917,303	1,411,933	30,736	6,650,482

	A	B	C	D	E	F
31	Tax Supported Funds, FY09 Request	MCAASP	MCEA	SEIU	Non Represented	TOTAL
32	Workyears	708,000	11,496,300	7,408,001	171,000	19,783,301
33	Active employees:					
34	Wages	88,519,452	936,694,509	321,936,257	16,586,919	1,363,737,137
35	Social Security	6,647,011	70,222,802	24,129,216	1,248,111	102,247,140
36	Retirement	3,881,892	40,959,814	14,071,557	730,048	59,643,311
37	Group insurance for active employees	6,426,084	104,344,906	67,237,906	1,552,063	179,560,959
38	Total compensation for active employees	105,474,439	1,152,222,031	427,374,936	20,117,141	1,705,188,547
39	Retiree benefits: group insurance					
40	Pay as you go amount					38,359,298
41	Second year phase in of OPEB					32,120,000
42	Total compensation for retired employees					70,479,298
43						
44	Total compensation for active and retired employees	105,474,439	1,152,222,031	427,374,936	20,117,141	1,775,667,845
45						
46	Operating budget without debt service	NA	NA	NA	NA	1,978,222,425
47						
48	Total compensation as % of total operating budget	NA	NA	NA	NA	89.8%
49						
50						
51	% General Wage Adjustment	5.00%	5.00%	5.00%	5.00%	NA
52	Cost of General Wage Adjustment (wages, social security, retirement)	4,747,906	48,704,527	17,335,505	870,806	71,658,744
53	Cost of other Wage Adjustment (wages, social security, retirement)		9,600			9,600
54	Cost per 1% General Wage Adjustment (wages, social security, retirement)	949,581	9,740,905	3,467,101	174,161	14,331,748
55	Cost per furlough day (wages, social security, retirement)	382,254	4,656,562	1,569,042	71,330	6,679,188
56	Cost of increments for employees not at top of grade (wages, social security, retirement)	1,073,826	19,276,690	6,580,503	80,114	27,011,133
57	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	367,749	5,603,689	1,750,134	21,235	7,742,807

	A	B	C	D	E	F
		MCAASP	MCEA	SEIU	Non Represented	TOTAL
58	Amount increase FY08-FY09					
59	Workyears	9	123	109	(28)	212
60	<b>Active employees:</b>					
61	Wages	6,178,430	58,198,971	24,625,921	(2,226,932)	86,776,390
62	Social Security	486,370	4,495,038	1,884,893	(159,521)	6,706,780
63	Retirement	234,291	2,043,647	901,116	(103,387)	3,075,667
64	Group insurance for active employees	289,779	4,499,787	3,162,437	(197,083)	7,754,920
65	Total compensation for active employees	7,188,870	69,237,443	30,574,367	(2,686,923)	104,313,757
66	<b>Retiree benefits: group insurance</b>					0
67	Pay as you go amount	0	0	0	0	1,048,531
68	Phase in of the Annual Required Contribution	0	0	0	0	16,060,000
69	Total compensation for retired employees	0	0	0	0	17,108,531
70						
71	Total compensation for active and retired employees	7,188,870	69,237,443	30,574,367	(2,686,923)	121,422,288
72						
73						
74	<b>Percent increase FY08-FY09</b>					
75	Workyears	1.29%	1.08%	1.49%	-14.18%	1.09%
76	<b>Active employees:</b>					
77	Wages	7.50%	6.62%	8.28%	-11.84%	6.80%
78	Social Security	7.89%	6.84%	8.47%	-11.33%	7.02%
79	Retirement	6.42%	5.25%	6.84%	-12.40%	5.44%
80	Group insurance for active employees	4.72%	4.51%	4.94%	-11.27%	4.51%
81	Total compensation for active employees	7.31%	6.39%	7.71%	-11.78%	6.52%
82	<b>Retiree benefits: group insurance</b>					
83	Pay as you go amount					2.81%
84	Phase in of the Annual Required Contribution					100.00%
85	Total compensation for retired employees					
86						
87	Total compensation for active and retired employees	7.31%	6.39%	7.71%	-11.78%	7.34%

	A	B	C	D	E	F
	MONTGOMERY COLLEGE WAGES, SOCIAL SECURITY, and RETIREMENT					
	TAX SUPPORTED FUNDS, FY08 BUDGET AND FY09 REQUEST					
1						
2						
3						
4	Tax Supported Funds, FY08 Approved Budget	AAUP	ACSFME	ADM	ALL OTHER	TOTAL
5	Workyears	570.00	493.10	74.00	516.00	1,653
6	Active employees:					
7	Wages 1)	41,836,568	23,023,812	9,225,951	53,996,354	128,082,685
8	Social Security	3,200,497	1,761,322	705,785	4,284,552	9,952,156
9	Retirement		470,329		492,171	962,500
10	Other Benefits (EAP, recognition awards, comp absences, etc)	587,895	508,581	76,323	532,200	1,705,000
11	Group insurance for active employees	3,846,733	3,327,761	499,400	3,482,305	11,156,200
12	Total compensation for active employees	49,471,694	29,091,805	10,507,460	62,787,583	151,858,541
13	Retiree benefits: group insurance					
14	Pay as you go amount	862,017	745,720	111,911	780,352	2,500,000
15	First year phase in of OPEB	209,091	180,882	27,145	189,282	606,400
16	Total compensation for retired employees	1,071,108	926,602	139,056	969,634	3,106,400
17						
18	Total compensation for active and retired employees					154,964,941
19						
20	Operating budget without debt service					196,667,872
21						78.8%
22	Total compensation as % of total operating budget					
23						
24						
25	% General Wage Adjustment	5.30%	4.75%	4.75%	4.75%	NA
26	Cost of General Wage Adjustment (wages, social security, retirement)	2,212,680	1,101,605	439,614	1,653,980	5,407,878
27	Cost of other Wage Adjustment (wages, social security, retirement)	NA	NA	NA	NA	0
28	Cost per 1% General Wage Adjustment (wages, social security, retirement)	417,487	231,917	92,550	348,206	1,090,160
29	Cost per furlough day (wages, social security, retirement)	228,615	96,764	38,053	225,184	588,616
30	Cost of increments for employees not at top of grade (wages, social security, retirement)	1,075,708	396,681	198,705	535,135	2,206,228
31	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	358,569	132,227	66,235	178,378	735,409

	A	B	C	D	E	F
	Tax Supported Funds, FY09 Request	AAUP	ACSFME	ADM	ALL OTHER	TOTAL
32	Workyears	588.00	513.10	75.00	567.25	1,743
33	<b>Active employees:</b>					
34	Wages I)	45,810,180	25,231,137	9,664,504	59,870,886	140,576,707
35	Social Security	3,504,479	1,930,182	739,335	4,751,619	10,925,614
36	Retirement		749,453		828,547	1,578,000
37	Other Benefits (EAP, recognition awards, comp absences, etc)	702,383	607,693	88,697	665,226	2,064,000
38	Group insurance for active employees	3,769,376	3,289,229	480,788	3,636,358	11,175,750
39	Total compensation for active employees	53,786,418	31,807,695	10,973,323	69,752,636	166,320,071
40	<b>Retiree benefits: group insurance</b>					
41	Pay as you go amount	850,755	736,063	107,433	805,749	2,500,000
42	Second year phase in of OPEB	412,718	357,079	52,118	390,885	1,212,800
43	Total compensation for retired employees	1,263,473	1,093,141	159,551	1,196,634	3,712,800
44						
45	Total compensation for active and retired employees	55,049,891	32,900,836	11,132,874	70,949,270	170,032,871
46						
47	Operating budget without debt service					215,035,603
48						
49						79.1%
50	Total compensation as % of total operating budget					
51						
52						
53	% General Wage Adjustment	5.50%	5.00%	5.00%	5.00%	NA
54	Cost of General Wage Adjustment (wages, social security, retirement)	2,512,067	1,267,522	484,297	1,967,088	6,230,974
55	Cost of other Wage Adjustment (wages, social security, retirement)	NA	NA	NA	NA	0
56	Cost per 1% General Wage Adjustment (wages, social security, retirement)	502,413	253,504	96,859	393,418	1,246,195
57	Cost per furlough day (wages, social security, retirement)	250,328	106,938	39,861	250,770	647,898
58	Cost of increments for employees not at top of grade (wages, social security, retirement)	1,128,652	439,059	193,320	593,547	2,354,578
59	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	376,217	146,353	64,440	197,849	784,859

	A	B	C	D	E	F
	Amount increase FY08-FY09	AAUP	ACSFME	ADM	ALL OTHER	TOTAL
60	Workyears	18.00	20.00	1.00	51.25	90.25
62	Active employees:					
63	Wages I)	3,973,612	2,207,325	438,553	5,874,532	12,494,022
64	Social Security	303,981	168,860	33,549	467,067	973,458
65	Retirement	0	279,124	0	336,376	615,500
66	Other Benefits (EAP, recognition awards, comp absences, etc)	114,488	99,112	12,374	133,026	359,000
67	Group insurance for active employees	(77,357)	(38,532)	(18,613)	154,052	19,550
68	Total compensation for active employees	4,314,724	2,715,890	465,863	6,965,053	14,461,530
69	Retiree benefits: group insurance					
70	Pay as you go amount	(11,262)	(9,657)	(4,478)	25,397	(0)
71	Phase in of the Annual Required Contribution	203,627	176,197	24,973	201,603	606,400
72	Total compensation for retired employees	192,366	166,539	20,495	227,000	606,400
73						
74	Total compensation for active and retired employees	55,049,891	2,882,429	486,358	7,192,053	15,067,930
75						
76						
77	Percent increase FY08-FY09					
78	Workyears	3.16%	4.06%	1.35%	9.93%	5.46%
79	Active employees:					
80	Wages I)	9.50%	9.59%	4.75%	10.88%	9.75%
81	Social Security	9.50%	9.59%	4.75%	10.90%	9.78%
82	Retirement	na	59.35%	na	68.35%	63.95%
83	Other Benefits (EAP, recognition awards, comp absences, etc)	19.47%	19.49%	16.21%	25.00%	21.06%
84	Group insurance for active employees	-2.01%	-1.16%	-3.73%	4.42%	0.18%
85	Total compensation for active employees	8.72%	9.34%	4.43%	11.09%	9.52%
86	Retiree benefits: group insurance					
87	Pay as you go amount	-1.31%	-1.30%	-4.00%	3.25%	0.00%
88	Phase in of the Annual Required Contribution	97.39%	97.41%	92.00%	106.51%	100.00%
89	Total compensation for retired employees	17.96%	17.97%	14.74%	23.41%	19.52%
90						
91	Total compensation for active and retired employees					9.72%
92						
93	(1) All other includes temps with benefits, student assts, overtime, part-time faculty, hearing interpreters, etc.					

12

	A	B	C	D	E
1	MNCPPC WAGES, SOCIAL SECURITY, and RETIREMENT				
2	TAX SUPPORTED FUNDS, FY08 BUDGET AND FY09 REQUEST				
3					
4	Tax Supported Funds, FY08 Approved Budget	FOP	MC GEO	Nonrepresented	TOTAL
5	Workyears	72.00	291.00	586.80	950
6	<b>Active employees:</b>				
7	Wages	4,523,816	14,564,550	40,588,311	59,676,677
8	Social Security	65,595	1,239,491	2,630,399	3,935,486
9	Retirement	542,358	2,192,031	4,420,220	7,154,609
10	Group insurance for active employees	351,763	1,421,709	2,866,870	4,640,342
11	Total compensation for active employees	5,483,533	19,417,782	50,505,799	75,407,114
12	<b>Retiree benefits: group insurance</b>				
13	Pay as you go amount	87,941	355,427	716,717	1,160,086
14	First year phase in of OPEB	85,827	346,884	699,489	1,132,200
15	Total compensation for retired employees	173,768	702,311	1,416,207	2,292,286
16					
17	Total compensation for active and retired employees	5,657,301	20,120,093	51,922,006	77,699,400
18					
19	Operating budget without debt service				104,508,900
20					
21	Total compensation as % of total operating budget				74.3%
22					
23					
24	% General Wage Adjustment				NA
25	Cost of General Wage Adjustment (wages, social security, retirement)	179,600	584,900	1,548,300	2,312,800
26	Cost of other Wage Adjustment (wages, social security, retirement)				0
27	Cost per 1% General Wage Adjustment (wages, social security, retirement)	51,300	180,000	476,400	707,700
28	Cost per furlough day (wages, social security, retirement)	19,700	69,000	182,500	271,200
29	Cost of increments for employees not at top of grade (wages, social security, retirement)	125,700	409,400	1,083,800	1,618,900
30	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	35,900	117,000	309,700	462,600

	A	B	C	D	E
	Tax Supported Funds, FY09 Request	FOP	MC GEO	Nonrepresented	TOTAL
31	Workyears	76.00	291.00	634.42	1,001
32	<b>Active employees:</b>				
33	Wages	5,176,198	16,441,813	47,599,918	69,217,929
34	Social Security	75,055	1,509,256	2,980,390	4,564,701
35	Retirement	578,300	2,284,754	5,435,451	8,298,505
36	Group insurance for active employees	443,914	1,551,369	3,386,968	5,382,252
37	Total compensation for active employees	6,273,467	21,787,192	59,402,728	87,463,387
38	<b>Retiree benefits: group insurance</b>				
39	Pay as you go amount	103,770	421,395	820,398	1,345,563
40	Second year phase in of OPEB	171,654	693,768	1,398,979	2,264,400
41	Total compensation for retired employees	275,424	1,115,162	2,219,377	3,609,963
42					
43	Total compensation for active and retired employees	6,548,891	22,902,355	61,622,104	91,073,350
44					
45	Operating budget without debt service				129,743,450
46					
47	Total compensation as % of total operating budget				70.2%
48					
49					
50					NA
51	% General Wage Adjustment				
52	Cost of General Wage Adjustment (wages, social security, retirement)	204,000	657,700	1,820,500	2,682,200
53	Cost of other Wage Adjustment (wages, social security, retirement)				0
54	Cost per 1% General Wage Adjustment (wages, social security, retirement)	58,300	202,400	560,200	820,900
55	Cost per furlough day (wages, social security, retirement)	22,300	77,500	214,600	314,400
56	Cost of increments for employees not at top of grade (wages, social security, retirement)	142,800	460,400	1,274,400	1,877,600
57	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	40,800	141,700	392,100	574,600

	A	B	C	D	E
58	Amount increase FY08-FY09				TOTAL
59	Workyears	4	0	48	52
60	<b>Active employees:</b>				
61	Wages	652,382	1,877,263	7,011,608	9,541,252
62	Social Security	9,460	269,765	349,991	629,215
63	Retirement	35,942	92,723	1,015,232	1,143,896
64	Group insurance for active employees	92,151	129,660	520,098	741,909
65	Total compensation for active employees	789,934	2,369,410	8,896,928	12,056,273
66	<b>Retiree benefits: group insurance</b>				
67	Pay as you go amount	15,829	65,967	103,681	185,477
68	Phase in of the Annual Required Contribution	85,827	346,884	699,489	1,132,200
69	Total compensation for retired employees	101,656	412,851	803,170	1,317,677
70					
71	Total compensation for active and retired employees	891,590	2,782,261	9,700,098	13,373,950
72					
73					
74	<b>Percent increase FY08-FY09</b>				
75	Workyears	5.56%	0.00%	8.12%	13.67%
76	<b>Active employees:</b>				0.00%
77	Wages	14.42%	12.89%	17.27%	44.59%
78	Social Security	14.42%	21.76%	13.31%	49.49%
79	Retirement	6.63%	4.23%	22.97%	33.82%
80	Group insurance for active employees	26.20%	9.12%	18.14%	53.46%
81	Total compensation for active employees	14.41%	12.20%	17.62%	44.22%
82	<b>Retiree benefits: group insurance</b>				
83	Pay as you go amount	18.00%	18.56%	14.47%	51.03%
84	Phase in of the Annual Required Contribution	100.00%	100.00%	100.00%	300.00%
85	Total compensation for retired employees	58.50%	58.78%	56.71%	174.00%
86					
87	Total compensation for active and retired employees	15.76%	13.83%	18.68%	48.27%

FY09-14 PUBLIC SERVICES PROGRAM: FISCAL PLAN		CONSOLIDATED FIRE TAX DISTRICT					
FISCAL PROJECTIONS	FY08 ESTIMATE	FY09 CE REC	FY10 PROJECTION	FY11 PROJECTION	FY12 PROJECTION	FY13 PROJECTION	FY14 PROJECTION
<b>ASSUMPTIONS</b>							
Property Tax Rate: Real Property	0.126	0.116	0.108	0.108	0.102	0.098	0.092
Assessable Base: Real Property (000)	142,437,000	158,786,000	173,760,000	187,826,000	200,598,000	214,675,000	230,037,000
Property Tax Collection Factor: Real Property	99.1%	99.1%	99.1%	99.1%	99.1%	99.1%	99.1%
Property Tax Rate: Personal Property	0.315	0.290	0.270	0.270	0.255	0.240	0.230
Assessable Base: Personal Property (000)	3,960,935	4,021,666	4,051,312	4,097,270	4,143,751	4,190,758	4,238,299
Property Tax Collection Factor: Personal Property	97.5%	97.5%	97.5%	97.5%	97.5%	97.5%	97.5%
CPI (Fiscal Year)	3.6%	2.8%	2.4%	2.5%	2.5%	2.5%	2.5%
Investment Income Yield	4.00%	2.50%	3.50%	4.00%	4.50%	4.75%	5.00%
<b>BEGINNING FUND BALANCE</b>	<b>5,649,440</b>	<b>5,874,960</b>	<b>13,128,190</b>	<b>13,674,660</b>	<b>14,679,840</b>	<b>13,488,920</b>	<b>10,210,280</b>
<b>REVENUES</b>							
Taxes	190,020,400	193,905,290	196,636,930	211,812,470	213,070,870	214,039,580	219,233,720
Licenses & Permits	1,850,000	3,200,000	3,277,440	3,359,380	3,443,380	3,529,440	3,617,680
Charges For Services	817,410	8,215,200	15,291,230	15,673,520	16,065,360	16,457,000	16,878,670
Fines & Forfeitures	230	0	0	0	0	0	0
Intergovernmental	3,911,000	2,510,000	2,570,740	2,635,010	2,700,880	2,768,400	2,837,610
Miscellaneous	2,100,000	1,480,000	2,008,710	2,327,930	2,667,380	2,897,060	3,136,990
<b>Subtotal Revenues</b>	<b>198,799,040</b>	<b>209,320,490</b>	<b>219,785,050</b>	<b>235,808,310</b>	<b>237,847,850</b>	<b>239,701,480</b>	<b>245,704,670</b>
<b>INTERFUND TRANSFERS (Net Non-CIP)</b>							
Transfers To Debt Service Fund	(4,337,810)	(8,851,150)	(10,987,790)	(12,797,690)	(12,993,910)	(12,987,380)	(12,306,210)
GO Bonds	(4,217,060)	(8,730,400)	(10,867,040)	(12,676,940)	(12,673,180)	(12,886,630)	(12,179,480)
Long Term Leases	(3,583,440)	(4,176,900)	(6,325,040)	(8,167,710)	(8,413,680)	(8,448,280)	(8,398,860)
Transfers To The General Fund	(833,620)	(4,553,500)	(4,542,000)	(4,508,230)	(4,459,480)	(4,418,350)	(3,780,600)
DCM	(120,750)	(120,750)	(120,750)	(120,750)	(120,750)	(120,750)	(120,750)
<b>TOTAL RESOURCES</b>	<b>200,110,670</b>	<b>208,344,300</b>	<b>221,925,460</b>	<b>236,685,280</b>	<b>239,633,780</b>	<b>240,203,020</b>	<b>243,614,740</b>
<b>CIP CURRENT REVENUE APPROP.</b>							
PSP OPER. BUDGET APPROPRI EXP'S.	(706,000)	0	0	0	0	0	0
Operating Budget	(193,529,710)	(190,716,110)	(190,716,110)	(190,716,110)	(190,716,110)	(190,716,110)	(190,716,110)
Labor Agreement	n/a	n/a	(8,885,660)	(19,294,840)	(19,368,180)	(19,388,180)	(19,368,180)
Annualizations and One-Time	n/a	n/a	588,610	588,610	588,610	588,610	588,610
OBIs	n/a	n/a	(5,296,000)	(5,417,000)	(5,635,000)	(5,635,000)	(5,635,000)
Central Duplicating Deficit Recovery Charge	n/a	n/a	16,080	16,080	16,080	16,080	16,080
Apparatus Replacement	n/a	n/a	(109,830)	513,380	513,380	513,380	513,380
Four Person Staffing	n/a	n/a	(3,847,880)	(7,695,760)	(11,543,640)	(15,391,520)	(19,239,400)
<b>Subtotal PSP Oper Budget Approp / Exp's</b>	<b>(193,529,710)</b>	<b>(190,716,110)</b>	<b>(208,250,790)</b>	<b>(222,005,440)</b>	<b>(228,144,860)</b>	<b>(229,892,740)</b>	<b>(233,840,620)</b>
<b>OTHER CLAIMS ON FUND BALANCE</b>	<b>0</b>	<b>(2,500,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL USE OF RESOURCES</b>	<b>(194,235,710)</b>	<b>(193,216,110)</b>	<b>(208,250,790)</b>	<b>(222,005,440)</b>	<b>(228,144,860)</b>	<b>(229,892,740)</b>	<b>(233,840,620)</b>
<b>YEAR END FUND BALANCE</b>	<b>5,874,960</b>	<b>13,128,190</b>	<b>13,674,660</b>	<b>14,679,840</b>	<b>13,488,920</b>	<b>10,210,280</b>	<b>8,774,120</b>
<b>END-OF-YEAR RESERVES AS A PERCENT OF RESOURCES</b>							
	2.9%	6.4%	6.2%	6.2%	5.8%	4.3%	4.0%
<b>Assumptions:</b>							
1. The tax rates for the Consolidated Fire Tax District are adjusted to maintain a fund balance of approximately 2 percent of resources.							
2. The labor contract with the International Association of Fire Fighters, Local 1664 expires at the end of FY11.							
3. The labor contract with the Municipal and County Government Employees Organization, Local 1994 expires at the end of FY10.							
4. These projections are based on the Executive's Recommended Budget and include negotiated labor agreements, the operating costs of capital facilities, the fiscal impact of approved legislation or regulations, and other programmatic commitments. They do not include inflation or unapproved service improvements. The projected future expenditures, revenues, and fund balance may vary based on changes to fee or tax rates, usage, inflation, future labor agreements, and other factors not assumed here.							
5. The costs of capital facilities will be included in future budgets as projects are completed and their costs defined. Implementation of additional phases of the Four-Person Staffing initiative will be reviewed annually.							

**RETIREE HEALTH BENEFITS PRE-FUNDING ON AN EIGHT-YEAR SCHEDULE**

Agency	2009	2010	2011	2012	2013	2014	2015	Total over Future 7 years
8-Year Phase-In County	\$ 23,000,000	\$ 39,000,000	\$ 55,000,000	\$ 71,000,000	\$ 87,000,000	\$ 103,000,000	\$ 115,000,000	\$ 493,000,000
MCPS	29,000,000	48,000,000	67,000,000	88,000,000	105,000,000	124,000,000	138,000,000	597,000,000
College	900,000	1,600,000	2,300,000	3,000,000	3,700,000	4,400,000	4,700,000	20,600,000
M-NCPPC (MCG portion - 45%)	2,250,000	3,600,000	5,400,000	6,750,000	8,550,000	9,900,000	11,250,000	47,700,000
Subtotal - Tax Supported Agencies	55,150,000	92,200,000	129,700,000	166,750,000	204,250,000	241,300,000	268,950,000	1,158,300,000
WSSC								
Total	\$ 55,150,000	\$ 92,200,000	\$ 129,700,000	\$ 166,750,000	\$ 204,250,000	\$ 241,300,000	\$ 268,950,000	\$ 1,158,300,000



OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett  
County Executive

Joseph F. Beach  
Director

MEMORANDUM

March 25, 2008

TO: Michael J. Knapp, Council President  
FROM: Joseph F. Beach, Director, Office of Management and Budget  
SUBJECT: Expedited Bill, Retirement Incentive Plan

The purpose of this memorandum is to transmit a fiscal impact statement to the Council on the subject legislation.

**LEGISLATION SUMMARY**

The expedited bill amends the Employees' Retirement System to provide for a one-time retirement incentive program for Group A and Group H members who are either eligible for normal retirement, or eligible for early retirement and within 2 years of normal retirement eligibility. In his recommended FY09 budget, the County Executive indicated that he intended to offer a retirement incentive plan that would generate an estimated \$5 million in savings resulting from downsizing of the government. It is expected that 54 positions will be abolished as a result of the incentive program. The proposed incentive would provide a \$25,000 payment to eligible plan participants, paid either in a lump sum, or over time. In addition, the plan would waive early retirement penalties for anyone within one year of normal retirement and reduce the penalty for anyone who would be retiring between one and two years early. There is a pool of 828 members who would be eligible for the incentive, and the expedited bill would cap incentive payments to 20 percent of eligible members. Should more than 20 percent of eligible members seek incentive payments, eligibility would be based on seniority.

**FISCAL SUMMARY**

The legislation is expected to result in \$5 million in savings in FY09, and savings of between \$1.5 million and \$2.5 million in FY10, depending on how many employees elect the benefit. Savings estimates assume that 15 percent of members eligible for normal retirement and 10 percent of members eligible for early retirement elect the benefit – a total of 108 employees. The estimates assume the average salary and benefit levels for those eligible, and further assume that all retirements are effective July 1, 2008.

Cost of the program will be paid from the Employees Retirement System and will be amortized over a 10 year period. The attached spreadsheet summarizes the cost and savings.

Office of the Director

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18

Michael J. Knapp, Council President  
March 25, 2008  
Page 2

The plan actuary estimates that the actuarial accrued liability of the plan will increase by \$13.2 million. This will have a negligible effect on the funded status of the plan.

Douglas Rowe, FSA, the pension plan's actuary and G. Wesley Girling with the Office of Human Resources contributed to and concurred with this analysis.

JFB:lob

cc: Timothy L. Firestine, Chief Administrative Officer  
Kathleen Boucher, Assistant Chief Administrative Officer  
Rebecca Domaruk, Offices of the County Executive  
G. Wesley Girling, Benefits Manager, Office of Human Resources

## Employees Eligible For Normal Retirement \$25,000 Payment

**Assumptions:**

Applies to Group A and H
Total Eligible - 525
Retirement Effective 7/1/08
Average Salary - \$75,000
Cost amortized over 10 years
15 percent of eligibles elect to retire (78 people)
New Hires @ \$66,000
New Hire Benefits \$18,000

	Year 1	Year 2	Year 3	Year 4	Year 5
Half of positions remain unfilled					
Salary Savings	(\$5,968,355)	(\$5,968,355)	(\$5,968,355)	(\$5,968,355)	(\$5,968,355)
Normal Pension Cost Savings	\$ (647,515)	\$ (647,515)	\$ (647,515)	\$ (647,515)	\$ (647,515)
Gross Savings	(\$6,615,870)	(\$6,615,870)	(\$6,615,870)	(\$6,615,870)	(\$6,615,870)
Amortized Pension Cost	\$ 0	\$ 1,283,176	\$ 1,283,176	\$ 1,283,176	\$ 1,283,176
New Hire Salary Cost (39 People)	\$2,184,000	\$2,184,000	\$2,184,000	\$2,184,000	\$2,184,000
New Hire Benefit Cost	\$702,000	\$702,000	\$702,000	\$702,000	\$702,000
OPEB ARC Increase	\$0	\$ 633,750	\$ 633,750	\$ 633,750	\$ 633,750
Gross Cost	\$2,886,000	\$4,802,926	\$4,802,926	\$4,802,926	\$4,802,926
Savings	(\$3,729,870)	(\$1,812,944)	(\$1,812,944)	(\$1,812,944)	(\$1,812,944)

Note: Actuarial Accrued Liability Increases by: \$ 9,299,000

Combined for Employees Eligible for Normal Retirement and within 2 Years of Normal Retirement  
Assuming 10 percent of early eligibles and 15 percent of normal eligibles retire

	Year 1	Year 2	Year 3	Year 4	Year 5
Half of positions remain unfilled					
Savings	(\$5,119,995)	(\$2,389,855)	(\$2,389,855)	(\$2,389,855)	(\$2,389,855)

Actuarial Accrued Liability Increases by:

\$ 13,253,000

**\$25,000 plus Waive Early Penalty for Employees within 1 Year of Normal Retirement  
\$25,000 plus Reduce Early Penalty to 2% for Employees 1-2 Years from NR**

**Assumptions:**

Applies to Group A and H  
 Total Eligible 303  
 Retirement Effective 7/1/08  
 Average Salary - \$75,000  
 Cost amortized over 10 years  
 10 percent of eligibles elect to retire (30 people)  
 New Hires @ \$56,000  
 New Hire Benefits \$18,000

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Half of positions remain unfilled</b>					
Salary Savings	(\$2,239,794)	(\$2,239,794)	(\$2,239,794)	(\$2,239,794)	(\$2,239,794)
Normal Pension Cost Savings	(\$260,331)	(\$260,331)	(\$260,331)	(\$260,331)	(\$260,331)
Gross Savings	(\$2,500,125)	(\$2,500,125)	(\$2,500,125)	(\$2,500,125)	(\$2,500,125)
Amortized Pension Cost	\$0	\$545,357	\$545,357	\$545,357	\$545,357
New Hire Salary Cost (15 People)	\$840,000	\$840,000	\$840,000	\$840,000	\$840,000
New Hire Benefit Cost	\$270,000	\$270,000	\$270,000	\$270,000	\$270,000
OPEB ARC Increase	\$0	\$267,857	\$267,857	\$267,857	\$267,857
Gross Cost	\$1,110,000	\$1,923,214	\$1,923,214	\$1,923,214	\$1,923,214
Savings	(\$1,390,125)	(\$576,911)	(\$576,911)	(\$576,911)	(\$576,911)

Note: Actuarial Accrued Liability Increases by: \$3,954,000

# Workforce/Compensation

## SUMMARY OF FY09 RECOMMENDATIONS

### A. SUMMARY OF AGENCY REQUESTS

**Montgomery County Public Schools (MCPS):** The MCPS workforce for FY09, as recommended by the Board of Education (BOE), is 21,061.2 FTEs, or 216.7 FTEs greater than the FY08 workforce of 20,844.5 FTEs. The BOE has negotiated agreements with the public schools' three bargaining units, the Service Employees International Union (SEIU), the Montgomery County Education Association (MCEA), and the Montgomery County Association of Administrators and Supervisory Personnel (MCAASP). The contracts with these unions will expire on June 30, 2010. For more information on compensation and workforce changes, please see the Board of Education FY09 recommended budget document.

**Montgomery College (MC):** The net impact on the Montgomery College workforce for FY09, as recommended by the College and its Board of Trustees, is an increase of 104.8 workyears. This is accompanied by an increase in personnel costs of \$15.1 million. The primary factors in these changes are the full-year impact of prior year merit increases, reclassifications, promotions, FY09 compensation increases, and fringe benefit increases. For more information on compensation and workforce changes, please see the Montgomery College FY09 recommended budget document.

**Maryland-National Capital Park & Planning Commission (M-NCPPC):** The net impact on the Maryland-National Capital Park and Planning Commission workforce for FY09, as recommended by the Planning Board, is an increase in personnel costs of \$14.6 million. The increase includes adjustments for compensation, merit pay increases, retirement, and group insurance. For more information on compensation and workforce changes, please see the M-NCPPC FY09 recommended budget document.

**Montgomery County Government (MCG):** The net impact on the County government workforce for FY09, as recommended by the Executive, is an increase of 124.3 workyears. The recommended budget contains an increase in total personnel costs of \$47.0 million, or 5.1 percent. The primary factors in these changes are:

- |  |                 |
|--|-----------------|
|  | <u>Millions</u> |
| • General Wage Adjustments and service increments (\$35.0 million tax supported) | \$39.2          |

- Net additional workyears \$4.8
- Changes in retirement contribution rates (\$4.8)
- Changes in group insurance contribution rates \$10.7
- Expected early retirement savings (\$5.0)
- Other personnel cost changes \$2.1

FY09 COUNTY EXECUTIVE RECOMMENDED COMPENSATION ADJUSTMENTS	
<b>GENERAL WAGE ADJUSTMENTS/SERVICE INCREMENTS</b>	
Non-represented (non-public safety)	9,697,340
MCGEO and uniformed public safety mgmt.	18,807,180
FOP members and uniformed Police mgmt.	6,228,630
IAFF members and uniformed Fire mgmt.	4,480,580
<b>TOTAL</b>	<b>\$39,213,730</b>
<b>PERFORMANCE-BASED PAY</b>	<b>(\$57,880)</b>
<b>TOTAL COMPENSATION ADJUSTMENTS</b>	<b>\$39,155,850</b>

The recommendations in the remainder of this section are for the County government and are based upon the bargained agreements with the United Food and Commercial Workers, Local 1994 (Municipal and County Government Employees Organization – MCGEO), the International Association of Fire Fighters (IAFF), Local 1664, the Fraternal Order of Police (FOP), Lodge 35, and Montgomery County Volunteer Fire and Rescue Association (MCFVRA). Certain provisions of the agreements have been extended to unrepresented employees, as noted below.

### B. COUNTY GOVERNMENT SALARY AND WAGES

**GENERAL WAGE ADJUSTMENT:** The Executive recommends the following general wage adjustments effective the first full pay period after July 1, 2008: 4.5 percent for all employees in the Office, Professional, and Technical (OPT) and Service, Labor, and Trades (SLT) bargaining units; 4.0 percent for all employees in the Police bargaining unit and Police uniformed managers; and 4.5 percent for all unrepresented employees, including Management Leadership Service (MLS) employees. The Executive also recommends a 2.0 percent increase effective the first full pay period after July 1, 2008, and 2.0 percent effective the first full pay period after January 1, 2009, for employees in the Fire and Rescue bargaining unit and Fire and Rescue uniformed managers. All recommended salary schedules are at the end of this section.

**INCREMENTS:** The Executive recommends service increments of 3.5 percent for all eligible employees.

**MANAGEMENT LEADERSHIP SERVICE:** The Executive recommends \$1,670,930 in the Compensation Adjustment NDA to fund performance-based pay increases to MLS Band I, II, and III employees.

## **C. COUNTY GOVERNMENT: EMPLOYEE BENEFITS**

The following employee benefits are funded in the Executive's recommended budget through a combination of lump sum or payroll-based contributions.

- **FICA (Social Security & Medicare)**
- **Workers' Compensation**
- **Group Insurance**
- **Employees' Retirement System**
- **Retirement Savings Plan**

**Social Security and Medicare:** Contributions are collected from County departments and agencies each payday based on actual payroll. Since contribution rates and salary maximums change at the start of the calendar year, figures used in the recommended fiscal year budget represent an average of the rates set for 2008 and projected changes for 2009. While the rates (percentage of salary, which is contributed by both employer and employee) are not expected to change, the annual salary maximum on which to base FICA is projected to increase by about \$3,600 or 3.6 percent.

**Workers' Compensation:** This is handled through the County's Risk Management program under the Department of Finance. Departments with significant non-tax revenues make annual contributions to the Liability and Property Coverage Self-Insurance Fund. A lump sum contribution to the Fund for insurance for the remaining County departments is made annually through the Risk Management (General Fund portion) Non-Departmental Account. Participating County agencies also make annual lump sum contributions. Contributions for all members are set each year based on an actuarial valuation of claims experience for Workers' Compensation.

**Group Insurance Benefits:** The contributions for health insurance are based on fixed rates per coverage level, and the contribution for life insurance is based on fixed rates per coverage amounts based on an employee's salary. Overall, in calendar 2008, plan participants experienced a 4.3 percent increase in premiums from the previous year. Rate changes were made pursuant to an actuarial analysis of claims experience and previous rate actions. The County also used the fund balance exceeding the target 5 percent to mitigate what would have been a higher increase in premiums.

It is projected for the long term that the annual cost of group insurance for the County, including active employees and retirees, could increase an average of approximately

8.8 percent annually between FY09 and FY14. Contribution rates during this period will be set based on various factors, including the fund balance in the Health Insurance Fund and claims cost experience.

**Retirement Benefits:** Montgomery County government maintains a system of retirement pay and benefits for its employees which are intended to provide income during their retirement years. The County government's Employees' Retirement System (ERS) was established through legislation in 1965 and is found in the Montgomery County Code, Section 33. The Retirement Program, which currently provides benefits to approximately 4,997 retirees and survivors, is administered by the Office of Human Resources. Retirement plan design changes occurring through the collective bargaining process and by other means are coordinated by the Office of Human Resources in consultation with the County's actuaries, the Finance Department, and the Office of Management and Budget.

**Retiree Health Benefits Trust:** Beginning in FY08, the County implemented a plan to set aside funds for retiree health benefits, similar to what we have been doing for retiree pension benefits for more than 50 years. The reasons for doing this are simple: due to exponential growth in expected retiree health costs, the cost of funding these benefits, which are currently paid out as the bills come due, may soon become unaffordable. Setting aside money now and investing it in a Trust Fund, which will be invested in a similar manner as the pension fund, not only is a prudent and responsible approach, but will result in significant savings over the long term.

As a first step in addressing the future costs of retiree health benefits, County agencies developed current estimates of the costs of health benefits for current and future retirees. These estimates, made by actuarial consultants, concluded that the County's total future cost of retiree health benefits if paid out today, and in today's dollars, is \$2.6 billion – more than half the total FY09 budget for all agencies.

One approach used to address retiree health benefits funding is to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health benefits. This amount, known as an Annual Required Contribution or "ARC", was calculated for County agencies last year to be \$240 million, or nearly \$190 million more than the previous annual payment for current retirees. Still too large an amount to be set aside all at once in FY08, the County chose a further approach of "ramping up" to the ARC amount over several years, with the amount set aside each year increasing steadily until the full ARC is reached. A total of \$31.9 million for all tax supported agencies was budgeted for this purpose in FY08.

For FY09, the ARC has been recalculated and is now estimated at \$250 million. This amount consists of two pieces – the annual amount the County would usually pay out for health benefits for current retirees (the pay as you go amount), plus the additional amount estimated as needed to fund retirees' future health benefits (the pre-funding portion). The pay as you go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis. For FY09, a ramp-up period of eight years has been assumed, up from the five year phase-in that was planned in FY08. This lengthening of the phase-in period is being implemented in response to the County's fiscal situation, and results in a contribution for all County tax-supported agencies of \$55.15 million in FY09, down from \$70.73 million called for under the previous plan. A detailed breakdown of the Retiree Health Benefit Trust contributions for tax supported agencies is displayed in the table below.

<b>Proposed FY09 Retiree Health Benefits Trust Contributions</b>	
	<u>FY09</u>
<b>Montgomery County Government (MCG)</b>	
<i>General Fund:</i>	
Retiree Health Benefits Trust NDA	\$19,571,930
<i>Proprietary Funds:</i>	
Bethesda Parking District	\$56,650
Wheaton Parking District	8,500
Silver Spring Parking District	45,320
Solid Waste Collection	25,490
Solid Waste Disposal	203,920
Liquor Control	883,670
Permitting Services	606,100
Community Use of Public Facilities	76,470
Motor Pool	472,990
Risk Management	33,990
Central Duplicating	84,970
<i>Participating Agency Contributions:</i>	
Housing Opportunities Commission	\$680,000
Revenue Authority	120,000
Strathmore Hall	70,000
Credit Union	50,000
Washington Suburban Transit Commission	10,000
<b>Total MCG Trust Contributions</b>	<b>\$23,000,000</b>
<b>Montgomery County Public Schools Trust Fund</b>	<b>29,000,000</b>
<b>Montgomery College Trust Fund</b>	<b>900,000</b>
<b>Park and Planning Commission Trust Fund</b>	<b>2,250,000</b>
<b>Total FY09 Contributions</b>	<b>\$55,150,000</b>

**Retirement Plans:**

- 1) The ERS consists of three plans including a Mandatory Integrated Retirement Plan, an Optional Non-Integrated Retirement Plan, and an Optional Integrated Plan.
- 2) The Retirement Savings Plan (RSP), a defined contribution plan, was established for all new OPT/SLT (non-public safety) and non-represented employees hired on or after October 1, 1994. Eligible employees in the ERS are allowed to transfer to the Retirement Savings

Plan. Both full-time and part-time employees can participate. Under this plan, the County and employee each make contributions at a set percentage of pay. These monies are deposited into investment vehicles of the employee's choosing designed to provide a retirement benefit directly to the employee.

**Retirement Fund:** The Board of Investment Trustees manages the assets of the ERS through its investment managers in accordance with the Board's asset allocation strategy. The Board also administers the investment program for the Retirement Savings Plan and the Montgomery County Deferred Compensation Plan. The Montgomery County Union Employees Deferred Compensation Plan is administered by the three unions representing Montgomery County employees. The Board currently consists of 13 trustees including: the Directors of Human Resources, Finance, Management and Budget, and the Council Staff; one member recommended by each employee organization; one active employee not represented by an employee organization; one retired employee; two members of the public recommended by the County Council; and two members of the general public. As a result of the re-opener negotiations with MCGEO, the County Executive will be proposing legislation to alter the composition of the Board of Investment Trustees, increasing the total membership to 16 trustees (two additional representatives for the OPT/SLT bargaining units and one additional public representative).

**Change In Retirement System Membership:** As indicated in the table "Retirement Funds: Enrollment and County Contribution Rates" at the end of this narrative, the number of active non-public safety employees in the ERS declined, the number of active public safety employees increased, and the number of employees in the RSP increased.

Funds for the County's contribution to the ERS for each member employee are included in the appropriate County government departmental budget or agency budget. Budgeted ERS contribution rates are displayed in the table "Retirement Funds: Enrollment and Contribution Rates" at the end of this narrative and are based on a 40-year funding schedule, with the exception of the additional costs from the FY94 and FY95 Retirement Incentive Program (RIP) which are being amortized on a 10-year schedule. The County uses multiple contribution rates designating the percentage of payroll for the various employee groups to determine the retirement contribution. These rates are determined annually by an actuarial valuation.

County contributions are determined using actuarially sound assumptions to assure the financial health of the Fund. Factors that affect the County's contributions include the impact of compensation adjustments, increases in the size of the workforce, investment returns, and col-

lectively bargained benefit changes. The ERS contribution rates reflect projections of revenues and expenses to the fund. Revenues include member contributions which are set at fixed percentages of salaries and investment income which is driven by both earnings in the market and the size of the Fund balance invested.

Expenses of the Fund include pension payments which are affected by mandated cost-of-living increases and changes in the number of retirees and survivors; administrative and operational expenses of the Fund managers and financial consultants; and charges for services provided by County staff in the Board of Investment Trustees, Finance, and Human Resources.

The Executive recommends the establishment of an early retirement incentive program in order to produce long term savings for the County Government. The details of the program remain to be further defined, but will apply to non-public safety employees. It is expected that nearly 100 employees will participate in this program and that approximately 50 of the positions that will be vacated as a result of the program will be permanently abolished.

## COLLECTIVE BARGAINING

### Fire and Rescue Bargaining Unit:

**International Association of Fire Fighters, Local 1664:** The current agreement expires June 30, 2008. The County Executive and IAFF reached agreement, subject to ratification, on a three-year contract effective July 1, 2008 to June 30, 2011. The agreement's salient economic terms include:

- ❖ A general wage adjustment of 2.0 percent effective the first full pay period after July 1, 2008, 2.0 percent in January 2009, 4.0 percent in July 2009, and 3.5 percent in July 2010.
- ❖ A new longevity adjustment at 28 years of service in July 2009, and an additional step on the salary schedule in July 2010.
- ❖ A service increment of 3.5 percent for eligible employees.
- ❖ New primary and backup scheduler differential in July 2008; and increase in hazardous materials, breathing apparatus technician certification, fire code, fire investigation, urban search and rescue, swift water rescue, and scheduler assignment pay, as well as an increase in ECC certification pay, in July 2009.
- ❖ Effective January 2009, County contribution for prescription insurance fixed to 80 percent of standard option (employee may buy-up at their own cost), generics are restricted, incentives are established for mail order, and high option copayments remain at \$4/\$8.
- ❖ Expansion of the list of illnesses for which an employee is automatically entitled to a service-connected disability retirement.
- ❖ A \$100 increase each year in tuition assistance.

- ❖ Establishment of random drug testing.
- ❖ Bottled water at each station and parking improvements at select stations are provided.

**Montgomery County Volunteer Fire and Rescue Association (MCVFRA):** The current agreement expires June 30, 2008. The County Executive and MCVFRA reached agreement, subject to ratification, on a three-year contract effective July 1, 2008 to June 30, 2011. The salient economic terms of the agreement include:

- ❖ Increased administrative support funding and a nominal fee for certain members.
- ❖ Turn-out boots and gear bags provided to active members.
- ❖ Increased number of contracts printed, association vehicle supplied, provision of one computer, development of online courses, and County sponsorship of annual awards dinner.
- ❖ Establishment of random drug testing.

### OPT/SLT Bargaining Units:

**Municipal and County Government Employees Organization (MCGEO), United Food and Commercial Workers, Local 1994:** The current agreements expire June 30, 2010. The agreement's salient economic terms, including those negotiated through a reopener on health and pension issues, consist of:

- ❖ A general wage adjustment of 4.0, 4.5, and 4.5 percent effective the first full pay period in July 2007, 2008, and 2009, respectively.
- ❖ A service increment of 3.5 percent for eligible employees.
- ❖ An increase from 2 percent to 3 percent in longevity increment for unit members at pay grade maximum and 20 years of completed service effective January 2008.
- ❖ A \$100 increase each year in tuition assistance.
- ❖ A wage increase for employees on the seasonal wage scale of \$0.40 per hour in FY08 and \$0.45 per hour in fiscal 2009 and 2010.
- ❖ A 1.5 percent retention increment for Bus Operators after four years completed service and an additional 1.5 percent retention increment after six years of completed service effective January 2008.
- ❖ Implementation of a new salary schedule for Correctional Officers and adjustments to the Deputy Sheriffs salary schedule to include Sergeants and a new step for Deputy Sheriff III and Sergeant.
- ❖ Increase evening shift differential \$0.05 in FY08 and FY09; increase midnight shift differential \$0.05 in fiscal 09; implement the midnight shift differential for non-ECC Police Public Service Aides working the 8 pm to 6 am shift; increase advanced multilingual differential \$0.20 in FY08; and increase the field training differential \$0.25 in FY08 and FY10.
- ❖ Implementation of a gainsharing program to encourage and promote new, innovative ideas,

concepts and strategies to deliver County services and products cost effectively.

- ❖ Effective January 2009, County contribution for prescription insurance fixed to 80 percent of standard option (employee may buy-up at their own cost), generics are restricted, incentives are established for mail order, and high option copayments remain at \$4/\$8.
- ❖ In the Group E retirement plan, the social security integration multiplier increased from 1.25 to 1.65 percent
- ❖ Employer contribution increases from 6 to 8 percent in the Retirement Savings Plan in July 2008.
- ❖ Guaranteed Retirement Income Plan ("GRIP") offered July 1, 2009, which ensures an investment return of 7.25 percent, with a 6-month election period for employees hired on or after July 1, 2009.

**Police Bargaining Unit:**

**Fraternal Order of Police Lodge 35:** The current agreement expires June 30, 2010. The agreement's salient economic terms, including those negotiated through a reopener on health and pension issues, consist of:

- ❖ A \$3,151 increase to Step 0, Year 1 of pay plan – maintaining existing structure, in July 2007; general wage adjustments of 4.0 percent in July 2008 and 4.25 percent in July 2009.
- ❖ A service increment of 3.5 percent for eligible employees.
- ❖ Increase in the clothing allowance each year.
- ❖ A \$100 increase each year in tuition assistance.
- ❖ Increase in the shift differential each year.
- ❖ Full implementation of the Single Officer Fleet Vehicle program by July 1, 2009 including video cameras.
- ❖ Establish DROP program; increase credited service to a maximum of 36 years, including sick leave credits; and establish eligibility for unreduced pension with 25 years of service, regardless of age.
- ❖ Effective January 2009, County contribution for prescription insurance fixed to 80 percent of standard option (employee may buy-up at their own cost), generics are restricted, incentives are established for mail order, high option copayments are increased to \$5/\$10.

**WORKFORCE ANALYSIS**

**Basis:** Workforce Analysis has been performed on changes to tax supported and non-tax supported workyears (WYs) in the Executive's Recommended FY09 Operating Budget for the County government. Overall changes are calculated in comparison to the Approved Personnel Complement for FY08, which began on July 1, 2007. Changes shown reflect such factors as the addition of grant-funded positions; abolishments and creations to implement approved job sharing agreements; technical adjustments to remove positions currently associated with "group

positions" which can contain unlimited numbers of employees (temporary, seasonal, or contractual), but are defined by the amount of service in terms of workyears that they are to provide; and other miscellaneous changes. Changes recommended by the Executive for FY09 are in three categories: current year position changes due to supplemental appropriations or other actions, new fiscal year position changes scheduled to take effect July 1, 2008, and position changes scheduled for later in the fiscal year. In the latter case, the workyear change will be prorated for the portion of the year it is recommended.

**Summary:** The recommended budget includes funding for 9,005 full-time positions, a net increase of 26 from the approved FY08 Personnel Complement of 8,979 full-time positions. Funding for 1,104 part-time positions is included, a net decrease of 39 positions from the approved FY08 Personnel Complement of 1,143 positions.

Tax supported workyears account for 83.4 percent of the County's total workyears. Total tax supported workyears will decrease to 8,369.6 WYs in FY09, a decrease of 177.7 WYs or 2.1 percent. The primary reason for the reduction of tax supported workyears is the shifting of 249.0 workyears in the Department of Health and Human Services to the non-tax supported grant fund.

Total County government workyears will increase to 10,038.1 WYs in FY09, an increase of 124.3 WYs or 1.3 percent. When measured relative to population, total workyears per thousand population is relatively unchanged from FY08 (10.25 compared to 10.24).

Of the County's 8,369.6 tax supported workyears proposed for FY09, Public Safety departments account for 47.7 percent, or 3,988.9 workyears. Public Safety workyears will decrease by 25.4 workyears, or 0.6 percent from FY08 levels.

Detailed below are the significant net changes in the number of tax supported workyears in the FY09 Recommended Budget.

<b>Program Changes (tax supported)</b>	<b>WYs</b>
• Transit Services – net annualization of Ride On service reductions and County take-over of contracted bus services	95.2
• Fire and Rescue – net increase due to the opening of the West Germantown Fire Station	11.0
• Corrections – reductions related to overtime funding	-9.2
• Health and Human Services – reduction primarily due to a shift of the Crisis Center – Assertive Community Treatment (ACT) Team to the State.	-10.8
• Police – Elimination of Community Services Division and Community Policing program	-12.9

MONTGOMERY COUNTY GOVERNMENT - MEDICAL PLAN ENROLLMENT, ACTIVE EMPLOYEES															
HEALTH PLAN	2007					2008					CHANGE				
	EMP	EMP+1	FAM	TOTAL	%INSURED	EMP	EMP+1	FAM	TOTAL	%INSURED	EMP	EMP+1	FAM	TOTAL	%CHG
Carefirst POS	1,708	1,212	2,124	5,044	60.1%	1,891	1,298	2,234	5,423	61.5%	183	86	110	379	88.3%
Carefirst POS Std	111	24	65	200	2.4%	145	55	83	283	3.2%	34	31	18	83	19.3%
Kaiser	454	233	383	1,070	12.8%	521	230	404	1,155	13.1%	67	(3)	21	85	19.8%
United Healthcare*	620	467	991	2,078	24.8%	599	451	910	1,960	22.2%	(21)	(16)	(81)	(118)	-27.5%
Grand Total				8,392					8,821					429	

\* Formerly Optimum Choice

RETIREMENT FUNDS: ENROLLMENT & COUNTY CONTRIBUTION RATES						
Employee Retirement System Plans	Number Employees (7/1/06)	Fiscal 2008 Contribution Rate	Number Employees (7/1/07)	Fiscal 2009 Contribution Rate	Number Employees 7/06 v. 7/07	FY 08 v. 09 Contribution Rate
<b>Public Safety</b>						
Optional, Nonintegrated	23	81.61%	20	80.21%	(3)	-1.40%
Optional, Integrated	81	81.28%	75	73.63%	(6)	-7.65%
Mandatory Integrated	2,717	35.80%	2,837	32.53%	120	-3.27%
<b>Subtotal Public Safety</b>	<b>2,821</b>		<b>2,932</b>		<b>111</b>	
<b>Non-Public Safety</b>						
Optional, Nonintegrated	123	39.04%	104	35.22%	(19)	-3.82%
Optional, Integrated	229	35.90%	189	35.59%	(40)	-0.31%
Mandatory Integrated	2,189	22.26%	2,069	21.34%	(120)	-0.92%
<b>Subtotal Non-Public Safety</b>	<b>2,541</b>		<b>2,362</b>		<b>(179)</b>	
<b>Total ERS System Plans</b>	<b>5,362</b>		<b>5,294</b>		<b>(68)</b>	
Retirement Savings Plan	3,791	6.00%	4,253	8.00%	462	2.00%

MONTGOMERY COUNTY GOVERNMENT WORKFORCE CHANGE SUMMARY COUNTY EXECUTIVE RECOMMENDED: FY09					
	POSITIONS		WORKYEARS		
	Full Time	Part Time	Tax Supported	Non-Tax Supp.	TOTAL WYs
FY08 APPROVED COMPLEMENT	8,979	1,143	8,547.3	1,366.5	9,913.8
FY09 RECOMMENDED COMPLEMENT	9,005	1,104	8,369.6	1,668.5	10,038.1
CHANGE IN WORKFORCE (GROSS)	26	(39)	(177.7)	302.0	124.3
Percentage Change	0.3%	(3.4%)	(2.1%)	22.1%	1.3%

PROPOSED OPERATING BUDGET DEFERRED COMPENSATION MANAGEMENT						
ITEM	FY07 ACTUAL	FY08 APPR	FY08 EST	FY09 REC	Change:	
					FY09 vs. FY08 Appr. \$	%
<b>EXPENSES</b>						
Salaries and Benefits	101,990	83,980	81,970	91,310	7,330	8.7%
Professional Services	4,420	11,700	6,200	6,870	(4,830)	(41.3%)
Due Diligence/Education	870	4,700	3,500	3,500	(1,200)	(25.5%)
Office Management	5,980	6,100	6,600	6,800	700	11.5%
Investment Management	29,460	32,000	24,100	17,000	(15,000)	(46.9%)
<b>TOTAL EXPENSES</b>	<b>\$142,720</b>	<b>\$138,480</b>	<b>\$122,370</b>	<b>\$125,480</b>	<b>(\$13,000)</b>	<b>(9.4%)</b>

Amounts shown above are not charged to the Deferred Compensation Plan trust but are instead appropriated and charged to the General Fund Compensation and Employee Benefits Adjustments Non-Departmental Account.

PROPOSED OPERATING BUDGET EMPLOYEES' RETIREMENT SYSTEM						
ITEM	FY07 ACTUAL	FY08 APPR	FY08 EST	FY09 REC	Change:	
					FY09 vs. FY08 Appr. \$	%
<b>REVENUE</b>						
County Contributions	109,436,000	113,000,000	112,000,000	110,000,000	(3,000,000)	(2.7%)
Employee Contributions	16,362,460	16,000,000	16,000,000	17,500,000	1,500,000	9.4%
Investment Income	420,041,360	200,000,000	223,400,000	243,000,000	43,000,000	21.5%
Miscellaneous Income	805,660	690,000	750,000	800,000	110,000	15.9%
<b>TOTAL REVENUE</b>	<b>546,645,480</b>	<b>329,690,000</b>	<b>352,150,000</b>	<b>371,300,000</b>	<b>41,610,000</b>	<b>12.6%</b>
<b>EXPENSES</b>						
<b>OPERATING EXPENSES</b>						
Retirement Benefits	137,625,750	150,720,000	150,950,000	164,720,000	14,000,000	9.3%
Investment Management	12,014,390	9,349,300	10,242,000	11,055,000	1,705,700	18.2%
<b>SUBTOTAL</b>	<b>149,640,140</b>	<b>160,069,300</b>	<b>161,192,000</b>	<b>175,775,000</b>	<b>15,705,700</b>	<b>9.8%</b>
<b>ADMINISTRATIVE EXPENSES</b>						
Salaries and Benefits	1,215,260	1,209,430	1,209,430	1,363,050	153,620	12.7%
Professional Services	550,110	845,130	900,430	788,930	(56,200)	(6.6%)
Benefit Processing	486,150	375,000	375,000	375,000	0	0.0%
Due Diligence/Education	21,560	38,500	48,500	51,500	13,000	33.8%
Office Management	128,140	152,700	151,800	242,660	89,960	58.9%
<b>SUBTOTAL</b>	<b>2,401,220</b>	<b>2,620,760</b>	<b>2,685,160</b>	<b>2,821,140</b>	<b>200,380</b>	<b>7.6%</b>
<b>TOTAL EXPENSES</b>	<b>\$152,041,360</b>	<b>\$162,690,060</b>	<b>\$163,877,160</b>	<b>\$178,596,140</b>	<b>\$15,906,080</b>	<b>9.8%</b>
<b>NET REVENUE</b>	<b>\$394,604,120</b>	<b>\$166,999,940</b>	<b>\$188,272,840</b>	<b>\$192,703,860</b>	<b>\$25,703,920</b>	<b>15.4%</b>

PROPOSED OPERATING BUDGET RETIREMENT SAVINGS PLAN						
ITEM	FY07 ACTUAL	FY08 APPR	FY08 EST	FY09 REC	Change:	
					FY09 vs. FY08 Appr. \$	%
<b>REVENUE</b>						
Investment Income	48,270	32,000	24,000	24,000	(8,000)	(25.0%)
Miscellaneous Income	573,690	300,000	300,000	300,000	0	0.0%
<b>TOTAL REVENUE</b>	<b>621,960</b>	<b>332,000</b>	<b>324,000</b>	<b>324,000</b>	<b>(8,000)</b>	<b>(2.4%)</b>
<b>EXPENSES</b>						
<b>OPERATING EXPENSES</b>						
Investment Management	30,630	32,000	24,100	17,000	(15,000)	(46.9%)
<b>SUBTOTAL</b>	<b>30,630</b>	<b>32,000</b>	<b>24,100</b>	<b>17,000</b>	<b>(15,000)</b>	<b>(46.9%)</b>
<b>ADMINISTRATIVE EXPENSES</b>						
Salaries and Benefits	203,170	131,840	131,840	190,620	58,780	44.6%
Professional Services	72,520	118,100	101,100	114,100	(4,000)	(3.4%)
Due Diligence/Education	4,880	5,700	4,500	4,500	(1,200)	(21.1%)
Office Management	20,880	12,100	13,100	14,890	2,790	23.1%
<b>SUBTOTAL</b>	<b>301,450</b>	<b>267,740</b>	<b>250,540</b>	<b>324,110</b>	<b>56,370</b>	<b>21.1%</b>
<b>TOTAL EXPENSES</b>	<b>\$332,080</b>	<b>\$299,740</b>	<b>\$274,640</b>	<b>\$341,110</b>	<b>\$41,370</b>	<b>13.8%</b>

## GENERAL SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

<u>GRADE</u>	<u>MINIMUM</u>	<u>MID-POINT</u>	<u>MAXIMUM</u>	<u>PERFORMANCE LONGEVITY MAXIMUM*</u>
5	\$24,239	\$30,842	\$37,444	\$38,193
6	\$25,167	\$32,085	\$39,003	\$39,784
7	\$26,148	\$33,410	\$40,672	\$41,486
8	\$27,165	\$34,844	\$42,522	\$43,373
9	\$28,238	\$36,353	\$44,468	\$45,358
10	\$29,371	\$37,969	\$46,567	\$47,499
11	\$30,558	\$39,658	\$48,758	\$49,734
12	\$31,797	\$41,430	\$51,062	\$52,084
13	\$33,107	\$43,295	\$53,483	\$54,553
14	\$34,484	\$45,257	\$56,030	\$57,151
15	\$35,923	\$47,308	\$58,693	\$59,867
16	\$37,457	\$49,478	\$61,498	\$62,728
17	\$39,157	\$51,799	\$64,441	\$65,730
18	\$40,952	\$54,243	\$67,533	\$68,884
19	\$42,883	\$56,828	\$70,773	\$72,189
20	\$44,900	\$59,541	\$74,181	\$75,665
21	\$47,028	\$62,392	\$77,756	\$79,312
22	\$49,253	\$65,383	\$81,513	\$83,144
23	\$51,598	\$68,531	\$85,463	\$87,173
24	\$54,054	\$71,825	\$89,596	\$91,388
25	\$56,631	\$75,288	\$93,944	\$95,823
26	\$59,345	\$78,929	\$98,513	\$100,484
27	\$62,168	\$82,739	\$103,309	\$105,376
28	\$64,960	\$86,652	\$108,343	\$110,510
29	\$67,890	\$90,759	\$113,628	\$115,901
30	\$70,971	\$95,077	\$119,183	\$121,567
31	\$74,206	\$99,608	\$125,010	\$127,511
32	\$77,596	\$103,216	\$128,836	\$131,413
33	\$81,161	\$106,913	\$132,664	\$135,318
34	\$84,904	\$110,700	\$136,495	\$139,225
35	\$88,837	\$114,580	\$140,322	\$143,129
36	\$92,966	\$118,560	\$144,153	\$147,037
37	\$97,296	\$122,637	\$147,977	\$150,937
38	\$101,846	\$126,614	\$151,381	\$154,409
39	\$106,622	\$130,116	\$153,610	\$156,683
40	\$111,640	\$133,739	\$155,837	\$158,954

\*A one-time 2.0 percent performance-based longevity increment is provided to employees who have received performance ratings of "exceptional" or "highly successful" for the two most recent consecutive years, are at the top of their pay grade, and have 20 years completed service.

**MANAGEMENT LEADERSHIP SERVICE  
SALARY SCHEDULE**

**FISCAL YEAR 2009**

EFFECTIVE JULY 6, 2008

<u>GRADE</u>	<u>MLS LEVEL</u>	<u>MINIMUM</u>	<u>CONTROL POINT</u>	<u>MAXIMUM</u>
M1	MANAGEMENT LEVEL I	\$84,407	\$143,367	\$149,917
M2	MANAGEMENT LEVEL II	\$73,811	\$127,974	\$133,992
M3	MANAGEMENT LEVEL III	\$63,411	\$110,652	\$115,901

**MINIMUM WAGE / SEASONAL  
SALARY SCHEDULE**

**FISCAL YEAR 2009**

EFFECTIVE JULY 6, 2008

<u>GRADE</u>	<u>MINIMUM</u>		<u>MAXIMUM</u>	
	<u>ANNUAL</u>	<u>HOURLY</u>	<u>ANNUAL</u>	<u>HOURLY</u>
Grade S1	\$14,560	\$7.0000	\$17,943	\$8.6264
Grade S2	\$16,322	\$7.8471	\$20,435	\$9.8245
Grade S3	\$18,378	\$8.8351	\$23,111	\$11.1106
Grade S4	\$20,435	\$9.8245	\$25,786	\$12.3971
Grade S5	\$23,180	\$11.1442	\$29,352	\$14.1111
Grade S6	\$28,666	\$13.7817	\$36,482	\$17.5394
Grade S7	\$34,236	\$16.4596	\$43,728	\$21.0226
Grade S8	\$39,987	\$19.2245	\$51,202	\$24.6163

**MEDICAL DOCTORS  
SALARY SCHEDULE**

**FISCAL YEAR 2009**

EFFECTIVE JULY 6, 2008

<u>GRADE</u>	<u>MEDICAL JOB CLASS</u>	<u>MINIMUM</u>	<u>MID-POINT</u>	<u>MAXIMUM</u>
MD I	MEDICAL DOCTOR I	\$94,692	\$119,354	\$144,015
MD II	MEDICAL DOCTOR II	\$104,160	\$131,288	\$158,416
MD III	MEDICAL DOCTOR III	\$114,575	\$144,416	\$174,256
MD IV	MEDICAL DOCTOR IV	\$126,033	\$158,858	\$191,682

**OFFICE, PROFESSIONAL & TECHNICAL BARGAINING UNIT  
AND  
SERVICE, LABOR & TRADES BARGAINING UNIT  
SALARY SCHEDULE**

**FISCAL YEAR 2009**

EFFECTIVE JULY 6, 2008

<u>GRADE</u>	<u>MINIMUM</u>	<u>MID-POINT</u>	<u>MAXIMUM</u>	<u>L1*</u>
5	\$24,239	\$30,842	\$37,444	\$38,568
6	\$25,167	\$32,085	\$39,003	\$40,174
7	\$26,148	\$33,410	\$40,672	\$41,893
8	\$27,165	\$34,844	\$42,522	\$43,798
9	\$28,238	\$36,353	\$44,468	\$45,803
10	\$29,371	\$37,969	\$46,567	\$47,965
11	\$30,558	\$39,658	\$48,758	\$50,221
12	\$31,797	\$41,430	\$51,062	\$52,594
13	\$33,107	\$43,295	\$53,483	\$55,088
14	\$34,484	\$45,257	\$56,030	\$57,711
15	\$35,923	\$47,308	\$58,693	\$60,454
16	\$37,457	\$49,478	\$61,498	\$63,343
17	\$39,157	\$51,799	\$64,441	\$66,375
18	\$40,952	\$54,243	\$67,533	\$69,559
19	\$42,883	\$56,828	\$70,773	\$72,897
20	\$44,900	\$59,541	\$74,181	\$76,407
21	\$47,028	\$62,392	\$77,756	\$80,089
22	\$49,253	\$65,383	\$81,513	\$83,959
23	\$51,598	\$68,531	\$85,463	\$88,027
24	\$54,054	\$71,825	\$89,596	\$92,284
25	\$56,631	\$75,288	\$93,944	\$96,763
26	\$59,345	\$78,929	\$98,513	\$101,469
27	\$62,168	\$82,739	\$103,309	\$106,409

\* Completion of 20 years of service and at maximum for pay grade.

## SHERIFF MANAGEMENT SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

<u>GRADE</u>	<u>RANK</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>LONGEVITY*</u>
D2	DEPUTY SHERIFF LIEUTENANT	\$60,460	\$94,571	\$97,409
D3	DEPUTY SHERIFF CAPTAIN	\$72,553	\$114,215	\$117,642
D4	DEPUTY SHERIFF COLONEL	\$83,436	\$131,762	\$135,715

\* Completion of 20 years of service and at maximum for pay grade.

## DEPUTY SHERIFF SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

<u>YEAR</u>	<u>STEP</u>	<u>DS I</u>	<u>DS II</u>	<u>DS III</u>	<u>SGT</u>
1	0	\$43,642	\$46,697	\$49,966	\$54,963
2	1	\$45,170	\$48,332	\$51,715	\$56,887
3	2	\$46,751	\$50,024	\$53,526	\$58,879
4	3	\$48,388	\$51,775	\$55,400	\$60,940
5	4	\$50,082	\$53,588	\$57,339	\$63,073
6	5	\$51,835	\$55,464	\$59,346	\$65,281
7	6	\$53,650	\$57,406	\$61,424	\$67,566
8	7	\$55,528	\$59,416	\$63,574	\$69,931
9	8	\$57,472	\$61,496	\$65,800	\$72,379
10	9	\$59,484	\$63,649	\$68,103	\$74,913
11	10		\$65,877	\$70,487	\$77,535
12	11		\$68,183	\$72,955	\$80,249
13	12			\$75,509	\$83,058
14 - 20	13			\$78,152	\$85,966
21+	L1*	\$61,269	\$70,229	\$80,497	\$88,545

\* Completion of 20 years of service and at maximum for pay grade.

**FIRE/RESCUE BARGAINING UNIT  
SALARY SCHEDULE**

**FISCAL YEAR 2009**  
EFFECTIVE JULY 6, 2008

GRADE	F1 FIRE FIGHTER RESCUER I	F2 FIRE FIGHTER RESCUER II	F3 FIRE FIGHTER RESCUER III	F4 MASTER FIRE FIGHTER RESCUER	B1 FIRE/RESCUE LIEUTENANT	B2 FIRE/RESCUE CAPTAIN
A	\$40,797	\$42,837	\$44,979	\$49,477	\$54,430	\$61,377
B	\$42,225	\$44,337	\$46,554	\$51,209	\$56,336	\$63,526
C	\$43,703	\$45,889	\$48,184	\$53,002	\$58,308	\$65,750
D	\$45,233	\$47,496	\$49,871	\$54,858	\$60,349	\$68,052
E	\$46,817	\$49,159	\$51,617	\$56,779	\$62,462	\$70,434
F	\$48,456	\$50,880	\$53,424	\$58,767	\$64,649	\$72,900
G	\$50,152	\$52,661	\$55,294	\$60,824	\$66,912	\$75,452
H	\$51,908	\$54,505	\$57,230	\$62,953	\$69,254	\$78,093
I	\$53,725	\$56,413	\$59,234	\$65,157	\$71,678	\$80,827
J	\$55,606	\$58,388	\$61,308	\$67,438	\$74,187	\$83,656
K	\$57,553	\$60,432	\$63,454	\$69,799	\$76,784	\$86,584
L	\$59,568	\$62,548	\$65,675	\$72,242	\$79,472	\$89,615
M	\$61,653	\$64,738	\$67,974	\$74,771	\$82,254	\$92,752
N	\$63,811	\$67,004	\$70,354	\$77,388	\$85,133	\$95,999
O	\$66,045	\$69,350	\$72,817	\$80,097	\$88,113	\$99,359
LS*	\$68,357	\$71,778	\$75,366	\$82,901	\$91,197	\$102,837

\* Completion of 20 years of service.

**FIRE/RESCUE BARGAINING UNIT  
SALARY SCHEDULE**

**FISCAL YEAR 2009**  
EFFECTIVE JANUARY 4, 2009

GRADE	F1 FIRE FIGHTER RESCUER I	F2 FIRE FIGHTER RESCUER II	F3 FIRE FIGHTER RESCUER III	F4 MASTER FIRE FIGHTER RESCUER	B1 FIRE/RESCUE LIEUTENANT	B2 FIRE/RESCUE CAPTAIN
A	\$41,613	\$43,694	\$45,879	\$50,467	\$55,519	\$62,605
B	\$43,070	\$45,224	\$47,485	\$52,234	\$57,463	\$64,797
C	\$44,578	\$46,807	\$49,147	\$54,063	\$59,475	\$67,065
D	\$46,139	\$48,446	\$50,868	\$55,956	\$61,557	\$69,413
E	\$47,754	\$50,142	\$52,649	\$57,915	\$63,712	\$71,843
F	\$49,426	\$51,897	\$54,492	\$59,943	\$65,942	\$74,358
G	\$51,156	\$53,714	\$56,400	\$62,042	\$68,250	\$76,961
H	\$52,947	\$55,594	\$58,374	\$64,214	\$70,639	\$79,655
I	\$54,801	\$57,540	\$60,418	\$66,462	\$73,112	\$82,443
J	\$56,720	\$59,554	\$62,533	\$68,789	\$75,671	\$85,329
K	\$58,706	\$61,639	\$64,722	\$71,197	\$78,320	\$88,316
L	\$60,761	\$63,797	\$66,988	\$73,689	\$81,062	\$91,408
M	\$62,888	\$66,030	\$69,333	\$76,269	\$83,900	\$94,608
N	\$65,090	\$68,342	\$71,760	\$78,939	\$86,837	\$97,920
O	\$67,369	\$70,734	\$74,272	\$81,702	\$89,877	\$101,348
LS*	\$69,727	\$73,210	\$76,872	\$84,562	\$93,023	\$104,896

\* Completion of 20 years of service.

33

**FIRE/RESCUE MANAGEMENT  
SALARY SCHEDULE**

**FISCAL YEAR 2009**

EFFECTIVE JULY 6, 2008

<u>GRADE</u>	<u>RANK</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>LONGEVITY*</u>
B3	FIRE/RESCUE BATTALION CHIEF	\$68,835	\$114,392	\$118,396
B4	FIRE/RESCUE ASSISTANT CHIEF	\$75,171	\$125,822	\$130,226
B6	FIRE/RESCUE DIVISION CHIEF	\$85,928	\$142,663	\$147,657

\* Completion of 20 years of service.

**FIRE/RESCUE MANAGEMENT  
SALARY SCHEDULE**

**FISCAL YEAR 2009**

EFFECTIVE JANUARY 4, 2009

<u>GRADE</u>	<u>RANK</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>LONGEVITY*</u>
B3	FIRE/RESCUE BATTALION CHIEF	\$70,212	\$116,680	\$120,764
B4	FIRE/RESCUE ASSISTANT CHIEF	\$76,675	\$128,339	\$132,831
B6	FIRE/RESCUE DIVISION CHIEF	\$87,647	\$145,517	\$150,611

\* Completion of 20 years of service.

**POLICE MANAGEMENT  
SALARY SCHEDULE**

**FISCAL YEAR 2009**

EFFECTIVE JULY 6, 2008

<u>GRADE</u>	<u>RANK</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>LONGEVITY*</u>
A2	POLICE LIEUTENANT	\$74,352	\$111,992	\$115,912
A3	POLICE CAPTAIN	\$84,677	\$127,934	\$132,412

\* Completion of 20 years of service.

**POLICE BARGAINING UNIT  
SALARY SCHEDULE**

**FISCAL YEAR 2009**

EFFECTIVE JULY 6, 2008

<u>STEP</u>	<u>YEAR</u>	<u>PO I</u>	<u>PO II</u>	<u>PO III</u>	<u>MPO</u>	<u>SGT</u>
0	1	\$46,972	\$49,321	\$51,788	\$54,378	\$59,816
1	2	\$48,617	\$51,048	\$53,601	\$56,282	\$61,910
2	3	\$50,319	\$52,835	\$55,478	\$58,252	\$64,077
3	4	\$52,081	\$54,685	\$57,420	\$60,291	\$66,320
4	5	\$53,904	\$56,599	\$59,430	\$62,402	\$68,642
5	6	\$55,791	\$58,580	\$61,511	\$64,587	\$71,045
6	7	\$57,744	\$60,631	\$63,664	\$66,848	\$73,532
7	8	\$59,766	\$62,754	\$65,893	\$69,188	\$76,106
8	9	\$61,858	\$64,951	\$68,200	\$71,610	\$78,770
9	10	\$64,024	\$67,225	\$70,587	\$74,117	\$81,527
10	11	\$66,265	\$69,578	\$73,058	\$76,712	\$84,381
11	12	\$68,585	\$72,014	\$75,616	\$79,397	\$87,335
12	13	\$70,986	\$74,535	\$78,263	\$82,176	\$90,392
13	14	\$73,471	\$77,144	\$81,003	\$85,053	\$93,556
14	15 - 20	\$76,043	\$79,845	\$83,839	\$88,030	\$96,831
L1*	21+	\$78,705	\$82,640	\$86,774	\$91,112	\$100,221

\* Completion of 20 years of service.

## CORRECTIONAL MANAGEMENT SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

<u>GRADE</u>	<u>RANK</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>LONGEVITY*</u>
C1	CORRECTIONAL SHIFT COMMANDER (LT)	\$56,914	\$92,136	\$94,901
C2	CORRECTIONAL TEAM LEADER (CAPT)	\$62,606	\$101,350	\$104,391

\* Completion of 20 years of service and at maximum of pay grade.

## CORRECTIONAL OFFICER SALARY SCHEDULE

FISCAL YEAR 2009

EFFECTIVE JULY 6, 2008

<u>STEP</u>	<u>YEAR</u>	<u>CO I</u>	<u>CO II</u>	<u>CO III</u>	<u>SGT</u>
1	0	\$40,538	\$42,565	\$46,822	\$51,739
2	1	\$41,957	\$44,055	\$48,461	\$53,550
3	2	\$43,426	\$45,597	\$50,158	\$55,425
4	3	\$44,946	\$47,193	\$51,914	\$57,365
5	4	\$46,520	\$48,845	\$53,731	\$59,373
6	5	\$48,149	\$50,555	\$55,612	\$61,452
7	6	\$49,835	\$52,325	\$57,559	\$63,603
8	7	\$51,580	\$54,157	\$59,574	\$65,830
9	8	\$53,386	\$56,053	\$61,660	\$68,135
10	9	\$55,255	\$58,015	\$63,819	\$70,520
11	10	\$57,189	\$60,046	\$66,053	\$72,989
12	11	\$59,191	\$62,148	\$68,365	\$75,544
13	12		\$64,324	\$70,758	\$78,189
14	13				\$80,926
15	14 - 20				\$83,759
L1*	21+	\$60,967	\$66,254	\$72,881	\$86,272

\* Completion of 20 years of service and at maximum for pay grade.

**Fraternal Order of Police, Lodge 35  
Fiscal Impact Summary**

<u>Article</u>	<u>Item</u>	<u>Description</u>	<u>FY09</u>	<u>FY10</u>
24	Prescription Drug Coverage	Paygo impact: County contribution fixed to 80% of standard option (employee may buy-up at their own cost), restrict generics, incentivize mail order; increase high option copayments to \$5/\$10 OPEB impact: \$2.2 million reduction in the AAL	(106,750)	(213,500)  (85,710)
57	DROP/ Credited Service	Establish DROP program; increase credited service to a maximum of 36 years, including sick leave credits; and establish eligibility for unreduced pension with 25 years of service, regardless of age (\$6.0 million increase in AAL) <sup>1</sup>		803,000
<b>Total Fiscal Impact</b>			<b>\$ (106,750)</b>	<b>\$503,790</b>

<sup>1</sup> The Board of Investment Trustees may incur additional recordkeeping costs of approximately \$25,000.

**Municipal and County Government Employees Organization, Local 1994  
Fiscal Impact Summary**

<u>Article</u>	<u>Item</u>	<u>Description</u>	<u>FY09</u>	<u>FY10</u>
21	Prescription Drug Coverage	Paygo impact: County contribution fixed to 80% of standard option (employee may buy-up at their own cost), restrict generics, incentivize mail order; high option copayments remain \$4/\$8 OPEB impact: \$7.0 million reduction in the AAL	(405,870)	(811,750)  (385,710)
41	Social Security Integration	Group E: Increase social security integration multiplier from 1.25% to 1.65% (\$5.0 million increase in the AAL)		753,000
44	RSP/GRIP	Increase employer contributions from 6% to 8% effective July 2008; offer GRIP July 1, 2009; implement 6-month election period for employees hired on or after July 1, 2009 <sup>1</sup>	2,852,700	2,068,000
<b>Total Fiscal Impact</b>			<b>\$2,446,830</b>	<b>\$1,623,540</b>

<sup>1</sup> The Board of Investment Trustees may incur additional recordkeeping costs of approximately \$134,000.

**Montgomery County Volunteer Fire Rescue Association  
Fiscal Impact Statement**

<u>Article</u>	<u>Item</u>	<u>Description</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
5	Association Expenses	County to increase funding to MCVFRA by \$50,000	\$50,000	\$50,000	\$50,000
5	Vehicle	New vehicle for Association business	-	-	40,000
5	Contract	Provide increased number of contracts	900	-	-
5	Firehouse Terminal	Provide one terminal, software, communications line, monitor, and printer	5,000	-	-
5	Awards Dinner	County to sponsor annual awards dinner in April	5,000	5,000	5,000
11	Turn-out Boots	All active members on the IECS (874) will be supplied with leather turn-out boots	-	-	233,350
11	Gear Bag	All active members on the IECS (874) will be supplied with a gear bag	-	-	39,330
12	Nominal Fee	Nominal fee of \$300 or \$500 in July 2009 and \$400 or \$600 in July 2010; LFRDs must have approved standby programs for volunteers to be eligible for the nominal fee	(212,600)	91,690	168,920
New	Drug Testing	Random drug testing	18,750	18,750	18,750
New	Online Classes	Training – development of on-line courses	3,000	3,000	3,000
<b>Total</b>			<b>(\$129,950)</b>	<b>\$168,440</b>	<b>\$558,350</b>

**International Association of Fire Fighters, Local 1664  
Fiscal Impact Statement**

<u>Article</u>	<u>Item</u>	<u>Description</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
17.1	Assignment Pay	Primary and backup scheduler differential effective July 2008  Hazardous materials, breathing apparatus technician certification, fire code, fire investigation, urban search and rescue, swift water rescue, and scheduler assignment pay increase to \$1,837 July 2009	\$8,870	\$67,180	\$67,180
17.2	Special Pay Differentials	EMT and CRT certification pay and hourly differentials. CRT/CRT-I: \$4,515; EMT-P - \$6,080 (0-4 years), \$7,391 (5-8 years), \$8,701 (8+ years); hourly differentials increase by \$2.00 July 2010	-	-	199,670
19	Wages	GWA and service increments. 2% July 2008; 2% January 2009; 4% New longevity adjustment at 28 years of service July 2009	4,282,840	10,597,550	18,968,710
20	Insurance	Paygo impact: County contribution fixed to 80% of standard option (employee may buy-up at their own cost), restrict generics, incentivize mail order; high option copayments remain \$4/\$8  OPEB impact: \$2.4 million reduction in the AAL	(108,260)	(216,510)	(216,510)
51	Pensions	Expansion of the list of illnesses for which an employee is automatically entitled to a service-connected disability retirement (\$1.6 million increase in AAL)	-	199,000	199,000
54	Tuition Assistance	Increase the maximum allowable \$100 each fiscal year to \$1,630, \$1,730, and \$1,830 in FY09 through FY11, respectively	5,910	11,830	13,720
57	ECC	Increase ECC certification pay to \$2,000 annually beginning July 2009	-	19,380	19,380
22	Prevailing Rights	Bottled water provided at each station	30,000	30,000	30,000
Side Letter	Drug Testing	Random drug testing	15,000	15,000	15,000
Side Letter	Parking	Worksite parking improvements	31,500	31,500	31,500
<b>Total</b>			<b>\$4,265,860</b>	<b>\$10,930,270</b>	<b>\$19,468,700</b>

**Fire and Rescue Service Management  
Fiscal Impact Statement**

<u>Item</u>	<u>Description</u>	<u>FY09</u>	<u>FY10</u>	<u>FY11</u>
Wages	GWA and service increments. 2% July 2008; 2% January 2009; 4% July 2009; 3.5% July 2010; schedule adjustment July 2010  New longevity adjustment at 28 years of service July 2009	\$250,150	\$679,530	\$1,285,300
Insurance	Paygo impact: County contribution fixed to 80% of standard option (employee may buy-up at their own cost), restrict generics, incentivize mail order; high option copayments remain \$4/\$8	(4,870)	(9,750)	(9,750)
Pensions	Expansion of the list of illnesses for which an employee is automatically entitled to a service-connected disability retirement (\$89,000 increase in AAL)	-	9,000	9,000
Drug Testing	Random drug testing	530	530	530
<b>Total</b>		<b>\$245,810</b>	<b>\$831,740</b>	<b>\$1,437,510</b>

**Pass-Through Costs for Non-represented Employees  
Fiscal Impact Summary**

<u>Item</u>	<u>Description</u>	<u>FY09</u>	<u>FY10</u>
<b>All Non-represented Employees</b>			
Prescription Drug Coverage	Paygo impact: County contribution fixed to 80% of standard option (employee may buy-up at their own cost), restrict generics, incentivize mail order; increase high option copayments to \$5/\$10  OPEB impact: \$4.4 million reduction in the AAL	(211,410)	(422,810)
			(257,140)
<b>Non-represented Public Safety Employees Only</b>			
Social Security Integration (Group E)	Group E: Increase social security integration multiplier from 1.25% to 1.65% (\$2.6 million increase in the AAL)		279,000
DROP/ Credited Service	Group F: Establish DROP program; increase credited service to a maximum of 36 years, including sick leave credits; and establish eligibility for unreduced pension with 25 years of service, regardless of age (\$898,000 increase in AAL)		111,000
<b>Other Non-represented Employees Only</b>			
RSP/GRIP	Increase employer contributions from 6% to 8% effective July 2008; offer GRIP July 1, 2009; implement 6-month election period for employees hired on or after July 1, 2009 <sup>1</sup>	\$1,592,980	1,197,000
<b>County Retirees</b>			
Prescription Drug Coverage	Paygo impact: County contribution fixed to 80% of standard option (employee may buy-up at their own cost), restrict generics, incentivize mail order; increase high option copayments to \$5/\$10  OPEB impact: \$11.9 million reduction in the AAL	(471,370)	(942,730)
			(257,140)
<b>Total Non-represented Pass-through Costs</b>		<b>\$910,200</b>	<b>\$ (292,820)</b>

<sup>1</sup> The Board of Investment Trustees may incur additional recordkeeping costs of approximately \$61,000.

# TOTAL COUNTY COST OF EMPLOYEE BENEFITS

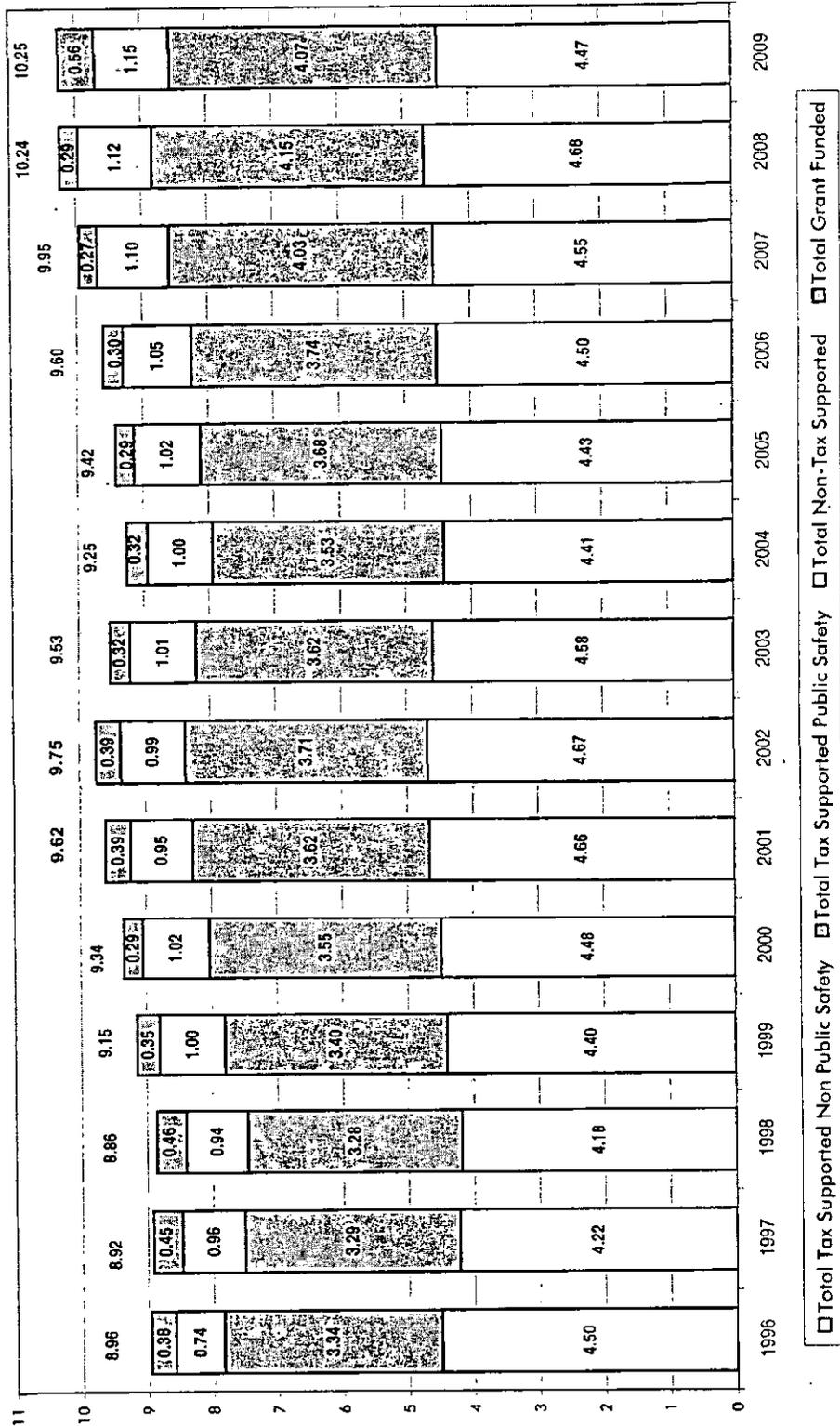
DEPARTMENT	SOCIAL SECURITY	GROUP INSURANCE	RETIREMENT	TOTAL
<b>General Fund Tax Supported</b>				
<b>Legislative</b>				
Board of Appeals	32,860	24,650	53,400	110,910
County Council	479,720	685,900	820,200	1,985,820
Inspector General	36,800	32,200	40,470	109,470
Legislative Oversight	63,910	116,500	142,720	323,130
Merit System Protection Board	7,920	15,600	10,680	34,200
People's Counsel	12,340	1,530	33,280	47,150
Zoning & Administrative Hearings	25,340	24,250	30,140	79,730
<b>Judicial</b>				
Circuit Court	453,130	729,200	831,430	2,013,760
State's Attorney	676,010	948,970	1,103,360	2,728,340
<b>General Government</b>				
Board of Elections	172,400	201,270	180,840	554,510
Commission for Women	63,430	90,270	114,530	268,230
County Attorney	268,890	266,290	578,520	1,113,700
County Executive	309,560	491,240	551,630	1,352,430
Ethics Commission	14,050	22,160	40,970	77,180
Finance	498,280	972,300	929,580	2,400,160
General Services	774,040	1,875,570	1,726,710	4,376,320
Human Resources	297,880	303,780	499,310	1,100,970
Human Rights	124,670	165,040	305,150	594,860
Intergovernmental Relations	38,030	40,930	69,930	148,890
Management and Budget	213,690	246,190	350,640	810,520
Public Information	58,780	77,850	166,010	302,640
Regional Services Centers	191,560	263,380	471,880	926,820
Technology Services	1,033,020	1,515,440	1,746,570	4,295,030
<b>Public Safety</b>				
Consumer Protection	135,240	216,210	391,790	743,240
Correction and Rehabilitation	3,022,980	5,815,940	9,327,030	18,165,950
Emergency Management and Homeland Security	66,160	102,840	136,510	305,510
Police	10,229,730	19,266,740	35,048,500	64,544,970
Sheriff	967,210	1,707,500	2,860,360	5,535,070
<b>Public Works and Transportation</b>				
Transportation	1,418,740	3,372,850	3,105,170	7,896,760
<b>Health and Human Services</b>				
Health and Human Services	6,515,230	11,932,030	10,437,740	28,885,000
<b>Culture and Recreation</b>				
Public Libraries	1,762,160	3,485,980	3,444,800	8,692,940
<b>Community Development and Housing</b>				
Economic Development	276,470	455,350	397,740	1,129,560
Housing and Community Affairs	263,910	478,780	609,750	1,352,440
<b>Environment</b>				
Environmental Protection	201,010	354,760	326,480	882,250
<b>Other County Government Functions</b>				
NDA - Compensation Adjustment	-167,950	-38,870	-174,660	-381,480
NDA - Conference Center	7,110	5,360	7,430	19,900
NDA - State Positions Supplement	8,290	8,490	19,760	36,540
<b>Total General Fund Tax Supported</b>	<b>30,552,600</b>	<b>56,274,470</b>	<b>76,736,350</b>	<b>163,563,420</b>

# TOTAL COUNTY COST OF EMPLOYEE BENEFITS

FUND	SOCIAL SECURITY	GROUP INSURANCE	RETIREMENT	TOTAL
<b>Special Funds Tax Supported</b>				
Economic Development	7,110	14,930	7,430	29,470
Fire	8,020,620	14,600,840	33,129,960	55,751,420
Mass Transit	3,270,390	8,014,790	4,859,400	16,144,580
Recreation	1,298,760	1,443,470	1,700,060	4,442,290
Urban District - Bethesda	3,510	9,660	3,670	16,840
Urban District - Silver Spring	107,080	192,710	104,210	404,000
Urban District - Wheaton	68,060	130,690	68,560	267,310
<b>Total Special Funds Tax Supported</b>	<b>12,775,530</b>	<b>24,407,090</b>	<b>39,873,290</b>	<b>77,055,910</b>
<b>Total Tax Supported</b>	<b>43,328,130</b>	<b>80,681,560</b>	<b>116,609,640</b>	<b>240,619,330</b>
<b>Special Funds Non-Tax Supported</b>				
Grant Fund - MCG	2,574,360	4,870,510	4,147,230	11,592,100
Cable Television	113,210	189,230	159,160	461,600
Montgomery Housing Initiative	66,300	125,850	119,610	311,760
Water Quality Protection Fund	101,670	192,610	164,660	458,940
<b>Total Special Funds Non-Tax Supported</b>	<b>2,855,540</b>	<b>5,378,200</b>	<b>4,590,660</b>	<b>12,824,400</b>
<b>Enterprise Fund Non-Tax Supported</b>				
Community Use of Public Facilities	133,280	293,800	228,810	655,890
Liquor Control	1,390,120	2,853,200	2,225,870	6,469,190
Parking District - Bethesda	107,320	190,840	181,490	479,650
Parking District - Montgomery Hills	2,160	3,770	3,460	9,390
Parking District - Silver Spring	116,650	199,810	185,250	501,710
Parking District - Wheaton	15,300	31,290	25,890	72,480
Permitting Services	1,307,620	2,271,690	2,811,500	6,390,810
Solid Waste Collection	65,450	113,680	127,990	307,120
Solid Waste Disposal	493,170	997,430	819,410	2,310,010
Vacuum Leaf Collection	197,760	398,410	319,040	915,210
<b>Total Enterprise Fund Non-Tax Supported</b>	<b>3,828,830</b>	<b>7,353,920</b>	<b>6,928,710</b>	<b>18,111,460</b>
<b>Total Non-Tax Supported</b>	<b>6,684,370</b>	<b>12,732,120</b>	<b>11,519,370</b>	<b>30,935,860</b>
<b>Internal Service Funds</b>				
Employee Health Benefit Self Insurance Fund	76,240	140,520	98,090	314,850
Motor Pool	1,064,960	2,190,250	1,588,090	4,843,300
Printing & Mail	132,490	230,050	318,630	681,170
Self Insurance	206,180	340,590	339,890	886,660
<b>Total Internal Service Funds</b>	<b>1,479,870</b>	<b>2,901,410</b>	<b>2,344,700</b>	<b>6,725,980</b>

(4)

**HISTORY OF APPROVED COUNTY GOVERNMENT WORKYEARS PER 1,000 POPULATION  
BY FUNDING CATEGORY: FY96-FY08 Approved, FY09 Recommended**



Source: D-3

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**Board of Investment Trustees**  
**Montgomery County Employee**  
**Retirement Plans**

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**Annual Report**  
**Fiscal Year ending June 30, 2007**

# Overview

December 1, 2007

To: Employees, Retirees, and Beneficiaries

From: Board of Investment Trustees

The mission of the Board of Investment Trustees is to manage prudent investment programs for the members of the Employee Retirement Plans and their beneficiaries. The County's Chief Administrative Officer is responsible for overseeing the day-to-day administration of the retirement plans.

We are pleased to present this annual report for the fiscal year ending June 30, 2007 on the three investment programs established for the retirement plans:

- The Employees' Retirement System (ERS) is a defined benefit pension plan with net assets of \$2.7 billion, established in 1965 and closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees. As of June 30, 2007 the ERS had 5,294 active participants and 4,997 retirees and beneficiaries receiving benefits.
- The Retirement Savings Plan (RSP) was established in 1994 as a defined contribution plan providing benefits to all non-public safety and certain public safety employees hired on or after October 1, 1994. As of June 30, 2007 the RSP had \$120.6 million in net assets and 4,964 (4,253 active and 711 inactive) participants.
- The County Deferred Compensation Plan (DCP) is a voluntary plan established pursuant to Section 457 of the Internal Revenue Code. As of June 30, 2007 the DCP had \$249.8 million in net assets and 3,940 participants.

Shown below is a condensed presentation of the Net Assets and Change in Net Assets from the Comprehensive Annual Financial Report for the retirement plans for the period ending June 30, 2007:

	Net Assets (Millions)				Change in Net Assets (Millions)				
	ERS	2006	2007	RSP	2006	2007	2006	2007	DCP
<b>Assets:</b>									
Cash and investments	3,086.0	\$ 2,633.0	\$ 119.6	\$ 89.2	\$ 88.2	\$ 11.2	\$ 9.4	\$ -	\$ -
Receivables	17.3	14.4	1.0	1.0	16.1	6.8	5.9	16.6	16.5
<b>Total assets</b>	<b>3,103.3</b>	<b>2,647.4</b>	<b>120.6</b>	<b>90.2</b>	<b>420.8</b>	<b>17.1</b>	<b>8.2</b>	<b>32.4</b>	<b>20.5</b>
<b>Liabilities</b>	<b>389.0</b>	<b>339.7</b>	<b>-</b>	<b>-</b>	<b>546.6</b>	<b>35.1</b>	<b>23.5</b>	<b>49.0</b>	<b>37.0</b>
<b>Total net assets</b>	<b>\$ 2,714.3</b>	<b>\$ 2,307.7</b>	<b>\$ 120.6</b>	<b>\$ 90.2</b>	<b>\$ 136.8</b>	<b>\$ 125.9</b>	<b>\$ 4.4</b>	<b>\$ 12.4</b>	<b>\$ 11.2</b>
<b>Additions:</b>									
Employer contributions					0.8	0.6	4.3	0.2	-
Member contributions					2.4	1.9	0.3	0.2	-
Net investment income					140.0	128.4	4.7	4.5	12.4
<b>Total additions</b>					<b>\$ 406.6</b>	<b>\$ 162.9</b>	<b>\$ 19.0</b>	<b>\$ 36.6</b>	<b>\$ 25.8</b>
<b>Deductions:</b>									
Benefits									
Refunds									
Administrative expenses									
<b>Total deductions</b>									
<b>Total change in net assets</b>									

For detailed information on all three retirement plans, please visit the Board's web site at [www.montgomerycountymd.gov/bit](http://www.montgomerycountymd.gov/bit). For questions, please call the Board office at 240-777-8220.

# Board of Investment Trustees

**Kelda J.C. Simpson**  
Chair  
Public Representative  
Term Expires March 2008

**Sharon M. Cayelli**  
Vice Chair  
Public Representative  
Term Expires March 2008

**Joseph Adler**  
Montgomery County Director  
Of Human Resources  
Ex-Officio Member

**Jennifer E. Barrett**  
Montgomery County Director of Finance  
Ex-Officio Member

**Jeffrey D. Buddle**  
Employee Organization Representative Term  
Expires March 2008

**J. Lodge Gillespie, Jr.**  
Montgomery County Council Representative  
Term Expires March 2009

**Sandra P. Kaiser**  
Montgomery County  
Department of Recreation  
Non-Bargaining Unit Representative  
Term Expires March 2008

**Gino Renne**  
Secretary  
Employee Organization Representative  
Term Expires March 2010

**Walter E. Bader**  
Employee Organization Representative  
Term Expires March 2008

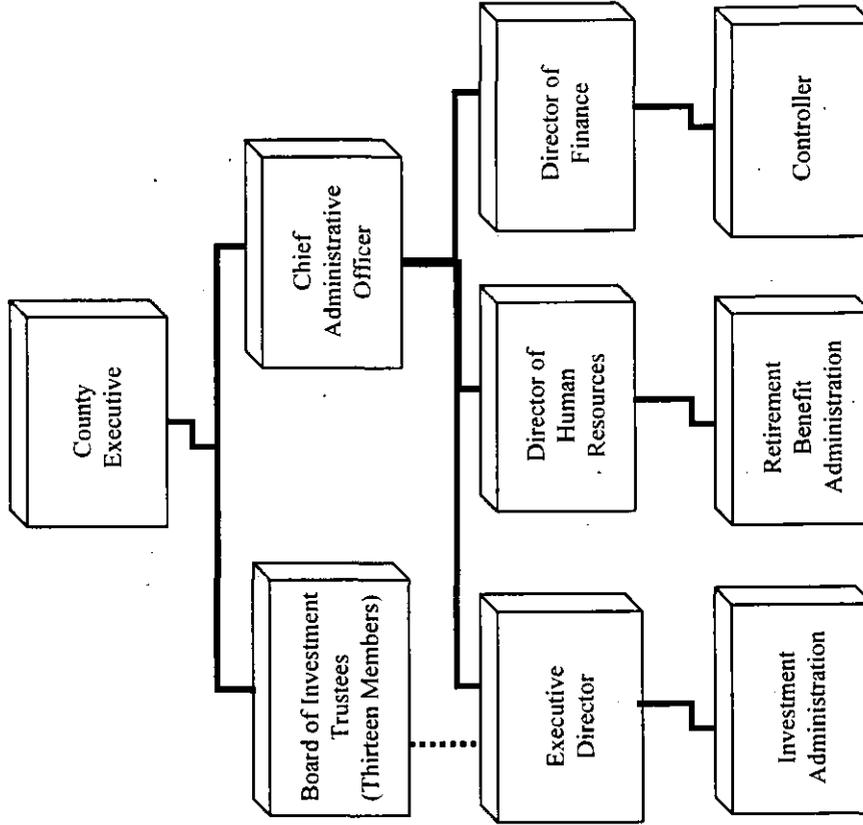
**Joseph F. Beach**  
Montgomery County Director of  
Management and Budget  
Ex-Officio Member

**Stephen B. Farber**  
Montgomery County Council Staff Director  
Ex-Officio Member

**Cora M. Ingram**  
Montgomery County Council Representative  
Term Expires March 2008

**Mary E. Menke**  
Retired Employees Representative  
Term Expires March 2009

# Retirement Plans Administrative Organization



(45)

## Board Actions During FY 2007

### ■ **Employees' Retirement System**

- Conducted asset liability study resulting in the implementation of a revised strategic asset allocation which will result in further diversification of the investment portfolio by adding new investment strategies, better management of the total portfolio's risk and increased investment returns.
- Expanded investment portfolio to include: currency overlay mandates, portable alpha, and the addition of two direct private equity fund-of-funds.
- Instituted several cost saving measures (including fee reductions) and revenue enhancements (increased revenue from securities lending).

### ■ **Retirement Savings Plan**

- Developed web based online system for participants to register for counseling and educational sessions.
- Lowered the amount of revenue sharing received by Fidelity by offering additional onsite counseling sessions to participants.
- Added new fund offerings effective September 2007 to afford participants the opportunity to invest in specific market sectors.

### ■ **Deferred Compensation Plan**

- Lowered the revenue sharing received by CitiStreet by offering lower-cost share classes for The Growth Fund of America, Oppenheimer's Global, and Legg Mason Small Cap Growth Fund resulting in lower fees to participants.
- Added new fund offerings effective September 2007 to afford participants the opportunity to invest in specific market sectors.
- Held annual benefit fair to respond to participant questions and continued to offer bi-weekly investment seminars to provide participants with information on investment options, asset allocation and other investment topics.

## Board Achievements

### ■ **Certificate of Achievement for Excellence in Financial Reporting**

- The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement to the Board for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. The certificate of achievement is a prestigious national award that recognizes conformance with the highest standards in government accounting and financial reporting. The Board has received this award for each of the seven years that it has published its own CAFR.

### ■ **Employees' Retirement System**

- The ERS achieved an investment return of 18.22% (after management fees) for the year ended June 30, 2007. The ERS return ranked in the top 9 percent, or better than 91 percent of returns achieved by similar public pension funds reporting results for the one year period. For the three and five year periods, the Board ranked in the 21st and 11th percentile of the universe, respectively.

### ■ **Retirement Savings Plan**

- As of June 30, 2007 53% of the funds offered through Fidelity were rated as four or five star funds by Morningstar (five star is the highest rating). The one year return for the Plan was 17.36%.

### ■ **Deferred Compensation Plan**

- As of June 30, 2007 68% of the funds offered through CitiStreet were rated as four or five star funds by Morningstar (five star is the highest rating). The one year return for the Plan was 14.91%.

(4)

## Current Board Initiatives

### ▪ **Employees' Retirement System**

- *Implement the revised strategic asset allocation for the ERS, which will result in a gradual rebalancing of assets and implementation of possible new investment strategies taking place over the next several years.*
- *Add long-duration securities to the Plan's portfolio to provide a better matching to the Plan's liabilities. Determine the feasibility of using absolute return strategies to produce additional alpha over the market returns.*
- *Build out the private equity and private real estate allocations on an opportunistic basis.*
- *Continue to use the Value at Risk (VaR) analysis and the risk budget to analyze, evaluate, and monitor the risk of each investment manager/sector versus its contribution both in return and in diversification to the ERS' portfolio to achieve the highest possible risk adjusted return within an acceptable level of risk.*

### ▪ **Retirement Savings Plan**

- *Review the mutual funds offered to participants to ensure that a diversified slate of top quality funds is available at the lowest possible fee.*
- *Continue to expand investment education programs by:*
  - *Notifying participants quarterly of the availability of free annual investment counseling sessions with a feature of the program or investing being highlighted each month, such as the asset allocation, financial planning, Fidelity's web site, etc.*
  - *Sending emails to participants periodically to highlight the importance of personal financial planning in addition to retirement plans.*
  - *Requesting Fidelity expand the number of one-on-one counseling sessions available to provide investment question/answer sessions for participants and onsite services at their local office in Bethesda.*

### ▪ **Deferred Compensation Plan**

- *Replace the BGI Lifepath mutual fund options with the commingled fund options resulting in lower fees to participants.*
- *Explore the possibility of offering an annuity payout option.*
- *Continue to evaluate the investment program to ensure that fund offerings are among the best performers, as measured by an independent source, have the lowest cost, and are managed by strong companies in compliance with regulatory agencies.*
- *Expand investment services to help participants receive information quickly and easily, increase their knowledge of investment matters, and receive support in retirement planning.*

## Market Highlights – ERS Investment Performance

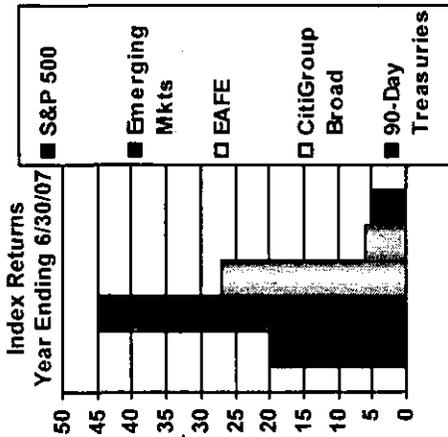
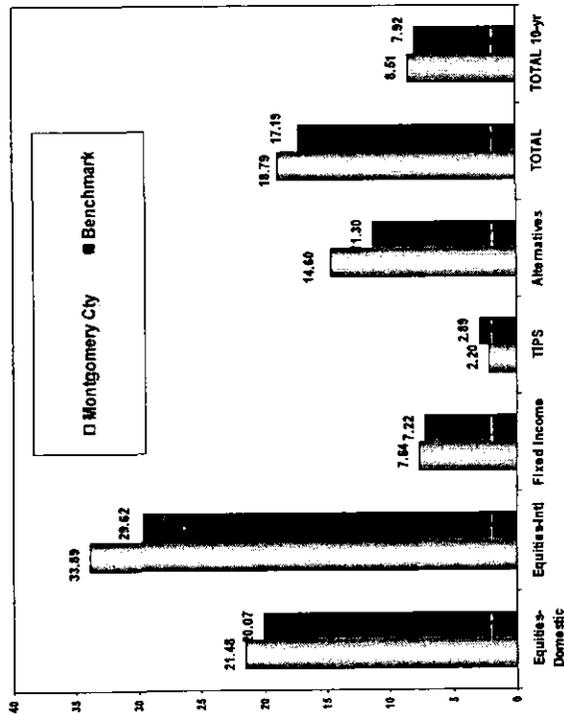
As shown in the chart to the right, market returns for the year ending June 30, 2007 were mixed. The best performing sectors were international stocks, as measured by the EAFE Index, up 27.00% and emerging market stocks which gained 44.99%. In comparison, the broad U.S. market returned 19.87% as measured by the S&P 500 index. For the first year in the last several, smaller value type stocks were not the top performer and underperformed their growth counterparts as well as the broad market.

Within the fixed income sector, high yield bonds (below investment grade bonds) were the strongest performing sector returning 11.44%. The broad bond market, as measured by the Citigroup Broad Index, was up 6.08% for the 12 month period.

The Federal Reserve kept rates (the Fed Funds rate) on hold at 5.25% for the 12 month period as inflation pressures moderated and they attempted to manage the slowing housing market. This was in sharp contrast to the previous seventeen raises since 2004 in which Fed action resulted in moving the rate from 1% to 5.25%.

### Employees' Retirement System

#### FY 2007 Returns by Asset Class-Gross of fees



The Board allocates ERS assets to a broad array of investment sectors resulting in the following allocation as of June 30, 2007: domestic equities 41%, private equity 4%, international equities 21%, domestic fixed income 23%, global inflation index bonds 10%, and real estate 1%. The chart to the left reflects the returns for the fiscal year ending June 30, 2007 achieved by the ERS assets in each investment sector compared to the corresponding benchmark. The Board establishes benchmarks for each market sector, usually an index of companies that represent most of the available investment opportunities within that sector, to evaluate the performance of the investment managers within each sector.

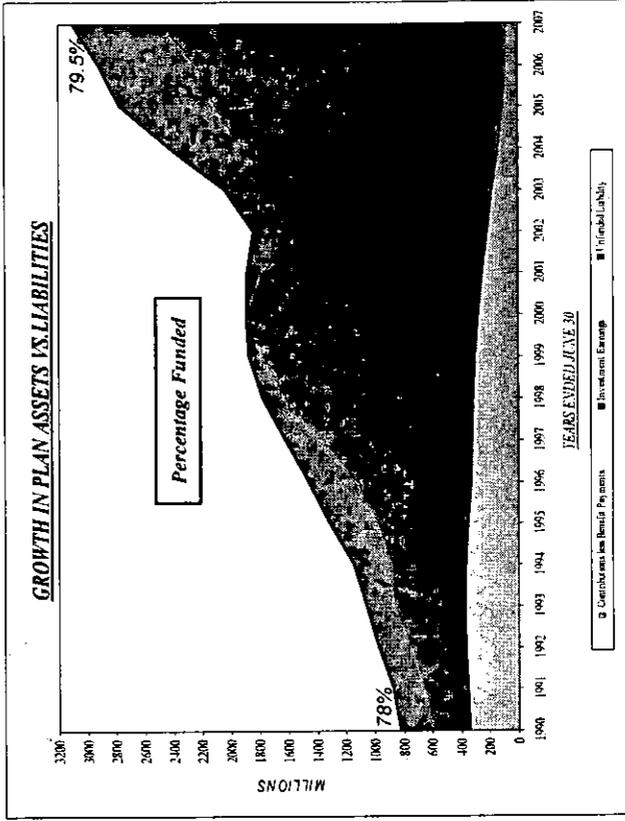
In overseeing the management of ERS assets, the Board has developed sound and prudent investment policies. The Board works to control the risk to which the ERS is exposed while maximizing the potential for long term increases in the value of the assets. The Board's specific investment objectives are to:

- realize the actuarial assumed rate of return of 8 percent annually, over a long term time horizon (for the 1998-2007 fiscal year decade, the annual rate of return on the ERS' investments was 8.51% before fees);
- manage portfolio risk to limit potential downside fluctuations in the value of the total ERS assets; and
- realize as high a rate of total return as possible consistent with the above.

48

## Employees' Retirement System (ERS)

- **How do I know if I'm a participant in this plan?**  
Employees who participate in the ERS have the following description on their pay stub next to the bi-weekly contribution amount: RETIRE
- **How is my benefit calculated?**  
Under County law your benefit is based on your salary, years of credited service, and age at retirement and is not based on the amount you contributed or the investment earnings of the ERS.
- **How can I find more information on my benefit?**  
Contact the Office of Human Resources at 240-777-5120.
- **How does the amount earned on invested assets impact the ERS?**  
While your ERS benefit is paid in accordance with County law, you may be interested in knowing about the status of the assets and liabilities of the ERS. Please refer to the chart to the right for a 17-year history. Your contributions, along with the County's, are used primarily to make benefit payments to retirees and beneficiaries and pay other costs associated with the administration of the ERS (shown as the bottom layer in the chart).



The earnings (shown as the solid middle layer in the chart) represent the bulk of the growth in assets over the years. In funding the ERS, the County assumes the assets will earn 8% per year. During the strong equity markets of the late 1990s, the assets grew at nearly double that amount, and the funded status of the ERS was strengthened.

As of June 30, 2000 the ERS was nearly fully-funded, but because of the difficult financial markets in 2000-2002 and increased liabilities for higher future benefit payments, the funded status decreased. As of June 30, 2007, the ERS was 79.5% funded. The area shown as the top layer reflects the additional amount required (\$637 million) for the ERS to achieve fully-funded status. As noted earlier, the Board continues to implement sound and prudent investment policies that will maximize the potential for long-term increases in the value of the assets.

## Retirement Savings Plan (RSP)

The County established the Retirement Savings Plan for all non-public safety and certain public safety employees not represented by a collective bargaining agreement hired after October 1, 1994. The Plan requires employees to contribute 3% of regular earnings up to the Social Security wage base and 6% above the wage base. The County contributes 6% and 10% of regular earnings for non-public safety and some public safety employees, respectively.

- **How do I know if I'm a participant in this plan?**  
Employees who participate in the RSP have the following description on their pay stub next to the bi-weekly contribution amount: RET SAV.
- **How is my retirement benefit calculated?**  
Your benefit is based on your account balance at the time of retirement or separation of service. The balance includes your contributions, the County's contributions (if you're vested) and investment earnings.
- **How can I find out more information on my account balance and benefit eligibility?**  
Contact Fidelity Investments at 1-800-343-0860 or visit their web site at [www.fidelity.com](http://www.fidelity.com).

The Board oversees the investment program, providing a variety of mutual fund options for participants to choose from. The Board evaluates the performance of the funds offered quarterly.

The Board also provides two hours of investment counseling annually to all participants at no charge, as well as group sessions, to encourage participants to expand their knowledge of investment products. Call 1-800-999-9722 to sign up or visit the Board's web site, [www.montgomerycountymd.gov/bil](http://www.montgomerycountymd.gov/bil).

Shown to the right is a list of the investment funds offered, along with their Morningstar rating and annualized performance as of June 30, 2007.

Fidelity's web site, [www.fidelity.com](http://www.fidelity.com), is an invaluable source of information.

The web site contains:

- ✓ Your RSP account activity
- ✓ Analysis and performance information on all of the funds offered and information on investment markets
- ✓ Financial tools to assist you in determining the amount you'll need at retirement

Funds	Morningstar Rating	Rates of Return		
		1 Year	5 Year	10 Year
<b>Stable Value Funds:</b>				
Fidelity Managed Income	not rated	4.28	4.21	5.00
<b>Income Funds:</b>				
Fidelity Capital & Income	★★★★	15.28	17.07	8.05
Fidelity Intermediate Bond	★★★★	5.41	4.23	5.58
Fidelity U.S. Bond Index	★★★★	6.03	4.66	6.03
Fidelity Inflation-Protected Bond	★★★★	3.37	5.54	n/a
<b>Balanced Funds:</b>				
Fidelity Puritan	★★★★	17.70	10.14	7.04
<b>Life-Cycle Funds:</b>				
Fidelity Freedom 2000	★★★★	9.80	5.72	6.36
Fidelity Freedom 2005	★★★★	13.64	n/a	n/a
Fidelity Freedom 2010	★★★★	14.01	8.61	7.72
Fidelity Freedom 2015	★★★★	15.19	n/a	n/a
Fidelity Freedom 2020	★★★★	17.16	10.74	8.19
Fidelity Freedom 2025	★★★★	17.68	n/a	n/a
Fidelity Freedom 2030	★★★★	19.40	11.71	8.19
Fidelity Freedom 2035	★★★★	19.46	n/a	n/a
Fidelity Freedom 2040	★★★★	20.13	12.27	n/a
Fidelity Freedom 2045	not rated	20.44	n/a	n/a
Fidelity Freedom 2050	★★★★	20.74	n/a	n/a
<b>Growth &amp; Income Funds:</b>				
Fidelity Equity-Income	★★★★	8.66	5.10	5.63
Fidelity Growth & Income	★★★★	23.67	11.96	8.52
Spartan Extended Market Index	★★★★	17.25	7.60	6.10
Spartan Total Market Index	★★★★	19.69	15.88	n/a
Spartan U.S. Equity Index	★★★★	20.37	11.79	n/a
<b>Growth Funds:</b>				
Fidelity Contrafund	★★★★	20.19	10.60	6.98
Fidelity Growth Company	★★★★	16.98	13.67	10.79
Fidelity Low-Priced Stock	★★★★	18.62	13.81	9.21
Fidelity Small Cap	★★★★	22.27	16.15	15.02
Artisan Small Cap	★★★★	18.91	14.41	n/a
Fidelity Value	★★★★	13.47	12.53	6.97
<b>International Stock Funds:</b>				
Fidelity Diversified International	★★★★	23.80	16.12	11.55
Templeton World - A Class	★★★★	25.72	19.02	12.78
Spartan International Index	★★★★	23.27	14.50	9.14
<b>Specialty Funds:</b>				
Fidelity Real Estate Investment	★★★★	27.12	17.48	n/a
		9.26	18.54	13.43

(5)

# Deferred Compensation Plan (DCP)

The County established the Deferred Compensation Plan for employees in 1980. In June 2004, the Board selected CitiStreet to provide mutual and commingled fund investment vehicles for participants. The Board evaluates the investment performance of the funds offered quarterly. Shown below is a list of the funds available as of June 30, 2007, along with their Morningstar rating and annualized performance as of June 30, 2007. Additional information on the investment program is available on the Plan web site at <http://montgomerycountymd.esplans.com> and the Board's web site at [www.montgomerycountymd.gov/bit](http://www.montgomerycountymd.gov/bit).

- **How do I know if I'm eligible to participate in this plan?**  
 Non-represented employees are eligible to join the DCP at any time. Employees who are members of MCGEO, and were hired prior to March 1, 2005, may also join the plan at any time. MCGEO members hired after March 1, 2005 are not eligible to participate. Employees represented by the FOP or the IAFF are not eligible to make contributions to the DCP.
- **How is my retirement benefit calculated?**  
 Your benefit is based on your account balance at the time of retirement or separation of service. The balance includes your contributions and investment earnings.
- **How can I find out more information on my account balance and benefit eligibility?**  
 Contact the CitiStreet onsite representative at 240-777-5054 or stop by the CitiStreet Office located in the Executive Office Building, Office of Human Resources, 101 Monroe Street, 7th floor. Additional information is also available at the CitiStreet website <http://montgomerycountymd.esplans.com>.

CitiStreet		Rates of Return		
Funds	Morningstar Rating	1 Year	5 Year	10 Year
<b>Stable Value Funds:</b>				
SEI Stable Asset	not rated	4.27	3.95	4.75
<b>Income Funds:</b>				
Fidelity Inflation-Protected Bond	★★★★	3.37	5.54	n/a
Goldman Sachs Short Gov't Fund	★★★★	4.54	2.63	4.42
Hartford Bond	★★★★★	6.53	5.63	6.44
PIMCO High Yield	★★★★★	9.94	10.29	6.48
SSgA Passive Aggregate	not rated	6.04	4.29	5.78
<b>Life-Cycle Funds:</b>				
BGI LifePath Retirement	★★★★	10.10	6.56	5.96
BGI LifePath 2010	★★★★	11.19	7.36	6.24
BGI LifePath 2020	★★★★	13.88	9.20	6.68
BGI LifePath 2030	★★★★	15.88	10.46	7.05
BGI LifePath 2040	★★★★	17.63	11.48	7.05
<b>Growth &amp; Income Funds:</b>				
Hartford Dividend & Growth	★★★★	24.59	12.16	9.38
SSgA S&P 500 Index	not rated	20.43	10.57	6.95
SSgA Mid Small Index	not rated	18.74	15.06	9.28
SSgA Tuckerman REIT	★★★★	10.43	19.01	n/a
<b>Growth Funds:</b>				
Legg Mason Appreciation	★★★★	17.49	9.91	7.97
Hartford Capital Appreciation	★★★★★	25.25	19.24	13.85
Amer. Funds: Growth Fund	★★★★★	17.91	13.69	n/a
Fidelity Low-Priced Stock	★★★★★	22.27	16.15	15.02
Fidelity Small Cap	★★★★	18.91	14.14	n/a
Legg Mason Sm Cap Grwth	★★★★	19.65	n/a	n/a
<b>International Stock Funds:</b>				
Fidelity Diversified International	★★★★	25.72	19.02	12.78
Oppenheimer Global	★★★★	23.15	15.98	n/a
SSgA daily EAFE	not rated	26.80	17.40	7.43

**SECTION III — Plan Liabilities and Contributions** (continued)

5. GASB Standards Statement Nos. 25 and 27

Required Supplementary Information  
Schedule of Funding Progress

Actuarial Valuation Date	(1) Actuarial Value of Assets <sup>(a)</sup>	(2) Actuarial Accrued Liability	(3) Unfunded Actuarial Accrued Liability (2) - (1)	(4) Funded Ratio (1) ÷ (2)	(5) Covered Payroll <sup>(b)</sup>	(6) UAAL as a Percentage of Covered Payroll (3) ÷ (5)
7/1/98	1,496,651,390	1,660,034,038	163,382,648	90.2%	296,882,318	55.0%
7/1/99 <sup>(c)</sup>	1,707,450,187	1,818,990,623	111,540,436	93.9%	300,119,136	37.2%
7/1/00 <sup>(d)</sup>	1,911,114,401	1,931,914,313	20,799,912	98.9%	307,367,030	6.8%
7/1/01 <sup>(c)</sup>	1,990,882,017	2,111,946,453	121,064,436	94.3%	318,682,907	38.0%
7/1/02	2,036,100,709	2,273,179,216	237,078,507	89.6%	333,449,862	71.1%
7/1/03	2,029,314,438	2,411,492,724	382,178,286	84.2%	336,019,788	113.7%
7/1/04 <sup>(c)</sup>	2,045,098,796	2,561,328,232	516,229,436	79.8%	341,629,327	151.1%
7/1/05 <sup>(cd)</sup>	2,100,532,623	2,775,047,412	674,514,789	75.7%	355,105,993	189.9%
7/1/06 <sup>(d)</sup>	2,222,724,295	2,918,336,073	695,611,778	76.2%	357,361,131	194.7%
7/1/07	2,469,933,200	3,100,637,723	630,704,523	79.7%	374,792,609	168.3%

<sup>(a)</sup> Excluding any accrued contribution

<sup>(b)</sup> Total payroll for active participants under retirement age was used for years prior to July 1, 2002. Beginning July 1, 2002, payroll for all active participants was used.

<sup>(c)</sup> After plan changes

<sup>(d)</sup> Revised actuarial assumptions

Effective July 1, 2001, the actuarial value of assets and the actuarial accrued liabilities do not include the value of Aetna's non-participating annuity contract.

Analysis of the dollar amounts of plan assets, Actuarial Accrued Liability, and Unfunded Actuarial Accrued Liability in isolation can be misleading. Expressing the assets as a percentage of the Actuarial Accrued Liability provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in Unfunded Actuarial Accrued Liability and annual covered payroll are both affected by inflation. Expressing the Unfunded Actuarial Accrued Liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

Additional information required by GASB Nos. 25 and 27 is prepared by the County.

52

**Group Insurance for Retirees**

Group insurance is provided to an estimated 4,300 retired County employees and survivors, as well as retirees of participating outside agencies. Employees hired before January 1, 1987, are eligible upon retirement to pay 20 percent of the premium for health and life insurance for the same number of years (after retirement) that they were eligible to participate in the group insurance plan as an active employee. The County government pays the remaining 80 percent of the premium. Thereafter, these retirees pay 100 percent of the premium. Employees hired before January 1, 1987, are also offered the option at retirement to convert from the 20/80 arrangement to a lifetime cost sharing option.

Employees hired after January 1, 1987, are eligible upon retirement for a lifetime cost sharing option under which the County pays 70 percent of the premium and the retiree pays 30 percent of the premium for life for retirees who were eligible to participate in the County group insurance plan for 15 or more years as active employees. Minimum participation eligibility of five years as an active employee is necessary to be eligible for the lifetime plan. The County will pay 50 percent of the premium for retirees with five years of participation as an active employee. The County contribution to the payment of the premium increases by two percent for each additional year of participation up to the 70 percent maximum.

On March 5, 2002, the County Council approved a one-time opportunity for retirees still under the 20/80 arrangement with an expiration date to elect the lifetime cost sharing arrangement. The new percentage paid by the County for those electing this arrangement ranges from 50 percent to 68 percent, depending upon years of active eligibility under the plan and years since retirement. The cost sharing election process has been completed.

The budget does not include employer contributions from participating outside agencies.

**FY09 Recommended Changes**

	Expenditures	WYs
<b>FY08 Approved</b>	<b>24,810,190</b>	<b>0.0</b>
Increase Cost: Group Insurance for Retirees - estimated revenue increase	2,223,670	0.0
Decrease Cost: Prescription drug claims cost savings	-1,308,530	0.0
<b>FY09 CE Recommended</b>	<b>25,725,330</b>	<b>0.0</b>

**Judges Retirement Contributions**

This NDA provides pensions for retired Judges who were on the bench prior to 1968 in the Circuit Court and the People's Court (District Court) of Montgomery County and for their surviving spouses.

The Circuit Court pension is calculated at one percent of the net supplement paid by the County to the salaries of the Circuit Court Judges as of May 31, 1968, multiplied by the number of years of active service as a Judge (up to a maximum of 20 years). The surviving spouse receives one-half of the pension to which the Judge would have been entitled. The benefits are authorized in Section 12-10 of the Montgomery County Code.

The People's Court (District Court) pension is based on the current salary of a District Court Judge. A retired Judge receives 60 percent of the current salary of a District Court Judge, while a surviving spouse receives one-half of the pension to which the Judge would have been entitled. The benefits are authorized in Article 73B, Section 63(b) of the Annotated Code of Maryland. This NDA may be increased to include a cost of living adjustment at a rate equal to that approved for District Court Judges by the General Assembly. If a cost of living adjustment is approved next fiscal year, the NDA will be adjusted as necessary by a year-end transfer.

**FY09 Recommended Changes**

	Expenditures	WYs
<b>FY08 Approved</b>	<b>3,740</b>	<b>0.0</b>
<b>FY09 CE Recommended</b>	<b>3,740</b>	<b>0.0</b>

## Compensation and Employee Benefits Adjustments

This NDA contains a General Fund (-\$1,929,410) and a Grant Fund (\$361,480) appropriation, and provides funding for certain personnel costs related to adjustments in employee and retiree benefits, pay-for-performance awards for employees in the Management Leadership Service and non-represented employees, deferred compensation management, and unemployment insurance.

**Early Retirement Incentive Program:** The Executive recommends implementation of an early retirement incentive program to generate aggregate operating budget savings in FY09 (-\$5,000,000).

**Non-Qualified Retirement Plan:** This provides funding for that portion of a retiree's benefit payment that exceeds the Internal Revenue Code's §415 limits on payments from a qualified retirement plan. Payment of these benefits from the County's Employees' Retirement System (ERS) would jeopardize the qualified nature of the County's ERS. The amount in this NDA will vary based on future changes in the Consumer Price Index (CPI) affecting benefit payments, new retirees with a non-qualified level of benefits, and changes in Federal law governing the level of qualified benefits.

**Deferred Compensation Management:** These costs are for management expenses required for administration of the County's deferred compensation program. Management expenses include legal and consulting fees, office supplies, printing and postage, and County staff support.

**Management Leadership Service Performance-Based Pay Awards:** In FY99, the County implemented the Management Leadership Service (MLS) which includes high level County employees with responsibility for developing and implementing policy and managing County programs and services. The MLS was formed for a number of reasons, including improving the quality and effectiveness of service delivery through management training, performance accountability, and appropriate compensation; providing organizational flexibility to respond to organizational needs; allowing managers to seek new challenges; and developing and encouraging a government-wide perspective among the County's managers. MLS employees are not eligible for service increments.

**Unemployment Insurance:** The County is self-insured for unemployment claims resulting from separations of service. Unemployment insurance is managed by the Office of Human Resources through a third party administrator who advises the County and monitors claims experience.

### FY09 Recommended Changes

	Expenditures	WYs
<b>FY08 Approved</b>	<b>3,565,090</b>	<b>1.6</b>
Increase Cost: MLS Pay for Performance	8,040	0.0
Increase Cost: Increase personnel cost for performance management position (#14799) omitted from the MARC but included in the base	6,740	0.0
Increase Cost: GWA	2,130	0.0
Increase Cost: Retirement Adjustment	840	0.0
Increase Cost: Group Insurance Adjustment	320	0.0
Increase Cost: Printing Charge Adjustment	320	0.0
Increase Cost: Service Increment	210	0.0
Increase Cost: Mail Charges Adjustment	50	0.0
Decrease Cost: Deferred Compensation Management	-13,380	0.0
Shift: Longevity/performance Increment	-14,780	0.0
Shift: Longevity/performance Increment	-57,590	0.0
Decrease Cost: MLS Pay for Performance	-65,920	0.0
Decrease Cost: Early Retirement Program	-5,000,000	0.0
<b>FY09 CE Recommended</b>	<b>-1,567,930</b>	<b>1.6</b>

## Retiree Health Benefits Trust

Beginning in FY08, the County implemented a plan to set aside funds for retiree health benefits, similar to what we have been doing for retiree pension benefits for more than 50 years. The reasons for doing this are simple: due to exponential growth in expected retiree health costs, the cost of funding these benefits, which are currently paid out as the bills come due, may soon become unaffordable. Setting aside money now and investing it in a Trust Fund, which will be invested in a similar manner as the pension fund, not only is a prudent and responsible approach, but which will result in significant savings over the long term.

As a first step in addressing the future costs of retiree health benefits, County agencies developed current estimates of the costs of health benefits for current and future retirees. These estimates, made by actuarial consultants, concluded that the County's total future cost of retiree health benefits if paid out today, and in today's dollars, is \$2.6 billion – more than half the total FY09 budget for all agencies.

One approach used to address retiree health benefits funding is to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health benefits. This amount, known as an Annual Required Contribution or "ARC", was calculated for County agencies last year to be \$240 million, or nearly \$190 million more than the previous annual payment for current retirees. Still too large an amount to be set aside all at once in FY08, the County chose a further approach of "ramping up" to the ARC amount over several years, with the amount set aside each year increasing steadily until the full ARC is reached. A total of \$31.9 million for all tax supported agencies was budgeted for this purpose in FY08.

For FY09, the ARC has been recalculated and is now estimated at \$250 million. This amount consists of two pieces – the annual amount the County would usually pay out for health benefits for current retirees (the pay-as-you-go amount), plus the additional amount estimated as needed to fund retirees' future health benefits (the pre-funding portion). The pay-as-you-go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis. For FY09, a ramp-up period of eight years has been assumed, up from the five year phase-in that was planned in FY08. This lengthening of the phase-in period is being implemented in response to the County's fiscal situation, and results in a contribution for all County tax-supported agencies of \$55.15 million in FY09, down from \$70.73 million called for under the previous plan.

### FY09 Recommended Changes

	Expenditures	WYs
<b>FY08 Approved</b>	<b>12,067,320</b>	<b>0.0</b>
Increase Cost: Additional cost to pre-fund retiree health insurance on the multi-year schedule	11,882,270	0.0
Miscellaneous adjustments, including negotiated compensation changes, employee benefit changes, changes due to staff turnover, reorganizations, and other budget changes affecting more than one program	-4,377,660	0.0
<b>FY09 CE Recommended</b>	<b>19,571,930</b>	<b>0.0</b>

### State Positions Supplement

This NDA provides for the County supplement to State salaries and fringe benefits for secretarial assistance for the resident judges of the Maryland appellate court and for certain employees in the Office of Child Care Licensing and Regulation in the Maryland State Department of Human Resources.

### FY09 Recommended Changes

	Expenditures	WYs
<b>FY08 Approved</b>	<b>119,330</b>	<b>0.0</b>
Increase Cost: GWA	15,990	0.0
Increase Cost: Annualization of FY08 Personnel Costs	6,430	0.0
Increase Cost: Retirement Adjustment	2,590	0.0
Increase Cost: Group Insurance Adjustment	610	0.0
<b>FY09 CE Recommended</b>	<b>144,950</b>	<b>0.0</b>

55

### State Retirement Contribution

This NDA provides for the County's payment of two items to the State Retirement System:

- Maryland State Retirement System: Unfunded accrued liability, as established by the Maryland State Retirement System (MSRS), for employees hired prior to July 1, 1984, who are members of the MSRS (including former Department of Social Services employees hired prior to July 1, 1984), and for those who have retired. (All County employees participated in the State Retirement System until 1965.) The County contribution for this account is determined by State actuaries. Beginning in FY81, the amount due was placed on a 40-year amortization schedule.
- State Library Retirement: Accrued liability for retirement costs for three Montgomery County Public Library retirees who are receiving a State retirement benefit. These were County employees prior to 1966 who opted to stay in the State plan.

#### FY09 Recommended Changes

	Expenditures	WYs
<b>FY08 Approved</b>	<b>890,580</b>	<b>0.0</b>
Increase Cost: Annual Adjustment	44,340	0.0
<b>FY09 CE Recommended</b>	<b>934,920</b>	<b>0.0</b>

56

**Compensation NDA Components**

	FY 08		FY 09		FY 08-09	
	PC	OE	PC	OE	Total	Change
<b>Tax Supported</b>						
Unemployment Insurance	-	250,000	-	250,000	250,000	-
Non-qualified Retirement	-	20,200	-	20,200	20,200	-
Deferred Compensation Mgt	83,990	54,500	91,310	34,170	125,480	(13,010)
Collective Bargaining Actuarial Services	-	75,000	-	75,000	75,000	-
MLS Pay for Performance	1,518,210	-	1,452,290	-	1,452,290	(65,920)
Performance Management Program	64,960	263,000	75,200	263,000	338,200	10,240
Nonrep Pay for Performance	809,420	-	809,420	-	809,420	-
Longevity/performance increment (1%)	57,590	-	57,590	-	-	(57,590)
Retirement Incentive Program	-	-	(5,000,000)	-	(5,000,000)	(5,000,000)
<b>Total</b>	<b>2,534,170</b>	<b>662,700</b>	<b>(2,571,780)</b>	<b>642,370</b>	<b>(1,929,410)</b>	<b>(5,126,280)</b>
<b>Non-tax Supported</b>						
MLS Pay for Performance	210,600	-	218,640	-	218,640	8,040
Nonrep Pay for Performance	142,840	-	142,840	-	142,840	-
Longevity/performance increment (1%)	14,780	-	-	-	-	(14,780)
<b>Total</b>	<b>368,220</b>	-	<b>361,480</b>	-	<b>361,480</b>	<b>(6,740)</b>
<b>Total NDA</b>	<b>2,902,390</b>	<b>662,700</b>	<b>(2,210,300)</b>	<b>642,370</b>	<b>(1,567,930)</b>	<b>(5,133,020)</b>

Resolution No.: 16-87  
Introduced: March 27, 2007  
Adopted: April 10, 2007

COUNTY COUNCIL  
FOR MONTGOMERY COUNTY, MARYLAND

By: County Council

SUBJECT: Five-Year Funding Schedule for County Agencies' Annual Required Contribution for Other Post Employment Benefits (OPEB)

Background

1. The Governmental Accounting Standards Board (GASB) has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to Other Post Employment Benefits (OPEB).
2. County agencies (the County Government, Montgomery County Public Schools, Montgomery College, the Washington Suburban Sanitary Commission [WSSC], and the Maryland-National Capital Park and Planning Commission [M-NCPPC]) are required to disclose their OPEB liabilities in their financial statements, starting with the fiscal year beginning July 1, 2007 (FY 2008).
3. In November 2006 the County obtained actuarial valuation information addressing the extent of the County's liability to its retirees for Other Post Employment Benefits as of July 1, 2006. Other County agencies have also obtained, or are in the process of obtaining, similar actuarial valuations. The OPEB reports are subject to a number of actuarial and economic assumptions; these assumptions were generally similar to the assumptions used in evaluating the County agencies' pension fund liabilities.
4. Based on the assumptions and qualifications stated therein, the OPEB reports concluded that, assuming full prefunding, the FY 2008 annual required contribution (ARC) for the County, its tax supported agencies, and the Montgomery County portion of the M-NCPPC is \$240.0 million, and the related actuarial accrued liability (AAL) is \$2.6 billion. The most recent ARC for WSSC is \$19.1 million, and the related AAL is \$200 million.
5. The County has determined that a five-year phase in of the difference between the current pay-as-you-go amount and the ARC would be a responsible approach to pre-funding, and believes that such an approach is acceptable to the rating agencies, which will be evaluating the County's response to the GASB disclosure requirements and its approach to any obligations to current and future retirees for post-employment health and other non-pension benefits.
6. Should the County establish a separate OPEB trust, and should the County adopt a written policy of its intent to phase-in full funding of the difference between the pay-as-you-go contributions and the ARC on an amortized even basis over a five-year period, it would be appropriate for the County agencies to use, in their actuarial valuations, a discount rate higher than their operating investment rate for accounting and budgeting purposes. Absent such a policy, County agencies would be required to record OPEB liabilities in their financial statement of almost twice as much as liabilities required with such a policy.

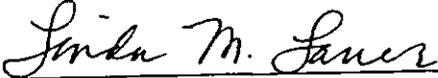
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Action

The County Council for Montgomery County, Maryland approves the following resolution:

1. The Council is committed to the responsible fiscal management of the County agencies' Other Post Employment Benefit obligations and acknowledges that County agencies intend to establish one or more Trusts, on or before July 1, 2007 if possible, for such purposes.
2. It is the Council's policy intent to fund the difference between the OPEB pay-as-you-go contributions and the annual required contribution, for the tax supported agencies, on an amortized even basis over a five-year period beginning with Fiscal Year 2008.
3. For WSSC and M-NCPPC, it is the Council's policy intent to support WSSC's and M-NCPPC's plans to implement a five-year phase in of the difference between the OPEB pay-as-you-go contributions and the ARC beginning with Fiscal Year 2008, in coordination with the Prince George's County Council.

This is a correct copy of Council action.

  
\_\_\_\_\_  
Linda M. Lauer, Clerk of the Council



MONTGOMERY COUNTY  
COUNCIL

200 APR -7 PM 2:03

OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

Isiah Leggett  
County Executive

## MEMORANDUM

April 7, 2008

TO: Michael J. Knapp, Council President

FROM: Isiah Leggett, County Executive 

SUBJECT: FY09 Operating Budget: County Reserves and Retiree's Health Insurance

As the Council begins its review of the FY09 operating budget, I wanted to express my concern with two potential approaches to identifying additional resources for the operating budget: lowering the County reserve levels for tax supported funds and further extension of the period for pre-funding health insurance benefits for retired employees. I understand the Council's desire to restore some of the reductions in the operating budget I was forced to make due to current fiscal constraints. However, for the reasons discussed below, this would be a short-sighted approach that would compound the structural imbalance in the County's budget. I believe that our options at this point are very limited and that bringing down the rate of growth in spending is the most responsible approach to putting the County's financial house in order.

### Reserves – Maintain the policy at 6%

- 1) In relation to the County's nearly \$4 billion tax supported budget, the projected FY09 undesignated reserves are a relatively small amount as the table below demonstrates:
- |                            |         |       |
|----------------------------|---------|-------|
| Undesignated Reserve       | 109.496 | 2.76% |
| Designated Reserve         | 9.004   | 0.23% |
| Revenue Stabilization Fund | 119.648 | 3.01% |
| Total Reserve              | 238.148 | 6.00% |
- Reducing reserves to 5% reduces undesignated reserves by \$40 million to \$69.8 million.
  - The FY08 revenue loss with transfer, recordation, and income tax was nearly \$78 million. If this occurred again, the undesignated reserves would be eliminated, and we would have no funds for services as basic as snow removal, which typically costs in excess of \$15 million, or any other unexpected mid-year supplemental or special appropriation.
  - There would be a major draw on tax-supported resources to replenish the reserves in the coming fiscal year.

- d. We have few options to raise revenue mid-year. We can't raise property tax or income tax. The energy tax is already a big burden especially with utility costs.
  - e. The probability of continued mid-year revenue losses remains high.
- 2) Uncertainty in the Economy:
- a. Economy continues to be unstable: major, daily market fluctuations
  - b. Fed rate cuts have further reduced investment income
  - c. Recordation tax in Feb was 44% below the previous year – Is this the bottom?
  - d. Will the state have to make more cuts if its revenue declines?
    1. Speed cameras (\$15 million in FY09), College Aid, Teacher pensions next?
  - e. Revenue uncertainty: Ambulance fee (\$6 M.) and controlling interest (\$12.6 M.)
- 3) Uncertainty with Expenditures:
- a. Fuel and utilities: Ride On, Police Fleet
  - b. Justice Department Audit of ADA compliance
  - c. Public Safety Overtime
  - d. Health care and Pension costs (market turmoil will require larger County contribution)
- 4) Be careful about the future
- a. Cutting reserves and replacing with ongoing costs creates a larger imbalance for FY10
  - b. The gap is already over \$200 M: will grow with additional spending or revenue losses.
  - c. Can we exceed the charter limit two years in a row?
- 5) Rating agencies – where is the tipping point?
- a. We have changed our plan for retiree health funding in the face of a \$3.2 billion liability
  - b. Early retirement increases liability in pension fund
  - c. Our funded ratio in pension plans is already lower than national averages (less than 80%)
  - d. Could a smaller reserve be the straw that breaks the camel's back?
  - e. Moody's report: imbalance between revenue and expenditures and use of reserves and the section on the economically sensitive taxes relative to the 6% – Is it enough?

**Retiree Health Benefits Funding – Do not go beyond 8 year phase-in**

- County agencies have a sizeable liability related to health benefits it has promised to retirees.
- Currently, agencies pay for those costs on a pay-as-you-go basis. A claim for health services provided to an existing retiree is submitted and it is paid.

- The pay-as-you-go amount grows significantly each year as more and more employees retire and become eligible. For FY09 it is estimated at \$80 million, an increase of 13% over FY08 and 25% over FY07. The Fitch credit rating agency notes that "Fitch believes that the looming OPEB liability for many governments, if not confronted over a reasonable time, will eventually manifest itself as a monumental budget challenge."
- The total liability for retiree health for county agencies is estimated at \$3.2 billion and will continue to grow as the County hires new employees who will be eligible for the benefit.
- Confronting the liability means measuring it and funding it on an actuarial basis, as is done with pension benefits. It can also mean lowering benefit levels.
- To fund the County liability on an actuarial basis will require an annual contribution of \$268 million.
- The longer we delay funding it on a full actuarial basis, the more it will cost. This is because funds not used to pay benefits will be invested and generate investment earnings.
- The County Council approved a policy last year to fund to full actuarial cost over 5 years.

#### **Recommended Budget proposes revising schedule from 5 years to 8 years**

- My budget recommends changing to an 8 year phase-in. This was based in part on need to adjust schedule to help close budget gap and also on rating agencies' apparent acceptance of Howard County, also rated triple AAA, recently adopting an 8 year phase-in period.
- We will need to convince the rating agencies of our continued intent to confront this liability.

#### **Approach to Ratings Analysis**

- As part of its fiscal management review, the rating agencies will look not only at the County's OPEB liability, but also two other long term liabilities, its pension fund and its debt. The County has increased its GO debt levels to \$300 million a year.
- These other liabilities are sizable and include:
  - Pensions \$4.4 billion 79% Funded Ratio
  - Retiree Health 3.2 billion 0% Funded Ratio
  - G.O. Debt 1.6 billion 71% Paid off in 10 years
  - Total \$9.2 billion

I trust this information will be useful to the Council in its deliberations on the FY09 Operating Budget. If you are in need of additional information or clarification on these matters please do not hesitate to contact me or Executive Branch staff.

IL:jfb

(62)

Michael J. Knapp

April 7, 2008

Page 4

.cc: Timothy L. Firestine, Chief Administrative Officer.  
Jennifer E. Barrett, Director, Department of Finance  
Joseph F. Beach, Director, Office of Management and Budget  
Kathleen Boucher, Assistant Chief Administrative Officer

(63)

**EMPLOYEE HEALTH BENEFITS SELF INSURANCE FUND**

<b>FY09-14 FISCAL PROJECTION</b>							
	Estimate - FY08	Projected - FY09	Projected - FY10	Projected - FY11	Projected - FY12	Projected - FY13	Projected - FY14
<b>BEGINNING BALANCE</b>	19,685,690	18,948,280	15,362,920	8,760,210	9,485,120	10,297,330	11,220,820
<b>REVENUES</b>							
Premium Contributions	124,019,690	131,287,790	137,178,440	154,911,610	168,228,780	183,205,790	200,371,780
Premium Contributions: Retiree Insurance NDA	24,810,190	25,725,330	28,287,900	32,299,520	35,280,150	38,673,490	42,520,640
Investment Income	337,290	369,180	402,700	445,440	488,780	532,250	582,010
<b>TOTAL REVENUES</b>	149,167,170	157,382,300	165,869,040	187,656,570	203,997,710	222,411,530	243,474,430
<b>TOTAL FUNDS AVAILABLE</b>	166,852,860	176,330,580	181,231,960	196,416,780	213,482,830	232,708,860	254,695,250
<b>EXPENDITURES</b>							
Claims Costs: Self-Insured	123,564,800	135,097,810	146,195,980	158,746,760	172,932,710	189,043,180	207,634,210
Actives	79,461,740	86,836,720	93,680,950	101,098,820	109,114,930	117,615,550	126,784,960
Retirees	44,103,060	48,261,090	52,515,030	57,647,940	63,817,780	71,427,630	80,849,250
Premium Expenses	16,657,190	17,355,350	18,682,430	20,187,810	21,837,200	23,594,080	25,498,410
Actives	14,945,830	15,592,980	16,818,440	18,213,060	19,735,270	21,354,250	23,115,160
Retirees	1,711,360	1,762,370	1,863,990	1,974,750	2,101,930	2,239,830	2,383,250
Carrier Administration	7,587,420	7,590,530	7,866,260	8,152,800	8,448,230	8,754,200	9,073,940
Active	5,409,200	5,388,260	5,602,850	5,826,140	6,058,200	6,298,780	6,548,590
Retirees	2,178,220	2,202,270	2,263,410	2,326,660	2,390,030	2,455,420	2,525,350
In-house expenses	2,095,170	2,232,500	2,344,130	2,461,340	2,584,410	2,713,630	2,849,310
Other	1,424,050	1,589,050	1,773,680	1,979,570	2,209,140	2,465,100	2,751,470
<b>TOTAL EXPENDITURES</b>	149,904,580	162,276,190	175,088,800	189,548,710	205,802,550	224,105,090	245,055,870
Funds Available Over(Under) Expenditures	18,948,280	14,054,390	6,143,160	6,868,070	7,680,280	8,603,770	9,639,380
<b>OTHER CHANGES</b>							
Prescription drug claims cost offset	-	1,308,530	2,617,050	2,617,050	2,617,050	2,617,050	2,617,050
<b>ENDING BALANCE</b>	18,948,280	15,362,920	8,760,210	9,485,120	10,297,330	11,220,820	12,256,430
<b>TARGET FUND BALANCE (5% OF EXPENDITURES)</b>	7,485,230	8,113,810	8,754,440	9,477,440	10,290,130	11,205,250	12,252,790
<b>ENDING BALANCE AS % OF EXPENDITURES</b>	12.6%	9.5%	5.0%	5.0%	5.0%	5.0%	5.0%

# BUDGET SUMMARY

	Actual FY07	Budget FY08	Estimated FY08	Recommended FY09	% Chg Bud/Rec
<b>COUNTY GENERAL FUND</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	3,844,129	4,489,500	4,178,960	4,625,930	3.0%
Employee Benefits	1,202,947	1,237,010	1,183,470	1,100,970	-11.0%
<b>County General Fund Personnel Costs</b>	<b>5,047,076</b>	<b>5,726,510</b>	<b>5,362,430</b>	<b>5,726,900</b>	<b>0.0%</b>
Operating Expenses	2,846,489	3,537,400	3,753,500	3,796,070	7.3%
Capital Outlay	0	0	0	0	—
<b>County General Fund Expenditures</b>	<b>7,893,565</b>	<b>9,263,910</b>	<b>9,115,930</b>	<b>9,522,970</b>	<b>2.8%</b>
<b>PERSONNEL</b>					
Full-Time	68	81	81	80	-1.2%
Part-Time	5	5	5	4	-20.0%
Workyears	48.7	50.6	50.6	46.6	-7.9%
<b>REVENUES</b>					
Federal Financial Participation (FFP)	21,324	0	0	0	—
<b>County General Fund Revenues</b>	<b>21,324</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>—</b>
<b>EMPLOYEE HEALTH BENEFIT SELF INSURANCE FUND</b>					
<b>EXPENDITURES</b>					
Salaries and Wages	913,986	888,560	727,250	1,011,420	13.8%
Employee Benefits	181,368	249,770	198,220	314,850	26.1%
<b>Employee Health Benefit Self Insurance Fund Pers. Costs</b>	<b>1,095,354</b>	<b>1,138,330</b>	<b>925,470</b>	<b>1,326,270</b>	<b>16.5%</b>
Operating Expenses	132,572,104	149,988,100	148,979,110	160,949,920	7.3%
Capital Outlay	0	0	0	0	—
<b>Employee Health Benefit Self Insurance Fund Exp.</b>	<b>133,667,458</b>	<b>151,126,430</b>	<b>149,904,580</b>	<b>162,276,190</b>	<b>7.4%</b>
<b>PERSONNEL</b>					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	9.6	11.0	11.0	12.2	10.9%
<b>REVENUES</b>					
Self Insurance Employee Health Income	140,505,538	140,209,240	148,829,880	157,013,120	12.0%
Investment Income	1,373,529	340,030	337,290	369,180	8.6%
<b>Employee Health Benefit Self Insurance Fund Revenues</b>	<b>141,879,067</b>	<b>140,549,270</b>	<b>149,167,170</b>	<b>157,382,300</b>	<b>12.0%</b>
<b>DEPARTMENT TOTALS</b>					
Total Expenditures	141,561,023	160,390,340	159,020,510	171,799,160	7.1%
Total Full-Time Positions	68	81	81	80	-1.2%
Total Part-Time Positions	5	5	5	4	-20.0%
Total Workyears	58.3	61.6	61.6	58.8	-4.5%
Total Revenues	141,900,391	140,549,270	149,167,170	157,382,300	12.0%

## FY09 RECOMMENDED CHANGES

	Expenditures	WYs
<b>COUNTY GENERAL FUND</b>		
<b>FY08 ORIGINAL APPROPRIATION</b>	<b>9,263,910</b>	<b>50.6</b>
<b>Changes (with service impacts)</b>		
Add: Labor Contracts - Other	109,100	0.0
Enhance: Tuition assistance negotiated with IAFF and MCVFRA [Training and Development]	5,910	0.0
Reduce: Food served at QLF meetings and serve coffee and water [Training and Development]	-4,000	0.0
Reduce: Require all resumes to be submitted online and eliminate processing of paper resumes [Management Services]	-12,000	0.0
Reduce: Size and scope of Montgomery Best Honor Awards program and eliminate countywide length of service ceremony [Training and Development]	-19,000	0.0
Reduce: Abolish part-time psychologist position in Stress Management Section [Occupational Medical Services]	-62,970	-0.5
Reduce: Abolish HR Specialist III position in Labor Relations [Management Services]	-97,000	-1.0
Reduce: Abolish HR Specialist position in Staffing [Management Services]	-97,000	-1.0
Reduce: Abolish Program Manager II (Grade 25) position [Occupational Medical Services]	-97,000	-1.0
Reduce: Abolish Management Services Manager II position [Management Services]	-156,000	-1.0

	Expenditures	WYs
<b>Other Adjustments (with no service impacts)</b>		
Shift: Police Stress Management Funding (eliminate chargeback) [Occupational Medical Services]	465,260	3.5
Increase Cost: General Wage and Service Increment Adjustments	323,450	0.0
Increase Cost: Lifecycle programming support for the Unified Data Modeler (UDM) and Electronic Personnel Action Form (e-PAF), critical systems that support MCTime, e-Perform, and computer based training [Administration]	187,000	0.0
Shift: OCE Community Outreach Position	140,340	1.0
Increase Cost: Contract increase to align budget with expected service utilization [Occupational Medical Services]	136,280	0.0
Increase Cost: Retirement Adjustment	74,480	0.0
Increase Cost: Annualization of FY08 Lapsed Positions	60,220	0.5
Increase Cost: Group Insurance Adjustment	50,730	0.0
Increase Cost: Medical Certificate exams for Non-CDL Holders [Occupational Medical Services]	21,980	0.0
Increase Cost: Replacement of Biopacks for Public Safety [Occupational Medical Services]	16,370	0.0
Increase Cost: Printing and Mail Adjustments	14,380	0.0
Increase Cost: Central Duplicating Deficit Recovery Charge	1,000	0.0
Increase Cost: Workforce Adjustment	0	-2.8
Shift: Transfer one Human Resources Specialist workyear from Police Department [Occupational Medical Services]	0	1.0
Decrease Cost: Reduce Diversity Day expenses [Equal Employment Opportunity and Diversity]	-1,000	0.0
Shift: Personnel costs from the General Fund to the Employee Health Benefits Self Insurance Fund [Administration]	-21,000	-0.5
Shift: Personnel costs from the General Fund to the Employee Health Benefits Self Insurance Fund [Management Services]	-30,000	-0.2
Decrease Cost: Underfill HR Specialist III position (Grade 25) at PAI (Grade 16) [Management Services]	-33,000	0.0
Decrease Cost: Injured III Police Employees Network contract in OMS [Occupational Medical Services]	-54,000	0.0
Decrease Cost: Elimination of One-Time Items Approved in FY08	-179,160	0.0
Decrease Cost: Internal Salary Equity Review [Management Services]	-188,360	-2.0
Decrease Cost: Annualization of FY08 Personnel Costs	-295,950	0.0
<b>FY09 RECOMMENDED:</b>	<b>9,522,970</b>	<b>46.6</b>
<b>EMPLOYEE HEALTH BENEFIT SELF INSURANCE FUND</b>		
<b>FY08 ORIGINAL APPROPRIATION</b>	<b>151,126,430</b>	<b>11.0</b>
<b>Other Adjustments (with no service impacts)</b>		
Increase Cost: Increase in estimated claims costs and carrier administration [Benefits and Information Management]	11,012,430	0.0
Increase Cost: General Wage and Service Increment Adjustments	53,460	0.0
Shift: Personnel costs from the General Fund to the Employee Health Benefits Self Insurance Fund [Benefits and Information Management]	51,000	0.7
Increase Cost: Add one FT regular HR Specialist III position to administer changes to group insurance and retirement plans, including the addition of a new retirement plan [Benefits and Information Management]	36,140	0.4
Increase Cost: Annualization of FY08 Lapsed Positions	17,760	0.2
Increase Cost: Retirement Adjustment	13,920	0.0
Increase Cost: Group Insurance Adjustment	12,810	0.0
Increase Cost: Printing and Mail Adjustment	9,390	0.0
Increase Cost: Annualization of FY08 Service Increment	2,850	0.0
Increase Cost: Miscellaneous Workforce Adjustment	0	-0.1
Decrease Cost: Eliminate one-time funding for HCM Interface Reporting [Benefits and Information Management]	-20,000	0.0
Decrease Cost: Savings from not printing and mailing the Total Compensation Statement [Benefits and Information Management]	-40,000	0.0
<b>FY09 RECOMMENDED:</b>	<b>162,276,190</b>	<b>12.2</b>

66

## POST RETIREMENT GROUP INSURANCE

### Generic Scenarios to Reduce OPEB Liability

#### Premise

Reducing the future costs of providing post retirement group insurance will reduce the overall liability to an organization and therefore reduce the amount of that liability to be funded. Many organizational factors will influence which options will be considered and which will not. The template below is only an attempt to identify various factors that influence group insurance costs.

#### Affected Groups

- Current Retirees
  - Medicare
  - Non-Medicare
- Current Actives
  - Retirement eligible
  - Not retirement eligible
- Future New hires

#### Factors influencing post retirement group insurance costs and related action considerations for addressing costs

- Eligibility for post retirement group insurance
 

*Considerations –*

  - More rigorous age and service requirements for employees
  - Availability to dependents
    - Health coverage not available to dependents
    - Health coverage not available to dependents if eligible for coverage elsewhere
  - Not eligible for post retirement medical or prescription when Medicare becomes primary
- Employer contribution towards post retirement group insurance
 

*Considerations –*

  - Reducing contribution amounts overall
  - Weighting rates based on years of service
  - Percent of contribution based on lowest cost plans with retiree paying the rate differential for more costly plans

- Contribution towards retiree group insurance only, with retiree paying rate differential for dependents
- Contributions based on flat dollar amounts versus percent of premium (could be incorporated via a Health Savings Account in a Consumer Directed Health Plan)
- Determining the effect of active-retiree subsidy practices on post retirement costs
  
- Funding
  - Considerations –*
    - Potential advantages of moving to fully insured Medicare supplement plans
    - Active employees pre-funding a portion of their post retirement benefit cost.
  
- Benefit delivery mechanisms
  - Considerations –*
    - Mandatory generic drugs where available
    - Mandatory use of mail order for certain maintenance drugs
    - Use of certain pharmacies for specialty drugs
  
- Plan design changes
  - Considerations –*
    - Deductible amounts
    - Co-pay amounts
    - Co-insurance levels
    - Mandatory prescription formularies
    - Annual out-of-pocket and lifetime maximums
    - Post retirement life insurance amounts
  
- Items covered
  - Considerations –*
    - Exclude certain items currently covered for medical, dental and prescription
  
- Plan elimination
  - Considerations –*
    - Not offering certain benefits post retirement, such as dental
    - Offering discount programs versus full coverage, e.g., for dental

(68)

# MEMORANDUM

**DATE:** November 19, 2007  
**TO:** Management and Fiscal Policy Committee  
**FROM:** Thomas Lowman, Bolton Partners, Inc. TL  
**SUBJECT:** Comments on the Multi-Agency OPEB Work Group Report

---

This memo is an update to our prior memos dated November 20, 2006, March 9, 2007 and June 20, 2007. We have focused on changes and progress made since the MFP Committee meeting in June and comments provided in the November 12, 2007 memo from the Multi-Agency OPEB Work Group.

Below are our comments divided into the five key areas requested by the Council:

1. Status of the Agencies' OPEB trusts
2. Status of the Agencies' communications plans
3. Status of review of options for limiting liability
4. Schedule for future actuarial valuations
5. Lessons to date from the experience of other jurisdictions.

## 1. Status of Agencies' OPEB trusts

At this point in time, three agencies have established trusts. The County has completed drafting legislation for its trust and the College is planning to set up a trust by January.

One trust related issue that came up in discussion with the agencies was whether the trusts contained reversion language. Apparently all do (or in the case of the College, plan to) except for the School Board. We understand that the School Board may make a change to provide for a reversion, which we would encourage.

The November 12<sup>th</sup> memo also discussed the issue of the State's "maintenance of effort" (MOE) requirement. We have a general understanding that maintenance of effort relates to requiring a continued level of financial support by the County to MCPS and the College. We understand why additional OPEB funding (which provides no immediate benefit to students) would be an issue. We have seen a letter and emails on this topic that lead us to conclude that it is not clear how OPEB funding (and potential reversions) are factored into MOE requirements. It will take time to sort this out.

## 2. Status of Agencies' communications plans

This continues to move forward and is discussed on page 3 of the November 12<sup>th</sup> memo. As was pointed out in our prior memo, this will continue to be an area requiring a delicate balance as the agencies continue to provide reader-friendly types of materials to employees while preserving the right to make benefit changes.

(69)

### 3. Status of review of options for limiting liability

This was probably one of the two most interesting parts of the November 12<sup>th</sup> memo from the Multi-Agency OPEB Work Group. In the clearest way we have seen (starting on the middle of page 4) the memo makes the point about how the County and M-NCPPC are limited from sharing details of discussions due to collective bargaining rules. It is not clear how constrained MCPS is but they seem to try and follow the same collaborative style. The College seems to have fewer such constraints.

The Council might consider the following possibilities:

- Provide guidance on what the County can afford and ask the agencies to design plans around those fiscal constraints.
- Provide a common plan design and suggest that all agencies and unions work toward this design. This "common" design might be different for existing employees vs. new hires. If this approach was taken, the Council might wish to get fiscal impact information from the agencies' actuaries.

### 4. Projected schedule for future actuarial valuations

We understand that the June 30, 2007 valuations (FY09 expense) will be done soon. This is an ideal timing situation. We understand that one of the smaller agencies may "roll forward" the FY08 expense to FY09. We find this to be acceptable. The County Agencies are generally ahead of other counties in terms of determining FY09 expense. Many counties are still deciding on plan changes, FY08 funding levels and discount rates (used to determine the expense/ARC). Such changes could impact FY08 numbers as well as FY09 expenses.

### 5. Lessons to date from the experience of other jurisdictions

The November 12, 2007 memo contains a lot of information on this topic. Clearly the County has allocated resources to collect the type of survey information that the Council has requested. Sorting through the meaning is difficult and we would suggest that more weight be given to employer specific data than general survey data. General survey data might be misread since many employers nationally have either no benefits or very small benefits. It is also easy for there to be confusion between what a question meant and what someone was responding to.

Overall, the data tells us the following:

- The County has one of the larger expenses and liabilities.
- The large Montgomery County values are a function of the benefits provided and the ratio of retirees/employees. The County's high ratio of liabilities per capita (based on population) is interesting.
- There is a mixture of public sector employers that have, as a result of GASB45, (1) made changes, (2) are considering changes and (3) are not planning on making changes.

*Memorandum*  
*November 19, 2007*

The momentum among Maryland area governments with significant liabilities seems to be toward making benefit changes to reduce liabilities. Baltimore, Carroll and St. Mary's County have decided to charge retirees a greater share of the health care premium. Howard and Anne Arundel are actively studying options to reduce their liability. We expect these two counties will make changes but we do not know how significant they will be.

We think this information is useful when looking at the options to limit liability in Section 3 above. If benefits are to be changed, they should still be competitive. Measurements of competitiveness can be done by comparing the benefit provisions. It may also be possible to measure competitiveness by looking at the ratio of Normal Cost (value of benefits being earned) to number of employees. One problem with defining a competitive benefit is that not every local government has decided on what changes (if any) need to be made. What is competitive today may be generous in two years.

APPROVED

COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

MANAGEMENT AND FISCAL POLICY COMMITTEE

Monday, June 25, 2007  
9:40 A.M. to 11:10 A.M.  
Council Hearing Room

PRESENT

Councilmember Duchy Trachtenberg, Chair

Councilmember Marilyn Praisner      Councilmember Roger Berliner

**SUBJECT:** Update – GASB Statement on Other Post-Employment Benefits (OPEB)  
**Reference:** 6/21/07 memorandum from Council Staff Director Farber.

Ms. Trachtenberg noted the importance of reviewing the efforts of other jurisdictions in limiting liability for retiree health costs, including an understanding of the size of their liability compared to the County's.

Ms. Praisner stressed the need to bring clearer focus to this issue and to address the long-term cost implications with employees, retirees, and the community.

Mr. Berliner requested that the review of other jurisdictions' efforts in this area include the phase-in periods they have selected to fund their liability and how they compare with the five-year period endorsed by the Council in April 2007.

**Next Step:** The Committee's next update is tentatively scheduled for November 26, 2007.

✓ **SUBJECT:** Office of Legislative Oversight (OLO) Report 2007-7: Linking Montgomery County Public Schools Workforce Data to Council Decision-Making  
**Reference:** 6/21/07 memorandum from Ms. Bonner-Tompkins, Senior Legislative Analyst, OLO.

Recommended the following:

The Council in partnership with County Government and the Board of Education should submit joint letters to the Council of Governments requesting the development of projects that report "total compensation" trends for key positions among local school systems and county governments;

Montgomery County Public Schools (MCPS) should reorganize and provide explanatory text for workforce data submitted in future submissions to the Personnel Management Review (PMR). Future PMR submissions should include descriptions of trend data, an executive summary that highlights key conclusions contained in the workforce data, and a glossary of key terms;

MCPS should include information on its workforce performance targets and progress as part of its PMR submission;

MCPS should provide comparative salary data with school districts in the State of Maryland and the Metropolitan Washington region in future PMR submissions;

MCPS should include data on other wages, stipends and other components of total compensation available by position as part of its PMR submission;

MCPS should include detailed workforce data on school-based counselors in future PMR submissions; and

Other County-funded agencies should submit executive summary information in their PMR submissions that includes a description of key findings and actions that the agency is taking as a result of its findings.

Noted the intent to reconsider recommendations for the other County-funded agencies relative to their PMR submissions after the Committee has had the opportunity to review the requested changes to MCPS' PMR submission.

**Next Step:** Council consideration is tentatively scheduled for July 19, 2007

✓ **SUBJECT:** Agency Personnel Management Review Documents  
**Reference:** 6/21/07 memorandum from Mr. Farber.

Discussed the different formats of agency personnel review documents. Ms. Trachtenberg noted that in view of the different origins and objectives of the agency documents, a common template would be problematic, especially in the short term. Ms. Praisner suggested that the focus for FY09 should be on changes proposed by OLO in the MCPS Staff Statistical Profile. She also suggested that all the agency documents include at the outset a list of key points that emerge from the data – for example, the need for succession planning based on statistics for agency retirements.

Discussed comments made by Council Committees and individual Councilmembers regarding the presentation of personnel cost and workforce information in agency budget documents. Requested OLO staff to draft a memorandum from the Council President to the Office of Management and Budget Director summarizing Council requests regarding the content and structure of the County Government Operating Budget document.

73



MONTGOMERY COUNTY COUNCIL  
ROCKVILLE, MARYLAND

OFFICE OF THE COUNCIL PRESIDENT

MEMORANDUM

July 10, 2007

TO: Joseph Beach, Director  
Office of Management and Budget

FROM: Marilyn J. Praisner, Council President *MJP*

SUBJECT: Content and Format of Workforce Information in Operating Budget Submissions

During the recently completed review of the FY08 operating budget, Council Committees considered how agency budget submissions met the information needs of the Council. More specifically, Councilmembers took note of the content and format of information we received related to personnel costs and the size of agency workforces. This memo transmits the Council's suggestions on how future year Executive budget submissions could better meet the Council's needs.

**Executive's Recommended Operating Budget Submission**

The Council requests that the Office of Management and Budget modify future year budget submissions to:

1. Show the annualized full year costs of recommended new positions budgeted for a partial year.
2. Show how many positions were budgeted in a department at the beginning of the current fiscal year, how many positions were added since the beginning of the fiscal year, and how many are recommended for the following fiscal year.
3. Identify recommended workyear changes at the program or activity level including the number of recommended new, shifted, and annualized workyears for each program or activity.
4. Include a simple table or chart that summarizes the current and recommended number of positions for each division or program and that clearly identifies recommended staffing level changes. This table or chart should include all positions associated with the division or program including those charged to other departments or to the CIP.
5. Identify the costs for recommended position upgrades.
6. Show budget and workforce information that more closely reflect current organization and program structures.

74

### **Executive's Recommended Personnel Complement**

The Council requests that OMB transmit hard copies of the Executive's recommended personnel complement for the General Government at the beginning of budget season.

### **Position Updates**

OMB currently submits to the Council monthly position reports that list County Government positions that were created or abolished since the previous monthly report. I invite OMB to work with the Management and Fiscal Policy Committee to modify the structure of these reports to improve their usefulness to the Council.

Thank you for your attention to these requests. I suggest that the MFP Committee follow up on this matter as part of its on-going review of the content and structure of agency budget submissions.

c: Councilmembers  
Stephen B. Farber  
Linda Lauer  
Chuck Sherer

# County Awards Summary (FY2007)

Reported on 04/09/2008

Department	Annual Leave (hrs)	Awarded Amount (\$)							AL (hrs)
		Emp. of Year	Recognition		ASE		Recruitment	Total	Recruitment
			Cash	Non-Cash	Exam	Master			
01 - CCL	615.50	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00
03 - OLO	88.00	\$ 0	\$ 100	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100	0.00
05 - ZAH	80.00	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00
15 - CEX	104.00	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00
17 - CFW	108.00	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00
18 - RSC	80.00	\$ 250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 250	0.00
21 - BLC	0.00	\$ 0	\$ 200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200	0.00
23 - PIO	296.00	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00
24 - SOE	680.00	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00
31 - OMB	0.00	\$ 2,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,000	0.00
32 - FIN	0.00	\$ 4,425	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,425	0.00
33 - OHR	112.00	\$ 850	\$ 200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,050	0.00
34 - DTS	100.00	\$ 5,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,800	0.00
35 - PRO	0.00	\$ 250	\$ 2,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,750	0.00
42 - COR	64.00	\$ 7,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,000	\$ 23,750	0.00
45 - FRS	3,732.00	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00
46 - HR	504.00	\$ 500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500	0.00
47 - POL	6,906.00	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,500	\$ 1,500	720.00
48 - SHF	1,804.00	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00
50 - PWT	10,409.00	\$ 6,750	\$ 3,350	\$ 900	\$ 67,800	\$ 61,000	\$ 2,750	\$ 142,550	0.00
64 - HHS	960.00	\$ 750	\$ 0	\$ 1,770	\$ 0	\$ 0	\$ 0	\$ 2,520	0.00
70 - CUS	49.00	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00
71 - LIB	1,650.00	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00
72 - REC	192.00	\$ 0	\$ 100	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100	0.00
75 - DPS	272.00	\$ 250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 250	0.00
76 - HCA	348.00	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00
78 - DED	160.00	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00
80 - ENV	211.00	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00
85 - LIQ	0.00	\$ 1,100	\$ 2,700	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,800	0.00
99 - BIT	24.00	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.00
<b>Total</b>	<b>29,548.50</b>	<b>\$ 30,675</b>	<b>\$ 9,150</b>	<b>\$ 2,670</b>	<b>\$ 67,800</b>	<b>\$ 61,000</b>	<b>\$ 20,250</b>	<b>\$ 191,545</b>	<b>720.00</b>

## MEMORANDUM

April 11, 2008

TO: Management and Fiscal Policy Committee

FROM: Stephen B. Farber, Council Staff Director *SBF*

SUBJECT: Update of Pay Changes since FY99: Montgomery County and Bi-County Agencies, Other Regional Local Governments and School Systems, the State, and the Federal Government

The attached tables, prepared by Legislative Analyst Amanda Mihill, update the annual pay changes since FY99 for the County and Bi-County agencies, other regional local governments and school systems, the State, and the Federal Government. OLO developed the format in 1994. Data are updated here for FY09 recommended.

The tables place pay changes in four categories:

- Increments (or step increases) provided to employees not at top of grade;
- General wage adjustments (COLAs);
- Lump-sum payments; and
- Adjustments made to the top of salary ranges.

An index to the tables is on the next page. When reviewing the tables, please keep in mind the following points about the format and content of the data provided:

1. For FY99-08, the tables report the pay changes that were actually implemented.
2. A hyphen (-) indicates that there was no change to that component of pay in that year. A blank space indicates that the information was not available.
3. For the Montgomery County and Bi-County agencies, the tables include increment amounts by bargaining unit. For units that have a variable as opposed to a fixed increment amount, the table reports the weighted average received by employees that year unless otherwise indicated.
4. For the non-Montgomery County jurisdictions, we have again attempted to provide more specific information on increments or steps, despite the diverse approaches to providing them. Where such information was not available, "Yes" indicates that increments were provided; a hyphen indicates that increments were not provided.
5. For the non-Montgomery County jurisdictions, a notation under the title indicates whether compensation is subject to collective bargaining.

Thanks are due once again this year to the budget and human resources staff of the five County and Bi-County agencies and our neighboring jurisdictions for their contributions to this compilation of data.

**Table Index**

**Page**

**Montgomery County and Bi-County Agencies**

Montgomery County Government .....1  
Montgomery County Public Schools .....3  
Montgomery College .....5  
Maryland-National Capital Park and Planning Commission .....6  
Washington Suburban Sanitary Commission .....7

**Other Local Area Governments**

Alexandria City Government .....9  
Anne Arundel County Government .....10  
Arlington County Government .....12  
Baltimore County Government .....13  
Fairfax County Government .....14  
Frederick County Government .....16  
Howard County Government .....17  
Prince George’s County Government .....18

**Other Local Public School Systems**

Alexandria City Public Schools .....20  
Anne Arundel County Public Schools .....21  
Arlington County Public Schools .....22  
Baltimore County Public Schools .....23  
Fairfax County Public Schools .....24  
Frederick County Public Schools .....25  
Howard County Public Schools .....27  
Prince George’s County Public Schools .....29

State of Maryland .....30

Federal Government (Washington/Baltimore  
Consolidated Metropolitan Statistical Area) .....32

**MONTGOMERY COUNTY GOVERNMENT**

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
<b>Police (FOP)</b>											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	2.0%	2.5%	2.7%	(c)	(e)	2.0%	2.0%(h)	2.75%	(n)	-	4.0%
Lump-sum payment	-	(a)	-	-	-	-	(i)	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	(l)	-	-	-
Other	-	-	-	-	-	-	-	-	-	(p)	-
<b>Fire (IAFF)</b>											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	2.9%	3.0%	2.9%	(d)	5.0%	3.5%	3.5%	(m)	(o)	5.0%	2%+2%(t)
Lump-sum payment	-	(a)	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	(f)	(f)	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Office, Professional, and Technical Bargaining Unit/Service, Labor, and Trade Bargaining Unit (MCGEO)</b>											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	2.0%	2.6%	(b)	3.25%	3.5%	3.75%(g)	2.0%(h)	2.75%	(n)	4.0%	4.5%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	(f)	(j)	-	-	(q)	-
<b>Non-Represented</b>											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	2.0%	2.6%	(b)	3.25%	3.5%	2.0%	2.0%(h)	2.75%	(n)	4.0%	4.5%
Lump-sum payment	-	-	-	-	-	-	-	(r)	(s)	(t)	-
Top of range adjustment	-	-	-	-	-	-	(k)	(s)	(s)	(s)	-

- (a) Longevity step (completion of 20 years).
- (b) 2.0% effective 7/2/00; 1.0% effective 1/14/01.
- (c) Effective 7/1/01, a flat dollar amount of \$2800 per employee and effective 1/13/02 an additional flat dollar amount of \$600 per employee.
- (d) 2.0% effective 7/1/01; 1.0% effective 1/13/02.
- (e) 3.0% effective 7/02; 1.0% effective 1/03.
- (f) Pay plan adjustment equal to 3.5%.
- (g) Effective 11/30/03.
- (h) Effective 9/5/04.
- (i) Return to uniform pay plan starting 1/9/05 for unit members with 20 years of completed service.
- (j) Starting 1/9/05 employees who have completed 20 years of service and are at the maximum of their pay grade will receive a longevity increment of 2%.
- (k) Range expansion of 1.75%, 3.75% for employees in the Management Leadership Service.
- (l) Effective 1/8/06 current min/max salary schedule will be converted to a matrix based step schedule.
- (m) 3% effective 7/10/05; 1% effective 1/8/06.

- (n) 3.0% effective 7/9/06; 1.0% effective 1/7/07.
- (o) 4.0% effective 7/9/06; 1.0% effective 1/7/07.
- (p) Increase wage rate of Step 0, Year 1, by \$3,151 with promotions and increments calculated from that point. Equals an adjustment of 7.5%.
- (q) Increase longevity percentage by 1.0%, effective 1/6/08.
- (r) Performance lump sum award: 2% for exceptional and 1% for highly successful.
- (s) Longevity/performance increment 2 years of consecutive exceptional or highly successful: 1% added to base pay and effective 1/7/07, 2% added to base pay.
- (t) 2.0% effective 7/6/08; 2.0% effective 1/4/09.

Note: The percentage of employees eligible to receive a service increment varies by bargaining unit. Overall, about two-thirds of County Government employees are eligible to receive an increment in FY09.

50

**MONTGOMERY COUNTY PUBLIC SCHOOLS**

REC

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Teachers (MCEA)</b>											
Increment	0.9-5.6%	0.9-5.6%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%
Increment-weighted average (a)	1.5%	1.5%	1.6%	1.7%	1.9%	1.9%	1.9%	2.0%	1.9%	2.2%	2.3%
Negotiated salary schedule increase	2.0%(e)	2.0%(f)	5%(h)(i)	4.0%(h)	4.0%(h)	4.0%(h)	2.0%	2.75%	4.0%(p)	4.8%(q)	5.0%(r)
Lump-sum payment (b)	\$300	\$300	-	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400
Top of range adjustment	-	-	(i)	-	-	-	-	-	-	-	-
<b>Admin. and Supervisory Personnel (MCAASP)</b>											
Increment	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Increment-weighted average (a)	1.3%	1.3%	1.0%	1.0%	0.9%	0.8%	0.9%	1.1%	0.9%	1.1%	1.2%
Negotiated salary schedule increase	2.7%(e)	2.7%(g)	5.125%(j)	3.0%	3.0%	3.0%(k)	2.0%(n)	2.0%(o)	4.0%(p)	4.8%(q)	5.0%(r)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	\$1,500(m)	\$1,500(m)	\$3,000(m)	\$3,000(m)	\$3,000(m)
<b>Supporting Services Employees (SEIU Local 500)</b>											
Increment	1.9-5.5%	1.9-5.5%	1.9-5.5%	1.7-5.5%	1.7-5.6%	1.6-5.6%	1.6-5.6%	1.6-5.6%	1.9-5.6%	1.9-5.6%	1.9-5.5%
Increment-weighted average (a)	1.6%	1.6%	1.6%	1.7%	1.8%	1.9%	1.8%	1.9%	1.6%	1.9%	2.2%
Negotiated salary schedule increase	2.5%(e)	2.5%	5.0%(f)	3.0%	3.0%	3.0%(l)	2.0%	2.75%	4.0%(p)	4.8%(q)	5.0%(r)
Lump-sum payment (c)	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$200	\$200	\$200	\$200
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
<b>Non-Represented</b>	All non-represented employees (except 23 nonscheduled employees including Executive staff, Board staff, and the chief negotiator)										
Increment	Received the same increments and other salary adjustments as the bargaining units for which these positions are covered.										
Negotiated salary schedule increase											
Lump-sum payment											
Top of range adjustment											

NOTE: During FY 2008, the BOE approved the formation of a fourth bargaining unit. The Montgomery County Business and Operations Administrators (MCBOA) unit is composed of noncertificated supervisory employees who were previously excluded from any bargaining unit. The compensation information for the employees in this unit is included in the supporting services (SEIU Local 500) unit.

- (a) The number provided in the chart represents the weighted average increase received by eligible employees. It is based on the number of employees who receive the step increment at various points (anniversary dates) in the year. An average annual cost of the salary increments is used for this analysis.
- (b) For FY 1996 through FY 1999, a bonus payment of \$300 was provided to any substitute teacher who worked 100 or more days. Beginning FY 2002, an incentive payment of \$400 is provided to any substitute teacher who works 45 or more days within a semester. In conjunction with this change, the retiree substitute incentive plan was eliminated in FY 2002.
- (c) MCPS agreement with SEIU Local 500 provided for a lump sum net payment of \$100 each year for employees with 22 or more years of service. This amount increases to a \$200 gross payment for FY 2006.
- (d) The negotiated agreement with MCAASP provided for the addition of one step on salary scales N through Q beginning July 1, 1997 (FY 1998) and July 1, 1999 (FY 2000). The amount of this impact is included in the increment-weighted average for each year.
- (e) For FY 1999, the salary increases were funded in part through a change in the employee benefits program and structure for a net budgetary increase equivalent to 1.9% in salary.
- (f) In FY 2000, the negotiated agreement with MCEA provided salary scale changes for an average increase in the salary schedule of 3%. Beginning FY 2000, the agreement also provides a \$2,000 salary supplement to teachers who achieve and maintain a national certification standard.
- (g) In FY 2000, the negotiated agreement with MCAASP provided for a salary increase of 2% effective November 27, 1999, resulting in a 1% salary impact.

- (h) The negotiated agreement with MCEA provided salary scale changes for an average increase in the salary schedule of 5.0% for FY 2001 and 4.0% for FY 2002 while an additional 1.0% from the State was applied to this salary schedule each year for a net increase of 6.0% for FY 2001 and 5.0% for FY 2002. For FY 2003 and FY 2004, the negotiated agreement with MCEA provided salary scale changes for an average increase in the salary schedule of 4.0% and added two more days to the work year for 10-month employees for an equivalent of an additional 1.0% applied to the salary schedule for a net increase of 5.0% for each year. The FY 2004 negotiated agreement with MCEA provided for a salary schedule increase of 4.0% implemented on 10/31/03 for 12-month unit members and 12/1/03, for 10-month unit members, resulting in a 3.66% salary impact.
- (i) In FY 2001, a 2.25% longevity payment was negotiated for teachers who have been at the top of the scale for 6 years.
- (j) In FY 2001, the salary increase was funded in part through a change in the employee benefits program and structure for a net budgetary increase of 5% for salary.
- (k) For FY 2004, the negotiated agreement with MCAASP provided for a salary schedule increase of 3.0% implemented on 10/7/03, for 12-month unit members and 11/8/03, for 11-month student support specialists, resulting in a 1.87% salary impact.
- (l) For FY 2004, the negotiated agreement with SEIU Local 500 provided for a salary schedule increase of 3.0% implemented on 10/7/03 for 12-month unit members and 11/8/03, for all other unit members, resulting in a 2.05% salary impact.
- (m) Effective October 1, 2004, the negotiated agreement with MCAASP provided an annual longevity supplement of \$1,500 for each unit member who completed ten or more years as an administrator and/or supervisor with MCPS. Effective December 1, 2006, the negotiated agreement with MCAASP provided an annual longevity supplement of \$1,500 for each unit member who completed five or more years as an administrator and/or supervisor with MCPS. Subsequent to that date, the negotiated agreement with MCAASP provided an annual longevity supplement of \$3,000 for each unit member who completed ten or more years as an administrator and/or supervisor with MCPS.
- (n) For FY 2005, the negotiated agreement with MCAASP provided for a salary schedule increase of 2.0% implemented on 10/2/04, for 12-month unit members and 11/13/04, for 11-month student support specialists, resulting in a 1.49% salary impact.
- (o) For FY 2006, the negotiated agreement with MCAASP provided for a 2% salary schedule increase and salary scale adjustments equivalent to an average of an additional 0.75%.
- (p) For FY 2007, the negotiated agreement with MCEA and SEIU Local 500 provided for a salary schedule increase of 3.0% on 7/1/06 and an additional 1.0% effective mid-year, resulting in a 3.5% salary impact. The negotiated agreement with MCAASP provided for a salary schedule increase of 4.0% and scale adjustments effective November 1, 2006, resulting in a 3.5% average salary impact.
- (q) For FY 2008, the negotiated agreement with MCAASP, MCEA, and SEIU Local 500 provided for a 4.8% salary schedule increase and other compensation changes equivalent to an average of an additional 0.2% for a total of 5.0%.
- (r) For FY 2009, the negotiated agreement with MCAASP, MCEA, and SEIU Local 500 provides for a 5.0% salary schedule increase.

**MONTGOMERY COLLEGE**

REC

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Faculty (AAUP)</b>											
Increment	\$1,550	\$1,580	\$2,000	-	-	\$1,167	-	-	-	-	-
General adjustment (COLA)	2.25%	2.6%	(e)	6.0%(f)	6.5%(h)	3.625%(j)	1.6%	2.75%	3.75%	5.3%	5.5%
Lump-sum payment	-	-	-	-	-	-	\$1,879	\$1,931	\$2,019	\$2,125	\$2,242
Top of range adjustment	2.25%(a)	2.6%(b)	(e)	-	-	(k)	1.6%(m)	2.75%(n)	3.75%(o)	5.3%	5.5%
<b>Administrators</b>											
Increment	4.25%	4.5%	4.75%	6.0%	4.0-	2.5%-	3.65%-	4.75%-	3.75%	4.75%	TBD
General adjustment (COLA)	-	-	-	-	6.25%	4.25%	4.15%	5.5%	6.5%	7.5%	-
Lump-sum payment	-	-	-	-	-	(l)	-	-	-	-	-
Top of range adjustment	2.25%	2.6%	2.75%	4.0%	4.0%	3.60%	2.0%	2.75%	3.75%	4.75%	-
<b>Staff - Non-Bargaining and Bargaining</b>											
Increment	2.75%	(c)	(f)	2.25%	(i)	2.0%	3.25%	2.75%	2.75%	4.75%	5.0%
General adjustment (COLA)	2.25%	2.6%	2.75%	4.0%	4.0%	3.6%(j)	2.0%	2.75%	3.75%	3.0%	3.0%
Lump-sum payment	-	(d)	-	-	(i)	-	-	-	-	-	-
Top of range adjustment	2.25%	2.6%	2.75%	-	-	3.6%	2.0%	2.75%	3.75%	3.0%	3.0%

- (a) Not to exceed \$64,495.
- (b) Not to exceed \$67,198.
- (c) Non-bargaining staff received an increment of 2.5%.
- (d) Bargaining staff received an increment of \$675 (equal to 2.5%).
- (e) 2% effective at start of academic year, to maximum salary of \$68,542. 1% effective January 2001, to maximum salary of \$69,227.
- (f) Non-Bargaining employees received 2.0% increment and \$30 for each year of service. Bargaining employees received 2.5% increment.
- (f) Faculty earning the maximum salary received a 5% increase to \$72,689. Faculty below the maximum received an increase of 3.6% plus \$1,870 up to a new maximum of \$72,689.
- (h) Faculty earning the maximum salary received a 5% increase to \$76,323. Faculty below the maximum received an increase of 3.71% plus \$1,964 up to a new maximum of \$76,323.
- (i) Non-bargaining support staff received \$1,190; AFSCME staff received an increment of 2.25% instead.
- (j) Delayed by 4.6 months of fiscal year.
- (k) Not to exceed \$79,090.
- (l) Up to \$2,000 based on performance for those at top of range.
- (m) Not to exceed \$80,355 or \$81,955 for those eligible for a one-time longevity increase.
- (n) Not to exceed \$82,565 or \$84,165 for those eligible for a one-time longevity increase.
- (o) Not to exceed \$85,661 or \$87,261 for those eligible for a one-time longevity increase. COLA - 3% effective 7/1/06 plus 1.5% effective 1/1/07.

**MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION**

**REC**

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Non-Represented</b>											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	2.75%	2.5%	(f)	(h)	(i)	2.5% (k)	2.7%	2.8%	3.0%	3.25%	(q)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	(a)	-	-	-	-	-	-	-	(n)	-	-
<b>Service/Labor, Trades, and Office/Clerical Bargaining Units (MCGEO, Local 1994)</b>											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	(b)	(d)	(f)	(h)	(i)	2.5% (k)	2.7%	2.8%	3.0%	3.25%	3.25
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	(n)	(n)	-
<b>Park Police (FOP, Lodge 30)</b>											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	(c)	(e)	(g)	(g)	(j)	(j)	(l)	(m)	(o)	(p)	(r)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	(l)	-	-	-	-

- (a) A new pay and classification plan was approved by the Commission in November 1997 which expanded pay scales by a minimum of 0.7%.
- (b) Service/Labor employees received a 2.5% COLA effective 7/1/98. Trades and Office/Clerical employees received a 2.75% COLA effective 3/98.
- (c) 2.25% COLA effective 2/1/99.
- (d) Office/Clerical and Trades employees received 2.8% on 7/1/99; Service/Labor employees received 2% on 7/1/99 and 1% on 1/1/00.
- (e) 2% COLA effective 2/1/00.
- (f) 2.5% COLA effective 7/9/00; .5% COLA effective 1/7/01.
- (g) 2.25% COLA effective from 2/1/01 to 1/31/02; 3% from 2/1/02; 1% from 11/1/02.
- (h) 2.6% COLA effective 7/8/01; 0.5% COLA effective 1/6/02.
- (i) 2.5% COLA effective 7/02; .75% COLA effective 10/02.
- (j) 2.5% COLA effective 02/03; 2.75% effective 02/04.
- (k) COLA was effective 9/14/2003.
- (l) 2.5% COLA for officers below the rank of Sergeant effective 5/2005. Sergeants were granted a 5.0% COLA effective 5/2005. One 2.5% step added for Sergeants (P05) only.
- (m) 2.5% COLA effective 7/05. Additionally, in exchange for officers covered by Long Term Disability or the Comprehensive Disability Benefit Program increasing their premium from 15% to 100% or 20% to 80%, respectively, a 1% COLA is provided effective 4/06.
- (n) The primary pay scale for non-represented employees was elongated by the equivalent of two 3.5% step increases. The IT scale was elongated by 3.5%, pending a salary survey to determine whether the special pay scale should continue. The pay scales for MCGEO employees were elongated by 3.5% in both FY07 and FY08.
- (o) 3.5% effective 7/06, plus an additional 1% increase in 7/06, predicated again on increasing the officers' percentage share of disability premiums.
- (p) 3.5% effective 7/07, plus an additional 1% increase in 7/07, predicated as above.
- (q) Commission will determine the COLA in June. The equivalent of a 3.25% COLA is budgeted.
- (r) Tentative agreement has been reached on a three-year contract (FY09-11) with the FOP. The contract is still subject to ratification by the rank and file and formal Commission approval.

6

**WASHINGTON SUBURBAN SANITARY COMMISSION**

REC

	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
<b>AFSCME</b>											
Merit pay adjustment (a)	3.5%	3.5%(d)	3.5%(d)	3.5%(d)(e)	0%(f)	3.5%(e)(i)	3.5%(e)(i)	3.5%(e)(i)	3.5%(e)(i)	3.5%(e)(i)	(j)
General adjustment (COLA)	(b)	(c)	2.5%	3.0%+1%(f)	0%(f)	3.0%(h)	2.0%	2.0%	3.5%	3.75%	(j)
Lump-sum payment	-	-	-	-	\$2,256(g)	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
<b>Non-Represented</b>											
Merit pay adjustment (a)	3.5%	3.5%(d)	3.5%(d)	3.5%(d)(e)	0%(f)	3.5%(e)(i)	3.5%(e)(i)	3.5%(e)(i)	3.5%(e)(i)	3.5%(e)	3.0%(e)(k)
General adjustment (COLA)	(b)	(c)	2.5%	3.0%+1%(f)	0%(f)	3.0%(h)	2.0%	2.0%	3.5%	3.75%	3.5%
Lump-sum payment	-	-	-	-	\$2,256(g)	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-

(a) WSSC has a performance based merit pay system. Adjustments to base pay are based upon annual employee evaluations. In FY92-FY93, because payments for "superior" and "fully satisfactory" were the same percentage of base salary, those who received a "superior" rating received one additional vacation day. For FY92-FY04, the percentages shown in the chart above represent the weighted averages of salary increases received by employees. In FY09, the percentage shown above represents the weighted average of salary increases received by employees under the new Performance Management System.

The merit pay salary adjustments associated with each performance rating category FY92-FY08 are:

	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Superior	4.0%	3.5%	5.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	0.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Commendable	-	-	-	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Fully satisfactory	4.0%	3.5%	4.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	3.5%	3.5%	3.5%	3.5%	3.5%
Needs improvement	2.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unsatisfactory	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

- (b) Cost of living adjustment included a \$900 salary increase for all employees effective the first pay period ending after July 1, 1998, and a \$375 salary increase for all employees effective the first pay period after January 1, 1999.
- (c) Cost of living adjustment included a \$638 salary increase for all employees effective the first pay period ending after July 1, 1999, and a \$637 salary increase for all employees effective the first pay period ending after January 1, 2000.
- (d) Employees within 1% of the maximum of their grade who received either commendable or superior evaluations would receive up to a \$500 or \$1000 cash payment instead of one or two annual leave days as was the case in FY 99.
- (e) Merit pay adjustment was replaced with skill-based compensation for some bargaining unit employees in FY02.
- (f) The FY03 Budget included \$2.1 million for salary enhancements. COLAs and merit increases for WSSC employees were limited by State Law to no more than what State employees receive. Since State employees received no COLAs or merit increases in FY'03, WSSC employees also received no increases. In response to this limitation, WSSC implemented a 1% COLA at the end of June 2002 (FY'02), a \$750 lump-sum payment in FY'03, and a \$500 deferred compensation match.
- (g) In addition to the \$750 lump-sum payment (see note (f) above), employees received a \$1,506 gain-share payment in FY'03 for reducing spending below pre-determined Spending and Workyear Targets, which produced a permanent savings in FY'04. This payment was made in FY'04.
- (h) General adjustment (COLA) was effective October 2003 when COLAs and merit increases were no longer limited by State Law.
- (i) Employees at grade maximum who receive either a commendable or superior evaluations would receive a \$750 or \$1,500 cash payment.

(j) Contract to be negotiated.

(k) In FY09, a new Performance Management System applies to all employees except those reporting directly to the Commissioners or in a bargaining unit. A rating of 3.0 and above will result in a percentage pay increase, or, for employees at the top of the grade, a one-time performance bonus payment. A rating below 3.0 will result in a Performance Improvement Plan (PIP). Employees rated below a 2.0 numerical rating or employees who do not successfully complete their PIP are subject to release.

56

**ALEXANDRIA CITY GOVERNMENT**  
(Compensation not subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC
<b>Police</b>												
Increment	-	Yes 2.0%	Yes 2.5%	Yes 3.0%	Yes 2.5%	Yes 2.0%	Yes 2.0%	Yes 2.0%	Yes 3.0%	Yes 1.5%	Yes 0%	Yes 0%
General adjustment (COLA)	(a)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	Yes	-	-	Yes	-	-	-	-
<b>Fire</b>												
Increment	-	Yes 2.0%	Yes 2.5%	Yes 3.0%	Yes 2.5%	Yes 2.0%	Yes 2.0%	Yes 2.0%	Yes 3.0%	Yes 1.5%	Yes 0%	Yes 0%
General adjustment (COLA)	(a)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	Yes	-	-	Yes	-	-	-	-
<b>All Employees</b>												
Increment	-	Yes 2.0%	Yes 2.5%	Yes 3.0%	Yes 2.5%	Yes 2.0%	Yes 2.0%	Yes 2.0%	Yes 3.0%	Yes 1.5%	Yes 0%	Yes 0%
General adjustment (COLA)	(a)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	Yes	-	-	Yes	3.0%(b)	-	-	-

(a) The budget included funding to implement a new City pay plan, which was a shift from a minimum-maximum plan to a step plan. No other compensation adjustments were approved for City employees.

(b) In FY07 City employees on the General pay scale received a 2.0% market rate adjustment effective July 1, 2006.

87

**ANNE ARUNDEL COUNTY GOVERNMENT**  
(Compensation subject to collective bargaining)

REC

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Police</b>											
Increment (a)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	(b)	3.0%	-	5.0%	5.0%	0%	2%(v)	2%	3%	3%	3%
Lump-sum payment	-	No	Yes	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	Yes(h)	Yes	-	-	Yes(11.1%)	Yes	Yes	8%	8%
<b>Fire</b>											
Increment (a)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	-	3.0%	5.0%	5.0%	4.0%	0%	2%(v)	2%	2%	3%	3%
Lump-sum payment	-	No	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	Yes(k)	-	-	Yes	Yes	Yes	8.15%	8.15%
<b>Other</b>											
Increment (a)	Yes	Yes	Yes	Yes	Yes	(t)	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	-	3.0%	(i)	(l)	(p)	(u)	2%	3%(w)	2%	2%,1%(x)	2%,1%(x)
Lump-sum payment	-	No	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	Yes(f)	Yes(j)	Yes(m)	Yes(q)	-	Yes	Yes	Yes	Yes(y)	Yes(y)
<b>Non-Represented</b>											
Increment (a)	(c)	(g)	(B)	(g)	(g)	No	0 to 4.5%	0 to 4.5%	Yes	Yes	TBD
General adjustment (COLA)	(c)	3.0%	2.0%	3.0%(n)	2.0%(r)	0%	2%	3%	3%	2%,1%(x)	2%,1%(x)
Lump-sum payment	(d)	(d)	-	-	-	-	Yes	Yes	-	-	-
Top of range adjustment	(e)	(e)	-	Yes(o)	Yes(s)	-	5%	4%	Yes	Yes	Yes

Top of range adjustments are equivalent to COLA identified unless otherwise footnoted.

- (a) Merit increases are performance based and determined through the use of employee evaluations.
- (b) Effective 10/30/97, minimum and maximum of pay ranges for all non-represented scales are increased by 3.0% with no change to individual employees' base pay. Non-represented public safety officers compensated as additions to base pay for allowance roll-ins as follows: Police Lts. through Deputy Chiefs \$465 for cleaning and clothing; Fire Lts, Cpts., and Battalion Chiefs \$1,280 for meals and cleaning; Fire Division and Deputy chiefs \$500 for cleaning; Detention Officers II's and III's \$380 for clothing; Deputy Sheriffs II's, III's and IV's \$260 for cleaning. Specific allowances ceased as a result of roll-ins.
- (c) Movement through range based on pay for performance, COLAs no longer provided. Maximum base pay adjustment limited to 10.0%.
- (d) Individuals who meet or exceed the maximum of pay grade can receive up to 10.0% of current base pay in a lump sum award for highest-level performance evaluation.
- (e) Non-represented employees' pay scale changed to remove step system and longevity awards and create open pay range. Minimum pay is step 1 of old grade, and maximum pay of new range is equal to maximum longevity pay.
- (f) Individuals with 25 years for Clerical union receive additional 2.5% increase on maximum pay; 24 years for Labor and Trades receive 5% increase on maximum pay.
- (g) Movement through range based on pay for performance. Maximum base pay adjustment limited to 10%.
- (h) Two new steps added with 2.5% increases for each.
- (i) Clerical union received 1% across the board the board in July 2000 and another 1% in January of 2001. Labor and trades union received 3% across the board increase.
- (j) Clerical union added two steps to pay scale at 5% each. Employees allowed 2 additional step advancements beyond regular merits if required in 1996 to change from 35 hours to 30 hours per week without additional compensation (120 employees affected).
- (k) Fire union added additional step to each grade.

- (l) Clerical union received 2% across the board. Labor and trades union received 3% across the board increase.
- (m) Labor and trades union added .5% to max step effective 4/4/02.
- (n) Non-represented granted 3% across the board increase effective 7/5/01 and another 3% effective 4/4/02.
- (o) Non-represented range adjusted by 7.5% on the min and 10% on the max effective 7/5/01 and adjusted again by 5% on the min and 7.5% on the max effective 4/4/02.
- (p) Clerical union will receive 2% across the board increase. Labor and trades union will receive 3% across the board increase.
- (q) Labor and trades union will add 1% to max step effective 4/3/03.
- (r) COLA added 1/4/03.
- (s) Scale adjusted by COLA amount.
- (t) Clerical union currently in negotiations but if no agreement is reached will be denied merits. Labor and trades union has one year remaining on contract and will get merit increases.
- (u) Clerical union currently in negotiations but if no agreement is reached will be denied COLA. Labor and trades union has one year remaining on contract and will receive 3% COLA.
- (v) COLA provided on 1/13/05.
- (w) Effective 7/14/05 a 2% COLA and effective 4/6/06 a 1% COLA was provided.
- (x) Across the board increases provided as follows: 2% first pay period in July, and additional 1% first pay period in January.
- (y) Maximum pay rate increases as follows: 2% first pay period in July, 1% first pay period in January, and additional 1% first pay period in April.

89

**ARLINGTON COUNTY GOVERNMENT**  
(Compensation not subject to collective bargaining)

	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
<b>Police</b>											
Increment	3.0%(a)	3.0%(a)	3.0%(a)	3.0%(c)	3.0%(c)	3.0%(c)	3.0%	3.0%	3.0%	3.0%	3.0%
General adjustment (COLA)	1.5%	1.5%	3.0%	4.0%(b)	2.75%	1.00%	2.0%	2.0%	2.0%	1.5%	0.0%
Lump-sum payment	-	-	-	-	-	1.00%(d)	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	(e)	(f)	-	(h)	-
<b>Fire</b>											
Increment	3.0%(a)	3.0%(a)	3.0%(a)	3.0%(c)	3.0%(c)	3.0%(c)	3.0%	3.0%	3.0%	TBD	3.0%
General adjustment (COLA)	1.5%	1.5%	3.0%	4.0%(b)	2.75%	1.00%	2.0%	2.0%	2.0%	(g)	0.0%
Lump-sum payment	-	-	-	-	-	1.00%(d)	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	(e)	(f)	-	(h)	-
<b>Other Employees</b>											
Increment	3.0%(a)	3.0%(a)	3.0%(a)	3.0%(c)	3.0%(c)	3.0%(c)	3.0%	3.0%	3.0%	TBD	3.0%
General adjustment (COLA)	1.5%	1.5%	3.0%	4.0%(b)	2.75%	1.00%	2.0%	2.0%	2.0%	(g)	0.0%
Lump-sum payment	-	-	-	-	-	1.00%(d)	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	(e)	(f)	-	(h)	-

- (a) The average increment is 3.0%. Steps 1-5 receive a 4.1% increment, steps 6-10 receive a 3.3% increment, and steps 10-14 receive a 2.3% increment. Employees at steps 1-8 receive a yearly increment, then 2 year increment adjustments for steps 9-14. (This was changed in FY2002).
- (b) County Manager proposed and the County Board approved a 3.0% COLA plus a 1.0% market adjustment to the pay plan for a total 4% increase across the board. The County Board also approved adding 3 steps (2.3% each) to the top of the pay plan to increase range from 51% to 62% and changed the two year steps to one year steps.
- (c) The average increment is 3.0%. Steps 1-5 receive a 4.1% increment, steps 6-10 receive a 3.3% increment, and steps 10-17 receive a 2.3% increment. All steps are now annual steps.
- (d) Employees would receive a one-time lump sum payment at the end of the year equal to 1% of their earned base income for calendar year 2003.
- (e) Expanded the pay plan by one additional step (step 18)
- (f) The County Manager has announced this will be a transition year with a view to going to a pay-for-performance system next year. This year the general adjustment (market payline adjustment) will only be given to those employees performing satisfactorily. In addition, top performers can be rewarded with an additional 1% increase.
- (g) Budget projection includes 0.0% - no specific recommendation yet.
- (h) Not pursuing footnote (f) any longer.

**BALTIMORE COUNTY GOVERNMENT**  
(Compensation subject to collective bargaining)

REC

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Police (FOP)</b>											
Increment	Yes(a)(b) 3.0%	Yes (e) \$3,500 17.5%	Yes (f) 8.5%	Yes 10.25%	Yes	Yes	Yes 5.0%(h)	Yes (j)	Yes (l)		
General adjustment (COLA)	-	-	-	-	-	-	-	-	-		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	8.5%	-	-	-	-	-	-		
<b>Fire</b>											
Increment	Yes(a)(c) 3.0%	Yes 6%	Yes 4.5%	Yes 4.5%	Yes 4.5%	Yes (g)	Yes 4.5%(i)	Yes (k)	Yes (m)		
General adjustment (COLA)	-	-	-	-	-	-	-	-	-		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	10.5%	-	-	-	-	-	-	-		
<b>Other Employees</b>											
Increment	Yes(a)(d) 3.0%	Yes 2.0%	Yes 2.0%	Yes 3.0%	Yes	Yes	Yes 2.25%	Yes 3.0%	Yes 3.0%		
General adjustment (COLA)	-	-	-	-	-	-	-	-	-		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	-	-		

- (a) Salary increments average between 4.6% and 5.0%. Because not everyone receives an increment or longevity increase, the countywide average is approximately 1.8%.
- (b) FOP members receive an increment adjustment annually for steps 1-5, then receive an increment adjustment at steps 10, 15, 19, 24, and 29.
- (c) IAFF members receive an increment adjustment annually for steps 1-7, then receive an increment adjustment at steps 10, 15, 19, 24, and 29.
- (d) Non-represented employees receive an increment adjustment at steps 1-5, then receive an increment adjustment at steps 10, 15, 20, 25, and 30.
- (e) Additional entry level step 4.5% for junior police officers.
- (f) 4% COLA plus additional step added to scale of 4.5%.
- (g) No COLA, but conceded premium pay in order to purchase a 5% midyear increase.
- (h) &2,500 increase on 1/1/04 and 13th year longevity step
- (i) \$1,100 increase on 7/1/04 and \$1,100 increase on 6/30/05
- (j) \$2,000 increase on 1/1/06 and 11th year longevity (equivalent to 6.3%).
- (k) \$1,900 increase on 7/1/05 and additional holiday pay (equivalent to 3.6%).
- (l) 3% increase on 1/1/07 and Ranks except the beginning Police Officer rank (2 year probationary period) receives one grade increase of 4.5% on 7/1/06.
- (m) 3% increase on 7/1/06 and Ranks of Lieutenant and above receive on grade increase of 4.5%. Also, add 21 year longevity step increase.

(9)

**FAIRFAX COUNTY GOVERNMENT**  
(Compensation not subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Police</b>											
Increment (a)	Yes(b) 2.0%	Yes(b) 2.0%	Yes(b) 2.5%	Yes 1.0%	Yes 2.67%	Yes 2.56%	Yes 2.98%	Yes 3.07%	Yes 4.25%	Yes 2.92%	Yes -
General adjustment (COLA)	-	-	-	1.0%	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	-	2.67%	2.56%	2.98%	3.07%	4.25%	2.92%	-
Top of range adjustment	(c)(d)	1.6%(g)	-	-	-	(p)	-	-	(t)	-	1.48%
Other: Market rate adjustment											
<b>Firefighters</b>											
Increment (a)	Yes(b) 2.0%	Yes(b) 2.0%	Yes 2.5%	Yes 1.0%	Yes 2.67%	Yes 2.56%	Yes 7.25%	Yes 3.07%	Yes 4.25%	Yes 2.92%	Yes -
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	-	2.67%	2.56%	7.25%	3.07%	4.25%	2.92%	-
Top of range adjustment	(e)	(i)	-	(m)(n)	(n)	(p)	(q)	-	2.0%(t)	-	1.48%
Other: Market rate adjustment											
<b>Other Employees</b>											
Increment (a)	Yes(b) 2.0%	Yes(b) 2.0%	No(j) 2.5%	No 1.0%	No	No	No	No	No	No	No
General adjustment (COLA)	-	-	-	-	-	-	(r)	-	-	-	-
Lump-sum payment	-	-	(k)	3.46%(o)	2.67%(o)	2.56%(o)	2.98%(o)	3.07%(o)	4.25%	-	-
Top of range adjustment	(f)	1.6%(h)	(l)	-	-	-	(s)	-	(t)	(u)	-
Other: Market rate adjustment											

- (a) Approximately 40% of all County employees are eligible for merit increment annually due to 2-3 year hold; effective from FY2002, general (non-public safety) no longer has steps in grades.
- (b) Approximately 40% of the work force will receive a 5% increment adjustment and the remaining 60% of the work force is either in a hold period or at the top of the scale. Cost of increments is 1.6% of payroll.
- (c) Police Officers I, Police Officers II, Police Officer II employees receiving "Master Police Officer" proficiency pay, Police Sergeants and Police Second Lieutenants no longer will receive "roll call" pay consisting of one-half hour of protected overtime for every day worked. Instead, the roll call function will be incorporated into the standard day. The funds budgeted for police roll call pay (at 1.8% of the hourly rate, instead of the current 1.5%) will be used instead to increase the base pay of Police Officers I through Police Second Lieutenant by 8.5%. Deputy Sheriffs working roll call will continue to receive roll call pay of one-half hour of protected overtime for every day worked. As of July 4, 1998, it will be compensated at 1.8% of the hourly rate, instead of 1.5%.
- (d) The shift differential for all police officers will double, from 25¢ to 50¢ an hour for the evening shift and from 35¢ to 70¢ an hour for the night shift.
- (e) Firefighters and Fire Technicians will be regraded one grade (approximately 5.0%). Fire Technician employees receiving "Master Firefighter" proficiency pay also will receive a pay increase of approximately 5.0%.
- (f) The Chief, Special Services Division in the Department of Consumer Affairs class and the Supervising Public Health Nurse class will be regraded one grade.
- (g) Police Officer I through Police Captain will receive 3.2% in addition to COLA and Market Rate Adjustment, for a total of 6.8%.
- (h) \$1.1 million has been approved for an adjustment to Deputy Sheriff's salaries, distribution to be determined; \$875,000 has been approved for Information Technology reclassifications.

- (i) Firefighter through Fire Captain will be regraded on a new pay plan for a 5% adjustment, and will receive the 2% COLA, but will not receive the 1.6% market rate adjustment. Battalion Chief through Assistant Fire Chief will move to the new pay plan with no change in pay, but will receive the 2% COLA and the 1.6% market rate adjustment. Shift differential for uniformed fire employees working a 24-hour shift will increase \$.10 an hour, to \$.2875.
- (j) Effective July 1, 2000, hold steps are eliminated, County moves to an open-range pay system for all employees except Public Safety uniformed, general County employees will be eligible for performance based increments of 0, 3, 5 or 7%.
- (k) Effective July 1, 2000, general County employees at the top of their scale will be eligible for performance based bonus of 0, 3, or 5%.
- (l) Approximately 512 classes out of 670 will be regraded one or more grades; employees 1 grade below market get 2% increase, those 2 or more grades below market get 4% increase.
- (m) For FY2002 only, 2% pay raise to all fire uniformed classes at lieutenant and above, effective July 14, 2001; 4% pay raise to all fire uniformed classes effective 4/6/2002.
- (n) Shift differential increases for police officers to \$0.55 per hour for evening shift and \$0.75 per hour for overnight shift; firefighter shift differential increases to 40.75 cents for all hours worked on a 24 hour shift; general county employees shift differential increases to \$0.40 per hour for evening shift and \$0.55 per hour for overnight shift. From FY02, increase for firefighters changed to \$0.7275 per hour for all hours regardless of shift.
- (o) Effective July 1, 2001, general county employees at the top of their scale will be eligible for performance based bonus from 2% to 7% based on performance at .5% increments: 2.0%, 2.5%, 3.0%, etc.
- (p) Shift Differential Increases effective FY2004: Police: \$.65 evening shift, \$.90 night shift; Fire: \$.7275 all shifts; General County Employees: \$.65 evening shift, \$.90 night shift.
- (q) Increases were effective as: 2.5% July 2004, 2.5% January 2005; 2.25% April 2005.
- (r) Lump sum increases provided to those employees who are at the top of their salary ranges and who achieve a certain level of performance rating.
- (s) Average performance rating increase - 4.2%
- (t) Market rate adjustment of 4.25% for all. In addition, Fire receives an additional 2%. All is still pending Board Approval.
- (u) Market rate adjustment of 2.92% - structure adjustment only for general employees. All is still pending Board Approval.

93

**FREDERICK COUNTY GOVERNMENT**  
(Compensation not subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Police (Subject to Collective Bargaining)</b>											
Increment	-	Yes 2.0%	Yes 2.5%	Yes 2.0%	Yes(e) 1.0%	Yes(e) 2.0%	No (d)	Yes(e) 3.0%	Yes(e) 2.0%	(g)	(j)
General adjustment (COLA)	(a)	(b)	-	-	-	-	(f)	(f)	(f)	(g)	(j)
Lump-sum payment	-	-	-	-	-	-	-	-	-	(g)	(j)
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
<b>Fire</b>											
Increment	Yes 2.0%	Yes 2.0%	Yes 2.5%	Yes 2.0%	Yes(e) 1.0%	Yes(e) 2.0%	No (d)	Yes(e) 3.0%	Yes(e) 2.0%	Yes(e) 2.0%(k)	Yes(e) 0.0%
General adjustment (COLA)	-	(b)	-	-	-	-	(f)	(f)	(f)	(f)	(i)
Lump-sum payment	-	(c)	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
<b>Other Employees</b>											
Increment	Yes 2.0%	Yes 2.0%	Yes 2.5%	Yes 2.0%	Yes(e) 1.0%	Yes(e) 2.0%	No (d)	Yes(e) 3.0%	Yes(e) 2.0%	Yes(e) 2.0%(k)	Yes(e) 0.0%
General adjustment (COLA)	-	(b)	-	-	-	-	(f)	(f)	(f)	(f)	(i)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-

- (a) For FY99, sworn law enforcement officers and correctional positions received a special salary compensation plan, which did not include a step increase or COLA. This new separate pay scale includes salary increases which range from 5% to 36% for the law enforcement personnel, with 22% being the average increase. For the correctional employees, salary increases range from 2% to 52%, with 15.5% being the average increase.
- (b) All County employees grade 6 and below received a one time bonus of \$500.
- (c) Fire and Rescue employees received a one grade pay increase.
- (d) All employees received a 1.5% COLA, plus full-time employees received a \$400 COLA, part-time employees received a \$200 COLA.
- (e) Step increases have been replaced by merit raises, which are calculated at 3.5% of the midpoint of the grade range.
- (f) Pay for performance, based on a performance evaluation, was received in FY05 and is budgeted for in FY06. This consists of a lump sum bonus of \$500 - \$1,200 for employees determined to be exceeding the base requirements of their positions.
- (g) For FY08, sworn law enforcement officers and correctional positions on pay scale based on collective bargaining. COLA and Pay for Performance not added as part of agreement.
- (h) Collective Bargaining being considered for FY08 but has not happened to date.
- (i) For FY2009, Pay for Performance, based on a performance evaluation, consists of a lump sum bonus of \$250 - \$600 for employees determined to be exceeding the base requirements of their positions.
- (j) See (g), however, FY2009 is currently being negotiated.
- (k) All employees received a 2.0% COLA, plus full-time employees received a \$400 fixed COLA, part-time employees received a \$200 fixed COLA.

Please note that each year, on a three year cycle, one or more employee groups are evaluated for reclassification of their pay scales for market adjustments. Not all positions within a group are adjusted; it depends upon the market for each position.

**HOWARD COUNTY GOVERNMENT**  
(Compensation subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Police</b>											
Increment	2.5%	No(b)	2.5%	3.05%	3.05%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	2.0%	-	3.6%	3.9%	-	(f)	(g)	3.5% 3%(h)	3.5% 3%(j)	3.5%	3.5%
Lump-sum payment	-	-	-	-	(e)	-	-	-	-	-	-
Top of range adjustment	-	(b)	-	-	-	-	-	-	-	-	(m)
<b>Firefighters</b>											
Increment	3.0%(a)	3.0%	Info Not Available	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
General adjustment (COLA)	2.0%	3.4%	-	3.8%	-	(f)	(g)	(i)	(k)	6.0%	6.0%
Lump-sum payment	-	-	-	-	(e)	-	-	-	-	\$250	\$250
Top of range adjustment	-	(c)	-	-	-	-	-	-	-	-	-
<b>General Schedule</b>											
Increment	3.0%(a)	3.0%	3.0%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%
General adjustment (COLA)	2.0%(a)	3.1%	3.6%	3.8%	-	(f)	(g)	3.05% 3%(h)	3.05% 3.0%(j)	3.05%	3.05%
Lump-sum payment	-	-	-	-	(e)	-	-	-	-	-	(m)
Top of range adjustment	-	(c)	-	-	-	-	-	-	(l)	-	-
<b>Others (Service/Labor/Trades)</b>											
Increment	2.5%	2.5%	2.5%	2.5%	3.05%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
General adjustment (COLA)	1.5%	3.4%	3.6%	3.8%	-	(f)	(g)	3.05% 3%(h)	3.05% 3%(j)	3.05%	3.05%
Lump-sum payment	-	-	-	-	(e)	-	-	-	-	-	-
Top of range adjustment	-	(d)	-	-	-	-	-	-	-	-	-

- (a) These units joined the County's revised classification system and were not eligible for a step increase each year, but were eligible for a non-base performance pay increase as high as 3.0% of an employee's salary. Correction Officers also joined this new system.
- (b) Restructured pay scale, an average adjustment of 15%.
- (c) Three steps (3.0% each) added to the scale.
- (d) Added one 2.5% step to the scale.
- (e) Employees not eligible for step increases, or whose increases had a cash value of less than \$500, received a lump-sum payment of up to \$500.
- (f) 2% effective July, 2003 and 2% effective May, 2004.
- (g) 2% effective July, 2004 and 1% effective June, 2005.
- (h) Effective July, 2005.
- (i) 3% effective July, 2005 and 1% effective January, 2006.
- (j) Effective July, 2006.
- (k) 3% effective July, 2006, and 1% effective January, 2007.
- (l) 3 (2 year) steps added to top of range.
- (m) 3.25% longevity to be added on 7/1/08 for Sergeants & 1/1/09 for Police Union.
- (n) To be announced 4/22/08.

**PRINCE GEORGE'S COUNTY GOVERNMENT**  
(Compensation subject to collective bargaining)

REC

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Police (sworn)</b>											
Increment	3.5%	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	(r)	(r)
General adjustment (COLA)	2.5%(b)	2.0%	2.5%(e)	4.7%(g)	3.5%	2.0%	2.0%(m)	3.0%	3.0%	(r)	(r)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	2.5-3.5%	2.5-3.5%	-	-
<b>Fire (sworn)</b>											
Increment	3.5%	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	(r)	(r)
General adjustment (COLA)	2.5%(b)	1.5%(d)	3.0%(e)	3.0%(g)	3.0%	2.0%(m)	2.0%(m)	3.0%	3.0%	(r)	(r)
Lump-sum payment	-	-	-	\$750(h)	\$750(h)	\$1,035	\$1,070	\$1,070(q)	\$1,070(q)	-	-
Top of range adjustment	-	-	-	-	-	-	-	2.5%	2.5%	-	-
<b>General Schedule</b>											
Increment	3.5%	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	(r)
General adjustment (COLA)	2.75%(c)	2.5%(d)	2.75%	3.0%	3.0%	1.5%	1.5%	2.5%	2.5%	3.5%(a)	2.5%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
<b>Others</b>											
Increment	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	(r)	(r)
General adjustment (COLA)	2-2.75%(c)	1.5-2.5%(e)	2-3%(d)	0-3%(f)	0-3%(i)	2-3%(o)	2-3.0%(o)	2.5-3%	2.5-3%	(r)	(r)
Lump-sum payment	-	\$200(f)	-	\$0-\$650(j)	\$0-\$650(j)	-	-	\$0-\$1,200	\$0-\$1,250	-	-
Top of range adjustment	-	-	-	(k)	(k)	-	-	2.5-3.5%	2.5-3.5%	-	-

- (a) As a general rule, merit increases are valued at 3.5%. In some pay scales, longevity steps may be valued at 2.5% or 3.0%. For fire sworn unit members, completion of five years of service can receive 4.5% merit
- (b) 2.5% COLA effective 1/99 for uniformed personnel.
- (c) The COLA was effective July 1, 1998.
- (d) May be less than full year.
- (e) Total amount. Will be phased in: 1.5% effective 7/1/00; 1.0% effective 1/1/01.
- (f) New AFSCME local for Health Department employees.
- (g) COLA varies based on pay step, ranging from a 10.0% adjustment to entry rates to a 2.28% adjustment to maximum rates. 4.7% represents a weighted average based on the distribution of current employees among steps on the pay scale.
- (h) \$750 to be provided in January 2002 and January 2003.
- (i) All bargaining groups received a COLA of at least 2% except the crossing guards, who negotiated \$400/year increases. Timing of COLA varies from group to group.
- (j) In addition to the crossing guards receiving a flat dollar increase, some bargaining groups negotiated a flat dollar increase in addition to a COLA. Timing varies from group to group.
- (k) Some bargaining groups negotiated at least one additional longevity step added at the top of their pay structure.
- (l) All of the County's collection bargaining agreements expire June 30, 2003. No successor agreements have been negotiated at this time.
- (m) Total amount: Will be phased in: 1.0% effective 7/1/03; 1.0% effective 2/1/04.
- (n) Total amount: Will be phased in: 1.0% effective 7/1/04; 1.0% effective 2/1/05.
- (o) Various groups will receive COLA's in the range of 2-3%. These COLA's will be phased in: 1.0% effective 7/1/04; 1.0% effective 1/1/05; 1.0% effective 4/1/05.
- (p) COLA is issued 7/10/04.

96

- (q) Clothing allowance is paid in one installment in July of each fiscal year. Other major lump-sum pay include FTO (Field Training Officer) compensation (\$750 per year); Training Certification Pay (\$25 to \$100 per pay period for FY06 and \$45 to \$120 per pay period for FY07, with hiring date of 1/1/1999 as the dividing date); Technical Rescue Team (up to \$4,050 per year with \$1,350 for each specialty discipline); County certified paramedics (\$1,040 per year) for serving as FTO for 1,440 hours during a fiscal year (pay will be prorated if hours are below or above 1,440 hours); Fire Investigator qualified by the Maryland State Police Training Commission (\$1,350 per year) with 54 hours of training. Other major special duty pay include but not limited to: (1) Bomb Technicians or Paramedics are compensated at a rate 9% per hour above their regular base pay, with Fire Fighters/Paramedics who are certified as EMT-P receiving an additional 2% base pay increase; (2) effectively July 1, 2006, employees hired on or after 3/29/1999 who are County certified EMT-Paramedics are compensated at the rate of 10% above their regular base pay.
- (r) The collective bargaining agreements have not yet been approved by the County Council.

**ALEXANDRIA CITY PUBLIC SCHOOLS**  
(Compensation not subject to collective bargaining)

REC

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Teachers</b>											
Increment	-	Yes (a) 2%	Yes (a) 2.5%	Yes (a) 3.0%	Yes (a) 2.5%	Yes(d) 2.25%	Yes 2.0% (e)	Yes 3.32%(h) 3.0%(i)	Yes	Yes	Yes 1.0%
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	(b)	-	2.3%	-	-	-	-	-	-	-	2.0%(j)
<b>Administrative and Supervisory Personnel</b>											
Increment	-	Yes (a) 2%	Yes (a) 2%	Yes (a) 3.0%	Yes (a) 2.5%	Yes 2.25%	Yes 2.0% (e)	Yes 3.8% 3.0%(i)	Yes	Yes	Yes 1.0%
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	-	-	-	(f)	-	-	-	-
Other	(b)	-	2.3%	-	-	-	-	-	-	-	2.0%(j)
<b>Supporting Services Employees</b>											
Increment	-	Yes (a) 2%	Yes (a) 2%	Yes (a) 3.0%	Yes (a) 2.5%	Yes 2.25%	Yes 2.0% (e)	Yes 3.0%	Yes	Yes	Yes 1.0%
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	-	-	-	(g)	-	-	-	-
Top of range adjustment	(b)	-	2.3%	-	-	-	-	-	-	-	2.0%(j)

- (a) Each salary scale has a different increment adjustment; 2.75% is the weighted average for the school system.
- (b) The School Board has approved paying the employees' share of the contribution to the Virginia Retirement System (5%) as of November 1, 1998.
- (c) Institution of a new Single Lane Salary Scale with premiums for a Masters Degree or Masters Degree +30. Employees will be moved up on the present salary scales then moved to the closest step on the new salary scale with a hold harmless adjustment for one year.
- (d) Institution of a new Single Lane Salary Scale with premiums for a Masters Degree or Masters Degree +30. Employees will be moved up on the present salary scales then moved to the closest step on the new salary scale with a hold harmless adjustment for one year.
- (e) The City Managers Proposed budget includes a 2.0% COLA for all employees. This could change during the city budget process.
- (f) The FY 2004 budget included a realignment of the Administrative Salary Scales. The new scale has not yet been approved, however, it will be applied retroactive to July 1, 2003.
- (g) The Schools approved budget sets aside an amount to realign the Support Staff Salary Scales. This study is now in progress and should be completed in time for implementation at July 1, 2004.
- (h) The Schools approved budget sets aside an amount to re benchmark teacher salaries. This could be reduced if the City Council reduces the schools budget.
- (i) The City Managers Proposed budget includes a 3.0% COLA for all employees. This could change during the city budget process.
- (j) The 2.0% adjustment is a proposed longevity adjustment; an employee must be topped out for two years to receive this adjustment.

**ANNE ARUNDEL COUNTY PUBLIC SCHOOLS**  
 (Compensation subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Teachers</b>											
Increment	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	1.0%	3.0%	4.0%	6.0%	-	-
General adjustment (COLA)	-	3.0%	5.0%	5.0%	2.0%(a)	-	-	-	6.0%	6.0%	6.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
<b>Administration</b>											
Increment	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	1.0%	2.0%	3.0%	6.0%	-	8.0%
General adjustment (COLA)	-	3.0%	2.0%	4.0%	2.0%(a)	1.0%	-	-	6.0%	6.0%	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
<b>AFSCME</b>											
Increment	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	1.0%	3.0%	3.0%	3.0%	-	4.0%
General adjustment (COLA)	-	3.0%	2.0%	4.0%	2.0%(a)	-	-	-	3.0%	3.0%	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
<b>Secretaries and Teachers Assistants</b>											
Increment	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	1.0%	3.0%	3.0%	3.0%	-	3.0%
General adjustment (COLA)	-	3.0%	2.0%	4.0%	2.0%(a)	-	-	-	3.0%	3.0%	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-

(a) 2.0% COLA effective mid-year, which is 1/1/2003 for 12-month employees and 2/5/2003 for 10-month employees.

**ARLINGTON COUNTY PUBLIC SCHOOLS**  
(Compensation not subject to collective bargaining)

Proposed

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Teachers</b>											
Increment	Yes 1.5%	Yes 1.5%	Yes 3.0% (c)(d)	Yes 3.0% (g)	Yes (h)	Yes 2.0% (j)	Yes 2.0% (m)	No 8.1% (n)	Yes 3.0%	Yes 2.0%	Yes 2.2% (p)
General adjustment (COLA)	-	-	(e)	(g)	(g)	(j)	(m)	(n)	-	-	(p)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
<b>Administrative and Supervisory Personnel</b>											
Increment	Yes 1.5%	Yes 1.5%	Yes 3.0% (c)(d)	Yes 3.0% (g)	Yes 2.5% (i)	Yes 2.0% (j)	Yes 2.0% (m)	Yes 3.0% (n)	Yes 3.0%	Yes 2.0%	Yes 2.2% (p)
General adjustment (COLA)	-	-	(e)	(g)	(i)	(j)	(m)	(n)	-	-	(p)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
<b>Supporting Services Employees</b>											
Increment	Yes 1.5%	Yes 1.5% (b)	Yes 3.0% (c)(d)	Yes 3.0% (g)	Yes 2.5% (g)	Yes 2.0% (k)(l)	Yes 2.0% (m)	Yes 3.0% (n)	Yes 3.0%	Yes 2.0% (o)	Yes 2.2% (p)
General adjustment (COLA)	-	-	(e)	(g)	(g)	(k)(l)	(m)	(n)	-	-	(p)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	(a)	(a)	(f)	-	-	-	-	-	-	-	-

- (a) As a result of support service classification and compensation, the School Board adopted a single service support pay plan effective 4/13/98. Estimated cost of moving employees from current 7 pay plans to new single pay plan is 1% of payroll.
- (b) Effective July 1, 1999, the School Board will match up to \$260.00 of employee contribution to tax sheltered annuity for Trades and Custodial employees (includes school bus drivers and cafeteria workers).
- (c) Effective January 1, 2001, the school system will pick up half (2.5% of 5.0%) of the employees' contribution to the Virginia Retirement System.
- (d) Effective January 1, 2001, the School Board will match up to \$390.00 of employees' contributions to tax sheltered annuities.
- (e) Effective in FY 2001, steps 1 and 2 of the teacher pay plan will increase: 7% at step 1 and 3.4% at step 2.
- (f) Effective June 30, 2001, the school system will pay retention stipends to school bus drivers. Stipends range from 0.5% to 6.0% of pay.
- (g) Effective January 1, 2002, the school system will pay an additional 1.5% of the employees' contributions to the Virginia Retirement System (school system will pay 4.0% and employee will pay 1.0%).
- (h) Teacher pay plan revised. MA, step 1, salary set at \$40,000; depending on the lane and step, increase ranged from 5.2% to 5.7%. Work year increased from 190 to 194 assigned days.
- (i) As a result of Compensation Study, pay scale was increased by 7.0% at grade 1, step A, and revised to provide 4.0% step increases and 5.0% grade level increases. Employees will be placed on the new pay scale based on their current salary (not current step).
- (j) Effective January 1, 2004, the school system will pay the full 5.0% employees contribution to the Virginia Retirement System.
- (k) In addition to the 2.0% COLA, the support service salary schedule will be increased by an additional 4.0%.
- (l) The school system will adopt a "living wage" for school system employees. Employees hired at steps of the pay plan that are less than the approved "living wage" will have their hourly rates adjusted. The amount of the living wage was set at \$10.98 per hour.
- (m) Effective July 1, 2004, school system will match \$390.00 or 1.0% of base pay (whichever is higher) of employees' contributions to tax sheltered annuities.
- (n) Effective July 1, 2005, school system will match up to 2.25% of base pay of employees' contributions to tax sheltered annuities for employees with 24 or more years of service with the school system and who are not covered by the local supplemental defined benefit retirement system.
- (o) 3/07 - APS is currently conducting a salary survey study that may affect base pay rates for certain support staff positions.
- (p) Proposed .6% increase in 403(b) match totaling 2.3%.

100

**BALTIMORE COUNTY PUBLIC SCHOOLS**  
(Compensation subject to collective bargaining)

REC

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Teachers</b>											
Increment	1.0%(a)	-	2.7%	1.7%	2.7%	1.8%	1.7%	1.7%	1.7%		
General adjustment (COLA)	3.0%	-	3.0%(d)	5.2%	0	5%	-	4%	5%		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	-	-		
Other	-	(b)	(e)	-	-	-	(i)	-	-		
<b>School Based Administrators</b>											
Increment	1.0%(a)	-	.8%	.07%	.07%	.13%	1.9%	1.8%	1.9%		
General adjustment (COLA)	3.0%	-	2.0%	3.0%	0	3%	-	3%	4%		
Lump-sum payment	\$1000	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	-	-		
Other	-	(c)	(f)	(f)	-	-	(i)	-	-		
<b>Non-School Based Administrators</b>											
Increment	1.0%(a)	-	-	1.9%	1.8%	1.7%	1.3%	1.8%	1.2%		
General adjustment (COLA)	3.0%	-	2.0%	3.0%	0	3%	-	3%	4%		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	-	-		
Other	-	(c)	-	-	-	(g)	(i)	-	(j)		
<b>Support Staff</b>											
Increment	1.0%(a)	-	1.8%	1.8%	2.1%	1.7%	1.6%	1.6%	1.7%		
General adjustment (COLA)	3.0%	2.0%	2.0%	3.0%	0	3%	-	3%	4%		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	(h)	(i)	-	-		

- (a) Weighted average.
- (b) Salary restructuring with increases from 2% to 6.7%. No COLA.
- (c) Salary restructuring from 3.7% to 5.2%. No COLA.
- (d) Includes 1.0% from Governor.
- (e) 2.3% restructuring.
- (f) 4.5% for principals.
- (g) Restructuring non-school based administrators - \$400,000.
- (h) A two-year phase-in of reclassifications for bus drivers and grounds men - \$600,000, and school-based clericals - \$550,000.
- (i) 4% compensation restructuring.
- (j) Executive Cabinet proposed at 5%.

107

**FAIRFAX COUNTY PUBLIC SCHOOLS**  
(Compensation not subject to collective bargaining)

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Teachers</b>											
Increment	Yes 2.0%	Yes 2.0%(c)	Yes 5.0%(d)	Yes 3.0%	Yes 2.0%	Yes 2.0%	Yes 3.0%	Yes 3.0%	Yes 3.0%	Yes 2.0%	Yes 3.0%
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	1.5%(b)	-	-	-	1%(e)	-	-	-	-	-
Top of range adjustment	(a)	-	-	2.0% longevity	-	-	Reduce contract 1 day	1.4%(g)	0.40%(h)	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>School Based Administrators</b>											
Increment	Yes 2.0%	Yes 2.0%	Yes 5.0%	Yes 3.0%	Yes 2.0%	Yes 2.0%	Yes 2.0%	Yes 3.0%	Yes 3.0%	Yes 2.0%	Yes 3.0%
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	1.21%	2.5%	-	-	2.5%(f)	Regrade principals	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Non-School Based Administrators</b>											
Increment	Yes 2.0%	Yes 2.0%	Yes 5.0%	Yes 3.0%	Yes 2.0%	Yes 2.0%	Yes 2.0%	Yes 3.0%	Yes 3.0%	Yes 2.0%	Yes 3.0%
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	1.21%	2.5%	-	-	2.5%(f)	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Support Staff</b>											
Increment	Yes 2.0%	Yes 2.0%	Yes 5.0%	Yes 3.0%	Yes 2.0%	Yes 2.0%	Yes 2.0%	Yes 3.0%	Yes 3.0%	Yes 2.0%	Yes 3.0%
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	1.21%	2.5%	-	-	2.5%(f)	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-

- (a) Effective May 1, 1999, teachers hired before FY 92 will receive an extra step increment.
- (b) Change one longevity step worth 2.5% to two longevity steps worth 2.0% each.
- (c) In addition, instructional assistant's scale was raised from equaling 50% of the basic teacher scale to 50.5%, which amounted to an extra 1.0% increase.
- (d) In addition, instructional assistant's scale was raised from equaling 50.5% of basic teacher scale to 51.0%, which amounted to an extra 1.0% increase.
- (e) Two additional contract days added, equivalent to 1% increase.
- (f) Additional step prior to longevity step added at 2.5%.
- (g) Average additional 1.4% associated with raising entry hiring rate to \$40,000.
- (h) 0.4% average increase for scale restructuring.

**FREDERICK COUNTY PUBLIC SCHOOLS**  
 (Compensation subject to collective bargaining only for teachers and supporting services employees units)

REC

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Teachers</b>											
Increment	Yes 4.0%	Yes 3.0%	Yes 5.89%(a)	Yes 5.0%	Yes 1.5%	Yes 4.0%	Yes (e)	Yes 3.0%	Yes 4.5%	Yes 4.5%(h) (i)(k)(l)	Yes TBD
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	(j)	-
<b>Superintendents and Executive Directors</b>											
Increment	Yes 4.0%	No 6.0%	No (b)	No (c) (d)	No 1.5% (d)	No 6.0% (d)	No (f)	No 6.0%	No 8.0%	No 8.0% (d)(l)	No TBD
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
<b>Administrative and Supervisory Personnel</b>											
Increment	Yes 4.0%	Yes 3.0%	Yes 6.0%	Yes 5.0%	Yes 1.5%	Yes 4.0%	Yes (e)	Yes 3.0%	Yes 4.5%	Yes 4.5%(h) (l)	Yes TBD
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
<b>Supporting Services Employees</b>											
Increment	Yes 4.0%	Yes 3.0%	Yes 6.0%	Yes 4.0%	Yes 1.5%	Yes 4.0%	Yes 2.0%	Yes 3.0%(e)	Yes 4.4%(g)	Yes 4.5%(h) (l)	Yes TBD
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-

(a) Teachers also received other concessions in bargaining process. Eleven-month scale created for Athletic Directors; 11 and 12-month scales for teachers.

(b) Superintendent received 5.0%; Executive Directors are set individually but received close to 6.0%.

(c) Superintendent will receive 5%; Executive Directors will receive 6%.

(d) Superintendent received lump sum payment in addition to the base salary.

(e) Pay scales revised.

(f) New Superintendent; Executive Directors received 4%.

(g) Support Employee negotiations created shift differentials for second and third shifts

(h) Proposed Budget – Pending the results of negotiations.

(i) Negotiations resulted in the following:

Stipend increased from \$1,000 to \$2,000 for teachers, guidance counselors and speech language pathologists who earn national certification.

Hourly rate for Workshop Attendees and Presenters increased to \$25 and \$35 respectively.

Hourly rate for Presenters of MSDE approved workshops and classes increased to \$49.

Activity Pay compensation rates increased 4.5%.

(j) 10-month teacher work year increased to 190 days.

(k) One time lump sum payments of \$3,000 were approved for teachers accepting positions in areas that the Board of Education has deemed "Critical Need".

103

(1) One time lump sum payments of \$500 were approved for benefited employees who are employed for the entire year and use less than 3 days of sick leave FY2008.

104

**HOWARD COUNTY PUBLIC SCHOOLS**  
(Compensation subject to collective bargaining)

REC

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Teachers</b>											
Increment	Yes 2.5%	Yes 3.0%	Yes 6.0%(g)	Yes 6.0%(g)	Yes(i) 0.0%	Yes 4.0%	Yes 6.0%	Yes 3.0%	Yes 3.5%	Yes 5.0%	Yes 5.0%
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	Yes(d) (e)	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Principals</b>											
Increment	Yes 2.5%	Yes 3.0%	Yes 5.0%	Yes 6.0%	No 3.0%	Yes 4.0%	Yes 6.0%	Yes 3.0%	Yes 3.5%	Yes 5.0%	Yes 4.75%
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	(f)	New Step 11	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Admin/Mgmt/Tech</b>											
Increment	Yes(a) 2.5%	Yes 3.0%	Yes 5.0%	No 6.0%	No 3.0%	Yes 6.0%	Yes 6.0%	Yes 3.0%	Yes 3.5%	No 5.0%	No 5.0%
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Educational Support</b>											
Increment	Yes (b)	Yes 3.0%	Yes 5.0%(h)	Yes 5.0%(h)	No 3.0%	Yes 4.0%	Yes 6.0%	Yes 3.0%	Yes 3.5%	Yes 5.0%	Yes 5.0%
General adjustment (COLA)	-	-	-	-	-	Lower steps received larger amounts	Lower steps received larger amounts	-	-	-	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>AFSCME</b>											
Increment	(c) 2.5%	Yes 3.0%	Yes 5.0%(h)	Yes 5.0%(h)	No 3.0%	Yes 4.0%	Yes 6.0%	Yes 3.0%	Yes 3.5%	Yes 5.0%	Yes 5.0%
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-

- (a) Merit pay pool of approximately 3.0%.
- (b) Pay scale adjusted so that all increments equal 5.0%.
- (c) Adjustment to pay scale decreasing the number of steps.
- (d) Step 21-25.

105

- (e) Improved step 2-4.
- (f) New step 10 increased 2.5%.
- (g) Additional 1.0% from the State.
- (h) 6.0% for employees not receiving increment (i.e., at top of scale).
- (i) Increment plus adjustments to frozen steps equates to 3.0%.

106

**PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS**  
(Compensation subject to collective bargaining)

REC

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>Teachers</b>											
Increment	Yes	Yes	-	Yes	Yes	Yes	Yes	Yes	(f)	TBD	
General adjustment (COLA)	3.0%	2.0%	(b)	5.0%	-	2.0%(c)	2.0%(d)	3.0%	-		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	-	-		
<b>Principals and Supervisors</b>											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	(g)	TBD	
General adjustment (COLA)	2.0%	2.0%	3.0%	4.0%	4.0%	2.0%(c)	2.0%(d)	3.0%	-		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	-	-		
<b>General Support Staff</b>											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	(f)	TBD	
General adjustment (COLA)	3.0%	2.0%(a)	2.0%	4.0%	4.0%	2.0%(c)	2.0%(d)	3.0%	-		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	-	-		
<b>Other Support Staff (Custodians)</b>											
Increment	Yes	Yes	-	Yes	Yes	Yes	Yes	Yes	3% on 7/2006 and 1% on 1/2007.	TBD	
General adjustment (COLA)	1.0%	2.0%	(b)	4.0%	3.0%	2.0%(c)	2.0%(d)	2.0%(e)	-		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	-	-		

- (a) COLA delayed until 11/1/99.
- (b) Several negotiating sessions have been conducted. As of 7/3/00 a settlement has not been reached.
- (c) Retrospective to 10-18-03 increment July 1, 2003.
- (d) 2% effective 7-1-04; additional 1% effective 1-8-05
- (e) 2% effective 7-1-05; additional 1% effective 1-6-06.
- (f) Not yet at table.
- (g) Several negotiating sessions have been conducted. No agreement to date.

107

**STATE OF MARYLAND**  
**(Compensation subject to collective bargaining)**

REC

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
<b>All Employees</b>											
Increment	Yes(a)(b)	Yes(f)	Yes(k)	Yes(k)	-	(r)	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	3.0%(c)(d)	2.6%(g)	4.0%(l)	4.0%(o)	-	(r)	1.5%	2.0%(s)	2.0%(t)	2.0%	2.0%
Lump-sum payment	\$300(e)	(h)(i)(f)	Yes(m)	Yes(m)	(q)	(r)	-	Yes(t)	Yes(u)	-	-
Top of range adjustment	-	-	Yes(n)	Yes(q)	-	(r)	-	-	-	-	-

- (a) 2.0% increment adjustment is the weighted average for the state. Increment adjustments ranged from 2.0% - 6.0% depending on step in pay grade. Only about 40% of employees are eligible for an adjustment.
- (b) State Police, natural resources police, and park rangers receive a 4.0% increment adjustment.
- (c) FY 99 COLA is actually a flat \$1,275 per position increase, averaging 3.5% statewide. \$900 was allocated on July 1, 1998 and \$375 on January 1, 1999.
- (d) Maryland judges received an \$11,275 increase adjustment, consistent with the recommendations of the Judicial Compensation Commission.
- (e) An estimated 8,800 (20%) of 44,000 eligible employees received a one-time \$300 bonus in recognition of outstanding performance.
- (f) A new standard pay plan for 44,000 positions is proposed for FY00 based on 22 grades and 16 steps, replacing the current 22 grades and 6 steps. Increments consist of 4% increases for positions rising to steps 1-5 and 2% for positions rising to steps 6-16. Increments are not automatic, but will be based on performance. An estimated 98% of employees will qualify for increments. For FY00, approximately 20% of these employees will receive 4% increments and 80% will receive 2% increments.
- (g) FY00 general salary increase is actually a flat \$1,275 per person, averaging 3.5% statewide. However, the FY00 take home amount is only \$957 per person, averaging 2.6%, because the increase is phased in as \$638 on 7/1/99 and \$637 on 1/1/00.
- (h) Implementation of a new standard pay plan for FY00 will require one-time adjustments to employee salaries ranging between \$5 and \$2,006 per position. The total cost of this adjustment is \$11 million, averaging \$257 per position.
- (i) An estimated 9,680 (22%) of 44,000 eligible employees will receive a one-time \$1,000 bonus in recognition of outstanding performance.
- (j) An estimated 15,400 (35%) of 44,000 eligible employees will receive a one-time \$500 bonus in recognition of performance exceeding standards.
- (k) Starting FY01, approximately 35,000 State employees are represented by a labor organization. Many of them are paid on the standard salary schedule. However, those employees not represented by a labor organization who are paid on the standard or a similar salary schedule receive the same increments as those who are represented by a labor organization. Some employees not subject to collective bargaining who are not paid on the standard or a similar salary schedule receive merit increases in addition to the general salary adjustment.
- (l) This 4% COLA increase was implemented on November 15, 2000.
- (m) In fiscal 2000, an estimated 15% of those eligible for performance bonuses received a lump-sum payment of \$1,000 for a rating of "outstanding;" approximately 34% were paid \$500 for a rating of "exceeds standards." In fiscal 2001, the corresponding rates were 16% and 36%.
- (n) A new executive pay plan (EPP) and an expanded standard salary schedule were proposed for FY01. The EPP provides three fewer salary grades and utilizes salary ranges with 29.2% bandwidths. Maximum salaries are roughly \$6,000 higher than they were at the top of the grade. The expanded standard schedule provides 4 additional salary grades, primarily to provide slots for managerial employees formerly improperly placed on the executive salary schedule.
- (o) This 4% COLA, or "general salary increase," was implemented on January 1, 2002.
- (p) In fiscal 2002, two steps were added to the top of the salary schedule, making a total of 18 steps, and the first grade of 26 grades became obsolete and is no longer used. The maximum pay on the executive pay plan, for each grade, is 8% higher in fiscal 2002 (on January 1, 2002) than it was a year previous (on January 1, 2001).
- (q) In FY03, lump-sum payments were to be awarded if the Board of Public Works determined that they were affordable. They were not determined to be affordable, as a result, there were no pay increases in FY03 although they were in the recommended budget.
- (r) No salary enhancements were budgeted in FY04. The only enhancement allowed - is a reclassification (promotion).
- (s) General salary increases will be \$900 for employees making a base salary of less than a \$45,000 per year on an annualized basis, \$1,400 for employees making a base salary more than \$70,000 per year on an annualized basis, and 2 percent for the rest of the workforce. Approximately 87 percent of the workforce will receive 2 percent or more.

109

- (t) Performance bonuses for Correctional Officer II, Sergeant, Lieutenant, Captain, and Major positions (\$500) in the Division of Correction and for nurses in the Department of Health and Mental Hygiene (\$3,000) are newly funded in fiscal 2007. These bonuses are awarded for fewer than 5 unscheduled absences over a 12-month period.
- (u) Two steps have been added to the top of the standard salary schedule and one step has been added to the physicians' salary schedule.

109

**FEDERAL GOVERNMENT (a)**  
**(Compensation not subject to collective bargaining)**

	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	REC FY09
<b>All Employees</b>											
Increment	1.5%(d)(e) 3.1%	1.5%(d)(e) 3.8%	1.5%(d)(e) 2.7%	1.5%(d)(e) 3.6%	1.5%(d)(e) 3.1%	1.5%(d)(e) 2.7%	1.5%(d)(e) 2.5%	1.5%(d)(e) 2.1%	1.5%(d)(e) 1.7%	1.5%(d)(e) 2.5%	1.5%(d)(e) (g)
General adjustment	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	Same	Same									
Top of range adjustment	3.68%(c)	4.94%(c)	3.81%(c)	4.77%(c)	4.27%(c)	4.42%(c)	3.71%(c)	3.44%(c)	2.64%(c)	4.49%(c)	Same (g)
Locality pay (b)											

(a) For Federal employees in the Washington Baltimore locality pay area. Data reflect the Federal fiscal year.

(b) Locality pay instituted in FY94.

(c) This is the **cumulative** figure that includes both general adjustments and increases in locality pay.

(d) 1.5% is a rough estimate of the average annual value of General Schedule within grade and quality step increases as a percentage of payroll. The actual average can vary year to year. Some estimation methods indicate the multi-year average may be closer to 1.3%.

(e) Increments awarded annually for advancement to steps 2-4, awarded every 2 years for steps 5-7, and awarded every three years for steps 8-10. Eighteen years to advance from minimum step 1 to maximum step 10.

(f) The federal government uses a cost of labor standard to determine the general adjustment rather than a cost of living standard. This adjustment is not referred to as the COLA.

(g) The President's budget proposed a 2.9% overall average increase for Federal civilian employees. The overall increase will be allocated between an across-the-board increase and locality pay raises.

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**MONTGOMERY COUNTY GOVERNMENT WORKFORCE CHANGE SUMMARY  
COUNTY EXECUTIVE RECOMMENDED: FY08**

	POSITIONS		WORKYEARS		TOTAL WYs
	Full Time	Part Time	Tax Supported	Non-Tax Supp.	
<b>FY07 APPROVED COMPLEMENT</b>	8,476	1,130	8,203.3	1,308.9	9,512.2
<b>FY08 RECOMMENDED COMPLEMENT</b>	8,981	1,144	8,525.0	1,367.5	9,892.5
<b>CHANGE IN WORKFORCE (GROSS)</b>	505	14	321.7	58.6	380.3
Percentage Change	6.0%	1.2%	3.9%	4.5%	4.0%

**Fraternal Order of Police, Lodge 35  
Fiscal Impact Summary**

Article	Item	Description	FY08	FY09	FY10
2	Administrative Leave	Increase administrative leave for president from 1040 to 1092 hours annually	4,880	4,880	4,880
6	Clothing Allowance	Increase all categories	8,710	17,760	27,080
35	Vehicles	Full implementation of Single Officer Fleet Vehicle program by end of FY09 (35 vehicles including video cameras)	-	1,872,860	296,350
36	Wages	GWA and increments. GWA: \$3,151 increase to Step 0, Year 1 of pay plan, maintain existing structure in FY08; 4% July 2008; 4.25% July 2009	9,331,070	14,276,720	18,836,180
39	Tuition Assistance	Increase by \$100 each year	15,100	30,200	45,300
41	Shift Differential	Increase afternoon and midnight differential	49,870	92,300	134,730
<b>Total Fiscal Impact</b>			<b>9,409,630</b>	<b>16,294,720</b>	<b>19,344,520</b>

**Montgomery County Volunteer Fire Rescue Association  
Fiscal Impact Summary**

Article	Item	Description	FY08
12	Winter Coats	Active volunteers issued one winter coat	170,430
13	Nominal Fee	Each June 1st, active volunteers receive either \$200 nominal fee or \$300 nominal fee if the volunteer achieved the maximum number of LOSAP points for station responses and standby/sleepin and is on the IECS certified list	212,600
Side Letter	MCVFRA	Administrative expenses of MCVFRA	80,250
<b>Total Fiscal Impact</b>			<b>463,280</b>

**Municipal and County Government Employees Organization, Local 1994  
Fiscal Impact Summary.**

Appendix	Subject	Description	FY08	FY09	FY10
5	Wages	GWA and increments. GWA: 4.0% July 2007; 4.5% July 2008; 4.5% July 2009	15,208,644	33,487,462	51,766,280
5	Longevity increment	Increase longevity increment by 1% effective January 1, 2008	271,171	542,342	542,342
5	Differentials	Shift differential: Increase evening differential \$0.05 in FY08 and FY09; Increase midnight differential \$0.05 in FY09; Apply midnight differential to non-ECC Police Public Service Aides working 8 pm to 6 am shift; Increase advanced multilingual differential \$0.20 in FY08; Increase field training differential \$0.25 in FY08 and FY10	145,240	234,380	245,830
9	Working Conditions	Appeals of classification studies	50,000	50,000	50,000
21	Tuition Assistance	Increase by \$100 each year	26,040	52,080	78,130
29	Labor Management Relations Committee	Funding to address departmental issues	100,000	100,000	100,000
32	Tools and Uniforms	Tool Allowance: Increase all categories by \$35; Safety Shoes: Increase by \$15	15,780	3,640	3,640
34	Health and Safety	Flu vaccinations for all bargaining unit members	8,760	8,760	8,760
36	Union Activities	Increase administrative leave bank for use by SLT and OPT Unit Council representatives by 140 hours and 250 hours respectively	12,500	12,500	12,500
49	Ré-Opener	Costs related to re-opener on health benefits and pensions	137,000	0	0
53	Seasonal Employees Wages	Employees on Seasonal Salary Schedule shall receive increases of \$0.40 per hour in July 2008, \$0.45 per hour in July 2009, and \$0.45 per hour in July 2010	265,480	564,140	862,800
App I	Sheriff	Compensatory leave for deputy sheriffs on overnight extraditions	8,890	8,890	8,890
App I	Sheriff	Increase uniform allowance by \$75 and shoe allowance by \$10	1,580	1,580	1,580
App II	Health and Human Services	School-based health staff to be provided with two additional days at the beginning of the school calendar and expand hours to 7 per day	1,784,790	1,784,790	1,784,790
App IV	Corrections	Retention bonus for Correctional nurses of \$800 in FY08, \$900 in FY09, and \$1,100 in FY10	18,950	21,310	26,050
App IV	Corrections	Increase charge nurse differential to \$1.75 per hour	5,000	5,000	5,000
App IV	Corrections	Increase uniform allowance for Correctional nurses to \$250	1,100	1,100	1,100
App IV	Corrections	Stipend of \$1,200 for Emergency Response Team members	29,710	29,710	29,710
App VI	Transit Services	A 1.5 percent retention increment for Bus Operators after four years completed service and an additional 1.5 percent retention increment after six years of completed service effective January 2008	232,900	465,800	465,800
App VII	Sheriff Salary Schedule	Include Sergeants and add new step for Deputy Sheriff III and Sergeants	96,200	121,350	121,350
App VII	Correctional Officer Salary Schedule	Implement new correctional officer salary schedule	219,480	633,650	633,650
App X	Permitting Services	The County to provide gloves and hats to field personnel	4,500	0	0
App XVII	Rewarding Excellence	Gain sharing implementation costs: Human Resources Specialist, consulting, materials and printing	47,000	209,000	91,700
Side Letter	Program Specialists	Program Specialist classification study	15,000	0	0
Side Letter	Public Libraries	Classification study of the Librarian series	10,000	0	0
Side Letter	Wage Survey	Wage survey of comparable MCPS job titles	50,000	0	0
<b>Total Fiscal Impact</b>			<b>\$18,766,715</b>	<b>\$38,337,484</b>	<b>\$56,839,902</b>

**Labor Agreement Implementation Costs and Other Compensation Changes  
Fiscal Impact Summary**

		Fiscal Impact		
		FY08	FY09	FY10
<b>Implementation Costs:</b>				
Human Resources and Fire Rescue bargaining support costs for MCVFRA agreement		152,130	146,330	146,330
Mediation/Arbitration costs for MCVFRA bargaining		26,000	0	0
<b>Unrepresented Compensation Changes:</b>				
<b>Unrepresented Employees</b>				
Wages	GWA and increments. GWA: 4.0% July 2007; 4.5% July 2008; 4.5% July 2009	8,861,060	19,307,120	29,753,190
Differentials	Pass-through costs of changes to differentials	20,200	30,800	30,990
Tuition Assistance	Increase \$100 each year	7,940	15,880	23,820
<b>Police Management</b>				
Wages	GWA and increments: GWA: 4.0% July 2007 and pass-through of salary schedule change; 4.0% July 2008; 4.25% July 2009	610,850	936,050	1,274,040
<b>Total Unrepresented Compensation Changes</b>		<b>\$9,678,180</b>	<b>\$20,436,180</b>	<b>\$31,228,370</b>

Estimated Negotiated Salary Cost FY 2008 - FY 2010			
	FY 2008	FY 2009	FY 2010
Cola %	4.80%	5.00%	5.30%
MCAASP	\$ 4,873,615	\$ 5,062,863	\$ 5,896,852
MCEA	46,384,133	49,921,985	56,692,285
SEIU	18,642,108	19,663,410	22,738,187
<b>Total Negotiated Salary</b>	<b>\$ 69,899,856</b>	<b>\$ 74,648,258</b>	<b>\$ 85,327,323</b>
Estimated Continuing Salary Cost FY 2008 - FY 2010			
	FY 2008	FY 2009	FY 2010
MCAASP	\$ 3,058,072	\$ 1,260,197	\$ 1,299,598
MCEA	15,200,319	12,423,540	12,821,915
SEIU	7,397,196	4,906,736	5,059,471
<b>Total Continuing Salary</b>	<b>25,655,587</b>	<b>18,590,472</b>	<b>19,180,984</b>
<b>Total Cont. and Neg. Salary</b>	<b>\$ 95,555,443</b>	<b>\$ 93,238,731</b>	<b>\$ 104,508,307</b>

MCPS staff explains that the decrease between FY08 and FY09 for continuing salaries is due to the annualization in FY08 of the FY07 mid-year wage adjustment. This one-time annualization creates additional costs for FY08 that are not required for the next year's increase.