

**MEMORANDUM**

TO: Management and Fiscal Policy Committee

FROM: Robert H. Drummer, Legislative Attorney 

SUBJECT: **Worksession:** Expedited Bill 30-09, Personnel – Guaranteed Retirement Income Plan – Retirement Savings Plan

Expedited Bill 30-09, Personnel – Guaranteed Retirement Income Plan – Retirement Savings Plan, sponsored by the Council President at the request of the County Executive, was introduced on July 28. A public hearing is scheduled for September 15 at 1:30 p.m.

**Background**

Bill 30-09 would permit current and future unrepresented public safety employees hired after October 1, 1994 to participate in the Guaranteed Retirement Income Plan (GRIP). These employees would receive a certain period of time to irrevocably elect to participate in the GRIP instead of the Retirement Savings Plan (RSP). An unrepresented public safety employee who chooses the GRIP would contribute 3% of earnings and receive a contribution credit from the County at a rate of 10% of earnings.

Bill 11-08, enacted by the Council on June 17, 2008 and signed into law by the Executive on June 28, 2008, established the GRIP as a retirement option for both represented and unrepresented non-public safety employees participating in the RSP. The GRIP is a cash balance plan that took effect on July 1, 2009. A GRIP account receives the same employer and employee contributions the employee would have received under the RSP. Unlike the self-directed investments in the RSP, the GRIP account funds are invested by the Board of Trustees (BIT) and the County guarantees an annual interest credit of 7.25%. Bill 11-08 did not extend the GRIP option to unrepresented public safety employees.

The Bill would also eliminate the difference between the disability benefits for highly compensated employees and non-highly compensated employees in the RSP. It would permit all non-public safety employees who meet the definition of disability under social security to receive ongoing employer contributions to the RSP. Recent changes to the Internal Revenue Code have made this distinction in disability benefits unnecessary.

Finally, the Bill would establish default beneficiaries for RSP participants. If there is no surviving named beneficiary, or no properly named beneficiary, the participant's surviving spouse or domestic partner would be the beneficiary. If there is no surviving spouse or domestic partner, any surviving children would be equal beneficiaries. If there are no surviving children,

the participant's estate would receive the account balance. The GRIP already contains the same provisions for default beneficiaries.

### Public Hearing

The public hearing for Bill 30-09 is scheduled for September 15, 2009. The issues and recommendations set forth below are subject to change based upon the testimony received at the public hearing.

### Issues

#### 1. Should unrepresented public safety employees be included in the GRIP?

Unrepresented public safety employees are management employees. Represented public safety employees who are promoted out of the bargaining unit into an unrepresented public safety position remain eligible for the defined benefit plan under the Employees Retirement System (ERS). A person who is hired from outside County employment into an unrepresented public safety position after October 1, 1994 must participate in the RSP. These employees contribute 3% of their salary and receive an employer contribution of 10%.<sup>1</sup> Currently, there are 7 unrepresented public safety employees participating in the RSP who would be eligible to transfer to the GRIP. They are:

- 3 – Manager II, Department of Corrections and Rehabilitation
- 1 – Director, Department of Corrections and Rehabilitation
- 1 – Police Chief
- 1 – Assistant Sheriff
- 1 – Division Chief Volunteer Services, Department of Fire and Rescue Services

The fiscal impact statement prepared by OMB Director Joseph Beach states that the Bill is not expected to have a fiscal impact on the approved FY10 budget. Although this Bill would only affect a limited number of employees, the long-term cost of the GRIP over the RSP depends upon the investment returns earned by the BIT over the long term. If the BIT earnings do not meet or exceed the 7.25% guaranteed interest credit, there would be a long term cost to the County. However, it is impossible to predict the long term earnings of the BIT.

Other than a potential fiscal impact, there is no logical reason to exclude unrepresented public safety employees from transferring from the RSP to the GRIP. **Council staff recommendation:** approve the extension of the GRIP to these employees.

#### 2. Should the dates for employees to elect the GRIP be amended?

Bill 30-09, as introduced, would require a current unrepresented public safety employee to choose to transfer to the GRIP between June 30, 2009 and September 1, 2009 effective on the 1<sup>st</sup> pay period beginning after October 1, 2009. Obviously, these dates need to be changed if the Bill is enacted since the Council will be considering this Bill in September. Council staff has learned from OHR staff that they intend to recommend changing the election dates for current

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<sup>1</sup> All other RSP employees contribute 4% of salary and receive an employer's contribution of 8%.

employees to October 1, 2009 to December 1, 2009 with an effective date of the 1<sup>st</sup> pay period beginning after December 31, 2009. **Council staff recommendation:** change the election dates as recommended by OHR.

### 3. Technical amendments.

The County Attorney's Office recommended two technical amendments to the laws creating the GRIP after the introduction of Bill 30-09. The technical amendments would add a phrase that was mistakenly omitted from §33-52 and delete a word that was mistakenly left in §33-119 as shown below:

#### 33-52. Payment of benefits.

- \* \* \*
- (b) Discontinuance of pension payments. A member must not receive pension payments while serving in an appointed or elected County office that receives any compensation paid by the County. A member appointed to a full-time County position must become a member of the retirement system or the Retirement Savings Plan under Sections 33-37 and 33-115 and make member contributions until later separation under Article III or Article VIII. The retirement benefit of an employee who resumes membership in the optional or integrated plan must be recalculated when the employee later separates from service. The retirement benefit under the integrated or optional plans of Article III of an employee who becomes a member of the Retirement Savings Plan or the guaranteed retirement income plan must resume when the employee later separates from service.

\* \* \*

#### 33-119. Credited service.

- (a) A participant's credited service is the total County service the participant rendered under the Retirement Savings Plan, the optional retirement plan, [and] the integrated plan, and the guaranteed retirement income plan. A participant must receive credited service for any period when the participant was a part-time employee contributing to an employer-supported savings program provided by a participating agency. An employee hired before July 1, 2009 must receive 1 year of credited service for each year of County service. Each year of County service ends on the anniversary of the date the participant starting working for the County. An employee hired on or after July 1, 2009 must receive one year of

credited service for each year of participation in a County retirement plan. A person who transferred to the Retirement Savings Plan under Section 115(a)(3) or (4) must receive credit for County service for creditable State service earned as a State employee of the County Department of Social Services. A person who does not transfer to the Retirement Savings Plan under Section 115(a)(3) must not receive credit for County service for this State service.

\* \* \*

**Council staff recommendation:** approve the technical amendments.

<u>This packet contains:</u>	<u>Circle #</u>
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Expedited Bill No. 30-09  
Concerning: Personnel – Retirement –  
Guaranteed Retirement Income Plan –  
Retirement Savings Plan  
Revised: July 21, 2009 Draft No. 2  
Introduced: July 28, 2009  
Expires: January 28, 2011  
Enacted: \_\_\_\_\_  
Executive: \_\_\_\_\_  
Effective: \_\_\_\_\_  
Sunset Date: None  
Ch. \_\_\_\_\_, Laws of Mont. Co. \_\_\_\_\_

## COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

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By: Council President at the Request of the County Executive

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**AN EXPEDITED ACT** to:

- (1) permit certain non-represented public safety employees to participate in the Guaranteed Retirement Income Plan;
- (2) eliminate the distinction between disability benefits for highly compensated employees and non-highly compensated employees under the Retirement Savings Plan;
- (3) establish default beneficiaries for participants in the Retirement Savings Plan; and
- (4) generally amend the retirement laws.

By amending

Montgomery County Code  
Chapter 33, Personnel and Human Resources  
Sections 33-35, 33-37, 33-39, 33-40, 33-43, 33-113, 33-115, 33-120, 33-128, 33-131

<b>Boldface</b>	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

*The County Council for Montgomery County, Maryland approves the following Act:*



27 member is transferred from the position that qualified the  
28 member for group F membership.

29 (B) A group F member who is temporarily transferred from  
30 the position that qualified the member for group F  
31 membership may retain membership in group F as long  
32 as the temporary transfer from the group F position does  
33 not exceed 3 years.

34 (C) Notwithstanding the foregoing provisions in group F, an  
35 employee who is eligible for membership in group F  
36 must participate in the retirement savings plan under  
37 Article VIII or the guaranteed retirement income plan if  
38 the employee:

39 (i) [(a)] begins, or returns to, County service on or  
40 after October 1, 1994 (except as provided in the  
41 last sentence of subsection (e)(2));

42 (ii) [(b)] is not represented by an employee  
43 organization; and

44 (iii) [(c)] does not occupy a bargaining unit position.];  
45 or]

46 (D) An employee who is eligible for membership in group F  
47 must participate in the retirement savings plan under  
48 Article VIII if the employee:

49 (i) [(ii) (a)] begins County service on or after October 1,  
50 1994; and

51 (ii) [(b)] is subject to the terms of a collective  
52 bargaining agreement between the County and an

53 employee organization that requires the employee  
54 to participate in the retirement savings plan.

55 [~~D~~] (E) \* \* \*

56 (6) Group G: Any paid firefighter, paid fire officer, and paid rescue  
57 service personnel. Any group G member who has reached  
58 normal retirement may retain membership in group G if the  
59 member transfers from the position which qualified the member  
60 for group G. Any group G member who is temporarily  
61 transferred from the position which qualified the member for  
62 Group G may retain membership in group G as long as the  
63 temporary transfer from the group G position does not exceed 3  
64 years.

65 (A) Notwithstanding the foregoing provisions in group G,  
66 any employee who is eligible for membership in group G  
67 must participate in the retirement savings plan under  
68 Article VIII if the employee:

69 [(A) (i) begins, or returns to, County service on or  
70 after October 1, 1994 (except as provided in the  
71 last sentence of subsection (e)(2));

72 (ii) is not represented by an employee organization;  
73 and

74 (iii) does not occupy a bargaining unit position; or

75 (B)] (i) begins County service on or after October 1,  
76 1994; and

77 (ii) is subject to the terms of a collective bargaining  
78 agreement between the County and an employee

79 organization which requires the employee to participate  
80 in the retirement savings plan.

81 (B) An employee who is eligible for membership in group G  
82 must participate in the retirement savings plan under  
83 Article VIII or the guaranteed retirement income plan if:

84 (i) the employee begins, or returns to, County service  
85 on or after October 1, 1994 (except as provided in  
86 the last sentence of subsection (e)(2)) and

87 (ii) is not represented by an employee organization;  
88 and

89 (iii) does not occupy a bargaining unit position.

90 \* \* \*

91 (k) Election to join the guaranteed retirement income plan.

92 \* \* \*

93 (3) [A] An eligible full-time employee hired on or after July 1,  
94 2009 and a part-time or temporary employee who becomes full-  
95 time on or after July 1, 2009 who does not participate in the  
96 retirement savings plan [and who is not a public safety  
97 employee, as defined in Section 33-113(o)], may elect to  
98 participate in the guaranteed retirement income plan. An  
99 eligible employee must make an irrevocable election during the  
100 first 150 days of full-time employment. If an eligible employee  
101 elects to participate, participation must begin on the first  
102 [payroll] pay period after an employee has completed 180 days  
103 of full-time employment. An employee who does not  
104 participate in the guaranteed retirement income plan must  
105 participate in the retirement savings plan beginning on the first

106 [payroll] pay period after the employee completes 180 days of  
 107 full-time employment.

108 (4) [A] An eligible part-time or temporary employee hired on or  
 109 after October 1, 1994 who does not participate in the retirement  
 110 savings plan [, and who is not a public safety employee as  
 111 defined in Section 33-113(o),] may make a one time irrevocable  
 112 election to participate in the guaranteed retirement income plan  
 113 after the employee completes at least 150 days of employment.  
 114 Participation must begin on the first full [payroll] pay period  
 115 beginning 30 days after the employee makes the election.

116 (5) An eligible full-time or part-time public safety employee hired  
 117 on or after October 1, 1994 and before January 1, 2009 who  
 118 participates in the retirement savings plan may make a one time  
 119 irrevocable election to terminate participation in the retirement  
 120 savings plan and participate in the guaranteed retirement  
 121 income plan, effective the first full pay period after October 1,  
 122 2009. An employee must make this election between June 30,  
 123 2009 and September 1, 2009. An employee who makes this  
 124 election must have his or her retirement savings plan account  
 125 balance transferred to the guaranteed retirement income plan.  
 126 The amount transferred into the guaranteed retirement income  
 127 plan must become the participant's initial guaranteed retirement  
 128 income plan account balance. An employee who does not make  
 129 this election must continue to participate in the retirement  
 130 savings plan.

131 \* \* \*

132 **33-39. Member Contributions and credited interest.**

133 (a) Member contributions. Each member of the retirement system must  
134 contribute a portion of the member's regular earnings through regular  
135 payroll deductions.

136 \* \* \*

137 (4) Member contributions to the guaranteed retirement income  
138 plan.

139 (A) A non-public safety employee member in the guaranteed  
140 retirement income plan must contribute 4% of regular  
141 earnings less than or equal to the Social Security wage  
142 base and 8% of regular earnings that exceed the Social  
143 Security wage base.

144 (B) A public safety employee member in the guaranteed  
145 retirement income plan must contribute 3 % of regular  
146 earnings less than or equal to the Social Security wage  
147 base and 6 % of regular earnings that exceed the Social  
148 Security wage base.

149 [(B)] (C) \* \* \*

150 [(C)] (D) \* \* \*

151 (b) Credited interest.

152 \* \* \*

153 (5) A member of the guaranteed retirement income plan must  
154 receive credited interest at [a] an annual rate of 7.25% on the  
155 member's contributions in the member's guaranteed retirement  
156 income plan account. If the annual 7.25% interest rate does not  
157 comply with applicable law, the third segment rate described in  
158 Internal Revenue Code Section 430(h)(2)(G) or any successor  
159 provision must apply. Interest must be credited to a member's

160 guaranteed retirement income plan account balance on a  
161 monthly basis as of the last day of the month.

162 \* \* \*

163 **33-40. Employer Contributions.**

164 \* \* \*

165 (e) Guaranteed retirement income plan.

166 (1) Each pay period, the County must credit to each non-public  
167 safety member's guaranteed retirement income plan account an  
168 amount equal to 8% of the member's regular earnings. Interest  
169 must be credited at [a] an annual rate of 7.25% on the County  
170 contribution credits. If the annual 7.25% interest rate does not  
171 comply with applicable law, the third segment rate described in  
172 Internal Revenue Code Section 430(h)(2)(G) or any successor  
173 provision must apply. Interest must be credited to a member's  
174 guaranteed retirement income plan account balance on a  
175 monthly basis as of the last day of the month.

176 (2) Each pay period, the County must credit to each public safety  
177 member's guaranteed retirement income plan account an  
178 amount equal to 10% of the member's regular earnings.  
179 Interest must be credited at an annual rate of 7.25% on the  
180 County contribution credits. If the annual 7.25% interest rate  
181 does not comply with applicable law, the third segment rate  
182 described in Internal Revenue Code Section 430(h)(2)(G) or  
183 any successor provision must apply. Interest must be credited  
184 to a member's guaranteed retirement income plan account  
185 balance on a monthly basis as of the last day of the month.

186 [(2)] (3) \* \* \*

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**33-43. Disability Retirement.**

(n) Guaranteed retirement income plan. Subsections (a)-(m) do not apply to a participant in the guaranteed retirement income plan.

(1) Non-public safety employees. If a non-public safety employee participant incurs a disability before termination from County employment which makes the participant unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months, the disabled participant must remain a participant in the guaranteed retirement income plan under the following rules:

[(1)](A) All amounts credited to the participant's guaranteed retirement income plan account, including County contributions, are 100% vested regardless of the participant's credited service.

[(2)](B) The participant must participate in the guaranteed retirement income plan under this Section until the participant dies, reaches his or her normal retirement date, or recovers from the disability.

[(3)](C) In determining the credited amount of County contributions under Section 33-40, the participant's regular earnings means the regular earnings the participant would have received for the year if the

214 participant were paid for the full year at the rate of  
 215 compensation paid in the pay period immediately before  
 216 the participant became disabled.

217 ~~[(4)](D)~~ The participant must not receive a distribution  
 218 during any period in which the participant receives a  
 219 County contribution credit.

220 ~~[(5)](E)~~ The participant must not make member  
 221 contributions under Section 33-39 during the disability  
 222 participation.

223 (2) Public Safety Employees. If a public safety employee  
 224 participant incurs a disability before retirement or other  
 225 separation from service which, in the opinion of a physician  
 226 selected or approved by the Chief Administrative Officer,  
 227 renders the participant unable to perform duties satisfactorily  
 228 for the employment the participant held with the County before  
 229 the disability, the participant's employment and participation in  
 230 the guaranteed retirement income plan must be terminated and  
 231 deemed a disability retirement under the following rules:

232 (A) All amounts credited to the participant's guaranteed  
 233 retirement income plan account, including County  
 234 contributions, are 100% vested regardless of the  
 235 participant's years of credited service.

236 (B) The Chief Administrative Officer must determine the  
 237 date on which a disability retirement is effective. After a  
 238 participant submits a properly completed distribution  
 239 form, the Chief Administrative Officer must distribute

240 the value of the former participant's account balance to  
241 the former participant under this Section.

242 \* \* \*

243 **33-113. Definitions.**

244 \* \* \*

245 (o) Public safety employee means any employee who is a:

246 (1) [a] sworn officer of the Montgomery County Police  
247 Department;

248 (2) [a] paid firefighter, a paid fire officer, or a paid rescue service  
249 worker of the Montgomery County Department of Fire and  
250 Rescue Services;

251 (3) [a] sworn Montgomery County deputy sheriff;

252 (4) [a] Montgomery County correctional officer; or

253 (5) [a] Montgomery County [correctional staff member if]  
254 employee who provides services to a correctional facility and  
255 designated as a public safety employee by the Chief  
256 Administrative Officer.

257 \* \* \*

258 **33-115. Participant requirements and participant groups.**

259 (a) *Participant Requirements.*

260 \* \* \*

261 (7) Election to participate in the guaranteed retirement income  
262 plan.

263 (A) An eligible full-time employee hired on or after July 1,  
264 2009 and a part-time and temporary employee who  
265 becomes full-time after July 1, 2009[, who is not a public  
266 safety employee,] may participate in the guaranteed

267 retirement income plan. An eligible employee must  
 268 make a one time irrevocable election during the first 150  
 269 days of employment. If an eligible employee elects to  
 270 participate, participation must begin on the first [payroll]  
 271 pay period after an employee has completed 180 days of  
 272 full-time employment. A full-time employee who does  
 273 not elect to participate in the guaranteed retirement  
 274 income plan must participate in the retirement savings  
 275 plan beginning on the first [payroll] pay period after the  
 276 employee has completed 180 days of full-time  
 277 employment.

278 (B) An eligible part-time or temporary employee hired on or  
 279 after October 1, 1994 who is not a participant in the  
 280 retirement savings plan[, and who is not a public safety  
 281 employee,] may make a one time irrevocable election to  
 282 participate in the guaranteed retirement income plan any  
 283 time after the employee has completed 150 days of  
 284 employment.

285 (b) *Participants groups and eligibility.*

286 \* \* \*

287 (2) Group II.

288 (A) Except as provided in the last sentence of Section 33-  
 289 37(e)(2), [any] a full-time or career part-time employee  
 290 must participate in the retirement savings plan if the  
 291 employee begins, or returns to, County service on or after  
 292 October 1, 1994; and

293 [(i) (a) is not represented by an employee  
294 organization;  
295 (b) does not occupy a bargaining unit position; and  
296 (c) is a public safety employee; or]  
297 (i)[(ii)(a)] is a public safety employee; and  
298 (ii)[(b)] is subject to the terms of a collective  
299 bargaining agreement between the County and an  
300 employee organization which requires the  
301 employee to participate in the retirement savings  
302 plan.

303 (B) A member of the Police Bargaining Unit may transfer to  
304 Group II of the retirement savings plan if the employee  
305 has accumulated enough credited service to obtain the  
306 maximum retirement benefit under the optional or  
307 integrated plan.

308 (C) Except as provided in the last sentence of Section 33-  
309 37(e)(2), a full-time or career part-time employee must  
310 participate in the retirement savings plan or the  
311 guaranteed retirement income plan if the employee  
312 begins, or returns to, County service on or after October  
313 1, 1994; and

314 (i) is not represented by an employee organization;  
315 (ii) does not occupy a bargaining unit position; and  
316 (iii) is a public safety employee.

317 (c) *Transfers.*

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319 (4) Transfer to the guaranteed retirement income plan.

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(C) A full-time or part-time employee hired on or after October 1, 1994 and before January 1, 2009 who participates in the retirement savings plan, and who is a public safety employee not represented by an employee organization and not occupying a bargaining unit position, may make a one-time irrevocable election to terminate participation in the retirement savings plan and participate in the guaranteed retirement income plan effective the first full pay period after October 1, 2009. An employee must make this election between June 30, 2009 and September 1, 2009. An employee who elects to terminate participation in the retirement savings plan must have his or her account balances transferred to the guaranteed retirement income plan. An employee who does not make this election must continue to participate in the retirement savings plan.

**33-120. Distribution of Benefit.**

\* \* \*

(b) *Disability Benefits.*

(1) Public Safety Employees. If a participant who is a public safety employee incurs a disability before retirement or other separation from service which, in the opinion of a physician selected or approved by the Chief Administrative Officer, renders the participant unable to perform duties satisfactorily for the employment the participant held with the County before the disability, the participant's employment and participation in

347 the retirement savings plan must be terminated and deemed a  
348 disability retirement[.] under the following rules:

349 (A) [In the event of a public safety participant's disability  
350 retirement, all] All amounts credited to the participant's  
351 retirement savings plan account, including County  
352 contributions, [account] are 100% vested regardless of  
353 the participant's years of credited service.

354 (B) The Chief Administrative Officer must determine the  
355 date on which a disability retirement is effective. After  
356 the participant submits a properly completed distribution  
357 form, [The] the Chief Administrative Officer must  
358 distribute the value of the former participant's account  
359 balances to the former participant under this Section.

360 [(2) Highly compensated, non-public safety employees. If a  
361 participant who is a non- public safety employee and who is a  
362 highly compensated employee under the Internal Revenue Code  
363 incurs a disability before retirement or other separation from  
364 service which, in the opinion of a physician selected or  
365 approved by the Chief Administrative Officer, renders the  
366 participant unable to perform duties satisfactorily for the  
367 employment the participant held with the County before the  
368 disability, the participant's employment and participation in the  
369 retirement savings plan must be terminated and deemed a  
370 disability retirement.]

371 [(A) In the event of a highly compensated, non-public safety  
372 participant's disability retirement, all amounts credited to

373 the County contributions account are 100% vested  
374 regardless of the participant's years of credited service.]

375 [(B) The Chief Administrative Officer must determine the  
376 date on which a disability retirement is effective. The  
377 Chief Administrative Officer must distribute the value of  
378 the former participant's account balances to the former  
379 participant under this Section.]

380 (2)[(3)] [Non-highly compensated, non-public] Non-public safety  
381 employees. If a participant who is a non-public safety  
382 employee [and who is not a highly compensated employee  
383 under the Internal Revenue Code] incurs a disability before  
384 retirement or other separation from service which makes the  
385 participant unable to engage in any substantial gainful activity  
386 by reason of any medically determinable physical or mental  
387 impairment which can be expected to result in death or which  
388 has lasted or can be expected to last for a continuous period of  
389 not less than 12 months, the disabled participant must remain a  
390 participant in the retirement savings plan under the following  
391 rules:

392 (A) All amounts credited to the participant's retirement  
393 savings account, including County contributions,  
394 [account] are 100% vested regardless of the participant's  
395 years of credited service.

396 (B) The participant must remain a participant in the  
397 retirement savings plan under this Section until the  
398 participant dies, reaches his or her normal retirement  
399 date, or recovers from the disability.

400 (C) In determining the amount of the County contribution  
401 under Section 33-117, the participant's regular earnings  
402 means the regular earnings the participant would have  
403 received for the year if the participant was paid for the  
404 full year at the rate of compensation paid in the pay  
405 period immediately before the participant became  
406 disabled.

407 (D) The participant must not receive a distribution during any  
408 period in which the participant receives a County  
409 contribution.

410 (E) The participant must not make participant contributions  
411 under Section 33-116 during the period of disability  
412 participation in the retirement savings plan.

413 (c) *Death Benefits.*

414 \* \* \*

415 (3) A participant may name a primary beneficiary or beneficiaries  
416 and contingent beneficiary or beneficiaries on a designation of  
417 beneficiaries form filed with the Office of Human Resources.  
418 If a participant names 2 or more persons as beneficiaries, the  
419 persons are considered co-beneficiaries and share the benefit  
420 equally unless the participant specifies otherwise on the  
421 designation of beneficiaries form. A participant may change  
422 any named beneficiary by completing a new designation of  
423 beneficiaries form. The consent of the beneficiary or  
424 beneficiaries is not required to name or change a beneficiary.  
425 The designation is effective when the participant signs the form  
426 even if the participant is not living when the Office receives the

427 request, but without prejudice for any payments made before  
428 the Office received the request.

429 (4) If a participant dies without designating a surviving beneficiary  
430 or the designation is not enforceable under subsection (5), the  
431 surviving spouse or domestic partner (or if there is no surviving  
432 spouse or domestic partner, each surviving child, sharing  
433 equally with any other surviving child) is the designated  
434 beneficiary. If no spouse, domestic partner, or child survives a  
435 participant who left no enforceable beneficiary designation, the  
436 participant's estate is the designated beneficiary.

437 (5) For purposes of this Section, a beneficiary designation is not  
438 enforceable if:

439 (A) the designated beneficiary:

440 (i) predeceases the member;

441 (ii) disclaims the benefit; or

442 (iii) is not an identifiable person; or

443 (B) the designation is legally void for any reason.

444 \* \* \*

445

446 **33-128. Definitions.**

447 \* \* \*

448 (q) Public safety employee means any employee who is a:

449 (1) sworn, ranking officer of the Montgomery County Police  
450 Department;

451 (2) paid firefighter, paid fire officer, or paid rescue service  
452 employee of the Montgomery County Department of Fire and  
453 Rescue Services;

- 454 (3) sworn deputy sheriff;
- 455 (4) Montgomery County correctional officer; or
- 456 (5) Montgomery County employee [correctional facility staff
- 457 member, if] who provides services to a correctional facility and
- 458 designated as a public safety employee by the Chief
- 459 Administrative Officer.

\* \* \*

**33-131. Amount of benefits.**

\* \* \*

(b) Non-service-connected disability. The annual amount of the non-service-connected disability benefit payment equals 2 percent of the employee's final earnings, multiplied by the number of years of credited service earned under Section 33-41 or Section 33-119. However the benefit must be at least 30 percent of the employee's final earnings, but no more than 60 percent of the employee's final earnings, less any reductions provided in Section 33-134.

\* \* \*

**Sec. 2. Effective Date.**

The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on the date on which it becomes law.

*Approved:*

\_\_\_\_\_  
Philip M. Andrews, President, County Council

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Date

## LEGISLATIVE REQUEST REPORT

Expedited Bill 30-09

*Personnel – Guaranteed Retirement Income Plan – Retirement Savings Plan*

**DESCRIPTION:** The Bill would permit current and future unrepresented public safety employees hired after October 1, 1994 to participate in the Guaranteed Retirement Income Plan (GRIP). These employees would receive a certain period of time to make an irrevocable election to participate in the GRIP instead of the Retirement Savings Plan (RSP). An unrepresented public safety employee who chooses the GRIP would contribute 3% of earnings and receive a contribution credit from the County at a rate of 10% of earnings.

The Bill would also eliminate the difference between the disability benefits for highly compensated employees and non-highly compensated employees in the RSP and would permit all non-public safety employees who meet the definition of disability under social security to receive ongoing employer contributions to the RSP.

Finally, the Bill would establish default beneficiaries for RSP participants. If there is no surviving named beneficiary, or no properly named beneficiary, the participant's surviving spouse or domestic partner would be the beneficiary. If there is no surviving spouse or domestic partner, any surviving children would be equal beneficiaries. If there are no surviving children, the participant's estate would receive the account balance. The GRIP already contains the same provisions.

**PROBLEM:** There are seven unrepresented public safety employees who were not permitted to join the GRIP while other unrepresented employees were permitted to make an election to join GRIP.

The RSP provides ongoing employer contributions to non-public safety, non-highly compensated employees who are social security disabled. The distinction was created to comply with the Internal Revenue Code non-discrimination rules. These rules no longer apply to government retirement plans. The GRIP does not make this distinction.

The RSP does not provide any default beneficiaries if there are no surviving beneficiaries or properly named beneficiaries.

**GOALS AND OBJECTIVES:**

To allow the seven unrepresented public safety employees, and future unrepresented public safety employees hired from outside of County government, to elect to participate in the GRIP.

To give all non-public safety participants in the RSP who meet the definition of disability under social security on-going employer contributions to the RSP.

To provide for default beneficiaries in the RSP if there are no surviving beneficiaries or no properly designated beneficiaries.

**COORDINATION:** Office of Human Resources and Finance

**FISCAL IMPACT:** Office of Management and Budget

**ECONOMIC IMPACT:** Office of Management and Budget

**EVALUATION:** N/A

**EXPERIENCE ELSEWHERE:** N/A

**SOURCE OF INFORMATION:** Joseph Adler, Office of Human Resources 240-777-5010

**APPLICATION WITHIN MUNICIPALITIES:** N/A

**PENALTIES:** N/A

BILL



MONTGOMERY COUNTY  
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Isiah Leggett  
County Executive

OFFICE OF THE COUNTY EXECUTIVE  
ROCKVILLE, MARYLAND 20850

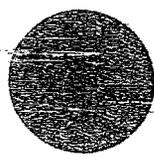
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MEMORANDUM

TO: Phil Andrews, President  
Montgomery County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Expedited Bill to Amend the County's Retirement Law



I am attaching for the Council's consideration a bill that would amend the County's retirement law to allow unrepresented public safety employees hired after October 1, 1994 to elect to participate in the Guaranteed Retirement Income Plan (GRIP).

Beginning July 1, 2009, as a result of bargaining with MCGEO and the subsequent pass through legislation for unrepresented non public safety employees, the County will offer the GRIP to all eligible non public safety employees currently participating in the Retirement Savings Plan (RSP). Employees make and receive contribution credits at a rate of 4% of earnings and receive a contribution credit from the County at a rate of 8% of earnings. Interest is credited at an annual rate of 7.25%.

There are seven unrepresented public safety employees who were not permitted to join the GRIP. The attached legislation provides these unrepresented public safety employees a one time opportunity to elect GRIP and would also allow future unrepresented public safety employees the opportunity to elect GRIP. The unrepresented public safety employees would make and receive contribution credits at a rate of 3% of earnings and receive a contribution credit from the County at a rate of 10% of earnings. These are the same rates unrepresented public safety employees receive as members of the RSP. Interest will be credited at an annual rate of 7.25%. The public safety employees will also receive the same disability benefits they would receive in the RSP.

The legislation also clarifies that the interest rate in the GRIP is credited at an annual rate of 7.25%.

The legislation also eliminates the different disability benefits between highly compensated employees disability benefits and non highly compensated employees in the RSP. Currently only non highly compensated employees who are determined to be social security

disabled receive on going employer contributions to the RSP. The distinction exists due to Internal Revenue Code non discrimination rules which no longer apply to government retirement plans.

Finally, the legislation establishes default beneficiaries for the RSP. If there is no surviving named beneficiary or no properly named beneficiary, the participant's surviving spouse or domestic partner is the beneficiary. If there is no surviving spouse or domestic partner, any surviving children will be equal beneficiaries. If there are no surviving children, the participant's estate will receive the account. This GRIP contains these provisions.

A fiscal impact statement for the bill is also included.

Should you have any questions about this bill, please contact Belinda Fulco, the Employee Benefits Manager in the Office of Human Resources, at (240) 777-5076.

Thank you for your prompt consideration of this bill.

IL:sw

Attachments