AGENDA ITEM 5
March 24, 2009
Introduction

MEMORANDUM

TO: County Council

FROM: Robert H. Drummer, Legislative Attorney

SUBJECT: **Introduction**: Expedited Bill 10-09, Personnel – Retirement Incentive Program 2009

Expedited Bill 10-09, Personnel – Retirement Incentive Program 2009, sponsored by the Council President at the request of the County Executive, is scheduled to be introduced on March 24. A public hearing is tentatively scheduled for April 14 at 1:30 p.m.

Bill 10-09 would establish a retirement incentive program (RIP) for certain members of the Employees' Retirement System. Group A, E or H members eligible for normal retirement as of June 1, 2009 or eligible for early retirement and within two years of meeting the criteria for normal retirement as of June 1, 2009 may apply for the RIP. The Chief Administrative Officer must approve applications from Executive Branch employees. The Council Staff Director must approve applications from Legislative Branch employees.

The retirement incentive would be no reduction for early retirement and an additional $40,000 payment. Group E members in the integrated retirement plan approved to participate in the RIP would also receive an enhanced benefit payment when reaching Social Security age in addition to the other benefits. Members must apply by April 1, complete all forms by May 1, and retire as of June 1, 2009.

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Expedited Bill No. 10-09
Concerning: Personnel – Retirement Incentive Program 2009
Revised: March 20, 2009
Draft No. 1
Introduced: March 24, 2009
Expires: September 24, 2010
Enacted: _____
Executive: _____
Effective: _____
Sunset Date: None
Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

AN ACT to:

(1) provide a retirement incentive program for certain members of the Employees' Retirement System; and

(2) generally amend the law regarding the Employees' Retirement System.

By amending
Montgomery County Code
Chapter 33, Personnel and Human Resources
Sections 33-42

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

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

1 **Sec. 1. Section 33-42 is amended as follows:**

2 **Sec. 33-42. Amount of pension at normal retirement date or early retirement**
3 **date.**

4 * * *

5 (k) *Retirement Incentive Program 2009*

6 (1) *Eligibility.*

7 (A) A Group A, E or H member employed in a full-time
8 position may apply to participate in the Retirement
9 Incentive Program 2009 if the member is eligible for:

10 (i) normal retirement as of June 1, 2009; or

11 (ii) early retirement and within two years of meeting
12 the criteria for normal retirement as of June 1,
13 2009.

14 (B) A member is not eligible to participate if the member:

15 (i) receives a disability retirement under Section 33-
16 43;

17 (ii) receives a discontinued service retirement under
18 Section 33-45(d);

19 (iii) is an elected or appointed official; or

20 (iv) is employed by a participating agency.

21 (C) A member must apply to participate in the Retirement
22 Incentive Program 2009 with the Office of Human
23 Resources in writing by April 1, 2009. A member
24 chosen to participate must complete all required forms by
25 May 1, 2009 and retire as of June 1, 2009.

26 (D) A member who applies for a disability retirement under
27 Section 33-43 must not receive a benefit under this

28 Subsection unless the application for disability retirement
29 is denied and all appeals exhausted.
30 (2) *Early retirement reduction.* A participant's pension benefit
31 must not be reduced for early retirement if the member is
32 eligible for early retirement and within two years of meeting the
33 criteria for normal retirement.
34 (3) *Additional Retirement Benefit.* In addition to a participant's
35 pension benefit calculated under this Subsection, a member
36 must be paid an additional $40,000 retirement benefit. The
37 member must elect to receive the additional $40,000 retirement
38 benefit as:
39 (A) a lump sum on August 1, 2009:
40 (i) to the member;
41 (ii) as a direct rollover to an eligible retirement plan
42 (as defined in the Internal Revenue Code); or
43 (iii) a combination of (i) and (ii); or
44 (B) 12 equal monthly payments beginning on August 1,
45 2009:
46 (i) to the member;
47 (ii) as a direct rollover to an eligible retirement plan
48 (as defined in the Internal Revenue Code); or
49 (iii) a combination of (i) and (ii); or
50 (C) an additional retirement benefit paid over the member's
51 lifetime in the pension option elected by the member
52 under Section 33-44 beginning on August 1, 2009.

53 (4) *Group E Benefit.* The benefit for a Group E member in the
54 integrated retirement plan must be calculated by substituting
55 1.65% for 1.25% in Section 33-42(b)(2)(C)(ii).
56 (5) *Cost of Living.* Cost of living adjustments do not apply to this
57 benefit. A cost of living adjustment under Section 33-44(c)
58 must not include the $40,000 additional retirement benefit.
59 (6) *Approval.* The Chief Administrative Officer must approve a
60 request to participate in the program from a member employed
61 in the Executive Branch. The Council Staff Director must
62 approve a request to participate from a member employed in the
63 Legislative Branch. If more than 30% of members eligible to
64 participate in the Executive Branch either Countywide or by
65 department apply to participate in the program, the Chief
66 Administrative Officer may limit the number of participants,
67 either on a Countywide or department basis. If more than 30%
68 of members eligible to participate in the Legislative Branch
69 apply to participate in the program, the Council Staff Director
70 may limit the number of participants. The Chief Administrative
71 Officer and the Council Staff Director must base any limits on
72 the number of participants on years of service with the County.
73 Years of service with the County must not include service with
74 a participating agency, purchased service, or sick leave.
75 (7) *Survivor Benefit.* If a participant elects to receive the additional
76 retirement benefit under Subsection 33-42(k)(3)(B) and the
77 member dies before receiving all 12 monthly payments, the
78 remaining payments must not be paid.
79 **Sec. 2. Effective Date.**

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

83 *Approved:*

84

85

Philip M. Andrews, President, County Council Date

86 *Approved:*

87

Isiah Leggett, County Executive Date

88 *This is a correct copy of Council action.*

89

Linda M. Lauer, Clerk of the Council Date

LEGISLATIVE REQUEST REPORT

Expedited Bill 10-09, Personnel - Retirement Incentive Program 2009

DESCRIPTION: The requested expedited legislation provides a retirement incentive program for certain members of the Employees' Retirement System in Groups A, E, and H.

PROBLEM: As a result of the projected budget challenges for FY10 there is a need to reduce the size of the County workforce.

GOALS AND OBJECTIVES: The Bill would provide a financial incentive to employees to retire. This will enable the County to reduce its workforce while coordinating Reduction in Force (RIF) efforts so as to minimize the numbers of displaced employees due to the RIF.

COORDINATION: Office of Human Resources

FISCAL IMPACT: Office of Management and Budget

ECONOMIC IMPACT: Fiscal impact statement will be presented ASAP.

EVALUATION: N/A

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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

March 16, 2009

TO: Council President Phil Andrews

FROM: Isiah Leggett, County Executive

SUBJECT: Expedited Bill - 2009 Retirement Incentive Plan

The purpose of this memorandum is to transmit draft legislation to introduce a retirement incentive plan for 2009.

The expedited bill amends the Employees' Retirement System (ERS) to provide a one-time retirement incentive program for full-time employees enrolled in ERS Groups A, E or H who are eligible for normal retirement or eligible for early retirement and within two years of normal retirement eligibility. This RIP is intended to coordinate with the anticipated Reduction in Force efforts by providing an incentive for senior employees to retire and preserve jobs for less senior staff whose positions may be slated for abolishment as a result of the RIF.

The proposed incentive would include a $40,000 incentive payment to eligible plan participants who retire June 1, 2009. The incentive will be paid either in a lump sum, or over time. Eligible employees who retire on an early retirement under the plan would have the early retirement penalties waived. In addition, a previously agreed upon plan feature scheduled to take effect on July 1 for Group E members will be made available one month earlier for those who elect to retire under the RIP. That feature would improve the multiplier for calculating the integrated benefit paid at social security age from 1.25% to 1.65%.

There is a pool of 685 employees who are eligible for the RIP and the expedited bill would cap incentive payments to 30 percent of eligible members, at the Chief Administrative Officer's discretion. Eligibility for the incentive in those departments where the cap is imposed will be based on seniority.

A fiscal impact statement will be provided to the Council as soon as possible.