

MEMORANDUM

TO: County Council

FROM: Robert H. Drummer, Legislative Attorney 

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

Management and Fiscal Policy Committee recommendation (3-0): enact Expedited Bill 30-09 as amended.

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 Management and Fiscal Policy Committee (MFP) worksession was held on September 14, and a public hearing was held on September 15.

Background

Expedited 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 Council held a public hearing for Bill 30-09 on September 15, 2009. The lone speaker, Joseph Adler, Director of the Office of Human Resources, conveyed the Executive's support for the Bill. See ©26-27.

Worksession

The MFP Committee reviewed Bill 30-09 on September 14, 2009. Joseph Adler, OHR Director, explained that the failure to extend the GRIP to the 7 unrepresented public safety employees last year was an oversight. Alex Espinosa, OMB, responded to questions about the fiscal impact of the Bill. The Committee recommended approval (3-0) of the Bill with amendments.

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%.¹ 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. See ©28. 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. The fiscal impact statement for Bill 11-08 last year estimated only a

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

recordkeeping cost of \$134,000 for the GRIP in FY09. See ©29-32. No attempt was made to estimate if there would be a long term cost resulting from investment returns below the guaranteed 7.25% since the fiscal impact statement only looked at FY09 and the GRIP was not scheduled to begin until FY10. OHR indicated at the worksession that the County's actuary believes that the addition of up to 7 new members to the GRIP under Bill 30-09 would be statistically insignificant.

Other than a potential fiscal impact, there is no logical reason to exclude unrepresented public safety employees in the RSP from transferring to the GRIP. **Committee recommendation (3-0):** 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 1st pay period beginning after October 1, 2009. These dates need to be changed if the Bill is enacted in September. OHR recommended changing the election dates for current employees to October 1, 2009 to December 1, 2009 with an effective date of the 1st pay period beginning after December 31, 2009. **Committee recommendation (3-0):** 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 (See lines 257-258) and delete a word that was mistakenly left in §33-119 (See line 361). **Committee recommendation (3-0):** approve the technical amendments.

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Expedited Bill No. 30-09
Concerning: Personnel – Retirement –
Guaranteed Retirement Income Plan –
Retirement Savings Plan
Revised: September 16, 2009 Draft
No. 4
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

By: Council President at the Request of the County Executive

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, 33-52, 33-113, 33-115, 33-119, 33-120, 33-128, 33-131

Boldface	<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:

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

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

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

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

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

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

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

50 (i) [(ii) (a)] begins County service on or after October 1,
 51 1994; and

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

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

56 [D] (E) * * *

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

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

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

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

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

76 (B)] (i) begins County service on or after October 1,
77 1994; and

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

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

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

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

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

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

91 * * *

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

93 * * *

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

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

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

117 (5) An eligible full-time or part-time public safety employee hired
 118 on or after October 1, 1994 and before January 1, 2009 who
 119 participates in the retirement savings plan may make a one time
 120 irrevocable election to terminate participation in the retirement
 121 savings plan and participate in the guaranteed retirement
 122 income plan, effective the first full pay period after [[October
 123 1,]] December 31, 2009. An employee must make this election
 124 between [[June 30, 2009 and September 1, 2009]] October 1,
 125 2009 and December 1, 2009. An employee who makes this
 126 election must have his or her retirement savings plan account
 127 balance transferred to the guaranteed retirement income plan.
 128 The amount transferred into the guaranteed retirement income
 129 plan must become the participant's initial guaranteed retirement
 130 income plan account balance. An employee who does not make
 131 this election must continue to participate in the retirement
 132 savings plan.

133 * * *

134 **33-39. Member Contributions and credited interest.**

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

138 * * *

139 (4) Member contributions to the guaranteed retirement income
140 plan.

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

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

151 [(B)] (C) * * *

152 [(C)] (D) * * *

153 (b) Credited interest.

154 * * *

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

161 provision must apply. Interest must be credited to a member's
 162 guaranteed retirement income plan account balance on a
 163 monthly basis as of the last day of the month.

164 * * *

165 **33-40. Employer Contributions.**

166 * * *

167 (e) Guaranteed retirement income plan.

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

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

188 [(2)] (3) * * *

189 * * *

190 **33-43. Disability Retirement.**

191 * * *

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

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

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

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

212 [(3)](C) In determining the credited amount of County
213 contributions under Section 33-40, the participant's
214 regular earnings means the regular earnings the

215 participant would have received for the year if the
 216 participant were paid for the full year at the rate of
 217 compensation paid in the pay period immediately before
 218 the participant became disabled.

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

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

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

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

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

242 the value of the former participant's account balance to
243 the former participant under this Section.

244 * * *

245 **33-52. Payment of benefits.**

246 * * *

247 (b) Discontinuance of pension payments. A member must not receive
248 pension payments while serving in an appointed or elected County
249 office that receives any compensation paid by the County. A member
250 appointed to a full-time County position must become a member of
251 the retirement system or the Retirement Savings Plan under Sections
252 33-37 and 33-115 and make member contributions until later
253 separation under Article III or Article VIII. The retirement benefit of
254 an employee who resumes membership in the optional or integrated
255 plan must be recalculated when the employee later separates from
256 service. The retirement benefit under the integrated or optional plans
257 of Article III of an employee who becomes a member of the
258 Retirement Savings Plan or the guaranteed retirement income plan
259 must resume when the employee later separates from service.
260

261 * * *

262 **33-113. Definitions.**

263 * * *

264 (o) Public safety employee means any employee who is a:
265 (1) [a] sworn officer of the [[Montgomery County]] Police
266 Department;
267 (2) [a] paid firefighter, [[a]] paid fire officer, or [[a]] paid rescue
268 service worker of the Montgomery County [[Department of]]
269 Fire and Rescue [[Services]] Service;

- 270 (3) [a] sworn [[Montgomery County]] deputy sheriff;
- 271 (4) [a] [[Montgomery County]] correctional officer; or
- 272 (5) [a] [[Montgomery]] County [correctional staff member if]
- 273 employee who provides services to a correctional facility and
- 274 designated as a public safety employee by the Chief
- 275 Administrative Officer.

* * *

33-115. Participant requirements and participant groups.

(a) *Participant Requirements.*

* * *

- 280 (7) Election to participate in the guaranteed retirement income
- 281 plan.

(A) An eligible full-time employee hired on or after July 1, 2009 and a part-time and temporary employee who becomes full-time after July 1, 2009[, who is not a public safety employee,] may participate in the guaranteed retirement income plan. An eligible employee must make a one time irrevocable election during the first 150 days of employment. If an eligible employee elects to participate, participation must begin on the first [payroll] pay period after an employee has completed 180 days of full-time employment. A full-time employee who does not elect to participate in the guaranteed retirement income plan must participate in the retirement savings plan beginning on the first [payroll] pay period after the employee has completed 180 days of full-time employment.

297 (B) An eligible part-time or temporary employee hired on or
298 after October 1, 1994 who is not a participant in the
299 retirement savings plan[, and who is not a public safety
300 employee,] may make a one time irrevocable election to
301 participate in the guaranteed retirement income plan any
302 time after the employee has completed 150 days of
303 employment.

304 (b) *Participants groups and eligibility.*

305 * * *

306 (2) Group II.

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

312 [(i) (a) is not represented by an employee
313 organization;

314 (b) does not occupy a bargaining unit position; and

315 (c) is a public safety employee; or]

316 (i)[(ii)(a)] is a public safety employee; and

317 (ii)[(b)] is subject to the terms of a collective
318 bargaining agreement between the County and an
319 employee organization which requires the
320 employee to participate in the retirement savings
321 plan.

322 (B) A member of the Police Bargaining Unit may transfer to
323 Group II of the retirement savings plan if the employee

324 has accumulated enough credited service to obtain the
325 maximum retirement benefit under the optional or
326 integrated plan.

327 (C) Except as provided in the last sentence of Section 33-
328 37(e)(2), a full-time or career part-time employee must
329 participate in the retirement savings plan or the
330 guaranteed retirement income plan if the employee
331 begins, or returns to, County service on or after October
332 1, 1994; and

- 333 (i) is not represented by an employee organization;
- 334 (ii) does not occupy a bargaining unit position; and
- 335 (iii) is a public safety employee.

336 (c) *Transfers.*

337 * * *

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

339 * * *

340 (C) A full-time or part-time employee hired on or after
341 October 1, 1994 and before January 1, 2009 who
342 participates in the retirement savings plan, and who is a
343 public safety employee not represented by an employee
344 organization and does not [[occupying]] occupy a
345 bargaining unit position, may make a one-time
346 irrevocable election to terminate participation in the
347 retirement savings plan and participate in the guaranteed
348 retirement income plan effective the first full pay period
349 after [[October 1,]] December 31, 2009. An employee
350 must make this election between [[June 30, 2009 and

351 September 1, 2009]] October 1, 2009 and December 1,
 352 2009. An employee who elects to terminate participation
 353 in the retirement savings plan must have his or her
 354 account balances transferred to the guaranteed retirement
 355 income plan. An employee who does not make this
 356 election must continue to participate in the retirement
 357 savings plan.

358 **33-119. Credited service.**

359 (a) A participant's credited service is the total County service the
 360 participant rendered under the Retirement Savings Plan, the optional
 361 retirement plan, [[and]] the integrated plan, and the guaranteed
 362 retirement income plan. A participant must receive credited service
 363 for any period when the participant was a part-time employee
 364 contributing to an employer-supported savings program provided by a
 365 participating agency. An employee hired before July 1, 2009 must
 366 receive 1 year of credited service for each year of County service.
 367 Each year of County service ends on the anniversary of the date the
 368 participant starting working for the County. An employee hired on or
 369 after July 1, 2009 must receive one year of credited service for each
 370 year of participation in a County retirement plan. A person who
 371 transferred to the Retirement Savings Plan under Section 115(a)(3) or
 372 (4) must receive credit for County service for creditable State service
 373 earned as a State employee of the County Department of Social
 374 Services. A person who does not transfer to the Retirement Savings
 375 Plan under Section 115(a)(3) must not receive credit for County
 376 service for this State service.

377 * * *

378 **33-120. Distribution of Benefit.**

379 * * *

380 (b) *Disability Benefits.*

381 (1) Public Safety Employees. If a participant who is a public safety
 382 employee incurs a disability before retirement or other
 383 separation from service which, in the opinion of a physician
 384 selected or approved by the Chief Administrative Officer,
 385 renders the participant unable to perform duties satisfactorily
 386 for the employment the participant held with the County before
 387 the disability, the participant's employment and participation in
 388 the retirement savings plan must be terminated and deemed a
 389 disability retirement[.] under the following rules:

390 (A) [In the event of a public safety participant's disability
 391 retirement, all] All amounts credited to the participant's
 392 retirement savings plan account, including County
 393 contributions, [account] are 100% vested regardless of
 394 the participant's years of credited service.

395 (B) The Chief Administrative Officer must determine the
 396 date on which a disability retirement is effective. After
 397 the participant submits a properly completed distribution
 398 form, [The] the Chief Administrative Officer must
 399 distribute the value of the former participant's account
 400 balances to the former participant under this Section.

401 [(2) Highly compensated, non-public safety employees. If a
 402 participant who is a non- public safety employee and who is a
 403 highly compensated employee under the Internal Revenue Code
 404 incurs a disability before retirement or other separation from

405 service which, in the opinion of a physician selected or
406 approved by the Chief Administrative Officer, renders the
407 participant unable to perform duties satisfactorily for the
408 employment the participant held with the County before the
409 disability, the participant's employment and participation in the
410 retirement savings plan must be terminated and deemed a
411 disability retirement.]

412 [(A) In the event of a highly compensated, non-public safety
413 participant's disability retirement, all amounts credited to
414 the County contributions account are 100% vested
415 regardless of the participant's years of credited service.]

416 [(B) The Chief Administrative Officer must determine the
417 date on which a disability retirement is effective. The
418 Chief Administrative Officer must distribute the value of
419 the former participant's account balances to the former
420 participant under this Section.]

421 [(3)] (2) [Non-highly compensated, non-public] Non-public safety
422 employees. If a participant who is a non-public safety
423 employee [and who is not a highly compensated employee
424 under the Internal Revenue Code] incurs a disability before
425 retirement or other separation from service which makes the
426 participant unable to engage in any substantial gainful activity
427 by reason of any medically determinable physical or mental
428 impairment which can be expected to result in death or which
429 has lasted or can be expected to last for a continuous period of
430 not less than 12 months, the disabled participant must remain a

431 participant in the retirement savings plan under the following
432 rules:

433 (A) All amounts credited to the participant's retirement
434 savings account, including County contributions,
435 [account] are 100% vested regardless of the participant's
436 years of credited service.

437 (B) The participant must remain a participant in the
438 retirement savings plan under this Section until the
439 participant dies, reaches his or her normal retirement
440 date, or recovers from the disability.

441 (C) In determining the amount of the County contribution
442 under Section 33-117, the participant's regular earnings
443 means the regular earnings the participant would have
444 received for the year if the participant was paid for the
445 full year at the rate of compensation paid in the pay
446 period immediately before the participant became
447 disabled.

448 (D) The participant must not receive a distribution during any
449 period in which the participant receives a County
450 contribution.

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

454 (c) *Death Benefits.*

455 * * *

456 (3) A participant may name a primary beneficiary or beneficiaries
457 and contingent beneficiary or beneficiaries on a designation of

458 beneficiaries form filed with the Office of Human Resources.
459 If a participant names 2 or more persons as beneficiaries, the
460 persons are considered co-beneficiaries and share the benefit
461 equally unless the participant specifies otherwise on the
462 designation of beneficiaries form. A participant may change
463 any named beneficiary by completing a new designation of
464 beneficiaries form. The consent of the beneficiary or
465 beneficiaries is not required to name or change a beneficiary.
466 The designation is effective when the participant signs the form
467 even if the participant is not [[living]] alive when the Office
468 receives the request, but without prejudice for any payments
469 made before the Office received the request.

470 (4) If a participant dies without designating a surviving beneficiary
471 or the designation is not enforceable under subsection (5), the
472 surviving spouse or domestic partner (or if there is no surviving
473 spouse or domestic partner, each surviving child, sharing
474 equally with any other surviving child) is the designated
475 beneficiary. If no spouse, domestic partner, or child survives a
476 participant who left no enforceable beneficiary designation, the
477 participant's estate is the designated beneficiary.

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

480 (A) the designated beneficiary:

481 (i) predeceases the member;

482 (ii) disclaims the benefit; or

483 (iii) is not an identifiable person; or

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

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* * *

33-128. Definitions.

* * *

- (q) Public safety employee means any employee who is a:
 - (1) sworn, ranking officer of the ~~[[Montgomery County]]~~ Police Department;
 - (2) paid firefighter, paid fire officer, or paid rescue service employee of the Montgomery County ~~[[Department of]]~~ Fire and Rescue ~~[[Services]]~~ Service;
 - (3) sworn deputy sheriff;
 - (4) ~~[[Montgomery County]]~~ correctional officer; or
 - (5) ~~[[Montgomery]]~~ County employee [correctional facility staff member, if] who provides services to a correctional facility and designated as a public safety employee by the Chief 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.

* * *

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



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850
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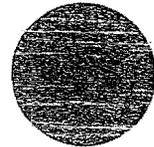
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Isiah Leggett
County Executive

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

Phil Andrews, Council President
Page 2

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



OFFICE OF HUMAN RESOURCES

Isiah Leggett
County Executive

Joseph Adler
Director

MEMORANDUM

September 15, 2009

TO: Phil Andrews, President
Montgomery County Council

FROM: Joseph Adler, Director
Office of Human Resources

SUBJECT: Testimony on Expedited Bill 30-09. Personnel – Guaranteed Retirement
Income Plan – Retirement Savings Plan

Good morning. For the record, I am Joseph Adler, Director of the Office of Human Resources. I am here today on behalf of the County Executive to testify in support of Bill 30-09.

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 began offering eligible employees to participate in the Guaranteed Retirement Income Plan (GRIP). Eligible employees hired prior to January 1, 2009 were offered the opportunity to participate in the GRIP effective July 1, 2009. Employees hired after January 1, 2009 are given the option to participate in the GRIP six months after their hire date.

At the time the original GRIP legislation was considered, we inadvertently failed to include unrepresented public safety employees for participation in the GRIP. Bill 30-09 would afford the opportunity to participate in the GRIP to the seven unrepresented public safety employees who were not covered by the original legislation approved by the County Council last year. Those who choose to participate would transfer from the Retirement Savings Plan (RSP) with the same employer/employee contribution rates (3% employee, 10% employer).

In addition, this legislation:

- 1) Clarifies that the interest rate paid on all GRIP accounts is credited at an annual rate of 7.25%.
- 2) Eliminates the difference in disability benefits for highly compensated employees and non-highly compensated employees in the RSP.
- 3) Establishes default beneficiary language for the RSP to provide that if there is no surviving or properly named beneficiary, the participant's surviving spouse or domestic partner is the beneficiary. If there is no surviving spouse or domestic partner, surviving children will be equal beneficiaries. If there are no surviving children the participant's estate will receive the account.

We look forward to working with the Council in its deliberations on this legislation.



OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett
County Executive

Joseph F. Beach
Director

MEMORANDUM

June 30, 2009

TO: Phil Andrews, President, County Council

FROM: Joseph F. Beach,  Director, Office of Management and Budget

SUBJECT: Expedited Bill-09 – Personnel – Guaranteed Retirement Income Plan Amendments

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

LEGISLATION SUMMARY

Last June, the County Council enacted Expedited Bill 11-08 which implemented the changes in the retirement laws negotiated by the County Executive and MCGEO as part of the second year re-opener provision in the current collective bargaining agreement. As part of the expedited legislation, the Guaranteed Retirement Income Plan (GRIP) was created, an optional cash balance defined benefit plan for non-public safety employees hired after October 1, 1994. As enacted, the legislation does not permit the participation of unrepresented public safety employees who were members of the Retirement Savings Plan (RSP), the defined contribution retirement plan established for certain employees hired after October 1, 1994. There are seven unrepresented public safety employees who are members of the RSP and are currently prohibited from participating in the GRIP. The proposed expedited legislation provides these employees a one-time opportunity to elect the GRIP and also provides future unrepresented public safety employees the option of electing the GRIP. The legislation also clarifies that the interest rate in GRIP is credited at an annual rate of 7.25%.

The legislation also eliminates the difference between disability benefits for highly compensated (currently, those earning more than \$110,000) and non-highly compensated employees to comply with changes to the Internal Revenue Code, at the recommendation of the Office of the County Attorney. Currently, there are 203 RSP members who fall into the highly-compensated category. However, no highly-compensated RSP member has yet received disability payments.

In addition, the legislation codifies current practice for default beneficiaries in the RSP; the GRIP legislation already contains these provisions.

FISCAL AND ECONOMIC SUMMARY

This legislation is not expected to have a fiscal or economic impact on the approved FY10 budget.

The following contributed to and concurred with this analysis: Belinda Fulco, Office of Human Resources and Mike Coveyou, Department of Finance.

Office of the Director

10-08, 10-08, 11-08,
12-08



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OFFICE OF MANAGEMENT AND BUDGET

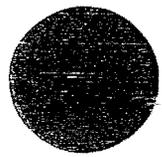
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Joseph F. Beach
Director

Isiah Leggett
County Executive

MEMORANDUM

April 17, 2008



TO: Michael J. Knapp, Council President
FROM: Joseph F. Beach, Director, Office of Management and Budget
SUBJECT: Bills 6-08, 7-08, 8-08, 9-08, 10-08, 11-08, and 12-08

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MONTGOMERY COUNTY
GOVERNMENT

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

LEGISLATION SUMMARY

These bills pertain to various issues affecting Montgomery County personnel. With the exception of Expedited Bill 9-08, all deal with retirement issues for regular Montgomery County employees. Expedited Bill 9-08 concerns payment of a death benefit to Montgomery County Volunteer Fire Rescue Association members. The technical details and fiscal impact of each bill have been addressed in various fiscal impact statements.

FISCAL SUMMARY

In total, the various pieces of legislation are expected to result in a savings of approximately \$670,000 in FY09, as shown below. See attached fiscal impact statements for estimates beyond FY09.

Bill #	Title	Status	FY 09 Fiscal Impact (\$ in Millions)
6-08	Personnel - Retirement - Group I	CE Rec. Budget, Page 8-16, 18	\$4.45
7-08	Personnel - Retirement - Group F - Mandatory Retirement	CE Rec. Budget, Page 8-16, 18	-
8-08	Personnel - Disability Retirement - Group G	CE Rec. Budget, Page 8-17	-
9-08	Personnel - Fire and Rescue Volunteers	FIS, dated 03/26/08 and CE Rec. Budget, Page 8-16	-
10-08	Personnel - Deferred Compensation - Enrollment	Technical Bill memo, dated 03/27/08	-
11-08	Personnel - Retirement - Guaranteed Retirement Income Plan - Pension Benefits - Group E	CE Rec. Budget, Page 8-16, 18	-
12-08	Personnel - Retirement Incentive Program	FIS, dated 03/25/08	(\$5.12)
Total FY 09 Fiscal Impact			(\$0.67)

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Office of the Director

**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)
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) ¹		(85,710)
				803,000
Total Fiscal Impact			\$(106,750)	\$503,790

¹ 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)
41	Social Security Integration	Group E: Increase social security integration multiplier from 1.25% to 1.65% (\$5.0 million increase in the AAL)		(385,710)
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 ¹	2,852,700	2,068,000
Total Fiscal Impact			\$2,446,830	\$1,623,540

¹ 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
Total			(\$129,950)	\$168,440	\$558,350

**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	\$8,870	\$67,180	\$67,160
		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			
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
			-	303,910	303,910
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	(108,260)	(216,510)	(216,510)
		OPEB impact: \$2.4 million reduction in the AAL	-	(128,570)	(162,860)
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
		Total	\$4,265,860	\$10,930,270	\$19,468,700

**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	\$250,150	\$679,530	\$1,285,300
	New longevity adjustment at 28 years of service July 2009	-	152,430	152,430
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
	Total	\$245,810	\$831,740	\$1,437,510

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

<u>Item</u>	<u>Description</u>	<u>FY09</u>	<u>FY10</u>
All Non-represented Employees			
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)
Non-represented Public Safety Employees Only			
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
Other Non-represented Employees Only			
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 ¹	\$1,592,980	1,197,000
County Retirees			
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)
Total Non-represented Pass-through Costs		\$910,200	\$ (292,820)
¹ The Board of Investment Trustees may incur additional recordkeeping costs of approximately \$51,000.			