

MEMORANDUM

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney 

SUBJECT: **Introduction:** Expedited Bill 9-10, Personnel – Retirement Incentive Program

Expedited Bill 9-10, Personnel – Retirement Incentive Program, sponsored by the Council President at the request of the County Executive, is scheduled to be introduced on March 23, 2010. A public hearing is tentatively scheduled for April 13 at 1:30 p.m.

Bill 9-10 would permit a Group A (unrepresented, non-public safety employees), Group E (Deputy Sheriffs and Correctional Officers) or Group H (non-public safety employees represented by MCGEO) member of the Employees Retirement System to apply to participate in the 2010 Retirement Incentive Program (RIP). An employee must be:

- (1) eligible for:
 - (a) normal retirement on or before June 1, 2010; or
 - (b) early retirement, and within 2 years of meeting the criteria for normal retirement on June 1, 2010; and
- (2) assigned to a position in a class of positions subject to a Reduction in Force (RIF).

The Chief Administrative Officer would approve applications from Executive Branch employees and the Council Staff Director would approve applications from Legislative Branch employees. The number of employees who can participate in the RIP in any affected class is limited to the number of positions in the affected class scheduled to be abolished. A participant would be able to choose an additional retirement benefit of \$35,000, \$30,000 plus an enhanced retiree life insurance benefit, or \$28,000 plus an enhanced retiree health plan cost sharing benefit. In addition, a participant's pension benefit would not be reduced for early retirement.

Elected officials, appointed officials, employees of participating outside agencies, and employees who participate in either the Retirement Savings Plan or the Guaranteed Retirement Income Plan would not be eligible to participate. Bill 9-10 would implement a side agreement with MCGEO.

This packet contains:	<u>Circle #</u>
Expedited Bill 9-10	1
Legislative Request Report	8
Memo from Executive	9

Expedited Bill No. 9 -10
Concerning: Personnel – Retirement
Incentive Program
Revised: March 18, 2010 Draft No. 2
Introduced: March 23, 2010
Expires: September 23, 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) 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 33-40, 33-42, and 33-44

By adding

Montgomery County Code
Chapter 33, Personnel and Human Resources
Section 33-42A

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:

Sec. 1. Sections 33-40, 33-42, and 33-44 are amended as follows:

Sec. 33-40. Employer Contributions

* * *

(e) Guaranteed Retirement Income Plan

* * *

(4) For any member who received a contribution to the member's guaranteed retirement income plan account under Section 33-42A, interest must be credited at an annual rate of 7.25%. If the annual 7.25% interest rate does not comply with applicable law, the third segment rate described in Internal Revenue Code Section 430(h)(2)(G) or any successor provision must apply. Interest must be credited to a member's guaranteed retirement income plan account balance on a monthly basis as of the last day of the month.

33-42. Amount of pension at normal retirement date or early retirement date.

* * *

(b) Amount of pension at normal retirement date.

(4) Guaranteed retirement income plan. A member who retires on or after the member's normal retirement date, except a member who receives a contribution under Section 33-42A, may receive that member's vested guaranteed retirement income plan account balance under Section 33-44. A member who receives a contribution under Section 33-42A must not receive a distribution of the member's guaranteed retirement income plan account balance until the member attains the Social Security retirement age.

* * *

28 **33-44. Pension payment options and cost-of-living adjustments.**

29

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*

*

30

(g) *Distributions from the Guaranteed Retirement Income Plan.* [Upon
 31 termination of County employment, a] A participant who receives a
 32 contribution under Section 33-42A must not receive a distribution
 33 until the participant attains the Social Security retirement age. Any
 34 other participant may receive a distribution when the participant
 35 terminates County employment.

36

A participant may [request] elect a distribution from the guaranteed
 37 retirement income plan of a participant's vested guaranteed retirement
 38 income plan account balance as follows:[]

39

(1) Lump Sum Method of Distribution. Unless a participant elects
 40 an annuity under paragraph (2), a participant must receive the
 41 participant's vested guaranteed retirement income plan account
 42 balance in a single lump sum. The participant may have the
 43 lump sum paid as a direct rollover to an eligible retirement
 44 plan, as defined in the Internal Revenue Code.

45

(2) Annuity Method of Distribution. A participant may elect to
 46 receive the participant's guaranteed retirement income plan
 47 account balance paid in:

48

(A) a single life annuity payable to the participant during the
 49 life of that participant; or

50

(B) a joint and survivor annuity payable to the participant
 51 over the participant's lifetime and, at the participant's
 52 death, payable to the designated beneficiary (spouse,
 53 domestic partner, or children only) who survives.

54

Payments must be made for the designated beneficiary's

55 lifetime in the amount payable to the participant or
56 another amount elected by the participant, but not less
57 than 10 percent of the amount payable to the participant.

58 [The Board must use the participant's vested guaranteed
59 retirement income plan account balance to buy an
60 annuity contract from an insurance company authorized
61 to do business in the State.]

62 (3) No other form of payment options listed in this Section is
63 available to guaranteed retirement income plan participants.

64 **Sec. 2. Section 33-42A is added as follows:**

65 **33-42A. 2010 Retirement Incentive Program.**

66 (a) Definitions.

67 Affected class means an occupational class or a group of occupational
68 classes in a department, including all classes in an occupational series
69 at and below the budget level class, if:

- 70 (1) the class includes a position that the department director intends
71 to eliminate; and
72 (2) eliminating the position may cause an employee in the class to
73 be demoted or terminated.

74 Affected employee means an employee assigned to a position in an
75 affected class who has received a notice of intent or notification of a
76 Reduction in Force (RIF).

77 (b) Eligibility.

- 78 (1) A Group A, E or H member who is employed in a part time or
79 full time position may apply to participate in the 2010
80 Retirement Incentive Program if the member:

81 (A) is eligible for:

- 82 (i) normal retirement on or before June 1, 2010; or
- 83 (ii) early retirement, and is within 2 years of meeting
- 84 the criteria for normal retirement on June 1, 2010;
- 85 and

86 (B) is an affected employee.

87 (2) A member is not eligible to participate in the 2010 Retirement

88 Incentive Program if the member:

89 (A) receives a disability retirement under Section 33-43;

90 (B) receives a discontinued service retirement under Section

91 33-45(d);

92 (C) is an elected or appointed official; or

93 (D) is employed by a participating agency.

94 (3) A member must apply to participate in the 2010 Retirement

95 Incentive Program, must complete all required forms by May

96 14, 2010, and must retire on June 1, 2010.

97 (4) A member who applies for a disability retirement under Section

98 33-43 must not receive any benefit under this Section unless the

99 member's application for disability retirement is denied and all

100 appeals from that denial are exhausted.

101 (c) *Early retirement reduction.* A member's pension benefit must not be

102 reduced for early retirement if the member is eligible for early

103 retirement and within 2 years of eligibility for normal retirement.

104 (d) *Additional Retirement Benefit.* In addition to the pension benefit

105 calculated under this Section, a participant must elect one of the

106 following additional retirement benefits. A part time participant must

107 receive a pro-rata portion of the applicable retirement benefit, based

108 on that participant's percent of budgeted full time employment.

- 109 (1) \$35,000 pension benefit;
 110 (2) \$30,000 pension benefit and an enhanced retiree life insurance
 111 benefit; or
 112 (3) \$28,000 pension benefit and an enhanced retiree health plan
 113 cost sharing benefit.
- 114 (e) The participant must elect to receive the cash portion of the additional
 115 pension benefit paid under Subsection (d) as:
- 116 (1) a single lump sum on July 1, 2010:
- 117 (A) to the member or the member's designated beneficiary if
 118 the member dies before receiving the lump sum payment;
 119 (B) as a direct rollover to an eligible retirement plan (as
 120 defined in the Internal Revenue Code); or
 121 (C) a combination of (A) and (B);
- 122 (2) 12 equal monthly payments beginning on July 1, 2010:
- 123 (A) to the member or the member's designated beneficiary if
 124 the member dies before receiving all 12 payments;
 125 (B) as a direct rollover to an eligible retirement plan (as
 126 defined in the Internal Revenue Code); or
 127 (C) a combination of (A) and (B);
- 128 (3) a contribution to an account established for the member under
 129 the guaranteed retirement income plan. A member must receive
 130 the member's guaranteed retirement income plan account
 131 balance when the member attains the Social Security retirement
 132 age; or
- 133 (4) an additional pension benefit paid over the member's lifetime in
 134 the pension option elected by the member under Section 33-44,
 135 beginning on July 1, 2010.

136 (f) Cost of Living. Any cost of living adjustment does not apply to this
137 benefit. A cost of living adjustment under Section 33-44(c) must not
138 include the additional pension benefit paid under this Section.

139 (g) Approval. The Chief Administrative Officer must approve a request
140 to participate in the program from a member employed in the
141 Executive Branch. The Council Staff Director must approve a request
142 to participate from a member employed in the Legislative Branch.
143 The Chief Administrative Officer and the Council Staff Director must
144 not approve more applications from an affected class than the number
145 of positions that are abolished in the affected class. If more members
146 apply to participate in the program than the number of positions
147 abolished, the participant's must be approved in order of County
148 seniority. Seniority must be calculated under the RIF personnel
149 regulation.

150 **Sec. 3. Effective Date.**

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

154 *Approved:*

155

156

Nancy Floreen, President, County Council

Date

157 *Approved:*

158

Isiah Leggett, County Executive

Date

LEGISLATIVE REQUEST REPORT

Expedited Bill 9-10

Personnel – Retirement Incentive Program

DESCRIPTION: Expedited Bill 9-10 would establish a retirement incentive program targeted for employees who occupy a class within an occupational series affected by the Reduction in Force (RIF) across departments. A participant must be eligible for normal retirement or within 2 years of meeting the criteria for normal retirement.

PROBLEM: The Executive's proposed FY 2011 operating budget would abolish 232 filled positions. Bill 9-10 would reduce the adverse impact on affected employees of these reductions in force by providing an incentive for senior employees in an affected class to voluntarily retire.

GOALS AND OBJECTIVES: Bill 9-10 would reduce the number of employees who are terminated due to the reduction in force by increasing the number of senior employees in each affected class who voluntarily retire.

COORDINATION: Office of Human Resources, Office of the County Attorney

FISCAL IMPACT: Office of Management and Budget

ECONOMIC IMPACT: fiscal impact statement to be provided at a later date

EVALUATION: n/a



OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

Isiah Leggett
County Executive

MEMORANDUM

March 16, 2010

TO: Nancy Floreen, President
Montgomery County Council

FROM: Isiah Leggett, County Executive 

SUBJECT: Expedited Bill to Create a Retirement Incentive Program

170 MAR 17 AM 9:50
HON. COUNTY CLERK
COURT HOUSE

I am attaching for Council introduction an Expedited Bill which would establish a targeted retirement incentive program (RIP) for members of the Employees' Retirement System in Group A (unrepresented), Group H (MCGEO represented), and Group E (Department of Corrections unrepresented and MCGEO represented). Participation in the 2010 RIP is limited to employees who occupy a class within an occupational series affected by the reduction in force (RIF) across departments and who meet the criteria for either normal retirement or for early retirement and are within two years of normal retirement. Eligibility for the RIP is limited to the number of positions in the affected class targeted for abolishment. The bill provides a choice of financial incentives for employees who elect to participate in the RIP.

A targeted RIP is one of a variety of ways that we are trying to reduce the impact of the FY 2011 budget cuts on employee reductions in force. This bill results from a negotiated side agreement with the Municipal & County Government Employees Organization/United Food and Commercial Workers Union Local 1994 during recent collective bargaining. A fiscal impact statement will be provided to the Council at a later date.

Attachments

IL: sw