

GO COMMITTEE #1
April 24, 2014

MEMORANDUM

April 22, 2014

TO: Government Operations and Fiscal Policy Committee

FROM: Stephen B. Farber, Council Administrator *SBF*

SUBJECT: Compensation and Benefits for All Agencies

This worksession on compensation and benefits for all agencies in the FY15 operating budget is to review issues in six areas: (1) budget and compensation context, (2) overview of FY15 agency requests (including salaries, retirement, and group insurance), (3) further analysis for County Government, (4) County Government compensation-related Non-Departmental Accounts (NDAs), (5) budgets for the County Government retirement plans and the Consolidated Retiree Health Benefits Trust, and (6) other compensation issues.

This packet contains extensive information on compensation and benefits. Craig Howard and Aron Trombka, Senior Legislative Analysts in the Office of Legislative Oversight, and Legislative Attorney Amanda Mihill have made major contributions to the packet. The **online appendix** to the packet (GO Committee #2) contains additional background information, including the Personnel Management Reviews and related data prepared by the agencies.¹

Item #3 on the Committee's agenda also relates to this discussion. Senior Legislative Attorney Bob Drummer will review the County Government collective bargaining agreements.

Budget and human resources staff from all agencies have provided valuable assistance once again this year and will be present to answer the Committee's questions. Representatives of employee organizations and others concerned with compensation issues will also be present. **The packet includes recommendations for the Committee's consideration on pages 26-28. The Council is scheduled to address the Committee's recommendations on April 29.**

1. BUDGET AND COMPENSATION CONTEXT

My packet for the Council's FY15 budget overview discussion on April 8 includes detailed analysis of the budget and compensation context.² Key summary points include the following:

1. The Executive's recommended overall FY15 tax supported operating budget (including debt service) is **\$4.3359 billion**, up **\$141.1 million (3.4%)** from the Council-approved FY14 budget. The total recommended budget (including grants and enterprise funds) is **\$4.9708 billion**, up **\$159.6 million (3.3%)** from the FY14 approved budget.³

¹ See http://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2014/140424/20140424_GO2.pdf.

² See http://montgomerycountymd.granicus.com/Viewer.php?view_id=6&event_id=1665&meta_id=61815.

³ See <http://www.montgomerycountymd.gov/OMB/FY15/psprec/index.html> for the complete document.

2. **The FY15 recommended budget resembles the FY13-14 approved budgets in several ways.** Those budgets, after three grueling years shaped by the Great Recession, made limited restorations to County services that had suffered deep reductions in FY10-12. This budget continues on this path, with emphasis on education, public safety, libraries, and youth and senior programs. **As in past years, salary and benefit costs for active and retired employees account for four-fifths of the budget.**

3. **The most pronounced change in the FY14 recommended budget was the Executive's approach to employee compensation for FY14-15.** For County Government employees, the recession-driven FY10-13 period was difficult: no general wage adjustments (GWAs) for four years, no service increments (step increases) for three years, furloughs of three to eight days in FY11, and increased cost-sharing for health and retirement benefits starting in FY12. The \$2,000 lump sum payment in FY13 was one-time only. **These measures helped the County manage large position cuts with almost no layoffs.**

4. **The Executive's agreements with County unions last year included both GWAs and service increments (step increases).** For employees eligible for both (and for full or partial make-up step increases for the FOP and IAFF), the increases in FY14 and again in FY15 are 6.75% for MCGEO, 7.35% for the FOP, and 9.75% for the IAFF. The two-year increases total 13.5%, 14.7%, and 19.5%. The Council approved funding for the FY14 increases last year and will now consider funding for the FY15 increases. Last year OMB projected the agreements' overall cost, including pass-through to non-represented employees, at **\$31.6 million** in FY14, **\$73.7 million** in FY15, and **\$85.1 million** in FY16. See ©1-5 for further details. See also page 16 for OLO's analysis of the FY15 fiscal impact.

5. **For details on pay increases at other agencies, see the analysis on pages 3-4 and the tables on ©6-12 prepared by Ms. Mihill for the Council's annual survey of pay changes in the region.** The survey provides a somewhat more favorable picture for FY15 after the tight restrictions of recent years, but the increases currently projected by most governments are smaller than those proposed for County Government employees.⁴ See, for example, Ms. Mihill's tables on ©13-17. Fairfax and Arlington counties project either modest GWAs or step increases but not both, reflecting the larger relative impact of federal cutbacks and the lack of a local income tax. Frederick County projects a step increase and a 2.0% GWA. The State projects a step increase and a 2.0% mid-year GWA, while the federal government projects a step increase and a 1.0% GWA.⁵

6. **Another key compensation issue in the recommended budget is pre-funding for retiree health benefits (OPEB – Other Post-Employment Benefits).** All four agencies plan to implement the Medicare Part D Employer Group Waiver Program (EGWP) for prescription drug coverage for Medicare-eligible retirees/survivors effective January 1, 2015. Because of this change and other factors, the recommended FY15 tax supported allocation for OPEB pre-funding, **\$100.6 million**, is **\$81.8 million** (44.8%) less than projected in the approved FY14-19 Fiscal Plan last June (and \$33.7 million less than projected in the December Fiscal Plan update). See the analysis on pages 9-12 and 19-20.

2. OVERVIEW OF FY14 AGENCY REQUESTS

This section, prepared by Mr. Howard and Mr. Trombka, provides an overview of FY15 agency requested pay adjustments and proposed changes to agency retirement and group insurance benefit plans. See ©18-29 for detailed data on FY14 approved and FY15 agency requested compensation costs.

⁴ See <http://www.montgomerycountymd.gov/council/Resources/Files/REPORTS/Update-PayChanges.pdf>.

⁵ While County Government step increases through the pay scale are annual, federal government step increases are not. See the table on ©17.

Pay Adjustments

County Government: The Executive recommends general wage adjustments and service increments for FY15 as negotiated last year in collective bargaining agreements. County Government employees received FY14 pay adjustments similar to those recommended for FY15.

County Government FY15 Request			
Employee Group	General Wage Adjustment ⁶	Service Increment	Other
MCGEO	3.25%	3.5%	<ul style="list-style-type: none"> • Longevity increments for eligible employees at top of grade. • Lump sum payment (not added to base salary) equal to 0.5% of salary for MCGEO and non-represented employees not eligible for longevity step but at top of grade.
FOP	2.10%	3.5% + 1.75% ⁷	
IAFF	2.75%	3.5% + 3.5% ⁸	
Non-Represented	3.25%	3.5% ⁹	
MLS	3.25%	Eligible for performance-based pay increases in lieu of service increments.	

MCPS: The Board of Education has approved agreements with its employee bargaining units to provide general wage adjustments and service increments in FY15. The Board provided service and longevity increments in FY14. MCPS employees did not receive general wage adjustments in FY14.

MCPS FY15 Request			
Employee Group	General Wage Adjustment (effective 11/29/14)	Service Increment (effective 11/29/14)	Other
MCEA	1.5%	1.5%-3.9%	<ul style="list-style-type: none"> • Longevity increments for eligible employees at top of grade.
MCAAP		3.0%	
SEIU		1.9%-5.5%	

⁶ The general wage adjustments are effective as of the first full pay period in September 2014 for MCGEO members, non-represented employees, and MLS employees, and as of the first full pay period in July 2014 for IAFF and FOP members.

⁷ In addition to a 3.5% service increment on their anniversary date, FOP members who were eligible for a service increment in FY11, FY12, or FY13 will receive a second increment of 1.75% in February 2015.

⁸ In addition to a 3.5% service increment on their anniversary date, IAFF members who were eligible for a service increment in FY11 will receive a second increment of 3.5% in June 2015.

⁹ All non-represented, uniformed Police and Fire & Rescue managers are also eligible for the second service increments provided to FOP and IAFF members if they meet the same eligibility criteria.

Montgomery College: The College's FY15 budget includes general wage adjustments and service increments.

Montgomery College FY15 Request		
Employee Group	General Wage Adjustment (effective 7/1/14)	Service Increment ¹⁰
Faculty	2.50%	3.5%
Staff (AFCSME)		
Staff (non-bargaining)		
Administration	2.50%	Eligible for performance-based pay increases of up to 5.5% in lieu of service increments.

In addition, the College's FY15 budget request funds an adjustment in the pay schedules for part time faculty. Effective the first day of the 2015 academic year, the pay schedule will increase by 5% for the Lecturer position, 6% for Adjunct Professor I position, and 7% for the Adjunct Professor II position.

M-NCPPC: The Montgomery County portion of the M-NCPPC FY15 budget request includes \$2.4 million to adjust compensation for represented employees. The Commission's recommended budget states that "the Commission's FY15 budget plans for employee compensation changes; however, with negotiations pending, the exact budget change for compensation is not fully known." As of this writing, the Commission has not completed negotiations with employee bargaining units.

M-NCPPC FY15 Request			
Employee Group	General Wage Adjustment	Service Increment	Other
MCGEO	To be determined through collective bargaining. Amount set aside in budget to date totals \$2.4 million.		
FOP			
Non-Represented			

WSSC: The WSSC budget request includes \$4.4 million for salary enhancements, with the type of salary enhancement not specified. See the description on ©30 by Senior Legislative Analyst Keith Levchenko for more detail. WSSC employees received a 2% general wage adjustment and merit increments with a maximum of 3.5% in FY14.

WSSC FY15 Request			
Employee Group	General Wage Adjustment	Merit (Service) Increment	Other
All Employees	To be determined jointly by Montgomery and Prince George's County Councils. Amount set aside in budget to date totals \$4.4 million.		

¹⁰ For full-time faculty, the service increment is effective on the first day of the 2015 academic year. For bargaining and non-bargaining staff, the service increment is effective the second full pay period in September 2015.

Retirement Benefits

County Government: The Executive recommends no changes to County Government employee retirement plan benefits.

MCPS: MCPS provides a core pension benefit for most non-teaching positions and a supplemental benefit for all permanent employees. The Board of Education recommends no changes to MCPS employee retirement plan benefits.

Two years ago the Maryland General Assembly shifted a portion of the annual funding requirement for the State-run teacher pension system to the counties.¹¹ The shift in costs to the counties is being phased in over four years (FY13 through FY16). In FY15, the County is required to provide \$37.8 million to MCPS (in addition to the Maintenance of Effort requirement, \$1.439 billion) for payment to the State retirement system.

Montgomery College: The College plans no changes to employee retirement benefits or cost sharing in FY15. Two years ago the College implemented a Voluntary Employee Retirement (VERP) program in which eligible employees receive a one-time cash payment in exchange for making an irrevocable decision to retire by a specified date. The College accepted a total of 107 employees into the VERP program. To date, the 71 employees who retired received combined cash payments totaling \$2.14 million. The remaining 36 VERP participants will retire on June 1, 2014 with anticipated combined cash payments totaling \$1.15 million.

M-NCPPC: M-NCPPC plans no changes to employee retirement benefits in FY15. Beginning July 1, 2014, MCGEO and non-represented employees will contribute an additional 0.5% of salary for their defined benefit pension plan. The Commission currently is in contract negotiations with the FOP regarding all compensation issues, including retirement benefits.

WSSC: WSSC plans no changes to employee retirement benefits or cost sharing in FY15.

Funded Ratios: The “funded ratio” of a pension plan is the percentage of the plan’s liabilities covered by the current actuarial value of the plan’s assets. In other words, the funded ratio measures the extent to which a plan has set aside funds to pay benefits accrued by its members. When an employer’s funded ratio is below 100%, additional assets (from employer contributions, employee contributions, and/or investment income) are needed to meet future liabilities. As shown in the table below, the County Government and MCPS each have funded ratios below 80%.

Agency ¹²	Pension Funded Ratio (as of 6/30/13)
County Government	78.8%
MCPS	69.0%
M-NCPPC (Bi-County)	83.1%
WSSC (Bi-County)	94.8% ¹³

¹¹ Under the new State law, counties must pay for the normal pension costs going forward; the State will remain responsible for paying costs associated with past unfunded pension liability.

¹² The College does not manage a pension fund as its employees participate in a State-run retirement system.

¹³ WSSC pension funded ratio as of June 30, 2011, the date of the most recent fund valuation.

Agency Group Insurance Costs in FY15 for Active Employees

The FY15 tax supported request for active employees' group insurance benefits for all agencies totals \$340.1 million, an increase of 6% from FY14, as shown in the table below. The increase in FY15 primarily reflects projected increases in agencies' health care claims costs. Additionally, it reflects MCPS' lowered use of group insurance fund reserves to cover a portion of projected expenditures.

FY14 Approved and FY15 Requested Tax Supported Active Employee Group Insurance Costs

Agency	FY14 Approved	FY15 Requested	Percent Change FY14-15
County Government	\$78.3 million	\$81.5 million	+4.1%
MCPS	\$217.6 million	\$231.5 million	+6.4%
Montgomery College	\$13.2 million	\$13.9 million	+5.3%
M-NCPPC	\$11.6 million	\$13.2 million	+13.8%
Total	\$320.7 million	\$340.1 million	+6.0%

County Government: The Executive recommends no changes to group insurance benefits in FY15.

MCPS: The Board of Education's FY15 budget request reflects the first year of a negotiated change in group insurance cost share for active employees that will be phased in over FY15 and FY16. Effective January 1, 2015 all MCPS employees will pay an additional 3% of the group insurance premium cost. For HMO medical plans, employees will pay 8% of the premium (up from 5%), and for POS medical plans, prescription plans, dental plans, and vision plans employees will pay 13% of the premium (up from 10%). MCPS estimates that the 3% cost share shift will reduce agency group insurance expenditures by \$5 million in FY15. On January 1, 2016 MCPS employees will pay an additional 4% of the group insurance premium costs, while at the same time MCPS will implement premium cost share credits and penalties. Employees will be able to earn cost share credits of 1% each for completing Health Risk Assessments and having required Biometric Screenings, and employees who are smokers will have to pay an additional 3%. MCPS estimates that the total agency savings from these actions in FY16 will grow to \$13.5 million.

A portion of the 6.4% increase for MCPS results from reduced use of excess fund balance in FY15 compared to FY14. MCPS used approximately \$12 million in existing fund balance in their active employee group insurance fund to cover agency expenditures in FY14, thus allowing for a smaller agency contribution to the fund even though actual health care expenditures (i.e., the payment of health care claims) increased. In FY15, the Board's budget request proposes using \$3.5 million in fund balance to cover agency expenditures, "based on a multiyear plan to reduce excess fund balances in the trust fund to a prudent reserve level."¹⁴ As a result, about \$8.5 million of MCPS' requested increase is from lowered use of fund balance reserves.

Montgomery College: The College plans no changes to group insurance benefits in FY15.

¹⁴ Superintendent's FY2015 Recommended Operating Budget in brief, page 50

M-NCPPC: M-NCPPC's FY15 budget request reflects the annualization of negotiated changes in group insurance cost share that were phased in over two years and fully implemented on January 1, 2014. All employees now pay 20% of group insurance premiums except for the lowest cost medical and prescription drug plans, where employees pay 15% of the premium.

WSSC: WSSC plans no changes to group insurance benefits in FY15. WSSC's rate-supported requests for group insurance are \$17.0 million for active employees (up 5.4%) and \$12.5 million for retired employees (up 5.3%).

Agency Group Insurance Costs in FY15 for Retirees

The FY15 tax supported request for retiree pay-as-you-go group insurance funding totals **\$89.0 million, a 2.8% increase from the funding level in FY14.** The overall stability in pay-as-you-go funding for these agencies is a result of lower than anticipated claims costs, the availability of surplus reserves in retiree health benefit funds, and a change in retiree prescription drug plans described below.

FY14 Approved and FY15 Recommended Retiree Health Pay-As-You-Go Funding by Agency

Agency	FY14 Approved	FY15 Recommended	Percent Change FY14-15
County Government	\$32.5 million	\$32.5 million	0.0%
MCPS	\$47.3 million	\$48.9 million	+3.4%
Montgomery College	\$3.2 million	\$3.2 million	0.0%
M-NCPPC	\$3.6 million	\$4.4 million	+22.2%
Total	\$86.6 million	\$89.0 million	+2.8%

Each of the four tax supported agencies is transitioning to a Medicare Part D Employer Group Waiver Plan (EGWP) plus Wrap prescription drug program for all Medicare-eligible retirees. WSSC is considering adoption of an EGWP but does not plan to make any changes during FY15. The retiree medical plans will not be impacted by this change, and the non-Medicare eligible retirees (those younger than 65) will continue with their current prescription drug coverage. By switching to an EGWP + Wrap program under Medicare Part D, the agencies anticipate preserving current plan design and covered drugs so that there is minimal or no benefit disruption for retirees while gaining: 1) greater annual reimbursements from the federal government; 2) access to a 50% manufacturers discount on brand-name pharmaceuticals enacted as part of the Affordable Care Act; and 3) the ability to substantially reduce OPEB accrued liability (discussed in more detail on pages 9-12 and 19-20).

On March 27 the Health and Human Services and Government Operations Committees received a briefing on the move to Medicare Part D prescription coverage. At that session, Aon Consulting, a health benefits actuarial consultant, estimated annual savings in retiree pay-as-you-go funding under the EGWP + Wrap of \$3.6 million combined across the agencies compared to the current programs:

- \$900,000 for County Government;
- \$2.3 million for MCPS;
- \$100,000 for Montgomery College; and
- \$300,000 for M-NCPPC.

Agency Group Insurance Funds

In December 2003 the Council approved Resolution No. 15-454, *Policy Guidance for Agency Group Insurance Programs*, which included a recommendation that agencies maintain a minimum fund balance (or reserve) in their respective group insurance funds equivalent to 5% of annual expenditures.

For the tax supported agencies, the table below shows the actual FY13 group insurance fund ending balances (in dollars and as a percent of expenditures), along with any projected balances or uses of fund reserves identified in agency budget or related documents. MCPS maintains separate fund accounts for active and retired employees, while the other agency group insurance funds combine active and retired employees.

Agency	FY13 Year-End Fund Balance		Future Fund Balance Projections
	\$'s	% of Expend.	
County Government	\$28.5 million	15.8%	<ul style="list-style-type: none"> • Projected FY14 year-end fund balance of \$20.2 million or 10.8%. • \$8.7 million was transferred from the Self Insurance Fund to the General Fund in FY14. • FY15-20 fiscal projection shows a drawdown of fund reserves to reach target balance of 5% at the end of FY15.
MCPS: Active Employees	\$32.3 million	12.2%	<ul style="list-style-type: none"> • Projected FY14 year-end fund balance of \$17.9 million or 6.4%. • FY15 budget request reduces agency contribution to the fund by \$3.5 million to draw down fund balance.
MCPS: Retired Employees	\$17.1 million	21.0%	<ul style="list-style-type: none"> • Projected FY14 year-end fund balance of \$18.5 million or 22.6%
M-NCPPC (Bi-County)	\$7.5 million	19.4%	<ul style="list-style-type: none"> • Projected FY14 year-end fund balance of \$7.5 million or 15.1%. • Proposed FY15 budget projects fund balance of \$7.4 million or 14.3% at the end of FY15.
Montgomery College	\$1.1 million	7.7%	n/a

Agency OPEB Status

Other Post-Employment Benefits (OPEB) are non-pension benefits offered by an employer to qualified retirees. In Montgomery County, each agency sets OPEB benefit levels and eligibility criteria for its own retirees. The agencies currently fund OPEB benefits through a dual approach summarized below.

- **OPEB pay-as-you-go funding** refers to the annual cost of group insurance benefits for current retirees. Under the pay-as-you-go funding method, agencies annually budget resources to pay the current year's cost of health care claims for retired employees and their dependents.
- **OPEB pre-funding** is a practice of setting aside assets at the time employees earn a benefit to cover cost obligations that will be paid in the future. Most governments (including County agencies) pre-fund their pension benefits. Agencies that pre-fund OPEB benefits often make contributions to a trust fund designated for retiree health benefits. **In 2011 the Council established a consolidated OPEB trust fund for the County Government, MCPS, and Montgomery College.** The bi-county M-NCPPC manages its own OPEB trust fund.

As previously noted, all four agencies plan to implement the Medicare Part D Employer Group Waiver Program (EGWP) for prescription drug coverage for Medicare-eligible retirees/survivors effective January 1, 2015. **This change, together with revised healthcare trend and claims rates, has a large impact on the structure of the FY15 recommended budget by significantly reducing long-term OPEB liability and thus the annual required pre-funding amount.**

Adopting an EGWP program under Medicare Part D allows for more favorable treatment under rules of the Governmental Accounting Standards Board (GASB) compared to the current programs. Under GASB rules, public plan sponsors may not reflect subsidies through the Retiree Drug Subsidy (RDS), which County agencies currently use, in their liability and expense calculations but may reflect subsidies through the EGWP. The reason is that subsidies through the RDS go to the employer and could be used for non-plan purposes, while subsidies through the EGWP go directly to the plan.

The most recent OPEB actuarial valuations for County Government, MCPS, and M-NCPPC (as of 7/1/13) that reflect savings from the EGWP change also show substantial savings from updated retiree claims experience, plan premium/benefit changes, and lower healthcare trend rates. The total impact on OPEB liabilities and required pre-funding levels is detailed in the following two sections. **Additionally, an independent analysis of the OPEB plan changes and the projected impact on funding requirements from the Council's actuarial consultant, Bolton Partners, is summarized on page 12.**

Agency OPEB Liabilities, Assets, and Required Contributions. An agency's OPEB liability refers to the present value of benefits earned to date for employees' past service. The value of OPEB assets refers to the current value of cash or investments placed into a fund to pay future liabilities. The annual required contribution is how much an agency must contribute each year to reach full OPEB funding (pay-as-you-go and pre-funding portions) within 30 years.

The table below shows the actuarially determined OPEB liability and annual required contribution from each agency's most recent OPEB valuation (as of 7/1/2013). In sum:

- The total estimated OPEB liability for County Government, MCPS, Montgomery College, and M-NCPPC is about \$2.6 billion, a 24% decrease from the total estimated liability as of FY13.

- The actuarial value of OPEB assets in the agency trust funds, \$335 million, represents 13% of the total OPEB liability. This calculation, known as the “funded ratio,” is an increase of about 7% over the funded ratio reported last year and reflects both increased assets in the trust and the decreased overall liability.
- The agencies’ OPEB annual required contribution (including both pay-as-you-go and pre-funding amounts) totals \$231.6 million, a 28% decrease from FY13.

**Agency OPEB Liabilities, Assets, and Annual Required Contribution
(based on actuarial valuations of a July 1, 2013¹⁵)**

Agency	Actuarial Accrued Liability	Actuarial Value of Assets	Funded Ratio	Annual Required Contribution
County Government	\$1,093.2 million	\$153.3 million	14%	\$96.1 million
<i>% change from FY13</i>	<i>-20%</i>	<i>--</i>	<i>--</i>	<i>-24%</i>
MCPS	\$1,265.8 million	\$138.5 million	11%	\$120.5 million
<i>% change from FY13</i>	<i>-30%</i>	<i>--</i>	<i>--</i>	<i>-32%</i>
M-NCPPC ¹⁶	\$124.1 million	\$12.6 million	10%	\$8.4 million
<i>% change from FY13</i>	<i>-6%</i>	<i>--</i>	<i>--</i>	<i>-10%</i>
Montgomery College ¹⁷	\$90.9 million	\$30.6 million	34%	\$6.6 million
<i>% change from FY13</i>	<i>+7%</i>	<i>--</i>	<i>--</i>	<i>+8%</i>
Total	\$2,574.0 million	\$335.0 million	13%	\$231.6 million
<i>% change from FY13</i>	<i>-24%</i>	<i>--</i>	<i>--</i>	<i>-28%</i>

Sources: Agency OPEB Valuations and FY13 Comprehensive Annual Financial Statements

The valuations for County Government and MCPS indicate the extent to which each of the primary variables (EGWP, claims and plan data, and trend rates) is responsible for the OPEB savings. For County Government, approximately 31% of the reduction in OPEB annual required contribution is due to the EGWP change, 36% is due to updated claims experience and premiums, and 33% is due to lower healthcare trend rates. For MCPS, 37% of the reduction in OPEB annual required contribution is due to the EGWP change, 38% is due to updated claims experience and benefit changes, and 18% is due to lower healthcare trend rates.

¹⁵ MCG and MCPS were not scheduled for a new OPEB valuation for another year but requested updated valuations in conjunction with the decision to move to the EGWP prescription program. Both agencies used updated claims, plan experience, and healthcare trend data as of 7/1/13 but did not update the population/census data and other assumptions from their respective 7/1/12 valuations. MNCPPC conducts a new OPEB valuation every year, so all data is as of 7/1/13. Montgomery College’s valuation does not include the projected impact of implementing the EGWP plan.

¹⁶ M-NCPPC valuation includes Montgomery County and Prince George’s County employees/costs. Montgomery County’s OPEB funding schedule assumes that the Montgomery County portion is 45% of the total plan.

¹⁷ For several years prior to FY08 the College had set aside funds for accrued retiree health liabilities. These resources (~\$20 million) were placed the College’s OPEB Trust Fund in FY08, accounting for their comparatively high funded ratio.

FY15 Recommended OPEB Pre-funding

The Executive recommends \$100.6 million in tax-supported OPEB pre-funding for FY15, a 27% decrease from the amount approved for FY14. The recommended OPEB pre-funding includes an additional \$6.1 million in non-tax supported contributions.

FY14 Approved and FY15 Recommended OPEB Pre-Funding by Agency

	FY14 Approved	FY15 Recommended	Percent Change FY14-15
Tax Supported			
County Government	\$48.9 million	\$38.6 million	-21%
MCPS	\$83.7 million	\$58.3 million	-30%
Montgomery College	\$2.4 million	\$2.0 million	-17%
M-NCPPC ¹⁸	\$3.0 million	\$1.8 million	-40%
Total Tax Supported	\$138.0 million	\$100.6 million	-27%
Total Non-Tax Supported ¹⁹	\$10.7 million	\$6.1 million	-43%

The Executive's recommended tax supported OPEB pre-funding for FY15 is significantly reduced from what was assumed in both the June 2013 Fiscal Plan, provided in conjunction with the FY14 operating budget, and the December 2013 Fiscal Plan update, when the Executive first included the estimated savings from the EGWP change under Medicare Part D. **In total, the Executive's recommendation is \$81.8 million less than what was assumed in June 2013 and \$33.6 million less than what was assumed in December 2013.** Actuaries from Aon Consulting noted at the March 27 HHS/GO Committee worksession that the December values reflected estimates from the EGWP switch, while the March numbers include the EGWP change plus the updated claims and trends data from the revised valuations.

County Executive's FY15 Tax Supported OPEB Contribution (\$ in millions)

Agency	June 2013 (estimate)	Dec. 2013 (estimate)	March 2014 (rec'd)	Difference		
				June to Dec.	Dec. to March	June to March
County Government	\$66.1	\$54.1	\$38.6	(\$12.0)	(\$15.5)	(\$27.5)
MCPS	\$110.5	\$74.4	\$58.3	(\$36.1)	(\$16.1)	(\$52.2)
Montgomery College	\$3.3	\$3.3	\$2.0	(\$0.0)	(\$1.3)	(\$1.3)
M-NCPPC	\$2.5	\$2.5	\$1.8	(\$0.0)	(\$0.7)	(\$0.7)
Total	\$182.4	\$134.3	\$100.6	(\$48.1)	(\$33.7)	(\$81.8)

¹⁸ The M-NCPPC pre-funding amount represents the Montgomery County portion of the bi-county agency's contribution.

¹⁹ The FY15 non-tax supported OPEB pre-funding recommendation includes \$6.1 million in County Government proprietary fund and participating agency contributions and \$73,000 in M-NCPPC proprietary fund contributions.

The Executive’s FY15 tax supported OPEB pre-funding recommendation is 100% of the actuarially required amount. As shown in the table below, the Executive’s FY15-20 fiscal plan summary assumes that the County will maintain tax supported OPEB pre-funding of 100% of the actuarially required contribution in FY16 and beyond, consistent with the pre-funding policy. Overall, the five-year pre-funding total in the Executive’s FY15-20 Recommended Fiscal Plan (\$572.4 million) is a reduction of \$429.4 million compared to the five-year pre-funding total (\$1,001.8 million) in the Executive’s FY14-19 Recommended Fiscal Plan from March 2013.

**FY15-20 Tax Supported OPEB Pre-Funding – All Agencies Combined
from Executive’s Recommended Fiscal Plan**

	FY15	FY16	FY17	FY18	FY19	FY20
\$ Amount	\$100.6 million	\$96.5 million	\$96.5 million	\$96.9 million	\$92.0 million	\$89.9 million
% of Required Contribution	100%	100%	100%	100%	100%	100%

Since the fiscal implications of the revised agency OPEB pre-funding costs are so large, for both the FY15 budget and the out-years, we asked the Council’s actuarial adviser, Bolton Partners, to independently assess the change and the savings attributed to the EGWP, claims experience, cost trends, and other factors. See the full Bolton Partners report on ©31-38. See in particular the discussion of factors or variables that the County should consider on ©36-37 and the conclusions ©37. Bolton Partners’ three major conclusions are:

1. Overall we believe that moving to the EGWP is a good idea.
2. The Aon projections for FY2015 seem reasonable.
3. There are factors in FY2015 and beyond that lead us to suggest that some of the savings in the OPEB funding cost be retained. These include:
 - Plan experience may not be as good as anticipated.
 - Expected changes in accounting rules might cause you to reconsider funding practices.
 - It may be appropriate to consider changes in the amortization policy.

3. FURTHER ANALYSIS FOR COUNTY GOVERNMENT

Pay Adjustments

This section was prepared by Mr. Howard and Mr. Trombka in collaboration with Mr. Farber.

The Executive's recommendations for County Government employee salaries are consistent with bargained agreements with MCGEO, the IAFF, and the FOP. Proposed County Government salary schedules are on ©39-51.

General Wage Adjustments: The Executive recommends that County Government employees receive general wage adjustments (GWAs, also known as cost of living adjustments) similar to those approved for FY14. As shown in the table below, the amount and effective date of the recommended general wage adjustments vary by employee group.

Executive Recommended FY15 General Wage Adjustments

Employee Group	GWA Amount	Effective Date
MCGEO	3.25%	September 7, 2014
IAFF	2.75%	July 13, 2014
FOP	2.10%	July 13, 2014
Non-Represented	3.25%	September 7, 2014
MLS	3.25%	September 7, 2014

Service Increments: The Executive recommends that all County Government merit system employees (excluding Management Leadership Service) who are not at top of grade receive a 3.5% service increment (also known as a step increase) in FY15. An employee receives the service increment in the first pay period following his/her employment anniversary date. County Government employees received service increments of 3.5% in FY14.

Executive Recommended FY15 Service Increments

Employee Group	Increment Amount	Effective Date
All non-MLS Employees (not at top of grade)	3.50%	Varies (based on employment anniversary date)

The Executive also recommends awarding additional service increments for uniformed fire and rescue and police officers who were eligible for but did not receive service increments in specified past years.

Executive Recommended FY15 Additional Service Increments

Employee Group	Increment Amount	Effective Date
IAFF / Fire & Rescue Uniformed Managers (eligible for FY12 increment)	3.50%	June 14, 2015
FOP / Police Uniformed Managers (eligible for FY11, FY12, and/or FY13 increment)	1.75%	February 8, 2015

Performance-Based Pay: Employees in the Management Leadership Service (MLS) are eligible for performance-based pay increases in lieu of service increments. The Executive's recommended FY15 operating budget includes \$1,675,169 (\$1,089,855 tax supported) in the Compensation Adjustment and Employee Benefits non-departmental account to fund performance-based pay increases for MLS employees (to take effect on September 7, 2014). Since MLS employees are non-represented, performance-based pay is not included in any collective bargaining agreement.

The Executive's recommended FY15 MLS salary schedule is on ©50. The schedule calls for a 6.75% increase in the salary range. Last year the Council approved a similar adjustment in the MLS salary range. OHR Director Joseph Adler explained that the Executive proposed the increase in the range to bring salary maximums for the three MLS bands somewhat closer to comparable federal salary maximums. The Executive's objective was to provide some further room for MLS salary growth over time relative to the federal maximums. The table below compares the maximum salaries the three most senior MLS and federal job grades.

FY15 CE Recommended Maximum Salaries		CY14 Federal Approved Maximum Salaries	
MLS Band 1	\$170,839	Senior Executive Service	\$181,500
MLS Band 2	\$152,692	Grade 15	\$157,100
MLS Band 3	\$132,076	Grade 14	\$138,136

Longevity Adjustments: County Government employees who have completed 20 years of service are eligible for a longevity adjustment to their base pay. IAFF members are eligible for a second longevity adjustment after 28 years of service. As shown in the table below, longevity adjustment rates vary by employee group. MLS employees are not eligible for longevity adjustments. The Executive's recommended budget includes funding for longevity adjustments for all eligible employees.

Executive Recommended FY15 Longevity Adjustments

Employee Group	Percent	Effective Date
MCGEO (20 years of service)	3.00%	Varies (based on employment anniversary date)
IAFF (20 years of service)	3.50%	
IAFF (28 years of service)	3.50%	
FOP (20 years of service)	3.50%	
Non-Rep. (20 years of service) ²⁰	2.00%	

²⁰ For non-represented employees, only those who are at top of grade and received performance ratings of "exceptional" or "highly successful" for the two most recent years are eligible for a longevity increase.

Lump Sum Payments: The Executive recommends awarding a lump sum payment equal to 0.50% percent of salary for MCGEO and non-represented merit employees (excluding MLS) who are ineligible for a longevity increment or a service increment. Lump sum payments do not change an employee's base salary.

Shift Differentials / Special Duty Differentials: Each of the three collective bargaining contracts includes provisions that award additional pay for employees who work non-regular hours or who perform special duties. The MCGEO agreement awards additional pay for shifts that begin between 2:00 p.m. and 5:00 a.m. The IAFF agreement assigns additional pay to employees who perform duties requiring specialized training such as hazardous materials response, urban search and rescue, and fire investigation. The FOP agreement awards additional pay for shifts that begin between 12:00 p.m. and 6:00 a.m. The Executive recommends increases for the pay differentials in each of the collective bargaining agreements.

FY15 Cost of Pay Adjustments²¹: As the table on page 16 shows, the pay adjustments recommended by the Executive will have a combined FY15 cost of \$30.47 million (\$26.45 million tax supported). These estimates include the salary and wage costs as well as employee benefit costs borne by the employer.²² The cost of general wage adjustments for all employee groups combined sums to \$19.79 million, nearly two-thirds of the total FY15 cost.

However, as many of the pay adjustments take effect several months into the fiscal year, the amount budgeted for FY15 does not reflect the full annualized cost (that is, the 12-month cost) of the Executive's recommendations. The annualized cost of the FY14 pay adjustments equals \$43.66 million (\$38.35 million tax supported).

As noted on page 2, the recession-driven FY10-13 period was difficult for County Government employees: no general wage adjustments (GWAs) for four years, no service increments (step increases) for three years, furloughs of three to eight days in FY11, and increased cost-sharing for health and retirement benefits starting in FY12. The \$2,000 lump sum payment in FY13 was one-time only. (Employees of other agencies experienced similar measures, although MCPS employees had no furloughs, no increased cost-sharing for health benefits, and a step increase in FY13 rather than a lump sum payment.) At the Council's budget hearings both last year and this year, some speakers felt that the negotiated FY14-15 pay increases for County Government employees were nonetheless excessive. Testimony from two Chambers of Commerce, Greater Bethesda and Greater Silver Spring, and from the Taxpayers League contrasted the pay increases with the experience of private sector and federal employees. Last year and again this year, Councilmember Andrews proposed smaller increases than those provided in the agreements.

²¹ Cost estimates include pay adjustments from bargained agreements, non-represented employee pass-through adjustments, and MLS performance-based pay.

²² The estimates reflect the additional costs of all salary-based benefits, including Social Security, Medicare, defined benefit retirement, and defined contribution retirement.

Cost of Executive Recommended FY15 Pay Adjustments (\$ millions)

(collective bargaining agreements, non-represented pass-through, and MLS performance-based pay)

	Total Cost ²³		Tax Supported Cost	
	Budgeted Amount	Annualized Cost	Budgeted Amount	Annualized Cost
General Wage Adjustments	\$19.79	\$22.89	\$17.37	\$19.94
Service Increments	\$7.18	\$14.08	\$6.42	\$12.59
Additional Service Increments	\$0.55	\$3.37	\$0.55	\$3.37
Performance-Based Pay	\$1.68	\$1.68	\$1.09	\$1.09
Longevity Adjustments	\$0.38	\$0.75	\$0.36	\$0.70
Lump Sum Payments	\$0.74	\$0.74	\$0.51	\$0.51
Shift / Special Duty Differentials	\$0.15	\$0.15	\$0.15	\$0.15
TOTALS	\$30.47	\$43.66	\$26.45	\$38.35

Source: Office of Management and Budget

Overtime: Last year the Office of Legislative Oversight issued a report on County Government employee work hours.²⁴ The report found that County Government employees worked more than 900,000 hours of overtime during a recent 12-month period. Data from MCTime indicates that overtime hours increased to 1,100,000 in Calendar Year 2013. Should employees work a similar amount of overtime in FY15, the pay adjustments recommended by the Executive would raise annual overtime costs by an estimated additional \$2.5-\$3.0 million.

Retirement

The County Government operating budget includes contributions to pay for two types of employee retirement benefits. The Executive does not recommend any change in the retirement plans offered to County Government employees.

Defined Benefit Plan (Employees' Retirement System): Uniformed public safety employees as well as general government employees hired before October 1, 1994 participate in a defined benefit pension plan known as the Employees' Retirement System (ERS). [See also the reference below to the Guaranteed Retirement Income Plan (GRIP).] To support this benefit the County Government makes an annual contribution to the pension trust fund. The County's actuary annually calculates the amount of the pension plan contribution based upon assessments of pension fund assets, accrued liabilities, and demographic assumptions. The annual contribution amount is intended to set aside funds to cover

²³ Total cost equals the sum of tax supported and non-tax supported costs.

²⁴ <http://www6.montgomerycountymd.gov/content/council/olo/reports/pdf/oloreport2013-3.pdf>

projected future pension payments (“normal costs”) as well as the cost of amortized payments to cover past year benefit improvements and investment losses (“unfunded liability”).

For FY15, the Executive’s recommended ERS contribution is \$136.03 million (\$126.16 million tax supported), a \$14.18 million or 11.6% increase above the FY14 contribution of \$121.85 million. The \$14.18 million increase in the total ERS contribution is almost entirely attributable to salary and workforce increases recommended by the Executive.

Defined Contribution Plan (Retirement Savings Plan): About three-fourths of general government employees hired since October 1, 1994 have participated in the Retirement Savings Plan (RSP). These employees receive a benefit in which the County Government contributes a defined percent of salary (currently 8%) into employee retirement savings accounts. **For FY15, the County will contribute an estimated \$17.18 million (\$12.14 million tax supported) to employee RSP accounts, a 9.5% increase over the amount budgeted for FY14.** This increase is attributable to salary and workforce increases recommended by the Executive.

Cash Balance Plan (Guaranteed Retirement Income Plan): Beginning in 2009, employees hired since October 1, 1994 have had the option of participating in the Guaranteed Retirement Income Plan (GRIP). GRIP is a cash balance plan that guarantees a 7¼% annual return.²⁵ About 26% of eligible employees have chosen the GRIP option. **The Executive estimates that the GRIP will cost the County Government \$5.03 million (\$3.62 million tax supported) in FY15, a 23.9% increase over the amount budgeted for FY14.** Participation in the GRIP has grown by 9% over the past year. This higher number of plan participants and the Executive’s recommended salary increases are the primary causes for the large rise in the County’s FY15 GRIP contribution.

Participation and Cost Comparisons: A large disparity exists in the costs of the County Government retirement plans. The table below shows the number of employees participating in each of the retirement plans and the total FY15 cost (excluding employee contributions) for each plan. The data show that while fewer than half of employees participate in the ERS, the ERS accounts for 86% of total County Government retirement plan costs. The average cost per employee for an ERS participant is more than six times greater than the comparable cost per RSP participant and more than seven times greater than the cost per GRIP participant.

	Plan Participants		FY15 Cost		Average FY15 Cost/ Employee
	Employees	Percent	\$ Amount (millions)	Percent	
ERS (Defined Benefit)	4,404	48.5%	\$136.03	86.0%	\$30,888
RSP (Defined Contribution)	3,470	38.2%	\$17.18	10.9%	\$4,950
GRIP (Cash Balance)	1,202	13.2%	\$5.03	3.2%	\$4,188

The FY15 contribution rates or “loads” (as a percent of an employee’s salary) are 45.2% (public safety) and 41.0% (non-public safety) for the ERS’ mandatory integrated plan, 8.0% for the RSP, and 6.7% for the GRIP.

²⁵ As a cash balance plan that guarantees an annual return, the GRIP is a type of defined benefit plan.

Group Insurance

The County Government operating budget includes funding for active employee and retiree group insurance costs. The Executive does not recommend any change in the group insurance benefits offered to active employees in FY15. As noted above, the County Government plans to implement a Medicare Part D prescription plan for Medicare-eligible retirees in FY15.

Active Employee Group Insurance: The Executive recommends **\$81.5 million** in tax supported funds for active employee group insurance benefits in FY15, **an increase of \$3.2 million or 4.1%** from FY14. The increase in FY15 for tax supported group insurance funding reflects both workforce changes and trends in overall health insurance expenditures. The table below shows the tax supported active employee group insurance costs and rate of growth for the past five years.

County Government Active Employee Group Insurance Budget (Tax Supported)

	FY11	FY12	FY13	FY14	FY15
Total	\$79.5 million	\$76.7 million	\$79.7 million	\$78.3 million	\$81.5 million
% Change	--	-3.5%	+3.9%	-1.8%	+4.1%

Retiree Group Insurance: The Executive recommends **\$32.5 million** in tax supported funds for pay-as-you-go retiree group insurance benefits in FY15, which is **no change** from FY14. The level funding in FY15 reflects trends in overall health insurance expenditures and anticipated changes from implementing Medicare Part D prescription coverage (described in further detail below). The table below shows the retiree pay-as-you-go group insurance costs and rate of growth for the past five years.

County Government Retiree “Pay-As-You-Go” Group Insurance Budget

	FY11	FY12	FY13	FY14	FY15
Total	\$31.1 million	\$32.5 million	\$32.5 million	\$32.5 million	\$32.5 million
% Change	--	+4.5%	0%	0%	0%

The County Government is adopting a Medicare Part D Employer Group Waiver Program (EGWP) for retiree prescription drug coverage as of January 1, 2015. This change only impacts Medicare-eligible retirees in the CVS/Caremark and CareFirst Indemnity plans; the current prescription plan will remain in place for retirees under age 65 and those enrolled in the Kaiser plan. In addition to the EGWP, the County plans to implement a secondary or “wrap” plan to supplement the Medicare coverage and preserve the current prescription drug plan design (copays) and formulary strategy (covered drugs).

The Office of Human Resources notes that the plan structure is designed so that virtually no benefit disruption is created, and that there will be minimal cost and plan changes for most retirees. A written description of the change and how it will work prepared by the OHR is on ©52-54. One aspect of the change that will impact certain retirees is the subsidies or additional income-based premiums for prescription coverage built into the Medicare system (and as are applied to the Medicare Part B medical coverage). Specifically, retirees who qualify for low income status (i.e., income less than 150% of the federal poverty level and assets below a certain threshold) will be eligible for premium subsidies and will pay less for coverage. High income retirees will be required to pay additional premiums ranging from \$12-\$69 per person per month based on filing status and adjusted gross income from two years prior. The table below, prepared by the County’s health benefits actuary Aon Consulting, shows the additional premiums for prescription coverage that a retiree would pay in 2014 under the EGWP + Wrap plan based on their filing status and adjusted gross income in 2012.

Medicare Prescription Drug Premiums for High Income Retirees

File individual tax return	File joint tax return	File married & separate tax return	You pay per month (in 2014)
\$85K or less	\$170K or less	\$85K or less	your plan premium
above \$85K up to \$107K	above \$170K up to \$214K	not applicable	\$12.10 + your plan premium
above \$107K up to \$160K	above \$214K up to \$320K	not applicable	\$31.10 + your plan premium
above \$160K up to \$214K	above \$320K up to \$480K	above \$85K up to \$129K	\$50.20 + your plan premium
above \$214K	above \$428K	above \$129K	\$69.30 + your plan premium

Source: Aon Consulting, March 27, 2014

Health Benefits Self Insurance Fund: The FY15-20 fiscal projection for the Employee Health Benefits Self Insurance Fund from the Executive’s Fiscal Plan is on ©55. The Executive projects a \$20.2 million (or 10.8% of expenditures) balance in the fund at the end of FY14, exceeding the County Government target fund balance of 5%. The Health Benefits Self-Insurance Fund began FY14 with balance of \$28.5 million. That balance was reduced by \$8.7 million through a transfer to the General Fund during FY14 as part of the Council’s FY14 final budget action.

The large fund balance is primarily attributable to lower than projected “expenditures” from the fund (i.e., actual health care claims from health plan members) in FY11-13. This does not mean that the cost of health care claims decreased, but that the cost of claims increased less than expected. This experience of lower than projected expenditures parallels the experience of MCPS’ group insurance funds during the same period.

The fiscal projection indicates that total expenditures from the fund are expected to exceed revenues into the fund by about \$10 million during FY15, resulting in a projected fund balance of 5% at the end of FY15.

4. COUNTY GOVERNMENT COMPENSATION-RELATED NDAs

The FY15 recommended budget contains the eight compensation-related Non-Departmental Accounts (NDAs) shown on ©56-58:

1. Compensation and Employee Benefits Adjustments NDA

See ©56. The recommended amount for FY15 is \$2,407,014. The FY14 amount was \$2,549,342. Each year this NDA captures several separate personnel-related adjustments.

2-4. Consolidated Retiree Health Benefits Trust NDAs

See ©56-57. In 2011 the Council established the consolidated trust on behalf of MCG, MCPS, and Montgomery College in order to make the OPEB funding process more transparent and coherent. For FY15 there is an NDA for each agency. The recommended amounts for the three NDAs in FY15 are \$38,577,480, \$58,307,000, and \$1,974,000, respectively. For further detail see pages 8-12 and ©59.

5. Group Insurance for Retirees NDA

See ©56. The recommended amount for FY15 is \$32,462,450. The FY14 amount was the same.

6. Montgomery County Employee Retirement Plans NDA

See ©57. This NDA relates to the several County retirement plans. There is no recommended appropriation. For further detail see pages 20-23.

7. State Positions Supplement NDA

See ©58. The recommended amount for FY15 is \$60,756. The FY14 amount was \$44,662.

8. State Retirement Contribution NDA

See ©58. The recommended amount for FY15 is \$1,251,603. The FY14 amount was \$1,192,180.

5. BUDGETS FOR THE COUNTY GOVERNMENT RETIREMENT PLANS AND THE CONSOLIDATED RETIREE HEALTH BENEFITS TRUST

This section was prepared by Mr. Trombka.

Background

The County manages three programs that offer retirement benefits (the Employees' Retirement System, the Retirement Savings Plan, the Deferred Compensation Plan) as well as an additional program that provides retiree health benefits (the Consolidated Retiree Health Benefits Trust). In FY13 the Chief Administrative Officer (who serves as the Administrator for County Government retirement plans) approved the consolidation of all retirement related functions into one organization, Montgomery County Employee Retirement Plans (MCERP). MCERP is responsible for retirement plan investments, administration, and accounting functions. The cost of administering retirement programs is included in the MCERP budget. The Office of Human Resources administers group insurance programs for active employees and retirees.

Employees' Retirement System

The Employees' Retirement System (ERS) is a defined benefit (pension) plan for eligible County Government employees. Uniformed public safety employees, as well as general government employees hired before October 1, 1994, participate in the ERS. The ERS also serves general government employees hired starting October 1, 1994 who have elected to participate in the Guaranteed Retirement Income Plan (GRIP).

The Board of Investment Trustees (BIT) invests and manages ERS assets. As stated in the BIT annual report, "the Board works to control the risk to which the ERS is exposed while maximizing the potential for long term increases in the value of the assets."²⁶

²⁶ Board of Investment Trustees, Montgomery County Employee Retirement Plans Annual Report: Fiscal Year ending June 30, 2013, page 6.

The table below shows FY14 approved and FY15 recommended ERS administrative and operating expenses.

Employees' Retirement System Administrative and Operating Expenses

	FY14 Approved	FY15 Recommended	\$ Amount Change FY14 to FY15	Percent Change FY14 to FY15
Investment Management	\$23,000,000	\$25,000,000	\$2,000,000	8.7%
Salaries and Benefits	\$1,582,700	\$1,785,000	\$202,300	12.8%
Professional Services	\$895,900	\$942,400	\$46,500	5.2%
Benefit Processing	\$130,000	\$140,000	\$10,000	7.7%
Office Management	\$99,300	\$103,000	\$3,700	3.7%
Due Diligence/Education	\$64,700	\$63,700	-\$1,000	-1.5%
TOTAL	\$25,772,600	\$28,034,100	\$2,261,500	8.8%

The investment management costs shown above represent the fees paid based on the investment performance of assets held in the ERS trust fund. As assets grow from contributions and investment earnings, fees increase. The \$2.0 million increase in ERS investment management costs from FY14 to FY15 is a direct result of the projected increase in trust fund assets.

Retirement Savings Plan

The Retirement Savings Plan (RSP) is a defined contribution plan providing benefits to non-public safety employees, and certain public safety employees, hired after 1994. The County Government contributes a defined percent of salary into RSP participants' retirement savings accounts. Employees also contribute to their RSP account and self-manage investment choices. As stated in the BIT annual report, "the Board oversees the [RSP] investment program, providing a variety of investment options for participants to choose from."²⁷ The BIT also provides investment education sessions for RSP participants. The table below shows FY14 approved and FY15 recommended RSP administrative and operating expenses.

Retirement Savings Plan Administrative and Operating Expenses

	FY14 Approved	FY15 Recommended	\$ Amount Change FY14 to FY15	Percent Change FY14 to FY15
Investment Management	\$9,000	\$9,000	\$0	0.0%
Salaries and Benefits	\$157,400	\$200,000	\$42,600	27.1%
Professional Services	\$89,200	\$79,700	-\$9,500	-10.7%
Office Management	\$6,700	\$6,650	-\$50	-0.7%
Due Diligence/Education	\$2,000	\$2,000	\$0	0.0%
TOTAL	\$264,300	\$297,350	\$33,050	12.5%

²⁷ Ibid, page 8.

Deferred Compensation Plan

County Government employees, if eligible, may elect to participate in the Deferred Compensation Plan (DCP) created pursuant to Section 457 of the Internal Revenue Code. The DCP is a voluntary deferred compensation plan that allows employees to make tax-deferred contributions into a retirement savings account. Employees self-manage DCP investment choices. The BIT contracts with a record keeper who administers the mutual and commingled fund options selected by the Board and offered to DCP participants. The table below shows FY14 approved and FY15 recommended DCP administrative and operating expenses.

Deferred Compensation Plan Administrative and Operating Expenses

	FY14 Approved	FY15 Recommended	\$ Amount Change FY14 to FY15	Percent Change FY14 to FY15
Investment Management	\$9,000	\$9,000	\$0	0.0%
Salaries and Benefits	\$125,700	\$102,390	-\$23,310	-18.5%
Professional Services	\$5,000	\$3,085	-\$1,915	-38.3%
Office Management	\$6,700	\$6,650	-\$50	-0.7%
Due Diligence/Education	\$2,000	\$2,000	\$0	0.0%
TOTAL	\$148,400	\$123,125	-\$25,275	-17.0%

Consolidated Retiree Health Benefits Trust Fund

The County has established a Trust Fund to set aside funds for retiree health benefits, similar to the County's practice of pre-funding for retiree pension benefits. OHR is responsible for the administration of the Trust Fund, and the BIT is responsible for investing the trust fund assets with the goal of managing risk exposure while maximizing asset growth. The table below shows FY14 approved and FY15 recommended retiree health benefits trust fund administrative and operating expenses.

Retiree Health Benefits Trust Fund Administrative and Operating Expenses

	FY14 Approved	FY15 Recommended	\$ Amount Change FY14 to FY15	Percent Change FY14 to FY15
Investment Management	\$1,500,000	\$2,710,000	\$1,210,000	80.7%
Salaries and Benefits	\$211,110	\$269,920	\$58,810	27.9%
Professional Services	\$75,000	\$152,500	\$77,500	103.3%
Due Diligence/Education	\$48,000	\$48,000	\$0	0.0%
Office Management	\$9,400	\$15,000	\$5,600	59.6%
TOTAL	\$1,843,510	\$3,195,420	\$1,351,910	73.3%

The Executive recommends a \$1.35 million increase for these expenses in FY15. Nearly all of this increase (\$1.21 million) is attributable to higher investment management costs. The County's policy to pre-fund retiree health benefit obligations (OPEB payments) has resulted in rapid growth in fund assets leading to higher investment management costs.

Salary and Benefit Charges

In total, the Executive's FY15 recommended operating budget includes \$2,357,310 in salary and benefit costs for the management of the Employees' Retirement System, the Retirement Savings Plan, the Deferred Compensation Plan, and the Retiree Health Benefits Trust. The FY15 recommended salary and benefits costs (combined for the four plans) represent a \$280,400 increase (13.5%) above FY14 approved costs. The salary and benefit cost increase is a result of FY15 salary increases, fewer anticipated vacancies, and the reclassification of positions based on an OHR compensation study.

Non-Departmental Account

As noted on page 20, the recommended budget includes a non-departmental account (NDA) for the Montgomery County Employee Retirement Plans (MCERP). Expenditures associated with the retirement program are funded from the ERS and the RSP and from the General Fund on behalf of the DCP. As such, the NDA does not show any appropriation amounts. The budget book displays MCERP performance measures relating to the ERS' rate of return as well as the rankings and fees of funds offered by the DCP. See ©57 and also ©59.

6. OTHER COMPENSATION ISSUES

A. Agency Analysis of Personnel Management

Each agency has prepared again this year a report on its workforce containing data that are generally comparable to the information provided in the County Government's Personnel Management Review. Material of this kind is a valuable adjunct to the agency personnel information that comes from budget documents and Council staff data requests. Agency responses appear in the **online appendix** to this packet (GO Committee #2).²⁸ Agency staff have worked hard to assemble these displays of personnel information, and their efforts are appreciated. In past years this information has been helpful to groups such as the Council's Task Force on Employee Wellness and Consolidation of Agency Group Insurance Programs and to other interested parties.

This year the **County Government** again prepared a PMR like the one it first issued in 1991 (see ©A1-41). The PMR, prepared by OHR, has consistently provided useful basic information on the merit system employment profile, turnover, and wage and salary comparability. In this year's PMR the information is once again clearly presented and readily understandable. The comparative information on salaries (see ©30-41) is especially useful. Other information includes turnover data on the 568 employees (6.5% of the workforce) who left County Government service in 2013 (see ©A26-28). The table on ©A26 showing the reasons for separation (such as normal or disability retirement and reduction-in-force) is instructive. There are again data on temporary and seasonal workers (see ©A22-24), who are represented by MCGEO.

MCPS again provided a Staff Statistical Profile (see ©A42-131), which contains a wide range of useful data regarding employees in all areas of the school system.

²⁸ See http://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2014/140424/20140424_GO2.pdf.

The College again provided a Personnel Profile (see ©A132-139). This brief report contains useful graphics and information on the composition of faculty and staff as well as benefits.

WSSC again prepared a Human Resources Management Review that contains comparative data in a number of areas (see ©A140-171). This report, which WSSC initiated in 1995, includes data on such matters as the diversity of WSSC's workforce in 2013.

M-NCPPC again prepared a detailed Personnel Management Review, which it initiated in 1995. This PMR (see ©A172-306) covers personnel data affecting both counties and is a comprehensive and highly informative document. Its clearly presented data and excellent graphics provide detailed information about the full range of workforce issues and personnel policies.

While the agency documents differ in format and amount of workforce information provided, the table below, prepared by Mr. Howard, summarizes common elements related to staffing levels, demographics, average salary levels, and turnover as available for each agencies permanent workforce. M-NCPPC data listed in the table are for the Montgomery County portion only and do not include data for the Prince George's side or for Central Administrative Services.

Workforce Characteristics	County Government	MCPS	Montgomery College	M-NCPPC (Montgomery)	WSSC (Bi-County)
Reporting Period	CY 2013	FY 2014	CY 2013	FY 2013	CY 2013
Permanent Employees	8,805	22,597	1,819	761	1,548
Average Annual Salary	\$70,643 (overall weighted avg.)	<u>Admin/Supervisory</u> \$124,619 <u>Teachers (10-Mo.)</u> \$75,452 <u>Support Staff</u> \$43,578	Not included	<u>Planning Dep't.</u> \$70,724 <u>Parks Dep't.</u> \$61,508	\$72,804
Race/Ethnicity:					
% White	54%	63%	53%	65%	42%
% African American	27%	17%	26%	22%	47%
% Hispanic/Latino	9%	11%	9%	7%	4%
% Asian	6%	8%	11%	5%	6%
% Other	4%	1%	1%	<1%	1%
Turnover Rate	6.50%	5.6%	7.6%	6.6%	6.6%

B. Employee Awards and Tuition Assistance

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

The following table outlines the agencies' FY14 costs and FY15 requests for employee awards and tuition assistance. County Government's awards programs are outlined on ©61.²⁹

	Employee Awards		Tuition Assistance	
	FY14	FY15	FY14	FY15
County Government	see ©61	TBD	\$435,000	\$435,000
MCPS	none	none	\$3,039,746	\$3,737,746
Montgomery College	\$131,000	\$131,000	\$1,045,000	\$1,100,000
M-NCPPC	\$34,500	\$37,500	\$43,288	\$48,133
WSSC	\$61,800	\$122,800	\$150,000	\$148,000

Notes: The FY15 amounts for M-NCPPC are for Montgomery County only. MCG tuition assistance is for the FOP (\$135,000), MCGEO (\$150,000), and IAFF, non-represented employees, and Volunteer Firefighters (\$150,000) on a first-come first-served basis.

C. Testimony. During the course of the Council's five public hearings on the FY15 operating budget on April 8-10, a number of speakers addressed compensation issues. Councilmembers have copies of this testimony and also of all correspondence related to compensation.

²⁹This report does not include performance-based pay awards for employees in the Management Leadership Service or other non-represented employees. In 2000 County Government also began the *Montgomery's Best* honors awards, which are based on recognition rather than cash awards. The program's purpose is to "recognize exceptional efforts by individuals, teams, and organizations to support the County's guiding principles and programs."

PROPOSED COMMITTEE RECOMMENDATIONS ON COMPENSATION AND BENEFITS FOR ALL AGENCIES

This section outlines recommendations for the Committee to consider in preparation for the April 29 Council meeting on compensation and benefits for all agencies.

1. FY15 Allocations for Retirement (see pages 5, 16-17, and 20-23)

The Committee reviewed details of County Government's retirement program, including the recommended County contribution to the defined benefit Employees' Retirement System (ERS) and the allocations for the defined contribution Retirement Savings Plan (RSP) and the cash balance plan (GRIP). The Committee also reviewed the administrative and operating budgets of the ERS, the RSP, the Deferred Compensation Plan (DCP), and the Consolidated Retiree Health Benefits Trust (CRHBT), as well as the funded ratio of the pension funds for County Government, MCPS, M-NCPPC, and WSSC.

Proposed recommendations:

- Approve the recommended total FY15 County contributions of **\$136.0 million** for the ERS, **\$17.2 million** for the RSP, and **\$5.0 million** for the GRIP (tax supported and non-tax supported).
- Approve the recommended FY15 administrative and operating budgets of the ERS, the RSP, the DCP, and the CRHBT.
- Continue to monitor the funded ratio of the agencies' pension funds.

2. FY15 Group Insurance (see pages 6-12 and 18-19)

The Committee reviewed the agencies' group insurance issues. **Proposed recommendations:**

- Support the agencies' FY15 tax supported requests for **active employee** costs listed on page 6.
- Continue to monitor the balances and projections for the agencies' **group insurance funds** listed on page 8.
- Support the recommended funding for County Government's **Employee Health Benefits Self Insurance Fund** (\$204.3 million) displayed on ©55.
- Recognize the efforts by **MCPS** to start moving toward **harmonizing** the group insurance premium cost share for its active employees with the premium cost share established by the other agencies, and support further efforts in this direction.
- Support the agencies' FY15 pay-as-you-go requests for **retired employees** listed on page 7.
- Support the agencies' FY15 requests for **OPEB pre-funding** listed on page 11, including the implementation of the Medicare Part D Employer Group Waiver Program (EGWP) for prescription drug coverage for Medicare-eligible retirees/survivors effective January 1, 2015.

Assess the appropriate funding level for the out-years by pursuing the points raised in the report by the Council's actuarial adviser, Bolton Partners (see page 12 and ©31-38).

5. FY15 Pay Changes (see pages 1-4 and 13-16 and ©30)

The Committee reviewed the FY15 budget and compensation context, including agency requests for pay changes. The Executive's recommendations for County Government are reflected in the agreements reached with the three County Government employee unions, as outlined on pages 13-16 and in Mr. Drummer's separate memo (GO Committee #3). Pay changes for MCPS and Montgomery College are summarized on pages 3-4. M-NCPPC has not yet completed negotiations. Pay changes for WSSC are noted on ©30. Pay changes for M-NCPPC and WSSC will be reviewed with the Prince George's County Council at the bi-county meeting on May 8. **Proposed recommendations:**

- Support the FY15 appropriations required to fund the pay changes included in the negotiated agreements with UFCW Local 1994/MCGEO, FOP Lodge 35, and IAFF Local 1664 as well as the Executive's recommended pay provisions for non-represented employees and the Management Leadership Service.³⁰

³⁰ In his April 22 memo to the Committee, Mr. Drummer outlined the FY15 process for action on the collective bargaining agreements as follows:

Each of these collective bargaining agreements is a multi-year agreement containing provisions that require an appropriation of funds in FY14 and another appropriation of funds in FY15. Each agreement resulted from negotiations between the County Executive and the respective union in 2013. Last year, the Council reviewed and approved the provisions in each agreement that required an appropriation of funds for FY14. The Executive submitted each agreement to the Council again on April 1, 2014 for its review and consideration of those provisions that require a new appropriation of funds for FY15. For example, the IAFF agreement contains a general wage adjustment (GWA) of 2.75% in FY14 and a second GWA of 2.75% in FY15. Since the Council adopts an annual operating budget, only the FY14 GWA was approved by the Council last year. The Council's appropriation of funds to implement the FY14 GWA was not an approval or an appropriation of funds to implement the GWA for FY15. The Council must now decide whether to approve any provision that requires an appropriation of funds in the second year of this multi-year agreement, such as the FY15 GWA.

In his FY15 Recommended Operating Budget, the Executive recommended funding all of the economic provisions in each agreement. The Council has the final authority to approve, reject, or modify each economic provision in the agreements. Each of these agreements is subject to the Council review process outlined below.

Under the County Employees Labor Relations Laws (Police: County Code §§33-75 through 33-85; County employees: County Code §§33-101 through 33-112; Fire and Rescue employees: County Code §§33-147 through 33-157), the Council must review any term or condition of each final collective bargaining agreement requiring an appropriation of funds or enactment, repeal, or modification of a County law or regulation. On or before May 1, unless the Council extends this deadline for up to 15 days, the Council must indicate by resolution its intention to appropriate funds for, or otherwise implement the agreement, or its intention not to do so, and state its reasons for any intent to reject any part of an agreement. The Council is not bound by the agreement on those matters over which the Council has final approval. The Council may address contract items individually rather than on an all-or-nothing basis. See County Code §33-80(g); §33-108(g)-(j); §33-153(l)-(p).

If the Council indicates, by resolution, its intention to reject or opts not to fund any item, it must designate a representative to meet with the parties and present the Council's views in their further negotiations. The parties must submit the results of any further negotiations, or impasse procedures if the parties cannot agree on a revised contract, to the Council within 9 days after the Council indicates its intent to reject a provision.

- Support the proposed **FY15 salary schedules** listed on ©39-51. These schedules are (in order) for MCGEO, Seasonal Workers, Sheriff Management, Deputy Sheriffs, Fire/Rescue Management, IAFF, Police Management, FOP, Correctional Management, Correctional Officers, Non-Represented Employees (General Salary Schedule), Management Leadership Service, and Medical Doctors.
- Support funding within the MCPS and Montgomery College budgets for the pay changes they request.
- Defer a recommendation on funding for pay changes at M-NCPPC until negotiations have been completed. Make a final decision on this issue at the May 8 bi-county meeting with the Prince George's County Council.
- Support funding within the WSSC budget for the \$4.4 million allocation it requests for pay changes, with the specific elements to be resolved at the May 8 bi-county meeting.

4. FY15 County Government Compensation-Related NDAs (see pages 19-20 and ©56-58)

The Committee reviewed eight Non-Departmental Accounts. **Proposed recommendations:**

- Approve the funding requested for NDAs #1 (Compensation and Employee Benefits Adjustments); #2-4, which relate to OPEB pre-funding (see above); and #5-8 (Group Insurance for Retirees, Montgomery County Employee Retirement Plans, State Positions Supplement, and State Retirement Contribution).

5. Other Compensation Issues (see pages 23-25)

The Committee reviewed the personnel management reviews and similar reports prepared by the agencies. The Committee also reviewed funding requests for the agencies' FY15 **employee awards and tuition assistance** programs. **Proposed recommendation:**

- Approve the requests outlined on page 25.

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COLLECTIVE BARGAINING

Fire and Rescue Bargaining Unit:

The current agreement expires June 30, 2013. The negotiated agreement becomes effective on July 1, 2013, and expires on June 30, 2016. The agreement's salient economic terms include:

- ❖ Reopener for the third year (FY16) of the contract. Negotiations will be over the following topics: wages, service increments, longevity, special duty differentials, casual leave, and Workers' Compensation and disability leave. Random drug testing will also be discussed but the issue will not be subject to impasse.
- ❖ Assignment pay differentials. The following differentials are increased by \$200 to \$1,837: Hazardous Materials, Self Contained Breathing Apparatus Technician, Fire Code Compliance Section, Fire Investigations Unit, Urban Search and Rescue Team, Swift Water Rescue Team, and Scheduler. The differential paid to a Fire Captain serving as Station Commander will increase by \$200 to \$3,087. All Response Team certifications will increase from \$407 to \$500.
- ❖ Longevity step increases. A longevity step increase will be paid to employees who qualify during FY14.
- ❖ General Wage Adjustment. A 2.75 percent GWA will be paid the first full pay period following July 1, 2013, and July 1, 2014.
- ❖ Prescription Drug Plan. Beginning January 1, 2014, the Prescription Drug Plan will no longer offer the 90-day post formulary change grace period granted upon formulary changes.
- ❖ Workplace renovations. Employees working at stations where workplace kitchens appliances are unavailable due to renovation will receive a per diem payment.
- ❖ Employees who were eligible but who missed a FY11 or FY12 service increment. Eligible unit members who were eligible but who did not receive a service increment in FY11 will receive it during the pay period beginning April 6, 2014. Eligible unit members who were eligible but who did not receive a service increment in FY12 will receive it during the pay period beginning June 14, 2015.
- ❖ Service Increments. A service increment of 3.5 percent will be paid in FY14 and in FY15 for eligible unit members.

MCGEO Bargaining Unit:

The current agreement expires on June 30, 2016. The parties agreed to an early termination of the July 1, 2012 through June 30, 2015 agreement, which included a reopener for FY14. The new agreement's salient economic terms include:

- ❖ A reopener for the third year (FY16) of the contract. Negotiations will be over the following topics: wages, service increments, longevity, any Workers' Compensation and disability leave issues not resolved within the Labor Management Wellness Committee, and the inclusion of a DROP program in the Public Safety Retirement Plan.
- ❖ General Wage Adjustment. A 3.25 percent GWA will be paid the first full pay period following September 1 in FY14 and in FY15.
- ❖ Longevity step increases. A longevity step increase will be paid to employees who qualify during FY14.
- ❖ Lump sum payment. A 0.5 percent lump sum payment will be paid in FY14 and in FY15 to bargaining unit members who are at the top of their pay grade and actively employed by the County on July 1 of each fiscal year. Employees who are scheduled to receive a longevity step during FY14 are not eligible. This payment is not added to the employees' base salary.
- ❖ Shift differential. For shifts beginning between the hours of 2:00 p.m. and 10:59 p.m., the hourly rate will increase by \$0.15 to \$1.40; for shifts beginning between 11:00 p.m. and 5:00 a.m., the hourly rate will increase by \$0.16 to \$1.56.
- ❖ Multilingual Pay Differential. Unit members who utilize multilingual skills during the performance of their routine duties and on a recurring basis may submit a departmental request for certification. The pay differential will be paid after testing.
- ❖ Emergency Vehicle Technician (EVT) certification for eligible employees assigned to Central Maintenance of Montgomery County Fire and Rescue Service. Eligible employees shall receive a \$1,000 incentive for obtaining a valid EVT master certification, for a maximum of two (\$2,000) EVT certifications.
- ❖ Service Increments. A service increment of 3.5 percent will be paid in FY14 and in FY15 for eligible unit members.
- ❖ Individual classification studies. A total of 50 individual studies will be accepted in June 2013 for FY14 study and in June 2014 for FY15 study.

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- ❖ Prescription Drug Plan. Beginning January 1, 2014, the Prescription Drug Plan will no longer offer the 90-day post formulary change grace period granted upon formulary changes.
 - ❖ Seasonal Salary Schedule. Seasonal employees who do not encumber OPT/SLT unit positions shall receive a \$0.50 per hour increase the first full pay period in July 2013 and in 2014.
 - ❖ Clothing allowance. Sheriff's unit members' clothing allowance will increase by \$163 to \$1,338.

Police Bargaining Unit:

The parties agreed to extend the duration of the July 1, 2012, through June 30, 2014, agreement. The current agreement expires on June 30, 2015. The agreement's salient economic terms include:

- ❖ Clothing allowance. The contract increases the clothing allowance in the following categories: formal and variety by \$87 to \$1,338; SAT (Special Assignment Team) by \$56 to \$862; casual by \$37 to \$569; and partial by \$26 to \$391.
- ❖ Shift differential. For shifts beginning on or after noon and prior to 7:59, the hourly rate will increase by \$0.09 to \$1.42; for shifts beginning on or after 8:00 p.m. and before 5:59 a.m., the hourly rate will increase by \$0.12 to \$1.87.
- ❖ Employees who were eligible but who missed at least one service increment since FY11. Eligible unit members will receive a 1.75 percent service increment starting the first full pay period of February 2014 and of February 2015.
- ❖ Service Increments. A service increment of 3.5 percent will be paid in FY14 and in FY15 for eligible unit members.
- ❖ Longevity step increases. A longevity step increase will be paid to employees who qualify during FY14.
- ❖ General Wage Adjustment. A 2.1 percent GWA will be paid the first full pay period following July 1, 2013, and July 1, 2014.
- ❖ Prescription Drug Plan. Beginning January 1, 2014, the Prescription Drug Plan will no longer offer the 90-day post formulary change grace period granted upon formulary changes.

**Municipal and County Government Employees Organization
United Food and Commercial Workers, Local 1994
Fiscal Impact Summary***

<u>Article</u>	<u>Item</u>	<u>Description</u>	<u>FY14</u>	<u>FY15</u>	<u>Annual Cost Beyond FY15</u>
5	Wages	3.25 Percent General Wage Adjustment in September 2014 and 2015	\$9,566,809	\$21,039,919	\$22,960,342
5.1	Longevity	Longevity Step Increase of 3 Percent for Eligible Employees	\$121,072	\$358,467	\$474,791
5.2	Wages	.5% Bonus for Employees at the Maximum Salary of Pay Grade in July 2013 and 2014	\$488,858	\$488,858	\$0
5.24	EVT Certification	Emergency Vehicle Technician Certification Incentive Paid to Employees Working in Central Maintenance of Montgomery County Fire and Rescue Service (Maximum \$2,000 Annually)	\$26,000	\$26,000	\$0
5.3	Shift Differential	Hourly Shift Differential Increased by \$0.15 to \$1.40 for Work Beginning Between 2:00 p.m. and 10:59 p.m. and by \$0.15 to \$1.56 for Work Beginning Between 11:00 p.m. and 5:00 a.m.	\$223,267	\$223,267	\$223,267
6	Service Increments	Service Increment of 3.5 Percent for Eligible Employees	\$3,808,768	\$11,276,940	\$14,936,345
9.1	Classification Issues	50 Additional Classification Studies Accepted in June 2013 and in June 2014 in Preparation for Evaluation the Following Fiscal Year	\$200,000	\$200,000	\$0
21	Prescription Drug Plan	Prescription Formulary 90-Day Grace Period Discontinued	-\$7,770	-\$15,540	-\$15,540
53	Seasonal Employees	Additional \$0.50 for Seasonal Employees in FY14 and FY15	\$340,425	\$680,850	\$680,850
Appendix I	OPT Unit - Sheriffs	Sheriff's Department Clothing Allowance Increased by \$163 to \$1,338.	\$2,934	\$2,934	\$2,934
Subtotal - MCGEO			\$14,770,362	\$34,281,696	\$39,262,988

Non-Represented Pass-Through Estimates

<u>Item</u>	<u>Description</u>	<u>FY14</u>	<u>FY15</u>	<u>Annual Cost Beyond FY15</u>
Wages	3.25 Percent General Wage Adjustment in September 2014 and 2015	\$5,546,466	\$12,198,131	\$13,311,518
Longevity	Longevity Step Increase of 2 Percent for Eligible Employees	\$35,828	\$106,080	\$140,504
Wages	.5% Bonus for Employees at the Maximum Salary of Pay Grade in July 2013 and 2014	\$255,119	\$255,119	\$0
Shift Differential	Hourly Shift Differential Increased by \$0.15 to \$1.40 for Work Beginning Between 2:00 p.m. and 10:59 p.m. and by \$0.15 to \$1.56 for Work Beginning Between 11:00 p.m. and 5:00 a.m.	\$16,178	\$16,178	\$16,178
Service Increments	Service Increment of 3.5 Percent for Eligible Employees	\$1,158,215	\$3,429,224	\$4,542,018
Prescription Drug Plan	Discontinue the Prescription Formulary 90-Day Grace Period	-\$2,563	-\$5,125	-\$5,125
Seasonal Employees	Additional \$0.50 for Seasonal Employees in FY14 and FY15	\$3,071	\$6,142	\$6,142
OPT Unit - Sheriffs	Sheriff's Department Clothing Allowance Increased by \$163 to \$1,338.	\$326	\$326	\$326
Subtotal - Non-Represented		\$7,012,641	\$16,006,076	\$18,011,561
Total - MCGEO and Non-Represented Pass Through		\$21,783,003	\$50,287,772	\$57,274,549

* Estimates reflect the impact to all funds. Increases apply in the first full pay period during the month noted.

**Fraternal Order of Police County Lodge 35, Inc.
Fiscal Impact Summary***

<u>Article</u>	<u>Item</u>	<u>Description</u>	<u>FY14</u>	<u>FY15</u>	<u>Annual Cost Beyond FY15</u>
6	Clothing Allowance	Clothing Allowance Increased by 7 Percent	\$21,178	\$21,178	\$21,178
25	Prescription Drug Plan	Prescription Formulary 90-Day Grace Period Discontinued	-\$1,305	-\$2,610	-\$2,610
28	Service Increments	Service Increment of 3.5 Percent for Eligible Employees	\$1,369,345	\$3,611,305	\$4,075,210
28	Service Increments	FY11 Increment - 1.75 Percent Paid February 2014 and 2015	\$446,000	\$1,516,401	\$2,140,801
28	Longevity	Longevity Step Increase of 3.5 Percent for Eligible Employees	\$207,098	\$546,170	\$616,331
36	Wages	2.1 Percent General Wage Adjustment in July 2014 and 2015	\$2,511,181	\$5,022,362	\$5,022,362
41	Shift Differential	Shift Differential Hourly Rate Increased by 7 Percent	\$143,803	\$143,803	\$143,803
Subtotal - FOP			\$4,697,301	\$10,858,610	\$12,017,076

Police Uniformed Management Pass-Through Estimates

<u>Item</u>	<u>Description</u>	<u>FY14</u>	<u>FY15</u>	<u>Annual Cost Beyond FY15</u>
Clothing Allowance	Clothing Allowance Increased by 7 Percent	\$1,174	\$1,174	\$1,174
Wages	2.1 Percent General Wage Adjustment in July 2014 and 2015	\$180,227	\$360,453	\$360,453
Service Increments	Service Increment of 3.5 Percent for Eligible Employees	\$8,270	\$21,811	\$24,613
Service Increments	FY11 Increment - 1.75 Percent Paid February 2014 and 2015	\$6,186	\$21,034	\$29,695
Longevity	Longevity Step Increase of 3.5 Percent for Eligible Employees	\$12,186	\$32,138	\$36,266
Shift Differential	Shift Differential Hourly Rate Increased by 7 Percent	\$1,843	\$1,843	\$1,843
Subtotal - Police Uniformed Management		\$208,713	\$437,279	\$452,870
Grand Total		\$4,906,014	\$11,295,889	\$12,469,947

* Estimates reflect the impact to all funds. Increases apply in the first full pay period during the month noted.

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**Montgomery County Career Fire Fighters Association, Inc
International Association of Fire Fighters, Local 1664
Fiscal Impact Summary***

<u>Article</u>	<u>Item</u>	<u>Description</u>	<u>FY14</u>	<u>FY15</u>	<u>Annual Cost Beyond FY15</u>
17	Special Duty Differentials	Assignment Pay Differentials Increase by \$200 to Either \$1,837 or \$3,087 in FY15**. Response Team Certifications Increase by \$93 to \$500.	\$0	\$153,650	\$153,650
19	Wages	2.75 Percent General Wage Adjustment in July 2014 and 2015	\$3,038,307	\$6,076,615	\$6,076,615
19	Longevity	Longevity Step Increases of 3.5 Percent for Eligible Employees	\$154,057	\$426,702	\$579,107
20	Prescription Drug Plan	Prescription Formulary 90-Day Grace Period Discontinued	-\$1,781	-\$3,561	-\$3,561
55	Service Increments	Service Increment of 3.5 Percent for Eligible Employees	\$948,438	\$2,804,559	\$3,712,241
55	Service Increments	FY11 Increment Paid April 2014 and FY12 increment Paid June 2015	\$518,369	\$2,171,824	\$4,317,025
Subtotal - IAFF			\$4,657,391	\$11,629,788	\$14,835,076

Fire and Rescue Uniformed Management Pass-Through Estimates

<u>Item</u>	<u>Description</u>	<u>FY14</u>	<u>FY15</u>	<u>Annual Cost Beyond FY15</u>
Wages	2.75 Percent General Wage Adjustment in FY14 and FY15	\$181,171	\$362,343	\$362,343
Longevity	Longevity Step Increases of 3.5 Percent for Eligible Employees	\$14,615	\$40,479	\$54,937
Service Increments	Service Increment of 3.5 Percent for Eligible Employees	\$6,103	\$18,046	\$23,886
Service Increments	FY11 Increment Paid April 2014 and FY12 increment Paid June 2015	\$12,932	\$53,994	\$90,607
Subtotal - Fire Uniformed Management		\$214,820	\$474,862	\$531,773
Grand Total		\$4,872,211	\$12,104,649	\$15,366,849

* Estimates reflect the impact to all funds. Increases apply in the first full pay period during the month noted.

** For a complete list of special duty differential increases, please refer to the Collective Bargaining - Fire and Rescue Bargaining Unit section of the chapter.

MONTGOMERY COUNTY GOVERNMENT

REC

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Police (FOP)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	3.5%(v)	3.5%(v)
General adjustment (COLA)	2.0%(b)	2.75%	(h)	-	4.0%	0.0%	0.0%	0.0%	0.0%	2.1%(w)	2.1%(w)
Lump-sum payment	-	-	-	-	-	-	-	-	(q)	-	-
Top of range adjustment	(c)	-	-	-	-	-	-	-	-	-	-
Longevity	-	(f)	-	(j)	-	-	-	-	(r)	(r)	(r)
Fire (IAFF)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	3.5%(x)	3.5%(x)
General adjustment (COLA)	3.5%	(g)	(i)	5.0%	2%+2%(n)	0.0%	0.0%	0.0%	0.0%	2.75%(aa)	2.75%(aa)
Lump-sum payment	-	-	-	-	-	-	-	-	(q)	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Longevity	(a)	-	-	-	-	(o)	-	-	(s)	(s)	(s)
Office, Professional, and Technical Bargaining Unit/Service, Labor, and Trade Bargaining Unit (MCGEO)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	3.5%	3.5%
General adjustment (COLA)	2.0%(b)	2.75%	(h)	4.0%	4.5%	0.0%	0.0%	0.0%	0.0%	3.25%(y)	3.25%(y)
Lump-sum payment	-	-	-	-	-	-	-	-	(q)	0.5%(z)	0.5%(z)
Top of range adjustment	(d)	-	-	(k)	-	(p)	-	-	-	-	-
Longevity	-	-	-	-	-	-	-	-	(t)	(t)	(t)
Non-Represented											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	3.5%	3.5%
General adjustment (COLA)	2.0%(b)	2.75%	(h)	4.0%	4.5%	0.0%	0.0%	0.0%	0.0%	3.25%(y)	3.25%(y)
Lump-sum payment	-	(l)	(l)	(l)	(l)	-	-	-	(q)	0.5%(z)	0.5%(z)
Top of range adjustment	(e)	(m)	(m)	(m)	(m)	-	-	-	-	(u)	(u)
Longevity	-	-	-	-	-	-	-	-	(m)	(m)	(m)

- (a) Pay plan adjustment equal to 3.5%.
- (b) Effective 9/5/04.
- (c) Return to uniform pay plan starting 1/9/05 for unit members with 20 years of completed service.
- (d) Starting 1/9/05 employees who have completed 20 years of service and are at the maximum of their pay grade will receive a longevity increment of 2%.
- (e) Range expansion of 1.75%, 3.75% for employees in the Management Leadership Service.
- (f) Effective 1/8/06 current min/max salary schedule will be converted to a matrix based step schedule.
- (g) 3% effective 7/10/05; 1% effective 1/8/06.
- (h) 3.0% effective 7/9/06; 1.0% effective 1/7/07.
- (i) 4.0% effective 7/9/06; 1.0% effective 1/7/07.
- (j) Increase wage rate of Step 0, Year 1, by \$3,151 with promotions and increments calculated from that point. Equals an adjustment of 7.5%.
- (k) Increase longevity percentage by 1.0%, effective 1/6/08.

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- (l) Performance lump sum award: 2% for exceptional and 1% for highly successful.
- (m) One-time longevity/performance increment requires 20 years of service and 2 most recent years with a performance rating of exceptional or highly successful: 1% added to base pay, and effective 1/7/07, 2% added to base pay.
- (n) 2.0% effective 7/6/08; 2.0% effective 1/4/09.
- (o) A new longevity adjustment at 28 years of service in July 2009 and additional steps on the salary in July 2010.
- (p) 3.0% longevity increase.
- (q) \$2,000 lump sum payment to employees who completed probationary period by July 1, 2012.
- (r) 3.5% longevity increase for FOP bargaining unit members who completed 20 years of service
- (s) 3.5% longevity increase for IAFF bargaining unit members who completed 20 years of service and 7% longevity increase for IAFF bargaining unit members who completed 28 years of service.
- (t) 3% longevity increase for OPT/SLT (MCGEO) bargaining unit members who completed 20 years of service and are at maximum of grade.
- (u) MLS receive a salary schedule adjustment totaling 6.75%: 3.25% GWA and 3.5% market adjustment.
- (v) FOP members whose service increment was deferred during FY11, FY12, and/or FY13, and who were otherwise eligible, receive a salary adjustment of 1.75% effective the first full pay period following February 1, 2014 and February 1, 2015, in addition to the FY14 and FY15 service increments.
- (w) GWA effective July 14, 2013 and July 13, 2014.
- (x) IAFF members who were eligible but who missed an FY11 service increment will receive it during the pay period beginning April 6, 2014; those who were eligible but who missed an FY12 increment will receive it during the pay period beginning June 14, 2015, in addition to the FY14 and FY15 service increments.
- (y) GWA effective September 8, 2013, and September 7, 2014.
- (z) 0.5% lump sum bonus on July 14, 2013 and July 13, 2014 for employees who are not scheduled to receive a longevity step during the fiscal year but who are at the maximum of their pay grade.
- (aa) GWA effective July 14, 2013 and July 13, 2014.

MONTGOMERY COUNTY PUBLIC SCHOOLS

REC

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
Teachers (MCEA)											
Increment	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	0.0%	0.0%	1.5-3.9%	1.5-3.9%	1.5-3.9%
Negotiated salary schedule increase	2.0%	2.75%	4.0%(e)	4.8%(f)	5.0%(h)	0.0%(j)	0.0%(k)	0.0%(k)	0.0%(l)	0.0%(l)	1.5%(m)
Lump-sum payment (a)	-	-	-	-	-	-	-	-	2.0%	2.0%	-
Top of range adjustment (b)	-	-	-	-	-	-	-	-	-	-	-
Admin. and Supervisory Personnel (MCAAP)											
Increment	3.0%	3.0%	3.0%	3.0%(g)	3.0%(g)	3.00%(g)	0.0%	0.0%	3.0%(g)	3.0%(g)	3.0%(g)
Negotiated salary schedule increase	2.0%(c)	2.0%(d)	4.0%(e)	4.8%(f)	5.0%(h)	0.0%(j)	0.0%(k)	0.0%(k)	0.0%(l)	0.0%(l)	1.5%(m)
Lump-sum payment (a)	-	-	-	-	-	-	-	-	2.0%	2.0%	-
Top of range adjustment (b)	-	-	-	-	-	-	-	-	-	-	-
Business and Operations Administrators (MCBOA)											
Increment					(i)	3.0%	0.0%	0.0%	3.00%	3.00%	3.0%
Negotiated salary schedule increase					(i)	0.0%(j)	0.0%(k)	0.0%(k)	0.0%(l)	0.0%(l)	1.5%(m)
Lump-sum payment (a)					(i)	-	-	-	2.0%	2.0%	-
Top of range adjustment (b)					(i)	-	-	-	-	-	-
Supporting Services Employees (SEIU Local 500)											
Increment	1.6-5.6%	1.6-5.6%	1.9-5.6%	1.9-5.6%	1.9-5.5%	1.9-5.5%	0.0%	0.0%	1.9-5.5%	1.9-5.5%	1.9-5.5%
Negotiated salary schedule increase	2.0%	2.75%	4.0%(e)	4.8%(f)	5.0%(h)	0.0%(j)	0.0%(k)	0.0%(k)	0.0%(l)	0.0%(l)	1.5%(m)
Lump-sum payment (a)	-	-	-	-	-	-	-	-	2.0%	2.0%	-
Top of range adjustment (b)	-	-	-	-	-	-	-	-	-	-	-
Non-Represented											
Increment	All non-represented employees (except 19 nonscheduled Executive staff and chief negotiator positions) receive the same increments and other salary adjustment as the bargaining units for which these positions are covered.										
Negotiated salary schedule increase											
Lump-sum payment											
Top of range adjustment											

(a) For FY 2013 and FY 2014, employees who were at the top of the grade and received no step or longevity increase received a 2% increase.

(b) Longevities for each of the separate bargaining units are as follows:

1. MCEA – Employees who have completed six or more years on step 19 of any salary lane on the salary schedule will receive an increase of 2.25%. No longevities were paid in FY 2011 or FY 2012. In FY 2013, eligible employees received longevity payments and FY 2011 and FY 2012 make up longevity payments also where provided. In FY 2014, longevity payments were provided on February 8, 2014. For FY 2015, longevity payments will be provided on the employee’s anniversary date.
2. MCAAP - Effective October 1, 2004, the MCAAP contract provided for an annual longevity supplement of \$1,500 for each unit member who completed 10 or more years of service. Effective December 1, 2006, the contract was changed to provide a longevity supplement of \$1,500 for each unit member who completed 5 or more years of service. No longevities were paid in FY 2011 or FY 2012. In FY 2013, eligible employees received longevity payments and FY 2011 and FY 2012 make up longevity payments also where provided. In FY 2014, longevity payments were provided on February 8, 2014, or the longevity anniversary date, whichever is later. For FY 2015, longevity payments will be provided on the employee’s anniversary date.
3. MCBOA – Unit members receive a \$1,500 longevity increase at 5, 10, and 15 years of service. No longevities were paid in FY 2011 or FY 2012. In FY 2013, eligible employees received longevity payments and FY 2011 and FY 2012 make up longevity payments also where provided. In FY 2014, longevity payments will be provided on February 8, 2014, or the longevity anniversary date, whichever is later. For FY 2015, longevity payments will be provided on the employee’s anniversary date.
4. SEIU – Unit members receive a one-grade increase on the salary schedule at 10, 14, and 18 years of service. In addition, employees with 22 years of service receive a \$200 increase. No longevities were paid in FY 2011 or FY 2012. In FY 2013, eligible employees received longevity payments and FY 2011 and FY 2012 make up longevity payments also where provided. In FY 2014, longevity payments will be provided on the employee’s longevity anniversary date. For FY 2015, longevity payments will be provided on the employee’s anniversary date.

- (c) For FY 2005, the negotiated agreement with MCAAP provided for a salary schedule increase of 2.0% implemented on 10/2/04 for 12-month members and on 11/13/04 for 11-month assistant school administrators resulting in a 1.49% salary impact
- (d) For FY 2006, the negotiated agreement with MCAAP provided for a 2% salary schedule increase and salary scale adjustments equivalent to an average of an additional 0.75%.
- (e) For FY 2007, the negotiated agreement with MCEA and SEIU Local 500 provided for a salary schedule increase of 3.0% on 7/1/06 and an additional 1.0% effective mid-year, resulting in a 3.5% salary impact. The negotiated agreement with MCAAP provided for a salary schedule increase of 4.0% and scale adjustments effective 11/1/06 resulting in a 3.5% average salary impact.
- (f) For FY 2008, the negotiated agreement with MCEA, MCAAP, and SEIU Local 500 provided for a 4.8% salary schedule increase and other compensation changes equivalent to an average of an additional 0.2% for a total of 5.0%.
- (g) The salary range is 3.0% except for the movement between steps 9 and 10 in lanes O, P, and Q. This increment is 1%.
- (h) For FY 2009, the negotiated agreement with MCEA, MCAAP, and SEIU Local 500 provided for a 5.0% salary schedule increase.
- (i) In calendar year 2008, the BOE approved the formation of a fourth bargaining unit - The Montgomery County Business and Operations Administrators (MCBOA). In FY 2009, the compensation for these employees was included in the SEIU salary numbers.
- (j) The 2008-2010 contracts with MCAAP, MCBOA, MCEA, and SEIU Local 500 included, for FY 2010, a 5.3% COLA and other salary-related improvements. Due to the fiscal situation, no COLA was provided in FY 2010.
- (k) Due to the fiscal situation in FY 2011 and FY 2012, there were no COLA or increments.
- (l) For FY 2013 and FY 2014, there is no provision for a COLA.
- (m) For FY 2015, there is a 1.5% COLA that will be awarded on November 29, 2014.

MONTGOMERY COLLEGE

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	REC FY15
Faculty (AAUP)							(e)				
Increment	-	-	-	-	-	-	-	-	-	3.5%	3.5%
General adjustment (COLA)	1.6%	2.75%	3.75%	5.3%	5.5%	-	-	-	-	2.25%	2.5%
Lump-sum payment	\$1,879	\$1,931	\$2,019	\$2,125	\$2,242	\$2,372(d)	-	2.0%(h)	-	-	-
Top of range adjustment	1.6%(a)	2.75%(b)	3.75%(c)	5.3%	5.5%	-	-	-	-	3.0%	3.0%
Administrators	3.65%-	4.75%-	3.75%	4.75%-	4.75%-		(f)			0.0%-	0.0%-
Increment	4.15%	5.5%	6.5%	7.5%	7.0%	0%	-	-	-	5.5%(i)	5.5%(i)
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	2.25%	2.5%
Lump-sum payment	-	-	-	-	-	-	-	2.0%(h)	-	-	-
Top of range adjustment	2%	2.75%	3.75%	4.75%	5.0%	-	-	-	-	3.0%	3.0%
Staff - Non-Bargaining and Bargaining							(g)				
Increment	3.25%	2.75%	2.75%	3.0%	3.0%	3.0%	-	-	-	3.5%	3.5%
General adjustment (COLA)	2.0%	2.75%	3.75%	4.75%	5.0%	-	-	-	-	2.25%	2.5%
Lump-sum payment	-	-	-	-	-	\$500(d)	-	2.0% (h)	-	-	-
Top of range adjustment	2.0%	2.75%	3.75%	4.75%	5.0%	-	-	-	-	3.0%	3.0%

(a) Not to exceed \$80,355 or \$81,955 for those eligible for a one-time longevity increase.

(b) Not to exceed \$82,565 or \$84,165 for those eligible for a one-time longevity increase.

(c) Not to exceed \$85,661 or \$87,261 for those eligible for a one-time longevity increase. COLA – 3% effective 7/1/06 plus 1.5% effective 1/1/07.

(d) Staff- lump sum one-time payment of \$500 for employees at top of scale; faculty – lump sum one-time payment ranging from \$500-1,000 depending on salary; base pay increase of \$2,372 is delayed until October 23, 2009.

(e) Faculty furloughed 3 days based on academic year calendar (equivalent to 4 staff days).

(f) Administrators furloughed 8 days.

(g) Staff furloughed 4 days below grade N; 8 days grade N and above.

(h) One-time payment of the greater of \$2,000 or 2%. This is not added to base pay.

(i) Administrators may receive between a 0.0% and 5.5% pay for performance bonus in lieu of an increment.

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MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	REC FY15
Non-Represented											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	3.0%	(g)
General adjustment (COLA) (effective date)	2.7% (7/04)	2.8% (7/05)	3.0%	3.25% (7/07)	3.25% (7/08)	0.0%	0.0%	0.0%	0.0%	3.0%	
Lump-sum payment	-	-	-	-	-	-	-	-	\$2,000	-	
Top of range adjustment	-	-	7.0%	-	-	(e)	-	-	-	-	
Service/Labor, Trades, and Office/Clerical Bargaining Units (MCGEO, Local 1994)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	\$780(f)	0.0%	0.0%	0.0%	3.5%	(g)
General adjustment (COLA) (effective date)	2.7% (7/04)	2.8% (7/05)	3.0%	3.25%	3.25%	\$640(f)	0.0%	0.0%	0.0%	3.25%	
Lump-sum payment	-	-	-	-	-	-	-	-	\$2,000	-	
Top of range adjustment	-	-	3.5%	3.5%	-	-	-	-	-	-	
Park Police (FOP, Lodge 30)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	3.5%	(g)
General adjustment (COLA) (effective date)	2.5%(a)	3.5%(b)	4.5%(c)	4.5%(d)	3.25% (7/08)	3.75% (7/09)	0.0%	0.0%	0.0%	2.5%	
Lump-sum payment	-	-	-	-	-	-	-	-	\$2,000	-	
Top of range adjustment	(a)	-	-	-	-	-	-	-	-	-	

- (a) 2.5% COLA for officers below the rank of Sergeant effective 5/05. Sergeants were granted a 5.0% COLA effective 5/05. One new step (2.5%) added for Sergeants (P05) only.
- (b) 2.5% COLA effective 7/05. Plus additional 1% COLA provided 4/06 in exchange for officers paying 100% of Long Term Disability premiums.
- (c) 3.5% COLA effective 7/06 plus additional 1% COLA effective 7/06 in exchange for officers paying 100% of Long Term Disability premiums.
- (d) 3.5% COLA effective 7/07 plus an additional 1% COLA increase effective 7/07 in exchange for officers paying 100% of Long Term Disability premiums.
- (e) 3.75% range adjustment for Park Police Command Staff.
- (f) FY10: replacing a normal COLA and merit, a \$1,420 (pro-rated) wage adjustment instead was provided to each MCGEO member (applied up to, but not beyond the top of the grade), effective first pay period following July 1, 2009. Of the \$1,420, \$640 is distributed to every MCGEO member, and the rest \$780 (maximum assuming satisfactory performance rating) was pro-rated based on anniversary date and adjusted based on performance rating.
- (g) Compensation is subject to current labor negotiations. The two County Councils will determine whether to fund the Commission's proposed FY15 compensation at the May bi-county meeting.

WASHINGTON SUBURBAN SANITARY COMMISSION

REC

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15
AFSCME											
Merit pay adjustment (a)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	1.5%(b)(d)	TBD (f)
General adjustment (COLA)	2.0%	2.0%	3.5%	3.75%	3.5%	0.0%	0.0%	2.0%(e)	2.0%(e)	3.0%(e)	
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	
Non-Represented											
Merit pay adjustment (a)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	0.0%	0.0%	3.0%(d)	1.5%(d)	TBD (f)
General adjustment (COLA)	2.0%	2.0%	3.5%	3.75%	3.5%	0.0%	0.0%	0.0%	2.0%(e)	3.0%(e)	
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	

(a) WSSC has a performance based merit pay system. Adjustments to base pay are based upon annual employee evaluations. Starting in FY09 a new Performance Management System applies to all employees except those reporting directly to the Commissioners or in a bargaining unit. A rating of 3.0 and above will result in a corresponding percentage pay increase. A rating below 3.0 will result in a Performance Improvement Plan (PIP). Employees rated below a 2.0 numerical rating or employees who do not successfully complete their PIP are subject to release.

The merit pay salary adjustments associated with each performance rating category in FY94-FY08 were:

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

- (b) Merit pay adjustment was replaced with skill-based compensation for some bargaining unit employees in FY02.
- (c) General adjustment (COLA) was effective October 2003 when COLAs and merit increases were no longer limited by State Law.
- (d) Employees at grade maximum who receive above average evaluations may receive a onetime cash payment.
- (e) Contract ratified by the union and approved by the Commission includes a 2.0% COLA for represented employees.
- (f) Salary enhancements to be determined by the Montgomery and Prince George's Councils during the FY15 budget approval process. There is a pool of \$4.4 million for salary enhancements. The specific use of these funds will be determined as the two Councils make decisions about salary enhancements for their employees.

ARLINGTON COUNTY GOVERNMENT
(Compensation not subject to collective bargaining)

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	REC FY15
Police											
Increment	3.0%	3.0%	3.0%	3.0%	3.0%	0.0%	2.5%	2.5%	2.5%	3.57%(h)	3.57%(h)
General adjustment (COLA)	2.0%	2.0%	2.0%	1.5%	0.0%	1.0% (d)	0.0%	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	2% (e)	1.0% (f)	-	-	-
Top of range adjustment	(a)	(b)	-	(f)	-	-	-	-	-	(g)	-
Fire											
Increment	3.0%	3.0%	3.0%	TBD	3.0%	0.0%	2.5%	2.5%	2.5%	3.43%(j)	3.43%(j)
General adjustment (COLA)	2.0%	2.0%	2.0%	(c)	0.0%	1.0% (d)	0.0%	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	2%(e)	1.0% (f)	-	-	-
Top of range adjustment	(a)	(b)	-	(f)	-	-	-	-	-	(i)	-
Other Employees											
Increment	3.0%	3.0%	3.0%	TBD	3.0%	0.0%	2.5%	2.5%	2.5%	2.8%	2.7%
General adjustment (COLA)	2.0%	2.0%	2.0%	(c)	0.0%	1.0% (d)	0.0%	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	2.0%(e)	1.0% (f)	-	-	-
Top of range adjustment	(a)	(b)	-	(f)	-	-	-	-	-	-	-

- (a) Expanded the pay plan by one additional step (step 18)
- (b) The County Manager has announced this will be a transition year with a view to going to a pay-for-performance system next year. This year the general adjustment (market payline adjustment) will only be given to those employees performing satisfactorily. In addition, top performers can be rewarded with an additional 1% increase.
- (c) Budget projection includes 0.0%.
- (f) Not pursuing footnote (b) any longer.
- (d) The County Board approved a 1% market pay adjustment for permanent employees effective January 1, 2010.
- (e) The FY11 Adopted Budget included funding for step increases as well as a 2% lump sum payment for employees who had been at the top of their pay grade for at least one year. The average increment is 2.5%. Step values are still the same: Step 1-5 are 4.1% increment; steps 6-10 are 3.3% increment, and steps 10-18 are 2.3% increment.
- (f) The FY12 Adopted budget included funding for step increases as well as a 1% lump sum payment for employees who had been at the top of their pay grade for at least one year.
- (g) Transitioned to new Police pay scale, separate from general pay scale. Police pay scale dropped all steps and replaced with open ranges within grades.
- (h) Increases within open ranges are 4.5% for first increase and 3.5% for each increase thereafter. Average increment increase calculated with 15 years of increases, which is the approximate length of time to reach maximum of range from minimum.
- (i) Transitioned to new Fire pay scale, separate from general pay scale. Fire pay scale replaced 18 step scale with 16 step scale.
- (j) Step increases are 4.5% for step 1 and 3.36% for all increases between step 2 and step 16.

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FAIRFAX COUNTY GOVERNMENT
(Compensation not subject to collective bargaining)

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	REC FY15
Police											
Increment (a)	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes(h)	No	No
General adjustment (COLA)	2.98%	3.07%	4.25%	2.92%	2.96%	-	-	-	-	-	1.29%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	2.98%	3.07%	4.25%	2.92%	2.96%	-	-	-	-	-	1.29%
Other: Market rate adjustment	-	-	(f)	-	-	-	-	-	2.18%	-	-
Firefighters											
Increment (a)	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes(h)	No	No
General adjustment (COLA)	7.25%	3.07%	4.25%	2.92%	2.96%	-	-	-	-	-	1.29%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	7.25%	3.07%	4.25%	2.92%	2.96%	-	-	-	-	-	1.29%
Other: Market rate adjustment	(c)	-	2.0%(f)	-	-	-	-	-	2.18%	-	3.0%
Other Employees											
Increment (a)	No	No	No	No	No	No	No	No	2.5%(i)	No	No
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	1.29%
Lump-sum payment	(d)	(d)	-	-	-	-	-	-	-	-	-
Top of range adjustment	2.98%(b)	3.07%(b)	4.25%	2.92%	2.96%	-	-	-	-	-	1.29%
Other: Market rate adjustment	(e)	-	(f)	(g)	-	-	-	-	2.18%	-	-

- (a) Approximately 40% of all County employees are eligible for merit increment annually due to 2-3 year hold; effective from FY2002, general (non-public safety) no longer has steps in grades.
- (b) Effective July 1, 2001, general county employees at the top of their scale will be eligible for performance based bonus from 2% to 7% based on performance at .5% increments: 2.0%, 2.5%, 3.0%, etc.
- (c) Increases were effective as: 2.5% July 2004, 2.5% January 2005, 2.25% April 2005.
- (d) Lump sum increases provided to those employees who are at the top of their salary ranges and who achieve a certain level of performance rating.
- (e) Average performance rating increase – 4.2%
- (f) Market rate adjustment of 4.25% for all. In addition, Fire receives an additional 2%.
- (g) Market rate adjustment of 2.92% - structure adjustment only for general employees.
- (h) Beginning on pay period 14.
- (i) Does not take effect until January 2013.

(14)

FREDERICK COUNTY GOVERNMENT
(Compensation not subject to collective bargaining)

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	REC FY15
Police (Subject to Collective Bargaining)											
Increment	No	Yes(b)	Yes(b)	(d)	(d)	(f)	(f)	(f)	Yes(j)	Yes(k)	Yes(l)
General adjustment (COLA)	(a)	3.0%	2.0%	(d)	(d)	(f)	(f)	(f)	1.0%	1.0%	2.0%
Lump-sum payment	(c)	(c)	(c)	(d)	(d)	(f)	(f)	(f)	(j)	(k)	(l)
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Fire											
Increment	No	Yes(b)	Yes(b)	Yes(b)	Yes(b)	No	(i)	(i)	Yes(j)	Yes(k)	Yes(l)
General adjustment (COLA)	(a)	3.0%	2.0%	2.0%(g)	2.0%	No(h)	(i)	(i)	1.0%	1.0%	2.0%
Lump-sum payment	(c)	(c)	(c)	(c)	(e)	No	(i)	(i)	(j)	(k)	(l)
Top of range adjustment	-	-	-	-	-	-	(i)	(i)	-	-	-
Other Employees											
Increment	No	Yes(b)	Yes(b)	Yes(b)	Yes(b)	No	No	No	Yes(b)	Yes(b)	Yes(b)
General adjustment (COLA)	(a)	3.0%	2.0%	2.0%(g)	2.0%	No(h)	No(h)	No(h)	1.0%	1.0%	2.0%
Lump-sum payment	(c)	(c)	(c)	(c)	(e)	No	No	No	No	No	No
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-

- (a) All employees received a 1.5% COLA, plus full-time employees received a \$400 COLA, part-time employees received a \$200 COLA.
- (b) Step increases have been replaced by merit raises, which are calculated at 3.5% of the midpoint of the grade range.
- (c) Pay for performance, based on a performance evaluation, was received in FY 2005 and is budgeted for in FY 2006. This consists of a lump sum bonus of \$500 - \$1,200 for employees determined to be exceeding the base requirements of their positions.
- (d) For FY 2008 & FY 2009, sworn law enforcement officers and correctional positions on pay scale based on collective bargaining. There were no adjustments for FY 2010 or 2011.
- (e) For FY 2009, Employees earning \$35,000 and below received an additional \$500.
- (f) See (d).
- (g) All employees received a 2.0% COLA, plus full-time employees received a \$400 fixed COLA, part-time employees received a \$200 fixed COLA.
- (h) Reverse COLA and furloughs may be considered as budget balancing options.
- (i) For FY 2012, collective bargaining with fire/rescue positions has begun and is still under negotiation. No increase agreed to in FY 2011.
- (j) For FY 2013, collective bargaining with fire/rescue-new pay scale complete. Approved includes a One Step increase (not cumulative) based on years of service and a 1% COLA adjustment.
- (k) For FY 2014, collective bargaining for fire/rescue & sheriff uniformed positions – Approved includes Step increase (4.5% of base Step 1) and a 1% COLA.
- (l) For FY 2015, collective bargaining for fire/rescue & sheriff uniformed positions – Recommended includes Step increase (4.5% of base Step 1) and a 2% COLA.

Please note that each year, on a three year cycle, one or more employee groups are evaluated for reclassification of their pay scales for market adjustments. Not all positions within a group are adjusted; it depends upon the market for each position. * For FY 2010, and again for FY 2011 and 2012, the BOCC voted to delay this, at least one year.

*For FY 2013, funds are budgeted for the Exempt group of employees to possibly receive a reclassification which will be funded for only half of the fiscal year.

**For FY 2014, funds are budgeted for the Non-Exempt group of employees to possibly receive a reclassification which will be funded for only half of the fiscal year.

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STATE OF MARYLAND
(Compensation subject to collective bargaining)

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	REC FY15
All Employees											
Increment	Yes	Yes	Yes	Yes	Yes	(d)	(e)	(f)	(h)	Yes(j)	Yes
General adjustment (COLA)	\$752	1.5%	2.0%(a)	2.0%	2.0%	-	-	-	2.0(i)	3.0%(k)	2.0%(l)
Lump-sum payment	-	-	Yes(b)	-	-	-	-	Yes(g)	-	-	-
Top of range adjustment	-	-	Yes(c)	-	-	-	-	-	-	-	-

- (a) General salary increases will be \$900 for employees making a base salary of less than a \$45,000 per year on an annualized basis, \$1,400 for employees making a base salary more than \$70,000 per year on an annualized basis, and 2 percent for the rest of the workforce. Approximately 87 percent of the workforce will receive 2 percent or more.
- (b) Performance bonuses for Correctional Officer II, Sergeant, Lieutenant, Captain, and Major positions (\$500) in the Division of Correction and for nurses in the Department of Health and Mental Hygiene (\$3,000) are newly funded in fiscal 2007. These bonuses are awarded for fewer than 5 unscheduled absences over a 12-month period.
- (c) Two steps have been added to the top of the standard salary schedule and one step has been added to the physicians' salary schedule.
- (d) The Budget Reconciliation and Financing Act of 2009 (HB101/SB166) prohibited all State employees from receiving any performance bonuses, merit increments, or cost-of-living adjustments. A furlough was enacted in August 2009 reducing average employee salaries by 2.6%.
- (e) The Budget Reconciliation and Financing Act of 2010 (SB141/HB151) language again prohibits State employees from receiving performance bonuses, merit increments, or cost-of-living adjustments. The FY 2011 budget bill (SB140/HB 150) also includes a 10-day furlough modeled on the FY 2010 plan.
- (f) The Budget Reconciliation and Financing Act of 2011 (HB 72/SB 87) language prohibits State employees from receiving merit increments through April 1, 2014. However, an exemption is provided for staff deemed "operationally critical," and reporting on exempted staff is required.
- (g) A one-time \$750 employee bonus payment will be made to all employees not in bargaining units that received alternative salary adjustments. The bonus funds, which will only be made to employees in State service prior to July 1, 2011, will be spread across the 26 pay periods of fiscal 2012.
- (h) The provision from the Budget Reconciliation and Financing Act of 2011 (HB 72/SB 87) prohibiting State employees from receiving merit increments through April 1, 2014 stayed in force and the exemption for staff deemed "operationally critical" expired.
- (i) Effective January 1, 2013.
- (j) Increments are funded effective April 1, 2014. Exemptions are provided for retention of faculty, operationally critical staff, and to fund transit collective bargaining agreements.
- (k) Effective January 1, 2014.
- (l) Effective January 1, 2015.

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

	FY05	FY06	FY07	FY08	FY09	FY10	FY11(g)	FY12	FY13	FY14	REC FY15
All Employees											
Increment	1.5%(d)(e)										
General adjustment (f)	2.5%	2.1%	1.7%	2.5%	2.9%	1.5%	0%(g)	0.0%(g)	0.0%	1.0%	1.0%(h)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	Same										
Locality pay (b)	3.71%(c)	3.44%(c)	2.64%(c)	4.49%(c)	4.78%	2.42%	0.0%	0.0%	0.0%	0.0%	1.0%(h)

-) For federal employees in the Washington Baltimore locality pay area. Data reflect the federal fiscal year.
-) Locality pay instituted in FY94.
-) This is the **cumulative** figure that includes both general adjustments and increases in locality pay.
-) 1.5% is a rough estimate of the average annual value of General Schedule within grade and quality step increases as a percentage of payroll. The actual average can vary year to year. Some estimation methods indicate the multi-year average may be closer to 1.3%.
-) Increments awarded annually for advancement to steps 2-4, awarded every 2 years for steps 5-7, and awarded every three years for steps 8-10. Eighteen years to advance from minimum step 1 to maximum step 10.
-) The federal government uses a cost of labor standard to determine the general adjustment rather than a cost of living standard. This adjustment is not referred to as the COLA.
-) Congress enacted and the President signed a freeze on federal pay increases affecting increases scheduled for January 2011 and January 2012. Step increases under (d) and (e) are not affected by the pay freeze.
-) The President proposed a 1.0% overall pay increase in FY 2015. The increase has not yet been approved or allocated by locality pay area.

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COUNTY GOVERNMENT TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY14 Approved Budget	MCGEO	IAFF	FOP	Non Represented	TOTAL
Filled positions, tax and non-tax supported (Dec. 31, 2012) ¹	4,287	988	997	2,533	8,805
Percent of total	48.7%	11.2%	11.3%	28.8%	100.0%
FTEs (bargaining units estimated)	3,777	870	878	2,232	7,757
Active employees:					
Wages					510,798,611
Social Security					42,427,236
Retirement					125,845,308
Group insurance for active employees					78,256,954
Subtotal	0	0	0	0	757,328,109
Other					62,168,830
Total compensation for active employees	292,467,999	129,981,005	138,044,965	196,834,140	819,496,939
Retiree benefits: group insurance					
Pay as you go amount					32,462,450
Seventh year phase in of OPEB					48,902,589
Total compensation for retired employees					81,365,039
Total compensation for active and retired employees	292,467,999	129,981,005	138,044,965	196,834,140	900,861,978
Operating budget without debt service					1,460,858,279
Total compensation as % of total operating budget					61.7%
% General Wage Adjustment					
Cost of General Wage Adjustment (wages, social security, retirement)	6,574,004	2,993,143	2,511,181	4,349,688	16,428,016
Cost of other Wage Adjustment (wages, social security, retirement)	496,210	518,369	588,365	224,939	1,827,883
Cost per 1% General Wage Adjustment (wages, social security, retirement)	2,425,832	1,088,416	1,195,800	1,786,837	6,496,885
Cost per furlough day (wages, social security)	0	0	0	0	0
Cost of increments for employees not at top of grade (wages, social security, retirement)	2,818,226	1,102,495	1,576,443	876,715	6,373,879
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	809,344	314,999	450,412	245,005	1,819,760

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COUNTY GOVERNMENT TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY15 Request	MCGEO	IAFF	FOP	Non Represented	TOTAL
Filled positions, tax and non-tax supported (Dec. 31, 2013)	4,648	1,015	1,007	2,382	9,052
Percent of total	51.3%	11.2%	11.1%	26.3%	100.0%
FTEs (bargaining units estimated)	4,078	891	884	2,090	7,943
Active employees:					
Wages					543,170,137
Social Security					44,877,464
Retirement					141,926,001
Group insurance for active employees					81,509,299
Subtotal	0	0	0	0	811,482,901
Other					62,937,602
Total compensation for active employees	310,940,924	139,793,434	147,138,292	213,610,251	874,420,503
Retiree benefits: group insurance					
Pay as you go amount					32,462,450
Final year phase in of OPEB					38,577,480
Total compensation for retired employees					71,039,930
Total compensation for active and retired employees	310,940,924	139,793,434	147,138,292	213,610,251	945,460,433
Operating budget without debt service					1,477,914,980
Total compensation as % of total operating budget					64.0%
% General Wage Adjustment					
Cost of General Wage Adjustment (wages, social security, retirement)	6,620,053	3,197,075	2,659,331	4,891,212	17,367,670
Cost of other Wage Adjustment	659,366	251,997	446,000	199,604	1,556,967
Cost per 1% General Wage Adjustment (wages, social security, retirement)	2,507,596	1,162,573	1,266,348	1,905,277	6,841,793
Cost per furlough day (wages, social security)					0
Cost of increments for employees not at top of grade (wages, social security, retirement)	3,286,162	984,471	1,528,566	975,307	6,774,506
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	938,903	281,277	436,733	278,659	1,935,573

COUNTY GOVERNMENT TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Amount increase FY14-FY15	MC GEO	IAFF	FOP	Non Represented	TOTAL
Workyears	361	27	10	(151)	247
Active employees:					
Wages	0	0	0	0	32,371,526
Social Security	0	0	0	0	2,450,228
Retirement	0	0	0	0	16,080,693
Group insurance for active employees	0	0	0	0	3,252,345
Subtotal	0	0	0	0	54,154,792
Other	0	0	0	0	768,772
Total compensation for active employees	18,472,925	9,812,429	9,093,327	16,776,111	54,923,564
Retiree benefits: group insurance					
Pay as you go amount	0	0	0	0	0
Phase in of the Annual Required Contribution	0	0	0	0	(10,325,109)
Total compensation for retired employees	0	0	0	0	(10,325,109)
Total compensation for active and retired employees	18,472,925	9,812,429	9,093,327	16,776,111	44,598,455

Percent increase FY14-FY15	MC GEO	IAFF	FOP	Non Represented	TOTAL
Workyears					
Active employees:					
Wages					6.34%
Social Security					5.78%
Retirement					12.78%
Group insurance for active employees					4.16%
Subtotal					7.15%
Other					1.24%
Total compensation for active employees	6.32%	7.55%	6.59%	8.52%	6.70%
Retiree benefits: group insurance					
Pay as you go amount					0.00%
Phase in of the Annual Required Contribution					-21.11%
Total compensation for retired employees					-12.69%
Total compensation for active and retired employees	6.32%	7.55%	6.59%	8.52%	4.95%

¹ FY14 Source data for filled positions inadvertently double-counted positions in two departments. This form has been updated to remove the double-counting.

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MONTGOMERY COUNTY PUBLIC SCHOOLS WAGES, SOCIAL SECURITY, and RETIREMENT
TAX SUPPORTED FUNDS, FY14 APPROVED BUDGET AND FY15 REQUEST

Tax Supported Funds, FY14 Approved	MCAAP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears						
Active employees:	670,401	80,379	11,842,270	7,361,920	79,000	20,033,970
Wages (1.)	84,293,415	7,954,813	925,093,037	316,370,696	8,498,762	1,342,210,723
Social Security	6,602,962	619,910	72,130,496	24,645,277	662,053	104,660,698
Retirement (2.)	5,053,272	476,880	55,458,125	18,965,980	509,489	80,463,746
Group insurance for active employees	7,282,020	873,092	128,632,926	79,966,537	858,113	217,612,688
State Retirement Payment (3.)						34,511,689
Total compensation for active employees	103,231,669	9,924,695	1,181,314,584	439,948,490	10,528,417	1,779,459,544
Retiree benefits: group insurance						
Pay as you go amount						47,258,001
Total compensation for active and retired employees	103,231,669	9,924,695	1,181,314,584	439,948,490	10,528,417	1,826,717,545
Operating budget without debt service	N/A	N/A	N/A	N/A	N/A	2,084,338,368
Total compensation as % of total operating budget	N/A	N/A	N/A	N/A	N/A	87.64%
% General Wage Adjustment	0	0	0	0	0	0
Cost of General Wage Adjustment (wages, social security, retirement)	0	0	0	0	0	0
Cost of other Wage Adjustment (wages, social security, retirement) (4.)	361,370	20,705	2,297,428	633,785	0	3,313,288
Cost per 1% General Wage Adjustment (wages, social security, retirement)	955,803	90,200	10,489,630	3,587,327	96,367	15,219,327
Cost per furlough day (wages, social security, retirement)	362,755	34,559	4,845,299	1,571,505	45,480	6,859,598
Cost of increments for employees not at top of grade (wages, social security, retirement) (6.)	1,386,986	109,491	7,764,915	5,611,567	N/A	14,872,959
Cost of 1% increment for employees not at top of grade (wages, social security, retirement) (7.)	443,286	51,490	7,243,111	1,631,373	23,325	9,392,585

(2)

MONTGOMERY COUNTY PUBLIC SCHOOLS WAGES, SOCIAL SECURITY, and RETIREMENT
TAX SUPPORTED FUNDS, FY14 APPROVED BUDGET AND FY15 REQUEST

Tax Supported Funds, FY15 Request	MCAAP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears						
Active employees:	670.100	78.400	12,147.382	7,412.059	84.000	20,391.941
Wages (1.)	86,676,496	7,864,192	965,136,097	329,899,008	9,372,997	1,398,948,790
Social Security	6,608,354	599,579	73,583,599	25,152,025	714,612	106,658,169
Retirement (2.)	5,048,759	458,076	56,217,533	19,216,056	545,961	81,486,385
Group insurance for active employees	7,599,699	889,146	137,765,184	84,061,214	952,656	231,267,899
State Retirement Payment (3.)						37,809,551
Total compensation for active employees						1,856,170,794
Retiree benefits: group insurance						
Pay as you go amount						48,912,031
Total compensation for active and retired employees						1,905,082,825
Operating budget without debt service	N/A	N/A	N/A	N/A	N/A	2,178,600,533
Total compensation as % of total operating budget	N/A	N/A	N/A	N/A	N/A	87.45%
% General Wage Adjustment (4). TO BE AWARDED ON 11/29/14	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Cost of General Wage Adjustment (wages, social security, retirement) (5.)	852,628	88,252	9,519,074	3,447,533	93,809	14,001,296
Cost of other Wage Adjustment (wages, social security, retirement)	N/A	N/A	N/A	N/A	N/A	N/A
Cost per 1% General Wage Adjustment (wages, social security, retirement)	982,738	89,164	10,942,713	3,740,395	106,271	15,861,281
Cost per furlough day (wages, social security, retirement)	374,852	34,168	5,031,580	1,630,719	47,697	7,119,016
Cost of increments for employees not at top of grade (wages, social security, retirement) (6.)	603,315	83,977	17,018,095	4,884,339	N/A	22,589,726
Cost of 1% increment for employees not at top of grade (wages, social security, retirement) (7.)	339,230	38,777	6,908,532	1,410,522	5,601	8,702,662

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MONTGOMERY COUNTY PUBLIC SCHOOLS WAGES, SOCIAL SECURITY, and RETIREMENT
TAX SUPPORTED FUNDS, FY14 APPROVED BUDGET AND FY15 REQUEST

Amount increase FY14-FY15	MCAAP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears						
Active employees:	(0.301)	(1.979)	305.112	50.139	5.000	357.971
Wages	2,383,081	(90,621)	40,043,060	13,528,312	874,235	56,738,067
Social Security	5,392	(20,331)	1,453,103	506,748	52,559	1,997,471
Retirement	(4,513)	(18,804)	759,408	250,076	36,472	1,022,639
Group insurance for active employees	317,679	16,054	9,132,258	4,094,677	94,543	13,655,211
Total compensation for active employees	2,701,639	(113,702)	51,387,829	18,379,813	1,057,809	73,413,388
Retiree benefits: group insurance						
Pay as you go amount	0	0	0	0	0	1,654,030
Total compensation for active and retired employees	2,701,639	(113,702)	51,387,829	18,379,813	1,057,809	75,067,418
Percent increase FY12-FY13						
Workyears	-0.04%	-2.46%	2.58%	0.68%	6.33%	1.79%
Active employees:						
Wages	2.83%	-1.14%	4.33%	4.28%	10.29%	4.23%
Social Security	0.08%	-3.28%	2.01%	2.06%	7.94%	1.91%
Retirement	-0.09%	-3.94%	1.37%	1.32%	7.16%	1.27%
Group insurance for active employees	4.36%	1.84%	7.10%	5.12%	11.02%	6.28%
Total compensation for active employees	2.62%	-1.15%	4.35%	4.18%	10.05%	4.13%
Retiree benefits: group insurance						
Pay as you go amount						3.38%
Total compensation for active and retired employees	2.62%	-1.15%	4.35%	4.18%	10.05%	4.11%

- (1). Compensation amounts for active local employees include only FTE position dollars. Amounts do not include impact of negotiated agreements on non-position accounts.
- (2). FY 2014 and FY 2015 retirement amounts include an administrative fee of \$2,789,669 and \$2,639,669, respectively. However, this amount is not included in the calculations associated with general wage adjustments, furloughs, or increments.
- (3). Amount represents the FY 2014 and FY 2015 shift of retirement costs from the state to MCPS and is not included as part of the costs of general wage adjustments, furloughs, increments.
- (4). For FY 2014, amount represents a 2% increase on February 8, 2014 for employees at the top who are not eligible for a step increase.
- (5). For FY 2015, amount represents a 1.5% GWA increase to be given on November 29, 2014.
- (6). For FY 2014 and FY 2015, the amounts represent step and longevity increases implemented under their respective years' negotiated agreements. However, they do not include the annualized cost of increments and/or the general wage agreements from prior year negotiated agreements. For FY 2014, this amount is \$6,484,957 based on the annualization of the May 3, 2013, increase. For FY 2015, this amount is \$19,394,894 based on the annualization of the FY 2014 negotiated agreements.

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MONTGOMERY COLLEGE TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY14 Approved Budget	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	602.00	466.10	84.00	563.00	1,715.10
Active employees:					
Wages	47,999,169	23,627,729	10,742,000	68,127,779	150,496,677
Social Security	3,627,924	1,785,856	811,913	5,149,306	11,375,000
Retirement		870,000		804,030	1,674,030
Other Benefits (EAP, recognition awards, comp absences, etc)	772,200	597,878	107,749	722,174	2,200,000
Group insurance for active employees	4,633,199	3,587,266	646,493	4,333,042	13,200,000
Total compensation for active employees	57,032,492	30,468,729	12,308,155	79,136,331	178,945,707
Retiree benefits: group insurance					
Pay as you go amount	1,116,355	864,341	155,771	1,044,033	3,180,500
OPEB					0
Total compensation for retired employees	1,116,355	864,341	155,771	1,044,033	3,180,500
Total compensation for active and retired employees	58,148,848	31,333,070	12,463,926	80,180,364	182,126,207
Operating budget without debt service					227,727,695
Total compensation as % of total operating budget					80.0%
% General Wage Adjustment	2.25%	2.25%	2.25%	2.25%	
Cost of General Wage Adjustment (wages, social security, retirement)	1,099,816	572,293	245,032	898,544	2,815,685
Cost of other Wage Adjustment (wages, social security, retirement)	3.500%	3.500%	0 to 5.5%	3.500%	0
Cost per 1% General Wage Adjustment (wages, social security, retirement) - includes pt faculty	516,711	254,353	115,638	733,396	1,620,097
Cost per furlough day (wages, social security, retirement)	239,996	90,876	41,315	167,448	539,635
Cost of increments for employees not at top of grade (wages, social security, retirement) includes pat time faculty	1,690,571	801,210	383,929	2,019,605	4,895,315
Cost of 1% increment for employees not at top of grade (wages, social security, retirement) regular employees only	516,711	254,353	115,638	435,150	1,321,851

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MONTGOMERY COLLEGE TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY15 Request	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	615.00	469.10	86.00	619.50	1,789.60
Active employees:					
Wages	51,388,781	25,863,573	11,897,048	72,559,386	161,708,788
Social Security	3,896,321	1,960,988	902,040	5,501,486	12,260,834
Retirement		920,970		804,030	1,725,000
Other Benefits (EAP, recognition awards, comp absences, etc)	824,078	628,577	115,237	830,108	2,398,000
Group insurance for active employees	4,769,137	3,637,727	666,904	4,804,033	13,877,800
Total compensation for active employees	60,878,316	33,011,835	13,581,228	84,499,042	191,970,422
Retiree benefits: group insurance					
Pay as you go amount	1,092,986	833,691	152,840	1,100,983	3,180,500
OPEB					0
Total compensation for retired employees	1,092,986	833,691	152,840	1,100,983	3,180,500
Total compensation for active and retired employees	61,971,302	33,845,525	13,734,068	85,600,026	195,150,922
Operating budget without debt service					244,446,890
Total compensation as % of total operating budget					79.8%
% General Wage Adjustment	2.50%	2.50%	2.50%	2.50%	
Cost of General Wage Adjustment (wages, social security, retirement)	1,283,490	645,060	301,504	1,111,350	3,341,404
Cost of other Wage Adjustment (wages, social security, retirement)	3.500%	3.500%	0 to 5.5%	3.500%	0
Cost per 1% General Wage Adjustment (wages, social security, retirement) - includes part-time faculty	553,200	278,421	128,072	781,102	1,740,795
Cost per furlough day (wages, social security, retirement)	256,944	99,475	45,758	179,549	581,726
Cost of increments for employees not at top of grade (wages, social security, retirement) includes part time faculty	1,787,255	859,913	428,438	2,396,107	5,471,712
Cost of 1% increment for employees not at top of grade (wages, social security, retirement) regular employees only	553,200	278,421	128,072	502,539	1,462,232

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MONTGOMERY COLLEGE TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Amount increase FY14-FY15	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	13.00	3.00	2.00	56.50	74.50
Active employees:					
Wages	3,389,612	2,235,844	1,155,048	4,431,607	11,212,111
Social Security	268,397	175,132	90,126	352,179	885,834
Retirement	0	50,970	0	0	50,970
Other Benefits (EAP, recognition awards, comp absences, etc)	51,878	30,700	7,488	107,934	198,000
Group insurance for active employees	135,937	50,461	20,411	470,991	677,800
Total compensation for active employees	3,845,824	2,543,106	1,273,073	5,362,712	13,024,715
Retiree benefits: group insurance					
Pay as you go amount	(23,369)	(30,650)	(2,930)	56,950	0
Phase in of the Annual Required Contribution	0	0	0	0	0
Total compensation for retired employees	(23,369)	(30,650)	(2,930)	56,950	0
Total compensation for active and retired employees	3,822,455	2,512,456	1,270,143	5,419,662	13,024,715

Percent increase FY14-FY15	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	2.16%	0.64%	2.38%	10.04%	4.34%
Active employees:					
Wages 1)	7.06%	9.46%	10.75%	6.50%	7.45%
Social Security	7.40%	9.81%	11.10%	6.84%	7.79%
Retirement		5.86%		0.00%	3.04%
Other Benefits (EAP, recognition awards, comp absences, etc)	6.72%	5.13%	6.95%	14.95%	9.00%
Group insurance for active employees	2.93%	1.41%	3.16%	10.87%	5.13%
Total compensation for active employees	6.74%	8.35%	10.34%	6.78%	7.28%
Retiree benefits: group insurance					
Pay as you go amount	-2.09%	-3.55%	-1.88%	5.45%	0.00%
Phase in of the Annual Required Contribution	NA	NA	NA	NA	NA
Total compensation for retired employees	-2.09%	-3.55%	-1.88%	5.45%	0.00%
Total compensation for active and retired employees					7.15%

MNCPPC TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY14 Approved Budget	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	66.00	263.00	547.00	876.00
Active employees:				
Wages	5,686,209	12,510,940	44,739,302	62,936,450
Social Security	64,554	949,287	3,300,479	4,314,319
Retirement	2,330,684	2,006,519	7,213,570	11,550,774
Group insurance for active employees	1,073,439	2,997,450	7,490,946	11,561,835
Total compensation for active employees	9,154,885	18,464,196	62,744,297	90,363,378
Retiree benefits: group insurance				
Pay as you go amount	326,529	1,152,250	2,621,485	4,100,264
OPEB pre-funding	197,054	695,361	1,582,016	2,474,431
Total compensation for retired employees	523,583	1,847,610	4,203,502	6,574,695
Total compensation for active and retired employees*	9,678,469	20,311,806	66,947,798	96,938,073
Operating budget without debt service*				108,332,461
Total compensation as % of total operating budget				89.5%
% General Wage Adjustment	2.50%	2.50%	3.00%	
Cost of General Wage Adjustment (wages, social security, retirement) SEE NOTE 1	127,155	233,609	847,066	1,207,830
Cost of other Wage Adjustment (wages, social security, retirement)	0	0	0	0
Cost per 1% General Wage Adjustment (wages, social security, retirement)	57,687	134,680	481,619	673,985
Cost per furlough day (wages, social security, retirement)	22,118	51,770	184,768	258,657
Cost of increments for employees not at top of grade (wages, social security, retirement) SEE NOTE 2	80,503	204,922	498,359	783,784
Cost of 1% increment for employees not at top of grade (wages, social security, retirement) SEE NOTE 2	22,915	59,618	159,979	242,512

NOTE 1: COLA's were effective as follows: Non-rep - if at top of grade as of July 1, 2013, full 3% COLA on Oct 13th; if not at top of grade, 2.5% COLA split between Oct 13 and Jan 5th. FOP - COLA effective July 7th. Seasonals - 3% COLA effective July 7th.

NOTE 2: Increments are effective on annual review date; costs are for the remainder of the fiscal year following effective date

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MNCPPC TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY15 Request	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	73.00	256.55	562.18	891.73
Active employees:				
Wages	6,204,150	13,650,527	48,814,483	68,669,160
Social Security	65,085	957,099	3,327,643	4,349,828
Retirement	2,323,451	2,000,292	7,191,183	11,514,926
Group insurance for active employees	1,221,955	3,412,163	8,527,357	13,161,475
Total compensation for active employees	9,814,641	20,020,082	67,860,666	97,695,389
Retiree benefits: group insurance				
Pay as you go amount	351,236	1,239,436	2,819,843	4,410,516
OPEB pre-funding	142,502	502,858	1,144,054	1,789,414
Total compensation for retired employees	493,738	1,742,294	3,963,897	6,199,930
Total compensation for active and retired employees	10,308,379	21,762,377	71,824,564	103,895,319
Operating budget without debt service				113,950,733
Total compensation as % of total operating budget				91.2%
% General Wage Adjustment	NOTE 3	NOTE 3	NOTE 3	
Cost of General Wage Adjustment (wages, social security, retirement)	NOTE 3	NOTE 3	NOTE 3	0
Cost of other Wage Adjustment (wages, social security, retirement)				0
Cost per 1% General Wage Adjustment (wages, social security, retirement)	62,941	146,948	525,488	735,377
Cost per furlough day (wages, social security, retirement)	24,112	56,183	200,547	280,842
Cost of increments for employees not at top of grade (wages, social security, retirement)	NOTE 3	NOTE 3	NOTE 3	0
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	23,273	57,778	166,855	247,906

NOTE 3: \$2,395,677 has been included as a dollar marker for an increase to employee compensation in the FY15 Proposed Budget for the Admin and Park Funds. We are in full contract negotiations with the FOP and in a wage reopener with MCGEO. Nothing has been finalized for any employee group as to the amount and timing of any form of wage increase, including increment and COLA, so it would be both misleading and inappropriate to parse this amount between employee groups or even between COLA and increment.

MNCPPC TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Amount increase FY14-FY15	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	7	(6)	15	16
Active employees:				
Wages	517,941	1,139,588	4,075,182	5,732,710
Social Security	531	7,813	27,164	35,509
Retirement	(7,233)	(6,227)	(22,387)	(35,848)
Group insurance for active employees	148,516	414,713	1,036,411	1,599,640
Total compensation for active employees	659,755	1,555,886	5,116,370	7,332,011
Retiree benefits: group insurance				
Pay as you go amount	24,707	87,187	198,358	310,252
Phase in of the Annual Required Contribution	(54,552)	(192,502)	(437,963)	(685,017)
Total compensation for retired employees	(29,845)	(105,316)	(239,604)	(374,765)
Total compensation for active and retired employees				6,957,246

Percent increase FY14-FY15	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	10.6%	-2.5%	2.8%	1.8%
Active employees:				
Wages	9.1%	9.1%	9.1%	9.1%
Social Security	0.8%	0.8%	0.8%	0.8%
Retirement	-0.3%	-0.3%	-0.3%	-0.3%
Group insurance for active employees	13.8%	13.8%	13.8%	13.8%
Total compensation for active employees	7.2%	8.4%	8.2%	8.1%
Retiree benefits: group insurance				
Pay as you go amount	7.6%	7.6%	7.6%	7.6%
Phase in of the Annual Required Contribution	-27.7%	-27.7%	-27.7%	-27.7%
Total compensation for retired employees	-5.7%	-5.7%	-5.7%	-5.7%
Total compensation for active and retired employees	0.0%	0.0%	0.0%	7.2%

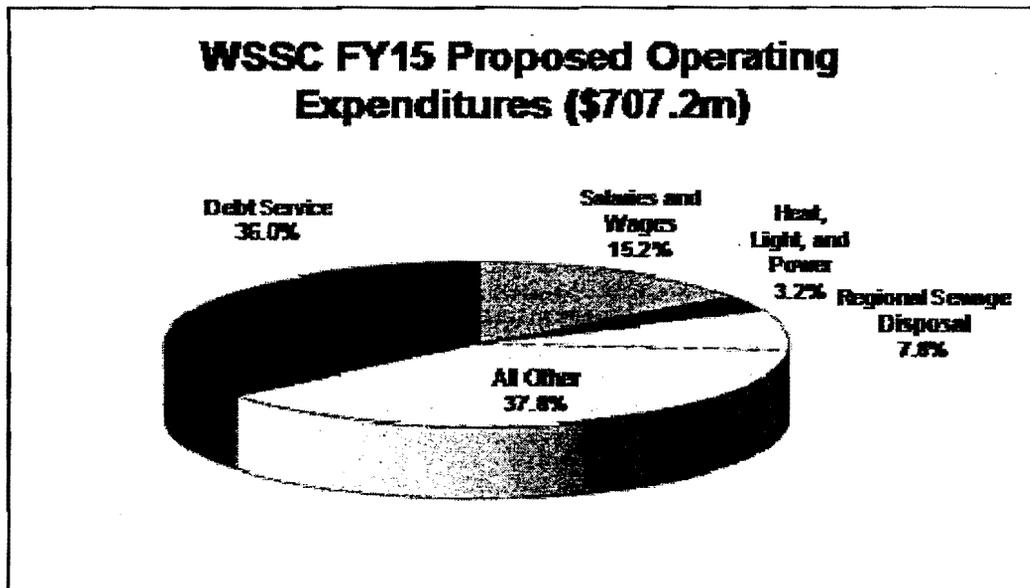
*Total Compensation costs and total operating budget figures do not include chargebacks, debt service, or reserves.

*Work Years include Career Work Years for Tax Supported Funds Only

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WSSC Compensation Issues

Salary and wages remain a comparatively small, although still significant, part of the WSSC Operating budget, as shown in the following pie chart.



Even adding employee benefits (which are included in the “All Other” category) in order to assess personnel costs as a whole, personnel costs for FY15 make up less than 25% of operating budget expenditures.

“Salaries and Wages”^[1] costs within the Operating Budget are estimated to increase by 2.9%. This increase covers WSSC’s proposed salary enhancements totaling \$4.4 million, which equates to a 0.8% rate increase. The types of salary enhancements to be provided were left to the two Councils to decide. The \$4.4 million could provide for a COLA of about 2.6% (effective July 1, 2014) and merit increases with a maximum of 3.5%. These increases would be close to the effective FY15 increases for County Government employees recommended by the Executive.

^[1] Benefit costs (such as Social Security, Group Insurance, and Retirement) are loaded in the “All Other” expense category

Memorandum

To: Steve Farber, Council Administrator
From: Thomas Lowman and Kevin Binder, Bolton Partners
Date: April 16, 2014
Re: Employer Group Waiver Program Analysis

Background: The net FY2015 tax supported trust contribution for the OPEB plans for the County Government, Montgomery County Public Schools, Montgomery College, and the Maryland-National Capital Park and Planning Commission has decreased from \$182.4 million (estimated in June 2013) to the most recent March 2014 estimate of \$100.6 million. The net trust contribution is equal to the FY2015 Annual Required Contribution (ARC) minus pay-as-you-go funding.

The reduction in the estimated trust contribution has three primary components.

- Favorable claims experience
- A reduction in the medical trend assumption
- A change to an Employer Group Waiver Program (EGWP).

The County Council has asked Bolton Partners to evaluate the proposed EGWP change and to isolate the savings due to this change.

Why there are savings from an EGWP

The Medicare Modernization Act of 2003 expanded Medicare to cover prescription drugs. The standard Medicare Part D benefit has a deductible (\$310 in 2014), pays 75 percent of the charges up to an initial coverage limit (\$2,850 in 2014), and provides no coverage until an out of pocket threshold has been reached (\$4,550 in 2014). There is catastrophic coverage of 95 percent after the out of pocket threshold has been reached.

To incentivize employers to retain retiree medical coverage a Retiree Drug Subsidy (RDS) was offered which was meant to be approximately equal the value of a Part D plan.

The level of coverage at which no coverage is provided is colloquially called the “donut hole”.

The Affordable Care Act (ACA) closed the donut hole by 2020 through requiring manufacturers to provide a 50 percent discount on brand name drug charges in the donut hole combined with gradually increasing the federal reimbursement from zero percent to 25 percent for brand name drugs and 75 percent for generic drugs.

While the Medicare Part D benefit was enhanced, there has been no corresponding increase in the RDS subsidies, creating a non-level playing field.

The EGWP splits the current plan into two plans: a basic Part D plan combined with a second supplementary plan. Together the two plans are meant to provide the same benefits as the employer plan.

This allows the employer to provide the same benefits at a lower cost because the brand name drug manufacturer and the federal government are providing additional benefits in the donut hole. The employer liability is only for the supplemental plan. The RDS is eliminated.

Accounting savings from an EGWP

There is an additional accounting savings under the GASB45 accounting standard. The GASB does not allow accrual accounting on anticipated RDS subsidies. If the employer moves to an EGWP plan, the cost savings are captured in the accrual accounting.

Is the EGWP the only way to level the playing field?

Employers can level the playing field by moving their Medicare retirees to a Medicare HMO plan or to the individual market by providing a fixed dollar subsidy through vendors that assist Medicare retirees in selecting plans on the individual market; these plans are sometimes called Connector plans. Smaller employers might find that these other approaches are the only ones they have, as the EGWP approach requires a large number of Medicare eligible retirees to pay for the implementation cost. This would not be a factor for Montgomery County.

The following table lists the advantages and disadvantages of each approach for a group the size of the County.

Approach	Advantages	Disadvantages
EGWP	Minimum disruption to plan participants	Cost savings are unknown until implementation
Medicare HMO	More and more employees are in HMOs and are accustomed to these plans	Retirees may find that their preferred hospital and doctors are not in the HMO
Connector	Retirees can tailor the plan to their needs and use premium savings to pay some of out of pocket cost	Older retirees' resistance and inability to select their own plan

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What are the arguments for and against the EGWP approach?

There are real cost savings to be had. The EGWP approach captures these savings with the least disruption to the retirees. The cost savings may be less than estimated, but there will be real cost savings.

What share of the projected \$81.8 million savings is due to the EGWP, cost trends, and claims factors?

Attached is the Aon spreadsheet showing a breakdown of the savings for the County Government and MCPS. In FY2015 we see the EGWP savings as \$11.8 million for the County (\$56.4 million less \$44.6 million) and \$20.1 million for MCPS (\$78.4 million less \$58.3 million), for a total of about \$31.9 million. Their cost trend savings would be about \$25 million combined and claim factor savings about \$14 million combined for those two main components.

Are the projected savings from the EGWP consistent with the experience from other jurisdictions?

The following table summarizes the actuary's estimated reduction due to the EGWP for the County Government and MCPS plans. These numbers can be found on page 3 of the County Government OPEB report and page 4 of the MCPS OPEB report.

	County Government	County Schools
1. Estimated liability before changes	\$1,505,831	\$1,945,077
2. Change in claims experience/pricing terms	(143,075)	(303,796)
3. Change in trend	(134,807)	(103,163)
4. EGWP impact	(134,735)	(224,537)
5. EGWP impact as percent of estimated liability (4)/(1)	(9%)	(12%)
6. EGWP impact as a percent (after other reductions (4)/{(1)+(2)+(3)}	(11%)	(15%)
Approximate impact for a different large Maryland public sector entity	(13%)	(19%)

The percent impact of the change will depend upon the order of the changes. We think the second estimate (11% for the County Government and 15% for MCPS) is probably the better measure to focus on. It assumes that the actuary measured the impact of each change according to the order presented in the report.

We would expect a lower impact for the County Government because the County Government plan includes public safety employees who retire at younger ages with a greater percentage of the liability due to pre-Medicare benefits that are not impacted by changes to the Medicare eligible program.

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These estimates are somewhat lower than what we observed for a large Maryland public sector entity. However, footnote 5 of the Montgomery County report indicates that some of the cost savings are assumed to pass back to the retirees in the form of lower premiums, so that would reduce the EGWP savings somewhat.

Please note that the impact of each EGWP plan will depend upon the design. The estimates we have received for EGWP plan changes from other entities are lower than what we observed in a large Maryland public sector entity in 2012.

Are the cost projections for FY2015 and the outyears reasonable compared the prior year projections?

To determine the FY2015 impact to the OPEB trust by source we requested additional information from the plan actuary. See the attached spreadsheet. We would note the following expected trends:

1. The total FY2014 ARC declines materially after the three changes noted above (trend, claims, EGWP). However, it grows annually thereafter.
2. The pay-as-you-go cost continues to increase from FY2014 through FY2016 even though the EGWP plan provides some reduction, particularly for MCPS, which has relatively fewer pre-65 retirees.
3. The trust fund contribution declines as a result of the changes, but between FY2014 and FY2015 the plan makes the final transition to paying the full ARC.
4. Half of the RDS subsidy payments are lost in FY2015, and all are lost in FY2016 due to the EGWP design change.

The attached spreadsheet shows the impact for FY2014 when the trust fund contribution was only 7/8th of the ultimate target. However, the following table provides the impact on the contribution to the OPEB trust by source but using 8/8th (the full) target funding goal since the FY2015 budget is based on fully funding the ARC. The County Government numbers include the impact to the non-tax supported entities.

Impact to FY2014 Trust Contribution if ARC 100% funded			
\$ in thousands			
	County¹	Schools	Total
Prior valuation estimate	78,956	111,239	190,195
Favorable claims & new contract changes	(5,393)	(8,476)	(13,869)
Change in trend	(13,577)	(11,809)	(25,386)
EGWP	(12,948)	(24,274)	(37,222)
Reduction in excise tax	-	(4,525)	(4,525)
Other	59	(157)	(98)
Total change	(31,859)	(49,241)	(81,100)
Current valuation estimate	47,097	61,998	109,096
Lost RDS reimbursement in FY2015	1,453	3,436	4,889
Lost RDS reimbursement in FY2016	3,032	7,750	10,782

As shown above, the County Government will lose half of its Retiree Drug Subsidy (RDS) payment in FY2015 and the full RDS payment in FY2016 and thereafter. These amounts should be subtracted from the savings.

These compare to the decrease from the June 2013 estimate to the March 2014 estimate of \$52.2 million (from \$110.5 million to \$58.3 million) for MCPS and \$27.5 million (from \$66.1 million to \$38.6 million) for the County Government’s tax supported entities.

Discussion

The reduction due to baseline claims of 10 percent for the County Government and 16 percent for MCPS seems higher than we are accustomed to seeing for one year’s experience. If there was an increase in premiums (and retiree contributions) that was greater than the increase in the per capita claims costs, especially for post-65 retirees, then leveraging could explain the large decrease. In the absence of leveraging, if the actuary was expecting a 9 percent increase, it would imply a decrease in per capita spending of about 1 percent for the County Government and 7 percent for MCPS. We are seeing a number of jurisdictions with small increases in per capita costs (3 to 5 percent) but few with decreasing per capita costs.

The reduction due to the medical trend decrease of 9 percent for the County Government and 5 percent for MCPS is not unusual and is reasonable due to lowering medical trends we are observing.

The combined decreases of the claims and trend change of 19 percent for the County Government and 21 percent for MCPS are consistent with what we are observing for other governments.

¹ Take 86.5% of these numbers to get tax supported portion.

Outyears

The projected FY2016 to FY2020 trust payments show more decreases than increases. If you add the projected trust contributions to the projected pay-as-you-go costs presented on page 10 of the County Government report and page 6 of the MCPS report (see below for MCPS), the total spending is increasing by 3 percent per year. This percentage increase is slightly lower than we would expect. The reason may be due to the fact that the actuary is using an open 30 year amortization factor. If the amortization method was changed to a closed amortization schedule, we estimate that the total ARC would increase by about 4 percent per year. The change from open to closed amortization period would increase the cash payments to the trust by \$2.0 million in FY2016, gradually increasing each year to about a \$12 million over the current estimates by 2020.

MCPS				
Current Estimates for Total ARC				
Fiscal Year	Pay-go	Trust Contribution	Total (ARC)	Percent Increase
2015	64,400	58,300	122,700	
2016	70,600	55,600	126,200	3.0%
2017	72,100	57,900	130,000	3.0%
2018	73,800	60,000	133,800	3.0%
2019	80,400	57,400	137,800	3.0%
2020	87,300	57,400	144,700	5.0%

What other factors or variables should the County consider?

Due to the EGWP, favorable experience and moderating medical trends, there is a windfall of approximately \$81.8 million. We would recommend that the County consider using some of the windfall for additional OPEB funding either through a policy of contributions somewhat above the 2015 ARC or by using more conservative methods or assumptions (for example, a shorter amortization period than 30 years) for the following reasons:

1. The projected cash payments are estimates.
2. Our recommendation to the Council in 2008 was that the amortization period be “open” only prior to when the full ARC was being funded. Page 7 of the November 24, 2008 report of the Multi-Agency OPEB Work Group contained the following statement:

“However, given the current fiscal situation, and since we are still ramping up to the full ARC, the Work Group agreed that each tax supported agency would use the open method... If the fiscal situation significantly improves later during the phase-in period, that decision would be revisited.”

It certainly seems that the fiscal situation has significantly improved.

3. The actual amounts could be higher for the following reasons:
 - The EGWP savings estimates may turn out to be overly optimistic. A large Maryland public sector entity's actual EGWP cost savings (not the accounting savings) were two thirds of the estimate.
 - Investment return experience may be less than 7.5 percent.
 - Medical trends may increase more than anticipated

4. The actuarial cost method and assumptions are prevalent assumptions. However, by 2020 OPEB benefits will be under a new accounting standard similar to the GASB68 accounting standard for pensions. The new accounting standard will:
 - Require the use of the entry age normal (EAN) cost allocation method instead of the projected unit credit (PUC) funding method for accounting purposes. The EAN funding method will generate somewhat higher liabilities than the PUC method.
 - Require the County to document that the expected rate of return is consistent with the asset allocation policy and the long term expectations for investment return by asset class. This change might increase pressure on the County to lower the investment return assumption (especially over the long term).
 - Demonstrate that the plan is projected to stay solvent or use a lower blended (with a local government bond index) discount rate. To demonstrate that the plan is solvent the amortization period will have to be closed.
 - Separate accounting from funding. To determine the trust contribution the County Government and MCPS could do a separate calculation using the current PUC method for funding and the EAN method for accounting. However, we expect many governments will simplify and use the same actuarial cost method for both accounting and funding.

Conclusions

We have three major conclusions:

1. Overall we believe that moving to the EGWP is a good idea.
2. The Aon projections for FY2015 seem reasonable.
3. There are factors in FY2015 and beyond that lead us to suggest that some of the savings in the OPEB funding cost be retained. These include:
 - Plan experience may not be as good as anticipated.
 - Expected changes in accounting rules might cause you to reconsider funding practices.
 - It may be appropriate to consider changes in the amortization policy.

Montgomery County Government

	(a)	(b)	(c)	(d)	(e)	(f)=[(b)-(c)-(d)] x (e)	(g)	(h)=[(f)-(g)]	
	UAL	ARC	Estimated Pay-go Benefit Payments	Estimated Implicit Subsidy	Funding Factor	Expected Additional Contributions	Estimated RDS Subsidy Payments ¹	Pay go Cost	Budgeted vs Recommended Contribution in FY14
Expected FY2014 Before any Changes	1,351,538	137,437	40,937	17,544	7/8	69,226	2,710	59,429	
Asset and Other Experience	966	59	-	-	7/8	52			
New Claims and Premiums ²	(143,075)	(14,882)	(6,643)	(2,846)	7/8	(4,719)			
New Trend Rates ²	(134,807)	(13,577)	-	-	7/8	(11,880)			
EGWP Change ³	(134,735)	(12,948)	-	-	7/8	(11,930)			
Expected FY2014 After all Changes	939,887	96,089	34,294	14,698		41,349			
Estimated FY2015									
- Pay Go Current Plan (After all changes except EGWP)	1,075,270	111,035	38,234	16,385	8/8	56,416	2,907	53,509	
- Pay Go EGWP Plan	935,374	97,684	37,135	15,915	8/8	44,634	1,454	43,181	
Estimated FY2016 Full Year Pay go impact of EGWP Change									
- Pay Go Current Plan (After all changes except EGWP)	1,082,321	113,829	42,922	18,394	8/8	52,513	3,032	49,481	
- Pay Go EGWP Plan	943,525	100,161	40,128	17,198	8/8	42,834	-	42,834	

^{1/} would include full year reimbursement for FY2014 and 6 months for FY2015

^{2/} includes Excess Tax adjustment

Montgomery County Public Schools

	(a)	(b)	(c)	(d)	(e)	(f)=[(b)-(c)-(d)] x (e)	(g)	(h)=[(f)-(g)]	
	UAL	ARC	Estimated Pay-go Benefit Payments	Estimated Implicit Subsidy	Funding Factor	Expected Additional Contributions	Estimated RDS Subsidy Payments ¹	Additional Contribution from General Funds	Budgeted vs Recommended Contribution in FY14
Expected FY2014 Before any Changes	1,809,154	185,737	74,498		7/8	97,333	6,077	83,700	
Asset and Other Experience	(2,595)	(157)	-		7/8	(138)			
Upd claims reflecting recent experience and benefit changes	(303,796)	(24,478)	(16,002)		7/8	(7,417)			
Lower healthcare trend rates	(103,163)	(11,809)	-		7/8	(10,333)			
EGWP savings	(224,537)	(24,274)	-		7/8	(21,240)			
Healthcare reform excise tax	(47,791)	(4,525)	-		7/8	(3,959)			
Expected FY2014 After all Changes	1,127,272	120,494	58,496			54,246			
Estimated FY2015									
- Pay Go Current Plan (After all changes except EGWP)	1,360,461	147,926	69,326		8/8	78,400	6,872	71,528	
- Pay Go EGWP Plan	1,119,781	122,659	64,352		8/8	58,307	3,436	54,871	
Estimated FY2016 Full Year Pay go impact of EGWP Change									
- Pay Go Current Plan (After all changes except EGWP)	1,377,844	152,261	81,358		8/8	70,903	7,750	63,153	
- Pay Go EGWP Plan	1,133,663	126,247	70,599		8/8	55,648	-	55,648	

^{1/} would include full year reimbursement for FY2014 and 6 months for FY2015

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**MONTGOMERY COUNTY GOVERNMENT
OFFICE, PROFESSIONAL & TECHNICAL AND
SERVICE, LABOR, AND TRADES (MCGEO OPT/SLT) BARGAINING UNIT
SALARY SCHEDULE**

PROPOSED FISCAL YEAR 2015

EFFECTIVE SEPTEMBER 7, 2014

<u>GRADE</u>	<u>MINIMUM</u>	<u>MIDPOINT</u>	<u>MAXIMUM</u>	<u>LONGEVITY MAXIMUM*</u>
5	\$25,840	\$32,879	\$39,917	\$41,115
6	\$26,830	\$34,205	\$41,580	\$42,827
7	\$27,875	\$35,617	\$43,359	\$44,660
8	\$28,960	\$37,146	\$45,331	\$46,691
9	\$30,104	\$38,755	\$47,406	\$48,828
10	\$31,312	\$40,478	\$49,644	\$51,133
11	\$32,577	\$42,278	\$51,979	\$53,538
12	\$33,898	\$44,167	\$54,435	\$56,068
13	\$35,294	\$46,156	\$57,017	\$58,728
14	\$36,762	\$48,247	\$59,731	\$61,523
15	\$38,296	\$50,434	\$62,571	\$64,448
16	\$39,932	\$52,747	\$65,561	\$67,528
17	\$41,744	\$55,221	\$68,698	\$70,759
18	\$43,657	\$57,826	\$71,994	\$74,154
19	\$45,716	\$60,583	\$75,449	\$77,712
20	\$47,867	\$63,474	\$79,081	\$81,453
21	\$50,135	\$66,514	\$82,893	\$85,380
22	\$52,507	\$69,703	\$86,898	\$89,505
23	\$55,006	\$73,058	\$91,109	\$93,842
24	\$57,625	\$76,570	\$95,515	\$98,380
25	\$60,371	\$80,261	\$100,150	\$103,155
26	\$63,265	\$84,143	\$105,021	\$108,172
27	\$66,275	\$88,205	\$110,134	\$113,438
28	\$69,252	\$92,377	\$115,501	\$118,966

*A 3.0 percent longevity increment is provided to employees who are at the maximum of their grade and have completed 20 years of service.

FY15 Notes:

FY15 GWA is 3.25% for MCGEO OPT/SLT bargaining unit employees.

**MONTGOMERY COUNTY GOVERNMENT
MINIMUM WAGE / SEASONAL
SALARY SCHEDULE**

PROPOSED FISCAL YEAR 2015

EFFECTIVE JULY 13, 2014

<u>GRADE</u>	<u>MINIMUM</u>		<u>MAXIMUM</u>	
	<u>ANNUAL</u>	<u>HOURLY</u>	<u>ANNUAL</u>	<u>HOURLY</u>
Grade S1*	\$16,640	\$8.0000	\$20,023	\$9.6264
Grade S2	\$18,402	\$8.8471	\$22,515	\$10.8245
Grade S3	\$20,457	\$9.8351	\$25,191	\$12.1106
Grade S4	\$22,515	\$10.8245	\$27,866	\$13.3971
Grade S5	\$25,260	\$12.1442	\$31,432	\$15.1111
Grade S6	\$30,746	\$14.7817	\$38,562	\$18.5394
Grade S7	\$36,316	\$17.4596	\$45,808	\$22.0226
Grade S8	\$42,067	\$20.2245	\$53,282	\$25.6163

FY15 Notes:

* The Montgomery County minimum wage, beginning October 1, 2014, will be \$8.40.

-FY15 GWA is \$0.50 for Minimum Wage/Seasonal employees

The following job classes are assigned to the Minimum Wage/Seasonal Salary Schedule:

- Conservation/Service Corps Trainee (S1)
- County Government Aide (MW) (S1)
- Recreation Assistant 1 (S1)
- Community Correctional Intern (S1)
- County Government Assistant (S1)
- Library Page (S2)
- Recreation Assistant II (S2)
- Conservation Corps Assistant Crew Leader (S3)
- Public Service Guide (S3)
- Nutrition Program Aide (S3)
- Recreation Assistant III (S3)
- Recreation Assistant IV (S4)
- Recreation Assistant V (S5)
- Recreation Assistant VI (S6)
- Recreation Assistant VII (S7)
- Gilchrist Center Office Assistant (S7)
- Recreation Assistant VIII (S8)

**MONTGOMERY COUNTY GOVERNMENT
DEPUTY SHERIFF MANAGEMENT
SALARY SCHEDULE**

PROPOSED FISCAL YEAR 2015

EFFECTIVE SEPTEMBER 7, 2014

<u>GRADE</u>	<u>RANK</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>LONGEVITY*</u>
D2	DEPUTY SHERIFF LIEUTENANT	\$64,454	\$100,818	\$103,843
D3	DEPUTY SHERIFF CAPTAIN	\$77,346	\$121,760	\$125,413
D4	DEPUTY SHERIFF COLONEL	\$88,948	\$140,466	\$144,680

* Completion of 20 Years Service

* Longevity is 3% for Deputy Sheriff Management

FY15 Notes:

-FY15 GWA is 3.25% for Deputy Sheriff Management

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**MONTGOMERY COUNTY GOVERNMENT
DEPUTY SHERIFF
UNIFORM SALARY SCHEDULE**

PROPOSED FISCAL YEAR 2015

EFFECTIVE SEPTEMBER 7, 2014

<u>YEAR</u>	<u>STEP</u>	<u>DS I</u>	<u>DS II</u>	<u>DS III</u>	<u>SGT</u>
1	0	\$46,525	\$49,782	\$53,267	\$58,594
2	1	\$48,155	\$51,525	\$55,131	\$60,645
3	2	\$49,840	\$53,329	\$57,062	\$62,769
4	3	\$51,585	\$55,195	\$59,060	\$64,966
5	4	\$53,391	\$57,128	\$61,127	\$67,239
6	5	\$55,259	\$59,128	\$63,266	\$69,594
7	6	\$57,193	\$61,198	\$65,482	\$72,029
8	7	\$59,196	\$63,342	\$67,774	\$74,551
9	8	\$61,269	\$65,559	\$70,147	\$77,161
10	9	\$63,414	\$67,854	\$72,602	\$79,862
11	10		\$70,230	\$75,143	\$82,657
12	11		\$72,687	\$77,775	\$85,551
13	12			\$80,498	\$88,545
14-20	13			\$83,314	\$91,645
21+	L1*	\$65,316	\$74,868	\$85,813	\$94,394

*Completion of 20 years of service and at maximum for pay grade.
Starting salary for Deputy Sheriff Candidate is \$46,525

Notes FY2015:

- FY15 GWA is 3.25% for Deputy Sheriffs
- Deputy Sheriff salaries may not correspond to years of service as listed on the salary schedule.

**MONTGOMERY COUNTY GOVERNMENT
FIRE/RESCUE MANAGEMENT
SALARY SCHEDULE**

PROPOSED FISCAL YEAR 2015

EFFECTIVE JULY 13, 2014

<u>GRADE</u>	<u>RANK</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>LONGEVITY</u> <u>(LS1)*</u>	<u>LONGEVITY</u> <u>(LS2)**</u>
B3	FIRE/RESCUE FIRE/RESCUE	\$74,127	\$123,186	\$127,497	\$131,960
B4	ASSISTANT CHIEF FIRE/RESCUE	\$80,951	\$135,495	\$140,238	\$145,146
B6	DIVISION CHIEF	\$92,535	\$153,631	\$159,008	\$164,573

* Completion of 20 years of service

**Completion of 28 years of service

FY15 Notes:

- FY15 GWA is 2.75% for Fire/Rescue Management
- Fire/Rescue Management who were eligible for a service increment in FY12 who did not receive a service increment in FY12 will receive it during the pay period beginning June 14, 2015.

**MONTGOMERY COUNTY GOVERNMENT
MONTGOMERY COUNTY GOVERNMENT
FIRE/RESCUE BARGAINING UNIT
SALARY SCHEDULE**

PROPOSED FISCAL YEAR 2015

Effective July 13, 2014

<u>GRADE</u>	<u>F1 FIRE FIGHTER RESCUER I</u>	<u>F2 FIRE FIGHTER RESCUER II</u>	<u>F3 FIRE FIGHTER RESCUER III</u>	<u>F4 MASTER FIRE FIGHTER RESCUER</u>	<u>B1 FIRE/RESCUE LIEUTENANT</u>	<u>B2 FIRE/RESCUE CAPTAIN</u>
A	\$43,934	# \$46,131	\$48,438	\$53,282	\$58,615	\$66,096
B	\$45,472	\$47,746	\$50,134	\$55,147	\$60,667	\$68,410
C	\$47,064	\$49,418	\$51,889	\$57,078	\$62,791	\$70,805
D	\$48,712	\$51,148	\$53,706	\$59,076	\$64,989	\$73,284
E	\$50,417	\$52,939	\$55,586	\$61,144	\$67,264	\$75,849
F	\$52,182	\$54,792	\$57,532	\$63,285	\$69,619	\$78,504
G	\$54,009	\$56,710	\$59,546	\$65,500	\$72,056	\$81,252
H	\$55,900	\$58,695	\$61,631	\$67,793	\$74,578	\$84,096
I	\$57,857	\$60,750	\$63,789	\$70,166	\$77,189	\$87,040
J	\$59,882	\$62,877	\$66,022	\$72,622	\$79,891	\$90,087
K	\$61,978	\$65,078	\$68,333	\$75,164	\$82,688	\$93,241
L	\$64,148	\$67,356	\$70,725	\$77,795	\$85,583	\$96,505
M	\$66,394	\$69,714	\$73,201	\$80,518	\$88,579	\$99,883
N	\$68,718	\$72,154	\$75,764	\$83,337	\$91,680	\$103,379
O	\$71,124	\$74,680	\$78,416	\$86,254	\$94,889	\$106,998
LS1*	\$73,614	\$77,294	\$81,161	\$89,273	\$98,211	\$110,743
LS2**	\$76,190	\$79,999 #	\$84,002 #	\$92,398 #	\$101,648 #	\$114,619

* Completion of 20 years of service.

** Completion of 28 years of service.

FY15 Notes:

- FY15 GWA is 2.75% for IAFF Bargaining Unit members
- Employees who were eligible for a service increment in FY12 who did not receive a service increment in FY12 will receive it during the pay period beginning June 14, 2015

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**POLICE MANAGEMENT
SALARY SCHEDULE**

PROPOSED FISCAL YEAR 2015

EFFECTIVE JULY 13, 2014

<u>GRADE</u>	<u>RANK</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>LONGEVITY*</u>
A2	POLICE LIEUTENANT	\$77,532	\$116,781	\$125,060
A3	POLICE CAPTAIN	\$88,299	\$133,405	\$142,863

* Completion of 20 Years of Service
Longevity is 3.5% for Public Safety

FY15 Notes:

- FY15 GWA is 2.1% for Police Management
- Police Management whose service increments were deferred during FY11, FY12, and/or FY13, and who are otherwise eligible, shall receive a salary adjustment of 1.75% effective the first full pay period following February 1, 2015.

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**MONTGOMERY COUNTY GOVERNMENT
POLICE BARGAINING UNIT
UNIFORM SALARY SCHEDULE**

PROPOSED FISCAL YEAR 2015

EFFECTIVE JULY 13, 2014

<u>STEP</u>	<u>YEAR</u>	<u>PO I</u>	<u>PO II</u>	<u>PO III</u>	<u>MPO</u>	<u>SGT</u>
0	1	\$48,981	\$51,430	\$54,003	\$56,703	\$62,375
1	2	\$50,696	\$53,232	\$55,894	\$58,689	\$64,558
2	3	\$52,471	\$55,095	\$57,851	\$60,744	\$66,818
3	4	\$54,308	\$57,024	\$59,876	\$62,870	\$69,156
4	5	\$56,209	\$59,020	\$61,972	\$65,071	\$71,578
5	6	\$58,177	\$61,086	\$64,142	\$67,350	\$74,083
6	7	\$60,214	\$63,225	\$66,387	\$69,707	\$76,677
7	8	\$62,323	\$65,438	\$68,711	\$72,147	\$79,361
8	9	\$64,504	\$67,729	\$71,117	\$74,672	\$82,139
9	10	\$66,762	\$70,100	\$73,606	\$77,287	\$85,014
10	11	\$69,099	\$72,554	\$76,183	\$79,993	\$87,990
11	12	\$71,519	\$75,094	\$78,850	\$82,793	\$91,071
12	13	\$74,022	\$77,723	\$81,610	\$85,690	\$94,258
13	14	\$76,613	\$80,444	\$84,468	\$88,691	\$97,557
14	15	\$79,295	\$83,260	\$87,425	\$91,795	\$100,972
L1*	21+	\$82,070	\$86,174	\$90,485	\$95,008	\$104,506

Starting salary for Police Officer Candidate is \$48,981

* Completion of 20 years of service.

FY15 Notes:

- FY15 GWA is 2.1% for FOP Bargaining Unit members
- Each unit member whose service increment was deferred during FY11, FY12, and/or FY13, and who is otherwise eligible, shall receive a salary adjustment of 1.75% effective the first full pay period following February 1, 2015. Therefore, Police Officer salaries may not correspond to their years of service as listed on the salary schedule.

**MONTGOMERY COUNTY GOVERNMENT
UNIFORMED CORRECTIONAL MANAGEMENT
SALARY SCHEDULE**

PROPOSED FISCAL YEAR 2015

EFFECTIVE SEPTEMBER 7, 2014

<u>GRADE</u>	<u>RANK</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>LONGEVITY*</u>
C1	CORRECTIONAL SHIFT COMMANDER (LT)	\$60,674	\$98,223	\$101,170
C2	CORRECTIONAL TEAM LEADER (CAPT)	\$66,742	\$108,045	\$111,286

* Completion of 20 Years Service

FY15 Notes:

- FY15 GWA is 3.25% for Uniformed Correctional Management

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**MONTGOMERY COUNTY GOVERNMENT
CORRECTIONAL OFFICER
UNIFORM SALARY SCHEDULE**

PROPOSED FISCAL YEAR 2015

EFFECTIVE SEPTEMBER 7, 2014

<u>STEP</u>	<u>YEAR</u>	<u>CO I</u>	<u>CO II</u>	<u>CO III</u>	<u>SGT</u>
1	0	\$43,216	\$45,377	\$49,915	\$55,157
2	1	\$44,729	\$46,966	\$51,663	\$57,088
3	2	\$46,295	\$48,611	\$53,472	\$59,087
4	3	\$47,916	\$50,313	\$55,344	\$61,155
5	4	\$49,594	\$52,074	\$57,282	\$63,296
6	5	\$51,331	\$53,898	\$59,287	\$65,512
7	6	\$53,128	\$55,785	\$61,363	\$67,805
8	7	\$54,988	\$57,738	\$63,511	\$70,179
9	8	\$56,912	\$59,760	\$65,734	\$72,635
10	9	\$58,905	\$61,852	\$68,036	\$75,178
11	10	\$60,967	\$64,017	\$70,418	\$77,810
12	11	\$63,101	\$66,259	\$72,883	\$80,534
13	12		\$68,579	\$75,434	\$83,353
14	13				\$86,271
15	14-20				\$89,291
L1*	21+	\$64,994	\$70,636	\$77,697	\$91,970

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

Starting salary for Correctional Officer 1 (Private) is \$43,216

FY15 Notes:

- FY15 GWA is 3.25% for Correctional Officers
- Correctional Officer salaries may not correspond to years of service as listed on the salary schedule.

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**MONTGOMERY COUNTY GOVERNMENT
GENERAL SALARY SCHEDULE**

PROPOSED FISCAL YEAR 2015

EFFECTIVE SEPTEMBER 7, 2014

GRADE	MINIMUM	MIDPOINT	MAXIMUM	PERFORMANCE LONGEVITY MAXIMUM*
5	\$25,840	\$32,879	\$39,917	\$40,715
6	\$26,830	\$34,205	\$41,580	\$42,412
7	\$27,875	\$35,617	\$43,359	\$44,226
8	\$28,960	\$37,146	\$45,331	\$46,238
9	\$30,104	\$38,755	\$47,406	\$48,354
10	\$31,312	\$40,478	\$49,644	\$50,637
11	\$32,577	\$42,278	\$51,979	\$53,019
12	\$33,898	\$44,167	\$54,435	\$55,524
13	\$35,294	\$46,156	\$57,017	\$58,157
14	\$36,762	\$48,247	\$59,731	\$60,926
15	\$38,296	\$50,434	\$62,571	\$63,822
16	\$39,932	\$52,747	\$65,561	\$66,872
17	\$41,744	\$55,221	\$68,698	\$70,072
18	\$43,657	\$57,826	\$71,994	\$73,434
19	\$45,716	\$60,583	\$75,449	\$76,958
20	\$47,867	\$63,474	\$79,081	\$80,663
21	\$50,135	\$66,514	\$82,893	\$84,551
22	\$52,507	\$69,703	\$86,898	\$88,636
23	\$55,006	\$73,058	\$91,109	\$92,931
24	\$57,625	\$76,570	\$95,515	\$97,425
25	\$60,371	\$80,261	\$100,150	\$102,153
26	\$63,265	\$84,143	\$105,021	\$107,121
27	\$66,275	\$88,205	\$110,134	\$112,337
28	\$69,252	\$92,377	\$115,501	\$117,811
29	\$72,375	\$96,755	\$121,134	\$123,557
30	\$75,660	\$101,358	\$127,056	\$129,597
31	\$79,108	\$106,188	\$133,268	\$135,933
32	\$82,722	\$110,035	\$137,347	\$140,094
33	\$86,522	\$113,975	\$141,428	\$144,257
34	\$90,513	\$118,013	\$145,512	\$148,422
35	\$94,706	\$122,149	\$149,592	\$152,584
36	\$99,108	\$126,392	\$153,675	\$156,749
37	\$103,724	\$130,739	\$157,753	\$160,908
38	\$108,574	\$134,978	\$161,381	\$164,609
39	\$113,666	\$138,712	\$163,758	\$167,033
40	\$119,015	\$142,573	\$166,131	\$169,454

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

FY15 Notes:

FY15 GWA is 3.25% for General Salary Schedule employees

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**MONTGOMERY COUNTY GOVERNMENT
MANAGEMENT LEADERSHIP SERVICE
SALARY SCHEDULE**

PROPOSED FISCAL YEAR 2015

EFFECTIVE SEPTEMBER 7, 2014

<u>PAY BAND</u>	<u>MLS LEVEL</u>	<u>MINIMUM</u>	<u>CONTROL POINT</u>	<u>MAXIMUM</u>
M1	MANAGEMENT LEVEL I	\$96,187	\$163,374	\$170,839
M2	MANAGEMENT LEVEL II	\$84,113	\$145,834	\$152,692
M3	MANAGEMENT LEVEL II	\$72,261	\$126,095	\$132,076

FY15 Notes:

- FY15 GWA is 3.25% for Management Leadership Service employees
- FY15 salary schedule increased by 6.75% over the FY14 salary schedule

**MONTGOMERY COUNTY GOVERNMENT
MEDICAL DOCTORS
SALARY SCHEDULE**

PROPOSED FISCAL YEAR 2015

EFFECTIVE SEPTEMBER 7, 2014

<u>GRADE</u>	<u>MEDICAL JOB CLASS</u>	<u>MINIMUM</u>	<u>MID-POINT</u>	<u>MAXIMUM</u>
MD I	MEDICAL DOCTOR I	\$100,948	\$127,239	\$153,529
MD II	MEDICAL DOCTOR II	\$111,040	\$139,961	\$168,881
MD III	MEDICAL DOCTOR III	\$122,144	\$153,956	\$185,767
MD IV	MEDICAL DOCTOR IV	\$134,359	\$169,352	\$204,344

Medical job class designation is based upon the requirements of the position

- MD I - Not eligible for Board Certification
- MD II - Board Eligible
- MD III - Board Certified
- MD IV - Board Certified in a sub-specialty

FY15 Notes:

- FY15 GWA is 3.25% for Medical Doctors

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The following article appears in the March 2014 MCREA Retiree Newsletter, to be mailed to retirees by March 14, 2014.

PRESCRIPTION PLAN CHANGES FOR RETIREES AND COVERED FAMILY MEMBERS WHO ARE MEDICARE ELIGIBLE

Montgomery County Government has decided to embrace Medicare Prescription Drug coverage, known as Medicare Part D, because it will save the County \$12 million in funding the Other Post Employment Benefits (OPEB) trust. There will be minimal cost and plan changes for most retirees.

This change will affect those in the CVS/Caremark prescription plans and the CareFirst Indemnity plan. It will not impact Kaiser members. The details of how the drug coverage in the Indemnity plan will be integrated with medical coverage are still being worked out.

Please do not call the OHR Health Insurance Team (formerly the Benefits Team) or MCREA about this change. We are providing you with all of the information that is available at this time. As additional details are available, the OHR Health Insurance Team and CVS/Caremark will communicate them to you throughout the year.

Retirees who are eligible for Medicare, regardless of age will begin participating in Part D (as our primary drug coverage) starting January 1, 2015. The County plan will change to offer supplemental coverage known as a "wrap" because it wraps around Part D as a supplement, and covers the "donut hole" of Part D. It will be a plan customized for us.

Making this change to Part D is complex. The County is trying to minimize the impact on retirees. More information will be sent to you by the OHR Health Insurance Team and CVS/Caremark throughout the year as more details are known. The Fall Open Enrollment packet will contain the new plan information.

The Medicare Part D plan allows you to opt out if you wish. **Please note that if you opt out of the County's Part D Medicare prescription plan, you will not be eligible for coverage by any of the County's prescription plans and you will have to obtain prescription coverage elsewhere.**

How will the new plan work? CVS/Caremark has a prescription drug insurer who provides Part D coverage, known as "SilverScript". You can go on the web and look it up but remember that the plans that are shown are not the final plans for the County retirees and covered family members who are Medicare eligible. Our plan will be customized for us.

The County has contracted with CVS/Caremark/SilverScript to administer this program. They will be responsible for enrolling plan participants in Part D and administering both Part D and the County's supplemental prescription drug plan. CVS/Caremark and SilverScript will work together to process claims for both the Medicare Part D and the County's supplemental prescription drug plan. This includes responding to questions about both plans.

At Open Enrollment you can still choose the High or Standard option for your Prescription plan. Later, you will receive a SilverScript prescription card that you will show at a pharmacy to obtain your prescriptions. You will pay only for your co-pay. You will receive a monthly benefit statement for each month that you have had a prescription filled.

Will the cost of the County's plans go down? Probably not, because you will be paying the County for both the cost of Part D and the County's supplemental plan since they go together. The implementation of this plan may help to stabilize future increases.

Can I sign up for Part D on my own? Yes, you can get Part D coverage on your own through the Medicare individual market, but you will not get the County's supplemental prescription drug program. The County's drug coverage is deemed "Creditable Coverage" so anyone opting out of the County's plan will not be penalized for signing up for Part D on their own. But remember that if you opt out of the County's Part D plan, you will have no coverage through the County's CVS Caremark/SilverScript plans.

What about the donut hole in Part D? The County's supplemental plan covers that. Also, as part of the Affordable Care Act, the donut hole will be phased out by 2020.

Will I have to deal with the Social Security bureaucracy? No. All claims, questions, and appeals will be handled by staff at SilverScript. However, if you think you will qualify for low income subsidies that are available under a Part D plan (including the County's Part D plan) you will need to apply for that low income assistance through the Social Security Administration.

What if I am not 65 years old yet? If you are not Medicare eligible, the County's current prescription drug plans will still be in effect. If you are under age 65 and eligible for Medicare, you will be enrolled in the County's Part D plan.

If I have high income will I have to pay more? Yes, following Medicare guidelines, if you are paying an "income-related monthly adjusted amount" for Medicare Part B coverage, you will also pay a higher premium for Part D. Any extra cost will be deducted from your Social Security benefit or you will be billed directly by Medicare. See Section 6 page 91 in your Medicare & You 2014 booklet.

Is there a subsidy if I am in a lower income bracket? Yes, if you qualify. For a single person in 2014, the income must be less than \$17,235 and resources less than \$13,300 a year. See Section 7 page 103 in your Medicare & You 2014 booklet.

Will I have to use CVS pharmacies? No, there will be a network of pharmacies including CVS for you to use as well as the mail order option.

I am in the Indemnity Plan, what happens to me? Details for this change are in process. OHR is getting legal advice from several sources on how to handle this, since the medical and prescription components in the Indemnity Plan are treated as one.

I do not live in the U.S., what do I do? The Health Insurance Team is working on a solution for retirees living outside the United States and Medicare eligible areas.

Is there more information? This is a complex change and details are still being worked out. MCREA knows that this is an important change and wants to make sure you know what we have learned.

Will Open Enrollment be at the same time? Yes, but you will begin receiving information related to this change much earlier. The Health Insurance Team is hoping to begin communications this spring. There will be special information sessions on just the Prescription Drug Plan and Part D. Plus, special information brochures will be prepared for this and mailed out as soon as possible.

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Are we the only County agency doing this? No. Montgomery County Public Schools will implement their integrated Part D plan beginning January 2015, creating an estimated savings of \$36 million in the County's OPEB trust.

For more information:

A presentation is scheduled by OHR and their consultants from AonHewitt to the County Council's subcommittees, Government Operations and Health and Human Services, on **Thursday, March 27th at 2:00 p.m.**

(1) Follow the meeting on your computer live or from the archives at <http://www.montgomerycountymd.gov/council/OnDemand/index.html>.

(2) Watch it on the County's cable channel, at Comcast/RCN channel 6 and Verizon channel 30.

(3) On and/or after Monday, March 24th review the Council's briefing packet at www.montgomerycountymd.gov/council/packet/index.html; the packet is titled "Update-Procurement of 2014 Medical and Prescription plans".

(4) **Attend MCREA's Annual Meeting, Wednesday, June 4, 2014, 7 - 9 p.m.** See front page of this newsletter for details. Also check MCREA's website for updates as they become available.

EMPLOYEE HEALTH BENEFITS SELF INSURANCE FUND

FY15-20 FISCAL PROJECTION							
	Estimate - FY14	Projected - FY15	Projected - FY16	Projected - FY17	Projected - FY18	Projected - FY19	Projected - FY20
BEGINNING BALANCE	28,462,072	20,224,977	10,241,911	11,152,485	12,144,464	13,214,854	14,411,034
REVENUES							
Premium Contributions	154,710,222	161,807,453	180,673,107	196,594,511	213,890,844	233,253,406	254,534,726
Premium Contributions: Retiree Insurance NDA	32,462,450	32,462,450	42,701,914	46,489,468	50,594,697	55,182,696	60,204,228
Investment Income	-	-	-	212,016	296,676	395,499	510,143
TOTAL REVENUES	187,172,672	194,269,903	223,375,021	243,295,995	264,782,217	288,831,601	315,249,097
FUND TRANSFER TO THE GENERAL FUND	(8,682,636)						
TOTAL FUNDS AVAILABLE	206,952,108	214,494,880	233,616,932	254,448,480	276,926,681	302,046,455	329,660,132
EXPENDITURES							
Claims, Premiums, & Carrier Administration	183,761,848	201,375,407	219,443,007	239,131,504	260,380,689	284,137,726	310,261,581
Actives	121,651,152	133,775,160	145,690,735	158,677,338	172,647,520	188,393,653	205,721,651
Retirees	62,110,697	67,600,246	73,752,272	80,454,166	87,733,168	95,744,074	104,539,930
In-house expenses	2,965,282	2,877,562	3,021,440	3,172,512	3,331,138	3,497,695	3,672,579
TOTAL EXPENDITURES	186,727,130	204,252,969	222,464,447	242,304,016	263,711,826	287,635,421	313,934,160
ENDING BALANCE	20,224,977	10,241,911	11,152,485	12,144,464	13,214,854	14,411,034	15,725,971
TARGET FUND BALANCE (5% OF EXPENDITURES)	9,336,360	10,212,650	11,123,220	12,115,200	13,185,590	14,381,770	15,696,710
ENDING BALANCE AS % OF EXPENDITURES	10.8%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

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Compensation and Employee Benefits Adjustments

This NDA contains a General Fund and a non-tax appropriation, and provides funding for certain personnel costs related to adjustments in employee and retiree benefits, pay-for-performance awards for employees in the Management Leadership Service and non-represented employees, deferred compensation management, and unemployment insurance.

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

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

Management Leadership Service Performance-Based Pay Awards: In FY99, the County implemented the Management Leadership Service (MLS) which includes high level County employees with responsibility for developing and implementing policy and managing County programs and services. The MLS was formed for a number of reasons, including improving the quality and effectiveness of service delivery through management training, performance accountability, and appropriate compensation; providing organizational flexibility to respond to organizational needs; allowing managers to seek new challenges; and developing and encouraging a government-wide perspective among the County's managers. MLS employees are not eligible for service increments. Performance-Based awards for MLS employees are funded in FY15.

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

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	2,549,342	0.88
Increase Cost: MLS Pay for Performance - Non-Tax Supported	21,428	0.00
Increase Cost: FY15 Compensation Adjustment	4,442	0.00
Decrease Cost: Deferred Compensation Management	-27,752	0.20
Decrease Cost: MLS Pay for Performance - Tax Supported	-140,446	0.00
FY15 CE Recommended	2,407,014	1.08

Consolidated Retiree Health Benefits Trust (MCPS)

This NDA provides consolidated funding for Montgomery County Public Schools' contribution to the Retiree Health Benefits Trust.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	83,700,000	0.00
Decrease Cost: Implementation of Medicare Part D Employer Group Waiver Program for Medicare eligible retirees/survivors effective January 1, 2015	-25,393,000	0.00
FY15 CE Recommended	58,307,000	0.00

Consolidated Retiree Health Benefits Trust (Montgomery College)

This NDA provides consolidated funding for Montgomery College's contribution to the Retiree Health Benefits Trust.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	2,372,000	0.00
Decrease Cost: Implementation of Medicare Part D Employer Group Waiver Program for Medicare eligible retirees/survivors effective January 1, 2015	-398,000	0.00
FY15 CE Recommended	1,974,000	0.00

Group Insurance for Retirees

Group insurance is provided to an estimated 5,098 retired County employees and survivors, as well as retirees of participating outside agencies. Employees hired before January 1, 1987, are eligible upon retirement to pay 20 percent of the premium for health and life insurance for the same number of years (after retirement) that they were eligible to participate in the group insurance plan as an active employee. The County government pays the remaining 80 percent of the premium. Thereafter, these retirees pay 100 percent of the premium. Employees hired before January 1, 1987, are also offered the option at retirement to convert from the 20/80 arrangement to a lifetime cost sharing option.

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

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

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

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	32,462,450	0.00
FY15 CE Recommended	32,462,450	0.00

Montgomery County Employee Retirement Plans

The mission of this NDA is to manage prudent investment programs for the members of the Employee Retirement Plans and their beneficiaries. Expenditures associated with this program are funded from the Employees' Retirement System (ERS), Retirement Savings Plan (RSP), and the General Fund on behalf of the Montgomery County Deferred Compensation Plan (DCP) trust funds and are, therefore, not appropriated here. This NDA manages the assets of the ERS through its investment managers in accordance with the Board's asset allocation strategy and investment guidelines. The Board also administers the investment programs for the RSP and DCP. The Board consists of 13 trustees including the Directors of Human Resources, Finance, and Management and Budget; the Council Administrator; one member recommended by each employee organization; one active employee not represented by an employee organization; one retired employee; two members of the public recommended by the County Council; and two members of the general public.

Program Performance Measures	Actual FY12	Actual FY13	Estimated FY14	Target FY15	Target FY16
ERS - Rate of return - used to compare to the 7.5% Actuarial Assumed Return	5.30%	13.07%	N/A	N/A	N/A
ERS - Return in excess of the total fund benchmark (passive indices)	(.08)%	2.19%	2.00%	2.00%	2.00%
RSP & DCP - Percentage of funds offered that are ranked at or above over a market cycle	80%	N/A	N/A	N/A	N/A
RCP & DCP - Fees for fund offerings are at or below the median fees charged	98%	N/A	N/A	N/A	N/A

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	0	0.00
FY15 CE Recommended	0	0.00

Retiree Health Benefits Trust

Consolidated Retiree Health Benefits Trust: Beginning in FY08, the County implemented a plan to set aside funds for retiree health benefits, similar to the County's 50 year-old practice of prefunding for retiree pension benefits. The reasons for doing this are simple: Due to exponential growth in expected retiree health costs, the cost of funding these benefits, which were being paid out as the bills came due, would soon become unaffordable. Setting aside money now and investing it in a Trust Fund, which is invested in a similar manner as the pension fund, not only is a prudent and responsible approach, but will result in significant savings over the long term.

As a first step in addressing the future costs of retiree health benefits, County agencies developed current estimates of the costs of health benefits for current and future retirees. These estimates, made by actuarial consultants, concluded that the County's total future cost of retiree health benefits if paid out today, and in today's dollars, is \$1.5 billion – approximately twenty-nine percent of the total FY15 budget for all agencies.

One approach used to address retiree health benefits funding is to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health benefits and any accrued interest on unfunded liability. This amount, known as an Annual OPEB Cost or "AOC", is estimated at \$104.9 million. This amount consists of two pieces – the annual amount the County would usually pay out for health benefits for current retirees (the pay as you go amount), plus the additional amount estimated as needed to fund retirees' future health benefits (the pre-funding portion). The pay as you go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis.

The County has committed to an approach of "ramping up" to the AOC amount over several years, with the amount set aside each year increasing steadily until the full AOC is reached. A total of \$31.9 million for all tax supported agencies was budgeted for this purpose in FY08. In May 2008, the County Council passed resolution No. 16-555 which confirmed an eight-year phase-in approach

to the AOC. Consistent with this approach and based on the County's economic situation, the County contributed \$14.0 million to the Trust in FY08, \$19.7 million in FY09, \$3.3 million in FY10, and \$7.3 million in FY11. Due to fiscal constraints, the County did not budget a contribution for the General Fund in FY10 and FY11, but did resume contributions in FY12. For FY12, the County contributed \$26.1 million from the General Fund to the Retiree Health Benefits Trust. In addition, on June 26, 2011, the County Council enacted Bill 17-11 which established the Consolidated Retiree Health Benefits Trust. The bill amended existing law and provided a funding mechanism to pay for other post employment benefits for employees of Montgomery County Public Schools and Montgomery County College. In FY12, the County appropriated \$20 million and \$1 million for contributions on behalf of MCPS and the College, respectively. In FY13, these contributions were \$41.4 million (County General Fund), \$58.9 million (MCPS Consolidated Trust), and \$1.8 million (Montgomery College Consolidated Trust). In FY14, these contributions were \$51.3 million (County General Fund), \$87.8 million (MCPS Consolidated Trust), and \$2.5 million (Montgomery College Consolidated Trust). The Council and the Executive have mutually committed to the County's rating agencies to achieve full pre-funding by FY15. These contributions satisfy that commitment. In FY15, the County and all other agencies will implement the Medicare Part D Employer Group Waiver Program for Medicare eligible retirees/survivors effective January 1, 2015. This will reduce retiree drug insurance costs and the County's OPEB liability.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	48,902,589	0.00
Decrease Cost: Implementation of Medicare Part D Employer Group Waiver Program for Medicare eligible retirees/survivors effective January 1, 2015	-10,325,109	0.00
FY15 CE Recommended	38,577,480	0.00

State Positions Supplement

This NDA provides for the County supplement to State salaries and fringe benefits for secretarial assistance for the resident judges of the Maryland appellate courts.

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	44,662	0.00
Increase Cost: Annualization of FY14 Personnel Costs	16,094	0.00
FY15 CE Recommended	60,756	0.00

State Retirement Contribution

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

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

FY15 Recommended Changes	Expenditures	FTEs
FY14 Approved	1,192,180	0.00
Increase Cost: Adjustment to Reflect Actuarial Schedule	59,423	0.00
FY15 CE Recommended	1,251,603	0.00

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Consolidated Retiree Health Benefits Trust: Beginning in FY08, the County implemented a plan to set aside funds for retiree health benefits, similar to the County's 50 year-old practice of prefunding for retiree pension benefits. The reasons for doing this are simple: Due to exponential growth in expected retiree health costs, the cost of funding these benefits, which were being paid out as the bills came due, would soon become unaffordable. Setting aside money now and investing it in a Trust Fund, which is invested in a similar manner as the pension fund, not only is a prudent and responsible approach, but will result in significant savings over the long term.

As a first step in addressing the future costs of retiree health benefits, County agencies developed current estimates of the costs of health benefits for current and future retirees. These estimates, made by actuarial consultants, concluded that the County's total future cost of retiree health benefits if paid out today, and in today's dollars, is \$1.5 billion – approximately twenty-nine percent of the total FY15 budget for all agencies.

Proposed FY15 Consolidated Retiree Health Benefits Trust Contributions	
Montgomery County Government (MCG)	FY15
<i>General Fund:</i>	
Retiree Health Benefits Trust NDA	\$38,577,480
<i>Proprietary Funds:</i>	
Bethesda Parking District	\$139,100
Wheaton Parking District	14,390
Silver Spring Parking District	95,930
Solid Waste Collection	19,190
Solid Waste Disposal	359,730
Liquor Control	1,520,450
Permitting Services	940,100
Community Use of Public Facilities	129,500
Motor Pool	964,080
Risk Management	47,960
Central Duplicating	143,890
<i>Participating Agency Contributions</i>	\$1,682,200
Total MCG Trust Contributions	\$44,634,000
Consolidated Trust: Montgomery County Public Schools	\$58,307,000
Consolidated Trust: Montgomery College	\$1,974,000
Park and Planning Commission Trust Fund*	\$1,861,962
Total Contributions/Assets Held in Trust	\$106,776,962

* MNCPPC's contribution from tax supported funds is \$1,789,414

One approach used to address retiree health benefits funding is to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health benefits and any accrued interest on unfunded liability. This amount, known as an Annual OPEB Cost or "AOC", is estimated at \$104.9 million. This amount consists of two pieces – the annual amount the County would usually pay out for health benefits for current retirees (the pay as you go amount), plus the additional amount estimated as needed to fund retirees' future health benefits (the pre-funding portion). The pay as you go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis.

The County has committed to an approach of "ramping up" to the AOC amount over several years, with the amount set aside each year increasing steadily until the full AOC is reached. A total of \$31.9 million for all tax supported agencies was budgeted for this purpose in FY08. In May 2008, the County Council passed resolution No. 16-555 which confirmed an eight-year phase-in approach to the AOC. Consistent with this approach and based on the County's economic situation, the County contributed \$14.0 million to the Trust in FY08, \$19.7 million in FY09, \$3.3

million in FY10, and \$7.3 million in FY11. Due to fiscal constraints, the County did not budget a contribution for the General Fund in FY10 and FY11, but did resume contributions in FY12. For FY12, the County contributed \$26.1 million from the General Fund to the Retiree Health Benefits Trust. In addition, on June 26, 2011, the County Council enacted Bill 17-11 which established the Consolidated Retiree Health Benefits Trust. The bill amended existing law and provided a funding mechanism to pay for other post employment benefits for employees of Montgomery County Public Schools and Montgomery County College. In FY12, the County appropriated \$20 million and \$1 million for contributions on behalf of MCPS and the College, respectively. In FY13, these contributions were \$41.4 million (County General Fund), \$58.9 million (MCPS Consolidated Trust), and \$1.8 million (Montgomery College Consolidated Trust). In FY14, these contributions were \$51.3 million (County General Fund), \$87.8 million (MCPS Consolidated Trust), and \$2.5 million (Montgomery College Consolidated Trust). A detailed breakdown of FY15 recommended contributions to the Consolidated Retiree Health Benefit Trust for County Government tax supported agencies, participating agencies, Montgomery County Public Schools, and Montgomery College is displayed in the table above. The Council and the Executive have mutually committed to the County's rating agencies to

achieve full pre-funding by FY15. These contributions satisfy that commitment. In FY15, the County and all other agencies will implement the Medicare Part D Employer Group Waiver Program for Medicare eligible retirees/survivors effective January 1, 2015. This will reduce retiree drug insurance costs and the County's OPEB liability.

PROPOSED OPERATING BUDGET DEFERRED COMPENSATION MANAGEMENT							
ITEM	FY13 APPR	FY13 ACT	FY14 APPR	FY14 EST	FY15 REC	FY15 vs. FY14 Appr.	
						\$ Change	% Change
EXPENSES							
Salaries and Benefits	91,873	115,224	125,700	128,000	102,390	(23,310)	(18.5%)
Professional Services	5,500	20,944	5,000	12,200	3,085	(1,915)	(38.3%)
Due Diligence/Education	1,000	1,029	2,000	2,100	2,000	0	0.0%
Office Management	5,310	3,988	6,700	6,550	6,650	(50)	(0.7%)
Investment Management	9,000	7,780	9,000	9,000	9,000	0	0.0%
TOTAL EXPENSES	\$112,683	\$148,965	\$148,400	\$157,850	\$123,125	(\$25,275)	(17.0%)

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

PROPOSED OPERATING BUDGET RETIREE HEALTH BENEFIT TRUST							
ITEM	FY13 APPR	FY13 ACT	FY14 APPR	FY14 EST	FY15 REC	FY15 vs. FY14 Appr.	
						\$ Change	% Change
EXPENSES							
Salaries and Benefits	89,470	116,400	211,110	241,110	269,920	58,810	27.9%
Professional Services	75,000	34,593	75,000	76,000	152,500	77,500	103.3%
Due Diligence/Education	6,000	14,247	48,000	48,000	48,000	0	0.0%
Office Management	1,200	3,347	9,400	9,400	15,000	5,600	59.6%
Investment Management	308,000	388,744	1,500,000	1,500,000	2,710,000	1,210,000	80.7%
TOTAL EXPENSES	\$479,670	\$557,331	\$1,843,510	\$1,874,510	\$3,195,420	\$1,351,910	73.3%

PROPOSED OPERATING BUDGET EMPLOYEES' RETIREMENT SYSTEM							
ITEM	FY13 APPR	FY13 ACT	FY14 APPR	FY14 EST	FY15 REC	FY15 vs. FY14 Appr.	
						\$ Change	% Change
REVENUE							
Contributions	139,600,000	152,741,951	146,400,000	154,800,000	143,900,000	(2,500,000)	(1.7%)
Investment Income	227,000,000	324,135,736	241,000,000	324,000,000	261,000,000	20,000,000	8.3%
Miscellaneous Income	735,000	1,472,011	950,000	1,000,000	950,000	0	0.0%
TOTAL REVENUE	367,335,000	478,349,698	388,350,000	479,800,000	405,850,000	17,500,000	4.5%
EXPENSES							
OPERATING EXPENSES							
Retirement Benefits	226,000,000	210,728,841	245,000,000	245,000,000	254,500,000	9,500,000	3.9%
Investment Management	21,200,000	17,748,344	23,000,000	23,000,000	25,000,000	2,000,000	8.7%
SUBTOTAL	247,200,000	228,477,185	268,000,000	268,000,000	279,500,000	11,500,000	4.3%
ADMINISTRATIVE EXPENSES							
Salaries and Benefits	1,654,200	1,501,163	1,582,700	1,595,000	1,785,000	202,300	12.8%
Professional Services	813,933	648,599	895,900	909,050	942,400	46,500	5.2%
Benefit Processing	375,000	122,241	130,000	130,000	140,000	10,000	7.7%
Due Diligence/Education	55,500	28,695	64,700	62,700	63,700	(1,000)	(1.5%)
Office Management	240,887	100,298	99,300	98,700	103,000	3,700	3.7%
SUBTOTAL	3,139,520	2,400,996	2,772,600	2,795,450	3,034,100	261,500	9.4%
TOTAL EXPENSES	\$250,339,520	\$230,878,181	\$270,772,600	\$270,795,450	\$282,534,100	11,761,500	4.3%
NET REVENUE	\$116,995,480	\$247,471,517	\$117,577,400	\$209,004,550	\$123,315,900	5,738,500	4.9%

PROPOSED OPERATING BUDGET RETIREMENT SAVINGS PLAN							
ITEM	FY13 APPR	FY13 ACT	FY14 APPR	FY14 EST	FY15 REC	FY15 vs. FY14 Appr.	
						\$ Change	% Change
REVENUE							
Investment Income	1,500	0	20	600	600	580	2900.0%
Miscellaneous Income	240,000	353,400	90,000	235,000	235,000	145,000	161.1%
TOTAL REVENUE	241,500	353,400	90,020	235,600	235,600	145,580	161.7%
EXPENSES							
OPERATING EXPENSES							
Investment Management	9,000	7,780	9,000	9,000	9,000	0	0.0%
SUBTOTAL	9,000	7,780	9,000	9,000	9,000	0	0.0%
ADMINISTRATIVE EXPENSES							
Salaries and Benefits	205,460	136,663	157,400	166,000	200,000	42,600	27.1%
Professional Services	89,500	61,477	89,200	87,200	79,700	(9,500)	(10.7%)
Due Diligence/Education	2,000	1,029	2,000	2,100	2,000	0	0.0%
Office Management	23,430	1,883	6,700	6,550	6,650	(50)	(0.7%)
SUBTOTAL	320,390	201,052	255,300	261,850	288,350	33,050	12.9%
TOTAL EXPENSES	\$329,390	\$208,832	\$264,300	\$270,850	\$297,350	33,050	12.5%

Source: Montgomery County Employee Retirement Plans.

County Awards Summary (FY2014)

Run Date: 03/26/2014

Department	Annual Leave (hrs)	Award Amount							Recruitment Annual Leave (hrs)	Sick Leave Bonus (hrs)	Physical Training Test (PTT)
		Emp. of the Year	Recognition		Automotive Services Excellence (ASE)		Recruitment	Total			
			Cash	Non-Cash	Exam	Master					
01 - County Council	1,014										
16 - Community Engagement Cluster	80										
30 - County Attorney	120										
31 - Management & Budget		\$200						\$200			
32 - Finance	32	\$1,250	\$200					\$1,450			
34 - Technology Services	40										
36 - General Services	479		\$400		\$91,100	\$89,000		\$180,500			
39 - Consumer Protection	160										
42 - Correction & Rehabilitation	1,264						\$5,500	\$5,500			
45 - Fire/Rescue Services	200										
47 - Police	3,740						\$500	\$500	640		
48 - Sheriff	476								480	344	
49 - Emergency Mgmt & Homeland Security	16										
50 - Transportation	716	\$19,500						\$19,500			
60 - Health & Human Services	464										
70 - Community Use Public Facilities	168		\$100					\$100			
75 - Permitting Services	80	\$250	\$1,200					\$1,450			
76 - Housing & Community Affairs	24										
78 - Economic Development	130										
80 - Environmental Protection	80										
85 - Liquor Control		\$750						\$750			
Total	9,283	\$21,950	\$1,900		\$91,100	\$89,000	\$6,000	\$209,950	640	480	344

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