AGENDA ITEM #4A
April 28, 2015

MEMORANDUM

April 24, 2015

TO: County Council

FROM: Stephen B. Farber, Council Administrator SBF

SUBJECT: **Action** – Compensation and Benefits for All Agencies

This memo outlines the **unanimous recommendations** on compensation and benefits for all agencies made by the Government Operations and Fiscal Policy Committee on April 23. For ease of reference, the packet from the April 23 Committee meeting is attached to this memo.

1. FY16 Allocations for Retirement (see pages 5-6, 15-16, and 18-21)

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 Guaranteed Retirement Income 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. **Committee recommendations:**

- Approve the recommended total FY16 County contributions of **$127.40 million** for the ERS, **$18.83 million** for the RSP, and **$5.47 million** for the GRIP (tax supported and non-tax supported) listed on pages 15-16.

- Approve the recommended FY16 administrative and operating budgets of the ERS, the RSP, the DCP, and the CRHBT listed on pages 19-21.

- Continue to monitor the funded ratio of the agencies' pension funds listed on page 6.

Note: Senior Legislative Attorney Drummer's packet (Agenda Items #4B, C & D) addresses retirement issues related to collective bargaining with MCGEO. These include a proposed new Deferred Retirement Option Plan (DROP) for sworn deputy sheriffs and uniformed corrections officers and changes in the RSP and the GRIP. Committee recommendations on these issues are included in that packet.

2. FY16 Group Insurance (see pages 7-12 and 16-17)

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

- Support the agencies' FY16 tax supported requests for **active employee** costs listed on page 7.

- Continue to monitor the balances and projections for the agencies' **group insurance funds** listed on page 9.

• Support the recommended funding for County Government's **Employee Health Benefits Self Insurance Fund** ($227.1 million) displayed on ©39.

• Recognize the efforts by **MCPS** in FY15-16 to move toward **harmonizing** the group insurance premium cost share for its active employees with the cost share established by County Government, and support further efforts in this direction.

• Support the Executive's FY16 pay-as-you-go proposal for **retired employees** listed on page 8.

• Support the agencies' FY16 requests for **OPEB pre-funding** listed on page 12.

3. FY16 Pay Changes (see pages 2-5 and 13-15 and ©25)

The Committee reviewed the FY16 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 13-15 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 ©25. Pay changes for M-NCPPC and WSSC will be reviewed with the Prince George's County Council at the bi-county meeting on May 7. **Committee recommendations:**

• Support the FY16 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.[1]

---

[1] In his April 21 memo to the Committee (GO Committee #3), Mr. Drummer outlined the FY16 process for action on the collective bargaining agreements as follows:

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 County 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, 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 its intent 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 by May 10 (unless the May 1 date was extended). On April 18, 2014, the Court of Appeals upheld the Council's authority to unilaterally modify the group insurance and retirement benefit provisions in the FOP collective bargaining agreement after following this statutory process in *FOP Lodge 35 v. Montgomery County,* 437 Md. 618 (2014). The Court held that the Council is not part of the collective bargaining process, is not bound by the collective bargaining agreement, and holds the ultimate power of the purse.

The agreements before the Council this year are with the Fraternal Order of Police (police bargaining unit), the Municipal and County Government Employees Organization (County employees bargaining units), and the International Association of Fire Fighters (fire and rescue employees). Each of these agreements was negotiated in 2015 and takes effect on July 1, 2015. The Council must review each of the provisions of these agreements that requires an appropriation of funds for FY16 or requires a change in law.

• Support the proposed **FY16 salary schedules** listed on ©26-38. 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 7 bi-county meeting with the Prince George's County Council.

• Support funding within the WSSC budget for a $3.7 million allocation to pay changes, as outlined on ©25 and recommended on April 16 by the T&E Committee, with the specific elements to be resolved at the May 7 bi-county meeting.

4. FY16 County Government Compensation-Related NDAs (see pages 17-18 and ©40-42)

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

• Reduce NDA #1 (Compensation and Employee Benefits Adjustments) by **$620,000** to ensure continued consistent treatment of all County employees with regard to the employer/employee group insurance cost share, as outlined on pages 18-19.

• Approve the funding requested for NDAs #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 22-24)

The Committee reviewed the personnel management reviews and similar reports prepared by the agencies. The Committee also reviewed funding requests for the agencies' FY16 **employee awards** and **tuition assistance** programs. **Committee recommendation:**

• Approve the requests outlined on page 24.

f:\farber\16compensation\go comp recommendations cc 4-28-15.doc

GO COMMITTEE #1
April 23, 2015

MEMORANDUM

April 21, 2015

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 FY16 operating budget is to review issues in six areas: (1) budget and compensation context, (2) overview of FY16 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]

GO Committee #3 and #4 on the Committee's agenda also relate 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 25-27. The Council is scheduled to address the Committee's recommendations on April 28.**

1. BUDGET AND COMPENSATION CONTEXT

My packet for the Council's FY16 budget overview discussion on April 14 includes detailed analysis of the budget and compensation context.[2] Key summary points include the following:

1. The Executive's recommended overall FY16 tax supported operating budget (including debt service) is **$4.4079 billion**, up **$51.5 million (1.2%)** from the Council-approved FY15 budget. The total recommended budget (including grants and enterprise funds) is **$5.0678 billion**, up **$72.1 million (1.4%)** from the FY15 approved budget.[3]

---

[1] See http://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2015/150423/20150423_GO2.pdf.
[2] See http://montgomerycountymd.granicus.com/MetaViewer.php?view_id=6&clip_id=9163&meta_id=81351.
[3] See https://reports.data.montgomerycountymd.gov/omb for the complete document.

2. The FY16 recommended budget, reflecting slow revenue growth, is more constrained than the FY13-15 approved budgets. Those budgets, after three grueling years shaped by the Great Recession, made limited restorations to County services that had suffered deep reductions in FY09-12. **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 FY14-15 recommended budgets was the Executive's approach to employee compensation.** The recession-driven FY10-13 period was difficult for County employees: no general wage adjustments (GWAs, or COLAs) 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 not added to base salaries. These measures helped the County manage large position cuts with almost no layoffs.

4. The Executive's agreements with the County unions – UFCW Local 1994/MCGEO, FOP Lodge 35, and IAFF Local 1664 – in 2013 included both general wage adjustments and service increments. For employees eligible for both (and for full or partial make-up steps for the FOP and IAFF), the increases in FY14 and again in FY15 were 6.75% for MCGEO, 7.35% for the FOP, and 9.75% for the IAFF. The Council approved funding for the agreements in both years. In 2013, OMB projected the cost for all provisions, including pass-through to non-represented employees, at $31.6 million in FY14, $73.7 million in FY15, and $85.1 million in FY16.

5. **The Executive's agreements with the three unions for FY16 build on these increases.** The key economic provisions are a 2.0% general wage adjustment in July 2015 (passed through to non-represented employees) and a 3.5% service increment and longevity increments for all eligible employees (about two-thirds of the total). The GWA will cost $16.2 million; the increments will cost $7.6 million. These costs are partly offset by a $9.9 million decrease in benefit costs, with retirement down $12.5 million, chiefly because of improved pension fund investment returns, and group insurance up $2.6 million. See the analysis in sections 2 and 3 below. The agreement with MCGEO also includes a Deferred Retirement Option Program (DROP) for sworn deputy sheriffs and uniformed correctional officers. DROPs for the fire and police bargaining units were first enacted in 1999.

5. **For details on pay increases at all agencies, see the analysis on pages 3-5 and the tables on ©1-7 prepared by Ms. Mihill.** The data provide a somewhat more favorable picture for FY16 after the tight restrictions of recent years, but the increases currently projected by most governments are once again smaller than those proposed for County Government employees. See, for example, Ms. Mihill's tables on ©8-12. Fairfax and Arlington counties and Alexandria City Government project modest increases, reflecting the larger relative impact of federal cutbacks and the lack of a local income tax in Virginia. Prince George's County is an outlier this year: as part of his ambitious school funding plan, the County Executive has proposed five furlough days and a cut of 100 positions for County employees. The State projects no step increase and the **loss** of a 2.0% increase that took effect on January 1, 2015. For federal employees, the President recommends a step increase and a 1.3% GWA, which Congress may reduce.[4]

2. OVERVIEW OF FY16 AGENCY REQUESTS

This section, prepared by Mr. Howard and Mr. Trombka, provides an overview of FY16 agency requested pay adjustments and proposed changes to agency retirement and group insurance benefit plans. See ©13-24 for detailed data on FY15 approved and FY16 agency requested compensation costs.

[4] While County Government step increases through the pay scale are annual, federal government step increases are not. See the table on ©12.

Pay Adjustments

County Government: **The Executive recommends 2.0% general wage adjustments and 3.5% service increments for FY16 as negotiated with employee bargaining units.** The Executive will enter into new negotiations with MCGEO, FOP, and IAFF in the fall regarding future year compensation.

County Government FY16 Request			
Employee Group	**General Wage Adjustment (effective 7/12/15)**	**Service Increment[5]**	**Other**
MCGEO	2. 0%	3.5%	• Longevity increments for eligible employees. See table on page 13.
FOP	2.0%	3.5%	
IAFF	2.0%	3.5%	
Non-Represented	2.0%	3.5%	
MLS	2.0%	Eligible for performance-based pay increases in lieu of service increments.	

MCPS: Last year **the Board of Education entered into three-year agreements with its employee bargaining units to provide general wage adjustments and service increments in School Years 2015 through 2017.** The table below shows the major pay adjustments approved by the Board for FY16.

MCPS FY16 Request			
Employee Group	**General Wage Adjustment (effective 10/3/15)**	**Service Increment (effective 10/3/15)**	**Other**
MCEA	2.0%	1.5%-3.7%	• Longevity increments for eligible employees.
MCAAP		2.9%	
SEIU		1.6%-5.2%	

[5] Non-MLS employees will receive their service increment during the first full pay period following an employee's hiring anniversary date. The effective date for MLS performance-based pay increases is July 12, 2015.

Montgomery College: **The College's FY16 budget includes 2.5% general wage adjustments and 3.5% service increments for most full-time employees.**

Montgomery College FY16 Request		
Employee Group	**General Wage Adjustment (effective 7/1/15)**	**Service Increment** [6]
Faculty	2.5%	3.5%
Staff (AFCSME)		
Staff (non-bargaining)		
Administration	2.5%	Eligible for performance-based pay increases of up to 5.5% in lieu of service increments.

In addition, the College's FY16 budget request funds an adjustment in the pay schedules for part-time faculty. Effective the first day of the 2016 academic year, the pay schedule will increase by 5.0% for the Lecturer position, 6.0% for Adjunct Professor I position, and 7.0% for the Adjunct Professor II position.

M-NCPPC: **The Montgomery County portion of the M-NCPPC FY16 budget request includes $2.15 million to adjust compensation for represented employees.** The Commission's recommended budget states that "the FY16 Proposed Budget includes approximately $2 million for potential compensation adjustments for represented employees as required by §16-212 and §16-310 of the Land Use Article, as may be necessary pending labor negotiations, and to adjust non-represented employee compensation. The specific form of employee compensation adjustment will be determined through negotiations, as needed, and presented for approval at the Joint County Council Meeting in May 2015." As shown in the table below, the Commission has an existing negotiated agreement with the FOP that includes both a general wage adjustment and a service increment. The Commission currently is in negotiations with MCGEO.

M-NCPPC FY16 Request		
Employee Group	**General Wage Adjustment**	**Service Increment**
FOP	1.75%	Approx. 3.5%
MCGEO	To be determined through collective bargaining.	
Non-Represented	To be determined.	

[6] For full-time faculty, the service increment is effective on the first day of the 2016 academic year. For bargaining and non-bargaining staff, the service increment is effective the second full pay period in September 2015.

WSSC: **The FY16 WSSC budget request includes $5.8 million for salary enhancements.** The specific pay adjustment will be determined by joint agreement of the Montgomery and Prince George's County Councils. See the description on ©25 by Senior Legislative Analyst Keith Levchenko for more detail on compensation in the FY16 WSSC budget request.

WSSC FY16 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 $5.8 million.		

Retirement Benefits

County Government: The Executive's agreement with MCGEO creates a new Deferred Retirement Option Plan (DROP) for sworn deputy sheriffs and uniformed correctional officers. The proposed new DROP program is discussed in detail in Mr. Drummer's memo to the Council (GO Committee #3). Mr. Drummer's memo also addresses changes in the RSP and the GRIP that are reflected in the arbitration award with MCGEO.

The Executive recommends no other 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.

In 2012 the Maryland General Assembly shifted a portion of the annual funding requirement for the State-run teacher pension system to the counties.[7] The shift of pension costs to the counties was phased in over four years (FY13 through FY16). In FY15, Montgomery County was responsible to contribute $37.8 million to the State-run teacher pension fund. The County's mandated contribution will increase to $44.4 million in FY16.

Montgomery College: The College plans no changes to employee retirement benefits or cost sharing in FY15.

M-NCPPC: M-NCPPC plans no changes to employee retirement benefits in FY16. In FY15, the pension fund contribution made by MCGEO members and non-represented employees (beginning July 1, 2014) and FOP members (beginning March 1, 2015) increased by 0.5% of salary. The employee contribution for FOP employees is scheduled to increase by an additional 0.5% of salary on January 1, 2016. The Commission currently is in contract negotiations with the MCGEO regarding compensation issues, including retirement benefits.

[7] Under the 2012 State law, counties must pay for the normal pension costs going forward. The State remains responsible for costs associated with unfunded pension liability.

WSSC: WSSC plans no changes to employee retirement benefits or cost sharing in FY16.

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) will be required in future years to meet forthcoming liabilities.

Beginning with pension plan valuations conducted last year, the Governmental Accounting Standards Board (GASB) established new accounting standards for the measurement of fund assets and liabilities. GASB Statements #67 and #68, among other things, modify the way public sector pension funds report the value of their assets. The previous GASB standard allowed reporting of assets based on a method known as the "actuarial value of assets (AVA)." The AVA method is a mathematical calculation that measures asset value by considering the long-term performance of fund investments to minimize annual variations. The new GASB standard calls for reporting of assets based on the "market value of assets (MVA)." The MVA method values a fund's assets based on the amount of money the fund would receive if it sold all its investments on the date of the valuation. While the AVA method minimizes the influence of short-term market volatility, GASB adopted the MVA as the reporting standard to "inform financial report users about the effects of market conditions on the pension plan's assets over time and provide information for users to assess the relative success of the pension plan's investment strategy ..."[8]

Given recent.rapid growth in stock and other investment values, pension funded ratios measured by the MVA method have improved significantly over the past year. As a result, current MVA-based funded ratio calculations exceed those resulting from an AVA-based calculation. However, the MVA method produces funded ratios that are highly sensitive to fluctuations in the investment market. A downturn in investment rates of return would cause greater declines in MVA-based funded ratios than in AVA-based calculations.

The table below shows both AVA- and MVA-based funded ratios for agency pension plans.[9] Calculated on a MVA basis, three out of the four agency pension funds have a funded ratio between 90% and 100%. The funded ratio for the MCPS pension fund falls well below that of other County and bi-County agencies.

Agency	Pension Funded Ratios	
	AVA Basis	MVA Basis
County Government	84.2%	92.3%
MCPS	75.6%	81.5%
M-NCPPC (Bi-County)	87.2%	99.3%
WSSC (Bi-County)	93.7%	96.0%

[8] Governmental Accounting Standards Board, http://www.gasb.org/jsp/GASB/Pronouncement_C/GASBSummaryPage&cid=1176160219444

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

Agency Group Insurance Costs in FY16 for Active Employees

The FY16 tax supported request for active employees' group insurance benefits for all agencies totals $355.2 million, an increase of 6.0% from FY15, as shown in the table below. The increase in FY16 primarily reflects projected increases in County Government and MCPS health care claims costs.

FY15 Approved and FY16 Requested Tax Supported Active Employee Group Insurance Costs

Agency	FY15 Approved	FY16 Requested	Percent Change FY15-16
County Government	$81.9 million	$85.2 million	+4.0%
MCPS	$226.2 million	$243.4 million	+7.6%
Montgomery College	$13.8 million	$13.7 million	-0.7%
M-NCPPC	$13.3 million	$12.9 million	-3.0%
Total	**$335.2 million**	**$355.2 million**	+6.0%

County Government: **The Executive recommends no changes to group insurance benefits in FY16.**

MCPS: **The Board of Education's FY16 budget request reflects the second year of a negotiated change in group insurance cost share for active employees phased in over FY15 and FY16.** Effective January 1, 2016, all MCPS employees will pay 12% of the group insurance premium cost for HMO medical plans and 17% of the premium cost for all other plans (POS medical, prescription, dental, and vision), with the potential for 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. Employees (or their covered spouses) who are smokers will pay an additional 3%.

MCPS estimates total agency savings of $13.5 million from these actions in FY16. Despite these savings, MCPS' increase in group insurance costs in FY16 results from projected increases in health benefit claims of approximately 4% and making up for higher than budgeted expenditures in FY15.

Montgomery College: **The College plans no changes to group insurance benefits in FY16.**

M-NCPPC: **M-NCPPC plans no changes to group insurance benefits in FY16.** M-NCPPC attributes its decline in group insurance costs for FY16 to cost share changes enacted in FY14-15 and wellness initiatives. The FY16 budget request notes that "health insurance costs continue to be offset by increased cost share paid by employees for certain health plans and implementation of health and wellness initiatives."[10]

WSSC: WSSC adjusted the employer/employee cost share arrangement in FY15 by increasing the employee portion of the cost share by 1% and is considering similar modifications for FY16. WSSC's rate-supported requests for group insurance in FY16 are $18.6 million for active employees (up 4.3%) and $13.9 million for retired employees (up 3.9%).

[10] M-NCPPC Proposed Annual Budget – Fiscal Year 2016, page 22

Agency Group Insurance Costs in FY16 for Retirees

The FY16 tax supported request for retiree pay-as-you-go group insurance funding totals $44.8 million, a 7.6% decrease from the funding level in FY15. The reduction for FY16 reflects the recommended use of OPEB Trust fund dollars to pay MCPS pay-as-you-go costs (described in greater detail below).

FY15 Approved and FY16 Recommended Retiree Health Pay-As-You-Go Funding by Agency

Agency	FY15 Approved	FY16 Recommended	Percent Change FY15-16
County Government	$32.5 million	$36.8 million	+13.2%
MCPS	$8.4 million	--	-100%
Montgomery College	$3.2 million	$3.3 million	+3.1%
M-NCPPC	$4.4 million	$4.7 million	+6.8%
Total	**$48.5 million**	**$44.8 million**	-7.6%

Unlike FY15, when each of the four tax supported agencies implemented the Medicare Part D Employee Group Waiver Plan (EGWP) plus Wrap prescription drug program for all Medicare-eligible retirees, there are no changes to retiree group insurance benefits in FY16.

MCPS: In FY15, the Council reduced MCPS' tax supported retiree health pay-as-you go funding by $27.2 million, MCPS used its internal OPEB Trust to fund that portion of pay-as-you-go expenditures, and the Council added $27.2 million to MCPS' portion of the Consolidated OPEB Trust to hold MCPS OPEB spending harmless. See page 11 for further detail. The Council and MCPS also agreed to use $13.3 million in retiree group insurance fund balance to pay for FY15 costs.

In FY16, the Board of Education proposes $54.8 million in total retiree pay-as-you-go funding through a combination of drawing down the remaining balance in the MCPS internal OPEB Trust, tax supported County funding, and using funds from MCPS' portion of the Consolidated OPEB Trust as shown in the table below. The Executive's budget does not include any tax supported County funding for MCPS pay-as-you-go expenditures in FY16, and instead recommends using $27.2 million from the Consolidated OPEB Trust. Under the Executive's proposal, MCPS would have $51.2 million in total retiree pay-as-you-go funding, with the entire amount from the MCPS internal OPEB Trust and the Consolidated OPEB Trust. Unlike the Council's action in FY15, the Executive's budget does not replace the expenditures from either Trust.

MCPS FY16 Retiree Pay-As-You-Go Funding: Board Request and CE Recommendation

Board of Education's Request		**Under CE's Proposal**	
• MCPS OPEB Trust	$24.0 million	• BOE rec. MCPS OPEB Trust	$24.0 million
• County funding	$27.3 million	• CE rec. County funding	$0
• Consolidated OPEB Trust	$3.5 million	• CE rec. Consolidated OPEB Trust	$27.2 million
Total Pay-As-You-Go Funding:	$54.8 million	**Total Pay-As-You-go Funding:**	$51.2 million

The use of OPEB trust dollars to pay current claims in the early years of plan funding, along with the net impact on pre-funding, is discussed in greater detail on page 12.

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 FY14 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	FY14 Year-End Fund Balance		Future Fund Balance Projections
	$'s	% of Expend.	
County Government	$28.6 million	14.8%	• Projected FY15 year-end fund balance of $9.0 million or 4.3%. • $10.1 million was transferred from the Self Insurance Fund to the General Fund in FY15. • FY16-21 fiscal projection shows a 1% fund balance at the end of FY16, 3% at the end of FY17, and 5% for FY18-21.
MCPS: Active Employees	$15.0 million	5.3%	• Projected FY15 year-end deficit of $1.2 million or -0.4%.
MCPS: Retired Employees	$14.1 million	16.2%	• Projected FY15 year-end deficit of $2.2 million or -2.4%
M-NCPPC (Bi-County)	$11.0 million	27.5%	• Projected FY15 year-end fund balance of $10.9 million or 21.1%. • Proposed FY16 budget projects fund balance of $10.0 million or 17.5% at the end of FY16.
Montgomery College	$1.1 million	7.0%	n/a

Agency OPEB Status

Other Post-Employment Benefits (OPEB) are non-pension benefits offered by an employer to qualified retirees. The four tax supported agencies set OPEB benefit levels and eligibility criteria for their own retirees. The annual required contribution (ARC) reflects the amount an agency must contribute each year to reach full OPEB funding within 30 years. The agencies currently fund OPEB benefits through a dual approach:

- **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 all 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 Retiree Health Benefits Trust for the County Government, MCPS, and Montgomery College.** The bi-County M-NCPPC manages its own OPEB trust fund.

Last year all four agencies implemented the Medicare Part D Employee 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, had a large impact on the FY15 budget – savings of $81.8 million compared to earlier projections – by significantly reducing long-term OPEB liabilities and thus the annual required pre-funding amounts.[11]

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 7/1/2014). In sum:

- The total estimated OPEB liability for County Government, MCPS, Montgomery College, and M-NCPPC is about $2.9 billion, an 11% increase from the total estimated liability as of FY14.
- The actuarial value of OPEB assets in the agency trust funds, $538.5 million, represents 19% of the total OPEB liability. This calculation, known as the "funded ratio", is an increase of 6% over the funded ratio reported last year.
- The agencies' OPEB annual required contribution (including both pay-as-you-go and pre-funding amounts) totals $253.0 million, a 9% increase from FY14.

[11] See http://www.montgomerycountymd.gov/council/Resources/Files/REPORTS/EmployerGroupWaiver.pdf for the April 16, 2014 report on this change prepared by the Council's actuarial adviser, Bolton Partners.

Agency OPEB Liabilities, Assets, and Annual Required Contribution (based on actuarial valuations of a July 1, 2014)

Agency	Actuarial Accrued Liability	Actuarial Value of Assets	Funded Ratio	Annual Required Contribution
County Government	$1,241.3 million	$239.4 million	19%	$107.1 million
% change from FY14	*+14%*	--	--	*+11%*
MCPS	$1,406.2 million	$241.7 million	17%	$130.3 million
% change from FY14	*+11%*	--	--	*+6%*
M-NCPPC[12]	$133.4 million	$18.2 million	14%	$8.6 million
% change from FY14	*+7%*	--	--	*+2%*
Montgomery College[13]	$70.1 million	$39.2 million	56%	$7.0 million
% change from FY14	*-23%*	--	--	*+6%*
Total	**$2,851.0 million**	**$538.5 million**	**19%**	**$253.0 million**
% change from FY14	***+11%***	--	--	***+9%***

Sources: Agency OPEB Valuations and FY14 Comprehensive Annual Financial Statements

FY16 Recommended OPEB Pre-funding

The Executive recommends $108.5 million in tax supported OPEB pre-funding for FY16, a 15% decrease from the amount approved for FY15. The recommendation for FY16 removes the one-time increase of $27.2 million for MCPS in FY15, when the Council asked MCPS to use $27.2 million from its internal trust to fund pay-as-you-go expenditures but replaced those dollars by putting that same amount into MCPS' portion of the Consolidated Trust. As a result, MCPS received their entire pre-funding amount in FY15, and their combined OPEB trust balance was held harmless. The recommended OPEB pre-funding in FY16 includes an additional $6.9 million in non-tax supported contributions.

[12] M-NCPPC's 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.

[13] Unlike the other agencies, Montgomery College's FY14 valuation did not include the projected impact of implementing the Medicare Part D Employee Group Waiver Program (EGWP) for prescription drug coverage. The decrease in accrued liability from FY14 reflects these EGWP changes. 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. In FY14 the College transferred these resources to the Consolidated Retiree Health Benefits Trust.

FY15 Approved and FY16 Recommended OPEB Pre-Funding by Agency

	FY15 Approved	FY16 Recommended	Percent Change FY15-16
Tax Supported			
County Government	$38.6 million	$43.5 million	+13%
MCPS	$85.5 million	$61.7 million	-28%
Montgomery College	$2.0 million	$1.4 million	-30%
M-NCPPC [14]	$1.8 million	$1.8 million	0%
Total Tax Supported	**$127.8 million**	**$108.5 million**	**-15%**
Total Non-Tax Supported [15]	**$6.1 million**	**$6.9 million**	**+13%**

MCPS Pre-Funding: While the Executive's recommended budget proposes to fully fund MCPS' OPEB pre-funding requirement of $61.7 million, it also projects the use of $51.2 in OPEB Trust assets ($24.0 million from MCPS' internal OPEB Trust and $27.2 million from MCPS' portion of the Consolidated OPEB Trust) to pay current year claims. See page 8. As a result, the net effect of the Executive's proposal is to increase MCPS' OPEB Trust balance (excluding any investment earnings) by $10.5 million in FY16 instead of $61.7 million.

The Council's actuarial adviser, Bolton Partners, notes that some other jurisdictions have taken this approach – for example, Baltimore, Calvert, and Howard Counties in Maryland – but that it should be used sparingly. Bolton Partners also notes that this action will likely: 1) decrease MCPS' projected FY16 OPEB funded ratio; and 2) increase MCPS' required pre-funding amount in FY17 and beyond to make up for the net reduction in FY16 contributions.

Pre-Funding in the Fiscal Plan. The Executive's FY16 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.

FY16-21 Tax Supported OPEB Pre-Funding – All Agencies Combined from Executive's Recommended Fiscal Plan

	FY16	FY17	FY18	FY19	FY20	FY21
$ Amount	$108.5 million	$109.9 million	$106.7 million	$102.7 million	$99.5 million	$96.3 million
% of Required Contribution	100%	100%	100%	100%	100%	100%

[14] The M-NCPPC pre-funding amount represents the Montgomery County portion of the bi-County agency's contribution.

[15] The FY16 non-tax supported OPEB pre-funding recommendation includes $6.8 million in County Government proprietary fund and participating agency contributions and $71K in M-NCPPC proprietary fund contributions.

3. FURTHER ANALYSIS FOR COUNTY GOVERNMENT

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

Pay Adjustments

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 ©26-38.

General Wage Adjustments: The Executive recommends that County Government employees receive general wage adjustments (GWAs, also known as cost of living adjustments) of 2.0 percent. The effective date of the recommended general wage adjustments is July 12, 2015, the beginning of the first full pay period in FY16.

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 FY16. An employee receives the service increment in the first pay period following his/her employment anniversary date.

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 FY16 operating budget includes $1,611,171 ($1,003,498 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 July 12, 2015). Since MLS employees are non-represented, performance-based pay is not included in any collective bargaining agreement.

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 FY16 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)[16]	2.00%	

Special Duty Differentials / Leave Slot Adjustments: The collective bargaining agreement with the IAFF includes a new pay differential of $2,037 per year for meter technicians and air compressor

[16] 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.

technicians. At present approximately six MCFRS employees would qualify for this pay differential. In addition, the agreement with the IAFF provides for two 12-hour leave slots per shift for employees in the Fire and Explosives Investigation Section.

Cost of Pay Adjustments[17]: As shown in the table below, the pay adjustments recommended by the Executive will have a combined FY16 cost of $25.47 million ($21.97 million tax supported). These estimates include the salary and wage costs as well as employee benefit costs borne by the employer.[18] The cost of general wage adjustments for all employee groups combined sums to $16.21 million, nearly two-thirds of the total FY16 cost.

Unlike compensation adjustments negotiated in previous years, FY16 general wage adjustments take effect at the beginning of the fiscal year. As such, the amount budgeted for FY16 general wage adjustments reflects the full annualized cost (that is, the 12-month cost) of the Executive's recommendations.

The County awards other pay adjustments, most notably service increments, on an employee's anniversary date. As a result, the FY16 budgeted amount represents only a portion of the full annualized cost of these pay adjustments. The table below shows the annualized cost for all Executive recommended FY16 pay adjustments.

Cost of Executive Recommended FY16 Pay Adjustments ($ millions)

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

	Total Cost [19]		Tax Supported Cost	
	FY16 Budgeted Amount	**Annualized Cost**	**FY16 Budgeted Amount**	**Annualized Cost**
General Wage Adjustments	$16.21	$16.21	$14.19	$14.19
Service Increments	$7.31	$13.79	$6.48	$12.14
Performance-Based Pay	$1.61	$1.61	$1.00	$1.00
Longevity Adjustments	$0.33	$0.61	$0.31	$0.57
Special Duty Differentials/ Leave Slots	$0.01	$0.01	$0.01	$0.01
TOTALS	$25.47	$32.22	$21.97	$27.91

Source: Office of Management and Budget

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

[18] The estimates include the additional costs of all salary-based benefits included Social Security, Medicare, defined benefit retirement, and defined contribution retirement.

[19] Total Cost equals the sum of tax supported and non-tax supported costs.

Overtime: In 2013, the Office of Legislative Oversight issued a report on County Government employee work hours.[20] That report calculated the number of overtime hours worked during the previous year and estimated the cost of those overtime hours. Data from the MCTime indicates that County Government employees charged about 1,100,000 overtime hours in Calendar Year 2014. Should employees work a similar amount of overtime in FY16, the pay adjustments recommended by the Executive would raise annual County Government overtime costs by approximately $2 million.

Retirement

The County Government operating budget includes contributions to pay for different types of employee retirement benefits:

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 on assessments of pension fund assets, accrued liabilities, and demographic assumptions. The annual contribution amount is intended to set aside funds to cover 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 FY16, the Executive's recommended ERS contribution is $127.40 million ($117.10 million tax supported), an $8.64 million or 6.3% decrease from the FY15 contribution of $136.03 million. The decrease in the ERS contribution is a result of several factors, including favorable returns on ERS pension fund investments as well as the removal of 2009 losses from the five-year smoothed actuarial value of assets.[21]

Defined Contribution Plan (Retirement Savings Plan): General government employees hired since October 1, 1994 participate 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 FY16, the County will contribute an estimated $18.83 million ($13.39 million tax supported) to employee RSP accounts, a 9.6% increase over the amount budgeted for FY15.** This increase is predominantly attributable to salary 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.[22] About 26% of eligible

---

[20] http://www6.montgomerycountymd.gov/content/council/olo/reports/pdf/oloreport2013-3.pdf

[21] In calculating the County's annual required contribution to the ERS pension fund, the actuary recognizes the difference between the expected investment return and the actual investment return over a five-year period. This "smoothing" of investment returns dampens the volatility of asset value over time.

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

employees have chosen the GRIP option. **The Executive estimates that the GRIP will cost the County Government $5.47 million ($3.92 million tax supported) in FY16, an 8.6% increase over the amount budgeted for FY15.** Participation in the GRIP has grown by 5.0% over the past year. This higher number of plan participants along with the Executive's recommended salary increases are the causes for the increased 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 FY16 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 84% of total County Government retirement plan costs. The average cost per employee for an ERS participant is almost six times greater than the comparable cost per RSP participant and almost seven times greater than the cost per GRIP participant.

	Plan Participants		**FY16 Cost**		**Average FY16 Cost/ Employee**
	Employees	**Percent**	**$ Amount (millions)**	**Percent**	
ERS (Defined Benefit)	4,272	46.8%	$127.40	84.0%	$29,822
RSP (Defined Contribution)	3,585	39.3%	$18.83	12.4%	$5,252
GRIP (Cash Balance)	1,263	13.9%	$5.47	3.6%	$4,331

The FY16 contribution rates or "loads" (as a percent of an employee's salary) are 37.7% (public safety) and 40.0% (non-public safety) for the ERS, 8.0% for the RSP, and 6.6% for the GRIP.

Note that Mr. Drummer's memo (GO Committee #3) addresses retirement issues stemming from collective bargaining with MCGEO. These include the proposed new DROP for sworn deputy sheriffs and uniformed corrections offices and changes in the RSP and the GRIP.

Group Insurance

The County Government operating budget includes funding for active employee and retiree group insurance costs. The Executive recommends no change in the group insurance benefits in FY16.

Active Employee Group Insurance: The Executive recommends **$85.2 million** in tax supported funds for active employee group insurance benefits in FY16, **an increase of $3.3 million or 4.0%** from FY15. The increase in FY16 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)

	FY12	FY13	FY14	FY15	FY16
Total	$76.7 million	$79.7 million	$78.3 million	$81.5 million	$85.2 million
% Change	--	+3.9%	-1.8%	+4.6%	+4.0%

Retiree Group Insurance: The Executive recommends **$36.8 million** in tax supported funds for pay-as-you-go retiree group insurance benefits in FY16, **an increase of $4.3 million or 13.2%** from FY15. The increase in FY16 reflects trends in overall health insurance expenditures. 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

	FY12	FY13	FY14	FY15	FY16
Total	$32.5 million	$32.5 million	$32.5 million	$32.5 million	$36.8 million
% Change	--	0%	0%	0%	13.2%

Health Benefits Self Insurance Fund: The FY16-21 fiscal projection for the Employee Health Benefits Self Insurance Fund from the Executive's Fiscal Plan is at ©39. The Executive projects a balance of $9.0 million (4.3% of expenditures) in the fund at the end of FY15, below the County Government target fund balance of 5%. The Health Benefits Self Insurance Fund began FY14 with balance of $28.6 million, although that balance was reduced by $10.1 million through a transfer to the General Fund during FY15 as part of the Council's final FY15 budget action.

The remaining decrease in fund balance is primarily attributable to higher than projected expenditures from the fund (i.e., actual health care claims from health plan members) in FY15. This experience of higher 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 $6.7 million during FY16, resulting in a projected fund balance of 1% at the end of FY16.

4. COUNTY GOVERNMENT COMPENSATION-RELATED NDAs

The FY16 recommended budget contains the eight compensation-related Non-Departmental Accounts (NDAs) shown on ©40-42:

1. Compensation and Employee Benefits Adjustments NDA

See ©40. The recommended amount for FY15 is $3,070,458. The FY15 amount was $2,407,014. Each year this NDA captures several separate personnel-related adjustments. A substantive issue for FY16 is the inclusion of **$620,000** to re-establish an 80/20 employer/employee group insurance cost share for members of IAFF Local 1664. In 2011 the Council rejected the provisions in the collective bargaining agreements with the County's three unions that specified an 80/20 cost share and changed it to 75/25 for all employees who do not select a health maintenance organization. The agreements were never amended to reflect this change, but the Executive continued to include funding for the 75/25 cost share in his recommended budgets for FY12-15. The Court of Special Appeals held that the Executive committed a prohibited practice by failing to recommend the 80/20 cost share to the Council. However,

the Council formally rejected the provisions in each agreement providing an 80/20 cost share and adopted the 75/25 cost share for FY12-15. The FOP challenged the Council's authority to reject the agreement, but in April 2014 the Court of Appeals upheld the Council's rejection of the 80/20 cost share.

For FY16, FOP Lodge 35 and MCGEO Local 1994 agreed in side letters that the Executive could include the 75/25 cost share in his recommended budget despite the contrary language of the collective bargaining agreements. IAFF Local 1664 did not agree. Therefore, the Executive included funding for the 80/20 cost share for IAFF members in his recommended budget. **To ensure continued consistent treatment of all County employees, the Council would not support the $620,000 allocation in the NDA.** See Mr. Drummer's memo (GO Committee #3) for further discussion of this issue.

2-4. Consolidated Retiree Health Benefits Trust NDAs

See ©40 and ©42. 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. For FY16 there is an NDA for each agency. The recommended amounts for the three NDAs in FY16 are $38,577,480, $61,733,000, and $1,428,000, respectively. For further detail see pages 10-12 and ©43.

5. Group Insurance for Retirees NDA

See ©41. The recommended amount for FY16 is $36,768,000. The FY15 amount was $32,462,450.

6. Montgomery County Employee Retirement Plans NDA

See ©41. This NDA relates to the several County retirement plans. There is no recommended appropriation. For further detail see pages 18-21.

7. State Positions Supplement NDA

See ©42. The recommended amount for FY16 is $60,756. The FY15 amount was the same.

8. State Retirement Contribution NDA

See ©42. The recommended amount for FY16 is $1,313,995. The FY15 amount was $1,251,603.

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."[23]

The table below shows FY15 approved and FY16 recommended ERS administrative and operating expenses.

Employees' Retirement System Administrative and Operating Expenses

	FY15 Approved	FY16 Recommended	$ Amount Change FY15 to FY16	Percent Change FY15 to FY16
Investment Management	$25,000,000	$25,000,000	$0	0.0%
Salaries and Benefits	$1,785,000	$1,972,000	$187,000	10.5%
Professional Services	$942,400	$1,208,500	$266,100	28.2%
Benefit Processing	$140,000	$140,000	$0	0.0%
Office Management	$103,000	$443,500	$340,500	330.6%
Due Diligence/Education	$63,700	$62,500	-$1,200	-1.9%
TOTAL	**$28,034,100**	**$28,826,500**	**$792,400**	**2.8%**

The Executive recommends a $792,000 increase in funding for ERS management. The $266,100 increase in ERS professional services costs is a result of the transfer of programming and maintenance costs for the PeopleSoft pension management system from the capital budget to the operating budget. The $340,500 increase in office management costs is primarily attributable to a $300,000 depreciation expense for the PeopleSoft system. An explanation of salary and benefit cost increases appears below.

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

[23] Board of Investment Trustees, Montgomery County Employee Retirement Plans Annual Report: Fiscal Year ending June 30, 2014, page 6.
http://www.montgomerycountymd.gov/mcerp/Resources/Files/2014_Annual_Report(2).pdf

Government contributes a defined percent of salary to 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."[24] The BIT also provides investment education sessions for RSP participants. The table below shows FY15 approved and FY16 recommended RSP administrative and operating expenses.

Retirement Savings Plan Administrative and Operating Expenses

	FY15 Approved	FY16 Recommended	$ Amount Change FY15 to FY16	Percent Change FY15 to FY16
Investment Management	$9,000	$6,000	-$3,000	-33.3%
Salaries and Benefits	$200,000	$237,000	$37,000	18.5%
Professional Services	$79,700	$60,700	-$19,000	-23.8%
Office Management	$6,650	$9,000	$2,350	35.3%
Due Diligence/Education	$2,000	$3,600	$1,600	80.0%
TOTAL	**$297,350**	**$316,300**	**$18,950**	**6.4%**

The Executive recommends a nearly $19,000 increase in funding for RSP management. Employee salary and benefit cost increases are the principal cause for this increase.

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 FY15 approved and FY16 recommended DCP administrative and operating expenses.

Deferred Compensation Plan Administrative and Operating Expenses

	FY15 Approved	FY16 Recommended	$ Amount Change FY15 to FY16	Percent Change FY15 to FY16
Investment Management	$9,000	$6,000	-$3,000	-33.3%
Salaries and Benefits	$102,390	$190,000	$87,610	85.6%
Professional Services	$3,085	$7,200	$4,115	133.4%
Office Management	$6,650	$9,000	$2,350	35.3%
Due Diligence/Education	$2,000	$2,000	$0	0.0%
TOTAL	**$123,125**	**$214,200**	**$91,075**	**74.0%**

[24] Ibid, page 8.

The Executive recommends a $91,000 increase in funding for DCP management, primary a result of higher personnel costs. An explanation of salary and benefit cost increases appears below.

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 prefunding for retiree pension benefits. The Office of Human Resources 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 FY15 approved and FY16 recommended Trust Fund administrative and operating expenses.

Consolidated Retiree Health Benefits Trust Fund Administrative and Operating Expenses

	FY15 Approved	FY16 Recommended	$ Amount Change FY15 to FY16	Percent Change FY15 to FY16
Investment Management	$2,710,000	$3,100,000	$390,000	14.4%
Salaries and Benefits	$269,920	$341,690	$71,770	26.6%
Professional Services	$152,500	$80,000	-$72,500	-47.5%
Due Diligence/Education	$48,000	$48,000	$0	0.0%
Office Management	$15,000	$20,000	$5,000	33.3%
TOTAL	**$3,195,420**	**$3,589,690**	**$394,270**	**12.3%**

The Executive recommends a $394,000 increase for the Trust Fund. Most of the increase stems from 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. This fact, and a concomitant shift from passive investment funds to active investment vehicles, explains the increase in investment management costs.

Salary and Benefit Charges

In total, the Executive's FY16 recommended operating budget includes $2,740,690 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 FY16 recommended salary and benefits costs (combined for the four plans) represent an increase of $383,380 increase (16.3%) above FY15 approved costs. If approved, FY16 would be the second consecutive year of double-digit increases in MCERP personnel costs. MCERP attributes these increases to (1) County pay changes, and (2) the BIT's approval of two new positions in FY16, the first staff increase in several years, to help manage new investment sectors and to build out an investment program for the rapidly growing CRHBT, which is now approaching $600 million in assets. Assuming no change to the investment program and retirement benefit structure, MCERP does not anticipate adding more staff in FY17 or FY18.

Non-Departmental Account

As noted on page 18, 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 and fees for fund offerings. See ©41 and also ©44.

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).[25] 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 ©A1-42). 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 ©A30-42) is especially useful. Other information includes turnover data on the 675 employees (7.4% of the workforce) who left County Government service in 2014 (see ©A27-28). The table on ©A27 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 ©A43-132), which contains a wide range of useful data regarding employees in all areas of the school system.

The **College** again provided a Personnel Profile (see ©A133-141). 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 new and comparative data in a number of areas (see ©A142-172). This report, which WSSC initiated in 1995, includes data on such matters as the diversity of WSSC's workforce in 2014.

M-NCPPC again prepared a detailed Personnel Management Review, which it initiated in 1995. This PMR (see ©A173-306) covers personnel data affecting both counties and is a comprehensive and highly informative document. The 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.

---

[25] See http://www.montgomerycountymd.gov/council/Resources/Files/agenda/cm/2015/150423/20150423_GO2.pdf.

Workforce Characteristics	County Government	MCPS	Montgomery College	M-NCPPC (Montgomery)	WSSC (Bi-County)
Reporting Period	CY 2014	FY 2015	CY 2014	FY 2014	CY 2014
Permanent Employees	9,111	22,923	1,937	772	1,560
Average Annual Salary	$72,894 (overall weighted avg.)	Admin/Supervisory $127,021 Teachers (10-Mo.) $76,029 Support Staff $44,395	Not included	Planning Dep't. $83,752 Parks Dep't. $62,677	$75,582
Race/Ethnicity:					
% White	53%	62%	51%	66%	41%
% African American	27%	18%	28%	22%	48%
% Hispanic/Latino	9%	11%	10%	7%	4%
% Asian	6%	8%	11%	5%	6%
% Other	5%	1%	<1%	<1%	1%
Turnover Rate	7.4%	5.8%	3.9%	6.3%	7.4%

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' FY15 costs and FY16 requests for employee awards and tuition assistance. County Government's awards programs are outlined on ©45.[26]

[26]This 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."

	Employee Awards		Tuition Assistance	
	FY15	**FY16**	**FY15**	**FY16**
County Government	see ©61	TBD	$435,000	$435,000
MCPS	none		$3,739,746	$3,739,746
Montgomery College	$131,000	$131,000	$1,100,000	$1,222,320
M-NCPPC	$48,570	$47,417	$48,133	$48,132
WSSC	$122,800	$124,200	$148,000	$148,000

Notes: The FY16 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 FY16 operating budget on April 14-16, a number of speakers addressed compensation issues. Councilmembers have copies of this testimony and also of all correspondence related to compensation.

PROPOSED COMMITTEE RECOMMENDATIONS ON COMPENSATION AND BENEFITS FOR ALL AGENCIES

This section outlines recommendations for the Committee to consider in preparation for the April 28 Council meeting on compensation and benefits for all agencies.

1. FY16 Allocations for Retirement (see pages 5-6, 15-16, and 18-21)

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 Guaranteed Retirement Income 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 FY16 County contributions of **$127.40 million** for the ERS, **$18.83 million** for the RSP, and **$5.47 million** for the GRIP (tax supported and non-tax supported) listed on pages 15-16.

- Approve the recommended FY16 administrative and operating budgets of the ERS, the RSP, the DCP, and the CRHBT listed on pages 19-21.

- Continue to monitor the funded ratio of the agencies' pension funds listed on page 6.

Note: Mr. Drummer's packets (GO Committee #3 and #4) address retirement issues stemming from collective bargaining with MCGEO. These include a proposed new DROP for sworn deputy sheriffs and uniformed corrections officers and changes in the RSP and the GRIP. The packets include proposed Committee recommendations on these issues.

2. FY16 Group Insurance (see pages 7-12 and 16-17)

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

- Support the agencies' FY16 tax supported requests for **active employee** costs listed on page 7.

- Continue to monitor the balances and projections for the agencies' **group insurance funds** listed on page 9.

- Support the recommended funding for County Government's **Employee Health Benefits Self Insurance Fund** ($227.1 million) displayed on ©39.

- Recognize the efforts by **MCPS** in FY15-16 to move toward **harmonizing** the group insurance premium cost share for its active employees with the cost share established by County Government, and support further efforts in this direction.

- Support the Executive's FY16 pay-as-you-go proposal for **retired employees** listed on page 8.

- Support the agencies' FY16 requests for **OPEB pre-funding** listed on page 12.

3. FY16 Pay Changes (see pages 2-5 and 13-15 and ©25)

The Committee reviewed the FY16 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 13-15 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 ©25. Pay changes for M-NCPPC and WSSC will be reviewed with the Prince George's County Council at the bi-county meeting on May 7. **Proposed recommendations:**

- Support the FY16 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.[27]

- Support the proposed **FY16 salary schedules** listed on ©26-38. 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.

---

[27] In his April 21 memo to the Committee (GO Committee #3), Mr. Drummer outlined the FY16 process for action on the collective bargaining agreements as follows:

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 County 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, 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 its intent 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 by May 10 (unless the May 1 date was extended). On April 18, 2014, the Court of Appeals upheld the Council's authority to unilaterally modify the group insurance and retirement benefit provisions in the FOP collective bargaining agreement after following this statutory process in *FOP Lodge 35 v. Montgomery County,* 437 Md. 618 (2014). The Court held that the Council is not part of the collective bargaining process, is not bound by the collective bargaining agreement, and holds the ultimate power of the purse.

The agreements before the Council this year are with the Fraternal Order of Police (police bargaining unit), the Municipal and County Government Employees Organization (County employees bargaining units), and the International Association of Fire Fighters (fire and rescue employees). Each of these agreements was negotiated in 2015 and takes effect on July 1, 2015. The Council must review each of the provisions of these agreements that requires an appropriation of funds for FY16 or requires a change in law.

• 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 7 bi-county meeting with the Prince George's County Council.

• Support funding within the WSSC budget for a $3.7 million allocation to pay changes, as outlined on ©25 and recommended on April 16 by the T&E Committee, with the specific elements to be resolved at the May 7 bi-county meeting.

4. FY16 County Government Compensation-Related NDAs (see pages 17-18 and ©40-42)

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

• Reduce NDA #1 (Compensation and Employee Benefits Adjustments) by **$620,000** to ensure continued consistent treatment of all County employees with regard to the group insurance cost share, as outlined on pages 18-19.

• Approve the funding requested for NDAs #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 22-24)

The Committee reviewed the personnel management reviews and similar reports prepared by the agencies. The Committee also reviewed funding requests for the agencies' FY16 **employee awards** and **tuition assistance** programs. **Proposed recommendation:**

• Approve the requests outlined on page 24.

f:\farber\16compensation\go worksession 4-23-15.doc

MONTGOMERY COUNTY GOVERNMENT

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	REC FY16
Police (FOP)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	3.5%(q)	3.5%(q)	3.5%
General adjustment (COLA)	2.75%	(c)	-	4.0%	0.0%	0.0%	0.0%	0.0%	2.1%(r)	2.1%(r)	2.0%(w)
Lump-sum payment	-	-	-	-	-	-	-	(l)	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Longevity	(a)	-	(e)	-	-	-	-	(m)	(m)	(m)	(m)
Fire (IAFF)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	3.5%(s)	3.5%(s)	3.5%
General adjustment (COLA)	(b)	(d)	5.0%	2%+2%(i)	0.0%	0.0%	0.0%	0.0%	2.75%(v)	2.75%(v)	2.0%(w)
Lump-sum payment	-	-	-	-	-	-	-	(l)	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Longevity	-	-	-	-	(j)	-	-	(n)	(n)	(n)	(n)
Office, Professional, and Technical Bargaining Unit/Service, Labor, and Trade Bargaining Unit (MCGEO)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	3.5%	3.5%	3.5%
General adjustment (COLA)	2.75%	(c)	4.0%	4.5%	0.0%	0.0%	0.0%	0.0%	3.25%(t)	3.25%(t)	2.0%(w)
Lump-sum payment	-	-	-	-	-	-	-	(l)	0.5%(u)	0.5%(u)	-
Top of range adjustment	-	-	(f)	-	(k)	-	-	-	-	-	-
Longevity								(o)	(o)	(o)	(o)
Non-Represented											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	3.5%	3.5%	3.5%
General adjustment (COLA)	2.75%	(c)	4.0%	4.5%	0.0%	0.0%	0.0%	0.0%	3.25%(t)	3.25%(t)	2.0%(w)
Lump-sum payment	(g)	(g)	(g)	(g)	-	-	-	(l)	0.5%(u)	0.5%(u)	-
Top of range adjustment	(h)	(h)	(h)	(h)	-	-	-	-	(p)	(p)	-
Longevity								(x)	(x)	(x)	(x)

(a) Effective 1/8/06 current min/max salary schedule will be converted to a matrix based step schedule.
(b) 3% effective 7/10/05; 1% effective 1/8/06.
(c) 3.0% effective 7/9/06; 1.0% effective 1/7/07.
(d) 4.0% effective 7/9/06; 1.0% effective 1/7/07.
(e) Increase wage rate of Step 0, Year 1, by $3,151with promotions and increments calculated from that point. Equals an adjustment of 7.5%.
(f) Increase longevity percentage by 1.0%, effective 1/6/08.
(g) Performance lump sum award: 2% for exceptional and 1% for highly successful.
(h) 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.
(i) 2.0% effective 7/6/08; 2.0% effective 1/4/09.
(j) A new longevity adjustment at 28 years of service in July 2009 and additional steps on the salary in July 2010.

⊖

(k) 3.0% longevity increase.
(l) $2,000 lump sum payment to employees who completed probationary period by July 1, 2012.
(m) 3.5% longevity for FOP bargaining unit members who completed 20 years of service
(n) 3.5% longevity increase for IAFF bargaining unit members who completed 20 years of service and an additional 3.5% longevity increase for IAFF bargaining unit members who completed 28 years of service.
(o) 3% longevity for OPT/SLT (MCGEO) bargaining unit members who completed 20 years of service and at maximum of grade.
(p) MLS receive a salary schedule adjustment totaling 6.75%: 3.25% GWA and 3.5% market adjustment.
(q) 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 following February 1, 2015, in addition to the FY14 and FY15 service increments.
(r) GWA effective July 14, 2013, and July 13, 2014.
(s) 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.
(t) GWA effective September 8, 2013, and September 7, 2014.
(u) 0.5% lump sum bonus given 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.
(v) GWA effective July 14, 2013, and July 13, 2014.
(w) Effective July 12, 2015.
(x) 2.0% longevity/performance increment requires the employee to have 20 years of service, be at maximum of grade, and have two most recent years with a performance rating of exceptional or highly successful.

MONTGOMERY COUNTY PUBLIC SCHOOLS

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	REC FY16
Teachers (MCEA)											
Increment	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%	1.5-3.7%	1.5-3.7%
Negotiated salary schedule increase	2.75%	4.0%(d)	4.8%(e)	5.0%(g)	0.0%(i)	0.0%(j)	0.0%(j)	0.0%(k)	0.0%(k)	1.5%(l)	2.0%(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%(f)	3.0%(f)	3.00%(f)	0.0%	0.0%	3.0%(f)	3.0%(f)	2.9%(f)	2.9%(n)
Negotiated salary schedule increase	2.0%(c)	4.0%(d)	4.8%(e)	5.0%(g)	0.0%(i)	0.0%(j)	0.0% (j)	0.0%(k)	0.0%(k)	1.5%(l)	2.0%(m)
Lump-sum payment (a)	-	-	-	-	-	-	-	2.0%	2.0%	-	-
Top of range adjustment (b)	-	-	-	-	-	-	-	-	-	-	-
Business and Operations Administrators (MCBOA)											
Increment				(h)	3.0%	0.0%	0.0%	3.00%	3.00%	2.9%	2.9%
Negotiated salary schedule increase				(h)	0.0%(i)	0.0%(j)	0.0%(j)	0.0%(k)	0.0%(k)	1.5%(l)	2.0%(m)
Lump-sum payment (a)				(h)	-	-	-	2.0%	2.0%	-	-
Top of range adjustment (b)				(h)	-	-	-	-	-	-	-
Supporting Services Employees (SEIU Local 500)											
Increment	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%	1.6-5.2%	1.6-5.2%
Negotiated salary schedule increase	2.75%	4.0%(d)	4.8%(e)	5.0%(g)	0.0%(i)	0.0%(j)	0.0%(j)	0.0%(k)	0.0%(k)	1.5%(l)	2.0%(m)
Lump-sum payment (a)	-	-	-	-	-	-	-	2.0%	2.0%	-	-
Top of range adjustment (b)	-	-	-	-	-	-	-	-	-	-	-
Non-Represented	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.										
Increment											
Negotiated salary schedule increase											
Lump-sum payment											
Top of range adjustment											

(a) For FY 2013 and FY 2014, employees 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

(3)

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 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%.

(d) 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.

(e) 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%.

(f) 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%.

(g) For FY 2009, the negotiated agreement with MCEA, MCAAP, and SEIU Local 500 provided for a 5.0% salary schedule increase.

(h) 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.

(i) The 2008-2010 contracts with MCAAP, MCBOA, MCEA, and SEIU Local 500 included, for FY 2010, a 5.3% GWA and other salary-related improvements. Due to the fiscal situation, no GWA was provided in FY 2010.

(j) Due to the fiscal situation in FY 2011 and FY 2012, there was no GWA or increments awarded.

(k) For FY 2013 and FY 2014, there is no provision for a GWA.

(l) For FY 2015, there is a provision for a 1.5% GWA that was awarded on November 29, 2014.

(m) For FY 2016, there is a 2.0% GWA that will be awarded on October 3, 2015.

(n) The MCAAP/MCBOA salary increment is 2.9% except for the movement between steps 9 and 10 in lanes O, P, and Q. This increment is 1%.

MONTGOMERY COLLEGE

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	REC FY16
Faculty (AAUP)						(d)					
Increment	-	-	-	-	-	-	-	-	3.5%	3.5%	3.5%
General adjustment (COLA)	2.75%	3.75%	5.3%	5.5%	-	-	-	-	2.25%	2.5%	2.5%
Lump-sum payment	$1,931	$2,019	$2,125	$2,242	$2,372(c)	-	2.0%(g)	-	-	-	-
Top of range adjustment	2.75%(a)	3.75%(b)	5.3%	5.5%	-	-	-	-	3.0%	3.0%	-
Administrators	4.75%-	3.75%	4.75%-	4.75%-		(e)			0.0%-	0.0%-	0.0%-
Increment	5.5%	6.5%	7.5%	7.0%	0%	-	-	-	5.5%(h)	5.5%(h)	5.5%(h)
General adjustment (COLA)	-	-	-	-	-	-	-	-	2.25%	2.5%	2.5%
Lump-sum payment	-	-	-	-	-	-	2.0%(g)	-	-	-	-
Top of range adjustment	2.75%	3.75%	4.75%	5.0%	-	-	-	-	3.0%	3.0%	-
Staff - Non-Bargaining and Bargaining						(f)					
Increment	2.75%	2.75%	3.0%	3.0%	3.0%	-	-	-	3.5%	3.5%	3.5%
General adjustment (COLA)	2.75%	3.75%	4.75%	5.0%	-	-	-	-	2.25%	2.5%	2.5%
Lump-sum payment	-	-	-	-	$500(c)	-	2.0% (g)	-	-	-	-
Top of range adjustment	2.75%	3.75%	4.75%	5.0%	-	-	-	-	3.0%	3.0%	-

(a) Not to exceed $82,565 or $84,165 for those eligible for a one-time longevity increase.
(b) 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.
(c) 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.
(d) Faculty furloughed 3 days based on academic year calendar (equivalent to 4 staff days).
(e) Administrators furloughed 8 days.
(f) Staff furloughed 4 days below grade N; 8 days grade N and above.
(g) One-time payment of the greater of $2,000 or 2%. This is not added to base pay.
(h) Administrators may receive between a 0.0% and 5.5% pay for performance bonus in lieu of an increment.

9

MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	REC FY16
Non-Represented											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	3.0%	3.5%	(g)
General adjustment (COLA)	2.8%	3.0%	3.25%	3.25%	0.0%	0.0%	0.0%	0.0%	3.0%	2.0%	
(effective date)	(7/05)		(7/07)	(7/08)						(9/14)	
Lump-sum payment	-	-	-	-	-	-	-	$2,000	-	-	
Top of range adjustment	-	7.0%	-	-	(d)	-	-	-	-	-	
Service/Labor, Trades, and Office/Clerical Bargaining Units (MCGEO, Local 1994)											
Increment	3.5%	3.5%	3.5%	3.5%	$780(e)	0.0%	0.0%	0.0%	3.5%	3.5%	(g)
General adjustment (COLA)	2.8%	3.0%	3.25%	3.25%	$640(e)	0.0%	0.0%	0.0%	3.25%	2.0%	
(effective date)	(7/05)									(9/14)	
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%	0.0%	0.0%	0.0%	3.5%	7.0%(f)	3.5%
General adjustment (COLA)	3.5%(a)	4.5%(b)	4.5%(c)	3.25%	3.75%	0.0%	0.0%	0.0%	2.5%	1.75%	1.75%
(effective date)				(7/08)	(7/09)					(7/14)	(7/15)
Lump-sum payment	-	-	-	-	-	-	-	$2,000	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-

(a) 2.5% COLA effective 7/05. Plus additional 1% COLA provided 4/06 in exchange for officers paying 100% of Long Term Disability premiums.
(b) 3.5% COLA effective 7/06 plus additional 1% COLA effective 7/06 in exchange for officers paying 100% of Long Term Disability premiums.
(c) 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.
(d) 3.75% range adjustment for Park Police Command Staff.
(e) 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.
(f) One increment (3.5%) on anniversary, and one additional increment (3.5%) effective January 2015.
(g) Compensation is unknown at this time and is subject to current labor negotiations with MCGEO. The two County Councils will determine salary enhancements at the May 7 bi-county meeting.

6

WASHINGTON SUBURBAN SANITARY COMMISSION

	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	REC FY16
AFSCME										
Merit pay adjustment (a)	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)	3.0%(b)(d)	
General adjustment (COLA)	3.5%	3.75%	3.5%	0.0%	0.0%	2.0%(e)	2.0%(e)	3.0%(e)	3.25%(e)	TBD (f)
Lump-sum payment	-	-	-	-	-	-	-	-	-	
Top of range adjustment	-	-	-	-	-	-	-	-	-	
Non-Represented										
Merit pay adjustment (a)	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)	3.0%(d)	
General adjustment (COLA)	3.5%	3.75%	3.5%	0.0%	0.0%	0.0%	2.0%(e)	3.0%(e)	3.25%(e)	TBD (f)
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. 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 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 two County Councils at the May 7 bi-county meeting. There is a pool of $5.8 million for salary enhancements.

J

FAIRFAX COUNTY GOVERNMENT
(Compensation not subject to collective bargaining)

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	REC FY16
Police											
Increment (a)	Yes	Yes	Yes	Yes	No	No	No	Yes(f)	No	No	Yes
General adjustment (COLA)	3.07%	4.25%	2.92%	2.96%	-	-	-	-	-	1.29%	0.84%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	3.07%	4.25%	2.92%	2.96%	-	-	-	-	-	1.29%	0.84%
Other: Market rate adjustment	-	(d)			-	-	-	2.18%	-	-	-
Firefighters											
Increment (a)	Yes	Yes	Yes	Yes	No	No	No	Yes(f)	No	No	Yes
General adjustment (COLA)	3.07%	4.25%	2.92%	2.96%	-	-	-	-	-	1.29%	0.84%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	3.07%	4.25%	2.92%	2.96%	-	-	-	-	-	1.29%	0.84%
Other: Market rate adjustment	-	2.0%(d)	-		-	-	-	2.18%	-	3%	-
Other Employees											
Increment (a)	No	No	No	No	No	No	No	2.5%(g)	No	No	Yes
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	2.29%	0.84%
Lump-sum payment	(c)	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	3.07%(b)	4.25%	2.92%	2.96%	-	-	-	-	-	2.29%	0.84%
Other: Market rate adjustment	-	(d)	(e)	-	-	-	-	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) 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.
(d) Market rate adjustment of 4.25% for all. In addition, Fire receives an additional 2%.
(e) Market rate adjustment of 2.92% - structure adjustment only for general employees.
(f) Beginning on pay period 14.
(g) Does not take effect until January 2013.

ARLINGTON COUNTY GOVERNMENT
(Compensation not subject to collective bargaining)

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	REC FY16
Police											
Increment	3.0%	3.0%	3.0%	3.0%	0.0%	2.5%	2.5%	2.5%	3.57%(g)	3.57%(g)	3.57%(g)
General adjustment (COLA)	2.0%	2.0%	1.5%	0.0%	1.0% (c)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	2% (d)	1.0% (e)	-	-	-	-
Top of range adjustment	(a)	-	(e)	-	-	-	-	-	(f)	-	-
Fire											
Increment	3.0%	3.0%	TBD	3.0%	0.0%	2.5%	2.5%	2.5%	3.43%(i)	3.43%(i)	3.43%(i)
General adjustment (COLA)	2.0%	2.0%	(b)	0.0%	1.0% (c)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	2%(d)	1.0% (e)	-	-	-	-
Top of range adjustment	(a)	-	(e)	-	-	-	-	-	(h)	-	-
Other Employees											
Increment	3.0%	3.0%	TBD	3.0%	0.0%	2.5%	2.5%	2.5%	2.8%	2.7%	2.7%
General adjustment (COLA)	2.0%	2.0%	(b)	0.0%	1.0% (c)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	2.0%(d)	1.0% (e)	-	-	-	-
Top of range adjustment	(a)	-	(e)	-	-	-	-	-	-	(j)	(k)

(a) 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.
(b) Budget projection includes 0.0%.
(e) Not pursuing footnote (a) any longer.
(c) The County Board approved a 1% market pay adjustment for permanent employees effective January 1, 2010.
(d) 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.
(e) 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.
(f) Transitioned to new Police pay scale, separate from general pay scale. Police pay scale dropped all steps and replaced with open ranges within grades.
(g) 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.
(h) Transitioned to new Fire pay scale, separate from general pay scale. Fire pay scale replaced 18 step scale with 16 step scale.
(i) Step increases are 4.5% for step 1 and 3.36% for all increases between step 2 and step 16.
(j) The County Board approved a 1% increase for those at the maximum of their pay range at the beginning of FY2015.
(k) Several options proposed for Top of Range movement.

ALEXANDRIA CITY GOVERNMENT
(Compensation not subject to collective bargaining)

	FY06	FY07	FY08	FY09	FY10	FY11(c)	FY12(d)	FY13	FY14	FY15	REC FY16
olice											
Increment	Yes	Yes	Yes	Yes	No	Yes	2.3-5.0%	2.3%-5.0%	2.3%-5.0%	2.3%-5.0%	2.3% - 5%
General adjustment (COLA)	2.0%	3.0%	1.5%	-	-	-	-	-	-	-	(h)
Lump-sum payment	-	-	-	(b)	-	-	-	Yes(e)	Yes (g)	-	-
Top of range adjustment	Yes	-	-	-	-	Yes	-	-	-	-	-
ire											
Increment	Yes	Yes	Yes	Yes	No	Yes	2.3-5.0%	2.3%-5.0%	2.3%-5.0%	2.3%-5.0%	2.3% - 5%
General adjustment (COLA)	2.0%	3.0%	1.5%	-	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	(b)	-	-	-	Yes(e)	Yes (g)	-	-
Top of range adjustment	Yes	-	-	-	-	Yes	-	-	-	-	-
ll Employees											
Increment	Yes	Yes	Yes	Yes	No	Yes	2.3-5.0%	2.3%-5.0%	2.3%-5.0%	2.3%-5.0%	2.3% - 5%
General adjustment (COLA)	2.0%	3.0%(a)	1.5%	-	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	(b)	-	-	-	Yes(f)	Yes (g)	-	-
Top of range adjustment	Yes	-	-	-	-	Yes	-	-	-	-	-

(a) In FY07 City employees on the **General pay scale** received a 2.0% market rate adjustment effective July 1, 2006.
(b) In FY09 eligible City employees received a **one-time pay supplement** of $500 and employees at the top of their grade with a **one-time** 2% pay supplement.
(c) In FY11 general and public safety pay scale added an additional step, "Q".
(d) In FY12, general and public safety pay scale added an additional step, "R".
(e) In FY13, a 2.3% one-time pay supplement was given to sworn public safety employees at the top of their grade if warranted by performance.
(f) In FY13, the two lowest steps were eliminated in the general scale and a new step (2.3%) was added to the top of the scale.
(g) In FY14, employees at the top of their grade received a one-time pay supplement of 2.3% of base salary on their anniversary date if they receive a satisfactory performance evaluation.
(h) In FY16, it is proposed to fund a 4.5% market rate adjustment to the Police Pay scale providing equivalent pay increases to all sworn positions. Additional 5% target pay adjustments for entry officers and lieutenants are also funded.

STATE OF MARYLAND
(Compensation subject to collective bargaining)

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	REC FY16
All Employees											
Increment	Yes	Yes	Yes	Yes	(d)	(e)	(f)	(h)	Yes(j)	Yes	No
General adjustment (COLA)	1.5%	2.0%(a)	2.0%	2.0%	-	-	-	2.0(i)	3.0%(k)	2.0%(l)	(m)
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
(m) Effective July 1, 2015 the State salary plan is reduced to the rate in effect on December 31, 2014. This eliminates the 2% increase that went into effect on January 1, 2015.

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

	FY06	FY07	FY08	FY09	FY10	FY11(g)	FY12	FY13	FY14	FY15	REC FY16
All Employees											
Increment	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)
General adjustment (f)	2.1%	1.7%	2.5%	2.9%	1.5%	0%(g)	0.0%(g)	0.0%	1.0%	1.0%	1.3%(h)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	Same	Same	Same	Same	Same	Same	Same	Same	Same	Same	Same
Locality pay (b)	3.44%(c)	2.64%(c)	4.49%(c)	4.78%	2.42%	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%(h)

(a) For federal employees in the Washington Baltimore locality pay area. Data reflect the federal fiscal year.
(b) Locality pay instituted in FY94.
(c) This is the **cumulative** figure that includes both general adjustments and increases in locality pay.
(d) 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%.
(e) 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.
(f) 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.
(g) Congress enacted and the President signed a freeze on federal pay increases affecting increases scheduled for January 2011 and January 2012. On March 26, 2013, President Obama signed legislation to continue the freeze on statutory pay adjustments for most Federal civilian employees until December 31, 2013. Step increases under (d) and (e) are not affected by the pay freeze.
(h) The President proposed a 1.3% overall pay increase in FY 2016. The increase has not yet been approved or allocated by locality pay area.

COUNTY GOVERNMENT TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY15 Approved Budget	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%
Workyears (bargaining units estimated)	4,103	896	889	2,102	7,990
Active employees:					
Wages					607,931,989
Social Security					45,027,602
Retirement					142,212,631
Group insurance for active employees					81,859,261
Subtotal	310,940,924	139,793,434	147,138,292	213,610,251	811,482,901
Other					65,548,582
Total compensation for active employees	310,940,924	139,793,434	147,138,292	213,610,251	877,031,483
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	948,071,413
Operating budget without debt service					1,516,043,556
Total compensation as % of total operating budget					62.5%
% General Wage Adjustment	2.64%	2.75%	2.10%	2.64%	
Cost of General Wage Adjustment (wages, social security, retirement)	6,620,053	3,197,075	2,659,331	4,891,212	17,367,671
Cost of other Wage Adjustment (wages, social security, retirement)	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	6,841,794
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

Tax Supported Funds, FY16 Request	MCGEO	IAFF	FOP	Non Represented	TOTAL
Filled positions, tax and non-tax supported (Dec. 31, 2014)	4,772	1,051	1,205	2,083	9,111
Percent of total	52.4%	11.5%	13.2%	22.9%	100.0%
Workyears (bargaining units estimated)	4,230	932	1,068	1,846	8,076
Active employees:					
Wages					625,222,246
Social Security					46,632,010
Retirement					134,397,738
Group insurance for active employees					85,165,971
Subtotal	326,497,473	140,316,281	147,190,037	228,491,889	842,495,680
Other					48,922,285
Total compensation for active employees	326,497,473	140,316,281	147,190,037	228,491,889	891,417,965
Retiree benefits: group insurance					
Pay as you go amount					36,768,000
OPEB Contribution					43,520,060
Total compensation for retired employees					80,288,060
Total compensation for active and retired employees	326,497,473	140,316,281	147,190,037	228,491,889	971,706,025
Operating budget without debt service					1,538,017,223
Total compensation as % of total operating budget					63.2%
% General Wage Adjustment	2.00%	2.00%	2.00%	2.00%	
Cost of General Wage Adjustment (wages, social security, retirement)	5,464,063	2,385,874	2,593,735	3,747,758	14,191,430
Cost of other Wage Adjustment					0
Cost per 1% General Wage Adjustment (wages, social security, retirement)	2,732,032	1,192,937	1,296,868	1,873,879	7,095,715
Cost per furlough day (wages, social security)					0
Cost of increments for employees not at top of grade (wages, social security, retirement)	3,020,776	980,760	1,540,566	933,920	6,476,022
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	863,079	280,217	440,162	266,834	1,850,292

(E)

COUNTY GOVERNMENT TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Amount increase FY15-FY16	MCGEO	IAFF	FOP	Non Represented	TOTAL
Workyears	127	36	179	(256)	86
Active employees:					
Wages	0	0	0	0	17,290,257
Social Security	0	0	0	0	1,604,408
Retirement	0	0	0	0	(7,814,893)
Group insurance for active employees	0	0	0	0	3,306,710
Subtotal	15,556,549	522,847	51,745	14,881,638	31,012,779
Other	0	0	0	0	(16,626,297)
Total compensation for active employees	15,556,549	522,847	51,745	14,881,638	14,386,482
Retiree benefits: group insurance					
Pay as you go amount	0	0	0	0	4,305,550
Phase in of the Annual Required Contribution	0	0	0	0	4,942,580
Total compensation for retired employees	0	0	0	0	9,248,130
Total compensation for active and retired employees	15,556,549	522,847	51,745	14,881,638	31,012,779

Percent increase FY15-FY16	MCGEO	IAFF	FOP	Non Represented	TOTAL
Workyears	3.11%	3.99%	20.17%	-12.18%	1.08%
Active employees:					
Wages					2.84%
Social Security					3.56%
Retirement					-5.50%
Group insurance for active employees					4.04%
Subtotal					
Other					
Total compensation for active employees	5.00%	0.37%	0.04%	6.97%	1.64%
Retiree benefits: group insurance					
Pay as you go amount					13.26%
Phase in of the Annual Required Contribution					12.81%
Total compensation for retired employees					
Total compensation for active and retired employees	5.00%	0.37%	0.04%	6.97%	3.27%

MONTGOMERY COUNTY PUBLIC SCHOOLS WAGES, SOCIAL SECURITY, and RETIREMENT
TAX SUPPORTED FUNDS, FY15 APPROVED BUDGET AND FY16 REQUEST

Tax Supported Funds, FY15 Approved Budget	MCAAP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears						
Active employees:	676.700	79.400	12,140.582	7,414.459	80.000	20,391.141
Wages	88,184,270	7,960,393	962,070,759	331,235,935	8,996,601	1,398,447,958
[1]Social Security	6,246,097	433,970	73,598,413	25,339,549	599,240	106,217,269
[2]Retirement	5,246,339	473,587	57,236,394	19,706,192	535,234	83,197,746
Group insurance for active employees	7,508,246	880,973	134,704,413	82,266,266	887,631	226,247,529
State Retirement Payment						37,809,551
Total compensation for active employees	107,184,952	9,748,923	1,227,609,979	458,547,942	11,018,706	1,851,920,053
Retiree benefits: group insurance						
Pay as you go amount						8,380,899
Total compensation for active and retired employees	107,184,952	9,748,923	1,227,609,979	458,547,942	11,018,706	1,860,300,952
Operating budget without debt service	N/A	N/A	N/A	N/A	N/A	2,138,069,401
Total compensation as % of total operating budget	N/A	N/A	N/A	N/A	N/A	87.01%
% General Wage Adjustment **(Awarded on 11/29/14)**	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
[1]FY 2015 Cost of a 1.5% General Wage Adjustment (wages, social security, retirement)	826,459	88,252	9,447,788	3,468,643	97,868	13,929,010
FY 2015 Cost of Step/Longevity increments	531,702	83,977	17,018,094	4,894,385	61,567	22,589,725
Cost of FY 2014 Annualized Step/Longevity Increment and General Wage Adjustment (wages, social security, retirement)*	201,283	415,268	21,244,790	4,549,505	39,342	26,450,188

Tax Supported Funds, FY16 Request	MCAAP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears						
Active employees:	677.200	78.400	12,314.776	7,513.762	79.000	20,663.138
Wages	90,492,276	7,916,287	1,006,960,671	344,135,002	8,872,908	1,458,377,144
[1]Social Security	6,422,659	430,596	77,032,491	26,326,328	589,777	110,801,851
[2]Retirement	5,377,835	470,454	59,842,328	20,451,484	527,305	86,669,406
Group insurance for active employees	7,977,244	923,532	145,064,934	88,510,209	930,600	243,406,519
State Retirement Payment						44,356,785
Total compensation for active employees	110,270,014	9,740,869	1,288,900,424	479,423,023	10,920,590	1,943,611,705
Retiree benefits: group insurance						
Pay as you go amount						27,303,736
Total compensation for retired employees						27,303,736
Total compensation for active and retired employees	110,270,014	9,740,869	1,288,900,424	479,423,023	10,920,590	1,970,915,441
Operating budget without debt service	N/A	N/A	N/A	N/A	N/A	2,253,530,243
Total compensation as % of total operating budget	N/A	N/A	N/A	N/A	N/A	87.46%
% General Wage Adjustment (**TO BE AWARDED ON 10/3/15**)	2%	2%	2%	2%	2%	2%
[1] FY 2016 Cost of a 2% General Wage Adjustment (wages, social security, retirement)	1,789,845	177,031	19,446,225	6,858,960	165,088	28,437,149
FY 2016 Cost of Step/Longevity Increments	1,642,134	158,891	18,385,548	6,618,288	125,780	26,930,640
FY 2015 Cost Annualized Step/Longevity and 1.5% General Wage Adjustment (wages, social security, retirement)	1,205,995	119,283	13,802,434	4,977,810	111,901	20,217,423

Amount increase FY15-FY16	MCAAP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears						
Active employees:	0.500	(1.000)	174.194	99.303	(1.000)	271.997
Wages	2,308,006	(44,106)	44,889,912	12,899,067	(123,693)	59,929,186
[1]Social Security	176,562	(3,374)	3,434,078	986,779	(9,463)	4,584,582
[2]Retirement	131,496	(3,133)	2,605,934	745,292	(7,929)	3,471,660
Group insurance for active employees	468,998	42,559	10,360,521	6,243,943	42,969	17,158,990
State Retirement Payment						6,547,234
Total compensation for active employees	3,085,062	(8,054)	61,290,445	20,875,081	(98,116)	91,691,652
Retiree benefits: group insurance						0
Pay as you go amount	0	0	0	0	0	18,922,837
Total compensation for active and retired employees	3,085,062	(8,054)	61,290,445	20,875,081	(98,116)	110,614,489
Percent increase FY12-FY15						
Workyears						
Active employees:						
Wages	2.62%	-0.55%	4.67%	3.89%	-1.37%	4.29%
Social Security	2.83%	-0.78%	4.67%	3.89%	-1.58%	4.32%
Retirement	2.51%	-0.66%	4.55%	3.78%	-1.48%	4.17%
Group insurance for active employees	6.25%	4.83%	7.69%	7.59%	4.84%	7.58%
Total compensation for active employees	2.88%	-0.08%	4.99%	4.55%	-0.89%	4.95%
Retiree benefits: group insurance						
Pay as you go amount						225.79%
Total compensation for active and retired employees	2.88%	-0.08%	4.99%	4.55%	-0.89%	5.95%

[1]Social security and general wage adjustment amounts do not include amounts for temporary part-time salaries.

[2]Retirement includes costs for state administrative fee.

MONTGOMERY COLLEGE TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY15 Approved Budget	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	615.00	482.10	85.00	603.00	1,785.10
Active employees:					
Wages	50,397,145	26,521,722	11,748,920	72,215,912	160,883,699
Social Security	3,830,991	2,016,076	893,106	5,489,567	12,229,740
Retirement		920,970		804,030	1,725,000
Other Benefits (EAP, recognition awards, comp absences, etc)	826,155	647,625	114,184	810,035	2,397,999
Group insurance for active employees	4,771,237	3,740,184	659,439	4,678,140	13,849,000
Total compensation for active employees	59,825,528	33,846,577	13,415,650	83,997,683	191,085,438
Retiree benefits: group insurance					
Pay as you go amount	1,095,741	858,954	151,444	1,074,361	3,180,500
OPEB					0
Total compensation for retired employees	1,095,741	858,954	151,444	1,074,361	3,180,500
Total compensation for active and retired employees	60,921,269	34,705,531	13,567,093	85,072,044	194,265,938
Operating budget without debt service					243,770,455
Total compensation as % of total operating budget					79.7%
% General Wage Adjustment	2.50%	2.50%	2.50%	2.50%	
Cost of General Wage Adjustment (wages, social security, retirement)	1,258,088	643,533	300,513	1,104,936	3,307,069
Cost of other Wage Adjustment (wages, social security, retirement)	3.500%	3.500%	0 to 5.5%	3.500%	
Cost per 1% General Wage Adjustment (wages, social security, retirement) - includes pt faculty	542,525	285,506	126,477	777,404	1,731,913
Cost per furlough day (wages, social security, retirement)	271,263	109,810	48,645	0	429,718
Cost of increments for employees not at top of grade (wages, social security, retirement) - includes part-time faculty	1,761,281	847,423	566,834	1,699,304	4,874,842
Cost of 1% increment for employees not at top of grade (wages, social security, retirement) regular employees only	542,525	285,506	126,477	0	954,509

MONTGOMERY COLLEGE TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY16 Request	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	614.00	488.10	86.00	621.00	1,809.10
Active employees:					
Wages	54,130,395	28,358,837	12,459,632	76,487,754	171,436,618
Social Security	4,134,509	2,166,063	951,673	5,842,176	13,094,422
Retirement		920,970		804,030	1,725,000
Other Benefits (EAP, recognition awards, comp absences, etc)	923,264	733,950	129,317	933,790	2,720,320
Group insurance for active employees	4,658,981	3,703,662	652,561	4,712,096	13,727,300
Total compensation for active employees	63,847,149	35,883,482	14,193,183	88,779,846	202,703,660
Retiree benefits: group insurance					
Pay as you go amount	1,104,502	878,025	154,702	1,117,094	3,254,324
OPEB					0
Total compensation for retired employees	1,104,502	878,025	154,702	1,117,094	3,254,324
Total compensation for active and retired employees	64,951,651	36,761,507	14,347,886	89,896,940	205,957,984
Operating budget without debt service					253,770,455
Total compensation as % of total operating budget					81.2%
% General Wage Adjustment	2.50%	2.50%	2.50%	2.50%	
Cost of General Wage Adjustment (wages, social security, retirement)	1,377,796	721,405	318,889	1,233,433	3,651,524
Cost of other Wage Adjustment (wages, social security, retirement)	3.500%	3.500%	0 to 5.5%	3.500%	
Cost per 1% General Wage Adjustment (wages, social security, retirement) - includes part-time faculty	582,714	305,283	134,128	823,391	1,845,515
Cost per furlough day (wages, social security, retirement)	0	117,416	51,588	0	169,004
Cost of increments for employees not at top of grade (wages, social security, retirement) - includes part-time faculty	1,745,637	1,024,257	480,476	1,433,393	4,683,764
Cost of 1% increment for employees not at top of grade (wages, social security, retirement) regular employees only	582,714	305,283	134,128	521,816	1,543,940

MONTGOMERY COLLEGE TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Amount increase FY15-FY16	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	(1.00)	6.00	1.00	18.00	24.00
Active employees:					
Wages	3,733,250	1,837,115	710,712	4,271,842	10,552,919
Social Security	303,518	149,987	58,567	352,609	864,682
Retirement	0	0	0	0	0
Other Benefits (EAP, recognition awards, comp absences, etc)	97,109	86,325	15,133	123,755	322,321
Group insurance for active employees	(112,256)	(36,522)	(6,878)	33,957	(121,700)
Total compensation for active employees	4,021,621	2,036,905	777,534	4,782,163	11,618,222
Retiree benefits: group insurance					
Pay as you go amount	8,761	19,071	3,258	42,733	73,824
Phase in of the Annual Required Contribution	0	0	0	0	0
Total compensation for retired employees	8,761	19,071	3,258	42,733	73,824
Total compensation for active and retired employees	4,030,382	2,055,976	780,792	4,824,896	11,692,046

Percent increase FY15-FY16	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	-0.16%	1.24%	1.18%	2.99%	1.34%
Active employees:					
Wages 1)	7.41%	6.93%	6.05%	5.92%	6.56%
Social Security	7.92%	7.44%	6.56%	6.42%	7.07%
Retirement		0.00%		0.00%	0.00%
Other Benefits (EAP, recognition awards, comp absences, etc)	11.75%	13.33%	13.25%	15.28%	13.44%
Group insurance for active employees	-2.35%	-0.98%	-1.04%	0.73%	-0.88%
Total compensation for active employees	6.72%	6.02%	5.80%	5.69%	6.08%
Retiree benefits: group insurance					
Pay as you go amount	0.80%	2.22%	2.15%	3.98%	2.32%
Phase in of the Annual Required Contribution	NA	NA	NA	NA	NA
Total compensation for retired employees	0.80%	2.22%	2.15%	3.98%	2.32%
Total compensation for active and retired employees					6.02%

MNCPPC TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY15 Approved Budget	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	73.00	256.55	562.18	891.73
Active employees:				
Wages	5,949,257	13,089,705	46,808,974	65,847,935
Social Security	67,092	986,610	3,430,244	4,483,945
Retirement	2,351,756	2,024,660	7,278,787	11,655,203
Group insurance for active employees	1,236,018	3,451,433	8,625,497	13,312,948
Total compensation for active employees	9,604,122	19,552,408	66,143,501	95,300,031
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*	10,097,860	21,294,702	70,107,399	101,499,961
Operating budget without debt service*				114,287,185
Total compensation as % of total operating budget				88.8%
% General Wage Adjustment	1.75%	2.00%	2.00%	
Cost of General Wage Adjustment (wages, social security, retirement) **SEE NOTE 1**	104,158	225,726	802,848	1,132,732
Cost of other Wage Adjustment (wages, social security, retirement)	0	0	0	0
Cost per 1% General Wage Adjustment (wages, social security, retirement)	59,519	112,863	401,424	573,806
Cost per furlough day (wages, social security, retirement)	23,140	54,140	193,228	270,507
Cost of increments for employees not at top of grade (wages, social security, retirement) **SEE NOTE 2**	83,179	205,580	606,302	895,061
Cost of 1% increment for employees not at top of grade (wages, social security, retirement) **SEE NOTE 2**	23,765	58,737	173,229	255,732

NOTE 1: COLAs effective as follows: MCGEO and Non-rep - 2% COLA effective Sept. 14, 2014; FOP - 1.75% effective July 6, 2014.
NOTE 2: Increments are effective on annual review date; costs are for the remainder of the fiscal year following effective date

MNCPPC TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY16 Request	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	83.00	311.40	519.44	913.84
Active employees:				
Wages	5,443,582	17,643,058	49,852,370	72,939,009
Social Security	125,246	1,213,789	3,308,734	4,647,769
Retirement	2,063,010	2,339,688	6,570,531	10,973,230
Group insurance for active employees	1,260,197	4,158,336	7,590,949	13,009,482
Total compensation for active employees	8,892,035	25,354,871	67,322,584	101,569,490
Retiree benefits: group insurance				
Pay as you go amount	423,354	1,595,737	2,679,676	4,698,767
OPEB pre-funding	161,224	607,699	1,020,491	1,789,414
Total compensation for retired employees	584,578	2,203,436	3,700,167	6,488,181
Total compensation for active and retired employees	9,476,613	27,558,307	71,022,751	108,057,671
Operating budget without debt service				121,043,962
Total compensation as % of total operating budget				89.3%
% General Wage Adjustment	1.75%	**NOTE 3**	**NOTE 3**	
Cost of General Wage Adjustment (wages, social security, retirement)	91,086	**NOTE 3**	**NOTE 3**	
Cost of other Wage Adjustment (wages, social security, retirement)				0
Cost per 1% General Wage Adjustment (wages, social security, retirement)	52,049	168,739	473,553	694,341
Cost per furlough day (wages, social security, retirement)	21,419	72,526	204,466	298,411
Cost of increments for employees not at top of grade (wages, social security, retirement)	97,859	**NOTE 3**	**NOTE 3**	
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	27,960	63,990	148,809	240,758

NOTE 3: $2,052,947 has been included as a dollar marker for an increase to employee compensation in the FY16 Proposed Budget for the Admin and Park Funds. This amount includes FOP, which is a 2nd year of contract. We are in full contract negotiations with MCGEO. Nothing has been finalized for either MCGEO or the non-represented 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

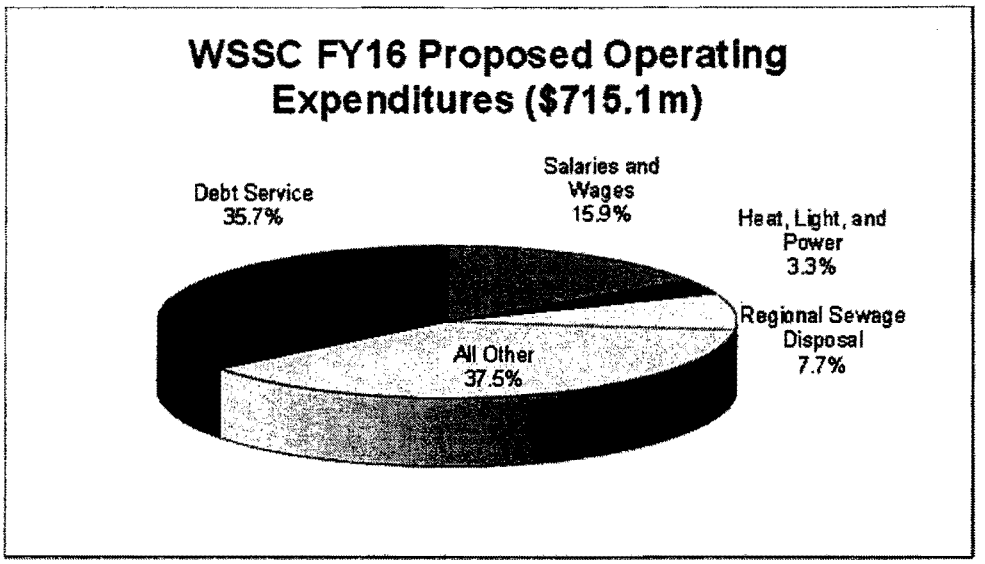
Amount increase FY15-FY16	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	10	55	(43)	22
Active employees:				
Wages	(505,675)	4,553,353	3,043,396	7,091,074
Social Security	58,154	227,180	(121,510)	163,824
Retirement	(288,745)	315,028	(708,256)	(681,973)
Group insurance for active employees	24,179	706,903	(1,034,548)	(303,466)
Total compensation for active employees	(712,087)	5,802,463	1,179,083	6,269,459
Retiree benefits: group insurance				
Pay as you go amount	72,117	356,301	(140,168)	288,251
Phase in of the Annual Required Contribution	18,722	104,840	(123,563)	0
Total compensation for retired employees	90,840	461,142	(263,730)	288,251
Total compensation for active and retired employees				6,557,710

Percent increase FY15-FY16	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	13.7%	21.4%	-7.6%	2.5%
Active employees:				
Wages	-8.5%	34.8%	6.5%	10.8%
Social Security	86.7%	23.0%	-3.5%	3.7%
Retirement	-12.3%	15.6%	-9.7%	-5.9%
Group insurance for active employees	2.0%	20.5%	-12.0%	-2.3%
Total compensation for active employees	-7.4%	29.7%	1.8%	6.6%
Retiree benefits: group insurance				
Pay as you go amount	20.5%	28.7%	-5.0%	6.5%
Phase in of the Annual Required Contribution	13.1%	20.8%	-10.8%	0.0%
Total compensation for retired employees	18.4%	26.5%	-6.7%	4.6%
Total compensation for active and retired employees	0.0%	0.0%	0.0%	6.5%

*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

WSSC Compensation Issues

Salary and wages represent 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), WSSC's personnel costs for FY16 make up less than 25% of the operating budget. By contrast, for the four County tax supported agencies combined, personnel costs represent four-fifths of the budget. MCPS' personnel costs represent about 90% of its budget.

"Salaries and Wages" costs within the WSSC operating budget are estimated to increase by 5.9%. This increase covers WSSC's proposed pay increases totaling $5.8 million, with a $4.6 million, or 0.8%, impact on rates. Since WSSC's budget is funded by ratepayers rather than by tax dollars, WSSC's pay increases do not directly compete for the same tax supported funding that covers other agency employees. However, the Council has expressed support for the equitable treatment of employees across agencies, especially in the context of annual pay increases.

WSSC's total salary cost for each 1% general wage adjustment is $1,355,700. Each 1% merit (service increment) costs $294,560. Based on these numbers, WSSC's $5.8 million allocation for pay increases seems higher than the increases recommended for MCG employees (2.0 percent general wage adjustment and 3.5% service increments). Equivalent increases for WSSC employees) would cost about $3.7 million, with a $2.9 million, or 0.3%, impact on rates. **On April 16 the T&E Committee supported Council staff's recommendation of this amount.**

The Prince George's Executive's FY16 recommended budget assumes no general wage adjustment or merits for County employees, along with five employee furlough days and a reduction in force of 110 positions. If the Prince George's Council takes a similar approach, the two Councils may need to resolve a significant difference. The issue will be resolved at the bi-county meeting on May 7.

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

PROPOSED FISCAL YEAR 2016

EFFECTIVE JULY 12, 2015

GRADE	MINIMUM	MIDPOINT	MAXIMUM	LONGEVITY MAXIMUM*
5	$26,357	$33,536	$40,715	$41,936
6	$27,367	$34,890	$42,412	$43,684
7	$28,433	$36,330	$44,226	$45,553
8	$29,539	$37,889	$46,238	$47,625
9	$30,706	$39,530	$48,354	$49,805
10	$31,938	$41,288	$50,637	$52,156
11	$33,229	$43,124	$53,019	$54,610
12	$34,576	$45,050	$55,524	$57,190
13	$36,000	$47,079	$58,157	$59,902
14	$37,497	$49,212	$60,926	$62,754
15	$39,062	$51,442	$63,822	$65,737
16	$40,731	$53,802	$66,872	$68,878
17	$42,579	$56,326	$70,072	$72,174
18	$44,530	$58,982	$73,434	$75,637
19	$46,630	$61,794	$76,958	$79,267
20	$48,824	$64,744	$80,663	$83,083
21	$51,138	$67,845	$84,551	$87,088
22	$53,557	$71,097	$88,636	$91,295
23	$56,106	$74,519	$92,931	$95,719
24	$58,778	$78,102	$97,425	$100,348
25	$61,578	$81,866	$102,153	$105,218
26	$64,530	$85,826	$107,121	$110,335
27	$67,601	$89,969	$112,337	$115,707
28	$70,637	$94,224	$117,811	$121,345

*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.

FY16 Notes:

- FY16 GWA is 2.0% for MCGEO OPT/SLT bargaining unit employees.

MONTGOMERY COUNTY GOVERNMENT
MINIMUM WAGE / SEASONAL
SALARY SCHEDULE

PROPOSED FISCAL YEAR 2016

EFFECTIVE SEPTEMBER 20, 2015

	MINIMUM		MAXIMUM	
GRADE	**ANNUAL**	**HOURLY**	**ANNUAL**	**HOURLY**
Grade S1*	$19,864	$9.55	$20,023	$9.63
Grade S2*	$19,864	$9.55	$22,515	$10.82
Grade S3	$20,457	$9.84	$25,191	$12.11
Grade S4	$22,515	$10.82	$27,866	$13.40
Grade S5	$25,260	$12.14	$31,432	$15.11
Grade S6	$30,746	$14.78	$38,562	$18.54
Grade S7	$36,316	$17.46	$45,808	$22.02
Grade S8	$42,067	$20.22	$53,282	$25.62

FY16 Notes:

* The Montgomery County minimum wage, beginning October 1, 2015, will be $9.55.

The following job classes are assigned to the Minimum
County Government Aide (MW) (S1)
Recreation Assistant 1 (S1)
Community Correctional Intern (S1)
County Government Assistant (S1)
Library Page (S2)
Recreation Assistant II (S2)
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 2016

EFFECTIVE JULY 12, 2015

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY*
D2	DEPUTY SHERIFF LIEUTENANT	$65,743	$102,834	$105,919
D3	DEPUTY SHERIFF CAPTAIN	$78,893	$124,195	$127,921
D4	DEPUTY SHERIFF COLONEL	$90,727	$143,275	$147,573

* Completion of 20 Years Service
Longevity is 3% for Deputy Sheriff Management

FY16 Notes:

- FY16 GWA is 2.0% for Deputy Sheriff Management

MONTGOMERY COUNTY GOVERNMENT
DEPUTY SHERIFF
UNIFORM SALARY SCHEDULE

PROPOSED FISCAL YEAR 2016

EFFECTIVE JULY 12, 2015

YEAR	STEP	DS I	DS II	DS III	SGT
1	0	$47,456	$50,778	$54,332	$59,766
2	1	$49,118	$52,556	$56,234	$61,858
3	2	$50,837	$54,396	$58,203	$64,024
4	3	$52,617	$56,299	$60,241	$66,265
5	4	$54,459	$58,271	$62,350	$68,584
6	5	$56,364	$60,311	$64,531	$70,986
7	6	$58,337	$62,422	$66,792	$73,470
8	7	$60,380	$64,609	$69,129	$76,042
9	8	$62,494	$66,870	$71,550	$78,704
10	9	$64,682	$69,211	$74,054	$81,459
11	10		$71,635	$76,646	$84,310
12	11		$74,141	$79,331	$87,262
13	12			$82,108	$90,316
14-20	13			$84,980	$93,478
21+	L1*	$66,622	$76,365	$87,529	$96,282

*Completion of 20 years of service and at maximum for pay grade.
Starting salary for Deputy Sheriff Candidate is $47,456.

FY16 Notes:
- FY16 GWA is 2.0% 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 2016

EFFECTIVE JULY 12, 2015

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY (LS1)*	LONGEVITY (LS2)**
B3	FIRE/RESCUE BATTALION CHIEF	$75,610	$125,650	$130,048	$134,600
B4	FIRE/RESCUE ASSISTANT CHIEF	$82,570	$138,205	$143,042	$148,048
B6	FIRE/RESCUE DIVISION CHIEF	$94,386	$156,704	$162,189	$167,866

* 3.5 percent, upon completion of 20 years of service
** 3.5 percent, upon completion of 28 years of service

FY16 Notes:

- FY16 GWA is 2.0% for Fire/Rescue Management.

MONTGOMERY COUNTY GOVERNMENT
FIRE/RESCUE BARGAINING UNIT
SALARY SCHEDULE

PROPOSED FISCAL YEAR 2016

EFFECTIVE JULY 12, 2015

GRADE	F1 FIRE FIGHTER RESCUER I	F2 FIRE FIGHTER RESCUER II	F3 FIRE FIGHTER RESCUER III	F4 MASTER FIRE FIGHTER RESCUER	B1 FIRE/RESCUE LIEUTENANT	B2 FIRE/RESCUE CAPTAIN
A	$44,813	$47,054	$49,407	$54,348	$59,787	$67,418
B	$46,381	$48,701	$51,137	$56,250	$61,880	$69,778
C	$48,005	$50,406	$52,927	$58,220	$64,047	$72,221
D	$49,686	$52,171	$54,780	$60,258	$66,289	$74,750
E	$51,425	$53,998	$56,698	$62,367	$68,609	$77,366
F	$53,226	$55,888	$58,683	$64,551	$71,011	$80,074
G	$55,089	$57,844	$60,737	$66,810	$73,497	$82,877
H	$57,018	$59,869	$62,864	$69,149	$76,070	$85,778
I	$59,014	$61,965	$65,065	$71,569	$78,733	$88,781
J	$61,080	$64,135	$67,342	$74,074	$81,489	$91,889
K	$63,218	$66,380	$69,699	$76,667	$84,342	$95,106
L	$65,431	$68,703	$72,140	$79,351	$87,295	$98,435
M	$67,722	$71,108	$74,665	$82,128	$90,351	$101,881
N	$70,092	$73,597	$77,279	$85,004	$93,514	$105,447
O	$72,546	$76,174	$79,984	$87,979	$96,787	$109,138
LS1*	$75,086	$78,840	$82,784	$91,058	$100,175	$112,958
LS2**	$77,714	$81,599	$85,682	$94,246	$103,681	$116,911

* Completion of 20 years of service.
** Completion of 28 years of service.

FY16 Notes:
- FY16 GWA is 2.0% for IAFF Bargaining Unit members.

POLICE MANAGEMENT
SALARY SCHEDULE

PROPOSED FISCAL YEAR 2016

EFFECTIVE JULY 12, 2015

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY*
A2	POLICE LIEUTENANT	$79,083	$119,117	$123,286
A3	POLICE CAPTAIN	$90,065	$136,073	$140,836

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

FY16 Notes:

- FY16 GWA is 2.0% for Police Management.

MONTGOMERY COUNTY GOVERNMENT
POLICE BARGAINING UNIT
UNIFORM SALARY SCHEDULE

PROPOSED FISCAL YEAR 2016

EFFECTIVE JULY 12, 2015

STEP	YEAR	PO I	PO II	PO III	MPO	SGT
0	1	$49,961	$52,459	$55,083	$57,837	$63,623
1	2	$51,710	$54,297	$57,012	$59,863	$65,849
2	3	$53,520	$56,197	$59,008	$61,959	$68,154
3	4	$55,394	$58,164	$61,074	$64,127	$70,539
4	5	$57,333	$60,200	$63,211	$66,372	$73,010
5	6	$59,341	$62,308	$65,425	$68,697	$75,565
6	7	$61,418	$64,490	$67,715	$71,101	$78,211
7	8	$63,569	$66,747	$70,085	$73,590	$80,948
8	9	$65,794	$69,084	$72,539	$76,165	$83,782
9	10	$68,097	$71,502	$75,078	$78,833	$86,714
10	11	$70,481	$74,005	$77,707	$81,593	$89,750
11	12	$72,949	$76,596	$80,427	$84,449	$92,892
12	13	$75,502	$79,277	$83,242	$87,404	$96,143
13	14	$78,145	$82,053	$86,157	$90,465	$99,508
14	15	$80,881	$84,925	$89,174	$93,631	$102,991
L1*	21+	$83,712	$87,897	$92,295	$96,908	$106,596

* Completion of 20 years of service.
Starting salary for Police Officer Candidate is $49,961

FY16 Notes:

- FY16 GWA is 2.0% for FOP Bargaining Unit members.

MONTGOMERY COUNTY GOVERNMENT
UNIFORMED CORRECTIONAL MANAGEMENT
SALARY SCHEDULE

PROPOSED FISCAL YEAR 2016

EFFECTIVE JULY 12, 2015

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY*
C1	CORRECTIONAL SHIFT COMMANDER (LT)	$61,887	$100,187	$103,193
C2	CORRECTIONAL TEAM LEADER (CAPT)	$68,077	$110,206	$113,512

* Completion of 20 Years Service

FY16 Notes:

- FY16 GWA is 2.0% for Uniformed Correctional Mananagement

MONTGOMERY COUNTY GOVERNMENT
CORRECTIONAL OFFICER
UNIFORM SALARY SCHEDULE

PROPOSED FISCAL YEAR 2016

EFFECTIVE JULY 12, 2015

STEP	YEAR	CO I	CO II	CO III	SGT
1	0	$44,080	$46,285	$50,913	$56,260
2	1	$45,624	$47,905	$52,696	$58,230
3	2	$47,221	$49,583	$54,541	$60,269
4	3	$48,874	$51,319	$56,451	$62,378
5	4	$50,586	$53,115	$58,428	$64,562
6	5	$52,358	$54,976	$60,473	$66,822
7	6	$54,191	$56,901	$62,590	$69,161
8	7	$56,088	$58,893	$64,781	$71,583
9	8	$58,050	$60,955	$67,049	$74,088
10	9	$60,083	$63,089	$69,397	$76,682
11	10	$62,186	$65,297	$71,826	$79,366
12	11	$64,363	$67,584	$74,341	$82,145
13	12		$69,951	$76,943	$85,020
14	13				$87,996
15	14-20				$91,077
L1*	21+	$66,294	$72,050	$79,251	$93,809

* Completion of 20 years of service and at maximum for pay grade.
Starting salary for Correctional Officer 1 (Private) is $44,080

FY16 Notes:

- FY16 GWA is 2.0% for Correctional Officers
- Correctional Officer salaries may not correspond to years of service as listed on the salary schedule.

MONTGOMERY COUNTY GOVERNMENT
GENERAL SALARY SCHEDULE

PROPOSED FISCAL YEAR 2016

EFFECTIVE JULY 12, 2015

GRADE	MINIMUM	MIDPOINT	MAXIMUM	PERFORMANCE LONGEVITY MAXIMUM*
5	$26,357	$33,536	$40,715	$41,529
6	$27,367	$34,890	$42,412	$43,260
7	$28,433	$36,330	$44,226	$45,111
8	$29,539	$37,889	$46,238	$47,163
9	$30,706	$39,530	$48,354	$49,321
10	$31,938	$41,288	$50,637	$51,650
11	$33,229	$43,124	$53,019	$54,079
12	$34,576	$45,050	$55,524	$56,634
13	$36,000	$47,079	$58,157	$59,320
14	$37,497	$49,212	$60,926	$62,145
15	$39,062	$51,442	$63,822	$65,098
16	$40,731	$53,802	$66,872	$68,209
17	$42,579	$56,326	$70,072	$71,473
18	$44,530	$58,982	$73,434	$74,903
19	$46,630	$61,794	$76,958	$78,497
20	$48,824	$64,744	$80,663	$82,276
21	$51,138	$67,845	$84,551	$86,242
22	$53,557	$71,097	$88,636	$90,409
23	$56,106	$74,519	$92,931	$94,790
24	$58,778	$78,102	$97,425	$99,374
25	$61,578	$81,866	$102,153	$104,196
26	$64,530	$85,826	$107,121	$109,263
27	$67,601	$89,969	$112,337	$114,584
28	$70,637	$94,224	$117,811	$120,167
29	$73,823	$98,690	$123,557	$126,028
30	$77,173	$103,385	$129,597	$132,189
31	$80,690	$108,312	$135,933	$138,652
32	$84,376	$112,235	$140,094	$142,896
33	$88,252	$116,255	$144,257	$147,142
34	$92,323	$120,373	$148,422	$151,390
35	$96,600	$124,592	$152,584	$155,636
36	$101,090	$128,920	$156,749	$159,884
37	$105,798	$133,353	$160,908	$164,126
38	$110,745	$137,677	$164,609	$167,901
39	$115,939	$141,486	$167,033	$170,374
40	$121,395	$145,425	$169,454	$172,843

*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.

FY16 Notes:

FY16 GWA is 2.0% for General Salary Schedule employees

MONTGOMERY COUNTY GOVERNMENT
MANAGEMENT LEADERSHIP SERVICE
SALARY SCHEDULE

PROPOSED FISCAL YEAR 2016

EFFECTIVE JULY 12, 2015

PAY BAND	MLS LEVEL	MINIMUM	CONTROL POINT	MAXIMUM
M1	MANAGEMENT LEVEL I	$98,111	$166,642	$174,256
M2	MANAGEMENT LEVEL II	$85,795	$148,751	$155,746
M3	MANAGEMENT LEVEL III	$73,706	$128,617	$134,718

FY16 Notes:

- FY16 GWA is 2.0% for Management Leadership Service employees.

MONTGOMERY COUNTY GOVERNMENT
MEDICAL DOCTORS
SALARY SCHEDULE

PROPOSED FISCAL YEAR 2016

EFFECTIVE JULY 12, 2015

GRADE	MEDICAL JOB CLASS	MINIMUM	MIDPOINT	MAXIMUM
MD I	MEDICAL DOCTOR I	$102,967	$129,784	$156,600
MD II	MEDICAL DOCTOR II	$113,261	$142,760	$172,259
MD III	MEDICAL DOCTOR III	$124,587	$157,035	$189,482
MD IV	MEDICAL DOCTOR IV	$137,046	$172,739	$208,431

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

FY16 Notes:

- FY16 GWA is 2.0% for Medical Doctors.

EMPLOYEE HEALTH BENEFITS SELF INSURANCE FUND

FY16-21 FISCAL PROJECTION	Estimate - FY15	Projected - FY16	Projected - FY17	Projected - FY18	Projected - FY19	Projected - FY20	Projected - FY21
BEGINNING BALANCE	28,579,209	9,002,377	2,306,622	7,500,595	13,649,623	15,116,194	16,459,185
REVENUES							
Premium Contributions	165,662,595	183,496,291	204,405,486	224,982,881	245,400,840	269,945,351	297,481,586
Premium Contributions: Retiree Insurance NDA	32,462,450	36,768,000	49,819,330	54,581,569	56,908,019	62,338,623	68,672,405
Investment Income	45,770	100,900	194,040	271,660	349,280	426,900	543,330
TOTAL REVENUES	198,170,815	220,365,191	254,418,856	279,836,111	302,658,140	332,710,874	366,697,321
FUND TRANSFER TO THE GENERAL FUND	(10,056,754)	-	-	-	-	-	-
TOTAL FUNDS AVAILABLE	216,693,271	229,367,568	256,725,478	287,336,706	316,307,762	347,827,068	383,156,506
EXPENDITURES							
Claims, Premiums, & Carrier Administration	204,066,350	223,082,708	245,047,733	269,301,076	296,586,261	326,532,310	359,749,790
Actives	131,905,150	143,830,821	157,883,365	173,463,233	191,151,620	210,525,253	232,029,177
Retirees	72,161,200	79,251,886	87,164,368	95,837,843	105,434,641	116,007,057	127,720,613
In-house expenses	3,624,543	3,978,238	4,177,150	4,386,007	4,605,308	4,835,573	5,077,352
TOTAL EXPENDITURES	207,690,893	227,060,946	249,224,883	273,687,083	301,191,568	331,367,883	364,827,142
ENDING BALANCE	9,002,377	2,306,622	7,500,595	13,649,623	15,116,194	16,459,185	18,329,364
TARGET FUND BALANCE (5% OF EXPENDITURES)	10,384,540	11,353,050	12,461,240	13,684,350	15,059,580	16,568,390	18,241,360
ENDING BALANCE AS % OF EXPENDITURES	4.3%	1.0%	3.0%	5.0%	5.0%	5.0%	5.0%

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 FY16.

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.

FY16 Recommended Changes	Expenditures	FTEs
FY15 Approved	**2,407,014**	**1.08**
Increase Cost: Group Insurance Cost-sharing in IAFF, Local 1664 Labor Agreement	620,000	0.00
Increase Cost: MLS Pay for Performance - Non-Tax Supported	22,359	0.00
Increase Cost: FY16 Compensation Adjustment	12,737	0.00
Increase Cost: Annualization of FY15 Operating Expenses	7,269	0.15
Increase Cost: Group Insurance Adjustment	1,237	0.00
Decrease Cost: Retirement Adjustment	-158	0.00
FY16 CE Recommended	**3,070,458**	**1.23**

Consolidated Retiree Health Benefits Trust (MCPS)

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

FY16 Recommended Changes	Expenditures	FTEs
FY15 Approved	**85,507,000**	**0.00**
Decrease Cost: County Contribution Based on Actuarial Valuation	-23,774,000	0.00
FY16 CE Recommended	**61,733,000**	**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.

FY16 Recommended Changes	Expenditures	FTEs
FY15 Approved	**1,974,000**	**0.00**
Decrease Cost: County Contribution Based on Actuarial Valuation	-546,000	0.00
FY16 CE Recommended	**1,428,000**	**0.00**

Group Insurance for Retirees

Group insurance is provided to an estimated 6,242 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.

FY16 Recommended Changes	Expenditures	FTEs
FY15 Approved	**32,462,450**	**0.00**
Increase Cost: Group Insurance Claims Costs	4,305,550	0.00
FY16 CE Recommended	**36,768,000**	**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 FY13	Actual FY14	Estimated FY15	Target FY16	Target FY17
ERS - Rate of return - used to compare to the 7.5% Actuarial Assumed Return[1]	10.85%	8.80%	N/A	N/A	N/A
ERS - Return in excess of the total fund benchmark (passive indices)	2.37%	1.30%	2.00%	2.00%	2.00%
RSP & DCP - Percentage of funds offered that are ranked at or above over a market cycle	82%	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

[1] Estimated FY14 amount represents the return as of 12/31/13.

FY16 Recommended Changes	Expenditures	FTEs
FY15 Approved	**0**	**0.00**
FY16 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.

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", 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 $48.9 million (County General Fund), $83.7 million (MCPS Consolidated Trust), and $2.4 million (Montgomery College Consolidated Trust). In FY15, these contributions were $38.6 million (County General Fund), $85.5 million (MCPS Consolidated Trust), and $2.0 million (Montgomery College Consolidated Trust). These contributions allowed the County to achieve full pre-funding in FY15. In FY15, the County and all other agencies implemented 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.

FY16 Recommended Changes	Expenditures	FTEs
FY15 Approved	**38,577,480**	**0.00**
Increase Cost: County Contribution Based on Actuarial Valuation	4,942,580	0.00
FY16 CE Recommended	**43,520,060**	**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.

FY16 Recommended Changes	Expenditures	FTEs
FY15 Approved	**60,756**	**0.00**
FY16 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.

FY16 Recommended Changes	Expenditures	FTEs
FY15 Approved	**1,251,603**	**0.00**
Increase Cost: Adjustment Based on Actuarial Schedule	62,392	0.00
FY16 CE Recommended	**1,313,995**	**0.00**

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.

Proposed FY16 Consolidated Retiree Health Benefits Trust Contributions

Montgomery County Government (MCG)	FY16
General Fund:	
Retiree Health Benefits Trust NDA	$43,520,060
Proprietary Funds:	
Bethesda Parking District	$152,630
Wheaton Parking District	15,790
Silver Spring Parking District	105,260
Solid Waste Collection	21,050
Solid Waste Disposal	399,990
Liquor Control	2,157,840
Permitting Services	1,063,130
Community Use of Public Facilities	142,100
Motor Pool	1,057,870
Risk Management	52,630
Central Duplicating	163,150
Participating Agency Contributions	$1,534,500
Total MCG Trust Contributions	**$50,386,000**
Consolidated Trust: Montgomery County Public Schools	**$61,733,000**
Consolidated Trust: Montgomery College	**$1,428,000**
Park and Planning Commission Trust Fund*	**$1,860,322**
Total Contributions/Assets Held in Trust	**$115,407,322**

* 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," 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 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 $48.9 million (County General Fund), $83.7 million (MCPS Consolidated Trust), and $2.4 million (Montgomery College Consolidated Trust). In FY15, these contributions were $38.6 million (County General Fund), $85.5 million (MCPS Consolidated Trust), and $2.0 million (Montgomery College Consolidated Trust). These contributions allowed the County to achieve full pre-funding in FY15. A detailed breakdown of FY16 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. In FY15, the County and all other agencies implemented 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. The Executive is recommending that the Retiree Health Benefits Trust provide $27.2 million to Montgomery County Public Schools for the payment of retiree health insurance claims in FY16.

PROPOSED OPERATING BUDGET DEFERRED COMPENSATION MANAGEMENT							
ITEM	FY14 APPR	FY14 ACT	FY15 APPR	FY15 EST	FY16 REC	$ Change	% Change
EXPENSES							
Salaries and Benefits	125,700	112,448	102,390	156,000	190,000	87,610	85.6%
Professional Services	5,000	21,218	3,085	12,400	7,200	4,115	133.4%
Due Diligence/Education	2,000	1,237	2,000	3,100	3,600	1,600	80.0%
Office Management	6,700	5,175	6,650	8,500	9,000	2,350	35.3%
Investment Management	9,000	4,800	9,000	5,500	6,000	(3,000)	(33.3%)
TOTAL EXPENSES	**$148,400**	**$144,878**	**$123,125**	**$185,500**	**$215,800**	**92,675**	**74.1%**

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	FY14 APPR	FY14 ACT	FY15 APPR	FY15 EST	FY16 REC	$ Change	% Change
EXPENSES							
Salaries and Benefits	211,110	243,066	269,920	239,920	341,690	71,770	26.6%
Professional Services	75,000	746	152,500	152,460	80,000	(72,500)	(47.5%)
Due Diligence/Education	48,000	17,204	48,000	40,000	48,000	0	0.0%
Office Management	9,400	10,864	15,000	20,000	20,000	5,000	33.3%
Investment Management	1,500,000	1,104,977	2,710,000	2,200,000	3,100,000	390,000	14.4%
TOTAL EXPENSES	**$1,843,510**	**$1,376,857**	**$3,195,420**	**$2,652,380**	**$3,589,690**	**$394,270**	**12.3%**

PROPOSED OPERATING BUDGET EMPLOYEES' RETIREMENT SYSTEM							
						FY16 vs. FY15 Appr.	
ITEM	FY14 APPR	FY14 ACT	FY15 APPR	FY15 EST	FY16 REC	$ Change	% Change
REVENUE							
Contributions	146,400,000	171,172,514	143,900,000	164,000,000	136,200,000	(7,700,000)	(5.4%)
Investment Income	241,000,000	553,599,474	261,000,000	90,000,000	279,000,000	18,000,000	6.9%
Miscellaneous Income	950,000	1,156,078	950,000	1,100,000	1,300,000	350,000	36.8%
TOTAL REVENUE	**$ 388,350,000**	**$ 725,928,066**	**$ 405,850,000**	**$ 255,100,000**	**$ 416,500,000**	**10,650,000**	**2.6%**
EXPENSES							
OPERATING EXPENSES							
Retirement Benefits	245,000,000	233,994,554	254,500,000	245,000,000	265,000,000	10,500,000	4.1%
Investment Management	23,000,000	20,357,819	25,000,000	23,000,000	25,000,000	0	0.0%
SUBTOTAL	268,000,000	254,352,373	279,500,000	268,000,000	290,000,000	**10,500,000**	**3.8%**
ADMINISTRATIVE EXPENSES							
Salaries and Benefits	1,582,700	1,343,377	1,785,000	1,585,000	1,972,000	187,000	10.5%
Professional Services	895,900	1,441,471	942,400	1,052,000	1,208,500	266,100	28.2%
Benefit Processing	130,000	114,016	140,000	130,000	140,000	0	0.0%
Due Diligence/Education	64,700	34,253	63,700	54,300	62,500	(1,200)	(1.9%)
Office Management	99,300	91,283	103,000	439,500	443,500	340,500	330.6%
SUBTOTAL	2,772,600	3,024,400	3,034,100	3,260,800	3,826,500	792,400	26.1%
TOTAL EXPENSES	**$270,772,600**	**$257,376,773**	**$282,534,100**	**$271,260,800**	**$293,826,500**	**11,292,400**	**4.0%**
NET REVENUE	**$117,577,400**	**$468,551,293**	**$123,315,900**	**($16,160,800)**	**$122,673,500**	**(642,400)**	**(0.5%)**

PROPOSED OPERATING BUDGET RETIREMENT SAVINGS PLAN							
						FY16 vs. FY15 Appr.	
ITEM	FY14 APPR	FY14 ACT	FY15 APPR	FY15 EST	FY16 REC	$ Change	% Change
REVENUE							
Investment Income	600	1,600	600	1,000	1,200	600	100.0%
Miscellaneous Income	90,000	396,592	235,000	300,000	250,000	15,000	6.4%
TOTAL REVENUE	**90,600**	**398,192**	**235,600**	**301,000**	**251,200**	**15,600**	**6.6%**
EXPENSES							
OPERATING EXPENSES							
Investment Management	9,000	4,800	9,000	5,500	6,000	(3,000)	(33.3%)
SUBTOTAL	9,000	4,800	9,000	5,500	6,000	**(3,000)**	**(33.3%)**
ADMINISTRATIVE EXPENSES							
Salaries and Benefits	157,400	139,885	200,000	200,000	237,000	37,000	18.5%
Professional Services	89,200	51,123	79,700	65,400	60,700	(19,000)	(23.8%)
Due Diligence/Education	2,000	1,237	2,000	3,100	3,600	1,600	80.0%
Office Management	6,700	5,208	6,650	8,500	9,000	2,350	35.3%
SUBTOTAL	255,300	197,453	288,350	277,000	310,300	21,950	7.6%
TOTAL EXPENSES	**$264,300**	**$202,253**	**$297,350**	**$282,500**	**$316,300**	**18,950**	**6.4%**

Source: Montgomery County Employee Retirement Plans

OFFICE OF HUMAN RESOURCES

Fiscal Year 2015 County Awards Summary

Department	Annual Leave (hours)	Award Amount							Recruitment/ Retention AL (hours)	Sick Leave Bonus (hours)	Physical Training Test (hours)
		Employee of Year	Recognition		ASE		Recruitment	Department Total			
			Cash	Non-Cash	Exam	Master					
01 - County Council	879										
30 - County Attorney	200										
31 - Management & Budget	216	$750						$750			
32 - Finance	72	$1,250						$1,250			
36 - General Services	264		$650		$93,500	$85,000		$179,150			
39 - Consumer Protection	112										
42 - Correction & Rehabilitation	16						$4,000	$4,000			
45 - Fire/Rescue Services	160										
47 - Police	2,904						$2,500	$2,500	600		
48 - Sheriff	304									552	412
50 - Transportation	312	$23,500	$100					$23,600			
60 - Health & Human Services	228										
70 - Community Use Public Facilities	32										
75 - Permitting Services	168	$1,650						$1,650			
76 - Housing & Community Affairs	40										
78 - Economic Development	200										
80 - Environmental Protection	136										
85 - Liquor Control		$250						$250			
Total	**6,243**	**$27,400**	**$750**		**$93,500**	**$85,000**	**$6,500**	**$213,150**	**600**	**552**	**412**

This report was generated on March 27, 2015.