

ANNUAL INFORMATION STATEMENT IN CONNECTION WITH BONDS AND OTHER OBLIGATIONS

This Annual Information Statement (“AIS”), dated January 17, 2023, is prepared by Montgomery County, Maryland (“the County”), to provide, as of this date, certain general information concerning the County and its operations. Included is information on 1) County Officials, 2) Statistical Highlights, 3) County Organization and Services, 4) Demographic and Economic Information, and 5) Selected Budget and Financial Information.

The information presented in this AIS document is based on the most recent available information unless otherwise specified. This information was obtained from the County and other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice, and the publication of this Statement shall not, under any circumstances create any implication that there is no change in the affairs of the County or in any other information contained herein, since the date hereof. The distribution of this AIS document by the County does not in any way imply that the County has obligated itself to update the information herein or any information referenced herein.

The presentation of information is intended to show recent historical information and is not intended to indicate future or continuing trends in the financial position or operations of the County. No representation is made that past experiences, as might be shown by such financial and other information, will necessarily continue or be repeated in the future. Any statements in this document involving matters of opinion, expectation, or estimates, whether or not expressly so stated, are set forth as such and are not representations of fact, and no representation is made that any of the estimates will be realized.

This AIS document should be read together with the County’s FY22 Annual Comprehensive Financial Report (ACFR), the FY22 Popular Annual Financial Report (PAFR) and the FY22 Debt Service Book which are located at the following links:

- FY22 Annual Comprehensive Financial Report (ACFR)
https://www.montgomerycountymd.gov/Finance/Resources/Files/data/financial/cafr/FY2022_ACFR.pdf
- FY22 Popular Annual Financial Report (PAFR)
https://www.montgomerycountymd.gov/Finance/Resources/Files/data/financial/pafr/FY22PAFR_WEB.pdf
- FY22 Debt Service Book
https://www.montgomerycountymd.gov/Finance/Resources/Files/data/financial/FY22_DEBT_SERVICE_BOOK.pdf

Questions regarding information in the AIS should be directed to Michael Coveyou, Director of Finance, Montgomery County, Maryland, 101 Monroe Street, EOB 15th Floor, Rockville, Maryland 20850, Telephone: (240) 777-8860.

MONTGOMERY COUNTY, MARYLAND OFFICIAL ROSTER OF COUNTY OFFICIALS

COUNTY EXECUTIVE

Marc Elrich

COUNTY COUNCIL

| | |
|----------------------|----------------|
| Evan Glass | President |
| Andrew Friedson | Vice-President |
| Gabe Albornoz | |
| Marilyn Balcombe | |
| Natali Fani-Gonzalez | |
| Will Jawando | |
| Sidney Katz | |
| Dawn Luedtke | |
| Kristin Mink | |
| Laurie-Anne Sayles | |
| Kate Stewart | |

The terms of the County Executive and all County Council members expire in December 2026.

APPOINTED OFFICIALS

| | |
|---------------------|---|
| Richard S. Madaleno | Chief Administrative Officer |
| Michael Coveyou | Director, Department of Finance |
| Jennifer Bryant | Director, Office of Management and Budget |
| John Markovs | County Attorney |
| Judy Rupp | Clerk of the Council |

BOND COUNSEL

McKennon Shelton & Henn LLP
Baltimore, Maryland

INDEPENDENT PUBLIC ACCOUNTANTS

SB & Company, LLC
Owings Mills, Maryland

DEBT MANAGEMENT AND DISCLOSURE INFORMATION

Department of Finance
101 Monroe Street, 15th Floor
Rockville, MD 20850
(240) 777-8860

<https://www.montgomerycountymd.gov/bonds/>

STATISTICAL HIGHLIGHTS

Debt as of June 30, 2022 (including 2022 GO Bonds issued in August, 2022)

| | |
|---|------------------|
| General Obligation Bonds and BANs Outstanding (Net Direct Debt) | \$3.5 billion |
| Total Assessed Value | \$208.45 billion |
| Ratio of Net Direct Debt to Assessed Value | 1.70% |
| Direct Debt (incl. Revenue Bonds) | \$3.7 billion |
| Direct Debt to Assessed Value | 1.80% |
| Net Direct & Overlapping Debt | \$3.7 billion |
| Ratio of Net Direct & Overlapping Debt to Assessed Value | 1.75% |

Budgets

| | |
|--|---------------|
| Approved FY23 Operating Budget | \$6.3 billion |
| FY23-28 Capital Improvements Program (Excludes WSSC Water) | \$5.3 billion |

FY22 Major Revenues and June 30, 2022 Fund Balances

| | |
|---|-----------------|
| Total General Fund Revenues | \$3.9 billion |
| Income Tax | \$1.9 billion |
| Property Tax (General Fund) | \$1.3 billion |
| Transfer and Recordation Tax (General Fund) | \$266 million |
| Other Taxes | \$258.9 million |
| Revenue Stabilization Fund Balance (RSF) | \$587.4 million |
| General Fund Balance (includes RSF) | \$989.7 million |

Demographics*

| | |
|--|--------------|
| Population 2021 | 1,054,827 |
| Households 2021 | 388,396 |
| Median Age 2022 (est.) | 40 years old |
| Montgomery County Public School Pre-K-12 FY22 Enrollment | 158,232 |

Employment*

| | |
|-------------------------------|----------------|
| Private Sector 2021 | 353,145 |
| Public Sector 2021 | 85,051 |
| Unemployment Rate 2021 | 5.5% |
| Personal Income 2021 | \$97.8 billion |
| Per Capita Income 2021 | \$92,740 |
| Average Household Income 2021 | \$251,805 |

General Obligation Bond Ratings 2022

| | |
|---------------------------------|-----|
| Moody's Investors Service, Inc. | Aaa |
| S&P Global Ratings | AAA |
| Fitch Ratings | AAA |

*Provided in calendar years.

COUNTY ORGANIZATION AND SERVICES

Montgomery County, Maryland (County) is a charter government under the constitution and general laws of the State of Maryland (State). The Charter provided for separate legislative and executive branches with legislative responsibility vested in an elected nine-member County Council and executive responsibility vested in an elected County Executive. In the 2020 general election, the Montgomery County Charter was amended by the voters to require the County to be divided into seven Council districts for the purpose of electing seven district and four at-large members of the Council. The new requirement was effective for the 2022 election, and the County Council now consists of eleven members including seven district members and four at-large members.

The Executive Branch implements and enforces Montgomery County's laws and provides executive direction to the government. There are over 40 executive branch departments and agencies that help to deliver services to county residents. The County provides its residents with services in areas of general government, public safety, public works and transportation, health and human services, education, culture and recreation, community development and housing and the environment.

For the sole purpose of providing more detailed information on Executive Branch departments, County Agencies, and Legislative Branches, including an Organizational Chart, the reader may view the County's website at the following link:

<https://montgomerycountymd.gov/government/aboutCountyGovernment.html>

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DEMOGRAPHIC AND ECONOMIC INFORMATION

The population of the County, according to the Bureau of the Census was 1,054,827 for calendar year 2021. The County's total personal income reached \$97.8 billion in 2021 with per capita income of \$92,740 based on information from the Bureau of Economic Analysis. Estimated average household income was \$251,805 in 2021. The estimated median age for County residents for 2022 was 40 years old.

The County's economic structure reveals a diversified economy with a strong service sector. According to Maryland Department of Labor, Licensing and Regulation, the private sector employed 353,145 for 2021, nearly 80% of the workforce. Montgomery County is home to over 18 federal facilities including the National Institutes of Health, the National Institute of Standards and Technology, and the Food and Drug Administration. Total employment of 85,051 was reported in the public sector in 2021. The unemployment rate was reported at 5.5% for 2021, according to the Bureau of Labor Statistics.

The County is committed to promoting new investment in the County including its Central Business Districts in Silver Spring, Wheaton, Bethesda, and Friendship Heights which are centers for major business activities and medium density to high-density residential development in close proximity to existing Metrorail stations. Three Development Districts (Kingsview Village Center, West Germantown and White Flint) were created to allow the County to provide financing for development and redevelopment in the areas. The County also has 14 Census Tracts that have been designated as Opportunity Zones, providing additional opportunities to attract investment and development.

The County also fosters creative and strong partnerships with academia, the federal research community, and various levels of government to pursue innovative projects. Furthermore, it engages in public-private partnership projects to revitalize the County's town centers and provide for strategic redevelopment opportunities throughout the County.

The County provides additional support to existing and prospective businesses, including assistance with permit expediting and targeted programs and services to assist small businesses in navigating the County's processes. To support these efforts, Montgomery County Government offers eight separate Economic Development Fund (EDF) incentive programs to support business attraction and retention projects. Established in 1995, the EDF provides financial assistance to private employers who will either retain jobs in the County or create new jobs through the expansion of current businesses or relocation of its businesses to the County. Businesses seeking to either establish a presence or expand facilities in the County may qualify for assistance in one of the eight EDF programs. For the sole purpose of obtaining more information about the EDF, please visit the website:

https://www.montgomerycountymd.gov/bonds/economic_development.html

As the economic development organization for the County, Montgomery County Economic Development Corporation (MCEDC) is responsible for business attraction and business retention efforts in the County, marketing the County nationally and internationally as a great business location, and providing support for entrepreneurs. It also facilitates international business opportunities for County companies and proactively attracts foreign direct investments to the County.

Existing and prospective new businesses also receive an array of professional assistance from MCEDC, including site selection (information on a variety of available office, research & development, and industrial space in the County), provision of socioeconomic statistics and other data, training, recruitment and employment assistance through WorkSource Montgomery, and other targeted services to meet the needs of small and minority-owned businesses.

Additional demographic and economic information can also be found on the County's website.

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SELECTED BUDGET AND FINANCIAL INFORMATION

Legal Framework for Budgeting

As required by the County Charter, the County Executive submits to the County Council, not later than January 15, a comprehensive six-year Capital Improvements Program (CIP) in each even numbered year, and a Capital Budget each year. In addition, the County Executive, not later than March 15 of each year, submits an annual Operating Budget and six-year Public Services Program (PSP) including fiscal policy.

The CIP includes a statement of the objectives of capital programs and the relationship of capital programs to the County's long-range development plans; recommends capital projects and a construction schedule; and provides an estimate of costs, a statement of anticipated revenue sources, and an estimate of the impact of the program on County revenues and the operating budget. The CIP, to the extent authorized by law, includes all capital projects and programs of all agencies for which the County sets tax rates or approves budgets or programs.

The six-year PSP shows projections of revenues and expenditures for all functions, recommends revenue and expenditure policies for the program, and analyzes the impact of tax and expenditure patterns on public programs and the economy of the County.

As part of the six-year CIP and PSP programs, the County Executive includes the proposed capital and operating budgets containing recommended levels of expenditures and sources of revenue for the ensuing fiscal year. In addition, a summary is submitted containing an analysis of the fiscal implications for the County of all available budgets of all agencies for which the County Council sets tax rates, makes levies, and approves programs or budgets. These other agencies include the Montgomery County Public Schools (MCPS), Montgomery College, the Maryland-National Capital Park and Planning Commission (M-NCPPC, a bi-county agency), the Housing Opportunities Commission of Montgomery County (HOC), the Montgomery County Revenue Authority, the Washington Suburban Sanitary Commission (WSSC, a bi-county agency), the Washington Suburban Transit Commission (a bi-county agency), and the 19 independent Fire and Rescue Corporations.

The County Council must hold public hearings on the proposed budgets and six-year programs commencing not earlier than 21 days following their receipt. The County Council may add to, delete from, increase or decrease any appropriation item in the operating or capital budget. The Council also approves the budget, as amended, and appropriates the funds not later than June 1 of the year in which it is submitted. By June 30 of each year the County Council approves the tax levies deemed necessary to finance the budgets for the ensuing fiscal year beginning July 1. Section 305 of the County Charter was amended by the November 2020 General Election and replaced the previous limitation on increases to the real property tax revenues by the rate of inflation and exemptions to the limitation. The amendment adopted in November 2020 prohibits the County Council from adopting a tax rate on real property that exceeds the ad valorem weighted tax rate on real property approved the previous year unless all current Councilmembers vote affirmatively for the increase.

On May 26, 2022, the County Council approved the FY23 operating budget comprising the County Government, MCPS, Montgomery College, and M-NCPPC aggregating \$6.3 billion. This budgetary level represents an increase of 6.2 percent over the adopted budget for FY22.

The County Council approved the FY23 Capital Budget and the FY23-28 CIP for the County government and the required agencies, except for WSSC, aggregating \$5.3 billion for the FY23-28 program. The Council approved a CIP for WSSC totaling \$2.1 billion for FY23-28. WSSC is governed by State Law and is the only agency for which the County Council adopts an annual CIP.

Details on the County's Operating and CIP programs can be found in the Office of Management and Budget section of the County's website at: <https://www.montgomerycountymd.gov/omb/>

Reporting Entity

Montgomery County seeks to continually maintain best practices in its financial reporting operation. As required by accounting principles generally accepted in the United States of America (GAAP), the County's financial statements present the primary government and component units for which the primary government is considered financially accountable. The reporting entity includes the fiscal activities of Montgomery County Government, as the primary government, and Montgomery County Public Schools, Montgomery College, Montgomery County Revenue Authority, Housing Opportunities Commission of Montgomery County (HOC), and the Bethesda Urban Partnership, Inc. (BUP), as component units. Not included within the reporting entity are the Montgomery County portion of Maryland-National Capital Park and Planning Commission, Washington Suburban Sanitary Commission, Washington Suburban Transit Commission, Washington Metropolitan Area Transit Authority, Metropolitan Washington Council of Governments (COG), and the Northeast Maryland Waste Disposal Authority (NEMWDA). M-NCPPC, WSSC, WSTC, WMATA and NEMWDA are considered joint ventures. COG is a jointly governed organization. Disclosure of the County's participation in these joint entities is presented as a footnote to the County's financial statements included in its Basic Financial Statements.

General Fund Revenues, Expenditures and Balances

Total revenues for the General Fund were \$3.9 billion for FY22. The largest revenue sources were income taxes (\$1.9 billion), property taxes (\$1.3 billion) and transfer and recordation taxes (\$266.0 million - General Fund portion). Other tax revenue sources – consisting of fuel/energy, telephone, hotel/motel and other taxes totaled \$258.9 million in FY22. General fund expenditures in FY22 approximated \$3.3 billion and the year-end General Fund Balance was \$989.7 million (including the Revenue Stabilization Fund).

Revenue Stabilization Fund

The Revenue Stabilization Fund (RSF) is used to account for the accumulation of resources at a targeted reserve level sufficient to address unexpected increases or decreases in revenues and expenditures. For financial reporting purposes this fund is included within the General Fund. For a statement of changes in the RSF balance, which amounted to \$587.4 million at June 30, 2022, see the FY22 ACFR – Note II (A).

For the General Fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance, see Exhibits A-3 and A-5 of the FY22 ACFR. Information on fund balance classifications is presented in Note 1- Summary of Significant Accounting Policies.

Property Tax Assessable Base

The County levies real and personal property taxes on all taxable property within its boundaries. The real property is valued at market value and assessed on a triennial basis by the State of Maryland Department of Assessments and Taxation (SDAT) with an assessment at the end of the three-year cycle at a percent of market value. The estimated total combined taxable assessment base for real property and personal property for 2022 was reported at \$208.45 billion based on data from August 2022.

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Debt Summary

The Montgomery County Government, MCRA, HOC, municipalities, and its bi-county shared state agencies (M-NCPPC and WSSC), are authorized by State law and/or County Charter to issue debt to finance capital projects. Consistent with County fiscal policy, the County issues debt to finance a major portion of the construction of long-lived additions or improvements to the County's publicly owned infrastructure. The County's budget and fiscal plan for these improvements is known as the CIP. Bonds are repaid to bondholders with a series of principal and interest payments over a period of years, known as debt service. In this manner, the initial high cost of capital improvements is absorbed over time and assigned to current and future citizens benefiting from the facilities. Due to various Federal, State, and local tax policies, interest rates on the County's bonds are generally lower than in the private sector.

The County continues to maintain its status as a top-rated issuer of municipal securities, with the highest credit ratings possible for a local government. For its general obligation bonds, the County is a 'Triple AAA' rated County and received ratings in 2022 of Aaa from Moody's Investors Services, Inc., AAA from S&P Global Ratings, and AAA from Fitch Ratings. The County's general obligation bonds have been consistently awarded the highest credit rating from Moody's Investors Services, Inc. and S&P Global Ratings since 1973 and 1976, respectively, and from Fitch Ratings since 1991. Montgomery County is one of only 14 'Triple A' rated counties in the nation with a population greater than one million.

In addition to the issuance of general obligation or revenue bonds, the County initially finances the cost of long-term capital assets with short-term paper known as Bond Anticipation Notes (BANs)/Commercial Paper, which the County intends to retire with the proceeds of long-term bonds.

The various components of the County's debt described above are categorized as either direct or overlapping. Direct debt is the total bonded debt of the County and constitutes the direct obligations of the County that impact its taxpayers. Components of Montgomery County direct debt include general obligation bonds, BANs/commercial paper, and revenue bonds issued by the County.

Overlapping debt includes all borrowings of other County agencies, incorporated municipalities, and special taxing or development districts, which may impact those County tax- or ratepayers who are residents of those municipalities or special districts. More broadly, overlapping debt illustrates the degree to which the total economy is being asked to support long-term fixed commitments for governmental facilities.

Certain direct and overlapping debt is additionally classified as Self-Supporting Debt. Such debt is issued for projects that produce sufficient revenues to retire debt. The debt is not supported by the taxing power of the governmental entity issuing them. The County's Net Direct and Overlapping Debt is derived by subtracting Direct Self-Supporting Debt from the Total Direct and Overlapping Debt. As of June 30, 2022 (including 2022 GO Bonds issued in August 2022), Direct Debt, Net Direct and Overlapping Debt, and General Obligation Bonds and BANs outstanding approximated \$3.7 billion, \$3.7 billion, and \$3.5 billion respectively. A detailed statement is displayed in the Official Statement for the General Obligation Consolidated Public Improvement Bonds of 2022 at the following link. Financial Impacts due to COVID-19 can also be found in the Official Statement for the above bond issuance at the following link:

https://www.montgomerycountymd.gov/BONDS/Resources/Files/2022_MC_OS.pdf

Additionally, the County from time to time enters into other long-term obligations including, variable rate demand obligations, lease revenue bonds, certificates of participation, taxable limited obligation certificates, special obligation bonds, notes payable, equipment notes and other obligations.

Debt Affordability

Once committed, debt service represents a major continuing claim on County resources that must be kept to affordable levels within the annual operating requirements of the County in order to avoid excessive pressure on operating budgets. To assure such affordable levels, the County's general obligation debt is subject to the following tests: 1) the self-imposed, but Charter-required, spending affordability guidelines, and 2) the State Law-mandated Legal Debt Limit.

Spending Affordability Guidelines

The County Council annually adopts Spending Affordability Guidelines (SAG) for the capital budget. The guidelines provide for the total amount of general obligation debt issued by the County and M-NCPPC that may be planned for expenditure in the subsequent two fiscal years and for the six-year CIP. Consideration of the guidelines is based on several economic and financial factors, or criteria for debt affordability. These criteria are described in the County's Fiscal Policy and provide a foundation for judgments about the County's capacity to issue debt and its ability to retire the debt over time.

More information on the County's Fiscal Policy and Spending Affordability Guidelines can be found in the Fiscal Policy section of the Recommended FY23 Capital Budget and FY23-28 CIP publication, at:

https://www.montgomerycountymd.gov/OMB/Resources/Files/omb/pdfs/fy23/ciprec/FY23_Recommended_Capital_Budget.pdf

Legal Debt Limit

The Annotated Code of Maryland, Local Government, Section 10-203, authorizes borrowing of funds and issuance of bonds up to a maximum of the sum of six percent of the assessed valuation of all real property and 15 percent of the assessed valuation of all personal property within the County. Local Government Article, Section 10-203 provides that obligations having a maturity not in excess of 12 months shall not be subject to, or be included in, computing the County's legal debt limitation. However, the County includes its commercial paper bond anticipation notes (BANs) in such calculations because it intends to repay such notes with the proceeds of long-term debt to be issued in the near future. The 2022 legal debt limit is \$12.8 billion, and the legal debt margin is \$9.0 billion or 70% of the legal debt limit. The County's legal debt limit computation is displayed in Table 20 of the FY22 ACFR.

For details on the County's debt including amortization schedules, see the following documents:

- The FY22 Debt Service Book
- The FY22 ACFR including Notes to Financial Statements - Note - III-F

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Risk Management and Self Insurance Funds

The County self-insures coverages such as workers' compensation, commercial general liability, automobile liability, professional/public official liability, certain property, and other selected risks which require mitigation.

An Inter-Agency Insurance Panel comprised of the County and participating member agencies, and chaired by the County's Finance Director, provides overall direction, formulates insurance policy, reviews claims, and evaluates the effectiveness of the loss control program. Claims against the agencies are handled under a contract with a third-party claim administrator. Legal services are provided by the Office of the County Attorney.

The County Finance Department, Division of Risk Management, ('Risk Management') operates the Self-Insurance Program for the County and other participating agencies: MCPS, Montgomery College, M-NCPPC, MCRA, HOC, Rockville Housing Enterprises, Villages of Drummond and Friendship Heights, the Bethesda Urban Partnership, and the County's Fire and Rescue Services and the various independent fire corporations. The City of Gaithersburg, Town of Somerset, Chevy Chase Village, and the Town of Garrett Park participate for workers' compensation coverage only.

In addition to the self-insured coverage, Risk Management coordinates the purchase of commercial insurance for coverages such as All Risk Property Insurance, Excess Liability Insurance, Boiler and Machinery, Public Official and Employee Bonds, Fiduciary Liability, and others. The net position as of June 30, 2022 for the operations of the program was reported at \$10.4 million.

The County is also self-insured for unemployment claims resulting from separations of service and maintains a minimum premium funding arrangement for employee health insurance. The FY22 operations for these two benefit programs are not reflected above.

For more information on the County's Risk Management Program, claims and self-insurance fund balances, see Section A of Note IV, and Exhibits D-1 through D-4 of the FY22 ACFR at the following link:

https://www.montgomerycountymd.gov/Finance/Resources/Files/data/financial/cafr/FY2022_ACFR.pdf

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Climate Change

Montgomery County is focused on mitigating the effects of a changing climate on the County. Some of the climate related issues that impact the County include increased flooding, hotter weather and more extreme storms. In 2017, the County Council passed the Emergency Climate Mobilization Resolution (the “Resolution”), which set the County’s Greenhouse Gas (“GHG”) reduction goals at 80% of the 2005 GHG levels by 2027 and 100% elimination by 2035. The Resolution required the County Executive to advise on specific methods for accelerating GHG reduction.

Collaboration among County departments and county-related agencies resulted in the release of the Report of the Climate Mobilization Workgroup in 2018 which was then the basis for the work done by a collaborative, community centric climate planning team that resulted in the release of the Climate Action Plan (“CAP”) in June 2021. The CAP included 86 actions across seven sectors (clean energy, transportation, buildings, climate adaptation, carbon sequestration, climate governance and public engagement) which were selected through a number of modeling and feasibility analyses and prioritized to include those with the greatest potential for directly reducing GHG emissions or climate risk. The CAP is implemented through the annual operating and capital budgets and the six-year capital improvements program with activity on the CAP actions set out in the Annual Climate Work Plan and then monitored quarterly. In FY 2022, 75 of the 86 CAP actions were included in the Annual Climate Work Plan. The FY 2023 approved operating and capital budgets and the six-year capital improvements program included funding associated with 77 of the 86 CAP actions. The County has many climate initiatives underway including transitioning the fleets of passenger vehicles, Ride-On buses and school buses to electric vehicles; installing EV charging stations in County parking facilities; building a solar powered micro-grid at the Brookville depot to charge County buses; passing legislation and then implementing Building Energy Performance Standards for commercial and multi-family buildings; advocating for and achieving passage of state authorizing legislation and commencing development of a Community Choice Energy program; and adding multiple bus rapid transit routes to encourage use of public transit.

For the sole purpose of obtaining more information about the Climate Action Plan, please visit the website:
<https://www.montgomerycountymd.gov/climate/>

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County Employee Retirement Plans

The Montgomery County Employee Retirement Plans (Plans) are offered to Montgomery County employees as well as participating agencies who meet the eligibility requirements to participate based on employment status and other factors. The County maintains a defined benefit plan, a defined contribution plan, a cash balance plan and a deferred compensation plan. The Board of Investment Trustees (the “Board”) is responsible for the investment management of the Plans’ assets. The Board consists of thirteen members appointed by the County Executive and confirmed by the County Council.

Employee’s Retirement System – Defined Benefit Plan

The Employees’ Retirement System (the “System”) is a cost-sharing, multiple employer defined benefit pension plan established in 1965. Eight other agencies and political subdivisions have elected to participate. The System is closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees and Guaranteed Retirement Income Plan (GRIP) participants. The System is a contributory plan with covered employees contributing a percentage of their base annual salary, depending on their group classification. The County and each other Participating Employer contribute the remaining amounts necessary to fund the System on an actuarial basis. As of June 30, 2022, the funded ratio was 101.9% and net assets totaled \$4,836.32 million.

In FY09 the County established the GRIP, a cash balance plan that is part of the System. During FY10, eligible County employees who were members of the Retirement Savings Plan (the “RSP” described below) were granted the option to elect to participate in the GRIP and to transfer their RSP member account balance to the GRIP and cease being a member of the RSP.

As of June 30, 2022, 5,956 active members, 6,966 retirees and beneficiaries receiving benefits, and 726 terminated plan members entitled to but not yet receiving benefits were participating in the System.

Deferred Retirement Option Plans (the “DROP”), established in FY00, allow any employee who is a member of a specified membership group or bargaining unit, and who meets certain eligibility requirements, to elect to retire but continue to work for the County for a specified time period, during which pension payments are deferred. When the member’s participation in the DROP ends, the member must stop working for the County, draw a pension based on the member’s credited service and earnings as of the date that the member began to participate in the DROP and receive the value of the DROP payoff. As of June 30, 2022, the balance of amounts held by the System pursuant to DROP was \$42.1 million.

Retirement Savings Plan – Defined Contribution Plan

The Retirement Savings Plan (RSP) is a cost-sharing, multiple employer defined contribution plan established in 1994. The RSP covers all non-public safety and certain public safety employees not represented by a collective bargaining agreement and hired on or after October 1, 1994 unless they elect to participate in the GRIP. Eligible employees covered by the Employees’ Retirement System may make an irrevocable decision to transfer to the RSP. As of June 30, 2022, 3,238 active members and 1,158 inactive plan members were participating in the RSP with total assets of \$614.8 million. The Board establishes for the RSP members a diversified slate of mutual and commingled investment funds from which participants may select their investment options.

Deferred Compensation Plan

The Deferred Compensation Plan (DCP) was established pursuant to Section 457 of the Internal Revenue Code of 1986, as amended. All County non-represented employees, those County represented employees who elected to participate and employees who were retired at the time of transfer, continue to participate in the DCP. As of June 30, 2022, the DCP had \$516.9 million in assets. The Board establishes for the DCP a diversified slate of mutual and commingled investment funds from which participants may select their investment options.

For additional information regarding the County employee retirement plans, see the County Employee Retirement Plans Annual Comprehensive Financial Report which can be found at:

[https://www.montgomerycountymd.gov/mcerp/Resources/Files/ACFR%20FY22\(1\).pdf](https://www.montgomerycountymd.gov/mcerp/Resources/Files/ACFR%20FY22(1).pdf)

Other Post-Employment Benefits (OPEB)

The County administers a cost-sharing multiple-employer defined benefit healthcare plan which provides post-employment benefits such as medical, life, dental, vision, and prescription coverage to retirees and eligible dependents. Effective July 1, 2011, the County Council enacted legislation to change the name of the plan to the Consolidated Retiree Health Benefits Trust due to the addition of the assets of County-funded agency retiree benefits plans for Montgomery County Public Schools and Montgomery College. The County established a Board of Trustees (the 'Board') for the Trust to be responsible for the investment management of the Trust's assets for the exclusive benefit of the members. The Board consists of nineteen members appointed by the County Executive and confirmed by the County Council.

The County plan is a contributory plan in which the County and the plan members contribute, based on an actuarial valuation, certain amounts toward the current cost of healthcare benefits. As of June 30, 2022, the most recent actuarial valuation, plan membership consisted of 7,441 retirees and beneficiaries receiving benefits and 9,962 active plan members. During FY22, the County and other contributing entities contributed \$69.4 million including \$56.9 million for current premiums, claims, and administrative expenses, and \$12.5 million toward prefunding future benefits. As of June 30, 2022, the plan had an actuarial accrued liability of \$1,555.4 million and net position of \$743.8 million resulting in a funded ratio of 47.8%.

For additional information regarding the County's OPEB plans and Consolidated Retiree Health Benefits Trust, see the Actuarial Valuation Report and Financial Statements which can be found at the below links:

<https://www.montgomerycountymd.gov/mcerp/Resources/Files/FYE%202022%20GASB%2074%20Report%20-%20Final.pdf>

<https://www.montgomerycountymd.gov/mcerp/Resources/Files/CRHBT%20Financial%20Statements%20-%20FY22.pdf>

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