GO COMMITTEE #1
May 9, 2012

MEMORANDUM

May 7, 2012

TO: Government Operations and Fiscal Policy Committee

FROM: Stephen B. Farber, Council Staff Director SBF

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

This memo proposes Committee recommendations for the Council worksession on compensation and benefits scheduled for **May 14**. For ease of reference, the **updated** packet from the May 1 Committee briefing is attached to this memo.[1]

This memo also provides information requested by the Committee on two subjects: **the County's current and projected fiscal outlook** and **FY13 pay adjustments in the region**. See ©50-54.

Recommendations for the Committee's Consideration

1. FY13 Pay Changes (see pages 2-4, 8-9, and 11-13)

On May 1 the Committee reviewed the FY13 budget and compensation context, including agency requests for pay adjustments. The Executive's recommendations for County Government are reflected in the agreements reached with the three County Government unions, which call for one-time pay adjustments. MCPS and M-NCPPC have not yet completed negotiations; MCPS supports a base pay increase, while M-NCPPC supports a one-time pay adjustment. Montgomery College's "reopener" provision has been triggered, but the College continues to support a one-time pay adjustment. The WSSC budget includes merit increases and COLAs as well as flexible worker pay. (Pay changes at WSSC and M-NCPPC will be reviewed with the Prince George's County Council at the bi-county meeting on May 10.) **Recommendations:**

- Support the Executive's view that **"the economic and fiscal picture for the County remains too uncertain to add significant dollars to our wage base"** and that all agencies should provide **"one-time adjustments that do not add to our base budget."**

- Support the approach taken in the agreements reached with the three County Government unions: **a lump-sum payment of $2,000**, not added to base salary, for each merit system employee (except for Management Leadership Service employees) on the payroll as of July 1, 2012, pro-rated for part-time employees. Term employees and employees in probationary status are eligible; elected officials, seasonal and temporary employees, and board members are not.

[1] The updates include minor edits (on new pages 4 and 16 and ©17-19) and additional information on ©50-62.

• For MLS employees, support the Executive's proposal for the same **lump-sum payment of $2,000, not added to base salary or 2% of salary, whichever is greater**. See the memo on ©55-56 for further detail.

• Support the resumption of **longevity increases** for represented employees, as set forth in the County Government union agreements, and for non-represented employees.

• For County Government, approve the proposed **FY13 salary schedules** listed on ©31-43. These schedules are (in order) for Non-Represented Employees (General Salary Schedule), Management Leadership Service, Medical Doctors, Seasonal Workers, MCGEO, Sheriff Management, Deputy Sheriffs, Fire/Rescue Management, IAFF, Police Management, FOP, Correctional Management, and Correctional Officers.

2. FY13 Allocations for Retirement (see pages 5 and 9-10)

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

• Approve the recommended FY13 County contribution of **$117.5 million** for the ERS, including the GRIP, and **$18.5 million** for the RSP.

• Approve the recommended FY13 administrative and operating budgets of the four plans. See ©57.

• Continue to monitor the funded ratio of the agencies' pension funds.

Note the memo on ©58-60 from College Vice President Sarah Miller Espinosa in response to Mr. Trombka's analysis of the College's **Voluntary Employee Retirement Program** (VERP) on ©27-30.

3. FY13 Group Insurance (see pages 6-7 and 10-11)

The Committee reviewed group insurance issues for all agencies and separately reviewed the OLO memorandum report on the status and FY13 agency requests for OPEB (Other Post Employment Benefits) pre-funding for retiree health benefits. **Recommendations**:

• Support the agencies' FY13 tax supported requests for **active employee** costs listed on page 6.

• Continue to monitor the balances and projections for the agencies' **group insurance funds** listed on page 7.

• Support the recommend funding for County Government's **Employee Health Benefits Self Insurance Fund** ($191,692,177) displayed on ©44.

• Continue to recommend that **MCPS** move toward **harmonizing** the group insurance premium share for its active employees with the share established by the other agencies.

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- Support the agencies' FY13 pay-as-you-go requests for **retired employees** listed on ©61.

- Support the agencies' FY13 requests for **OPEB pre-funding** listed on ©62.

4. FY13 County Government Compensation-Related NDAs (see page 13)

The Committee reviewed eight Non-Departmental Accounts, as outlined on page 13 and ©47-50. NDAs #6-8 deal with OPEB pre-funding, which is addressed above. **Recommendations:**

- Approve the funding requests for NDAs #1-5: Judges Retirement Contributions, State Positions Supplement, State Retirement Contribution, Group Insurance for Retirees, and Compensation and Employee Benefits Adjustments.

5. Other Compensation Issues (see pages 14-16)

The Committee reviewed the personnel management reviews and similar reports prepared by the agencies. The Committee also reviewed funding requests for the agencies' FY13 **employee awards** and **tuition assistance** programs. **Recommendation:**

- Approve the requests outlined on page 16 as a ceiling, including the Executive's revised request for County Government, $435,000. This amount includes $135,000 previously identified for the FOP and $300,000 in the Executive's May 3 budget adjustment "to address equity issues" for other County employees. The Committee is scheduled to review this adjustment on May 7.

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GO COMMITTEE #1
May 1, 2012

Please retain this packet for upcoming Committee and Council worksessions.

MEMORANDUM

April 27, 2012

TO: Government Operations and Fiscal Policy Committee

FROM: Stephen B. Farber, Council Staff Director

SUBJECT: Discussion – Compensation and Benefits for All Agencies

This worksession on compensation and benefits for all agencies in the FY13 operating budget is to review issues in six areas: (1) budget and compensation context, (2) overview of FY13 agency requests (including salaries, retirement, and group insurance), (3) further analysis for County Government, (4) equity among agency employees, (5) County Government compensation-related Non-Departmental Accounts (NDAs), and (6) other compensation issues.

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

Items #3-5 on the Committee's agenda also relate to this discussion. Messrs. Howard and Trombka will review retiree health benefits (OPEB) issues (#3) and County retirement budgets (#5). Senior Legislative Attorney Bob Drummer will review pending collective bargaining issues (#4).

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. **On May 9 the Committee is scheduled to continue this review and make recommendations to the Council.**

1. BUDGET AND COMPENSATION CONTEXT

My packet for the Council's FY13 budget overview discussion on April 17 includes detailed analysis of the budget and compensation context.[2] Key summary points on salaries and benefits include the following:

[1] See http://www.montgomerycountymd.gov/content/council/pdf/agenda/cm/2012/120501/20120501_GO2.pdf.
[2] See http://montgomerycountymd.granicus.com/MetaViewer.php?view_id=6&clip_id=2952&meta_id=32919.

1. Because of the County's severe fiscal challenges, there have been no general wage adjustments (GWAs, or COLAs) for agency employees in the past three years, FY10-12, and for the past two years there have been no service increments or step increases either. In the deep recession of the early 1990s, County Government employees had no GWAs for three consecutive years, but service increments were consistently funded. **The total pay freeze in FY11-12 was unprecedented for County agencies.**[3]

2. The Executive's view now is that **"the economic and fiscal picture for the County remains too uncertain to add significant dollars to our wage base."** He recommends that the outside agencies provide "one-time adjustments that do not add to our base budget," like the $2,000 lump sum payment for most employees that he has negotiated with the three County employee unions. **MCPS is not taking this approach.** The MCPS budget sets aside sufficient funds for step increases; negotiations on additional increases, including a possible COLA, are still in progress. The College provided a lump sum payment in December 2011 from FY12 funds but plans no pay increase in FY13. (A reopener with employee organizations would be triggered if County Government or MCPS "negotiate and implement more than a 2% increase or add to their salary base.") M-NCPPC proposes a lump-sum approach but is still in negotiations. WSSC plans to provide a 2% GWA, merit increases, and flexible worker pay. **See the data prepared by Ms. Mihill on ©1-7.**

3. Ms. Mihill's full regional salary survey provides a mixed picture for FY13 after the tight restrictions of recent years.[4] The **State of Maryland** will provide a mid-year 2% COLA if the "doomsday" budget is avoided. **Maryland counties** generally have small pay adjustments. **Fairfax County** will provide a 2.18% COLA plus mid-year increments. The President proposes a 0.5% COLA for **federal employees** after a two-year "pay freeze." The freeze actually applies only to base salaries; step increases and bonuses have continued.

4. Last year some agencies made **major structural changes to retirement benefits for active employees and group insurance.** See the tables on ©8-10 for a summary of the Council's May 2011 decisions regarding County Government employees and its recommendations regarding MCPS employees.[5]

On **retirement**, last year the General Assembly required MCPS employees in the State's defined benefit plan to contribute an additional 2% of salary and made further changes for future pension COLAs and newly hired employees (this was also the case for College employees in the State's defined benefit plan). MCPS applied these actions to other school employees as well. Employees in County Government's defined benefit plan were also required to contribute an additional 2% of salary, 1% in FY12 and another 1% in FY13, and future pension COLAs were also restricted. M-NCPPC and WSSC made no retirement changes. M-NCPPC proposes increasing the employee contribution in FY13 but is still in negotiations.

On **group insurance**, last year MCPS declined to make the changes recommended by the Council, as described below. The College took additional important steps to reduce group insurance costs. M-NCPPC and WSSC made no changes. M-NCPPC proposes increasing the employee premium share for FY13 but is still in negotiations. County Government, MCPS, and the College all acted to raise eligibility requirements for **retiree health benefits**.

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[3] In December 2011 Montgomery College provided employees with a lump-sum payment equal to 2% of salary.

[4] See http://www.montgomerycountymd.gov/content/council/pdf/reports/4-24-12_UpdateOfPayChanges.pdf.

[5] See http://montgomerycountymd.granicus.com/MetaViewer.php?view_id=6&clip_id=1341&meta_id=21322 for full details on the Council's actions and a comparison with the Executive's recommendations.

2. OVERVIEW OF FY13 AGENCY REQUESTS

This section, prepared by Messrs. Howard and Trombka, provides an overview of FY13 agency requested pay adjustments and proposed changes to agency retirement and group insurance benefit plans. See ©11-22 for detailed data on FY12 approved and FY13 requested agency compensation costs.

Pay Adjustments

County Government: **The Executive recommends lump-sum cash payments in lieu of general wage adjustments or service increments for FY13.**

County Government FY13 Request			
Employee Group	**General Wage Adjustment**	**Service Increment**	**Lump-Sum Payment**
MCGEO	0%	0%	$2,000
FOP	0%	0%	$2,000
IAFF	0%	0%	$2,000
MLS and Non-Merit	0%	0%	Greater of $2,000 or 2% of salary
Non-Represented	0%	0%	$2,000

MCPS: As of this writing, the Board of Education has not completed negotiations with employee bargaining units. The Board's FY13 budget request includes funding for adjustments to employee compensation. First, the budget sets asides $35 million for step and longevity increases.[6] MCPS staff have indicated that the $35 million is a "placeholder" and may be allocated for other compensation enhancements as determined through collective bargaining. In addition, the Board's budget includes an additional $12 million to "offset costs of future negotiated agreements with employee unions." **In total, the Board has set aside a minimum[7] of $47 million for employee salary enhancements in FY13. This amount is equivalent to a 3.2% increase in MCPS payroll (probably added to base salary) compared to a 2.3% increase for County Government (almost all not added to base salary).[8] See the table on ©23 for details.**

MCPS FY13 Request			
Employee Group	**General Wage Adjustment**	**Service Increment**	**Lump-Sum Payment**
MCEA	To be determined through collective bargaining. Amount set aside in budget to date equivalent to 3.2% increase in employee payroll (could be used for general wage adjustments, service increments, or other forms of compensation).		
MCAAP			
SEIU			
MCBOA			

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[6] The Board of Education's budget describes the net cost of the step increase as $8.6 million after subtracting $26.4 million from one-time FY12 lapse and turnover savings from the $35 million total cost of the increases.

[7] The Board has discretion to re-allocate other funds within its budget to further increase employee compensation.

[8] For the purpose of this calculation, payroll includes wages, social security and retirement costs for permanent employees.

Montgomery College: **The College's FY13 budget requests no changes in employee compensation.** (As noted above, the College awarded its employees a lump-sum payment equal to 2% of salary in the second half of FY12.) However, agreements with the College's bargaining units include a re-opener provision in the event MCPS or the County Government provides more than a 2% increase to their salary base.

Montgomery College FY13 Request			
Employee Group	**General Wage Adjustment**	**Service Increment**	**Lump-Sum Payment**
Faculty	0%	0%	None
Administration	0%	0%	None
Staff (AFSCME)	0%	0%	None
Staff (non-bargaining)	0%	0%	None

M-NCPPC: **The M-NCPPC FY13 budget request includes no general wage adjustments or service increments. The M-NCPPC budget includes "a small increase in employee compensation, intended as a one-time payment rather than an addition to base salary."** As of this writing, the Commission has not completed negotiations with employee bargaining units.

M-NCPPC FY13 Request			
Employee Group	**General Wage Adjustment**	**Service Increment**	**Lump-Sum Payment**
MCGEO	0%	0%	Amount TBD
FOP	0%	0%	Amount TBD
Non-Represented	0%	0%	Amount TBD

WSSC: **The WSSC budget request includes a 2% general wage adjustment for all employees as well as merit increments (the WSSC equivalent of service increments) ranging from 3 to 5%, depending on employee performance, and flexible worker pay.** See the description on ©24-25 by Senior Legislative Analyst Keith Levchenko for more detail. On April 16 the T&E Committee reviewed the WSSC budget and recommended substituting $2,000 lump-sum payments for the general wage adjustments and merit increments.

WSSC FY13 Request			
Employee Group	**General Wage Adjustment**	**Merit (Service) Increment**	**Lump-Sum Payment**
All Employees	2%	3% - 5%	None

Retirement Benefits

County Government: **The Executive recommends no changes to County Government employee retirement benefits.** The Executive's budget implements the provision of Expedited Bill 11-11 that requires employees who receive a pension to contribute an additional 1% of salary in FY13 (on top of the 1% addition in FY12) for their retirement benefit, and restores the 8% employer contribution for employees in the defined contribution plan (RSP) and cash balance plan (GRIP), which was reduced to 6% for FY12 only.

MCPS: MCPS provides a core pension benefit for most non-teaching positions and a supplemental benefit for all permanent employees. **The Board of Education has not completed collective bargaining regarding all compensation matters, including retirement benefits.** Last year the Board – adopting the State's changes to the teacher pension plan – raised the employee contribution for the locally-funded core pension benefit from 5% of salary to 7%, lowered the pension cost-of-living adjustment, and reduced the pension benefit for new hires. The County's responsibility for costs related to the State-run teacher pension plan will be determined in the upcoming special session of the General Assembly. See the DLS table on ©26 for further detail.

Montgomery College: **The College plans no changes to employee retirement plan benefits.** In FY13 the College plans to implement a Voluntary Employee Retirement (VERP) program in which eligible employees will receive a one-time cash payment in exchange for making an irrevocable decision to retire by a specified date. **Mr. Trombka's analysis of the VERP, including its specific provisions and important questions it raises, is on ©27-30.**

M-NCPPC: **The Planning Commission has not completed negotiations with its bargaining units.** The M-NCPPC budget states that "a savings target has ... been budgeted to reduce the employer's pension contribution. Actual changes to employee compensation are subject to collective bargaining for represented employees."

WSSC: **WSSC plans no changes to employee retirement benefits.**

Agency Pension Funded Ratios: The "funded ratio" of a pension plan is a term that describes the percentage of the plan's liabilities covered by the current actuarial value of the plan's assets. In other words, the funded ratio measures the extent to which a plan has set aside funds to pay benefits accrued by its members. When an employer's funded ratio is below 100%, additional assets (from employer contributions, employee contributions, and/or investment income) are needed to meet future liabilities. As shown in the table below, only WSSC has a close to fully funded pension plan. **The County Government, MCPS, and M-NCPPC each have funded ratios at or below 80%.**

Agency[9]	**Pension Funded Ratio (as of June 30, 2011)**
County Government	77%
MCPS	70%
M-NCPPC (Bi-County)	80%
WSSC (Bi-County)	98%

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

Agency Group Insurance Costs in FY13 for Active Employees

The FY13 tax supported request for active employees' group insurance benefits for all agencies totals $332.7 million, up 6.4% from FY12, as shown in the table below. Retiree group insurance budget requests (for both pay-as-you-go and OPEB pre-funding) are addressed in the packet for GO Committee #3.

FY12 Approved and FY13 Requested Tax Supported Active Employee Group Insurance Costs

Agency	FY12 Approved	FY13 Requested	Percent Change FY12-13
County Government	$76.7 million	$79.7 million	+3.9%
MCPS	$215.5 million	$229.2 million	+6.4%
Montgomery College	$13.0 million	$13.0 million	0.0%
M-NCPPC	$7.5 million	$10.8 million	+44.6%
Total	**$312.7 million**	**$332.7 million**	+6.4%

County Government: **The Executive recommends no changes to County Government group insurance benefits in FY13.** The FY13 request reflects the annualization of group insurance changes adopted by the Council last year.

MCPS: The Board's budget request does not propose any changes to MCPS group insurance benefits. As of this writing, **MCPS has not completed negotiations with its employee bargaining units.**

Montgomery College: **The College plans no changes to group insurance benefits in FY13.** In FY12 the College began offering a Consumer Driven Health Plan (also referred to as a high deductible plan) as one of the health plan options for active employees and has made other cost-saving changes.

M-NCPPC: M-NCPPC reports that the significant increase in group insurance costs in FY13 is due to the fact that Commission intentionally kept health insurance premium rates (for both the employee and the employer) the same for the last five years by drawing down excess reserves in its Group Insurance Fund. Plans were adjusted to market rates beginning January 1, 2012. In an effort to increase accountability and transparency, M-NCPPC's FY13 proposed budget includes a new presentation of fund revenues and expenditures. Previously this type of fund detail was available only in the Commission's Comprehensive Annual Financial Report.

The M-NCPPC budget proposes changes in the employee contribution rates for group insurance in FY13, stating: "Health insurance costs are currently shared 85% employer and 15% employee. A savings target has been budgeted to shift the cost share to one that is more comparable to the cost share in Prince George's and Montgomery County governments.... Actual changes to employee compensation are subject to collective bargaining for represented employees, which may result in a different outcome." As of this writing, negotiations with bargaining units are not yet completed.

WSSC: **WSSC plans no changes to group insurance benefits.** WSSC's rate-supported requests for group insurance are $16.2 million for active employees (down 7.7%) and $12.9 million for retired employees (up 9.9%).

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 FY11 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 agencies' funds combine accounts for active and retired employees.

Agency	**FY11 Year-End Fund Balance**		**Future Fund Balance Projections**
	$'s	**% of Expend.**	
County Government	$21.1 million	12.3%	• Projected FY12 year-end fund balance of $23.4 million or 13.1%. • FY13-18 Fiscal Projection shows a draw down of fund reserves over two years to reach target balance of 5% at the end of FY14.
MCPS: Active Employees	$21.6 million	8.6%	• Projected FY12 year-end fund balance of $22.7 million or 8.7%.
MCPS: Retired Employees	$8.8 million	12.2%	• Projected FY12 year-end fund balance of $13.6 million or 17.5%
M-NCPPC (Bi-County)	$7.9 million	21.3%	• Used fund balance to hold premium rates the same for past five years. • Proposed FY13 budget projects fund balance will decrease to $3 million or 6.6% at the end of FY13.
Montgomery College	$1.0 million	7.1%	• Not available

*MCPS fund data for active employees only. Fund data for all other agencies combines active and retired employees.

3. FURTHER ANALYSIS FOR COUNTY GOVERNMENT

This further detail on County Government was prepared by Messrs. Howard and Trombka.

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 appear on ©31-43.

General Wage Adjustments and Service Increments: **The Executive's recommended FY13 operating budget once again does not include general wage adjustments (GWAs, or COLAs) or service increments (step increases) for County Government employees.** County Government employees last received GWAs in FY09 and service increments in FY10.

Performance-Based Pay: Employees in the Management Leadership Service (MLS) are eligible for performance-based pay increases in lieu of service increments. Other non-represented employees (who are eligible for increments) are also eligible for performance-based pay. The Executive's recommended FY13 operating budget once again does not fund any performance-pay adjustments.

Lump-Sum Payments: **The Executive recommends lump-sum payments of $2,000, not added to base salary, for each merit system County Government employee (except for MLS and non-merit employees) on the payroll as of July 1, 2012.**

For MLS and non-merit employees, the Executive proposes a lump-sum payment equal to the greater of $2,000 or 2% of base salary. Under the Executive's proposal, MLS and non-merit employees who earn more than $100,000 would receive lump-sum payments in excess of $2,000. The Executive provided the following rationale for offering a 2% lump-sum payment to these employees:

> The 2% lump sum payment to MLS [and non-merit] employees is consistent with the Executive's initial offer to the County's unions, which the parties ultimately agreed would include a $2,000 lump sum payment to all employees. The agreements with the County's unions also included reinstatement of longevity increments for eligible employees in addition to the $2,000 lump sum payment for all employees. MLS employees are ineligible for increments, including service-based increments, so this provision wouldn't apply to any of its members. The Executive believes the 2% or $2,000 lump sum payment to MLS employees to be appropriate, ensuring that MLS employees receive at least $2,000, consistent with all other employees.

The additional cost of offering MLS and non-merit employees a 2% payment (instead of a flat $2,000) is approximately $207,400 ($153,200 tax-supported).

Part-time employees would receive a pro-rated portion of the lump-sum payment. Term employees and employees in probationary status would be eligible for the lump-sum payment; seasonal and temporary employees, elected officials, and board members would not be eligible. As recommended by the Executive, employees would receive their lump-sum payments in their paychecks for the first full pay period of FY13.

The FY13 cost of the lump-sum payments (including Social Security contributions) is $16.4 million ($14.4 million from tax supported funds). As lump-sum awards do not change employees' base salaries, these payments would not have a fiscal impact beyond FY13.

Longevity Adjustments: County Government employees who have completed 20 years of service are eligible for a longevity adjustment to their base pay. The longevity adjustment rate varies, ranging from 2.0% (for non-represented, non-public safety employees, and requiring a high performance rating) or 3.0% (for MCGEO members) to 3.5% (for police officers and firefighters). Firefighters who have completed 28 years of service are eligible for a second longevity adjustment of 3.5%.

The County Government did not award longevity adjustments in FY11 and FY12. **For FY13, the Executive recommends funding longevity adjustments for employees who completed the requisite years of service in FY11 or FY12 or will complete the requisite years of service in FY13.** According to OMB, 491 employees will receive longevity adjustments under the Executive's recommendation.

The longevity adjustments proposed by the Executive will cost $1.34 million in FY13. Longevity adjustments change employees' base salaries and so will also have a fiscal impact in future years. The table below shows the estimated six-year fiscal impact of the Executive recommended longevity adjustments.

Fiscal Impact of Executive Recommended Longevity Adjustments
(in $ millions)

Employee Group	FY13	FY14	FY15	FY16	FY17	FY18
MCGEO	$0.36	$0.43	$0.43	$0.43	$0.43	$0.43
IAFF	$0.31	$0.36	$0.36	$0.36	$0.36	$0.36
FOP	$0.18	$0.25	$0.25	$0.25	$0.25	$0.25
Non-Represented	$0.50	$0.52	$0.52	$0.52	$0.52	$0.52
Total	**$1.34**	**$1.57**	**$1.57**	**$1.57**	**$1.57**	**$1.57**

ALS Differential: The Executive also recommends modifying the special pay differential for paramedics who have advanced life support (ALS) credentials. This matter is discussed in detail in Mr. Drummer's packet on the collective bargaining agreements (GO Committee #4).

Retirement

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

Defined Benefit Plan: Uniformed public safety employees as well as general government employees hired before October 1, 1994 participate in a defined benefit pension plan. To support this benefit, the County Government makes an annual contribution to the pension trust fund. Actuaries annually calculate the amount of the pension plan contribution based on pension fund assets, accrued liabilities, and demographic assumptions. **For FY13, the actuarially determined required contribution is $117.5 million, $9.3 million or 7.4% below the FY12 contribution of $126.8 million.**

The $9.3 million reduction in the ERS contribution is a product, in part, of modifications in employee contribution rates approved by Council last year. Expedited Bill 11-11 required employees to contribute an additional 1% of salary for their pension benefit in FY12 and an additional 1% of salary in FY13. Other factors that contribute to the reduction in County Government pension cost include the modifications made to the cost-of-living and disability provisions of the pension plan. Absent these plan changes, the required pension fund contribution would have increased by $3.2 million in FY13 (instead of declining by $9.3 million). **In sum, as shown in the table below, recent Council action on employee contributions, cost-of-living adjustments, and disability provisions produced savings of $12.5 million annually beginning in FY13.**

Savings Resulting from Recent Pension Plan Changes

Increased Employee Contribution	$6.2 million / year
Cost-of-Living Adjustment	$4.4 million / year
Disability Plan Changes	$1.9 million / year
Total	**$12.5 million / year**

Source: Mercer

Defined Contribution Plan: General government employees hired since October 1, 1994 receive a benefit in which the County Government contributes a defined percent of salary into employee retirement savings accounts. (Starting in 2009 these employees have also had the option of a cash balance plan that guarantees a 7 1/4 % annual return. About 20% of eligible employees have chosen this option.) Expedited Bill 11-11 reduced the amount of the employer contribution from 8% to 6% of salary for FY12 only.

In FY13 the County Government will resume contributing 8%. **For FY13, the County Government will contribute $18.5 million to employee retirement savings accounts, a 34% increase above the FY12 amount of $13.8 million. This increase is almost entirely attributable to the restoration of the 8% contribution rate.**

Group Insurance

The County Government operating budget includes funding for active employee and retiree group insurance costs. Last year the Council approved major structural changes to group insurance benefits that became effective January 1, 2012 (halfway through FY12), including:

- For active employees, changing the employee cost share for group insurance premiums to 20% for HMO medical coverage and 25% for all other medical, prescription, dental, vision, and life insurance coverage.
- For new hires, changing the eligibility and cost share for retiree health benefits.

The Executive does not recommend any further changes to the group insurance benefits offered to County Government employees and retirees for FY13.

Active Employee Group Insurance: The Executive recommends **$79.7 million** in tax supported funds for active employee group insurance benefits in FY13, **an increase of $3 million or 3.9%** over FY12. The following table shows the tax supported active employee group insurance costs and rate of growth for FY11-13:

County Government Active Employee Group Insurance Budget (Tax Supported)

	FY11	FY12	FY13
Total	$79.5 million	$76.7 million	$79.7 million
% Change	--	-3.5%	+3.9%

The FY12 decline (of $2.8 million) in tax supported group insurance funding reflects the half-year savings from the cost share changes approved by the Council last year. The FY13 request includes the annualization of those savings (since group insurance programs operate on a calendar year cycle). **Absent the Council's actions, the County Government's active employee group insurance costs would have been about $6 million greater in FY13.**

Retiree Group Insurance: The Executive's retiree group insurance budget request (both for pay-as-you-go and OPEB pre-funding) is addressed in the packet for GO Committee #3.

Health Benefits Self Insurance Fund: The FY13-18 fiscal projection for the Employee Health Benefits Self Insurance Fund from the Executive's Fiscal Plan is on ©44. **The Executive projects a $23.4 million (or 13.1% of expenditures) balance in the fund at the end of FY12, exceeding the County Government target fund balance of 5%.** The large fund balance is primarily attributable to lower than projected "expenditures" from the fund (i.e., actual health care claims from health plan members) in FY11. This experience of lower than projected expenditures parallels the experience of MCPS' group insurance funds during FY11, as described in OLO's December 2011 report on MCPS Category 12 expenditures.[10]

The fiscal projection indicates that the Executive plans to draw down the fund balance over two years to reach the 5% target balance at the end of FY14. The planned drawdown on reserves will be incorporated into the County Government's premium rate setting process for calendar year 2013.

4. EQUITY AMONG AGENCY EMPLOYEES

My packet for the Council's FY13 budget overview discussion on April 17 noted that the agencies' histories on salary and benefit issues are not identical, nor is the design of their benefit plans. That said, their differing approaches in FY11, FY12, and FY13 raise questions of equity among County agency employees. For example:

- **Furloughs**. In FY11 all County Government employees, including public safety employees, had furloughs of 3, 5, or 8 days depending on their salary level. (Each furlough day represents nearly 0.4% of annual salary.) College employees had up to 8 days; M-NCPPC employees had up to 10 days. (Planning staff had another 5 days in FY12.) **MCPS employees had no furloughs.**[11]

- **Salaries.** The Executive calls for **"parity"** in the agencies' FY13 approach to salaries: lump-sum payments, not additions to base salary. The College followed this approach. M-NCPPC supports it but is still in negotiations. **MCPS and WSSC, as noted above, plan additions to base salary. The MCPS increase relies in part on one-time FY12 lapse and turnover savings.**

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[10] See http://www.montgomerycountymd.gov/content/council/olo/reports/pdf/olo-report-2012-2.pdf.

[11] In FY11 MCPS increased average class size by one to save $16 million. MCPS could have achieved the same savings with just over two furlough days.

• **Group insurance**. The premium share for County Government employees not enrolled in HMOs rose on January 1, 2012 from 20% (for some employees, 24%) to 25%. College employees have paid 25% for group insurance for more than a decade. M-NCPPC employees currently pay 15%; the agency wishes to increase it to 20%. WSSC employees pay 20% (for HMOs) or 22% (for other providers). MCPS employees pay only 5% (for HMOs) or 10% (for other providers). **MCPS declined to adopt the Council's suggestion to raise these shares to 10% and 15%, respectively, and has announced no change for FY13.**

Another key area is **retirement**. As noted above, all non-public safety County Government employees hired since October 1, 1994 have been enrolled in a defined contribution plan. (A cash balance option was added in 2009.) Nearly half of College employees and all MCPS, M-NCPPC, and WSSC employees are enrolled in far more costly defined benefit plans.

These comparisons are summarized in the following table, which focuses on County Government and MCPS:

Comparison of Salary and Benefit Changes, FY10-13

	County Government	**MCPS**
No COLAs in FY10-12	Yes	Yes
No step increases in FY11-12	Yes	Yes
Increase employee contribution to pension plan in FY12-13	Yes	Yes
Tighten eligibility for retiree health benefits	Yes	Yes
Furloughs in FY11	Yes	No
Increase employee share of group insurance premiums in FY12	Yes	No
Lump sum pay increase in FY13 (no addition to base salary)	Yes	No
Defined contribution retirement plan	Yes*	No

*Starting October 1, 1994 for non-public safety employees

The combined effect of these differences among agencies is that the total compensation packages of comparable employees have varied considerably and will continue to vary in FY13. These differences have large budget impacts, particularly because salaries and benefits account for four-fifths of the agencies' total spending and 90% of the $2.1 billion MCPS budget. For example:

• If MCPS were to raise salaries in FY13 by 2.3% of payroll (the County Government amount) instead of 3.2%, which reflects its current projection, MCPS would save nearly **$14 million** in FY13. Moreover, since the MCPS pay increase would raise the salary base while County Government's lump-sum approach would not, MCPS could also save on future salary and pension costs if it adopted the lump-sum approach.

• If MCPS were to use for its active employees the same premium share of group insurance that County Government uses, MCPS would save nearly **$40 million** on an annualized basis, more than the combined FY12 General Fund budgets for Transportation and Housing.[12]

[12] At the Council's April 10 public hearing, MCEA president Doug Prouty testified that "the cost of health care for the average MCPS family enrolled in the most popular plan is three quarters of that of the average County Government family." This statement does not present an accurate picture of actual costs. See the memo on ©45.

• Defined benefit pension costs for MCPS employees will grow substantially if the State's pension shift plan is finally approved. See the DLS table on ©26. In addition, MCPS is the only school system with a county-funded supplement to the State pension benefit. Funding the supplement alone will cost nearly **$30 million** in FY13, more than the entire FY12 budget for Libraries.

These large costs – none of which have a direct impact on the classroom or the children – are important components of the budget that is subject to the State's Maintenance of Effort requirement. In view of the radical changes to the MOE law made by the General Assembly this year, it is especially important to understand what constitutes the effort that the County is required to maintain.[13]

5. COUNTY GOVERNMENT COMPENSATION-RELATED NDAs

The FY13 recommended budget contains eight compensation-related Non-Departmental Accounts (NDAs). The first three are hardy perennials that require little comment.

1. Judges Retirement Contributions NDA

See ©47. The recommended amount for FY13 is $0. The FY12 amount was $3,000.

2. State Positions Supplement NDA

See ©48. The recommended amount for FY13 is $85,113. The FY12 amount was $77,270.

3. State Retirement Contribution NDA

See ©48. The recommended amount for FY13 is $1,135,590. The FY12 amount was $1,081,690.

4. Group Insurance for Retirees NDA

See ©47. The recommended amount for FY13 is $32,462,450. The FY12 amount was the same.

5. Compensation and Employee Benefits Adjustments NDA

See ©46. The recommended amount for FY13 is $721,213. The FY12 amount was $15,679,510. Each year this NDA captures several separate personnel-related adjustments.

6-8. Consolidated Retiree Health Benefits Trust NDAs

See ©46 and ©48. Last year the Council established this trust on behalf of County Government, MCPS, and Montgomery College in order to make the OPEB funding process more transparent and coherent. For FY13 there is an NDA for each agency that reflects the increased contribution as the County ramps up to the Annual Required Contribution (ARC). The recommended amounts for the three NDAs in FY13 are $43,551,010, $61,931,000, and $1,873,000, respectively.

[13] The new MOE law effectively guarantees funding protection for school systems regardless of the state of the economy or the impact on other services and taxpayers.

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).[14] Agency staff have worked hard to assemble these displays of personnel information, and their efforts are appreciated. Last year this information was helpful to the Council's Task Force on Employee Wellness and Consolidation of Agency Group Insurance Programs and to other interested parties.

This year the **County Government** again prepared a PMR like the one it first issued in 1991 (see ©A1-41). The PMR, prepared by OHR, has consistently provided useful basic information on the merit system employment profile, turnover, and wage and salary comparability. In this year's PMR the information is once again clearly presented and readily understandable. The comparative information on salaries (see ©A30-41) is especially useful. Other information includes turnover data on the 581 employees (6.6% of the workforce) who left County Government service in 2011 (see ©A26-28). The table on ©26 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.

M-NCPPC again prepared a detailed Personnel Management Review, which it initiated in 1995. This PMR (see ©A42-169) covers personnel data affecting both counties and is a comprehensive and highly informative document. Its clearly presented data and excellent graphics provide detailed information about the full range of workforce issues and personnel policies.

WSSC again prepared a Human Resources Management Review that contains new and comparative data in a number of areas (see ©A170-201). This report, which WSSC initiated in 1995, includes data on such matters as the diversity of WSSC's workforce in 2011.

MCPS again provided a Staff Statistical Profile (see ©A202-291), 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 ©A292-298). This brief report contains useful graphics and information on the composition of faculty and staff as well as benefits.

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.

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[14] See http://www.montgomerycountymd.gov/content/council/pdf/agenda/cm/2012/120501/20120501_GO2.pdf.

Workforce Characteristics	County Government	MCPS	Montgomery College	M-NCPPC (Montgomery)	WSSC (Bi-County)
Reporting Period	CY 2011	FY 2012	CY 2011	FY 2011	CY 2011
Permanent Employees	8,792	21,931	1,814	737	1,541
Average Annual Salary	$85,679 (overall weighted avg.)	Admin/Supervisory $123,918 Teachers (10-Mo.) $74,855 Support Staff $42,850	Not included	Planning Dep't. $74,771 Parks Dep't. $67,129	$68,768
Race/Ethnicity: % White % African American % Hispanic/Latino % Asian % Other	 56% 26% 9% 6% 3%	 64% 18% 10% 7% 1%	 55% 37% 8% 10% 1%	 67% 21% 6% 5% 1%	 43% 47% 3% 6% 1%
Turnover Rate	6.6%	5.5%	6.8%	5.7%	7.1%

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' FY11 costs and FY12 requests for employee awards and tuition assistance. County Government's awards programs are outlined on ©49.[15]

[15] This report does not include performance-based pay awards for employees in the Management Leadership Service or other non-represented employees, which were not funded in FY11-12. 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	
	FY12	FY13	FY12	FY13
County Government	see ©57	TBD	$135,000	$435,000
MCPS	none	none	$3,039,746	$3,039,746
Montgomery College	$75,000	$75,000	$850,000	$925,000
M-NCPPC	0	$1,000	$41,168	$58,407
WSSC	$63,100	$63,000	$150,000	$150,000

Notes: The amounts for M-NCPPC are for Montgomery County only. MCG tuition assistance is for the FOP ($135,000) and other employees ($300,000).

C. Additional Compensation Information

1. Annual Leave Cash-Out. Under the Personnel Regulations the Chief Administrative Officer, subject to budget limitations, may authorize employees to cash out part of their accrued annual leave in excess of the annual carry-over limit. For FY02-04 the CAO decided that because of the County's fiscal situation there would be no annual leave cash out.

For FY05 the CAO authorized a cash-out of 30%. The cost was $368,245 for 385 employees. For FY06 the CAO authorized a cash-out of 50%. The cost was $812,731 for 482 employees. For FY07 the CAO again authorized a cash-out of 50%. The cost was $1,092,439 for 630 employees. For FY08-12, given the fiscal situation, there was no cash-out.

2. Testimony. During the course of the Council's five public hearings on the FY12 operating budget on April 10-12, a number of speakers addressed compensation issues. Councilmembers have copies of this testimony and also of all correspondence related to compensation.

D. Closing Point

The personnel costs that comprise four-fifths of the budget reflect the size of the agencies' workforces and the level of their salaries and benefits. Over the years we have noted that while these costs are affordable when times are good and revenue growth is strong, in serious downturns they are not. Fault lines between the County's promises to employees and its ability to pay for them emerge, as they have for the last three years in particular. The Council has made a series of key structural changes to salaries and benefits, and our employees have continued to provide top-flight services to County residents despite the real impact on their total compensation. Looking forward, absent an economic recovery that is far more robust and has staying power, and/or further structural changes, these fault lines will remain pronounced.

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MONTGOMERY COUNTY GOVERNMENT

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	REC FY13
Police (FOP)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%
General adjustment (COLA)	(a)	2.0%	2.0%(d)	2.75%	(j)	-	4.0%	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	(s)
Top of range adjustment	-	-	(e)	-	-	-	-	-	-	-	-
Longevity	-	-	-	(h)	-	(l)	-	-	-	-	(t)
Fire (IAFF)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%
General adjustment (COLA)	5.0%	3.5%	3.5%	(i)	(k)	5.0%	2%+2%(p)	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	(s)
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Longevity	-	(b)	(b)	-	-	-	-	(q)	-	-	(u)
Office, Professional, and Technical Bargaining Unit/Service, Labor, and Trade Bargaining Unit (MCGEO)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%
General adjustment (COLA)	3.5%	3.75%(c)	2.0%(d)	2.75%	(j)	4.0%	4.5%	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	(s)
Top of range adjustment	-	-	(f)	-	-	(m)	-	(r)	-	-	-
Longevity											(v)
Non-Represented											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%
General adjustment (COLA)	3.5%	2.0%	2.0%(d)	2.75%	(j)	4.0%	4.5%	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	-	-	(n)	(n)	(n)	(n)	-	-	-	(s) (w)
Top of range adjustment	-	-	(g)	(o)	(o)	(o)	(o)	-	-	-	-
Longevity											(o)

(a) 3.0% effective 7/02; 1.0% effective 1/03.
(b) Pay plan adjustment equal to 3.5%.
(c) Effective 11/30/03.
(d) Effective 9/5/04.
(e) Return to uniform pay plan starting 1/9/05 for unit members with 20 years of completed service.
(f) Starting 1/9/05 employees who have completed 20 years of service and are at the maximum of their pay grade will receive a longevity increment of 2%.
(g) Range expansion of 1.75%, 3.75% for employees in the Management Leadership Service.
(h) Effective 1/8/06 current min/max salary schedule will be converted to a matrix based step schedule.
(i) 3% effective 7/10/05; 1% effective 1/8/06.
(j) 3.0% effective 7/9/06; 1.0% effective 1/7/07.
(k) 4.0% effective 7/9/06; 1.0% effective 1/7/07.

(l) Increase wage rate of Step 0, Year 1, by $3,151with promotions and increments calculated from that point. Equals an adjustment of 7.5%.
(m) Increase longevity percentage by 1.0%, effective 1/6/08.
(n) Performance lump sum award: 2% for exceptional and 1% for highly successful.
(o) Longevity/performance increment for employees who completed 20 years of service after two consecutive 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.
(p) 2.0% effective 7/6/08; 2.0% effective 1/4/09.
(q) A new longevity adjustment at 28 years of service in July 2009 and additional steps on the salary in July 2010.
(r) 3.0% longevity increase.
(s) $2,000 lump sum payment to employees who completed probationary period by July 1, 2012.
(t) 3.5% longevity for FOP bargaining unit members who completed 20 years of service
(u) 3.5% longevity increase for IAFF bargaining unit members who completed 20 years of service and a 3.5% longevity increase for IAFF bargaining unit members who completed 28 years of service.
(v) 3% longevity for OPT/SLT (MCGEO) bargaining unit members who completed 20 years of service.
(w) MLS receive $2,000 or 2% of salary (whichever is greater). Public Safety Management (Police, Fire, Corrections, and Sheriffs) will receive $2,000 lump sum payment.

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	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	REC FY13
Teachers (MCEA)											
Increment	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	0.0%	(s)	
Increment-weighted average (a)	1.9%	1.9%	1.9%	2.0%	1.9%	2.2%	2.3%	2.1%	0.0%(q)	(s)	
Negotiated salary schedule increase	4.0% (e)	4.0% (e)	2.0%	2.75%	4.0%(k)	4.8%(l)	5.0%(m)	0.0%(p)	0.0%(q)	0.0%(r)	(t)
Lump-sum payment (b)	$400	$400	$400	$400	$400	$400	$400	$400	$0	$400	
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	
Admin. and Supervisory Personnel (MCAAP)											
Increment	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.00%	0%	(s)	
Increment-weighted average (a) (d)	0.9%	0.8%	0.9%	1.1%	0.9%	1.1%	1.2%	1.1%	0.0% (q)	(s)	(t)
Negotiated salary schedule increase	3.0%	3.0% (f)	2.0%(i)	2.0%(j)	4.0%(k)	4.8%(l)	5.0%(m)	0.0%(p)	0.0%(q)	0.0%(r)	
Lump-sum payment	-	-	$1,500(h)	$1,500(h)	$1,500-$3,000(h)	$1,500-$3,000(h)	$1,500-$3,000(h)	$1,500-3,000(h)	$1,500-3,000(h)	$1,500-3,000(h)	
Top of range adjustment	-	-									
Business and Operations Administrators (MCBOA)											
Increment							(n)	3.00%	0.0%	(s)	
Increment-weighted average							(n)	1.6%	0.0% (q)	(s)	(t)
Negotiated salary schedule increase							(n)	0.0%(p)	0.0%(q)	0.0%(r)	
Lump-sum payment							-	-	-	-	
Top of range adjustment							(n)	$1,500-$4,500(o)	$1,500-$4,500(o)	$1,500-$4,500(o)	
Supporting Services Employees (SEIU Local 500)											
Increment	1.7-5.6%	1.6-5.6%	1.6-5.6%	1.6-5.6%	1.9-5.6%	1.9-5.6%	1.9-5.5%	1.9-5.5%	0%	(s)	
Increment-weighted average (a)	1.8%	1.9%	1.8%	1.9%	1.6%	1.9%	1.8%	1.7%	0.0% (q)	(s)	(t)
Negotiated salary schedule increase	3.0%	3.0% (g)	2.0%	2.75%	4.0%(k)	4.8%(l)	5.0%(m)	0.0%(p)	0.0%(q)	0.0%(r)	
Lump-sum payment (c)	$100	$100	$100	$200	$200	$200	$200	$200	$200	$200	
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	
Non-Represented Increment, Negotiated salary schedule increase, Lump-sum payment, Top of range adjustment	All non-represented employees (except 18 nonscheduled employees including Executive staff, Board staff, and the chief negotiator) receive the same increments and other salary adjustments as the bargaining units for which these positions are covered.										

a) The number provided in the chart represents the weighted average increase received by eligible employees. It is based on the number of employees who receive the step increment at various points (anniversary dates) in the year. An average annual cost of the salary increments is used for this analysis.

b) For FY 1996 through FY 1999, a bonus payment of $300 was provided to any substitute teacher who worked 100 or more days. Beginning FY 2002, an incentive payment of $400 is provided to any substitute teacher who works 45 or more days within a semester. In conjunction with this change, the retiree substitute incentive plan was eliminated in FY 2002.

c) A lump sum net payment of $100 each year for employees with 22 or more years of service. This amount increased to $200 for FY 2006.

d) The negotiated agreement with MCAAP provided for the addition of one step on salary scales N through Q beginning July 1, 1997 (FY 1998) and July 1, 1999 (FY 2000). The amount of this impact is included in the increment-weighted average for each year.

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(e) The negotiated agreement with MCEA provided salary scale changes for an average increase in the salary schedule of 5.0% for FY 2001 and 4.0% for FY 2002 while an additional 1.0% from the State was applied to this salary schedule each year for a net increase of 6.0% for FY 2001 and 5.0% for FY 2002. For FY 2003 and FY 2004, the negotiated agreement with MCEA provided salary scale changes for an average increase in the salary schedule of 4.0% and added two more days to the work year for 10-month employees for an equivalent of an additional 1.0% applied to the salary schedule for a net increase of 5.0% for each year. The FY 2004 negotiated agreement with MCEA provided for a salary schedule increase of 4.0% implemented on 10/31/03 for 12-month unit members and 12/1/03, for 10-month unit members, resulting in a 3.66% salary impact.

(f) For FY 2004, the negotiated agreement with MCAAP provided for a salary schedule increase of 3.0% implemented on 10/7/03, for 12-month unit members and 11/8/03, for 11-month assistant school administrators, resulting in a 1.87% salary impact.

(g) For FY 2004, the negotiated agreement with SEIU Local 500 provided for a salary schedule increase of 3.0% implement on 10/7/03 for 12 month unit members and 11/8/03, for all other unit members, resulting in a 2.05% salary impact.

(h) Effective October 1, 2004, the negotiated agreement with MCAAP provided an annual longevity supplement of $1,500 for each unit member who completed ten or more years as an administrator and/or supervisor with MCPS. Effective December 1, 2006, the negotiated agreement with MCAAP provided an annual longevity supplement of $1,500 for each unit member who completed five or more years as an administrator and/or supervisor with MCPS. Subsequent to that date, the negotiated agreement with MCAAP provided an annual longevity supplement of $3,000 for each unit member who completed ten or more years as an administrator and/or supervisor with MCPS. Payments are deferred for employees who first became eligible for lump sum payments in FY 2011.

(i) For FY 2005, the negotiated agreement with MCAAP provided for a salary schedule increase of 2.0% implemented on 10/2/04, for 12-month unit members and 11/13/04, for 11-month assistant school administrators, resulting in a 1.49% salary impact.

(j) 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%.

(k) 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 November 1, 2006, resulting in a 3.5% average salary impact.

(l) For FY 2008, the negotiated agreement with MCAAP, MCEA, 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%.

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

(n) During FY 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.

(o) Unit members receive a $1,500 longevity supplement at 5, 10, and 15 years of service.

(p) The 2008-2010 contracts with MCAAP, MCBOA, MCEA, and SEIU Local 500 included, for FY 2010, a 5.3% COLA and other salary-related improvements. Due to the fiscal situation, the unions agreed to forgo the FY 2010 COLA and salary-related improvements.

(q) Due to the fiscal situation, there was no COLA or increments for FY 2011.

(r) Due to the fiscal situation, there is no COLA budgeted for FY 2012.

(s) Rates for increments and average increments to be determined in final action on the FY 2012 Budget.

(t) The Board of Education is still in negotiations with the employee unions relative to economic terms for FY 2013.

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	REC FY13
Faculty (AAUP)									(j)		
Increment	-	$1,167	-	-	-	-	-	-	-	-	-
General adjustment (COLA)	6.5%(a)	3.625%(c)	1.6%	2.75%	3.75%	5.3%	5.5%	-	-	-	-
Lump-sum payment	-	-	$1,879	$1,931	$2,019	$2,125	$2,242	$2,372(i)	-	2.0%(m)	-
Top of range adjustment	-	(d)	1.6%(f)	2.75%(g)	3.75%(h)	5.3%	5.5%	-	-	-	-
Administrators	4.0%-	2.5%-	3.65%-	4.75%-	3.75%	4.75%-	4.75%-		(k)		
Increment	6.25%	4.25%	4.15%	5.5%	6.5%	7.5%	7.0%	0%	-	-	-
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	(e)	-	-	-	-	-		-	2.0%(m)	-
Top of range adjustment	4.0%	3.6%	2%	2.75%	3.75%	4.75%	5.0%	-	-	-	-
Staff - Non-Bargaining and Bargaining									(l)		
Increment	(b)	2.0%	3.25%	2.75%	2.75%	3.0%	3.0%	3.0%	-	-	-
General adjustment (COLA)	4.0%	3.6%(c)	2.0%	2.75%	3.75%	4.75%	5.0%	-	-	-	-
Lump-sum payment	(b)	-	-	-	-	-	-	$500(i)	-	2.0% (m)	-
Top of range adjustment	-	3.6%	2.0%	2.75%	3.75%	4.75%	5.0%	-	-	-	-

(a) Faculty earning the maximum salary received a 5% increase to $76,323. Faculty below the maximum received an increase of 3.71% plus $1,964 up to a new maximum of $76,323.
(b) Non-bargaining support staff received $1,190; AFSCME staff received an increment of 2.25% instead.
(c) Delayed by 4.6 months of fiscal year.
(d) Not to exceed $79,090.
(e) Up to $2,000 based on performance for those at top of range.
(f) Not to exceed $80,355 or $81,955 for those eligible for a one-time longevity increase.
(g) Not to exceed $82,565 or $84,165 for those eligible for a one-time longevity increase.
(h) 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.
(i) 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.
(j) Faculty furloughed 3 days based on academic year calendar (equivalent to 4 staff days).
(k) Administrators furloughed 8 days.
(l) Staff furloughed 4 days below grade N; 8 days grade N and above.
(m) One-time payment not added to the base. However, this may change based on the agreement the county reached with its unions.

5

MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

											REC
	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
Non-Represented											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%
General adjustment (COLA)	3.25%(a)	2.5%	2.7%	2.8%	3.0%	3.25%	3.25%	0.0%	0.0%	0.0%	0.0%
(effective date)		(9/03)	(7/04)	(7/05)		(7/07)	(7/08)				
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	(i)
Top of range adjustment	-	-	-	-	7.0%	-	-	(g)	-	-	-
Service/Labor, Trades, and Office/Clerical Bargaining Units (MCGEO, Local 1994)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	$780(h)	0.0%	0.0%	0.0%
General adjustment (COLA)	3.25%(a)	2.5%	2.7%	2.8%	3.0%	3.25%	3.25%	$640(h)	0.0%	0.0%	0.0%
(effective date)		(9/03)	(7/04)	(7/05)							
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	(i)
Top of range adjustment	-	-	-	-	3.5%	3.5%	-	-	-	-	-
Park Police (FOP, Lodge 30)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%
General adjustment (COLA)	3.5%(b)	2.75%	2.5%(c)	3.5%(d)	4.5%(e)	4.5%(f)	3.25%	3.75%	0.0%	0.0%	0.0%
(effective date)		(4/04)					(7/08)	(7/09)			
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	(i)
Top of range adjustment	-	-	(c)	-	-	-	-	-	-	-	-

(a) 2.5% COLA effective 7/02; .75% COLA effective 10/02.
(b) 2.5% COLA effective 02/03; 1.0% COLA effective 11/02 and an additional 2.5% COLA for Sergeants only in 8/02.
(c) 2.5% COLA for officers below the rank of Sergeant effective 5/05. Sergeants were granted a 5.0% COLA effective 5/05. One new step (2.5%) added for Sergeants (P05) only.
(d) 2.5% COLA effective 7/05. Plus additional 1% COLA provided 4/06 in exchange for officers paying 100% of Long Term Disability premiums.
(e) 3.5% COLA effective 7/06 plus additional 1% COLA effective 7/06 in exchange for officers paying 100% of Long Term Disability premiums.
(f) 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.
(g) 3.75% range adjustment for Park Police Command Staff.
(h) 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.
(i) The Commission has included funding for a one-time payment that is not an addition to base salary in our FY13 Proposed Budget. Compensation is subject to current labor negotiations with MCGEO and the FOP. The two County Councils will be determining whether to fund the Commission's proposed FY13 compensation at the May 10 bi-county meeting.

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	REC FY13
AFSCME										
Merit pay adjustment (a)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	3.0%(b)(d)
General adjustment (COLA)	3.0%(c)	2.0%	2.0%	3.5%	3.75%	3.5%	0.0%	0.0%	2.0%(e)	2.0%(e)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-
Non-Represented										
Merit pay adjustment (a)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	0.0%	0.0%	3.0%(d)
General adjustment (COLA)	3.0%(c)	2.0%	2.0%	3.5%	3.75%	3.5%	0.0%	0.0%	0.0%	2.0%(e)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-

(a) WSSC has a performance based merit pay system. Adjustments to base pay are based upon annual employee evaluations. 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.

Comparison of Executive's Proposal and Council's Package
Agency: County Government

GROUP INSURANCE

Implementation Date: Executive's estimates assumed July 1, 2011. Council assumes January 1, 2012

Benefit	Executive's Proposal	Council's Package	Savings ($ in millions)			
			Exec. Proposal		Council's Package	
			FY12	FY12-FY17	FY12	FY12-FY17
Health Insurance – Employee Cost Share	Increase from 80/20 to 70/30 for all medical, dental, vision, & standard prescription drug; add salary-based surcharge.	Keep HMOs at 80/20; change POS (Carefirst), dental, vision, & standard prescription drug plans to 75/25; eliminate salary-based surcharge.	$15.65	$120.72	$2.10	$30.29
Prescription Drug Coverage	Mandate the use of generic instead of brand name drugs when generic equivalent is available (or employee pays generic drug copay plus the difference between brand name and generic drug costs); eliminate coverage for erectile dysfunction medications.	Add waiver provision for medically necessary brand name drugs; limit (not eliminate) coverage for erectile dysfunction medications.	$1.60	$12.34	$0.70	$9.71
Prescription Drug Copays	Increase copay for mail-order prescriptions from one time to two times the copay for retail purchase.	Maintain current copays for mail-order prescriptions; add provision to allow purchase of maintenance drugs at CVS retail pharmacy for mail-order copay.	$0.20	$1.54	--	--
Life Insurance	Reduce coverage from two times to one time annual salary; increase cost share from 20% to 30% of premium.	Adopt Executive's proposal for coverage reduction; limit cost shift to 75/25.	$1.20	$9.26	$0.60	$8.66
Long-Term Disability	Increase cost share from 20% to 30% of premium.	Limit cost shift to 75/25.	$0.05	$0.37	$0.01	$0.09

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Comparison of Executive's Proposal and Council's Package
Agency: County Government (continued)

Benefit	Executive's Proposal	Council's Package	Savings ($ in millions) Exec. Proposal FY12	Exec. Proposal FY12-FY17	Council's Package FY12	Council's Package FY12-FY17
RETIREMENT Implementation Date: July 1, 2011						
Defined Contribution Retirement	Reduce employer's contribution by 2%.	Reduce employer contribution by 2% <u>in FY12 only.</u>	$4.86	$31.47	$4.86	$4.86
Defined Benefit - Employee Contribution	Increase employee contribution by 2%.	Phase in higher employee contribution; 1% in FY12, 2% in FY13 and beyond.	$6.04	$39.13	$3.02	$36.11
Defined Benefit - COLA Provision	No recommendation in Executive's FY12 budget.	Cap future COLAs for new hires and current employees (for years not yet served) at 2.5%.	--	--	$3.15	$18.90
Defined Benefit - New Hires	No recommendation in Executive's FY12 budget.	In June, consider changes to structure of defined benefit plan for employees hired on or after 10/1/11.	--	--	TBD	
RETIREE HEALTH Implementation Date: Changes apply to employees hired on or after July 1, 2011						
Retiree Health	No recommendation in Executive's FY12 budget.	Change eligibility and cost share for new hires.	--	--	Reduction in OPEB liability begins in FY13	
		COUNTY GOVERNMENT SUBTOTALS	**$29.60**	**$214.83**	**$14.45**	**$108.63**

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Council's Package
Agency: MCPS

The Council recognizes that decisions about MCPS employee benefits are the Board of Education's to make. As stated in his March 15 budget transmittal memo, the Executive recommended that all agencies adjust employee health insurance and retirement benefit structures "to promote equity among locally funded public employees." This page identifies savings that would result if the Board of Education takes action to modify employee benefit structures according to the examples described in the table below.

Benefit	Examples of Change	Savings ($ in millions)			
		Exec. Proposal		Council's Package	
		FY12	FY12-FY17	FY12	FY12-FY17
Health Insurance – Employee Cost Share	Beginning on January 1, 2012, change the employer/employee cost share for HMOs from 95/5 to 90/10; change the cost share for all other plans from 90/10 to 85/15.	--	--	$7.00	$91.06
Locally-Funded Defined Benefit Retirement: Core and Supplement	Change locally-funded pension plans (Core and Supplement) to parallel changes made by the State to the teachers' pension plan that increase employee contributions and cap future COLAs for new hires and current employees.	--	--	$11.70	$73.41
	MCPS SUBTOTALS	--	--	**$18.70**	**$164.47**

COMPARISON OF TOTAL SAVINGS
($ in millions)

	FY12	FY12-FY17
Executive's Proposal:	**$29.60**	**$214.83**
Council's Package:	**$33.15**	**$273.10**

COUNTY GOVERNMENT TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

"Other" costs below are costs not collected by bargaining unit, such as overtime, shift differential, and temporary/seasonal employees budgeted in group positions.

Tax Supported Funds, FY12 Approved Budget	MCGEO	IAFF	FOP	Non Represented	TOTAL
Filled positions, tax and non-tax supported (Dec. 31, 2010)	4,815	1,072	1,116	1,967	8,970
Percent of total	53.7%	12.0%	12.4%	21.9%	100.0%
Workyears (bargaining units estimated)	3,964	882	919	1,619	7,384
Active employees:					
Wages					474,242,369
Social Security					39,383,521
Retirement					106,277,064
Group insurance for active employees					76,674,417
Subtotal					696,577,371
Other					51,826,439
Total compensation for active employees	268,106,210	123,335,840	130,576,493	174,558,828	748,403,810
Retiree benefits: group insurance					
Pay as you go amount					32,462,450
Fifth year phase in of OPEB					26,075,000
Total compensation for retired employees					58,537,450
Total compensation for active and retired employees	268,106,210	123,335,840	130,576,493	174,558,828	806,941,260
Operating budget without debt service					1,222,908,680
Total compensation as % of total operating budget					66.0%
% General Wage Adjustment	0.00%	0.00%	0.00%	0.00%	
Cost of General Wage Adjustment (wages, social security, retirement)	0	0	0	0	0
Cost of other Wage Adjustment (wages, social security, retirement)	0	0	0	0	0
Cost per 1% General Wage Adjustment (wages, social security, retirement)	0	0	0	0	0
Total cost of furlough plan (wages, social security)	0	0	0	0	0
Cost per furlough day (wages, social security)	0	0	0	0	0
Cost of increments for employees not at top of grade (wages, social security, retirement)	0	0	0	0	0
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	0	0	0	0	0

COUNTY GOVERNMENT TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY13 Request	MCGEO	IAFF	FOP	Non Represented	TOTAL
Filled positions, tax and non-tax supported (Dec. 31, 2011)	4,618	1,030	1,032	2,413	9,093
Percent of total	50.8%	11.3%	11.3%	26.5%	100.0%
Workyears (bargaining units estimated)	3,834	855	857	2,003	7,549
Active employees:					
Wages					508,356,427
Social Security					41,066,834
Retirement					116,451,254
Group insurance for active employees					79,690,966
Subtotal					745,565,481
Other					47,771,030
Total compensation for active employees	286,917,002	126,600,457	134,640,651	197,407,371	793,336,511
Retiree benefits: group insurance					
Pay as you go amount					32,462,450
Sixth year phase in of OPEB					43,551,010
Total compensation for retired employees					76,013,460
Total compensation for active and retired employees	286,917,002	126,600,457	134,640,651	197,407,371	869,349,971
Operating budget without debt service					1,347,844,239
Total compensation as % of total operating budget					64.5%
% General Wage Adjustment	0.00%	0.00%	0.00%	0.00%	0.00%
Cost of General Wage Adjustment (wages, social security, retirement)	0	0	0	0	0
Cost of other Wage Adjustment1	7,260,187	2,462,541	2,465,626	3,326,705	15,515,059
Cost per 1% General Wage Adjustment (wages, social security, retirement)	2,495,551	1,132,663	1,209,803	1,786,837	6,624,854
Cost per furlough day (wages, social security)	0	0	0	0	0
Cost of increments for employees not at top of grade (wages, social security, retirement)	2,681,943	1,012,308	1,295,186	780,566	5,770,003
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	766,269	289,231	370,053	223,019	1,648,572

COUNTY GOVERNMENT TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Amount increase FY12-FY13	MCGEO	IAFF	FOP	Non Represented	TOTAL
Workyears	(130)	(27)	(62)	384	165
Active employees:					
Wages					34,114,058
Social Security					1,683,313
Retirement					10,174,190
Group insurance for active employees					3,016,549
Subtotal					48,988,110
Other					(4,055,409)
Total compensation for active employees	18,810,792	3,264,617	4,064,158	22,848,544	44,932,701
Retiree benefits: group insurance					
Pay as you go amount					0
Phase in of the Annual Required Contribution					17,476,010
Total compensation for retired employees					17,476,010
Total compensation for active and retired employees	18,810,792	3,264,617	4,064,158	22,848,544	62,408,711

Percent increase FY11-FY12	MCGEO	IAFF	FOP	Non Represented	TOTAL
Workyears	-3.27%	-3.10%	-6.74%	23.72%	2.24%
Active employees:					
Wages					7.19%
Social Security					4.27%
Retirement					9.57%
Group insurance for active employees					3.93%
Subtotal					7.03%
Other					-7.82%
Total compensation for active employees	7.02%	2.65%	3.11%	13.09%	6.00%
Retiree benefits: group insurance					
Pay as you go amount					0.00%
Phase in of the Annual Required Contribution					67.02%
Total compensation for retired employees					29.85%
Total compensation for active and retired employees	7.02%	2.65%	3.11%	13.09%	7.73%

[1] Includes the \$2,000/2% lump sum payment and the cost of movement into the longevity steps. The cost of the \$2,000/2% payment includes FICA/Medicare; the cost of movement into longevity includes FICA/Medicare and retirement.

MONTGOMERY COUNTY PUBLIC SCHOOLS TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY12 Approved Budget	MCAAP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears						
Active employees:	664.000	80.750	11,395.430	7,278.185	72.500	19,490.865
Wages	82,248,272	7,625,677	874,707,032	301,873,542	7,600,281	1,274,054,804
Social Security	6,382,466	591,760	67,882,135	23,425,689	589,789	98,871,839
Retirement (1).	4,224,699	391,694	44,929,466	15,505,795	390,390	65,442,044
Group insurance for active employees	7,340,783	892,723	125,980,993	80,463,217	801,516	215,479,233
Total compensation for active employees	100,196,220	9,501,854	1,113,499,626	421,268,243	9,381,976	1,653,847,920
Retiree benefits: group insurance						
Pay as you go amount						48,105,935
Fifth year phase in of OPEB						0
Total compensation for retired employees						48,105,935
Total compensation for active and retired employees	100,196,220	9,501,854	1,113,499,626	421,268,243	9,381,976	1,701,953,855
Operating budget without debt service	N/A	N/A	N/A	N/A	N/A	1,950,909,291
Total compensation as % of total operating budget						87.24%
% General Wage Adjustment	0	0	0	0	0	0
Cost of General Wage Adjustment (wages, social security, retirement)	0	0	0	0	0	0
Cost of other Wage Adjustment (wages, social security, retirement)	0	0	0	0	0	0
Cost per 1% General Wage Adjustment (wages, social security, retirement)	915,211	85,995	10,161,773	3,512,771	105,801	14,781,551
Cost per furlough day (wages, social security, retirement)	360,354	33,848	4,710,350	1,522,466	35,946	6,662,964
Cost of increments for employees not at top of grade (wages, social security, retirement)	0	0	0	0	0	0
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)*	N/A	N/A	N/A	N/A	N/A	N/A

MONTGOMERY COUNTY PUBLIC SCHOOLS TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY13 Request (2).	MCAAP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears						
Active employees:	664.200	80.750	11,594.380	7,338.828	72.500	19,750.658
Wages	82,900,690	7,664,597	897,685,984	308,487,345	7,600,281	1,304,338,897
Social Security	6,374,135	589,321	69,021,908	23,718,133	584,376	100,287,872
Retirement	4,659,516	430,796	50,454,951	17,338,840	427,181	73,311,284
Group insurance for active employees	7,717,083	938,203	134,710,623	85,267,008	842,349	229,475,266
Total compensation for active employees	18,750,734	9,622,917	1,151,873,466	434,811,326	9,454,187	1,707,413,319
Retiree benefits: group insurance						
Pay as you go amount						49,258,001
Sixth year phase in of OPEB						
Total compensation for retired employees						49,258,001
Total compensation for active and retired employees	18,750,734	9,622,917	1,151,873,466	434,811,326	9,454,187	1,756,671,320
Operating budget without debt service	N/A	N/A	N/A	N/A	N/A	2,001,643,842
Total compensation as % of total operating budget	N/A	N/A	N/A	N/A	N/A	87.76%
% General Wage Adjustment	0	0	0	0	0	0
Cost of General Wage Adjustment (wages, social security, retirement)	0	0	0	0	0	0
Cost of other Wage Adjustment (wages, social security, retirement)	0	0	0	0	0	0
Cost per 1% General Wage Adjustment (wages, social security, retirement)	937,874	86,664	10,453,068	3,587,950	85,937	15,151,493
Cost per furlough day (wages, social security, retirement)	365,741	33,332	4,827,680	1,559,403	29,232	6,815,388
Cost of increments for employees not at top of grade (wages, social security, retirement **(3)**.	1,600,912	240,714	22,090,489	10,415,778	N/A	34,347,893
Cost of 1% increment for employees not at top of grade (wages, social security, retirement) **(4)**.	371,476	59,150	7,117,945	1,999,965	N/A	9,583,248

MONTGOMERY COUNTY PUBLIC SCHOOLS TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Amount increase FY12-FY13	MCAAP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears						
Active employees:	0.200	0.000	198.950	60.643	0.000	259.793
Wages	652,418	38,920	22,978,952	6,613,803	(0)	30,284,093
Social Security	(8,331)	(2,439)	1,139,773	292,444	(5,413)	1,416,033
Retirement	434,817	39,102	5,525,485	1,833,045	36,791	7,869,240
Group insurance for active employees	376,300	45,480	8,729,630	4,803,791	40,833	13,996,033
Total compensation for active employees	1,455,204	121,063	38,373,840	13,543,083	72,210	53,565,399
Retiree benefits: group insurance						0
Pay as you go amount	0	0	0	0	0	1,152,066
Phase in of the Annual Required Contribution	0	0	0	0	0	0
Total compensation for retired employees	0	0	0	0	0	1,152,066
Total compensation for active and retired employees	1,455,204	121,063	38,373,840	13,543,083	72,210	54,717,465
Percent increase FY12-FY13						
Workyears						
Active employees:	0.03%	0.00%	1.75%	0.83%	0.00%	1.33%
Wages	0.79%	0.51%	2.63%	2.19%	0.00%	2.38%
Social Security	-0.13%	-0.41%	1.68%	1.25%	-0.92%	1.43%
Retirement (1).	10.29%	9.98%	12.30%	11.82%	9.42%	12.02%
Group insurance for active employees	5.13%	5.09%	6.93%	5.97%	5.09%	6.50%
Total compensation for active employees	1.45%	1.27%	3.45%	3.21%	0.77%	3.24%
Retiree benefits: group insurance						
Pay as you go amount						2.39%
Phase in of the Annual Required Contribution						
Total compensation for retired employees						2.39%
Total compensation for active and retired employees	1.45%	1.27%	3.45%	3.21%	0.77%	3.21%

(1). Funding for FY 2012 retirement includes grant funding of $4,377,655 through the Education Jobs Fund grant. This grant funding is not continued for FY 2013. Adjusting the FY 2012 amount of the grant for comparative reporting purposes, total local retirement costs in FY 2013 increase $3,491,585 or 5.00%.

(2). FY 2013 data is based on the Board of Education's Budget Request without inclusion of any proposed negotiated agreements between MCPS and the bargaining units as of April 24, 2012.

(3). Increments include the amount of "catch up" longevities for FY 2011 and FY 2012 and the longevity amount due for FY 2013. Total longevities and associated benefits are $6,209,011. Step costs and associated benefits are $28,138,882.

(4). The cost of a 1% increment includes only a 1% step cost and associated benefits; not longevities.

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MONTGOMERY COLLEGE TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY12 Approved Budget	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	602.00	494.10	77.50	537.50	1,711.10
Active employees:					
Wages	46,030,633	24,656,005	9,925,703	61,531,327	142,143,668
Social Security	3,375,877	1,808,266	727,949	4,512,908	10,425,000
Retirement		893,602		1,351,628	2,245,230
Other Benefits (EAP, recognition awards, comp absences, etc)	728,268	597,737	93,755	650,240	2,070,000
Group insurance for active employees	4,571,907	3,752,457	588,576	4,081,680	12,994,620
Total compensation for active employees	54,706,685	31,708,066	11,335,983	72,127,783	169,878,518
Retiree benefits: group insurance					
Pay as you go amount	1,125,825	924,037	144,936	1,005,202	3,200,000
Second year phase in of OPEB	0	0	0	0	0
Total compensation for retired employees	1,125,825	924,037	144,936	1,005,202	3,200,000
Total compensation for active and retired employees	55,832,511	32,632,104	11,480,919	73,132,986	173,078,518
Operating budget without debt service					217,254,776
Total compensation as % of total operating budget					79.7%
% General Wage Adjustment					0.00%
Cost of General Wage Adjustment (wages, social security, retirement)					0
Cost of other Wage Adjustment (wages, social security, retirement)					0.00%
Cost per 1% General Wage Adjustment (wages, social security, retirement) - includes pt faculty	495,520	265,422	106,850	662,385	1,530,177
Cost per furlough day (wages, social security, retirement)	274,481	101,396	40,819	155,911	572,606
Cost of increments for employees not at top of grade (wages, social security, retirement)					0
Cost of 1% increment for employees not at top of grade (wages, social security, retirement) regular employees only	380,204	129,985	78,529	161,281	749,999

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MONTGOMERY COLLEGE TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY13 Request	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	602.00	490.10	76.50	542.50	1,711.10
Active employees:					
Wages	45,968,296	24,167,834	9,719,402	63,225,206	143,080,738
Social Security	3,461,716	1,819,997	731,935	4,761,351	10,775,000
Retirement		696,500		1,053,500	1,750,000
Other Benefits (EAP, recognition awards, comp absences, etc)	696,605	567,119	88,522	627,754	1,980,000
Group insurance for active employees	4,573,665	3,723,510	581,205	4,121,620	13,000,000
Total compensation for active employees	54,700,282	30,974,961	11,121,064	73,789,431	170,585,738
Retiree benefits: group insurance					
Pay as you go amount	1,125,825	916,557	143,066	1,014,552	3,200,000
Third year phase in of OPEB	0	0	0	0	0
Total compensation for retired employees	1,125,825	916,557	143,066	1,014,552	3,200,000
Total compensation for active and retired employees	55,826,107	31,891,518	11,264,130	74,803,983	173,785,738
Operating budget without debt service					217,636,599
Total compensation as % of total operating budget					79.9%
% General Wage Adjustment					0.000%
Cost of General Wage Adjustment (wages, social security, retirement)					0
Cost of other Wage Adjustment (wages, social security, retirement)					0
Cost per 1% General Wage Adjustment (wages, social security, retirement) - includes part-time faculty	494,849	260,167	104,629	680,619	1,540,264
Cost per furlough day (wages, social security, retirement)	274,916	99,681	40,088		414,685
Cost of increments for employees not at top of grade (wages, social security, retirement)					0
Cost of 1% increment for employees not at top of grade (wages, social security, retirement) regular employees only	381,888	129,696	78,854	171,869	762,307

MONTGOMERY COLLEGE TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Amount increase FY12-FY13	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	0.00	(4.00)	(1.00)	5.00	0.00
Active employees:					
Wages	(62,337)	(488,171)	(206,301)	1,693,879	937,070
Social Security	85,839	11,731	3,986	248,443	350,000
Retirement	0	(197,102)	0	(298,128)	(495,230)
Other Benefits (EAP, recognition awards, comp absences, etc)	(31,664)	(30,617)	(5,233)	(22,486)	(90,000)
Group insurance for active employees	1,758	(28,947)	(7,371)	39,940	5,379
Total compensation for active employees	(6,404)	(733,105)	(214,919)	1,661,648	707,219
Retiree benefits: group insurance					
Pay as you go amount	0	(7,481)	(1,870)	9,350	(1)
Phase in of the Annual Required Contribution	0	0	0	0	0
Total compensation for retired employees	0	(7,481)	(1,870)	9,350	(1)
Total compensation for active and retired employees	(6,404)	(740,586)	(216,790)	1,670,997	707,218

Percent increase FY12-FY13	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	0.00%	-0.81%	-1.29%	0.93%	0.00%
Active employees:					
Wages 1)	-0.14%	-1.98%	-2.08%	2.75%	0.66%
Social Security	2.54%	0.65%	0.55%	5.51%	3.36%
Retirement		-22.06%		-22.06%	-22.06%
Other Benefits (EAP, recognition awards, comp absences, etc)	-4.35%	-5.12%	-5.58%	-3.46%	-4.35%
Group insurance for active employees	0.04%	-0.77%	-1.25%	0.98%	0.04%
Total compensation for active employees	-0.01%	-2.31%	-1.90%	2.30%	0.42%
Retiree benefits: group insurance					
Pay as you go amount	0.00%	-0.81%	-1.29%	0.93%	0.00%
Phase in of the Annual Required Contribution	NA	NA	NA	NA	NA
Total compensation for retired employees	0.00%	-0.81%	-1.29%	0.93%	0.00%
Total compensation for active and retired employees					0.41%

(1) All other includes temps with benefits, student assts, overtime, part-time faculty, hearing interpretors, etc.
FY12 paid out .5% lump sum in December 2011 and 1.5% lump sum in June 2012 which equals approximately $2.8 million. This amount did not get added to the base.

MNCPPC TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY12 Approved Budget	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	67.00	287.00	527.90	881.90
Active employees:				
Wages	4,404,734	12,394,313	38,367,668	55,166,715
Social Security	63,869	948,165	3,030,070	4,042,104
Retirement	2,607,868	2,347,632	7,270,293	12,225,792
Group insurance for active employees	634,040	2,251,389	4,603,707	7,489,137
Total compensation for active employees	7,710,511	17,941,499	53,271,738	78,923,748
Retiree benefits: group insurance				
Pay as you go amount	245,875	600,075	1,745,130	2,591,080
OPEB pre-funding	239,505	584,529	1,699,917	2,523,950
Total compensation for retired employees	485,379	1,184,604	3,445,046	5,115,030
Total compensation for active and retired employees*	8,195,890	19,126,103	56,716,785	84,038,778
Operating budget without debt service*				97,454,080
Total compensation as % of total operating budget				86.2%
% General Wage Adjustment	0.00%	0.00%	0.00%	0
Cost of General Wage Adjustment (wages, social security, retirement)	0	0	0	0
Cost of other Wage Adjustment (wages, social security, reti	0	0	0	0
Cost per 1% General Wage Adjustment (wages, social security, retirement)	52,615	155,735	482,090	690,439
Cost per furlough day (wages, social security, retirement)	17,187	51,317	159,222	227,726
Cost of increments for employees not at top of grade (wages, social security, retirement)				
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)				

MNCPPC TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY13 Request	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	67.00	287.00	525.45	879.45
Active employees:				
Wages	4,565,852	12,847,676	39,771,091	57,184,619
Social Security	66,205	982,847	3,153,243	4,202,295
Retirement	2,553,582	2,298,764	7,118,954	11,971,300
Group insurance for active employees	916,840	3,255,572	6,657,088	10,829,500
Total compensation for active employees	8,102,479	19,384,858	56,700,377	84,187,714
Retiree benefits: group insurance				
Pay as you go amount	306,447	747,906	2,175,048	3,229,400
OPEB pre-funding	319,267	779,194	2,266,039	3,364,500
Total compensation for retired employees	625,713	1,527,100	4,441,087	6,593,900
Total compensation for active and retired employees	8,728,192	20,911,958	61,141,464	90,781,614
Operating budget without debt service				103,139,400
Total compensation as % of total operating budget				88.0%
% General Wage Adjustment				
Cost of General Wage Adjustment (wages, social security, retirement)				
Cost of other Wage Adjustment (wages, social security, reti	138,546	593,017	1,141,249	1,872,812
Cost per 1% General Wage Adjustment (wages, social security, retirement)	50,537	142,203	438,740	631,480
Cost per furlough day (wages, social security, retirement)	17,816	53,194	165,094	236,104
Cost of increments for employees not at top of grade (wages, social security, retirement)				
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)				

MNCPPC TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Amount increase FY12-FY13	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	0	0	(2)	(2)
Active employees:				
Wages	161,118	453,363	1,403,423	2,017,904
Social Security	2,336	34,682	123,173	160,191
Retirement	(54,285)	(48,868)	(151,339)	(254,492)
Group insurance for active employees	282,800	1,004,182	2,053,381	3,340,363
Total compensation for active employees	391,968	1,443,359	3,428,639	5,263,966
Retiree benefits: group insurance				
Pay as you go amount	60,572	147,830	429,918	638,320
Phase in of the Annual Required Contribution	79,762	194,665	566,123	840,550
Total compensation for retired employees	140,334	342,496	996,041	1,478,870
Total compensation for active and retired employees				

Percent increase FY11-FY12	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	0.0%	0.0%	-0.5%	-0.3%
Active employees:				
Wages	3.7%	3.7%	3.7%	3.7%
Social Security	3.7%	3.7%	4.1%	4.0%
Retirement	-2.1%	-2.1%	-2.1%	-2.1%
Group insurance for active employees	44.6%	44.6%	44.6%	44.6%
Total compensation for active employees	5.1%	8.0%	6.4%	6.7%
Retiree benefits: group insurance				
Pay as you go amount	24.6%	24.6%	24.6%	24.6%
Phase in of the Annual Required Contribution	33.3%	33.3%	33.3%	33.3%
Total compensation for retired employees	28.9%	28.9%	28.9%	28.9%
Total compensation for active and retired employees	0.0%	0.0%	0.0%	0.0%

*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

FY13 County Government
Tax Supported Payroll Costs

Wages	$508,400,000
Social Security	$41,100,000
Retirement	$116,500,000
Total Payroll	**$666,000,000**

Lump Sum + Longevity Costs	**$15,560,000**
Lump Sum + Longevity as % of Payroll	**2.3%**

FY13 MCPS
Tax Supported Payroll Costs

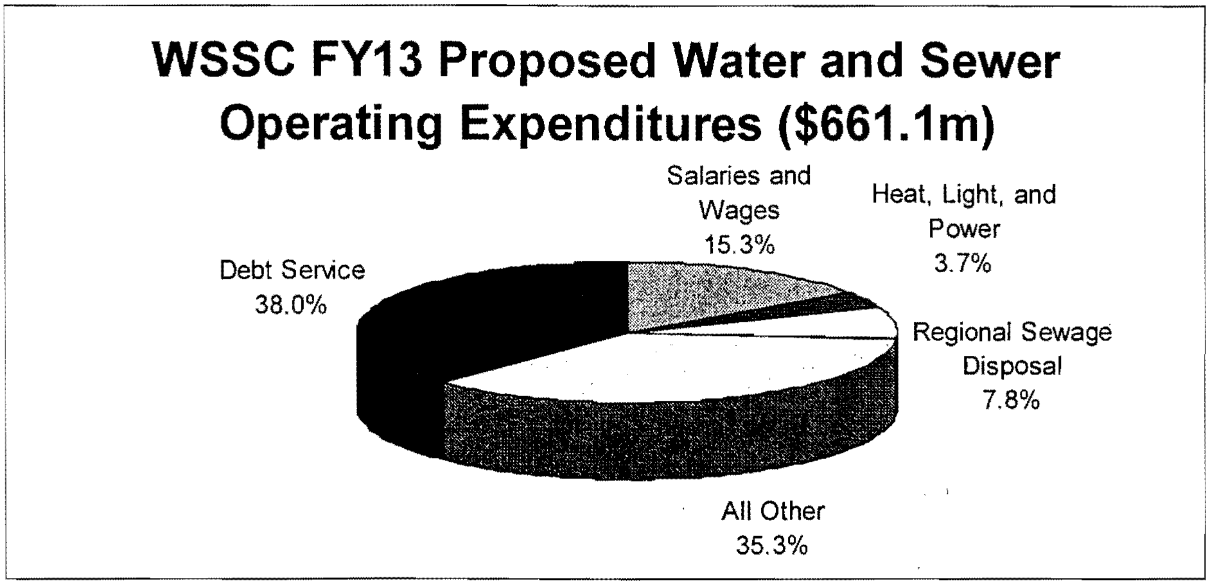
Wages	$1,304,300,000
Social Security	$100,300,000
Retirement	$73,300,000
Total Payroll	**$1,477,900,000**

Compensation Set Aside	**$47,000,000**
Compensation Set Aside as % of Payroll	**3.2%**

Note: Payroll costs includes wage, social security, and retirement costs for permanent employees (excluding contract or temporary workers).

Compensation

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



Even adding employee benefits (which are included in the "All Other" category) in order to look at personnel costs as a whole, personnel costs as of FY13 are estimated to make up less than 25 percent of operating budget expenditures. This ratio contrasts sharply with ratios in County Government, where personnel costs are about 60 percent of all tax-supported expenditures in the FY13 Recommended Budget.

"Salaries and Wages"[1] costs within the Operating Budget are estimated to increase by 2.9 percent. This is mostly due to WSSC's proposed 2 percent cost of living adjustments and merit pay increases (which range from 3 to 5 percent for employees not at the top of grade). WSSC is also requesting 12 new positions, discussed in more detail below.

Last year for FY12, WSSC proposed two percent cost of living adjustments (COLAs) and merit pay (also known as step increases or increments) for its represented employees only (about ¼ of its workforce).[2] This was the first COLA in three years for any WSSC employees. No compensation increases were included for non-represented employees.

[1] Benefit costs (such as Social Security, Group Insurance, and Retirement) are loaded in the "All Other" expense category.
[2] The Montgomery County Council recommended no COLAs or merits for WSSC in FY12. However, the Prince George's County Council did not oppose the COLAs and merits and, therefore, WSSC's Proposed Budget for compensation was approved.

In recent years, WSSC has utilized COLAs, merits, and other compensation strategies for various employee categories. The following chart presents these items and what has been funded in FY12 and requested for funding in FY13.

Table 6:
Compensation Adjustments for FY12 Approved and FY13 (Proposed)*

Type	FY12	FY13	Eligibility
Salary Adjustments	691,924	2,445,400	2% COLA in FY12 for represented employees only. 2% COLA for all employees (1,693) in FY13
Merit Increases	80,655	1,346,800	Merits for represented employees only not at top of grade for FY12. Merits for all employees not at top of grade (874) in FY13.
Incentive Pay**	-	-	No incentive pay in FY12 or FY13 (444 employees previously eligible)
Flexible Worker (FW) Pay	470,200	893,700	In FY12 105 employees eligible (increases based on skill assessments). 134 eligible in FY13 due to staffing increases
IT Bonus (contract)			No IT bonuses in FY12 or FY13.
Total	**1,242,779**	**4,685,900**	

*Costs shown are total costs (oper & capital) with salary & wages w/o FICA.
**Note: Incentive pay is "one-time" and does not change the base salary.

Incentive pay, which had previously been in place for customer care and production team employees, is not included for the fourth straight year. IT bonus pay is also zeroed out, as it was in FY11 and FY12.

For FY13, besides COLA and merit pay, the only other pay increase category funded is flexible worker pay. This item was put in place a number of years ago as part of WSSC's Competitive Action Program (CAP) initiative and is unique to WSSC. This item provides increases to base pay for certain employees who achieve specific new skill certifications (thereby providing WSSC with more operations and maintenance flexibility). In FY13, a number of additional employees will be eligible for flexible worker pay, as WSSC has increased staffing over the past couple of years.

WSSC's personnel costs (and increases) are a small part of WSSC's budget. The ratepayer impact of the COLA and merit increases is less than 1.0% (out of the 7.5% proposed rate increase). Also, since WSSC's budget is funded by ratepayers rather than by tax dollars, WSSC's compensation increases do not directly compete for the same tax-supported funding that covers other County agency employees.

However, both the County Executive and the Council have expressed support for the concept of the equitable treatment of employees across agencies, especially in the context of annual pay increases.

SB 152 Impact of County Maintenance of Effort Increase Due to Sharing of Pension Costs

Conference Committee Plan – Fiscal 2013 and 2016

($ in Thousands)

	Fiscal 2013						Fiscal 2016							
County	MOE Increase Due to Pension Shift	Local Income Tax Revenues	Disparity Grant Sup.	Indemnity Mortgage Rec. Tax	Local Income Reserve Relief	Net Impact	MOE Increase Due to Pension Shift	Local Income Tax Revenues	Disparity Grant Sup.	Indemnity Mortgage Rec. Tax	Local Income Reserve Relief	Restore Police Aid	Restore Health Dept. Grants	Net Impact
Allegany	-$1,488	$70	$1,632	$107	$245	$566	-$2,203	$49	$1,632	$107	$245	$371	$93	$295
Anne Arundel	-11,494	3,018	0	2,925	3,356	-2,195	-18,694	2,117	0	2,925	3,356	2,672	340	-7,284
Baltimore City	-12,923	1,011	10,048	400	2,105	640	-17,901	709	10,048	400	2,105	0	721	-3,919
Baltimore	-15,756	3,237	3,000	2,100	4,840	-2,579	-24,843	2,270	3,000	2,100	4,840	3,869	475	-8,289
Calvert	-2,836	599	0	550	554	-1,133	-4,754	420	0	550	554	281	42	-2,907
Caroline	-794	35	685	100	100	126	-1,182	25	685	100	100	128	55	-89
Carroll	-4,006	1,057	0	800	1,087	-1,062	-6,702	741	0	800	1,087	604	130	-3,340
Cecil	-2,460	270	0	2,195	441	446	-3,944	189	0	2,195	441	390	85	-643
Charles	-3,937	842	0	1,000	823	-1,272	-6,591	591	0	1,000	823	524	106	-3,547
Dorchester	-657	31	309	185	97	-35	-932	22	309	185	97	150	44	-126
Frederick	-5,893	1,444	0	5,000	1,531	2,082	-9,858	1,013	0	5,000	1,531	902	160	-1,251
Garrett	-665	28	406	220	96	86	-955	20	406	220	96	87	45	-81
Harford	-5,530	1,291	0	1,020	1,531	-1,688	-8,803	906	0	1,020	1,531	1,110	184	-4,052
Howard	-9,821	3,514	0	2,903	2,918	-486	-17,284	2,465	0	2,903	2,918	1,360	134	-7,504
Kent	-366	45	0	70	91	-160	-533	32	0	70	91	81	34	-225
Montgomery	-27,228	10,203	0	11,000	10,503	4,479	-44,357	7,157	0	11,000	10,503	5,959	347	-9,391
Prince George's	-19,555	3,273	9,629	2,500	4,097	-56	-29,632	2,296	9,629	2,500	4,097	2,886	551	-7,673
Queen Anne's	-1,106	266	0	500	293	-47	-1,763	186	0	500	293	168	44	-573
St. Mary's	-2,486	590	0	500	636	-760	-4,015	414	0	500	636	375	85	-2,005
Somerset	-480	11	382	40	58	11	-610	8	382	40	58	99	44	21
Talbot	-628	117	0	565	209	262	-943	82	0	565	209	174	34	121
Washington	-3,094	279	0	455	585	-1,775	-4,842	196	0	455	585	581	144	-2,882
Wicomico	-2,174	167	1,568	350	376	287	-3,239	117	1,568	350	376	451	99	-279
Worcester	-1,272	53	0	250	107	-861	-1,952	37	0	250	107	260	34	-1,264
Total	-$136,645	$31,451	$27,659	$35,735	$36,678	-$5,122	-$216,530	$22,062	$27,659	$35,735	$36,678	$23,480	$4,030	-$66,887

MOE: maintenance of effort

MEMORANDUM

April 27, 2012

TO: Stephen B. Farber, Council Staff Director

FROM: Aron Trombka, Senior Legislative Analyst AT
Office of Legislative Oversight

SUBJECT: Montgomery College's Voluntary Employee Retirement Program

In response to your request, this memorandum provides a general overview and initial analysis of the retirement incentive program adopted by the Montgomery College Board of Trustees.

Program Description

On March 19, 2012, the Board authorized the Voluntary Employee Retirement Program (VERP), a retirement incentive for College employees. Under this program, eligible employees will receive a one-time cash payment ($25,000 or $35,000) in exchange for making an irrevocable decision to retire by a specified date. According to the Resolution adopting the VERP, the objectives of the program are to:

- Provide the College with advance notice of retirements to facilitate transfer of knowledge from the retiring employee to the College;
- Allow the College to use the "One College" approach to evaluate whether to refill, abolish, or reallocate the affected position to focus on higher priorities in accordance with the College's strategic plan; and
- Reduce overall salary/wage and benefits costs.[1]

Eligibility and Funding of Incentive: The VERP is open to all full-time College employees who are eligible to retire under the State of Maryland's retirement plan and who have at least 15 years of service. The College reports that 341 employees are eligible to participate in the VERP. The pool of eligible employees represents approximately 19% of the full time College workforce.

Participants will receive a one-time cash payment of either $35,000 (for employees with more than 25 years of service) or $25,000 (for employees with 25 or fewer years of service). The College has reserved the right to limit the number of VERP participants so that the cumulative payments do not exceed $2 million.[2] The allocated funding level is sufficient to award lump-sum payments to 50-60 VERP participants (depending on years of service). The source of funding for the cash payments will be the College's fund balance.

[1] Montgomery College Board of Trustees Resolution 12-03-016, Adopted on March 19, 2012.
[2] If the number of employees applying for the VERP would result in payments that exceed the $2 million specified, the College reserves the right to cap participation. In the event the specified amount is exceeded, the College may choose to exercise that right by giving priority to employees with the greatest length of service.

Program Requirements: Employees who accept the lump-sum payment must sign an irrevocable advance notice of retirement. Faculty members who participate in the VERP will be required to retire on either June 1, 2013, or June 1, 2014. Staff and administrators who accept the cash payment must elect to retire on January 1, 2013; June 1, 2013; January 1, 2014; or June 1, 2014.

In return for the cash payment, employees who participate in the VERP must prepare a knowledge transfer document that describes the essential functions of their position. The College plans to use the information gathered from the knowledge transfer agreements to evaluate whether to refill, abolish, or reallocate vacated positions consistent with the priorities identified in the "One College" strategic plan.[3] Employees who do not complete their knowledge transfer responsibilities before their retirement date will forfeit half of their cash payment.

Discussion

In 2009, OLO completed a study that identified the characteristics of "successful" retirement incentive programs. Successful retirement incentive programs reduce compensation costs, lessen the need for layoffs, and promote strategic realignment of the workforce.

The paragraphs below present three findings from the OLO study and assess the College's VERP in respect to these findings.

1. **A retirement incentive program is most likely to achieve the intended workforce and fiscal objectives when implemented in concert with a strategic reorganization plan.**

Retirement incentive programs are intended to create position vacancies needed to allow an employer to reallocate personnel and reduce payroll costs. One way to achieve these objectives is to limit eligibility for a retirement incentive program to employees in positions that have been designated for reassignment or abolishment as part of a strategic reorganization. Limiting program eligibility to employees in designated positions assures that vacancies do not occur in positions the employer desires to remain filled.

Assessment of VERP: The College plans to implement the VERP in concert with its "One College" strategic plan. Under the terms of the program, VERP participants must prepare knowledge transfer documents that the College will use to evaluate whether to refill, abolish, or reallocate vacated positions consistent with the strategic plan. In this respect, the College's retirement incentive is being implemented in concert with a strategic reorganization plan.

The College, however, has opened the VERP to employees in all positions and only plans to assess the future status of positions after vacancies occur. As described below, vacating positions that are promptly refilled can negate the intended fiscal benefits of a retirement incentive program. The VERP would be more likely to achieve its workforce and fiscal goals had the College identified positions for abolishment or reallocation before implementing the retirement incentive program.

[3] The "One College" approach is an organizational model intended to "identify common areas across the College and across the campuses that can be better coordinated." (Office of the Vice President for Planning and Institutional Effectiveness, December 6, 2010)

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2. The cost of a retirement incentive program may exceed savings when vacated positions are refilled.

A commonly stated intent of retirement incentive programs is to encourage long-tenured employees to retire earlier than they had planned. Vacancies created through an incentive program allow employers to abolish positions without layoffs and/or refill positions with lower-paid replacements.

The fiscal impact of advance retirements depends on: (1) whether vacated positions are refilled; (2) if positions are refilled, the difference in compensation costs between retiring and replacement employees; and (3) the cost of post-employment benefits offered to retirees.

An employer maximizes savings from a retirement incentive program by abolishing vacated positions as part of a strategic restructuring of resources. In most cases, the payroll savings produced by position abolishment more than offset the costs of incentive payments and increased post-employment benefits (such as pension and retiree group insurance) incurred by inducing employees to retire earlier than planned.

In some cases, short-term savings can be achieved if vacated positions are refilled. Exchanging long-tenured employees (who often are at, or near, top of their pay grade) with lower salaried replacements reduces payroll costs. However, these savings can disappear if the incentive program significantly raises post-employment benefit costs. For example, an employer might reduce payroll $30,000 by replacing a 25-year employee with a lower-salaried 10-year employee, but these savings would be lost if the retiree draws a $40,000 annual pension several years earlier than would have occurred absent the incentive program.

<u>Assessment of VERP</u>: College employees may choose to participate in one of two types of State-run retirement plans: a pension (defined benefit) plan or a retirement savings account (defined contribution) plan. About 61% of VERP-eligible employees are enrolled in a pension plan. An incentive program that encourages employees to retire sooner than planned will increase the post-employment costs for pension benefits (but will not affect the cost associated with retirement savings account plan participants).

As many VERP-vacated positions could be refilled after the College completes its workforce evaluation, the program could produce costs that exceed savings, especially for those employees who receive a pension benefit. However, since College employees participate in a State-run retirement system, a large portion of the cost of the VERP – higher pension costs – will be borne by the State. Retirement incentive programs increase the number of retirees receiving pensions, which in turn raises pension fund liability. As a result of the VERP, the State system will make pension payments to 50 to 60 members for more years than it would have absent the incentive program. However, the College's budget will not be affected by the cost of these additional pension payments.

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3. **Using a pension fund as the source for cash payments masks the true cost of a retirement program.**

To pay for cash payments, some employers borrow money from their pension fund. Retirement incentive programs that use a pension fund as the source for cash payments defer a major cost of the program. Assets removed from a pension become a liability that must be repaid in the future. In assessing fiscal impact of a retirement incentive program, employers must acknowledge that increased pension fund liability is a real cost that will offset program savings.

Assessment of VERP: The College plans to fund the cash payments for its VERP from the College's Current Reserves. As a result, the cash payment portion of the VERP will reduce the College's Current Reserves, but will avoid adding new liability to a pension fund.

In summary, the VERP is a non-targeted retirement incentive that the College plans to implement before completing a strategic workforce restructuring plan. The VERP offers no guarantee that vacated positions will eventually be abolished or re-assigned. As such, it is highly uncertain that the VERP ultimately will save taxpayer dollars or advance the College's staffing goals.

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MONTGOMERY COUNTY GOVERNMENT
GENERAL SALARY SCHEDULE

PROPOSED- FISCAL YEAR 2013

EFFECTIVE JULY 1, 2012

GRADE	MINIMUM	MID-POINT	MAXIMUM	PERFORMANCE LONGEVITY MAXIMUM*
5	$24,239	$30,842	$37,444	$38,193
6	$25,167	$32,085	$39,003	$39,784
7	$26,148	$33,410	$40,672	$41,486
8	$27,165	$34,844	$42,522	$43,373
9	$28,238	$36,353	$44,468	$45,358
10	$29,371	$37,969	$46,567	$47,499
11	$30,558	$39,658	$48,758	$49,734
12	$31,797	$41,430	$51,062	$52,084
13	$33,107	$43,295	$53,483	$54,553
14	$34,484	$45,257	$56,030	$57,151
15	$35,923	$47,308	$58,693	$59,867
16	$37,457	$49,478	$61,498	$62,728
17	$39,157	$51,799	$64,441	$65,730
18	$40,952	$54,243	$67,533	$68,884
19	$42,883	$56,828	$70,773	$72,189
20	$44,900	$59,541	$74,181	$75,665
21	$47,028	$62,392	$77,756	$79,312
22	$49,253	$65,383	$81,513	$83,144
23	$51,598	$68,531	$85,463	$87,173
24	$54,054	$71,825	$89,596	$91,388
25	$56,631	$75,288	$93,944	$95,823
26	$59,345	$78,929	$98,513	$100,484
27	$62,168	$82,739	$103,309	$105,376
28	$64,960	$86,652	$108,343	$110,510
29	$67,890	$90,759	$113,628	$115,901
30	$70,971	$95,077	$119,183	$121,567
31	$74,206	$99,608	$125,010	$127,511
32	$77,596	$103,216	$128,836	$131,413
33	$81,161	$106,913	$132,664	$135,318
34	$84,904	$110,700	$136,495	$139,225
35	$88,837	$114,580	$140,322	$143,129
36	$92,966	$118,560	$144,153	$147,037
37	$97,296	$122,637	$147,977	$150,937
38	$101,846	$126,614	$151,381	$154,409
39	$106,622	$130,116	$153,610	$156,683
40	$111,640	$133,739	$155,837	$158,954

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

Notes FY2013:

- **No GWA.**
- **Lump sum payment in the amount of $2000 to General Salary Schedule employees actively employed in the County on July 1, 2012.**
- **No Service Increment.**

MONTGOMERY COUNTY GOVERNMENT
MANAGEMENT LEADERSHIP SERVICE
SALARY SCHEDULE

PROPOSED- FISCAL YEAR 2013

EFFECTIVE JULY 1, 2012

GRADE	MLS LEVEL	MINIMUM	CONTROL POINT	MAXIMUM
M1	MANAGEMENT LEVEL I	$84,407	$143,367	$149,917
M2	MANAGEMENT LEVEL II	$73,811	$127,974	$133,992
M3	MANAGEMENT LEVEL III	$63,411	$110,652	$115,901

Notes FY2013:

- **No GWA.**
- **Lump sum payment in the amout of $2000 or 2% of base salary (whichever is greater) for MLS employees actively employed by the county on July 1, 2012.**
- **No Performance Based Pay for MLS.**

MONTGOMERY COUNTY GOVERNMENT
MEDICAL DOCTORS
SALARY SCHEDULE

PROPOSED- FISCAL YEAR 2013

EFFECTIVE JULY 1, 2012

GRADE	MEDICAL JOB CLASS	MINIMUM	MID-POINT	MAXIMUM
MD I	MEDICAL DOCTOR I	$94,692	$119,354	$144,015
MD II	MEDICAL DOCTOR II	$104,160	$131,288	$158,416
MD III	MEDICAL DOCTOR III	$114,575	$144,416	$174,256
MD IV	MEDICAL DOCTOR IV	$126,033	$158,858	$191,682

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

Notes FY2013:

- **No GWA.**
- **Lump sum payment amount of $2000 to Medical Doctors actively employed by the County on July 1, 2012.**
- **No Service Increments.**

MONTGOMERY COUNTY GOVERNMENT
MINIMUM WAGE / SEASONAL
SALARY SCHEDULE

PROPOSED- FISCAL YEAR 2013

EFFECTIVE JULY 1, 2012

	MINIMUM		MAXIMUM	
GRADE	**ANNUAL**	**HOURLY**	**ANNUAL**	**HOURLY**
Grade S1*	$14,560	$7.0000	$17,943	$8.6264
Grade S2	$16,322	$7.8471	$20,435	$9.8245
Grade S3	$18,378	$8.8351	$23,111	$11.1106
Grade S4	$20,435	$9.8245	$25,786	$12.3971
Grade S5	$23,180	$11.1442	$29,352	$14.1111
Grade S6	$28,666	$13.7817	$36,482	$17.5394
Grade S7	$34,236	$16.4596	$43,728	$21.0226
Grade S8	$39,987	$19.2245	$51,202	$24.6163

The following job classes are assigned to the Minimum Wage/Seasonal Salary Schedule:
Conservation/Service Corps Trainee (S1)
County Government Aide (MW) (S1)
Recreation Assistant 1 (S1)
Community Correctional Intern (S1)
Library Page (S2)
Recreation Assistant II (S2)
Conservation Corps Assistant Crew Leader (S3)
Public Service Guide (S3)
Nutrition Program Aide (S3)
Recreation Assistant III (S3)
Recreation Assistant IV (S4)
Recreation Assistant V (S5)
Recreation Assistant VI (S6)
Recreation Assistant VII (S7)
Recreation Assistant VIII (S8)

Notes FY2013:

- **No GWA.**
- **Fed/State Minimum wage - $7.25 per hour- unchanged from FY2012 and employees on the minimum wage/seasonal salary schedule are not to be paid less than the current Federal Minimum Wage of $7.25 per hour.**

MONTGOMERY COUNTY GOVERNMENT
OFFICE, PROFESSIONAL & TECHNICAL BARGAINING UNIT
AND
SERVICE, LABOR & TRADES BARGAINING UNIT
SALARY SCHEDULE

PROPOSED- FISCAL YEAR 2013

EFFECTIVE JULY 1, 2012

GRADE	MINIMUM	MID-POINT	MAXIMUM	L1*
5	$24,239	$30,842	$37,444	$38,568
6	$25,167	$32,085	$39,003	$40,174
7	$26,148	$33,410	$40,672	$41,893
8	$27,165	$34,844	$42,522	$43,798
9	$28,238	$36,353	$44,468	$45,803
10	$29,371	$37,969	$46,567	$47,965
11	$30,558	$39,658	$48,758	$50,221
12	$31,797	$41,430	$51,062	$52,594
13	$33,107	$43,295	$53,483	$55,088
14	$34,484	$45,257	$56,030	$57,711
15	$35,923	$47,308	$58,693	$60,454
16	$37,457	$49,478	$61,498	$63,343
17	$39,157	$51,799	$64,441	$66,375
18	$40,952	$54,243	$67,533	$69,559
19	$42,883	$56,828	$70,773	$72,897
20	$44,900	$59,541	$74,181	$76,407
21	$47,028	$62,392	$77,756	$80,089
22	$49,253	$65,383	$81,513	$83,959
23	$51,598	$68,531	$85,463	$88,027
24	$54,054	$71,825	$89,596	$92,284
25	$56,631	$75,288	$93,944	$96,763
26	$59,345	$78,929	$98,513	$101,469
27	$62,168	$82,739	$103,309	$106,409
28	$64,960	$86,652	$108,343	$111,594

***Completion of 20 years of service and at maximum for paygrade.**

Notes FY2013:

- **No GWA.**
- **Lump sum payment in the amount of $2000 for OPT/SLT bargaining unit employees actively employed by the County on July 1, 2012.**
- **No Service Increment.**

MONTGOMERY COUNTY GOVERNMENT
DEPUTY SHERIFF MANAGEMENT
SALARY SCHEDULE

PROPOSED- FISCAL YEAR 2013

EFFECTIVE JULY 1, 2012

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY*
D2	DEPUTY SHERIFF LIEUTENANT	$60,460	$94,571	$97,409
D3	DEPUTY SHERIFF CAPTAIN	$72,553	$114,215	$117,642
D4	DEPUTY SHERIFF COLONEL	$83,436	$131,762	$135,715

* Completion of 20 Years Service and At Maximum of Paygrade
* Longevity is 3% for public safety

Notes FY2013:

- **No GWA.**
- **Lump sum payment in the amount of $2000 to Deputy Sheriff Management actively employed by the County on July 1, 2012.**
- **No Service Increment.**

MONTGOMERY COUNTY GOVERNMENT
DEPUTY SHERIFF
UNIFORM SALARY SCHEDULE

PROPOSED- FISCAL YEAR 2013

EFFECTIVE JULY 1, 2012

YEAR	STEP	DS I	DS II	DS III	SGT
1	**0**	$43,642	$46,697	$49,966	$54,963
2	**1**	$45,170	$48,332	$51,715	$56,887
3	**2**	$46,751	$50,024	$53,526	$58,879
4	**3**	$48,388	$51,775	$55,400	$60,940
5	**4**	$50,082	$53,588	$57,339	$63,073
6	**5**	$51,835	$55,464	$59,346	$65,281
7	**6**	$53,650	$57,406	$61,424	$67,566
8	**7**	$55,528	$59,416	$63,574	$69,931
9	**8**	$57,472	$61,496	$65,800	$72,379
10	**9**	$59,484	$63,649	$68,103	$74,913
11	**10**		$65,877	$70,487	$77,535
12	**11**		$68,183	$72,955	$80,249
13	**12**			$75,509	$83,058
14-20	**13**			$78,152	$85,966
21+	**L1***	$61,269	$70,229	$80,497	$88,545

*Completion of 20 years of service and at maximum for pay grade.
Starting salary for Deputy Sheriff Candidate is $43,642

Notes FY2013:

- **No GWA or service increment in FY2011, FY2012, and FY2013 and Deputy Sheriffs may not receive the salary corresponding to the year indicated on the salary schedule and will not move to the next step on their increment date duirng FY2013.**
- **Lump sum payment in the amount of $2000 for Deputy Sheriff bargaining unit employees actively employed on July 1, 2012.**

MONTGOMERY COUNTY GOVERNMENT
FIRE/RESCUE MANAGEMENT
SALARY SCHEDULE

PROPOSED- FISCAL YEAR 2013

EFFECTIVE JULY 1, 2012

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY (LS1)*	LONGEVITY (LS2)**
B3	FIRE/RESCUE BATTALION CHIEF	$70,212	$116,680	$120,764	$124,848
B4	FIRE/RESCUE ASSISTANT CHIEF	$76,675	$128,339	$132,831	$137,323
B6	FIRE/RESCUE DIVISION CHIEF	$87,647	$145,517	$150,611	$155,704

LS1 * Completion of 20 years of service

LS2 **Completion of 28 years of service

Notes FY2013:

- **No GWA.**
- **Lump sum payment in the amount of $2000 to Fire/Rescue Management employees actively employed with the County on July 1, 2012.**
- **No Service Increment.**

MONTGOMERY COUNTY GOVERNMENT
FIRE/RESCUE BARGAINING UNIT
SALARY SCHEDULE

PROPOSED- FISCAL YEAR 2013

EFFECTIVE JULY 1, 2012

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	$41,613	$43,694	$45,879	$50,467	$55,519	$62,605
B	$43,070	$45,224	$47,485	$52,234	$57,463	$64,797
C	$44,578	$46,807	$49,147	$54,063	$59,475	$67,065
D	$46,139	$48,446	$50,868	$55,956	$61,557	$69,413
E	$47,754	$50,142	$52,649	$57,915	$63,712	$71,843
F	$49,426	$51,897	$54,492	$59,943	$65,942	$74,358
G	$51,156	$53,714	$56,400	$62,042	$68,250	$76,961
H	$52,947	$55,594	$58,374	$64,214	$70,639	$79,655
I	$54,801	$57,540	$60,418	$66,462	$73,112	$82,443
J	$56,720	$59,554	$62,533	$68,789	$75,671	$85,329
K	$58,706	$61,639	$64,722	$71,197	$78,320	$88,316
L	$60,761	$63,797	$66,988	$73,689	$81,062	$91,408
M	$62,888	$66,030	$69,333	$76,269	$83,900	$94,608
N	$65,090	$68,342	$71,760	$78,939	$86,837	$97,920
O	$67,369	$70,734	$74,272	$81,702	$89,877	$101,348
LS1*	$69,727	$73,210	$76,872	$84,562	$93,023	$104,896
LS2**	$72,085	$75,686	$79,472	$87,422	$96,169	$108,443

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

Notes FY2013:

- **No GWA.**
- **Lump sum payment in the amount of $2000 to IAFF bargaining unit employees actively employed by the County on July 1, 2012.**
- **No Service Increments.**

POLICE MANAGEMENT
SALARY SCHEDULE

PROPOSED- FISCAL YEAR 2013

EFFECTIVE JULY 1, 2012

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY*
A2	POLICE LIEUTENANT	$74,352	$111,992	$115,912
A3	POLICE CAPTAIN	$84,677	$127,934	$132,412

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

Notes FY2013:

- **No GWA.**
- **Lump sum payment in the amount of $2000 for Police Management employees actively employed by the County on July 1, 2012.**
- **No Service Increment.**

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MONTGOMERY COUNTY GOVERNMENT
POLICE BARGAINING UNIT
UNIFORM SALARY SCHEDULE

PROPOSED- FISCAL YEAR 2013

EFFECTIVE JULY 1, 2012

STEP	YEAR	PO I	PO II	PO III	MPO	SGT
0	1	$46,972	$49,321	$51,788	$54,378	$59,816
1	2	$48,617	$51,048	$53,601	$56,282	$61,910
2	3	$50,319	$52,835	$55,478	$58,252	$64,077
3	4	$52,081	$54,685	$57,420	$60,291	$66,320
4	5	$53,904	$56,599	$59,430	$62,402	$68,642
5	6	$55,791	$58,580	$61,511	$64,587	$71,045
6	7	$57,744	$60,631	$63,664	$66,848	$73,532
7	8	$59,766	$62,754	$65,893	$69,188	$76,106
8	9	$61,858	$64,951	$68,200	$71,610	$78,770
9	10	$64,024	$67,225	$70,587	$74,117	$81,527
10	11	$66,265	$69,578	$73,058	$76,712	$84,381
11	12	$68,585	$72,014	$75,616	$79,397	$87,335
12	13	$70,986	$74,535	$78,263	$82,176	$90,392
13	14	$73,471	$77,144	$81,003	$85,053	$93,556
14	15	$76,043	$79,845	$83,839	$88,030	$96,831
L1*	21+	$78,705	$82,640	$86,774	$91,112	$100,221

Starting salary for Police Officer Candidate is $46,972
* Completion of 20 years of service.

Notes FY2013:

- **No GWA or service increment in FY2011, FY2012, and FY2013 and Police Officers may not receive the salary corresponding to the year as indicated indicated on the salary schedule, and will not move to the next step on their increment date during FY2013.**
- **Lump sum payment in the amount of $2000 to FOP bargaining unit employess actively employed with the County on July 1, 2012.**

MONTGOMERY COUNTY GOVERNMENT
UNIFORMED CORRECTIONAL MANAGEMENT
SALARY SCHEDULE

PROPOSED- FISCAL YEAR 2013

EFFECTIVE JULY 1, 2012

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY*
C1	CORRECTIONAL SHIFT COMMANDER (LT)	$56,914	$92,136	$94,901
C2	CORRECTIONAL TEAM LEADER (CAPT)	$62,606	$101,350	$104,391

* Completion of 20 Years Service and At Maximum of Pay grade

Notes FY2013:

- **No GWA.**
- **Lump sum payment in the amount of $2000 to Uniform Correctional Management employees actively employed with the County on July 1, 2012.**
- **No Service Increment.**

MONTGOMERY COUNTY GOVERNMENT
CORRECTIONAL OFFICER
UNIFORM SALARY SCHEDULE

PROPOSED- FISCAL YEAR 2013

EFFECTIVE JULY 1, 2012

STEP	YEAR	CO I	CO II	CO III	SGT
1	0	$40,538	$42,565	$46,822	$51,739
2	1	$41,957	$44,055	$48,461	$53,550
3	2	$43,426	$45,597	$50,158	$55,425
4	3	$44,946	$47,193	$51,914	$57,365
5	4	$46,520	$48,845	$53,731	$59,373
6	5	$48,149	$50,555	$55,612	$61,452
7	6	$49,835	$52,325	$57,559	$63,603
8	7	$51,580	$54,157	$59,574	$65,830
9	8	$53,386	$56,053	$61,660	$68,135
10	9	$55,255	$58,015	$63,819	$70,520
11	10	$57,189	$60,046	$66,053	$72,989
12	11	$59,191	$62,148	$68,365	$75,544
13	12		$64,324	$70,758	$78,189
14	13				$80,926
15	14-20				$83,759
L1*	21+	$60,967	$66,254	$72,881	$86,272

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

Starting salary for Correctional Officer 1 (Private) is $40,538

Notes FY2013:

- **No GWA or service increment in FY2011, FY2012, and FY2013. Correctional Officers may not receive the salary corresponding to the year as indicated on the salary schedule, and Correctional Officers will not move to the next step on their increment date during FY2013.**
- **Lump sum payment in the amount of $2000 to Correctional Officer bargaining unit employees actively employed with the County on July 1, 2012.**

EMPLOYEE HEALTH BENEFITS SELF INSURANCE FUND

FY13-18 FISCAL PROJECTION	Estimate - FY12	Projected - FY13	Projected - FY14	Projected - FY15	Projected - FY16	Projected - FY17	Projected - FY18
BEGINNING BALANCE	21,088,310	23,361,870	18,440,310	10,718,190	11,780,270	12,942,190	14,217,040
REVENUES							
Premium Contributions	148,488,270	157,741,000	166,534,760	190,753,210	209,417,810	229,896,630	252,417,880
Premium Contributions: Retiree Insurance NDA	32,462,450	32,462,450	40,069,410	45,814,110	50,380,880	55,384,830	60,902,570
Investment Income	13,410	24,400	37,510	100,130	207,080	334,100	445,120
TOTAL REVENUES	180,964,130	190,227,850	206,641,680	236,667,450	260,005,770	285,615,560	313,765,570
FUND TRANSFER TO THE GENERAL FUND							
TOTAL FUNDS AVAILABLE	202,052,440	213,589,720	225,081,990	247,385,640	271,786,040	298,557,750	327,982,610
EXPENDITURES							
Claims, Premiums, & Carrier Administration	176,988,360	192,841,630	211,940,630	233,061,040	256,172,300	281,535,580	309,419,000
Actives	114,361,100	124,404,900	136,659,250	150,188,690	164,970,330	181,178,840	198,982,690
Retirees	62,627,260	68,436,730	75,281,380	82,872,350	91,201,970	100,356,740	110,436,310
In-house expenses	1,702,210	2,307,778	2,423,170	2,544,330	2,671,550	2,805,130	2,945,390
TOTAL EXPENDITURES	178,690,570	195,149,408	214,363,800	235,605,370	258,843,850	284,340,710	312,364,390
ENDING BALANCE	23,361,870	18,440,312	10,718,190	11,780,270	12,942,190	14,217,040	15,618,220
TARGET FUND BALANCE (5% OF EXPENDITURES)	8,934,530	9,757,470	10,718,190	11,780,270	12,942,190	14,217,040	15,618,220
ENDING BALANCE AS % OF EXPENDITURES	13.1%	9.4%	5.0%	5.0%	5.0%	5.0%	5.0%

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MEMORANDUM

April 11, 2012

TO: Steve Farber, Council Staff Director

FROM: Craig Howard, CH Office of Legislative Oversight

SUBJECT: **Comparison of MCPS and MCG Health Care Costs**

In response to your request, this memorandum summarizes information prepared by Aon-Hewitt that compares health care costs for employees in MCPS and County Government (MCG).

This past fall, in a report to the Task Force on Employee Wellness and Consolidation of Agency Group Insurance Programs, Aon-Hewitt (the health care consultant used by both MCPS and MCG) provided a comparative analysis of health care costs between MCPS and MCG:[1]

In sum, Aon-Hewitt's analysis shows that:

- **The average health care cost per member (associated with active employees only) is essentially the same in MCPS and MCG; and**
- **The primary factor behind differences in premium rates between the two agencies is that MCPS separates active and retired employees into separate pools for rate setting while MCG does not.**

Aon-Hewitt's report explained that while average group insurance premiums were lower in MCPS,[2] premium levels are not a valid measure for comparing actual health care costs between MCPS and MCG. Specifically, Aon-Hewitt wrote:

> Since MCPS and MCG utilize different methodologies for rate setting, the use of premium rates to compare costs does not provide the most valid comparison...In sum, a detailed comparative analysis indicates that the primary reason behind the differences in premium costs for MCPS and MCG is that MCG includes retirees with active employees in its pool for rate setting while MCPS separates active employee and retirees into separate pools. (page 17)

Aon-Hewitt reported that a more accurate comparison of health care costs between the agencies is to calculate the cost per covered member (i.e., all enrolled employees plus their dependents) and not to cross-compare active employees and retirees. In conducting this more accurate cost analysis, Aon-Hewitt found that when averaged out over all covered members associated with active employees, the annual amount spent per member is essentially the same in MCPS and MCG as shown in the table below.

Average cost per member (associated with active employees only) across all plan types

	MCPS	MCG
All Medical (includes Kaiser Rx)	$4,066	$4,028
All Prescription Drug	$1,273	$1,235

Source: Aon-Hewitt report, page 17.

[1] Aon-Hewitt, *Overview of Programs Offered by Montgomery County Agencies*, Nov. 21, 2011. Available at: http://www.montgomerycountymd.gov/content/council/wgitf/Report/appendix_b_aon_hewitt_report.pdf

[2] Aon-Hewitt reports that MCPS' average total premium for medical and Rx coverage across all plans and coverage levels is $13,206, while MCG's average total premium is $15,201.

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 not funded in FY13.

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.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	15,679,510	0.60
Increase Cost: Deferred Compensation Management Funding Adjustment	11,230	0.10
Increase Cost: Lump Sum Wage Adjustment	798	0.00
Increase Cost: Retirement Adjustment	600	0.00
Technical Adj: Reconcile Workforce with Hyperion	0	-0.05
Shift: Help Desk - Desk Side Support to the Desktop Computer Modernization NDA	-170	0.00
Decrease Cost: Printing and Mail Adjustment	-270	0.00
Decrease Cost: Group Insurance Adjustment	-2,341,360	0.00
Decrease Cost: Group Insurance Adjustment	-12,629,125	0.00
FY13 CE Recommended	721,213	0.65

Consolidated Retiree Health Benefits Trust (MCPS)

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

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	20,000,000	0.00
Increase Cost: Additional OPEB contribution	41,931,000	0.00
FY13 CE Recommended	61,931,000	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.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	1,000,000	0.00
Increase Cost: Additional OPEB contribution	873,000	0.00
FY13 CE Recommended	1,873,000	0.00

Group Insurance for Retirees

Group insurance is provided to an estimated 4,967 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.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	32,462,450	0.00
FY13 CE Recommended	32,462,450	0.00

Judges Retirement Contributions

This NDA provides pensions for retired Judges who were on the bench prior to 1968 in the Circuit Court and the People's Court (District Court) of Montgomery County and for their surviving spouses.

The Circuit Court pension is calculated as one percent of the net supplement paid by the County to the salaries of the Circuit Court Judges as of May 31, 1968, multiplied by the number of years of active service as a Judge (up to a maximum of 20 years). The surviving spouse receives one-half of the pension to which the Judge would have been entitled. The benefits are authorized in Section 12-10 of the Montgomery County Code.

The People's Court (District Court) pension is based on the current salary of a District Court Judge. A retired Judge receives 60 percent of the current salary of a District Court Judge, while a surviving spouse receives one-half of the pension to which the Judge would have been entitled. The benefits are authorized in Article 73B, Section 63(b) of the Annotated Code of Maryland. This NDA may be increased to include a cost of living adjustment at a rate equal to that approved for District Court Judges by the General Assembly. If a cost of living adjustment is approved next fiscal year, the NDA will be adjusted as necessary by a year-end transfer.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	3,000	0.00
Eliminate: Adjust to reflect zero actual expenditures	-3,000	0.00
FY13 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 re-tiree health benefits, similar to the County's practice of prefunding for retiree pension benefits for more than 50 years. The reasons for doing this are simple: due to exponential growth in expected retiree health costs, the cost of funding these benefits, which are currently paid out as the bills come due, may soon become unaffordable. Setting aside money now and investing it in a Trust Fund, which will be invested in a similar manner as the pension fund, not only is a prudent and responsible approach, but will result in significant savings over the long term.

As a first step in addressing the future costs of retiree health benefits, County agencies developed current estimates of the costs of health benefits for current and future retirees. These estimates, made by actuarial consultants, concluded that the County's total future cost of retiree health benefits if paid out today, and in today's dollars, is $3.3 billion – approximately three quarters the total FY13 budget for all agencies.

One approach used to address retiree health benefits funding is to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health benefits. This amount, known as an Annual Required Contribution or "ARC", is estimated at $296.7 million. This amount consists of two pieces – the annual amount the County would usually pay out for health benefits for current retirees (the pay as you go amount), plus the additional amount estimated as needed to fund retirees' future health benefits (the pre-funding portion). The pay as you go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis.

The County has adopted an approach of "ramping up" to the ARC amount over several years, with the amount set aside each year increasing steadily until the full ARC 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 ARC. 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. A detailed breakdown of FY13 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 available in the Workforce/Compensation section of the FY13 recommended operating budget.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	26,075,000	0.00
Increase Cost: Additional OPEB contribution	17,476,010	0.00
FY13 CE Recommended	43,551,010	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 Court and for certain employees in the Office of Child Care Licensing and Regulation in the Maryland State Department of Human Resources.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	77,270	0.00
Increase Cost: Annualization of FY12 Personnel Costs	7,953	0.00
Decrease Cost: Group Insurance Adjustment	-110	0.00
FY13 CE Recommended	85,113	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 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.

FY13 Recommended Changes	Expenditures	FTEs
FY12 Approved	1,081,690	0.00
Increase Cost: Amortized amount owed to the State Retirement based on actuarial cost to the plan	53,900	0.00
FY13 CE Recommended	1,135,590	0.00

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County Awards Summary (FY2012)

Run Date: 03/22/2012

Department	Annual Leave (hrs)	Award Amount							Recruit-ment AL (hrs)	SL Bonus (hrs)	PTT (hrs)
		Emp. of Year	Recognition		ASE		Recruit-ment	Total			
			Cash	Non-Cash	Exam	Master					
01 - County Council	1,997										
03 - Legislative Oversight	54										
04 - Merit System Protection	40										
05 - Zoning & Administrative Hearings	30										
15 - County Executive	40										
23 - Public Information	176										
30 - County Attorney	40	$750	$100					$850			
31 - Management & Budget		$250						$250			
32 - Finance		$1,000						$1,000			
33 - Human Resources	8										
36 - General Services	829				$92,400	$87,000		$179,400			
42 - Correction & Rehabilitation	1,040						$3,000	$3,000			
45 - Fire/Rescue Services	144										
47 - Police	2,466								40		
48 - Sheriff	404									528	468
50 - Transportation	248	$7,500						$7,500			
60 - Health & Human Services	688										
75 - Permitting Services	160										
78 - Economic Development	200										
80 - Environmental Protection	40										
85 - Liquor Control	360	$3,650	$300					$3,950			
Total	8,964	$13,150	$400		$92,400	$87,000	$3,000	$195,950	40	528	468

MEMORANDUM

May 7, 2012

TO: Government Operations and Fiscal Policy Committee

FROM: Stephen B. Farber, Council Staff Director SBF

SUBJECT: Information Requested by the Committee

At the May 1 meeting to review compensation and benefits for all agencies, the Committee requested information on two subjects:

1. The County's current and projected fiscal outlook

As noted in my FY13 operating budget overview presentation to the Council on April 17, the County's recovery from the Great Recession, like the nation's, is progressing slowly. The County's March unemployment rate was **5.0%**, below its peak of 6.2% in January 2010 but more than double its low of 2.4% in April 2007.[1] Resident employment, which fell 3.8% in 2009-10, rose 0.9% in 2011. Home prices rose 2.3%; home sales fell 8.8%. While the County's longer-term economic prospects are bright, the short term remains challenging. In February the Finance Department's Business Advisory Panel expressed mixed views on current prospects for residential and commercial real estate, construction, and other sectors.[2] Federal deficit reduction efforts could magnify recent declines in federal employment and procurement.

For the Finance Department's economic update presentation as of April 17, see the slides at http://www.montgomerycountymd.gov/content/finance/data/economic/Presentation_of_Economic_Indicators_CountyCouncil_041712.pdf.

The County's projected fiscal outlook appears in the Executive's recommended FY13-18 Fiscal Plan on ©52-53. Each edition of the Fiscal Plan is a snapshot in time that reflects the most recent available data. The assumptions that underlie it are subject to legitimate debate.

The most important changes in this edition are driven by two key proposals in the recommended budget. Extending the energy tax increase, rather than sunsetting it in FY13 as the last edition assumed, provides **additional revenue** of $114.6 million in FY13 and **$712.0 million** over the six-year period. Setting property tax revenue in FY13 at $26.0 million below the Charter limit **decreases revenue by $175.8 million** over the six-year period.

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[1] The current 5.0% County unemployment rate represents more than 26,000 workers (not counting underemployed and discouraged workers) in a labor force of about 522,000. Until January 2009 the County's rate had not reached even 4% at any time in at least 20 years, including recession years.

[2] See http://www.montgomerycountymd.gov/content/finance/data/economic/BAP_Report_to_Council_FY2012.pdf for the February 16, 2012 report of the Business Advisory Panel.

Given these and other assumptions, row 33 on ©51 shows the "agency uses" (the amount available for the four tax supported agencies) in FY14: **0.3% less than in FY13**. Agency uses increase in FY15-18, but by small amounts: 2.7%, 3.4%, 3.1%, and 3.1%, respectively.

These increases are well below the pre-recession historical growth rates to which the agencies, the workforce, and the community have become accustomed. **Note also that this projection does not reflect the impact of the State's pending decision to shift teacher pension costs to the counties, nor does it include the potential future effects of this year's radical changes to the State's Maintenance of Effort law.** What is clear for the County, and for other governments, is that until employment rebounds more strongly, along with consumer spending and housing, governmental revenues will remain subpar and budgets will remain under pressure.

2. FY13 Pay Adjustments in the Region

My memo for the May 1 Committee meeting referred to this subject as follows on page 2:

The annual regional salary survey conducted by Legislative Attorney Amanda Mihill provides a mixed picture for FY13 after the tight restrictions of recent years.[3] The State of Maryland will provide a mid-year 2% COLA if the "doomsday" budget is avoided. Maryland counties generally have small pay adjustments. Fairfax County will provide a 2.18% COLA plus mid-year increments. The President proposes a 0.5% COLA for federal employees after a two-year "pay freeze." (The freeze actually applies only to base salaries; step increases and bonuses have continued.)

Ms. Mihill has provided further information on four Maryland counties (Anne Arundel, Baltimore, Howard, and Prince George's) and three Virginia counties (Arlington, Fairfax, and Loudoun). Of the eight jurisdictions, including Montgomery, four are providing a service increment (step increase) while four are not, and only one is providing a COLA ("market rate adjustment"). See the table on ©54 for details.

[3] See http://www.montgomerycountymd.gov/content/council/pdf/reports/4-24-12_UpdateOfPayChanges.pdf.

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County Executive's Recommended FY13-18 Public Services Program

Tax Supported Fiscal Plan Summary

($ in Millions)

		App. FY12	Estimate FY12	% Chg. FY12-13	Projected FY13	% Chg. FY13-14	Projected FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18
		5-26-11		Rec/Bud	3-15-12										
	Total Revenues														
1	Property Tax (less PDs)	1,462.2	1,437.0	0.0%	1,462.2	3.0%	1,505.8	3.1%	1,553.2	3.5%	1,608.2	3.5%	1,664.5	3.1%	1,715.4
2	Income Tax	1,117.2	1,227.1	11.2%	1,242.9	2.9%	1,278.9	6.7%	1,364.4	4.7%	1,428.8	3.6%	1,480.0	4.2%	1,541.5
3	Transfer/Recordation Tax	143.5	123.9	-9.5%	129.9	8.1%	140.5	5.6%	148.4	7.4%	159.4	7.4%	171.2	5.6%	180.8
4	Investment Income	1.6	0.2	-70.3%	0.5	33.6%	0.6	94.0%	1.2	134.2%	2.9	55.8%	4.5	26.3%	5.7
5	Other Taxes	325.3	311.6	-3.0%	315.5	1.4%	320.1	2.3%	327.3	1.8%	333.1	1.1%	336.7	0.8%	339.6
6	Other Revenues	842.2	838.9	4.0%	876.2	0.5%	880.3	0.5%	884.3	0.4%	888.3	0.5%	892.3	0.5%	896.4
7	**Total Revenues**	**3,892.1**	**3,938.7**	**3.5%**	**4,027.2**	**2.5%**	**4,126.1**	**3.7%**	**4,278.8**	**3.3%**	**4,420.7**	**2.9%**	**4,549.2**	**2.9%**	**4,679.3**
8															
9	**Net Transfers In (Out)**	**41.3**	**35.9**	**-27.6%**	**29.9**	**2.9%**	**30.7**	**2.8%**	**31.6**	**2.6%**	**32.5**	**2.7%**	**33.3**	**2.7%**	**34.2**
10	**Total Revenues and Transfers Available**	**3,933.4**	**3,974.6**	3.1%	**4,057.1**	2.5%	**4,156.9**	3.7%	**4,310.5**	3.3%	**4,453.1**	2.9%	**4,582.5**	2.9%	**4,713.5**
11															
12	**Non-Operating Budget Use of Revenues**														
13	Debt Service	296.2	279.0	2.5%	303.5	6.8%	324.3	9.6%	355.3	5.4%	374.6	4.1%	389.8	0.0%	389.8
14	PAYGO	31.0	31.0	-4.8%	29.5	0.0%	29.5	0.0%	29.5	0.0%	29.5	0.0%	29.5	0.0%	29.5
15	CIP Current Revenue	35.0	35.0	52.8%	53.5	51.4%	81.0	-26.5%	59.5	-2.7%	58.0	-1.8%	56.9	16.2%	66.1
16	Change in Montgomery College Reserves	(9.0)	(4.0)	46.4%	(4.8)	102.3%	0.1	1.4%	0.1	-4.6%	0.1	2.1%	0.1	2.1%	0.1
17	Change in MNCPPC Reserves	(1.5)	(2.5)	37.1%	(1.0)	99.9%	(0.0)	9543.7%	0.1	14.1%	0.1	0.4%	0.1	35.5%	0.2
18	Change in MCPS Reserves	(17.0)	7.4	0.0%	(17.0)	22.1%	(13.3)	100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0
19	Change in MCG Special Fund Reserves	22.8	1.4	-24.3%	17.3	-100.0%	0.0	532.7%	0.0	18.5%	0.0	-9.7%	0.0	-10.8%	0.0
20	Contribution to General Fund Undesignated Reserves	66.4	90.6	-122.8%	(15.1)	106.1%	0.9	527.6%	5.8	18.5%	6.8	-9.7%	6.2	-10.8%	5.5
21	Contribution to Revenue Stabilization Reserves	20.4	45.1	3.0%	21.0	3.3%	21.7	4.1%	22.6	3.7%	23.5	3.6%	24.3	3.1%	25.1
22	Retiree Health Insurance Pre-Funding	49.6	49.6	123.1%	110.7	28.9%	142.8	20.4%	171.9	0.0%	171.9	0.0%	171.9	0.0%	171.9
23	Set Aside for other uses (supplemental appropriations)	0.2	10.2	-67.2%	0.1	30441.4%	20.1	0.0%	20.1	0.0%	20.1	0.0%	20.1	0.0%	20.1
24	**Total Other Uses of Resources**	**494.3**	**542.9**	**0.7%**	**497.8**	**22.0%**	**607.2**	**9.5%**	**665.0**	**2.9%**	**684.6**	**2.1%**	**698.9**	**1.3%**	**708.3**
25	**Available to Allocate to Agencies (Total Revenues+Net Transfers-Total Other Uses)**	**3,439.1**	**3,431.7**	**3.5%**	**3,559.3**	**-0.3%**	**3,549.7**	**2.7%**	**3,645.5**	**3.4%**	**3,768.6**	**3.1%**	**3,883.6**	**3.1%**	**4,005.2**
26															
27	**Agency Uses**														
28															
29	Montgomery County Public Schools (MCPS)	**1,950.9**	**1,926.8**	2.6%	2,001.6	-0.3%	1,996.2	2.7%	2,050.1	3.4%	2,119.3	3.1%	2,184.0	3.1%	2,252.4
30	Montgomery College (MC)	**218.0**	**214.6**	0.2%	218.4	-0.3%	217.8	2.7%	223.7	3.4%	231.2	3.1%	238.3	3.1%	245.7
31	MNCPPC (w/o Debt Service)	**94.3**	**94.3**	4.7%	98.8	-0.3%	98.6	2.7%	101.2	3.4%	104.6	3.1%	107.8	3.1%	111.2
32	MCG	**1,175.8**	**1,196.0**	5.5%	1,240.5	-0.3%	1,237.1	2.7%	1,270.5	3.4%	1,313.4	3.1%	1,353.5	3.1%	1,395.9
33	**Agency Uses**	**3,439.1**	**3,431.7**	**3.5%**	**3,559.3**	**-0.3%**	**3,549.7**	**2.7%**	**3,645.5**	**3.4%**	**3,768.6**	**3.1%**	**3,883.6**	**3.1%**	**4,005.2**
34	**Total Uses**	**3,933.4**	**3,974.6**	**3.1%**	**4,057.1**	**2.5%**	**4,156.9**	**3.7%**	**4,310.5**	**3.3%**	**4,453.1**	**2.9%**	**4,582.5**	**2.9%**	**4,713.5**
35	**(Gap)/Available**	**0.0**	**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**		**0.0**

Assumptions:

1. Property tax revenue is $26 million below the Charter Limit and kept the same as the FY12 approved budget. Assumes $692 income tax offset credit.
2. May 2010 Energy Tax increase is retained.
3. Reserve contributions at the policy level and consistent with legal requirements.
4. PAYGO, Debt Service, and Current Revenue updated to reflect the FY13 recommended CIP and current revenue amendments.
5. Retiree health insurance pre-funding is increased up to full funding by FY15, and then kept level beyond FY15. FY13 is year 6 of 8-year funding schedule.

County Executive's Recommended FY13-18 Public Services Program

Tax Supported Fiscal Plan Summary

($ in Millions)

#		App. FY12	Est FY12	% Chg. FY12-13	Projected FY13	% Chg. FY13-14	Projected FY14	% Chg. FY14-15	Projected FY15	% Chg. FY15-16	Projected FY16	% Chg. FY16-17	Projected FY17	% Chg. FY17-18	Projected FY18
36	Beginning Reserves														
37	Unrestricted General Fund	66.9	64.0	131.2%	154.7	-9.8%	139.5	0.7%	140.4	4.1%	146.2	4.7%	153.0	4.0%	159.1
38	Revenue Stabilization Fund	94.5	94.5	47.7%	139.6	15.1%	160.6	13.5%	182.4	12.4%	205.0	11.5%	228.5	10.6%	252.9
39	Total Reserves	161.4	158.6	82.3%	294.2	2.0%	300.2	7.6%	322.8	8.8%	351.2	8.6%	381.5	8.0%	412.0
40															
41	Additions to Reserves														
42	Unrestricted General Fund	66.4	90.6	-122.8%	-15.1	106.1%	0.9	527.6%	5.8	18.5%	6.8	-9.7%	6.2	-10.8%	5.5
43	Revenue Stabilization Fund	20.0	45.1	5.4%	21.0	3.3%	21.7	4.1%	22.6	3.7%	23.5	3.6%	24.3	3.1%	25.1
44	Total Change in Reserves	86.4	135.7	-93.2%	5.9	283.5%	22.7	25.3%	28.4	6.7%	30.3	0.6%	30.5	0.3%	30.6
45															
46	Ending Reserves														
47	Unrestricted General Fund	133.3	154.7	4.6%	139.5	0.7%	140.4	4.1%	146.2	4.7%	153.0	4.0%	159.1	3.4%	164.6
48	Revenue Stabilization Fund	114.5	139.6	40.3%	160.6	13.5%	182.4	12.4%	205.0	11.5%	228.5	10.6%	252.9	9.9%	278.0
49	Total Reserves	247.8	294.2	21.1%	300.2	7.6%	322.8	8.8%	351.2	8.6%	381.5	8.0%	412.0	7.4%	442.6
50	Reserves as a % of Adjusted Governmental Revenues	6.1%	7.2%		7.1%		7.4%		7.8%		8.2%		8.7%		9.1%
51	Other Reserves														
52	Montgomery College	7.0	11.2	-7.6%	6.4	1.7%	6.5	1.7%	6.6	1.6%	6.7	1.6%	6.9	1.6%	7.0
53	M-NCPPC	3.7	4.8	3.3%	3.9	0.0%	3.9	3.2%	4.0	3.6%	4.1	3.5%	4.3	4.5%	4.5
54	MCPS	0.0	30.3	n/a	13.3	-100.0%	0.0	n/a	0.0	n/a	0.0	n/a	0.0	n/a	0.0
55	MCG Special Funds	2.6	(16.5)	-67.6%	0.8	0.7%	0.8	4.1%	0.9	4.7%	0.9	4.0%	0.9	3.4%	1.0
56	MCG + Agency Reserves as a % of Adjusted Govt Revenues	6.5%	7.9%		7.7%		7.7%		8.1%		8.5%		8.9%		9.3%
57	Retiree Health Insurance Pre-Funding														
58	Montgomery County Public Schools (MCPS)	20.0	20.0		61.9		80.3		101.6		100.9		99.7		99.7
59	Montgomery College (MC)	1.0	1.0		1.9		2.4		3.1		3.0		2.8		2.8
60	MNCPPC	2.6	2.6		3.4		6.3		7.7		7.4		7.2		7.2
61	MCG	26.1	26.1		43.6		53.8		59.5		60.6		62.2		62.2
62	Subtotal Retiree Health Insurance Pre-Funding	49.6	49.6		110.7		142.8		171.9		171.9		171.9		171.9
63	Adjusted Governmental Revenues														
64	Total Tax Supported Revenues	3,892.1	3,938.7	3.5%	4,027.2	2.5%	4,126.1	3.7%	4,278.8	3.3%	4,420.7	2.9%	4,549.2	2.9%	4,679.3
65	Capital Projects Fund	45.6	60.3	43.7%	65.5	52.1%	99.6	2.3%	101.9	-11.8%	89.9	1.1%	90.8	-11.0%	80.8
66	Grants	108.9	108.9	-1.7%	107.0	2.9%	110.1	2.9%	113.3	2.7%	116.3	2.7%	119.4	2.7%	122.6
67	Total Adjusted Governmental Revenues	4,046.6	4,108.0	3.8%	4,199.7	3.2%	4,335.9	3.6%	4,494.0	3.0%	4,626.8	2.9%	4,759.4	2.6%	4,882.7

	Increment	General Wage Adjustment	Lump-Sum Payment	Top of Range Adjustment	Longevity
Anne Arundel Co.	-[1]	-	-	-[2]	-
Arlington Co.	2.5%	-	-	-	-
Baltimore Co.	Yes[3]	-	-	-	-
Fairfax Co.*	2.5-5%[4]	2.18%[5]	-	-	-
Howard Co.	3%[6]	-	-	-	-
Loudoun Co.*	-	-[7]	-[8]	-	-
Montgomery Co.	-	-	$2,000[9]	-	2-3.5%[10]
Prince George's Co.	-	-	$1,250[11]	-	-

*Approved budget.

[1] 0% for all employees except fire. The fire union is in arbitration. County's position is 5% adjustment in pay will be made if union accepts increase in work hours.
[2] 0% for all employees except fire; 5% for fire.
[3] Depends on the salary scale.
[4] Takes effect mid-year. 5% for police and fire; 2.5% for other employees.
[5] Market rate adjustment.
[6] Average.
[7] Employees in certain positions in the Virginia Retirement System will be required to contribute 5% of their salary as the employee share. These employees will have their salaries adjusted by 5% to include the amount of the employee share previously paid by the County.
[8] The County will establish a "merit-bonus pool" of funds that will consist of cost savings generated in FY13. If sufficient funds exist in the poll, eligible staff would receive an approximately 2% performance-based bonus.
[9] MLS receive $2,000 or 2% of salary, whichever is greater; Public Safety Management will receive $2,000 lump sum.
[10] For completion of 20 years of service: non-represented – 2% added to base pay, based on performance; MCGEO – 3%; FOP – 3.5%; IAFF – 3.5% at 20 years and 3.5% at 28 years.
[11] Legislation for general schedule employees was enacted; legislation is still pending for union employees; FOP is in arbitration.

MEMORANDUM

May 7, 2012

TO: Government Operations and Fiscal Policy Committee

FROM: Stephen B. Farber, Council Staff Director SBF

SUBJECT: FY13 Pay Adjustment for Management Leadership Service Employees

As noted on the first page of this packet (©A), my recommendation is to support the approach taken in the FY13 agreements reached with the three County Government unions: **a lump-sum payment of $2,000, not added to base salary,** for each merit system employee (except for Management Leadership Service employees) on the payroll as of July 1, 2012, pro-rated for part-time employees. Term employees and employees in probationary status are eligible; elected officials, seasonal and temporary employees, and board members are not.

I also recommend support for the Executive's proposal regarding employees in the County's Management Leadership Service: the same **lump-sum payment of $2,000, not added to base salary, or 2% of salary, whichever is greater.** The following background information explains why.

1. There are 337 MLS employees in three separate bands: 19 in band 1, 97 in band 2, and 221 in band 3. The salary ranges are $84,407-$149,917 in band 1, $73,811-$133,992 in band 2, and $63,411-$115,901 in band 3. The average salaries are $141,723 in band 1, $125,834 in band 2, and $105,659 in band 3.

2. The severe fiscal impact of the Great Recession has affected salaries for all County Government employees. Including FY13, there will have been no General Wage Adjustments (COLAs) for four years and no service increments (step increases) for three years. There were no longevity increments in FY11-12. Performance-based increases for non-represented employees have also been constrained. There were furloughs for all employees in FY11.

MLS employees have been further affected in two ways. First, in FY10, when other employees were eligible for service increments added to base salary, MLS employees – who are eligible for performance-based increases, not service increments[1] – were limited to lump-sum increases equal to 1% or 2% of salary depending on their performance rating. Second, in FY11, when County employees were required to take 3, 5, or 8 furlough days depending on their salary level, 81% of MLS employees took 8 days

[1] MLS employees are not eligible for longevity increases either. The performance-based increases can be as much as 6%.

(because their salaries exceeded $100,000). Compared to 5 furlough days, 8 days represented 1.1% more of these employees' annual salary.

3. One option is to limit all employees, including MLS employees, to a $2,000 lump-sum pay adjustment in the interest of consistency and progressivity. **This approach, compared to the Executive's approach, would save $131,000 ($87,000 tax supported).**

On the other hand, the $2,000 lump-sum adjustment is itself progressive. The increases for employees with salaries of $40,000, $60,000, $80,000, and $100,000 are 5%, 3.3%, 2.5%, and 2%, respectively. It seems reasonable for MLS employees in the salary ranges listed above to receive 2% as well. This compares with average increases for employees represented by MCGEO, the IAFF, and the FOP, and non-represented employees (excluding MLS and non-merit employees) of 3.3%, 2.8%, 2.6%, and 2.4%, respectively.

4. Three other factors are worth noting:

First, the use of percentage increases rather than flat dollar amounts for pay adjustments is common. Service increments and COLAs are almost always in the form of percentage increases, despite employees' salary differences.

Second, the College provided a 2% lump-sum increase to all eligible employees in the second half of FY12. In recent "reopener" discussions with two of its three unions, the College reached tentative agreement to use instead the $2,000 lump-sum approach, which is more generous for those employees. However, for non-bargaining staff and administrators where a 2% lump sum would be greater than $2,000, the College intends to use 2%, as the Executive has recommended for MLS employees.

Third, for MLS employees with salaries at or above $100,000, a 2% lump sum adjustment will range from a low of $2,000 to a high of $2,998. Increases will average $2,834 for band 1, $2,517 for band 2, and $2,113 for band 3.

These increases for MLS employees should not be confused with increases for non-merit or appointed employees, most of whom have higher salaries. Increases for these appointees are totally performance-based, not automatic. Increases are determined by the Executive or the Council for their respective appointees, not by the approved salary schedules for MLS and other employees.

PROPOSED OPERATING BUDGET DEFERRED COMPENSATION MANAGEMENT						
ITEM	FY11 ACT	FY12 APPR	FY12 EST	FY13 REC	$ Change	% Change
EXPENSES						
Salaries and Benefits	80,850	77,340	86,230	91,873	14,533	18.8%
Professional Services	2,670	5,500	5,400	5,500	0	0.0%
Due Diligence/Education	280	1,000	1,000	1,000	0	0.0%
Office Management	6,500	5,510	5,010	5,310	(200)	(3.6%)
Investment Management	8,810	10,000	8,500	9,000	(1,000)	(10.0%)
TOTAL EXPENSES	**$99,110**	**$99,350**	**$106,140**	**$112,683**	**$13,333**	**13.4%**

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	FY11 ACT	FY12 APPR	FY12 EST	FY13 REC	$ Change	% Change
EXPENSES						
Salaries and Benefits	73,010	66,960	83,720	89,470	22,510	33.6%
Professional Services	84,680	75,000	75,000	75,000	0	0.0%
Office Management	1,000	1,500	1,100	1,200	(300)	(20.0%)
Investment Management	86,980	70,000	109,000	308,000	238,000	340.0%
TOTAL EXPENSES	**$245,670**	**$213,460**	**$268,820**	**$473,670**	**$260,210**	**121.9%**

PROPOSED OPERATING BUDGET EMPLOYEES' RETIREMENT SYSTEM						
ITEM	FY11 ACTUAL	FY12 APPR	FY12 EST	FY13 REC	FY13 vs. FY12 Appr. $	%
REVENUE						
Contributions	127,936,100	146,500,000	128,000,000	139,600,000	(6,900,000)	(4.7%)
Investment Income	530,237,242	212,000,000	36,000,000	227,000,000	15,000,000	7.1%
Miscellaneous Income	833,495	700,000	775,000	735,000	35,000	5.0%
TOTAL REVENUE	**659,006,837**	**359,200,000**	**164,775,000**	**367,335,000**	**8,135,000**	**2.3%**
EXPENSES						
OPERATING EXPENSES						
Retirement Benefits	180,359,488	204,500,000	210,000,000	226,000,000	21,500,000	10.5%
Investment Management	21,052,585	19,300,000	20,200,000	21,200,000	1,900,000	9.8%
SUBTOTAL	201,412,073	223,800,000	230,200,000	247,200,000	23,400,000	10.5%
ADMINISTRATIVE EXPENSES						
Salaries and Benefits	1,621,180	1,775,920	1,719,530	1,654,200	(121,720)	(6.9%)
Professional Services	423,130	833,930	773,930	813,933	(19,997)	(2.4%)
Benefit Processing	942,395	375,000	375,000	375,000	0	0.0%
Due Diligence/Education	16,977	53,500	47,500	55,500	2,000	3.7%
Office Management	75,696	241,887	238,387	240,887	(1,000)	(0.4%)
SUBTOTAL	3,079,378	3,280,237	3,154,347	3,139,520	(140,717)	(4.3%)
TOTAL EXPENSES	**$204,491,451**	**$227,080,237**	**$233,354,347**	**$250,339,520**	**$23,259,283**	**10.2%**
NET REVENUE	**$454,515,386**	**$132,119,763**	**($68,579,347)**	**$116,995,480**	**($15,124,283)**	**(11.4%)**

PROPOSED OPERATING BUDGET RETIREMENT SAVINGS PLAN						
ITEM	FY11 ACTUAL	FY12 APPR	FY12 EST	FY13 REC	Change: FY13 vs. FY12 Appr. $	%
REVENUE						
Investment Income	1,830	6,250	1,500	1,500	(4,750)	(76.0%)
Miscellaneous Income	425,002	500,000	280,000	240,000	(260,000)	(52.0%)
TOTAL REVENUE	**426,832**	**506,250**	**281,500**	**241,500**	**(264,750)**	**(52.3%)**
EXPENSES						
OPERATING EXPENSES						
Investment Management	8,810	10,000	8,500	9,000	(1,000)	(10.0%)
SUBTOTAL	8,810	10,000	8,500	9,000	(1,000)	(10.0%)
ADMINISTRATIVE EXPENSES						
Salaries and Benefits	170,010	162,390	171,280	205,460	43,070	26.5%
Professional Services	47,850	73,500	87,500	89,500	16,000	21.8%
Due Diligence/Education	280	2,000	2,000	2,000	0	0.0%
Office Management	125,890	23,630	23,130	23,430	(200)	(0.8%)
SUBTOTAL	344,030	261,520	283,910	320,390	58,870	22.5%
TOTAL EXPENSES	**$352,840**	**$271,520**	**$292,410**	**$329,390**	**$57,870**	**21.3%**

MONTGOMERY COLLEGE
Office of Human Resources, Development, and Engagement

May 3, 2012

MEMORANDUM

To: Aron Trombka, Senior Legislative Analyst, Office of Legislative Oversight

From: Sarah Miller Espinosa, Vice President of Human Resources, Development and Engagement SME

Subject: Voluntary Employee Retirement Program (VERP)

Thank you for sharing your April 27, 2012 memorandum to Council Staff Director, Stephen Farber. The voluntary employee retirement program (VERP) is one component of the College's talent management strategy. As outlined in the resolution adopted by the Montgomery College Board of Trustees, the program was developed to achieve the following institutional objectives: (i) provide the College with advance notice of retirements to facilitate the transfer of knowledge from the retiring employee to the College; (ii) allow the College to use the "One College" approach to evaluate whether to refill, abolish, or reallocate the affected position to focus on higher priorities in accordance with the College's strategic plan; and (iii) reduce overall salary/wage and benefit costs. The April 27, 2012 memorandum seemed to overlook the first stated objective and some relevant information pertaining to the other objectives. This is disappointing for a number of reasons, particularly since the program was designed after reviewing the April 14, 2009 Office of Legislative Oversight Memorandum Report Number 2009-9 as well as the lessons learned from the County's 2008 implementation of the retirement incentive program (RIP).

Institutional Objective #1

The County's 2008 RIP was not intended to and did not provide significant advance notice of retirement to facilitate transfer of knowledge. In fact, several RIP participants were brought back to work through knowledge transfer agreements after they had retired. These participants therefore received both an incentive payment to retire and additional compensation in retirement.

In contrast, the College's VERP will allow the organization significant advance notice of retirement and the tools to facilitate the transfer of knowledge prior to the individual exiting the organization. To receive the stated cash incentive, each participant must complete a knowledge transfer agreement, documenting the essential functions of his or her position. Then, the participant may not return to work for Montgomery College, except as a part-time faculty member, for at least 12 months following retirement. These controls are intended to allow the organization to effectively engage in succession planning and knowledge transfer prior to the positions becoming vacant.

Institutional Objective #2

As stated in the Board of Trustee's resolution, the VERP was also developed to allow the College to use the "One College" approach to evaluate whether to refill, abolish, or reallocate the affected position to focus on higher priorities in accordance with the College's strategic plan. Because this program will provide advanced notice of retirement, this evaluation of anticipated vacancies will begin in September 2012, once the participants in this program are finalized. Retirements will occur on one of four dates: January 2013, June 2013, January 2014, and June 2014. The evaluation, as stated above, will assess priorities in accordance with the College's strategic plan. As noted in your discussion on page two, "In this respect, the College's retirement incentive is being implemented in concert with a strategic reorganization plan." To target the program to particular individuals occupying certain positions as further suggested in the memorandum would have been inadvisable and unworkable given our contractual and legal obligations.

Institutional Objective #3

The third stated objective, to reduce overall salary/wage and benefit costs, will also be achieved by the VERP, and here, I differ with the analysis offered in the memorandum as it seems to have overlooked some key pieces of information. First, and as acknowledged on page 3, eligible employees are enrolled in two distinct types of retirement plans administered by the State of Maryland, defined benefit (61% of eligibles) and defined contribution (39% of eligibles). Until the participants are finalized in September, we will not be certain of the percentage participating in each type of plan.

As acknowledged on page three of the memorandum, there can be no increased cost attributed to a defined contribution plan. In fact, without the assistance of an actuary, it is highly speculative to attribute any meaningful cost to the defined benefit plans in which some VERP participants are enrolled. Unlike the 2008 RIP, which waived certain early retirement penalties, only those Montgomery College employees who are both eligible to receive a retirement benefit under the applicable plan and who have at least 15 years of service to the College are eligible to participate. It is also important to note here that, in cases where positions are refilled or reallocated, changes have been made to both the State's defined benefit plans and the College's post employment benefits for new hires. The benefit formula for new hires reduced the percentage for each year of creditable service from 1.8% to 1.5%. The vesting period for new hires was increased from five to 10 years. The employee contribution was increased from 5 to 7% . Additionally, effective July 1, 2011, the College implemented negotiated agreements raising eligibility standards for other post employment benefits for all new employees. Also, unlike the 2008 RIP, the College is not borrowing from any pension funds to finance the incentive. Instead, the College intends to utilize its fund balance, savings resulting from its prudent fiscal stewardship.

Further, the College will also benefit from lower replacement salaries. For example, the average full-time faculty member eligible to participate in VERP has a salary of $90,133. The average starting salary for a newly hired faculty member is $62,729.

Montgomery College has consistently proven itself to be a prudent fiscal steward of our public resources. We are often cited as an example of responsible leadership, both in our benefit plan design and premium share as well as working collaboratively with our union colleagues to negotiate sustainable collective bargaining outcomes. These results are possible because we all work with a common goal and shared interest, helping our students achieve success by empowering them to change their lives. The VERP was developed in this same vein.

II. FY13 OPEB Budget Requests

As part of its annual operating budget decisions, the Council considers funding levels both for OPEB pay-as-you-go and pre-funding.

A. FY13 Recommended OPEB Pay-As-You-Go Funding

The agencies' FY13 recommended budgets include funding to cover the employers' portion of annual retiree health insurance premiums. As shown in Table 2, the four County-funded agencies recommend budgeting a total of $88.3 million in FY13 for retiree health pay-as-you-go funding.

Table 2: FY12 Approved and FY13 Recommended Retiree Health Pay-As-You-Go Funding by Agency

Agency	FY12 Approved	FY13 Recommended	Percent Change FY12-13
County Government	$32.5 million	$32.5 million	0.0%
MCPS	$48.1 million	$49.3 million	+2.4%
Montgomery College	$3.2 million	$3.2 million	0.0%
M-NCPPC	$2.7 million	$3.4 million	+26.8%
Total	**$86.4 million**	**$88.3 million**	+2.2%

The County Government, MCPS, and Montgomery College anticipate little or no increases in retiree health pay-as-you-go contributions from FY12 to FY13. The stability in pay-as-you-go funding for these agencies is a result of lower than anticipated claims costs as well as the availability of surplus reserves in retiree health benefit funds.

In contrast, M-NCPPC will experience a large increase in its retiree health pay-as you-go cost. M-NCPPC's proposed FY13 Budget notes that the health insurance rates charged to departments and employees/retirees were held constant for the past five years as excess reserves were used to offset rate increases. However, in FY12 M-NCPPC adjusted all health insurance rates to reflect market value and projects 12-15% cost increases for medical and prescription plans in 2013.[5] M-NCPPC quantified the impact of the rate adjustments on retiree pay-as-you-go costs as follows:

> Based on market trend and the need for the Commission to increase its health insurance rates, which have not been increased in five years, the pay go cost will be increasing Commission-wide from $6.6 million to $8.3 million. The amount apportioned to Montgomery departments will be increasing from $2.65 million to $3.36 million in FY13.

[5] M-NCPPC Montgomery County Proposed FY13 Budget, pg. 247.

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B. FY13 Recommended OPEB Pre-funding

The OPEB pre-funding budget is the amount the County plans to contribute into trust funds in FY13 to cover already incurred future costs of retiree health benefits.

Table 3: FY12 Approved and FY13 Recommended OPEB Pre-Funding by Agency

	FY12 Approved	FY13 Recommended	Percent Change FY12-13
Tax Supported			
County Government	$26.1 million	$43.6 million	+ 69.7%
MCPS	$20.0 million	$61.9 million	+ 209.7%
Montgomery College	$1.0 million	$1.9 million	+ 87.3%
M-NCPPC [6]	$2.6 million	$3.4 million	+ 35.0%
Total Tax Supported	**$49.6 million**	**$110.7 million**	**+ 123.2%**
Total Non-Tax Supported [7]	**$12.2 million**	**$11.6 million**	**- 4.9%**

Note: Tax supported agency values may not sum to the total due to rounding.

As shown in Table 3, **the Executive recommends $110.7 million in tax-supported OPEB pre-funding for FY13; this is more than double the amount approved for FY12.** As noted above, the Council approved a policy to ramp up OPEB pre-funding over an eight-year phase-in schedule. According to this policy, the County would contribute $128.9 million or 75% of the actuarially required OPEB pre-funding amount in FY13. **The Executive's FY13 tax-supported OPEB pre-funding recommendation is 64% percent of the actuarially required amount or $18.2 million less than called for under the pre-funding policy.**

The Executive's recommended FY13 operating budget book includes a six-year fiscal plan. As shown in the table below, the fiscal plan assumes that the County will increase its tax supported OPEB pre-funding to 83% of the actuarially required contribution in FY14 (which would be slightly below the 87.5% funding level called for under the pre-funding policy for FY14). The fiscal plan assumes that the County will fund 100% of the actuarially required contribution in FY15 and beyond, consistent with the pre-funding policy.

Table 4: FY13-18 Tax Supported OPEB Pre-Funding – All Agencies Combined from Executive's Recommended Fiscal Plan

	FY13	FY14	FY15	FY16	FY17	FY18
$ Amount	$110.7 million	$142.8 million	$171.9 million	$171.9 million	$171.9 million	$171.9 million
% of Required Contribution	64%	83%	100%	100%	100%	100%

Additional information about the County's OPEB legislative and policy history appears on page 7.

[6] The M-NCPPC pre-funding amount represents the Montgomery County portion of the bi-County agency's contribution.
[7] The FY13 non-tax supported OPEB pre-funding recommendation includes $11.41 million in County Government proprietary fund and participating agency contributions and $0.14 million in M-NCPPC proprietary fund contributions.