

MEMORANDUM

April 23, 2013

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 **April 30**. For ease of reference, the **updated** packet from the April 22 Committee briefing is attached to this memo.¹

Recommendations for the Committee's Consideration

1. FY14 Allocations for Retirement (see pages 5 and 16-17)

The Committee reviewed details of County Government's retirement program, including the recommended County contribution to the defined benefit Employees' Retirement System (ERS) and the allocations for the defined contribution Retirement Savings Plan (RSP) and the cash balance plan (GRIP). The Committee separately reviewed the administrative and operating budgets of the ERS, the RSP, the Deferred Compensation Plan (DCP), and the Consolidated Retiree Health Benefits Trust (CRHBT),² as well as the funded ratio of the pension funds for County Government, MCPS, M-NCPPC, and WSSC. **Recommendations:**

- Approve the recommended FY14 County contributions of **\$121.8 million** for the ERS, **\$15.7 million** for the RSP, and **\$4.1 million** for the GRIP.
- Approve the recommended FY14 administrative and operating budgets of the ERS, the RSP, the DCP, and the CRHBT. See ©E.
- Continue to monitor the funded ratio of the agencies' pension funds.

2. FY14 Group Insurance (see pages 6-10 and 17-18)

The Committee reviewed group insurance issues for all agencies. **Recommendations:**

- Support the agencies' FY14 tax supported requests for **active employee** costs listed on page 6.

¹ For the updates, see footnotes 14 (page 7) and 18-19 (page 10). On page 8, based on updated information from OMB, the FY12 ending fund balance in the County's group insurance fund is 20.4% rather than 26.1%.

² See http://www6.montgomerycountymd.gov/content/council/pdf/agenda/cm/2013/130422/20130422_GO4.pdf.

- Continue to monitor the balances and projections for the agencies' **group insurance funds** listed on page 8.
- Support the recommend funding for County Government's **Employee Health Benefits Self Insurance Fund** (\$198,690,600) displayed on ©57.
- Continue to recommend that **MCPS** move toward **harmonizing** the group insurance premium cost share for its active employees with the premium cost share established by the other agencies.
- Support the agencies' FY14 pay-as-you-go requests for **retired employees** listed on page 7.
- Support the agencies' FY14 requests for **OPEB pre-funding** listed on page 10.

3. FY14 County Government Compensation-Related NDAs (see pages 18-19)

The Committee reviewed nine Non-Departmental Accounts, as outlined on pages 18-19 and ©58-62. **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); NDAs #6-8, which relate to OPEB pre-funding (see above); and NDA #9 (Montgomery County Employee Retirement Plans).

4. Other Compensation Issues (see pages 19-21)

The Committee reviewed the personnel management reviews and similar reports prepared by the agencies. The Committee also reviewed funding requests for the agencies' FY14 **employee awards** and **tuition assistance** programs. **Recommendation:**

- Approve the requests outlined on page 21.

5. FY14 Pay Changes (see pages 2-4 and 11-16 and ©26)

The Committee reviewed the FY14 budget and compensation context, including agency requests for pay changes. The Executive's recommendations for County Government are reflected in the agreements reached with the three County Government employee unions, as outlined on pages 11-16. Pay changes for MCPS and Montgomery College are summarized on pages 3-4. M-NCPPC has not yet completed negotiations. Pay changes for WSSC are noted on ©26. Pay changes for M-NCPPC and WSSC will be reviewed with the Prince George's County Council at the bi-county meeting on May 9. **Recommendations:**

- For County Government, support one of the following two options:

Option 1: Support the FY14 appropriations required to fund the pay changes included in the negotiated agreements with UFCW Local 1994/MCGEO, FOP Lodge 35, **and/or** IAFF Local 1664.

Make clear that while the agreements provide for pay changes in both FY14 and FY15, only the appropriation of FY14 funds is before the Council at this time.³

If there is support for this option in full or in part, support the relevant proposed **FY14 salary schedules** listed on ©27-39. These schedules are (in order) for MCGEO, Seasonal Workers, Sheriff Management, Deputy Sheriffs, Fire/Rescue Management, IAFF, Police Management, FOP, Correctional Management, Correctional Officers, Non-Represented Employees (General Salary Schedule), Management Leadership Service, and Medical Doctors.

Option 2: Do not support the FY14 appropriation required to fund one or more of the negotiated agreements. If there is support for this option in full or in part, the Council must state its reasons, and the relevant parties must initiate further negotiations. See footnote 3 below.

- Support funding within the MCPS and Montgomery College budgets for the pay changes they request.
- Defer a recommendation on funding for pay changes at M-NCPPC until negotiations have been completed. Make a final decision on this issue at the May 9 bi-county meeting with the Prince George's County Council.

³ In his April 22 memo to the Committee, Senior Legislative Attorney Bob Drummer outlined the FY14 process for action on the collective bargaining agreements as follows:

Each of these agreements resulted from negotiations between the County Executive and the respective union. The Executive transmitted each of these agreements to the Council for review on April 1, 2013. The Executive recommended funding all of the economic provisions in the collective bargaining agreements in his FY14 Recommended Budget. The Council has the final authority to approve, reject, or modify each economic provision in the collective bargaining agreements. Each of these agreements is subject to the Council review process outlined below.

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

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

Each of the collective bargaining agreements submitted by the Executive to the Council on April 1 is a multi-year agreement containing provisions that require an appropriation of funds in FY2014 and another appropriation of funds in FY2015. For example, the IAFF Agreement contains a general wage adjustment (GWA) of 2.75% in FY2014 and a second GWA of 2.75% in FY2015. Since the Council adopts an annual operating budget, only the FY2014 GWA is before the Council for review this year. The Council's appropriation of funds to implement the FY2014 GWA in the Agreement is not an approval or an appropriation of funds to implement the GWA for FY2015. The Executive must submit any provision that requires an appropriation of funds in the second year of this multi-year Agreement, such as the FY2015 GWA, to the Council for approval next year, and the Council will make its decision on that appropriation next year.

- Support funding within the WSSC budget for the \$3.4 million allocation it requests for pay changes, with the specific elements to be resolved at the May 9 bi-county meeting.

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PROPOSED OPERATING BUDGET DEFERRED COMPENSATION MANAGEMENT							
ITEM	FY12 APPR	FY12 ACT	FY13 APPR	FY13 EST	FY14 REC	FY14 vs. FY13 Appr.	
						\$ Change	% Change
EXPENSES							
Salaries and Benefits	77,340	101,283	91,873	109,300	125,700	33,827	36.8%
Professional Services	5,500	55,694	5,500	23,500	5,000	(500)	(9.1%)
Due Diligence/Education	1,000	1,735	1,000	1,500	2,000	1,000	100.0%
Office Management	5,510	3,845	5,310	5,300	6,700	1,390	26.2%
Investment Management	10,000	8,370	9,000	8,400	9,000	0	0.0%
TOTAL EXPENSES	99,350	\$170,927	\$112,683	\$148,000	\$148,400	\$35,717	31.7%

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	FY12 APPR	FY12 ACT	FY13 APPR	FY13 EST	FY14 REC	FY14 vs. FY13 Appr.	
						\$ Change	% Change
EXPENSES							
Salaries and Benefits	66,960	45,000	52,500	52,500	170,000	117,500	223.8%
Professional Services	75,000	0	0	0	0	0	0.0%
Due Diligence/Education	0	0	6,000	20,000	48,000	42,000	700.0%
Office Management	1,500	1,100	1,200	3,000	9,400	8,200	683.3%
Investment Management	70,000	99,343	308,000	250,000	1,500,000	1,192,000	387.0%
TOTAL EXPENSES	\$213,460	\$145,443	\$367,700	\$325,500	\$1,727,400	\$1,359,700	369.8%

The chart illustrates MCERP expenditures only.

PROPOSED OPERATING BUDGET EMPLOYEES' RETIREMENT SYSTEM							
ITEM	FY12 APPR	FY12 ACT	FY13 APPR	FY13 EST	FY14 REC	FY14 vs. FY13 Appr.	
						\$	%
REVENUE							
Contributions	146,500,000	130,688,905	139,600,000	151,700,000	146,400,000	6,800,000	4.9%
Investment Income	212,000,000	134,103,217	227,000,000	296,000,000	241,000,000	14,000,000	6.2%
Miscellaneous Income	700,000	1,174,289	735,000	1,000,000	950,000	215,000	29.3%
TOTAL REVENUE	359,200,000	265,966,411	367,335,000	448,700,000	388,350,000	21,015,000	5.7%
EXPENSES							
OPERATING EXPENSES							
Retirement Benefits	204,500,000	205,268,948	226,000,000	226,400,000	245,000,000	19,000,000	8.4%
Investment Management	19,300,000	17,585,825	21,200,000	21,200,000	23,000,000	1,800,000	8.5%
SUBTOTAL	223,800,000	222,854,773	247,200,000	247,600,000	268,000,000	20,800,000	8.4%
ADMINISTRATIVE EXPENSES							
Salaries and Benefits	1,775,920	1,742,539	1,654,200	1,669,600	1,582,700	(71,500)	(4.3%)
Professional Services	833,930	635,946	813,933	1,003,600	895,900	81,967	10.1%
Benefit Processing	375,000	1,059,818	375,000	375,000	130,000	(245,000)	(65.3%)
Due Diligence/Education	53,500	26,684	55,500	60,400	64,700	9,200	16.6%
Office Management	241,887	80,667	240,887	92,500	99,300	(141,587)	(58.8%)
SUBTOTAL	3,280,237	3,545,654	3,139,520	2,956,100	2,772,600	(366,920)	(11.7%)
TOTAL EXPENSES	\$227,080,237	\$226,400,427	\$250,339,520	\$250,556,100	\$270,772,600	20,433,080	8.2%
NET REVENUE	\$132,119,763	\$39,565,984	\$116,995,480	\$198,143,900	\$117,577,400	581,920	0.5%

PROPOSED OPERATING BUDGET RETIREMENT SAVINGS PLAN							
ITEM	FY12 APPR	FY12 ACT	FY13 APPR	FY13 EST	FY14 REC	FY14 vs. FY13 Appr.	
						\$	%
REVENUE							
Investment Income	6,250	2	1,500	10	20	(1,480)	(98.7%)
Miscellaneous Income	500,000	252,634	240,000	90,000	90,000	(150,000)	(62.5%)
TOTAL REVENUE	506,250	252,636	241,500	90,010	90,020	(151,480)	(62.7%)
EXPENSES							
OPERATING EXPENSES							
Investment Management	10,000	8,370	9,000	8,400	9,000	0	0.0%
SUBTOTAL	10,000	8,370	9,000	8,400	9,000	0	0.0%
ADMINISTRATIVE EXPENSES							
Salaries and Benefits	162,390	190,420	205,460	140,800	157,400	(48,060)	(23.4%)
Professional Services	73,500	100,679	89,500	104,500	89,200	(300)	(0.3%)
Due Diligence/Education	2,000	1,735	2,000	1,500	2,000	0	0.0%
Office Management	23,630	12,002	23,430	5,300	6,700	(16,730)	(71.4%)
SUBTOTAL	261,520	304,836	320,390	252,100	255,300	(65,090)	(20.3%)
TOTAL EXPENSES	\$271,520	\$313,206	\$329,390	\$292,410	\$292,410	(36,980)	(11.2%)

Source: Montgomery County Employee Retirement Plans.

Please retain this packet for upcoming Committee and Council worksessions.

MEMORANDUM

April 18, 2013

TO: Government Operations and Fiscal Policy Committee

FROM: Stephen B. Farber, Council Staff Director *SBF*

SUBJECT: Discussion – Compensation and Benefits for All Agencies

This worksession on compensation and benefits for all agencies in the FY14 operating budget is to review issues in five areas: (1) budget and compensation context, (2) overview of FY14 agency requests (including salaries, retirement, and group insurance), (3) further analysis for County Government, (4) County Government compensation-related Non-Departmental Accounts (NDAs), and (5) other compensation issues.

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

Items #3 and 4 on the Committee's agenda also relate to this discussion. Senior Legislative Attorney Bob Drummer will review new County Government collective bargaining agreements (item #3). Mr. Howard and Mr. Trombka will review County retirement budgets (item #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 April 25 the Committee is scheduled to continue this review and make recommendations to the Council. The Council is scheduled to address the recommendations on April 30.**

1. BUDGET AND COMPENSATION CONTEXT

My packet for the Council's FY14 budget overview discussion on April 16 includes detailed analysis of the budget and compensation context.² Key summary points include the following:

¹ See http://www6.montgomerycountymd.gov/content/council/pdf/agenda/cm/2013/130422/20130422_GO2.pdf.

² See http://montgomerycountymd.granicus.com/Viewer.php?view_id=6&event_id=841&meta_id=48439.

1. The Executive's recommended overall FY14 tax supported operating budget (including debt service) is **\$4.189 billion**, up **\$168 million (4.2%)** from the Council-approved FY13 budget. The total recommended budget (including grants and enterprise funds) is **\$4.803 billion**, up **\$190 million (4.1%)** from the FY13 approved budget.³

2. **The FY14 recommended budget resembles the FY13 approved budget in several ways.** That budget, after three grueling years shaped by the Great Recession, made limited restorations to County services that had suffered deep reductions in FY10-12. This budget continues on this path, with emphasis on public safety, libraries, and youth and senior programs. The recommended FY14 increase in the total budget, 4.1%, is actually smaller than the approved FY13 increase, 5.6%.

3. **The most pronounced change in the FY14 recommended budget is the Executive's approach to employee compensation.** For County employees the recession-driven FY10-13 period has been difficult: no General Wage Adjustments (COLAs) for four years, no service increments (step increases) for three years, furloughs of three to eight days in FY11, and increased cost-sharing for health and retirement benefits starting in FY12. The \$2,000 lump sum payment in FY13 was not added to base salaries. The Executive computes the FY10-13 savings at \$469 million. See ©1.⁴ **These measures helped the County manage large position cuts with almost no layoffs.**

4. **The Executive's new agreements with County unions include both GWAs and service increments.** For employees eligible for both (and for full or partial make-up steps for the FOP and IAFF), the increases in each of the next two years are 6.75% for MCGEO, 7.35% for the FOP, and 9.75% for the IAFF. The two-year increases are 13.5%, 14.7%, and 19.5%. The agreements' overall cost, including pass-through to non-represented employees, is **\$31.6 million** in FY14, **\$73.7 million** in FY15, and **\$85.1 million** in FY16. See ©2-6 for further details. Public hearing testimony and other communications have offered different perspectives on the increases. **For analysis of the increases, see pages 11-16.**

6. Union agreements at the College call for increases in FY14-15 totaling 11.75%. MCPS, which provided one step and one make-up step in FY13, plans another step in FY14. M-NCPPC is still in negotiations. WSSC has budgeted \$3.4 million for compensation changes, with details to be discussed by the two Councils on May 9. **For further details, see the tables on ©7-13, prepared by Ms. Mihill for the Council's annual survey of pay changes in the region, and the analysis on pages 3-4.**

7. **Ms. Mihill's full regional survey provides a mixed picture for FY14 after the tight restrictions of recent years.**⁵ Most governments are providing small base increases – increments or GWAs, and in some cases both. In Fairfax County, which had small base increases in FY13, the Executive proposed no increase in FY14, but the Board of Supervisors has not yet acted. The State, which had a 2.0% mid-year GWA in FY13, plans a 3.0% mid-year GWA in FY14 plus a mid-year increment. The President proposes a 1.0% GWA for federal employees after a “pay freeze” that started in January 2010. The freeze applies only to base salaries; step increases and bonuses have continued.

³ See <http://www.montgomerycountymd.gov/OMB/FY14/psprec/index.html> for the complete document.

⁴ The Council, which has final budget authority, and the Executive collaborated closely on these hard but necessary decisions. The Council's FY12 benefit changes, based on OLO's work on the structural deficit, were fairer to employees and more comprehensive than the Executive's proposals. For details on the Council's extensive changes, see http://montgomerycountymd.granicus.com/MetaViewer.php?view_id=6&clip_id=1341&meta_id=21322. Other Council initiatives in FY11-12 reformed the disability retirement system, established a Consolidated Retiree Health Benefits Trust, and rescinded the “imputed” pension COLA, saving nearly \$300 million over a 40-year period. A separate Council action in FY12, to “rebase” the MCPS budget, was also crucial to the County's fiscal health.

⁵ See http://www6.montgomerycountymd.gov/content/council/pdf/doc/4-18-13_update_pay_changes.pdf.

2. OVERVIEW OF FY14 AGENCY REQUESTS

This section, prepared by Mr. Howard and Mr. Trombka, provides an overview of FY14 agency requested pay adjustments and proposed changes to agency retirement and group insurance benefit plans. See ©14-25 for detailed data on FY13 approved and FY14 requested agency compensation costs.

Pay Adjustments

County Government: The Executive recommends general wage adjustments and service increments for FY14. County Government employees received a \$2,000 lump sum payment in FY13.

County Government FY14 Request			
Employee Group	General Wage Adjustment ⁶	Service Increment	Other
MCCEO	3.25%	3.5%	- Longevity increments for eligible employees at top of grade. - Lump sum payment (not added to base salary) equal to 0.5% of salary for MCCEO and non-represented employees not eligible for longevity step but at top of grade.
FOP	2.10%	3.5% + 1.75% ⁷	
IAFF	2.75%	3.5% + 3.5% ⁸	
Non-Represented	3.25%	3.5% ⁹	
MLS	3.25%	Eligible for performance-based pay increases in lieu of service increments.	

MCPS: The Board of Education has approved agreements with its employee bargaining units to provide a service increment in FY14. The Board provided MCPS employees two service increments in FY13, one effective July 2012 for all employees and a second effective May 2013 for employees who were eligible for a service increment in FY11 and did not receive it.

MCPS FY14 Request			
Employee Group	General Wage Adjustment	Service Increment (effective 2/8/14)	Other
MCEA	None	1.5%-3.9%	- Longevity increments for eligible employees at top of grade. 2% increase to base pay for employees not eligible for service or longevity increment.
MCAAP		3.0%	
SEIU		1.9%-5.5%	
MCBOA		3.0%	

⁶ The general wage adjustments are effective as of the first full pay period in September 2013 for MCCEO members, non-represented employees, and MLS employees, and as of the first full pay period in July 2013 for IAFF and FOP members.

⁷ In addition to a 3.5% service increment on their anniversary date, FOP members who were eligible for a service increment in FY11, FY12, or FY13 will receive a second increment of 1.75% in February 2014.

⁸ In addition to a 3.5% service increment on their anniversary date, IAFF members who were eligible for a service increment in FY11 will receive a second increment of 3.5% in April 2014.

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

Montgomery College: The College's FY14 budget requests general wage adjustments and service increments. College employees did not receive pay adjustments in FY13 but did receive a lump sum payment equal to 2% of salary in the second half of FY12.

Montgomery College FY14 Request		
Employee Group	General Wage Adjustment	Service Increment ¹⁰
Faculty	2.25%	3.5%
Staff (AFCSME)		
Staff (non-bargaining)		
Administration	2.25%	Eligible for performance-based pay increases in lieu of service increments.

M-NCPPC: The M-NCPPC FY14 budget request includes \$2.1 million to adjust compensation for represented employees.¹¹ The budget states that "the specific form of employee compensation adjustment will be determined through negotiations as needed, and presented for approval to the Bi-County Council Meeting in May 2013." M-NCPPC employees received a \$2,000 lump sum bonus in FY13. As of this writing, the Commission has not completed negotiations with employee bargaining units.

M-NCPPC FY14 Request			
Employee Group	General Wage Adjustment	Service Increment	Other
MCGEO	To be determined through collective bargaining. Amount set aside in budget to date totals \$2.1 million.		
FOP			
Non-Represented			

WSSC: The WSSC budget request includes \$3.4 million for salary enhancements, with the type of salary enhancement not specified. See the description on ©26 by Senior Legislative Analyst Keith Levchenko for more detail. WSSC employees received a 2% general wage adjustment and merit increments of 3-5% in FY13.

WSSC FY14 Request			
Employee Group	General Wage Adjustment	Merit (Service) Increment	Other
All Employees	To be determined jointly by Montgomery and Prince George's County Councils. Amount set aside in budget to date totals \$3.4 million.		

¹⁰ For full-time faculty, the service increment is effective on the first day of the 2014 academic year. For bargaining and non-bargaining staff, the service increment is effective the 2nd full pay period in September 2014.

¹¹ The Commission has a contractual obligation with MCGEO to request funding for a \$2,000 lump sum bonus in FY14. The contracts with MCGEO and with FOP have potential reopener provisions dependent on compensation changes provided by either county.

Retirement Benefits

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

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

Last year the Maryland General Assembly shifted a portion of the annual funding requirement for the State-run teacher pension system to the counties.¹² The shift in costs to the counties will be phased in over four years (FY13 through FY16). In FY13, Montgomery County was responsible to contribute \$27.2 million to the State-run teacher pension fund. The County's mandated contribution will increase to \$34.5 million in FY14.

Montgomery College: The College plans no changes to employee retirement plan benefits. Last year the College implemented 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. Eligible employees will be able to participate in the retirement incentive program through June 1, 2014.

M-NCPPC: Last year M-NCPPC modified its employee retirement benefit. The bi-County Commission implemented a new defined benefit plan for new (non-police) hires with a normal retirement age of 62, a five year average salary calculation, and ten year vesting. Other changes include a cap on pension cost of living adjustments and an increase in the employee contribution rate. The Planning Commission plans no changes to employee retirement plan benefits in FY14.

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

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

Agency¹³	Pension Funded Ratio (as of 6/30/12)
County Government	77%
MCPS	69%
M-NCPPC (Bi-County)	87%
WSSC (Bi-County)	95%

¹² Under the new State law, counties must pay for the normal pensions fund costs; the State will remain responsible for paying costs associated with unfunded pension liability.

¹³ The College does not manage a pension fund as its employees participate in a State-run retirement system.

Agency Group Insurance Costs in FY14 for Active Employees

The FY14 tax supported request for active employees' group insurance benefits for all agencies totals \$320.5 million, a decrease of 3.3% from FY13, as shown in the table below. The decrease in FY14 largely results from MCPS utilizing existing fund balance in their group insurance fund to cover a portion of projected expenditures in FY14, thus allowing for a smaller contribution to the fund for FY14. This reduction in FY14 does not mean that actual health care expenditures (i.e., the payment of health care claims) are decreasing.

FY13 Approved and FY14 Requested Tax Supported Active Employee Group Insurance Costs

Agency	FY13 Approved	FY14 Requested	Percent Change FY13-14
County Government	\$79.7 million	\$78.3 million	-1.8%
MCPS	\$224.9 million	\$217.6 million	-3.2%
Montgomery College	\$13.0 million	\$13.2 million	+1.5%
M-NCPPC	\$10.5 million	\$11.4 million	+8.6%
Total	\$328.1 million	\$320.5 million	-2.3%

County Government: **The Executive recommends no changes to County Government group insurance benefits in FY14.**

MCPS: **The Board of Education does not propose any changes to MCPS group insurance benefits in FY14.** The 3.2% decrease in requested funding for group insurance benefits in FY14 results from the Board's decision to draw down the balance in MCPS' active employee group insurance fund. The Superintendent's December 2012 Recommended FY14 Operating Budget included \$229.7 million for tax supported active employee group insurance costs. The Board's February 2013 Adopted Budget reduced that request to \$217.6 million, stating: "Based on recent experience, lower claim trends this year allow of a reduction in the amount required to be contributed to the Employee Benefits Trust Fund for FY 2014. FY 2013 costs are projected to be significantly below budget, which will increase the fund balance at the end of FY 2013 and reduce the base amount for the FY 2014 calculation. As a result, the FY 2104 budget can be reduced by \$14.4 million."

Montgomery College: **The College plans no changes to group insurance benefits in FY14.**

M-NCPPC: **M-NCPPC's FY14 budget request reflects negotiated changes in group insurance cost share.** Effective January 1, 2013, all FOP members pay 20% of group insurance premiums (up from 15%), and all MCGEO members and non-represented employees pay 17.5% of premiums (up from 15%) for all plans except for the lowest cost medical and prescription drug plans (which remain at a 15% cost share). Effective January 1, 2014, MCGEO members and non-represented employees will pay 20% of premiums (up from 17.5%) for all plans except for the lowest cost medical and prescription drug plans (which remain at a 15% cost share). Savings from these structural changes are reflected in M-NCPPC's FY14 group insurance budget request.

WSSC: WSSC plans no changes to group insurance benefits. WSSC's rate-supported requests for group insurance are \$16.1 million for active employees (down 1.1%) and \$10.6 million for retired employees (down 22.0%).

Agency Group Insurance Costs in FY14 for Retirees

The FY14 tax supported request for retiree pay-as-you-go group insurance funding totals \$86.8 million, a slight decrease from the funding level in FY13. The overall 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.

FY13 Approved and FY14 Recommended Retiree Health Pay-As-You-Go Funding by Agency

Agency	FY13 Approved	FY14 Recommended	Percent Change FY13-14
County Government	\$32.5 million	\$32.5 million	0.0%
MCPS	\$49.3 million	\$47.3 million	-4.1%
Montgomery College	\$3.2 million	\$3.4 million	+5.8%
M-NCPPC	\$3.0 million	\$3.6 million	+20.0%
Total	\$88.0 million	\$86.8 million	-1.4%

The County Government and Montgomery College anticipate little or no increase in retiree health pay-as-you-go contributions from FY13 to FY14.

MCPS. The 4.1% decrease in requested funding for retiree group insurance benefits in FY14 results from the Board's decision to draw down the balance in MCPS' retiree employee group insurance fund. MCPS will also implement one plan design change to retiree group insurance in FY14. Effective July 1, 2013, the co-pays for retirees will increase by \$5 for primary care physician visits and by \$10 for specialist visits.

M-NCPPC. M-NCPPC projects a \$0.6 million increase in its retiree health pay-as you-go cost. M-NCPPC's FY14 budget request attributes this increase to demographic shifts (more retirees using their retiree benefits and fewer active employees in the insurance pool) and higher medical costs.¹⁴

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 FY12 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

¹⁴ M-NCPPC's original FY14 Proposed Budget included \$4.1 million in retiree health pay-as-you-go funding. Based on a revised actuarial valuation, M-NCPPC decreased its pay-as-you-go request by \$0.5 million and correspondingly increased its OPEB pre-funding request by \$0.5 million. See the table on page 10. The total requested funding for retiree health is unchanged.

accounts for active and retired employees, while the other agency group insurance funds combine active and retired employees.

Agency	FY12 Year-End Fund Balance		Future Fund Balance Projections
	\$'s	% of Expend.	
County Government	\$36.1 million	20.4%	- Projected FY13 year-end fund balance of \$16.1 million or 8.8%. \$19 million was transferred from the Self Insurance Fund to the General Fund in FY13. - FY14-19 fiscal projection shows a draw down of fund reserves to reach target balance of 5% at the end of FY14.
MCPS: Active Employees	\$22.9 million	8.7%	- Projected FY13 year-end fund balance of \$32.2 million or 12.3%. - FY14 budget request reduces agency contribution to the fund by \$10.4 million to draw down fund balance.
MCPS: Retired Employees	\$13.5 million	17.4%	- Projected FY13 year-end fund balance of \$15.8 million or 18.9% - FY14 budget request reduces agency contribution to the fund by \$2.0 million to draw down fund balance.
M-NCPPC (Bi-County)	\$5.5 million	15.6%	- Projected FY13 year-end fund balance of \$5.5 million or 12.1%. - Proposed FY14 budget projects fund balance of \$5.5 million or 11.2% at the end of FY14.
Montgomery College	\$1.0 million	7.1%	n/a

Agency OPEB Status

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

- **OPEB pay-as-you-go funding** refers to the annual cost of group insurance benefits for current retirees. Under the pay-as-you-go funding method, agencies annually budget resources to pay the current year's cost of health care claims for retired employees and their dependents.

- **OPEB pre-funding** is a practice of setting aside assets at the time employees earn a benefit to cover cost obligations that will be paid in the future. Most governments (including all County agencies) pre-fund their pension benefits. Agencies that pre-fund OPEB benefits often make contributions to a trust fund designated for retiree health benefits. **In 2011 the Council established a consolidated OPEB trust fund for the County Government, MCPS, and Montgomery College.** The bi-County M-NCPPC manages its own OPEB trust fund.

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

The table below shows each agency's actuarially determined OPEB liability and annual required contribution from each agency's most recent OPEB valuation (as of 7/1/2012). In sum:

- As of FY12, the total estimated OPEB liability for County Government, MCPS, Montgomery College, and M-NCPPC is about \$3.4 billion.
- The actuarial value of OPEB assets in the agency trust funds, \$197 million, represents 5.8% of the total OPEB liability. This calculation is known as the "funded ratio."
- The agencies' OPEB annual required contribution (including both pay-as-you-go and pre-funding amounts) totals \$319.6 million.

Agency OPEB Liabilities, Assets, and Annual Required Contribution
(based on actuarial valuations as of July 1, 2012)

Agency	Actuarial Accrued Liability	Actuarial Value of Assets	Funded Ratio	Annual Required Contribution
County Government	\$1,362.8 million	\$92.6 million	6.8%	\$127.0 million
MCPS	\$1,809.9 million	\$71.7 million	4.0%	\$177.2 million
M-NCPPC ¹⁵	\$132.3 million	\$8.0 million	6.0%	\$9.3 million
Montgomery College ¹⁶	\$84.6 million	\$24.7 million	29.2%	\$6.1 million
Total	\$3,389.6 million	\$197.0 million	5.8%	\$319.6 million

Sources: Agency OPEB Valuations and FY12 Comprehensive Annual Financial Statements

¹⁵ M-NCPPC valuation includes Montgomery County and Prince George's County employees/costs. Montgomery County's OPEB funding schedule assumes that the Montgomery County portion is 45% of the total plan.

¹⁶ For several years prior to FY08 the College had set aside funds for accrued retiree health liabilities. These resources (~\$20 million) were placed the College's OPEB Trust Fund in FY08, accounting for their comparatively high funded ratio.

FY14 Recommended OPEB Pre-funding

The Executive recommends \$144.1 million in tax-supported OPEB pre-funding for FY14, a 37% increase over the amount approved for FY13. The recommended OPEB pre-funding includes an additional \$10.7 million in non-tax supported contributions.

FY13 Approved and FY14 Recommended OPEB Pre-Funding by Agency

	FY13 Approved	FY14 Recommended	Percent Change FY13-14
Tax Supported			
County Government	\$41.4 million	\$51.3 million	+24%
MCPS	\$58.9 million	\$87.8 million	+49%
Montgomery College	\$1.8 million	\$2.5 million	+39%
M-NCPPC ¹⁷	\$3.4 million	\$3.0 million	-12%
Total Tax Supported	\$105.4 million	\$144.6 million ¹⁸	+37%
Total Non-Tax Supported ¹⁹	\$11.6 million	\$10.7 million	-8%

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

The Executive's FY14 tax-supported OPEB pre-funding recommendation is 79% percent of the actuarially required amount. As shown in the table below, the Executive's FY14-19 fiscal plan summary assumes that the County will increase its tax supported OPEB pre-funding to 100% of the actuarially required contribution in FY15 and beyond, consistent with the pre-funding policy.

FY14-19 Tax Supported OPEB Pre-Funding – All Agencies Combined from Executive's Recommended Fiscal Plan

	FY14	FY15	FY16	FY17	FY18	FY19
\$ Amount	\$144.1 million	\$182.4 million	\$177.7 million	\$172.5 million	\$166.3 million	\$158.8 million
% of Required Contribution	79%	100%	100%	100%	100%	100%

¹⁷ The M-NCPPC pre-funding amount represents the Montgomery County portion of the bi-County agency's contribution.

¹⁸ The tax supported total of \$144.6 million differs from the \$144.1million recommended by the Executive. M-NCPPC's original FY14 Proposed Budget included \$2.5 million in OPEB pre-funding. After release of the Executive's budget, M-NCPPC adjusted its FY14 budget request for retiree health benefits, based on a revised actuarial valuation, to increase its OPEB pre-funding request by \$0.5 million and correspondingly decrease its retiree health pay-as-you-go request by \$0.5 million. This adjustment does not change M-NCPPC's total FY14 budget request for retiree health benefits of \$6.6 million, only the distribution of that total between pay-as-you-go funding and OPEB pre-funding.

¹⁹ The FY14 non-tax supported OPEB pre-funding recommendation includes \$10.6 million in County Government proprietary fund and participating agency contributions and \$0.1 million in M-NCPPC proprietary fund contributions.

3. FURTHER ANALYSIS FOR COUNTY GOVERNMENT

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

Pay Adjustments

The Executive's recommendations for County Government employee salaries are consistent with bargained agreements with MCGEO, the IAFF, and the FOP. Proposed County Government salary schedules appear on ©27-39.

General Wage Adjustments: The Executive recommends that County Government employees receive general wage adjustments (GWAs, also known as cost of living adjustments) for the first time since FY09. As shown in the table below, the amount and effective date of the recommended general wage adjustments vary by employee group.

Executive Recommended FY14 General Wage Adjustments

Employee Group	GWA Amount	Effective Date
MCGEO	3.25%	September 8, 2013
IAFF	2.75%	July 14, 2013
FOP	2.10%	July 14, 2013
Non-Represented	3.25%	September 8, 2013
MLS	3.25%	September 8, 2013

The collective bargaining agreements with MCGEO, the IAFF, and the FOP include general wage adjustments of the same amounts again in FY15.

Service Increments: The Executive recommends that all County Government merit system employees (excluding Management Leadership Service) who are not at top of grade receive a 3.5% service increment (also known as a step increase) in FY14. An employee receives the service increment in the first pay period following his/her employment anniversary date. County Government employees have not received service increments since FY10.

Executive Recommended FY14 Service Increments

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

The collective bargaining agreements with MCGEO, the IAFF, and the FOP include service increments of the same amount again in FY15.

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

Executive Recommended FY14 Additional Service Increments

Employee Group	Increment Amount	Effective Date
IAFF / Fire & Rescue Uniformed Managers (eligible for FY11 increment)	3.50%	April 6, 2014
FOP / Police Uniformed Managers (eligible for FY11, FY12, and/or FY13 increment)	1.75%	February 1, 2014

The collective bargaining agreements with the IAFF and the FOP include additional service increments of the same amounts again in FY15 for employees who were eligible for, but did not receive, service increments during FY12 (IAFF) and FY11-13 (FOP).

Performance-Based Pay: Employees in the Management Leadership Service (MLS) are eligible for performance-based pay increases in lieu of service increments. The Executive's recommended FY14 operating budget includes \$1,794,187 in the Compensation Adjustment and Employee Benefits non-departmental account to fund performance-based pay increases for MLS employees (to take effect on September, 8, 2013). Since MLS employees are non-represented, performance-based pay is not included in any collective bargaining agreement.

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

Executive Recommended FY14 Longevity Adjustments

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

The collective bargaining agreements with MCGEO, the IAFF, and the FOP include longevity adjustments of the same amounts in FY15.

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

Lump Sum Payments: The Executive recommends awarding a lump sum payment equal to 0.50% percent of salary for MCGEO and non-represented merit employees (excluding MLS) who are ineligible for a longevity increment or a service increment. Lump sum payments do not change an employee's base salary. The collective bargaining agreement with MCGEO includes an identical lump sum payment provision for FY15.

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

FY14 Cost of Pay Adjustments²¹: As shown on the tables on page 14, the pay adjustments recommended by the Executive will have a combined FY14 cost of \$32.77 million (\$25.86 million tax supported). These estimates include the salary and wage costs as well as employee benefit costs borne by the employer.²² The cost of general wage adjustments for all employee groups combined sums to \$21.02 million, nearly two-thirds of the total FY14 cost.

However, as many of the pay adjustments take effect several months into the fiscal year, the amount budgeted for FY14 does not reflect the full annualized cost (that is, the 12-month cost) of the Executive's recommendations. The annualized cost of the FY14 pay adjustments equals \$45.00 million (\$36.10 million tax supported).

Recurring Cost of Bargained Pay Adjustments: Each of the collective bargaining agreements submitted by the Executive is a multi-year agreement containing provisions that require an appropriation of funds in FY14 and additional appropriation of funds in FY15. The Council's decision to appropriate funds for FY14 pay adjustments does not constitute an approval or an appropriation of funds for FY15 pay adjustments. To implement the FY15 provisions of the collective bargaining agreements, the Executive next year must submit an appropriation request to fund the second year of the agreements. The Council will make funding decisions for FY15 at that time.

As shown on the tables on page 14, the pay adjustments in the collective bargaining agreements, if approved by the Council, would have a combined FY15 cost of \$32.33 million (\$25.42 million tax supported).²³ Many of the pay adjustments bargained for FY15 take effect several months into the fiscal year. As a result, the annualized cost of the FY15 pay adjustments equals \$45.16 million (\$36.26 million tax supported).

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

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

²³ This estimate assumes that the Executive would recommend identical FY15 pay adjustments for non-represented and MLS employees as recommended for FY14.

Cost of Executive Recommended Pay Adjustments (\$ millions)

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

Total Cost (Tax Supported and Non-Tax Supported)

	FY14 Pay Increases		FY15 Pay Increases		Annualized Cost (FY16 and beyond)
	Budgeted Amount	Annualized Cost	Budgeted Amount	Annualized Cost	
General Wage Adjustments	\$21.02	\$24.04	\$21.02	\$24.04	\$48.07
Service Increments	\$7.30	\$13.86	\$7.30	\$13.86	\$27.73
Additional Service Increments	\$0.98	\$3.21	\$0.55	\$3.37	\$6.58
Performance-Based Pay	\$1.79	\$1.79	\$1.79	\$1.79	\$3.59
Longevity Adjustments	\$0.55	\$0.97	\$0.54	\$0.97	\$1.93
Lump Sum Payments	\$0.74	\$0.74	\$0.74	\$0.74	--
Shift / Special Duty Differentials	\$0.39	\$0.39	\$0.39	\$0.39	\$0.77
TOTALS	\$32.77	\$45.00	\$32.33	\$45.16	\$88.67

Tax Supported Cost

	FY14 Pay Increases		FY15 Pay Increases		Annualized Cost (FY16 and beyond)
	Budgeted Amount	Annualized Cost	Budgeted Amount	Annualized Cost	
General Wage Adjustments	\$16.43	\$18.78	\$16.43	\$18.78	\$37.56
Service Increments	\$5.87	\$11.15	\$5.87	\$11.15	\$22.30
Additional Service Increments	\$0.98	\$3.21	\$0.55	\$3.37	\$6.58
Performance-Based Pay	\$1.23	\$1.23	\$1.23	\$1.23	\$2.46
Longevity Adjustments	\$0.50	\$0.89	\$0.50	\$0.89	\$1.79
Lump Sum Payments	\$0.51	\$0.51	\$0.51	\$0.51	--
Shift / Special Duty Differentials	\$0.33	\$0.33	\$0.33	\$0.33	\$0.67
TOTALS	\$25.85	\$36.10	\$25.42	\$36.26	\$71.36

Source: Office of Management and Budget

All told, the bargained FY14 and FY15 collective bargaining agreements, if fully funded in both years, would add a recurring annual total of \$88.67 million (\$71.36 million tax supported) in salary costs to the County Government's operating budget.²⁴

Overtime: Last month the Office of Legislative Oversight issued a report on County Government employee work hours.²⁵ The report found that County Government employees worked more than 900,000 hours of overtime during a recent 12-month period. Should employees work a similar amount of overtime in FY14 and FY15, the pay adjustments recommended by the Executive would raise overtime costs by an estimated additional \$2.5-\$3.0 million in each year.

Perspectives on the Executive's Recommended Pay Increases

The Executive's rationale for the increases, as set forth in the budget message, is outlined on ©40-41. He said that "the extensive work we have done over the past six years to put the County's fiscal house in order – boosting reserves, cutting the workforce, reducing expenditures, and the hundreds of millions of dollars in savings we have gotten from pay freezes and benefit changes – has given us the room – and the context – to consider some compensation increases." He said further that "during the past two years, most area local governments or agencies gave general wage adjustment increases and/or steps to their employees. Montgomery County did neither." He also said that recent and proposed pay changes in other jurisdictions support his position.²⁶

Those opposing the increases include two Chambers of Commerce, Greater Bethesda and Greater Silver Spring. See their April 11 public hearing testimony on ©43-46. The Greater Bethesda Chamber said that many of its members "continue to struggle to survive – much less grow – and have imposed wage and benefit freezes on their employees and long ago discontinued 401(k) matching programs." The Greater Silver Spring Chamber noted that "thousands of Montgomery County residents who are federal employees face furloughs of up to four weeks, and many private sector workers are seeing modest if any pay increases." Councilmember Andrews has proposed reducing the negotiated increases by 35% and using the savings, about \$11.4 million, to reduce the FY11-12 energy tax increase by 10%.

Compensation data from different sources provide some context. For example:

- The Council's annual survey of pay changes in the region, as noted on page 2, presents a mixed picture for FY10-13 and FY14 (recommended). See ©47-52 for data from four representative counties (Anne Arundel, Arlington, Fairfax, and Howard), the State, and the federal government. There is no definitive pattern in the data.

- Selected data from OHR's April 2013 Personnel Management Review also provide a mixed picture. The tables on ©53-54 show that over the past 20 years, pay increases for County employees not at maximum salary were substantially larger than the CPI change and private sector increases until the FY10-13 period, when they fell behind by 8.8% and 6.8%, respectively. The table on ©55 shows that for middle management and professional positions, County Government salaries are generally below comparable federal salaries at both the minimum and the maximum levels. The table on ©56 shows that for projected pay increases in 2013, County Government lags the private sector. (Before the recession the opposite was generally the case.) Definitional issues in all these tables are important.

²⁴ This estimate assumes that the Executive would recommend identical FY15 pay adjustments for non-represented and MLS employees as recommended for FY14.

²⁵ <http://www6.montgomerycountymd.gov/content/council/olo/reports/pdf/oloreport2013-3.pdf>

²⁶ The Executive also said that the agreements "avoided binding arbitration, which I believe, would have been far more costly and legally risky." See ©42 for observations on this point from Mr. Farber's FY14 budget overview.

An **important caveat** with regard to this salary information is that while salaries are a key element of **total compensation**, they are not the only one. Like County agencies, other jurisdictions and private sector firms differ in the scope and employee cost share of their health, retirement, and other benefits, making apples-to-apples comparisons difficult. (This is so even **within** County agencies. See, for example, page 17 for the sharply different employer retirement contributions made on behalf of different County Government employees.) Other variables include an employer's history on salary and benefit levels, work hours, overtime, shift differentials, furloughs, and reduction-in-force.²⁷

Retirement

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

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

For FY14, the Executive's recommended ERS contribution is \$121.85 million (\$111.91 million tax supported), an \$8.94 million or 7.9% increase above the FY13 contribution of \$112.90 million. The \$8.94 million increase in the total ERS contribution results from loss of actuarial value of ERS fund assets due to the actual investment return being lower than the assumed 7.5% return; decrease in the active member payroll; and changes in the valuation system from the prior actuary.

Defined Contribution Plan (Retirement Savings Plan): General government employees hired since October 1, 1994 participate in the Retirement Savings Plan (RSP). These employees receive a benefit in which the County Government contributes a defined percent of salary (currently 8%) into employee retirement savings accounts. **For FY14, the County will contribute an estimated \$15.69 million (\$11.06 million tax supported) to employee RSP accounts, a 7.9% increase over the amount budgeted for FY13.** This increase is almost entirely attributable to salary and workforce increases recommended by the Executive.

Cash Balance Plan (Guaranteed Retirement Income Plan): Beginning in 2009, employees hired since October 1, 1994 have had the option of participating in the Guaranteed Retirement Income Plan (GRIP). GRIP is a cash balance plan that guarantees a 7¼% annual return.²⁸ About 24% of eligible employees have chosen the GRIP option. **The Executive estimates that the GRIP will cost the County Government \$4.06 million (\$2.87 million tax supported) in FY14, a 1.5% increase over the amount budgeted for FY13.**

²⁷ As Sergeant Martens of Internal Affairs said on *NYPD Blue*, "Everything is a situation."

²⁸ As a cash balance plan that guarantees an annual return, the GRIP is a type of defined benefit plan.

Participation and Cost Comparisons: A large disparity exists in the costs of the County Government retirement plans. The table below shows the number of employees participating in each of the retirement plans and the total FY14 cost (excluding employee contributions) for each plan. The data show that while fewer than half of employees participate in the ERS, the ERS accounts for 86% of total County Government retirement plan costs. The average cost per employee for an ERS participant is more than six times greater than the comparable cost per RSP participant and more than seven times greater than the cost per GRIP participant.

	Plan Participants		FY14 Cost		Average FY14 Cost/ Employee
	Employees	Percent	\$ Amount (millions)	Percent	
ERS (Defined Benefit)	4,262	47.7%	\$121.85	86.1%	\$28,589
RSP (Defined Contribution)	3,564	39.9%	\$15.69	11.1%	\$4,403
GRIP (Cash Balance)	1,102	12.3%	\$4.06	2.9%	\$3,686

The FY14 contribution rates or “loads” (as a percent of an employee’s salary) are 43.7% (public safety) and 35.5% (non-public safety) for the ERS’ mandatory integrated plan, 8.0% for the RSP, and 6.5% for the GRIP.

Group Insurance

The County Government operating budget includes funding for active employee and retiree group insurance costs. The Executive does not recommend any change in the group insurance benefits offered to County Government employees or retirees for FY14.

Active Employee Group Insurance: The Executive recommends **\$78.3 million** in tax supported funds for active employee group insurance benefits in FY14, a **decrease of \$1.4 million or 1.8%** from FY13. The table below shows the tax supported active employee group insurance costs and rate of growth for the past five years.

County Government Active Employee Group Insurance Budget (Tax Supported)

	FY10	FY11	FY12	FY13	FY14
Total	\$78.9 million	\$79.5 million	\$76.7 million	\$79.7 million	\$78.3 million
% Change	--	+0.8%	-3.5%	+3.9%	-1.8%

The slight decline in FY14 for tax supported group insurance funding reflects both workforce changes and trends in overall health insurance expenditures described below. For FY14, OMB also developed a new method for allocating group insurance costs to County departments and offices. Instead of using information about individual employee elections from the payroll system, OMB determined the per employee average County cost for FY14 (\$10,545) and assigned costs to each department based on that average and the number of employees. While this new method does not impact the overall costs of group insurance for the County Government, it will impact the FY14 group insurance budgets for some departments and offices.

Retiree Group Insurance: The Executive recommends **\$32.5 million** in tax supported funds for pay-as-you-go retiree group insurance benefits in FY14, which is **no change** from FY13. The table below shows the tax supported active employee group insurance costs and rate of growth for the past five years.

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

	FY10	FY11	FY12	FY13	FY14
Total	\$26.0 million	\$31.1 million	\$32.5 million	\$32.5 million	\$32.5 million
% Change	--	+19.6%	+4.5%%	0%	0%

Health Benefits Self Insurance Fund: The FY14-19 fiscal projection for the Employee Health Benefits Self Insurance Fund from the Executive’s Fiscal Plan is on ©57. **The Executive projects a \$16.1 million (or 8.8% of expenditures) balance in the fund at the end of FY13, exceeding the County Government target fund balance of 5%.** The Health Benefits Self-Insurance Fund began FY13 with balance of \$36.1 million, although that balance was reduced by \$19 million through a transfer to the General Fund during FY13.²⁹

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 and FY12. This does not mean the cost of health care claims decreased, but that the cost of claims increased less than expected. This experience of lower than projected expenditures parallels the experience of MCPS’ group insurance funds during the same period.

The fiscal projection indicates that total expenditures from the fund are expected to exceed revenues into the fund by about \$6 million during FY14, resulting in a projected fund balance of 5% at the end of FY 14.

4. COUNTY GOVERNMENT COMPENSATION-RELATED NDAs

The FY14 recommended budget contains nine compensation-related Non-Departmental Accounts (NDAs):

1. Judges Retirement Contributions NDA

See ©59. The recommended amount for FY14 is \$0. The FY13 amount was also \$0..

2. State Positions Supplement NDA

See ©61. The recommended amount for FY14 is \$44,662. The FY13 amount was \$85,113.

3. State Retirement Contribution NDA

See ©61. The recommended amount for FY14 is \$1,192,180. The FY13 amount was \$1,135,590.

²⁹ \$8 million was transferred to the General Fund as part of the Council’s FY13 final budget action, and the remaining \$11 million was transferred by the County Government during FY13.

4. Group Insurance for Retirees NDA

See ©59. The recommended amount for FY14 is \$32,462,450. The FY13 amount was the same.

5. Compensation and Employee Benefits Adjustments NDA

See ©58. The recommended amount for FY14 is \$2,549,342. The FY13 amount was \$721,071. Each year this NDA captures several separate personnel-related adjustments.

6-8. Consolidated Retiree Health Benefits Trust NDAs

See ©58 and ©60. In 2011 the Council established this trust on behalf of MCG, MCPS, and Montgomery College in order to make the OPEB funding process more transparent and coherent. For FY14 – year seven of the eight-year funding schedule – 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 FY14 are \$51,319,040, \$87,836,000, and \$2,489,000, respectively. For further detail see ©62 and pages 8-10.

9. Montgomery County Employee Retirement Plans NDA

See ©59. This new NDA relates to the several County retirement plans. There is no recommended appropriation. For further detail see the packet for GO Committee #4.

5. 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).³⁰ Agency staff have worked hard to assemble these displays of personnel information, and their efforts are appreciated. In past years this information has been helpful to groups such as the Council's Task Force on Employee Wellness and Consolidation of Agency Group Insurance Programs and to other interested parties.

This year the **County Government** again prepared a PMR like the one it first issued in 1991 (see ©A1-41). The PMR, prepared by OHR, has consistently provided useful basic information on the merit system employment profile, turnover, and wage and salary comparability. In this year's PMR the information is once again clearly presented and readily understandable. The comparative information on salaries (see ©A30-41) is especially useful. Other information includes turnover data on the 594 employees (6.74% of the workforce) who left County Government service in 2012 (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. The table on ©A34 shows that **72% of all employees are eligible for FY14 service increments, with differences among bargaining units. This table is also on ©63.**

³⁰ See http://www.montgomerycountymd.gov/content/council/pdf/agenda/cm/2012/120501/20120501_GO2.pdf.

M-NCPPC again prepared a detailed Personnel Management Review, which it initiated in 1995. This PMR (see ©A42-168) 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 ©A169-200). This report, which WSSC initiated in 1995, includes data on such matters as the diversity of WSSC's workforce in 2012.

MCPS again provided a Staff Statistical Profile (see ©A201-290), 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 ©A291-298). 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.

Workforce Characteristics	County Government	MCPS	Montgomery College	M-NCPPC (Montgomery)	WSSC (Bi-County)
Reporting Period	CY 2012	FY 2013	CY 2012	FY 2012	CY 2012
Permanent Employees	8,809	22,216	1,838	735	1,557
Average Annual Salary	\$69,092 (overall weighted avg.)	<u>Admin/Supervisory</u> \$124,660 <u>Teachers (10-Mo.)</u> \$75,463 <u>Support Staff</u> \$43,751	Not included	<u>Planning Dep't.</u> \$70,972 <u>Parks Dep't.</u> \$61,414	\$70,252
Race/Ethnicity:					
% White	55%	63%	54%	67%	43%
% African American	27%	18%	26%	21%	47%
% Hispanic/Latino	9%	10%	8%	7%	3%
% Asian	6%	8%	11%	5%	6%
% Other	3%	1%	1%	<1%	1%
Turnover Rate	6.7%	5.5%	6.8%	5.3%	8.1%

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' FY13 costs and FY14 requests for employee awards and tuition assistance. County Government's awards programs are outlined on ©64.³¹

	Employee Awards		Tuition Assistance	
	FY13	FY14	FY13	FY14
County Government	see ©64	TBD	\$435,000	\$435,000
MCPS	none	none	\$3,039,746	\$3,039,746
Montgomery College	\$75,000	\$131,000	\$925,000	\$1,045,000
M-NCPPC	\$6,000	\$19,500	\$58,407	\$58,407
WSSC	\$63,000	\$64,000	\$150,000	\$150,000

Notes: The FY14 amounts for M-NCPPC are for Montgomery County only. MCG tuition assistance is for the FOP (\$135,000), MCGEO (\$150,000), and all other employees on a first-come first-served basis.

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 FY08-13, given the fiscal situation, there was no cash-out.

2. Testimony. During the course of the Council's five public hearings on the FY14 operating budget on April 9-11, a number of speakers addressed compensation issues. Councilmembers have copies of this testimony and also of all correspondence related to compensation.

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³¹This 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 FY11-13. 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 Cost Savings FY10-FY13

Retirement Changes	\$14 million
Health Benefits Changes	\$10 million
3 Years of No Increments	\$62 million
4 Years of No COLAs	\$162 million
Furloughs (FY11)	\$11 million
Net Savings from Abolishing 1,254 Positions (FY10-12)	<u>\$210 million</u>

TOTAL \$469 million

Plus \$156 million annually in ongoing savings.

COLLECTIVE BARGAINING

Fire and Rescue Bargaining Unit:

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

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

MCGEO Bargaining Unit:

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

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

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

Police Bargaining Unit:

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

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

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

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

Non-Represented Pass-Through Estimates

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

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

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

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

Police Uniformed Management Pass-Through Estimates

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

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

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

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

Fire and Rescue Uniformed Management Pass-Through Estimates

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

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

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

MONTGOMERY COUNTY GOVERNMENT

REC

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14
<u>Police (FOP)</u>											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	3.5%(w)
General adjustment (COLA)	2.0%	2.0%(c)	2.75%	(i)	-	4.0%	0.0%	0.0%	0.0%	0.0%	2.1%(x)
Lump-sum payment	-	-	-	-	-	-	-	-	-	(r)	-
Top of range adjustment	-	(d)	-	-	-	-	-	-	-	-	-
Longevity	-	-	(g)	-	(k)	-	-	-	-	(s)	(s)
<u>Fire (IAFF)</u>											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	3.5%
General adjustment (COLA)	3.5%	3.5%	(h)	(j)	5.0%	2%+2%(o)	0.0%	0.0%	0.0%	0.0%	2.75%(y)
Lump-sum payment	-	-	-	-	-	-	-	-	-	(r)	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Longevity	(a)	(a)	-	-	-	-	(p)	-	-	(t)	(t)
<u>Office, Professional, and Technical Bargaining Unit/Service, Labor, and Trade Bargaining Unit (MCGEO)</u>											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	3.5%
General adjustment (COLA)	3.75%(b)	2.0%(c)	2.75%	(i)	4.0%	4.5%	0.0%	0.0%	0.0%	0.0%	3.25%(z)
Lump-sum payment	-	-	-	-	-	-	-	-	-	(r)	0.5%(aa)
Top of range adjustment	-	(e)	-	-	(l)	-	(q)	-	-	-	-
Longevity										(u)	(u)
<u>Non-Represented</u>											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	3.5%
General adjustment (COLA)	2.0%	2.0%(c)	2.75%	(i)	4.0%	4.5%	0.0%	0.0%	0.0%	0.0%	3.25%(z)
Lump-sum payment	-	-	(m)	(m)	(m)	(m)	-	-	-	(r) (v)	0.5%(aa)
Top of range adjustment	-	(f)	(n)	(n)	(n)	(n)	-	-	-	-	-
Longevity										(n)	(n)

(a) Pay plan adjustment equal to 3.5%.

(b) Effective 11/30/03.

(c) Effective 9/5/04.

(d) Return to uniform pay plan starting 1/9/05 for unit members with 20 years of completed service.

(e) 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%.

(f) Range expansion of 1.75%, 3.75% for employees in the Management Leadership Service.

(g) Effective 1/8/06 current min/max salary schedule will be converted to a matrix based step schedule.

(h) 3% effective 7/10/05; 1% effective 1/8/06.

(i) 3.0% effective 7/9/06; 1.0% effective 1/7/07.

(j) 4.0% effective 7/9/06; 1.0% effective 1/7/07.

(k) Increase wage rate of Step 0, Year 1, by \$3,151 with promotions and increments calculated from that point. Equals an adjustment of 7.5%.

- (l) Increase longevity percentage by 1.0%, effective 1/6/08.
- (m) Performance lump sum award: 2% for exceptional and 1% for highly successful.
- (n) One-time longevity/performance increment requires 20 years of service and 2 most recent years with a performance rating of exceptional or highly successful: 1% added to base pay, and effective 1/7/07, 2% added to base pay.
- (o) 2.0% effective 7/6/08; 2.0% effective 1/4/09.
- (p) A new longevity adjustment at 28 years of service in July 2009 and additional steps on the salary in July 2010.
- (q) 3.0% longevity increase.
- (r) \$2,000 lump sum payment to employees who completed probationary period by July 1, 2012.
- (s) 3.5% longevity for FOP bargaining unit members who completed 20 years of service
- (t) 3.5% longevity increase for IAFF bargaining unit members who completed 20 years of service and 7% longevity increase for IAFF bargaining unit members who completed 28 years of service.
- (u) 3% longevity for OPT/SLT (MCGEO) bargaining unit members who completed 20 years of service and at maximum of grade.
- (v) 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.
- (w) FOP members whose service increment was deferred during FY11, FY12, and/or FY13, and who were otherwise eligible, receive a salary adjustment of 1.75% effective the first full pay period following February 1, 2014.
- (x) GWA effective July 14, 2013.
- (y) IAFF members who were eligible but who missed an FY11 service increment will receive it during the pay period beginning April 6, 2014.
- (z) GWA effective September 8, 2013.
- (aa) 0.5% lump sum bonus given July 14, 2013 for employees at the max of their pay grade.

MONTGOMERY COUNTY PUBLIC SCHOOLS

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	REC FY14
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%	0.0%	0.0%	1.5-3.9%	1.5-3.9%
Increment-weighted average (a)	1.9%	1.9%	2.0%	1.9%	2.2%	2.3%	2.1%	0.0%(n)	0.0% (n)	2.7%(p)	1.3%(q)
Negotiated salary schedule increase	4.0% (c)	2.0%	2.75%	4.0%(i)	4.8%(j)	5.0%(k)	0.0%(m)	0.0%(n)	0.0% (n)	0.0%(o)	0.0%(o)
Lump-sum payment (b)	-	-	-	-	-	-	-	-	-	2.0%	2.0%
Top of range adjustment (f)	-	-	-	-	-	-	-	-	-	-	-
Admin. and Supervisory Personnel (MCAAP)											
Increment	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	0.0%	0.0%	3.0%	3.0%
Increment-weighted average (a)	0.8%	0.9%	1.1%	0.9%	1.1%	1.2%	1.1%	0.0% (n)	0.0% (n)	1.4%(p)	2.0%(q)
Negotiated salary schedule increase	3.0% (d)	2.0%(g)	2.0%(h)	4.0%(i)	4.8%(j)	5.0%(k)	0.0%(m)	0.0% (n)	0.0% (n)	0.0%(o)	0.0%(o)
Lump-sum payment (b)	-	-	-	-	-	-	-	-	-	2.0%	2.0%
Top of range adjustment (f)	-	-	-	-	-	-	-	-	-	-	-
Business and Operations Administrators (MCBOA)											
Increment						(l)	3.0%	0.0%	0.0%	3.0%	3.0%
Increment-weighted average (a)						(l)	1.6%	0.0% (n)	0.0% (n)	2.7%(p)	2.5%(q)
Negotiated salary schedule increase						(l)	0.0%(m)	0.0% (n)	0.0% (n)	0.0%(o)	0.0%(o)
Lump-sum payment (b)						(l)	-	-	-	2.0%	2.0%
Top of range adjustment (f)							-	-	-	-	-
Supporting Services Employees (SEIU Local 500)											
Increment	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%	0.0%	0.0%	1.9-5.5%	1.9-5.5%
Increment-weighted average (a)	1.9%	1.8%	1.9%	1.6%	1.9%	1.8%	1.7%	0.0% (n)	0.0% (n)	2.6%(p)	1.2%(q)
Negotiated salary schedule increase	3.0% (e)	2.0%	2.75%	4.0%(i)	4.8%(j)	5.0%(k)	0.0%(m)	0.0% (n)	0.0% (n)	0.0%(o)	0.0%(o)
Lump-sum payment (b)	-	-	-	-	-	-	-	-	-	2.0%	2.0%
Top of range adjustment (f)	-	-	-	-	-	-	-	-	-	-	-
Non-Represented	All non-represented employees (except 19 nonscheduled Executive staff, Board staff, and chief negotiator positions) receive the same increments and other salary adjustments as the bargaining units for which these positions are covered.										
Increment											
Negotiated salary schedule increase											
Lump-sum payment											
Top of range adjustment											

- (a) The number provided in the chart represents the weighted average step increase received by eligible employees without longevities and employee benefits. It is based on the number of employees who receive a step increase at various points (anniversary dates) in the year. An average annual cost of the salary increments is used for this analysis.
- (b) For FY 2013 and FY 2014, employees who are at the top of the grade and will receive no step or longevity increase will receive a 2.0% increase.
- (c) For FY 2003 and FY 2004, the negotiated agreement with MCEA provided for an average increase in the salary schedule of 4.0%. Two more days were added 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 members and 12/1/03, for 10-month unit members, resulting in a 3.66% salary impact. See footnotes i,j,k,m,n,o for data for FY 2007 – FY 2014.
- (d) 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 members, and 11/8/03 for 11-month assistant school administrators, resulting in a 1.87% salary impact.

- (e) 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 members, and on 11/8/03 for all other unit members, resulting in a 2.05% salary impact.
- (f) Longevities for each of the separate bargaining units are as follows:
1. MCEA – Employees who have completed six or more years on step 19 of any salary lane on the salary schedule will receive an increase of 2.25%. No longevities were paid in FY 2011 or FY 2012. In FY 2013, eligible employees received longevity payments and FY 2011 and FY 2012 make up longevity payments also where provided. In FY 2014, longevity payments will be provided on February 8, 2014.
 2. MCAAP - Effective October 1, 2004, the MCAAP contract provided for an annual longevity supplement of \$1,500 for each unit member who completed 10 or more years of service. Effective December 1, 2006, the contract was changed to provide a longevity supplement of \$1,500 for each unit member who completed 5 or more years of service. No longevities were paid in FY 2011 or FY 2012. In FY 2013, eligible employees received longevity payments and FY 2011 and FY 2012 make up longevity payments also where provided. In FY 2014, longevity payments will be provided on February 8, 2014 or the longevity anniversary date, whichever is later.
 3. MCBOA – Unit members receive a \$1,500 longevity increase at 5, 10, and 15 years of service. No longevities were paid in FY 2011 or FY 2012. In FY 2013, eligible employees received longevity payments and FY 2011 and FY 2012 make up longevity payments also where provided. In FY 2014, longevity payments will be provided on February 8, 2014 or the longevity anniversary date, whichever is later.
 4. SEIU – Unit members receive a one-grade increase on the salary schedule at 10, 14, and 18 years of service. In addition, employees with 22 years of service receive a \$200 increase. No longevities were paid in FY 2011 or FY 2012. In FY 2013, eligible employees received longevity payments and FY 2011 and FY 2012 make up longevity payments also where provided. In FY 2014, longevity payments will be provided on the employee's longevity anniversary date.
- (g) For FY 2005, the negotiated agreement with MCAAP provided for a salary schedule increase of 2.0% implemented on 10/2/04 for 12-month members and on 11/13/04 for 11-month assistant school administrators resulting in a 1.49% salary impact.
- (h) 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%.
- (i) For FY 2007, the negotiated agreement with MCEA and SEIU Local 500 provided for a salary schedule increase of 3.0% on 7/1/06 and an additional 1.0% effective mid-year, resulting in a 3.5% salary impact. The negotiated agreement with MCAAP provided for a salary schedule increase of 4.0% and scale adjustments effective 11/1/06 resulting in a 3.5% average salary impact.
- (j) For FY 2008, the negotiated agreement with MCEA, MCAAP, and SEIU Local 500 provided for a 4.8% salary schedule increase and other compensation changes equivalent to an average of an additional 0.2% for a total of 5.0%.
- (k) For FY 2009, the negotiated agreement with MCEA, MCAAP, and SEIU Local 500 provided for a 5.0% salary schedule increase.
- (l) In calendar year 2008, the BOE approved the formation of a fourth bargaining unit - The Montgomery County Business and Operations Administrators (MCBOA). In FY 2009, the compensation for these employees was included in the SEIU salary numbers.
- (m) The 2008-2010 contracts with MCAAP, MCBOA, MCEA, and SEIU Local 500 included, for FY 2010, a 5.3% COLA and other salary-related improvements. Due to the fiscal situation, no COLA was provided in FY 2010.
- (n) Due to the fiscal situation in FY 2011 and FY 2012, no COLA or increments were awarded.
- (o) For FY 2013 and FY 2014, there is no provision for a COLA.
- (p) In FY 2013, all eligible employees received a step increase on July 1, 2012. In addition, a make-up step representing the FY 2011 step increase that was not provided for in FY 2011 will be provided to eligible employees on May 4, 2013. The amount budgeted to cover both these step increases in FY 2013 is included in the increment-weighted average calculation by union for FY 2013.
- (q) For FY 2014, all eligible employees will receive a step increase beginning February 8, 2014. The increment-weighted average calculation by union in the FY 2014 column includes both the annualized budgeted amount of the May 4 step increase to be paid in FY 2014 plus the cost of the February 8, 2014 step increase.

MONTGOMERY COLLEGE

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	REC FY14
Faculty (AAUP)								(h)			
Increment	\$1,167	-	-	-	-	-	-	-	-	-	3.5%
General adjustment (COLA)	3.625%(a)	1.6%	2.75%	3.75%	5.3%	5.5%	-	-	-	-	2.25%
Lump-sum payment	-	\$1,879	\$1,931	\$2,019	\$2,125	\$2,242	\$2,372(g)	-	2.0%(k)	-	-
Top of range adjustment	(b)	1.6%(d)	2.75%(e)	3.75%(f)	5.3%	5.5%	-	-	-	-	3.0%
Administrators	2.5%-	3.65%-	4.75%-	3.75%	4.75%-	4.75%-		(i)			0.0%-
Increment	4.25%	4.15%	5.5%	6.5%	7.5%	7.0%	0%	-	-	-	5.5%(l)
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	2.25%
Lump-sum payment	(c)	-	-	-	-	-	-	-	2.0%(k)	-	-
Top of range adjustment	3.6%	2%	2.75%	3.75%	4.75%	5.0%	-	-	-	-	3.0%
Staff - Non-Bargaining and Bargaining								(j)			
Increment	2.0%	3.25%	2.75%	2.75%	3.0%	3.0%	3.0%	-	-	-	3.5%
General adjustment (COLA)	3.6%(a)	2.0%	2.75%	3.75%	4.75%	5.0%	-	-	-	-	2.25%
Lump-sum payment	-	-	-	-	-	-	\$500(g)	-	2.0% (k)	-	-
Top of range adjustment	3.6%	2.0%	2.75%	3.75%	4.75%	5.0%	-	-	-	-	3.0%

(a) Delayed by 4.6 months of fiscal year.

(b) Not to exceed \$79,090.

(c) Up to \$2,000 based on performance for those at top of range.

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

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

(f) 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.

(g) 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.

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

(i) Administrators furloughed 8 days.

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

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

(l) Administrators may receive between a 0.0% and 5.5% pay for performance bonus in lieu of an increment. This is not added to base pay.

MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	REC FY14
Non-Represented											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	(g)
General adjustment (COLA) (effective date)	2.5% (9/03)	2.7% (7/04)	2.8% (7/05)	3.0%	3.25% (7/07)	3.25% (7/08)	0.0%	0.0%	0.0%	0.0%	
Lump-sum payment	-	-	-	-	-	-	-	-	-	\$2,000	
Top of range adjustment	-	-	-	7.0%	-	-	(e)	-	-	-	
Service/Labor, Trades, and Office/Clerical Bargaining Units (MCGEO, Local 1994)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	\$780(f)	0.0%	0.0%	0.0%	(g)
General adjustment (COLA) (effective date)	2.5% (9/03)	2.7% (7/04)	2.8% (7/05)	3.0%	3.25%	3.25%	\$640(f)	0.0%	0.0%	0.0%	
Lump-sum payment	-	-	-	-	-	-	-	-	-	\$2,000	
Top of range adjustment	-	-	-	3.5%	3.5%	-	-	-	-	-	
Park Police (FOP, Lodge 30)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	0.0%	0.0%	(g)
General adjustment (COLA) (effective date)	2.75% (4/04)	2.5%(a)	3.5%(b)	4.5%(c)	4.5%(d)	3.25% (7/08)	3.75% (7/09)	0.0%	0.0%	0.0%	
Lump-sum payment	-	-	-	-	-	-	-	-	-	\$2,000	
Top of range adjustment	-	(a)	-	-	-	-	-	-	-	-	

- (a) 2.5% COLA for officers below the rank of Sergeant effective 5/05. Sergeants were granted a 5.0% COLA effective 5/05. One new step (2.5%) added for Sergeants (P05) only.
- (b) 2.5% COLA effective 7/05. Plus additional 1% COLA provided 4/06 in exchange for officers paying 100% of Long Term Disability premiums.
- (c) 3.5% COLA effective 7/06 plus additional 1% COLA effective 7/06 in exchange for officers paying 100% of Long Term Disability premiums.
- (d) 3.5% COLA effective 7/07 plus an additional 1% COLA increase effective 7/07 in exchange for officers paying 100% of Long Term Disability premiums.
- (e) 3.75% range adjustment for Park Police Command Staff.
- (f) FY10: replacing a normal COLA and merit, a \$1,420 (pro-rated) wage adjustment instead was provided to each MCGEO member (applied up to, but not beyond the top of the grade), effective first pay period following July 1, 2009. Of the \$1,420, \$640 is distributed to every MCGEO member, and the rest \$780 (maximum assuming satisfactory performance rating) was pro-rated based on anniversary date and adjusted based on performance rating.
- (g) Compensation is unknown at this time and 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 FY14 compensation at the May joint Council meeting.

WASHINGTON SUBURBAN SANITARY COMMISSION

	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	REC FY14
AFSCME										
Merit pay adjustment (a)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	TBD (f)
General adjustment (COLA)	2.0%	2.0%	3.5%	3.75%	3.5%	0.0%	0.0%	2.0%(e)	2.0%(e)	
Lump-sum payment	-	-	-	-	-	-	-	-	-	
Top of range adjustment	-	-	-	-	-	-	-	-	-	
Non-Represented										
Merit pay adjustment (a)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.5%(b)(d)	3.0%(b)(d)	3.0%(b)(d)	0.0%	0.0%	3.0%(d)	TBD (f)
General adjustment (COLA)	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.
- (f) Salary enhancements to be determined by the Montgomery and Prince George's Counties during the FY14 budget approval process. There is a pool of \$3.4 million for salary enhancements. The specific use of these funds will be determined as the two Counties make decisions about salary enhancements for their employees.

COUNTY GOVERNMENT WAGES, SOCIAL SECURITY, and RETIREMENT
TAX SUPPORTED FUNDS, FY13 BUDGET AND FY14 REQUEST

"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, FY13 Approved Budget	MC GEO	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%
FTEs (bargaining units estimated)	3,846	858	859	2,010	7,573
Active employees:					
Wages					514,236,920
Social Security					41,223,837
Retirement					116,828,179
Group insurance for active employees					80,012,246
Subtotal					752,301,182
Other					44,485,208
Total compensation for active employees	286,917,002	126,600,457	134,640,651	197,407,371	796,786,390
Retiree benefits: group insurance					
Pay as you go amount					32,462,450
Fifth year phase in of OPEB					41,386,568
Total compensation for retired employees					73,849,018
Total compensation for active and retired employees	286,917,002	126,600,457	134,640,651	197,407,371	870,635,408
Operating budget without debt service					1,366,983,815
Total compensation as % of total operating budget					63.7%
% General Wage Adjustment					
Cost of General Wage Adjustment (wages, social security, retirement)	0	0	0	0	0
Cost of other Wage Adjustment (wages, social security, retirement) ¹	7,824,789	1,745,243	1,748,632	4,088,613	\$15,407,278
Cost per 1% General Wage Adjustment (wages, social security, retirement) - did not occur	2,495,551	1,132,663	1,209,803	1,786,837	6,624,854
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) - did not occur	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) - did not occur	766,269	289,231	370,053	223,019	1,648,572

Tax Supported Funds, FY14 Request	MCGEO	IAFF	FOP	Non Represented	TOTAL
Filled positions, tax and non-tax supported (Dec. 31, 2012)	4,287	988	997	2,777	9,049
Percent of total	47.4%	10.9%	11.0%	30.7%	100.0%
FTEs (bargaining units estimated)	3,660	844	851	2,371	7,726
Active employees:					
Wages					510,798,611
Social Security					42,427,236
Retirement					125,845,308
Group insurance for active employees					78,256,954
Subtotal					757,328,109
Other					62,168,831
Total compensation for active employees	292,467,999	129,981,005	138,044,965	196,834,140	819,496,939
Retiree benefits: group insurance					
Pay as you go amount					32,462,450
Sixth year phase in of OPEB					51,319,040
Total compensation for retired employees					83,781,490
Total compensation for active and retired employees	292,467,999	129,981,005	138,044,965	196,834,140	903,278,429
Operating budget without debt service					1,455,628,693
Total compensation as % of total operating budget					62.1%
% General Wage Adjustment	0.00%	0.00%	0.00%	0.00%	0.00%
Cost of General Wage Adjustment (wages, social security, retirement)	6,574,004	2,993,143	2,511,181	4,349,688	16,428,016
Cost of other Wage Adjustment ²	496,210	518,369	588,365	224,939	1,827,883
Cost per 1% General Wage Adjustment (wages, social security, retirement)	2,425,832	1,088,416	1,195,800	1,786,837	6,496,885
Cost per furlough day (wages, social security)	0	0	0	0	0
Cost of increments for employees not at top of grade (wages, social security, retirement)	2,818,226	1,102,495	1,576,443	876,715	6,373,879
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	809,344	314,999	450,412	245,005	1,821,108

Amount increase FY13-FY14	MC GEO	IAFF	FOP	Non Represented	TOTAL
Workyears	(186)	(14)	(8)	361	153
Active employees:					
Wages					(3,438,309)
Social Security					1,203,399
Retirement					9,017,129
Group insurance for active employees					(1,755,292)
Subtotal					5,026,927
Other					17,683,623
Total compensation for active employees	5,550,997	3,380,549	3,404,314	(573,232)	22,710,549
Retiree benefits: group insurance					
Pay as you go amount					0
Phase in of the Annual Required Contribution					9,932,472
Total compensation for retired employees					9,932,472
Total compensation for active and retired employees	5,550,997	3,380,549	3,404,314	(573,232)	32,643,021

Percent increase FY13-FY14	MC GEO	IAFF	FOP	Non Represented	TOTAL
Workyears	-4.83%	-1.66%	-0.95%	17.99%	2.03%
Active employees:					
Wages					-0.67%
Social Security					2.92%
Retirement					7.72%
Group insurance for active employees					-2.19%
Subtotal					0.67%
Other					39.75%
Total compensation for active employees	1.93%	2.67%	2.53%	-0.29%	2.85%
Retiree benefits: group insurance					
Pay as you go amount					0.00%
Phase in of the Annual Required Contribution					24.00%
Total compensation for retired employees					13.45%
Total compensation for active and retired employees	1.93%	2.67%	2.53%	-0.29%	3.75%

¹ Includes the \$2,000 lump sum payment and the cost of movement into the longevity steps (includes cost of longevity for people who qualified in FY11, FY12, and FY13). The cost of the \$2,000 payment includes FICA/Medicare; the cost of movement into longevity includes FICA/Medicare and retirement.

² Includes shift differential increases (FOP, Police Management, MC GEO, and non-represented), 0.5 percent lump sum payments for people at the maximum for their salary grade (MC GEO and non-represented), and delayed increments (IAFF, Fire Management, FOP, and Police Management); shift differential and increments include the cost of FICA/Medicare and retirement, the cost of the lump sum includes FICA/Medicare.

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MONTGOMERY COUNTY PUBLIC SCHOOLS WAGES, SOCIAL SECURITY, and RETIREMENT
TAX SUPPORTED FUNDS, FY13 BUDGET AND FY14 REQUEST

Tax Supported Funds, FY13 Approved Budget	MCAAP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears						
Active employees:	663.200	80.750	11,595.780	7,339.328	72.500	19,751.558
Wages (1.)	83,625,559	7,698,363	895,395,732	312,707,082	7,600,281	1,307,027,017
Social Security	6,492,028	597,640	69,511,850	24,276,107	590,026	101,467,651
Retirement (2.)	4,718,572	434,380	50,522,556	17,644,497	428,846	73,748,851
Group insurance for active employees	7,551,565	919,465	132,036,016	83,569,681	825,525	224,902,252
State Retirement Payment (3.)						27,227,553
Total compensation for active employees	102,387,724	9,649,848	1,147,466,154	438,197,367	9,444,678	1,734,373,324
Retiree benefits: group insurance						
Pay as you go amount						49,258,001
Total compensation for active and retired employees	102,387,724	9,649,848	1,147,466,154	438,197,367	9,444,678	1,783,631,325
Operating budget without debt service	N/A	N/A	N/A	N/A	N/A	2,028,871,395
Total compensation as % of total operating budget	N/A	N/A	N/A	N/A	N/A	87.91%
% General Wage Adjustment	0	0	0	0	0	0
Cost of General Wage Adjustment (wages, social security, retirement)	0	0	0	0	0	0
Cost of other Wage Adjustment (wages, social security, retirement) (4.)	1,174,926	51,718	4,441,390	1,479,268	0	7,147,302
Cost per 1% General Wage Adjustment (wages, social security, retirement)	945,554	87,045	10,124,240	3,535,779	85,936	14,778,554
Cost per furlough day (wages, social security, retirement)	367,527	33,479	4,718,617	1,553,739	29,232	6,702,594
Cost of increments for employees not at top of grade (wages, social security, retirement) (5.)	1,569,887	251,780	28,399,524	13,928,252	N/A	44,149,443
Cost of 1% increment for employees not at top of grade (wages, social security, retirement) (6.)	371,476	59,150	7,117,945	1,999,965	35,353	9,583,889

MONTGOMERY COUNTY PUBLIC SCHOOLS WAGES, SOCIAL SECURITY, and RETIREMENT
TAX SUPPORTED FUNDS, FY13 BUDGET AND FY14 REQUEST

Tax Supported Funds, FY14 Request	MCAAP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears						
Active employees:	666,401	80,379	11,844,270	7,361,945	79,000	20,031,995
Wages (1.)	84,518,225	7,862,414	923,964,928	317,383,274	8,498,762	1,342,227,603
Social Security	6,519,355	606,192	71,199,674	24,472,350	650,155	103,447,726
Retirement (2.)	5,069,680	466,005	54,761,995	18,751,021	503,722	79,552,423
Group insurance for active employees	7,239,285	873,178	128,667,335	79,974,693	858,197	217,612,688
State Retirement Payment (3.)						34,511,689
Total compensation for active employees	103,346,545	9,807,789	1,178,593,932	440,581,338	10,510,836	1,777,352,129
Retiree benefits: group insurance						
Pay as you go amount						47,258,001
Total compensation for active and retired employees	103,346,545	9,807,789	1,178,593,932	440,581,338	10,510,836	1,824,610,130
Operating budget without debt service	N/A	N/A	N/A	N/A	N/A	2,084,709,114
Total compensation as % of total operating budget	N/A	N/A	N/A	N/A	N/A	87.52%
% General Wage Adjustment	0	0	0	0	0	0
Cost of General Wage Adjustment (wages, social security, retirement)	0	0	0	0	0	0
Cost of other Wage Adjustment (wages, social security, retirement) (4.)	361,370	20,705	2,297,428	633,785	0	3,313,288
Cost per 1% General Wage Adjustment (wages, social security, retirement)	958,369	89,152	10,476,838	3,598,820	96,340	15,219,519
Cost per furlough day (wages, social security, retirement)	364,456	34,158	4,831,263	1,572,913	44,227	6,847,017
Cost of increments for employees not at top of grade (wages, social security, retirement) (5.)	1,386,986	109,491	7,764,915	5,611,567	N/A	14,872,959
Cost of 1% increment for employees not at top of grade (wages, social security, retirement) (6.)	443,286	51,490	7,243,111	1,631,373	23,325	9,392,585

MONTGOMERY COUNTY PUBLIC SCHOOLS WAGES, SOCIAL SECURITY, and RETIREMENT
TAX SUPPORTED FUNDS, FY13 BUDGET AND FY14 REQUEST

Amount increase FY13-FY14	MCAAP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears						
Active employees:	3.201	(0.371)	248.490	22.617	6.500	280.437
Wages	892,666	164,051	28,569,196	4,676,192	898,481	35,200,586
Social Security	27,327	8,552	1,687,824	196,243	60,129	1,980,075
Retirement	351,108	31,625	4,239,439	1,106,524	74,876	5,803,572
Group insurance for active employees	(312,280)	(46,287)	(3,368,681)	(3,594,988)	32,672	(7,289,564)
Total compensation for active employees	958,821	157,941	31,127,778	2,383,971	1,066,158	35,694,669
Retiree benefits: group insurance						
Pay as you go amount	0	0	0	0	0	(2,000,000)
Total compensation for active and retired employees	958,821	157,941	31,127,778	2,383,971	1,066,158	33,694,669
Percent increase FY12-FY13						
Workyears	0.48%	-0.46%	2.14%	0.31%	8.97%	1.42%
Active employees:						
Wages	1.07%	2.13%	3.19%	1.50%	11.82%	2.69%
Social Security	0.42%	1.43%	2.43%	0.81%	10.19%	1.95%
Retirement	7.44%	7.28%	8.39%	6.27%	17.46%	7.87%
Group insurance for active employees	-4.14%	-5.03%	-2.55%	-4.30%	3.96%	-3.24%
Total compensation for active employees	0.94%	1.64%	2.71%	0.54%	11.29%	2.06%
Retiree benefits: group insurance						
Pay as you go amount						-4.23%
Total compensation for active and retired employees	0.94%	1.64%	2.71%	0.54%	11.29%	1.89%

- (1). Compensation amounts for active employees include only FTE position dollars. Amounts do not include impact of negotiated agreements on non-position accounts.
- (2). FY 2013 and 2014 retirement amounts include an administrative fee of \$2,789,669. However, this amount is not included in the calculations associated with general wage adjustments, furloughs, or increments.
- (3). Amount represents the FY 2013 and FY 2014 shift of retirement costs from the state to MCPS and is not included as part of the costs of general wage adjustments, furloughs, increments.
- (4). Amount represents a 2% increase for employees at the top who are not eligible for a step increase.
- (5). In FY 2013, amounts represent costs for both step and longevity increases. For FY 2014, the amounts represent step and longevity increases expected to be implemented under a new FY 2014 negotiated agreement. However, the amounts do not include the local FY 2014 net cost of the annualization of the May 4, 2013 step of \$6,484,957 awarded under the negotiated agreements in FY 2013. This amount includes social security and retirement benefits.
- (6). The cost of a 1% increment includes only a 1% step cost and associated benefits; not longevity.

MONTGOMERY COLLEGE TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY13 Approved Budget	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	602.00	477.10	83.00	549.00	1,711.10
Active employees:					
Wages	46,685,612	23,843,973	9,880,632	62,510,444	142,920,661
Social Security	3,519,697	1,797,632	744,915	4,712,755	10,775,000
Retirement		900,000		850,000	1,750,000
Other Benefits (EAP, recognition awards, comp absences, etc)	696,605	552,076	96,043	635,276	1,980,000
Group insurance for active employees	4,573,666	3,624,744	630,589	4,171,001	13,000,000
Total compensation for active employees	55,475,580	30,718,426	11,352,179	72,879,475	170,425,661
Retiree benefits: group insurance					
Pay as you go amount	1,125,825	892,245	155,222	1,026,708	3,200,000
OPEB					0
Total compensation for retired employees	1,125,825	892,245	155,222	1,026,708	3,200,000
Total compensation for active and retired employees	56,601,405	31,610,671	11,507,401	73,906,183	173,625,661
Operating budget without debt service					218,036,599
Total compensation as % of total operating budget					79.6%
% General Wage Adjustment					
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 pt faculty	502,571	256,680	106,365	672,925	1,538,541
Cost per furlough day (wages, social security, retirement)	257,729	98,723	40,910	155,903	553,264
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	425,218	145,328	107,650	204,535	882,730

MONTGOMERY COLLEGE TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY14 Request	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	602.00	477.10	83.00	549.00	1,711.10
Active employees:					
Wages	47,583,695	24,510,780	10,716,050	67,986,626	150,797,151
Social Security	3,589,356	1,848,908	808,338	5,128,398	11,375,000
Retirement		950,000		900,000	1,850,000
Other Benefits (EAP, recognition awards, comp absences, etc)	774,005	613,418	106,715	705,862	2,200,000
Group insurance for active employees	4,644,030	3,680,510	640,290	4,235,170	13,200,000
Total compensation for active employees	56,591,086	31,603,616	12,271,393	78,956,056	179,422,151
Retiree benefits: group insurance					
Pay as you go amount	1,190,736	943,688	164,171	1,085,904	3,384,500
OPEB					0
Total compensation for retired employees	1,190,736	943,688	164,171	1,085,904	3,384,500
Total compensation for active and retired employees	57,781,823	32,547,304	12,435,564	80,041,960	182,806,651
Operating budget without debt service					229,530,499
Total compensation as % of total operating budget					79.6%
% General Wage Adjustment	2.25%	2.25%	2.25%	2.25%	
Cost of General Wage Adjustment (wages, social security, retirement)	1,090,153	562,949	244,513	909,261	2,806,877
Cost of other Wage Adjustment (wages, social security, retirement)	3.500%	3.500%	0 to 5.5%	3.500%	0
Cost per 1% General Wage Adjustment (wages, social security, retirement) - includes part-time faculty	512,238	263,859	115,358	731,876	1,623,331
Cost per furlough day (wages, social security, retirement)	262,686	101,484	44,369	163,984	572,523
Cost of increments for employees not at top of grade (wages, social security, retirement) includes part time faculty	1,682,434	701,811	430,600	1,833,554	4,648,399
Cost of 1% increment for employees not at top of grade (wages, social security, retirement) regular employees only	480,695	200,518	123,029	329,000	1,133,241

MONTGOMERY COLLEGE TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Amount increase FY13-FY14	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	0.00	0.00	0.00	0.00	0.00
Active employees:					
Wages	898,083	666,807	835,418	5,476,182	7,876,490
Social Security	69,659	51,276	63,423	415,643	600,000
Retirement	0	50,000	0	50,000	100,000
Other Benefits (EAP, recognition awards, comp absences, etc)	77,401	61,342	10,671	70,586	220,000
Group insurance for active employees	70,364	55,765	9,701	64,169	200,000
Total compensation for active employees	1,115,506	885,190	919,213	6,076,581	8,996,490
Retiree benefits: group insurance					
Pay as you go amount	64,911	51,443	8,950	59,196	184,500
Phase in of the Annual Required Contribution	0	0	0	0	0
Total compensation for retired employees	64,911	51,443	8,950	59,196	184,500
Total compensation for active and retired employees	1,180,417	936,633	928,163	6,135,777	9,180,990

Percent increase FY13-FY14	AAUP	AFSCME	ADM	ALL OTHER	TOTAL
Workyears	0.00%	0.00%	0.00%	0.00%	0.00%
Active employees:					
Wages 1)	1.92%	2.80%	8.46%	8.76%	5.51%
Social Security	1.98%	2.85%	8.51%	8.82%	5.57%
Retirement		5.56%		5.88%	5.71%
Other Benefits (EAP, recognition awards, comp absences, etc)	11.11%	11.11%	11.11%	11.11%	11.11%
Group insurance for active employees	1.54%	1.54%	1.54%	1.54%	1.54%
Total compensation for active employees	2.01%	2.88%	8.10%	8.34%	5.28%
Retiree benefits: group insurance					
Pay as you go amount	5.77%	5.77%	5.77%	5.77%	5.77%
Phase in of the Annual Required Contribution	NA	NA	NA	NA	NA
Total compensation for retired employees	5.77%	5.77%	5.77%	5.77%	5.77%
Total compensation for active and retired employees					5.29%

MNCPPC TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY13 Approved Budget	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	66.00	281.60	529.35	877.0
Active employees:				
Wages	4,703,452	11,873,217	40,272,948	56,849,617
Social Security	71,486	952,065	3,115,465	4,139,016
Retirement	1,954,550	1,901,068	6,448,262	10,303,880
Group insurance for active employees	966,766	3,120,893	7,331,344	11,419,003
Total compensation for active employees	7,696,253	17,847,244	57,168,019	82,711,516
Retiree benefits: group insurance				
Pay as you go amount	219,809	898,177	1,899,314	3,017,300
OPEB pre-funding	245,102	1,001,530	2,117,868	3,364,500
Total compensation for retired employees	464,911	1,899,707	4,017,182	6,381,800
Total compensation for active and retired employees*	8,161,164	19,746,951	61,185,201	89,093,316
Operating budget without debt service*				102,838,355
Total compensation as % of total operating budget				86.6%
% 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, retirement)	128,700	550,875	1,048,363	1,727,938
Cost per 1% General Wage Adjustment (wages, social security, retirement)	56,183	149,187	506,030	711,399
Cost per furlough day (wages, social security, retirement)	18,365	49,328	166,879	234,572
Cost of increments for employees not at top of grade (wages, social security, retirement)	0	0	0	0
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	20,019	61,544	144,976	226,539

MNCPPC TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Tax Supported Funds, FY14 Request	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	66.00	263.00	547.00	876.0
Active employees:				
Wages	4,983,384	12,579,868	42,669,847	60,233,099
Social Security	72,757	968,997	3,170,869	4,212,623
Retirement	2,153,827	2,094,892	7,105,697	11,354,416
Group insurance for active employees	978,070	3,157,385	7,417,067	11,552,522
Total compensation for active employees	8,188,038	18,801,141	60,363,480	87,352,659
Retiree benefits: group insurance				
Pay as you go amount	298,703	1,220,549	2,581,013	4,100,264
OPEB pre-funding	180,261	736,578	1,557,592	2,474,431
Total compensation for retired employees	478,964	1,957,127	4,138,604	6,574,695
Total compensation for active and retired employees	8,667,001	20,758,268	64,502,085	93,927,354
Operating budget without debt service				107,404,443
Total compensation as % of total operating budget				87.5%
% General Wage Adjustment	0.00%	0.00%	0.00%	0
Cost of General Wage Adjustment (wages, social security, retirement)				
Cost of other Wage Adjustment (wages, social security, retirement)	139,945	571,839	1,436,286	2,148,070
Cost per 1% General Wage Adjustment (wages, social security, retirement)	50,862	133,491	452,242	636,595
Cost per furlough day (wages, social security, retirement)	19,447	52,111	176,310	247,868
Cost of increments for employees not at top of grade (wages, social security, retirement)	0	0	0	0
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	22,356	57,836	155,207	235,399

MNCPPC TAX SUPPORTED WAGES, SOCIAL SECURITY, and RETIREMENT

Amount increase FY13-FY14	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	0	(19)	18	(1)
Active employees:				
Wages	279,932	706,651	2,396,899	3,383,482
Social Security	1,271	16,931	55,404	73,607
Retirement	199,277	193,824	657,435	1,050,536
Group insurance for active employees	11,304	36,492	85,723	133,519
Total compensation for active employees	491,784	953,897	3,195,461	4,641,143
Retiree benefits: group insurance				
Pay as you go amount	78,893	322,372	681,698	1,082,964
Pre-funding amount	(64,841)	(264,952)	(560,276)	(890,069)
Total compensation for retired employees	14,052	57,420	121,423	192,895
Total compensation for active and retired employees	505,837	1,011,318	3,316,884	4,834,038

Percent increase FY13-FY14	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	0.0%	-6.6%	3.3%	-0.1%
Active employees:				
Wages	6.0%	6.0%	6.0%	6.0%
Social Security	1.8%	1.8%	1.8%	1.8%
Retirement	10.2%	10.2%	10.2%	10.2%
Group insurance for active employees	1.2%	1.2%	1.2%	1.2%
Total compensation for active employees	6.4%	5.3%	5.6%	5.6%
Retiree benefits: group insurance				
Pay as you go amount	35.9%	35.9%	35.9%	35.9%
Pre-funding amount	-26.5%	-26.5%	-26.5%	-26.5%
Total compensation for retired employees	3.0%	3.0%	3.0%	3.0%
Total compensation for active and retired employees	6.2%	5.1%	5.4%	5.4%

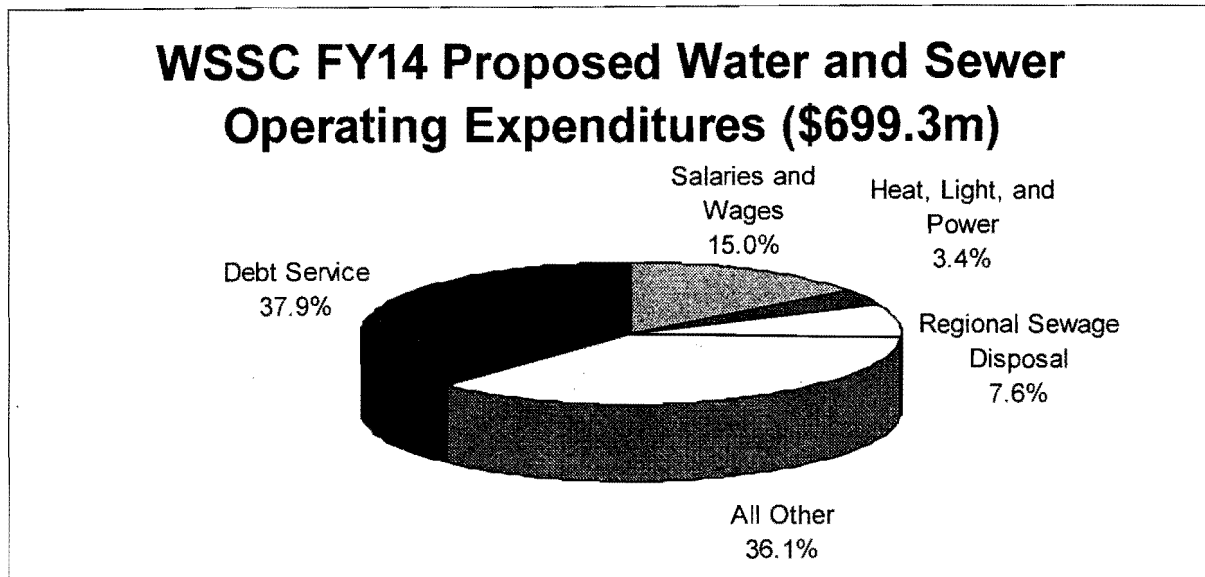
*Total Compensation costs and total operating budget figures do not include chargebacks, debt service, or reserves.

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



WSSC Compensation Issues

Salary and wages 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 in FY14 are estimated to make up less than 25% of operating budget expenditures.

“Salaries and Wages”¹ costs within the Operating Budget are estimated to increase by 3.4%. This increase covers WSSC’s proposed salary enhancements totaling \$3.4 million as well as 24 new positions, with an estimated ratepayer impact of \$1.4 million. The type of salary enhancements to be provided were left to the two Councils to decide.

In FY13 WSSC’s represented and non-represented employees received 2.0% general wage adjustments (COLAs) and merit pay (increments) averaging 3.0%. This was far more than what County Government employees received.²

For FY14 the County Executive has recommended a 3.25% GWA (effective September 2013) and 3.5% increments for general County workers (represented and non-represented non-public safety). The cost to provide this same level of increase to WSSC employees would be about \$3.8 million.

¹ Benefit costs (such as Social Security, group insurance, and retirement) are loaded in the “All Other” expense category.

² For FY13 the Montgomery County Council recommended one-time lump sum increases of \$2,000 (pro-rated for part-time employees), instead of COLAs or merits, for WSSC. However, State law requires that for a change from the Proposed WSSC budget to be approved, both Councils must agree. In this case, the Prince George’s County Council supported WSSC’s proposed GWAs and merit increases.

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

PROPOSED- FISCAL YEAR 2014

EFFECTIVE SEPTEMBER 8, 2013

<u>GRADE</u>	<u>MINIMUM</u>	<u>MID-POINT</u>	<u>MAXIMUM</u>	<u>L1*</u>
5	\$25,027	\$31,844	\$38,661	\$39,821
6	\$25,985	\$33,128	\$40,271	\$41,480
7	\$26,998	\$34,496	\$41,994	\$43,254
8	\$28,048	\$35,976	\$43,904	\$45,222
9	\$29,156	\$37,535	\$45,914	\$47,292
10	\$30,326	\$39,204	\$48,081	\$49,524
11	\$31,552	\$40,948	\$50,343	\$51,854
12	\$32,831	\$42,777	\$52,722	\$54,304
13	\$34,183	\$44,703	\$55,222	\$56,879
14	\$35,605	\$46,728	\$57,851	\$59,587
15	\$37,091	\$48,846	\$60,601	\$62,420
16	\$38,675	\$51,086	\$63,497	\$65,402
17	\$40,430	\$53,483	\$66,536	\$68,533
18	\$42,283	\$56,006	\$69,728	\$71,820
19	\$44,277	\$58,676	\$73,074	\$75,267
20	\$46,360	\$61,476	\$76,592	\$78,890
21	\$48,557	\$64,421	\$80,284	\$82,693
22	\$50,854	\$67,509	\$84,163	\$86,688
23	\$53,275	\$70,758	\$88,241	\$90,889
24	\$55,811	\$74,160	\$92,508	\$95,284
25	\$58,471	\$77,735	\$96,998	\$99,908
26	\$61,274	\$81,495	\$101,715	\$104,767
27	\$64,189	\$85,428	\$106,667	\$109,868
28	\$67,072	\$89,469	\$111,865	\$115,221

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

Notes Fy2014:

-FY14 GWA is 3.25% for OPT-SLT Bargaining Unit members

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

PROPOSED- FISCAL YEAR 2014

EFFECTIVE JULY 14, 2013

GRADE	MINIMUM		MAXIMUM	
	<u>ANNUAL</u>	<u>HOURLY</u>	<u>ANNUAL</u>	<u>HOURLY</u>
Grade S1*	\$15,600	\$7.5000	\$18,983	\$9.1264
Grade S2	\$17,362	\$8.3471	\$21,475	\$10.3245
Grade S3	\$19,418	\$9.3351	\$24,151	\$11.6106
Grade S4	\$21,475	\$10.3245	\$26,826	\$12.8971
Grade S5	\$24,220	\$11.6442	\$30,392	\$14.6111
Grade S6	\$29,706	\$14.2817	\$37,522	\$18.0394
Grade S7	\$35,276	\$16.9596	\$44,768	\$21.5226
Grade S8	\$41,027	\$19.7245	\$52,242	\$25.1163

Notes FY2014:

-FY14 GWA is .50 for Minimum Wage/Seasonal Salary Schedule employees

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

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

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

PROPOSED- FISCAL YEAR 2014

EFFECTIVE SEPTEMBER 8, 2013

<u>GRADE</u>	<u>RANK</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>LONGEVITY*</u>
D2	DEPUTY SHERIFF LIEUTENANT	\$62,425	\$97,645	\$100,575
D3	DEPUTY SHERIFF CAPTAIN	\$74,911	\$117,927	\$121,465
D4	DEPUTY SHERIFF COLONEL	\$86,148	\$136,045	\$140,127

* Completion of 20 Years Service and At Maximum of Paygrade

* Longevity is 3% for public safety

Notes FY2014:

-FY14 GWA is 3.25% for Deputy Sheriff Management

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

PROPOSED- FISCAL YEAR 2014

EFFECTIVE SEPTEMBER 8, 2013

<u>YEAR</u>	<u>STEP</u>	<u>DS I</u>	<u>DS II</u>	<u>DS III</u>	<u>SGT</u>
1	0	\$45,061	\$48,215	\$51,590	\$56,750
2	1	\$46,639	\$49,903	\$53,396	\$58,736
3	2	\$48,271	\$51,650	\$55,266	\$60,793
4	3	\$49,961	\$53,458	\$57,201	\$62,921
5	4	\$51,710	\$55,330	\$59,203	\$65,123
6	5	\$53,520	\$57,267	\$61,275	\$67,403
7	6	\$55,934	\$59,272	\$63,421	\$69,762
8	7	\$57,333	\$61,348	\$65,641	\$72,204
9	8	\$59,340	\$63,495	\$67,939	\$74,732
10	9	\$61,418	\$65,718	\$70,317	\$77,348
11	10		\$68,019	\$72,778	\$80,055
12	11		\$70,399	\$75,327	\$82,858
13	12			\$77,964	\$85,758
14-20	13			\$80,692	\$88,760
21+	L1*	\$63,261	\$72,511	\$83,113	\$91,423

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

Starting salary for Deputy Sheriff Candidate is \$45,061

Notes FY2014:

-FY14 GWA is 3.25% for Deputy Sheriffs

-Deputy Sheriff salaries may not correspond to years of service as listed on the salary schedule.

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

PROPOSED- FISCAL YEAR 2014

EFFECTIVE JULY 14, 2013

<u>GRADE</u>	<u>RANK</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>LONGEVITY</u> (LS1)*	<u>LONGEVITY</u> (LS2)**
B3	FIRE/RESCUE BATTALION CHIEF	\$72,143	\$119,889	\$124,086	\$128,282
B4	FIRE/RESCUE ASSISTANT CHIEF	\$78,784	\$131,869	\$136,485	\$141,100
B6	FIRE/RESCUE DIVISION CHIEF	\$90,058	\$149,519	\$154,753	\$159,986

LS1 * Completion of 20 years of service

LS2 **Completion of 28 years of service

Notes FY2014:

-FY14 GWA is 2.75% for Fire/Rescue Management

-Fire/Rescue Management who were eligible for a service increment in FY11 who did not receive a service increment in FY11 will receive it during the pay period beginning April 6, 2014.

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

PROPOSED- FISCAL YEAR 2014

EFFECTIVE JULY 14, 2013

<u>GRADE</u>	<u>F1 FIRE FIGHTER RESCUER I</u>	<u>F2 FIRE FIGHTER RESCUER II</u>	<u>F3 FIRE FIGHTER RESCUER III</u>	<u>F4 MASTER FIRE FIGHTER RESCUER</u>	<u>B1 FIRE/RESCUE LIEUTENANT</u>	<u>B2 FIRE/RESCUE CAPTAIN</u>
A	\$42,758	\$44,896	\$47,141	\$51,855	\$57,046	\$64,327
B	\$44,255	\$46,468	\$48,791	\$53,671	\$59,044	\$66,579
C	\$45,804	\$48,095	\$50,499	\$55,550	\$61,111	\$68,910
D	\$47,408	\$49,779	\$52,267	\$57,495	\$63,250	\$71,322
E	\$49,068	\$51,521	\$54,097	\$59,508	\$65,465	\$73,819
F	\$50,786	\$53,325	\$55,991	\$61,592	\$67,756	\$76,403
G	\$52,563	\$55,192	\$57,952	\$63,749	\$70,127	\$79,078
H	\$54,404	\$57,123	\$59,980	\$65,980	\$72,582	\$81,846
I	\$56,309	\$59,123	\$62,080	\$68,290	\$75,123	\$84,711
J	\$58,280	\$61,192	\$64,253	\$70,681	\$77,752	\$87,676
K	\$60,321	\$63,335	\$66,502	\$73,155	\$80,474	\$90,745
L	\$62,432	\$65,552	\$68,831	\$75,716	\$83,292	\$93,922
M	\$64,618	\$67,846	\$71,240	\$78,367	\$86,208	\$97,210
N	\$66,880	\$70,222	\$73,734	\$81,110	\$89,226	\$100,613
O	\$69,222	\$72,680	\$76,315	\$83,949	\$92,349	\$104,136
LS1*	\$71,645	\$75,224	\$78,987	\$86,888	\$95,582	\$107,781
LS2**	\$74,068	\$77,768	\$81,658	\$89,826	\$98,814	\$111,426

* Completion of 20 years of service.

** Completion of 28 years of service.

Notes FY2014:

-FY14 GWA is 2.75% for IAFF Bargaining Unit members

-Employees who were eligible for a service increment in FY11 who did not receive a service increment in FY11 will receive it during the pay period beginning April 6, 2014.

**POLICE MANAGEMENT
SALARY SCHEDULE**

PROPOSED- FISCAL YEAR 2014

EFFECTIVE JULY 14, 2013

<u>GRADE</u>	<u>RANK</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>LONGEVITY*</u>
A2	POLICE LIEUTENANT	\$75,914	\$114,344	\$118,347
A3	POLICE CAPTAIN	\$86,456	\$130,621	\$135,193

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

Notes FY2014:

- FY14 GWA is 2.1% for Police Management
- Police Management whose service increments were deferred during FY11, FY12 and/or FY13, and who are otherwise eligible, shall receive a salary adjustment of 1.75% effective the first full pay period following February 1, 2014.

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

PROPOSED- FISCAL YEAR 2014

EFFECTIVE JULY 14, 2013

<u>STEP</u>	<u>YEAR</u>	<u>PO I</u>	<u>PO II</u>	<u>PO III</u>	<u>MPO</u>	<u>SGT</u>
0	1	\$47,959	\$50,357	\$52,876	\$55,520	\$61,073
1	2	\$49,638	\$52,121	\$54,727	\$57,464	\$63,211
2	3	\$51,376	\$53,945	\$56,644	\$59,476	\$65,423
3	4	\$53,175	\$55,834	\$58,626	\$61,558	\$67,713
4	5	\$55,036	\$57,788	\$60,679	\$63,713	\$70,084
5	6	\$56,963	\$59,811	\$62,803	\$65,944	\$72,537
6	7	\$58,957	\$61,905	\$65,001	\$68,252	\$75,077
7	8	\$61,022	\$64,072	\$67,277	\$70,641	\$77,705
8	9	\$63,158	\$66,315	\$69,633	\$73,114	\$80,425
9	10	\$65,369	\$68,637	\$72,070	\$75,674	\$83,240
10	11	\$67,657	\$71,040	\$74,593	\$78,323	\$86,154
11	12	\$70,026	\$73,527	\$77,204	\$81,065	\$89,170
12	13	\$72,477	\$76,101	\$79,907	\$83,902	\$92,291
13	14	\$75,014	\$78,765	\$82,705	\$86,840	\$95,521
14	15	\$77,640	\$81,522	\$85,600	\$89,879	\$98,865
L1*	21+	\$80,358	\$84,376	\$88,596	\$93,025	\$102,326

Starting salary for Police Officer Candidate is \$47,959

* Completion of 20 years of service.

Notes FY2014:

-FY14 GWA is 2.10% for FOP Bargaining Unit members

-Each unit member whose service increment was deferred during FY11, FY12, and/or FY13, and who is otherwise eligible, shall receive a salary adjustment of 1.75% effective the first full pay period following February 1, 2014.

Therefore, Police Officer salaries may not correspond to their years of service as listed on the salary schedule.

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

PROPOSED FISCAL YEAR 2014

EFFECTIVE SEPTEMBER 8, 2013

<u>GRADE</u>	<u>RANK</u>	<u>MINIMUM</u>	<u>MAXIMUM</u>	<u>LONGEVITY*</u>
C1	CORRECTIONAL SHIFT COMMANDER (LT)	\$58,764	\$95,131	\$97,985
C2	CORRECTIONAL TEAM LEADER (CAPT)	\$64,641	\$104,644	\$107,784

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

Notes FY2014:

- FY14 GWA is 3.25% for Uniformed Correctional Mananagement

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

PROPOSED- FISCAL YEAR 2014

EFFECTIVE SEPTEMBER 8, 2013

<u>STEP</u>	<u>YEAR</u>	<u>CO I</u>	<u>CO II</u>	<u>CO III</u>	<u>SGT</u>
1	0	\$41,856	\$43,949	\$48,344	\$53,421
2	1	\$43,321	\$45,488	\$50,037	\$55,291
3	2	\$44,838	\$47,081	\$51,789	\$57,227
4	3	\$46,408	\$48,729	\$53,602	\$59,230
5	4	\$48,033	\$50,435	\$55,479	\$61,304
6	5	\$49,715	\$52,201	\$57,421	\$63,450
7	6	\$51,456	\$54,029	\$59,431	\$65,671
8	7	\$53,257	\$55,921	\$61,512	\$67,970
9	8	\$55,121	\$57,879	\$63,665	\$70,349
10	9	\$57,051	\$59,905	\$65,894	\$72,812
11	10	\$59,048	\$62,002	\$68,201	\$75,361
12	11	\$61,115	\$64,173	\$70,589	\$77,999
13	12		\$66,420	\$73,060	\$80,729
14	13				\$83,555
15	14-20				\$86,480
L1*	21+	\$62,949	\$68,413	\$75,252	\$89,075

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

Starting salary for Correctional Officer 1 (Private) is \$41,856

Notes FY14:

-FY14 GWA is 3.25% for Correctional Officers

-Correctional Officer salaries may not correspond to years of service as listed on the salary schedule.

**MONTGOMERY COUNTY GOVERNMENT
GENERAL SALARY SCHEDULE**

PROPOSED- FISCAL YEAR 2014

EFFECTIVE SEPTEMBER 8, 2013

<u>GRADE</u>	<u>MINIMUM</u>	<u>MID-POINT</u>	<u>MAXIMUM</u>	PERFORMANCE LONGEVITY <u>MAXIMUM*</u>
5	\$25,027	\$31,844	\$38,661	\$39,435
6	\$25,985	\$33,128	\$40,271	\$41,077
7	\$26,998	\$34,496	\$41,994	\$42,834
8	\$28,048	\$35,976	\$43,904	\$44,783
9	\$29,156	\$37,535	\$45,914	\$46,833
10	\$30,326	\$39,204	\$48,081	\$49,043
11	\$31,552	\$40,948	\$50,343	\$51,350
12	\$32,831	\$42,777	\$52,722	\$53,777
13	\$34,183	\$44,703	\$55,222	\$56,327
14	\$35,605	\$46,728	\$57,851	\$59,009
15	\$37,091	\$48,846	\$60,601	\$61,814
16	\$38,675	\$51,086	\$63,497	\$64,767
17	\$40,430	\$53,483	\$66,536	\$67,867
18	\$42,283	\$56,006	\$69,728	\$71,123
19	\$44,277	\$58,676	\$73,074	\$74,536
20	\$46,360	\$61,476	\$76,592	\$78,124
21	\$48,557	\$64,421	\$80,284	\$81,890
22	\$50,854	\$67,509	\$84,163	\$85,847
23	\$53,275	\$70,758	\$88,241	\$90,006
24	\$55,811	\$74,160	\$92,508	\$94,359
25	\$58,471	\$77,735	\$96,998	\$98,938
26	\$61,274	\$81,495	\$101,715	\$103,750
27	\$64,189	\$85,428	\$106,667	\$108,801
28	\$67,072	\$89,469	\$111,865	\$114,103
29	\$70,097	\$93,709	\$117,321	\$119,668
30	\$73,278	\$98,168	\$123,057	\$125,519
31	\$76,618	\$102,846	\$129,073	\$131,655
32	\$80,118	\$106,571	\$133,024	\$135,685
33	\$83,799	\$110,388	\$136,976	\$139,716
34	\$87,664	\$114,298	\$140,932	\$143,751
35	\$91,725	\$118,304	\$144,883	\$147,781
36	\$95,988	\$122,413	\$148,838	\$151,815
37	\$100,459	\$126,623	\$152,787	\$155,843
38	\$105,156	\$130,729	\$156,301	\$159,428
39	\$110,088	\$134,346	\$158,603	\$161,776
40	\$115,269	\$138,086	\$160,902	\$164,121

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

Notes FY2014:

-FY14 GWA is 3.25% for General Salary Schedule employees

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

PROPOSED- FISCAL YEAR 2014

EFFECTIVE SEPTEMBER 8, 2013

<u>GRADE</u>	<u>MLS LEVEL</u>	<u>MINIMUM</u>	<u>CONTROL POINT</u>	<u>MAXIMUM</u>
M1	MANAGEMENT LEVEL I	\$90,105	\$153,044	\$160,037
M2	MANAGEMENT LEVEL II	\$78,794	\$136,613	\$143,037
M3	MANAGEMENT LEVEL III	\$67,692	\$118,122	\$123,725

Notes FY2014:

- FY14 GWA is 3.25% for Management Leadership Service employees
- FY14 Salary Schedule increased by 6.75% over the FY13 Salary schedule.

**MONTGOMERY COUNTY GOVERNMENT
MEDICAL DOCTORS
SALARY SCHEDULE**

PROPOSED- FISCAL YEAR 2014

EFFECTIVE SEPTEMBER 8, 2013

<u>GRADE</u>	<u>MEDICAL JOB CLASS</u>	<u>MINIMUM</u>	<u>MID-POINT</u>	<u>MAXIMUM</u>
MD I	MEDICAL DOCTOR I	\$97,770	\$123,234	\$148,696
MD II	MEDICAL DOCTOR II	\$107,545	\$135,556	\$163,565
MD III	MEDICAL DOCTOR III	\$118,299	\$149,110	\$179,920
MD IV	MEDICAL DOCTOR IV	\$130,130	\$164,022	\$197,912

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 FY2014:

- FY14 GWA is 3.25% for Medical Doctors

Excerpts from the County Executive's FY14 Budget Message

Employee Compensation

My combined employee compensation recommendations have saved the taxpayers of this County approximately \$469 million since FY08 - with ongoing annual savings as a result of these actions of \$156 million a year. These savings have been accomplished by reducing the size of the County workforce, by making health and retirement benefit changes, and by not funding increments and general wage adjustments (GWAs) during that period.

Since taking office, I have reduced the size of the County workforce by six percent and have abolished 1,254 positions, primarily between FY10 and FY12. These actions have saved us – in net savings from salary and benefits - \$210 million between FY08 and FY13 and will continue to save us nearly \$60 million every year – or nearly \$120 million over the last two years.

For four years County employees have not received general wage adjustment increases and for the past three there have been no steps or increments as well. In FY11, all County Government employees were furloughed between three and eight days, depending on salary. Also, in FY12, the County changed the cost sharing arrangements for County Government employees for their group insurance and retirement plans to put more of the costs on employees and less on the taxpayers.

Over the past four years, I have saved the County almost \$14 million in retirement costs, over \$10 million in health costs, over \$62 million from three years of no increments, and \$162 million from four years of no general wage adjustment increases. Furloughs saved nearly \$11 million. That totals another \$259 million in savings since FY10.

Base pay – including benefit costs - for County employees is lower into the future due to benefit changes, four years without GWAs, and three years without increments. Therefore, we will realize over \$96 million in ongoing savings every year – or \$960 million in additional savings to County taxpayers over the next 10 years. If you add these net position reduction savings to the compensation and benefits savings for existing positions, the total equals \$156 million.

For the past year I have said repeatedly that we needed to provide meaningful compensation increases for County employees, if resources allowed. The extensive work we have done over the past six years to put the County's fiscal house in order – boosting reserves, cutting the workforce, reducing expenditures, and the hundreds of millions of dollars in savings we have gotten from pay freezes and benefit changes – has given us the room – and the context – to consider some compensation increases.

For FY14, I am recommending funding the collective bargaining agreements I have negotiated with each of the County's bargaining units. Each of these two to three-year agreements provides for a general wage adjustment and the restoration of service increments. The total cost of these agreements in FY14 is \$31.6 or 3.5 percent of the total wage base for the County. These agreements are not everything that either the unions or the County management team would ideally have wanted. However, they are the end result of fairly negotiated agreements that avoided binding arbitration which, I believe, would have been far more costly and legally risky.

As the recession eases a bit, other agencies and jurisdictions have increased or plan to increase employee compensation that was cut back during the recession. During the past two years, most area local governments or agencies gave general wage adjustment increases and/or steps to their employees. Montgomery County did neither.

Fairfax County gave a two percent increase last year and a 2.18 percent increase for the current year, plus an increment. Loudoun County gave a three percent increase last year. Montgomery County teachers, who bargain directly with the Board of Education, last year received two increments increasing pay by about five percent on average. The State of Maryland provides two percent for the current year and the Governor is proposing a three percent increase this year, plus a three percent step. Alexandria is proposing a 2.3 percent lump payment and step increase for the coming year. Prince William County gave two percent last year is proposing two percent this year.

Recent court rulings in Prince George's County and Anne Arundel County make taking contract disagreements to binding arbitration less attractive and more risky. And the increases given by other jurisdictions also militate against our winning an arbitration decision on wages.

In the Prince George's case, a judge granted their County police a 12 percent increase in a single year to make up for four years of no increases. The Anne Arundel court case effectively orders their County Council to fund decisions by labor arbitrators giving employees negotiated raises – regardless of the County's ability to pay.

And, just two weeks ago, the Maryland Court of Special Appeals ruled against the County – and in favor of the three unions – in three related cases that involved my refusal to accept arbitrator-awarded union contracts.

My judgment is that our own unions would bring these court decisions into play if we had failed to reach agreement and the matter went to arbitration – and the result would likely have been arbitrator-mandated decisions on raises that could double or triple the rate of raises contained in the package I negotiated with our unions.

I do not believe it would have been prudent to run that risk. Additionally, these negotiations were on a timetable that mandated making a decision now. Either the County wins, the unions win, or an arbitrator would choose the last best offer of one side or the other. There was no opportunity to simply “wait and see.”

I have not hesitated to impose pay freezes when I thought it necessary, even in the face of opposition from County unions or Councilmembers – as well as lawsuits filed against my actions. I would not hesitate to do the same in the future, if needed. That was the right thing to do then. This is the right thing to do now.

**The Executive's Comments on Binding Arbitration:
Notes from the packet for the Council's April 16 discussion of the FY14 budget overview¹**

In his transmittal message for the FY14 Recommended Operating Budget, the Executive outlined the reasons for the FY14-15 pay increases he negotiated with County unions, including both increments and general wage adjustments.² For employees eligible for both (and for full or partial make-up steps for the FOP and IAFF), the increases in each of the next two years are 6.75% for MCGEO, 7.35% for the FOP, and 9.75% for the IAFF. The two-year increases are 13.5%, 14.7%, and 19.5%. The agreements' cost, including pass-through to non-represented employees, is **\$31.6 million** in FY14, **\$73.7 million** in FY15, and **\$85.1 million** in FY16.

The Executive also cited recent court rulings related to arbitration³ and stated that if he had failed to reach agreements with the unions, **"the result would likely have been arbitrator-mandated decisions on raises that could double or triple the rate of raises contained in the package I negotiated with our unions."** This means that for the IAFF, whose negotiated increase in FY14-15 combined totals nearly 20%, an arbitrator would have had to award increases of nearly 40% or 60%.

Each County collective bargaining law requires an impasse in negotiation to be resolved by final offer by total package arbitration. The arbitrator must select the last best offer of either the union or the Executive without change. In theory, this system encourages each party to submit a last best offer that the arbitrator will consider more reasonable. The Executive's statement suggests that the IAFF's last best offer would have included a wage increase of nearly 40% or 60% and that the arbitrator would have decided that their package with this increase was more reasonable than the Executive's final package.

The Executive added: "I do not believe it would have been prudent to run that risk." This seems to mean that if the parties were unable to reach agreement through negotiation or mediation, recourse to arbitration – a core element of the County's collective bargaining laws – was an option open to the unions but not to the Executive. If this is so, the playing field is not level.⁴

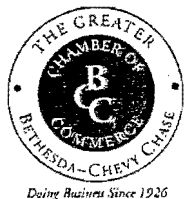
¹ See http://montgomerycountymd.granicus.com/MetaViewer.php?view_id=6&event_id=841&meta_id=48439 for the complete packet.

² See <http://www.montgomerycountymd.gov/OMB/FY14/psprec/index.html> and pages 9-10 of the budget message.

³ On September 28, 2012, in *Atkinson v. Anne Arundel County*, 428 Md. 723 (2012), the Court of Appeals interpreted the Anne Arundel County Charter to require an arbitration award to be fully funded by the Council in the operating budget. On March 4 the Court of Special Appeals ruled for our unions in three cases challenging the Executive's refusal to fund arbitration awards. **Significantly, however, the Court noted that, unlike the Anne Arundel County Charter, our Charter authorizes the Council to enact a collective bargaining law with arbitration that is binding on the Executive but not on the Council.** A footnote in the FOP opinion stated: "It is important to note that in *Atkinson*, the Anne Arundel County Charter required that an arbitrator's 'binding decision be implemented as part of the following year's budget process' and did not leave room for the Council to enact legislation defining the limits and applicability of arbitration, as does [Montgomery County] Charter §510." *FOP Lodge 35 v. Montgomery County Executive*, No. 0722, September term 2011 (Md. App. March 4, 2013) at p. 12.

⁴ See http://www.montgomerycountymd.gov/content/council/PDF/REPORTS/ORC/ORC_FinalReport.pdf for the January 31, 2011 report of the Organizational Reform Commission appointed by the Council and the Executive. The report explores possible changes in the County's collective laws on pages 33-43. For one specific proposed change, see http://www6.montgomerycountymd.gov/content/council/pdf/bill/2013/Packets/20130319_5B.pdf for Bill 9-13, Collective Bargaining – Impasse – Arbitration Panel, sponsored by Councilmember Andrews.





THE GREATER
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**THE GREATER BETHESDA-CHEVY CHASE CHAMBER OF COMMERCE
TESTIMONY ON PROPOSED FY14 OPERATING BUDGET
BEFORE THE MONTGOMERY COUNTY COUNCIL – April 11, 2013**

Good afternoon. I am Heather Dlhopsky, Vice President of Economic Development and Government Affairs for The Greater Bethesda-Chevy Chase Chamber of Commerce, representing over 550 member businesses and nonprofit organizations in Montgomery County.

Oftentimes we start off our testimony with our list of grievances – namely that year's proposed increases in taxes and fees on our County's businesses – and while we certainly have those grievances this year, there are several things in the County Executive's proposed budget that we applaud and urge your continued support of. First, the Chamber wrote to our County's House and Senate delegations in the beginning of this year to convey our concerns regarding recent changes to the State's Maintenance of Effort law and the fact that those changes will hamstring the Montgomery County budget for years to come, with the negative ramifications compounding year over year. While we called on the General Assembly to rectify those recent changes in their 2013 legislative session and this did not occur, we applaud the County Executive for proposing funding of Montgomery County Public Schools at the MOE-mandated level only, and not above.

Second, the Chamber has continuously stressed the importance of adequately funding those County agencies whose direct responsibility it is to expand the County's tax base by attracting new businesses and residents. In that vein, we strongly support the County Executive's recommended increase in the Maryland-National Capital Park and Planning Commission's budget over last year's approved budget. Increased funding to update outdated plans, particularly in downtown areas with good transit access such as the Bethesda Central Business District (CBD), will support the kind of private investment that expands the County's tax base and helps to improve the long-term fiscal health of the County. We also support adequate funding for both the Montgomery Business Development Corporation and the Montgomery County Department of Economic Development. The mission of both of these groups is to expand the tax base and improve the economic viability of the County, and every achievement realized by these departments directly benefits the businesses and residents of the County and helps the County's bottom-line. We also strongly support the County Executive's recommended funding for the efforts of the White Flint Implementation Committee and the White

Flint Downtown Advisory Committee. White Flint has been a bright spot in the County throughout the economic recession. It is vital that we continue to adequately fund the agencies, departments, and committees responsible for ensuring that the area comes to fruition as envisioned by the White Flint Sector Plan.

Now, on to the grievances.

Last year, we opposed the County Executive's proposal to increase spending by 5.5% over the previous year's budget. Similarly this year, the County Executive has proposed a 5.5% increase over the FY13 operating budget, and we again oppose such a significant increase. While we understand that the County is anxious to make up for prior years in which the budget has been cut significantly, we do not believe that it is yet time to start growing the budget by such measures.

Numerous times over the past several years, we have testified before you that many of the Chamber's members continue to struggle to survive – much less grow – and have imposed wage and benefit freezes on their employees and long ago discontinued 401k matching programs. Yet the County is proposing to grow the budget, to increase salaries for employees of certain unions by double-digit increases over the next several years, and to make lump-sum payments to a number of County employees this year. These proposals are not in-synch with the current business environment and now is not the time for this, particularly when these increases are being funded in large part through ever-increasing taxes and fees on our County's businesses.

Last year, despite that the County Council had agreed as part of the FY11 budget discussions that the fuel/energy tax increase would sunset on July 1, 2012, the County Executive's proposed FY13 budget asked the Council to repeal the sunset, which the Council did. While the County Executive seems to feel that now is the right time to grow the budget and to increase employee salaries, apparently now is not the right time to similarly thank businesses for the difficult years they have faced by reducing the ever-increasing taxes and fees they have been subjected to. In this vein, we support Councilmember Andrews' proposal to reduce the fuel/energy tax by 10%, and the Chamber will be testifying in support of this resolution on April 30th. In addition, we strongly oppose the other recently-proposed increases in fees and taxes that will have a significant adverse effect on our County's businesses and commercial properties, including the proposed increase in the Water Quality Protection Charge.

The Chamber looks forward to continuing our discussions with the County Council over the coming year, as we all work to improve the economic viability and competitiveness of our County. Thank you for the opportunity to present these comments.





**Testimony of
The Greater Silver Spring Chamber of Commerce
Public Hearing – FY14 Operating Budget
Montgomery County Council
Thursday, April 11, 2012**

Council President Navarro, members of the Council, good afternoon. For the record, my name is Julie Statland and I am the current Chair of the Greater Silver Spring Chamber of Commerce. I speak here today on behalf of almost 400 businesses – small and large, but mostly small – and several non-profit organizations, that are members of our Chamber and provide a significant number of jobs in Montgomery County.

As business owners, our members have faced some difficult economic challenges these past few years and while they are heartened by reports that the economy is beginning to recover, many have not seen any evidence of recovery. The reality is that many of our businesses are struggling just to survive – content, even pleased, to see flat “growth” over last year.

That’s why we were dismayed to see that the County Executive is recommending pay increases of a staggering 13.5 percent for non-public-safety county employees, 14.7 percent for most police officers, and 19.5 percent for most firefighters over the next two years. This along with benefit and pension programs already far more generous than most in the private sector.

While GSSCC members recognize that County employees provide critical services for our residents and deserve reasonable compensation, the Chamber believes raises of this magnitude are unsustainable and not in line with the current labor market, especially at a time when thousands of Montgomery County residents who are federal employees face furloughs of up to four weeks, and most private sector workers are seeing modest if any pay increases. Indeed, instead of increasing wages, many of our members have frozen salaries and benefits that they already dramatically lowered in years past, and have long since discontinued 401k matching programs, just to survive and continue to keep the employees they have.

Unfortunately, this generous compensation package also serves to increase the base county spending that will then be required for years to come....at a time when the general economy is just beginning to recover and our county government is barely out of its economic hole. We are not out of the woods yet, and now is not the time to make long-term spending commitments that increase our base obligations for the future.

To make matters worse, in order to fund his pay increases, County Executive Leggett is continuing his effort to “institutionalize” the huge energy tax increase put in place in 2010, despite the fact that he and the Council promised to sunset that increase after two years. . .and, despite the fact that Council last year took steps to gradually reduce the tax. We urge Councilmembers to reject the Executive’s efforts to make permanent this high tax rate, and we urge you to continue its efforts to reduce the rate back to more reasonable levels.

What the County budget should reflect is a commitment to fund those programs that assure a strong and vibrant economy as a means to grow County’s tax base, and thereby provide the revenue growth that is now sought simply through higher rates on our existing taxable pool. The Chamber supports funding for programs that create jobs, that maintain our existing businesses and attract new employers. Specifically, we support funding for economic development – for our Department of Economic Development, for the recently created Montgomery Business Development Corporation, and, specifically in Silver Spring, for economic stimulators

like the AFI, a key arts and entertainment asset that attracts patrons and customers with dollars to spend from far and wide.

GSSCC also supports initiatives that make Silver Spring and Montgomery County a great place to live, work, and play. We support elements in the budget that reinvest the fees and taxes generated in the Silver Spring Urban District, including the Parking Lot District (PLD), in maintaining public safety and improving and upgrading existing facilities and services in the Central Business District and Parking Lot District. Among our priorities over the years has been the protection of the fiscal integrity and original intent of the Silver Spring PLD and its role in providing financial support to the Silver Spring Urban District. To that end, we support continued dedication of PLD funds to Silver Spring Urban District "Clean & Safe" programs.

We are also pleased that the Silver Spring PLD budget does not reflect a need to increase rates or extend enforcement hours. Assuring sufficient, convenient, and affordable parking in Silver Spring is essential for the success of our businesses during the day and at night.

And finally, we support the Executive's continued efforts to increase the total number of police officers in the County. We urge the county to make sure those officers are assigned where there is the greatest need, specifically in the east county area of greater Silver Spring. These Silver Spring neighborhoods hold tremendous opportunity for future jobs and economic growth, but also present some unique challenges from a public safety and security perspective for both those who live in these neighborhoods and those who choose to locate businesses there.

We thank you for the opportunity to provide the business perspective on the County's budget considerations.

ANNE ARUNDEL COUNTY GOVERNMENT
(Compensation subject to collective bargaining)

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	REC FY14
Police											
Increment (a)	Yes	Yes	Yes	Yes	Yes	Yes	Yes(h)	No	No	No	TBD
General adjustment (COLA)	0.0%	2.0%(d)	2.0%	3.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	
Top of range adjustment	-	Yes(11.1%)	Yes	Yes	8.0%	8.0%	3.0%	No	No	No	
Fire											
Increment (a)	Yes	Yes	Yes	Yes	Yes	Yes	Yes(i)	No	No	5%(k)	TBD
General adjustment (COLA)	0.0%	2.0%(d)	2.0%	2.0%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	
Top of range adjustment	-	Yes	Yes	Yes	8.15%	8.15%	5%	No	No	5%	
Other											
Increment (a)	(b)	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	TBD
General adjustment (COLA)	(c)	2.0%	3.0%(e)	2.0%	2.0%,1.0%(f)	2.0%,1.0%(f)	0.0%	0.0%	0.0%	0.0%	
Lump-sum payment	-	-	-	-	-	-	-(j)	-(j)	-(j)	-	
Top of range adjustment	-	Yes	Yes	Yes	Yes(g)	Yes(g)	3.0%	No	No	No	
Non-Represented											
Increment (a)	No	0.0% - 4.5%	0.0% - 4.5%	Yes	Yes	5.0%	No	No	No	No	TBD
General adjustment (COLA)	0.0%	2.0%	3.0%	3.0%	2.0%,1.0%(f)	3.0%	0.0%	0.0%	0.0%	0.0%	
Lump-sum payment	-	Yes	Yes	-	-	-	-(j)	-(j)	-(j)	-	
Top of range adjustment	-	5.0%	4.0%	Yes	Yes	6.13%	No	No	No	No	

Top of range adjustments are equivalent to COLA identified unless otherwise footnoted.

(a) Merit increases are performance based and determined through the use of employee evaluations.

(b) Movement through range based on pay for performance. Maximum base pay adjustment limited to 10%.

(c) Clerical union will receive 2% across the board increase. Labor and trades union will receive 3% across the board increase.

(d) Labor and trades union will add 1% to max step effective 4/3/03.

(e) COLA added 1/4/03.

(f) Scale adjusted by COLA amount.

(b) Clerical union currently in negotiations but if no agreement is reached will be denied merits. Labor and trades union has one year remaining on contract and will get merit increases.

(c) Clerical union currently in negotiations but if no agreement is reached will be denied COLA. Labor and trades union has one year remaining on contract and will receive 3% COLA.

(d) COLA provided on 1/13/05.

(e) Effective 7/14/05 a 2% COLA and effective 4/6/06 a 1% COLA was provided.

(f) Across the board increases provided as follows: 2% first pay period in July, and additional 1% first pay period in January.

(g) Maximum pay rate increases as follows: 2% first pay period in July, 1% first pay period in January, and additional 1% first pay period in April.

(h) Merit amount negotiated at 3%.

(i) Merit amount renegotiated and reduced to 3%.

(j) FY11 and FY12, both Non-represented and Other (Clerical and Labor & Trades unions) were required to take 12 furlough days. No furloughs proposed for FY13.

(k) Fire union is in arbitration. County's position is 5% adjustment in pay will be made if union accepts increase in work hours.

ARLINGTON COUNTY GOVERNMENT
(Compensation not subject to collective bargaining)

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11(h)	FY12	FY13	REC FY14
Police												
Increment	3.0%(a)	3.0%(a)	3.0%	3.0%	3.0%	3.0%	3.0%	0.0%	2.5%	2.5%	2.5%	3.57%(k)
General adjustment (COLA)	2.75%	1.00 %	2.0%	2.0%	2.0%	1.5%	0.0%	1.0% (g)	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	1.00%(b)	-	-	-	-	-	-	2% (h)	1.0% (i)	-	-
Top of range adjustment	-	-	(c)	(d)	-	(f)	-	-	-	-	-	(j)
Fire												
Increment	3.0%(a)	3.0%(a)	3.0%	3.0%	3.0%	TBD	3.0%	0.0%	2.5%	2.5%	2.5%	3.43%(m)
General adjustment (COLA)	2.75%	1.00%	2.0%	2.0%	2.0%	(e)	0.0%	1.0% (g)	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	1.00%(b)	-	-	-	-	-	-	2%(h)	1.0% (i)	-	-
Top of range adjustment	-	-	(c)	(d)	-	(f)	-	-	-	-	-	(l)
Other Employees												
Increment	3.0%(a)	3.0%(a)	3.0%	3.0%	3.0%	TBD	3.0%	0.0%	2.5%	2.5%	2.5%	2.8%
General adjustment (COLA)	2.75%	1.00%	2.0%	2.0%	2.0%	(e)	0.0%	1.0% (g)	0.0%	0.0%	0.0%	0.0%
Lump-sum payment	-	1.00%(b)	-	-	-	-	-	-	2.0%(h)	1.0% (i)	-	-
Top of range adjustment	-	-	(c)	(d)	-	(f)	-	-	-	-	-	-

- (a) The average increment is 3.0%. Steps 1-5 receive a 4.1% increment, steps 6-10 receive a 3.3% increment, and steps 10-17 receive a 2.3% increment. All steps are now annual steps.
- (b) Employees would receive a one-time lump sum payment at the end of the year equal to 1% of their earned base income for calendar year 2003.
- (c) Expanded the pay plan by one additional step (step 18)
- (d) The County Manager has announced this will be a transition year with a view to going to a pay-for-performance system next year. This year the general adjustment (market payline adjustment) will only be given to those employees performing satisfactorily. In addition, top performers can be rewarded with an additional 1% increase.
- (e) Budget projection includes 0.0%.
- (f) Not pursuing footnote (d) any longer.
- (g) The County Board approved a 1% market pay adjustment for permanent employees effective January 1, 2010.
- (h) The FY11 Adopted Budget included funding for step increases as well as a 2% lump sum payment for employees who had been at the top of their pay grade for at least one year. The average increment is 2.5%. Step values are still the same: Step 1-5 are 4.1% increment; steps 6-10 are 3.3% increment, and steps 10-18 are 2.3% increment.
- (i) The FY12 Adopted budget included funding for step increases as well as a 1% lump sum payment for employees who had been at the top of their pay grade for at least one year.
- (j) Transitioned to new Police pay scale, separate from general pay scale. Police pay scale dropped all steps and replaced with open ranges within grades.
- (k) Increases within open ranges are 4.5% for first increase and 3.5% for each increase thereafter. Average increment increase calculated with 15 years of increases, which is the approximate length of time to reach maximum of range from minimum.
- (l) Transitioned to new Fire pay scale, separate from general pay scale. Fire pay scale replaced 18 step scale with 16 step scale.
- (m) Step increases are 4.5% for step 1 and 3.36% for all increases between step 2 and step 16.

FAIRFAX COUNTY GOVERNMENT
(Compensation not subject to collective bargaining)

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	REC FY14
Police											
Increment (a)	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes(i)	No
General adjustment (COLA)	2.56%	2.98%	3.07%	4.25%	2.92%	2.96%	-	-	-	-	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	2.56%	2.98%	3.07%	4.25%	2.92%	2.96%	-	-	-	-	-
Other: Market rate adjustment	(c)	-	-	(g)	-	-	-	-	-	2.18%	-
Firefighters											
Increment (a)	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes(i)	No
General adjustment (COLA)	2.56%	7.25%	3.07%	4.25%	2.92%	2.96%	-	-	-	-	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	2.56%	7.25%	3.07%	4.25%	2.92%	2.96%	-	-	-	-	-
Other: Market rate adjustment	(c)	(d)	-	2.0%(g)	-	-	-	-	-	2.18%	-
Other Employees											
Increment (a)	No	No	No	No	No	No	No	No	No	2.5%(j)	No
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	(e)	(e)	-	-	-	-	-	-	-	-
Top of range adjustment	2.56%(b)	2.98%(b)	3.07%(b)	4.25%	2.92%	2.96%	-	-	-	-	-
Other: Market rate adjustment	-	(f)	-	(g)	(h)	-	-	-	-	2.18%	-

- (a) Approximately 40% of all County employees are eligible for merit increment annually due to 2-3 year hold; effective from FY2002, general (non-public safety) no longer has steps in grades.
- (b) Effective July 1, 2001, general county employees at the top of their scale will be eligible for performance based bonus from 2% to 7% based on performance at .5% increments: 2.0%, 2.5%, 3.0%, etc.
- (c) Shift Differential Increases effective FY2004: Police: \$.65 evening shift, \$.90 night shift; Fire: \$.7275 all shifts; General County Employees: \$.65 evening shift, \$.90 night shift.
- (d) Increases were effective as: 2.5% July 2004, 2.5% January 2005, 2.25% April 2005.
- (e) Lump sum increases provided to those employees who are at the top of their salary ranges and who achieve a certain level of performance rating.
- (f) Average performance rating increase – 4.2%
- (g) Market rate adjustment of 4.25% for all. In addition, Fire receives an additional 2%.
- (h) Market rate adjustment of 2.92% - structure adjustment only for general employees.
- (i) Beginning on pay period 14.
- (j) Does not take effect until January 2013.

HOWARD COUNTY GOVERNMENT
(Compensation subject to collective bargaining)

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	REC FY14
Police											
Increment	3.5%	3.5 %	3.5 %	3.5 %	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	TBD
General adjustment (COLA)	(a)	(b)	3%(c)	3%(e)	5.0%	5.0%	-	-	2.0% (j)	2.0% (j)	
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	
Top of range adjustment	-	-	-	-	-	(h)	-	-	-	(k)	
Firefighters											
Increment	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	TBD
General adjustment (COLA)	(a)	(b)	(d)	(f)	6.0%	6.0%	6.0%	6.0%	-	-	
Lump-sum payment	-	-	-	-	\$250	\$250	\$250	\$250	\$250	\$250	
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	
General Schedule											
Increment	3.05%	3.05%	3.05%	3.05%	3.05	3.05%	3.05%	3.05%	3.05%	3.05%	TBD
General adjustment (COLA)	(a)	(b)	3%(c)	3.0%(e)	3.0%	(i)	-	-	-	-	
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	
Top of range adjustment	-	-	-	(g)	-	-	-	-	-	-	
Others (Service/Labor/Trades)											
Increment	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	Not Available	TBD
General adjustment (COLA)	(a)	(b)	3%(c)	3%(e)	3.0%	3.0%	-	-	1.0%		
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	

- (a) 2% effective July, 2003 and 2% effective May, 2004.
 (b) 2% effective July, 2004 and 1% effective June, 2005.
 (c) Effective July, 2005.
 (d) 3% effective July, 2005 and 1% effective January, 2006.
 (e) Effective July, 2006.
 (f) 3% effective July, 2006, and 1% effective January, 2007.
 (g) 3 (2 year) steps added to top of range.
 (h) 3.25% longevity to be added on 7/1/08 for Sergeants & 1/1/09 for Police Union.
 (i) To be announced 4/22/08.
 (j) 2% adjustment effective January 1 of the fiscal year (6mos.)
 (k) 3.25% longevity to be added on 7/1/12 for Sergeants & for Police Union.

STATE OF MARYLAND
(Compensation subject to collective bargaining)

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	REC FY14
All Employees											
Increment	(a)	Yes	Yes	Yes	Yes	Yes	(e)	(f)	(g)	(i)	Yes(k)
General adjustment (COLA)	(a)	\$752	1.5%	2.0%(b)	2.0%	2.0%	-	-	-	2.0(j)	3.0%(l)
Lump-sum payment	(a)	-	-	Yes(c)	-	-	-	-	Yes(h)	-	
Top of range adjustment	(a)	-	-	Yes(d)	-	-	-	-	-	-	

- (a) No salary enhancements were budgeted in FY04. The only enhancement allowed - if agency budgets can accommodate - is a reclassification (promotion).
- (b) General salary increases will be \$900 for employees making a base salary of less than a \$45,000 per year on an annualized basis, \$1,400 for employees making a base salary more than \$70,000 per year on an annualized basis, and 2 percent for the rest of the workforce. Approximately 87 percent of the workforce will receive 2 percent or more.
- (c) Performance bonuses for Correctional Officer II, Sergeant, Lieutenant, Captain, and Major positions (\$500) in the Division of Correction and for nurses in the Department of Health and Mental Hygiene (\$3,000) are newly funded in fiscal 2007. These bonuses are awarded for fewer than 5 unscheduled absences over a 12-month period.
- (d) Two steps have been added to the top of the standard salary schedule and one step has been added to the physicians' salary schedule.
- (e) The Budget Reconciliation and Financing Act of 2009 (HB101/SB166) prohibited all State employees from receiving any performance bonuses, merit increments, or cost-of-living adjustments. A furlough was enacted in August 2009 reducing average employee salaries by 2.6%.
- (f) The Budget Reconciliation and Financing Act of 2010 (SB141/HB151) language again prohibits State employees from receiving performance bonuses, merit increments, or cost-of-living adjustments. The FY 2011 budget bill (SB140/HB 150) also includes a 10-day furlough modeled on the FY 2010 plan.
- (g) The Budget Reconciliation and Financing Act of 2011 (HB 72/SB 87) language prohibits State employees from receiving merit increments through April 1, 2014. However, an exemption is provided for staff deemed "operationally critical," and reporting on exempted staff is required.
- (h) A one-time \$750 employee bonus payment will be made to all employees not in bargaining units that received alternative salary adjustments. The bonus funds, which will only be made to employees in State service prior to July 1, 2011, will be spread across the 26 pay periods of fiscal 2012.
- (i) The provision from the Budget Reconciliation and Financing Act of 2011 (HB 72/SB 87) prohibiting State employees from receiving merit increments through April 1, 2014 stayed in force and the exemption for staff deemed "operationally critical" expired.
- (j) Effective January 1, 2013.
- (k) Increments are funded effective April 1, 2014. Exemptions are provided for retention of faculty, operationally critical staff, and to fund transit collective bargaining agreements.
- (l) Effective January 1, 2014.

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

	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11(g)	FY12	FY13	REC FY14
All Employees											
Increment	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)
General adjustment (f)	2.7%	2.5%	2.1%	1.7%	2.5%	2.9%	1.5%	0%(g)	0.0%(g)	0.5%(h)	1.0%(h)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	Same	Same	Same	Same	Same	Same	Same	Same	Same	Same	Same
Locality pay (b)	4.42%(c)	3.71%(c)	3.44%(c)	2.64%(c)	4.49%(c)	4.78%	2.42%	0.0%	0.0%	0.5% (h)	1.0% (i)

(a) For federal employees in the Washington Baltimore locality pay area. Data reflect the federal fiscal year.

(b) Locality pay instituted in FY94.

(c) This is the **cumulative** figure that includes both general adjustments and increases in locality pay.

(d) 1.5% is a rough estimate of the average annual value of General Schedule within grade and quality step increases as a percentage of payroll. The actual average can vary year to year. Some estimation methods indicate the multi-year average may be closer to 1.3%.

(e) Increments awarded annually for advancement to steps 2-4, awarded every 2 years for steps 5-7, and awarded every three years for steps 8-10. Eighteen years to advance from minimum step 1 to maximum step 10.

(f) The federal government uses a cost of labor standard to determine the general adjustment rather than a cost of living standard. This adjustment is not referred to as the COLA.

(g) Congress enacted and the President signed a freeze on federal pay increases affecting increases scheduled for January 2011 and January 2012. Step increases under (d) and (e) are not affected by the pay freeze.

(h) The President proposed a 0.5% overall pay increase in FY13. The increase has not yet been approved or allocated by locality pay area and may be canceled.

(i) The President's FY14 budget includes a 1.0% pay increase for civilian employees in FY14.

PAY INCREASES - MONTGOMERY COUNTY GOVERNMENT EMPLOYEE <u>NOT AT MAXIMUM SALARY</u> ⁽¹⁾ vs. CONSUMER PRICE INDEX (CPI)						
Year	MCG GWA ⁽²⁾	MCG Service Increment ⁽³⁾	Total MCG Pay Increase	CPI Change ⁽⁴⁾	Difference MCG vs. CPI Change	Date of CPI Changes
<u>FY10-FY13 Compounded Change:</u>			<u>0.00%</u>	<u>8.87%</u>	<u>-8.871%</u>	
2012 (FY13)	0.00%	0.00%	--	<u>2.10%</u>	--	11-11 - 11-12
2011 (FY12)	0.00%	0.00%	--	<u>3.30%</u>	--	11-10 - 11-11
2010 (FY11)	0.00%	0.00%	--	<u>1.60%</u>	--	11-09 - 11-10
2009 (FY10)	0.00%	3.50%	--	<u>1.60%</u>	--	11-08 - 11-09
<u>FY06-FY09 Compounded Change:</u>			<u>33.27%</u>	<u>14.52%</u>	<u>18.75%</u>	
2008 (FY09)	4.50%	3.50%	--	<u>2.50%</u>	--	11-07 - 11-08
2007 (FY08)	4.00%	3.50%	--	<u>4.50%</u>	--	11-06 - 11-07
2006 (FY07) ⁽⁵⁾	4.00%	3.50%	--	<u>3.10%</u>	--	11-05 - 11-06
2005 (FY06)	2.75%	3.50%	--	<u>3.70%</u>	--	11-04 - 11-05
<u>FY02-FY05 Compounded Change:</u>			<u>28.71%</u>	<u>11.46%</u>	<u>17.25%</u>	
2004 (FY05)	2.00%	3.50%	--	<u>3.60%</u>	--	11-03 - 11-04
2003 (FY04) ⁽⁶⁾	2.90%	3.50%	--	<u>2.40%</u>	--	11-02 - 11-03
2002 (FY03)	3.50%	3.50%	--	<u>2.80%</u>	--	11-01 - 11-02
2001 (FY02)	3.25%	3.50%	--	<u>2.20%</u>	--	11-00 - 11-01
<u>FY98-FY01 Compounded Change:</u>			<u>27.03%</u>	<u>8.43%</u>	<u>18.60%</u>	
<u>FY94-FY97 Compounded Change: ⁽⁷⁾</u>			<u>25.39%</u>	<u>9.61%</u>	<u>15.78%</u>	
(1) Excludes police and fire bargaining unit employees. (2) MCG did not provide a GWA in FY13. (3) Employees not at the maximum of their assigned grade are eligible for a service increment. Approximately 78.8% (6,942 of 8,809) of permanent employees were not at maximum of grade as of 12/1/12, however no service increments were given in FY13. (4) CPI(u) change for all Urban Consumers, Washington/Baltimore area. (5) GWAs of 3% effective 7/9/06 (FY07) and 1% effective 1/7/07 (FY07). (6) Average of non-represented (2.0% effective 7/13/03) and MCGEO (3.75% effective 11/30/03) adjustments. (7) For FY94 employees received a \$250 lump sum payment (not added to base salary) in August 1993. (Note: This amount is not included in the reported data).						

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PAY INCREASES - MONTGOMERY COUNTY GOVERNMENT EMPLOYEE NOT AT MAXIMUM SALARY ⁽¹⁾

**vs.
PRIVATE SECTOR**

Year	MCG GWA ⁽²⁾	MCG Service Increment ⁽³⁾	Total MCG Pay Increase	Private Sector Pay Increase ⁽⁴⁾	Difference MCG vs. Private Sector
FY10-FY13 Compounded Change:			<u>3.50%</u>	<u>10.29%</u>	<u>-6.79%</u>
2012 (FY13)	0.00%	0.00%		2.80%	
2011 (FY12)	0.00%	0.00%	--	2.76%	--
2010 (FY11)	0.00%	0.00%	--	2.53%	--
2009 (FY10)	0.00%	3.50%	--	2.20%	--
FY05-FY09 Compounded Change:			<u>33.27%</u>	<u>14.98%</u>	<u>18.29%</u>
2008 (FY09)	4.50%	3.50%	--	3.90%	--
2007 (FY08)	4.00%	3.50%	--	3.80%	--
2006 (FY07) ⁽⁵⁾	4.00%	3.50%	--	3.63%	--
2005 (FY06)	2.75%	3.50%	--	3.65%	--
FY02-FY05 Compounded Change:			<u>28.71%</u>	<u>15.15%</u>	<u>13.56%</u>
2004 (FY05)	2.00%	3.50%		3.45%	
2003 (FY04) ⁽⁶⁾	2.90%	3.50%	--	3.40%	--
2002 (FY03)	3.50%	3.50%	--	3.75%	--
2001 (FY02)	3.25%	3.50%	--	4.55%	--
FY98-FY01 Compounded Change:			<u>27.03%</u>	<u>17.25%</u>	<u>9.783%</u>
FY94-FY97 Compounded Change: ⁽⁷⁾			<u>25.39%</u>	<u>16.20%</u>	<u>9.19%</u>

(1) Excludes police and fire bargaining unit employees.

(2) MCG did not provide a GWA in FY13.

(3) Employees not at the maximum of their assigned grade are eligible for a service increment.

Approximately 78.8% (6,942 of 8,809) of permanent employees are not at maximum of grade as of 12/01/12, however, no service increments were given in FY13.

(4) Source: *World At Work 2012 - 2013 Salary Budget Survey, Top Level Data (pg. 3)*. Pay increase is the average of General Wage

Adjustments (GWAs), Cost of Living Adjustments (COLAs), and Merit Increases for non-exempt and exempt employees in the United States.

(5) GWAs of 3% effective 7/9/06(FY07) and 1% effective 1/7/07(FY07).

(6) Average of non-represented (2.0% effective 7/13/03) and MCGEO (3.75% effective 11/30/03) adjustments.

(7) For FY94 employees received a \$250 lump sum payment (not added to base salary) in August 1993.

(Note: This amount is not included in the reported data).

**COMPARISON OF SALARIES FOR MIDDLE MANAGEMENT AND PROFESSIONAL POSITIONS
FEDERAL GOVERNMENT VS. MONTGOMERY COUNTY GOVERNMENT**

FEDERAL GOVERNMENT (1) (2)
Effective January, 2013

MONTGOMERY COUNTY GOVERNMENT (3) (4)
Effective January, 2013

Federal Grade	Minimum	Maximum	MCG Grade	# Permanent FT Emp.	Minimum	Maximum (2)	% Diff. At Min	% Diff. At Max
GS-11	\$62,467	\$81,204	21	361	\$47,028	\$77,756	-32.8%	-4.4%
			22 (5)	145	\$49,253	\$81,513	-26.8%	0.4%
GS-12	\$74,872	\$97,333	23	404	\$51,598	\$85,463	-45.1%	-13.9%
			24	478	\$54,054	\$89,596	-38.5%	-8.6%
			25	394	\$56,631	\$93,944	-32.2%	-3.6%
GS-13 (6)	\$89,033	\$115,742	24	478	\$54,054	\$89,596	-64.7%	-29.2%
			25	394	\$56,631	\$93,944	-57.2%	-23.2%
			26	91	\$59,345	\$98,513	-50.0%	-17.5%
			27	80	\$62,168	\$103,309	-43.2%	-12.0%
			M3	232	\$63,411	\$115,901	-40.4%	0.1%
GS-14 (7)	\$105,211	\$136,771	28	126	\$64,960	\$108,343	-62.0%	-26.2%
			29	6	\$67,890	\$90,759	-55.0%	-50.7%
			30 (5)	7	\$70,791	\$119,183	-48.6%	-14.8%
			31	3	\$74,206	\$125,010	-41.8%	-9.4%
			M2	121	\$73,811	\$133,992	-42.5%	-2.1%
GS-15	\$123,758	\$155,500	M2	121	\$73,811	\$133,992	-67.7%	-16.1%
			M1	23	\$84,407	\$149,917	-46.6%	-3.7%

(1) Locality Pay for Washington - Baltimore (DC-MD-VA-WV and St. Marys County-MD).

(2) Federal Government salaries obtained from <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/2012/general-schedule/dcb.pdf>

(3) Does not include longevity.

(4) Montgomery County Government employees did not receive a GWA in FY 13. As such the minimum and maximum amounts have not changed from the 2012 report.

(5) Pay grades 22 and 30 did not appear on previous reports, but have been added this year and will appear on reports moving forward.

(6) There were no salary schedule increases in the Federal Government for 2013. However, in the 2011 PMR, the GS-13 maximum salary was incorrectly listed as \$92,001. The correct GS-13 maximum salary should have been listed as \$115,742 for 2011 and remains the same for this 2012 report.

(7) There were no salary schedule increases in the Federal Government for 2013. However, in the 2011 PMR, the GS-14 maximum salary was incorrectly listed as \$108,717. The correct GS-14 maximum salary should have been listed as \$136,771 for 2011 and remains the same for this 2012 report.

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**PROJECTED TOTAL PAY INCREASES
2012-2013
SALARY BUDGET SURVEYS**

<u>Survey Name</u>	<u>Number of Organizations Participating in Survey</u>	<u>Geographic Area of Survey</u>	<u>Average Total Pay Increase ⁽¹⁾</u>		
			<u>Survey - Actual 2012</u>	<u>MCG - Average 2012 ⁽²⁾</u>	<u>Survey - Budgeted 2013</u>
World At Work 2012-2013 Salary Budget Survey (May 2012)	4,299	National	2.80%	0.00%	3.00%
Mercer- 2012-2013 U.S. Compensation Planning Survey	over 1,200	National	2.70%	0.00%	2.90%
Human Resource Association of the National Capital Area (HRA-NCA) Compensation Survey Report (September, 2012)	281	Washington/Baltimore Metropolitan Area	2.80%	0.00%	2.80%
2012 Local Gov't Personnel Association (LGPA) Benchmark Salary and Comprehensive Benefits Survey- Cost of Living Adjustments (COLAs) Report (September 2012)	19	Washington/Baltimore Metropolitan Area	0.55%(average increases used for 13 of the 19 jurisdictions surveyed) ⁽³⁾	0.00%	N/A

(1) Average salary increase (e.g., cost of living, merit, general wage adjustment, etc.) reported for non-exempt (union and non-union) and exempt union and non-union) salaried employees.

(2) Although 78.8% (6,942) of employees were eligible to receive a service increment in FY13, no service increments were given in FY13. Performance based pay and General wage adjustments (GWAs) were not approved for FY13, therefore General Salary Schedule employees, who comprise 58%(3,675 employees) of all employees, did not receive any performance based pay or GWA in FY13; Management Leadership Service (MLS) employees, who comprise 4.0% (352 employees) of all employees did not receive any performance based pay or a GWA in FY13; Uniformed Firefighters and Uniformed Fire/Rescue Management, who comprise 11.23%(989 employees) of all employees, did not receive any performance based pay or a GWA in FY13; Uniformed Police and Uniformed Police Management, who comprise 11.68% (1,029 employees) of all employees did not receive performance based pay or a GWA in July FY13.

(3) Averages totaled from the following 13 locations: Alexandria City, Annapolis City, Anne Arundel County, Arlington, Baltimore City, Baltimore County, Carroll County, District of Columbia, Fairfax County, Frederick County, Howard County, MD National Pk & Planning, and Prince Georges County..

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EMPLOYEE HEALTH BENEFITS SELF INSURANCE FUND

FY14-19 FISCAL PROJECTION

	Estimate - FY13	Projected - FY14	Projected - FY15	Projected - FY16	Projected - FY17	Projected - FY18	Projected - FY19
BEGINNING BALANCE	36,060,077	16,096,990	9,838,650	10,862,850	11,789,260	12,837,940	14,064,840
REVENUES							
Premium Contributions	149,278,730	159,969,810	176,087,980	191,812,460	208,494,710	226,770,160	247,524,830
Premium Contributions: Retiree Insurance NDA	32,462,450	32,462,450	42,573,160	46,420,520	50,558,240	55,090,250	60,168,800
Investment Income	-	-	-	100,900	206,570	330,130	437,100
TOTAL REVENUES	181,741,180	192,432,260	218,661,140	238,333,880	259,259,520	282,190,540	308,130,730
FUND TRANSFER TO THE GENERAL FUND	(19,034,302)	-	-	-	-	-	-
TOTAL FUNDS AVAILABLE	198,766,955	208,529,250	228,499,790	249,196,730	271,048,780	295,028,480	322,195,570
EXPENDITURES							
Claims, Premiums, & Carrier Administration	180,239,140	196,138,230	214,956,950	234,593,480	255,256,150	277,861,220	303,481,610
Actives	117,320,170	127,802,590	140,135,310	152,878,140	166,126,210	180,619,590	197,225,410
Retirees	62,918,970	68,335,640	74,821,640	81,715,340	89,129,940	97,241,630	106,256,200
In-house expenses	2,430,825	2,552,370	2,679,990	2,813,990	2,954,690	3,102,420	3,257,540
TOTAL EXPENDITURES	182,669,965	198,690,600	217,636,940	237,407,470	258,210,840	280,963,640	306,739,150
ENDING BALANCE	16,096,990	9,838,650	10,862,850	11,789,260	12,837,940	14,064,840	15,456,420
TARGET FUND BALANCE (5% OF EXPENDITURES)	9,133,500	9,934,530	10,881,850	11,870,370	12,910,540	14,048,180	15,336,960
ENDING BALANCE AS % OF EXPENDITURES	8.8%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Compensation and Employee Benefits Adjustments

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

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

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

Management Leadership Service Performance-Based Pay Awards: In FY99, the County implemented the Management Leadership Service (MLS) which includes high level County employees with responsibility for developing and implementing policy and managing County programs and services. The MLS was formed for a number of reasons, including improving the quality and effectiveness of service delivery through management training, performance accountability, and appropriate compensation; providing organizational flexibility to respond to organizational needs; allowing managers to seek new challenges; and developing and encouraging a government-wide perspective among the County's managers. MLS employees are not eligible for service increments. Performance-Based awards for MLS employees are funded in FY14.

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.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	721,071	0.65
Increase Cost: MLS Pay for Performance - Tax Supported	1,230,301	0.00
Increase Cost: MLS Pay for Performance - Non-Tax Supported	563,886	0.00
Increase Cost: Montgomery County Employee Retirement Plans and Department of Finance (Deferred Compensation)	26,528	0.23
Increase Cost: FY14 Compensation Adjustment	3,574	0.00
Increase Cost: Other Labor Contract Costs	2,750	0.00
Increase Cost: Group Insurance Adjustment	1,773	0.00
Increase Cost: Printing and Mail Adjustment	115	0.00
Decrease Cost: Elimination of FY13 \$2,000 Lump Sum	-656	0.00
FY14 CE Recommended	2,549,342	0.88

Consolidated Retiree Health Benefits Trust (MCPS)

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

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	58,853,092	0.00
Increase Cost: Additional Contribution (Year Seven of Eight-Year Funding Schedule)	28,982,908	0.00
FY14 CE Recommended	87,836,000	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.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	1,779,914	0.00
Increase Cost: Additional Contribution (Year Seven of Eight-Year Funding Schedule)	709,086	0.00
FY14 CE Recommended	2,489,000	0.00

Group Insurance for Retirees

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

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

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

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

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	32,462,450	0.00
FY14 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.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	0	0.00
FY14 CE Recommended	0	0.00

Montgomery County Employee Retirement Plans

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

Program Performance Measures	Actual FY11	Actual FY12	Estimated FY13	Target FY14	Target FY15
ERS - Rate of return - used to compare to the 7.5% Actuarial Assumed Return ¹	21.77%	5.30%	13.07%	N/A	N/A
ERS - Return in excess of the total fund benchmark (passive indices) ²	1.81%	(.08)%	2.19%	2.00%	2.00%
RSP & DCP - Percentage of funds offered that are ranked at or above over a market cycle	81%	80%	N/A	N/A	N/A
RCP & DCP - Fees for fund offerings are at or below the median fees charged	97%	98%	N/A	N/A	N/A

¹ The FY13 estimated figure is as of 1/31/13.

² The FY13 estimated figure is as of 1/31/13.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	0	0.00
FY14 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 50 year-old practice of prefunding for retiree pension benefits. The reasons for doing this are simple: Due to exponential growth in expected retiree health costs, the cost of funding these benefits, which were being paid out as the bills came due, would soon become unaffordable. Setting aside money now and investing it in a Trust Fund, which is invested in a similar manner as the pension fund, not only is a prudent and responsible approach, but will result in significant savings over the long term.

As a first step in addressing the future costs of retiree health benefits, County agencies developed current estimates of the costs of health benefits for current and future retirees. These estimates, made by actuarial consultants, concluded that the County's total future cost of retiree health benefits if paid out today, and in today's dollars, is \$1.9 billion – approximately forty percent of the total FY14 budget for all agencies.

One approach used to address retiree health benefits funding is to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health benefits and any accrued interest on unfunded liability. This amount, known as an Annual OPEB Cost or "AOC", is estimated at \$142.9 million. This amount consists of two pieces – the annual amount the County would usually pay out for health benefits for current retirees (the pay as you go amount), plus the additional amount estimated as needed to fund retirees' future health benefits (the pre-funding portion). The pay as you go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis.

The County has committed to an approach of "ramping up" to the AOC amount over several years, with the amount set aside each year increasing steadily until the full AOC is reached. A total of \$31.9 million for all tax supported agencies was budgeted for this purpose in FY08. In May 2008, the County Council passed resolution No. 16-555 which confirmed an eight-year phase-in approach to the AOC. Consistent with this approach and based on the County's economic situation, the County contributed \$14.0 million to the Trust in FY08, \$19.7 million in FY09, \$3.3 million in FY10, and \$7.3 million in FY11. Due to fiscal constraints, the County did not budget a contribution for the General Fund in FY10 and FY11, but did resume contributions in FY12. For FY12, the County contributed \$26.1 million from the General Fund to the Retiree Health Benefits Trust. In addition, on June 26, 2011, the County Council enacted Bill 17-11 which established the Consolidated Retiree Health Benefits Trust. The bill amended existing law and provided a funding mechanism to pay for other post employment benefits for employees of Montgomery County Public Schools and Montgomery County College. In FY12, the County appropriated \$20 million and \$1 million for contributions on behalf of MCPS and the College, respectively. In FY13, these contributions grew to \$41.4 million (County General Fund), \$58.9 million (MCPS Consolidated Trust), and \$1.8 million (Montgomery College Consolidated Trust). A detailed breakdown of FY14 recommended contributions to the Consolidated Retiree Health Benefit Trust for County Government tax supported agencies, participating agencies, Montgomery County Public Schools, and Montgomery College is displayed in the table above. The Council and the Executive have mutually committed to the County's rating agencies to achieve full pre-funding by FY15.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	41,386,568	0.00
Increase Cost: Additional Contribution (Year Seven of Eight-Year Funding Schedule)	9,932,472	0.00
FY14 CE Recommended	51,319,040	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.

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	85,113	0.00
Decrease Cost: Annualization of FY13 Personnel Costs	-40,451	0.00
FY14 CE Recommended	44,662	0.00

State Retirement Contribution

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

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

FY14 Recommended Changes	Expenditures	FTEs
FY13 Approved	1,135,590	0.00
Increase Cost: Amortized amount owed to the State Retirement based on actuarial cost to the plan	56,590	0.00
FY14 CE Recommended	1,192,180	0.00

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

As a first step in addressing the future costs of retiree health benefits, County agencies developed current estimates of the costs of health benefits for current and future retirees. These estimates, made by actuarial consultants, concluded that the County's total future cost of retiree health benefits if paid out today, and in today's dollars, is \$1.9 billion – approximately forty percent of the total FY14 budget for all agencies.

Proposed FY14 Consolidated Retiree Health Benefits Trust Contributions	
Montgomery County Government (MCG)	FY14
<u>General Fund:</u>	
Retiree Health Benefits Trust NDA	\$51,319,040
<u>Proprietary Funds:</u>	
Bethesda Parking District	\$248,290
Wheaton Parking District	25,690
Silver Spring Parking District	171,230
Solid Waste Collection	42,810
Solid Waste Disposal	633,570
Liquor Control	2,577,070
Permitting Services	1,652,410
Community Use of Public Facilities	231,170
Motor Pool	1,720,890
Risk Management	85,620
Central Duplicating	265,410
<u>Participating Agency Contributions</u>	\$2,994,800
Total MCG Trust Contributions	\$61,968,000
Consolidated Trust: Montgomery County Public Schools	\$87,836,000
Consolidated Trust: Montgomery College	\$2,489,000
Park and Planning Commission Trust Fund*	\$2,570,524
Total Contributions/Assets Held in Trust	\$154,863,524
* MNCPPC's contribution from tax supported funds is \$2,474,431.	

One approach used to address retiree health benefits funding is to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health benefits and any accrued interest on unfunded liability. This amount, known as an Annual OPEB Cost or "AOC", is estimated at \$142.9 million. This amount consists of two pieces – the annual amount the County would usually pay out for health benefits for current retirees (the pay as you go amount), plus the additional amount estimated as needed to fund retirees' future health benefits (the pre-funding portion). The pay as you go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis.

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

FY09, \$3.3 million in FY10, and \$7.3 million in FY11. Due to fiscal constraints, the County did not budget a contribution for the General Fund in FY10 and FY11, but did resume contributions in FY12. For FY12, the County contributed \$26.1 million from the General Fund to the Retiree Health Benefits Trust. In addition, on June 26, 2011, the County Council enacted Bill 17-11 which established the Consolidated Retiree Health Benefits Trust. The bill amended existing law and provided a funding mechanism to pay for other post employment benefits for employees of Montgomery County Public Schools and Montgomery County College. In FY12, the County appropriated \$20 million and \$1 million for contributions on behalf of MCPS and the College, respectively. In FY13, these contributions grew to \$41.4 million (County General Fund), \$58.9 million (MCPS Consolidated Trust), and \$1.8 million (Montgomery College Consolidated Trust). A detailed breakdown of FY14 recommended contributions to the Consolidated Retiree Health Benefit Trust for County Government tax supported agencies, participating agencies, Montgomery County Public Schools, and Montgomery College is displayed in the table above. The Council and the Executive have mutually committed to the County's rating agencies to achieve full pre-funding by FY15.

ELIGIBILITY OF PERMANENT EMPLOYEES FOR SERVICE INCREMENT
(If at Maximum Salary, NOT Eligible; If Not at Maximum Salary, Eligible)

<u>Bargaining Unit</u>		<u>At</u> <u>Maximum</u>	<u>Not at</u> <u>Maximum</u>	<u>TOTAL</u>	<u>PERCENTAGE OF</u> <u>TOTAL EMPLOYEE COUNT</u>
Police Bargaining Unit (FOP)	Number	410	619	1029	11.68%
	Percent	39.8%	60.2%	100%	
Fire Bargaining Unit (IAFF)	Number	352	637	989	11.23%
	Percent	35.6%	64.4%	100%	
MCGEO, UFCW Local 1994 (2)	Number	1430	3675	5105	58.0%
	Percent	28.0%	72.0%	100%	
Eligible at Permanent Status (Local 1994 and IAFF)	Number	42	362	404	4.6%
	Percent	<u>10.4%</u>	<u>89.6%</u>	<u>100%</u>	
Total Represented	Number	1808	5134	6942	78.8%
	Percent	26.0%	74.0%	100%	
Total Unrepresented ⁽¹⁾	Number	652	1215	1867	21.2%
	Percent	34.9%	65.1%	100%	
ALL EMPLOYEES	Number	2460	6349	8809	
	Percent	27.9%	72.1%	100%	100.0%

(1) Includes employees in the Management Leadership Service who are not eligible to receive service increments, but may receive performance based pay.

(2) Data extrapolated from page 1-9 of this report.

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County Awards Summary (FY2013)

Run Date: 03/26/2013

Department	Annual Leave (hrs)	Employee of the Year	Award Amount				Recruit- ment	Total	Recruit- ment Annual Leave (hrs)	Sick Leave Bonus (hrs)	Physical Training Test (hrs)
			Recognition		Automotive Services Excellence (ASE)						
			Cash	Non-Cash	Exam	Master					
01 - County Council	907										
05 - Zoning & Administrative Hearings	30										
23 - Public Information	55										
30 - County Attorney	40	\$750						\$750			
31 - Management & Budget		\$500						\$500			
36 - General Services	823				\$95,000	\$93,000		\$188,000			
39 - Consumer Protection	64										
42 - Correction & Rehabilitation	32						\$1,500	\$1,500			
45 - Fire/Rescue Services	180										
47 - Police	1,872										
48 - Sheriff	472									480	384
50 - Transportation	176	\$25,250						\$25,250			
60 - Health & Human Services	320										
70 - Community Use Public Facilities	168										
71 - Libraries	12										
75 - Permitting Services	248	\$250						\$250			
76 - Housing & Community Affairs	40										
78 - Economic Development	40										
85 - Liquor Control	80	\$1,250						\$1,250			
99 - Investment Trustees		\$2,300						\$2,300			
Total	5,559	\$30,300			\$95,000	\$93,000	\$1,500	\$219,800		480	384