



Committee: Directly to Council
Committee Review: N/A
Staff: Craig Howard, Deputy Director
Purpose: Introduction/Suspension of Rules/Action

AGENDA ITEM #5
May 13, 2020
Action

SUBJECT

FY20 Operating Budget Savings Plan: Retiree Health Benefits Trust

EXPECTED ATTENDEES

None

COUNCIL DECISION POINTS & COMMITTEE RECOMMENDATION

None

DESCRIPTION/ISSUE

The County Council will consider action on a resolution to approve an FY20 savings plan submitted by the County Executive for \$21,136,470.

SUMMARY OF KEY DISCUSSION POINTS

- On March 18, the Executive transmitted a FY20 Savings Plan to reduce the approved OPEB pre-funding expenditures for County Government by \$21.1 million and instead increase the General Fund reserve by that same amount. The Executive's proposal would achieve \$21.1 million in FY20 savings by reducing the OPEB pre-funding for County Government from \$34.7 million as approved to \$13.5 million based on an updated actuarial valuation.
- This action differs from OPEB savings plans approved in FY18 and FY19 that reduced OPEB pre-funding for County Government, MCPS, and Montgomery College below the actuarially determined contribution. This action does not impact the approved pay-as-you-go funding in FY20 and current retirees would see no change to their retiree health benefits.
- The Council reviewed the proposed savings plan on May 5 and indicated its tentative approval as part of the straw vote on compensation and benefit items outside of the collective bargaining agreements.

This report contains:

Draft FY20 Savings Plan Resolution
County Executive Recommended FY20 Savings Plan (March 18, 2020)

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Resolution No.: _____
Introduced: _____
Adopted: _____

**COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND**

Lead Sponsor: County Council

SUBJECT: Approval of FY2020 Savings Plan for Montgomery County Government

Background

1. On May 23, 2019 the Council approved the FY2020 operating budget for Montgomery County Government in Resolution No. 19-128. Action clause 53 stated: "As a condition of spending any funds appropriated in this resolution and not disapproved or reduced under Charter Section 306, the Executive must transmit to the Council any recommended budget savings plan or similar action....Any budget savings plan or similar action is subject to review and approval by the Council...."
2. In a memorandum to the Council President dated March 18, 2020, the Executive proposed a FY2020 savings plan to recognize an adjustment to the actuarial valuation information used to determine the original FY2020 Other-Post Employment Benefits (OPEB) pre-funding expenditure amount for Montgomery County Government. The proposed FY2020 savings includes \$21.1 million in savings from the Retiree Health Benefits Trust non-departmental account.
3. Unlike previous one-time reductions in OPEB pre-funding, this adjustment is to the revised actuarially determined contribution amount and maintains full funding within FY2020.
4. On May 5, 2020 the Council reviewed the savings plan.
5. The Council's savings plan for FY2020 calls for savings of \$21,136,470 in the operating budget.

Action

1. The County Council for Montgomery County, Maryland approves a FY2020 savings plan for \$21,136,470 in the operating budget as set forth below.

**FY2020 Savings Plan
Retiree Health Benefits Trust NDA**

Non-Departmental Account	CE Recommended	Council Approved
NDA – Retiree Health Benefits Trust	-21,136,470	-21,136,470

2. The spending reductions for County Government approved in this resolution are the only reductions from the FY2020 operating budget for County Government, which the Council approved in Resolution No. 19-128 on May 23, 2019, that the County Executive may implement. All other funds appropriated in Resolution No. 19-128 must be spent for the purposes for which they were appropriated. If the Executive proposes that any funds will not be spent as approved by the Council, he must submit an additional savings plan as required in paragraph 53 of Resolution No. 19-128.

This is a correct copy of Council action.

Selena Mendy Singleton, Esq.
Clerk of the Council




OFFICE OF THE COUNTY EXECUTIVE

Marc Elrich
County Executive

MEMORANDUM

March 18, 2020

TO: Sidney Katz, President, County Council

FROM: Marc Elrich, County Executive 

SUBJECT: FY20 Savings Plan: NDA – Retiree Health Benefits Trust (\$21,136,470)

My Fiscal Year (FY) 2021 Recommended Operating Budget includes additional FY20 expenditure savings recognizing an adjustment to the valuation information used to determine the original FY20 Other Post-Employment Benefits (OPEB) expenditure amount. Please find attached my recommended FY20 savings plan to recognize this adjustment. The expenditure reduction will increase the FY20 General Fund reserve by \$21.1 million.

As you are aware, the County changed actuaries for the Consolidated Retiree Health Benefit Trust during the final year of the Leggett Administration. It is common practice for a new actuary to revisit the assumptions used by a previous actuary for both the current year and the budget year. The assumption adjustments, combined with the work of the Office of Human Resources on a new prescription drug contract, resulted in a significant reduction in OPEB pre-funding requirements.

The recommended expenditure savings reduce FY20 OPEB prefunding by \$21.1 million. Unlike previous one-time reductions, this adjustment is to the revised actuarially determined contribution (ADC) amount and maintains full funding within FY20. My FY21 Recommended Operating Budget continues prefunding consistent with our fiscal policy. It should be noted that retirees will see no change to their benefits as a result of my recommendation, and their benefit claims will continue to be paid as they have been in the past.

It is important that the Council join me in this approach as it is aligned with our reserve funding target and is prudent at this moment in time. My staff is available to assist the Council in its review of the attached proposal.

ME:cbo

Attachment: Recommended FY20 Savings Plan Montgomery County Government

County Executive's Recommended FY20 Savings Plan
Montgomery County Government
March 2020

NDA	AMOUNT	DESCRIPTION
		Reduce spending to recognize valuation
NDA - Retiree Health Benefits Trust	-21,136,470	adjustment
TOTAL	-21,136,470	