Agenda Item 4C
April 21, 2015
**Introduction**

# MEMORANDUM

April 17, 2015

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney

SUBJECT: **Introduction:** Expedited Bill 20-15, Deferred Retirement Option Plan-Amendments – Retirement Savings Plan-Annuity – Guaranteed Retirement Income Plan-Election

Expedited Bill 20-15, Deferred Retirement Option Plan-Amendments – Retirement Savings Plan-Annuity – Guaranteed Retirement Income Plan-Election, sponsored by Lead Sponsor Council President at the request of the County Executive, is scheduled to be introduced on April 21, 2015. A public hearing is tentatively scheduled for May 5 at 1:30 p.m.

Bill 20-15 would:

(1) make the guaranteed retirement income plan the default retirement option for new employees in the Office, Professional and Technical (OPT) or the Service, Labor and Trades (SLT) bargaining units;
(2) establish a new deferred retirement option plan for sworn deputy sheriffs and uniformed correctional officers;
(3) provide an annuity option for employees who participate in the retirement savings plan; and
(4) generally amend the County employee retirement laws.

Bill 20-15 would implement 2 agreements negotiated by the Executive with MCGEO Local 1994. Changing the default option for new employees represented by MCGEO and the addition of an annuity option for all employees in the RSP resulted from an interest arbitration decision in favor of the County. See ©55-68. MCGEO sought, in arbitration, a new open enrollment period to elect the GRIP for those MCGEO members who are participating in the RSP. The arbitrator agreed with the County that a new open enrollment period for existing RSP members was inappropriate.

The establishment of a new DROP for sworn deputy sheriffs and uniformed correctional officers is part of the recently negotiated labor agreement with MCGEO for FY16. This new DROP would be similar to the existing DROP for sworn police officers. An eligible employee could choose to enter the DROP at full retirement. Once in the DROP, the employee would continue to work and receive his or her normal salary for up to 3 years. The employee would stop making retirement contributions and stop earning more service time for retirement while in the DROP. The County would pay the employee's retirement pension into a separate DROP account. The employee must choose investment options for these funds similar to the RSP. When the DROP period is over, the employee must leave County service and not return. The employee would receive the DROP account balance plus the pension the employee earned before entering the DROP with enhancements to the pension for cost-of-living adjustments the employee missed while in the DROP. As with the existing DROP for police and fire, the employee receives this enhanced retirement benefit in return for providing management with advanced notice of retirement to aid management in succession planning. The Sheriff, in his letter supporting the new DROP, cited succession planning as the benefit to his Office. ©69.



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Expedited Bill No. 20-15
Concerning: Deferred Retirement Option Plan – Amendments – Retirement Savings Plan – Annuity – Guaranteed Retirement Income Plan – Election
Revised: April 16, 2015 Draft No. 4
Introduced: April 21, 2015
Expires: October 21, 2016
Enacted: ____
Executive: ____
Effective: ____
Sunset Date: None
Ch. ____, Laws of Mont. Co. ____

# COUNTY COUNCIL FOR MONTGOMERY COUNTY, MARYLAND

Lead Sponsor: Council President at the Request of the County Executive

**AN EXPEDITED ACT** to:

(1) make the guaranteed retirement income plan the default retirement option for certain employees;
(2) establish a deferred retirement option plan for sworn deputy sheriffs and uniformed correctional officers;
(3) provide an annuity option for employees who participate in the retirement savings plan; and
(4) generally amend the County employee retirement laws.

By amending
Montgomery County Code
Chapter 33, Personnel and Human Resources
Sections 33-37, 33-38A, 33-44, 33-115 and 33-120

| | |
|---|---|
| **Boldface** | *Heading or defined term.* |
| Underlining | *Added to existing law by original bill.* |
| **[Single boldface brackets]** | *Deleted from existing law by original bill.* |
| Double underlining | *Added by amendment.* |
| **[[Double boldface brackets]]** | *Deleted from existing law or the bill by amendment.* |
| * * * | *Existing law unaffected by bill.* |

*The County Council for Montgomery County, Maryland approves the following Act:*

**Sec. 1. Sections 33-37, 33-38A, 33-44, 33-115, and 33-120 are amended as follows:**

**33-37. Membership requirements and membership groups.**

(a) *Full-time employees.*

(1) A full-time employee of the County or participating agency must become a member of a County retirement plan as a condition of employment, when the employee meets the applicable eligibility requirements, if the employee waives all rights of membership under any other retirement system supported in whole or in part by the State, a political subdivision of the State, or the County.

(2) A part-time employee who becomes a full-time employee and is not an active member of any County retirement plan must become an active member of:

(A) the integrated retirement plan, if the employee is eligible for membership in the integrated plan;

(B) the Retirement Savings Plan, if the employee satisfies the requirements for membership in Group I or II, even if the employee did not begin or return to County service on or after October 1, 1994 <u>and participates as described in Section 33-115</u>; or

(C) the guaranteed retirement income plan if the employee is eligible for membership and [elects to] participate<u>s</u> as described in subsection (k).

(3) A temporary employee who becomes a full-time employee must become an active member of:

(A) the integrated plan, if the employee is eligible for membership in the integrated plan;

(B) the Retirement Savings Plan, if the employee satisfies the requirements for membership in Group I or II, even if the employee did not begin or return to County service on or after October 1, 1994 and participates as described in 33-115; or

(C) the guaranteed retirement income plan if the employee is eligible for membership and [elects to participate] participates as described in subsection (k).

(b) *Part-time employees.*

(1) A part-time employee of the County or participating agency may become a member of a County retirement plan if the employee waives all rights of membership under any other retirement system supported in whole or in part by the State, a political subdivision of the State, or the County. Membership is effective on the date the employee's application for membership is approved.

(2) A part-time employee who is not an active member of a retirement plan may become a member of either:

(A) the integrated plan, if the employee is eligible for membership in the integrated plan;

(B) the Retirement Savings Plan if the employee satisfies the requirements for membership in Group I or II, even if the employee did not begin or return to County service on or after October 1, 1994 and elects to participate as described in Section 33-115; or

(C) the guaranteed retirement income plan if the employee is eligible for membership and elects to participate as described in subsection (k).

* * *

(k) [*Election to join*] *Eligibility for the guaranteed retirement income plan.*

* * *

(3) An eligible full-time employee hired on or after July 1, 2009 and before July 1, 2015, and a part time or temporary employee who becomes full time on or after July 1, 2009 and before July 1, 2015, who does not participate in the retirement savings plan, may elect to participate in the guaranteed retirement income plan. An eligible employee must make an irrevocable election during the first 150 days of full time employment. If an eligible employee elects to participate, participation must begin on the first pay period after an employee has completed 180 days of full time employment. An employee who does not participate in the guaranteed retirement income plan must participate in the retirement savings plan beginning on the first pay period after the employee completes 180 days of full time employment.

* * *

(7) A member of the Office, Professional and Technical (OPT) or the Service, Labor and Trades (SLT) collective bargaining unit must participate in the guaranteed retirement income plan unless the employee makes a one time irrevocable election to participate in the retirement savings plan during the first 150 days of full time employment, if the employee:

(A) is hired as a full-time employee on or after July 1, 2015; or

(B) is a part time employee who does not participate in the retirement savings plan and becomes a full-time employee on or after July 1, 2015.

Participation must begin on the first pay period after an employee has completed 180 days of full time employment.

(8) On or after July 1, 2015, an eligible full-time employee or a part-time or temporary employee who becomes a full-time employee in a position that is not within a bargaining unit must participate in the retirement savings plan unless the employee makes a one-time irrevocable election to participate in the guaranteed retirement income plan during the first 150 days of full time employment. If the employee elects to participate, participation must begin on the first pay period after an employee has completed 180 days of full-time employment. A part-time employee who participates in either the retirement savings plan or the guaranteed retirement income plan when the employee becomes a full-time employee must continue to participate in the same retirement plan.

[(7)](9) An individual who changes employment from the County government to a participating agency or from a participating agency to the County government must continue to participate in his or her retirement plan and is not eligible to make an election.

**33-38A. Deferred Retirement Option Plans.**

* * *

(c) *DROP Plan for Sworn Deputy Sheriffs and Uniformed Correctional Officers.*

(1) *Uniformed correctional officer* means Correctional Officer I, Correctional Officer II, Correctional Officer III, Correctional Dietary Officer I, Correctional Dietary Officer II, Correctional Supervisor-Sergeant, Correctional Dietary Supervisor, Correctional Shift Commander-Lieutenant, Correctional Unit Commander-Captain, Deputy Warden, Warden and Director of the Department of Corrections.

(2) *Sworn Deputy Sheriff* means Deputy Sheriff I, Deputy Sheriff II, Deputy Sheriff III, Deputy Sheriff Sergeant, Deputy Sheriff Lieutenant, Deputy Sheriff Captain, Assistant Sheriff, and the Chief Deputy Sheriff (Colonel).

(3) *Eligibility.* A sworn deputy sheriff or uniformed correctional officer who is at least age 55 years old and has at least 15 years of credited service or is at least 46 years old and has at least 25 years of credited service may participate in the DROP. A uniformed correctional officer or sworn deputy sheriff must participate in the optional retirement plan or the integrated retirement plan as a Group E member in order to participate in the DROP.

(4) *Application requirements.* An eligible employee must apply at least 60 days before the employee becomes a participant. An employee may withdraw a pending application within 2 weeks after submitting the application.

(5) *Employee participation and termination.* The employee's participation in the DROP must begin on the first day of a month

that begins at least 60 days, but not more than 90 days, after the employee applied and must end 3 years after the employee begins to participate or at an earlier date chosen by the employee. When the employee's participation in the DROP ends, the employee must stop working for the County and receive a pension benefit.

(6) *Employment status.* An employee who participates in the DROP must continue to be a member of the retirement system, earn sick and annual leave, and remain eligible to participate in health and life insurance programs.

(7) *Retirement date, retirement contributions, and credited service.* The retirement date of an employee who participates in the DROP is the date when the employee begins to participate in the DROP, and the employee must not make retirement contributions after that date. An employee who wishes to purchase prior service must do so before the employee's participation in the DROP begins. Sick leave in excess of 80 hours must be credited towards retirement at the beginning of the employee's participation.

(8) *Pension benefits.*

(A) Before an employee's participation begins, the employee must select a:

(i) pension payment option under Section 33-44 for the regular retirement pension payments; and

(ii) pension payment distribution option for the distribution of the employee's DROP account.

(B) A pension benefit must not be paid to the employee while the employee participates in the DROP, but must be deposited in a DROP account established for the participant by the County. The participant must receive the account balance and the County must close the account within 60 days after the employee stops participating in the DROP. Subject to any requirements of the Internal Revenue Code and other applicable law, the employee may roll over the account balance into an eligible retirement plan.

(C) An employee must direct the Board of Investment Trustees to allocate pension benefits contributed to the employee's DROP account in one or more of the investment funds selected by the Board. An employee's direction of investment must remain in effect until the employee changes the direction. An employee must select investment options in order to participate in the DROP.

(D) After the employee's participation in DROP ends, the employee's pension benefit will be based on:

(i) the employee's credited service immediately prior to the beginning of the employee's participation in the DROP, adjusted to include credit for unused sick leave under Section 33-41;

(ii) the employee's average final earnings, excluding earnings during the period of participation in the DROP; and

(iii) increases in the consumer price index during the period of the employee's participation that would have resulted in an increase in the employee's pension benefit if the employee had not been participating in the DROP.

(9) *Disability retirement.* An employee may apply for disability retirement prior to the termination of the employee's participation in the DROP.

(A) A DROP participant who is eligible for a service-connected disability retirement must choose either:

(i) the retirement benefit under the DROP and the DROP account balance; or

(ii) the service-connected disability retirement benefit that the employee would have received if the employee had continued as an active employee and had not elected to participate in the DROP, and no DROP account balance.

(B) A DROP participant who is eligible for a non-service-connected disability retirement benefit must receive the non-service-connected disability retirement benefit under Section 33-43(h), with the benefit calculated as of the member's DROP exit date, plus the DROP account balance.

(C) If a DROP participant ends participation in the DROP before a final decision is made on the disability retirement application, the DROP account must not be distributed until a final decision is made.

(10) *Death benefit.* If an employee dies during the employee's participation in the DROP, the employee's beneficiary will receive:

(A) the death benefit that the beneficiary would have received if the employee had retired on the date on which the employee began to participate in the DROP, adjusted under subparagraph (7)(D); and

(B) the balance of the employee's DROP account.

(11) *DROP account distribution options.* A member may have the balance of the DROP account distributed as a lump sum or an annuity, or have some or all paid directly to an eligible retirement plan as a direct rollover distribution. If the member dies before the balance of the DROP account is distributed, the beneficiary may receive distribution of the balance under any option described in this paragraph as allowed under the Internal Revenue Code and applicable regulations.

**33-44. Pension payment options and cost-of-living adjustments.**

* * *

(s) *Transfer from Retirement Savings Plan.*

A participant who transfers his or her retirement savings plan account balance under Section 33-120 may elect to receive his or her account balance paid as an annuity under subsection (g)(2).

**33-115. Participant requirements and participant groups.**

(a) *Participant Requirements.*

(1) Full-time employees.

(A) Except as provided in paragraphs (3), (4), [and (7)] and the last sentence of Section 33-37(e)(2), a full-time employee eligible for membership in Group I or Group II must participate in the Retirement Savings Plan or the Guaranteed Retirement Income Plan when the full-time employee meets the applicable eligibility requirements or forfeit employment, unless the Chief Administrative Officer exempts the employee from participation.

(B) A part-time employee who becomes a full-time employee and is not an active member of any retirement plan for County employees, must become a member of:

(i) the integrated retirement plan, if the employee is eligible for membership in the integrated plan;

(ii) the Retirement Savings Plan, if the employee qualifies for Group I or II, even if the employee did not begin or return to County service on or after October 1, 1994; or

(iii) the Guaranteed Retirement Income Plan if the employee is eligible for membership [and makes an election].

(C) A temporary employee who becomes a full-time employee must become an active member of:

(i) the integrated plan, if the employee is eligible for membership in the integrated plan;

(ii) the Retirement Savings Plan, if the employee satisfies the requirements for membership in Group I or II, even if the employee did not begin or return to County service on or after October 1, 1994; or

(iii) the Guaranteed Retirement Income Plan if the employee is eligible for membership in the Guaranteed Retirement Income Plan [and makes an election under subsection (7)].

* * *

(7) [Election to participate] <u>Participation</u> in the Guaranteed Retirement Income Plan.

(A) [A full time employee hired or rehired on or after July 1, 2009 and a part time and temporary employee who becomes full time after July 1, 2009 participate in the guaranteed retirement income plan. An eligible employee must make a one time irrevocable election during the first 150 days of employment. If an eligible employee elects to participate, participation must begin on the first pay period after an employee has completed 180 days of full time employment. A full time employee who does not elect to participate in the guaranteed retirement income plan must participate in the retirement savings plan beginning on the first pay period after the employee has completed 180 days of full time employment.] A participant who changes employment from the County directly to a participating agency or from a participating agency directly to the County must continue to participate in his or her retirement plan and is not eligible to make an election. <u>A member of the Office, Professional and Technical (OPT) or the Service, Labor and Trades (SLT) collective bargaining unit must participate in the Guaranteed Retirement Income Plan, unless the employee makes a one time irrevocable election to participate in the Retirement Savings Plan during the first 150 days of full time employment, if the employee:</u>

(i) is hired as a full-time employee on or after July 1, 2015; or

(ii) is a part time employee who does not participate in the Retirement Savings Plan and becomes a full-time employee on or after July 1, 2015.

Participation must begin on the first pay period after an employee has completed 180 days of full time employment.

(B) Except as provided in subparagraph (A), an eligible employee must participate in the Retirement Savings Plan unless the employee makes a one time irrevocable election to participate in the Guaranteed Retirement Income Plan during the first 150 days of full-time employment. Participation must begin on the first pay period after an employee has completed 180 days of full- time employment. A part-time employee who participates in either the Retirement Savings Plan or the Guaranteed Retirement Income Plan when the employee becomes a full-time employee must continue to participate in the same retirement plan.

(C) A part time employee who is not a participant in the Retirement Savings Plan may make a one time irrevocable election to participate in the Guaranteed Retirement Income Plan any time after the employee has completed 150 days of employment.

(b) *Participants groups and eligibility.*

(1) *Group I.* Except as provided in the last sentence of Section 33-37(e)(2), any full-time or career part-time employee meeting the criteria in paragraphs (A) or (B) must participate in the retirement savings plan if the employee begins, or returns to, County service on or after October 1, 1994. An employee hired on or after July 1, 2009 must be employed on a full time or part time basis with the County for 180 days before participating in the Retirement Savings Plan. An individual who changes employment from the County government directly to a participating agency or from a participating agency directly to the County government must continue to participate in the same retirement plan. Participation in the Retirement Savings Plan must begin on the first payroll after an employee has completed 180 days of employment if the employee:

(A) (i) is not represented by an employee organization;

(ii) does not occupy a bargaining unit position;

(iii) is not a public safety employee; and

(iv) does not elect to participate in the Guaranteed Retirement Income Plan; or

(B) (i) is not a public safety employee; and

(ii) is subject to the terms of a collective bargaining agreement between the County and an employee organization which requires the employee to participate in the [retirement savings] Guaranteed Retirement Income Plan if the employee does not elect to participate in the [guaranteed retirement income] Retirement Savings Plan; and

(iii) [does not elect] <u>elects</u> to participate in the <u>Retirement Savings Plan</u>.

* * *

**33-120. Distribution of Benefit.**

* * *

(f) *Distribution methods*. The Chief Administrative Officer must pay, at the request of the participant or the designated beneficiary, a participant's account balances in the retirement savings plan upon retirement, disability retirement, death, or separation from County service.

* * *

<u>(4)</u> <u>*Optional method of distribution - Transfer to Employees' Retirement System, Annuity Option.*</u> <u>A participant may elect to have the participant's entire account balance transferred to the employees' retirement system and have the account balance paid in one of the annuity options available under Section 33-44(g)(2).</u>

* * *

**Sec. 2. Expedited Effective Date.** The Council declares that this legislation is necessary for the immediate protection of the public interest. This Act takes effect on July 1, 2015.

*Approved:*

# LEGISLATIVE REQUEST REPORT

Expedited Bill 20-15
*DROP–Amendments – RSP–Annuity – GRIP-Election*

**DESCRIPTION:** Amend the County's retirement law to support the collective bargaining agreement entered into with the Municipal and County Government Employees Organization, Local 1994 (MCGEO) and the arbitrator's decision.

**PROBLEM:** In order to implement the collective bargaining agreement entered into with the Municipal and County Government Employees Organization, Local 1994 (MCGEO) and the arbitrator's decision, the retirement law needs to be amended.

**GOALS AND OBJECTIVES:** The Bill amends the retirement law to: (a) establish the Guaranteed Retirement Income Plan (GRIP) as the default retirement option for all MCGEO employees hired after July 1, 2015; (b) establish a new Deferred Retirement Option Plan (DROP) for sworn deputy sheriffs and uniformed correctional officers; and (c) provide an annuity option for employees who participate in the Retirement Savings Plan (RSP) from the ERS.

**COORDINATION:** Montgomery County Employee Retirement Plans & Office of Human Resources

**FISCAL IMPACT:** Office of Management and Budget

**ECONOMIC IMPACT:** Department of Finance

**EVALUATION:** N/A

**EXPERIENCE ELSEWHERE:** N/A

**SOURCE OF INFORMATION:** Linda Herman, Executive Director, Montgomery County Employee Retirement Plans
Shawn Stokes, Director, OHR

**APPLICATION WITHIN MUNICIPALITIES:** N/A

**PENALTIES:** N/A

Bill

las → BD
CC
SBF
las → LL
AM
JH
JF
las → OIO

OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

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RECEIVED
MONTGOMERY COUNTY
COUNCIL

Isiah Leggett
*County Executive*

MEMORANDUM

April 7, 2015

TO: George Leventhal, President
County Council

FROM: Isiah Leggett, County Executive

SUBJECT: Expedited Legislation to Amend Chapter 33, Personnel and Human Resources.

I am attaching for the Council's consideration a Bill that would amend the County's retirement law to support the collective bargaining agreement entered into with the Municipal and County Government Employees Organization, Local 1994 (MCGEO) and the arbitration award. The Bill amends the retirement law to (a) establish the Guaranteed Retirement Income Plan (GRIP) as the default retirement option for all MCGEO employees hired after July 1, 2015; (b) provide for a Deferred Retirement Option Plan (DROP) for sworn deputy sheriffs and uniformed correctional officers; and (c) provide an annuity option for employees who participate in the Retirement Savings Plan (RSP) from the ERS.

Attachments

c: Linda Herman, Executive Director, MCERP
Jennifer Hughes, Director, OMB
Shawn Stokes, Director, OHR
Joseph Beach, Director, Finance

**Fiscal Impact Statement**
**Expedited Council Bill XX-15 Retirement – Employees' Retirement System Deferred Retirement Option Plan – Amendments – Retirement Savings Plan – Guaranteed Retirement Income Plan – Election**

1. Legislative Summary.

   This bill implements changes to County employee retirement options as a result of the collective bargaining process. Changes include the following: 1) set the default option for all new employees in MCGEO effective July 1, 2015 to the Guaranteed Retirement Income Plan (GRIP); 2) provide Retirement Savings Plan (RSP) participants with the same option to purchase an annuity from the Employees' Retirement System as GRIP participants; and 3) establish a Deferred Retirement Option Plan (DROP) for sworn deputy sheriffs, uniformed correction officers, uniformed sheriff management, and uniformed correctional management.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

   Implementation of this bill requires one-time changes to various systems. For the GRIP default change, the Oracle payroll system must be updated to reflect default retirement status for an estimated one-time impact of $10,000. Additionally, the implementation of the RSP annuity offering will require one time programming changes to PeopleSoft, the pension administration system, for an estimated $10,000. For the addition of the DROP, there are one-time costs of $30,000 to establish the plan with Fidelity, the County's recordkeeper, $10,000 to program Oracle payroll changes, and $10,000 for PeopleSoft programming changes.

   The County's pension actuary, Gabriel Roeder Smith & Company (GRS), has determined that the GRIP and RSP annuity will not increase costs. According to GRS, the actuarial cost of the DROP would require an additional County contribution of between $84,675 and $253,679 annually beginning in FY17.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

   The total additional expenditures from the GRIP default and RSP annuity offering are estimated at $20,000 in the first year, and no additional costs over 6 years.

   The total additional expenditures from the DROP change are estimated at $50,000 in the first year, and between $84,675 and $253,679 in each year afterwards for a total estimated cost of between $473,375 and $1,318,395. The total impact of this bill would be estimated at $70,000 in the first year, and between $493,375 and $1,338,395 over 6 years.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

   See attached.

5. An estimate of expenditures related to County's information technology (IT) systems, including Enterprise Resource Planning (ERP) systems.

As mentioned in #2, there is a total one-time impact of $20,000 to make payroll changes, and a one-time impact of $20,000 to make PeopleSoft programming changes.

6. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

   Not applicable.

7. An estimate of the staff time needed to implement the bill.

   No additional staff time will be required to implement the bill.

8. An explanation of how the addition of new staff responsibilities would affect other duties.

   No additional staff responsibilities would be added.

9. An estimate of costs when an additional appropriation is needed.

   No additional appropriation is necessary, as the retirement funds will absorb the implementation cost. An additional appropriation would be required in FY17, as noted in #2, to fund the actuarial cost of the DROP.

10. A description of any variable that could affect revenue and cost estimates.

    The DROP cost range could be affected by a participation rate different from the actuarial assumed rate.

11. Ranges of revenue or expenditures that are uncertain or difficult to project.

    See # 2.

12. If a bill is likely to have no fiscal impact, why that is the case.

    Not applicable.

13. Other fiscal impacts or comments.

    Not applicable.

14. The following contributed to and concurred with this analysis:

    Corey Orlosky, Office of Management and Budget
    Linda Herman, Executive Director, Montgomery County Employee Retirement Plans

Jennifer A. Hughes
Jennifer A. Hughes, Director
Office of Management and Budget

3/31/15
Date

**Economic Impact Statement**
**Bill ##-15, Retirement – Employees' Retirement System – Deferred Retirement Option Plan – Retirement Savings Plan –Guaranteed Retirement Income Plan – Election – Annuity**

**Background:**

This legislation would amend the law regarding the Employees' Retirement System (ERS) to:

- establish the Guaranteed Retirement Income Plan (GRIP) as the default retirement option for all MCGEO employees hired after July 1, 2015;
- provide for a Deferred Retirement Option Plan (DROP) for sworn deputy sheriffs and uniformed correctional officers; and
- provide an annuity option for employees who participate in the Retirement Savings Plan (RSP) from the ERS.

1. **The sources of information, assumptions, and methodologies used.**

   The source of information is from the staff of the Montgomery County Employee Retirement Plans. Assumptions and methodologies used have been provided by the ERS' actuary.

2. **A description of any variable that could affect the economic impact estimates.**

   The estimate of costs is based upon projections including participation rates (DROP), life expectancies (RSP annuity offering), investment earnings (GRIP) and other demographic assumptions from the actuarial analysis. If the actual assumptions are different than what was estimated by that analysis for each of the three projections and demographic assumptions, there could be an economic impact. At this time, it is uncertain what changes to the estimated projections and demographic assumptions would be and would have on the future economic impacts.

3. **The Bill's positive or negative effect, if any on employment, spending, saving, investment, incomes, and property values in the County.**

   The proposed legislation amends the law regarding the ERS that would result in changes to the participation of various groups in the retirement plans offered by the County. However, based on the actuarial analysis cited in section 2, changes in participation will not impact the County's property values, incomes, investment, saving, or spending of County residents.

4. **If a Bill is likely to have no economic impact, why is that the case?**

   See paragraph #3 above.

5. **The following contributed to or concurred with this analysis**: David Platt and Rob Hagedoorn, Finance; Linda Herman, Executive Director, Montgomery County Employee Retirement Plans.

**Economic Impact Statement**
**Bill ##-15, Retirement – Employees' Retirement System – Deferred Retirement Option Plan – Retirement Savings Plan –Guaranteed Retirement Income Plan – Election – Annuity**

Joseph F. Beach, Director
Department of Finance

4-2-15
Date

GRS

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Consultants & Actuaries

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Chicago, IL 60602-5111

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March 19, 2015

Ms. Linda Herman
Executive Director
Montgomery County Employees' Retirement System
Rockville, Maryland

**Re: Projections of the Guaranteed Retirement Income Plan (GRIP) under Alternate New Hire GRIP Election Scenarios (Update to January 26, 2015, letter)**

Dear Linda:

In accordance with your request, we have performed projections of the Guaranteed Retirement Income Plan County contribution requirement and funded ratio based on the actuarial valuation as of July 1, 2014, under alternate new hire GRIP election scenarios.

The new hire election (or defaulting into) GRIP scenarios that we considered include the following. The percentage of new hires that are not assumed to elect GRIP are assumed to elect the Retirement Savings Plan (RSP).

| New Hires Elect GRIP Scenario | Percentage of New Hires Electing GRIP | Percentage of New Hires Electing RSP |
|---|---|---|
| Baseline - 33 1/3% Elect GRIP | 33 1/3% | 66 2/3% |
| 50% Elect GRIP | 50% | 50% |
| 66 2/3% Elect GRIP | 66 2/3% | 33 1/3% |

For each of the new hire election scenarios outlined above, we performed projections showing the GRIP County contribution requirement and funded ratio assuming a future investment return of 7.50%. The results of our projections for each of the three new hire GRIP election scenarios are summarized in Graph A and Exhibit A.

Exhibit A also illustrates projected RSP payroll and projected County contribution dollars combined for GRIP and RSP. Due to the volume of data from the projections, we summarized the key projection information in the exhibits.

For these projections, we used the GRIP census data used in the actuarial valuation as of July 1, 2014, and census data provided by Pat Paoli on January 12, 2015, for current RSP members.

The projection scenarios are based on the following data and assumptions:

- Census data file of current RSP members provided by the County, including:
  - Demographic information for each participant (date of birth and date of hire)
  - RSP balance as of June 30, 2014
  - Contributions for each year ending June 30 for the period 2012 through 2014
- Approximately 3,500 active RSP members were included in the analysis from the data file
- Pay rates and salaries were not available for RSP members. Therefore, we estimated the 2014 pay rate based on the actual contribution amounts received in the data and used it to project future contributions
- Assumptions from the actuarial valuation as of July 1, 2014, for GRIP members including assumptions for salary increases, termination rates, retirement rates, and pre-retirement mortality

Exhibit B summarizes the actuarial assumptions and methods for GRIP used in the analysis and Exhibit C summarizes the GRIP benefit provisions. For purposes of projecting RSP payroll, we have assumed the RSP member behavior and salary increases would follow the same assumptions as GRIP.

The County contribution rate to the RSP is 8.00% of pay. The County normal cost rate for GRIP is approximately 7.30% of pay based on an investment return assumption of 7.50% and a GRIP interest crediting rate of 7.25%. When GRIP experiences gains and assets exceed liabilities, the County contribution rate will be lower than normal cost. When GRIP experiences losses and there is an unfunded liability, the County contribution rate will be higher than normal cost.

The GRIP County contribution rate during the 20 year projection period is less than 8.00% under all new hire GRIP election scenarios. For the majority of the 20-year projection period, total projected County contribution dollars decrease as the percentage of new hires electing GRIP increases.

Because the County bears the investment risk for the GRIP and the plan members bear the investment risk for the RSP, higher GRIP elections for new hires will result in the County undertaking more risk. However, the County also benefits from the rewards (if investment returns are favorable).

Stochastic projections which simulate future investment returns for a number of potential future outcomes (such as 1,000 outcomes) could help illustrate the probability of alternative investment return scenarios occurring. However, stochastic projections were outside the scope of this assignment.

Future actuarial measurements may differ significantly from the current measurements presented in this cost analysis, due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions, contribution amounts or applicable law.

If any of the provisions, underlying data or assumptions used in this analysis appear to be incorrect or unreasonable, please let us know as soon as possible so we can update the analysis.

The signing actuaries are independent of the plan sponsor.

Lance Weiss and Amy Williams are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions or would like to discuss the results of this analysis further.

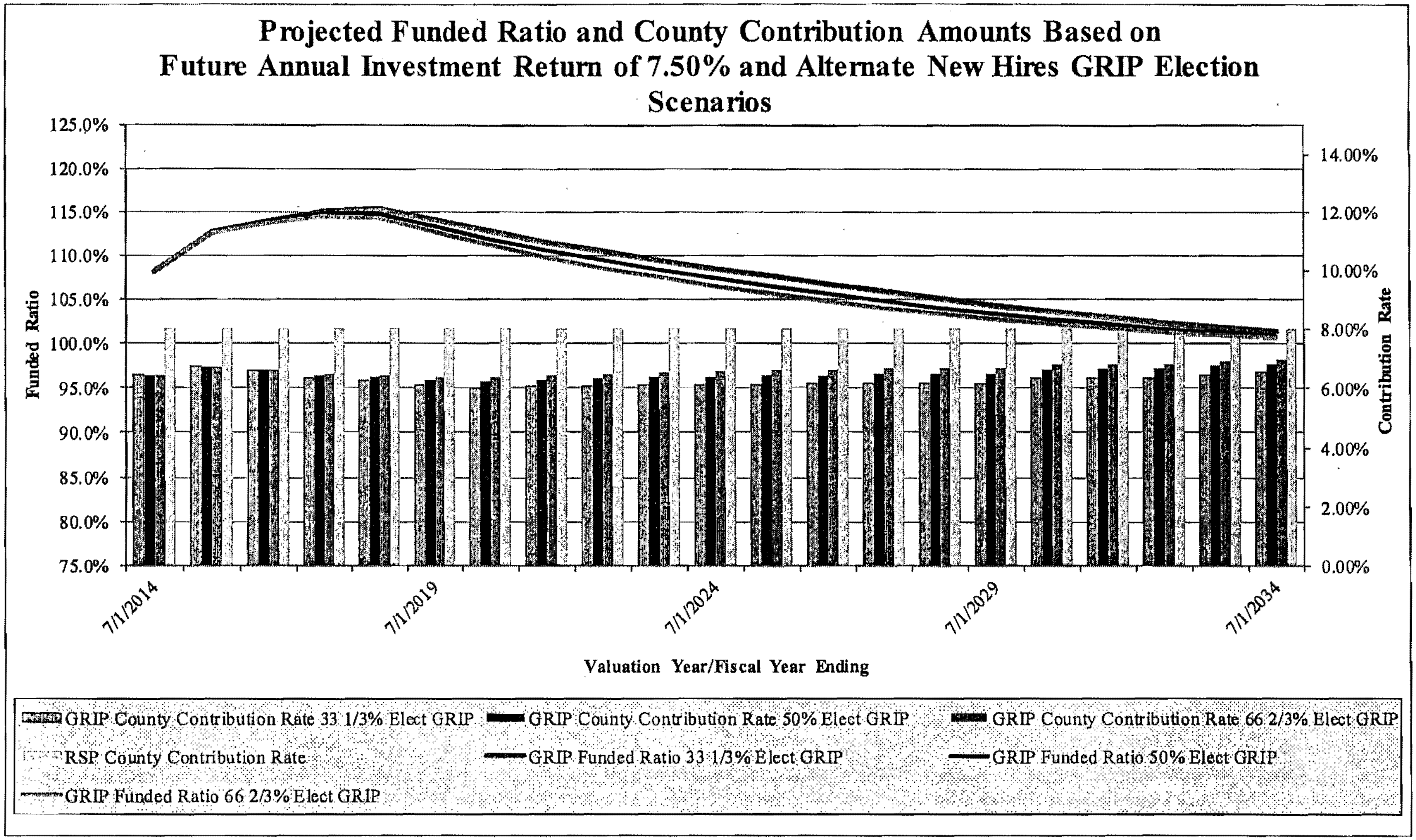
Sincerely,

Lance J. Weiss

Lance J. Weiss, EA, FCA, MAAA
Senior Consultant
LW/AW:mrb

Amy Williams

Amy Williams, ASA, MAAA
Consultant


Projected Funded Ratio and County Contribution Amounts Based on Future Annual Investment Return of 7.50% and Alternate New Hires GRIP Election Scenarios
125.0%
120.0%
115.0%
110.0%
105.0%
100.0%
95.0%
90.0%
85.0%
80.0%
75.0%
Funded Ratio
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
Contribution Rate
7/1/2014
7/1/2019
7/1/2024
7/1/2029
7/1/2034
Valuation Year/Fiscal Year Ending
GRIP County Contribution Rate 33 1/3% Elect GRIP
GRIP County Contribution Rate 50% Elect GRIP
GRIP County Contribution Rate 66 2/3% Elect GRIP
RSP County Contribution Rate
GRIP Funded Ratio 33 1/3% Elect GRIP
GRIP Funded Ratio 50% Elect GRIP
GRIP Funded Ratio 66 2/3% Elect GRIP

25

**Montgomery County Employees' Retirement System**

**Projection Results — Comparison of GRIP Results Under Alternative Future Investment Return Scenarios**

**Results Based on July 1, 2014 Actuarial Valuation and 33 1/3%, 50% and 66 2/3% of New Hires Elect GRIP**

**Assumes Annual Investment Return of 7.50%**

**($ in thousands)**

| Year Ended 6/30 | Investment Return | GRIP Active Member Population | | | GRIP Active Member Payroll | | | GRIP County Contribution Rate | | | GRIP Funded Ratio | | | RSP Payroll | | | County Contribution Dollars (RSP and GRIP) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | % of New Hires Elect GRIP | | | % of New Hires Elect GRIP | | | % of New Hires Elect GRIP | | | % of New Hires Elect GRIP | | | % of New Hires Elect GRIP | | | % of New Hires Elect GRIP | | |
| | | Baseline | 50% | 66 2/3% | Baseline | 50% | 66 2/3% | Baseline | 50% | 66 2/3% | Baseline | 50% | 66 2/3% | Baseline | 50% | 66 2/3% | Baseline | 50% | 66 2/3% |
| 2014 | 17.66% | 1,263 | 1,263 | 1,263 | $ 83,226 | $ 83,226 | $ 83,226 | 6.45% | 6.45% | 6.45% | 108.22% | 108.22% | 108.22% | $ 203,987 | $ 203,987 | $ 203,987 | $ 22,326 | $ 22,326 | $ 22,326 |
| 2015 | 7.50% | 1,346 | 1,445 | 1,544 | 90,508 | 95,816 | 101,124 | 6.72% | 6.72% | 6.72% | 112.66% | 112.66% | 112.66% | 219,042 | 213,735 | 208,427 | 21,913 | 21,913 | 21,913 |
| 2016 | 7.50% | 1,409 | 1,581 | 1,754 | 97,399 | 107,121 | 116,844 | 6.61% | 6.61% | 6.61% | 113.98% | 113.86% | 113.73% | 234,064 | 224,341 | 214,618 | 23,504 | 23,430 | 23,356 |
| 2017 | 7.50% | 1,465 | 1,703 | 1,942 | 104,484 | 118,591 | 132,699 | 6.37% | 6.43% | 6.48% | 115.13% | 114.83% | 114.54% | 249,757 | 235,650 | 221,542 | 24,931 | 24,834 | 24,742 |
| 2018 | 7.50% | 1,516 | 1,815 | 2,114 | 111,923 | 130,463 | 149,003 | 6.25% | 6.36% | 6.45% | 115.39% | 114.88% | 114.40% | 265,716 | 247,176 | 228,636 | 26,512 | 26,393 | 26,280 |
| 2019 | 7.50% | 1,562 | 1,916 | 2,269 | 119,431 | 142,458 | 165,485 | 6.12% | 6.28% | 6.40% | 114.08% | 113.40% | 112.78% | 281,739 | 258,712 | 235,685 | 28,108 | 27,965 | 27,830 |
| 2020 | 7.50% | 1,604 | 2,008 | 2,413 | 127,056 | 154,696 | 182,336 | 6.04% | 6.24% | 6.39% | 112.78% | 111.96% | 111.24% | 298,057 | 270,417 | 242,778 | 29,750 | 29,584 | 29,427 |
| 2021 | 7.50% | 1,641 | 2,094 | 2,546 | 134,749 | 167,162 | 199,576 | 6.06% | 6.28% | 6.45% | 111.60% | 110.67% | 109.88% | 314,557 | 282,143 | 249,729 | 31,542 | 31,354 | 31,175 |
| 2022 | 7.50% | 1,676 | 2,173 | 2,671 | 142,627 | 179,999 | 217,371 | 6.08% | 6.33% | 6.50% | 110.53% | 109.50% | 108.66% | 331,180 | 293,808 | 256,436 | 33,360 | 33,147 | 32,944 |
| 2023 | 7.50% | 1,707 | 2,247 | 2,786 | 150,738 | 193,236 | 235,735 | 6.10% | 6.36% | 6.54% | 109.50% | 108.42% | 107.56% | 348,074 | 305,576 | 263,077 | 35,196 | 34,958 | 34,728 |
| 2024 | 7.50% | 1,736 | 2,316 | 2,895 | 159,090 | 206,952 | 254,814 | 6.12% | 6.39% | 6.57% | 108.55% | 107.43% | 106.56% | 365,114 | 317,252 | 269,391 | 37,065 | 36,801 | 36,544 |
| 2025 | 7.50% | 1,762 | 2,379 | 2,996 | 167,598 | 221,003 | 274,408 | 6.13% | 6.42% | 6.61% | 107.66% | 106.52% | 105.67% | 382,352 | 328,947 | 275,542 | 38,962 | 38,669 | 38,382 |
| 2026 | 7.50% | 1,786 | 2,437 | 3,089 | 176,463 | 235,558 | 294,654 | 6.14% | 6.45% | 6.63% | 106.78% | 105.66% | 104.85% | 399,950 | 340,854 | 281,759 | 40,884 | 40,560 | 40,242 |
| 2027 | 7.50% | 1,808 | 2,492 | 3,176 | 185,670 | 250,689 | 315,707 | 6.15% | 6.47% | 6.65% | 105.94% | 104.85% | 104.10% | 417,752 | 352,734 | 287,715 | 42,852 | 42,498 | 42,148 |
| 2028 | 7.50% | 1,828 | 2,542 | 3,256 | 195,130 | 266,267 | 337,404 | 6.16% | 6.48% | 6.67% | 105.13% | 104.10% | 103.41% | 435,884 | 364,747 | 293,610 | 44,858 | 44,471 | 44,087 |
| 2029 | 7.50% | 1,847 | 2,589 | 3,331 | 205,012 | 282,434 | 359,855 | 6.17% | 6.50% | 6.69% | 104.33% | 103.39% | 102.78% | 454,361 | 376,939 | 299,517 | 46,907 | 46,486 | 46,066 |
| 2030 | 7.50% | 1,863 | 2,631 | 3,399 | 215,171 | 299,074 | 382,977 | 6.33% | 6.63% | 6.80% | 103.67% | 102.81% | 102.27% | 473,307 | 389,404 | 305,501 | 49,333 | 48,881 | 48,425 |
| 2031 | 7.50% | 1,878 | 2,669 | 3,461 | 225,762 | 316,310 | 406,857 | 6.35% | 6.65% | 6.82% | 103.02% | 102.26% | 101.80% | 493,086 | 402,538 | 311,990 | 51,526 | 51,036 | 50,542 |
| 2032 | 7.50% | 1,892 | 2,705 | 3,517 | 236,746 | 334,121 | 431,495 | 6.35% | 6.66% | 6.83% | 102.39% | 101.74% | 101.36% | 513,441 | 416,067 | 318,692 | 53,791 | 53,262 | 52,728 |
| 2033 | 7.50% | 1,904 | 2,737 | 3,569 | 248,014 | 352,431 | 456,848 | 6.47% | 6.75% | 6.90% | 101.84% | 101.30% | 101.00% | 534,500 | 430,084 | 325,667 | 56,391 | 55,824 | 55,249 |
| 2034 | 7.50% | 1,916 | 2,767 | 3,617 | 259,776 | 371,425 | 483,073 | 6.56% | 6.81% | 6.95% | 101.35% | 100.92% | 100.69% | 556,136 | 444,487 | 332,839 | 59,029 | 58,421 | 57,802 |

# Actuarial Assumptions and Methods

**The assumed rate of price inflation** is 3.00%.

**The assumed rate of investment return** used for the GRIP was 7.50%, net of expenses, annually.

**The rates of annual salary increase** used for individual members are in accordance with the following table. This assumption is used to project a member's current salary to the salaries upon which benefit amounts will be based.

| Salary Increases | | |
|---|---|---|
| **Service** | **Public Safety** | **Non-Public Safety*** |
| 0 | 9.25% | 6.00% |
| 5 | 8.25% | 6.00% |
| 10 | 6.25% | 6.00% |
| 15 | 5.50% | 6.00% |
| 20 | 5.00% | 4.25% |
| 25 | 4.50% | 4.00% |
| 30 | 4.25% | 4.00% |

** Includes GRIP*

**The assumed rate of total payroll growth** is 4.00%.

**Rates of separation** from active membership are represented by the following table (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members terminating employment.

| Service | GRIP |
|---|---|
| 0 | 9.500% |
| 1 | 9.500% |
| 2 | 6.000% |
| 3 | 6.000% |
| 4 | 5.000% |
| 5 | 4.250% |
| 6 | 3.000% |
| 7 | 3.000% |
| 8 | 2.500% |
| Over 8 years | 2.500% |

**Rates of disability** were as follows:

| | GRIP | |
|---|---|---|
| **Age** | **Male** | **Female** |
| 20 | 0.0975% | 0.0375% |
| 25 | 0.1800% | 0.0975% |
| 30 | 0.2475% | 0.1800% |
| 35 | 0.2925% | 0.2550% |
| 40 | 0.3300% | 0.3150% |
| 45 | 0.5880% | 0.3375% |
| 50 | 0.7080% | 0.5100% |
| 55 | 0.5400% | 0.5800% |
| 60 | 0.8625% | 0.5625% |

**Rates of retirement** for members eligible to retire during the next year were as follows:

| | GRIP |
|---|---|
| **Age** | **Rate** |
| Under 59 | 0.00% |
| 59 | 0.00% |
| 60 | 5.00% |
| 61 | 5.00% |
| 62 | 15.00% |
| 63 | 15.00% |
| 64 | 15.00% |
| 65 | 40.00% |
| 66 | 40.00% |
| 67 | 40.00% |
| 68 | 40.00% |
| 69 | 40.00% |
| 70 | 100.00% |

**The mortality table** used to measure retirement mortality was based on the RP2000 Mortality Table, sex-distinct, projected to the year 2030 for healthy mortality and projected to the year 2010 for disabled mortality. Rates are set forward five years for the disabled mortality assumption. The healthy mortality assumption is used to measure the probabilities of members dying before retirement and the probabilities of each benefit payment being made after retirement. We expect that because the mortality table is projected to the year 2030, this provides a margin for future mortality improvement.

| | Healthy Mortality | | | | Disabled Mortality | | | |
|---|---|---|---|---|---|---|---|---|
| | Mortality Rate | | Future Life Expectancy (years) | | Mortality Rate | | Future Life Expectancy (years) | |
| Age | Men | Women | Men | Women | Men | Women | Men | Women |
| 25 | 0.0278% | 0.0136% | 57.94 | 59.71 | 0.0422% | 0.0239% | 51.06 | 53.61 |
| 30 | 0.0382% | 0.0195% | 53.03 | 54.76 | 0.0735% | 0.0425% | 46.19 | 48.69 |
| 35 | 0.0665% | 0.0341% | 48.15 | 49.83 | 0.0996% | 0.0607% | 41.38 | 43.81 |
| 40 | 0.0848% | 0.0449% | 43.33 | 44.91 | 0.1323% | 0.0957% | 36.59 | 38.96 |
| 45 | 0.1018% | 0.0693% | 38.51 | 40.03 | 0.1783% | 0.1412% | 31.85 | 34.16 |
| 50 | 0.1240% | 0.1002% | 33.71 | 35.18 | 0.2991% | 0.2507% | 27.17 | 29.44 |
| 55 | 0.2038% | 0.2135% | 28.94 | 30.40 | 0.5742% | 0.4808% | 22.66 | 24.89 |
| 60 | 0.4159% | 0.4349% | 24.32 | 25.81 | 1.1062% | 0.9231% | 18.44 | 20.61 |
| 65 | 0.8344% | 0.8351% | 19.94 | 21.49 | 1.9091% | 1.5923% | 14.60 | 16.69 |
| 70 | 1.4111% | 1.4405% | 15.89 | 17.51 | 3.2859% | 2.5937% | 11.12 | 13.15 |
| 75 | 2.4785% | 2.2088% | 12.11 | 13.86 | 5.8213% | 4.2767% | 8.13 | 10.00 |
| 80 | 4.7613% | 3.7161% | 8.79 | 10.54 | 10.3244% | 7.2923% | 5.75 | 7.31 |

For this analysis, sex was not given for current RSP members, therefore, pre-retirement mortality was based on male only mortality rates.

**Benefit Service:** Exact fractional years of service are used to determine the amount of benefit payable.

**Decrement Timing:** All decrements are assumed to occur at the beginning of the year.

**Decrement Operation:** Turnover decrements do not operate after the member reaches retirement eligibility.

**Eligibility Testing:** Eligibility for benefits is determined based upon the age nearest birthday and service on the date the decrement is assumed to occur.

**Pay Increase Timing:** End of (fiscal) year.

## Benefit Provisions

Guaranteed Retirement Income Plan *(effective 7/1/2009)*

A. Eligibility for GRIP entry:

- Full-time non-public safety employees hired on or after July 1, 2009 who do not participate in the retirement savings plan may make a one-time irrevocable election to participate in the GRIP within the first 150 days of full time employment.
- Part-time or temporary non-public safety employees hired on or after October 1, 1994 who do not participate in the retirement savings plan may make a one-time irrevocable election to participate in the GRIP after at least 150 days of employment.

B. The GRIP account collects:

- Member contributions (pre-tax unless noted otherwise)

  a. Non-public safety employees: 4% of regular base earnings up to the maximum Social Security wage base plus 8% of the excess.
  b. Public safety employees: 3% of regular base earnings up to the maximum Social Security wage base plus 6% of the excess.
  c. Effective July 1, 2011 members may contribute an additional 2% of regular earnings for service between June 30, 2011 and July 1, 2012, on an after-tax basis by making an election in writing on or before September 1, 2011.

- Employer contributions

  a. Non-public safety employees: 8% of regular base earnings. Effective July 1, 2011, the employer contribution is 6% of regular base earnings for service between June 30, 2011 and July 1, 2012.
  b. Public safety employees: 10% of regular base earnings. Effective July 1, 2011, the employer contribution is 8% of regular base earnings for service between June 30, 2011 and July 1, 2012.

- 7.25% interest credited from the date of contribution.

C. Vesting Schedule:

- Employees are 100% vested in employee contributions at all times.
- County contributions are 0% vested from 0-3 years of credited service and 100% vested at 3 or more years of credited service.
- Participants become 100% vested at death or disability.

D. Normal Form of Payment – Lump sum

E. Optional Forms of Payment:

- Direct rollover
- Life annuity purchased from an insurer

F. Eligible Agencies:

- CC – credit union employees (outside agency)
- CM – union employees (represented)
- CN – non-bargaining employees (non-represented)
- CP – public safety employees
- CZ – elected officials who transferred from the EOP

GRS

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March 11, 2015

Ms. Linda Herman
Executive Director
Montgomery County Employees' Retirement System
Rockville, Maryland

**Subject: Cost Impact of DROP Proposal for Group E (Uniformed MCGEO Only)**

Dear Linda:

As requested, we have measured the cost impact to the Montgomery County Employees' Retirement System (ERS) of the following proposal to change benefit provisions for current active Uniformed MCGEO Group E employees.

- Implement a DROP with an interest crediting rate based on actual investment performance of a self-directed DROP account.

The proposed effective date of this change is July 1, 2015, and the change would only affect members that are active as of that date.

The main provisions of the DROP would be the same as the current DRSP for Group F members and include:

- Members may enter the DROP once minimum age and service requirements have been met for normal retirement
  - Age 55 with 15 years of credited service or age 46 with 25 years of credited service
- The following amounts are accumulated in the DROP account and are credited actual investment returns during participation in DROP:
  - The accrued benefit frozen at time of DROP
    - The DROP account does not collect COLAs granted during the DROP period
- The maximum DROP period is equal to three years.
  - Employees may opt out of DROP annually at their anniversary of entering DROP
- Upon exit from DROP, the member receives:
  - The monthly benefit amount equal to the frozen accrued benefit at time of DROP plus the COLA increases granted during the DROP period, plus
  - Distribution of the DROP account

The illustrated cost impacts are shown in Exhibits I – IV:

- Exhibit I – Summary of DROP Scenarios
- Exhibit II – Implement DROP, Scenario 1 Retirement Rates
- Exhibit III – Implement DROP, Scenario 2 Retirement Rates
- Exhibit IV – Group E Contribution Rate Summary

The analysis includes the following assumptions and methods:

- Members will enter the DROP earlier than when they are currently assumed to retire under the current provisions. Two alternative sets of DROP/retirement rates were used in the analysis and are shown in Appendix I. These rates assume that members will exit DROP and commence normal retirement later than currently assumed.
- 70% DROP participation rate, which is the same assumption currently used for Group F and Group G.
- Members will participate in the DROP for the maximum period of time (three years under the proposal) and extend their careers on average by exiting DROP approximately 1.0 year or 1.5 years later than under the current provisions with no DROP.
- The other assumptions and methods as used and disclosed in the actuarial valuation as of July 1, 2014.

The data is summarized in Appendix II. We have assumed that all active uniformed MCGEO members of Group E would be affected by the change (if they meet the eligibility conditions).

Summary of Results

Implementing a DROP for Group E uniformed MCGEO members is expected to increase the actuarial liabilities and contribution requirements of the System based on the assumptions used. The cost of the DROP is significantly affected by how member retirement behavior changes as a result of implementing the DROP. If members commence retirement benefits sooner (by the benefit amount being deposited into the DROP account), costs are typically expected to increase.

Exhibit I contains a summary of the key results for the two DROP scenarios included in this analysis and the results if 100% of members entered DROP or retired at first eligibility for retirement. The 100% scenario was provided in order to give a high-end estimate on what the additional cost might be.

The following table summarizes the increase in costs of implementing a DROP for the indicated groups:

| | Increase in first year costs | |
|---|---|---|
| Group and Scenario | Funding [1] | Accounting [2] |
| Uniformed MCGEO - Scenario 1 Rates | $ 230,505 | $ 2,805,524 |
| Uniformed MCGEO - Scenario 2 Rates | 85,825 | 1,631,042 |

[1] Increase in first year County contribution (total cost amortized over 20 years).

[2] Increase in GASB 68 pension expense (total cost immediately recognized).

Below is a summary of the key results for the two DROP scenarios included in this analysis and the results if 100% of members entered DROP or retired at first eligibility for retirement. The 100% scenario was provided in order to give a high-end estimate on what the additional cost might be.

| Uniformed MCGEO | Baseline | DROP Scenario 1 | DROP Scenario 2 | 100% DROP/Retirement at First Eligibility |
|---|---|---|---|---|
| Active Actuarial Accrued Liability | $ 83,638,135 | $ 86,443,659 | $ 85,269,177 | $ 90,581,379 |
| County Contribution Requirement $ | 7,693,023 | 7,923,528 | 7,778,848 | 8,154,735 |
| County Contribution Requirement % (Includes Retirement Incentive) | 31.88% | 33.45% | 32.74% | 35.80% |
| Average Age at Retirement/DROP | 55.5 | 54.4 | 55.0 | 53.3 |
| Average Age at Retirement* | 55.5 | 56.5 | 57.1 | 55.4 |
| Number of Retirement/DROP First Year | 11 | 16 | 15 | 28 |
| Total ERS | | | | |
| Funded Ratio (Actuarial Value of Assets) | 84.20% | 84.14% | 84.17% | 84.05% |

*Assumes 70% of members retire 3 years after entering DROP.

The following provision of the DROP is cost neutral based on the current actuarial assumptions when a member remains in the DROP compared to retiring:

- Interest crediting equal to actual investment performance of a member-directed DROP account because the member bears the investment risk

The following provision of the DROP decreases costs when a member remains in the DROP compared to retiring:

- COLAs are not payable during the DROP period

Additional implications of implementing a DROP:

- A lower payroll base on which both County and member contributions are made as a result of an increase in total members participating in the DROP at a given time. (The total active member payroll which includes DROP and non-DROP members would be expected to remain the same, but the total non-DROP payroll would be expected to be lower.)
    - o This means that the portion of the contribution rate to amortize the unfunded liability may be higher, but the contribution as a dollar amount to amortize the unfunded liability may not be substantially different.

Future actuarial measurements may differ significantly from the current measurements presented in this cost analysis, due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions, contribution amounts or applicable law.

If any of the provisions, underlying data or assumptions used in this analysis appear to be incorrect or unreasonable, please let us know as soon as possible so we can update the analysis.

The signing actuaries are independent of the plan sponsor.

Lance Weiss and Amy Williams are members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions or would like to discuss the results of this analysis further.

Sincerely,

Lance J. Weiss, E.A., F.C.A., M.A.A.A.
Senior Consultant

Amy Williams, A.S.A., M.A.A.A.
Consultant

cc: Mr. Ryan Gundersen, Gabriel, Roeder, Smith, and Company
Mr. Neil Nguyen, Gabriel, Roeder, Smith and Company

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# Cost Impact of DROP – Summary of Scenarios

| Uniformed MCGEO Only | Baseline | DROP Scenario 1 | Impact** | DROP Scenario 2 | Impact** | 100% DROP/Retirement at First Eligibility | Impact** |
|---|---|---|---|---|---|---|---|
| Actuarial Accrued Liability | $ 83,638,135 | $ 86,443,659 | $ 2,805,524 | $ 85,269,177 | $ 1,631,042 | $ 90,581,379 | $ 6,943,244 |
| Net Normal Cost | 6,622,219 | 6,632,597 | 10,378 | 6,571,879 | (50,340) | 6,520,942 | (101,277) |
| Amortization of Unfunded Liability | 2,655,300 | 2,843,954 | 188,654 | 2,764,978 | 109,677 | 3,122,190 | 466,890 |
| County Contribution Requirement | 7,693,023 | 7,923,528 | 230,505 | 7,778,848 | 85,825 | 8,154,735 | 461,712 |
| Average Age at Retirement/DROP | 55.5 | 54.4 | -1.1 | 55.0 | -0.5 | 53.3 | -2.2 |
| Average Age at Retirement* | 55.5 | 56.5 | 1.0 | 57.1 | 1.6 | 55.4 | -0.1 |
| Number of Retirement/DROP First Year (Includes Retirement Incentive) | 11 | 16 | 5 | 15 | 4 | 28 | 17 |
| **Group E** | | | | | | | |
| Actuarial Accrued Liability | $ 165,611,776 | $ 168,417,300 | $ 2,805,524 | $ 167,242,818 | $ 1,631,042 | $ 172,555,020 | $ 6,943,244 |
| County Contribution Requirement $ | 12,587,119 | 12,817,624 | 230,505 | 12,672,944 | 85,825 | 13,048,831 | 461,712 |
| County Contribution Requirement % (Includes Retirement Incentive) | 31.98% | 32.93% | 0.95% | 32.51% | 0.53% | 34.30% | 2.32% |
| **Total ERS** | | | | | | | |
| Actuarial Accrued Liability | $ 3,958,929,718 | $ 3,961,735,242 | $ 2,805,524 | $ 3,960,560,760 | $ 1,631,042 | $ 3,965,872,962 | $ 6,943,244 |
| Funded Ratio (Actuarial Value of Assets) | 84.20% | 84.14% | -0.06% | 84.17% | -0.03% | 84.05% | -0.15% |

* Assumes 70% of members retire 3 years after entering DROP.

** The change in the actuarial accrued liability and the net normal cost is the change in the GASB 68 pension expense accounting cost. The change in the County contribution requirement is the change in the first year funding cost (total costs are amortized over 20 years).

# Exhibit II

## Cost Impact of DROP – Scenario 1 Retirement Rates

| | Valuation as of July 1, 2014 | | | | Impact - DROP Scenario 1 | | | | Change | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Uniformed MCGEO | Total Group E | Total ERS | % of Payroll | Uniformed MCGEO | Total Group E | Total ERS | % of Payroll | Uniformed MCGEO | Total Group E | Total ERS | % of Payroll |
| **Total All Plans** | | | | | | | | | | | | |
| Actuarial Accrued Liability | | | | | | | | | | | | |
| Active Members | $ 83,638,135 | $ 162,527,468 | $ 1,373,483,134 | | $ 86,443,659 | $ 165,332,992 | $ 1,376,288,658 | | $ 2,805,524 | $ 2,805,524 | $ 2,805,524 | |
| DRSP/DROP Members | | | 99,437,744 | | | | 99,437,744 | | | - | - | |
| Terminated Vested Members | | 3,084,308 | 26,461,195 | | | 3,084,308 | 26,461,195 | | | - | - | |
| Retired Members and Beneficiaries | | | 2,459,547,645 | | | | 2,459,547,645 | | | | - | |
| Total | 83,638,135 | 165,611,776 | 3,958,929,718 | | 86,443,659 | 168,417,300 | 3,961,735,242 | | 2,805,524 | 2,805,524 | 2,805,524 | |
| Contribution Basis Payroll: | | | | | | | | | | | | |
| For Normal Cost | $ 23,474,153 | $ 37,611,162 | $ 360,825,073 | | $ 23,007,948 | $ 37,144,957 | $ 360,358,868 | | $ (466,205) | $ (466,205) | $ (466,205) | |
| For Amortization of Unfunded Liability | 25,479,199 | 42,951,126 | 378,030,049 | | 25,012,994 | 42,484,921 | 377,563,844 | | (466,205) | (466,205) | (466,205) | |
| Actuarial Value of Assets | | | 3,333,484,724 | | | | 3,333,484,724 | | | | - | |
| Unfunded Actuarial Accrued Liability | | | 625,444,994 | | | | 628,250,518 | | | | 2,805,524 | |
| Funded Ratio (Actuarial Value of Assets) | | | 84.2% | | | | 84.1% | | | | -0.1% | |
| Annual Gross Normal Cost | | | | | | | | | | | | |
| Benefits | $ 6,417,555 | $ 10,324,699 | $ 74,984,370 | (20.78%) | $ 6,427,933 | $ 10,335,077 | $ 74,994,748 | (20.81%) | $ 10,378 | $ 10,378 | $ 10,378 | (0.03%) |
| Expenses of Administration | 204,664 | 327,921 | 2,966,800 | (0.82%) | 204,664 | 327,921 | 2,966,800 | (0.82%) | - | - | - | (0.00%) |
| Total | 6,622,219 | 10,652,620 | 77,951,170 | (21.60%) | 6,632,597 | 10,662,998 | 77,961,548 | (21.63%) | 10,378 | 10,378 | 10,378 | (0.03%) |
| **Excluding Retirement Incentive** | | | | | | | | | | | | |
| Amortization of Unfunded Liability | $ 2,599,208 | $ 4,381,570 | $ 56,951,509 | (15.07%) | $ 2,787,862 | $ 4,570,224 | $ 57,140,163 | (15.13%) | $ 188,654 | $ 188,654 | $ 188,654 | (0.06%) |
| Annual Contribution Requirement: | | | | | | | | | | | | |
| County Portion | $ 7,636,930 | $ 12,492,562 | $ 112,667,487 | (30.51%) | $ 7,867,435 | $ 12,723,067 | $ 112,897,992 | (30.60%) | $ 230,505 | $ 230,505 | $ 230,505 | (0.09%) |
| Employee Portion | 1,584,497 | 2,541,628 | 22,235,192 | (6.16%) | 1,553,024 | 2,510,155 | 22,203,719 | (6.16%) | (31,473) | (31,473) | (31,473) | (0.00%) |
| Total | 9,221,427 | 15,034,190 | 134,902,679 | (36.67%) | 9,420,459 | 15,233,222 | 135,101,711 | (36.76%) | 199,032 | 199,032 | 199,032 | (0.09%) |
| County Public Safety Contribution | | | $ 76,256,907 | | | | $ 76,487,412 | | | | $ 230,505 | |
| **Including Retirement Incentive** | | | | | | | | | | | | |
| Amortization of Unfunded Liability | $ 2,655,300 | $ 4,476,127 | $ 59,111,574 | (15.64%) | $ 2,843,954 | $ 4,664,781 | $ 59,300,228 | (15.71%) | $ 188,654 | $ 188,654 | $ 188,654 | (0.07%) |
| Annual Contribution Requirement: | | | | | | | | | | | | |
| County Portion | $ 7,693,023 | $ 12,587,119 | $ 114,827,552 | (31.08%) | $ 7,923,528 | $ 12,817,624 | $ 115,058,057 | (31.18%) | $ 230,505 | $ 230,505 | $ 230,505 | (0.10%) |
| Employee Portion | 1,584,497 | 2,541,628 | 22,235,192 | (6.16%) | 1,553,024 | 2,510,155 | 22,203,719 | (6.16%) | (31,473) | (31,473) | (31,473) | (0.00%) |
| Total | 9,277,520 | 15,128,747 | 137,062,744 | (37.24%) | 9,476,552 | 15,327,779 | 137,261,776 | (37.34%) | 199,032 | 199,032 | 199,032 | (0.10%) |
| County Public Safety Contribution | | | $ 76,351,464 | | | | $ 76,581,969 | | | | $ 230,505 | |

Numbers may not add due to rounding.

# Cost Impact of DROP – Scenario 2 Retirement Rates

| | Valuation as of July 1, 2014 | | | | Impact - DROP Scenario 2 | | | | Change | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Uniformed MCGEO | Total Group E | Total ERS | % of Payroll | Uniformed MCGEO | Total Group E | Total ERS | % of Payroll | Uniformed MCGEO | Total Group E | Total ERS | % of Payroll |
| **Total All Plans** | | | | | | | | | | | | |
| Actuarial Accrued Liability | | | | | | | | | | | | |
| Active Members | $ 83,638,135 | $ 162,527,468 | $ 1,373,483,134 | | $ 85,269,177 | $ 164,158,510 | $ 1,375,114,176 | | $ 1,631,042 | $ 1,631,042 | $ 1,631,042 | |
| DRSP/DROP Members | | | 99,437,744 | | | | 99,437,744 | | | - | - | |
| Terminated Vested Members | | 3,084,308 | 26,461,195 | | | 3,084,308 | 26,461,195 | | | - | - | |
| Retired Members and Beneficiaries | | | 2,459,547,645 | | | | 2,459,547,645 | | | | - | |
| Total | 83,638,135 | 165,611,776 | 3,958,929,718 | | 85,269,177 | 167,242,818 | 3,960,560,760 | | 1,631,042 | 1,631,042 | 1,631,042 | |
| Contribution Basis Payroll: | | | | | | | | | | | | |
| For Normal Cost | $ 23,474,153 | $ 37,611,162 | $ 360,825,073 | | $ 23,081,741 | $ 37,218,750 | $ 360,432,661 | | $ (392,412) | $ (392,412) | $ (392,412) | |
| For Amortization of Unfunded Liability | 25,479,199 | 42,951,126 | 378,030,049 | | 25,086,787 | 42,558,714 | 377,637,637 | | (392,412) | (392,412) | (392,412) | |
| Actuarial Value of Assets | | | 3,333,484,724 | | | | 3,333,484,724 | | | | - | |
| Unfunded Actuarial Accrued Liability | | | 625,444,994 | | | | 627,076,036 | | | | 1,631,042 | |
| Funded Ratio (Actuarial Value of Assets) | | | 84.2% | | | | 84.2% | | | | 0.0% | |
| Annual Gross Normal Cost | | | | | | | | | | | | |
| Benefits | $ 6,417,555 | $ 10,324,699 | $ 74,984,370 | (20.78%) | $ 6,367,215 | $ 10,274,359 | $ 74,934,030 | (20.79%) | $ (50,340) | $ (50,340) | $ (50,340) | (0.01%) |
| Expenses of Administration | 204,664 | 327,921 | 2,966,800 | (0.82%) | 204,664 | 327,921 | 2,966,800 | (0.82%) | - | - | - | (0.00%) |
| Total | 6,622,219 | 10,652,620 | 77,951,170 | (21.60%) | 6,571,879 | 10,602,280 | 77,900,830 | (21.61%) | (50,340) | (50,340) | (50,340) | (0.01%) |
| | | | | | Excluding Retirement Incentive | | | | | | | |
| Amortization of Unfunded Liability | $ 2,599,208 | $ 4,381,570 | $ 56,951,509 | (15.07%) | $ 2,708,885 | $ 4,491,247 | $ 57,061,186 | (15.11%) | $ 109,677 | $ 109,677 | $ 109,677 | (0.04%) |
| Annual Contribution Requirement: | | | | | | | | | | | | |
| County Portion | $ 7,636,930 | $ 12,492,562 | $ 112,667,487 | (30.51%) | $ 7,722,755 | $ 12,578,387 | $ 112,753,312 | (30.56%) | $ 85,825 | $ 85,825 | $ 85,825 | (0.05%) |
| Employee Portion | 1,584,497 | 2,541,628 | 22,235,192 | (6.16%) | 1,558,009 | 2,515,140 | 22,208,704 | (6.16%) | (26,488) | (26,488) | (26,488) | (0.00%) |
| Total | 9,221,427 | 15,034,190 | 134,902,679 | (36.67%) | 9,280,764 | 15,093,527 | 134,962,016 | (36.72%) | 59,337 | 59,337 | 59,337 | (0.05%) |
| County Public Safety Contribution | | | $ 76,256,907 | | | | $ 76,342,732 | | | | $ 85,825 | |
| | | | | | Including Retirement Incentive | | | | | | | |
| Amortization of Unfunded Liability | $ 2,655,300 | $ 4,476,127 | $ 59,111,574 | (15.64%) | $ 2,764,978 | $ 4,585,804 | $ 59,221,251 | (15.68%) | $ 109,677 | $ 109,677 | $ 109,677 | (0.04%) |
| Annual Contribution Requirement: | | | | | | | | | | | | |
| County Portion | $ 7,693,023 | $ 12,587,119 | $ 114,827,552 | (31.08%) | $ 7,778,848 | $ 12,672,944 | $ 114,913,377 | (31.13%) | $ 85,825 | $ 85,825 | $ 85,825 | (0.05%) |
| Employee Portion | 1,584,497 | 2,541,628 | 22,235,192 | (6.16%) | 1,558,009 | 2,515,140 | 22,208,704 | (6.16%) | (26,488) | (26,488) | (26,488) | (0.00%) |
| Total | 9,277,520 | 15,128,747 | 137,062,744 | (37.24%) | 9,336,857 | 15,188,084 | 137,122,081 | (37.29%) | 59,337 | 59,337 | 59,337 | (0.05%) |
| County Public Safety Contribution | | | $ 76,351,464 | | | | $ 76,437,289 | | | | $ 85,825 | |

Numbers may not add due to rounding.

# Contribution Rate Summary - Group E

| | Group E | | |
|---|---|---|---|
| | Valuation as of July 1, 2014 | Impact - DROP Scenario 1 | Impact - DROP Scenario 2 |
| **County Contribution Requirement ($) (Includes Retirement Incentive)** | | | |
| Uniformed MCGEO | $ 7,693,023 | $ 7,923,528 | $ 7,778,848 |
| Total Group E | 12,587,119 | 12,817,624 | 12,672,944 |
| Change in Total Group E Contribution from the Valuation | - | 230,505 | 85,825 |
| **County Normal Cost Contribution Requirement (% of Payroll)** | | | |
| Uniformed MCGEO | 21.46% | 22.08% | 21.72% |
| Total Group E | 21.57% | 21.95% | 21.73% |
| Change in Total Group E Rate from the Valuation | 0.00% | 0.38% | 0.16% |
| **County Contribution Requirement (% of Payroll) (Excludes Retirement Incentive)** | | | |
| Uniformed MCGEO | 31.66% | 33.23% | 32.52% |
| Total Group E | 31.76% | 32.71% | 32.28% |
| Change in Total Group E Rate from the Valuation | 0.00% | 0.95% | 0.52% |
| **County Contribution Requirement (% of Payroll) (Includes Retirement Incentive)** | | | |
| Uniformed MCGEO | 31.88% | 33.45% | 32.74% |
| Total Group E | 31.98% | 32.93% | 32.51% |
| Change in Total Group E Rate from the Valuation | 0.00% | 0.95% | 0.53% |

Numbers may not add due to rounding.

## Group E Retirement Rates

| | Valuation Rates | | Drop Scenario 1 Group E | | Drop Scenario 2 | |
|---|---|---|---|---|---|---|
| Age | 1st Elig. For Normal Ret | Ultimate Rate | 1st Elig. For Normal Ret | Ultimate Rate | 1st Elig. For Normal Ret | Ultimate Rate |
| Under 45 | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| 46 | 15.00% | 8.00% | 40.00% | 8.00% | 15.00% | 8.00% |
| 47 | 15.00% | 8.00% | 40.00% | 8.00% | 15.00% | 8.00% |
| 48 | 15.00% | 8.00% | 45.00% | 8.00% | 15.00% | 8.00% |
| 49 | 15.00% | 8.00% | 50.00% | 8.00% | 15.00% | 8.00% |
| 50 | 20.00% | 10.00% | 55.00% | 10.00% | 25.00% | 15.00% |
| 51 | 20.00% | 10.00% | 65.00% | 10.00% | 30.00% | 15.00% |
| 52 | 20.00% | 18.00% | 70.00% | 18.00% | 30.00% | 23.00% |
| 53 | 20.00% | 18.00% | 75.00% | 18.00% | 35.00% | 23.00% |
| 54 | 20.00% | 18.00% | 80.00% | 18.00% | 40.00% | 23.00% |
| 55 | 50.00% | 50.00% | 100.00% | 50.00% | 75.00% | 55.00% |
| 56 | 50.00% | 50.00% | 100.00% | 50.00% | 80.00% | 55.00% |
| 57 | 50.00% | 50.00% | 100.00% | 50.00% | 85.00% | 55.00% |
| 58 | 50.00% | 50.00% | 100.00% | 50.00% | 90.00% | 55.00% |
| 59 | 50.00% | 50.00% | 100.00% | 50.00% | 95.00% | 55.00% |
| 60 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

DROP rates apply to uniformed MCGEO employees only.
Rates of 20% are added to the retirement rates above in the first year of implementation of the DROP for the DROP scenarios for members that have been previously eligible to retire.

# Data Summary

| | Group A | Group H | Uniformed MCGEO* | Total Group E | Group F | Group G | GRIP | Total |
|---|---|---|---|---|---|---|---|---|
| | **Valuation as of July 1, 2014** | | | | | | | |
| | **Non-Public Safety** | | **Public Safety** | | | | | |
| Total All Plans | | | | | | | | |
| Active Members | | | | | | | | |
| Number | 527 | 799 | 401 | 626 | 1,190 | 1,130 | 1,263 | 5,535 |
| Average Age | 56.7 | 56.8 | 42.0 | 43.5 | 38.1 | 37.5 | 49.5 | 45.7 |
| Average Service | 26.7 | 24.6 | 11.1 | 12.4 | 12.9 | 11.7 | 8.3 | 14.5 |
| Total Base Payroll | $ 50,976,638 | $ 55,866,352 | $ 25,479,199 | $ 42,951,126 | $ 89,215,131 | $ 80,663,980 | $ 83,225,868 | $ 402,899,096 |
| Contribution Basis Payroll: | | | | | | | | |
| For Normal Cost | $ 43,189,541 | $ 47,460,110 | $ 23,474,153 | $ 37,611,162 | $ 82,124,733 | $ 75,043,449 | $ 75,396,078 | $ 360,825,073 |
| For Amortization of Unfunded Liability | 38,979,842 | 42,994,102 | 25,479,199 | 42,951,126 | 89,215,131 | 80,663,980 | 83,225,868 | 378,030,049 |
| DRSP/DROP Members | | | | | | | | |
| Number | | | | | 39 | 60 | | 99 |
| Total Base Payroll | | | | | 3,740,247 | 5,944,122 | | $ 9,684,369 |
| Total Benefits | | | | | 2,523,134 | 3,626,704 | | 6,149,838 |
| Terminated Vested Members | | | | | | | | |
| Number | 68 | 88 | | 26 | 35 | 19 | 167 | 403 |
| Total Benefits | $ 751,726 | $ 740,739 | | $ 334,743 | $ 411,385 | $ 121,662 | | $ 2,360,255 |
| Retired Members and Beneficiaries | | | | | | | | |
| Number | | | | | | | 1 | 6,143 |
| Total Benefits | | | | | | | $ 5,024 | $ 223,419,018 |
| Total Membership | | | | | | | | 12,180 |

*22 out of the total 423 uniformed MCGEO members in the data provided were not active members as of July 1, 2014, and therefore were not included in this analysis.

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March 11, 2015

Ms. Linda Herman
Executive Director
Montgomery County Employees' Retirement System
Rockville, Maryland

**Subject:** **Cost Impact of DROP Proposal for Group E (Uniformed Non-MCGEO Only)**

Dear Linda:

As requested, we have measured the cost impact to the Montgomery County Employees' Retirement System (ERS) of the following proposal to change benefit provisions for current active Uniformed Non-MCGEO Group E employees.

- Implement a DROP with an interest crediting rate based on actual investment performance of a self-directed DROP account.

The proposed effective date of this change is July 1, 2015, and the change would only affect members that are active as of that date.

The main provisions of the DROP would be the same as the current DRSP for Group F members and include:

- Members may enter the DROP once minimum age and service requirements have been met for normal retirement
    - Age 55 with 15 years of credited service or age 46 with 25 years of credited service
- The following amounts are accumulated in the DROP account and are credited actual investment returns during participation in DROP:
    - The accrued benefit frozen at time of DROP
        - The DROP account does not collect COLAs granted during the DROP period
- The maximum DROP period is equal to three years.
    - Employees may opt out of DROP annually at their anniversary of entering DROP
- Upon exit from DROP, the member receives:
    - The monthly benefit amount equal to the frozen accrued benefit at time of DROP plus the COLA increases granted during the DROP period, plus
    - Distribution of the DROP account

The illustrated cost impacts are shown in Exhibits I – IV:

- Exhibit I – Summary of DROP Scenarios
- Exhibit II – Implement DROP, Scenario 1 Retirement Rates
- Exhibit III – Implement DROP, Scenario 2 Retirement Rates
- Exhibit IV – Group E Contribution Rate Summary

The analysis includes the following assumptions and methods:

- Members will enter the DROP earlier than when they are currently assumed to retire under the current provisions. Two alternative sets of DROP/retirement rates were used in the analysis and are shown in Appendix I. These rates assume that members will exit DROP and commence normal retirement later than currently assumed.
- 70% DROP participation rate, which is the same assumption currently used for Group F and Group G.
- Members will participate in the DROP for the maximum period of time (three years under the proposal) and extend their careers on average by exiting DROP approximately 1.0 year or 1.5 years later than under the current provisions with no DROP.
- The other assumptions and methods as used and disclosed in the actuarial valuation as of July 1, 2014.

The data is summarized in Appendix II. We have assumed that all active uniformed Non-MCGEO members of Group E would be affected by the change (if they meet the eligibility conditions).

<u>Summary of Results</u>
Implementing a DROP for Group E uniformed Non-MCGEO members is expected to increase the actuarial liabilities and the County contribution rates of the System based on the assumptions used. The projected dollar contribution requirements of the System are expected to increase under the Scenario 1 retirement rates and decrease slightly under the Scenario 2 retirement rates because the increase in the contribution rate more than offsets the decrease in the non-DROP payroll in Scenario 1, but the increase in the contribution rate is more than offset by the decrease in the non-DROP payroll in Scenario 2. The combination of the change in the projected non-DROP payroll and the change in the contribution rate determines the projected change in the contribution dollar amount. The cost of the DROP is significantly affected by how member retirement behavior changes as a result of implementing the DROP. If members commence retirement benefits sooner (by the benefit amount being deposited into the DROP account), costs are typically expected to increase.

Exhibit I contains a summary of the key results for the two DROP scenarios included in this analysis and the results if 100% of members entered DROP or retired at first eligibility for retirement. The 100% scenario was provided in order to give a high-end estimate on what the additional cost might be.

The following table summarizes the increase in costs of implementing a DROP for the indicated groups:

| Group and Scenario | Increase in first year costs: Funding [1] | Increase in first year costs: Accounting [2] |
|---|---|---|
| Uniformed Non-MCGEO - Scenario 1 Rates | $ 23,174 | $ 1,335,619 |
| Uniformed Non-MCGEO - Scenario 2 Rates | (1,150) | 989,728 |

[1] Increase in first year County contribution (total cost amortized over 20 years).

[2] Increase in GASB 68 pension expense (total cost immediately recognized).

Below is a summary of the key results for the two DROP scenarios included in this analysis and the results if 100% of members entered DROP or retired at first eligibility for retirement. The 100% scenario was provided in order to give a high-end estimate on what the additional cost might be.

| Uniformed Non-MCGEO | Baseline | DROP Scenario 1 | DROP Scenario 2 | 100% DROP/Retirement at First Eligibility |
|---|---|---|---|---|
| Active Actuarial Accrued Liability | $ 28,158,832 | $ 29,494,451 | $ 29,148,560 | $ 32,376,204 |
| County Contribution Requirement $ | 1,104,316 | 1,127,490 | 1,103,167 | 1,144,561 |
| County Contribution Requirement % (Includes Retirement Incentive) | 29.86% | 34.58% | 33.03% | 48.81% |
| Average Age at Retirement/DROP | 54.5 | 53.4 | 53.9 | 51.7 |
| Average Age at Retirement* | 54.5 | 55.5 | 56.0 | 53.8 |
| Number of Retirement/DROP First Year | 6 | 11 | 10 | 21 |
| Total ERS | | | | |
| Funded Ratio (Actuarial Value of Assets) | 84.20% | 84.17% | 84.18% | 84.11% |

*Assumes 70% of members retire 3 years after entering DROP.

The following provision of the DROP is cost neutral based on the current actuarial assumptions when a member remains in the DROP compared to retiring:

- Interest crediting equal to actual investment performance of a member-directed DROP account because the member bears the investment risk

The following provision of the DROP decreases costs when a member remains in the DROP compared to retiring:

- COLAs are not payable during the DROP period

Additional implications of implementing a DROP:

- A lower payroll base on which both County and member contributions are made as a result of an increase in total members participating in the DROP at a given time. (The total active member payroll which includes DROP and non-DROP members would be expected to remain the same, but the total non-DROP payroll would be expected to be lower.)
    - This means that the portion of the contribution rate to amortize the unfunded liability may be higher, but the contribution as a dollar amount to amortize the unfunded liability may not be substantially different.

Future actuarial measurements may differ significantly from the current measurements presented in this cost analysis, due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions, contribution amounts or applicable law.

If any of the provisions, underlying data or assumptions used in this analysis appear to be incorrect or unreasonable, please let us know as soon as possible so we can update the analysis.

The signing actuaries are independent of the plan sponsor.

Lance Weiss and Amy Williams are members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions or would like to discuss the results of this analysis further.

Sincerely,

Lance J. Weiss, E.A., F.C.A., M.A.A.A.
Senior Consultant

Amy Williams
Amy Williams, A.S.A., M.A.A.A.
Consultant

cc: Mr. Ryan Gundersen, Gabriel, Roeder, Smith, and Company
Mr. Neil Nguyen, Gabriel, Roeder, Smith and Company

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Exhibit I

# Cost Impact of DROP – Summary of Scenarios

| Uniformed Non-MCGEO Only | Baseline | DROP Scenario 1 | Impact** | DROP Scenario 2 | Impact** | 100% DROP/Retirement at First Eligibility | Impact** |
|---|---|---|---|---|---|---|---|
| Actuarial Accrued Liability | $ 28,158,832 | $ 29,494,451 | $ 1,335,619 | $ 29,148,560 | $ 989,728 | $ 32,376,204 | $ 4,217,372 |
| Net Normal Cost | 887,284 | 786,948 | (100,336) | 791,803 | (95,481) | 538,876 | (348,408) |
| Amortization of Unfunded Liability | 447,109 | 536,921 | 89,812 | 513,662 | 66,553 | 730,701 | 283,592 |
| County Contribution Requirement | 1,104,316 | 1,127,490 | 23,174 | 1,103,167 | (1,150) | 1,144,561 | 40,245 |
| Average Age at Retirement/DROP | 54.5 | 53.4 | -1.1 | 53.9 | -0.6 | 51.7 | -2.7 |
| Average Age at Retirement* | 54.5 | 55.5 | 1.0 | 56.0 | 1.5 | 53.8 | -0.7 |
| Number of Retirement/DROP First Year (Includes Retirement Incentive) | 6 | 11 | 5 | 10 | 4 | 21 | 15 |
| **Group E** | | | | | | | |
| Actuarial Accrued Liability | $ 165,611,776 | $ 166,947,395 | $ 1,335,619 | $ 166,601,504 | $ 989,728 | $ 169,829,148 | $ 4,217,372 |
| County Contribution Requirement $ | 12,587,119 | 12,610,293 | 23,174 | 12,585,969 | (1,150) | 12,627,364 | 40,245 |
| County Contribution Requirement % (Includes Retirement Incentive) | 31.98% | 32.42% | 0.44% | 32.30% | 0.32% | 33.30% | 1.32% |
| **Total ERS** | | | | | | | |
| Actuarial Accrued Liability | $ 3,958,929,718 | $ 3,960,265,337 | $ 1,335,619 | $ 3,959,919,446 | $ 989,728 | $ 3,963,147,090 | $ 4,217,372 |
| Funded Ratio (Actuarial Value of Assets) | 84.20% | 84.17% | -0.03% | 84.18% | -0.02% | 84.11% | -0.09% |

*Assumes 70% of members retire 3 years after entering DROP.

** The change in the actuarial accrued liability and the net normal cost is the change in the GASB 68 pension expense accounting cost. The change in the County contribution requirement is the change in the first year funding cost (total costs are amortized over 20 years).

# Cost Impact of DROP – Scenario 1 Retirement Rates

| | Valuation as of July 1, 2014 | | | | Impact - DROP Scenario 1 | | | | Change | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Uniformed Non-MCGEO | Total Group E | Total ERS | % of Payroll | Uniformed Non-MCGEO | Total Group E | Total ERS | % of Payroll | Uniformed Non-MCGEO | Total Group E | Total ERS | % of Payroll |
| Total All Plans | | | | | | | | | | | | |
| Actuarial Accrued Liability | | | | | | | | | | | | |
| Active Members | $ 28,158,832 | $ 162,527,468 | $ 1,373,483,134 | | $ 29,494,451 | $ 163,863,087 | $ 1,374,818,753 | | $ 1,335,619 | $ 1,335,619 | $ 1,335,619 | |
| DRSP/DROP Members | | | 99,437,744 | | | | 99,437,744 | | | - | - | |
| Terminated Vested Members | | 3,084,308 | 26,461,195 | | | 3,084,308 | 26,461,195 | | | - | - | |
| Retired Members and Beneficiaries | | | 2,459,547,645 | | | | 2,459,547,645 | | | | - | |
| Total | 28,158,832 | 165,611,776 | 3,958,929,718 | | 29,494,451 | 166,947,395 | 3,960,265,337 | | 1,335,619 | 1,335,619 | 1,335,619 | |
| Contribution Basis Payroll: | | | | | | | | | | | | |
| For Normal Cost | $ 3,381,053 | $ 37,611,162 | $ 360,825,073 | | $ 2,889,200 | $ 37,119,309 | $ 360,333,220 | | $ (491,853) | $ (491,853) | $ (491,853) | |
| For Amortization of Unfunded Liability | 4,290,280 | 42,951,126 | 378,030,049 | | 3,798,427 | 42,459,273 | 377,538,196 | | (491,853) | (491,853) | (491,853) | |
| Actuarial Value of Assets | | | 3,333,484,724 | | | | 3,333,484,724 | | | | - | |
| Unfunded Actuarial Accrued Liability | | | 625,444,994 | | | | 626,780,613 | | | | 1,335,619 | |
| Funded Ratio (Actuarial Value of Assets) | | | 84.2% | | | | 84.2% | | | | 0.0% | |
| Annual Gross Normal Cost | | | | | | | | | | | | |
| Benefits | $ 857,806 | $ 10,324,699 | $ 74,984,370 | (20.78%) | $ 757,470 | $ 10,224,363 | $ 74,884,034 | (20.79%) | $ (100,336) | $ (100,336) | $ (100,336) | (0.01%) |
| Expenses of Administration | 29,478 | 327,921 | 2,966,800 | (0.82%) | 29,478 | 327,921 | 2,966,800 | (0.82%) | - | - | - | (0.00%) |
| Total | 887,284 | 10,652,620 | 77,951,170 | (21.60%) | 786,948 | 10,552,284 | 77,850,834 | (21.61%) | (100,336) | (100,336) | (100,336) | (0.01%) |
| Excluding Retirement Incentive | | | | | | | | | | | | |
| Amortization of Unfunded Liability | $ 437,664 | $ 4,381,570 | $ 56,951,509 | (15.07%) | $ 527,476 | $ 4,471,382 | $ 57,041,321 | (15.11%) | $ 89,812 | $ 89,812 | $ 89,812 | (0.04%) |
| Annual Contribution Requirement: | | | | | | | | | | | | |
| County Portion | $ 1,094,871 | $ 12,492,562 | $ 112,667,487 | (30.51%) | $ 1,118,045 | $ 12,515,736 | $ 112,690,661 | (30.56%) | $ 23,174 | $ 23,174 | $ 23,174 | (0.05%) |
| Employee Portion | 230,077 | 2,541,628 | 22,235,192 | (6.16%) | 196,379 | 2,507,930 | 22,201,494 | (6.16%) | (33,698) | (33,698) | (33,698) | (0.00%) |
| Total | 1,324,948 | 15,034,190 | 134,902,679 | (36.67%) | 1,314,424 | 15,023,666 | 134,892,155 | (36.72%) | (10,524) | (10,524) | (10,524) | (0.05%) |
| County Public Safety Contribution | | | $ 76,256,907 | | | | $ 76,280,081 | | | | $ 23,174 | |
| Including Retirement Incentive | | | | | | | | | | | | |
| Amortization of Unfunded Liability | $ 447,109 | $ 4,476,127 | $ 59,111,574 | (15.64%) | $ 536,921 | $ 4,565,939 | $ 59,201,386 | (15.68%) | $ 89,812 | $ 89,812 | $ 89,812 | (0.04%) |
| Annual Contribution Requirement: | | | | | | | | | | | | |
| County Portion | $ 1,104,316 | $ 12,587,119 | $ 114,827,552 | (31.08%) | $ 1,127,490 | $ 12,610,293 | $ 114,850,726 | (31.13%) | $ 23,174 | $ 23,174 | $ 23,174 | (0.05%) |
| Employee Portion | 230,077 | 2,541,628 | 22,235,192 | (6.16%) | 196,379 | 2,507,930 | 22,201,494 | (6.16%) | (33,698) | (33,698) | (33,698) | (0.00%) |
| Total | 1,334,393 | 15,128,747 | 137,062,744 | (37.24%) | 1,323,870 | 15,118,223 | 137,052,220 | (37.29%) | (10,524) | (10,524) | (10,524) | (0.05%) |
| County Public Safety Contribution | | | $ 76,351,464 | | | | $ 76,374,638 | | | | $ 23,174 | |

Numbers may not add due to rounding.

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# Exhibit III

## Cost Impact of DROP – Scenario 2 Retirement Rates

| | Valuation as of July 1, 2014 | | | | Impact - DROP Scenario 2 | | | | Change | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Uniformed Non-MCGEO | Total Group E | Total ERS | % of Payroll | Uniformed Non-MCGEO | Total Group E | Total ERS | % of Payroll | Uniformed Non-MCGEO | Total Group E | Total ERS | % of Payroll |
| Total All Plans | | | | | | | | | | | | |
| Actuarial Accrued Liability | | | | | | | | | | | | |
| Active Members | $ 28,158,832 | $ 162,527,468 | $ 1,373,483,134 | | $ 29,148,560 | $ 163,517,196 | $ 1,374,472,862 | | $ 989,728 | $ 989,728 | $ 989,728 | |
| DRSP/DROP Members | | | 99,437,744 | | | | 99,437,744 | | | - | - | |
| Terminated Vested Members | | 3,084,308 | 26,461,195 | | | 3,084,308 | 26,461,195 | | | - | - | |
| Retired Members and Beneficiaries | | | 2,459,547,645 | | | | 2,459,547,645 | | | | - | |
| Total | 28,158,832 | 165,611,776 | 3,958,929,718 | | 29,148,560 | 166,601,504 | 3,959,919,446 | | 989,728 | 989,728 | 989,728 | |
| Contribution Basis Payroll: | | | | | | | | | | | | |
| For Normal Cost | $ 3,381,053 | $ 37,611,162 | $ 360,825,073 | | $ 2,975,340 | $ 37,205,449 | $ 360,419,360 | | $ (405,713) | $ (405,713) | $ (405,713) | |
| For Amortization of Unfunded Liability | 4,290,280 | 42,951,126 | 378,030,049 | | 3,884,567 | 42,545,413 | 377,624,336 | | (405,713) | (405,713) | (405,713) | |
| Actuarial Value of Assets | | | 3,333,484,724 | | | | 3,333,484,724 | | | | - | |
| Unfunded Actuarial Accrued Liability | | | 625,444,994 | | | | 626,434,722 | | | | 989,728 | |
| Funded Ratio (Actuarial Value of Assets) | | | 84.2% | | | | 84.2% | | | | 0.0% | |
| Annual Gross Normal Cost | | | | | | | | | | | | |
| Benefits | $ 857,806 | $ 10,324,699 | $ 74,984,370 | (20.78%) | $ 762,325 | $ 10,229,218 | $ 74,888,889 | (20.78%) | $ (95,481) | $ (95,481) | $ (95,481) | (0.00%) |
| Expenses of Administration | 29,478 | 327,921 | 2,966,800 | (0.82%) | 29,478 | 327,921 | 2,966,800 | (0.82%) | - | - | - | (0.00%) |
| Total | 887,284 | 10,652,620 | 77,951,170 | (21.60%) | 791,803 | 10,557,139 | 77,855,689 | (21.60%) | (95,481) | (95,481) | (95,481) | (0.00%) |
| | | | | | Excluding Retirement Incentive | | | | | | | |
| Amortization of Unfunded Liability | $ 437,664 | $ 4,381,570 | $ 56,951,509 | (15.07%) | $ 504,217 | $ 4,448,123 | $ 57,018,062 | (15.10%) | $ 66,553 | $ 66,553 | $ 66,553 | (0.03%) |
| Annual Contribution Requirement: | | | | | | | | | | | | |
| County Portion | $ 1,094,871 | $ 12,492,562 | $ 112,667,487 | (30.51%) | $ 1,093,721 | $ 12,491,412 | $ 112,666,337 | (30.54%) | $ (1,150) | $ (1,150) | $ (1,150) | (0.03%) |
| Employee Portion | 230,077 | 2,541,628 | 22,235,192 | (6.16%) | 202,299 | 2,513,850 | 22,207,414 | (6.16%) | (27,778) | (27,778) | (27,778) | (0.00%) |
| Total | 1,324,948 | 15,034,190 | 134,902,679 | (36.67%) | 1,296,020 | 15,005,262 | 134,873,751 | (36.70%) | (28,928) | (28,928) | (28,928) | (0.03%) |
| County Public Safety Contribution | | | $ 76,256,907 | | | | $ 76,255,757 | | | | $ (1,150) | |
| | | | | | Including Retirement Incentive | | | | | | | |
| Amortization of Unfunded Liability | $ 447,109 | $ 4,476,127 | $ 59,111,574 | (15.64%) | $ 513,662 | $ 4,542,680 | $ 59,178,127 | (15.67%) | $ 66,553 | $ 66,553 | $ 66,553 | (0.03%) |
| Annual Contribution Requirement: | | | | | | | | | | | | |
| County Portion | $ 1,104,316 | $ 12,587,119 | $ 114,827,552 | (31.08%) | $ 1,103,167 | $ 12,585,969 | $ 114,826,402 | (31.11%) | $ (1,150) | $ (1,150) | $ (1,150) | (0.03%) |
| Employee Portion | 230,077 | 2,541,628 | 22,235,192 | (6.16%) | 202,299 | 2,513,850 | 22,207,414 | (6.16%) | (27,778) | (27,778) | (27,778) | (0.00%) |
| Total | 1,334,393 | 15,128,747 | 137,062,744 | (37.24%) | 1,305,466 | 15,099,819 | 137,033,816 | (37.27%) | (28,928) | (28,928) | (28,928) | (0.03%) |
| County Public Safety Contribution | | | $ 76,351,464 | | | | $ 76,350,314 | | | | $ (1,150) | |

Numbers may not add due to rounding.

# Contribution Rate Summary - Group E

| | Group E | | |
|---|---|---|---|
| | Valuation as of July 1, 2014 | Impact - DROP Scenario 1 | Impact - DROP Scenario 2 |
| **County Contribution Requirement ($)** | | | |
| **(Includes Retirement Incentive)** | | | |
| Uniformed Non-MCGEO | $ 1,104,316 | $ 1,127,490 | $ 1,103,167 |
| Total Group E | 12,587,119 | 12,610,293 | 12,585,969 |
| Change in Total Group E Contribution from the Valuation | - | 23,174 | (1,150) |
| **County Normal Cost Contribution Requirement (% of Payroll)** | | | |
| Uniformed Non-MCGEO | 19.44% | 20.44% | 19.81% |
| Total Group E | 21.57% | 21.67% | 21.62% |
| Change in Total Group E Rate from the Valuation | 0.00% | 0.11% | 0.05% |
| **County Contribution Requirement (% of Payroll)** | | | |
| **(Excludes Retirement Incentive)** | | | |
| Uniformed Non-MCGEO | 29.64% | 34.33% | 32.79% |
| Total Group E | 31.76% | 32.20% | 32.08% |
| Change in Total Group E Rate from the Valuation | 0.00% | 0.44% | 0.32% |
| **County Contribution Requirement (% of Payroll)** | | | |
| **(Includes Retirement Incentive)** | | | |
| Uniformed Non-MCGEO | 29.86% | 34.58% | 33.03% |
| Total Group E | 31.98% | 32.42% | 32.30% |
| Change in Total Group E Rate from the Valuation | 0.00% | 0.44% | 0.32% |

Numbers may not add due to rounding.

## Group E Retirement Rates

| | Valuation Rates | | Drop Scenario 1 Group E | | Drop Scenario 2 | |
|---|---|---|---|---|---|---|
| Age | 1st Elig. For Normal Ret | Ultimate Rate | 1st Elig. For Normal Ret | Ultimate Rate | 1st Elig. For Normal Ret | Ultimate Rate |
| Under 45 | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% | 3.50% |
| 46 | 15.00% | 8.00% | 40.00% | 8.00% | 15.00% | 8.00% |
| 47 | 15.00% | 8.00% | 40.00% | 8.00% | 15.00% | 8.00% |
| 48 | 15.00% | 8.00% | 45.00% | 8.00% | 15.00% | 8.00% |
| 49 | 15.00% | 8.00% | 50.00% | 8.00% | 15.00% | 8.00% |
| 50 | 20.00% | 10.00% | 55.00% | 10.00% | 25.00% | 15.00% |
| 51 | 20.00% | 10.00% | 65.00% | 10.00% | 30.00% | 15.00% |
| 52 | 20.00% | 18.00% | 70.00% | 18.00% | 30.00% | 23.00% |
| 53 | 20.00% | 18.00% | 75.00% | 18.00% | 35.00% | 23.00% |
| 54 | 20.00% | 18.00% | 80.00% | 18.00% | 40.00% | 23.00% |
| 55 | 50.00% | 50.00% | 100.00% | 50.00% | 75.00% | 55.00% |
| 56 | 50.00% | 50.00% | 100.00% | 50.00% | 80.00% | 55.00% |
| 57 | 50.00% | 50.00% | 100.00% | 50.00% | 85.00% | 55.00% |
| 58 | 50.00% | 50.00% | 100.00% | 50.00% | 90.00% | 55.00% |
| 59 | 50.00% | 50.00% | 100.00% | 50.00% | 95.00% | 55.00% |
| 60 | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

DROP rates apply to uniformed Non- MCGEO employees only.
Rates of 20% are added to the retirement rates above in the first year of implementation of the DROP for the DROP scenarios for members that have been previously eligible to retire.

# Data Summary

| | Valuation as of July 1, 2014 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Non-Public Safety | | Public Safety | | | | | |
| | Group A | Group H | Uniformed Non-MCGEO | Total Group E | Group F | Group G | GRIP | Total |
| **Total All Plans** | | | | | | | | |
| Active Members | | | | | | | | |
| Number | 527 | 799 | 43 | 626 | 1,190 | 1,130 | 1,263 | 5,535 |
| Average Age | 56.7 | 56.8 | 49.4 | 43.5 | 38.1 | 37.5 | 49.5 | 45.7 |
| Average Service | 26.7 | 24.6 | 23.1 | 12.4 | 12.9 | 11.7 | 8.3 | 14.5 |
| Total Base Payroll | $ 50,976,638 | $ 55,866,352 | $ 4,290,280 | $ 42,951,126 | $ 89,215,131 | $ 80,663,980 | $ 83,225,868 | $ 402,899,096 |
| Contribution Basis Payroll: | | | | | | | | |
| For Normal Cost | $ 43,189,541 | $ 47,460,110 | $ 3,381,053 | $ 37,611,162 | $ 82,124,733 | $ 75,043,449 | $ 75,396,078 | $ 360,825,073 |
| For Amortization of Unfunded Liability | 38,979,842 | 42,994,102 | 4,290,280 | 42,951,126 | 89,215,131 | 80,663,980 | 83,225,868 | 378,030,049 |
| DRSP/DROP Members | | | | | | | | |
| Number | | | | | 39 | 60 | | 99 |
| Total Base Payroll | | | | | 3,740,247 | 5,944,122 | | $ 9,684,369 |
| Total Benefits | | | | | 2,523,134 | 3,626,704 | | 6,149,838 |
| Terminated Vested Members | | | | | | | | |
| Number | 68 | 88 | | 26 | 35 | 19 | 167 | 403 |
| Total Benefits | $ 751,726 | $ 740,739 | | $ 334,743 | $ 411,385 | $ 121,662 | | $ 2,360,255 |
| Retired Members and Beneficiaries | | | | | | | | |
| Number | | | | | | | 1 | 6,143 |
| Total Benefits | | | | | | | $ 5,024 | $ 223,419,018 |
| Total Membership | | | | | | | | 12,180 |

GRS

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February 3, 2015

Ms. Linda Herman
Executive Director
Montgomery County Employees' Retirement System
Rockville, Maryland

**Subject: Cost Impact of Offering Annuities to RSP Members that Transfer their Account Balances to the ERS**

Dear Linda:

As requested, we have determined the cost impact to the Montgomery County Employees' Retirement System (ERS) of the proposal to offer an annuity to RSP participants who transfer their balance to the ERS. The annuity factors to be used to convert the RSP account balance would be the same annuity factors that are currently used for the Guaranteed Retirement Income Plan (GRIP) participants.

Under the proposal, the ERS undertakes the investment and longevity risk. If future investment return is lower than the interest rates used in the GRIP annuity factors or the member lives longer than the life expectancy based on the mortality table used in the GRIP annuity factors, there is a cost to the ERS. On the other hand, if future investment return is higher than the interest rates used in the GRIP annuity factors or the member dies sooner than the life expectancy based on the mortality table used in the GRIP annuity factors, there is a gain to the ERS.

Exhibit I contains a benefit illustration showing (1) the annual benefit that would be provided to an RSP member who elects to annuitize his or her account balance based on the GRIP annuity factors for the 2014 plan year and (2) the present value of benefits (liability to the ERS) of the annual benefit based on the mortality assumption used in the actuarial valuation as of July 1, 2014, of the ERS and varying levels of future investment return.

Under almost all scenarios in Exhibit I, there would be a gain to the ERS by allowing RSP participants to transfer their balances and annuitize. The interest rates used in the GRIP factors are based on the PPA segmented high-quality corporate-bond yield curve for April 2014 (1.24% for the first five years, 4.13% for the next 15 years, and 5.15% for 20+ years after date of retirement). The average interest rate used in the annuity factors is under 4.50% (and is approximately 4.38% for a 55 year old) which is significantly lower than the 7.50% rate the ERS plan assets are assumed to earn.

In addition, the life expectancy based on the mortality rates used in the actuarial valuation is different than the mortality rates used to develop the GRIP annuity factors.

| | Life Expectancy | | | |
|---|---|---|---|---|
| Age at Retirement | 55 | 60 | 65 | 70 |
| Male Valuation Mortality | 28.94 | 24.32 | 19.94 | 15.89 |
| Female Valuation Mortality | 30.40 | 25.81 | 21.49 | 17.51 |
| Annuity Factor Mortality | 29.03 | 24.44 | 20.12 | 16.16 |

The mortality assumption used in the actuarial valuation as of July 1, 2014, is the RP2000 Mortality Table, sex-distinct, projected to the year 2030 for healthy mortality. The mortality assumption used for the GRIP factors is based on the PPA 2014 applicable mortality table prescribed in IRS Notice 2013-49.

GRS is currently performing an experience study to review the assumptions used in the actuarial valuation, including the assumed rate of investment return and mortality rates. Under a revised assumption set, we expect that providing annuities to RSP participants through the ERS would still generate gains under most future investment return scenarios.

Future actuarial measurements may differ significantly from the current measurements presented in this cost analysis, due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions, contribution amounts or applicable law.

If any of the provisions, underlying data or assumptions used in this analysis appear to be incorrect or unreasonable, please let us know as soon as possible so we can update the analysis.

The signing actuaries are independent of the plan sponsor.

Lance Weiss and Amy Williams are members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

Please let us know if you have any questions, would like to discuss the results of this analysis further, or would like to see any further analysis.

Sincerely,

Lance J. Weiss

Amy Williams

Lance J. Weiss, E.A., F.C.A., M.A.A.A.
Senior Consultant

Amy Williams, A.S.A., M.A.A.A.
Consultant

cc: Mr. Ryan Gundersen, Gabriel, Roeder, Smith, and Company
Mr. Neil Nguyen, Gabriel, Roeder, Smith and Company

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**Exhibit I**

# Benefit Illustrations of Annuitizing RSP Balances Based on GRIP Annuity Factors

**Montgomery County Employees' Retirement System**
**Guaranteed Retirement Income Plan (GRIP)**
**Single Life Annuity Factors for Distributions in the 2014 Plan Year**

Mortality: PPA 2014 applicable mortality table prescribed in IRS Notice 2013-49

Interest rate: PPA segmented high-quality corporate-bond yield curve for April 2014

1.24% for the first 5 years

4.13% for the next 15 years

5.15% for payments 20+ years following employment termination

| | Example 1 | Example 2 | Example 3 | Example 4 |
|---|---|---|---|---|
| Age at Retirement | 55 | 60 | 65 | 70 |
| Gender | Female | Male | Female | Male |
| Date of Retirement | 7/1/2014 | 7/1/2014 | 7/1/2014 | 7/1/2014 |
| Contribution Balance | $300,000.00 | $300,000.00 | $300,000.00 | $300,000.00 |
| GRIP Annuity Factor | 0.062550 | 0.068237 | 0.076186 | 0.087468 |
| Annual Benefit | $18,765.00 | $20,471.10 | $22,855.80 | $26,240.40 |

| Present Value of Benefits Based on Annual Investment Return of: | | | | |
|---|---|---|---|---|
| 4.50% | $302,012.75 | $293,010.58 | $300,952.47 | $285,124.95 |
| 5.50% | $269,933.60 | $265,907.48 | $274,966.73 | $265,166.21 |
| 6.50% | $243,334.47 | $242,840.69 | $252,649.94 | $247,528.16 |
| 7.50% | $221,059.90 | $223,067.66 | $233,356.27 | $231,871.45 |
| 8.50% | $202,231.88 | $206,001.80 | $216,570.67 | $217,914.29 |
| 9.50% | $186,176.84 | $191,176.48 | $201,879.55 | $205,421.57 |

*In the Matter of Arbitration Between:*

| | |
|---|---|
| **MUNICIPAL AND COUNTY GOVERNMENT EMPLOYEES ORGANIZATION (MCGEO), UFCW LOCAL 1994** | **Pension Reopener Interest Arbitration** |
| **and** | **Walt De Treux, Esq., Arbitrator** |
| **MONTGOMERY COUNTY (MD) GOVERNMENT** | *Hearing Date: 7/29/14*<br>*Briefs Received: 11/3/14*<br>*Decision Date: 12/26/14* |

**Appearances:** For the Union – Carey Butsavage, Esq., *BUTSAVAGE & DURKALSKI*
For the County – Heather A. Malloy, Esq., *ASSOCIATE COUNTY ATTY.*

## Introduction and Statement of Relevant Facts

Municipal and County Government Employees Organization (MCGEO), UFCW Local 1994 represents employees of the Montgomery County Government employed in the office, professional, and technical bargaining unit and the service, labor, and trades bargaining unit. Those employees currently participate in one of three employee retirement plans – a defined benefit plan within the Employee Retirement System ("ERS"), the Retirement Savings Plan ("RSP") or the Guaranteed Retirement Income Plan ("GRIP").

Public safety employees and employees hired before 1994 who did not opt to switch to the RSP participate in a defined benefit plan within the Employee Retirement System that was first created in 1965 and revised throughout the years. The retirement benefit is based on years of service and salary. MCGEO employees participating in that plan are not at issue in this proceeding.

In 1994, the parties agreed to employee participation (for employees hired on or after July 1, 1994) in the RSP, a money-purchase defined contribution plan. While the County and the employee contribute to the RSP (currently 8% and 4%, respectively), the employee directs the investments by selecting among a range of investment options.

In 2009, the parties agreed to employee participation in the GRIP, a cash balance defined benefit plan in which the combined County and employee contributions earn a guaranteed interest rate of 7.25% per year as mandated by County Code.

In 2009, MCGEO-represented employees who participated in the RSP were offered an option to move to the GRIP. The parties agreed that the option would be one-time and irrevocable. Newly hired employees who do not select a retirement plan are automatically enrolled in the RSP; approximately 80% of new hires opt for or default to the RSP. At the time of hearing in this case, approximately 2500 MCGEO members participate in the RSP, and approximately 800 MCGEO members participate in the GRIP.

In 2011, the parties jointly employed an actuarial consultant to develop an alternative pension plan design. Article 44.10 of the parties' 2013-2016 collective bargaining agreement provided the following,

> "The parties shall continue the study of the union's Adjustable Pension Plan (APP) proposal to address the need of employee retirement security, the Council's fiduciary responsibility, and avoidance of any accrued actuarial liability as a result of implementing the APP. If the parties reach agreement on the APP, the parties will submit legislation to the County Council to implement the APP by January 2014. Should the parties not reach agreement on the APP by October 2013, the parties retain their rights to impasse resolution under the Collective Bargaining Law."

The APP proved unsatisfactory to both parties, and they continued negotiations on certain revisions affecting employee participation in the RSP and the GRIP. Despite good faith efforts, the parties were unable to reach agreement and invoked the impasse arbitration procedures pursuant to Montgomery County Code, Chapter 33, §33-108.

On July 24, 2014 and immediately prior to the arbitration hearing on July 29, 2014, the parties engaged in mediation with the undersigned. The parties successfully narrowed the disputed issues to one outstanding item – whether current RSP participants would be given another one-time, irrevocable choice to remain in the RSP or opt out and enroll in the GRIP.

On July 29, 2014, a hearing was held at the offices of UFCW Local 1994 in Gaithersburg, Maryland, during which time both parties had a full and fair opportunity to present documentary and other evidence, examine and cross-examine witnesses, and offer argument in support of their respective positions. Both parties filed post-hearing briefs, and the matter was submitted to the Arbitrator for a decision.

## Issue

Which of the parties' last best final offers is to be adopted?

## Last Best Final Offers

In mediation, the parties reach agreement on two of three disputed issues – one related to an annuity distribution option for RSP participants and the other related to making the GRIP the default option for newly hired employees. Accordingly, both parties' last best final offers were amended prior to hearing, and in post-hearing discussions between the parties and the Arbitrator, to include the following language,

> Article 41 Retirement
>
> The parties will submit legislation to the County Council that would amend the Montgomery County Code to provide for the following revisions affecting bargaining unit employees:
>
> The County shall offer an annuity distribution option for Retirement Savings Plan ("RSP") members. This annuity distribution is subject to the county receiving a favorable private letter ruling from the IRS.
>
> Upon the election of the RSP annuity option, your RSP account balance will be transferred to the Employees Retirement System (ERS) to provide a monthly annuity as provided in the Montgomery County Code section 33-44 (g)(2) (the GRIP annuity provisions).
>
> - *Life Annuity.* Your account balance is calculated as a life annuity which is a monthly benefit paid over your lifetime with no benefits payable after death.
>
> - *Joint and Survivor Annuity.* Your account balance is calculated as a joint and survivor life annuity which is a monthly benefit paid over your lifetime. At your death, your surviving joint annuitant, who must be your spouse, child or eligible domestic partner, will receive a percentage of the benefit for the rest of his or her life. Generally, the larger the percentage your joint annuitant receives, the less the amount that will be paid to you during your lifetime. You may choose any percentage but not less than 10%. Typically percentages elected are 100%, 70%, 50%, 30% or 20%. Benefits end when both you and your joint annuitant die.

- *Note:* Any benefits due to a joint annuitant who is a minor will be paid in accordance with applicable State law. Under most State laws, minors cannot receive pension payments directly.

The County shall change the default option from the RSP to the Guaranteed Retirement Income Plan ("GRIP") for all new employee members as follows:

Eligible full-time employees are required to participate in either the RSP or the Guaranteed Retirement Income Plan (GRIP). Employees cannot participate in both Plans, nor can they change Plans. Bargaining employees hired after July 1, 2015 will be automatically enrolled in the GRIP, unless they complete an election form to participate in the RSP. To enroll in the GRIP, employees do not need to complete an election form. GRIP membership will begin the first full pay period 180 days after the date of hire.

For part-time employees, participation will continue to be optional. Therefore, no default option is necessary.

This default option for members shall become effective (subject to legislative approval) on July 1, 2015.

The parties further agree that the County pension plan will not be subject to the upcoming collective bargaining re-opener in Fall of 2014.

In addition to the agreed-upon revisions, the Union included the following language in its last best final offer,

> "Within 60 days from October 1st, 2014 Bargaining Unit members who are participants in the RSP will be given a one-time irrevocable choice between remaining in the RSP or opting out of the RSP and enrolling in the GRIP. Bargaining unit members currently enrolled in the RSP who elect to participate in GRIP will have their RSP account balance as of December 19th 2014 transferred to the GRIP on December 22nd 2014.

The County's last best final offer did not include this language; and therefore, it remains the only issue in dispute.

## Analysis and Decision

Section 33-108 of the Montgomery County Code guides the selection of the "more reasonable" last best final offer. It reads in relevant part,

> (f) (3) ...the mediator/arbitrator must select, as a whole, the more reasonable of the final offers submitted by the parties...
>
> (4) In making a determination under this section, the mediator/arbitrator must first evaluate and give the highest priority to the ability of the County to pay for additional short-term and long-term expenditures by considering:
>
> (A) the limits on the County's ability to raise taxes under State law and the County Charter;
> (B) the added burden on County taxpayers, if any, resulting from increases in revenues needed to fund a final offer; and
> (C) the County's ability to continue to provide the current standard of all public services.
>
> (5) After evaluating the ability of the County to pay under paragraph (4), the mediator/arbitrator may only consider:
>
> (A) the interest and welfare of County taxpayers and service recipients;
> (B) past collective bargaining agreements between the parties, including the past bargaining history that led to each agreement;
> (C) a comparison of wages, hours, benefits, and conditions of employment of similar employees of other public employers in the Washington Metropolitan Area and in Maryland;
> (D) a comparison of wages, hours, benefits, and conditions of employment of other Montgomery County employees; and
> (E) wages, benefits, hours, and other working conditions of similar employees of private employers in Montgomery County.

The County Code lays out the specific factors that must be considered when weighing the parties' competing proposals. In this case, the County relies primarily on the ability to pay factors (Section (f)(4)(A-C)) and the "interest and welfare" factor (Section (f)(5)(A)). The Union dismisses the County's ability to pay argument as too speculative; and instead, it focuses on the "interest and welfare" factor and the comparative factors (Section (f)(5)(C-E)).

In a broad context, the Union asserts that a defined benefit plan such as the GRIP, as compared to a defined contribution plan such as the RSP, better serves its members, the County, and the taxpayers. It contends that a defined benefit plan provides retirees a more secure income stream because the retirement benefit is not susceptible to market fluctuations[1]. A more secure income stream ensures that retirees have more disposable income to spend within the County and are less likely to have to use County social services. As a result, the County will experience long-term savings to the benefit of its taxpayers.

This proceeding will certainly not decide the broader argument of whether a defined benefit plan is more beneficial to employees than a defined contribution plan. As part of its argument, the Union notes that County employees, other than non-public safety MCGEO employees, participate in a defined benefit plan. It further notes that all other jurisdictions in Maryland, other than the City of Gaithersburg and Calvert County, offer a defined benefit plan as their primary retirement option. However, many jurisdictions offer the choice between a defined benefit plan and a defined contribution plan. The District of Columbia also offers a defined contribution plan. Considering the comparatives in Maryland and the Washington Metropolitan Area, the County is in line with other jurisdictions in offering both types of plans. The fact is that the County has both a defined benefit plan and a defined contribution plan, so the parties have made a decision that offering both plans produces some benefit to employees. The crux of the initial disagreement in

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[1] At hearing, the Union suggested that the RSP investment options were not professionally managed, forcing untrained and inexperienced employees to manage their own investments. County witnesses confirmed that the target date funds included among the RSP investment options, selected by 85-90% of RSP participants, are professionally managed. Further, the plan employs an investment manager and underlying managers "to fulfill asset allocation and create a portfolio...decreas[ing] the risk for a participant..."

the parties' negotiations was not the types of plans to be offered, but the manner in which employees choose plans and how employees are funneled into one plan or the other.

The parties have settled a large part of that concern by agreeing in the mediation of this dispute that new employees will default to the GRIP, rather than the RSP, if they fail to select a plan (as most new employees do). Going forward, therefore, the GRIP is likely to be the primary retirement vehicle for new employees. It is also the primary retirement vehicle for all the former RSP participants who elected to switch to the GRIP in 2009. The current dispute between the parties affects only those employees hired after July 1, 1994 who elected to remain in the RSP after 2009.

From a fairness perspective, the Union argues that RSP participants were not sufficiently notified and educated in 2009 on the differences between the plans and did not have the opportunity to make an informed choice. The Union argues that current RSP participants, armed with greater knowledge and the benefit of five years of experience with the GRIP, will be better prepared at this time to decide which plan works best for them.

Contrary to the Union's assertions, Linda Herman, Executive Director of the County's Employee Retirement Plan, explained, and the documentary evidence confirmed, that the County sent a 6-page announcement to employees in February 2009 explaining the new GRIP option and offering a side-by-side comparison of the GRIP and the RSP. The County also held orientation sessions for employees to further explain the choices and answer questions; the Union held similar sessions. A representative from Fidelity Investments was present at the orientation sessions[2] to offer numeric projections and information on returns for the specific investment offerings. The representative was available to employees on a continuing basis by phone and online. Finally, an Investment Education Program was established, through which employees can receive a 2-hour financial counseling session.

Any fault in the introduction and education of employees on their retirement options does not appear to lie in the County's efforts; but rather, to the low participation rates of the employees. Herman testified that only 5-10% of employees take advantage of the financial counseling sessions, and a majority of new employees have defaulted to the RSP. It may be that, through the Union's efforts since 2009 and in these negotiations, its members may be more focused on retirement options. But that outcome, in and of itself, does not provide a sufficient basis to re-open the GRIP for current RSP participants who declined to switch in 2009.

I find that the retirement options available in comparative jurisdictions and the history of the RSP and GRIP do not lend any significant support for the Union's proposal to allow another one-time irrevocable switch from the RSP to the GRIP.

The County Code requires that an arbitrator first evaluate and give highest priority to the ability to pay issue. Although I first discussed the comparative jurisdiction and bargaining history issues, it was only to indicate that they are not given any substantial weight in this Decision and Award. Rather, the ability to pay

[2] The orientation sessions continued to be held for new employees hired after July 1, 2009.

issue, which is intertwined with "the interest and welfare of County taxpayers and service recipients," emerges as the primary basis for the outcome in this case.

The Union correctly asserts that allowing current RSP participants to once again elect a switch to the GRIP does not require any immediate expenditure from the County. But the County contends there are several potentially significant short-term and long-term financial effects.

The County's ERS is currently 78.8% funded, primarily due to investment earnings over the last 10-13 years trailing the assumed investment return of 7.5% annually. The County cautions that a move of assets from the RSP to the GRIP, where the County bears the risk of investment performance, coupled with future poor investment returns, would result in a further increase in the unfunded liability. Unfunded liability would have to been made up through future investment earnings or, more likely, higher County and/or employee contribution rates. Higher contribution rates are not in the best interest of the County, the employee, the taxpayer, or the County's service recipients as it draws County funds away from other pressing needs.

The County further asserts that the switch of current RSP participants to GRIP would increase the fees paid by the remaining RSP participants. The Plan pays a fee to its investment manager and to Fidelity for administration of the Plan. The administrative fee is fixed; therefore, fewer assets spread over fewer participants will increase the fee paid by each participant. The County offered evidence of the effect on the fees if 20%, 40%, 50%, or 75% of the RSP participants switch to the

GRIP. In all cases, the fees increased, significantly affecting participants' current and future savings.

The Union argues that the fees are negotiable, and the County can bring considerable pressure to bear on its investment manager and administrator to reduce the fees. However, the County counters that certain fees, such as mutual fund fees, are non-negotiable; and its contract with Fidelity requires re-negotiation (presumably for increased fees) if the total assets of the ERS fall below a certain level.

The County further offered evidence that the employees who remained in the RSP after 2009 fared better than those who switched to the GRIP. GRIP participants earn 7.25% per year. RSP participants earned 28% in 2009, 13% in 2010, 12% in 2012, 17% in 2013, and lost 1% in 2011. As a result, if RSP participants were now permitted to switch to the GRIP, they would do so with much larger balances than the RSP participants who switched in 2009. Executive Director Herman testified that if the parties intended to equalize the two groups, the future credit rating for the group now switching to the GRIP should be set at approximately 6% rather than the current 7.25%.

The Union generally dismisses the County's financial concerns as too speculative and based on uncertain assumptions, particularly as to the projected number of current RSP participants who may switch to the GRIP if given the choice. According to the Union, those projections are too uncertain and inexact to support the County's financial concerns.

In assessing ability to pay, an arbitrator may have the advantage to look at definitive numbers that clearly map out the financial impact on the County. But equally compelling may be the potential impact on the County. There can be no real dispute, particularly given the current pension concerns (some call it a "crisis") of public employers throughout the country, that an increase in unfunded liability and increased expenses for retirement plans and participants will negatively affect the County, the plan participants, the employees and the Union as they negotiate in the future for improved wage and benefit packages, and ultimately, the County taxpayers and service recipients.

The real problem in the present dispute is neither party has a firm handle on the potential financial impact that may result if current RSP participants are given another opportunity to switch to the GRIP. The lack of certainty is due, in large part, to the parties' inability to determine a reliable estimate of current RSP participants who would make the switch. If the number is low, the financial impact may be minimal. If the number is significantly high, the financial impact could be detrimental to the County, to remaining RSP participants, and to the viability of the RSP.

There certainly seem to be ways in which the parties could gauge the interest of the current RSP participants in switching to the GRIP, but the parties have not yet endeavored to make that determination. If that number could be reasonably estimated, both parties would be in a better position to project the financial impact of the switch on all interested parties.

Without other reliable information, the County's projected financial impact based on various percentages of RSP participants making the switch remains the only available evidence to assess the County's ability to pay and the long-term financial impact of the Union's proposal. That evidence indicates that allowing current RSP participants to switch to the GRIP on a one-time irrevocable basis may have serious financial consequences – a potential increase in unfunded liability, increased fees to RSP participants affecting their current and future savings, potential damage to the long-term viability of the RSP – that will not be in the best interest of the County, the County's ERS, and the remaining RSP participants. The financial consequences have the potential to negatively affect the City's ability to pay future wage and benefit increases to its employees and could negatively impact County taxpayers (through higher taxes) and service recipients (through decreased services). Although the financial impact is somewhat speculative, it must be considered absent more reliable evidence that may be available to the parties if they can reasonably estimate the number of current RSP participants who may want to switch to the GRIP.

For all these reasons, I find that the County's last best final offer is the "more reasonable" of the final offers submitted by the parties.

## Award

The County's last best final offer is adopted.

WALT De TREUX

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Nationally Accredited
Sheriff's Office

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**SHERIFF DARREN M. POPKIN**

March 26, 2015

# MEMORANDUM

To: Timothy L. Firestine,
Chief Administrative Officer

From: Darren M. Popkin, Darren M. Popkin
Montgomery County Sheriff

Re: Deferred Retirement Option Plan (DROP) proposals

As a result of recent collective discussions and agreements, it is my understanding that the County will be proposing legislative amendments to authorize represented deputy sheriffs to participate in the Deferred Retirement Option Plan (DROP). Also under consideration are pass-through provisions that would extent the DROP to sworn Sheriff's Office management employees.

As Sheriff I find that the DROP plan enhances management's ability to monitor positions that will be vacated, to identify impending shortages in staff trained for specific tasks, and to plan promotional examinations and recruit classes. With the DROP, management will be able to assign deputies to shadow employees who will be retiring, and effectively time the hiring and training process for new deputy sheriff recruits.

Under the current retirement scheme, management generally has very little advance notice of pending retirements and thus is not able to conduct continuity planning or effectively plan for new hires.

It is essential that the DROP be extended uniformly to Sheriff's Office management positions, to avoid creating a disincentive for employees to apply for management positions, as well as maintaining management's flexibility in continuity planning of supervisory positions.

Of course, it would be inappropriate for the DROP to extend to the elected Sheriff, as may have been discussed in some draft position papers.

I would appreciate receiving a final copy of any proposed legislation that is transmitted to the Montgomery County Council, as well as any analytical papers or transmittal memos that are submitted in support of the legislation.

cc: Marc Hansen, County Attorney; Steve Farber, Council Administrator; Robert H. Drummer, Sr. Legislative Attorney.