


MEMORANDUM

October 14, 2016

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney 

SUBJECT: **Introduction:** Expedited Bill 43-16, Retirement – Membership Groups – Group J
- Established

Expedited Bill 43-16, Retirement – Membership Groups – Group J - Established, sponsored by Lead Sponsor Council President at the request of the County Executive, is scheduled to be introduced on October 18, 2016. A public hearing is tentatively scheduled for November 15 at 1:30 p.m.

Bill 43-16 would establish Group J in the Employees' Retirement System and transfer employees in Group E who are not deputy sheriffs or correctional officers to Group J as of the effective date of this legislation.

Background

The County Code currently has group designations for all uniformed employees who participate in the ERS. There are employees currently participating in Group E, which is designated for deputy sheriffs and correctional officers, who are non-uniformed employees. Moving these non-uniformed employees into their own group would provide better information for the actuary to project the liability for their benefits and better track the participation by each retirement group. The Bill would not change the retirement benefits for these employees.

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Expedited Bill No. 43-16
Concerning: Retirement – Membership
Groups – Group J – Established
Revised: October 14, 2016 Draft No. 2
Introduced: October 18, 2016
Expires: April 18, 2018
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) establish Group J in the Employees' Retirement System;
- (2) transfer employees in Group E who are not sheriffs or correctional officers to Group J as of the effective date of the legislation; and
- (3) generally amend the law regarding the Employees' Retirement System.

By amending

Montgomery County Code
Chapter 33, Personnel and Human Resources
Sections 33-37, 33-38, 33-39, 33-42 and 33-43

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

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

1 **Sec. 1. Sections 33-37, 33-38, 33-39, 33-42 and 33-43 are amended as**
 2 **follows:**

3 **33-37. Membership requirements and membership groups.**

4 * * *

5 (f) *Membership groups and eligibility.* Any full-time or part-time
 6 employee is eligible for membership in the appropriate membership
 7 group if the employee meets all of the requirements for the group:

8 * * *

9 (4) Group E: The Chief Administrative Officer, the Council
 10 Administrator, the hearing examiners, the County Attorney and
 11 each head of a principal department or office of the County
 12 government, if appointed to that position before July 30, 1978,
 13 or a member having held that position on or before October 1,
 14 1972. Any sworn deputy sheriff or County correctional officer
 15 [and any County correctional staff or officer as designated by the
 16 chief administrative officer]. Any group E member who has
 17 reached elective early retirement date may retain membership in
 18 group E if the member transfers from the position which
 19 qualified the member for group E. Any group E member who is
 20 temporarily transferred from the position which qualified the
 21 member for group E may retain membership in group E as long
 22 as the temporary transfer from the group E position does not
 23 exceed 3 years. Notwithstanding the foregoing provisions in
 24 group E, any employee who is eligible for membership in group
 25 E must participate in the guaranteed retirement income plan or
 26 the retirement savings plan under Article VIII if the employee:

- 27 (A) (i) begins, or returns to, County service on or after
 28 October 1, 1994 (except as provided in the last sentence of
 29 subsection (e)(2));
 30 (ii) is not represented by an employee organization; and
 31 (iii) does not occupy a bargaining unit position; or
 32 (B) (i) begins County service on or after October 1, 1994;
 33 and
 34 (ii) is subject to the terms of a collective bargaining
 35 agreement between the County and an employee
 36 organization which requires the employee to participate in
 37 the guaranteed retirement income plan or the retirement
 38 savings plan.

39 * * *

- 40 (8) Group J: Any County member who works in a correctional
 41 facility and due to the required duties of the member's position,
 42 is designated by the Chief Administrative Officer. Any group J
 43 member who has reached elective early retirement date may
 44 retain membership in group J if the member transfers from the
 45 position which qualified the member for group J. Any group J
 46 member who is temporarily transferred from the position which
 47 qualified the member for group J may retain membership in
 48 group J as long as the temporary transfer from the group J
 49 position does not exceed 3 years. Notwithstanding the foregoing
 50 provisions in group J, any employee who is eligible for
 51 membership in group J must participate in the guaranteed
 52 retirement income plan or the retirement savings plan under
 53 Article VIII if the employee:

- 54 (A) (i) begins, or returns to, County service on or after
55 October 1, 1994 (except as provided in the last
56 sentence of subsection (e)(2)) or (e)(7);
- 57 (ii) is not represented by an employee organization; and
58 (iii) does not occupy a bargaining unit position; or
- 59 (B) (i) begins County service on or after October 1, 1994;
60 and
- 61 (ii) is subject to the terms of a collective bargaining
62 agreement between the County and an employee
63 organization which requires the employee to
64 participate in the guaranteed retirement income plan
65 or the retirement savings plan.

66 (g) *Transfer from one group to another.* A member who elects to transfer
67 from one membership group to another as a result of amendments to
68 this Article must transfer by December 31, 1978, or forfeit this option.
69 However, under paragraph 4, a group D member may transfer to group
70 F at any time before the member's retirement date. Additional
71 contributions made as a result of the transfer must not be treated as
72 picked-up contributions.

73 (1) Transfers From Group A to Group E, F, G, [or] H, or J. Whenever
74 a group A member transfers to a position which is qualified for
75 membership in group E, F, G, [or] H, or J, the retirement service
76 credits earned as a group A member must be used for the purpose
77 of qualifying for retirement. Except for the contribution rate
78 increase as of the effective date of transfer, there will be no
79 additional charges levied on any member who is transferred prior
80 to July 1, 1970. Any member who transfers after July 1, 1970,

81 in addition to paying the contribution rate increase as of the
 82 effective date of transfer, must pay the additional amount of
 83 contributions that would have been paid as a member of group E,
 84 F, G, [or] H, or J from July 1, 1970, or hire date, if later, plus
 85 interest at the rate of 6 ½ percent per annum to date of full
 86 payment.

- 87 (2) Transfers From Group B, D, E, F, [or] G, or J to Group A or H.
 88 Whenever a group B, D, E, F, [or] G, or J member transfers to a
 89 position which is qualified for membership in group A or H, the
 90 retirement service credits earned as a group B, D, E, F, [or] G, or
 91 J member must be used for the purpose of qualifying for
 92 retirement as a group A or H member. The rate of contribution
 93 must be decreased as of the date of transfer, and the difference in
 94 member contributions must not be refunded. Notwithstanding
 95 any other provision of this Article, any group E, [or] F, or J
 96 member who has not met the elective early retirement date and
 97 who transfers to group A or H must receive credited service at
 98 the rate of 1.25 years of service for each full year of service as a
 99 member of group E, [or] F, or J. Notwithstanding any other
 100 provision of this Article, any group G member who has not met
 101 the normal retirement date and who transfers to group A or H
 102 must receive credited service at the rate of 1.25 years of service
 103 for each full year of service as a member of group G.

- 104 (3) Transfers From Group B to Group E, F, [or] G, or J. Whenever a
 105 group B member transfers to a position which is qualified for
 106 membership in group E, F, [or] G, or J, the retirement date must
 107 be adjusted accordingly. Except for the contribution rate increase

108 as of the effective date of transfer, there must be no additional
109 charges levied on any member who transferred on or before July
110 1, 1970. Any member who transfers after July 1, 1970, in
111 addition to paying the contribution rate increase as of the
112 effective date of transfer, must pay the additional amount of
113 contributions that would have been paid as a member of group E,
114 F, [or] G, or J from July 1, 1970, or hire date, if later, plus interest
115 at the rate of 6 ½ percent per annum to date of full payment.

116 (4) Transfers From Group D to Group E, F, [or] G, or J. A group D
117 member may transfer to group E, F, [or] G, or J and the
118 retirement service credits earned as a group D member must be
119 used for the purpose of qualifying for retirement under group E,
120 F, [or] G, or J. Except for the contribution rate increase as of the
121 effective date of transfer, there will be no additional charges
122 levied on any member who transferred on or before July 1, 1970.
123 Any member who transfers after July 1, 1970, in addition to
124 paying the contribution rate increase as of the effective date of
125 transfer, must pay the additional amount of contributions that
126 would have been paid as a member of group E, F, [or] G, or J
127 from July 1, 1970, plus interest at the rate of 6 ½ percent per
128 annum to date of full payment.

129 (5) Transfers From Group H to Group A, E, F, [or] G, or J. A group
130 H member may transfer to group A, E, F, [or] G, or J and the
131 retirement service credits earned as a group H member must be
132 used for the purpose of qualifying for retirement under group A,
133 E, F, [or] G, or J. Any member who transfers on or after July 1,
134 1989, in addition to paying the contribution rate increase as of

135 the effective date of transfer, must pay the additional amount of
 136 contributions that would have been paid as a member of group
 137 A, E, F, [or] G, or J from July 1, 1970, or hire date, if later, plus
 138 interest at the rate of 6 ½ percent per annum to date of full
 139 payment.

140 * * *

141 **33-38. Normal retirement date, mandatory retirement date, early retirement**
 142 **date, and trial retirement.**

143 (a) *Normal retirement date.* The normal retirement date is the first day of
 144 the month elected by a member after the member meets the years of
 145 service and age requirements for the applicable membership group. For
 146 normal retirement:

147 * * *

148 (8) Group J: The member must have at least:

149 (A) 15 years of credited service and be at least age 55; or

150 (B) 25 years of credited service and be at least age 46.

151 [(8)](9) * * *

152 [(9)](10) * * *

153 * * *

154 (c) *Early retirement date.*

155 (A) the group A member has at least 15 years of credited
 156 service and has reached age 50, or has at least 20 years of
 157 credited service and has reached age 45;

158 (B) the group B member has at least 15 years of credited
 159 service and has reached age 45;

- 160 (C) the group E member has at least 15 years of credited
 161 service and has reached age 45, or has at least 20 years of
 162 credited service and has reached age 41;
- 163 (D) the group F member has at least 15 years of credited
 164 service and has reached age 45, or has at least 20 years of
 165 credited service and has reached age 41; [or]
- 166 (E) the group H member has at least 15 years of credited
 167 service and has reached age 50, or has at least 20 years of
 168 credited service and has reached age 45[.]; or
- 169 (F) the group J member has at least 15 years of credited
 170 service and has reached age 45, or has at least 20 years of
 171 credited service and has reached age 41.

172 **33-39. Member contributions and credited interest.**

173 (a) *Member contributions.* Each member of the retirement system must
 174 contribute a portion of the member's regular earnings through regular
 175 payroll deductions.

176 (1) Member Contributions to the Optional Retirement Plan. A
 177 member of the Optional Retirement Plan must contribute the
 178 following percentage of regular earnings:

179 [A.](A) * * *

180 [B.](B) * * *

181 [C.](C) * * *

182 [D.](D) Group E, F, [or] G, or J member, 9 ½ percent for
 183 service beginning on the first pay period after June 30,
 184 2011 and 10 ½ percent for service beginning on the first
 185 pay period after June 30, 2012.

186 (2) Member Contributions to the Integrated Retirement Plan. A
 187 member of the Integrated Retirement Plan must contribute the
 188 following percentage of regular earnings:

189 * * *

190 (C) Group E and Group J, 5 ¾ percent for service beginning
 191 on the first pay period after June 30, 2011 and 6 ¾ percent
 192 for service beginning on the first pay period after June 30,
 193 2012 up to the maximum Social Security wage base, and
 194 9 ½ percent for service beginning on the first pay period
 195 after June 30, 2011 and 10 ½ percent for service beginning
 196 on the first pay period after June 30, 2012 of regular
 197 earnings that exceed the wage base;

198 (b) *Credited interest.*

199 * * *

200 (3) Effective July 1, 1989, interest must be credited annually on each
 201 member's accumulated contributions as of June 30, 1989, and
 202 thereafter, as follows:

203 * * *

204 (D) For group E and J members, interest will be credited at a
 205 rate of 4 percent per annum.

206 **33-42. Amount of pension at normal retirement date or early retirement date.**

207 * * *

208 (b) *Amount of pension at normal retirement date.*

209 (1) Pension amount for an Optional Retirement Plan member.

210 (A) Except for a Group E, F, [or] G, or J member, the annual
 211 pension for a member of the optional retirement plan who
 212 retires on a normal retirement must equal 2 percent of
 213 average final earnings multiplied by years of credited

214 service, up to a maximum of 36 years, plus sick leave
 215 credits. Years of credited service of less than one full year
 216 must be prorated.

217 (B) For a Group E or Group J member who is a member of the
 218 optional plan and retires on a normal retirement, the
 219 annual pension must equal 2.4 percent of average final
 220 earnings for each of the first 25 years of credited service
 221 completed, and 2 percent of average final earnings for
 222 each year of credited service of more than 25 years, to a
 223 maximum of 31 years plus sick leave credits. Years of
 224 credited service of less than one full year must be prorated.
 225 Sick leave credits used for years in excess of 25 years must
 226 be credited at 2 percent of average final earnings. The
 227 maximum benefit with the application of sick leave credits
 228 must not exceed 76 percent of average final earnings.

229 * * *

230 (2) Pension amount for an Integrated Retirement Plan member.

231 * * *

232 (C) For a Group E or Group J member in the integrated
 233 retirement plan who retires on a normal retirement, the
 234 annual pension must be computed as follows:

235 * * *

236 (d) *Adjustment for pension payments previously paid.*

237 * * *

238 (2) If a member receives service connected disability pension
 239 payments, and subsequently returns to work and re-enters the
 240 retirement system within 5 years of the date that disability
 241 retirement commenced and prior to attaining age 55, if a group

242 A or H member, or age 45 if a group B, E, F, [or] G, or J member,
 243 the number of years of prior service, plus the number of years the
 244 member was on retirement, plus the number of years accrued
 245 after re-entering the system must be used in computing the
 246 amount of pension at subsequent retirement.

247 * * *

248 **Sec. 33-43. Disability Retirement**

249 * * *

250 (g) *Medical reexamination of disability retiree.* The Chief Administrative
 251 Officer must require a member receiving disability pension payments
 252 to undergo either a yearly physical examination or to submit a medical
 253 doctor's certificate verifying continuation of the disability during the 5
 254 years after retirement, and once in every 3 years thereafter, until age 55
 255 for a member of group B, E, F, [or] G, or J or age 60 for a member of
 256 group A or H, unless the Chief Administrative Officer finds that a
 257 physical examination is unnecessary because of the nature and severity
 258 of the injury or illness. The Chief Administrative Officer must review
 259 the findings of the physical examination and take appropriate action,
 260 which may include submitting the results of the evaluation to the
 261 Disability Review Panel for a redetermination whether the individual
 262 qualifies for disability benefits in accordance with subsection (d). If a
 263 member does not submit to the examination, the Chief Administrative
 264 Officer may reduce or discontinue any disability pension payments
 265 which the member receives. The Disability Review Panel may require
 266 the member to submit to an additional independent medical
 267 examination. A member may appeal a decision to reduce or discontinue

268 disability pension payments to the appropriate Disability Arbitration
269 Board.

270 * * *

271 **Sec. 2. Expedited Effective Date.**

272 The Council declares that this legislation is necessary for the immediate
273 protection of the public interest. This Act takes effect on the date on which it becomes
274 law. Any active group E member who is not a County correctional officer or a sworn
275 deputy sheriff must become a group J member on the date this law takes effect.

276

277

278 *Approved:*

279

280

Nancy Floreen, President, County Council Date

281 *Approved:*

282

Isiah Leggett, County Executive Date

283 *This is a correct copy of Council action.*

284

Linda M. Lauer, Clerk of the Council Date

285

LEGISLATIVE REQUEST REPORT

Expedited Bill 43-16

Retirement – Membership Groups – Group J - Established

DESCRIPTION: The legislation creates Group J in the Employees' Retirement System (ERS) for employees who are currently in Group E and do not hold the position of Deputy Sheriff or Correctional Officer. The new group J will serve to distinguish, for actuarial and administrative purposes, their participation in the ERS. Deputy Sheriffs and Correctional Officers would remain in Group E while all other County employees currently in Group E would transfer to a new Group J.

This legislation does not change the retirement benefits provided to either Group E or Group J participants. The sole purpose of the legislation is to segregate the two groups in the same fashion as the County Code does currently for Police, Fire and non-uniformed employees who participate in the ERS.

PROBLEM: The County Code currently has group designations for all uniformed employees who participate in the ERS. There are employees currently participating in Group E, which is designated for deputy sheriffs and correctional officers, who are non-uniformed employees. Moving these non-uniformed employees into their own group would provide better information for the actuary to project the liability for their benefits and better track the participation by each retirement group.

GOALS AND OBJECTIVES: To divide Group E of the Employees' Retirement System (ERS) into two different groups. Deputy Sheriffs and Correctional Officers would remain in Group E while all other designated correctional staff would transfer to a new Group J.

COORDINATION: Montgomery County Employee Retirement Plans & the 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:** Shawn Stokes, Director OHR
Linda Herman, Montgomery County Employee Retirement Plans

**APPLICATION
WITHIN
MUNICIPALITIES:** N/A

PENALTIES: N/A

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Bill



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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

RECEIVED
MONTGOMERY COUNTY
COUNCIL

Isiah Leggett
County Executive

MEMORANDUM

September 28, 2016

TO: Nancy Floreen, President
Montgomery County Council

FROM: Isiah Leggett, County Executive *Timothy L. Firestone (Acting)*

SUBJECT: 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 create Group J in the Employees' Retirement System (ERS) for employees who are currently in Group E and do not hold the position of Sheriff or Correctional Officer. The new group J will serve to distinguish, for actuarial projection and administrative purposes, their participation in the ERS. Deputy Sheriffs and Correctional Officers would remain in Group E while all other County employees currently in Group E would transfer to a new Group J.

This legislation does not change the retirement benefits provided to either Group E or Group J participants. The sole purpose of the legislation is to segregate the two groups in the same fashion as the County Code does currently for Police, Fire and non-uniformed employees who participate in the ERS.

Thank you for your consideration of this matter.

Attachments: Fiscal Impact Statement
Draft legislation

c: Shawn Stokes, Director, OHR
Linda Herman, Executive Director, MCERP



Fiscal Impact Statement
Council Bill XX-16 Employees' Retirement System – Establish Group J

1. Legislative Summary.

Bill XX-16 would:

- establish Group J in the Employees' Retirement System (ERS);
- transfer employees in Group E who are not sheriff's deputies or correctional officers to Group J as of the effective date of the legislation;
- serve to distinguish, for actuarial projection and administrative purposes, the participation in ERS of employees who are not sheriff's deputies or correctional officers; and
- generally amend the law regarding the Employees' Retirement System.

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.

Expenditures related to setting up the new retirement plan (Group J) within Oracle, the workforce system of record within Montgomery County, are expected to be at least \$41,300 in FY17, for approximately 340 hours of staff time. Expenditures in subsequent fiscal years for any routine maintenance of the plan are expected to be minimal. These costs will be absorbed within the Department of Technology Services, Enterprise Resource Planning (ERP), during FY17. ERP resources will cover the creation of a new retirement code, moving employees from their current retirement code to the new code, updating PeopleSoft interface files, and other administrative tasks. After Group J is set up, additional staff and contractor time within the Montgomery County Employee Retirement Plan (MCERP) office to administer the plan separate from work on other plans is expected to be de minimus.

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

See #2

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

See #2

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

Not applicable. Although this bill involves the retirement system, it will simply place employees who are not sheriff's deputies or correctional officers into a retirement plan identical to what they have now. Retirement benefits available to these employees in Group J will not change.

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.

See #2.

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

This work would be absorbed by current ERP staff, and other work may be displaced while implementation of Group J occurs in FY17.

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

An additional appropriation is not assumed as part of this analysis.

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

The estimate described in #2 will vary to the degree that the staff hours ultimately necessary to establish the new Group J vary from the projection.

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

No applicable

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:

Linda Herman, Director, Montgomery County Employee Retirement Plans
Corey Orlosky, Office of Management and Budget
Lori O'Brien, Office of Human Resources
Amanda Hardy-Konkus, Enterprise Resource Planning



Jennifer A. Hughes, Director
Office of Management and Budget

9/23/16

Date

Economic Impact Statement
Bill XX-16, Employees' Retirement System – Establish Group J

Background:

Bill XX-16 would:

- establish Group J in the Employees' Retirement System (ERS);
- transfer employees in Group E who are not sheriff's deputies or correctional officers to Group J as of the effective date of the legislation;
- serve to distinguish, for actuarial projection and administrative purposes, the participation in ERS of employees who are not sheriff's deputies or correctional officers; and
- generally amend the law regarding the Employees' Retirement System.

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

Not Applicable.

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

There are no variables under this legislation that could have a substantive economic impact on the County.


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

The legislation does not have an economic impact on the County because it will simply place employees who are not sheriff's deputies or correctional officers into a retirement plan that is identical to what they have currently. Retirement benefits available to these employees in Group J will not change. Moving the non-uniformed employees into their own group will result in additional clarity for actuarial projections of the liability and better tracking of participation by retirement group.

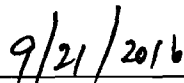
4. If a Bill is likely to have no economic impact, why is that the case?

Please see the answer to question 3.

5. The following contributed to or concurred with this analysis: David Platt, Dennis Hetman, and Robert Hagedoorn, Finance.



Alexandre A. Espinosa, Director
Department of Finance



Date