Agenda Item 24
May 26, 2011
Action

MEMORANDUM

May 24, 2011

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney

SUBJECT: **Action:** Expedited Bill 11-11, Personnel – Retirement Plans - Contributions

Expedited Bill 11-11, Personnel – Retirement Plans - Contributions, sponsored by the Council President at the request of the County Executive, was introduced on April 5, 2011. A public hearing was held on April 26 at 7:30 p.m. and a Government Operations and Fiscal Policy Committee worksession was held on April 25.

Background

Bill 11-11, as introduced, would increase member contributions by 2% of salary in the Optional and Integrated defined benefit plans of the Employees' Retirement System (ERS) and decrease employer contributions by 2% of salary in the defined contribution Guaranteed Retirement Income Plan (GRIP)[1] and the Elected Officials' Plan of the Employee's Retirement System and the Retirement Savings Plan (RSP). This Bill is necessary to implement the Executive's FY12 Recommended Budget.[2] The Executive estimated the FY12 savings from increasing the ERS member contributions by 2% in the defined benefit plans to be $6,044,180. The Executive estimated the FY12 savings from reducing the employer's contribution to the defined contribution RSP and GRIP by 2% to be $4,860,290. See ©9.

The Bill would take effect on July 1, 2011 for all County employees, except elected officials. The Bill would take effect for elected officials on the first day of their next term of office. Article III, §35 of the Maryland Constitution prohibits an increase or decrease in compensation during a term of office for an elected official. The State's Attorney, the Sheriff, the Executive, and the Councilmembers are all elected officials serving a four year term of office

[1] Although the GRIP is a cash balance hybrid plan, we are considering it a defined contribution plan in this discussion because the employer's contribution as a percentage of salary is fixed.

[2] The arbitration awards in favor of the International Association of Fire Fighters (IAFF) and the Fraternal Order of Police (FOP) include no changes to the current retirement plans for fire fighters and police officers. The arbitration award in favor of Municipal and County Government Employees Organization (MCGEO) contains a similar one-year 2% reduction of the employer contribution to the RSP and GRIP and a one-year reduction in the employer contribution to the defined benefit plan with the members not earning service credit for FY12. The Executive did not recommend these retirement provisions in his FY12 Recommended Budget. The Council adopted resolutions indicating intent to reject the retirement provisions in the 3 collective bargaining agreements on May 9.

subject to Article III, §35 of the Maryland Constitution. The County Attorney confirmation of this interpretation of the Maryland Constitution is at ©12.

Council Budget Worksession

On May 19, 2011, the Council reached preliminary agreement on a $4.4 billion total County operating budget for Fiscal Year 2012. The Council's budget agreement includes significant modifications to the Executive's proposed changes to County employee health and retirement benefits designed to create structural changes while significantly reducing the adverse impact on County employees. The Council alternative plan would phase-in the 2% increase in employee contributions to the defined benefit plans by increasing the contribution only 1% in FY12 and 2% in FY13 and beyond. The Council alternative plan would also approve the 2% reduction in the employer's contribution to the defined contribution plans as a one-time reduction in FY12 only, consistent with the collective bargaining agreement with MCGEO. Finally, the Council's alternative plan would limit the cost-of-living increase in the defined contribution plans to 2.5% for credited service performed after June 30, 2011. Final Council action on the FY12 Operating Budget is tentatively scheduled for May 26. A chart showing the estimated savings from changes to employee health and retirement benefits in the Council alternative plan is at ©13-15. An amended Bill to implement the changes to the County retirement plans required by the Council's alternative plan is at ©16-28.

Issues

1. Should the retirement plan savings from employees in the defined contribution plans (RSP & GRIP) be similar to savings from employees in the defined benefit plans?

Currently, the defined benefit and the defined contribution plans have approximately the same number of enrollees.[3] However, the County Government will pay $124 million (from tax supported and non-tax supported funds) for employee retirement benefits in FY11: $105 million for the defined benefit plan and $19 million for the defined contribution plans. While defined benefit plans are more generous to employees and cost the County significantly more than defined contribution plans, the Bill, as introduced, would require employees in both plan types to forego identical amounts (2% of salary). In other words, the Bill would save the County approximately 25% of its annual defined contribution plan cost and only 5% of its annual defined benefit plan cost.

The reason for the dramatic difference in cost of the two plan types is the significant difference in the benefit earned by an employee at retirement. The Office of Legislative Oversight prepared the following chart showing an example of the different pension benefits for a firefighter III retiring after 20 years, a master firefighter retiring after 30 years, and a child welfare case worker retiring after 30 years. Although the Bill would increase the employee contribution for a master firefighter in the defined benefit plan, the present value of the pension benefit would remain $1,291,709. *The present value of the retirement account after 30 years for a child welfare case worker in the defined contribution GRIP plan would drop 16.7% from $536,132 to $446,776 due to a 2% reduction in the employer contribution.*

[3] The percentage of defined contribution members is growing over time because the defined benefit plan was closed for non-public safety employees hired after October 1, 1994.

Summary of Income from Retirement Benefits
Examples of Employees Retiring at Top of Salary Grade in July 2011

	Master Firefighter	Firefighter III	Child Welfare Case Worker with an employer contribution of: 8% of salary	6% of salary
Years of Service	30	20	30	30
Age at Retirement	54	44	54	54
Final Salary	$87,422	$74,272	$88,027	$88,027
Annual Retirement Benefit (until age 62)	$58,382	$37,318	$0	$0
Pension	$58,382	$37,318	--	--
Social Security	$0	$0	$0	$0
Annual Retirement Benefit (age 62+)	$57,166	$37,992	$17,076	$17,076
Pension	$40,138	$25,656	--	--
Social Security	$17,028	$12,336	$17,076	$17,076
Retirement Account Balance	--	--	$536,132	$446,776
Present Value of Retirement Benefit				
excluding Social Security	**$1,291,709**	**$1,198,851**	**$536,132**	**$446,776**
including Social Security	$1,666,325	$1,470,243	$911,804	$822,448

<u>Assumptions</u>

- All dollar amounts represent current year dollars.
- Pension payments and retirement account withdrawals are subject to Federal and State income tax. All dollar amounts shown are pre-tax dollars.
- All employees worked full time, were hired into their positions at age 24, and retire on July 1, 2011 with no unused sick leave.
- All employees retired with a top of grade salary for the position (including longevity awards).
- The Social Security Administration's online "Social Security Quick Calculator" is the source for annual Social Security benefits.
- Social Security pension amounts assume that retirees do not take another paid job after leaving County service and will be eligible for benefits beginning at age 62.
- The Child Welfare Case Worker's retirement account balance assumes a starting salary of $25,000; an annual employer contribution of either 8% or 6% of salary; an annual employee contribution of 4% of salary; and participation in the GRIP with an annual guaranteed return of 7.25%.
- Present value calculations assume that pension and Social Security cost of living adjustments equal the future rate of inflation.
- Present value calculations assume an average life expectancy of 84 years (the current average life expectancy assumption for ERS plan members).

Council alternative plan: reduce the employer contribution to the GRIP and the RSP in FY12 only. This change in the Bill recognizes the significant difference between the benefits of the defined benefit plans and the GRIP and RSP. This is also consistent with the arbitration award in favor of MCGEO and the collective bargaining agreement.

2. Should an employee be permitted to make-up the lost 2% employer contribution in FY12?

The County Attorney has advised Council staff that the Internal Revenue Code would not permit an employee to make a voluntary contribution to make-up for the temporary loss of the employer contribution with pre-tax dollars. However, the County Attorney has advised that employees could be permitted to make-up this loss of employer contribution with after-tax dollars. This would permit an employee who has made the maximum contribution to the deferred compensation plan to voluntarily increase the employee contribution to the GRIP or RSP and thereby continue the current retirement savings rate. We have also been advised by the Board of Investment Trustees (BIT) that the plans already accept after-tax dollars from employees in certain participating agencies. Therefore, this option would not reduce the savings projected from the Council alternative plan. **Council staff recommendation:** approve the amendment to permit an employee to make up the 2% reduction in the employer contribution with after-tax dollars in FY12.[4] See lines 76-80 and 213-217 of the amended Bill at ©19-20, 25.

3. Should the employee contribution for an employee in the defined benefit plan be phased in?

The Bill would require that all employees in a defined benefit plan contribute an additional 2% of salary annually. As shown in the table below, the impact of the Bill varies among different employee groups.

Table 2: Executive's Proposed Increases in Employee Defined Benefit Contributions

Employee Group	Current Employee Contribution (% of salary) [5]	CE Proposed Employee Contribution (% of salary)	% Increase in Employee Contribution
Non-Public Safety (hired before 10/1/94)	4%	6%	+50%
Police and Deputy Sheriff/Corrections	4.75%	6.75%	+42%
Fire & Rescue	5.5%	7.5%	+36%

[4] A continuation of this provision beyond FY12 could be a subject of future collective bargaining with MCGEO.

[5] Employees in the ERS who earn more than the Social Security Wage Base ($106,800 in 2012) contribute a higher percentage toward their pensions for salary earned above the Social Security Wage Base.

The percentage increase in the employee contribution required by the Bill, as introduced, varies significantly by group. **Council alternative plan:** phase-in the 2% across the board increase by increasing the employee contribution 1% in FY12 and 2% in FY13 and thereafter. See lines 7-62 of the amended Bill at ©17-19.

4. Should the Bill be amended to limit the cost-of-living provisions of the defined benefit plans?

The Council alternative plan would limit the cost-of-living adjustment in a defined benefit pension to 2.5% for all credited service after June 30, 2011. For current employees, a future cost-of-living adjustment to a pension benefit would be calculated based upon a ratio of the number of years of credited service before July 1, 2011 and the number of years of credited service after June 30, 2011. This amendment would therefore only affect the benefit for years not yet worked. The County's actuary estimated this amendment would save the County $3.15 million in FY12 and $18.9 million between FY12 and FY17. **Council alternative plan:** adopt this provision. See lines 195-199 and lines 302-303 of the amended Bill at ©24, 28.

5. How should the cost-of-living adjustment for a disability pension benefit be capped at 2.5%?

The savings estimated by the actuary for the Council alternative plan include capping the cost-of-living adjustment of a disability pension at 2.5%. However, disability pensions are usually based upon a plan minimum percent of final salary rather than credited service. For example, a service-connected disability pension for a police officer would be 66-⅔% of final salary without regard for the number of years of credited service. Since a disability pension does not vest until an employee becomes disabled, the most reasonable method to add a cap to the cost-of-living provision would be to place a 2.5% cap on the cost-of-living adjustment for a disability pension based upon a disability occurring after June 30, 2011. Therefore, if an employee receives a disability pension after July 1, 2011 that is based upon a disability occurring before June 30, 2011, the 2.5% cap would not apply. **Council staff recommendation:** the 2.5% cap on a cost-of-living adjustment would only apply to a disability pension based upon a disability occurring after June 30, 2011. See lines 195-199 and lines 302-303 of the amended Bill at ©9, 13.

6. Should the Bill amend the mandatory employee contributions to the Fire DROP Plan?

The County created a Deferred Retirement Option Plan (DROP) for both police officers and fire and rescue employees. An eligible employee who voluntarily enters the DROP is eligible to retire but continue to work. Each employee's participation in the DROP must end after three years. The pension payment the employee would have received if the employee had not participated in the DROP is deposited into a separate account until the employee leaves County service. The employee receives the value of the DROP account at the end of County service.

There are some significant differences between the two DROP plans. A participant in the Police DROP must direct the BIT to invest the account into one or more funds selected by the BIT. The participant receives the value of this self-directed account at the end of County service. No further County or employee contributions are made to the retirement system.

The Fire DROP is slightly different. The participant's pension goes into a separate account for the participant, but the funds are invested by the BIT. The County guarantees the participant interest on the account at 8.25%. A Fire DROP participant continues to make the employee's contribution, but it goes into the employee's separate account. When the employee finally leaves County service, the employee receives the value of the account plus the 8.25% interest. The Bill would increase the participant's contribution to the Fire DROP, but this increase would be returned to the employee at the end of County service. Therefore, the County would not save money from the increase in the participant's contribution to his or her DROP account. An amendment that would keep the employee contribution to the Fire DROP at the current level is at ©29-30. **Council staff recommendation:** do not amend the Bill to account for its effect on the Fire DROP.

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Expedited Bill No. 11-11
Concerning: Personnel - Retirement Plans - Contributions
Revised: March 30, 2011 Draft No. 1
Introduced: April 5, 2011
Expires: October 5, 2012
Enacted:
Executive:
Effective:
Sunset Date: None
Ch. _____, Laws of Mont. Co.

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

AN EXPEDITED ACT to:

(1) amend the Optional and Integrated Plans of the Employees' Retirement System to increase member contributions;
(2) amend the Guaranteed Retirement Income Plan of the Employee's Retirement System and the Retirement Savings Plan to decrease employer contributions; and
(3) generally amend the law regarding the employees' retirement system.

By amending
Montgomery County Code
Chapter 33, Personnel and Human Resources
Sections 33-39, 33-40 and 33-117

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 33-39, 33-40, and 33-117 are amended as follows:

33-39. Member Contributions and Credited Interest.

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

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

(A) Group A or H member, [6] <u>8</u> percent;

(B) Group B member, 7 percent;

(C) Group D member, 7½ percent; and

(D) Group E, F, or G member, [8½] <u>10½</u> percent.

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

(A) Group A, [4] <u>6</u> percent up to the maximum Social Security wage base, and [6] <u>8</u> percent of regular earnings that exceed the wage base;

(B) Group B, 4½ percent up to the maximum Social Security wage base, and 7 percent of regular earnings that exceed the wage base;

(C) Group E, [4¾] <u>6¾</u> percent up to the maximum Social Security wage base, and [8½] <u>10½</u> percent of regular earnings that exceed the wage base;

(D) Group F, [4 ¾] <u>6¾</u> percent up to the maximum Social Security wage base and [8½] <u>10½</u> percent of regular earnings that exceed the wage base;

(E) Group G:

(i) [5½] 7½ percent up to the maximum Social Security wage base, and [9¼] 11¼ percent of regular earnings that exceed the wage base;

(ii) starting in the 25th year from the member's leave accrual date under the County payroll system, [4¾] 6¾ percent up to the maximum Social Security wage base, and [8½] 10½ percent of regular earnings that exceed the wage base on and after the member's 25th year of credited service;

(F) Group H, [4] 6 percent up to the maximum Social Security wage base and [6] 8 percent of regular earnings that exceed the wage base.

33-40. Employer Contributions.

*   *   *

(d) Elected officials' plan. Subsections 33-40(a), (b), and (c) do not apply to the elected officials' plan. Instead, the following provisions apply:

(1) The County must contribute to the elected officials' plan in monthly installments, on behalf of each elected officials' participant, an amount equal to [8] 6 percent of the elected officials' participants' regular earnings. The county's elected officials' contributions are to be adjusted to take into account any forfeiture under subsection 33-40(d)(2)(D). In determining the amount of the County elected officials' contributions, only an elected officials' participant's regular earnings earned while that elected officials' participant made required elected officials' participant contributions are counted.

* * *

(e) Guaranteed Retirement Income Plan.

(1) Each pay period, the County must credit to each non-public safety member's guaranteed retirement income plan account an amount equal to [8%] <u>6%</u> of the member's regular earnings. The County must make a one-time credit equal to .36% of the member's fiscal year 2010 regular earnings to the member's guaranteed retirement income plan account on the second pay period in July 2010 for a member who is on the County payroll as of June 30, 2009 and who is also on the County payroll as of June 30, 2010. Interest must be credited at an annual rate of 7.25% on the County contribution credits. If the annual 7.25% interest rate does not comply with applicable law, the third segment rate described in Internal Revenue Code Section 430(h)(2)(G) or any successor provision must apply. Interest must be credited to a member's guaranteed retirement income plan account balance on a monthly basis as of the last day of the month.

(2) Each pay period, the County must credit to each public safety member's guaranteed retirement income plan account an amount equal to [10%] <u>8%</u> of the member's regular earnings. Interest must be credited at an annual rate of 7.25% on the County contribution credits. If the annual 7.25% interest rate does not comply with applicable law, the third segment rate described in Internal Revenue Code Section 430(h)(2)(G) or any successor provision must apply. Interest must be credited

to a member's guaranteed retirement income plan account balance on a monthly basis as of the last day of the month.

33-117. Employer Contributions.

(a) Amount of employer contributions.

(1) Group I participants. The County must contribute to the retirement savings plan in quarterly installments, on behalf of each Group I participant, an amount equal to [8%] 6% of that participant's regular earnings while a Group I participant during a plan year. The County must make a one-time contribution of .36% of the participant's fiscal year 2010 regular earnings on the second pay period in July 2010 for a Group I participant on the County payroll as of June 30, 2009 and who is also on the County payroll as of June 30, 2010.

(2) Group II participants. The County must contribute to the retirement savings plan in quarterly installments, on behalf of each Group II participant, an amount equal to [10%] 8% of that participant's regular earnings while a Group II participant during a plan year. The County must make a one-time contribution of .36% of the participant's fiscal year 2010 regular earnings on the second pay period in July 2010 for a Group II participant on the County payroll as of June 30, 2009 and who is also on the County payroll as of June 30, 2010.

Sec. 2. 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, 2011 except as otherwise provided. For a member of the Optional Plan, Integrated Plan, Elected Officials' Plan, or Guaranteed Retirement Income Plan holding the office of

County Executive, Councilmember, or Sheriff, the amendments to Sections 33-39(a)(1), 33-39(a)(2), 33-40(d)(1) and 33-40(e)(1) take effect on December 1, 2014. For a member of the Optional Plan, Integrated Plan, Elected Officials' Plan, or Guaranteed Retirement Income Plan holding the office of State's Attorney, the amendments to Sections 33-39(a)(1), 33-39(a)(2), 33-40(d)(1) and 33-40(e)(1) take effect on January 5, 2015.

Approved:

Valerie Ervin, President, County Council Date

Approved:

Isiah Leggett, County Executive Date

This is a correct copy of Council action.

Linda M. Lauer, Clerk of the Council Date

LEGISLATIVE REQUEST REPORT

Expedited Bill 11-11
Personnel - Retirement Plans – Contributions

DESCRIPTION: The requested legislation amends the County Retirement Law to (1) increase by 2 percent member contributions to the Optional and Integrated Plans; (2) decrease by 2 percent employer contributions to the Guaranteed Retirement Income Plan, the Elected Officials' Plan, and the Retirement Savings Plan; and (3) generally make changes in the employees' retirement system.

PROBLEM: The County faces a severe budget shortfall for Fiscal Year 2012 and the proposed legislation is part of the savings in the County Executive's proposed budget.

GOALS AND OBJECTIVES: To statutorily implement savings contained in the County Executive's proposed budget.

COORDINATION: Office of Human Resources

FISCAL IMPACT: Office of Management and Budget

ECONOMIC IMPACT: See OMB Fiscal Impact Statement.

EVALUATION: n/a

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OFFICE OF THE COUNTY EXECUTIVE
ROCKVILLE, MARYLAND 20850

RECEIVED
MONTGOMERY COUNTY
COUNCIL

2011 MAR 18 AM 9: 59

Isiah Leggett
County Executive

MEMORANDUM

March 15, 2011

TO: Valerie Ervin, President
Montgomery County Council

FROM: Isiah Leggett, County Executive

SUBJECT: Legislation to Modify the County Retirement Law

I am submitting for Council consideration a bill that would amend the County's Retirement Law to increase by two percent member contributions to the Optional and Integrated Plans in the Employees' Retirement System, and to decrease by two percent employer contributions to the Guaranteed Retirement Income Plan and Retirement Savings Plan in the Employees' Retirement System. This bill implements a part of my recommended FY12 Operating Budget and is projected to save the County $10.9 million in FY12. I am attaching a Legislative Request Report and Fiscal and Economic Impact Statement for the bill.

In light of constitutional concerns raised by the County Attorney, the changes for elected officials in the Optional Plan, Integrated Plan, Elected Officials' Plan and Guaranteed Income Plan would not become effective until December 2, 2014, after the end of their current terms.

c: Joseph Adler, Director, Office of Human Resources
Joseph Beach, Director, Office of Management and Budget
Kathleen Boucher, Assistant Chief Administrative Officer
Marc Hansen, County Attorney

OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett
County Executive

Joseph F. Beach
Director

MEMORANDUM

March 15, 2011

TO: Valerie Ervin, President, County Council

FROM: Joseph F. Beach, Director, Office of Management and Budget

SUBJECT: Council Bill XX-11, Personnel – Retirement Plans - Contributions

The purpose of this memorandum is to transmit a fiscal and economic impact statement to the Council on the subject legislation.

LEGISLATION SUMMARY

Expedited Bill XX-11 amends the Optional and Integrated Plans of the Employees' Retirement System (ERS) to increase member contributions, amends the Guaranteed Retirement Income Plan (GRIP) of the Employee's Retirement System and the Retirement Savings Plan (RSP) to decrease employer contributions, and generally amends the law regarding the employees' retirement system.

FISCAL AND ECONOMIC SUMMARY

There is a fiscal impact resulting from this legislation. The County Executive's FY12 Recommended Operating Budget includes the following savings:

2% Employee Increase in ERS Contributions	-$6,044,180
2% Employer Reduction in GRIP Contributions	-$1,138,130
2% Employer Reduction in RSP Contributions	-$3,722,160
Total	**-$10,904,470**

These budgetary savings are net of a total FY12 County cost for the retirement benefit of $117,926,100. These are permanent, on-going reductions in the cost of employee benefits which will change as employee compensation changes over time.

The impact on the individual employee varies, depending on the type of plan in which they are enrolled. For the ERS, a defined benefit plan, to maintain the same level of benefit at retirement, the proposed legislation requires an increase to employee contributions of two percent of covered compensation. For RSP and GRIP, savings are realized through a reduction in the employer contribution of two percent of covered compensation.

Office of the Director
101 Monroe Street, 14th Floor • Rockville, Maryland 20850 • 240-777-2800
www.montgomerycountymd.gov

The Department of Finance reports that the proposed bill may affect the take-home pay for certain County employees who live in the County because of the increase in their contribution under the Optional Retirement Plan or the Integrated Retirement Plan. However, the legislation has no significant economic impact since any reduction in take-home pay for this group of employees is small relative to the Montgomery County economy as a whole.

Other Changes

These retirement changes are in addition to changes to the group health plan. The County Executive's FY12 Recommended Operating Budget also includes group health savings, most significantly from an increased employee cost share for the benefit. Under the County Executive's Recommended Budget, in addition to salary-based premiums (described below), the County pays up to 70% of the cost of the premiums for the benefits listed below and all employees must pay a base-level 30% of the cost of the premiums for:

- Health
- Dental
- Vision
- Prescription Drug (standard plan). High Option plan participants still buy up.
- Life Insurance
- Long Term Disability

In addition, part-time and full-time employees whose annualized base salary is equal to or over $50,000 and under $90,000 must pay an additional premium of $35.00 each pay period if they enroll in a health plan or a prescription drug plan. If their annualized base salary is equal to $90,000 and above they must pay an additional premium of $60.00 each pay period.

Finally, there is also savings in the CE's Recommended Budget from the following prescription and life insurance plan changes:

- Mandatory generics. If a participant chooses to receive a brand name prescription drug that has a generic equivalent, even if their doctor specifies that the prescription be dispensed as written, the participant must pay the generic co-pay plus the difference between the cost of the brand name drug and the generic drug.
- Participants receiving prescriptions by mail order must pay two copayments for up to a 90 day supply.
- The County's prescription drug benefit will no longer cover reimbursement for any of the drugs specifically approved by the Food and Drug Administration for the treatment of erectile dysfunction.
- Employees eligible for life insurance coverage must have term life insurance coverage equal to one times their basic annual salary.

Projected FY12 and Outyear Savings

Projected budget year and outyear savings from these cost share, program, and contribution changes are as follows:

Retirement and Group Health Savings Summary
FY12 - FY17

	Savings ($ in millions)					
	FY12	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**
2% Employee Increase in ERS Contributions[1]	-$6.0	-$6.2	-$6.3	-$6.4	-$6.5	-$6.7
2% Employer Reduction in GRIP Contributions[1]	-$1.1	-$1.2	-$1.2	-$1.2	-$1.2	-$1.3
2% Employer Reduction in RSP Contributions[1]	-$3.7	-$3.8	-$3.9	-$3.9	-$4.0	-$4.1
Three-tiered Cost Sharing Arrangement/ Prescription Plan Design Changes[2]	-$18.7	-$20.6	-$22.6	-$24.9	-$27.4	-$30.1
Total	**-$29.6**	**-$31.7**	**-$34.0**	**-$36.5**	**-$39.2**	**-$42.1**

[1] Outyear savings are projected to grow by the CPI-U for the Baltimore/Washington area (Source: Montgomery County Department of Finance).

[2] Outyear savings are projected to grow by the assumed growth in group health claims, premiums, and administrative cost growth, as projected by Aon Hewitt.

The following contributed to and concurred with this analysis: Lori O'Brien, Office of Management and Budget; David Platt, Department of Finance; and Wesley Girling, Office of Human Resources.

JFB:lob

c: Kathleen Boucher, Assistant Chief Administrative Officer
Lisa Austin, Offices of the County Executive
Jennifer Barrett, Director, Department of Finance
Joseph Adler, Director, Office of Human Resources
Linda Herman, Director, Board of Investment Trustees
Wesley Girling, Office of Human Resources
David Platt, Department of Finance
Michael Coveyou, Department of Finance
John Cuff, Office of Management and Budget

Drummer, Bob

From: Hansen, Marc P.

Sent: Friday, May 20, 2011 5:02 PM

To: Farber, Steve

Cc: Moskowitz, Amy; Drummer, Bob; Beach, Joseph; Barrett, Jennifer; Firestine, Timothy

Subject: Councilmember retirement and health benefits--changes

Steve-

You have asked me to confirm OCA s prior advice that the County Executive s proposed changes to retirement and health benefits may not legally be applied to Councilmembers. Changes to the retirement and health plans for County employees may not be legally imposed on Councilmembers, because Art. III, § 35 of the Maryland Constitution prohibits an increase or decrease in compensation for an elected official during the official s term of office.

The Attorney General has concluded that changes to an official s health plan can not apply during the official s term of office, because fringe benefits . . . are valuable perquisites of an office, and are as much a part of the compensations of office as a weekly pay check. 78 Op. Atty Gen. Md. 296 (January 4, 1993).

Although this same 1993 Attorney General s opinion deemed a mid-term grant to an elected official of a pension benefit as permitted, the pension benefit in question was a non-contributory pension plan that had no impact on the compensation received by the official during the official s term of office. The Attorney General considered a non-contributory pension different from compensation because it was not received during the term of office, and pensions have different characteristics from compensation. The AG cited case law providing that pensions are uncertain as to whether the pension would be received and the amount to be received. However, the County s GRIP and Elected Official s Plans are contributory pension plans, which are vested in the elected official once earned. With respect to Councilmembers who are members of the defined benefit plan any increase in the participant s contributions to the ERS would reduce the official s take home pay.

Councilmembers may chose to contribute to the County the amount their compensation would have been reduced had they been regular County employees.

Marc P. Hansen
County Attorney
Montgomery County, Maryland
240-777-6740

Further Details of Council's Package

Implementation dates: All group insurance changes take effect on January 1, 2012. Retirement changes take effect on July 1, 2011.

Benefit Type	Council's Package	Comparisons to Executive's Proposal & General Assembly's Actions	Estimated FY12 Savings
County Government			
Health Benefits for Active Employees	**Premium Cost Share.** Adopt preferential pricing for lower cost plans by maintaining employee cost share at 20% for HMOs; and increasing employee cost share for the POS medical plan (CareFirst) as well as dental, vision, and stand-alone standard prescription drug plans from 20% to 25%. Maintain the current practice of allowing employees to "buy-up" and purchase high option prescription coverage.	The Council's package reduces the Executive's proposed cost share increase to employees, eliminates the salary-based surcharge, and adopts a cost containment strategy - already used by MCPS - of preferential pricing for lower cost HMOs.	$2,100,000
Prescription Drug (plan design changes)	**Coverage changes.** Employees who buy a brand name drug when a generic equivalent is available pay the generic drug copay plus the difference between the cost of the brand name drug and its generic equivalent, unless the physician supplies a letter of medical necessity. In addition, employees would receive limited coverage of erectile dysfunction drugs.	The Council's package moderates the Executive's proposal by including a generic drug waiver provision based on medical necessity and limiting (not eliminating) erectile dysfunction drug coverage. This modification results in a plan design that parallels MCPS' current practice.	$703,000
	Mail-Order Copays. Maintain the current copay for mail order prescriptions up to a 90-day supply (instead of increasing from one time to two times the copay for a 30-day supply purchased at a retail pharmacy). In addition, apply mail-order copay to direct purchase of long-term maintenance drugs (up to a 90-day supply) at CVS retail pharmacies.	The Council's package eliminates the Executive's proposal to double the copay for mail order prescriptions, and adds the provision on maintenance medication purchased at CVS retail pharmacies (not included by the Executive).	None
Life Insurance	**Cost Share and Benefit Level.** The life insurance benefit provided to all employees is reduced from two times to one time annual salary. Employees' cost share increases from 20% to 25% of premium.	This structural change in benefit level was proposed by the Executive; the Council's package reduces the Executive's proposed cost share increase to employees.	$600,000
Long-Term Disability	**Cost Share.** Employees' cost share for long-term disability insurance increases from 20% to 25% of premium.	The Council's package reduces the Executive's proposed cost share increase to employees.	$12,000

(continued on next page)

Further Details of Council's Package (continued)

Benefit Type	Council's Package	Comparison to Executive's Proposal & General Assembly's Actions	Estimated FY12 Savings
Retirement: Defined Contribution Plan	**Defined Contribution.** The County reduces its contribution to employee retirement accounts from 8% to 6% <u>in FY12 only</u>.	The Council's package modifies the Executive's proposal by making the defined contribution reduction a <u>one-time</u> as opposed to a permanent change. MCGEO included this one-time change in its last best final offer.	$4,860,000
	Defined Benefit - employee contribution. In FY12, employees contribute an additional 1% of salary towards their pensions; in FY13 employee contributions increase another 1% for a total of 2%.	The Council's package phases in the Executive's proposed increase of 2% in employee contributions over two years. This year, the General Assembly similarly increased employee contributions to State-run pension plans by 2%.	$3,022,090
Retirement: Defined Benefit Plan	**Defined Benefit - COLA provision.** The County caps future COLAs for new hires and for current employees (for years not yet served) at 100% of CPI up to a maximum annual increase of 2.5%.	This year, the General Assembly adopted a reduced COLA provision for new hires and current employees (for years not yet served) who participate in the State-run pension plans. This structural change was not proposed by the Executive.	$3,150,000
	Defined Benefit – structure of benefit for new hires. In June, the Council will also consider changes to the structure of the defined benefit plan components (e.g., vesting period, pension formula) for new public safety hires, with the goal of having changes in place by October 1, 2011.	This year, the General Assembly adopted changes to the structure of the defined benefit pension for new hires enrolled in State-run pension plans. This structural change was not proposed by the Executive.	FY12 and future year savings will depend on changes adopted
Retiree Health Benefits	**Eligibility and Cost Share.** For employees hired after July 1, 2011, eligibility for retiree health benefits increases to a minimum of 10 years of service for a cost share of 50/50, and 25 years of service to receive the maximum cost share of 70/30. For each year of service in-between 10 and 25, the County's share increases 1.33%.	This year, the General Assembly adopted changes to retiree health eligibility and cost share. This structural change was not proposed by the Executive.	Reduction in the County's OPEB liability begins in FY13
		Subtotal: FY12 MCG Savings	$14.45 million

(continued on next page)

Further Details of Council's Package (continued)

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

Benefit Type	Examples of Change	Estimated FY12 Savings
Montgomery County Public Schools		
Health Benefits for Active Employees	**Premium Cost Share:** Employees' cost share for HMOs increases from 5% to 10%; employees' cost share for all other plans increases from 10% to 15%. This structural change assumes a continuation of MCPS' cost containment practice of preferential pricing for HMOs.	$7,000,000
Retirement: Locally-Funded Plans (Core and Supplement)	**Defined Benefit.** Board of Education adjusts pension benefits in the locally-funded Core plan to parallel changes made by the General Assembly to the State-run pension plans (increase employee contributions and cap future COLAs for new hires and current employees), and increases the employee contribution to the locally-funded Supplement to maintain the same proportion of employee contributions for the Supplement and for State and local Core plans. This structural change is consistent with the Board of Education's past practice of applying changes made by the State to the Teachers' Retirement/Pension Systems to the MCPS-run and locally-funded pension plans.	$11,700,000
	Subtotal: FY12 MCPS Savings	$18.70 million

COMPARISON OF TOTAL SAVINGS
($ in millions)

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

Expedited Bill No. 11-11
Concerning: Personnel - Retirement Plans - Contributions
Revised: May 23, 2011 Draft No. 3
Introduced: April 5, 2011
Expires: October 5, 2012
Enacted:
Executive:
Effective:
Sunset Date: None
Ch. ____, Laws of Mont. Co. ____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Council President at the Request of the County Executive

AN EXPEDITED ACT to:

(1) amend the Optional and Integrated Plans of the Employees' Retirement System to increase member contributions;
(2) amend the Guaranteed Retirement Income Plan of the Employee's Retirement System and the Retirement Savings Plan to decrease employer contributions and permit an additional after-tax employee contribution in Fiscal Year 2012; [and]
(3) amend the cost-of-living provisions in the Optional and Integrated Plans of the Employees' Retirement System and the Disability Benefits Plan of the Retirement Savings Plan; and
(4) generally amend the law regarding the employees' retirement system.

By amending
Montgomery County Code
Chapter 33, Personnel and Human Resources
Sections 33-39, 33-40, 33-44, 33-116, [[and]] 33-117, 33-118, and 33-131

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 33-39, 33-40, 33-44, 33-116, [[and]] 33-117, 33-118, and 33-131 are amended as follows:

33-39. Member Contributions and Credited Interest.

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

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

(A) Group A or H member, [6] 7 percent for service after June 30, 2011 and 8 percent for service after June 30, 2012;

(B) Group B member, 7 percent;

(C) Group D member, 7½ percent; and

(D) Group E, F, or G member, [8½] 9½ percent for service after June 30, 2011 and 10½ percent for service after June 30, 2012.

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

(A) Group A, [4] 5 percent for service after June 30, 2011 and 6 percent for service after June 30, 2012 up to the maximum Social Security wage base, and [6] 7 percent for service after June 30, 2011 and 8 percent for service after June 30, 2012 of regular earnings that exceed the wage base;

(17)

(B) Group B, 4½ percent up to the maximum Social Security wage base, and 7 percent of regular earnings that exceed the wage base;

(C) Group E, [4¾] 5¾ percent for service after June 30, 2011 and 6¾ percent for service after June 30, 2012 up to the maximum Social Security wage base, and [8½] 9½ percent for service after June 30, 2011 and 10½ percent for service after June 30, 2012 of regular earnings that exceed the wage base;

(D) Group F, [4 ¾] 5¾ percent for service after June 30, 2011 and 6¾ percent for service after June 30, 2012 up to the maximum Social Security wage base and [8½] 9½ percent for service after June 30, 2011 and 10½ percent for service after June 30, 2012 of regular earnings that exceed the wage base;

(E) Group G:

(i) [5½] 6½ percent for service after June 30, 2011 and 7½ percent for service after June 30, 2012 up to the maximum Social Security wage base, and [9¼] 10¼ percent for service after June 30, 2011 and 11¼ percent for service after June 30, 2012 of regular earnings that exceed the wage base;

(ii) starting in the 25th year from the member's leave accrual date under the County payroll system, [4¾] 5¾ percent for service after June 30, 2011 and 6¾ percent for service after June 30, 2012 up to the maximum Social Security wage base, and [8½] 9½ percent for service after June 30, 2011 and 10½ percent for service after June 30, 2011 of regular earnings that exceed the wage base on and after the member's 25th year of credited service;

(F) Group H, [4] 5 percent for service after June 30, 2011 and 6 percent for service after June 30, 2012 up to the maximum Social Security wage base and [6] 7 percent for service after June 30, 2011 and 8 percent for service after June 30, 2012 of regular earnings that exceed the wage base.

* * *

(4) Member contributions to the guaranteed retirement income plan.

(A) A non-public safety employee member in the guaranteed retirement income plan must contribute 4% of regular earnings less than or equal to the Social Security wage base and 8% of regular earnings that exceed the Social Security wage base.

(B) A public safety employee member in the guaranteed retirement income plan must contribute 3% of regular earnings less than or equal to the Social Security wage base and 6% of regular earnings that exceed the Social Security wage base.

(C) For service performed after June 30, 2011 and before July 1, 2012, a member may contribute an additional 2% of regular earnings on an after-tax basis by making an irrevocable election in writing on or before September 1, 2011.

(D) To the extent allowed under Section 414(h)(2) of the Internal Revenue Code, the County must "pick up" (as described in the Internal Revenue Code) member contributions to the guaranteed retirement income plan. A member is always vested in the member's contributions.

[[(D)]] (E) When a member rejoins County service after military service that qualifies under Section 33-41(q) as credited service, the County must credit the member with the amount that the member would have contributed if the member had worked for the County during military service. Contribution credits for military service must be based on the regular earnings the member would have earned during military service. If the regular earnings are not reasonably ascertainable, the credit must be based on the member's regular earnings during a period immediately preceding the military service. The averaging period is 12 months, or the full length of the member's County service, whichever is shorter. The member must not receive any retroactive credited interest on the contribution credits. The County must not credit a member with a discretionary after-tax contribution under subparagraph C unless the member elects to make up the contribution under Internal Revenue Code Section 414(u), as amended.

* * *

33-40. Employer Contributions.

* * *

(d) Elected officials' plan. Subsections 33-40(a), (b), and (c) do not apply to the elected officials' plan. Instead, the following provisions apply:

(1) The County must contribute to the elected officials' plan in monthly installments, on behalf of each elected officials' participant, an amount equal to [8] [[6]] 8 percent of the elected officials' participants' regular earnings. The county's elected officials' contributions are to be adjusted to take into account any forfeiture under subsection 33-40(d)(2)(D). In determining the amount of the County elected officials' contributions, only an elected officials' participant's regular earnings earned while that elected officials' participant made required elected officials' participant contributions are counted.

* * *

(e) Guaranteed Retirement Income Plan.

(1) Each pay period, the County must credit to each non-public safety member's guaranteed retirement income plan account an amount equal to [8%] 6% for service after June 30, 2011 and 8% for service after June 30, 2012 of the member's regular earnings. [[The County must make a one-time credit equal to .36% of the member's fiscal year 2010 regular earnings to the member's guaranteed retirement income plan account on the second pay period in July 2010 for a member who is on the County payroll as of June 30, 2009 and who is also on the County payroll as of June 30, 2010.]] Interest must be credited

at an annual rate of 7.25% on the County contribution credits. If the annual 7.25% interest rate does not comply with applicable law, the third segment rate described in Internal Revenue Code Section 430(h)(2)(G) or any successor provision must apply. Interest must be credited to a member's guaranteed retirement income plan account balance on a monthly basis as of the last day of the month.

(2) Each pay period, the County must credit to each public safety member's guaranteed retirement income plan account an amount equal to [10%] 8% for service after June 30, 2011 and 10% for service after June 30, 2012 of the member's regular earnings. Interest must be credited at an annual rate of 7.25% on the County contribution credits. If the annual 7.25% interest rate does not comply with applicable law, the third segment rate described in Internal Revenue Code Section 430(h)(2)(G) or any successor provision must apply. Interest must be credited to a member's guaranteed retirement income plan account balance on a monthly basis as of the last day of the month.

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

* * *

(c) *Cost-of-living adjustment.* A retired member or beneficiary, including the surviving spouse or domestic partner of a group D member or other beneficiary who survives the member under a pension option or who is otherwise eligible to receive benefits, must receive an annual cost-of-living adjustment in pension benefits.

(1) Each retired member or beneficiary [[shall]] must have a cost-of-living base which [[shall]] must be the Consumer Price

Index most recently preceding the date of the member's retirement or death.

(2) The Consumer Price Index to be used for the fiscal year in which the cost-of- living adjustment is payable [[shall]] <u>must</u> be the index calculated for the month last preceding the end of the fiscal year immediately preceding the fiscal year in which the adjustment is to be effective.

(3) The percentage cost-of-living adjustment of pension benefits must be obtained by dividing the most recent index determined under paragraph (2) by the next preceding index multiplied by 100 less 100.

(A) A member enrolled before July 1, 1978, must receive the full cost-of- living adjustment.

(B) A member enrolled on or after July 1, 1978, must receive 100 percent of the change in the consumer price index up to 3 percent, and 60 percent of any change in the consumer price index greater than 3 percent, up to a total adjustment of 7 ½ percent in any year. The 7 ½ percent annual limit does not apply to:

(i) a retired member who is disabled; or

(ii) a pensioner aged 65 or older for a fiscal year beginning after the date the pensioner reaches age 65.

(4) For the purpose of this section, "Consumer Price Index" [[shall mean]] <u>means</u>, beginning January 1, 1978, the Consumer Price Index for All Urban Consumers issued for the Washington, D.C. Metropolitan Area (all items) as published by the United

States Department of Labor, Bureau of Labor Statistics (for months before 1978, the Consumer Price Index published previously for urban wage earners and clerical workers for such months [[shall]] must be applicable.)

(5) Pension benefits are subject to decreases in the Consumer Price Index. In no instance, however, [[shall]] must a retired member or beneficiary receive less than the amount of pension benefits for which eligible at the time of the member's retirement.

(6) Notwithstanding the provisions of this Section, the cost-of-living adjustment must not exceed 2.5% for:

(A) credited service performed after June 30, 2011; or

(B) a disability retirement pension based upon a disability occurring after June 30, 2011.

* * *

33-116. Participant contributions.

(a) Percent of participant contributions.

(1) (A) Group I. Each participant in Group I must contribute, through regular payroll deductions, 4% of regular earnings less than or equal to the Social Security wage base and 8% of regular earnings that exceed the Social Security wage base.

(B) Group II. Each participant in Group II must contribute, through regular payroll deductions, 3% of regular earnings less than or equal to the Social Security wage base and 6% of regular earnings that exceed the Social Security wage base.

(C) For service performed after June 30, 2011 and before July 1, 2012, a participant may contribute an additional 2% of regular earnings on an after-tax basis by making an irrevocable election in writing on or before September 1, 2011.

* * *

(4) The County must contribute on behalf of a participant who rejoins County service after military service that qualified under Section 33-119(b) as credited service an amount equal to the amount that the participant could have contributed if the participant had worked for the County during the period of military service.

(A) Contributions for the period of military service must be based on the regular earnings the participant would have earned during the period of military service. If this amount of regular earnings is not reasonably ascertainable, the contribution must be based on the participant's average regular earnings during a period immediately preceding military service. The averaging period is 12 months, or the full length of the participant's County service, whichever is shorter.

(B) Contributions under this paragraph count toward the maximum annual contribution limits under the Internal Revenue Code for the year for which the contributions relate.

(C) The participant is not entitled to any retroactive allocation of forfeitures or any retroactive crediting of earnings because of contributions under this subparagraph.

(D) The County must not credit a participant with a discretionary after-tax contribution under Section (A)(1)(C) unless the participant elects to make up the contribution under Internal Revenue Code Section 414(u), as amended.

* * *

33-117. Employer Contributions.

(a) Amount of employer contributions.

(1) Group I participants. The County must contribute to the retirement savings plan in quarterly installments, on behalf of each Group I participant, an amount equal to [8%] 6% for service after June 30, 2011 and 8% for service after June 30, 2012 of that participant's regular earnings while a Group I participant during a plan year. [[The County must make a one-time contribution of .36% of the participant's fiscal year 2010 regular earnings on the second pay period in July 2010 for a Group I participant on the County payroll as of June 30, 2009 and who is also on the County payroll as of June 30, 2010.]]

(2) Group II participants. The County must contribute to the retirement savings plan in quarterly installments, on behalf of each Group II participant, an amount equal to [10%] 8% for service after June 30, 2011 and 10% for service after June 30, 2012 of that participant's regular earnings while a Group II participant during a plan year. [[The County must make a one-time contribution of .36% of the participant's fiscal year 2010

regular earnings on the second pay period in July 2010 for a Group II participant on the County payroll as of June 30, 2009 and who is also on the County payroll as of June 30, 2010.]]

*   *   *

33-118. Maximum Annual Contribution

(a) Contribution limitations.

(1) Notwithstanding any other provision in this Division, to the extent required under the Internal Revenue Code, the annual additions described in this Section that are allocated in any limitation year to the retirement accounts of any participant must not exceed the lesser of:

(A) $30,000, effective January 1, 1995, or $40,000, effective January 1, 2002 (the "dollar limitation"), as adjusted by the Internal Revenue Service from time to time to reflect cost of living increases; or

(B) 25 percent of the participant's compensation as defined below, or 100 percent of the participant's compensation, effective January 1, 2002, (the "percentage limitation").

(2) For purposes of this Section, the annual addition must be:

(A) County contributions;

(B) required participant contributions; [[and]]

(C) forfeitures, but only if the retirement savings plan permits forfeitures to be added to the participant's account; and

(D) after-tax contributions.

*   *   *

33-131. Amount of benefits.

*   *   *

(c) *Cost-of-living adjustments.* The administrator must make a cost-of-living adjustment annually to the disability benefits paid to any public safety employee under this plan. The cost of living adjustment must be equal to 60% of the annual increase in the Baltimore-Washington Area Consumer Price Index. However, the disability cost-of-living increase must not increase the disability benefits by more than 3% each 12-month period. A non-public safety employee must not receive a cost-of-living adjustment for any benefit paid under this plan. The cost-of-living adjustment for a disability benefit based upon a disability occurring after June 30, 2011 must not exceed 2.5%.

Sec. 2. 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, 2011 except as otherwise provided. For a member of the Optional Plan, Integrated Plan, [[Elected Officials' Plan,]] or Guaranteed Retirement Income Plan holding the office of County Executive, Councilmember, or Sheriff, the amendments to Sections 33-39(a)(1), 33-39(a)(2), 33-44(c), [[, 33-40(d)(1)]] and 33-40(e)(1) take effect on December 1, 2014. For a member of the Optional Plan, Integrated Plan, [[Elected Officials' Plan,]] or Guaranteed Retirement Income Plan holding the office of State's Attorney, the amendments to Sections 33-39(a)(1), 33-39(a)(2), 33-44(c), [[, 33-40(d)(1)]] and 33-40(e)(1) take effect on January 5, 2015.

Approved:

Valerie Ervin, President, County Council Date

Fire DROP Amendment

Add the following after line 2:

33-38A. Deferred Retirement Option Plans.

The Chief Administrative Officer must establish Deferred Retirement Option Plans, or DROP plans, that allow any employee who is a member of a specified membership group or bargaining unit and who meets the eligibility requirements to elect to retire but continue to work. Pension payments must not be paid to the member while the member participates in the DROP Plan. When the member's participation in the DROP Plan ends, the member must stop working for the County, draw a pension benefit based on the member's credited service and earnings as of the date that the member began to participate in the DROP Plan, and receive the value of the DROP Plan payoff.

* * *

(b) *DROP Plan for Group G members.*

* * *

(5) *Retirement date, retirement contributions, and credited service.*

(A) The retirement date of a member who participates in the DROP Plan is the date when the employee begins to participate in the DROP Plan.

(B) The member [[will]] must continue to make retirement contributions to the Optional Plan or Integrated Plan while participating in the DROP Plan. Members in the Optional Plan must contribute 8 ½ percent of regular earning. Members in the Integrated Plan must contribute:

(i) 5 ½ percent up to the maximum Social Security wage base, and 9 ¼ percent of regular earnings that exceed the wage base; and

(ii) starting in the 25th year from the member's leave accrual date under the County payroll system, 4 ¾ percent up to the maximum Social Security wage base, and 8 ½ percent of regular earnings that exceed the wage base on and after the member's 25th year of credited service;

The County must not make retirement contributions on behalf of the member after the date on which the member's DROP Plan participation begins.

(C) Sick leave credited towards retirement at the beginning of the member's participation [[will]] must not be available for the member's use after participation in the DROP Plan begins.

(D) A member who wishes to purchase prior service must do so before the member's participation in the DROP Plan begins.

* * *