


MEMORANDUM

March 2, 2012

TO: County Council

FROM: Robert H. Drummer, Senior Legislative Attorney 

SUBJECT: **Introduction:** Expedited Bill 7-12, Employees' Retirement System – Automatic Distributions

Expedited Bill 7-12, Employees' Retirement System – Automatic Distributions, sponsored by the Council President at the request of the County Executive, is scheduled to be introduced on March 6, 2012. A public hearing is tentatively scheduled for March 27 at 1:30 p.m.

Bill 7-12 would provide for an automatic distribution for account balances of \$1,000 or less in the Optional and Integrated Plans and the Elected Officials' Plan of the Employees' Retirement System. There is a significant cost associated with maintaining small account balances for terminated participants of the Optional, Integrated, and Elected Officials Plan of the Employees' Retirement System. This Bill would reduce Plan administrative costs if these participant accounts are automatically distributed. Bill 54-10, enacted on November 30, 2010, added a similar provision for a terminated participant's account balance of \$1000 or less in the Retirement Savings Plan and the Deferred Compensation Plan.

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Expedited Bill No. 7-12
Concerning: Employees' Retirement
System – Automatic Distributions
Revised: March 1, 2012 Draft No. 2
Introduced: March 6, 2012
Expires: September 6, 2013
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) provide for an automatic distribution for account balances of \$1,000 or less in the Optional and Integrated Plans and the Elected Officials' Plan of the Employees' Retirement System; and
- (5) generally amend the law regarding the employees' retirement system.

By amending

Montgomery County Code
Chapter 33, Personnel and Human Resources
Sections 33-39, 33-44 and 33-45

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 33-39, 33-44, and 33-45 are amended as follows:**

2 **33-39. Member contributions and credited interest.**

3 * * *

4 (c) *Return of member contributions.*

5 (1) *Refund after employee's separation under the optional and*
6 *integrated plans.*

7 * * *

8 (D) Notwithstanding any other provision, if the member's
9 contributions and interest are \$1,000 or less, the amount
10 must be distributed in a lump sum as soon as
11 administratively feasible after termination of employment
12 even if the member does not submit an application. If the
13 distribution cannot be made because the member cannot
14 be located, the member will forfeit the amount. If the
15 member later contacts the County, the member will
16 receive the forfeited amount.

17 * * *

18 **33-44. Pension payment options and cost-of-living adjustments.**

19 * * *

20 (h) (1) *Required commencement of benefit payments.* The distribution
21 of an elected officials' participant's retirement benefits must be
22 made no later than April 1 of the calendar year following the
23 later of the calendar year in which the elected officials'
24 participant attains age seventy and one-half (70 1/2) or the
25 calendar year in which the elected officials' participant retires.
26 In the alternative, the payment of benefits to an elected officials'
27 participant must begin not later than such April 1 under a

28 method of payment that, in accordance with the applicable
 29 United States Treasury Regulations, provides for distribution of
 30 the elected officials' participant's benefits over:

- 31 [(1)] (A) The life of the elected official's participant;
- 32 [(2)] (B) The lives of the elected officials' participant and
 33 the elected officials' participant's designated beneficiary;
- 34 [(3)] (C) A period not extending beyond the life expectancy
 35 of the elected officials' participant; or
- 36 [(4)] (D) A period not extending beyond the life expectancy
 37 of the elected officials' participant and the elected
 38 officials' participant's designated beneficiary.

39 (2) Notwithstanding any other provision, an elected official's
 40 account balance of \$1,000 or less must be automatically
 41 distributed in a lump sum as soon as administratively feasible
 42 after termination of employment without a request from the
 43 elected official. If the distribution cannot be made because the
 44 elected official cannot be located, the elected official will forfeit
 45 the amount. If the elected official later contacts the County, the
 46 elected official will receive the forfeited amount.

47 * * *

48 (q) *Direct rollover distributions.* A member or beneficiary may elect, in
 49 any manner prescribed by the Chief Administrative Officer at any
 50 time, to have any portion of eligible rollover distribution (as defined
 51 in the Internal Revenue Code) paid directly to an eligible retirement
 52 plan (as defined in the Internal Revenue Code) specified by the
 53 member in a direct rollover. For purposes of this subsection, a direct
 54 rollover is a payment from the retirement system to the eligible

retirement plan specified by the member. A member may not elect a direct rollover if the eligible rollover distribution is less than \$200.

* * *

33-45. Vested benefits and withdrawal of contributions.

* * *

(b) *Withdrawal of contributions for optional and integrated plans.*

(1) [If a member complies] In accordance with paragraph (2), the County must refund a member's contributions with credited interest to:

(A) a member whose County service ends before the member is eligible to vest; and

(B) a member eligible to vest whose County service ends and who voluntarily elects to withdraw, thus ceasing to be a member.

(2) (A) If a member's contributions and interest are more than \$1,000, to obtain a refund of contributions, a member must properly complete and submit an application for a refund.

(B) If a [member] member's contributions and interest are more than \$1,000, and the member does not properly complete and submit an application for a refund, the County must refund the contributions with credited interest under the minimum distribution requirements of the Internal Revenue Code and corresponding regulations.

(C) Notwithstanding any other provision, if the member's contributions and interest is \$1,000 or less, the amount

LEGISLATIVE REQUEST REPORT

Expedited Bill 7-12

Employees' Retirement System – Automatic Distributions

DESCRIPTION: The bill amends the County's retirement law to permit automatic distribution of terminated participants in the Optional, Integrated, and Elected Officials Plan of the Employees' Retirement System who have account balances less than \$1,000.

PROBLEM: There is a significant cost associated with maintaining small account balances for terminated participants of the Optional, Integrated, and Elected Officials Plan of the Employees' Retirement System. Plan costs will be reduced if these participant accounts are involuntarily distributed.

GOALS AND OBJECTIVES: To permit automatic distributions to terminated participants in the Optional, Integrated, and Elected Officials Plan of the Employees' Retirement System who have account balances less than \$1,000.

COORDINATION: Board of Investment Trustees and the Office of the County Attorney

FISCAL IMPACT: Office of Management and Budget

ECONOMIC IMPACT: Office of Management and Budget

EVALUATION: N/A

EXPERIENCE ELSEWHERE: N/A

SOURCE OF INFORMATION: Board of Investment Trustees
Office of the County Attorney

APPLICATION WITHIN MUNICIPALITIES: N/A

PENALTIES: N/A



OFFICES OF THE COUNTY EXECUTIVE


Isiah Leggett
County Executive

Timothy L. Firestine
Chief Administrative Officer

MEMORANDUM

January 30, 2012

TO: Roger Berliner, Council President

FROM: Isiah Leggett, County Executive 

SUBJECT: Expedited Bill to Amend the County's Retirement Law

I am attaching for the Council's consideration a bill that would amend the County's retirement law to permit automatic distributions to terminated participants in the Optional, Integrated, and Elected Officials Plans of the Employees' Retirement System who have account balances less than \$1,000.

Current law requires that a terminated participant request a distribution regardless of the size of the account balance. The Internal Revenue Code (IRC) allows a plan sponsor to distribute account balances of less than \$1,000. Due to the administrative costs associated with maintaining these small accounts, the Board of Investment Trustees is recommending adoption of the IRC standard for distributing balances of less than \$1,000 to terminated participants.

This bill is similar to Bill 54-10, Retirement – Investments, which was enacted by the Council on November 30, 2010. Bill 54-10 allowed similar distributions in the County's other retirement plans, the Retirement Savings Plan and the Deferred Compensation Plan.

Thank you for your prompt consideration of this bill.

Attachments

c: Linda Herman, Director
Board of Investments Trustees

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