



FREDERICK COUNTY COUNCIL

Local Government Fiscal and Policy Note

CONTACT INFORMATION AND GENERAL INSTRUCTIONS

Bill Number/Reference:	19-04
Bill Title:	Revisions to the Frederick County Employees Retirement Plan: Ad Hoc Cost of Living Adjustment
Local Government Agency:	Frederick County Finance Division
Prepared By:	Erin White
Title:	Deputy Director of Finance
Phone Number:	301-600-1193
E-Mail Address:	ewhite@frederickcountymd.gov
Due Date:	January 29, 2019
Date Submitted:	January 29, 2019

FREDERICK COUNTY COUNCIL

Local Government Fiscal and Policy Note

Date:	Please respond to the questions below. If you prefer to provide responses or additional information in a separate file or document, send the file or document in a separate e-mail to rcherney@frederickcountymd.gov with the bill number/reference in the subject line.					
1.	Describe the impact of this proposed legislation on your agency (operations, revenues, expenditures, etc). If there is no impact, <u>please explain why</u> .					
<p>The proposed legislation would amend the Frederick County Employees Retirement Plan (the "Plan") by providing a one-time cost of living adjustment to retirees' benefits. The adjustment will be phased in for retirees over a period of three years, up to a maximum of 5% of the retirees' monthly benefits payment, depending on the period in time when the participant's retirement occurred. The bill also requires the Retirement Plan Committee to evaluate the adequacy of the Plan's cost of living adjustment every three years. The actuaries have determined the additional costs to the FY 2020 Operating Budget to be \$3,863,301.</p> <p>This additional cost should be completely offset as a result of a new Plan funding policy that will be in effect for the FY2020 budget. This new policy has a Plan funding benchmark to maintain a 95% to 105% funding ratio. The Plan's ratio at the end of FY18 was 103.27%. Since the Plan is at least 95% but not more than 105% funded, the policy requires County to budget the greater of the actuarially determined contribution or an amount equal to two times the total employee contribution. This policy reduces the County's contribution rate from 17.4% in FY2019 to an estimated 13.8% in FY2020 or budget savings of approximately \$4.1 million.</p>						
2.	Please indicate whether the proposed legislation will affect small businesses in Frederick County, and if it will, please provide any information you may have which could be useful in determining the economic impact on small businesses.					
This legislation will not have an impact on small businesses in Frederick County.						
FISCAL IMPACT SUMMARY – SHOW (DECREASE) IN PARENTHESES						
<u>REVENUES</u>						
3.	Analysis of estimated increase (or decrease) in government revenues . Please estimate below any anticipated increase (or decrease) in revenues resulting from this legislation. Please be aware of any delayed effective dates in the bill or other factors that may cause revenue increases/decreases to begin in later years.					
Source		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
N/A						
TOTAL \$		\$	\$	\$	\$	\$
		Please explain how the above estimated increase(s) or decrease(s) were arrived at, including any calculations and/or assumptions made. Please also explain any variation if the revenue increase(s)/decrease(s) are not constant.				
N/A – This legislation will not have an impact on County revenues.						

FREDERICK COUNTY COUNCIL
Local Government Fiscal and Policy Note

EXPENDITURES

4. Analysis of **estimated increase (or decrease) in government expenditures**. Please estimate below any anticipated increase (or decrease) in expenditures resulting from this legislation. Please be aware of any delayed effective dates in the bill or other factors that may cause expenditure increases/decreases to begin in later years.

A. Salaries & Wages	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
FTE Employees - _____ # of positions Increase in County's Plan Contribution from this legislation		\$3,863,301			
Decrease in County's Plan Contribution from revised Plan funding policy		(\$4,194,908)			
TOTAL (Salaries, wages & benefits)	\$	(\$331,607)			

	Please provide an explanation of the need for the number and type of any personnel listed above, including (1) what specific provision(s) of the bill necessitate additional staff; (2) what the duties of each type employee will be; and (3) why existing personnel cannot absorb the additional work. Please also certify the wage/salary rate and % fringe rate (if differing rates apply) for each personnel classification.
	<p>It is estimated that the proposed legislation will require a one-time appropriation in FY 2020 of \$3,863,301. This appropriation would not be considered a recurring expense and was calculated by the Plans actuaries.</p> <p>This additional cost should be completely offset as a result of a new Plan funding policy that will be in effect for the FY2020 budget. This new policy has a plan benchmark to maintain a 95% to 105% funding ratio. The Plan's ratio at the end of FY18 was 103.27%. Since the Plan is at least 95% but not more than 105% funded, the policy requires County to budget the greater of the actuarially determined contribution or an amount equal to two times the total employee contribution. This policy reduces the County's contribution rate from 17.4% in FY2019 to an estimated 13.8% in FY2020 or budget savings of approximately \$4.1 million.</p>

B. Other Operating Expenses	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Technical/Special Fees, Grants/Subsidies					
Communications-Phone, Postage					
Travel, Food, Auto, Fuel & Utilities					
Contractual Services					
Supplies					
Equipment-Replacement					
Equipment-Additional					
Land & Structures, Fixed Charges					
Other (Please Specify on Extra Page(s))					
TOTAL (Expenditures)	\$	\$	\$	\$	\$

	On the next page, please provide brief descriptions/breakdowns of the above "Other Operating Expenses."
	Please explain below any additional calculations or assumptions made in estimating the "Other Operating Expenses" that will help us to understand the amounts and timing of the expenses.

N/A

FREDERICK COUNTY COUNCIL

Local Government Fiscal and Policy Note

4. (cont'd)

C. Operating Expense Descriptions/Breakdowns

Please provide below a short description of the specific purpose of each expense listed under 4B. If any amount(s) listed under 4B represent(s) a total of multiple expenses, provide a breakdown of the fiscal 2018 amount with a short description of each expense (for example, if \$2,500 is listed for Communications – Phone, Postage, a statement such as “\$1,500 for cellphone charges for two new inspectors and \$1,000 for postage for mailings to permittees to notify them of changes to inspection requirements.”)

Fiscal 2019 Expenditures

Technical/Special Fees, Grants & Subsidies description/breakdown	\$
Communications – Phone, Postage description/breakdown	\$
Travel, Food, Auto Operations, Fuel & Utilities description/breakdown	\$
Contractual Services description/breakdown	\$
Supplies description/breakdown	\$
Equipment-Replacement description/breakdown	\$
Equipment-Additional description/breakdown	\$
Land & Structures, Fixed Charges description/breakdown	\$
Other (Please Specify) description/breakdown	\$

FREDERICK COUNTY COUNCIL

Local Government Fiscal and Policy Note

ADDITIONAL POLICY IMPLICATIONS/CONCERNS

Please submit BY E-MAIL to: Ragen Cherney, Legislative Director/Chief of Staff
Frederick County Council • E-Mail: RCherney@FrederickCountyMD.gov