Expedited Bill 16-25: Personnel – Employees' Retirement System – Membership Requirements and Membership Group

Summary

The Office of Legislative Oversight (OLO) anticipates that Expedited Bill 16-25 would have a negative impact on economic conditions in the County, as measured by the Council's priority economic indicators. The Bill would expand eligibility to certain emergency communications managers who are classified under retirement Group E, which covers Sheriffs and Public Safety Correctional Officers. By expanding pension eligibility for these employees, the policy change would increase County pension expenditures by approximately $59,289 per year, according to the County's actuarial analysis. Holding all else equal, the increased pension expenditures would raise the retirement income of these employees.

Based on low rates of County residence among active and retired Department of Corrections and Rehabilitation (DOCR) and Sheriff's Office personnel, a minor share of the income increase likely would go to residents. The remainder would constitute capital outflows in the form of government revenue used to fund pension increases for retired employees who would reside outside the County. Capital outflows would result in forgone economic activity that would negatively affect residents and private organizations.

Moreover, capital outflows caused by the policy change would occur indefinitely if current rates of County residence among employees in these agencies continue. Because there is no indication that current residence patterns among these employees will drastically change, OLO believes the negative impacts of the Bill would be significant in the long term.

Background and Purpose of Expedited Bill 16-25

The Employees' Retirement System (ERS) is one of five retirement plans offered to County employees.[1] The ERS is a defined benefit plan, which provides a fixed, pre-established benefit to employees at retirement.[2] It is comprised of several plans open to employees in certain positions.[3] Specifically, Group E is open to sworn deputy sheriffs and uniformed correctional officers.[4]

In July 2023, the Council enacted Expedited Bill 20-23.[5] This Bill added eligibility for certain Emergency Communication Center (ECC) positions in the Group E ERS plan, among other changes.[6] However, the ECC

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[1] About Montgomery County Employee Retirement Plans, Montgomery County Employee Retirement Plans.
[2] Defined Benefit Plan, Internal Revenue Service, Updated June 5, 2025.
[3] Refer to menu under 'Employees' Retirement System (ERS)' and 'ERS Plan Benefits and County Code' in Active Employees, Montgomery County Employee Retirement Plans.
[4] "Summary Description: Sheriffs and Public Safety Correctional Officers in Retirement Group E," Montgomery County Employee Retirement Plans, August 2023.
[5] Bill 20-23E - OPT/SLT Bargaining Units – Pension and Retirement Adjustments, Legislative Information Management System (LIMS).
[6] Action Staff Report for Expedited Bill 20-23, Montgomery County Council, Action July 25, 2023.

Management Leadership Service (MLS) Manager III position was inadvertently omitted from the changes in the legislation.[7]

If enacted, Expedited Bill 16-25 would also include the ECC Management Leadership Service (MLS) Manager III position as an eligible position for this plan.[8]

The Council introduced Expedited Bill 16-25 on behalf of the County Executive on June 17, 2025.

Information Sources, Methodologies, and Assumptions

As required by 2-81B of the Montgomery County Code, this Economic Impact Statement evaluates the impacts of Expedited Bill 16-25 on residents and private organizations, using the Council's priority economic indicators as the measure. In doing so, it examines whether the Bill would have a net positive or negative impact on overall economic conditions in the County.[9]

The analysis here draws on the following sources of information:

- Economic Impact Statement for Expedited Bill 20-23;
- OMB's Fiscal Impact Statement for Expedited Bill 16-25; and
- Data on the residence of Corrections and Sheriff's Office employees as of January 2025, provided by the Office of Human Resources (OHR).

In this statement, OLO estimates the share of County pension contributions likely to flow to resident versus non-resident households. These estimates are based on the Bill's projected fiscal impact and current residence patterns of active and retired DOCR and Sheriff's Office employees. By using these patterns, OLO illustrates a reasonable range of potential future residence outcomes for employees who would ultimately receive these pension benefits. These ranges allow OLO to estimate whether the Bill would likely result in a net capital outflow (more money leaving the County than staying) or a net inflow (more money staying than leaving).

Because OLO does not know how County revenues used to fund the pension increases would otherwise be used in the absence of enacting the Bill, OLO limits the scope of the analysis to the economic impacts of increased pension payments. That is, this analysis does not account for the economic impacts of alternative government spending in the amount of capital outflow.

Variables

The primary variables that would affect the economic impacts of enacting Expedited Bill 16-25 are the following:

- total annual pension payments; and
- place of residence.

[7] Introduction Staff Report for Expedited Bill 16-25, Montgomery County Council, Introduced June 17, 2025.
[8] Ibid.
[9] Montgomery County Code, "Sec. 2-81B, Economic Impact Statements."

Impacts

WORKFORCE ▪ TAXATION POLICY ▪ PROPERTY VALUES ▪ INCOMES ▪ OPERATING COSTS ▪ PRIVATE SECTOR CAPITAL INVESTMENT ▪ ECONOMIC DEVELOPMENT ▪ COMPETITIVENESS

Residents

OLO anticipates that Expedited Bill 16-25 would have an overall negative impact on residents in the County.

The Bill would primarily benefit current and future emergency communications managers who are classified under retirement Group E, which covers Sheriffs and Public Safety Correctional Officers. By expanding pension eligibility for these employees, the policy change would increase County pension expenditures by approximately $59,289 per year, according to the County's actuarial analysis.[10] Holding all else equal, the increased pension expenditures would raise the retirement income of these employees.

The economic impact of the policy change on County residents (as well as businesses) would largely depend on how many affected employees *reside within the County*. As shown in **Table 1**, data from OHR indicates that, as of January 2025, 41 percent of active employees in DOCR and the Sheriff's Office reside in the County, while 21 percent of retired employees reside locally. If these figures are representative of emergency communications managers, then a minor share of the total increase in retirement income would benefit County residents.

Table 1. Place of Residence for Active and Retired DOCR and Sheriff's Office Personnel (January 2025)

Employment Status	Number of Employees	Residing in Montgomery County (# and %)	Residing Outside Montgomery County (# and %)
Active	637	260 (41%)	377 (59%)
Retired	224	48 (21%)	176 (79%)
Total	861	308 (36%)	553 (64%)

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that Expedited Bill 16-25 would have mixed, yet overall negative, impacts on private organizations in the County. Higher pension payments to residents likely would increase household spending on goods and services, benefiting certain County-based businesses. However, as indicated below, the Bill would result in significant capital outflows, which would result in forgone economic activity that would negatively impact private organizations in terms of the Council's priority economic indicators.

Net Impact

OLO anticipates that Expedited Bill 16-25 would have an overall negative impact on economic conditions in the County. Although County-based DOCR and Sheriff's Office retirees would benefit from the increased pension earnings, the overall economic impact is expected to be negative. This is primarily because a substantial share

[10] See Fiscal Impact Statement in Introduction Staff Report.

of additional government spending would flow out of the County to non-resident households, representing a significant capital outflow.

Table 2 presents estimates of the share of County pension contributions that would go to resident versus non-resident households, based on the Bill's estimated fiscal impact and current residence patterns among active and retired DOCR and Sheriff's Office employees. These ranges reflect current residence data and illustrate a reasonable range of potential future residence outcomes for employees who ultimately receive these pension benefits.

As shown in **Table 2**, of the estimated $59,289 annual pension increase, the share going to County residents could range from approximately $12,700 to $24,200. In contrast, the share going to non-residents could range from about $35,100 to $46,600, resulting in a potential net capital outflow of $10,900 to $33,900.

In sum, while the Bill would increase pension earnings for some County-based retirees, the anticipated capital outflow suggests that it would reduce local economic activity and negatively affect residents in terms of the Council's priority indicators.

Table 2. County Contributions by Residence

Status	% In County	$ In County	% Out County	$ Out County	Net Out-Flow ($)
Active	40.8%	$24,200	59.2%	$35,089	$10,890
Retired	21.4%	$12,705	78.6%	$46,584	$33,879
Total	35.8%	$21,209	64.2%	$38,080	$16,871

Discussion Items

Not applicable

Caveats

Two caveats to the economic impact analysis conducted here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO's endorsement of, or objection to, the Bill under consideration.

Contributions

Stephen Roblin (OLO) prepared this report.