

Racial Equity and Social Justice (RESJ) Impact Statement

Office of Legislative Oversight

EXPEDITED OPT/SLT BARGAINING UNITS – PENSION AND BILL 20-23: RETIREMENT ADJUSTMENTS

SUMMARY

The Office of Legislative Oversight (OLO) anticipates Bill 20-23 will have a positive impact on racial equity and social justice (RESJ) in the County through making changes to the County's Employees' Retirement System that will disproportionately benefit Black County employees, helping to address established racial inequities in retirement outcomes. The RESJ impact of other components of the Bill is indeterminate.

PURPOSE OF RESJ IMPACT STATEMENTS

The purpose of RESJ impact statements (RESJIS) is to evaluate the anticipated impact of legislation on racial equity and social justice in the County. Racial equity and social justice refer to a **process** that focuses on centering the needs, leadership, and power of communities of color and low-income communities with a **goal** of eliminating racial and social inequities.¹ Achieving racial equity and social justice usually requires seeing, thinking, and working differently to address the racial and social harms that have caused racial and social inequities.²

PURPOSE OF EXPEDITED BILL 20-23

The County offers employees five retirement plans with varying eligibility depending on an employee's position, status, date of hire, and other relevant criteria.³ Three retirement plans impacted by Bill 20-23 include:

- **Employees' Retirement System (ERS), Group E and Group J:** The ERS is a defined benefit plan, which provides a fixed, pre-established benefit for employees at retirement.⁴ Within the County ERS, Group E employees include sworn deputy sheriffs and uniformed correctional officers, and Group J employees include correctional facility positions designated by the Chief Administrative Officer.^{5,6}
- **Guaranteed Retirement Income Plan (GRIP):** The GRIP is a tax-deferred cash balance defined benefit retirement plan. Contributions to GRIP accounts earn 7.25% interest annually. Unrepresented employees, non-public safety employees represented by the Municipal and County Government Employees Organization, UFCW, Local 1994 (MCGEO), and elected officials are eligible to participate in the GRIP.⁷
- **Retirement Savings Plan (RSP):** The RSP is a tax-deferred defined contribution retirement plan. Contributions to RSP accounts are invested in fund options selected by the employee and subject to gains or losses depending on performance. Unrepresented employees, non-public safety employees represented by MCGEO, and sworn officers who have reached the maximum credited service under the ERS are eligible to participate in the RSP.⁸

Bill 20-23 proposes adjustments to pension and retirement plans for County Employees in Group E and J, as well as the GRIP and RSP plans. The proposed adjustments are a result of the newly negotiated Memorandum of Agreement between the County and MCGEO. If enacted the Bill would make the following changes:⁹

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- Amend Group E eligibility to add eligibility for certain Emergency Communications Center (ECC) positions to the Group E Optional Retirement Plan and the Integrated Retirement Plan.
- Amend Group J eligibility to add eligibility for certain ECC positions to be designated by the Chief Administrative Officer.
- Allow certain Group E members to elect to obtain credited service for military service up to a maximum of 48 months. Credited service is one of several factors used in determining the amount of an employee's pension benefit as well as when an employee can retire.
- Establish different pension multipliers for Group E and Group J employees and increase certain multipliers for each group. Pension multipliers, which are set by law at a fixed percentage, are one of several factors used in determining the amount of an employee's pension.
- Default certain part-time employees represented by MCGEO into the GRIP.
- Increase disability retirement benefits for GRIP and RSP participants.

The proposed changes would increase County expenditures by approximately \$2 million in FY24, increasing annually to \$4 million by FY29. County revenues would not be impacted.¹⁰

Expedited Bill 20-23, OPT/SLT Bargaining Units – Pension and Retirement Adjustments, was introduced by the Council President on behalf of the County Executive on April 11, 2023.

RETIREMENT AND RACIAL EQUITY

Outcomes for older adults follow typical patterns of racial disparities in American society. For instance, Black, Indigenous, and Latinx people aged 65 and older have poverty rates that are more than two times greater than their White peers.¹¹ Entrenched racial inequities in wealth and employment largely explain why Black, Indigenous, and Other People of Color (BIPOC) tend to have less economic security than White people during their retirement years.

Inequities in Wealth. Wealth is essential for economic security, including during retirement.¹² However, in the United States, opportunities to build, accumulate, and pass on wealth has largely been structured by race, perpetuating racial disparities that compound within and across generations. Government policies and practices throughout history have generally been designed to facilitate wealth-building for White people at the exclusion of BIPOC. As explained by researchers at the Federal Reserve Bank of Boston in “Turning the Floodlights on the Root Causes of Today’s Racialized Economic Disparities”:

[T]he practices and policies that laid the groundwork for and built the U.S. were explicitly designed to ensure an absolute accumulation of intergenerational wealth and concentrated power for White people, particularly men. A legacy of land theft, slavery, racial segregation, disenfranchisement, and other exclusive policies against Black and Indigenous ... and [other] people of color produced a racialized economy that decimated these communities and intentionally barred survivors and descendants from building wealth, socioeconomic well-being, and resilience.¹³

These actions shaped today’s racial wealth divide, where, as of 2019, the median White family had \$184,000 in wealth compared to \$23,000 for the median Black family.¹⁴ Among many consequences, the racial wealth divide places White Americans in a favorable position at retirement, while placing BIPOC Americans in an unfavorable position. For example:

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- A study using Federal Reserve data found that between 2010 and 2019, White households were three times as likely as Black households (42% v. 14%) and nearly four times as likely as Latinx households (42% v. 11%) to have received or expected to receive an inheritance from their parents within ten years of retiring.¹⁵
- A study from researchers at the Massachusetts Institute of Technology, Yale, and U.S. Census Bureau found that BIPOC are two times more likely than White people to withdraw money from their retirement plans to help family and friends in need of financial support.¹⁶

Together, these two studies demonstrate that BIPOC households are less likely to possess inter-generational wealth and hold onto wealth generated in retirement accounts.

Inequities in Employment. Racial inequities in retirement are also rooted in occupational segregation, where certain racial/ethnic groups are over or underrepresented in certain occupations. As explained by researchers at the Center for American Progress in “Systematic Inequality and Economic Opportunity,” government policies and practices also worked to structure the labor market by race and ethnicity:

“The U.S. economy was built on the exploitation and occupational segregation of people of color. While many government policies and institutional practices helped create this system, the legacies of slavery, Jim Crow, and the New Deal—as well as the limited funding and scope of anti-discrimination agencies—are some of the biggest contributors to inequality in America. Together, these policy decisions concentrated workers of color in chronically undervalued occupations, institutionalized racial disparities in wages and benefits, and perpetuated employment discrimination. As a result, stark and persistent racial disparities exist in jobs, wages, benefits, and almost every other measure of economic well-being.”¹⁷

Today, White people dominate the highest-paying occupations in the United States, while Black and Latinx people are concentrated in the lowest-paying occupations.¹⁸ In particular, the representation of BIPOC continues to be pronounced in the lowest-paying agricultural, domestic, and service roles, which can be traced back to government policies and practices confining Black people to these occupations post-Emancipation.¹⁹ Of note, federal labor laws enacted as a part of the New Deal in the 1930s intentionally excluded BIPOC from protections such as Social Security through exempting agricultural, domestic, and service occupations.²⁰

The concentration of BIPOC workers in lower-paying occupations puts them at greater risk than White workers to have insufficient income at retirement.²¹ Workers in lower-paying jobs, such as those in retail and food-service industries, often do not have access to employer-sponsored retirement benefits. Further, even when benefits are available, irregular hours, high turnover and low wages in lower-paying positions often provide workers with inadequate income to meaningfully save for retirement.²²

Disparities in Retirement. Inequities in wealth and employment interact to generate disparities in retirement outcomes between BIPOC and White people, including:

- White households are more likely to have defined contribution accounts (e.g., individual retirement accounts, employer-sponsored 401(k)s, etc.) for retirement savings outside of Social Security than Black and Latinx households in every income quartile.²³
- White households hold more wealth in defined contribution retirement accounts than Black and Latinx households in every income quartile.²⁴

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- As of 2014, 32.5 percent of Black and 31.2 percent of Latinx people aged 65 or older relied on Social Security for 90 percent or more of their family income, compared to 24.1 percent of White people in the same age group.²⁵ Social Security benefits are modest, replacing about 37 percent of past earnings for someone making average earnings their entire adult life and retiring at age 65 in 2022.²⁶
- In 2019, Black and Latinx retirees were more likely to have retired before the age of 62 than White retirees.²⁷ A majority of older Black and Latinx workers who retire before age 65 do so involuntarily due to experiencing poor health, job loss, deteriorating working conditions, or reduced earnings.²⁸ Retiring before the full retirement age (between 66 and 67, depending on year of birth) reduces the amount of Social Security retirement benefits.²⁹

ANTICIPATED RESJ IMPACTS

To consider the anticipated impact of Bill 20-23 on RESJ in the County, OLO recommends the consideration of two related questions:

- Who are the primary beneficiaries of this bill?
- What racial and social inequities could passage of this bill weaken or strengthen?

To answer these questions, OLO considered the various stakeholders that would be impacted by the proposed changes to pension and retirement plans and RESJ concerns for each group:

- **Certain ECC personnel** would benefit from new eligibility to the County's ERS as Group E or Group J employees. Data summarized in Table 1 (Appendix) suggests Black people are overrepresented among ECC personnel, while Asian people, and to a lesser extent, Latinx and White people, are underrepresented.
- **Certain Group E and Group J employees in the County's ERS** would benefit from an increased pension amount. Group E employees with past military service would also benefit from the option to obtain credit service for military service. Data summarized in Table 2 (Appendix) suggests Black people are overrepresented among Corrections and Sheriff personnel that may qualify for Group E or Group J, while White, Asian, and Latinx people are underrepresented.
- **Certain part-time employees represented by MCGEO** would benefit from default participation in the County's GRIP. OLO could not locate the demographics of employees represented by MCGEO by race and ethnicity.
- **GRIP and RSP participants** would benefit from increased disability retirement benefits. OLO could not locate the demographics of GRIP and RSP participants by race and ethnicity.

Taken together, OLO anticipates Bill 20-23 will have a positive impact on RESJ in the County through making changes to the County's ERS that will disproportionately benefit Black County employees, helping to address established racial inequities in retirement outcomes. On the other hand, the RESJ impact of defaulting part-time employees represented by MCGEO into the GRIP and increasing disability retirement benefits for GRIP and RSP participants is indeterminant. As such, OLO cannot estimate the overall size of the RESJ impact of this Bill.

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RECOMMENDED AMENDMENTS

The Racial Equity and Social Justice Act requires OLO to consider whether recommended amendments to bills aimed at narrowing racial and social inequities are warranted in developing RESJ impact statements.³⁰ OLO anticipates Bill 20-23 will have a positive impact on RESJ, with some components having an indeterminant impact. As such, OLO does not offer recommended amendments.

CAVEATS

Two caveats to this racial equity and social justice impact statement should be noted. First, predicting the impact of legislation on racial equity and social justice is a challenging analytical endeavor due to data limitations, uncertainty, and other factors. Second, this RESJ impact statement is intended to inform the legislative process rather than 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

OLO staffer Janmarie Peña, Performance Management and Data Analyst, drafted this RESJ impact statement.

APPENDIX

Table 1: Percent of Adult Constituents and ECC Employees by Race and Ethnicity, Montgomery County

Race and ethnicity ³¹	County Constituents 18 Years and Over	ECC Employees
Asian	15.9	5.8
Black	17.7	23.3
White	43.4	40.0
Latinx	18.6	14.2

Sources: Table P4, 2020 Decennial Census, Census Bureau;
OLO Analysis of Unpublished Office of Human Resources Data as of May 6, 2022.

Table 2: Percent of Adult Constituents and Corrections/Sheriff Employees by Race and Ethnicity, Montgomery County

Race and ethnicity ³²	County Constituents 18 Years and Over	Corrections/Sheriff Employees ³³
Asian	15.9	3.2
Black	17.7	46.5
White	43.4	29.8
Latinx	18.6	9.8

Source: Table P4, 2020 Decennial Census, Census Bureau;
OLO Analysis of Unpublished Office of Human Resources Data as of May 6, 2022.

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¹ Definition of racial equity and social justice adopted from “Applying a Racial Equity Lens into Federal Nutrition Programs” by Marlysa Gamblin, et.al. Bread for the World, and from Racial Equity Tools. <https://www.racialequitytools.org/glossary>

² Ibid

³ About Montgomery County Employee Retirement Plans, Montgomery County Employee Retirement Plans.

<https://www.montgomerycountymd.gov/mcerp/about.html>

⁴ Defined Benefit Plan, Internal Revenue Service, Last Updated June 15, 2022. <https://www.irs.gov/retirement-plans/defined-benefit-plan>

⁵ Summary Description for Sheriffs and Public Safety Correctional Officers in Retirement Group E, Montgomery County Employee Retirement Plans, August 2021.

https://www.montgomerycountymd.gov/mcerp/Resources/Files/GroupE%20Sheriff_Corrections%208_2021.pdf

⁶ Summary Description for Public Safety Correctional Staff in Retirement Group JK, Montgomery County Employee Retirement Plans, August 2021. https://www.montgomerycountymd.gov/mcerp/Resources/Files/Group%20J%20Correctional%20staff%208_2021.pdf

⁷ Summary Plan Description for Guaranteed Income Retirement Plan (GRIP), Montgomery County Employee Retirement Plans, August 2021. <https://www.montgomerycountymd.gov/mcerp/Resources/Files/2023%20GRIP%20SPD.pdf>

⁸ Summary Plan Description for Retirement Savings Plan (RSP), Montgomery County Employee Retirement Plans, August 2021.

<https://www.montgomerycountymd.gov/mcerp/Resources/Files/pdfs/HRpdfs/rsp/RSP%20SPD%20-%20August%202021%20-%20Address%20update.pdf>

⁹ Introduction Staff Report for Expedited Bill 20-23, Montgomery County Council, Introduced April 11, 2023.

https://www.montgomerycountymd.gov/council/Resources/Files/agenda/col/2023/20230411/20230411_8B.pdf

¹⁰ Ibid

¹¹ Zhe Li and Joseph Dalaker, “Poverty Among the Population Aged 65 and Older,” Congressional Research Service, December 6, 2022. <https://crsreports.congress.gov/product/pdf/R/R45791>

¹² Benjamin Harris and Sydney Schreiner Wertz, “Racial Differences in Economic Security: The Racial Wealth Gap,” U.S. Department of Treasury, September 15, 2022. <https://home.treasury.gov/news/featured-stories/racial-differences-economic-security-racial-wealth-gap>

¹³ “Turning the Floodlights on the Root Causes of Today’s Racialized Economic Disparities: Community Development Work at the Boston Fed Post-2020,” Federal Reserve Bank of Boston, December 2020. <https://www.bostonfed.org/publications/community-development-field-notes/2020/racialized-economic-disparities.aspx>

¹⁴ Harris and Wertz

¹⁵ Kimberly Blanton, “The Racial Roots of Retirement Inequality,” Center for Retirement Research at Boston College, August 18, 2022. <https://crr.bc.edu/research/the-racial-roots-of-retirement-inequality-2/>

¹⁶ Ibid, citing research from Taha Choukhmane, et. al., “Who Benefits from Retirement Saving Incentives in the U.S.? Evidence on Racial Gaps in Retirement Wealth Accumulation,” Working Paper, July 2022. <https://tahachoukhmane.com/wp-content/uploads/2022/08/CCORS-Racial-disparities-in-retirement-Slides-July-2022.pdf>

¹⁷ Danyelle Solomon, et. al., “Systematic Inequality and Economic Opportunity,” Center for American Progress, August 7, 2019. <https://www.americanprogress.org/article/systematic-inequality-economic-opportunity/>

¹⁸ Marina Zhavoronkova, et. al., “Occupational Segregation in America,” Center for American Progress, March 29, 2022. <https://www.americanprogress.org/article/occupational-segregation-in-america/>

¹⁹ Danyelle Solomon, et. al.

²⁰ Marina Zhavoronkova, et. al.

²¹ Blanton

²² Ibid

²³ “Racial Differences in Economic Security: Non-Housing Assets,” U.S. Department of Treasury, January 10, 2023.

<https://home.treasury.gov/news/featured-stories/racial-differences-in-economic-security-non-housing-assets>

²⁴ “Racial Differences in Economic Security: Non-Housing Assets”

²⁵ Irena Dushi, et. al., “The Importance of Social Security Benefits to the Income of the Aged Population,” Social Security Office of Retirement and Policy, Social Security Administration, 2017. <https://www.ssa.gov/policy/docs/ssb/v77n2/v77n2p1.html>

²⁶ “Policy Basics: Top Ten Facts about Social Security,” Center on Budget and Policy Priorities, April 17, 2023.

<https://www.cbpp.org/research/social-security/top-ten-facts-about-social-security>

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²⁷ Retirement, Report on the Economic Well-Being of U.S. Households in 2019, Federal Reserve, May 2020.

<https://www.federalreserve.gov/publications/2020-economic-well-being-of-us-households-in-2019-retirement.htm>

²⁸ Monique Morrissey, et.al., “The Older Workers and Retirement Chartbook,” Economic Policy Institute, November 16, 2022.

<https://www.epi.org/publication/older-workers-retirement-chartbook/>

²⁹ Deciding When to Start Retirement Benefits, Social Security Administration, Accessed November 25, 2022.

<https://www.ssa.gov/benefits/retirement/learn.html#h3>

³⁰ Bill 27-19, Administration – Human Rights – Office of Racial Equity and Social Justice – Racial Equity and Social Justice Advisory Committee – Established, Montgomery County Council

³¹ Latinx people are not included in other racial groups for this data point.

³² Latinx people are not included in other racial groups for this data point.

³³ May include staff that do not qualify for ERS’s Group E or Group J. Conversely, other staff that qualify for Group E or Group J may not be included in this calculation.