Please retain this packet for upcoming Committee and Council worksessions.

MEMORANDUM

April 16, 2009

TO: Management and Fiscal Policy Committee

FROM: Stephen B. Farber, Council Staff Director SBF

SUBJECT: Compensation and Benefits for All Agencies

This worksession on compensation and benefits for all agencies in the FY10 operating budget is to review issues in five separate areas: (1) recommended pay changes in the region and the County, (2) retirement, (3) County Government compensation-related Non-Departmental Accounts (NDAs), (4) group insurance, and (5) other compensation issues.

This packet contains extensive information on compensation issues. The **appendix** to this packet contains additional background information, including the Personnel Management Reviews and related data prepared by the agencies.[1]

Budget and human resources staff from all agencies have provided valuable assistance once again this year and will be present to answer the Committee's questions. Representatives of employee organizations and others concerned with compensation issues will also be present.

At this worksession the Committee will review the full range of compensation issues. On May 8 the Committee will meet to make recommendations to the Council.

BUDGET CONTEXT AND COMPENSATION OVERVIEW

The national recession that started in December 2007 has widened and deepened. Real gross domestic product **fell 6.3 percent** in the fourth quarter of 2008 and has continued to fall sharply this year. The national unemployment rate in March – **8.5 percent**, the highest in a quarter century – is widely expected to exceed 10 percent later this year. A broader measure of unemployment, which includes discouraged and underemployed workers, is now **15.6 percent**.

[1] To see the appendix, go to www.montgomerycountymd.gov/council, click on Packets & Meeting Summaries, and select April 20, 2009, MFP Committee, Compensation and Benefits (Data).

The Dow Jones Industrial Average, which peaked in October 2007, has extended last year's sharp decline and, until a bounce last month, was at **less than half** its peak level, undermining investment and retirement accounts. The bursting of the housing bubble, and the prolonged credit crisis that intensified last fall with the collapse of iconic financial services firms, have also taken a huge toll on individuals and businesses. The resultant **"reverse wealth effect"** portends, despite massive federal stimulus and bailout funding, a long and slow recovery.

This region and County, while faring much better, have not been immune. The February unemployment rate for the Bethesda-Frederick-Rockville metropolitan division – **5.4 percent**, the lowest of the 34 U.S. divisions listed by the Bureau of Labor Statistics – was 2.8 percent a year ago. The County's February unemployment rate – **5.1 percent**, representing nearly **26,000** workers (not counting discouraged and underemployed workers) in a labor force of just over 500,000 – is the highest in at least 20 years and, like the national rate, will almost surely rise further.[1] In this climate, not surprisingly, both State and County revenues have fallen sharply.

The Executive's Recommended Budget

The Executive's recommended FY10 tax-supported operating budget is $3.8277 billion, up $39.9 million (1.1 percent) from the Council-approved FY09 budget. The total recommended budget (including grants and enterprise funds) is $4.4249 billion, up $82.7 million (1.9 percent) from the FY09 approved budget.

The recommended budget is a mix of long-term, short-term and one-time measures. It gives priority to public safety, education, and the safety net. It reduces some services, employee pay, and positions, but less than other budgets in the region do and far less than many budgets elsewhere do. Overall, the scope of the County's extensive services remains largely intact.

Employee salaries and benefits are always a key fiscal building block. As the Executive notes, they account once again for **80 percent** of the recommended budget. For details, see the tables on ©1-15, prepared by Legislative Analyst Chuck Sherer, on **agency requests** for the FY10 **tax-supported** budget.

Recommended tax-supported workyears for all agencies are **down 0.8 percent** to 30,293.8. (Workyears are down 3.4 percent for MCG and 0.6 percent for the College; they are up 0.2 percent for MCPS and 1.6 percent for M-NCPPC.) Total workyears are down 0.3 percent to 33,620.1. In the FY09 approved budget the comparable percentages were -0.5 +0.4. This is in stark contrast to the explosive workforce growth in prior years.[2]

[1] The March unemployment rates for the metropolitan division and the County are not yet available but are probably even higher. (Unlike the national rate, they are not seasonally adjusted.) Until January, the County's rate had not reached even 4 percent (much less 5 percent) at any time in at least 20 years, including recession years. Other County economic indicators showing continued weakness include home sales, average sales prices, residential property assessments, residential and non-residential construction, and commercial property vacancy rates. Go to http://www.montgomerycountymd.gov/content/council/pdf/agenda/cm/2009/090402/20090402_MFP01.pdf for the Finance Department's economic indicators report.

[2] In FY97-07 County Government added 2,200 jobs (28 percent) while population rose 15 percent. MCPS added 5,000 jobs (30 percent) while enrollment rose 7 percent. The tax-supported budget rose 80 percent.

COLAs

The key compensation change for FY10 is that funds are not provided for general wage adjustments (COLAs).[1] The tax-supported savings are $28.9 million for MCG, $84.9 million for MCPS, $7.0 million for the College, and $2.7 million for M-NCPPC.

While two County Government unions, FOP Lodge 35 and MCGEO Local 1994, reached agreement with the Executive to postpone previously bargained COLAs in FY10 – as the MCPS unions did with the Board of Education – IAFF Local 1664 did not. When the Executive did not include the IAFF COLA in his recommended budget, the union filed a prohibited practice charge. On March 28 the Labor Relations Administrator dismissed the charge.[2]

The union announced its intent to appeal the decision. If the union actually does appeal and were to prevail quickly, parity ("me too") clauses in the other unions' agreements might be invoked. Timing is a factor since the Council must adopt a budget by June 1. (Ultimate funding decisions are in any event up to the Council.) **As a practical matter, restoring all COLAs, at a cost of $123.5 million, would require major service cuts, position abolishments, or tax increases.**

This COLA postponement is the single largest element used to close the FY10 budget gap, and its impact on employee pay is clear. COLA reductions for County agencies are rare. In the deep recession of the early 1990s, general government MCG employees had no COLAs for three consecutive years. In FY04 COLAs for all agencies were deferred for four months.

For the most part, however, contracts with agency bargaining units have resulted in consistent improvement in salaries and benefits.[3] OHR's annual surveys show that for almost all job categories, County agencies' salaries and benefits compare favorably with those in other jurisdictions and the private sector. Our employees also have far more job security than others in this economy. These factors have heightened the already intense interest in County employment.

---

[1] Given the disinflationary pressures of the weak economy, it now appears that the FY10 CPI increase will be small.

[2] The LRA wrote that this case presents "an unforeseen fiscal emergency. The fact that the Executive normally proposes full funding of the negotiated IAFF agreement does not foreclose the possibility – and in this case, the reality – that financial conditions can change dramatically for the worse, leading to a situation where, as here, the Executive cannot in good conscience request full funding of an agreement. In such case, a requirement that the Executive support full funding irreconcilably conflicts with his Charter-conferred budgetary discretion, and the requirement of local law must give way to that higher authority."

[3] For example, the three-year contracts negotiated for FY08-10 with the MCPS unions, and with FOP Lodge 35 and MCGEO Local 1994 in MCG, provided compounded salary increases in the 26-29 percent range for the two-thirds of employees who are eligible for annual service increments. As the graph on ©16 shows, base salary increases for MCG employees in FY99-09 have tripled the CPI increase. Last year's MCGEO reopener on benefits also increased the County contribution to employees' 401(a) accounts from 6 to 8 percent and gave employees the option to switch to a cash balance plan with a guaranteed annual return of 7.25 percent starting July 1, 2009. Overall, the County's excellent benefits cost more than one-third of salary for MCGEO and more than half for the FOP and IAFF.

Steps and Furloughs

While the State and other local jurisdictions are freezing salaries in FY10 – that is, not providing either COLAs or step increases – the Executive's budget assumes that **steps** will continue. The tax-supported cost is **$29.2 million** – $5.6 million for MCG, $19.6 million for MCPS, $2.3 million for the College, and $1.7 million for M-NCPPC.

The State and many other governments here and elsewhere have also imposed **furloughs** – for example, 2-3 days for State employees in FY09 and, for Prince George's employees, 10 days each in FY09 and FY10. The Executive does not propose furloughs at this time but considers them an option in the event of further revenue shortfalls.[1]

I. RECOMMENDED PAY CHANGES IN THE REGION AND THE COUNTY

This year's edition of our annual survey of pay changes in the region, compiled by Legislative Analyst Amanda Mihill, is attached on ©57-85. The FY10 data at this point reflect the recommendations of county executives or managers, not the final actions of governing boards, and in some cases are not yet available because of ongoing negotiations or other factors.

The pattern in this difficult economy is not surprising: almost no recommended General Wage Adjustments (GWAs); for many jurisdictions, no normal step increases either – that is, a complete pay freeze; and for some, furloughs.

The summary of FY10 pay increase requests for County agencies is on page 7. The key difference from most other jurisdictions is that step increases are provided. **Important points in the data compiled by Ms. Mihill include the following:**

1. **Arlington County Government**, like most Virginia jurisdictions, again faces a constrained budget. Employee pay is frozen. The same is true of **Alexandria City Government** as well as **Fairfax County Government**, which also had a furlough day in January.

2. **Prince George's County Government**, as noted above, is freezing pay and imposing 10 days of furloughs on top of 10 in FY09. The **District of Columbia Government** is also freezing pay. Both are cutting a significant number of positions.

3. **The State budget** freezes pay, including performance bonuses. State salary increases have consistently lagged. The GWA was just 2.0 percent in each of the last two years. It was also 2.0 percent for most employees in FY07 (with limited enhancements for some), 1.5 percent in FY06, and a flat dollar increase of $752 in FY05, plus increments. In FY03-04 State employees received neither GWAs nor increments. In FY04 they also lost the State's deferred compensation match of up to $500 and were required to pay more for prescription drugs.

---

[1] Choices of this kind reflect the County's commitment to its employees, but they are not lost on the County's critics in Annapolis. As Senate President Miller told the Committee for Montgomery on December 8, "The county that gives big salaries and big benefits is going to have to make some adjustments."

4. The **President's FY10 federal budget** again recommends a weighted average 1.5 percent increment. Despite record budget deficits and the economic downturn, the budget also recommends a 2.0 percent overall average general wage increase, which is to be allocated between an across-the-board increase and additional locality pay. The percentage increases in January 2000-2009 were 4.94, 3.81, 4.77, 4.27, 4.42, 3.71, 3.44, 2.64, 4.49, and 4.78 percent, including the locality adjustment.

These GWAs show a pattern of generally large annual increases. (The step or increment schedule for federal employees is variable; for County agencies it is annual.) The increases have occurred even in the difficult years of the early 1990s and the early 2000s, when many local jurisdictions could not afford increases, and even when the federal budget deficit has been huge. The same pattern applies for FY10.

Important points about County Government pay increases are as follows:

1. The GWA for the **MCGEO Local 1994** units, scheduled to be 4.5 percent in July 2009, has been postponed per the concession agreement noted below. The 3.5 percent annual service increments, for which 67.3 percent of MCGEO members are eligible, continue, as do certain pay differentials. The longevity increment effective for employees at the top of their pay grade with 20 years of completed service, which rose from 2.0 to 3.0 percent in January 2008, also continues.

2. The GWA for **FOP Lodge 35,** scheduled to be 4.25 percent in July 2009, has also been postponed per the concession agreement noted below. The 3.5 percent service increments, for which 61.0 percent of FOP members, apply to Police management as well.

3. The GWA for **IAFF Local 1664**, as discussed above, has not yet been resolved. The 3.5 percent service increment, for which 58.9 percent of unit members are eligible, applies to Fire management as well. The scheduled pay plan adjustment for FY11 is 7.0 percent, plus a 3.5 percent increment for eligible employees.

4. **Non-represented** employees are scheduled to receive the same GWA (none) and service increments (3.5 percent for eligible employees) as MCGEO. This has been the historical pattern, but in FY04-05 the Executive declined to extend key improvements to non-represented employees. Non-represented employees are also eligible for two kinds of performance-based pay: annual **lump sum awards** (1.0 or 2.0 percent of salary) for those rated "highly successful" or "exceptional," and **longevity increases** (2.0 percent addition to base salary) for employees who have at least 20 years of service, are at the top of their pay grade, and are rated "highly successful" or "exceptional."

As discussed below, the Executive does not recommend funding for the **lump sum awards** for non-represented employees in FY10. Employees in the Management Leadership Service receive performance-based increases instead of annual service increments. As in FY09, the Executive recommends limiting these increases to lump sum awards of 1.0 or 2.0 percent.

5. Data from OHR's Personnel Management Review show that in FY98-01, total pay increases for County Government employees (not including the police and fire bargaining units) not at maximum salary were 18.6 percent more than the CPI increase and 8.6 percent more than private sector increases. In FY02-05 these differentials were 17.3 percent and 16.0 percent. In FY06-09 they were 18.8 percent and 11.1 percent. Comparisons for employees at maximum salary and for earlier periods show significantly different results. **See ©A30-33 in the Appendix to this packet (MFP #2).** See also the table on ©16.

6. Until the FY09-10 budgets, which have significant workyear reductions, productivity improvement had not kept pace with these large salary increases. The chart on ©34 shows that **County Government tax-supported workyears per 1,000 population**, which had declined steadily from FY92 to FY98, started to rise in FY99. Thus, despite the County's heavy investments in technology, total tax-supported workyears per 1,000 population were 11.7 percent higher in FY02 than in FY98. In the leaner budgets of FY03-04 this measure declined slightly, but in FY05 it started to rise again. In FY09 it declined, and in FY10 (recommended) it declines again, but it is still 3.1 percent above the FY98 level.

7. Other interesting OHR data compare maximum and minimum salaries of certain County agency employees with those in the metropolitan area and selected local jurisdictions. **See ©A36-40.** For most job classes these comparisons are favorable to County agency employees, especially to County Government employees.

8. The table on ©A35 shows that minimum and maximum County Government salaries for middle management professional positions are mostly below those of comparable **federal government** positions. The minimum salaries for County Government are lower because our range is broader than the federal range. Also, our annual 3.5 percent service increments make progress through the range faster. The maximum salaries for County Government are themselves substantial and compare favorably with those elsewhere in the region.

Agency Pay Increase Requests

The agency pay increase requests for FY10 increments on page 7 reflect in part the provisions of new or existing contracts. Agreement on increases for some employees of the College and M-NCPPC has not yet been reached. At the May 8 worksession the Committee will consider whether to support the required funding for these agency requests. **The Committee will also consider whether to support the proposed FY10 County Government salary schedules listed on ©25-31.**

These schedules are (in order) for Non-Represented Employees (General Salary Schedule), Management Leadership Service, Medical Doctors, Seasonal Workers, MCGEO, Sheriff Management, Deputy Sheriffs, Fire/Rescue Management, IAFF, Police Management, FOP, Correctional Management, and Correctional Officers.

SUMMARY OF FY10 AGENCY PAY INCREASE REQUESTS
Increments and General Wage Adjustments (% Increase)

Agency	Increments For Eligible Employees	General Wage Adjustments
County Government		
MCGEO units	3.5[1]	0
FOP	3.5	0
IAFF	3.5	0[2]
Non-represented	3.5	0
M-NCPPC		
MCGEO units	TBD[3]	TBD
Non-represented	TBD	TBD
FOP	3.5	3.75[4]
Montgomery College		
Faculty	$2,372[5]	0
Administration	TBD	TBD
Staff (non-bargaining)	3.0[6]	0
Staff (AFSCME)	3.0	0
MCPS		
MCEA	1.5-3.9	0
MCAASP	3.0	0
SEIU Local 500	1.9-5.5	0
MCBOA[7]	3.0	0
WSSC	3.0[8]	0

For further details see the tables on ©59-64 of this packet.

[1] Additional adjustments for pay differentials and longevity increases.
[2] The Executive recommended 0. The union filed a prohibited practice charge, which was dismissed.
[3] Bargaining is not yet complete. Another factor is the Councils' bi-county meeting on May 7.
[4] Amount included for FY10 in the FY09-11 contract.
[5] Base pay increase on October 23, 2009 for those not at top of scale. Also lump sum payment of $500 to $1,000 depending on salary level.
[6] Lump sum payment of $500 for those at top of scale. Also applies to AFSCME.
[7] In FY08 the Board of Education approved the formation of a fourth bargaining unit, Montgomery County Business and Operations Administrators.
[8] The contract with AFSCME is being negotiated. WSSC salaries are affected by merit increases and/or flexible worker pay, plus IT bonus pay. See ©86 for further details.

II. RETIREMENT ISSUES

Important points on the County Government retirement program are as follows:

While the County Government's defined benefit plan, the **Employees' Retirement System**, ranks highly in relative performance, like other funds it has experienced large losses. Assets are down from **$2.8 billion** in October 2007 to **$1.9 billion** as of March 31. The fund's one, three, five, and ten-year investment returns are -24.2, -4.57, 1.13, and 3.03 percent, compared with its actuarial return assumption of 8.0 percent.

As of December 31, 2008 the funded ratio was **78.7 percent** and the unfunded liability was **$722.2 million**. A key factor is the succession of large pension improvements included in County collective bargaining agreements starting in FY99. The County contribution to the pension fund has risen from **$44.3 million** in FY00 to **$115.0 million** in FY10. **Poor investment results for FY08-09 may lead to further large increases.**

Other factors in determining the County contribution each year – besides the return on pension fund assets and benefit improvements included in collective bargaining agreements – are any change in actuarial assumptions and actual plan experience versus projections. The FY09 County contribution was down by $3.0 million (2.7 percent), but prior years have seen continuous increases, sometimes large: $2.4 million (2.2 percent) in FY08, $3.1 million (2.8 percent) in FY07, $8.3 million (10.7 percent) in FY06, $15.5 million (25.1 percent) in FY05, $9.5 million (17.1 percent) in FY04, and $16.4 million (41.8 percent) in FY03. In earlier years there were much smaller changes, with the FY02 amount down and the FY01 amount up.

During the 1990s the return on County pension fund assets was well above the plan's 8.0 percent annual actuarial return assumption, but that changed with the sharp market decline of 2000-2002 and even more with the sharp decline since the market peak in October 2007. The County's actuarial consultant applies five-year smoothing to the fund's returns to even out gains and losses. The large gains of the mid and late 1990s reduced the required County contribution to the fund, but the early years of this decade were quite different. So is the current period.

The FY10 contribution rates are shown on ©23. This table is worth close attention. The rates, up from FY09, are at high levels as a percentage of salary, ranging from **22.4 percent** for the non-public safety mandatory integrated plan to **33.3 percent** for the mandatory integrated public safety plans and **80.1 percent** for the optional non-integrated public safety plans.

The market rebound of 2004-07, combined with the superior relative investment performance of the ERS, has been helpful, but the market collapse of the past 18 months will hurt. The ERS has consistently ranked in the top quartile of similar funds, and sometimes even higher, but poor market conditions still have a large impact.

The other key factor is negotiated improvements in pension benefits. In the last decade, all three unions have secured major improvements, including larger pension multipliers, lower benefit reductions at integration with social security, and, for the IAFF, 20-year retirement at 50 percent of average final earnings. **The combined impact of these pension changes and market conditions is large.** For example, MCFRS retirement costs are up from $9.1 million in FY00 to $31.9 million in FY10. For Police the increase is from $12.7 million to $35.7 million.

There were additional pension improvements last year. The FOP reopener provided for an increase in maximum credited service from 30 to 36 years (including sick leave), an unreduced pension with 25 years of service at any age, and a maximum benefit of 86.4 percent of final earnings for veteran officers rather than the current 76 percent.

The reopener also created a permanent **Deferred Retirement Option Plan (DROP)** that enables employees who are at least 46, and have at least 25 years of credited service, to elect to retire, but continue to work for a maximum of three years. Neither they nor the County make additional pension contributions during the DROP period. The pension payments they would have received if they had retired are placed in a DROP account, invested in fund options selected by the Board of Investment Trustees. The account is paid out upon retirement. The fiscal impact of these changes was estimated to be **$803,000** in FY10, including $502,000 for the DROP and $291,000 for the higher maximum service credit.

Last year's MCGEO reopener improved the social security integration multiplier from 1.25 percent to 1.65 percent for deputy sheriffs and corrections officers in the defined benefit plan. The fiscal impact was estimated to be **$753,000** in FY10.

The FY08 annual report from the Board of Investment Trustees on the County's three retirement plans (see ©35-43) shows on ©41 that as of June 30, 2008 the ERS was **80.8 percent** funded on an actuarial basis, which includes the five-year smoothing of results. (The national average for state pension plans was then 90 percent.) This is down from **98.9 percent** in FY00. The unfunded liability was **$641 million**. Past benefits improvements account for most of the difference between the ERS' funded ratio and the national average. As noted above, results as of March 31, 2009 reflect the sharp market decline since June 30, 2008.

The picture for the County's defined contribution plan, the **Retirement Savings Plan**, is different. The RSP, which includes non-public safety employees hired since October 1, 1994 (plus a small number of public safety employees), had 4,746 members as of July 1, 2008. The County's total FY10 contribution is **$20.1 million**, up $0.6 million (3.1 percent) from FY09.

The FY09 contribution was $19.5 million, up $7.2 million (58.5 percent) from FY08. One reason was increased plan enrollment. Another was the increase of 2 percent of salary (from 6 to 8 percent) – an increase of one-third – in the County contribution to employees' RSP accounts, as provided in the MCGEO reopener.

Another key provision in the reopener, as noted above, would give RSP members and new employees a one-time option, starting this July, to transfer to a new **Guaranteed Retirement Income Plan (GRIP)**. This cash balance plan will provide a guaranteed annual return of 7.25 percent. This will be a new liability for the ERS, or more accurately, the taxpayers; in the RSP employees' returns depend on their own investment choices.[1]

The three investment-related retirement plan budgets that have been reviewed and approved by the Board of Investment Trustees are on ©24. The FY10 budgets for the Deferred Compensation Plan, the Employees' Retirement System, and the Retirement Savings Plan include charges from OHR, Finance, and the County Attorney's Office. The Committee will review these budgets separately. Mr. Sherer has prepared the packet for this review.

III. COUNTY GOVERNMENT COMPENSATION-RELATED NDAs

The FY10 recommended budget contains seven compensation-related Non-Departmental Accounts. The first three are hardy perennials that require little comment.

1. Judges' Retirement Contributions NDA

See ©44. The recommended amount for FY10 is $3,740, the same as for FY09.

2. State Positions Supplement NDA

See ©45. The recommended amount for FY10 is $100,940. The FY09 amount was $144,950.

3. State Retirement Contribution NDA

See ©45. The recommended amount for FY10 is $981,480. The FY09 amount was $934,920.

4. Group Insurance for Retirees NDA

See ©46. The recommended amount for FY09 is $26,039,330, the same as for FY09. This account has fluctuated both up and down over time. The recommended FY10 allocation is discussed further in the section below on group insurance.

5. Compensation and Employee Benefits Adjustments NDA

See ©46. The recommended amount for FY10 is $1,335,890. The FY09 amount was $3,432,070. Each year this NDA captures several separate personnel-related adjustments. This year's adjustments, including a comparison with FY09, are outlined on ©57.

One key difference is that the pay for performance program for non-represented employees, which cost $809,420 in FY09, is eliminated in FY10. Under this program, as noted

---

[1] The employee contribution to the RSP or the GRIP will also rise, from 3 to 4 percent of salary up to the FICA maximum and from 6 to 8 percent above it. Also, employees will need to have 180 days of employment before becoming eligible to participate in either the RSP or the GRIP.

above, employees receive lump sum awards of 1 or 2 percent if their performance ratings are "highly successful" or "exceptional," respectively.

In addition, performance-based pay for employees in the Management Leadership Service, who do not receive annual service increments of 3.5 percent, is limited again this year to lump sum awards of 1 or 2 percent depending on their ratings. Before FY09, employees at the maximum salary were eligible for lump sum awards of up to 4 percent. Employees at lower salary levels were eligible for base pay increases of up to 6 percent, again depending on performance. The FY09 change had an especially large impact on these latter employees.

For these employees, one option to consider in FY10 is to make the 1 or 2 percent awards **additions to base pay** rather than lump sum awards. This approach seems more equitable in light of the fact that if these employees were not in the MLS, they would have received a 3.5 increment in FY09 and would receive one again in FY10. OMB estimates the additional cost in FY10 (for the incremental retirement and life insurance cost) at $43,970.

6. Retiree Health Benefits Trust

See ©44. The recommended amount for FY10, $16,391,930, the same as for FY09. See page 12 of this memo. This amount is for the General Fund. Other County Government and outside agency contributions are detailed on ©19.

7. Productivity Enhancements and Personnel Cost Savings

See ©44. The recommended amount for FY10 is -$1,011,260. The FY09 amount, -$13.0 million, had two components: an estimated $5.0 savings from the FY09 Retirement Incentive Program and $8.0 million savings from productivity enhancements for County Government. As the table on ©44 shows, the total savings were achieved, albeit in different proportions.

The FY10 NDA amount, **-$1,011,260**, is OMB's estimate of the FY10 savings from the proposed FY10 RIP. See the detail on ©48. OMB's April 14 estimate revised the FY10 savings estimate to **$2,649,915**. See ©48A. (The tax-supported portion of the savings is less. The revised estimate does not include the cost of leave payouts, which OMB now says would be absorbed in FY09.) **OLO's analysis is quite different.** See OLO's research brief on furloughs and buyouts (2009-9, released on April 14). See also today's packet on the RIP bill and ©87.

IV. GROUP INSURANCE

In recent years the Committee has devoted extensive time and effort to group insurance issues. The Committee has met regularly with an **interagency benefits group** that has provided valuable assistance and taken action in several areas.

Starting in FY03, issues addressed by the Committee and the benefits group include **joint bidding** of group insurance contracts to reduce costs, implementation of the **joint long-term care insurance** program, providing coverage for **out-of-area retirees**, and the option to **take or waive coverage** year-by-year.

The list of issues addressed also includes implementation of the **re-election opportunity** for County Government retiree group insurance and a revised **MCPS retiree health insurance program**. In addition, three major Council resolutions resulted from the work of the Committee and the benefits group: **Policy Guidance for Agency Group Insurance Programs** (December 2003), **Establishing a Voluntary Program for Securing Safe, High Quality, Lower-Priced Prescription Maintenance Drugs for Employees and Retirees of County and Bi-County Agencies** (September 2004), and **Establishing a Countywide Prescription Drug Discount Card Program** (October 2004).

The Committee's work on **retiree health benefits (GASB OPEB) issues** started in 2003. The benefits group members joined with agency finance, budget, and legal staff to form the Multi-Agency OPEB Work Group, which has worked productively with the Committee.

Status of Retiree Health Benefits Pre-funding

In his FY10 budget message the Executive speaks firmly about retiree health benefits:

> To approve health benefits for future retirees without funding those benefits is not responsible – it breaks faith with retirees who will need to know the money is there when it is needed. We have long accepted the concept of pre-funding of pension benefits because it is a responsible and cost effective approach to fulfilling our promises to retirees. We need to embrace the need to realistically fund this commitment as well.

Two years ago, at the Executive's urging, the Council approved a five-year phase-in of the pre-funding required for future health benefits for retirees of County agencies. The FY08 phase-in amount, $31.9 million, was scheduled to rise to $70.7 million in FY09. Last year, given the tight budget, the Executive instead proposed an eight-year phase-in to save $15.6 million in FY09. The Council approved the eight-year schedule, but – adopting a revised methodology proposed by our actuarial consultant, Thomas Lowman of Bolton Partners – reduced the FY09 contribution to **$40.6 million**, $30.1 million less in FY09 than under the five-year phase-in.

Now, again for fiscal reasons, the Executive recommends a FY10 contribution at the FY09 level, **$40.6 million**, to save $25.7 million compared to the revised eight-year phase-in. See the agency components on ©19. See also the most recent eight-year phase-in table on ©49. (This table will change as updates to the agencies' regular actuarial valuations of their liabilities are completed.) As the Executive and Council prepare to address the remaining budget gap created by the further State aid reductions just approved by the General Assembly, one option will be an even larger incursion on the already-reduced FY10 contribution.

Under the original five-year phase-in approved two years ago, the scheduled FY10 contribution was **$109.8 million**. The actual FY10 contribution will be far less. Governments nationwide face a similar funding problem this year. Credit rating agencies, some analysts believe, will recognize this year's fiscal pressures as unique. Hopefully they are.

The core point is that to pre-fund the agencies' retiree health benefits promises to their employees will require an increasingly massive taxpayer contribution, currently

estimated to reach the range of $200 million per year by 2015, above and beyond the annual pay-as-you-go expense. This amount will not be available for services to County residents – most of whom do not enjoy such benefits – or, for that matter, for salary or other benefit improvements for agency employees. The alternative is to find ways to limit the County's costs. No sustained effort to do so is underway.

For Mr. Lowman's updated assessment of these issues, see his memo on ©50-53.

Group Insurance Costs in FY10

All agencies continue to address sharply rising group insurance costs. For example, County Government made major plan design changes for 2005, including a new CareFirst Standard Option POS, carve-out of prescription drug coverage from the CareFirst and Optimum Choice plans, and an employee-plus-one option for Choice plan members. Last year there were prescription drug savings from agreements with the three bargaining units, also affecting non-represented and retired employees.

Over the past decade **County Government** rate adjustments have ranged from a 5.3 percent decline in 2000 to a 26.0 percent increase in 2002. This year's overall increase is 3.6 percent, with the usual variation among plans. Premiums for **federal employees** are up on average nearly 8 percent, compared to 2.3 percent in 2007 and 2.9 percent in FY08.

Use of some fund balance above the 5 percent target helped to mitigate the County increase. The current projection for the average annual increase in FY10-15 is about 11 percent. The comparable six-year projections in the last five budgets, starting with FY09, were 8.8, 10.7, 9.5, 7.3, and 11.0 percent.

The FY10-15 fiscal projection for the **Employee Health Benefits Self Insurance Fund**, which serves as a premium stabilization reserve, is on ©54. The summary of expenditures and revenues, and the crosswalk between the appropriation for FY09 ($162,276,190) and FY10 ($174,300,820), is on ©55. One notable item on ©54 is the transfer of $12.5 million to the General Fund in FY10. Claims experience and unanticipated revenue facilitated this fortuitous transfer. OMB notes there was also a transfer ($5.2 million) in FY95.

The agencies' FY10 tax-supported costs for group insurance for **retired** employees are listed in the tables on ©1-15. The pay-as-you-go amounts total **$67.5 million**, down 0.3 percent from FY09. The tables show $26.0 million for County Government (no change), $37.8 million for MCPS (down 1.5 percent), $2.8 million for the College (up 12.0 percent), and $2.9 million for M-NCPPC (up 3.3 percent). The new OPEB pre-funding costs are separate. See ©49.

The tax-supported costs for **active** employees are also in the individual agency tables. The total is **$304.3 million**, up 11.0 percent from FY09. The tables show $78.9 million for County Government (down 2.1 percent), $206.5 million for MCPS (up 17.6 percent), $11.3 million for the College (up 5.4 percent), and $7.6 million for M-NCPPC (up 5.9 percent).

WSSC's rate-supported costs for group insurance are $9.7 million for active employees (up 3.4 percent) and $14.3 million for retired employees (up 5.0 percent).

After budget the Committee can review two issues it has considered in the past. One issue is **high-deductible and consumer-driven plans**. Such options are controversial, and the agencies have not pursued them. But Consumer Checkbook's guide to federal health plans, which includes these options, says they are worth a second look. The other issue is **next steps on retiree health costs**. Given the huge fiscal impact of these costs, as discussed above, this issue should return soon to the Committee's agenda.

V. OTHER COMPENSATION ISSUES

A. Concession Agreements

Last fall the MCPS unions agreed to forgo the scheduled FY10 COLA (5.3 percent plus 0.3 percent for additional salary improvements) without major contract changes, except for a parity ("me too") clause. Last month FOP Lodge 35 and MCGEO Local 1994 entered into "concession agreements" with the Executive that postpone the COLAs (4.25 and 4.5 percent, respectively) but include some new contract provisions. Mr. Faden and Mr. Drummer will review these agreements later in this worksession. See also the excerpt from my FY10 budget overview memo on ©87-88.

B. Agency Analysis of Personnel Management

Each agency has prepared again this year a report on its workforce containing data that are comparable (but not necessarily identical) to the information provided in the County Government's Personnel Management Review. Material of this kind is a valuable adjunct to the agency personnel information that comes from budget documents and Council staff data requests. Agency responses appear in the **appendix** to this packet, which can be found on the Council's web site[1] and in a limited number of printed copies. Agency staff have worked hard to assemble these displays of personnel information, and their efforts again deserve recognition.

This year the **County Government** again prepared a PMR like the one it first issued in 1991 (see ©A1-41). The PMR, prepared by OHR, has consistently provided useful basic information on the merit system employment profile, turnover, and wage and salary comparability. In this year's PMR the information is once again clearly presented and readily understandable. The comparative information on salaries (see ©A30-41) is especially useful; some of it is cited in the earlier discussion here of pay changes in the County and the region. Other useful information includes turnover data on the 585 employees (6.5 percent of the workforce) who left County Government service in 2008 (see ©A26-28). There are again data on temporary and seasonal workers (see ©A22-24), who are represented by MCGEO.

---

[1] To see the appendix, go to www.montgomerycountymd.gov/council, click on Packets & Meeting Summaries, and select April 20, 2009, MFP Committee, Compensation and Benefits (Data).

M-NCPPC again prepared a detailed Personnel Management Review, which it initiated in 1995. This PMR (see ©A42-190) covers personnel data affecting both counties and is a comprehensive and highly informative document. Its clearly presented data and excellent graphics provide detailed information about the full range of workforce issues and personnel policies. This year's edition again provides expanded data by department and for seasonal, intermittent, temporary, and term employees.

WSSC again prepared a Human Resources Management Review that contains new and comparative data in a number of areas (see ©A191-222). This report, which WSSC initiated in 1995, includes data on such matters as the diversity of WSSC's workforce in 2008: 43.8 percent Caucasian, 46.8 percent African American, 6.0 percent Asian, 2.6 percent Hispanic, and 0.8 percent Native American.

MCPS again provided a Staff Statistical Profile (see ©A223-308), which contains a wide range of useful data – for example, salary and turnover data that were helpful in 2006 in the Council's review of the Superintendent's request to improve pensions for MCPS employees.

The **College** again provided a Personnel Profile (see ©A309-316). This brief report contains useful graphics and more detailed information on group insurance benefits and composition of faculty and staff.

C. Employee Awards and Tuition Assistance

In past briefings on compensation, the Committee has examined such programs as County Government leave awards, M-NCPPC's employee recognition program, WSSC's merit pay system, and performance-based pay. The Committee has also reviewed tuition assistance issues.

The following table outlines the agencies' FY09 costs and FY10 requests in dollars. (County Government's awards programs are outlined on ©56.[1])

	Employee Awards		**Tuition Assistance**	
	FY09	**FY10**	**FY09**	**FY10**
County Government	see © 56	TBD	700,800	755,870
MCPS	none	none	3,488,844	3,888,844
Montgomery College	75,000	75,000	675,000	750,000
M-NCPPC	155,200*	60,150*	37,500*	33,000*
WSSC	121,200	59,100	150,000	150,000

*Montgomery County only

[1]This report does not include performance-based pay awards for employees in the Management Leadership Service or for non-represented employees. In 2000 County Government also began the *Montgomery's Best* honors awards, which are based on recognition rather than cash awards. The program's purpose is to "recognize exceptional efforts by individuals, teams, and organizations to support the County's guiding principles and programs."

D. Additional Compensation Information

1. Annual Leave Cash Out. Under the 2001 Personnel Regulations the Chief Administrative Officer, subject to budget limitations, may authorize employees to cash out part of their accrued annual leave in excess of the annual carry-over limit. For FY02-04 the CAO decided that because of the County's fiscal situation there would be no annual leave cash out.

For FY05 the CAO authorized a cash-out of 30 percent. The cost was $368,245 for 385 employees. For FY06 the CAO authorized a cash-out of 50 percent. The cost was $812,731 for 482 employees. For FY07 the CAO again authorized a cash-out of 50 percent. The cost was $1,092,439 for 630 employees. For FY08 and again for FY09, given the fiscal situation, there was no cash-out.

2. Testimony. During the course of the Council's five public hearings on the FY09 operating budget on April 13-16, a number of speakers addressed compensation issues. Councilmembers have copies of this testimony and also of all correspondence related to compensation.

E. Closing Point

The salary and benefit costs that comprise 80 percent of the budget are affordable when times are good and revenue growth is strong. In serious downturns they are not, and fault lines between the County's promises to employees and its ability to pay for them begin to emerge. Absent an economic recovery that is robust and has staying power, these fault lines will deepen.

f:\farber\10compensation\mfpworksession 4-20-09.doc

TAX SUPPORTED WORKYEARS, WAGES AND BENEFITS BY AGENCY
(FY09 Approved and FY10 Agency Requests)
Benefits are social security, retirement, and group insurance

I. Active Employees

Agency	FY	WY	Wages	Benefits	Total comp for Active empl
County Government	FY09	8,368	546,315,165	264,193,295	810,508,460
	FY10	8,084	546,991,638	255,775,922	802,767,560
% Change		-3.4%	0.1%	-3.2%	-1.0%
MCPS	FY09	19,537	1,345,341,160	337,478,343	1,682,819,503
	FY10	19,585	1,357,272,414	377,254,340	1,734,526,754
% Change		0.2%	0.9%	11.8%	3.1%
College	FY09	1,720	139,101,828	24,595,380	163,697,208
	FY10	1,710	142,406,762	25,070,263	167,477,025
% Change		-0.6%	2.4%	1.9%	2.3%
MNCPPC	FY09	899	62,660,189	18,281,700	80,941,889
	FY10	913	64,742,029	20,268,466	85,010,495
% Change		1.6%	3.3%	10.9%	5.0%
TOTAL	FY09	30,524	2,093,418,342	644,548,718	2,737,967,060
	FY10	30,292	2,111,412,843	678,368,991	2,789,781,834
% Change		-0.8%	0.9%	5.2%	1.9%

****

II. Retiree Benefits: Group insurance (data in last column only)

County Government	FY09				42,431,260
	FY10				42,431,260
% Change					0.0%
MCPS	FY09				56,579,298
	FY10				68,314,399
% Change					20.7%
College	FY09				3,200,000
	FY10				4,000,000
% Change					25.0%
MNCPPC	FY09				4,735,611
	FY10				5,432,256
% Change					14.7%
TOTAL	FY09				106,946,169
	FY10				120,177,915
% Change					12.4%

(1)

TAX SUPPORTED SALARIES AND BENEFITS BY AGENCY
(FY09 Approved and FY10 Agency Requests)

Agency	FY	Total Compensation Active Employees	Retiree Benefits	Total Compensation	Agency budget without debt service	Total Compensation as % of Budget
County Government	FY09	810,508,460	42,431,260	852,939,720	1,279,432,930	66.7%
	FY10	802,767,560	42,431,260	845,198,820	1,273,803,750	66.4%
% Change		-1.0%	0.0%	-0.9%	-0.4%	
MCPS	FY09	1,682,819,503	56,579,298	1,739,398,801	1,936,956,571	89.8%
	FY10	1,734,526,754	68,314,399	1,802,841,153	1,999,240,463	90.2%
% Change		3.1%	20.7%	3.6%	3.2%	
College	FY09	163,697,208	3,200,000	166,897,208	211,607,803	78.9%
	FY10	167,477,025	4,000,000	171,477,025	217,999,063	78.7%
% Change		2.3%	25.0%	2.7%	3.0%	
MNCPPC	FY09	80,941,889	4,735,611	85,677,500	114,335,250	74.9%
	FY10	85,010,495	5,432,256	90,442,751	119,131,850	75.9%
% Change		5.0%	14.7%	5.6%	4.2%	
TOTAL	FY09	2,737,967,060	106,946,169	2,844,913,229	3,542,332,554	80.3%
	FY10	2,789,781,834	120,177,915	2,909,959,749	3,610,175,126	80.6%
Amount Change		51,814,774	13,231,746	65,046,520	67,842,572	
% Change		1.9%	12.4%	2.3%	1.9%	

SELECTED COMPENSATION DATA, FY10 REQUESTS

Tax-supported only

Item	County Government	MCPS	College	MNCPPC	Total
Cost of General Wage Adjustment (wages, social security, retirement)	0	0	0	831,900	831,900
Cost of other Wage Adjustment (wages, social security, retirement)	0	0	0	0	0
Cost per 1% General Wage Adjustment (wages, social security, retirement)	6,617,195	15,022,901	1,257,004	717,200	23,614,300
Cost per furlough day (wages, social security, retirement)	2,241,722	6,817,660	576,177	296,600	9,932,159
Cost of increments for employees not at top of grade (wages, social security, retirement)	5,604,510	27,290,560	2,313,659	910,900	36,119,629
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	1,601,289	9,223,054	771,220	260,200	11,855,763

3

	A	B	C	D	E	F
1	COUNTY GOVERNMENT WAGES, SOCIAL SECURITY, and RETIREMENT					
2	TAX SUPPORTED FUNDS, FY09 BUDGET AND FY10 REQUEST					
3						
4						
5	**Tax Supported Funds, FY09 Approved Budget**	MCGEO	IAFF	FOP	Non Represented	TOTAL
6	Filled positions, tax and non-tax supported (Dec 31, 2007)	4,703	1,091	1,144	2,121	9,059
7	Percent of total	51.9%	12.0%	12.6%	23.4%	100.0%
9	Workyears (bargaining units estimated)	4,344	1,008	1,057	1,959	8,368
11	**Active employees:**					
12	Wages					546,315,165
13	Social Security					42,496,795
14	Retirement					116,577,355
15	Group insurance for active employees					80,559,735
16	Subtotal					785,949,050
17	Other (such as overtime, shift differential, and temporary/seasonal employees budgeted in group positions)					24,559,410
18	These other costs are not collected by bargaining unit.					
19	Total compensation for active employees	304,116,455	134,921,613	134,572,047	212,338,934	810,508,460
20	**Retiree benefits: group insurance**					
21	Pay as you go amount					26,039,330
22	Phase in of OPEB					16,391,930
23	Total compensation for retired employees					42,431,260
25	Total compensation for active and retired employees	304,116,455	134,921,613	134,572,047	212,338,934	852,939,720
26		39%	17%	17%	27%	100%
27	Operating budget without debt service					1,279,432,930
29	Total compensation as % of total operating budget					66.7%
32	% General Wage Adjustment	4.5%	3%*	4.0%	4.5%**	NA
33	Cost of General Wage Adjustment (wages, social security, retirement)	11,261,906	3,459,695	4,653,516	7,924,428	27,299,545
34	Cost of other Wage Adjustment (wages, social security, retirement)					0
35	Cost per 1% General Wage Adjustment (wages, social security, retirement)	2,502,646	1,153,232	1,163,379	1,797,939	6,617,195
36	Cost per furlough day (wages, social security)	892,710	353,334	356,580	649,863	2,252,487
37	Cost of increments for employees not at top of grade (wages, social security, retirement)	2,660,365	797,521	1,191,618	884,619	5,534,123
38	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	760,104	227,863	340,462	252,748	1,581,178
39	* 2.0% July 2008; 2.0% January 2009					
40	** Fire managers receive 3% (2% in July and January) and Police Managers receive 4% in FY09.					

	A	B	C	D	E	F
41	**Tax Supported Funds, FY10 Request**	MCGEO	IAFF	FOP	Non Represented	TOTAL
42	Filled positions, tax and non-tax supported (Dec 31, 2008)	4,967	1,142	1,151	2,079	9,339
43	Percent of total	53.2%	12.2%	12.3%	22.3%	100.0%
44						
45	Workyears (bargaining units estimated)	4,300	989	996	1,800	8,084
46						
47	**Active employees:**					
48	Wages					546,991,638
49	Social Security					42,587,950
50	Retirement					115,025,340
51	Group insurance for active employees					78,889,030
52	Subtotal					783,493,958
53	Other					19,273,602
54	Total compensation for active employees	302,219,410	137,485,608	133,179,282	210,609,657	802,767,560
55	**Retiree benefits: group insurance**					
56	Pay as you go amount					26,039,330
57	Phase in of OPEB					16,391,930
58	Total compensation for retired employees					42,431,260
59						
60	Total compensation for active and retired employees	302,219,410	137,485,608	133,179,282	210,609,657	845,198,820
61		39%	18%	17%	27%	100%
62	Operating budget without debt service					1,273,803,750
63						
64	Total compensation as % of total operating budget					66.4%
65						
66						
67	% General Wage Adjustment	0.00%	0.00%	0.00%	0.00%	NA
68	Cost of General Wage Adjustment (wages, social security, retirement)	0	0	0	0	0
69	Cost of other Wage Adjustment (wages, social security, retirement)					0
70	Cost per 1% General Wage Adjustment (wages, social security, retirement)	2,502,646	1,153,232	1,163,379	1,797,939	6,617,195
71	Cost per furlough day (wages, social security)	886,049	362,074	351,045	642,554	2,241,722
72	Cost of increments for employees not at top of grade (wages, social security, retirement)	2,689,620	833,710	1,245,431	835,749	5,604,510
73	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	768,463	238,203	355,837	238,785	1,601,289
74						

5

	A	B	C	D	E	F
75	**Amount increase FY09-FY10**	MCGEO	IAFF	FOP	Non Represented	TOTAL
76	Workyears	(45)	(19)	(60)	(160)	(284)
77						
78	**Active employees:**					
79	Wages					676,473
80	Social Security					91,155
81	Retirement					(1,552,015)
82	Group insurance for active employees					(1,670,705)
83	Subtotal					(2,455,092)
84	Other					(5,285,808)
85	Total compensation for active employees	(1,897,045)	2,563,995	(1,392,765)	(1,729,277)	(7,740,900)
86	**Retiree benefits: group insurance**					
87	Pay as you go amount					0
88	Phase in of the Annual Required Contribution					0
89	Total compensation for retired employees					0
90						
91	Total compensation for active and retired employees					(7,740,900)
92						
93						
94	**Percent increase FY09-FY10**					
95	Workyears	-0.95%	-1.76%	-5.28%	-7.52%	-3.13%
96	**Active employees:**					
97	Wages					0.12%
98	Social Security					0.21%
99	Retirement					-1.33%
100	Group insurance for active employees					-2.07%
101	Subtotal					-0.31%
102	Other					-21.52%
103	Total compensation for active employees	-0.62%	1.90%	-1.03%	-0.81%	-0.96%
104	**Retiree benefits: group insurance**					
105	Pay as you go amount					0.00%
106	Phase in of the Annual Required Contribution					0.00%
107	Total compensation for retired employees					0.00%
108						
109	Total compensation for active and retired employees					-0.91%

MONTGOMERY COUNTY PUBLIC SCHOOLS WAGES, SOCIAL SECURITY, and RETIREMENT
TAX SUPPORTED FUNDS, FY09 BUDGET AND FY10 REQUEST

Tax Supported Funds, FY09 Approved Budget	MCAASP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears	684.000	N/A	11,330.100	7,440.826	82.000	19,536.926
Active employees:						
Wages	86,819,696	N/A	922,656,559	327,038,157	8,826,748	1,345,341,160
Social Security	6,641,707	N/A	70,583,227	25,018,419	675,246	102,918,599
Retirement	3,995,410	N/A	40,125,697	14,451,548	408,545	58,981,200
Group insurance for active employees	6,147,108	N/A	101,823,799	66,870,704	736,934	175,578,544
Total compensation for active employees	103,603,921	N/A	1,135,189,282	433,378,828	10,647,473	1,682,819,503
Retiree benefits: group insurance						
Pay as you go amount						38,359,298
Phase in of OPEB						18,220,000
Total compensation for retired employees						56,579,298
Total compensation for active and retired employees	103,603,921	N/A	1,135,189,282	433,378,828	10,647,473	1,739,398,801
Operating budget without debt service	N/A	N/A	N/A	N/A	N/A	1,936,956,571
Total compensation as % of total operating budget	N/A	N/A	N/A	N/A	N/A	89.8%
% General Wage Adjustment	5.00%	N/A	5.00%	5.00%	5.00%	N/A
Cost of General Wage Adjustment (wages, social security, retirement)	4,747,906	N/A	48,704,527	17,335,505	870,806	71,658,744
Cost of other Wage Adjustment (wages, social security, retirement)		N/A	9,600			9,600
Cost per 1% General Wage Adjustment (wages, social security, retirement)	949,581	N/A	9,740,905	3,467,101	174,161	14,331,748
Cost per furlough day (wages, social security, retirement)	373,935	N/A	4,576,593	1,525,470	37,958	6,513,956
Cost of increments for employees not at top of grade (wages, social security, retirement)	1,073,826	N/A	19,276,690	6,580,503	N/A	26,931,019
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	367,749	N/A	5,603,689	1,750,134	N/A	7,721,572

Tax Supported Funds, FY10 Request	MCAASP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears	677.000	79.750	11,408.600	7,339.043	81.000	19,585.393
Active employees:						
Wages	85,170,321	7,703,825	932,891,297	322,782,976	8,723,995	1,357,272,414
Social Security	6,515,530	589,343	71,366,184	24,692,898	667,386	103,831,341
Retirement	4,204,237	385,139	45,996,881	15,918,541	435,433	66,940,231
Group insurance for active employees	7,137,611	840,804	120,274,840	77,375,530	853,983	206,482,768
Total compensation for active employees	103,027,699	9,519,111	1,170,529,202	440,769,945	10,680,797	1,734,526,754
Retiree benefits: group insurance						
Pay as you go amount						37,773,274
Phase in of OPEB						30,541,125
Total compensation for retired employees						68,314,399
Total compensation for active and retired employees	103,027,699	9,519,111	1,170,529,202	440,769,945	10,680,797	1,802,841,153
Operating budget without debt service	N/A	N/A	N/A	N/A	N/A	1,999,240,463
Total compensation as % of total operating budget						90.2%
% General Wage Adjustment	0.00%	0.00%	0.00%	0.00%	0.00%	N/A
Cost of General Wage Adjustment (wages, social security, retirement)	0	0	0	0	0	0
Cost of other Wage Adjustment (wages, social security, retirement)	0	0	0	0	0	0
Cost per 1% General Wage Adjustment (wages, social security, retirement)	972,576	86,405	10,211,729	3,664,951	87,240	15,022,901
Cost per furlough day (wages, social security, retirement)	366,850	33,130	4,795,821	1,584,366	37,493	6,817,660
Cost of increments for employees not at top of grade (wages, social security, retirement)	1,127,709	230,545	20,142,353	5,759,775	30,178	27,290,560
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	543,916	56,265	6,569,073	2,041,735	12,065	9,223,054

Amount increase FY09-FY10	MCAASP	MCBOA	MCEA	SEIU	Non Represented	TOTAL
Workyears	(7.000)	79.750	78.500	(101.783)	(1.000)	48.467
Active employees:						
Wages	(1,649,375)	7,703,825	10,234,738	(4,255,181)	(102,753)	11,931,254
Social Security	(126,177)	589,343	782,957	(325,521)	(7,860)	912,742
Retirement	208,827	385,139	5,871,184	1,466,993	26,888	7,959,031
Group insurance for active employees	990,503	840,804	18,451,041	10,504,827	117,049	30,904,224
Total compensation for active employees	(576,222)	9,519,111	35,339,920	7,391,117	33,324	51,707,252
Retiree benefits: group insurance						0
Pay as you go amount	0	0	0	0	0	(586,024)
Phase in of the Annual Required Contribution	0	0	0	0	0	12,321,125
Total compensation for retired employees	0	0	0	0	0	11,735,101
Total compensation for active and retired employees	(576,222)	9,519,111	35,339,920	7,391,117	33,324	63,442,353
Percent increase FY09-FY10						
Workyears	-1.02%	N/A	0.69%	-1.37%	-1.22%	0.25%
Active employees:						
Wages	-1.90%	N/A	1.11%	-1.30%	-1.16%	0.89%
Social Security	-1.90%	N/A	1.11%	-1.30%	-1.16%	0.89%
Retirement	5.23%	N/A	14.63%	10.15%	6.58%	13.49%
Group insurance for active employees	16.11%	N/A	18.12%	15.71%	15.88%	17.60%
Total compensation for active employees	-0.56%	N/A	3.11%	1.71%	0.31%	3.07%
Retiree benefits: group insurance						
Pay as you go amount						-1.53%
Phase in of the Annual Required Contribution						67.6%
Total compensation for retired employees						
Total compensation for active and retired employees	-0.56%	N/A	3.11%	1.71%	0.31%	3.65%

Note: Data is not available for FY 2009 for MCBOA due to the formation of this new bargaining unit. Increment data is not available for nonrepresented employees for FY 2009. Many employees formally classified as nonrepresented were moved into MCBOA.

	A	B	C	D	E	F
1	MONTGOMERY COLLEGE WAGES, SOCIAL SECURITY, and RETIREMENT					
2	TAX SUPPORTED FUNDS, FY09 BUDGET AND FY10 REQUEST					
3						
4	Tax Supported Funds, FY09 Approved Budget	AAUP	ACSFME	ADM	ALL OTHER	TOTAL
5	Workyears	588.00	505.60	74.00	552.25	1,719.85
6	**Active employees:**					
7	Wages	45,360,567	24,877,801	9,587,641	59,275,819	139,101,828
8	Social Security	3,361,990	1,843,869	710,607	4,393,358	10,309,825
9	Retirement		757,440		820,560	1,578,000
10	Other Benefits (EAP, recognition awards, comp absences, etc)	676,601	581,785	85,150	635,464	1,979,000
11	Group insurance for active employees	3,667,991	3,153,973	461,618	3,444,973	10,728,555
12	Total compensation for active employees	53,067,149	31,214,868	10,845,017	68,570,174	163,697,208
13	**Retiree benefits: group insurance**					
14	Pay as you go amount	854,726	734,948	107,567	802,759	2,500,000
15	Phase in of OPEB	239,323	205,785	30,119	224,773	700,000
16	Total compensation for retired employees	1,094,049	940,733	137,685	1,027,531	3,200,000
17						
18	Total compensation for active and retired employees	54,161,198	32,155,601	10,982,702	69,597,706	166,897,208
19						
20	Operating budget without debt service					211,607,803
21						
22	Total compensation as % of total operating budget					78.9%
23						
24						
25	% General Wage Adjustment	5.50%	5.00%	5.00%	5.00%	
26	Cost of General Wage Adjustment (wages, social security, retirement)	2,485,884	1,250,574	479,953	1,913,594	6,130,005
27	Cost of other Wage Adjustment (wages, social security, retirement)	na	na	na	na	na
28	Cost per 1% General Wage Adjustment (wages, social security, retirement)	451,979	250,115	95,991	382,719	1,180,803
29	Cost per furlough day (wages, social security, retirement)	271,281	103,004	39,697	157,238	571,219
30	Cost of increments for employees not at top of grade (wages, social security, retirement)	1,146,884	416,034	202,144	539,135	2,304,197
31	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	382,295	138,678	67,381	179,712	768,066

College

	A	B	C	D	E	F
32	Tax Supported Funds, FY10 Request	AAUP	ACSFME	ADM	ALL OTHER	TOTAL
33	Workyears	588.00	494.60	74.00	553.25	1,709.85
34	**Active employees:**					
35	Wages	46,264,209	24,897,319	9,507,391	61,737,843	142,406,762
36	Social Security	3,371,064	1,814,151	692,759	4,498,545	10,376,520
37	Retirement		590,000		660,000	1,250,000
38	Other Benefits (EAP, recognition awards, comp absences, etc)	736,268	619,317	92,660	692,756	2,141,000
39	Group insurance for active employees	3,886,898	3,269,489	489,167	3,657,189	11,302,743
40	Total compensation for active employees	54,258,439	31,190,276	10,781,977	71,246,333	167,477,025
41	**Retiree benefits: group insurance**					
42	Pay as you go amount	962,891	809,942	121,180	905,986	2,800,000
43	Phase in of OPEB	412,668	347,118	51,934	388,280	1,200,000
44	Total compensation for retired employees	1,375,559	1,157,061	173,115	1,294,266	4,000,000
45						
46	Total compensation for active and retired employees	55,633,998	32,347,337	10,955,092	72,540,599	171,477,025
47						
48	Operating budget without debt service					217,999,063
49						
50	Total compensation as % of total operating budget					78.7%
51						
52	% General Wage Adjustment	0.000%	0.000%	0.000%	0.000%	0.000%
53	Cost of General Wage Adjustment (wages, social security, retirement)	0	0	0	0	0
54	Cost of other Wage Adjustment (wages, social security, retirement)	na	na	na	na	na
55	Cost per 1% General Wage Adjustment (wages, social security, retirement)	486,101	263,150	100,065	407,688	1,257,004
56	Cost per furlough day (wages, social security, retirement)	275,752	102,343	39,081	159,002	576,177
57	Cost of increments for employees not at top of grade (wages, social security, retirement)	1,193,291	383,903	188,530	547,935	2,313,659
58	Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	397,764	127,968	62,843	182,645	771,220

College

	A	B	C	D	E	F
59	Amount increase FY09-FY10	AAUP	ACSFME	ADM	ALL OTHER	TOTAL
60	Workyears	0.00	(11.00)	0.00	1.00	(10.00)
61	**Active employees:**					
62	Wages	903,642	19,518	(80,250)	2,462,024	3,304,934
63	Social Security	9,074	(29,717)	(17,848)	105,187	66,695
64	Retirement	0	(167,440)	0	(160,560)	(328,000)
65	Other Benefits (EAP, recognition awards, comp absences, etc)	59,667	37,532	7,509	57,292	162,000
66	Group insurance for active employees	218,907	115,516	27,549	212,217	574,188
67	Total compensation for active employees	1,191,289	(24,591)	(63,040)	2,676,159	3,779,817
68	**Retiree benefits: group insurance**					
69	Pay as you go amount	108,166	74,995	13,614	103,227	300,001
70	Phase in of the Annual Required Contribution	173,345	141,333	21,815	163,507	500,000
71	Total compensation for retired employees	281,510	216,327	35,429	266,734	800,001
72						
73	Total compensation for active and retired employees	1,472,800	191,736	(27,610)	2,942,893	4,579,818
74						
75						
76	Percent increase FY09-FY10					
77	Workyears	0.00%	-2.18%	0.00%	0.18%	-0.58%
78	**Active employees:**					
79	Wages 1)	1.99%	0.08%	-0.84%	4.15%	2.38%
80	Social Security	0.27%	-1.61%	-2.51%	2.39%	0.65%
81	Retirement		-22.11%		-19.57%	-20.79%
82	Other Benefits (EAP, recognition awards, comp absences, etc)	8.82%	6.45%	8.82%	9.02%	8.19%
83	Group insurance for active employees	5.97%	3.66%	5.97%	6.16%	5.35%
84	Total compensation for active employees	2.24%	-0.08%	-0.58%	3.90%	2.31%
85	**Retiree benefits: group insurance**					
86	Pay as you go amount	12.66%	10.20%	12.66%	12.86%	12.00%
87	Phase in of the Annual Required Contribution	72.43%	68.68%	72.43%	72.74%	71.43%
88	Total compensation for retired employees	25.73%	23.00%	25.73%	25.96%	25.00%
89						
90	Total compensation for active and retired employees					2.74%
91						
92	(1) All other includes temps with benefits, student assts, overtime, part-time faculty, hearing interpretors, etc.					

MNCPPC WAGES, SOCIAL SECURITY, and RETIREMENT
TAX SUPPORTED FUNDS, FY09 BUDGET AND FY10 REQUEST

Tax Supported Funds, FY09 Approved Budget	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	91.00	276.00	532.06	899.06
Active employees:				
Wages	6,342,265	12,365,683	43,952,240	62,660,189
Social Security	88,284	908,136	3,227,853	4,224,273
Retirement	876,755	1,317,687	4,683,551	6,877,993
Group insurance for active employees	726,680	2,203,995	4,248,760	7,179,434
Total compensation for active employees	8,033,984	16,795,501	56,112,403	80,941,889
Retiree benefits: group insurance				
Pay as you go amount	282,548	550,891	1,958,072	2,791,511
Phase in of OPEB	196,776	596,814	1,150,510	1,944,100
Total compensation for retired employees	479,324	1,147,705	3,108,583	4,735,611
Total compensation for active and retired employees	8,513,308	17,943,206	59,220,986	85,677,500
Operating budget without debt service				114,335,250
Total compensation as % of total operating budget				74.9%
% General Wage Adjustment				NA
Cost of General Wage Adjustment (wages, social security, retirement)	190,000	379,400	1,348,500	1,917,900
Cost of other Wage Adjustment (wages, social security, retirement)				0
Cost per 1% General Wage Adjustment (wages, social security, retirement)	58,500	116,700	414,900	590,100
Cost per furlough day (wages, social security, retirement)	28,000	55,900	198,700	282,600
Cost of increments for employees not at top of grade (wages, social security, retirement)	89,500	178,700	635,300	903,500
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	25,600	51,100	181,500	258,200

Tax Supported Funds, FY10 Request	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	91.00	276.00	546.15	913.15
Active employees:			1	
Wages	6,634,040	12,693,374	45,396,616	64,724,029
Social Security	92,346	932,201	3,333,927	4,358,475
Retirement	1,018,989	1,596,319	5,709,078	8,324,386
Group insurance for active employees	757,738	2,298,193	4,547,675	7,603,605
Total compensation for active employees	8,503,112	17,520,087	58,987,296	85,010,495
Retiree benefits: group insurance				
Pay as you go amount	295,546	565,490	2,022,419	2,883,456
Phase in of OPEB	254,001	770,376	1,524,423	2,548,800
Total compensation for retired employees	549,547	1,335,866	3,546,843	5,432,256
Total compensation for active and retired employees	9,052,659	18,855,953	62,534,139	90,442,750
Operating budget without debt service				119,131,850
Total compensation as % of total operating budget				75.9%
% General Wage Adjustment				NA
Cost of General Wage Adjustment (wages, social security, retirement)	212,600	135,325	483,975	831,900
Cost of other Wage Adjustment (wages, social security, retirement)				
Cost per 1% General Wage Adjustment (wages, social security, retirement)	56,700	144,300	516,200	717,200
Cost per furlough day (wages, social security, retirement)	29,700	58,300	208,600	296,600
Cost of increments for employees not at top of grade (wages, social security, retirement)	76,100	182,414	652,386	910,900
Cost of 1% increment for employees not at top of grade (wages, social security, retirement)	21,700	52,100	186,400	260,200

41

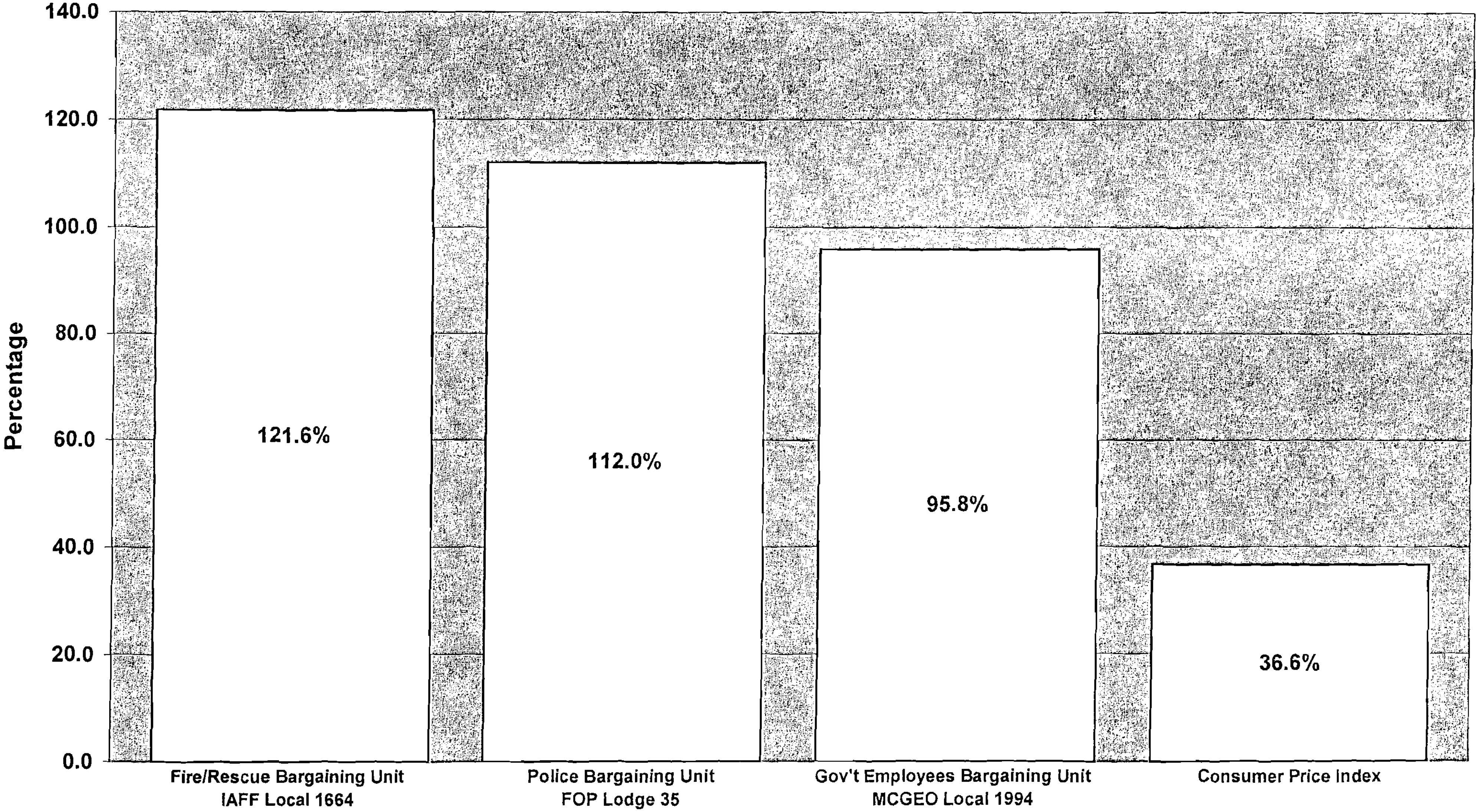
Amount increase FY09-FY10	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	0	0	14.09	14.09
Active employees:				
Wages	291,774	327,691	1,444,375	2,063,840
Social Security	4,061	24,066	106,075	134,202
Retirement	142,234	278,631	1,025,528	1,446,393
Group insurance for active employees	31,058	94,198	298,915	424,171
Total compensation for active employees	469,128	724,586	2,874,893	4,068,606
Retiree benefits: group insurance				
Pay as you go amount	12,999	14,599	64,347	91,944
Phase in of the Annual Required Contribution	57,225	173,562	373,913	604,700
Total compensation for retired employees	70,224	188,161	438,260	696,644
Total compensation for active and retired employees	539,351	912,746	3,313,153	4,765,250

Percent increase FY09-FY10	FOP	MCGEO	Nonrepresented	TOTAL
Workyears	0.00%	0.00%	2.65%	1.57%
Active employees:				
Wages	4.60%	2.65%	3.29%	3.29%
Social Security	4.60%	2.65%	3.29%	3.18%
Retirement	16.22%	21.15%	21.90%	21.03%
Group insurance for active employees	4.27%	4.27%	7.04%	5.91%
Total compensation for active employees	5.84%	4.31%	5.12%	5.03%
Retiree benefits: group insurance				
Pay as you go amount	4.60%	2.65%	3.29%	3.29%
Phase in of the Annual Required Contribution	29.08%	29.08%	32.50%	31.10%
Total compensation for retired employees	14.65%	16.39%	14.10%	14.71%
Total compensation for active and retired employees	6.34%	5.09%	5.59%	5.56%

Note: Total Compensation costs and total operating budget figures do not include chargebacks, debt service, or reserves.

5

Montgomery County Government Base Salary Increases, FY99-09



Notes:

Salary information for County bargaining units is from the approved County salary schedules for FY99-09, including increases due to general wage adjustments (COLAs) and service increments (steps), for employees who have not reached the top of their grade. Additional pay increases due to promotions or special pay categories (such as shift differentials or multi-lingual pay) are not included. Information on the Consumer Price Index is from the Bureau of Labor Statistics.

SUMMARY OF FY10 RECOMMENDATIONS

A. SUMMARY OF AGENCY REQUESTS

Montgomery County Public Schools (MCPS):
The MCPS workforce for FY10, as recommended by the Board of Education (BOE), is 20,969.6 FTEs, or 200.1 FTEs greater than the FY09 workforce of 20,769.5 FTEs. The BOE has negotiated agreements with the public schools' bargaining units, the Service Employees International Union (SEIU), the Montgomery County Education Association (MCEA), the Montgomery County Association of Administrators and Supervisory Personnel (MCAASP), and the Montgomery County Business and Operations Administrators (MCBOA). The contracts with these unions will expire on June 30, 2014. For more information on compensation and workforce changes, please see the Board of Education FY10 recommended budget document.

Montgomery College (MC): The net impact on the Montgomery College workforce for FY10, as requested by the College and its Board of Trustees, and recommended by the County Executive, is a decrease of 10.0 work years. This is accompanied by an increase in personnel costs of about $4.5 million. The primary factors for these cost changes are the full-year impact of prior year merit increases, reclassifications, promotions, and fringe benefit increases. For more information on compensation and workforce changes, please consult the Adopted FY10 Montgomery College Operating Budget Request, available on the College's website.

Maryland-National Capital Park & Planning Commission (M-NCPPC): The net impact on the Maryland-National Capital Park and Planning Commission workforce for FY10, as recommended by the Planning Board, is an increase in personnel costs of $4.9 million. The increase includes adjustments for merit pay increases, retirement, and group insurance. For more information on compensation and workforce changes, please see the M-NCPPC FY10 recommended budget document.

Montgomery County Government (MCG): The net impact on the County government workforce for FY10, as recommended by the Executive, is a decrease of 298.9 workyears. The recommended budget contains a decrease in total personnel costs of $7.0 million, or -0.8 percent. The primary factors in these changes are:

	Millions
• Net reduction in workyears, and anticipated turnover and lapse	($16.2)
• Performance-based Pay	($2.1)
• Expected early retirement savings	($1.0)
• Service increments ($5.5 million tax-supported)	$6.6
• Changes in retirement contribution rates	$3.9
• Changes in group insurance contribution rates	$1.8

FY10 COUNTY EXECUTIVE RECOMMENDED COMPENSATION ADJUSTMENTS		
GENERAL WAGE ADJUSTMENT		$0
SERVICE INCREMENTS		
Non-represented (non-public safety)		1,030,590
MCGEO and uniformed public safety management		3,586,990
FOP members and uniformed Police management		1,166,680
IAFF and uniformed Fire management		835,590
TOTAL	**$**	**6,619,850**
PERFORMANCE-BASED PAY		**(2,126,880)**
TOTAL COMPENSATION ADJUSTMENTS	**$**	**4,492,970**

The recommendations in the remainder of this section are for the County government and are based upon the bargained agreements with the United Food and Commercial Workers, Local 1994 (Municipal and County Government Employees Organization – MCGEO), the International Association of Fire Fighters (IAFF), Local 1664, the Fraternal Order of Police (FOP), Lodge 35, and Montgomery County Volunteer Fire and Rescue Association (MCVFRA). Certain provisions of the agreements have been extended to unrepresented employees, as noted below.

B. COUNTY GOVERNMENT SALARY AND WAGES

GENERAL WAGE ADJUSTMENT: As a result of contract renegotiations with the County's employee organizations and anticipated successful conclusion of negotiations with the International Association of Fire Fighters, Local 1664, the Executive's recommended budget does not fund general wage adjustments for any employees in FY10. All recommended salary schedules are at the end of this section.

INCREMENTS: The Executive recommends service increments of 3.5 percent for all eligible employees.

MANAGEMENT LEADERSHIP SERVICE: MLS employees are not eligible for service increments but are instead eligible for performance-based pay adjustments. The Executive recommends $496,310 in the Compensation Adjustment NDA to fund lump sum pay awards of one percent or two percent based on performance. These bonuses do not increase the salary of MLS employees and are consistent with the awards paid in FY09.

C. COUNTY GOVERNMENT: EMPLOYEE BENEFITS

The following employee benefits are funded in the Executive's recommended budget through a combination of lump sum or payroll-based contributions.

- **FICA (Social Security & Medicare)**
- **Workers' Compensation**
- **Group Insurance**
- **Employees' Retirement System**
- **Retirement Savings Plan**

Social Security and Medicare: Contributions are collected from County departments and agencies each payday based on actual payroll. Since contribution rates and salary maximums change at the start of the calendar year, figures used in the recommended fiscal year budget represent an average of the rates set for 2009 and projected changes for 2010. While the rates (percentage of salary, which is contributed by both employer and employee) are not expected to change, the annual salary maximum on which to base FICA is projected to increase by about $4,300 or 4.0 percent.

Workers' Compensation: This is handled through the County's Risk Management program under the Department of Finance. Departments with significant non-tax revenues make annual contributions to the Liability and Property Coverage Self-Insurance Fund. A lump sum contribution to the Fund for insurance for the remaining County departments is made annually through the Risk Management (General Fund portion) Non-Departmental Account. Participating County agencies also make annual lump sum contributions. Contributions for all members are set each year based on an actuarial valuation of claims experience for Workers' Compensation.

Group Insurance Benefits: The contributions for health insurance are based on fixed rates per coverage level, and the contribution for life insurance is based on fixed rates per coverage amounts based on an employee's salary. Overall, in calendar 2009, plan participants experienced a 3.6 percent increase in premiums from the previous year. Rate changes were made pursuant to an actuarial analysis of claims experience and previous rate actions. The County also used a portion of the fund balance exceeding the target 5 percent to mitigate what would have been a higher increase in premiums.

It is projected for the long term that the annual cost of group insurance for the County, including active employees and retirees, could increase an average of approximately eleven percent annually between FY10 and FY15. Contribution rates during this period will be set based on various factors, including the fund balance in the Health Insurance Fund and claims cost experience.

Retirement Benefits: Montgomery County government maintains a system of retirement pay and benefits for its employees which are intended to provide income during their retirement years. The County government's Employees' Retirement System (ERS) was established through legislation in 1965 and is found in the Montgomery County Code, Section 33. The Retirement Program, which currently provides benefits to approximately 5,306 retirees and survivors, is administered by the Office of Human Resources. Retirement plan design changes occurring through the collective bargaining process and by other means are coordinated by the Office of Human Resources in consultation with the County's actuaries, the Finance Department, and the Office of Management and Budget.

Retiree Health Benefits Trust: Beginning in FY08, the County implemented a plan to set aside funds for retiree health benefits, similar to what we have been doing for retiree pension benefits for more than 50 years. The reasons for doing this are simple: due to exponential growth in expected retiree health costs, the cost of funding these benefits, which are currently paid out as the bills come due, may soon become unaffordable. Setting aside money now and investing it in a Trust Fund, which will be invested in a similar manner as the pension fund, not only is a prudent and responsible approach, but will result in significant savings over the long term.

As a first step in addressing the future costs of retiree health benefits, County agencies developed current estimates of the costs of health benefits for current and future retirees. These estimates, made by actuarial consultants, concluded that the County's total future cost of retiree health benefits if paid out today, and in today's dollars, is $2.6 billion – more than half the total FY09 budget for all agencies.

One approach used to address retiree health benefits funding is to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health benefits. This amount, known as an Annual Required Contribution or "ARC", was calculated for County agencies last year to be $240 million, or nearly $190 million more than the previous annual payment for current retirees. Still too large an amount to be set aside all at once in FY08, the County chose a further approach of "ramping up" to the ARC amount over several years, with the amount set aside each year increasing steadily until the full ARC is reached.0A total of $31.9 million for all tax supported agencies was budgeted for this purpose in FY08.

Proposed FY10 Retiree Health Benefits Trust Contributions

Montgomery County Government (MCG)	FY10
General Fund:	
Retiree Health Benefits Trust NDA	$16,391,930
Proprietary Funds:	
Bethesda Parking District	$56,650
Wheaton Parking District	8,500
Silver Spring Parking District	45,320
Solid Waste Collection	25,490
Solid Waste Disposal	203,920
Liquor Control	883,670
Permitting Services	606,100
Community Use of Public Facilities	76,470
Motor Pool	472,990
Risk Management	33,990
Central Duplicating	84,970
Participating Agency Contributions	$810,000
Total MCG Trust Contributions	**$19,700,000**
Montgomery County Public Schools Trust Fund	**18,300,000**
Montgomery College Trust Fund	**700,000**
Park and Planning Commission Trust Fund	**1,944,100**
Total Contributions/Assets Held in Trust	**$40,644,100**

For FY09, the ARC has been recalculated and is now estimated at $250 million. This amount consists of two pieces – the annual amount the County would usually pay out for health benefits for current retirees (the pay as you go amount), plus the additional amount estimated as needed to fund retirees' future health benefits (the pre-funding portion). The pay as you go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis. For FY09, a ramp-up period of eight years was assumed, up from the five year phase-in that was planned in FY08. Because of the County's fiscal situation, the Executive recommends level funding in FY10, which allows the County to defer $26 million in increased trust contributions. A detailed breakdown of the Retiree Health Benefit Trust contributions for tax supported agencies is displayed in the table at left.

Retirement Plans:

1) The Retirement Savings Plan (RSP), a defined contribution plan, was established for all new OPT/SLT (non-public safety) and non-represented employees hired on or after October 1, 1994. Eligible employees in the ERS are allowed to transfer to the Retirement Savings Plan. Both full-time and part-time employees can participate. Under this plan, the County and employee each make contributions at a set percentage of pay. These monies are deposited into investment vehicles of the employee's choosing designed to provide a retirement benefit directly to the employee.

2) The Employees Retirement System (ERS) consists of four plans including a Mandatory Integrated Retirement Plan, an Optional Non-Integrated Retirement Plan, an Optional Integrated Plan, and a Guaranteed Retirement Income Plan.

3) The Guaranteed Retirement Income Plan (GRIP) is a Cash Balance Plan that is being offered in FY10 as a result of negotiations between Montgomery County and UFCW Local 1994 MCGEO. Eligibility to participate has been passed through to non-represented employees and participants of participating agencies. All full and part-time non-public safety employees hired before January 1, 2009 enrolled in the RSP are eligible to make a one-time irrevocable election to transfer to the GRIP by June 1, 2009. Eligible employees hired after January 1, 2009, have the option to participate in either the RSP or the GRIP. As with the RSP, the County and employee each make contributions at a set percentage of pay. The salient feature of the GRIP is that the plan provides guaranteed annual earnings of 7.25%, credited monthly.

Retirement Fund: The Board of Investment Trustees manages the assets of the ERS through its investment managers in accordance with the Board's asset allocation strategy. The Board also administers the investment program for the Retirement Savings Plan, the GRIP, and the Montgomery County Deferred Compensation Plan. The Montgomery County Union Employees Deferred Compensation Plan is administered by the three unions representing Montgomery County employees. The Board currently consists of 13 trustees including: the Directors of Human Resources, Finance, Management and Budget, and the Council Staff; one member recommended by each employee organization; one active employee not represented by an employee organization; one retired employee; two members of the public recommended by the County Council; and two members of the general public.

Change In Retirement System Membership: As indicated in the table "Retirement Funds: Enrollment and County Contribution Rates" at the end of this narrative, the number of active non-public safety employees in the ERS declined, the number of active public safety employees increased, and the number of employees in the RSP increased.

19

Funds for the County's contribution to the ERS for each member employee are included in the appropriate County government departmental budget or agency budget. Budgeted ERS contribution rates are displayed in the table "Retirement Funds: Enrollment and Contribution Rates" at the end of this narrative and are based on a 40-year funding schedule, with the exception of the additional costs from the FY09 Retirement Incentive Program (RIP) which are being amortized on a 10-year schedule. The County uses multiple contribution rates designating the percentage of payroll for the various employee groups to determine the retirement contribution. These rates are determined annually by an actuarial valuation.

County contributions are determined using actuarially sound assumptions to assure the financial health of the Fund. Factors that affect the County's contributions include the impact of compensation adjustments, increases in the size of the workforce, investment returns, and collectively bargained benefit changes. The ERS contribution rates reflect projections of revenues and expenses to the fund. Revenues include member contributions which are set at fixed percentages of salaries and investment income which is driven by both earnings in the market and the size of the Fund balance invested.

Expenses of the Fund include pension payments which are affected by mandated cost-of-living increases and changes in the number of retirees and survivors; administrative and operational expenses of the Fund managers and financial consultants; and charges for services provided by County staff in the Board of Investment Trustees, Finance, and Human Resources.

The Executive and Municipal and County Government Employees Organization (MCGEO), Local 1994, agreed to seek legislation authorizing a retirement incentive program for FY10. Employees at normal retirement age or within two years of normal retirement will be eligible to receive the $40,000 incentive. Similar to the program successfully implemented in FY09, this incentive is intended to realize long term personnel cost savings, but it will also provide a mechanism to coordinate and manage the significant number of position abolishments and reductions-in-force included in the recommended budget. The Executive's budget includes estimated savings of $1,011,260 in the Personnel Cost Savings NDA for this program.

COLLECTIVE BARGAINING

Fire and Rescue Bargaining Unit:

International Association of Fire Fighters, Local 1664: The current agreement expires June 30, 2011. The agreement's salient economic terms include:

- A general wage adjustment of 2.0 percent effective the first full pay period after July 1, 2008, 2.0 percent in January 2009, 4.0 percent in July 2009, and 3.5 percent in July 2010.
- A new longevity adjustment at 28 years of service in July 2009, and an additional step on the salary schedule in July 2010.
- A service increment of 3.5 percent for eligible employees.
- New primary and backup scheduler differential in July 2008; and increase in hazardous materials, breathing apparatus technician certification, fire code, fire investigation, urban search and rescue, swift water rescue, and scheduler assignment pay, as well as an increase in ECC certification pay, in July 2009.
- Effective January 2009, County contribution for prescription insurance fixed to 80 percent of standard option (employee may buy-up at their own cost), generics are restricted, incentives are established for mail order, and high option copayments remain at $4/$8.
- Expansion of the list of illnesses for which an employee is automatically entitled to a service-connected disability retirement.
- A $100 increase each year in tuition assistance.
- Establishment of random drug testing.
- Bottled water at each station and parking improvements at select stations are provided.

For FY10, the Executive anticipates successful conclusion of negotiations with IAFF on wages, therefore, funding of the FY10 general wage adjustment is not included in the recommended budget. As a result, $4.7 million in increased costs are avoided.

Montgomery County Volunteer Fire and Rescue Association (MCVFRA): The current agreement expires June 30, 2011. The salient economic terms of the agreement include:

- Increased administrative support funding and a nominal fee for certain members.
- Turn-out boots and gear bags provided to active members.
- Increased number of contracts printed, association vehicle supplied, provision of one computer, development of online courses, and County sponsorship of annual awards dinner.
- Establishment of random drug testing.

OPT/SLT Bargaining Units:

Municipal and County Government Employees Organization (MCGEO), United Food and Commercial Workers, Local 1994: The current agreements expire June 30, 2010. The agreement's salient economic terms, including those negotiated through a reopener on health and pension issues, include:

20

- A general wage adjustment of 4.0, 4.5, and 4.5 percent effective the first full pay period in July 2007, 2008, and 2009, respectively.
- A service increment of 3.5 percent for eligible employees.
- An increase from 2 percent to 3 percent in longevity increment for unit members at pay grade maximum and 20 years of completed service effective January 2008.
- A $100 increase each year in tuition assistance.
- A wage increase for employees on the seasonal wage scale of $0.40 per hour in FY08 and $0.45 per hour in fiscal 2009 and 2010.
- A 1.5 percent retention increment for Bus Operators after four years completed service and an additional 1.5 percent retention increment after six years of completed service effective January 2008.
- Implementation of a new salary schedule for Correctional Officers and adjustments to the Deputy Sheriffs salary schedule to include Sergeants and a new step for Deputy Sheriff III and Sergeant.
- Increase evening shift differential $0.05 in FY08 and FY09; increase midnight shift differential $0.05 in fiscal 09; implement the midnight shift differential for non-ECC Police Public Service Aides working the 8 pm to 6 am shift; increase advanced multilingual differential $0.20 in FY08; and increase the field training differential $0.25 in FY08 and FY10.
- Implementation of a gainsharing program to encourage and promote new, innovative ideas, concepts and strategies to deliver County services and products cost effectively.
- Effective January 2009, County contribution for prescription insurance fixed to 80 percent of standard option (employee may buy-up at their own cost), generics are restricted, incentives are established for mail order, and high option copayments remain at $4/$8.
- In the Group E retirement plan, the social security integration multiplier increased from 1.25 to 1.65 percent
- Employer contribution increases from 6 to 8 percent in the Retirement Savings Plan in July 2008.
- Guaranteed Retirement Income Plan ("GRIP") offered July 1, 2009, which ensures an investment return of 7.25 percent, with a 6-month election period for employees hired on or after July 1, 2009.

For FY10, the Executive and MCGEO agreed to amend the existing agreement effective July 1, 2009. The following are the salient economic terms contained in the amendments:

- FY10 general wage adjustment shall not be effective in FY10. Fiscal impact: $11.3 million cost increase avoided.
- One-time credit of 60 hours of compensatory leave for all bargaining unit employees at pay grade maximum in FY10. Fiscal Impact: No additional funding included in the recommended budget. The additional hours cannot be cashed out but must be used as leave. Overtime costs may result due to minimum staffing requirements in certain operations.
- Retirement benefit calculation for bargaining unit members shall credit annual salary as if general wage adjustment had been paid in FY10. Fiscal Impact: No additional funding included in the recommended budget. The FY10 retirement fund contribution was calculated based on the actuarial valuation as of June 30, 2008, prior to the execution of this agreement.
- Increase administrative leave bank for use by SLT and OPT Unit Council representatives by 160 hours and 140 hours respectively. Fiscal Impact: No additional funding included in the recommended budget; however, additional paid leave has an economic value and may have an impact on minimum staffing requirements in certain operations.

Police Bargaining Unit:

Fraternal Order of Police Lodge 35: The current agreement expires June 30, 2010. The agreement's salient economic terms, including those negotiated through a reopener on health and pension issues, include:

- A $3,151 increase to Step 0, Year 1 of pay plan – maintaining existing structure, in July 2007; general wage adjustments of 4.0 percent in July 2008 and 4.25 percent in July 2009.
- A service increment of 3.5 percent for eligible employees.
- Increase in the clothing allowance each year.
- A $100 increase each year in tuition assistance.
- Increase in the shift differential each year.
- Full implementation of the Single Officer Fleet Vehicle program by July 1, 2009 including video cameras.
- Establish DROP program; increase credited service to a maximum of 36 years, including sick leave credits; and establish eligibility for unreduced pension with 25 years of service, regardless of age.
- Effective January 2009, County contribution for prescription insurance fixed to 80 percent of standard option (employee may buy-up at their own cost), generics are restricted, incentives are established for mail order, high option copayments are increased to $5/$10.

For FY10, the Executive and FOP agreed to terminate the existing agreement effective June 30, 2009 and replace it with a successor term agreement effective July 1, 2009 through June 30, 2011. The following are the successor agreement's salient economic terms:

21

- FY10 general wage adjustment shall not be effective in FY10. Fiscal impact: $4.9 million cost increase avoided.
- Salary-based benefits shall not be diminished, and such benefits will be calculated as if the wage increase had been received as scheduled. Fiscal Impact: No additional funding included in the recommended budget. The FY10 group insurance contribution was calculated based on the actuarial valuation as of June 30, 2008, prior to the execution of this agreement.
- Unit members will receive four personal days at the beginning of each leave year. It is understood the additional personal leave will be used without additional personnel costs or the use of overtime to backfill unit members on leave. Fiscal Impact: No additional funding included in the recommended budget. This is an increase of three personal leave days.
- Vehicles assigned to unit members who reside in Montgomery County or within 15 miles of the County's borders shall be full-use vehicles. Fiscal Impact: Additional fuel and maintenance costs can be expected. A placeholder of $237,000 is included in the Department of Police budget.
- Retirement benefit calculation for bargaining unit members shall credit annual salary as if general wage adjustment had been paid in FY10. Fiscal Impact: No additional funding included in the recommended budget. The FY10 retirement fund contribution was calculated based on the actuarial valuation as of June 30, 2008, prior to the execution of this agreement.
- Salary-based value of forfeited annual leave may be donated to the Montgomery County Law Enforcement Officers' Relief Fund. Fiscal Impact: No additional funding included in the recommended budget. A fiscal impact may occur if an employee accepts a forfeiture of annual leave in lieu of suspension and elects to have the forfeited sum donated to the fund.
- Reopener in November 2009 on wages, service increments, and other benefits to be effective July 1, 2010.

WORKFORCE ANALYSIS

Basis: Workforce Analysis has been performed on changes to tax supported and non-tax supported workyears (WYs) in the Executive's Recommended FY10 Operating Budget for the County government. Overall changes are calculated in comparison to the Approved Personnel Complement for FY09, which began on July 1, 2008. Changes shown reflect such factors as the addition of grant-funded positions; abolishments and creations to implement approved job sharing agreements; technical adjustments to remove positions currently associated with "group positions" which can contain unlimited numbers of employees (temporary, seasonal, or contractual), but are defined by the amount of service in terms of workyears that they are to provide; and other miscellaneous changes. Changes recommended by the Executive for FY10 are in three categories: current year position changes due to supplemental appropriations or other actions, new fiscal year position changes scheduled to take effect July 1, 2009, and position changes scheduled for later in the fiscal year. In the latter case, the workyear change will be prorated for the portion of the year it is recommended.

Summary: The recommended budget includes funding for 8,923 full-time positions, a net decrease of 115 from the approved FY09 Personnel Complement of 9,038 full-time positions. Funding for 940 part-time positions is included, a net decrease of 163 positions from the approved FY09 Personnel Complement of 1,103 positions.

Tax supported workyears account for 82.9 percent of the County's total workyears. Total tax supported workyears will decrease to 8,084.2 WYs in FY10, a decrease of 283.5 WYs or 3.4 percent.

Total County government workyears will decrease to 9,734.2 WYs in FY10, a decrease of 298.9 WYs or 3.0 percent. When measured relative to population, total workyears per thousand population has also decreased, from FY09 (10.47 compared to 10.08).

Of the County's 8,084.2 tax supported workyears proposed for FY10, Public Safety departments account for 48.5 percent, or 3,920.4 workyears. Public Safety workyears will decrease by 67.9 workyears, or 1.7 percent from FY09 levels. Detailed below are the significant net changes in the number of tax supported workyears in the FY10 Recommended Budget.

Workforce Changes (Tax Supported)	**WYs**
• DOT-Transit Services: route reductions, elimination of part-time bus operator positions, and program reductions	-42.0
• Public Libraries: elimination of vacant positions across branches	-38.3
• Recreation: Teen Club Program, pool manager positions, and teen programs seasonal staff	-28.0
• Health and Human Services: includes the addition of the Emergency Safety Net Program and the elimination of the Assertive Community Treatment Team	-26.4
• Police: elimination of several civilian administrative and sworn positions	-28.6
• Fire and Rescue Services: the opening of the Milestone (East Germantown) Fire Station is offset by the reduction in recruit classes	-9.7

22

MONTGOMERY COUNTY GOVERNMENT - MEDICAL PLAN ENROLLMENT, ACTIVE EMPLOYEES															
	2008					2009					CHANGE				
HEALTH PLAN	EMP	EMP+1	FAM	TOTAL	%INSURED	EMP	EMP+1	FAM	TOTAL	%INSURED	EMP	EMP+1	FAM	TOTAL	%Dif
Carefirst POS	1,891	1,298	2,234	5,423	61.5%	1,893	1,319	2,289	5,501	61.7%	2	21	55	78	0.3%
Carefirst POS Std	145	55	83	283	3.2%	162	75	96	333	3.7%	17	20	13	50	0.5%
Kaiser	521	230	404	1,155	13.1%	516	258	431	1,205	13.5%	(5)	28	27	50	0.4%
United Healthcare	599	451	910	1,960	22.2%	591	437	843	1,871	21.0%	(8)	(14)	(67)	(89)	-1.2%
Grand Total				8,821					8,910					89	

RETIREMENT FUNDS: ENROLLMENT & COUNTY CONTRIBUTION RATES

Employee Retirement System Plans	Number Employees (7/1/07)	Fiscal 2009 Contribution Rate	Number Employees (7/1/08)	Fiscal 2010 Contribution Rate	Number Employees 7/07 v. 7/08	FY 09 v. 10 Contribution Rate
Public Safety						
Optional, Nonintegrated	20	80.21%	18	80.12%	(2)	-0.09%
Optional, Integrated	75	73.63%	62	78.33%	(13)	4.70%
Mandatory Integrated	2,837	32.53%	2,885	33.29%	48	0.76%
Subtotal Public Safety	**2,932**		**2,965**		**33**	
Non-Public Safety						
Optional, Nonintegrated	104	35.22%	71	39.40%	(33)	4.18%
Optional, Integrated	189	35.59%	125	42.30%	(64)	6.71%
Mandatory Integrated	2,069	21.34%	1,899	22.41%	(170)	1.07%
Subtotal Non-Public Safety	**2,362**		**2,095**		(267)	
Total ERS System Plans	**5,294**		**5,060**		(234)	
Retirement Savings Plan	**4,253**	**8.00%**	**4,746**	**8.00%**	**493**	**0.00%**

MONTGOMERY COUNTY GOVERNMENT WORKFORCE CHANGE SUMMARY
COUNTY EXECUTIVE RECOMMENDED: FY10

	POSITIONS		WORKYEARS		
	Full Time	Part Time	Tax Supported	Non-Tax Supp.	TOTAL WYs
FY09 APPROVED COMPLEMENT	9,038	1,103	8,367.7	1,665.4	10,033.1
FY10 RECOMMENDED COMPLEMENT	8,923	940	8,084.2	1,650.0	9,734.2
CHANGE IN WORKFORCE (GROSS)	(115)	(163)	(283.5)	(15.4)	(298.9)
Percentage Change	(1.3%)	(14.8%)	(3.4%)	(0.9%)	(3.0%)

23

PROPOSED OPERATING BUDGET DEFERRED COMPENSATION MANAGEMENT						
ITEM	FY08 ACT	FY09 APPR	FY09 EST	FY10 REC	$ Change	% Change
EXPENSES						
Salaries and Benefits	81,660	91,310	78,790	94,840	3,530	3.9%
Professional Services	4,480	6,870	5,800	5,900	(970)	(14.1%)
Due Diligence/Education	1,460	3,500	1,500	1,000	(2,500)	(71.4%)
Office Management	5,360	6,800	6,300	7,110	310	4.6%
Investment Management	26,710	17,000	20,300	20,900	3,900	22.9%
TOTAL EXPENSES	**$119,670**	**$125,480**	**$112,690**	**$129,750**	**$4,270**	**3.4%**

Amounts shown above are not charged to the Deferred Compensation Plan trust but are instead appropriated and charged to the General Fund Compensation and Employee Benefits Adjustments Non-Departmental Account.

PROPOSED OPERATING BUDGET RETIREE HEALTH BENEFIT TRUST						
ITEM	FY08 ACT	FY09 APPR	FY09 EST	FY10 REC	$ Change	% Change
EXPENSES						
Salaries and Benefits	0	0	30,000	68,710	37,710	-
Professional Services	0	0	0	75,000	75,000	-
Office Management	0	0	1,500	1,700	1,700	-
Investment Management	0	0	41,000	60,000	60,000	-
TOTAL EXPENSES	**$0**	**$0**	**$72,500**	**$205,410**	**$174,410**	-

PROPOSED OPERATING BUDGET EMPLOYEES' RETIREMENT SYSTEM						
ITEM	FY08 ACTUAL	FY09 APPR	FY09 EST	FY10 REC	FY10 vs. FY09 Appr. $	%
REVENUE						
County Contributions	117,686,380	110,000,000	110,000,000	115,000,000	5,000,000	4.5%
Employee Contributions	18,850,880	17,500,000	18,000,000	18,900,000	1,400,000	8.0%
Investment Income	(68,895,930)	243,000,000	(415,000,000)	170,000,000	(73,000,000)	(30.0%)
Miscellaneous Income	1,756,770	800,000	0	720,000	(80,000)	(10.0%)
TOTAL REVENUE	**69,398,100**	**371,300,000**	**(287,000,000)**	**304,620,000**	**(66,680,000)**	**(18.0%)**
EXPENSES						
OPERATING EXPENSES						
Retirement Benefits	147,699,950	164,720,000	165,700,000	180,700,000	15,980,000	9.7%
Investment Management	14,606,890	11,055,000	9,448,000	11,666,400	611,400	5.5%
SUBTOTAL	162,306,840	175,775,000	175,148,000	192,366,400	16,591,400	9.4%
ADMINISTRATIVE EXPENSES						
Salaries and Benefits	1,310,790	1,363,050	1,342,430	1,498,980	135,930	10.0%
Professional Services	727,550	788,930	748,930	934,430	145,500	18.4%
Benefit Processing	460,350	375,000	375,000	375,000	0	0.0%
Due Diligence/Education	28,880	51,500	48,500	78,000	26,500	51.5%
Office Management	202,590	242,660	244,300	251,030	8,370	3.4%
SUBTOTAL	2,730,160	2,821,140	2,759,160	3,137,440	316,300	11.2%
TOTAL EXPENSES	**$165,037,000**	**$178,596,140**	**$177,907,160**	**$195,503,840**	**$16,907,700**	**9.5%**
NET REVENUE	**($95,638,900)**	**$192,703,860**	**($464,907,160)**	**$109,116,160**	**($83,587,700)**	**(43.4%)**

PROPOSED OPERATING BUDGET RETIREMENT SAVINGS PLAN						
ITEM	FY08 ACTUAL	FY09 APPR	FY09 EST	FY10 REC	Change: FY10 vs. FY09 Appr. $	%
REVENUE						
Investment Income	34,980	24,000	16,000	12,000	(12,000)	(50.0%)
Miscellaneous Income	550,430	300,000	300,000	100,000	(200,000)	(66.7%)
TOTAL REVENUE	**585,410**	**324,000**	**316,000**	**112,000**	**(212,000)**	**(65.4%)**
EXPENSES						
OPERATING EXPENSES						
Investment Management	26,710	17,000	20,300	20,900	3,900	22.9%
SUBTOTAL	26,710	17,000	20,300	20,900	3,900	22.9%
ADMINISTRATIVE EXPENSES						
Salaries and Benefits	151,410	190,620	178,100	188,010	(2,610)	(1.4%)
Professional Services	75,430	114,100	120,500	193,500	79,400	69.6%
Due Diligence/Education	1,700	4,500	2,500	2,000	(2,500)	(55.6%)
Office Management	23,830	14,890	12,300	25,230	10,340	69.4%
SUBTOTAL	252,370	324,110	313,400	408,740	84,630	26.1%
TOTAL EXPENSES	**$279,080**	**$341,110**	**$333,700**	**$429,640**	**$88,530**	**26.0%**

24

GENERAL SALARY SCHEDULE

FISCAL YEAR 2010

EFFECTIVE JULY 5, 2009

GRADE	MINIMUM	MID-POINT	MAXIMUM	PERFORMANCE LONGEVITY MAXIMUM*
5	$24,239	$30,842	$37,444	$38,193
6	$25,167	$32,085	$39,003	$39,784
7	$26,148	$33,410	$40,672	$41,486
8	$27,165	$34,844	$42,522	$43,373
9	$28,238	$36,353	$44,468	$45,358
10	$29,371	$37,969	$46,567	$47,499
11	$30,558	$39,658	$48,758	$49,734
12	$31,797	$41,430	$51,062	$52,084
13	$33,107	$43,295	$53,483	$54,553
14	$34,484	$45,257	$56,030	$57,151
15	$35,923	$47,308	$58,693	$59,867
16	$37,457	$49,478	$61,498	$62,728
17	$39,157	$51,799	$64,441	$65,730
18	$40,952	$54,243	$67,533	$68,884
19	$42,883	$56,828	$70,773	$72,189
20	$44,900	$59,541	$74,181	$75,665
21	$47,028	$62,392	$77,756	$79,312
22	$49,253	$65,383	$81,513	$83,144
23	$51,598	$68,531	$85,463	$87,173
24	$54,054	$71,825	$89,596	$91,388
25	$56,631	$75,288	$93,944	$95,823
26	$59,345	$78,929	$98,513	$100,484
27	$62,168	$82,739	$103,309	$105,376
28	$64,960	$86,652	$108,343	$110,510
29	$67,890	$90,759	$113,628	$115,901
30	$70,971	$95,077	$119,183	$121,567
31	$74,206	$99,608	$125,010	$127,511
32	$77,596	$103,216	$128,836	$131,413
33	$81,161	$106,913	$132,664	$135,318
34	$84,904	$110,700	$136,495	$139,225
35	$88,837	$114,580	$140,322	$143,129
36	$92,966	$118,560	$144,153	$147,037
37	$97,296	$122,637	$147,977	$150,937
38	$101,846	$126,614	$151,381	$154,409
39	$106,622	$130,116	$153,610	$156,683
40	$111,640	$133,739	$155,837	$158,954

*A one-time 2.0 percent performance-based longevity increment is provided to employees who have received performance ratings of "exceptional" or "highly successful" for the two most recent consecutive years, are at the top of their pay grade, and have 20 years completed service.

25

MANAGEMENT LEADERSHIP SERVICE
SALARY SCHEDULE

FISCAL YEAR 2010

EFFECTIVE JULY 5, 2009

GRADE	MLS LEVEL	MINIMUM	CONTROL POINT	MAXIMUM
M1	MANAGEMENT LEVEL I	$84,407	$143,367	$149,917
M2	MANAGEMENT LEVEL II	$73,811	$127,974	$133,992
M3	MANAGEMENT LEVEL III	$63,411	$110,652	$115,901

MEDICAL DOCTORS
SALARY SCHEDULE

FISCAL YEAR 2010

EFFECTIVE JULY 5, 2009

GRADE	MEDICAL JOB CLASS	MINIMUM	MID-POINT	MAXIMUM
MD I	MEDICAL DOCTOR I	$94,692	$119,354	$144,015
MD II	MEDICAL DOCTOR II	$104,160	$131,288	$158,416
MD III	MEDICAL DOCTOR III	$114,575	$144,416	$174,256
MD IV	MEDICAL DOCTOR IV	$126,033	$158,858	$191,682

MINIMUM WAGE / SEASONAL
SALARY SCHEDULE

FISCAL YEAR 2010

EFFECTIVE JULY 5, 2009

	MINIMUM		MAXIMUM	
GRADE	ANNUAL	HOURLY	ANNUAL	HOURLY
Grade S1	$14,560	$7.0000	$17,943	$8.6264
Grade S2	$16,322	$7.8471	$20,435	$9.8245
Grade S3	$18,378	$8.8351	$23,111	$11.1106
Grade S4	$20,435	$9.8245	$25,786	$12.3971
Grade S5	$23,180	$11.1442	$29,352	$14.1111
Grade S6	$28,666	$13.7817	$36,482	$17.5394
Grade S7	$34,236	$16.4596	$43,728	$21.0226
Grade S8	$39,987	$19.2245	$51,202	$24.6163

26

OFFICE, PROFESSIONAL & TECHNICAL BARGAINING UNIT
AND
SERVICE, LABOR & TRADES BARGAINING UNIT
SALARY SCHEDULE

FISCAL YEAR 2010

EFFECTIVE JULY 5, 2009

GRADE	MINIMUM	MID-POINT	MAXIMUM	L1*
5	$24,239	$30,842	$37,444	$38,568
6	$25,167	$32,085	$39,003	$40,174
7	$26,148	$33,410	$40,672	$41,893
8	$27,165	$34,844	$42,522	$43,798
9	$28,238	$36,353	$44,468	$45,803
10	$29,371	$37,969	$46,567	$47,965
11	$30,558	$39,658	$48,758	$50,221
12	$31,797	$41,430	$51,062	$52,594
13	$33,107	$43,295	$53,483	$55,088
14	$34,484	$45,257	$56,030	$57,711
15	$35,923	$47,308	$58,693	$60,454
16	$37,457	$49,478	$61,498	$63,343
17	$39,157	$51,799	$64,441	$66,375
18	$40,952	$54,243	$67,533	$69,559
19	$42,883	$56,828	$70,773	$72,897
20	$44,900	$59,541	$74,181	$76,407
21	$47,028	$62,392	$77,756	$80,089
22	$49,253	$65,383	$81,513	$83,959
23	$51,598	$68,531	$85,463	$88,027
24	$54,054	$71,825	$89,596	$92,284
25	$56,631	$75,288	$93,944	$96,763
26	$59,345	$78,929	$98,513	$101,469
27	$62,168	$82,739	$103,309	$106,409
28	$64,960	$86,652	$108,343	$111,594

* Completion of 20 years of service and at maximum for pay grade.

27

SHERIFF MANAGEMENT SALARY SCHEDULE

FISCAL YEAR 2010

EFFECTIVE JULY 5, 2009

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY*
D2	DEPUTY SHERIFF LIEUTENANT	$60,460	$94,571	$97,409
D3	DEPUTY SHERIFF CAPTAIN	$72,553	$114,215	$117,642
D4	DEPUTY SHERIFF COLONEL	$83,436	$131,762	$135,715

* Completion of 20 years of service and at maximum for pay grade.

DEPUTY SHERIFF SALARY SCHEDULE

FISCAL YEAR 2010

EFFECTIVE JULY 5, 2009

YEAR	STEP	DS I	DS II	DS III	SGT
1	0	$43,642	$46,697	$49,966	$54,963
2	1	$45,170	$48,332	$51,715	$56,887
3	2	$46,751	$50,024	$53,526	$58,879
4	3	$48,388	$51,775	$55,400	$60,940
5	4	$50,082	$53,588	$57,339	$63,073
6	5	$51,835	$55,464	$59,346	$65,281
7	6	$53,650	$57,406	$61,424	$67,566
8	7	$55,528	$59,416	$63,574	$69,931
9	8	$57,472	$61,496	$65,800	$72,379
10	9	$59,484	$63,649	$68,103	$74,913
11	10		$65,877	$70,487	$77,535
12	11		$68,183	$72,955	$80,249
13	12			$75,509	$83,058
14 - 20	13			$78,152	$85,966
21+	L1*	$61,269	$70,229	$80,497	$88,545

* Completion of 20 years of service and at maximum for pay grade.

28

FIRE/RESCUE MANAGEMENT SALARY SCHEDULE

FISCAL YEAR 2010

EFFECTIVE JULY 5, 2009

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY*
B3	FIRE/RESCUE BATTALION CHIEF	$70,212	$116,680	$120,764
B4	FIRE/RESCUE ASSISTANT CHIEF	$76,675	$128,339	$132,831
B6	FIRE/RESCUE DIVISION CHIEF	$87,647	$145,517	$150,611

* Completion of 20 years of service.

FIRE/RESCUE BARGAINING UNIT SALARY SCHEDULE

FISCAL YEAR 2010

EFFECTIVE JULY 5, 2009

GRADE	F1 FIRE FIGHTER RESCUER I	F2 FIRE FIGHTER RESCUER II	F3 FIRE FIGHTER RESCUER III	F4 MASTER FIRE FIGHTER RESCUER	B1 FIRE/RESCUE LIEUTENANT	B2 FIRE/RESCUE CAPTAIN
A	$41,613	$43,694	$45,879	$50,467	$55,519	$62,605
B	$43,070	$45,224	$47,485	$52,234	$57,463	$64,797
C	$44,578	$46,807	$49,147	$54,063	$59,475	$67,065
D	$46,139	$48,446	$50,868	$55,956	$61,557	$69,413
E	$47,754	$50,142	$52,649	$57,915	$63,712	$71,843
F	$49,426	$51,897	$54,492	$59,943	$65,942	$74,358
G	$51,156	$53,714	$56,400	$62,042	$68,250	$76,961
H	$52,947	$55,594	$58,374	$64,214	$70,639	$79,655
I	$54,801	$57,540	$60,418	$66,462	$73,112	$82,443
J	$56,720	$59,554	$62,533	$68,789	$75,671	$85,329
K	$58,706	$61,639	$64,722	$71,197	$78,320	$88,316
L	$60,761	$63,797	$66,988	$73,689	$81,062	$91,408
M	$62,888	$66,030	$69,333	$76,269	$83,900	$94,608
N	$65,090	$68,342	$71,760	$78,939	$86,837	$97,920
O	$67,369	$70,734	$74,272	$81,702	$89,877	$101,348
LS*	$69,727	$73,210	$76,872	$84,562	$93,023	$104,896

* Completion of 20 years of service.

29

POLICE MANAGEMENT SALARY SCHEDULE

FISCAL YEAR 2010

EFFECTIVE JULY 5, 2009

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY*
A2	POLICE LIEUTENANT	$74,352	$111,992	$115,912
A3	POLICE CAPTAIN	$84,677	$127,934	$132,412

* Completion of 20 years of service.

POLICE BARGAINING UNIT SALARY SCHEDULE

FISCAL YEAR 2010

EFFECTIVE JULY 5, 2009

STEP	YEAR	PO I	PO II	PO III	MPO	SGT
0	1	$46,972	$49,321	$51,788	$54,378	$59,816
1	2	$48,617	$51,048	$53,601	$56,282	$61,910
2	3	$50,319	$52,835	$55,478	$58,252	$64,077
3	4	$52,081	$54,685	$57,420	$60,291	$66,320
4	5	$53,904	$56,599	$59,430	$62,402	$68,642
5	6	$55,791	$58,580	$61,511	$64,587	$71,045
6	7	$57,744	$60,631	$63,664	$66,848	$73,532
7	8	$59,766	$62,754	$65,893	$69,188	$76,106
8	9	$61,858	$64,951	$68,200	$71,610	$78,770
9	10	$64,024	$67,225	$70,587	$74,117	$81,527
10	11	$66,265	$69,578	$73,058	$76,712	$84,381
11	12	$68,585	$72,014	$75,616	$79,397	$87,335
12	13	$70,986	$74,535	$78,263	$82,176	$90,392
13	14	$73,471	$77,144	$81,003	$85,053	$93,556
14	15 - 20	$76,043	$79,845	$83,839	$88,030	$96,831
L1*	21+	$78,705	$82,640	$86,774	$91,112	$100,221

* Completion of 20 years of service.

30

CORRECTIONAL MANAGEMENT SALARY SCHEDULE

FISCAL YEAR 2010

EFFECTIVE JULY 5, 2009

GRADE	RANK	MINIMUM	MAXIMUM	LONGEVITY*
C1	CORRECTIONAL SHIFT COMMANDER (LT)	$56,914	$92,136	$94,901
C2	CORRECTIONAL TEAM LEADER (CAPT)	$62,606	$101,350	$104,391

* Completion of 20 years of service and at maximum of pay grade.

CORRECTIONAL OFFICER SALARY SCHEDULE

FISCAL YEAR 2010

EFFECTIVE JULY 5, 2009

STEP	YEAR	CO I	CO II	CO III	SGT
1	0	$40,538	$42,565	$46,822	$51,739
2	1	$41,957	$44,055	$48,461	$53,550
3	2	$43,426	$45,597	$50,158	$55,425
4	3	$44,946	$47,193	$51,914	$57,365
5	4	$46,520	$48,845	$53,731	$59,373
6	5	$48,149	$50,555	$55,612	$61,452
7	6	$49,835	$52,325	$57,559	$63,603
8	7	$51,580	$54,157	$59,574	$65,830
9	8	$53,386	$56,053	$61,660	$68,135
10	9	$55,255	$58,015	$63,819	$70,520
11	10	$57,189	$60,046	$66,053	$72,989
12	11	$59,191	$62,148	$68,365	$75,544
13	12		$64,324	$70,758	$78,189
14	13				$80,926
15	14 - 20				$83,759
L1*	21+	$60,967	$66,254	$72,881	$86,272

* Completion of 20 years of service and at maximum for pay grade.

31

TOTAL COUNTY COST OF EMPLOYEE BENEFITS

DEPARTMENT	SOCIAL SECURITY	GROUP INSURANCE	RETIREMENT	TOTAL
General Fund Tax Supported				
Legislative				
Board of Appeals	34,190	26,170	56,110	116,470
County Council	472,840	658,260	784,760	1,915,860
Inspector General	31,780	30,670	34,760	97,210
Legislative Oversight	63,380	137,590	146,820	347,790
Merit System Protection Board	7,990	16,630	11,020	35,640
People's Counsel	12,430	1,500	34,530	48,460
Zoning & Administrative Hearings	26,430	13,120	30,850	70,400
Judicial				
Circuit Court	457,710	702,550	833,460	1,993,720
State's Attorney	674,860	934,160	1,129,410	2,738,430
General Government				
Board of Elections	145,980	212,720	172,670	531,370
Commission for Women	59,000	75,810	113,690	248,500
County Attorney	242,190	214,610	547,710	1,004,510
County Executive	294,150	444,930	501,100	1,240,180
Ethics Commission	14,260	21,880	47,790	83,930
Finance	466,230	885,260	868,910	2,220,400
General Services	817,320	1,766,050	1,666,810	4,250,180
Human Resources	293,790	393,080	458,940	1,145,810
Human Rights	111,650	165,580	252,640	529,870
Intergovernmental Relations	39,510	36,030	72,710	148,250
Management and Budget	199,380	285,490	332,300	817,170
Public Information	54,930	55,840	172,140	282,910
Regional Services Centers	166,090	254,990	398,330	819,410
Technology Services	1,002,950	1,433,350	1,679,630	4,115,930
Public Safety				
Consumer Protection	120,170	193,320	371,060	684,550
Correction and Rehabilitation	3,042,170	5,747,990	9,592,530	18,382,690
Emergency Management and Homeland Security	56,930	103,230	134,060	294,220
Police	10,353,720	19,436,290	35,714,360	65,504,370
Sheriff	958,350	1,796,940	3,029,870	5,785,160
Transportation				
Transportation	1,298,340	3,223,120	2,883,530	7,404,990
Health and Human Services				
Health and Human Services	6,030,660	11,411,440	10,337,290	27,779,390
Culture and Recreation				
Public Libraries	1,663,640	3,418,830	3,285,260	8,367,730
Community Development and Housing				
Economic Development	269,640	441,460	362,820	1,073,920
Housing and Community Affairs	233,800	465,870	578,470	1,278,140
Environment				
Environmental Protection	120,580	225,470	227,840	573,890
NDA - Climate Change Implementation	1,680	9,320	1,760	12,760
Other County Government Functions				
NDA - Compensation and Employee Benefits Adjustment	5,430	6,250	6,580	18,260
NDA - Conference Center	6,280	10,280	6,560	23,120
NDA - Judges Retirement Contribution	0	0	3,740	3,740
NDA - State Positions Supplement	5,590	7,930	14,340	27,860
Total General Fund Tax Supported	**29,856,020**	**55,264,010**	**76,897,160**	**162,017,190**

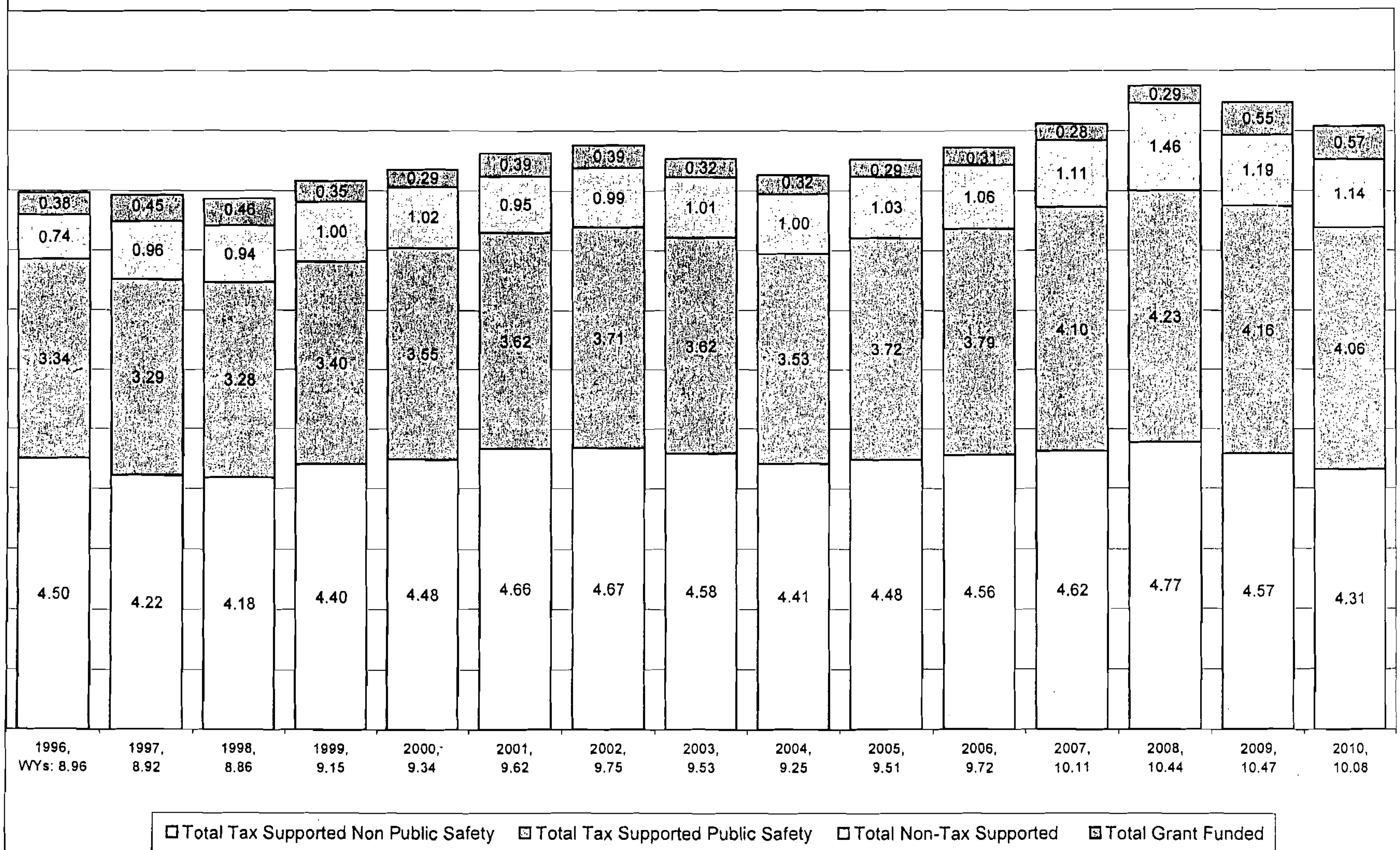
32

TOTAL COUNTY COST OF EMPLOYEE BENEFITS

FUND	SOCIAL SECURITY	GROUP INSURANCE	RETIREMENT	TOTAL
Special Funds Tax Supported				
Economic Development	7,760	16,000	8,120	31,880
Fire	8,112,870	15,055,480	31,869,680	55,038,030
Mass Transit	3,229,700	7,067,160	4,611,200	14,908,060
Recreation	1,197,780	1,160,660	1,462,860	3,821,300
Urban District - Bethesda	3,930	4,220	4,100	12,250
Urban District - Silver Spring	109,450	192,610	105,070	407,130
Urban District - Wheaton	70,440	128,890	67,150	266,480
Total Special Funds Tax Supported	**12,731,930**	**23,625,020**	**38,128,180**	**74,485,130**
Total Tax Supported	**42,587,950**	**78,889,030**	**115,025,340**	**236,502,320**
Special Funds Non-Tax Supported				
Grant Fund - MCG	2,856,680	5,663,330	4,162,870	12,682,880
Cable Television	133,290	227,780	170,810	531,880
Montgomery Housing Initiative	67,530	141,010	147,290	355,830
Water Quality Protection Fund	191,110	315,360	272,490	778,960
Total Special Funds Non-Tax Supported	**3,248,610**	**6,347,480**	**4,753,460**	**14,349,550**
Enterprise Fund Non-Tax Supported				
Community Use of Public Facilities	123,470	245,880	215,570	584,920
Liquor Control	1,350,230	2,810,590	2,043,680	6,204,500
Parking District - Bethesda	113,540	185,890	201,490	500,920
Parking District - Montgomery Hills	2,100	3,750	3,580	9,430
Parking District - Silver Spring	121,600	196,710	201,080	519,390
Parking District - Wheaton	17,740	32,880	32,870	83,490
Permitting Services	1,173,350	1,986,440	2,624,480	5,784,270
Solid Waste Collection	64,240	108,480	109,310	282,030
Solid Waste Disposal	510,300	996,550	850,130	2,356,980
Vacuum Leaf Collection	193,930	374,020	289,630	857,580
Total Enterprise Fund Non-Tax Supported	**3,670,500**	**6,941,190**	**6,571,820**	**17,183,510**
Total Non-Tax Supported	**6,919,110**	**13,288,670**	**11,325,280**	**31,533,060**
Internal Service Funds				
Employee Health Benefit Self Insurance Fund	71,980	126,070	91,730	289,780
Motor Pool	1,052,650	2,257,750	1,577,650	4,888,050
Printing & Mail	135,910	237,240	298,740	671,890
Self Insurance	231,510	352,430	366,890	950,830
Total Internal Service Funds	**1,492,050**	**2,973,490**	**2,335,010**	**6,800,550**

33

HISTORY OF APPROVED COUNTY GOVERNMENT WORKYEARS PER 1,000 POPULATION BY FUNDING CATEGORY FY96-FY09 Approved, FY10 Recommended



34

Board of Investment Trustees

Montgomery County Employee Retirement Plans

Annual Report

Fiscal Year ending June 30, 2008

37

Overview

December 1, 2008

To: Employees, Retirees, and Beneficiaries

From: Board of Investment Trustees

The mission of the Board of Investment Trustees is to manage prudent investment programs for the members of the Employee Retirement Plans and their beneficiaries. The County's Chief Administrative Officer is responsible for overseeing the day-to-day administration of the retirement plans.

We are pleased to present this annual report for the fiscal year ending June 30, 2008 on the three investment programs established for the retirement plans.

•The Employees' Retirement System (ERS) is a defined benefit pension plan with net assets of $2.6 billion, established in 1965 and closed to employees hired on or after October 1, 1994, except public safety bargaining unit employees. As of June 30, 2008 the ERS had 5,060 active participants and 5,306 retirees and beneficiaries receiving benefits.

•The Retirement Savings Plan (RSP) was established in 1994 as a defined contribution plan providing benefits to all non-public safety and certain public safety employees hired on or after October 1, 1994. As of June 30, 2008 the RSP had $128.5 million in net assets and 5,536 (4,746 active and 790 inactive) participants.

•The County Deferred Compensation Plan (DCP) is a voluntary plan established pursuant to Section 457 of the Internal Revenue Code. As of June 30, 2008 the DCP had $242.1 million in net assets and 3,940 participants.

Shown below is a condensed presentation of the Net Assets and Change in Net Assets from the Comprehensive Annual Financial Report for the retirement plans for the period ending June 30, 2008:

Net Assets
(Millions)

	ERS		RSP		DCP	
	2008	2007	2008	2007	2008	2007
Assets:						
Cash and investments	$ 3,078.4	$ 3,086.0	$ 127 0	$ 119.6	$ 241.1	$ 248.9
Receivables	20.1	17.3	1.5	1.0	1.0	1.0
Total assets	3,098.5	3,103.3	128.5	120.6	242.1	249.9
Liabilities	479 7	389 0	-	-	-	-
Total net assets	$ 2,618.8	$ 2,714.3	$ 128.5	$ 120.6	$ 242.1	$ 249.9

Change in Net Assets
(Millions)

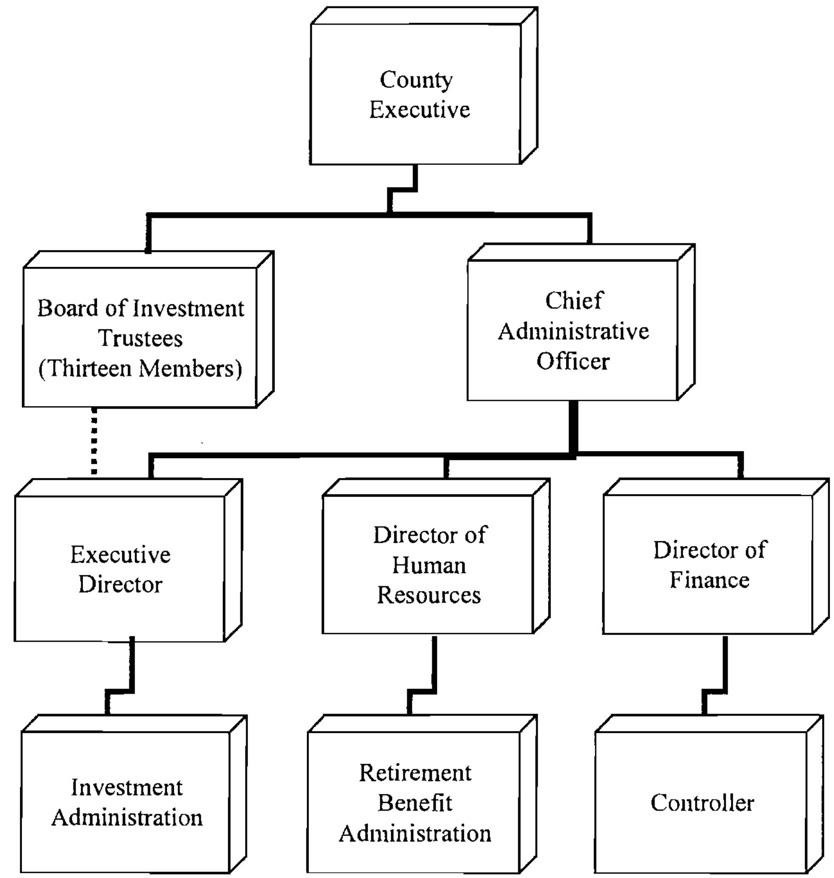
	ERS		RSP		DCP	
	2008	2007	2008	2007	2008	2007
Additions:						
Employer contributions	$ 117.7	$ 109.4	$ 13.6	$ 11.2	$ -	$ -
Member contributions	18.9	16.4	8.1	6.8	17.3	16.6
Net investment income (loss)	(81.8)	420.8	(8.4)	17.2	(9.4)	32.4
Total additions	54.8	546.6	13.3	35.2	7.9	49.0
Deductions:						
Benefits	147.1	136.8	-	-	-	-
Refunds	0.7	0.8	5.2	4.4	15.7	12.4
Administrative expenses	2.5	2.4	0.3	0.3	-	-
Total deductions	150.3	140.0	5.5	4.7	15.7	12.4
Total change in net assets	$ (95.5)	$ 406 6	$ 7.8	$ 30.5	$ (7.8)	$ 36.6

For detailed information on all three retirement plans, please visit the Board's web site at www.montgomerycountymd.gov/bit. For questions, please call the Board office at 240-777-8220.

38

Board of Investment Trustees

Retirement Plans Administrative Organization



Board Actions During FY 2008

- ***Employees' Retirement System***
  - *Continued implementation of a revised strategic asset allocation, approved in FY 2007, which will result in further diversification of the investment portfolio by adding new investment strategies, better management of the total portfolio's risk and increased investment returns.*
  - *Approved new investments, including: long-short extension equity strategies, long duration and portable alpha mandates, addition of a real asset fund-of-funds manager, and additional commitments to private equity and private real estate.*

- ***Retirement Savings Plan***
  - *Expanded the number of onsite investment counseling sessions available to participants through the use of revenue sharing arrangements with Fidelity.*
  - *Deleted the Fidelity Growth & Income Fund from the fund offerings due to poor performance and changes in portfolio managers and the strategy.*

- ***Deferred Compensation Plan***
  - *Lowered the revenue sharing received by ING (formerly CitiStreet) by offering lower-cost share classes for the BGI lifecycle funds resulting in lower fees to participants.*
  - *Held annual benefit fair to respond to participant questions and expanded weekly investment seminar to include new locations throughout the County to provide participants with information on investment options, asset allocation and other investment topics.*

- ***Retiree Health Benefits Trust Fund***
  - *Created investment policies and procedures for the investment of the assets, hired custodian bank and investment manager to implement strategic asset allocation.*

Board Achievements

- ***Certificate of Achievement for Excellence in Financial Reporting***
  - *The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement to the Board for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2007. The certificate of achievement is a prestigious national award that recognizes conformance with the highest standards in government accounting and financial reporting. The Board has received this award for each of the eight years that it has published its own CAFR.*

- ***Employees' Retirement System***
  - *The ERS' investment return for the year ended June 30, 2008 was a loss of 2.54% (after management fees). The ERS return ranked in the top third or better than nearly 70 percent of returns achieved by similar public pension funds reporting results for the one year period. For the three and five year periods, the Board ranked in the 6th and 8th percentile of the universe, respectively.*

- ***Retirement Savings Plan***
  - *As of June 30, 2008 58% of the funds offered through Fidelity were rated as four or five star funds by Morningstar (five star is the highest rating). The one year return for the Plan was a loss of 7.7%.*

- ***Deferred Compensation Plan***
  - *As of June 30, 2008 73% of the funds offered through ING (formerly CitiStreet) were rated as four or five star funds by Morningstar (five star is the highest rating). The one year return for the Plan was a loss of 4.2%.*

38

Current Board Initiatives

- ***Employees' Retirement System***
  - *Continue to implement the strategic asset allocation for the ERS, which will result in a gradual rebalancing of assets and implementation of possible new investment strategies, including commodities, taking place over the next several years.*
  - *Determine the feasibility of using new strategies to produce additional alpha over market returns.*
  - *Build out the private equity and private real estate allocations on an opportunistic basis.*
  - *Continue to use the Value at Risk (VaR) analysis and the risk budget to analyze, evaluate, and monitor the risk of each investment manager/sector versus its contribution both in return and in diversification to the ERS' portfolio to achieve the highest possible risk adjusted return within an acceptable level of risk.*

- ***Retirement Savings Plan***
  - *Review the mutual funds offered to participants to ensure that a diversified slate of top quality funds is available at the lowest possible fee.*
  - *Continue to expand investment education programs by:*
    - *Notifying participants quarterly of the availability of annual investment counseling sessions and providing educational information about the Plan or investing in general.*
    - *Sending emails to participants periodically to highlight the importance of personal financial planning.*
    - *Requesting Fidelity expand the number of one-on-one counseling sessions available to provide investment question/answer sessions for participants at various County locations.*

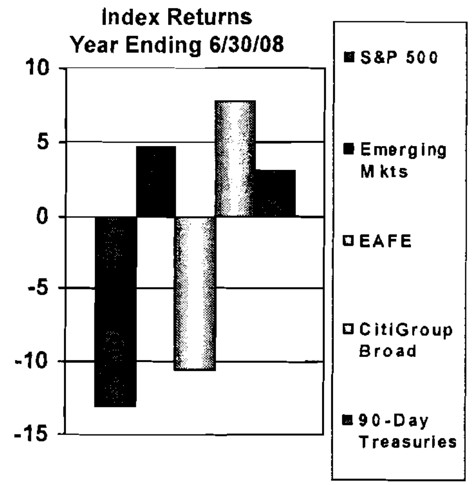
- ***Deferred Compensation Plan***
  - *Replace the Goldman Sachs Government Bond Fund offering with an institutional fund class which will result in lower fees for participants.*
  - *Continue to evaluate the investment program to ensure that fund offerings are among the best performers, as measured by an independent source, have the lowest cost, and are managed by strong companies in compliance with regulatory agencies.*
  - *Expand investment services to help participants receive information quickly and easily, increase their knowledge of investment matters, and receive support in retirement planning.*

39

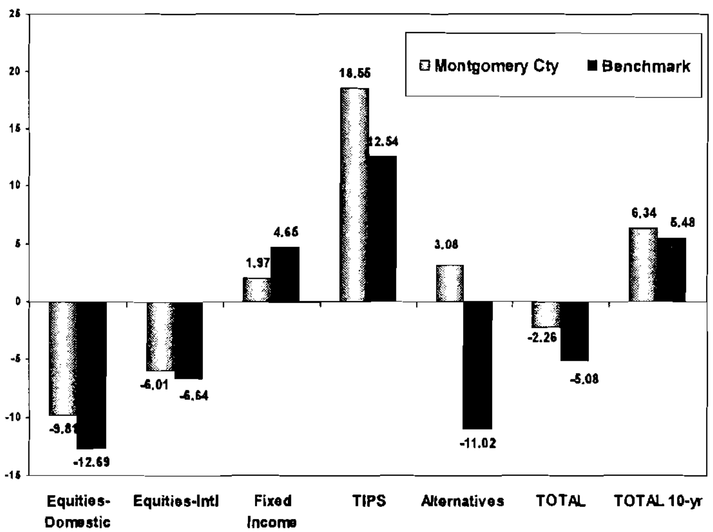
Market Highlights – ERS Investment Performance

In an effort to combat a slowing U.S. economy and to infuse liquidity, the Federal Reserve was aggressive in lowering the Fed Funds rate from 5.25% to 2.0% during the twelve month period ending June 30, 2008. This action was in sharp contrast to the previous year when they kept rates unchanged, and the period from 2004 thru June 2006 in which the Fed raised rates seventeen times resulting in moving the rate from 1% to 5.25%. Commodity prices soared in the past year, particularly oil which closed near $140 a barrel at June 30. The Consumer Price Index increased by 5.0% for the year, reflecting rising food and energy costs.

Credit stress and deleveraging, brought on by the sub-prime mortgage crisis, weighed heavily on the financial markets. Stock market volatility, due to concern over future growth and the surge in commodity prices, caused investors to move away from risky securities into the safety of Treasuries and other liquid investments. The S&P 500 was down 13.12% and the Europe Asia Far East Index (EAFE) fell 10.61% for the year. As shown in the chart to the right, the best perfonning sectors were fixed income, as measured by the CitiGroup Broad Investment Grade Bond Index, up 7.76% and emerging market stocks which gained 4.63% due to the run up in commodity prices.



Employees' Retirement System
FY 2008 Returns by Asset Class-Gross of fees



The Board allocates ERS assets to a broad array of investment sectors resulting in the following allocation as of June 30, 2008: domestic equities 35.0%, private equity 5.5%, international equities 20.1%, domestic fixed income 25.0%, global inflation index bonds 11.6%, and real estate 2.8%. The chart to the left reflects the returns for the fiscal year ending June 30, 2008 achieved by the ERS assets in each investment sector compared to the corresponding benchmark. The Board establishes benchmarks for each market sector, usually an index of securities that represent most of the available investment opportunities within that sector, to evaluate the performance of the investment managers within each sector.

In overseeing the management of ERS assets, the Board has developed sound and prudent investment policies. The Board works to control the risk to which the ERS is exposed while maximizing the potential for long term increases in the value of the assets. The Board's specific investment objectives are to:

- realize the actuarial assumed rate of return of 8 percent annually, over a long term time horizon (for the 1999-2008 fiscal year decade, the annual rate of return on the ERS' investments was 6.34% before fees);
- manage portfolio risk to limit potential downside fluctuations in the value of the total ERS assets; and
- realize as high a rate of total return as possible consistent with the above.

Employees' Retirement System (ERS)

- ***How do I know if I'm a participant in this plan?***

  Employees who participate in the ERS have the following description on their pay stub next to the bi-weekly contribution amount: RETIRE

- ***How is my benefit calculated?***

  Under County law your benefit is based on your salary, years of credited service, and age at retirement and is not based on the amount you contributed or the investment earnings of the ERS.

- ***How can I find more information on my benefit?***

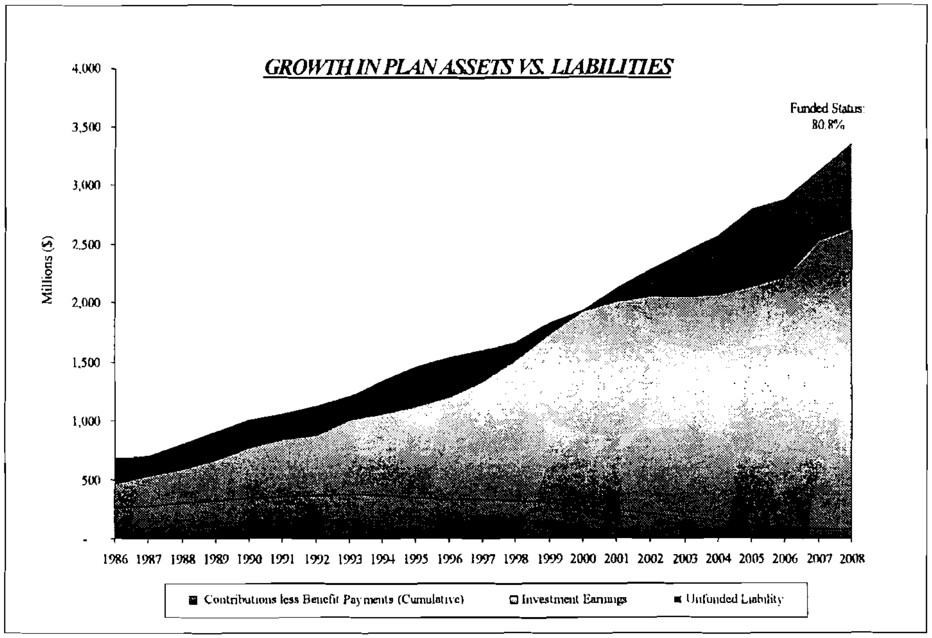
  Contact the Office of Human Resources at 240-777-5120.

- ***How does the amount earned on invested assets impact the ERS?***

  While your ERS benefit is paid in accordance with County law, you may be interested in knowing about the status of the assets and liabilities of the ERS. Please refer to the chart to the right for a 22-year history. Your contributions, along with the County's, are used primarily to make benefit payments to retirees and beneficiaries and pay other costs associated with the administration of the ERS (shown as the bottom layer in the chart).

The earnings (shown as the green middle layer in the chart) represent the bulk of the growth in assets over the years. In funding the ERS, the County assumes the assets will earn 8% per year. During the strong equity markets of the late 1990s, the assets grew at nearly double that amount, and the funded status of the ERS was strengthened.

As of June 30, 2000 the ERS was nearly fully-funded, but because of the difficult financial markets in 2000-2002 and increased liabilities for higher future benefit payments, the funded status decreased. As of June 30, 2008, the ERS was 80.8% funded. The area shown as the top layer reflects the additional amount required ($641 million) for the ERS to achieve fully-funded status. As noted earlier, the Board continues to implement sound and prudent investment policies that will maximize the potential for long-term increases in the value of the assets.



Retirement Savings Plan (RSP)

The County established the Retirement Savings Plan for all non-public safety and certain public safety employees not represented by a collective bargaining agreement hired after October 1, 1994. The Plan requires employees to contribute 3% of regular earnings up to the Social Security wage base and 6% above the wage base. The County contributes 6% and 10% of regular earnings for non-public safety and some public safety employees, respectively. Effective July 1, 2008, the Plan requires employees to contribute 4% of regular earnings up to the Social Security wage base and 8% above the wage base, and the County will contribute 8% of regular earnings for non-public safety employees.

- ***How do I know if I'm a participant in this plan?***

  Employees who participate in the RSP have the following description on their pay stub next to the bi-weekly contribution amount: RET SAV.

- ***How is my retirement benefit calculated?***

  Your benefit is based on your account balance at the time of retirement or separation of service. The balance includes your contributions, the County's contributions (if you're vested) and investment earnings.

- ***How can I find out more information on my account balance and benefit eligibility?***

  Contact Fidelity Investments at 1-800-343-0860 or visit their web site at www.fidelity.com.

The Board oversees the investment program, providing a variety of mutual fund options for participants to choose from. The Board evaluates the performance of the funds offered quarterly.

The Board also provides two hours of investment counseling annually to all participants at no charge, as well as group sessions, to encourage participants to expand their knowledge of investment products. Call 1-800-999-9722 to sign up or visit the Board's web site, www.montgomerycountymd.gov/bit. .

Shown to the right is a list of the investment funds offered, along with their Morningstar rating and annualized performance as of June 30, 2008.
Fidelity's web site, www.fidelity.com, is an invaluable source of information. The web site contains:

- ✓ *Your RSP account activity*
- ✓ *Analysis and performance information on all of the funds offered and information on investment markets*
- ✓ *Financial tools to assist you in determining the amount you'll need at retirement*

Funds	Morningstar Rating	Rates of Return		
		1 Year	5 Year	10 Year
Stable Value Funds:				
Fidelity Managed Income	not rated	4.28	4.21	5.00
Income Funds:				
Fidelity Capital & Income	★★★★★	(2.48)	8.47	6.09
Fidelity Intermediate Bond	★★★	2.43	2.61	4.98
Fidelity U.S. Bond Index	★★★★	5.28	3.53	5.52
Fidelity Inflation-Protected Bond	★★★	12.31	5.08	n/a
Balanced Funds:				
Fidelity Puritan	★★★★	(7.54)	7.63	5.25
Life-Cycle Funds:				
Fidelity Freedom 2000	★★★★	(0.75)	4.52	4.71
Fidelity Freedom 2005	★★★★	(3.45)	n/a	n/a
Fidelity Freedom 2010	★★★★★	(3.45)	6.57	5.42
Fidelity Freedom 2015	★★★★	(4.40)	n/a	n/a
Fidelity Freedom 2020	★★★★	(6.04)	8.40	5.42
Fidelity Freedom 2025	★★★★★	(6.71)	n/a	n/a
Fidelity Freedom 2030	★★★★	(8.21)	9.19	5.16
Fidelity Freedom 2035	★★★★	(8.54)	n/a	n/a
Fidelity Freedom 2040	★★★★	(9.00)	9.71	n/a
Fidelity Freedom 2045	not rated	(9.24)	n/a	n/a
Fidelity Freedom 2050	not rated	(9.68)	n/a	n/a
Fidelity Freedom Income	★★★	0.03	4.11	4.50
Growth & Income Funds:				
Fidelity Equity-Income	★★★	(20.04)	7.54	3.93
Davis New York Venture	★★★★	(13.65)	9.71	5.94
Spartan Extended Market Index	★★★	(11.27)	12.19	5.68
Spartan Total Market Index	★★★	(12.58)	8.61	3.53
Spartan U.S. Equity Index	★★★	(13.16)	7.49	2.76
Growth Funds:				
Fidelity Contrafund	★★★★★	0.91	13.92	8.04
Fidelity Growth Company	★★★★★	3.93	13.43	7.56
Fidelity Low-Priced Stock	★★★★	(13.30)	12.82	11.16
Fidelity Small Cap	★★★★	(14.48)	11.53	9.51
Artisan Small Cap	★★	(22.45)	6.98	2.86
Northern Small Cap Value	★★★	(16.43)	11.23	7.58
Fidelity Value	★★★	(18.61)	11.63	7.86
International Stock Funds:				
Fidelity Diversified International	★★★★	(5.66)	17.85	10.58
Templeton World - A Class	★★★	(13.19)	12.26	6.73
Spartan International Index	★★★	(10.73)	16.41	5.84
Specialty Funds:				
Fidelity Strategic Real Return	not rated	8.84	n/a	n/a
Fidelity Real Estate Investment	★★★	(16.04)	13.70	10.73

Deferred Compensation Plan (DCP)

The County established the Deferred Compensation Plan for employees in 1980. In June 2004, the Board selected ING (formerly CitiStreet) to provide mutual and commingled fund investment vehicles for participants. The Board evaluates the investment performance of the funds offered quarterly. Shown below is a list of the funds available as of June 30, 2008, along with their Morningstar rating and annualized performance as of June 30, 2008. Additional information on the investment program is available on the Plan web site at http://montgomerycountymd.csplans.com and the Board's web site at www.montgomerycountymd.gov/bit.

- ***How do I know if I'm eligible to participate in this plan?***

  Non-represented employees are eligible to join the DCP at any time. Employees who are members of MCGEO, and were hired prior to March 1, 2005, may also join the plan at any time. MCGEO members hired after March 1, 2005 are not eligible to participate. Employees represented by the FOP or the IAFF are not eligible to make contributions to the DCP.

- ***How is my retirement benefit calculated?***

  Your benefit is based on your account balance at the time of retirement or separation of service. The balance includes your contributions and investment earnings.

- ***How can I find out more information on my account balance and benefit eligibility?***

  Contact the ING onsite representative at 240-777-5054 or stop by the ING office located in the Executive Office Building, Office of Human Resources, 101 Monroe Street, 7th floor. Additional information is also available at the ING website http://montgomerycountymd.csplans.com.

Funds	Morningstar Rating	Rates of Return		
		1 Year	5 Year	10 Year
Stable Value Funds:				
SEI Stable Asset	not rated	4.06	3.88	4.58
Income Funds:				
Fidelity Inflation-Protected Bond	★★★	12.31	5.08	n/a
Goldman Sachs Short Gov't Fund	★★★	7.83	3.24	4.59
Hartford Bond	★★★★	3.59	3.54	5.58
PIMCO High Yield	★★★★	(0.66)	6.22	5.28
SSgA Passive Aggregate	not rated	7.27	3.76	5.49
Life-Cycle Funds:				
BGI Lifepath Retirement	not rated	(0.36)	5.98	5.12
BGI Lifepath 2010	not rated	(1.58)	6.97	4.85
BGI Lifepath 2020	not rated	(5.51)	7.90	4.33
BGI Lifepath 2030	not rated	(8.36)	8.50	3.96
BGI Lifepath 2040	not rated	(10.77)	9.05	3.66
Growth & Income Funds:				
Hartford Dividend & Growth	★★★★	(9.71)	10.43	6.10
SSgA S&P 500 Index	not rated	(13.23)	7.44	2.73
SSgA Mid Small Index	not rated	(11.80)	11.61	5.75
Growth Funds:				
Legg Mason Appreciation	★★★★	(3.64)	8.80	5.40
Hartford Capital Appreciation	★★★★★	(4.62)	16.37	11.32
Amer. Funds Growth Fund	★★★★★	(5.01)	11.58	9.18
Fidelity Low-Priced Stock	★★★★	(13.30)	12.82	11.16
Fidelity Small Cap	★★★★	(14.48)	11.53	9.51
Legg Mason Sm Cap Grwth	★★★★	(4.63)	n/a	n/a
Northern Small Cap Value	★★★	(16.43)	11.23	7.48
International Stock Funds:				
Fidelity Diversified International	★★★★	25.72	19.02	12.78
Oppenheimer Global	★★★★	23.15	15.98	n/a
SSgA daily EAFE	not rated	26.80	17.40	7.43
Specialty Funds:				
Fidelity Strategic Real Return	not rated	8.84	n/a	n/a
SSgA Tuckerman Active REIT	★★★★	(10.83)	16.06	12.06

Judges Retirement Contributions

This NDA provides pensions for retired Judges who were on the bench prior to 1968 in the Circuit Court and the People's Court (District Court) of Montgomery County and for their surviving spouses.

The Circuit Court pension is calculated at one percent of the net supplement paid by the County to the salaries of the Circuit Court Judges as of May 31, 1968, multiplied by the number of years of active service as a Judge (up to a maximum of 20 years). The surviving spouse receives one-half of the pension to which the Judge would have been entitled. The benefits are authorized in Section 12-10 of the Montgomery County Code.

The People's Court (District Court) pension is based on the current salary of a District Court Judge. A retired Judge receives 60 percent of the current salary of a District Court Judge, while a surviving spouse receives one-half of the pension to which the Judge would have been entitled. The benefits are authorized in Article 73B, Section 63(b) of the Annotated Code of Maryland. This NDA may be increased to include a cost of living adjustment at a rate equal to that approved for District Court Judges by the General Assembly. If a cost of living adjustment is approved next fiscal year, the NDA will be adjusted as necessary by a year-end transfer.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	**3,740**	**0.0**
FY10 CE Recommended	**3,740**	**0.0**

Productivity Enhancements and Personnel Cost Savings

The approved budget assumes implementation of a Retirement Incentive Program to generate savings of $1,011,260.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	**-13,000,000**	**0.0**
Increase Cost: Replace One-time Expenditure Reductions	7,191,080	0.0
Shift: Technical Adjustment for Permanent Savings from FY09 Retirement Incentive Program (RIP)	5,808,920	0.0
Decrease Cost: Savings from the FY10 Retirement Incentive Program (RIP)	-1,011,260	0.0
FY10 CE Recommended	**-1,011,260**	**0.0**

Retiree Health Benefits Trust

Retiree Health Benefits Trust: Beginning in FY08, the County implemented a plan to set aside funds for retiree health benefits, similar to what we have been doing for retiree pension benefits for more than 50 years. The reasons for doing this are simple: due to exponential growth in expected retiree health costs, the cost of funding these benefits, which are currently paid out as the bills come due, may soon become unaffordable. Setting aside money now and investing it in a Trust Fund, which will be invested in a similar manner as the pension fund, not only is a prudent and responsible approach, but will result in significant savings over the long term.

As a first step in addressing the future costs of retiree health benefits, County agencies developed current estimates of the costs of health benefits for current and future retirees. These estimates, made by actuarial consultants, concluded that the County's total future cost of retiree health benefits if paid out today, and in today's dollars, is $2.6 billion – more than half the total FY09 budget for all agencies.

One approach used to address retiree health benefits funding is to determine an amount which, if set aside on an annual basis and actively invested through a trust vehicle, will build up over time and provide sufficient funds to pay future retiree health benefits. This amount, known as an Annual Required Contribution or "ARC", was calculated for County agencies last year to be $240 million, or nearly $190 million more than the previous annual payment for current retirees. Still too large an amount to be set aside all at once in FY08, the County chose a further approach of "ramping up" to the ARC amount over several years, with the amount set aside each year increasing steadily until the full ARC is reached. A total of $31.9 million for all tax supported agencies was budgeted for this purpose in FY08.

For FY09, the ARC has been recalculated and is now estimated at $250 million. This amount consists of two pieces – the annual amount the County would usually pay out for health benefits for current retirees (the pay as you go amount), plus the additional amount estimated as needed to fund retirees' future health benefits (the pre-funding portion). The pay as you go amount can be reasonably projected based on known facts about current retirees, and the pre-funding portion is estimated on an actuarial basis. For FY09, a ramp-up period of eight years was assumed, up from the five year phase-in that was planned in FY08. Because of the County's fiscal situation, the Executive recommends level funding in FY10, which allows the County to defer $26 million in increased trust contributions.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	**16,391,930**	**0.0**
FY10 CE Recommended	**16,391,930**	**0.0**

State Positions Supplement

This NDA provides for the County supplement to State salaries and fringe benefits for secretarial assistance for the resident judges of the Maryland Appellate Court and for certain employees in the Office of Child Care Licensing and Regulation in the Maryland State Department of Human Resources.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	**144,950**	**0.0**
Decrease Cost: Group Insurance Adjustment	-10	0.0
Increase Cost: Annualization of FY09 Personnel Costs	-44,000	0.0
FY10 CE Recommended	**100,940**	**0.0**

State Retirement Contribution

This NDA provides for the County's payment of two items to the State Retirement System:

- Maryland State Retirement System: Unfunded accrued liability, as established by the Maryland State Retirement System (MSRS), for employees hired prior to July 1, 1984, who are members of the MSRS (including former Department of Social Services employees hired prior to July 1, 1984), and for those who have retired (all County employees participated in the State Retirement System until 1965.) The County contribution for this account is determined by State actuaries. Beginning in FY81, the amount due was placed on a 40-year amortization schedule.

- State Library Retirement: Accrued liability for retirement costs for three Montgomery County Public Library retirees who are receiving a State retirement benefit. These were County employees prior to 1966 who opted to stay in the State plan.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	**934,920**	**0.0**
Increase Cost: Amortized amount owed to the State Retirement based on actuarial cost to the plan.	46,560	0.0
FY10 CE Recommended	**981,480**	**0.0**

Compensation and Employee Benefits Adjustments

This NDA contains a General Fund ($1,268,370) and a Grant Fund ($67,520) appropriation, and provides funding for certain personnel costs related to adjustments in employee and retiree benefits, pay-for-performance awards for employees in the Management Leadership Service and non-represented employees, deferred compensation management, and unemployment insurance.

Non-Qualified Retirement Plan: This provides funding for that portion of a retiree's benefit payment that exceeds the Internal Revenue Code's §415 limits on payments from a qualified retirement plan. Payment of these benefits from the County's Employees' Retirement System (ERS) would jeopardize the qualified nature of the County's ERS. The amount in this NDA will vary based on future changes in the Consumer Price Index (CPI) affecting benefit payments, new retirees with a non-qualified level of benefits, and changes in Federal law governing the level of qualified benefits.

Deferred Compensation Management: These costs are for management expenses required for administration of the County's Deferred Compensation program. Management expenses include legal and consulting fees, office supplies, printing and postage, and County staff support.

Management Leadership Service Performance-Based Pay Awards: In FY99, the County implemented the Management Leadership Service (MLS) which includes high level County employees with responsibility for developing and implementing policy and managing County programs and services. The MLS was formed for a number of reasons, including improving the quality and effectiveness of service delivery through management training, performance accountability, and appropriate compensation; providing organizational flexibility to respond to organizational needs; allowing managers to seek new challenges; and developing and encouraging a government-wide perspective among the County's managers. MLS employees are not eligible for service increments.

Unemployment Insurance: The County is self-insured for unemployment claims resulting from separations of service. Unemployment insurance is managed by the Office of Human Resources through a third party administrator who advises the County and monitors claims experience.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	**3,432,070**	**1.6**
Increase Cost: Administration of the ePerform Employee Evaluation System	26,430	0.0
Increase Cost: Deferred Compensation Management	3,170	0.0
Increase Cost: Service Increment	880	0.0
Increase Cost: Printing and Mail Adjustments	140	0.0
Increase Cost: Group Insurance Adjustment	80	0.0
Decrease Cost: Grant Funding for MLS Pay for Performance	-151,120	0.0
Eliminate: General Fund Non-represented Employee Pay for Performance Program in FY10	-809,420	0.0
Decrease Cost: General Fund MLS Pay for Performance	-1,166,340	0.0
FY10 CE Recommended	**1,335,890**	**1.6**

Group Insurance for Retirees

Group insurance is provided to an estimated 4,500 retired County employees and survivors, as well as retirees of participating outside agencies. Employees hired before January 1, 1987, are eligible upon retirement to pay 20 percent of the premium for health and life insurance for the same number of years (after retirement) that they were eligible to participate in the group insurance plan as an active employee. The County government pays the remaining 80 percent of the premium. Thereafter, these retirees pay 100 percent of the premium. Employees hired before January 1, 1987, are also offered the option at retirement to convert from the 20/80 arrangement to a lifetime cost sharing option.

Employees hired after January 1, 1987, are eligible upon retirement for a lifetime cost sharing option under which the County pays 70 percent of the premium and the retiree pays 30 percent of the premium for life for retirees who were eligible to participate in the County group insurance plan for 15 or more years as active employees. Minimum participation eligibility of five years as an active employee is necessary to be eligible for the lifetime plan. The County will pay 50 percent of the premium for retirees with five years of participation as an active employee. The County contribution to the payment of the premium increases by two percent for each additional year of participation up to the 70 percent maximum.

On March 5, 2002, the County Council approved a one-time opportunity for retirees still under the 20/80 arrangement with an expiration date to elect the lifetime cost sharing arrangement. The new percentage paid by the County for those electing this arrangement ranges from 50 percent to 68 percent, depending upon years of active eligibility under the plan and years since retirement. The cost sharing election process has been completed.

The budget does not include employer contributions from participating outside agencies.

FY10 Recommended Changes	Expenditures	WYs
FY09 Approved	**26,039,330**	**0.0**
FY10 CE Recommended	**26,039,330**	**0.0**

Compensation NDA Components

	FY 09			FY 10			FY 09-10
Tax Supported	**PC**	**OE**	**Total**	**PC**	**OE**	**Total**	**Change**
Unemployment Insurance	-	250,000	250,000	-	250,000	250,000	-
Non-qualified Retirement	-	20,200	20,200	-	20,200	20,200	-
Deferred Compensation Mgt	91,310	34,170	125,480	94,840	34,910	129,750	4,270
Collective Bargaining Actuarial Services	-	75,000	75,000		75,000	75,000	-
MLS Pay for Performance	1,452,290	-	1,452,290	428,790		428,790	(1,023,500)
Performance Management Program	75,200	263,000	338,200	101,630	263,000	364,630	26,430
Nonrep Pay for Performance	809,420	-	809,420	-	-	-	(809,420)
Subtotal	**2,428,220**	**642,370**	**3,070,590**	**625,260**	**643,110**	**1,268,370**	**(1,802,220)**
Non-tax Supported							
MLS Pay for Performance	218,640	-	218,640	67,520		67,520	(151,120)
Nonrep Pay for Performance	142,840	-	142,840	-	-	-	(142,840)
Subtotal	**361,480**	**-**	**361,480**	**67,520**	**-**	**67,520**	**(293,960)**
Total	**2,789,700**	**642,370**	**3,432,070**	**692,780**	**643,110**	**1,335,890**	**(2,096,180)**

	FY10 RETIREMENT INCENTIVE PLAN SAVINGS			
1	Total cost of Retirees		12,353,716	
2				
3	Total Cost of Replacements		9,675,978	
4				
5	Annual turnover		2,677,738	
6				
7	Lapse 1 month		8,869,001	
8				
9	Gross: 1st yr savings		3,484,715	
10				
11	Less: Leave payouts		2,295,000	**the average leave payout last time was 17,000 (including FICA), multiplied by our 135 estimated RIP participants**
12				
13	Total Net Savings 1st Year:		1,189,715	
14				
15	**Savings: Tax supported**		**1,011,260**	
16				
17	Savings: Non Tax Supported		178,455	
18				
19	**<u>Assumptions:</u>**			
20	Acceptances	135		
21	Average pay	69,822	$ **61,444**	
22	Replacements will be between mid-point and pay grade maximum, or approximately 88% of top of grade			
23	Lapse 1 month of the fiscal year			
24	No positions are abolished			
25				
26	<u>Benefit Assumptions:</u>	<u>Existing</u>	<u>Replacement</u>	
27	FICA/Medicare	0.0765	0.0765	
28	Life Insurance	0.0100	0.0100	
29	Retirement	0.2241	0.0800	
30		0.3106	0.1665	

85

$40,000 Incentive Payment, Early Penalty Waived

Assumptions:

Applies to Groups A, E, and H
Retirement Effective June 1, 2009
Retiree Salary and Benefits $88,883
Cost amortized over 10 years
135 people retire
Replacement Salary and Benefits - $83,977

Scenario 1 - No Positions Abolished

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Salary and Benefits Savings	($11,999,306)	($11,999,306)	($11,999,306)	($11,999,306)	($11,999,306)	($11,999,306)
Normal Pension Cost Savings	($1,042,000)	($1,042,000)	($1,042,000)	($1,042,000)	($1,042,000)	($1,042,000)
Gross Savings	($13,041,306)	($13,041,306)	($13,041,306)	($13,041,306)	($13,041,306)	($13,041,306)
Amortized Pension Cost	$0	$2,308,000	$2,308,000	$2,308,000	$2,308,000	$2,308,000
New Hire Salary and Benefits (135 filled)	$10,391,391	$11,336,887	$11,336,887	$11,336,887	$11,336,887	$11,336,887
OPEB ARC Increase	$0	$384,750	$384,750	$384,750	$384,750	$384,750
Gross Cost	$10,391,391	$14,029,637	$14,029,637	$14,029,637	$14,029,637	$14,029,637
Cost/(Savings)	($2,649,915)	$988,331	$988,331	$988,331	$988,331	$988,331

Note: Actuarial Accrued Liability Increases by: $16,700,000

Scenario 2 - 10% of Positions Abolished

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Salary and Benefits Savings	($11,999,306)	($11,999,306)	($11,999,306)	($11,999,306)	($11,999,306)	($11,999,306)
Normal Pension Cost Savings	($1,042,000)	($1,042,000)	($1,042,000)	($1,042,000)	($1,042,000)	($1,042,000)
Gross Savings	($13,041,306)	($13,041,306)	($13,041,306)	($13,041,306)	($13,041,306)	($13,041,306)
Amortized Pension Cost	$0	$2,308,000	$2,308,000	$2,308,000	$2,308,000	$2,308,000
New Hire Salary and Benefits (121 filled)	$9,313,765	$10,161,210	$10,161,210	$10,161,210	$10,161,210	$10,161,210
OPEB ARC Increase	$0	$384,750	$384,750	$384,750	$384,750	$384,750
Gross Cost	$9,313,765	$12,853,960	$12,853,960	$12,853,960	$12,853,960	$12,853,960
Cost/(Savings)	($3,727,541)	($187,346)	($187,346)	($187,346)	($187,346)	($187,346)

Note: Actuarial Accrued Liability Increases by: $16,700,000

OPEB

Future Fiscal Impact of 8 Year Phase-In to the ARC (using pension discount rate)

Agency	2009	2010	2011	2012	2013	2014	2015	Total over Future 7 years
County	$ 19,700,000	$ 32,000,000	$ 44,000,000	$ 56,000,000	$ 68,000,000	$ 80,000,000	$ 93,000,000	$ 392,700,000
MCPS	18,300,000	30,000,000	42,000,000	54,000,000	66,000,000	78,000,000	90,000,000	378,300,000
College	700,000	1,200,000	1,700,000	2,200,000	2,700,000	3,200,000	3,600,000	15,300,000
M-NCPPC (Montgomery County portion - 45%)	1,900,000	3,010,000	4,230,000	5,450,000	6,660,000	7,880,000	8,860,000	37,990,000
Subtotal - Tax Supported Agencies	40,600,000	66,210,000	91,930,000	117,650,000	143,360,000	169,080,000	195,460,000	824,290,000
WSSC	-	-	-	-	-	-	-	-
Total	$ 40,600,000	$ 66,210,000	$ 91,930,000	$ 117,650,000	$ 143,360,000	$ 169,080,000	$ 195,460,000	$ 824,290,000

NOTES:

Other Assumptions

* Actuarial calculations based on 5% annual increases due to inflation and increases in employee or retiree population.
* There will be a policy decision at the agency level to dedicate Medicare Part D subsidies to fund OPEB costs.
* M-NCPPC valuation is for Montgomery/Prince George's Counties combined. This analysis assumes 45% relates to Montgomery County.

MEMORANDUM

DATE: April 13, 2009

TO: Management and Fiscal Policy Committee

FROM: Thomas Lowman, Bolton Partners, Inc. TL

SUBJECT: Comments on the OPEB Plans

This memo is an update to our prior memos dating back to 2006. In this memo we have focused on just a few areas:

1. Lessons to date from the experience of other jurisdictions plus pension fund investment losses; and
2. Status of options for limiting liability.

1. Lessons to Date from the Experience of Other Jurisdictions

In our prior memo we discussed changes in benefits in St. Mary's County, Baltimore County and Frederick County. We now add the following recent changes announced by Howard County Government and Schools:

1. Increased minimum years of service to 15 (some grandfathering) before being eligible for a benefit
2. Allowed retirees who opt-out of the plan to later opt-in
3. Employer share no longer based on highest cost plan
4. Lowered Employer Subsidy percentage as follows:

Years of Service	10	11	12	13	14	15	20	25	30
County: Old	50%	50%	50%	50%	50%	50%	75%	90%	100%
New						50%	75%	90%	
Schools: Old	50%	55%	60%	65%	70%	75%	90%	90%	100%
New						50%	75%	90%	

As we noted previously, state wide the overall pace of change when measured over the last 12 months seems slow. Given the importance to retirees and the unions, this is understandable.

We are also just starting to see how the counties are doing staying with their funding plans:

1. Baltimore County contributed more than their full expense (ARC) to a trust in the initial years but is now contributing less than the ARC.

2. Anne Arundel County never set up a trust. Money set aside was revocable and may be used for other purposes in FY10.

3. St. Mary's County is contributing the full ARC.

4. Cecil County is contributing more than their ARC.

We noted in our last memo that some trends related to the recession will take time to evolve and the pension funding problems (not OPEB) are of primary concern. Most public pension plans in Maryland complete annual valuations on June 30th. FY09 investment losses are likely to be in the 20% to 25% range when the next valuation is completed (generally to determine the contribution for FY11). A plan that was 100% funded might now be 75% funded. Over the next five years (FY11-FY15) contribution rates may increase by 50% to 100% (e.g. from 10% to 15%-20% of payroll). Cutting pension benefits is more difficult than health benefits because of contractual requirements. Funding pensions is generally viewed as more important than retiree health insurance due to (1) longer history of funding and (2) contractual promises. A surprising number of State plans (44%) had not contributed their full ARC in 2006[1]. We expect that this number will increase. All of this boils down to being prepared for serious contribution increases and deciding if this means higher taxes or benefit cuts.

The problem with finding money to fund OPEB promises or cutting benefits exists across the country. Not all state and counties offer the same level of benefits, so there are areas where the problem is larger (e.g. Maryland) than others (e.g. Virginia). Reports of problems come from California, Hawaii, Nevada and even the United Nations.

[1] Based on May 2008 paper by Alicia Munnell at Boston College.

2. Status of Review of Options for Limiting Liability

The following are five comments from our prior memos:

1) "Deciding how to limit liability is not easy and as is stated in the Work Group's November memo 'it boils down to either reducing benefits or requiring retirees to pay a larger portion of their benefit cost'. This usually means that the needs of unions (their membership) and retirees must be considered along with those of the taxpayers."

2) "Since complying with GASB45, only limited benefit changes have been made by the County and its agencies."

3) The County established a "Post-Employment Group Insurance Committee" that will report back in September 2009.

4) The Council might consider the following possibilities:

   i) Provide guidance on what the County can afford and ask the agencies to design plans around those fiscal constraints.

   ii) Provide a common plan design and suggest that all agencies and unions work toward this design. This "common" design might be different for existing employees vs. new hires. If this approach is taken, the Council might wish to get fiscal impact information from the agencies' actuaries. For a variety of reasons this would be the more difficult of the two options.

5) "We assume that fiscal constraints are even tighter now than they were in the past. With anticipated higher pension costs and revenue shortfalls, the reality for many counties will be that funding for pensions and OPEB will limit what can be spent for salaries unless a new balance in pay vs. benefits is decided upon. We encourage the Council to provide guidance."

What has changed since writing these comments? We assume that tax revenue projections are down. Pension funds lost even more money and costs will rise. Some OPEB cost projections have improved. Often personnel costs are looked at on a combined basis including pay increases, pension cost and health insurance cost. We would encourage the Council to ask for an updated pension cost projection for FY11-FY15 to understand the true size of the future cost of benefits.

During a recent audiocast[2] I heard the term "Asymmetric Risk and Reward Model" to describe this situation. The concept was that in good times benefits were increased and usually appropriately funded. However, in bad times benefits were seldom cut and funding often suffered. Along this line, we understand that the Executive recommends no change in the FY10 budget request for the agencies' OPEB trusts. This means that the funding would stay at $40.6 million, and fall short of the full expense (ARC) by more than was planned[3].

The County needs to ask if the nature of this recession is such that under funding is temporary. Unions need to realize that paying less than the full expense (ARC) for the pension plan or retiree health care will put future benefits at risk and that a cut later will be set in motion by under funding today. Taxpayers will question even more the benefits being provided[4]. Regardless of the answer to whether there is a temporary need to reduce funding, this means that the need to cut benefits or pay is even greater if you don't have the money to fund the benefits. For me the priorities of what to protect are: #1 jobs, #2 pensions, #3 pay raises and #4 OPEB[5]. My order might not be the same as your order or the unions' order and certainly some level of funding of all four categories is appropriate. I have left out taxes (increases) and employee health care from this list since I did not want to suggest where they fit.

None of this is easy.

---

[2] April 8, 2009 Conference of Consulting Actuaries audiocast: "Public Plans Funding and Governance"

[3] Falling behind will bring into question the interest (discount rate) that can be used to determine the OPEB expense. It is likely that the rate will need to drop, the expense will increase materially and a larger Net OPEB Obligation be booked.

[4] Some of this I would view as unfair since the issue may be more one of the private sector not providing adequate benefits. This is partly driven by accounting differences. However, as the separation in relative benefits increases, the reaction will grow.

[5] The order between #3 and #4 is influenced in part by the need to keep pay competitive and the presence of Medicare at age 65.

EMPLOYEE HEALTH BENEFITS SELF INSURANCE FUND

FY10-15 FISCAL PROJECTION	Estimate - FY09	Projected - FY10	Projected - FY11	Projected - FY12	Projected - FY13	Projected - FY14	Projected - FY15
BEGINNING BALANCE	28,343,520	27,450,930	8,782,510	9,577,640	10,537,690	11,585,670	12,733,700
REVENUES							
Premium Contributions	131,322,120	141,997,230	159,604,780	175,568,350	192,965,270	212,006,080	232,781,860
Premium Contributions: Retiree Insurance NDA	26,039,330	26,039,330	32,584,810	35,875,480	39,472,880	43,422,570	47,738,610
Investment Income	103,100	95,840	158,030	268,710	324,400	394,750	468,560
TOTAL REVENUES	157,464,550	168,132,400	192,347,620	211,712,540	232,762,550	255,823,400	280,989,030
TRANSFER TO THE GENERAL FUND		(12,500,000)					
TOTAL FUNDS AVAILABLE	185,808,070	183,083,330	201,130,130	221,290,180	243,300,240	267,409,070	293,722,730
EXPENDITURES							
Claims Costs: Self-Insured	132,755,650	146,794,460	162,163,710	179,251,640	197,928,880	218,457,510	240,897,980
Actives	86,449,980	95,333,690	105,049,950	115,913,470	127,750,020	140,710,650	154,856,560
Retirees	46,305,670	51,460,770	57,113,760	63,338,170	70,178,860	77,746,860	86,041,420
Premium Expenses	18,360,550	19,795,650	21,330,790	23,058,600	24,951,360	26,972,970	29,162,600
Actives	16,400,620	17,733,360	19,161,540	20,777,620	22,542,770	24,426,630	26,473,990
Retirees	1,959,930	2,062,290	2,169,250	2,280,980	2,408,590	2,546,340	2,688,610
Carrier Administration	5,272,760	5,508,890	5,746,080	6,014,740	6,285,440	6,568,560	6,865,190
Active	3,521,390	3,675,120	3,831,460	4,010,870	4,190,640	4,378,890	4,576,450
Retirees	1,751,370	1,833,770	1,914,620	2,003,870	2,094,800	2,189,670	2,288,740
In-house expenses	1,968,180	2,201,820	2,311,910	2,427,510	2,548,890	2,676,330	2,810,150
TOTAL EXPENDITURES	158,357,140	174,300,820	191,552,490	210,752,490	231,714,570	254,675,370	279,735,920
ENDING BALANCE	27,450,930	8,782,510	9,577,640	10,537,690	11,585,670	12,733,700	13,986,810
TARGET FUND BALANCE (5% OF EXPENDITURES)	7,917,860	8,715,040	9,577,620	10,537,620	11,585,730	12,733,770	13,986,800
ENDING BALANCE AS % OF EXPENDITURES	17.3%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

5

EMPLOYEE HEALTH BENEFIT SELF INSURANCE FUND					
EXPENDITURES					
Salaries and Wages	448,483	1,011,420	827,280	956,860	-5.4%
Employee Benefits	236,806	314,850	234,670	289,780	-8.0%
Employee Health Benefit Self Insurance Fund Pers.Costs	***685,289***	***1,326,270***	***1,061,950***	***1,246,640***	***-6.0%***
Operating Expenses	145,279,961	160,949,920	157,295,190	173,054,180	7.5%
Capital Outlay	0	0	0	0	—
Employee Health Benefit Self Insurance Fund Exp.	***145,965,250***	***162,276,190***	***158,357,140***	***174,300,820***	***7.4%***
PERSONNEL					
Full-Time	0	0	0	0	—
Part-Time	0	0	0	0	—
Workyears	11.0	12.2	12.2	11.8	-3.3%
REVENUES					
Self Insurance Employee Health Income	150,625,670	157,327,120	157,361,450	168,036,560	6.8%
Investment Income	1,368,150	369,180	103,100	95,840	-74.0%
Employee Health Benefit Self Insurance Fund Revenues	***151,993,820***	***157,696,300***	***157,464,550***	***168,132,400***	***6.6%***

EMPLOYEE HEALTH BENEFIT SELF INSURANCE FUND

FY09 ORIGINAL APPROPRIATION	**162,276,190**	**12.2**
Other Adjustments (with no service impacts)		
Increase Cost: Increase in Estimated Claims Costs and Carrier Administration Charges [Benefits and Information Management]	12,103,000	0.0
Increase Cost: Annualization of FY09 Lapsed Positions [Benefits and Information Management]	9,040	0.1
Increase Cost: Service Increment [Benefits and Information Management]	6,170	0.0
Increase Cost: Retirement Adjustment [Benefits and Information Management]	2,910	0.0
Increase Cost: Group Insurance Adjustment [Benefits and Information Management]	1,390	0.0
Increase Cost: Printing and Mail Adjustments [Benefits and Information Management]	1,260	0.0
Technical Adj: Technical Adjustment	0	-0.5
Increase Cost: Annualization of FY09 Personnel Costs	-99,140	0.0
FY10 RECOMMENDED:	**174,300,820**	**11.8**

Awards and Special Compensation Tracking System

County Awards Summary (FY2008)

Reported on 04/13/2009

Department	Annual Leave (hrs)	Awarded Amount ($)							AL(hrs)
		Emp. of Year	Recognition		ASE		Recru-itment	Total	Recru-itment
			Cash	Non-Cash	Exam	Master			
01 - CCL	1,302.50	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
03 - OLO	176.00	$ 500	$ 200	$ 0	$ 0	$ 0	$ 0	$ 700	0.00
15 - CEX	56.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
18 - RSC	208.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
23 - PIO	312.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
30 - CAT	0.00	$ 200	$ 0	$ 0	$ 0	$ 0	$ 0	$ 200	0.00
31 - OMB	0.00	$ 2,500	$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,500	0.00
32 - FIN	0.00	$ 3,500	$ 300	$ 0	$ 0	$ 0	$ 0	$ 3,800	0.00
34 - DTS	104.00	$ 4,400	$ 0	$ 0	$ 0	$ 0	$ 0	$ 4,400	0.00
35 - PRO	0.00	$ 0	$ 1,600	$ 0	$ 0	$ 0	$ 0	$ 1,600	0.00
36 - DGS	80.00	$ 0	$ 0	$ 0	$ 700	$ 0	$ 0	$ 700	0.00
42 - COR	800.00	$ 1,000	$ 100	$ 0	$ 0	$ 0	$ 14,500	$ 15,600	0.00
45 - FRS	352.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
46 - HR	594.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
47 - POL	3,437.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,000	$ 3,000	1,480.00
48 - SHF	1,756.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
50 - DOT	9,493.00	$ 6,150	$ 1,900	$ 0	$ 76,100	$ 69,000	$ 12,250	$ 165,400	0.00
64 - HHS	506.00	$ 750	$ 0	$ 2,030	$ 0	$ 0	$ 0	$ 2,780	0.00
70 - CUS	40.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
71 - LIB	76.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
75 - DPS	112.00	$ 1,000	$ 100	$ 100	$ 0	$ 0	$ 0	$ 1,200	0.00
76 - HCA	152.00	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	0.00
80 - ENV	1,441.00	$ 0	$ 2,050	$ 0	$ 0	$ 0	$ 0	$ 2,050	0.00
85 - LIQ	0.00	$ 1,100	$ 1,400	$ 0	$ 0	$ 0	$ 0	$ 2,500	0.00
Total	20,997.50	$ 21,100	$ 7,650	$ 2,130	$ 76,800	$ 69,000	$ 29,750	$ 206,430	1,480.00

Main Menu	Report	Download	Administration	Password	Exit

Return to County Intranet User Rights Privacy Policy Disclaimer

56

MEMORANDUM

April 10, 2009

TO: Management and Fiscal Policy Committee

FROM: Stephen B. Farber, Council Staff Director SBF

SUBJECT: Update of Pay Changes since FY00: Montgomery County and Bi-County Agencies, Other Regional Local Governments and School Systems, the State, and the Federal Government

The attached tables, prepared by Legislative Analyst Amanda Mihill, update the annual pay changes since FY00 for the County and Bi-County agencies, other regional local governments and school systems, the State, and the Federal Government. OLO developed the format in 1994. Data are updated here for FY10 recommended.

The tables place pay changes in four categories:

- Increments (or step increases) provided to employees not at top of grade;
- General wage adjustments (COLAs);
- Lump-sum payments; and
- Adjustments made to the top of salary ranges.

An index to the tables is on the next page. When reviewing the tables, please keep in mind the following points about the format and content of the data provided:

1. For FY00-09, the tables report the pay changes that were actually implemented.

2. A hyphen (-) indicates that there was no change to that component of pay in that year. A blank space indicates that the information was not available.

3. For the Montgomery County and Bi-County agencies, the tables include increment amounts by bargaining unit. For units that have a variable as opposed to a fixed increment amount, the table reports the weighted average received by employees that year unless otherwise indicated.

4. For the non-Montgomery County jurisdictions, we have again attempted to provide more specific information on increments or steps, despite the diverse approaches to providing them. Where such information was not available, "Yes" indicates that increments were provided; a hyphen indicates that increments were not provided.

5. For the non-Montgomery County jurisdictions, a notation under the title indicates whether compensation is subject to collective bargaining.

Thanks are due once again this year to the budget and human resources staff of the five County and Bi-County agencies and our neighboring jurisdictions for their contributions to this compilation of data.

Table Index **Page**

58

MONTGOMERY COUNTY GOVERNMENT

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Police (FOP)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	2.5%	2.7%	(c)	(e)	2.0%	2.0%(h)	2.75%	(n)	-	4.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	(a)	-	-	-	-	(i)	-	-	-	-	-
Other	-	-	-	-	-	-	(l)	-	(p)	-	-
Fire (IAFF)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	3.0%	2.9%	(d)	5.0%	3.5%	3.5%	(m)	(o)	5.0%	2%+2%(t)	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	(a)	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	(f)	(f)	-	-	-	-	(u)
Office, Professional, and Technical Bargaining Unit/Service, Labor, and Trade Bargaining Unit (MCGEO)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	2.6%	(b)	3.25%	3.5%	3.75%(g)	2.0%(h)	2.75%	(n)	4.0%	4.5%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	(j)	-	-	(q)	-	(v)
Non-Represented											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	2.6%	(b)	3.25%	3.5%	2.0%	2.0%(h)	2.75%	(n)	4.0%	4.5%	0.0%
Lump-sum payment	-	-	-	-	-	-	(r)	(r)	(r)	(r)	-
Top of range adjustment	-	-	-	-	-	(k)	(s)	(s)	(s)	(s)	-

(a) Longevity step (completion of 20 years).
(b) 2.0% effective 7/2/00; 1.0% effective 1/14/01.
(c) Effective 7/1/01, a flat dollar amount of $2800 per employee and effective 1/13/02 an additional flat dollar amount of $600 per employee.
(d) 2.0% effective 7/1/01; 1.0% effective 1/13/02.
(e) 3.0% effective 7/02; 1.0% effective 1/03.
(f) Pay plan adjustment equal to 3.5%.
(g) Effective 11/30/03.
(h) Effective 9/5/04.
(i) Return to uniform pay plan starting 1/9/05 for unit members with 20 years of completed service.
(j) Starting 1/9/05 employees who have completed 20 years of service and are at the maximum of their pay grade will receive a longevity increment of 2%.
(k) Range expansion of 1.75%, 3.75% for employees in the Management Leadership Service.
(l) Effective 1/8/06 current min/max salary schedule will be converted to a matrix based step schedule.
(m) 3% effective 7/10/05; 1% effective 1/8/06.

5

(n) 3.0% effective 7/9/06; 1.0% effective 1/7/07.
(o) 4.0% effective 7/9/06; 1.0% effective 1/7/07.
(p) Increase wage rate of Step 0, Year 1, by $3,151with promotions and increments calculated from that point. Equals an adjustment of 7.5%.
(q) Increase longevity percentage by 1.0%, effective 1/6/08.
(r) Performance lump sum award: 2% for exceptional and 1% for highly successful.
(s) Longevity/performance increment 2 years of consecutive exceptional or highly successful: 1% added to base pay and effective 1/7/07, 2% added to base pay.
(t) 2.0% effective 7/6/08; 2.0% effective 1/4/09.
(u) A new longevity adjustment at 28 years of service in July 2009 and additional steps on the salary in July 2010.
(v) 3.0% longevity increase.

Note: The percentage of employees eligible to receive a service increment varies by bargaining unit. Overall, about two-thirds of represented County Government employees are eligible to receive an increment in FY10.

9

MONTGOMERY COUNTY PUBLIC SCHOOLS

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Teachers (MCEA)											
Increment	0.9-5.6%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%	1.5-3.9%
Increment-weighted average (a)	1.5%	1.6%	1.7%	1.9%	1.9%	1.9%	2.0%	1.9%	2.2%	2.3%	2.1%
Negotiated salary schedule increase	2.0%(e)	5.0%(g)(i)	4.0% (g)	4.0% (g)	4.0% (g)	2.0%	2.75%	4.0%(o)	4.8%(p)	5.0%(q)	0.0%(t)
Lump-sum payment (b)	$300	$300	$400	$400	$400	$400	$400	$400	$400	$400	$400
Top of range adjustment	-	(h)	-	-	-	-	-	-	-	-	-
Admin. and Supervisory Personnel (MCAASP)											
Increment	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.00%
Increment-weighted average (a) (d)	1.3%	1.0%	1.0%	0.9%	0.8%	0.9%	1.1%	0.9%	1.1%	1.2%	1.1%
Negotiated salary schedule increase	2.7%(f)	5.125%(i)	3.0%	3.0%	3.0% (j)	2.0%(m)	2.0%(n)	4.0%(o)	4.8%(p)	5.0%(q)	0.0%(t)
Lump-sum payment	-	-	-	-	-	$1,500(l)	$1,500(l)	$1,500-$3,000(l)	$1,500-$3,000(l)	$1,500-$3,000(l)	$1,500-3,000(l)
Top of range adjustment	-	-	-	-	-						
Business and Operations Administrators (MCBOA)											
Increment										(r)	3.00%
Increment-weighted average										(r)	2.7%
Negotiated salary schedule increase										(r)	0.0%(t)
Lump-sum payment										-	-
Top of range adjustment										(r)	$1,500-$4,500(s)
Supporting Services Employees (SEIU Local 500)											
Increment	1.9-5.5%	1.9-5.5%	1.7-5.5%	1.7-5.6%	1.6-5.6%	1.6-5.6%	1.6-5.6%	1.9-5.6%	1.9-5.6%	1.9-5.5%	1.9-5.5%
Increment-weighted average (a)	1.6%	1.6%	1.7%	1.8%	1.9%	1.8%	1.9%	1.6%	1.9%	1.8%	1.7%
Negotiated salary schedule increase	2.5%	5.0%(i)	3.0%	3.0%	3.0% (k)	2.0%	2.75%	4.0%(o)	4.8%(p)	5.0%(q)	0.0%(t)
Lump-sum payment (c)	$100	$100	$100	$100	$100	$100	$200	$200	$200	$200	$200
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Non-Represented Increment Negotiated salary schedule increase Lump-sum payment Top of range adjustment	All non-represented employees (except 22 nonscheduled employees including Executive staff, Board staff, and the chief negotiator) receive the same increments and other salary adjustments as the bargaining units for which these positions are covered.										

(a) The number provided in the chart represents the weighted average increase received by eligible employees. It is based on the number of employees who receive the step increment at various points (anniversary dates) in the year. An average annual cost of the salary increments is used for this analysis.
(b) For FY 1996 through FY 1999, a bonus payment of $300 was provided to any substitute teacher who worked 100 or more days. Beginning FY 2002, an incentive payment of $400 is provided to any substitute teacher who works 45 or more days within a semester. In conjunction with this change, the retiree substitute incentive plan was eliminated in FY 2002.
(c) A lump sum net payment of $100 each year for employees with 22 or more years of service. This amount increased to $200 for FY 2006.
(d) The negotiated agreement with MCAASP provided for the addition of one step on salary scales N through Q beginning July 1, 1997 (FY 1998) and July 1, 1999 (FY 2000). The amount of this impact is included in the increment-weighted average for each year.

(e) In FY 2000, the negotiated agreement with MCEA provided salary scale changes for an average increase in the salary schedule of 3%. Beginning FY 2000, the agreement also provides a $2,000 salary supplement to teachers who achieve and maintain a national certification standard.
(f) In FY 2000, the negotiated agreement with MCAASP provided for a salary increase of 2% effective November 27, 1999, resulting in a 1% salary impact.
(g) The negotiated agreement with MCEA provided salary scale changes for an average increase in the salary schedule of 5.0% for FY 2001 and 4.0% for FY 2002 while an additional 1.0% from the State was applied to this salary schedule each year for a net increase of 6.0% for FY 2001 and 5.0% for FY 2002. For FY 2003 and FY 2004, the negotiated agreement with MCEA provided salary scale changes for an average increase in the salary schedule of 4.0% and added two more days to the work year for 10-month employees for an equivalent of an additional 1.0% applied to the salary schedule for a net increase of 5.0% for each year. The FY 2004 negotiated agreement with MCEA provided for a salary schedule increase of 4.0% implemented on 10/31/03 for 12-month unit members and 12/1/03, for 10-month unit members, resulting in a 3.66% salary impact.
(h) In FY 2001, a 2.25% longevity payment was negotiated for teachers who have been at the top of the scale for 6 years.
(i) In FY 2001, the salary increase was funded in part through a change in the employee benefits program and structure for a net budgetary increase of 5% for salary.
(j) For FY 2004, the negotiated agreement with MCAASP provided for a salary schedule increase of 3.0% implemented on 10/7/03, for 12-month unit members and 11/8/03, for 11-month assistant school administrators, resulting in a 1.87% salary impact.
(k) For FY 2004, the negotiated agreement with SEIU Local 500 provided for a salary schedule increase of 3.0% implement on 10/7/03 for 12 month unit members and 11/8/03, for all other unit members, resulting in a 2.05% salary impact.
(l) Effective October 1, 2004, the negotiated agreement with MCAASP provided an annual longevity supplement of $1,500 for each unit member who completed ten or more years as an administrator and/or supervisor with MCPS. Effective December 1, 2006, the negotiated agreement with MCAASP provided an annual longevity supplement of $1,500 for each unit member who completed five or more years as an administrator and/or supervisor with MCPS. Subsequent to that date, the negotiated agreement with MCAASP provided an annual longevity supplement of $3,000 for each unit member who completed ten or more years as an administrator and/or supervisor with MCPS.
(m) For FY 2005, the negotiated agreement with MCAASP provided for a salary schedule increase of 2.0% implemented on 10/2/04, for 12-month unit members and 11/13/04, for 11-month assistant school administrators, resulting in a 1.49% salary impact.
(n) For FY 2006, the negotiated agreement with MCAASP provided for a 2% salary schedule increase and salary scale adjustments equivalent to an average of an additional 0.75%.
(o) For FY 2007, the negotiated agreement with MCEA and SEIU Local 500 provided for a salary schedule increase of 3.0% on 7/1/06 and an additional 1.0% effective mid-year, resulting in a 3.5% salary impact. The negotiated agreement with MCAASP provided for a salary schedule increase of 4.0% and scale adjustments effective November 1, 2006, resulting in a 3.5% average salary impact.
(p) For FY 2008, the negotiated agreement with MCAASP, MCEA, and SEIU Local 500 provided for a 4.8% salary schedule increase and other compensation changes equivalent to an average of an additional 0.2% for a total of 5.0%.
(q) For FY 2009, the negotiated agreement with MCAASP, MCEA, and SEIU Local 500 provides for a 5.0% salary schedule increase.
(r) During FY 2008, the BOE approved the formation of a fourth bargaining unit - The Montgomery County Business and Operations Administrators (MCBOA). In FY 2009, the compensation for these employees was included in the SEIU salary numbers.
(s) Unit members will receive a $1,500 longevity supplement at 5, 10, and 15 years of service.
(t) The 2008-2010 contracts with MCAASP, MCBOA, MCEA, and SEIU Local 500 included, for FY 2010, a 5.3% COLA and other salary-related improvements. Due to the fiscal situation, the unions have agreed to forgo the FY 2010 COLA and salary-related improvements.

62

MONTGOMERY COLLEGE

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Faculty (AAUP)											
Increment	$1,580	$2,000	-	-	$1,167	-	-	-	-	-	-
General adjustment (COLA)	2.6%	(d)	6.0%(f)	6.5%(g)	3.625%(i)	1.6%	2.75%	3.75%	5.3%	5.5%	-
Lump-sum payment	-	-	-	-	-	$1,879	$1,931	$2,019	$2,125	$2,242	$2,372(o)
Top of range adjustment	2.6%(a)	(d)	-	-	(j)	1.6%(l)	2.75%(m)	3.75%(n)	5.3%	5.5%	-
Administrators											
Increment	4.5%	4.75%	6.0%	4.0%- 6.25%	2.5%- 4.25%	3.65%- 4.15%	4.75%- 5.5%	3.75% 6.5%	4.75%- 7.5%	4.75%- 7.0%	TBD
General adjustment (COLA)	-	-	-	-	-	-	-	-	-	-	-
Lump-sum payment	-	-	-	-	(k)	-	-	-	-	-	
Top of range adjustment	2.6%	2.75%	4.0%	4.0%	3.6%	2%	2.75%	3.75%	4.75%	5.0%	-
Staff - Non-Bargaining and Bargaining											
Increment	(b)	(e)	2.25%	(h)	2.0%	3.25%	2.75%	2.75%	3.0%	3.0%	3.0%
General adjustment (COLA)	2.6%	2.75%	4.0%	4.0%	3.6%(i)	2.0%	2.75%	3.75%	4.75%	5.0%	-
Lump-sum payment	(c)	-	-	(h)	-	-	-	-	-	-	$500(o)
Top of range adjustment	2.6%	2.75%	-	-	3.6%	2.0%	2.75%	3.75%	4.75%	5.0%	-

(a) Not to exceed $67,198.
(b) Non-bargaining staff received an increment of 2.5%.
(c) Bargaining staff received an increment of $675 (equal to 2.5%).
(d) 2% effective at start of academic year, to maximum salary of $68,542. 1% effective January 2001, to maximum salary of $69,227.
(e) Non-Bargaining employees received 2.0% increment and $30 for each year of service. Bargaining employees received 2.5% increment.
(f) Faculty earning the maximum salary received a 5% increase to $72,689. Faculty below the maximum received an increase of 3.6% plus $1,870 up to a new maximum of $72,689.
(g) Faculty earning the maximum salary received a 5% increase to $76,323. Faculty below the maximum received an increase of 3.71% plus $1,964 up to a new maximum of $76,323.
(h) Non-bargaining support staff received $1,190; AFSCME staff received an increment of 2.25% instead.
(i) Delayed by 4.6 months of fiscal year.
(j) Not to exceed $79,090.
(k) Up to $2,000 based on performance for those at top of range.
(l) Not to exceed $80,355 or $81,955 for those eligible for a one-time longevity increase.
(m) Not to exceed $82,565 or $84,165 for those eligible for a one-time longevity increase.
(n) Not to exceed $85,661 or $87,261 for those eligible for a one-time longevity increase. COLA – 3% effective 7/1/06 plus 1.5% effective 1/1/07.
(o) Staff- lump sum one-time payment of $500 for employees at top of scale; faculty – lump sum one-time payment ranging from $500-1,000 depending on salary; base pay increase of $2,372 is delayed until October 23, 2009.

62A

MARYLAND-NATIONAL CAPITAL PARK AND PLANNING COMMISSION

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Non-Represented											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	(o)
General adjustment (COLA)	2.5%	(c)	(e)	(f)	2.5% (h)	2.7%	2.8%	3.0%	3.25%	3.25%	
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	
Top of range adjustment	-	-	-	-	-	-	-	(k)	-	-	
Service/Labor, Trades, and Office/Clerical Bargaining Units (MCGEO, Local 1994)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	(o)
General adjustment (COLA)	(a)	(c)	(e)	(f)	2.5% (h)	2.7%	2.8%	3.0%	3.25%	3.25%	
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	
Top of range adjustment	-	-	-	-	-	-	-	(k)	(k)	-	
Park Police (FOP, Lodge 30)											
Increment	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
General adjustment (COLA)	(b)	(d)	(d)	(g)	(g)	(i)	(j)	(l)	(m)	(n)	(n)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	(i)	-	-	-	-	-

(a) Office/Clerical and Trades employees received 2.8% on 7/1/99; Service/Labor employees received 2% on 7/1/99 and 1% on 1/1/00.
(b) 2% COLA effective 2/1/00.
(c) 2.5% COLA effective 7/9/00; .5% COLA effective 1/7/01.
(d) 2.25% COLA effective from 2/1/01 to 1/31/02; 3% from 2/1/02; 1% from 11/1/02.
(e) 2.6% COLA effective 7/8/01; 0.5% COLA effective 1/6/02.
(f) 2.5% COLA effective 7/02; .75% COLA effective 10/02.
(g) 2.5% COLA effective 02/03; 2.75% effective 02/04.
(h) COLA was effective 9/14/2003.
(i) 2.5% COLA for officers below the rank of Sergeant effective 5/2005. Sergeants were granted a 5.0% COLA effective 5/2005. One 2.5% step added for Sergeants (P05) only.
(j) 2.5%COLA effective 7/05. Additionally, in exchange for officers covered by Long Term Disability or the Comprehensive Disability Benefit Program increasing their premium from 15% to 100% or 20% to 80%, respectively, a 1% COLA is provided effective 4/06.
(k) The primary pay scale for non-represented employees was elongated by the equivalent of two 3.5% step increases. The IT scale was elongated by 3.5%, pending a salary survey to determine whether the special pay scale should continue. The pay scales for MCGEO employees were elongated by 3.5% in both FY07 and FY08.
(l) 3.5% effective 7/06, plus an additional 1% increase in 7/06, predicated again on increasing the officers' percentage share of disability premiums.
(m) 3.5% effective 7/07, plus an additional 1% increase in 7/07, predicated as above.
(n) 3.25% COLA effective July 1, 2008; 3.75% COLA effective July 1, 2009; and 4% COLA effective August 1, 2010 based on a ratified three-year contract (FY09-11) with the FOP.
(o) Commission is projected to determine the COLA and merit for MCGEO and non-represented employees by June. They are uncertain about the potential negotiation results with MCGEO as well as the two County Councils' budget decisions on compensation on May 7. The equivalent of merit and partial COLA is included in proposed budget.

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
AFSCME											
Merit pay adjustment (a)	3.5%(c)	3.5%(c)	3.5%(c)(d)	0%(e)	3.5%(d)(h)	3.5%(d)(h)	3.5%(d)(h)	3.5%(d)(h)	3.5%(d)(h)	3.0%(d)(h)	(i)
General adjustment (COLA)	(b)	2.5%	3.0%+1%(e)	0%(e)	3.0%(g)	2.0%	2.0%	3.5%	3.75%	3.5%	(i)
Lump-sum payment	-	-	-	$2,256(f)	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Non-Represented											
Merit pay adjustment (a)	3.5%(c)	3.5%(c)	3.5%(c)(d)	0%(e)	3.5%(d)(h)	3.5%(d)(h)	3.5%(d)(h)	3.5%(d)(h)	3.5%(d)(h)	3.0%(d)(h)	3.0%(d)(h)
General adjustment (COLA)	(b)	2.5%	3.0%+1%(e)	0%(e)	3.0%(g)	2.0%	2.0%	3.5%	3.75%	3.5%	0.0%
Lump-sum payment	-	-	-	$2,256(f)	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-

(a) WSSC has a performance based merit pay system. Adjustments to base pay are based upon annual employee evaluations. In FY09, a new Performance Management System applies to all employees except those reporting directly to the Commissioners or in a bargaining unit. A rating of 3.0 and above will result in a corresponding percentage pay increase. A rating below 3.0 will result in a Performance Improvement Plan (PIP). Employees rated below a 2.0 numerical rating or employees who do not successfully complete their PIP are subject to release.

The merit pay salary adjustments associated with each performance rating category FY94-FY08 were:

	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08
Superior	5.0%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	0.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Commendable	-	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	0.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Fully satisfactory	4.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	0.0%	3.5%	3.5%	3.5%	3.5%	3.5%
Needs improvement	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unsatisfactory	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

(b) Cost of living adjustment included a $638 salary increase for all employees effective the first pay period ending after July 1, 1999, and a $637 salary increase for all employees effective the first pay period ending after January 1, 2000.
(c) Employees within 1% of the maximum of their grade who received either commendable or superior evaluations would receive up to a $500 or $1000 cash payment.
(d) Merit pay adjustment was replaced with skill-based compensation for some bargaining unit employees in FY02.
(e) The FY03 Budget included $2.1 million for salary enhancements. COLAs and merit increases for WSSC employees were limited by State Law to no more than what State employees receive. Since State employees received no COLAs or merit increases in FY'03, WSSC employees also received no increases. In response to this limitation, WSSC implemented a 1% COLA at the end of June 2002 (FY'02), a $750 lump-sum payment in FY'03, and a $500 deferred compensation match.
(f) In addition to the $750 lump-sum payment (see note (e) above), employees received a $1,506 gain-share payment in FY'03 for reducing spending below pre-determined Spending and Workyear Targets, which produced a permanent savings in FY'04. This payment was made in FY'04.
(g) General adjustment (COLA) was effective October 2003 when COLAs and merit increases were no longer limited by State Law.
(h) Employees at grade maximum who receive above average evaluations may receive a onetime cash payment.
(i) Contract to be negotiated.

69

ALEXANDRIA CITY GOVERNMENT
(Compensation not subject to collective bargaining)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Police											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
General adjustment (COLA)	2.0%	2.5%	3.0%	2.5%	2.0%	2.0%	2.0%	3.0%	1.5%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	(b)	-
Top of range adjustment	-	-	-	Yes	-	-	Yes	-	-	-	-
Fire											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
General adjustment (COLA)	2.0%	2.5%	3.0%	2.5%	2.0%	2.0%	2.0%	3.0%	1.5%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	(b)	-
Top of range adjustment	-	-	-	Yes	-	-	Yes	-	-	-	-
All Employees											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
General adjustment (COLA)	2.0%	2.5%	3.0%	2.5%	2.0%	2.0%	2.0%	3.0%(a)	1.5%	0.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	(b)	-
Top of range adjustment	-	-	-	Yes	-	-	Yes	-	-	-	-

(a) In FY07 City employees on the **General pay scale** received a 2.0% market rate adjustment effective July 1, 2006.
(b) In FY09 eligible City employees received a **one-time pay supplement** of $500 and employees at the top of their grade with a **one-time** 2% pay supplement.

9

ANNE ARUNDEL COUNTY GOVERNMENT
(Compensation subject to collective bargaining)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Police											
Increment (a)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
General adjustment (COLA)	3.0%	-	5.0%	5.0%	0.0%	2.0%(t)	2.0%	3.0%	3.0%	3.0%	0.0%
Lump-sum payment	No	Yes	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	Yes(f)	Yes	-	-	Yes(11.1%)	Yes	Yes	8.0%	8.0%	3.0%
Fire											
Increment (a)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	TBD
General adjustment (COLA)	3.0%	5.0%	5.0%	4.0%	0.0%	2.0%(t)	2.0%	2.0%	3.0%	3%	
Lump-sum payment	No	-	-	-	-	-	-	-	-	-	
Top of range adjustment	-	-	Yes(i)	-	-	Yes	Yes	Yes	8.15%	8.15%	
Other											
Increment (a)	Yes	Yes	Yes	Yes	(r)	Yes	Yes	Yes	Yes	Yes	TBD
General adjustment (COLA)	3.0%	(g)	(j)	(n)	(s)	2.0%	3.0%(u)	2.0%	2.0%,1.0%(v)	2.0%,1.0%(v)	
Lump-sum payment	No	-	-	-	-	-	-	-	-	-	
Top of range adjustment	Yes(d)	Yes(h)	Yes(k)	Yes(o)	-	Yes	Yes	Yes	Yes(w)	Yes(w)	
Non-Represented											
Increment (a)	(e)	(e)	(e)	(e)	No	0.0% - 4.5%	0.0% - 4.5%	Yes	Yes	5.0%	No
General adjustment (COLA)	3.0%	2.0%	3.0%(l)	2.0%(p)	0.0%	2.0%	3.0%	3.0%	2.0%,1.0%(v)	3.0%	0.0%
Lump-sum payment	(b)	-	-	-	-	Yes	Yes	-	-	-	-
Top of range adjustment	(c)	-	Yes(m)	Yes(q)	-	5.0%	4.0%	Yes	Yes	6.13%	No

Top of range adjustments are equivalent to COLA identified unless otherwise footnoted.
(a) Merit increases are performance based and determined through the use of employee evaluations.
(b) Individuals who meet or exceed the maximum of pay grade can receive up to 10.0% of current base pay in a lump sum award for highest-level performance evaluation.
(c) Non-represented employees' pay scale changed to remove step system and longevity awards and create open pay range. Minimum pay is step 1 of old grade, and maximum pay of new range is equal to maximum longevity pay.
(d) Individuals with 25 years for Clerical union receive additional 2.5% increase on maximum pay; 24 years for Labor and Trades receive 5% increase on maximum pay.
(e) Movement through range based on pay for performance. Maximum base pay adjustment limited to 10%.
(f) Two new steps added with 2.5% increases for each.
(g) Clerical union received 1 % across the board the board in July 2000 and another 1% in January of 2001. Labor and trades union received 3% across the board increase.
(h) Clerical union added two steps to pay scale at 5% each. Employees allowed 2 additional step advancements beyond regular merits if required in 1996 to change from 35 hours to 30 hours per week without additional compensation (120 employees affected).
(i) Fire union added additional step to each grade.
(j) Clerical union received 2% across the board. Labor and trades union received 3% across the board increase.
(k) Labor and trades union added .5% to max step effective 4/4/02.
(l) Non-represented granted 3% across the board increase effective 7/5/01 and another 3% effective 4/4/02.
(m) Non-represented range adjusted by 7.5% on the min and 10% on the max effective 7/5/01 and adjusted again by 5% on the min and 7.5% on the max effective 4/4/02.
(n) Clerical union will receive 2% across the board increase. Labor and trades union will receive 3% across the board increase.
(o) Labor and trades union will add 1% to max step effective 4/3/03.

(p) COLA added 1/4/03.
(q) Scale adjusted by COLA amount.
(r) Clerical union currently in negotiations but if no agreement is reached will be denied merits. Labor and trades union has one year remaining on contract and will get merit increases.
(s) Clerical union currently in negotiations but if no agreement is reached will be denied COLA. Labor and trades union has one year remaining on contract and will receive 3% COLA.
(t) COLA provided on 1/13/05.
(u) Effective 7/14/05 a 2% COLA and effective 4/6/06 a 1% COLA was provided.
(v) Across the board increases provided as follows: 2% first pay period in July, and additional 1% first pay period in January.
(w) Maximum pay rate increases as follows: 2% first pay period in July, 1% first pay period in January, and additional 1% first pay period in April.

69

ARLINGTON COUNTY GOVERNMENT
(Compensation not subject to collective bargaining)

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY07	FY08	FY09	REC FY10
Police											
Increment	3.0%(a)	3.0%(a)	3.0%(c)	3.0%(c)	3.0%(c)	3.0%	3.0%	3.0%	3.0%	3.0%	0.0%
General adjustment (COLA)	1.5%	3.0%	4.0%(b)	2.75%	1.00 %	2.0%	2.0%	2.0%	1.5%	0.0%	0.0%
Lump-sum payment	-	-	-	-	1.00%(d)	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	(e)	(f)	-	(h)	-	-
Fire											
Increment	3.0%(a)	3.0%(a)	3.0%(c)	3.0%(c)	3.0%(c)	3.0%	3.0%	3.0%	TBD	3.0%	0.0%
General adjustment (COLA)	1.5%	3.0%	4.0%(b)	2.75%	1.00%	2.0%	2.0%	2.0%	(g)	0.0%	0.0%
Lump-sum payment	-	-	-	-	1.00%(d)	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	(e)	(f)	-	(h)	-	-
Other Employees											
Increment	3.0%(a)	3.0%(a)	3.0%(c)	3.0%(c)	3.0%(c)	3.0%	3.0%	3.0%	TBD	3.0%	0.0%
General adjustment (COLA)	1.5%	3.0%	4.0%(b)	2.75%	1.00%	2.0%	2.0%	2.0%	(g)	0.0%	0.0%
Lump-sum payment	-	-	-	-	1.00%(d)	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	(e)	(f)	-	(h)	-	-

(a) The average increment is 3.0%. Steps 1-5 receive a 4.1% increment, steps 6-10 receive a 3.3% increment, and steps 10-14 receive a 2.3% increment. Employees at steps 1-8 receive a yearly increment, then 2 year increment adjustments for steps 9-14. (This was changed in FY2002).

(b) County Manager proposed and the County Board approved a 3.0% COLA plus a 1.0% market adjustment to the pay plan for a total 4% increase across the board. The County Board also approved adding 3 steps (2.3% each) to the top of the pay plan to increase range from 51% to 62% and changed the two year steps to one year steps.

(c) The average increment is 3.0%. Steps 1-5 receive a 4.1% increment, steps 6-10 receive a 3.3% increment, and steps 10-17 receive a 2.3% increment. All steps are now annual steps.

(d) Employees would receive a one-time lump sum payment at the end of the year equal to 1% of their earned base income for calendar year 2003.

(e) Expanded the pay plan by one additional step (step 18)

(f) The County Manager has announced this will be a transition year with a view to going to a pay-for-performance system next year. This year the general adjustment (market payline adjustment) will only be given to those employees performing satisfactorily. In addition, top performers can be rewarded with an additional 1% increase.

(g) Budget projection includes 0.0%.

(h) Not pursuing footnote (f) any longer.

95

BALTIMORE COUNTY GOVERNMENT
(Compensation subject to collective bargaining)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Police (FOP)											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes			
General adjustment (COLA)	(a)	(b)	10.25%	-	-	5.0%(d)	(f)	(h)			
Lump-sum payment	$3,500	-	-	-	-	-	-	-			
Top of range adjustment	17.5%	8.5%	-	-	-	-	-	-			
Fire											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes			
General adjustment (COLA)	6%	4.5%	4.5%	4.5%	(c)	4.5%(e)	(g)	(i)			
Lump-sum payment	-	-	-	-	-	-	-	-			
Top of range adjustment	10.5%	-	-	-	-	-	-	-			
Other Employees											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes			
General adjustment (COLA)	2.0%	2.0%	3.0%	-	-	2.25%	3.0%	3.0%			
Lump-sum payment	-	-	-	-	-	-	-	-			
Top of range adjustment	-	-	-	-	-	-	-	-			

(a) Additional entry level step 4.5% for junior police officers.
(b) 4% COLA plus additional step added to scale of 4.5%.
(c) No COLA, but conceded premium pay in order to purchase a 5% midyear increase.
(d) &2,500 increase on 1/1/04 and 13th year longevity step
(e) $1,100 increase on 7/1/04 and $1,100 increase on 6/30/05
(f) $2,000 increase on 1/1/06 and 11th year longevity (equivalent to 6.3%).
(g) $1,900 increase on 7/1/05 and additional holiday pay (equivalent to 3.6%).
(h) 3% increase on 1/1/07 and Ranks except the beginning Police Officer rank (2 year probationary period) receives one grade increase of 4.5% on 7/1/06.
(i) 3% increase on 7/1/06 and Ranks of Lieutenant and above receive on grade increase of 4.5%. Also, add 21 year longevity step increase.

FAIRFAX COUNTY GOVERNMENT
(Compensation not subject to collective bargaining)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Police											
Increment (a)	Yes(b)	Yes(b)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
General adjustment (COLA)	2.0%	2.5%	1.0%	2.67%	2.56%	2.98%	3.07%	4.25%	2.92%	2.96%	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	1.0%	2.67%	2.56%	2.98%	3.07%	4.25%	2.92%	2.96%	-
Other: Market rate adjustment	1.6%(c)	-	-	-	(l)	-	-	(p)			-
Firefighters											
Increment (a)	Yes(b)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
General adjustment (COLA)	2.0%	2.5%	1.0%	2.67%	2.56%	7.25%	3.07%	4.25%	2.92%	2.96%	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	2.67%	2.56%	7.25%	3.07%	4.25%	2.92%	2.96%	-
Other: Market rate adjustment	(e)	-	(i)(j)	(j)	(l)	(m)	-	2.0%(p)	-		-
Other Employees											
Increment (a)	Yes(b)	No(f)	No	No	No	No	No	No	No	No	No
General adjustment (COLA)	2.0%	2.5%	1.0%		-	-	-	-	-	-	-
Lump-sum payment	-	-	-	-	-	(n)	(n)	-	-	-	-
Top of range adjustment	-	(g)	3.46%(k)	2.67%(k)	2.56%(k)	2.98%(k)	3.07%(k)	4.25%	2.92%	2.96%	-
Other: Market rate adjustment	1.6%(d)	(h)	-	-	-	(o)	-	(p)	(q)	-	-

(a) Approximately 40% of all County employees are eligible for merit increment annually due to 2-3 year hold; effective from FY2002, general (non-public safety) no longer has steps in grades.
(b) Approximately 40% of the work force will receive a 5% increment adjustment and the remaining 60% of the work force is either in a hold period or at the top of the scale. Cost of increments is 1.6% of payroll.
(c) Police Officer I through Police Captain will receive 3.2% in addition to COLA and Market Rate Adjustment, for a total of 6.8%.
(d) $1.1 million has been approved for an adjustment to Deputy Sheriff's salaries, distribution to be determined; $875,000 has been approved for Information Technology reclassifications.
(e) Firefighter through Fire Captain will be regraded on a new pay plan for a 5% adjustment, and will receive the 2% COLA, but will not receive the 1.6% market rate adjustment. Battalion Chief through Assistant Fire Chief will move to the new pay plan with no change in pay, but will receive the 2% COLA and the 1.6% market rate adjustment. Shift differential for uniformed fire employees working a 24-hour shift will increase $.10 an hour, to $.2875.
(f) Effective July 1, 2000, hold steps are eliminated, County moves to an open-range pay system for all employees except Public Safety uniformed, general County employees will be eligible for performance based increments of 0, 3, 5 or 7%.
(g) Effective July 1, 2000, general County employees at the top of their scale will be eligible for performance based bonus of 0, 3, or 5%.
(h) Approximately 512 classes out of 670 will be regraded one or more grades; employees 1 grade below market get 2% increase, those 2 or more grades below market get 4% increase.
(i) For FY2002 only, 2% pay raise to all fire uniformed classes at lieutenant and above, effective July 14, 2001; 4% pay raise to all fire uniformed classes effective 4/6/2002.

(j) Shift differential increases for police officers to $0.55 per hour for evening shift and $0.75 per hour for overnight shift; firefighter shift differential increases to 40.75 cents for all hours worked on a 24 hour shift; general county employees shift differential increases to $0.40 per hour for evening shift and $0.55 per hour for overnight shift. From FY02, increase for firefighters changed to $0.7275 per hour for all hours regardless of shift.
(k) Effective July 1, 2001, general county employees at the top of their scale will be eligible for performance based bonus from 2% to 7% based on performance at .5% increments: 2.0%, 2.5%, 3.0%, etc.
(l) Shift Differential Increases effective FY2004: Police: $.65 evening shift, $.90 night shift; Fire: $.7275 all shifts; General County Employees: $.65 evening shift, $.90 night shift.
(m) Increases were effective as: 2.5% July 2004, 2.5% January 2005, 2.25% April 2005.
(n) Lump sum increases provided to those employees who are at the top of their salary ranges and who achieve a certain level of performance rating.
(o) Average performance rating increase – 4.2%
(p) Market rate adjustment of 4.25% for all. In addition, Fire receives an additional 2%. All is still pending Board Approval.
(q) Market rate adjustment of 2.92% - structure adjustment only for general employees. All is still pending Board Approval.

FREDERICK COUNTY GOVERNMENT
(Compensation not subject to collective bargaining)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Police (Subject to Collective Bargaining)											
Increment	Yes	Yes	Yes	Yes(d)	Yes(d)	No	Yes(d)	Yes(d)	(f)	(f)	(h)
General adjustment (COLA)	2.0%	2.5%	2.0%	1.0%	2.0%	(c)	3.0%	2.0%	(f)	(f)	(h)
Lump-sum payment	(a)	-	-	-	-	(e)	(e)	(e)	(f)	(f)	(h)
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Fire											
Increment	Yes	Yes	Yes	Yes(d)	Yes(d)	No	Yes(d)	Yes(d)	Yes(d)	Yes(d)	No
General adjustment (COLA)	2.0%	2.5%	2.0%	1.0%	2.0%	(c)	3.0%	2.0%	2.0%(i)	2.0%	No(j)
Lump-sum payment	(a)	-	-	-	-	(e)	(e)	(e)	(e)	(g)	No
Top of range adjustment	(b)	-	-	-	-	-	-	-	-	-	-
Other Employees											
Increment	Yes	Yes	Yes	Yes(d)	Yes(d)	No	Yes(d)	Yes(d)	Yes(d)	Yes(d)	No
General adjustment (COLA)	2.0%	2.5%	2.0%	1.0%	2.0%	(c)	3.0%	2.0%	2.0%(i)	2.0%	No(j)
Lump-sum payment	(a)	-	-	-	-	(e)	(e)	(e)	(e)	(g)	No
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-

(a) For FY99, sworn law enforcement officers and correctional positions received a special salary compensation plan, which did not include a step increase or COLA. This new separate pay scale includes salary increases which range from 5% to 36% for the law enforcement personnel, with 22% being the average increase. For the correctional employees, salary increases range from 2% to 52%, with 15.5% being the average increase.
(a) All County employees grade 6 and below received a one time bonus of $500.
(b) Fire and Rescue employees received a one grade pay increase.
(c) All employees received a 1.5% COLA, plus full-time employees received a $400 COLA, part-time employees received a $200 COLA.
(d) Step increases have been replaced by merit raises, which are calculated at 3.5% of the midpoint of the grade range.
(e) Pay for performance, based on a performance evaluation, was received in FY05 and is budgeted for in FY06. This consists of a lump sum bonus of $500 - $1,200 for employees determined to be exceeding the base requirements of their positions.
(f) For FY08 & FY09, sworn law enforcement officers and correctional positions on pay scale based on collective bargaining. A 2% COLA was added for FY2009 as part of the agreement.
(g) For FY2009, Employees earning $35,000 and below received an additional $500.
(h) See (f). However, FY10 is currently being negotiated.
(i) All employees received a 2.0% COLA, plus full-time employees received a $400 fixed COLA, part-time employees received a $200 fixed COLA.
(j) Reverse COLA and furloughs being discussed as budget balancing options.

Please note that each year, on a three year cycle, one or more employee groups are evaluated for reclassification of their pay scales for market adjustments. Not all positions within a group are adjusted; it depends upon the market for each position. * For FY2010, the BOCC voted to delay this one year.

22

HOWARD COUNTY GOVERNMENT
(Compensation subject to collective bargaining)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Police											
Increment	No(a)	2.5%	3.05%	3.05%	3.5%	3.5 %	3.5 %	3.5 %	3.5%	3.5%	
General adjustment (COLA)	-	3.6%	3.9%	-	(e)	(f)	3%(g)	3%(i)	5.0%	5.0%	
Lump-sum payment	-	-	-	(d)	-	-	-	-	-	-	
Top of range adjustment	(a)	-	-	-	-	-	-	-	-	(l)	
Firefighters											
Increment	3.0%	Info Not Available	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	
General adjustment (COLA)	3.4%		3.8%	-	(e)	(f)	(h)	(j)	6.0%	6.0%	
Lump-sum payment	-		-	(d)	-	-	-	-	$250	$250	
Top of range adjustment	(b)		-	-	-	-	-	-	-	-	
General Schedule											
Increment	3.0%	3.0%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05%	3.05	3.05%	
General adjustment (COLA)	3.1%	3.6%	3.8%	-	(e)	(f)	3%(g)	3.0%(i)	3.0%	(m)	
Lump-sum payment	-	-	-	(d)	-	-	-	-	-	-	
Top of range adjustment	(b)	-	-	-	-	-	-	(k)	-	-	
Others (Service/Labor/Trades)											
Increment	2.5%	2.5%	2.5%	3.05%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	
General adjustment (COLA)	3.4%	3.6%	3.8%	-	(e)	(f)	3%(g)	3%(i)	3.0%	3.0%	
Lump-sum payment	-	-	-	(d)	-	-	-	-	-	-	
Top of range adjustment	(c)	-	-	-	-	-	-	-	-	-	

(a) Restructured pay scale, an average adjustment of 15%.
(b) Three steps (3.0% each) added to the scale.
(c) Added one 2.5% step to the scale.
(d) Employees not eligible for step increases, or whose increases had a cash value of less than $500, received a lump-sum payment of up to $500.
(e) 2% effective July, 2003 and 2% effective May, 2004.
(f) 2% effective July, 2004 and 1% effective June, 2005.
(g) Effective July, 2005.
(h) 3% effective July, 2005 and 1% effective January, 2006.
(i) Effective July, 2006.
(j) 3% effective July, 2006, and 1% effective January, 2007.
(k) 3 (2 year) steps added to top of range.
(l) 3.25% longevity to be added on 7/1/08 for Sergeants & 1/1/09 for Police Union.
(m) To be announced 4/22/08.

PRINCE GEORGE'S COUNTY GOVERNMENT
(Compensation subject to collective bargaining)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Police (sworn)											
Increment	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	(o)	(o)	
General adjustment (COLA)	2.0%	2.5%(c)	4.7%(e)	3.5%	2.0%	2.0%(k)	3.0%	3.0%			
Lump-sum payment	-	-	-	-	-	-	-	-			
Top of range adjustment	-	-	-	-	-	-	2.5-3.5%	2.5-3.5%			
Fire (sworn)											
Increment	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	(o)	(o)	
General adjustment (COLA)	1.5%(b)	3.0%(c)	3.0%(e)	3.0%	2.0%(j)	2.0%(k)	3.0%	3.0%			
Lump-sum payment	-	-	$750(f)	$750(f)	$1,035	$1,070	$1,070(n)	$1,070(n)			
Top of range adjustment	-	-	-	-	-	-	2.5%	2.5%			
General Schedule											
Increment	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	(o)	
General adjustment (COLA)	2.5%(b)	2.75%	3.0%	3.0%	1.5%	1.5%	2.5%	2.5%	2.5%		
Lump-sum payment	-	-	-	-	-	-	-	-	-		
Top of range adjustment	-	-	-	-	-	-	-	-	-		
Others											
Increment	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	3.5%(a)	(o)	(o)	
General adjustment (COLA)	1.5-2.5%(c)	2-3%(b)	0-3%(g)	0-3%(g)	2-3%(l)	2-3.0%(l)	2.5-3%	2.5-3%			
Lump-sum payment	$200(d)	-	$0-	$0-	-	-	$0-$1,200	$0-$1,250			
Top of range adjustment	-	-	$650(h)	$650(h)	-	-	2.5-3.5%	2.5-3.5%			
			(i)	(i)							

(a) As a general rule, merit increases are valued at 3.5%. In some pay scales, longevity steps may be valued at 2.5% or 3.0%. For fire sworn unit members, completion of five years of service can receive 4.5% merit
(b) May be less than full year.
(c) Total amount. Will be phased in: 1.5% effective 7/1/00; 1.0% effective 1/1/01.
(d) New AFSCME local for Health Department employees.
(e) COLA varies based on pay step, ranging from a 10.0% adjustment to entry rates to a 2.28% adjustment to maximum rates. 4.7% represents a weighted average based on the distribution of current employees among steps on the pay scale.
(f) $750 to be provided in January 2002 and January 2003.
(g) All bargaining groups received a COLA of at least 2% except the crossing guards, who negotiated $400/year increases. Timing of COLA varies from group to group.
(h) In addition to the crossing guards receiving a flat dollar increase, some bargaining groups negotiated a flat dollar increase in addition to a COLA. Timing varies from group to group.
(i) Some bargaining groups negotiated at least one additional longevity step added at the top of their pay structure.
(j) Total amount: Will be phased in: 1.0% effective 7/1/03; 1.0% effective 2/1/04.
(k) Total amount: Will be phased in: 1.0% effective 7/1/04; 1.0% effective 2/1/05.
(l) Various groups will receive COLA's in the range of 2-3%. These COLA's will be phased in: 1.0% effective 7/1/04; 1.0% effective 1/1/05; 1.0% effective 4/1/05.
(m) COLA is issued 7/10/04.
(n) Clothing allowance is paid in one installment in July of each fiscal year. Other major lump-sum pay include FTO (Field Training Officer) compensation ($750 per year); Training Certification Pay ($25 to $100 per pay period for FY06 and $45 to $120 per pay period for FY07, with hiring date of 1/1/1999 as the dividing date); Technical Rescue Team (up to

$4,050 per year with $1,350 for each specialty discipline); County certified paramedics ($1,040 per year) for serving as FTO for 1,440 hours during a fiscal year (pay will be pro-rated if hours are below or above 1,440 hours); Fire Investigator qualified by the Maryland State Police Training Commission ($1,350 per year) with 54 hours of training. Other major special duty pay include but not limited to: (1) Bomb Technicians or Paramedics are compensated at a rate 9% per hour above their regular base pay, with Fire Fighters/Paramedics who are certified as EMT-P receiving an additional 2% base pay increase; (2) effectively July 1, 2006, employees hired on or after 3/29/1999 who are County certified EMT-Paramedics are compensated at the rate of 10% above their regular base pay.

(o) The collective bargaining agreements have not yet been approved by the County Council.

75

ALEXANDRIA CITY PUBLIC SCHOOLS
(Compensation not subject to collective bargaining)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10
Teachers											
Increment (a)	Yes	Yes	Yes	Yes	Yes(b)	Yes	Yes	Yes(e)	Yes	Yes	½-year
General adjustment (COLA)	2.0%	2.5%	3.0%	2.5%	2.0%	2.0%	2.0%	2.0%	1.5%	-	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	$500	-
Top of range adjustment	-	-	-	2.3%	-	-	-	-	-	2.0%(f)	2% ½-year(f)
Administrative and Supervisory Personnel											
Increment (a)	Yes	Yes	Yes	Yes	Yes(c)	Yes	Yes	Yes	Yes	Yes	½-year
General adjustment (COLA)	2.0%	2.0%	3.0%	2.5%	2.0%	2.0%	2.0%	2.0%	1.5%	-	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	$500	-
Other	-	-	-	2.3%	-	-	-	-	-	2.0%(f)	2% ½-year(f)
Supporting Services Employees											
Increment (a)	Yes	Yes	Yes	Yes	Yes	Yes(d)	Yes	Yes	Yes	Yes	½-year
General adjustment (COLA)	2.0%	2.0%	3.0%	2.5%	2.0%	2.0%	2.0%	2.0%	1.5%	-	-
Lump-sum payment	-	-	-	-	-	-	-	-	-	$500	-
Top of range adjustment	-	-	-	2.3%	-	-	-	-	-	2.0%(f)	2% ½-year(f)

(a) Each salary scale has a different increment adjustment; 2.75% is the weighted average for the school system.
(b) Institution of a new Single Lane Salary Scale with premiums for a Masters Degree or Masters Degree +30. In FY05, the salary scale returned to three lanes.
(c) The FY2004 budget included a realignment of the administrative salary scales.
(d) The FY2005 budget included a realignment of the support staff salary scales.
(e) The FY2006 budget included a realignment of the teacher salary scales.
(f) The 2.0% adjustment is a proposed longevity adjustment; an employee must be topped out for two years to receive this adjustment.

2

ANNE ARUNDEL COUNTY PUBLIC SCHOOLS
(Compensation subject to collective bargaining)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Teachers											
Increment	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	-	-	-	-	-	-	TBD
General adjustment (COLA)	3.0%	5.0%	5.0%	2.0%(a)	1.0%	3.0%	4.0%	6.0%	6.0%	5.0%	
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	
Top of range adjustment	-	-	-	-	-	-	-	(b)	(b)	-	
Administration											
Increment	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	-	-	-	-	2.0%	2.0%	1.0%
General adjustment (COLA)	3.0%	2.0%	4.0%	2.0%(a)	1.0%	2.0%	3.0%	6.0%	6.0%	6.0%	6.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	(c)	(e)	(f)
AFSCME											
Increment	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	-	-	-	-	-	-	-
General adjustment (COLA)	3.0%	2.0%	4.0%	2.0%(a)	1.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	—	-
Top of range adjustment	-	-	-	-	-	-	-	-	(d)	-	-
Secretaries and Teachers Assistants											
Increment	2.5-5.0%	2.5-5.0%	2.5-5.0%	2.5-5.0%	-	-	-	-	-	-	-
General adjustment (COLA)	3.0%	2.0%	4.0%	2.0%(a)	1.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	(d)	-	-

(a) 2.0% COLA effective mid-year, which is 1/1/2003 for 12-month employees and 2/5/2003 for 10-month employees.
(b) Longevity Scales compacted.
(c) Add step 36 & 37
(d) Steps 1-25 inclusive. No longevity steps.
(e) Add step 38.
(f) Add step 39.

NOTE: Beginning in FY2008 a performance bonus may be included for those in the Administration bargaining unit.

ARLINGTON COUNTY PUBLIC SCHOOLS
(Compensation not subject to collective bargaining)

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY07	FY08	FY09	REC FY10
Teachers											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes(p)
General adjustment (COLA)	1.5%	3.0%	3.0%	(g)	2.0%	2.0%	8.1%	3.0%	2.0%	2.2%	-
Lump-sum payment	-	(b)(c)	(f)	(f)	(i)	(l)	(m)	-	-	(o)	-
Top of range adjustment	-	(d)	-	-	-	-	-	-	-	-	-
Administrative and Supervisory Personnel											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes(p)
General adjustment (COLA)	1.5%	3.0%	3.0%	2.5%	2.0%	2.0%	3.0%	3.0%	2.0%	2.2%	-
Lump-sum payment	-	(b)(c)	(f)	(h)	(i)	(l)	(m)	-	-	(o)	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Supporting Services Employees											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes(p)
General adjustment (COLA)	1.5%(a)	3.0%	3.0%	2.5%	2.0%	2.0%	3.0%	3.0%	2.0%(n)	2.2%	-
Lump-sum payment	-	(b)(c)	(f)	(f)	(j)(k)	(l)	(m)	-	-	(o)	-
Top of range adjustment	-	(e)	-	-	-	-	-	-	-	-	-

(a) Effective July 1, 1999, the School Board will match up to $260.00 of employee contribution to tax sheltered annuity for Trades and Custodial employees (includes school bus drivers and cafeteria workers).
(b) Effective January 1, 2001, the school system will pick up half (2.5% of 5.0%) of the employees' contribution to the Virginia Retirement System.
(c) Effective January 1, 2001, the School Board will match up to $390.00 of employees' contributions to tax sheltered annuities.
(d) Effective in FY 2001, steps 1 and 2 of the teacher pay plan will increase: 7% at step 1 and 3.4% at step 2.
(e) Effective June 30, 2001, the school system will pay retention stipends to school bus drivers. Stipends range from 0.5% to 6.0% of pay.
(f) Effective January 1, 2002, the school system will pay an additional 1.5% of the employees' contributions to the Virginia Retirement System (school system will pay 4.0% and employee will pay 1.0%).
(g) Teacher pay plan revised. MA, step 1, salary set at $40,000; depending on the lane and step, increase ranged from 5.2% to 5.7%. Work year increased from 190 to 194 assigned days.
(h) As a result of Compensation Study, pay scale was increased by 7.0% at grade 1, step A, and revised to provide 4.0% step increases and 5.0% grade level increases. Employees will be placed on the new pay scale based on their current salary (not current step).
(i) Effective January 1, 2004, the school system will pay the full 5.0% employees contribution to the Virginia Retirement System.
(j) In addition to the 2.0% COLA, the support service salary schedule will be increased by an additional 4.0%.
(k) The school system will adopt a "living wage" for school system employees. Employees hired at steps of the pay plan that are less than the approved "living wage" will have their hourly rates adjusted. The amount of the living wage was set at $10.98 per hour.
(l) Effective July 1, 2004, school system will match $390.00 or 1.0% of base pay (whichever is higher) of employees' contributions to tax sheltered annuities.
(m) Effective July 1, 2005, school system will match up to 2.25% of base pay of employees' contributions to tax sheltered annuities for employees with 24 or more years of service with the school system and who are not covered by the local supplemental defined benefit retirement system.
(n) 3/07 - APS is currently conducting a salary survey study that may affect base pay rates for certain support staff positions.
(o) Proposed .6% increase in 403(a) match totaling 2.3%.
(p) Proposed annual step increase dependent on School Board approval.

BALTIMORE COUNTY PUBLIC SCHOOLS
(Compensation subject to collective bargaining)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Teachers											
Increment	-	2.7%	1.7%	2.7%	1.8%	1.7%	1.7%	1.7%			
General adjustment (COLA)	-	3.0%(c)	5.2%	0.0%	5.0%	-	4.0%	5.0%			
Lump-sum payment	-	-	-	-	-	-	-	-			
Top of range adjustment	-	-	-	-	-	-	-	-			
Other	(a)	(d)	-	-	-	(h)	-	-			
School Based Administrators											
Increment	-	0.8%	0.07%	0.07%	0.13%	1.9%	1.8%	1.9%			
General adjustment (COLA)	-	2.0%	3.0%	0.0%	3.0%	-	3.0%	4.0%			
Lump-sum payment	-	-	-	-	-	-	-	-			
Top of range adjustment	-	-	-	-	-	-	-	-			
Other	(b)	(e)	(e)	-	-	(h)	-	-			
Non-School Based Administrators											
Increment	-	-	1.9%	1.8%	1.7%	1.3%	1.8%	1.2%			
General adjustment (COLA)	-	2.0%	3.0%	0.0%	3.0%	-	3.0%	4.0%			
Lump-sum payment	-	-	-	-	-	-	-	-			
Top of range adjustment	-	-	-	-	-	-	-	-			
Other	(b)	-	-	-	(f)	(h)	-	(i)			
Support Staff											
Increment	-	1.8%	1.8%	2.1%	1.7%	1.6%	1.6%	1.7%			
General adjustment (COLA)	2.0%	2.0%	3.0%	0.0%	3.0%	-	3.0%	4.0%			
Lump-sum payment	-	-	-	-	-	-	-	-			
Top of range adjustment	-	-	-	-	(g)	(h)	-	-			

(a) Salary restructuring with increases from 2% to 6.7%. No COLA.
(b) Salary restructuring from 3.7% to 5.2%. No COLA.
(c) Includes 1.0% from Governor.
(d) 2.3% restructuring.
(e) 4.5% for principals.
(f) Restructuring non-school based administrators - $400,000.
(g) A two-year phase-in of reclassifications for bus drivers and grounds men - $600,000, and school-based clericals - $550,000.
(h) 4% compensation restructuring.
(i) Executive Cabinet proposed at 5%.

FAIRFAX COUNTY PUBLIC SCHOOLS
(Compensation not subject to collective bargaining)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Teachers											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
General adjustment (COLA)	2.0%(b)	5.0%(c)	3.0%	2.0%	2.0%	3.0%	3.0%	3.0%	2.0%	3.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	1.5%(a)	-	-	-	-	-	-	-	-	-	-
Other	-	-	2.0% longevity	-	1%(d)	Reduce contract 1 day	1.4%(f)	0.40%(g)	0.40%	-	-
School Based Administrators											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
General adjustment (COLA)	2.0%	5.0%	3.0%	2.0%	2.0%	2.0%	3.0%	3.0%	2.0%	3.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	1.21%	2.5%	-	-	2.5%(e)	-	-	-	-	-	-
Other	-	-	-	-	-	Regrade principals	-	-	-	-	-
Non-School Based Administrators											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
General adjustment (COLA)	2.0%	5.0%	3.0%	2.0%	2.0%	2.0%	3.0%	3.0%	2.0%	3.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	1.21%	2.5%	-	-	2.5%(e)	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Support Staff											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
General adjustment (COLA)	2.0%	5.0%	3.0%	2.0%	2.0%	2.0%	3.0%	3.0%	2.0%	3.0%	0.0%
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	1.21%	2.5%	-	-	2.5%(e)	-	-	-	-	-	-

(a) Change one longevity step worth 2.5% to two longevity steps worth 2.0% each.
(b) In addition, instructional assistant's scale was raised from equaling 50% of the basic teacher scale to 50.5%, which amounted to an extra 1.0% increase.
(c) In addition, instructional assistant's scale was raised from equaling 50.5% of basic teacher scale to 51.0%, which amounted to an extra 1.0% increase.
(d) Two additional contract days added, equivalent to 1% increase.
(e) Additional step prior to longevity step added at 2.5%.
(f) Average additional 1.4% associated with raising entry hiring rate to $40,000.
(g) 0.4% average increase for scale restructuring.

5

FREDERICK COUNTY PUBLIC SCHOOLS
(Compensation subject to collective bargaining only for teachers and supporting services employees units)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Teachers											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
General adjustment (COLA)	3.0%	5.89%(a)	5.0%	1.5%	4.0%	(e)	3.0%	4.5%	4.5%(h)	2.0%	None
Lump-sum payment	-	-	-	-	-	-	-	-	(i)(k)(l)	(k)	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Other									(j)		
Superintendents and Executive Directors											
Increment	No	No	No	No	No	No	No	No	No	No	No
General adjustment (COLA)	6.0%	(b)	(c)	1.5%	6.0%	(f)	6.0%	8.0%	8.0%	5.5%	None
Lump-sum payment	-	-	(d)	(d)	(d)	-	-	-	(d)(l)	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	
Administrative and Supervisory Personnel											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
General adjustment (COLA)	3.0%	6.0%	5.0%	1.5%	4.0%	(e)	3.0%	4.5%	4.5%(h)	2.0%	None
Lump-sum payment	-	-	-	-	-	-	-	-	(l)	-	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-
Supporting Services Employees											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
General adjustment (COLA)	3.0%	6.0%	4.0%	1.5%	4.0%	2.0%	3.0%(e)	4.4%(g)	4.5%(h)	2.0%	None
Lump-sum payment	-	-	-	-	-	-	-	-	(l)	(l)	-
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	-

(a) Teachers also received other concessions in bargaining process. Eleven-month scale created for Athletic Directors; 11 and 12-month scales for teachers.
(b) Superintendent received 5.0%; Executive Directors are set individually but received close to 6.0%.
(c) Superintendent will receive 5%; Executive Directors will receive 6%.
(d) Superintendent received lump sum payment in addition to the base salary.
(e) Pay scales revised.
(f) New Superintendent; Executive Directors received 4%.
(g) Support Employee negotiations created shift differentials for second and third shifts
(h) Proposed Budget – Pending the results of negotiations.
(i) Negotiations resulted in the following:
Stipend increased from $1,000 to $2,000 for teachers, guidance counselors and speech language pathologists who earn national certification.
Hourly rate for Workshop Attendees and Presenters increased to $25 and $35 respectively.
Hourly rate for Presenters of MSDE approved workshops and classes increased to $49.
Activity Pay compensation rates increased 4.5%.
(j) 10-month teacher work year increased to 190 days.
(k) One time lump sum payments of $3,000 were approved for teachers accepting positions in areas that the Board of Education has deemed "Critical Need".
(l) Lump sum payments of $500 approved for benefited employees who are employed for the entire year and use less than 3 days of sick leave. Paid November of following fiscal year.

HOWARD COUNTY PUBLIC SCHOOLS
(Compensation subject to collective bargaining)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Teachers											
Increment	Yes	Yes	Yes	Yes(f)	Yes	Yes	Yes	Yes	Yes	Yes	
General adjustment (COLA)	3.0%	6.0%(d)	6.0%(d)	0.0%	4.0%	6.0%	3.0%	3.5%	5.0%	5.0%	TBD
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	
Top of range adjustment	Yes(a)	-	-	-	-	-	-	-	-	-	
Other	(b)	-	-	-	-	-	-	-	-	-	
Principals											
Increment	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	
General adjustment (COLA)	3.0%	5.0%	6.0%	3.0%	4.0%	6.0%	3.0%	3.5%	5.0%	4.75%	TBD
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	
Top of range adjustment	(c)	New Step 11	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	
Admin/Mgmt/Tech											
Increment	Yes	Yes	No	No	Yes	Yes	Yes	Yes	No	No	
General adjustment (COLA)	3.0%	5.0%	6.0%	3.0%	6.0%	6.0%	3.0%	3.5%	5.0%	5.0%	TBD
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	
Educational Support											
Increment	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	
General adjustment (COLA)	3.0%	5.0%(e)	5.0%(e)	3.0%	4.0%	6.0%	3.0%	3.5%	5.0%	5.0%	TBD
Lump-sum payment	-	-	-	-	Lower steps received larger amounts	Lower steps received larger amounts	-	-	-	-	
Top of range adjustment	-	-	-	-			-	-	-	-	
Other	-	-	-	-			-	-	-	-	
AFSCME											
Increment	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	
General adjustment (COLA)	3.0%	5.0%(e)	5.0%(e)	3.0%	4.0%	6.0%	3.0%	3.5%	5.0%	5.0%	TBD
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	
Top of range adjustment	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	

(a) Step 21-25.
(b) Improved step 2-4.
(c) New step 10 increased 2.5%.
(d) Additional 1.0% from the State.
(e) 6.0% for employees not receiving increment (i.e., at top of scale).
(f) Increment plus adjustments to frozen steps equates to 3.0%.

PRINCE GEORGE'S COUNTY PUBLIC SCHOOLS
(Compensation subject to collective bargaining)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
Teachers											
Increment	Yes	-	Yes	Yes	Yes	Yes	Yes	(f)			
General adjustment (COLA)	2.0%	(b)	5.0%	-	2.0%(c)	2.0%(d)	3.0%	-			
Lump-sum payment	-	-	-	-	-	-	-	-			
Top of range adjustment	-	-	-	-	-	-	-	-			
Principals and Supervisors											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	(g)			
General adjustment (COLA)	2.0%	3.0%	4.0%	4.0%	2.0%(c)	2.0%(d)	3.0%	-			
Lump-sum payment	-	-	-	-	-	-	-	-			
Top of range adjustment	-	-	-	-	-	-	-	-			
General Support Staff											
Increment	Yes	Yes	Yes	Yes	Yes	Yes	Yes	(f)			
General adjustment (COLA)	2.0%(a)	2.0%	4.0%	4.0%	2.0%(c)	2.0%(d)	3.0%	-			
Lump-sum payment	-	-	-	-	-	-	-	-			
Top of range adjustment	-	-	-	-	-	-	-	-			
Other Support Staff (Custodians)								3.0% on			
Increment	Yes	-	Yes	Yes	Yes	Yes	Yes	7/2006			
General adjustment (COLA)	2.0%	(b)	4.0%	3.0%	2.0%(c)	2.0%(d)	2.0%(e)	and 1.0%			
Lump-sum payment	-	-	-	-	-	-	-	on			
Top of range adjustment	-	-	-	-	-	-	-	1/2007.			

(a) COLA delayed until 11/1/99.
(b) Several negotiating sessions have been conducted. As of 7/3/00 a settlement has not been reached.
(c) Retrospective to 10-18-03 increment July 1, 2003.
(d) 2% effective 7-1-04; additional 1% effective 1-8-05
(e) 2% effective 7-1-05; additional 1% effective 1-6-06.
(f) Not yet at table.
(g) Several negotiating sessions have been conducted. No agreement to date.

STATE OF MARYLAND
(Compensation subject to collective bargaining)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
All Employees											
Increment	Yes(a)	Yes(f)	Yes(f)	-	(m)	Yes	Yes	Yes	Yes	Yes	(q)
General adjustment (COLA)	2.6%(b)	4.0%(g)	4.0%(j)	-	(m)	$752	1.5%	2.0%(n)	2.0%	2.0%	-
Lump-sum payment	(c)(d)(e)	Yes(h)	Yes(h)	(l)	(m)	-	-	Yes(o)	-	-	-
Top of range adjustment	-	Yes(i)	Yes(k)	-	(m)	-	-	Yes(p)	-	-	-

(a) A new standard pay plan for 44,000 positions is proposed for FY00 based on 22 grades and 16 steps, replacing the current 22 grades and 6 steps. Increments consist of 4% increases for positions rising to steps 1-5 and 2% for positions rising to steps 6-16. Increments are not automatic, but will be based on performance. An estimated 98% of employees will qualify for increments. For FY00, approximately 20% of these employees will receive 4% increments and 80% will receive 2% increments.

(b) FY00 general salary increase is actually a flat $1,275 per person, averaging 3.5% statewide. However, the FY00 take home amount is only $957 per person, averaging 2.6%, because the increase is phased in as $638 on 7/1/99 and $637 on 1/1/00.

(c) Implementation of a new standard pay plan for FY00 will require one-time adjustments to employee salaries ranging between $5 and $2,006 per position. The total cost of this adjustment is $11 million, averaging $257 per position.

(d) An estimated 9,680 (22%) of 44,000 eligible employees will receive a one-time $1,000 bonus in recognition of outstanding performance.

(e) An estimated 15,400 (35%) of 44,000 eligible employees will receive a one-time $500 bonus in recognition of performance exceeding standards.

(f) Starting FY01, approximately 35,000 State employees are represented by a labor organization. Many of them are paid on the standard salary schedule. However, those employees not represented by a labor organization who are paid on the standard or a similar salary schedule receive the same increments as those who are represented by a labor organization. Some employees not subject to collective bargaining who are not paid on the standard or a similar salary schedule receive merit increases in addition to the general salary adjustment.

(g) This 4% COLA increase was implemented on November 15, 2000.

(h) In fiscal 2000, an estimated 15% of those eligible for performance bonuses received a lump-sum payment of $1,000 for a rating of "outstanding;" approximately 34% were paid $500 for a rating of "exceeds standards." In fiscal 2001, the corresponding rates were 16% and 36%.

(i) A new executive pay plan (EPP) and an expanded standard salary schedule were proposed for FY01. The EPP provides three fewer salary grades and utilizes salary ranges with 29.2% bandwidths. Maximum salaries are roughly $6,000 higher than they were at the top of the grade. The expanded standard schedule provides 4 additional salary grades, primarily to provide slots for managerial employees formerly improperly placed on the executive salary schedule.

(j) This 4% COLA, or "general salary increase," was implemented on January 1, 2002.

(k) In fiscal 2002, two steps were added to the top of the salary schedule, making a total of 18 steps, and the first grade of 26 grades became obsolete and is no longer used. The maximum pay on the executive pay plan, for each grade, is 8% higher in fiscal 2002 (on January 1, 2002) than it was a year previous (on January 1, 2001).

(l) In FY03, lump-sum payments were to be awarded if the Board of Public Works determined that they were affordable. They were not determined to be affordable, as a result, there were no pay increases in FY03 although they were in the recommended budget.

(m) No salary enhancements were budgeted in FY04. The only enhancement allowed - if agency budgets can accommodate - is a reclassification (promotion).

(n) General salary increases will be $900 for employees making a base salary of less than a $45,000 per year on an annualized basis, $1,400 for employees making a base salary more than $70,000 per year on an annualized basis, and 2 percent for the rest of the workforce. Approximately 87 percent of the workforce will receive 2 percent or more.

(o) Performance bonuses for Correctional Officer II, Sergeant, Lieutenant, Captain, and Major positions ($500) in the Division of Correction and for nurses in the Department of Health and Mental Hygiene ($3,000) are newly funded in fiscal 2007. These bonuses are awarded for fewer than 5 unscheduled absences over a 12-month period.

(p) Two steps have been added to the top of the standard salary schedule and one step has been added to the physicians' salary schedule.

(q) Yet-to-be-enacted Budget Reconciliation and Financing Act of 2009 (HB101/SB166) language prohibits all State employees from receiving any performance bonuses, merit increments, or cost-of-living adjustments.

FEDERAL GOVERNMENT (a)
(Compensation not subject to collective bargaining)

	FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09	REC FY10
All Employees											
Increment	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)	1.5%(d)(e)
General adjustment (f)	3.8%	2.7%	3.6%	3.1%	2.7%	2.5%	2.1%	1.7%	2.5%	2.9%	(g)
Lump-sum payment	-	-	-	-	-	-	-	-	-	-	-
Top of range adjustment	Same	Same	Same	Same	Same	Same	Same	Same	Same	Same	Same
Locality pay (b)	4.94%(c)	3.81%(c)	4.77%(c)	4.27%(c)	4.42%(c)	3.71%(c)	3.44%(c)	2.64%(c)	4.49%(c)	4.78%	(g)

(a) For Federal employees in the Washington Baltimore locality pay area. Data reflect the Federal fiscal year.
(b) Locality pay instituted in FY94.
(c) This is the **cumulative** figure that includes both general adjustments and increases in locality pay.
(d) 1.5% is a rough estimate of the average annual value of General Schedule within grade and quality step increases as a percentage of payroll. The actual average can vary year to year. Some estimation methods indicate the multi-year average may be closer to 1.3%.
(e) Increments awarded annually for advancement to steps 2-4, awarded every 2 years for steps 5-7, and awarded every three years for steps 8-10. Eighteen years to advance from minimum step 1 to maximum step 10.
(f) The federal government uses a cost of labor standard to determine the general adjustment rather than a cost of living standard. This adjustment is not referred to as the COLA.
(g) The President's budget proposed a 2.0% overall average increase for Federal civilian employees. The overall increase will be allocated between an across-the-board increase and locality pay raises.

37

SUMMARY OF WSSC COMPENSATION ADJUSTMENTS
prepared by Senior Legislative Analyst Keith Levchenko

For FY10 WSSC proposes $1.9 million in compensation adjustments. The following table shows that these adjustments are far smaller than the approved adjustments for FY09:

Table 5: Compensation Adjustments for FY09 Approved and FY10 (Proposed)

Type	FY09	FY10	Eligibility
Salary Adjustments	3,574,500	-	No COLA assumed for FY10 (3.5% for 1,472 employees in FY09)
Merit Increases	934,900	933,011	527 employees (non FW) not at Top of Grade
Incentive Pay*	2,219,700	-	No incentive pay assumed for FY10 (444 employees eligible in FY09)
Flexible Worker (FW) Pay	546,400	572,118	128 employees (increases based on skill assessments)
IT Bonus (contract)	651,000	384,296	81 employees (includes both "one-time" and base increases)
Total	7,926,500	1,889,425	

*Note: Incentive pay is "one-time" and does not change the base salary.

The largest changes in FY10 are the elimination of the COLA and the elimination of incentive pay that had previously been in place for customer care and production team employees.

Also, new in FY09, as part of WSSC's new performance management system, merit increases are now tied to performance. Employees can receive 3 to 5 percent increases depending on their performance score, although 3 to 4 percent is most common.

WSSC also eliminated the 401(a) match program, which matched the first $500 of an employee's contributions to a deferred compensation plan.

Concession Agreements

The MCPS unions agreed to forgo the scheduled FY10 COLA (5.3 percent) without major contract changes, except for a parity ("me too") clause. FOP Lodge 35 and MCGEO Local 1994 entered into "concession agreements" with the Executive that postpone the COLAs (4.25 and 4.5 percent, respectively) but include some new contract provisions.[13] The key provisions – and questions the Council will need to consider about them – are:

• **Both agreements:** For employees in the defined benefit pension plan, the future pension benefit must credit annual salary as if the COLA had been paid in FY10. The budget lists no current fiscal impact for this "phantom" COLA credit, but there certainly will be one in the future because neither the County nor employees will contribute to the pension fund (the Employees' Retirement System) for the forgone FY10 COLA amount. *Is it wise to require the pension fund, which is already under pressure, to absorb this additional burden?*[14]

• **MCGEO agreement:** Employees at normal retirement age, or within two years of it, will be eligible for a $40,000 buyout incentive, with participating employees scheduled to retire on June 1. The program is supposed to help find openings for employees in the 234 filled positions that are expected to be abolished. Other options to manage this Reduction-in-Force are the Discontinued Service Retirement (DSR) provisions and RIF procedures that provide priority access to vacant positions and maintain employees' salary levels for two years even if they are placed in a lower-graded position. See the RIF information on ©52-53.

OLO's report on buyouts, scheduled for presentation on April 14, raises important questions about the cost-effectiveness of last year's $25,000 buyout program. *How cost-effective is this year's $40,000 program? Should it be open to all comers (685 eligible employees), or should it be limited to classes in which the RIFs are to occur? Is it sound policy to pay $40,000 to employees who are about to retire anyway? Is it wise, given the pressures on the pension fund, to make it pay the cost of this buyout (on top of last year's buyout)?*

• **MCGEO agreement**: Employees at the top of their pay grade in FY10 will receive 60 hours (1.5 weeks) of compensatory leave. *What overtime and other costs will result?*

---

[13] It may be that the County's collective bargaining laws should have a "doomsday" clause that suspends costly contract provisions in the event of a subsequent disaster or fiscal emergency, but they do not. Thus the Executive was required to bargain with the unions over postponing the FY10 COLAs unless the unions were prepared to postpone them, without conditions, for the common good. (In his inaugural address, President Obama commended "the selflessness of workers who would rather cut their hours than see a friend lose their job.") By contrast, the Executive is not required to bargain with County residents over services and taxes; instead, he relies on his best judgment of the public interest. There was no bargaining, and there are no concession agreements, with bus riders over the cuts in Ride On service, with library users over the cuts in materials and staff, with WSSC customers over the 9 percent increase in water and sewer rates, or with homeowners over the 7.9 percent increase in the median home's property tax bill.

[14] While the pension fund ranks highly in relative performance, like other funds it has experienced large losses. Assets are down from **$2.8 billion** in October 2007 to **$1.9 billion** as of March 31. The fund's one, three, five, and ten-year investment returns are -24.2, -4.57, 1.13, and 3.03 percent, compared with its actuarial return assumption of 8.0 percent. As of December 31, 2008 the funded ratio was 78.7 percent and the unfunded liability was $722.2 million. A key factor is the succession of large pension improvements included in County collective bargaining agreements starting in FY99. The County's contribution to the pension fund has risen from $44 million in FY00 to $115 million in FY10. Poor investment results for FY08-09 may lead to further large increases.

• **FOP agreement:** Officers who live outside the County but within 15 miles of the County's borders (about 200) will now have full-use vehicles (Personal Patrol Vehicles). (Officers who live in the County will now be able to drive their PPVs up to the 15-mile radius as well.) *How does this square with the original rationale in the contract for PPVs – "providing greater police presence on the streets and in the neighborhoods of Montgomery County"? How does the fiscal placeholder in the budget, $237,000, square with the added cost for vehicles, fuel, insurance, and maintenance, which are probably many times that amount?*

• **FOP agreement:** Officers are to receive 3 additional leave days each year. There is supposedly no additional cost for personnel or overtime. *How is this possible?*

The impact of postponing COLAs should not be underestimated, but for other governments step increases are also gone and furloughs are being imposed. In the private and non-profit sectors, salaries, benefits, and jobs themselves are all painfully on the line. Since **budgets are about choices**, the question about the concession agreements is whether the several million dollars they would cost should go instead, for example, to restoring bus routes, easing cuts to libraries, improving the safety net for people in dire need, or reducing the increase in property tax bills.