



Bill No. _____

Concerning: Amendment to Frederick County

Employees Retirement Plan

Introduced: _____

Revised: _____ Draft No. _____

Enacted: _____

Effective: _____

Expires: _____

Frederick County Code, Chapter _____

Section(s) _____

COUNTY COUNCIL FOR FREDERICK COUNTY, MARYLAND

By: Council President Brad W. Young on behalf of County Executive Jessica Fitzwater

AN ACT to: amend the Frederick County Employees Retirement Plan, effective July 1, 2024, to provide for full vesting for all participants after the participant earns five Years of Eligibility Service and to eliminate the requirement of earning ten Years of Eligibility Service for participants with a date of hire on or after July 1, 2012.

Date Council Approved: _____ Date Transmitted to Executive: _____

Executive: _____ Date Received: _____

Approved: _____ Date: _____

Vetoed: _____ Date: _____

Date returned to Council by County Executive with no action: _____

By amending:

Frederick County Code, _____ Section(s) _____

Other: Frederick County Employees Retirement Plan

Boldface

Underlining

[Single boldface brackets]

Heading or defined term.

Added to existing law.

Deleted from existing law.

Existing law unaffected by bill.

1 Bill No. **-**-**

2 The County Council of Frederick County, Maryland, finds it necessary and appropriate to
3 amend the Frederick County Employees Retirement Plan to implement changes to decrease the
4 time for a participant hired on and after July 1, 2012 to become fully vested in retirement plan
5 benefits from ten years to five years.

6 NOW, THEREFORE, BE IT ENACTED BY THE COUNTY COUNCIL OF
7 FREDERICK COUNTY, MARYLAND, that the Frederick County Employees Retirement Plan
8 be, and it is hereby, amended as shown on the attached Exhibit 1.

9
10 AND BE IT FURTHER ENACTED, that the amendments shown on Exhibit 1 will be
11 effective as provided in the Exhibit 1 on or after the effective date of this Bill.

12
13
14
15 _____
16 Brad W. Young, President
17 County Council of Frederick County,
18 Maryland

Section 6.5 of the Frederick County Employees Retirement Plan is amended to read as follows effective July 1, 2024:

6.5 Other Terminations of Employment - If a Participant reaches a Termination Date for any reason other than death, retirement or total and permanent disability, he shall be entitled to a monthly termination benefit equal to a vested percentage (determined as set forth below) of the benefit computed pursuant to Section 6.1 (based upon his or her actual Years of Creditable Service and Highest Average Compensation at his or her Termination Date.

Benefits payable pursuant to this Section 6.5 shall commence on the first day of the month coincident with or otherwise next following the Participant’s Normal Retirement Date, unless the Participant receives a Cash-Out, in which case, such Cash-Out shall be made within an administratively reasonable period of time following the Participant’s termination of employment for the County. In addition, a lump sum distribution of the Participant’s Pick-Up Contributions Benefit shall be made within an administratively reasonable period of time following the Participant’s termination of employment for the County if he is entitled to the benefit.

The benefits payable pursuant to this Section 6.5 shall be payable in the normal form provided by Section 6.1, unless an optional form of payment has been elected pursuant to Section 8.2.

Subject to Section 3.2, the vested percentage of the Accrued Benefit to which the Participant is entitled shall be equal to the greater of: (i) 100% of his or her Employee Contributions Benefit, or (ii) a percentage of his or her Accrued Benefit, determined on the basis of his or her Years of Eligibility Service and in accordance with [one of] the following schedule[s]:

Non-Uniformed Employees [whose Employment Commencement Date is Prior to July 1, 2012]:

| Years of Eligibility <u>Service</u> | Percentage <u>Vested</u> |
|--|-----------------------------|
| Less than 5 | 0% |

Underlining indicates matter added to existing law.
[Single boldface brackets] indicates matter deleted from existing law.
*** - indicates existing law unaffected by bill.

1 5 or more 100%

2

3 [Non-Uniformed Employees whose Employment Commencement Date is On or After July 1,
4 2012:

5

| | | |
|---|----------------------|---------------|
| 6 | Years of Eligibility | Percentage |
| 7 | <u>Service</u> | <u>Vested</u> |

8

9 Less than 10 0%

10 10 or more 100%]

11

12 To the extent a Participant is entitled to receive a Pick-Up Contributions
13 Benefit, he shall at all times be 100% vested in the Pick-Up Contributions Benefit.

14

15 Effective on the later of: (1) July 1, 2019, or (2) the July 1 first following the twelve
16 month anniversary of a Participant’s Termination Date, and, as to both (1) and (2) above,
17 with respect to a Participant who reaches a Termination Date without receiving credit for
18 Years of Eligibility Service sufficient to provide the Participant with 100% vesting credit,
19 the interest credit on such Participant’s Employee Contributions Benefit described in
20 subsection (v) of the definition of “Employee Contributions Benefit” in Article II will
21 cease being added to the Participant’s Employee Contributions Benefit. In the event the
22 Participant is subsequently reemployed as a Covered Employee, the interest credit on
23 such Participant’s Employee Contributions Benefit will resume as of the first June 30
24 following the Participant’s Reemployment Commencement Date.

25

26

27 ***

28

29

Underlining indicates matter added to existing law.
[Single boldface brackets] indicates matter deleted from existing law.
*** - indicates existing law unaffected by bill.



Frederick County, Maryland

Staff Report Concurrence Form

To: Office of the County Executive

Date: 10/24/2023

Division Director: Erin White

Approved: *Erin White*

DocuSigned by:

2138DCA88D9E4DA...

From: Erin White

Division: Finance

Phone #: 301-600-1193

Please verify you have attached the correct documents

Staff Report Topic:

Staff Memo:

Attachments: Yes: No:

No:

Proposed Bill - Amendment to the Frederick County Employees Retirement Plan - Vesting Schedule

Time Sensitive? Yes (if yes, deadline for approval: 10/30/2023) No

Action Requested by Executive's Office: Signature Requested OR Information Only

Staff Report Review:

This staff report has been thoroughly reviewed first by the appropriate divisions/agencies noted on Page 2 followed by those outlined below:

| | Name | Signature | Date |
|--------------------------|------------------|-------------------------|------------|
| Budget Office | Kelly Weaver | <i>Kelly Weaver</i> | 10/24/2023 |
| Finance Division | Erin White | <i>Erin White</i> | 10/24/2023 |
| County Attorney's Office | Catherine Keller | <i>Catherine Keller</i> | 10/25/2023 |

Refer to County Council? Yes No

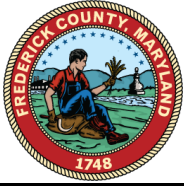
(County Attorney's Office to complete)

| | | | |
|------------------------------|-------------------|--------------------------|------------|
| Chief Administrative Officer | John Peterson | <i>John Peterson</i> | 10/25/2023 |
| County Executive | Jessica Fitzwater | <i>Jessica Fitzwater</i> | 10/25/2023 |

Forward to Council? Yes No

(County Executive to complete)





Frederick County, Maryland

Staff Report Concurrence Form

Other Reviewers:

| | Title | Name | Signature | Date |
|-----|--------------------------------------|------------------|--|------------|
| 3. | Division Director of Human Resources | Emily Fiftal | <small>DocuSigned by:</small> <i>Emily Fiftal</i> | 10/24/2023 |
| 4. | Director of Government Relations | Victoria Venable | <small>DocuSigned by:</small> <i>Victoria Venable</i> | 10/24/2023 |
| 5. | | | | |
| 6. | | | | |
| 7. | | | | |
| 8. | | | | |
| 9. | | | | |
| 10. | | | | |

Comments:

| From | Date | Comment |
|-------------------|----------|---|
| J. Fitzwater | | Typo in third paragraph (bought should be brought), Conflicting info in paragraph four that says Howard Co. is five years but then says it is 10. |
| Joyce Grossnickle | 10/25/23 | The issues identified by County Executive Fitzwater have been addressed. |
| | | |
| | | |




FREDERICK COUNTY GOVERNMENT

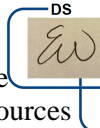
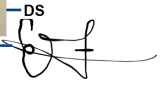
Jessica Fitzwater
County Executive

DIVISION OF FINANCE

Erin White, CPA, Division Director

TO: County Council

THROUGH: County Executive Jessica Fitzwater 

FROM: Erin White, CPA, Director, Division of Finance 
Emily Fiftal, Director, Division of Human Resources 

DATE: October 24, 2023

SUBJECT: Proposed Bill - Amendment to the Frederick County Employees Retirement Plan - Vesting Schedule

ISSUE:

Should the County Executive approve the proposed bill (Attachment 1) to amend the Frederick County Employees Retirement Plan ("Plan") Vesting Schedule and forward it to the County Council for consideration?

BACKGROUND:

On March 22, 2012, the Board of County Commissioners of Frederick County adopted Ordinance No. 12-06-601 that included a provision in the Plan increasing the length of employment service required to fully vest in the Plan, for non-uniformed employees hired after June 30, 2012, from five years to ten years.

As a result of recent recruitment and retention issues that Frederick County Government (FCG) has experienced, the County Executive formed a Compression Committee to review and make recommendations to address compression issues that were created when employees were hired above base; identify hard-to-hire positions; and address concerns submitted by individual Division Directors. The Plan's current 10-year vesting was brought repeatedly to the Compression Committee's attention as an issue, warranting an investigation into reducing the vesting period back to five years.

The Retirement Committee ("Committee") was then tasked by the County Executive to engage the services of the Plan's Actuary, Bolton Partners, Inc., to estimate the financial impact to FCG if it were to reduce the number of years required for full vesting in the Plan to five years. Bolton's analysis estimates that moving the full vesting period in the Plan back to five years would increase the Actuarially Determined Contribution ("ADC") by \$309,000 annually. The Committee then requested that the Plan Attorney, Whiteford, Taylor & Preston LLP, draft the legislation, and on August 8, 2023, voted unanimously to move the proposed bill forward to the County Executive.

Data points regarding our Maryland labor market support this change. Two contiguous counties with which FCG directly competes for talent, Howard and Washington, have a 5-year vesting period, as does the federal government. Carroll County, also contiguous, has a 7-year vesting period. Reducing the Plan's current vesting period to five years would allow FCG to meet or surpass these counties regarding this benefit factor. It would enable FCG to surpass The City of Frederick, employers in the Maryland State pension systems, and other localities in Maryland that have 10-year vesting periods. Montgomery County (also contiguous) does not offer a comparable defined benefit pension plan to new hires other than public safety employees. Having this edge has become increasingly important as competition regarding wages has increased in our recruitment area.

It is believed that this change will support FCG’s retention of newer-in-career employees to the point of vesting or beyond. In FY23, 53% of employee exits at FCG were individuals with less than five years’ service. It is also believed that this change will likewise support FCG in attracting and retaining later-in-career employees. Indeed, Human Resources has received feedback from multiple sources that FCG’s current 10-year vesting is viewed as a barrier to experienced, mid-career candidates from other pension systems.

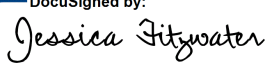
This change is supported by national studies as well. The Center for Retirement Research at Boston College addressed the question of whether a delayed vesting period of 10 years negatively impacts the likelihood that government employees remain employed until vested (*The Impact of Long Vesting Period on State and Local Workers*, Nov. 2012, available at <https://crr.bc.edu>). The Center found that “[a] one-standard-deviation increase in the vesting period (2.3 years) reduces the probability of an employee remaining until vested by 7.4 percentage points. This result implies that a vesting period of 10 years instead of five reduces the probability of staying until vested by about 16 percentage points.”

The National Institute on Retirement Security (NIRS), a non-partisan, non-profit research institute in Washington D.C., found in 2021 that millennials (age 25-43) hold the most favorable views of traditional pension plans when compared with older generations (*Generational Views on Retirement in the United States*, July 2021, available at <https://www.nirsonline.org>). According to NIRS, 84% of millennials cite pension benefits as the reason they stay in a state or local government job (*Millennial State & Local Government Employee Views on Their Jobs, Compensation & Retirement*, Feb. 2020, available at <https://www.nirsonline.org>). Millennials have long been recognized as the largest generation in the U.S. labor force (*Millennials are the largest generation in the U.S. labor force*, April 11, 2018, available at www.pewresearch.org).

RECOMMENDATION:

The Committee recommends that the County Executive approve the proposed bill and move it forward to the County Council to amend the Frederick County Employees Retirement Plan.

Approve? Yes No

DocuSigned by:

 32F7AAE4DF204E6
 Jessica Fitzwater, County Executive 10/25/2023
 Frederick County, Maryland Date

FINANCIAL IMPACT: Yes - Indirect

1. Fiscal Year of Financial Impact: FY 2025
2. Existing Account Unit / Activity & Account: Various Account Units/50260
3. New Account Unit / Activity & Account:
4. Budget Balance as of (Date):
5. Budget Journal Required: No
6. Amount of County Funding Requested: \$309,000

-
7. Adding FTE's not budgeted: No
 8. Other Pertinent Information: The Plans Actuary estimates the County's Actuarially Determined Contribution (ADC) to increase by approximately \$309,000 annually beginning in FY25.

ATTACHMENT(S):

Attachment 1 – Proposed Bill



Bill No. _____

Concerning: Amendment to Frederick County

Employees Retirement Plan

Introduced: _____

Revised: _____ Draft No. _____

Enacted: _____

Effective: _____

Expires: _____

Frederick County Code, Chapter _____

Section(s) _____

COUNTY COUNCIL FOR FREDERICK COUNTY, MARYLAND

By: Council President Brad Young on behalf of County Executive Jessica Fitzwater

AN ACT to: amend the Frederick County Employees Retirement Plan effective July 1, 2024 to provide for full vesting for all participants after the participant earns five Years of Eligibility Service and to eliminate the requirement of earning ten Years of Eligibility Service for participants with a date of hire on or after July 1, 2012.

Date Council Approved: _____ Date Transmitted to Executive: _____

Executive: _____ Date Received: _____

Approved: _____ Date: _____

Vetoed: _____ Date: _____

Date returned to Council by County Executive with no action: _____

By amending:

Frederick County Code, _____ Section(s) _____

Other: Frederick County Employees Retirement Plan

| | |
|----------------------------|---|
| Boldface | <i>Heading or defined term.</i> |
| <u>Underlining</u> | <i>Added to existing law.</i> |
| [Single boldface brackets] | <i>Deleted from existing law.</i> |
| * * * | <i>Existing law unaffected by bill.</i> |

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18

Bill No. **-**-**

The County Council of Frederick County, Maryland, finds it necessary and appropriate to amend the Frederick County Employees Retirement Plan to implement changes to decrease the time for a participant hired on and after July 1, 2012 to become fully vested in retirement plan benefits from ten years to five years.

NOW, THEREFORE, BE IT ENACTED BY THE COUNTY COUNCIL OF FREDERICK COUNTY, MARYLAND, that the Frederick County Employees Retirement Plan be, and it is hereby, amended as shown on the attached Exhibit 1.

AND BE IT FURTHER ENACTED, that the amendments shown on Exhibit 1 will be effective as provided in the Exhibit 1 on or after the effective date of this Bill.

Brad Young, President
County Council of Frederick County,
Maryland

Exhibit 1

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35

Section 6.5 of the Frederick County Employees Retirement Plan is amended to read as follows effective July 1, 2024:

6.5 Other Terminations of Employment - If a Participant reaches a Termination Date for any reason other than death, retirement or total and permanent disability, he shall be entitled to a monthly termination benefit equal to a vested percentage (determined as set forth below) of the benefit computed pursuant to Section 6.1 (based upon his or her actual Years of Creditable Service and Highest Average Compensation at his or her Termination Date.

Benefits payable pursuant to this Section 6.5 shall commence on the first day of the month coincident with or otherwise next following the Participant’s Normal Retirement Date, unless the Participant receives a Cash-Out, in which case, such Cash-Out shall be made within an administratively reasonable period of time following the Participant’s termination of employment for the County. In addition, a lump sum distribution of the Participant’s Pick-Up Contributions Benefit shall be made within an administratively reasonable period of time following the Participant’s termination of employment for the County if he is entitled to the benefit.

The benefits payable pursuant to this Section 6.5 shall be payable in the normal form provided by Section 6.1, unless an optional form of payment has been elected pursuant to Section 8.2.

Subject to Section 3.2, the vested percentage of the Accrued Benefit to which the Participant is entitled shall be equal to the greater of: (i) 100% of his or her Employee Contributions Benefit, or (ii) a percentage of his or her Accrued Benefit, determined on the basis of his or her Years of Eligibility Service and in accordance with [one of] the following schedule[s]:

Non-Uniformed Employees [whose Employment Commencement Date is Prior to July 1, 2012]:

| Years of Eligibility <u>Service</u> | Percentage <u>Vested</u> |
|--|-----------------------------|
| Less than 5 | 0% |

Underlining indicates matter added to existing law.
[Single boldface brackets] indicates matter deleted from existing law.
*** - indicates existing law unaffected by bill.

1 5 or more 100%

2

3 [Non-Uniformed Employees whose Employment Commencement Date is On or After July 1,
4 2012:

5

6 Years of Eligibility Percentage
7 Service Vested

8

9 Less than 10 0%

10 10 or more 100%]

11

12 To the extent a Participant is entitled to receive a Pick-Up Contributions
13 Benefit, he shall at all times be 100% vested in the Pick-Up Contributions Benefit.

14

15 Effective on the later of: (1) July 1, 2019, or (2) the July 1 first following the twelve
16 month anniversary of a Participant’s Termination Date, and, as to both (1) and (2) above,
17 with respect to a Participant who reaches a Termination Date without receiving credit for
18 Years of Eligibility Service sufficient to provide the Participant with 100% vesting credit,
19 the interest credit on such Participant’s Employee Contributions Benefit described in
20 subsection (v) of the definition of “Employee Contributions Benefit” in Article II will
21 cease being added to the Participant’s Employee Contributions Benefit. In the event the
22 Participant is subsequently reemployed as a Covered Employee, the interest credit on
23 such Participant’s Employee Contributions Benefit will resume as of the first June 30
24 following the Participant’s Reemployment Commencement Date.

25

26

27 ***

28

29

Underlining indicates matter added to existing law.
[Single boldface brackets] indicates matter deleted from existing law.
*** - indicates existing law unaffected by bill.