

**Department of Legislative Services**  
Maryland General Assembly  
2007 Session

**FISCAL AND POLICY NOTE**

House Bill 1139

(Montgomery County Delegation)

Appropriations

Budget and Taxation

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**Montgomery County - Director of the Department of Social Services - Pension  
and Retirement Health Benefits**  
MC 711-07

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This bill allows a Director of Social Services for Montgomery County who previously was a member of the Montgomery County Retirement System (MCRS) to elect to participate in either the Employees' Pension System (EPS) or MCRS.

The bill is effective July 1, 2007.

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**Fiscal Summary**

**State Effect:** No effect on State pension liabilities or contributions, assuming that the Department of Human Resources (DHR) exercises its discretion to cap the State's employer pension contribution at the EPS contribution rate.

**Local Effect:** Potentially meaningful, to the extent that county pension contribution rates and employer subsidies for health benefits exceed those paid by the State.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** If the director remains in MCRS, the State's Central Payroll Bureau will deduct from the director's biweekly salary:

- the employee contribution required under the Montgomery County Code; and

- the employer contribution certified by the Chief Administrative Officer of Montgomery County. However, if the employer contribution required by Montgomery County is greater than the employer contribution paid by the State for employees in the State Personnel Management System, DHR may limit the employer contribution for the director to the amount paid by the State to employees in the State Personnel Management System.

The Central Payroll Bureau will pay to Montgomery County on a quarterly basis the total employee and employer contributions deducted from the director's compensation for that period.

The director may elect to receive employee and retiree health benefits available to members and retirees of MCRS. If the director opts for those benefits, the State must reimburse Montgomery County an amount equal to the State's contribution for those benefits.

If the director elects to remain in the MCRS while director, and transfers to another State position, he or she is no longer eligible to remain in MCRS.

**Current Law:** In general, county departments of social services are part of DHR and their employees are State employees. Chapter 476 of 1996 abolished the Montgomery County Department of Social Services and transferred its duties to the Montgomery County government. Therefore, all employees of the reconstituted Montgomery County Department of Social Services, except the Director of Social Services, are county employees. The director remains a State employee and participates in EPS as a condition of employment.

**Background:** Montgomery County employees hired before 1978 participate in a nonintegrated pension plan that requires a 6% employee contribution and provides a benefit equal to 2% of the employees' final average salary times the years of service.

Nonpublic safety employees hired between 1978 and 1994 who are not subject to collective bargaining participate in a pension plan integrated with Social Security. Employees pay 4% of their salary up to the Social Security wage base and 6% of their salary above the wage base. Benefits are similarly integrated with Social Security.

Finally, nonpublic safety employees hired since 1994 who are not subject to collective bargaining participate in a defined contribution plan that requires a 3% employee contribution and provides a 6% employer matching contribution.

**State Fiscal Effect:** The Department of Legislative Services (DLS) notes that there is no employer contribution rate paid by the State for employees in the State Personnel Management System, as referenced in the bill. The State Personnel Management System includes State employees in multiple pension plans, including the Employees' Pension System, the State Police Retirement System, the Law Enforcement Officers' Pension System, the Judges' Retirement System, and others. The employer contribution rates differ for each of those plans. For the purpose of this analysis, DLS assumes that the intention of the bill is to cap the State's contribution at the rate paid for EPS members.

Assuming that DHR exercises its discretion to limit employer contributions to Montgomery County to the EPS contributions, there is no cost to the State. The director is already a State employee, so the State is already obligated to pay the same employer contributions on his or her behalf. Similarly, as a State employee, the director is entitled to State-subsidized employee and retiree health coverage, and the State contribution for that coverage does not change under this bill, even if the director chooses to remain in the Montgomery County health plan.

**Local Fiscal Effect:** To the extent that the employer contribution rate certified by Montgomery County may exceed the State's employer contribution rate, Montgomery County may have to pay a portion of the employer contribution rate for the director that it otherwise would not have to pay. For fiscal 2008, the employer contribution rates for the various defined benefit components of the MCRS range from 22.3% to 39.0% of compensation. The EPS contribution rate for fiscal 2008 is 8.86%. If the director participates in the county's defined contribution plan, for which the county contributes 6%, there would be no cost to the county. However, if the director participates in one of the county's defined benefit plans, the county would have to pay the difference between the 8.86% EPS rate and the higher rate for the county plan.

Similarly, if the director opts to participate in the county health benefits program, the county may have to pay the difference between the county's premium subsidy and the State's premium subsidy, if any.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Montgomery County, Mercer Human Resources Consulting, Department of Human Resources, State Retirement Agency, Department of Legislative Services

**Fiscal Note History:** First Reader - March 16, 2007  
ncs/jr

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