



Internal Memorandum

Subject: Testimony for Bill No. 56– 2017

To: Lonnie R. Robbins
Chief Administrative Officer

From: Wanda Hutchinson
Human Resources Administrator

Date: June 29, 2017

The Administration is seeking County Council approval of Council Bill No. 56-2017. The bill amends the Howard County Police and Fire Employees' Retirement Plan to provide that that the line-of-duty death benefit payable to a surviving spouse does not terminate upon remarriage.

The Howard County Police and Fire Employees' Retirement Plan includes a line-of-duty death benefit for spouses and children of police officers and firefighters killed on the job. The line-of-duty death benefit has existed in its present form since the Plan's inception on July 1, 1990 and is described here:

If the spouse is named as the sole primary beneficiary, he/she will be able to choose one of the following payment forms:

- 1. A lump sum death benefit equal to Base Salary plus accumulated employee contributions; OR**
- 2. A monthly benefit equal to 66 2/3% of Base Salary. The benefit is payable to the surviving spouse until he/she dies or remarries. Upon death or remarriage of the spouse, children, if any, named as contingent beneficiaries, will be entitled to a monthly benefit equal to 50% of Base Salary, payable until age 18 (or age 23 if full-time students).**

Memo to Lonnie R. Robbins
Page Two
June 29, 2017

At its meeting on April 27, 2017, the Retirement Plan Committee for the Howard County Police and Fire Employees' Retirement Plan reviewed the proposed legislation. Their review included letters of endorsement from the police and fire departments. The Committee voted unanimously to support the amendment.

The Pension Oversight Commission considered the proposed legislation at its meeting on June 28, 2017. The Commission's letter of support is attached.

Finally, a copy of the fiscal impact statement prepared by Bolton Partners, Inc. is attached for reference.

I am available to provide any further assistance or answer any questions you may have.

cc: Allan H. Kittleman, County Executive
Jennifer Sager, Legislative Coordinator
Howard County Police and Fire Retirement Plan Committee



Pension Oversight Commission

June 28, 2017

Mr. Allan Kittleman, County Executive
Howard County Government
3430 Court House Drive
Ellicott City, MD 21043

Mr. Jon Weinstein, Chairperson
Howard County Council
3430 Court House Drive
Ellicott City, MD 21043

Dear Mr. Kittleman and Mr. Weinstein:

The Pension Oversight Commission of Howard County (the "Commission") has reviewed a draft proposed County Bill that has since been pre-filed as CB56-2017. The Commission has also reviewed a letter from Bolton Partners to Terry Reider, Retirement Coordinator, Howard County, dated May 17, 2017, indicating that the changes proposed by CB56-2017 will not change the calculation of the liabilities or the contribution rate for the County retirement plans. Based on the foregoing, the Commission does not object to the amendments proposed pursuant to CB56-2017.

Should you have any questions, please feel free to contact us.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd D. Snyder".

Todd D. Snyder
Chair

cc: Ms. Toshie Kabuto, Commission Member
Mr. Mitchell Stringer, Commission Member
Mr. Peter Hong, Commission Member
Mr. Ken Barnes, Commission Member
Ms. Wanda Hutchinson, Chair, Retirement Plan Committees
Ms. Teresa Reider, Howard County
Ms. Scott Southern, Howard County
Ms. Cynthia Peltzman, Howard County



May 17, 2017

Terry Reider
Retirement Coordinator
Howard County Government
3430 Court House Drive
Ellicott City, MD 21043

Re: *Howard County Police and Fire
Employees' Retirement Plan – Removal
of Remarriage Clause*

Dear Terry:

We reviewed the proposed revision to the Police and Fire Plan which eliminates the remarriage clause associated with the line-of-duty surviving spouse death benefit and analyzed the cost impact of the change.

We have concluded that removing the remarriage clause will have an insignificant effect on the contribution rate. The contribution rate for FY2018 of 32.5% of payroll will not change because of this amendment. Currently the actuarial valuation assumes there will be no remarriage and thus the present value of a line-of-duty surviving spouse benefit is based on a benefit payable for the life of the surviving spouse. There are very few studies on remarriage rates after the death of a spouse, especially studies focused on the ages of active Police and Fire members. From the available studies, we can ascertain that the rate is very low (likely less than 5%). There are also complexities concerning how and when to apply the rate. We do know that if we included a remarriage assumption in the valuation, the decrease in the liability would be insignificant.

If the remarriage clause is removed, there will be no change in the calculation of the liabilities and no change in the contribution rate. Note that under the current plan provisions, if a surviving spouse remarries, the Plan experiences a gain because the surviving spouse benefit ceases. This gain would be forgone if the remarriage clause is removed.

The data, methods and assumptions used for this study are the same as those used in our July 1, 2016 actuarial valuation of the Howard County Police and Fire Employees' Retirement Plan dated January 26, 2017.

I, Ann M. Sturner, am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. I am currently compliant with the Continuing Professional Development Requirement of the Society of Actuaries.

Bolton Partners, Inc.

36 S. Charles Street • Suite 1000 • Baltimore, Maryland 21201 • (410) 547-0500 • (800) 394-0263 • Fax (410) 685-1924
Employee Benefit and Investment Consultants

Terry Reider
May 17, 2017
Page 2

Please contact me if you need any additional information.

Sincerely,

BOLTON PARTNERS, INC.

Ann M. Sturner
Ann M. Sturner, FSA, EA