Howard County

Internal Memorandum

February 7, 2023

Subject: Council Testimony and Fiscal Impact Statement Re:
Proposed Dispatcher Retirement Plan Improvement

To: Brandee Ganz, Chief Administrative Officer

From: Raul Delerme
Deputy Chief Administrative Officer

Anju A. Bennett,
Administrator, Office of Human Resources

County Administration recommends the passage of the proposed legislation which would enhance the Normal Retirement Benefit for Dispatchers who participate in the Howard County Employees Retirement Plan effective July 1, 2024. The proposal stems from collective bargaining with the Public Safety Dispatchers Association, Local 107. The County supports the proposed changes to address recruitment and retention of skilled Dispatchers.

The proposed legislation was drafted by the Howard County Pension Counsel and reviewed by the Pension Oversight Commission. The Pension Oversight Commission considered the legislation at its meeting on January 25, 2024. The Commission issued a letter to the Council providing their support for the amendment (Attachment A).

The proposed legislation modifies the current retirement eligibility for dispatchers by reducing the normal retirement from 30 years to 25 years.

- Effective July 1,2024, all dispatchers would contribute 10% of base pay to the retirement plan (increased from the current contribution of 3%).
- Dispatchers would become eligible to earn benefit accruals at the rate of 2% per year for the first twenty-five years and 1% for service greater than 25 years with a maximum of 55%. The current accrual rate is 1.66% per year for every year worked after July 1, 2012, resulting in a benefit of approximately 50% at 30 years.
- Dispatchers participating in the plan would be eligible to retire at 25 years with no benefit reduction.
- Current dispatchers employed before July 1, 2024, would not be eligible to retire before July 1, 2027, to collect the enhanced benefit. Retirement benefits for those electing to retire prior to July 1, 2027, will be calculated using the existing benefit accrual of 1.66% per year from all years after July 1, 2012, and 1.55% for all years prior to June 30, 2012.

Fiscal Impact: Attachment B provides actuarial costing prepared by our Pension actuary, Bolton USA. Estimated fiscal impact is $226,000 of additional employer contribution, equivalent of 4% of the dispatchers' annual payroll based on the current payroll. The study was completed with the July 30, 2022, valuation data that indicated there were 72 active employees with a position corresponding to the Dispatcher job code.

We are available to provide any further assistance or answer any questions you may have.

cc: Jennifer Sager

Attachment A

Howard County
MARYLAND

Pension Oversight Commission

January 25, 2024

Dr. Calvin Ball, County Executive
Howard County Government
3430 Court House Drive
Ellicott City, MD 21043

Ms. Liz Walsh, Chairperson
Howard County Council
3430 Court House Drive
Ellicott City, MD 21043

Dear Dr. Ball and Ms. Walsh:

I write on behalf of the Pension Oversight Commission regarding the currently unnumbered bill to amend the Howard County Employees Retirement Plan to create an enhanced normal retirement benefit for Dispatchers, increasing the amount of employee pick up contributions made by participating Dispatchers and changing the normal retirement age for participating Dispatchers.

The Commissioners reviewed the bill and its fiscal impact at their January 25, 2024, meeting, including the September 2023 report from the pension plan actuaries, Bolton.

The Pension Oversight Commission supports the proposed legislation based upon the details as presented to the Commission.

Sincerely,

Jae Chon
Chair

cc: Mr. Dave Jordan, Commission Member
Mr. Lou Hutt, Jr., Commission Member
Ms. Michelle Rhodes-Brown, Commission Member
Ms. Andrea L. Rose, Commission Member
Ms. Anju A. Bennett, Chair, Retirement Plan Committees
Mr. Scott Southern, Howard County
Mr. Norman Parker, Howard County

Bolton
Employee Benefits, Actuarial & Investment Consulting

September 28, 2023

Anju Bennett
HR Administrator
Howard County Government
3430 Courthouse Drive
Ellicott City, MD 21043

Re: Benefit Improvement Study for Dispatchers in Howard County Retirement Plan: Reflecting a 25-Year Normal Retirement Date, Increased Employee Contribution Rate and Three-Year Delay to Changes in Benefit Accrual Percentages

Dear Anju,

You requested that Bolton complete a study to determine the estimated impact on the County's Actuarially Determined Contribution (ADC) of providing to Dispatchers in the Howard County Retirement Plan benefit improvements accompanied by increases in the employee contribution rate.

Summary of Proposed Changes

The proposed provisions would change the service requirement for normal retirement eligibility, the benefit accrual percentages, and the employee contribution rate for impacted Dispatchers.

The **normal retirement eligibility** would change as follows:

Dispatchers Normal Retirement Eligibility					
Current Provisions			Proposed Provisions		
Age	Service	Points	Age	Service	Points
0	30	N/A	0	**25**	N/A
	or			or	
62	2	67	62	2	67

There is no change in eligibility for benefits if the Dispatcher terminates employment prior to becoming eligible for a normal retirement benefit. If the Dispatcher has completed 5 years of Eligibility Service, the accrued benefit will continue to be payable at age 62.

The **benefit accrual percentages** and the **employee contribution rate** for impacted Dispatchers would change as shown below.

Although the proposed change to the benefit accrual percentages would apply to all service (service already accrued as well as future service), it would not be effective until three years after the changes to the normal retirement eligibility and employee contribution rate. For example, if the normal retirement eligibility and employee contribution rate change on July 1, 2024, only employees who terminate employment on or after July 1, 2027 would have their benefit calculated using the new benefit accrual percentages.

During the three-year delay, members with 25 years of service could retire, but their benefit would be based on the current plan formula rather than the proposed plan formula below.

Dispatchers Benefit Accrual and Employee Contribution Rate

	Current Provisions		Proposed Provisions	
	Service	**Accrual**	**Service**	**Accrual**
Benefit Accrual	Pre 7/1/12	1.55%	**0 - 25**	**2.00%**
	Post 7/1/12	1.66%	**26 - 30**	**1.00%**
			31+	**0.00%**
	Service	**Rate**	**Service**	**Rate**
Employee Contributions	All	3.00%	**0 - 30**	**10%**
			31+	**0%**

The results of our analysis are presented below, followed by important information about the data, assumptions, and methodology.

Results and Commentary

The table below presents the estimated impact to the County's fiscal year 2024 ADC (as a percentage of total plan payroll, as a percentage of impacted Dispatcher payroll only, and in dollars).

Estimated Impact of Benefit Improvements for Current Dispatchers on County Contributions

Increase in Actuarially Determined Contribution	
% of Total Plan Payroll	0.2%
% of Dispatcher Payroll	4.0%
FYE 2024 Dollars	$226,000

We understand that if these changes are adopted, the effective date of the normal retirement eligibility and employee contribution rate changes would likely be July 1, 2024 and the effective date of the benefit accrual changes for employees hired prior to July 1, 2024 would be July 1, 2027. For purposes of this study, we assumed that the effective dates would be July 1, 2022 and July 1, 2025, respectively. We assume the Dispatcher population will be similar in 2024 and thus, the impact on the ADC (as a percentage of pay) will be similar as well. The percentage change in ADC would need to be applied to future expected payroll to produce the dollar change in ADC.

Data and Background

The July 1, 2022 valuation census data was used to generate the results of this analysis. Job codes 2303, 2304, 2305, and 2307 would be impacted by the proposed benefit improvements. In the July 1, 2022 valuation census data, there are a total of 72 active employees corresponding to these Dispatcher job codes. The average age of the 72 Dispatchers in the July 1, 2022 data is 40.1 and the average service is 12.1 years.

We did not make any changes to the early commencement provisions. We assumed early retirement would be available once a participant attains age 55 with 15 years of eligibility service. The reduction in benefit would be from the earlier of age 62 or the date the participant would have reached 30 years of eligibility service if they had remained a County employee.

Assumptions and Methodology

For our cost illustration, we have assumed the following:

- The increase in the UAAL attributable to the benefit change (including the change to the retirement rates described below) is amortized over the average future service for the impacted Dispatchers (after reflecting the updated retirement rates), which is 13 years.
- For currently employed Dispatchers, the effective date of the proposed change to normal retirement eligibility is July 1, 2022. This effective date was used to align with the census data and valuation date. The underlying assumption is that the Dispatcher population demographics in the July 1, 2022 census data are a reasonable proxy for the future demographics of the plan upon the actual effective date (if the proposed changes are adopted).
- For currently employed Dispatchers, the proposed changes include a three-year delay between (a) the effective date of the change to both the normal retirement eligibility and employee contribution rate and (b) the effective date of the changes to the benefit accrual. As such, the effective date of the proposed changes to the benefit accrual percentages is assumed to be July 1, 2025.
- The expected retirement dates for Dispatchers will change as a result of the change in retirement eligibility and benefit accrual. For this analysis, we increased the probability of retirement (or rate of retirement) at 25 years of service to 30% (from 4% below age 62, 12% at age 62, and 18% at ages 63+). All rates of retirement below 25 years of service at ages 62 and above were increased to 20% (from 12% at first eligibility and from 18% beyond first eligibility). Finally rates of retirement beyond first eligibility that were under 10% were increased to 10%.
- All other valuation assumptions and methods are those stated in our July 1, 2022 valuation report dated February 8, 2023.

Actuarial Certification

This analysis has been prepared for Howard County for the purpose of estimating the effect on the actuarially determined contributions due to a possible change in the normal retirement eligibility, employee contribution rate, and benefit amounts provided by the Howard County Retirement Plan for Dispatchers. It is neither intended nor necessarily suitable for other

purposes. Bolton Partners is not responsible for the consequences of any other use or the reliance on this information by any other party.
Except as noted otherwise, we used the data, actuarial methods and assumptions, and plan provisions from the July 1, 2022 actuarial valuation dated February 8, 2023. The 2022 actuarial valuation report contains important information that is necessary to understanding the results of this analysis.

This analysis was completed using both proprietary and third-party models (including software and tools). We have tested these models to ensure they are used for their intended purposes, within their known limitations, and without any known material inconsistencies unless otherwise stated.

Bolton does not practice law and, therefore, cannot and does not provide legal advice. Any statutory interpretation on which this communication is based reflects Bolton's understanding as an actuarial firm. Bolton recommends that recipients of this communication consult with legal counsel when making any decisions regarding compliance with ERISA, the Internal Revenue Code, or any other statute or regulation.

We, Ann Sturner and Jordan McClane, are members of the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. We believe the data, methods, and assumptions used in this analysis to be reasonable for the purpose of this estimate. The actual effect on the required contributions shall be determined by actual plan experience and the assumptions used in the actuarial valuations.

We are currently compliant with the Continuing Professional Development Requirement of the Society of Actuaries. We are not aware of any direct or material indirect conflict of interest that would impair the objectivity of this analysis.

Please let us know if you have any questions or would like to discuss the results.

Sincerely,

Ann M Sturner

Ann M. Sturner, FSA, EA, FCA, MAAA

Jordan McClane, FSA, EA, FCA, MAAA