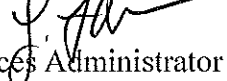




Internal Memorandum

Subject: Testimony for Bill No. – 2013

To: Lonnie R. Robbins
Chief Administrative Officer

From: L. Todd Allen 
Human Resources Administrator

Date: March 15, 2012

The Howard County Retirement Plan Committee and the Howard County Police and Fire Retirement Plan Committee jointly support passage of Bill No. – 2013, an amendment to the County’s Retirement Plans required by the “HEART” Act (the Heroes Earnings Assistance and Relief Tax Act of 2008). HEART impacts death benefits, disability benefits and wage differential payments for retirement plan participants with military service.

The Bill makes the following changes to the Plan:

1. Death Benefits

HEART mandates some death benefits for participants who die during military service and gives plan sponsors the opportunity to provide additional death benefits. The Retirement Plan Committees have recommended adoption by the County Council of the required death benefits. The Committees also approved a provision specifying that participants who die while performing military service are entitled to ordinary death benefits but are not entitled to line of duty death benefits.

2. Disability Benefits

HEART does not mandate any new disability benefits. However, it was not clear under the Plans whether participants who become disabled while performing military service are entitled to disability benefits under the Plans. The Committees approved a provision specifying that participants who become disabled while performing military service are entitled to ordinary disability benefits but are not entitled to line of duty disability benefits.

3. Differential Wage Payments

HEART requires the County to treat an individual receiving differential wage payments from an employer as an employee. The Committees recommend adoption by the County Council of the expanded definition of employee required by HEART. In addition, the County's practice has been to deduct employee contributions to the Plans from differential wage payments. The Committees recommend adoption by the County Council of language that clearly authorizes the County's practice.

Fiscal Note:

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

Memo to Lonnie R. Robbins

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March 15, 2013

Next Steps:

To implement any retirement plan change:

- The Retirement Plan Committees must approve the legislation. The Committees unanimously approved the legislation at its October 25, 2012 meeting.
- The Pension Oversight Commission must consider the legislation. At its February 21, 2013 meeting, the Pension Oversight Commission reviewed the amendments and expressed no objection to the proposed legislation.
- The County Council and County Executive must consider and approve the legislation.

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



L. Todd Allen
Human Resources Administrator

cc: Ken Ulman, County Executive
Jennifer Sager, Legislative Coordinator
Howard County Retirement Plan Committee
Howard County Police and Fire Retirement Plan Committees

BOLTON  PARTNERS

June 12, 2012

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

Re: *Howard County Police and Fire
Retirement Plan and Employees Plan –
HEART Amendment*

Dear Terry:

As requested by the Retirement Plan Committees, we reviewed the memo prepared by Paul Madden on May 24, 2012 which contains required and recommended amendments to both the Police and Fire Plan and the Employees Plan (the Plans) due to the Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART). We have concluded that implementing both the required and recommended changes to the Plans will have an insignificant effect on the cost of the Plans.

In addition, the Committees asked for the cost impact (if any) if the Plans were amended to include a line-of-duty death benefit for participants who die during military service. We have concluded that implementing this line-of duty death benefit will also have an insignificant effect on the cost of the Plans.

Our analysis assumes there will be at most 3 participants per plan serving in the military at any one time. If the actual number becomes significantly larger, we can review the effect at that time.

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.

Please contact me if you need any additional information.

Sincerely,

BOLTON PARTNERS, INC.



Ann M. Sturner, FSA, EA

Bolton Partners, Inc.

100 Light Street • 9th Floor • Baltimore, Maryland 21202 • (410) 547-0500 • (800) 394-0263 • Fax (410) 685-1924
Actuarial, Benefit and Investment Consultants