Anne Arundel County Employees' Retirement Plan

Actuarial Valuation as of January 1, 2020 to Determine the County's Contribution for the Fiscal Year Ending June 30, 2021

Bolton

Submitted by:

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Bolton
Employee Benefits, Actuarial & Investment Consulting

May 1, 2020

Sherri Dickerson
Director of Personnel
Anne Arundel County Government
P.O. Box 6675
Annapolis, MD 21401

Re: Employees' Retirement Plan Valuation

Dear Sherri:

The following sets forth the actuarial valuation of the Anne Arundel County Employees' Retirement Plan as of January 1, 2020. Section I of the report provides a summary while Sections II through VI contain the development of the County's contribution for the 2021 fiscal year along with a summary of the census and asset data, plan provisions, assumptions and actuarial methods. Section VII provides a glossary of many of the terms used in this report. The appendices of the report provide information on plan funding as well as a ten-year projection of benefit payments, a discussion on risk, and a summary of major legislative changes.

We are available to answer any questions on the material in this report or to provide explanations or further details as appropriate. The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. We are not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest, which would impair the objectivity of our work.

Respectfully submitted,

Ann M. Sturner

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Michael Spadaro

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Thomas Lowman, FSA, EA

Section I. Executive Summary

Background

Bolton Partners, Inc. has prepared the following report that sets forth the actuarial valuation of the Anne Arundel County Employees' Retirement Plan as of January 1, 2020.

Actuarially Determined Contributions (ADC)

The actuarially determined contribution (ADC) amount increased as a dollar amount and as a percentage of payroll this year. The increase in ADC is primarily due to cumulative investment returns being lower than expected

	FY2019	FY2020	FY2021
ADC	$27,960,533	$31,314,159	$33,819,533
Percent of Total Payroll	20.2%	23.2%	24.4%

The above amounts assume the County contribution will be made monthly throughout the fiscal year.

Changes in Contribution Rate

The following table shows the sources of changes in the County's contribution rate.

Description	Contribution Rate
January 1, 2019 Valuation	23.2%
Investment Performance	0.6%
Pay Increases	0.0%
New Entrants/Change in Normal Cost	0.0%
COLA	(0.3%)
Change in Expenses	0.0%
Demographics and Other Changes	0.9%
January 1, 2020 Valuation	24.4%

Section I. Executive Summary

Funding Measures

Funding Measures	1/1/2019	1/1/2020	Percent Change
1. Actuarial Accrued Liability			
a. Active	$ 303,278,639	$ 307,596,959	1.4%
b. Retirees and Beneficiaries	588,562,126	622,768,200	5.8%
c. Terminated Vested	21,894,069	23,287,238	6.4%
d. Total	$ 913,734,834	$ 953,652,397	4.4%
2. Actuarial Value of Assets	$ 665,037,621	$ 682,574,049	2.6%
3. Plan Funded Ratio (2. / 1.d.)	72.8%	71.6%	
4. Market Value of Assets	$ 620,586,567	$ 690,383,355	11.2%
5. Funded Ratio based on Market Value of Assets (4. / 1.d.)	67.9%	72.4%	

Risk Measures

Actuarial Standard of Practice No. 51 concerning pension plan risk is now in effect. Appendix 3 contains important information about various risks common to most public pension plans. Because the information is too lengthy to include in this summary, we strongly recommend reviewing the Appendix and considering whether further risk assessments are necessary.

Generally, the risk that a plan sponsor incurs from a defined benefit plan is primarily the risk of substantial increases in annual contributions. These increases occur most frequently due to variation in the investment returns. This valuation reflects the smoothing of asset returns, which reduces the risk of wide year-by-year contribution changes but does not ultimately reduce the risk inherent in a defined benefit plan. The following table shows four commonly used measures of the relative riskiness of a pension plan, relative to the plan sponsor and the employee group covered by the plan. Additional information is shown in Appendix 3.

Risk Measure	1/1/2018	1/1/2019	1/1/2020	Conservative Measures
Retiree Liability as a Percent of Total Liability	63%	64%	65%	<50%
Assets to Payroll	4.8	4.6	5.0	<5
Liabilities to Payroll	6.2	6.8	6.9	<5
Benefit Payments to Contributions[1]	1.5	1.6	1.6	1 - 3

[1] For the year ending on the date shown.

Section I. Executive Summary

Experience Analysis

The following factors affected the County's contribution as a percentage of payroll:

- Retiree COLAs effective July 1, 2019 were less than the assumed annual increases.
- Investment returns during CY2019 were about $44.9 million higher than expected. A portion of this gain is reflected in this valuation, with the remaining portions to be reflected in future valuations. This was offset by the continued recognition of prior investment losses. There is a total of $7.8 million in net deferred investment gains as of January 1, 2020 that will be reflected in future valuations.
- Pay for returning employees increased approximately 5.6% over the prior year; higher than what was expected.
- Total participant payroll increased by 2.6% over the prior year; less than the assumption of 3.0% growth per year.
- This report does not reflect investment losses after January 1, 2020, which have been significant so far this year. Under the current method, any investment losses (or gains) in 2020 will be phased in and reflected in next year's valuation and the FY2022 Actuarially Determined Contribution.

Changes in Method, Assumptions, and Plan Amendments

There were no method or assumption changes since the prior valuation.

There were no plan amendments adopted that affect benefits since the prior valuation.

Projection of Expected Benefit Payments

The projection of expected benefit payments for current participants is shown in Appendix 2.

Sources of Information

The January 1, 2020 participant data and market value of assets were provided by or at the direction of Anne Arundel County. While we have reviewed this data for consistency and completeness, we have not audited this data.

Section I. Executive Summary

Actuarial Certification

This actuarial valuation sets forth our calculation of an estimate of the liabilities of the Anne Arundel County Employees' Retirement Plan (the Plan), together with a comparison of these liabilities with the value of the plan assets, as submitted by Anne Arundel County Government (the County). This calculation and comparison with assets is applicable for the valuation date only. The future is uncertain, and the plan may become better funded or more poorly funded in the future. This valuation does not provide any guarantee that the plan will be able to provide the promised benefits in the future.

This is a deterministic valuation in that it is based on a single set of assumptions. This set of assumptions is one possible basis for our calculations. Other assumptions may be equally valid. The future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material because these results are very sensitive to the assumptions made and, in some cases, to the interaction between the assumptions. We may consider that some factors are not material to the valuation of the plan and may not provide a specific assumption for those factors. We may have used other assumptions in the past. We will likely consider changes in assumptions at a future date.

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward looking projection over a very long period of time, no one projection is uniquely "correct" and many alternative projections of the future could also be regarded as reasonable. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future. A "sensitivity analysis" shows the degree to which results would be different if you substitute alternative assumptions within the range of possibilities for those utilized in this report. We have not been engaged to perform such a sensitivity analysis and thus the results of such an analysis are not included in this report. At the County's request, Bolton Partners, Inc. is available to perform such a sensitivity analysis.

The County is responsible for selecting the plan's funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods and assumptions used in this valuation are those that have been so prescribed and are described in this report. The County is solely responsible for communicating to Bolton Partners, Inc. any changes required thereto.

The County could reasonably ask how the valuation would change if we used a different assumption set or if plan experience exhibited variations from our assumptions. This report does not contain such an analysis. This type of analysis would be a separate assignment.

In addition, decisions regarding benefit improvements, benefit changes, the trust's investment policy, and similar issues should not be based on this valuation. These are complex issues and other factors should be considered when making such decisions. These other factors might include the anticipated vitality of the local economy and future growth expectations, as well as other economic and financial factors.

Section I. Executive Summary

Actuarial Certification

The cost of this plan is determined by the benefits promised by the plan, the plan's participant population, the investment experience of the plan and many other factors. An actuarial valuation is a budgeting tool for the County. It does not affect the cost of the plan. Different funding methods provide for different timing of contributions to the plan. As the experience of the plan evolves, it is normal for the level of contributions to the plan to change. If a contribution is not made for a particular year, either by deliberate choice or because of an error in a calculation, that contribution can be made in later years. We will not be responsible for contributions that are made at a future time rather than an earlier time. The plan sponsor is responsible for funding the cost of the plan.

We make every effort to ensure that our calculations are accurately performed. These calculations are complex. Despite our best efforts, we may make a mistake. We reserve the right to correct any potential errors by amending the results of this report or by including the corrections in a future valuation report.

Because modeling all aspects of a situation is not possible or practical, we may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. We may also exclude factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonableness of valuation results for the plan.

This report is based on plan provisions, census data, and asset data submitted by the County. We have relied on this information for purposes of preparing this report, but have not performed an audit. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information. The County is solely responsible for the validity and completeness of this information.

The County is solely responsible for selecting the plan's investment policies, asset allocations and individual investments. Bolton Partners, Inc.'s actuaries have not provided any investment advice to the County.

The information in this report was prepared for the internal use of the County and its auditors in connection with our actuarial valuations of the pension plan. It is neither intended nor necessarily suitable for other purposes. Bolton Partners, Inc. is not responsible for the consequences of any other use or the reliance upon this report by any other party.

The only purpose of this report is to provide the recommended employer contribution for the 2021 fiscal year. This report may not be used for any other purpose; Bolton Partners, Inc. is not responsible for the consequences of any unauthorized use.

The calculation of actuarial liabilities for valuation purposes is based on a current estimate of future benefit payments. The calculation includes a computation of the "present value" of those estimated future benefit payments using an assumed discount rate; the higher the discount rate assumption, the lower the estimated liability will be. For purposes of estimating the liabilities (future and accrued) in this report, you selected an assumption based on the expected long-term rate of return on plan investments. Using a lower discount rate assumption, such as a rate based on long-term bond yields, could substantially increase the estimated present value of future and accrued liabilities.

Section I. Executive Summary

Actuarial Certification

Because valuations are a snapshot in time and are based on estimates and assumptions that are not precise and will differ from actual experience, contribution calculations are inherently imprecise. There is no uniquely “correct” level of contributions for the coming plan year.

This report provides certain financial calculations for use by the auditor. These values have been computed in accordance with our understanding of generally accepted actuarial principles and practices and fairly reflect the actuarial position of the Plan. The various actuarial assumptions and methods which have been used are, in our opinion, appropriate for the purposes of this report.

The report is conditioned on the assumption of an ongoing plan and is not meant to present the actuarial position of the Plan in the case of Plan termination. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions, changes in economic or demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan’s funded status), and changes in plan provisions or applicable law.

The County should notify Bolton Partners, Inc. promptly after receipt of this report if the County disagrees with anything contained in the report or is aware of any information that would affect the results of the report that has not been communicated to Bolton Partners, Inc. or incorporated therein. The report will be deemed final and acceptable to the County unless the County promptly provides such notice to Bolton Partners, Inc.

The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. 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 financial interest or relationship, including investments or other services, which could create a conflict of interest that would impair the objectivity of our work.

We are available to answer any questions on the material in this report to provide explanations or further details as appropriate.

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Section II. Determination of County Contributions

Derivation of Liabilities

Below is a summary of the actuarial accrued liability of the future benefits expected to be paid from the plan.

Unfunded Liability	1/1/2019	1/1/2020
1. Participants		
a. Active	2,191	2,170
b. Terminated Vested	303	301
c. Disabled	99	102
d. Retirees	1,709	1,778
e. Beneficiaries	166	171
f. Total	4,468	4,522
2. Active Payroll	$ 134,891,500	$ 138,428,352
3. Actuarial Accrued Liability		
a. Active Participants	$ 303,278,639	$ 307,596,959
b. Retirees and Beneficiaries	588,562,126	622,768,200
c. Terminated Vested Participants	21,894,069	23,287,238
d. Total	$ 913,734,834	$ 953,652,397
4. Actuarial Asset Value	$ 665,037,621	$ 682,574,049
5. Unfunded Actuarial Liability (3.d.- 4.)	$ 248,697,213	$ 271,078,348
6. Funded Ratio (4. ÷ 3.d.)	72.8%	71.6%

Section II. Determination of County Contributions

Projection of Unfunded Liability

The projection of the unfunded actuarial liability from January 1, 2020 to July 1, 2020, the beginning of the fiscal year, is shown below.

1.	Unfunded Liability as of January 1, 2020	$	271,078,348
2.	Expected County Contributions 1/1/2020 – 6/30/2020	$	15,657,080
3.	Expected Employee Contributions 1/1/2020 – 6/30/2020	$	2,541,878
4.	Expected Expenses 1/1/2020 – 6/30/2020	$	288,000
5.	Total Normal Cost 1/1/2020 – 6/30/2020	$	8,548,248
6.	Interest at 7.45%	$	9,904,340
7.	Projected Unfunded Liability as of July 1, 2020 (1. – 2. – 3. + 4. + 5. + 6.)	$	271,619,978

Development of County Contributions

The breakdown of the Actuarially Determined Contribution into normal cost, amortization payment, and expected administrative expenses is illustrated below.

Actuarially Determined Contribution			FY2021
1.	County Normal Cost as of July 1	$	12,191,599
2.	Expected Expenses as of July 1	$	584,576
3.	Amortization Amount as of July 1	$	19,849,867
4.	County's Contribution (1. + 2. + 3.)	$	32,626,042
5.	County's Contribution at Adjusted for Timing of Payment (4. x 1.0745 ^ 0.5)	$	33,819,533
6.	County's Contribution as a Percentage of Participant Payroll		24.4%

Section II. Determination of County Contributions

Schedule of Amortization Bases

Below is a schedule of the amortization bases as of July 1, 2020.

Description	Date Established	Remaining Years	Amount to be Amortized		Payment / (Credit)	
Unfunded Accrued Liability	1/1/2004	14	$	(225,673)	$	(20,915)
Actuarial (Gain)/Loss	1/1/2005	15	$	10,533,903	$	928,657
Actuarial (Gain)/Loss	1/1/2006	16	$	7,710,063	$	649,356
Actuarial (Gain)/Loss	1/1/2007	17	$	8,712,216	$	703,639
Assumption Change	1/1/2008	18	$	14,610,065	$	1,135,302
Actuarial (Gain)/Loss	1/1/2008	18	$	(6,086,368)	$	(472,953)
Actuarial (Gain)/Loss	1/1/2009	19	$	50,003,392	$	3,749,528
Actuarial (Gain)/Loss	1/1/2010	20	$	(2,110,098)	$	(153,087)
Asset Method Change	1/1/2011	21	$	31,057,040	$	2,185,150
Actuarial (Gain)/Loss	1/1/2011	21	$	(4,336,802)	$	(305,134)
Actuarial (Gain)/Loss	1/1/2012	22	$	33,367,849	$	2,281,694
Assumption Change	1/1/2013	23	$	13,013,322	$	866,486
Actuarial (Gain)/Loss	1/1/2013	23	$	35,991,789	$	2,396,496
Assumption Change	1/1/2014	14	$	19,043,762	$	1,764,941
Actuarial (Gain)/Loss	1/1/2014	14	$	(17,220,096)	$	(1,595,927)
Actuarial (Gain)/Loss	1/1/2015	15	$	6,593,367	$	581,264
Actuarial (Gain)/Loss	1/1/2016	16	$	(18,072,580)	$	(1,522,108)
Actuarial (Gain)/Loss	1/1/2017	17	$	3,967,398	$	320,425
Actuarial (Gain)/Loss	1/1/2018	18	$	11,738,383	$	912,153
Actuarial (Gain)/Loss	1/1/2019	19	$	35,439,688	$	2,657,461
Assumption Changes	1/1/2019	19	$	14,556,278	$	1,091,509
Method change	7/1/2019	19	$	1,279,879	$	95,972
Actuarial (Gain)/Loss	7/1/2020	20	$	22,053,201	$	1,599,958
Totals			**$**	**271,619,978**	**$**	**19,849,867**

Bases are amortized as an equal percent of payroll each year with total payroll expected to increase 3.0% annually. The July 1, 2020 amortization payment of $19,849,867 is sufficient to cover the interest on the plan's unfunded liability.

Bases established prior to July 1, 2019 were reported as of the date of the valuation, resulting in a difference between the date established and the remaining years. This difference does not have a material effect on the funding of the plan.

Section III. Valuation of Assets

Reconciliation of Assets

Below is a reconciliation of assets (unaudited) from January 1, 2018 through December 31, 2019.

			CY2018		CY2019
1.	Beginning of Year Assets	$	667,655,512	$	617,862,328
2.	Receipts				
	a. Employer Contributions	$	26,877,845	$	29,357,873
	b. Employee Contributions		5,613,344		5,508,591
	c. Investment Income & Dividends		13,596,397		12,314,823
	d. Realized and Unrealized Gain/(Loss)		(44,481,166)		77,007,627
	e. Stock Loan Income		94,364		78,125
	f. Other		3,549,628		4,700,407
	g. Total Receipts	$	5,250,412	$	128,967,446
3.	Deductions				
	a. Benefit Payments	$	50,575,270	$	55,080,867
	b. Administrative Expenses		543,087		609,225
	c. Investment Expenses		3,925,240		3,763,269
	d. Total Disbursements	$	55,043,597	$	59,453,361
4.	Net Increase (2.g. – 3.d.)	$	(49,793,184)	$	69,514,085
5.	Preliminary Ending Value (1. + 4.)	$	617,862,328	$	687,376,413
6.	Contribution Receivable	$	2,724,239	$	3,006,942
7.	End of Year Assets	$	620,586,567	$	690,383,355
8.	Rate of Return Net of Investment Fees (2I / [A + B – I] Method)		(4.72%)		14.83%

Section III. Valuation of Assets

Calculation of Actuarial Asset Value

The actuarial asset value as of January 1, 2020 is determined by spreading the asset gain or loss for each year over a five-year period. The asset gain or loss is the amount by which the actual asset return differs from the expected asset return.

							1/1/2020
1.	Market Value of Assets					$	690,383,355
2.	Spreading of Investment (Gain)/Loss						
		Calendar Year		(Gain)/Loss	% Deferred		Amount Deferred
		2019	$	(44,869,163)	80%	$	(35,895,330)
		2018		80,740,230	60%		48,444,138
		2017		(51,129,575)	40%		(20,451,830)
		2016		468,580	20%		93,716
		a. Total Deferred					(7,809,306)
3.	Actuarial Value of Assets (1. + 2.a.)					$	682,574,049
4.	Rate of Return Net of Investment Fees (2I / [A + B – I] Method)						5.8%

Section IV. Participant Information

Participant Summary

The following table summarizes the counts, ages and benefit information for plan participants used in this valuation.

		1/1/2019		1/1/2020
1. Actives				
a. Number		2,191		2,170
b. Average Age		48.4		48.2
c. Average Service		11.8		11.7
d. Average Salary	$	61,566	$	63,792
2. Service Retirements and Beneficiaries				
a. Number		1,974		2,051
b. Average Age		69.4		69.8
c. Total Annual Benefits	$	52,237,754	$	55,638,442
3. Vested Terminations				
a. Number		303		301
b. Average Age		49.9		49.7
c. Total Annual Benefits	$	2,966,603	$	3,111,243

Section IV. Participant Information

Active Age/Service Distribution Including Compensation

Shown below is the distribution of active participants based on age and service. The compensation shown is the average rate of pay as of January 1, 2020.

	Years of Service as of 01/01/2020										
Age	**Under 1**	**1-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30-34**	**35-39**	**40 & Up**	**Total**
Under 25	28	31	1	0	0	0	0	0	0	0	60
	37,718	41,514	37,315	0	0	0	0	0	0	0	39,673
25 - 29	37	97	25	0	0	0	0	0	0	0	159
	45,641	45,456	47,738	0	0	0	0	0	0	0	45,858
30 - 34	35	72	47	26	2	0	0	0	0	0	182
	53,499	48,587	58,198	58,738	62,700	0	0	0	0	0	53,619
35 - 39	26	59	46	50	13	0	0	0	0	0	194
	48,562	61,716	65,306	64,259	65,532	0	0	0	0	0	61,715
40 - 44	19	61	52	52	40	15	1	0	0	0	240
	54,191	61,203	64,621	70,640	72,072	87,752	78,034	0	0	0	66,974
45 - 49	17	52	44	50	54	31	13	0	0	0	261
	51,095	53,264	69,391	67,665	75,338	75,604	84,781	0	0	0	67,391
50 - 54	21	52	46	67	47	35	34	17	0	0	319
	52,612	55,725	59,946	65,821	77,387	77,708	81,000	88,061	0	0	68,270
55 - 59	10	57	41	60	58	55	35	30	20	2	368
	56,166	52,297	64,929	67,631	75,318	79,322	95,215	81,172	82,935	80,683	72,232
60 - 64	7	34	35	41	35	22	22	21	9	9	235
	42,398	45,314	63,876	63,527	79,212	83,583	74,681	92,041	87,193	86,117	69,892
65 - 69	4	17	21	13	8	7	6	8	6	12	102
	14,719	41,558	43,768	70,322	75,975	73,779	80,376	75,007	68,763	91,336	61,901
70 & Up	0	15	6	4	12	3	3	4	2	1	50
	0	15,806	23,815	43,019	69,276	78,829	79,318	64,800	36,785	73,932	45,290
Totals	204	547	364	363	269	168	114	80	37	24	2,170
	48,041	50,643	60,717	65,993	74,891	79,371	84,473	84,054	79,178	87,766	63,792

Averages	
Age	48.2
Service	11.7

Section IV. Participant Information

Participant Reconciliation

Shown below is the reconciliation of participants between the prior and current valuation date.

	Active Participants	Inactive Participants With Deferred Benefits	Inactive Participants Receiving Benefits	Total
Participants in Last Valuation	2,191	303	1,974	4,468
Retired	(91)	(18)	109	0
Vested Termination	(31)	31	0	0
Nonvested Termination/ Lump Sum Paid	(119)	(9)	0	(128)
Disabled	0	0	0	0
Deceased	(2)	0	(51)	(53)
Beneficiary	0	1	17	18
Rehired	7	(7)	0	0
QDRO Put in Pay	0	0	2	2
Transfer In	1	0	0	1
Transfer Out	(8)	0	0	(8)
New Hires	222	0	0	222
Data Adjustments	0	0	0	0
Participants in This Valuation	2,170	301	2,051	4,522

Section V. Summary of Plan Provisions

Members in Tier 1

Plan Year
January 1 – December 31.

Normal Retirement Age
Age 60 and vested, or if earlier, when the participant has reached 30 years of service.

Early Retirement Age
Age 50 and the completion of 20 years of service.

Normal Form of Benefit
Monthly life annuity with modified cash refund.

Post Retirement Cost of Living Increases
Simple for Benefits Accrued as of 1/31/97

Retiree benefits are adjusted each year. The revised benefit amount is the lesser of:

- Prior year benefit plus base benefit multiplied by increase in current CPI from CPI for prior year, or
- Benefit increased by 3% of original benefit.

Compound for Benefits Accrued after 1/31/97

Retiree benefits are adjusted each year. The revised benefit amount is the lesser of:

- Prior year benefit multiplied by 60% of the increase in the current March CPI from March CPI for prior year, or
- Benefit increased by 2.5%.

Employee Contibutions
4% of compensation.

Compensation
Regular annual rate of pay, exclusive of extra compensation of any kind such as overtime pay, bonuses, and commissions.

Final Earnings
The average of the highest 3 years of annual basic pay.

Normal Retirement Benefit Formula
2% of final earnings for each year of service, maximum 60%.

Section V. Summary of Plan Provisions

Early Retirement Benefit Formula

Same as normal retirement, but reduced by the following factors:

Years Early	Reduction Factor
1	2%
2	5%
3	9%
4	14%
5	20%
6	28%
7	36%
8	44%
9	52%
10	60%

Termination Prior to Retirement

Less than 5 Years of Service

Return of employee contributions with 4.25% interest.

5 Years of Service or more

For employees hired before July 1, 2015, at the discretion of the employee, either a return of contributions with interest or the accrued normal retirement benefit taking into account final earnings and service at date of termination, payable at normal retirement date.

For employees hired on or after July 1, 2015 and County Council, appointed exempt employees, and County Executives hired on or after December 1, 2014, return of employee contributions with 4.25% interest.

10 Years of Service or more

For employees hired on or after July 1, 2015 and County Council members whose first term begins on or after December 1, 2014, at the discretion of the employee, either a return of contributions with interest or the accrued normal retirement benefit taking into account final earnings and service at date of termination, payable at normal retirement date.

Section V. Summary of Plan Provisions

Disability
Must be totally and permanently disabled (except as the result of activities specified in the County code) regardless of length of service.

Line of Duty Disability
The greater of the accrued benefit or 66 2/3% of final earnings, payable immediately, unreduced.

Non-Line of Duty Disability
Five years of service are required to receive non-duty benefits. The greater of the accrued benefit or 25% of final earnings, payable immediately, unreduced.

Pre-Retirement Spouse's Benefit
A death benefit is payable for the minimum amount equal to accumulated contributions to the surviving spouse or, if there is no spouse, the unmarried minor children.

Married and Vested
The greatest of:
- $10 per month
- 50% of the final earnings
- The accrued benefit, reduced actuarially for early commencement and the joint and 100% survivor form.

The benefit is payable immediately if the member was eligible for retirement or deferred to early or normal retirement date, as elected, if not eligible to receive an immediate benefit. Alternatively, the spouse may elect the Other Pre-Retirement Death Benefit.

Other Pre-Retirement Death Benefits
Return of employee contributions with 4.25% interest plus a lump sum of 50% of final earnings.

Changes Since Prior Valuation
None.

Members in Tier 2

Plan Year
January 1 – December 31.

Normal Retirement Age
Age 60 and vested, or if earlier, when the participant has reached 30 years of service.

Early Retirement Age
Age 50 and the completion of 20 years of service.

Normal Form of Benefit
Monthly life annuity.

Section V. Summary of Plan Provisions

Post Retirement Cost of Living Increases

Compound for Benefits Accrued after 1/31/97

Retiree benefits are adjusted each year. The revised benefit amount is the lesser of:

- Prior year benefit multiplied by 60% of the increase in the current March CPI from March CPI for prior year, or
- Benefit increased by 2.5%.

Employee Contibutions

No employee contributions required or allowed.

Compensation

Regular annual rate of pay, exclusive of extra compensation of any kind such as overtime pay, bonuses, and commissions.

Final Earnings

The average of the highest 3 years of the last 5 years of annual basic pay.

Normal Retirement Benefit Formula

1.0% of final earnings for each year of service.

Early Retirement Benefit Formula

Same as normal retirement but reduced for early commencement (using the same factors as Tier 1).

Termination Prior to Retirement

Less than 5 Years of Service

No benefit is payable.

5 Years of Service or more

For employees hired before July 1, 2015, the accrued normal retirement benefit taking into account final earnings and service at date of termination, payable at normal retirement date.

For employees hired on or after July 1, 2015 and County Council, appointed exempt employees, and County Executives hired on or after December 1, 2014, return of employee contributions with 4.25% interest.

10 Years of Service or more

For employees hired on or after July 1, 2015 and County Council members whose first term begins on or after December 1, 2014, the accrued normal retirement benefit taking into account final earnings and service at date of termination, payable at normal retirement date.

Section V. Summary of Plan Provisions

Disability
Must be totally and permanently disabled (except as the result of activities specified in the County code) regardless of length of service.

Line of Duty Disability
The greater of the accrued benefit or 66 2/3% of final earnings, payable immediately, unreduced.

Non-Line of Duty Disability
Five years of service are required to receive non-duty benefits. The greater of the accrued benefit or 25% of final earnings, payable immediately, unreduced.

Pre-Retirement Spouse's Benefit
A death benefit is payable for the minimum amount equal to accumulated contributions to the surviving spouse or, if there is no spouse, the unmarried minor children.

Married and Vested
The greatest of:

- $10 per month
- 50% of the final earnings
- The accrued benefit, reduced actuarially for early commencement and the joint and 100% survivor form.

The benefit is payable immediately if the member was eligible for retirement or deferred to early or normal retirement date, as elected, if not eligible to receive an immediate benefit. Alternatively, the spouse may elect the Other Pre-Retirement Death Benefit.

Other Pre-Retirement Death Benefits
A lump sum of 50% of final earnings.

Changes Since Prior Valuation
None.

Section VI. Actuarial Methods and Assumptions

Funding Method

Projected Unit Credit Actuarial Cost Method. The contribution equals the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liabilities and any actuarial gains or losses over a period of years. Amortization payments increase 3.0% per year.

Amortization Policy

The unfunded actuarial accrued liability (UAAL) is amortized as a level percentage of payroll as follows:

- Gains and losses over 20 years
- Assumption changes over 20 years
- Post-2018 plan improvements over the average expected future working period
- Early retirement incentives over 5 years or less
- Surplus, when reached, over 30 years

Asset Method

Asset smoothing method which spreads the investment gains or losses in excess of the assumed return over a five-year period. The Actuarial Value of Assets can be no less than 50% of market value of assets and no more than 150% of market value of assets. Actuarial Value of Assets recognizes adjustments resulting from an audit.

Interest

7.45% compounded annually, net of investment expenses.

Post Retirement COLA Increases

Benefits accrued before Bill 88-96 are assumed to increase by 3.0% of the original benefit each year from retirement.

Benefits accrued after Bill 88-96 are assumed to increase by 1.8% of the current benefit each year from retirement.

Section VI. Actuarial Methods and Assumptions

Salary Increases

The following graded schedule is used:

Age	Rate
20	6.75%
25	6.25%
30	5.75%
35	5.25%
40	4.75%
45	4.25%
50	3.75%
55	3.75%

Mortality

Healthy

RP-2014 Blue Collar Mortality Table for males and females projected generationally using scale MP-2018. Projections to the valuation date represent current mortality and projections using scale MP-2018 beyond the valuation date represent future mortality improvement.

Disabled

RP-2014 Blue Collar Mortality Table for males and females set forward five years and then projected generationally using scale MP-2018. Projections to the valuation date represent current mortality and projections using scale MP-2018 beyond the valuation date represent future mortality improvement.

100% of pre-retirement deaths are assumed to be non-duty related.

Disability

Sample rates are:

Age	Rate
30	0.0178%
35	0.0267%
40	0.0546%
45	0.0903%
50	0.1460%
55	0.2395%
60	0.3576%
64	0.4867%

10% of disablements are assumed to be duty-related.

Section VI. Actuarial Methods and Assumptions

Turnover[2]

Sample rates are:

Age	Male	Female
20	12.47%	21.57%
25	9.97%	18.12%
30	6.78%	13.34%
35	4.37%	9.05%
40	3.48%	7.48%
45	2.40%	5.95%
50	0.95%	2.34%
55	0.65%	1.61%
60	0.00%	0.00%

Retirement

Sample rates are:

	Years of Service			
Age	<20	20 - 29	30	31+
50 - 54	N/A	4%	50%	25%
55 - 59	N/A	9%	40%	5%
60	15%	15%	15%	15%
61	12%	12%	12%	12%
62	20%	20%	20%	20%
63 - 64	12%	12%	12%	12%
65	25%	25%	40%	25%
66 - 69	15%	15%	25%	15%
70	100%	100%	100%	100%

Disability Leave

Active liabilities (which depend on credited service) are loaded by 1.5% to account for future crediting of disability service.

[2] Tier 1 terminations prior to age 40 are assumed to elect a refund of employee contributions with interest.

Section VI. Actuarial Methods and Assumptions

Military Service
Active liabilities (which depend on credited service) are loaded by 1% to account for future crediting of military service.

Transferred Service
Transferred service is included in the calculation of a participant's benefit starting at the time the service is originally transferred to the County.

Marriage
It is assumed that 70% of employees are married. Husbands are assumed to be 4 years older than wives.

Administrative Expenses
A load for estimated administrative expenses is included in the Actuarially Determined Contribution. The load is equal to the average of actual expenses for the two years preceding the valuation date, rounded to the nearest thousand.

Other Methods and Assumptions
The Tier 1 service cap of 60% is valued as 62% to account for Disability and Military service credit not being limited by the 30-year cap on service. Actual military service information for actives is not available.

Members are assumed to stay in their current tier.

Rationale for Assumptions
The rationale for the demographic assumptions is based on the results of the December 2018 Experience Study. The economic assumptions are based on future expectations with an underlying 3.0% inflation assumption.

Changes Since Prior Valuation
None.

Section VII. Glossary

Actuarial Accrued Liability (AAL)

The difference between the Actuarial Present Value of Future Benefits and the Actuarial Present Value of Future Normal Costs or the portion of the present value of future benefits allocated to service before the valuation date in accordance with the actuarial cost method. Represents the present value of benefits expected to be paid from the plan in the future allocated to service prior to the date of the measurement.

Actuarial Asset Valuation Method

The method of determining the value of the assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets or a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the actuarially determined contribution (ADC).

Actuarial Cost Method

A procedure for allocating the Actuarial resent Value of Future Benefits and the actuarial Present Value of Future Normal costs and the Actuarial Accrued Liability. Also known as the “funding method”. Examples of actuarial cost methods include Aggregate, Entry Age Normal, Projected Unit Credit, and Pay-as-you-go.

Actuarial Present Value of Future Benefits (APVFB)

The Actuarial Present Value of amounts which are expected to be paid at various future times to active members, retired members, beneficiaries receiving benefits, and inactive, nonretired members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.

Aggregate Cost Method

An actuarial cost method that spreads the cost of all future benefits in excess of plan assets as a level percentage of future salary or service. The actuarial accrued liability is set to the value of assets in this method.

Annual Determined Contributions of the Employer(s) (ADC)

The employer’s periodic determined contributions to a pension plan, calculated in accordance with the assumptions and methods used by the plan actuary. The ADC replaced the actuarially required contribution (ARC), with the replacement of GASB 27 with GASB 68.

Cost-of-Living Adjustment (COLA)

An annual increase in the amount of a retired participant’s benefit intended to adjust the benefit for inflation.

Covered Group

Plan members included in actuarial valuation.

Section VII. Glossary

Deferred Retirement Option Program (DROP)
A program allowing a participant eligible to retire to continue working for a fixed period of time, while accumulating the benefit payments he would have received if he had retired on his entry to DROP.

Demographic Assumption
Assumptions regarding the future population of pension participants, including retirement, termination, disability and mortality assumptions.

Economic Assumption
Assumptions regarding future economic factors, including COLA, salary improvement, change in average wages, changes in Social Security benefits and investment returns.

Employer's Contributions
Contributions made in relation to the actuarially determined contributions of the employer (ADC). An employer has made a contribution in relation to the ADC if the employer has (a) made payments of benefits directly to or on behalf of a retiree or beneficiary, (b) made premium payments to an insurer, or (c) irrevocably transferred assets to a trust, or an equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator.

Entry Age Normal (EAN) Cost Method
An actuarial cost method that spreads the cost for each individual's expected benefits over their career, either as a level percentage of pay or service. The actuarial accrued liability is the accumulated value of all past normal cost, and the unfunded accrued liability (surplus) is the excess of the AAL over the value of assets.

Expenses
Plan expenses paid by the plan are divided into administrative and investment related expenses.

Funded Ratio
The actuarial value of assets expressed as a percentage of the plan's actuarial accrued liability.

GASB
Government Accounting Standards Board.

GASB No. 25 and GASB No. 27
These are the government accounting standards that set the accounting rules for public retirement systems and the employers that sponsor or contribute to them. Statement No. 27 sets the accounting rules for the employers that sponsor or contribute to public retirement systems while Statement No. 25 sets the rules for the systems themselves.

Section VII. Glossary

GASB No. 67 and GASB No. 68
These are the government standards that replace GASB 25 and 27 They are effective for plan years beginning after June 14, 2013 and employer fiscal years beginning after June 14, 2014.

Investment Return Assumption or Investment Rate of Return (Discount Rate)
The rate used to adjust a series of future payments to reflect the time value of money.

Level Percentage of Projected Payroll Amortization Method
Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

Normal Cost or Normal Actuarial Cost
That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Pay-as-you-go (PAYG)
A method of financing a benefits plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Payroll Growth Rate
An actuarial assumption with respect to future increases in total covered payroll attributable to inflation; used in applying the level percentage of projected payroll amortization method.

Plan Liabilities
Obligations payable by the plan at the reporting date, including, primarily, benefits and refunds due and payable to plan members and beneficiaries, and accrued investment and administrative expenses. Plan liabilities do not include actuarial accrued liabilities for benefits that are not due and payable at the reporting date.

Plan Members
The individuals covered by the terms of a Pension or OPEB plan. The plan membership generally includes employees in active service, terminated employees who have accumulated benefits but are not yet receiving them, and retired employees and beneficiaries currently receiving benefits.

Post-Employment
The period between termination of employment and retirement as well as the period after retirement.

Section VII. Glossary

Projected Unit Credit (PUC) Funding Method

An actuarial cost method that spreads the employee's benefit over their career, as a level percentage of service. The normal cost is the present value of the portion of the benefit assigned to the current year. The actuarial accrued liability is the accumulated value of all past normal cost, and the unfunded accrued liability (surplus) is the excess of the AAL over the value of assets.

Salary Improvement

An actuarial assumption regarding the increase in employees' salaries, reflecting cost-of-living, merit and longevity increases.

Select and Ultimate Rates

Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8 percent for year 2000, 7.5 percent for 2001, and 7 percent for 2002 and thereafter, then 8 percent and 7.5 percent are select rates, and 7 percent is the ultimate rate.

Unfunded Actuarial Accrued Liabilities

The excess of the present value of prospective pension benefits, as of the date of a pension plan valuation, over the sum of (1) the actuarial value of the assets of the plan and (2) the present value of future normal costs determined by any of several actuarial cost methods. For plans that define an accrued liability, this amount equals the excess of the accrued liability over plan assets.

Vested Plan Benefits

All benefits to which current participants have a vested right based on pay and service through the valuation date. A participant has a vested right to a benefit if he/she would still be eligible to receive that benefit if employment terminated on the valuation date.

Appendix 1

Summary of Funding Progress

Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Percentage Funded (1) / (2)	(4) Unfunded Actuarial Accrued Liability (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (4) / (5)
1/1/2010	$519,556,093	$598,841,131	86.8%	$79,285,038	$126,030,706	62.9%
1/1/2011	$522,165,144	$627,269,587	83.2%	$105,104,443	$123,498,129	85.1%
1/1/2012	$516,070,401	$653,653,058	79.0%	$137,582,657	$120,415,534	114.3%
1/1/2013	$508,232,321	$693,580,675	73.3%	$185,348,354	$116,024,717	159.7%
1/1/2014	$545,812,384	$735,729,033	74.2%	$189,916,649	$115,809,426	164.0%
1/1/2015	$582,795,438	$781,105,960	74.6%	$198,310,522	$127,090,869	156.0%
1/1/2016	$604,433,282	$785,306,609	77.0%	$180,873,327	$127,827,040	141.5%
1/1/2017	$627,147,521	$812,995,392	77.1%	$185,847,871	$130,312,665	142.6%
1/1/2018	$653,155,048	$851,463,872	76.7%	$198,308,824	$138,239,224	143.5%
1/1/2019	$665,037,621	$913,734,834	72.8%	$248,697,213	$134,891,500	184.4%
1/1/2020	$682,574,049	$953,652,397	71.6%	$271,078,348	$138,428,352	195.8%

Analysis of the dollar amounts of net assets available for benefits, actuarial accrued liability, and unfunded actuarial accrued liability in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the actuarial accrued liability provides one indication of funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of Anne Arundel County's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

Appendix 1

Summary of Contributions

Year Ended December 31	Actuarially Determined Contribution	Percentage Contributed
2014	$24,426,165	100.1%
2015	$25,654,839	99.9%
2016	$25,809,828	100.0%
2017	$25,654,218	100.0%
2018	$27,032,514	100.0%
2019	$29,637,342	100.0%

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Actuarial cost method
Projected unit credit

Amortization Method
Level percentage of pay, closed

Remaining amortization period
Remaining amortization periods range from 14 to 23 years with an average effective period of 20.0 years. Starting with new bases in 2014, Assumption changes and gains and losses are amortized over 20 years and plan changes are amortized over the average future service of the active population at the time of change.

Asset valuation method
Five-year smoothed method

Actuarial assumptions:

Investment rate of return	7.45%
Projected salary increase	Varies by age
Post-retirement cost-of-living adjustments	3.0% for pre 2/97 accruals 1.8% for post 2/97 accruals

Appendix 2

Benefit Payment Projection

The following table shows the estimated benefit payments from January 1, 2020 through December 31, 2029 based on existing members of the plan.

Calendar Year	Benefits
2020	$59,927,000
2021	62,635,000
2022	65,640,000
2023	68,422,000
2024	71,281,000
2025	73,949,000
2026	76,702,000
2027	79,398,000
2028	81,910,000
2029	84,378,000

Appendix 3

ASOP 51 Disclosure

Actuarial Standard of Practice No. 51 *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions* is effective for actuarial valuations after November 2018. The standard requires actuaries to provide information so that users of the report can better understand the potential for future results to vary from the results presented in this report and identify risks on the plan's future financial condition. This standard does not require the assessment to be based on numerical calculations.

Examples of risk common to most public plans include the following (generally listed from greatest to least risk):

- Investment risk: The potential that investment returns will be different than expected. The Trustees are well aware of this risk.
- Contribution risk: Most commonly this is associated with the potential that actual future contributions are not made in accordance with the plan's actuarially based funding policy. When this occurs, it can create negative long-term problems.
- Longevity and other demographic risks: The potential that mortality or other demographic experience will be different than expected.
- Asset/liability mismatch risk: The potential that changes in asset values are not matched by changes in the value of liabilities.
- Cash flow risks: The potential that contributions coming into the plan will not cover benefit payments. While common in well-funded plans, this still requires the use of interest, dividends or principal to cover benefit payments. When assets need to be sold (or more cash held) it can be an issue. Poorly funded plans with DROP lump sum payments can be a particular issue.

One item left off this list is "interest rate risk" (i.e., the potential that interest rates will be different than expected). This risk is common in corporate ERISA plans where funding is based on bond rates. Interest rates on bonds are still an important consideration when setting an expected return assumption and can change over time.

There are some plan maturity measures that are significant to understanding the risks associated with the plan. The following table shows four commonly used measures of the relative riskiness of a pension plan, relative to the plan sponsor and the employee group covered by the plan.

Appendix 3

ASOP 51 Disclosure

Risk Measure	1/1/2018	1/1/2019	1/1/2020	Conservative Measures
Retiree Liability as a Percent of Total Liability	63%	64%	65%	<50%
Assets to Payroll	4.8	4.6	5.0	<5
Liabilities to Payroll	6.2	6.8	6.9	<5
Benefit Payments to Contributions[3]	1.5	1.6	1.6	1 - 3

The Asset Volatility Ratio (AVR) is equal to the market value of assets (MVA) divided by payroll. A higher AVR implies that the plan is exposed to greater contribution volatility. The current AVR of 5.0 indicates that a 1% asset gain/loss can be related to about 5.0% of the annual payroll. The plan currently amortizes asset gains/losses over a period of 20 years. This would result in a change in the County's contribution of about 0.4% of payroll for each 1.0% change in market assets.

The Liability Volatility Ratio (LVR) is equal to the Actuarial Accrued Liability (AAL) divided by payroll. A higher LVR implies that the plan is exposed to greater contribution volatility due to changes in liability measurements. The current LVR of 6.9 indicates that a 1% liability gain/loss can be related to about 6.9% of the annual payroll. The plan currently amortizes liability gains/losses over a period of 20 years. This would result in a change in the County's contribution of about 0.5% of payroll for each 1.0% change in AAL. As the plan approaches a 100% funded level, the AVR will converge to the LVR.

The use of payroll in these risk measures is an easily available substitute for the employer's revenue and often reflects the employer's ability to afford the plan. As shown in the table above, the Plan is not considered "low risk". Each of these measures are a measure of plan maturity. Some ratios are outside of the "conservative" range because the plan is becoming more mature. Mature plans present more risk to plan sponsors because changes to the liability or assets will result in large changes in the unfunded liability as compared to the overall size of the employer as measured by payroll.

[3] For the year ending on the date shown.

Appendix 3

ASOP 51 Disclosure

If the plan or employer were interested in doing more quantitative assessment of risks, the following are example of tests that could be performed:

Scenario Test—A process for assessing the impact of one possible event, or several simultaneously or sequentially occurring possible events, on a plan's financial condition. A scenario test could show, for example, the effect of a layoff or reduction in workforce, or early retirement program.

Sensitivity Test—A process for assessing the impact of a change in an actuarial assumption on an actuarial measurement. A sensitivity analysis could demonstrate, for example, the impact of a decrease in the valuation discount rate or a change in future life expectancies.

Stochastic Modeling—A process for generating numerous potential outcomes by allowing for random variations in one or more inputs over time for the purpose of assessing the distribution of those outcomes. This type of analysis could show, for example, a range of potential future contribution levels and the likelihood of contributions increasing to a certain level.

Stress Test—A process for assessing the impact of adverse changes in one or relatively few factors affecting a plan's financial condition. A stress test could show, for example, the impact of a single year or period of several years with significant investment losses.

Appendix 4 – Summary of Major Legislative Changes

County Council Bill No. 36-89

Effective 7/1/89.

Pension benefits and vesting provisions were improved. The accrual percentage per year of service was increased from 1.8% to 2.0%, permitting accrual of the maximum 60% benefit in 30 years instead of 33-1/3.

Full vesting was granted after 5 years of service. The old provisions used a graded scale granting 75% vesting after 10 years, climbing to 100% vesting after 15 years.

County Council Bill No. 34-92

Effective 6/1/92 through 8/31/92.

Participants age 50 or older with at least 20 years of service could elect to retire with an additional pension equal to 1/12 of 2% for each year of credited service. The additional amount could be taken as a pension increase, a lump sum, or as a temporary supplement to age 62. Appropriate actuarial adjustments apply.

State House Bill No. 687

Effective 7/1/90.

County employees were given the opportunity to apply for credit under the County's plan for previous service with the State of Maryland (or a political subdivision of the State).

County Council Bill 90-93

Effective 12/22/93.

Plan participants are required to pay the full actuarial value for service purchases. Purchases can only be made at retirement. To be eligible, an employee must have 60 months of County service. Existing plan participants must be notified of their right to purchase service under existing law.

County Council Bill No. 82-94

Effective 10/31/94.

Transfers assets from general employees plan to A&E plan for participants who have transferred between these two plans.

Appendix 4 – Summary of Major Legislative Changes

County Council Bill No. 88-96

Effective 12/4/96.

The previous method of calculating cost of living increases will only apply to benefits accrued as of 1/31/97. The cost of living increase for future benefits is a compound increase equal to 60% of the annual change in the CPI, not to exceed 2.5%. Employees hired, or rehired, on or after 12/4/96 will be Tier Two employees and will have different benefits than current employees.

County Council Bill No. 41-99

Effective 6/15/99.

Employees paid under the deputy sheriff employees pay schedule become Tier Two members of the Detention Center Plan effective as of January 1, 1999. Service credited under the Employees' Plan will count as credited service in the Detention Center Plan and no future benefit will be paid from the Employees' Plan. Assets are transferred from the Employees' Plan to the Detention Center Plan in an amount equal to the projected unit credit accrued liability in the Employees' Plan.

Recodification

Effective 2/25/2002.

Allows a benefit based on disability leave service and pre-plan military service to be paid over the 60% cap. Normal Retirement was changed to the earlier of 30 years of service or age 60.

County Council Bill No. 74-09

Effective 12/11/2009.

For non-represented members, FY2010 annual pay shall be determined by increasing FY2009 annual pay by an assumed 3% for determining the final average basic pay.

County Council Bill No. 6-10

Effective 4/18/2010.

Provides for a disability benefit for those participants who are totally and permanently disabled as a result of qualified military service.

County Council Bill No. 98-12

Effective 5/13/2013.

Changed the definition of "final average basic pay" from highest 3 out of the last 5 years basic pays to higher 3 of all basic pays.

Appendix 4 – Summary of Major Legislative Changes

County Council Bill No. 97-13

Effective 4/14/2014.

Members of the Employees' Plan and Category II members of the Detention and Deputy Sheriffs' Plan hired on or after July 1, 2015 will be subject to 10 year vesting and 10 year normal retirement provisions. The 10 year requirement also affects the ability to purchase service or get credit for pre-plan military service. The 10 year requirement extends to County Council members hired on or after December 1, 2014.

County Council Bill No. 86-16

Effective 1/1/2017.

To ensure compliance with IRS regulations, members of the Employees' Plan have 30 days from date of hire to make an irrevocable election between Tier 1 and Tier 2; and effective January 1, 2017 members of Tier 2 the Employees' Plan can no longer later elect to transfer to Tier 1. Employees hired before December 31, 2016 who elect Tier 2 may still be allowed to transfer to Tier 1 before their 5th year anniversary.

County Council Bill No. 95-17

Effective 3/23/2018.

Created the Employee Retirement Savings Plan and allowed certain non-vested members of the Employees' Plan a one-time opportunity to transfer the present value of their Employees' Plan accrued benefit to it.