

ANNE ARUNDEL COUNTY, MARYLAND
OFFICE OF THE BUDGET

BILL NO. 95-17

DATE: December 1, 2017

**Corrected
Normal Cost Percentage
9.4%**

FISCAL NOTE

BILL: AN ORDINANCE CONCERNING: PERSONNEL – EMPLOYEE RETIREMENT SAVINGS PLAN

SUMMARY OF LEGISLATION

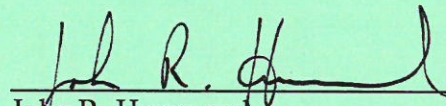
The purpose of this Ordinance is to establish an Employee Retirement Savings Plan as an optional retirement benefit choice for those County employees eligible to participate in the County's existing Employees' Retirement Plan.

The Retirement Savings Plan is a defined contribution retirement plan, established under Section 401(a) of the Internal Revenue Service Code, which provides for an employee contribution of 4% of salary and an employer contribution of 8% of salary. The employee directs the investment of the employee and employer contributions to a spectrum of investment vehicles selected by the County. The employee, at the time of employment, will make an irrevocable election as to which retirement benefit (either the current defined benefit Employees' Retirement Plan or the proposed defined contribution Employee Retirement Savings Plan), the employee desires to participate.

The Retirement savings Plan provides for annual vesting of 20% of the employer contributions each year for the first five years, with full vesting in the employer contributions after five years of employment. The employee contributions are fully vested from day one.

FISCAL IMPACT

The County's normal cost of the Retirement Savings Plan is the employer's 8% contribution. This compares to the County's current normal cost of the Employee's Retirement Plan of ~~8.7%~~ 9.4%. The Retirement Savings Plan, as a defined contribution plan, also reduces the County's risk for increased pension contributions if annual investment returns do not achieve the actuarially assumed investment return. For an employee, the Retirement Savings Plan offers the attractiveness of five year vesting, rather than ten year vesting under the Employees' Retirement Plan, as well as the portability of both the employee and employer contributions upon the employee's leaving County employment prior to the normal retirement age (age 60).



John R. Hammond
Budget Officer

12/1/2017
Date

cc: Karin McQuade, Controller

Prepared by: John Hammond