

Montgomery Council Approves End to ‘Imputed Compensation’ Regarding Pensions

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Action Will Save Taxpayers \$7 Million in Fiscal Year 2011
And Nearly \$280 Million Over The Next 40 Years

ROCKVILLE, Md., May 18, 2010—The Montgomery County Council today unanimously approved Bill 16-10 that will end “imputed compensation” in the calculation of pension benefits. The bill, whose chief sponsor is Councilmember Phil Andrews, addresses previously negotiated general wage adjustments with organizations representing employees with County police, fire and general government.

Councilmembers Roger Berliner and Duchy Trachtenberg are co-sponsors of the bill.

In 2009, County Executive Isiah Leggett and three unions representing County employees agreed to “postpone” for FY10 previously negotiated general wage adjustments (Cost-of-Living Adjustments, or COLAs) because the County could not afford them. The Executive and the unions, however, agreed that pension benefits would be calculated as if the pay raises had been funded.

The Council then passed a bill by a 7-1 margin that would calculate the cancelled wage increases in an employees’ salary history as if the increases had been given. The imputed compensation was scheduled to carry over into the calculation of regular earnings used to calculate a defined benefit pension for the rest of an employee’s career.

The County’s actuary, Mercer, estimated that the actual savings from ending the imputed compensation after June 30, 2010, is \$7.025 million for FY11. Annual savings will continue for a total of 40 years, based on today’s Council action.

“The Council’s adoption of Bill 16-10 will save taxpayers nearly \$280 million in the next 40 years,” said Councilmember Andrews. “It will help the County reduce the structural deficit, as well as help balance next year’s budget.”

The bill affects more than 4,700 employees in the County’s Defined Benefit pension system.

The Council’s Management and Fiscal Policy Committee recommended approval of Bill 16-10 by a 3-0 vote.