**PUR-1503**
**REQUEST FOR SUBMITTALS**
**REGARDING QUALIFICATIONS & EXPERIENCE / TECHNICAL PROPOSALS AND PRICE PROPOSALS FOR**

**RECORD-KEEPING AND ACTUARIAL CONSULTING SERVICES FOR THE RETIREMENT PLAN, LENGTH OF SERVICE AWARD PROGRAM AND OTHER POST-EMPLOYMENT BENEFITS UNDER GASB-45 (OPEB)**

**April 16, 2021**

## INTRODUCTION:

The Board of County Commissioners of Washington County, Maryland (hereinafter called "County") is requesting Qualifications & Experience/Technical Proposals and Price Proposals from firms to provide Record-keeping and Actuarial Consulting Services for the **Retirement Plan for Employees of the County** and the **Washington County Maryland Volunteer Length of Service Award Program (LOSAP) for the County's emergency services providers and Other Post-Employment Benefits under GASB-45 (OPEB).**

## II. INTENT:

The intent of this request is to seek proposals from firms interested in providing record-keeping and actuarial consulting services for the Retirement Plan for employees of the County and the Washington County Maryland Volunteer Length of Service Award Program (LOSAP), provided by the County for the volunteer emergency services providers for Washington County and Other Post-Employment Benefits under GASB-45 (OPEB).

## III. BACKGROUND:

A. Employees' Retirement Plan of Washington County

1. The County withdrew from the Maryland State Retirement System in July 1972 and currently maintains a defined benefit retirement program that has been established by County Ordinance. The plan covers all regular full-time employees (to include police and correctional officers) and elected officials. The County is the sole plan sponsor.

marked "**Q&E / Technical Proposals – Record-keeping/Actuarial Consulting Services"** and One (1) original, five (5) copies of the Price Proposal and six (6) flash drives enclosed in a *separately*, sealed opaque envelope marked **"Price Proposal – Record-keeping/Actuarial Consulting Services,"** must be submitted and time-stamped into the office of Rick F. Curry, CPPO – Director of Purchasing, Washington County Purchasing Department, Washington County Administration Building, 100 West Washington Street, Second Floor, Suite 3200, Hagerstown, Maryland 21740, no later than **4:00 P.M., (EDT/EST), Wednesday, May 12, 2021.** Failure to comply with providing the above-required information for the Committee's review may result in disqualification of that firm. Inquiries should be directed to the Direct of Purchasing at the above address, telephone 240-313-2330.

**NOTE: Washington County Government has limited access to the Washington County Administration Complex at 100 West Washington Street, Hagerstown, Maryland until further notice. All Proposers shall allow ample time for delivery of their proposal packets. Delivery of proposal packets via-courier service or United States Postal Service (USPS) will be accepted. Those proposers who wish to deliver their proposal packets in person will need to call 240-313-2330 to receive instructions.**

Washington County shall make positive efforts to utilize Disadvantaged Business Enterprises for its supplies and services and shall allow these sources the maximum feasible opportunity to compete for contracts. The County Commissioners of Washington County do not discriminate on the basis of race, color, national origin, sex, religion, age and disability in employment or the provision of services. Individuals requiring special accommodations are requested to contact the undersigned at 240-313-2330 Voice, TDD Dial 7-1-1 to make arrangements no later than seven (7) calendar days prior to the Pre-Proposal Conference.

Inquiries regarding this request should be directed to Rick F. Curry, CPPO – Director of Purchasing at 240-313-2330. The Board of County Commissioners of Washington County reserves the right to reject the proposal of a firm who has previously failed to perform properly or complete on time contracts of a similar nature or a proposal of an organization which investigation shows is not in a position to perform the contract. The Board of County Commissioners of Washington County, Maryland reserves the right to accept or reject any and/or all proposals, and to waive formalities, informalities and technicalities therein and to take whatever action is in the best interest of Washington County. The Board reserves the right to contact a Proposer for clarifications and may, at its sole discretion, allow a proposer to correct any and all formalities, informalities and technicalities in the best interest of Washington County.

By Authority of:

Rick F. Curry, CPPO
Director of Purchasing

BOARD OF COUNTY COMMISSIONERS
OF WASHINGTON COUNTY, MARYLAND

**PUR-1503**
**REQUEST FOR PROPOSALS**
**REGARDING QUALIFICATIONS & EXPERIENCE / TECHNICAL PROPOSALS AND PRICE PROPOSALS FOR**

**RECORD-KEEPING AND ACTUARIAL CONSULTING SERVICES FOR THE RETIREMENT PLAN, LENGTH OF SERVICE AWARD PROGRAM AND OTHER POST-EMPLOYMENT BENEFITS UNDER GASB-45 (OPEB)**

The Board of County Commissioners of Washington County, Maryland is requesting Qualifications and Experience/Technical Proposals and Price Proposals from Consultants to provide Record-keeping and Actuarial Consulting Services for: **(1)** the Retirement Plan for employees of the Board of County Commissioners, of Washington County, Maryland, which includes a Deferred Retirement Option Program (DROP), **(2)** the Washington County Maryland Volunteer Length of Service Award Program (LOSAP) for the County's emergency services providers, and **(3)** County Commissioners of Washington County Other Post-Employment Benefits under GASB-45 (OPEB).

The Washington County Coordinating Committee will evaluate responses to this Request for Proposal (RFP) and select those firms judged to be responsive, most qualified and experienced. The Committee reserves the right to interview some or all-prospective firms to discuss Qualifications & Experience/Technical Proposals, as well as Price Proposals.

The format for submittals, information regarding the scope of work, and selection criteria used by the Committee is available from the Washington County website: https://www.washco-md.net by accessing the **"Services/Bids-Purchasing/Open Bid Invitations"**. Inquiries regarding this request should be directed to Rick F. Curry, CPPO - Purchasing Director, Washington County Purchasing Department, Washington County Administration Complex, 100 West Washington Street, Third Floor, Suite 3200, Hagerstown, Maryland, 21740, telephone 240-313-2330.

Due to the Coronavirus (COVID-19) pandemic the Washington County Purchasing Department has canceled all in-person meetings. A Pre-Proposal Teleconference will be held on **Thursday, April 22, 2021 at 10:00 A.M. (EDT/EST)**. All interested proposers wishing to take part in the meeting shall call 240-313-2330 to receive instructions prior to this teleconference. All interested proposers are requested to take part in the teleconference call. Participation in the teleconference is not mandatory but is strongly encouraged.

One (1) original, five (5) copies of submittals and six (6) flash drives of Qualifications & Experience / Technical information from consultants enclosed in a *separately,* sealed opaque envelope

2. Beginning in 1972, the Aetna Life Insurance Company had provided all actuarial and record-keeping services. On August 16, 1993 the County received formal notification from Aetna that effective August 15, 1993 it would no longer be providing these services. This included the Actuarial Report and Employee Retirement Statements for the period July 1, 1992 to June 30, 1993. Since 1993, record-keeping and actuarial services have been provided first by William M. Mercer, Inc., CBIZ Benefits & Insurance Services, and most recently by Bolton USA.

3. The plan is composed of two (2) distinct groups, uniformed and non-uniformed services personnel. The uniformed services personnel benefit has a normal retirement eligibility of age 50 years or 25 years of credited service whichever comes first. In addition, this group has the option to retire early at age 50 with a 2% per year penalty. Other full-time non-uniformed employees have a normal retirement eligibility of age 60 years or 25 years of credited service, whichever comes first. However, prior to July 1, 2013 a certain group of non-uniformed employees had the choice of staying at a contribution of 5.5% of his or her Per-Pay Compensation. All those who did not chose this option are contributing 6% of his or her Per-Pay Compensation and have a normal retirement of age 60 or 25 years of credited service. As of the last actuarial evaluation, the plan had approximately 794 participating employees (which includes approximately 70 DROP participants) and 495 retirees and non-active members.

4. For informational purposes to assist in preparation of your proposals, copies of the following documents are attached: 1) a sample Employee Retirement Plan Benefit Statement (Attachment No. 4); 2) the Actuarial Valuation Report for Plan Year Ending June 30, 2020 (Attachment No. 9) the current Retirement Plan Document (Attachment No. 6).

B. LOSAP

1. On September 26, 2000, the County formally adopted the LOSAP Program with an effective date of July 1, 1998. The purpose of this Plan is to provide Eligible Volunteers (active members of one or more Washington County fire, rescue, or emergency medical services, or support organization approved by the County) who become covered under the Plan with retirement, disability, and line-of-duty death benefits.

2. This is a County-funded program, and the County has been funding this Program on an annual basis since 2001. Benefit payments began effective January 1, 2007. The Program currently has approximately 1331 participants and approximately 218 receiving benefits as of December 31, 2019. Note: New benefits and any benefit changes will take place January 1st of each year or age eligibility dates.

3. For informational purposes to assist in preparation of your proposals, copies of the following documents are attached:

1) the current LOSAP Plan Document (Attachment No. 7); the LOSAP Actuarial Valuation Report for the Plan Year Ending December 31, 2020 (Attachment No. 8).

C. OPEB (Other Post-Employment Benefits)

1. The County sponsors a single-employer post-retirement benefit plan. The plan provides post-retirement health care benefits to employees who retire from the County under normal or early retirement provisions of the pension plan. The health care benefits are provided until the retiree is eligible for Medicare. Retirees who exercise the option for the health care benefits pay one-half of the estimated cost of the benefits. The County pays the remaining cost as part of its self-insurance program. Currently, thirty-five (35) retirees are receiving benefits and one hundred thirteen (113) employees are retirement eligible.

2. The trust fund will be invested as a long-term pension trust, using an appropriately balanced portfolio of equities and debt instruments, to prudently maximize long-term investment returns.

3. For informational purposes to assist in preparation of your proposals a copy of the Actuarial Valuation Report as of July 1, 2018 is attached. (Attachment No. 5).

4. The price costs for OPEB services as outlined herein shall be included in the price portion of Part 1 of the Proposal Form.

## IV. SCOPE OF REQUIRED SERVICES:

A. Employees' Retirement Plan of Washington County and OPEB

1. Record-keeping Services

The County is requesting qualifications and experience/technical proposals from retirement plan record-keepers to maintain independent service, salary and employee contribution histories for the Retirement Plan. The record-keeper's proposal shall respond specifically to each of the below issues as well as any other issues that the proposing record-keeper deems necessary. The responses shall explain in detail how the record-keeper will provide each of these required services. Specific responsibilities of the selected record-keeper will include:

a. Services Histories

The Retirement Plan bases benefits on credited service under the Plan. The record-keeper will be responsible to master the plan's service crediting rules (which, as was mentioned earlier, are different for different groups of covered employees) and to secure appropriate computerized service reports from CBIZ Benefits & Insurance Services, the current record-keeper. The

County expects the record-keeper's service records to be those upon which actual benefits determinations are based; includes quarterly notification to employer of vested terminated employees who reach age eligibility.

b. Salary Histories

The Retirement Plan also bases benefits on average salaries. The record-keeper will be responsible for the annual collecting and computerized updating of the salary histories necessary to properly determine plan benefits; and

c. Employee Contributions

The Retirement Plan requires mandatory employee contributions of five and one-half (5½%) percent of regular wages for non-uniformed for a certain group of employees and six (6%) percent of regular wages for uniformed and all other employees. These contributions are credited with six (6%) percent annual interest and the accumulated employee contributions constitute an integral part of the individual benefit determination. The record-keeper will be responsible for maintaining employee contribution histories and interest credits on a year-to-date, inception to date pre-tax/post-tax basis. Note: employee contributions have been collected on a pre-tax basis since January 1, 1990 as allowed under IRC Section 414(h).

Includes an annual cross review of data to validate compensation and contributions to ensure a match-up with notifications to employer.

d. Annual Employee Statement

Employees will receive a detailed Employee Retirement Benefit Statement annually that will contain at least the information currently provided (see sample attached - Attachment No. 4).

e. Provides benefits calculation statement for a prospective retiree to Human Resources within fourteen (14) calendar days of placing the order.

f. Secure Online Employee / Employer Retirement Plan Portal

The Retirement Portal will allow employees to access their Annual Employee Statements; obtain benefit estimates payable at any other date at which they are eligible to retire, using varying salary increase assumptions and varying amounts of sick leave.

The Portal benefit estimator shall include an option to project estimated benefits based on DROP election periods; the portal shall provide the estimated benefit assuming no DROP election as well as the estimated annuity and lump sum benefits if the participant participates in the DROP.

The benefit estimator shall include estimated option benefit forms such as Joint & Survivor spousal benefits. The portal will provide the normal form of payment and the available optional forms based on a user-selected beneficiary relationship and date of birth for a chosen retirement date.

Employees will have unique individual logins and unlimited access to the portal and can prepare as many estimates as they wish.

Includes annual validating and loading of updated census information, testing and confirming computational accuracy.

Also to include mass emails to employees with their login information at initiation of service and annually when new information is available on the portal.

g. Ad hoc services which may include: Administration Book/Manual; forms; participant communication materials such as handouts or presentation summaries, as requested.

B. LOSAP

1. Record-keeping Services

The County is requesting qualification and experience/technical proposals from retirement plan record-keepers to maintain independent service histories for the LOSAP. The record-keeper's proposal shall respond specifically to each of the below issues as well as any other issues that the proposing record-keeper deems necessary. The responses should explain in detail how the record-keeper will provide each of these required services. Specific responsibilities of the selected record-keeper will include:

2. Services Histories

Actual record-keeping for LOSAP eligibility is the responsibility of each participating Volunteer Company. These records are reported annually to the Washington County Volunteer Fire & Rescue Association, Inc., who, in turn, forwards to the Actuary and the Washington County Department of Human Resources. The record-keeper will be responsible to secure appropriate computerized service reports from Bolton USA, the current record-keeper.

C. Actuarial Consulting Services

1. The County is requesting proposals from qualified actuaries to provide on-going actuarial consulting and valuation services for the Retirement Plan, LOSAP and OPEB. Qualified firms must include at least one (1) enrolled actuary on staff and

be able to demonstrate high understanding of or experience with contributory defined benefit plans covering a governmental employee group of at least the size of the Retirement Plan for Employees of the County Commissioners of Washington County, Maryland. Specific responsibilities of the selected actuarial firm will include:

D. Plan Funding Requirements

Each year, the actuary is expected to perform a complete actuarial evaluation of the Retirement Plan, LOSAP and OPEB to determine minimum and recommended funding levels. The actuary is expected to determine each economic and demographic assumption used in the annual valuation and to update those assumptions as warranted by actual plan experience. The County expects a comprehensive valuation report for each plan, the Employee's Retirement Plan, LOSAP, and OPEB with the results of these valuations delivered to the County no later than September 30th of each year for each recently completed fiscal year.

E. GASB Disclosure Requirements

Each year, the actuary is expected to provide the pension expense and disclosure information required by the County's auditors under prevailing Government Accounting Standards Board (GASB) requirements. The actuary is expected to determine each economic and demographic assumption used in the GASB calculations and to update these assumptions as warranted by actual plan experience. The County expects this information to be available to the auditor far enough in advance to timely complete each year's audit.

F. Benefit Calculations

1. Employees' Retirement Plan of Washington County

Throughout each year, the actuary will be expected to calculate and certify all benefit calculations for retirement, the Deferred Retirement Option Plan (DROP) including the final DROP balance payment, deaths, disablement and quarterly vested and non-vested terminations. Approximately fifty (50) of these calculations are required each year.

Also, the actuary will be expected to determine service buy-back or transferred service amounts as employees are rehired or otherwise become eligible for such benefits. Approximately fifteen (15) of these calculations are required each year.

2. LOSAP

To assist the administering office (Department of Human Resources), the actuary will prepare a data sheet to assist in the determination of benefit amounts when a joint survivor annuity is elected.

G. Investment Performance Review

Each quarter (four (4) times per year), the actuary is expected to make an independent determination of the net investment return of the Plans' assets. The actuary is further expected to provide an independent comparison of the annual return with the annual return of similarly balanced pension funds. The County does not expect a comprehensive investment performance review by the actuary; nonetheless, the County will expect the actuary to provide useful input into the collective analysis of the relative investment performance. The County Retirement Committee meets quarterly with the Plan's investment advisors.

H. Consulting

The actuary is expected to be pro-active in providing consultation to the County and the County's auditors.

I. Reporting to County Commissioners

The actuary is expected to provide at least an annual presentation to the County. The actuary should expect that these presentations will cover plan costs, actuarial assumptions, operational aspects of the plans and commentary on the plans' investment returns. The actuary should further expect that these presentations may be made at public meetings. Should public meetings be required, the selected consulting firm shall be compensated based on the hourly rates identified and provided as required in Section VI.A.2, on Page 9 of this RFP document.

J. In addition to the above services, the selected consulting actuary shall provide non-recurring services, i.e., benefit adequacy studies, at the rates requested in Sections VI and XI herein.

K. Ownership of Records

All County and Plan records, including any computer records are the sole and exclusive property of the Plan, whether such Plan records are maintained on the computers of the Contractor or the County. Contractor must certify that it will promptly return all Plan records, including any computer records at the termination of the contract.

## V. QUALIFICATIONS & EXPERIENCE / TECHNICAL PROPOSAL (Q&E/TECHNICAL PROPOSAL):

Respondent shall respond to and reference each section and subsection. State also when your firm cannot accomplish the requested function. Respondent shall discuss each item in detail. Brief responses such as "meets requirements" or "exceeds requirements" will not be accepted.

*As a minimum, your **Q&E / Technical Proposal** shall include the following information. Failure to discuss each item may deem the submittal non-responsive and may result in non-consideration of respondent's services. (DO NOT INCLUDE ANY PRICE INFORMATION IN ANY TRANSMITTAL LETTER NOR IN THE QUALIFICATIONS & EXPERIENCE/TECHNICAL PROPOSAL OR THE PROPOSAL MAY BE CONSIDERED NON-RESPONSIVE.)*

A. Philosophy

1. Describe your ideal basis of working with a client.

2. Describe any features or capabilities of your firm that you believe are notable.

B. Data Processing Capabilities

Describe your data processing capabilities and computer system design to include any recent systems updates.

C. Reports

Describe a typical annual actuarial report and annual employee statement. Attach a sample of each.

D. Principals and Background

1. Submit the names, titles, and resumes of the "principal" actuarial staff member(s) who will be responsible for the account during the performance of the contract.

2. Describe in depth the management team available to the "principal" actuarial staff member(s). Include an organizational chart of manpower, titles, qualifications, roles in contract performance, and availability for telephone consultations and on-site meetings.

3. Provide a listing of or the number of enrolled actuarial professionals who have a high understanding of or experience with contributory defined benefit plans covering governmental employee groups of at least six hundred (600) employees.

4. Provide a statement that the personnel responsible for the account can adequately devote the time required to service the account as determined by the County.

5. Firms must have been in existence for a minimum of five (5) years. Submit a statement as to when your firm was established.

E. References

Provide at least three (3) present clients having at least six hundred (600) employees for which your firm provides actuarial and record-keeping services. Include the name and telephone number of a contact person familiar with your firm's performance.

F. Conclusions, remarks and/or supplemental information pertinent to this request.

## VI. PRICE PROPOSAL:

A. As a minimum, your **Price Proposal** shall include the following:

1. The Proposal Form contained herein (Attachment No. 1).

2. A quotation of hourly rates for each classification of employee to be used for these services. These hourly rates shall be used as the basis for compensation for extra work and shall include the Consultant's total costs for actual payroll, support, supervision, fringe benefits, overhead, travel expense, printing profit and incidentals. The actual breakdown for these hourly rates is not required.

3. The proposal must be accompanied by a fully executed Affidavit (Attachment No. 2) executed by the Consultant, or in case the Consultant is a corporation, by a duly authorized representative of the Consultant, on the form provided.

4. Conclusions, remarks and/or supplemental information pertinent to this request.

## VII. PRE-PROPOSAL CONFERENCE:

Due to the Coronavirus (COVID-19) pandemic the Washington County Purchasing Department has canceled all in-person meetings. A Pre-Proposal Teleconference will be held on **Thursday, April 22, 2021 at 10:00 A.M., (EDT/EST)**. All interested bidders wishing to take part in the meeting shall call 240-313-2330 to receive instructions prior to this teleconference. All interested bidders are requested to take part in the teleconference call. Participation in the teleconference is not mandatory but is strongly encouraged. It is the Consultant's responsibility to become familiar with all information necessary to prepare a proposal.

## VIII. TERM OF CONTRACT:

A. The initial term of this contract shall be for a one (1) year period, tentatively beginning July 1, 2021, with an option by the County to renew for up to four (4) additional consecutive one (1) year periods and subject to written notice given by the County at least sixty (60) calendar days in advance of its expiration date. The County may terminate the Contract if funding is not provided in any County fiscal year. The County fiscal year is a 12-month period that begins on July 1$^{st}$ and ends June 30$^{th}$.

B. If the Consultant fails to comply with the specifications, he will be given thirty (30) calendar days' notice to render satisfactory service. If at the expiration of such thirty (30) calendar days' notice, the unsatisfactory conditions have not been corrected, the County reserves the right to terminate the contract.

## IX. USE OF EXISTING DOCUMENTS:

The County will cooperate to the fullest extent by making available to the Consultant all documents pertinent to this service that may be in the County's possession. The County makes no warranty as to the accuracy of existing documents, nor will the County accept any responsibility for errors and omissions that may arise from the Consultant having relied upon them.

## X. COMPENSATION TO THE CONSULTANT:

A. The Consultant shall be compensated annually for his/her services on a contract lump sum fee basis. Services shall be proposed in the format shown on Attachment No. 1. The lump sum fees shall include supervision, support, travel, and out-of-pocket costs necessary to accomplish the related tasks.

B. The Consultant shall invoice the County quarterly for all services satisfactorily completed during that period. All invoices shall include a description of the work effort covered for that period. Failure to include the description of work with the invoice may result in rejection of the invoice. Payment shall be made within thirty (30) calendar days of receipt of invoices for services satisfactorily rendered and approved by the County.

## XI. EXTRA WORK:

A. The Consultant shall include an hourly rate quotation for each classification of employee to be used for these services. This hourly rate shall include all costs such as actual payroll, subsistence, travel, profit and incidentals. In the event that extra work becomes necessary in providing these services, the County's Department of Human Resources Director shall furnish to the Consultant a detailed description of all work to be performed and shall request that the Consultant establish a "lump sum" figure for the work.

B. Upon the determination of a mutually agreed upon "lump sum" cost, the Consultant shall proceed with the work and shall invoice the County on a monthly basis for all work satisfactorily completed during that period. Payment shall be made within thirty (30) calendar days of receipt of an invoice as approve by the County's Department of Human Resources.

C. If a "lump sum" amount for the extra work cannot be agreed upon, the County's Department of Human Resources shall have the right to have the work performed by others or shall have the right to require the Consultant to perform the work on a Force Account basis.

## XII. INSURANCE REQUIREMENTS:

A. The service provider must show, prior to the execution of an Agreement, evidence of appropriate insurance as outlined in the attached copy of Washington County's Policy of *Insurance Requirements for Independent Contractors* (Attachment No. 3).

B. Professional Liability – The service provider must also show evidence of professional liability insurance coverage in the amount of one million ($1,000,000) dollars, with a minimum coverage of one million ($1000,000) dollars per occurrence and one million ($1,000,000) dollars aggregate and must include coverage for errors, omissions and negligent acts, prior to execution of a contract with the County.

C. Failure to maintain such insurance shall be grounds for immediate termination of the contract.

## XIII. CONSULTANT SELECTION PROCESS:

A. This solicitation is issued pursuant to the implementation of Section 5 of the Washington County Procurement Policy Manual relative to Requests for Proposals (RFP) - Professional/Technical Services Selection that can be viewed at: https://www.washco-md.net/wp-content/uploads/ProcurementPolicyManual2013FinalDraftrevised3-5-2020.pdf. The County shall not be liable for any costs not included in the proposal, not contracted for subsequently, or in regard to preparation of your proposal.

B. The Coordinating Committee shall be comprised of the County Administrator (Committee Chairman), County Director of Purchasing, Deputy County Attorney, Department of Human Resources – Director and the County's CFO. The Washington County Coordinating Committee will evaluate responses to this request and select those firms judged to be most qualified.

C. It is the County's intent to open and review each firm's Qualifications & Experience/ Technical Proposal to determine a firm's qualifications, experience and technical approach to the services. If the Selection Committee determines that a firm's Qualifications & Experience/Technical Proposal is acceptable, the envelope containing the firm's Price Proposal will then be opened.

D. Since it is the County's desire to select the most qualified firm, the Coordinating Committee reserves the right to schedule oral presentations of those firms it deems most qualified, to take place within ten (10) business days following notification.

E. Selection criteria to be used by the Committee are:

1. Responsiveness to the scope of work and these instructions to firms;

2. Past performance of the firm including timely completion of services, compliance with scope of work performed within budgetary constraints, and user satisfaction;

3. Specialized experience and technical competence in performing relevant services in the past three (3) years, including qualifications of staff members who will be involved in these services;

4. Oral presentations, if required;

5. Composition of the principals and staff assigned to provide these services, particularly the proposed manager and immediate staff, and their qualifications and experience with services such as that being proposed;

6. Adequacy of the personnel of the firm to accomplish the proposed scope of work in the required time.

7. Firm's capacity to perform the work, giving consideration to current workloads;

8. Firm's familiarity with problems applicable to this type of services;

9. References from previous clients (Section V.E.), including size and scope of the services, name and telephone number of contact person.

10. Price Proposal.

## XIV. <u>PROPOSALS AND AWARD SCHEDULE:</u>

A. Proposals received prior to the deadline will be treated as confidential. Proposals received after the deadline will not be considered in the evaluation process and will be returned unopened.

B. It is expected that the contract award will be made within forty-five (45) calendar days after the opening of proposals. The contract will be awarded to the service provider whose proposal, conforming to this request will be the most advantageous to the County.

C. Proposals must give the full name and address of the proposer and the person signing the proposal shall indicate his or her title and/or authority to bind the firm in a contract.

D. Proposals cannot be altered or amended after they are opened.

E. Price Proposals of Consultants whose Qualifications & Experience/Technical Proposals were determined to be unacceptable to the Coordinating Committee will be returned unopened to the Consultant.

F. The approval or disapproval of Consultants will be determined by their response to this request and on past performance. No assumptions should be made on the part of the Consultant as to this Committee's prior knowledge of his abilities.

G. The County reserves the right to request clarification of information submitted and to request additional information of one or more applicants.

## XV. <u>TERMS AND CONDITIONS:</u>

A. The County reserves the right to reject any or all proposals or to award the contract to the next recommended Consultant if the successful Consultant fails to execute an agreement within ten (10) calendar days after being notified of the award of this proposal.

B. The County reserves the right to request clarification of information submitted and to request additional information of one or more applicants.

C. Any proposal may be withdrawn up until the date and time set within this RFP for the opening of the proposals. Any proposal not so withdrawn will constitute an irrevocable offer, for a period of ninety (90) calendar days, to sell to the County the services set forth above. The selected Consultant shall be required to enter into a contract agreement with the County. Any agreement or contract resulting from the acceptance of the proposal shall be made on forms approved by the County and shall contain, as a minimum, applicable provisions of this request for proposal. The County reserves the right to reject any agreement that does not conform to this request for proposal and any County requirements for agreements or contracts.

D. Consultant shall not assign any interest in the contract and shall not transfer any interest in the same without prior written consent of the Director of Human Resources.

E. No reports, information or data given to or prepared by the Consultant under this agreement shall be made available to any individual or organization by the Consultant without the prior written approval of the Director of Human Resources.

F. Consultants are advised that all responses submitted are subject to public inspection and disclosure pursuant to Maryland's Public Information Act, Md. Code Ann., General Provisions Article, Title 4. If there are portions of the response that the respondent considers a trade secret, confidential commercial information, or confidential financial information pursuant to General Provisions § 4–335, the response must include a statement in **CONSPICUOUS BOLD TYPE** on the cover page of the submittal that portions of the response are subject to non-disclosure as commercial information. The portion of the response that is deemed a trade secret or commercial information must be stamped, highlighted, flagged, or otherwise identified in an obvious, noticeable, and eye-catching manner.

G. The County shall not be liable for any costs incurred by the consultant in regard to preparation of your proposal.

H. The County reserves the right to request interviews.

I. The County reserves the right to reject any and/or all proposals, to waive technicalities, and to take whatever action is in the best interest of Washington County.

J. The County reserves the right to not hold discussions after award of the contract.

K. By submitting a proposal, the Consultant agrees that he is satisfied, as a result of his own investigations of the conditions set forth in this request, that he fully understands his obligations.

L. Effective October 1, 1993, in compliance with Section 1-106(b)(3) of the Code of the Public Local Laws of Washington County, Maryland, "If a bidder has not paid all taxes owed to the County or a municipal corporation in the County, the County Commissioners may reject the bidder's bid."

M. The Consultant shall abide by and comply with the true intent of the RFP and its Scope of Work and not take advantage of any unintentional error or omission but shall fully complete every part as the true intent and meaning of the scope of services, as decided by the County, and as described herein.

N. Political Contribution Disclosure: In accordance with Maryland Code, State Finance and Procurement Article, §17-402, the Bidder shall comply with Maryland Code, Election Law Article, Title 14, which requires that every person that enters into contracts, leases, or other agreements with the State, a county, or any incorporated municipality, or their agencies during a calendar year in which the person receives in the aggregate $100,000 or more, shall file with the State Administrative Board of Election Laws a statement disclosing contributions in excess of $500 made during the reporting period to a candidate for elective office in any primary or general election. The statement shall be filed with the State Administrative Board of Election Laws: (1) before a purchase or execution of a lease or contract by the State, a county, an incorporated municipality or their agencies, and shall cover the preceding two (2) calendar years; and (2) if the contribution is made after the execution of a lease or contract, then twice a year, throughout the contract term, on: (a) February 5, to cover the 6-month period ending January 31; and (b) August 5, to cover the 6-month period ending July 31.

O. GOVERNING LAW: Any contract will be made and entered into in Maryland and will be construed under the laws of Maryland. The laws of Maryland and Washington County shall govern the resolution of any issue arising in connection with the contract, including, but not limited to, all questions on the validity of the contract, the capacity of the parties to enter therein, any modification or amendment thereto, and the rights and obligations of the parties hereunder.

P. COMPLIANCE WITH LAWS: If awarded a contract, the Consultant hereby represents and warrants:

1. That it is qualified to do business in the State of Maryland and that it will take such action as, from time-to-time hereafter, may be necessary to remain so qualified;

2. That it is not in arrears with respect to the payment of any monies due and owing the County, or any department or agency thereof, including, but not limited to, the payment of taxes and employee benefits, and that it shall not become so in arrears during the term of the contract; that it shall comply with all federal, State, and local laws, ordinances, and legally enforceable rules and regulations applicable to its activities and obligations under the contract;

3. That it shall procure, at its expense, all licenses, permits, insurance, and governmental approvals, if any, necessary to the performance of its obligations under the contract;

4. That the facts and matters set forth hereafter in the contract and made a part hereof are true and correct.

Q. In addition to any other remedy available to the County, breach of any of the services contracted herein shall, at the election of the County, be grounds for termination. Failure of the County to terminate the contract shall not be considered or construed as neither a waiver of such breach nor as a waiver of any rights or remedies granted or available to the County.

R. HOLD HARMLESS/INDEMNIFICATION:

If a contract is awarded, the successful Consultant will be required to indemnify and hold the County, its agents and/or employees harmless from and against all liability and expenses, including attorney's fees, howsoever arising or incurred, alleging damage to property or injury to, or death of, any person arising out of or attributable to the Consultant's performance of the contract awarded.

Any property or work to be provided by the Consultant under this contract will remain at the Consultant's risk until written acceptance by the County; and the Consultant will replace, at Consultant's expense, all property or work damaged or destroyed by any cause whatsoever.

S. TERMINATION:

Termination for Convenience: The County may terminate a contract, in whole or in part, whenever the County determines that such termination is in the best interest of the County, without showing cause, upon giving written notice to the Consultant. The County shall pay all reasonable costs incurred by the Consultant up to the date of termination. However, in no event shall the Consultant be paid any amount that exceeds the price proposed for the work performed. The Consultant will not be reimbursed for any profits which may have been anticipated but which have not been earned up to the date of termination.

Termination for Default: When the Consultant has not performed or has unsatisfactorily performed the contract, the County may terminate the contract for default. Upon termination for default, payment may be withheld at the discretion of the County. Failure on the part of a Consultant to fulfill the contractual obligations shall be considered just cause for termination of the contract. The Consultant will be paid for work satisfactorily performed prior to termination less any excess costs incurred by the County in re-procuring and completing the work.

T. AVAILABILITY OF FUNDS: The contractual obligation of the County under this contract is contingent upon the availability of appropriated funds from which payment for this contract can be made.

U. INTERPRETATION: The contract resulting from this proposal shall be construed under the laws of the State of Maryland.

V. INTEGRATION: These proposal documents, Consultant's response to this solicitation, and subsequent purchase order(s) to the successful Consultant contain the entire understanding between the parties and any additions or modifications hereto may only be made in writing executed by both parties.

## XVI. AWARD:

The County shall award a contract to the lowest responsive, responsible Consultant for the services herein described based on the total of the annual lump sum prices for contract years 1 through 5 for both programs (Parts 1 and 2 on attached Proposal Form).

## XVII. INTERPRETATIONS, DISCREPANCIES, OMISSIONS:

Should any Consultant find discrepancies in, or omissions from, the documents or be in doubt of their meaning, he should at once request in writing an interpretation from: Rick F. Curry, CPPO – Director of Purchasing, Washington County Purchasing Department, Washington County Administration Building, 100 West Washington Street, Second Floor, Suite 3200, Hagerstown, Maryland 21740, **FAX 240-313-2331;** or send questions in Microsoft Word platform via-email to **purchasingquestions@washco-md.net**

Requests received after **4:00 P.M., (EDT/EST), Friday, April 30, 2021** may not be considered. Every interpretation made by the County will be made in the form of an addendum that, if issued, will be sent by the Director of Purchasing to all interested parties, and such addenda shall become part of the contract documents. All necessary interpretations will be issued to all Consultants in the form of addenda to the specifications, and such addenda shall become part of the contract documents. Failure of any Consultant to receive any such addendum or interpretation shall not relieve such Consultant from any obligation under his proposal as submitted. The County will assume no responsibility for oral instructions or suggestions. ORAL ANSWERS SHALL NOT BE BINDING ON THE COUNTY.

## XVIII. SUBMITTALS:

If your firm is interested in performing the above services, please submit One (1) original, five (5) copies and six (6) flash Drives of your proposals in a *separately,* sealed opaque envelope marked **"Q&E / Technical Proposals – Record-keeping/Actuarial Consulting Services"** and One (1) original, five (5) copies and six (6) flash drives of the Price Proposal enclosed in a *separately*, sealed opaque envelope marked **"Price Proposal – Record-keeping/Actuarial Consulting Services,"** no later than **4:00 P.M., (EDT/EST), Wednesday, May 12, 2021** into the office of Rick F. Curry, CPPO – Director of Purchasing, Washington County Purchasing Department, Washington County Administration Building, 100 West Washington Street, Second Floor, Suite 3200, Hagerstown, Maryland 21740.

The Board of County Commissioners of Washington County, Maryland reserves the right to accept or reject any and/or all proposals, to waive technicalities and to take whatever action is in the best interest of Washington County. Inquiries regarding this request should be directed to Rick F. Curry, CPPO – Director of Purchasing, at 240-313-2330.

Sincerely,

Rick Curry, CPPO
Director of Purchasing

BOARD OF COUNTY COMMISSIONERS
OF WASHINGTON COUNTY, MARYLAND

Attachments (9)
cc: Washington County Coordinating Committee

**PUR-1503**
**RECORD-KEEPING AND ACTUARIAL CONSULTING SERVICES**

## SUMMARY OF ATTACHMENTS

**PUR-1503**
**RECORD-KEEPING AND ACTUARIAL CONSULTING SERVICES**

## PROPOSAL FORM

The Firm of: ______________________________________________
(Name &
Address) ______________________________________________

______________________________________________

______________________________________________

Hereby agrees to provide the requested services as defined in the proposal, attachments thereto, and

Addenda No. _____ dated ___________, No. _____ dated ___________, No. _____ dated ___________

at the following annual lump sum contract prices: ***(Note: If an error is made in addition calculations, the written unit price cost shall prevail.)***

| **Item No.** | **PART 1**<br>***Annual Lump Sum Fees / Employee's Retirement Plan of Washington County and OPEB:*** | **Unit Price *(Figures)*** | **Total Price *(Figures)*** |
|---|---|---|---|
| **1** | **Contract Year No. 1:**<br>@________________________ Dollars<br>(Written)<br>and ________________________ Cents per Year<br>(Written) | $ ________ | $ ________ |
| **2** | **Contract Year No. 2:**<br>@________________________ Dollars<br>(Written)<br>and ________________________ Cents per Year<br>(Written) | $ ________ | $ ________ |
| **3** | **Contract Year No. 3:**<br>@________________________ Dollars<br>(Written)<br>and ________________________ Cents per Year<br>(Written) | $ ________ | $ ________ |

| Item No. | **PART 1** *Annual Lump Sum Fees / Employee's Retirement Plan of Washington County and OPEB:* | Unit Price *(Figures)* | Total Price *(Figures)* |
|---|---|---|---|
| 4 | **Contract Year No. 4:**<br>@____________________ Dollars<br>(Written)<br>and ____________________ Cents per Year<br>(Written) | $ __________ | $ __________ |
| 5 | **Contract Year No. 5:**<br>@____________________ Dollars<br>(Written)<br>and ____________________ Cents per Year<br>(Written) | $ __________ | $ __________ |
| **Item No.** | **PART 2** *Annual Lump Sum Fees / Length of Service Award Program (LOSAP):* | **Unit Price** *(Figures)* | **Total Price** *(Figures)* |
| 6 | **Contract Year No. 1:**<br>@____________________ Dollars<br>(Written)<br>and ____________________ Cents per Year<br>(Written) | $ __________ | $ __________ |
| 7 | **Contract Year No. 2:**<br>@____________________ Dollars<br>(Written)<br>and ____________________ Cents per Year<br>(Written) | $ __________ | $ __________ |
| 8 | **Contract Year No. 3:**<br>@____________________ Dollars<br>(Written)<br>and ____________________ Cents per Year<br>(Written) | $ __________ | $ __________ |

| Item No. | **PART 2** *Annual Lump Sum Fees / Length of Service Award Program (LOSAP):* | Unit Price *(Figures)* | Total Price *(Figures)* |
|---|---|---|---|
| *9* | **Contract Year No. 4:**<br>@____________________ Dollars<br>(Written)<br>and ____________________ Cents per Year<br>(Written) | $ ________ | $ ________ |
| *10* | **Contract Year No. 5:**<br>@____________________ Dollars<br>(Written)<br>and ____________________ Cents per Year<br>(Written) | $ ________ | $ ________ |
| **TOTAL For Contract Years 1 through 5 For Both Programs (Total of Item Nos. 1 - 10):**<br>@____________________ Dollars<br>(Written)<br>and ____________________ Cents per Year<br>(Written) | | $ ________________ | |

**CONTRACTOR MUST SIGN HERE**

By signing here, the firm does hereby attest that they have read fully the instructions, conditions and general provisions and understands them.

Firm Name: ________________________________

Address: ________________________________

Authorized Signature of Officer of Firm: ________________________

Name & Title Printed: ____________________________

Telephone No.: __________________ / Fax No.: __________________

E-mail Address: ________________

Date: ________________ Federal Employer Identification No. ________________

**EXCEPTIONS** (If no exceptions are taken, state NONE):

___

___

***For Informational Purposes Only***: Has your company/firm been certified by the State of Maryland as a Minority Business Enterprise? (Please check below.)

_____ Yes _____ No

**WASHINGTON COUNTY, MARYLAND**
**PURCHASING DEPARTMENT**
**AFFIDAVIT**

(Must be completed, signed, and submitted with the Price Proposal.)

Contractor______________________________________________________________

Address________________________________________________________________

Telephone ____________________________________________ Proposal Number (PUR-1503)

I, ______________________________________, the undersigned, ________________________________ of the above
(Print Signer's Name) (Print Office Held)
Named.

Contractor does declare and affirm this ___________ day of _______________, __________, that I hold the aforementioned office in
(Month) (Year)
the above named Contractor and I affirm the following:

AFFIDAVIT I

The Contractor, his Agent, servants and/or employees, have not in any way colluded with anyone for and on behalf of the Contractor or themselves, to obtain information that would give the Contractor an unfair advantage over others, nor have they colluded with anyone for and on behalf of the Contractor, or themselves, to gain any favoritism in the award of the contract herein.

AFFIDAVIT II

No officer or employee of Washington County, whether elected or appointed, has in any manner whatsoever, any interest in or has received prior hereto or will receive subsequent hereto any benefit, monetary or material, or consideration from the profits or emoluments of this contract, job, work or service for the County, and that no officer or employee has accepted or received or will receive in the future a service or thing of value, directly or indirectly, upon more favorable terms than those granted to the public generally, nor has any such officer or employee of the County received or will receive, directly or indirectly, any part of any fee, commission or other compensation paid or payable to the County in connection with this contract, job, work, or service for the County, excepting, however, the receipt of dividends on corporation stock.

AFFIDAVIT III

Neither I, nor the Contractor, nor any officer, director, or partners, or any of its employees who are directly involved in obtaining contracts with Washington County have been convicted of bribery, attempted bribery, or conspiracy to bribe under the laws of any state or of the federal government or has engaged in conduct since July 1, 1977, which would constitute bribery, attempted bribery, or conspiracy to bribe under the laws of any state or the federal government.

AFFIDAVIT IV

Neither I, nor the Contractor, nor any of our agents, partners, or employees who are directly involved in obtaining contracts with Washington County have been convicted within the past twelve (12) months of discrimination against any employee or applicant for employment, nor have we engaged in unlawful employment practices as set forth in Section 16 of Article 49B of the Annotated Code of Maryland or, of Sections 703 and 704 of Title VII of the Civil Rights Act of 1964.

I do solemnly declare and affirm under the penalties of perjury that the contents of the foregoing affidavits are true and correct to the best of my knowledge, information and belief.

______________________________ ______________________________
DATE SIGNATURE

______________________________ ______________________________
COMPANY NAME PRINTED PRINTED NAME

______________________________
TITLE

**POLICY TITLE:** **Insurance Requirements for Independent Contractors**

**ADOPTION DATE:** August 29, 1989

**EFFECTIVE DATE:** September 1, 1989

**FILING INSTRUCTIONS:**

## I. PURPOSE

To protect Washington County against liability, loss or expense due to damaged property, injury to or death of any person or persons and for care and loss of services arising in any way, out of, or in connection with or resulting from the work or service performed on behalf of Washington County.

## II. ACTION

The following should be inserted in all Independent Contractor Contracts:

"The Contractor shall procure and maintain at his sole expense and until final acceptance of the work by the County, insurance as hereinafter enumerated in policies written by insurance companies admitted in the State of Maryland, have A.M. Best rating of A- or better or its equivalent, and acceptable to the County."

1. **Workers Compensation:** The Contractor agrees to comply with Workers Compensation laws of the State of Maryland and to maintain a Workers Compensation and Employers Liability Policy.

   Minimum Limits Required:

   | | |
   |---|---|
   | Workers Compensation - | Statutory |
   | Employers Liability - | $100,000 (Each Accident) |
   | | $500,000 (Disease - Policy Limit) |
   | | $100,000 (Disease - Each Employee) |

2. **Comprehensive General Liability Insurance:** The Contractor shall provide Comprehensive General Liability including Products and Completed Operations.

   Minimum Limits Required:
   $1,000,000 combined single limit for Bodily Injury and Property Damage.

   Such insurance shall protect the County, its agents, elected and appointed officials, commission members and employees, and name Washington County on the policy as additional insured against liability, loss or expense due to damaged property (including loss of use), injury to or death of any person or persons and for care and loss of services arising in any way, out of, or in connection with or resulting from the work of service performed on behalf of Washington County.

2. **Comprehensive General Liability Insurance** (continued)

   The Contractor is ultimately responsible that Subcontractors, if subcontracting is authorized, procure and maintain at their sole expense and until final acceptance of the work by the County, insurance as hereinafter enumerated in policies written by insurance companies admitted in the State of Maryland, have A.M. Best rating of A- or better or its equivalent, and acceptable to the County.

3. **Business Automobile Liability:** The Contractor shall provide Business Auto Liability including coverage for all leased, owned, non-owned and hired vehicles.

   Minimum Limits Required:
   $1,000,000 combined single limit for Bodily Injury or Property Damage.

**Certificate(s) of Insurance:** The Contractor shall provide certificates of insurance requiring a 30 day notice of cancellation to the Insurance Department, Board of County Commissioners of Washington County prior to the start of the applicable project.

Approval of the insurance by the County shall not in any way relieve or decrease the liability of the Contractor. It is expressly understood that the County does not in any way represent that the specified limits of liability or coverage or policy forms are sufficient or adequate to protect the interest or liabilities of the Contractor.

All responsibility for payment of any sums resulting from any deductible provisions, corridor, or self-insured retention conditions of the policy or policies shall remain with the Contractor.

**General Indemnity:** The Contractor shall indemnify, defend and save harmless the Board of County Commissioners of Washington County, its appointed or elected officials, commission members, employees and agents for any and all suits, legal actions, administrative proceedings, claims, demands, damages, liabilities, interest, attorney's fees, costs and expenses of whatsoever kind of nature, whether arising before or after final acceptance and in any manner directly or indirectly caused, occasioned or contributed to in whole or in part by reason of any act, error or omission, fault or negligence whether active or passive by the Contractor, or any one acting under its direction, control or on its behalf in connection with or incident to its performance of the Contract.

| | |
|---|---|
| Revision Date: | August 27, 1991 |
| Effective Date: | August 27, 1991 |
| Revision Date: | March 4, 1997 |
| Effective Date: | March 4, 1997 |

ATTACHMENT NO. 4

**Employees' Retirement Plan of Washington County, Maryland**
**Personal Statement of Retirement Benefits as of July 1, 2020**

| | | | |
|---|---|---|---|
| Name | Sample Employee | | |
| Social Security Number | xxx-xx-xxxx | Date of Birth | 04/01/1900 |
| 2019-2020 Base Pay | $50,000.00 | Date of Hire | 10/09/1940 |

***Credited Service***

| | | |
|---|---|---|
| Membership | 24.75 | Years |
| CETA/PEP | 0.00 | Years |
| Pre-Employment Military | 0.00 | Years |
| Purchased/Transferred | 0.00 | Years |
| Total | 24.75 | Years |

***Your Accumulated Contributions***

| From July 1, 2019 to June 30, 2020 | | Cumulative | |
|---|---|---|---|
| Balance 7/1/19 | $81,039.94 | Pre-Tax Contributions | $46,106.21 |
| Current Year Additions | 2,762.24 | Post-Tax Contributions | 0.00 |
| Interest | 4,862.40 | Interest | 42,558.37 |
| Purchase/Transfer | 0.00 | Purchase/Transfer | 0.00 |
| Balance 6/30/20 | $88,664.58 | Total | $88,664.58 |

Any contributions made prior to January 1, 1990 were made on an after-tax basis. Contributions made after January 1, 1990 were made on a pre-tax basis for both Federal and state purposes.

***Retirement Benefits***

| | |
|---|---|
| Your Normal Retirement Date | 10/01/xxxx |
| Your Estimated Monthly Accrued Benefit at Normal Retirement | $2,034.03 |
| Your Estimated Monthly Projected Benefit at Normal Retirement | $2,520.96 |

Your accrued benefit is the benefit you have earned as of July 1, 2020, payable at your normal retirement date. Your projected benefit assumes that you will remain employed with Washington County until your normal retirement date, and that your base pay will remain level until your normal retirement date. The benefits shown are based on the normal form of annuity, which is paid for your lifetime only. Other optional forms of benefit will be available at retirement.

***Beneficiaries***

| Type | Name | Relationship | Percent of Benefit |
|---|---|---|---|
| Primary | Primary Beneficiary | Spouse | 100% |
| Secondary | Secondary Beneficiary | Daughter | 100% |

Every effort has been made to report information accurately. However, should you find any errors in this statement, please report them to the Division of Human Resources. The benefits on this page are approximate. Pension benefits payable are subject to the terms of the official plan documents and complete information obtained at the time of determination.

**ATTACHMENT NO. 5**

# Washington County, Maryland
# Post-Employment Medical and Life Insurance Benefits

Actuarial Valuation to Determine the County's
FYE 2019 Actuarial Determined Contribution
***Revised***

Bolton

*Submitted by:*
**Kevin Binder, FSA, MAAA**
Senior Actuary
(443) 573-3906
kbinder@boltonusa.com

Bolton

Employee Benefits, Actuarial & Investment Consulting

June 13, 2019

Sara L. Greaves, C.P.A.
Chief Financial Officer
Washington County, Maryland
100 W. Washington Street
Hagerstown, MD 21740

Dear Sara:

The following sets forth the Actuarial Determined Contribution (ADC) for Washington County, Maryland (the County) as of July 1, 2018 for FYE 2019. This report has been revised to be based on a 7.25 percent rate of return. Section I of the report provides an executive summary while Sections II through VI contain the development of the County's contribution for the 2019 fiscal year along with a summary of the census, plan provisions, assumptions and actuarial methods. Section VII provides a glossary of many of the terms used in this report and the appendices of the report contain a 10-year cash flow for budgeting purposes.

## Methodology, Reliance and Certification

This report has been prepared for the County for the purposes of computing the ADC for FYE 2019. It is neither intended nor necessarily suitable for other purposes. Bolton is not responsible for the consequences of any other use, or its reliance by another party.

The ADC has decreased from $950,000 for FYE 2018 to ($51,000) for FYE 2019. The decrease is mainly due to updated retirement assumptions that more accurately capture actual plan experience. There was also a gain due to favorable claims experience. Since the plan currently has assets in excess of plan liabilities, we are recommending no additional trust contribution for FYE 2019.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: retiree group benefits program experience differing from that anticipated by the assumptions; changes in 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); and changes in retiree group benefits program provisions or applicable law. Retiree group benefits models necessarily rely on the use of approximations and estimates and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

## Methodology, Reliance and Certification

Future medical care cost increase rates are unpredictable and could be volatile. They will depend upon the economy, future health care delivery systems and emerging technologies. The trend rate selected is based on an economic model developed by a health care economist for the Society of Actuaries. Future medical trend increases could vary significantly from the model. Model inputs will be updated periodically based on the best estimate of the economy at that time. Small changes in the model inputs can results in actuarial losses or gains of 5 to 15 percent of liabilities.

The County is responsible for selecting the plan's funding policy 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.

This report is based on plan provisions, census data, and claims data submitted by the Government. 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 plan sponsor is solely responsible for the validity and completeness of this information.

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.

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.

Bolton Partners is completely independent of the Washington County, Maryland, its programs, activities, officers and key personnel. Bolton Partners, and anyone closely associated with us, does not have any relationship which would impair or appear to impair our independence on this assignment.

Kevin Binder is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Respectfully submitted,

Kevin Binder, FSA., MAAA

# Table of Contents

# Section I. Executive Summary

## Background

Bolton Partners, Inc. has prepared the following report that sets forth the FYE 2019 ADC for the County. In FYE 2018 the GASB45 accounting standard was replaced by the GASB75 accounting standard. GASB75 accounting results cannot be prepared prior to the measurement date.

This report has been prepared for budgeting purposes. Under GASB45 an Annual Required Contribution (ARC) was determined. GASB75 has separated funding and accounting. GASB75 does have a concept of an Actuarial Determined Contribution (ADC) that ensures plan solvency and is a disclosure item. The County has decided to determine the ADC using the same method and assumptions used to determine the GASB45 ARC.

## OPEB Trust Arrangement and Funding Policy

The County's OPEB plan is a single employer plan. An irrevocable OPEB trust has been established. County's funding policy is to contribute the ADC minus expected benefit payments to the OPEB Trust. Based on the assumptions and methods disclosed in this report, Plan assets currently exceed the Actuarial Accrued Liability. We recommend that the County begin paying benefits from the trust as soon as practicable.

## Comparison with Previous Valuation

The ADC decreased from the previous valuation. The ADC has decreased from $950,000 for FYE 2018 to ($113,000) for FYE 2019. The decrease is mainly due to favorable claims experience and updating the retirement assumption to better reflect actual plan experience. Below is a chart reconciling the FYE 2018 to the FYE 2019 ADC.

| Comparison of Current and Previous Valuations | | |
|---|---|---|
| **Data as of** | **August 1, 2017** | **January 1, 2019** |
| Data is used to calculate ADC for FYE | 2018 | 2019 |
| **Demographic Data** | | |
| Employees (with Medical Coverage) | 637 | 656 |
| Retirees | 35 | 53 |
| **Reconciliation** | **ADC** | **Actuarial Accrued Liability** |
| Previous Valuation, FYE 2018 | $950,000 | $20,233,000 |
| Increase (Decrease) due to Passage of Time | ($65,000) | $1,492,000 |
| Increase (Decrease) due to Demographic Experience | $213,000 | $1,808,000 |
| Increase (Decrease) due to Claims Experience | ($179,000) | ($1,414,000) |
| Increase (Decrease) due to Updating the Medical Trend | ($66,000) | ($514,000) |
| Increase (Decrease) due to Experience Study Assumptions | ($966,000) | ($8,878,000) |
| Increase (Decrease) due to Reducing Discount Rate to 7.25% | $62,000 | $207,000 |
| Current Valuation, FYE 2019 | ($51,000) | $12,934,000 |

# Section I. Executive Summary

## Funding Measures

Below is a summary of the Market Value of Assets and Liabilities for FYE 2019:

| Funding Measures | 7/1/2018 |
|---|---|
| (1) Entry Age Normal Actuarial Accrued Liability | $ 12,934,000 |
| (2) Market Value of Assets | $ 23,080,238 |
| (3) Funded Ratio (2 / 1) | 178.45% |

## Plan Provisions

The County offers postemployment health care benefits (including dependent coverage) to employees who retire from the County under the normal or early retirement provisions of the pension plan. The health care benefits are provided until the retiree is eligible for Medicare. Retirees who exercise the one-time option for the health care benefits pay one-half of the estimated cost of the benefits. The County pays the remaining cost as part of its self-insurance program.

The County offered a special termination benefit to employees that retired between either July 1, 1995 and September 30, 1995 or July 1, 1996 and September 30, 1996. Those employees are receiving health care benefits (managed care program) from the date of retirement until they are eligible for Medicare or turn 65.

Terminated vested participants are not allowed to elect OPEB coverage at the time of retirement.

Please see Section V for more details.

## Asset Information

Asset information was provided by the County. The July 1, 2018 market value of assets is $23,080,238.

## Demographic Data

Demographic data as of January 1, 2019, was provided to us by the County. This data included current medical coverage for current employees and retirees. Although we have not audited this data we have no reason to believe that it is inaccurate.

## Claims Data

The claims assumption is based on age adjusted premiums provided for FYE 2019.

# Section I. Executive Summary

## Implicit Subsidy

The published insurance rates for persons prior to Medicare eligibility are based primarily on the healthcare usage of active employees. Since retirees use healthcare at a rate much higher than employees, using these blended rates creates an implicit subsidy for the retiree group. Actuarial Standards of Practice require that the claims assumption we use for this valuation be based on the actual per-capita retiree cost. The difference between the actual usage of healthcare by retirees and the assumption built into the published rates is identified as the implicit subsidy amount.

The impact on rates can be seen in Section VI. The liabilities could be reduced by publishing rates for retirees prior to Medicare eligibility that more closely reflect the true cost of healthcare for each group.

## Demographic Assumptions

Demographic assumptions mirror those used for the Retirement Plan for employees of the Board of County Commissioners, of Washington County, Maryland. One exception is the retirement decrement assumption. For valuing the County's pension plan, an active participant is assumed to decrement (or retire) when he/she enters the Deferred Retirement Option Program (DROP) or the In-service Retirement Program (ISRP). However, participants receive employee health insurance benefits while in DROP or ISRP. Participants in DROP or ISRP do not receive OPEB benefits until they exit DROP or ISRP, respectively. Hence for valuing the County's OPEB plan, the pension retirement decrement was adjusted so participants are assumed to decrement (or retire) when they exit DROP or ISRP. Since the last valuation there has been an experience study and the retirement assumption has been changed. The other demographic assumptions were found to be consistent with recent experience and not changed.

Please see Section VI for more details.

## Impact of Health Care Reform

We have adjusted the pre-65 medical care trend due to the projected impact of the "Cadillac Tax". The Cadillac Tax is one of the provisions of the Affordable Care Act (ACA) of 2010. The Cadillac Tax provision is effective in 2022. The Cadillac Tax only applies to plans that cost $10,200 or more for an individual or $27,500 per family. There will be a 40 percent excise tax for expenditures over these thresholds. The cost thresholds are indexed by general inflation each year after 2018. Because medical trends are projected to be higher than general inflation we expect the percentage of the premium that is subject to the premium tax to increase over time.

There are other provisions of the ACA that could impact future costs. Some of the provisions (for example risk adjustment charges for plans that cover healthier populations) could increase costs, while others (for example, less uninsured care costs might be passed on to those with insurance) may reduce costs over time. Because the impact of these provisions is unclear at this time, we have made no other adjustments to the medical care trend.

# Section I. Executive Summary

## Discount Rate Assumption

The discount rate assumption is 7.25 percent. This rate is the expected long-term rate of return on OPEB trust assets.

## Other Economic Assumptions

The medical trend assumption was developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions. The SOA Model was released in October 2010 and updated in October 2018. The following assumptions were used as input variables into this model. These input assumptions are all well within the acceptable range of economic assumptions allowed by the model:

| | |
|---|---|
| Rate of Inflation | 2.4% |
| Rate of Growth in Real Income / GDP per capita | 1.5% |
| Extra Trend due to Technology and other factors | 1.2% |
| Health Share of GDP Resistance Point | 25.0% |
| Year for Limiting Cost Growth to GDP Growth | 2075 |

The SOA Long-Run Medical Cost Trend Model is based on an econometric analysis of historical U.S. medical expenditures and the judgments of experts in the field. The long-run baseline projection, tolerance ranges and input variables have been developed under the guidance of an SOA Project Oversight Group.

Future medical care cost increase rates are unpredictable and could be volatile. They will depend upon the economy, future health care delivery systems and emerging technologies. The trend rate selected is based on an economic model developed by a health care economist for the Society of Actuaries. Future medical trend increases could vary significantly from the model. Model inputs will be updated periodically based on the best estimate of the economy at that time. Small changes in the model inputs can results in actuarial losses or gains of 5 to 15 percent of liabilities.

The pre-Medicare medical trend was increased to reflect the impact of the Cadillac Tax. For this calculation, general inflation was assumed to be 2.75 percent per annum.

Payroll is assumed to increase at 3.0 percent per annum. This assumption is used to determine the level percentage of payroll amortization factor.

# Section II. Actuarially Determined Contribution

## FYE 2019 Actuarial Determined Contribution

Below is a summary of the calculation of the Plan's Actuarially Determined Contribution (ADC) for FYE 2019 under current plan provisions. Item (6) shows the impact of a 1% increase in trend on the ADC.

| | FYE 2019 |
|---|---|
| (1) Interest Rate | 7.25% |
| (2) Accrued Liability | |
| (a) Actives | $10,217,000 |
| (b) Retirees in Pay Status | $2,717,000 |
| (c) Total (a + b) | $12,934,000 |
| (3) Assets | $23,080,238 |
| (4) Amortization of Unfunded Accrued Liability | |
| (a) Unfunded Accrued Liability | ($8,777,238) |
| (b) Amortization Period (years) | 19 |
| (c) Level Percentage of Payroll Amortization Factor | 12.61577 |
| (d) Amortization Amount (a / c) | ($696,000) |
| (5) Actuarial Determined Contribution | |
| (a) Normal Cost (End of Year) | $753,000 |
| (b) Amortization of Unfunded Accrued Liability | ($804,000) |
| **(c) Total Actuarial Determined Contribution (a + b)** | ($51,000) |
| (6) 1% Sensitivity (ADC) | $164,000 |

# Section III. Liabilities

## FYE 2019 Liabilities

Below is a summary of the Plan's liabilities as of 7/1/2018 under the current plan provisions. Item (4) shows the impact of a 1% increase in trend.

| | FYE 2019 |
|---|---|
| (1) Interest Rate | 7.25% |
| (2) Accrued Liability | |
| (a) Actives | $10,217,000 |
| (b) Retirees in Pay Status | $2,717,000 |
| **(c) Total (a + b)** | **$12,934,000** |
| (3) Normal Cost (End of Year) | |
| (a) Normal Cost for Benefits | $753,000 |
| (b) Expense Load | $0 |
| **(c) Total Normal Cost (a + b)** | **$753,000** |
| (4) Trend Sensitivity | |
| (a) Actuarial Accrued Liability | $14,303,000 |
| **(b) Total Normal Cost (End of Year)** | **$860,000** |

# Section IV. Valuation Data

## Participant Counts

The following table summarizes the counts, ages and coverage, for those enrolled in the plan:

| Data as of | | 1/1/2019 | 8/1/2017 |
|---|---|---|---|
| (1) | Number of Participants | | |
| | (a) Active Employees[1] | 656 | 637 |
| | (b) Retirees in Pay Status (Pre-Medicare)[2] | 53 | 35 |
| | **(c) Total** | **709** | **672** |
| (2) | Active Statistics | | |
| | (a) Average Age | 45.86 | 46.36 |
| | (b) Average Service | 13.98 | 13.94 |
| (3) | Inactive Statistics (In Pay Status) | | |
| | (a) Average Age (Pre-Medicare) | 60.38 | 59.70 |

The table below shows the distribution of active participants by pension plan.

| Data as of | | 1/1/2019 | 8/1/2017 |
|---|---|---|---|
| (4) | Active Participants by pension plan | | |
| | (a) Civilian, 5.5% of pay | 147 | 171 |
| | (b) Civilian, 6.0% of pay | 296 | 268 |
| | (c) Uniform | 213 | 198 |
| | **(d) Total** | **656** | **637** |

[1] Count includes DROP and ISRP participants. Count excludes active participants without medical coverage and excludes active participants who are currently over age 65.

[2] Count does not include inactive participants without medical coverage. Count also excludes inactive participants who are currently over age 65.

# Section IV. Valuation Data

## Retiree Medical Coverage

The following table summarizes the headcounts of medical coverage by ages for the current retired employees as of 1/1/2019.

| Age | Individual | Husband/Wife | Family | Total |
|---|---|---|---|---|
| Less Than 50 | 0 | 0 | 1 | 1 |
| 50 – 55 | 1 | 1 | 1 | 3 |
| 55 – 60 | 9 | 4 | 2 | 15 |
| 60 – 65 | 20 | 13 | 1 | 34 |
| **Total** | **30** | **18** | **5** | **53** |

# Section IV. Valuation Data

## Active Age - Service Distribution

Shown below is a distribution based on age and service of active participants less than age 65 who are currently enrolled in the County's health insurance plan as of the valuation date. DROP and ISRP are considered employees for OPEB purposes and are included in the table.

| | Years of Service as of 1/1/2019 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Age** | **Under 1** | **01-04** | **05-09** | **10-14** | **15-19** | **20-24** | **25-29** | **30+** | **Total** |
| Under 25 | 6 | 13 | 0 | 0 | 0 | 0 | 0 | 0 | 19 |
| 25 - 29 | 12 | 33 | 11 | 4 | 0 | 0 | 0 | 0 | 60 |
| 30 - 34 | 5 | 21 | 16 | 19 | 1 | 0 | 0 | 0 | 62 |
| 35 - 39 | 8 | 9 | 17 | 27 | 6 | 1 | 0 | 0 | 68 |
| 40 - 44 | 6 | 10 | 12 | 21 | 18 | 5 | 0 | 0 | 72 |
| 45 - 49 | 4 | 9 | 11 | 14 | 17 | 28 | 3 | 1 | 87 |
| 50 - 54 | 4 | 13 | 15 | 19 | 25 | 27 | 18 | 13 | 134 |
| 55 - 59 | 1 | 7 | 13 | 12 | 9 | 24 | 11 | 17 | 94 |
| 60 - 64 | 0 | 2 | 6 | 4 | 3 | 10 | 16 | 19 | 60 |
| **Totals** | **46** | **117** | **101** | **120** | **79** | **95** | **48** | **50** | **656** |

The following table shows averages in total for the above participants.

| | Averages |
|---|---|
| Age: | 45.86 |
| Service: | 13.98 |

# Section V. Summary of Principal Plan Provisions

The following summary describes principal plan provisions assumed in calculating the cost of your plan.

## General Eligibility Rules

Eligible participants are employees, former employees, or beneficiaries of Washington County who had health coverage as an active employee. To receive OPEB benefits, participants must retire from the County under normal or early retirement provisions of the pension plan. Retirees have a one-time option to elect retiree medical benefits.

The retirement eligibility requirements of the Retirement Plan for employees of the Board of County Commissioners, of Washington County, Maryland are described below.

### Civilian participants contributing 5.50% of pay

Retirement eligibility is the earlier of:

- Age 60,
- 30 years of service, or
- 25 years of service (early retirement).

### Civilian participants contributing 6.00% of pay

Retirement eligibility is the earlier of:

- Age 60, or
- 25 years of service.

### Uniformed participants

Retirement eligibility is the earlier of:

- Age 50
- 25 years of service, or
- 20 years of service (early retirement).

## Deferred Retirement Option Program (DROP)

Any employee eligible for early or normal retirement may elect to enter DROP (effective July 1, 2001). An employee may elect to participate for not less than one year and not more than 5 years. The Accrued Benefit (from the pension plan) is frozen as of entry to DROP, and a notional account credited with the employee's accrued benefit payable monthly with interest credited at the rate of 6% annually. No employee contributions are required while the participant is in DROP.

DROP participants receive employee health insurance. They enter the OPEB plan once they exit the DROP.

# Section V. Summary of Principal Plan Provisions

## In Service Retirement (ISRP)

An employee who is eligible for normal retirement may elect to participate in the ISRP, effective January 1, 2013. The accrued benefit (from the pension plan) is frozen as of entry to ISRP and the employee must elect a form of payment. These payments commence upon entry into ISRP and end with termination of employment or death. ISRP participants receive employee health insurance. They enter the OPEB plan once they exit the ISRP.

## Deferred Retirements

Employees who defer commencement of pension benefits beyond age 65 are not eligible for benefits under the plan.

## Plan Description

The health insurance offered to Washington County employees and retirees consists of two plans, a high plan and low plan. Both plans are offered through Aetna and include medical and prescription benefits. The high plan is a PPO plan. The low plan is an EPO plan.

Retirees also have the option of electing dental and vision coverage in addition to medical coverage. There are two dental plans available (low option versus high option). There are two vision plans available, one that offers a comprehensive exam and glasses once every 12 months, and one that offers a comprehensive exam and glasses once every 24 months.

The OPEB benefits are offered to retirees until the retiree reaches age 65. Spouses (including surviving spouses) and dependents may remain in the OPEB plan until the earlier of when the retiree reaches age 65 and when the spouse reaches age 65. The medical plans are self-insured.

## Employer Contribution

Retirees and their dependents who enroll in health care benefits upon retirement receive a 50% subsidy from Washington County. The subsidy also applies to dental and vision benefits.

The County offered a special termination benefit to employees who retired between:

- July 1, 1995 and September 30, 1995
- July 1, 1996 and September 30, 1996

These employees receive health care benefits (managed care program) from the date of retirement until they are eligible for Medicare at no cost to the employee. Currently, no retiree receives this special termination benefit.

## Life Insurance

The County offers life insurance to in the amount of one time annual pay not to exceed $100,000. The benefit ceases at age 65. The benefit is entirely paid for by the County.

## Changes in plan provisions since prior valuation

None.

# Section VI. Valuation Methods and Assumptions

## Cost Method

This valuation uses the entry age normal cost method calculated on an individual basis as a level percentage of payroll.

## Asset Valuation Method

Market value of assets.

## Amortization Method

Liabilities are amortized over a closed 19-year period as a level of percentage of payroll for FYE 2019.

## Coverage Status and Age of Spouse

Actual coverage status is used; females assumed 4 years younger than male spouse. Employees with individual coverage are assumed to elect individual coverage upon retirement; those with spouse/family coverage are assumed to continue this coverage at retirement. Employees currently waiving medical coverage are assumed to continue to waive medical coverage upon retirement.

## Election Rate

For active participants with medical coverage on the valuation date - 75% of these participants are assumed to remain in one of the County’s medical plans upon retirement. The election rate assumption was reviewed as part of the experience study and found to be consistent with recent experience. Because life insurance is fully paid for by the County, all active participants who are eligible for life insurance upon retirement are assumed to receive life insurance benefits.

## Economic Assumptions

| | FYE 2019 |
|---|---|
| Discount Rate | 7.25% |
| Payroll Growth | 3.00% |

## Salary Increase Assumption

| Years of Service | Rate |
|---|---|
| 0 – 9 | 6.75% |
| 10 – 19 | 6.00% |
| 20 and over | 5.75% |

This assumption was changed this year as a result of the experience study.

# Section VI. Valuation Methods and Assumptions

## Trend Assumptions

Based on the SOA Model was released in October 2010 and updated in October 2018 (1.5% GDP) adjusted for the effects of the Cadillac Tax set to take effect in 2022.

| FYE | Pre-Medicare | Post-Medicare |
|---|---|---|
| 2018 | 5.40% | 5.40% |
| 2019 | 5.40% | 5.40% |
| 2020 | 5.40% | 5.40% |
| 2030 | 6.10% | 5.20% |
| 2040 | 5.80% | 5.20% |
| 2050 | 5.30% | 4.90% |
| 2060 | 5.00% | 4.70% |
| 2070 | 4.50% | 4.30% |
| 2080 | 4.10% | 3.90% |
| 2089 + | 4.00% | 3.90% |
| Dental/Vision | 4.00% | 4.00% |

## Decrement Assumptions

Below is a summary of decrements used in this valuation. Sample retirement, disability, and termination rates are illustrated in the tables below. Demographic assumptions mirror those used for the Retirement Plan for employees of the Board of County Commissioners, of Washington County, Maryland. One exception is the retirement decrement assumption. The retirement and salary increase assumptions were changed due to the 2019 experience study.

| Mortality Decrement | Description |
|---|---|
| Healthy Mortality | RP-2014 Mortality with generational projection using scale MP2015 to the year of the valuation is assumed to be current mortality experience. Generational projection beyond the valuation date is assumed to account for future mortality improvements, using MP 2015 as the projection scale. |
| Disabled Mortality | Not applicable because for actives, no disability decrement is assumed, and retiree data does not indicate who is disabled. |

# Section VI. Valuation Methods and Assumptions

## Decrement Assumptions

### Retirement

| Civilian Employees | | | Uniformed Employees | | |
|---|---|---|---|---|---|
| Age | Years of Service | | Age | Years of Service | |
| | 0 - 24 | >= 25 | | 0 – 19 | >= 20 |
| <= 39 | 0% | 0% | <= 47 | 0% | 0% |
| 40 - 59 | 0% | 6% | 48 - 49 | 0% | 10% |
| 60 - 64 | 10% | 10% | 50 | 10% | 10% |
| >= 65 | 100% | 100% | 51 - 59 | 5% | 5% |
| | | | 60 - 64 | 50% | 50% |
| | | | >= 65 | 100% | 100% |

Note – a participant in the DROP program does not receive OPEB benefits until the participant exits DROP. By contrast, for valuing the pension plan, an active participant is considered no longer active when the participant enters DROP. Consequently, the retirement rates used for valuing the OPEB plan differ from the retirement rates used for valuing the pension plan.

### Termination

| Years of Service | Uniformed | Non-Uniformed |
|---|---|---|
| 0 | 9.00% | 23.00% |
| 5 | 2.25% | 6.50% |
| 10 | 2.25% | 3.25% |
| 15 | 1.00% | 1.25% |

### Disability

We assume no employees decrement due to disability.

# Section VI. Valuation Methods and Assumptions

## Claims Assumption

The medical plans are self-insured. To determine the explicit cost, we weighted the premium rates in effect for FYE 2019 by the current enrollment.

Spouse/family coverage is assumed to be 2.15 times the cost of individual coverage for the same age band.

The following chart shows the Explicit Costs (based on published rates) and Total Medical and Drug Costs. Only pre-Medicare figures are shown since the plan only covers participants until age 65. There is very little change from the prior valuation because the premiums remained constant since the prior valuation. (2019 premiums are the same as the 2018 premiums.)

| **Calendar 2019** *(per annum)* | | |
|---|---|---|
| **Total Costs** | **Single** | **Family** |
| 1. Explicit Costs | | |
| a. Pre-Medicare | 8,644 | 18,558 |
| 2. Total Medical and Drug Costs | | |
| a. Under 50 | 7,902 | 16,965 |
| b. Age 50-54 | 9,628 | 20,672 |
| c. Age 55-59 | 11,289 | 24,236 |
| d. Age 60-64 | 13,613 | 29,226 |

The dental and vision claim was developed as the average premium of the retirees currently with dental or vision coverage.

| | **Calendar 2019 per annum** |
|---|---|
| Dental | 413 |
| Vision | 112 |

## Other assumptions

Because we did not receive in the retiree data the life insurance amount for each retiree, we assumed all retirees receive the maximum $100,000 life insurance. This is conservative, that is the assumption is more likely to overstate the cost of this benefit than understate the cost.

# Section VI. Valuation Methods and Assumptions

## Changes in methods and assumptions since prior valuation

- The claims assumption was updated to include the most recent plan experience.
- The medical trend was updated to the latest SOA model.
- The retirement rates were updated to reflect our experience study results
- The salary scale was updated to the latest pension plan salary scale.
- The discount rate was reduced from 7.50% to 7.25% to remain consistent with the Pension Plan assumption.

# Section VII. Glossary

## Actuarial Determined Contribution:

For Plans with irrevocable trusts, the recommended contribution to the Plan (determined in conformity with Actuarial Standards of Practice) that is projected to result in assets equaling the actuarial accrued liability within a period of time.

## Covered Group:

Plan members included in an actuarial valuation.

## Discount Rate:

The rate used to adjust a series of future payments to reflect the time value of money.

## Election Rate:

The percentage of retiring employees assumed to elect coverage.

## Employer's Contributions:

Contributions made in relation to the actuarially determined contributions of the employer. An employer has made a contribution in relation to the actuarially determined contribution 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 Funding Method:

A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit.

## Funded Ratio:

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

## Healthcare Cost Trend Rate:

The rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

# Section VII. Glossary

## OPEB Plan:

An OPEB plan having terms that specify the amount of benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

## Other Post-Employment Benefits:

Post-employment benefits other than pension benefits. Other post-employment benefits (OPEB) include post-employment healthcare benefits, life insurance, regardless of the type of plan that provides them, and all post-employment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

## Pay-as-you-go (PAYGO):

A method of financing a benefit 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.

# Section VII. Glossary

## Plan Members:
The individuals covered by the terms of an 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.

## Post-employment Healthcare Benefits:
Medical, dental, vision, and other health-related benefits provided to terminated or retired employees and their dependents and beneficiaries.

## 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% for year 2000, 7.5% for 2001, and 7% for 2002 and thereafter, then 8% and 7.5% are select rates, and 7% is the ultimate rate.

## Service Cost:
That portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

## Valuation Date:
The as-of date for employee census data. Under GASB 75, the valuation date must be within 30 months of the last day of the fiscal year.

# Appendix I. 10 Year Cash Flow

## Expected Future Benefit Payments

| FYE | Total | Dollar Subsidy | Hidden Subsidy |
|---|---|---|---|
| 2020 | $901,000 | $521,000 | $380,000 |
| 2021 | $931,000 | $546,000 | $385,000 |
| 2022 | $946,000 | $561,000 | $385,000 |
| 2023 | $1,007,000 | $604,000 | $403,000 |
| 2024 | $1,155,000 | $690,000 | $465,000 |
| 2025 | $1,370,000 | $807,000 | $563,000 |
| 2026 | $1,535,000 | $898,000 | $637,000 |
| 2027 | $1,677,000 | $973,000 | $704,000 |
| 2028 | $1,798,000 | $1,032,000 | $766,000 |
| 2029 | $1,781,000 | $1,023,000 | $758,000 |

*Please note:*

- *The expected benefit payment stream shown above assumes that the covered population is a closed group, i.e. there are no new entrants or re-entrants.*
- *The Plan’s actual benefit payments may be greater or lesser than the amounts shown, depending on actual demographic experience and claims experience.*

# EMPLOYEES' RETIREMENT PLAN OF WASHINGTON COUNTY

Amendment and Restatement

Generally effective July 1, 2015

**EMPLOYEES' RETIREMENT PLAN OF WASHINGTON COUNTY**

Amendment and Restatement
Generally effective July 1, 2015

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# EMPLOYEES' RETIREMENT PLAN OF WASHINGTON COUNTY

Amendment and Restatement
Generally effective July 1, 2015

This amended and restated Plan, the Employees' Retirement Plan of Washington County (the "Plan"), is adopted, generally effective July 1, 2015, by Washington County, Maryland (the "County"). This amended and restated Plan is designed to afford eligible employees an opportunity to increase their security at retirement through participation in a pension plan during their periods of active employment while this Plan remains in effect.

The retirement plan set forth in the Employees' Retirement System of the State of Maryland was created and established on October 1, 1941 and has been amended from time to time. On July 1, 1948, the County Commissioners of Washington County, Maryland became a participating municipality on behalf of certain employees of Washington County, Maryland.

Effective July 1, 1972, the County Commissioners of Washington County, Maryland enacted and adopted by ordinance the "Employees' Retirement Plan of Washington County" (the "Plan"). The Plan has been amended on a number of occasions since that time.

The County adopts this amended and restated Plan, generally effective as of July 1, 2015, subject to such amendments as may be required by the Internal Revenue Service in order that the Plan may qualify as a tax-qualified pension plan and conditioned on such qualification. This amended and restated Plan includes various provisions that are intended to incorporate the provisions of the Pension Funding Equity Act of 2004 and the Pension Protection Act of 2006. Accordingly, the Employer wishes to adopt this amended and restated Plan, generally effective as provided herein, subject, however, to such amendments as may be required by the Internal Revenue Service in order that the Plan may qualify as a tax-qualified defined benefit pension plan and conditioned on such qualification. This amended and restated Plan is to be construed in accordance with the Pension Funding Equity Act of 2004, the Pension Protection Act of 2006 and guidance issued under such Acts.

Except as is otherwise provided in the Plan or by applicable law, the terms of the Plan, as amended and restated, shall apply only on or after July 1, 2015. Except as is otherwise provided in the Plan or by applicable law, the terms of the Plan, as amended and restated, shall apply only with respect to individuals who are Covered Employees of the County on or after July 1, 2015, and the rights, benefits and interests of any employee who died, retired or otherwise terminated his or her employment with the County prior to July 1, 2015 shall be determined under the provisions of the Plan as in effect on the date such former employee died, retired or otherwise terminated his or her employment with the County.

# ARTICLE 1
## DEFINITIONS

The following terms, when used in this Plan, have the meanings set forth below, unless different meanings are clearly required by the context:

1.1 ACCRUED BENEFIT means the benefit to which a Participant is entitled, pursuant to the provisions of Article 5, expressed as the Normal Form of monthly benefit commencing at Normal Retirement Date or its Actuarial Equivalent. The Accrued Benefit as of any date preceding the Participant's Normal Retirement Date, but expressed as the Normal Form of monthly benefit or its Actuarial Equivalent, shall be the monthly benefit computed pursuant to Section 5.3, 5.7 or 8.1. In no event, however, shall the Accrued Benefit exceed the maximum limitation determined, as of the date of computation, pursuant to Section 5.8.

The portion of the Participant's Accrued Benefit attributable to contributions made pursuant to Sections 4.5 and 4.7 shall be equal to the Actuarial Equivalent of the Participant's Employee Contributions Benefit, expressed as the Normal Form of monthly benefit commencing at Normal Retirement Date. The portion of the Participant's Accrued Benefit attributable to County contributions shall be the remainder, if any, of the Accrued Benefit.

The Accrued Benefit will include, if applicable, the early retirement window benefit provided on Schedule A to the Plan.

1.2 ACTUARIAL EQUIVALENT OR EQUIVALENT ACTUARIAL VALUE means the dollar value of any benefit on a specified date, computed as provided in Section 5.10.

Notwithstanding any other Plan provisions to the contrary, the applicable mortality table used for purposes of adjusting any benefit or limitation under Code Section 415(b)(2)(B), (C), or (D) for purposes of satisfying the requirements of Code Section 417(e), is the mortality table prescribed in Revenue Ruling 2001-62 (or such other mortality table published by the Internal Revenue Service using the latest effective date permitted for that table).

1.3 ACTUARIAL REDUCTION means a reduction which will cause a benefit with a starting date that precedes a Participant's Normal Retirement Date to be the Actuarial Equivalent of the benefit which would otherwise have been payable commencing on that Normal Retirement Date. However, notwithstanding any factors set forth in the definition of Actuarial Equivalent, the reduction shall be equal to one-half of one percent (0.5%) of the benefit for each month by which the Participant's Benefit Commencement Date precedes the first day of the month coincident with or next following the date on which the Participant would have attained Normal Retirement Age had he or she remained a Participant.

1.4 ADMINISTRATOR means the Plan Administrator provided for in Article 11 of this Plan.

1.5 ANNUITY STARTING DATE means the first day of the first period for which an amount is paid as an annuity, or in the case of a benefit not payable in the form of an annuity, the first day on which all events have occurred which entitle the Participant to such benefit.

1.6 APPOINTED OFFICIAL means any County official appointed in accordance with the Annotated Code of Maryland, the Public Local Laws of Washington County, or in accordance with the Constitution of the State of Maryland.

1.7 AVERAGE COMPENSATION means one-third of the sum of the Participant's Compensation for each of the three Plan Years, including the Plan Year during which this determination is made, for which his or her Compensation was the highest. If a Participant has had Compensation for fewer than three years, Average Compensation shall be based on his or her Compensation during his or her entire period of employment with the County.

For purposes of this Section 1.7, Compensation for any Plan Year will be determined as of the first day of the Plan Year. Notwithstanding the preceding, Compensation with respect to a Plan Year will be disregarded if (i) the Participant was not a Participant as of the first day of the Plan Year or (ii) the Participant was on a Leave of Absence on the first day of the Plan Year.

1.8 BENEFICIARY means any person, estate or trust entitled to receive any payments due under this Plan as a result of the death of a Participant.

1.9 CASH-OUT means a distribution, in settlement of a benefit otherwise payable under the Plan and which is the Actuarial Equivalent of the Participant's Employee Contribution Benefit.

1.10 CODE means the Internal Revenue Code of 1986 and the regulations promulgated thereunder, as amended from time to time.

1.11 COMPENSATION means the Covered Employee's annualized base rate of pay from the County in effect each July 1 of the applicable Plan Year, determined without regard to (i) overtime, bonuses and other extra remuneration, (ii) contributions, credits or benefits under this or any other retirement, deferred compensation, fringe benefit or employee welfare benefit plan, or (iii) direct reimbursement for expenses. Notwithstanding the preceding, Compensation includes "elective contributions" which are not includible in gross income under Code §§125, 402(e)(3), 402(h)(1)(B), 403(b) or 132(f)(4), plus deferrals under an eligible deferred compensation plan within the meaning of Code §457(b) and plus employer "pick-up" contributions (under governmental plans) within the meaning of Code §414(h)(2).

Notwithstanding the preceding, the annual Compensation of each Participant taken into account under the Plan for any year may not exceed the dollar limit under Code §401(a)(17). The Code §401(a)(17) dollar limit is $265,000 for 2015. This dollar limit shall be adjusted automatically at the same time and in the same manner as any cost-of-living adjustment made by the Secretary of the Treasury under Code §415(d) (as modified by Code §401(a)(17)). In determining benefit accruals in Plan Years beginning after December 31, 2001, the annual compensation limit described in the first sentence of this paragraph shall not apply for determination periods beginning before January 1, 2002.

1.12 COORDINATOR means a specific employee of the County to whom certain administrative duties have been delegated by the Administrator.

1.13 COUNTY means Washington County, Maryland. The County shall act through the County Commissioners, except to the extent the County Commissioners have designated authority to act on behalf of the County to any other individual or entity.

1.14 COUNTY COMMISSIONERS means the County Commissioners of Washington County, Maryland.

1.15 COVERED EMPLOYEE means any person employed by the County as a full time employee who is regularly scheduled to work at least 35 hours per week and twelve months each calendar year and who is paid by the County Commissioners or, prior to July 1, 1995, by the Washington County Sanitary Commission. "Covered Employee" also includes any Appointed Official or Elected Official of Washington County. Notwithstanding the preceding, "Covered Employee" does not include any person who is a leased employee. For purposes of this Section 1.15, "leased employee" means any person (other than an employee of the recipient) who, pursuant to an agreement between the recipient and any other person, has performed services for the recipient (or for the recipient and related persons determined in accordance with Code §414(n)(6)) on a substantially full-time basis for a period of at least one year, and such services are under the recipient's primary direction or control.

1.16 EARLY RETIREMENT DATE means, for a Non-Uniformed Participant identified on Exhibit 1, any date that precedes the Participant's Normal Retirement Date and that coincides with or follows the date he or she is first credited with twenty-five (25) Years of Service. For a Uniformed Participant, Early Retirement Date is any date that precedes the Participant's Normal Retirement Date and that coincides with or follows the date he or she is first credited with twenty (20) Years of Service.

1.17 EFFECTIVE DATE means July 1, 2015, the general effective date of this amendment and restatement of the Plan. The initial effective date of the Plan was July 1, 1972. Notwithstanding the preceding, any provisions of this amendment and restatement of the Plan that conflict with the Plan as it existed before the Effective Date and that would bring it into compliance with the Economic Growth and Tax Relief Reconciliation Act of 2001, the Pension Funding Equity Act of 2004, the Pension Protection Act of 2006, and guidance issued under such Acts, are effective retroactively to the effective date of those Acts.

1.18 ELECTED OFFICIAL means any County official elected for a fixed term as specifically provided in the Annotated Code of Maryland, the Public Local Laws of Washington County, or in accordance with the Constitution of the State of Maryland.

1.19 EMPLOYEE CONTRIBUTIONS BENEFIT means the sum of the following amounts (minus any previous distributions):

(a) The contributions made by the Participant on an after-tax basis prior to January 1, 1990 and made by the Participant through salary reduction and "picked up" by the County on or after January 1, 1990, as described in Section 4.5(a)(i); plus

(b) The contributions made by the Participant pursuant to Section 4.7; plus

(c) The contributions, plus earnings previously credited on such contributions, made by the Participant pursuant to Section 4.5(a)(ii), and picked up by another Maryland Employer, all of which are thereafter transferred to the Plan; plus

(d) The contributions, plus earnings previously credited on such contributions, made by the Participant pursuant to Section 4.7(b)(ii), and not picked up by another Maryland Employer, all of which are thereafter transferred to the Plan; plus

(e) Interest on the amounts described in (a) through (d) above, as follows:

(i) For Plan Years other than the Plan Year that includes the Participant's Termination Date, six percent of any amounts contributed or transferred prior to the Plan Year, with such interest computed on June 30 of the Plan Year and compounded annually.

(ii) For the Plan Year that includes the Participant's Termination Date, interest on any amounts contributed or transferred prior to the Plan Year and on any amounts contributed or transferred during the Plan Year, with such interest computed as of the last day of the month coincident with or immediately preceding the Annuity Starting Date, at an annualized rate of six percent.

1.20 EMPLOYER means Washington County, Maryland.

1.21 EMPLOYMENT COMMENCEMENT DATE or REEMPLOYMENT COMMENCEMENT DATE means the later of July 1, 1972 or the date on which a Covered Employee first performs an Hour of Service or first performs an Hour of Service following a Period of Severance. Notwithstanding the preceding sentence, the Employment Commencement Date for a Covered Employee who elects to defer the effective date of his or her participation in the Plan pursuant to Section 2.2 shall be the date on which the Covered Employee elects to commence participation.

1.22 LEAVE OF ABSENCE means an absence from active service with the County, approved in advance by the County, that does not constitute a termination of employment.

1.23 LIMITATION YEAR means, for purposes of the application of the provisions of Code §415, the calendar year, unless otherwise provided by adoption of a written resolution by the County.

1.24 MARYLAND EMPLOYER means the State of Maryland and any other political subdivision within the State of Maryland.

1.25 MARYLAND EMPLOYER RETIREMENT PLAN means a retirement plan that is sponsored by a Maryland Employer, provided such plan is a defined benefit plan operated on an actuarial basis.

1.26 MARYLAND STATE RETIREMENT SYSTEMS means, collectively, the Employees' Retirement System of the State of Maryland and the Employees' Pension System of the State of Maryland.

1.27 NON-UNIFORMED COVERED EMPLOYEE means any Covered Employee who is not a Uniformed Covered Employee.

1.28 NON-UNIFORMED PARTICIPANT means any Non-Uniformed Covered Employee who is currently a Participant under the Plan, including, where appropriate according to the context of the Plan, any former Non-Uniformed Covered Employee who is or may become (or whose Beneficiaries may become) eligible to receive a benefit under the Plan.

1.29 NORMAL RETIREMENT AGE means, for a Non-Uniformed Participant identified on Exhibit 1, the earlier of (i) the Participant's sixtieth (60th) birthday or (ii) the date on which he or she is credited with thirty (30) Years of Service. For a Uniformed Participant, Normal Retirement Age means the earlier of (i) the Participant's fiftieth (50th) birthday or (ii) the date on which he or she is credited with twenty-five (25) Years of Service. For a Non-Uniformed Participant identified on Exhibit 2 or whose Employee Commencement Date is on or after July 1, 2013 (see Section 4.5(a)(ii)), Normal Retirement Age means the earlier of (i) the Participant's sixtieth (60th) birthday or (ii) the date on which he or she is credited with twenty-five (25) Years of Service.

1.30 NORMAL RETIREMENT DATE means the first day of the month coinciding with or next following a Participant's Normal Retirement Age.

1.31 ONE-YEAR PERIOD OF SEVERANCE means a 12 consecutive month period beginning on a Covered Employee's Termination Date and ending on the first anniversary of such date provided the Covered Employee during such 12 consecutive month period does not perform an Hour of Service.

1.32 PARTICIPANT means any Covered Employee who participates in the Plan as provided in Article 2. A Participant shall continue to be a Participant as long as he or she is entitled to receive or is receiving a Plan benefit.

1.33 PERIOD OF SERVICE means a period of service commencing on the Covered Employee's Employment Commencement Date or Reemployment Commencement Date, whichever is applicable, and ending on the Covered Employee's Termination Date; provided, however, Period of Service also shall include a Period of Severance immediately following such Period of Service if the Period of Severance is less than a One-Year Period of Severance because the Covered Employee completes an hour of service within 12 months of the date on which the Covered Employee was first absent from service.

1.34 PERIOD OF SEVERANCE means a period of time commencing on a Covered Employee's Termination Date and ending on the date the Covered Employee again is credited with an Hour of Service.

1.35 PER-PAY COMPENSATION means the Participant's base pay per pay period, determined without regard to: (i) overtime, bonuses and other extra remuneration; (ii) amounts in excess of the per-pay equivalent of the applicable dollar limit under Code §401(a)(17), as adjusted for increases in the cost of living pursuant to Code §401(a)(17)(B) of the Internal Revenue Code, in effect on the first day of the Plan Year; (iii) contributions, credits or benefits under this Plan or under any other retirement, deferred compensation, fringe benefit or employee welfare benefit plan, or (iv) direct reimbursement for expenses. Notwithstanding the preceding, Per-Pay Compensation includes any amount that would have qualified as base pay if it had not been deducted from the Participant's pay pursuant to a salary reduction election under Code§§125 or 132(f)(4), a deferral under an eligible deferred compensation plan within the meaning of Code §457(b) or a "pick-up" contribution (under governmental plans) within the meaning of Code §414(h)(2).

1.36 PLAN means the Employees' Retirement Plan of Washington County as set forth in this document and as amended from time to time.

1.37 PLAN YEAR means the 12 month period beginning each July 1 and ending each June 30 during which this Plan is in effect.

1.38 PRE-EMPLOYMENT MILITARY SERVICE means active military duty in the Armed Forces of the United States which precedes a Participant's Employment Commencement Date.

1.39 TERMINATION DATE means the earliest to occur of (a) a termination of employment by reason of resignation, discharge, mutual agreement, total and permanent disability, retirement or death; (ii) the date on which a Leave of Absence expires without a return to active employment; or (iii) the date on which the individual ceases to be a Covered Employee. Notwithstanding the foregoing provisions of this Section, an Employee who is absent from service with the Employer solely by reason of military service under circumstances by which such Employee is afforded reemployment rights under any applicable Federal or State statute or regulation, will be deemed not to have quit or have been absent from service with the Employer if he or she returns to service with the Employer before the expiration of such reemployment rights; provided, however, in the event that the Employee fails to return to service with the Employer before the expiration of such reemployment rights, he or she will be deemed to have quit on the first day on which the Employee was first absent from service with the Employer by reason of such military service.

Solely for purposes of determining whether a Termination Date has occurred, a Termination Date shall not occur for a Participant until the second anniversary of the first date on which the Participant is absent from employment with the County for maternity or paternity reasons. For purposes of this Section, an absence from employment for maternity or paternity reasons shall mean an absence due to (a) the pregnancy of the Participant, (b) the birth of a child of the Participant, (c) the placement of a child with the Participant, or (d) the caring of such child by the Participant for a period beginning immediately following such birth or placement.

1.40 TRUST means the trust established under this Plan or under a separate trust agreement which forms a part of this Plan.

1.41 TRUST FUND means the assets of the Trust.

1.42 TRUSTEE means the trustee of the Trust serving as such from time to time.

1.43 UNIFORMED COVERED EMPLOYEE means any Covered Employee who is employed as sworn sheriff's personnel.

1.44 UNIFORMED PARTICIPANT means a Uniformed Covered Employee who is currently a Participant under the Plan, including, where appropriate according to the context of the Plan, any former Uniformed Covered Employee who is or may become (or whose Beneficiaries may become) eligible to receive a benefit under the Plan.

1.45 YEARS OF SERVICE.

(a) In General. Years of Service means a Participant's total number of whole years and completed months of Periods of Service (with a partial month of 15 or more days considered a completed month), whether or not such Periods of Service were completed consecutively. For any Participant who elected, before August 31, 1972, to participate in this Plan, Years of Service also includes service credited under the Maryland State Retirement Systems prior to July 1, 1972.

In addition, additional Years of Service may be credited for Leaves of Absence, unused sick leave and purchases and transfers of service, as provided in Article 3.

(b) Other Rules. In determining a Covered Employee's Years of Service, the following rules shall apply:

(i) If a Covered Employee is transferred to a class of employment ineligible for participation in this Plan, but remains employed by the County, except as otherwise provided under the Plan or any Exhibit thereto, the employee shall no longer accrue Years of Service for benefit accrual purposes or for vesting purposes under this Plan.

(ii) If an employee is transferred from an ineligible class to an eligible class of employment for participation in this Plan, except as otherwise provided under the Plan or any Exhibit hereto, the Covered Employee shall not receive Years of Service for any of the Covered Employee's prior service (except with respect to any service rendered while a prior Participant of this Plan in accordance with the provisions of this Plan at that time) with the County for benefit accrual or for vesting purposes under this Plan.

(iii) A Covered Employee whose employment has been interrupted by a One-Year Period of Severance and who later is reemployed and receives credit for service under subparagraph (a)(ii) shall be deemed to be a Participant as of the date of the Covered Employee's reemployment. A Covered Employee who terminates employment and is rehired prior to incurring a One-Year Period of Severance shall be deemed to be a Participant as of the date of the Covered Employee's reemployment. For purposes of this subparagraph (a), a person's date of reemployment shall be the first date following the person's reemployment on which he or she first receives credit for an Hour of Service because of the performance of duties for the County.

(iv) In all other cases, upon the reemployment of a former Participant, the former Participant shall be regarded for all purposes as a new employee and shall be eligible to participate after he or she meets the eligibility requirements of Section 1.15 and Article 2.

(v) Notwithstanding the foregoing subparagraphs (a)(iii) and (a)(iv), if a Participant who had terminated employment with a vested benefit is reemployed, and the Participant has received, is receiving or is eligible to receive benefits under the Plan when he or she is reemployed, the benefits (if any) to which the Participant was entitled under the Plan prior to such reemployment shall be suspended until the earlier of the Participant's (1) subsequent retirement, (2) termination of employment, (3) death, or (4) required distribution date determined under the Plan. Upon the subsequent commencement of benefit payments to the Participant following such suspension, the monthly amount of the Participant's benefit payable shall be determined by taking into account the Participant's reemployment; provided, however, that any Years of Service for which the Participant has received a "cash-out distribution" shall be disregarded (unless the cash-out distribution is repaid as provided below) and any benefits payable with respect to the Participant's reemployment will be reduced or offset as and to the extent permitted by applicable law by any benefits previously paid to the Participant and/or by any actuarial adjustments provided hereunder due to the Participant's suspension of benefits.

In the event of the retirement or the termination of employment of such a Participant following such suspension, the monthly amount of the Participant's pension payable following such retirement or termination of employment shall be no less than the monthly benefits previously being provided under the form of benefit chosen by the Participant at his or her initial retirement. If a Participant dies during the period of such a suspension and prior to such a subsequent retirement or termination of employment, the Participant's Beneficiary shall be entitled to the benefit, if any, provided under the form of benefit chosen by the Participant at his or her initial retirement and to any other death benefit provided under the Plan.

(vi) Anything in this Plan to the contrary notwithstanding, Years of Service for benefit accrual purposes shall not be granted for service for which the Participant had previously received a distribution of his or her entire benefit under the Plan.

(vii) Any Participant who has received a cash-out distribution of his or her Employee Contributions Benefit is entitled to make a repayment to the Plan to restore the Participant's benefit accrual Years of Service which otherwise would be disregarded, subject to the following:

(A) All repayments must be made no later than the Participant’s Benefit Commencement Date;

(B) The repayment must be made in cash; and

(C) The amount of the repayment must be the Actuarial Equivalent amount of that portion of the Participant’s projected benefit attributable to Years of Service with respect to which the cash-out distribution was received.

(viii) A Covered Employee who is absent from service with the County or an Affiliated Company solely by reason of military service under circumstances by which such Covered Employee is afforded reemployment rights under any applicable Federal or State statute or regulation, such Covered Employee shall be deemed not to have quit or have been absent from service with the County or an Affiliated Company if such Covered Employee returns to service with the County or an Affiliated Company before the expiration of such reemployment rights; provided, however, in the event such Covered Employee fails to return to service with the County or an

Affiliated Company before the expiration of such reemployment rights, such Covered Employee shall be deemed to have quit on the first day on which such Covered Employee was first absent from service with the County or an Affiliated Company by reason of such military service.

## ARTICLE 2
## ELIGIBILITY FOR PARTICIPATION

2.1 INITIAL ELIGIBILITY. Each Covered Employee who is a Participant on the Effective Date will continue as a Participant in the Plan on the Effective Date.

2.2 SUBSEQUENT ELIGIBILITY. Each person who becomes a Covered Employee after the Effective Date will become a Participant on the date he or she first performs an hour of service for the County as a Covered Employee.

2.3 PARTICIPATION AS CONDITION OF EMPLOYMENT. Except for Covered Employees who, before July 1, 1972, elected to retain participation in the Maryland State Retirement Systems, a Covered Employee's participation in the Plan and the agreement to make contributions, as provided in Section 4.5 is a mandatory condition of employment.

2.4 REHIRED PARTICIPANTS. A Participant whose employment with the County terminates and who is rehired will be eligible to participate in this Plan on his or her Reemployment Commencement Date.

2.5 WINDOW BENEFIT ELIGIBILITY. From time to time, the County may approve an early retirement window benefit under the Plan. Notwithstanding any other eligibility provisions contained in this Article 2, each Employee who meets the applicable requirements on Schedule A to the Plan shall be eligible for an early retirement window benefit as described on Schedule A to the Plan.

## ARTICLE 3
## CREDIT FOR SERVICE

3.1 LEAVE OF ABSENCE. Years of Service will be credited for a Leave of Absence (or any portion thereof) during which a Participant receives payment directly from the County. Except as otherwise provided in this Section 3.1, Years of Service will not be credited for a Leave of Absence (or any portion thereof) during which a Participant does not receive payment directly from the County. However, a Participant may elect to receive credit for Years of Service with respect to a Leave of Absence during which he or she does not receive payment directly from the County. If a Participant does so elect, he or she shall be required to pay over to the Plan, in one lump sum payment, an amount equal to the Participant contributions he or she would have been required to make pursuant to Section 4.5 had the Participant remained in active service during the Leave of Absence (based on what the Participant's Per-Pay Compensation would have been in his or her last paycheck prior to the Leave of Absence if the Participant had worked his or her regularly-scheduled hours).

A Participant (or his or her Beneficiary) who is on a Leave of Absence remains eligible for death benefits under Section 7.3. However, a Participant who is on a Leave of Absence shall not be eligible for disability benefits under Section 5.7.

3.2 UNUSED SICK LEAVE. Prior to his or her Annuity Starting Date, a Participant may make an election to exchange unused sick leave that has not been cashed in. The election shall be made in writing to the Coordinator.

(a) A Participant who wishes to retire on account of normal retirement, but who does not have the necessary Years of Service, may elect to exchange unused sick leave for additional Years of Service applied to render the Participant eligible for normal retirement.

(b) A Participant who wishes to retire on account of early retirement, but who does not have the necessary Years of Service, may elect to exchange unused sick leave for additional Years of Service applied to render him or her eligible for early retirement.

(c) A Participant who wishes to retire on account of normal retirement, and who has attained his or her Normal Retirement Date but has fewer than 50 Years of Service (fewer than 30 Years of Service for Plan Years beginning before July 1, 2001), may elect to exchange unused sick leave for additional Years of Service (but only to the extent that total Years of Service do not exceed 50 (30 for Plan Years beginning before July 1, 2001)) applied to calculate the amount of the Participant's normal retirement benefit.

(d) A Participant who wishes to retire on account of early retirement and who has reached his or her Early Retirement Date may elect to exchange unused sick leave for additional Years of Service applied to reduce the Actuarial Reduction for early commencement of benefits (or applied to calculate the amount of the Participant's normal retirement benefit, if such application produces a higher retirement benefit).

(e) Unused sick leave shall be exchanged at the rate of one-twelfth (1/12) of a Year of Service for each 22 days of sick leave. Any unused sick leave remaining after crediting unused sick leave in multiples of 22 days shall not be available for exchange under this Section 3.2.

3.3 PURCHASE AND TRANSFER OF SERVICE. A Participant may elect to receive credit for service (whether or not it would be considered a Year of Service had it been performed for the County) purchased with respect to prior County service or transferred from another employer in accordance with Section 3.3(a). If such service is purchased or transferred, the number of Years of Service credited to the Participant shall be adjusted in accordance with Section 3.3(b).

(a) Conditions for Purchase and Transfer.

(i) Any member of a Maryland County Retirement Plan who, without a break in employment, becomes a Covered Employee, may be entitled to elect to receive credit for Years of Service for service recognized under another Maryland County Retirement Plan. Notwithstanding any provision of this Plan to the contrary, benefits with respect to Participants who transfer employment between Maryland governmental employers shall be governed by Title 37 of the State Personnel and Pensions Article of the Annotated Code of Maryland.

(ii) Pursuant to Section 4.7(b)(iii), any Covered Employee may elect to receive credit for Years of Service for service performed with the County which is disregarded on account of a Cash-Out.

(iii) Any Covered Employee may elect, at any time, to receive credit for Years of Service for service performed under the federal government PEP or CETA programs (up to a maximum of three years). A Covered Employee who makes such an election must pay over to the Plan the Actuarial Equivalent of that portion of his or her projected benefit attributable to service with such program, subject to limitations set forth in Section 5.8.

(iv) Any Covered Employee who provides the Coordinator with sufficient evidence of military service shall receive service credit for such military service as follows:

(A) If a Participant incurs a Leave of Absence on account of military service, he or she will receive credit for Years of Service as required by the Uniformed Services Employment and Reemployment Rights Act of 1994 or any other federal law.

(B) If a Participant's military service precedes his or her active duty service with the County, he or she will receive credit for Years of Service to the extent of his or her active military service in the Armed Forces of the United States (to a maximum of three years) provided that the Participants earns at least five Years of Service (actual County credited service other than military or transferred service).

(C) A Participant may not receive service credit for military service: (1) if the military service has been previously recognized by another Maryland State system (ADD or local retirement or pension), or (2) if the Participant is entitled to receive a benefit (except for disability benefits, Social Security benefits or benefits under the National Railroad Retirement Act) from another retirement system on account of such military service or (3) if the military service was connected with inactive or reserve military status.

(b) <u>Amount of Credited Service</u>.

(i) The Participant shall receive full credit for all Years of Service purchased or transferred pursuant to Section 3.3(a).

(ii) Notwithstanding clause (i), if a Participant retires (within the meaning of Title 37 of the State Personnel and Pension Article of the Annotated Code of Maryland) within five years after the date of transferring service into this Plan pursuant to Section 3.3(a)(i), the portion of the Participant's Accrued Benefit payable with respect to the transferred service credit may not be greater than the benefits that would have been payable by the other Maryland County Retirement Plan with respect to that service if the Participant had remained a participant in that other Maryland County Retirement Plan.

# ARTICLE 4
# CONTRIBUTIONS

4.1 EMPLOYER CONTRIBUTIONS. The funding of the Plan and payment of benefits hereunder shall be provided for through the medium of the Trust. The County's contributions shall be payable at such intervals and in such amounts as may be determined by the actuaries for the Plan. The County, from time to time, shall make contributions to the Trust in amounts determined, in accordance with generally accepted actuarial principles, to be sufficient to support the contributions and transfers made pursuant to Section 5.4, and the contributions and transfers made pursuant to Section 5.5, and to fund the benefits provided by the Plan.

4.2 EMPLOYER'S RIGHT TO SUSPEND OR REDUCE CONTRIBUTIONS. The County intends to continue the Plan and make regular contributions to the Fund, but the County reserves the right to suspend or reduce contributions to the Plan.

4.3 DISPOSITION OF FORFEITURES. Any forfeiture arising under the provisions of the Plan shall be used to reduce the then current or future costs of funding the benefits provided in the Plan.

4.4 ACTUARIAL EVALUATION. The County shall, at least once every Plan Year, cause the liabilities of the Plan to be evaluated by an enrolled actuary who shall report to the County as to the soundness and solvency of the Trust and the amount of the County contribution sufficient to meet the requirements of Section 4.1.

4.5 PICK-UP CONTRIBUTIONS. Under limited circumstances described below, Participant contributions, picked up by the County or by another Maryland Employer, may be accepted by the Plan.

(a) Types of Contributions/Transfers

(i) County Pick-Up Contributions of Participants With Employment Commencement Dates Before July 1, 2013. In accordance with rules established by the County, (A) commencing on September 1, 2013, each Non-Uniformed Participant with an Employment Commencement Date before July 1, 2013, shall be required to make contributions to the Plan equal to the percentage specified in the following paragraph, and (B) commencing on his or her Employment Commencement Date, each Uniformed Participant with an Employment Commencement Date before July 1, 2013, shall be required to make contributions to the Plan equal to 6.0% of his or her Per-Pay Compensation.

Each Non-Uniformed Participant identified on Exhibit 1 will make contributions at 5.5% of his or her Per-Pay Compensation. Each Non-Uniformed Participant identified on Exhibit 2 will make contributions at 6.0% of his or her Per-Pay Compensation.

Each Participant who is on a Leave of Absence during which the Participant receives payment directly from the County also shall be required to make contributions to the Plan equal to (A) in the case of a Non-Uniformed Participant specified on Exhibit 1, 5.5% of his or her weekly payment, (B) in the case of a Non-Uniformed Participant specified on Exhibit 2, 6.0% of his or her weekly payment, and (C) in the case of a Uniformed Participant, 6.0% of his or her weekly payment. The Participant contributions referred to in this Section 4.5(a)(i) shall be picked up by the County, as described in Code §414(h)(2), deducted from the pay of the contributing Participants as salary reduction contributions, and paid by the County to the Trustees with reasonable promptness after the total of such contributions during any month has been determined, and in any event by the end of the succeeding month. The contributions made pursuant to this Section 4.5(a)(i) shall be made a part of the Participant's Employee Contributions Benefit; that is, a part of his or her Accrued Benefit. (Before January 1, 1990, the contributions referred to in this Section 4.5(a)(i) were made on an after-tax basis.)

(ii) County Pick-Up Contributions of Participants With Employment Commencement Dates On or After July 1, 2013. Notwithstanding the preceding, in accordance with rules established by the County, commencing on his or her Employment Commencement Date, each Non-Uniformed Participant and Uniformed Participant whose Employment Commencement Date is on or after July 1, 2013 shall be required to make contributions to the Plan equal to 6.0% of his or her Per-Pay Compensation. Each Participant covered by this Section 4.5(a)(ii) who is on a Leave of Absence during which the Participant receives payment directly from the County also shall be required to make contributions to the Plan equal to 6.0% of his or her weekly payment. The Participant contributions referred to in this Section 4.5(a)(ii) shall be picked up by the County, as described in Code §414(h)(2), deducted from the pay of the contributing Participants as salary reduction contributions, and paid by the County to the Trustees with reasonable promptness after the total of such contributions during any month has been determined, and in any event by the end of the succeeding month. The contributions made pursuant to this Section 4.5(a)(ii) shall be made a part of the Participant's Employee Contributions Benefit; that is, a part of his or her Accrued Benefit.

(iii) Transfer of Pick-Up Contributions from Other Maryland Employers. Pursuant to the provisions of Section 3.3(a), the Trust may accept a transfer of monies directly from another Maryland Employer Retirement Plan. Such transfer shall consist of contributions made by the Participant, but characterized by that other Maryland Employer as employer pick-up contributions, plus earnings previously credited upon such contributions. Such amounts shall be made a part of the Participant's Employee Contributions Benefit; that is, a part of his or her Accrued Benefit.

Notwithstanding any provision of this Plan to the contrary, benefits with respect to Participants who transfer employment between Maryland governmental employers shall be governed by Title 37 of the State Personnel and Pensions Article of the Annotated Code of Maryland.

(b) <u>Suspension of Contributions</u>. A Participant's salary reduction contributions shall be automatically suspended for any payroll period during which the Participant is not a Covered Employee or with respect to a Leave of Absence during which the Participant does not receive payment directly from the County.

(c) <u>Vesting of Pick-Up Contributions</u>. Notwithstanding any other provision of this Plan, Participant contributions, picked up either by the County or by other Maryland Employers and made or transferred to the Plan, are fully vested at all times.

(d) <u>Payment of Benefits</u>. Subject to the right of withdrawal described in Section 4.8, benefits purchased from the Participant's contributions are payable at the same time, in the same manner, and, in the event of the Participant’s death, to the same Beneficiary as the remainder of the Participant’s Accrued Benefit.

(e) Plan Termination. Notwithstanding any provision of Section 9.3, if the Plan is terminated, distribution to each Participant of the portion of his or her Accrued Benefit attributable to contributions picked up by the County shall be treated as a priority distribution ahead of any other distribution to Participants based upon the remainder of the Trust, other than those attributable to contributions made pursuant to Section 4.7.

4.6 ROLLOVER CONTRIBUTIONS. A Participant may contribute to the Plan a Rollover Contribution, as defined in this Section, only as permitted under this Section.

(a) Effective Date. At the discretion of the Administrator, this Section 4.6 will become effective on or after July 1, 2002, as determined by the Administrator, and nothing in this Section shall apply to the Plan before the date, if any, set by the Administrator.

(b) Definition of Rollover Contribution. "Rollover Contribution" means an amount contributed to the Plan on or before the 60th day after the day the contributing Covered Employee received it, if the amount received by the Covered Employee is a distribution which is eligible for rollover to the Plan under Code §402 and is a distribution from one of the following: (i) another retirement plan qualified under §401(a) or 403(a) of the Code; (ii) to the extent permitted under the Code, as amended by the Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGTRRA"), an individual retirement account or annuity described in Code §§408(a) or (b), but only if the distribution would otherwise be includible in gross income; (iii) to the extent permitted under the Code, as amended by EGTRRA, a distribution from an annuity contract described in Code §403(b); or (iv) to the extent permitted under the Code, as amended by EGTRRA, an eligible plan under Code §457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.

The term "Rollover Contribution" also means assets representing a Participant's nonforfeitable interest in another retirement plan qualified under §401(a) or 403(a) of the Code, or in a conduit individual retirement account or annuity, which assets have been transferred directly from the trustee (or other fiduciary) of such other plan, account or annuity to the Trustees of this Plan; provided, however, that such direct transfer shall not be accepted by the Trustee unless (A) the transfer constitutes an "elective transfer" under §1.411(d)-4 Q&A-3(b) of regulations promulgated by the Secretary of the Treasury, (B) the plan from which the transfer is made provides no protected benefits under §411(d)(6) of the Code which are not already provided under the Plan and (C) the transfer constitutes a direct rollover under §402 of the Code.

In addition to the preceding, to the extent permitted under the Code, as amended by EGTRRA, the term "Rollover Contribution" shall further mean a direct rollover contribution of a distribution from an annuity contract described in Code §403(b), excluding after-tax contributions, or from an eligible plan under Code §457(b) that is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.

The Administrator may reject any Rollover Contribution which is not qualified to be a Rollover Contribution to the Plan under the foregoing or under the Code. The Administrator may make all investigations necessary to determine whether any amount submitted as a Rollover Contribution may be received.

(c) Vesting of Rollover Contributions. Notwithstanding any other provision of this Plan, a Participant's Rollover Contributions are fully vested at all times.

(d) Payment of Benefits. Benefits attributable to a Participant's Rollover Contributions are payable at the same time, in the same manner, and, in the event of the Participant's death, to the same Beneficiary as the Participant's Accrued Benefit. Such benefits are in addition to the Plan's Accrued Benefit and are not subject to the limitation described in Section 5.8.

(e) Plan Termination. Notwithstanding any provision of Section 9.3, if the Plan is terminated, distribution to each Participant of the portion of his or her Accrued Benefit that is attributable to Participant contributions under Section 4.7 or Rollover Contributions under this Section 4.6 shall be treated as a priority distribution ahead of any other distribution to Participants based upon the remainder of the Trust.

4.7 OTHER PARTICIPANT CONTRIBUTIONS. Under limited circumstances, as described below, other Participant contributions may be accepted by the Plan.

(a) Characterization. The contributions made pursuant to this Section 4.7 are distinct from those made pursuant to Section 4.5 as to the character of such contributions. Whereas Section 4.5 contributions are classified as County, or other Maryland Employer, contributions picked up from the pay of Participants, contributions made pursuant to this Section 4.7 are either made directly by the Participant or transferred directly from another Maryland Employer Retirement Plan.

Notwithstanding any provision of this Plan to the contrary, benefits with respect to Participants who transfer employment between Maryland governmental employers shall be governed by Title 37 of the State Personnel and Pensions Article of the Annotated Code of Maryland.

(b) Types of Contributions.

(i) Leave of Absence Purchase of Service Credit. A Participant on a Leave of Absence who elects to purchase service credit pursuant to Section 3.1 shall contribute to the Plan the amount required under Section 3.1.

(ii) Direct Transfer From Another Maryland Employer Plan. The Trustees shall accept a direct transfer of after-tax Participant contributions, together with interest thereon, from another Maryland Employer, provided such contributions were made by a Covered Employee who elects to transfer service from another Maryland Employer Retirement Plan, as described in Section 3.3(a)(i).

(iii) Cash-Out Restoration. If, after a Termination Date: (i) a Participant receives a Cash-Out (either voluntarily or automatically) of his or her Employee Contributions Benefit, and (ii) the Participant again becomes a Covered Employee, Years of Service with respect to which the distribution was received will be disregarded. Notwithstanding the preceding sentence, if the Participant: (i) again becomes a Covered Employee, and (ii) contributes to the Plan, on or before his or her Annuity Starting Date, the Actuarial Equivalent of that portion of the Participant's projected benefit attributable to Years of Service with respect to which the distribution was received, the Participant's Years of Service before as well as after the Termination Date will be taken into account for vesting and benefit accrual purposes (subject to the remaining provisions of this Article III and subject to Section 6.6).

(iv) PEP\CETA Purchase of Service Credit. A Participant who elects to purchase credit for service performed under the federal government PEP or CETA programs, as described in Section 3.3(a)(iii), shall contribute to the Plan the Actuarial Equivalent of his or her projected benefit attributable to such service.

(c) Procedures. All Participant contributions or transfers made pursuant to this Section 4.7 shall be paid to the Trust.

(d) Vesting of Participant Contributions. Notwithstanding any provision of this Plan to the contrary, Participant contributions made to the Plan pursuant to this Section 4.7 are fully vested at all times.

(e) Payment of Benefits. Subject to the right of withdrawal described in Section 4.8, benefits purchased from the Participant's contributions are payable at the same time, in the same manner, and, in the event of the Participant’s death, to the same Beneficiary as the remainder of the Participant’s Accrued Benefit.

(f) Plan Termination. Notwithstanding any provision of Section 9.3, if the Plan is terminated, distribution to each Participant of the portion of his or her Accrued Benefit that is attributable to Participant contributions under this Section 4.7 or Rollover Contributions under Section 4.6 shall be treated as a priority distribution ahead of any other distribution to Participants based upon the remainder of the Trust.

4.8 WITHDRAWAL OF EMPLOYEE CONTRIBUTION BENEFIT. A Participant who has reached a Termination Date and is credited with at least five Years of Service may elect, at any time, to receive a Cash-Out of his or her Employee Contributions Benefit (including contributions described in Sections 4.5 and 4.7) by filing a written notice with the Coordinator. A Participant who has reached a Termination Date without being credited with at least five Years of Service automatically will have a Cash-Out of his or her Employee Contributions Benefit which will be paid as soon as administratively feasible following the Termination Date. In either case, a Cash-Out shall constitute full payment of all benefits due to the Participant under the Plan.

A Participant who receives a Cash-Out pursuant to this Section 4.8, forfeits the entire remaining portion of his or her Accrued Benefit. Any forfeited amount is subject to restoration as provided in Section 4.7(b)(iii).

## ARTICLE 5
## RETIREMENT BENEFITS

5.1 NORMAL RETIREMENT BENEFITS. Subject to any limitations provided under the Plan, each Participant who is a Covered Employee on his or her Normal Retirement Age shall be 100% vested in his or her Plan benefit and shall be entitled to receive a monthly pension under this Plan, which shall commence at the later of the Participant's Normal Retirement Date or the first day of the month coincident with or next following the date of the Participant's actual retirement and continuing for the life of the Participant. The amount of the monthly pension will be one-twelfth of two percent of the Participant's Average Compensation multiplied by his or her Years of Service. For purposes of the preceding sentence, a Participant's Years of Service greater than 50 shall be disregarded.

5.2 LATE RETIREMENT BENEFITS. Subject to the requirements of Section 5.9, if a Participant remains a Covered Employee after the Participant's Normal Retirement Date, the Participant's retirement benefits under the Plan shall not commence until the first day of the month coincident with or next following the Participant's Termination Date. The amount of the Participant's monthly pension will be the amount determined as provided in Section 5.1 as if the Participant had retired on his or her Normal Retirement Date, but adjusted by including any additional Years of Service that accrued after the Participant's Normal Retirement Date (but only to the extent that total Years of Service do not exceed 50 and by taking into account any increases in Average Compensation which may be generated by increases in Compensation earned since his or her Normal Retirement Date.

5.3 EARLY RETIREMENT BENEFITS. If a Participant shall, for any reason except death, retire on or after his or her Early Retirement Date and before his or her Normal Retirement Date, the Participant's retirement shall be considered as Early Retirement. Such a Participant may elect to receive an Early Retirement benefit (payable in accordance with the provisions of Section 5.4) which shall commence on the Participant's Normal Retirement Date or, at the election of the Participant, may commence on the first day of any month following his or her Early Retirement Date and on or before his or her Normal Retirement Date (such commencement date to be determined by the Participant by notice to the Committee in accordance with the rules adopted by the Committee). If a Participant's Early Retirement benefit commences prior to the Participant's Normal Retirement Date, such benefit shall be the pension benefit as computed under Section 5.1, reduced by one-half of one percent (0.5%) for each month by which the Participant's Annuity Starting Date precedes his or her Normal Retirement Date (determined as described in Section 1.3).

5.4 FORMS OF BENEFITS.

(a) Normal Form of Benefit. A Participant's monthly pension benefit, as computed in Section 5.1 above, shall be paid for the Participant's lifetime. Notwithstanding the preceding, if a Participant who elects to receive payment in the normal form of benefit payment dies before receiving in payments the value of his or her Employee Contributions Benefit, determined at the time of his or her Annuity Starting Date, the balance of the value of his or her Employee Contributions Benefit shall be paid to his or her Beneficiary.

(b) Actuarial Equivalent Value Options. In lieu of receiving the monthly pension benefit provided in Section 5.4(a) above, a Participant may elect (as provided in (c), below) to receive his or her pension benefit payable in accordance with one of the following options, which options are of Actuarial Equivalent Value to the benefit to which the Participant was entitled under Section 5.4(a). The options available to a Participant are:

(i) Life Annuity With Period Certain. A life annuity with five, ten (10) or 15 years certain;

(ii) Joint and Survivor Annuity. A joint and 50%, 66-2/3 % or 100% survivor annuity. Notwithstanding the preceding, if a Participant who elects to receive payment in the form of a joint and survivor annuity and the Participant's designated survivor dies before receiving in payments the value of his or her Employee Contributions Benefit, determined at the time of his or her Annuity Starting Date, the balance of the value of the Participant's Employee Contributions Benefit shall be paid to his or her Beneficiary;

(iii) Special Option. Subject to the approval of the Administrator, and the requirements of applicable law, a Participant may make a written request to the Coordinator for any other form of benefit. The determination of whether to provide a form of benefit under this Section 5.4(b)(iii) will be made by the Administrator, in its sole discretion. The Administrator's determination is final and binding and is not subject to review.

(iv) Lump Sum Option. The lump sum option is a Cash-Out distribution of the Participant's Employee Contributions Benefit, as described in Section 4.8, in lieu of all other benefits under the Plan.

(v) Social Security Step-Up Option. The Social Security Step-Up Option, is an annuity that is designed to provide the Participant with a series of payments which, when combined with Social Security benefits received by the Participant, provides a series of substantially equal payments over the lifetime of the Participant. For purposes of this section, it will be assumed that the Participant will begin to receive Social Security benefits at age 62 (whether or not the Participant actually begins to receive Social Security benefits at age 62).

(c) Election of Options. An election of an optional form of benefit under Section 5.4(b) above must be in writing (on a form provided by the Administrator) filed with the Administrator prior to the commencement of retirement benefit payments. If no election is made, then the normal form of benefit in Section 5.4(a), will be deemed to have been elected by the Participant. Once an election of an optional benefit form has been made and filed with the Administrator or has been deemed to have been made, and unless it is rescinded or changed before the commencement of benefit payments or before the purchase of an annuity that will pay the Participant's benefits, it cannot be rescinded or changed by the Participant.

(d) Method of Payment. All benefit distributions shall be in cash (or in annuity contracts as provided herein). The County shall determine, in its discretion, whether the distribution shall be funded through periodic payments made directly from the Trust, or through the purchase of annuity contracts, or whether a combination of such methods of distribution shall be used, and the County shall give to the Trustees such directions and information as may be necessary for the Trustees to carry out the decision of the County. If the County determines that any part of the distribution is to be funded through purchase of an annuity contract for a Participant, the County shall select the form of contract (including a variable annuity) to be purchased and shall direct the Trustees to pay the premium to the issuing company. The County shall direct that all right, title and interest in such contract shall remain in the Trustees under the terms of the Plan and the Participant shall have no right, title or interest therein except to receive the payments, and to change the Beneficiary from time to time. Alternatively, the County may direct that the contract be purchased in the name of the Participant and distributed to him or her free and clear of the Trust, in which case: (i) the contract shall be issued so as to be nontransferable, (ii) it shall not contain a death benefit in excess of the death benefit provided in Article 7 or in this Article 5, and (iii) it shall not contain provisions that expand upon, change or eliminate any Plan provisions applicable to distributions in annuity form.

5.5 PAYMENTS TO MINORS AND INCOMPETENTS. If the Administrator shall receive evidence satisfactory to it (a) that a Participant or Beneficiary entitled to receive any benefit under this Plan is, at the time when such benefit becomes payable, a minor, or is physically or mentally incompetent to receive such benefit and to give a valid release therefor, (b) that another person or an institution is then maintaining or has custody of such Participant or Beneficiary, and (c) that no guardian, committee or other representative of the estate of such Participant or Beneficiary has been duly appointed, the Administrator may authorize the Trustee to make payment of the benefit otherwise payable to such Participant or Beneficiary to such other person or institution, including a custodian under a Uniform Gifts to Minors Act or corresponding legislation (who shall be an adult, a guardian of the minor or a trust company), and the release given by such other person or institution shall be a valid and complete discharge for the payment of such benefit.

5.6 NON-LOCATABLE PARTICIPANTS. The Administrator shall make a reasonable effort to locate all persons entitled to benefits under the Plan. Should the Administrator be unable to locate any person entitled to benefits, such benefits will remain in the Fund and shall be payable to such person at any future date that such person is located by the Administrator. Before the Administrator can deem that a person cannot be located, the Administrator shall send a certified letter to such person at his or her last known address advising the person that benefit payments shall be suspended unless the person responds to such certified letter.

5.7 DISABILITY BENEFITS. The Plan shall pay disability benefits determined in accordance with the following provisions:

(a) Ordinary Disability.

(i) Subject to Section 5.7(c), if a Participant who has completed at least five Years of Service reaches a Termination Date by reason of total and permanent disability (as defined in Section 5.7(a)(ii)), he or she shall be entitled to receive a monthly disability benefit equal to the greater of (A) a monthly amount equal to one-twelfth (1/12) of 25% of his or her Average Compensation determined at the time his or her disability is incurred, or (B) the Participant's Accrued Benefit at the time his or her disability is incurred.

(ii) For purposes of this Section 5.7(a), a Participant shall be considered totally and permanently disabled if (A) the Committee determines, on the basis of a medical examination conducted by a physician or physicians selected by the County, that he or she is totally and permanently prevented from engaging in any occupation or employment for remuneration or profit, and that such condition was not a result of bodily injury in the performance of duty with the County or occupational disease incurred in the performance of duty with the County; and (B) the Participant is eligible for disability benefits under the provisions of the federal Social Security Act as in effect on the date the Participant otherwise becomes eligible for disability benefits under this Section 5.7(a).

(iii) A Participant ceases to qualify for disability benefits under this Section 5.7(a) on the earliest of (A) the date the Participant is no longer eligible for disability benefits under the provisions of the Social Security Act; (B) the date the Participant refuses to submit a report of his or her total earnings when requested by the County if he or she subsequently engages in an occupation or employment for remuneration or profit (other than for purposes of rehabilitation as approved by the Committee; and (C) the date the Participant attains age 65 (for a Participant whose disability is incurred on or before age 60) or the five-year anniversary of the date his or her disability benefits under this Section 5.7 commence (for a Participant whose disability is incurred after age 60). For any disability benefits to be paid under this Section 5.7(a) when the Participant becomes engaged in an occupation or employment for remuneration or profit, the Participant shall be required to report on an annual basis his or her total earnings from that occupation or employment and to provide the Committee with documents satisfactory to the Committee, including his or her federal income tax return, that will substantiate the earnings being reported.

(b) Line of Duty Disability.

(i) Subject to Section 5.7(c), if a Participant (regardless of length of service) reaches a Termination Date by reason of total and permanent disability (as defined in Section 5.7(a)(ii)), incurred as a result of an accident or injury which has been ruled compensable under the Maryland Workers' Compensation Act, the Participant will be entitled to receive a monthly benefit equal to the lesser of (A) the sum of (1) one-twelfth (1/12) of 66-2/3% of his or her Average Compensation determined at the time the disability is incurred, and (2) the Actuarial Equivalent of his or her Employee Contributions Benefit, or (B) one-twelfth (1/12) of his or her Average Compensation determined at the time the disability is incurred.

(ii) For purposes of this Section 5.7(b), a Participant will be considered totally and permanently disabled if the Committee determines, on the basis of a medical examination conducted by a physician or physicians selected by the County, that (A) the Participant is totally and permanently incapacitated as the natural and proximate result of bodily injury in the performance of his or her regular occupation with the County or occupational disease incurred in the performance of duty with the County at some definite time or place, without willful negligence on the Covered Employee's part; and (B) the Participant is unable to engage in his or her regular occupation with the County as a Covered Employee or to be employed by the County in some other position for which he or she is suited or which is appropriate given the Participant's training and experience and (C) the Participant is eligible for disability benefits under the provisions of the federal Social Security Act as in effect on the date he or she otherwise becomes eligible for disability benefits under this Section 5.7(b).

(iii) A Participant ceases to qualify for disability benefits under this Section 5.7(b) on the earliest of (A) the date on which the Committee determines, on the basis of a medical examination conducted by a physician or physicians selected by the County, that the Participant is no longer totally and permanently incapacitated for duty or has sufficiently recovered but refuses to resume his or her regular occupation as a Covered Employee or to be reemployed by the County in some other position for which he or she is suited or which is appropriate given the Participant's training and experience; (B) the date on which the Participant refuses to undergo a medical examination requested by the Committee, provided such a medical examination may not be required more often than once a year; and (C) the date on which the Participant attains age 65 (for a

Participant whose disability is incurred on or before age 60) or the five-year anniversary of the date disability benefits under this Section 5.7(b) commence (for a Participant whose disability is incurred after age 60).

(c) General Provisions Relating to Disability.

(i) Disability benefits shall commence on the first day of the month coincident with or next following the later of (A) the determination of disability by the Committee, and (B) the date the Participant has exhausted all sick leave and any accident and sickness benefits (other than long-term disability) from other programs, exclusive of Social Security, to which the County makes contributions.

(ii) The benefits payable pursuant to this Section 5.7 shall be payable in the Plan's normal form of benefit unless an optional form of payment has been elected pursuant to Section 5.4.

(iii) Notwithstanding Sections 5.7(a)(ii) and 5.7(b)(ii), total and permanent disability under this Section 6.4 shall not include any injury or disease that results from (a) the Participant currently engaging in the illegal use of drugs or narcotics; (b) the Participant inflicting a purposefully self-inflicted injury (while sane or insane); (c) the Participant engaging in any illegal or criminal enterprise or activity; (d) the Participant working on the job while under the influence of alcohol; or (e) the Participant engaging in military service (except to the extent such exclusion is prohibited by applicable law).

(iv) Except as provided in Section 5.7(d), Years of Service shall not be credited for periods during which the Participant received disability benefits pursuant to this Section 5.7.

(v) Benefits with respect to a Participant who is eligible for or has commenced receiving benefits under this Section 5.7 are payable only as provided in Article 7.

(vi) A Participant who is on a Leave of Absence is not eligible to receive disability benefits pursuant to this Section 5.7.

(d) Change in Amount of Benefits. Notwithstanding any of the foregoing provisions of this Section 5.7, if a Participant incurs a disability on or before age 60, as of the first day of the month coincident with or next following his or her sixty-fifth ($65^{th}$) birthday, the Participant will no longer receive the monthly disability benefit calculated pursuant to Section 5.7, but instead shall begin receiving a monthly benefit equal to the amount determined under Section 5.4, with (A) Years of Service credited as if the Participant had remained in active service through his or her Normal Retirement Date, and (B) Average Compensation based on the Participant's Average Compensation on the date he or she incurred the disability. In no case will the Participant be permitted to change the form of payment.

Notwithstanding any of the foregoing provisions of this Section 5.7, if a Participant incurs a disability on or after attaining age 60, as of the first day of the month coincident with or next following the five-year anniversary of the date his or her disability benefits pursuant to this Section

5.7 commence, the Participant will no longer receive the monthly disability benefit calculated pursuant to Section 5.7, but instead will begin receiving a monthly benefit equal to the amount determined under Section 5.4 with (A) Years of Service credited as if the Participant had remained in active service through the five-year anniversary of the date disability benefits commenced, and (B) Average Compensation based on the Participant's Average Compensation on the date he or she incurred the disability. In no case will the Participant be permitted to change the form of payment.

5.8 MAXIMUM LIMITATION ON BENEFITS.

(a) In General. To the extent the provisions of Code section 415 are applicable to the Plan, in no event shall any benefit be payable from this Plan, nor contribution be permitted to this Plan, if such benefit or contribution would cause the Plan or any other plan maintained by the Employer to violate the limitations of section 415 of the Code and the regulations thereunder. For purposes of the Plan's compliance with Code Section 415, "compensation" means compensation as defined in Treasury Regulations Section 1.415(c)-2.

(b) Additional Rules for Certain Employee Contributions. This Section 5.8(b) applies only to the extent, if any, that any employee contributions under Section 4.7 are required to be treated like contributions to a defined contribution plan for purposes of Code Section 415(c) and only with respect to such contributions or other amounts that would be considered annual additions to a contribution plan for purposes of Code Section 415(c).

Notwithstanding any other provision of this Plan, a Participant's total annual additions under this Plan for any Plan Year shall not exceed the lesser of (a) $53,000 (for the Plan Year beginning in 2015 (as indexed for later years) or (b) 100% of the Participant's compensation for such Plan Year. "Annual additions" for this purpose means the sum of (i) contributions under Section 4.7 of this Plan allocable to the Participant's Plan Account that are determined to be subject to the Code §415(c) limit, (ii) any forfeitures allocable to the Participant's Plan Account and (iii) amounts described in Code §§401(h) and 419A(f)(2).

If a Participant in this Plan participates in any defined contribution plan sponsored by the Employer which is qualified under Code §401(a), his or her annual additions under such plan shall be aggregated with his or her annual additions under this Plan, if any, and his or her annual additions under this Plan shall be reduced, if necessary, so that the aggregate of such annual additions does not exceed the limitations set forth in this Section.

5.9 DISTRIBUTION REQUIREMENTS.

(a) General Rule. This Section is included in the Plan to comply with Code §401(a)(9) and the regulations thereunder. To the extent that there is any conflict between the provisions of Code §401(a)(9) and the regulations thereunder and any other provision in the Plan, the provisions of Code §401(a)(9) and the regulations thereunder will control.

(b) Commencement of Benefits. The distribution of benefits to a Participant who continues employment with the County beyond the Participant's Normal Retirement Date must commence by the first day of April of the calendar year following the later of the calendar year in which the Participant terminates employment with the County or the calendar year in which the Participant attains age 70½.

For distributions under the Plan made in calendar years beginning on or after January 1, 2003, the Plan will apply the minimum distribution requirements of Code §401(a)(9), to the extent that they are applicable to a governmental plan, in accordance with the Temporary and Final Regulations under Code §401(a)(9) that were released in April 2002, notwithstanding any provision of the Plan to the contrary.

(c) Death Distribution Provisions

(i) Death After Distribution. If the Participant dies after distribution of his or her interest has commenced, the remaining portion of such interest, if any, will be distributed pursuant to the form in which the Participant's interest was being paid prior to the Participant's death.

(ii) Death Before Distribution. If the Participant dies before distribution of his or her interest commences, any benefits payable because of the Participant's death will be distributed pursuant to the provisions of Article 7. If the Participant's spouse is not the beneficiary, the method of distribution must satisfy the incidental death benefit requirements specified in §401(a)(9)(G) of the Code and regulation §1.401(a)(9)-2.

5.10 DETERMINATION OF ACTUARIAL EQUIVALENCE. For purposes of determining present values and lump sum amounts or any optional form of benefit or for any other calculation of Actuarial Equivalent Value that is necessary or appropriate under the terms of the Plan, the Plan will use the UP 84 Mortality Table and an 8.00% annual interest rate.

5.11 DIRECT ROLLOVERS. Notwithstanding any other provision of the Plan to the contrary, any Distributee who is to receive an Eligible Rollover Distribution may elect the direct trustee-to-trustee rollover of the distribution to an Eligible Retirement Plan. A direct rollover election must be made pursuant to the procedures established by the Plan Administrator and must specify the Eligible Retirement Plan to which the direct rollover is to be made. If the Distributee elects a direct rollover as permitted hereunder, the Plan Administrator shall make the rollover as elected. For purposes of this Section, the term "Eligible Rollover Distribution" has the meaning given such term in Code §401(a)(31)(C) and currently means any distribution of all or any portion of the balance to the credit of the Distributee, except (i) any distribution that is one of a series of substantially equal periodic payments (not less frequent than annual) made for the life (or life expectancy) of the Distributee or the joint lives (or joint life expectancies) of the Distributee and the Distributee's designated beneficiary, or for a specified period of 10 years or more, (ii) any distribution to the extent such distribution is required under Code §401(a)(9), and (iii) the portion of any distribution that is not includable in gross income (determined without regard to the exclusion for net unrealized appreciation with respect to employer securities).

For purposes of this Section, the term Eligible Retirement Plan has the meaning given such term in Code §401(a)(31)(D) and currently means (i) an individual retirement account described in Code §408(a), (ii) an individual retirement annuity described in Code §408(b) (other than an endowment contract), (iii) an annuity plan described in Code §403(a), (iv) a qualified trust that is a defined contribution plan described in Code §401(a), the terms of which permit the acceptance of direct rollovers, (v) an annuity contract described in Code §403(b), (vi) an eligible plan under Code §457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state and which agrees to separately account for amounts transferred into such plan from this Plan, and (vii) effective January 1, 2008, a Roth IRA described in Code §408A, provided the requirements of Code §408A and the Treasury regulations issued thereunder are satisfied.

For purposes of this Section, the term Distributee includes the Participant and the Participant's surviving spouse. In addition, Distributee includes the Participant's spouse or former spouse who is the alternate payee under a Qualified Domestic Relations Order, as defined in Code §414(p), with respect to the payee's interest under the Plan. In addition, for distributions to Eligible Retirement Plans described in (i) and (ii) of the preceding paragraph, Distributee also includes the Participant's surviving non-spouse Beneficiary who is a designated beneficiary within the meaning of Code §401(a)(9)(E).

5.12 MILITARY SERVICE BENEFITS. Notwithstanding any provision of this Plan to the contrary, contributions, benefits and service credit with respect to qualified military service will be provided in accordance with §414(u) of the Code.

## ARTICLE 6
## DEFERRED RETIREMENT OPTION PROGRAM

6.1 DEFINITIONS. In this Article, the following words have the meanings indicated:

(a) "DROP" means the Deferred Retirement Option Program established, effective July 1, 2001, under this Article 6.

(b) "DROP Participant" means a Participant in the Plan who:

(i) is eligible to participate in the DROP, as provided below, and

(ii) elects to participate in the DROP, as provided below.

(c) "DROP Account" means the dollars allocated to a DROP Participant pursuant to this Article. Such accounts will be maintained by the Trustee as entries on its books. The Trustee is not required to set up individual accounts for each DROP Participant.

6.2 ELIGIBILITY FOR DROP. Effective July 1, 2001, a Participant is eligible to participate in the DROP if he or she is eligible for Early or Normal Retirement.

6.3 DURATION OF DROP. An eligible Participant may elect to participate in the DROP for a period not less than one (1) year nor more than five (5) years.

6.4 APPLICATIONS FOR DROP PARTICIPATION.

(a) An eligible Participant who elects to participate in the DROP shall complete and submit a written election form to the Administrator, on the form provided by the Administrator, stating:

(i) the Participant's intention to participate in the DROP and to resign thereafter,

(ii) the period that the Participant desires to participate in the DROP (not to be less than one (1) year or more than five (5) years),

(iii) the Participant's acknowledgment that his or her Accrued Benefit will be frozen as of the first day of his or her participation in the DROP, and

(iv) any other information required by the Administrator or the Trustees to administer the DROP.

(b) Subject to Section 6A.2(c), a Participant's election to participate in the DROP is irrevocable once DROP participation has begun as provided below.

6.5 <u>DROP PARTICIPATION</u>.

(a) A Participant's participation in DROP begins on the first day of the month following acceptance by the Administrator of the Participant's election form and any other information required by the Administrator.

(b) A DROP Participant's participation in the DROP ends on the first day of the month coincident with or next following:

(i) the date that the DROP Participant separates from employment with the Employer,

(ii) the date that the DROP Participant dies, or

(iii) the date that the DROP Participant specifies as the end of the DROP period that is earlier than the date specified under Section 6.4(a)(ii), by delivering to the Administrator written notice of the earlier end date and the intent of the DROP Participant to terminate employment on such earlier date.

6.6 <u>DROP BENEFIT</u>.

(a) As of the effective date of participation in the DROP, the Administrator shall determine the DROP Participant's Accrued Benefit.

(b) During the period that a DROP Participant participates in the DROP, the Administrator shall direct the Trustee to:

(i) credit the DROP Participant's monthly pension benefit to the DROP Account for the DROP Participant's benefit, and

(ii) accrue interest on the amounts calculated under subparagraph (i) for the DROP Participant at the rate of six percent (6%) a year, compounded annually.

(c) A DROP Participant may not receive credit for Years of Service during the period that the DROP member participates in the DROP.

(d) A DROP Participant's compensation during the DROP period may not be:

(i) subject to the employer pickup provisions of Section 4.5 or any reduction as an employee contribution for pension or retirement purposes, or

(ii) used to increase the DROP Participant's Average Compensation.

(e) During the DROP period, the DROP participant shall:

(i) continue to receive any benefits to which he or she is entitled as an employee of Washington County,

(ii) be subject to the personnel law, regulations and policies applicable to an employee of Washington County, and

(iii) receive retirement benefits only to the extent provided in this Article.

(f) Each Plan Year, the Administrator shall provide a DROP Participant with a written accounting of the DROP Participant's balance in the DROP Account. Participant DROP Accounts shall be maintained by the Administrator as entries on its books. No money shall actually be paid into any DROP Account. No assets or funds shall be paid to, held in or invested in any separate trust.

6.7 PAYMENT OF DROP ACCOUNT.

(a) At the end of the DROP period, a DROP Participant who terminates employment may request a distribution of the DROP Account in the form of a lump sum or in the form of the annuity being paid under the Plan. Any lump sum distribution may be taken in cash or treated as an Eligible Rollover Distribution (if applicable) under Section 5.11. The amount accrued in the DROP Account will be available as soon as practicable following the end of the DROP period, but not sooner than the first day of the month coincident with or next following the end of the DROP period and not later than the first day of February of the next calendar year following the year of the termination of employment. Alternatively, he or she may elect, in a format acceptable to the Administrator, to have the amount accrued in the DROP Account added to his or her Employee Contributions Benefit. Notwithstanding anything in the Plan to the contrary, no interest will accrue on the Participant's DROP Account after the first day of the month coincident with or next following the end of the DROP period.

(b) If the DROP Participant has died, the amount in the Participant's DROP Account will be paid to the Participant's Beneficiary or may be treated as an Eligible Rollover Distribution (if applicable) under Section 5.11. The amount in the DROP Account will be available as soon as practicable following the DROP Participant's death, but not sooner than the first day of the month coincident with or next following the end of the DROP period and not later than the first day of February of the next calendar year following the year of the termination of employment.

6.8 BENEFITS PAYABLE UPON TERMINATION OF EMPLOYMENT.

(a) If a DROP Participant terminates employment at the end of the DROP period, the Trustee shall pay his or her Accrued Benefit, calculated as outlined above as of the beginning of the DROP period, in any form permitted under the Plan.

(b) If a DROP Participant dies before the end of the DROP period, the Participant's Beneficiary will be entitled to any death benefits payable under the terms of the Plan, based on the Participant's Accrued Benefit, calculated as outlined above as of the beginning of the DROP period, in any form permitted under the Plan.

## ARTICLE 6A
## IN-SERVICE RETIREMENT PROGRAM

6A.1 ELIGIBILITY FOR IN-SERVICE RETIREMENT. Effective January 1, 2013, a Participant is eligible to elect an in-service retirement if he or she is eligible for Normal Retirement.

6A.2 APPLICATIONS FOR IN-SERVICE RETIREMENT.

(a) An eligible Participant who elects in-service retirement shall complete and submit a written election form to the Administrator, on the form provided by the Administrator, stating:

(i) the Participant’s intention to elect an in-service retirement,

(ii) the Participant’s acknowledgment that his or her Accrued Benefit will be frozen as of the first day of his or her in-service retirement, and

(iii) any other information required by the Administrator or the Trustees to administer the in-service retirement.

(b) A Participant’s election of in-service retirement is irrevocable once in-service retirement payments have begun as provided below.

(c) Notwithstanding anything in the Plan to the contrary, any DROP Participant who has reached Normal Retirement Age and who is a DROP Participant as of the later of (i) January 1, 2013 or (ii) the date the DROP Participant first receives notification of the option to elect an in-service retirement benefit, may make a one-time irrevocable election to receive in-service retirement payments as provided in this Article 6A. At the option of the DROP Participant, the payment of the DROP Account of a Participant who makes this conversion election will be made either:

(i) in a lump sum upon the effective date of the conversion election as provided in Section 6A.3, in which case the Participant will no longer participate in the DROP feature of the Plan provided for in Article 6; or

(ii) at the end of the DROP period in accordance with Article 6, in which case the DROP Account would continue to accrue interest as provided in and subject to the provisions of Article 6.

6A.3 IN-SERVICE RETIREMENT EFFECTIVE DATE. A Participant's in-service retirement begins on the first day of the month following acceptance by the Administrator of the Participant's election form and any other information required by the Administrator.

6A.4 IN-SERVICE RETIREMENT BENEFIT.

(a) As of the effective date of the Participant's in-service retirement, the Administrator shall determine the Participant's Accrued Benefit, and shall pay the Participant's Accrued Benefit in the form of payment elected by the Participant as provided in Section 5.4.

(b) The in-service retirement shall be an actual retirement for all purposes under the Plan.

(c) A Participant who is receiving in-service retirement payments may not receive credit for Years of Service for any period of in-service retirement.

(d) A Participant's compensation during the in-service retirement period may not be:

(i) subject to the employer pickup provisions of Section 4.5 or any reduction as an employee contribution for pension or retirement purposes, or

(ii) used to increase the Participant's Average Compensation.

(e) During the period of in-service retirement, the Participant shall:

(i) continue to receive any benefits to which he or she is entitled as an employee of Washington County,

(ii) be subject to the personnel law, regulations and policies applicable to an employee of Washington County, and

(iii) receive retirement benefits only to the extent provided in this Article.

6A.5 BENEFITS PAYABLE UPON TERMINATION OF EMPLOYMENT.

(a) When a Participant who is receiving in-service retirement payments terminates employment, the Trustee shall continue to pay the Participant's retirement benefits in the same amount and form elected by the Participant upon his or her in-service retirement.

(b) If a Participant who is receiving in-service retirement payments dies, the Participant's Beneficiary will be entitled to any death benefits payable under Section 7.2 of the Plan for a Participant who dies after benefits begin.

## ARTICLE 7
## DEATH BENEFITS

7.1 DEATH AFTER RETIREMENT BUT BEFORE BENEFITS BEGIN. Except as provided in Section 7.3, no death benefits are payable on account of a Participant who dies before the payments of his or her benefits under the Plan begin.

7.2 DEATH AFTER BENEFITS BEGIN. The death benefits of a Participant who dies after his or her benefits under the Plan begin are those specified, if any, under the form in which the Participant's benefits were being paid.

7.3 DEATH BENEFITS.

(a) General Preretirement Death Benefit. If a Participant dies before his or her Annuity Starting Date, his or her Beneficiary will be entitled to receive as a single lump sum the benefit described in (i) plus that described in (ii).

(i) An amount equal to the Participant's Employee Contributions Benefit.

(ii) An amount equal to fifty percent (50%) of the Participant's Average Compensation determined at the time of death; provided, however, that the benefit provided by this Section 7.3 will be payable only if the Participant dies before his or her Termination Date and after completing one Year of Service.

(b) Surviving Spouse Annuity Benefit. If each of the following conditions are met, the surviving spouse of a deceased Participant is entitled to receive a survivor annuity, in lieu of any other Plan benefit:

(i) The Participant is married on the date of death;

(ii) The Participant's death occurs before his or her Termination Date;

(iii) The Participant has designated his or her surviving spouse as the only primary Beneficiary;

(iv) The Participant attained age 55 and was credited with at least 15 Years of Service before his or her death or would have been eligible to receive either normal retirement benefits pursuant to Section 5.1 or early retirement benefits pursuant to Section 5.3 if the Participant had retired on the day before his or her death; and

(v) The Participant's spouse does not elect to receive the benefit provided in Section 7.3(a).

For purposes of this Section 7.3(b), a survivor annuity is a monthly benefit commencing in the month next following the Participant's death, and continuing for the remainder of the spouse's life, in an amount equal to the benefit the spouse would have received under an immediate joint and 100% survivor annuity pursuant to Section 5.4(b)(ii) if the Participant had retired on the day before his or her death.

(c) The Beneficiary of a Participant who dies while on a Leave of Absence shall be entitled to receive death benefits pursuant to this Section 7.3.

## ARTICLE 8
## TERMINATION OF EMPLOYMENT

8.1 DEFERRED PENSION BENEFITS. If a Participant reaches a Termination Date for any reason other than the Participant's Normal Retirement, Early Retirement, disability or death, the Participant shall be entitled to receive a deferred pension benefit commencing at the Participant's Normal Retirement Date and equal to the greater of (i) 100% of the Participant's Employee Contributions Benefit or (ii) the vested percentage of the Participant's Accrued Benefit.

A Participant's vested percentage is determined based on Years of Service on the Termination Date, according to the following schedule:

| YEARS OF SERVICE | VESTED PERCENTAGE |
|---|---|
| Less than 5 | 0% |
| 5 or more | 100% |

Notwithstanding the preceding, (i) a Participant who reaches a Termination Date and is credited with at least five Years of Service may elect to receive a Cash-Out of his or her Employee Contributions Benefit, which may be made at any time after the Termination Date; and (ii) a Participant who reaches a Termination Date and is credited with fewer than five Years of Service will automatically receive a Cash-Out of his or her Employee Contributions Benefit, which will be paid as soon as administratively feasible after the Termination Date. Notwithstanding the above, any automatic Cash-Out of an amount greater than $1,000 (excluding amounts attributable to rollover contributions) will be made as a direct rollover (as defined in Section 5.11) to an individual retirement account described in Code §408(a) for the benefit of the Participant, unless the Participant elects a cash distribution or a rollover or transfer to another Eligible Retirement Plan (as defined in Section 5.11). A direct rollover pursuant to the previous sentence will be made as soon as practicable after the Participant becomes entitled to a distribution.

For purposes of this Section, "amounts attributable to rollover contributions" means amounts contributed to the Plan as rollover contributions within the meaning of Code sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii) and 457(e)(16), together with any earnings or losses allocable to such contributions.

# ARTICLE 9
## AMENDMENT AND TERMINATION

9.1 EMPLOYER'S RIGHT TO AMEND. Subject to applicable labor laws, the County shall have the right to amend this Plan in any and all respects at any time and from time to time, including the right to reduce or suspend contributions; provided, however:

(a) that no amendment shall increase the duties or liabilities of the Trustee without its consent;

(b) that no amendment shall deprive any Participant of any of the vested accrued benefits to which he or she is entitled to under this Plan;

(c) that no amendment shall provide for the use of the Fund other than for the benefit of Participant s and Beneficiaries, except as provided in Section 9.3;

(d) that any amendment may be made retroactively; and

(e) that no amendment shall deprive any Participant of any vested interest in his or her Accrued Benefit.

9.2 AMENDMENT PROCEDURE. An amendment made under this Article shall be valid only if it is approved by the County Commissioners of Washington County, by amendment to the Public Local Laws of Washington County. Notwithstanding any other provision of County Law, no County resolution or ordinance that relates to the subject matter of the Plan will be effective with respect to the Plan unless the County acts by ordinance to specifically amend the relevant provisions of the Plan.

9.3 TERMINATION OF THE PLAN.

(a) The County reserves the right to terminate all or any portion of the Plan or to terminate or limit the participation of any County in the Plan at any time.

(b) In the event of a termination or partial termination, as determined under applicable Internal Revenue Service regulations and rulings, of the Plan, all affected Participants on the date of the termination or partial termination, to the extent required by law, shall have a nonforfeitable right to benefits under this Plan accrued on the date of the termination or partial termination to the extent the same are funded as of such date. In addition, no person who is not a Participant on the date of the termination or, if relevant, a partial termination, may become a Participant on or after that date and no further benefits shall accrue to affected Participants after that date.

(c) Upon termination or partial termination of the Plan as described above, the Administrator, to the extent necessary, shall make provision for any expenses of the Plan and the Administrator shall allocate the assets of the Fund, as appropriate. Upon such allocation of assets, the Administrator shall have the authority to direct the liquidation and distribution of the Fund or to continue the operation of the Plan and the Fund in accordance with their provisions as from time to time established, including, as necessary, subsequent allocations of the Fund assets among persons entitled to benefits under this Plan in the manner provided in Section 7.2(d). In the event of liquidation, distributions from the Fund on the basis of the most recent allocation of assets, as described in Section 7.2(d), may be made in cash or by means of annuity contracts or certificates of equivalent value.

9.4 ALLOCATION AND DISTRIBUTION. This Section shall become operative upon any of the following events: (a) a complete termination of the County's liability to make further contributions to the Trust; (b) a complete discontinuance of contributions by the County to the Trust; or (c) a complete termination of the Plan. The provisions of this Section also shall become operative in the event of a partial termination of the Plan, but only with respect to that portion of the Plan attributable to the Participants to whom the termination is applicable. The effective date of any termination or discontinuance of contributions shall be as set forth in a resolution adopted by the County. Upon the effective date of any such event, then, notwithstanding any other provisions of the Plan, no persons who are not Participants shall be eligible to become Participants, no further benefits shall accrue and the Accrued Benefits of all Participants not then vested, and not previously forfeited, shall immediately become fully vested.

The allocation and distribution of Plan assets upon Plan termination will be made in a manner determined by the Committee to preclude individual discrimination, by the purchase of annuities or other equitable means of distribution. Notwithstanding any provision of this Plan to the contrary, if the balance of the Trust, as of the date of any event specified in this Section 9.3, exceeds the amount required to fully fund the benefits accrued to that date for all Participants who are then active, retired or disabled, the excess amount shall be returned to the County.

9.5 AUTOMATIC TERMINATION OF CONTRIBUTIONS. The liability of the County to make contributions to the Trust shall automatically terminate upon liquidation of the County, upon its adjudication as a bankrupt or upon the making of a general assignment for the benefit of creditors,

9.6 TERMINATION PROCEDURE. A termination or discontinuance made under this Article shall be valid only if it is approved by the County Commissioners of Washington County, by amendment to the Public Local Laws of Washington County.

9.7 RELEASE AND DISCHARGE OF ADMINISTRATOR. Notwithstanding the above, in case the Plan is terminated in whole or in part, the Administrator, to the extent permitted under applicable law, shall distribute the assets in the Fund. To the extent permitted by applicable law, when the assets in the Fund shall have been so applied or distributed and the accounts of the Fund shall have been so settled, the Administrator shall be released and discharged from all further accountability or liability respecting the Plan and the Fund (or that part of the Fund so applied or distributed if the Plan is terminated only in part) and shall not be responsible in any way for the further disposition of the Fund (or that part of the Fund so applied or distributed, if the Plan is terminated only in part) or any part thereof so applied or distributed.

## ARTICLE 10
## ADMINISTRATION

10.1 ADMINISTRATION. The Administration of this Plan shall be the responsibility of the following named fiduciaries:

(a) The Trustee with respect to the management, control and investment of the Trust (except to the extent the Trustee is subject to the direction of the Administrator or an investment manager) and the payment of benefits to Participants and their beneficiaries;

(b) The Administrator or other person or persons designated by the Administrator for purposes of determining appeals with respect to denied claims for benefits; and

(c) The Administrator with respect to controlling and managing the administration and operation of the Plan as hereinafter set forth. The Administrator may, through a written instrument, designate other persons to carry out some or all of its fiduciary responsibility.

The authority of each named fiduciary in its designated area of responsibility as aforesaid shall be exclusive, and no named fiduciary shall have either authority or responsibility to exercise any discretion or control other than as specifically delegated to the named fiduciary hereunder. Any person or group of persons or entity may serve in more than one fiduciary capacity with respect to the Plan.

## ARTICLE 11
## THE ADMINISTRATOR

11.1 MEMBERS. The Administrator shall be the Retirement Committee, as established in Section 11.2.

11.2 RETIREMENT COMMITTEE. Except to the extent that the County has retained any power or authority, or allocated duties and responsibilities to another administrator or other fiduciary, the Retirement Committee shall have full power and authority to administer and operate the Plan in accordance with its terms and in particular the authority contained in this Article 11, and, in acting pursuant thereto, shall have full power and authority to deal with all persons in any matter directly connected with the Plan, including, but not limited to, the Trustees, other fiduciaries, insurance companies, investment advisors, other advisors and specialists, Participants, Beneficiaries and their representatives, in accordance with the following provisions:

(a) The Committee shall consist of those individuals who hold the following positions:

(i) County Administrator or designee;

(ii) Finance Director or designee;

(iii) A County Commissioner, appointed by the County Commissioners as a whole; and

(iv) Human Resources Director, as Chairman.

In addition to the individuals designated above, until July 1, 2001, the Committee shall also include the following individuals:

(v) One representative of the Sheriff's Department, recommended by the Sheriff and approved by the County Commissioners; and

(vi) Three representatives of Local 67 of the American Federation of State, County, and Municipal Employees, elected by the union membership.

(b) Subject to the right to resign at any time, each member of the Committee shall serve without compensation at the pleasure of the County, and the County may appoint, and may revoke the appointment of, additional members to serve with the Committee as may be determined to be necessary or desirable from time to time. Each member of the Committee, by accepting his or her appointment to the Committee, shall thereby be deemed to have accepted all of the duties and responsibilities of such appointment, and to have agreed to the faithful performance of his or her duties thereunder.

(c) The Committee shall adopt such formal organization and method of operation as it shall deem desirable for the conduct of its affairs. The Committee shall act as a body, and the individual members of the Committee shall have no powers and duties as such, except as provided herein. The Committee shall act by vote of a majority of its members at the time in office (other than those disqualified from voting pursuant to the Committee's rules), either at a meeting or in writing without a meeting.

(d) Except as otherwise provided in this Plan, the determination of the Committee on any matter pertaining to the Plan within the powers and discretion granted to it shall be final and conclusive on the County, the Trustees, all Participants and Beneficiaries and all those persons dealing in any way or capacity with the Plan.

11.3 <u>RETIREMENT ADVISORY COMMITTEE</u>. There shall be a committee, to be known as the Retirement Advisory Committee, which shall serve as a liaison between the Retirement Committee and Covered Employees.

(a) The Retirement Advisory Committee shall consist of 10 Employees appointed by the Board of County Commissioners.

(b) The members of the Retirement Advisory Committee shall be invited to actuary and investment overviews and will meet from time-to-time to review the Plan.

(c) The Retirement Advisory Committee will present suggestions with respect to the Plan from time-to-time to the Retirement Committee who will determine whether the suggestions should be recommended for approval by the Board of County Commissioners.

11.4 <u>POWERS AND RESPONSIBILITIES</u>. The Administrator shall have the following powers and responsibilities:

(a) Under advice of counsel, who may be counsel to the County or counsel of its own selection, construing the Plan, and remedying any ambiguities, inconsistencies or omissions.

(b) Determining all questions relative to the eligibility of employees to be Participants and the benefits of Participants or beneficiaries.

(c) Establishing reasonable rules for the administration of the Plan.

(d) Maintaining appropriate records relating to Participants and their beneficiaries.

(e) Communicating the funding policy to the Trustee and to any investment managers whose duties are to determine the investment policy of the Fund.

(f) Preparing and filing such reports and returns with respect to the Plan as are required by law.

(g) Acting for the County before all persons in any matter directly related to the Plan.

(h) Performing other duties necessary for the administration of this Plan which appear to the Administrator to be necessary or appropriate in order properly to administer and operate the Plan.

The Administrator shall discharge its duties for the exclusive purpose of providing benefits hereunder and defraying the reasonable expenses of operating the Plan and with the skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

In carrying out its duties herein, the Administrator shall have discretionary authority to exercise all powers and to make all determinations, consistent with the terms of the Plan, in all matters entrusted to it, and its determinations shall be given deference and shall be final and binding on all interested parties.

11.5 CERTIFICATIONS AND INVESTIGATIONS.

(a) Whenever in the administration of the Plan a certification by the County is required to be given to the Administrator, or if the Administrator shall deem it necessary that a matter be proved by certification of the County prior to taking or omitting any action hereunder, such certification shall be duly made, and the matter shall be deemed proved, by an instrument delivered to the Administrator, signed in the name of the County by its duly authorized representative. The Administrator shall be empowered to act, and shall be protected in acting, upon such instrument. Further, the Administrator shall be empowered to act, and shall be protected in acting, upon any notice, resolution, order, offer, telegram, letter or other document believed by the Administrator to be genuine and to have been signed by the proper party or parties.

(b) The Administrator shall not be required to make any investigation to determine the identity or mailing address of any person entitled to benefits under this Plan and shall be entitled to withhold the payment of benefits until the identity and mailing addresses of persons entitled to benefits are certified to it by the County or by such person.

11.6 CLAIMS PROCEDURE. Any person claiming a benefit under the Plan (a "Claimant") shall present the claim, in writing, to the Administrator, and the Administrator shall respond in writing. If the claim is denied, the written notice of denial shall state, in a manner calculated to be understood by the Claimant:

(a) The specific reason or reasons for denial, with specific references to the Plan provisions on which the denial is based;

(b) A description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation of why such material or information is necessary; and

(c) An explanation of the Plan's claims review procedure.

The written notice denying or granting the Claimant's claim shall be provided to the Claimant within 90 days after the Administrator's receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension is required, written notice of the extension shall be furnished by the Administrator to the Claimant within the initial 90 day period and in no event shall such an extension exceed a period of 90 days from the end of the initial 90 day period. Any extension notice shall indicate the special circumstances requiring the extension and the date on which the Administrator expects to render a decision on the claim. Any claim not granted or denied within the period noted above shall be deemed to have been denied.

Any Claimant whose claim is denied, or deemed to be denied under the preceding sentence, (or such Claimant's authorized representative) may, within 60 days after the Claimant's receipt of notice of the denial, or after the date of the deemed denial, request a review of the denial by notice given, in writing, to the Administrator. Upon such a request for review, the claim shall be reviewed by the County Commissioners (or a designated representative) which may, but shall not be required to, grant the Claimant a hearing. In connection with the review, the Claimant may have representation, may examine pertinent documents, and may submit issues and comments in writing.

The decision on review normally shall be made within 60 days of the Administrator's receipt of the request for review. If an extension of time is required due to special circumstances, the Claimant shall be notified, in writing, by the Administrator, and the time limit for the decision on review shall be extended to 120 days. The decision on review shall be in writing and shall state, in a manner calculated to be understood by the Claimant, the specific reasons for the decision and shall include references to the relevant Plan provisions on which the decision is based. The written decision on review shall be given to the Claimant within the 60 day (or, if applicable, the 120 day) time limit discussed above. If the decision on review is not communicated to the Claimant within the 60 day (or, if applicable, the 120 day) period discussed above, the claim shall be deemed to have been denied upon review. All decisions on review shall be final and binding with respect to all concerned parties.

11.7 ADVICE. The Administrator may secure specialized advice or assistance as it deems necessary or desirable in connection with the administration and operation of the Plan and shall be entitled to rely conclusively upon, and shall be fully protected in any action or omission taken by it in good faith reliance upon, any advice or opinion so obtained.

11.8 LIABILITY; INDEMNIFICATION. No member of the Administrator shall incur any liability: (i) by virtue of any contract, agreement, bond or other instrument made or executed by the member or on the member's behalf as a member of the Administrator, (ii) for any act or failure to act, or any mistake or judgment made by the member, with respect to the business of the Plan, unless resulting from the member's gross negligence or willful misconduct, or (iii) for the neglect, omission or wrongdoing of any other member of the Administrator or of any person employed or retained by the Administrator. The County shall indemnify and hold harmless each member of the Administrator from the effects and consequences of the member's acts, omissions and conduct with respect to the Plan, except to the extent that such effects and consequences shall result from the member's own willful misconduct or gross negligence. The foregoing right to indemnification shall be in addition to such other rights as the Administrator may enjoy as a matter of law or by reason of insurance coverage of any kind. Rights granted hereunder shall be in addition to and not in lieu of any rights to indemnification to which the Administrator may be entitled pursuant to the by-laws of the County, and, if the Administrator is a Covered Employee, service as the Administrator shall be deemed in partial fulfillment of the member's employment function. In all computations, the Administrator shall be entitled to rely fully upon data furnished by the County and upon information furnished it by or on behalf of an employee or employees.

11.9 INSURANCE. The Plan may purchase, as an expense of the Plan, liability insurance for the Plan and/or for its fiduciaries to cover liability or losses occurring by reason of an act or omission by a fiduciary. In addition, any fiduciary may purchase, from and for the fiduciary's own account, insurance to protect the fiduciary in the event of a breach of fiduciary duty, and the County may also purchase insurance to cover the potential liability of one or more persons who serve in a fiduciary capacity with regard to the Plan.

11.10 BONDING. The Administrator shall arrange for such bonding, if any, as is required by law. Bonding in excess of the amount required by law shall not be considered required, but shall be permitted, by this Plan. The costs for such bonding shall be paid by the County or, if the County elects, from the Trust.

11.11 COMPENSATION. The Administrator shall serve without compensation, but all expenses of the Administrator incurred in the performance of duties hereunder shall be proper charges to the Trust and shall be paid therefrom unless the County, in its discretion, chooses to pay such expenses.

11.12 PLAN RECORDS. The Administrator, or the Secretary of the Administrator shall keep or cause to be kept records reflecting administration of the Plan, which records shall be subject to audit by the County. A Participant may examine only those records pertaining directly to the Participant.

11.13 INSTRUCTIONS TO TRUSTEES. The Administrator shall provide appropriate written instructions to the Trustee signed by an authorized member or members of the Administrator to enable it to make the distributions provided for in the Plan. The Trustee shall be entitled to rely upon any written notice, instruction, direction, certificate or other communication reasonably believed by it to be genuine and to be signed by an authorized member of the Administrator or an officer of the County, and the Trustee shall be under no duty to make investigation or inquiry as to the truth or accuracy of any statement contained therein, unless it knows that the direction or instruction constitutes a breach of the Administrator's or an County's fiduciary responsibility with respect to the Plan.

11.14 INVESTMENT MANAGERS. The County's power to retain the services of an investment manager(s) for the management of (including the power to acquire and dispose of) all or any part of the Fund's assets, shall be limited to the retention of such persons or firms that are registered as investment managers under the Investment Advisers Act of 1940, as Banks (as defined in that Act), or which are insurance companies qualified to manage, acquire or dispose of the Fund's assets under the laws of more than one state, and provided that each of such persons or firms has acknowledged to the Administrator and the Trustee in writing that he or she is a fiduciary with respect to the Plan. In such event, the Trustee shall not be liable for the acts or omissions of such investment manager or managers, nor shall it be under any obligation to invest or otherwise manage any assets which are subject to the management of such investment manager or managers.

## ARTICLE 12
## MISCELLANEOUS

12.1 NO RIGHT TO EMPLOYMENT. Participation in this Plan shall not give any person the right to be retained in the employ of the County, or any right or interest in this Plan other than as herein provided.

12.2 HEADINGS. The headings and sub-headings in this instrument are inserted for convenience of reference only and are not to be considered in construing the provisions hereof.

12.3 COUNTERPARTS. This instrument may be executed in any number of counterparts, each of which shall be deemed an original, and said counterparts shall constitute but one and the same instrument, which may be sufficiently evidenced by any one counterpart.

12.4 GOVERNING LAW. Except to the extent preempted by applicable Federal law, this Plan shall be construed, administered and governed in all respects under and by the laws of the State of Maryland.

12.5 UNIFORM TREATMENT. This Plan shall be administered and construed in a uniform and non-discriminatory manner, treating similarly situated Participants alike.

12.6 RULES AND REGULATIONS. By becoming a Participant, every Participant shall thereby be deemed to have agreed to abide by the rules and regulations of the Administrator made in accordance with this Plan, and to sign all papers necessary for the compliance therewith.

12.7 LOCATION OF PARTICIPANT OR BENEFICIARY UNKNOWN. In the event that all, or any portion, of the distribution payable to a Participant or a Beneficiary shall remain unpaid solely because the Administrator cannot ascertain the whereabouts of the Participant or Beneficiary, after sending a registered letter, return receipt requested, to the last known address, and after further diligent effort, the amount so distributable shall be treated as a forfeiture and used to reduce the contribution for that Plan Year. However, the dollar amount, unadjusted for gains or losses in the interim, shall be reinstated if a claim for the benefit is made by the Participant or Beneficiary to whom it was payable. If a benefit payable to an unlocated Participant or Beneficiary is subject to escheat pursuant to applicable state law, neither the Trustee nor the County shall be liable to any person for any payment made in accordance with such law.

12.8 NO ASSIGNMENT OF BENEFITS. Except as expressly provided herein, no benefits under the Plan may be assigned or alienated, and the Trustee shall pay all amounts payable hereunder, and shall distribute all assets distributable hereunder, to any person, into the hands of such person and not unto any other person or corporation whatsoever, whether claiming by his or her authority or otherwise; nor may said payments be anticipated. Except as expressly provided herein, the interest of any Participant hereunder may not be assigned or encumbered, nor shall it be subject to attachment or other judicial process. However, deposit to the credit of the account of any person in a bank or trust company designated by such person in writing shall be deemed to be the equivalent of payment into the hands of such person. Notwithstanding the foregoing, amounts held for the benefit of a Participant may be paid in accordance with a "qualified domestic relations order" as defined in Code §414(p) (or a domestic relations order entered before January 1, 1985 which, in the judgment of the Administrator, is entitled to be treated as a qualified domestic relations order), so long as the payment complies with Code §414(p). Notwithstanding the foregoing, amounts held for the benefit of a Participant may be paid in accordance with a domestic relations order, if required under applicable law. Notwithstanding the foregoing, a Participant's benefits under the Plan may be offset if the offset is permitted under applicable law.

12.9 EXCLUSIVE BENEFIT. The Trust Fund shall be held by the Trustee for the exclusive purpose of providing benefits to Participants and their beneficiaries and defraying reasonable expenses of administering the Plan. No part of the Trust shall ever inure to the benefit of the County prior to the satisfaction of all liabilities to all Participants and their beneficiaries, except that:

(a) Any contribution made to the Trust Fund by the County which is attributable to a mistake of fact may be returned to the County within one year after such contribution was made;

(b) All contributions shall be conditioned on the initial qualification of the Plan under Code §401, and if the Plan does not qualify, then such contributions may be returned to the County within one year after the date of denial of qualification of the Plan.

(c) If a return of contributions pursuant to the foregoing is due to a good faith mistake of fact or a good faith mistake in determining the deductibility of the contribution:

(i) The amount which may be returned to the County is the excess of the amount contributed over the amount that would have been contributed had there not occurred a mistake of fact or a mistake in determining the deduction; and

(ii) Earnings attributable to such excess contribution may not be withdrawn, but losses attributable thereto must reduce the amount to be returned.

(d) In the case of the termination of the Plan, any residual assets of the Plan shall be distributed to the County at the direction of the Administrator if all liabilities of the Plan to Participants and their Beneficiaries have been satisfied and the distribution does not contravene any provision of law.

12.10 STATUTE OF LIMITATIONS. No legal action may be commenced or maintained to recover benefits under this Plan more than 12 months after the final review/appeal decision by the Plan Administrator has been rendered (or deemed rendered).

**IN WITNESS WHEREOF**, as evidence of its adoption of this Plan, the County has caused this Plan to be executed, and, if a separate Trust agreement is not entered into between the County and the Trustee, the Trustee has joined herein to evidence its acceptance of the provisions of the Plan applicable to the Trustee, generally effective July 1, 2015.

| ATTEST/WITNESS: | **WASHINGTON COUNTY, MARYLAND** |
| --- | --- |
| ______________________________ | By:______________________________ |
| Print Name:______________________ | Title:______________________________ |
| | Print Name:________________________ |
| | Date:______________________________ |

## EXHIBIT 1

## TO THE

## EMPLOYEES' RETIREMENT PLAN OF WASHINGTON COUNTY

The following Non-Uniformed Participants Hired Prior to July 1, 2013 shall contribute at 5.5% of his or her Per-Pay Compensation:

Alidoosti,Sherry S

Ambrose,Pamela S

Anders,Donna K

Bair,Rodney A

Baker Jr,Durell W

Ballam,Stephanie L.

Barnes,Gregory L.

Barnhart,Dee A

Barr,John F

Beall,Brian R

Belew,Claude T

Bishop Sr,Rocky L

Bittinger,Sunni

Blubaugh,David W

Bockstanz,Wayne K.

Boden,Lucinda A

Bomar,Janis K

Bowers,Alicia B

Bowers,Kim L

Bowers,Rodney L

Brandenburg,Misti Sue

Braniff,Karie A.

Brown,Larry D.

Brown,Scott E.

Buchanan,Susan M

Buell,Joanne R

Bussard,Dwayne S

Calandrelle,Jamie L

Callaham,Ruth Anne

Campbell,Angela M

Camuti-Carranza,Elizabeth A

Cerrone,Kevin D

Cirincion,Regina M

Cline,Jeffrey A.

Coccodrilli Jr,Ronald R

Cole,Destini R.

Collins,Lucinda L

Cosey,John M.

Culler,Garrett E.

Culler,Vicki L.

Curry,Richard F

Davis,Mark D.

Deal,Curtis W.

Deal,Pamela S

Dean,Brandon J

Debes Jr,Leon M.

Decker,Jeffrey L

Deneen,David B

Derr,Ricky W

Dick,Michael E.

Dick,Shelly I

Divelbiss,John D

DiVito,Daniel F

Dorsey,Timothy H

Drake,Michael A

Drake,Philip A

Drenner,Pamela J.

Ebersole,David W

Eckard,Debra S

Eichelberger,Richard W

Elwood,Wade A.

Embly,Dennis W

Enderlin,Lisa D

Eshleman,Andrew E.

Faith,Donald L

Faith,Kimberly D

Farmer,Catherine I

Feigley,Dwayne E.

Feiser,Terrance L

Ferguson,Tina M

Flores,Michelle D

Foreman,Christine D

Gardiner,Jeffrey L

Garrett,Thomas W

Gaver,Richard L

Gist,Harold M

Glaze,Jamie L

Godlove II,Larry E

Golden,Terry L

Goodrich,Stephen T

Grabill,David L

Graham,George D

Greene,Todd E

Grim,Darin L

Gross Jr,David L.

Grove,Richard E

Gudmundson,John E

Hansen,Michele F

Harbaugh,Carmen A.

Harbaugh,Shawn M.

Hart,Leslie D

Hebb Jr,R. Graydon

Heil,Alicia A

Helfrick,Angela M

Helmer,Mary H

Helser III,Orville H

Hemphill,Kevin C.

Hershman,Robert A

Higgins,Richard W

Hill,Terry L.

Hixon,Daniel E

Hoffman,R Todd

Hoopengardner,Benjamin E.

Hoopengardner,Robert E

Hoover,Paul S.

Hottinger,Paul A.

Householder,Roy

Hovis,James B

Hyatt,Michael A.

Imes,Albert C.

Ingram,Stephen L.

Irwin,Terry R

Jamison,Patricia J.

Jamison,Warren R

Jenkins,James F

Jernigan,Sean E

Johns,Christine E

Johnson,Lisa J

Jones,Daniel P

Jones,Gregory L

Jones,Patricia M

Kelly,Lisa A.

Keltner,Bonnie L

Kidwell,Michael A
Kimble,Christopher D.
Kozal,Sarah M.
Kuhna,Joseph F
Levey,Barry J.
Levine,Douglas L
Lewis,Kevin L.
Lindley,Justin E
Lumm,Vicki C
Lung,Timothy A
Maginnis,Becky Jo
Mandley,Robert P
Manlove,Kimberly A.
Mann,Mark W.
Marks,Sherry M
Martz,Ricky L
McCammon,Tracy L.
McCormack,Christopher J
McKinley,William B.
Mellott,Jennifer L.
Mellott,John M
Melville,Laura K
Michael,Joseph S
Miller,Carol A
Miller,Cody L.
Mills,Cathy A
Mills,Shirley L
Moats,Janet K
Molina,Brandi N.
Mollett-Gaumer,Sarah M
Morris,Stanley N
Mowery,Samuel L
Moyseenko,Alexander M.
Mummert,Mark
Myers,Brian E
Myers,Mary F.
Naugle,Brandi J
Neisser,Bradley S.
Nelson,Mary A
Nelson,Michael W
Nugent,Frederick A.
Palmer II,Raymond D
Palmer Jr,Carl L.
Palmer,Frank T

Palmer,Steven G
Parker Jr,Edward L
Parkinson,David E
Pennesi,John J
Pensinger,Craig W
Pereschuk Sr,Earle R
Peyton,Debra I
Pfeiffer,Laurie D.
Phillips III,John W
Plank,Edwin L
Plante,Russell A.
Plummer,James P.
Poland IV,Bonn A.
Powell,Eric B
Priest,Tyler H.
Quillen Jr,Frank
Ramos-Izquierdo,Ramiro J
Rathvon,Joseph M.
Reedy,William T
Reynard Jr,Jackie L
Richards,Edward M
Ridenour,Phillip G
Ritter,Jill M
Robinson,Keith M.
Rohm,Karen S
Rohrer,William M
Rosenthal,Diane M.
Routzahn Jr,William A
Royce Jr,Warren E
Rozes,Arthur S
Rubeck,Gerald W
Rupert,Tina I
Rupp,Michelle E
Russ,Peggy
Ryan,Patricia A
Saville,Merle L.
Schlotterbeck,Kathy S
Shanholtz,Tony L
Shank,Darrell L.
Shank,Rebekah S.
Shank,Vinson V
Sharrar,Dyanne A
Sheeley,Chester C
Shifler,Alex M.

Shifler,Michael A

Shives,Jason E.

Shoemaker,Ernest W

Showe,Kenneth L.

Sipes,Calvin R.

Smith Jr,Robert L

Smith Sr,Thomas M.

Smith,Kenneth L.

Smith,Michelle L.

Smith,Robert J.

Smith,Teresa M

Smith,Terry L.

Snyder,Rodney E

Socks,David W

Spade,Heather A.

Spence,Linda A

Spickler,Greg E.

Spradlin,Homer A

Sprecher,Michael L

Sprecher,Robert R.

Spring,Jessica L

Squibb Sr,Patrick J.

Sterling,James L

Stevens,Richard R

Stockslager,Herman E

Stone,Stephanie M

Stotelmyer,Steven R.

Stouffer,Terry W

Stransky,Mark E

Stratton,Darlene K

Strock III,Harry E

Strong Jr,Charles P

Summers,Charles R.

Sutton,Joe L

Swartz,Joshua D

Swauger Jr,John W.

Thomas,Jessica M.

Thompson,Lockie J

Timmons,Dwayne E.

Triggs,Monte H.

Turnbull,David

Wachter,Lucinda D

Ward,Jerry L

Weller,Tonya L

Whitacre,Jeffrey L

White III,Thornton F

Whitman,John B

Whitt,Ronald N

Whittington Jr,Robert L

Wilhide,Pamela S

Wilson,Brett R

Wolfe Jr,Emanuel E

Wolfensberger,James G.

Woods,Bardona J

Worden,John A.

Wright,Brenda K

Wyand,Andrea C

Yates,Vicky L.

Yetter,Mark

Yost,Pamela S.

Young,Richard A.

Younker,Samuel L

Yutzy,Davina E

## EXHIBIT 2

## TO THE

## EMPLOYEES' RETIREMENT PLAN OF WASHINGTON COUNTY

All Non-Uniformed Participants Hired Prior to July 1, 2013 and not identified on Exhibit 1 shall contribute at 6.0% of his or her Per-Pay Compensation.

**SCHEDULE A**

**TO THE**

**EMPLOYEES' RETIREMENT PLAN OF WASHINGTON COUNTY**

I. 2011 Early Retirement Incentive

(a) (1) Effective July 1, 2011 each Participant listed in Section I(b) below who satisfies the eligibility criteria set forth in Section I(a)(2) and who elects to retire will receive the early retirement window benefit provided for in this Section I and referred to as the "2011 Early Retirement Incentive".

(2) Each Participant who has reached his or her Early Retirement Date is eligible for the 2011 Early Retirement Incentive. An election to retire and receive the 2011 Early Retirement Incentive must be made pursuant to the rules and procedures established by the County in its discretion.

(3) Except as provided in this Section I, all references in the Plan to the calculation of the Participant's Accrued Benefit or retirement benefit shall be interpreted to include the 2011 Early Retirement Incentive provided for in this Schedule A, if applicable.

(4) Each Participant listed in Section I(b) below shall be entitled to have his or her benefit calculated under the terms of the Plan as though he or she has up to three (3) additional Years of Service (but not in excess of the minimum Years of Service needed to reach Normal Retirement Age).

(b) The following Participants have elected and are entitled to receive the 2011 Early Retirement Incentive described in Section I(a): Steven L. McCarty, Dennis W. Minnick, Terrence N. Taylor, Michael C. Thompson, William V. Stachoviak, Paula A. Blenard, Ronald R. Laughman, John W. Lehman, Kelly Reynard, J. Rob Smith, and Victoria L. McKenzie

II. 2015 Early Retirement Incentive

(a) (1) Effective January 1, 2015 each Participant listed in Section II(b) below who satisfies the eligibility criteria set forth in Section II(a)(2) will receive the early retirement window benefit provided for in this Section II and referred to as the "2015 Early Retirement Incentive". The 2015 Early Retirement Incentive shall be in addition to any other benefit that the Participant may be entitled to under the Plan.

(2) Each Participant who is within three years of his or her Normal Retirement Date is eligible for the 2015 Early Retirement Incentive. An election made to retire and receive the 2015 Early Retirement Incentive must be made by January 8, 2015 pursuant to the rules and procedures established by the County in its discretion.

(3) Notwithstanding any other provision of the Plan to the contrary, a Participant who wishes to retire on account of reaching Normal Retirement Age, but who does not have the necessary Years of Service, may elect to exchange unused sick leave for additional Years of Service applied to render the Participant eligible for Normal Retirement or eligible for the 2015 Early Retirement Incentive as described in Section II(a)(2). The Years of Service credited under this Section II(a)(3) shall count for both eligibility to participate in the 2015 Early Retirement Incentive and for Years of Service for benefit accrual purposes. Such Participant may not exchange unused sick leave beyond the minimum number of Years of Service needed to reach Normal Retirement Age. Notwithstanding anything else in the Plan to the contrary, any remaining unused sick leave will be forfeited under the Plan. An election to exchange unused sick leave must be made pursuant to the rules and procedures established by the County in its discretion.

(4) Except as provided in this Section II, all references in the Plan to the calculation of the Participant's Accrued Benefit or retirement benefit shall be interpreted to include the 2015 Early Retirement Incentive provided for in this Schedule A, if applicable.

(5) Participation in the 2015 Early Retirement Incentive Program shall not impact a Participant's eligibility to participate in the DROP set forth in Article 6 or to receive an in-service retirement benefit as set forth in Article 6A.

(6) Each Participant listed in Section II(b) below shall be entitled to have his or her benefit calculated under the terms of the Plan as though he or she has up to three (3) additional Years of Service (but not in excess of the minimum Years of Service needed to reach Normal Retirement Age).

(b) The following Participants have elected and are entitled to receive the 2015 Early Retirement Incentive described in Section II(a):

Crumbacker, Patsy
Robinson, Keith
Rohrer, William M
Shoemaker Ernest
Wolfensberger, James
ENTERED DROP/ISRP
Artz, Kim
Baker, Durell
Barnhart, Kenneth
Bishop Rocky L. Sr.

Bockstanz, Wayne
Bowers, Kim
Buchanan, Johnny
DiVito, Daniel
Ebersole, Ricky
Faith, Daniel
Foltz, Linda
French, Shane
Gist, Harold
Hardy, Ronald
Householder, Roy
Kain, John
Kline, Ricky
Kroboth, Kathy
Murray, Debra
Overcash, Arthur
Plummer, James P
Reid, Craig
Saville, Merle
Schlotterbeck, Terry
Snyder, Rodney
Stone, Stephanie
Stratton, Darlene K
Whitman, John
Whitt, Ron
Whittington, Darrell
Woods, Bardona
Yates, Vicky

COPY

ATTACHMENT NO. 7

# WASHINGTON COUNTY, MARYLAND
# VOLUNTEER LENGTH OF SERVICE AWARD PROGRAM

Effective as of July 1, 1998

Adopted by Board of County Commissioners
On September 26, 2000

Amended by Board of County Commissioners
On December 18, 2007 with Amendments
effective January 1, 2007.

WASHINGTON COUNTY, MARYLAND
VOLUNTEER LENGTH OF SERVICE AWARD PROGRAM

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WASHINGTON COUNTY, MARYLAND
VOLUNTEER LENGTH OF SERVICE AWARD (LOSAP)

Effective as of July 1, 1998

## ARTICLE I
## INTRODUCTION AND PURPOSE OF PLAN

1.1 ESTABLISHMENT OF PLAN. Washington County, Maryland (the "County") hereby establishes the Washington County, Maryland Volunteer Length of Service Award Program (the "Plan"), effective as of July 1, 1998. The Plan shall be maintained for the exclusive benefit of Eligible Volunteers who are active members of one or more Washington County fire, rescue, or emergency medical services, or support organizations approved by the Washington County Board of County Commissioners. The Plan is intended to comply with the length of service award plan requirements under section 457 (e) (11) of the Internal Revenue Code of 1986, as amended, and regulations thereunder, and with the length of service award program requirements under the Maryland State Income Tax Subtraction Modification Program (Md. Tax Gen. Code Annotated section 10-208 (I-1)), as amended, and regulations thereunder.

1.2 PURPOSE OF PLAN. The purpose of this Plan is to provide Eligible Volunteers who become covered under the Plan with retirement, disability, and death benefits Participation in this Plan shall not be construed to establish or create an employment contract between any Eligible Volunteer and the County.

1.3 FALSIFICATION OF INFORMATION. Any person who knowingly makes or causes any false statement or report to be made in any application or in any document required under this Plan may be subject to a fine of $1,000 under the Maryland Tax-Gen. Code Annotated section 10-208. Any person who knowingly makes or causes any false statement or report to be made regarding any application, document, or other reporting required under this Plan shall be subject to loss of benefits accrued as a result of the false statement or report and shall also be subject to loss of all possible future benefits under the Plan subsequent to the date of the false statement or report.

## ARTICLE II
## DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings as set forth in this Article unless a different meaning is clearly required by the context.

2.1 ACTIVE VOLUNTEER means an Eligible Volunteer who earned at least fifty (50) points in the prior Service Year under the Point System established pursuant to Article VI.

2.2 ACTIVE LOSAP SERVICE CREDIT means credit for a Service Year in which the volunteer is classified as an Active Volunteer (i.e., the volunteer has accumulated a minimum of fifty (50) points under the Point System established pursuant to Article VI).

2.3 ACTUARIAL (LY) EQUIVALENT OR EQUIVALENT ACTUARIAL VALUE means the dollar value of any benefit on a specified date.

2.4 ADMINISTRATOR means the individual or committee responsible for administration of the Plan pursuant to Article VII.

2.5 BENEFICIARY(IES) means the person, person(s), or legal entity entitled to receive benefits under this Plan which become payable in the event of the Participant's death. A Participant's Beneficiary(ies) under the Plan shall be the Participant's spouse, if then living, but otherwise shall be the Participant's then living children under the age of eighteen (18), if any, per capita.

2.6 BOARD OF COMMISSIONERS means the Board of Commissioners of Washington County, Maryland.

2.7 BREAK(S) IN SERVICE shall occur in any Service Year in which an Eligible Volunteer is not classified as an Active Volunteer (i.e., is an Inactive Volunteer).

2.8 CODE means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

2.9 COMPANY means a bona fide County fire, rescue or emergency medical services organization participating under the Plan.

2.10 COUNTY means Washington County, Maryland.

2.11 ELIGIBLE VOLUNTEER. An individual is an Eligible Volunteer fire, rescue or emergency medical services member for the purpose of this Plan if the individual:

(a) is a member of a bona fide Washington County fire, rescue or emergency medical services organization

(b) serves in a volunteer capacity without compensation, except nominal expenses or meals;

(c) has at any time earned a minimum of (1) point under the Point System established pursuant to Article VI; and

(d) is sixteen (16) years of age or older, or has earned at any time a minimum of (1) point under the Point System established pursuant to Article VI prior to reaching the age of sixteen (16) years.[1]

[1] The intent of 2.11(d) is that a person is generally not to be considered an Eligible Volunteer until the person reaches

2.12 INACTIVE VOLUNTEER means an Eligible Volunteer who did not earn a minimum of fifty (50) points in the prior Service Year under the Point System established pursuant to Article VI.

2.13 MARYLAND CODE means the Annotated Code of Maryland, as amended, and the regulations thereunder.

2.14 NORMAL BENEFIT ELIGIBILITY AGE means age sixty-two (62).

2.15 PARTICIPANT means an Eligible Volunteer who participates in the Plan as provided in Article 3, a Retired Volunteer receiving benefits under Section 4.2, or an Active Volunteer receiving Disability benefits under Section 4.5.

2.16 PHOTO TEAM MEMBER means any member of the Photo Team Committee of the Washington County Volunteer Fire and Rescue Association.

2.17 PLAN means the Washington County, Maryland Volunteer Length of Service Award Program as it may be amended from time to time.

2.18 PLAN COMMITTEE (OR COMMITTEE) shall be composed of seven members: County Commissioner, County Administrator, Human Resources Director, Director of Budget & Finance, Director of Emergency Services, County Attorney or designee, and the two (2) County Points Coordinators of the Washington County Volunteer Fire & Rescue Association, or their designee.

2.19 POINT SYSTEM means the Washington County Point System established under Article VI of the Plan.

2.20 RETIRED VOLUNTEER means an Eligible Volunteer currently receiving benefits under Sections 4.2 of the Plan.

2.21 SERVICE YEAR means the calendar year.

## ARTICLE III
## ELIGIBILITY

3.1 ELIGIBILITY. Each Eligible Volunteer shall be eligible to participate in the Plan.

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the age of 16. However, a person who has earned at least 1 LOSAP point prior to December 18, 2008 shall be considered and shall continue to be considered an Eligible Volunteer irrespective of age if all other 2.11 criteria are met.

ARTICLE IV
BENEFITS

4.1 BENEFITS UNDER THE PLAN. No benefits under the Plan shall be paid prior to January 1, 2007.

4.2 BENEFIT ELIGIBILITY.

(a) Normal Eligibility Benefit. Effective January 1, 2007, an Active Volunteer who has (1) attained Normal Benefit Eligibility Age and (2) completed a minimum of twenty-five (25) years of Active LOSAP Service Credit, shall receive until his or her date of death a monthly benefit payment of two hundred dollars ($200), or may elect such Actuarially Equivalent alternate form of benefit as may be available under Section 4.4 of the Plan. Benefit payments shall begin on January 1 coincident with or next following the date on which the Active Volunteer meets the eligibility criteria under this Section and shall be made directly to the Active Volunteer.

(b) Supplemental Benefit. Effective January 1, 2007, in addition to the benefit provided under Section 4.2 (a) above, the Active volunteer shall receive until his or her date of death and additional monthly benefit payment of fifteen dollars ($15) for each additional year of Active LOSAP Service Credit in excess of twenty-five (25) years, not to exceed a combined monthly payment under Sections 4.2 (a) and (b) of three hundred and fifty dollars ($350), or, if elected under Section 4.2 (a) above, shall receive the Actuarially equivalent form of benefit elected under Section 4.2 (a) above. Any benefit payments under this Section 4.2 (b) shall begin on or about the January 1 coincident with or next following the Active Volunteer's completion of each such additional year of Active LOSAP Service Credit in excess of twenty-five (25) years.

(c) Age 70 Benefit Eligibility. Effective January 1, 2007, an Active Volunteer who attains age seventy (70), but has not been credited with twenty-five (25) or more years of Active LOSAP Service Credit, shall receive until his or her date of death a monthly benefit payment equal to A multiplied by B, where A equals the Active Volunteer's number of years of Active LOSAP Service Credit and B equals eight dollars ($8), or may elect such Actuarially Equivalent alternative form of benefit as may be available under Section 4.4 of the Plan.

Following the Active Volunteer's attainment of age seventy (70), benefit payments under this Section shall begin on or about the January 1 coincident with or next following the date on which the Active Volunteer meets the eligibility criteria under this Section and shall be made directly to the Active Volunteer.

Notwithstanding the preceding, if an Active Volunteer receiving benefits under this Section 4.2 (c) subsequently becomes eligible for benefits under Section 4.2(a) of the Plan (i.e. is credited with twenty-five (25) or more years of Active LOSAP Service Credit), benefit payments under Section 4.2 (c) shall cease and the Active Volunteer's benefit shall be determined under Sections 4.2 (a) and (b) of the Plan.

(d) Code section 457 (e) (11) limitation. Notwithstanding any provision of this Plan to the contrary, the aggregate amount of length of service award accruing under the Plan for any Eligible Volunteer with respect to any Service Year shall not exceed three thousand dollars ($3,000), as provided under Code section 457 (e) (11) (B) (ii).

4.3 DEATH BENEFITS.

(a) Death Prior to Commencement of Benefits. If an Active Volunteer who has (1) attained Normal Benefit Eligibility Age and (2) completed a minimum of twenty-five (25) years of Active LOSAP Service Credit, dies prior to commencement of benefits under the Plan, a "Survivor Benefit" shall be paid to the Active Volunteer's Beneficiary(ies). The Survivor Benefit shall be a monthly benefit payment equal to (A) plus (B) where: (A) equals one hundred and fifty dollars ($150); and (B) equals (i) the deceased Active Volunteer's number of years of Active LOSAP Service Credit in excess of twenty-five (25) years, multiplied by (ii) eleven dollars and twenty-five cents ($11.25), not to exceed a total monthly benefit payment of two hundred and sixty two dollars and fifty cents ($262.50) (i.e., seventy-five percent (75%) of the retirement benefit which would have been paid to the Active Volunteer under Sections 4.2 (a) and (c) above).

Any such Survivor Benefit paid to the Participant's spouse shall terminate upon the death or remarriage of the spouse. Upon the death or remarriage of the spouse, the Survivor Benefits shall cease and shall not be paid further to the child(ren) of the Participant. Any such Survivor Benefit paid originally to a Participant's child(ren) shall terminate with respect to each such child upon the earliest of the following: the death of the child; the marriage of the child; or the child's attainment of age eighteen (18). Upon the termination of such Survivor Benefits to a child, the amount paid to another child shall not be increased as a result of the termination.

(b) Death After Benefits Begin. If the Participant dies while receiving benefits under Section 4.2 of the Plan, the remaining interest, if any, shall be distributed pursuant to the form in which the Participant's interest was being paid prior to the Participant's death.

(c) Burial Benefit. In the event of an Eligible Volunteer's death, irrespective of whether the Eligible Volunteer is married or not, or whether the Eligible Volunteer has children or not, the Plan shall pay burial benefit of four thousand dollars ($4,000) to the surviving spouse, any surviving child(ren), or the estate of the Eligible Volunteer, at the discretion of the Plan Administrator, to be used solely for burial, cremation and/or funeral expenses if:

(i) the Eligible Volunteer's death occurs during the course of his or her service as a volunteer, while actively engaged in providing volunteer services, and the Eligible Volunteer's death is the direct result of providing such volunteer services (i.e., the Eligible Volunteer dies "in the line of duty"), as determined by the Administrator in its sole and absolute discretion;

(ii) the Eligible Volunteer's death occurs on or after January 1, 2000; and

(iii) the estate of the Eligible Volunteer provides proof of such costs or payments made to the satisfaction of the Human Resources Director of Washington County. At its discretion, the Department of Human Resources of Washington may pay such costs directly to a service provider.

Any such benefit shall be paid without regard to the Active Volunteer's length of service or attainment of Normal Benefit Eligibility Age.

4.4 FORMS OF BENEFIT.

(a) Normal Form of Benefit. A Participant's normal monthly benefit payment, if any, as determined under Section 4.2, shall be paid for the Participant's lifetime. Upon the Participant's death, all payments shall cease.

(b) Actuarial Equivalent Value Options. In lieu of receiving the monthly benefit payment provided in Section 4.2 above, a Participant may elect (as provided in (d), below) to receive his or her Plan benefit payable in accordance with one of the following options, which options are Actuarially equivalent to the benefit to which the Participant was entitled under Section 4.2. The options available to a Participant are a joint and 50%, 75%, or 100% survivor annuity. Notwithstanding the proceeding, any such joint and survivor annuity shall be payable only to the Participant's Beneficiary(ies), as defined under Section 2.5 of the Plan.

(c) Lump Sum. A Participant may not elect to receive his/her benefit in the form of a lump sum payment.

(d) Election of Options. An election of an optional benefit form under Section 4.4 (b) above must be in writing (on a form provided by the Administrator) filed with the Administrator prior to the commencement of benefit payments. If no election is made, then the normal form of benefit m Section 4.4 (a) will be deemed to have been elected by the Participant. Once an election of an optional benefit form has been made and filed with the Administrator or has been deemed to have been made, and unless it is rescinded or changed before the commencement of benefit payments or before the purchase of an annuity that will pay the Participant's benefits, it cannot be rescinded or changed by the Participant.

4.5 SERVICE CONNECTED DISABILITY BENEFIT. An Eligible Volunteer shall be eligible to receive for the duration of his or her Disability, a monthly benefit payment of two hundred dollars ($200), and/or such additional benefit(s) to which he or she may be entitled under the Plan (e.g., Burial Benefit), if he or she:

(a) is not eligible for retirement benefits under Section 4.2; and

(b) becomes disabled, as defined below, on or after January 1, 2007; and

(c) such Disability occurs during the course of his or her service as a volunteer and while actively engaged in providing volunteer services (i.e., the Eligible Volunteer becomes Disabled "in the line of duty") (as determined by the Administrator in its sole and absolute discretion).

Any such benefit shall be paid without regard to the Eligible Volunteer's length of service or attainment of Normal Benefit Eligibility Age. Benefit payments shall begin on the first day of this first month coincident with or next following the date on which he or she is classified as Disabled.

An Eligible Volunteer shall be classified as "Disabled" if he or she establishes to the satisfaction of the Administrator that he or she is unable to engage in any substantially gainful activity because of a medically determinable physical or mental impairment which can be expected to result in death or to be of long and indefinite duration and which constitutes total disability for purposes of Social Security benefits. Evidence of Disability shall include the certificate of a competent licensed physician selected by the Eligible Volunteer and approved by the Administrator which confirms that the Eligible Volunteer Disabled as defined herein.

4.6 NON-SERVICE CONNECTED DISABILITY. An Eligible Volunteer shall be eligible to receive the balance of their 50 points for the year that they become disabled and 50 points for each following year in which the participant is disabled if he or she:

(a) is not eligible for retirement benefits under Section 4.2; and

(b) was an active volunteer at the time of disability, as defined under Section 2.1; and

(c) has at least 12 or more years of LOSAP service; and

(d) the disability was not incurred while actively engaged in providing Fire/EMS Services; and

(e) the volunteer has been approved for Social Security Disability payments.

Evidence of Disability shall include the certificate of a competent licensed physician selected by the Eligible Volunteer and approved by the Administrator, as well as documentation verifying approval for Social Security Disability benefits.

Non-service connected disability credit shall continue until the participant is no longer considered eligible for Social Security disability benefits, until he/she has accumulated a total maximum of 25 years of LOSAP service credit, or he/she attains the age of 62, whichever is earlier.

4.7 PAYMENTS TO MINORS AND INCOMPETENTS. If the Administrator shall receive evidence satisfactory to it (a) that a Participant or Beneficiary entitled to receive any benefit under this Plan is, at the time when such benefit becomes payable, a minor, or is physically or mentally incompetent to receive such benefit and to give a valid release therefor, (b) that another person or an institution is then maintaining or has custody of such Participant or Beneficiary, and (c) that no guardian, committee or other representative of the estate of such Participant or Beneficiary has been duly appointed, the Administrator may make payment of the benefit otherwise payable to such Participant or Beneficiary to such other person or institution, including a custodian under a Uniform Gifts to Minors Act or corresponding legislation (who shall be an adult, a guardian of the minor or a trust company), and the release given by such other person or institution shall be a valid and complete discharge for the payment of such benefit.

4.8 MISSING PARTICIPANTS. The Administrator shall make a reasonable effort to locate all persons entitled to benefits under the Plan. Should the Administrator be unable to locate any person entitled to benefits, such benefits shall be payable to such person at any future date that such person is located by the Administrator. Before the Administrator can deem that a person cannot be located, the Administrator shall send a certified letter to such person at his or her last known address advising the person that benefit payments shall be suspended unless the person responds to such certified letter.

4.9 COMPLETION OF SERVICE REQUIREMENT PRIOR TO NORMAL BENEFIT ELIGIBILITY AGE. Effective on or after January 1, 2007, in the event an Eligible Volunteer is credited with twenty-five (25) years of Active LOSAP Service Credit prior to attaining Normal Benefit Eligibility Age, the volunteer shall be eligible to receive benefits under Section 4.2 on the date he or she attains age sixty-two (62).

## ARTICLE V
## PLAN FUNDING

5.1 FUNDING. The Plan shall be funded by a means set forth by the Board of Commissioners.

## ARTICLE VI
## WASHINGTON COUNTY POINT SYSTEM

6.1 RECORDKEEPING.

(a) Volunteer Company Responsibility. It shall be the responsibility of each participating Volunteer Company to:

(i) maintain complete and accurate membership records on all Company volunteers, including, but not limited to, the volunteer's full name, address, entry date, social security number, date of birth, and total Service Years; and

(ii) maintain accurate hourly time information on all Company volunteers participating in the point system; and

(iii) appoint a LOSAP Coordinator (the "Coordinator") and the Alternate (the "Alternate"), who must be sworn-in by the Circuit Court of Maryland; and

(iv) report the names and phone numbers of the Coordinator and Alternate to the LOSAP Committee of the Washington County Volunteer Fire & Rescue Association, Inc. (the "Association") each Service Year or whenever a vacancy is filled; and

(v) provide each Eligible Volunteer with approved certification to obtain benefits; and

(vi) post, in a prominent location in the Company facility, a monthly report of Points awarded to each Eligible Volunteer; and

(vii) submit detailed and accurate quarterly and annual records for each member of the Company on approved forms prescribed by the Association and submitted with such frequency and subject to such rules as the Association may establish; and

(viii) on or before each January 15 of each Service Year, furnish to LOSAP Committee of the Association a detailed list, in the format prescribed by the Association, certifying all Eligible Volunteers of the Company who have qualified as Active Volunteers for the prior Service Year, including, but not limited to the members' names, ages and previous credits earned and providing a report as to which Eligible Volunteers are administrative personnel and which Eligible Volunteers are operational personnel; and

(ix) to resolve all conflicts and disputes regarding the information reported within this Section 6.1 (a) within thirty (30) days and disseminate the outcome to the volunteer and the Association in writing on the forms required by the Association; and

(x) to verify all documents submitted for the Point System.

(b) <u>Volunteer Responsibility.</u> It shall be the responsibility of each Eligible Volunteer to:

(i) make application to his or her volunteer Company to be included under the Washington County Point System (the "Point System") on such forms and in such manner as may be required by the County; and

(ii) verify that he or she has been included under the Point System, and that all personal information is correct and current;

(iii) accurately complete all forms required to tabulate points and submit such forms to the Company;

(iv) verify that all points are accumulated and accounted for on a quarterly basis;

6.2 <u>EARNING LOSAP POINTS UNDER THE POINT SYSTEM.</u> To qualify as an Active Volunteer for each Service Year, points must be earned in at least two (2) of the seven (7) categories listed under Section 6.3 of this Article.

If an Eligible Volunteer has service in more than one Company, the Eligible Volunteer shall receive Active LOSAP Service Credit for the service in each organization provided that not more than one (1) year's Active LOSAP Service Credit may be granted for each Service

Year of volunteer service.

6.3 SERVICE CREDIT POINTS. Points shall be credited to each Eligible Volunteer in accordance with the following:

(a) Formal Training. One half (1/2) point shall be awarded for each hour, to a maximum of twenty-five (25) points per Service Year, for the following:

(i) Maryland Fire and Rescue Institute courses;

(ii) Maryland Institute for Emergency Medical Services Systems classes:

(iii) Maryland Emergency Management Agency classes;

(iv) Municipal Training Academies;

(v) Washington County Volunteer Fire and Rescue Association classes;

(vi) National Fire Academy classes;

(vii) Emergency Management Institute classes;

(viii) approved college and university classes (coursework must be pre-approved by the LOSAP Committee of the Association);

(ix) American Red Cross classes;

(x) American Heart Association classes;

(xi) approved Maryland State Police classes (coursework must be pre-approved by the LOSAP Committee of the Association);

(xii) National Flight Paramedic Association classes;

(xiii) other approved Fire, EMS, and Rescue related courses or seminars (approved by the LOSAP Committee of the Association);

(b) Drills. One (1) point shall be awarded for each two (2) hours of training, to a maximum of twenty (20) points per Service Year, for the following:

(i) in-service type training classes.

(c) Standby. One (1) point shall be awarded for each four (4) hours on standby, to a maximum of twenty (20) points per Service Year, for the following:

(i) standby at the Station/Rostered Duty Crew, available to respond to an alarm (standby credit to be awarded only if no credit is received for an alarm);

(ii) Company approved sleep in standby;

(iii) public service standby.

(d) Elected/Appointed Positions. Twenty-five (25) points shall be awarded for each full calendar year of service, to a maximum of twenty-five (25) points per Service Year, for the service in the following positions:

(i) Administrative Officer;

(ii) Operations Officer;

(iii) Committee or Board Chairmen;

(iv) Committee or Board Member;

(v) Fire Police (considered an appointed office for purposes of the point system and shall receive 25 points for a full year of service)

(vi) Photo Team Member (considered an appointed office for purposes of the point system and shall receive 25 points for a full year of service)

Points for meeting attendance and approved collateral duties under Sections 6.3 (e) and (0 shall not be awarded to elected or appointed officials if such meeting attendance and/or collateral duties are directly related to an official's elected or appointed position.

(e) Meetings. One (1) point shall be awarded for each meeting attended, to a maximum of twenty-five (25) points per Service Year, for the following:

(i) Company meetings;

(ii) County Association meetings;

(iii) Maryland State Firemen's Association meetings;

(iv) Committee or Board Meetings of the Company, County, or Maryland State Firemen's Association.

(f) Alarms. One (1) point shall be awarded for each response to an alarm, to a maximum of forty (40) points per Service Year, for the following:

(i) Alarm Response;

(ii) Station Response during an Alarm.

(g) Approved Collateral Duties. One (1) point shall be awarded for each three (3) hours of service, to a maximum of twenty-five (25) points per Service Year, for the following:

(i) any approved fund raising project;

(ii) approved fire prevention activities;

(iii) administrative duties;

(iv) computer data entry;

(v) computer programming;

(vi) computer maintenance;

(vii) apparatus/equipment maintenance;

(viii) approved work detail.

6.4 CREDIT FOR SERVICE AFTER JANUARY 1, 1996 BUT PRIOR TO JANUARY 1, 2000

(a) In order to provide Active LOSAP Service Credit for Service Years prior to the Effective Date of the Plan, but after January 1, 1996, each Company shall review the monthly and annual records for each member of the Company as reported to the LOSAP Committee of the Association for each such Service Year. The volunteer shall receive one (1) year of Active LOSAP Service Credit toward eligibility for benefits for each Service Year in which the volunteer was credited with fifty (50) or more points and was classified by the Association as an Active Volunteer. In making this analysis, the standards for active service in this Plan shall be used as guidelines. Approval for each year of Active LOSAP Service Credit shall be certified by the Executive Officer(s) and the LOSAP Coordinator of the Eligible Volunteer's Company (as designated under Section 6.1 (a) (iv)).

(b) If an Eligible Volunteer has service in more than one Company, the Eligible Volunteer shall receive Active LOSAP Service Credit for the service in each organization provided that not more than (1) year's Active LOSAP Service Credit may be granted for each Service Year of volunteer service.

NOTE: The WCVFRA LOSAP Committee completed this process with the deadline for appeal being June 30, 1999. The process for verifying past credited service is now complete.

6.5 CREDIT FOR SERVICE PRIOR TO JANUARY 1. 1996.

(a) In order to provide Active LOSAP Service Credit for service prior to January 1, 1996, each Company shall review its past and present membership rosters to determine the number of years of Active LOSAP Service Credit to which each Eligible Volunteer is entitled. In making this analysis, the standards for active service shall be used as guidelines. Approval for each year of Active LOSAP Service Credit shall be certified by the Executive Officer(s) and the LOSAP Coordinator of the Eligible Volunteer's Company (as designated under Section 6.1(a) (iv)).

(b) If an Eligible Volunteer has service in more than one Company, the Eligible Volunteer shall receive Active LOSAP Service Credit for the service in each organization provided that not more than one (1) year's Active LOSAP Service Credit may be granted for each Service Year of volunteer service.

(c) Any individual who can document Active Volunteer service prior to January 1, 1996, will receive credit for Active Volunteer service toward eligibility for benefits, as set forth above. Any such service credit shall be limited to a maximum of twenty (20) years.

If records are unavailable, the certification of the Eligible Volunteer's Active LOSAP Service Credit may be made by the Company after thorough investigation, and on the best information, knowledge and belief of the Executive Officers of the Company. The Executive Officers and the LOSAP Coordinator for each volunteer Company must certify that the individual was an Active Member for each Service Year for which the individual seeks prior service credit.

NOTE: The WCVFRA LOSAP Committee completed this process with deadline for appeal being June 30, 1999. The process for verifying past credited service is now complete.

## ARTICLE VII
## ADMINISTRATION

7.1 PLAN ADMINISTRATOR. The Plan Committee as defined in Article 2, Section 2.17 shall be the Plan Administrator. Members of the committee, if otherwise eligible, may participate in the Plan, but shall not be entitled to make decisions solely with respect to his or her own participation. Such decisions shall be made by the Board of Commissioners.

7.2 POWERS AND RESPONSIBILITIES. The Administrator shall have the following powers and responsibilities:

(a) Under advice of counsel, who may be counsel to the County or counsel of its own selection, construing the Plan, and remedying any ambiguities, inconsistencies, or omissions.

(b) Determining all questions relative to the eligibility of volunteers to be Participants and the benefits of Participants or Beneficiaries.

(c) Establishing, interpreting, amending, and revoking reasonable rules for the administration of the Plan.

(d) Maintaining appropriate records relating to Participants and their Beneficiaries.

(e) Delegating ministerial duties and employing such outside professionals as may be required for prudent administration of the Plan.

(f) Preparing and filing such reports with respect to the Plan as may be required by law.

(g) Performing other duties necessary for the administration of the Plan which appear to the Administrator to be necessary or appropriate in order properly to administrator and operate the Plan.

The Administrator shall discharge its duties for the exclusive purpose of providing benefits hereunder and defraying the reasonable expenses of operating the Plan and with the skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

In carrying out its duties herein, the Administrator shall have discretionary authority to exercise all powers and to make all determinations, consistent with the terms of the Plan, in all matters entrusted to it, and its determinations shall be given deference and shall be final and binding on all interested parties.

7.3 ADVICE. The Administrator may secure specialized advice or assistance as it deems necessary or desirable in connection with the administration and operation of the Plan and shall be entitled to rely conclusively upon, and shall be fully protected in any action or omission taken by it in good faith reliance upon, any advice or opinion so obtained.

7.4 DELEGATION. The Administrator shall have the power and authority to delegate from time to time by written instrument all or any part of its duties, powers or responsibilities under the Plan, both ministerial and discretionary, as it deems appropriate, to any person, and in the same manner to revoke any such delegation of duties, powers or responsibilities. Any action of such person in the same manner to revoke in the exercise of duties, powers or responsibilities delegated to such person shall have the same force and effect for all purposes hereunder as if such action had been taken by the Administrator. Further, the Administrator may authorize one or more persons to execute any certificate or document on behalf of the Administrator, in which event any person notified by the Administrator of such authorization shall be entitled to accept and conclusively rely upon any such certificate or document executed by such person as representing action by the Administrator until such third person shall have been notified of the revocation of such authority. Except to the extent required by law, the Administrator shall not be liable for any act or omission of any person to whom any duties, powers or responsibilities have been delegated have any liabilities with respect to any duties, powers or responsibilities not delegated to such person, except to the extent required by law.

7.5 LIABILITY: INDEMNIFICATION. No member of the Administrator shall incur any liability: (i) by virtue of any contract, agreement, bond or other instrument made or executed by the member or on the member's behalf as a member of the Administrator, (ii) for any act or failure to act, or any mistake or judgment made by the member, with respect to the business of the Plan, unless resulting from the member's gross negligence or willful misconduct, or (iii) for the neglect, omission or wrongdoing of any other member of the Administrator or of any person employed or retained by the Administrator. The County shall indemnify and hold harmless each member of the Administrator from the effects and consequences of the member's acts, omissions and conduct with respect to the Plan, except to the extent that such effects and consequences of the member's own willful misconduct or gross negligence. The foregoing right to indemnification shall be in addition to such other rights as the Administrator may enjoy as a matter of law or by reason of insurance coverage of any kind. In all computations, the Administrator shall be entitled to rely fully upon data furnished by the County and upon information furnished it by or on behalf of a Volunteer or Volunteers.

7.6 COMPENSATION. The Administrator shall serve without compensation.

## ARTICLE VIII
## DISPUTED CLAIMS PROCEDURE

8.1 DISPUTED CLAIMS PROCEDURE. Any person claiming a benefit under the Plan (a "Claimant") shall present the claim, in writing, to the Administrator and the Administrator shall respond in writing.

The written notice denying or granting the Claimant's claim shall be provided to the Claimant within ninety (90) days after the Administrator's receipt of the claim, unless special circumstances require an extension of time for processing the claim. If such an extension is required, written notice of the extension shall be furnished by the Administrator to the Claimant within the initial ninety (90) day period and in no event shall such an extension exceed a period of ninety (90) days from the end of the initial ninety (90) day period. Any claim not granted or denied within the period noted above shall be deemed to have been granted.

Any Claimant whose claim is denied, or deemed to be denied under the preceding sentence, (or such Claimant's authorized representative) may, within sixty (60) days after the Claimant's receipt of notice of the denial, or after the date of the deemed denial, request by notice given, in writing, to the Administrator. Upon such a request for review, the claim shall be reviewed by the Administrator (or its designated representative) which may, but shall not be required to, grant the Claimant a hearing. In connection with the review, the Claimant may have representation, may examine documents, and may submit issues and comments in writing.

The decision on review normally shall be made within sixty (60) days of the Administrator's receipt of the request for review. If an extension of time is required due to special circumstances, the Claimant shall be notified, in writing, by the Administrator, and the time limit for the decision on review shall be extended to one hundred twenty (120) days. The decision on review shall be in writing. The written decision on review shall be given to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) time limit discussed above. If the decision on review is not communicated to the Claimant within the sixty (60) day (or, if applicable, the one hundred twenty (120) day) period discussed above, the claim shall be deemed to have been denied upon review. All decisions on review shall be final and binding with respect to all concerned parties.

## ARTICLE IX
## AMENDMENT OR TERMINATION OF PLAN

9.1 AMENDMENT OF PLAN. The Board of Commissioners shall have the right to amend the Plan, at any time and from time to time, in whole or in part, including, but not limited to, amending the form of benefits or increasing or reducing benefit amounts hereunder.

9.2 TERMINATION. Although the County has established this Plan with the intention and expectation to maintain the Plan indefinitely, the County may terminate or discontinue the Plan in whole or in part at any time without any liability for such termination or discontinuance. In the event of such Plan termination, benefit payments to those Participants then receiving benefit payments under the Plan shall continue. Remaining funds shall be distributed to other eligible participants on an actuarially determined basis.

## ARTICLE X
## MISCELLANEOUS

10.1 LIMITATION OF RIGHTS. Neither the establishment of this Plan nor any modification thereof, nor the creation of any fund or account, nor the payment of any benefits, shall be construed as giving a Participant or other person any legal or equitable right against the County except as provided in the Plan.

10.2 NO CONTRACT OF EMPLOYMENT. Nothing in this Plan shall be deemed to be an agreement, consideration, inducement or condition of employment.

10.3 LIMITATION ON ASSIGNMENT. Benefits under this Plan may not be assigned, sold, transferred, or encumbered, and any attempt to do so shall be void. A Participant's or Beneficiary's interest in benefits under the Plan shall not be subject to debts or liabilities of any kind and shall not be subject to attachment, garnishment or other legal process.

10.4 REPRESENTATIONS. The County does not represent or guarantee that any particular federal or state income, payroll, personal property or other tax consequence will result from participation in this Plan. A Participant should consult with professional tax advisors to determine the tax consequences of his or her participation.

10.5 SEVERABILITY. If a court of competent jurisdiction holds any provisions of this Plan to be invalid or unenforceable, the remaining provisions of the Plan shall continue to be fully effective.

10.6 APPLICABLE LAW. This Plan shall be construed in accordance with applicable federal law and, to the extent otherwise applicable and to the extent not superseded by applicable federal law, the laws of the State of Maryland.

10.7 PAYMENT OF FEES AND EXPENSES. Administration fees and expenses of the Plan, if any, shall be paid by the Plan.

10.8 UNIFORMITY OF DISCRETIONARY ACTS. Whenever in the administration or operation of the Plan discretionary actions by the County are required or permitted, such actions shall be consistently and uniformly applied to all person similarly situated, and no such action shall be taken which shall discriminate in favor of any particular person or group of person.

10.9 LITIGATION. In any action of judicial proceeding affecting the Plan, it shall be necessary to join as a party only the County. Except as may be otherwise required by law, in any action or judicial proceeding affecting the Plan, no Participant or Beneficiary shall be entitled to any notice or service of process, and any final judgment entered in such action shall be binding on all persons interested in, or claiming under, the Plan.

IN WITNESS WHEREOF, this Plan has been duly executed by the County effective as of the twenty-sixth day of September 2000.

WITNESS/ATTEST

Joni L. Bittner
County Clerk

BOARD OF COUNTY COMMISSIONERS OF WASHINGTON COUNTY, MARYLAND

By: ______________________
John F. Barr
President

Approved as to legal sufficiency:

Andrew F. Wilkinson
Assistant County Attorney

WASHINGTON COUNTY VOLUNTEER
FIRE & RESCUE ASSOCIATION

The Washington County Volunteer Fire & Rescue Association here by certifies that the following companies and organizations, constitute the bona fide fire, rescue, emergency medical services, and support organizations in Washington County, Maryland.

First Hagerstown Hose Company
Antietam Fire Company
Independent Junior Fire Company
Western Enterprise Fire Company
South Hagerstown Fire Company
Pioneer Hook & Ladder Company
Sharpsburg Volunteer Fire Company
Williamsport Volunteer Fire Company
Clear Spring Volunteer Fire Company
Hancock Volunteer Fire Company
First Hose Company of Boonsboro
Smithsburg Volunteer Fire Company
Leitersburg Volunteer Fire Company
Funkstown Volunteer Fire Company
Potomac Valley Fire Company
Community Volunteer Fire Company of Fairplay - District 12
Maugansville Goodwill Volunteer Fire Company
Mount Aetna Volunteer Fire Company
Sharpsburg Area Emergency Medical Service
Volunteer Fire Company of Halfway
Longmeadow Volunteer Fire Company
Washington County Field Operations
Williamsport Volunteer Ambulance Service
Clear Spring Ambulance Club
Hancock Rescue Squad
Boonsboro Ambulance and Rescue Service
Community Rescue Service
Smithsburg Emergency Medical Services
Washington County Special Operations
Washington County Emergency Air Unit
Washington County Emergency Rehab Unit

# Washington County Volunteer Length of Service Award Program

Actuarial Valuation as of January 1, 2020 to Determine the County's Contribution for the Fiscal Year Ending June 30, 2022

Bolton

*Submitted by:*

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Actuary
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Bolton

Employee Benefits, Actuarial & Investment Consulting

June 30, 2020

***PERSONAL & CONFIDENTIAL***

Ms. Rachel Brown
Director of Human Resources
Washington County, Maryland
100 West Washington Street, Suite 2300
Hagerstown, MD 21740-4748

*Re: Volunteer Length of Service Award Program*

Dear Rachel:

The following sets forth the actuarial valuation of the Washington County Volunteer Length of Service Award Program Plan as of January 1, 2020. Section I of the report provides a summary and an actuarial certification while Sections II through VI contain the development of the County's contribution for the 2022 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, a 10-year projection of benefit payments, and a risk disclosure.

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,

Thomas Vicente

Tom Vicente, FSA, EA

Michael Spadaro

Michael Spadaro, ASA

# Section I. Executive Summary

## Background

Bolton Partners, Inc. has prepared the following report that sets forth the actuarial valuation of the Washington County Volunteer Length of Service Award Program Plan as of January 1, 2020.

## Actuarially Determined Contributions

The actuarially determined contribution (ADC) amount decreased this year. The primary cause of this decrease was that investment returns were higher than the assumed rate.

| | FY2020 | FY2021 | FY2022 |
|---|---|---|---|
| Actuarially Determined Contribution | $564,557 | $564,557 | $386,634 |

Details of the determination of the County's contribution for FY2022 are shown in Section II of this report.

## Funding Measures

| Funding Measures | 1/1/2019 | 1/1/2020 | Percent Change |
|---|---|---|---|
| 1. Actuarial Accrued Liability | | | |
| a. Active | $ 4,075,926 | $ 3,979,803 | -2.4% |
| b. Active – No Prior Year Service Credit | 619,219 | 128,647 | -79.2% |
| c. Terminated Vested | 588,179 | 840,666 | 42.9% |
| d. Retirees | 5,296,010 | 5,739,857 | 8.4% |
| **e. Total** | **$ 10,579,334** | **$ 10,688,973** | **1.0%** |
| 2. Actuarial Value of Assets | $ 8,715,112 | $ 10,410,997 | 19.5% |
| 3. Plan Funded Ratio (2. / 1.e.) | 82.4% | 97.4% | |

# Section I. Executive Summary

## Risk Measures

The primary risk that a plan sponsor incurs from a defined benefit plan is the risk of substantial increases in annual contributions. These increases occur most frequently due to variation in the investment returns. The following table shows four commonly used measures of the riskiness of a pension plan relative to the plan sponsor and the employee group covered by the plan.

| Risk Measure | FY2017 | CY2018 | CY2019 | Conservative Measures |
|---|---|---|---|---|
| Retiree Liability as a Percentage of Total Liability | 51% | 50% | 54% | <50% |
| Asset Volatility Ratio | 1.9% | 1.6% | 2.9% | <5% |
| Liability Volatility Ratio | 2.1% | 1.9% | 2.9% | <5% |
| Benefit Payments to Contributions | 0.9 | 1.2 | 1.1 | <1 |

## Experience Analysis

The following factor affected the County's contribution:

- Investment returns for CY2019 were approximately $1,130,000 higher than expected.
- The changes in methods and assumptions decreased the liability by about $260,000 combined.
- Other variances from economic and demographic assumptions also decreased the liability by about $224,000.

## Changes in Methods, Assumptions, and Plan Amendments

The mortality assumption was changed to Pub-2010 Safety Retirees Headcount-Weighted Mortality with fully generational projection using scale MP2019 from RP-2014 Blue Collar Mortality with fully generational projection using scale MP2015.

Additionally, the method used to adjust the ADC from the valuation date (January 1, 2020) to the expected date of the contribution (July 1, 2021) was changed. The prior method determined the ADC as of the valuation date and was adjusted with interest to the expected payment date. Effective with this valuation, the amortization payment of the ADC is determined based on a more rigorous roll-forward from the actuarial valuation date (January 1, 2020) to a projected date one year in the future (January 1, 2021) to take into account changes in the unfunded liability and the resulting change in the amortization payment.

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

## 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 January 1, 2020 market value of assets were provided by or at the direction of Washington 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 Washington County Volunteer Length of Service Award Program Plan (the Plan), together with a comparison of these liabilities with the value of the plan assets, as submitted by Washington 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 the 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. That 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 plan sponsor 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 2022 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.

# Section I. Executive Summary

## Actuarial Certification

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.

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 and to provide explanations or further details as appropriate.

Thomas Vicente

Tom Vicente, FSA, EA

Michael Spadaro

Michael Spadaro, ASA

# 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.

| Actuarial Accrued Liability | | 1/1/2019 | | 1/1/2020 |
|---|---|---|---|---|
| 1. Accrued Liability | | | | |
| a. Active | $ | 4,075,926 | $ | 3,979,803 |
| b. Active – No Prior Year Service Credit | | 619,219 | | 128,647 |
| c. Deferred Vested or Inactive | | 588,179 | | 840,666 |
| d. Retirees in Pay Status | | 5,296,010 | | 5,739,857 |
| **e. Total** | **$** | **10,579,334** | **$** | **10,688,973** |
| 2. Actuarial Asset Value | $ | 8,715,112 | $ | 10,410,997 |
| 3. Unfunded Actuarial Liability (1.e. - 2.) | $ | 1,864,222 | $ | 277,976 |
| 4. Determination of Normal Cost | | | | |
| a. Normal Cost | $ | 275,720 | $ | 289,275 |
| b. Estimated Expenses (Non-Investment) | | 34,000 | | 30,000 |
| **c. Total** | **$** | **309,720** | **$** | **319,275** |
| 5. Recommended Contribution | | | | |
| a. Normal Cost | $ | 309,720 | $ | 319,275 |
| b. Amortization Amount | | 201,959 | | 34,122 |
| c. Interest to Payment Date | | 52,878 | | 33,237 |
| **d. Total County Recommended Contribution** | **$** | **564,557** | **$** | **386,634** |

## Projected Unfunded Liability

Below is a summary of the projected unfunded liability for the following plan year.

| Projected Unfunded Liability | | |
|---|---|---|
| 1. Unfunded Actuarial Liability at January 1, 2020 | $ | 277,976 |
| 2. Expected FY2021 Amortization Payments | $ | 201,960 |
| 3. Interest | $ | 5,512 |
| 4. Projected Unfunded Actuarial Liability at January 1, 2021 (1. - 2. + 3.) | $ | 81,528 |

# Section II. Determination of County Contributions

## Schedule of Amortization Bases

Below is a schedule of the amortization bases as of January 1, 2021.

| Description | Date Established | Remaining Years | Amount to be Amortized | Payment / (Credit) |
|---|---|---|---|---|
| Unfunded Liability | 7/1/2016 | 11 | $ 964,497 | $ 121,425 |
| Actuarial (Gain)/Loss | 7/1/2017 | 12 | $ (373,317) | $ (44,410) |
| Actuarial (Gain)/Loss | 1/1/2019 | 13 | $ 845,388 | $ 95,655 |
| Assumption Change | 1/1/2019 | 13 | $ 258,859 | $ 29,290 |
| Actuarial (Gain)/Loss | 1/1/2021 | 15 | $ (1,353,909) | $ (140,800) |
| Assumption Change | 1/1/2021 | 15 | $ (150,893) | $ (15,692) |
| Method Change | 1/1/2021 | 15 | $ (109,097) | $ (11,346) |
| **Total** | | | **$ 81,528** | **$ 34,122** |

The January 1, 2021 amortization payment of $34,122 is sufficient to cover the interest on the plan’s unfunded liability.

## Present Value of Accrued Benefits

Below is a summary of the present value of accrued benefits expected to be paid from the plan.

| | 1/1/2019 | 1/1/2020 |
|---|---|---|
| 1. Recommended Contribution | $ 564,557 | $ 386,634 |
| 2. Number of Participants | | |
| a. Actives | 628 | 624 |
| b. Actives – No Prior Year Service Credit | 147 | 80 |
| c. Retired or Disabled | 211 | 224 |
| d. Inactive with Vested Benefits | 22 | 37 |
| **e. Total** | **1,008** | **965** |
| 3. Present Value of Accrued Benefits | | |
| a. Vested | $ 5,884,189 | $ 6,580,523 |
| b. Non-Vested | 4,695,145 | 4,108,450 |
| **c. Total** | **$ 10,579,334** | **$ 10,688,973** |
| 4. Actuarial Value of Assets | $ 8,715,112 | $ 10,410,997 |
| 5. Funding Ratio (4. / 3.c.) | 82.38% | 97.40% |
| 6. Plan Interest Assumption | 7.25% | 7.25% |

# 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 | $ 9,417,285 | $ 8,715,112 |
| 2. | Receipts | | |
| a. | County Contributions | $ 460,000 | $ 564,557 |
| b. | Member Contributions | - | - |
| c. | Total Income, Including Accrued Income | 104,053 | 38,609 |
| d. | Miscellaneous (In Kind) | 985,964 | 459 |
| e. | Realized Gains/(Losses) | 550,290 | 1,695,126 |
| f. | Unrealized Gain/(Losses) | (1,183,471) | 39,743 |
| **g.** | **Total Receipts** | **$ 916,836** | **$ 2,338,494** |
| 3. | Disbursements | | |
| a. | Benefit Payments | $ 572,004 | $ 604,765 |
| b. | Investment Advisory and Other Fees | 24,506 | 14,624 |
| c. | Actuarial Fees | 7,261 | 3,968 |
| d. | Trustee Fees and Other Expenses | 29,500 | 19,252 |
| e. | Miscellaneous Fees (In Kind) | 985,738 | - |
| **f.** | **Total Disbursements** | **$ 1,619,009** | **$ 642,609** |
| 4. | End of Year Assets (1. + 2.g. - 3.f.) | $ 8,715,112 | $ 10,410,997 |
| 5. | Estimated Investment Return, Net of Investment Expenses [2*I / (A+B-I)] | -5.93% | 20.25% |

## Asset Allocation

The following table displays the pension balance sheet as of January 1, 2020.

| Pension Balance Sheet | | CY2019 |
|---|---|---|
| 1. | Cash and Cash Equivalents | $ 130,497 |
| 2. | Government/Agency Obligations | - |
| 3. | Corporate Obligations | 20,048 |
| 4. | Foreign Fixed Income Funds | - |
| 5. | Fixed Income Funds | 3,277,846 |
| 6. | Common Stock | - |
| 7. | Mutual Funds | 6,975,369 |
| 8. | Accrued Income | 7,237 |
| 9. | Accrued Contributions | - |
| 10. | Total Assets | $ 10,410,997 |

# 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 | 628 | 624 |
| b. Average Age | 43.76 | 44.25 |
| c. Average Service | 12.97 | 12.85 |
| 2. Actives – No Prior Year Service Credit | | |
| a. Number | 147 | 80 |
| b. Average Age | 39.05 | 37.81 |
| c. Average Service | 9.24 | 6.29 |
| 3. Terminated Vested Participants | | |
| a. Number | 22 | 37 |
| b. Average Age | 56.38 | 54.83 |
| c. Average Service | 31.82 | 30.59 |
| 3. Retirees Accruing Additional Benefits | | |
| a. Number | 62 | 65 |
| b. Average Age | 73.11 | 71.80 |
| c. Average Service | 15.85 | 18.71 |
| d. Total Annual Benefits | $ 101,337 | $ 126,342 |
| 4. Retirees Not Accruing Additional Benefits and Beneficiaries | | |
| a. Number | 149 | 159 |
| b. Average Age | 74.41 | 74.13 |
| c. Total Annual Benefits | $ 512,636 | $ 544,551 |

# Section IV. Participant Information

## Active Age/Service Distribution

Shown below is the distribution of active participants, who are not currently receiving retirement benefits, based on age and service.

| | Years of Service as of 1/1/2020 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Age** | **Under 1** | **1-4** | **5-9** | **10-14** | **15-19** | **20-24** | **25-29** | **30-34** | **35-39** | **40+** | **Total** |
| Under20 | 6 | 35 | - | - | - | - | - | - | - | - | 41 |
| 20-24 | 6 | 26 | 11 | - | - | - | - | - | - | - | 43 |
| 25-29 | 2 | 16 | 13 | 8 | 1 | - | - | - | - | - | 40 |
| 30-34 | - | 9 | 19 | 12 | 7 | - | - | - | - | - | 47 |
| 35-39 | 1 | 13 | 15 | 7 | 13 | 7 | - | - | - | - | 56 |
| 40-44 | 1 | 6 | 15 | 9 | 10 | 12 | 6 | - | - | - | 59 |
| 45-49 | - | 9 | 14 | 8 | 10 | 10 | 14 | 11 | - | - | 76 |
| 50-54 | - | 20 | 13 | 16 | 11 | 8 | 16 | 5 | 5 | - | 94 |
| 55-59 | 1 | 18 | 12 | 11 | 9 | 13 | 6 | 9 | 9 | 14 | 102 |
| 60-64 | 1 | 10 | 7 | 4 | 6 | 5 | 2 | 1 | 3 | 1 | 40 |
| 65-69 | - | 6 | - | 7 | 6 | 5 | - | - | - | - | 24 |
| 70-74 | - | 1 | - | - | - | - | - | - | - | - | 1 |
| 75+ | - | 1 | - | - | - | - | - | - | - | - | 1 |
| **Totals** | **18** | **170** | **119** | **82** | **73** | **60** | **44** | **26** | **17** | **15** | **624** |

| **Averages** | |
|---|---|
| Age | 44.25 |
| Service | 12.85 |

# Section IV. Participant Information

## Participant Reconciliation

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

| | Active Participants | Actives Not Credited with a Year of Service for the Prior Year | Terminated Vested Participants | Retirees Accruing Additional Benefits | Normal Retirees & Beneficiaries | Total |
|---|---|---|---|---|---|---|
| Participants in Last Valuation | 628 | 147 | 22 | 62 | 149 | 1,008 |
| New | 54 | 0 | 0 | 3 | 1 | 58 |
| Return from Active – No Service Credit in the Prior Year | 20 | (20) | 0 | 0 | 0 | 0 |
| Return from Not Valued | 23 | 0 | 0 | 0 | 0 | 23 |
| Active – No Service Credit in the Prior Year | (78) | 78 | 0 | 0 | 0 | 0 |
| Terminated Not Vested | 0 | (112) | 0 | 0 | 0 | (112) |
| Terminated Vested | (7) | (12) | 19 | 0 | 0 | 0 |
| Retired | (17) | (2) | (3) | 11 | 11 | 0 |
| Maximum Benefit | 0 | 0 | 0 | 0 | 0 | 0 |
| Ceased Accruing Benefits | 0 | 0 | 0 | (7) | 7 | 0 |
| Began Accruing Benefits | 0 | 0 | 0 | 1 | (1) | 0 |
| Died with Beneficiary | 0 | 0 | 0 | 0 | 0 | 0 |
| Died without Beneficiary | 0 | 0 | (1) | (2) | (8) | (11) |
| Beneficiary | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjustments | 1 | 1 | 0 | (3) | 0 | (1) |
| Participants in This Valuation | 624 | 80 | 37 | 65 | 159 | 965 |

# Section V. Summary of Plan Provisions

## Plan Effective Date
The Plan was originally effective July 1, 1998. Plan provisions shown as revised December 18, 2007, effective January 1, 2007 (Amendment 4).

## Plan Year
January 1 – December 31. (Prior to the January 2019 valuation, the plan year aligned with the fiscal year, July 1 – June 30).

## Eligibility
A Volunteer must be an active member of one or more Washington County fire, rescue, or emergency medical services, or support organizations approved by the Washington County Volunteer Fire and Rescue Association (the "Association") and the Board of County Commissioners.

## Normal Retirment Age
An Active Volunteer (i.e., one who has been credited with 50 or more Points (as discussed below) in the prior calendar year and who has been certified by the Association LOSAP Committee as an Active Volunteer) who has attained age 62 and has been credited with a minimum of 25 years of Active LOSAP Service Credit (25 years in which the Volunteer has been classified as an Active Volunteer).

## Age 70 Benefit
An Active Volunteer who attains age 70 and has not been credited with 25 years of Active LOSAP Service Credit, may commence receiving a benefit.

## Normal Form of Benefit
Life Annuity for volunteer.

## Optional Form of Benefit
Joint and 25%, 50% or 75% survivor annuity.

## Post Retirement Cost of Living Increases
None.

## Volunteer Contributions
None.

## Benefit Formula
$8 per month for each of the first 25 years of service plus $15 per month for each year in excess of 25. The maximum benefit is $350.

## Service
One year of service is earned if a minimum of 50 points is earned during the calendar year. Service can continue to be earned after retirement. Service Credit Points are awarded to each Eligible Volunteer in accordance with the schedule listed in the Plan document.

# Section V. Summary of Plan Provisions

## Service (cont.)

Credit for Volunteer service prior to January 1, 2000 will be credited in accordance with the Plan.

A Volunteer will be credited with a maximum of 20 years of Active LOSAP Service Credit for his or her service prior to December 31, 1995, and any such service must be certified by Executive Officer(s) and the LOSAP Coordinator of the Eligible Volunteer's Company.

Service after January 1, 1996, but before January 1, 2000, will be credited for each year in which the Volunteer received 50 or more points, as determined by the Company on the basis of its reports submitted to the Association for that period.

## Vesting

An Eligible Volunteer who completes 25 years of service will receive a retirement benefit on the later of their retirement date and age 62.

## Early Retirment

None.

## Disability as a Result of Volunteer Service

An Eligible Volunteer who is Disabled in the line of duty on or after January 1, 2007, will receive a monthly Disability benefit payment of $200, if he or she is not eligible for retirement benefits under the Plan. Under the Plan, Disability is defined as unable to engage in any substantial activity because of a medically determinable physical or mental impairment which can be expected to result in death or to be of long and indefinite duration and which constitutes total disability for purposes of Social Security benefits.

## Non-Service Related Disability

An Eligible Volunteer who becomes Disabled while actively earning service credits but not in the line of duty, on or after January 1, 2007, and who has completed 12 service years will receive additional service years until the earlier of his recovery from disability or the earlier of 25 service years or age 62.

## Pre-Retirement Spouse's Benefit

If an Active Volunteer, who has attained age 62 and been credited with 25 or more years of Active LOSAP Service Credit, dies on or after January 1, 2007 and prior to the commencement of benefit payments under the Plan, his spouse, if any, or if there is no spouse, his unmarried children under age 18, will receive a monthly benefit payment of $150 plus an additional $11.25 for each year of Active LOSAP Service Credit in excess of 25 years, not to exceed a total monthly benefit payment of $262.50. Any benefit payments to a Volunteer's spouse will cease upon the spouse's death or remarriage. Any benefit payments to a Volunteer's children will be divided in equal shares and will cease, as to each child, upon the child's death, marriage, or attainment of age 18.

# Section V. Summary of Plan Provisions

## Burial Benefit

If a Volunteer dies in the line of duty on or after January 1, 2007, the Plan will pay up to $4,000 for the Volunteer's funeral expenses.

## Points System

To qualify as an Active Volunteer for a Service Year, the Volunteer must earn points in at least 2 of the 7 categories listed under the Point System and must earn a minimum of 50 points during the Service Year.

### Volunteers Responsibility

It is the Volunteer's responsibility to complete all necessary forms and applications, to keep his or her personal information up to date, to accurately submit forms required to tabulate points, to verify that he or she is included under the Point System and that all points are accumulated and accounted for on a quarterly basis, and, if seeking an income exclusion, to attach and submit a copy of the official Point System report to his or her Maryland Income Tax form 502.

### Company's Responsibility

It is each Volunteer Company's responsibility to maintain complete and accurate membership records, to maintain accurate hourly time for all Company Volunteers participating in the Point System, to post a monthly report of Points awarded to each Volunteer, to submit all required information to the Association LOSAP Committee quarterly, and to resolve all conflicts relating to Points awarded.

## Taxation

The Volunteer's benefits under the Plan may be eligible for favorable state and federal tax treatment. The Volunteer should discuss this matter with his or her tax advisor.

The Plan does not guarantee a particular tax outcome for benefits received under the Plan.

## Break(s) in Service

If a Volunteer incurs 5 consecutive Breaks in Service (i.e. Service Years in which the Volunteer is not classified as an Active Volunteer), his or her years of Active LOSAP Service Credit prior to the Breaks in Service will be taken into account when the Volunteer subsequently earns a year of service as an Active Volunteer. This provision does not apply to a Volunteer who has been credited with 25 or more years of Active LOSAP Service Credit.

## Amendment or Termination

Washington County reserves the right to amend or terminate the Plan at any time.

## Changes Since Prior Valuation

None.

# Section VI. Actuarial Methods and Assumptions

## Funding Method
Projected Unit Credit. Unfunded Accrued Liability is projected forward one year and is amortized over a closed period of 15 years as a level amount. Other sources of Unfunded Accrued Liability are also amortized over a closed period of 15 years as a level amount. The Normal Cost is tied to the accrual rates.

## Asset Method
Market Value.

## Interest
7.25% compounded annually, net of investment expenses. This assumption is based on the plan's investment policy and the long-term expectation of each investment class, based upon the recommendations of the plan's investment advisor. Details of the investment policy and long-term expectations are available in the plan's financial statements.

## Mortality
Pub-2010 Safety Retirees Headcount-Weighted Mortality with fully generational projection using scale MP2019 to the year of the valuation is assumed to be current mortality experience. Generational projection beyond the valuation date is assumed to account for future mortality improvements for all participants, using MP2019 as the projection scale.

This assumption has been set based on a generally accepted mortality study.

## Pre-Retirement Deaths
10% of deaths prior to retirement eligibility are assumed to be service-related.

This assumption was adopted from the prior actuary, and will be revised, as appropriate, upon the completion of an experience study.

## Salary Increases
N/A

## Disability
Sample rates are:

| Age Range | Rate |
|---|---|
| 20 – 24 | 0.0100% |
| 25 – 29 | 0.1131% |
| 30 – 34 | 0.1900% |
| 35 – 39 | 0.2712% |
| 40 – 44 | 0.4000% |
| 45 – 49 | 0.6331% |
| 50 – 54 | 1.0400% |

This assumption was adopted from the prior actuary, and will be revised, as appropriate, upon the completion of an experience study.

# Section VI. Actuarial Methods and Assumptions

## Turnover

Sample rates are:

| Age | Rate |
|---|---|
| 25 | 7.7242% |
| 35 | 6.2764% |
| 45 | 3.9753% |
| 55 | 0.9394% |

This assumption was adopted from the prior actuary, and will be revised, as appropriate, upon the completion of an experience study.

## Retirement

100% when first eligible.

Volunteers eligible for retirement are assumed to continue to volunteer and earn service credits while receiving their retirement benefit.

## Marital Status

85% are assumed to be married and wives are assumed to be 3 years younger than husbands.

## Administrative Expenses

Administrative expenses are added to normal cost and are assumed to be equal to the average of the last two years' administrative expenses, rounded up to the next $1,000.

## Service Credit after Retirement

All volunteers are assumed to begin receiving benefits when first eligible, as there is no reason for volunteers to defer payments. However, volunteers may continue to earn additional service and benefits after they "retire" allowing their benefit to increase further. We assume that volunteers receiving benefits will earn one additional year of service if they earned a year of service for the calendar year preceding the valuation date.

For these retired volunteers who accrued a year of service for the prior year and have not reached the maximum monthly benefit of $350, a "normal cost" equal to the present value of $8/month for volunteers with under 25 years of service and $15/month for volunteers with over 25 years of service is valued.

This is based on our experience with other LOSAP plans that allow volunteers to receive a benefit while continuing to earn service credits.

## Active Participants Not Credited with a Year of Service for the Prior Year

Participants who (1) are not receiving a benefit and (2) were not credited with a year of service for the preceding calendar year, but were credited with a year of service in the second preceding calendar year are included in the valuation. These participants are run through the active decrements. A normal cost is not valued for these participants.

This is based on our experience with other LOSAP plans.

# Section VI. Actuarial Methods and Assumptions

## Excluded Participants

Participants who are (1) not receiving a benefit, (2) have not been credited with points in either of the past two calendar years, and (3) have less than 25 years of service have been excluded from this valuation.

This assumption is based on our experience with other LOSAP plans, and will be revised, as appropriate, upon the completion of an experience study.

## Benefits Not Valued

The disability benefit for volunteers disabled other than in the line of duty is not separately valued, as all disabled volunteers are assumed to become disabled in the line-of-duty.

Survivor benefits payable to children under the age of 18 have not been valued.

As all volunteers who have met the requirement for receiving retirement benefits are assumed to start receiving these benefits, the survivor benefits for volunteers over the age of 62 with 25 or more years of service, have not been valued.

All other benefits have been valued.

## Changes Since Prior Valuation

The mortality assumption was changed to Pub-2010 Safety Retirees Headcount-Weighted Mortality with fully generational projection using scale MP2019 from RP-2014 Blue Collar Mortality with fully generational projection using scale MP2015.

Additionally, the method used to adjust the ADC from the valuation date (January 1, 2020) to the expected date of the contribution (July 1, 2021) was changed. The prior method determined the ADC as of the valuation date and was adjusted with interest to the expected payment date. Effective with this valuation, the amortization payment of the ADC is determined based on a more rigorous roll-forward from the actuarial valuation date (January 1, 2020) to a projected date one year in the future (January 1, 2021) to take into account changes in the unfunded liability and the resulting change in the amortization payment.

# 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 Present 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, non-retired 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) Unfunded Actuarial Accrued Liability (2) - (1) | (4) Percentage Funded (1) / (2) |
|---|---|---|---|---|
| 7/1/2015 | $7,963,284 | $7,255,304 | ($707,980) | 109.76% |
| 7/1/2016 | $7,507,042 | $8,631,404 | $1,124,362 | 86.97% |
| 7/1/2017 | $8,410,434 | $9,080,196 | $669,762 | 92.62% |
| 1/1/2019 | $8,715,112 | $10,579,334 | $1,864,222 | 82.38% |
| 1/1/2020 | $10,410,997 | $10,688,973 | $277,976 | 97.40% |

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.

# Appendix 1

## Summary of Contributions

| Year Ended December 31[1] | Actuarially Determined Contribution | Actual Contribution | Percentage Contributed |
|---|---|---|---|
| 2015 | $600,000 | $600,000 | 100% |
| 2016 | $0 | $0 | N/A |
| 2017 | $466,726 | $600,000 | 129% |
| 2018 | $466,726 | $460,000 | 99% |
| 2019 | $564,557 | $564,557 | 100% |

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 dollar over closed periods of 15 years |
| Remaining amortization period | Remaining periods range from 12 to 15 years |
| Asset valuation method | Market Value |
| Actuarial assumptions: | |
| Investment rate of return | 7.25% |
| Projected salary increase | N/A |
| Post-retirement cost-of-living adjustments | N/A |

[1] Years prior to 2018 are for the fiscal year ended June 30.

# 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.

| Year Ended June 30 | Benefits |
|---|---|
| 2020 | $671,000 |
| 2021 | $688,000 |
| 2022 | $735,000 |
| 2023 | $782,000 |
| 2024 | $832,000 |
| 2025 | $866,000 |
| 2026 | $868,000 |
| 2027 | $909,000 |
| 2028 | $934,000 |
| 2029 | $948,000 |

# 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 Committee is 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.

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 two 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 | FY2017 | CY2018 | CY2019 | Conservative Measures |
|---|---|---|---|---|
| Retiree Liability as a Percentage of Total Liability | 51% | 50% | 54% | <50% |
| Asset Volatility Ratio | 1.9% | 1.6% | 2.9% | <5% |
| Liability Volatility Ratio | 2.1% | 1.9% | 2.9% | <5% |
| Benefit Payments to Contributions | 0.9 | 1.2 | 1.1 | <1 |

The Asset Volatility Ratio (AVR) is equal to 1% of the market value of assets (MVA), amortized over the Plan's funding policy, and divided by the Actuarially Determined Contribution (ADC) for the current valuation. A higher AVR implies that the plan is exposed to greater contribution volatility. The current AVR of 2.9% indicates that for each 1.0% change in market assets this would result in a change in the County's contribution of about 2.9%. The plan currently amortizes asset gains/losses over a period of 15 years.

The Liability Volatility Ratio (LVR) is equal to the Actuarial Accrued Liability (AAL), amortized over the Plan's funding policy, and the ADC for the current valuation. A higher LVR implies that the plan is exposed to greater contribution volatility due to changes in liability measurements. The current LVR of 2.9% indicates that for each 1.0% change in AAL this would result in a change in the County's contribution of about 2.9%. The plan currently amortizes liability gains/losses over a period of 15 years. As the plan approaches a 100% funded level, the AVR will converge to the LVR.

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.

ATTACHMENT NO. 9

# Washington County Pension Plan

Actuarial Valuation as of July 1, 2019 to Determine the County's Contribution for the Fiscal Year Ending June 30, 2021


*Submitted by:*

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Bolton
Employee Benefits, Actuarial & Investment Consulting

March 2, 2020

***PERSONAL & CONFIDENTIAL***
Ms. Rachel Brown
Director of Human Resources
Washington County, Maryland
100 West Washington Street, Suite 2300
Hagerstown, MD 21740-4748

*Re: Washington County Pension Plan*

Dear Rachel:

The following sets forth the actuarial valuation of the Washington County Pension Plan as of July 1, 2019. Section 1 of the report provides a summary and an actuarial certification while Sections 2 through 6 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 7 provides a glossary of many of the terms used in this report. The appendices of the report provide additional information on the plan's funded status and a discussion on risk.

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,

Thomas Vicente
Tom Vicente, FSA, EA

Erika Bode
Erika B. Bode, CEBS

Michael Spadaro
Michael Spadaro, ASA

# Section I. Executive Summary

## Background

Bolton Partners, Inc. has prepared the following report that sets forth the actuarial valuation of the Washington County Pension Plan as of July 1, 2019, including the contribution amount for the 2021 fiscal year (FY21).

## Actuarially Determined Contributions

The actuarially determined contribution (ADC) amount increased this year but decreased as a percentage of payroll. The primary cause of the decrease is higher than expected returns on an actuarial value of assets basis. This was offset by larger than expected pay increases.

| | FY2019 | FY2020 | FY2021 |
|---|---|---|---|
| ADC | $11,819,379 | $10,916,468 | $11,182,857 |
| As a Percent of Payroll | 29.41% | 25.77% | 24.89% |

Details of the determination of the County's contribution for FY2021 are shown in Section 2 of this report.

## Funding Measures

| Funding Measures | 7/1/2018 | 7/1/2019 | Percent Change |
|---|---|---|---|
| 1. Actuarial Accrued Liability | | | |
| a. Active | $ 86,439,071 | $ 91,328,847 | 5.7% |
| b. Retired, Disabled, Beneficiary, Active-DROP, and ISRP | 111,202,042 | 116,453,348 | 4.7% |
| c. Terminated Vested or Inactive | 5,582,432 | 5,471,837 | (2.0%) |
| **d. Total** | **$ 203,223,545** | **$ 213,254,032** | **4.9%** |
| 2. Actuarial Value of Assets | $ 114,362,397 | $ 127,455,468 | 11.4% |
| 3. Plan Funded Ratio (2 / 1.d.) | 56.3% | 59.8% | |
| 4. Market Value of Assets | $ 117,689,435 | $ 128,161,220 | 8.9% |
| 5. Funded Ratio if Market Value of Assets was Used (4 / 1.d.) | 57.9% | 60.1% | |

# Section I. Executive Summary

## Risk Measures

The risks that a plan sponsor incurs from a defined benefit plan are primarily the risk of substantial increases in annual contributions due to significant adverse economic or demographic experience.  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 | FY2017 | FY2018 | FY2019 | Conservative Measures |
|---|---|---|---|---|
| Retiree Liability as a Percent of Total Liability[1] | 55% | 55% | 55% | <50% |
| Assets to Payroll | 2.6 | 2.8 | 2.9 | <5 |
| Liabilities to Payroll | 4.8 | 4.9 | 4.9 | <5 |
| Benefit Payments to Contributions | 1.0 | 0.6 | 0.7 | <3 |

As shown in the table, the Plan continues to be relatively “low risk” but is approaching the end of the “conservative” range of these measures.

## Experience Analysis

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

- Investment returns on the market value of plan assets during FY 2019 were about $2.0 million lower than expected.  A portion of this loss will be reflected in this valuation with the remaining portions to be reflected in future valuations.  The increase in the actuarial value of plan assets exceeded the assumed return as a result of the phasing in of gains from prior years.  The gain on the actuarial value of plan assets was $850,000.
- Total participant payroll increased by 6.1% over the prior year; more than the assumption of 3.0% increase per year, resulting in an actuarial loss of $1.3 million.
- All other factors (mortality, employee termination, disability, retirement and other variations from assumptions) resulted in an actuarial gain of $1.0 million.

[1] Retiree liability includes the liability for employees in DROP and ISRP.

# Section I. Executive Summary

## Changes in Method, Assumptions, and Plan Amendments

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

The plan was amended since the prior valuation to:

- Lower the interest crediting rate applied to new DROP entrants' balances after January 1, 2020 from 6% to 4%.
- Lower the interest crediting rate applied to employee contribution balances after termination of employment for any participant who terminates employment after January 1, 2020.
- No longer offer the In-Service Retirement Program starting July 1, 2019.
- Change the normal retirement date for non-uniformed participants hired on or after July 1, 2019 from age 60 or 25 years of service to age 62 or 30 years of service.

## Projection of Expected Benefit Payments

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

## Sources of Information

The July 1, 2019 participant data and market value of assets were provided by or at the direction of Washington County. While we have reviewed this data for consistency and completeness, we have not audited this data.

## Actuarial Certification

This actuarial valuation sets forth our calculation of an estimate of the liabilities of the Washington County Pension Plan, together with a comparison of these liabilities with the value of the plan assets, as submitted by Washington 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.

# Section I. Executive Summary

## Actuarial Certification

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.

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 plan sponsor 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.

# Section I. Executive Summary

## Actuarial Certification

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.

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.

# Section I. Executive Summary

## Actuarial Certification

The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. They 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.

Thomas Vicente

Tom Vicente, FSA, EA

Michael Spadaro

Michael Spadaro, ASA

# 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.

| Actuarial Accrued Liability | | 7/1/2018 | | 7/1/2019 |
|---|---|---|---|---|
| 1. Retired participants | | | | |
| a. Retirees | $ | 68,810,981 | $ | 73,629,851 |
| b. DROP Lump Sums | | 6,318,941 | | 7,039,150 |
| c. DROP Annuities | | 23,331,341 | | 23,235,209 |
| d. ISRP | | 6,443,761 | | 6,363,660 |
| e. Surviving Spouses | | 4,989,984 | | 4,902,634 |
| f. Disabled Participants | | 1,307,034 | | 1,282,844 |
| **g. Total Retired Participants** | **$** | **111,202,042** | | **116,453,348** |
| 2. Terminated Participants | $ | 5,582,432 | $ | 5,471,837 |
| 3. Active Participants | | | | |
| a. Retirement Benefits | $ | 75,912,935 | $ | 80,239,505 |
| b. Termination Benefits | | 2,700,961 | | 2,804,408 |
| c. Disability Benefits | | 6,330,553 | | 6,726,919 |
| d. Death Benefits | | 1,494,622 | | 1,558,015 |
| **e. Total Active Participants** | **$** | **86,439,071** | **$** | **91,328,847** |
| **4. Total Actuarial Accrued Liability (1.g. + 2. + 3.e.)** | **$** | **203,223,545** | **$** | **213,254,032** |
| 5. Market Value of Assets | $ | 117,689,435 | $ | 128,161,220 |
| 6. Unfunded Liability Based on Market Value of Assets (4. – 5.) | $ | 85,534,110 | $ | 85,092,812 |
| 7. Actuarial Value of Assets | $ | 114,362,397 | $ | 127,455,468 |
| 8. Unfunded Liability Based on Actuarial Value of Assets (4. – 7.) | $ | 88,861,148 | $ | 85,798,564 |

## Projected Unfunded Liability

Below is a summary of the projected unfunded liability for the following plan year.

| Projected Unfunded Liability | | |
|---|---|---|
| 1. Unfunded Actuarial Liability at July 1, 2019 | $ | 85,798,564 |
| 2. Expected FY2020 Amortization Payment | $ | 7,645,393 |
| 3. Unfunded Actuarial Liability at July 1, 2020 (1. - 2.) x 1.0725 | $ | 83,819,276 |

# Section II. Determination of County Contributions

## Development of County Contributions

The breakdown of the Actuarially Determined Contribution (ADC) into normal cost and amortization payment is illustrated below.

| Normal Cost | | 7/1/2018 | | 7/1/2019 |
|---|---|---|---|---|
| 1. Retirement Benefits | $ | 4,601,937 | $ | 4,882,705 |
| 2. Vested Termination Benefits | | 361,556 | | 391,599 |
| 3. Preretirement Death Benefits | | 89,325 | | 105,613 |
| 4. Disability Benefits | | 102,394 | | 95,420 |
| **5. Total Benefit Normal Cost** | **$** | **5,155,212** | **$** | **5,475,337** |
| 6. Estimated Expenses | | 145,000 | | 165,000 |
| **7. Total Normal Cost for Plan Year** | **$** | **5,300,212** | **$** | **5,640,337** |
| 8. Projected Normal Cost for Following Plan Year | $ | 5,459,218 | $ | 5,809,547 |

## Actuarially Determined Contribution

Below is the derivation of the Actuarially Determined Contribution.

| | | FY2019 | | FY2020 | | FY2021 |
|---|---|---|---|---|---|---|
| 1. Normal Cost | $ | 4,330,702 | $ | 5,459,218 | $ | 5,809,547 |
| 2. Expected Employee Contributions | | (1,927,306) | | (2,188,143) | | (2,338,293) |
| 3. Employer Normal Cost (1. + 2.) | $ | 2,403,396 | $ | 3,271,075 | $ | 3,471,254 |
| 4. UAL Amortization Amount | | 9,415,983 | | 7,645,393 | | 7,711,603 |
| 5. Actuarially Determined Contribution (3. + 4.) | $ | 11,819,379 | $ | 10,916,468 | $ | 11,182,857 |

# Section II. Determination of County Contributions

## Actuarial Gain/Loss

Below is the derivation of this year's Actuarial Gain/(Loss)

| Derivation of Actuarial Gain/(Loss) | | FY2020 |
|---|---|---|
| 1. Unfunded Actuarial Liability as of July 1, 2018 | $ | 88,861,148 |
| 2. Normal Cost as of July 1, 2018 | | 5,155,212 |
| 3. Interest ([1. + 2.] x 0.0725) | | 6,816,186 |
| 4. Contributions, adjusted with Interest to June 30, 2019 | | 14,450,490 |
| 5. Expected Unfunded Actuarial Liability (1. + 2. + 3. - 4.) | $ | 86,382,056 |
| 6. Actual Unfunded Actuarial Liability as of July 1, 2019 | | 85,798,564 |
| 7. Actuarial Gain/(Loss) for 2018-2019 (5.- 6.) | $ | 583,492 |

## Actuarial Experience

There was an actuarial gain of $583,492 for the 2018-2019 fiscal year. The gain or loss is measured by comparing expected liabilities to actual liabilities before any changes are made to the valuation, such as any assumption or plan changes reflected in the current valuation. The individual sources of gains and losses that follow are based upon a comparison of actual and expected experience in the year ending on the valuation date.

| Source | | Gain or (Loss) |
|---|---|---|
| Investments | $ | 852,005 |
| Salaries | | (1,259,662) |
| Mortality | | 350,516 |
| Turnover | | 523,015 |
| Disability | | 2,320 |
| Retirement | | (331,118) |
| Miscellaneous | | 446,416 |
| **Total** | **$** | **583,492** |

## Schedule of Amortization Bases

| Description | Date Established | Remaining Years | | Amount to be Amortized | | Payment/ (Credit) |
|---|---|---|---|---|---|---|
| Original Unfunded Liability | 7/1/2019 | 19 | $ | 83,182,613 | $ | 7,645,393 |
| Actuarial (Gain)/Loss | 7/1/2020 | 15 | $ | 636,663 | $ | 66,210 |
| **Total** | | | **$** | **83,819,276** | **$** | **7,711,603** |

# Section III. Valuation of Assets

## Reconciliation of Assets

Below is a reconciliation of assets (unaudited) from July 1, 2017 through June 30, 2019.

| Market Value of Assets | FY2018 | FY2019 |
|---|---|---|
| 1. Beginning of Year Assets | $ 103,998,833 | $ 117,689,435 |
| 2. Additions | | |
| a. Employer Contributions | $ 10,510,000 | $ 11,825,000 |
| b. Employee Contributions | 2,094,346 | 2,119,985 |
| c. Miscellaneous Receipts | 7,116 | 12,635 |
| d. Investment Income & Dividends | 3,156,465 | 5,150,075 |
| e. Increase/(Decrease) in Market Value of Investments | 6,419,913 | 1,857,012 |
| f. Accrued Income Adjustment | 54,491 | (92,061) |
| **g. Total Additions** | **$ 22,242,331** | **$ 20,872,646** |
| 3. Deductions | | |
| a. Benefit Payments | $ 8,172,571 | $ 9,973,991 |
| b. Administrative Expenses | 150,795 | 170,011 |
| c. Investment Expenses | 228,363 | 256,859 |
| **d. Total Deductions** | **$ 8,551,729** | **$ 10,400,861** |
| 4. Net Increase (2.g. – 3.d.) | $ 13,690,602 | $ 10,471,785 |
| 5. Net Assets (1. + 4.) | $ 117,689,435 | $ 128,161,220 |
| 6. Rate of Return Net of Investment Fees (2I / [A + B – I] Method) | 8.86% | 5.57% |

# Section III. Valuation of Assets

## Calculation of Actuarial Asset Value

The actuarial asset value as of July 1, 2019 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. The actuarial value of assets was reset to market value for the FY2016 valuation.

| | | | | | | | | 7/1/2019 |
|---|---|---|---|---|---|---|---|---|
| 1. | Market Value of Assets | | | | | | $ | 128,161,220 |
| 2. | Spreading of Investment (Gain)/Loss | | | | | | | |
| | | BOY | EOY | | (Gain)/Loss | % Deferred | | Amount Deferred |
| | | 2018 | 2019 | $ | 2,010,490 | 80% | $ | 1,608,392 |
| | | 2017 | 2018 | | (1,441,789) | 60% | | (865,073) |
| | | 2016 | 2017 | | (3,622,677) | 40% | | (1,449,071) |
| | | 2015 | 2016 | | 0 | 20% | | 0 |
| | | **a.** | **Total Deferred** | | | | | **(705,752)** |
| 3. | Actuarial Value of Assets (1. + 2.a.) | | | | | | $ | 127,455,468 |

## Recognition of Deferred Asset Gains and Losses

The table below shows the years (2020 to 2023) in which the ($705,752) in net deferred asset losses will be recognized.

| FYE | | (Gain)/Loss | | 2020 | | 2021 | | 2022 | | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| 2019 | $ | 2,010,490 | $ | 402,098 | $ | 402,098 | $ | 402,098 | $ | 402,098 |
| 2018 | $ | (1,441,789) | $ | (288,358) | $ | (288,358) | $ | (288,358) | | |
| 2017 | $ | (3,622,677) | $ | (724,535) | $ | (724,535) | | | | |
| 2016 | $ | 0 | $ | 0 | | | | | | |
| **Total** | | | **$** | **(610,795)** | **$** | **(610,795)** | **$** | **113,740** | **$** | **402,098** |

# Section IV. Participant Information

## Participant Summary

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

| | July 1, 2018 | July 1, 2019 |
|---|---|---|
| 1. Actives | | |
| a. Number | 690 | 695 |
| b. Average Age | 45.2 | 45.2 |
| c. Average Service | 11.3 | 11.7 |
| d. Average Salary | $ 51,990 | $ 56,304 |
| 2. Service Retirements, Beneficiaries, and Disability Retirements | | |
| a. Number | 351 | 374 |
| b. Average Age | 68.0 | 68.4 |
| c. Total Annual Benefits | $ 7,122,870 | $ 7,587,673 |
| 3. DROP | | |
| a. Number | 59 | 58 |
| b. Average Age | 59.4 | 60.4 |
| c. Total Annual Benefits | $ 1,907,855 | $ 1,911,801 |
| d. DROP Account Balance | $ 5,873,230 | $ 7,039,150 |
| 4. ISRP | | |
| a. Number | 22 | 22 |
| b. Average Age | 63.2 | 64.2 |
| c. Total Annual Benefits | $ 557,369 | $ 557,369 |
| 5. Vested Terminations | | |
| a. Number | 63 | 68 |
| b. Average Age | 50.0 | 48.9 |
| c. Total Annual Benefits | $ 718,046 | $ 757,005 |
| 6. Terminated Participants Owed a Refund of Contributions | | |
| a. Number | 38 | 47 |
| b. Total Refunds Owed | $ 248,059 | $ 274,344 |

# Section IV. Participant Information

## 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 July 1, 2019.

| | Years of Service as of 07/01/2019 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Age** | **Under 1** | **1-4** | **5-9** | **10-14** | **15-19** | **20-24** | **25-29** | **30-34** | **35-39** | **40 & Up** | **Total** |
| Under 25 | 10 | 20 | | | | | | | | | 30 |
| | 41,634 | 42,674 | | | | | | | | | 42,327 |
| 25 - 29 | 9 | 45 | 9 | | | | | | | | 63 |
| | 43,350 | 44,981 | 47,507 | | | | | | | | 45,109 |
| 30 - 34 | 9 | 24 | 22 | 15 | 1 | | | | | | 71 |
| | 44,078 | 49,589 | 55,273 | 59,161 | 84,047 | | | | | | 53,159 |
| 35 - 39 | 8 | 14 | 16 | 26 | 10 | | | | | | 74 |
| | 53,487 | 51,855 | 55,665 | 55,675 | 63,639 | | | | | | 55,790 |
| 40 - 44 | 6 | 14 | 16 | 19 | 21 | 6 | 1 | | | | 83 |
| | 49,456 | 44,962 | 48,020 | 60,873 | 60,650 | 63,609 | 89,656 | | | | 55,374 |
| 45 - 49 | 7 | 10 | 12 | 22 | 15 | 18 | 9 | 1 | | | 94 |
| | 44,435 | 44,205 | 57,818 | 58,510 | 72,590 | 71,350 | 79,293 | 65,416 | | | 62,621 |
| 50 - 54 | 4 | 17 | 16 | 16 | 24 | 23 | 16 | 13 | | | 129 |
| | 60,500 | 50,506 | 55,547 | 57,972 | 58,017 | 67,701 | 77,451 | 81,416 | | | 63,287 |
| 55 - 59 | 2 | 16 | 12 | 18 | 11 | 22 | 14 | 14 | 5 | | 114 |
| | 48,660 | 48,038 | 51,235 | 50,808 | 50,671 | 62,795 | 66,134 | 80,190 | 93,572 | | 60,093 |
| 60 - 64 | | 5 | 10 | 8 | 7 | 10 | 10 | 16 | 5 | 2 | 73 |
| | | 56,567 | 43,492 | 42,834 | 56,573 | 61,351 | 65,348 | 83,564 | 81,548 | 74,731 | 63,256 |
| 65 - 69 | 1 | 1 | 1 | 3 | 4 | 1 | 3 | 4 | 1 | | 19 |
| | 40,567 | 36,836 | 58,441 | 84,473 | 50,655 | 55,958 | 71,274 | 73,332 | 54,484 | | 63,657 |
| 70 & Up | | | | | | 1 | | 2 | | | 3 |
| | | | | | | 109,166 | | 90,063 | | | 96,430 |
| **Totals** | 56 | 166 | 114 | 127 | 93 | 81 | 53 | 50 | 11 | 2 | **753** |
| | 46,763 | 47,061 | 52,573 | 56,827 | 60,552 | 66,459 | 72,371 | 81,139 | 84,553 | 74,731 | **57,939** |

| **Averages** | |
|---|---|
| Age | 46.38 |
| Service | 13.15 |

# Section IV. Participant Information

## Participant Reconciliation

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

| | | | Inactive Participants | | | | |
|---|---|---|---|---|---|---|---|
| | Active Participants | Retirees & Beneficiaries | DROP | ISRP | Terminated Vested | Refunds Owed | Total |
| Participants in Last Valuation | 690 | 351 | 59 | 22 | 63 | 38 | 1,223 |
| Retired | (12) | 25 | (8) | 0 | (5) | 0 | 0 |
| Vested Termination | (15) | 0 | 0 | 0 | 15 | 0 | 0 |
| Nonvested Termination | (27) | 0 | 0 | 0 | 0 | 27 | 0 |
| Disabled | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Return of Employee Contributions | 0 | 0 | 0 | 0 | (4) | (17) | (21) |
| Died with Survivor Benefits | 0 | (2) | 0 | 0 | 0 | 0 | (2) |
| Died without Survivor Benefits | 0 | (3) | 0 | 0 | 0 | 0 | (3) |
| New Participants | 65 | 0 | 0 | 0 | 0 | 0 | 65 |
| Beneficiary | 0 | 2 | 0 | 0 | 0 | 0 | 2 |
| DROP | (7) | 0 | 7 | 0 | 0 | 0 | 0 |
| ISRP | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New QDRO | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Return to Active Status | 1 | 0 | 0 | 0 | 0 | (1) | 0 |
| Adjustments | 0 | 0 | 0 | 0 | (1) | 0 | (1) |
| Participants in this Valuation | 695 | 374 | 58 | 22 | 68 | 47 | 1,264 |

# Section V. Summary of Plan Provisions

## Effective Date
Originally July 1, 1972. Amended and restated effective July 1, 2019.

## Plan Year
July 1 – June 30.

## Normal Retirement Date or Unreduced Early Retirement Date
Civilian: First of the month coincident with or next following age 60, or 30 years of service, if earlier. For employees who contribute 6% of pay, age 60 or 25 years of service. For employees hired on or after July 1, 2019, age 62 or 30 years of service.

Uniformed: First of the month coincident with or next following age 50 or completion of 25 years of service.

## Early Retirement Date
Civilian: First of the month coincident with or next following 25 years of service.

Uniformed: First of the month coincident with 20 years of service.

## Normal Form of Benefit
Single Life Annuity, with a minimum of the Employee Contributions Benefit. Other forms are actuarial equivalent.

## Alternative Forms of Benefit
Alternative forms of payment available to employees at retirement include:

- Life annuity with 5, 10 or 15 years certain payments
- Joint and 50%, 66 2/3%, or 100% continued to the survivor upon the death of the participant
- Social Security Step-up Option (reflecting assumed Social Security commencement at age 62)
- Lump sum option equal to the Employee Contributions Benefit
- Any other optional form approved by the Administrator.

## Actuarial Equivalance
Actuarial Equivalence is determined using 8% interest and the UP84 mortality table.

# Section V. Summary of Plan Provisions

## Post Retirement Cost of Living Increases

Post Retirement increases are made only on an ad hoc basis, effective on July 1. Prior increases approved include:

| Effective Year | Increase |
| --- | --- |
| 1987 | 16% |
| 1993 | 4% |
| 1998 | 4% |
| 2000 | 3% |
| 2002 | 3% |
| 2005 | 2% |
| 2007 | 2% |
| 2009 | 2% |
| 2012 | 2% |
| 2015 | 3% |
| 2016 | 3% |
| 2017 | 3% |

## Compensation

Annualized base rate of pay in effect on July 1 of the applicable plan year, including elective contributions otherwise excluded due to Internal Revenue Code §125, 402(h)(1)(B), 403(b), 132(f)(4) or deferred under §457 or "picked-up" under 414(h)(2).

## Average Compensation

Sum of the Participant's compensation for each of the three Plan Years, including the Plan Year during which this determination is made, for which Compensation is highest, divided by 3.

## Years of Service

Participants total number of years and completed months (with 15 or more days considered a completed month), plus pre-August 31, 1972 service with MSRS.

Years of service may also be credited for Leaves of Absence, unused sick leave and purchases or transfers of service.

## Employee Contributions

General Employees contribute 5.5% or 6% of Compensation. Public Safety employees contribute 6% of Compensation. Employee contributions are credited with 6% interest compounded annually during active employment.

## Employee Contributions Benefit

The sum of the employee contributions made by the Participant and interest, including contributions made to other Maryland employers and transferred to this Plan.

## Benefit Formula

2.0% of Average Compensation, multiplied by Years of Service. Service in excess of 50 years is excluded.

# Section V. Summary of Plan Provisions

## Early Retirement Benefit

Benefit Formula as stated above, multiplied by Years of Service at Early Retirement Date, but subject to the appropriate Actuarial Reduction, if any. Reduction is 0.50% for each month preceding the date on which the Participant would have attained Normal Retirement Age had he or she remained a Participant.

## Termination Prior to Retirement

Return of employee contributions with 6% interest or, if vested, an annuity beginning at the Normal Retirement Date. For employees who terminate employment on or after January 1, 2020, interest will be credited at 4% for periods after date of termination.

## Disability Benefit

The Plan provides both Line-of-Duty disability benefits and Ordinary disability benefits. Ordinary disability benefits are paid upon total and permanent disability (including eligibility for Social Security disability benefits) to employees with at least 5 Years of Service. The Ordinary disability benefit is the greater of 25% of Average Compensation and the Participants Accrued Benefit. Ordinary disability benefits end at age 65 or recovery from disability.

Line of Duty disability benefits are payable if the employee is totally and permanently disabled incurred as a result of an accident or injury that is compensable under the Maryland Workers Compensation Act. The Line of Duty disability benefit is the larger of (a) the sum of 66 2/3% of Average Compensation and the actuarial equivalent of the Employee Contributions Benefit or (b) the Average Compensation.

## Pre-Retirement Death Benefit

An employee who dies while in service before their annuity start date will receive either (a) the sum of their Employee Contributions Benefit and 50% of their Average Compensation or (b) if survived by a spouse, and age 55 with at least 15 Years of Service, the accrued benefit as if it commenced on the first of the month after the participant's death in the form of a Joint and 100% survivor annuity. Employees on a leave of absence will be entitled to the pre-retirement death benefit.

If the participant is eligible for early or normal retirement, the participant's spouse is entitled to receive the survivors' portion of the accrued benefit to date of death converted to a 50% Joint and Survivor, with no reduction for early retirement.

If the participant is not eligible for early or normal retirement, beneficiaries are entitled to receive a refund of the Employee's contributions with interest.

## Deferred Retirement Option Program (DROP)

Any employee eligible for early or normal retirement may elect to enter DROP (effective July 1, 2001). An employee may elect to participant for not less than one year and not more than 5 years. The Accrued Benefit is frozen as of entry to DROP, and a notional account credited with the employee's accrued benefit payable monthly with interest credited at the rate of 6% annually. No employee contributions are required while the participant is in DROP. Employees who enter DROP on or after January 1, 2020 will have 4% interest credited to their notional accounts.

Employees in DROP receive the same COLA increase that apply to other retirees.

# Section V. Summary of Plan Provisions

## In-Service Retirement (ISRP)

An employee who is eligible for normal retirement may elect to participant in the ISRP, effective January 1, 2013. The accrued benefit is frozen as of entry to ISRP and the employee must elect a form of payment. These payments commence upon entry into ISRP and end with termination of employment or death. Effective July 1, 2019, the plan will no longer offer the ISRP.

Employees in ISRP receive the same COLA increase that apply to other retirees.

## Changes Since Prior Valuation

The plan was amended since the prior valuation to:

- Lower the interest crediting rate applied to new DROP entrants' balances after January 1, 2020 from 6% to 4%.
- Lower the interest crediting rate applied to employee contribution balances after termination of employment for any participant who terminates employment after January 1, 2020.
- No longer offer the In-Service Retirement Program starting July 1, 2019.
- Change the normal retirement date for non-uniformed participants hired on or after July 1, 2019 from age 60 or 25 years of service to age 62 or 30 years of service.

# Section VI. Actuarial Methods and Assumptions

## Funding Method

Projected Unit Credit. Unfunded Accrued Liability projected to July 1, 2019 was amortized over a closed period of 20 years as a level dollar amount. Future actuarial gains and losses are amortized over closed 15-year periods as a level dollar amount. Future benefit increases due to COLAs are amortized over a closed 3-year period as a level dollar amount. Other benefit improvements are amortized over the future expected working lifetime of those expected to benefit from the improvement, as a level dollar amount. Employee contribution attribution is from Plan Entry Date; all other attributions are from Date of Hire. The Normal Cost is tied to the accrual rates.

## Asset Method

Five year smoothed asset value effective as of July 1, 2016. Investment returns above or below the assumed rate of return are recognized at a rate of 20% per year over five years.

## Interest

7.25% compounded annually, net of investment expenses. This assumption is based on the plan's investment policy and the long-term expectation of each investment class, based upon the recommendations of the plan's investment advisor. Details of the investment policy and long-term expectations are available in the plan's financial statements.

## Post Retirement COLA Increases

None assumed for funding purposes. Solely for purposes of GASB 67 and 68 liabilities, we assumed an annual COLA of 1.2% compounded annually. This assumption is based on the long-term history of actual ad-hoc COLA increases.

## Mortality

RP-2014 Mortality with generational projection using scale MP2015 to the year of the valuation is assumed to be current mortality experience. For disabled participants, RP-2014 Mortality set forward 10 years with generational projection using scale MP2015 to the year of the valuation is assumed to be current mortality experience. Generational projection beyond the valuation date is assumed to account for future mortality improvements for all participants, using MP2015 as the projection scale. This assumption has been set based on a generally accepted mortality study without any adjustment for a specific industry.

## Salary Increases

Sample rates are:

| Service | Rate |
|---|---|
| 0 – 9 | 6.75% |
| 10 – 19 | 6.00% |
| 20+ | 5.75% |

This assumption has been set based on the long term expected rates, including inflation and reflecting prior experience based on the 2018 experience study.

## Section VI. Actuarial Methods and Assumptions

### Disability
Sample rates are:

| Age | Civilian Rate | Uniformed Rate |
|---|---|---|
| 30 | 0.0292% | 0.1087% |
| 40 | 0.0510% | 0.2175% |
| 50 | 0.1312% | 0.5986% |
| 60 | 0.6561% | 1.6074% |

This assumption was based on the experience of surrounding counties.

### Turnover
Sample rates are:

| Service | Civilian Rate | Uniformed Rate |
|---|---|---|
| 5 | 6.50% | 2.25% |
| 10 | 3.25% | 2.25% |
| 15 | 1.25% | 1.00% |
| 20+ | 0.70% | 0.00% |

This assumption has been set based on the long term expected rates, and reflecting prior experience based on the 2018 experience study.

### Retirement
Civilian sample rates are:

| | Service | |
|---|---|---|
| Age | 5 - 24 | 25+ |
| 40-47 | 0% | 0% |
| 48-50 | 0% | 4% |
| 51-55 | 0% | 12% |
| 56-59 | 0% | 18% |
| 60 | 18% | 18% |
| 61-65 | 15% | 15% |
| 66-69 | 10% | 10% |
| 70+ | 100% | 100% |

# Section VI. Actuarial Methods and Assumptions

## Retirement

Uniformed sample rates are:

| | Service | |
|---|---|---|
| Age | 5 - 19 | 20+ |
| 40-47 | 0% | 0% |
| 48-49 | 0% | 4% |
| 50 | 4% | 4% |
| 51-54 | 7.5% | 7.5% |
| 55-59 | 12% | 12% |
| 60+ | 100% | 100% |

The retirement age assumptions reflect prior experience and are based on the results of the 2018 experience study.

## Military Service

Actual service provided in the census data.

## Marital Status

100% assumed to be married with wife four years younger than husband.

## Annual Administrative Expenses

We assume administrative expenses will be the average of the two prior years, rounded to the next highest $5,000.

## Other Methods and Assumptions

The salary used in the valuation is the rate of pay on the valuation date. The accrued benefit on the valuation date uses a 36-month average pay, which is estimated using the current pay rate and the assumed salary increases.

The normal cost is adjusted from the valuation date to the next year assuming that the normal cost will remain the same percentage of payroll.

## 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 Present 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) |
|---|---|---|---|---|---|---|
| 7/1/2015 | $90,264,996 | $143,437,856 | 62.9% | $53,172,860 | $34,827,552[2] | 153% |
| 7/1/2016 | $93,347,309 | $176,113,885 | 53.0% | $82,766,576 | $37,489,315 | 221% |
| 7/1/2017 | $101,100,691 | $188,683,043 | 53.6% | $87,582,352 | $39,024,352 | 224% |
| 7/1/2018 | $114,362,397 | $203,223,545 | 56.3% | $88,861,148 | $41,124,628 | 216% |
| 7/1/2019 | $127,455,468 | $213,254,032 | 59.8% | $85,798,564 | $43,627,870 | 197% |

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 Washington County's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

[2] Does not include salaries for employees in DROP or ISRP.

# Appendix 1

## Summary of Contributions

| Year Ended June 30 | Actuarially Determined Contribution | Percentage Contributed |
|---|---|---|
| 2014 | $6,145,285 | 100% |
| 2015 | $6,621,156 | 100% |
| 2016 | $7,009,448 | 100% |
| 2017 | $10,509,527 | 100% |
| 2018 | $11,819,379 | 100% |

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 dollar |
| Remaining amortization period | 19 years |
| Asset valuation method | 5-year smoothed method effective as of July 1, 2016 |
| Actuarial assumptions: | |
| Investment rate of return | 7.25% |
| Projected salary increase | Varies by age (6.75% for the first 10 years, 6.00% for the next 10 years and 5.75% thereafter) |
| Post-retirement cost-of-living adjustments | 1.2% for GASB 67 and 68 only |

# Appendix 2

## Benefit Payment Projection

The following table shows the estimated benefit payments from July 1, 2019 through June 30, 2028 based on existing members of the plan.

| Fiscal Year | Benefits |
|---|---|
| 2019 | 18,206,000 |
| 2020 | 11,398,000 |
| 2021 | 12,048,000 |
| 2022 | 12,679,000 |
| 2023 | 13,356,000 |
| 2024 | 14,044,000 |
| 2025 | 14,879,000 |
| 2026 | 15,732,000 |
| 2027 | 16,608,000 |
| 2028 | 17,410,000 |

For purposes of these projections, this reflects the assumption that all DROP accounts are paid on the valuation date.

# 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.

| Risk Measure | FY2017 | FY2018 | FY2019 | Conservative Measures |
|---|---|---|---|---|
| Retiree Liability as a Percent of Total Liability | 55% | 55% | 55% | <50% |
| Assets to Payroll | 2.6 | 2.8 | 2.9 | <5 |
| Liabilities to Payroll | 4.8 | 4.9 | 4.9 | <5 |
| Benefit Payments to Contributions | 1.0 | 0.6 | 0.7 | <3 |

# Appendix 3

## ASOP 51 Disclosure

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 2.9 indicates that a 1% asset gain/loss can be related to about 2.9% of the annual payroll. The plan currently amortizes asset gains/losses over a period of 15 years. This would result in a change in the County's contribution of about 0.3% 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 4.9 indicates that a 1% liability gain/loss can be related to about 4.9% of the annual payroll. The plan currently amortizes liability gains/losses over a period of 15 years. This would result in a change in the County's contribution of about 0.4% 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. 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.

If the plan or employer were interested in doing a 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.

Sensitivity Test—A process for assessing the impact of a change in an actuarial assumption on an actuarial measurement.

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.

Stress Test—A process for assessing the impact of adverse changes in one or relatively few factors affecting a plan's financial condition.