

Cheverly

Memo:

To: Mayor and Town Council *DD*

From: Dylan Galloway, Town Administrator and Melanie Friesen, Town Treasurer *MF*

Date: 2/27/2020

Subject: Deferred Compensation Liability

Greetings, Mayor and Council.

The purpose of this memo is to address the liability concerns about the deferred compensation retirement benefit.

Attached you will find the June 14, 2018 Town meeting minutes that includes FY19 operating budget ordinance. Those minutes highlighted the matching contribution to a 401K plan. That is likely a misspeak, the actual plan the town participates in is a 457b. Also attached is the retirement proposal that was presented to Mayor and Council at the March 28, 2018 meeting.

Also attached is the policy regarding matching contributions on a sliding scale based on income.

According to policy have a 100% match for any non LEOPS eligible employee under \$50k annually, a 75% match for \$50-\$65k annually, and a 50% match for \$65k and greater.

The total that the Town has invested thus far for the retirement match in FY20 is \$32,296.00. In total, between the three departments we have \$32,000 budgeted.

The Administration department is, at current participation rates, properly funded through the end of FY20. (\$5362 of 10k)

The Police Department is underfunded at current participation rates. They have \$7k in budget and have spent \$8271.50.

Public Works is also underfunded at current participation rates. They have \$15K in budget and have spent \$18662.00.

Please note that participation rates are subject to change at any time.

We recommend that Mayor and Town Council pass a budget amendment in May of 2020 to properly fund each department for FY20.

We also recommend that Mayor and Town Council have a discussion about placing a cap in order to allow for a fixed amount of contributory expenditures on behalf of the Town. However, the Town is contractually obligated to two employees to match at 50% with no reduction of benefits. We are researching options to remain true to the spirit of the policy which is to benefit lower waged employees, while also honoring the contractual obligations of the Town.

This information is also being forwarded to Skip Cornbrooks for legal review with additional questions from the Mayor.

Deferred Compensation Retirement Benefit Contribution Liability

For 2020, the maximum contribution to a 457b Deferred Compensation Retirement Plan is \$19,500 for employees under age 50. The maximum contribution for employees over age 50 is \$26,000*.

The following liabilities are based on the \$19,500 maximum contribution, as the liability for employees over age 50 could change at any time.

Number of Positions	Maximum Contribution per employee per pay period	Total Liability Annually
Under \$50k- 22 Positions	375.00	\$214,500
\$50k-\$64,999- 7 Positions	321.43	\$58,500.26
\$65k and over- 5 Positions	250.00	\$32,500
		\$338,000.26

*as of February 26, 2020 we have one employee over 50 who is contributing to his max contribution. His liability to the Town is an additional \$83.33 per pay period or an additional \$2166.58 annually.

Town of Cheverly
Meeting Minutes
June 14, 2018

Call to Order

Meeting called to order at 8:00 pm in the Cheverly Community Center.

In attendance: CMs, Riazi, Ivey, Stewart and MacKenzie

Pledge of Allegiance

Presentation – Volunteer Award and Jack Wheat Award

Mayor presented the Volunteer Award to Susan Pruden and the Save the Woods Group. The Jack Wheat Award was given to Michael Green of the Cheverly Sanitation Crew.

Agenda/Approval/Changes

Minutes – Town Meeting 5/10/18

Approved

Minutes – Worksession 5/24/18

Approved

- CM MacKenzie Motion to excuse CM Eldridge and Garcia. Seconded CM Stewart. Approved 4-0.

Town Administrator's Report

Mr. Warrington hopefully we will have air conditioning on Monday. We had the electrician in on Friday to do the wiring for the new lobby doors and the FOB person should be in on Monday to finish it up. The pavilion for Town Park has been ordered and we expect the Multi-Use Court and Pavilion to be installed by the end of July. At Boyd Park we have started a Chesapeake Bay Project to catch and filter the water before it enters the creek. We have had delays caused by the County, but we should be cleared to begin the work next week.

CM MacKenzie will the handicapped access button also be coming?

Mr. Warrington yes it is coming.

Chief's Report

Chief Robshaw the Advisory Board has established leadership and committees for their operations. The next street meets will probably be at the Market. Team Cheverly is in operation

and it shows the kind of partnership we are looking for as it has resulted in the apprehension of a couple of suspects committing crimes in Cheverly. We are working with SHA regarding the improvement of pedestrian crossings at Arbor Street and Cheverly Avenue. Finally, we currently have 3 officers in academies and we should see them on the street in the near future.

Mayor do you ever get laterals from the sign out on Cheverly Avenue? I see we do a lot of housechecks and we are issuing more warnings than citations.

Chief Robshaw yes sometimes we get interest from laterals. We do allow officers to use their discretion when it comes to writing a ticket rather than a warning. Our housechecks are now computerized which makes us much more efficient in performing this regularly.

Recreation Council

No Report

Green Infrastructure Committee

Sheila Salo we are asking folks to report to us at www.greencheverly.com where Bamboo is located. The committee has recommended the Chestnut Oak as the Town Tree and the May Apple as the Town flower as they are abundant in the Cheverly area. We are encouraging Cheverly residents to become Baywise Maryland Yardstick certified. Go to our website to find the information to get your yard certified. We will have information at the Community Market.

Cheverly Day Committee

Mayor the Cheverly Day Committee is now relaxing.

Planning Board Report

Mayor the Planning Board did not have a quorum Tuesday, but June 6th was the deadline for the RFP for the Pointe location. I am working with the RDA to get you a copy of the submission.

Citizen Input

Adoption O-3-18 Ethics Section Amendment

Mr. Warrington the Maryland General Assembly places certain requirements on elected officials throughout the State. When they make changes during the legislature, we must incorporate those changes into our local laws. The Ordinance being adopted tonight does that in order to bring us into compliance.

- CM Ivey Motion to adopt O-3-18 Amending the Ethics Section. Seconded CM Riaz. Approved 4-0.

Adoption OB-1-18 FY19 Operating Budget and C.I.P and Tax Rate

Mr. Warrington Adopting this Ordinance will mean we are adopting the budget for the upcoming fiscal year.

CM MacKenzie we changed our salary schedule as part of this budget so that no new employees will be starting at a salary that is less than \$15 per hour. It is exciting.

CM Ivey I want to commend previous councils, residents and my colleagues for their commitment to working together to address previous shortfalls and staying true to the commitment to bring taxes back down. We actually have a small reduction in taxes this year from the previous year.

CM Stewart we are going to get software to allow us to serve our constituents better. Also, I want to note that we will be matching our employee's 401K contributions.

Mayor there have been constant improvements in the Town over the past years. We have to cover our operating expenses and then we have Capital projects. There are projects like streets and sidewalks, which may not be very exciting but are essential to our community. We have plans to upgrade the playground at Woodworth Park and make it accessible. We have been very successful because of the efficiency of the operation of our Town. Most of our operating expenses go to feet on the street. There is not a lot of overhead with our operations. I have researched and found that our Town compared to others we are in the lower 5%. Thank you Mr. Town Administrator.

- CM Riazi Motion to adopt OB-1-18 for the FY19 Operating Budget and Capital Improvement Program. Seconded CM Stewart. Approved 4-0.

Mayor and Council Announcements

CM MacKenzie The first Farmer's Market will be Saturday. CPRC is collecting different products for children who will not have access to food during the summer from Gladys Noon Spellman. We are close to curbside composting so please sign-up for that as we are 10 people away from 100.

CM Riazi schools are closing and pedestrian traffic will increase so please be careful when driving.

CM Stewart we had a Cheverly booth at the MML Conference and I thank CM MacKenzie for working with me on that. On Saturday there will be a Juneteenth celebration at Boyd Park as it is an emancipation day or freedom day celebration. There will be food and dancing.

CM Ivey on June 23rd there will be an event called adoptions forever. There will be a picnic and we encourage folks to come out and support this worthy issue.

Mayor The Worksession will be next Thursday for personnel availability purposes. For the Worksession we have the following items: Discussion – Police Hiring Incentives, Discussion – Building Use Requirements, MML Convention Review, Bamboo legislation, An Employee Survey, and Curbside Composting.

Town of Cheverly
Summary of Action
June 14, 2018

1. MOTION CM MacKenzie Motion to excuse CM Eldridge and Garcia. Seconded CM Stewart. Approved 4-0.
2. CM Ivey Motion to adopt O-3-18 Amending the Ethics Section. Seconded CM Riazi. Approved 4-0.
3. CM Riazi Motion to adopt OB-1-18 for the FY19 Operating Budget and Capital Improvement Program. Seconded CM Stewart. Approved 4-0.

Memo

To: Mayor and Town Council
From: David Warrington
Date: March 28, 2018
Re: Retirement Proposal

The Staff presented a memorandum in March in response to the Mayor and Council's inquiry regarding pay equity for non-law enforcement positions within the Town employment.

It was found that the Town's pay scale is one of the better scales regarding the positions in question.

An incentive proposal was proffered in March that provided some incentives for long-term employees.

In discussions with the staff another possibility has been proffered regarding retirement. The Police now have the Law Enforcement Officers Pension System (LEOPS), which is a better retirement than the rest of the staff. Obviously, this system is not available to the other employees and the Maryland State Retirement System (MSR) only offers the "one size fits all" retirement to everyone else. It was suggested that the non-law enforcement employees be offered a way to which they too can enhance their retirements.

The Town has had available to all employees, since 1986, a voluntary additional 526 retirement system, like a 401K. Employees may elect to have withdrawn from their checks a pre-tax contribution to their own personal retirement account.

The proposal was to have the Town match the employee's retirement contribution to the 526 retirement system, up to a certain amount, which would allow these non-law enforcement employees to obtain a better retirement system in an attempt to level the playing field between them and LEOPS.

Currently, the average deduction, amongst the non-law enforcement employees, is \$500 per paycheck, with 26 paychecks per year, would amount to a Town match of \$13,000.

With this incentive, it is anticipated that participation and deduction amount would increase, so a circuit breaker or cap may be necessary in order to allow for a fixed amount of contributory expenditures on behalf of the Town.

Your consideration of this item, along with the previous proposal will be necessary in order to include any additional costs into the FY19 Operating Budget.

With a Twist

It is being proposed that this proposal be weighted in order to favor those employees that have lower salaries. This will provide an incentive and a sense of equity.

Non-Law Enforcement Employees earning up to \$50,000 (essentially Grade 4-7) will receive a dollar for dollar match from the Town. Employees earning \$50,000 to \$65,000 (essentially Grade 8-11) will receive a 75% match. Employees earning above \$65,000 will receive a 50% match.

Net Result

The non-law enforcement employees will be provided a means to enhance their retirement like the law enforcement officers have had provided. This is always good for morale.

The employees have an incentive to look into the future and set themselves up for an improved quality to their retired life and their families. This is especially true given the structure of the MSR.

For example, when you retire, with MSR, you must choose one of three options.

1. Take a lump sum of what you contributed to the system (not a good idea).
2. Select the lower amount of monthly pay out and if you die first your spouse will keep getting that lower amount until they die.
3. Select the highest monthly amount pay out possible and hope you live a long time and out live your spouse, because if you die first, then they get nothing. If you die before what you put in is collected, your spouse will get the balance of what you put into the system, but no additional funds.
4. The 527 plan, like a 401K, your spouse and/or family gets what is in your account along with any investment proceeds.
5. The MSR system's magic number is 90. This is a combination of 30 years of service and 60 years old. You cannot collect a full retirement until you hit these numbers.
6. Under the MSR system, you could start here at 20, work here for 30 years and not be able to receive your full retirement amount until you were 60. If you start under the MSR system when you are 40, and want to retire when you are 60, then you will get a reduced amount for not having met the 30 years of service.
7. The 527, like a 401K, does have strict Federal tax penalties for early withdrawal and is not available for use until you are 62.

NEW CONTRIBUTIONS TO DEFERRED COMPENSATION

ICMA

The Mayor and Town Council have directed that any non-law enforcement (LEOPS) employee shall receive a proportional amount to be contributed to their ICMA-RC account.

In order to do so, the Town must set-up a payroll category that allows the Town to contribute these funds to the employee and in turn the employee will add to their ICMA contribution.

The Town's contribution for Administration will be from account number 01-07-1100.

The Town's contribution for Public Works will be from account number 01-12-1100.

The Town's contribution for non LEOPS police will be from account number 01-11-1100.

The funds will be given to the employees via a newly creating category and paid to ICMA via the pre-tax coded ICMA contribution line.

This will allow the funds to be shown as income and taxed by the State accordingly, but will be part of the pre-tax W-2 amount shown for Federal (pre-tax) income amounts.