



July 2, 2008

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To: COG Board of Directors

From: David Robertson, Chair
Pension Plan Administrative Committee

Subject: Resolution Amending the COG Pension Plan

On June 11, 2008, the COG Pension Plan Administrative Committee met to discuss recommended changes to the COG's Defined Benefit Pension. Below is additional information in support of the Committee's recommendations and the attached resolution.

BACKGROUND INFORMATION:

COG currently provides a defined benefit pension plan to its employees. COG employees do not participate in the retirement portion of Social Security, but do participate in the Medicare portion. For many years, COG employees contributed 7.5 percent of their salaries in the COG pension plan. However, on September 13, 2000 the COG Board of Directors approved several amendments to the pension plan including reducing the pension contributions of COG employees from 7.5% to 5%. This action was taken mainly because at that time the COG pension plan had a tremendously high surplus. Since then, all regular employees are required to contribute five percent of their salaries for their retirement benefit.

As the employer, COG also contributes a percentage of total payroll to meet projected benefit requirements. COG contributions are determined each budget season. COG has increased its employer's contributions to six percent beginning July 1, 2008.

RECOMMENDATION TO INCREASE EMPLOYEE CONTRIBUTION:

During the PPAC Annual meeting held on June 11, 2008, Fiona Liston, COG Actuarial Consultant, provided a brief overview of the current valuation study results and the need to consider a measured increase in employee and/or employer contributions in light of decreasing pension surplus. Based upon current financial outlook and most recent valuation report, COG management has increased the employer contributions from five percent to six percent. The PPAC received official valuation report that supports the management's recommendation to also increase employees' contributions from five to six percent to ensure a healthy financial status of COG's pension plan.

The PPAC unanimously approved the management's recommendation to increase employee's contributions from five to six percent and proposes such amendment by the COG Board of Directors.

RECOMMENDED CHANGES TO PROVISION ON BUYBACK OF SERVICE FOR RE-EMPLOYED COG STAFF:

The current pension language permits employees who leave COG and are subsequently rehired are allowed to buy back the pension rights from their prior service within five years of re-employment. However, the current provision does not specifically allow

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**Adjunct member*

rollover of money from IRAs and other qualified plans. Charles Stewart, COG's pension lawyer, has checked with IRS on whether such rollover is allowed. In his research, it appears that it is allowed but advised COG to amend the plan to explicitly include such a provision. Following amendment authorization by the Board, he will include this change in the letter of determination to be submitted to IRS for approval.

During its meeting, the PPAC discussed this matter and unanimously approved to recommend to the Board that the pension plan be amended to allow rollover of funds to COG pension plan from qualified plans such as IRA for purposes of buying back prior employment service. The PPAC also voted to limit this to a one-time right -- buy back will be limited to just a one-time opportunity. Any subsequent request beyond this, may be appealed to the PPAC and treated on a case by case basis. Additionally, the PPAC would like to make it clear in the amendment that calculation of buy back shall include accrued interest and other actuarially acceptable calculations.

For your information, below is a list of PPAC Members.

Pension Plan Administrative Committee Members (PPAC)

David J. Robertson, PPAC Chair

Jacqueline Brown, Prince George's County

J. Davis, City of Greenbelt

Penny Gross, Fairfax County

Imelda Roberts, OHRM COG

Lee Ruck, General Counsel

Ted Graham, Employee Representative

Daivamani Sivasailam, Employee Representative

Ad Hoc Non-Voting Member: Ray Rawlins, CFO COG