



CECIL COUNTY, MARYLAND

DEPARTMENT OF FINANCE

FISCAL NOTE

SUMMARY OF LEGISLATION

SPONSOR: Council President Meffley at the request of the County Executive

RESOLUTION NO. 32-2019 – Budget Appropriation and Budget Transfer – Fund Balance – Volunteer Length of Service Award Program

SYNOPSIS: A resolution to amend the Annual Budget and Appropriation Ordinance for Cecil County, Maryland for the fiscal year ending June 30, 2019 in order to provide the Cecil County, Maryland Volunteer Length of Service Award Program Trust Fund accounted for by the Volunteer Fire Service Department's budget within the General Fund, expenditure appropriation authority to authorize \$400,000 to be expended to contribute the unfunded liability of the Trust Fund.

FISCAL IMPACT SUMMARY: The approval of this bill will have a net fiscal impact on the Cecil County of \$400,000, by expending the FY2018 assigned fund balance designated by the County Executive to provide additional funding for the Volunteer Length of Service Award Program Trust Fund.

FISCAL ANALYSIS:

Under Section 7-209 of the Maryland Public Safety Code, the County has established a Volunteer Length of Service Award Program (VLOSAP) for the County's Department of Fire and Rescue Service volunteers who meet certain age and service criteria. This program is a defined pension plan because the benefits are based on the age and years of service. Any local fire and rescue volunteer is eligible for this program if the volunteer is at least 16 years old and satisfies the following conditions: (a) was an active volunteer on or after January 1, 1979 or (b) on January 1, 1984, had completed 25 years as an active volunteer or (c) from and after July 1, 2008, any member who accumulates the proper number of points needed to qualify and certify for 25 years of service may receive benefits at the age of 55 years.

Benefit provisions for this program are established under Section 7-209 (4) of the County Code. The types of benefits included in this program are monthly award payments, disability benefits, survivor's benefits, death benefits, and other benefits. Effective July 1, 2008 normal benefits are payable earlier of (a) 25 years of service and age 55, or (b) 10 years of service and age 70, The lifetime benefit equal to (a) \$12.00 per month for each year of service up to 25 years plus (b) \$6.00 per month for each year of service in excess of 25 years. The maximum total benefit is \$600 per month. There is a 50% survivor annuity for the spouse. A \$1,000 lump sum benefit paid to spouse for any member with a minimum of 25 years of service. Benefits continue to accrue for service earned after payments commence. There is no provision with respect to benefit change for automatic cost of living adjustment. The benefit terms are established by and may be amended by the County Council.

The credited service is based on the point system as described in the Cecil County By-Laws for the Volunteer Length of Service Program (VLOSAP). An active volunteer is one who accumulates at least 50 points in a calendar year under the point system. The points are not transferable to another year. An individual must not receive points for any activity performed as a County employee.

The Department of Finance determined that based upon the guidance under GASB (Government Accounting Standards Board) Pronouncement #73 that the VLOSAP program needed to be established as a trust in order to remain in

compliance and at the same time address the unfunded liability that now must be reported on the Statement of Net Position for the County. An actuarial study was contracted to address the VLOSAP Trust Fund. The study concluded the County's liability to meet the pension needs of the volunteers into the future is \$18,473,130 measured as of June 30, 2018.

In order for the County to start meeting this pension obligation, it was recommended by Finance to the County Executive that a portion of the FY2018 assigned fund balance should go to the trust fund in order to show the County's due diligence in financing its pension obligations. It is within the power of the County Executive to determine if funds need to be set aside to benefit and/or safeguard the County against the risk of large unbudgeted expenditures, however the Council, per Charter, must approve changes to the approved budget.