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Statement of Fraternal Order of Police, Montgomery County Lodge 35

Thursday, April 7, 2011

This is a \$4.3 Billion Dollar budget - an increase over the current year. The costs of policing have declined while other political priorities receive more. It is incredible that the County Executive would propose \$4 million to subsidize a private, profit-making retailer while walking away from his legal and moral obligations to abide by collective bargaining agreements.

The police Collective Bargaining Agreement is all give-up. It has nothing in it for us except for service increments that add no new, additional cost because they are more than offset by lapse and attrition where higher paid officers leave and are replaced by officers at the bottom of the pay scale.

As this economy improves, many of our officers are looking to go elsewhere. Other police departments and law enforcement agencies will be hiring. Montgomery County's loss will be another jurisdiction's gain. All the training that Montgomery County taxpayers paid for will be gone along with the experience that the Montgomery County Executive doesn't want to pay for because it is not his political priority.

We have a contract that was entered into, **voluntarily**, last June. Subsequently, we went through an arbitration process where we did not seek a pay raise. Rather, we sought a pay freeze on all but increments. The county executive wanted a 5.5% pay reduction.

The County Executive's budget proposes changes that he has never discussed with us despite his duty to bargain. For our part, we still respect and honor process. That's what keeps us from taking job actions. (Public demonstrations are lawful and do not violate process, yet for 28 years they were unnecessary.) This is ultimately about process. We have always honored process. In good times we honored process. When we lost we honored process. It is short-sighted not to honor it now.

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The lesson here is that the executive does not have integrity of process. Should we follow his example next time we lose an arbitration? Or should we stick to our principles and honor process so long as that process is fair?

There have been comments made on arbitration awards of the past without analysis of offers, context, economics, facts or anything but won-lost records. Transcripts and exhibits for these arbitrations exist. Look at them. When we win it is only because we were able to prove our case on the basis of facts and evidence after a fair hearing. When we lose, we support the award and don't act in bad faith or simply break the law.

Enough is enough! There is no need to be at odds with us. We are not the enemy. We are your employees. We are the police officers who respond to 911 calls, investigate crime, and protect lives and property. Change the attitude and stop waging war on public employees and a process that has maintained labor peace for 29 years. No one was complaining about our low wages when the economy was good. The true distinction is that, until recently, we have had steady and stable income, not big incomes. Adjusting for inflation, police officers start at a lower salary in 2011 than in 1975. We have had stagnant wages for three years despite creeping inflation that erodes our income. Federal government employees are subject to a pay freeze, but they are still getting increments and health benefits.

The County has an obligation to fund active and retiree health plans. It is a deal made in the past, pay as you go has worked, it is accounting standards that have changed.

Mr. Leggett's illegal proposal protects higher paid (over \$120,000) employees at expense of others. He is cheapening the value of a police officers to his or her family should he or she die. The Executive is just making this stuff up as he goes along. The County budget is increasing, while he imposes Draconian cuts. If the county needs fewer police officers and can't afford more, then don't hire until all incumbents are well compensated, trained and fully equipped to serve the community.

We are not out to collect dues or grow our membership. We are for Montgomery County families – yours and ours. Ours are facing their own real budget deficits. This is no way to treat them. Enough is enough!

Wednesday, April 6, 2011

County sticks to proposed \$4M to help move Costco Kensington Heights residents say retailer is not 'being very good neighbor'

by Alison Bryant | Staff Writer

Montgomery County Executive Isiah Leggett's proposal to pay a \$4 million subsidy to lure a Costco warehouse store to Wheaton has sparked an ongoing debate over whether the money would be better spent on county services.

Leggett has proposed raising fees, imposing a tax hike and cutting as much as \$2.8 million in funding for county libraries to help cover a \$300 million deficit in his proposed \$4.35 billion fiscal 2012 spending plan.

But Leggett is also proposing to provide Westfield Wheaton Shopping Center with a \$4 million subsidy to help cover construction costs for a \$62 million, 232,000-square-foot addition to the mall to house Costco and other retailers.

The Costco project also may include a gas station, provided the Planning Board approves a special exception to override zoning laws, which do not allow for a gas station on the site.

The special exception is on hold until September, said Valerie Berton, spokeswoman for Montgomery County Park and Planning.

Donna R. Savage, chairwoman of the Kensington Heights Civic Association land use committee, said that the association generally recognizes the need for an economic investment such as Costco. Residents have concerns, including the traffic, the gas station and overnight truck shipments, she said.

The council, Savage said, should attach some strings to that \$4 million. The proposed site of the gas station should be at least 1,000 feet from residences, and Costco should engage the community in discussion about the design and implementation of the store, she said.

Costco is refusing to engage with the civic association, Savage said.

"They're not being very good neighbors, and they're not even here yet," she said.

Danila Sheveiko, chairman of the civic association's Costco working group, said that Costco representatives said they will no longer meet with the association because the association is being unreasonable about the station.

The association has focused on issues mainly surrounding the gas station, because it's not against the store, Sheveiko said. But because the project received the green light at the highest levels of county government, subsequent plans have excluded input from neighbors, he said.

"We're not even against the \$4 million, as long as our concerns are addressed and it's not a disastrous situation," said Sheveiko, who shops at Costco in Beltsville. "Instead of forcing this project on the community, they should have gotten everybody together and figured out an alternative. As it stands, the \$4 million is a travesty."

A Costco representative said Monday that the company's corporate policy is to not comment on specific markets.

Officials of Westfield Wheaton Mall could not be reached for comment.

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Current Benefit	Leggett's plan	Cost to Family
Contribution to retirement: 4.2% to Social Security plus 4.75 % up to Social Security Wage Base, 8.5 % over on regular earnings over wage base	Additional 2% employee contribution	2% of your current regular earnings annually. Average additional loss of \$1468 annually
Health care cost split 80% employer/20% employee (includes vision, dental, prescription and life insurance.)	Change cost split 70% employer/30% Employee (includes vision, dental, prescription and life insurance.)	A family with Carefirst will pay an additional \$2000 annually. (not including cost of dental, vision and life insurance.)
No surcharge for health care.	Healthcare surcharge: <u>Employee salary</u> <u>Surcharge</u> \$0 - \$50K \$0 \$50K - \$90K \$35/pay period \$90K+ \$60/pay period	<u>Employee salary</u> <u>Annual cost</u> \$50K - \$90 \$910 \$90K + \$1560
Each mail order prescription costs one co-payment by member. Member may pay same for non-generic as generic drugs <u>if</u> required by physician.	Three months mail order for two co-pays instead of three. Generic only, additional cost for non-generic <u>no exception</u>	
Life insurance for employee benefit at two times(2x) salary.	Life insurance benefit reduced from 2x salary to 1x salary.	
Lifestyle medication covered.	Lifestyle medication no longer covered. (Viagra, Levitra, other meds for quality of life issues.)	

A comparison of the impact as a percent of salary of Ike Leggett's healthcare proposal.

Tim Firestine (CAO)	-1.3%
Tom Manger	-1.7%
Ike Leggett	0% *
County Councilmember	-3.9%
Assistant Police Chief	-2.3%
PO3 at 25 years service	-4.2%
PO3 at 5 years service	-4.9%
PO1 in first year service	-4.6%

* The County Executive does not participate in the County provided healthcare plan.
 These contribution changes and prescription limits will not apply to him.

Effect of Inflation on Police Pay from Earliest Available Pay Schedule to Present.

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Police Pay - July 1975			Police Pay - July 1975 In 2011 Dollars Inflation Factor = 335.5%			Actual Police Pay - January 2011			
Year of Service	POI/POII	POIII	Yr of Service	POI/POII	POIII	Yr of Service	POI/POII	POIII	
0 A	12,641		0 A	55,052		0 A	46,972		
0.5 AA	12,940		0.5 AA	56,354	55,703	0.5 AA	46,972	46,972	
1 B	13,236		1 B	57,643		1 B	48,617		
1.5 BB	13,549		1.5 BB	59,006	58,324	1.5 BB	48,617	48,617	
2 C	13,861		2 C	60,365		2 C	50,319		
2.5 CC	14,190		2.5 CC	61,797	61,081	2.5 CC	50,319	50,319	
3 D	14,517		3 D	63,222		3 D	52,081		
3.5 DD	14,862		3.5 DD	64,724	63,973	3.5 DD	52,081	52,081	
4 E	15,205		4 E	66,218		4 E	53,904		
4.5 EE		15,969	4.5 EE		69,544	67,881	4.5 EE	59,430	56,667
5 F		16,726	5 F		72,840		5 F	61,511	
5.5 FF		16,726	5.5 FF		72,840	72,840	5.5 FF	61,511	61,511
6 G		17,523	6 G		76,313	76,313	6 G	63,664	63,664
7		17,523	7		76,313	76,313	7	65,893	65,893
8		17,523	8		76,313	76,313	8	68,200	68,200
9		17,523	9		76,313	76,313	9	70,587	70,587
10 GL1		18,357	10 GL1		79,944	79,944	10 GL1	73,058	73,058
11		18,357	11		79,944	79,944	11	75,616	75,616
12		18,357	12		79,944	79,944	12	78,263	78,263
13		18,357	13		79,944	79,944	13	81,003	81,003
14 GL11		19,234	14 GL11		83,762	83,762	14 GL11	83,839	83,839
15		19,234	15		83,762	83,762	15	83,839	83,839
16		19,234	16		83,762	83,762	16	83,839	83,839
17		19,234	17		83,762	83,762	17	83,839	83,839
18 GL111		20,155	18 GL111		87,776	87,776	18 GL111	83,839	83,839
19		20,155	19		87,776	87,776	19	83,839	83,839
20		20,155	20		87,776	87,776	20	86,774	86,774
21		20,155	21		87,776	87,776	21	86,774	86,774
22		20,155	22		87,776	87,776	22	86,774	86,774
23		20,155	23		87,776	87,776	23	86,774	86,774
24		20,155	24		87,776	87,776	24	86,774	86,774
25		20,155	25		87,776	87,776	25	86,774	86,774
	Average	18,744		Average	78,542		Average	73,697	
							Difference	(4,844)	

NOTE: Actual Does Not Consider lost Increments or 2 - 3% furlough



FACTS ON STATE AND LOCAL GOVERNMENT PENSIONS

Retirement systems remain a small portion of state and local government budgets. State and local government pensions are not paid out of general operating revenues, but instead, a trust that public retirees and their employers contributed to while they were working. The portion of state and local government spending dedicated to retirement system contributions is about three percent.¹ While some pension trusts are fully funded (they have enough assets in the trust now for all pension obligations), following the recent market decline, plans will need to increase their contribution levels to five percent on average to return to full funding.² The unprecedented number of benefit and financing changes in public plans over the last few years will help to keep any required increases to a minimum.

Public pension plans are not in crisis. Most state and local government employee retirement systems have substantial assets to weather the economic crisis; those that are underfunded are taking steps to strengthen funding. It is important to understand that pensions are funded and paid out over decades. There is currently \$2.7 trillion already set aside in pension trusts for current and future retirees. Further, state and local government retirees do not draw down their pensions all at once. Employees must reach certain age and/or years of service before they are eligible for a pension; once retired, they must receive their pension in installments over their retirement years (as an annuity).

State and local governments are already taking steps to secure their pensions for the long-term. More state and local governments enacted significant modifications to improve the long-term sustainability of their retirement plans in 2010 than in any other year in recent history. In the past few years, nearly two-thirds of states have made changes to benefit levels, contribution rate structures, or both; many local governments have made similar fixes to their plans.³

Public employees share in the financing of their pension, which in many cases is in lieu of Social Security. The vast majority of public employees are required to contribute a portion of their wages—typically five to ten percent—to their state or local pension, and these contribution rates are being raised in many state and local governments. Employee contributions along with investment returns comprise the majority of public pension fund revenues. The average retirement benefit for public employees is \$22,600 and for many of them, including nearly half of all teachers and over two-thirds of firefighters and public safety officers, it is in lieu of Social Security. State and local salaries on which these pensions are based are lower than those for private sector employees with comparable education and work experience, even when benefits are included.^{4,5}

Pension dollars help the economy of every jurisdiction. Public employees live in every city and county in the nation; more than 90 percent retire in the same jurisdiction where they worked. The over \$175 billion in annual benefit distributions from pension trusts are a critical source of economic stimulus to communities throughout the nation, and act as an economic stabilizer in difficult financial times. Recent studies have documented public retirement system pension distributions annually generate over \$29 billion in federal tax revenue, more than \$21 billion in annual state and local government tax revenue, and a total economic impact of more than \$358 billion.⁶

Long-term investment returns of public funds continue to exceed expectations. Since 1985 – a period that has included three economic recessions and four years of negative median public fund investment returns – actual public pension investment returns have exceeded assumptions.⁷ For the 25-year period ended 12/31/09, the median public pension investment return was 9.25%.⁸ Moreover, for the year ended 6/30/10, this return was 12.8%.⁹ These actual returns exceed the 8% average public pension investment assumption, as well as the average assumed rate of return used by the largest corporate pension plans.¹⁰

State and local government retirement systems do not require, nor are they seeking, Federal financial assistance. The great strides made in the ability of state and local government retirement systems to ensure that more than 20 million working and retired public employees have financial security in retirement have been achieved without Federal intervention. One-size-fits-all Federal regulation is neither needed nor warranted and would only inhibit recovery efforts already underway at the state and local levels.

ENDNOTES

- ¹ [NASRA Issue Brief: State and Local Government Spending on Public Employee Retirement Systems](#)
- ² [The Funding of State and Local Pensions](#), Center for State and Local Government Excellence
- ³ [Pensions and Retirement Plan Enactments in 2010 State Legislatures](#), National Conference of State Legislatures
- ⁴ [The Wage Penalty for State and Local Government Employees](#), Center for Economic and Policy Research
- ⁵ [Out of Balance? Comparing Public and Private Sector Compensation Over 20 Years](#), Center for State and Local Government Excellence/National Institute on Retirement Security
- ⁶ [Pensionomics: Measuring the Economic Impact of State and Local Pension Plans](#), National Institute on Retirement Security
- ⁷ [Investment Return Assumption for Public Funds: The Historical Record](#), Callan Investments Institute Research
- ⁸ [NASRA Issue Brief: Public Pension Plan Investment Return Assumptions](#)
- ⁹ [The Public Fund Survey](#)
- ¹⁰ [Milliman 2010 Pension Funding Study](#)

OTHER RESOURCES:

- [The Impact of Public Pensions on State and Local Budgets](#), Center for Retirement Research at Boston College
- [Faulty Analysis is Unhelpful to State and Local Pension Sustainability Efforts](#), National Association of State Retirement Administrators
- [Frequently Asked Questions About Pensions](#), National Institute for Retirement Security
- [Research Brief on America's Cities](#), National League of Cities

NATIONAL CONFERENCE OF STATE LEGISLATURES ([WWW.NCSL.ORG](http://www.ncsl.org))
NATIONAL ASSOCIATION OF COUNTIES ([WWW.NACO.ORG](http://www.naco.org))
UNITED STATES CONFERENCE OF MAYORS ([WWW.USCM.ORG](http://www.uscm.org))
NATIONAL LEAGUE OF CITIES ([WWW.NLC.ORG](http://www.nlc.org))
INTERNATIONAL CITY/COUNTY MANAGEMENT ASSOCIATION ([WWW.ICMA.ORG](http://www.icma.org))
NATIONAL ASSOCIATION OF STATE AUDITORS COMPTROLLERS & TREASURERS ([WWW.NASACT.ORG](http://www.nasact.org))
GOVERNMENT FINANCE OFFICERS ASSOCIATION ([WWW.GFOA.ORG](http://www.gfoa.org))
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NATIONAL COUNCIL ON TEACHER RETIREMENT ([WWW.NCTR.ORG](http://www.nctr.org))
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