

CITY OF BALTIMORE
COUNCIL BILL 10-0519
(First Reader)

Introduced by: The Council President, Councilmembers Holton, Cole, Kraft, Middleton, Curran,
Reisinger, Spector, Stokes

At the request of: The Administration

Introduced and read first time: June 7, 2010

Assigned to: Taxation, Finance and Economic Development Committee

REFERRED TO THE FOLLOWING AGENCIES: City Solicitor, Fire and Police Employees' Retirement
System, Department of Finance, Labor Commissioner

A BILL ENTITLED

1 AN ORDINANCE concerning

2 **Fire and Police Employees' Retirement System – Benefits**

3 FOR the purpose of modifying certain Fire and Police Employees' Retirement System interest
4 rate assumptions; changing the definition of "average final compensation" for all System
5 members who do not meet certain conditions; clarifying the definition of "earnable
6 compensation;" making the Director of Finance an ex-officio member of the Board of
7 Trustees of the System; allowing the Director of Finance to authorize a designated
8 representative to act in his or her stead at board meetings; adding 1 additional Board of
9 Trustees appointee, appointed from a list of recommended candidates submitted by the
10 President of the City Council, to the existing 2 City resident mayoral appointees; establishing
11 new qualifications for the mayoral appointees; exempting the Board of Trustees from the
12 City Charter provision requiring minority party representation on City boards; changing the
13 age and service requirements for the normal service retirement benefit for all System
14 members who do not meet certain conditions; establishing a new early service retirement
15 benefit for System members who do not qualify for normal service retirement; increasing the
16 percentage of compensation contributable by System members; amending provisions of the
17 System law pertaining to post-retirement increases by discontinuing the variable benefit
18 increase and substituting a fixed percentage increase; discontinuing the utilization of certain
19 existing System accounting reserves; clarifying the existing DROP 2 eligibility provisions
20 and establishing new DROP 2 eligibility provisions for System members who do not meet
21 certain conditions; establishing a minimum benefit for certain retirees and beneficiaries;
22 providing for a special effective date; and generally relating to the Fire and Police
23 Employees' Retirement System of the City of Baltimore.

24 BY repealing and reordaining, with amendments

25 Article 22 - Retirement Systems

26 Section(s) 30(9), 30(11), 32(f), 33(b), 34(a) and (b), 36(h), 36A(b)(1st par.), and 36C(c)(1)

27 Baltimore City Code

28 (Edition 2000)

EXPLANATION: CAPITALS indicate matter added to existing law.
[Brackets] indicate matter deleted from existing law.

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1 BY adding
2 Article 22 - Retirement Systems
3 Section(s) 34(s-1) and 36A(h), (i), and (j)
4 Baltimore City Code
5 (Edition 2000)

Legislative Findings

6
7 **WHEREAS**, it is estimated that the City's required annual contribution to the Fire and Police
8 Employees' Retirement System ("F&P") for FY2011, before accounting for the cost of F&P's
9 variable post-retirement benefit increases, will be \$101 million.

10 **WHEREAS**, the City's required annual contribution to F&P has risen approximately 270%
11 from \$27.3 million in FY2001 to a budgeted \$101 million in FY2011. Expressed as a percentage
12 of the City's general fund operating budget, this equals an increase from 1.3% of budget in
13 FY2001 to 4.6% of budget in FY2011.

14 **WHEREAS**, while the City's covered fire and police payroll used for calculating the City's
15 annual F&P contribution during the 10-year period starting with FY2001 and ending with
16 FY2011 increased from approximately \$181.4 million to \$280.2 million, or 54%, the City's
17 required annual contribution to F&P during the same period rose from approximately \$27.3
18 million to a budgeted \$101 million, or 270%.

19 **WHEREAS**, Article 22 of the City Code currently includes a variable post-retirement benefit
20 formula that provides increases to F&P retirees and beneficiaries in years in which the system
21 achieves positive investment performance, but makes no provision for negative investment
22 performance years.

23 **WHEREAS**, the current formula results in a diminished asset base under which the F&P
24 cannot fully benefit from good investment performance since it must share a portion of investment
25 earnings with retirees in good years but must bear the total impact of investment losses in bad
26 years.

27 **WHEREAS**, it is now estimated that the annual F&P contribution needed to maintain the
28 current variable post-retirement benefit increase structure is an additional \$64 million on top of
29 the budgeted \$101 million required annual contribution, which would bring to \$165 million the
30 total annual contribution to F&P by the City for FY2011.

31 **WHEREAS**, in its FY2011 budget the City projects a \$121 million budget gap which is
32 presently projected to be closed only after reducing basic services, closing facilities, and
33 furloughing and laying off employees or by raising City taxes.

34 **WHEREAS**, the City's Fiscal 2011 Preliminary Budget Plan reports that "The major driver of
35 cost growth is the City's pension contributions. Because of poor investment performance in
36 Fiscal 2009, the pension funds need an additional \$28 million from the General and Motor
37 Vehicle funds to remain financially sound. Without legislation to reform the variable benefit
38 provision of the Fire and Police Retirement System, this cost grows by another \$64 million".

39 **WHEREAS**, a task force of the Greater Baltimore Committee recently issued its summary
40 report on the sustainability of F&P and found that current contributions to fund the F&P are
41 inadequate to fully cover its existing and anticipated liabilities, that the funded ratio of the F&P

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1 based on a June 30, 2009 market value is only 58.2%, and that the F&P underfunding problem
2 “threatens the City’s fiscal stability and could result in a reduction in City services, increased
3 taxes, and a decline of the City’s bond rating – a combination of adverse circumstances that
4 would result in immediate and long term financial burdens on the City and its citizens”.

5 **WHEREAS**, an independent actuary and an independent financial consultant have confirmed
6 that the F&P, as presently constituted, is unsustainable given the City’s structural budgetary
7 deficit constraints and have recommended changing F&P’s benefit structure in order to reduce
8 the F&P’s present and future actuarial liability and the City’s concomitant annual contribution to
9 the F&P.

10 **WHEREAS**, the City Council has given careful consideration to recommendations put forward
11 by the union representatives of F&P members regarding the sustainability of F&P and the
12 contractual rights of its members.

13 **WHEREAS**, the City Council has concluded that it is necessary and reasonable to implement
14 the recommendations of the independent actuary and financial consultant by modifying the
15 current F&P benefit structure in order to restore the actuarial soundness of F&P in a manner that
16 minimizes diminution of benefits to F&P members.

17 **SECTION 1. BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE**, That the
18 Laws of Baltimore City read as follows:

19 **Baltimore City Code**

20 **Article 22. Retirement Systems**

21 **Subtitle – Fire and Police Employees’ Retirement System**

22 **§ 30. Definitions.**

23 In this subtitle, unless a different meaning is plainly required by the context, the following
24 words and phrases have the meanings indicated:

25 (9) [“Regular interest” for the Annuity Savings Fund shall mean interest at 5½% per annum
26 compounded annually. “Regular interest” for the Annuity Reserve Fund and the Pension
27 Reserve Fund shall mean interest at 7% per annum compounded annually. For valuation
28 purposes, regular interest shall mean 8¼% prior to commencement of benefit payments
29 and 6-8/10% after commencement of benefit payments. “Regular interest” for the
30 purposes of determining actuarial equivalents shall mean interest at 5% per annum
31 compounded annually.] “REGULAR INTEREST” MEANS INTEREST COMPOUNDED
32 ANNUALLY FOR THE RESERVES AND ITEMS LISTED AT THE FOLLOWING RATES:

- 33 (I) THE ANNUITY SAVINGS RESERVE: 3.0%.
- 34 (II) FOR VALUATION PURPOSES: 8.0%
- 35 (III) FOR DETERMINING ACTUARIAL EQUIVALENTS: 5.0%.

36 (11) (A) “Average final compensation” [shall mean] MEANS the MEMBER’S average annual
37 EARNABLE compensation[, pay or salary earnable by a member] for the [3 consecutive

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1 years] 36 CONSECUTIVE MONTHS of service as an employee during which his OR HER
2 earnable compensation was highest[,] or, if he OR SHE had less than [3 years] 36
3 CONSECUTIVE MONTHS of service, then the average annual EARNABLE compensation[,
4 pay or salary earnable by him] during his OR HER total years of service.

5 (B) "EARNABLE COMPENSATION" MEANS THE ANNUAL SALARY AUTHORIZED FOR THE
6 MEMBER. IT DOES NOT INCLUDE OVERTIME PAY, DIFFERENTIAL PAY, OUT-OF-TITLE
7 PAY, ENVIRONMENTAL PAY, HAZARDOUS DUTY PAY, PAY FOR CONVERSION OF LEAVE
8 OR OTHER FRINGE BENEFITS, OR ANY LIKE ADDITIONAL PAYMENTS.

9 (C) [Provided, however, for] FOR members who [retire] RETIRED on or after July 1, 1986,
10 and before July 1, 1988, "average final compensation" [shall mean] MEANS the
11 average annual compensation, pay, or salary earnable by a member for the 2
12 consecutive years of service as an employee during which his OR HER earnable
13 compensation was highest, [provided] IF the member had at least 2 years of service in
14 that grade, or if he OR SHE had less than 2 years of service, then the average annual
15 compensation, pay, or salary earnable by him OR HER during his OR HER actual year(s)
16 of service.

17 (D) [Provided further, however, for] FOR members who:

18 (i) [retire] RETIRED on or after July 1, 1988, AND ON OR BEFORE JUNE 30, 2010,
19 OR

20 (ii) RETIRE ON OR AFTER JULY 1, 2010, AND WHO, AS OF JUNE 30, 2010, MEET THE
21 APPLICABLE AGE AND SERVICE REQUIREMENTS FOR A NORMAL SERVICE
22 RETIREMENT UNDER § 34(A-1)(1) OR HAVE ACQUIRED 15 OR MORE YEARS OF
23 CONTINUOUS SERVICE AS A CONTRIBUTING MEMBER OF THIS SYSTEM,

24 "average final compensation" [shall mean] MEANS the average annual EARNABLE
25 compensation[, pay or salary earnable by a member] for the 18 consecutive months of
26 service as an employee during which his OR HER earnable compensation was highest.

27 (E) In no event [shall] MAY the retirement benefits of a member[,] RETIRED UNDER
28 § 30(11)(D)(II) as a result of the [implementation] APPLICATION of the definition of
29 "average final compensation" [enacted by Ordinance 88-123], effective July 1, [1988]
30 2010, be less than the benefit [said] THE member would have been entitled to prior to
31 July 1, [1988] 2010. [In no event shall the retirement benefits of a member, as a
32 result of the implementation of the definition of "average final compensation"
33 enacted by Ordinance 91-086, effective July 1, 1991, be less than the benefit said
34 member would have been entitled to prior to July 1, 1991. "Earnable" shall include
35 all usual compensation, in whatever manner paid, such as lodging, subsistence, etc.
36 In cases where compensation is not all paid in money, the Board of Trustees shall fix
37 the value of that part of the compensation not paid in money.]

38 § 32. Service creditable.

39 (f) *Military service credit.*

40 (1) Notwithstanding any other provision of this subtitle, upon proper application to the
41 [Retirement] System, credit for military service, as defined in § 32(e) of this subtitle,

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1 FOR BENEFIT PURPOSES AND FOR PURPOSES OF ELIGIBILITY FOR A NORMAL SERVICE
2 RETIREMENT UNDER § 34(A-1), DROP UNDER § 36B, OR DROP 2 UNDER § 36C, shall
3 be granted to any member of this system who has served in the military prior to
4 employment with the City, [provided said] IF THAT member has acquired at least 10
5 years of service and attained the age of 50, or [shall have] HAS acquired 20 years of
6 service.

7 (2) [However, a] A member [shall] MAY not be awarded credit UNDER THIS SUBSECTION
8 if he OR SHE has received credit for a period of military service under another
9 retirement system[,] for which retirement benefits have been or will be received by
10 him OR HER[;]. [however] HOWEVER, this exclusion does not apply to any such
11 credit provided through Federal Old-Age and Survivors Insurance (Social Security),
12 or to any benefits provided under Title [3] 32 or Title 10, Chapter [67] 1223,
13 [§§ 1331 through 1337] §§ 12731 THROUGH 12741 of the U.S. Code.

14 (3) [In addition, the] THE military service credit [herein] provided UNDER THIS
15 SUBSECTION [shall] MAY not exceed 3 years.

16 (4) The City shall make all necessary contributions [to the pension and annuity funds] for
17 the funding of military service credit. [The provisions of this section shall apply to
18 all retirees and beneficiaries of the Retirement System who are receiving periodically
19 paid benefits on the effective date of this ordinance, regardless of their date of
20 retirement, provided that at the time of retirement the retiree met the age and service
21 requirements stated above.]

22 § 33. Administration.

23 (b) *Members.*

24 The Board consists of [9] 11 trustees, as follows:

25 (1) The Comptroller of the City of Baltimore, ex-officio.

26 (2) The Police Commissioner, ex officio. The Police Commissioner may designate a
27 representative to attend any meeting of the Board of Trustees in his or her place.
28 This representative must be a [member of the Police Command Staff II with
29 administrative responsibilities] DEPUTY POLICE COMMISSIONER and must be a
30 member of this system. This representative has the authority to act in the
31 Commissioner's place.

32 (3) The Chief of the Fire Department, ex officio. The Chief of the Fire Department
33 may designate a representative to attend any meeting of the Board of Trustees in
34 his or her place. This representative must be [an Assistant Chief of the Fire
35 Department with administrative responsibilities] THE DEPARTMENT'S CHIEF OF
36 STAFF OR THE DEPARTMENT'S DEPUTY CHIEF FOR FINANCE AND
37 ADMINISTRATION and must be a member of this system. This representative has
38 the authority to act in the Chief's place.

39 (4) THE DIRECTOR OF FINANCE, EX OFFICIO. THE DIRECTOR OF FINANCE MAY
40 DESIGNATE A REPRESENTATIVE TO ATTEND ANY MEETING OF THE BOARD OF
41 TRUSTEES IN HIS OR HER PLACE. THIS REPRESENTATIVE MUST BE EITHER THE

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1 DEPUTY DIRECTOR OF FINANCE OR THE BUDGET DIRECTOR. THIS
2 REPRESENTATIVE HAS THE AUTHORITY TO ACT IN THE DIRECTOR OF FINANCE'S
3 PLACE.

4 (5) (i) [(4)] [2 citizens] 3 RESIDENTS AND REGISTERED VOTERS of the City of
5 Baltimore [who are not employees within the meaning of this subtitle, 1 of
6 whom shall be a responsible officer of a bank authorized to do business within
7 the State of Maryland, or a person with similar experience], to be appointed
8 by the Mayor with the consent of the City Council, as provided in CITY
9 CHARTER Article IV, § 6 [of the City Charter], EACH to serve for [terms] A
10 TERM of 4 years [each] CONCURRENT WITH THE MAYOR'S TERM OF OFFICE.
11 [each, provided, however, that immediately following July 1, 1962, the Mayor
12 shall appoint 1 trustee to serve until July 1, 1963, and 1 trustee to serve until
13 July 1, 1965, such trustees to take office at appointments.] 1 OF THESE 3
14 TRUSTEES SHALL BE APPOINTED BY THE MAYOR FROM A LIST OF 3
15 RECOMMENDED CANDIDATES SUBMITTED BY THE PRESIDENT OF THE CITY
16 COUNCIL.

17 (ii) THESE TRUSTEES SHALL POSSESS COMMERCIAL BANKING, INVESTMENT
18 BANKING, ACCOUNTING, ACTUARIAL, AUDITING, INVESTMENT MANAGEMENT,
19 INVESTMENT CONSULTING, OR FINANCIAL LEGAL EXPERTISE.

20 (iii) AS OF THEIR APPOINTMENT AND DURING THEIR ENTIRE TERM OF OFFICE, THESE
21 TRUSTEES:

22 A. MAY NOT BE AN EMPLOYEE OR OFFICIAL OF THE CITY; AND

23 B. MAY NOT ENGAGE IN ANY OF THE FOLLOWING ACTIVITIES OR HOLD ANY
24 OF THE FOLLOWING INTERESTS, AS THESE ACTIVITIES OR INTERESTS
25 ARE DEFINED IN CITY CODE ARTICLE 8 {"ETHICS"}:

26 1. DOING BUSINESS WITH ANY SYSTEM, PLAN, OR TRUST
27 ADMINISTERED BY THE CITY'S DEFERRED COMPENSATION
28 PLAN, BY THE BOARD OF TRUSTEES OF THIS SYSTEM, OR BY THE
29 BOARD OF TRUSTEES OF THE CITY'S EMPLOYEES' RETIREMENT
30 SYSTEM (COLLECTIVELY, THE "CITY BENEFIT PLANS");

31 2. BEING EMPLOYED BY OR HAVING A FINANCIAL INTEREST IN ANY
32 PERSON OR ENTITY DOING BUSINESS OR SEEKING TO DO
33 BUSINESS WITH ANY CITY BENEFIT PLAN; OR

34 3. ENGAGING IN ANY ACTIVITY THAT REQUIRES REGISTRATION AS
35 A LOBBYIST WITH THE CITY ETHICS BOARD.

36 (6) [(5)] 2 members of the system, one of whom shall be an employee of the Fire
37 Department, the other an employee of the Police Department, to be elected by the
38 membership of the respective departments to which each belongs under [such]
39 THE rules and regulations [as may be] adopted by the Board of Trustees to govern
40 [such] THE election, to serve for a term of 4 years, STAGGERED AS PROVIDED FOR
41 THE TRUSTEES FIRST ELECTED. [; provided, however, that the term of office of the
42 first 2 trustees so elected shall begin immediately following their election and

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1 shall expire July 1, 1964, and July 1, 1966, respectively; and provided further,
2 that for] FOR the purposes of this [subsection (b)] PARAGRAPH (6), members of the
3 system who are not employed by the Fire Department or the Police Department
4 [shall be] ARE eligible to participate as voters and as candidates in elections of the
5 Board of Trustees. School crossing guards, meter monitors, and police personnel
6 employed at the [Baltimore-Washington] BALTIMORE / WASHINGTON
7 International THURGOOD MARSHALL Airport shall participate in the Police
8 Department elections. Fire personnel employed at the [Baltimore-Washington]
9 BALTIMORE / WASHINGTON International THURGOOD MARSHALL Airport shall
10 participate in the Fire Department elections. For other categories of members of
11 the system who are not employees of the Fire Department or the Police
12 Department, the Board of Trustees shall determine in which departmental election
13 they shall participate.

14 (7) [(5-1)] 2 retirees of the system, 1 of whom shall be a Fire Department retiree, and
15 the other a Police Department retiree, to be elected by the retirees of the
16 respective department to which each belonged, [said] THESE elections to be held
17 concurrently with the election for the employees representative of each respective
18 department, under [such] THE rules and regulations [as may be] adopted by the
19 Board of Trustees to govern [such] THE election, to serve for a term of 4 years[;].
20 [provided, however, that for] FOR the purposes of this [subsection (b)]
21 PARAGRAPH (7), retirees of the system who are not employed by the Fire
22 Department or the Police Department [shall be] ARE eligible to participate as
23 voters and as candidates in elections of the Board of Trustees. Retired school
24 crossing guards, retired meter monitors, and police personnel retired from
25 employment at the [Baltimore-Washington] BALTIMORE / WASHINGTON
26 International THURGOOD MARSHALL Airport shall participate in the Police
27 Department elections. Fire personnel retired from employment at the
28 [Baltimore-Washington] BALTIMORE / WASHINGTON International THURGOOD
29 MARSHALL Airport shall participate in the Fire Department elections. For other
30 categories of retirees in the system who were not employees of the Fire
31 Department or the Police Department, the Board of Trustees shall determine in
32 which departmental election they shall participate.

33 (8) NOTWITHSTANDING CITY CHARTER ARTICLE IV, §8 , REQUIRING MINORITY PARTY
34 REPRESENTATION, THE ELECTION OR APPOINTMENT OF TRUSTEES UNDER THIS
35 SUBSECTION SHALL BE MADE WITHOUT REGARD TO POLITICAL AFFILIATION,
36 INCLUDING THOSE TRUSTEES HOLDING THEIR POSITIONS EX OFFICIO.

37 § 34. Benefits.

38 (A-1) [(a)] *Normal service retirement benefits.*

39 (1) *Age and service requirements FOR RETIREMENTS ON OR BEFORE JUNE 30, 2010.*

40 A member may retire with a normal service retirement ON OR BEFORE JUNE 30, 2010,
41 if, on his or her last day of City employment, the member meets the following age
42 and service requirements:

43 (i) for an employee who became a member of this system on or before June 30,
44 2003, and who retired on or after June 30, 1989:

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1 (A) age 50, regardless of years of service; or

2 (B) regardless of age, 20 years of service; and

3 (ii) for an employee who became a member of this system on or after July 1,
4 2003:

5 (A) age 50, with at least 10 years of service as a contributing member of
6 this system; or

7 (B) regardless of age, 20 years of service, at least 10 years of which were
8 as a contributing member of this system.

9 (2) *AGE AND SERVICE REQUIREMENTS FOR RETIREMENTS ON OR AFTER JULY 1, 2010.*

10 A MEMBER MAY RETIRE WITH A NORMAL SERVICE RETIREMENT ON OR AFTER JULY 1,
11 2010, IF HE OR SHE SATISFIES ITEM (I), (II), OR (III) THAT FOLLOWS:

12 (I) AS OF JUNE 30, 2010, HE OR SHE HAS MET THE APPLICABLE AGE OR SERVICE
13 REQUIREMENTS SET FORTH IN PARAGRAPH (1) OF THIS SUBSECTION.

14 (II) AS OF JUNE 30, 2010, HE OR SHE HAS ACQUIRED 15 OR MORE YEARS OF
15 CONTINUOUS SERVICE AS A CONTRIBUTING MEMBER OF THIS SYSTEM AND, ON
16 THE LAST DAY OF HIS OR HER CITY EMPLOYMENT, HE OR SHE HAS MET THE
17 APPLICABLE AGE OR SERVICE REQUIREMENTS SET FORTH IN PARAGRAPH (1) OF
18 THIS SUBSECTION.

19 (III) ON THE LAST DAY OF HIS OR HER CITY EMPLOYMENT, HE OR SHE HAS EITHER:

20 (A) ACQUIRED 25 OR MORE YEARS OF CONTINUOUS SERVICE AS A
21 CONTRIBUTING MEMBER OF THIS SYSTEM; OR

22 (B) 1. ATTAINED AGE 55; AND

23 2. ACQUIRED 15 OR MORE YEARS OF CONTINUOUS SERVICE AS A
24 CONTRIBUTING MEMBER OF THIS SYSTEM.

25 (A-2) *EARLY SERVICE RETIREMENT BENEFITS – AGE AND SERVICE REQUIREMENTS.*

26 (1) ON OR AFTER JULY 1, 2010, A MEMBER OF THIS SYSTEM ON JUNE 30, 2010, WHO DOES
27 NOT SATISFY THE CONDITIONS OF EITHER PARAGRAPH (2)(I) OR PARAGRAPH (2)(II) OF
28 SUBSECTION (A-1) OF THIS SECTION MAY RETIRE WITH AN EARLY SERVICE RETIREMENT
29 WHEN HE OR SHE FIRST MEETS THE APPLICABLE AGE OR SERVICE REQUIREMENTS FOR A
30 NORMAL SERVICE RETIREMENT UNDER SUBSECTION (A-1)(1) OF THIS SECTION.

31 (2) THE BENEFIT COMMENCEMENT DATE OF AN EARLY SERVICE RETIREMENT IS ANY DATE
32 ELECTED BY THE MEMBER IN ACCORDANCE WITH SUBSECTION (A-3) OF THIS SECTION
33 AND THAT IS:

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1 (A) ON OR AFTER THE DATE THE MEMBER FIRST MEETS THE APPLICABLE AGE OR
2 SERVICE REQUIREMENTS FOR A NORMAL SERVICE RETIREMENT UNDER
3 SUBSECTION (A-1)(1) OF THIS SECTION; AND

4 (B) BEFORE THE DATE AS OF WHICH THE MEMBER WOULD HAVE FIRST MET THE
5 AGE AND SERVICE REQUIREMENTS FOR A NORMAL SERVICE RETIREMENT
6 UNDER SUBSECTION (A-1)(2)(III) OF THIS SECTION HAD HE OR SHE CONTINUED
7 EMPLOYMENT WITH THE CITY.

8 (A-3) [(2)] *Application.*

9 To retire under [this] subsection (A-1) OR (A-2) OF THIS SECTION, the member must:

10 (i) apply to the Board of Trustees, on a form approved by the Board;

11 (ii) set forth the date he or she wants to retire; and

12 (iii) submit the application to the Board no less than 30 days nor more than 90 days
13 before the date of retirement.

14 (B-1) [(b)] *Allowance on service retirement.*

15 Upon retirement from service a member shall receive a service retirement allowance as
16 follows:

17 (1) For any member who retires on or before June 30, 1989, the service retirement
18 allowance shall consist of:

19 (A) an annuity which shall be the actuarial equivalent of his accumulated
20 contributions at the time of his retirement; and

21 (B) for each year of service, in addition to his annuity, a pension, which shall
22 be equal to 1/100 of his average final compensation for each of the first 25
23 years of service, less any prior service, and 1/120 of his average final
24 compensation for each year after the first 25 years of service less any prior
25 service; and

26 (C) if he has been credited with prior service, a supplemental pension which
27 shall be equal to 1/50 of his average final compensation multiplied by the
28 number of years of such prior service; and

29 (D) if at the time of retirement the annuity determined in accordance with
30 [§ 34(b)(1)(A)] § 34(B-1)(1)(A) resulting from the member's contributions
31 for service is less than the pension resulting from the member's years of
32 service determined in accordance with [§ 34(b)(1)(B)] § 34(B-1)(1)(B), a
33 supplemental pension equal to the difference between the two shall be
34 payable.

35 (E) The additional annuity provided as the result of voluntary contributions
36 permitted under § 36(b)(10) shall be payable and shall not be used in

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1 determining this supplemental pension, if any, payable under this
2 subdivision.

3 (2) For any member who retires on or after July 1, 1989, and on or before June 30,
4 1991, the service retirement allowance shall consist of:

5 (A) an annuity which shall be the actuarial equivalent of his accumulated
6 contributions at the time of his retirement; and

7 (B) a pension which, together with his annuity, shall be equal to:

- 8 1. 2.25% of his average final compensation for each year of the first
9 20 years of service;
- 10 2. 2.50% of his average final compensation for each year of his next 2
11 years of service; and
- 12 3. 1.67% of his average final compensation for each year of service
13 thereafter.

14 (C) The additional annuity provided as a result of voluntary contributions
15 permitted under § 36(b)(10) shall be payable and shall not be used in
16 determining the pension payable under [§ 34(b)(2)(B)] § 34(B-1)(2)(B).

17 (3) For any member who retires on or after July 1, 1991, the service retirement
18 allowance shall consist of:

19 (A) an annuity which shall be the actuarial equivalent of his accumulated
20 contributions at the time of his retirement; and

21 (B) a pension which, together with his annuity, shall be equal to:

- 22 1. 2.5% of his average final compensation for each year of the first 20
23 years of service, plus
- 24 2. 1.8% of his average final compensation for each year of service
25 thereafter.

26 (C) The additional annuity provided as a result of voluntary contributions
27 permitted under § 36(b)(10) shall be payable and shall not be used in
28 determining the pension payable under [§ 34(b)(3)(B)] § 34(B-1)(3)(B).

29 (4) For any member who retires on or after June 29, 1993, WITH A NORMAL SERVICE
30 RETIREMENT UNDER SUBSECTION (A-1) OF THIS SECTION, the NORMAL service
31 retirement allowance shall consist of:

32 (A) an annuity which shall be the actuarial equivalent of his accumulated
33 contributions at the time of his retirement; and

34 (B) a pension which, together with his annuity, shall be equal to:

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- 1 1. 2.5% of his average final compensation for each year of the first 20
- 2 years of service, plus
- 3 2. 2% of his average final compensation for each year of service
- 4 thereafter.

5 (C) The additional annuity provided as a result of voluntary contributions

6 permitted under § 36(b)(4) shall be payable and shall not be used in

7 determining the pension payable under [§ 34(b)(4)(B)] § 34(B-1)(4)(B).

8 (5) Provided further, however, that members and beneficiaries of members who retired

9 before July 1, 1988, and any surviving beneficiary of a member who began

10 receiving benefits before July 1, 1988, shall receive a 2% increase in periodic

11 benefits as of January 1, 1992.

12 (6) Notwithstanding any other provision of this subtitle to the contrary, any member

13 (other than a member who has elected to participate in the Deferred Retirement

14 Option Plan pursuant to § 36B of this subtitle) who retires effective on or after

15 June 1, 1996, and on or before August 31, 1996, with 35 or more years of service

16 shall receive, in addition to his accumulated service credit, a credit of 6 additional

17 months of service. For purposes of this [§ 34(b)(6)] § 34(B-1)(6) only the “average

18 final compensation”, as defined in § 30(11) of this subtitle, of any member eligible

19 for this additional service credit shall be calculated as if the member had retired on

20 January 1, 1997 (rather than on his or her actual retirement date) and had earned

21 compensation, pay, or salary during the period between his or her actual retirement

22 date and January 1, 1997, at the salary rate in effect at the time of actual

23 retirement.

24 (B-2) *ALLOWANCE ON EARLY SERVICE RETIREMENT.*

25 FOR ANY MEMBER WHO RETIRES ON OR AFTER JULY 1, 2010, WITH AN EARLY SERVICE

26 RETIREMENT UNDER SUBSECTION (A-2) OF THIS SECTION, THE EARLY SERVICE RETIREMENT

27 ALLOWANCE SHALL CONSIST OF:

28 (I) AN ANNUITY WHICH SHALL BE THE ACTUARIAL EQUIVALENT OF HIS OR HER

29 ACCUMULATED CONTRIBUTIONS AT THE TIME OF HIS OR HER RETIREMENT; AND

30 (II) A PENSION WHICH, TOGETHER WITH THE ANNUITY, SHALL BE EQUAL TO:

31 (A) THE SUM OF 2.5% OF HIS OR HER AVERAGE FINAL COMPENSATION FOR EACH

32 YEAR OF THE FIRST 20 YEARS OF SERVICE AND 2.0% OF HIS OR HER

33 AVERAGE FINAL COMPENSATION FOR EACH SUBSEQUENT YEAR OF SERVICE,

34 REDUCED BY

35 (B) THE APPLICABLE PERCENTAGE SHOWN BELOW FOR EACH MONTH OR

36 FRACTION OF A MONTH BY WHICH HIS OR HER BENEFIT COMMENCEMENT

37 DATE PRECEDES THE DATE AS OF WHICH HE OR SHE WOULD HAVE FIRST MET

38 THE REQUIREMENTS FOR A NORMAL SERVICE RETIREMENT UNDER

39 SUBSECTION (A-1)(2)(III) OF THIS SECTION HAD HE OR SHE CONTINUED

40 EMPLOYMENT WITH THE CITY:

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- 1 1. 6.5/12% PER MONTH FOR THE FIRST 60 MONTHS OR FRACTION OF A
- 2 MONTH IMMEDIATELY PRECEDING THE MEMBER’S NORMAL SERVICE
- 3 RETIREMENT DATE;
- 4 2. 4.5/12% PER MONTH FOR THE NEXT 60 MONTHS OR FRACTION OF A
- 5 MONTH;
- 6 3. 1/4% PER MONTH FOR THE NEXT 60 MONTHS OR FRACTION OF A
- 7 MONTH; AND
- 8 4. 1/6% PER MONTH FOR ANY ADDITIONAL NEXT MONTHS OR FRACTION
- 9 OF A MONTH.

10 (s-1) *MINIMUM BENEFITS FOR RETIREES AND BENEFICIARIES EFFECTIVE JULY 1, 2010.*

11 A MINIMUM BENEFIT FOR CERTAIN RETIREES AND BENEFICIARIES, EFFECTIVE WITH THE
12 FIRST FULL PAYROLL PERIOD BEGINNING AFTER JULY 1, 2010, SHALL BE PAYABLE AS
13 FOLLOWS:

- 14 (1) IF A SWORN MEMBER WHO RETIRED WITH 20 OR MORE YEARS OF SERVICE BEFORE
- 15 AUGUST 1, 1996, IS RECEIVING PERIODIC RETIREMENT BENEFITS FROM THIS SYSTEM
- 16 AS OF JUNE 30, 2010, IN AN ANNUAL AMOUNT THAT IS LESS THAN \$24,000, THAT
- 17 MEMBER SHALL RECEIVE AN INCREASE IN HIS OR HER PERIODIC RETIREMENT
- 18 BENEFITS SO THAT THE ANNUAL AMOUNT OF THOSE BENEFITS EQUALS \$24,000.
- 19 (2) IF A BENEFICIARY OF A SWORN MEMBER WHO, BEFORE AUGUST 1, 1996, RETIRED
- 20 OR DIED WHILE IN SERVICE WITH 20 OR MORE YEARS OF SERVICE IS RECEIVING
- 21 PERIODIC RETIREMENT BENEFITS FROM THIS SYSTEM AS OF JUNE 30, 2010, IN AN
- 22 ANNUAL AMOUNT THAT IS LESS THAN \$12,000, THAT BENEFICIARY SHALL RECEIVE
- 23 AN INCREASE IN HIS OR HER PERIODIC RETIREMENT BENEFITS SO THAT THE ANNUAL
- 24 AMOUNT OF THOSE BENEFITS EQUALS \$12,000.
- 25 (3) IF A MEMBER’S RETIREMENT BENEFITS UNDER THIS SYSTEM ARE SUBJECT TO A
- 26 DOMESTIC RELATIONS ORDER, THE ANNUAL AMOUNT OF THE MEMBER’S BENEFITS
- 27 PRIOR TO ASSIGNMENT UNDER THAT ORDER SHALL BE USED IN DETERMINING
- 28 WHETHER THE MEMBER IS ELIGIBLE FOR AN INCREASE UNDER THIS SUBSECTION.

29 **§ 36. Method of financing.**

30 (h) *Percent of compensation contributable.*

31 (5) EFFECTIVE WITH THE 1ST FULL PAYROLL PERIOD COMMENCING AFTER THE APPLICABLE
32 EFFECTIVE DATE SHOWN BELOW, EACH MEMBER SHALL CONTRIBUTE THE PERCENTAGE
33 OF HIS OR HER REGULAR COMPENSATION THAT CORRESPONDS TO THE EFFECTIVE DATE,
34 THIS CONTRIBUTION TO CONTINUE THROUGHOUT THE MEMBER’S REMAINING PERIOD OF
35 SERVICE:

<i>EFFECTIVE DATE</i>	<i>PERCENTAGE OF REGULAR COMPENSATION</i>
JULY 1, 2010	7%
JULY 1, 2011	8%

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1	JULY 1, 2012	9%
2	JULY 1, 2013	10%

§ 36A. Post-retirement benefit increases to certain retirees and beneficiaries.

(b) *Amount of benefit increase PAYABLE FOR FISCAL YEARS ENDING ON OR BEFORE JUNE 30, 2009.*

As of the end of each fiscal year ENDING ON OR BEFORE JUNE 30, 2009, a determination shall be made of the amount of increase (if any) of retirement benefit payments which may be payable to eligible persons. The amount of retirement benefit increase shall be calculated with reference to excess investment earnings of the Annuity Reserve Fund and the Pension Reserve Fund only, and according to the method described in subsection (c) below.

.....

(H) *AMOUNT OF BENEFIT INCREASE PAYABLE FOR FISCAL YEARS BEGINNING ON OR AFTER JULY 1, 2009.*

(1) NO POST-RETIREMENT BENEFIT INCREASE MAY BE PAYABLE IN JANUARY 2011 FOR THE FISCAL YEAR ENDING JUNE 30, 2010.

(2) AS OF JUNE 30, 2011, AND EACH SUCCEEDING JUNE 30, A MEMBER OR BENEFICIARY WHO, AS OF THAT JUNE 30, IS ELIGIBLE UNDER SUBSECTION (A) OF THIS SECTION SHALL RECEIVE THE FOLLOWING INCREASE IN HIS OR HER PERIODIC BENEFIT, THE INCREASE TO COMMENCE EFFECTIVE AS OF THE IMMEDIATELY FOLLOWING JANUARY:

(I) A MEMBER OR BENEFICIARY WHO, AS OF THAT JUNE 30, HAS NOT ATTAINED AGE 55, SHALL RECEIVE NO INCREASE.

(II) A MEMBER OR BENEFICIARY WHO, AS OF THAT JUNE 30, HAS ATTAINED AGE 55 BUT HAS NOT ATTAINED AGE 65, SHALL RECEIVE AN INCREASE EQUAL TO 1.0%.

(III) A MEMBER OR BENEFICIARY WHO, AS OF THAT JUNE 30, HAS ATTAINED AGE 65 SHALL RECEIVE AN INCREASE EQUAL TO 2.0%.

(I) *TRANSFER OF ASSETS AND LIABILITIES.*

(1) THE ASSETS OF THE PAID-UP BENEFIT FUND AND THE CONTINGENCY RESERVE FUND SHALL BE TRANSFERRED TO THE GENERAL ASSET ACCOUNT.

(2) THE POST-RETIREMENT BENEFIT LIABILITIES OF THE PAID-UP BENEFIT FUND SHALL BE TRANSFERRED TO THE PENSION RESERVE.

(3) FOLLOWING THESE TRANSFERS, THE PAID-UP BENEFIT FUND AND THE CONTINGENCY RESERVE FUND SHALL BE DISCONTINUED.

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1 (j) *GUARANTEE OF POST-RETIREMENT INCREASES.*

2 EFFECTIVE JUNE 30, 2010, ALL POST-RETIREMENT BENEFIT INCREASES PAYABLE UNDER
3 THIS § 36A BECOME THE OBLIGATION OF THE CITY OF BALTIMORE AND ARE GUARANTEED
4 UNDER THE PROVISIONS OF § 37 OF THIS SUBTITLE.

5 **§ 36C. Deferred Retirement Option Plan 2.**

6 (c) *Eligibility and application.*

7 (1-A) [(1)] Notwithstanding § 30(6) of this subtitle, the service credit requirements for
8 DROP 2 eligibility ON OR BEFORE JUNE 30, 2010, are as follows:

9 (A) TO BE ELIGIBLE, A MEMBER OF THIS SYSTEM AS OF JULY 1, 2003, MUST
10 ACQUIRE 20 OR MORE YEARS OF SERVICE, WHETHER THROUGH
11 EMPLOYMENT COVERED BY THIS SYSTEM OR BY TRANSFER-IN, PURCHASE,
12 OR MILITARY SERVICE PURSUANT TO § 32 OF THIS SUBTITLE.

13 (B) TO BE ELIGIBLE, AN EMPLOYEE WHO BECOMES A MEMBER OF THIS SYSTEM
14 AFTER JULY 1, 2003 AND ON OR BEFORE DECEMBER 31, 2009, MUST
15 ACQUIRE 20 OR MORE YEARS OF SERVICE, WHETHER THROUGH
16 EMPLOYMENT COVERED BY THIS SYSTEM OR BY TRANSFER-IN, PURCHASE,
17 OR MILITARY SERVICE PURSUANT TO § 32 OF THIS SUBTITLE, 10 OR MORE OF
18 WHICH MUST BE YEARS OF CONTINUOUS SERVICE AS A CONTRIBUTING
19 MEMBER OF THIS SYSTEM.

20 (C) TO BE ELIGIBLE, AN EMPLOYEE WHO BECOMES A MEMBER OF THIS SYSTEM
21 ON OR AFTER JANUARY 1, 2010, MUST ACQUIRE 20 OR MORE YEARS OF
22 CONTINUOUS SERVICE AS A CONTRIBUTING MEMBER OF THIS SYSTEM.

23 (1-B) NOTWITHSTANDING § 30(6) OF THIS SUBTITLE, THE SERVICE CREDIT
24 REQUIREMENTS FOR DROP 2 ELIGIBILITY ON OR AFTER JULY 1, 2010, ARE AS
25 FOLLOWS:

26 (A) TO BE ELIGIBLE, A MEMBER OF THIS SYSTEM WHO AS OF JUNE 30, 2010, HAS
27 ACQUIRED 15 OR MORE YEARS OF CONTINUOUS SERVICE AS A
28 CONTRIBUTING MEMBER OF THIS SYSTEM, MUST ACQUIRE 20 OR MORE
29 YEARS OF SERVICE, WHETHER THROUGH EMPLOYMENT COVERED BY THIS
30 SYSTEM OR BY TRANSFER-IN, PURCHASE, OR MILITARY SERVICE PURSUANT
31 TO § 32 OF THIS SUBTITLE.

32 (B) TO BE ELIGIBLE, A MEMBER OF THIS SYSTEM WHO AS OF JUNE 30, 2010, HAS
33 NOT ACQUIRED 15 OR MORE YEARS OF CONTINUOUS SERVICE AS A
34 CONTRIBUTING MEMBER OF THIS SYSTEM, MUST ACQUIRE 25 OR MORE
35 YEARS OF CONTINUOUS SERVICE AS A CONTRIBUTING MEMBER OF THIS
36 SYSTEM.

37 **SECTION 2. AND BE IT FURTHER ORDAINED,** That the initial term of the Director of Finance
38 as trustee ex officio begins immediately on the day this Ordinance is enacted.

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1 **SECTION 3. AND BE IT FURTHER ORDAINED,** That the position of the 2nd mayoral appointee to
2 the Board of Trustees be filled by the Mayor as soon as practicable following enactment of this
3 Ordinance and the new position of the 3rd mayoral appointee to the Board of Trustees be filled by
4 the Mayor from a list of recommended candidates submitted by the President of the City Council
5 as soon as practicable following enactment of this Ordinance.

6 **SECTION 4. AND BE IT FURTHER ORDAINED,** That the Taxation, Finance, and Economic
7 Development Committee of the City Council shall conduct hearings, commencing no later than
8 September 1, 2010, into the feasibility of establishing a new sustainable benefit structure under
9 this System for new hires.

10 **SECTION 5. AND BE IT FURTHER ORDAINED,** That if any one or more of the provisions of this
11 Ordinance shall be held contrary to law or shall for any reason whatsoever be held invalid, those
12 provisions shall be deemed severable from the remainder of this Ordinance and shall in no way affect
13 the validity or enforceability of the other provisions of this Ordinance.

14 **SECTION 6. AND BE IT FURTHER ORDAINED,** That the catchlines contained in this Ordinance are
15 not law and may not be considered to have been enacted as a part of this or any prior Ordinance.

16 **SECTION 7. AND BE IT FURTHER ORDAINED,** That, except as otherwise provided in Sections 2, 3
17 and 4 of this Ordinance, this Ordinance takes effect on June 30, 2010.