

**CITY OF BALTIMORE
COUNCIL BILL 08-0220
(First Reader)**

Introduced by: The Council President
At the request of: The Administration (Department of Finance)
Introduced and read first time: October 27, 2008
Assigned to: Taxation, Finance and Economic Development Committee

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

A BILL ENTITLED

1 AN ORDINANCE concerning

2 **Fire and Police Employees' Retirement System – Benefits – Post-Retirement Increases**

3 FOR the purpose of amending provisions of the Fire and Police Employees' Retirement System
4 law pertaining to the method for determining annual post-retirement increases; modifying
5 certain System interest rate assumptions; discontinuing the current variable method for
6 determining those increases and establishing a guaranteed fixed annual increase to be paid to
7 System retirees and beneficiaries; discontinuing the utilization of certain existing System
8 accounting reserves; clarifying, correcting, and conforming related provisions; providing for
9 a special effective date; and generally relating to the Fire and Police Employees' Retirement
10 System of the City of Baltimore.

11 BY repealing and reordaining, with amendments

12 Article 22 - Retirement Systems
13 Section(s) 30(9), 34(i)(6)(E), 36(j)(3)(i), 36A(intro), (a)(1)(i), and (d)(ii)(D), and 36B(m)
14 Baltimore City Code
15 (Edition 2000)

16 BY renumbering, with amendments

17 Article 22 - Retirement Systems
18 Section(s) 36A
19 to be
20 Section 36A-1
21 Baltimore City Code
22 (Edition 2000)

23 BY adding

24 Article 22 - Retirement Systems
25 Section(s) 36A-2
26 Baltimore City Code
27 (Edition 2000)

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

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

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Baltimore City Code

Article 22. Retirement Systems

Subtitle – Fire and Police Employees’ Retirement System

§ 30. Definitions.

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

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

(I) THE ANNUITY SAVINGS RESERVE: 5.5%.

(II) FOR VALUATION PURPOSES:

(A) BEFORE COMMENCEMENT OF BENEFIT PAYMENTS 8.25%.

(B) AFTER COMMENCEMENT OF BENEFIT PAYMENTS 7.75%.

(III) FOR DETERMINING ACTUARIAL EQUIVALENTS: 5.0%.

§ 34. Benefits.

(i) *Line-of-duty death benefit.*

(6) *Minimum accidental death pension benefit at June 30, 1994.*

(E) If any beneficiary receiving an increased minimum pension in 1994 as a result of this paragraph is eligible for a January 1995 post-retirement benefit increase under FORMER § 36A of this article, the member’s 1995 post-retirement increase shall be calculated as though the beneficiary had received this increased minimum pension benefit on June 30, 1994.

§ 36. Method of financing.

(j) *Interest and earnings.*

(3) Any excess earnings shall be applied by the Board of Trustees in the following order:

(i) to provide post retirement benefit increases as provided by [§ 36A] § 36A-2 of this subtitle;

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§ 36A-1. [§ 36A.] Post-retirement benefit increases to certain retirees and beneficiaries DETERMINED ON AND AFTER JUNE 30, 1983, AND, ON AND BEFORE JUNE 30, 2008.

[Each] BEGINNING JUNE 30, 1983, AND ENDING JUNE 30, 2008, EACH retired member or beneficiary who is receiving periodic benefits under the provisions of the Retirement System is eligible for an increase in the amount of those periodic benefits subject to the following provisions.

(a) *Eligibility.*

(1) (i) Each member who has retired from active service and each beneficiary of a deceased member who is or will be receiving periodic retirement benefits and who receives periodic benefit payments for 2 or more years is eligible for an increase in the periodic benefit, as determined under this [§ 36A] § 36A-1. The 2-year period shall be calculated beginning with the effective date of the 1st retirement benefit payment paid to either the retired member or the beneficiary of a deceased member and shall be determined on June 30 of each year beginning with June 30, 1983. Years retired as a beneficiary of a former retired member include the years that the member was retired. Eligible members and beneficiaries are also referred to in this section as “persons”.

(d) *Paid-Up Benefit Fund and Contingency Reserve Fund.*

(ii)

(D) On determination of the amount of the excess assets in this Fund by the system’s actuary, the Board of Trustees may allocate all or part of the excess assets to provide additional benefit increases to those retirees and beneficiaries eligible for increases under [§ 36A(a)(1) of this subtitle] SUBSECTION (A)(1) OF THIS SECTION.

§ 36A-2. POST-RETIREMENT BENEFIT INCREASES TO CERTAIN RETIREES AND BENEFICIARIES DETERMINED ON AND AFTER JUNE 30, 2009.

(A) *SCOPE OF SECTION.*

COMMENCING JANUARY 2010, EACH ELIGIBLE RETIRED MEMBER OR BENEFICIARY, AS THAT ELIGIBILITY IS DETERMINED ACCORDING TO SUBSECTION (B) OF THIS SECTION, WHO IS RECEIVING PERIODIC BENEFITS UNDER THIS SUBTITLE SHALL RECEIVE AN INCREASE IN PERIODICALLY PAID RETIREMENT BENEFITS SUBJECT TO THE FOLLOWING PROVISIONS.

(B) *ELIGIBILITY FOR POST-RETIREMENT BENEFIT INCREASES.*

(1) ELIGIBILITY FOR THE POST-RETIREMENT BENEFIT INCREASES PROVIDED BY THIS § 36A-2 SHALL BE DETERMINED AS OF JUNE 30 EACH YEAR (THE “DETERMINATION DATE”), BEGINNING WITH JUNE 30, 2009.

(2) TO BE ELIGIBLE FOR THE INCREASE, A MEMBER WHO HAS RETIRED FROM ACTIVE SERVICE OR THE BENEFICIARY(IES) OF A MEMBER MUST HAVE BEEN RECEIVING PERIODICALLY PAID RETIREMENT BENEFITS (ON THE RETIREMENT PAYROLL) FOR 2 OR MORE YEARS (THE “WAITING PERIOD”) AS OF THE JUNE 30 DETERMINATION DATE.

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- 1 (3) EXCEPT FOR MEMBERS AND THEIR BENEFICIARIES WHO RECEIVE PERIODICALLY PAID
2 BASIC DROP RETIREMENT BENEFITS UNDER § 36B(E), THE 2-YEAR WAITING PERIOD
3 COMMENCES AS FOLLOWS FOR MEMBERS AND THEIR BENEFICIARIES:
- 4 (A) WITH THE FIRST DAY ON THE RETIREMENT PAYROLL (THE “RETIREMENT
5 DATE”), FOR A MEMBER WHO RETIRES;
- 6 (B) WITH THE RETIRED MEMBER’S FIRST DAY ON THE RETIREMENT PAYROLL (THE
7 “RETIREMENT DATE”), FOR A BENEFICIARY RECEIVING PERIODICALLY PAID
8 SURVIVORSHIP BENEFITS (RETIREMENT BENEFITS) FOLLOWING THE DEATH OF A
9 RETIRED MEMBER;
- 10 (C) WITH THE FIRST DAY ON THE RETIREMENT PAYROLL (THE “RETIREMENT
11 DATE”), FOR THE BENEFICIARY(IES) OF A MEMBER WHO DIES WHILE ACTIVELY
12 EMPLOYED;
- 13 (D) WITH THE MEMBER’S SUBSEQUENT RETIREMENT DATE, FOR A RETIRED
14 MEMBER WHO RETURNS TO EMPLOYMENT COVERED BY THIS SYSTEM AND
15 AGAIN RETIRES; AND
- 16 (E) WITH THE FIRST DAY ON THE RETIREMENT PAYROLL, FOR THE
17 BENEFICIARY(IES) OF A MEMBER WHO RETURNS TO EMPLOYMENT COVERED BY
18 THIS SYSTEM AND DIES WHILE ACTIVELY EMPLOYED.
- 19 (4) NOTWITHSTANDING PARAGRAPH (3) OF THIS SUBSECTION, THE MONTHS OF A
20 MEMBER’S DROP PARTICIPATION PERIOD, AS DEFINED IN § 36B(B) OF THIS SUBTITLE,
21 ARE COUNTED TOWARD THE ELIGIBILITY REQUIREMENT DESCRIBED IN PARAGRAPH (2)
22 OF THIS SUBSECTION FOR:
- 23 (A) A MEMBER WHO RETIRES ON A BASIC DROP RETIREMENT BENEFIT, DEFINED IN
24 § 36B(E) OF THIS SUBTITLE;
- 25 (B) A BENEFICIARY WHO RECEIVES NON-LINE-OF-DUTY DEATH BENEFITS UNDER
26 § 36B(J) OF THIS SUBTITLE; OR
- 27 (C) THE BENEFICIARY(IES) OF A MEMBER WHO RETIRES ON A BASIC DROP
28 RETIREMENT BENEFIT, DEFINED IN § 36B(E) OF THIS SUBTITLE, AND DIES.
- 29 (5) THE MONTHS OF A MEMBER’S DROP PARTICIPATION PERIOD, AS DEFINED IN § 36B(B)
30 OF THIS SUBTITLE, ARE NOT COUNTED TOWARD THE ELIGIBILITY REQUIREMENT
31 DESCRIBED IN PARAGRAPH (2) OF THIS SUBSECTION FOR A MEMBER WHO RETIRES OR
32 WHO RETIRED ON INTERMEDIATE DROP RETIREMENT BENEFITS UNDER § 36B(F) OR
33 FULL DROP RETIREMENT BENEFITS PAID UNDER § 36B(G).
- 34 (6) SUBJECT TO THE WAITING PERIODS DEFINED BY PARAGRAPHS (2) THROUGH (5) OF THIS
35 SUBSECTION, UPON CEASING ALL PERMANENT FULL-TIME AND PERMANENT PART-TIME
36 EMPLOYMENT WITH THE CITY, THE FOLLOWING MEMBERS SHALL RECEIVE
37 RETIREMENT BENEFITS CALCULATED TO INCLUDE ALL POST-RETIREMENT BENEFIT
38 INCREASES, IN ACCORDANCE WITH THE RATES OF INCREASE SET BY THIS SYSTEM,
39 THAT THE RETIRED MEMBER WOULD HAVE BEEN ELIGIBLE TO RECEIVE AS A RETIREE
40 HAD RETIREMENT BENEFITS NOT BEEN POSTPONED OR SUSPENDED:

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1 (A) MEMBERS OF THIS SYSTEM WHO WERE ELIGIBLE TO RETIRE BUT CHOSE TO
2 POSTPONE RECEIPT OF RETIREMENT BENEFITS TO BEGIN EMPLOYMENT IN A
3 POSITION COVERED BY ANOTHER CITY SYSTEM; OR

4 (B) RETIRED MEMBERS WHO WERE RECEIVING RETIREMENT BENEFITS FROM THIS
5 SYSTEM BUT CHOSE TO SUSPEND RECEIPT OF THOSE BENEFITS TO BEGIN
6 EMPLOYMENT IN A POSITION COVERED BY ANOTHER CITY SYSTEM.

7 (C) *BENEFIT INCREASE PERCENTAGE.*

8 (1) *IN GENERAL.*

9 EFFECTIVE WITH THE INCREASE PAYABLE IN JANUARY 2010, THE PERCENTAGE
10 INCREASE IN RETIREMENT BENEFITS PAYABLE TO ELIGIBLE RETIRED MEMBERS AND
11 ELIGIBLE BENEFICIARIES UNDER SUBSECTION (B) OF THIS SECTION SHALL BE
12 DETERMINED ACCORDING TO PARAGRAPHS (2) AND (3) OF THIS SUBSECTION, SUBJECT
13 TO THE CPI LIMIT DEFINED IN PARAGRAPH (4) OF THIS SUBSECTION.

14 (2) *FIXED ANNUAL INCREASE PERCENTAGE.*

15 EFFECTIVE JANUARY 2010 AND EVERY JANUARY THEREAFTER, EACH ELIGIBLE
16 RETIRED MEMBER OR BENEFICIARY SHALL RECEIVE A 1.5% INCREASE IN PERIODIC
17 BENEFITS, SUBJECT TO THE LIMITATION OF ANNUAL INCREASES SET IN PARAGRAPH (4)
18 OF THIS SUBSECTION.

19 (3) *VARIABLE INCREASE PERCENTAGE.*

20 EFFECTIVE JANUARY 2010, A VARIABLE INCREASE PERCENTAGE, IF ANY, IN
21 RETIREMENT BENEFITS MAY BE PAYABLE TO ELIGIBLE RETIRED MEMBERS AND
22 BENEFICIARIES IN ADDITION TO THE FIXED ANNUAL INCREASE DESCRIBED IN
23 PARAGRAPH (2) OF THIS SUBSECTION AND SHALL BE DETERMINED ACCORDING TO THE
24 METHOD SET FORTH IN SUBSECTION (D) OF THIS SECTION. THIS INCREASE IS REFERRED
25 TO AS THE "VARIABLE INCREASE." THE VARIABLE INCREASE IS SUBJECT TO THE
26 LIMITATION OF ANNUAL INCREASES SET IN PARAGRAPH (4) OF THIS SUBSECTION.

27 (4) *LIMITATION OF ANNUAL PERCENTAGE INCREASE.*

28 (A) NOTWITHSTANDING PARAGRAPHS (2) AND (3) OF THIS SUBSECTION OR ANY OTHER
29 PROVISION OF THIS § 36A-2, EFFECTIVE WITH THE INCREASE PAYABLE IN JANUARY
30 2010, AND IN EACH JANUARY THEREAFTER, THE PERCENTAGE INCREASE IN
31 RETIREMENT BENEFITS PAYABLE TO ELIGIBLE RETIRED MEMBERS AND
32 BENEFICIARIES MAY NOT EXCEED THE PERCENTAGE CHANGE IN THE CONSUMER
33 PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U) FOR THE U.S. CITY AVERAGE
34 FOR ALL ITEMS (1982 – 84 = 100) FOR THE 12-MONTH PERIOD ENDING IN THE
35 PRECEDING JUNE. THIS LIMIT IS REFERRED TO AS THE "CPI LIMIT."

36 (B) IF AN INCREASE IS LIMITED BY THIS PARAGRAPH, THE AMOUNT THAT IS NOT USED
37 TO PROVIDE AN INCREASE DUE TO THIS LIMIT WILL REMAIN IN THE VARIABLE
38 INCREASE ACCOUNT AND CARRIED FORWARD WITH INTEREST AS DESCRIBED IN
39 SUBSECTION (D)(5) OF THIS SECTION.

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1 (D) *VARIABLE INCREASE ACCOUNT.*

- 2 (1) THE BOARD OF TRUSTEES SHALL ESTABLISH AN ACCOUNT FOR THE SOLE PURPOSE OF
3 DETERMINING WHETHER A VARIABLE INCREASE WILL BE PAYABLE IN ACCORDANCE
4 WITH SUBSECTION (C)(3) OF THIS SECTION. THIS ACCOUNT IS REFERRED TO AS THE
5 “VARIABLE INCREASE ACCOUNT.”
- 6 (2) THE ESTABLISHMENT OF THE VARIABLE INCREASE ACCOUNT DOES NOT REQUIRE THE
7 SEGREGATION OF ANY SYSTEM ASSETS.
- 8 (3) THE VARIABLE INCREASE ACCOUNT SHALL BE REPORTED EACH YEAR IN THE ANNUAL
9 ACTUARIAL VALUATION REPORT.
- 10 (4) A VARIABLE INCREASE SHALL BE PAYABLE TO ELIGIBLE PERSONS IN EACH JANUARY
11 (COMMENCING WITH JANUARY 2010) ONLY IF THE ACTUARY ENGAGED BY THE BOARD
12 OF TRUSTEES DETERMINES THAT:
- 13 (I) THERE IS A POSITIVE BALANCE IN THE VARIABLE INCREASE ACCOUNT AS OF
14 THE PRECEDING JUNE 30, AND
- 15 (II) THE BALANCE IS SUFFICIENT TO PAY AN INCREASE.
- 16 (5) ANY UNUSED BALANCE, WHETHER POSITIVE OR NEGATIVE, IN THE VARIABLE
17 INCREASE ACCOUNT AS OF A JUNE 30, SHALL BE CARRIED FORWARD IN THE VARIABLE
18 INCREASE ACCOUNT TO THE NEXT JUNE 30, WITH INTEREST AT A RATE EQUAL TO THE
19 REGULAR INTEREST RATE USED FOR VALUATION PURPOSES BEFORE THE
20 COMMENCEMENT OF BENEFIT PAYMENTS.
- 21 (6) THE INITIAL BALANCE OF THE VARIABLE INCREASE ACCOUNT AS OF JUNE 30, 2009,
22 SHALL INCLUDE THE NET EARNINGS DIFFERENTIAL OF THE ANNUITY RESERVE AND THE
23 PENSION RESERVE AS OF JUNE 30, 2009, AS DETERMINED UNDER SUBSECTION (E) OF
24 THIS SECTION.
- 25 (7) THE BALANCE OF THE VARIABLE INCREASE ACCOUNT AS OF EACH JUNE 30
26 SUBSEQUENT TO JUNE 30, 2009, SHALL CONSIST OF THE SUM OF THE ACCOUNT
27 BALANCE, IF ANY, CARRIED FORWARD FROM THE PREVIOUS JUNE 30 AND THE NET
28 EARNINGS DIFFERENTIAL OF THE ANNUITY RESERVE AND THE PENSION RESERVE AS OF
29 THE CURRENT JUNE 30, AS DETERMINED UNDER SUBSECTION (E) OF THIS SECTION.
- 30 (8) IF THE ACTUARY ENGAGED BY THE BOARD DETERMINES THAT THERE IS A POSITIVE
31 BALANCE IN THE VARIABLE INCREASE ACCOUNT AS OF A JUNE 30, A PERCENTAGE OF
32 THE POSITIVE BALANCE, AS SPECIFIED IN PARAGRAPH (9) OF THIS SUBSECTION, LESS
33 THE AMOUNT USED IN PREVIOUS YEARS TO PROVIDE VARIABLE INCREASES CARRIED
34 FORWARD WITH INTEREST IN THE SAME MANNER AS DESCRIBED IN PARAGRAPH (5) OF
35 THIS SUBSECTION SHALL BE ALLOCATED TO PROVIDE A VARIABLE INCREASE
36 PERCENTAGE, SUBJECT TO SUBSECTION (C)(4) OF THIS SECTION, TO ELIGIBLE RETIRED
37 MEMBERS AND BENEFICIARIES EFFECTIVE AS OF THE FOLLOWING JANUARY.
- 38 (9) THE PERCENTAGE OF THE VARIABLE INCREASE ACCOUNT TO BE USED FOR PURPOSES
39 OF PARAGRAPH (8) OF THIS SUBSECTION EACH YEAR END IS AS FOLLOWS:

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| | <u>DATE</u> | <u>PERCENTAGE TO BE USED</u> |
|---|--------------------------|------------------------------|
| 1 | | |
| 2 | JUNE 30, 2009 | 5% |
| 3 | JUNE 30, 2010 | 10% |
| 4 | JUNE 30, 2011 | 15% |
| 5 | JUNE 30, 2012, AND AFTER | 20% |

6 (E) *NET EARNINGS DIFFERENTIAL OF THE ANNUITY RESERVE AND THE PENSION RESERVE.*

7 THE NET EARNINGS DIFFERENTIAL OF THE ANNUITY RESERVE AND THE PENSION RESERVE
8 AS OF EACH JUNE 30 (COMMENCING JUNE 30, 2009) SHALL BE EQUAL TO THE PRODUCT OF
9 THE FOLLOWING ITEMS (1) AND (2):

10 (1) THE AVERAGE MARKET VALUE OF THE ANNUITY RESERVE AND THE PENSION
11 RESERVE SHALL BE DETERMINED USING THE VALUES IN THE ACTUARIAL
12 VALUATION REPORT AS OF THE END OF EACH FISCAL YEAR, AND SHALL BE
13 CALCULATED BY MULTIPLYING 50% TIMES THE SUM OF:

14 (A) THE MARKET VALUES OF THE ANNUITY RESERVE AND THE PENSION
15 RESERVE AS OF THE PREVIOUS JUNE 30 FISCAL YEAR END (AFTER
16 ACTUARIAL RESERVE TRANSFERS), AND

17 (B) THE MARKET VALUES OF THE ANNUITY RESERVE AND THE PENSION
18 RESERVE AS OF THE CURRENT JUNE 30 FISCAL YEAR END (AFTER
19 ACTUARIAL RESERVE TRANSFERS FOR NEW RETIREES BUT BEFORE ANY
20 TRANSFERS DUE TO INVESTMENT EARNINGS).

21 (2) THE DIFFERENCE, EXPRESSED AS A PERCENTAGE, BETWEEN:

22 (A) THE RATE OF INVESTMENT RETURN, NET OF INVESTMENT EXPENSES FOR
23 THE CURRENT FISCAL YEAR FOR THE ANNUITY SAVINGS RESERVE, THE
24 ANNUITY RESERVE, THE PENSION ACCUMULATION RESERVE, AND THE
25 PENSION RESERVE, AND

26 (B) THE THRESHOLD RETURN OF 8.0%.

27 (F) *BENEFIT INCREASES GENERALLY.*

28 (1) ANY BENEFIT INCREASE PROVIDED UNDER THIS § 36A-2 SHALL BE FUNDED ON A
29 "SINGLE PREMIUM PAID-UP ANNUITY BASIS", WHICH PHRASE HAS THE COMMON
30 ACTUARIAL MEANING OF SPREADING THE AMOUNT AVAILABLE TO PROVIDE A BENEFIT
31 OVER THE LIFETIME OF AN INDIVIDUAL IN THE FORM OF AN ANNUITY. IT IS INTENDED
32 THAT ANY BENEFIT INCREASE PROVIDED BY THIS § 36A-2 CONTINUE FOR THE LIFETIME
33 OF THE ELIGIBLE RETIRED MEMBER AND BENEFICIARY, CONSISTENT WITH ANY OPTION
34 SELECTED UNDER § 34(K) OF THIS SUBTITLE.

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- 1 (2) THE BENEFIT INCREASES PAYABLE UNDER THIS § 36A-2 SHALL BE PAYABLE IN THE
2 SAME FORM AS THE BASE BENEFIT BEING PAID TO THE RETIRED MEMBER OR
3 BENEFICIARY.
- 4 (3) THE FIXED ANNUAL INCREASE PERCENTAGE DESCRIBED IN SUBSECTION (C)(2) OF THIS
5 SECTION SHALL BE PROVIDED EACH JANUARY, COMMENCING JANUARY 2010,
6 REGARDLESS OF THE INVESTMENT PERFORMANCE OF THE SYSTEM'S INVESTMENT
7 ASSETS. HOWEVER, THE PAYMENT OF THIS PERCENTAGE IS SUBJECT TO THE CPI LIMIT
8 OF SUBSECTION (C)(4) OF THIS SECTION.
- 9 (4) THE VARIABLE INCREASE DESCRIBED IN SUBSECTION (C)(3) OF THIS SECTION SHALL BE
10 PROVIDED EACH JANUARY, COMMENCING JANUARY 2010, ONLY IF THE ACTUARY
11 ENGAGED BY THE BOARD OF TRUSTEES DETERMINES THAT THERE IS A POSITIVE
12 BALANCE IN THE VARIABLE INCREASE ACCOUNT AS OF THE PRECEDING JUNE 30
13 FISCAL YEAR END. THE VARIABLE INCREASE PERCENTAGE PLUS THE FIXED ANNUAL
14 INCREASE PERCENTAGE MAY NOT EXCEED THE CPI LIMIT.
- 15 (5) THE VARIABLE INCREASE PERCENTAGE SHALL BE DETERMINED BY THE ACTUARY AS
16 THE PERCENTAGE THAT THE POSITIVE BALANCE WOULD BE SUFFICIENT TO FUND ON A
17 SINGLE PREMIUM PAID-UP ANNUITY BASIS USING THE REGULAR INTEREST RATE USED
18 FOR VALUATION PURPOSES AFTER THE COMMENCEMENT OF BENEFIT PAYMENTS ON
19 THE JUNE 30 PRECEDING THE EFFECTIVE DATE OF THE INCREASE AND ASSUMING THE
20 INCREASES DESCRIBED IN SUBSECTION (C)(2) OF THIS SECTION IN EVERY FUTURE YEAR.
- 21 (6) THE INCREASES PROVIDED BY THIS SECTION SHALL BE APPLIED AS EQUAL PERCENTAGE
22 INCREASES TO THE PERIODICALLY PAID BENEFIT AMOUNT TO EACH ELIGIBLE RETIRED
23 MEMBER, BENEFICIARY, AND ALTERNATE PAYEE.
- 24 (7) (I) THE INCREASES PROVIDED BY THIS § 36A-2 SHALL BE APPLIED USING THE
25 "PAYROLL RULE", WHICH MEANS THAT THE INCREASE IS APPLIED TO THE FIRST
26 PAYROLL PERIOD THAT HAS 7 OR MORE DAYS IN THAT JANUARY.
- 27 (II) FOR EXAMPLE, A BIWEEKLY PAYROLL PERIOD THAT ENDS ON JANUARY 7 OR LATER
28 WOULD HAVE APPLIED TO IT THE INCREASE EFFECTIVE THAT JANUARY; A
29 BIWEEKLY PAYROLL PERIOD THAT ENDS ON JANUARY 6 OR EARLIER WOULD NOT
30 HAVE THE INCREASE APPLIED TO IT, AND INSTEAD THE INCREASE WOULD BE
31 APPLIED TO THE BIWEEKLY PAYROLL PERIOD THAT ENDS JANUARY 20 (OR
32 EARLIER).
- 33 (G) *TRANSFER OF § 36A-1 ASSETS AND LIABILITIES.*
- 34 (1) THE ASSETS OF THE PAID-UP BENEFIT FUND AND THE CONTINGENCY RESERVE FUND
35 SHALL BE TRANSFERRED TO THE GENERAL ASSET ACCOUNT.
- 36 (2) THE POST-RETIREMENT BENEFIT LIABILITIES OF THE PAID-UP BENEFIT FUND SHALL BE
37 TRANSFERRED TO THE PENSION RESERVE.
- 38 (3) FOLLOWING THESE TRANSFERS, THE PAID-UP BENEFIT FUND AND THE CONTINGENCY
39 RESERVE FUND SHALL BE DISCONTINUED.

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

2 EFFECTIVE JUNE 30, 2009, ALL POST-RETIREMENT BENEFIT INCREASES PAYABLE UNDER
3 § 36A-1 AND THIS § 36A-2 BECOME THE OBLIGATION OF THE CITY OF BALTIMORE AND
4 ARE GUARANTEED BY THE PROVISIONS OF § 37 OF THIS SUBTITLE.

5 **§ 36B. Deferred Retirement Option Plan.**

6 (m) *Post-retirement increases.*

7 [Notwithstanding § 36A of this subtitle, for] FOR a member who retires during or at the
8 conclusion of a DROP participation period, the member's DROP participation period
9 shall be counted toward the eligibility requirement for post-retirement benefit increases
10 under [§ 36A] § 36A-1 OR § 36A-2, AS APPLICABLE. However, if a member resumes
11 earning service credit following the conclusion of a DROP participation period, then the
12 DROP participation period shall not be counted toward the eligibility requirement for
13 post-retirement increases. Post-retirement benefit increases for former DROP
14 participants shall be applied prospectively only (i.e., no increase shall be provided to
15 make up for any post-retirement benefit increases that the member would have received if
16 the member had retired from service in lieu of electing to participate in the DROP). If a
17 member elects under subsection (n) to receive the balance of his or her DROP account in
18 the form of periodic payments, those payments shall be eligible for post-retirement
19 benefit increases under [§ 36A] § 36A-1 OR § 36A-2, AS APPLICABLE, upon satisfaction by
20 the member of the APPLICABLE eligibility requirements [of § 36A(a), as modified by this
21 subsection (m)].”

22 **SECTION 2. AND BE IT FURTHER ORDAINED,** That the catchlines contained in this Ordinance
23 are not law and may not be considered to have been enacted as a part of this or any prior
24 Ordinance.

25 **SECTION 3. AND BE IT FURTHER ORDAINED,** That this Ordinance takes effect on the date it
26 is enacted.