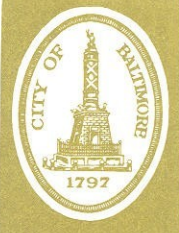


Roselyn H. Spencer

FROM	NAME & TITLE	Roselyn H. Spencer, Executive Director
	AGENCY NAME & ADDRESS	EMPLOYEES' RETIREMENT SYSTEM 7 East Redwood Street - 12 th Floor
	SUBJECT	City Council Bill 11-0768 Employees' Retirement System – 100% Survivorship Death Benefits

CITY of
BALTIMORE
MEMO



TO

DATE: October 5, 2011

The Honorable President and Members of the Baltimore City Council
Attention: Karen Randle, Executive Secretary
Room 409 City Hall

Dear Mr. President and City Council Members:

The Board of Trustees of the Employees' Retirement System (ERS) has reviewed City Council Bill 11-0768, which proposes to provide additional pre-retirement death benefits for any participant who is within 180 days of their earliest retirement eligibility date. Currently the law provides that if the death of a member occurs within 90 days of meeting the eligibility requirements for normal and/or early service requirement, the surviving beneficiary would be eligible for the 100% survivorship benefit. The bill changes the eligibility period from 90 to 180 days.

The merits of providing additional ancillary pre-retirement death benefits must be considered in light of the current funded status of the Employees' Retirement System and the economic environment. For the reasons that follow, the ERS Board **OPPOSES** Council Bill 11-0768.

The proposed change will entail additional costs to ERS, both for the one situation that has been identified and for future situations benefitting from the expanded time period. For example, Cheiron, the ERS actuary, estimates that if a July 1, 2011 effective date adds only one annuity, the Bill would increase ERS liabilities by about \$800,000 versus \$500,000 to \$600,000 if effective going forward.

In addition, it should be noted that persons eligible for the expanded survivorship death benefit will also be eligible for retiree health benefits. The Board has serious concerns about increasing health care cost and pension liability given the current economic environment.

As already noted, the bill responds to one known situation, which would be covered through the bill's July 1, 2011 retroactive effective date. Given the bill's cost, and the unfunded status of the ERS, the Board firmly believes that pension plan design should be driven by broad based policy rather than focusing on only one known situation. The bill should have a prospective effective date.

The ERS Board welcomes the opportunity to address any questions or concerns that the Council may have.

RHS/dsb
CC: Angela Gibson, Mayor's Legislative Liaison to the City Council
Board of Trustees – Employees' Retirement System

Amfor.

