

Thomas P. Taneyhill / D.L.

FROM	NAME & TITLE	Thomas P. Taneyhill, Executive Director
	AGENCY NAME & ADDRESS	Fire & Police Employees' Retirement System 7 E. Redwood Street, 19 th floor
	SUBJECT	City Council Bill 10-0603 Minimum Benefit to Certain Beneficiaries

CITY of
BALTIMORE
MEMO



DATE:

TO

November 12, 2010

The Honorable President and Members
Of the Baltimore City Council
Attn: Karen Randle, Executive Secretary
Room 409, City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

Dear Mr. President and City Council Members:

City Council Bill 10-0603 is for the purpose of providing a \$16,000 minimum annual benefit to spousal beneficiaries of members who retired or died prior to August 1, 1996, regardless of the number of years of service acquired by the member. This bill would repeal the 20 year length of service requirement for the minimum benefit provided spousal beneficiaries enacted by Ordinance 10-306 in June 2010.

Position of the Board of Trustees of the Fire and Police Employees' Retirement System (F&P)

At their meeting of October 19, 2010, the F&P Board of Trustees reviewed Bill 10-0603 and the cost analyses prepared by the F&P's actuary. The Board recognized that the Bill was not written as was requested. Therefore, the following will address "the Bill as written" and "the Bill as it should have been written."

The Bill as written, would provide a minimum annual benefit of \$16,000 to all spouse beneficiaries of the F&P who are receiving less than \$16,000 and to all such spouse beneficiaries who could receive less than \$16,000 in the future. The minimum would apply to all spouse beneficiaries of members who retired prior to August 1, 1996, regardless of the years of service acquired by the member and regardless of the type of retirement granted to the member.

Ordinance 10-306, passed June 2010, granted a \$16,000 minimum annual benefit to current and future spouse beneficiaries of members who retired prior to August 1, 1996 (when DROP began) and who had 20 or more years of service at retirement (DROP eligibility required 20 years of service).

The Board recognizes that different eligibility criteria were requested for the drafting of the Bill and that the Bill should have been written to provide a \$16,000 minimum annual benefit to spousal beneficiaries of members who retired prior to August 1, 1996, on

account of a line-of-duty disability, regardless of the number of years of service acquired by the retired member.

The F&P Board of Trustees found City Council Bill 10-0603 to be administratively workable. However, the Board considers this Bill to be ill timed and ill conceived.

The Bill as written is administratively workable; the provisions of the Bill can be implemented.

The provisions of the Bill, as it should have been written, can be implemented.

The Bill is ill timed because a lawsuit has been filed against the Mayor and City Council and against the F&P Board of Trustees due to the funded status of the plan and because of the F&P plan changes enacted in June 2010. In the lawsuit, the plaintiffs seek to reverse the changes that were enacted last June. The changes include the \$16,000 minimum annual benefit implemented for beneficiaries of members who retired prior to August 1, 1996 and who had acquired 20 or more years of service at retirement.

The Bill is ill conceived because improvements should first address the members of the plan.

Regardless, at a time when the F&P needs time to recover from the fiscal stress of the down financial markets, it is not time to add additional liabilities and financial stress to the F&P.

Fiscal Note

Attached please find the F&P actuary's October 18, 2010, cost analyses regarding City Council Bill 10-0603. The actuary prepared cost analyses based on the two scenarios: 1) as City Council Bill 10-0603 is written, and 2) as the Bill should have been written.

As it was written, Council Bill 10-0603 would provide a \$16,000 minimum annual benefit to all spouse beneficiaries of members who retired prior to August 1, 1996, regardless of the years of service acquired by the member. There are approximately 190 spousal beneficiaries currently receiving less than the proposed \$16,000 minimum. In addition, there are 401 potential future beneficiaries of current retirees who could become eligible to receive the \$16,000 minimum benefit. The cost of this Bill "as written" is \$1.67 million a year.

As it should have been written, Council Bill 10-0603 would provide a \$16,000 minimum annual benefit to spouse beneficiaries of members who retired on account of a line-of-duty disability prior to August 1, 1996, regardless of years of service. There are approximately 100 of such spousal beneficiaries currently receiving less than \$16,000 annually. There are 214 potential future beneficiaries of current retirees who could become eligible for this minimum benefit. The cost of the Bill as it "should have been written" is \$660,000 a year.

The City's City contribution due to the F&P July 1, 2011:	\$98,275,046
Increase in City contribution with Bill "as written:" Revised City contribution:	\$ 1,648,000 \$99,923,046
Increase in City contribution with the Bill "as it should have been written:" Revised City contribution	\$ 651,200 \$98,926,246

I will be available for testimony at the City Council hearing on this Bill. Please let me know if you have any questions before the hearing.

I can be reached at 410-497-7929 /3.

TPT/dl
Attachment

Cc: Angela Gibson, Mayor's Legislative Liaison to the City Council
Board of Trustees of the Fire and Police Employees' Retirement System