

Andrew Klein

FROM	NAME & TITLE	Andrew Kleine, Chief
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432 City Hall (396-4941)
	SUBJECT	City Council Bill No. 09-0403 - Resolution: Fire and Police Employee's Retirement System-100% Line-of-Duty Disability Benefits

CITY of
BALTIMORE
MEMO

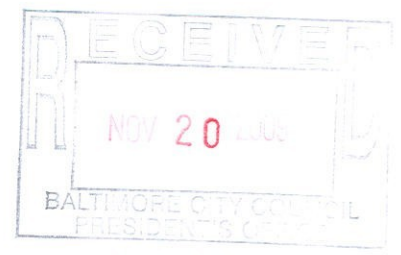


DATE:

TO

November 19, 2009

Honorable President and
Members of the City Council
C/O Karen Randle
Room 409, City Hall



Introduction

This bill modifies the Fire and Police Retirement Plan to provide for a lump sum refund of the accumulated employee contributions and interest at the time of retirement for 100% line-of-duty disability retirees, in addition to the current benefit of a pension equal to 100% of the employee's salary at retirement. Under existing policy, the employee contributions are utilized to offset the cost of the enhanced pension for the employee. The effective date of this change is the date of enactment.

Fiscal Impact

Based on an actuarial report prepared by Mercer for the Fire and Police Retirement System Board, it is estimated that the plan's actuarial accrued liability would increase by \$148,000. The amortized amount over 20 years will be \$15,000 per year with a normal cost increase of \$8,000 per year. Under current circumstances, this will increase annual pension costs by approximately \$23,000.

This cost was based on an estimated benefit qualification of one out of 100 participants. A previous estimate of benefit qualification was found to be one out of 60 participants, which would result in an annual cost of \$34,000. The variance in qualification rates is dependent upon the time period sampled.

Of the five current 100% line-of-duty benefit recipients, only two will qualify for the lump sum payment. The employee contribution annuities for the three persons not eligible for a refund have been fully paid out as part of their retirement benefit.

Analysis

The Greater Baltimore Committee is currently reviewing the City's pension plans and until this review is completed, the Fire and Police Retirement Plan Board of Trustees has indicated that it does not support any modification of the pension system.

This proposed benefit enhancement comes as the City faces extraordinary growth in its cost to support the Fire and Police Retirement System. Without reform to system's variable benefit provision, the City's required General Fund contribution to the system will double in Fiscal

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2011, from \$81.9 million to \$164.9 million. Even with reform, the contribution increases by some 23 percent, to \$101.0 million. Accommodating these costs would require severe service reductions and employee layoffs.

Finally, according to Fire and Police Retirement System staff, the current plan provides disability benefits that are in line with other Maryland jurisdictions and as such this would be a benefit enhancement that is not needed for the City to remain competitive.

Recommendation

While the Finance Department recognizes the efforts of the many brave men and women who daily place their lives in jeopardy in the line-of-duty, it must balance benefits to these employees with the City's overall fiscal health. Given the current budget situation, the GBC's ongoing review of the City's pension systems, and finding that the current 100% disability provisions of the Fire and Police Retirement System are in line with other jurisdictions, the Finance Department does not support this bill.

Cc: Edward J. Gallagher
Angela Gibson

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