



FROM	NAME & TITLE	N. Anthony Calhoun, Executive Director 	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Fire and Police Employees' Retirement System 7 E. Redwood Street, 18 th Floor		
	SUBJECT	City Council Bill 15-0514		

TO

DATE: May 11, 2015

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

Re: City Council Bill 15-0514 – Fire and Police Employees’ Retirement System – Benefit Payments

Dear Mr. President and City Council Members:

City Council Bill 15-0514 has been introduced at the request of the Fire and Police Employees’ Retirement System (“F&P”) to amend the F&P law with the following changes:

Change to Monthly Payroll (applies to all retired F&P members)

The Bill would change payments to retirees from a bi-weekly cycle (with 26 pays most years and 27 pays every 6-7 years) to a monthly cycle (with 12 pays every year); change the timing of payments to the 15th of each month; change the start dates for service retirements to the 1st of the month; and change the start dates for death and survivorship benefits to the 1st of the month following death, entitling members and their families to the full monthly check for the month during which the member dies.

Actuarial Changes

The Bill would change the definition of “actuarial equivalent” to allow the actuary to update annuity factors for purposes of calculating benefits as part of F&P’s periodic experience study; mandate that the updated factors be available on F&P’s website for purposes of compliance with the IRS requirement that the benefits offered under the plan provisions be “definitely determinable”; modernize actuarial terms and objectives and remove obsolete terms and provisions; and remove the reference to a specific actuarial funding method in favor of giving the actuary and Board of Trustees flexibility to adopt appropriate funding methodology.

Accounting Changes

The Bill would update the provisions regarding the Comprehensive Annual Financial Report (“CAFR”) to refer to the financial report as “CAFR”, delete the requirement that it be published by May 1 of each year (it is generally released in November), update the list of officials that receive the CAFR, and require that it be prepared in accordance with generally accepted accounting principles.

At their meeting of April 21, 2015, the F&P Board of Trustees approved the legislation that was introduced as CC Bill 15-0514.

Actuarial Cost/Savings:

The Bill's provisions have been reviewed by Cheiron, F&P's actuary, who does not believe that any of the changes made by Council Bill 15-0514 will result in any measurable cost impact to the City. Cheiron's full report is attached. It is estimated that F&P will save approximately \$430,000 a year as a result of having to issue fewer payment statements/checks per year and changing to a vendor that will charge less than F&P's current payroll vendor.

Administrative Feasibility:

F&P has been in contact with a new, potential vendor that can take over the payroll on a monthly basis. Although there will be an initial period of adjustment, F&P envisions that the change to a monthly payroll will be administratively feasible and will truly improve member services. In addition, this change will conform F&P to the payroll frequency used by nearly all other retirement systems, including the City's ERS, as well as the Social Security Administration.

Amendment:

F&P supports the introduction of an amendment requested by Cheiron, F&P's actuary, leaving the timeline for the experience study at five (5) years, rather than the three (3) years required by the current draft of the law.

I will be available to provide testimony at the hearing scheduled for CC Bill 15-0514. Please call me at 410.497.7929 if you would like additional information.

cc: Sheila Wyche, Mayor's Office of Government Relations (via email)