


FROM	NAME & TITLE	Robert Cenname, Chief <i>add for BC</i>	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Bureau of the Budget and Management Research Room 432. City Hall (410) 396-4941		
	SUBJECT	City Council Bill #19-0357 Fire and Police Employees' Retirement System - Interest, Service Credits, Death		

DATE:

TO

The Honorable President and
 Members of the City Council
 Room 400, City Hall

April 23, 2019

City Council Bill #19-0357 has been introduced for the purpose of repealing certain obsolete and obsolescent provisions; changing the definition of regular interest for valuation purposes; clarifying the crediting of military service under certain circumstances; modifying the calculation of the cost of purchasing and transferring prior system service, non-credited City service, former Maryland Police Corps service, and service earned for employment covered under a former non-City pension; expanding the definition of "minor child" for certain purposes; allowing certain spousal beneficiaries age 70 and over to remarry without penalty of losing benefits; allowing new beneficiary elections and survivorship option elections within certain time periods; requiring that, after a certain date and subject to certain exceptions, periodic benefit payments be made electronically; defining certain terms; providing for special effective dates; and generally relating to the Baltimore City Fire and Police Employees' Retirement System.

Every 3 years, the actuary from the Fire and Police (F&P) Pension System conducts an 'experience study' with the intent of updating key actuarial methods, such as investment returns, mortality rates, retirement trends, etc., etc. In the current year's experience study, the key recommendation was lowering the Fire and Police Pension System's assumption rate for market returns from 7.5% to 7.25.

The change in the investment rate assumption increases the City's contribution in the short-term, but also hedges the City's risk in the long-term. A 7.5% assumption rate is aggressive, and the City is forced to make additional, unplanned contributions when the investment return fails to meet the assumption rate. A 7.25% assumption rate puts the City on par with other large jurisdictions and strikes the balance between raising the year-over-year contributions while limiting the City's risk of having larger variations in budgeted contributions. The 7.25% assumed rate was used in developing the Fiscal 2020 budget recommendation.

The Finance Department supports the legislation.

cc: Henry Raymond
 Jeffrey Amoros