

CITY OF BALTIMORE
ORDINANCE _____
Council Bill 12-0031

Introduced by: The Council President
At the request of: The Administration (Employees' and Elected Officials' Retirement Systems)
Introduced and read first time: February 27, 2012
Assigned to: Taxation, Finance and Economic Development Committee
Committee Report: Favorable with amendments
Council action: Adopted
Read second time: June 18, 2012

AN ORDINANCE CONCERNING

1 **Employees' and Elected Officials' Retirement Systems – Modifications**

2 FOR the purpose of updating the regular interest and other economic assumptions used to
3 evaluate benefits under and the level of City funding for the Employees' and Elected
4 Officials' Retirement Systems; modifying certain provisions relating to the method of
5 financing the Elected Officials' Retirement System; removing the separate account structure
6 for retiree and active funds of the Elected Officials' Retirement System; reducing
7 prospectively the rate of interest credited on member contributions; repealing certain obsolete
8 restrictions on investments by the Employees' Retirement System and the Elected Officials'
9 Retirement System; ~~modifying time periods within which members of the Employees' and~~
10 ~~Elected Officials' Retirement Systems must apply for retirement; repealing an obsolete the~~
11 time limit for Trustees to take their oaths of office; correcting, conforming, and clarifying
12 related provisions; and providing for a special effective date.

13 BY repealing and reordaining, with amendments
14 Article 22 - Retirement Systems
15 Section(s) 1(9), 5(e), ~~6(a)(1st par.)~~, ~~9(c)(intro)~~; 17A(7), (8), and (12), 20(a)(2)(i),
16 ~~22(a)(2) and (d)(2)~~; and 24
17 Baltimore City Code
18 (Edition 2000)

19 BY repealing
20 Article 22 - Retirement Systems
21 Section(s) 7(a)(2) and 23(c)
22 Baltimore City Code
23 (Edition 2000)

24 **SECTION 1. BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE, That the**
25 Laws of Baltimore City read as follows:

EXPLANATION: CAPITALS indicate matter added to existing law.
[Brackets] indicate matter deleted from existing law.
Underlining indicates matter added to the bill by amendment.
~~Strike out~~ indicates matter stricken from the bill by
amendment or deleted from existing law by amendment.

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Baltimore City Code

Article 22. Retirement Systems

Subtitle – Employees’ Retirement System

§ 1. Definitions.

(9) (I) “Regular interest” for the [Annuity Savings Fund] ACCUMULATION OF MEMBER CONTRIBUTIONS means interest at [5.5%] 5.25% per year, compounded annually. [“Regular interest” for the Annuity Reserve Fund and the Pension Reserve Fund means interest at 7% per year, compounded annually.]

(II) [For] “REGULAR INTEREST” FOR valuation purposes[, “regular interest”] means:

(A) [8%] 7.75% before benefit payments commence; and

(B) [6.8%] 6.55% after benefit payments commence.

(III) “Regular interest” for the purpose of determining actuarial equivalents means interest at 4.5% per year, compounded annually.

§ 5. Administration; Board of Trustees.

(e) Oath of office.

[Each] BEFORE ASSUMING OFFICE, EACH trustee shall[, within ~~10~~ 30 days after his OR HER appointment or election,] take an oath of office that, so far as it devolves [upon] ON him OR HER, [he] THE TRUSTEE will diligently and honestly administer the affairs of the [said] Board, and that he OR SHE will not knowingly violate or willingly permit to be violated any of the provisions of law applicable to the Retirement System. [Such] THIS oath shall be subscribed to by the member making it and certified by the Mayor before whom it is taken and shall be immediately filed in the office of the Director of Finance.

~~§ 6. Benefits for Class A and Class B members.~~

~~(a) Service retirement benefits for any Class A or Class B member who was an employee on or after June 29, 1989.~~

~~Any Class A or Class B member in service may retire [upon] ON written application to the Board of Trustees, if the application specifies the date on which the member desires to be retired, which date must be the 1st day of a month and not less than [30] 45 days nor more than 90 days following the filing of the application, and if, on the date so specified, the member [shall] WILL have attained age 60 and acquired at least 5 years of service or [shall] WILL have acquired 30 years of service, regardless of age, even if, during the application period, the member has separated from service.~~

~~....~~

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§ 7. Management of funds.

(a) *Trustee of funds.*

.....

[(2) *Northern Ireland investments.*

(i) On and after the 1st day of the 1st quarter of fiscal year 1994, no monies or funds held under any provision of the Retirement System shall be invested in the stocks, securities or other obligations of any bank or financial institution which makes loans to Northern Ireland, or to a national corporation of Northern Ireland, or in the stocks, securities, or other obligations of any company doing business in or with Northern Ireland, or whose subsidiary or affiliate does business in or with Northern Ireland, unless the bank, financial institution, national corporation of Northern Ireland or any company or that company's subsidiary doing business in or with Northern Ireland has adopted and follows the goals known as the MacBride Principles:

1. increased representation of individuals from under-represented religious groups in the work force, including managerial, supervisory, administrative, clerical and technical jobs;
2. adequate security for the protection of minority employees at the work place and while traveling to and from work;
3. ban of provocative religious or political emblems from the work place;
4. public advertisement of all job openings and special recruitment efforts made to attract applicants from under-represented religious groups;
5. layoff, recall and termination procedures not to favor particular religious groups;
6. abolition of job reservations, apprenticeship restrictions and differential employment criteria which discriminate on the basis of religion or ethnic origin;
7. development of training programs that will prepare substantial numbers of current minority employees for skilled jobs, including the expansion of existing programs and the creation of new programs to train, upgrade and improve the skills of minority employees;
8. establishment of procedures to assess, identify and actively recruit minority employees with potential for further advancement; and
9. appointment of a senior management staff member to oversee the company's affirmative action efforts and the setting up of timetables to carry out affirmative action principles

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(ii) Business entities doing business in Northern Ireland shall be identified by reference to the most recent report of Investor Responsibility Research Center, Incorporated concerning Northern Ireland.

(iii) 1. Notwithstanding the provisions of § 7(a)(2)(i) to corporations doing business in Northern Ireland, the Board of Trustees shall, consistent with sound investment policy, make investments in such a manner as to encourage corporations that, in the Board’s determination, pursue a policy of affirmative action in Northern Ireland.

2. Whenever feasible, the Board shall sponsor, cosponsor, and support shareholder resolutions designed to encourage corporations in which the Board has invested to pursue a policy of affirmative action in Northern Ireland.

3. The provisions of § 7(a)(2) shall not be construed to require the Board to dispose of existing investments.]

~~§ 9. Class C membership.~~

~~(e) Service retirement benefits.~~

~~Any Class C member in service may retire [upon] ON [his] written application to the Board of Trustees [setting forth at what time] SPECIFYING THE DATE ON WHICH THE MEMBER DESIRES TO BE RETIRED, WHICH DATE MUST BE not less than [30] 45 days nor more than 90 days subsequent to the [execution and] filing [thereof] OF THE APPLICATION; [he desires to be retired,] provided that, ON THE DATE SO SPECIFIED, the [said] member [at the time so specified for his retirement shall] WILL have complied with the applicable provisions of the retirement benefit applied for.~~

~~.....~~

Subtitle – Elected Officials’ Retirement System

§ 17A. Definitions.

(7) (I) “Regular interest” for the [Annuity Savings Fund shall mean] ACCUMULATION OF MEMBER CONTRIBUTIONS MEANS interest at [5½%] 5.25% per [annum] YEAR, compounded annually.

(II) “Regular interest” for [the Annuity Reserve Fund, FOR the Pension Reserve Fund, and for] valuation purposes [shall mean] MEANS interest at [7½%] 7.25% per [annum] YEAR, compounded annually.

(III) “Regular interest” for the purposes of determining actuarial equivalents [shall mean] MEANS interest at 4½% per [annum] YEAR, compounded annually.

(8) “Accumulated contributions” [shall mean] MEANS the sum of all the amounts deducted from the compensation of a member, [and any other additional amounts as provided under this subtitle, credited to his individual account, in the Annuity Savings Fund,]

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1 together with regular interest [thereon] as provided in paragraph (7) of this section and
2 pursuant to the provisions [contained in] OF §§ 23 and 24 of this subtitle.

3 (12) All retirement allowances or other benefits that are calculated on an annual basis shall be
4 payable for each month in a year. Payments shall be made in periodic installments, as
5 determined from time to time by the Board of Trustees, and the monthly allowance shall
6 be computed by dividing the annual allowance by 12. ALL RETIREMENT DATES SHALL
7 FALL ON THE 1ST DAY OF A MONTH.

8 § 20. Military service creditable.

9 (a) *Military personnel – Benefits, membership, and service credit during employment.*

10 (2) *Redeposit of accumulated contributions; payment methods, deadline; pro rata credit.*

11 (i) If a member of this system who is absent from employment for military service
12 withdraws any of his or her accumulated contributions and redeposits into the
13 system the sum withdrawn, with regular interest at the [annuity savings fund] rate
14 FOR ACCUMULATION OF MEMBER CONTRIBUTIONS from the date of withdrawal to
15 the date that the redeposit is completed, the member, if otherwise qualified, is
16 entitled to the benefits of this section as if the withdrawal had not been made.

17 ~~§ 22. Benefits.~~

18 ~~(a) *Service retirement benefits.*~~

19 ~~(2) *Application.*~~

20 ~~[Prior to] BEFORE receiving a service retirement benefit, a member must:~~

21 ~~(i) [complete] FILE a written application [filed] with the Board of Trustees; and~~

22 ~~(ii) select an effective date of retirement not less than [30] 45 days [or] NOR more~~
23 ~~than 90 days after the filing of the written application.~~

24 ~~(d) *Deferred vested retirement benefit.*~~

25 ~~(2) *Application.*~~

26 ~~[Prior to] BEFORE receiving a retirement benefit under this subsection (d), a member~~
27 ~~must file a written application [for retirement] with the Board of Trustees more than~~
28 ~~[30] 45 days and less than 90 days from the member's effective retirement date.~~

29 § 23. Management of Funds.

30 [(c) *Northern Ireland investments.*

31 The provisions of § 7(a)(2) of this Article 22, concerning the investment of funds in firms
32 doing business in or with Northern Ireland unless the firm adopts and follows the

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1 MacBride Principles, shall apply to the several funds of the Elected Officials' Retirement
2 System of Baltimore.]

3 § 24. Method of financing.

4 *Assets.* All of the assets of this Retirement System shall be credited [according to the
5 purpose for which they are held to 1 of 4 funds, namely, the Annuity Savings Fund, the
6 Annuity Reserve Fund, the Pension Accumulation Fund and the Pension Reserve Fund]
7 TOWARD MEETING THE AGGREGATE OBLIGATIONS OF THIS RETIREMENT SYSTEM.

8 (a) [*Annuity Savings Fund*] *MEMBER CONTRIBUTIONS.*

9 (1) [The Annuity Savings Fund] *MEMBER CONTRIBUTIONS* shall be [a fund in which shall
10 be] accumulated [contributions] from the compensation of members to provide for
11 their annuities. [Effective with the 1st full payroll period commencing after the
12 December 1983 new term of office, the] THE contributions by a member to the
13 Retirement System shall equal 5% of his OR HER current annual earnable
14 compensation, [such] THESE contributions to continue throughout [such] THE
15 member's entire period of service. However, no contributions [shall] MAY be made
16 by the member after the member has attained age 60 and has acquired 35 years of
17 service credit in this system.

18 (2) The deductions provided for [herein] IN THIS SUBSECTION (A) shall be made
19 notwithstanding that the minimum compensation provided for by law for any member
20 [shall be] IS reduced [thereby] BY THE DEDUCTION. Every member [shall be] IS
21 deemed to consent and agree to the deductions made and provided for [herein] IN THIS
22 SUBSECTION, and the receipt of his OR HER full salary or compensation, and payment
23 of salary or compensation, less [said] THIS deduction, shall be a full and complete
24 discharge and acquittance of all claims and demands whatsoever for the services
25 rendered by [such] THAT person during the period covered by [such] THE payment,
26 except as to the benefits provided under this subtitle.

27 (3) The accumulated contributions of a member withdrawn by him OR HER[,] or paid to
28 his OR HER estate or to his OR HER designated beneficiary in event of [his] death [as
29 provided in this subtitle,] shall be paid from the [*Annuity Savings Fund*] RETIREMENT
30 SYSTEM. [Upon retirement of a member, his accumulated contributions shall be
31 transferred from the Annuity Savings Fund to the Annuity Reserve Fund.]

32 [(b) *Annuity Reserve Fund.*

33 The Annuity Reserve Fund shall be the fund from which shall be paid all annuities as
34 provided in this subtitle.]

35 (B) [(c) *Pension Accumulation Fund*] *CITY CONTRIBUTIONS.*

36 [(1) The Pension Accumulation Fund shall be the fund in which shall be accumulated all
37 reserves for the payment of all pensions and other benefits payable from contributions
38 made by the City of Baltimore. Contributions to and payments from the Pension
39 Accumulation Fund shall be made as follows:]

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1 (1) [(2)] On the basis of regular interest and of [such] THE mortality and other tables AND
2 ASSUMPTIONS [as shall be] adopted by the Board of Trustees, the actuary engaged by
3 the Board shall make a valuation to determine the required contribution by the City of
4 Baltimore for the [Pension Accumulation Fund] SYSTEM. [(3) Effective with the
5 fiscal year ending June 30, 1992, the] THE normal cost and accrued liability shall be
6 determined by the projected unit credit cost method. [Annual salary increases shall be
7 assumed to increase 1½% per year less than the investment return. All other actuarial
8 assumptions shall be as adopted by the Board of Trustees.]

9 [The accrued liability computed in the preceding paragraph shall be added to the
10 reserve for retirement benefits payable to retired members from the Pension
11 Accumulation Fund to obtain the total accrued liability.]

12 (2) The assets of the [Pension Accumulation Fund] SYSTEM shall be applied against the
13 total accrued liability, computed above for all members, retirees, and beneficiaries, to
14 determine the amount of unfunded accrued liability. An accrued liability contribution
15 [shall be] IS THE AMOUNT determined [as the amount which is] BY THE BOARD OF
16 TRUSTEES TO BE sufficient to meet regular interest on the unfunded accrued liability[,]
17 and to amortize the principal of [such] THAT unfunded accrued liability over the
18 period of time determined by the Board of Trustees.

19 (3) [(4)] The required contribution by the City of Baltimore shall be the sum of the
20 normal cost and accrued liability contribution determined above[; provided,
21 however]. HOWEVER, [that] the aggregate payment by the City of Baltimore [shall]
22 MUST be sufficient, when combined with the [amount in the fund] ASSETS OF THE
23 SYSTEM, to provide the pensions and other benefits payable out of the fund during the
24 year then current.

25 [(5) The accrued liability contribution shall be discontinued as soon as the accumulated
26 reserve in the Pension Accumulation Fund shall equal the present value, as actuarially
27 computed and approved by the Board of Trustees, of the total liability of such fund
28 less the present value, computed on the basis of the normal contribution rate then in
29 force, of the prospective normal contributions to be received on account of persons
30 who are at that time members.]

31 [(6) Upon the retirement of a member, an amount equal to his pension reserve shall be
32 transferred from the Pension Accumulation Fund to the Pension Reserve Fund.]

33 [(d) *Pension Reserve Fund.*

34 The Pension Reserve Fund shall be the fund from which shall be paid the pension to
35 members and benefits in lieu thereof.]

36 (C) [(e)] *Certification of Appropriation.*

37 On or before April 1 of each year, the Board of Trustees shall certify to the Board of
38 Estimates the amount of the appropriation necessary to pay to [the various funds of the
39 retirement system] THIS RETIREMENT SYSTEM in the amounts payable by the City of
40 Baltimore, as enumerated in this article, for the fiscal year beginning on July 1 of the

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1 succeeding year. [and items] ITEMS of appropriation providing [such] THESE amounts
2 shall be included in the Ordinance of Estimates.

3 (D) [(f)] For an elected official who transfers to this [system] SYSTEM, the Board of Trustees
4 of the transferring system shall determine and transfer to this [system] SYSTEM [any and]
5 all applicable funds provided by the City of Baltimore for the transferring member's past
6 service. The amount to be transferred shall be based [upon] ON the benefit accrued in the
7 transferring retirement system.

8 **SECTION 2. AND BE IT FURTHER ORDAINED,** That if any provision of this Ordinance or the
9 application of it to any person or circumstance is held invalid for any reason in a court of
10 competent jurisdiction, the invalidity does not affect any other provision of this Ordinance or any
11 other application of it that can be given effect without the invalid provision or application, and,
12 for this purpose, the provisions of this Ordinance are declared severable.

13 **SECTION 3. AND BE IT FURTHER ORDAINED,** That the catchlines contained in this Ordinance
14 are not law and may not be considered to have been enacted as a part of this or any prior
15 Ordinance.

16 **SECTION 4. AND BE IT FURTHER ORDAINED,** That the changes made by this Ordinance to the
17 regular interest rates specified in Article 22, § 1(9) and § 17A(7), and the repeal by this
18 Ordinance of the 2nd sentence of former Article 22, § 24(c)(3), take effect July 1, 2012.

19 **SECTION 5. AND BE IT FURTHER ORDAINED,** That, except as provided in Section 4 of this
20 Ordinance, this Ordinance takes effect on the date it is enacted.

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Certified as duly passed this _____ day of _____, 20__

President, Baltimore City Council

Certified as duly delivered to Her Honor, the Mayor,
this _____ day of _____, 20__

Chief Clerk

Approved this _____ day of _____, 20__

Mayor, Baltimore City