
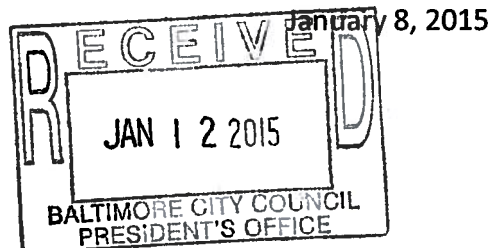


FROM	NAME & TITLE	Henry J. Raymond, Finance Director <i>HJR</i>	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Department of Finance Room 454, City Hall (396-4940)		
	SUBJECT	City Council Bill 14-0457 Retirement Savings Plan Clarifications		

DATE:

TO

The Honorable President
And Members of the Baltimore City Council
100 Holliday Street
Baltimore, MD 21202



Recommended Position

The Department of Finance has reviewed City Council Bill 14-0457 *Employees' Retirement System – Retirement Savings Plan – Clarifications*, which proposes several amendments that are largely technical in nature to Articles 22 and 22A. The Department of Finance supports City Council Bill 14-0457.

Comments and Analysis

City Council Bill 14-0457 changes Article 22 in the following manner:

- Class D ERS members* who terminate employment before becoming vested and who receive a refund of employee contributions before they are reemployed must buy back their prior City service in order to have it credited.

**Class D ERS members are those employees that are newly hired or rehired on or after July 1, 2014 who either enrolled as RSP Hybrid members or defaulted to the RSP Hybrid membership.*

- The reemployment rules for Class C members** who terminate on or after 7/1/14 apply only if the termination lasts for more than 30 days. (The 30-day rule is consistent with existing Class C reemployment rules).

***Class C ERS members are those employees that began employment with the City prior to July 1, 2014.*

The Department of Finance supports both of these changes to Article 22.

Article 22A provides for the establishment of the Retirement Savings Plan of the City of Baltimore ("RSP"). City Council Bill 14-0457 amends Article 22A in the following manner:

- *Composition of RSP Board of Trustees changed to provide for representation from Baltimore City Public School System.*

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- *The following Baltimore City Public School officials will be voting Trustees on the RSP Board:*
 1. *Baltimore City Public Schools Chief Executive Officer or designee*
 2. *Baltimore City Public Schools Chief Financial Officer*
 3. *Baltimore City Public Schools Chief Human Capital Officer*

The Department of Finance is supportive of this amendment to Article 22A. Providing for three BCPSS voting Trustees will allow BCPSS employees the opportunity to participate in the City's 457 Deferred Compensation Plan, which will benefit the City and Plan participants.

- *The number of Mayoral appointees on the RSP Board of Trustees is reduced from four to three.*

The Department of Finance is supportive of this amendment to Article 22A. Reducing the number of Mayoral appointees from four to three will increase the likelihood that all Mayoral appointees to the Board have the requisite institutional investment experience.

- *RSP members can elect how to invest employer contributions to the 401(a) defined contribution accounts that have not yet vested.*

The Department of Finance is supportive of this amendment to Article 22A. Allowing RSP members to invest employer contributions prior to vesting is a standard practice across public defined contribution plans and simplifies the participant experience.

- *To comply with an IRS requirement, the RSP is specifically characterized as a "profit sharing plan."*

The Department of Finance is supportive of this amendment to Article 22A. Designating the RSP as a profit sharing plan under the Internal Revenue Code ensures the RSP is in compliance with applicable regulations and statutes.

- *The account balance of a member who dies while in "qualified military service" automatically becomes 100% vested. This ensures the RSP is in compliance with the HEART Act.*

The Department of Finance is supportive of this amendment to Article 22A. The change ensures the RSP is in compliance with the Heroes Earnings Assistance and Relief Tax Act of 2008.

- *The formula by which the City matches Deferred Compensation Plan contributions for non-hybrid RSP members is clarified.*

The Department of Finance is supportive of this amendment to Article 22A, as it clarifies the language that governs the employer match for RSP Non-Hybrid participants.

In summary, the Department of Finance supports City Council Bill 14-0457.