

**CITY OF BALTIMORE
COUNCIL BILL 10-0482
(First Reader)**

Introduced by: Councilmembers Holton, Cole, Stokes

Introduced and read first time: April 19, 2010

Assigned to: Taxation, Finance and Economic Development Committee

REFERRED TO THE FOLLOWING AGENCIES: City Solicitor, Fire and Police Employees' Retirement System, Department of Finance, Labor Commissioner

A BILL ENTITLED

1 AN ORDINANCE concerning

2 **Fire and Police Employees' Retirement System – Benefits**

3 FOR the purpose of modifying certain System interest rate assumptions; changing the definition
4 of “average final compensation” for all System members not currently eligible for a normal
5 service retirement benefit; clarifying the definition of “earnable compensation”; making the
6 Director of Finance an ex-officio member of the Board of Trustees of the System; allowing
7 the Director of Finance to authorize a designated representative to act in his or her stead at
8 board meetings; adding 1 additional Board of Trustees appointee to the existing 2 City
9 resident mayoral appointees; establishing new qualifications for the mayoral appointees;
10 exempting the Board of Trustees from the City Charter provision requiring minority party
11 representation on City boards; changing the age and service requirements for the normal
12 service retirement benefit for all System members not currently eligible for a normal service
13 retirement benefit; establishing a new early service retirement benefit for System members
14 who do not qualify for normal service retirement; increasing the percentage of compensation
15 contributable by System members; amending provisions of the Fire and Police Employees'
16 Retirement System law pertaining to post-retirement increases by discontinuing the variable
17 benefit increase and substituting a fixed percentage increase that is capped by the annual
18 percentage increase in Social Security benefits; discontinuing the utilization of certain
19 existing System accounting reserves; discontinuing the current DROP 2 benefit structure for
20 all System members not currently eligible for a DROP 2 retirement benefit and establishing a
21 new DROP 3 option for System members; providing for a special effective date; and
22 generally relating to the Fire and Police Employees' Retirement System of the City of
23 Baltimore.

24 BY repealing and reordaining, with amendments

25 Article 22 - Retirement Systems

26 Section(s) 30(9), 30(11), 33(b), 34(a) and (b), 36(h), and 36A(b)(1st par.)

27 Baltimore City Code

28 (Edition 2000)

29 BY adding

30 Article 22 - Retirement Systems

31 Section(s) 36A(h), (i), and (j), 36C(c)(1)(C), and 36D

32 Baltimore City Code

33 (Edition 2000)

EXPLANATION: CAPITALS indicate matter added to existing law.
[Brackets] indicate matter deleted from existing law.

Council Bill 10-0482

Legislative Findings

1
2 **WHEREAS**, it is estimated that the City’s required annual contribution to the Fire and Police
3 Employees’ Retirement System (F&P) for FY2011, before accounting for the cost of F&P’s
4 variable post-retirement benefit increases, will be \$101 million.

5 **WHEREAS**, the City’s required annual contribution to F&P has risen approximately 270%
6 from \$27.3 million in FY2001 to a budgeted \$101 million in FY2011. Expressed as a percentage
7 of the City’s operating budget, this equals an increase from 1.3% of budget in FY2001 to 4.6%
8 of budget in FY2011.

9 **WHEREAS**, while the City’s covered fire and police payroll used for calculating the City’s
10 annual F&P contribution during the 10-year period starting with FY2001 and ending with
11 FY2011 increased from approximately \$181.4 million to \$280.2 million, or 54%, the City’s
12 required annual contribution to F&P during the same period rose from approximately \$27.3
13 million to a budgeted \$101 million, or 270%.

14 **WHEREAS**, Article 22 of the City Code currently includes a variable post-retirement benefit
15 formula that provides increases to F&P retirees and beneficiaries in years in which the system
16 achieves positive investment performance, but makes no provision for negative investment
17 performance years.

18 **WHEREAS**, the current formula results in a diminished asset base under which the F&P
19 cannot fully benefit from good investment performance since it must share a portion of investment
20 earnings with retirees in good years but must bear the total impact of investment losses in bad
21 years.

22 **WHEREAS**, it is now estimated that the annual F&P contribution needed to maintain the
23 current variable post-retirement benefit increase structure is an additional \$64 million on top of
24 the budgeted \$101 required annual contribution, which would bring to \$165 million the total
25 annual contribution to F&P by the City for FY2011.

26 **WHEREAS**, in its FY2011 budget the City projects a \$121 million budget gap that will likely
27 be closed only after reducing basic services, closing facilities, and furloughing and laying off
28 employees or by raising City taxes.

29 **WHEREAS**, the City’s Fiscal 2011 Preliminary Budget Plan reports that “The major driver of
30 cost growth is the City’s pension contributions. Because of poor investment performance in
31 Fiscal 2009, the pension funds need an additional \$28 million from the General and Motor
32 Vehicle funds to remain financially sound. Without legislation to reform the variable benefit
33 provision of the Fire and Police Retirement System, this cost grows by another \$64 million”.

34 **WHEREAS**, a task force of the Greater Baltimore Committee (GBC Task Force) recently
35 issued its summary report on the sustainability of F&P and found that current contributions to
36 fund the F&P are inadequate to fully cover its existing and anticipated liabilities, that the funded
37 ratio of the F&P based on a June 30, 2009, market value is only 58.2%, and that the F&P
38 underfunding problem “threatens the City’s fiscal stability and could result in a reduction in City
39 services, increased taxes, and a decline of the City’s bond rating – a combination of adverse
40 circumstances that would result in immediate and long term financial burdens on the City and its
41 citizens”.

Council Bill 10-0482

1 earnable compensation was highest[,] or, if he OR SHE had less than [3 years] 36
2 CONSECUTIVE MONTHS of service, then the average annual EARNABLE compensation[,
3 pay or salary earnable by him] during his OR HER total years of service.

4 (B) “EARNABLE COMPENSATION” MEANS THE ANNUAL SALARY AUTHORIZED FOR THE
5 MEMBER. IT DOES NOT INCLUDE OVERTIME PAY, DIFFERENTIAL PAY, OUT-OF-TITLE
6 PAY, ENVIRONMENTAL PAY, HAZARDOUS DUTY PAY, PAY FOR CONVERSION OF LEAVE
7 OR OTHER FRINGE BENEFITS, OR ANY LIKE ADDITIONAL PAYMENTS.

8 (C) [Provided, however, for] FOR members who [retire] RETIRED on or after July 1, 1986,
9 and before July 1, 1988, “average final compensation” [shall mean] MEANS the
10 average annual compensation, pay, or salary earnable by a member for the 2
11 consecutive years of service as an employee during which his OR HER earnable
12 compensation was highest, [provided] IF the member had at least 2 years of service in
13 that grade, or if he OR SHE had less than 2 years of service, then the average annual
14 compensation, pay, or salary earnable by him OR HER during his OR HER actual year(s)
15 of service.

16 (D) [Provided further, however, for] FOR members who:

17 (i) [retire] RETIRED on or after July 1, 1988, AND ON OR BEFORE JUNE 30, 2010,
18 OR

19 (ii) RETIRE ON OR AFTER JULY 1, 2010, AND WHO, AS OF JUNE 30, 2010, MEET THE
20 APPLICABLE AGE OR SERVICE REQUIREMENTS FOR A NORMAL SERVICE
21 RETIREMENT UNDER § 34(A-1)(1),

22 “average final compensation” [shall mean] MEANS the average annual EARNABLE
23 compensation[, pay or salary earnable by a member] for the 18 consecutive months of
24 service as an employee during which his OR HER earnable compensation was highest.

25 (E) In no event shall the retirement benefits of a member[,] RETIRED UNDER
26 § 30(11)(D)(II) as a result of the [implementation] APPLICATION of the definition of
27 “average final compensation” [enacted by Ordinance 88-123], effective July 1, [1988]
28 2010, be less than the benefit [said] THE member would have been entitled to prior to
29 July 1, [1988] 2010. [In no event shall the retirement benefits of a member, as a
30 result of the implementation of the definition of “average final compensation”
31 enacted by Ordinance 91-086, effective July 1, 1991, be less than the benefit said
32 member would have been entitled to prior to July 1, 1991. “Earnable” shall include
33 all usual compensation, in whatever manner paid, such as lodging, subsistence, etc.
34 In cases where compensation is not all paid in money, the Board of Trustees shall fix
35 the value of that part of the compensation not paid in money.]

36 § 33. Administration.

37 (b) *Members.*

38 The Board consists of [9] 11 trustees, as follows:

39 (1) The Comptroller of the City of Baltimore, ex-officio.

Council Bill 10-0482

1 (2) The Police Commissioner, ex officio. The Police Commissioner may designate a
2 representative to attend any meeting of the Board of Trustees in his or her place.
3 This representative must be a [member of the Police Command Staff II with
4 administrative responsibilities] A DEPUTY POLICE COMMISSIONER and must be a
5 member of this system. This representative has the authority to act in the
6 Commissioner’s place.

7 (3) The Chief of the Fire Department, ex officio. The Chief of the Fire Department
8 may designate a representative to attend any meeting of the Board of Trustees in
9 his or her place. This representative must be [an Assistant Chief of the Fire
10 Department with administrative responsibilities] THE DEPARTMENT’S CHIEF OF
11 STAFF OR THE DEPARTMENT’S DEPUTY CHIEF FOR FINANCE AND
12 ADMINISTRATION and must be a member of this system. This representative has
13 the authority to act in the Chief’s place.

14 (4) THE DIRECTOR OF FINANCE, EX OFFICIO. THE DIRECTOR OF FINANCE MAY
15 DESIGNATE A REPRESENTATIVE TO ATTEND ANY MEETING OF THE BOARD OF
16 TRUSTEES IN HIS OR HER PLACE. THIS REPRESENTATIVE MUST BE EITHER THE
17 DEPUTY DIRECTOR OF FINANCE OR THE BUDGET DIRECTOR. THIS
18 REPRESENTATIVE HAS THE AUTHORITY TO ACT IN THE DIRECTOR OF FINANCE’S
19 PLACE.

20 (5) (i) [(4)] [2 citizens] 3 RESIDENTS AND REGISTERED VOTERS of the City of
21 Baltimore [who are not employees within the meaning of this subtitle, 1 of
22 whom shall be a responsible officer of a bank authorized to do business within
23 the State of Maryland, or a person with similar experience], to be appointed
24 by the Mayor with the consent of the City Council, as provided in CITY
25 CHARTER Article IV, § 6 [of the City Charter], EACH to serve for [terms] A
26 TERM of 4 years [each], CONCURRENT WITH THE MAYOR’S TERM OF OFFICE
27 [each, provided, however, that immediately following July 1, 1962, the Mayor
28 shall appoint 1 trustee to serve until July 1, 1963, and 1 trustee to serve until
29 July 1, 1965, such trustees to take office at appointments.]

30 (ii) THESE TRUSTEES SHALL POSSESS COMMERCIAL BANKING, INVESTMENT
31 BANKING, ACCOUNTING, ACTUARIAL, AUDITING, INVESTMENT MANAGEMENT,
32 INVESTMENT CONSULTING, OR FINANCIAL LEGAL EXPERTISE.

33 (iii) AS OF THEIR APPOINTMENT AND DURING THEIR ENTIRE TERM OF OFFICE, THESE
34 TRUSTEES:

35 A. MAY NOT BE AN EMPLOYEE OR OFFICIAL OF THE CITY; AND

36 B. MAY NOT ENGAGE IN ANY OF THE FOLLOWING ACTIVITIES OR HOLD ANY
37 OF THE FOLLOWING INTERESTS, AS THESE ACTIVITIES OR INTERESTS
38 ARE DEFINED IN CITY CODE ARTICLE 8 {“ETHICS”}:

39 1. DO BUSINESS WITH THE CITY;

40 2. BE EMPLOYED BY OR HAVE A FINANCIAL INTEREST IN ANY
41 PERSON OR ENTITY DOING BUSINESS OR SEEKING TO DO
42 BUSINESS WITH THE CITY; OR

Council Bill 10-0482

1 3. ENGAGE IN ANY ACTIVITY THAT REQUIRES REGISTRATION AS A
2 LOBBYIST WITH THE CITY ETHICS BOARD.

3 (6) [(5)] 2 members of the system, one of whom shall be an employee of the Fire
4 Department, the other an employee of the Police Department, to be elected by the
5 membership of the respective departments to which each belongs under [such]
6 THE rules and regulations [as may be] adopted by the Board of Trustees to govern
7 [such] THE election, to serve for a term of 4 years, STAGGERED AS PROVIDED FOR
8 THE TRUSTEES FIRST ELECTED. [; provided, however, that the term of office of the
9 first 2 trustees so elected shall begin immediately following their election and
10 shall expire July 1, 1964, and July 1, 1966, respectively; and provided further,
11 that for] FOR the purposes of this [subsection (b)] PARAGRAPH (6), members of the
12 system who are not employed by the Fire Department or the Police Department
13 [shall be] ARE eligible to participate as voters and as candidates in elections of the
14 Board of Trustees. School crossing guards, meter monitors, and police personnel
15 employed at the [Baltimore-Washington] BALTIMORE / WASHINGTON
16 International THURGOOD MARSHALL Airport shall participate in the Police
17 Department elections. Fire personnel employed at the [Baltimore-Washington]
18 BALTIMORE / WASHINGTON International THURGOOD MARSHALL Airport shall
19 participate in the Fire Department elections. For other categories of members of
20 the system who are not employees of the Fire Department or the Police
21 Department, the Board of Trustees shall determine in which departmental election
22 they shall participate.

23 (7) [(5-1)] 2 retirees of the system, 1 of whom shall be a Fire Department retiree, and
24 the other a Police Department retiree, to be elected by the retirees of the
25 respective department to which each belonged, [said] THESE elections to be held
26 concurrently with the election for the employees representative of each respective
27 department, under [such] THE rules and regulations [as may be] adopted by the
28 Board of Trustees to govern [such] THE election, to serve for a term of 4 years[;].
29 [provided, however, that for] FOR the purposes of this [subsection (b)]
30 PARAGRAPH (7), retirees of the system who are not employed by the Fire
31 Department or the Police Department [shall be] ARE eligible to participate as
32 voters and as candidates in elections of the Board of Trustees. Retired school
33 crossing guards, retired meter monitors, and police personnel retired from
34 employment at the [Baltimore-Washington] BALTIMORE / WASHINGTON
35 International THURGOOD MARSHALL Airport shall participate in the Police
36 Department elections. Fire personnel retired from employment at the
37 [Baltimore-Washington] BALTIMORE / WASHINGTON International THURGOOD
38 MARSHALL Airport shall participate in the Fire Department elections. For other
39 categories of retirees in the system who were not employees of the Fire
40 Department or the Police Department, the Board of Trustees shall determine in
41 which departmental election they shall participate.

42 (8) NOTWITHSTANDING CITY CHARTER ARTICLE IV, §8 , REQUIRING MINORITY PARTY
43 REPRESENTATION, THE ELECTION OR APPOINTMENT OF TRUSTEES UNDER THIS
44 SUBSECTION SHALL BE MADE WITHOUT REGARD TO POLITICAL AFFILIATION,
45 INCLUDING THOSE TRUSTEES HOLDING THEIR POSITIONS EX OFFICIO.

Council Bill 10-0482

1 **§ 34. Benefits.**

2 (A-1) [(a)] *Normal service retirement benefits.*

3 (1) *Age and service requirements FOR RETIREMENTS ON OR BEFORE JUNE 30, 2010.*

4 A member may retire with a normal service retirement ON OR BEFORE JUNE 30, 2010,
5 if, on his or her last day of City employment, the member meets the following age
6 and service requirements:

7 (i) for an employee who became a member of this system on or before June 30,
8 2003, and who retired on or after June 30, 1989:

9 (A) age 50, regardless of years of service; or

10 (B) regardless of age, 20 years of service; and

11 (ii) for an employee who became a member of this system on or after July 1,
12 2003:

13 (A) age 50, with at least 10 years of service as a contributing member of
14 this system; or

15 (B) regardless of age, 20 years of service, at least 10 years of which were
16 as a contributing member of this system.

17 (2) *AGE AND SERVICE REQUIREMENTS FOR RETIREMENTS ON OR AFTER JULY 1, 2010.*

18 A MEMBER MAY RETIRE WITH A NORMAL SERVICE RETIREMENT ON OR AFTER JULY 1,
19 2010, IF EITHER:

20 (I) AS OF JUNE 30, 2010, HE OR SHE HAS MET THE APPLICABLE AGE OR SERVICE
21 REQUIREMENTS SET FORTH IN PARAGRAPH (1) ABOVE; OR

22 (II) ON THE LAST DAY OF HIS OR HER CITY EMPLOYMENT, HE OR SHE HAS BOTH:

23 (A) ATTAINED AGE 55; AND

24 (B) ACQUIRED 15 OR MORE YEARS OF CONTINUOUS SERVICE AS A
25 CONTRIBUTING MEMBER OF THIS SYSTEM.

26 (A-2) *EARLY SERVICE RETIREMENT BENEFITS – AGE AND SERVICE REQUIREMENTS.*

27 (1) ON OR AFTER JULY 1, 2010, A MEMBER OF THIS SYSTEM ON JUNE 30, 2010, WHO AS OF
28 JUNE 30, 2010, HAS NOT MET THE APPLICABLE AGE OR SERVICE REQUIREMENTS FOR A
29 NORMAL SERVICE RETIREMENT UNDER PARAGRAPH (1) OF SUBSECTION (A-1) OF THIS
30 SECTION, MAY RETIRE WITH AN EARLY SERVICE RETIREMENT WHEN HE OR SHE FIRST
31 MEETS THE AGE OR SERVICE REQUIREMENTS.

Council Bill 10-0482

1 (2) THE BENEFIT COMMENCEMENT DATE OF AN EARLY SERVICE RETIREMENT IS ANY DATE
2 THAT IS ELECTED BY THE MEMBER IN ACCORDANCE WITH SUBSECTION (A-3) BELOW
3 AND THAT IS:

4 (A) ON OR AFTER THE DATE THE MEMBER FIRST MEETS THE APPLICABLE AGE OR
5 SERVICE REQUIREMENTS FOR A NORMAL SERVICE RETIREMENT UNDER
6 PARAGRAPH (1) OF SUBSECTION (A-1) OF THIS SECTION; AND

7 (B) BEFORE THE DATE AS OF WHICH THE MEMBER WOULD HAVE FIRST MET THE
8 AGE AND SERVICE REQUIREMENTS FOR A NORMAL SERVICE RETIREMENT
9 UNDER SUBSECTION (A-1)(2)(II) OF THIS SECTION HAD HE OR SHE CONTINUED
10 EMPLOYMENT WITH THE CITY.

11 (A-3) [(2)] *Application.*

12 To retire under [this] subsection (A-1) OR (A-2) OF THIS SECTION, the member must:

13 (i) apply to the Board of Trustees, on a form approved by the Board;

14 (ii) set forth the date he or she wants to retire; and

15 (iii) submit the application to the Board no less than 30 days nor more than 90 days
16 before the date of retirement.

17 (B-1) [(b)] *Allowance on service retirement.*

18 Upon retirement from service a member shall receive a service retirement allowance as
19 follows:

20 (1) For any member who retires on or before June 30, 1989, the service retirement
21 allowance shall consist of:

22 (A) an annuity which shall be the actuarial equivalent of his accumulated
23 contributions at the time of his retirement; and

24 (B) for each year of service, in addition to his annuity, a pension, which shall
25 be equal to 1/100 of his average final compensation for each of the first 25
26 years of service, less any prior service, and 1/120 of his average final
27 compensation for each year after the first 25 years of service less any prior
28 service; and

29 (C) if he has been credited with prior service, a supplemental pension which
30 shall be equal to 1/50 of his average final compensation multiplied by the
31 number of years of such prior service; and

32 (D) if at the time of retirement the annuity determined in accordance with
33 [§ 34(b)(1)(A)] § 34(B-1)(1)(A) resulting from the member's contributions
34 for service is less than the pension resulting from the member's years of
35 service determined in accordance with [§ 34(b)(1)(B)] § 34(B-1)(1)(B), a
36 supplemental pension equal to the difference between the two shall be
37 payable.

Council Bill 10-0482

1 (E) The additional annuity provided as the result of voluntary contributions
2 permitted under § 36(b)(10) shall be payable and shall not be used in
3 determining this supplemental pension, if any, payable under this
4 subdivision.

5 (2) For any member who retires on or after July 1, 1989, and on or before June 30,
6 1991, the service retirement allowance shall consist of:

7 (A) an annuity which shall be the actuarial equivalent of his accumulated
8 contributions at the time of his retirement; and

9 (B) a pension which, together with his annuity, shall be equal to:

- 10 1. 2.25% of his average final compensation for each year of the first
11 20 years of service;
- 12 2. 2.50% of his average final compensation for each year of his next 2
13 years of service; and
- 14 3. 1.67% of his average final compensation for each year of service
15 thereafter.

16 (C) The additional annuity provided as a result of voluntary contributions
17 permitted under § 36(b)(10) shall be payable and shall not be used in
18 determining the pension payable under [§ 34(b)(2)(B)] § 34(B-1)(2)(B).

19 (3) For any member who retires on or after July 1, 1991, the service retirement
20 allowance shall consist of:

21 (A) an annuity which shall be the actuarial equivalent of his accumulated
22 contributions at the time of his retirement; and

23 (B) a pension which, together with his annuity, shall be equal to:

- 24 1. 2.5% of his average final compensation for each year of the first 20
25 years of service, plus
- 26 2. 1.8% of his average final compensation for each year of service
27 thereafter.

28 (C) The additional annuity provided as a result of voluntary contributions
29 permitted under § 36(b)(10) shall be payable and shall not be used in
30 determining the pension payable under [§ 34(b)(3)(B)] § 34(B-1)(3)(B).

31 (4) For any member who retires on or after June 29, 1993, WITH A NORMAL SERVICE
32 RETIREMENT UNDER SUBSECTION (A-1) OF THIS SECTION, the NORMAL service
33 retirement allowance shall consist of:

34 (A) an annuity which shall be the actuarial equivalent of his accumulated
35 contributions at the time of his retirement; and

Council Bill 10-0482

1 (B) a pension which, together with his annuity, shall be equal to:

- 2 1. 2.5% of his average final compensation for each year of the first 20
3 years of service, plus
4 2. 2% of his average final compensation for each year of service
5 thereafter.

6 (C) The additional annuity provided as a result of voluntary contributions
7 permitted under § 36(b)(4) shall be payable and shall not be used in
8 determining the pension payable under [§ 34(b)(4)(B)] § 34(B-1)(4)(B).

9 (5) Provided further, however, that members and beneficiaries of members who retired
10 before July 1, 1988, and any surviving beneficiary of a member who began
11 receiving benefits before July 1, 1988, shall receive a 2% increase in periodic
12 benefits as of January 1, 1992.

13 (6) Notwithstanding any other provision of this subtitle to the contrary, any member
14 (other than a member who has elected to participate in the Deferred Retirement
15 Option Plan pursuant to § 36B of this subtitle) who retires effective on or after
16 June 1, 1996, and on or before August 31, 1996, with 35 or more years of service
17 shall receive, in addition to his accumulated service credit, a credit of 6 additional
18 months of service. For purposes of this [§ 34(b)(6)] § 34(B-1)(6) only the “average
19 final compensation”, as defined in § 30(11) of this subtitle, of any member eligible
20 for this additional service credit shall be calculated as if the member had retired on
21 January 1, 1997 (rather than on his or her actual retirement date) and had earned
22 compensation, pay, or salary during the period between his or her actual retirement
23 date and January 1, 1997, at the salary rate in effect at the time of actual
24 retirement.

25 (B-2) *ALLOWANCE ON EARLY SERVICE RETIREMENT.*

26 FOR ANY MEMBER WHO RETIRES ON OR AFTER JULY 1, 2010, WITH AN EARLY SERVICE
27 RETIREMENT UNDER SUBSECTION (A-2) OF THIS SECTION, THE EARLY SERVICE RETIREMENT
28 ALLOWANCE SHALL CONSIST OF:

29 (I) AN ANNUITY WHICH SHALL BE THE ACTUARIAL EQUIVALENT OF HIS OR HER
30 ACCUMULATED CONTRIBUTIONS AT THE TIME OF HIS OR HER RETIREMENT; AND

31 (II) A PENSION WHICH, TOGETHER WITH THE ANNUITY, SHALL BE EQUAL TO:

32 (A) THE SUM OF 2.5% OF HIS OR HER AVERAGE FINAL COMPENSATION FOR EACH
33 YEAR OF THE FIRST 20 YEARS OF SERVICE AND 2.0% OF HIS OR HER
34 AVERAGE FINAL COMPENSATION FOR EACH YEAR OF SERVICE THEREAFTER,
35 REDUCED BY

36 (B) THE APPLICABLE PERCENTAGE SHOWN BELOW FOR EACH MONTH OR
37 FRACTION OF A MONTH BY WHICH HIS OR HER BENEFIT COMMENCEMENT
38 DATE PRECEDES THE DATE AS OF WHICH HE OR SHE WOULD HAVE FIRST MET
39 THE AGE AND SERVICE REQUIREMENTS FOR A NORMAL SERVICE RETIREMENT

Council Bill 10-0482

1 UNDER SUBSECTION (A-1)(2)(II) OF THIS SECTION HAD HE OR SHE
2 CONTINUED EMPLOYMENT WITH THE CITY:

- 3 1. 6.5/12% PER MONTH FOR THE FIRST 60 MONTHS OR FRACTION OF A
4 MONTH IMMEDIATELY PRECEDING THE MEMBER’S NORMAL SERVICE
5 RETIREMENT DATE;
- 6 2. 4.5/12% PER MONTH FOR THE NEXT 60 MONTHS OR FRACTION OF A
7 MONTH;
- 8 3. 1/4% PER MONTH FOR THE NEXT 60 MONTHS OR FRACTION OF A
9 MONTH; AND
- 10 4. 1/6% PER MONTH FOR ANY ADDITIONAL NEXT MONTHS OR FRACTION
11 OF A MONTH.

12 **§ 36. Method of financing.**

13 (h) *Percent of compensation contributable.*

14 (5) EFFECTIVE WITH THE 1ST FULL PAYROLL PERIOD COMMENCING AFTER THE APPLICABLE
15 EFFECTIVE DATE SHOWN BELOW, EACH MEMBER SHALL CONTRIBUTE THE PERCENTAGE
16 OF HIS OR HER REGULAR COMPENSATION THAT CORRESPONDS TO THE EFFECTIVE DATE,
17 THIS CONTRIBUTION TO CONTINUE THROUGHOUT THE MEMBER’S REMAINING PERIOD OF
18 SERVICE:

19	<i>EFFECTIVE DATE</i>	<i>PERCENTAGE OF REGULAR COMPENSATION</i>
20	JULY 1, 2010	7%
21	JULY 1, 2011	8%
22	JULY 1, 2012	9%

23
24 **§ 36A. Post-retirement benefit increases to certain retirees and beneficiaries.**

25 (b) *Amount of benefit increase.*

26 As of the end of each fiscal year ENDING ON OR BEFORE JUNE 30, 2009, a determination
27 shall be made of the amount of increase (if any) of retirement benefit payments which may
28 be payable to eligible persons. The amount of retirement benefit increase shall be
29 calculated with reference to excess investment earnings of the Annuity Reserve Fund and
30 the Pension Reserve Fund only, and according to the method described in subsection (c)
31 below.

32

33 (H) *AMOUNT OF BENEFIT INCREASE PAYABLE FOR FISCAL YEARS BEGINNING ON OR AFTER JULY 1,*
34 *2009.*

35 (1) IN THIS SUBSECTION, “THE SOCIAL SECURITY COLA INCREASE” MEANS THE ANNUAL
36 COST-OF-LIVING PERCENTAGE INCREASE, IF ANY, IN FEDERAL SOCIAL SECURITY
37 BENEFITS UNDER 42 U.S.C. § 415(i).

Council Bill 10-0482

1 (2) NO POST-RETIREMENT BENEFIT INCREASE MAY BE PAYABLE IN JANUARY 2011 FOR THE
2 FISCAL YEAR ENDING JUNE 30, 2010.

3 (3) AS OF JUNE 30, 2011, AND EACH SUCCEEDING JUNE 30, A MEMBER OR BENEFICIARY
4 WHO, AS OF THAT JUNE 30, IS ELIGIBLE UNDER SUBSECTION (A) OF THIS SECTION SHALL
5 RECEIVE THE FOLLOWING INCREASE IN HIS OR HER PERIODIC BENEFIT, THE INCREASE TO
6 COMMENCE EFFECTIVE AS OF THE IMMEDIATELY FOLLOWING JANUARY:

7 (i) A MEMBER OR BENEFICIARY WHO, AS OF THAT JUNE 30, HAS NOT ATTAINED AGE
8 55, SHALL RECEIVE NO INCREASE.

9 (ii) A MEMBER OR BENEFICIARY WHO, AS OF THAT JUNE 30, HAS ATTAINED AGE 55
10 BUT HAS NOT ATTAINED AGE 65, SHALL RECEIVE AN INCREASE EQUAL TO THE
11 SOCIAL SECURITY COLA INCREASE THAT BECOMES EFFECTIVE IN THE
12 DECEMBER IMMEDIATELY FOLLOWING THAT JUNE 30, BUT IN NO EVENT
13 GREATER THAN 1.0%.

14 (iii) A MEMBER OR BENEFICIARY WHO, AS OF THAT JUNE 30, HAS ATTAINED AGE 65
15 SHALL RECEIVE AN INCREASE EQUAL TO THE SOCIAL SECURITY COLA
16 INCREASE THAT BECOMES EFFECTIVE IN THE DECEMBER IMMEDIATELY
17 FOLLOWING THAT JUNE 30, BUT IN NO EVENT GREATER THAN 2.0%.

18 (i) *TRANSFER OF ASSETS AND LIABILITIES.*

19 (1) THE ASSETS OF THE PAID-UP BENEFIT FUND AND THE CONTINGENCY RESERVE FUND
20 SHALL BE TRANSFERRED TO THE GENERAL ASSET ACCOUNT.

21 (2) THE POST-RETIREMENT BENEFIT LIABILITIES OF THE PAID-UP BENEFIT FUND SHALL BE
22 TRANSFERRED TO THE PENSION RESERVE.

23 (3) FOLLOWING THESE TRANSFERS, THE PAID-UP BENEFIT FUND AND THE CONTINGENCY
24 RESERVE FUND SHALL BE DISCONTINUED.

25 (j) *GUARANTEE OF POST-RETIREMENT INCREASES.*

26 EFFECTIVE JUNE 30, 2010, ALL POST-RETIREMENT BENEFIT INCREASES PAYABLE UNDER
27 THIS § 36A BECOME THE OBLIGATION OF THE CITY OF BALTIMORE AND ARE GUARANTEED
28 UNDER THE PROVISIONS OF § 37 OF THIS SUBTITLE.

29 **§ 36C. Deferred Retirement Option Plan 2.**

30 (c) *Eligibility and application.*

31 (1) Notwithstanding § 30(6) of this subtitle, the service credit requirements for DROP
32 2 eligibility are as follows:

33 (C) A MEMBER OF THIS SYSTEM WHO, AS OF JUNE 30, 2010, DOES NOT MEET
34 THE ELIGIBILITY REQUIREMENTS OF THIS § 36C WILL NOT BE ENTITLED TO
35 THE BENEFITS OF THIS § 36C ON OR AFTER JULY 1, 2010.

Council Bill 10-0482

§ 36D. DEFERRED RETIREMENT OPTION PLAN 3.

(A) ELIGIBILITY.

A MEMBER MAY ELECT TO PARTICIPATE IN THE DEFERRED RETIREMENT OPTION PLAN 3 (“DROP 3”) IF THE MEMBER:

- (1) RETIRES ON OR AFTER JULY 1, 2010, ON A NORMAL SERVICE RETIREMENT UNDER § 34(A-1)(2);
- (2) HAS AT LEAST 21 CONTINUOUS YEARS OF SERVICE AS A MEMBER OF THIS SYSTEM;
AND
- (3) IS NOT ELIGIBLE FOR EITHER DROP UNDER § 36B OR DROP 2 UNDER § 36C.

(B) DROP 3 BENEFIT.

(1) A MEMBER WHO IS ELIGIBLE TO PARTICIPATE IN DROP 3 MAY ELECT TO RECEIVE A PORTION, DETERMINED IN SUBSECTION (C) BELOW, OF THE PRESENT VALUE ACTUARIAL EQUIVALENT OF HIS OR HER NORMAL SERVICE RETIREMENT BENEFIT IN ONE LUMP SUM PAYMENT.

(2) THE PRESENT VALUE ACTUARIAL EQUIVALENT SHALL BE DETERMINED USING:

- (I) THE “REGULAR INTEREST” ASSUMPTION FOR VALUATION PURPOSES UNDER § 30(9);
- (II) A UNISEX (50% MALE/50% FEMALE) VERSION OF THE MORTALITY TABLE USED BY THE SYSTEM’S ACTUARY IN THE MOST RECENT ACTUARIAL VALUATION; AND
- (III) THE POST-RETIREMENT BENEFIT INCREASE ASSUMPTIONS USED BY THE SYSTEM’S ACTUARY IN THE MOST RECENT ACTUARIAL VALUATION.

(3) THE LUMP SUM AMOUNT ELECTED WILL BE SUBTRACTED FROM THE PRESENT VALUE ACTUARIAL EQUIVALENT OF THE MEMBER’S TOTAL NORMAL SERVICE RETIREMENT BENEFIT, AND THE REMAINING PORTION WILL BE PAID IN THE FORM OF THE MAXIMUM ALLOWANCE OR ONE OF THE OPTIONAL SURVIVORSHIP ALLOWANCES DESCRIBED IN § 34(k)(1), AS ELECTED BY THE MEMBER.

(C) DETERMINATION OF LUMP SUM PAYMENT.

A MEMBER WHO IS ELIGIBLE TO PARTICIPATE IN DROP 3 MAY ELECT TO RECEIVE IN ONE LUMP SUM PAYMENT AN AMOUNT EQUAL TO:

- (1) THE AMOUNT OF HIS OR HER ANNUAL NORMAL SERVICE RETIREMENT BENEFIT AS OF THE DATE OF RETIREMENT, PAYABLE IN THE FORM OF THE MAXIMUM ALLOWANCE, MULTIPLIED BY
- (2) THE APPLICABLE MULTIPLIER SHOWN BELOW CORRESPONDING TO THE MEMBER’S CONTINUOUS YEARS OF SERVICE AS A CONTRIBUTING MEMBER OF THIS SYSTEM:

Council Bill 10-0482

	<i>YEARS OF SERVICE</i>	<i>APPLICABLE MULTIPLIER</i>
1		
2	AT LEAST 21 BUT FEWER THAN 23	1.0
3	AT LEAST 23 BUT FEWER THAN 25	1.0 OR 1.5, AS ELECTED BY THE
4		MEMBER
5	AT LEAST 25	1.0, 1.5 OR 2.0, AS ELECTED BY
6		THE MEMBER

7 (D) *FILING OF ELECTION.*

8 THE ELECTION OF THE LUMP SUM PAYMENT UNDER **DROP 3** SHALL BE MADE ON FORMS
9 PROVIDED FOR THAT PURPOSE BY THE **BOARD OF TRUSTEES** AND FILED WITH THE **BOARD.**

10 (E) *FINALITY OF ELECTION.*

11 A MEMBER MAY NOT CHANGE HIS OR HER ELECTION OF A LUMP SUM PAYMENT UNDER
12 **DROP 3** ONCE PAYMENT IS MADE. HOWEVER, A MEMBER MAY CHANGE HIS OR HER
13 ELECTION FOR SURVIVORSHIP WITH REGARD TO THE REMAINING PORTION OF HIS OR HER
14 NORMAL SERVICE RETIREMENT BENEFIT IN ACCORDANCE WITH THE RULES SET FORTH IN
15 § 34(k)(1).

16 **SECTION 2. AND BE IT FURTHER ORDAINED,** That the initial term of the Director of Finance
17 as trustee ex officio begins immediately on the day this Ordinance is enacted.

18 **SECTION 3. AND BE IT FURTHER ORDAINED,** That the position of the 2nd mayoral appointee to
19 the Board of Trustees and the new position of the 3rd mayoral appointee to the Board of Trustees
20 be filled by the Mayor as soon as practicable following enactment of this Ordinance.

21 **SECTION 4. AND BE IT FURTHER ORDAINED,** That the catchlines contained in this Ordinance
22 are not law and may not be considered to have been enacted as a part of this or any prior
23 Ordinance.

24 **SECTION 5. AND BE IT FURTHER ORDAINED,** That, except as otherwise provided in Sections 2
25 and 3 of this Ordinance, this Ordinance takes effect on June 30, 2010.