

*Roselyn H. Spencer*

FROM	NAME & TITLE	Roselyn H. Spencer, Executive Director and CIO Employees' & Elected Officials' Retirement System
	AGENCY NAME & ADDRESS	7 East Redwood Street, 12 <sup>th</sup> Floor
	SUBJECT	<i>Amendments to City Council Bill 16-0634</i>

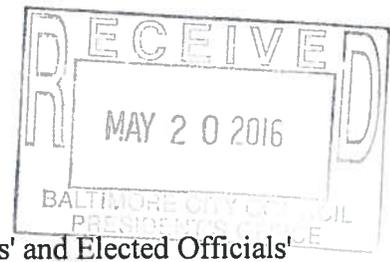
CITY of  
BALTIMORE  
**MEMO**



DATE: May 20, 2016

TO

The Honorable President and Members of the  
Baltimore City Council  
Attn: Natawna B. Austin  
Room 409, City Hall



Dear Mr. President and City Council members:

On behalf of the Board of Trustees of the Employees' and Elected Officials' Retirement Systems (the "ERS/EOS Board"), I hereby submit the following amendments to City Council Bill 16-0634 (the "Amendments"). The Amendments revise several provisions of City Council Bill 16-0634 pertaining to the Employees' Retirement System ("ERS") and the Elected Officials' Retirement System ("EOS"). A summary of the Amendments and the recommendations of the ERS/EOS Board are as follows:

**Summary of the Amendments**

1. Assumed Interest Rate. City Council Bill 16-0634 lowered the interest rate that the plans' investments are assumed to earn in the future. The actuary uses these interest rates to calculate the amount of the City's annual contribution to the ERS and EOS.

For ERS, the assumed interest rate is currently 7.75% (for assets covering liabilities of members pre-retirement) and 6.55% (for assets covering liabilities of members post-retirement). The Amendments change the ERS assumed interest rates to:

- 7.50% (pre-retirement) and 6.50% (post-retirement) for fiscal years ending 6/30/17 and 6/30/18; and
- 7.0% (pre-retirement) and 6.50% (post-retirement) for fiscal years ending on or after 6/30/19.

Previously, the Bill had changed the ERS assumed interest rates to:

- 7.50% (pre-retirement) and 6.30% (post-retirement) for fiscal years ending 6/30/17 and 6/30/18; and
- 7.25% (pre-retirement) and 6.0% (post-retirement) for fiscal years ending on or after 6/30/19.

The Amendments make no changes to the EOS assumed interest rates that had been set forth in the Bill.

*Fav w/ Amend*

2. Actuarial Experience Studies. From time to time, the ERS/EOS actuary conducts experience studies to determine the reasonableness of the plans' actuarial assumptions. The Bill had changed the frequency of actuarial experience studies to at least once every 5 years. The Amendments change the frequency to at least once every 4 years.

3. Board Authority Over ERS/EOS Staff. The Bill had provided that the ERS/EOS Board has "exclusive authority" to create new staff positions for ERS and EOS and to set the compensation level of existing staff members, subject to applicable Civil Service Commission rules. The Amendments delete the word "exclusive" and provide that the ERS/EOS Board's authority is subject to certain specified provisions of the City Charter.

4. EOS Interest Rate on Member Contributions. EOS members who leave office before becoming vested receive a refund of their member contributions plus interest. Existing Article 22 provides that the interest rate is 5.25% per year, compounded annually. Effective January 1, 2017, the Amendments reduce the interest rate to 3.0% per year, compounded annually, which is consistent with the ERS interest rate.

### **ERS/EOS Board Recommendation**

At its May 19, 2016 meeting, the ERS/EOS Board unanimously approved the Amendments to City Council Bill 16-0634.

I would be pleased to answer any questions or provide additional information about the Amendments.

cc: Andrew Smullian, Deputy Mayor: Office of Government Relations and Labor  
Angela Gibson, Legislative Officer  
Henry J. Raymond, Director of Finance  
Avery Aisenstark, Director, Legislative Reference  
George A. Nilson, City Solicitor  
Deborah Moore-Carter, Labor Commissioner, ERS Board Chair  
The Honorable Joan M. Pratt, City Comptroller, ERS Board Vice-Chair  
Ian N. Berger, ERS General Counsel

**AMENDMENTS TO COUNCIL BILL 16-634  
(1<sup>st</sup> Reader Copy)**

Proposed By: Employees' and Elected Officials' Retirement System  
{To be offered to the Taxation, Finance, and Economic Development Committee}

**Amendment No. 1**

On page 1, in line 5, after "valuation purposes", insert "and for the accumulation of certain member contributions"; and, on the same page, in line 20, strike "17A(7)(ii) and (18)" and substitute "17A(7)(i) and (ii), 17A(18)".

**Amendment No. 2**

On page 3, in line 32, strike "6.30%" and substitute "6.5%"; and, on page 4, in line 2, strike "7.25%" and substitute "7.0%"; and, on the same page, in line 3, strike "6.0%" and substitute "6.5%".

**Amendment No. 3**

On page 5, in line 31, strike "APPLICABLE CIVIL SERVICE COMMISSION RULES" and substitute "CITY CHARTER ARTICLE VII, §§ 94-104"; and, on the same page, in line 32, strike "EXCLUSIVE".

**Amendment No. 4**

On page 6, in line 4, strike "5-YEAR" and substitute "4-YEAR".

**Amendment No. 5**

On page 70, after line 14, insert:

"(7)(i) "Regular interest" for the accumulation of member contributions means [interest at 5.25% per year compounded annually];

(A) EFFECTIVE ON OR BEFORE DECEMBER 31, 2016, INTEREST AT 5.25% PER YEAR, COMPOUNDED ANNUALLY; AND

(B) EFFECTIVE ON OR AFTER JANUARY 1, 2017, INTEREST AT 3.0% PER YEAR, COMPOUNDED ANNUALLY.”;

and, on the same page, in line 15, strike “(7)”.