

FROM	NAME & TITLE	Edward J. Gallagher, Director
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	SUBJECT	City Council Bill 10-0571

**CITY of
BALTIMORE
MEMO**



DATE: July 22, 2010

TO The Honorable President
And Members of City Council
Room 400 City Hall

Attention: Karen Randle

City Council Bill 10-0571 is a corrective bill to the Fire and Police Employees' Retirement System legislation (Ordinance 10-306) recently passed by City Council.

There are basically 4 recommended corrections to Ordinance 10-306.

1. Change the requirement for grandfathering of retirement eligibility from 15 or more years of continuous service as a contributing member of the retirement system to 15 or more years of service.

The service credit number includes service credit and purchased credit. Since the actuary does not make a distinction between current service and purchased service there is no financial impact.

2. Increase the interest rate for accumulating DROP2 accounts from 3% to 5% for the grandfathered members.

The actuary assumed the 5% earnings for the grandfathered members in the original legislation so there is no additional financial impact.

3. Allow service purchases by December 31, 2010 to count for purposes of determining grandfathered status under Ordinance 10-306.

The actuary indicated that there was no data available to indicate the number of those individuals who would purchase service credit by December 31, 2010 so it remains an unknown cost at this time. However if such transactions do occur by December 31, 2010, then the impact will be included in the Fiscal 2011 valuation.

4. Remove the continuous service requirement for all retirement eligibility.

The Department of Finance recommends favorable consideration of City Council Bill 10-0571 by the Taxation, Finance and Economic Development Committee.

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