

Thomas P. Taneyhill

FROM	NAME & TITLE	Thomas P. Taneyhill, Executive Director
	AGENCY NAME & ADDRESS	Fire and Police Employees' Retirement System 7 E. Redwood Street, 19 th Floor
	SUBJECT	Technical Amendments to Plan Provisions of Article 22 of the Baltimore City Code – Employees', Elected Officials', and Fire & Police Employees' Retirement Systems

CITY of
BALTIMORE

MEMO



TO DATE: June 8, 2012

The Honorable President and Members
of the Baltimore City Council
Attn: Karen Randle, Executive Secretary
Room 409 City Hall
100 N. Holliday Street
Baltimore, Maryland 21202

**Re: City Council Bill 12-0088
Amending Article 22, §§34(h), 34(t), 34(u), 34(w)
Fire and Police Employees' Retirement System (F&P)
IRS Technical Amendments**

City Council Bill 12-0088 proposes to provide conforming technical amendments mandated by U.S. Internal Revenue Code law and regulations for all 3 retirement systems of the City.

The Board of Trustees of the Fire and Police Employees' Retirement System **SUPPORTS** passage of this bill and finds that it would be administratively workable.

Background

Changes in federal tax laws, including the Pension Protection Act of 2006 (PPA), require amendments to the ERS, EOS, and F&P provisions of Article 22. **Amendments for the PPA changes are required by June 30, 2012 in order to assure continued compliance with the Internal Revenue Code.** The proposed amendments to Article 22 incorporate the mandated changes. Proposed amendments to the Fire and Police Employees' Retirement System law are summarized below.

Summary of Proposed Changes

§34(h) -- Non-line-of-duty death benefit. §34(h) currently provides that the Fire and Police Employees' Retirement System non-line-of-duty death benefit is available to members who die while "actively employed." To make clear that the System complies with recent federal legislation, the bill amends §34(h) so that the non-line-of-duty death benefit is available to members who die while "in employment status," including a member performing "qualified military service."

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§34(t) -- Compliance with Internal Revenue Code §415. The Internal Revenue Code limits the amount of the annual retirement benefit that can be paid to a member. The bill amends §34(t) to apply cost-of-living adjustments to increase the limit and to apply the cost-of-living adjustments to retired members.

§34(u) – Compliance with Internal Revenue Code §401(a)(9). The Internal Revenue Code specifies the earliest permissible date by which plan distributions must begin and the longest permissible period over which distributions must be paid. IRS regulations traditionally have been complicated and difficult for governmental plans to comply with. Recent federal tax legislation provides that governmental plans must only comply with a “reasonable good faith interpretation” of the Internal Revenue Code – and not the detailed provisions of the regulations. This amendment will lower the risk of non-compliance and reduce administrative burdens.

§34(w) – Eligible rollover distributions. Under the tax laws, a plan participant can roll over certain plan distributions (e.g., lump sums) to other retirement vehicles without paying current income tax on the distribution. Recent federal tax legislation has liberalized the rollover rules in the following ways:

- 1) Allowing certain after-tax employee contributions to be rolled over;
- 2) Expanding the list of “eligible retirement plans” to which rollover distributions can be made by adding Roth IRA’s to the list; and
- 3) Allowing rollovers by non-spouse beneficiaries under certain circumstances.

A May 31, 2012 cost analysis (attached) prepared by the F&P actuary, Cheiron, estimates that the bill would have no cost impact on F&P.

I will be available for comment at the hearing to be held on City Council Bill 12-0088.

Please let me know if I can provide any additional information. I can be reached via email at ttaneyhill@bcfpers.org or by phone at 410.497.7929.

Attachment

CC: Angela Gibson, Mayor’s Legislative Liaison to the City Council
Kimberly Washington, Mayor’s Office (via email)
Andrew Smullian, Senior Policy Advisor, Mayor’s Office (via email)