

Roselyn H. Spencer

FROM	NAME & TITLE	Roselyn H. Spencer, Executive Director
	AGENCY NAME & ADDRESS	Employees' & Elected Officials' Retirement Systems 7 East Redwood Street, 12 th Floor
	SUBJECT	<i>City Council Bill 13-0274 -- Supplemental Savings Plan</i>

CITY of
BALTIMORE
MEMO



DATE: October 21, 2013

TO

The Honorable President and Members
of the Baltimore City Council
Attn: Karen Randle, Executive Secretary
Room 409, City Hall



Dear Mr. President and City Council Members:

On behalf of the Board of Trustees of the Employees' Retirement System ("ERS"), I hereby submit the following response to City Council Bill 13-0274 (the "Bill"), which establishes the Supplemental Savings Plan of the City of Baltimore ("SSP"), effective January 1, 2014, and amends several provisions of Article 22 of the Baltimore City Code pertaining to the ERS. A summary of the Bill and the recommendations of the Board are as follows:

1. Establishment of the SSP. City Council Bill 13-0247 establishes a new tax-qualified defined contribution retirement plan for the benefit of civilian employees initially employed or reemployed on or after January 1, 2014 whose annual salary exceeds \$40,000, as indexed. Membership in the SSP is a condition of employment. The SSP would be supplemental to the ERS, which would remain open to new hires. Employees whose annual salary does not exceed \$40,000, as indexed, would not participate in the SSP. The ERS Board would be responsible for administering, and serving as trustee of, the SSP.

2. Changes to ERS for New Hires. City Council Bill 13-0247 makes several amendments to existing ERS law for civilian employees hired after January 1, 2014. The amendments provide that such employees:

- will have their "average final compensation" capped at \$40,000, as indexed; and
- must make employee contributions equal to 5% of annual salary up to \$40,000, as indexed.

3. ERS Prohibition on Doing Business with Other City Plans. Existing ERS law (Article 22, Section 5(b)(5)(ii)) prohibits ERS Board members and employees from doing business with, or being employed by, any retirement plan sponsored by the City or from having a financial interest in any person or entity doing business with such a plan. City Council Bill 13-0274 amends Article 22, Section 5(b)(5)(ii) to add the SSP to the list of retirement plans with whom ERS Board members and employees may not do business, be employed, or have a financial interest.

At its October 17, 2013 meeting, the ERS Board voted to take the following positions:

Comments

1. Establishment of the SSP -- Take no position, with the following comments:

A. The ERS Board objects to the provision that makes the ERS Board responsible for administering, and serving as trustee of, the SSP. The Board instead supports the idea of a joint board of trustees that would govern *both* the defined contribution plan for new hires and the City's Deferred Compensation Plan.

B. The Board notes that the average salary of ERS members is about \$43,000, in contrast to the \$40,000 threshold applied in the SSP.

2. Changes to ERS for New Hires -- Administratively workable, with the following comments:

A. Revised §1(11), amending the definition of "Average Final Compensation," should be revised to clarify that the amendment applies to employees initially hired *or rehired* after January 1, 2014. The amended definition also should clarify that the \$40,000, as indexed, limit applies to each of the 3 years of salary used to calculate AFC. The amended definition also should define the term "CPI-U." (There is a reference to "as defined in 17.1(d)(1)," but there is no cross-reference to such a section.) Finally, the last two sentences of existing §1(11), were inadvertently deleted.

B. Revised §8(d)(1), providing for employee contributions, should be revised to clarify that the amendment applies to employees initially hired *or rehired* after January 1, 2014. The amended definition also should define the term "CPI-U." (There is a reference to "as defined in 17.1(d)(1)," but there is no cross-reference to such a section.) In addition, the provision should make clear whether the required employee contribution for new hires is contingent on a minimum 2% pay raise (as it is for existing members). Finally, the last sentence refers to "pensionable compensation," but that term is not defined.

3. ERS Prohibition on Doing Business with Other City Plans. -- Administratively workable.

I would be pleased to answer any questions or provide additional information about City Council Bill 13-0274.

cc: Sheila Wyche, Mayor's Office of Government Relations (via email)
Angela Gibson, Mayor's Legislative Liaison to the City Council
Harry E. Black, Director of Finance
Avery Aisenstark, Dept. of Legislative Reference
George Nilson, City Solicitor
The Honorable Joan M. Pratt, City Comptroller
Deborah Moore-Carter, Labor Commissioner
Ian Berger, ERS General Counsel