

Roselyn H. Spencer

FROM

NAME & TITLE
AGENCY NAME & ADDRESS
SUBJECT

Roselyn H. Spencer, Executive Director & CIO
Employees' & Elected Officials' Retirement Systems
7 East Redwood Street, 12th Floor
*City Council Bill 15-0589 –
Employees' Retirement System*

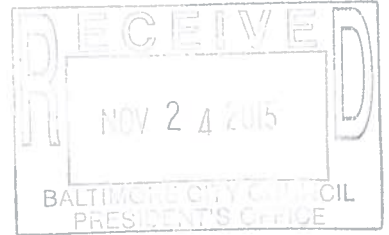
CITY OF
BALTIMORE
MEMO



TO

DATE: November 23, 2015

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



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 15-0589 (the "Bill"), which amends Article 22 of the Baltimore City Code pertaining to the ERS. A summary of the Bill and the recommendation of the Board are as follows:

Summary of the Bill

- The Bill applies to an ERS member who, before coming a member, worked for the City for at least 1 year on a personal contractual basis and who retires with at least 10 years of non-contractual ERS service.
- If a member provides satisfactory documentation of prior contractual service, the member will receive ERS service credit equal to a percentage of that contractual service, up to a maximum of 3 years.
- The percentage of prior contractual service credited depends on the amount of the member's non-contractual ERS service: A member who retires with 30 or more years of non-contractual service will receive 75% of contractual service; a member with 20-30 years of non-contractual service will receive 50% of contractual service; and a member with 10-20 years of non-contractual service will receive 25% of contractual service.
- Prior service will be credited both for determining eligibility for ERS retirement or deferred vested benefits and for determining the amount of the ERS benefit.
- The Bill applies to ERS members who had prior contractual service even before the effective date of the proposed legislation.

Board recommendation

At its November 19, 2015 meeting, the ERS Board voted unanimously to **oppose** the Bill for the following reasons:

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The Bill would impose additional liabilities that are extremely difficult to predict.

By increasing benefits and accelerating retirement eligibility, the Bill would increase ERS liabilities and therefore saddle the City with an increase in its required annual contribution. The onset of this additional liability is particularly problematic at this point since the ERS has just begun to improve its funding status.

To make matters worse, it will be very difficult for the System's actuary to calculate the amount of this additional contribution. This is because the number of ERS members with prior contractual service, the longevity of those members, and the amount of the prior service, are all unknown.

The Bill would give an unfair windfall to certain ERS members.

Baltimore City policy (AM-212-1) already prohibits contractual individuals from receiving City retirement service (or any other employee benefits), and there is no good reason to change this long-standing policy. By its very nature, contractual work is dictated by the terms of an agreement between the City and the individual, which clearly spells out the conditions of the service. Therefore, the individual takes on the contractual assignment fully aware that he or she is ineligible for benefits. It would be nothing but a windfall to provide certain members, in some cases well after the fact, with ERS service that was never bargained for.

The Bill would be administratively unworkable.

The Bill would add a significant new administrative burden to ERS staff. Since the Bill does not define what is "satisfactory" documentation, ERS would be required to develop a policy for determining whether a member has submitted satisfactory documentation and for verifying that documentation. Furthermore, because the Bill is open-ended, some members would be requesting contractual time served many years ago. This would make the process of verifying documentation difficult and potentially contentious.

I would be pleased to answer any questions about City Council Bill 15-0589.

cc: Andrew Smullian, Deputy Mayor: Offices of Government Relations and Labor (via email)
Angela Gibson, Mayor's Legislative Liaison to the City Council
Henry J. Raymond, 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