



Legislation Text

File #: 17-0035R, Version: 0

* **Warning:** This is an unofficial, introductory copy of the bill.
The official copy considered by the City Council is the first reader copy.

Introductory*

City of Baltimore Council Bill R (Resolution)

Introduced by: Councilmember Middleton

A Resolution Entitled

A Council Resolution concerning **Investigative Hearing - Employees' Retirement System Funding Ratio**

For the purpose of calling on representatives from the Baltimore City Employees' Retirement System to appear before the City Council to discuss the system's current low funding ratio and its plans to ensure that the City will be able to meet all of its retirement obligations to its employees without placing an unreasonable burden on City taxpayers.

Recitals

The Baltimore City Employees' Retirement System (ERS) is responsible for investing the City's and City employee's retirement contributions to ensure that employees in the general administrative service of the City, and certain non-teacher employees of the Baltimore City Public School System, receive the retirement benefits that they have earned. To achieve this goal they manage an investment portfolio that was valued at more than \$1.6 billion in March of this year.

In FY2016, the City contributed more than \$77 million to the fund, and employees contributed another \$10 million. Despite these substantial contributions, and the large exiting balance in the fund, ERS' funded ratio, based on an actuarial value of assets, was only 71.2%. This means that nearly 30% of expected future retirement payments are not currently funded.

Although ERS believes that the plan is sustainable due to the fact that current employees will retire at different times over the years, one industry standard defines a "healthy" funded ratio as no less than 80%, and many in the actuarial field believe that a 100% ratio is necessary.

ERS previously met both of these thresholds. In the early 2000s it routinely reported funding ratios over 100% or in the high 90s. And as recently as 2009, after the onset of the Great Recession, ERS' funded ratio was 82.6%.

Since then however, the funded ratio has remained troublingly low. Changes to the pension system under the previous administration seem to have halted the decline of the funded ratio, but it is not clear that a plan is in place to move it back to a fully funded status.

It is important that City employees be able to rely on the promises of retirement income that they have earned, and that City taxpayers be assured that they will not face unexpected costs to fund these promises in the future. If ERS has a realistic long-term plan to reach full funding of its obligations, employees and the public deserve to know what that plan is and what milestones they should look to to measure its success. If no such plan currently exists then one must be developed and implemented.

Now, therefore, be it resolved by the City Council of Baltimore, That the Council calls on representatives from the Baltimore City Employees' Retirement System to appear before it to discuss the system's current low funding ratio and its plans to ensure that the City will be able to meet all of its retirement obligations to its employees without placing an unreasonable burden on City taxpayers.

And be it further resolved, That a copy of this Resolution be sent to the Mayor, the Executive Director & Chief Investment Officer of the Employees' Retirement System, and the Mayor's Legislative Liaison to the City Council.