

Pension Law Ordinance 2010

City of Baltimore

Legislative File Number 10-0482 (version 0)

EXPLANATION: CAPITALS indicate matter added to existing law.

[Brackets] indicate matter deleted from existing law.

*** 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

Introduced by: Councilmembers Holton, Cole

A BILL ENTITLED AN ORDINANCE concerning

Fire and Police Employees' Retirement System - Benefits

FOR the purpose of modifying certain System interest rate assumptions; changing the definition of "average final compensation" for all System members not currently eligible for a normal service retirement benefit; clarifying the definition of "earnable compensation"; making the Director of Finance an ex-officio member of the Board of Trustees of the System; allowing the Director of Finance to authorize a designated representative to act in his or her stead at board meetings; adding 1 additional Board of Trustees appointee to the existing 2 City resident mayoral appointees; establishing new qualifications for the mayoral appointees; exempting the Board of Trustees from the City Charter provision requiring minority party representation on City boards; changing the age and service requirements for the normal service retirement benefit for all System members not currently eligible for a normal service retirement benefit; establishing a new early service retirement benefit for System members who do not qualify for normal service retirement; increasing the percentage of compensation contributable by System members; amending provisions of the Fire and Police Employees' Retirement System law pertaining to postretirement increases by discontinuing the variable benefit increase and substituting a fixed percentage increase that is capped by the annual percentage increase in Social Security benefits; discontinuing the

utilization of certain existing System accounting reserves; discontinuing the current DROP 2 benefit structure for all System members not currently eligible for a DROP 2 retirement benefit and establishing a new DROP 3 option for System members; providing for a special effective date; and generally relating to the Fire and Police Employees' Retirement System of the City of Baltimore.

..body

BY repealing and reordaining, with amendments

Article 22 - Retirement Systems

Section(s) 30(9), 30(11), 33(b), 34(a) and (b), 36(h), and 36A(b)(1st par.)

Baltimore City Code

(Edition 2000)

BY adding

Article 22 - Retirement Systems

Section(s) 36A(h), (i), and (j), 36C(c)(1)(C), and 36D

Baltimore City Code

(Edition 2000)

Legislative Findings

WHEREAS, it is estimated that the City's required annual contribution to the Fire and Police Employees' Retirement System (F&P) for FY2011, before accounting for the cost of F&P's variable post-retirement benefit increases, will be \$101 million.

WHEREAS, the City's required annual contribution to F&P has risen approximately 270% from \$27.3 million in FY2001 to a budgeted \$101 million in FY2011. Expressed as a percentage of the City's operating budget, this equals an increase from 1.3% of budget in FY2001 to 4.6% of budget in FY2011.

WHEREAS, while the City's covered fire and police payroll used for calculating the City's annual F&P contribution during the 10-year period starting with FY2001 and ending with FY2011 increased from approximately \$181.4 million to \$280.2 million, or 54%, the City's required annual contribution to F&P during the same period rose from approximately \$27.3 million to a budgeted \$101 million, or 270%.

WHEREAS, Article 22 of the City Code currently includes a variable post-retirement benefit formula that provides increases to F&P retirees and beneficiaries in years in which the system achieves positive

investment performance, but makes no provision for negative investment performance years.

WHEREAS, the current formula results in a diminished asset base under which the F&P cannot fully benefit from good investment performance since it must share a portion of investment earnings with retirees in good years but must bear the total impact of investment losses in bad years.

WHEREAS, it is now estimated that the annual F&P contribution needed to maintain the current variable post-retirement benefit increase structure is an additional \$64 million on top of the budgeted \$101 required annual contribution, which would bring to \$165 million the total annual contribution to F&P by the City for FY2011.

WHEREAS, in its FY2011 budget the City projects a \$121 million budget gap that will likely be closed only after reducing basic services, closing facilities, and furloughing and laying off employees or by raising City taxes.

WHEREAS, the City's Fiscal 2011 Preliminary Budget Plan reports that "The major driver of cost growth is the City's pension contributions. Because of poor investment performance in Fiscal 2009, the pension funds need an additional \$28 million from the General and Motor Vehicle funds to remain financially sound. Without legislation to reform the variable benefit provision of the Fire and Police Retirement System, this cost grows by another \$64 million".

WHEREAS, a task force of the Greater Baltimore Committee (GBC Task Force) recently issued its summary report on the sustainability of F&P and found that current contributions to fund the F&P are inadequate to fully cover its existing and anticipated liabilities, that the funded ratio of the F&P based on a June 30, 2009, market value is only 58.2%, and that the F&P underfunding problem "threatens the City's fiscal stability and could result in a reduction in City services, increased taxes, and a decline of the City's bond rating - a combination of adverse circumstances that would result in immediate and long term financial burdens on the City and its citizens".

WHEREAS, the GBC Task Force recommends changing the F&P benefit structure to a sustainable level by, among other things, replacing the current variable benefit with a fixed cost-of-living increase, lengthening the age and service requirements for determining eligibility for pension benefits, terminating the provisions of the Deferred Retirement Option Plan (DROP 2), revising the calculation method for the average final compensation by increasing the service period used in the calculation, increasing the

employee contributions supporting the F&P system, and restructuring the F&P's governance.

WHEREAS, while the City Council acknowledges that the pension rights of F&P members are by nature contractual, Maryland law allows and, indeed, mandates that the F&P pension plan be reasonably modified where that modification is reasonably intended to preserve the integrity of the pension system by enhancing its actuarial soundness, as long as any diminution in benefits is carefully balanced and justified by countervailing equities for the public's welfare.

WHEREAS, it is necessary and prudent to preserve the actuarial soundness of F&P and to advance the financial condition of the City by implementing the GBC Task Force's core recommendations to make changes to F&P's benefit structure that minimize diminution of benefits to F&P members while at the same maximizing F&P's sustainability.

SECTION 1. BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF BALTIMORE,

That the Laws of Baltimore City read as follows:

Baltimore City Code

Article 22. Retirement Systems

Subtitle - Fire and Police Employees' Retirement System

§ 30. Definitions.

In this subtitle, unless a different meaning is plainly required by the context, the following words and phrases have the meanings indicated:

(9) ["Regular interest" for the Annuity Savings Fund shall mean interest at 5½% per annum compounded annually. "Regular interest" for the Annuity Reserve Fund and the Pension Reserve Fund shall mean interest at 7% per annum compounded annually. For valuation purposes, regular interest shall mean 8¼% prior to commencement of benefit payments and 6¼8/10% after commencement of benefit payments. "Regular interest" for the purposes of determining actuarial equivalents shall mean interest at 5% per annum compounded annually.] "REGULAR INTEREST" MEANS INTEREST

COMPOUNDED ANNUALLY FOR THE RESERVES AND ITEMS LISTED AT THE

FOLLOWING RATES:

(I) THE ANNUITY SAVINGS RESERVE:

3.0%.

(II) FOR VALUATION PURPOSES:

8.0%

(III) FOR DETERMINING ACTUARIAL EQUIVALENTS: 5.0%.

(11) (A) "Average final compensation" [shall mean] MEANS the MEMBER'S average annual EARNABLE compensation[, pay or salary earnable by a member] for the [3 consecutive years] 36 CONSECUTIVE MONTHS of service as an employee during which his OR HER earnable compensation was highest[,] or, if he OR SHE had less than [3 years] 36 CONSECUTIVE MONTHS of service, then the average annual EARNABLE compensation[, pay or salary earnable by him] during his OR HER total years of service.

(B) "EARNABLE COMPENSATION" MEANS THE ANNUAL SALARY AUTHORIZED FOR THE MEMBER. IT DOES NOT INCLUDE OVERTIME PAY, DIFFERENTIAL PAY, OUT-OF-TITLE PAY, ENVIRONMENTAL PAY, HAZARDOUS DUTY PAY, PAY FOR CONVERSION OF LEAVE OR OTHER FRINGE BENEFITS, OR ANY LIKE ADDITIONAL PAYMENTS.

(C) [Provided, however, for] FOR members who [retire] RETIRED on or after July 1, 1986, and before July 1, 1988, "average final compensation" [shall mean] MEANS the average annual compensation, pay, or salary earnable by a member for the 2 consecutive years of service as an employee during which his OR HER earnable compensation was highest, [provided] IF the member had at least 2 years of service in that grade, or if he OR SHE had less than 2 years of service, then the average annual compensation, pay, or salary earnable by him OR HER during his OR HER actual year(s) of service.

(D) [Provided further, however, for] FOR members who:

(I) [retire] RETIRED on or after July 1, 1988, AND ON OR BEFORE JUNE 30, 2010, OR

(II) RETIRE ON OR AFTER JULY 1, 2010, AND WHO, AS OF JUNE 30, 2010, MEET THE APPLICABLE AGE OR SERVICE REQUIREMENTS FOR A NORMAL SERVICE RETIREMENT UNDER § 34(A-1)(1),

"average final compensation" [shall mean] MEANS the average annual EARNABLE compensation[, pay or salary earnable by a member] for the 18 consecutive months of service as an employee during which his OR HER earnable compensation was highest.

(E) In no event shall the retirement benefits of a member[,] RETIRED UNDER § 30(11)(D)(II) as a

result of the [implementation] APPLICATION of the definition of "average final compensation" [enacted by Ordinance 88-123], effective July 1, [1988] 2010, be less than the benefit [said] THE member would have been entitled to prior to July 1, [1988] 2010. [In no event shall the retirement benefits of a member, as a result of the implementation of the definition of "average final compensation" enacted by Ordinance 91-086, effective July 1, 1991, be less than the benefit said member would have been entitled to prior to July 1, 1991. "Earnable" shall include all usual compensation, in whatever manner paid, such as lodging, subsistence, etc. In cases where compensation is not all paid in money, the Board of Trustees shall fix the value of that part of the compensation not paid in money.]

§ 33. Administration.

(b) Members.

The Board consists of [9] 11 trustees, as follows:

- (1) The Comptroller of the City of Baltimore, ex officio.
- (2) The Police Commissioner, ex officio. The Police Commissioner may designate a representative to attend any meeting of the Board of Trustees in his or her place. This representative must be a [member of the Police Command Staff II with administrative responsibilities] A DEPUTY POLICE COMMISSIONER and must be a member of this system. This representative has the authority to act in the Commissioner's place.
- (3) The Chief of the Fire Department, ex officio. The Chief of the Fire Department may designate a representative to attend any meeting of the Board of Trustees in his or her place. This representative must be [an Assistant Chief of the Fire Department with administrative responsibilities] THE DEPARTMENT'S CHIEF OF STAFF OR THE DEPARTMENT'S DEPUTY CHIEF FOR FINANCE AND ADMINISTRATION and must be a member of this system. This representative has the authority to act in the Chief's place.
- (4) THE DIRECTOR OF FINANCE, EX OFFICIO. THE DIRECTOR OF FINANCE MAY DESIGNATE A REPRESENTATIVE TO ATTEND ANY MEETING OF THE BOARD OF TRUSTEES IN HIS OR HER PLACE. THIS REPRESENTATIVE MUST BE EITHER THE DEPUTY DIRECTOR OF FINANCE OR THE BUDGET DIRECTOR. THIS REPRESENTATIVE HAS THE AUTHORITY TO ACT IN THE DIRECTOR OF FINANCE'S PLACE.

(5) (I) [(4)] [2 citizens] 3 RESIDENTS AND REGISTERED VOTERS of the City of Baltimore

[who are not employees within the meaning of this subtitle, 1 of whom shall be a responsible officer of a bank authorized to do business within the State of Maryland, or a person with similar experience], to be appointed by the Mayor with the consent of the City Council, as provided in CITY CHARTER Article IV, § 6 [of the City Charter], EACH to serve for [terms] A TERM of 4 years [each], CONCURRENT WITH THE MAYOR'S TERM OF OFFICE [each, provided, however, that immediately following July 1, 1962, the Mayor shall appoint 1 trustee to serve until July 1, 1963, and 1 trustee to serve until July 1, 1965, such trustees to take office at appointments.]

(II) THESE TRUSTEES SHALL POSSESS COMMERCIAL BANKING, INVESTMENT BANKING, ACCOUNTING, ACTUARIAL, AUDITING, INVESTMENT MANAGEMENT, INVESTMENT CONSULTING, OR FINANCIAL LEGAL EXPERTISE.

(III) AS OF THEIR APPOINTMENT AND DURING THEIR ENTIRE TERM OF OFFICE, THESE TRUSTEES:

A. MAY NOT BE AN EMPLOYEE OR OFFICIAL OF THE CITY; AND

B. MAY NOT ENGAGE IN ANY OF THE FOLLOWING ACTIVITIES OR HOLD ANY OF THE FOLLOWING INTERESTS, AS THESE ACTIVITIES OR INTERESTS ARE DEFINED IN CITY CODE ARTICLE 8 {"ETHICS"}:

1. DO BUSINESS WITH THE CITY;

2. BE EMPLOYED BY OR HAVE A FINANCIAL INTEREST IN ANY PERSON OR ENTITY DOING BUSINESS OR SEEKING TO DO BUSINESS WITH THE CITY; OR

3. ENGAGE IN ANY ACTIVITY THAT REQUIRES REGISTRATION AS A LOBBYIST WITH THE CITY ETHICS BOARD.

(6) [(5)] 2 members of the system, one of whom shall be an employee of the Fire Department, the other an employee of the Police Department, to be elected by the membership of the respective departments to which each belongs under [such] THE rules and regulations [as may be] adopted by the Board of Trustees to govern [such] THE election, to serve for a term of 4 years, STAGGERED AS PROVIDED FOR THE TRUSTEES FIRST ELECTED. [; provided, however, that the term of office of the first 2 trustees so elected shall begin immediately following their election and shall expire July 1, 1964,

and July 1, 1966, respectively; and provided further, that for] FOR the purposes of this [subsection (b)] PARAGRAPH (6), members of the system who are not employed by the Fire Department or the Police Department [shall be] ARE eligible to participate as voters and as candidates in elections of the Board of Trustees. School crossing guards, meter monitors, and police personnel employed at the [Baltimore Washington] BALTIMORE / WASHINGTON International THURGOOD MARSHALL Airport shall participate in the Police Department elections. Fire personnel employed at the [Baltimore Washington] BALTIMORE / WASHINGTON International THURGOOD MARSHALL Airport shall participate in the Fire Department elections. For other categories of members of the system who are not employees of the Fire Department or the Police Department, the Board of Trustees shall determine in which departmental election they shall participate.

(7) [(5)] 2 retirees of the system, 1 of whom shall be a Fire Department retiree, and the other a Police Department retiree, to be elected by the retirees of the respective department to which each belonged, [said] THESE elections to be held concurrently with the election for the employees representative of each respective department, under [such] THE rules and regulations [as may be] adopted by the Board of Trustees to govern [such] THE election, to serve for a term of 4 years[;]. [provided, however, that for] FOR the purposes of this [subsection (b)] PARAGRAPH (7), retirees of the system who are not employed by the Fire Department or the Police Department [shall be] ARE eligible to participate as voters and as candidates in elections of the Board of Trustees. Retired school crossing guards, retired meter monitors, and police personnel retired from employment at the [Baltimore Washington] BALTIMORE / WASHINGTON International THURGOOD MARSHALL Airport shall participate in the Police Department elections. Fire personnel retired from employment at the [Baltimore Washington] BALTIMORE / WASHINGTON International THURGOOD MARSHALL Airport shall participate in the Fire Department elections. For other categories of retirees in the system who were not employees of the Fire Department or the Police Department, the Board of Trustees shall determine in which departmental election they shall participate.

(8) NOTWITHSTANDING CITY CHARTER ARTICLE IV, §8 , REQUIRING MINORITY PARTY REPRESENTATION, THE ELECTION OR APPOINTMENT OF TRUSTEES UNDER THIS SUBSECTION SHALL BE MADE WITHOUT REGARD TO POLITICAL AFFILIATION,

INCLUDING THOSE TRUSTEES HOLDING THEIR POSITIONS EX OFFICIO.

§ 34. Benefits.

(A-1) [(a)] Normal service retirement benefits.

(1) Age and service requirements FOR RETIREMENTS ON OR BEFORE JUNE 30, 2010.

A member may retire with a normal service retirement ON OR BEFORE JUNE 30, 2010, if, on his or her last day of City employment, the member meets the following age and service requirements:

(i) for an employee who became a member of this system on or before June 30, 2003, and who retired on or after June 30, 1989:

(A) age 50, regardless of years of service; or

(B) regardless of age, 20 years of service; and

(ii) for an employee who became a member of this system on or after July 1, 2003:

(A) age 50, with at least 10 years of service as a contributing member of this system; or

(B) regardless of age, 20 years of service, at least 10 years of which were as a contributing member of this system.

(2) AGE AND SERVICE REQUIREMENTS FOR RETIREMENTS ON OR AFTER JULY 1, 2010.

A MEMBER MAY RETIRE WITH A NORMAL SERVICE RETIREMENT ON OR AFTER JULY 1, 2010, IF EITHER:

(I) AS OF JUNE 30, 2010, HE OR SHE HAS MET THE APPLICABLE AGE OR SERVICE REQUIREMENTS SET FORTH IN PARAGRAPH (1) ABOVE; OR

(II) ON THE LAST DAY OF HIS OR HER CITY EMPLOYMENT, HE OR SHE HAS BOTH:

(A) ATTAINED AGE 55; AND

(B) ACQUIRED 15 OR MORE YEARS OF CONTINUOUS SERVICE AS A CONTRIBUTING MEMBER OF THIS SYSTEM.

(A-2) EARLY SERVICE RETIREMENT BENEFITS - AGE AND SERVICE REQUIREMENTS.

(1) ON OR AFTER JULY 1, 2010, A MEMBER OF THIS SYSTEM ON JUNE 30, 2010, WHO AS OF JUNE 30, 2010, HAS NOT MET THE APPLICABLE AGE OR SERVICE REQUIREMENTS FOR A NORMAL SERVICE RETIREMENT UNDER PARAGRAPH (1) OF SUBSECTION (A-1) OF

THIS SECTION, MAY RETIRE WITH AN EARLY SERVICE RETIREMENT WHEN HE OR SHE FIRST MEETS THE AGE OR SERVICE REQUIREMENTS.

(2) THE BENEFIT COMMENCEMENT DATE OF AN EARLY SERVICE RETIREMENT IS ANY DATE THAT IS ELECTED BY THE MEMBER IN ACCORDANCE WITH SUBSECTION (A-3) BELOW AND THAT IS:

(A) ON OR AFTER THE DATE THE MEMBER FIRST MEETS THE APPLICABLE AGE OR SERVICE REQUIREMENTS FOR A NORMAL SERVICE RETIREMENT UNDER PARAGRAPH (1) OF SUBSECTION (A-1) OF THIS SECTION; AND

(B) BEFORE THE DATE AS OF WHICH THE MEMBER WOULD HAVE FIRST MET THE AGE AND SERVICE REQUIREMENTS FOR A NORMAL SERVICE RETIREMENT UNDER SUBSECTION (A-1)(2)(II) OF THIS SECTION HAD HE OR SHE CONTINUED EMPLOYMENT WITH THE CITY.

(A-3) [(2)] Application.

To retire under [this] subsection (A-1) OR (A-2) OF THIS SECTION, the member must:

- (i) apply to the Board of Trustees, on a form approved by the Board;
- (ii) set forth the date he or she wants to retire; and
- (iii) submit the application to the Board no less than 30 days nor more than 90 days before the date of retirement.

(B-1) [(b)] Allowance on service retirement.

Upon retirement from service a member shall receive a service retirement allowance as follows:

- (1) For any member who retires on or before June 30, 1989, the service retirement allowance shall consist of:
 - (A) an annuity which shall be the actuarial equivalent of his accumulated contributions at the time of his retirement; and
 - (B) for each year of service, in addition to his annuity, a pension, which shall be equal to 1/100 of his average final compensation for each of the first 25 years of service, less any prior service, and 1/120 of his average final compensation for each year after the first 25 years of service less any prior service; and
 - (C) if he has been credited with prior service, a supplemental pension which shall be equal to 1/50 of his

average final compensation multiplied by the number of years of such prior service; and

(D) if at the time of retirement the annuity determined in accordance with [§ 34(b)(1)(A)] § 34(B-1)(1)(A) resulting from the member's contributions for service is less than the pension resulting from the member's years of service determined in accordance with [§ 34(b)(1)(B)] § 34(B-1)(1)(B), a supplemental pension equal to the difference between the two shall be payable.

(E) The additional annuity provided as the result of voluntary contributions permitted under § 36(b)(10) shall be payable and shall not be used in determining this supplemental pension, if any, payable under this subdivision.

(2) For any member who retires on or after July 1, 1989, and on or before June 30, 1991, the service retirement allowance shall consist of:

(A) an annuity which shall be the actuarial equivalent of his accumulated contributions at the time of his retirement; and

(B) a pension which, together with his annuity, shall be equal to:

1. 2.25% of his average final compensation for each year of the first 20 years of service;
2. 2.50% of his average final compensation for each year of his next 2 years of service; and
3. 1.67% of his average final compensation for each year of service thereafter.

(C) The additional annuity provided as a result of voluntary contributions permitted under § 36(b)(10) shall be payable and shall not be used in determining the pension payable under [§ 34(b)(2)(B)] § 34(B-1)(2)

(B).

(3) For any member who retires on or after July 1, 1991, the service retirement allowance shall consist of:

(A) an annuity which shall be the actuarial equivalent of his accumulated contributions at the time of his retirement; and

(B) a pension which, together with his annuity, shall be equal to:

1. 2.5% of his average final compensation for each year of the first 20 years of service, plus
2. 1.8% of his average final compensation for each year of service thereafter.

(C) The additional annuity provided as a result of voluntary contributions permitted under § 36(b)(10) shall be payable and shall not be used in determining the pension payable under [§ 34(b)(3)(B)] § 34(B-1)(3)

(B).

(4) For any member who retires on or after June 29, 1993, WITH A NORMAL SERVICE RETIREMENT UNDER SUBSECTION (A-1) OF THIS SECTION, the NORMAL service retirement allowance shall consist of:

(A) an annuity which shall be the actuarial equivalent of his accumulated contributions at the time of his retirement; and

(B) a pension which, together with his annuity, shall be equal to:

- 1. 2.5% of his average final compensation for each year of the first 20 years of service, plus**
- 2. 2% of his average final compensation for each year of service thereafter.**

(C) The additional annuity provided as a result of voluntary contributions permitted under § 36(b)(4) shall be payable and shall not be used in determining the pension payable under [§ 34(b)(4)(B)] § 34(B-1)(4)

(B).

(5) Provided further, however, that members and beneficiaries of members who retired before July 1, 1988, and any surviving beneficiary of a member who began receiving benefits before July 1, 1988, shall receive a 2% increase in periodic benefits as of January 1, 1992.

(6) Notwithstanding any other provision of this subtitle to the contrary, any member (other than a member who has elected to participate in the Deferred Retirement Option Plan pursuant to § 36B of this subtitle) who retires effective on or after June 1, 1996, and on or before August 31, 1996, with 35 or more years of service shall receive, in addition to his accumulated service credit, a credit of 6 additional months of service. For purposes of this [§ 34(b)(6)] § 34(B-1)(6) only the "average final compensation", as defined in § 30(11) of this subtitle, of any member eligible for this additional service credit shall be calculated as if the member had retired on January 1, 1997 (rather than on his or her actual retirement date) and had earned compensation, pay, or salary during the period between his or her actual retirement date and January 1, 1997, at the salary rate in effect at the time of actual retirement.

(B-2) ALLOWANCE ON EARLY SERVICE RETIREMENT.

FOR ANY MEMBER WHO RETIRES ON OR AFTER JULY 1, 2010, WITH AN EARLY SERVICE RETIREMENT UNDER SUBSECTION (A-2) OF THIS SECTION, THE EARLY SERVICE RETIREMENT ALLOWANCE SHALL CONSIST OF:

(I) AN ANNUITY WHICH SHALL BE THE ACTUARIAL EQUIVALENT OF HIS OR HER ACCUMULATED CONTRIBUTIONS AT THE TIME OF HIS OR HER RETIREMENT; AND

(II) A PENSION WHICH, TOGETHER WITH THE ANNUITY, SHALL BE EQUAL TO:

(A) THE SUM OF 2.5% OF HIS OR HER AVERAGE FINAL COMPENSATION FOR EACH YEAR OF THE FIRST 20 YEARS OF SERVICE AND 2.0% OF HIS OR HER AVERAGE FINAL COMPENSATION FOR EACH YEAR OF SERVICE THEREAFTER, REDUCED BY

(B) THE APPLICABLE PERCENTAGE SHOWN BELOW FOR EACH MONTH OR FRACTION OF A MONTH BY WHICH HIS OR HER BENEFIT COMMENCEMENT DATE PRECEDES THE DATE AS OF WHICH HE OR SHE WOULD HAVE FIRST MET THE AGE AND SERVICE REQUIREMENTS FOR A NORMAL SERVICE RETIREMENT UNDER SUBSECTION (A-1)(2)(II) OF THIS SECTION HAD HE OR SHE CONTINUED EMPLOYMENT WITH THE CITY:

1. 6.5/12% PER MONTH FOR THE FIRST 60 MONTHS OR FRACTION OF A MONTH IMMEDIATELY PRECEDING THE MEMBER'S NORMAL SERVICE RETIREMENT DATE;
2. 4.5/12% PER MONTH FOR THE NEXT 60 MONTHS OR FRACTION OF A MONTH;
3. 1/4% PER MONTH FOR THE NEXT 60 MONTHS OR FRACTION OF A MONTH; AND
4. 1/6% PER MONTH FOR ANY ADDITIONAL NEXT MONTHS OR FRACTION OF A MONTH.

§ 36. Method of financing.

(h) Percent of compensation contributable.

(5) EFFECTIVE WITH THE 1ST FULL PAYROLL PERIOD COMMENCING AFTER THE APPLICABLE EFFECTIVE DATE SHOWN BELOW, EACH MEMBER SHALL CONTRIBUTE THE PERCENTAGE OF HIS OR HER REGULAR COMPENSATION THAT CORRESPONDS TO THE EFFECTIVE DATE, THIS CONTRIBUTION TO CONTINUE THROUGHOUT THE MEMBER'S REMAINING PERIOD OF SERVICE:

EFFECTIVE DATE PERCENTAGE OF REGULAR COMPENSATION

JULY 1, 2010 7%

JULY 1, 2011

8%

JULY 1, 2012

9%

§ 36A. Post-retirement benefit increases to certain retirees and beneficiaries.

(b) Amount of benefit increase.

As of the end of each fiscal year ENDING ON OR BEFORE JUNE 30, 2009, a determination shall be made of the amount of increase (if any) of retirement benefit payments which may be payable to eligible persons. The amount of retirement benefit increase shall be calculated with reference to excess investment earnings of the Annuity Reserve Fund and the Pension Reserve Fund only, and according to the method described in subsection (c) below.

....

(H) AMOUNT OF BENEFIT INCREASE PAYABLE FOR FISCAL YEARS BEGINNING ON OR AFTER JULY 1, 2009.

(1) IN THIS SUBSECTION, "THE SOCIAL SECURITY COLA INCREASE" MEANS THE ANNUAL COST-OF-LIVING PERCENTAGE INCREASE, IF ANY, IN FEDERAL SOCIAL SECURITY BENEFITS UNDER 42 U.S.C. § 415(I).

(2) NO POST-RETIREMENT BENEFIT INCREASE MAY BE PAYABLE IN JANUARY 2011 FOR THE FISCAL YEAR ENDING JUNE 30, 2010.

(3) AS OF JUNE 30, 2011, AND EACH SUCCEEDING JUNE 30, A MEMBER OR BENEFICIARY WHO, AS OF THAT JUNE 30, IS ELIGIBLE UNDER SUBSECTION (A) OF THIS SECTION SHALL RECEIVE THE FOLLOWING INCREASE IN HIS OR HER PERIODIC BENEFIT, THE INCREASE TO COMMENCE EFFECTIVE AS OF THE IMMEDIATELY FOLLOWING JANUARY:

(I) A MEMBER OR BENEFICIARY WHO, AS OF THAT JUNE 30, HAS NOT ATTAINED AGE 55, SHALL RECEIVE NO INCREASE.

(II) A MEMBER OR BENEFICIARY WHO, AS OF THAT JUNE 30, HAS ATTAINED AGE 55 BUT HAS NOT ATTAINED AGE 65, SHALL RECEIVE AN INCREASE EQUAL TO THE SOCIAL SECURITY COLA INCREASE THAT BECOMES EFFECTIVE IN THE DECEMBER IMMEDIATELY FOLLOWING THAT JUNE 30, BUT IN NO EVENT GREATER THAN 1.0%.

(III) A MEMBER OR BENEFICIARY WHO, AS OF THAT JUNE 30, HAS ATTAINED AGE 65 SHALL RECEIVE AN INCREASE EQUAL TO THE SOCIAL SECURITY COLA INCREASE THAT BECOMES EFFECTIVE IN THE DECEMBER IMMEDIATELY FOLLOWING THAT JUNE 30, BUT IN NO EVENT GREATER THAN 2.0%.

(I) TRANSFER OF ASSETS AND LIABILITIES.

(1) THE ASSETS OF THE PAID-UP BENEFIT FUND AND THE CONTINGENCY RESERVE FUND SHALL BE TRANSFERRED TO THE GENERAL ASSET ACCOUNT.

(2) THE POST-RETIREMENT BENEFIT LIABILITIES OF THE PAID-UP BENEFIT FUND SHALL BE TRANSFERRED TO THE PENSION RESERVE.

(3) FOLLOWING THESE TRANSFERS, THE PAID-UP BENEFIT FUND AND THE CONTINGENCY RESERVE FUND SHALL BE DISCONTINUED.

(J) GUARANTEE OF POST-RETIREMENT INCREASES.

EFFECTIVE JUNE 30, 2010, ALL POST-RETIREMENT BENEFIT INCREASES PAYABLE UNDER THIS § 36A BECOME THE OBLIGATION OF THE CITY OF BALTIMORE AND ARE GUARANTEED UNDER THE PROVISIONS OF § 37 OF THIS SUBTITLE.

§ 36C. Deferred Retirement Option Plan 2.

(c) Eligibility and application.

(1) Notwithstanding § 30(6) of this subtitle, the service credit requirements for DRP 2 eligibility are as follows:

(C) A MEMBER OF THIS SYSTEM WHO, AS OF JUNE 30, 2010, DOES NOT MEET THE ELIGIBILITY REQUIREMENTS OF THIS § 36C WILL NOT BE ENTITLED TO THE BENEFITS OF THIS § 36C ON OR AFTER JULY 1, 2010.

§ 36D. DEFERRED RETIREMENT OPTION PLAN 3.

(A) ELIGIBILITY.

A MEMBER MAY ELECT TO PARTICIPATE IN THE DEFERRED RETIREMENT OPTION PLAN 3 ("DROP 3") IF THE MEMBER:

(1) RETIRES ON OR AFTER JULY 1, 2010, ON A NORMAL SERVICE RETIREMENT UNDER § 34(A-1)(2);

(2) HAS AT LEAST 21 CONTINUOUS YEARS OF SERVICE AS A MEMBER OF THIS SYSTEM; AND

(3) IS NOT ELIGIBLE FOR EITHER DROP UNDER § 36B OR DROP 2 UNDER § 36C.

(B) DROP 3 BENEFIT.

(1) A MEMBER WHO IS ELIGIBLE TO PARTICIPATE IN DROP 3 MAY ELECT TO RECEIVE A PORTION, DETERMINED IN SUBSECTION (C) BELOW, OF THE PRESENT VALUE ACTUARIAL EQUIVALENT OF HIS OR HER NORMAL SERVICE RETIREMENT BENEFIT IN ONE LUMP SUM PAYMENT.

(2) THE PRESENT VALUE ACTUARIAL EQUIVALENT SHALL BE DETERMINED USING:

(I) THE "REGULAR INTEREST" ASSUMPTION FOR VALUATION PURPOSES UNDER § 30

(9);

(II) A UNISEX (50% MALE/50% FEMALE) VERSION OF THE MORTALITY TABLE USED BY THE SYSTEM'S ACTUARY IN THE MOST RECENT ACTUARIAL VALUATION; AND

(III) THE POST-RETIREMENT BENEFIT INCREASE ASSUMPTIONS USED BY THE SYSTEM'S ACTUARY IN THE MOST RECENT ACTUARIAL VALUATION.

(3) THE LUMP SUM AMOUNT ELECTED WILL BE SUBTRACTED FROM THE PRESENT VALUE ACTUARIAL EQUIVALENT OF THE MEMBER'S TOTAL NORMAL SERVICE RETIREMENT BENEFIT, AND THE REMAINING PORTION WILL BE PAID IN THE FORM OF THE MAXIMUM ALLOWANCE OR ONE OF THE OPTIONAL SURVIVORSHIP ALLOWANCES DESCRIBED IN § 34(K)(1), AS ELECTED BY THE MEMBER.

(C) DETERMINATION OF LUMP SUM PAYMENT.

A MEMBER WHO IS ELIGIBLE TO PARTICIPATE IN DROP 3 MAY ELECT TO RECEIVE IN ONE LUMP SUM PAYMENT AN AMOUNT EQUAL TO:

(1) THE AMOUNT OF HIS OR HER ANNUAL NORMAL SERVICE RETIREMENT BENEFIT AS OF THE DATE OF RETIREMENT, PAYABLE IN THE FORM OF THE MAXIMUM ALLOWANCE, MULTIPLIED BY

(2) THE APPLICABLE MULTIPLIER SHOWN BELOW CORRESPONDING TO THE MEMBER'S CONTINUOUS YEARS OF SERVICE AS A CONTRIBUTING MEMBER OF THIS

SYSTEM:

YEARS OF SERVICE APPLICABLE MULTIPLIER

AT LEAST 21 BUT FEWER THAN 23 1.0

AT LEAST 23 BUT FEWER THAN 25 1.0 OR 1.5, AS ELECTED BY THE

MEMBER

AT LEAST 25 1.0, 1.5 OR 2.0, AS ELECTED BY

THE MEMBER

(D) FILING OF ELECTION.

THE ELECTION OF THE LUMP SUM PAYMENT UNDER DROP 3 SHALL BE MADE ON

FORMS PROVIDED FOR THAT PURPOSE BY THE BOARD OF TRUSTEES AND FILED WITH

THE BOARD.

(E) FINALITY OF ELECTION.

A MEMBER MAY NOT CHANGE HIS OR HER ELECTION OF A LUMP SUM PAYMENT

UNDER DROP 3 ONCE PAYMENT IS MADE. HOWEVER, A MEMBER MAY CHANGE HIS OR

HER ELECTION FOR SURVIVORSHIP WITH REGARD TO THE REMAINING PORTION OF

HIS OR HER NORMAL SERVICE RETIREMENT BENEFIT IN ACCORDANCE WITH THE

RULES SET FORTH IN § 34(K)(1).

SECTION 2. AND BE IT FURTHER ORDAINED, That the initial term of the Director of Finance as

trustee ex officio begins immediately on the day this Ordinance is enacted.

SECTION 3. AND BE IT FURTHER ORDAINED, That the position of the 2nd mayoral appointee to

the Board of Trustees and the new position of the 3rd mayoral appointee to the Board of Trustees be filled

by the Mayor as soon as practicable following enactment of this Ordinance.

SECTION 4. AND BE IT FURTHER ORDAINED, That the catchlines contained in this Ordinance

are not law and may not be considered to have been enacted as a part of this or any prior Ordinance.

SECTION 5. AND BE IT FURTHER ORDAINED, That, except as otherwise provided in Sections 2

and 3 of this Ordinance, this Ordinance takes effect on June 30, 2010.