

**GOVERNMENT OF THE DISTRICT OF COLUMBIA**  
**Office of the Chief Financial Officer**

Natwar M. Gandhi  
Chief Financial Officer



**MEMORANDUM**

**TO:** The Honorable Linda W. Cropp  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer

**DATE:** November 6, 2002

**SUBJECT:** Fiscal Impact Statement: "Police and Fireman's Service  
Longevity Amendment Act of 2002"

**REFERENCE:** Draft Legislation - No Bill Number Available

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**Conclusion**

Funds are sufficient in the FY 2003 through FY 2006 budget and financial plan as currently agreed upon by the Mayor and the Council of the District of Columbia. The current budget and financial plan provides an annual payment of \$69.8 million per year for pay and retirement purposes. Provisions of the proposed legislation will result in increasing the District's obligation to the pay and retirement fund of \$100,000 in FY 2003 and \$400,000 in FY 2003 through FY 2006.

**Background**

The proposed legislation requires the inclusion of active military service in the calculation of longevity service eligibility associated with the Police and Fireman's Retirement Fund. The proposed legislation is intended to be comparable to current federal practices. A police officer or firefighter must complete twenty-five years of service to be eligible for longevity pay.

**Financial Plan Impact**

The District Office of Personnel engaged Milliman USA to perform an actuarial study to understand the impacts of the proposed legislation. Milliman USA was asked to include active military service as an attribute in calculating funding requirements and retirement payments, then imprint the results on the current Police and Fireman's Retirement Fund.

On July 9, 2002, Milliman USA concluded that additional funds will be required to pay for the supplementary increment to retirement benefits for eligible recipients.

Funds are sufficient in the FY 2003 through FY 2006 budget and financial plan to contribute the additional funding requirements that are the result of the provisions of the proposed legislation. Implementing the proposed legislation will require the District to make additional payments of \$100,000<sup>1</sup> per year to the annuity supporting the Police and Fireman's Retirement Fund. The table in figure 1 presents the costs to local funds.

*Figure 1.*

<b>Estimated Impact to the Financial Plan</b>				
(\$ in millions)				
<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>4-Year Total</b>
<b>\$0.1</b>	<b>\$0.1</b>	<b>\$0.1</b>	<b>\$0.1</b>	<b>\$0.4</b>

The District is only obligated to support the retirement payments for eligible retirees beyond the cutoff date of June 30, 1997. Retirement payments for the period prior to the cutoff date is the obligation of the federal government and does not impact the local financial plan.

*The Chief Financial Officer's legislative fiscal analysis is prepared by the Special Projects and Fiscal Analysis Administration in the Office of Research and Analysis. Contact us at 441 4<sup>th</sup> Street, NW, Suite 400S, Washington D.C., 20001 or view our work on-line at <http://cfo.dc.gov>.*

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<sup>1</sup> This amount represents the local obligation by the District and not the total contribution required.