

Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: 1/11/08

SUBJECT: Fiscal Impact Statement: "Omnibus Executive Service System, Police and Fire Systems, and Retirement Modifications for Chief of Police Cathy L. Lanier and Fire Chief Dennis L. Rubin Amendment Act of 2007"

REFERENCE: Bill Number 17-249, Committee Print dated 12/19/2007

Conclusion

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed legislation, based on a recently received actuarial certification from the DC Retirement Board for the FY 2009 District-required contribution to the Police Officers' and Firefighters' Retirement System that is below the financial plan level. However, the DC Retirement Board would need to amend the FY 2009 actuarial certification to incorporate the effects of this legislation for inclusion in the FY 2009 budget and financial plan.

Background

The proposed legislation would amend the District of Columbia Government Comprehensive Merit Personnel Act of 1978¹ to specify that the provisions on the Executive Service are applicable to persons appointed by the Mayor to serve as Chief of Police and Fire Chief, and to modify the provision on the salary schedule for subordinate agency head positions paid under the Executive Schedule ("DX Schedule").

¹ Effective March 3, 1979. D.C. Law 2-139; D.C. Official Code § 1-601.01 *et seq.*

The proposed bill would also amend Section 1 of An Act Relating to the Metropolitan Police of the District of Columbia² to include provisions on the appointment of the Chief of Police, including language stating that the Mayor may appoint the Chief of Police from among the ranks of officers and members of the Metropolitan Police Department (MPD) or from outside of the Department. Further, the proposed legislation would repeal section 10007 of the 1998 Supplemental Appropriations and Rescissions Act,³ which provides for the appointment and removal of the Chief of Police during a control year.

The proposed bill would also amend Section 2 of An Act to classify the officers and members of the fire department of the District of Columbia, and for other purposes,⁴ to provide that the Mayor may appoint the Fire Chief from among the ranks of officers and members of the Fire and Emergency Medical Services Department (FEMS) or from outside of the Department.

The proposed bill also provides that at the time Chief Lanier separates from the MPD, she would be entitled to an annuity computed at the greater of 71.5% of her average highest base pay for 36 consecutive months, or the maximum retirement pension otherwise allowable to members of the MPD at the time of her separation.

Financial Plan Impact

Funds are sufficient in the FY 2008 through FY 2011 budget and financial plan to implement the proposed legislation, based on a recently received actuarial certification from the DC Retirement Board for the FY 2009 District-required contribution to the Police Officers' and Firefighters' Retirement System that is below the financial plan level. However, the DC Retirement Board would need to amend the FY 2009 actuarial certification to incorporate the effects of this legislation for inclusion in the FY 2009 budget and financial plan.

Pursuant to D.C. Official Code § 1-907.03(c), the costs presented in this fiscal impact statement reflect those estimated by the enrolled actuary. While the enrolled actuary was required to estimate the impact of the retirement provision of the proposed legislation as if it would apply to Fire Chief Dennis L. Rubin⁵ (in addition to Chief of Police Cathy L. Lanier), this fiscal impact statement does *not* take these costs into account, as the retirement provision of the proposed legislation, as currently drafted, only applies to Chief of Police Cathy L. Lanier.

² Approved February 28, 1901. 31 Stat. 819; D.C. Official Code § 5-1-5.01

³ Approved May 1, 1998. 112 Stat. 58; D.C. Official Code § 5-105.02

⁴ Approved June 20, 1906. 34 Stat. 314; D.C. Official Code § 5-402

⁵ D.C. Official Code § 1-907.03(c)(2) requires that "...whenever any change in benefits under a retirement program is made to either, but not both, the Metropolitan Police Department or the Fire and Emergency Medical Services Department, the Mayor shall engage an enrolled actuary to perform the same study contemporaneously for the other employee group for which the change was not made."

The table below displays in detail the cost of the proposed legislation to the District of Columbia Police Officers' Retirement Plan. Assumptions and further clarifications are listed below the table.

Estimated Contribution Impact of Legislation				
FY 2008	FY 2009	FY 2010	FY 2011	4-Year Total
\$0	\$97,000	\$101,000	\$106,000	\$304,000

Assumptions and Further Clarification:

- The figures in the table above were provided to the Office of the Chief Financial Officer from EFI Actuaries on January 8, 2007.
- Estimates are based on current valuation assumptions, including probabilities of retirement at various ages. The actual cost impact will depend upon the age and service at which Chief Lanier is separated from service.
- The contributions for FY 2008 were based on the valuation as of October 1, 2006; thus, any subsequent change in benefits would not impact these amounts.
- If Chief Lanier were to *immediately* retire from service after enactment of the proposed legislation, the costs would be as follows: \$140,000 in FY 2009; \$148,000 in 2010; and \$155,000 in 2011, equaling a total of \$443,000 over the FY 2008 through FY 2011 period. This unlikely scenario would represent the greatest impact on Plan costs and liabilities; however, the currently projected fund balances in the Police Officers' and Fire Fighters' Retirement System would still be sufficient to cover the cost of implementing the proposed legislation.
- These figures assume that total payroll for the Metropolitan Police Department will increase by 5% per year.