

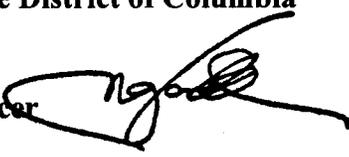
GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

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

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: February 26, 2009

SUBJECT: Fiscal Impact Statement: "Paramedic and Emergency Medical Technician Transfer Amendment Act of 2008"

REFERENCE: Bill Number 17-768, Enrolled¹

Conclusion

Funds are not sufficient in the FY 2009 through FY 2012 budget and financial plan to implement the provisions of the enrolled legislation.

The net cost of implementing the enrolled bill would range from approximately \$640,000 to \$1.2 million in FY 2009 and \$4.2 million to \$8.9 million over the FY 2009 through FY 2012 financial plan period. The exact cost of implementing the pay-parity and retirement-parity provisions of the enrolled bill is contingent on the resolution of negotiations between the District and the Union Local that represents civilian Emergency Medical Technicians and Paramedics, AFGE Local 3721.

Background

The enrolled legislation is intended to implement Recommendation No. 1 of the Task Force on Emergency Medical Services, which calls for the transition of the Department of Fire and Emergency Medical Services (FEMS) to a fully integrated, all hazards agency.

¹ As passed by Council on 2nd (final) reading on December 16, 2008.

Specifically, the enrolled legislation would:

- Designate licensed emergency medical technicians and paramedics who are not uniformed firefighters as "All Hazards/Emergency Medical Services (EMS) Specialists;"
- Include "All Hazards/EMS Specialists" in the definition of a "member" for police and firefighters retirement and disability;
- Authorize the Mayor to provide for the transfer of All Hazards/EMS Specialists to be uniformed firefighters;²
- Require the Mayor to develop pay parity between All Hazards/EMS Specialists and uniformed fire fighters, provided that the rate of pay earned by each employee cannot be lower than the rate of pay immediately prior to the effective date of the enrolled bill;
- Require All Hazards/EMS Specialists who are participants in the District's 401(a) defined *contribution* plan³ to participate in the Police Officers and Fire Fighters' Retirement Program⁴ ("Program"), and allow these individuals to transfer a portion of or their entire interest in contributions and earnings in the 401(a) plan to the District of Columbia Police Officers and Fire Fighters' Retirement Fund ("Fund");⁵
- Allow All Hazards/EMS Specialists who are participants in the District's defined *benefit* plan⁶ and who are not eligible to retire under the Civil Service Retirement System ("CSRS") on or within 31 days of the effective date of the enrolled bill, to make an irrevocable, one-time election to participate in the Program; and
- Provide that the enrolled bill "shall apply upon the inclusion of its fiscal effect in an approved budget and financial plan."

Financial Plan Impact

Funds are not sufficient in the FY 2009 through FY 2012 budget and financial plan to implement the provisions of the enrolled legislation. The net cost of implementing the enrolled bill would range from approximately \$640,000 to \$1.2 million in FY 2009 and \$4.2 million to \$8.9 million over the FY 2009 through FY 2012 financial plan period.

² Effectively, this would continue existing law, whereby this class of employees is permitted to transfer to uniformed firefighter status under the Paramedic and Emergency Medical Technician Lateral Transfer to Firefighting Amendment Act of 2001, effective October 3, 2001. The amendment is needed due to the enrolled re-designation of this class of employees.

³ D.C. Official Code § 1-626.05(3) and Internal Revenue Code § 401(a).

⁴ The enrolled bill also includes a conforming amendment to D.C. Official Code § 5-409.01 to allow for participation in the Program.

⁵ These members would receive an amount of benefits under the Program that is equal to the actuarial equivalent of the dollar amount of contributions and earnings transferred from the 401(a) plan to the Fund.

⁶ Under the Civil Service Retirement System (CSRS) in chapter 83 of title 5 of the United States Code.

Implementing the pay-parity provision of the enrolled bill would result in an unfunded negative impact to the budget and financial plan of approximately \$1 to \$2 million per year.⁷ The FY 2009 cost for pay-parity is not expected to include retroactive pay. Therefore, if the pay-parity provision were to be implemented on March 1, 2009, the net (or unfunded) FY 2009 cost for this provision would be approximately \$580,000 to \$1.17 million.

According to EFI Actuaries, the District's additional contribution to the Fund under the enrolled legislation would be between \$5.2 and \$5.7 million per year (depending on the outcome of the pay-parity negotiations) beginning in FY 2011.⁸ This assumes a fiscal "worst-case" scenario whereby all current emergency medical technicians and paramedics who are not firefighters (including those who are in CSRS) transfer to the Program at one time when the bill becomes law. The FY 2009 budget includes \$4.9 million as a policy initiative to "Provide pension parity to EMS employees," which is a baseline change that covers a portion of the cost of the retirement provision of the enrolled legislation.⁹ However, this amount does not cover the full cost of providing pension parity as contemplated by the enrolled bill. Since calculated retirement benefits take into account levels of pay, mandating pay-parity would create an additional \$0.3 million to \$0.8 million in annual retirement contribution costs to the District. Funding for this increment has not been identified in the budget and financial plan.

Under no circumstance would the present value of future benefits to be received by a transferred employee exceed the amount transferred into the Program, purchased by the transferred employee, or both, except for an amount determined by an actuary—between \$5.2 and \$5.7 million—that represents an additional annual contribution requirement to the Fund (to be made by the District). Except where an employee transfers or purchases additional benefits as specified in the enrolled legislation, for the purpose of calculating benefits to be received in the Program, an employee would *not* receive credit for prior years of service within FEMS. Therefore, the required additional contribution to be made by the District only reflects what is needed to cover the cost of the present value of future benefits to be received *prospectively* at the time of an employee's transfer.

The enrolled bill would also require programming changes to U.S. Treasury retirement calculation system and the creation of new pay plans in the District of Columbia employee compensation system. The one-time costs to the District associated with these changes would be approximately \$58,000 for the changes to the U.S. Treasury system and approximately \$60,000 for changes to the District of Columbia payroll system.

The table and table notes below detail the cost impact on the budget and financial plan of implementing the enrolled bill.

⁷ An exact figure is unknown as it is contingent on negotiations between the District and AFGE Local 3721, which have not been completed at this time.

⁸ Since the October 1, 2009 valuation by EFI would be the first time that the provisions of the enrolled legislation could be accounted for in the Program, EFI has informed the OCFO that increased contributions to the Fund would not be required until FY 2011.

⁹ Due to market fluctuations, the exact contribution requirements in the out-years cannot be reliably estimated.

Cost Impact on the Budget and Financial Plan - B17-768, Paramedic and Emergency Medical Technician Transfer Amendment Act of 2008 (\$ in millions)					
	FY 2009	FY 2010	FY 2011	FY 2012	4 Year Total
Pay-Parity Provision					
Pay Parity Costs (Salary Adjustments)	(\$0.58 – \$1.17) ^A	(\$1 - \$2)	(\$1 - \$2)	(\$1 - \$2)	(\$3.58 - \$7.17)
One-Time Payroll System Reprogramming Costs	(\$0.06)	\$0	\$0	\$0	(\$0.06)
<i>Subtotal—Net Pay-Parity Costs</i>	<i>(\$0.64 - \$1.23)</i>	<i>(\$1 - \$2)</i>	<i>(\$1 - \$2)</i>	<i>(\$1 - \$2)</i>	<i>(\$3.64 - \$7.23)</i>
Retirement-Parity Provision					
Funding Identified in Budget and Financial Plan for "Pension Parity" ^B	\$4.9 ^B	4.9 ^B	\$4.9	\$4.9	\$9.8 ^C
Additional Contribution Required to the Fund	(\$0) ^D	(\$0) ^D	(\$5.2 - \$5.7)	(\$5.2 - \$5.7)	(\$10.4 - \$11.4)
One-Time Retirement System Reprogramming Costs	(\$0.058) ^E	\$0	\$0	\$0	(\$0.058) ^E
<i>Subtotal—Net Retirement-Parity Costs</i>	<i>\$0</i>	<i>\$0</i>	<i>(\$0.3 - \$0.8)</i>	<i>(\$0.3 - \$0.8)</i>	<i>(\$0.6 - \$1.6)^F</i>
Total Net Cost for which Funding is Not Yet Identified in Budget and Financial Plan	\$0.64 - \$1.23	\$1 - \$2	\$1.3 - \$2.8	\$1.3 - \$2.8	\$4.24 - \$8.83^F

Table Notes:

^A Assumes a March 1, 2009 implementation date that does not include retroactive pay. This amount reflects 7/12 of FY 2009 (March 1st through September 30th).

^B \$4.9 million was identified and approved in the FY 2009 budget and the FY 2009 through FY 2012 financial plan in order to provide EMS "pension parity." However, the funds were never deposited into the Fund for FY 2009 since contributions would not be required until FY 2011 (see footnote # 8 for an explanation of the contribution lag). For FY 2009, the Council and Mayor have the authority to use this \$4.9 million for other purposes, subject to the applicable laws relating to the use of District of Columbia funds. This fiscal impact statement does not assume that the Council and Mayor would use this \$4.9 million in FY 2009 towards the pay parity and payroll system reprogramming costs associated with the enrolled bill since these costs do not relate to EMS "pension parity." If the Council and Mayor chose to do so, the \$4.9 million would fully offset the FY 2009 cost of implementing the enrolled bill. Similarly, in the forthcoming FY 2010 budget, the \$4.9 million included for FY 2010 in the FY 2009 through FY 2012 financial plan for "pension parity" is not needed for this purpose. These funds could conceptually be used to fund other portions of the bill, although only within the context of FY 2010 and out-year budgets that achieve overall balance.

^C The FY 2009 and FY 2010 funding identified for retirement-parity is not included in this total since this funding would not carry over from those fiscal years for this purpose absent specific policy decisions by the Council and Mayor, and Congressional approval. See table note "B" for more information.

^D See footnote # 8 for explanation of contribution lag.

^E Since this cost is related to EMS "pension parity," it is assumed that the \$4.9 million identified for this initiative in the FY 2009 budget could be used to cover the \$58,000 one-time cost to reprogram the retirement calculation system. Therefore, the OCFO considers this a funded cost and it is not included in the subtotal or total "net cost" fields in the table above.

^F See table note "E" and the referenced table fields for information as to why the "4 Year Total" figures for net costs do not include one-time reprogramming costs for the retirement calculation system.