


**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: December 19, 2008

SUBJECT: Fiscal Impact Statement: "District of Columbia Government Comprehensive Merit Personnel Act of 1978 Vesting Amendment of 2009"

REFERENCE: Draft legislation – No bill number available

Conclusion

Funds are sufficient in the FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation. Implementation of the proposed legislation would not have an impact on the budget and financial plan, as estimated annual employee forfeitures from the 401(a) Defined Contribution Pension Plan are not included in the budget and financial plan. However, it is estimated that implementation of the proposed legislation would reduce employee forfeitures—which represent unbudgeted revenues for the District—by approximately \$910,000 in FY 2009 and \$5.59 million over the FY 2009 through FY 2012 financial plan period.

Background

The proposed legislation would amend the District of Columbia Government Comprehensive Merit Personnel Act of 1978¹ to replace the present vesting policy requiring employees to have five years of creditable service with the District before vesting in any contributions the District has placed into the District's 401(a) Defined Contribution Pension Plan with a graded vesting policy as shown below.

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

Years of Creditable Service	Vested Percentage— <i>Current Law</i>	Vested Percentage— <i>Proposed Legislation</i>
Less than 2	0%	0%
2	0%	20%
3	0%	40%
4	0%	60%
5 or more	100%	100%

Financial Plan Impact

Funds are sufficient in the FY 2009 through FY 2012 budget and financial plan to implement the proposed legislation. Implementation of the proposed legislation would not have an impact on the budget and financial plan, as estimated annual employee forfeitures from the 401(a) Defined Contribution Pension Plan are not included in the budget and financial plan. However, it is estimated that implementation of the proposed legislation would reduce employee forfeitures—which represent unbudgeted revenues for the District—by approximately \$910,000 in FY 2009 and \$5.59 million over the FY 2009 through FY 2012 financial plan period.

Estimated Reduction in Unbudgeted Revenues Under Proposed Legislation				
FY 2009	FY 2010	FY 2011	FY 2012	4-Year Total
\$910,000	\$1.56m	\$1.56m	\$1.56m	\$5.59m

Assumptions and further clarification:

- Assumes an implementation date of March 1, 2009.
- Assumes that annual forfeitures under current law would be approximately \$4.33m per fiscal year, and that annual forfeitures would be reduced by an average of 36.13% per fiscal year under the proposed legislation.