

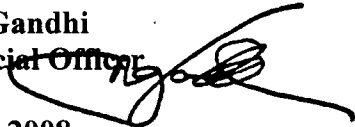
**Government of the District of Columbia
Office of the Chief Financial Officer**



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 2, 2008

SUBJECT: Fiscal Impact Statement: "Domestic Partnership Police and Fire Amendment Act of 2008"

REFERENCE: Bill Number 17-726, Committee Print dated October 14, 2008

Conclusion

Funds are not sufficient in the FY 2009 through FY 2012 budget and financial plan. The proposed bill would not require additional funding in FY 2009 or FY 2010, but would require additional funding of approximately \$400,000 in FY 2011 and \$400,000 in FY 2012.

Background

The proposed bill would amend D.C. Official Code § 1-529.01 *et. seq.* and D.C. Official Code § 5-701 *et. seq.* to allow domestic partners equity in retirement benefits and to include domestic partners as survivors for purposes of police and fire retirements. The bill would insert the phrase "or domestic partner" after the word "spouse" wherever it appears, and define "domestic partner" and "domestic partnership" the same way as provided in the Health Care Benefits Expansion Act of 1992.¹

Financial Plan Impact

Funds are not sufficient in the FY 2009 through FY 2012 budget and financial plan. The proposed bill would not require additional funding in FY 2009 or FY 2010, but would require additional funding of approximately \$400,000 in FY 2011 and \$400,000 in FY 2012.

¹ Effective June 11, 1992. D.C. Law 9-1114; D.C. Official Code § 32-701.

The Office of the Chief Financial Officer (OCFO), in working with the District of Columbia Retirement Board (DCRB) and its actuary, EFI Actuaries, has determined the likely "take-up" rate of individuals who would take advantage of the proposed domestic partner benefits to be between 0.35% and 1.4% of the approximately 5,550 active participants in the Police Officers' and Firefighters' Retirement Plan ("Plan"). DCRB, EFI, and the OCFO have agreed that a reasonable proxy for determining the cost-impact to the District would be the mid-point of that range: 0.875%.² Using actuarial assumptions provided to the OCFO, a take-up rate of 0.875% would represent a cost increase to the District (represented by required increases in contributions to the Plan) of approximately \$400,000 annually, beginning in FY 2011. Since the October 1, 2009 valuation by EFI would be the first time that domestic partner beneficiaries could be accounted for in the Plan, EFI has informed the OCFO that the earliest this bill could result in cost-increases for the District would be FY 2011.

As confirmed with the Department of Human Resources (DCHR), this bill would not have an impact on the District's 401(a) defined contribution plan, which allows for the designation of a beneficiary but does not contain a survivor benefit component. Also, the extension of health benefits to domestic partners, as provided in the proposed bill, is already offered as part of the District's benefit package. Therefore, these provisions would not have a fiscal impact on the budget and financial plan.

Administrative costs associated with implementing the proposed legislation could be absorbed with existing resources.

Unbudgeted Cost Impact to the District of the Proposed Bill*				
FY 2009	FY 2010	FY 2011	FY 2012	4-Year Total
\$0	\$0	\$400,000	\$400,000	\$800,000

* Figures in this table assume annual payroll increases of 5%.

² Data are not available to provide a more precise estimate of the likely take-up rate. According to the Branch Chief for Vital Records in the Department of Health, the domestic partner registry in the District does not contain information on employment. Therefore, the OCFO, DCRB, and EFI cannot know precisely how many active police officers and firefighters in the District have domestic partners. This necessitates the creation of a range of estimated take-up rates based on available data. The lower bound of the range used in the OCFO and EFI analysis (0.35% take-up rate) represents the number of police officers and firefighters who have signed up their domestic partners for health benefits: 19 (this figure comes from the Office of Pay and Retirement Services). However, this figure does not include those individuals whose domestic partners either do not have health insurance or have their own health insurance (e.g., through their own employer). The upper bound of this range (1.4%) is based on a 2001 publication by the Urban Institute that explored domestic partnership take-up rates in the United States.