

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



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Philip H. Mendelson  
Chairman, Council of the District of Columbia

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

**DATE:** November 9, 2012

**SUBJECT:** Fiscal Impact Statement – “Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Act of 1998 Amendment Act of 2012”

**REFERENCE:** Bill 19-1018 – As Introduced on October 18, 2012

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**Conclusion**

Funds are sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill.

**Background**

The District of Columbia Retirement Board (DCRB) is an independent agency that administers the District’s retirement plans for teachers, police officers, and firefighters (“Plans”). The District is the sponsor of the Plans, and is required to budget annual pension contributions, at an amount certified by DCRB.<sup>1</sup>

On December 15, 2011, DCRB approved several technical amendments to the Plans to bring them into compliance with Internal Revenue Service (IRS) rules for government retirement plans. The amendments are technical in nature<sup>2</sup> and do not change Plans’ administration and benefits structures.

The bill formally codifies changes to all three Plans, as required by the IRS.<sup>3</sup>

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<sup>1</sup> D.C. Official Code § 1-907.02(a).

<sup>2</sup> For example, a technical fix in the bill changes language to state that the plan is a governmental plan under the most recent version of the IRS code, rather than the outdated IRS code.

<sup>3</sup> This bill changes parts of the District Code related to the 1997 replacement structure of the Plans. A separate bill (Bill 19-1019) changes other parts of the District Code related to the pre-1997 structure of the police and firefighter plans, while an additional bill (Bill 19-1017) changes other parts of the District Code related to the pre-1997 structure of the teacher plan.

The Honorable Philip H. Mendelson

FIS: B19-1018 "Police Officers, Fire Fighters, and Teachers Retirement Benefit Replacement Act of 1998 Amendment Act of 2012" as introduced on October 18, 2012

### **Financial Plan Impact**

Funds are sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill.

In an October 24, 2012 letter to DCRB, its actuary confirmed that plan amendments in the bill do not have a financial impact on any of the DCRB retirement plans.

If the amendments are not formally adopted, the Plans may no longer be deemed IRS-qualified governmental plans, potentially resulting in significant tax implications for the Plans and IRS penalties for the District.