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:	**September 16, 2010**
SUBJECT:	**Fiscal Impact Statement – "Public Safety Retirement Limit Emergency Amendment Act of 2010"**
REFERENCE:	**Draft Legislation—No Bill Number Available**

Conclusion

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed legislation.

Background

The proposed legislation would amend the Policemen and Firemen's Retirement and Disability Act[1] by changing the limit on retirement annuities for members of the Metropolitan Police Department and the Fire Department to the greater of 80 percent of the member's *basic salary* at the time of retirement or 80 percent of the member's *average pay*. Currently, the limit is set at 80 percent of the member's basic salary at the time of retirement.[2] The term "basic salary" means regular salary established by law or regulation, including any differential for special occupational assignment, but shall not include overtime, holiday, or military pay. The term "average pay" means the highest annual rate resulting from averaging the member's rates of basic salary in effect: a) over any 36 consecutive months of service for those who became a member after November 17, 1979; or b) over any 12 consecutive months of police or fire service in the case of any other member, with each rate weighted by the time it was in effect.[3] [4]

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[1] Approved September 1, 1916, (39 Stat. 718; D.C. Official Code § 5-712).
[2] The actual amount of the annuity is based on the member's average pay and the number of years of the member's creditable service.
[3] See D.C. Official Code § 5-701.
[4] If a member retires as a result of injury or disease, and if on the date of retirement he has not completed 12 consecutive months or 36 consecutive months, then his average pay would equal his basic salary at the time of his retirement.

This would primarily affect those members who retired or will retire at a lower rank than they previously held. This demotion could be a result of performance, but more likely a result of policy changes.[5]

Financial Plan Impact

Funds are sufficient in the FY 2011 through FY 2014 budget and financial plan to implement the provisions of the proposed legislation. An actuarial analysis found that any fiscal impact would be *de minimis* and thus there would be no significant change in the required contribution amount provided by the D.C. Government. There are two main reasons behind this: 1) the D.C. Retirement Board's actuary assumes that participants have increasing salaries until retirement; and 2) the actuarial model that determines the required contribution is comprehensive, taking into account many different variables. Given that the limit is only one such variable and the expectation that the new limit would affect the annuity of a minimal number of people,[6] the required contribution calculated by the model would not change.

[5] Promotions after the rank of Captain are at the discretion of the Chief.
[6] The new limit would only change the annuity for those people whose average pay were greater than their basic pay and their calculated benefit based on years of service exceeded 80 percent of their basic pay. This would likely only occur for those individuals with 30 years of service and who were demoted at some point in their career.