

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

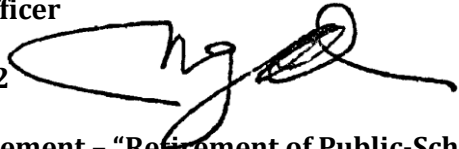


Natwar M. Gandhi
Chief Financial Officer

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 - "Retirement of Public-School Teachers Omnibus Amendment Act of 2012"

REFERENCE: Bill 19-1017 as introduced on October 18, 2012

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.¹

On December 15, 2011, DCRB approved several technical amendments to the Plans bringing them into compliance with Internal Revenue Service (IRS) rules for government retirement plans. The amendments are technical in nature² and do not change Plans' administration and benefits structures.

This bill formally codifies changes to the teachers' plan,³ as required by the IRS.

The bill also repeals a provision of the DC Teachers Retirement Fund ("Fund")⁴ dating from 1946 that allows teachers to make voluntary post-tax contributions to the Fund, and guarantees a rate of

¹ District Official Code § 1-907.02(a).

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Code to state that the plan is a governmental plan under the most recent version of the IRS code, rather than the outdated IRS code.

³ Bill 19-1018 makes additional technical changes to the 1997 replacement teacher retirement plan.

return on the contributions equal to that of the Fund. DCRB approved elimination of the contribution option because it cannot successfully execute the provision,⁵ and because teachers have other voluntary contribution options.

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 the plan amendments in the bill do not have a financial impact on any of the DCRB retirement plans.

If the IRS-required amendments are not formally adopted, DCRB advises that 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.

⁴ District Official Code § 38-2021.01(b).

⁵ DCRB indicates that it cannot identify an annuity that will guarantee the same rate as the fund for these contributions.