

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



Glen Lee
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Glen Lee
Chief Financial Officer 

DATE: March 12, 2026

SUBJECT: Fiscal Impact Statement – Frequency Standardization for Contributions
in Support of District Government Employee Benefits Amendment Act
of 2026

REFERENCE: Draft Bill as provided to the Office of Revenue Analysis on January 30,
2026

Conclusion

Funds are sufficient in the fiscal year 2026 through fiscal year 2029 budget and financial plan to implement the bill. The bill will increase costs beginning in fiscal year 2029, but revenue increases from the bill more than offset the increased costs. The bill increases District Local Fund resources, beginning in fiscal year 2027, by \$4.6 million in fiscal year 2027 and a total of \$12.3 million through fiscal year 2029¹.

Background

The bill amends District law to provide that the appropriated amounts for the District's required contributions to the Other Post-Employment Benefits (OPEB) Fund be made on a regular pay-period basis. It also amends the required deposit schedule for the District's contributions to the Police Officers and Fire Fighters' Retirement Fund and the Teachers' Retirement Fund (collectively the Retirement Funds) to make the payments due on the 15th and last day of every month rather than by 30 days after the start of each fiscal year.

¹ The financial plan will extend to fiscal year 2030 with the submission of the Mayor's proposed fiscal year 2027 budget. The fiscal impact of the bill through fiscal year 2030 is a \$13.76 million increase in Local Fund resources.

The Honorable Phil Mendelson

FIS: "Frequency Standardization for Contributions in Support of District Government Employee Benefits Amendment Act of 2026" Draft bill as provided to the Office of Revenue Analysis January 30, 2026

Employees who participate in the District's deferred compensation plan pursuant to Section 457 of the Internal Revenue Code receive a District contribution² to a Section 401(a)³ Trust. Current law requires the District's contributions to be made no less frequently than quarterly, and the bill amends the timing to be on a regular pay-period basis.

Financial Plan Impact

Funds are sufficient in the fiscal year 2026 through fiscal year 2029 budget and financial plan to implement the bill. The bill will increase costs beginning in fiscal year 2029, but revenue increases from the bill more than offset the increased costs. The bill increases District Local Fund resources, beginning in fiscal year 2027, by \$4.6 million in fiscal year 2027 and a total of \$12.3 million through fiscal year 2029⁴.

Currently, the entire amount appropriated each fiscal year for the District's required contributions to the OPEB Fund and the Retirement Funds are made each October, at the beginning of each fiscal year. In fiscal year 2027, the District expects to make a total of approximately \$309 million in these contributions. The bill defers the annual OPEB and Retirement Funds contributions from being made in one payment in the first month of the fiscal year to regular semi-monthly installments. Under the bill's payment schedule, the District will increase its average cash balance for fiscal year 2027 by approximately \$150 million. The additional balance in fiscal year 2027, and similar balances in each year of the financial plan, are projected to increase interest earnings by \$4.6 million in fiscal year 2027 and a total of \$13.15 million through fiscal year 2029⁵.

The OPEB Fund and the Retirement Funds will have less cash to invest over the course of each fiscal year under the bill. The District's annual required contributions to the funds decrease and increase in part due to investment performance of the fund, but such fluctuations are amortized over a twenty-year period. The first actuarial valuation to be performed after fiscal year 2027 will be the valuation to calculate required District contributions for fiscal year 2029. This fiscal impact assumes the funds will earn their long-term expected average rate of return in fiscal year 2027 and each year. Under this assumption, the bill will increase the District's OPEB and Retirement Funds contributions by approximately \$840,000 in fiscal year 2029⁶.

Specifying that the District makes contributions to employee's 401(a) Trust accounts on a regular pay-period basis does not have a cost; the bill codifies current practice.

² In an amount of 5% of base salary, or 5.5% in the case of corrections officers.

³ Internal Revenue Code, 26 U.S.C. § 401.

⁴ The financial plan will extend to fiscal year 2030 with the submission of the Mayor's proposed fiscal year 2027 budget. The fiscal impact of the bill through fiscal year 2030 is a \$13.76 million increase in Local Fund resources.

⁵ The total revenue increase through fiscal year 2030 will be \$16.27 million.

⁶ The required increase in the fiscal year 2030 OPEB and Retirement Fund contributions will be \$1.68 million.

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Frequency Standardization for Contributions in Support of District Government Employee Benefits Amendment Act of 2026 Fiscal Year 2026 – Fiscal Year 2029 (\$ thousands)					
	FY 2026	FY 2027	FY 2028	FY 2029	Total
Revenue Increase – Interest Earning	\$0	\$4,645	\$4,590	\$3,919	\$13,154
Less: Increase in OPEB contribution	(\$0)	(\$0)	(\$0)	(\$250)	(\$250)
Less: Increase in Retirement Funds contribution	(\$0)	(\$0)	(\$0)	(\$590)	(\$590)
Net Impact	\$0	\$4,645	\$4,590	\$3,079	\$12,314