



STAFF REPORT AND FISCAL IMPACT NOTE

Resolution: R-50-18

Title: City of Annapolis Police and Fire Pension Plan – 2018 Amendment and Restatement

Date: December 5, 2018

STAFF REPORT

This resolution amends the provisions of the Police and Fire Pension Plan to reflect the changes agreed to in the collective bargaining agreements with Local 1926 (Fire) and Local 400 (Police). The substantive changes to the plan's benefits are:

- Change normal retirement from 25 years to 20 years.
- Increase in the maximum pension benefit from 70% to 75% after 30 years of service.
- Modify the Deferred Retirement Option Program (DROP) to make it cost neutral. Participants must remain in the DROP for four years and contribute 4% of their pay during the DROP period. The investment rate of return on their DROP balances is set at 3.25%.

The other changes to the plan are administrative in nature.

Prepared by: Teresa Sutherland, City Manager

FISCAL IMPACT

The impact of the change in normal retirement from 25 years to 20 years is an additional actuarial liability of \$155,000, which will be amortized based on the plan's actuarial assumptions. The estimated increase in the employer's annual contributions is 0.6% of pay, or \$100,720. This amount was disclosed to the City Council in the fiscal notes for R-35-18 and R-36-18 that approved ratification of the union contracts.

The impact of the increase in benefit at 30 years from 70% to 75% is an additional actuarial liability of approximately \$350,000, which will be amortized based on the plan's actuarial assumptions. The estimated increase in the employer's annual contributions is 0.3% of pay, or approximately \$50,360. This amount was disclosed to the City Council in the fiscal notes for R-35-18 and R-36-18 that approved ratification of the union contracts.

The change in the DROP benefits is intended to make the DROP cost neutral, while it currently is a cost to the City of approximately \$41,000 per participant, and there have been 20 DROP participants to date.

Prepared by: Teresa Sutherland, City Manager