

# Regular Meeting

<b>Agenda Item #</b>	2
<b>Meeting Date</b>	June 8, 2009
<b>Prepared By</b>	Barbara B. Matthews City Manager
<b>Approved By</b>	

<b>Discussion Item</b>	Second Reading Ordinance Amending the City of Takoma Park Police Employees' Retirement Plan by Changing the Service Retirement Benefits and Line-of-Duty Disability Benefits
<b>Background</b>	<p>The City of Takoma Park Police Employees' Retirement Plan covers sworn police officers who are employed on a regular full-time basis. Plan provisions include retirement, disability, and death benefits to plan members and their beneficiaries. The Plan is administered by a Retirement Plan Committee (the "Committee") consisting of members of the City's administration, members of the Police Department, and residents appointed by the City Council.</p> <p>Contributions to the Plan made by the City are based on an actuarially determined rate. Police officers contribute seven percent of salaries to the Plan. Administrative costs are financed through investment earnings.</p> <p>Since its inception in 2001, the number of disability retirements under the Plan has significantly exceeded the estimated number of disability retirements included by the actuary in the annual valuations. The actuary for the Plan has advised the Retirement Plan Committee that future contributions to the Plan will need to be increased unless costs associated with disability retirements are reduced.</p> <p>During its March 6, 2008 meeting, the Retirement Plan Committee recommended an amendment to the Plan to improve the service retirement benefit for police officers hired prior to July 1, 2000 and to change the line-of duty disability benefits for police officers hired before July 1, 2001 to match the disability retirement benefits of police officers hired on or after July 1, 2001. These changes, which would take effect on July 1, 2009, are described in more detail below.</p> <ul style="list-style-type: none"> <li>• <u>Change in benefit accrual rate:</u> The Plan provides service retirement benefits for police officers employed by the City. The annual accrual rate for police officers' service earned before July 1, 2000 (1.5%) is lower than the annual accrual rate for service earned on or after July 1, 2000 (2.0%). Because of the lower accrual rate for such service, police officers hired prior to July 1, 2000 will be eligible for a smaller service retirement benefit at their normal retirement date than employees hired on or after July 1, 2000. The proposed Plan amendment would improve the service retirement benefit for police officers hired prior to July 1, 2000 by providing an annual accrual rate of 2.0% for service earned before July 1, 2000.</li> <li>• <u>Change in disability benefits:</u> The Plan provides disability retirement benefits for police officers employed by the City. Police officers who are hired on or after July 1, 2001 and suffer a "non-catastrophic" line-of-duty disability are eligible for a smaller disability benefit (typically, 50% of pay) than police officers hired before July 1, 2001 (typically, 66 2/3% of pay). In general, a non-catastrophic line-of-duty disability is a disability that prevents</li> </ul>

	<p>a police officer from continued service as a police officer, but does not prevent the police officer from working in another job. The proposed Plan amendment would change the line-of duty disability benefits for police officers hired before July 1, 2001 to match the disability retirement benefits of police officers hired on or after July 1, 2001.</p> <p>The recommended amendments to the Plan are subject to negotiation with Local 400 of the United Food and Commercial Workers (the "Police Union"). The City and the Police Union agreed to defer submission of the amendments to the City Council to allow the City and the Police Union time to investigate other options which would provide comparable or improved benefits at a reduced cost to the City. The Union and the City agreed that, if an alternative pension plan was not identified by July 1, 2009, then the Union will by default have signed off on the Plan amendments adopted by the Retirement Plan Committee.</p> <p>The City investigated other options including participation in the Law Enforcement Officers Pension System (known as "LEOPS") which is part of the Maryland State Retirement Systems. The City began an evaluation process to determine the buy-in cost for the City to participate in LEOPS. It appears that participation in LEOPS will significantly increase the cost of a police officers' pension plan. The City and the Police Union have concluded that an alternate pension program will not be identified by July 1, 2009. Accordingly, the City requests adoption of the amendments to the benefit accrual and disability provisions of the Plan.</p> <p>First reading of the ordinance was held on May 26, 2009.</p>
<b>Policy</b>	The City of Takoma Park Police Employees' Pension Plan can be amended by the City Council by a two-reading ordinance.
<b>Fiscal Impact</b>	It is anticipated that, in the long-term, the proposed Plan amendment will hold constant or reduce the City's required contribution rate.
<b>Attachments</b>	Draft Ordinance Amending the City of Takoma Park Police Employees' Retirement Plan
<b>Recommendation</b>	Staff recommends that the Council accept the draft ordinance for second reading.
<b>Special Consideration</b>	

Introduced by: Councilmember Snipper

First Reading: May 26, 2009

Second Reading: \_\_\_\_\_, 2009

Effective Date: July 1, 2009

**CITY OF TAKOMA PARK, MARYLAND  
ORDINANCE NO. 2009-29**

**AN ORDINANCE AMENDING THE CITY OF TAKOMA PARK POLICE EMPLOYEES' RETIREMENT PLAN BY CHANGING THE SERVICE RETIREMENT BENEFITS AND LINE-OF-DUTY DISABILITY BENEFITS.**

WHEREAS, under the current Code, the City of Takoma Park Police Employees' Retirement Plan provides service retirement benefits and disability retirement benefits for police officers employed by the City; and,

WHEREAS, the City of Takoma Park Police Employees' Retirement Plan is administered by a Retirement Plan Committee consisting of members of the City's administration, members of the Police Department and citizens appointed by the City Council; and,

WHEREAS, the annual accrual rate for police officers' service earned before July 1, 2000 is lower than the annual accrual rate for service earned on or after July 1, 2000; and,

WHEREAS, because of the lower accrual rate for such service, police officers hired prior to July 1, 2000 will be eligible for a smaller service retirement benefit at their normal retirement date than employees hired on or after July 1, 2000; and,

WHEREAS, police officers who are hired on or after July 1, 2001 and suffer a "non-catastrophic" line-of-duty disability are eligible for a smaller disability benefit than police officers hired before July 1, 2001; and,

WHEREAS, the number of disability retirements under the City of Takoma Park Police Employees' Retirement Plan has exceeded the estimated number of disability retirements included by the actuary in the annual valuation; and,

WHEREAS, the actuary for the City of Takoma Park Police Employees' Retirement Plan has advised the Retirement Plan Committee that future contributions to the Plan will need to be increased unless costs associated with disability retirements are reduced; and,

WHEREAS, the Retirement Plan Committee has recommended amendments to the City of Takoma Park Police Employees' Retirement Plan to improve the service retirement benefit for police officers hired prior to July 1, 2000 and to change the line-of duty disability benefits for police officers hired before July 1, 2001 to match the disability retirement benefits of police officers hired on or after July 1, 2001; and,

WHEREAS, the recommended amendments to the Plan are subject to negotiation with Local 400 of the United Food and Commercial Workers (the "Police Union"); and,

WHEREAS, the City and the Police Union agreed to defer submission of the amendments to the City Council to allow the parties time to investigate other options which would provide comparable or improved benefits at a reduced cost to the City; and,

WHEREAS, the Union and the City agreed that, if an alternative pension plan was not identified by July 1, 2009, then the Union will by default have signed off on the Plan amendments recommended by the Retirement Plan Committee; and,

WHEREAS, the City and the Police Union have concluded that an alternate pension program will not be identified by July 1, 2009.

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF TAKOMA PARK, MARYLAND THAT:

**SECTION 1.** Title 4, Personnel, Chapter 4.24, Police Employees' Retirement Plan, Section 220 subsection A of the *Takoma Park Code* (2004 edition) is amended as follows:

**4.24.220 Normal retirement.**

**A. Amount of Monthly Retirement Income.** Subject to Section 4.24.080(D), and subject to the limitations set forth in Section 4.24.270, the amount of the monthly retirement income shall be determined as follows:

1. With respect to a participant who retires between July 1, 2001 and August 31, 2001:

- a. 1.5% multiplied by the participant's average compensation and multiplied by his or her years of credited service, earned on or before June 30, 2000, plus
- b. 2.0% multiplied by the participant's average compensation and multiplied by his or her years of credited service, earned between July 1, 2000 and August 31, 2001;

2. With respect to a participant who retires ~~on or after~~ between September 1, 2001 and June 30, 2009:

- a. 1.5% multiplied by the participant's average compensation and multiplied by his or her years of credited service, earned on or before June 30, 2000, plus
- b. 2.0% multiplied by the participant's average compensation and multiplied by his or her years of credited service, earned after July 1, 2000,
- c. In calculating the amount of monthly retirement income under subsection (A)(2) of this section, years of credited service in paragraphs a and b of this subdivision shall not exceed 25 years of credited service. For purposes of applying this 25-year maximum, paragraph b shall be determined prior to paragraph a.

3. With respect to a participant who retires on or after July 1, 2009:  
a. 2.0% multiplied by the participant's average compensation and multiplied by his or her years of credited service.

b. In calculating the amount of monthly retirement income under subsection (A)(3) of this section, years of credited service shall not exceed 30 years of credited service.

4. The monthly benefit provided in subsection (A)(1)-and, (2) and (3) of this section shall be increased by an amount equal to 2.0% of the participant's average compensation multiplied by his or her years of credited service attributable to unused sick leave as calculated in accordance with subsection (B) of this section.

**SECTION 2.** Title 4, Personnel, Chapter 4.24, Police Employees' Retirement Plan , Section 250, subsection B of the *Takoma Park Code* (2004 edition) is amended as follows:

**4.24.250 Disability benefits.**

**B. Line of Duty Disability.**

1. Except as provided in subdivision 2 of this subsection, a participant (regardless of his or her length of service) who terminates employment by reason of total and permanent disability, which, as determined in accordance with rules established by the Plan Administrator, is incurred as a result of an accident or injury which has been sustained as an active covered employee and which has been ruled compensable under the Workers' Compensation Law of Maryland, shall be entitled to receive a monthly benefit equal to:

a. For employees who are covered employees as of June 30, 2001 and who incur a disability described in subdivision 1 of this subsection (B) prior to July 1, 2009, the greater of:

i. The benefit determined pursuant to subsection (A) of this section;

or

ii. The greater of: (A) a monthly benefit equal to the greater 66 and  $\frac{2}{3}$ % of the participant's compensation, or (B) the participant's employee contributions benefit.

b. For employees who become covered employees on or after July 1, 2001 and incur a disability described in subdivision 1 of this subsection (B) at any time and for employees who became covered employees prior to July 1, 2001 who incur a disability described in subdivision 1 of this subsection (B) on or after July 1, 2009, the greater of:

i. The benefit determined pursuant to subsection (A) of this section;

or

ii. If the line of duty disability is a catastrophic disability, as defined in subdivision (2)(b) of this subsection, the greater of: (A) a monthly benefit equal to the greater 66 and  $\frac{2}{3}$ % of the participant's compensation, or (B) the participant's employee contributions benefit; or

iii. If the line of duty disability is a non-catastrophic disability, as defined in subdivision (2)(c) of this subsection, the greater of: (A) a monthly benefit equal to the greater 50% of the participant's compensation, or (B) the participant's employee contributions benefit.

2. In subdivision 1 of this subsection the following terms have the meanings indicated.

a. "Line of duty disability" means a total and permanent disability incurred as a result of an accident or injury which has been sustained as a result of service as an active covered employee and which has been ruled compensable under the Workers' Compensation Law of Maryland.

b. "Catastrophic disability" means a line of duty disability:

- i. By reason of which the participant will be permanently prevented from engaging in any substantial gainful employment; or
  - ii. Which severely limits one or more major life activities.
  - iii. For purposes of subdivision (2)(b), “substantial gainful employment,” means the ability to perform a moderate amount of work with reasonable regularity, without reference to the type of work performed by the participant before his or her termination date. “Major life activities” include caring for one’s self, walking, seeing, hearing, speaking, breathing or learning.
- c. “Non-catastrophic disability” means a line of duty disability which is not a catastrophic disability.

**SECTION 4.** This Ordinance shall be effective July 1, 2009.

Adopted this \_\_\_ day of \_\_\_\_\_, 2009, by roll-call vote as follows:

- Aye:
- Nay:
- Absent:
- Abstain:

**EXPLANATORY NOTE**

*Additions to the existing language of the Takoma Park Code are shown by underlining.  
Deletions to the existing language of the Takoma Park Code are shown by ~~strikeout~~.*