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United States General Accounting Office

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GAO

Report to Officials of the Congress and
the District of Columbia

March 1986

DISTRICT'S WORKFORCE

Annual Report Required by District of Columbia Retirement Reform Act



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United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-208412

March 26, 1986

The Honorable Thomas P. O'Neill, Jr.
Speaker of the House of Representatives

The Honorable Strom Thurmond
President pro tempore
United States Senate

The Honorable William V. Roth, Jr.
Chairman, Committee on Governmental Affairs
United States Senate

The Honorable Ronald V. Dellums
Chairman, Committee on the
District of Columbia
House of Representatives

The Honorable Mark O. Hatfield
Chairman, Committee on Appropriations
United States Senate

The Honorable Jamie L. Whitten
Chairman, Committee on Appropriations
House of Representatives

The Honorable Marion S. Barry, Jr.
Mayor of the District of Columbia

The Council of the District of Columbia
Washington, D.C. 20004

In accordance with subsection 145(b) of the District of Columbia Retirement Reform Act (Public Law 96-122, as amended by Public Law 98-104), we are sending you our comments on the enclosed report prepared by Ms. Mary Riebold, of William M. Mercer-Meidinger, Inc., on the disability retirement rate of District of Columbia police officers and firefighters. The act provides for annual federal payments to the District of Columbia Police Officers and Fire Fighters' Retirement Fund. These payments, however, are to be reduced when the disability retirement rate exceeds an established limit. The purpose of making the payments subject to a reduction was to encourage the District government to control disability retirement costs.

Ms. Riebold, an enrolled actuary, was engaged by the District of Columbia Retirement Board to (1) determine the 1985 disability retirement rate for District police officers and firefighters hired before February 15, 1980; (2) determine if that rate exceeded eight-tenths of one percentage point; and (3) prepare the annual report required by the act.

Subsection 145(a) of the act, as amended, established a "trigger mechanism" for determining whether the annual federal payment of \$34,170,000 to the District of Columbia Police Officers and Fire Fighters' Retirement Fund (authorized under subsection 144(a)(1) of the act) is to be reduced. The Comptroller General is required by the act to make this determination each year on the basis of a review of the disability retirement rate computed by the enrolled actuary. We have reviewed the actuary's report and other relevant data and concluded that no reduction is required in the fiscal year 1987 federal payment to the District's police and firefighters retirement fund.

Basis for Our Determination

As defined by subsection 145(a)(2) of the act, as amended, the disability retirement rate is a fraction, the numerator of which is the number of District of Columbia police officers and firefighters hired before February 15, 1980, who retired on disability during the applicable calendar year. The denominator is the total number of police officers and firefighters hired before February 15, 1980, who were on active duty as of January 1 of the applicable calendar year. A disability retirement rate greater than eight-tenths of one percentage point triggers a reduction in the next annual federal payment. Thus, the trigger mechanism governing the fiscal year 1987 payment is based on members retiring on disability in calendar year 1985 (the numerator) and members on board on January 1, 1985 (the denominator). The enrolled actuary must report the determinations made under the law, along with related documentation, to the Retirement Board and to the Comptroller General no later than March 1 of each year.

Our comments must include a statement as to whether or not the determinations made by the enrolled actuary fairly present, in all material respects, the requirements of the law. The law also requires that we make a determination as to the amount, if any, by which the annual federal payment is to be reduced. A reduction in the federal payment would amount to 1-1/2 percent for each whole tenth of a percentage point by which the disability retirement rate is greater than eight-tenths of a percentage point.

We have reviewed the enclosed report from the actuary which shows that 17 members who were hired before February 15, 1980, retired on disability in 1985. There was a total of 4,147 police officers and firefighters hired before February 15, 1980, on active duty on January 1, 1985. Thus, the actuary determined the disability rate to be 0.410 percent. Since this rate is less than eight-tenths of a percentage point, no reduction is required in the fiscal year 1987 payment to the District's police and firefighters retirement fund.

In our opinion, the determination made by the enrolled actuary fairly presents, in all material respects, the requirements of the law.

Retirement Board Lawsuit

In November 1985, the Retirement Board filed a lawsuit in United States District Court for the District of Columbia seeking additional payments from the federal government to this retirement fund and the District of Columbia Teachers' and Judges' Retirement Funds. The Board is asking for (1) approximately \$5.3 billion to cover the current unfunded liabilities of the three retirement programs, (2) approximately \$359 million for employee contributions made to the funds prior to the transfer of responsibility for the retirement programs to the District in 1979, and (3) approximately \$15 million each year to cover a claimed shortfall in that portion of pension liabilities which the federal government agreed to assume under the Reform Act.

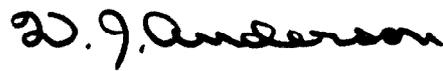
The Retirement Board claims that the pension benefits promised when the Congress established these retirement programs constituted a contractual offer to employees who accepted and continued employment in the District's workforce. The lawsuit contends that the government breached this contract by failing to provide for fully funding all liabilities at the time the Reform Act transferred the retirement programs to the District. Other arguments the Board makes include (1) a breach of the government's fiduciary duty, (2) uncompensated taking of property and violation of due process under the United States Constitution, and (3) violation of the provisions of the Reform Act. The lawsuit was pending when we prepared this report.

Government's Payments Subject to Possible Reductions

The Balanced Budget and Emergency Deficit Control Act of 1985, Public Law 99-177, provides for sequestration of certain amounts if budget deficit targets for fiscal years 1986 through 1991 are not met. We have determined that the federal payment to the District of Columbia, which includes the \$34,170,000 annual federal contribution to the District's

police and firefighters retirement fund, is subject to sequestration if the automatic spending reduction procedure under the act is triggered.

We are sending a copy of this report to the District of Columbia Retirement Board. Copies will be made available to other interested parties upon request.



William J. Anderson
Director

Actuary's Report

MERCER - Meidinger

Mary S. Riebold, F.S.A./

February 26, 1986

Mr. Charles A. Bowsher
Comptroller General of the United States
General Accounting Office
441 G Street NW
Washington, DC 20548

Dear Mr. Bowsher:

Disability Retirement Rate
District of Columbia Police Officers and Fire Fighters'
Retirement Fund

Public Law 98-104 requires that the enrolled actuary determines the disability retirement rate and report on the disability rate by March 1 of each year, with respect to the rate for the preceding calendar year.

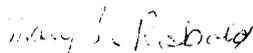
The following employee and disability retirement data was made available to me:

1. Active police officers as of January 1, 1985, hired on or before February 14, 1980: 3125
2. Active firefighters as of January 1, 1985, hired on or before February 14, 1980: 1022
3. Numbers of disability retirements among employees hired on or before February 14, 1980: 17

Based on this data, the disability retirement rate for 1985 as defined in P.L. 98-104 amending section 145 (a) (1) and (2) of the District of Columbia Retirement Reform Act, is 0.410%.

This disability retirement rate is not greater than 0.8%, i.e. eight-tenths of a percentage point.

Sincerely,



MSR,clz

cc: Mr. Arthur M. Reynolds

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