United States General Accounting Office

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Report to the Ranking Minority Member, Committee on the District of Columbia, House of Representatives

December 1994

# DISTRICT PENSIONS

# Federal Options for Sharing Burden to Finance Unfunded Liability

GAO/HEHS-95-40

GAO United States
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Washington, D.C. 20548

Health, Education, and
Human Services Division

B-257469

December 28, 1994

The Honorable Thomas J. Bliley, Jr.
Ranking Minority Member
Committee on the District of Columbia
House of Representatives

Dear Mr. Bliley:

This report responds to your request that we provide certain information concerning the District of Columbia's pension plans for police officers and fire fighters, teachers, and judges. You also asked for information on the impact that H.R. 3728 would have on the unfunded liability of these plans. As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days from the date of this letter. At that time we will send copies to the Mayor of the District of Columbia, the Chairman of the City Council, the Chairman of the Retirement Board, and other interested parties.

Our work was performed under the direction of Donald C. Snyder, Assistant Director, Income Security Issues. Other major contributors are listed in appendix IV. If you or your staff have any questions concerning this report, please call Mr. Snyder at (202) 512-7204.

Sincerely yours,

Leslie G. Aronovitz

Leslie G. Aronovitz
Associate Director
Income Security Issues

# Executive Summary

## Purpose

The District of Columbia's financial resources are severely strained. Contributing to this situation are the payments that the District makes for its pension plans covering some 24,000 current and former police officers, firefighters, teachers, and judges. Moreover, despite the federal and District governments' contributions—about $52 million and $292 million, respectively in 1993—the plans continue to experience a shortfall in funding their future retirement benefits. The shortfall totalled about $5 billion in 1993.

H.R. 3728, the District of Columbia Pension Liability Funding Reform Act of 1994, and a companion District bill were proposed to eliminate this liability. To enable a full evaluation of this proposal, the Ranking Minority Member of the House Committee on the District of Columbia requested GAO to provide

- the history and current status of the plans' unfunded pension liability and the number of plan participants before Home Rule, to include a comparison of the plans' unfunded liability with other state and local plans, and
- an analysis of the District's funding formula under the proposed legislation and alternative federal funding methods.

## Background

During the period 1916-70, the Congress created the District's pension plans for police officers and firefighters, teachers, and judges and authorized funding to pay their current annual retirement benefits. This funding method, however, was not consistent with actuarial principles, which provide that moneys should be put aside each year to help ensure that adequate funds are available to meet pension obligations in the future. The responsibility for making these payments was transferred to the District in January 1975, effective with its grant of Home Rule.

Beginning in the mid-1970s, the Congress became concerned with the plans' lack of funding for paying future retirement benefits—known as the plans' unfunded liability—and held deliberations on proposed legislation that sought to eliminate this liability and to place the plans' funding on a sound actuarial basis. The Congress partly addressed this concern with the enactment of the District of Columbia Retirement Reform Act of 1979, which established separate funds for the three pension plans.

The act authorized 25 years of annual federal payments (ending in 2004) for financing the unfunded liability for the benefits earned by most retirees as of the effective date of Home Rule—defined as the federal share and estimated to be about $.7 billion. The act, however, did not provide for the District to finance the remaining $2 billion portion of the then unfunded liability because it was believed that the District's financial resources would not enable it to do so. Upon the enactment of the 1979 reform act, the plans' unfunded liability was estimated at about $2.7 billion, representing the benefits earned by about 7,700 retirees and about 14,100 active plan participants as of January 2, 1975, the effective date of Home Rule.

H.R. 3728 and a companion District bill[1] were proposed as a means to reduce the increasing financial burden on the District from the plans' unfunded liability and to eliminate it by the year 2036. This would be accomplished through: (1) increasing and extending the current annual federal payment of $52.1 million by 5 percent each year from 2005 through 2035; (2) placing the District's contributions on a sound actuarial basis as a level percentage (45 percent in this case) of payroll—an approach used by most public sector plans; (3) increasing the employees' contributions by 1 percentage point of salaries; (4) reducing retired employees' cost-of-living increases from twice to once per year; and (5) setting a $295.5 million floor for the District's annual contributions.

## Results in Brief

With a total unfunded liability of about $5 billion in 1993, the three District plans continued to be not as well funded as 24 comparable state and local governmental pension plans. Under the funding method proposed by H.R. 3728 and D.C. Act 10-239, about $1 billion in value today of contributions that the District would make under the existing law would be shifted to the federal government. However, because the approach would entail federal payments escalating at 5 percent per year through 2035, more of the burden for eliminating the unfunded liability would shift to future federal budgets and generations of federal taxpayers.

In contrast, a constant annual federal payment of about $102.1 million would shift less of the burden to future federal budgets and taxpayers, cost the federal government a little less overall, and have the same effect as H.R. 3728 in stabilizing the District's contributions at about 45 percent of payroll while eliminating the liability. Other options with lower constant

[1]District Council Bill 10-515 was subsequently enacted as D.C. Act 10-239, the Full Funding of Pension Liability Retirement Reform Amendment Act of 1994. The act contains provisions regarding the District's contributions that are not in the House bill. However, the act is not effective until companion federal legislation is enacted.

annual federal payments would also eliminate the liability but the District's contributions would be higher.

Also, under the District's act, its contributions for the first 3 years would be at the required minimum of $295.5 million. GAO notes that these payments would be about $58 million higher than the actuarially determined amounts.

## GAO's Analysis

### Concerns With the District's Finances Resulted in Lower Contributions Than Needed to Eliminate the Unfunded Liability

In 1978, the Congress passed legislation that would have committed the federal government to pay $65 million annually for 25 years to pay off the part of the three plans' unfunded liability that represented the benefits of those individuals who had retired as of the effective date of Home Rule. However, the legislation did not provide for the District to pay off the then unfunded liability of about $2 billion for the benefits earned by those employees who were not retired effective with Home Rule because it was believed that the District's finances would not be adequate to do so. Then President Carter, however, vetoed the legislation on the grounds that the required annual federal contribution of $65 million overstated the federal liability.

The following year, the Congress passed compromise legislation that the President signed. The District of Columbia Retirement Reform Act of 1979 provided for annual federal payments of about $52.1 million from 1980 through 2004. The 1979 reform act continued to reflect earlier concerns about the District's financial ability, in the near and long term, to pay off its share of the unfunded liability. Thus, the formula in the reform act for calculating the District's annual contributions—now about $295 million—basically has allowed the District's share of the unfunded liability to increase with inflation, so that in 1993 it was about $5 billion, and it may reach $6.1 billion by 2005. Under the formula in the act, the liability will not be eliminated but will remain constant in 2005 and subsequent years because the District is required to pay each year just the net normal cost—the difference between employee contributions and the retirement benefits they earned during the year—and interest on the unfunded liability.

The effect of the funding formula in the 1979 reform act has been to limit the three plans' funded status so that they continue to be not as well funded as 24 comparable state and local governmental plans.

## Proposal Would Eliminate Unfunded Liability With Increased Federal Assistance

H.R. 3728, in conjunction with D.C. Act 10-239, would eliminate the three plans' unfunded liability in the year 2035 in part through increased federal payments. The total federal obligation—which under the existing law has a value today of about $392 million—would be increased by about $1.1 billion, by extending the payments beyond the 2004 cut-off year in current law to 2035 and providing for a 5-percent increase in each year's contribution. The federal payments would grow substantially because of the 5-percent compounding effect, rising from $54.7 million in 1996 to about $367 million in 2035. Under the proposed legislation, the increase in federal payments would be accompanied by a $1.2 billion decrease in District payments from the level required by current law. The bill would decrease the District's obligation from about $8.2 billion to about $7 billion.

Also, under District Act 10-239, the District's contributions for the first 3 years would be at the required minimum of $295.5 million. GAO's analysis showed that this requirement results in the District paying a total of about $58 million more than actuarially required during these years.

## Federal Obligation Smaller Under Alternative Federal Payments

GAO analyzed the effect of four alternate federal payments of constant annual amounts through 2035 compared with the effect of the escalating federal payments proposed by H.R. 3728. The analysis showed that the greatest federal savings would be realized by extending the current federal payment of $52.1 million. Although constant federal payments of $72.1 million and $92.1 million would result in smaller federal savings and smaller increases in the value of the District's total obligation, the District's annual payments as a percentage of payroll would still be greater than under H.R. 3728, ranging from 48 percent to 46 percent. However, constant annual federal payments of about $102.1 million would, as under H.R. 3728, stabilize the District's contributions at about 45 percent of payroll and help eliminate the unfunded liability in the year 2035. However, this would cost the federal government about $40 million less than under H.R. 3728's approach of escalating payments.

## Matters for Congressional Consideration

If the Congress wishes to change the law to increase federal payments to the three District pension plans, it should consider authorizing a constant annual payment rather than the increasing payments provided for in H.R. 3728. A constant annual payment approach would be more equitable because it would avoid shifting to future taxpayers a disproportionate share of the burden of financing the three plans. In addition, if the Congress concludes that the federal share should be increased in total by the amount authorized in H.R. 3728, calculated at about $1.1 billion in today's dollars, the appropriate constant annual federal payment would be $102.1 million.

## Agency Comments

GAO did not obtain agency comments on this report but discussed with District officials the history and status of the three pension plans to ensure that the report's descriptions are accurate and complete.

# Contents

## Tables



## Figures



### Abbreviations

| | |
|---|---|
| CSRS | Federal Civil Service Retirement System |
| DCRB | District of Columbia Retirement Board |
| OMB | Office of Management and Budget |

# Introduction

As of September 30, 1993, the District of Columbia's three defined benefit pension plans[2] for police officers and firefighters, teachers, and judges had a total of about 24,000 participants. During 1993, the District contributed a total of about $292.3 million to the plans and the federal government paid about $52.1 million.

The Congress created the three plans over a number of years beginning early in this century. Under the plans' enabling legislation, only the federal government paid into the plans and did so just for current annual retirement benefits (known as pay-as-you-go funding). The Congress did not authorize accumulating funds to meet the plans' normal costs—the amount of funds needed each year that would be sufficient to pay all retirement benefits of active plan participants when due. Effective with Home Rule in January 1975, the responsibility for making the pay-as-you-go payments was transferred to the District government.

Because the plans' normal costs were not funded, the shortfall in funds needed to pay future retirement benefits—the plans' unfunded liability—increased each year. The Congress partly addressed the plans' unfunded liability with the District of Columbia Retirement Reform Act of 1979, which changed the District's payments to the plans to a modified pay-as-you-go basis and authorized annual federal payments to the plans of about $52.1 million. Consequently, the contribution requirements in the reform act did not provide for amortizing (paying off over a number of years) the plans' unfunded liability.

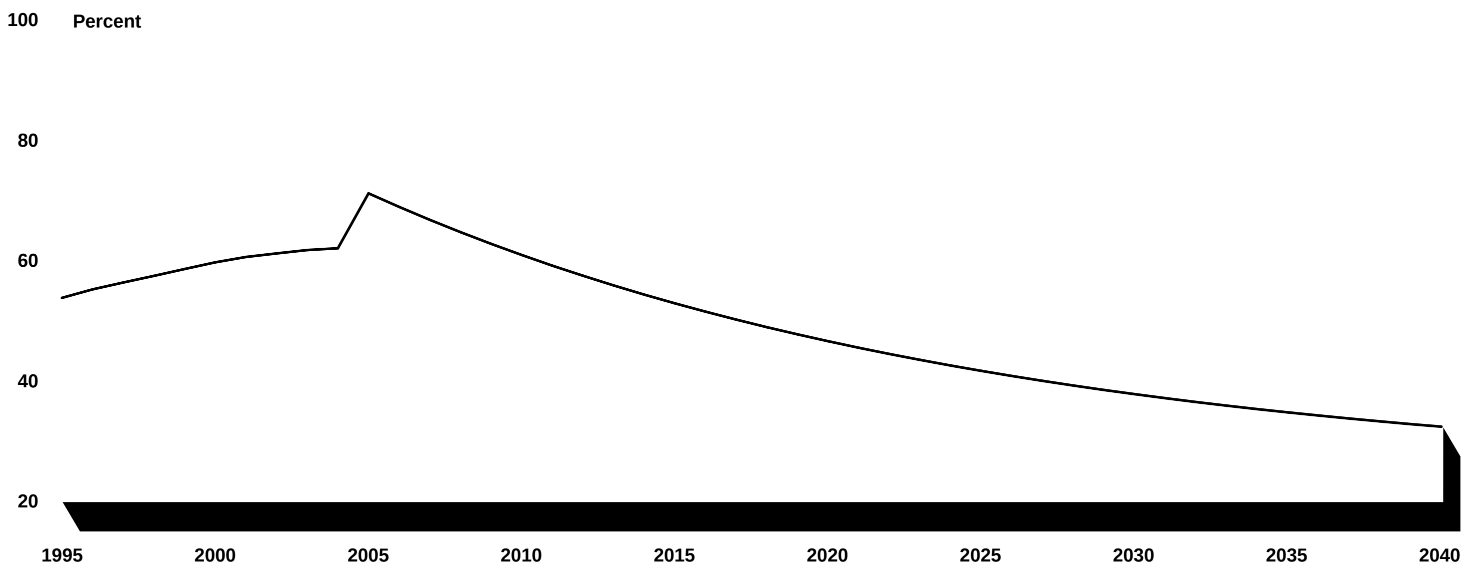
In November 1992, we reported that the plans' unfunded liability had grown to about $5 billion and that they were not as well funded as other public plans.[3] Our report also noted that the District faced an increasing demand on revenues from the three plans. We reported that by the year 2005 its contributions could grow to about 15 percent of revenues ($640.2 million), compared with about 8 percent ($234.9 million) in 1991.

Similarly, as shown in figure 1.1, without changes to the current law the District's contributions to the three plans as a percentage of payroll will increase from 54 percent to a high of 71 percent in 2005, when federal contributions cease.

[2]In a defined benefit plan, the employer promises a specific benefit that is generally based on an employee's years of service, earnings, or both.

[3]See Districts' Pensions: Billions of Dollars in Liability Not Funded (GAO/HRD-93-32, Nov. 30, 1992).

**Figure 1.1: District Contributions as a Percent of Payroll Under Current Law** (Fiscal Years 1995-2040)




Since our report, there has been much discussion about how to address these plans' continued underfunding. H.R. 3728, in conjunction with D.C. Act 10-239, has been proposed as one means to do so. The House bill and the District's act would eliminate the unfunded liability in the year 2035, mainly by increasing the obligations of the federal government, active plan participants, and retirees, and by placing the District's contributions on an actuarial basis. (See chapter 3 for a full discussion of these provisions.)

Concern for the plans' underfunding was heightened by the District's recent cash flow difficulties. These difficulties caused the District to defer its contributions to the funds for the second and third quarters of fiscal year 1994 until fiscal year 1995. This action led to a lawsuit by the District of Columbia Retirement Board (DCRB) that required the contributions to be made. We reported in June 1994[4] that the District is faced with both unresolved long-term financial issues and continued short-term financial crises, such as a significant and continuing decline in its cash position.

Placing the plans' funding on an actuarial basis and eliminating their unfunded liability would relieve the District of a significant financial

[4]See Financial Status: District of Columbia Finances (GAO/AIMD/GGD-94-172BR, June 22, 1994).

burden. Such action would also help ensure that sufficient funds are available to pay future retirement benefits.

## Objectives

To fully evaluate H.R. 3728, the Ranking Minority Member of the House Committee on the District of Columbia requested us to provide certain information related to the three plans and their unfunded liability. Specifically, he asked us to provide

- the history and current status of the plans' unfunded pension liability and the number of plan participants before Home Rule, including a comparison of the plans' unfunded liability with other state and local plans, and
- an analysis of the District's funding formula under the proposed legislation and alternative federal funding methods.

## Scope and Methodology

To develop the history of the plans' unfunded liability, we reviewed the legislative history of the District of Columbia Retirement Reform Act of 1979, which established the pension funds for the three plans. We also reviewed the reports of commissions that had been established at various times by the Congress and the District government to evaluate the District's fiscal activities, including reviews of the plans' pension funds. In addition, we held discussions with and obtained information from District government and DCRB staff and officials, such as the number of plan participants before Home Rule.

To compare the three plans' unfunded liability with other state and local plans, we obtained survey data published in March 1993 by the Public Pension Coordinating Council. We used these data to update the comparison of the funding status of the three District plans with 24 comparable defined benefit state and local governmental pension plans in our November 1992 report.

To analyze H.R. 3728 and the companion District act we used, in part, a study of the bill that was done for DCRB by Milliman & Robertson, Inc., its actuarial consultants. In addition, we reviewed the actuarial model developed by the firm and used it to determine the potential effects of alternate funding methods for eliminating the three plans' unfunded liability. This model includes typical actuarial assumptions about rates of inflation, wage increases, and investment earnings.[5]

[5]We presented the preliminary results of our work at the June 14, 1994, hearing of the Subcommittee on Fiscal Affairs and Health, House Committee on the District of Columbia. See D.C. Pensions: Plans Consuming Growing Share of District Budget (GAO/T-HEHS-94-192, June 14, 1994).

Our work was performed from January through October 1994 in accordance with generally accepted government auditing standards. We did not obtain agency comments on this report. However, we discussed the history and status of the three pension plans with District officials to ensure that the report's descriptions were accurate and complete.

# History and Current Status of Three District Pension Plans

When the Congress created the District's plans for police officers and firefighters, teachers, and judges, it provided for funding them on a pay-as-you-go basis. Beginning in the mid-1970s, congressional committees considered various proposals to fund the plans on an actuarial basis and to eliminate their unfunded liability. In 1978, the Congress passed one proposal that, however, was vetoed because the federal funding obligation was deemed too high. In 1979, compromise legislation was enacted that provided for lower federal funding and modified pay-as-you-go payments for the District. Because this legislation did not provide for eliminating the plans' unfunded liability, the liability had increased to $5 billion in 1993, with the plans continuing to be not as well funded as other comparable public plans.

## Plans Initially Funded on Pay-As-You-Go Basis

The Congress created defined benefit pension plans for District of Columbia police officers and firefighters, teachers, and judges at different times: police officers and firefighters in 1916; teachers in 1920; and judges in 1970. These plans were funded on a pay-as-you-go basis, which meant that they received only enough money to pay current annual retirement benefits but did not accumulate any funds with which to meet the constantly accruing future pension liabilities of their participants.

In 1946, however, the funding of the teachers' plan was changed to an actuarial basis so that the District's contribution covered the normal cost of the plan as well as amortizing the accrued unfunded liability over a 20-year period. Subsequently in 1968, the District's commissioners requested and were granted permission by the Congress to fund only the normal cost of the plan each year because of the need to use revenues for other purposes. This change was enacted in 1970 by Public Law 91-263, which put the fund on a modified pay-as-you-go basis, covering only the normal cost each year. This law also froze the fund at its June 20, 1969, balance of $61.8 million and mandated that it remain at that level or the amount of the employees' equity, whichever was greater.

## Early Attempts to Fund Plans Were Not Successful

Congressional concern with District operations led to the establishment of the Commission on the Organization of the Government of the District of Columbia (Nelsen Commission) in September 1970. The commission's charter was to analyze the District government's operations with the goal of promoting increased economy and efficiency. Accordingly, the scope of the commission's review included the District's pension plans for police officers and firefighters and teachers (the judges plan was not within its charter). The commission's August 1972 report[6] recommended the creation of a separate pension fund for police officers and firefighters that would invest moneys not required for current operations and have periodic Department of the Treasury actuarial valuations. In addition, the commission recommended actions to reverse the increase in the unfunded liabilities in the police officers' and firefighters' and teachers' plans and to provide a means for financing any liberalization of their benefits that might be approved in the future.

In May 1974, in response to the Nelsen Commission report, the Chairman of the House Subcommittee on Revenue and Financial Affairs, Committee on the District of Columbia, introduced H.R. 15139, intended to establish and finance a pension fund for police officers and firefighters. There was opposition from the Office of Management and Budget (OMB) and the bill died in Subcommittee.

The Congress took no further action on the pension funding issue until March 1976,[7] when legislation was considered by the House Subcommittee on Fiscal Affairs, Committee on the District of Columbia.[8] An objective of the legislation was to establish an actuarially sound basis for financing retirement benefits in the plans for police officers and firefighters, teachers, and judges. H.R. 14960 was reported out by the full Committee in August 1976, but was not considered by the House because of opposition by OMB.

## Federal and District Shares of Unfunded Liability Defined

On April 6, 1977, the House Subcommittee on Fiscal Affairs, Committee on the District of Columbia, reported out H.R. 2465. Subsequently, the bill was reported out of the Committee on April 26, 1977; introduced in the full House as H.R. 6536; and passed in September 1977. This legislation authorized a total federal contribution of about $769 million over 25 years, starting at about $48 million in 1978 and declining to $2 million in 2003, to help finance the liabilities for retirement benefits incurred before Home Rule.

[6]Report of the Commission on the Organization of the District of Columbia, House Document No. 92-317 (Aug. 17, 1972).

[7]Effective January 2, 1975, the District of Columbia was granted Home Rule. Under this law, a number of functions formerly administered by the federal government were moved to the control of the District government. With this authority also came increased financial and fiscal responsibilities.

[8]In March 1976, H.R. 12441 was considered by the Subcommittee on Fiscal Affairs. In June of that year, the House Committee on the District of Columbia held hearings and markups on H.R. 13467 and, in August, on H.R. 14960. Both bills encompassed H.R. 12441, as amended.

Later that year, in November 1977, the Senate considered S. 2316, which differed somewhat from H.R. 6536. Among other things, the Senate bill required annual federal payments of $80 million for 25 years and included tougher standards for disability benefits.[9] The federal payments were intended to amortize the unfunded liability of about $1.05 billion for retirements that had occurred before Home Rule; this liability was deemed to be the federal share of the total unfunded liability of about $2.09 billion that had been incurred up to that time. The remaining balance of $1.04 billion, which was attributable to nonretirees, was deemed to be the District's share of the total unfunded liability. (Subsequently, the Department of the Treasury calculated that the total unfunded liability was about $2.7 billion—see p. 19.)

However, the formula in the Senate bill for computing the District's annual contributions did not provide for amortizing the District's share of the unfunded liability. While the Committee report on the bill recognized that actuarially based funding required the liability to be amortized, the report also stated that in the long run full funding of the District's share was fiscally impossible given its strained financial circumstances and competing claims on revenues. However, the Committee believed that the District could afford to pay—for an initial interim 25-year period, as the federal share was being amortized—the lesser of (1) the net normal cost plus interest on its share of the unfunded liability and (2) the net pay-as-you-go cost plus an amount that, paid annually to 2003, would allow the District's share of the unfunded liability to increase by no more than the rate of inflation. Thereafter, the District would pay the net normal cost plus interest on the unfunded liability.

The Senate passed H.R. 6536, which had been amended to incorporate S. 2316.[10] In October 1978, the House and Senate conference committee reported out H.R. 6536, which authorized a smaller federal contribution of $65 million annually over 25 years.

[9]The report accompanying S. 2316 noted that in the District (1) in 1969, of the total number of retirees, 99 percent of firefighters and 98 percent of police were retired on disability, and (2) in 1977, 63 percent of firefighters and 52 percent of police retired on disability. The report contrasted these data with disability retirements between 15 and 46 percent in other cities between 1971 and 1975. Thus, S. 2316 sought to eliminate "...costly abuses that have added substantially to the rising cost of the pension system."

[10]The report accompanying S. 2316 indicated that if as a result of revised actuarial calculations the federal payments authorized in the bill were insufficient to pay the federal share of the unfunded liability for persons retired before Home Rule, additional funds would be authorized and appropriated to reduce the federal obligation of the unfunded liability to zero by the end of fiscal year 2003.

## Controversy Over Appropriate Level of Federal Contributions

In November 1978, then President Carter vetoed H.R. 6536. His veto message articulated two principal arguments: the federal contribution authorized by the Congress overstated the appropriate federal liability, largely because the existing liability was due to abuses of the disability retirement statutes before Home Rule; and the amount authorized ignored the continuing federal contribution for thousands of District employees covered by the federal Civil Service Retirement System (CSRS).[11]

The Carter administration stated that it was willing to assume 60 percent of the cost of moving the affected District plans to an actuarially sound system. Under this proposal, the federal government would have contributed $462 million over 25 years. However, the veto message noted that with H.R. 6536 the Congress supported a more costly funding method that obligated the federal government to pay about $1.6 billion over the same time period.

## Funding Compromises Led to Enactment of Legislation

Following the veto, the Congress addressed the pension plans' funding issue again in 1979. The House and Senate agreed to S. 1037, which represented a compromise between the Senate's provisions for fully amortizing the federal share and the House's partial amortization provisions. The Senate bill provided for funds to cover the unfunded liability for all retirements—service and disability—before Home Rule; the House bill provided funds for 75 percent of the unfunded liability for service retirements and 33-1/3 percent of the unfunded liability for disability retirements before Home Rule.

In November 1979, S. 1037, the District of Columbia Retirement Reform Act of 1979, was signed into law. The act notes that the retirement benefits—which Congress had authorized for the police officers, firefighters, teachers, and judges of the District of Columbia—had not been financed on an actuarially sound basis. Neither federal payments to the District nor District payments for pensions had taken into account the long-term financial requirements of these retirement plans. Consequently, the act established for the first time separate retirement funds for (1) police officers and firefighters, (2) teachers, and (3) judges. The act also established a retirement board to manage the funds, required that the funds be managed on an actuarially sound basis, and provided federal

[11]An April 1976 letter from the Comptroller General to the Chairman of the House Committee on the District of Columbia, commenting on an earlier bill (H.R. 12441), estimated that in fiscal year 1975 the federal government subsidized the District by more than $55 million for those District employees covered under CSRS. This was money that the District would have had to fund annually from its own budget, absent the federal contribution.

contributions to these funds to partially finance the liability for retirement benefits incurred before January 2, 1975, the effective date of Home Rule. At that time, the three plans had a total of 14,095 active participants and 7,657 retirees (see table 2.1).

**Table 2.1: Number of Active Participants and Retirees in the Three Plans**

| | Participants | | |
|---|---|---|---|
| **Plan** | **Active** | **Retired** | **Total** |
| Police officers | 4,700[a] | 3,504[b] | 8,204 |
| Firefighters | 1,383[b] | 1,514[b] | 2,897 |
| Teachers | 7,959[b] | 2,629[b] | 10,588 |
| Judges | 53[a] | 10[a] | 63 |
| **Total** | **14,095** | **7,657** | **21,752** |

[a]As of September 30, 1974.

[b]As of December 31, 1974.

The act committed the federal government to pay $52.07 million annually beginning in fiscal year 1980 and continuing through 2004. This amount represented a compromise between the Congress and the administration in defining the appropriate federal share of the plans' unfunded liability. Under the act, the federal share was 80 percent of the service retirement unfunded liability and 33-1/3 percent of the disability retirement unfunded liability,[12] as of October 1, 1979, for District employees who had retired as of January 2, 1975, the effective date of Home Rule.[13] The present value of the total federal government obligation for the 25-year period was then $646 million, an amount anticipated to be sufficient to pay off the revised federal share of the unfunded liability by the year 2005.

[12]The reform act also tightened eligibility requirements for disability retirements and provided that if the rates of disability retirements exceeded a certain percentage the federal contribution would be reduced.

[13]The conference report stated that, while the conferees believed that a proper statement of federal responsibility would be to fund the entire unfunded liability for all service retirements before Home Rule, they agreed to fund 80 percent of such retirements, with a commensurate reduction in total funding, in order to produce legislation that could be enacted into law.

## Basis for District Contributions Did Not Include Amortization of Its Share of Unfunded Liability

The 1979 reform act's provisions reflected the earlier congressional beliefs that (1) in the long term the District's financial condition would not enable it to pay off its share of the unfunded liability and (2) in the near future the District should not be burdened with having to pay the net normal cost[14] plus interest on its share of the unfunded liability. Therefore, an alternate method was adopted for the 25 years before 2005, providing for substantially lower contributions. Accordingly, the annual District contribution to the pension funds, as determined by DCRB based upon a formula in the act, consists of the sum of three items:

- The lesser of (1) the net pay-as-you-go cost or (2) the net normal cost plus interest on the unfunded actuarial liability.[15]
- An amount necessary to amortize over 10 years the difference of (1) the actuarially projected unfunded liability in the year 2004 if no such amortization payments were made and (2) the actuarially projected liability in the year 2004 if the 1979 unfunded liability grew by the anticipated rate of inflation during the interim. However, any additional amount required under this provision may not exceed 10 percent of the net pay-as-you-go cost for the police officers' and firefighters' plan or 30 percent for the teachers' or judges' plans.
- An amount necessary to amortize over 25 years any liability due to plan changes.

After the federal contribution ceases, the reform act provides that beginning with fiscal year 2005 the District's contribution to the three funds will be an amount equal to their net normal cost plus interest on their unfunded liability. On the effective date of the reform act in November 1979, the District's share of the unfunded liability was about $2 billion, based on Department of the Treasury calculations:

Present value of total unfunded liability: $2,676,200,000;
less present value of future federal payments: $646,400,000;
equals present value of the District's unfunded liability: $2,029,800,000.

[14]The net normal cost for the District is the sum of the normal costs for the participants minus the employee contributions.

[15]The unfunded actuarial liability is computed, in accordance with the act, as the difference between the actuarial accrued liability less the sum of the current value of the assets in the funds and the federal obligation in the future.

## Unfunded Liability Will Be a Significant Financial Burden to the District in 2005

In 1989, the District's concern with its financial condition resulted in the Mayor appointing an independent commission charged with developing a fiscal strategy for fiscal years 1992-96. As part of its charter, the commission reviewed the pension funds for police officers and firefighters, teachers, and judges. The commission's 1990 report[16] noted that while the reform act's funding formula did not permit unfunded liabilities to accrue, it did permit the existing liability to grow. The report also pointed out that, under the District's funding formula, in 2005 the unfunded liability would be $8 billion and that the District's required contribution would be $795 million—about 85 percent of the payroll for the three plans. Accordingly, the commission made the following recommendations:

- Adoption of a funding policy that would include annual funding of the normal cost, amortization of the unfunded liability as a level percentage of payroll over 45 years, and an increase in the investment return assumption from 7 to 8 percent per year.
- Continuation of the annual federal contributions of $52.07 million per year for 49 (instead of 14) more years, with an annual 5-percent increase in the amount of the payment—the assumed rate of inflation used in determining pension costs.
- Reduction of 1 percent in the automatic cost-of-living increases for retirees.[17]

Our November 1992 report echoed the commission's observations about the unfunded liability for the three plans. We stated that the effect of the reform act was to allow the initial $2.0 billion unfunded liability to increase to about $4.9 billion in 1993, due mostly to interest accruing on it. Our report noted that because the reform act specified limitations on the level of amortization contributions the District could make, no amortization of the unfunded liability was possible. We also pointed out that in 2005 the District's annual contribution could represent about 15 percent of its revenues, compared with about 8 percent in 1991, and that the unfunded liability, which could be as high as $7.7 billion,[18] would remain constant beginning in that year.

[16]Financing the Nation's Capital: The Report of the Commission on Budget and Financial Priorities of the District of Columbia (November 1990) (commonly known as the Rivlin Commission report).

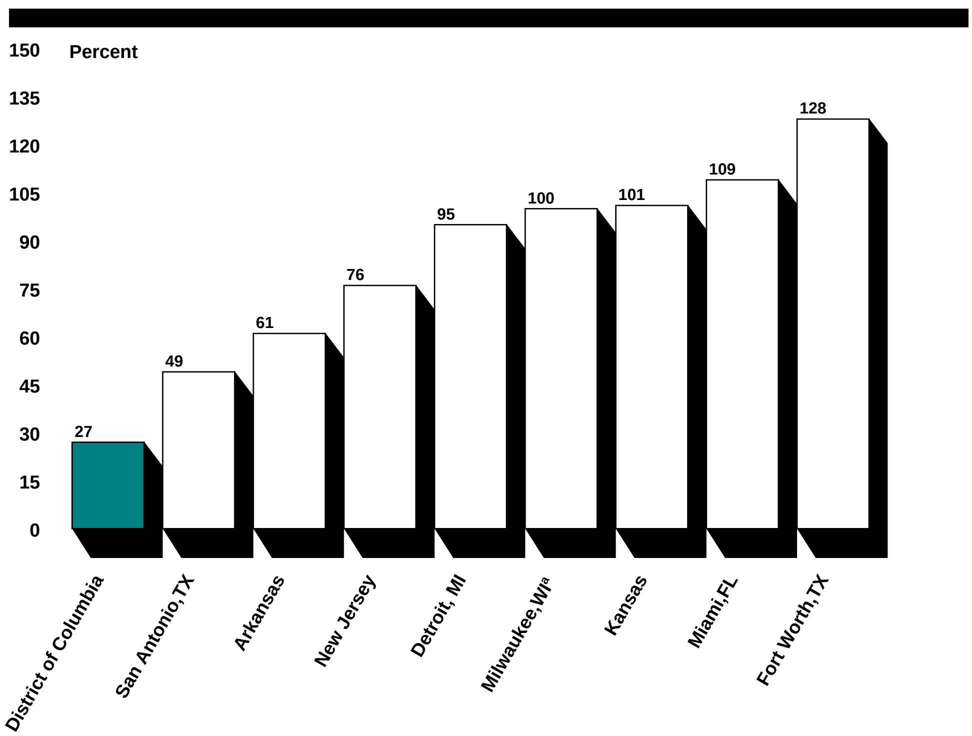
[17]Two of the commission's recommendations are reflected in H.R. 3728, discussed in chapter 3.

[18]DCRB's actuary currently estimates that this amount will be about $6.1 billion because of favorable actuarial experience over the past few years, such as higher investment earnings and lower inflation and wage increases than previously estimated.

## District Plans Still Not as Well Funded as Comparable Plans

The effect of the funding formula in the 1979 reform act has been to limit the funded status of the three plans. In our November 1992 report, we pointed out that the three District plans were not funded as completely as other comparable state and local governmental plans. In updating our data we found that this continues to be the case for the 24 plans. Of the three District plans, the police officers' and firefighters' plan has the lowest funding level compared with all the other plans, while the plans for teachers and judges are a little better funded but still at lower levels than comparable plans. Figures 2.1 through 2.3 compare the funded status of the three District plans with the same public plans[19] that were included in our earlier report. (See app. III for a complete list of the plans.)

**Figure 2.1: Pension Benefit Obligations Covered by Assets for Plans for Police Officers and Firefighters**




[a]Plan also covers employees other than police officers and firefighters.

[19]Public employees are not universally covered by Social Security. Because participants in the three District plans are not covered, we compared these plans with other plans in which all employees are not covered by Social Security.

Figure 2.2: Pension Benefit Obligations Covered by Assets for Plans for Teachers

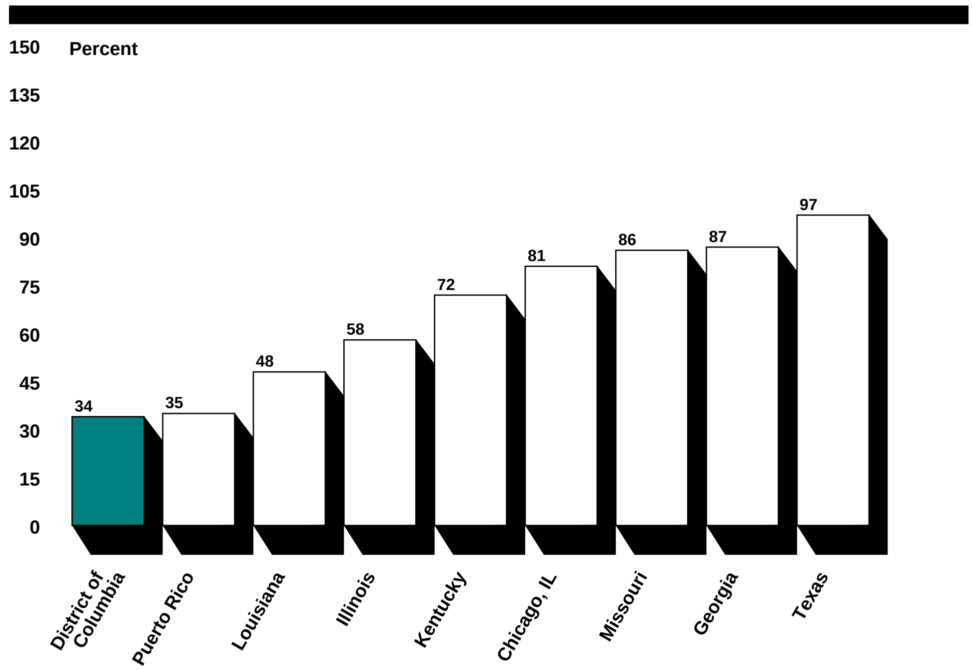
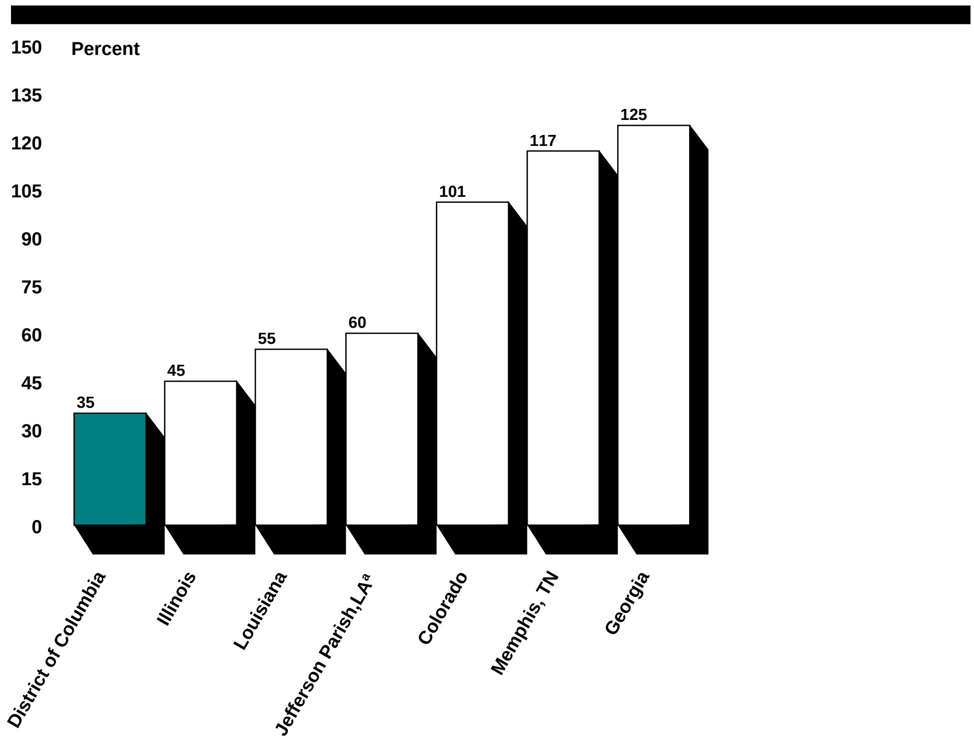


Figure 2.3: Pension Benefit Obligations Covered by Assets for Plans for Judges




[a]Plan also covers employees other than judges.

## Summary Observations

In congressional deliberations leading up to the 1979 reform act, the appropriate federal responsibility for the three plans' unfunded liability as of the effective date of Home Rule was considered to be the portion that represented all retirees. However, to ensure presidential approval of the reform act, the Congress agreed to fund less than the full amount of these retirees' share: 80 percent of service retirements and 33-1/3 percent of disability retirements. It was anticipated that the authorized annual federal payments of $52.07 million would amortize this share by the year 2005.

Congressional deliberators recognized the need to amortize the District's share of the plans' unfunded liability as of the effective date of Home Rule. However, they believed that the District's financial resources (1) would never enable its share to the amortized, (2) would eventually enable it to pay the annual net normal cost and interest on its share, and (3) should not be overly burdened with paying the latter amounts during the 25-year period in which the federal share was being amortized. Accordingly, the formula for calculating the District's annual contribution was devised to limit its payments to amounts that essentially allow its share of the unfunded liability to increase with the rate of inflation to the year 2005 and to remain constant after that time. In that year, the unfunded liability could be about $6.1 billion and the District's contribution could be about 15 percent of its revenues, compared with about 8 percent in 1993—a significant financial burden. The effect of the reform act's funding formula has been to limit the three plans' funded status compared with other public plans.

Given the District's current financial condition, the congressional concerns about the District's financial capability appear to have been appropriate. Unless the District's financial condition improves significantly, the District will not likely be able to eliminate the plans' unfunded liability without federal financial assistance.

# Proposed Legislation Would Eliminate the Unfunded Liability

The District government deliberated the issue of the three plans' unfunded liability and enacted legislation to eliminate it. The District's act, however, will not take effect until companion federal legislation is enacted. Without such a federal law, the plans' unfunded liability will continue to grow and the District's annual contributions will consume an increasing portion of its revenues.

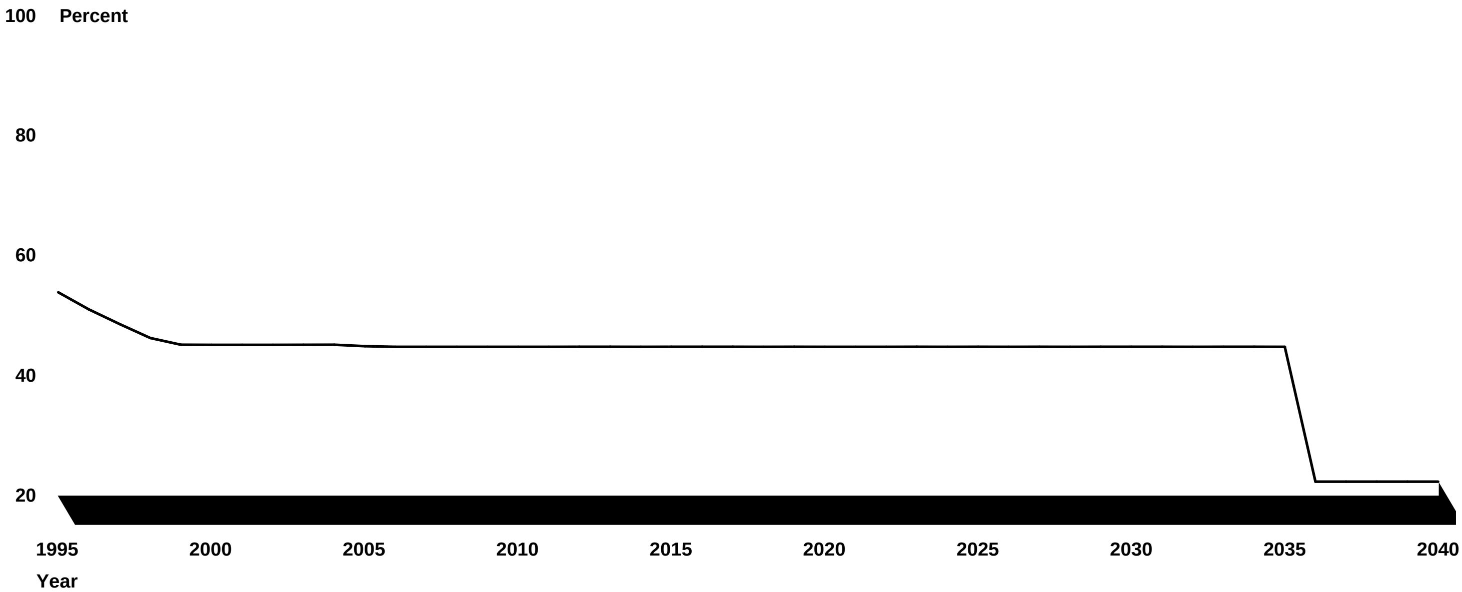
The three plans' unfunded liability would be eliminated under proposed companion legislation that was introduced in the District of Columbia Council in December 1993 (Council Bill 10-515) and in the House of Representatives in January 1994 (H.R. 3728). Both bills contained the same provisions, except for District contribution requirements that were only in the Council's bill. Both bills included provisions for increasing the federal government's and employees' obligations and placing the District's contributions on an actuarial basis. The District's bill was enacted into law on May 4, 1994, as D.C. Act 10-239, the Full Funding of Pension Liability Retirement Reform Amendment Act of 1994, but it will not take effect until H.R. 3728 or comparable companion federal legislation is enacted. Thus, the House bill is a companion to the District's law and should be considered in conjunction with it.[20]

## Effects of H.R. 3728

A study of H.R. 3728 conducted by an actuarial consulting firm for DCRB concluded that it would effectively eliminate the unfunded liability for the three plans in the year 2035. This would be accomplished through placing additional obligations on the federal government and active and retired employees and putting the District's contributions on an actuarial basis, while also mandating a minimum annual District payment. The basic approach is to stabilize the District's contributions at 45 percent of payroll through year 2035, as shown in figure 3.1. At 45 percent of payroll, the annual contributions would range from $403.5 million in year 2005 to $1.7 billion in year 2035. Maintaining pension contributions as a level percentage of payroll is the most common funding method used by public sector pension plans.

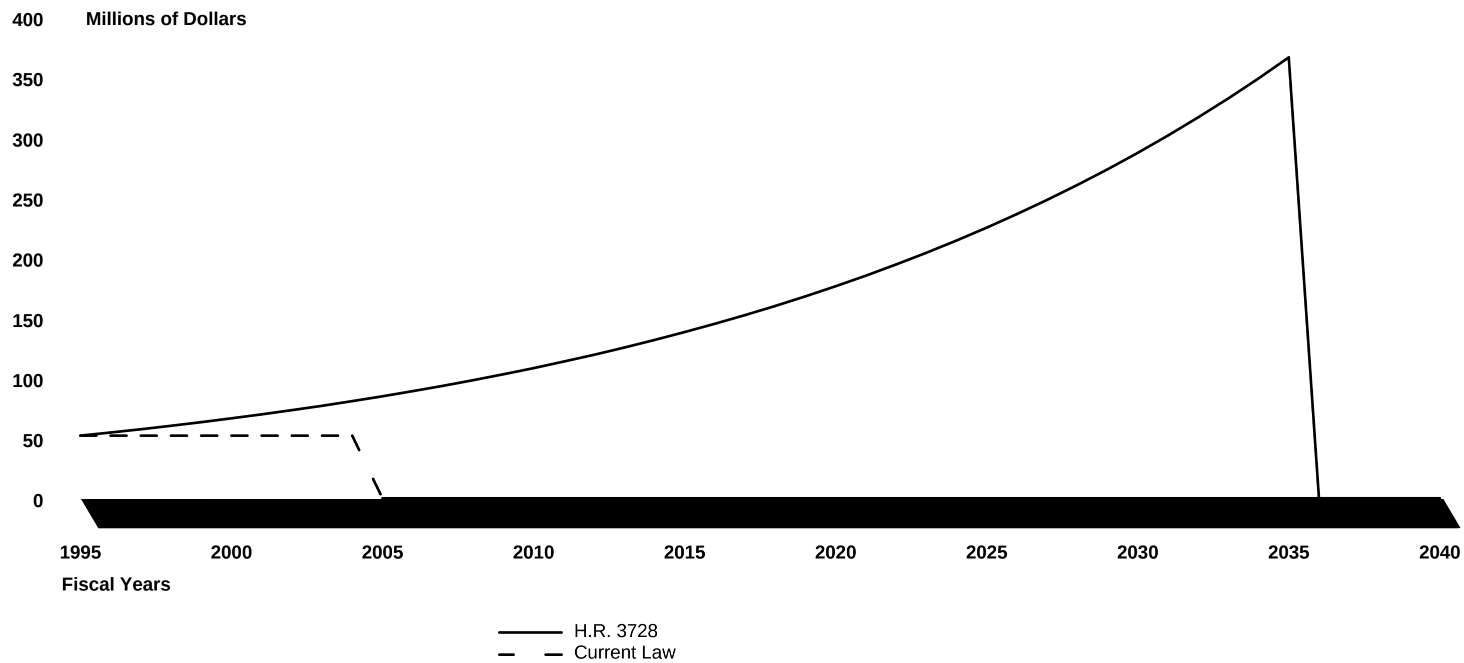
[20]Subsequent references in this chapter to H.R. 3728, the District of Columbia Pension Liability Reform Act of 1994, include the District's act.

**Figure 3.1: District Contributions as a Percent of Payroll Under H.R. 3728**




The federal contribution to the plans would significantly increase under H.R. 3728. Under current law, the annual federal payments of $52.1 million, which have a present value of about $392 million, cease as of 2005. The bill proposes increasing the federal payment by 5 percent each year, beginning with fiscal year 1996, and extending it for 30 additional years, from 2005 through 2035. The federal payment would increase substantially in the latter part of the 40-year period, rising to about $367 million in the 40th year (see fig. 3.2). Overall, the present value of the total federal obligation would be increased by about $1.1 billion. (See app. I.)

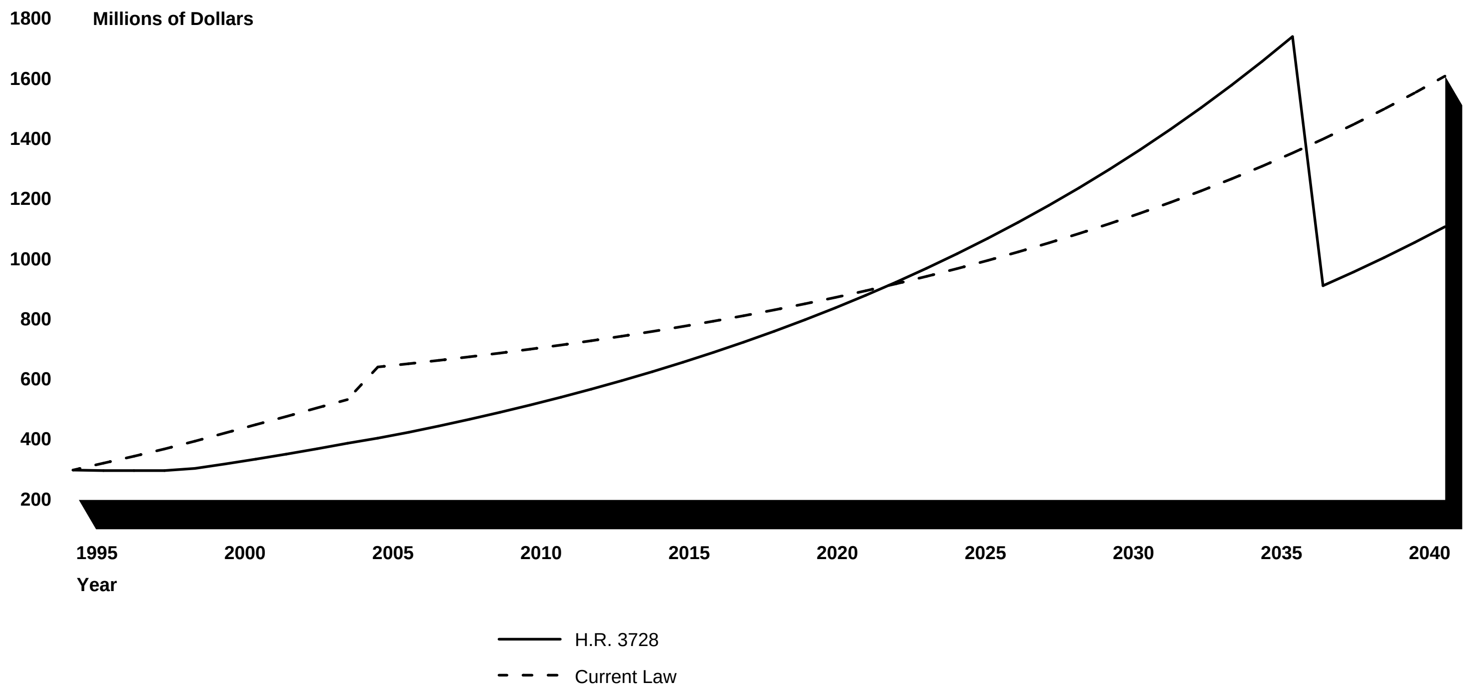
**Figure 3.2: Federal Contributions Under Current Law and H.R. 3728**




The obligations of the plans' active participants would increase and the retirees' benefits would decrease. All three plans' active participants would be required to contribute an additional 1 percent of pay: police officers', firefighters', and teachers' contributions would rise from 7 to 8 percent, and judges' would go from 3.5 to 4.5 percent. In addition, retirees' cost-of-living adjustments would be reduced from two to one each year. Also, police officers and firefighters who retired before February 15, 1980, would receive cost-of-living adjustments based on the consumer price index rather than on the active participants' pay raises.

Finally, H.R. 3728 requires several changes in the District's responsibilities. In particular, the formula for determining the District's payment would be changed to one that is actuarially based; this approach adjusts the District's contributions to a level percentage of payroll and is most commonly used by public sector plans. Under this formula, the District's contribution would be stable as a level percentage of payroll and consist of several components: (1) the plans' net normal cost; (2) the amortization of their unfunded liability as of October 1, 1995, over 40 years; and (3) the amortization of actuarial gains and losses as well as benefit increases over 15 and 25 years, respectively. However, the bill specifically provides that the District's annual contribution must be at least $295.5 million, the amount of its certified contribution for 1995. Using this approach, the District's contributions would be slightly lower than current costs in the first few years, then increase in step with payroll. The percentage of payroll contribution for these groups will gradually fall from the current 53.8 percent to 44.8 percent after 2005. The District's contributions from 1996 through 2020 would be less than the current law requires and would be greater thereafter (see fig. 3.3). The present value of the District's contributions under current law through 2035 is about $8.2 billion and decreases to about $7.0 billion under the bill.

Figure 3.3: District Contributions Under Current Law and H.R. 3728



We note that under the District's act, its contributions would be at the mandatory $295.5 million minimum for fiscal years 1996 through 1998. Our analysis shows that this provision results in the District paying a total of about $58 million more in annual dollars than would be required actuarially. As table 3.1 shows, for example, the 1996 payment is $32.7 million more than the actuarially determined amount.

**Table 3.1: District Contributions Under H.R. 3728 With and Without Minimum Contribution Requirement**

Dollars in millions

| | Amount of District contribution | | |
|---|---|---|---|
| **Fiscal year** | **With minimum** | **Without minimum** | **Savings** |
| 1996 | $295.5 | $262.8 | $32.7 |
| 1997 | 295.5 | 276.0 | 19.5 |
| 1998 | 295.5 | 289.8 | 5.7 |
| **Total** | **$886.5** | **$828.6** | **$57.9** |

## Summary Observations

The plans' current funding method and their unfunded liability represent a significant and increasing financial burden to the District. For this reason, we support timely action on eliminating the unfunded liability and placing the plans' funding on a sound actuarial basis.

H.R. 3728 sets forth one approach that would resolve these matters along the foregoing general lines. However, we are concerned with the proposed federal funding method because the annual 5-percent increase is inequitable to future generations of taxpayers—particularly in the latter part of the 40-year period—because it requires them to help eliminate a greater share of a liability incurred by much earlier generations. A more equitable federal funding method, which shifts less of the burden to the future, would be a constant annual payment, as under current law (see further discussion in ch. 4). We also note that the District's payments would be about $58 million higher for the first 3 years under D.C. Act 10-239 than actuarially required.

# Alternative Federal Funding Methods to Replace the Escalating Payments Proposed Under H.R. 3728

Under H.R. 3728, federal contributions to the three District plans would increase by 5 percent annually, going from $54.7 million in 1996 to $366.6 million in 2035. In lieu of these increasing payments, we analyzed the effect of various constant annual federal payments. Our analysis shows that total federal obligations would be less than under H.R. 3728 with level annual payments ranging from $52.1 million to $92.1 million. The federal obligation would be about one-half of the amount under the bill if the current annual payment of $52.1 million is continued through the year 2035. Somewhat smaller federal savings would be attained under the bill with higher constant annual payments up to $92.1 million but in these circumstances the District's overall burden would be increased. However, an annual federal payment of $102.1 million would have about the same effect on District contributions as the bill.

## Federal Obligation Would Be Smaller Under Alternate Constant Payments

In lieu of the incremental federal payments proposed by H.R. 3728, we analyzed the effect of constant federal payments of various amounts through the year 2035. Our analysis shows that the greatest federal savings—about one-half of the amount that would be paid under H.R. 3728—would be realized by extending the current federal payment of $52.1 million. (These data are summarized in table 4.1 below and detailed in app. II.) This change would also increase the District's contributions by about 10 percentage points in today's value (present value). Somewhat smaller federal savings under the bill would be obtained with annual payments of $72.1 million and $92.1 million.

**Table 4.1: Present Value of Federal and District Contributions Under H.R. 3728 and Various Constant Annual Federal Payment Amounts From 1995 Through 2035**

Dollars in millions

| | Under H.R. 3728 | Constant federal amounts $52.1 | $72.1 | $92.1 |
|---|---|---|---|---|
| Present value of federal contribution | $1,501 | $746 | $1,033 | $1,320 |
| Present value of District contribution | 7,007 | 7,695 | 7,444 | 7,202 |
| Percent change in present value from bill | | | | |
| Federal payments | • | –50.0% | –31.2% | –12.1% |
| District payments | • | +9.8% | +6.2% | +2.8% |

In terms of the District's contributions as a percentage of payroll, the changes are less dramatic (see table 4.2). The effect of a constant federal payment of $52.1 million would be to increase the District's contributions as a percentage of payroll by about 5 percentage points from the 45 percent under H.R. 3728.

Table 4.2: District Contributions as a Percent of Payroll Under Various Constant Federal Payments Through 2035

Dollars in millions

| District contribution as a percentage of payroll | Amount of federal payment | | | |
|---|---|---|---|---|
| | Under bill | $52.1 | $72.1 | $92.1 |
| Fiscal year 1995 | 54% | 54% | 54% | 54% |
| Fiscal year 2005 to 2036 | 45% | 50% | 48% | 46% |
| Fiscal year 2036+ | 22% | 22% | 22% | 22% |

Given the District's current fiscal situation, however, a question arises as to the amounts that the District could realistically be expected to contribute in future years. For example, the 5-percentage point increase in the District's percentage of payroll in 2005, with a constant $52.1 million federal payment, equates to an additional District contribution of about $45 million that year, for a total of $448.2 million. In contrast, the comparable increases under a constant federal payment of $92.1 million amount to a much more modest $13.1 million. (See app. II.) However, an annual federal payment of $102.1 million—present value of about $1.46 billion—would also stabilize the District's contributions at about 45 percent of payroll.

## Conclusions

H.R. 3728 proposes a substantial increase in the federal obligation to the three District pension plans to help eliminate their unfunded liability by extending and escalating the current annual federal payment of $52.1 million to year 2036. This approach, however, inequitably burdens future taxpayers by requiring them to help eliminate a greater share of a liability incurred by much earlier generations. Instead, the unfunded liability could be eliminated with annual federal payments of a constant amount. Constant annual federal payments of about $102.1 million through 2035 would achieve the same results as the bill in terms of stabilizing the District's contributions at about 45 percent of payroll from the year 2005 through 2035. Also, such payments would cost the federal government $40 million less overall than the total federal payments under H.R. 3728.

## Matters for Congressional Consideration

If the Congress wishes to change the law to increase federal payments to the three District pension plans, it should consider authorizing a constant annual payment rather than the escalating payments provided for in H.R. 3728. A constant annual approach would be more equitable because it would avoid shifting to future taxpayers a disproportionate share of the burden of financing the three plans. In addition, if the Congress concludes that the federal share should be increased in total by the amount authorized in H.R. 3728—calculated at about $1.1 billion in value today—the appropriate constant annual federal payment would be $102.1 million.

# Comparison of District and Federal Payments Under H.R. 3728 and Current Law

Dollars in millions

| | H.R. 3728 | | | | Current law | | | |
|---|---|---|---|---|---|---|---|---|
| Fiscal year | District payment | Percent of payroll | Federal payment | Unfunded liability | District payment | Percent of payroll | Federal payment | Unfunded liability |
| 1995 | 297.2 | 53.82 | $52.1 | $5,000 | $297.2 | 53.82 | $52.1 | $5,100 |
| 1996 | 295.5 | 50.97 | 54.7 | 5,200 | 320.2 | 55.23 | $52.1 | 5,300 |
| 1997 | 295.5 | 48.54 | 57.4 | 5,300 | 343.2 | 56.37 | $52.1 | 5,400 |
| 1998 | 295.5 | 46.22 | 60.3 | 5,500 | 367.4 | 57.47 | $52.1 | 5,500 |
| 1999 | 302.7 | 45.10 | 63.3 | 5,700 | 393.4 | 58.61 | $52.1 | 5,600 |
| 2000 | 317.7 | 45.08 | 66.5 | 5,900 | 420.9 | 59.72 | $52.1 | 5,700 |
| 2001 | 333.6 | 45.08 | 69.8 | 6,000 | 448.5 | 60.61 | $52.1 | 5,800 |
| 2002 | 350.3 | 45.08 | 73.3 | 6,200 | 475.6 | 61.20 | $52.1 | 5,900 |
| 2003 | 367.9 | 45.09 | 76.9 | 6,400 | 503.9 | 61.76 | $52.1 | 6,000 |
| 2004 | 386.4 | 45.10 | 80.8 | 6,600 | 531.7 | 62.06 | $52.1 | 6,000 |
| 2005 | 403.5 | 44.86 | 84.8 | 6,800 | 640.3 | 71.18 | 0.0 | 6,100 |
| 2006 | 422.7 | 44.75 | 89.1 | 7,000 | 651.0 | 68.93 | 0.0 | 6,100 |
| 2007 | 443.8 | 44.75 | 93.5 | 7,100 | 662.3 | 66.78 | 0.0 | 6,100 |
| 2008 | 466.0 | 44.75 | 98.2 | 7,300 | 674.1 | 64.74 | 0.0 | 6,100 |
| 2009 | 489.3 | 44.75 | 103.1 | 7,400 | 686.5 | 62.79 | 0.0 | 6,200 |
| 2010 | 513.8 | 44.75 | 108.2 | 7,600 | 699.6 | 60.94 | 0.0 | 6,100 |
| 2011 | 539.5 | 44.75 | 113.7 | 7,700 | 713.2 | 59.16 | 0.0 | 6,100 |
| 2012 | 566.5 | 44.76 | 119.3 | 7,900 | 727.6 | 57.49 | 0.0 | 6,100 |
| 2013 | 594.8 | 44.76 | 125.3 | 8,000 | 742.7 | 55.88 | 0.0 | 6,100 |
| 2014 | 624.5 | 44.75 | 131.6 | 8,100 | 758.5 | 54.35 | 0.0 | 6,100 |
| 2015 | 655.8 | 44.76 | 138.2 | 8,200 | 775.1 | 52.90 | 0.0 | 6,100 |
| 2016 | 688.6 | 44.76 | 145.1 | 8,200 | 792.6 | 51.52 | 0.0 | 6,100 |
| 2017 | 723.0 | 44.76 | 152.3 | 8,300 | 810.9 | 50.20 | 0.0 | 6,100 |
| 2018 | 759.1 | 44.75 | 159.9 | 8,300 | 830.2 | 48.94 | 0.0 | 6,100 |
| 2019 | 797.1 | 44.76 | 167.9 | 8,300 | 850.4 | 47.75 | 0.0 | 6,100 |
| 2020 | 836.9 | 44.75 | 176.3 | 8,300 | 871.6 | 46.61 | 0.0 | 6,100 |
| 2021 | 878.8 | 44.75 | 185.1 | 8,300 | 893.9 | 45.52 | 0.0 | 6,100 |
| 2022 | 922.7 | 44.75 | 194.4 | 8,200 | 917.3 | 44.49 | 0.0 | 6,100 |
| 2023 | 968.9 | 44.76 | 204.1 | 8,000 | 941.9 | 43.51 | 0.0 | 6,100 |
| 2024 | 1,017.3 | 44.75 | 214.3 | 7,900 | 967.7 | 42.57 | 0.0 | 6,100 |
| 2025 | 1,068.2 | 44.76 | 225.0 | 7,600 | 994.7 | 41.68 | 0.0 | 6,100 |
| 2026 | 1,121.6 | 44.75 | 236.3 | 7,300 | 1,023.2 | 40.83 | 0.0 | 6,100 |
| 2027 | 1,177.7 | 44.76 | 248.1 | 7,000 | 1,053.0 | 40.02 | 0.0 | 6,100 |
| 2028 | 1,236.5 | 44.75 | 260.5 | 6,600 | 1,084.4 | 39.25 | 0.0 | 6,100 |

(continued)

Dollars in millions

| | H.R. 3728 | | | | Current law | | | |
|---|---|---|---|---|---|---|---|---|
| **Fiscal year** | **District payment** | **Percent of payroll** | **Federal payment** | **Unfunded liability** | **District payment** | **Percent of payroll** | **Federal payment** | **Unfunded liability** |
| 2029 | 1,298.4 | 44.76 | 273.5 | 6,100 | 1,117.3 | 38.51 | 0.0 | 6,100 |
| 2030 | 1,363.3 | 44.76 | 287.2 | 5,600 | 1,151.9 | 37.82 | 0.0 | 6,100 |
| 2031 | 1,431.5 | 44.76 | 301.6 | 4,900 | 1,188.2 | 37.15 | 0.0 | 6,100 |
| 2032 | 1,503.0 | 44.75 | 316.7 | 4,200 | 1,226.3 | 36.51 | 0.0 | 6,100 |
| 2033 | 1,578.2 | 44.76 | 332.5 | 3,300 | 1,266.3 | 35.91 | 0.0 | 6,100 |
| 2034 | 1,657.1 | 44.76 | 349.1 | 2,300 | 1,308.3 | 35.33 | 0.0 | 6,100 |
| 2035 | 1,739.9 | 44.75 | 366.6 | 1,200 | 1,352.4 | 34.79 | 0.0 | 6,100 |
| 2036 | 910.8 | 22.31 | 0.0 | 0.0 | 1,398.8 | 34.27 | 0.0 | 6,100 |
| 2037 | 956.3 | 22.31 | 0.0 | 0.0 | 1,447.4 | 33.77 | 0.0 | 6,100 |
| 2038 | 1,004.1 | 22.31 | 0.0 | 0.0 | 1,498.5 | 33.30 | 0.0 | 6,100 |
| 2039 | 1,054.4 | 22.31 | 0.0 | 0.0 | 1,552.1 | 32.84 | 0.0 | 6,100 |
| 2040 | 1,107.1 | 22.31 | 0.0 | 0.0 | 1,608.4 | 32.42 | 0.0 | 6,100 |

Note: The present values of District payments through 2035 under H.R. 3728 and the current law are $7,000.1 million and $8,182.5 million, respectively.

The present values of federal payments through 2035 under H.R. 3728 and the current law are $1,500.7 million and $391.5 million, respectively.

# Effect on District Payments of Alternate Constant Federal Payments Under H.R. 3728

Dollars in millions

| | H.R. 3728 | | Constant federal payments of $52.1 | | Constant federal payments of $72.1 | | Constant federal payments of $92.1 | |
|---|---|---|---|---|---|---|---|---|
| Fiscal year | Amount | Percent of payroll | Amount | Percent of payroll | Amount | Percent of payroll | Amount | Percent of payroll |
| 1995 | $297.2 | 53.82 | $297.2 | 53.82 | $297.2 | 53.82 | $297.2 | 53.82 |
| 1996 | 295.5 | 50.97 | 295.5 | 50.97 | 295.5 | 50.97 | 295.5 | 50.97 |
| 1997 | 295.5 | 48.54 | 305.0 | 50.10 | 295.5 | 48.54 | 295.5 | 48.54 |
| 1998 | 295.5 | 46.22 | 320.3 | 50.10 | 309.0 | 48.33 | 297.7 | 46.57 |
| 1999 | 302.7 | 45.10 | 336.4 | 50.12 | 324.5 | 48.35 | 312.6 | 46.57 |
| 2000 | 317.7 | 45.08 | 353.1 | 50.10 | 340.6 | 48.33 | 328.1 | 46.55 |
| 2001 | 333.6 | 45.08 | 370.7 | 50.09 | 357.5 | 48.31 | 344.4 | 46.54 |
| 2002 | 350.3 | 45.08 | 389.3 | 50.10 | 375.5 | 48.32 | 361.7 | 46.54 |
| 2003 | 367.9 | 45.09 | 408.9 | 50.12 | 394.3 | 48.33 | 379.9 | 46.56 |
| 2004 | 386.4 | 45.10 | 429.5 | 50.13 | 414.2 | 48.35 | 399.0 | 46.57 |
| 2005 | 403.5 | 44.86 | 448.2 | 49.83 | 432.4 | 48.07 | 416.6 | 46.31 |
| 2006 | 422.7 | 44.75 | 469.4 | 49.70 | 452.8 | 47.94 | 436.4 | 46.20 |
| 2007 | 443.8 | 44.75 | 492.8 | 49.69 | 475.5 | 47.95 | 458.2 | 46.20 |
| 2008 | 466.0 | 44.75 | 517.5 | 49.70 | 499.3 | 47.95 | 481.1 | 46.20 |
| 2009 | 489.3 | 44.75 | 543.3 | 49.69 | 524.2 | 47.94 | 505.1 | 46.20 |
| 2010 | 513.8 | 44.75 | 570.5 | 49.69 | 550.4 | 47.94 | 530.4 | 46.20 |
| 2011 | 539.5 | 44.75 | 599.0 | 49.69 | 578.0 | 47.95 | 556.9 | 46.20 |
| 2012 | 566.5 | 44.76 | 629.0 | 49.70 | 606.9 | 47.95 | 584.8 | 46.20 |
| 2013 | 594.8 | 44.76 | 660.4 | 49.69 | 637.2 | 47.95 | 614.0 | 46.20 |
| 2014 | 624.5 | 44.75 | 693.5 | 49.70 | 669.1 | 47.95 | 644.7 | 46.20 |
| 2015 | 655.8 | 44.76 | 728.1 | 49.69 | 702.5 | 47.95 | 676.9 | 46.20 |
| 2016 | 688.6 | 44.76 | 764.5 | 49.69 | 737.6 | 47.94 | 710.8 | 46.20 |
| 2017 | 723.0 | 44.76 | 802.8 | 49.70 | 774.5 | 47.94 | 746.3 | 46.20 |
| 2018 | 759.1 | 44.75 | 842.9 | 49.69 | 813.2 | 47.94 | 783.6 | 46.20 |
| 2019 | 797.1 | 44.76 | 885.1 | 49.70 | 853.9 | 47.94 | 822.8 | 46.20 |
| 2020 | 836.9 | 44.75 | 929.3 | 49.69 | 896.6 | 47.94 | 864.0 | 46.20 |
| 2021 | 878.8 | 44.75 | 975.8 | 49.69 | 941.4 | 47.94 | 907.2 | 46.20 |
| 2022 | 922.7 | 44.75 | 1,024.6 | 49.70 | 988.5 | 47.95 | 952.5 | 46.20 |
| 2023 | 968.9 | 44.76 | 1,075.8 | 49.70 | 1,037.9 | 47.94 | 1,000.1 | 46.20 |
| 2024 | 1,017.3 | 44.75 | 1,129.6 | 49.69 | 1,089.8 | 47.94 | 1,050.1 | 46.20 |
| 2025 | 1,068.2 | 44.76 | 1,186.1 | 49.70 | 1,144.3 | 47.94 | 1,102.6 | 46.20 |
| 2026 | 1,121.6 | 44.75 | 1,245.4 | 49.69 | 1,201.5 | 47.94 | 1,157.8 | 46.20 |
| 2027 | 1,177.7 | 44.76 | 1,307.6 | 49.69 | 1,261.6 | 47.94 | 1,215.7 | 46.20 |

(continued)

Dollars in millions

| Fiscal year | H.R. 3728 | | Constant federal payments of $52.1 | | Constant federal payments of $72.1 | | Constant federal payments of $92.1 | |
|---|---|---|---|---|---|---|---|---|
| | Amount | Percent of payroll | Amount | Percent of payroll | Amount | Percent of payroll | Amount | Percent of payroll |
| 2028 | 1,236.5 | 44.75 | 1,373.0 | 49.69 | 1,324.7 | 47.95 | 1,276.5 | 46.20 |
| 2029 | 1,298.4 | 44.76 | 1,441.7 | 49.69 | 1,390.9 | 47.94 | 1,340.3 | 46.20 |
| 2030 | 1,363.3 | 44.76 | 1,513.7 | 49.69 | 1,460.5 | 47.95 | 1,407.3 | 46.20 |
| 2031 | 1,431.5 | 44.76 | 1,589.4 | 49.69 | 1,533.5 | 47.95 | 1,477.7 | 46.20 |
| 2032 | 1,503.0 | 44.75 | 1,668.9 | 49.69 | 1,610.2 | 47.95 | 1,551.5 | 46.20 |
| 2033 | 1,578.2 | 44.76 | 1,752.4 | 49.70 | 1,690.7 | 47.95 | 1,629.1 | 46.20 |
| 2034 | 1,657.1 | 44.76 | 1,840.0 | 49.69 | 1,775.2 | 47.94 | 1,710.6 | 46.20 |
| 2035 | 1,739.9 | 44.75 | 1,932.0 | 49.70 | 1,864.0 | 47.95 | 1,796.1 | 46.20 |
| 2036 | 910.8 | 22.31 | 910.8 | 22.31 | 910.8 | 22.31 | 910.8 | 22.31 |
| 2037 | 956.3 | 22.31 | 956.3 | 22.31 | 956.3 | 22.31 | 956.3 | 22.31 |
| 2038 | 1,004.1 | 22.31 | 1,004.1 | 22.31 | 1,004.1 | 22.31 | 1,004.1 | 22.31 |
| 2039 | 1,054.4 | 22.31 | 1,054.4 | 22.31 | 1,054.4 | 22.31 | 1,054.4 | 22.31 |
| 2040 | 1,107.1 | 22.31 | 1,107.1 | 22.31 | 1,107.1 | 22.31 | 1,107.1 | 22.31 |

Note: The present values of District payments under current law and constant federal payments of $52.1 million to $92.1 million are $7,007.1 million, $7,694.9 million, $7,444.1 million, and $7,202 million, respectively.

The present values of federal payments under current law and constant payments of $52.1 million to $92.1 million are $1,500.7 million, $746.3 million, $1,033.3 million, and $1,320 million, respectively.

# Listing of Public Pension Plans Comparable to the Three District Plans

## Plans for Police Officers and Firefighters

- Arkansas Local Police and Fire Retirement Plan
- Detroit Police and Fire Retirement System
- Fort Worth Employees' Retirement Fund
- Kansas Police and Fire Retirement System
- Miami Police and Fire Retirement Plan
- Milwaukee Employees' Retirement System
- New Jersey Police and Firemen's Retirement System
- Plymouth County, MA, Retirement Association
- San Antonio Fire and Police Plan

## Plans for Teachers

- Connecticut Teachers' Retirement System
- Kentucky Teachers' Retirement System
- Public School Teachers' Pension and Retirement Fund of Chicago
- Public School Retirement System of Missouri
- Teachers' Retirement Board of Puerto Rico
- Teachers' Retirement System of Georgia
- Teachers' Retirement System of Louisiana
- Teachers' Retirement System of Illinois
- Teachers' Retirement System of Texas

## Plans for Judges

- City of Memphis Retirement Plan
- Employees' Retirement System of Georgia-Trial Judges
- Illinois Judges' Retirement System
- Jefferson Parish Employees' Retirement Plan
- Louisiana State Employees' Retirement System
- Public Employees Retirement System of Colorado

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