

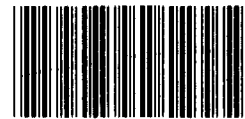
GAO

Report to Officials of Congress and the
District of Columbia

April 1990

DISTRICT'S
WORKFORCE

Annual Report
Required by the
District of Columbia
Retirement Reform Act



141048

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General Government Division

B-208412

April 4, 1990

The Honorable Thomas S. Foley
Speaker of the House of Representatives

The Honorable Robert C. Byrd
President Pro Tempore
United States Senate

The Honorable John Glenn
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 Robert C. Byrd
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, DC

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 Mr. Thomas Lowman, of William M. Mercer Meidinger Hansen, 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.

Mr. Lowman, an enrolled actuary, was engaged by the District of Columbia Retirement Board to (1) determine the 1989 disability retirement rate for District police officers and firefighters hired before February 15, 1980; (2) determine if that rate exceeded eight-tenths of 1 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 1991 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.

For calendar year 1989, up to 118 officers and members of the Metropolitan Police Force who were hired before February 14, 1980, and who retired on disability before the end of calendar year 1989 shall be excluded from the computation of the disability retirement rate.¹ According to the conference report on the bill, a number of officers were in limited or light duty status or on extended sick leave, and the police chief testified that it was important to replace these individuals with able-bodied police officers who could perform on the street. The conferees, noting that the District responded favorably to incentives for reducing the percentage of disability retirements, included language allowing up to 118 of these individuals to retire without reducing the authorized federal payment to the retirement fund.

¹Section 139(a) of Title I, District of Columbia Appropriations Act, 1989 (Public Law 100-462, Oct. 1, 1988.)

A disability retirement rate greater than eight-tenths of 1 percentage point triggers a reduction in the next annual federal payment. Thus, the trigger mechanism governing the fiscal year 1991 payment is based on members retiring on disability in calendar year 1989 (the numerator) and members on board on January 1, 1989, (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 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 1 percentage point.

We have reviewed the enclosed report from the actuary, which shows that 114 police officers and 21 firefighters who were hired before February 15, 1980, retired on disability in 1989. We did not verify to source documents the information on disability retirements and employment strength provided by District officials. On January 1, 1989, there were 888 active firefighters and 2,719 active police officers who had been hired before February 15, 1980. In his report, the actuary noted, and we agree, that the recent act did not clearly specify whether the 114 retired police officers should be excluded from the denominator in calculating the disability retirement rate. He therefore calculated two separate rates—one that included these police officers in the denominator and one that excluded them (0.582 percent and 0.601 percent, respectively).

Since both rates are less than 0.8 percent, no reduction is required in the fiscal year 1991 payment to the District's police and firefighters' retirement fund. We did not consider it necessary to resolve the matter of whether the 114 retired police officers should be included in or excluded from the denominator since there is no effect on future calculations and, for 1989, both disability retirement rates are less than the trigger mechanism.

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

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.

Larry Endy, Assistant Director, Federal Human Resource Management Issues, was the principal contributor to this report. If you or your staffs have any questions, please call me on 275-5074.

Bernard L. Ungar

Bernard L. Ungar
Director, Federal Human Resource
Management Issues

Actuary's Report

WILLIAM M.
MERCER MEIDINGER HANSEN
INCORPORATED

Thomas B. Lowman, F.S.A./Principal

February 27, 1990

Hand Delivered

Ms. Carolyn Smith
Chairperson
DC Retirement Board
1025 Vermont Avenue, N.W., Suite 1030
Washington, DC 20005

Dear Ms. Smith:

Disability Retirement Rate for 1989 Calendar Year
District of Columbia Police Officers and Firefighters'
Retirement Fund

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

The following employee data and disability retirement data was made available to me by the D.C. Retirement Board and D.C. Policemen and Firemen Retirement Relief Board respectively:

1. Number of active police officers as of January 1, 1989, hired on or before February 14, 1980:
 - 2,719 (includes 114 police officers who retired on disability during 1989 as explained below.)
 - 2,605 (excludes 114 police officers who retired on disability during 1989 as explained below.)
2. Number of active firefighters as of January 1, 1989, hired on or before February 14, 1980: 888
3. Numbers of 1989 disability retirements among employees hired on or before February 14, 1980: 21 (21 firefighters, excludes 114 police officers as explained below):

Section 139 of Title I - District of Columbia Appropriation Act, 1989 (P.L. 100-462) allowed up to 118 officers and members of the Metropolitan Police Department who were hired prior to February 14, 1980 to retire on disability before the end of calendar year 1989 without including them in the computation of the rate of disability retirement pursuant to subsection 145(a) of the District of Columbia Reform Act (disability trigger). Based on the provisions of this Act, all one hundred and fourteen (114) police officers who were hired prior to February 14, 1980 and retired during the 1989 calendar year are eligible for exclusion from the disability ratio calculation. The Act did not specify clearly

MERCER MEIDINGER HANSEN

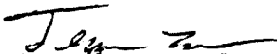
Ms. Carolyn Smith
February 27, 1990
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whether these disabled retirees should be excluded from the denominator of the calculation. As a result, we have done two separate calculations for the disability retirement rates, one by including these disabled retirees in the denominator and the other by excluding them from the denominator.

Based on the data provided to us, the disability retirement rate for 1989 as defined in Public Law 98-104 amending subsection 145(a) paragraphs (1) and (2) of the District of Columbia Retirement Reform Act, after excluding 114 police officers who retired on special disability provisions from the denominator of the calculation, is 0.601%. If these disabled retirees are included in the denominator, the disability retirement ratio will decrease to 0.582%.

The disability retirement rates calculated above are not greater than 0.8%, i.e. eight-tenths of a percentage point.

Sincerely,


Thomas Lowman, F.S.A.
Principal

TL/plm

Enclosure

cc: Mr. William Stanton
Mr. Jorge Morales

Mr. Larry H. Endy
Mr. Charles Bowsher

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