Summary of Two Plan Proposals Presented to the Board 2/20/17

The Board considered two alternate Plan proposals today, which are *in addition* to the Plan modifications discussed at previous Board meetings. One was from Chairman Flynn's office and the other from Mayor Rawlings. Chairman Flynn is the chair of the House Pensions Committee. The Board voted, on a 9 to 0 vote, today to support Chairman Flynn's Plan and gave staff direction to continue to work with Chairman Flynn's office on certain aspects of the proposed Plan.

<u>The Compromise Plan, from Chairman Flynn's office:</u>

The primary features of Chairman Flynn's Compromise Plan, assumed to be effective September 1, 2017, are as follows:

- Normal retirement age benefit multiplier of 2.50%; Tier 3 participants' multiplier increased retroactively
- Normal retirement age of 58; early retirement age of 53
- Unreduced early retirement if benefit multipliers earned equal 90% of average computation pay.
- Immediate elimination of COLA's for all participants, including annuitants; the Board has the option of granting ad hoc COLA's based on financial benchmarks. These benchmarks would not be expected to be achieved in the near term.
- DROP accounts will be paid out over the expected lifetime of the participant upon their retirement based on the actuarial mortality tables in effect at the time of their retirement.
- Active members who have not yet entered the DROP will receive no interest on their DROP account while active or upon retirement
- Current active members who are in DROP will keep the interest they have earned in DROP; they will not receive further interest while in active DROP but will receive interest upon retirement based on a Treasury rate for a period comparable to their life expectancy on the DROP account balance as of September 1, 2017; future contributions to their DROP accounts after September 1, 2017 will not receive interest while in DROP or upon retirement.
- Current retirees with a DROP account will receive interest based on a Treasury rate for a period comparable to their life expectancy
- City contribution rate of 34.5% of computation pay, plus $11 million per year
- Employee contribution rate of 13.5%

<u>The City's Plan from Mayor Rawlings:</u>

Below are the key components of the Mayor's plan as it relates to the financial components.

- The City would contribute a total of $18 million per year
- Remaining gap would be closed through benefit modifications, increased member contributions, and equity adjustment (i.e. clawbacks)
- If the equity adjustment is upheld by courts, City would commit to 30-year Actuarially Required Contribution with a corridor (i.e. limit)
- If the equity adjustment is disallowed by courts, the City would reduce the contribution by $7 million per year and provide a contribution of $11 million per year
- Equity adjustments must be implemented upon effective date of legislation, and DPFP and City cannot be in position of being adversarial parties in litigation if equity adjustments challenged