City police, fire pension system due review –

GBC chief to lead panel studying financial woes

By Annie Linskey, Baltimore Sun, April 5, 2009

Baltimore City Council President Stephanie C. Rawlings-Blake wants to tap a prominent business-group leader to head a commission examining the city's troubled fire and police pension system.

Donald C. Fry, president and CEO of the Greater Baltimore Committee, has accepted an invitation from Rawlings-Blake and City Councilman William H. Cole IV to lead an effort to review a retirement program whose ballooning costs have created what both call a "fiscal crisis."

"You want to make sure that these funds are sustainable and you do have enough money to support them," said Fry, a former Harford County state senator who is also heading a panel to award slot-machine licenses in Maryland.

In announcing Fry's appointment last week, Rawlings-Blake said: "Recent measures crafted to address the crisis are woefully inadequate to deal with the system's long-term challenges. Now is the time for comprehensive pension review and reform."

Also last week, Baltimore Mayor Sheila Dixon called for an independent review of the fire and police system, and she said that Fry would be an appropriate person to lead such an effort.

"It is needed," Dixon said. "It has to be done."

Capt. Stephan Fugate, chairman of the pension board of trustees, said that he supports the effort but that proposals to reduce benefits would be "out of the question" and "off the table." The issue that needs to be resolved is how current benefits can be paid for, he said.

The city is set to put $82 million into the fund this year. Next year, the fund could request $110 million, and the city obligation could reach $171 million if the pension board adopts recommendations from its actuary that would lower projected investment returns from one part of the fund. The city's finance director, Edward J. Gallagher, has said there is "no way on God's green earth" that the city could afford such increases.

Dixon has introduced two proposal to reform parts of the fire and police system. One scales back a deferred retirement benefit, saving the city between $4 million and $7 million a year. That proposal garnered union support.

A second, more complex piece of legislation would jettison a popular but costly post-retirement increase, replacing it with a 1.5 percent annual cost-of-living increase. The current benefit gives permanent increases to pensioners when the fund has good investment years.

David Wescoe, who heads the pension fund in San Diego, a city that has experienced pension issues similar to Baltimore's, said such a structure is "fundamentally flawed." Surplus from good years should be plowed back into the fund to make up for bad years, he said.

The fire and police fund's actuary has asked for an additional $61 million annual city payment to fund that benefit, but the pension board has not acted on the request. The board says City Hall officials would view it as "unacceptable."

Rawlings-Blake called the administration's efforts "well-intentioned" but "piecemeal." She wants the reform commission to include a mix of union officials, taxpayers and city budget officials.

Dixon said she hopes such a commission would be "really independent," adding that those with a vested interest in the pension plan, who make up the majority of the current fire and police pension board, have so far been unwilling to "look at the bigger picture."