

Bill proposed to solve Baltimore police and fire pension issue

By Julie Scharper, *The Baltimore Sun*, April 18, 2010

The one fact that union leaders and city officials appear to agree on is this: Baltimore will be \$64 million in the hole if changes are not made to the fire and police pension system in the next two and half months.

But the cause of the crisis — and how to remedy it — is the source of much disagreement. The issue has driven a wedge among the leaders of the city's public safety unions. And as two city council members introduce a bill today that they say could avert a fiscal disaster, union leaders have already declared opposition to parts of the measure, and are preparing for a potential lawsuit.

"At this time, we don't trust the city," said Robert F. Cherry, president of the Fraternal Order of Police, who is frustrated that a pension proposal from the unions did not receive more consideration. "If we could trust the city and know that they would bargain in good faith, we'd be coming at this from a different perspective."

The bill to be introduced today could substantially delay retirement for many police officers, gradually increase the amount that employees must contribute to the pension plan and abolish a compromise reached last year over a lucrative lump-sum payment for those who work more than 20 years.

The union heads say that chipping away at the benefits of the city's police officers and firefighters violates their contracts with the city. Baltimore's public safety officers do not receive Social Security, and the pension plans are a major asset in luring recruits to dangerous and physically grueling jobs, they say.

The new measure is based on the recommendations of a group of financial experts led by the Greater Baltimore Committee. Councilwoman Helen Holton, chairwoman of the taxation and finance committee and lead sponsor of the bill, described it as "a starting point for everyone coming to the table," and said it could be altered significantly during negotiation.

Councilman William H. Cole IV, a co-sponsor of the bill, said "we owe it to the retirees and we also owe it to the taxpayers of Baltimore to fix the structural issues. The goal here also is to give the unions and the administration as much opportunity as possible to compromise."

Neither council member could put a dollar figure on the amount their proposal would save. Cole said actuaries will not run the numbers until the bill is closer to completion.

Even the question of who would draft the bill and when they would introduce it has been a matter of confusion. Union heads, who claim that Mayor Stephanie C. Rawlings-Blake told them in a meeting that the measure would be drafted by the administration and introduced at the April 12 council meeting, organized a rally last week in front of City Hall for a bill that did not materialize.

Cole, who served as acting chair of the taxation and finance committee last year, said that he and Holton had been working independently on pension bills and decided to collaborate. A spokesman for Rawlings-Blake said it was a legislative matter on which both council members had expertise.

"We are very much in support of addressing the pension issue in a comprehensive way," spokesman Ryan O'Doherty said. "To us, it doesn't really matter whose name is on it."

City leaders, facing the worst financial climate in recent memory, are planning substantial cuts to services — including layoffs of 250 workers — and considering a \$50 million package of new taxes and fees to close a \$121 million budget shortfall. If the system is not altered when the fiscal year ends June 30, the payment to the fire and police pensions could cause the deficit to swell to as much as \$185 million.

The pension fund has performed poorly in the stagnant economy, necessitating a greater payment from the city. The sharp rise this year is the result of the pension board's reduction of the projected rate of return on investments on the retirees' fund, which required the city to increase its contribution.

Cherry, the police union president, and Bob Sledgeski, head of the firefighters' union, said the rate should have been adjusted years ago. The two unions have retained Charles O. Monk II from the Saul Ewing law firm to represent them and are contemplating suing the city for "chronically underfunding the pension plan" as well as any "inappropriate" aspects of the pension bill, Sledgeski said.

But the Baltimore Fire Officers Association is not represented by Monk. The head of that union, Stephan Fugate — who as chairman of the pension's board of trustees for the past decade has helped oversee the fund — has a different perspective on the issue.

"In some ways, I've become the lightning rod in this whole thing," said Fugate. "As you might imagine, it has caused some ill feelings between myself and Bob Cherry and myself and Bob Sledgeski."

But while the union heads might disagree on how the pension plan has been managed in the past, they agree that parts of the pension bill are unacceptable.

One sore spot is a change to a lump-sum payment known as the deferred retirement option plan, which offers near-retirees a lucrative payoff as an incentive to work a few more years. The unions and the city hammered out a reform to the plan last year that would be replaced with a new program in the current bill.

"That's a nonstarter," according to Cherry, who said the unions did not want to rehash the issue after the work that went into last year's agreement.

Another controversial element of the bill would require employees to be 55 and have 15 years of continuous service before they could be granted full retirement. Currently, police and firefighters can retire after 20 years of service regardless of age.

"That's inherently unfair to police officers who spend an average of 26 years in the police department," said Cherry, explaining that the nature of police work necessitates an earlier retirement and that changing the age of retirement would make it hard to recruit new officers.

The union heads said they would interpret any reduction of the benefits of current employees or retirees as a violation of their contracts.

But city solicitor George Nilson said the case law is nuanced and establishes a three-part test to determine whether a change violates the contract.

Other parts of the pension bill appeared less controversial. One idea included replacing a variable benefit for retirees with a cost-of-living increase tied to the Social Security rate and gradually raising members' contributions to 9 percent.

Cole said he was hopeful the issue could be resolved without a lawsuit.

"I firmly believe this can be done through compromise," he said.