

Baltimore City police fire pension threaten lawsuit

By Julie Scharper, *Baltimore Sun*, May 18, 2010

Changes to the police and fire pension system that the Baltimore City Council is considering could save the city more than \$93 million, according to an actuary's projections that The Baltimore Sun obtained Tuesday.

The data provide new ammunition for officials seeking to speed a compromise on the underfunded pension plan, one of the most contentious issues facing the city. But with police and fire unions threatening a legal and public relations battle against the proposed reforms, council members concede that it is unlikely that their plan as currently written will be enacted.

Among the sticking points are proposals to delay retirement and changing the way increases in benefits are calculated.

"In all likelihood there will be a new bill or one that is significantly modified," said Helen Holton, chair of the council's taxation and finance committee and sponsor, along with Councilman William H. Cole IV, of a pension reform bill loosely based on recommendations from a committee led by the Greater Baltimore Committee.

The council members and union leaders are continuing to negotiate under a tight deadline — without a change to the pension plan, the already-cash-strapped city will have to come up with an additional \$65 million in the next six weeks to fund its obligations to police and fire retirees and their families.

But union leaders, who have met twice with Holton and Cole, say they are increasingly hopeful that they can hammer out a compromise.

"Each time we meet, I'm more optimistic than the time before," said Bob Sledgeski, president of the firefighters' union. Union leaders were slated to give the council members their pension proposals earlier this week but asked for more time.

"We're waiting for them, basically," said Holton. "The ball is in their court."

Time is running out for the unions and council members to draft a new bill or amend the existing proposal. Only four council meetings remain until the end of the fiscal year, when the city's pension payment is due.

Scores of police and firefighters have threatened to quit or retire if changes — such as a substantial increase in the retirement age — are implemented. The Fraternal Order of Police and the firefighters union, contending that members are entitled to the benefits comparable to those promised at enlistment, are preparing for the possibility of a federal lawsuit and have hired public relations firms.

One of the chief sticking points — and potentially the source of the largest cost savings — is a proposal to replace a variable benefit with a fixed cost-of-living increase. Retirees

currently receive a benefit that increases during good market years but does not decrease during poor years.

Under the proposal, the variable benefit would be abolished. Retirees between the ages of 55 and 65 would receive a 1 percent annual increase and those over 65 would receive a 2 percent annual increase for a total savings to the city of \$64.5 million, according to estimates from Mercer, the pension plan's actuary.

But union leaders say the city would violate its contract with the police officers and firefighters if they are given a smaller benefit than what they had been promised. They are pushing for a cost-of-living increase directly tied to Social Security rates, which was part of the Greater Baltimore Committee's initial recommendations.

"We're not turning back on any of the contractual promises made to our members," said Fraternal Order of Police President Bob Cherry, who stressed that city firefighters and police do not receive Social Security.

Cole said that while "everything is open to negotiation," a cost-of-living increase tied to Social Security could prove too costly. "The City of Baltimore does not have the ability to print money," he said.

Several other proposed changes, including postponing retirement, increasing employee contributions and cutting a lucrative incentive to those who work past the 20-year mark, could save the city \$29 million, according to the projections.

Union members are loath to renegotiate that benefit because they just hashed out a deal with the city on that issue last year. They also fiercely oppose a plan to delay retirement until employees' years of service and age total 70. Most are currently able to retire after 20 years of work. Raising the retirement age would make it very difficult for the city to recruit police officers, Cherry said.

Officials "are only looking at the bottom line right now, which is money, but they're not looking at the bigger picture in terms of public safety," he said.

Even if the bill as written were to become law, the estimated \$93.5 million in savings would not be used to plug the city's \$121 million deficit, said Ryan O'Doherty, spokesman for Mayor Stephanie C. Rawlings-Blake.

The city has budgeted \$101 million for the pension fund. If no bill to change the pension is passed, it will need to pay \$165 million. But if Holton and Cole's bill were to pass, the city would only need to pay slightly less than \$73 million. The remaining \$28 million would be used to stabilize the fund, officials said.

Even with reforms, the city's contribution to the pension system is expected to climb about \$20 million next year, said Thomas P. Taneyhill, director of the public safety pension.

For now, the council members are waiting to continue negotiations with the unions. "It is a time-consuming process," said Cole. "And the one thing we're running out of is time."