

# Retirement Reform Agreement

Police and Fire Employees in the PFPF

**Pension Benefit Changes for Future  
Employees (as of October 1, 2014)**



**OFFICE OF THE MAYOR  
ALVIN BROWN  
MAYOR**

Plan Element	Current Plan	2014 Agreement
<b>Vesting</b>	5 years	10 years
<b>Cap on Benefits</b>	No cap on annual benefits	Caps annual benefits at \$99,999.99 (indexed to inflation with a cap of 1.5%)
<b>Retirement Age</b>	Retire with 20 years of service at any age	Retire with 30 years of service at any age
<b>Accrual Rate</b>	Benefit accrual rate of 3% per year for first 20 years and then 2% per year for 10 years subject to a maximum of 80%.	Benefit accrual rate of 2.5% for all years of service with a maximum of 75%.
<b>Pension Start Date</b>	Normal Retirement Age	Normal Retirement Age  Employees may take early retirement between 25 and 30 years with a 2.5% accrual rate penalty for years short of 30, subject to a floor of 52.5%.
<b>Vest and Terminate</b>	Terminate at any time after vesting and collect at what would have been normal retirement age (20 years of service)	For any employee who vests but leaves before completing 25 years, the benefit accrual rate will be 2% with no benefit paid until age 62.
<b>Deferred Retirement Option Program (DROP)</b>	DROP eligibility: <ul style="list-style-type: none"> <li>• Employee can enter DROP at 20 years of service</li> <li>• Eligible for: <ul style="list-style-type: none"> <li>○ 5 years of DROP with up to 30 years of service</li> <li>○ 3 years of DROP with 30-31 years of service</li> <li>○ 2 years of DROP with 31-32 years of service</li> </ul> </li> </ul>	Eliminates DROP.  Permits Back-Drop for up to five years upon an employee reaching 30 years of service.  Any employee whose Back-Drop calculation includes years of service less than 30 will incur a 2% accrual rate penalty for each of those years.

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<b>DROP Interest Rate</b>	Guaranteed DROP interest rate of 8.4 percent	Eliminates DROP  Back-Drop interest rate is the actual rate with floor of 0% and cap of 10%.
<b>Cost of Living Adjustment (COLA) on Retirement Benefits</b>	3 percent Cost of Living Adjustment (COLA) begins as early as three months after DROP	COLA capped at 1.5 percent beginning the third January following employment termination
<b>Final Average Compensation(FAC)</b>	FAC based on last 24 months of service	FAC based on last 60 months of service
<b>Employee Contributions</b>	Employee pre-tax contribution of 7 percent	Employee pre-tax contribution of 10 percent
<b>Spousal Benefits</b>	75 % spousal benefit without cost (following retiree death)	75% spousal benefit without cost (following retiree death)
<b>Disability Pensions</b>	Disability Pension at 60 percent of earnings base.	Disability Pension at 50 percent of earnings base.
<b>Wages in Pension Calculation</b>	Includes Shift and Differential	Includes Shift and Differential. However, shift pay included in the calculation may not exceed 125% of shift pay earned during the five years prior to the FAC period.