

# Proposed Pension Reform Elements for Prospective Police and Fire Employees



OFFICE OF THE MAYOR  
**JOHN PEYTON**  
 MAYOR

Current Plan	Proposed Plan
Retire with 20 years service at any age	Retire with 25 years of service at any age
Benefit accrual Rate 3 percent per year for first 20 years and then 2 percent per year for 10 years to a cap of 80 percent at 30 years of service	Benefit accrual Rate of 2.8 percent per year for the first 25 years of service and 2 percent thereafter subject to a cap of 80 percent at 30 years of service
Pension start date for vested, terminated members: at Normal Retirement Date	Pension start date for vested, terminated members: Age 55 with 10 years service or age 65 with 5 but less than 10 years service at termination
Credited service for vesting at 5 years of service, terminated members: 3 percent	Credited service for vesting at 8 years of service, terminated members: 2.5 percent
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>	DROP Eligibility: Employee can enter DROP at 25 years of service. Pending State approval of City funding through DROP period  “Back DROP” Eligibility: <ul style="list-style-type: none"> <li>• Eligible for 8 year “back DROP” to 25 years of service (calculated backward on termination date)</li> <li>• Flexible; up to 8 different options for benefit and DROP balances</li> <li>• Promotions can affect “back DROP” choices</li> </ul>
Guaranteed DROP interest rate of 8.4 percent	Rate linked to earnings assumption as set for funding by actuary, less a risk premium of .25 percent. Prospective rate adjustment will not exceed 8 percent
3 percent Cost of Living Adjustment (COLA) begins as early as three months after DROP	COLA capped at 3 percent beginning: <ul style="list-style-type: none"> <li>• 24 months after employment termination</li> </ul>
Final Average Pay based on last 24 months of service	Final Average Pay based on last 60 months of service
Employee pre-tax contribution of 7 percent	Employee pre-tax contribution of 8 percent
75 percent spousal benefit without cost (following retiree passing away)	75 percent spousal benefit without cost (following retiree passing away)
No age limit for new employees	Introduce age limit of 31 for new employees (Age 35 with up to 4 years of military service)
Premium Tax Refunds: allocated by Agreement	Premium Tax Refunds: After 12 years, allocation split between “Share Plan” and city.
Disability Pension at 60 percent of earnings base.	Disability Pension at 50 percent of earnings base

**\$700 million in savings over 35 years**