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United States General Accounting Office

Report to Officials of Congress and the  
District of Columbia

March 1992

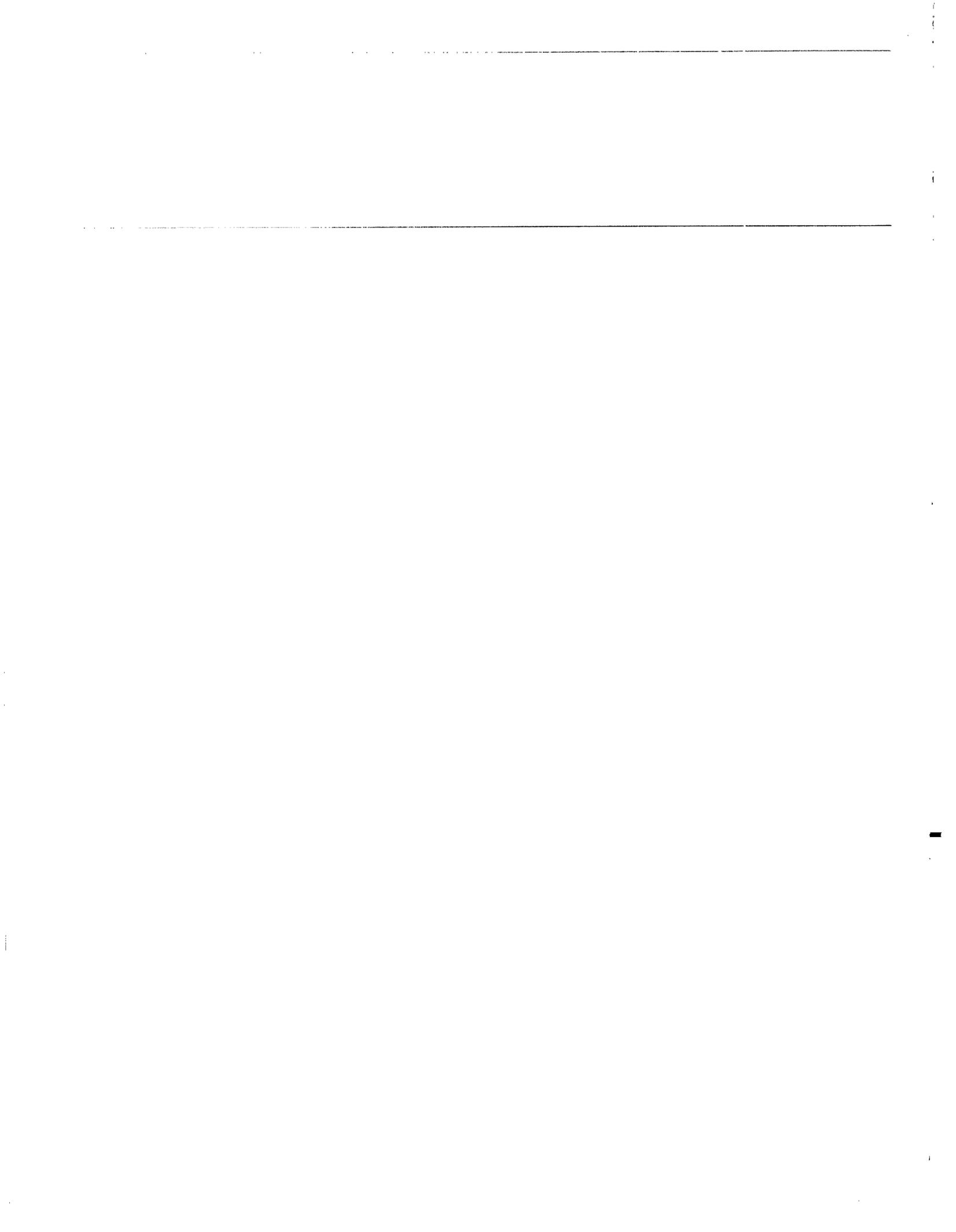
# DISTRICT'S WORKFORCE

Annual Report  
Required by the  
District of Columbia  
Retirement Reform Act



146277







**United States  
General Accounting Office  
Washington, D.C. 20548**

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**General Government Division**

**B-208412**

**March 31, 1992**

**The Honorable Thomas S. Foley  
Speaker of the House of Representatives**

**The Honorable Robert C. Byrd  
President Pro Tempore  
United States Senate**

**The Honorable John Glenn  
Chairman, Committee on Governmental Affairs  
United States Senate**

**The Honorable Ronald V. Dellums  
Chairman, Committee on the  
District of Columbia  
House of Representatives**

**The Honorable Robert C. Byrd  
Chairman, Committee on Appropriations  
United States Senate**

**The Honorable Jamie L. Whitten  
Chairman, Committee on Appropriations  
House of Representatives**

**The Honorable Sharon Pratt Kelly  
Mayor of the District of Columbia**

**The Council of the District of Columbia  
Washington, DC**

In accordance with subsection 145(b) of the District of Columbia Retirement Reform Act (Public Law 96-122, as amended by Public Law 98-104), we are sending you our comments on the enclosed report (see app. D) prepared by Mr. Gene M. Kalwarski of Milliman & Robertson, Inc., on the disability retirement rate of District of Columbia police officers and fire fighters. The act provides for annual federal payments to the District of Columbia Police Officers and Fire Fighters' Retirement Fund. These payments, however, are to be reduced when the disability retirement rate exceeds an established limit. The purpose of making the payments subject to a reduction was to encourage the District government to control disability retirement costs.

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Mr. Kalwarski, an enrolled actuary, was engaged by the District of Columbia Retirement Board to (1) determine the 1991 disability retirement rate for District police officers and fire fighters hired before February 15, 1980; (2) determine if that rate exceeded eight-tenths of 1 percentage point; and (3) prepare the annual report required by the act.

Subsection 145(a) of the act, as amended, established a "trigger mechanism" for determining whether the annual federal payment of \$34,170,000 to the District of Columbia Police Officers and Fire Fighters' Retirement Fund [authorized under subsection 144(a)(1) of the act] is to be reduced. The Comptroller General is required by the act to make this determination each year on the basis of a review of the disability retirement rate computed by the enrolled actuary. We have reviewed the actuary's report and other relevant data and concluded that no reduction is required in the fiscal year 1993 federal payment to the District's police and fire fighters' retirement fund.

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## Basis for Our Determination

As defined by subsection 145(a)(2) of the act, as amended, the disability retirement rate is a fraction, the numerator of which is the number of District of Columbia police officers and fire fighters hired before February 15, 1980, who retired on disability during the applicable calendar year. The denominator is the total number of police officers and fire fighters hired before February 15, 1980, who were on active duty as of January 1 of the applicable calendar year.

For calendar year 1991, Congress authorized an exclusion from the computation of the disability retirement rate of up to 75 officers and members of the Metropolitan Police Department who were hired before February 14, 1980, and who retired on disability before the end of calendar year 1991.<sup>1</sup> According to the conference report on the fiscal year 1991 appropriation act, a number of officers were in limited or light duty status or on extended sick leave, and the police chief said that it was important to replace these individuals with able-bodied police officers who could perform on the street. The conferees, noting that the District responded favorably to incentives for reducing the percentage of disability retirements, included language allowing up to 75 of these individuals to retire without reducing the authorized payment to the retirement fund. District officials reported that 54 police officers retired under this provision.

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<sup>1</sup>Section 139(a) of the District of Columbia Appropriations Act, 1991 (Public Law 101-518, Nov. 5, 1990) and Section 133(a) of Title I, District of Columbia Appropriations Act, 1992 (Public Law 102-111, Oct. 1, 1991).

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A disability retirement rate greater than eight-tenths of 1 percentage point triggers a reduction in the next annual federal payment. Thus, the trigger mechanism governing the fiscal year 1993 payment is based on members retiring on disability in calendar year 1991 (the numerator) and members on board on January 1, 1991 (the denominator). The enrolled actuary must report the determinations made under the law, along with related documentation, to the Retirement Board and to the Comptroller General no later than March 1 of each year.

Our comments must include a statement as to whether the determinations made by the enrolled actuary fairly present, in all material respects, the requirements of the law. The law also requires that we make a determination as to the amount, if any, by which the annual federal payment is to be reduced. A reduction in the federal payment would amount to 1.5 percent for each whole tenth of a percentage point by which the disability retirement rate is greater than eight-tenths of 1 percentage point.

We have reviewed the enclosed report from the actuary, which shows that 21 fire fighters who were hired before February 15, 1980, retired on disability in 1991. The actuary's report was based on information provided by District officials showing that on January 1, 1991, there were 2,137 active police officers and 705 active fire fighters who had been hired before February 15, 1980. The actuary reported a disability rate of 0.738 percent by excluding the 54 retired police officers from the numerator but including them in the denominator.

The recent acts did not clearly specify whether the 54 police officers who retired on disability under the 1991 provision should be excluded from the denominator in calculating the disability retirement rate. Therefore, we calculated two separate rates—one that included these officers in the denominator and one that excluded them (0.739<sup>2</sup> and 0.753 percent, respectively). Because neither rate is more than 0.8 percent, no reduction is required in the fiscal year 1993 payment to the District's police and fire fighters' retirement fund.

Although we did not verify to source documents the information on disability retirements and employment strength provided by District officials, we did test, on a limited basis, the integrity of the data provided to the actuary. To test the accuracy of the data used in the numerator and

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<sup>2</sup>Because of rounding, our calculation differs from the actuary's by one one-thousandth of a percentage point.

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denominator, we obtained and compared various lists of retirees and active duty rosters for police officers and fire fighters who were hired before February 15, 1980. We primarily sought to determine whether, for 1991, the numerator included the appropriate number of disability retirees as identified by District officials and the denominator excluded retirees from prior years. We also compared 1989 and 1992 active duty rosters prepared at our request to determine whether new names of police officers and fire fighters were inappropriately added to the rosters and thereby inflated the 1991 denominator.

We found 72 apparent inconsistencies, of which 19 could possibly increase the disability retirement rate in 1991. However, we determined that any increase resulting from adjusting for these inconsistencies would be immaterial—that is, a recomputation of the rate would not increase it above 0.8 percent. To date, District of Columbia officials have provided satisfactory explanations for most of the inconsistencies, and they are in the process of providing us with documentation to support their explanations.

In our opinion, therefore, the determination made by the enrolled actuary meets, in all material respects, the requirements of the law.

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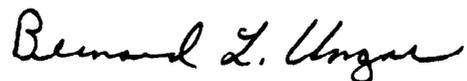
## Matters for Congressional Consideration

In 2 of the past 3 years, Congress allowed for the exclusion of a designated number of officers and members of the Metropolitan Police Department who were hired before February 14, 1980, from the computation of the disability retirement rates—up to 118 in 1989 and 75 in 1991. For these years, the law did not clearly specify how the designated number of police should be excluded from the disability retirement computation, i.e., whether the designated number should be excluded from both the numerator and the denominator or only the numerator. Excluding them from the denominator produces a higher disability retirement rate than including them. We therefore computed the disability retirement rate two ways for calendar years 1989 and 1991. In both years, neither of the two calculations resulted in a disability retirement rate greater than 0.8 percent, and we therefore concluded that no reduction was required in the federal payment to the retirement fund.

If, in future appropriations acts, Congress permits the exclusion of a designated number of retirees from the computation of the disability retirement rate, it should consider specifying whether those retirees should be included in, or excluded from, the denominator.

We are sending a copy of this report to the District of Columbia Retirement Board. Copies will be made available to other interested parties upon request.

The major contributors to this report are listed in appendix II. If you have questions about this report, please call me at (202) 275-5074.



Bernard L. Ungar  
Director, Federal Human Resource  
Management Issues

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# Actuary's Report



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February 25, 1992

Mr. Charles A. Bowsher  
Comptroller General of  
The United States  
General Accounting Office  
441 G Street, NW - Room 7000  
Washington, DC 20548

Re: Disability Retirement Rate for 1991 Calendar Year  
District of Columbia Police Officers and Firefighters' Retirement Fund

Dear Mr. Bowsher:

Public Law 98-104 requires that the enrolled actuary determines the disability retirement rate and report on the disability retirement rate by March 1 of each year, with respect to the rate for the preceding calendar year.

The following employee data and disability retirement data was made available to me by the D.C. Retirement Board and D.C. Police and Firefighters Retirement and Relief Board respectively:

1. Number of active police officers as of January 1, 1991, hired on or before February 14, 1980: 2,137
2. Number of active firefighters as of January 1, 1991, hired on or before February 14, 1980: 705
3. Numbers of 1991 disability retirements among employees hired on or before February 14, 1980: 21 firefighters

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Mr. Charles A. Bowsher  
February 25, 1992  
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Based on this data, the disability retirement rate for 1991 as defined in Public Law 98-104 amending subsection 145(a) paragraphs (1) and (2) of the District of Columbia Retirement Reform Act (P.L. 96-122), is 0.738%.

Please note that this computation does not include the disability retirement of up to 75 police under the District of Columbia Appropriations Act (P.L. 101-518).

The disability retirement rate calculated above is not greater than 0.8%, i.e., eight-tenths of a percentage point.

Sincerely,

MILLIMAN & ROBERTSON, INC.



Gene M. Kalwarski, F.S.A.  
Principal and Consulting Actuary

cc: Mr. Jorge Morales  
Ms. Rose H. Elder

GMK/DF/ST/DCR/13

MILLIMAN & ROBERTSON, INC.

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**Jessica B. Botsford, Attorney**

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