



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

N-3861

General Government Division

B-208412

March 31, 1995

The Honorable Newt Gingrich
The Speaker of the House of Representatives

The Honorable Strom Thurmond
President Pro Tempore
United States Senate

The Honorable William V. Roth, Jr.
Chairman, Committee on Governmental Affairs
United States Senate

The Honorable Mark O. Hatfield
Chairman, Committee on Appropriations
United States Senate

The Honorable Bob Livingston
Chairman, Committee on Appropriations
House of Representatives

The Honorable Tom Davis
Chairman, Subcommittee on the
District of Columbia
Committee on Government Reform and Oversight
House of Representatives

The Honorable Marion S. Barry, Jr.
Mayor of the District of Columbia

The Council of the District of Columbia

In accordance with subsection 145(b) of the District of Columbia Retirement Reform Act (P.L. 96-122, as amended by P.L. 98-104), this report provides our comments on the enclosed actuary's report (see the app.) on the disability retirement rate of District of Columbia police officers and fire fighters.¹ We are required to review the disability retirement rate computed by the actuary. The act provides for annual federal payments to the District of Columbia Police

¹The actuary's report was prepared by Mr. Gene M. Kalwarski, an enrolled actuary employed by Milliman & Robertson, Inc.

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 potential reduction was to encourage the District government to control disability retirement costs.

Mr. Kalwarski was engaged by the District of Columbia Retirement Board to (1) determine the 1994 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 conclude that no reduction is required in the fiscal year 1996 federal payment to the District's Police Officers and Fire Fighters' Retirement Fund.

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 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. This fraction is expressed as a percentage known as the disability retirement rate.

For calendar year 1994, Congress required an exclusion from the computation of the disability retirement rate of up to 50 fire fighters or members of the Fire and Emergency Medical Services Department who were hired before February 14, 1980, and who retired on disability before the end of calendar year 1994.² A District official reported that 46 employees retired under this provision.

²Section 132 (a) of the District of Columbia Appropriations Act, 1994 (Public Law 103-127, Oct. 29, 1993).

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 1996 payment is based on members retiring on disability in calendar year 1994 (the numerator) and members on board on January 1, 1994 (the denominator). The enrolled actuary must report the determinations made under the act, along with related documentation, to the Retirement Board and to the Comptroller General no later than March 1 of each year.

The act requires that our comments include a statement about whether the determinations made by the enrolled actuary fairly present, in all material respects, the requirements of the act. The act 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 actuary's report, which shows that 11 police officers hired before February 15, 1980, retired on disability in 1994. The actuary's report was based on information provided by District officials showing that on January 1, 1994, there were 1,429 active police officers and 556 active fire fighters hired before February 15, 1980. Thus, the actuary determined the disability retirement rate to be 0.554 percent. In making this computation he excluded the 46 retired fire fighters and members of the Fire and Emergency Medical Services Department as required by Section 132 (a) of Public Law 103-127.

Although we did not verify 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. As in past years, we tested the accuracy of the data used in the numerator and denominator by comparing various lists of retirees and active duty rosters for police officers and fire fighters hired before February 15, 1980. For 1994, we primarily sought to determine whether 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, 1992, 1993, 1994, and 1995 active duty rosters prepared at our request to determine whether new names of police officers and fire fighters were added inappropriately to the rosters and thereby inflated the 1994 denominator. District officials have provided satisfactory explanations and documentation to resolve most of

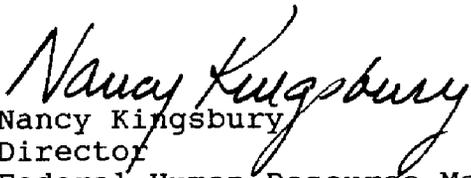
B-208412

the inconsistencies, and they are in the process of providing us with documentation for the remaining ones.

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

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

The major contributors to this report are Larry H. Endy, Assistant Director, Brenda J. Bridges, Evaluator-in-Charge, and Jerome T. Sandau, Technical Advisor. If you have questions, please call me on (202) 512-5074.


Nancy Kingsbury
Director
Federal Human Resource Management
Issues

ACTUARY'S REPORT



MILLIMAN & ROBERTSON, INC.

Actuaries and Consultants

Suite 400
2445 M Street N.W.
Washington, D.C. 20037-1435
Telephone: 202-429-9768
Fax: 202-331-3387

February 28, 1995

VIA MESSENGER

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 1994 Calendar Year
District of Columbia Police Officers and Firefighters' Retirement Fund

Dear Mr. Bowsher:

Public Law 98-104 requires that the enrolled actuary determine the disability retirement rate and report on the disability retirement rate 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 Metropolitan Police Department, Fire Department, and D.C. Police and Firefighters Retirement and Relief Board respectively:

1. Number of active police officers, as reconciled by GAO, as of January 1, 1994, hired on or before February 14, 1980: 1,429
2. Number of active firefighters, as reconciled by GAO, as of January 1, 1994, hired on or before February 14, 1980: 556
3. Numbers of 1994 disability retirements among employees hired on or before February 14, 1980: 46 fire fighters
11 police officers

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APPENDIX

APPENDIX

Mr. Charles A. Bowsher
February 28, 1995
Page 2

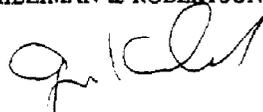
Public Law 103-127 excluded up to 50 fire fighters from the computation of the rate of disability retirement.

Based on the data provided and on public law 103-127, the disability retirement rate for 1994 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 0.554%.

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.
Consulting Actuary

cc: Brenda Bridges (GAO)

GMK/ST/DCR/13

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