

GAO

Report to Officials of Congress and the
District of Columbia

March 1994

DISTRICT'S
WORKFORCE

Annual Report
Required by the
District of Columbia
Retirement Reform Act





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

General Government Division

B-208412

March 31, 1994

The Honorable Thomas S. Foley
The 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 Robert C. Byrd
Chairman, Committee on Appropriations
United States Senate

The Honorable David R. Obey
Acting Chairman, Committee on Appropriations
House of Representatives

The Honorable Fortney Pete Stark
Chairman, Committee on the
District of Columbia
House of Representatives

The Honorable Sharon Pratt Kelly
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 Officers and Fire Fighters' Retirement Fund. These payments, however, are to be reduced when the disability retirement rate exceeds an established limit. The

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

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 1993 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 1995 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.

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 1995 payment is based on members retiring on disability in calendar year 1993 (the numerator) and members on board on January 1, 1993 (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 15 police officers and 1 fire fighter hired before February 15, 1980, retired on disability in 1993. The actuary's report was based on information provided by District officials showing that on January 1, 1993, there were 1,586 active police officers and 586 active fire fighters hired before February 15, 1980. Thus, the actuary determined the disability retirement rate to be 0.737 percent.

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 1993, 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, and 1994 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 1993 denominator. District officials provided satisfactory explanations and documentation to resolve the apparent discrepancies we identified.

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 and the Chairwoman, Subcommittee on Compensation and Employee Benefits, House Committee on Post Office and Civil Service. 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 David P. Alexander, Technical Advisor. If you have questions, please call me at (202) 512-5074.



Nancy Kingsbury
Director
Federal Human Resource Management
Issues

Actuary's Report

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March 3, 1994

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 1993 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 of January 1, 1993, hired on or before February 14, 1980: 1,586
2. Number of active firefighters as of January 1, 1993, hired on or before February 14, 1980: 586
3. Numbers of 1993 disability retirements among employees hired on or before February 14, 1980:
1 firefighter
15 police officers

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Appendix I
Actuary's Report

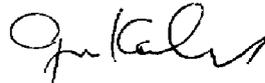
Mr. Charles A. Bowsher
March 3, 1994
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Based on this data, the disability retirement rate for 1993 as defined in Public Law 98-104 amending subsection 145(a) paragraphs (1) and (2) of the District of Columbia Retirement Reform Act (P.L. 96-122), is 0.737%.

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

Sincerely,

MILLIMAN & ROBERTSON, INC.

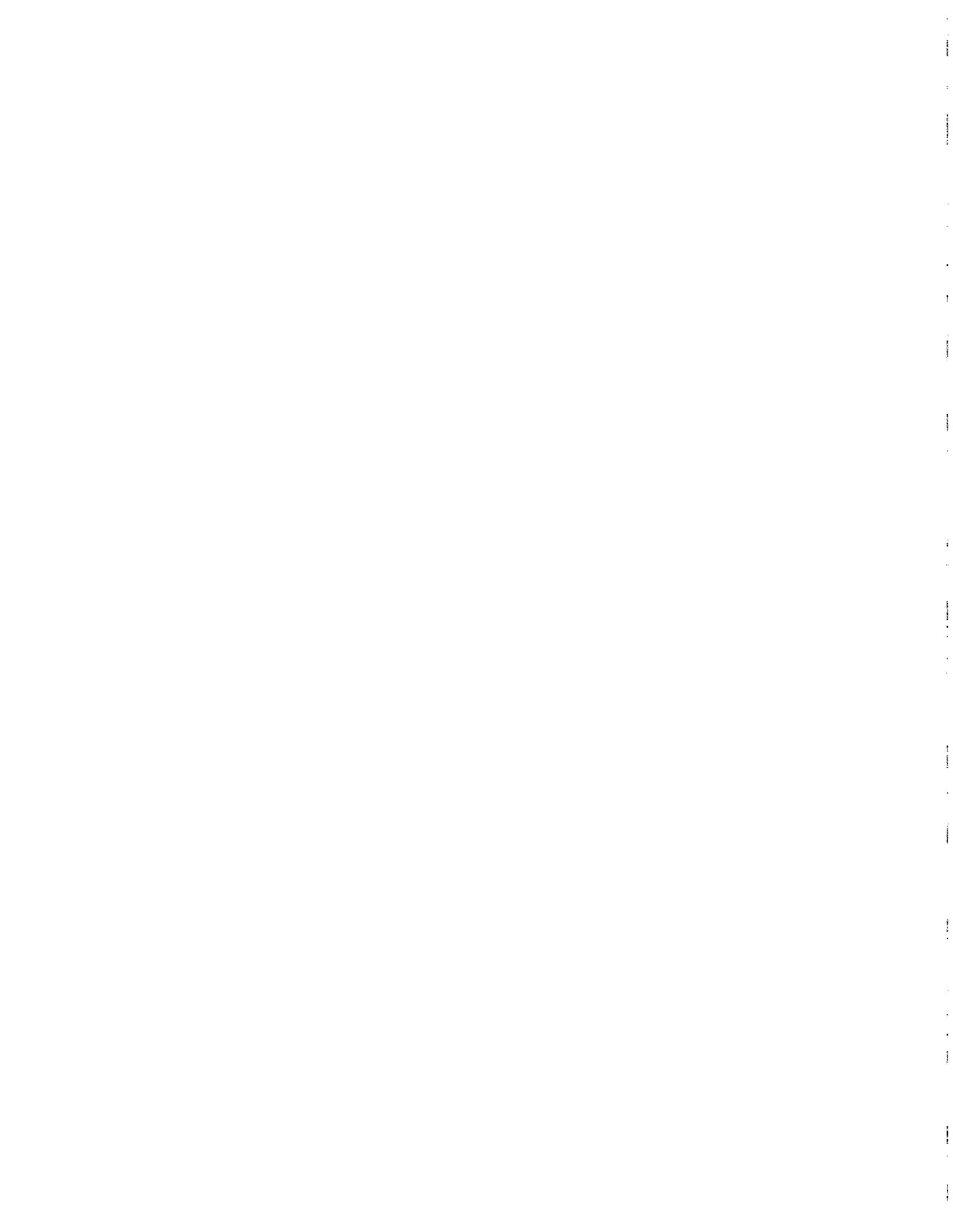


Gene M. Kalwarski, F.S.A.
Consulting Actuary

cc: Mr. Jorge Morales

GMK/ST/DCR/13

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