

# **Bond Case Briefs**

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## **PENSIONS - MARYLAND**

### **Cherry v. Mayor and City Council of Baltimore City**

**United States Court of Appeals, Fourth Circuit - August 6, 2014 - F.3d - 2014 WL 3844078**

Active and retired city police officers and firefighters and their unions filed class action alleging that city's amendments to their pension plan violated Contract Clause and Takings Clause. The District Court ruled that elimination of variable benefit was substantial impairment of plaintiffs' vested rights, that ordinance violated Contracts Clause, and that dismissal of takings claim was warranted. Parties appealed.

The Court of Appeals held that:

- City's substitution of cost-of-living adjustment for "variable benefit" in calculating pension benefits did not violate Contract Clause, and
- City's other amendments to pension plan did not violate Contract Clause.

City's substitution of cost-of-living adjustment for "variable benefit" in calculating pension benefits under its pension plan for eligible retired public safety employees was, at most, mere breach of contract, not rising to level of Contract Clause violation, where nothing prevented plan participants and beneficiaries from pursuing state law breach of contract claim nor shielded city from its obligation to pay damages if it was found in breach of contract.

City's amendments to its pension plan for retired public safety employees changing age and service requirements for retirement eligibility, using member's prior 36 months' salary rather than prior 18 months' salary to calculate basic benefit, increasing required member contributions over period of years, reducing interest rate on member contributions, and changing eligibility requirements for deferred retirement option plan were, at most, mere breaches of contract, not rising to level of Contract Clause violations, where nothing prevented plan participants and beneficiaries from pursuing state law breach of contract claim nor shielded city from its obligation to pay damages if it was found in breach of contract.