

Meeting Date: June 14, 2011

Agenda Item

29

REQUESTED COMMISSION ACTION:

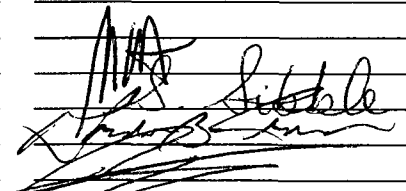
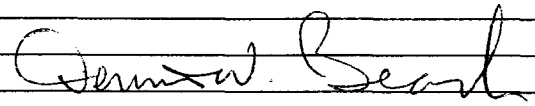
Consent
 Ordinance
 Resolution
 Consideration/ Discussion
 Presentation

SHORT TITLE AN ORDINANCE AMENDING CHAPTER 34, "CITY POLICY" OF THE CODE OF ORDINANCES OF THE CITY OF POMPANO BEACH, RELATING TO THE GENERAL EMPLOYEES' RETIREMENT SYSTEM, BY AMENDING SECTION 34.010, "DEFINITIONS"; AMENDING SECTION 34.020, "NORMAL RETIREMENT BENEFIT"; AMENDING SECTION 34.025, "CONTRIBUTIONS"; AND AMENDING SECTION 34.038, "PENSION ADJUSTMENTS"; PROVIDING DIFFERENT RETIREMENT BENEFITS FOR EMPLOYEES HIRED ON OR AFTER JUNE 8, 2011; PROVIDING FOR SEVERABILITY; PROVIDING FOR AN EFFECTIVE DATE.

Summary of Purpose and Why:

This ordinance implements pension changes negotiated into the Federation of Public Employees CBA (October 1, 2009 through September 30, 2011). Which changes the multiplier, employee contributions, pension COLA and benefit calculation timeframe for all new employees hired after June 8, 2011.

- (1) Origin of request for this action: Human Resources
- (2) Primary staff contact:: Michael Smith 954-786-5549
- (3) Expiration of contract, if applicable: 09.30.2011
- (4) Fiscal impact and source of funding: Will reduce pension costs over time as new employees are hired due to modified benefit formula.

DEPARTMENTAL COORDINATION	DATE	DEPARTMENTAL RECOMMENDATION	DEPARTMENT HEAD SIGNATURE
Human Resources	<u>05.13.11</u>	Approve	
Finance	<u>5/13/11</u>	Approve	
<i>City Attorney</i>	<u>5/13/11</u>	—	
<i>City Manager</i>	<u>5/13/11</u>	—	
<input type="checkbox"/> Advisory Board			
<input type="checkbox"/> Planning Director			
<input type="checkbox"/> Public Works Director			
<input checked="" type="checkbox"/> City Manager			

ACTION TAKEN BY COMMISSION:

Ordinance Workshop	Resolution	Consideration
1 st Reading <u>5/24/11</u> APPROVED	1 st Reading _____	Results: _____
2 nd Reading <u>6/14/11</u>	_____	Results: _____
_____	_____	_____
_____	_____	_____

Michael W. Smith
Human Resources Director

100 West Atlantic Blvd.
P.O. Drawer 1300
Pompano Beach, Florida 33061



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MEMORANDUM

May 13, 2011

TO: Dennis Beach, City Manager
FROM: Mike Smith, Human Resources Director
SUBJECT: New Tier of General Employees Retirement Benefits

One of the items included in the recent collective bargaining agreement with the Federation of Public Employees is a new tier of benefits which will apply to all new hires after the contract is approved by the City Commission and the accompanying ordinance is adopted by the City Commission on second reading. Therefore the anticipated effective date is June 8, 2011. Benefits for existing employees remain unchanged.

The attached ordinance implements a second tier of benefits applicable only to new hires and has several components as follows:

Multiplier

Will change from 2.75% of the last three (3) years base earnings to 2% of last five (5) years average base earnings.

Employee Contributions

Reduced from 10% to 7% of base earnings

Pension COLA.

1. Graduated COLA

- Under age 55 0% COLA
- Age 55-64 - 1% COLA
- Age 65+- 2% COLA

2. 1% or 2% COLA above is applicable only after 5 years of commencement of retirement benefits.

ORDINANCE NO. 2011-_____

CITY OF POMPANO BEACH
Broward County, Florida

AN ORDINANCE AMENDING CHAPTER 34, "CITY POLICY," OF THE CODE OF ORDINANCES OF THE CITY OF POMPANO BEACH, RELATING TO THE GENERAL EMPLOYEES' RETIREMENT SYSTEM, BY AMENDING SECTION 34.010, "DEFINITIONS"; AMENDING SECTION 34.020, "NORMAL RETIREMENT BENEFIT"; AMENDING SECTION 34.025, "CONTRIBUTIONS"; AND AMENDING SECTION 34.038, "PENSION ADJUSTMENTS"; PROVIDING DIFFERENT RETIREMENT BENEFITS FOR EMPLOYEES HIRED ON OR AFTER JUNE 8, 2011; PROVIDING FOR SEVERABILITY; PROVIDING AN EFFECTIVE DATE.

WHEREAS, pursuant to law, ten (10) days' notice has been given by publication in a paper of general circulation in the City, notifying the public of this proposed ordinance and of a public hearing in the City Commission Chambers of the City of Pompano Beach; and

WHEREAS, a public hearing before the City Commission was held pursuant to the published notice described above, at which hearing the parties in interest and all other citizens so desiring had an opportunity to be and were, in fact, heard; now, therefore,

BE IT ENACTED BY THE CITY OF POMPANO BEACH, FLORIDA:

SECTION 1. That Section 34.010, "Definitions," of Chapter 34, "City Policy," of the Pompano Beach Code of Ordinances is hereby amended to read as follows:

§ 34.010 DEFINITIONS.

For the purpose of this subchapter the following definitions shall apply unless the context clearly indicates or requires a different meaning.

* * *

AVERAGE MONTHLY EARNINGS. For members hired before June 8, 2011, one thirty-sixth of the earnings paid for the highest completed 78 bi-weekly pay periods preceding the actual retirement or termination date of a member times 1.0048. Compensation in excess of limitations set forth in Section 401(a)(17) of

the Internal Revenue Code (as adjusted for cost-of-living increases under Section 401(a)(17)(B) of the Internal Revenue Code) shall be disregarded. The limitation on compensation for an "eligible employee" shall not be less than the amount which was allowed to be taken into account hereunder as in effect on July 1, 1993. "Eligible employee" is an individual who was a member before the first plan year beginning after December 31, 1995. For members hired on or after June 8, 2011, average monthly earnings means the base compensation for one sixtieth of the earnings paid for the highest completed 130 bi-weekly pay periods preceding the actual retirement or termination date of a member times 1.0048. Provided however, if a person is hired on or after June 8, 2011, and retires prior to attaining five years of continuous service, average monthly earnings means the base compensation for earnings paid for the completed bi-weekly pay periods of the member, divided by the number of months of continuous service of the member times 1.0048.

SECTION 2. That Section 34.020, "Normal Retirement Benefit," of Chapter 34, "City Policy," of the Pompano Beach Code of Ordinances is hereby amended to read as follows:

§ 34.020 NORMAL RETIREMENT BENEFIT.

(A) Amount.

(1) The monthly retirement benefit for any member retiring on or after October 1, 2005 shall be an amount equal to 2.75% of average monthly earnings as defined in § 34.010 times all years (and completed months) of continuous service, less the time spent on leave of absence, on voluntary or involuntary service with the armed forces of the United States, in an employment category within the city not covered by this plan or any period of time after December 8, 1972, during which the employee did not receive compensation from the city and contribute to the retirement system.

(2) For members hired on or after June 8, 2011, the monthly retirement benefit shall be an amount equal to 2.0% of average monthly earnings as defined in § 34.010 times all years (and completed months) of continuous service, less the time spent on leave of absence, on voluntary or involuntary service with the armed forces of the United States, in an employment category within the city not covered by this plan or any period of time during which the employee did not receive compensation from the city and contribute to the retirement system, provided that the member's annual benefit shall not exceed the lesser of \$90,000, starting at age 62 plus cost of living adjustments, or 100% of the member's average base compensation for the five years immediately prior to retirement.

(B) Duration. A member retiring hereunder on his normal retirement date

SECTION 3. That Section 34.025, "Contributions," of Chapter 34, "City Policy," of the Pompano Beach Code of Ordinances is hereby amended to read as follows:

§ 34.025 CONTRIBUTIONS.

(A) Members of the retirement system hired before June 8, 2011 shall make regular contributions to the trust fund at a rate equal to 7% of the member's earning earned on or before October 11, 2006; at a rate equal to 8.5% of the member's earning earned on or after October 12, 2006; and at a rate equal to 10% of the member's earning earned on or after October 11, 2007.

(B) Members of the retirement system hired on or after June 8, 2011 shall make regular contributions to the trust fund at a rate equal to 7% of the member's earnings.

(C) Eligible employees, as a condition of membership, shall agree in writing upon becoming a member to make the contributions specified herein. The contributions shall be deducted from earnings before the earnings are paid.

SECTION 4. That Section 34.038, "Pension Adjustments," of Chapter 34, "City Policy," of the Pompano Beach Code of Ordinances is hereby amended to read as follows:

§ 34.038 PENSION ADJUSTMENTS.

(A) Retirees who have been retired from the General Employees Pension Plan for a period of at least one year prior to or on October 1, 2000, shall be granted an increase in pension benefits effective October 1, 2000, and each October 1 thereafter. Annual pension benefits shall be increased by a "fixed" (guaranteed) percentage equal to 2%. In addition to the "fixed" increase, pension benefits shall be increased by a "variable" percentage, in an amount certified by the pension plan actuary as supportable and funded solely by the pension plan assets, but not more than 1%. The "variable" component of the cost-of-living adjustment may be granted only when the plan is sufficiently funded and only if all other provisions of this section are satisfied. The sum of the "fixed" and "variable" portions of the adjustment shall not exceed 3% per year nor be less than 2%.

(B) Retirees who reach the first anniversary of retirement after October 1, 2000 shall be granted an annual increase in pension benefits effective on the first retirement anniversary date, payable on the following October 1, and on each

October 1 thereafter, in the percentage amount paid the previous October 1 under subsection (A) above.

(C)(1) Effective June 8, 2011, for members who were hired on or after June 8, 2011, retirees who receive normal retirement benefits shall be granted an increase in pension benefits effective on the fifth retirement anniversary date, payable on the following October 1, and each October 1 thereafter, as follows:

(a) Eligible retirees under the age of 55 on October 1 of any given year shall not be entitled to any annual pension increase.

(b) Eligible retirees between the ages of 55 and 64 on October 1 of any given year shall be entitled to a 1% increase in pension benefits.

(c) Eligible retirees age 65 and older on October 1 of any given year shall be entitled to a 2% increase in pension benefits.

(2) In addition to the adjustments provided for in subparagraphs (b) and (c) above, pension benefits for eligible retirees shall be increased by a “variable” percentage in an amount certified by the pension plan actuary as supportable and funded solely by the pension plan assets but not more than one percent (1%). The “variable” component of the cost-of-living adjustment may be granted only when the plan is sufficiently funded and only if all other provisions of this section are satisfied. The sum of the pension adjustments provided for in subparagraphs (b) and (c) and the “variable” adjustment in this paragraph shall not exceed three percent (3%).

~~(C)~~ (E) In the event the pension plan is not sufficiently funded so as to provide a full 1% “variable” COLA in any year, a retroactive “variable” COLA, retroactive to the first year in which the full 1% “variable” COLA was not paid, shall be provided in subsequent years in which the plan is sufficiently funded, in order to provide an average compounded “variable” COLA of 1% per year, to the extent such amount is certified by the pension fund actuary to be supportable solely by the assets of the plan. The purpose of the retroactive additional COLA is to make retirees whole for any years in which the full 1% “variable” COLA could not be granted because the pension plan was not sufficiently funded.

~~(D)~~ (F) The annual actuarial valuation shall assume that the fixed 2% “fixed” 2% annual COLA adjustments provided in subsections (A) and (B) above and the fixed annual COLA adjustments provided in subsection (C)(1)(b) and (c) above will be repeated on an annual basis for future years. The “variable” COLA will not be assumed to be granted every year for future years because it is granted only in those years when the plan is sufficiently funded.

SECTION 5. If any provision of this Ordinance or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect any provisions or applications of this Ordinance that can be given effect without the invalid provision or application, and to this end the provisions of this Ordinance are declared to be severable.

SECTION 6. This Ordinance shall become effective upon adoption, except as otherwise specifically provided herein.

PASSED FIRST READING this _____ day of _____, 2011.

PASSED SECOND READING this _____ day of _____, 2011.

LAMAR FISHER, MAYOR

ATTEST:

MARY L. CHAMBERS, CITY CLERK

EGR
5/20/11
L:ord/ch34/2011-69



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March 8, 2011

Madelene L. Klein
Executive Director
City of Pompano Beach
General Employees' Retirement System
555 South Andrews Avenue, Suite 106
Pompano Beach, FL 33069

Subject: Proposed Plan Changes

Dear Madelene:

As requested we have determined the impact of the proposed plan changes for new hires in the City of Pompano Beach General Employees' Retirement System as outlined in your email dated January 28, 2011.

Background

The request provides a Second Tier benefit structure for members hired on or after the effective date that will maintain the current benefit structure of the System with the following changes:

- Multiplier
 - 2% of last five years average base earnings
- Employee Contributions
 - 7% of base earnings
- Cost of Living Adjustment (COLA)
 - Age based COLA commencing five years after retirement in the table below

Age	COLA Amount
Under 55	0%
55 to 64	1%
65 and older	2%

There will be no changes in benefits for active members as of the date of the benefit changes.

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Ms. Madelene L. Klein
March 8, 2011
Page 2

Data, Methods and Assumptions

The data, methods and assumptions used to determine the impact of the proposed plan changes are the same as those used in the October 1, 2010 valuation.

Costs

Changes which affect only future active members impact only the normal cost rate of the employer. If such a change is enacted, the future normal cost would begin to decline as the new members with a lower normal cost comprise a material and growing percentage of all active members. Ultimately, after the active membership is comprised entirely of members hired after the effective date of the proposed plan changes the employer's normal cost rate would be expected to be the rate provided in our results below under Second Tier Benefit Structure. We have assumed in our analysis that future employees are demographically identical to the current active membership.

Impact of change for future active members only (hired after the valuation date)

	Expected Employer Normal Cost Rate for Future Employees	Expected Ultimate Change in Employer Normal Cost Rate
Current Plan	5.25%	
Second Tier Benefit Structure	3.29%	-1.96%

The normal cost rate above is net of expected employee contributions which are 7.00% under the proposal compared to 10.00% for current plan members. The employer normal cost rate above of 3.29% would be considered the ultimate normal cost rate with the benefit changes for new hires. The valuation employer normal cost rate would be expected to decline each year toward the ultimate normal cost rate and could be expected to reach this ultimate rate in 25 to 30 years. The pace of the decline in the normal cost is dependent upon the active employee turnover in future years. Based on this result the proposed plan change would result in a reduction in future plan costs, but no immediate reduction in costs.



Ms. Madelene L. Klein
March 8, 2011
Page 3

Certification

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

Sincerely,

Jose I. Fernandez, ASA, EA, FCA, MAAA
Principal and Consulting Actuary

Todd B. Green, ASA, FCA, MAAA
Principal and Consulting Actuary

JIF/TBG:tbg