

MEMORANDUM

Date: August 7, 2013

TO: Town Commission
FROM: Dave Bullock, Town Manager
SUBJECT: Ordinance 2013-15, Amending Chapter 34, Employment Policies

The Town Commission has provided direction to take actions necessary to freeze the General Employees' Retirement System defined benefit plan effective September 30, 2013.

Ordinance 2013-15, provides for freezing the current defined benefit plan as of September 30, 2013 and is the second of three anticipated ordinances to freeze the Town's defined benefit programs.

At the July 1, 2013 Regular Meeting, during second reading and public hearing, the Commission directed staff to continue the public hearing, bring back Ordinance 2013-15 with a provision (as provided for in the Firefighter pension freeze) for allowing General Employees within 5 years of their Normal Retirement date to enter a Deferred Retirement Option Program (DROP) prior to September 30, 2013, and to develop financial/impact analysis for consideration of continuance of an early retirement option.

Defined Benefit

The defined benefit life annuity under the current plan allows employees to earn 2.75% of their average final compensation (based on the best five of last ten years) for every year of service at their Normal Retirement Date (NRD).

Normal Retirement Date = 62 years old or 55 years old and 30 years of service
Current Plan Benefit = $0.0275 \times \text{average final compensation} \times \text{years of service}$

Freezing the plan freezes the value which has been accrued as of September 30, 2013 using the average compensation at that date and eliminates accruals for future years of service with the Town. When the accrued value is calculated it takes into consideration accrued vacation and sick leave payouts that were available to the employee on July 1 2011.

Vesting

All members shall be fully vested in their frozen accrued benefit based on their length of service on September 30 2013, regardless of their length of service or whether they are vested under the terms of the pension plan. For example, an employee with 5 years of service is only 50% vested under the current plan. On September 30, 2013 this employee will be 100% vested in their 5 years of service.

Current Plan Benefit = $0.0275 \times \text{average final compensation} \times \text{years of service} \times \% \text{ vesting}$
Frozen Plan Benefit = $0.0275 \times \text{average final compensation} \times \text{years of service}$

Also, any member who is employed on September 30, 2013 and has less than 10 years of credited service on that date may elect to receive a refund of their accumulated contributions or the actuarial present value of their frozen accrued benefit, in lieu of any other benefit under the System.

Contributions

Once the plan is frozen the employee stops making the 6% contribution to the defined benefit plan and instead current and future employees would enter into a defined contribution plan administered by ICMA. The Town will automatically put in 6% of gross pay and require no

Several versions of Ordinance 2013-15 are attached for your review and consideration. The versions presented are as follows:

- Original Ordinance presented 7/1/2013– Freeze Benefits without DROP or early retirement
- Version A – 5 year window for DROP without early retirement
- Version B – 2 year window for DROP without early retirement
- Version C – 5 year window for DROP with continuation of early retirement
- Version D – 2 year window for DROP with continuation of early retirement
- Version E – Continuation of early retirement with no window for DROP

Impact statements for each of the ordinances will be distributed via email as soon as received from the actuary, Foster & Foster. In addition Doug Lozen from Foster & Foster will attend the meeting on August 14th. Please do not hesitate to contact me if you have any questions.

**ORIGINAL ORDINANCE
PROVIDED ON JULY 1, 2013**

GENERAL EMPLOYEES PENSION FREEZE

ORDINANCE 2013-15

AN ORDINANCE OF THE TOWN OF LONGBOAT KEY, AMENDING CHAPTER 34, EMPLOYMENT POLICIES, OF THE CODE OF ORDINANCES OF THE TOWN OF LONGBOAT KEY, FLORIDA; IMPLEMENTING CHANGES TO THE GENERAL EMPLOYEES' RETIREMENT SYSTEM; CREATING A NEW SECTION 34.72, PLAN FREEZE AND PARTICIPATION IN DEFINED CONTRIBUTION PLAN; PROVIDING FOR SEVERABILITY; REPEALING ALL ORDINANCES IN CONFLICT HERewith; AND PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE TOWN COMMISSION OF THE TOWN OF LONGBOAT KEY, FLORIDA THAT:

SECTION 1. A new Section 34.72, Plan freeze and participation in defined contribution plan, is created to read as follows:

34.72 Plan freeze and participation in defined contribution plan

Notwithstanding any other provision of the System:

(A) The accrued benefits of all members of this System who are employed and not participating in the DROP on September 30, 2013 shall be frozen on that date. All such members with 5 or more years of credited service as of September 30, 2013 shall be fully vested in their frozen accrued benefit, based on their length of service and the vesting schedule set forth in section 34.80. The value of each member's frozen accrued benefit shall be calculated in accordance with the provisions of the System in effect on September 30, 2013, based on the member's credited service, vesting percentage and average final compensation on that date. The frozen accrued benefit shall be payable to the member upon termination of Town employment and attaining age 55 with 30 years of credited service or age 62 regardless of years of credited service, whichever occurs first. In applying the preceding sentence, credited service shall include all credited service as a member of this System prior to October 1, 2013, and all periods of employment with the Town of Longboat Key on and after October 1, 2013. For the purpose of determining a member's frozen accrued benefit in accordance with this subsection (A), salary shall include any payments of accrued leave that do not exceed the member's accrued leave balance as of July 1, 2011, and that would have been included in the member's salary if the member retired prior to October 1, 2013. However, the member's accrued leave balance as of July 1, 2011 shall be reduced by the amount of vacation or sick leave used after that date, and the member's frozen accrued benefit shall be adjusted accordingly.

(B) No benefits shall be accrued under this System on or after October 1, 2013, and no member contributions to this System shall be required on or after that date. The Town shall continue to make contributions to the System in accordance with section 34.77(B), and the Board shall continue to administer the System in accordance with sections 34.73 through 34.98, as modified by this section 34.72, until all accrued benefits have been paid to all eligible members and beneficiaries.

(C) Any member of this System who is employed on September 30, 2013 and has less than 105 years of credited service on that date shall receive a refund of their accumulated contributions. Any member of this System who is employed on September 30, 2013 and has 5 or more but less than 10 years of credited service on that date may

elect to receive a refund of their accumulated contributions or the actuarial present value of their frozen accrued benefit, in lieu of any other benefit under the System.

(D) Effective October 1, 2013, all current and future general employees of the Town of Longboat Key shall participate in a defined contribution retirement plan established by the Town of Longboat Key, and shall be eligible for benefits and make contributions to the defined contribution plan for all service as a general employee with the Town on and after that date, in accordance with the defined contribution plan, as it may be amended from time to time.

(E) Members of this System who retired, entered the DROP or terminated Town employment with the right to a deferred vested benefit prior to October 1, 2013 shall be entitled to receive benefits from the System in accordance with the provisions of the System in effect on the date of their retirement, DROP entry, or termination of employment. Members who retire or enter the DROP prior to October 1, 2013 shall not be eligible for reemployment with the Town after that date, except at the exclusive option of the Town.

SECTION 2. All Ordinances or parts of Ordinances in conflict herewith shall be and the same are hereby repealed.

SECTION 3. If any section, subsection, sentence, clause, phrase of this ordinance, or the particular application thereof shall be held invalid by any court, administrative agency or other body with appropriate jurisdiction, the remaining section, subsection, sentences, clauses, or phrase under application shall not be affected thereby.

SECTION 4. This Ordinance shall take effect upon second reading and adoption, except as otherwise specifically provided herein.

Passed on first reading the 20th day of May, 2013.

Adopted on second reading and public hearing the _____ day of _____, 2013.

James L. Brown, Mayor

ATTEST:

Trish Granger, Town Clerk

VERSION A

Matches Fire Plan Freeze Ordinance

DROP eligibility 5 years prior to normal retirement date on 6/1/13; no early retirement after 10/1/13
(changes in pink are those made since second reading on 7/1/13)

ORDINANCE 2013-15

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(F) Notwithstanding the provisions of section 34.96(B)(1), a member who as of June 1, 2013 is within five years of the normal retirement date, may enter the DROP without penalty or enhancements on the first day of any month prior to September 30, 2013. Any member entering DROP pursuant to this provision must execute a voluntary resignation irrevocable for any reason to be effective at the end of the member's participation in the DROP, and which provides that the member shall not be eligible for reemployment with the Town, except at the exclusive option of the Town.

SECTION 2. All Ordinances or parts of Ordinances in conflict herewith shall be and the same are hereby repealed.

SECTION 3. If any section, subsection, sentence, clause, phrase of this ordinance, or the particular application thereof shall be held invalid by any court, administrative agency or other body with appropriate jurisdiction, the remaining section, subsection, sentences, clauses, or phrase under application shall not be affected thereby.

SECTION 4. This Ordinance shall take effect upon second reading and adoption, except as otherwise specifically provided herein.

Passed on first reading the 20th day of May, 2013.

Adopted on second reading and public hearing the _____ day of _____, 2013.

James L. Brown, Mayor

ATTEST:

Trish Granger, Town Clerk

VERSION B

DROP eligibility 2 years prior to normal retirement date; no early retirement after 10/1/13

(changes in pink are those made since second reading on 7/1/13)

ORDINANCE 2013-15

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Passed on first reading the 20th day of May, 2013.

Adopted on second reading and public hearing the _____ day of _____, 2013.

James L. Brown, Mayor

ATTEST:

Trish Granger, Town Clerk

VERSION C

DROP eligibility 5 years prior to normal retirement date on 6/1/13; frozen benefit payable at normal or early retirement date

(changes in pink are those made since second reading on 7/1/13)

ORDINANCE 2013-15

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sections 34.73 through 34.98, as modified by this section 34.72, until all accrued benefits have been paid to all eligible members and beneficiaries.

(C) Any member of this System who is employed on September 30, 2013 and has less than 10~~5~~ years of credited service on that date shall receive a refund of their accumulated contributions. Any member of this System who is employed on September 30, 2013 and has 5 or more but less than 10 years of credited service on that date may elect to receive a refund of their accumulated contributions or the actuarial present value of their frozen accrued benefit, in lieu of any other benefit under the System. Such election must be made in writing on a form provided by the Town on or before December 13, 2013, and if a member does not make a timely election he/she shall retain the frozen accrued benefit and shall not be eligible for a refund of accumulated contributions or the actuarial present value of their frozen accrued benefit, except as otherwise provided in the plan.

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SECTION 4. This Ordinance shall take effect upon second reading and adoption, except as otherwise specifically provided herein.

Passed on first reading the 20th day of May, 2013.

Adopted on second reading and public hearing the _____ day of _____, 2013.

James L. Brown, Mayor

ATTEST:

Trish Granger, Town Clerk

VERSION D

DROP eligibility 2 years prior to normal retirement date; frozen benefit payable at normal or early retirement date

(changes in pink are those made since second reading on 7/1/13)

ORDINANCE 2013-15

AN ORDINANCE OF THE TOWN OF LONGBOAT KEY, AMENDING CHAPTER 34, EMPLOYMENT POLICIES, OF THE CODE OF ORDINANCES OF THE TOWN OF LONGBOAT KEY, FLORIDA; IMPLEMENTING CHANGES TO THE GENERAL EMPLOYEES' RETIREMENT SYSTEM; CREATING A NEW SECTION 34.72, PLAN FREEZE AND PARTICIPATION IN DEFINED CONTRIBUTION PLAN; PROVIDING FOR SEVERABILITY; REPEALING ALL ORDINANCES IN CONFLICT HEREWITH; AND PROVIDING AN EFFECTIVE DATE.

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Passed on first reading the 20th day of May, 2013.

Adopted on second reading and public hearing the _____ day of _____, 2013.

James L. Brown, Mayor

ATTEST:

Trish Granger, Town Clerk

VERSION E

Frozen benefit payable at normal or early retirement date; no early DROP

(changes in pink are those made since second reading on 7/1/13)

ORDINANCE 2013-15

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34.72 Plan freeze and participation in defined contribution plan

Notwithstanding any other provision of the System:

(A) The accrued benefits of all members of this System who are employed and not participating in the DROP on September 30, 2013 shall be frozen on that date. All such members with 5 or more years of credited service as of September 30, 2013 shall be fully vested in their frozen accrued benefit, based on their length of service and the vesting schedule set forth in section 34.89. The value of each member's frozen accrued benefit shall be calculated in accordance with the provisions of the System in effect on September 30, 2013, based on the member's credited service, vesting percentage and average final compensation on that date. The frozen accrued benefit shall be payable to the member upon termination of Town employment and attaining age 55 with 30 years of credited service or age 62 regardless of years of credited service, whichever occurs first. Alternatively, a member who is employed and not participating in the DROP on September 30, 2013 may elect to receive the frozen accrued benefit, reduced in accordance with section 34.78(D), upon termination of Town employment and attaining age 50 with 15 years of credited service. In applying the preceding two sentences, credited service shall include all credited service as a member of this System prior to October 1, 2013, and all periods of employment with the Town of Longboat Key on and after October 1, 2013. For the purpose of determining a member's frozen accrued benefit in accordance with this subsection (A), salary shall include any payments of accrued leave that do not exceed the member's accrued leave balance as of July 1, 2011, and that would have been included in the member's salary if the member retired prior to October 1, 2013. However, the member's accrued leave balance as of July 1, 2011 shall be reduced by the amount of vacation or sick leave used after that date, and the member's frozen accrued benefit shall be adjusted accordingly.

(B) No benefits shall be accrued under this System on or after October 1, 2013, and no member contributions to this System shall be required on or after that date. The Town shall continue to make contributions to the System in accordance with section 34.77(B), and the Board shall continue to administer the System in accordance with

sections 34.73 through 34.98, as modified by this section 34.72, until all accrued benefits have been paid to all eligible members and beneficiaries.

(C) Any member of this System who is employed on September 30, 2013 and has less than 105 years of credited service on that date shall receive a refund of their accumulated contributions. Any member of this System who is employed on September 30, 2013 and has 5 or more but less than 10 years of credited service on that date may elect to receive a refund of their accumulated contributions or the actuarial present value of their frozen accrued benefit, in lieu of any other benefit under the System. Such election must be made in writing on a form provided by the Town on or before December 13, 2013, and if a member does not make a timely election he/she shall retain the frozen accrued benefit and shall not be eligible for a refund of accumulated contributions or the actuarial present value of their frozen accrued benefit, except as otherwise provided in the plan.

(D) Effective October 1, 2013, all current and future general employees of the Town of Longboat Key shall participate in a defined contribution retirement plan established by the Town of Longboat Key, and shall be eligible for benefits and make contributions to the defined contribution plan for all service as a general employee with the Town on and after that date, in accordance with the defined contribution plan, as it may be amended from time to time.

(E) Members of this System who retired, entered the DROP or terminated Town employment with the right to a deferred vested benefit prior to October 1, 2013 shall be entitled to receive benefits from the System in accordance with the provisions of the System in effect on the date of their retirement, DROP entry, or termination of employment. Members who retire or enter the DROP prior to October 1, 2013 shall not be eligible for reemployment with the Town after that date, except at the exclusive option of the Town.

SECTION 2. All Ordinances or parts of Ordinances in conflict herewith shall be and the same are hereby repealed.

SECTION 3. If any section, subsection, sentence, clause, phrase of this ordinance, or the particular application thereof shall be held invalid by any court, administrative agency or other body with appropriate jurisdiction, the remaining section, subsection, sentences, clauses, or phrase under application shall not be affected thereby.

SECTION 4. This Ordinance shall take effect upon second reading and adoption, except as otherwise specifically provided herein.

Passed on first reading the 20th day of May, 2013.

Adopted on second reading and public hearing the _____ day of _____, 2013.

James L. Brown, Mayor

ATTEST:

Trish Granger, Town Clerk