

TAB 14



City of Palmetto Agenda Item

Meeting Date

3/19/12

Presenter: Jim Freeman

Department: City Clerk

Title: General Employees' Pension Plan Proposed Ordinance NO. 2012-02

There is a need to amend the ordinance governing the General Employees' Pension Plan to implement new legislation.

Senate Bill 1128 adopted during the 2011 legislative session amended the definition of salary by prohibiting the inclusion of accrued sick time and vacation time, and allowing up to only 300 hours of overtime per year when calculating retirement benefits.

The Board of Trustees is recommending an ordinance to change the salary definition to comply with the new law. After reviewing different ways to implement the legislation, the Board agreed that it will be more advantageous and efficient to define salary for calculating pension as the lesser amount of accrued vacation and sick time (as defined by the Personnel Policy) as of July 1, 2011 and an employees' actual retirement date.

Example: An employee has a combined total of 200 hours of accrued vacation and eligible sick time on July 1, 2011. At a future retirement date that employee has 400 hours of accrued vacation and eligible sick time. Retirement benefits will be calculated using the lesser amount, or 200 hours.

In a reverse scenario, an employee retires at some future date. Through use the employee has only 100 hours of accrued vacation and eligible sick time at that retirement date. Retirement benefits would be calculated using the lesser amount, or 100 hours.

Budgeted Amount: **Budget Page No(s):** **Available Amount:** 26,366 **Expenditure Amount:**

Additional Budgetary Information:

Funding Source(s): **Sufficient Funds Available:** Yes No **Budget Amendment Required:** Yes No **Source:**

City Attorney Reviewed: Yes No N/A **Advisory Board Recommendation:** For Against N/A **Consistent With:** Yes No N/A

Potential Motion/Direction Requested: Motion to schedule a public hearing for Ordinance No. 2012-02 for April 2, 2012.

Staff Contact: Jim Freeman

Attachments: Ordinance No. 2012-02; Personnel Policy excerpts regarding accrued vacation and sick time.

Law Offices

Christiansen & Dehner, P.A.

63 Sarasota Center Blvd. Suite 107 Sarasota, Florida 34240 • 941-377-2200 • Fax 941-377-4848

March 8, 2012

Mayor Shirley Bryant
City of Palmetto
Post Office Box 1209
Palmetto, FL 34220-1209

RECEIVED
MAR 12 2012
CITY HALL

Re: City of Palmetto General Employees' Retirement System

Dear Mayor Bryant:

Enclosed please find a proposed ordinance amending the City of Palmetto General Employees' Retirement System, which is recommended by the Board for approval and adoption by the City Commission. Section 22-81, Definitions, is being amended to amend the definition of Salary to comply with the requirements of Chapter 2011-216, Laws of Florida regarding the limitation on overtime and accrued sick and annual leave.

By copy of this letter to the plan's actuary, Foster & Foster, Inc., I am requesting that they provide you with a letter indicating that there is no cost, or a cost savings associated with the adoption of this ordinance.

If you or any member of your staff have any questions with regard to this ordinance, please feel free to give me a call. In addition, if you feel it would be appropriate for me to be present at the meeting at which this ordinance is considered by the City Commission, please contact my office to advise me of the date that the ordinance would be considered.

Yours very truly,



Scott R. Christiansen

SRC/dm
enclosure

cc: Doug Lozen, with enclosure
Diane Ponder, with enclosure ✓

ORDINANCE NO. 2012-02

AN ORDINANCE OF THE CITY OF PALMETTO AMENDING CHAPTER 22, PERSONNEL, ARTICLE IV, GENERAL EMPLOYEES' RETIREMENT SYSTEM, OF THE CODE OF ORDINANCES OF THE CITY OF PALMETTO; AMENDING SECTION 22-81, DEFINITIONS; PROVIDING FOR CODIFICATION; PROVIDING FOR SEVERABILITY OF PROVISIONS; REPEALING ALL ORDINANCES IN CONFLICT HERewith AND PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF PALMETTO, FLORIDA, IN REGULAR SESSION ASSEMBLED:

SECTION 1: Amendment Language.

That Chapter 22, Personnel, Article IV, General Employees' Retirement System, of the City of Palmetto Code of Ordinances, is hereby amended by amending Section 22-81, Definitions, to amend the definition of *Salary*, to read as follows:

* * * * *

Salary means the total compensation for services rendered to the city as general employee reportable on the member's W-2 form including lump sum payments of unused sick leave and vacation time, plus all tax deferred, tax sheltered or tax exempt items of income derived from elective employee payroll deductions or salary reductions. For service earned after July 1, 2011, salary shall not include more than three hundred (300) hours of overtime per calendar year and shall also not include payments for accrued unused sick or annual leave. Provided however, in any event, payments for overtime in excess of three hundred (300) hours per year or accrued unused sick or annual leave accrued as of July 1, 2011 and attributable to service earned prior to July 1, 2011, may still be included in salary for pension purposes even if the payment is not actually made until on or after July 1, 2011. In any event, with respect to unused sick leave and unused annual leave accrued prior to July 1, 2011, salary will include the lesser of the amount of sick or annual leave time accrued on July 1, 2011 or the actual amount of sick or annual leave time for which the retiree receives payment at the time of retirement, regardless of whether the amount of sick or annual leave was, at some time prior to retirement, reduced below the amount on July 1, 2011.

Compensation in excess of the limitations set forth in section 401(a)(17) of the Code as of the first day of the plan year shall be disregarded for any purpose, including employee contributions or any benefit calculations. The annual compensation of each member taken into account in determining benefits or employee contributions for any plan year beginning on or after January 1, 2002, may not exceed \$200,000, as adjusted for cost-of-living increases in accordance with Internal Revenue Code Section 401(a)(17)(B). Compensation means compensation during the fiscal year. The cost-of-living adjustment in effect for a calendar year applies to annual compensation for the determination period that begins with or within such calendar year. If the determination period consists of fewer than 12 months, the annual compensation limit is an amount equal to the otherwise applicable annual compensation limit multiplied by a fraction, the numerator of which is the number of months in the short determination period, and the denominator of which is 12. If the compensation for any prior determination period is taken into account in determining a member's contributions or benefits for the current plan year, the compensation for such prior determination period is subject to the applicable annual compensation limit in effect for that prior period. The limitation on compensation for an "eligible employee" shall not be less than the amount that 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.

SECTION 2: Codification. Specific authority is hereby granted to codify and incorporate this Ordinance in the existing Code of Ordinances of the City of Palmetto.

SECTION 3: Repeal of Inconsistent Ordinances. All Ordinances or parts of Ordinances in conflict herewith be and the same are hereby repealed.

SECTION 4: Severability. 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 phrases under application shall not be affected thereby.

SECTION 5: Effective Date. This Ordinance shall take effect as provided for by law and by City Charter, Section 14, upon execution by the Mayor or, if disapproval occurs, upon reconsideration by the City Commission and passing of the Ordinance by at least four votes.

First Reading: March 19, 2012.

Publication: March 29, 2012.

Second Reading and Public Hearing: April 2, 2012.

PASSED AND DULY ADOPTED BY THE CITY COMMISSION OF THE CITY OF PALMETTO, FLORIDA, with a quorum present and voting, in regular session assembled, this 2nd day of April, 2012.

By: _____
Shirley Groover-Bryant, Mayor

ATTEST:

By: _____
James R. Freeman, City Clerk

CITY OF PALMETTO
GENERAL EMPLOYEES' RETIREMENT SYSTEM

ACTUARIAL IMPACT STATEMENT

March 29, 2012

Attached hereto is a comparison of the impact on the Total Required Contribution (per Chapter 112, Florida Statutes) resulting from the implementation of the following Plan amendment:

A limitation on overtime and lump sum payments of unused sick and vacation time for inclusion in pensionable earnings as follows:

- a. For Credited Service after July 1, 2011 (the "effective date"), annual overtime shall not exceed 300 hours. Additionally, payment for unused sick and vacation time shall not be considered pensionable for hours accrued after the effective date.
- b. Payment for overtime and unused sick and vacation time at the time of termination shall not exceed the amounts in place on the effective date.

The following assumptions are utilized for purposes of this Impact Statement:

<u>Current Credited Service</u>	<u>Current Liability Load</u>	<u>Revised Liability Load</u>
10 or more years	4.5%	4.5%
At least 5, less than 10 years	4.5%	3.0%
Less than 5 years	4.5%	0.0%

It is important to point out that these assumptions are estimates, and are subject to further modification based on actual experience. Subsequent changes will be reflected in future actuarial valuations.

The cost impact, determined as of October 1, 2011, as applicable to the fiscal year ending September 30, 2013, is as follows:

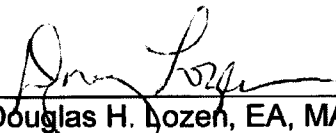
	<u>Current</u>	<u>Proposed</u>
Total Required Contribution % of Total Annual Payroll	33.51%	33.18%
Member Contributions (Est.) % of Total Annual Payroll	5.00%	5.00%
Balance from City % of Total Annual Payroll	28.51%	28.18%

CITY OF PALMETTO
GENERAL EMPLOYEES' RETIREMENT SYSTEM

ACTUARIAL IMPACT STATEMENT

March 29, 2012
(Page 2)

The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution.



Douglas H. Dozen, EA, MAAA
Enrolled Actuary #11-7778

STATEMENT OF PLAN ADMINISTRATOR

The prepared information presented herein reflects the estimated cost of each proposed improvement.

Board of Trustees

Comparative Summary of Principal Valuation Results

	<u>Proposed</u> <u>10/1/2011</u>	<u>Current</u> <u>10/1/2011</u>
A. Participant Data		
Number Included		
Actives	64	64
Service Retirees	41	41
DROP Retirees	7	7
Beneficiaries	6	6
Terminated Vested	3	3
Disability Retirees	4	4
Total	125	125
Total Annual Payroll	2,668,322	2,668,322
Payroll Under Assumed Ret. Age	2,629,733	2,629,733
Annual Rate of Payments to:		
Service Retirees	572,106	572,106
DROP Retirees	126,758	126,758
Beneficiaries	20,650	20,650
Terminated Vested	19,108	19,108
Disability Retirees	41,615	41,615
B. Assets		
Actuarial Value	9,060,625	9,060,625
Market Value	7,748,335	7,748,335
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	7,802,518	7,877,368
Disability Benefits	391,541	395,585
Death Benefits	113,227	114,390
Vested Benefits	505,414	511,494
Refund of Contributions	129,767	129,767
Service Retirees	5,596,686	5,596,686
DROP Retirees *	1,423,003	1,423,003
Beneficiaries	133,966	133,966
Terminated Vested	194,009	194,009
Disability Retirees	440,977	440,977
Total	16,731,108	16,817,245

* Liabilities shown represent present value of future payments. Assets in item B., above, do not include accumulated DROP Account balances.

C. Liabilities - (Continued)	Proposed <u>10/1/2011</u>	Current <u>10/1/2011</u>
Present Value of Future Salaries	21,686,636	21,686,636
Present Value of Future Member Cont.	1,084,332	1,084,332
Normal Cost (Entry Age Normal)		
Retirement Benefits	287,101	291,948
Disability Benefits	17,897	18,123
Death Benefits	5,426	5,497
Vested Benefits	21,981	22,312
Refund of Contributions	30,198	30,198
Total Normal Cost	<u>362,603</u>	<u>368,078</u>
Present Value of Future Normal Costs	2,902,096	2,950,320
Actuarial Accrued Liability		
Retirement Benefits	5,432,394	5,465,774
Disability Benefits	225,245	226,893
Death Benefits	67,912	68,402
Vested Benefits	289,774	292,169
Refund of Contributions	25,046	25,046
Inactives	7,788,641	7,788,641
Total Actuarial Accrued Liability	<u>13,829,012</u>	<u>13,866,925</u>
Unfunded Actuarial Accrued Liability (UAAL)	4,768,387	4,806,300
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives	7,788,641	7,788,641
Actives	2,220,874	2,220,874
Member Contributions	<u>904,262</u>	<u>904,262</u>
Total	10,913,777	10,913,777
Non-vested Accrued Benefits	638,727	652,747
Total Present Value Accrued Benefits	<u>11,552,504</u>	<u>11,566,524</u>
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	(14,020)	
Assumption Changes	0	
New Accrued Benefits	0	
Benefits Paid (net of DROP lump sums)	0	
Interest	0	
Other	0	
Total:	<u>(14,020)</u>	

Valuation Date Applicable to the Fiscal Year Ending	Proposed 10/1/2011 <u>9/30/2013</u>	Current 10/1/2011 <u>9/30/2013</u>
E. Pension Cost		
Normal Cost (with interest) % of Total Annual Payroll*	14.31	14.52
Administrative Expense (with interest) % of Total Annual Payroll*	1.22	1.22
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 27 years (as of 10/1/11) % of Total Annual Payroll*	17.65	17.77
Total Required Contribution % of Total Annual Payroll*	33.18	33.51
Expected Member Contributions % of Total Annual Payroll*	5.00	5.00
Expected City Contrib. % of Total Annual Payroll*	28.18	28.51

* Contributions developed as of 10/1/11 are expressed as a percentage of Payroll Under Assumed Retirement Age at 10/1/11 of \$2,629,733

ACTUARIAL ASSUMPTIONS AND COST METHOD

Assumptions

Mortality Rates RP-2000 Combined Healthy with no projection, sex distinct. Disabled lives are set forward five years.

Interest Rate 7.5% per year compounded annually, net of investment related expenses.

<u>Normal Retirement Age</u>	<u>Number of Years after First Eligibility for Normal Retirement</u>	<u>Probability of Retirement</u>
	0-1	75%
	1-2	25%
	2-3	50%
	3+	100%

<u>Early Retirement Age</u>	<u>Number of Years after First Eligibility for Early Retirement</u>	<u>Probability of Retirement</u>
	0-1	25%
	1-2	10%
	2-3	10%
	3-4	10%
	4-5	10%

<u>Salary Increases</u>	<u>Years of Service</u>	<u>Rates</u>
	Less than 20	7.5%
	20-24	7.0%
	25-29	6.5%
	30 or more	6.0%

Terminal Leave Pay (Prior to Impact Statement)

<u>Present Value of Liability</u>	<u>Percentage Increase to Liability</u>
Normal Retirement	4.5%
Early Retirement	4.5%
Vesting	4.5%
Death	4.5%
Disability	4.5%
Refund of Contributions	0.0%

**SUMMARY OF PLAN PROVISIONS
(Through Ordinance 2010-11)**

<u>Latest Amendment</u>	August 16, 2010
<u>Eligibility</u>	Actively employed persons (except Police Officers) in the regular full-time service of the City.
<u>Salary</u>	Total compensation reported on the W-2, plus all tax deferred, tax sheltered, and tax exempt items of income, including lump sum payments for accrued sick and vacation time.
<u>Average Final Compensation</u>	Average of the five (5) best years of the final 10 years of service prior to termination or retirement.
<u>Credited Service</u>	Years and fractional parts of years of service with the City as a General Employee with Member Contributions, when required.
<u>Normal Retirement</u>	
Date	Earlier of: 1) the attainment of age 60 with 10 years of Credited Service (the service component is 5 years for participants hired prior to January 1, 1995), or 2) the completion of 30 years of Credited Service, regardless of age.
Benefit	2.5% of Average Final Compensation <u>times</u> Credited Service.
Form of Benefit	Life Annuity (options available).
<u>Early Retirement</u>	
Date	Age 55 with the completion of 10 years of Credited Service. The service component is 5 years for participants hired prior to January 1, 1995.
Benefit	Determined as for Normal Retirement and reduced 3% for each year the Early Retirement Date precedes the otherwise Normal Retirement Date, determined as if the Member had continued employment.

ACTUARIAL ASSUMPTIONS AND COST METHOD
(continued)

Cost of Living Adjustments None

Payroll Increases None

Administrative Expenses \$31,043

Termination Rates Age and service based rates shown in table below.

<u>Sample Ages</u>	<u>Years of Service</u>	<u>% of Active Members Separating Within Next Year</u>
All	0-1	22.0%
	1-2	20.0%
	2-3	18.0%
	3-4	16.0%
	4-5	14.0%
	5-6	12.0%
	6-7	10.0%
	7-8	9.0%
	8-9	8.0%
	9-10	7.0%
30 and older	10 or more	2.0%

Disability Rates Age based table shown below.

<u>Age</u>	<u>Probability of Disability</u>
25	0.09%
30	0.12%
35	0.14%
40	0.25%
45	0.35%
50	0.55%
55	0.74%
60	0.97%
65 and older	1.19%

Funding Method Entry Age Normal Actuarial Cost Method
(Level Percent of Pay)

Form of Benefit	Life Annuity (options available).
<u>Death Benefit</u>	
Pre-Retirement	
Not Vested	Refund of Member Contributions, with interest.
Vested	Accrued benefit, payable for 10 years at the Member's otherwise Normal Retirement Date (unreduced), at the otherwise Early Retirement Date (reduced as for Early Retirement), or immediately (actuarially reduced from the Early Retirement Date).
Post-Retirement	According to optional form of benefit selected at retirement.
<u>Disability Benefit</u>	
Date	Completions of 10 years of Credited Service (5 year requirement for participants hired prior to January 1, 1995).
Benefit	2.5% of Average Final Compensation <u>times</u> Credited Service, payable as of the date the Board determines such entitlement.
Form of Benefit	Life Annuity (options available).
<u>Termination of Employment</u>	
Less than ten years	Refund of Member Contributions with 4.0% interest per annum.
Ten or more years	Refund of Contributions, with interest, or vested accrued benefit payable at Normal (unreduced) or Early (reduced) Retirement Date, determined as if the Member had continued employment.
<u>Member Contributions</u>	
Amount	5.0% of Salary.
Interest	4.0% per year.

Deferred Retirement Option Plan

Eligibility	Satisfaction of Normal Retirement requirements
Participation	Not to exceed the date which is 5 years from the date on which the Member first becomes eligible for Normal Retirement.
Rate of Return	At Member's election: (1) Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or (2) 6.5% per annum compounded monthly. Members may elect to change the form of return once while participating in the DROP.
Form of Distribution	Cash lump sum (options available) at termination of employment.