



CITY COUNCIL AGENDA ITEM

REQUESTED COUNCIL MEETING DATE 9/1/09

SUBJECT: Ordinance No. 2009-18 Amendment to the Code of Ordinances relating to the General Employees Retirement System Pension

DEPARTMENT: Finance Department

RECOMMENDED MOTION:

Approval of Ordinance No. 2009-18.

SUMMARY:

Staff, General Employees Pension Committee, Public Employees Association, the Pension Actuary, and various Legal Counsels, have been considering methods to contain City cost related to retirement. In summary, we have reduced benefits and increased employee cost, keeping the City's cost constant from the prior years. Please see the attached for details. Staff recommends approval of this Ordinance.

The members of the Public Employees Association Local 5000 will consider and vote on the ratification of the attached Memorandum of Understanding. If ratified by the membership of the union and the nonunion members of the pension provide the city council with their recommendation on the amendments, the City Council shall consider the Memorandum of Understanding for approval prior to second reading on the amendments to the pension ordinance as set forth in the Memorandum of Understanding.

ATTACHMENTS: Ordinance Resolution Budget Resolution

Other Support Documents/Contracts Available for Review in Manager's Office

DEPARTMENT HEAD *John A. Shelley* John A. Shelley, Finance Director Date 8/24/09

FINANCE DEPARTMENT Approved as to Budget Requirements Date 8/24/09

VB **CITY ATTORNEY** *M. J. White* Approved as to Form and Legality Date 8-26-09

CITY MANAGER Approved Agenda Item For: 9/1/09

COUNCIL ACTION: Approved as Recommended Disapproved Tabled Indefinitely
 Continued to Date Certain Approved with Modification:

Second Reading - 9/22/09

ORDINANCE NO. 2009-18

AN ORDINANCE OF THE CITY OF PORT ORANGE, VOLUSIA COUNTY, FLORIDA, AMENDING CHAPTER 54, ARTICLE VI, CODE OF ORDINANCES, CITY OF PORT ORANGE FLORIDA ENTITLED 2003 GENERAL EMPLOYEES' RETIREMENT SYSTEM; AMENDING SECTION 54-148, PARTICIPANT'S CONTRIBUTION ACCOUNTS, AND SPECIFICALLY SUBSECTION (a), MANDATORY PARTICIPANT CONTRIBUTIONS; AMENDING SECTION 54-150, NORMAL RETIREMENT AND RETIREMENT INCOME AND SPECIFICALLY SUBSECTION (B), AMOUNT OF RETIREMENT INCOME AND SUBSECTION (D), SUPPLEMENTAL RETIREMENT INCOME; AMENDING SECTION 54-151, EARLY RETIREMENT AND RETIREMENT INCOME, AND SPECIFICALLY SUBSECTION (E), SUPPLEMENTAL RETIREMENT INCOME; PROVIDING FOR SEVERABILITY OF PROVISIONS; PROVIDING FOR REPEAL OF CONFLICTING ORDINANCES; PROVIDING RIGHTS OF SEPARATED EMPLOYEES NOT AFFECTED; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the changes herein have been agreed to by the certified employee organization that represents certain general employees who are participants of this retirement system; and

WHEREAS, for purposes of this Ordinance text with underlined (underlined) type shall constitute additions to the original text and text with strike-through (~~strike through~~) type shall constitute deletions to the original text.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF PORT ORANGE,
VOLUSIA COUNTY, FLORIDA:

Section 1. Section 54-148(a) of Article VI of Chapter 54 of the Code of Ordinances, City of Port Orange, Florida, is hereby amended as follows:

Sec. 54-148. Participant's contribution accounts.

(a) *Mandatory participant contributions.*

Each participant will contribute toward the cost of the plan an amount equal to ~~five and nine tenths (5.9%)~~ seven and five tenths (7.5%) percent of the participant's basic compensation ~~effective March 1, 2007.~~ commencing with the pay period beginning October 5, 2009. These contributions will be deposited in a participant contribution account.

Each participant shall continue to contribute to the plan until the applicable following date:

- (1) The date the participant retires under the early, normal or late retirement provisions of the plan;
- (2) The date of death of the participant;
- (3) The date of disability of the participant; or
- (4) The date of termination of service.

The participant's contributions made on or after October 1, 2003 shall be credited with interest at the rate of five percent, compounded annually on a plan year basis, from the October 1st next following the date on which such contributions were made to the first of the month in which the date of his termination of service occurs.

If a terminated participant who is vested elects to withdraw his contributions prior to the participant's normal retirement date, the participant will be entitled only to a return of his participant contribution account, in lieu of all other benefits payable under the plan. Contributions cannot be withdrawn while a participant remains in the service of the city or after the payment of benefits under the plan has commenced.

Effective October 1, 2003 the mandatory contributions made by all participants shall be designated as city contributions pursuant to section 414(h) of the Internal Revenue Code of 1986 and amendments thereto. The "pick up" by the city of a participant's contribution which meets the requirements of section 414(h) shall be considered employee contributions for the purposes of the plan. Also, such "pick up" contributions shall not be used to reduce the city's obligation to maintain the plan on a sound actuarial basis, as specified in the actuary's valuation reports for the applicable periods of time.

(b) [Remains unchanged]

Section 2. Section 54-150(b)(1) and (d) of Article VI of Chapter 54 of the Code of Ordinances, City of Port Orange, Florida, is hereby amended as follows:

Sec. 54-150. Normal retirement and retirement income.

(a) [Remains unchanged]

(b) *Amount of retirement income:*

(1) *To a participant who retires on his normal retirement date:* The monthly amount of retirement income payable to a participant who retires on his normal retirement date shall be equal to a. multiplied by b., where:

a. Is 2.12 percent (.0212) for credited service prior to October 1, 2009 and is 2.00 percent (.0200) for credited service on or after October 1, 2009 of the participant's average monthly compensation; and

b. Is credited service.

(2) [Remains unchanged]

(c) [Remains unchanged]

(d) *Supplemental retirement income:* Any participant that retires under the normal retirement provisions of the plan on or after October 1, 2004 and before March 1, 2007 shall be entitled to a monthly supplemental retirement income of \$12.00 per month per year of credited service. Any participant that retires under the normal retirement provisions of the plan on or after March 1, 2007 and before October 1, 2009 shall be entitled to a monthly supplemental retirement income of \$16.00 per month per year of credited service. Any participant who separates from service and retires as a general employee under the normal retirement provisions of the plan or who enters the Deferred Retirement Option Program on or after October 1, 2009 shall be entitled to a monthly supplemental retirement income of \$16.00 per month per year of credited service earned before October 1, 2009. The supplemental retirement income payments shall be payable only to the participant on a life only form of payment.

(e) [Remains unchanged]

Section 3. Section 54-151(e) of Article VI of Chapter 54 of the Code of Ordinances, City of Port Orange, Florida is hereby amended:

Sec. 54-151. Early retirement and retirement income.

(a) [Remains unchanged]

(b) [Remains unchanged]

(c) [Remains unchanged]

(d) [Remains unchanged]

(e) *Supplemental retirement income:* Any participant that retires under the early retirement provisions of the plan on or after October 1, 2004 and before March 1, 2007 with 25 or more years of credited service shall be entitled to a monthly supplemental retirement income of \$12.00 per month per year of credited service multiplied by the applicable early retirement reduction factor set forth in subsection 54-146(a). Any participant that retires under the early retirement provisions of the plan on or after March 1, 2007 and before October 1, 2009 with 25 or more years of credited service shall be entitled to a monthly supplemental retirement income of \$16.00 per month per year of credited service multiplied by the applicable early retirement reduction factor set forth in subsection 54-146(a). Any participant who separates from service and retires as a general employee under the early retirement provisions of the plan with 25 or more years of credited service or who enters the Deferred Retirement Option Program on or after October 1, 2009 shall be entitled to a monthly supplemental retirement income of \$16.00 per month per year of credited service earned before October 1, 2009 multiplied by the applicable early retirement reduction factor set forth in subsection 54-146(a). The supplemental retirement income payments shall be payable only to the participant on a life only form of payment.

Section 4. All ordinances or parts of ordinances in conflict with the provisions of this ordinance are hereby repealed to the extent of such conflict.

Section 5. If any provisions of this ordinance or the application thereof to any person or circumstance is held invalid, the invalidity shall not affect other provisions or applications of this ordinance which can be given effect without the invalid provision or application, and to this end the provisions of this ordinance are declared severable.

Section 6. Nothing herein shall affect the rights or obligations of any general employee who separated from employment as a general employee with the City of Port Orange prior to the date this ordinance is passed and adopted.

Section 7. This ordinance shall become effective to October 1, 2009.

(ORD. NO. ____)

Mayor Allen Green

ATTEST:

Kenneth W. Parker, City Manager

Passed on first reading, this ____ day of _____, 2009.

Passed and adopted on second and final reading, this ____ day of _____,
2009.

Reviewed and Approved:



City Attorney

MEMORANDUM OF UNDERSTANDING BETWEEN THE
CITY OF PORT ORANGE
AND
PUBLIC EMPLOYEES ASSOCIATION (PEA) LOCAL CHAPTER 5000
CHANGES TO ARTICLE 25 - RETIREMENT



The parties recognize that the collective bargaining agreement between the City of Port Orange and the PEA Local 5000 in effect October 1, 2008 is the current status quo for the parties until a new contract is achieved.

Separate and apart from the current contract negotiations, the Union's representative hereby agrees to permit the City to make the following offered changes to the union's pension program effective October 1, 2009, subject to approval by the City Council and also subject to approval by the union members.

These amendments to the 2008-2009 Bargaining Unit Agreement between the City and the Public Employees Association Local Chapter 5000 (PEA) Union, which amendments have been discussed, bargained for and tentatively agreed to by both parties, are for the purpose of maintaining the financial stability of the union members' pension plan.

Certain provisions of the PEA pension ordinance shall be modified. These modifications shall be permanent until subsequently modified by both parties to this agreement. All references to Code Sections shall be references to the Code of Ordinances, City of Port Orange, Florida. Modifications are as follows:

1

Section 54-148(a), Code of Ordinances is amended to read as follows:

(a) Mandatory participant contributions.

Each participant will contribute toward the cost of the plan an amount equal to ~~five and nine-tenths (5.9%)~~ seven and five-tenths (7.5%) percent of the participant's basic compensation ~~effective March 1, 2007.~~ commencing with the pay period beginning October 5, 2009. These contributions will be deposited in a participant contribution account.

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Section 54-150(b)(1) and (d), Code of Ordinances is amended to read as follows:

(a) [Remains unchanged]

(b) Amount of retirement income:

- (1) *To a participant who retires on his normal retirement date:* The monthly amount of retirement income payable to a participant who retires on his normal retirement date shall be equal to a. multiplied by b., where:

MEMORANDUM OF UNDERSTANDING

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a. Is 2.12 percent (.0212) for credited service prior to October 1, 2009 and is 2.00 percent (.0200) for credited service on or after October 1, 2009 of the participant's average monthly compensation; and

b. Is credited service.

(c) [Remains unchanged]

(d) *Supplemental retirement income:* Any participant that retires under the normal retirement provisions of the plan on or after October 1, 2004 and before March 1, 2007 shall be entitled to a monthly supplemental retirement income of \$12.00 per month per year of credited service. Any participant that retires under the normal retirement provisions of the plan on or after March 1, 2007 and before October 1, 2009 shall be entitled to a monthly supplemental retirement income of \$16.00 per month per year of credited service. Any participant who separates from service and retires as a general employee under the normal retirement provisions of the plan or who enters the Deferred Retirement Option Program on or after October 1, 2009 shall be entitled to a monthly supplemental retirement income of \$16.00 per month per year of credited service earned before October 1, 2009. The supplemental retirement income payments shall be payable only to the participant on a life only form of payment.

(e) [Remains unchanged]

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Section 54-151(e), Code of Ordinances is amended to read as follows:

(e) *Supplemental retirement income:* Any participant that retires under the early retirement provisions of the plan on or after October 1, 2004 and before March 1, 2007 with 25 or more years of credited service shall be entitled to a monthly supplemental retirement income of \$12.00 per month per year of credited service multiplied by the applicable early retirement reduction factor set forth in subsection 54-146(a). Any participant that retires under the early retirement provisions of the plan on or after March 1, 2007 and before October 1, 2009 with 25 or more years of credited service shall be entitled to a monthly supplemental retirement income of \$16.00 per month per year of credited service multiplied by the applicable early retirement reduction factor set forth in subsection 54-146(a). Any participant who separates from service and retires as a general employee under the early retirement provisions of the plan with 25 or more years of credited service or who enters the Deferred Retirement Option Program on or after October 1, 2009 shall be entitled to a monthly supplemental retirement income of \$16.00 per month per year of credited service earned before October 1, 2009 multiplied by the applicable early retirement reduction factor set forth in subsection 54-146(a). The supplemental retirement income payments shall be payable only to the participant on a life only form of payment.

MEMORANDUM OF UNDERSTANDING

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This memorandum shall not be binding upon either party unless and until the City Council of the City of Port Orange approves the Ordinance amending the General Employees Pension upon second reading, and the members of the union of the Public Employees Association Local Chapter 5000 ratify by appropriate vote the Ordinance amending the General Employees Pension in accordance with their bylaws.

This ordinance change, if approved by both parties, shall become effective October 1, 2009.

The 1) pension ordinance modifications and 2) financial impact to the General Employee Pension Fund are attached to this memorandum of understanding and incorporated herein by reference.

Dated this ____ day of August, 2009.

Kenneth W. Parker
City Manager, City of Port Orange

Dated this ____ day of August, 2009.

Randy May
Vice President, PEA Local 5000

**CITY OF PORT ORANGE GENERAL EMPLOYEES
DEFINED BENEFIT RETIREMENT PLAN**

STATEMENT OF ACTUARIAL IMPACT

August 20, 2009

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The City Council of the City of Port Orange is considering the adoption of an Ordinance amending the City of Port Orange General Employees Defined Benefit Retirement Plan.

A study was prepared by Plan Actuary David G. Leonard, A.S.A. to determine the cost for the proposed changes, as outlined below.

The proposed changes to the plan that will be considered are as follows:

- I. Ord. Sec. 54-148 (Plan Sec 1.3) – Participant’s Contribution Accounts – Mandatory Participant Contributions
Participants will contribute 7.5% instead of 5.9%. This change, effective October 1, 2009, will reduce the cost of plan benefits to the City by 1.6% of salary.

- II. Ord. Sec. 54-150 (b) (Plan Sec. 2.2(B)) – Amount of Retirement Income
Participants will accrue benefits commencing on October 1, 2009 at the rate of 2.0% of Average Monthly Compensation (AMC) per year of Credited Service. Years earned prior to October 1, 2009 will continue to be credited at 2.12% of AMC per year of Credited Service. The impact of this change is to reduce the cost of plan benefits to the City by an estimated 1.2% of salary.

- III. Ord. Sec. 54-150(d) & 54-151(e) ((Plan Sec. 2.2(D)) – Supplemental Retirement Income
Participants will cease to accrue Supplemental Retirement Income benefits as of October 1, 2009. Supplement Retirement Benefits earned in years up to and including September 30, 2009 will still be payable upon retirement assuming the Participant has met the existing criteria for such benefits to vest (Normal Retirement or Early Retirement with 25 or more years of service).

The impact of this change is to reduce the cost of plan benefits to the City by an estimated 1.7% of salary.

The following is a summary of the projected cost impact to the City and Members for the fiscal year beginning October 1, 2009 and ending September 30, 2010. These calculations take into account changes in actuarial assumptions and methods from the October 1, 2008 annual Actuarial Valuation Report, as well as an expected reduction in plan asset values of 10%:

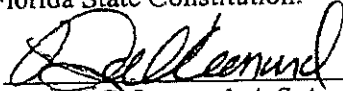
	<u>Current</u>	<u>Proposed</u>
Total Required Contribution	\$1,770,514	\$1,551,092
% of Total Annual Payroll	23.4%	20.5%
Expected Member Contribs.	\$ 446,412	\$ 567,473
% of Total Annual Payroll	5.9%	7.5%
Balance From City	\$1,324,103	\$ 983,619
% of Total Annual Payroll	17.5%	13.0%

**CITY OF PORT ORANGE GENERAL EMPLOYEES
DEFINED BENEFIT RETIREMENT PLAN**

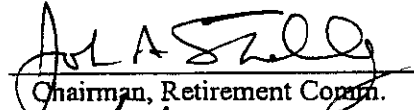
STATEMENT OF ACTUARIAL IMPACT

August 20, 2009
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This Statement of Actuarial Impact has been prepared pursuant to Chapter 112, Section 112.63(3), Florida Statutes, and in our opinion, the amendment to the Plan to adopt the above changes is in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X, of the Florida State Constitution.



David G. Leonard, A.S.A.
Actuary for the Plan (EA 08-3604)



Chairman, Retirement Comm.
8/20/2009

Date