

MEMORANDUM

March 28, 2022

TO: Honorable Mayor & City Commission

VIA: James Slaton, City Manager

FROM: Sandra D. Davis, Human Resources Director

SUBJECT: Ordinance 2022-11 Amending Chapter 16, Pension & Retirement – General Employees’ Pension Plans – Second Reading and Public Hearing

SYNOPSIS: The City Commission will consider adopting Ordinances 2022-11 to allow for the coordination of benefits between the 401(a) (defined contribution plan) and the City’s defined benefit plans.

RECOMMENDATION

It is recommended that the City Commission adopt Ordinance 2022-11 after second reading and public hearing.

BACKGROUND

The City sponsors multiple retirement systems, including a Defined Benefit Plan and a Defined Contribution plan. Ordinance 2022-11, 14 & 15 are being presented to provide for coordination of benefits with the 401(a) Plan.

In 2013 the City established a \$75,000 maximum annual benefit cap for all City employees. Once an employee reaches the \$75,000 Cap, the employee and City contributions are discontinued. Coordination of benefits with the 401(a) Plan (Defined Contribution Plan) will enable employees who reach the \$75,000 maximum annual benefit cap to join the 401(a) Plan. This will allow the city to contribute 16.5% of an individual’s payroll costs, which is the average of the current pension plans, and is determined by the actuary for the Defined Benefit Plans, subject to applicable IRS limits.

As a result of establishing the pension cap, some employees may reach the cap prior to reaching normal retirement age.

Allowing employees who’ve reached the cap to transition into the 401(a) Defined Contribution plan is the most cost effective solution, compared to making changes to the actual pension plans as it is outside the pension plan and has no impact on the City’s Unfunded Actuarial Liabilities.

OTHER OPTIONS

- 1) Increase the pension cap, however the Costs to the City will be exponentially higher as it will increase the Unfunded Actuarial Liabilities.
- 2) Do nothing.

FISCAL IMPACT

There are currently two employees who have reached the \$75,000 maximum annual benefit cap. To make contributions on their behalf into the 401(a) Plan will impact the FY 21'22 budget \$18,161.74 and approximately \$37,000 annually until the end of employment.

ATTACHMENTS

Ordinance 2021-11