

Memo

DT: October 28, 2019 City Commission Agenda

TO: Honorable Mayor and Members of the City Commission

FR: Chuck Faranda, City Manager

RE: Proposed Ordinance Amending the City's Firefighters Retirement Trust To Effectuate Changes Called for in the Collective Bargaining Agreement Between the City and the Metro Professional Firefighters, Local 3080, and to Provide Certain Minimum Benefits Required Under Chapter 175, Florida Statutes

RECOMMENDATION

It is recommended that the City Commission adopt the enclosed ordinance, which amends the City's Firefighters Retirement Trust (the "Trust") to effectuate changes provided for in the collective bargaining agreement between the City and the Metro Professional Firefighters, Local 3080 (the "Union"), in effect from October 1, 2018 through September 30, 2021 (the "Agreement"), and to address any retirement status changes occurring between the approval of the Agreement through the final approval of this ordinance.

BACKGROUND AND SUMMARY

During negotiations that led to the Agreement, the City and the Union agreed to prospective changes to the Trust, which are contained in Article 38 "Pension and Retirement" of the Agreement. These changes included establishing uniformity in multiplier and employee contributions related to future service for both pension tiers (i.e., Tier One and Tier Two members), modifying cost of living adjustments, as well as adjusting average final compensation and DROP eligibility. Consequently, the current rights, benefits, privileges and responsibilities of Tier One and Tier Two members will remain the same, except as follows:

Normal Retirement Eligibility and Benefit:

- (1) The normal retirement benefit for Tier One and Tier Two employees not yet eligible for normal retirement will be calculated using a 3% multiplier for each year of future service, with a maximum 75% benefit.
- (2) The average monthly earnings ("AME") for Tier One and Tier Two employees not yet eligible for normal retirement will be based on the highest consecutive 5 years of the last full years. However, in no event will the AME be less than the highest 3 year average (for

Tier One) or 4 year average (for Tier Two). As such, the applicable AME would be the greater of the 3 or 4 year average, for Tier One and Tier Two, respectively, as of this ordinance adoption or the 5 year average as of the retirement date.

(3) Member contributions shall be 12.72% of earnings, effective after October 29, 2018; 11.72% of earnings, effective October 1, 2019; and 10.72% of earnings, effective October 1, 2020.

Cost of Living Adjustment

(4) Tier One members not eligible for normal retirement or Tier Two members shall receive a 1% COLA for future service, provided the member was separated for 5 years. Such retirees shall not receive more than eight (8) COLA adjustments during their lifetime.

(5) Tier One members retired as of October 1, 2006, or eligible to retire as of the approval of this ordinance, must have been retired for 3 years to receive a 1.5% COLA for service earned on or before October 29, 2018. Tier Two members who retire shall have a COLA for service earned on or before October 29, 2018 by a sum equal to the net return of the Fund per year, with a 1.5% cap and a 0% floor per year, after having been retired for 3 years.

(6) Upon the death of a Tier One member, the COLA will be paid to each designated beneficiary. For deceased Tier Two members, the COLA will be paid to the designated beneficiary only if a COLA for retirees is to be given as a result of a net return being earned for the Fund that year.

Deferred retirement option plan (DROP)

(7) Tier One members who enter DROP, but were not eligible to enter DROP as of the adoption of the ordinance, may participate for 84 months provided they contribute 3% and their DROP interest earnings will be variable and based on the actual annual net rate of return earnings with a 0% floor and a 5% cap per year.

(8) For Tier One members who were not eligible to enter DROP as of October 29, 2018, but subsequently became eligible to enter DROP prior to this ordinance adoption, they may participate for up to 5 years without contributing to the Fund, but must contribute 3% for any period that they remain in the DROP beyond 5 complete years. DROP interest earnings for any period in excess of 5 years in the DROP, for Tier One members who were not eligible to enter DROP as of October 29, 2018, but subsequently became eligible to enter DROP prior to this ordinance approval, will be variable and based on the actual annual net rate of return earnings of the Fund, with a 0% floor and a 5% cap year.

(9) Tier Two employees may enter into the DROP after 20 years of credited service for a maximum of 84 months. However, the DROP term shall be reduced by 1 month for each

month of eligibility following the completion of 20 years of service during which the employees do not participate in the DROP.

(10) Tier Two employee DROP accounts shall be credited at a rate of interest that is variable and based on the actual annual net rate of return earnings of the Fund, with a 0% floor and a 5% cap per year. Any actual annual net rate of return earnings for the Fund in excess of five percent (5%) will go back into the Fund.

(11) Tier One members in the DROP as of October 29, 2018 and are still in the DROP may remain for up to 5 years without contribution, except that they must contribute 3% for any period that they remain in the DROP beyond 5 years. DROP interest earnings for any period in excess of 5 years in the DROP, for Tier One members who were in the DROP as of October 29, 2018, and are still in the DROP, will be variable and based on the actual annual net rate of return earnings of the Fund, with a 0% and a 5% cap year.

(12) DROP resignations are irrevocable, unless the resignation was submitted by a Member who was in the DROP as of October 29, 2018, and is currently in the DROP as of ordinance adoption, then that Member may revoke his or her current effective resignation date and designate a new effective resignation of on or before the latest date allowable in accordance with the Trust

(13) Participants' DROP account, on a quarterly basis, shall be credited at a rate of interest equal to the actual rate of return achieved by the Fund net of administrative expenses, as determined by the board of trustees for up to the first 5 years in the DROP and any time spent after that in the DROP will be credited at a rate of interest that is variable and based on the actual annual net rate of return earnings of the Fund, with a 0% floor and a 5% cap per year. Alternatively, at the option of any Tier One member who was not eligible to enter DROP as of October 29, 2018, but subsequently became eligible to enter DROP prior to ordinance adoption, the Tier One member's DROP account will be paid a fixed interest amount as determined by the board of trustees for up to the first 5 years in the DROP and any time spent after that in the DROP will be credited at a rate of interest that is variable and based on the actual annual net rate of return earnings of the Fund, with a 0% floor and a 5% cap per year.

(14) Tier Two members and Tier One members not eligible for normal retirement as of ordinance adoption shall not have the option of receiving a fixed interest amount in their DROP account. The DROP variable interest rate for Tier One members who were not eligible for normal retirement as of the ordinance adoption and Tier Two members will be credited at a variable rate of interest and based on the actual annual net rate of return earnings of the Fund, with a 0% floor and a 5% cap per year. Any actual annual net rate of return earnings for the Fund in excess of five percent (5%) will go back into the Fund.