

CITY OF GREENACRES

Council Agenda Memo
2016.01TL3.011

TO: Mayor and City Council

FROM: Thomas J. Lanahan, Acting City Manager

SUBJECT: **Resolution 2016-07**
Memorandum of Understanding with PBA
Council Agenda Item for 01-19-16

DATE: January 11, 2016

COPIES: James D. Stokes, City Attorney
Denise McGrew, City Clerk
Paul Ryder, City Labor Counsel
Jim Linn, City Pension Counsel

Background:

On August 10, 2015, the City Council voted to contract with the Palm Beach County Sheriff's Office (PBSO) to provide law enforcement services within the City of Greenacres. The contract for service provides for the merger of the Greenacres police personnel into PBSO.

A retirement plan and trust (City pension) for police and firefighters was established on January 1, 1996. On January 4, 1999 a collective bargaining unit was granted for certain public safety employees of the City, with representation by the Police Benevolent Association (PBA) union. The PBA continues to represent the police employees of the City. With the absorption of police personnel into the PBSO, the pension implications need to be addressed through collective bargaining. At the direction of the City Council, negotiations with the PBA began on November 6, 2015. The results of the collective bargaining negotiations are memorialized in a Memorandum of Understanding (MOU).

Analysis:

There are 4 options available to the City in regards to the City pension plan and the transition to PBSO:

1. Terminate. In this option, the plan assets would either be paid out to the members or used towards the purchase of annuities to provide benefits to the members at the discretion of the Pension Board. The cost of the annuities would significantly exceed the plan assets and thus money from the General Fund would be required.

2. Freeze. In this option the City pension plan would continue in order to pay earned benefits for the existing law enforcement participants but benefits are frozen as of January 31, 2016 and all personnel would need to join the Florida Retirement System (FRS).
3. Close (as-is). In this option the City pension plan continues for existing law enforcement participants and benefits continue to accrue as the participants continue working (and gaining increased salaries). The City would continue to receive allocations of homeowners insurance premium tax proceeds (also known as Chapter 185 funds), with a large portion of those funds going to employee share accounts.
4. Close (with modifications). In this option, the City pension plan continues for existing law enforcement participants and benefits continue to accrue, however certain aspects of the operation of the plan are modified.

The MOU provides for the continuation of participation in the City pension plan by those employees going to PBSO who are currently in the City pension plan, with a few modifications to the existing plan (aka Option 4 above). For the law enforcement participants in the City pension, the allocation of Chapter 185 Funds is altered to reduce the amount going to the employee's share accounts and increase the amount the City can use to reduce its annual obligation to contribute to the plan. A portion of the Chapter 185 Funds are used to fund a Contribution Reserve Account which can be used to make up short falls in the PBSO contribution or market losses. In addition the MOU provides that participants in the City pension will not receive City retirement benefits if they "retire" from PBSO and return to work at PBSO less than 6 months after "retirement".

At the time of transition to the PBSO, all of the law enforcement employees currently in the City's pension plan (40 employees) will need to choose between remaining in the City pension or joining FRS like the rest of PBSO and the 5 City law enforcement employees who began service with the City prior to January 1, 1996. The arrangement in the MOU will allow those participants who elect to remain in the City plan to continue to receive the retirement benefits they would have received if the merger with PBSO had not happened.

The MOU also provides that the City employees who are not sworn law enforcement officers but are included in the bargaining unit and thus represented by PA (dispatchers for example) will have their defined contribution plan [401(a)] deemed fully vested as of January 31, 2016. Otherwise some of them would have lost all or a portion of the employer (City) contribution upon transfer to PBSO. These personnel will need to join FRS when they join PBSO.

Legal:

The MOU and Resolution were prepared in accord with the Florida Statutes and City Code requirements.

Financial:

While the MOU proposes that the City allow members to continue to participate in the City pension plan and accrue benefits and this will have a negative long-term financial impact on the City by encouraging more participants to stay in the plan and exposing the City to salary increases beyond its control, this arrangement is less expensive than the purchase of annuities or the continuation of the City pension plan in its current form. The modifications in the MOU will help reduce liability for the City by increasing the share of Chapter 185 funds put towards the plan and deterring early "retirement".

Staff Recommendation:

Adoption of Resolution 2016-07 approving the Memorandum of Understanding with the PBA regarding pension benefits.



Thomas J. Lanahan
Acting City Manager

Attachments:

1. Resolution 2016-07
2. Memorandum of Understanding