Recommendation From
Boynton Beach Financial Advisory Committee

Subject/Topic: City Funding of their 3 pensions (General, Police and Fire)

Reviewed By: Mike Madalena

Recommendation (Specific Action Recommended): Changes to the existing pension plans are necessary to maintain the financial health of the overall city. Changes would include an immediate review of past and present assumptions to determine if the city's past contributions need to be revised to meet current obligations and if there is a shortfall the city will need to revise their pension calculations for future retirees. Increase the employee's contribution rate into the plan and level the contribution throughout all classes. Currently the general employees pay a greater percentage of their pay toward the pension as it relates to future benefit payout. Eliminate the COLA (Cost of Living Adjustment) in the current pensions and change to a flat rate to be determined by each pension board annually to a factor tied to real inflation. Immediately end the DROP (Deferred Retirement Option Program) to any new members in all three pensions as of 7/1/2011. At that time anyone currently in DROP within the city would have their employment end on that date of 7/1/2011. This would eliminate a double pay scenario and allow the city to either eliminate the current position or bring in a new hire at a lower pay rate. Increase the Boynton Beach Fire assessment to fund for the Fire's pension obligations. If changes to state law permit the use of 175/185 dollars to fund police and fire pensions earmark those dollars to their respective pensions. If collective bargaining agreements are eligible to be opened the city should then look into creating a Defined Contribution plan for current future employees.

Pros of Recommendation: Currently the annual pension obligation for the city is one of its largest expenditures. By adjusting the cost of the pension obligation to the employees or freezing the current benefit the city could uncover additional funds to move to other projects in the city and balance their budget.

Cons of Recommendation: Would need the ability to end the collective bargaining agreements with the Police and Fire Unions to allow changes to their pensions. The unintended consequence is retention of city staff and public safety employees due to the changes to their pension. Could create low morale for city staff.

References (Staff, Documents, and Public): HB 303, SB 1128, SB 1130, and Governor Rick Scott's 2011 State of Florida Budget

Impact on 2011/12 Budget: Pending completion of legislation, there may be earlier retirements of senior City staff due to changes effective 7/1/11. (SB1128)

Impact on Out Year Budgets: depends on the ability to open the collective bargaining contracts and either freezing the current pension and moving to a DC plan or a reduced DB plan with greater employee contributions.

Impact on Citizens: None

Impact on City Staff: The unintended consequence is retention of city staff and public safety employees due to the changes to their pension. Could create low morale for city staff.

Committee Vote Result: For: ____ **Against**: ____

Comment: TABLED PENDING RESULTS OF STATE LEGISLATION