



CITY of HOLLYWOOD, FLORIDA

Office of Human Resources and Risk Management

2600 Hollywood Blvd. • Room 206 • P.O. Box 229045 • Hollywood, Florida 33022-9045
Phone (954) 921-3218 • www.hollywoodfl.org

Gail H. Reinfeld
Director

July 14, 2009

Mr. Keith Brinkman, Bureau Chief
The Bureau of Local Retirement Systems
P.O. Box 9000
Tallahassee, Florida 32315-9000

Dear Mr. Brinkman:

Please be advised that the City of Hollywood has proposed to make changes to the Police Officer's Retirement System. Attached is a copy of the Ordinance proposed for adoption on first reading by the Hollywood City Commission on July 15, 2009. These changes are expected to be adopted on second reading by the Hollywood City Commission on September 2, 2009.

Pursuant to Florida Statute 112.63, an actuarial impact statement of proposed changes was completed prior to the last public hearing and adoption of changes by the governing body. Enclosed is a copy of the actuarial impact statement. Also, attached is correspondence from Robert Klausner, City Pension Attorney for your information.

If you should have any questions relating to the above, please feel free to call me at (954) 921-3218.

Sincerely,

Gail Reinfeld

Enclosure

c: Cameron Benson, City Manager
Jeffrey Sheffel, City Attorney
Michael Tierney, City Actuary
Robert Klausner, City Pension Attorney
Dave Williams, Pension Administrator
Jeff Marano, Broward County PBA
Barbara Duffy, Attorney
Patricia Shoemaker, Benefits Administrator, State of Florida, Division of Retirement



Our Mission: We are dedicated to providing municipal services for our diverse community in an atmosphere of cooperation, courtesy and respect. We do this by ensuring all who live, work and play in the City of Hollywood enjoy a high quality of life.

"An Equal Opportunity and Service Provider Agency"

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF HOLLYWOOD, FLORIDA, INCORPORATING IN THE CODE OF ORDINANCES THE APPROPRIATE PENSION PROVISIONS OF THE COLLECTIVE BARGAINING AGREEMENT BETWEEN THE BROWARD COUNTY POLICE BENEVOLENT ASSOCIATION, INC. AND THE CITY OF HOLLYWOOD COVERING THE PERIOD FROM OCTOBER 1, 2009 TO SEPTEMBER 30, 2012; COMPLYING WITH THE PROVISIONS OF SECTION 415(b), INTERNAL REVENUE CODE

WHEREAS, the City of Hollywood, Florida and the Broward County Police Benevolent Association, Inc. have entered into a Collective Bargaining Agreement (the "Agreement") covering the period from October 1, 2009 to September 30, 2012; and

WHEREAS, the Agreement contains several changes to the Police Officer's Retirement System; and

WHEREAS, it is necessary to incorporate the changes to the Police Officer's Retirement System in the Code of Ordinances;

WHEREAS, pursuant to Section 33.138 of the Code of Ordinances, the subchapter of Chapter 33 titled "Police Officer's Retirement System" can be amended by a 5/7 vote of the City Commission and a 50% plus one vote of the active members of the Police Officer's Retirement System;

WHEREAS, 50% plus one of the active members of the Police Officer's Retirement System have approved the amendments contained in this ordinance;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF HOLLYWOOD, FLORIDA:

Section 1: That Section 33.128 of the Code of Ordinances is hereby amended to read as follows:

(Coding: Words and figures underscored are additions to existing law; words and figures ~~struck-through~~ are deletions.)

TITLE III: ADMINISTRATION

* * *

CHAPTER 33: CITY EMPLOYEES

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RETIREMENT

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POLICE OFFICER'S RETIREMENT SYSTEM

§ 33.128 NORMAL RETIREMENT

(E) *Deferred retirement option plan ("DROP" plan).* A DROP plan is to be created and administered by the Board of Trustees of the Police Officer's Retirement System at no cost and with no liability to the city. Effective June 7, 2006, a member may enter into the DROP on the day he or she attains age 50 or completes 22 years of creditable service. A member who elects to enter the DROP plan shall have no recourse against the city for any claims with respect to the DROP payments or the DROP plan. A member hired before July 15, 2009 who elects to enter the DROP plan shall have the option to receive a rate of return on his or her DROP account that is equal to the assumed rate of investment return on fund assets. A member hired on or after July 15, 2009 who elects to enter the DROP plan shall have the option to receive a rate of return on his or her DROP account computed as follows: six percent (6%) per year, plus one half of Plan earnings in excess of twelve percent (12%) per year.

The maximum period of participation in the DROP plan for members who enter the DROP plan after June 7, 2006 shall be the lesser of 8 years or that period of participation in the DROP plan that would result in a total of 30 years of employment with the city. The city employment of each member who elects to participate in the DROP plan after June 7, 2006 shall terminate not later than the end of his or her maximum period of participation in the DROP plan.

Section 2: That, Section 33.131 of the Code of Ordinances is hereby amended to read as follows:

TITLE III: ADMINISTRATION

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CHAPTER 33: CITY EMPLOYEES

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RETIREMENT

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POLICE OFFICER'S RETIREMENT SYSTEM

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§ 33.131 FINANCING OF THE SYSTEM.

The fund of the retirement system shall consist of monies derived from the following sources:

* * *

(D) Members of the system shall contribute 8% of their earnings. Effective October 1, 2006, members of the system shall contribute 8.5% of their earnings. Effective October 1, 2009, members of the System shall contribute 9% of their earnings. Effective October 1, 2010, members shall contribute 9.25% of their earnings. Effective October 1, 2011, members shall contribute 9.5% of their earnings. Payments to the member for overtime in excess of 223 hours for the period from June 7, 2006 through December 31, 2006, and for overtime in excess 400 hours in calendar year 2007 and each subsequent calendar year thereafter shall be excluded from earnings for this purpose. After completion of 27 years of continuous service, members of the system shall only contribute 0.5% of their earnings.

* * *

Section 3: That Section 33.132 of the Code of Ordinances is hereby amended to read as follows:

TITLE III: ADMINISTRATION

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CHAPTER 33: CITY EMPLOYEES

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RETIREMENT

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POLICE OFFICER'S RETIREMENT SYSTEM

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§ 33.132 BOARD OF TRUSTEES.

The general administration and responsibility for the proper operation of the system and for making effective the provisions of this subchapter are hereby vested in a Board of Trustees consisting of seven members, as follows:

(A) One representative appointed by the Mayor of the city; one representative appointed by the City Commission; and five members of the Police Department, including DROP participants, who shall be elected by a per capita vote of all members of the Police Department who come within the purview of this subchapter; ~~provided, however, that no person who has entered the DROP plan shall be eligible either to serve as a trustee or to vote for the five elected trustees.~~ The Chief of Police shall be nonvoting, ex-officio member of the Board. All qualified members entitled to vote shall be notified in person or by mail five days in advance of said election. The first election shall be held within 30 days after passage of this subchapter. Five Trustees will be elected at that time. The two receiving the highest number of votes will serve for a term of two years and the remaining three elected will serve for a period of one year. Thereafter, annually, elections shall be held to replace the Trustees whose term of office expires at that time and the elected Trustees shall begin their term of office immediately, said term of office being two years, taking effect the first Monday after the election to said office. The Board of Trustees must meet and organize and elect one of their members as Chairperson and one of their members as Secretary within ten days after being elected and duly qualified.

* * *

Section 4: That Section 33.133 of the Code of Ordinances is hereby amended to read as follows:

TITLE III. ADMINISTRATION

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CHAPTER 33: CITY EMPLOYEES

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POLICE OFFICER'S RETIREMENT SYSTEM

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§ 33.133 SPECIAL PROVISIONS REGARDING MEMBERS IN MILITARY SERVICE.

(A) Any member of this system created by this subchapter who enlists, or any such member who is involuntarily called into active service of the military with any branch of the Army of the United States, the United States Navy, United States Air Force, the United States Marine Corps, or the United States Coast Guard, shall be entitled to preserve all rights and privileges under this subchapter. However, any such member who becomes disabled or dies while in the military service shall not be entitled to service-incurred disability or service incurred death benefits, except as may otherwise be required by federal law to maintain qualified status under the Internal Revenue Code.

(B) The period of active military service shall, for the purposes of computation to determine whether such member may be entitled to retirement under this subchapter, be deemed continuous service in the Police Department of the city and shall be credited as part of such actual service; ~~provided that any military service served after one year from the date hostilities cease, shall not be considered creditable pension time unless the member satisfactorily proves to the Board of Trustees that such military service was compulsory and not voluntary on his part; and provided further,~~ that credit for military service during time other than when the United States is at war or in a state of national emergency shall be limited to a maximum of five years.

(C) A member of the Police Department shall be entitled to up to five years credit for service in the armed forces under certain conditions:

(1) He ~~or she must have been~~ was in the active employ of the city as a member of the Department prior to such service and ~~must have left~~ leaves a position, other than a temporary position, for the purpose of voluntary or involuntary service in the armed forces.

(2) He or she ~~must be~~ is entitled to reemployment under the provisions of the Uniformed Services Employment and Reemployment Rights Act.

(3) He or she ~~must~~ returns to his or her employment as a Police Officer

within 1 year after he or she is released from active duty in the military service. He or she shall be reinstated by the Police Department of the city to such position or a position of like seniority, status and pay, and shall not be penalized in any way for such military service.

Section 5: That Section 33.136 of the Code of Ordinances is hereby amended to read as follows:

TITLE III: ADMINISTRATION

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CHAPTER 33: CITY EMPLOYEES

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RETIREMENT

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POLICE OFFICER'S RETIREMENT SYSTEM

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§ 33.136 MISCELLANEOUS PROVISIONS.

* * *

~~(N) — Continuation of city health insurance. Retired members may, at their option, continue to be covered by the city's health insurance plan under the same terms and conditions as if they were still active employees. The cost of insurance coverage for retired members shall be paid by the city; the cost of coverage for dependents will be paid by retired members. Any widow(er) of a deceased pensioner receiving a monthly benefit based on service rendered by the deceased pensioner may, at his or her option, continue to be covered by the city's health insurance plan under the same terms and conditions as if he or she were an active city employee. The cost of such insurance coverage shall be paid by the widow(er).~~

(~~⊖~~ N) *Supplemental pension distribution.* There shall be payable to eligible persons a supplemental pension distribution for each fiscal year in which the actual rate of investment return earned on fund assets exceeds the assumed rate of investment return on fund assets. The total amount of the supplemental pension distribution for a particular fiscal year shall be equal to the actuarial present value of future retirement benefits multiplied by the excess (not to exceed 2%) of the actual rate of investment

return over the assumed rate of investment return for the fiscal year. The Board of Trustees shall determine who is an eligible person and the specific amount to be paid to each eligible person.

(P O) *Use of state funds for individual "share" accounts.* Commencing October 1, 2000, the state funds received by the city pursuant to F.S. Chapter 185 shall be used to fund the plan increase in actuarial present value attributable to the additional benefits, including "minimum benefits" and "extra benefits," as provided in F.S. Chapter 185 consisting of ten years' certain and life as normal form for normal retirement, disability, and death prior to retirement, which benefits are set forth in § 33.128(B)(2), 33.128(C)(1) and (2), and 33.128(D) above. To accomplish this, a portion of the F.S. Chapter 185 funds received by the city after the said additional benefits were recognized as applicable under the plan shall be used to fund the actuarial present value of such benefits; however, the annual amounts so used shall be limited to the increase in annual contributions needed to fund such benefits until fully funded. In addition to the annual amounts needed for the funding of the ten years' certain and life normal benefit form, the increase in actuarial present value attributable to the October 1, 2000 retroactive effective date shall be paid in a single-sum payment from the remaining balance of unused F.S. Chapter 185 funds made available by the addition of the ten years' certain and life normal benefit. The remaining state funds shall be divided equally into individual "share" accounts for active members of the system. The Board of Trustees shall administer this "share" program.

Commencing June 7, 2006, the state funds received by the city pursuant to F.S. Chapter 185 subsequent to the funds normally received during Fiscal Year 2006 shall not be divided into individual "share" accounts but shall be used exclusively to fund plan benefits, including "minimum benefits" and "extra benefits." as provided in F.S. Chapter 185.

(P) Maximum Benefits; Tax Qualification. No benefit shall be paid from the Plan in excess of the maximum benefit permitted under Section 415(b), Internal Revenue Code. The Plan shall be administered as a qualified plan under the terms of the Internal Revenue Code

Section 6: That Section 33.137 of the Code of Ordinances is hereby amended to read as follows:

TITLE III: ADMINISTRATION

* * *

CHAPTER 33: CITY EMPLOYEES

* * *

RETIREMENT

* * *

POLICE OFFICER'S RETIREMENT SYSTEM

§ 33.137 COORDINATION OF PENSION BENEFITS.

In the event that a city employee changes his or her job status with the city such that he or she is considered a member pursuant to this subchapter, he or she may become a member of the system subject to the following rules:

* * *

(E) For employees hired as Police Officers on or after July 15, 2009, the provisions of this section shall not apply.

Section 7: That it is the intention of the City Commission that the provisions of this ordinance shall become and be made a part of the Code of Ordinances of the City of Hollywood, Florida, and the provisions of this ordinance may be renumbered to accomplish such intention.

Section 8: That if any word, phrase, clause, subsection or section of this ordinance is for any reason held unconstitutional or invalid, the invalidity thereof shall not affect the validity of any remaining portions of this ordinance.

Section 9: That all sections or parts of sections of the Code of Ordinances, all ordinances or parts of ordinances, and all resolutions or parts of resolutions in conflict herewith be and the same are hereby repealed to the extent of such conflict.

Section 10: That, except as otherwise stated herein (including any provisions that apply prior to the adoption date, which are hereby declared retroactive), this ordinance shall be in full force and effect immediately upon its passage and adoption.

ADVERTISED on _____, 2009.

PASSED on first reading this _____ day of _____, 2009.

PASSED AND ADOPTED on second reading this _____ day of _____, 2009.

ATTEST:

PETER J. M. BOBER, MAYOR

PATRICIA A. CERNY, MMC
CITY CLERK

APPROVED AS TO FORM & LEGALITY
for the use and reliance of the
City of Hollywood, Florida only:

JEFFREY SHEFFEL, CITY ATTORNEY



Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

July 7, 2009

Mr. David M. Williams
Administrator
City of Hollywood Police Officers
Retirement System
4205 Hollywood Blvd., Suite 4
Hollywood, FL 33021

Impact of Proposed Plan Changes

Dear Dave:

As requested, we are writing with the results of our evaluation of the proposed changes to the City of Hollywood Police Officers Retirement System as outlined in the attachment to the July 2, 2009 email from Gail Reinfeld. The following changes have a financial impact on the financing of the benefits or are a direct change to the benefit structure of the System. They are:

- (A) Effective October 1, 2009, members of the System shall contribute 9% of their earnings. Effective October 1, 2010, members shall contribute 9.25% of their earnings. Effective October 1, 2011, members shall contribute 9.50% of their earnings

The table below illustrates the savings in City contribution over the next three fiscal years and the ultimate savings as the member contribution increases incrementally from the current 8.50% of pay to 9.50%.

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Mr. David M. Williams
July 7, 2009
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	(A)
	Incremental Increase in Employee Contributions
Estimated cost impact ¹ :	
Fiscal year 2010	(\$95,500)
Fiscal year 2011	(\$143,300)
Fiscal year 2012 and after	(\$191,100)
Current total estimated contribution ²	\$14,191,269
Total projected payroll	\$19,105,751
Cost impact as a percent of projected payroll	(0.98%)

¹ Based on estimated projected payroll of \$19,105,751 as of October 1, 2009.

² Regular actuarial valuation before proposed changes.

(B) The current investment earnings rate on DROP accounts for all current members is equal to 8.00% per annum. Under the proposed change, in the case of a member hired on or after October 1, 2009, his or her DROP account shall earn interest at the rate of 6% per year, earnings in excess of 6% up to and including 12% per year shall offset the City's cost of maintaining the DROP program. Earning in excess of 12% per year shall be equally divided between the DROP participant and the City.

We have estimated an ultimate savings to the City of approximately 3.09% of pay in the long-term (20 to 30 years) under the proposed DROP earnings rate for new hires.

The estimated cost impacts presented are based on the Fund's census data, actuarial assumptions and methods (including DROP participation for eight years), and financial position as of October 1, 2008. Please note that the costs will fluctuate in the future as the plan's data and financial conditions change. It is important to keep in mind that future plan experience (e.g., pay increases, turnover and retirement patterns, and the addition of new members) will not match the actuarial assumptions exactly. The deviations of actual from expected plan experience will produce actuarial experience gains and losses which will impact the total employer contribution rate to the plan, and the cost increases presented above.



Mr. David M. Williams
July 7, 2009
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The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Do not hesitate to give us a call if you have any questions or would like to discuss.

Sincerely,

A handwritten signature in cursive script that reads "Jose I. Fernandez".

Jose I. Fernandez, ASA, EA, FCA, MAAA
Principal and Consulting Actuary