



# MEMORANDUM

Office of the City Attorney

Registrar No. 000051  
Phone: 334-5011/Fax 334-2229  
Box 46

**TO:** Mayor and City Commission

**DATE:** September 11, 2000  
~~SECOND READING~~

**FROM:** City Attorney

**SUBJECT:** Ordinance No. 0-00-84

An ordinance of the City of Gainesville, Florida, amending Division 3 and Division 5 of Chapter 2 of the Code of Ordinances relating to longevity payments and the City of Gainesville General Employees Pension Plan; describing benefits available to certain Gainesville Police Department employees; fixing the percentage of employee pension contributions and defining the types of pay from which contributions are derived; creating a Deferred Retirement Option Program (DROP); modifying procedures for selecting annuity options; providing for a cost of living increase for pension benefits; restricting the waiver of entitlement to longevity benefits to Police Officers and Firefighters who participate in the Consolidated Pension Plan DROP; providing directions to the codifier, providing a severability clause; providing a repealing clause; and providing an effective date.

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Recommendation: The City Commission adopt the proposed ordinance.

At its meeting of June 12, 2000, the City Commission approved the City Manager's recommendation that "the City Attorney draft and the Clerk of the Commission advertise amendments to the Code of Ordinances relating to the City of Gainesville General Employees Pension Plan, personnel policies and procedures, and any other related ordinances as appropriate, resulting from the current bargaining process." The bargaining process referred to in the City Manager's recommendation has resulted in agreements to include a cost of living adjustment (COLA) to the General Employees Pension Plan and add a deferred retirement option program (DROP). The proposed ordinance, described in more detail below, deals primarily with these above two topics. Many of the COLA and DROP provisions are similar to those found in the recent amendments to the Police Officers and Firefighters Consolidated Pension Plan. The ordinance also eliminates some redundant or outdated plan language. Finally, the ordinance attempts to deal with some of the consequences of the 1999 interlocal agreement between the City, the County, and the Sheriff related to the Combined Communications Center. The City Manager's agenda item did not identify the costs associated with the changes described in this ordinance. However, an actuarial impact statement describing such costs will be required prior to the adoption of this ordinance. Given the nature of the Plan changes, this ordinance will need to be ratified by the ATU and CWA bargaining units prior to adoption by the City Commission. Retiree health insurance issues related to the DROP are already dealt with in the Retiree Health Insurance ordinance.

Section 1 of the ordinance, dealing with credited service, recognizes two additional mechanisms through which pension credited service will be granted. The first of these involve the personal critical leave bank, which is one aspect of the also currently being negotiated “optional paid time off” program mentioned in the City Manager’s above-referenced agenda item. Section 1 also attempts to describe the circumstances and conditions under which former GPD dispatch center employees may receive various City of Gainesville General Employee Pension Plan benefits as a result of their employment with the Alachua County Sheriff. Section 1 also more appropriately re-characterizes former employees’ return of previously withdrawn contributions in order to “buy back” prior credited service.

Section 2 provides for definition of the DROP program.

Section 3 allows a member to obtain the benefit enhancement associated with including lump sum cash-outs of vacation pay in final average earnings at the time they enter the DROP, before they actually terminate employment.

Section 4 “codifies” the current practice regarding those types of pay from which contributions are deducted and those which are included in the final average earnings, and provides for a mechanism for future adjustment.

Section 5 eliminates outdated language. Elsewhere in the Pension Plan, the Director of Finance is designated as the Treasurer.

Section 6 fixes (for the duration of the related collective bargaining agreements) an employee contribution rate of 5 percent of gross pay. Members participating in the DROP do not have to make any employee contributions.

Section 7 eliminates redundant language. Virtually identical language is presently contained in Section 2-524(b)(2) of the Plan.

Section 8 reflects that the City does not need to make contributions to the trust fund attributable to members participating in the DROP.

Sections 9 and 10 extend the ability to elect and alter optional forms of benefit to members while participating in the DROP, as would be the case for a retiree directly receiving his monthly benefit checks. The election requirements are modified to encourage joint and survivor annuities for married members and to make this available to employees who would want to enter the DROP and “retire” during the “grandfather” period described below.

Section 11 describes the deferred retirement option program. A member is eligible to enter the DROP if they have a total of at least 27 years of various types of service with the City. They are no longer eligible to enter the DROP after 35 years of regular (formerly called permanent) employment with the City, except for certain “grandfathered” employees. Upon entry into the DROP, the member’s benefit becomes fixed and the member is considered a retiree for Plan purposes. To participate in the DROP, members must forego future general increases. Future merit increases and a portion of those increases where the pay plan combines both merit and general increases, are available, but only until the member becomes “topped out” in his

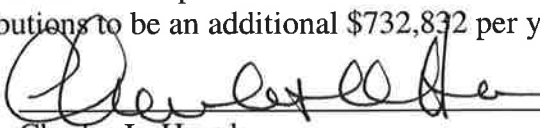
classification's pay range as it existed when the member entered the DROP. A similar restriction applies to merit or combined increases that would otherwise be available after a promotion. A DROP can last a maximum of 60 months; it may be shorter depending upon the years of service the member has at entry into the DROP. A special "grandfathering" provision allows long service members (32 years or more) to have up to three years of DROP participation, regardless of some durational limitations that would otherwise be applicable, if they enter the DROP before December 29, 2000. Members participating in the DROP may only participate in the DROP so long as they are employed, and may not remain employed beyond the designated period. If for some reason they do not terminate as agreed, their monthly retirement benefits cease and are forfeited to the Plan until such time as they terminate employment, at which time benefits would resume and be paid directly to the member. The DROP participant's monthly benefits remain in the Plan and earn six percent annual interest, compounded monthly. Participants receive an annual statement of their account balance. Distribution of DROP balances and payment of benefits in the event of death are in accordance with normal Plan provisions. In order to enter the DROP, the member must submit a letter of resignation, effective on or before the conclusion of the member's maximum allowable DROP period, at which time the member's employment would be terminated as a voluntary resignation. Members receiving retirement benefits under the DROP program are no longer eligible for Disability Pension Plan benefits. Special provisions exist for the former "GPD employees" hired by the Sheriff to work in the Combined Communications Center. The City Manager, as Plan Administrator, is given authority to implement the program and require such information and generate such documents as may be necessary to do so.

Section 12 provides for a cost of living adjustment for members and/or joint survivor annuitants receiving retirement benefits from the General Employees Pension Plan. A member's or joint annuitant's survivor benefit would be increased by two percent each year after the point in time in which the member would have reached age 60 or age 62, depending upon whether or not their benefit was based on 25 years or more of service, or less than 25 but more than 20. While participating in the DROP, members' benefits do not receive cost of living adjustments; this only occurs after they have terminated employment and DROP participation.

Finally, Section 13 restricts the potential waiver of longevity pay as a condition to entry into the DROP to Police Officers and Firefighters, as is provided for in the Consolidated Plan DROP. Waiver of future longevity payments is not one of the funding mechanisms for the General Plan DROP/COLA.

An August 28 Actuarial Impact Statement values the City's approximately 45% increase in annual contributions to be an additional \$732,832 per year.

Prepared by:



Charles L. Hauck,  
Sr. Assistant City Attorney

Approved and  
Submitted by:



Marion J. Radson,  
City Attorney