



Agenda Item No.

City Council Meeting of:

9-24-2012

City Manager Department
201 Westward Drive
Miami Springs FL 33166
305-805-5010

TO: Honorable Mayor Garcia and Members of the City Council

FROM: Ron Gorland, City Manager

DATE: September 21, 2012

RECOMMENDATION:

Approval of Memorandum of Understanding (MOU), Subject to Prior PBA Ratification, Regarding the City's Offer to Pay Down the Police Pension Plan Contribution Rate to Sixteen (16%) Percent from the Anticipated 22.6% Effective October 1, 2012 for the Fiscal Year 2012-2013, Using Excess 185 Funds, in Exchange for Modification of the Police DROP Plan,

DISCUSSION

Attached MOU states the City's offer to its PBA membership to use excess 185 funds to pay down to 16% their pension plan required contribution percentage in FY12-13 from the anticipated 22.6% effective October 1, 2012, in exchange for their agreement to alter the current DROP plan per the attached. This is for the FY12-13 only and does not decrease the City's requirement to contribute 22.6% nor alter in any way the pension plan contribution formula.

PROPOSAL to Miami Springs PBA Bargaining Unit

1. Use approximately half (\$178,200) of the excess 185 funds currently available to lower the Police Pension Fund contributions from 22.6% effective Oct. 1st to 16% (from the expected 22.6% of pensionable salary).
2. The remaining excess 185 funds be left untouched at this time
3. In exchange, the City requests that the current DROP plan be amended to a true 5 year DROP
4. Execution of a memorandum of understanding (reverse) signed by both the City and the PBA no later than September 30th, 2012 (preferably NLT Friday Sep 28th).

DISCUSSION

The benefit to the Police Retirement Fund contributors is huge in that they will receive a reduction in contribution costs to 16% rather than the expected increase to 22.6%. This will be a great benefit to not only them but also to the Council, Administration and Miami Springs residents.

In exchange, the City Administration believes strongly that the recommended change in the DROP is needed to accommodate as much as possible a smooth transition to eventual replacement MSPD senior management. The Administration further believes that the new management, as much as possible, should be developed internally if at all possible, and that 4 to 5 years is necessary to accomplish this.

DROP PLAN CHANGE BENEFITS

1. By changing the DROP as recommended, there is a financial benefit to the City of approximately \$70,000 annually for up to five (5) years starting FY13-14 because the City would no longer need to match the pension contributions of the plan participants that enter the new DROP arrangement
2. Those that enter it immediately stop accruing benefits including increased (uncapped) retirement compensation for the three longest serving members
3. 3 Senior members of the MSPD have already committed in writing that they will immediately enter the DROP if the change is made
4. The City has a definitive no-later-than departure date for those that enter the DROP
5. Benefit to all the participants is that instead of departure 1 ½ years after entering DROP at the maximum benefit (28 ½ years for 100%) they can participate for the full 5 years (an additional 3 ½ years) which benefits both the City and the employee

Memorandum of Understanding

(DATE)

1. The parties agree that effective on or before September 30, 2012, accumulated excess premium tax revenues in the amount of \$178,200 (6.6% of covered payroll) will be applied to reduce the member contribution rate to 16.0% for the plan year beginning October 1, 2012. The parties understand and agree that this paragraph shall expire September 30, 2013 unless specifically renegotiated.
2. Eligibility to participate in the DROP.
 - (a) Any member who is eligible to receive a normal retirement benefit and who has either attained age fifty-five (55) with ten (10) years of continuous service, or completed twenty (20) years of continuous service, may participate in the DROP at anytime thereafter for a maximum period of five (5) years. Members shall elect to participate by applying to the board on a form provided for that purpose.
 - (b) The total years of participation in the DROP shall not exceed five (5) years.
 - (c) Upon a member's election to participate in the DROP, he or she shall cease to be a member and shall be precluded from accruing any additional benefits under the pension plan. For all pension plan purposes, the DROP participant shall be considered to be retired. The amount of continuous service and average monthly earnings freeze as of the date of entry in the DROP.

FOR THE PBA:

FOR THE CITY OF MIAMI SPRINGS:

(signature//title)

(signature/title)

Date: _____

Date: _____