TOWN OF PALM BEACH

Town Manager's Office

TENTATIVE - SUBJECT TO REVISION

FINANCE AND TAXATION COMMITTEE

AGENDA

TOWN COUNCIL CHAMBERS

THURSDAY, DECEMBER 1, 2016

10:00 A.M.

I. CALL TO ORDER AND ROLL CALL

Michael J. Pucillo, Chair
Richard M. Kleid, Member

II. PLEDGE OF ALLEGIANCE

III. COMMUNICATIONS FROM CITIZENS - 3 MINUTE LIMIT PLEASE

IV. APPROVAL OF AGENDA

V. CONSIDERATION OF GENERAL EMPLOYEE AND LIFEGUARD PENSION MATTERS

a. DISCUSSION OF ADDITIONAL ALTERNATIVE OPTIONS FOR THE RETIREMENT BENEFIT PLAN FOR GENERAL EMPLOYEES AND LIFEGUARDS

VI. ANY OTHER MATTERS

VII. ADJOURNMENT

PLEASE TAKE NOTE:

Disabled persons who need an accommodation in order to participate in the Finance and Taxation Committee Meeting are requested to contact the Town Manager's Office at 838-5410 or through the Florida Relay Service by dialing 1-800-955-8770 for voice callers or 1-800-955-8771 for TDD callers, at least two (2) working days before this meeting.

General Employee and Lifeguard Pension Benefits

POTENTIAL PENSION SCENARIOS - UPDATE

FINANCE AND TAXATION COMMITTEE MEETING – DECEMBER 1, 2016

General Employee New Pension Scenarios

- New Scenarios
  - #5 - 1.75% Multiplier, 30 and out, 2%/4% DC
  - #6 – 1.75% Multiplier, No 30 and out, 2%/4% DC
  - #7 – 1.75% Multiplier No 30 and out, 4%/4% DC
  - #8 – 2% Multiplier, No 30 and out, 2%/4% DC
  - #9 – 2% Multiplier, 30 and out age 56 minimum, 2%/4% DC
- Each Scenario generates savings over current plan at a 7% return assumption
- UAAL Increases for each scenario
- UAAL increase can be reduced with use of savings generated
  - Payback for Scenario 5 – approximately 3.8 years
  - Payback for Scenario 6 – approximately 3.2 years
  - Payback for Scenario 7 – approximately 6.3 years
  - Payback for Scenario 8 – approximately 10 years
  - Payback for Scenario 9 – approximately 9.8 years
- For Comparison – Public Safety change generated "savings" of $161,549 for first year.

General Employee Pension Scenarios

New Scenarios

	Current Benefits with 7% Return Assumption	Modified Hybrid Scenario 5 @ 7%	Modified Hybrid Scenario 6 @ 7%	Modified Hybrid Scenario 7 @ 7%	Modified Hybrid Scenario 8 @ 7%	Modified Hybrid Scenario 9 @ 7%
Retirement Age	65	62	62	62	62	62
30 and out Provision	No	Yes	No	No	No	Yes min age 56
Multiplier	1.25%	1.75%	1.75%	1.75%	2.00%	2.00%
Employee Contribution	2.47%	4.47%	4.47%	2.47%	4.47%	4.47%
Employee DC Contribution	4.00%	2.00%	2.00%	4.00%	2.00%	2.00%
Town DC Contribution	8.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Total Town Contribution (DB&DC)	**$3,955,529**	**$3,628,346**	**$3,595,964**	**$3,774,517**	**$3,724,566**	**$3,757,023**
Savings		**$327,183**	**$359,565**	**$181,012**	**$230,963**	**$198,506**
UAAL	$34,585,503	$35,845,426	$35,733,975	$36,038,883	$36,397,814	$36,534,601
UAAL Difference		**$1,259,923**	**$1,148,472**	**$1,453,380**	**$1,812,311**	**$1,949,098**

General Employee Pension Benefits
Calculation for "Average" Employee

- Assumptions:
  - Starting Salary $35,000
  - Annual raises 5% until employee reaches cap
  - Salary capped at $56,000 with annual increases of 2% to cap for inflation
  - Calculations for both 30 years of service and 20 years of service
  - Starting age for 30 years of service – 32 and retire at 62
  - Starting age for 20 years of service – 42 and retire at 62
  - Retirement Age of 60 for Scenario 4
  - DC ending balance calculation at a 3%, 5% and 7% annual return on investment
  - Estimated annual annuity for 25 years (age 87) based on 3%, 5% and 7% annual return

Total Retirement Benefit – New Scenarios
30 Years of Service – DB and DC Annuity

	Current Plan 1.25% Pension DC 4%/8%	Scenario 5 & 6 1.75% Pension DC 2%/4%	Scenario 7 1.75% Pension DC 4%/4%	Scenario 8 & 9 2% Pension DC 2%/4%
DB and DC Annuity at 7%	**$86,960**	$70,448	$79,946	$76,441
DB and DC Annuity at 5%	$63,243	$58,590	$64,137	**$64,583**
DB and DC Annuity at 3%	$49,582	$51,759	$55,029	**$57,752**

Items in red indicate highest total benefit at each rate of return.

Total Retirement Benefit – New Scenarios 20 Years of Service – DB and DC Annuity

	Current Plan 1.25% Pension DC 4%/8%	Scenario 5 & 6 1.75% Pension DC 2%/4%	Scenario 7 1.75% Pension DC 4%/4%	Scenario 8 & 9 2% Pension DC 2%/4%
DB and DC Annuity at 7%	**$37,382**	$33,583	$37,056	$36,893
DB and DC Annuity at 5%	$30,579	$30,182	$32,520	**$33,491**
DB and DC Annuity at 3%	$25,930	$27,857	$29,421	**$31,166**

Items in red indicate highest total benefit at each rate of return.

General Employee and Lifeguard Original Scenarios

PRESENTED NOVEMBER 3, 2016

Original Scenarios
General Employee Pension

- Based on information received from the General Employee survey, we developed potential scenarios for the Finance and Taxation Committee to consider.
  - 3 Scenarios – Modified Hybrid Plans
  - 1 Scenario – Pure DB
- Each Scenario generates savings over current plan at a 7% return assumption
- UAAL Increases for each scenario
- UAAL increase can be reduced with use of savings generated
  - Payback for Scenario 1 – approximately 10 years
  - Payback for Scenario 2 – approximately 4 years
  - Payback for Scenario 3 – approximately 9 years
  - Payback for Scenario 4 – approximately 3 years
- For Comparison – Public Safety change generated “savings” of $161,549 for first year.

General Employee Pension Scenarios
Original Scenarios

	Current Benefits with 7.5% Return Assumption	Current Benefits with 7% Return Assumption	Modified Hybrid Scenario 1 @ 7%	Modified Hybrid Scenario 2 @ 7%	Modified Hybrid Scenario 3 @ 7%	Pure DB Option Scenario 4 @ 7%
Retirement Age	65	65	62	62	62	60
30 and out Provision	No	No	Yes	Yes	Yes	Yes
Multiplier	1.25%	1.25%	1.75%	2.00%	2.00%	2.16%
Employee Contribution	2.47%	2.47%	2.47%	4.47%	4.47%	6.47%
Employee DC Contribution	4.00%	4.00%	4.00%	2.00%	2.00%	0.00%
Town DC Contribution	8.00%	8.00%	4.00%	2.00%	4.00%	0.00%
Total Town Contribution (DB&DC)	**$3,515,749**	**$3,955,529**	**$3,806,839**	**$3,527,832**	**$3,762,168**	**$3,243,439**
Savings			**$148,690**	**$427,697**	**$193,361**	**$712,090**
UAAL	$27,020,751	$34,585,503	$36,135,668	$36,518,710	$36,518,710	$36,770,200
UAAL Difference			**$1,550,165**	**$1,933,207**	**$1,933,207**	**$2,184,697**

Total Retirement Benefit – Original Scenarios 30 Years of Service – DB and DC Annuity

	Current Plan 1.25% Pension DC 4%/8%	Scenario 1 1.75% Pension DC 4%/4%	Scenario 2 2% Pension DC 2%/2%	Scenario 3 2% Pension DC 2%/4%	Scenario 4 2.16% Pension No DC
DB and DC Annuity at 7%	**$86,960**	$79,947	$66,942	$76,441	$51,779
DB and DC Annuity at 5%	$63,243	$64,137	$59,037	**$64,583**	$51,779
DB and DC Annuity at 3%	$49,582	$55,029	$54,483	**$57,752**	$51,779

Items in red indicate highest total benefit at each rate of return.

Total Retirement Benefit – Original Scenarios 20 Years of Service – DB and DC Annuity

	Current Plan 1.25% Pension DC 4%/8%	Scenario 1 1.75% Pension DC 4%/4%	Scenario 2 2% Pension DC 2%/2%	Scenario 3 2% Pension DC 2%/4%	Scenario 4 2.16% Pension No DC
DB and DC Annuity at 7%	**$37,382**	$37,056	$33,380	$36,893	$28,593
DB and DC Annuity at 5%	$30,579	$32,520	$31,133	**$33,491**	$28,593
DB and DC Annuity at 3%	$25,930	$29,421	$29,595	**$31,166**	$28,593

Items in red indicate highest total benefit at each rate of return.