TOWN OF PALM BEACH

Town Manager's Office

TENTATIVE - SUBJECT TO REVISION

FINANCE AND TAXATION COMMITTEE

AGENDA

TOWN COUNCIL CHAMBERS

THURSDAY, NOVEMBER 3, 2016

2:00 P.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 POTENTIAL ALTERNATIVE OPTIONS FOR 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.

Post Office Box 2029 * 360 South County Road * Palm Beach, Florida 33480
Telephone (561) 838-5410 * Facsimile (561) 838-5411 * townmanager@townofpalmbeach.com

GENERAL EMPLOYEE MARKET & DEMOGRAPHIC DATA

Presented to Finance & Tax Committee, November 3, 2016

EMPLOYEE SURVEY SUMMARY

- Participation from 84% of General Employees
- 57% - Maintain the hybrid plan with modifications to the multiplier and age
- Primary concerns with the current plan:
  - 32% - Concerned that the hybrid plan will not provide ample income in retirement
  - 27% - Multiplier is too low
- 41% Cannot afford to contribute more than the current 6.47%.

See Exhibit A for more details

DEMOGRAPHICS: SALARY

- Average salary of All General Employees: $62,076
  - Slightly lower than Public Safety: Police $78,719 and Fire $74,583
- 75% of General Employees are non-exempt (hourly versus salaried)
  - Half employed in Public Works, predominantly in labor/trade type positions
  - Non-exempt in Public Safety: Police 88%, Fire 89%
- Average salary of non-exempt General Employee: $51,619
  - Average non-exempt salary in Public Works is $49,322
  - Average non-exempt salary in Public Safety: Police: $71,476, Fire $68,262

See Exhibit B for more details

DEMOGRAPHICS: AGE

- Average current age of employees: General 48, Police 41, Fire 39
  - Non-Exempt: General 47, Police 39, Fire 37
  - Exempt: General 50, Police 50, Fire 48

- Average age of employees at hire: General 37, Police 31, Fire 31
  - Non-Exempt: General 37, Police 31, Fire 31
  - Exempt: General 39, Police 31, Fire 29

- Average age at retirement for General Employees: 57.8
  - Average age at retirement of Police 49.2, and Fire 48.4

Source: TOWN OF PALM BEACH RETIREMENT SYSTEM COMBINED ACTUARIAL VALUAT ION RE PORT FOR GENERAL EMPLOYEES INCLUDING OCEAN RESCUE , POL ICE OF F ICERS AND F IREF IGHT ERS FOR THE YEAR ENDING S E P TEMB E R 3 0 , 2015

See Exhibit C for more details

TURNOVER & EXIT INTERVIEW DATA

General*													Average Turnover		
	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	YTD FY17			
Separations	24	31	21	12	18	14	14	16	19	28	26	0			
FTE	258.36	260.23	254.28	254.39	246.98	223.83	222.65	223.67	223.1	226.18	231.09	231.09	*FY06-16*	*FY06-11*	*FY12-16*
Turnover	*9%*	*12%*	*8%*	*5%*	*7%*	*6%*	*6%*	*7%*	*9%*	*12%*	*11%*	*0%*	*8%*	*8%*	*9%*
Failed to Pass Background															
Incomplete FTO/Probation								*2*	*2*	*3*	*1*				
Resigned						*6*	*5*	*3*	*6*	*7*	*16*				
Resigned/Settlement															
Retired						*6*	*8*	*10*	*11*	*18*	*4*				
Retired/WC Settlement															
Retirement Disability															
Terminated						*1*	*1*	*1*			*4*				
Death						*1*					*1*				

*includes Ocean Rescue

- Significant increase in resignations versus retirements in FY16

TURNOVER & EXIT INTERVIEW DATA

During Exit Interview, when asked “How did you feel about the salary and benefits provided?”

	Excellent	Good	Fair	Poor	Does Not Apply
Retirement Benefits	28.57%	28.57%	14.29%	28.57%	0.00%

Comments (2)

Responses (2) | Text Analysis | My Categories

Categorize as... | Filter by Category | Search responses

Showing **2** responses

The change in the retirement benefits created a hardship for existing employees who had taken the position with that as a benefit and too late in their lives to make adjustments.
11/24/2015 7:51 PM View respondent's answers

The latest retirement benefits are really sad and not up to the Town's usual high standards. I'm very glad that I had time under the old system.
10/22/2015 3:04 PM View respondent's answers

MARKET DATA: GENERAL RETIREMENT BENEFITS

- Most comparable employers offer Defined Benefit retirement plan; except for FRS which offers either Pension or Investment enrollment option (majority enroll with pension option).
- Average employee contribution: 5.5% (range 3% to 7.5%)
- Average multiplier: 2.34 (range 1.6 to 3.0)
- COLAs are not offered in the market.
- Average eligibility age: 64
  - Eligibility ranges from Age 53 & 30 years of service, and variations thereof, to Age 65

See Exhibit D for more details

GENERAL RETIREMENT BENEFIT PLAN CONSIDERATIONS

- Maintain hybrid plan
  - Provides risk sharing between Town Employees and Residents/Taxpayers
  - Attractive to millennial population.
  - Provides substitute for COLA via defined contribution plan
- Reallocation of the discretionary contribution amending the multiplier and/or age
  - Addresses the concern regarding ample income in retirement.
  - Market competitive position.
- Consider assistance with investment education via ICMA-RC Managed Accounts
  - Encourage proactive retirement preparation and improve financial investment planning
  - Based on today's assets, the average per account per month fee is $7.30 (approx. $14,500/yr for General Employees if <u>all</u> enrolled in the program).

Survey of Employee Retirement Plan Conducted January 2016
General Employee Data Exceprt

Presented to the Finance & Tax Committee, November 3,2016

Town of Palm Beach - Survey of Employee Retirement Plan

- Survey conducted for all Town employees, January 2016 and presented to Finance & Tax
- Anonymous survey with 15 closed-ended questions.
- Responses collected for 12 days.
- Sent to 280 employees representing those who are active contributors to the retirement plan.
    - Overall 83% participating rate, 84% for General

Within what age bracket do you currently reside?

Answered: 145 Skipped: 0

Answer Choices	Responses	
I am less than 30 years old.	5%	7
I am between 30-39 years old	20%	29
I am between 40-49 years old	34%	49
I am age 50 or older	41%	60
Total		145

How many years of continuous employment service with the Town do you currently have?

Answered: 145 Skipped: 0

Answer Choices	Responses	
I have 5 or less years of service.	31%	45
I have 6 to 10 years of service.	26%	38
I have 11 to 15 years of service.	16%	23
I have over 15 years of service.	27%	39
Total		145

Town of Palm Beach - Survey of Employee Retirement Plan

At what age do you reasonably expect to completely retire (never to work again) where you will no longer be actively employed with the Town or any other employer? (Pick the age closest to your target)

Answered: 143 Skipped: 2

Answer Choices	Responses	
Age 55	8%	11
Age 59	4%	6
Age 60	17%	25
Age 62	19%	27
Age 65	38%	55
Age 70	13%	19
Total		143

At what age do you reasonably expect to retire or separate from service from the Town, where you may choose to seek employment with another organization upon separation. (Pick the age closest to your target)

Answered: 143 Skipped: 2

Answer Choices	Responses	
Under 55 years old	8%	11
Age 55	17%	25
Age 59	4%	6
Age 60	15%	22
Age 62	15%	21
Age 65	30%	43
Age 70	10%	15
Total		143

Town of Palm Beach - Survey of Employee Retirement Plan

Besides social security mark all of the sources of income you expect to have and use during retirement.

Town of Palm Beach - Survey of E...

Answered: 141 Skipped: 4

Answer Choices	Responses	
Town of Palm Beach retirement plan	96%	135
Retirement plan from another employer	17%	24
457, 401(k), 403(b), or similar investment fund	73%	103
Roth IRA or similar fund	35%	49
Work income	11%	15
Other (not related to an investment fund)	13%	18
Total Respondents: 141		

Do you intend to separate from service with the Town prior to achieving your 10 year vested status?

Answered: 141 Skipped: 4

Answer Choices	Responses	
Yes	4%	6
No	89%	126
I would prefer not to answer this question.	6%	9
Total		141

Town of Palm Beach - Survey of Employee Retirement Plan

You currently contribute 6.47% of salary to your retirement plan with the Town. What is your maximum tolerance for increasing your contribution amount toward a retirement plan if the increase resulted in an increase to the benefit?

Answered: 126 Skipped: 19

Answer Choices	Responses	
I cannot contribute more than the current 6.47% (about $3,200/yr if you earn $50,000, $4,500/yr if you earn $70,000)	40%	51
I am comfortable contributing up to 7% (about $3,500/yr if you earn $50,000, $4,900/yr if you earn $70,000)	19%	24
I am comfortable contributing up to 8% (about $4,000/yr if you earn $50,000, $5,600/yr if you earn $70,000)	17%	21
I am comfortable contributing up to 9% (about $4,500/yr if you earn $50,000, $6,300/yr if you earn $70,000)	4%	5
I am comfortable contributing up to 10% (about $5,000/yr if you earn $50,000, $7,000/yr if you earn $70,000)	13%	16
I am comfortable contributing up to 12% (about $6,000/yr if you earn $50,000, $8,400/yr if you earn $70,000)	7%	9
Total		126

Have you personally actively researched the retirement benefits offered by other municipality/agencies?

Answered: 141 Skipped: 4

Answer Choices	Responses	
Yes	40%	56
No	60%	85
Total		141

Town of Palm Beach - Survey of Employee Retirement Plan

How satisfied are you with the current retirement plan?

Answered: 114 Skipped: 31

Answer Choices	Responses	
Very	10%	11
Somewhat	44%	50
Not Satisfied	46%	53
Total		114

Indicate below what changes you would find to be acceptable to the current retirement plan.

Answered: 114 Skipped: 31

Answer Choices	Responses	
Maintain the hybrid plan but for the defined benefit portion increase the multiplier and decrease the age.	57%	65
Eliminate the defined contribution (DC) and only offer a defined benefit (DB) plan with an increased multiplier and decreased age.	45%	51
Eliminate the defined benefit (DB) plan and only offer a defined contribution (DC) plan with increased Town contributions.	12%	14
Total Respondents: 114		

Identify your primary concerns with the current retirement plan, rank them in order of importance from most concerning to least. (1 is the highest concern, 10 being the lowest)

Answered: 114 Skipped: 31

	1	2	3	4	5	6	7	8	9	10	Total	Score
I am uncomfortable managing my own investments in the defined contribution (DC) plan	7% 8	7% 8	4% 5	9% 10	11% 13	13% 15	5% 6	18% 21	15% 17	10% 11	114	4.80
I am concerned that the hybrid plan will not provide ample income in my retirement.	32% 37	16% 18	18% 20	10% 11	11% 13	6% 7	4% 4	4% 4	0% 0	0% 0	114	7.98
The multiplier is too low.	27% 31	24% 27	21% 24	8% 9	5% 6	5% 6	4% 5	0% 0	4% 4	2% 2	114	7.93
The age is too high.	13% 15	23% 26	20% 23	16% 18	5% 6	4% 5	8% 9	4% 4	3% 3	4% 5	114	7.14
The benefit is not competitive with other municipalities and/or agencies.	4% 5	9% 10	17% 19	17% 19	18% 20	8% 9	11% 12	11% 12	3% 3	4% 5	114	6.01
The current 10 year vesting it too long.	3% 3	4% 5	4% 4	4% 5	8% 9	15% 17	16% 18	19% 22	15% 17	12% 14	114	4.10
I am satisfied with the current plan as-is.	7% 8	1% 1	2% 2	3% 3	8% 9	9% 10	12% 14	6% 7	20% 23	32% 37	114	3.42
I would prefer to have only a defined contribution (DC) plan so I could fully control my retirement investments.	2% 2	2% 2	2% 2	3% 3	1% 1	4% 5	17% 19	23% 26	24% 27	24% 27	114	2.99
The plan does not provide automatic survivor benefits.	0% 0	6% 7	7% 8	12% 14	18% 20	17% 19	13% 15	12% 14	13% 15	2% 2	114	5.04
The plan does not offer a COLA (Cost of Living increase to your pension after retirement).	4% 5	9% 10	6% 7	19% 22	15% 17	18% 21	11% 12	4% 4	4% 5	10% 11	114	5.60

General Employees

Dept	Exempt #Employees	Exempt Average of Salary	Non-Exempt #Employees	Non-Exempt Average of Salary	Total #Employees	Total Average of Salary
Finance	4	$93,781	7	$47,705	11	$64,460
Town Manager's Office	7	$100,474	5	$55,925	12	$81,912
Fire Rescue	1	$80,724	3	$61,730	4	$66,479
Human Resources	5	$87,316	3	$45,757	8	$71,731
Police	2	$59,272	24	$52,914	26	$53,403
Public Works	10	$106,446	57	$49,322	67	$57,848
Planning, Zoning & Building	3	$108,893	16	$60,317	19	$67,987
Recreation	8	$81,657	7	$45,026	15	$64,562
Grand Total	**40**	**$93,967**	**122**	**$51,619**	**162**	**$62,076**

Sworn Police Employees

Exempt or Non-Exempt	#Employees	Average of Salary
Non-Exempt	52	$71,476
Exempt	7	$132,530
Grand Total	**59**	**$78,719**

Fire Rescue Certified Employees

Exempt or Non-Exempt	#Employees	Average of Salary
Non-Exempt	55	$68,262
Exempt	7	$124,250
Grand Total	**62**	**$74,583**

Demographics: Current Age and Age at Hire

Retirement Group	Home department	Exempt: Average of Age at Hire	Exempt: Average of Age	Non-Exempt: Average of Age at Hire	Non-Exempt: Average of Age	Total Average of Age at Hire	Total Average of Age
	Finance	43	55	45	54	44	54
	Fire Rescue	38	52	37	50	38	50
	Human Resources	40	46	38	44	39	45
	Planning, Zoning, Building	49	61	41	49	43	52
	Police	37	51	35	44	35	45
	Public Works	37	46	35	46	36	46
	Recreation	39	49	36	46	37	48
	Town Manager's Office	36	47	34	46	35	47
General Total		**39**	**50**	**37**	**47**	**37**	**48**
Fire Rescue		29	48	31	37	31	39
Police		31	50	31	39	31	41
Grand Total		**37**	**50**	**34**	**43**	**35**	**45**

Exhibit C

Market Data: General Retirement Benefits

City	Benefit Status & Effective Dates	Age Eligibility	Employee Contribution	Multiplier	Vesting	COLA	Average Final Compensation
Delray Beach	Hired on or after 10/6/2010	Age 65	3.05% , if elect "optional enhanced multiplier" then 3.45% (for total of 6.5%)	2.5% (or enhanced multiplier of 3.0%, available to those employed on or after 4/5/2005 - applied prospective service from the date enhanced multipler is elected, election is irrevocable)	Tiered: 5 yrs = 50% 6 yrs =60% 7 yrs =70% 8 yrs =80% 9 yrs =90% 10 yrs =100%	None	averaged earnings from the best 5 consecutive years within the last 10 years of employment will be used,
City of Boca Raton	New Hires/General	Age 65, or Age 55 and 20 yrs, or Age 53 and 30 yrs	6%	1.75	10 yrs	None	1/12 of the arithmetic average of annual earnings paid for the highest 5 consecutive years within the last 15 years of continuous service which yield the highest average, or such shorter period if continuous service is less than 5 years or 15 years, as the case may be, so that earnings may be counted up to the actual date of termination.
City of Boynton Beach	2/16/2010 last changes	55 & 25 yrs, or 62 & 5, or 30 yrs regardless of age	7%	3%	5 yrs	None - supplemental pension distribution provided in lieu.	Highest 60 consecutive months within last 120 months of service
City of Palm Beach Gardens	New Hires/General FRS since 1997	see FRS	see FRS	see FRS	see FRS	see FRS	see FRS
Town of Jupiter	FRS	see FRS	see FRS	see FRS	see FRS	see FRS	see FRS
West Palm Beach	New Hires - Mandatory 401(a) Plan		7.50%	7.5% Employer Match	100% upon enrollment	n/a	n/a
FRS Investment Plan	Regular Class post 7/1/2011	65 & 1yr; or 33 & out	3.00%	DC Plan: Currently 3.3% Employer Contribution to EE Accounts	1 yr	n/a	n/a
FRS Pension Plan	Regular Class post 7/1/2011	65 & 8 yrs; or age after 65 when vesting occurs; or 33 & out	3.00%	Age 65 or 33 yrs = 1.60% Age 66 or 34 yrs = 1.63% Age 67 or 35 yrs = 1.65% Age 68 or 36 or more yrs = 1.68%	8 yrs	Post 8/1/2011 retirements: divide pre-July 2011 service credity by total service credit at retirement and multiply by 3% No COLA for new hires on/after 7/1/2011	average highest 8 yrs

Exhibit D

General Employee and Lifeguard Pension Benefits

POTENTIAL PENSION SCENARIOS

FINANCE AND TAXATION COMMITTEE MEETING – NOVEMBER 3, 2016

General Employee Pension Scenarios

- Based on information received from the General Employee survey, we developed potential surveys 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 7 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

	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**	**$3,490,623**	**$3,687,751**	**$3,243,439**
Savings			**$148,690**	**$464,906**	**$267,778**	**$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**

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

General Employee Pension Benefits 30 Years of Service

	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
Annual Pension	**$29,965**	**$41,951**	**$47,944**	**$47,944**	**$51,779**
DC Balance at 7% Interest	$671,998	$447,999	$223,999	$335,999	$0
Potential Annual Annuity at 7%	**$56,995**	**$37,996**	**$18,998**	**$28,497**	**$0**
DC Balance at 5% Interest	$474,384	$316,256	$158,128	$237,192	$0
Potential Annual Annuity at 5%	**$33,278**	**$22,186**	**$11,093**	**$16,639**	**$0**
DC Balance at 3% Interest	$344,727	$229,818	$114,909	$172,363	$0
Potential Annual Annuity at 3%	**$19,617**	**$13,078**	**$6,539**	**$9,808**	**$0**

General Employee Pension Benefits 20 Years of Service

	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
Annual Pension	**$16,547**	**$23,166**	**$26,475**	**$26,475**	**$28,593**
DC Balance at 7% Interest	$245,661	$163,775	$81,887	$122,830	$0
Potential Annual Annuity at 7%	**$20,835**	**$13,890**	**$6,905**	**$10,418**	**$0**
DC Balance at 5% Interest	$200,026	$133,350	$66,675	$100,013	$0
Potential Annual Annuity at 5%	**$14,032**	**$9,354**	**$4,658**	**$7,016**	**$0**
DC Balance at 3% Interest	$164,885	$109,924	$54,961	$82,443	$0
Potential Annual Annuity at 3%	**$9,383**	**$6,255**	**$3,120**	**$4,691**	**$0**

Total Retirement Benefit
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 2 2% Pension DC 2%/4%	Scenario 3 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
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.