

Condensed Title:

A Resolution Ratifying A Memorandum of Understanding Between the City of Miami Beach And The American Federation of State, County and Municipal Employees, Local 1554 (AFSCME) To Add A Deferred Retirement Option Plan (DROP) To The Miami Beach Employees' Retirement Plan (MBERP).

Key Intended Outcome Supported:

Attract and Maintain a Quality Workforce.

Supporting Data (Surveys, Environmental Scan, etc.):

2000-2008 Environmental Scan: (1) Retention and turnover rates for City employees were 11.20% in 2004 versus 13.86% in 2007; and (2) Average employee tenure for City employees was 9.48 years in 2004 and 8.95 years in 2007.

Issue:

Shall the Mayor and City Commission ratify a Memorandum of Understanding Between the City the AFSCME Union to add a DROP to the Miami Beach Employees' Retirement Plan (MBERP)?

Item Summary/Recommendation:

The issue of amending the current Miami Beach Employees' Retirement Plan ordinance to add a Deferred Retirement Option Plan (DROP) was discussed on First Reading at the December 10, 2008 City Commission Meeting. The proposed ordinance has been set for second reading, public hearing at this January 28, 2009 City Commission meeting. The City Administration, through the City Manager, and the American Federation of State, County and Municipal Employees, Local 1554 (AFSCME), through its President, have entered into a Memorandum of Understanding (MOU) to implement a DROP, subject to enactment by the Mayor and City Commission of an amendment to Ordinance No. 2006-3504. This type of change requires the Collective Bargaining Unit to hold a ratification vote among their members. With the anticipation of the proposed ordinance passing, on December 10, 2008, AFSCME held a ratification vote amongst its members. A total of sixty-four (64) members participated in the ratification vote. Of the sixty-four (64) members voting, 100% voted in favor of adding the DROP. The Administration recommends that the Mayor and City Commission hereby ratify the Memorandum of Understanding between the City of Miami Beach and AFSCME to add a DROP to the Miami Beach Employees' Retirement Plan (MBERP).

Advisory Board Recommendation:

N/A

Financial Information:

Source of Funds:	Amount	Account	Approved
1			
2			
3			
4			
Total			

OBPI

Financial Impact Summary: It is difficult to estimate the actual savings and/or costs to adding a DROP since it depends on the actual number of eligible employees who enter the DROP. According to the analysis conducted by the City's Actuary, the first year savings to the City could be as much as \$985,227 if 100% of the eligible employees enter the DROP to an actual cost to the City of \$32,352 if none of the eligible employees enter the DROP.

City Clerk's Office Legislative Tracking:

Ramiro Inguanzo, Human Resources Director

Sign-Offs:

Department Director	Assistant City Manager	City Manager
<i>[Signature]</i>		<i>[Signature]</i>

T:\AGENDA\2009\January 28\Regular\AFSCME DROP Ratification Vote Summary - revised.doc





MIAMI BEACH

City of Miami Beach, 1700 Convention Center Drive, Miami Beach, Florida 33139, www.miamibeachfl.gov

COMMISSION MEMORANDUM

TO: Mayor Matti Herrera Bower and Members of the City Commission

FROM: Jorge M. Gonzalez, City Manager

DATE: January 28, 2009

SUBJECT: **A RESOLUTION RATIFYING A MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF MIAMI BEACH AND THE AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES, LOCAL 1554 (AFSCME) TO ADD A DEFERRED RETIREMENT OPTION PLAN (DROP) TO THE MIAMI BEACH EMPLOYEES' RETIREMENT PLAN (MBERP).**

The issue of amending the current Miami Beach Employees' Retirement Plan ordinance to add a Deferred Retirement Option Plan was presented at the December 10, 2008 City Commission meeting. The existing ordinance, Ordinance No. 2006-3504, was last amended on March 8, 2006. The ordinance merged the former retirement system for general employees of the City with the former retirement system for unclassified employees of the City and created the Miami Beach Employees' Retirement Plan (MBERP), which is the City's current pension plan. The proposed amendment to Ordinance No. 2006-3504 would implement a Deferred Retirement Option Plan (DROP) for members of the Miami Beach Employees' Retirement Plan and would create new sections of the ordinance which defines, establishes, and sets forth the features of the DROP.

The Mayor and City Commission approved the amendment to Ordinance No. 2006-3504 on first reading on December 10, 2008. The proposed amendment to the ordinance has been set for second reading, public hearing at this January 28, 2009 City Commission meeting. Should the City Commission pass the proposed ordinance, the DROP will take effect ten (10) days following.

The City Administration, through the City Manager, and the American Federation of State, County and Municipal Employees, Local 1554 (AFSCME), through its President, have entered into a Memorandum of Understanding (MOU) to implement a DROP, subject to enactment by the Mayor and City Commission of an amendment to Ordinance No. 2006-3504. This type of change requires the Collective Bargaining Unit to hold a ratification vote among their members. With the anticipation of the proposed ordinance passing, on December 10, 2008, AFSCME held a ratification vote amongst its members. A total of sixty-four (64) members participated in the ratification vote. Of the sixty-four (64) members voting, 100% voted in favor of adding the DROP.

CONCLUSION

The Administration recommends that the Mayor and City Commission hereby ratify the Memorandum of Understanding between the City of Miami Beach and the American Federation of State, County and Municipal Employees, Local 1554 (AFSCME) to add a Deferred Retirement Option Plan to the Miami Beach Employees' Retirement Plan (MBERP).

JMG/ri

RESOLUTION NO. _____

A RESOLUTION RATIFYING A MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF MIAMI BEACH AND THE AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES, LOCAL 1554 (AFSCME) TO ADD A DEFERRED RETIREMENT OPTION PLAN (DROP) TO THE MIAMI BEACH EMPLOYEES' RETIREMENT PLAN (MBERP).

WHEREAS, discussions were held regarding a proposed ordinance that would add a Deferred Retirement Option Plan (DROP) to the Miami Beach Employees' Retirement Plan at both the September 16, 2008 and May 29, 2008 Finance & Citywide Projects Committee meetings; and

WHEREAS, the existing ordinance, Ordinance No. 2006-3504, was last amended on March 8, 2006, which merged the former retirement system for general employees of the City with the former retirement system for unclassified employees of the City and created the Miami Beach Employees' Retirement Plan, which is the City's current pension plan; and

WHEREAS, the City Administration, through the City Manager, and the American Federation of State, County and Municipal Employees, Local 1554 (AFSCME), through its President, have entered into a Memorandum of Understanding (MOU) to implement a DROP, subject to enactment by the Mayor and City Commission of an amendment to Ordinance No. 2006-3504; and

WHEREAS, the Mayor and City Commission approved the amendment to Ordinance No. 2006-3504 on first reading on December 10, 2008; and

WHEREAS, AFSCME held a ratification vote of its members on the MOU on December 10, 2008; and

WHEREAS, of the 64 members who participated, 100% voted in favor of ratification of the MOU; and

WHEREAS, the proposed amendment to the ordinance has been set for second reading, public hearing at this January 28, 2009 City Commission meeting.

NOW, THEREFORE, BE IT DULY RESOLVED BY THE MAYOR AND THE CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA that the attached Memorandum of Understanding between the City of Miami Beach and the American Federation of State, County and Municipal Employees, Local 1554 is hereby ratified.

Adopted this _____ day of _____, 2009

Mayor

**APPROVED AS TO
FORM & LANGUAGE
& FOR EXECUTION**

Attest:

Donna E. [Signature] 1/23/09
City Attorney Date

City Clerk

T:\AGENDA\2009\January 28\Regular\AFSCME DROP RATIFICATION RESOLUTION - revised.doc

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (MOU) is entered into this 9 day of December, 2008, between the City of Miami Beach (City) and the American Federation of State, County and Municipal Employees (AFSCME), Local 1554 to add a Deferred Retirement Option Plan (DROP) for all employees in AFSCME.

In accordance with the applicable provisions of the Miami Beach Employee's Retirement Plan, members must satisfy certain criteria prior to entering into the Deferred Retirement Option Plan (DROP). In order to be eligible to participate in the DROP, the employee must attain their normal retirement age, as defined in Section 5.01, which also requires the completion of five (5) or more years of creditable service. In addition, all parties hereby agree that members who elect to participate in the DROP shall not be eligible for any post-retirement improvement factor, as provided for in Section 5.10 (b), throughout the duration of their DROP participation period.

The implementation of this Deferred Retirement Option Plan is completely contingent on the Miami Beach City Commission amending the Miami Beach Employees' Retirement Plan (created by ordinance 2006-3504) to include the DROP provision. If the City Commission does not amend the ordinance, this MOU is null and void.

It is proposed that the Miami Beach Employees' Retirement Plan be amended as follows to include the DROP:

The implementation of this Deferred Retirement Option Plan is completely contingent on the Miami Beach City Commission amending the Miami Beach Employees' Retirement Plan (created by ordinance 2006-3504) to include the DROP provision. If the City Commission does not amend the ordinance, this MOU is null and void.

It is proposed that the Miami Beach Employees' Retirement Plan be amended as follows to include the DROP:

Section 1. A new Section 2.26 of the Miami Beach Employees' Retirement Plan created by Ordinance 2006-3504, as subsequently amended, is created to read:

2.26 Deferred Retirement Option Plan (DROP) – A program under which a Member who has reached the normal retirement date may elect to retire for purposes of the Plan but continue employment with the City for up to thirty-six (36) months, and have his/her monthly retirement benefit paid into a DROP account during the DROP period, in accordance with Section 5.13.

Section 2. A new Section 5.13 of the Miami Beach Employees' Retirement Plan created by Ordinance 2006-3504, as subsequently amended, is created to read:

5.13 A deferred retirement option plan ("DROP") is hereby established for eligible Members, as follows:

(a) Eligibility and participation:

1. A Member who attains the normal retirement date shall be eligible to participate in the DROP.
2. A Member's election to participate in the DROP shall be irrevocable. A Member may participate in the DROP only once.
3. An eligible Member may participate in the DROP for a maximum of thirty-six (36) months.
4. An eligible Member who elects to participate in the DROP must provide at least thirty (30) days' advance written notice to the City of his or her election to participate in the DROP. A Member who elects to participate in the DROP may elect to terminate DROP participation and City employment sooner than the maximum DROP period, with thirty (30) days' advance written notice to the City.

(b) DROP plan features:

1. An eligible Member who elects to participate in the DROP will be considered to have retired for purposes of the Plan upon entry into the DROP, except that such Member shall be eligible to vote for and serve as an Employee member of the Board of Trustees during the DROP participation period. The Member's monthly retirement benefit, determined in accordance with the Plan based on years of creditable service and final average monthly earnings at the time the Member enters the DROP, will be paid into the Member's DROP account every month during the DROP period.
2. No Member contributions shall be required after a Member enters the DROP, and the Member will not accrue any additional creditable service or any additional benefits under the Plan after entering the DROP. No City normal cost contributions shall be required after a Member enters the DROP, and DROP participants shall be excluded from the covered payroll for the Plan.
3. A Member who elects to participate in the DROP shall not be eligible for disability or preretirement death benefits under the Plan; nor shall a Member be eligible for any post retirement adjustment provided in Section 5.10 during the DROP participation period.

4. A Member who elects to participate in the DROP shall retain the earned balance of annual and sick leave as of the date of entry into the DROP, and shall continue to earn annual and sick leave during the DROP period, in accordance with applicable City ordinances. Alternatively, at the time of entry into the DROP, a Member may request full or partial payment of the earned balance of annual and sick leave as of the date of entry into the DROP, up to the maximum allowed by applicable City ordinances for employees who terminate City employment, but reduced by the amount of annual and sick leave used for the purchase of additional credited service under section 4.03, if any, at the Member's rate of compensation upon entering the DROP; provided that the Member must retain at least 120 hours of accrued sick leave after any such payment. Upon termination of City employment, a Member who has participated in the DROP shall be eligible to receive payment for the earned balance of annual and sick leave as of the date of termination, up to the maximum allowed by applicable City ordinances for employees who terminate City employment, but reduced by the amount of annual and sick leave for which payment was received upon entry into the DROP, if any; and further reduced by the amount of annual and sick leave used for the purchase of additional credited service under section 4.03, if any. In no event shall payments for accrued annual or sick leave be included in a member's Earnings for purposes of the Plan.
5. As a condition of participating in the DROP, the Member must agree to terminate City employment at the conclusion of the DROP period, and to submit an irrevocable letter of resignation stating this prior to entering the DROP. A Member who elects to participate in the DROP must also submit an irrevocable written DROP election prior to entering the DROP on a form provided by the Board.
6. At the conclusion of the DROP period and upon termination of City employment, the Member's monthly retirement benefit shall be paid to the Member in accordance with the Plan. In the event of the Member's death during or at the conclusion of the DROP period, a benefit may be payable in accordance with Section 5.07

8. Participation in the DROP is not a guarantee of City employment, and DROP participants will be subject to the same terms and conditions of employment that are applicable to employees who are not DROP participants.
9. During participation in the DROP, the Member's monthly retirement benefit will be paid into the DROP account, and shall be credited/debited with earnings/losses as provided herein. The Member may direct that their DROP account be invested in any of the investment options approved by the Board, on forms provided by the Board. Any gains on the Member's DROP account investments shall be credited to the Member's DROP account; and any losses incurred by the Member shall be deducted from the Member's DROP account balance, and shall not be made up by the City or the Retirement Plan. A Member's DROP account shall only be credited or debited with earnings/losses while the Member is a participant in the DROP.
10. A DROP participant may designate a beneficiary or beneficiaries for his/her DROP account on a form provided by the Board.
11. Within thirty (30) days following a DROP participant's termination of City employment or death, whichever occurs first, the Member, or in the event of the Member's death the Member's designated beneficiary, may submit a written election on a form approved by the Board, to receive the Member's entire DROP account balance, which shall be distributed to the Member (or in the event of the Member's death, to the Member's designated beneficiary or estate in accordance with paragraph (b)9., below) in a cash lump sum, unless the Member elects to have all or any portion of an eligible rollover distribution paid directly to an IRA or eligible retirement plan specified by the Member in a direct rollover. Any such direct rollover shall be processed in accordance with Article 12 of the Plan. In the event a Member or designated beneficiary does not submit a written election to receive a distribution of the Member's DROP account balance within thirty (30) days following the Member's termination of City employment or death, the Member's DROP account shall be maintained by the Plan but shall not be credited with earnings/losses



after thirty (30) days following the Member's termination of City employment or death.

12. If a DROP participant dies before his or her DROP account is distributed, the participant's designated beneficiary shall have the same rights as the participant with respect to the distribution of the DROP account. If the participant has not designated a beneficiary, the DROP account balance shall be paid to the Member's estate.

13. The Board of Trustees shall make such administrative rules as are necessary for the efficient operation of DROP, but shall not adopt any rule that is inconsistent with this Ordinance or the Plan.

14. The DROP shall be administered so that the Plan remains qualified under the Internal Revenue Service Code and in compliance with applicable laws and regulations.

Section 3. Conflicts and Severability.

(a) All Ordinances, and parts of ordinances, in conflict herewith shall be and the same, are hereby repealed.

(b) In the event any article, section, paragraph, sentence, clause, or phrase of this Ordinance shall be adjudicated invalid or unconstitutional, such adjudication shall in no manner affect the other articles, sections, paragraphs, sentences, clauses or phrases of this Ordinance, which shall be and remain in full force and effect as fully as if the item so adjudged invalid or unconstitutional was not originally a part hereof.

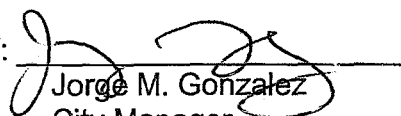
Section 4. Effective Date. This Ordinance shall take effect the ___ day of _____, 2009.

EXECUTED by the parties hereto on the date written below:

American Federation of State, County and Municipal Employees (AFSCME), Local 1554

City of Miami Beach

BY: 
Perman Terry
President, AFSCME

BY: 
Jorge M. Gonzalez
City Manager

DATE: 12/12/08

DATE: 12/18/2008

