



City of Hallandale Beach City Commission Agenda Cover Memo

Meeting Date:	Item Type:		1 st Reading	2 nd Reading
11/20/2019	<input checked="" type="checkbox"/> Resolution <input type="checkbox"/> Ordinance <input type="checkbox"/> Other	Ordinance Reading	Click or tap to enter a date.	Click or tap to enter a date.
		Public Hearing	<input type="checkbox"/>	<input type="checkbox"/>
		Advertising Required	<input type="checkbox"/>	<input type="checkbox"/>
		Quasi Judicial:	<input type="checkbox"/>	<input type="checkbox"/>
Fiscal Impact (\$):	Account Balance (\$):	Funding Source:	Project Number :	
TBD				
Contract/P.O. Required	RFP/RFQ/Bid Number:	Sponsor Name:	Department:	
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		City Administration	City Attorney	
Strategic Plan Focus Areas:				
<input type="checkbox"/> Financial	<input checked="" type="checkbox"/> Organizational Capacity	<input type="checkbox"/> Infrastructure	<input type="checkbox"/> Development, Redevelopment and Economic Development	
Implementation Timeline				
Estimated Start Date: 10/1/2018 Estimated End Date: 1/4/2020				

SHORT TITLE:

A RESOLUTION OF THE MAYOR AND CITY COMMISSION OF THE CITY OF HALLANDALE BEACH, FLORIDA, RATIFYING THE MEMORANDUM OF UNDERSTANDING BETWEEN THE CITY OF HALLANDALE BEACH, FLORIDA AND THE HALLANDALE BEACH PROFESSIONAL FIRE FIGHTERS, METRO BROWARD LOCAL 3080, DISTRICT 10; AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENT AND TO UTILIZE BUDGETED FUNDS TO IMPLEMENT THE TERMS; AND PROVIDING FOR AN EFFECTIVE DATE.

STAFF SUMMARY:

Summary:

A proposed agreement with the Fire union is provided for the City's consideration. The agreement is contingent upon the previously approved merger with the Broward Sheriff's Office (BSO) and incorporates changes to the pension benefits that can be expected to result in longterm savings over the City's current pension costs.

Background:

The City's most recent collective bargaining agreement with the Hallandale Beach Professional Fire Fighters, Metro Broward Local 3080, District 10 ("the Fire Union") expired on September 30, 2018. The City has been in negotiations with the union to enter a new collective bargaining agreement. However, the City Commission, at the request of the Fire Union in August 2017, also pursued a potential contract with Broward Sheriff's Office ("BSO") for the provision of Fire and Emergency Medical services. Upon direction of the City Commission, the proposed Memorandum of Understanding ("MOU") was negotiated contingent upon a merger with BSO. The agreement was also a component of a multi-part agreement to resolve issues with the Police and Fire Pension Board that are the subject of ongoing litigation.

Current Situation:

The proposed MOU incorporates a number of agreed-upon changes and initiatives that are expected to reduce the City's long-term financial liabilities while preserving employees' accrued rights.

Effect on the Pension

The most fiscally significant components of the proposed MOU are those that effect the City's pension liabilities. Currently, as reported in the most recent actuarial valuation of 2018, the City's unfunded Police and Fire Pension liability is estimated at \$76.5 million. This is far greater than anticipated and indicates that the City's previous attempts to control long term pension costs in 2013 were unsuccessful. Further, approximately \$11 million of the current liability can be attributed to actions of the Pension Board that controls the administration of the plan, as required by Florida Statute (an optional statute that provides the City with some tax revenues to fund the plan and commonly referred to as "Ch. 175/185"). As a result of the increases in the unfunded liability, the City's payment has increased from \$8 million for 2013 to \$11.7 million for 2018 (reduced to \$11.4 million by making an early payment), despite over-performing investment returns and a relatively high assumed rate of return (currently being reduced annually).

However, through negotiations with the Fire Union and the Pension Board the City has arrived at a number of proposals intended to decrease the City's pension liabilities by approximately \$5 to 6 million in the first year (at the current assumed rate of return) if all components are approved by Police Union, Fire Union, Pension Board and City Commission. The proposed MOU incorporates those proposals as they relate to the Fire Union. Further, engaging new employees through the Florida Retirement System (via BSO) will limit the future accumulation of liability.

Pension Board Protections

In 2018, in response to the increasing costs resulting from the Pension Board's actions and no action in response to the City's requests for reconsideration, the City filed a lawsuit. The City had hoped to avoid this course of action because legal costs of the pension board are charged to the plan and ultimately paid by the City. In addition to filing of the lawsuit, the City also sought to address the issue through negotiations individually with the Police and Fire unions. Initially the City sought to opt out of Florida Statutes Ch. 175 and Ch. 185 which mandate the existence of the Pension Board, amongst other things.

Currently, the City has arrived at a potential multi-phased solution to address the current and potential future issues with the Pension Board. The first component of the solution is the settlement agreement approved unanimously by the Pension Board and the City Commission for the ongoing litigation between the two entities that would rescind the adoptions of the legal opinions that led to the dispute.

The City further sought to incorporate future protections to prevent a repeat of the current situation. Those protections would provide that the liability for unilateral Pension Board action is shared with the membership and not solely on the City. The Fire Union has agreed to the language included in the attached proposed MOU.

Transition to Florida Retirement System

The City has also carefully evaluated the possibility of controlling future pension costs by transitioning to the Florida Retirement System (FRS). In September 2019, the City entered into a collective bargaining agreement with the General Employees AFSCME union that incorporated FRS for general and unrepresented employees. With respect to the Fire employees, BSO is an FRS entity and the transition to BSO means that all new Fire employees will no longer enter the City's pension plan, but rather be FRS employees.

The City's current employees will receive an option (required by state statute) to remain in the City's pension plan or enter into FRS. To encourage current City employees to transfer to FRS immediately, the City has incorporated incentives as indicated in the proposed MOU. These incentives will require a one-time cost for those employees with less than 10 years in the City. The cost to the City is unknown and will depend on the number of employees that transfer to FRS. Having non-vested employees transfer immediately will remove the liability they have accrued from the city and prevent the accumulation of future liability in the City plan. The city will be charged for their cost in FRS, as with all BSO staff.

Pension Benefit Changes

The proposed MOU incorporates changes to prospective pension benefits as follows:

- a. Employee contributions increase to 10.75% upon adoption of a new pension ordinance in accordance with this agreement and increased to 11.25% on January 1, 2022.
- b. The Multiplier for all future service after the transition date will be 3.00% per year of service, up to the maximum cap.
- c. Average Final Compensation ("AFC") will be based on the highest 5 years of the last 10 years of service, but the AFC for firefighters hired before August 7, 2013 will be no less than the average of the 2 most recent years of employment as of January 1, 2020.
- d. Normal Retirement will remain at the earlier of attainment of age 52 with 10 years of service or attainment of 25 years of service regardless of age.

- e. The Pension Cap will increase to \$100,000 upon adoption. On January 1, 2021 and every other year thereafter, the Pension Cap will increase by two percent, until it reaches \$125,000, at which point it will no longer increase. The 80%/75% of AFC cap will continue to apply.
- f. Deferred Retirement Option Plan ("DROP") will earn annual interest credits equal to the net market rate of return on City Plan investments during the preceding plan year, with a minimum of zero and a maximum of 6%.
- g. Tier 1 Transitioned Employees will receive a prorated 2% annual COLA on the accrued benefit based on credited service before August 7, 2013. They will receive eight annual COLAs on the benefit accrued between August 7, 2013 and January 1, 2020. Transitioned Employees will not receive a COLA for any benefit earned on and after January 1, 2020. Tier 2 members (firefighters hired on or after August 7, 2013) are not eligible for a COLA.
- h. All earnings considered pensionable by FRS will be considered pensionable under the City Plan, except no more than 300 hours of overtime per year may be treated as pensionable earnings, payments for accrued unused sick and vacation time or payouts shall not be included as pensionable earnings, and wages earned for details shall not be pensionable.
- i. Those employees eligible for normal retirement under the City Plan within twenty-five months of the Transition Date may elect to retain the current retirement plan benefits (plan as written, not as amended by legal opinions dated 2016-2018) if they complete an irrevocable retirement application, submitted to the City within 30 days of the Transition Date, for retirement no later than the first date of normal retirement eligibility. The City and Union to agree to a list of the eligible individuals prior to the Transition Date.
- j. Members may receive an in-service distribution of benefits from the City Plan upon reaching normal retirement, with no requirement of separation from BSO employment.

Other Terms

The proposed MOU also contains other terms which will govern the transition to BSO. These terms generally result in direct savings to the City. The Fire Union has agreed to forgo sums owed pursuant to the previous Collective Bargaining Agreement (CBA) for uniform allowances, sick-time buybacks and leave-time accruals. With respect to the leave-time accruals, BSO will be assuming the liability for leave-time accruals as described in the MOU. According to estimates of the Human Resources Department, this results in an overall savings to the City of approximately \$1 million. The Transitioned Employees will be employees of BSO and receive benefits pursuant to BSO's collectively bargained employment agreements. The City is charged for those benefits through its contract with BSO for services.

Why Action is Necessary:

This Memorandum of Understanding is a collectively bargained agreement that requires ratification by the City Commission. The agreement has been ratified by the Fire Union.

PROPOSED ACTION:

The City Commission consider the attached Resolution.

ATTACHMENT(S):

Exhibit 1 – Proposed Resolution

Exhibit 2 – Proposed Memorandum of Understanding with Fire Union