

**St. Petersburg City Council Agenda Item  
Meeting of October 1, 2009**

**To:**           **The Honorable Jeff Danner, Chair and Members of City Council**

**Subject:**     Amending Article IV, Division 3 of Section 22, St. Petersburg City Code, relating to the Employees' Retirement System for the purpose of allowing a change in eligibility for participation.

**Action Being Requested:**   Council action is being sought to approve amendments to the City Code that pertain to the Employees' Retirement System ("Pension Plan") for the purpose of allowing general employees employed after October 1, 2009 to voluntarily elect to participate in the City's defined contribution 401(a) Plan in lieu of participating in the Employees' Retirement System (ERS) defined benefit plan.

**Summary:**     The City operates a pension program for general employees which includes the Employees' Retirement System. The program was created by Ordinance and it is necessary to modify the City Code when changes to the pension plans are implemented. All current active general employees (excluding police and fire) and newly hired general employees are enrolled in the ERS Pension Plan. Administrative management employees have an option upon initial employment to enroll in either the 401(a) Plan or the defined benefit ERS Plan.

At the request of Administration, a study was conducted to determine the economic effect of allowing all general employees the option of participating in the Pension Plan or the 401(a) Plan similar to management employees. The Budget, Finance and Taxation Committee of City Council also reviewed the study and requested that Administration move forward to amend the City Code to allow employees the choice of participating in the 401(a) Plan or the Pension Plan. General economic conditions affecting governmental budgets, changing demographics of the population eligible to participate and general trends in the design of pension and benefit programs are encouraging municipalities to either replace traditional pension plans such as the Employees Retirement System or to provide a choice of plans for eligible employees.

The proposed change allows general employees the choice to participate in the 401(a) Plan if the employee is not covered by a collective bargaining agreement which prohibits such an election. Currently, all of the City's collective bargaining agreements specify that employees covered by these agreements participate in one of the City's defined benefit plans. As such this change initially will only apply to newly employed employees in eligible non-union positions. Since this proposed Ordinance does not supersede the provisions of the current collective bargaining agreements no union action is required.

**Cost:** The most recent actuarial study approved by the Employees' Retirement System Pension Board was conducted as of October 1, 2008. The actuary has provided an impact statement indicating there is no expected significant financial impact to make these changes. Additionally, there is no increase to the Unfunded Actuarial Accrued Liability (UAAL) for these changes.

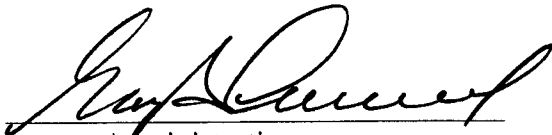
**Recommendations:**

Recommended City Council Action:

1. Conduct first reading
2. Set second reading and Public Hearing for October 15, 2009

Attachments (1) Proposed Ordinance  
(2) Actuarial Impact Statement as of October 1, 2008

Approvals:

  
Administration

09-14-09  
Date

  
Budget

9/14/9  
Date

ORDINANCE NO. \_\_\_\_\_

AN ORDINANCE AMENDING CHAPTER 22 OF THE ST. PETERSBURG CITY CODE RELATING TO RETIREMENT SYSTEMS BY (1) AMENDING SECTION 22-168 TO PROVIDE FOR MEMBERSHIP PROVISIONS IN SECTION 22-175, (2) ADDING A NEW SECTION 22-175 ALLOWING ELIGIBLE EMPLOYEES TO PARTICIPATE IN THE DEFINED CONTRIBUTION PLAN AS DEFINED IN SECTION 22-62 AND TO CLARIFY PROVISIONS FOR EMPLOYEES WITHDRAWING FROM PARTICIPATION IN THE SUPPLEMENTAL RETIREMENT SYSTEM; AND PROVIDING AN EFFECTIVE DATE.

THE CITY OF ST. PETERSBURG DOES ORDAIN:

Section 1. That Section 22-168 of the St. Petersburg City Code is amended to read as follows:

Sec. 22-168. Applicability of provisions of the prior retirement system. The provisions of the prior retirement system relating to administration, membership, except as provided for in Section 22-175, eligibility for retirement, optional retirement allowances and return of contributions are applicable to the supplemental retirement system. All other provisions of the prior retirement system shall be applicable to the supplemental retirement system, except such provisions as are amended by this division. (Code 1973, § 22-67)

Section 2. That Section 22-175 of the St. Petersburg City Code is added as follows:

Sec. 22-175. Membership

(a) Effective October 1, 2009, employees initially eligible to participate in this retirement system shall have a one time option to elect to participate in the City of St. Petersburg 401(a) Plan as defined in Section 22-62 in lieu of participating in this retirement system, unless such election is contrary to any collective bargaining agreement.

(b) Notwithstanding the provision of any collective bargaining agreement, no employee who is eligible to participate in this retirement system and who at the time of their initial eligibility does so participate, shall participate in any other retirement or pension plan offered by the City.

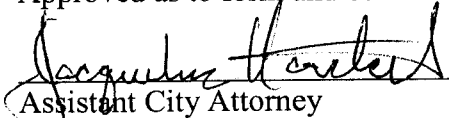
(c) An employee whose initial eligibility for this retirement system was prior to October 1, 2009 and who is not receiving a service retirement income in accordance with Section 22-173, shall have a one time option to withdraw from participating in this retirement system in order to participate in the 401(a) Plan as defined in Section 22-62. Eligible employees who withdraw from this retirement system in order to participate in the 401(a) Plan shall be entitled to withdraw their accumulated contributions or vest their benefits, if eligible, under this retirement system.

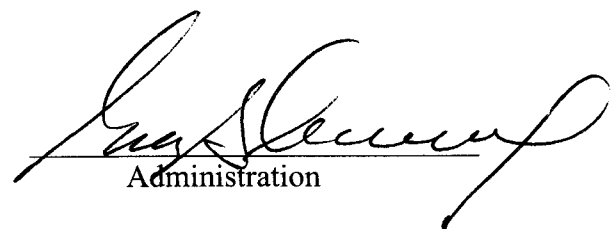
(d) Nothing in this section should be construed to allow eligible employees to return to this retirement system once they have elected to participate in the 401(a) Plan as defined in Section 22-62.

Section 3. Language which is ~~struck through~~ indicates deletions, and language which is underlined indicates additions.

Section 4. Effective Date. In the event this ordinance is not vetoed by the Mayor in accordance with the City Charter, it shall become effective upon the fifth business day after adoption unless the Mayor notifies the City Council through written notice filed with the City Clerk that the Mayor will not veto the ordinance, in which case the ordinance shall take effect immediately upon filing such written notice with the City Clerk. In the event this ordinance is vetoed by the Mayor in accordance with the City Charter, it shall not become effective unless and until the City Council overrides the veto in accordance with the City Charter, in which case it shall become effective immediately upon a successful vote to override the veto.

Approved as to form and content:

  
Assistant City Attorney  
Jacqueline Kovilaritch

  
Administration



September 11, 2009

Ms. Vicki Grant  
Manager, Benefits; Human Resources  
City of St. Petersburg  
P.O. Box 2842  
St. Petersburg, FL 33731-2842

**Re: Actuarial Impact Statement for the Employees' Retirement System**

Dear Vicki:

This letter provides information regarding the actuarial impact of a proposed change to the City of St. Petersburg Employees' Retirement System.

**Summary of Proposed Change**

Employees who first become eligible for the ERS after September 30, 2009 may make a one-time irrevocable election to decline participation in the ERS and to participate in the 401(a) plan instead, if the election is not contrary to a collective bargaining agreement.

In addition, active employees who became eligible for the ERS before October 1, 2009 may make an irrevocable election at any time to participate in the 401(a) Plan (unless the election is contrary to a collective bargaining agreement.) ERS participants who elect to join the 401(a) Plan accrue no additional ERS service for any purpose, and their vested accrued benefits are frozen unless they elect to receive a refund of their contributions. There is no provision for transferring the value of accrued benefits to the 401(a) Plan.

**Actuarial Impact**

Because actuarial valuations do not include employees who may participate in the future, the proposed change will have no effect on the October 1, 2009 actuarial valuation. The impact of this change on future valuations will depend on the number and demographic characteristics of eligible employees who actually elect to join the 401(a) Plan. This long-range impact will be reflected as follows:

- ERS liabilities and contributions are expected to be lower to the extent newly eligible employees elect the 401(a) Plan.
- Liabilities for ERS participants who elect to join the 401(a) Plan may increase or decrease as a result of their elections. These liability changes will be recognized annually in future valuations as experience losses or gains, which are recognized in the normal cost of the ERS.

Ms. Vicki Grant  
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If you have any questions regarding this impact statement, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew C. Stratton". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Andrew C. Stratton, FSA, EA, MAAA  
Principal, Consulting Actuary