CITY MANAGER'S OFFICE

Brian Donovan, Assistant City Manager
Brian.Donovan@copbfl.com | P: 954.786.4049 | F: 954.786.4504

MEMORANDUM

DATE: October 30, 2020

TO: Greg Harrison, City Manager

FROM: Brian Donovan, Assistant City Manager

SUBJECT: Federation of Public Employees Collective Bargaining Agreement

The prior Collective Bargaining Agreement for 2017-2020 with the Federation of Public Employees (FOPE) expired on September 30, 2020. The City and the FOPE started negotiations in July and have reached an agreement that includes provisions for pension plan changes, extending the Deferred Retirement Option Plan and allowing sick and vacation accruals to be used towards the employees' Voluntary Employee Benefit Association (VEBA) program. In consideration of these proposals, the FOPE has agreed to a one-year contract with no cost of living increase (COLA). The Actuary for the pension plan had estimated that the pension plan changes would have an impact of a little over one million dollars while extending the DROP would have no fiscal impact. The impact of the other changes are not applicable or have no determinable impact. The savings from not having a COLA is $1.24M. Overall, the impact of the proposed changes for this year amounts to an estimated savings of over $200K. The FOPE membership overwhelmingly ratified (approved) the proposed Agreement on November 17, 2020.

Other changes to the Agreement were administrative and involved making sure the language associated with leave time was consistent with the City's hours of operation, and removing any language that pertained to the previous Agreement. If the proposed changes are approved the benefits would also apply towards non-bargaining members. Below is a more detailed summary of the major changes being proposed.

1) Tier II pension members will be moved into Tier I retroactively to their hire date. Back in June 2011, the City's pension plan was bifurcated into two tiers. Those who were currently employed at that time remained in Tier I and continued to contribute 10% of their salary towards the pension. Employees hired after June 2011 went into a different tier (Tier II) of pension benefits and contributed 7% of their salary towards the pension plan. Since the pension plan created two classes of benefits for employees, the FOPE requested and negotiated allowing Tier II employees to be retroactively moved to Tier I of the City's pension plan and eliminating Tier II for future hires. If approved, those employees in Tier II will increase their contribution from 7% of salary to 10%. Moreover, those employees currently in Tier II will be required to retroactively pay back the 3% difference in salary contribution to their actual date of hire in order to receive those benefits. Employees who are impacted by this retroactive payment will have options through which the amount owed can be repaid. These options include transfers from other qualified retirement plans,

Brian Donovan, Assistant City Manager
Brian.Donovan@copbfl.com | P: 954.786.4049 | F: 954.786.4504

monthly deduction from their paychecks, utilization of excess vacation and sick time, and lumpsum cash payments. According to the Actuary for the pension plan, the estimated financial impact is $1,023,111.

a. Deferred Retirement Option Plan (DROP): DROP will be extended from 5 years to 8 years. Currently, employees who are eligible, can enter into a Deferred Retirement Option Plan for up to 5 years. The FOPE negotiated with the City to allow current and future DROP participants, with at least 20 years of service, to stay in DROP for up to 8 years. According to the pension plan Actuary, there is no fiscal impact from this change.

b. VEBA: Sick and vacation time that accrues while the employee is working in the DROP will be transferred to each employee's VEBA account. Employees who enter DROP accrue a certain amount of vacation and sick time as they continue working in the DROP. At this time, only half of the employee's unused accrued sick time can be transferred to an employee's VEBA account at the end of their participation in DROP. Any remaining accrued sick and vacation time is either used or forfeited at the end of DROP. Under the proposed Agreement, employees in DROP will be able to transfer up to 960 hours of unused accrued sick time and up to 400 hours of unused accrued vacation time to VEBA at the end of DROP. There is no estimated fiscal impact. The funding that is transferred into VEBA is offset by the savings from employees not taking time off that can create additional overtime costs.

c. Accrued sick and vacation time when retiring or entering DROP: The value of eligible accrued sick and vacation time payouts upon entering DROP, or retiring, will be calculated using the employee's average salary over the past five (5) years. Currently, the value is calculated using the employee's ten (10) year average. The fiscal impact is underminable at this time since entering DROP is a voluntary activity.

d. Annual accrued leave payouts during DROP participation: Employees who enter DROP are paid for their previously accrued leave in 5 equal payments over 5 years starting 1 year after entering the DROP. Under the proposed Agreement, the 1st and 2nd payments will be made 12 months after the employee enters DROP, and the remaining three payments will be made in successive 12-month periods after the 2 nd payment. There is no fiscal impact as the amount paid to participants does not change.

2) Term – The term of the previous Agreement was for three (3) years. The term for the proposed Agreement is one (1) year. No fiscal impact.

3) COLA– the previous Agreement provided for a 3% COLA for each year. The current Agreement does not provide for any COLA. This represents a savings of $1.24M for one year.