

TOWN OF PALM BEACH

Information for Town Council Meeting on: January 10, 2023

To: Mayor and Town Council

Via: Kirk Blouin, Town Manager

From: Gillian Barth, Director of People & Culture



Re: Pension Ordinance Change Regarding In-Service Distributions
Ordinance No. 002-2023

Date: January 3, 2023

STAFF RECOMMENDATION

Staff recommends that the Town Council approve an amendment to Chapter 82 of the Town of Palm Beach Code of Ordinances (002-2023) to allow for re-employment of retirees by the Town of Palm Beach on a full, part-time or temporary basis after normal retirement and separation and receive an in-service distribution of their retirement benefits, including their DROP distribution during their period of re-employment as permitted by the Internal Revenue Code and applicable Treasury Regulations.

GENERAL INFORMATION

Currently, Chapter 82 of the Town of Palm Beach Ordinances, associated administrative policies and Town of Palm Beach Benefits Plan allows for reemployment of retirees, following a 30-day period of disengagement, when it is in the best interest of the Town, recommended by the Departmental Director and approved by the Town Manager. Under the current restrictions of the Pension Plan, employees do not receive retirement or DROP benefits during their post-retirement employment, nor do they receive certain categories of leave. They are rehired under a specific at-will contract.

It has been determined that the Town would benefit from continued service from some retirees, including those who have retired due to constraints of the Town's DROP program. The Town of Palm Beach is not alone. Other Municipalities are also looking to identify options whereby such employees can be engaged in extended service, on an as needed basis, and earn their retirements benefits while fully complying with IRS regulations.

Currently, IRS rules permit employees to receive their pension benefits after reaching normal retirement if the pension plan has an in-service distribution provision. An in-service distribution provision can be broad enough to allow all (or some) employees who reach normal retirement age to start receiving benefits without terminating employment or it can be limited to just those employees who have been re-employed after retirement to receive their retirement benefits during their period of re-employment.

The Town of Palm Beach is proposing that in-service distributions be permitted at the Town Manager's discretion, or in the case of the Town Manager, at the Town Council's discretion. Under this new provision:

- The new section will apply only to members who are re-employed as approved by the Town Manager in compliance with the Town's policy.
- It will allow the Town to rehire members after they complete the DROP.
- It will permit retirees to receive their DROP distribution during their period of re-employment.
- Members will be required to have a break in service to receive retirement benefits. Because the retirant had a break in service, he or she will not have the same seniority or employment benefits they had prior to retirement
- The retiree will not be able to participate in the plan during their period of re-employment. (This does not prevent the Town from offering retirement benefits in the form of a contribution to a Defined Contribution plan.)
- Retirees who retire under the early retirement provision will not be eligible for an in-service distribution under this section.
- This ordinance represents a change in benefits and will have to be bargained. Therefore, this new section applies only to non-bargaining unit employees until agreed to by the union.
- Once the ordinance is adopted, the Town's Retirement after re-employment policy will need to be amended.

FUNDING/FISCAL IMPACT

A full financial impact assessment will be prepared by the Town's actuary before the second reading of this Ordinance. The primary difference between a current and rehired retiree package will be that of salary rate since former tenured staff are often at the top of their PayScale. However, this provision allows for flexibility and negotiation in a rehired salary rate.

TOWN ATTORNEY REVIEW

The Ordinance has been prepared and reviewed by the Town's Pension Attorneys. The Town Attorney has also reviewed the documents

Attachments

GB:jj

cc: Jane Le Clainche, Director of Finance
Robert Miracle, Deputy Town Manager Finance & Administration
Carolyn Stone, Deputy Town Manager, Business Enterprise & Culture