**Memorandum**

**To:** Howard Tipton, Town Manager

**From**: Susan Smith, Finance Director

**Report date:** November 20, 2024

**Meeting date:** December 2, 2024

# Subject: Ordinance 2025-01 Providing for a Cost- Of- Living Adjustment for Future Retirement Payments for Actively Employed General Employees

## Recommended Action

Following first reading, forward to the January 6, 2025 Regular Meeting for second reading and public hearing.

## Background

The Town Commission has previously created the Town of Longboat Key Consolidated Retirement System, for the purpose of administering the Police Officers’ Retirement System, the Firefighters' Retirement System and the General Employees’ Retirement System, and has created a Board of Trustees (“Board”) to administer the Consolidated Retirement System. Each Plan has its own benefit level. The Police and Fire Plans both provide for a cost-of living-adjustment (“COLA”). The COLA for both Police and Fire is 3% of the previous year’s benefit amount, payable on the first October 1st following five complete years of receiving retirement income, and each October 1st thereafter. Disability retirees and terminated vested persons do not receive any COLA increases. Firefighters have had their COLA since 2002, and Police Officers since 2000.

The General Employees’ Plan does not provide for a COLA. Benefit levels are set by the Town, not the Board. The Board, however, has authority to recommend to the Town Commission changes in benefit levels. The Board was aware that a COLA can be granted to those actively employed, but that there was a significant legal issue in connection with whether a COLA could lawfully be provided to those former employees who were already retired. The Board adopted a motion, in which it did not make a recommendation concerning providing a COLA to those general employees who were already retired, but did recommend to the Town that “it provide a cost -of living adjustment to all those members of the General Employees Retirement Plan who are still employed by the Town of Longboat Key. The cost- of- living adjustment recommended is the same as that provided for Police and Fire Retirees.”

The Town Attorney requested an opinion from a governmental pension lawyer, independent of the Board of Trustees counsel, who concluded that the increase that was recommended by the Board, to those actively employed as of the date of the passage of the Ordinance, was lawful, and also recommended that a COLA should not be granted to those who were already retired.

The Actuary for the Plan has prepared a cost study and has concluded that the proposed COLA will increase the Town’s contribution by $56,878 per year and add $702,496 to the pension liability.

As of October 1, 2023 (the date of the latest valuation), the Town had 13 plan members still actively employed that would be entitled to the proposed COLA if they meet the eligibility requirements for Normal or Early Retirement at the time of termination of employment.

The below would not be entitled to the proposed COLA since they retired or terminated employment prior to October 1, 2023:

* 3 Beneficiaries
* 44 Retirees
* 8 Vested, Terminated

This Ordinance 2025-01 provides for a COLA increase for general employees, identical to that which exists for police and fire retirees. It only provides for that increase for those who are actively employed as of the date of the passage of the Ordinance. The Ordinance has been reviewed by the Board’s Counsel, pension counsel hired by the Town Attorney, and Town Attorney. Board Counsel, Ron Cohen and the Town Actuary, Doug Lozen will be available for any questions.

**Next Steps**

## If approved, an impact statement is required to be prepared by the Town Actuary and submitted to the State prior to second reading.

## Staff Recommendation

Following first reading, forward to the January 6, 2025 Regular Meeting for second reading and public hearing.

## Attachments

1. Ordinance 2025-01
2. Motion of Board of Trustees
3. Email and Opinion from Attorney James Linn, Lewis Longman Walker
4. Actuary Study