

**TOWN OF PALM BEACH PENSION PLANS
TOWN MANAGER'S REPORT AND RECOMMENDATIONS**



**FOR CONSIDERATION AT
THE SPECIAL TOWN COUNCIL MEETING
ON APRIL 6, 2010**

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EXECUTIVE SUMMARY

This report contains recommendations to significantly reform the Town of Palm Beach's employee pension plans. If the recommendations are approved, the long term cost of these plans to Town taxpayers will be reduced by more than 50% while the plans will continue to provide financial security to Town employees and their families.

The Town began to consider pension system reform in late 2008, as the stock market was dropping precipitously and the national financial system nearly collapsed. Although it was widely recognized that substantial reform would be needed, it also was agreed by the Town's elected officials and staff that rushing to act could do more harm than good. Given the significance of pensions, both in terms of cost to the taxpayers and value to the employees, it was important to take a deliberate, thoughtful, well informed approach to pension reform. Throughout the spring of 2009, this issue was examined by citizens, elected officials, pension board members, and Town employees. In early summer, the Town completed a national competitive selection process by hiring the Cavanaugh Macdonald Consulting, LLC, to provide expert advice and assistance in this effort. In October, Cavanaugh Macdonald issued its independent report, which contained a menu of more than 50 different options for modifying Town pensions. That report was reviewed in public meetings of the Town's three pension boards during November. On December 3, 2009, the Mayor and Town Council reviewed the Cavanaugh Macdonald report and received public input at a special Town Council meeting. At that meeting, they assigned to me as Town Manager the responsibility for making specific recommendations (with alternatives) for Town Council consideration. Input from citizens and employees has been invited and considered throughout the process of reviewing and planning to reform Town pensions.

In addition to enabling thoughtful and well informed action on this issue, the Town's deliberate approach to pension reform has allowed elected officials and staff to address pensions in the fuller context of the Town's Long Term Financial Plan. Although pension reform is perhaps the single most important aspect of ensuring the Town's continued financial health and avoiding budget deficits that had been projected for FY12 and beyond, it is not and can not be the only action taken by the Town to ensure long term financial strength. Therefore, as described more fully in the 2010 Long Term Financial Plan that is being released simultaneously with this pension report, the Town also is restructuring our salary systems, reviewing and refining other employee benefits, planning to privatize the provision of certain services, and achieving operational efficiencies in a variety of Town operations.

My recommendations for pension reform include the following:

- **Retain a defined benefit (DB) plan**, since that is the form of pension benefit offered by the overwhelming majority of public sector employers.
- **Offer a defined contribution (DC) plan as an option**, since employees who choose that option as preferable for their own personal circumstances will also provide additional long term cost savings to the Town.
- **Freeze the current DB plan for all existing employees**, so they will receive the value of the benefit they have earned, expected, and “own” (calculated as if they were separating from Town employment immediately and then frozen until they are eligible to retire). Payment of this portion of each employee’s pension would occur in accordance with all eligibility and post retirement rules as they exist today. (Post retirement health insurance benefits would remain subject to future changes that may be imposed by government regulations or Town Council actions, just as always has been true in the past.)
- **Modify the current DB plan going forward** (for all existing and future employees) in accordance with the following principles:
 - The value of a pension should reflect the market value of the applicable job. Therefore, average final compensation for pension purposes should reflect each employee’s base earnings and should not include additional compensation such as bonus pay or unlimited overtime pay.
 - Multipliers should return to 1990s levels. Multipliers for public sector employees got unsustainably high (just as housing “values” did in the broader economy) during the exuberance of the late 1990s and 2000s.
 - The pension relationship is between the Town and the Town’s employees so the standard pension benefit should be a life annuity (a monthly benefit paid to the retired employee for the remainder of their life). Some Town employees are single and some are from two-career couples, so not all need the automatic 75% survivor benefit that is extremely costly to the Town’s current pension plans and is more generous than most other public sector (and virtually all private sector) pension plans. Employees should be allowed to purchase protection for a surviving spouse (or other beneficiary) by reducing their monthly pension benefit upon retirement, as is common in other public and private DB plans.
 - Employees will need to work longer and/or receive pensions later for the plan to remain sustainable. Just as noted above regarding multipliers, this is not an arbitrary modification but reflects the unsustainability of benefit enhancements that occurred during the overheated municipal employment market of the late 1990s and 2000s.

- **Withdraw from the State pension subsidy program provided under Florida Statutes Chapter 175 (for firefighters) and Chapter 185 (for police officers).** This will cause the Town to decline a projected \$575,582 State subsidy for FY12 and comparable amounts in future years, but it will free the Town from the extensive conditions and controls the State of Florida imposes upon local pension plans that accept “175/185 monies” and will allow the Town Council now and in the future to make local decisions about what is best for the Town’s residents and employees. (Note: Changes to Chapters 175 and 185 have been proposed for consideration during the current State Legislative Session. The Town will closely monitor that legislation. I may modify my recommendation to withdraw if it becomes possible for the Town to continue receiving “175/185 monies” without having to provide a State mandated level of benefits and comply with other pension-related State conditions and controls.)

If implemented later this year, these recommendations are projected to reduce the taxpayers’ FY12 funding requirement for Town employee pensions from \$9.8 million to \$5.4 million (45%). At the end of the current financial planning period, they would reduce the FY20 taxpayer funding requirement from \$14.8 million to \$8.2 million (45%). And at the end of the 30-year period for projecting future pension costs, they would reduce the FY39 taxpayer funding requirement from \$39.3 million to \$16.8 million (57%). (All projections of costs and savings have been calculated by Cavanaugh Macdonald.)

Because the Town is addressing the need for pension reform sooner than most of the other public sector employers in South Florida, we will experience a short term reduction in the strength of our competitive position for recruiting and retaining top quality employees. However, it is inevitable that other public sector employers in our area will be reforming their employee pension plans. Failure to do so will cause either enormous tax increases or widespread service reductions, either of which will almost certainly be unacceptable to their local taxpayers given the substantially greater financial security provided by public employee pensions compared to those provided by most private sector employers. During the transitional period (estimated to be the next 2 to 5 years) in which this employment market will adjust and our neighboring public employers will be reducing the cost and value of their employee pension systems, it is expected that public sector staffing will continue to decline. Even if hiring increases toward the end of this transitional period, such increases in staffing would likely be slow and incremental and would occur near the end of the market recalibration. It will continue to be a “buyer’s market.” Therefore, I believe the recommendations in this report will not materially reduce the Town’s strong competitive position within the marketplace for public sector employees in Palm Beach County.

Please note that the recommendations contained in this report are solely my own. In arriving at these recommendations (and deciding not to recommend the alternatives that also are presented herein) I have considered the large volume of suggestions and information received from residents, elected officials, Town employees, and others, as well as what I have read in literally hundreds of articles about the response to the pension funding crisis elsewhere in Florida and throughout the United States. I have been ably assisted by Jose Fernandez of Cavanaugh Macdonald, actuary Brad Armstrong, and attorneys David Kornreich and Jim Linn. I have conferred with individual elected officials and with the Town's department directors as I was refining the alternatives and making my decisions. However, none of those who have assisted me in this effort are responsible for what is proposed. These recommendations represent my best professional advice to the Mayor and Town Council about how to ensure the long term sustainability of this important employee benefit in the manner that I believe is in the best collective interests of Town residents and Town employees.



Peter B. Elwell
Town Manager
Town of Palm Beach
March 22, 2010

BACKGROUND INFORMATION

How Did We Get Here?

The Town of Palm Beach's employee pension plan was created in 1947 and enjoyed a long and stable history through its first 50 years. Contribution rates occasionally fluctuated due to especially strong or weak investment performance, but those variations were mild compared with the late 1990s and 2000s. Small adjustments were made over the years in the value of the benefit, primarily in response to employment market influences.

The funds were overseen by a single Retirement Board of Trustees until 1999. The board included citizens appointed by the Town Council, and police officer, firefighter, and general employee representatives elected by their respective peers. The Mayor, Town Council President, and Town Manager served ex officio. Following action during the 1999 Legislative Session by which the State Legislature authorized police officers and firefighters to more independently oversee their pension funds (if their local plan was receiving the Chapter 175/185 subsidy), the Town's single board was divided into a General Employees' Retirement Board of Trustees and a Public Safety Retirement Board of Trustees. The former includes two employees elected by their peers, two citizens appointed by the Town Council, and the Town Manager serving ex officio. The latter included a police officer and a firefighter each elected by their peers, two citizens appointed by the Town Council, and a fifth member selected by the first four. It was always the case (although it was not required) that the fifth member was another Town citizen. In 2004, the Public Safety Retirement Board of Trustees further divided into a Police Officers' Retirement Board of Trustees and a Firefighters' Retirement Board of Trustees. Each of those boards is structured the same as described above for the Public Safety Board, except the Police Officers' Board includes two police officers and the Firefighters' Board includes two firefighters. It continues to be true that the fifth member of each board has always been a Town citizen. (In addition to allowing the Town Council to exercise unfettered local control over the form and value of the pension benefits offered by the Town, withdrawal from the Chapter 175/185 program would allow the Town to consolidate the three boards back into either one or two boards, if the Town Council so desires.)

In the early 1990s, the general employees' multiplier was 2.4% per year of service and the public safety employees' multiplier was 2.75%. During that decade, investment returns were far stronger than normal and employment market pressures led to improvements in the pension

benefits offered by the Town. In 1995, the public safety employees' multiplier was increased to 3.0%. In 1997, the minimum retirement age for general employees was reduced (for vested employees with fewer than 30 years of service) from 60 to 55 years old.

By 2000, due to several years of outstanding investment performance, the Town's pension funds were "overfunded" (i.e. they had higher asset balances than what was actuarially determined to be the amount needed to pay for the accrued liabilities of each fund). That favorable financial position and very strong employment market pressures led to further increases in the value of the benefit and, therefore, in the cost to Town taxpayers. In 2001, the general employees' multiplier was increased to 2.75%, the public safety employees' multiplier was increased to 3.25%, and the minimum years of service required for public safety pension eligibility was reduced from 25 years to 20 years. The public safety employees' multiplier was increased again in 2005 to 3.5% per year of service.

The impact of the 2001 and 2005 benefit improvements combined with severe investment losses in 2001-2002 and 2008-2009 caused Town taxpayers' costs for the employee pension funds to increase by over 600%, from \$1.1 million in FY02 to \$7.5 million in FY10. The precipitous stock market decline of 2008-2009 was accompanied by the longest and deepest international economic crisis since the Great Depression. Pension funds and endowment funds (broadly grouped as "long term institutional investors") suffered record setting losses all over the United States. The Town's pension funds were no exception. Although most funds, including the Town's, have experienced strong recovery off the bottom, values remain well below where they peaked before the decline (the Dow, for instance, remains almost 25% below its October 2007 peak). Since payment of future benefits depends not only on recovery back to pre-decline levels but on annual growth above and beyond those levels, pension benefits as currently designed have become unsustainable by any reasonable forecast.

Early projections of how the nationwide pension crisis might impact the Town were reviewed at a December 16, 2008, meeting of the Town Council's Finance and Taxation Committee. Those projections were updated for Finance and Taxation Committee meetings held on March 16 and April 27, 2009. The expected increases in the cost of Town pensions (from \$7.5 million in FY10 to \$18.5 million in FY20), other increasing Town costs, and constraints on future growth of Town revenue caused the projection of operating budget deficits starting in FY12 and increasing to over \$20 million by FY20.

During March and April of 2009, seven citizen advisors assisted the Finance and Taxation Committee and Town staff in identifying ways to reduce the Town's operating budget and avoid the projected deficits. Al Parven, who is now the Chairman of the Town's General Employees' Retirement Board of Trustees, was the citizen advisor who reviewed the pension situation. He recommended that a nationally respected consultant be hired to provide expert advice and guidance, due to both the complexity and the importance of this matter. Town staff and the Finance and Taxation Committee supported this recommendation and the full Town Council approved it. A request for proposals was published, multiple firms applied, and Cavanaugh Macdonald Consulting, LLC, was selected in July of 2009.

Cavanaugh Macdonald solicited input from Town residents and employees, surveyed the marketplace, completed an independent study of the Town's pension plans, and identified the potential cost savings related to literally dozens of separate options. Cavanaugh Macdonald provided a written report at the end of October, and a series of public meetings were held to review the Cavanaugh Macdonald report in November and December. At the last of those meetings, on December 3, 2009, the Town Council directed that I prepare a specific recommendation for action (with alternatives) for Town Council consideration. I have completed that assignment by considering the options identified by Cavanaugh Macdonald, the input received from residents and employees, and other relevant information (e.g. other cost savings measures being implemented by the Town and reports of pension reform actions being taken by other governments).

Two Goals: Financial Sustainability & Continued Competitiveness

The recommended plan had to maximize the balance between two directly competing goals: it had to save enough money to help the Town avoid the budget deficits that had been projected to begin in FY12 and grow in the years thereafter and it had to retain enough value to ensure the Town can continue to attract high quality employees.

The first criterion is quantifiable. The end of the current planning period is FY20. After considering the projected savings expected from the variety of other strategies the Town is implementing to reduce the cost of Town operations, our goal for pension cost reduction was to save a minimum of \$6.1 million (41%) in FY20. The recommended plan will reduce the projected cost in all years going forward and is estimated to save \$6.6 million (45%) in FY20.

The second criterion is more subjective. Among public sector employers in Palm Beach County, the Town is at the top of the market for pension value by some measures and in the top half by almost all others. We know that in the short term, the proposed changes will drop the Town into the bottom half by most measures. However, if we can reasonably expect that as the market recalibrates the Town will return to the top half (hopefully to the top quartile) by most measures, then we will have retained a strong competitive position, especially in combination with Town pay levels and other considerations. I believe the recommended plan will achieve this goal.

Some alternatives would save more money, but they would reduce the value of pension benefits (and, therefore, the Town's competitive position) so severely that I could not foresee the Town returning to a favorable competitive position after the transition to new market norms during the next two to five years. Other alternatives fully grandfathered existing employees so they would see no change in pension benefits for as long as they continue their Town employment, but those options did not save enough money to avoid projected budget deficits and ensure the long term sustainability of the Town's pension plans. This ended up a bit like the children's story of Goldilocks and the Three Bears. Some alternatives were "too harsh" and some were "too generous." I am recommending the plan that I believe is "just right." It will be fair to existing Town employees, maintain future competitiveness in the broad best interests of the Town, and save Town taxpayers millions of dollars each year.

Please note that some elements of the recommended plan are included in the other alternatives, as well. These represent either the "low hanging fruit" (such as eliminating hurricane bonus pay from average final compensation calculations and eliminating the supplemental distribution benefit which has never been paid and probably never would be for decades into the future) or elements that I believe are fundamental to the Town controlling the future cost and value of these benefits for the short and long term (such as maintaining the vesting period at 10 years and withdrawing from the Chapter 175/185 State subsidy program).

All of the alternatives include freezing the Town's current pension plans as of a future effective date that has yet to be determined. By freezing and modifying the current plan, we will comply with all applicable State and Federal laws and provide the most cost effective means of transitioning to the modified plan with full local control. Closing the existing plan either to start a new local plan or to switch to the Florida Retirement System (FRS) would be far more expensive and legally more complex. The FRS alternative also would result in loss of local control over future decisions affecting the cost of the plan to Town taxpayers and the value of the plan to Town employees.

Finally, Cavanaugh Macdonald's calculations for all alternatives include a reduction in the actuarial assumption for future salary growth from 5.5% to 4.5% per year. During the past decade, the annual rate of growth for Town employee salaries exceeded 6%. In the future, due to changes staff is proposing in the method and timing of employee pay raises (as described in the 2010 Long Term Financial Plan), we expect the annual rate of growth of Town employee salaries to be less than 3%. No other changes are proposed for the actuarial assumptions that apply to the Town's pension plans and Cavanaugh Macdonald's calculations for all alternatives (except the FRS Match) assume that employee contribution rates will remain as they are today.

Where Do We Go From Here?

On April 6, 2010, beginning at 1:30 p.m. and continuing into the evening, the Mayor and Town Council will hold a special Town Council meeting to consider the 2010 Long Term Financial Plan, the 2010 Recreation Enterprise Fund Business Plan, and this pension report. After hearing presentations of these documents, the elected officials will hear comments from citizens and employees. The elected officials will then discuss these matters and provide direction, as needed. No final action is anticipated, but some Town Council direction may be given to assist staff in preparation of the FY11 Town budget.

After the April 6 special Town Council meeting, staff will engage in good faith negotiations regarding pensions (and will continue to have good faith negotiations regarding other matters) with the unions representing Town police officers and firefighters. When we have either reached agreement or arrived at impasse (not only regarding pensions, but regarding all matters being negotiated), staff will return to the Town Council for action on pension plan changes for both public safety and general employees. The projected savings shown in this report and in the 2010 Long Term Financial Plan anticipate FY11 pension funding based on the existing plans and FY12 pension funding based on the proposed changes.

A Note About the Alternatives for Action and the Tables Presented with Each Alternative

My specific recommendations for Town of Palm Beach pension reform appear on pages 13 and 14. The alternatives that I do not recommend begin on page 16. For my recommendations, the

“grandfather” alternative, the deeper cut DB alternative, and the hybrid alternative, a narrative listing of plan changes is followed by a chart showing the costs/savings of that alternative compared with the prior forecasts and targeted savings through FY20. The next page after that for each of those alternatives is a chart prepared by Cavanaugh Macdonald showing costs/savings compared with the current plan projections through FY39. For the “Match FRS for Public Safety” alternative, only the Cavanaugh Macdonald chart is shown. We did not generate a targeted savings chart for that alternative since it involves only police officers and firefighters. Also, since the savings for police officers and firefighters in that alternative is far less than in my recommendations, I judged “Match FRS” to provide insufficient savings and to not be a viable alternative.

For the alternatives that include both a targeted savings chart and a Cavanaugh Macdonald chart, you may notice that the annual costs identified in the two charts are not identical. That is because (1) the Cavanaugh Macdonald charts do not include the cost of lifeguards’ pensions, while the targeted savings charts do include lifeguards, along with public safety and general employees, and (2) all the data in the targeted savings charts has been pushed out one year as compared with the Cavanaugh Macdonald charts because the effective date of pension reforms ultimately approved by Town Council will be after this year’s actuarial report is issued for FY11 budget purposes. The targeted savings charts provide the most complete and accurate information about total plan costs and savings conservatively projected through FY20, and the data in the targeted savings chart for my recommendations matches the pension data in the Town’s 2010 Long Term Financial Plan. The Cavanaugh Macdonald charts are included to provide a police/fire/general employee breakdown and a longer term perspective on the order of magnitude for anticipated savings.

RECOMMENDATIONS

FOR PAST SERVICE (up to a future date that has not yet been determined)

Freeze the existing plan for all existing employees:

Calculate average final compensation in accordance with existing rules as if separation from employment were occurring on the effective date of the new rules.

Employee eligibility to begin collecting earned benefits is based on existing rules.

Post retirement adjustments will occur in accordance with existing rules.

This would cause immediate vesting of employees with less than 10 years of service, making them eligible to receive pension benefits for the accrued value of their past service. Such employees would still need to attain 10 years of total Town service to qualify for pension benefits under the modified rules for future service.

FOR FUTURE SERVICE (after a future date that has not yet been determined)

Reduce multiplier to pre-2001 levels for existing employees:

3.0% for public safety (firefighters and police officers)
Currently 3.5%

2.5% for lifeguards
Currently 2.85%

2.4% for existing general employees
Currently 2.75%

Allow all existing employees the option of retaining their current multiplier by purchasing that enhanced benefit through an actuarially equivalent increase of their employee contribution.

Reduce multiplier to 2.25% for future general employees.

Eliminate all bonus pay and special assignment overtime pay from average final compensation.
Average final compensation currently includes bonus pay and special assignment OT pay.

Cap (at 100 hours per year) regular overtime pay eligible for average final compensation.
Overtime currently is not capped in calculating average final compensation.

Increase average final compensation period to 5 years (average of top 5 earning years).
Average final compensation period currently is highest 2 years of the final 5 years.

Eliminate "Rule of 65" that allows vested public safety employees and lifeguards to retire when the sum of their age and years of service equals or exceeds 65.

Minimum 50 years old after 25 or more years of service for public safety and lifeguards
*Currently eligible after 20 years of service (police officers and firefighters)
 or 25 years of service (lifeguards), regardless of age*

Minimum 55 years old for between 10 and 25 years of service for public safety and lifeguards
Currently eligible at 50 years old for between 10 and 20 years of service

Minimum 55 Years old after 30 or more years of service for general employees
Currently eligible after 30 years of service, regardless of age

Minimum 60 years old for between 10 and 30 years of service for general employees
Currently eligible at 55 years old for between 10 and 30 years of service

Keep 10-year vesting period.

Normal form of benefit: straight life annuity
Currently provide this for employee and 75% for surviving spouse without “buy down”

Allow purchase of survivor benefit via actuarially equivalent “buy down” of monthly pension.

2% annual COLA beginning at age 65
Currently 2% annual COLA begins 3 years after retirement.

No changes to DROP program

OTHER:

Eliminate supplemental distribution benefit.

Withdraw from Chapter 175/185 participation.

THIS OPTION’S PROJECTED COSTS & SAVINGS THROUGH FY20 (includes lifeguards):

Fiscal Year	Spring 2009 Forecast	Cavanaugh MacDonald Forecast	Target to Balance Budget	Cost of Proposed Plan	Difference Target vs. Proposed	Difference Forecast vs. Proposed
2011	8,920,000	8,798,808	9,206,119	8,798,808	407,311	0
2012	10,220,000	9,772,664	10,215,008	5,383,016	4,831,992	4,389,649
2013	11,500,000	10,901,086	10,290,793	6,388,721	3,902,072	4,512,365
2014	12,800,000	12,041,891	10,202,736	7,320,637	2,882,099	4,721,254
2015	14,100,000	12,533,886	10,070,623	7,639,324	2,431,299	4,894,562
2016	14,900,000	13,383,765	9,894,273	8,229,837	1,664,436	5,153,928
2017	15,700,000	14,269,610	9,830,474	8,784,802	1,045,672	5,484,808
2018	16,600,000	15,221,663	9,493,647	9,384,876	108,771	5,836,786
2019	17,500,000	16,664,731	9,067,969	10,482,189	-1,414,220	6,182,541
2020	18,500,000	14,810,206	8,748,998	8,212,749	536,249	6,597,457

**Town of Palm Beach
Proposed Pension Costs - Option A**

Fiscal Year	General			Police			Fire			Total		
	Current Plan	New Plan	Savings/(Cost)	Current Plan	New Plan	Savings/(Cost)	Current Plan	New Plan	Savings/(Cost)	Current Plan	New Plan	Savings/(Cost)
2010	2,507,000	2,507,000	-	2,262,000	2,262,000	-	2,647,000	2,647,000	-	7,416,000	7,416,000	-
2011	3,065,000	1,052,000	2,013,000	2,600,000	1,419,000	1,181,000	3,006,000	2,003,000	1,003,000	8,671,000	4,474,000	4,197,000
2012	3,423,000	1,360,000	2,063,000	2,866,000	1,663,000	1,203,000	3,362,000	2,293,000	1,069,000	9,651,000	5,316,000	4,335,000
2013	3,846,000	1,730,000	2,116,000	3,234,000	1,940,000	1,294,000	3,699,000	2,590,000	1,109,000	10,779,000	6,260,000	4,519,000
2014	4,359,000	2,183,000	2,176,000	3,541,000	2,181,000	1,360,000	4,021,000	2,831,000	1,190,000	11,921,000	7,195,000	4,726,000
2015	4,515,000	2,208,000	2,307,000	3,735,000	2,346,000	1,389,000	4,170,000	2,971,000	1,199,000	12,420,000	7,525,000	4,895,000
2016	4,754,000	2,344,000	2,410,000	3,977,000	2,547,000	1,430,000	4,536,000	3,221,000	1,315,000	13,267,000	8,112,000	5,155,000
2017	5,058,000	2,527,000	2,531,000	4,209,000	2,706,000	1,503,000	4,886,000	3,435,000	1,451,000	14,153,000	8,668,000	5,485,000
2018	5,384,000	2,720,000	2,664,000	4,446,000	2,884,000	1,562,000	5,275,000	3,664,000	1,611,000	15,105,000	9,268,000	5,837,000
2019	5,936,000	3,115,000	2,821,000	4,857,000	3,214,000	1,643,000	5,752,000	4,031,000	1,721,000	16,545,000	10,360,000	6,185,000
2020	5,036,000	2,095,000	2,941,000	4,274,000	2,469,000	1,806,000	5,403,000	3,564,000	1,839,000	14,713,000	8,127,000	6,586,000
2021	5,373,000	2,269,000	3,104,000	4,615,000	2,649,000	1,966,000	5,858,000	3,854,000	2,004,000	15,846,000	8,772,000	7,074,000
2022	5,019,000	1,769,000	3,250,000	4,512,000	2,433,000	2,079,000	5,746,000	3,636,000	2,110,000	15,277,000	7,838,000	7,439,000
2023	8,182,000	4,578,000	3,604,000	4,750,000	2,480,000	2,270,000	5,990,000	3,650,000	2,340,000	18,922,000	10,708,000	8,214,000
2024	8,592,000	4,761,000	3,831,000	5,129,000	2,625,000	2,504,000	6,023,000	3,548,000	2,475,000	19,744,000	10,934,000	8,810,000
2025	9,029,000	4,957,000	4,072,000	5,505,000	2,838,000	2,667,000	6,650,000	3,929,000	2,721,000	21,184,000	11,724,000	9,460,000
2026	9,484,000	5,164,000	4,320,000	5,825,000	2,943,000	2,882,000	7,059,000	4,053,000	3,006,000	22,368,000	12,160,000	10,208,000
2027	9,773,000	5,196,000	4,575,000	6,313,000	3,183,000	3,130,000	7,457,000	4,204,000	3,253,000	23,543,000	12,585,000	10,958,000
2028	10,271,000	5,421,000	4,850,000	6,930,000	3,567,000	3,363,000	8,122,000	4,550,000	3,572,000	25,323,000	13,538,000	11,785,000
2029	10,810,000	5,659,000	5,151,000	7,569,000	3,986,000	3,583,000	9,111,000	5,195,000	3,916,000	27,490,000	14,840,000	12,650,000
2030	11,182,000	5,733,000	5,449,000	8,537,000	4,658,000	3,875,000	10,183,000	5,878,000	4,305,000	29,902,000	16,269,000	13,633,000
2031	11,764,000	5,980,000	5,784,000	9,409,000	5,249,000	4,160,000	11,227,000	6,521,000	4,706,000	32,400,000	17,750,000	14,650,000
2032	12,394,000	6,244,000	6,150,000	10,042,000	5,627,000	4,415,000	12,489,000	7,336,000	5,153,000	34,925,000	19,207,000	15,718,000
2033	12,851,000	6,338,000	6,513,000	10,319,000	5,653,000	4,666,000	12,664,000	7,210,000	5,454,000	35,834,000	19,201,000	16,633,000
2034	11,542,000	4,847,000	6,695,000	9,680,000	4,745,000	4,935,000	11,705,000	6,076,000	5,629,000	32,927,000	15,668,000	17,259,000
2035	11,937,000	4,854,000	7,083,000	9,960,000	4,747,000	5,213,000	11,829,000	5,893,000	5,936,000	33,726,000	15,494,000	18,232,000
2036	12,060,000	4,605,000	7,455,000	9,973,000	4,442,000	5,531,000	11,731,000	5,484,000	6,247,000	33,764,000	14,531,000	19,233,000
2037	12,234,000	4,386,000	7,848,000	9,951,000	4,098,000	5,853,000	10,892,000	4,420,000	6,472,000	33,077,000	12,904,000	20,173,000
2038	13,063,000	4,714,000	8,349,000	10,611,000	4,420,000	6,191,000	11,437,000	4,590,000	6,847,000	35,111,000	13,724,000	21,387,000
2039	14,585,000	5,629,000	8,956,000	11,771,000	5,186,000	6,585,000	12,788,000	5,410,000	7,378,000	39,144,000	16,225,000	22,919,000

Reflects change in pay scale and payroll growth to 4.5% per year, and does not include State premium tax offset to Town contributions for Police and Fire.
Savings/(Cost) amounts estimated based on GRS payroll projections for Option A and projected payroll assuming 5.5% pay growth under current plans.

ALTERNATIVES (Not Recommended)

“Grandfather” Alternative

(Not Recommended)

All existing Town employees would continue to accrue and receive pension benefits in accordance with the current rules that apply to their applicable classification (i.e. firefighter, lifeguard, general employee, or police officer).

For all employees hired on or after a future date that has not yet been determined

Reduce multiplier to 3.0% for public safety.

Currently 3.5%

Reduce multiplier to 2.5% for lifeguards.

Currently 2.85%

Reduce multiplier to 2.25% for general employees.

Currently 2.75%

Eliminate all bonus pay and special assignment overtime pay from average final compensation.

Average final compensation currently includes bonus pay and special assignment OT pay.

Cap (at 100 hours per year) regular overtime pay eligible for average final compensation.

Overtime currently is not capped in calculating average final compensation.

Increase average final compensation period to 5 years (average of top 5 earning years).

Average final compensation period currently is highest 2 years of final 5 years.

Keep 10-year vesting period

Eligible to retire after 25 years of service for public safety and lifeguards, regardless of age

Currently eligible after 20 years of service (police officers and firefighters)

or 25 years of service (lifeguards), regardless of age

Minimum 55 years old for between 10 and 25 years of service for public safety and lifeguards

Currently eligible at 50 years old for between 10 and 20 years of service

Eliminate “Rule of 65” that allows vested public safety employees and lifeguards to retire when the sum of their age and years of service equals or exceeds 65.

Maintain eligibility to retire after 30 years of service for general employees, regardless of age.

Minimum 60 years old for between 10 and 30 years of service for general employees
Currently eligible at 55 years old for between 10 and 30 years of service

Normal form of benefit: straight life annuity
Currently provide this for employee and 75% for surviving spouse without "buy down"

Allow purchase of survivor benefit via actuarially equivalent "buy down" of monthly pension.

2% annual COLA beginning at age 65
Currently 2% annual COLA begins 3 years after retirement.

No changes to DROP program

OTHER:

Eliminate supplemental distribution benefit.

Withdraw from Chapter 175/185 participation.

THIS OPTION'S PROJECTED COSTS & SAVINGS THROUGH FY20 (including lifeguards):

Fiscal Year	Spring 2009 Forecast	Cavanaugh MacDonald Forecast	Target to Balance Budget	Cost of Grandfather Alternative	Difference Target vs. Grandfather	Difference Forecast vs. Grandfather
2011	8,920,000	8,798,808	9,206,119	8,798,808	407,311	0
2012	10,220,000	9,772,664	10,215,008	8,784,360	1,430,648	988,304
2013	11,500,000	10,901,086	10,290,793	9,659,197	631,596	1,241,889
2014	12,800,000	12,041,891	10,202,736	10,544,463	-341,727	1,497,428
2015	14,100,000	12,533,886	10,070,623	10,662,642	-592,019	1,871,244
2016	14,900,000	13,383,765	9,894,273	10,986,646	-1,092,373	2,397,119
2017	15,700,000	14,269,610	9,830,474	11,388,341	-1,557,867	2,881,269
2018	16,600,000	15,221,663	9,493,647	11,842,711	-2,349,064	3,378,951
2019	17,500,000	16,664,731	9,067,969	12,775,968	-3,707,999	3,888,763
2020	18,500,000	14,810,206	8,748,998	10,393,990	-1,644,992	4,416,216

Town of Palm Beach
Proposed Pension Costs - Grandfather Existing

Fiscal Year	General			Police			Fire			Total		
	Current Plan	New Plan	Savings/(Cost)	Current Plan	New Plan	Savings/(Cost)	Current Plan	New Plan	Savings/(Cost)	Current Plan	New Plan	Savings/(Cost)
2010	2,507,000	2,507,000	-	2,262,000	2,262,000	-	2,647,000	2,647,000	-	7,416,000	7,416,000	-
2011	3,065,000	2,911,000	454,000	2,600,000	2,396,000	204,000	3,006,000	2,948,000	58,000	8,671,000	7,955,000	716,000
2012	3,423,000	2,901,000	522,000	2,866,000	2,580,000	286,000	3,362,000	3,194,000	168,000	10,779,000	8,675,000	2,104,000
2013	3,846,000	3,256,000	590,000	3,234,000	2,823,000	411,000	3,699,000	3,460,000	239,000	11,921,000	9,539,000	2,382,000
2014	4,359,000	3,694,000	665,000	3,541,000	3,050,000	491,000	4,021,000	3,681,000	340,000	13,267,000	10,425,000	2,842,000
2015	4,515,000	3,707,000	808,000	3,735,000	3,136,000	599,000	4,170,000	3,709,000	461,000	14,420,000	10,552,000	3,868,000
2016	4,754,000	3,832,000	922,000	3,977,000	3,231,000	746,000	4,536,000	3,811,000	725,000	15,105,000	11,275,000	3,830,000
2017	5,058,000	4,004,000	1,054,000	4,209,000	3,313,000	896,000	4,886,000	3,958,000	928,000	16,545,000	12,658,000	3,887,000
2018	5,384,000	4,183,000	1,201,000	4,446,000	3,377,000	1,069,000	5,275,000	4,169,000	1,106,000	17,744,000	13,079,000	4,665,000
2019	5,936,000	4,568,000	1,368,000	4,857,000	3,573,000	1,284,000	5,752,000	4,517,000	1,235,000	19,184,000	14,349,000	4,835,000
2020	5,036,000	3,550,000	1,486,000	4,274,000	2,762,000	1,512,000	5,403,000	3,993,000	1,410,000	17,946,000	13,079,000	4,867,000
2021	5,373,000	3,738,000	1,635,000	4,615,000	2,947,000	1,668,000	5,858,000	4,230,000	1,628,000	18,922,000	14,854,000	4,068,000
2022	5,019,000	3,252,000	1,767,000	4,512,000	2,714,000	1,798,000	5,746,000	3,950,000	1,796,000	19,744,000	15,888,000	3,856,000
2023	8,182,000	6,087,000	2,095,000	4,750,000	2,745,000	2,005,000	5,990,000	3,978,000	2,012,000	21,184,000	15,888,000	5,306,000
2024	8,592,000	6,298,000	2,294,000	5,129,000	2,919,000	2,210,000	6,023,000	3,862,000	2,161,000	22,368,000	17,275,000	5,093,000
2025	9,029,000	6,522,000	2,507,000	5,505,000	3,133,000	2,372,000	6,650,000	4,196,000	2,454,000	23,543,000	18,868,000	4,675,000
2026	9,484,000	6,754,000	2,730,000	5,825,000	3,260,000	2,565,000	7,059,000	4,335,000	2,724,000	25,323,000	20,518,000	4,805,000
2027	9,773,000	6,812,000	2,961,000	6,313,000	3,546,000	2,767,000	7,457,000	4,496,000	2,961,000	27,490,000	22,132,000	5,358,000
2028	10,271,000	7,062,000	3,209,000	6,930,000	3,954,000	2,976,000	8,122,000	4,872,000	3,250,000	29,902,000	24,223,000	5,679,000
2029	10,810,000	7,326,000	3,484,000	7,569,000	4,392,000	3,177,000	9,111,000	5,557,000	3,554,000	32,400,000	26,132,000	6,268,000
2030	11,182,000	7,432,000	3,750,000	8,537,000	5,136,000	3,401,000	10,183,000	6,300,000	3,883,000	34,925,000	28,223,000	6,702,000
2031	11,764,000	7,708,000	4,056,000	9,409,000	5,796,000	3,613,000	11,227,000	7,014,000	4,213,000	37,449,000	30,313,000	7,136,000
2032	12,394,000	8,013,000	4,381,000	10,042,000	6,206,000	3,836,000	12,489,000	7,913,000	4,576,000	40,000,000	32,400,000	7,600,000
2033	12,851,000	8,151,000	4,700,000	10,319,000	6,253,000	4,066,000	12,664,000	7,819,000	4,845,000	42,744,000	34,543,000	8,201,000
2034	11,542,000	6,713,000	4,829,000	9,680,000	5,375,000	4,305,000	11,705,000	6,705,000	5,000,000	45,449,000	37,132,000	8,317,000
2035	11,937,000	6,781,000	5,156,000	9,960,000	5,395,000	4,565,000	11,829,000	6,549,000	5,280,000	48,223,000	39,868,000	8,355,000
2036	12,060,000	6,605,000	5,455,000	9,973,000	5,129,000	4,844,000	11,731,000	6,185,000	5,546,000	51,105,000	42,744,000	8,361,000
2037	12,234,000	6,451,000	5,783,000	9,951,000	4,807,000	5,144,000	10,892,000	5,166,000	5,726,000	54,000,000	45,449,000	8,551,000
2038	13,063,000	6,857,000	6,206,000	10,611,000	5,149,000	5,462,000	11,437,000	5,350,000	6,087,000	57,132,000	48,223,000	8,909,000
2039	14,585,000	7,842,000	6,743,000	11,771,000	5,960,000	5,811,000	12,788,000	6,201,000	6,587,000	61,105,000	51,105,000	10,000,000

Reflects change in pay scale and payroll growth to 4.5% per year, and does not include State premium tax offset to Town contributions for Police and Fire.
Savings/(Cost) amounts and contribution amounts estimated based on GRS payroll projections for Grandfather Existing option and projected payroll assuming 5.5% pay growth under current plans.

Deeper Cut Defined Benefit Alternative

(Not Recommended)

FOR PAST SERVICE (up to a future date that has not yet been determined)

Freeze existing plan for all existing employees:

Calculate average final compensation in accordance with existing rules.

Each employee is eligible to begin collecting in accordance with existing rules.

Post retirement adjustments occur in accordance with existing rules.

FOR FUTURE SERVICE AND ALL NEW EMPLOYEES (after a future date not yet determined)

Reduce multiplier to 2.5% for public safety.

Currently 3.5%

Reduce multiplier to 2.25% for lifeguards.

Currently 2.85%

Reduce multiplier to 2.0% for general employees.

Currently 2.75%

Allow all existing employees the option of retaining their current multiplier by purchasing that enhanced benefit through an actuarially equivalent increase of their employee contribution.

Eliminate all bonus pay and overtime pay from average final compensation.

Average final compensation currently includes bonus pay and OT pay.

Increase average final compensation period to 5 years (average of top 5 earning years).

Average final compensation period currently is highest 2 years of final 5 years.

Minimum 55 years old (regardless of years of service) for public safety and lifeguards

Currently eligible after 20 years of service (police officers and firefighters)

or 25 years of service (lifeguards), regardless of age,

or at age 50 with 10 or more years of service (police officers, firefighters, and lifeguards)

Eliminate "Rule of 65" that allows vested public safety employees and lifeguards to retire when the sum of their age and years of service equals or exceeds 65.

Minimum 62 years old (regardless of years of service) for general employees

Currently eligible after 30 years of service, regardless of age

or at age 55 with 10 or more years of service

Eliminate COLA

Currently 2% COLA begins 3 years after retirement.

Keep 10-year vesting period.

Normal form of benefit: straight life annuity

Currently provide this for employee and 75% for surviving spouse without "buy down"

Allow purchase of survivor benefit via actuarially equivalent "buy down" of monthly pension.

No changes to DROP program

OTHER:

Eliminate supplemental distribution benefit.

Withdraw from Chapter 175/185 participation.

THIS OPTION'S PROJECTED COSTS & SAVINGS THROUGH FY20 (including lifeguards):

Fiscal Year	Spring 2009 Forecast	Cavanaugh MacDonald Forecast	Target to Balance Budget	Cost of Deeper Cut Alternative	Difference Target vs. Deeper Cut	Difference Forecast vs. Deeper Cut
2011	8,920,000	8,798,808	9,206,119	8,798,808	407,311	0
2012	10,220,000	9,772,664	10,215,008	4,214,468	6,000,540	5,558,196
2013	11,500,000	10,901,086	10,290,793	5,183,659	5,107,134	5,717,428
2014	12,800,000	12,041,891	10,202,736	6,067,527	4,135,209	5,974,364
2015	14,100,000	12,533,886	10,070,623	6,335,500	3,735,123	6,198,385
2016	14,900,000	13,383,765	9,894,273	6,863,517	3,030,756	6,520,247
2017	15,700,000	14,269,610	9,830,474	7,364,445	2,466,029	6,905,165
2018	16,600,000	15,221,663	9,493,647	7,906,485	1,587,162	7,315,177
2019	17,500,000	16,664,731	9,067,969	8,951,891	116,078	7,712,840
2020	18,500,000	14,810,206	8,748,998	6,618,955	2,130,043	8,191,252

Town of Palm Beach
Proposed Pension Costs - Option B

Fiscal Year	General			Police			Fire			Total		
	Current Plan	New Plan	Savings/(Cost)	Current Plan	New Plan	Savings/(Cost)	Current Plan	New Plan	Savings/(Cost)	Current Plan	New Plan	Savings/(Cost)
2010	2,507,000	2,507,000	-	2,262,000	2,262,000	-	2,647,000	2,647,000	-	7,416,000	7,416,000	-
2011	3,065,000	511,000	2,554,000	2,600,000	1,155,000	1,445,000	3,006,000	1,714,000	1,292,000	8,671,000	3,380,000	5,291,000
2012	3,423,000	797,000	2,626,000	2,866,000	1,382,000	1,484,000	3,362,000	1,983,000	1,379,000	9,651,000	4,162,000	5,489,000
2013	3,846,000	1,149,000	2,697,000	3,234,000	1,640,000	1,594,000	3,699,000	2,262,000	1,437,000	10,779,000	5,051,000	5,728,000
2014	4,359,000	1,580,000	2,779,000	3,541,000	1,867,000	1,674,000	4,021,000	2,492,000	1,529,000	11,921,000	5,939,000	5,982,000
2015	4,515,000	1,586,000	2,929,000	3,735,000	2,014,000	1,721,000	4,170,000	2,621,000	1,549,000	12,420,000	6,221,000	6,199,000
2016	4,754,000	1,705,000	3,049,000	3,977,000	2,192,000	1,785,000	4,536,000	2,848,000	1,688,000	13,267,000	6,745,000	6,522,000
2017	5,058,000	1,871,000	3,187,000	4,209,000	2,334,000	1,875,000	4,886,000	3,042,000	1,844,000	14,153,000	7,247,000	6,906,000
2018	5,384,000	2,042,000	3,342,000	4,446,000	2,495,000	1,951,000	5,275,000	3,252,000	2,023,000	15,105,000	7,789,000	7,316,000
2019	5,936,000	2,416,000	3,520,000	4,857,000	2,805,000	2,052,000	5,752,000	3,607,000	2,145,000	16,545,000	8,828,000	7,717,000
2020	5,036,000	1,377,000	3,659,000	4,274,000	2,038,000	2,236,000	5,403,000	3,123,000	2,280,000	14,713,000	6,538,000	8,175,000
2021	5,373,000	1,528,000	3,845,000	4,615,000	2,205,000	2,410,000	5,858,000	3,392,000	2,466,000	15,846,000	7,125,000	8,721,000
2022	5,019,000	1,006,000	4,013,000	4,512,000	1,977,000	2,535,000	5,746,000	3,153,000	2,593,000	15,277,000	6,136,000	9,141,000
2023	8,182,000	3,792,000	4,390,000	4,750,000	2,012,000	2,738,000	5,990,000	3,147,000	2,843,000	18,922,000	8,951,000	9,971,000
2024	8,592,000	3,947,000	4,645,000	5,129,000	2,146,000	2,983,000	6,023,000	3,038,000	2,985,000	19,744,000	9,131,000	10,613,000
2025	9,029,000	4,110,000	4,919,000	5,505,000	2,342,000	3,163,000	6,650,000	3,399,000	3,251,000	21,184,000	9,851,000	11,333,000
2026	9,484,000	4,287,000	5,197,000	5,825,000	2,432,000	3,393,000	7,059,000	3,507,000	3,552,000	22,368,000	10,226,000	12,142,000
2027	9,773,000	4,285,000	5,488,000	6,313,000	2,661,000	3,652,000	7,457,000	3,640,000	3,817,000	23,543,000	10,586,000	12,957,000
2028	10,271,000	4,469,000	5,802,000	6,930,000	3,025,000	3,905,000	8,122,000	3,964,000	4,158,000	25,323,000	11,458,000	13,865,000
2029	10,810,000	4,670,000	6,140,000	7,569,000	3,422,000	4,147,000	9,111,000	4,590,000	4,521,000	27,490,000	12,682,000	14,808,000
2030	11,182,000	4,707,000	6,475,000	8,537,000	4,078,000	4,459,000	10,183,000	5,250,000	4,933,000	29,902,000	14,035,000	15,867,000
2031	11,764,000	4,915,000	6,849,000	9,409,000	4,649,000	4,760,000	11,277,000	5,869,000	5,358,000	32,400,000	15,433,000	16,967,000
2032	12,394,000	5,139,000	7,255,000	10,042,000	5,002,000	5,040,000	12,489,000	6,664,000	5,825,000	34,925,000	16,805,000	18,120,000
2033	12,851,000	5,183,000	7,668,000	10,319,000	4,996,000	5,323,000	12,664,000	6,509,000	6,155,000	35,834,000	16,688,000	19,146,000
2034	11,542,000	3,645,000	7,897,000	9,680,000	4,056,000	5,624,000	11,705,000	5,338,000	6,367,000	32,927,000	13,039,000	19,888,000
2035	11,937,000	3,607,000	8,330,000	9,960,000	4,022,000	5,938,000	11,829,000	5,119,000	6,710,000	33,726,000	12,748,000	20,978,000
2036	12,060,000	3,312,000	8,748,000	9,973,000	3,685,000	6,288,000	11,731,000	4,677,000	7,054,000	33,764,000	11,674,000	22,090,000
2037	12,234,000	3,035,000	9,199,000	9,951,000	3,303,000	6,648,000	10,892,000	3,577,000	7,315,000	33,077,000	9,915,000	23,162,000
2038	13,063,000	3,304,000	9,759,000	10,611,000	3,587,000	7,024,000	11,437,000	3,705,000	7,732,000	35,111,000	10,596,000	24,515,000
2039	14,585,000	4,156,000	10,429,000	11,771,000	4,319,000	7,452,000	12,788,000	4,481,000	8,307,000	39,144,000	12,956,000	26,188,000

Reflects change in pay scale and payroll growth to 4.5% per year, and does not include State premium tax offset to Town contributions for Police and Fire.
Savings/(Cost) amounts estimated based on GRS payroll projections for Option B and projected payroll assuming 5.5% pay growth under current plans.

Hybrid Alternative

(Not Recommended)

(Note: This is simply a repeat of the Hybrid Option that was contained in the October 2009 Cavanaugh Macdonald Report. It is not considered a competitive option for the Town to consider now or in the foreseeable future. It is presented here for informational purposes. If any future consideration is given to creation of a hybrid plan, additional consideration should be given to the particular components of that plan and a new actuarial analysis should be done at that time to ensure accurate projections of short and long term costs.)

All existing Town employees would be “grandfathered” and continue to accrue and receive pension benefits in accordance with the current rules that apply to their applicable classification (i.e. firefighter, lifeguard, general employee, or police officer).

For all employees hired on or after a future date that has not yet been determined:

Add a Defined Contribution Plan

2% annual contribution by Town

4% annual contribution by employee

Modify the Defined Benefit Plan

Reduce multiplier to 1.5% for public safety.

Currently 3.5%

Reduce multiplier to 1.25% for lifeguards.

Currently 2.85%

Reduce multiplier to 1.25% for general employees.

Currently 2.75%

Eliminate all bonus pay and special assignment overtime pay from average final compensation.

Average final compensation currently includes bonus pay and special assignment OT pay.

Cap (at 100 hours per year) regular overtime pay eligible for average final compensation.

Overtime currently is not capped in calculating average final compensation.

Increase average final compensation period to 5 years (average of top 5 earning years).

Average final compensation period currently is highest 2 years of final 5 years.

Eligible to retire after 25 years of service for public safety and lifeguards, regardless of age

Currently eligible after 20 years of service (police officers and firefighters)

or 25 years of service (lifeguards), regardless of age

Minimum 55 years old for between 10 and 25 years of service for public safety and lifeguards

Currently eligible at 50 years old for between 10 and 20 years of service

Eliminate “Rule of 65” that allows vested public safety employees and lifeguards to retire when the sum of their age and years of service equals or exceeds 65.

Minimum 60 years old after 30 or more years of service for general employees
Currently eligible after 30 years of service, regardless of age

Minimum 65 years old for between 10 and 30 years of service for general employees
Currently eligible at 55 years old for between 10 and 30 years of service

Normal form of benefit for public safety and lifeguards:
 Guaranteed 10 years, then straight life annuity
Currently provide this for employee and 75% for surviving spouse without “buy down”

Normal form of benefit for general employees: Straight life annuity
Currently provide this for employee and 75% for surviving spouse without “buy down”

Allow purchase of survivor benefit via actuarially equivalent “buy down” of monthly pension.

Eliminate COLA.
Currently 2% COLA begins 3 years after retirement.

Keep 10-year vesting period.

No changes to DROP program

OTHER:

Eliminate supplemental distribution benefit.

Withdraw from Chapter 175/185 participation.

THIS OPTION’S PROJECTED COSTS & SAVINGS THROUGH FY20 (including lifeguards):

Fiscal Year	Spring 2009 Forecast	Cavanaugh MacDonald Forecast	Target to Balance Budget	Cost of Hybrid Alternative	Difference Target vs. Hybrid	Difference Forecast vs. Hybrid
2011	8,920,000	8,798,808	9,206,119	8,798,808	407,311	0
2012	10,220,000	9,772,664	10,215,008	8,587,915	1,627,093	1,184,749
2013	11,500,000	10,901,086	10,290,793	9,380,363	910,430	1,520,723
2014	12,800,000	12,041,891	10,202,736	10,180,764	21,972	1,861,127
2015	14,100,000	12,533,886	10,070,623	10,201,636	-131,013	2,332,250
2016	14,900,000	13,383,765	9,894,273	10,395,390	-501,117	2,988,375
2017	15,700,000	14,269,610	9,830,474	10,665,169	-834,695	3,604,441
2018	16,600,000	15,221,663	9,493,647	10,983,604	-1,489,957	4,238,059
2019	17,500,000	16,664,731	9,067,969	11,772,193	-2,704,224	4,892,538
2020	18,500,000	14,810,206	8,748,998	9,231,779	-482,781	5,578,428

**Town of Palm Beach
Proposed Pension Costs - Hybrid Plan New Hires (Option 6b from 11/2009)**

Fiscal Year	General			Police			Fire			Total		
	Current Plan	New Plan	Savings/(Cost)	Current Plan	New Plan	Savings/(Cost)	Current Plan	New Plan	Savings/(Cost)	Current Plan	New Plan	Savings/(Cost)
2010	2,507,000	2,507,000	-	2,262,000	2,262,000	-	2,647,000	2,647,000	-	7,416,000	7,416,000	-
2011	3,065,000	2,586,000	479,000	2,600,000	2,356,000	244,000	3,006,000	2,898,000	108,000	8,671,000	7,840,000	831,000
2012	3,423,000	2,848,000	575,000	2,866,000	2,518,000	348,000	3,362,000	3,115,000	247,000	9,651,000	8,481,000	1,170,000
2013	3,846,000	3,174,000	672,000	3,234,000	2,730,000	504,000	3,699,000	3,357,000	342,000	10,779,000	9,261,000	1,518,000
2014	4,359,000	3,576,000	783,000	3,541,000	2,933,000	608,000	4,021,000	3,551,000	470,000	11,921,000	10,062,000	1,859,000
2015	4,515,000	3,552,000	963,000	3,735,000	2,991,000	744,000	4,170,000	3,549,000	621,000	12,420,000	10,092,000	2,328,000
2016	4,754,000	3,639,000	1,115,000	3,977,000	3,047,000	930,000	4,536,000	3,598,000	938,000	13,267,000	10,284,000	2,983,000
2017	5,058,000	3,767,000	1,291,000	4,209,000	3,083,000	1,126,000	4,886,000	3,703,000	1,183,000	14,153,000	10,553,000	3,600,000
2018	5,384,000	3,898,000	1,486,000	4,446,000	3,097,000	1,349,000	5,275,000	3,876,000	1,399,000	15,105,000	10,871,000	4,234,000
2019	5,936,000	4,226,000	1,708,000	4,857,000	3,239,000	1,618,000	5,752,000	4,188,000	1,564,000	16,545,000	11,655,000	4,890,000
2020	5,036,000	3,154,000	1,882,000	4,274,000	2,376,000	1,898,000	5,403,000	3,616,000	1,787,000	14,713,000	9,146,000	5,567,000
2021	5,373,000	3,285,000	2,088,000	4,615,000	2,515,000	2,100,000	5,858,000	3,801,000	2,057,000	15,846,000	9,601,000	6,245,000
2022	5,019,000	2,743,000	2,276,000	4,512,000	2,245,000	2,267,000	5,746,000	3,473,000	2,273,000	15,277,000	8,461,000	6,816,000
2023	8,182,000	5,515,000	2,667,000	4,750,000	2,224,000	2,526,000	5,990,000	3,448,000	2,542,000	18,922,000	11,187,000	7,735,000
2024	8,592,000	5,666,000	2,926,000	5,129,000	2,345,000	2,784,000	6,023,000	3,286,000	2,737,000	19,744,000	11,297,000	8,447,000
2025	9,029,000	5,825,000	3,204,000	5,505,000	2,511,000	2,994,000	6,650,000	3,555,000	3,095,000	21,184,000	11,891,000	9,293,000
2026	9,484,000	5,991,000	3,493,000	5,825,000	2,587,000	3,238,000	7,059,000	3,631,000	3,428,000	22,368,000	12,209,000	10,159,000
2027	9,773,000	5,984,000	3,789,000	6,313,000	2,823,000	3,490,000	7,457,000	3,733,000	3,724,000	23,543,000	12,540,000	11,003,000
2028	10,271,000	6,165,000	4,106,000	6,930,000	3,182,000	3,748,000	8,122,000	4,041,000	4,081,000	25,323,000	13,388,000	11,935,000
2029	10,810,000	6,362,000	4,448,000	7,569,000	3,566,000	4,003,000	9,111,000	4,670,000	4,441,000	27,490,000	14,598,000	12,892,000
2030	11,182,000	6,393,000	4,789,000	8,537,000	4,252,000	4,285,000	10,183,000	5,354,000	4,829,000	29,902,000	15,999,000	13,903,000
2031	11,764,000	6,602,000	5,162,000	9,409,000	4,855,000	4,554,000	11,227,000	6,096,000	5,221,000	32,400,000	17,463,000	14,937,000
2032	12,394,000	6,827,000	5,567,000	10,042,000	5,211,000	4,831,000	12,489,000	6,839,000	5,650,000	34,925,000	18,877,000	16,048,000
2033	12,851,000	6,895,000	5,956,000	10,319,000	5,200,000	5,119,000	12,664,000	6,679,000	5,985,000	35,834,000	18,774,000	17,060,000
2034	11,542,000	5,374,000	6,168,000	9,680,000	4,268,000	5,412,000	11,705,000	5,504,000	6,201,000	32,927,000	15,146,000	17,781,000
2035	11,937,000	5,364,000	6,573,000	9,960,000	4,241,000	5,719,000	11,829,000	5,291,000	6,538,000	33,726,000	14,896,000	18,830,000
2036	12,060,000	5,115,000	6,945,000	9,973,000	3,928,000	6,045,000	11,731,000	4,873,000	6,858,000	33,764,000	13,916,000	19,848,000
2037	12,234,000	4,877,000	7,357,000	9,951,000	3,560,000	6,391,000	10,892,000	3,800,000	7,092,000	33,077,000	12,237,000	20,840,000
2038	13,063,000	5,202,000	7,861,000	10,611,000	3,856,000	6,755,000	11,437,000	3,925,000	7,512,000	35,111,000	12,983,000	22,128,000
2039	14,585,000	6,100,000	8,485,000	11,771,000	4,621,000	7,150,000	12,788,000	4,726,000	8,062,000	39,144,000	15,447,000	23,697,000

Reflects change in pay scale and payroll growth to 4.5% per year, and does not include State premium tax offset to Town contributions for Police and Fire.
Savings/(Cost) amounts and contribution amounts estimated based payroll projections for Hybrid plan option and projected payroll assuming 5.5% pay growth under current plans.

Match FRS for Public Safety

(Not Recommended)

Because the Florida Retirement System (FRS) provides a benefit that is competitive for police officers and firefighters in the South Florida employment market, we obtained actuarial estimates of what it would cost to duplicate that benefit and offer it as a locally administered plan to Town of Palm Beach police officers and firefighters. If the financial projections had been favorable, this alternative could have been used alongside any of the other alternatives for general employees. However, the FRS match would not provide sufficient future cost savings for it to be viable as part of the Town's pension reform. This alternative actually would increase the cost of police officer and firefighter pensions in the first 6 years and would provide substantially less savings than other alternatives in the out years.

The Florida Legislature is considering changes that have been proposed for the FRS. If the Legislature adopts FRS changes during the current Legislative Session, we will analyze those changes to see if they might provide enough additional savings to make it worthwhile for the Town to consider this alternative further.

Cavanaugh Macdonald's full 30-year projection of costs for this alternative is shown on the next page.

**Town of Palm Beach
Proposed Pension Costs - FRS for Police and Fire Administered by Town of Palm Beach**

Fiscal Year	Police			Fire			Total		
	Current Plan	New Plan	Savings/(Cost)	Current Plan	New Plan	Savings/(Cost)	Current Plan	New Plan	Savings/(Cost)
2010	2,262,000	2,262,000	-	2,647,000	2,647,000	-	4,909,000	4,909,000	-
2011	2,600,000	2,906,000	(306,000)	3,006,000	3,505,000	(499,000)	5,606,000	6,411,000	(805,000)
2012	2,866,000	3,131,000	(265,000)	3,362,000	3,800,000	(438,000)	6,228,000	6,931,000	(703,000)
2013	3,234,000	3,423,000	(189,000)	3,699,000	4,114,000	(415,000)	6,933,000	7,537,000	(604,000)
2014	3,541,000	3,696,000	(155,000)	4,021,000	4,384,000	(363,000)	7,562,000	8,080,000	(518,000)
2015	3,735,000	3,833,000	(98,000)	4,170,000	4,467,000	(297,000)	7,905,000	8,300,000	(395,000)
2016	3,977,000	3,979,000	(2,000)	4,536,000	4,626,000	(90,000)	8,513,000	8,605,000	(92,000)
2017	4,209,000	4,127,000	82,000	4,886,000	4,833,000	53,000	9,095,000	8,960,000	135,000
2018	4,446,000	4,256,000	190,000	5,275,000	5,104,000	171,000	9,721,000	9,360,000	361,000
2019	4,857,000	4,516,000	341,000	5,752,000	5,513,000	239,000	10,609,000	10,029,000	580,000
2020	4,274,000	3,777,000	497,000	5,403,000	5,070,000	333,000	9,677,000	8,847,000	830,000
2021	4,615,000	4,029,000	586,000	5,858,000	5,388,000	470,000	10,473,000	9,417,000	1,056,000
2022	4,512,000	3,865,000	647,000	5,746,000	5,185,000	561,000	10,258,000	9,050,000	1,208,000
2023	4,750,000	3,967,000	783,000	5,990,000	5,299,000	691,000	10,740,000	9,266,000	1,474,000
2024	5,129,000	4,221,000	908,000	6,023,000	5,271,000	752,000	11,152,000	9,492,000	1,660,000
2025	5,505,000	4,518,000	987,000	6,650,000	5,708,000	942,000	12,155,000	10,226,000	1,929,000
2026	5,825,000	4,734,000	1,091,000	7,059,000	5,950,000	1,109,000	12,884,000	10,684,000	2,200,000
2027	6,313,000	5,116,000	1,197,000	7,457,000	6,214,000	1,243,000	13,770,000	11,330,000	2,440,000
2028	6,930,000	5,622,000	1,308,000	8,122,000	6,704,000	1,418,000	15,052,000	12,326,000	2,726,000
2029	7,569,000	6,158,000	1,411,000	9,111,000	7,502,000	1,609,000	16,680,000	13,660,000	3,020,000
2030	8,537,000	7,007,000	1,530,000	10,183,000	8,365,000	1,818,000	18,720,000	15,372,000	3,348,000
2031	9,409,000	7,774,000	1,635,000	11,227,000	9,201,000	2,026,000	20,636,000	16,975,000	3,661,000
2032	10,042,000	8,296,000	1,746,000	12,489,000	10,221,000	2,268,000	22,531,000	18,517,000	4,014,000
2033	10,319,000	8,456,000	1,863,000	12,664,000	10,252,000	2,412,000	22,983,000	18,708,000	4,275,000
2034	9,680,000	7,697,000	1,983,000	11,705,000	9,273,000	2,432,000	21,385,000	16,970,000	4,415,000
2035	9,960,000	7,790,000	2,170,000	11,829,000	9,182,000	2,647,000	21,789,000	16,972,000	4,817,000
2036	9,973,000	7,622,000	2,351,000	11,731,000	8,909,000	2,822,000	21,704,000	16,531,000	5,173,000
2037	9,951,000	7,399,000	2,552,000	10,892,000	8,004,000	2,888,000	20,843,000	15,403,000	5,440,000
2038	10,611,000	7,855,000	2,756,000	11,437,000	8,303,000	3,134,000	22,048,000	16,158,000	5,890,000
2039	11,771,000	8,782,000	2,989,000	12,788,000	9,276,000	3,512,000	24,559,000	18,058,000	6,501,000

Reflects change in pay scale and payroll growth to 4.5% per year, and does not include State premium tax offset to Town contributions for Police and Fire.
Savings/(Cost) amounts and contribution amounts estimated based payroll projections for FRS plan option and projected payroll assuming 5.5% pay growth under current plans.
FRS option reflects 0% member contribution rate.

SUPPLEMENTAL FIGURES AND TABLES

Market Survey and Prospective Competitive Position

Firefighters

**Town of Palm Beach Firefighters
Pension Survey - Comparative Rankings**

Ranking	Defined Benefit Formula Multiplier	Max %	Eligibility for Unreduced Service Pension	Vested Eligibility	Final Average Pay Period	Annual Retiree Cola	Normal Married Form of Benefit	Employee Contribution
1	WPB 4.0%	LW None	PB 20 & Out/ 50 & 10/ Rule of 65	BB 5 Years	WPB 2 Years	FRS 3%	WPB 75% JS	FRS None
2	LW 3.75% / 3.50% + Adj	PBC None	BR 20 & Out/ 55 & 10	G 6 Years	PB 2 Years	PBC 3%	PB 75% JS	PBC None
3	PB 3.5%	G None	DB 20 & out/ 55 & 10	FRS 6 Years	LW 2 Years	G 3%	DB 60% JS	NPB 2.00%
4	BR 3.4% + Sppl	BB None	LW 20 & Out/ 55 & 10/ Rule of 75	T 6 Years	BR 2 Years	BR 3%/2%	LW 10 YCL	G 4.00%
5	DB 3.0% / 3.5%	RB None	PBC 20 & Out / 55 & 10	PBG 5 Year Partial	RB 2 Years	NPB CPI	BR 10 YCL	T 5.00%
6	TMR 3.0	NPB None	RB 20 & Out/ 55 & 10	PBC 10 Years	DB 3 Years	PBG 1% / 2% / 3% Age 53, Age	PBC 10 YCL	DB 6.00%
7	FRS 3.0%	FRS 100%	G 25 & Out/ 55 & 6	WPB 10 Years	TMR 5 Years	PB 1% / 2% Deferred 3 Years	G 10 YCL	PB 6.98%
8	PBC 3.0%	T 100%	PBG 25 & Out/ 52 & 10	LW 10 Years	DCA 5 years	BB 2% Deferred 5 Years	PBG 10 YCL	TMR 6.98%
9	G 3.0%	BR 100%	BB 25 & Out/ 55 & 10	PB 10 Years	FRS 5 Years	TMR 2% at 65	BB 10 YCL	DCA 6.98%
10	PBG 3.0%	PBG 99%	TMR 50 & 25 / or 55 & 10	TMR 10 Years	PBC 5 Years	DB 1%	RB 10 YCL	PBG 6% - 8%
11	BB 3.0%	WPB 92%	NPB 52 & 25/ 55 & 0	DCA 10 Years	G 5 Years	WPB Plan Gain	T 10 YCL	RB 8.00%
12	RB 3.0%	PB 87.5%	FRS 52 & 25/ 55 & 6	BR 10 Years	PBG 5 Years	LW Plan Gain	NPB 10 YCL	BR 9.20%
13	T 2.90%	TMR 87.5%	T 52 & 25/ 55 & 6	DB 10 Years	BB 5 Years	DCA None	TMR Life	LW 11.25%
14	DCA 2.5%	DCA 87.5%	WPB 26 & Out/ 55 & 10/ 50 & 15	RB 10 Years	T 5 Years	RB None	DCA Life	BB 12%
15	NPB 2.5%	DB 87.5%	DCA 55 & 10	NPB 10 Years	NPB 5 Years	T None	FRS Life	WPB 19.20%

Legend

- FRS = Florida Retirement System (includes PBSO, local public colleges & universities, public agencies such as SFWMD and SWA and several
- PB = Town of Palm Beach
- WPB = City of West Palm Beach
- BR = City of Boca Raton
- PBG = City of Palm Beach Gardens
- DB = City of Delray Beach
- BB = City of Boynton Beach
- RB = City of Riviera Beach
- LW = City of Lake Worth
- T = Village of Tequesta
- NPB = Village of North Palm Beach
- G = Village of Greenacres
- PBC = Palm Beach County (Lantana Firefighters)
- TMR= Town Manager's Recommendation
- DCA= Deeper Cut DB Alternative

	BLUE = Current Plan
	YELLOW = Town Manager's Recommendation
	RED = Deeper Cut DB Alternative
	YELLOW/RED = TM Recommendation and Deeper Cut DB Alternative
	PURPLE = Current, TM Recommendation and Deeper Cut DB Alternative

Source: Cavanaugh Macdonald Consulting, LLC

Police

Town of Palm Beach Police Pension Survey - Comparative Rankings

Ranking	Defined Benefit Formula Multiplier	Max %	Eligibility for Unreduced Service Pension	Vested Eligibility	Final Average Pay Period	Annual Retiree Cola	Normal Married Form of Benefit	Employee Contribution
1	PBG 3.5%	J None	PB 20 & Out/ 50 & 10/ Rule of 65	BB 5 Years	BR 2 Years	FRS 3%	PB 75% JS	FRS None
2	BB 3.5%	WPB None	J 55 & 10/ Age 60 / Rule of 65	G 6 Years	PB 2 Years	PBC 3%	WPB 66% JS	PBC None
3	BR 3.5% + Sppl	LW None	PBG 20 & Out/ 52 & 10	FRS 6 Years	RB 2 Years	G 3%	DB 60% JS	NPB 2.00%
4	PB 3.5%	RB None	BB 20 & Out/ 55 & 10/ 50 & 15	PBC 6 Years	LW 2 Years	BR 3%/2%	PBG 10 YCL	G 4.00%
5	TMR 3.0	G None	BR 20 & Out/ 55 & 10	T 6 Years	DB 3 Years	WPB CPI	BB 10 YCL	T 5.00%
6	DB 3.0%	NPB None	DB 20 & out/ 55 & 10	PBG 5 Year Partial	J 3 Years	NPB CPI	BR 10 YCL	DB 6.00%
7	J 3.0%	PBG 100%	LW 20 & Out/ 55 & 10/ Rule of 75	PB 10 Years	WPB 3 Years	PB 1% / 2% Deferred 3 Years	J 10 YCL	PB 6.98%
8	LW 3.0%	BB 100%	RB 20 & Out/ 55 & 10	TMR 10 Years	TMR 5 Years	TMR 2% at 65	LW 10 YCL	TMR 6.98%
9	RB 3.0%	T 100%	WPB 25 & Out/ 55 & 10/ 50 & 20	DCA 10 Years	DCA 5 years	DB 1%	RB 10 YCL	DCA 6.98%
10	FRS 3.0%	FRS 100%	G 25 & Out/ 55 & 6	BR 10 Years	PBG 5 Years	PBG Plan Gain	G 10 YCL	BB 7%
11	PBC 3.0%	PBC 100%	TMR 50 & 25 / or 55 & 10	DB 10 Years	BB 5 Years	J Suppl	T 10 YCL	LW 7.06%
12	G 3.0%	PB 87.5%	NPB 52 & 25/ 55 & 0	J 10 Years	G 5 Years	LW \$2.50 Per Yea	NPB 10 YCL	J 7.56%
13	WPB 3.0%	TMR 87.5%	FRS 52 & 25/ 55 & 6	LW 10 Years	FRS 5 Years	DCA None	TMR Life	RB 8.00%
14	T 2.90%	DCA 87.5%	PBC 52 & 25/ 55 & 6	RB 10 Years	PBC 5 Years	BB None	DCA Life	PBG 8.60%
15	DCA 2.5%	BR 87.5%	T 52 & 25/ 55 & 6	WPB 10 Years	T 5 Years	RB None	FRS Life	BR 9.20%
16	NPB 2.5%	DB 87.5%	DCA 55 & 10	NPB 10 Years	NPB 5 Years	T None	PBC Life	WPB 11.00%

Legend

FRS = Florida Retirement System (includes PBSO, local public colleges & universities, public agencies such as SFWMD and SWA and several
 PB = Town of Palm Beach
 WPB = City of West Palm Beach
 BR = City of Boca Raton
 J = Town of Jupiter
 PBG = City of Palm Beach Gardens
 DB = City of Delray Beach
 BB = City of Boynton Beach
 RB = City of Riviera Beach
 LW = City of Lake Worth
 T = Village of Tequesta
 NPB = Village of North Palm Beach
 G = Village of Greenacres
 PBC = Palm Beach County
 TMR= Town Manager's Recommendation
 DCA= Deeper Cut DB Alternative

	BLUE = Current Plan
	YELLOW = Town Manager's Recommendation
	RED = Deeper Cut DB Alternative
	YELLOW/RED = TM Recommendation and Deeper Cut DB Alternative
	PURPLE = Current, TM Recommendation and Deeper Cut DB Alternative

Source: Cavanaugh Macdonald Consulting, LLC

General Employees

Town of Palm Beach General Employees Pension Survey - Comparative Rankings

Ranking	Defined Benefit Formula Multiplier	Max %	Eligibility for Unreduced Service Pension	Vested Eligibility	Final Average Pay Period	Annual Retiree Cola	Normal Married Form of Benefit	Employee Contribution
1	BB 3%	FRS None	LW 20 & out / R75	DB 5 years	PB 2 years	FRS 3%	PB 75% J&S	FRS None
2	BR 3%	WPB None	PB 30 & out / 55 & 10	BB 5 years	DB 2 years	J 3%	DB 60% J&S	J None
3	RB 3%	BR None	RB 50 & 20 / 55 & 10	NPB 5 years	RB 2 years	NPB3%	WPB 50% J&S	PBC None
4	LW 3%	LW None	WPB 30 & out / 60 & 0	FRS 6 years	LW 2 years	PBC 3%	PBG 10 YCL	NPB 0% to 4%
5	PB 2.75%	NPB None	TMR 55 & 30 or 60 & 10	WPB 6 years	WPB 3 years	PB 2%	T 10 YCL	DB 2.5%
6	DB 2.5%	PBC None	BB 30 & out / 62 & 5	J 6 years	PBG 3 years	WPB 2%	BR 5 YCL	T 5%
7	PBG 2.5%	PBG 100%	FRS 30 & out / 62 & 6	T 6 years	TMR 5 years	TMR 2% deferred to 65	TMR Life	WPB 5.5%
8	NPB 2.5%	T 100%	J 30 & out / 62 & 6	PBC 6 years	DCA 10 years	LW \$2.50/year + CPI	DCA Life	PBG 6%
9	TMR 2.4% Curr. / 2.25% New	J 100%	T 30 & out / 62 & 6	RB 8 years	FRS 5 years	BB Suppl	FRS Life	RB 6%
10	WPB 2.2%	PB 82.5%	PBC 30 & out / 62 & 6	PB 10 years	BR 5 years	DCA None	J Life	PB 6.47%
11	DCA 2%	TMR 82.5%	DB 30 & out / 62 & 10	TMR 10 years	J 5 years	BR None	BB Life	TMR 6.47%
12	T 2%	DCA 82.5%	PBG 62 & 0	DCA 10 years	BB 5 years	PBG None	RB Life	DCA 6.47%
13	FRS 1.6%	DB 75%	NPB 62 & 9	BR 10 years	T 5 years	DB None	LW Life	BB 7%
14	J 1.6%	BB 75%	BR 55 & 20 / 53 & 30	PBG 10 years	NPB 5 years	RB None	NPB Life	LW 7.8%
15	PBC 1.6%	RB 70%	DCA 62 & 10	LW 10 years	PBC 5 years	T None	PBC Life	BR 5% to 8.65%
16	G None	G None	G None	G None	G None	G None	G None	G None

Legend

- FRS = Florida Retirement System (includes PBSO, local public colleges & universities, public agencies such as SFWMD and SWA and several municipalities)
- PB = Town of Palm Beach
- WPB = City of West Palm Beach
- BR = City of Boca Raton
- J = Town of Jupiter
- PBG = City of Palm Beach Gardens
- DB = City of Delray Beach
- BB = City of Boynton Beach
- RB = City of Riviera Beach
- LW = City of Lake Worth
- T = Village of Tequesta
- NPB = Village of North Palm Beach
- G = Village of Greenacres
- PBC = Palm Beach County
- TMR= Town Manager's Recommendation
- DCA= Deeper Cut DB Alternative

	BLUE = Current Plan
	YELLOW = Town Manager's Recommendation
	RED = Deeper Cut DB Alternative
	YELLOW/RED = TM Recommendation and Deeper Cut DB Alternative
	PURPLE = Current, TM Recommendation and Deeper Cut DB Alternative

Source: Cavanaugh Macdonald Consulting, LLC

Summary of Pension Reform Alternatives

TOWN OF PALM BEACH PENSION REFORM ALTERNATIVES

	GRANDFATHER EXISTING	RECOMMENDED	DEEPER CUT DB ALTERNATIVE	HYBRID ALTERNATIVE
Supplemental Distribution	Eliminate	Eliminate	Eliminate	Eliminate
175/185 Monies	Eliminate	Eliminate	Eliminate	Eliminate
5.5% Salary Assumption	Drop to 4.5%	Drop to 4.5%	Drop to 4.5%	Drop to 4.5%
Multiplier (%)	3.5 or 2.75	3.0 or 2.4	2.5 or 2.0	Optional (most would keep DB)
Existing Employees	N/A	Buy Up to Current	Buy Up to Current	would keep DB)
Exist. Emp. Option	3.0 or 2.25	3.0 or 2.25	2.5 or 2.0	1.5 or 1.25
New Employees				
Special Assign't OT in AFC	Yes	Eliminate	Eliminate	No
Existing Employees	No	No	No	No
New Employees				
All Other OT in AFC	No Cap	100 Hour Cap	Eliminate	100 Hour Cap
Existing Employees	100 Hour Cap	100 Hour Cap	No	
New Employees				
Longevity/Bonus in AFC	Yes	Eliminate	Eliminate	No
Existing Employees	No	No	No	No
New Employees				
All Other Bonus Pay in AFC	Eliminate	Eliminate	Eliminate	No
Existing Employees	No	No	No	No
New Employees				
Vesting Period	10 years	10 years	10 years	10 years
Existing Employees	10 years	10 years	10 years	10 years
New Employees				

TOWN OF PALM BEACH BEACH PENSION REFORM ALTERNATIVES

	GRANDFATHER EXISTING	RECOMMENDED	DEEPER CUT DB ALTERNATIVE	HYBRID ALTERNATIVE
COLA Existing Employees New Employees	2% begins in 3 yrs 2% begins at 65	2% begins at 65 2% begins at 65	Eliminate No	No
Minimum Years of Service Existing Employees New Employees	20 or 30 25 or 30	25(50) – 30(55) 25(50) – 30(55)	25(55) – 30(62) 25(55) – 30(62)	25 or 30(60)
Minimum Age (if vested) Existing Employees New Employees	50 or 55 55 or 60	55 or 60 55 or 60	55 or 62 55 or 62	55 or 65
AFC Period Existing Employees New Employees	2 years 5 years	5 years 5 years	5 years 5 years	5 years
Survivor Benefit Existing Employees New Employees	75% Buy Down	Buy Down Buy Down	Buy Down Buy Down	10 yrs / Buy Down
DROP Plan	No Change	No Change	No Change	No Change
DC Contribution	N/A	N/A	N/A	2% by Town 4% by Employee

Also:
ALTERNATIVE TO MATCH FRS
FOR PUBLIC SAFETY
(but with Town administration)
&
OFFER DC OPTION WITH
ALL ALTERNATIVES

Summary of Current Pension Benefits Provided to Town Employees

General Employees:

Normal Retirement:

Eligibility

- a) *General:* 30 or more years of service, regardless of age; or age 55 with 10 or more years of service
- b) *Lifeguards:* Age 50 with 10 or more years of service. Members with at least 10 years of service who retire after February 9, 1993 are eligible when the individual's age plus credited service totals 65 years or more.

Pension Amount

- a) *General:* Average final compensation times the sum of a) 2.75% for service earned after September 30, 1990, to a maximum of 82.5%, plus 2.35% for service earned on or before September 30, 1990 for the first 30 years of service, plus, b) 1.0% for service in excess of 30 years.
- b) *Lifeguards:* Average final compensation times the sum of a) 2.85% for the first 25 years of service with a maximum of 71.25% of AFC, plus, b) 1.0% for service in excess of 25 years.

The normal form of pension is a pension payable for life. Also, see Automatic Death Benefit After Retirement heading.

Final Average Compensation:

Highest 2 consecutive years within the member's last 5 years of credited service.

DROP Retirement:

Eligibility - Same as Normal Retirement, election must be made within 7 years of the date the member first reaches general retirement eligibility.

Pension Amount - 98% of member's accrued benefit at the date of election to participate in DROP.

Early Retirement (General):

Eligibility -Age 50 with 10 or more years of service.

Pension Amount - Computed as a normal retirement benefit but reduced 6/10 of 1% (3/10 of 1% if service credit is 20 or more years) for each month early retirement precedes the member's normal retirement date.

Deferred Retirement (Vested Termination Benefit):

Eligibility - 10 or more years of service. Pension begins upon meeting requirement for normal retirement. Contributions must be left on deposit in the System; failure to do so results in forfeiture of the vested benefit.

Pension Amount - Computed as for normal retirement, based upon service and average final compensation at time of termination.

Summary of Current Pension Benefits Provided to Town Employees

Duty Disability Retirement:

Eligibility - No age or service requirements.

Pension Amount - To earliest normal retirement eligibility date: Computed as a regular retirement with additional service credit granted from date of disability to earliest normal retirement eligibility date. Minimum benefit is 60% of average final compensation. At earliest normal retirement date: computed as a regular retirement. The minimum shall be applicable for at least 5 years if the member attains such age for retirement less than 5 years after duty disability benefits commence.

Non-Duty Disability Before Retirement:

Eligibility - 10 or more years of service.

Pension Amount - Computed as for normal retirement.

Duty Death Before Retirement:

Eligibility - No age or service requirements.

Pension Amount - A pension to each surviving child of 25% of the member's average final compensation not to exceed 50% or equal share of 75% of the member's AFC when there are 4 or more surviving children being paid. A pension to the widow of the difference, if any, between 75% of the retirant's AFC and the aggregate amount paid to children for the month.

Non-Duty Death Before Retirement:

Eligibility - 10 or more years of service

Pension Amount - 75% of normal retirement benefit to a surviving spouse or equal shares of 75% of the normal retirement benefit to surviving unmarried children under 18.

Automatic Death After Retirement Pension:

To Surviving Child(ren): 25% of the retirant's pension payable to age 18, not to exceed an equal share of 75% of the retirant's pension. Payments to surviving children may be paid to age 25 if no spouse benefits are payable.

To Surviving Spouse: The difference, if any, between 75% of the deceased retirant's pension and the aggregate amount paid to any surviving children for the month.

Post-Retirement Cost-of-Living Adjustments:

Members who retire after September 30, 1968 and prior to October 1, 1990 receive an annual 1.0% increase computed on the base benefit. Other adjustments have been made periodically. Pensions effective after September 30, 1990 will be increased 2.0% annually based on the total pension payable subsequent to an initial 3 year deferral period.

Supplemental Pension Distribution:

Amount determined on investment return, if any, after expenses, between 8.0% and 10.0% of assets, subject to accumulated gains/(losses) limitation.

Summary of Current Pension Benefits Provided to Town Employees

Police Officers and Firefighters:

Normal Retirement:

Eligibility - 20 or more years of service, regardless of age; or, age 50 with 10 or more years of service; or, members with at least 10 years of service who retire after September 30, 1990 are eligible when the individual's age plus credited service totals 65 years or more.

Pension Amount - Average final compensation multiplied by the sum of

- a) 3.5% per year of credited service to a maximum of 87.5 percent, plus
- b) 2.0% per year of credited service, if any, in excess of 43.75 years.

The normal form of pension is a pension payable for 10 years certain. Also, see Automatic Death Benefit After Retirement heading.

Final Average Compensation:

Highest 2 consecutive years within the member's last 5 years of credited service.

DROP Retirement:

Eligibility - Same as Normal Retirement, election must be made within 7 years of the date the member first reaches retirement eligibility.

Pension Amount - 100% of the member's accrued benefit at the date of election to participate in DROP.

Deferred Retirement (Vested Termination Benefit):

Eligibility - 10 or more years of service. Pension begins upon meeting requirement for normal retirement. Contributions must be left on deposit in the System; failure to do so results in forfeiture of the vested benefit.

Pension Amount - Computed as for normal retirement, based upon service and average final compensation at time of termination.

Duty Disability Retirement:

Eligibility - No age or service requirements.

Pension Amount - Computed as a regular retirement with additional service credit granted from date of disability to earliest normal retirement eligibility date. Minimum benefit is 60% of average final compensation.

Non-Duty Disability Before Retirement:

Eligibility - 10 or more years of service.

Pension Amount - Computed as for normal retirement.

Supplemental Pension Distribution:

Amount determined on investment return, if any, after expenses, between 8.0% and 10.0% of assets, subject to accumulated gains/(losses) limitation.

Summary of Current Pension Benefits Provided to Town Employees

Duty Death Before Retirement:

Eligibility - No age or service requirements.

Pension Amount - A pension to each surviving child of 25% of the member's average final compensation not to exceed 50% or an equal share of 75% of the member's AFC when there are 4 or more surviving children being paid. A pension to the widow of the difference, if any, between 75% of the retirant's AFC and the aggregate amount paid to children for the month.

Non-Duty Death Before Retirement:

Eligibility - 10 or more years of service.

Pension Amount - 75% of normal retirement benefit to a surviving spouse or equal shares of 75% of the normal retirement benefit to surviving unmarried children under 18.

Automatic Death After Retirement Pension:

To Surviving Child(ren): 25% of the retirant's pension payable to age 18, not to exceed an equal share of 75% of the retirant's pension. Payments to surviving children may be paid to age 25 if no spouse benefits are payable.

To Surviving Spouse: The difference, if any, between 75% of the deceased retirant's pension and the aggregate amount paid to any surviving children for the month.

Post-Retirement Cost-of-Living Adjustments:

Members who retire after September 30, 1968 and prior to October 1, 1990 receive an annual 1.0% increase computed on the base benefit. Other adjustments have been made periodically. Pensions effective after September 30, 1990 will be increased 2.0% annually based on the total pension payable subsequent to an initial 3 year deferral period.

Firefighter Individual Chapter Share Accounts:

Available tax revenues received pursuant to Chapter 175 Florida Statute which have not been otherwise committed for members. Individual member accounts maintained in each member's name effective on or after 10/1/98.

Prior Governmental Service Elsewhere:

During the first five years of employment by the Town, the years or fractional parts of years that a member previously served for any other municipal, county, or state government or district may be added to years or fractional parts of years of credited service provided that the member contributes the sum that would have been contributed to the retirement plan to pay the full actuarial cost.

Purchase of Service Credit:

A vested member who has not purchased service credit under Prior Governmental Service elsewhere may purchase years or fractional parts of years of services to be added to years of credited service provided that the member contributes the sum that would have been contributed to the retirement plan to pay the full actuarial cost.

GLOSSARY

Accrued Benefit

The benefit earned by a member based on the member's service and pay as of a given date and reflecting the retirement eligibility rules and COLA benefits as of such date.

Actuarial Equivalent

A benefit or amount of equal value to another benefit based on factors including, but not limited to, life expectancy and future investment earnings.

Average Final Compensation

The compensation used in determining the retirement benefit payable from a defined benefit plan. The definition of compensation and the averaging period used vary by plan.

Chapter 175 (firefighters) and Chapter 185 (police officers) of Florida Statutes

Establishes minimum benefits and standards for municipal pension plans covering firefighters and police officers. If a plan complies with Chapters 175 and 185, the State will distribute certain insurance premium tax funds to offset the municipalities' pension contributions and/or to provide extra pension benefits.

COLA (Cost of Living Adjustment)

A benefit increase after retirement reflecting increases in the cost of living.

DROP (Deferred Retirement Option Program)

An elective program which allows an eligible member to start pension payments while he or she continues to work and receive pay and benefits as an active employee. DROP employees do not accrue any additional pension benefits while participating in the DROP. Nor are any additional payments made into the applicable pension fund by DROP employees or by the Town on their

GLOSSARY (continued)

behalf. Participating employees accumulate retirement benefits in an investment account. When the DROP period concludes (in the Town this is after a maximum DROP period of 5 years), the employee must terminate employment, receive their accrued DROP benefits, and begin receiving a monthly retirement check.

Defined Benefit (DB) Plan

An employer-sponsored retirement plan in which the benefit is based on a set formula. The formula is normally based on a percent of earnings that reflects years of service. For public sector defined benefit plans, the cost of the plan is usually paid by the employer and employees. Normally, the employee contribution is a fixed percent of pay. The employer contributions are actuarially determined to fund the plan on a sound financial basis.

Defined Contribution (DC) Plan

An employer-sponsored retirement plan under which contributions are made by the employee, employer, or both to individual member accounts. The amount of the benefit ultimately paid to each member is based on contributions and investment gains/losses associated with their account.

Florida Retirement System (FRS)

A retirement system established in December 1970 to consolidate existing retirement plans and provide a retirement, disability, and survivor benefit program for participating state and local government employees in the State of Florida. Today, the Florida Retirement System is a single retirement system consisting of two primary retirement plans—the FRS Pension Plan (a defined benefit plan) and the FRS Investment Plan (a defined contribution plan).

Hybrid Plan

A pension program that combines a defined benefit plan and defined contribution plan.

GLOSSARY (continued)

Multiplier

The percentage accrued for each year of service that is multiplied against a member's average final compensation in the formula that determines each member's pension benefits in a defined benefit plan.

Normal Form of Payment

The method of benefit distribution (pension payment) that will be used if no optional form is elected by the member at retirement.

Retirement eligibility

The minimum age, years of service, or combination of age and service, required for members to begin receiving pension benefits.

Survivor benefit

A retirement benefit payout that allows a retiree to receive a benefit during his or her life and also provides a percent of the retiree's benefit to a designated beneficiary, payable at the death of the retiree for the remaining life of the beneficiary. This is often offered as an option, whereby the benefit payable to the retiree is decreased to provide actuarial equivalency between a straight life pension to the employee and the combined employee/beneficiary pension under the survivor benefit.

Vesting

The minimum period of service needed to qualify for a future retirement benefit under a plan.