INDIAN RIVER COUNTY

MEMORANDUM

TO: The Honorable Board of County Commissioners

THRU: John A. Titkanich, Jr., County Administrator

FROM: Suzanne M. Boyll, Human Resources Director

DATE: May 26, 2023

SUBJECT: Public Hearing - An Ordinance of the Board of County Commissioners of Indian River County, Florida, Amending Section 104.03 (Retirement System) and Creation of Section 104.03.1 (Defined Contribution Plan) of Chapter 104 (Human Resources) to Modify the County Retirement Benefits; and Providing for Codification, Severability, Repeal of Conflicting Provisions; and an Effective Date

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BACKGROUND

Indian River County provides retirement benefits for full and part time employees under the Florida Retirement System (FRS). The County's participation in the FRS is compulsory and all eligible full and part time employees are required to be enrolled in the FRS. However, certain employees are not eligible to participate in the FRS if they have previously retired from the FRS pension plan and later became re-employed by the County. Because they are not eligible to participate, the reemployed retirees do not earn any retirement benefit during their employment with the County. However, the County is still required to send an employer contribution to the FRS for each employee who is not eligible for renewed membership in the FRS. The 2022/23 FRS contribution rate for these ineligible employees is lower than the employer contribution made for employees who are eligible to participate in the FRS as noted below:

	Employer FRS Contribution Eligible	**Employer FRS Contribution Not Eligible**	**Difference**
FRS Regular Class	11.91%	5.89%	6.02%
FRS Special Risk	27.83%	11.33%	16.5%
FRS Elected Official	57.0%	45.64%	11.36%

The FRS contribution rate is established annually by state statute effective July 1 of each year. The difference noted above may change annually as the rates changes.

Currently, Indian River County BOCC employs 8 individuals who are ineligible for renewed membership in the FRS. As a result, they do not receive any retirement benefits for their employment. The BOCC may elect to establish a separate retirement plan to provide retirement benefits for these individuals who are not eligible for renewed membership in the FRS.

The BOCC may also add a provision to allow a member of the Senior Management Service Class (SMSC) who has withdrawn from the FRS, to be enrolled in the separate retirement plan and provide an employer contribution amount that would be established by the Board of County Commissioners. This provision would allow for an alternate retirement plan option to the FRS plan for those SMSC eligible members who do not want to participate in the FRS, are eligible to opt out, and who elect to opt out of the SMSC FRS plan.

In order to provide for a retirement benefit for employees who are not eligible for renewed membership in the FRS, staff is requesting approval to amend the County Code of Ordinances Section 104.03 Retirement System to provide for the addition of a defined contribution plan as reflected in the attached recommended ordinance language. The draft ordinance has been publicly advertised and a public hearing is scheduled for June 6, 2023.

Providing a defined contribution plan will assist us in recruiting and retaining qualified employees by providing a retirement benefit for those employees deemed ineligible by the FRS for renewed membership in the FRS. Under the defined contribution plan, the employer would contribute an amount to the plan as established in July of each year based on the difference between the FRS employer contribution rate for eligible employees and the employer contribution rate for those deemed not eligible for renewed membership by the FRS. Under the defined contribution plan, the employer would contribute an amount to the defined contribution plan as noted in the table above as "Difference" based on the appropriate eligibility class and there would be no employee contribution to the plan.

The additional option for the SMSC employees who prefer to enroll in the defined contribution plan versus the FRS provides an alternative that does not exist today. This option may not be utilized, but is recommended as an option to be offered.

The defined contribution plan would be administered by Lincoln Financial and the recordkeeping fee would be borne by the participants in the defined contribution plan. There would be no administrative cost paid by the County. Lincoln Financial is the recordkeeper for our 457 deferred compensation plan and the recordkeeping fee for the new defined contribution plan would be the same recordkeeping fee as the 457 deferred compensation plan, which is 0.13% consistent with the terms of our agreement.

On May 16, 2023, the Board authorized staff to schedule a public hearing on the proposed ordinance for June 6, 2023. At that meeting, there was discussion on whether enrollment in the plan was optional. The ordinance language has been amended to clarify that participation is optional.

FINANCIAL IMPACT

The County is currently contributing to the FRS a lower monthly contribution amount as noted in the table above in the column titled "Not Eligible" for employees who are not eligible for renewed membership. The amount of this difference is reflected in the last column titled "Difference". Staff's proposal is to create a defined contribution plan that will provide a retirement benefit for ineligible employees and provide an employer contribution to that plan that is equal to the "Difference". Providing this retirement plan benefit does not exceed the cost of providing retirement benefits for employees who are eligible for renewed membership.

RECOMMENDATION:

Staff respectfully requests that the Board of County Commissioners open the public hearing, take any public comment, close the public hearing and approve the ordinance amending Section 104.03 (Retirement System) and creating Section 104.03.01 (Defined Contribution Plan)

ATTACHMENTS:

- Proposed Ordinance Amending Section 104.03 of the Indian River County Code of Ordinances