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**TO:** Honorable Mayor & Members  
Fort Lauderdale City Commission

**FROM:** Lee Feldman, City Manager

**DATE:** October 2, 2012

**TITLE:** Resolutions (a) adjusting the contribution rates to the 401(a) Plan for non-classified employees and (b) adjusting salary ranges for non-classified employees subject to a reduction in the 401(a) contribution rates

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**Recommendation**

**A. Adjustment of 401(a) contribution rate**

It is recommended that the City Commission adopt a resolution to establish new contribution rates by the City for new and current non-classified employees participating in the 401(a) defined contribution plan ("401(a) Plan") (Exhibit 3-Resolution). The resolution would accomplish the following:

- (a) Effective October 1, 2012, the contribution rate to the 401(a) Plan for non-classified employees hired prior to October 1, 2012 would be capped at 27.71% of the employee's earnings;
- (b) Effective October 1, 2012, the contribution rate to the 401(a) Plan for non-classified employees hired on or after October 1, 2012 will be fixed at 9.0% of the employee's earnings; and
- (c) Effective simultaneous with the effective date (projected to be October 14, 2012) of an ordinance establishing a special class over-ride for certain non-classified employees whose salary adjustments resulting from the reduction their 401(a) contribution rate for non-classified employees hired prior to October 1, 2012 the City's contribution rate to the 401(a) Plan will be established at a rate equal to the normal cost component of the City's Annual Required Contribution (ARC) to the City's GERS, but at a rate not to exceed a maximum contribution rate of 19.89% of the employee's earnings

**B. Salary Adjustment**

It is further recommended that these non-classified employees currently participating in

the non-classified 401(a) defined contribution plan receive a salary adjustment to their base salary at the rate of 6.13% to offset this reduction in 401(a) contributions, except the City Manager who shall receive an adjustment of 4.0% to offset the reduction in 401(a) contribution. This adjustment will take effect simultaneous with the effective date (projected to be October 14, 2012) of an ordinance establishing a special class over-ride for certain non-classified employees whose salary adjustments resulting from the reduction to their 401(a) contribution rate for non-classified employees hired prior to October 1, 2012 (Exhibit 4- Resolution)

### **C. Ordinance establishing a special over-ride rage for certain employees**

For a class of employees, the 6.13% salary adjustment to accompany the reduction in contribution rate would result in salaries in excess of the maximum salary within their respective range. Implementation of this feature must be accomplished by adoption of an ordinance. For the October 16, 2012 Agenda an ordinance will be presented identifying a special over-ride range for a class of non-classified employees participating in the 401(a) Plan whose salary adjustment would exceed the maximum allowable salary within their respective ranges. It is anticipated that this ordinance will take effect as of October 14, 2012.

#### **Background**

At the August 21, 2012 Conference Meeting, the City Manager's Report included a recommendation to the City Commission for a reduction in the City's contribution to non-classified employees participating in the 401(a) defined contribution retirement program.

At your request, this issue was referred to the City's Budget Advisory Board (BAB), which reviewed the matter at their September 12, 2012 meeting. The BAB unanimously recommended that the contribution rate should be 19.89% and the reduction should be offset by an increase in salary for current non-classified employees participating in the 401 (a) Retirement Program and a 9% rate for all new employees.

As a result of the BAB's recommendation, on September 18, 2012 the Mayor and Commission instructed the City Auditor to calculate the salary increase needed to offset the reduction in the 401(a) contribution. The City Auditor issued Memo #11/12-23 dated September 19, 2012 and recommended a salary adjustment of 6.13% (4.0% for the City Manager) for current non-classified employees impacted by the reduction in the 401(a) retirement contribution.

#### **Resource Impact**

No budgetary Impact.

#### **Attachment(s)**

Exhibit 1 – City Manager's Report dated September 18, 2012

Exhibit 2 - City Auditor's Memo #11/12-23 dated September 19, 2012

Exhibit 3 – Resolution – adjusting 401(a) contributions

Exhibit 4 – Resolution – adjusting base salaries

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