



CITY OF
FORT LAUDERDALE

City Auditor's Office

Memorandum

Memorandum No: 11/12-23

Date: September 19, 2012

To: Honorable Mayor and Commissioners

From: John Herbst, CPA, CGFO, CGMA
 City Auditor

Re: 401(a) salary adjustment calculation

As requested at last night's Commission meeting, I have calculated the salary increase needed to offset the reduction in the 401 (a) contribution for the non-classified employees. The calculation takes the impact of the additional FICA expense to the City into consideration, so as to keep the City's total compensation amount unchanged. As illustrated in the schedule below (using a theoretical base salary of \$100,000), the rate of increase is 6.13% (and 4.0% for the City Manager 1).

This figure does not account for the fact that some employees may exceed the Social Security Wage Base of \$110,100, which results in additional savings to the City of 1.45% of the increased pay for those employees.

current		pay &	old 401 (a) rate	total
base pay	fica	benefit	27.71%	payroll
100,000.00	7,650.00	107,650.00	27,710.00	135,360.00

proposed		pay &	new 401 (a) rate	total	required
new pay	fica	benefit	19.89%	payroll	% increase
106,131.41	8,119.05	114,250.46	21,109.54	135,360.00	6.13%

cc: Lee R. Feldman, City Manager
 Harry Stewart, City Attorney
 Jonda Joseph, City Clerk
 Stanley Hawthorne, Assistant City Manager
 Susanne Torriente, Assistant City Manager
 Emilie Smith, Budget Manager
 Averill Dorsett, Director of Human Resources

1 The City Manager is currently at a lower contribution rate of 25% because he has reached the maximum 401 (a) contribution allowed by IRS regulations. Therefore, his rate of increase is 4.0%