

The proposed amendments to Section 58-77 were prepared and submitted to the Internal Revenue Service (IRS) by Pension Attorney Lowell Walters.

Ordinance 16-22 amends Section 58-77 to keep the retirement system in compliance with the Internal Revenue Code.

The IRS issued a Favorable Determination Letter as of April 18, 2016 and the City is now required to amend the City's Code of Ordinances accordingly. A Favorable Determination Letter insures the contributions will be able to be not taxed by the IRS under the retirement plan codes.

The amendments explain how the Deferred Retirement Option Plan (DROP) is treated for each member and explains how expenses are allocated and detailed as well as some definitions that were missing from the original ordinance.

#### Questions for Staff

In response to the question from Commissioner Gracy, Ms. Smalling advised:

The cost of this process was paid by the Fire Fighters Pension Fund most of which were attorney fees for working with the IRS.

The submittal was done prior to her coming to the City and one of the first things she did in 2013 was regarding the issue of the IRS Favorable Determination Letter for the general employees; the Pension Board submittal was given at the same time, but for some reason the IRS had certain questions that kept going back and forth, plus there was a change in administration and each time the new administration would ask new questions.

In response to Commissioner Kynes, Ms. Smalling explained:

The Deferred Retirement Option Plan (DROP) came into existence because employees were leaving with the government losing employees before they were ready.

The plan says as of a certain date an employee is considered retired from the pension system; however, may opt to continue working for their employer.

The Florida Retirement System is similar in that an employee is considered retired from the system so their pension is calculated at that moment, but they can work 1 – 5 years more and the money they would have been paid in pension goes into a bucket and gains interest while they are still receiving a pay check from the employer. At the end of the DROP period when the employee leaves they would begin to receive their pension, plus any money in that DROP account.

The public hearing was opened; with no one wishing to speak the public hearing was closed.

**VOTE:** Motion carried with Commissioners Kynes, Gracy and Tornga and Mayor Bujalski voting aye. Voting nay: None.

There will be a second reading of Ordinance 16-22 on July 28, 2016.

### **3. FIRST READING OF ORDINANCE 16-25 REGARDING DOWNTOWN PARKING**

Mayor Bujalski advised this item was rescheduled to July 28, 2016 for First Reading and August 18, 2016 for Second Reading.

**MOTION:** Motion was made by Commissioner Gracy and seconded by Commissioner Kynes to postpone this item to the July 28, 2016 City Commission meeting.

**VOTE:** Motion carried unanimously.