



Police Pension News

A Hollywood Police Officers' Retirement System Publication

PENSION ORDINANCE SUMMARY

Issue 39
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Dear Members:

In this issue of the Pension Newsletter we will forego the normal format of reporting in an effort to review the Police Pension Ordinance approved by the City Commission on second reading on September 07, 2011. Our intent is not to provide a commentary about the change, but simply to try to inform you about the Ordinance and how it may affect you.

Retired Members (or their beneficiaries) including members currently in the DROP:

The changes set forth in this Ordinance have no impact on you.

Active Members:

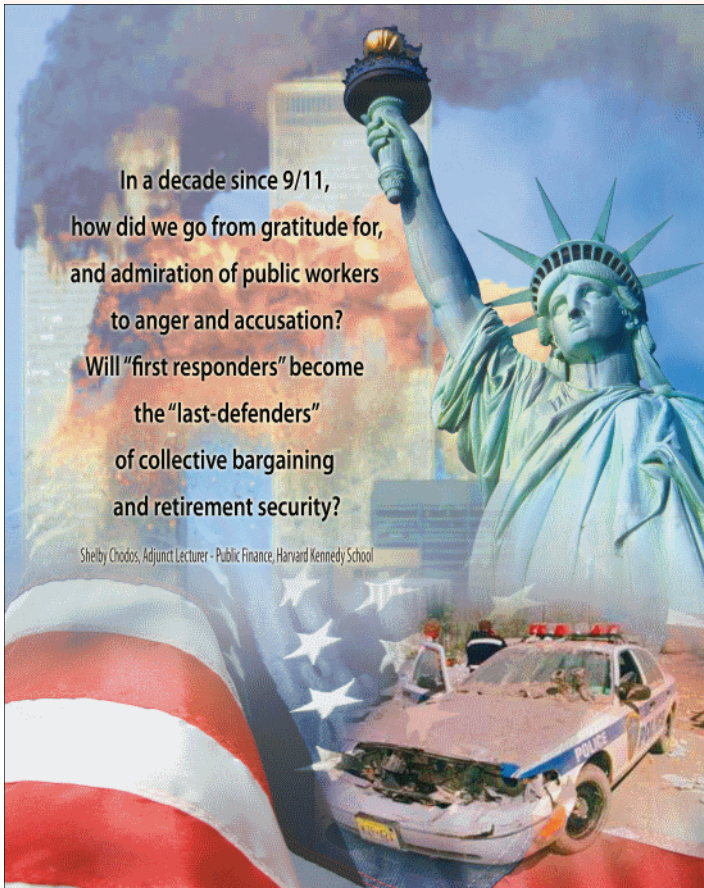
Members eligible for normal retirement as of September 30, 2011 – If you are eligible to enter the DROP or retire (that is, age 50, or any age with 22 or more years of service) as of September 30, 2011, your benefit structure will remain the same and you will not be subject to the new Ordinance provisions.

If you are not eligible to retire on or before September 30, 2011, you are subject to the benefit changes set forth in the Ordinance.

The following is a brief summary of the changes.

Average monthly earnings - Your average monthly earnings are used to determine your retirement benefit. You may know this as the best three year average. For any time that you have accrued credited service in the system prior to October 01, 2011 the best three year average frozen as of that date will apply. Beginning on October 01, 2011, instead of using the best three year average, the definition has changed to the best five year average. Under the Ordinance after October 01, 2011, your average monthly earnings are your highest consecutive 60 months of the last 120 months of service. In other words, it is your best 5 of the last 10 years of service.

Earnings – Your earnings are currently based on your total cash remuneration which includes overtime, accrued holiday time, accrued blood time and comp time. Unused sick time and unused vacation time payouts for earnings prior to September 30, 2011 as well as certain other non-pensionable items such as clothing allowances are excluded.



In a decade since 9/11,
how did we go from gratitude for,
and admiration of public workers
to anger and accusation?
Will "first responders" become
the "last-defenders"
of collective bargaining
and retirement security?

Shelby Chodios, Adjunct Lecturer - Public Finance, Harvard Kennedy School

Beginning on October 01, 2011, your pensionable earnings will only include salary, longevity pay and assignment pay. Your earnings will no longer include overtime, payments for accrued holiday time, payments for accrued blood time, annual cash out payments for accrued vacation time and payments for accrued comp time.

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Normal Retirement Date - Any member with 10 or more years of credited service as of September 30, 2011 will retain his/her ability to retire on their current retirement date. That means the member can decide to retire with 22 years of service, or at age 50 if the member chooses to do so.

A member with less than 10 years of service as of September 30, 2011 will fall under the new retirement date provision of the Ordinance. Under the new retirement provision, a member may retire upon reaching age 52 and with 25 years of credited service, or upon reaching age 55 with 10 years of credited service.

Normal Retirement Benefit – Prior to October 01, 2011 the retirement system provided a tiered benefit that accrued over your career to determine the percentage of a benefit paid to you. Under the prior plan, a member would accrue 3% per year of service for the first 20 years, 4% per year for the next 2 years and on his/her final day, accrue a 12% increase effectively retiring/entering the DROP at 80% of the best three year average.

Under the new provision, you will receive a monthly benefit based on the following formula:

Your frozen accrued benefit as of September 30, 2011 equal to your best three year average monthly earnings as of that date times the sum of 3% times your years of service up to 20 as of September 30, 2011 plus 4% times your years of service over 20 as of September 30, 2011

PLUS – for service on and after October 01, 2011 –

2% of your best five year average monthly earnings times your years of service on and after October 01, 2011. See below for maximum 2% benefit.

PLUS – if you retire before age 62 –

0.5% of your best five year average monthly earnings times your years of service on and after October 01, 2011 payable until you are age 62.

What this exactly means to each person depends on how much credited time is accrued under the new provision.

For example: A member who accrues 10 years of service after October 01, 2011 and retires before age 62 would initially receive a 25% retirement benefit for that portion of the benefit accrued under the new provision. Upon reaching age 62, that benefit would be reduced by 5%, down to 20%, of the member's five year average monthly earnings.

There is a maximum benefit that applies to the 2% accrual rate for service after September 30, 2011. Under the new accrual rate, 2% times a member's service after September 30, 2011 cannot be greater than 80% minus the total benefit percentage the member earned prior to October 01, 2011 based on the prior accrual rates of 3% and 4%. The 80% maximum does not apply to the 0.5% temporary benefit to age 62.

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Here is an example of how the maximum benefit is calculated:

John is age 49 with 21 years of service on September 30, 2011. After that date, John works as a police officer for 9 years and retires at age 58 with 30 years of service.

STEP 1: $2\% \times 9$ years of service after September 30, 2011 = 18% - benefit percentage accumulated under the 2% accrual rate

STEP 2: $3\% \times 20$ years of service + $4\% \times 1$ year of service = 64% - benefit percentage accumulated as of September 30, 2011

STEP 3: $80\% - 64\% = 16\%$ - maximum benefit percentage for service after September 30, 2011

STEP 4: Lesser of result under STEP 1 and STEP 3 = 16% - benefit percentage for service after September 30, 2011

Below is an example of how a retirement benefit will be calculated taking into account the frozen benefit as of September 30, 2011 and the benefit earned for service after that date.

Beth is age 48 with 20 years of service on September 30, 2011. After that date, Beth works as a police officer for 7 years and retires at age 55 with 27 years of service. Beth's best three year average monthly earnings as of September 30, 2011 was \$5,000. At the time of her retirement at age 55, her best five year average monthly earnings is \$4,500. Below is how Beth's benefit is calculated.

STEP 1

3% of \$5,000 [best three year average monthly earnings as of September 30, 2011] x 20 years [service on September 30, 2011] = \$3,000 per month

STEP 2

2% of \$4,500 [best five year average monthly earnings at time of retirement] x 7 years [service after September 30, 2011] = \$630 per month

STEP 3

0.5% of \$4,500 [best five year average monthly earnings at time of retirement] x 7 years [service after September 30, 2011] = \$157.50 per month

STEP 4

$\$3,000 + \$630 + \$157.50 = \$3,787.50$ monthly pension benefit paid to Beth beginning at age 55 until she reaches age 62

STEP 5

$\$3,000 + \$630 = \$3,630$ monthly pension benefit paid to Beth beginning at age 62

Upon the completion of three years after retirement, Beth will begin receiving a 2% COLA compounded annually on her frozen monthly accrued benefit as of September 30, 2011 of \$3,000 (calculated in STEP 1).

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Final Segment — PENSION ORDINANCE SUMMARY

Vested termination (either voluntarily or by discharge) - If your City employment terminates after you have completed 10 years of service but before you are entitled to retire and you do not withdraw your contributions, you have a vested right to retirement benefits. If you have 10 or more years of service as of September 30, 2011, you can elect to begin receiving your retirement benefit at age 50. If you have less than 10 years of service as of September 30, 2011, you can elect to receive the frozen portion of your accrued benefit calculated as of September 30, 2011 when you reach age 50. The remaining portion of your accrued benefit for service earned after September 30, 2011 will not be paid until you reach the new normal retirement age of 55.

Form of benefit payment - The forms of benefit payment have not changed. The standard form of payment is a guaranteed payment that you, your beneficiary or your estate will receive at least 120 monthly payments. If you are not married at the time of retirement and you die after receiving 120 payments, all benefits stop. If you are married at the time of retirement and you die after receiving 120 payments, and your spouse is alive and unmarried, your spouse will receive 50% of your benefit until the earlier of his or her death or remarriage.

Disability and Pre-retirement Death Benefits – The formulas used to calculate the disability benefits (service and non-service incurred) and pre-retirement death benefit have not changed. However, these benefits are based on your earnings, average monthly earnings, and accrued benefit. Therefore, the amount of disability and pre-retirement death benefits will be different under the new system to reflect the new definitions of earnings, average monthly earnings and the new accrued benefit structure. For example, the service-incurred disability benefit is the greater of your accrued benefit or 50% of your earnings on the date of disability. The amount of disability benefit you receive will be different than under the prior system because it will be based on the new benefit structure for the accrued benefit and the new definition of earnings.

COLA – Cost of Living Adjustment – You will receive the current 2% COLA only on your frozen accrued benefit as of September 30, 2011. You will not receive a COLA on the part of your retirement benefit for service earned by you after September 30, 2011. For example, if a member has 8 years of service as of September 30, 2011, the member will receive a COLA on 24% [8 years of service times 3% multiplier] of the member's frozen best three average monthly earnings as of September 30, 2011.

Supplemental Pension Distribution (13th Check) – No member is eligible for a 13th check unless they retire or enter the DROP prior to September 30, 2011.

DROP – No member is eligible to enter the DROP after September 30, 2011 unless he or she is eligible for normal retirement on or before September 30, 2011.

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Office & Mailing Address
4205 Hollywood Blvd., Suite 4
Hollywood, Florida 33021

Phone: 954.967.4395

Out of town? - Please Call Toll Free:

866.738.4776

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