

**Item 6**  
**Administrative Items**

**Item 6.a.**  
**Interest on Return of Employee Contributions**  
**(Refunds)**



# MEMORANDUM

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TO: Retirement Committee of the City of Delray Beach General Employees' Retirement Plan

FROM: Lisa Castronovo, Pension Administrator

SUBJECT: Interest on return of employee contributions (refunds)

DATE: 9/10/2025

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**ISSUE:**

Interest credited on refunds of member contributions

**BACKGROUND:**

City Ordinance Section 33.76(G)(1):

(G) *Vesting.*

- (1) If a member terminates his employment with the Fire Department, either voluntarily or by lawful discharge, and is not eligible for any other benefits under this system, he shall be entitled to the following:
  - (a) Effective September 1, 1999, with less than ten (10) years of continuous service, refund of member contributions with a noncompounded simple interest rate of three (3) percent per year applied to the principal balance of the participant's contribution as accrued on December 31 of each year, per year. In the event the amount of member contributions with interest exceeds one thousand dollars (\$1,000.00), the refund of member contributions and interest shall be made only upon the written request of a member or designated beneficiary.
  - (b) With ten (10) or more years of continuous service:
    - (1) The pension benefit accrued to his date of termination, payable commencing on the date which would have been his earliest normal retirement date had he remained in employment, provided he does not elect to withdraw his member contributions; or
    - (2) Effective September 1, 1999, refund of member contributions with a noncompounded simple interest rate of five (5) percent per year applied to the principal balance of the participant's contribution as accrued on December 31 of each year.

City Ordinance Section 33.78(D):

*Guaranteed Refund of Member Contributions.* All benefits payable under this system are in lieu of a refund of member contributions. Effective September 1, 1999, employees who terminate employment with less than ten (10) years of continuous service, upon the election to receive a refund of member contributions, shall receive a noncompounded simple interest rate of three (3) percent per year applied to the principal balance of the participant's contributions as accrued on December 31 of each year. Effective September 1, 1999, employees who terminate employment with ten (10) years or more of continuous service, upon the election to receive a refund of member contributions, shall receive a noncompounded simple interest rate of five (5) percent per year applied to the principal balance of the participant's contribution as accrued on December 31 of each year. In any event, each member shall be guaranteed the payment of benefits at least equal in total amount to his accumulated contributions plus interest as provided herein.

As previously discussed and as it currently stands, terminated members will have interest credited to their accumulated member contributions each December 31<sup>st</sup> until the year in which they receive their refund, which can be years after they terminate.

Two solutions to the in-perpetuity interest accrual issue that can be adopted via an Ordinance amendment:

#1:

1) For members no longer employed on the amendment adoption date, no further interest credit after the amendment adoption date, *and*

2) For members who terminate after the amendment adoption date, interest will only be credited through the December 31<sup>st</sup> immediately preceding the year in which they terminate, with zero interest credited after that year.

**OR**

#2:

Mirror the decision made by the Police Officers' Board of Trustees and General Employees' Retirement Committee to provide zero (0) interest on member refunds, effective on the amendment adoption date. In this version, interest will be credited for those members who terminated prior to the amendment adoption date, but no interest will be credited after the amendment adoption date nor will any interest be credited for every member who terminates after the amendment adoption date.

***RECOMMENDATION:***

Decide how to rectify the continued interest credit matter.