



MEMORANDUM

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: 8/13/2025

ISSUE:

Interest credited for refunds of participant contributions

BACKGROUND:

Section 35.095 of the City Ordinance allows all terminated participants, for refund of employee contribution purposes, to have simple interest applied to their principal contribution balance on December 31st of each year until they request/receive their refund. As discussed previously, we have participants who terminated in the late 1980's who, if and when they receive a refund of their accumulated contributions, will have interest credited from the year they left the City until the year they receive their refund.

At a prior Committee meeting, legal counsel was directed to draft an amendment to the City Ordinance removing the continued accumulation of interest for terminated participants. Two draft amendments are attached that address the issue, but in different ways:

Draft #1:

- 1) For all participants no longer employed as of the amendment adoption date, no further interest credit on accumulated contribution balances, and
- 2) For participants who terminate after the amendment adoption date, interest credit only through the December 31st immediately preceding the year in which they terminate, with zero interest credited after that year.

Draft #2:

Mirrors the decision made the Police Officers' board of trustees to not credit any interest on returned employee contributions effective on the amendment adoption date. In this draft, interest will be credited for those who terminated prior to the amendment adoption date, but no interest will be credited after the amendment adoption date nor for anyone who terminates after the amendment adoption date.

RECOMMENDATION:

Decide which amendment version to adopt.

DRAFT #1

ORDINANCE NO. xx-25

AN ORDINANCE OF THE CITY COMMISSION OF THE CITY OF DELRAY BEACH, FLORIDA, AMENDING CHAPTER 35, "EMPLOYEE POLICIES AND BENEFITS", OF THE CODE OF ORDINANCES OF THE CITY OF DELRAY BEACH, FLORIDA, BY AMENDING "RETIREMENT PLAN," SECTION 35.095, "CONTRIBUTIONS OF PARTICIPANT AND CITY"; PROVIDING FOR THE REMOVAL OF INTEREST FROM A MEMBER'S REFUND OF CONTRIBUTIONS; PROVIDING A CONFLICTS CLAUSE, A SEVERABILITY CLAUSE, AUTHORITY TO CODIFY, PROVIDING AN EFFECTIVE DATE AND FOR OTHER PURPOSES.

WHEREAS, the Board of Trustees of the City of Delray Beach General Employees' Retirement Plan wishes to eliminate payment of interest from a Member's refund of contributions; and

WHEREAS, the City Commission has received, reviewed, and considered an actuarial impact statement describing the actuarial impact of the amendment provided for herein; and

WHEREAS, pursuant to law, ten (10) days' notice has been given by publication in a paper of general circulation in the City, notifying the public of this proposed ordinance and of a public hearing in the City Commission Chambers of the City of Delray Beach; and

WHEREAS, the City Commission deems it to be in the public interest to provide the following changes to the General Employees' Retirement Plan;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF DELRAY BEACH, FLORIDA AS FOLLOWS:

Section 1. The recitations set forth above are incorporated herein.

Section 2. That Section 35.095, "*CONTRIBUTIONS OF PARTICIPANT AND CITY*", subsection (A), "*Participant's Contribution Account*", of Chapter 35, EMPLOYEE POLICIES AND BENEFITS, of the Code of Ordinance of the City of Delray Beach is hereby amended as follows:

Sec. 35.095. – CONTRIBUTIONS OF PARTICIPANT AND CITY.

(A) *Participant's Contribution Account.*

[...]

(3) *[Total Benefits Payable.]* Anything in the plan to the contrary notwithstanding, the total benefits payable under the plan to, or with respect to, a participant shall not be less than the benefits that can be provided by the participant's contributions, and further provided, if a participant, who is terminated, elects to withdraw participant contributions, the participant will be entitled to the return of participant contributions with interest, if applicable, in lieu of all other benefits payable under the plan. Effective September 1, 1999, if a participant has ten (10) or more years of credited service under the plan, a non-compounded simple interest rate of five (5) percent per year shall be applied to the principal balance of the participant's contribution as accrued on December 31 of each year. Effective September 1, 1999, if a participant has less than ten (10) years of credited service under the plan, a non-compounded simple interest rate of

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three (3) percent shall be applied to the principal balance of the participant's contribution as accrued on December 31 of each year. Effective [enter date of ORD adoption], for participants who terminated before [enter date of ORD adoption], no further interest will be credited to their accumulated contributions. For participants who terminate employment after [enter date of ORD adoption] and receive a refund: 1) if the participant had ten (10) or more years of credited service upon termination, a non-compounded simple interest rate of five (5) percent per year shall be applied to the principal balance of their contributions as accrued on December 31 of each year through the December 31st immediately preceding the calendar year in which they terminate after which no further interest will be credited; 2) if a participant had less than (10) years of credited service upon termination, a non-compounded simple interest rate of three (3) percent shall be applied to the principal balance of their contributions as accrued on the December 31 of each year through the December 31st immediately preceding the calendar year in which they terminate after which no further interest will be credited. Participant contributions cannot be withdrawn while a participant remains in the employ of the City or after the payment of benefits under the plan has commenced.

[...]

Section 3. All ordinances or parts of ordinances in conflict herewith be and same are hereby repealed.

Section 4. Should any section or provision of this Ordinance or any portion thereof, any paragraph, sentence, or word be declared by a court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remainder hereof as a whole or part thereof other than the part declared to be invalid.

Section 5. Specific authority is hereby given to the City Clerk to codify this Ordinance.

Section 6. This Ordinance shall become effective immediately upon its passage on second and final reading.

PASSED AND ADOPTED in regular session on second and final reading this ____ day of _____, 2025.

ATTEST:

Alexis Givings, City Clerk

Thomas F. Carney, Jr., Mayor

Approved as to form:

Lynn Gelin, City Attorney

First Reading _____

Second Reading _____

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DRAFT #2

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AN ORDINANCE OF THE CITY COMMISSION OF THE CITY OF DELRAY BEACH, FLORIDA, AMENDING CHAPTER 35, "EMPLOYEE POLICIES AND BENEFITS", OF THE CODE OF ORDINANCES OF THE CITY OF DELRAY BEACH, FLORIDA, BY AMENDING "RETIREMENT PLAN," SECTION 35.095, "CONTRIBUTIONS OF PARTICIPANT AND CITY"; PROVIDING FOR THE REMOVAL OF INTEREST FROM A MEMBER'S REFUND OF CONTRIBUTIONS; PROVIDING A CONFLICTS CLAUSE, A SEVERABILITY CLAUSE, AUTHORITY TO CODIFY, PROVIDING AN EFFECTIVE DATE AND FOR OTHER PURPOSES.

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WHEREAS, the City Commission has received, reviewed, and considered an actuarial impact statement describing the actuarial impact of the amendment provided for herein; and

WHEREAS, pursuant to law, ten (10) days' notice has been given by publication in a paper of general circulation in the City, notifying the public of this proposed ordinance and of a public hearing in the City Commission Chambers of the City of Delray Beach; and

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less than ten (10) years of credited service under the plan, a non-compounded simple interest rate of three (3) percent shall be applied to the principal balance of the participant's contribution as accrued on December 31 of each year. Effective [enter date of ORD adoption], for participants who terminated prior to [enter date of ORD adoption], no further interest will be credited to their accumulated contributions. Effective [enter date of ORD adoption], each participant who terminates employment on or after [enter date of ORD adoption] and receives a refund of their accumulated contributions, such refund will receive \$0.00 interest. Participant contributions cannot be withdrawn while a participant remains in the employ of the City or after the payment of benefits under the plan has commenced.

[...]

Section 3. All ordinances or parts of ordinances in conflict herewith be and same are hereby repealed.

Section 4. Should any section or provision of this Ordinance or any portion thereof, any paragraph, sentence, or word be declared by a court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remainder hereof as a whole or part thereof other than the part declared to be invalid.

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PASSED AND ADOPTED in regular session on second and final reading this ____ day of _____, 2025.

ATTEST:

Alexis Givings, City Clerk

Thomas F. Carney, Jr., Mayor

Approved as to form:

Lynn Gelin, City Attorney

First Reading _____

Second Reading _____

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