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January 14, 2016

CITY MANAGER'S OFFICE

JAN 19 2016

CITY OF NORTH PORT

Mr. Johnathan R. Lewis Jr.  
City Manager  
City of North Port  
4970 City Hall Boulevard  
North Port, FL 34286

Re: City of North Port Police Officers' Pension - Local Option Trust Fund  
Proposed Ordinance

Dear Mr. Lewis:

As you know, I represent the Board of Trustees of the City of North Port Police Officers' Pension - Local Option Trust Fund. Enclosed please find a proposed ordinance amending the City of North Port Police Officers' Pension - Local Option Trust Fund that has been recommended by the Board for adoption by the City Commission. With the recent adoption by the Florida Legislature of Chapter 2015-39, Laws of Florida, and changes to the Internal Revenue Code (IRC) and its associated Regulations, as well as guidance from the Internal Revenue Service (IRS), the following amendments to the pension plan are proposed:

1. Section 2-255, Definitions, is being amended for IRC changes and requirements, to amend the definitions of:
  - a. Actuarial Equivalent - to amend the definition to incorporate the Mortality Table currently being used by the plan's actuary
  - b. Credited Service - to clarify IRC regulations on leave conversions
  - c. Spouse - To clarify the definition in accordance with a recent US Supreme Court ruling
2. Section 2-256, Membership, has been amended to limit those individuals eligible to opt-out of the system, to comply with recent IRC Treasury Regulation requirements.
3. Section 2-258, Finances and Fund Management, is being amended to further incorporate recent IRC requirements with regard to investments in commingled funds.

4. Section 2-260, Benefit amounts and eligibility, is being amended to change the Normal Retirement Date to include IRC required language regarding Normal Retirement Age and Normal Retirement Date.
5. Section 2-262, Disability, is being amended to more clearly identify those individuals who may be eligible to apply for a disability pension who have been terminated by the City due to medical reasons.
6. Section 2-264, Optional Forms of Benefits, has been amended to:
  - a. Amend the optional form of benefit known as a partial lump sum option (PLOP), to clarify that the percentage chosen is calculated as a percent of the total actuarial equivalent value of the member's benefit.
  - b. Amend subsection (b) to clarify that if proof of good health of a joint pensioner who is being replaced is not provided, the actuary will assume that the joint pensioner is deceased for purposes of calculating the revised benefit amount.
7. Section 2-269, Maximum Pension, has had several subsections amended to comply with IRC changes.
8. Section 2-270, Minimum Distribution of Benefits, is being amended for a reference clarification in subsection (b)(2).
9. Section 2-273, Domestic Relations Orders; Retiree Directed Payments; Exemption from Execution, Non-Assignability, subsection (b), is being amended to correctly reflect that the payments are permitted by Chapter 185, Florida Statutes.
10. Section 2-283, Deferred Retirement Option Plan, is being amended in accordance with recent direction from the IRS in connection with the issuance of several recent Favorable Determination Letters to: i) clarify investment returns on DROP accounts, ii) clarify when interest and earnings are calculated and paid, and iii) add several sections clarifying the DROP provisions as required by the IRS.
11. Section 2-284, Prior Police Service, subsection (5), is being amended to correct a reference.
12. Section 2-286, Supplemental Share Plan Retirement Benefits, is being amended to add certain elements required for defined contribution components by the Internal Revenue Service to ensure compliance with the Internal Revenue Code.

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By copy of this letter to the Board's actuary, Foster & Foster, Inc., I am requesting that they provide you with a letter indicating the cost, if any, associated with the adoption of this ordinance.

If you or any member of your staff have any questions with regard to this ordinance, please feel free to give me a call. In addition, if you feel it would be appropriate for me to be present at the meeting at which this ordinance is considered by the City Commission, please contact my office to advise me of the date that the ordinance would be considered.

Yours very truly,

A handwritten signature in black ink, appearing to read "Scott R. Christiansen", written in a cursive style.

Scott R. Christiansen

SRC/dm  
enclosure

cc: Doug Lozen, with enclosure  
Daniel Schult, with enclosure ✓  
Linda Runkle, with enclosure