



## MEMORANDUM

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Date: June 6, 2024 City Commission Meeting

To: The City Commission for the City of Key West

From: Ronald Ramsingh, City Attorney

Subject: An Ordinance to Amend the Provisions of the DROP Ordinance for General Employees to extend from 5 to 8 years

Sponsors: Commissioners: Carey, Hoover, Wardlow, and Lopez

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### **Background**

The Deferred Retirement Option Program (DROP) allows current general employees of the Plan to participate in the program and defer receipt of retirement benefits while continuing employment with the City. Upon separation from employment, the member receives the accumulated DROP benefits and begins to receive the previously determined normal retirement benefit amounts. Eligible members may currently elect to participate in DROP for a period not to exceed a maximum of five (5) years. A similar extension of the DROP period to eight (8) years was approved by the Florida Legislature in 2022 for law enforcement officers participating in the Florida Retirement System. Additionally, the City Commission for the City of Key West approved a similar DROP extension for members of the Police and Fire Pension Fund in April and May 2024. Several municipalities have followed suit and have adopted ordinances extending the DROP period to eight (8) years. This measure was considered by the pension board for the General Employees Pension Fund on May 10, 2024 and they voted to decline a DROP extension. However, the Representative for the Teamsters Local Union 769 has endorsed the amendment and has written a letter in support.

### **Cost**

There is an attached email from GRS Consultant and Actuary explaining the benefits and drawbacks to the city and to employees regarding the extension. The actuary for the Police and Fire Pension Fund has prepared an actuarial impact statement for their amendment showing that there would be no cost associated with passage of that ordinance. This ordinance is similar.

It is the position of the Finance Department that DROP extensions create a promotional impediment for middle and upper middle management, and that there are costs associated with carrying top salaries for 3 additional years. Finance has created their own cover memo.

**Options:**

1. To pass the proposed ordinance. Current general employees can elect to enter or extend their DROP from 5 to 8 years, consistent with the Police and Fire pension fund.
2. To Deny the proposed ordinance. Current employees would continue to be bound by the 5-year regulation.

**Recommendation:** The City Attorney makes no recommendation regarding this proposal since it is a matter of policy.