



DROP FREEZE 2016 PROPOSAL

ENSURING SUCCESS FOR CITY OF MEMPHIS

HR Division

September 2016

Agenda

1. Background
2. Program Structure
3. Benefits
4. Next Steps

BACKGROUND

CURRENT PROGRAM

- 199 current DROP Participants, of which 134 are Police & Fire
- Participate up to 3 years
- Election to participate quarterly

PROPOSED CHANGES

- FREEZE participation up to 3 years
- Voluntary Program – Similar to 2015
- Option to “unfreeze” at anytime
- Enrollment period will be November 1 – 30, 2016

PROGRAM STRUCTURE

NOV 2016

Current DROP enrollees receive one-time opportunity to suspend DROP participation for up to 3 years.

DEC 2016 AND BEYOND

Employee can re-enter and complete remaining DROP term during future DROP enrollment period; or retire and receive account balance.

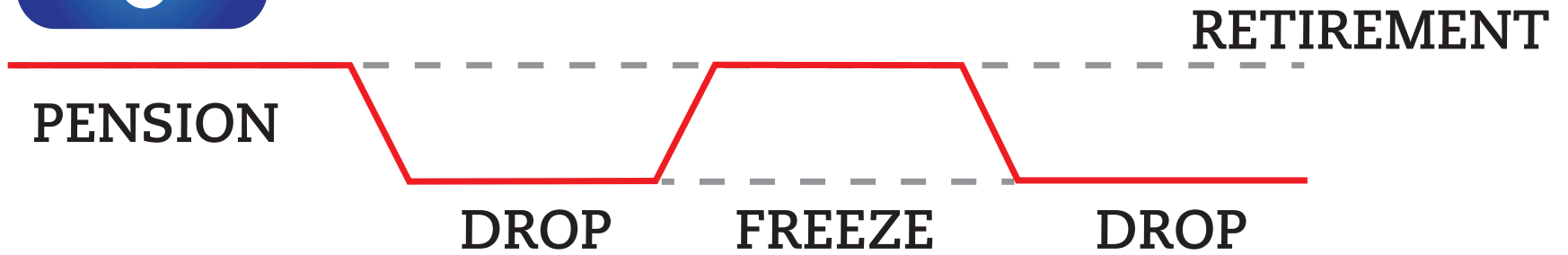
Upon return to DROP or retirement, Employee pension calculation will be updated

BENEFITS

- Suspension of the DROP is necessary to facilitate the employment of Police Director Michael Rallings past 2018
- Opportunity to continue with retention and succession planning efforts to fill critical senior positions

As in 2015, this proposal is constitutionally sound and would be financially immaterial.

EXAMPLE: Police Officer J. Doe



EXAMPLE

	25-Year Employee at \$50,000/year DROP Participant		25-Year Employee at \$50,000/year Non-DROP or DROP Freeze Participant	
Total City Expense	\$81,250		\$49,000	
Pension Fund	DROP Earnings (Pension Fund) No Employee Pension Contribution	\$31,250	DROP Earnings (Pension Fund)	\$0
			Employee Pension Contribution (8%)	(\$4,000)
General Fund	Base Salary (General Fund) No City Pension Contribution	\$50,000	City Pension Contribution (6%)	\$3,000
			Base Salary (General Fund)	\$50,000

NOTES:

1. If the employee is out of the DROP for 3 years their pension benefit calculation will change and they will retire with a pension of \$35,000 vs \$31,250 (above) if they remain in the DROP.
2. Filling positions more quickly through allowing employees to come out of the DROP (especially in Public Safety) will decrease overtime in the short-run.

NEXT STEPS

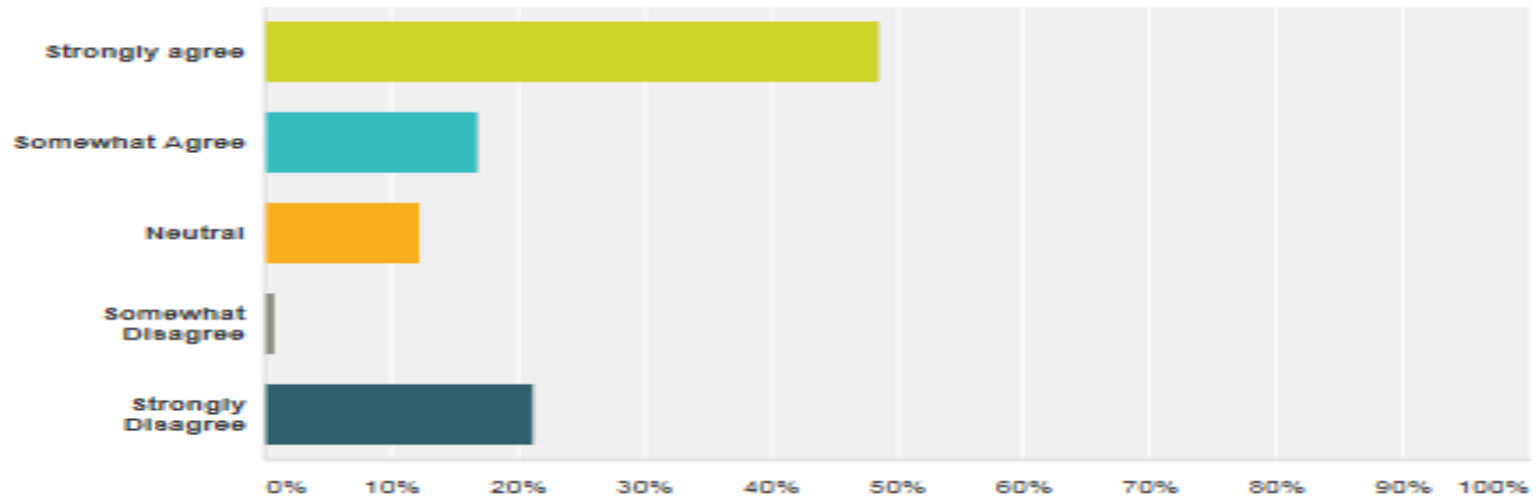
- Asking for the city council to pass new ordinance
- If passed, the City will finalize communications; and program will launch November 1, 2016

Appendix

2015 SURVEY RESULTS

I would like the option to freeze or suspend my participation in the DROP Freeze Program.

Answered: 113 Skipped: 1

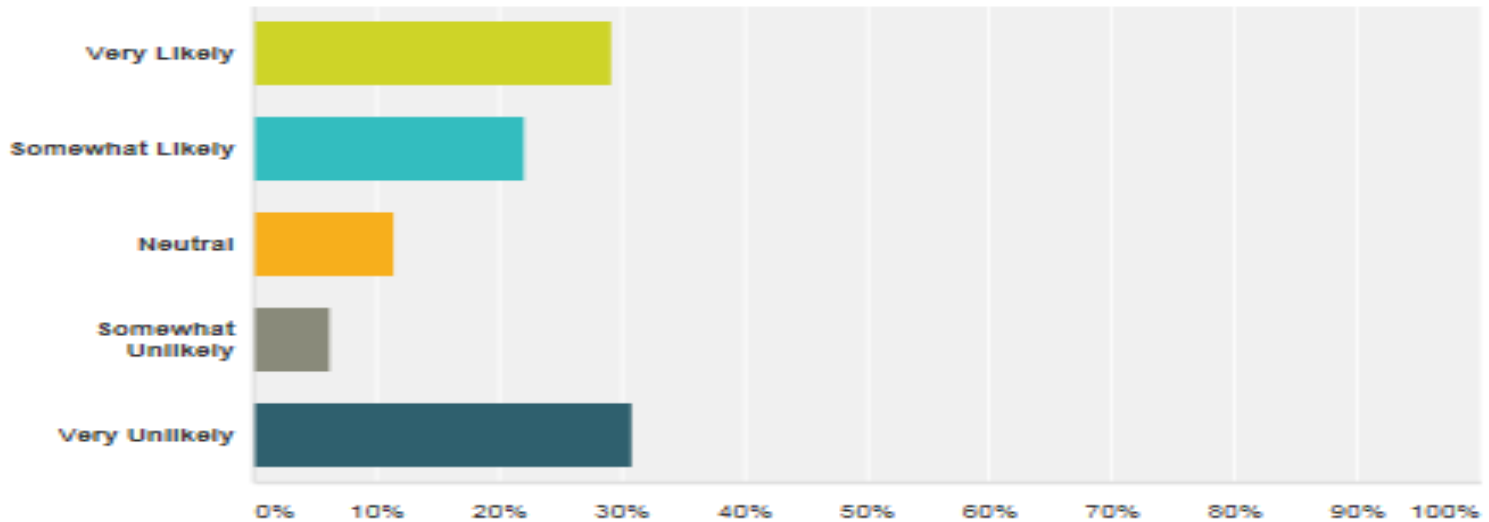


Answer Choices	Responses	
Strongly agree	48.67%	55
Somewhat Agree	16.81%	19
Neutral	12.39%	14
Somewhat Disagree	0.88%	1
Strongly Disagree	21.24%	24
Total		113

2015 SURVEY RESULTS

How likely are you to participate in a DROP Freeze Program if you had the option?

Answered: 113 Skipped: 1



Answer Choices	Responses
Very Likely	29.20% 33
Somewhat Likely	22.12% 25
Neutral	11.50% 13
Somewhat Unlikely	6.19% 7
Very Unlikely	30.97% 35
Total	113