

CITY COUNCIL MEMORANDUM

FOR INFORMATION ONLY

TO: Mayor and City Council
FROM: Thomas J. Bonfield, City Manager *TJB*
DATE: October 5, 1999
SUBJ: Annual Audit / Pension Questions

In a memo dated September 1, 1999, I advised that the City's auditors, Saltmarsh, Cleaveland, and Gund, had questioned the calculation of certain pensions for two recently retired City employees. The retired employees are Edmond R. Hinkle and Norman N. Chapman, Jr. While the total compensation included in the pension calculations was identified in the Notice of Pension sent to the appropriate pension board for approval, the auditors wanted to ascertain that the boards understood the detailed components that made up total compensation.

At the General Pension Board meeting on September 8, 1999, Richard Barker, Jr. in his role as Pension Plan Administrator addressed the Board regarding the inclusion of certain compensation in the pension calculation for Edmond R. Hinkle. The information provided to the Board concerning Mr. Hinkle's total compensation for pension purposes is outlined below.

Type of Pay	12/15/97 Through 11/8/98	12/16/96 Through 12/14/97	11/9/96 Through 12/15/96
Regular pay and longevity paid thereon	105,983.96	104,059.39	7,809.48
Sick leave redemption			3,663.70
In-service annual leave redemption and longevity paid thereon	17,015.32	14,603.50	
Deferred compensation	25,613.94		
Bonus (in lieu of salary increase) and longevity paid thereon	3,687.24		
One-time lump sum payment and longevity paid thereon	30,722.30		
Total compensation included in pension calculation.	183,022.76	118,662.89	11,473.18

Had Mr. Hinkle's in-service annual leave redemption and one-time lump sum payment and longevity paid thereon been excluded from total compensation for pension purposes, his annual pension would have been \$65,212.56 rather than \$81,421.20 as approved by the Board on November 4, 1998. Had Mr. Hinkle worked until his planned retirement date of January 23, 1999 rather than receiving a 90-day lump sum payment, his annual pension would have been \$77,667.60.

At the same meeting, Mr. Barker reviewed with the Board the payments to Norman N. Chapman, Jr. included in his total compensation for general pension purposes. Those payments are outlined on page 2 of this memo.



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Type of Pay	12/15/97 Through 10/14/98	12/16/96 Through 12/14/97	10/15/96 Through 12/15/96
Regular pay and longevity paid thereon	66,459.76	73,337.69	12,198.47
Sick leave redemption			2,772.38
Severance pay and longevity paid thereon	21,478.89		
One-time payment and longevity paid thereon	9,737.00		
Total compensation included in pension calculation.	97,675.65	73,337.69	14,970.85

Had Chief Chapman's severance pay and one-time payment and longevity paid thereon been excluded from total compensation for pension purposes, his annual pension would have been \$37,144.44 rather than \$44,636.16 as approved by the Board on October 14, 1998.

The General Pension Board indicated they were not aware of the detailed components that went into these two pension calculations. The Board took no further action on the two previously approved pensions.

At the Police Pension Board meeting held on September 8, 1999, Mr. Barker in his role as Pension Plan Administrator addressed the Board regarding the inclusion of the payments mentioned earlier in Chief Chapman's total compensation for pension purposes. The components of Chief Chapman's total compensation for police pension purposes are outlined below.

Type of Pay	12/15/97 Through 10/14/98	12/16/96 Through 12/14/97	12/18/95 Through 12/15/96	12/19/94 Through 12/17/95	12/20/93 Through 12/18/94	10/15/93 Through 12/19/93
Regular pay & longevity thereon	66,459.76	73,337.69	68,097.43	63,399.59	41,054.80	7,237.55
Sick leave redemption			2,772.38	2,578.96	1,599.00	
Severance pay & longevity thereon	21,478.89					
One time payment & longevity thereon	9,737.00					
Total compensation	97,675.65	73,337.69	70,869.81	65,978.55	42,653.80	7,237.55

Had Chief Chapman's severance pay and one-time payment and longevity paid thereon been excluded from total compensation for police pension purposes, his annual pension would have been \$31,347.60 rather than \$34,344.24 as approved by the Board on October 14, 1998.

The Police Pension Board indicated they were not aware of the detailed components that went into this pension calculation and took no further action on this previously approved pension.

At the September 23, 1999 meeting, City Council passed an ordinance excluding severance pay and/or any other type of one-time payment made at the time an employee leaves the service of the City from being included in future pension calculations.

This memo is provided for Council's information. Should you have questions, please do not hesitate to contact me for any further explanation you may desire. You may also contact Mike Adkins of Saltmarsh, Cleveland and Gund at 435-8300.