

**10876. RESOLUTION 14-38 – AUTHORIZES THE AMENDMENTS TO THE RESTATED DELAWARE RIVER AND BAY AUTHORITY EMPLOYEES’ RETIREMENT PLAN, DEFINED CONTRIBUTION PLAN, AND MEDICAL AND LIFE INSURANCE RETIREMENT PLANS FOR PERMANENT FULL-TIME EMPLOYEES HIRED ON OR AFTER JANUARY 1, 2015**

WHEREAS, the Delaware River and Bay Authority (the “Authority”) currently maintains the Delaware River and Bay Authority Employees’ Defined Benefit Retirement Plan (the “Retirement Plan”) and the Delaware River and Bay Authority Defined Contribution Plan (the “Defined Contribution Plan”); and

WHEREAS, pursuant to Section 8.1(a) of the Retirement Plan and Section 7.1(a) of the Defined Contribution Plan, the Authority has the right to amend the Retirement Plan and the Defined Contribution Plan pursuant to a resolution of the Commissioners of the Authority; and

WHEREAS, the Authority also provides certain post-retirement welfare benefits in the form of medical benefits and life insurance (the “Retiree Welfare Benefits”); and

WHEREAS, pursuant to Section X of the Personnel Manual, the Authority reserves the right, in accordance with applicable laws and regulations, to terminate or amend the Retiree Welfare Benefits provided to retired employees at any time and from time to time; and

WHEREAS, the Authority desires to amend the Retirement Plan, the Defined Contribution Plan, and the Retiree Welfare Benefits provided to permanent full-time employees hired on or after January 1, 2015; and

WHEREAS, the proposed amendments have been reviewed by the Personnel Committee and found to be appropriate; and

WHEREAS, the proposed amendments will reduce the Authority’s long term costs for post-employment benefits while still providing for the Authority’s employees in a responsible manner.

NOW, THEREFORE, BE IT RESOLVED, that the Delaware River and Bay Authority hereby approves the following amendments to the above-referenced plans effective January 1, 2015:

1. “Retirement Plan 1” is the Retirement Plan in effect on December 31, 2014 and is only available to permanent full-time employees who are hired on or before December 31, 2014.
2. “Retirement Plan 2” is the Retirement Plan in effect on January 1, 2015.
3. Any permanent full-time employee hired on or after January 1, 2015 will become vested in Retirement Plan 2 after ten (10) years of service. Pension

benefits will be calculated based on 1.5% of the average base salary for the three (3) highest consecutive years multiplied by years of service. Employees will be required to contribute 3% of base salary to said Plan.

4. Any permanent full-time employee hired on or after January 1, 2015 will be required to contribute 2% of base salary to the Defined Contribution Plan beginning the first pay period following 30 days of active employment and will receive a 100% employer match on their contributions up to 4% of base salary. A participating employee will become fully vested in the employer match portion of the Defined Contribution Plan after five (5) years of service.
  
5. Any permanent full-time employee hired on or after January 1, 2015 will be eligible for retirement medical benefits for the retiree only and not the retiree's spouse and dependents with a cost-share for insurance premiums thereon to be allocated between the employee and the Authority as set forth in the chart below. Only whole years of service will be counted toward the years of service. At no time will the lowest Retiree contribution rate be less than the lowest single-coverage Active employee contribution rate; should the Active Employee contribution rate change, the lowest Retiree contribution will convert to be equal to the lowest single-coverage Active employee contribution rate as of the effective date of the change.

Years of Service	Retiree Contribution	Employer Contribution
10	60%	40%
11	57%	43%
12	54%	46%
13	51%	49%
14	48%	52%
15	45%	55%
16	42%	58%
17	39%	61%
18	36%	64%
19	33%	67%
20	30%	70%
21	27%	73%
22	24%	76%
23	21%	79%
24	18%	82%
25+	15%	85%

6. Any permanent full-time employee hired on or after January 1, 2015 who retires from the Authority with at least ten (10) years of service, will be eligible for a \$10,000 retiree life insurance policy for which premiums shall be paid by the Authority.
7. A “rehire” is an employee who is hired by the Authority in a permanent full-time position on or after January 1, 2015 and who has completed some period of full- or part-time employment with the Authority prior to December 31, 2014.
8. Any permanent full-time employee rehired on or after January 1, 2015 who has previous service time credit but who had not vested in Retirement Plan 1 as of December 31, 2014 shall be eligible to purchase back that pension service credit time under the Retirement Plan 2 at a rate of 5% of their salary at the time they become vested in Retirement Plan 2. Time so purchased will count toward both final pension calculation and retiree medical benefit cost share purposes. Vesting will be determined under Retirement Plan 2.
9. Any permanent full-time employee rehired on or after January 1, 2015 who has previous service time credit but who had vested in the pension plan as of December 31, 2014 will be vested in Retirement Plan 2 upon rehire and will receive a total pension based on adding the amount of pension from Retirement Plan 1 and the amount of pension from Retirement Plan 2 based on years of service under each plan. The total years of service will not be combined for purposes of pension benefits due under each plan. The total years of service will be combined for purposes of determining retirement eligibility and for calculating the employee cost share of retiree medical benefits.

NOW, THEREFORE, BE IT FURTHER RESOLVED, that the proper officers and employees of the Authority are hereby authorized to execute the necessary amendments to the Retirement Plan, the Defined Contribution Plan, the retiree medical benefits plan and the retiree life insurance plan and to take whatever action to execute whatever instruments with the advice and consent of General Counsel that may be necessary or convenient to carry out the foregoing resolution.

A motion to approve Resolution 14-38 was made by Commissioner Wilson and seconded by Commissioner Murphy. Resolution 14-38 was approved by a roll call vote of 10-0.

## **Resolution 14-38 Executive Summary Sheet**

**Resolution:** Authorizes the Amendments to the Restated Delaware River and Bay Authority Employees' Retirement Plan, Defined Contribution Plan, and Medical and Life Insurance Retirement Plans for Permanent Full-Time Employees hired on or after January 1, 2015

**Committee:** Personnel Committee

**Committee Date:** October 21, 2014

**Board Date:** October 21, 2014

### **Purpose of Resolution:**

To approve proposed amendments to the restated Authority's retirement plans (defined benefit and defined contribution), and Retiree Welfare Benefit plans (medical and life insurance) for all permanent full-time employees hired on or after January 1, 2015 as presented by the Executive Director and the Chief Human Resources Officer.

To approve proposed amendments to the restated Authority's retirement plans and Retiree Welfare Benefit plans for all permanent full-time employees rehired on or after January 1, 2015.

To continue the Authority's practices of fiscal responsibility and providing for the Authority's employees.

### **Background for Resolution:**

The Delaware River and Bay Authority has had the Employees' retirement plans since June 1, 1963.

It is the responsibility of the Authority to frequently review the benefits offered to current and future permanent full-time employees. To be fiscally responsible and to implement practices found in other public sector companies, the Authority has decided to revise the Authority's retirement plans (defined benefit and defined contribution) and Retiree Welfare Benefits (medical and life insurance) for permanent full-time new and rehired employees hired on January 1, 2015 and beyond.

Based on recent research and review of the Authority's retirement plans (defined benefit and defined contribution) and Retiree Welfare Benefits (medical and life insurance) compared with established practices, the Authority recommends amendments as follows:

1. Change vesting in Retirement Plan from 5 year cliff vesting to 10 year cliff vesting.
2. Change current pension formula in Retirement Plan, which utilizes Social Security integration factors, to straight 1.5% formula (average highest 3 consecutive years of earnings times 1.5% times years of service), with no Social Security integration.
3. Change Defined Contribution Plan match to 100% match on first 4% of employees' contributions of which 2% contribution by employees will be mandatory.
4. Change retiree health insurance benefits to have future retirees contribute to health care costs by paying a portion of the premiums for such coverage based on years of service. Only full years of service will be counted toward the years of service. At no time will the lowest Retiree contribution rate be less than the lowest single-coverage Active employee contribution rate; should the Active Employee contribution rate change, the lowest Retiree contribution will convert to be equal to the lowest single-coverage Active employee contribution rate as of the effective date of the change.
5. Change retiree life insurance benefits to move from 1 times (1X) base pay for basic life insurance to a flat \$10,000 benefit.
6. Rehire is defined as an employee who is hired for a permanent full-time position on or after January 1, 2015 who has completed some prior period of employment, either full- or part-time with the Authority.
7. Retirement Plan 1 is the Retirement Plan as in effect on December 31, 2014 and is only available to permanent full-time employees who are hired on or before December 31, 2014.
8. Retirement Plan 2 is the Retirement Plan as in effect on January 1, 2015.
9. If a rehire has not yet vested in a prior plan, s/he will be permitted to purchase past service time under Retirement Plan 2 at a rate of 5% of the rehired employee's salary at the time that such rehired employee becomes vested in Plan 2. Prior service time purchased shall be utilized both for pension

calculations under Retirement Plan 2 and for calculation of employee cost share for retiree medical benefits.

10. If a rehire has vested in a prior plan, s/he will be deemed vested in Retirement Plan 2 and will receive a pension benefit calculated by adding the pension benefit due under Retirement Plan 1 and the pension benefit due under Retirement Plan 2 based on service under each of the plans. Total years of service will not be added together for purposes of either plan individually. The total years of service will be counted toward employee cost share of retiree medical benefits, as well as determination of retirement eligibility.