



AGENDA MEMORANDUM

Finance Department

City Council Regular Meeting Date: December 16, 2025

To: City Council
From: Steve C. Chaipel, Deputy City Manager/CFO
Date: December 3, 2025

SUBJECT: Ordinance 25-025 – Correcting Language for Supplemental Contribution

BACKGROUND: The Municipal Police Officers' Retirement Trust Fund (Plan) provides Sanibel's sworn police officers with pension benefits upon their retirement. All police officers are required to participate in the Plan. The Plan requires mandatory contributions from participants of 5.0% of earnings, which are deducted from paychecks on a bi-weekly basis and continue until the participant separates from the City or reaches retirement age. The final pension benefit that the participant receives is actuarially determined based on the final 5 years of salary and not directly related to the 5.0% contributions made.

The Plan also includes a supplemental benefit to assist in medical expenses after retirement (in addition to the pension benefit noted above). To participate in this supplemental benefit, a participant must contribute an additional 3.0% of earnings into the Plan. The final supplemental benefit is actuarially determined based on final years of service and continues until the participant reaches 67 (or a minimum of 5 years if the participant retires after 62).

DISCUSSION: The supplemental benefit is defined in [Section 50-313\(e\)](#) of the City Code as follows (bold emphasis added):

*"Supplemental benefit. Participants shall be entitled to **voluntarily contribute an optional** three percent of earnings and to receive a supplemental benefit that shall be calculated on the basis of service multiplied by a dollar amount which shall be calculated by the plan's actuary. The participant must exercise such option within 30 days of initial employment as a police officer, or for current participants, within 30 days from the adoption of this provision. Such supplemental benefit shall be paid to the participant exercising this optional extra contribution until the participant attains age 67 or, in the event of death, to his/her spouse or beneficiary to the date at which he/she would have reached age 67. Notwithstanding the above, those retiring above the age of 62 shall have the supplemental benefit paid to them (or in the event of their death) to their spouse or beneficiary for a minimum of five years."*

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As written currently, [Section 50-441\(a\)](#) of the Code states (bold emphasis added):

*“All participants shall make regular contributions at the rate of five percent of earnings which shall be deposited in the fund at least each pay period until reaching normal retirement age, at which time the participant contribution shall be one percent of earnings. Additionally, all participants **shall contribute another three percent of earnings**, which shall be deposited in the fund at least each pay period...”*

The City’s onboarding process for new employees has historically referenced Section 50-441 for mandatory contributions and accordingly has withheld 8.0% from participants earnings (5.0% contribution for standard pension benefit and 3.0% for the supplemental benefit).

Recently, the difference in language between Code sections has been discovered. Based on reviewing documentation and other information, Staff has come to the conclusion that the supplemental contribution was always intended to be an optional component of the Plan. This ordinance would correct language in Section 50-441 to reflect the optional election.

The Plan’s pension board of trustees was briefed on this issue at its November 12, 2025 meeting. After discussion with Staff and the Plan’s legal and investment consultant, the Board reached consensus that City Staff should proceed with the remediation noted above.

RESOLUTION: There are approximately 12 sworn officers that have indicated they would not have elected the supplemental benefit given the choice at hire (there are 29 authorized sworn officer positions). After consultation with the City’s actuary, The City Attorney, the Plan’s Attorney, and City management it has been determined that the remedy for this situation would be to refund the 3.0% supplementary contributions for those employees that wish to opt out of the supplement. This refund would go back to the date of hire for the individual. The total refund would be considered taxable income to the participant in the year it was received (2026) since the pension deductions from pay are pre-tax. These refunds would be paid directly by and from 5th/3rd Bank, who is the Plan’s custodian of assets and Third Party Administrator (TPA) for Plan expenses.

[Section 50-314](#) of the code specifies that the optional benefits must be supported by written authorization from a participant. There is no indication that a form was created for this purpose, so Staff developed one (Attachment A to this memorandum) that will be used during the onboarding process. It will also be distributed to all existing members to affirmatively opt in or out from the supplemental benefit. Any employee opting out of the supplemental benefit would be refunded as described in the preceding paragraph.

EFFECT: The overall financial effect to the Plan is expected to be minimal. Even though the refunds mentioned above would reduce Plan assets (cash), the future benefit calculation of the supplemental contribution would be eliminated from the unfunded liability and would require less cash in the future to pay down.

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FUNDING SOURCE: Funding for any potential refunds in accordance with this change would come from Plan assets which are segregated from standard City funds.

RECOMMENDED ACTION: Approval of moving Ordinance 25-025 to Second Reading and Public Hearing.

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ATTACHMENT A

**SANIBEL MUNICIPAL POLICE OFFICERS'
RETIREMENT TRUST FUND
NEW HIRE IRREVOCABLE DECISION**

This is to certify that I have been fully informed of the City of Sanibel Municipal Police Officers Retirement Trust (Plan) provisions regarding mandatory and voluntary contributions of employee earnings into the Plan.

I have been advised of and understand that I must make MANDATORY contributions equivalent to 5.0% of my earnings for each pay period into the Plan (Sanibel Code of Ordinances Chapter 50, Article III, Division 2, Subdivision XV, Section 50-441).

I have been advised of and understand that I must make an IRREVOCABLE decision relative to voluntarily contributing an additional 3.0% of my earnings for an OPTIONAL supplemental health benefit that is eligible to be paid to participants upon normal or early retirement and until the age of 67 (or a minimum of 5 years if I retire past the age of 62) (Sanibel Code of Ordinances Chapter 50, Article III, Division 2, Subdivision VI, Section 50-313, Paragraph e).

I agree that the City of Sanibel has provided me with sufficient information to make this decision and has clarified the above available options as they relate to the Plan.

I fully understand and agree that my decision relative to the option selected below is a **PERMANENT, IRREVOCABLE ACTION AND CANNOT BE CHANGED AT ANY FUTURE TIME DURING MY EMPLOYMENT WITH THE CITY OF SANIBEL**. My decision below in no way reflects any promise, either direct or implied, by any employee or officer of the City of Sanibel that there is any possibility to change this decision at some future date.

DECISION (CHECK AS APPROPRIATE)

☐ I hereby voluntarily agree to make an additional contribution of 3.0% for the supplemental health benefit described above which I understand is an IRREVOCABLE DECISION to the plan. This contribution is in addition to the mandatory plan contribution of 5.0%.

☐ I hereby decline to contribute an additional 3.0% of my earnings to the Plan for the purposes of the supplemental health benefit described above. I understand this decision is IRREVOCABLE.

SIGNED THIS _____ Day of _____ 20_____.

Witness:

(Print Name of Witness)

(Print Name of Participant)

(Witness Signature)

(Participant Signature)

(Date)

(Address)

(City, State & ZIP)

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