



June 17, 2025

Mr. Nick Schiess, Pension Administrator
City of Fort Lauderdale
General Employees Retirement System
316 NE Fourth Street, Suite 2
Fort Lauderdale, Florida 33301

Re: City of Fort Lauderdale General Employees Retirement System

Dear Nick:

We have discussed a proposed ordinance that would amend the City of Fort Lauderdale General Employees Retirement System to extend the maximum participation period in the Deferred Retirement Option Program (DROP) from the current three years. Current proposals contemplate two alternatives:

- Extend the maximum participation period to eight years, or
- Extend the maximum participation period to five years.

In our opinion, the revisions described above will not result in a measurable change in employer contributions or unfunded liability in the short-term or the long-term. This assessment may be different if the ordinance incorporates additional revisions to the program. We will be glad to review the ordinance once it is drafted.

At the time this letter was prepared, it was not certain which employee groups would be affected by the proposal. It is also not clear if members who missed their window of eligibility would be allowed to participate in the DROP if they meet the restated eligibility criteria. These uncertainties do not change our assessment of the cost impact.

It is important to remember that longer DROP eligibility increases plan exposure to adverse selection. Under the current plan provisions, eligible members must exit the DROP no later than on the third anniversary of attaining their respective eligibility for Normal Retirement. Longer participation periods give members more time to accumulate DROP balances and offer greater flexibility in timing their DROP termination. While individual choices made by members of a diverse group are typically not expected to increase the plan's cost, a large group of members exiting DROP with balances higher than in the absence of this provision may expose the plan to increased liquidity demands temporarily restricting plan's investment flexibility.

Because these changes will not have an immediate actuarial impact on the cost of the Retirement System, it is our opinion that a formal Actuarial Impact Statement is not required. However, we

Mr. Nick Schiess

June 17, 2025

Page 2

recommend that you send a copy of this letter and the ordinance to the Bureau of Local Retirement Systems.

Piotr Krekora is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. Gabriel, Roeder, Smith and Company and Mr. Krekora are independent of the Plan sponsor.

We welcome your questions and comments.

Sincerely yours,

A handwritten signature in blue ink, appearing to read "Piotr Krekora".

Piotr Krekora, ASA, EA, MAAA
Senior Consultant & Actuary

The above communication shall not be construed to provide tax advice, legal advice or investment advice.

