CITY OF
FORT LAUDERDALE
Venice of America
GENERAL EMPLOYEES' RETIREMENT SYSTEM
401 N.E. Fourth Street, Suite 201Fort Lauderdale, FL 33301
Telephone 954-828-5171 or Toll-Free 1-888-269-4447 Fax 954-828-5270
www.Citypension.com

May 13, 2024

Acting City Manager Susan Grant
Mayor Dean Trantalis
Vice Mayor Steve Glassman
Commissioner Pam Beasley-Pittman
Commissioner John Herbst
Commissioner Warren Sturman

RE: COLA Recommendation for GERS Retirees and Beneficiaries

Dear Mayor and Commissioners:

I am writing on behalf of the Board of Trustees of the Fort Lauderdale General Employees' Retirement System (GERS) to request consideration of a cost-of-living adjustment (COLA) for the Pension Plan's retirees and beneficiaries.

Included for your consideration is information regarding historical COLA increases, key indices on the financial position of the Pension Plan and an actuarial cost study for a 2.75% COLA.

The GERS Board reviewed cost studies prepared by the Plan's actuary at the last meeting on May 9, 2024 for several levels of COLA increases and recommends a 2.75% increase to retirees, beneficiaries and DROP members who retired before October 1, 2022. The additional funding requirements would be $12,494,919 as a one-time cost, $2,835,619 if amortized over 5 years or $2,152,978 if amortized for 7 years.

Since the last COLA was approved in 2001, the Consumer Price Index (CPI) has increased 73.9%. A mechanism for COLA increases has existed within City Ordinance to protect former City employees and their beneficiaries from the ravages of inflation. GERS currently provides benefits to 1496 retirees and beneficiaries.

The GERS Board respectfully requests earnest and thoughtful consideration for the proposed cost-of-living adjustment. Should you have any questions or need any additional information do not hesitate to contact the Plan Administrator, Nick Schiess, at 954-828-5171.

Sincerely,

Lynn Wenguer

Lynn Wenguer
Chairperson, Board of Trustees
Fort Lauderdale General Employees' Retirement System

Enclosures

GENERAL EMPLOYEES' RETIREMENT SYSTEM

The Case For Cost of Living Adjustments

COLA HISTORY

COLA's were routinely granted until the year 2001, but since then there have been none

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
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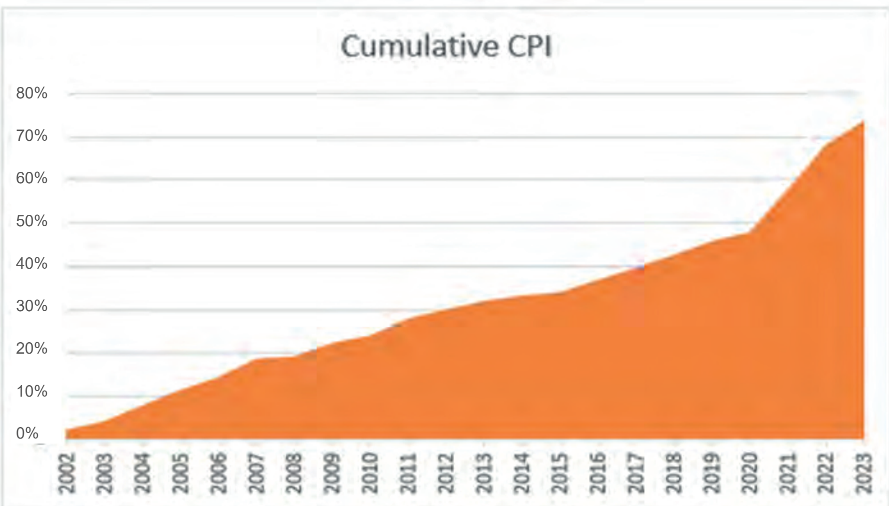


GERS does have an ad-hoc COLA provision, the last one was applied over 24 years ago

Since then inflation has risen

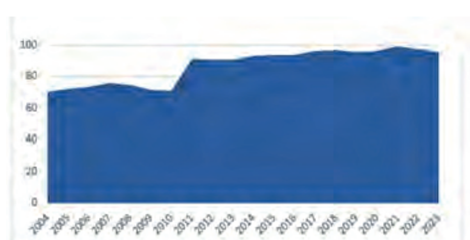
73.9%

What things cost in 2001:

New House	$134,150.00
Gallon of Gas	1.26
New car	24,750.00
US Postage Stamp	.33
Dozen Eggs	.89

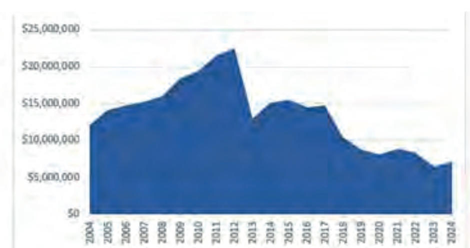
Pension Plan is in Excellent Financial Condition

FUNDED RATIO



The funded ratio is a common measure of assets versus liabilities. It has continued to rise and is an extraordinary 99%. Anything over 80% is considered satisfactory.

CITY CONTRIBUTIONS



City Contributions to GERS have been trending dramatically downwards for many years.

PLAN MEMBERSHIP

as of September 30, 2023

Active Members	398
Benefit Recipients	1,496
Terminated Vested Members	73
Total Membership	**1,967**

May 13, 2024

Mr. Nick Schiess
Pension Administrator
City of Fort Lauderdale
General Employees Retirement System
401 NE Fourth Street, Suite 201
Fort Lauderdale, Florida 33301

Re: City of Fort Lauderdale General Employees Retirement System COLA Study

Dear Nick:

As requested, enclosed is the actuarial study as of September 30, 2023 for the City of Fort Lauderdale ("City") General Employees Retirement System ("Plan") showing the first-year impact to the City's contribution requirement in connection with providing a one-time cost of living adjustment (COLA) of 2.75% to retirees, beneficiaries and DROP members who retired before October 1, 2022. The figures shown herein assume an October 1, 2024 effective date.

Summary of Findings

	9/30/2023 *Valuation* *Baseline*	9/30/2023 *Valuation* *2.75% COLA 7-Year Amortization*	9/30/2023 *Valuation* *2.75% COLA 5-Year Amortization*
Unfunded Accrued Liability	$ 31,429,090	$ 43,924,009	$ 43,924,009
Change in UAL		*$12,494,919*	*$12,494,919*
If the City Pays the Required Employer Contribution (REC) in-full on:	10/1/2024	10/1/2024	10/1/2024
For the Fiscal Year Ending	9/30/2025	9/30/2025	9/30/2025
REC for Contribution Year	$ 7,829,561	$ 9,982,539	$ 10,665,180
Change in REC		*$2,152,978*	*$2,835,619*

Additionally, as of September 30, 2023, the Plan's funded ratio (actuarial value of assets divided by actuarial accrued liability) would decrease by 1.6%, from 95.8% to 94.2%.

Risks Associated with Measuring the Present Value Projected Benefits and Accrued Liability

The determination of the present value of projected benefits and accrued liability requires the use of assumptions regarding future economic and demographic experience. Risk measures are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the present value of projected benefits and accrued liability that result from the differences between actual experience and the actuarial assumptions. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: actual experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in Plan provisions or applicable law. The scope of this report does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the Plan's future financial condition include:

1. Investment risk – actual investment returns may differ from the either assumed or forecasted returns;

2. Contribution risk – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;

3. Salary risk – actual salaries may differ from expected, resulting in actual future accrued liability differing from expected;

4. Longevity risk – members may live longer or shorter than expected and receive pensions for a period of time other than assumed;

5. Other demographic risks – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return is less (or more) than the assumed rate, the cost of the Plan can be expected to increase (or decrease). Likewise, if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

Risk Assessment

Risk assessment was outside the scope of this assignment. Risk assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability. We are prepared to perform such assessment to aid in the decision-making process.

Required Disclosures

This report was prepared at the request of the Board of Trustees and is intended for use by the Plan and those designated or approved by the Board. This report may be provided to parties other than the Board only in its entirety and only with their permission. GRS is not responsible for unauthorized use of this report.

This report is intended to describe the financial effect of the proposed COLA. No statement in this report is intended to be interpreted as a recommendation in favor of or opposition to the proposed changes. This report should not be relied on for any purpose other than the purpose described above.

Please note that the increase in the UAAL is amortized over either seven years or five years in this analysis rather than the current amortization period of 19 years. We have reflected a shorter amortization period to accelerate the funding of the liability increase since the proposed changes apply only to members who are already collecting benefits.

The enclosed exhibit shows the impact on the required City contribution for the first year only. The ultimate cost of the proposed change is measured by the increase in UAAL for the affected inactive members. This assumes all of our current actuarial assumptions are met each year.

If a COLA is approved and granted, we recommend incorporating an assumption into the actuarial valuation for future COLAs. However, the likelihood that future COLAs will be approved by the City Commission is currently unknown, so if a future COLA assumption is not adopted, we recommend monitoring the actual experience of future COLA decisions made by the City Commission over a period of 3 to 5 years, and then taking action with regard to a future COLA assumption based on this experience.

The calculations in this report are based upon information furnished by the Plan Administrator and the City for the September 30, 2023 actuarial valuation. We reviewed this information for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the Plan Administrator and the City.

The calculations in this report are based on data or other information through September 30, 2023. They are also based on the assumptions, methods, and plan provisions outlined in this report and the September 30, 2023 actuarial valuation report dated April 9, 2024. If you have reason to believe that the assumptions/methods that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the authors of this report prior to relying on information in this report.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the Plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board, and with applicable statutes.

Melissa R. Zrelack and Piotr Krekora are members of the American Academy of Actuaries. These actuaries meet the Academy's Qualification Standards to render the actuarial opinions contained herein. The signing actuaries are independent of the plan sponsor.

This actuarial valuation and/or cost determination was prepared and completed by us or under our direct supervision, and we acknowledge responsibility for the results. To the best of our knowledge, the results are complete and accurate. In our opinion, the techniques and assumptions used are reasonable, meet the requirements and intent of Part VII, Chapter 112, Florida Statutes, and are based on generally accepted actuarial principles and practices. There is no benefit or expense to be provided by the Plan and/or paid from the Plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.

We welcome your questions and comments.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

Melissa Zrelack
Melissa R. Zrelack, EA, MAAA, FCA
Consultant and Actuary

Piotr Krekora
Piotr Krekora, ASA, EA, MAAA, FCA
Senior Consultant and Actuary

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

GRS