



December 12, 2023

Board of Trustees  
City of Fort Lauderdale  
Firefighters and Police Officers' Pension Board

Re: City of Fort Lauderdale Police and Firefighters' Retirement System

Dear Board:

Enclosed is the following material, which has been prepared in support of the proposed changes to the Fund:

1. Three (3) copies of the required Actuarial Impact Statement, which outlines the costs associated with implementing the changes.
2. Draft of transmittal letters to the Bureau of Local Retirement Systems and the Bureau of Police Officers' and Firefighters' Retirement Trust Funds.

It will be necessary for the Chairman to sign each copy of the Actuarial Impact Statement as the Plan Administrator and forward the Impact Statement, along with a copy of the proposed Ordinance, to the two Bureaus prior to final reading.

If you have any questions concerning the enclosed material, please let us know.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bradley R. Heinrichs'.

Bradley R. Heinrichs, FSA, EA, MAAA

Enclosure

Mr. Steve Bardin  
Police Officers' and Firefighters' Retirement Trust Funds  
Department of Management Services, Division of Retirement  
3189 S. Blair Stone Rd.  
Tallahassee, FL 32301

Re: Actuarial Impact Statement

Dear Mr. Bardin:

The City of Fort Lauderdale is considering the implementation of amended retirement benefits for its Firefighters and Police Officers. The changes are described in the enclosed material.

Pursuant to the provisions of Chapters 175 and 185, we are enclosing the required Actuarial Impact Statement along with a copy of the proposed Ordinance for your review.

If you have any questions or if additional information is needed, please contact us.

Sincerely,

Mr. Keith Brinkman  
Bureau of Local Retirement Systems  
Division of Retirement  
3189 S. Blair Stone Rd.  
Tallahassee, FL 32301

Re: Actuarial Impact Statement

Dear Mr. Brinkman:

The City of Fort Lauderdale is considering the implementation of amended retirement benefits for its Firefighters and Police Officers. The changes are described in the enclosed material.

Pursuant to Section 22d-1.04 of the Agency Rules, we are enclosing the required Actuarial Impact Statement (AIS) and a copy of the proposed Ordinance for your review.

If you have any questions or if additional information is needed, please contact us.

Sincerely,

CITY OF FORT LAUDERDALE  
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

ACTUARIAL IMPACT STATEMENT

December 12, 2023

Attached hereto is a comparison of the impact on the Minimum Required Contribution (per Chapter 112, Florida Statutes) and the Required City Contribution, resulting from the implementation of the following changes:

1. Allowing Police Officers to purchase up to five years of prior service by paying an amount equal to the full actuarial cost of the prior service, as determined by the actuary for the retirement system, such that the purchase of prior service results in no actuarial impact to the Plan.
2. The following changes are made for Police Officers hired on or after April 1, 2014 and Firefighters hired on or after October 1, 2014:
  - a. Average Final Compensation is determined as the average compensation during the highest 2 years of Credited Service (currently highest 5 years).
  - b. The benefit rate is increased from 3.00% to 3.38% for all years of Credited Service. The maximum benefit accrual is increased from 75% to 81% of Average Final Compensation.
  - c. The normal form of annuity is a 60% Joint and Survivor annuity, with an additional 40% death benefit during the first year of retirement (currently 10-year certain and life).
3. For Police Officers hired on or after April 1, 2014, the normal retirement date is date the Police Officer completes 24 years of Creditable Service, or the date on which a former Police Officer would have attained age 50 years of age and 24 years of Creditable Service if employment had not been terminated, or the date on which a Police Officer has completed 10 or more years of Creditable Service and attained 55 years of age.
4. For Firefighters hired on or after October 1, 2014, the normal retirement date is date the Firefighter completes 25 years of Creditable Service, or the date on which a former Firefighter would have attained age 50 years of age and 25 years of Creditable Service if employment had not been terminated, or the date on which a Firefighter has completed 10 or more years of Creditable Service and attained 55 years of age.
5. Effective October 19, 2023, overtime for Police Officers is limited to 80 hours instead of 40 hours. To determine the impact of this change, annualized overtime was added to current pensionable earnings. Additionally, members are assumed to work twice the initial assumed amount of overtime on an individual basis in each year of the averaging period for Average Final Compensation.
6. Amended the required minimum distribution date to age 73, or such later date as permitted by the Internal Revenue Code.
7. A self-directed DROP earnings program is available to Police Officers.
8. Firefighters shall have the option to purchase an increase in the maximum benefit accrual from 81% to 84.5% of final average compensation by paying the full actuarial cost in the same manner as a purchase of prior fire service credit. Any diminishing DROP period from the maximum eight-year DROP shall not begin to reduce until the firefighter has reached 25 years of service.

9. Providing a window to elect a 10-year DROP for Police Officers and Sergeants who elect the self-directed DROP.

The cost impact, determined as of October 1, 2022, applicable to the fiscal year ending September 30, 2024, is as follows. The assumed City contribution date is October 1, 2023:

	<u>Proposed</u>	<u>Current</u>
Minimum Required Contribution	\$36,047,350	\$34,482,075
Member Contributions (Est.)	8,435,845	8,372,178
City And State Required Contribution	27,611,505	26,109,897
State Contribution (Est.) <sup>1</sup>	6,249,901	6,249,901
City Required Contribution	\$21,361,604	\$19,859,996

<sup>1</sup> Reflects updated per capita amounts based on recent premium tax distributions. It is important to keep in mind that a slight adjustment to the City's bottom line funding requirement may be necessary, based on actual allowable State Monies received.

CITY OF FORT LAUDERDALE  
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

ACTUARIAL IMPACT STATEMENT

December 12, 2023


Unless otherwise noted, all data, assumptions, methods and plan provisions are the same as in the October 1, 2022 actuarial valuation report. It should be noted that changes to retirement benefits could potentially affect participants' retirement or termination behavior. We will monitor and advise of any recommended changes with future experience studies.

Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope of the analysis, we did not perform an analysis of the potential range of such future measurements.

Please note that contents of this analysis and the October 1, 2022 actuarial valuation report are considered an integral part of the actuarial opinions. In reviewing the results presented in this study, it should be noted that there are risks that may not be inherently apparent to the reader that should be carefully considered. For key risks, please see the Discussion of Risk section of the October 1, 2022 actuarial valuation report.

In performing the analysis, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models to generate the costs. All internally developed models are reviewed as part of the process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution. The undersigned is familiar with the immediate and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the opinions contained herein.



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Bradley R. Heinrichs, FSA, EA, MAAA  
Enrolled Actuary #23-6901

STATEMENT OF PLAN ADMINISTRATOR

The prepared information presented herein reflects the estimated impact of the proposed Ordinance.

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Chairman, Board of Trustees

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Benefits <u>10/1/2022</u>	Old Benefits <u>10/1/2022</u>
<b>A. Participant Data</b>		
Actives	699	699
Service Retirees	804	804
DROP Retirees	221	221
Beneficiaries	173	173
Disability Retirees	35	35
Terminated Vested	<u>39</u>	<u>39</u>
 Total	 1,971	 1,971
 Payroll Under Assumed Ret. Age	 76,606,840	 76,050,928
 Annual Rate of Payments to:		
Service Retirees	42,512,538	42,512,538
DROP Retirees	18,772,290	18,772,290
Beneficiaries	4,509,295	4,509,295
Disability Retirees	1,648,206	1,648,206
Terminated Vested	686,901	686,901
 <b>B. Assets</b>		
Actuarial Value (AVA)	1,080,310,052	1,080,310,052
Market Value (MVA)	977,948,768	977,948,768
 <b>C. Liabilities</b>		
 Present Value of Benefits		
Actives		
Retirement Benefits	482,604,087	462,060,645
Disability Benefits	8,560,219	8,245,082
Death Benefits	3,471,822	3,335,819
Vested Benefits	19,088,373	14,969,873
Refund of Contributions	1,057,878	1,054,038
Service Retirees	475,293,321	475,293,321
DROP Retirees	329,302,788	329,302,788
Beneficiaries	38,934,282	38,934,282
Disability Retirees	19,698,640	19,698,640
Terminated Vested	<u>6,499,418</u>	<u>6,499,418</u>
 Total	 1,384,510,828	 1,359,393,906

C. Liabilities - (Continued)	New Benefits <u>10/1/2022</u>	Old Benefits <u>10/1/2022</u>
Present Value of Future Salaries	732,208,444	706,072,520
Normal Cost (Retirement)	19,716,505	18,905,665
Normal Cost (Disability)	794,473	773,457
Normal Cost (Death)	283,873	280,927
Normal Cost (Vesting)	1,142,833	950,573
Normal Cost (Refunds)	184,476	180,150
Total Normal Cost	<u>22,122,160</u>	<u>21,090,772</u>
Present Value of Future Normal Costs	206,324,692	186,761,457
Accrued Liability (Retirement)	297,409,408	292,698,193
Accrued Liability (Disability)	1,979,166	1,933,549
Accrued Liability (Death)	688,173	667,337
Accrued Liability (Vesting)	8,328,743	7,542,015
Accrued Liability (Refunds)	52,197	62,906
Accrued Liability (Inactives)	869,728,449	869,728,449
Total Actuarial Accrued Liability (EAN AL)	<u>1,178,186,136</u>	<u>1,172,632,449</u>
Unfunded Actuarial Accrued Liability (UAAL)	97,876,084	92,322,397
Funded Ratio (AVA / EAN AL)	91.7%	92.1%



D. Actuarial Present Value of Accrued Benefits	New Benefits <u>10/1/2022</u>	Old Benefits <u>10/1/2022</u>
Vested Accrued Benefits		
Inactives	869,728,449	869,728,449
Actives	137,447,619	138,464,111
Member Contributions	<u>57,088,034</u>	<u>57,088,034</u>
Total	1,064,264,102	1,065,280,594
Non-vested Accrued Benefits	<u>42,981,508</u>	<u>41,378,022</u>
Total Present Value Accrued Benefits (PVAB)	1,107,245,610	1,106,658,616
Funded Ratio (MVA / PVAB)	88.3%	88.4%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	586,994	
Benefit Changes	0	
Plan Experience	0	
Benefits Paid	0	
Interest	0	
Other	0	
Total	<u>586,994</u>	

Valuation Date	New Benefits 10/1/2022	Old Benefits 10/1/2022
Applicable to Fiscal Year Ending	<u>9/30/2024</u>	<u>9/30/2024</u>
<b>Assumed City Contribution Date</b>	<b>October 1, 2023</b>	<b>October 1, 2023</b>
E. Pension Cost		
Normal Cost <sup>1</sup>	\$23,272,512	\$22,187,492
Administrative Expenses <sup>1</sup>	610,160	610,160
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 20 years <sup>1</sup>	12,164,678	11,684,423
Applicable Interest <sup>1</sup>	0	0
Minimum Required Contribution	36,047,350	34,482,075
Expected Member Contributions <sup>1</sup>	8,435,845	8,372,178
Expected City and State Contribution	27,611,505	26,109,897
Less Expected State Contribution <sup>2</sup>	6,249,901	6,249,901
<b>Equals Expected City Required Contribution</b>	<b>21,361,604</b>	<b>19,859,996</b>

<sup>1</sup> Contribution requirements developed above have been adjusted to account for an applicable assumed salary increase component. Additionally, the above stated requirements reflect no interest as a result of the assumed beginning of year City contribution date. If the required contributions are deposited at a later date, additional interest at the assumed 7.20% annual rate must be added.

<sup>2</sup> Reflects updated per capita amounts based on recent premium tax distributions.

## ACTUARIAL ASSUMPTIONS AND METHODS

### Mortality Rate

#### *Healthy Active Lives:*

**Female:** PubS.H-2010 (Above Median) for Employees, set forward one year.

**Male:** PubS.H-2010 (Above Median) for Employees, set forward one year.

#### *Healthy Retiree Lives:*

**Female:** PubS.H-2010 (Above Median) for Healthy Retirees, set forward one year.

**Male:** PubS.H-2010 (Above Median) for Healthy Retirees, set forward one year.

#### *Beneficiary Lives:*

**Female:** PubG.H-2010 (Above Median) for Healthy Retirees.

**Male:** PubG.H-2010 (Above Median) for Healthy Retirees, set back one year.

#### *Disabled Lives:*

80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.

All rates are projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accommodates future mortality improvements.

The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2021 FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

90% of active Firefighter deaths, and 75% of active Police Officer deaths are assumed to be service-incurred.

### Interest Rate

7.20% (prior year 7.25%) per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Payroll Growth

1.14% (prior year 1.53%) for purposes of amortizing the Unfunded Actuarial Accrued Liability. This assumption cannot exceed the ten-year average payroll growth, in compliance with Part VII of Chapter 112, Florida Statutes.

Salary Increases

Salary Scale	
Service	Rate
<7	5.11%
7-10	1.46%
11-25	0.97%
26+	0.49%

Expected increase in annual salary in addition to 2.75% inflationary component. The assumed rates of salary increase were approved in conjunction with an actuarial experience study dated June 8, 2020.

Administrative Expenses

\$580,000 annually, based on the average of actual expenses incurred in the prior two fiscal years.

Amortization Method

New UAAL amortization bases are amortized over 20 years.

Bases established prior to the valuation date are adjusted proportionally to match the Expected Unfunded Actuarial Accrued Liability as of the valuation date, in order to align prior year bases with the portion of the current year UAAL associated with prior year sources.

Retirement Rates

Service	% Retiring During the Year	
	Police	Fire
10-19	5.0%	4.0%
20	30.0%	25.0%
21	30.0%	25.0%
22	20.0%	37.5%
23	33.3%	37.5%
24	66.7%	50.0%
25+	100.0%	100.0%

No Members are expected to take reduced Early Retirement. The assumed rates of retirement were approved in conjunction with an actuarial experience study dated June 8, 2020.

Cost of Living Adjustments

None.

Funding Method

Entry Age Normal Actuarial Cost Method. The following loads are applied for determining the minimum required contribution:

Interest - None, based on current 7.20% assumption.

Salary - A full year, based on current 5.20% assumption.

Marital Status

All employed Members and all retired Members are assumed to be married. Females are assumed to be 3 years younger than males. This assumption was approved in conjunction with an actuarial experience study dated July 10, 2015.

Termination Rates

<u>% Terminating During the Year</u>		
<u>Service</u>	<u>Police</u>	<u>Fire</u>
0	14.0%	7.5%
1	7.0%	2.5%
2	3.5%	0.5%
3	3.5%	0.5%
4	3.5%	0.5%
5+	1.5%	0.5%

The assumed rates of termination were approved in conjunction with an actuarial experience study dated June 8, 2020.

Disability Rates

<u>% Becoming Disabled During the Year</u>		
<u>Age</u>	<u>Police</u>	<u>Fire</u>
20	0.04%	0.11%
25	0.04%	0.12%
30	0.05%	0.14%
35	0.06%	0.18%
40	0.08%	0.24%
45	0.13%	0.41%
50	0.25%	0.80%
55+	0.39%	1.24%

It is assumed that 90% of Firefighter disablements, and 75% of Police Officer disablements are service related. The assumed rates of disablement were approved in conjunction with an actuarial experience study dated June 8, 2020.

Actuarial Value of Assets

All assets are valued at market value with an adjustment to uniformly spread investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

DROP Participation

DROP participants are assumed to exit the DROP after 6 years. This assumption was approved in conjunction with an actuarial experience study dated June 8, 2020.

SUMMARY OF CURRENT PLAN

<u>Membership</u>	Police officers and firefighters.
<u>Credited Service</u>	Total years and fractional parts of years of years of service of any Member, from the date he first entered employment as a Police Officer or Firefighter until either the date of his DROP Retirement or the date his employment shall be terminated by death, retirement, or discharge.
<u>Compensation</u>	Base pay, assignment pay, and longevity bonuses, including pick-up contributions, and up to forty (40) hours of overtime for police officers.
<u>Average Final Compensation</u>	<i>Firefighters hired prior October 1, 2014: Average Compensation during the highest 2 years of Credited Service.</i>  <i>Firefighters hired after September 30, 2014: Average Compensation during the highest 5 years of Credited Service.</i>  <i>Police Officers hired prior to April 1, 2014: Average Compensation during the highest 2 years of Credited Service.</i>  <i>Police Officers hired after March 31, 2014: Average Compensation during the highest 5 years of Credited Service.</i>
<u>Member Contributions</u>	10.00% of Compensation.
<u>City and State Contributions</u>	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII, Chapter 112, F.S.
<u>Normal Retirement</u>	
Date	Earlier of: 1) Age 55 with 10 years of Credited Service, or 2) attainment of 20 years of Credited Service, regardless of Age.
Plan 1 Benefit	
Firefighters	<i>Hired prior to October 1, 2014: 3.38% of Average Final Compensation times Credited Service, with a maximum of 81% of Average Final Compensation. Firefighters with 25 or more years of Credited Service on October 1, 2002 are subject to a maximum of 91.26% of Average Final Compensation. Firefighters employed before</i>

December 11, 1993 receive an additional 2.0% of Average Final Compensation (excluded from the 81% maximum percentage).

*Hired after September 30, 2014:* 3.00% of Average Final Compensation times Credited Service, with a maximum of 75% of Average Final Compensation.

Police Officers

*Hired prior to April 1, 2014:* 3.38% of Average Final Compensation times Credited Service, with a maximum of 81% of Average Final Compensation. Police Officers with 25 or more years of Credited Service on January 1, 2002 are subject to a maximum of 91.26%.

*Hired after March 31, 2014:* 3.00% of Average Final Compensation times Credited Service, with a maximum of 75% of Average Final Compensation.

Plan 2 Benefit

3.0% of Average Final Compensation for the first 20 years of Credited Service, plus 2.0% of Average Final Compensation for each year in excess of 20. Firefighters employed before December 11, 1993 receive an additional 2.0% of Average Final Compensation.

Form of Benefit

*Firefighters hired prior to October 1, 2014:* 60% Joint and Survivor, with an additional 40% death benefit during the first year of retirement (Optional forms available).

*Firefighters hired after September 30, 2014:* 10-Year Certain and Life (Optional forms available).

*Police Officers hired prior to April 1, 2014:* 60% Joint and Survivor, with an additional 40% death benefit during the first year of retirement (Optional forms available).

*Police Officers hired after March 31, 2014:* 10-Year Certain and Life (Optional forms available).

Early Retirement (Firefighters Only)

Eligibility

Age 50 with 10 years of Credited Service.

Benefit

Accrued benefit, reduced 3.0% per year that the benefit commencement date precedes the Normal Retirement date.



Vesting

Less than 10 Years of Credited Service

Refund of Member contributions. For Police Officers who separate employment with the City on or after December 3, 2013 and Firefighters who separate employment with the City on or after October 1, 2014, no interest will be credited when determining the refund amount.

10 years of Credited Service

Accrued benefit deferred to the earlier of 1) Age 55 or 2) when the Member would have attained age 50 with 20 years of Credited Service had they not separated employment.

Disability

Eligibility

Covered from Date of Employment.

Exclusions

Disability resulting from use of drugs, illegal participation in riots, service in military, etc.

Benefit

Non-Service Connected

50% of Average Final Compensation offset by 100% of Social Security Disability benefits, Workers' Compensation benefits, and earned income.

Service Connected

65% of Average Final Compensation.

Duration

Payable for life or until recovery.

Death Benefits

Eligibility

Covered from Date of Employment.

Benefit

Non-Service Connected

50% of the Member's monthly Compensation for eight (8) years. For a Member with at least 10 years of Credited Service, not less than the benefits otherwise payable at early or normal retirement age. The minimum benefit payable is four (4) times the rate of the Member's annual compensation.

Service Connected

50% of Member's monthly Compensation to spouse until death or remarriage. Children's benefits of 10% of Member's monthly benefits per child (50% maximum) until age 18, and a maximum of 80% to spouse and children. For Members who are not married and have no children, a 10-year benefit will be paid to the designated beneficiary. The minimum benefit payable is four (4) times the rate of the Member's annual compensation.

COLA

Adjustment Date	July 1st
Eligibility	Receipt of retirement benefits for one year. Additionally, must have entered Retirement status prior to July 1, 2008.
Amount	Lesser of 1) percentage not greater than CPI (all Urban Consumers) for preceding calendar year, or 2) percentage increase limited to present value of which can be funded by excess gains for preceding calendar year. Maximum cost-of-living adjustment is 5.0%.  The COLA increase may be granted only if the System remains in a net positive experience position, determined on a cumulative basis from January 1, 1987 (in State Statute – not in Ordinance)

DROP

Members eligible for Normal Retirement may elect either a Deferred Retirement Option Plan for up to 96 months or a Benefit Actuarially Calculated Deferred Retirement Option Program for up to 36 months, but not both. For Police Officers hired after March 31, 2014 and Firefighters hired after September 30, 2014, each month a Member delays entry into DROP following completion of 25 years of Credited Service, the 96 month maximum DROP participation period shall be correspondingly reduced by one month. Tier 1 DROP participants shall contribute 1.75% of salary during DROP participation. Tier 2 DROP participants shall contribute 10% of salary for the first five (5) years of DROP participation, and 1.50% of salary for each year thereafter. Members will not receive a refund of contributions made while participating in DROP.