CITY OF
FORT LAUDERDALE
Venice of America
GENERAL EMPLOYEES' RETIREMENT SYSTEM
316 N.E. Fourth Street, Suite 2 Fort Lauderdale, FL 33301
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www.Citypension.com

July 12, 2018

Mayor Dean Trantalis
Vice Mayor Ben Sorensen
Commissioner Heather Moraitis
Commissioner Steve Glassman
Commissioner Robert McKinzie

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 System's retirees and beneficiaries.

Included for your consideration is information regarding historical COLA increases, criteria required for the implementation of a COLA, actuarial cost study for a 2.5% COLA and lastly the importance of this matter to those dependent on their pension retirement income.

Please find enclosed an exhibit of the historical COLA increases. The last COLA was approved by the City Commission back in the year 2001. Since then, there have been many years wherein the criteria have simply not been met to implement a COLA and many other years wherein the criteria were met but a COLA was not approved by the City Commission.

There exist three criteria for the implementation of COLA increases. Annually the Board reviews an actuarial valuation report containing a full and detailed analysis of financial status of the pension plan, which includes two of these criteria. The Board considers it an obligation to advise you when these criteria are met. Please find below an explanation of each of the criteria along with their current status.

1. The first criteria exists within City Ordinance Section 20-110 governing the provisions of the retirement system:

   "The Board may, with the advice of the Plan's actuary and the approval of the City Commission, adjust the pensions of retired Members, including those receiving the Member's duration and survivor benefits under section 20-110(a)(2), annually to reflect the change in the cost of living as measured by the Consumer Price Index or such other index approved by the Board, provided that such adjustments may only be made from investment return of the Fund in excess of that

required to satisfy the actuarial interest assumption used in the most recent actuarial valuation of the Plan. If similar adjustments in the three (3) previous Plan years were less than the increase for those years in the index being used, such differences may be applied in addition to the current year's adjustment, subject to a total additional adjustment in any plan year of four (4) percent."

The investment return for the 2017 fiscal year was 15.2%, which significantly surpassed the 7.5% actuarial assumed rate of return resulting in excess earnings in the amount of $43,968,000. Additionally there are not any required adjustments for prior years and therefore this specific requirement has been satisfied.

2. The second criteria is the requirement under State Statutes that benefit improvements tied to investment returns are contingent upon the achievement of positive actuarial experience accumulated from all sources of gains and losses. Additionally, the present value of a benefit improvement cannot exceed the amount of the cumulative gain. Please find enclosed an exhibit of actuarial experience. The System has achieved a positive actuarial gain position for the first year since the year 2010 in the amount of $13,308,778 and therefore this requirement has also been satisfied.

3. The third criteria is within the covenants of the pension obligation bond requiring that a benefit increase or new benefit after October 1, 2012 must either be full funding of such cost at the time of approval and a supermajority vote of the City Commission or unanimous approval by the full City Commission. The satisfaction of this final requirement of course is at the pleasure and will of the City Commission.

Recently the Board has engaged in several careful and thorough discussions on cost-of-living adjustments and received numerous concerns expressed by retirees. At the last meeting on June 14, 2018, the Board reviewed cost studies prepared by the System's actuary for various levels of COLA increases and recommends a 2.5% increase to all retirees and beneficiaries receiving benefits as of September 30, 2017 at a one-time cost of $10,304,000 or $2,365,000 amortized over 5 years. It is our understanding that the full cost must be prefunded if approved by a supermajority vote of the City Commission; however, the cost may be amortized if approved by unanimous approval by the full City Commission.

It is very important to note that since the last COLA was approved in 2001, the Consumer Price Index (CPI) has increased 35.7%. A mechanism for COLA increases has existed within City Ordinance since the year 1983 as a measure to protect former City employees and their beneficiaries from the ravages of inflation. The System currently provides benefits to 1382 retirees and beneficiaries who receive an average monthly benefit of $2,380.23. This group includes 278 retirees who receive benefits less than $1,000 monthly and 177 beneficiaries who receive less than $500 monthly. Many have already lost over one-third of their original purchasing power since retirement and their ability to maintain a dignified lifestyle in their "golden years" has been highly compromised.

The Board respectfully requests earnest and thoughtful consideration by the City Commission 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.

Thank you in advance for your attention to this most important matter.

Sincerely,

Jon Stahl
Chairman, Board of Trustees
Fort Lauderdale General Employees' Retirement System

Enclosures

cc: Lee Feldman, City Manager
Kirk Buffington, Director of Finance
John Herbst, City Auditor
Melissa Moskovitz, GERS Plan Actuary, Gabriel, Roeder, Smith & Company
Laura Reece, Budget Advisory Board

General Employees' Retirement System

Cost of Living Adjustments

Fiscal Year	Increase Effective	Action
09/30/83		One time distribution
09/30/84		One time distribution
09/30/85		None
09/30/86	10/01/86	6% distributed on a weighted basis
09/30/87	10/01/87	4.3% distributed on a weighted basis
09/30/88		None
09/30/89*	10/01/89	A. 4% to those retired in the 12 months prior to October 1, 1988 B. Plus a 4% "catch-up" to those retired prior to October 1, 1987

* Beginning with this COLA and all after this date are paid on a cumulative amount. Prior to this, the increase was figured on the base.

Fiscal Year	Increase Effective	Action
09/30/90		None
09/30/91	06/01/92	5% to those in a retired status prior to October 1, 1990
09/30/92	04/01/94	3% to those in a retired status prior to April 1, 1993 (Cola based on recommendation made by the Board at fiscal year end September 1992)
09/30/95	07/01/96	2.6% to those retired prior to 7/1/95 and an additional "catch-up" of 1.4% to those retired prior to 7/1/94. This is the first COLA which could include beneficiaries.
09/30/96	07/01/97	2.5% to those retired prior to 7/1/96.

Fiscal Year	Increase Effective	Action
09/30/97	07/01/98	A. 2.1% to those retired on or before June 30, 1997. B. Plus a 2% "catch-up" to those retired on or before June 30, 1996.
09/30/98	07/01/99	1.5% to those retired prior to 7/1/98
09/30/99	07/01/00	2.6% to those retired prior to 7/1/99
09/30/00	07/01/01	3.5% to those retired prior to 7/1/00
09/30/01		Unable to recommend COLA to City Commission
09/30/02		Unable to recommend COLA to City Commission
09/30/03		Board declined to recommend COLA to City Commission
09/30/04		Board recommended 1.126% COLA to those retired prior to 7/1/03. City Manager declined to place on the City Commission agenda.
09/30/05		Board recommended 5.0% COLA to those retired prior to 11/1/00 and a 3.0% COLA to those retired 11/1/00 to 6/30/05. City Commission voted not to include on their full agenda.
09/30/06		Board recommended 2.0% COLA to those retired prior to 11/1/00. City Manager declined to place on the City Commission agenda.
09/30/07		Board recommended 5.0% COLA. City Manager declined to place on the City Commission agenda.
09/30/08		Unable to recommend COLA to City Commission
09/30/09		Unable to recommend COLA to City Commission

Fiscal Year	Increase Effective	Action
9/30/10		Board recommended 3.5% COLA to those retired prior to 11/1/01 and a 1.0% COLA to those retired 11/1/01 or after. City Manager declined to place on the City Commission agenda.
9/30/11		Unable to recommend COLA to City Commission.
9/30/12		Unable to recommend COLA to City Commission.
9/30/13		Unable to recommend COLA to City Commission.
9/30/14		Unable to recommend COLA to City Commission.
9/30/15		Unable to recommend COLA to City Commission.
9/30/16		Unable to recommend COLA to City Commission.

GRS Retirement Consulting

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June 13, 2018

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

Re: COLA Study

Dear Nick:

As requested, enclosed are exhibits for the City of Fort Lauderdale General Employees Retirement System ("Plan") showing the impact of a cost of living adjustment (COLA) of 1.5%, 2.0% or 2.5% under two scenarios. The first scenario shows the effect of providing the COLA only to retirees, beneficiaries and DROP members whose benefits started on or before September 30, 2017. The second scenario shows the effect of providing the COLA only to retirees, beneficiaries and DROP members whose benefits started on or before September 30, 2014.

Please note that the increase in the Unfunded Actuarial Accrued Liability (UAAL) has been amortized over five years in this analysis rather than the current amortization period of 25 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.

Additionally, the enclosed calculations do not reflect the anticipated reduction of the investment return assumption from 7.4%, which would result in larger increases in the UAAL and the required City contribution.

The enclosed exhibits show the impact on the required City contribution for the first year only. The ultimate cost of the proposed change is measured by the change in the Actuarial Present Value of Projected Benefits (i.e., the change in UAAL for inactive members). Therefore, the ultimate cost of providing a COLA under the scenarios described above would be the increase in the UAAL. This assumes all of our 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.

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 COLAs. 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.

The calculations in this report are based upon information furnished by the Plan Administrator for the September 30, 2017 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.

The calculations in this report are based on data or other information through September 30, 2017. They are also based on the assumptions, methods, and plan provisions outlined in this report and the September 30, 2017 actuarial valuation report dated April 11, 2018. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status); 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. If you have reason to believe that the assumptions 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 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. Moskovitz and Trisha Amrose are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries 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,

Melissa R. Moskovitz

Trisha Amrose

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

Trisha Amrose, FCA, EA, MAAA
Consultant & Actuary

Enclosures

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

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Effect of Cost of Living Adjustment (COLA) as of September 30, 2017 Only for Retirees, Beneficiaries, and DROP Members Whose Benefits Started on or before September 30, 2017

Proposed COLA*	Increase in Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Increase in Annual Required Contribution**	
			$	% of Payroll
0.0 %	$ -	96.0 %	$ -	- %
1.5	6,183,000	95.1	1,419,000	3.22
2.0	8,243,000	94.8	1,892,000	4.29
2.5	10,304,000	94.5	2,365,000	5.36

* Based on Section 20-110(h) of the Ordinance and Section 112.61, Florida Statutes, the maximum COLA that can be provided to these members is 3.2%.

** Assumes payment in full on October 1, 2018 (for fiscal year ending September 30, 2019) and 5-year amortization of the increase in UAAL. The required contribution for the fiscal year ending September 30, 2019 before reflecting the proposed COLAs is $8,824,651, assuming payment is made in full on October 1, 2018.

Cumulative Experience Gains/(Losses)

Year Ended Sept. 30	Balance at Beginning of Year	Interest	Gain/(Loss) During Year	Value of Cost-of- Living Adjustment During Year	Amortization Credits or (Charges)	Balance at End of Year
1989						$12,896,673
1990	$12,896,673	$ 967,250	$(10,398,254)	$3,824,160		(551,941)
1991	(551,941)	(33,116)	10,641,105	-		10,056,048
1992	10,056,048	754,204	4,255,737	2,759,768		12,306,221
1993	12,306,221	922,967	11,535,157	-		24,764,344
1994	24,764,344	1,857,326	-*	1,985,572		24,636,098
1995	24,636,098	1,847,707	4,820,050	-		31,303,856
1996	31,303,856	2,347,789	3,832,152	3,056,940		34,426,857
1997	34,426,857	2,582,014	18,712,125	2,345,000	$151,209	53,527,205
1998	53,527,205	4,014,540	1,000,984	4,353,000	274,012	54,463,741
1999	54,463,741	4,084,781	15,840,796	1,727,051	501,660	73,163,927
2000	73,163,927	5,487,295	4,955,323	3,074,205	644,539	81,176,879
2001	81,176,879	6,088,266	(2,664,957)	4,222,465	N/A	80,377,723
2002	80,377,723	6,028,329	(45,658,572)	0	N/A	40,747,480
2003	40,747,480	3,056,061	(10,382,467)	0	N/A	33,421,074
2004	33,421,074	2,590,133	(11,605,848)	0	N/A	24,405,359
2005	24,405,359	1,891,415	6,287,063	0	N/A	32,583,837
2006	32,583,837	2,525,247	3,111,903	0	N/A	38,220,987
2007	38,220,987	2,962,126	6,224,383	0	N/A	47,407,496
2008	47,407,496	3,674,081	(12,696,085)	0	N/A	38,385,492
2009	38,385,492	2,974,876	(21,592,067)	0	N/A	19,768,301
2010	19,768,301	1,532,043	(9,398,503)	0	N/A	11,901,841
2011	11,901,841	922,393	(18,218,973)	0	N/A	(5,394,739)
2012	(5,394,739)	(418,092)	(14,697,316)	0	N/A	(20,510,147)
2013	(20,510,147)	(1,589,536)	2,991,103	0	N/A	(19,108,580)
2014	(19,108,580)	(1,461,806)	14,431,936	0	N/A	(6,138,450)
2015	(6,138,450)	(463,453)	(2,547,525)	0	N/A	(9,149,428)
2016	(9,149,428)	(686,207)	6,809,435	0	N/A	(3,026,200)
2017	(3,026,200)	(226,965)	16,561,943	0	N/A	13,308,778

* *Gain/(loss) could not be calculated due to the unavailability of necessary information from the prior actuary.*