



CITY OF FORT LAUDERDALE
City Commission Agenda Memo
CONFERENCE MEETING

#24-0486

TO: Honorable Mayor & Members of the
Fort Lauderdale City Commission

FROM: Susan Grant, Acting City Manager

DATE: June 4, 2024

TITLE: Discussion of Requested Cost of Living Adjustment for the General
Employees Retirement System - (**Commission Districts 1, 2, 3 and 4**)

The City of Fort Lauderdale General Employees Retirement System (“GERS”) Board of Trustees (“Board”) provided information to GRS Retirement Consulting for an actuarial valuation report showing the impact of a cost-of-living adjustment (“COLA”) for the plan retirees and beneficiaries.

As outlined in the letter from the Board to the City Commission dated May 13, 2024, current retirees receiving benefits have not received a COLA since July 1, 2001. The Consumer Price Index has increased 73.9% since the last time a COLA was approved, compromising retiree purchasing power and the ability to maintain a certain standard of living.

Three criteria must be satisfied for the implementation of a COLA increase. In the past, these criteria have not been met or if met, the City Commission did not approve the COLA.

The first criteria exists within City Ordinance Section 20-110(h) governing the provisions of the retirement system:

“(h) *Cost of living adjustment.* 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 difference 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 procedures and methods to be followed in the determination of any adjustments shall be established from time to time by the Board.”

The second criteria is governed by Florida Statutes 112.61, that states the “actuarial experience may be used to fund additional benefits, provided that the present value of such benefits does not exceed the net actuarial experience accumulated from all sources of gains and losses.” Accordingly, the present value of a benefit improvement cannot exceed the amount of the cumulative gain.

The third criteria can be found in the bond covenants for the City’s Pension Obligation Bonds:

“Section 610, Covenant Concerning Increase in or Addition to Pension Plan Benefits.

The City shall not increase any benefit provided or provide a new benefit to members of either the GERS or the Police/Fire Pension Plan which is in addition to the benefits provided to such members as of October 1,2012, unless (a) (i) the present value (as determined by the respective independent actuaries of the Pension Plans) of the cost of such increase in benefits or new benefit is fully funded at the time that such increase in benefits or new benefit is approved and (ii) such increase in benefits or new benefit is approved by vote of a majority of the full City Commission plus one or (b) such increase in benefits or new benefit is approved by the unanimous vote of the full City Commission.”

Key Items to Note:

- As of September 30, 2023, GERS has met the first two criteria to request a COLA.
- The Board is recommending a 2.75% increase to all retirees, beneficiaries, and DROP members who retired before October 1, 2022.
- If fully funded the cost will be \$12,494,919; or if amortized over a five (5) year period the cost would be \$2,835,619 annually; or if amortized over a seven (7) year period the cost would be \$2,152,978 annually.
- Prior to consideration of a COLA, the September 30, 2023, actuarial valuation shows an increase in the City’s contribution to GERS of \$1,080,495, raising the employers annual required contribution from \$7,075,100 to \$8,155,595.

Attachments

Exhibit 1 - GERS Letter (including May 13, 2024, COLA Study)

Exhibit 2 - September 30, 2023, Actuarial Valuation dated April 9, 2024

Prepared by: Linda Short, Director, Finance
Matthew Eaton, Senior Administrative Assistant, Finance

Department Director: Linda Short, Finance