

CITY OF FORT LAUDERDALE  
POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

ACTUARIAL IMPACT STATEMENT  
March 14, 2014

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

- 1) For Police Officers hired on or after April 1, 2014:
  - a. The Average Monthly Earnings period will be increased from 2 to 5 years.
  - b. The benefit accrual rate will be decreased from 3.38% to 3.0% for each year of Credited Service.
  - c. The maximum accrual rate will be decreased from 81.0% to 75.0% of Average Monthly Earnings.
  - d. For each month a Police Officer 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.
  - e. The Normal Form of Benefit will be changed from 60% joint and contingent survivor to 10-Year Certain and Life.
  
- 2) Eliminating the interest component on refunds of Member Contributions for all Police Officers who separate employment with the City on or after December 3, 2013.
  
- 3) The entire balance of the Chapter 185 premium tax revenues reserve account in the Plan as of December 31, 2013 shall be applied to reduce the City's annual required contributions for the fiscal year ending September 30, 2015. Additionally, all future Chapter 185 premium tax revenues received shall be available to reduce the City's annual contribution requirements.

The cost impact, determined as of October 1, 2013, as applicable to the fiscal year ending September 30, 2015, is as follows:

	<u>Current</u>	<u>Proposed</u>
Total Required Contribution	\$24,667,843	\$24,663,659
Less Member Contributions (est.)	5,651,185	5,651,185
Equals City and State Required Contribution	19,016,658	19,012,474
Less State Contribution (est.)	2,989,192	3,325,220
Equals Balance from City	\$16,027,466	\$15,687,254
Less Prepaid City Contribution	\$3,050,754 <sup>1</sup>	\$3,050,754 <sup>1</sup>
Less Chapter 185 Reserve Account on 12/31/13	N/A	\$1,223,158
Less Interest Prepaid & Reserve Account	\$238,210 <sup>2</sup>	\$310,594 <sup>2</sup>
Equals Net Balance from City	\$12,738,502	\$11,102,748

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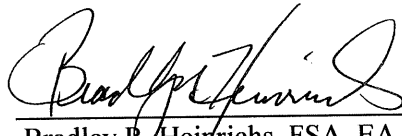
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<sup>1</sup> Please note the City's prepaid contribution balance is \$3,050,754 as of September 30, 2013. The City will have access to this amount, plus interest, to help offset its contribution requirements for the fiscal year ending September 30, 2015.

<sup>2</sup> The interest component on the existing prepaid contribution and the Chapter 185 reserve account was determined by calculating interest through October 15, 2014. This is consistent with the methodology used to develop the Total Required Contribution.

It is important to point out that the impact of the benefit changes listed in Item 1 above which affect only new hires is not reflected in the results shown above, as they will have no impact on the first year costs. However, the impact of these changes will be reflected in future valuation reports as future Police Officers begin to enter the system.

The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution. Additionally, 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 #11-6901

STATEMENT OF PLAN ADMINISTRATOR

The prepared information presented herein reflects the estimated cost of the proposed improvement.

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Chairman, Board of Trustees

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>New Benefits</u> <u>10/01/2013</u>	<u>Old Benefits</u> <u>10/01/2013</u>
<u>A. Participant Data</u>		
Number Included		
Actives	780	780
Service Retirees	740	740
Beneficiaries	143	143
Terminated Vested	20	20
Disability Retirees	24	24
DROP Retirees	81	81
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Total	1,788	1,788
Total Annual Payroll	69,103,541	69,103,541
Payroll Under Assumed Ret. Age	68,314,824	68,314,824
Annual Rate of Payments to:		
Service Retirees	33,728,207	33,728,207
Beneficiaries	3,344,743	3,344,743
Terminated Vested	589,566	589,566
Disability Retirees	908,067	908,067
DROP Retirees	5,506,630	5,506,630
<u>B. Assets</u>		
Actuarial Value	718,167,660	718,167,660
Market Value	719,094,298	719,094,298
<u>C. Liabilities</u>		
Present Value of Benefits		
Active Members		
Retirement Benefits	379,584,220	379,584,220
Disability Benefits	11,380,219	11,380,219
Death Benefits	4,548,740	4,548,740
Vested Benefits	9,627,490	9,627,489
Refund of Contributions	1,611,770	1,658,997
Service Retirees	364,770,041	364,770,041
Beneficiaries	27,516,305	27,516,305
Terminated Vested	5,909,907	5,909,907
Disability Retirees	10,044,812	10,044,812
DROP Retirees	88,138,561	88,138,561
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Total	903,132,065	903,179,291

<u>C. Liabilities - (Continued)</u>	<u>New Benefits</u> <u>10/01/2013</u>	<u>Old Benefits</u> <u>10/01/2013</u>
Present Value of Future Salaries	581,204,334	581,204,334
Normal Cost (Entry Age)		
Retirement Benefits	15,367,448	15,367,448
Disability Benefits	1,195,664	1,195,664
Death Benefits	370,331	370,331
Vested Benefits	686,060	686,059
Refunds	305,634	307,174
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Total Normal Cost	17,925,137	17,926,676
Present Value of Future Normal Costs	148,001,451	148,018,913
Actuarial Accrued Liability		
Retirement Benefits	249,536,318	249,536,318
Disability Benefits	2,931,460	2,931,460
Death Benefits	1,260,651	1,260,651
Vested Benefits	4,747,280	4,747,280
Refunds	275,279	305,043
Inactives	496,379,626	496,379,626
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Total Actuarial Accrued Liability	755,130,614	755,160,378
Unfunded Actuarial Accrued Liability (UAAL)	36,962,954	36,992,718
 <u>D. Actuarial Present Value of Accrued Benefits</u>		
Vested Accrued Benefits		
Inactives	496,379,626	496,379,626
Actives	124,047,340	125,085,021
Member Contributions	45,957,894	45,957,894
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Total	666,384,860	667,422,541
Non-vested Accrued Benefits	36,301,176	35,294,743
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Total Present Value Accrued Benefits	702,686,036	702,717,284
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	(31,248)	
Assumption Changes	0	
New Accrued Benefits	0	
Benefits Paid	0	
Interest	0	
Other	0	
Total:	<hr/> <u>(31,248)</u>	

	New Benefits	Old Benefits
Valuation Date	10/01/2013	10/01/2013
Applicable to the Fiscal Year Ending	<u>9/30/2015</u>	<u>9/30/2015</u>
<u>E. Pension Cost</u>		
Normal Cost	\$17,925,137	\$17,926,676
Administrative Expenses	624,000	624,000
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 20 years as of 10/1/13	4,328,209	4,330,551
Applicable Interest *	1,786,313	1,786,616
Total Required Contribution	24,663,659	24,667,843
Expected Member Contributions	5,651,185	5,651,185
Expected City and State Contrib.	\$19,012,474	\$19,016,658

\* The interest component used to develop the above funding requirements for the fiscal year ending September 30, 2015 was determined by calculating interest through October 15, 2014. If the required contributions are deposited at a later date, additional interest at the assumed 7.5% annual rate must be added.

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rates RP-2000 Table projected by Scale AA to 2012.

Disabled Mortality Rates RP-2000 Disabled Table projected by Scale AA to 2012

Interest Rate 7.50% per year compounded annually, net of investment related expenses.

Retirement Rates

Service	Probability of Retirement (Police)	Probability of Retirement (Fire)
20 – 22	45%	40%
23 – 24	50	30
25 – 30	15	15
30+	100	100

No Members are expected to take reduced Early Retirement.

Salary Increases

Service	Annual % Increase*
1 – 6	3.0%
7 – 10	2.5
11 – 25	1.0
26+	0.5

Expected increase in annual salary in addition to 2.75% inflationary component.

Cost of Living Adjustments None.

Funding Method Entry Age Normal Actuarial Cost Method. An interest load to October 15 of the applicable plan year is utilized for determination of the Total Required Contribution.

Payroll Increases 2.0% per year.

Administrative Expenses Equal to prior year's expense amount. Assumed to be \$624,000 annually for 10/1/2013 valuation based on expense amount from 1/1/2013 to 9/30/2013 (short plan year).

Termination Rates

Age	Years of Service	% Separating from Employment Within the Next Year
All Ages	0	10.00%
	1	6.67
	2	6.00
	3	5.33
	4	4.67
25		4.70
30		4.30
35		3.00
40		1.30
45		0.60
50		0.30
55		0.00

Disability Rates

Age	% Become Disabled within Next Year
20	0.14%
25	0.15
30	0.18
35	0.23
40	0.30
45	0.51
50	1.00
55	1.55

It is assumed that 75% of disablements and active Member deaths are service related.

Marital Status

All employed Members and all retired Members are assumed to be married. Females are assumed to be 3 years younger than males.

Actuarial Value of Assets

The Actuarial Value of Assets is calculated by recognizing 20% of the difference between the Market Value of Assets and the expected Actuarial Value of Assets.

## SUMMARY OF PLAN PROVISIONS

<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>	Average Compensation during the highest 2 years of Credited Service.
<u>Member Contributions</u>	8.25% of Compensation. 8.50% for Members hired after April 18, 2010.
<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	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 December 11, 1993 receive an additional 2.0% of Average Final Compensation (excluded from the 81% maximum percentage).
Police Officers	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%.



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	60% Joint and Survivor, with an additional 40% death benefit during the first year of retirement (Optional forms available).
<u>Early Retirement (Firefighters Only)</u>	
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.
<u>Vesting</u>	
Less than 10 Years of Credited Service	Refund of Member contributions.
10 years of Credited Service	Accrued benefit deferred to Normal Retirement date.
<u>Disability</u>	
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 and Workers' Compensation benefits, but not to be reduced below 25% of Average Final Compensation.
Service Connected	65% of Average Final Compensation offset by 100% of Social Security Disability benefits and Workers' Compensation benefits, but not to be reduced below 42% 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. For Members employed on January 1, 1973, a lump sum of 400% of annual Compensation may be paid in lieu of the monthly payments.
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.

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.