



CITY OF  
**FORT LAUDERDALE**

**GENERAL EMPLOYEES' RETIREMENT SYSTEM**

401 N.E. Fourth Street, Suite 201 Fort Lauderdale, FL 33301  
Telephone 954-828-5171 or Toll-Free 1-888-269-4447 Fax 954-828-5270  
[www.Citypension.com](http://www.Citypension.com)

May 5, 2022

City Manager Chris Lagerbloom  
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 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 3.0% COLA.

The GERS Board reviewed cost studies prepared by the Plan's actuary at the last meeting on April 14, 2022 for several levels of COLA increases and recommends a 3.0% increase to all retirees and beneficiaries receiving benefits as of July 1, 2020. The additional funding requirements would be \$13,565,000 as a one-time cost, \$2,867,713 if amortized over 5 years or \$2,177,346 if amortized for 7 years.

**It is most important to note that the City's annual contribution has been dramatically decreasing since 2011 and nearly the entire COLA can be funded by just retaining the contribution level of 2021 if amortized over 7 years.**

Since the last COLA was approved in 2001, the Consumer Price Index (CPI) has increased 43.2%. 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 1461 retirees and beneficiaries. This group includes 257 participants who receive less than \$1,000 monthly and 67 less than \$500 monthly.

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

Enclosures

cc: Susan Grant, Director of Finance



## REPORT FROM THE GERS BOARD OF TRUSTEES

The Board is pleased to report that the Pension Plan is:

### in excellent financial condition!

- Very well funded (99%) on an absolute basis and among the best funded pension plans within the State of Florida.
- In compliance with all State & Federal regulations and operates to the highest standard using the industry's very best practices.
- On every metric continues to exceed expectations and best financial condition since inception.

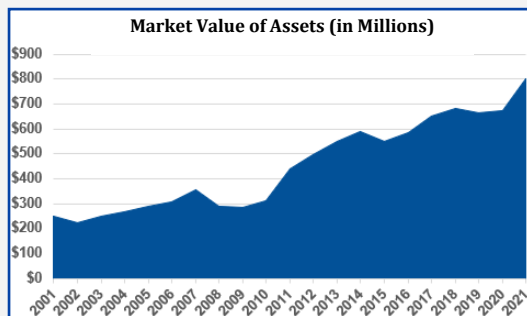
The investment portfolio continues to be a shining part of the story...

### INVESTMENT RETURNS

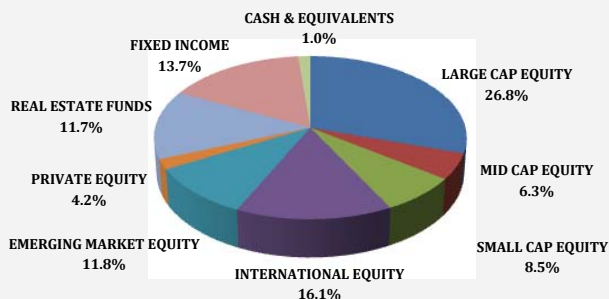
	1 Year	5 Year (Annualized)	10 Year (Annualized)
Percentage	24.0%	11.8%	11.0%
Dollars	\$161M	\$73M	\$59M
Ranking*	10 <sup>th</sup>	8 <sup>th</sup>	14 <sup>th</sup>

\* Top Percentile Ranking - Investment Metrics Public Defined Benefit Fund Universe

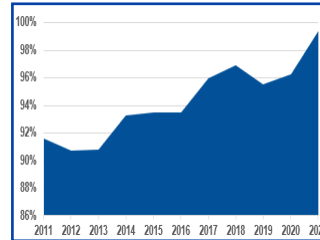
### GROWTH OF ASSETS



### ASSET ALLOCATION



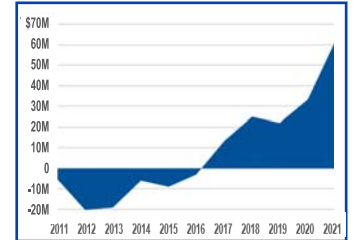
### FUNDED RATIO



The Funded Ratio has trended upwards to a **extraordinary 99%!**

Funded Ratio is the most common measure of assets versus liabilities. Over 80% is considered satisfactory.

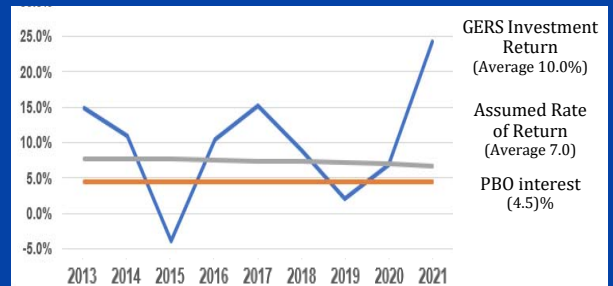
### ACTUARIAL EXPERIENCE



The operating experience of the Plan has **exceeded expectations by \$62,000,000!**

Actuarial Experience is the annual measurement of the net gain/loss on the expected versus the actual operating experience (investment returns, retirements, salary increases disability retirements & terminations)

### Pension Obligation Bond Update



Contributing to the spectacular funding ratio is the Pension Bond contribution of \$146.4M on 10/1/2012.

Since then the cumulative excess GERS investment return from 2013-2021 over the assumed rate of return was approximately \$68M and over the interest cost of the pension obligation bond was approximately \$119M.



### PLAN MEMBERSHIP

as of September 30, 2021

Active Members	558
Benefit Recipients	1,435
DROP Participants	10
Terminated Vested Members	83
<b>Total Membership</b>	<b>2,086</b>

CAM 22-0412

Exhibit 1

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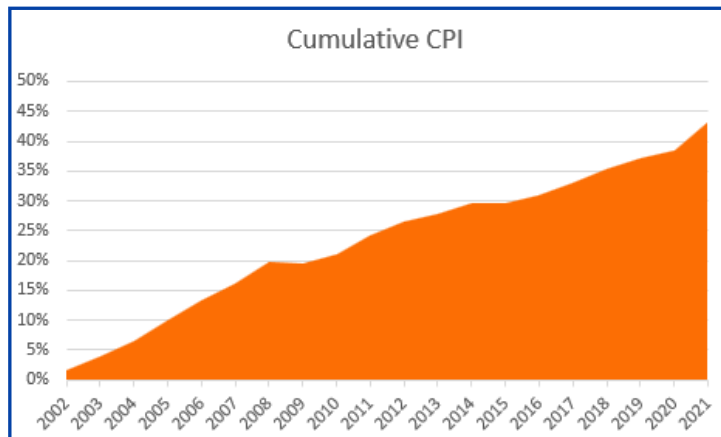
# GENERAL EMPLOYEES' RETIREMENT SYSTEM

## 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

Year	COLA Granted
1990	Yes
1991	Yes
1992	Yes
1993	Yes
1994	Yes
1995	Yes
1996	Yes
1997	Yes
1998	Yes
1999	Yes
2000	Yes
2001	Yes
2002	No
2003	No
2004	No
2005	No
2006	No
2007	No
2008	No
2009	No
2010	No
2011	No
2012	No
2013	No
2014	No
2015	No
2016	No
2017	No
2018	No
2019	No
2020	No
2021	No



GERS does have an ad-hoc COLA provision, the last one was applied over 20 years ago.

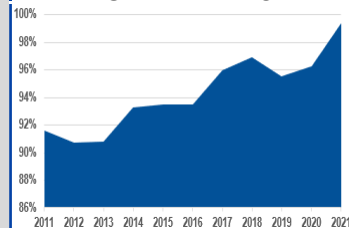
Since then inflation has risen

## 43.2%

#### What things cost in 2001:

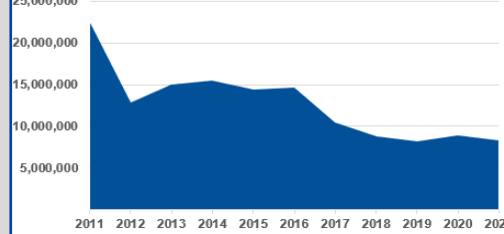
New House	\$134,150.00
Gallon of Gas	1.26
New car	24,750.00
US Postage Stamp	.33
Dozen Eggs	.89

### 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



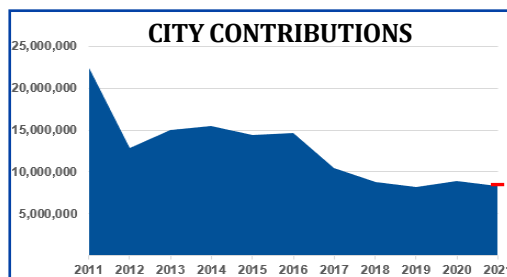
Contributions to GERS have been trending dramatically downwards for many years, which is expected to continue.

### ACTUARIAL EXPERIENCE



Actuarial Experience is the annual measurement of the net gain/loss on the expected versus the actual operating experience (investment returns, salary increases, retirements & terminations) Experience has exceeded expectations by \$62,000,000!

**Pension Plan in the Best Financial Condition Since Inception!**



**A 3% COLA can be nearly cost neutral**

By just retaining the level of Contributions plus a respectively slight additional amount to GERS that was budgeted in the 2021 fiscal year if amortized over 7 years



April 19, 2022

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  
Supplemental Actuarial Valuation Report for Proposed COLA**

Dear Nick:

As requested, enclosed is the Supplemental Actuarial Valuation Report as of September 30, 2021 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 3.0% to retirees, beneficiaries and DROP members whose benefits started on or before July 1, 2020. The figures shown herein assume a July 1, 2022 effective date.

**Summary of Findings**

	9/30/2020 <i>Valuation</i>	9/30/2021 <i>Valuation</i> <i>Baseline</i>	9/30/2021 <i>Valuation</i> <i>3% COLA</i> <i>7-Year</i> <i>Amortization</i>	9/30/2021 <i>Valuation</i> <i>3% COLA</i> <i>5-Year</i> <i>Amortization</i>
<b>If the City Pays the Required Employer Contribution (REC) in-full on: For the Fiscal Year Ending</b>	10/1/2021 9/30/2022	10/1/2022 9/30/2023	10/1/2022 9/30/2023	10/1/2022 9/30/2023
REC for Contribution Year	\$ 8,376,770	\$ 6,465,406	\$ 8,642,752	\$ 9,333,119

Additionally, as of September 30, 2021:

- The UAAL would increase by \$12,636,336, from \$4,497,486 to \$17,133,822.
- The Plan's funded ratio (actuarial value of assets divided by actuarial accrued liability) will decrease from 99.4% to 97.7%.

### **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 21 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, 2021 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, 2021. They are also based on the assumptions, methods, and plan provisions outlined in this report and



the September 30, 2021 actuarial valuation report dated March 8, 2022. 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.

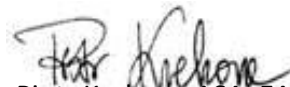
This actuarial valuation and/or cost determination was prepared and completed by us or under our direct supervision, and we acknowledge responsibility for the results. To the best of our knowledge, the results are complete and accurate. In our opinion, the techniques and assumptions used are reasonable, 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 R. Zrelack, EA, MAAA, FCA  
Consultant and Actuary



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.

