GRS Retirement Consulting

P: 954.527.1616 | F: 954.525.0083 | www.grsconsulting.com

January 9, 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: City of Fort Lauderdale General Employees Retirement System

Dear Nick:

As requested, we have reviewed the proposed ordinance (copy enclosed) that would amend the City of Fort Lauderdale General Employees Retirement System as follows:

- Amends the definition of Actuarially Equivalent in Section 20-107, Definitions, from the 1983 Group Annuity Mortality Table and 8% interest to the most recent mortality table and investment return assumption adopted by the Board.
- Amends the definition of Spouse in Section 20-107, Definitions.
- Clarifies that all Group I members who retire will receive duration and survivor benefits in Section 20-110, Retirement Benefits.
- Amends the DROP interest crediting rate in Section 20-110, Retirement Benefits, for members of the Supervisory/Professional Bargaining Unit who commence DROP participation on or after the proposed ordinance effective date from the assumed rate of return on Plan assets (currently 7.4% as approved by the Board effective October 1, 2017) to the actual investment return on Plan assets, but would not be less than 3% nor greater than 6%.
- Amends Section 20-111, Optional Forms of Retirement Benefits, to clarify that members eligible for normal, early or deferred retirement have the right prior to commencement of benefit payments to elect an optional form of retirement benefits and to revoke any such elections and make a new election.
- Amends Section 20-111, Optional Forms of Retirement Benefits, to allow a member to change his/her beneficiary at any time prior to commencement of benefits. Such change shall be deemed a new election and is subject to approval by the Board of Trustees.
- Amends Section 20-111, Optional Forms of Retirement Benefits, to allow a retired member to change his or her joint annuitant up to two times with the approval of the Board and without the current joint annuitant's approval as long as the member provides proof that the most recent joint annuitant is still living and in good health. The monthly benefit would be adjusted to be actuarially equivalent to the current benefit, and any costs associated with a request for a change of joint annuitant will be paid by the member, such that there is no actuarial impact on the Plan resulting from the change. If the member is not able to provide proof that the former joint annuitant is still living and in good health, the former joint annuitant shall be considered deceased.

In our opinion, these changes would have no immediate actuarial impact for advance funding (or actuarial valuation) purposes. The DROP interest crediting rate is not explicitly reflected for advance funded purposes. Under the current DROP interest provisions, actuarial gains occur in years when the actual investment return on Plan assets is greater than the assumed rate of return, and actuarial losses occur in years when the actual investment return is less than the assumed rate of return. Similarly, under the proposed change, there would be actuarial gains in years when the actual investment return is higher than 6% and actuarial losses in years when the actual investment return is lower than 3%. Such gains and losses are amortized over time in accordance with the Plan's funding policy. Since the DROP interest crediting rate for affected members would be lowered to a maximum of 6%, there would be savings generated over time. Since these savings are not recognized in advance, there would not be an initial actuarial impact for this change.

Because these changes will not have an immediate actuarial impact on the cost of the Retirement System, it is our opinion that a formal Actuarial Impact Statement is not required. However, we recommend that you send a copy of this letter and the ordinance to the Bureau of Local Retirement Systems.

Melissa R. Moskovitz is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. Ms. Moskovitz is independent of the Plan sponsor.

We welcome your questions and comments.

Sincerely yours,

Melissa R. Moskovitz

Melissa R. Moskovitz, EA, MAAA
Consultant & Actuary

Enclosure

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