



Venice of America

CITY OF

# FORT LAUDERDALE

## GENERAL EMPLOYEES' RETIREMENT SYSTEM

316 N.E. Fourth Street, Suite 2 Fort Lauderdale, FL 33301

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[www.Citypension.com](http://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.

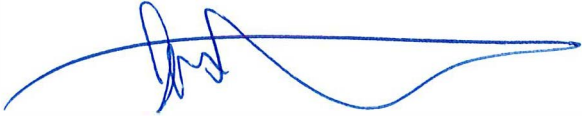
It is very important to note that since the last COLA was approved in 2001, the Consumer Price Index (CPI) has increased 35.7%. A mechanism for COLA increases has existed within City Ordinance since the year 1983 as a measure to protect former City employees and their beneficiaries from the ravages of 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