GRS Retirement Consulting

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

June 13, 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: COLA Study

Dear Nick:

As requested, enclosed are exhibits for the City of Fort Lauderdale General Employees Retirement System ("Plan") showing the impact of a cost of living adjustment (COLA) of 1.5%, 2.0% or 2.5% under two scenarios. The first scenario shows the effect of providing the COLA only to retirees, beneficiaries and DROP members whose benefits started on or before September 30, 2017. The second scenario shows the effect of providing the COLA only to retirees, beneficiaries and DROP members whose benefits started on or before September 30, 2014.

Please note that the increase in the Unfunded Actuarial Accrued Liability (UAAL) has been amortized over five years in this analysis rather than the current amortization period of 25 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.

Additionally, the enclosed calculations do not reflect the anticipated reduction of the investment return assumption from 7.4%, which would result in larger increases in the UAAL and the required City contribution.

The enclosed exhibits show the impact on the required City contribution for the first year only. The ultimate cost of the proposed change is measured by the change in the Actuarial Present Value of Projected Benefits (i.e., the change in UAAL for inactive members). Therefore, the ultimate cost of providing a COLA under the scenarios described above would be the increase in the UAAL. This assumes all of our 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.

One East Broward Boulevard | Suite 505 | Ft. Lauderdale, Florida 33301-1804

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 COLAs. 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.

The calculations in this report are based upon information furnished by the Plan Administrator for the September 30, 2017 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.

The calculations in this report are based on data or other information through September 30, 2017. They are also based on the assumptions, methods, and plan provisions outlined in this report and the September 30, 2017 actuarial valuation report dated April 11, 2018. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status); 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. If you have reason to believe that the assumptions 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 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. Moskovitz and Trisha Amrose are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries 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,

Melissa R. Moskovitz

Melissa R. Moskovitz, FCA, EA, MAAA
Consultant and Actuary

Trisha Amrose

Trisha Amrose, FCA, EA, MAAA
Consultant & Actuary

Enclosures

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

Effect of Cost of Living Adjustment (COLA) as of September 30, 2017 Only for Retirees, Beneficiaries, and DROP Members Whose Benefits Started on or before September 30, 2017

Proposed COLA*	Increase in Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Increase in Annual Required Contribution**	
			$	% of Payroll
0.0 %	$ -	96.0 %	$ -	- %
1.5	6,183,000	95.1	1,419,000	3.22
2.0	8,243,000	94.8	1,892,000	4.29
2.5	10,304,000	94.5	2,365,000	5.36

* Based on Section 20-110(h) of the Ordinance and Section 112.61, Florida Statutes, the maximum COLA that can be provided to these members is 3.2%.

** Assumes payment in full on October 1, 2018 (for fiscal year ending September 30, 2019) and 5-year amortization of the increase in UAAL. The required contribution for the fiscal year ending September 30, 2019 before reflecting the proposed COLAs is $8,824,651, assuming payment is made in full on October 1, 2018.