

September 28, 2020

Mr. Dave Williams
Precision Pension Administration, Inc.
13790 N.W. 4th Street, Suite 105
Sunrise, Florida 33325

**Subject: City of Lauderhill Police Officers' Retirement System
Actuarial Impact Statement for Proposed Ordinance**

Dear Dave:

We are pleased to enclose an Actuarial Impact Statement in support of the proposed Ordinance for the City of Lauderhill Police Officers' Retirement System. The Actuarial Impact Statement is for the following change:

Section 2. That Section 2-84 of the City Code is hereby amended to read as follows:

Sec. 2-84. - Compliance with the Internal Revenue Code.

* * *

- (a) It is the intention of the city and of the board that the plan remain at all times a qualified plan, as that term is defined under the Internal Revenue Code and the corresponding Treasury Regulations applicable to a governmental defined benefit retirement plan.
- (1) In recognition of the changing requirements of plan qualification the board shall adopt an administrative policy setting forth the required provisions for tax qualification. Such a policy shall be amended by the board as required to maintain continuing compliance with the Internal Revenue Code and that policy and any amendments shall have the force of law as if adopted by the City Commission.
- (b) No member's annual benefit shall exceed the amounts permitted in Section 415 of the Internal Revenue Code.
- (c) In no event may a member's retirement benefit be delayed beyond the later of April 1 following the calendar year in which the member attains age seventy-two (72) and one-

half (70½), provided the member had not attained age seventy and one-half (70½) by December 31, 2019, or April 1st of the year following the calendar year in which the member retires.

When a distribution of the participant's entire interest is not made in a lump sum, the distribution will be made in or more of the following ways: over the life of the participant; over the life of the participant and designated beneficiary; over a period certain not extending beyond the life expectancy of the participant; or over a period certain not extending beyond the joint life and last survivor expectancy of the participant and a designated beneficiary.

- (d) If the distribution has commenced before the participant's death, the remaining interest will be distributed at least as rapidly as under the method of distribution being used as of the date of the participant's death.

The method of distribution, if the participant dies before distribution is commenced, must satisfy the following requirements:

- (1) Any remaining portion of the participant's interest that is not payable to a beneficiary designated by the participant will be distributed within five (5) years after the participant's death;
- (2) Any portion of the participant's interest that is payable to a beneficiary designated by the participant will be distributed either: (i) within five (5) years after the participant's death; or (ii) over the life of the beneficiary, or over a period certain not extending beyond the life expectancy of the beneficiary, commencing not later than the end of the calendar year following the calendar year in which the participant died (or, if a designated beneficiary is the participant's surviving **D**

spouse, commencing not later than the end of the calendar year following the calendar year in which the participant would have attained age seventy-two (72) and one-half (70½)).

* * *

Section 3. That Section 2-87.3 of the City Code is hereby amended to read as follows:

Sec. 2-87.3. - Post retirement supplement.

- (a) In addition to the monthly retirement benefits provided by this plan, there shall be a supplemental payment of ten dollars (\$10.00) per month per year of service for all members employed by the city on or after April 25, 2011 and retired on or before September 28, 2016, provided such member has at least twenty (20) years of credited service with the city or provided such members left the city at age fifty-five (55) or older with more than five (5) years of credited service with the city. This benefit shall commence on the fifth anniversary date of termination of service and shall cease upon the ~~member~~ retiree reaching sixty-five (65) years of age.
- (b) For bargaining unit employees employed by the city on or after September 28, 2016, the provision of the supplemental payment shall be based on the following: ten dollars (\$10.00) per month per year of service up to a maximum of twenty (20) years of service (\$200.00/month) shall be provided to all members employed by the city on or after September 28, 2016, provided such member is eligible to begin drawing his/her normal retirement benefit immediately upon separation. This benefit shall cease upon the ~~member~~ retiree reaching sixty-five (65) years of age.
- (c) Effective June 29, 2020, all members employed by the city as of July 1, 2020, who retire from city service after June 29, 2020, provisions of the supplemental payment shall be based

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on the following: twenty-five dollars (\$25.00) per month for each year of service up to a maximum of six hundred dollars (\$600.00/month), provided such member is eligible to begin drawing his/her normal retirement benefit immediately upon separation. This benefit will commence the first full month following his/her retirement from city service and will cease upon the retiree reaching sixty-five (65) years of age.

Section 4. That Section 2-87.1 of the City Code is hereby amended to read as follows:

Sec. 2-87.1 – Deferred Retirement Option Plan

- (a) A deferred retirement option plan ("DROP") is hereby created.
- (b) Eligibility to participate in the DROP is based upon eligibility for service retirement in the plan. Notwithstanding any provision to the contrary, effective June 29, 2020, members who have fifteen (15) or more years of service as of July 1, 2020, may enter the DROP at any time after attaining age fifty (50). All other DROP provisions remain in effect.

* * *

The actuarial impact of this proposed change would be an estimated increase in the annual funding cost of \$16,453 (0.2% of covered payroll), as shown on page 6, Item D.10.

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Mr. Dave Williams
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We have prepared the Actuarial Impact Statement for filing with the State of Florida. Please note that this Statement must be signed and dated on behalf of the Board of Trustees. A copy of the proposed ordinance upon passage at the first reading along with this Actuarial Impact Statement should be submitted to the State at the following address:

Mr. Douglas Beckendorf, A.S.A.
Bureau of Local Retirement Systems
Florida Division of Retirement
P.O. Box 9000
Tallahassee, FL 32315-9000

Please forward a copy of the ordinance upon passage at second reading to update our files.

We have prepared this Impact Statement based upon the October 1, 2019 census and financial data that was utilized for the October 1, 2019 Actuarial Valuation. The methods and assumptions used in the calculations are the same as those that were utilized for the October 1, 2019 Actuarial Valuation.

If you should have any question concerning the above, please do not hesitate to contact us.

Sincerely,



Donald A. DuLaney Jr., A.S.A., E.A.
Senior Consulting Actuary

DAD:cp

Enclosures

cc: Sgt. David Hennessy, with enclosure
Mr. Kennie Hobbs, with enclosure

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CITY OF LAUDERHILL POLICE OFFICERS' RETIREMENT SYSTEM

Actuarial Impact Statement

A. Description of Plan Amendment (see attached)

Section 2. That Section 2-84 of the City Code is hereby amended to read as follows:

Sec. 2-84. - Compliance with the Internal Revenue Code.

* * *

- (a) It is the intention of the city and of the board that the plan remain at all times a qualified plan, as that term is defined under the Internal Revenue Code and the corresponding Treasury Regulations applicable to a governmental defined benefit retirement plan.
- (1) In recognition of the changing requirements of plan qualification the board shall adopt an administrative policy setting forth the required provisions for tax qualification. Such a policy shall be amended by the board as required to maintain continuing compliance with the Internal Revenue Code and that policy and any amendments shall have the force of law as if adopted by the City Commission.
- (b) No member's annual benefit shall exceed the amounts permitted in Section 415 of the Internal Revenue Code.
- (c) In no event may a member's retirement benefit be delayed beyond the later of April 1 following the calendar year in which the member attains age seventy-two (72) and one-half (70½), provided the member had not attained age seventy and one-half (70½) by December 31, 2019, or April 1st of the year following the calendar year in which the member retires.

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of the participant; or over a period certain not extending beyond the joint life and last survivor expectancy of the participant and a designated beneficiary.

- (d) If the distribution has commenced before the participant's death, the remaining interest will be distributed at least as rapidly as under the method of distribution being used as of the date of the participant's death.

The method of distribution, if the participant dies before distribution is commenced, must satisfy the following requirements:

- (1) Any remaining portion of the participant's interest that is not payable to a beneficiary designated by the participant will be distributed within five (5) years after the participant's death;
- (2) Any portion of the participant's interest that is payable to a beneficiary designated by the participant will be distributed either: (i) within five (5) years after the participant's death; or (ii) over the life of the beneficiary, or over a period certain not extending beyond the life expectancy of the beneficiary, commencing not later than the end of the calendar year following the calendar year in which the participant died (or, if a designated beneficiary is the participant's surviving spouse, commencing not later than the end of the calendar year following the calendar year in which the participant would have attained age seventy-two (72) and ~~one-half (70½)~~).

* * *

Section 3. That Section 2-87.3 of the City Code is hereby amended to read as follows:

Sec. 2-87.3. - Post retirement supplement.

- (a) In addition to the monthly retirement benefits provided by this plan, there shall be a supplemental payment of ten dollars (\$10.00) per month per year of service for all members employed by the city on or after April 25, 2011 and retired on or before September 28, 2016.

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provided such member has at least twenty (20) years of credited service with the city or provided such members left the city at age fifty-five (55) or older with more than five (5) years of credited service with the city. This benefit shall commence on the fifth anniversary date of termination of service and shall cease upon the ~~member~~ retiree reaching sixty-five (65) years of age.

(b) For bargaining unit employees employed by the city on or after September 28, 2016, the provision of the supplemental payment shall be based on the following: ten dollars (\$10.00) per month per year of service up to a maximum of twenty (20) years of service (\$200.00/month) shall be provided to all members employed by the city on or after September 28, 2016, provided such member is eligible to begin drawing his/her normal retirement benefit immediately upon separation. This benefit shall cease upon the ~~member~~ retiree reaching sixty-five (65) years of age.

(c) Effective June 29, 2020, all members employed by the city as of July 1, 2020, who retire from city service after June 29, 2020, provisions of the supplemental payment shall be based on the following: twenty-five dollars (\$25.00) per month for each year of service up to a maximum of six hundred dollars (\$600.00/month), provided such member is eligible to begin drawing his/her normal retirement benefit immediately upon separation. This benefit will commence the first full month following his/her retirement from city service and will cease upon the retiree reaching sixty-five (65) years of age.

Section 4. That Section 2-87.1 of the City Code is hereby amended to read as follows:

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(a) A deferred retirement option plan ("DROP") is hereby created.

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- B. An estimate of the cost of implementing this amendment – **The actuarial impact of this proposed change would be an estimated increase in the annual funding cost of \$16,453 (0.2% of covered payroll), as shown on page 6, Item D.10.**

- C. In my opinion, the proposed changes are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution.

Chairman, Board of Trustees

Date

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CITY OF LAUDERHILL POLICE OFFICERS' RETIREMENT SYSTEM

State Required Exhibit

	<u>Current</u> <u>10/01/2019</u>	<u>Proposed</u> <u>10/01/2019</u>
A. <u>Participant Data</u>		
1. Active participants	108	108
2. Retired participants and beneficiaries receiving benefits	48	48
3. DROP participants	8	8
4. Disabled participants receiving benefits	3	3
5. Terminated vested participants	14	14
6. Total participants	181	181
7. Annual payroll of active participants	\$ 10,306,308	\$ 10,306,308
8. Annual benefits payable to those currently receiving benefits	\$ 3,328,387	\$ 3,328,387
9. Annual benefits payable to terminated vested participants	\$ 404,422	\$ 404,422
10. Annual benefits payable to DROP participants	\$ 658,273	\$ 658,273
B. <u>Value of Assets</u>		
1. Actuarial value	\$ 73,062,039	\$ 73,062,039
2. Market value	\$ 70,748,954	\$ 70,748,954
C. <u>Liabilities</u>		
1. Actuarial present value of future expected benefit payments for active members		
a. Age retirement benefits	\$ 49,287,642	\$ 48,105,206
b. Vesting benefits	4,243,465	4,195,657
c. Death benefits	258,860	236,914
d. Disability benefits	428,536	406,695
e. Total	<u>\$ 54,218,503</u>	<u>\$ 52,944,472</u>
2. Actuarial present value of future expected benefit payments terminated vested members	\$ 2,341,870	\$ 2,341,870
3. Actuarial present value of future expected benefit payments for those receiving benefits		
a. Service retired	\$ 39,967,963	\$ 39,967,963
b. DROP participants	8,676,276	8,676,276
c. Disability retired	524,174	524,174
d. Beneficiaries	188,913	188,913
e. Total	<u>\$ 49,357,326</u>	<u>\$ 49,357,326</u>

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	<u>Current</u> <u>10/01/2019</u>	<u>Proposed</u> <u>10/01/2019</u>
4. Total actuarial present value of future expected benefit payments	\$ 105,917,699	\$ 104,643,668
5. Actuarial accrued liabilities	\$ 86,961,250	\$ 86,971,164
6. Unfunded actuarial accrued liabilities (see footnote 1/ for separation)	\$ 13,899,211	\$ 13,909,125

D. Pension Cost

1. Total normal cost including expenses	\$ 2,691,957	\$ 2,706,951
2. Expected member contribution	1,030,631	1,030,631
3. Item 2. as percentage of payroll	<u>10.0%</u>	<u>10.0%</u>
4. Net employer normal cost	\$ 1,661,326	\$ 1,676,320
5. Payment required to amortize unfunded liability	<u>1,351,018</u>	<u>1,351,893</u>
6. Total employer required contribution (including interest)	\$ 3,123,011	\$ 3,139,464
7. Item 6. as a percentage of payroll	30.3%	30.5%
8. Estimated State contributions	\$ 491,287	\$ 491,287
9. Item 8. as a percentage of payroll	4.8%	4.8%
10. Net amount payable by City	\$ 2,631,724	\$ 2,648,177
11. Item 10. as a percentage of payroll	25.5%	25.7%

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