

November 21, 2024

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 changes:

Section 1. That each of the above-stated recitals are hereby adopted and confirmed.

Section 2. That paragraph (c) and paragraph (g) of Section 2-87.1 of the City Code are hereby amended to read as follows:

Sec. 2-87.1. – Deferred retirement option plan.

(c) The maximum period of participation in the DROP is five (5) years. Effective October 1, 2024, members who are presently in the DROP, or who enter the DROP on or after the effective date, may remain in the DROP for up to seven (7) years, provided that members make a one and one-half percent (1.5%) contribution of applicable Tier 1 or Tier 2 Earnable Compensation, to be deducted from earnable compensation, for any time worked during the member's sixth or seventh year in the DROP. Members who have previously completed five (5) years in the DROP prior to the effective date are not eligible for additional DROP time.

* * *

(g) Effective October 1, 2024, an employee shall terminate service with the police department at the conclusion of five (5) up to seven (7) years in the DROP.

Section 3. That Section 2-87.2 of the City Code is hereby amended to read as follows:

(a) Cost-of-living adjustment created for members retiring on or after October 1, 2004 and before September 30, 2024. A cost-of-living adjustment is hereby created

beginning with persons who retire on or after October 1, 2004. The cost-of-living adjustment shall be determined on an annual basis by the board of trustees based upon the criteria set forth in this section and shall not constitute a vested benefit.

(b) *Cost-of-living adjustment calculated.* The cost-of-living adjustment shall be based upon actuarial gains in the plan. The funds required for the payment of any cost-of-living adjustment shall be derived solely from the investment return of plan assets, both realized and unrealized, as allocable to police officers and beneficiaries receiving benefits from the plan, and only in such amounts as exceeds the investment return assumed for purposes of the actuarial valuation of the plan and a total experience gain for the plan as compared to the actuarial assumptions.

(c) *Amount of the cost-of-living adjustment.* The cost-of-living adjustment shall be in the form of a thirteenth check which shall not exceed the regular monthly retirement benefit of the member. The benefit shall be paid following the issuance of the actuarial valuation report and shall be based on the actuarial gains and losses as determined in the actuarial report for the preceding year. Any payments under this section shall be expressed as a percentage of the retiree's current benefit, and such percentage shall be uniform in respect to all retirees in any given year.

(d) *To whom cost-of-living adjustment is paid.* When the cost-of-living adjustment is paid, it will be paid to all members of Tier One, who retired and separated from city employment on or after October 1, 2004. The first payment will be available in the first year following retirement and separation. Retirees whose payments start during a fiscal year shall receive a pro rata payment reflecting the number of payments received in the year immediately prior thereto divided by twelve (12). The board may adopt any administrative rules necessary to administer the thirteenth check program. Notwithstanding anything to the contrary, members of Tier Two shall not be entitled to any cost-of-living adjustment, or any thirteenth check program.

(e) Effective October 1, 2024, the board shall be authorized to pay a non-recurring cost-of-living adjustment to a member, who has retired on or after October 1, 2024 and has fully separated from service from the DROP if applicable, beginning in the third year after retirement provided the plan has positive actuarial experience in the preceding fiscal year and the amount of the cost-of-living adjustment does not exceed three (3%) percent of the retired member's annual retirement benefit in any given year. This benefit is to abolish and replace the thirteenth check benefit set for in paragraphs (a)-(d) of this section for members who separate from City service on or after October 1, 2024. Members who separated from City service on or before September 30, 2024 shall not be eligible for the benefit in this paragraph (e) but shall retain all rights set forth in paragraphs (a)-(d) of this section. The board may adopt any administrative rules necessary to administer the cost-of-living benefit adjustment.

Section 4. That a new paragraph (d) of Section 2-87.3 of the City Code is hereby added to read as follows:

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2-87.3 – Post retirement supplement.

(d) All members employed by the City on or after October 1, 2024, who then retire from the City with at least twenty (20) years of credited with the City or at least five (5) years of credited service with the City and age fifty-five (55), shall, in the first full month following retirement and full separation from service with the City, receive a retirement stipend of forty dollars (\$40) per month per year of service up to maximum of eight hundred dollars (\$800) per month until age sixty-five (65).

The actuarial impact of this proposed change would be an estimated increase in the annual funding cost of **\$665,133 (5.18%** of covered payroll), as shown on page 5, Item D.10.

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, 2023 census and financial data that was utilized for the October 1, 2023 Actuarial Valuation. The methods and assumptions used in the calculations are the same as those that were utilized for the October 1, 2023 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



CITY OF LAUDERHILL POLICE OFFICERS' RETIREMENT SYSTEM

Actuarial Impact Statement

A. Description of Plan Amendment (see attached)

Section 1. That each of the above-stated recitals are hereby adopted and confirmed.

Section 2. That paragraph (c) and paragraph (g) of Section 2-87.1 of the City Code are hereby amended to read as follows:

Sec. 2-87.1. – Deferred retirement option plan.

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(g) Effective October 1, 2024, an employee shall terminate service with the police department at the conclusion of five (5) up to seven (7) years in the DROP.

Section 3. That Section 2-87.2 of the City Code is hereby amended to read as follows:

(a) Cost-of-living adjustment created for members retiring on or after October 1, 2004 and before September 30, 2024. A cost-of-living adjustment is hereby created beginning with persons who retire on or after October 1, 2004. The cost-of-living adjustment shall be determined on an annual basis by the board of trustees based upon the criteria set forth in this section and shall not constitute a vested benefit.

(b) Cost-of-living adjustment calculated. The cost-of-living adjustment shall be based upon actuarial gains in the plan. The funds required for the payment of any cost-of-living adjustment shall be derived solely from the investment return of plan assets, both realized and unrealized, as allocable to police officers and beneficiaries receiving benefits from the plan, and only in such amounts as exceeds the investment return assumed for purposes of the actuarial valuation of the plan and a total experience gain for the plan as compared to the actuarial assumptions.



(c) *Amount of the cost-of-living adjustment.* The cost-of-living adjustment shall be in the form of a thirteenth check which shall not exceed the regular monthly retirement benefit of the member. The benefit shall be paid following the issuance of the actuarial valuation report and shall be based on the actuarial gains and losses as determined in the actuarial report for the preceding year. Any payments under this section shall be expressed as a percentage of the retiree's current benefit, and such percentage shall be uniform in respect to all retirees in any given year.

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(e) Effective October 1, 2024, the board shall be authorized to pay a non-recurring cost-of-living adjustment to a member, who has retired on or after October 1, 2024 and has fully separated from service from the DROP if applicable, beginning in the third year after retirement provided the plan has positive actuarial experience in the preceding fiscal year and the amount of the cost-of-living adjustment does not exceed three (3%) percent of the retired member's annual retirement benefit in any given year. This benefit is to abolish and replace the thirteenth check benefit set for in paragraphs (a)-(d) of this section for members who separate from City service on or after October 1, 2024. Members who separated from City service on or before September 30, 2024 shall not be eligible for the benefit in this paragraph (e) but shall retain all rights set forth in paragraphs (a)-(d) of this section. The board may adopt any administrative rules necessary to administer the cost-of-living benefit adjustment.

Section 4. That a new paragraph (d) of Section 2-87.3 of the City Code is hereby added

to read as follows:

2-87.3 – Post retirement supplement.

(d) All members employed by the City on or after October 1, 2024, who then retire from the City with at least twenty (20) years of credited with the City or at least five (5) years of credited service with the City and age fifty-five (55), shall, in the first full month following retirement and full separation from service with the City, receive a retirement stipend of forty dollars (\$40) per month per year of service up to maximum of eight hundred dollars (\$800) per month until age sixty-five (65).

- 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 \$665,133 (5.18% of covered payroll), as shown on page 5, 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>10/01/2023</u>	<u>Proposed</u> <u>10/01/2023</u>
A. <u>Participant Data</u>		
1. Active participants	120	120
2. Retired participants and beneficiaries receiving benefits	61	61
3. DROP participants	10	10
4. Disabled participants receiving benefits	2	2
5. Terminated vested participants	12	12
6. Total participants	205	205
7. Annual payroll of active participants	\$ 12,828,343	\$ 12,828,343
8. Annual benefits payable to those currently receiving benefits	\$ 4,251,923	\$ 4,251,923
9. Annual benefits payable to terminated vested participants	\$ 382,002	\$ 382,002
10. Annual benefits payable to DROP participants	\$ 792,731	\$ 792,731
B. <u>Value of Assets</u>		
1. Actuarial value	\$ 94,127,528	\$ 94,127,528
2. Market value	\$ 88,743,761	\$ 88,743,761
C. <u>Liabilities</u>		
1. Actuarial present value of future expected benefit payments for active members		
a. Age retirement benefits	\$ 65,750,957	\$ 70,438,240
b. Vesting benefits	4,685,236	4,907,298
c. Death benefits	236,952	250,995
d. Disability benefits	427,511	451,230
e. Total	<u>\$ 71,100,656</u>	<u>\$ 76,047,763</u>
2. Actuarial present value of future expected benefit payments terminated vested members	\$ 2,912,903	\$ 2,912,903
3. Actuarial present value of future expected benefit payments for those receiving benefits		
a. Service retired	\$ 50,925,218	\$ 50,925,218
b. DROP participants	11,057,000	12,506,496
c. Disability retired	408,683	408,683
d. Beneficiaries	1,198,488	1,198,488
e. Total	<u>\$ 63,589,389</u>	<u>\$ 65,038,885</u>



	<u>Current</u> <u>10/01/2023</u>	<u>Proposed</u> <u>10/01/2023</u>
4. Total actuarial present value of future expected benefit payments	\$ 137,602,948	\$ 143,999,551
5. Actuarial accrued liabilities	\$ 115,215,121	\$ 120,098,974
6. Unfunded actuarial accrued liabilities (see footnote 1/ for separation)	\$ 21,087,593	\$ 25,971,446

D. Pension Cost

1. Total normal cost including expenses	\$ 3,477,922	\$ 3,698,141
2. Expected member contribution	1,282,834	1,282,834
3. Item 2. as percentage of payroll	<u>10.0%</u>	<u>10.0%</u>
4. Net employer normal cost	\$ 2,195,088	\$ 2,415,307
5. Payment required to amortize unfunded liability	<u>2,147,575</u>	<u>2,569,708</u>
6. Total employer required contribution (including interest)	\$ 4,496,677	\$ 5,161,810
7. Item 6. as a percentage of payroll	35.1%	40.2%
8. Estimated State contributions	\$ 601,075	\$ 601,075
9. Item 8. as a percentage of payroll	4.7%	4.7%
10. Net amount payable by City	\$ 3,895,602	\$ 4,560,735
11. Item 10. as a percentage of payroll	30.37%	35.55%

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