

CITY OF HALLANDALE BEACH
POLICE OFFICERS' AND FIREFIGHTERS'
PERSONNEL RETIREMENT TRUST

ACTUARIAL IMPACT STATEMENT

July 25, 2013

Attached hereto is a comparison of the impact on the Total Required Contribution (per Chapter 112, Florida Statutes) resulting from the implementation of the following benefit changes:

A. Police Officers – Tier 1

1. The annual accrued benefit shall not exceed \$95,000 (based on the life annuity with 10 years certain Normal Form), but not less than the greater of (1) The accrued benefit, determined as of March 20, 2013, and (2) The Chapter 185 minimum accrued benefit, based on a 2% benefit rate for all years of Credited Service, using a five-year averaging period for pensionable pay.
2. A limitation on the current cost-of-living adjustment (COLA) to 8 adjustments once the \$95,000 maximum is realized. In other words, the maximum Normal Retirement Benefit, after adjustment for COLAs, is \$111,307.64. Please note that the Chapter 185 minimum benefit is payable, even if greater than \$111,307.64.

For Police Officers who participate in the DROP, the first COLA is payable upon DROP exit.

Exceptions

The above provisions are not applicable to Police Officers who were eligible for Normal Retirement as of March 20, 2013, or had completed at least 24 years of Credited Service as of March 20, 2013.

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A. Police Officers – Tier 2

Police Officers hired on and after March 20, 2013, will accrue benefits according to the following structure:

<u>Benefit</u>	<u>Provision</u>
Average Final Compensation Period	5 Years
COLA	None
Benefit Accrual Rate	3% for all years of Credited Service, not exceeding 75% of Average Final Compensation. Additionally, the \$95,000 maximum benefit described on the prior page is applicable.
DROP	Not Available.

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B. Firefighters – Tier 1

1. The annual accrued benefit shall not exceed \$95,000 (based on the life annuity with 10 years certain Normal Form), but not less than the greater of (1) The accrued benefit, determined as of August 7, 2013, and (2) The Chapter 175 minimum accrued benefit, based on a 2% benefit rate for all years of Credited Service, using a five-year averaging period for pensionable pay.
2. A limitation on the current cost-of-living adjustment (COLA) to 8 adjustments once the \$95,000 maximum is realized. In other words, the maximum Normal Retirement Benefit, after adjustment for COLAs, is \$111,307.64. Please note that the Chapter 175 minimum benefit is payable, even if greater than \$111,307.64.

For Firefighters who participate in the DROP, the first COLA is payable upon DROP exit.

Exceptions

The above provisions are not applicable to Firefighters who are eligible for Normal Retirement as of August 7, 2013, or will complete at least 24 years of Credited Service as of December 28, 2013.

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B. Firefighters – Tier 2

Firefighters hired on and after August 7, 2013, will accrue benefits according to the following structure:

<u>Benefit</u>	<u>Provision</u>
Average Final Compensation Period	5 Years
COLA	None
Benefit Accrual Rate	3% for all years of Credited Service, not exceeding 75% of Average Final Compensation. Additionally, the \$95,000 maximum benefit described on the prior page is applicable.
DROP	Not Available.

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The cost impact, determined as of October 1, 2012 (and compared to results of the June 10, 2013 Actuarial Impact Statement), as applicable to the fiscal year ending September 30, 2014, is as follows:

	<u>Current</u>	<u>Proposed</u>
Total Required Contribution	\$10,255,812	\$9,961,987
Less Member Contributions (est.)	1,310,180	1,310,180
City and State Required Contribution	8,945,632	8,651,807
Less State Contribution (est.) ¹	635,011	635,011
Balance from City ¹	\$8,310,621	\$8,016,796

¹ For purposes of this Impact Statement, the "frozen" State Contribution was lowered from \$1,534,241 to \$924,551.

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The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution.



Douglas H. Lozen, EA, MAAA
Enrolled Actuary #11-7778

STATEMENT OF PLAN ADMINISTRATOR

The prepared information presented herein reflects the estimated cost of each proposed improvement.

Board of Trustees

Comparative Summary of Principal Valuation Results

	<u>Proposed</u> <u>10/1/2012</u>	<u>6/10/13 AIS</u> <u>10/1/2012</u>
A. Participant Data		
Number Included		
Actives	161	161
Service Retirees	133	133
Beneficiaries	13	13
Terminated Vested	4	4
Disability Retirees	9	9
DROP Retirees	11	11
	331	331
Total Annual Payroll	\$13,244,476	\$13,244,476
Payroll Under Assumed Ret. Age	12,443,197	12,443,197
Annual Rate of Payments to:		
Service Retirees	6,524,416	6,524,416
Beneficiaries	329,467	329,467
Terminated Vested	68,928	68,928
Disability Retirees	315,618	315,618
DROP Retirees	851,829	851,829
B. Assets		
Actuarial Value ¹	97,793,889	97,793,889
Market Value ¹	101,230,756	101,230,756
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	57,314,590	60,108,803
Disability Benefits	1,825,087	1,850,571
Death Benefits	514,227	521,909
Vested Benefits	4,067,435	4,100,618
Refund of Contributions	788,867	788,867
Service Retirees	81,170,610	81,170,610
Beneficiaries	2,420,564	2,420,564
Terminated Vested	603,302	603,302
Disability Retirees	2,749,293	2,749,293
DROP Retirees ¹	32,546,353	32,546,353
Excess State Monies Reserve	0	0
	184,000,328	186,860,890

	<u>Proposed</u> <u>10/1/2012</u>	<u>6/10/13 AIS</u> <u>10/1/2012</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	83,589,086	83,589,086
Present Value of Future Member Cont.	7,940,963	7,940,963
Normal Cost (Entry Age)		
Service Ret	1,571,068	1,682,138
Dis Benefits	163,638	165,431
Death Benefits	40,825	41,356
Vest Benefits	259,978	262,297
Refunds	109,226	109,226
Total Normal Cost	<u>2,144,734</u>	<u>2,260,449</u>
Present Value of Future Normal Costs	13,716,060	14,720,918
Actuarial Accrued Liability		
Service Ret	46,988,857	48,821,709
Dis Benefits	730,008	737,829
Death Benefits	242,199	244,699
Vest Benefits	2,515,630	2,528,161
Refunds	317,452	317,452
Inactives ¹	119,490,122	119,490,122
Excess State Monies Reserve	0	0
Total Actuarial Accrued Liability	<u>170,284,268</u>	<u>172,139,972</u>
Unfunded Actuarial Accrued Liability	72,490,379	74,346,083
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives ¹	119,490,122	119,490,122
Actives	15,138,629	15,138,629
Member Contributions	10,130,704	10,130,704
Total	<u>144,759,455</u>	<u>144,759,455</u>
Non-vested Accrued Benefits	<u>6,306,650</u>	<u>6,306,650</u>
Total Present Value Accrued Benefits	151,066,105	151,066,105
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	0	
Benefits Paid	0	
Interest	0	
Other	0	
Total:	<u>0</u>	

Valuation Date Applicable to Fiscal Year Ending	Proposed 10/1/2012 <u>9/30/2014</u>	6/10/13 AIS 10/1/2012 <u>9/30/2014</u>
E. Pension Cost		
Normal Cost ² % of Total Annual Payroll	\$2,377,108	\$2,505,360
Administrative Expense ² % of Total Annual Payroll	143,840	143,840
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/12) ² % of Total Annual Payroll	7,441,039	7,606,612
Total Required Contribution % of Total Annual Payroll	9,961,987	10,255,812
Expected Member Contributions ² % of Total Annual Payroll	1,310,180	1,310,180
Expected City & State Contrib. % of Total Annual Payroll	\$8,651,807	\$8,945,632

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 09/30/2012.

² Contributions developed as of 10/1/2012 displayed above have been adjusted to account for assumed salary increase and interest components

ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rate</u>	<p>RP2000, Combined Healthy Mortality Table without projection. Disabled Members set forward 5 years.</p> <p>Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.</p>								
<u>Interest Rate</u>	7.75% per year compounded annually, net of investment related expenses.								
<u>Retirement Rates</u>									
Early Retirement	Upon attainment of Early Retirement eligibility (age 45 with 10 years of Credited Service), Members are assumed to retire at the rate of 15% per year.								
Normal Retirement									
<table border="0"> <tr> <td style="text-align: center;"><u>Number of Years after First Eligibility for Normal Retirement</u></td> <td style="text-align: center;"><u>Probability of Retirement</u></td> </tr> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">50%</td> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">50%</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">100%</td> </tr> </table>	<u>Number of Years after First Eligibility for Normal Retirement</u>	<u>Probability of Retirement</u>	0	50%	1	50%	2	100%	
<u>Number of Years after First Eligibility for Normal Retirement</u>	<u>Probability of Retirement</u>								
0	50%								
1	50%								
2	100%								
<u>Disability Rate</u>	See table on the following page. 75% of disabilities are assumed to be service-incurred.								
<u>Termination Rate</u>	See table on the following page.								
<u>Salary Increases</u>	10.0% for less than 10 years of Credited Service. For 10 or more years of Credited Service, the assumption is 4.5%.								
<u>Post Retirement COLA</u>	2% per year for Normal Retirement.								
<u>Payroll Growth</u>	4.24% per year for all bases created prior to 2011, 0.0% for all bases created thereafter.								
<u>Administrative Expenses</u>	\$129,779.								

Funding Method

Entry Age Normal Actuarial Cost Method. The following loads are utilized for determination of the Total Required Contribution:

- Interest – A half-year, based on the current 8.0% assumption.
- Salary – A full-year, based on the current 6.7% average increase assumption.

Actuarial Asset Method

The Actuarial Value of Assets utilizes a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.

<u>Age</u>	<u>% Becoming Disabled During the Year</u>	<u>% Terminating During the Year</u>
20	0.14%	12.0%
25	0.15%	10.4%
30	0.18%	10.0%
35	0.23%	7.6%
40	0.30%	5.2%
45	0.51%	3.2%
50	1.00%	1.6%
55	1.00%	0.6%

SUMMARY OF PLAN PROVISIONS

<u>Eligibility</u>	Full-time employees who are classified as Police Officers or Firefighters participate as a condition of employment.
<u>Credited Service</u>	Total years and fractional parts of years of employment with the City as a Police Officer or Firefighter.
<u>Pensionable Earnings</u>	Base salary, including Pick-Up Amounts, for all straight time hours worked, overtime, assignment pay, premium pay, state educational incentive payments and payments received for vacation, sick leave and bereavement leave taken in lieu of pay for actual services rendered. Basic Compensation shall not include bonuses, commissions, uniform or expense allowance, Outside Service Duty Detail Compensation, or payments for accrued sick leave, vacation, sick leave buyback amounts, or compensatory leave paid as a lump sum upon separation of service.
<u>Final Average Compensation</u>	Average of Pensionable Earnings for the two most recent completed calendar years prior to retirement or termination with the City.
<u>Member Contributions</u>	9.5% of Salary.
<u>City and State Contributions</u>	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII, Chapter 112, F.S.
<u>Normal Retirement</u>	
Date	Earlier of: 1) Age 52 with 10 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age.

Benefit	3.20% of Final Average Compensation for all years of Credited Service.
Maximum Benefit	80% of Final Average Compensation.
Form of Benefit	Ten Year Certain and Life Annuity (options available).

Early Retirement

Eligibility	Age 45 with 10 years of Credited Service.
Benefit	Accrued benefit, reduced 6% per year that the benefit commencement date precedes age 52.

Vesting

Less than 5 Years	Refund of Member contributions without interest.
5-10 years	Refund of Member contributions with 3% interest through the termination date.
10 or more years	Greater of a refund of Member contributions with 3% interest and the accrued benefit, payable at the Normal Retirement Date.

Disability

Eligibility	
Service Incurred	Covered from Date of Employment.
Non-Service Incurred	10 years of Credited Service.
Exclusions	Disability resulting from use of drugs, illegal participation in riots, service in military, etc.

Benefit

Service Incurred

75% of Pensionable Earnings, less 64% of Social Security Disability Benefits received, further reduced by 33% of Workers' Compensation Benefits received, plus outside income to the extent that the sum of the Workers' Compensation Benefit and Disability Retirement benefit exceed 100% of Basic Compensation.

In no case will the Disability Retirement Benefit be less than the greater of the accrued Normal Retirement Benefit and 42% of Basic Compensation.

Non-Service Incurred

Accrued Benefit, less 64% of Social Security Disability Benefits received.

In no case will the Disability Retirement Benefit be less than 25% of Final Average Compensation, nor more than 50% of Final Average Compensation as of the date of disability.

Duration

Payable for life (with 120 payments guaranteed) or until recovery (as determined by the Board). Optional forms of payment are available.

Death Benefits

Eligibility

Service Incurred

Covered from Date of Employment.

Non-Service Incurred

10 years of Credited Service.

Benefit (Pre-Retirement)

Service Incurred

Accrued Benefit, but not less than 30% of Basic Compensation.

Non-Service Incurred

Accrued Benefit.

Benefit (Post-Retirement)

Benefits payable to beneficiary in accordance with option selected at retirement.

Form of Benefit

10 Year Certain and Life Annuity.

Health Care Stipend

Eligibility

Date of Employment prior to January 1, 1996.

The stipend is payable for all types of retirement benefits; DROP retirees do not receive the stipend while participating in the DROP.

Benefit

\$10 per month for each year of Credited Service, up to a maximum of \$200 per month.

Form of Benefit

Payable for the life of the retiree and any survivor, if a joint and survivor option is chosen by the Retiree.

Cost of Living Increases

Up to 2% increase or decrease effective each January 1st in accordance with the Consumer Price Index, applied to Normal and DROP Retirees. The Health Care Stipend is not subject to the COLA.

Deferred Retirement Option Plan

Eligibility

Earlier of: 1) Age 52 with 20 years of Credited Service, 2) the completion of 25 years of Credited Service, regardless of age, or 3) the date when the maximum benefit is earned.

Participation

Not to exceed 60 months.

Rate of Return

Plan Earnings, less 0.5% per year for administrative expenses. A one-time election to credit DROP accounts with the valuation assumption for investment return has been allowed since 2002. Upon exit from the DROP, interest credit reverts to Plan earnings on DROP balances.

Form of Distribution Cash lump sum (options available) at termination of employment.