



A PARTNERSHIP OF PROFESSIONAL ASSOCIATIONS
ATTORNEYS AT LAW

September 27, 2021

Rep. Mike Caruso
Palm Beach County Legislative Delegation
301 North Olive Avenue, Suite 701.6
West Palm Beach, Florida 33401

Re- West Palm Beach Police Pension Fund
Letter of Intention
Our File Number 150103

Dear Representative Caruso:

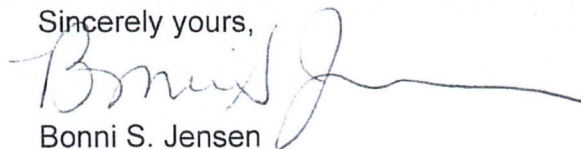
This office is the legal counsel for the Board of Trustees ("Board") of the West Palm Beach Police Pension Fund ("Fund"). The Special Act Pension Plan for the Fund is presented to the Palm Beach County Legislative Delegation for consideration as a local bill. The City of West Palm Beach and the Florida State Lodge, Fraternal Order of Police, Inc. have agreed in collective bargaining to benefit changes which require an amendment to the Special Act Pension Plan. These changes cannot be accomplished locally as the Pension Plan is a creation of the Florida Legislature.

I will be presenting the bill to the Legislative Delegation on October 28, 2021. Enclosed with this Letter of Intention are the following:

1. Summary Fact Sheet
2. Local Bill
3. Economic Impact Statement

I am also emailing an electronic copy of the bill in Word® version and hand-delivering fifteen copies of the bill to the Delegation Office. If you have any questions or if I may be of any assistance to you at all, please do not hesitate to contact me at (954) 916-1202.

Sincerely yours,



Bonni S. Jensen

7080 NORTHWEST 4TH STREET, PLANTATION, FLORIDA 33317

{00197263.DOCX;1}

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West Palm Beach Police Pension Fund Summary Fact Sheet

The Special Act Pension Plan for the West Palm Beach Police Pension Fund is presented to the Palm Beach County Legislative Delegation. An amendment to the Plan is necessary because the City of West Palm Beach and the Florida State Lodge, Fraternal Order of Police, Inc. have agreed in collective bargaining to certain benefit changes. These changes cannot be accomplished locally as the Pension Plan is a creation of the Florida Legislature. Below is a summary of the proposed changes:

- Updates the union name to reflect the change of representation to the Florida State Lodge, Fraternal Order of Police, Inc.
- Retroactively restores the 3% multiplier for purposes of calculating the benefit for all years of a member's service between October 1, 2011 and October 1, 2017 provided that the member retires or enters the Deferred Retirement Option Plan (DROP) after the effective date of when the Special Act amendment becomes law. Currently employed DROP participants are not entitled to the changed multiplier.
- Provides for the transfer of accumulated leave for those members who are at retirement, including entry into DROP, but not for vested or nonvested terminated members.

1

2

An act relating to the West Palm Beach Police Pension Fund of the

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City of West Palm Beach, Palm Beach County; amending section

4

16 of ch. 24981 (1947), Laws of Florida, 1947 as amended; revising

5

the definition of Salary; amending the retirement benefit calculation;

6

amending the transfer of accumulated leave; providing an effective

7

date

8

Be It Enacted by the Legislature of the State of Florida:

9

Section 1. Paragraph (q) of subsection (2), paragraph (a) of subsection (9), and

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paragraph (b) of subsection (31), of chapter 24981 (1947), Laws of Florida, as amended

11

by chapter 2017-207, Laws of Florida, are amended to read:

12

Section 16. West Palm Beach Police Pension Fund.—

13

14

(2) *Definitions.* The following words or phrases, as used in this Act, shall have

15

the following meanings, unless a different meaning is clearly indicated by the context:

16

(q) "Salary" means the fixed monthly compensation paid to a member;

17

compensation shall include those items as have been included as compensation in

18

accordance with past practice. However, the term shall not be construed to include lump

19

sum payments for accumulated leave. On and after January 1, 2003, salary shall mean

20

payment for total cash remuneration paid by the City to a police officer for services

21

rendered, excluding lump sum payments for accumulated leave such as accrued

22 vacation leave, accrued sick leave, and accrued personal leave. Effective January 1,
23 2005, overtime hours earned and paid in excess of four hundred (400) hours in any
24 twenty-six (26) consecutive pay periods shall be excluded from the definition of salary.
25 Effective prospectively from January 1, 2013, overtime hours earned and paid in excess
26 of three hundred (300) hours in any twenty-six (26) consecutive pay periods shall be
27 excluded from the definition of salary. Prior to January 1, 2005, all overtime hours
28 earned and paid shall be included in the definition of salary and shall not be limited by
29 any cap. This definition of compensation shall not include off-duty employment
30 performed for vendors other than the city per Article 30, ~~pension plan~~ and Section 8 5 of
31 the collective bargaining agreement between the Florida State Lodge, Fraternal Order
32 of Police, Inc., Certified Unit No 1985 and Certified Unit No 1986 Palm Beach County
33 ~~Police Benevolent Association~~ and the city. Beginning with salary paid after December
34 31, 2008, and pursuant to s. 414(u)(7) of the Internal Revenue Code, "salary" includes
35 amounts paid by the city as differential wages to members who are absent from
36 employment while in qualified military service.

37 ***

38 (9) *Retirement pension calculation.*

39 (a) Upon retirement eligibility as provided in subsection (8), a member shall
40 receive a monthly pension. The pension shall be the following, as applicable:

41 1. For all years of service earned after October 1, 2017, the benefit is calculated
42 using 3 percent of final average salary per year and fractional parts of the years of
43 service up to a total of 26 years, plus one (1) percent of the final average salary

44 multiplied by the number of years, and fraction of a year, of credited service in excess of
45 26 years. For all years of service earned after October 1, 2011, and before October 1,
46 2017, the benefit is calculated using 2.68 percent of final average salary per year and
47 fractional parts of the years of service and is included in the 26-year limitation. This
48 change in the multiplier was due to the change in assumptions in a prior version of this
49 special act. This reduction is required by this paragraph. For years of service earned
50 before October 1, 2011, the benefit will be calculated under the provisions of the
51 applicable subparagraphs 2.—4. For purposes of determining the twenty-six-year
52 limitation, the member's total number of years of credited service are used, regardless
53 of whether the multiplier is 3 percent or 2.68 percent. In no event shall the benefit be
54 less than 2.75 percent per year of credited service.

55 (l) Beginning the effective date of when the Special Act amendment becomes law
56 [effective date], the benefit accrual rate of 2.68% (described in subsection (a)1 above)
57 will be retroactively restored to 3% for all years of a member's service between October
58 1, 2011 and October 1, 2017 provided that the member retires or enters the DROP after
59 the effective date. This benefit is not available to members who retired (including entry
60 into the DROP) prior to the effective date.

61 2. A member who has more than or equal to twelve (12) years and six (6)
62 months of service at October 1, 1999, and who was actively employed by the
63 Department on or after October 1, 1999, shall receive a benefit equal to 3 percent of
64 final average salary multiplied by the number of years, and fraction of a year, of credited
65 service earned from April 1, 1987, to September 30, 2011, plus 2.5 percent of final

66 average salary multiplied by the number of years, and fraction of a year, of credited
67 service earned prior to April 1, 1987, up to a total of 26 years, plus 1 percent of the final
68 average salary multiplied by the number of years, and fraction of a year, of credited
69 service which is in excess of 26 years. In no event shall the benefit be less than 2.75
70 percent per year of credited service. For all years of service after October 1, 2011, the
71 benefit will be calculated in accordance with subparagraph 1.

72 3. A member who has less than twelve (12) years and six (6) months of service on
73 October 1, 1999, and who was actively employed by the Department on or after October
74 1, 1999, shall receive a benefit equal to 3 percent of final average salary multiplied by
75 the number of years, and fraction of a year, of credited service up to September 30,
76 2011 , plus 1 percent of the final average salary multiplied by the number of years, and
77 fraction of a year, of credited service which is in excess of 26 years. In no event shall
78 the benefit be less than 2.75 percent per year of credited service. For all years of
79 service after October 1, 2011, the benefit will be calculated in accordance with
80 subparagraph 1.

81 4. A member who terminated employment, retired on a vested deferred benefit, or
82 retired on or before October 1, 1999, shall receive a benefit equal to the greater of the
83 following:

84 a. Two and one-half percent of final average salary multiplied by the number of
85 years, and fraction of a year, of credited service, not to exceed 26 years, plus 1 percent
86 of the final average salary multiplied by the number of years, and fraction of a year, of
87 credited service which is in excess of 26 years; or

88 b. The sum of the following:

89 (I) Two and one-half percent of final average salary multiplied by the number
90 of years, and fraction of a year, of credited service earned through September 30, 1988;
91 and

92 (II) Two percent of final average salary multiplied by the number of years, and
93 fraction of a year, of credited service earned on and after October 1, 1988.

94 To the extent that the benefit accrual factor is less than 3 percent for active
95 members with less than 12 years and 6 months of service on October 1, 1999, the
96 supplemental pension distribution calculation under subparagraph (12)(a)2. shall be
97 adjusted for employees who retire or enter the DROP after October 1, 1999. The
98 adjustment shall be to decrease the minimum return of 8.25% percent needed to afford
99 the supplemental pension distribution, where the amount of the reduction is zero if an
100 employee has been credited with 12 years and 6 months of service or more with the 3
101 percent benefit accrual factor or 1.25 percent if an employee has been credited with no
102 more than a 2.5 percent benefit accrual factor. If an employee has been credited with
103 less than 12 years and 6 months of service at the 3 percent benefit accrual factor, then
104 the accumulated amount over 2.5 percent for each year of service divided by one-half
105 percent divided by 12.5 subtracted from 1 multiplied by 1.25 percent is the reduction
106 from 8.25 percent. An example of the calculation of the minimum return for the
107 supplemental pension distribution as described in this paragraph is set forth in the
108 collective bargaining agreement between the City of West Palm Beach and the Florida
109 State Lodge, Fraternal Order of Police, Inc., Certified Unit No 1985 and Certified Unit

110 ~~No 1986, October 1, 2021 to September 30, 2024 Police Benevolent Association,~~
111 ~~Certified Unit No. 145 and Certified Unit No. 825, October 1, 1998—September 30,~~
112 ~~2001.~~

113 Effective October 1, 2011, the assumed investment rate of return was lowered from
114 8.25 percent to 8 percent, which resulted in a reduction in the benefit multiplier to 2.68
115 percent for all prospective years of service, up to 26 years of service in total, and 1
116 percent for each year of service after 26. Additionally, for any supplemental pension
117 distributions subsequent to October 1, 2011, the revised factors in this paragraph will be
118 applied.

119 ***

120 (31)(b) *Transfer of accumulated leave.*

- 121 1. Members who are eligible to receive a lump-sum payment for accumulated
122 leave payable upon **retirement (including entry into DROP, but neither**
123 **vested termination nor non-vested termination)** separation and who have
124 funds remaining after the contributions to the health savings account as
125 required by the collective bargaining agreement shall have the remaining
126 leave payment transferred to the fund up to the amount permitted by law.
127 Any additional amounts shall be paid directly to the member. Members on
128 whose behalf leave has been transferred shall maintain the entire amount of
129 the transferred leave balance in the DROP or Share Account.
- 130 2. If a member on whose behalf the city makes a transferred leave balance to
131 the plan dies after retirement or other separation, then any person who would

132 have received a death benefit had the member died in service immediately
133 prior to the date of retirement or other separation shall be entitled to receive
134 an amount equal to the transferred leave balance in a lump sum. In the case
135 of a surviving spouse or former spouse, an election may be made to transfer
136 the leave balance to an eligible retirement plan in lieu of the lump sum
137 payment. Failure to make such an election by the surviving spouse or former
138 spouse within sixty (60) days after the member's death shall be deemed an
139 election to receive the lump sum payment.

140 3. The board, by rule, shall prescribe the method for implementing the
141 provisions of this paragraph.

142 4. Amounts transferred under this section shall remain invested in the fund for a
143 period of not less than one (1) year.

144 Section 2. This act shall take effect upon becoming a law.

145

**HOUSE OF REPRESENTATIVES
2022 ECONOMIC IMPACT STATEMENT FORM**

Read all instructions carefully.

House local bill policy requires that no local bill will be considered by a committee or a subcommittee without an Economic Impact Statement. This form must be prepared by an individual who is qualified to establish fiscal data and impacts and has personal knowledge of the information given (for example, a chief financial officer of a particular local government). Please file this completed form with the Clerk of the House as soon as possible after a bill is filed. Additional pages may be attached as necessary.

BILL #: _____
SPONSOR(S): David Silvers
RELATING TO: City of West Palm Beach Police Pension Fund
[Indicate Area Affected (City, County or Special District) and Subject]

Check if this is a revised Economic Impact Statement

I. REVENUES:

These figures are new revenues that would not exist but for the passage of the bill. The term "revenue" contemplates, but is not limited to, taxes, fees, and special assessments. For example, license plate fees may be a revenue source. If the bill will add or remove property or individuals from the tax base, include this information as well.

	<u>FY 22-23</u>	<u>FY 23-24</u>
Revenue decrease due to bill:	\$ <u>0</u>	\$ <u>0</u>
Revenue increase due to bill:	\$ <u>0</u>	\$ <u>0</u>

II. COST:

Include all costs, both direct and indirect, including start-up costs. If the bill repeals the existence of a certain entity, state the related costs, such as satisfying liabilities and distributing assets.

Expenditures for Implementation, Administration, and Enforcement:

	<u>FY 22-23</u>	<u>FY 23-24</u>
	\$ <u>322,970</u>	\$ <u>332,502</u>

Please include explanations and calculations regarding how each dollar figure was determined in reaching total cost.

See attached Supplemental Actuarial Impact Statement with cover letter dated September 8, 2021 for explanation of cost calculations.

III. FUNDING SOURCE(S):

State the specific sources from which funding will be received, for example, license plate fees, state funds, borrowed funds, or special assessments.

If certain funding changes are anticipated to occur beyond the following two fiscal years, explain the change and at what rate taxes, fees, or assessments will be collected in those years.

	<u>FY 22-23</u>	<u>FY 23-24</u>
Local:	\$ <u>322,970</u>	\$ <u>332,502</u>
State:	<u>0</u>	\$ <u>0</u>
Federal:	<u>0</u>	<u>0</u>

IV. ECONOMIC IMPACT:

Potential Advantages:

Include all possible outcomes linked to the bill, such as increased efficiencies, and positive or negative changes to tax revenue. If an act is being repealed or an entity dissolved, include the increased or decreased efficiencies caused thereby.

Include specific figures for anticipated job growth.

1. Advantages to Individuals:

Implementation of agreement between city and union; benefit restoration for members; consistency of the benefit formula for all West Palm Beach Police Officers.

2. Advantages to Businesses:

None.

3. Advantages to Government:

Implementation of agreement between city and union; improved ability to retain police officers.

Potential Disadvantages:

Include all possible outcomes linked to the bill, such as inefficiencies, shortages, or market changes anticipated.

Include reduced business opportunities, such as reduced access to capital or training.

State any decreases in tax revenue as a result of the bill.

- 1. Disadvantages to Individuals: None.
- 2. Disadvantages to Businesses: None.
- 3. Disadvantages to Government: Increased costs.

V. DESCRIBE THE POTENTIAL IMPACT OF THE BILL ON PRESENT GOVERNMENTAL SERVICES:

Improves ability of City and Police Department to retain police officers because the benefit is restored. Additionally, consistency of the benefit formula for all West Palm Beach Police Officers creates parity among the police officers by awarding the same percentage of salary to all similarly situated employees.

VI. SPECIFIC DATA USED IN REACHING ESTIMATES:

Include the type(s) and source(s) of data used, percentages, dollar figures, all assumptions made, history of the industry/issue affected by the bill, and any audits.

See attached Supplemental Actuarial Impact Statement with cover letter dated September 8, 2021.

VII. CERTIFICATION BY PREPARER

I hereby certify I am qualified to establish fiscal data and impacts and have personal knowledge of the information given. I have reviewed all available financial information applicable to the substance of the above-stated local bill and confirm the foregoing Economic Impact Statement is a true and accurate estimate of the economic impact of the bill.

PREPARED BY:


[Must be signed by Preparer]

Print preparer's name:

Bonni S. Jensen

9/22/21

Date

TITLE (such as Executive Director, Actuary, Chief Accountant, or Budget Director):

Legal Counsel

REPRESENTING:

West Palm Beach Police Pension Fund

PHONE:

9549161202

E-MAIL ADDRESS:

bonni@robertdklausner.com



September 8, 2021

Mr. David M. Williams, Plan Administrator
West Palm Beach Police Pension Fund
2100 N. Florida Mango Road
West Palm Beach, Florida 33409

Re: West Palm Beach Police Pension Fund

Dear Dave:

As requested, we have reviewed the proposed amendment to the West Palm Beach (City) Police Pension Fund (Plan) and prepared the enclosed Actuarial Impact Statement to measure the first-year financial impact on the Plan. This amendment to the Special Act would provide the following:

- Amend Sections 16(2)(q) and 16(9)(a)4 to update the Union name on the contract to reflect the change of representative to the Fraternal Order of Police (FOP).
- Amend Section 16(31)(b) Transfer of Accumulated Leave to provide for the transfer of accumulated leave for those members who are at retirement, including DROP entry, but not including vested terminated members.
- Amend Section 16(9)(a)1 by adding a new subsection (l) to restore the 3% multiplier for all years of service between October 1, 2011 to October 1, 2017 for members who retire after the effective date (including entry into DROP). This change excludes current DROP members.

Summary of Findings

In our opinion, the first two changes described above would not have an actuarial impact on the Plan for advance funding purposes.

If the proposed benefit multiplier change is adopted as described in the third bullet above:

- The required employer contribution in the first year would increase by \$322,970, from \$5,354,106 to \$5,677,076, assuming the contribution is paid in-full on October 1, 2021.
- The Plan's funded ratio (actuarial value of assets divided by actuarial accrued liability) as of September 30, 2020 would decrease from 96.0% to 95.3%.
- The Unfunded Actuarial Accrued Liability (UAAL) as of September 30, 2020 would increase by \$2,869,389. This increase is being amortized over 30 years.
- The ultimate cost of the proposed benefit multiplier change is measured by the change in the Actuarial Present Value of Projected Benefits, which is approximately \$3,664,000 as of September 30, 2020, as shown in item B5 on page 9. This represents the increase in benefit payments expected to be funded by the City in today's dollars. This assumes all of the actuarial assumptions are met each year.

This Statement must be filed with the Division of Retirement before the final public hearing on the proposed amendment. Please have a member of the Board of Trustees sign the Statement. Then please send the Statement along with a copy of the proposed amendment to Tallahassee.

Other Cost Considerations

As of September 30, 2020, the Actuarial Value of Assets exceeds the Market Value of Assets by approximately \$10.3 million. This difference will be recognized over the next several years. In turn, the computed overall employer contribution rate will gradually increase by approximately 3.56% of covered payroll in the absence of offsetting gains.

It is also important to note that the results do not reflect the strong fiscal year-to-date investment earnings that occurred after the September 30, 2020 valuation date. This return will be reflected in our September 30, 2021 actuarial valuation report and, barring any downward market correction, is expected to cause a decrease in the Required City Contribution.

Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

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 due to changing conditions; 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.

Examples of risk that may reasonably be anticipated to significantly affect the Plan's future financial condition include:

1. Investment risk – actual investment returns may differ from the either assumed or forecasted returns;
2. Contribution risk – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the Plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
3. Salary and Payroll risk – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
4. Longevity risk – members may live longer or shorter than expected and receive pensions for a period of time other than assumed;
5. Other demographic risks – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.



The effects of certain trends in experience can generally be anticipated. For example, if the investment return is less (or more) than the assumed rate, the cost of the Plan can be expected to increase (or decrease). Likewise if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

The computed contribution amounts may be considered as minimum contributions that comply with the pension Board's funding policy and the State statutes. The timely receipt of the actuarially determined contributions is critical to support the financial health of the Plan. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

Additional Risk Assessment

Additional risk assessment is outside the scope of this report. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability. We are prepared to perform such assessment to aid in the decision-making process.

Additional Disclosures

This report was prepared at the request of the Board 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 Plan only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

The purpose of this report is to describe the financial effect of the proposed plan changes. No statement in this report is intended to be interpreted as a recommendation in favor of the changes or in opposition to them. This report should not be relied on for any purpose other than the purpose described above.

In the event that more than one change is being considered, the results of separate actuarial valuations cannot generally be added together to produce a correct estimate of the combined effects of all the changes. The total can differ considerably from the sum of the parts due to the interaction of the various plan provisions with each other and with the assumptions that must be used.

The calculations in this report are based upon information furnished by the Plan Administrator for the September 30, 2020 Actuarial Valuation concerning Plan benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. 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, 2020. 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 calculations are based upon assumptions regarding future events, which may or may not materialize. 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 author of the report prior to relying on information in the report.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.


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, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board, and with applicable statutes.


Jeffrey Amrose and Trisha Amrose are members of the American Academy of Actuaries. These actuaries meet the Academy's Qualification Standards to render the actuarial opinions contained herein. The 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.

Sincerely yours,


Jeffrey Amrose, EA, MAAA, FCA
Senior Consultant & Actuary


Trisha Amrose, EA, MAAA, FCA
Consultant & Actuary

Enclosures

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



West Palm Beach Police Pension Fund

Actuarial Impact Statement – September 8, 2021

Description of Amendment

The proposed amendment to the Special Act would provide the following:

- Amend Sections 16(2)(q) and 16(9)(a)4 to update the Union name on the contract to reflect the change of representative to the Fraternal Order of Police (FOP).
- Amend Section 16(31)(b) Transfer of Accumulated Leave to provide for the transfer of accumulated leave for those members who are at retirement, including DROP entry, but not including vested terminated members.
- Amend Section 16(9)(a)1 by adding a new subsection (l) to restore the 3% multiplier for all years of service between October 1, 2011 to October 1, 2017 for members who retire after the effective date (including entry into DROP). This change excludes current DROP members.

Funding Implications of Amendment

See attached exhibits.

Certification of Administrator

I believe the amendment to be in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the Constitution of the State of Florida.

For the Board of Trustees
as Plan Administrator



Actuarial Impact Statement

Plan

West Palm Beach Police Pension Fund

Actuarial Valuation Date

September 30, 2020

Date of Report

September 8, 2021

Report Requested by

Board of Trustees

Prepared by

Jeffrey Amrose, EA, MAAA, FCA

Group Valued

All active and inactive members of the Plan.

Plan Changes Being Proposed

- Amend Sections 16(2)(q) and 16(9)(a)4 to update the Union name on the contract to reflect the change of representative to the Fraternal Order of Police (FOP).
- Amend Section 16(31)(b) Transfer of Accumulated Leave to provide for the transfer of accumulated leave for those members who are at retirement, including DROP entry, but not including vested terminated members.
- Amend Section 16(9)(a)1 by adding a new subsection (l) to restore the 3% multiplier for all years of service between October 1, 2011 to October 1, 2017 for members who retire after the effective date (including entry into DROP). This change excludes current DROP members.

Participants Affected

Active participants as of the plan change effective date would be impacted if they have service prior to October 1, 2017 (at the 2.68% multiplier).



Actuarial Assumptions and Methods

Same as September 30, 2020 Actuarial Valuation Report.

Some of the key assumptions/methods are:

Investment Return	7.25%
Salary increase	5.00% per year
Cost Method	Entry Age Normal
Mortality Table	PUB-2010 Headcount Weighted Safety Below Median Employee Male Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Employee Female Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Below Median Healthy Retiree Male Table (post-retirement) and the PUB-2010 Safety Healthy Retiree Female Table (post-retirement). These tables use ages set forward one year and mortality improvements to all future years after 2010 using Scale MP-2018. These are the same rates used for Special Risk Class members in the July 1, 2019 Actuarial Valuation of the Florida Retirement System (FRS), as required under Florida Statutes, Chapter 112.63(1)(f).

Amortization Period for Any Change in Actuarial Accrued Liability

30 years

Summary of Data Used in Report

See page 11. Same as used in the September 30, 2020 Actuarial Valuation.

Actuarial Impact of Proposal(s)

See attached page(s) for the first-year impact of the proposed benefit multiplier change.

Other Cost Considerations

As of September 30, 2020 the Actuarial Value of Assets exceeds the Market Value of Assets by approximately \$10.3 million. This difference will be recognized over the next several years. In turn, the computed overall employer contribution rate will gradually increase by approximately 3.56% of covered payroll in the absence of offsetting gains.

It is also important to note that the results do not reflect the strong fiscal year-to-date investment earnings that occurred after the September 30, 2020 valuation date. This return will be reflected in our September 30, 2021 actuarial valuation report and, barring any downward market correction, is expected to cause a decrease in the Required City Contribution.



Actuarially Determined Contribution (ADC)

A. Valuation Date	September 30, 2020 <i>Valuation</i>	September 30, 2020 <i>Increase 2.68% Multiplier to 3%</i>
B. ADC to Be Paid During Fiscal Year Ending	9/30/2022	9/30/2022
C. Assumed Date of Employer Contributions	Quarterly	Quarterly
D. Annual Payment to Amortize Unfunded Actuarial Accrued Liability (UAAL)	\$ 1,171,214	\$ 1,365,626
E. Normal Cost	6,741,674	6,868,453
F. Total Required Contribution if Paid Continuously During Year Beginning on Valuation Date	7,912,888	8,234,079
G. Covered Payroll	23,708,778	23,708,778
H. Total Required Contribution as % of Covered Payroll	33.38 %	34.73 %
I. Member Contribution as % of Covered Payroll	11.00 %	11.00 %
J. State Contribution as % of Covered Payroll	0.00 %	0.00 %
K. Required Employer Contribution (REC) as % of Covered Payroll	22.38 %	23.73 %
L. Projected Covered Payroll for Contribution Year	24,775,673	24,775,673
M. REC for Contribution Year: K x L	5,544,797	5,879,269
N. REC as % of Covered Payroll in Contribution Year: M ÷ L	22.38 %	23.73 %
O. Change in REC for Contribution Year		334,472
P. Change in REC as % of Covered Payroll in Contribution Year		1.35 %
If the City Makes its Contribution on October 1st:		
Q. REC for Contribution Year	5,354,106	5,677,076
R. REC as % of Covered Payroll in Contribution Year	21.61 %	22.91 %
S. Change in REC for Contribution Year		322,970
T. Change in REC as % of Covered Payroll in Contribution Year		1.30 %



Actuarial Value of Benefits and Assets

A. Valuation Date	September 30, 2020 <i>Valuation</i>	September 30, 2020 <i>Increase 2.68% Multiplier to 3%</i>
B. Actuarial Present Value of All Projected Benefits for		
1. Active Members		
a. Service Retirement Benefits	\$ 149,155,997	\$ 152,642,902
b. Vesting Benefits	4,578,493	4,696,615
c. Disability Benefits	5,878,979	5,926,474
d. Preretirement Death Benefits	1,186,575	1,197,570
e. Return of Member Contributions	<u>502,863</u>	<u>502,863</u>
f. Total	161,302,907	164,966,424
2. Inactive Members		
a. Service Retirees & Beneficiaries	195,347,292	195,347,292
b. Terminated Vested Members	<u>2,519,034</u>	<u>2,519,034</u>
c. Total	197,866,326	197,866,326
3. Share Plan / DROP Accounts	119,311,401	119,311,401
4. Total for All Members	478,480,634	482,144,151
5. Change in Actuarial Present Value of All Projected Benefits	N/A	3,663,517
C. Actuarial Accrued (Past Service) Liability	427,593,037	430,462,426
D. Actuarial Present Value of Accumulated Plan Benefits per FASB Statement No. 35	N/A	N/A
E. Plan Assets		
1. Market Value	400,055,406	400,055,406
2. Actuarial Value	410,350,311	410,350,311
F. Unfunded Actuarial Accrued Liability (UAAL)	17,242,726	20,112,115
G. Change in UAAL	N/A	2,869,389
H. Actuarial Present Value of Projected Covered Payroll	185,416,692	185,416,692
I. Actuarial Present Value of Projected Member Contributions	20,395,836	20,395,836
J. Funded Ratio: E2/C	96.0 %	95.3 %



Calculation of Normal Cost

A. Valuation Date	September 30, 2020 <i>Valuation</i>	September 30, 2020 <i>Increase 2.68%</i> <i>Multiplier to 3%</i>
B. Normal Cost for		
1. Service Retirement Benefits	\$ 5,543,068	\$ 5,658,976
2. Vesting Benefits	309,880	317,592
3. Disability Benefits	416,518	419,118
4. Preretirement Death Benefits	69,809	70,368
5. Return of Member Contributions	<u>181,907</u>	<u>181,907</u>
6. Total for Future Benefits	6,521,182	6,647,961
As % of Covered Payroll	27.51 %	28.04 %
7. Assumed Amount for Administrative Expenses	<u>220,492</u>	<u>220,492</u>
As % of Covered Payroll	0.93 %	0.93 %
8. Total Normal Cost	6,741,674	6,868,453
As % of Covered Payroll	28.44 %	28.97 %



Participant Data		
	September 30, 2020 <i>Valuation</i>	September 30, 2020 <i>Increase 2.68%</i> <i>Multiplier to 3%</i>
ACTIVE MEMBERS		
Number	264	264
Covered Annual Payroll	23,708,778	23,708,778
Average Annual Payroll	\$ 89,806	\$ 89,806
Average Age	39.2	\$ 39.2
Average Past Service	11.1	11.1
Average Age at Hire	28.1	28.1
RETIREES, BENEFICIARIES & DROP PARTICIPANTS		
Number	251	251
Annual Benefits	\$ 14,261,095	\$ 14,261,095
Average Annual Benefit	\$ 56,817	\$ 56,817
Average Age	64.9	64.9
DISABILITY RETIREES		
Number	20	20
Annual Benefits	\$ 961,313	\$ 961,313
Average Annual Benefit	\$ 48,066	\$ 48,066
Average Age	55.2	55.2
TERMINATED VESTED MEMBERS		
Number	9	9
Annual Benefits	\$ 245,272	\$ 245,272
Average Annual Benefit	\$ 27,252	\$ 27,252
Average Age	44.5	44.5



