

September 17, 2020

Ms. Livia Nixon
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**Subject: City of Oakland Park Police Officers' and Firefighters' Retirement System
Actuarial Impact Statement for Plan Amendment**

Dear Livia:

We are pleased to enclose an Actuarial Impact Statement in support of the amendment of the City of Oakland Park Police Officers' and Firefighters' Retirement System. The Actuarial Impact Statement is for the following changes to the Plan:

WHEREAS, a cost of living adjustment ("COLA") benefit was created for Plan members, which was funded using 50% of the value of any annual actuarial gain, and intended to provide an annual benefit in the form of a thirteenth monthly pension payment (hereinafter "13th Check COLA"); and

WHEREAS, the Plan has been statutorily prohibited from paying police members (deputy sheriffs) the 13th Check COLA for almost 20 years because the present value of the benefit has exceeded the cumulative net actuarial experience of the Plan, and payment may only be made if the present value does not exceed the net actuarial experience from all sources of gains and losses; and

WHEREAS, because it unclear when the Plan will ever be able to resume paying the 13th Check COLA based on the net actuarial experience, the Plan's Board of Trustees has recommended liquidating the 13th Check COLA fund for retired police personnel, which has an accumulated balance of approximately \$983,626; and

WHEREAS, all retired police personnel unanimously provided written agreement to liquidate the 13th Check COLA fund in accordance with the terms herein; and

WHEREAS, the City Commission has determined that it is in the best interest of the City to accept the recommendation of the Board of Trustees and liquidate the 13th Check COLA fund relative to retired police personnel, with the retired police officer members and their beneficiaries each receiving a \$4,000 lump sum payment and, with the remainder of the accumulated balance of the 13th check COLA fund related to retired police officer members being used to offset City pension contributions.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF OAKLAND PARK, FLORIDA THAT:

SECTION 1. The foregoing "Whereas" clause is hereby ratified and confirmed as being true and correct and is hereby made a part of this Ordinance.

SECTION 2. That Chapter 9, entitled "Pensions and Retirement," of the Code of Ordinances of the City of Oakland Park, Florida is amended to provide as follows:

Sec. 9-63. - Benefit amounts and eligibility.

(a) *Normal retirement.*

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(2) *Normal retirement benefit.*

* * *

- e. *Creation of a cost-of-living adjustment (COLA) fund; termination and liquidation of COLA fund for retired police officers.* Following the determination of actuarial gain, a fund is hereby created, within the assets of the retirement system, which shall consist of one-half ($\frac{1}{2}$) of the value of the actuarial gain. The remaining actuarial gain shall be used to reduce future costs of the retirement system. The COLA fund shall be co-mingled with other assets of the system but shall be measured for accounting purposes as a separate fund within the retirement system for the exclusive purpose of providing benefits under this section. No benefit may be paid from the COLA fund which exceeds the amount of annual income received by the fund. Notwithstanding the availability of funds, no benefit shall be paid from the fund in excess of the formula established in this subsection. Notwithstanding any other provision of the system, no actuarial gain or portion thereof shall be allocated to the COLA fund on or after March 1, 2013. Notwithstanding any other provision of the system, effective September 16, 2020, the COLA fund for retired police officers created pursuant to this subsection shall be terminated and liquidated, with each retired police officer member or beneficiary receiving a one-time \$4,000 lump sum payment, and any remaining balance in the COLA fund for retired police officers following the one-time \$4,000 payment to retired police officers and beneficiaries shall be used to offset city pension contributions, as directed by the City.
- f. *Distribution of benefits; limitations.* In any year in which the board determines that a distribution may be made in accordance with the provisions of this section, a cost-of-living benefit shall be paid in the form of a thirteenth monthly pension payment to each retiree or beneficiary. The payment shall be equal to three (3) percent of the annual retirement benefit multiplied by the number of years that the employee has been retired up to a maximum benefit equal to fifteen (15) percent of the member's annual pension payment. In the event that the available funds are less than the projected liability under the formula established in this section, the board of trustees may, in its exclusive discretion, decline to make any COLA payment for that year or make a lesser COLA payment based on a pro rata distribution of available funds. Notwithstanding any other provision of the system, firefighters hired on or after March 1, 2013 and firefighters who, on March 1, 2013 are not within seven (7) years of the normal retirement date provided in subsection (a)(1)a, shall not be eligible for the COLA benefit under this section. Notwithstanding any other provision of the system, effective September 16, 2020, the COLA benefit for retired police officers shall be terminated, with any remaining balance distributed in accordance with subparagraph (e) above.

* * *

The actuarial impact of this proposed change would be the creation of a Contribution Funding Reserve of **\$679,626**, due to the liquidation of the COLA Reserve for Police of \$983,626, after benefits of \$304,000 (\$4,000 to each of 76 retired officers and beneficiaries) have been paid. This Reserve is to be used to offset City contributions, as directed by the City. This is illustrated on page 3 of the Actuarial Impact Statement.

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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:

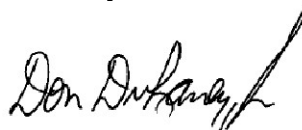
Mr. Douglas Beckendorf, A.S.A.
Bureau of Local Retirement Systems
Florida Division of Retirement
P.O. Box 9000
Tallahassee, FL 32315-9000

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 questions, please let us know.

Sincerely,



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

DAD:cp

cc: Sal Gatano, w/ enclosure
Joseph Filkowski, w/ enclosure

City of Oakland Park Police Officers' and Firefighters' Pension Plan
Actuarial Impact Statement

A. Description of Plan Amendment

WHEREAS, a cost of living adjustment ("COLA") benefit was created for Plan members, which was funded using 50% of the value of any annual actuarial gain, and intended to provide an annual benefit in the form of a thirteenth monthly pension payment (hereinafter "13th Check COLA"); and

WHEREAS, the Plan has been statutorily prohibited from paying police members (deputy sheriffs) the 13th Check COLA for almost 20 years because the present value of the benefit has exceeded the cumulative net actuarial experience of the Plan, and payment may only be made if the present value does not exceed the net actuarial experience from all sources of gains and losses; and

WHEREAS, because it unclear when the Plan will ever be able to resume paying the 13th Check COLA based on the net actuarial experience, the Plan's Board of Trustees has recommended liquidating the 13th Check COLA fund for retired police personnel, which has an accumulated balance of approximately \$983,626; and

WHEREAS, all retired police personnel unanimously provided written agreement to liquidate the 13th Check COLA fund in accordance with the terms herein; and

WHEREAS, the City Commission has determined that it is in the best interest of the City to accept the recommendation of the Board of Trustees and liquidate the 13th Check COLA fund relative to retired police personnel, with the retired police officer members and their beneficiaries each receiving a \$4,000 lump sum payment and, with the remainder of the accumulated balance of the 13th check COLA fund related to retired police officer members being used to offset City pension contributions.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF OAKLAND PARK, FLORIDA THAT:

SECTION 1. The foregoing "Whereas" clause is hereby ratified and confirmed as being true and correct and is hereby made a part of this Ordinance.

SECTION 2. That Chapter 9, entitled "Pensions and Retirement," of the Code of Ordinances of the City of Oakland Park, Florida is amended to provide as follows:

Sec. 9-63. - Benefit amounts and eligibility.

(a) *Normal retirement.*

* * *

(2) *Normal retirement benefit.*

* * *

- e. *Creation of a cost-of-living adjustment (COLA) fund; termination and liquidation of COLA fund for retired police officers.* Following the determination of actuarial gain, a fund is hereby created, within the assets of the retirement system, which shall consist of one-half (½) of the value of the actuarial gain. The remaining actuarial gain shall be used to reduce future costs of the retirement system. The COLA fund shall be co-mingled with other assets of the system but shall be

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measured for accounting purposes as a separate fund within the retirement system for the exclusive purpose of providing benefits under this section. No benefit may be paid from the COLA fund which exceeds the amount of annual income received by the fund. Notwithstanding the availability of funds, no benefit shall be paid from the fund in excess of the formula established in this subsection. Notwithstanding any other provision of the system, no actuarial gain or portion thereof shall be allocated to the COLA fund on or after March 1, 2013. Notwithstanding any other provision of the system, effective September 16, 2020, the COLA fund for retired police officers created pursuant to this subsection shall be terminated and liquidated, with each retired police officer member or beneficiary receiving a one-time \$4,000 lump sum payment, and any remaining balance in the COLA fund for retired police officers following the one-time \$4,000 payment to retired police officers and beneficiaries shall be used to offset city pension contributions, as directed by the City.

- f. *Distribution of benefits; limitations.* In any year in which the board determines that a distribution may be made in accordance with the provisions of this section, a cost-of-living benefit shall be paid in the form of a thirteenth monthly pension payment to each retiree or beneficiary. The payment shall be equal to three (3) percent of the annual retirement benefit multiplied by the number of years that the employee has been retired up to a maximum benefit equal to fifteen (15) percent of the member's annual pension payment. In the event that the available funds are less than the projected liability under the formula established in this section, the board of trustees may, in its exclusive discretion, decline to make any COLA payment for that year or make a lesser COLA payment based on a pro rata distribution of available funds. Notwithstanding any other provision of the system, firefighters hired on or after March 1, 2013 and firefighters who, on March 1, 2013 are not within seven (7) years of the normal retirement date provided in subsection (a)(1)a, shall not be eligible for the COLA benefit under this section. Notwithstanding any other provision of the system, effective September 16, 2020, the COLA benefit for retired police officers shall be terminated, with any remaining balance distributed in accordance with subparagraph (e) above.

* * *

B. An estimate of the cost of implementing this amendment – there would be no cost, and would result in the creation of a Contribution Funding Reserve of **\$679,626**, due to the liquidation of the COLA Reserve for Police of \$983,626, after benefits of \$304,000 (\$4,000 to each of 76 retired officers and beneficiaries) have been paid. This Reserve is to be used to offset City contributions, as directed by the City. This is illustrated on the following page.

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

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CITY OF OAKLAND PARK POLICE AND FIREFIGHTERS RETIREMENT SYSTEM

COLA Reserve – No Investment Return Credited

Police Officers

Valuation Date	Beginning Year Balance	50% of Actuarial Gain	Payment to Retirees	Payment Date	Ending Year Balance
10/1/1999	\$ 0	\$ 263,484	\$ 84,354	9/2000	\$ 179,130
10/1/2000	\$ 179,130	\$ 0	\$ 0	N/A	\$ 179,130
10/1/2001	\$ 179,130	\$ 0	\$ 0	N/A	\$ 179,130
10/1/2002	\$ 179,130	\$ 0	\$ 0	N/A	\$ 179,130
10/1/2003	\$ 179,130	\$ 0	\$ 0	N/A	\$ 179,130
10/1/2004	\$ 179,130	\$ 0	\$ 0	N/A	\$ 179,130
10/1/2005	\$ 179,130	\$ 311,083	\$ 0	N/A	\$ 490,213
10/1/2006	\$ 490,213	\$ 0	\$ 0	N/A	\$ 490,213
10/1/2007	\$ 490,213	\$ 367,845	\$ 0	N/A	\$ 858,058
10/1/2008	\$ 858,058	\$ 0	\$ 0	N/A	\$ 858,058
10/1/2009	\$ 858,058	\$ 0	\$ 0	N/A	\$ 858,058
10/1/2010	\$ 858,058	\$ 0	\$ 0	N/A	\$ 858,058
10/1/2011	\$ 858,058	\$ 0	\$ 0	N/A	\$ 858,058
10/1/2012	\$ 858,058	\$ 125,568	\$ 0	N/A	\$ 983,626
10/1/2013	\$ 983,626	\$ 0	\$ 0	N/A	\$ 983,626
10/1/2014	\$ 983,626	\$ 0	\$ 0	N/A	\$ 983,626
10/1/2015	\$ 983,626	\$ 0	\$ 0	N/A	\$ 983,626
10/1/2016	\$ 983,626	\$ 0	\$ 0	N/A	\$ 983,626
10/1/2017	\$ 983,626	\$ 0	\$ 0	N/A	\$ 983,626
10/1/2018	\$ 983,626	\$ 0	\$ 0	N/A	\$ 983,626
10/1/2019	\$ 983,626	\$ 0	\$ 0	N/A	\$ 983,626
10/1/2020	\$ 983,626	\$ 0	\$ 304,000	10/2020	\$ 0*

Firefighters

Valuation Date	Beginning Year Balance	50% of Actuarial Gain	Payment to Retirees	Payment Date	Ending Year Balance
10/1/1999	\$ 0	\$ 168,558	\$ 35,867	9/2000	\$ 132,691
10/1/2000	\$ 132,691	\$ 0	\$ 0	N/A	\$ 132,691
10/1/2001	\$ 132,691	\$ 0	\$ 0	N/A	\$ 132,691
10/1/2002	\$ 132,691	\$ 0	\$ 0	N/A	\$ 132,691
10/1/2003	\$ 132,691	\$ 0	\$ 0	N/A	\$ 132,691
10/1/2004	\$ 132,691	\$ 0	\$ 0	N/A	\$ 132,691
10/1/2005	\$ 132,691	\$ 216,982	\$ 0	N/A	\$ 349,673
10/1/2006	\$ 349,673	\$ 0	\$ 0	N/A	\$ 349,673
10/1/2007	\$ 349,673	\$ 287,786	\$ 0	N/A	\$ 637,459
10/1/2008	\$ 637,459	\$ 0	\$ 0	N/A	\$ 637,459
10/1/2009	\$ 637,459	\$ 0	\$ 0	N/A	\$ 637,459
10/1/2010	\$ 637,459	\$ 0	\$ 0	N/A	\$ 637,459
10/1/2011	\$ 637,459	\$ 0	\$ 0	N/A	\$ 637,459
10/1/2012	\$ 637,459	\$ 93,285	\$ 0	N/A	\$ 730,744
10/1/2013	\$ 730,744	\$ 0	\$ 0	N/A	\$ 730,744
10/1/2014	\$ 730,744	\$ 0	\$ 0	N/A	\$ 730,744
10/1/2015	\$ 730,744	\$ 0	\$ 0	N/A	\$ 730,744
10/1/2016	\$ 730,744	\$ 0	\$ 0	N/A	\$ 730,744
10/1/2017	\$ 730,744	\$ 0	\$ 0	N/A	\$ 730,744
10/1/2018	\$ 730,744	\$ 0	\$ 0	N/A	\$ 730,744
10/1/2019	\$ 730,744	\$ 0	\$ 0	N/A	\$ 730,744

*The remaining \$679,626 is in a Contribution Funding Reserve, to be used to offset City pension contributions, as directed by the City.

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