



Department of Financial Services
Inter-Office Memorandum

DATE: September 12, 2019 **FILE:** FI-19-056

TO: Wazir A. Ishmael, Ph.D.
City Manager

VIA: Adam Reichbach 
Assistant City Manager for Finance & Administration

FROM: Cintya Ramos 
Director, Department of Financial Services

SUBJECT: Funding for Settlement of 13th Check Litigation for Police, Fire and General Employee Pension Plans

Staff has been in communication with the State Department of Management Services Division of Retirement to resolve outstanding issues related to the non-compliance status of all three pension plans. The recommended next steps, to bring each plan into State compliance, are as follows:

Firefighter's Pension Fund: The plan is currently not compliant with Part VII, Chapter 112 and Chapter 175, Florida Statutes due to outstanding 13th check pre-funding starting in FY 2015 (\$4,987,930, Exhibit A) including interest penalty.

In order to bring this pension plan into compliance, the State Department of Management Services Division of Retirement has agreed to allow the City to submit payment for the outstanding 13th check pre-funding by September 30, 2019. Within 30 days of this payment, the Division of Retirement will release the Chapter 175 dollars associated with this plan (\$7,093,031, Exhibit B).

General Employee Pension Plan: The plan is currently not compliant with Part VII, Chapter 112, Florida Statutes due to outstanding 13th check funding relating to an eligible distribution in FY 2012 (\$4,299,167, Exhibit C) and the 13th check pre-funding from FY 2015 through FY 2019 (\$12,364,225, Exhibit D) for a total of \$16,774,762 including interest penalty.

In order to bring this pension plan into compliance, the State Department of Management Services Division of Retirement has agreed to allow the City to submit payment for the FY 2012 distribution by September 30, 2019 and amortize the outstanding prefunding amount over five years. The General Employee Pension Plan Board met on September 10, 2019 and voted in favor of allowing the City to amortize the amount and begin payment in FY 2021.

Police Officer’s Retirement System: The plan is currently not compliant with Part VII, Chapter 112 and Chapter 185, Florida Statutes due to outstanding 13th check funding relating to a 13th check payout performed in FY 2014 and FY 2015 (\$4,104,375, Exhibit E) and the pre-funding of the 13th check from FY 2016 through FY 2019 for a total of \$11,036,701 including interest penalty.

In order to bring this pension plan into compliance, the State Department of Management Services Division of Retirement has agreed to allow the City to submit payment for the outstanding pre-funding by September 30, 2019. Within 30 days of this payment, the Division of Retirement will release the Chapter 185 dollars associated with this plan (\$7,379,064, Exhibit F).

The following table breaks down the inflows and outflows of revenues and expenditures expected in the current fiscal year to bring all three pension plans into compliance.

Pension Plan	Amount Due	Total Chapter 175 Dollars to be Released	Total Chapter 185 Dollars to be Released	To Be Amortized FY21 - FY25	Net Impact 9/30/2019
Fire	4,987,930	7,093,031	0	0	2,105,101
General	16,663,392	0	0	12,364,225	(4,299,167)
Police	11,036,701	0	7,379,064	0	(3,657,637)
Total	32,688,023	7,093,031	7,379,064	12,364,225	(5,851,702)

The net impact to the City in Fiscal Year 2019 is estimated to be \$5.8 million as the release of chapter dollars for the Fire and Police plans will offset these expenses (total of \$14.5 million) and due to the amortized portion of the General Employee plan (\$12.4 million). Further, the General Employee plan expense is shared among the General and Enterprise Funds and the General Fund impact is estimated to be \$2.5 million in FY 2019.

Please note that during the last negotiation cycle with Police and Fire, the supplemental pension benefit distributions were amended to reflect that distributions are only payable to pension recipients who retired or entered the DROP on or before September 30, 2011; and pension participants who are (or were, prior to separation) Group/Tier 1 Members who retired or entered into the DROP or the reformed planned retirement benefit on or before February 20, 2019 for Police and March 20, 2019 for Fire. As for the General Employees’ Pension plan, the supplemental pension distribution program is only available to members who were hired on or prior to October 1, 2002.

RECOMMENDATION:

Staff recommends the City move forward with processing payment for all three pension plans to avoid further interest expense on outstanding balances which is as high as 8 percent in some plans. The payments will be: \$4.9 million to the Firefighter's Pension Fund, \$4.3 million to the General Employee Pension Plan, and \$11 million to the Police Officer’s Retirement System. Processing payment for the Police and Fire plans will also trigger release of associated Chapter 175 and 185 dollars that will offset these expenses.

EXHIBIT A



Bureau of Local Retirement Systems
P.O. Box 9000
Tallahassee, FL 32315-9000
Tel: 850-488-2784 | Fax: 850-921-2161 | Toll-Free: 877-738-5622

Ron DeSantis, Governor
Jonathan R. Satter, Secretary

September 6, 2019

Mr. Jason Rosner
Hollywood Firefighters Pension Fund
310 South 62nd Ave.
Hollywood, FL 33023

**RE: Hollywood Firefighters Pension Fund
Required contribution for state acceptance**

Dear Mr. Rosner:

The actuary for the plan, Foster & Foster, Inc., has calculated the required contribution for the plan to be state accepted under Part VII, Chapter 112, Florida Statutes. According to the plan actuary, as of September 30, 2019, the required contribution is **\$4,987,930**, which includes interest. When the city is ready to make the contribution, contact the plan actuary for calculation of interest credit if the contribution is made before the assumed date of September 30, 2019. In addition to the required contribution, the city is required to consent to contribute the entire required contributions in the future which will include a pre-funding component for supplemental distributions to comply with Section 112.61, Florida Statutes.

Should you have any questions, please do not hesitate to call us.

Sincerely,

Douglas E. Beckendorf, A.S.A., E.A.
Actuary

cc: Mr. Bradley R. Heinrichs, Plan Actuary
Mr. Patrick T. Donlan, Foster & Foster
Ms. Christine O'Neal, Foster & Foster
Ms. Ferrell Jenne, Plan Administrator
Mr. Stuart A. Kaufman, Esq., Plan Attorney
Ms. Cintya Ramos, Hollywood Finance Director
Mr. Josh Levy, Hollywood Mayor
Mr. Rafael Fuentes, Plan Secretary
Mr. Steve Bardin, Division of Retirement
Mr. Keith Brinkman, Chief, Bureau of Local Retirement

Cintya Ramos

From: Bardin, Steve <Stephen.Bardin@dms.myflorida.com>
Sent: Friday, September 6, 2019 3:53 PM
To: Cintya Ramos
Cc: Adam Reichbach; Brinkman, Keith
Subject: RE: [EXT]Hollywood Fire 2018 AR

Categories: 5. Pension

Good afternoon.

2014-2018 Fire Premium Tax dollars in the amount of \$7,093,031.20.

Sincerely,

Stephen M. Bardin, CGB, FCCM - Benefits Administrator

Division of Retirement

850-922-0667 (office) | 877-738-6737 (toll free)

850-921-2161 (fax)

Florida Department of Management Services

We Serve Those Who Serve Florida

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From: Cintya Ramos [mailto:CRAMOS@hollywoodfl.org]

Sent: Friday, September 06, 2019 3:44 PM

To: Bardin, Steve <Stephen.Bardin@dms.myflorida.com>

Cc: Adam Reichbach <AREICHBACH@hollywoodfl.org>

Subject: Re: [EXT]Hollywood Fire 2018 AR

Thank you Mr. Bardin. Can you confirm the total amount of chapter dollars being withheld by the State for the Fire plan?

Cintya Ramos, Director

Department of Financial Services

2600 Hollywood Boulevard

P. O. Box 229045

Hollywood, FL 33020

Tel: (954) 921-3231 | Fax: (954) 921-3064 | www.hollywoodfl.org

We are dedicated to providing municipal services for our diverse community in an atmosphere of cooperation, courtesy and respect. We do this by ensuring all who live, work and play in the City of Hollywood enjoy a high quality life.

Notice: Florida has a broad public records law. All correspondence sent to the City of Hollywood via e-mail may be subject to disclosure as a matter of public record.

EXHIBIT B

On Sep 6, 2019, at 3:24 PM, Bardin, Steve <Stephen.Bardin@dms.myflorida.com> wrote:

Good afternoon.

Please see the attached letter.

Sincerely,

Stephen M. Bardin, CGB, FCCM - Benefits Administrator

Division of Retirement

850-922-0667 (office) | 877-738-6737 (toll free)

850-921-2161 (fax)

Florida Department of Management Services

We Serve Those Who Serve Florida

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CAUTION: This email originated from outside of the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

<Hollywood Fire.pdf>



CITY OF HOLLYWOOD EMPLOYEES' RETIREMENT FUND

2600 Hollywood Blvd. • City Hall Annex Building, 2ND Floor, Room 20 • Hollywood, FL 33020
(954) 921-3333 • (954) 921-3332 Fax • www.hollywoodpension.com

September 12, 2019

Dr. Wazir Ishmael
City Manager
City of Hollywood
2600 Hollywood Boulevard
Hollywood, FL 33020

Reference: Supplemental Pension Distribution for the Fiscal Year ended September 30, 2012

Dear Dr. Ishmael:

The City of Hollywood Employees Retirement Fund is requesting that the City of Hollywood provide \$4,299,167 for the payment of the Supplemental Pension Distribution for the Fiscal Year ended September 30, 2012. Attached is a letter dated May 21, 2014 from the Plan's Actuary to the former Pension Coordinator detailing the payment due.

If you have any questions or would like any additional information, please contact me at the above address or by telephone at (954) 921-3333.

Sincerely,

Christine Bailey
Executive Director

C: Board of Trustees
Adam Reichbach
Cintya Ramos

May 21, 2014

CONFIDENTIAL

Ms. Lisa Castronovo
Pension Coordinator
City of Hollywood
2600 Hollywood Blvd.
Hollywood, FL 33020

Re: City of Hollywood General Employees' Retirement System

Dear Lisa:

As directed by the Board, we have calculated the amount of the Supplemental Pension Distribution for the fiscal year ending September 30, 2012 if this payment is made. We have used the list of retirees you e-mailed to us on April 29, 2014 to determine the amount of Supplemental Pension Distribution payable to each person.

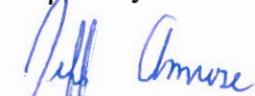
Based on Section 10.01(11)(b) of the City's Code, the total distribution to all retirees is equal to the actuarial present value of future retirement benefits for eligible retirees multiplied by the excess, not to exceed 2%, of the net market rate of return over 12.5%. The present value of benefits for eligible retirees is equal to \$214,958,367. The total distribution is 2% of the present value, or \$4,299,167.

Your listing indicates that the total number of years of service for eligible retirees is 12,577.16. Therefore, the distribution payable for each year of credited service is \$341.82. The maximum distribution is \$341.82 per year for 25 years, or \$8,545.59. We have enclosed a list showing the distribution payable to each person.

In all, there will be 741 retirees receiving a total of \$4,299,167, for an average of \$5,802 per person. This distribution will increase the unfunded actuarial liability by the same amount at October 1, 2013. If this increase is amortized over a five-year period, the City's annual required contribution will increase by \$1,073,165, or 3.60% of covered payroll.

We welcome your questions and comments.

Respectfully submitted,



Jeffrey Amrose, EA, MAAA
Senior Consultant & Actuary

JA/ta

Circular 230 Notice: Pursuant to regulations issued by the IRS, to the extent this communication (or any attachment) concerns tax matters, it is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding tax-related penalties under the Internal Revenue Code or (ii) marketing or recommending to another party any tax-related matter addressed within. Each taxpayer should seek advice based on the individual's circumstances from an independent tax advisor.

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



Bureau of Local Retirement Systems
P.O. Box 9000
Tallahassee, FL 32315-9000
Tel: 850-488-2784 | Fax: 850-921-2161 | Toll-Free: 877-738-5622

Ron DeSantis, Governor
Jonathan R. Satter, Secretary

September 3, 2019

Ms. Christine Bailey
Hollywood Employees' Retirement Plan
P. O. Box 229045
Hollywood, FL 33022-9045

**RE: Hollywood Employees' Retirement Plan
Required contribution for state acceptance**

Dear Ms. Bailey:

The actuary for the plan, Gabriel, Roeder, Smith & Company (GRS), has calculated the required contribution for the plan to be state accepted under Part VII, Chapter 112, Florida Statutes. According to the plan actuary, as of July 31, 2019, the required contribution is **\$12,364,225**, which includes interest. When the city is ready to make the contribution, contact the plan actuary for the additional amount to add to the above contribution for interest to the actual date of payment. In addition to the required contribution, the city is required to consent to contribute the entire required contributions in the future which will include a pre-funding component for supplemental distributions to comply with Section 112.61, Florida Statutes.

Should you have any questions, please do not hesitate to call us.

Sincerely,

A handwritten signature in black ink that reads 'Douglas E. Beckendorf'.

Douglas E. Beckendorf, A.S.A., E.A.
Actuary

cc: Mr. Jeff Amrose, Plan Actuary
Mr. Ronald J. Cohen, Plan Attorney
Ms. Cintya Ramos, Hollywood Finance Director
Mr. Josh Levy, Hollywood Mayor
Mr. Keith Brinkman, Chief, Bureau of Local Retirement

EXHIBIT E



Bureau of Local Retirement Systems
P.O. Box 9000
Tallahassee, FL 32315-9000
Tel: 850-488-2784 | Fax: 850-921-2161 | Toll-Free: 877-738-5622

Ron DeSantis, Governor
Jonathan R. Satter, Secretary

August 29, 2019

Mr. Alan Fallik
Deputy City Attorney
City of Hollywood
2600 Hollywood Blvd.
Hollywood, FL 33022-9045

Mr. David Strauss, Chairman
Hollywood Police Officers' Retirement System
4205 Hollywood Blvd., Suite 4
Hollywood, FL 33021

Re: City of Hollywood Police Officers' Retirement Plan
Required Contribution for State Acceptance

Dear Mr. Fallik and Mr. Strauss:

We reviewed the revised calculations from the Plan actuary Cavanaugh Macdonald received August 28, 2019. The City contribution amounts were verified to the annual reports. The actuarially required contribution amounts were verified to the 10/1/2013 to 10/1/2017 actuarial valuations. The required contributions plus the prior year shortfall amounts were accumulated with interest to 10/1/2019. This accumulation included amortization of the \$4,104,375 shortfall payment due 10/1/2015, which represented the amount due for the 2014 and 2015 Supplemental Distributions.

The resulting required contribution underfunding as of September 30, 2019 is \$11,036,701. After confirmed receipt of this payment by the Trust before September 30, 2019, the previously withheld lump sum State monies of \$5,643,226 will be released.

In addition to payment of the required contribution, the City must consent to contribute the total contribution amounts in the future, including the prefunding component for supplemental distributions, for continued compliance with Section 112.61, Florida Statutes.

Should you have any questions, please do not hesitate to call us.

Sincerely,


Joseph M. Edmonds, FSA, EA, FCA, MAAA
Actuary
Florida Division of Retirement

cc: David Williams, Administrator
Steve Cypen, Esq.
Micki Taylor, ASA, EA
Steve Bardin, Division of Retirement

EXHIBIT F



Bureau of Local Retirement Systems
Municipal Police Officers' & Firefighters' Trust Funds' Office
P.O. Box 3010
Tallahassee, FL 32315-3010
Tel: 850-922-0667 | Fax: 850-921-2161 | Toll-Free: 877-738-6737

Ron DeSantis, Governor
Jonathan R. Satter, Secretary

September 03, 2019

Mr. Jeovany Rodriguez
KSDT & Company
9300 S. Dadeland Blvd., Suite 600
Miami, FL 33156

Dear Mr. Rodriguez:

We have completed our preliminary review of the 2018 Annual Report for the Hollywood Police Officers' Pension Fund.

Based on that review, listed below are items that need corrections, clarification and/or additional information.

- Page 9- Performance Evaluation- Please revise to provide Date of Performance evaluation including period covered begin and end dates.
- Page 13- Accounts Receivable- Please provide a valid date of payment for the amount of \$133,972.
- The beginning Drop balance does not agree with the prior year ending balance. Please explain and / or revise the necessary pages.
- Page 18 – Expenditures- Drop Plan Payments- The amount listed does not agree with the distribution amount listed on the Drop Roll Forward schedule on the Member Data Section. Please explain and / or revise the necessary pages.
- Member Data Section- Share Plan Participant Roll Forward Schedule- The beginning balance does not agree with the prior year ending balance. Please explain and / or revise the necessary pages.
- The Plan has been not state accepted for compliance with Part VII Chapter 112, F.S. based on the reasons set forth in Keith Brinkman's letters dated August 24, 2016 and October 2, 2015, copies attached. To the best of our knowledge, the issues of non-compliance remain unresolved.
- **NOTE:** Premium tax moneys in the following amounts are now being withheld pending the resolution of the outstanding issues listed above:

2014	Police	1,308,509.33
2015	Police	1,375,500.69
2016	Police	1,418,050.00
2017	Police	1,541,166.44
2018	Police	<u>1,735,837.87</u>
		7,379,064.33

Since the plan was not approved by fiscal year end 2018, you will not be able to include the 2017 premium tax moneys on the 2018 Annual Report, and any resulting funding deficiency must be contributed by the city.

EXHIBIT F

Jeovany Rodriguez
September 03, 2019
Page Two

Please be advised that ss. 175.121(2) and 185.10(2), require that in order for a municipality or special fire control district and its pension fund to participate in the distribution of premium tax moneys under Chapters 175 and 185, F. S., all the provisions of these chapters shall be complied with annually, **including state acceptance pursuant to Part VII of Chapter 112, F. S.** If you receive a notice from the Local Retirement Section (LRS) that the plan is "not state accepted," or there is some outstanding issue that the LRS office is waiting on, please provide a prompt response so as not to jeopardize release of your state premium tax moneys.

*Our 49th Annual Police Officers' & Firefighters' Pension Conference is scheduled for October 29-31, 2019, sponsored by the Department of Management Services, Division of Retirement. This program is uniquely designed for pension plans established under Chapters 175 & 185, Florida Statutes. **There is no registration fee to attend!** The program will be held at the Renaissance Orlando Airport Hotel in Orlando, Florida. The Hotel is located at 5445 Forbes Place, Orlando, Florida 32812. You can make your reservation [here](#). It is important to use this link or state that you are attending the Police Officers' and Firefighters' Pension Conference when booking. This rate includes the use of the facility and supports continued operation of the program. Continue to check our website at www.myflorida.com/frs/mpf to access information and updates about the conference.*

If you have any questions or need further information, please call our office at 850-922-0667.

Sincerely,



Julie Browning, Accountant IV
Municipal Police Officers' and
Firefighters' Retirement Trust Funds

JB:
Enclosures

Copy: David Strauss, Chairman
Todd Green, Plan Actuary
Stuart Kaufman, Plan Attorney
David Williams, Plan Administrator
Cintya Ramos, Finance Director