



February 12, 2015

Via Email & Mail

Board of Trustees
c/o Ms. Jennifer V. Kerr
City of Hollywood
Firefighters' Pension Board
2741 Stirling Road
Hollywood, FL 33312

Re: City of Hollywood
Firefighters' Pension Fund

Dear Board:

Enclosed is the following material, which has been prepared in support of the proposed changes to the Fund:

1. One copy of the required Actuarial Impact Statement, which outlines the costs associated with implementing the changes.
2. Draft of transmittal letters to the Bureau of Local Retirement Systems and the Bureau of Firefighters Retirement Trust Funds.

It will be necessary for you to sign the Actuarial Impact Statement as the Plan Administrator and forward the Impact Statement, along with a copy of the proposed Resolution, to the two Bureaus prior to final reading.

If you have any questions concerning the enclosed material, please let us know.

Sincerely,

Bradley B. Heinrichs, FSA, EA, MAAA
BRH/lke

Enclosures

CITY OF HOLLYWOOD
FIREFIGHTERS' PENSION FUND

ACTUARIAL IMPACT STATEMENT

February 12, 2015

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

Changing the retirement eligibility to the earlier of 25 years of Credited Service regardless of age and the attainment of age 55 with 10 years of Credited Service for Tier 2 Members and Tier 1 Members with less than 10 years of Credited Service as of September 30, 2011.


The cost impact, determined as of October 1, 2013, for the fiscal year ending September 30, 2015 is as follows:

	<u>Current</u>	<u>Proposed</u>
Total Required Contribution	15,429,856	15,535,193
Expected Member Contributions	1,224,602	1,224,602
Required City & State Contributions	14,205,254	14,310,591
Estimated State Contribution	1,562,180	1,562,180
Balance from City	12,643,074	12,748,411

CITY OF HOLLYWOOD
FIREFIGHTERS' PENSION FUND
ACTUARIAL IMPACT STATEMENT

February 12, 2015
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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. The undersigned is familiar with the immediate and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the opinions contained herein.



Bradley R. Heinrichs, FSA, EA, MAAA
Enrolled Actuary #14-6901

STATEMENT OF PLAN ADMINISTRATOR

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

Chairman, Board of Trustees

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Benefits	Old Benefits
	<u>10/1/2013</u>	<u>10/1/2013</u>
A. Participant Data		
Number Included		
Actives	177	177
Service Retirees	163	163
Beneficiaries	40	40
Terminated Vested	4	4
Disability Retirees	20	20
DROP Retirees	29	29
Total	<u>433</u>	<u>433</u>
Valuation Payroll	\$13,968,031	\$13,968,031
Annual Rate of Payments to:		
Service Retirees	11,187,217	11,187,217
Beneficiaries	799,447	799,447
Terminated Vested	212,715	212,715
Disability Retirees	909,871	909,871
DROP Retirees	2,047,531	2,047,531
B. Assets		
Actuarial Value ¹	170,200,925	170,200,925
Market Value ¹	189,054,093	189,054,093
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	90,134,330	88,365,606
Disability Benefits	4,474,598	4,487,273
Death Benefits	1,442,321	1,440,256
Vested Benefits	1,358,461	1,358,461
Refund of Contributions	285,292	285,292
Service Retirees	138,722,177	138,722,177
Beneficiaries	7,924,283	7,924,283
Terminated Vested	2,587,618	2,587,618
Disability Retirees	10,570,452	10,570,452
DROP Retirees ¹	106,487,331	106,487,331
Excess State Monies Reserve	707,270	707,270
Total	<u>364,694,133</u>	<u>362,936,019</u>

	New Benefits	Old Benefits
	<u>10/1/2013</u>	<u>10/1/2013</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	218,395,248	218,442,064
Present Value of Future Member Cont.	16,597,821	16,597,821
Normal Cost (Entry Age)		
Service Retirement	2,978,749	2,905,149
Disability Benefits	280,556	280,961
Death Benefits	67,613	67,582
Vested Benefits	107,074	107,074
Refunds	49,380	49,380
Total Normal Cost	<u>3,483,372</u>	<u>3,410,146</u>
Present Value of Future Normal Costs	49,640,225	48,246,565
Actuarial Accrued Liability		
Service Retirement	46,107,562	45,741,142
Disability Benefits	1,071,997	1,074,324
Death Benefits	403,415	403,054
Vested Benefits	446,039	446,039
Refunds	25,764	25,764
Inactives ¹	266,291,861	266,291,861
Excess State Monies Reserve	707,270	707,270
Total Actuarial Accrued Liability	<u>315,053,908</u>	<u>314,689,454</u>
Unfunded Actuarial Accrued Liability	144,852,983	144,488,529
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives ¹	266,291,861	266,291,861
Actives	20,459,626	20,459,626
Member Contributions	<u>9,283,442</u>	<u>9,283,442</u>
Total	296,034,929	296,034,929
Non-vested Accrued Benefits	<u>12,583,236</u>	<u>12,583,236</u>
Total Present Value Accrued Benefits	308,618,165	308,618,165
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>	

	New Benefits	Old Benefits
Valuation Date	10/1/2013	10/1/2013
Applicable to Fiscal Year Ending	<u>9/30/2015</u>	<u>9/30/2015</u>
E. Pension Cost		
Normal Cost ²	\$3,880,476	\$3,798,903
Administrative & Investment Expenses ²	510,938	510,938
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/13) ²	11,143,779	11,120,015
Total Required Contribution	15,535,193	15,429,856
Expected Member Contributions ²	1,224,602	1,224,602
Expected City & State Contribution % of Total Annual Payroll	\$14,310,591 102.5%	\$14,205,254 101.7%

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 09/30/2012 and 09/30/2013.

² Contributions developed as of 10/1/2013 displayed above have been adjusted to account for 1.5 years of interest.

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rates

Healthy Lives

RP-2000 Combined Healthy - Sex Distinct. Based on a study of over 650 public safety funds, the RP-2000 table reflects a 10% margin for future mortality improvements (previously 1983 Group Annuity Mortality Table).

Disabled Lives

RP-2000 Disabled Table (previously 1951 Group Annuity Mortality Table projected to 1970 using Scale C and set back five years for females).

Interest Rate

7.60% per year compounded annually, net of investment related expenses (previously 7.70%).

13th Check Load

An underlying interest rate of 7.3% is used (0.3% lower than the assumed rate) to account for the 13th check. Additionally, since the DROP Balances are included in the computation of the 13th check, the resulting load on the accrued liabilities is increased by 40% to account for this.

Termination Rates

<u>Age</u>	<u>% Terminating During the Year</u>
20	10.30%
25	7.30
30	4.15
35	1.82
40	0.99
45	0.48

Disability Rates

<u>Age</u>	<u>Ordinary Disability Rate</u>	<u>Service Disability Rate</u>
20	0.04%	0.03%
25	0.06	0.05
30	0.09	0.07
35	0.12	0.10
40	0.18	0.14
45	0.32	0.26
50	0.55	0.44
55	0.79	0.63

Retirement Rates

For Members with 10 or more years of service as of September 30, 2011:

[illegible]

For Members with less than 10 of service as of September 30, 2011:

[illegible]

Salary Increases

<u>Years of Service</u>	<u>Rate</u>	<u>Prior Rate</u>
0	34.60%	34.20%
1	11.60	11.20
2	9.60	9.20
3	8.60	8.20
4	8.10	7.70
5	7.60	7.20
6	7.10	6.70
7	6.85	6.45
8	6.85	6.45
9+	6.60	6.20

Payroll Growth

Up to 3.00% per year.

Administrative Expenses

Equivalent to those incurred in the prior year, \$458,652 for 2013 (prior assumption \$300,000 per year).

Funding Method

Entry Age Normal Actuarial Cost Method.

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.

SUMMARY OF PLAN PROVISIONS
(Through Ord. No. O-2013-14)

LATEST AMENDMENT	July, 3, 2013
ELIGIBILITY	Full-time employees who are classified as full-time Firefighters shall participate in the System as a condition of employment.
CREDITED SERVICE	Total years and fractional parts of years of employment with the City as a Firefighter with Member contributions (computed in quarters with one to three months being one-quarter, more than three but not more than six months being one-half of a year, more than six but not more than nine months being three-quarters of a year, and more than nine but not more than twelve months being one years as a Firefighter).
TIER 1 MEMBER	Hired prior to July 16, 2009
TIER 2 MEMBER	Hired on or after July 16, 2009
COMPENSATION	<p><u>For Compensation earned prior to October 1, 2011:</u> Fixed remuneration for services rendered to the City as a Firefighter, including accrued sick leave compensation up to 2,200 hours. Compensation for Tier 1 Members shall include workers' compensation/supplemental compensation, expense allowances, cash conversion of holiday benefits, up to 300 hours of overtime, 70% of the cash payment accumulated, unused annual leave paid at the time of retirement or entry into DROP, expense allowances, and education incentive payment from the Insurance Commissioner's Trust Fund.</p> <p><u>For Compensation earned after October 1, 2011:</u> Fixed remuneration for services rendered to the City as a Firefighter, including only wages and education incentive payment from the Insurance Commissioner's Trust Fund and <u>excluding</u> overtime, workers compensation/supplemental compensation, expense allowances, cash conversion of holiday benefits, accrued leave payouts and cash conversion of blood time and compensatory time.</p>

AVERAGE FINAL COMPENSATION (AFC)

For benefits accrued prior to October 1, 2011

Tier 1 Members: Average compensation of the three highest years of Credited Service

Tier 2 Members: Average compensation of the five highest years of Credited Service

For benefits accrued on and after October 1, 2011

Average compensation of the 60 highest consecutive months of the last 120 months of Credited Service

MEMBER CONTRIBUTIONS

Tier 1 Members: 8.0% of compensation. Once Member has accrued the maximum benefit of 86% of AFC, their contribution percentage reduces to 0.5% of compensation.

Tier 2 Members: 7.5% of compensation. Once Member has accrued the maximum benefit of 82.5% of AFC, their contribution percentage reduces to 0.5% of compensation.

Notwithstanding the above, all Members hired on or after October 1, 2011 will contribute 7.50% of compensation.

NORMAL RETIREMENT

Date

Tier 1 Members Less than 10 years of Credited Service as of 9/30/2011: Earlier of 1) Age 55 with 10 years of Credited Service, or 2) Age 52 with 25 years of Credited Service
10 or more years of Credited Service as of September 30, 2011: Earlier of 1) Age 50 with 10 years of Credited Service, or 2) 23 Years of Credited Service, regardless of Age

Tier 2 Members Earlier of 1) Age 55 with 10 years of Credited Service, or 2) Age 52 with 25 years of Credited Service

Benefit Amount

For benefits accrued prior to October 1, 2011 ("Frozen" piece):

Tier 1 Members: 3.3% of Average Final Compensation times Credited Service. Maximum benefit of 86% of Average Final Compensation.

Tier 2 Members: 3.2% of Average Final Compensation times Credited Service. Maximum benefit of 82.5% of Average Final Compensation.

For benefits accrued on and after October 1, 2011 ("Future service" piece):

Tier 1 Members: 3.0% of Average Final Compensation times Credited Service. Maximum benefit of 86% less 3.3% times the Credited Service accrued through 9/30/11.

Tier 2 Members: 3.0% of Average Final Compensation times Credited Service. Maximum benefit of 73.6% of Average Final Compensation.

Form of Benefit

For unmarried Members, Ten Year Certain and Life Annuity. For married Members, 50% Joint and Survivor annuity with Ten Years Certain.

COST OF LIVING INCREASES

"Frozen" Piece

Retirees receive a 2.0% per year cost-of-living adjustment commencing three years after retiree's benefit payments have begun.

"Future Service" Piece

None

VESTING

Schedule

100% after 10 years of Credited Service.

Benefit Amount

Member will receive the vested portion of his (her) accrued benefit payable at age 50 if the Member has at least 10 years of service as of 9/30/11. Otherwise, the benefit is payable at age 55.

DISABILITY

Eligibility

Service Incurred

Covered from Date of Employment

Non-Service Incurred

5 years of Credited Service.

Benefit

Service Incurred

75% of compensation at the time of disability. The benefit will be offset by any worker's compensation, pension, or similar benefit payable to the Member or to his dependants.

Non-Service Incurred

25% of earnings at the time of determination of disability. The benefit will be offset by any worker's compensation, pension, or similar benefit payable to the Member or to his dependants. Upon attainment of normal retirement age, the benefit will be recomputed as a normal retirement benefit with service included for the period of time that the member was receiving a disability retirement benefit.

Form of Payment

10 Year Certain and Life annuity, with a 100% survivor annuity payable to the spouse until death or remarriage (in the case of a member who dies prior to age 50 while receiving a non-service connected disability) or with a 50% survivor annuity payable to the spouse until death or remarriage (for all other members).

DEATH BENEFITS

Service Connected

50% of compensation at the date of death payable as a monthly life and 10 years certain benefit to the spouse until death or remarriage.

Non-service Connected

For Members with five years of service, greater of accrued benefit or 25% of compensation at the date of death payable as a monthly life and 10 years certain benefit to the spouse until death or remarriage.

DEFERRED RETIREMENT OPTION PLAN

Eligibility

Only those Members were eligible to retire as of September 30, 2011. There is no DROP for other Members.

Participation

Not to exceed 96 months, but pre-DROP service plus DROP service cannot exceed 33 years.

Rate of Return

6.0% for Tier 1 employees. 4.0% for Tier 2 employees.

Form of Distribution

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

Ms. Sarah Carr
Police Officers' and Firefighters' Retirement Trust Funds
Department of Management Services, Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

Re: Actuarial Impact Statement

Dear Ms. Carr:

The City of Hollywood is considering the implementation of amended retirement benefits for its Firefighters. The changes are described in the enclosed material.

Pursuant to the provisions of Chapter 175, we are enclosing the required Actuarial Impact Statement along with a copy of the proposed Resolution for your review.

If you have any questions or if additional information is needed, please contact us.

Sincerely,

Mr. Keith Brinkman
Bureau of Local Retirement Systems
Division of Retirement
Post Office Box 9000
Tallahassee, FL 32315-9000

Re: Actuarial Impact Statement

Dear Mr. Brinkman:

The City of Hollywood is considering the implementation of amended retirement benefits for its Firefighters. The changes are described in the enclosed material.

Pursuant to Section 22d-1.04 of the Agency Rules, we are enclosing the required Actuarial Impact Statement (AIS) and a copy of the proposed Resolution for your review.

If you have any questions or if additional information is needed, please contact us.

Sincerely,