



# Cavanaugh Macdonald

## CONSULTING, LLC

*The experience and dedication you deserve*

March 30, 2023

Mr. David M. Williams  
Administrator  
City of Hollywood Police Officers'  
Retirement System  
4205 Hollywood Blvd., Suite 4  
Hollywood, FL 33021

### **Actuarial Impact Statement (Ordinance PO-2023-02)**

Dear Dave:

We are writing to report on the actuarial impact to the City of Hollywood Police Officers' Retirement System ("System") of proposed benefit changes for Group Two and Three members. We have attached a table with the results of our studies.

Group Two Restored members are those who were hired on or before September 30, 2011 and eligible to retire after September 30, 2020 based on a normal retirement date of age 50 or 22 years of continuous service. Group Three members are those who were hired after September 30, 2011. Below is a summary of these members as of October 1, 2022:

	Group 2	Group 3
Number	84	162
Compensation	\$9,729,433	\$13,045,791
Average Age	41.62	32.97
Average Service	15.99	5.22



Below is a summary of the proposed changes:

- 1) Group Three members are eligible to participate in the DROP plan with an entry date on or after the day the member attained or attains age 55 with 10 years of service or the completion of 22 years of continuous service, subject to the existing limitation of 30 years of service with the city.
- 2) Group Three members employed who do not participate in the DROP plan shall receive a 2.5% annual increase in benefits commencing three years after the date retirement benefits begin and continuing every other year thereafter. Group Three restored members who participate in the DROP plan shall receive a 2.5% annual increase in benefits commencing upon the later of (i) separation of employment and (ii) three years after the member entered the DROP plan and continuing every other year thereafter.
- 3) Group Two Restored members, earnings shall include payments for accrued holiday time not to exceed 130 hours. For Group Three members, earnings shall include salary, overtime pay not to exceed 200 hours per year, longevity pay, assignment pay, payments for accrued holiday time not to exceed 130 hours per year.
- 4) For members who are killed or die as a direct result of an occurrence arising in the performance of service, the beneficiary is entitled, until death, to a monthly benefit equal to the greater of the earned benefit or 25% of earnings on the date of death; provided however, that if the beneficiary dies before having received such benefit for ten years, the estate of the member is entitled to the same monthly benefit for the balance of such ten-year period.

For members who are killed or die as a direct result of an occurrence arising in the performance of service that did not designate a beneficiary, the estate of the member is entitled, for a period of ten years, to a monthly benefit equal to the greater of the earned benefit or 25% of earnings on the date of death.

- 5) A member may purchase up to a total of four years of credit for military service prior to employment, or prior service as a full-time municipal, county, state, or federal police officer which meets the definition of "police officer" as provided in this plan, or a combination of the two types of service. In the case of prior police service, the member shall certify that no retirement benefit is or will be paid on account of the prior police service. Members purchasing credit for prior service under this section shall pay the full actuarial cost of the credited service as determined by the actuary for the plan. Credited service purchased pursuant to this section shall not count toward a member's vesting. The Board of Trustees shall provide uniform rules for the administration of this benefit.



The methods and assumptions used in our studies are outlined below:

- 1) The studies are based on the October 1, 2022 actuarial valuation of the System.
- 2) The assumed valuation interest rate (investment return) is 8% per year.
- 3) The increase in the unfunded liability due to the plan amendment is amortized on a level dollar basis over a 20-year period.

Please note, we currently assume that 100% of active officers will retire upon the completion of 22 years of service or obtaining age 55 with 10 years of service. Therefore, the DROP option described above for Group 3 members is cost neutral to the unfunded actuarial accrued liability and the actuarial determined employer contribution. In addition, the purchase of up to four years of military service prior to employment is on a full actuarial cost basis, therefore it has no impact on the System.

As with any analysis, there are additional risks that the System will face. If the actual experience is different than the underlying assumptions used in this calculation, then the actual cost will differ.

In order to prepare the results in this report we have utilized appropriate actuarial models that were developed for this purpose. These models use assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.

Future actuarial results may differ significantly from the current results presented in this impact statement due to such factors as the plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and 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 applicable law).

This actuarial study was prepared and completed by myself or under my direct supervision and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and, in my opinion, the techniques and assumptions used are reasonable and comply with the requirements and intent of s. 14, Art. X of the State Constitution, with Part VII, Chapter 112, and s. 112.64, Florida Statutes.

Please do not hesitate to contact us if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads 'Todd B. Green' followed by a horizontal flourish.

Todd B. Green, ASA, EA, FCA, MAAA  
President  
Enrolled Actuary No. 20-8883

A handwritten signature in blue ink that reads 'Micki R. Taylor'.

Micki R. Taylor, ASA, EA, FCA, MAAA  
Consulting Actuary  
Enrolled Actuary No. 20-5975

Enc.

City of Hollywood Police Officers' Retirement System  
Impact of Ordinance PO-2023-02  
Based on October 1, 2022 Actuarial Valuation



	Valuation	Ordinance 2023-02
Actuarial Accrued Liability	\$503,066,726	\$509,599,682
Actuarial Value of Assets	\$248,737,360	\$248,737,360
Unfunded Actuarial Accrued Liability	\$254,329,366	\$260,862,322
Increase/(Decrease) in Unfunded Actuarially Accrued Liability		\$6,532,956
<b>City Annual Cost (Payable bi-weekly)</b>		
Normal Cost (including administrative expenses)	\$7,652,174	\$8,543,817
Amortization of Unfunded Liability	\$26,319,496	\$26,984,892
Interest Adjustment	\$1,271,827	\$1,330,119
Expected Member Contributions	(\$2,404,337)	(\$2,623,484)
Expected Chapter 185 Monies for Current Year	(\$1,817,654)	(\$1,817,654)
Total Required City Contribution Payable Bi-weekly	\$31,021,506	\$32,417,690
Total Increase/(Decrease) in Required City Contribution Payable Bi-weekly		\$1,396,184