

**STATEMENT OF BUDGET IMPACT**  
**(Policy Number 94-45)**  
**Budgetary Review of Proposed Resolution &**  
**Ordinances with Financial Implication.**

**Date:** April 30, 2015

**File:** BIS 15 – 161

**File:** TMP-2015-00186

**Proposed Legislation:**

A RESOLUTION OF THE CITY COMMISSION OF THE CITY OF HOLLYWOOD, FLORIDA, ADOPTING THE BEST PRACTICE OF THE GOVERNMENT FINANCE OFFICERS ASSOCIATION CONCERNING SUSTAINABLE FUNDING PRACTICES OF DEFINED BENEFIT PENSION PLANS.

**Statement of Budget Impact:**

1. ☐ No Budget Impact associated with this action;
2. ☒ Sufficient budgetary resources identified/available;
3. ☐ Budgetary resources not identified/unavailable;
4. ☐ Potential Revenue is possible with this action;
5. ☒ Will not increase the cost of Housing;
6. ☐ May increase the cost of Housing; (CDAB review required)

**Explanation:**

This Resolution seeks the formal adoption by the City Commission of the Government Finance Officers Association's, "GFOA," best practices guidelines relating to "Sustainable Funding Practices of Defined Benefit Pension Plans." Previously, the Operational Audit performed by staff of the Florida Auditor General's Office included a recommendation that the City adopt the above referenced best practices guidelines relating to the City's defined benefit pension plans.

Among the best practices cited in the GFOA's best practices include:

- Adopting a funding policy targeting a 100 percent or more funded ratio.
- Discuss the plan's funding and amortization methods with the plan's actuary and select the method most closely aligned with the plan's funding policy.

- Stipulate within the funding policy that employer and employee contributions to the plan are to be made at regular intervals, with the contribution amount determined by the results of a recent actuarial valuation of the system.
- Have an actuarial valuation prepared at least biennially by a qualified actuary in accordance with generally accepted actuarial principles applied in a manner consistent with GAAP.
- Actuarial assumptions should be carefully reviewed by retirement system staff, discussed with outside experts (including investment advisors), and explicitly approved by trustees.
- Prepare and widely distribute a comprehensive annual financial report (CAFR) covering retirement system activity, and distribute summary information to all plan participants.

Moreover, in discussing methods to reduce the volatility of the Annual Required Contribution, “ARC,” the GFOA’s best practices guidelines recommend the following options:

- Smoothing returns on assets;
- Diversifying the investment portfolio to reduce volatility in investment returns;
- Managing investment returns long term;
- Managing growth in liabilities; and
- Maintaining vigilance against ethical violations and benefit calculation abuse.

Several of these above enumerated best practices are currently addressed, observed or exceeded in practice by the City’s pension plans including the development of a plan and accompanying policies to fully fund each of the pension plans, establish regular employer and employee contributions to the various plans, preparing actuarial valuations annually as opposed to biennially, review of the actuarial assumptions by the respective plan actuaries with the various plan trustees, and publication and distribution of Actuarial Valuation Reports and Financial Statements prepared by the respective plan’s actuary and accountants on an annual basis for each of the respective pension plans.

Adoption of this Resolution will formalize the GFOA’s best practices as City policy with respect to the City’s pension plans for Police, Fire and General Employees.

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