



June 11, 2021

Mr. Rick Rivera
Pension Administrator
City of Miami Beach
1700 Convention Center Drive
Miami Beach, Florida 33139

**Re: City of Miami Beach Employees' Retirement Plan
Actuarial Impact Statement**

Dear Rick:

As requested, we have reviewed the proposed Ordinance No. 2021-____ (copy attached) and prepared the enclosed Actuarial Impact Statement for the City of Miami Beach Employees' Retirement Plan (the "Plan") showing the financial impact of increasing the City Clerk's pension accrual rate from 3% to 4% and changing the pensionable earnings from base pay to W-2 earnings. As directed, we have estimated the member's W-2 earnings by increasing base pay by 20%. All other provisions would remain unchanged from the provisions outlined in the October 1, 2020 Actuarial Valuation Report dated May 10, 2021.

Please have a member of the Board sign the Statement and send the Statement along with a copy of the proposed Ordinance to the Division of Retirement before the final public hearing on the Ordinance.

Summary of Findings

The financial effect of the proposed Ordinance described above is summarized as follows:

- The required employer contribution would increase by \$65,542 (from \$29,524,827 to \$29,590,369).
- The Unfunded Actuarial Accrued Liability (UAAL) would increase by \$422,351 (from \$209,132,501 to \$209,554,852).
- The funded ratio would remain unchanged at 76.9%.
- The ultimate cost of the proposed changes is measured by the increase in the Present Value of Future Benefits less the Present Value of Projected Member Contributions. The proposed Ordinance would increase the Actuarial Present Value of Projected Benefits by \$624,691 (from \$1,033,689,145 to \$1,034,313,836) and increase the Actuarial Present Value of Future Projected Contributions by \$29,238 (from \$72,284,147 to \$72,313,385), for an ultimate cost of \$595,453. This assumes all of our actuarial assumptions are met each year. This represents the value of the expected employer provided benefit payments in today's dollars that is funded over time by the City.

Other Cost Considerations

- This report shows the increase in the required City contribution for the first year only. Future increases in the required City contribution may be higher if there are changes in assumptions, methods, demographics, or plan provisions.

- As of October 1, 2020, the market value of assets exceeded the actuarial value by \$134,909. Once all the gains and losses are fully recognized in the actuarial value of assets, the required contribution will decrease by roughly \$11,000 in the absence of offsetting losses.

Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: Plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; 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 additional cost or contribution requirements based on the Plan's funded status); and changes in Plan provisions or applicable law. The scope of this report does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the Plan's future financial condition include:

1. Investment risk – actual investment returns may differ from the either assumed or forecasted returns;
2. Contribution risk – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the Plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
3. Salary and Payroll risk – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
4. Longevity risk – members may live longer or shorter than expected and receive pensions for a period of time other than assumed;
5. Other demographic risks – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return is less (or more) than the assumed rate, the cost of the Plan can be expected to increase (or decrease). Likewise if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

The computed contribution amounts may be considered as minimum contributions that comply with the pension Board's funding policy and the State statutes. The timely receipt of the actuarially determined



contributions is critical to support the financial health of the Plan. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

Additional Risk Assessment

Additional risk assessment is outside the scope of this report. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

Required Disclosures

This report was prepared at the request of the Board and is intended for use by the Plan and those approved by the Board. This report may be provided to parties other than the Board only in its entirety and only with the Board's permission. GRS is not responsible for unauthorized use of this report.

The purpose of this report is to describe the financial effect of the proposed changes. This report should not be relied on for any purpose other than the purpose described above. Determinations of financial results associated with the benefits described in this report, for purposes other than those identified herein may be significantly different.

The calculations in this report are based upon census data and financial information furnished by the Plan Administrator for the October 1, 2020 Actuarial Valuation and this Report concerning Plan benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We reviewed this information for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the Plan Administrator.

The calculations in this report are based on data or other information through September 30, 2020. They are also based upon census data, financial information, assumptions and methods, and the provisions described in this report and the October 1, 2020 Actuarial Valuation Report dated May 10, 2021. If you have reason to believe that the assumptions that were used are unreasonable, that the current and proposed plan provisions are incorrectly described, that important plan provisions relevant to this report are not described, or that conditions have changed since the calculations were made, you should contact the author of this report prior to relying on information in this report.

If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information to make an informed decision on the subject matter of this report, please contact the authors of this report prior to making such decision.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.



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This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the Plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board, and with applicable statutes.

Melissa Zrelack and Travis Robinson are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The undersigned actuaries are independent of the plan sponsor.

This actuarial valuation and/or cost determination was prepared and completed by us or under our direct supervision, and we acknowledge responsibility for the results. To the best of our knowledge, the results are complete and accurate. In our opinion, the techniques and assumptions used are reasonable, meet the requirements and intent of Part VII, Chapter 112, Florida Statutes, and are based on generally accepted actuarial principles and practices. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.

Respectfully submitted,



Melissa Zrelack, MAAA, FCA
Enrolled Actuary No. 20-06467



Travis Robinson, MAAA, ASA, FCA
Enrolled Actuary No. 20-08351

Enclosures



CITY OF MIAMI BEACH EMPLOYEES' RETIREMENT PLAN

Impact Statement – June 11, 2021

Description of Amendments

The proposed Ordinance would increase the City Clerk's pension accrual rate from 3% to 4% and change pensionable earnings from base pay to W-2 earnings.

Funding Implications of Amendment

An actuarial cost analysis is attached.

Certification of Administrator

I believe the amendment to be in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the Constitution of the State of Florida.

For the Board of Trustees
as Plan Administrator



SUPPLEMENTAL ACTUARIAL VALUATION REPORT

Plan

City of Miami Beach Employees' Retirement Plan

Valuation Date

October 1, 2020

Date of Report

June 11, 2021

Report Requested by

Board of Trustees

Prepared by

Melissa Zrelack

Group Valued

All active and inactive members participating in the Plan

Plan Changes being Considered for Change

The proposed Ordinance would increase the City Clerk's pension accrual rate from 3% to 4% and change pensionable earnings from base pay to W-2 earnings.

Actuarial Assumptions and Methods

Actuarial Assumptions and Methods are the same as October 1, 2020 Actuarial Valuation Report with the additional assumption that the City Clerk's W-2 earnings are 20% higher than base pay.

Some of the key assumptions/methods are:

Investment Return:	7.40%
Mortality Table:	The same versions of the PUB-2010 Headcount-Weighted Mortality Tables and mortality improvement projection scale used for Regular Class members of the Florida Retirement System (FRS) in the July 1, 2020 actuarial valuation. Florida Statutes Chapter 112.63(1)(f) mandates the use of mortality tables from one of the two most recently published FRS actuarial valuation reports.

Amortization Period for Unfunded Actuarial Accrued Liability

29 years

Financing of Unfunded Actuarial Accrued Liability

Level Dollar

Summary of Data Used in Report

See attached page(s).

Actuarial Impact of Proposal(s)

See attached page(s).



Special Risks Involved With the Proposal That the Plan Has Not Been Exposed to Previously
None

Other Cost Considerations

- This report shows the increase in the required City contribution for the first year only. Future increases in the required City contribution may be higher if there are changes in assumptions, methods, demographics, or plan provisions.
- As of October 1, 2020, the market value of assets exceeded the actuarial value by \$134,909. Once all the gains and losses are fully recognized in the actuarial value of assets, the required contribution will decrease by roughly \$11,000 in the absence of offsetting losses.

ACTUARIALLY DETERMINED CONTRIBUTION (ADC)

A. Valuation Date	October 1, 2020 <i>Valuation</i>	October 1, 2020 <i>After Plan Changes</i>	<i>Change</i>
B. ADC to Be Paid During Fiscal Year Ending	9/30/2022	9/30/2022	
C. Assumed Date of Employer Contrib.	10/1/2021	10/1/2021	
D. Annual Payment to Amortize Unfunded Actuarial Liability	\$ 19,883,224	\$ 19,916,525	\$ 33,301
E. Employer Normal Cost	7,607,304	7,635,029	27,725
F. ADC as of the Valuation Date: D+E	27,490,528	27,551,554	61,026
G. ADC Adjusted for Frequency of Payments	29,524,827	29,590,369	65,542
H. ADC as % of Covered Payroll	33.38 %	33.44 %	0.06 %
I. Covered Payroll for Contribution Year	88,446,616	88,493,486	46,870



ACTUARIAL VALUE OF BENEFITS AND ASSETS

A. Valuation Date	October 1, 2020 <i>Valuation</i>	October 1, 2020 <i>After Plan Changes</i>	<i>Change</i>
B. Actuarial Present Value of All Projected Benefits for			
1. Active Members			
a. Service Retirement Benefits	\$ 314,262,609	\$ 314,854,867	\$ 592,258
b. Vesting Benefits	34,379,565	34,393,547	13,982
c. Disability Benefits	8,517,785	8,527,955	10,170
d. Preretirement Death Benefits	3,478,425	3,486,633	8,208
e. Return of Member Contributions	1,751,110	1,751,183	73
f. Total	<u>362,389,494</u>	<u>363,014,185</u>	<u>624,691</u>
2. Inactive Members			
a. Service Retirees & Beneficiaries	637,929,844	637,929,844	-
b. Disability Retirees	9,232,908	9,232,908	-
c. Terminated Vested Members	24,136,899	24,136,899	-
d. Total	<u>671,299,651</u>	<u>671,299,651</u>	<u>-</u>
3. Total for All Members	1,033,689,145	1,034,313,836	624,691
C. Actuarial Accrued (Past Service) Liability per Entry Age Normal Method	906,000,016	906,422,367	422,351
D. Actuarial Value of Accumulated Plan Benefits per FASB No. 35	N/A	N/A	N/A
E. Plan Assets			
1. Market Value	697,002,424	697,002,424	-
2. Actuarial Value	696,867,515	696,867,515	-
F. Unfunded Actuarial Accrued Liability	209,132,501	209,554,852	422,351
G. Actuarial Present Value of Projected Covered Payroll	785,119,341	785,411,931	292,590
H. Actuarial Present Value of Projected Member Contributions	72,284,147	72,313,385	29,238
I. Funded Ratio: E2 ÷ C	76.9%	76.9%	0.0%



CALCULATION OF EMPLOYER NORMAL COST

A. Valuation Date	October 1, 2020 <i>Valuation</i>	October 1, 2020 <i>After Plan Changes</i>	<i>Change</i>
B. Normal Cost for			
1. Service Retirement Benefits	\$ 11,694,993	\$ 11,723,189	\$ 28,196
2. Vesting Benefits	2,356,418	2,359,130	2,712
3. Disability Benefits	649,466	650,193	727
4. Preretirement Death Benefits	224,841	225,324	483
5. Return of Member Contributions	492,279	492,573	294
6. Total for Future Benefits	<u>15,417,997</u>	<u>15,450,409</u>	<u>32,412</u>
7. Assumed Amount for Administrative Expenses	<u>818,007</u>	<u>818,007</u>	<u>-</u>
8. Total Normal Cost	16,236,004	16,268,416	32,412
9. Total as a % of Covered Payroll	18.36 %	18.38 %	0.02 %
C. Expected Member Contribution	8,628,700	8,633,387	4,687
D. Employer Normal Cost: B8-C	7,607,304	7,635,029	27,725
E. Employer Normal Cost as a % of Covered Payroll	8.60 %	8.63 %	0.03 %



PARTICIPANT DATA			
	October 1, 2020 <i>Valuation</i>	October 1, 2020 <i>After Plan Changes</i>	<i>Change</i>
ACTIVE MEMBERS			
Number	1,229	1,229	0
Covered Annual Payroll	\$ 88,446,616	\$ 88,493,486	\$ 46,870
Average Annual Payroll	\$ 71,966	\$ 72,004	\$ 38
Average Age	44.3	44.3	0.0
Average Past Service	8.6	8.6	0.0
Average Age at Hire	35.7	35.7	0.0
DROP PARTICIPANTS			
Number	100	100	0
Annual Benefits	\$ 4,875,701	\$ 4,875,701	\$ 0
Average Annual Benefit	\$ 48,757	\$ 48,757	\$ 0
Average Age	60.2	60.2	0.0
RETIREES & BENEFICIARIES			
Number	1,089	1,089	0
Annual Benefits	\$ 47,730,035	\$ 47,730,035	\$ 0
Average Annual Benefit	\$ 43,829	\$ 43,829	\$ 0
Average Age	71.1	71.1	0.0
DISABILITY RETIREES			
Number	25	25	0
Annual Benefits	\$ 857,090	\$ 857,090	\$ 0
Average Annual Benefit	\$ 34,284	\$ 34,284	\$ 0
Average Age	64.6	64.6	0.0
TERMINATED VESTED MEMBERS			
Number	96	96	0
Annual Benefits	\$ 2,476,196	\$ 2,476,196	\$ 0
Average Annual Benefit	\$ 25,794	\$ 25,794	\$ 0
Average Age	46.2	46.2	0.0



ORDINANCE NO. 2021-_____

AN ORDINANCE OF THE MAYOR AND CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA, AMENDING THE CITY'S PENSION ORDINANCE, CREATED BY ORDINANCE NO. 2006-3504, AS AMENDED (THE "MIAMI BEACH EMPLOYEES' RETIREMENT PLAN" OR "PLAN"), BY AMENDING SECTION 5.01(b)(6) THEREOF, FOR THE SOLE PURPOSE OF IMPLEMENTING EMPLOYEE BENEFIT PROVISIONS RELATING TO THE EMPLOYMENT OF THE CITY CLERK, AS APPROVED VIA CITY COMMISSION RESOLUTION NO. 2021-31601, BY PROVIDING FOR A PENSION ACCRUAL FACTOR OF FOUR PERCENT (4%) FOR THE CHARTER POSITION OF CITY CLERK, THE SAME ACCRUAL FACTOR APPLICABLE TO THE CITY MANAGER AND CITY ATTORNEY; AND PROVIDING FOR SEVERABILITY; REPEALER; AND AN EFFECTIVE DATE.

WHEREAS, at its meeting on April 11, 2012, the Mayor and City Commission appointed Rafael E. Granado to the position of City Clerk of the City of Miami Beach effective April 11, 2012; and

WHEREAS, Mr. Granado's engagement is reflected in an Employment Agreement dated April 22, 2015, and unanimously approved by the City Commission pursuant to Resolution No. 2015-28994 (the "Employment Agreement"); and

WHEREAS, the Employment Agreement provides for an annual performance review and evaluation of the City Clerk, at which time the City Commission shall review the annual salary and/or other benefits of the City Clerk, and shall adjust in such amounts and to such extent as the City Commission may determine it is desirable to do so; and

WHEREAS, on July 13, 2016, Mr. Granado's Employment Agreement was further amended pursuant to Resolution No. 2016- 29513; and

WHEREAS, on July 26, 2017, Mr. Granado's Employment Agreement was further amended pursuant to Resolution No. 2017-29960; and

WHEREAS, on July 17, 2018, Mr. Granado's Employment Agreement was further amended pursuant to Resolution No. 2018- 30384; and

WHEREAS, on September 11, 2019, Mr. Granado's Employment Agreement was further amended pursuant to Resolution No. 2019- 30992; and

WHEREAS, on February 10, 2021, Mr. Granado's Employment Agreement was further amended pursuant to Resolution No. 2021-31601; which amendment provided, in lieu of a merit increase, that the employee pension accrual factor for the City Clerk would be modified from 3% to 4%, to provide the City Clerk with the same employee pension

accrual factor afforded to the City Manager and City Attorney under the Plan, during any employee's period of service in said positions; and

WHEREAS, the change to the pension accrual factor requires an amendment to the implementing ordinance creating the Plan (Ordinance No. 2006-3504, as subsequently amended); and

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF MIAMI BEACH, FLORIDA:

SECTION 1. Section 5.01 (b) 6) of the Miami Beach Employees' Retirement Plan created by Ordinance 2006-3504, as subsequently amended, is hereby amended as follows:

Section 5. Benefits

(b) Normal Retirement Benefit

* * *

6) Notwithstanding the provisions of paragraph (1), above, the normal retirement benefit payable to a Member who has served as an Elected Official, City Manager, ~~or City Attorney,~~ or City Clerk shall be four percent (4%) of final average monthly earnings multiplied by the number of years of creditable service as an Elected Official, City Manager, ~~or City Attorney~~ or City Clerk; and the percentage rate in effect under the Classified System, Unclassified System or this Plan, as applicable, for any other periods of City employment multiplied by the number of years of creditable service in such employment; up to a maximum of eighty percent (80%) of final average monthly earnings. Notwithstanding any other provision of this Plan, in determining the benefit payable under this paragraph (6), earnings as an Elected Official, City Manager, ~~or City Attorney,~~ or City Clerk shall include total W-2 compensation plus any other payments or allowances, up to the limitations set forth in Section 401(a)(17) of the Internal Revenue Code and regulations promulgated thereunder. Notwithstanding any other provision of this Plan, the normal retirement benefit payable to a Member who has served as an Elected Official and is subsequently employed, without a break in service, by the City in another position as a member of this Plan for a period of at least five additional years, shall be equal to the sum of the retirement allowance payable based on the member's creditable service and final average monthly earnings as an Elected Official, plus the retirement allowance payable based on the member's creditable service and final average monthly earnings for the period of employment subsequent to service as an Elected Official, up to a maximum of eighty percent (80%) of final average monthly earnings during employment subsequent to service as an Elected Official. In the event a Member who has served

as an Elected Official and is subsequently employed, without a break in service, by the City in another position as a member of this Plan for a period of less than five additional years, such Member shall not be entitled to a benefit from this Plan for the period of employment subsequent to service as an Elected Official, but shall be entitled to a refund of accumulated employee contributions for such period of service.

SECTION 2. REPEALER.

All ordinances or parts of ordinances in conflict herewith be and the same are hereby repealed.

SECTION 3. SEVERABILITY.

If any section, subsection, clause or provision of this Ordinance is held invalid, the remainder shall not be affected by such invalidity. portions of this ordinance.

SECTION 4. EFFECTIVE DATE.

This Ordinance shall take effect on the _____ day of _____, 2021.

PASSED and ADOPTED this _____ day of _____ 2021.

**DAN GELBER
MAYOR**

DEPUTY CITY CLERK

Underline denotes additions
~~Strikethrough~~ denotes deletions

(sponsored by Mayor Dan Gelber)

**APPROVED AS TO
FORM & LANGUAGE
& FOR EXECUTION**



City Attorney **PAZ**

4-13-21

Date