Update the interest rate for the definition of actuarial equivalence

Ms. Jones explained that actuarial equivalence in this plan is used in two different circumstances:

1. *To determine life expectancies if the surviving spouse was married to the deceased member for less than 10 years, or the domestic partnership was registered for less than 10 years, then the benefits are payable for a period no longer than the normal life expectancy of the deceased member at time of death.*

2. *To convert one form of benefit payment to another form of benefit payment. For example, to convert the standard benefit to a 10-year certain and life benefit, or life of member only benefit, or joint and survivor benefit.*

For all purposes of actuarial equivalence, Ms. Jones recommended reducing the current long-term interest rate from 7.5% to 7.2% beginning October 1, 2023. At this time, she does not recommend a change to the mortality tables as the current mortality tables used for funding and actuarial equivalence are the same. Ms. Jones explained that keeping the definition of actuarial equivalence up to date assures that the optional forms of payment are priced fairly for both the members and the Plan and life expectancies are properly determined. An actuarial impact statement would be issued showing no cost on funding for these changes.

Trustee Johnson made a motion to change the plan's definition of actuarial equivalence by adopting the recommended long-term interest rate of 7.2% effective October 1, 2023. The change shall be applied when a beneficiary benefit is limited to a period no longer than the normal life expectancy of a deceased member at the time of death and when calculating optional forms of benefit payments. The motion was seconded by Trustee Nicholas and unanimously carried.

TOCQUEVILLE ASSET MANAGEMENT L.P.
JOHN T. ROCHFORD – PORTFOLIO MANAGER
JOE ZOCK – PORTFOLIO MANAGER

Portfolio Review

Joe Zock and John T. Rochford reviewed in detail the investment commentary of the Fire and Police fixed income portfolio as of December 31, 2022.

ORDINANCE NO. 2023-4533 PASSED AND ADOPTED BY THE CITY COMMISSION ON FEBRUARY 1, 2023

A copy of Ordinance No. 2023-4533 was provided in the Agenda packet. In summary, the pension changes are: (Attachment #5)

Sec. 62. Definitions:

- *To amend the definition of Actuarial Assumptions (for the calculation of optional forms of benefits).*

Sec.76. Board of Trustees:

- *To amend the Board of Trustees' term from 2 years to 3 years and to stagger elections annually.*

Sec. 65. Computation of creditable service; service record; and
Sec. 90. Benefits for members hired on or after May 8, 2019, for International Association of Firefighters, Local 1510 (IAFF) and on or after July 31, 2019, for Fraternal Order of Police, William Nichols Lodge No. 8 (FOP)

- *To allow Firefighters, regardless of date of hire, to receive service credit under the Fire and Police Plan for prior service under the Miami Beach Employees' Retirement Plan.*

Department of
MANAGEMENT
SERVICES
Division of Retirement

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

Ron DeSantis, Governor
Pedro Allende, Secretary

May 15, 2023

Ms. Donna Brito
City of Miami Beach
1691 Michigan Avenue Suite 335
Miami Beach, Florida 33139

Dear Ms. Brito:

We have completed our preliminary review of the 2022 Annual Report for the Miami Beach Firefighters' & Police Officers' Pension Fund.

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

- Page 5 - Cancer Presumption - We are in receipt of your explanation for not having a modification in ordinance, however, due to the potential cost to the plan, an impact statement and ordinance should be submitted.

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.

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:kf

KLAUSNER
KAUFMAN
JENSEN
LEVINSON

MEMORANDUM

To: Board of Trustees

From: Klausner, Kaufman, Jensen & Levinson

Re: SECURE 2.0 Act

Date: January 5, 2023

On December 29, 2022, as part of the federal government's year-end spending deal, President Biden signed into law the Consolidated Appropriations Act of 2023, which contains tax-related retirement legislation, commonly known as the SECURE 2.0 Act of 2022. The goal of the legislation is improved retirement savings opportunities for workers. This memo will highlight important amendments relevant to public safety officers and governmental plans.

Public Safety Officers

- Under current law, there is an exclusion for gross income ($3,000) for a distribution from a governmental retirement plan to a public safety officer to pay for his or her health insurance premiums. The exclusion requires that the premiums must be deducted from pension checks and paid by retirement systems directly to insurers for retirees to qualify for a tax exclusion. The SECURE 2.0 Act repeals these direct payment requirements.
- Effective for amounts received in taxable years beginning after December 31, 2026, the SECURE 2.0 Act permits first responders to exclude service-connected disability pension payments from gross income after reaching retirement age.
- Currently, the 10 percent additional tax on early distributions from tax preferred retirement savings plans does not apply to a distribution from a governmental plan to public safety officers who are at least 50 years old. The SECURE 2.0 Act extends this exemption to public safety officers with at least 25 years of service with the employer sponsoring the plan. Therefore, a distribution from a governmental plan that is made to a qualified public safety officer after separation from service after attainment of age 50 or 25 years of service under the plan is exempt from the early withdrawal tax.
- Additionally, SECURE 2.0 expands the definition of a qualified public safety employee to also include any employee of a State or political subdivision who provides services as a corrections officer.

Required Minimum Distributions

- Under current law, participants are generally required to begin taking distributions from their retirement plans at age 72. The SECURE 2.0 Act further increases the required minimum distribution age to 73 starting on January 1, 2023, and increase the age to 75 starting on January 1, 2033.
- Additionally, the SECURE 2.0 Act reduces the penalty for failure to take required minimum distributions from 50 to 25 percent. If the failure is corrected in a timely manner, the penalty is further reduced from 25 to 10 percent.

Defined Benefit Retirement Plans

- SECURE 2.0 Act extends the ability of an employer to use assets from an overfunded pension plan to pay retiree health and life insurance benefits from December 31, 2025 to December 31, 2032.

Please also find attached a section-by-section breakdown of all provisions of the SECURE 2.0 Act.

SECURE 2.0 Act of 2022

As included in Division T of the "Consolidated Appropriations Act, 2023"

Title I – Expanding Coverage and Increasing Retirement Savings

Section 101, Expanding automatic enrollment in retirement plans. One of the main reasons many Americans reach retirement age with little or no savings is that too few workers are offered an opportunity to save for retirement through their employers. However, even for those employees who are offered a retirement plan at work, many do not participate. But automatic enrollment in 401(k) plans – providing for people to participate in the plan unless they take the initiative to opt out – significantly increases participation. Since first defined and approved by the Treasury Department in 1998, automatic enrollment has boosted participation by eligible employees generally, and particularly for Black, Latinx, and lower-wage employees. An early study found that adoption of automatic enrollment increased participation in a 401(k) plan by short-tenure Latinx employees from 19 percent to 75 percent. An Ariel/Aon-Hewitt study found that, in plans using automatic enrollment, "[t]he most dramatic increases in enrollment rates are among younger, lower-paid employees, and the racial gap in participation rates is nearly eliminated among employees subject to auto-enrollment."

Section 101 requires 401(k) and 403(b) plans to automatically enroll participants in the respective plans upon becoming eligible (and the employees may opt out of coverage). The initial automatic enrollment amount is at least 3 percent but not more than 10 percent. Each year thereafter that amount is increased by 1 percent until it reaches at least 10 percent, but not more than 15 percent. All current 401(k) and 403(b) plans are grandfathered. There is an exception for small businesses with 10 or fewer employees, new businesses (i.e., those that have been in business for less than 3 years), church plans, and governmental plans. Section 101 is effective for plan years beginning after December 31, 2024.

Section 102, Modification of credit for small employer pension plan startup costs. The 3-year small business startup credit is currently 50 percent of administrative costs, up to an annual cap of $5,000. Section 102 makes changes to the credit by increasing the startup credit from 50 percent to 100 percent for employers with up to 50 employees. Except in the case of defined benefit plans, an additional credit is provided. The amount of the additional credit generally will be a percentage of the amount contributed by the employer on behalf of employees, up to a per-employee cap of $1,000. This full additional credit is limited to employers with 50 or fewer employees and phased out for employers with between 51 and 100 employees. The applicable percentage is 100 percent in the first and second years, 75 percent in the third year, 50 percent in the fourth year, 25 percent in the fifth year – and no credit for tax years thereafter. Section 102 is effective for taxable years beginning after December 31, 2022.

Section 103, Saver's Match. Current law provides for a nonrefundable credit for certain individuals who make contributions to individual retirement accounts ("IRAs"), employer retirement plans (such as 401(k) plans), and ABLE accounts. Section 103 repeals and replaces the credit with respect to IRA and retirement plan contributions, changing it from a credit paid in cash as part of a tax refund into a federal matching contribution that must be deposited into a taxpayer's IRA or retirement plan. The match is 50 percent of IRA or retirement plan contributions up to $2,000 per individual. The match phases out between $41,000 and $71,000 in the case of taxpayers filing a joint return ($20,500 to $35,500 for single taxpayers and married filing separate; $30,750 to $53,250 for head of household filers). Section 103 is effective for taxable years beginning after December 31, 2026.

Section 104, Promotion of Saver's Match. Section 104 directs the Treasury Department to increase public awareness of the Saver's Match to increase use of the match by low and moderate income taxpayers. The promotion will make clear that the Saver's Match cannot be withdrawn without incurring penalties, including repayment to the Treasury Department in some cases where the Saver's Match is withdrawn from an individual retirement account before retirement. Taxpayers will have an election to designate a retirement account to receive the repaid Saver's Match. The Treasury Secretary must report to Congress on the Treasury Department's anticipated promotion efforts no later than July 1, 2026.

Section 105, Pooled employer plan modification. Section 105 clarifies that a pooled employer plan ("PEP") may designate a named fiduciary (other than an employer in the plan) to collect contributions to the plan. Such fiduciary would be required to implement written contribution collection procedures that are reasonable, diligent, and systematic. Section 105 is effective for plan years beginning after December 31, 2022.

Section 106, Multiple employer 403(b) plans. Multiple employer plans ("MEPs") provide an opportunity for small employers to band together to obtain more favorable retirement plan investment results and more efficient and less expensive management services. The Setting Every Community Up for Retirement Enhancement Act of 2019 ("SECURE Act") made MEPs more attractive by eliminating outdated barriers to the use of MEPs and improving the quality of MEP service providers. Section 106 allows 403(b) plans, which are generally sponsored by charities, educational institutions, and non-profits, to participate in MEPs and PEPs, including relief from the one bad apple rule so that the violations of one employer do not affect the tax treatment of employees of compliant employers. Section 106 is effective for plan years beginning after December 31, 2022.

Section 107, Increase in age for required beginning date for mandatory distributions. Under current law, participants are generally required to begin taking distributions from their retirement plans at age 72. The policy behind this rule is to ensure that individuals spend their retirement savings during their lifetime and not use their retirement plans for estate planning purposes to transfer wealth to beneficiaries. The SECURE Act of 2019 increased the required minimum distribution age to 72. Section 107 further increases the required minimum distribution age further to 73 starting on January 1, 2023 – and increases the age further to 75 starting on January 1, 2033.

Section 108, Indexing IRA catch-up limit. Under current law, the limit on IRA contributions is increased by $1,000 (not indexed) for individuals who have attained age 50. Section 108 indexes such limit and is effective for taxable years beginning after December 31, 2023.

Section 109, Higher catch-up limit to apply at age 60, 61, 62, and 63. Under current law, employees who have attained age 50 are permitted to make catch-up contributions under a retirement plan in excess of the otherwise applicable limits. The limit on catch-up contributions for 2021 is $6,500, except in the case of SIMPLE plans for which the limit is $3,000. Section 109 increases these limits to the greater of $10,000 or 50 percent more than the regular catch-up amount in 2025 for individuals who have attained ages 60, 61, 62 and 63. The increased amounts are indexed for inflation after 2025. Section 109 is effective for taxable years beginning after December 31, 2024.