FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

June 12, 2025

Board of Trustees
City of Miami Beach
General Employees' Pension Board

Re: City of Miami Beach Employees' Retirement Plan

Dear Board:

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

1. Three (3) copies 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.

It will be necessary for the Chairman to sign each copy of the Actuarial Impact Statement as the Plan Administrator and forward the Impact Statement, along with a copy of the proposed Ordinance, to the Bureau prior to final reading.

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

Sincerely,

Sara Carlson

Sara E. Carlson, ASA, EA, MAAA

Cc via email: Stuart Kaufman, Plan Attorney

Enclosures

13420 Parker Commons Blvd., Suite 104 Fort Myers, FL 33912 · (239) 433-5500 · Fax (239) 481-0634 · www.foster-foster.com

Mr. Keith Brinkman
Bureau of Local Retirement Systems
Division of Retirement
3189 S. Blair Stone Rd.
Tallahassee, FL 32301

Re: Actuarial Impact Statement

Dear Mr. Brinkman:

The City of Miami Beach is considering the implementation of amended retirement benefits for its General Employees. 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 Ordinance for your review.

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

Sincerely,

CITY OF MIAMI BEACH
EMPLOYEES' RETIREMENT PLAN

ACTUARIAL IMPACT STATEMENT

June 12, 2025

Attached hereto is a comparison of the impact on the Minimum Required Contribution (per Chapter 112, Florida Statutes) and the Required City Contribution, resulting from the implementation of including the Inspector General as part of the benefit structure for the other Charter officers (City Manager, City Attorney, and City Clerk). Specifically, benefit changes include increasing the benefit accrual rate to 4% for benefits earned as an Inspector General and allowing total W-2 compensation included in earnings when determining the benefits.

The impact on the Minimum Required Contribution and Unfunded Actuarial Accrued Liability (UAAL), determined as of October 1, 2024, applicable to the fiscal year ending September 30, 2026, is as follows:

	Proposed	Current
Minimum Required Contribution	$45,323,213	$45,287,329
Member Contributions (Est.)	11,241,746	11,241,746
City Required Contribution	$34,081,467	$34,045,583
Increase in City's Contribution		**$35,884**
Unfunded Actuarial Accrued Liability	$234,850,845	$234,697,862
Increase in UAAL		**$152,983**

CITY OF MIAMI BEACH
EMPLOYEES' RETIREMENT PLAN

ACTUARIAL IMPACT STATEMENT

June 12, 2025

Unless otherwise noted, all data, assumptions, methods and plan provisions are the same as in the October 1, 2024 actuarial valuation report. It should be noted that changes to retirement benefits could potentially affect participants' retirement or termination behavior. We will monitor and advise of any recommended changes with future experience studies.

Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope of the analysis, we did not perform an analysis of the potential range of such future measurements.

Please note that contents of this analysis and the October 1, 2024 actuarial valuation report are considered an integral part of the actuarial opinions. In reviewing the results presented in this study, it should be noted that there are risks that may not be inherently apparent to the reader that should be carefully considered. For key risks, please see the Discussion of Risk section of the October 1, 2024 actuarial valuation report.

In performing the analysis, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models to generate the costs. All internally developed models are reviewed as part of the process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

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.

Sara Carlson

Sara E. Carlson, ASA, EA, MAAA
Enrolled Actuary #23-8546

STATEMENT OF PLAN ADMINISTRATOR

The prepared information presented herein reflects the estimated impact of the proposed Ordinance.

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Chairman, Board of Trustees

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Benefits 10/1/2024	Old Benefits 10/1/2024
A. Participant Data		
Actives	1,358	1,358
Service Retirees	983	983
DROP Retirees	81	81
Beneficiaries	173	173
Disability Retirees	22	22
Terminated Vested	244	244
Total	2,861	2,861
Projected Annual Payroll	107,467,627	107,414,129
Annual Rate of Payments to:		
Service Retirees	52,485,004	52,485,004
DROP Retirees	3,890,687	3,890,687
Beneficiaries	4,730,890	4,730,890
Disability Retirees	865,570	865,570
Terminated Vested	3,475,571	3,475,571
B. Assets		
Actuarial Value (AVA) [1]	827,840,212	827,840,212
Market Value (MVA) [1]	859,484,084	859,484,084
C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	381,256,755	381,062,912
Disability Benefits	10,129,009	10,128,843
Death Benefits	6,108,807	6,108,498
Vested Benefits	32,114,719	32,114,719
Refund of Contributions	2,418,395	2,418,395
Service Retirees	634,497,948	634,497,948
DROP Retirees [1]	58,542,155	58,542,155
Beneficiaries	42,671,970	42,671,970
Disability Retirees	8,871,122	8,871,122
Terminated Vested	30,952,629	30,952,629
Total	1,207,563,509	1,207,369,191

C. Liabilities - (Continued)	New Benefits 10/1/2024	Old Benefits 10/1/2024
Present Value of Future Salaries	961,617,884	961,514,973
Present Value of Future Member Contributions	93,276,935	93,266,952
Normal Cost (Retirement)	13,531,888	13,510,450
Normal Cost (Disability)	676,937	676,920
Normal Cost (Death)	424,569	424,536
Normal Cost (Vesting)	2,279,092	2,279,092
Normal Cost (Refunds)	820,091	820,091
Total Normal Cost	17,732,577	17,711,089
Present Value of Future Normal Costs	144,872,452	144,831,117
Accrued Liability (Retirement)	271,460,615	271,308,010
Accrued Liability (Disability)	4,551,856	4,551,724
Accrued Liability (Death)	2,659,783	2,659,537
Accrued Liability (Vesting)	8,482,979	8,482,979
Accrued Liability (Inactives) [1]	775,535,824	775,535,824
Total Actuarial Accrued Liability (EAN AL)	1,062,691,057	1,062,538,074
Unfunded Actuarial Accrued Liability (UAAL)	234,850,845	234,697,862
Funded Ratio (AVA / EAN AL)	77.9%	77.9%

D. Actuarial Present Value of Accrued Benefits	New Benefits 10/1/2024	Old Benefits 10/1/2024
Vested Accrued Benefits		
Inactives [1]	775,535,824	775,535,824
Actives	121,326,155	121,200,976
Member Contributions	85,057,267	85,057,267
Total	981,919,246	981,794,067
Non-vested Accrued Benefits	3,890,821	3,894,910
Total Present Value Accrued Benefits (PVAB)	985,810,067	985,688,977
Funded Ratio (MVA / PVAB)	87.2%	87.2%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	121,090	
Benefit Changes	0	
Plan Experience	0	
Benefits Paid	0	
Interest	0	
Other	0	
Total	121,090	

	New Benefits	Old Benefits
Valuation Date	10/1/2024	10/1/2024
Applicable to Fiscal Year Ending	9/30/2026	9/30/2026
E. Pension Cost		
Normal Cost	$17,732,577	$17,711,089
Administrative Expenses	887,203	887,203
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 28 years (as of 10/1/2024)	23,659,337	23,647,351
Interest from 10/1/2024 to 10/1/2025	3,044,096	3,041,686
Minimum Required Contribution	45,323,213	45,287,329
Expected Member Contributions [2]	11,241,746	11,241,746
Expected City Contribution	34,081,467	34,045,583

[1] The asset values and liabilities exclude accumulated DROP Plan Balances and outstanding DROP loans as of 9/30/2024.

[2] Reflects additional contributions made from the City (treated as additional Member Contributions) and current City Manager and City Attorney in the amount of $67,533, per Ordinance 2024-4656.

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate	*Healthy Active Lives:* **Female:** PubG.H-2010 (Below Median) for Employees. **Male:** PubG.H-2010 (Below Median) for Employees, set back one year. *Healthy Retiree Lives:* **Female:** PubG.H-2010 (Below Median) for Healthy Retirees. **Male:** PubG.H-2010 (Below Median) for Healthy Retirees, set back one year. *Beneficiary Lives:* **Female:** PubG.H-2010 (Below Median) for Healthy Retirees. **Male:** PubG.H-2010 (Below Median) for Healthy Retirees, set back one year. *Disabled Lives:* PubG.H-2010 for Disabled Retirees, set forward three years. All rates for healthy lives are projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accommodates future mortality improvements. The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2021 FRS valuation report for non-special-risk employees.
Interest Rate	7.20% per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Salary Increases	See table later in this section. Assumed salary increases were developed based on a wage inflation assumption of 2.50% per year. Salaries during the valuation year are determined as the prior year's salary with a half-year salary increase. This assumption was used by the prior actuary and will be evaluated in the next experience study.
Early Retirement	5% per year. This assumption was used by the prior actuary and will be evaluated in the next experience study.
Normal Retirement	See table later in this section. This assumption was used by the prior actuary and will be evaluated in the next experience study.
DROP Participation	80% of retirees are assumed to enter the DROP, and these retirees are assumed to participate in DROP for 5 years. Since COLAs are not payable in DROP, COLAs are assumed to occur 4 years after retirement.
Termination Rates	See table later in this section. This assumption was used by the prior actuary and will be evaluated in the next experience study.
Disability Rates	See table of sample rates later in this section. 50% of disabilities are assumed to be service connected. This assumption was used by the prior actuary and will be evaluated in the next experience study.
Marriage Assumption	85% of participants are assumed to be married for purposes of death-in-service benefits. Husbands are assumed to be three years older than wives.
Normal Form of Benefit	50% joint and survivor annuity; life annuity for members hired after September 30, 2010.
Payroll Growth	0.00% for purposes of amortizing the Unfunded Actuarial Accrued Liability. This assumption cannot exceed the ten-year average payroll growth, in compliance with Part VII of Chapter 112, Florida Statutes.
Administrative Expenses	$887,203 annually, based on the average of actual expenses incurred in the prior two fiscal years.
Maximum Benefits	Based on an 415(b) limit of $275,000 per year as a life annuity beginning between ages 62 and 65, with adjustments for other forms of benefit and ages. This limit is assumed to increase at 2.5% per year.

Amortization Method	New UAAL amortization bases are amortized over 28 years. The amortization payment is subject to a minimum based on a 30-year amortization of the UAAL, if the UAAL is positive, in order to comply with Actuarial Standard of Practice No. 4. Bases established prior to the valuation date are adjusted proportionally to match the Expected Unfunded Actuarial Accrued Liability as of the valuation date, in order to align prior year bases with the portion of the current year UAAL associated with prior year sources.
Funding Method	Entry Age Normal Actuarial Cost Method. The following loads are applied for determining the minimum required contribution: Interest - A full year, based on current 7.20% assumption. Salary - None.
Actuarial Asset Method	All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.
Low-Default-Risk Obligation Measure	Based on the Entry Age Normal Actuarial Cost Method and an interest rate of 4.06% per year compounded annually, net of investment related expenses. This rate is consistent with the Yield to Maturity of the S&P Municipal Bond 20-Year High Grade Rate Index as of September 30, 2024. All other assumptions for the Low-Default-Risk Obligation Measure are consistent with the assumptions shown in this section unless otherwise noted.

Assumption Tables

% Terminating During the Year (0-4 Years of Service)	
Service	Rate
0	12.50%
1	12.00%
2	10.00%
3	8.50%
4	6.00%

% Terminating During the Year (5+ Years of Service)	
Age	Rate
18-29	6.75%
30-39	4.75%
40-44	3.25%
45+	2.50%

% Becoming Disabled During the Year	
Age	Rate
20	0.02%
30	0.03%
40	0.07%
50	0.17%
60	0.37%

Salary Scale	
Service	Rate
0-5	6.10%
6-10	5.00%
11-15	4.50%
16-20	4.25%
21+	3.75%

Normal Retirement Rates		
Service	Age	Rate
5-9	50-54	5%
	55-59	7%
	60-64	10%
	65-69	20%
	70-74	50%
	75+	100%
10-14	50-54	5%
	55-59	10%
	60-64	20%
	65-69	20%
	70-74	50%
	75+	100%
15-19	50-54	20%
	55-59	15%
	60-64	20%
	65-69	25%
	70-74	50%
	75+	100%

Normal Retirement Rates		
Service	Age	Rate
20-24	50-54	30%
	55-59	30%
	60-64	25%
	65-69	50%
	70-74	50%
	75+	100%
25-29	50-54	70%
	55-59	60%
	60-64	50%
	65-69	50%
	70-74	50%
	75+	100%
30+	50-54	100%
	55-59	100%
	60-64	100%
	65-69	100%
	70-74	100%
	75+	100%

SUMMARY OF CURRENT PLAN
(Through Ordinance 2024-4656)

Eligibility	Each general employee who works more than 30 hours per week is eligible for membership on his date of employment.
Creditable Service	Service credited under the predecessor system plus service after such date with respect to which member contributions are made.
Tiers of Employees	Tier C – All members hired on or after September 30, 2010 (October 27, 2010 for members of CWA). Tier B – Members of AFSCME hired on or after April 30, 1993; members classified as GSA or "Other" hired on or after August 1, 1993; members of CWA hired on or after February 21, 1994; and Unclassified members hired on or after October 18, 1992. Tier A – All other members.
Earnings	For Tier B and C members, base pay including longevity, but excluding overtime, shift differential or extra compensation allowances. For Tier A members, actual salary or wages received. Earnings do not include lump sum payments of unused sick or vacation time. Overtime pay for Classified Tier A members is limited to 10% of regular pay.
Final Average Monthly Earnings (FAME)	One-twelfth of average annual Earnings during the two highest paid years of Creditable Service, not less than the average monthly earnings for the 12 months as of March 8, 2006 for Unclassified Tier A members Effective September 30, 2010 averaging period is five years except for members who are less than five years away from normal retirement eligibility. Members who are eligible for normal retirement within two years or less as of September 30, 2010 will have average earnings of two years. Members who are eligible for normal retirement in within three years as of September 30, 2010 will have average earnings of three years. Members who are eligible for normal retirement within four years as of September 30, 2010 will have average earnings of four years.

	Effective January 1, 2023, for Members who have served as an Elected Official or Charter Officer and terminate employment, retire, or enter DROP, averaging period is five years, or if such Member's period of creditable service is less than 5 years, averaging period is the Member's years of creditable service.

<u>Normal Retirement</u>

Eligibility	Tier A – Age 50 with 5 years of Creditable Service Tier B – Age 55 with 5 years of Creditable Service Tier C – Earlier of 1) Age 55 with 30 years of Creditable Service or 2) Age 62 with 5 years of Creditable Service.
Benefit	3% of FAME multiplied by years of Creditable Service with the total not to exceed 80% of FAME. There is a 90% cap for certain Tier A members. 2.5% of FAME multiplied by years of Creditable Service with the total not to exceed 80% of FAME for Tier C members. Benefits earned as an Elected Official or Charter Officer are determined as 4% of FAME multiplied by years of Creditable Service as an Elected Official or Charter Officer. Benefits for service in other roles are calculated separately based on the benefit multiplier, FAME, and creditable service applicable to the service in that role.
Form of Benefit	Tiers A and B - 50% joint and survivor annuity payable only to the spouse or, if no spouse, to the surviving children until age 21; other options are also available. Spouse's benefits cease upon remarriage. Tier C – Life Annuity.

<u>Early Retirement</u>

Eligibility	Tier A – None. Tier B – total of age plus service is 75, but not earlier than age 50.

	Tier C – total of age plus service is 75, but not earlier than age 55.
Benefit	Accrued benefit, actuarially reduced from the Normal Retirement Date.
Form of Benefit	Tiers A and B - 50% joint and survivor annuity payable only to the spouse or, if no spouse, to the surviving children until age 21; other options are also available. Spouse's benefits cease upon remarriage. Tier C – Life Annuity.

<u>Disability</u>

Eligibility	A total and permanent disability which renders a member incapacitated for the further performance of duty. Five years of Creditable Service is also required unless the disability is service-connected.
Benefit	Ordinary Disability – Accrued retirement benefit, without reduction, with a minimum of 35% of FAME. Service-Connected Disability – Accrued retirement benefit without reduction, with a minimum of 65% of FAME; 75% of FAME minimum for General Tier A members. Such amounts are reduced by workers' compensation benefits and, in certain cases, earned income will be considered in offsetting the benefit. The period of disability shall be included in Creditable Service for purposes of computing normal retirement benefits when a disability retiree reaches normal retirement age.
Form of Benefit	Tiers A and B - 50% joint and survivor annuity payable only to the spouse or, if no spouse, to the surviving children until age 21; other options are also available. Spouse's benefits cease upon remarriage. Tier C – Life Annuity.

Pre-Retirement Death	For a member who has at least three years of Creditable Service but who dies before commencement of retirement benefits, a monthly benefit is payable to the spouse or, if no spouse, to the children until age 21. The benefit is equal to 50% of the accrued normal retirement benefit without reduction with the result being a minimum of 30% of FAME and a maximum of 40% of FAME for General members.
Vesting	
Schedule	100% after 5 years of Creditable Service. Members who have served as an Elected Official or Charter Officer become 100% vested after 4 years of Creditable Service.
Benefit Amount	Member will receive the vested portion of the accrued benefit payable at the otherwise Normal Retirement Date.
Member Contributions	Tier A – 12% of Earnings. Tiers B and C – 10% of Earnings. Employees who have reached the applicable benefit accrual cap (90% for General Tier A employees and 80% for all others) but have not yet reached retirement age will continue to contribute to the pension Plan, but only on the amount by which pay increases after reaching the cap.
Cost-of-Living Adjustments (COLAs)	2.5% (1.5% for Tier C) on each October 1st following one year of retirement. No COLAs apply during DROP.
Deferred Retirement Option Plan (DROP)	
Eligibility	Satisfaction of Normal Retirement requirements.
Participation	Not to exceed 60 months.
Rate of Return	Determined by self-directed investments.
Form of Distribution	Cash lump sum at termination of employment.