

October 18, 2024

Mr. Nick Kallergis
Chief Deputy City Attorney
1700 Convention Center Drive
Miami Beach, FL 33139

*Re: City of Miami Beach Employees' Retirement Plan
Actuarial Analysis – City Manager*

Dear Nick:

As requested, we have performed a special actuarial analysis to determine the estimated impact on the minimum funding requirements by extending Tier B benefits to a City Manager appointed on July 24, 2024 who elects to participate in the Miami Beach Employees' Retirement Plan, except as otherwise specifically provided for Charter Officers. Currently, this Member is considered Tier C. The benefit improvements from Tier C to Tier B are:

- Normal Retirement Eligibility:
 - Tier C – Earlier of 1) Age 55 with 30 years of Creditable Service, or 2) Age 62 with 5 years of Creditable Service
 - Tier B – Age 55 with 5 years of Creditable Service
- Early Retirement Eligibility:
 - Tier C – Total of age plus service is 75, but not earlier than age 55
 - Tier B – Total of age plus service is 75, but not earlier than age 50
- Benefit Accrual Rate:
 - Tier C – 2.5% of Final Average Monthly Earnings
 - Tier B – 3.0% of Final Average Monthly Earnings
- Form of Benefit
 - Tier C – Life Annuity
 - Tier B – 50% joint and survival annuity payable to the spouse or, if no spouse, to the surviving children until age 21
- Cost-of-Living Adjustments
 - Tier C – 1.5% on each October 1st
 - Tier B – 2.5% on each October 1st

It is important to note that benefits earned as a Charter Officer will be calculated as 4% of Final Average Monthly Earnings multiplied by years of Creditable Service as a Charter Officer. Benefits for service in roles other than a Charter Officer will be calculated separately based on the Tier C multiplier (current provision), Final Average Monthly Earnings, and Creditable Service applicable to the service in that role. However, should the proposed benefit improvements become adopted, it is our understanding that benefits for service in roles other than a Charter Officer will now be calculated separately based on the Tier B multiplier, Final Average Monthly Earnings, and Creditable Service applicable to the service in that role. Additionally, the entire benefit will be subject to the improved retirement eligibility, form of benefit, and cost-of-living adjustments described above for Tier B.

The impact on the Plan's contribution requirements, determined as of October 1, 2023 (applicable to the fiscal year ending September 30, 2025), and Unfunded Actuarial Accrued Liability (UAAL), is shown on the following page.

	Current	Proposed (Tier B for City Manager)
(1) Actuarial Accrued Liability	\$ 1,030,244,448	\$ 1,030,644,235
(2) Actuarial Value of Assets	790,477,876	790,477,876
(3) UAAL, (1) – (2)	239,766,572	240,166,359
Increase in UAAL		399,787
 (4) Impact on City’s Annual Contribution		
Normal Cost	17,042,588	17,073,905
Administrative Expenses	823,429	823,429
Payment Required to Amortize UAAL	23,388,518	23,419,840
Interest from 10/1/2023 to 10/1/2024	2,970,327	2,974,837
Minimum Required Contribution	44,224,862	44,292,011
Expected Member Contributions	10,382,624	10,382,624
Balance from City	33,842,238	33,909,387
Increase in City’s Annual Contribution		\$ 67,149

It is important to note that as of the latest October 1, 2023 actuarial valuation date, the City Manager was not yet a Charter Officer. As such, the impact above also includes the impact of upgrading his benefits to the Charter Officer structure. This impact will eventually flow through the October 1, 2024 actuarial valuation results, but for purposes of this analysis we feel it is appropriate to isolate this Charter Officer upgrade to approximate the value of purely upgrading to Tier B benefits.

Approximate Breakdown of Impact for Current City Manager to Upgrade to Tier B Charter Officer as of October 1, 2023 Valuation Date

	Upgrade to Charter Officer as of 10/1/2023 Valuation Date	Upgrade to Tier B	Total
Increase in UAAL	77,871	321,916	399,787
Increase in City's Annual Contribution (\$)	11,499	55,650	67,149

The UAAL is based on the actuarial value of assets and will differ from similar measures based on the market value of assets. These measures, as provided, are appropriate for determining the adequacy of future contributions, but may not be appropriate for the purpose of settling a portion or all of its liabilities.

Unless otherwise noted, all data, assumptions, methods and plan provisions are the same as in the October 1, 2023 actuarial valuation report. It should also be noted that this change to retirement benefits could potentially affect participants’ retirement behavior. The results of this analysis do not reflect any change in the retirement assumption, but we will monitor the assumption should benefits be changed in order to ensure that the assumption is in line with anticipated future plan experience.

Future actuarial measurements may differ significantly from the current measurements presented in this analysis 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 this analysis, we did not perform an analysis of the potential range of such future measurements.

Please note the contents of this analysis and the October 1, 2023 actuarial valuation report are considered integral parts of the actuarial opinions. In reviewing the results presented in this study, it should be noted 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, 2023 actuarial valuation report.

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 actuarial opinions contained herein.

If you have any questions, concerns, or would like to discuss the results in greater detail, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Sara Carlson". The signature is written in a cursive, flowing style.

Sara E. Carlson, ASA, EA, MAAA