



October 15, 2024

Ms. Marla Alpizar
Director, SHRM-SCP
Miami Beach
Human Resources Department
1700 Convention Center Drive
Miami Beach, FL 33139

Re: Actuarial Study – Benefit Changes for Firefighters and Police Officers

Dear Ms. Alpizar:

As requested, we are pleased to enclose our Actuarial Study as of October 1, 2023 illustrating the financial impact of a proposed change in pensionable payroll for actuarial valuation purposes under the City Pension Fund for Firefighters and Police Officers in the City of Miami Beach (Fund). This study was originally performed at the request of the Unions.

Background – Currently the Fund provides:

- Off-duty pay is not included as pensionable pay for command staff members.

Proposed Changes – We understand the Unions are interested in determining the financial impact of the following proposed Fund change:

- For all current and future active command staff members, changing the definition of Pensionable Pay to include off-duty pay.

Results – The following table summarizes the projected annual change in the minimum required City contribution as a dollar amount and as percentages of projected annual pensionable payroll excluding DROPs (\$86,197,130) and projected annual pensionable payroll including DROPs (\$112,771,837). For comparison purposes, the minimum required City contributions as of the October 1, 2023 Actuarial Valuation is \$55,019,105 (64.1% / 49.0%) for the fiscal year ending September 30, 2025.

Proposed Changes	Estimated Change in Annual City Required Contribution
<ul style="list-style-type: none"> ➤ Include Off-duty pay in pensionable pay for all current and future active command staff members 	+ \$105,911 (+0.1% / +0.1%)

As requested, we also reviewed the actuarial impact of changing the DROP participation from a maximum of 96 months to a maximum of 120 months. We understand this change would be cost neutral to the plan (not significantly increasing or decreasing the estimated annual City required contribution to the Fund).

Actuarial Assumptions and Methods, Fund Provisions, Financial Data and Member Census Data – The actuarial assumptions and methods, member census data and financial data utilized for purposes of our Actuarial Study are the same actuarial assumptions and methods, member census data and financial data outlined in our October 1, 2023 Actuarial Valuation with the following exceptions:

- Thirteen (13) active command staff members were identified, members’ off-duty pays were provided by the Pension Board for fiscal year ending 2023 and used to individually adjust the 2023 pensionable pay. For the command staff who did not have off-duty pay in the fiscal year ending 2023, an average of the group off-duty pay was used. DROP member payroll was unchanged in this Scenario.

Fund provisions employed for purposes of our Actuarial Study are the same Fund provisions utilized for the October 1, 2023 Actuarial Valuation with the exception of the proposed benefit changes described above.

Other Considerations – Additionally, under Governmental Accounting Standards Board (GASB) Statement Number 68, we understand the full cost of benefit changes must be recognized immediately in the Pension Expense (for accounting, not funding).

Risk Assessment – Risk assessment may include scenario tests, sensitivity, or stress tests, stochastic modeling and a comparison of the present value of benefits at low-risk discount rates. We are prepared to perform such assessment to aid in the decision making process. Please refer to the October 1, 2023 Actuarial Valuation Report dated April 11, 2024 for additional discussion regarding the risks associated with measuring the accrued liability and the minimum funding payment.



This Actuarial Study describes the estimated financial effect of the proposed Fund provision changes on the Fund, from a neutral perspective and is not intended as a recommendation in favor of the benefit changes nor in opposition to the benefit changes.

If all actuarial assumptions are met and if all current and future minimum required contributions are paid, Fund assets will be sufficient to pay all Fund benefits, future contributions are expected to remain relatively stable as a percent of payroll and the funded status is expected to improve. Fund minimum required contributions are determined in compliance with the requirements of the Florida Protection of Public Employee Retirement Benefits Act, Firefighters Retirement Chapter 175 and Police Officers Retirement Chapter 185 of Florida statute with normal cost determined as a level percent of covered payroll and a level percent amortization payment using an initial amortization period of 30 years.

The Unfunded Actuarial Accrued Liability (UAAL) and the Funded Ratio may not be appropriate for assessing the sufficiency of Fund assets to meet the estimated cost of settling benefit obligations but may be appropriate for assessing the need for or the amount of future contributions. The UAAL and Funded Ratio would be different if they reflected the market value of assets rather than the smoothed value of assets.

These calculations are based upon assumptions regarding future events. However, the Fund's long term costs will be determined by actual future events, which may differ materially from the assumptions made. These calculations are also based upon present and proposed Fund provisions that are outlined or referenced in this Actuarial Study.

All actuarial assumptions used in this Actuarial Study are reasonable for the purposes of this study. The combined effect of the assumptions is expected to have no significant bias (i.e. not significantly optimistic or pessimistic). All actuarial assumptions and methods used in the study follow the guidance in the applicable Actuarial Standards of Practice.

If you have reason to believe the assumptions used are unreasonable, the Fund provisions are incorrectly described or referenced, important Fund provisions relevant to this proposed Actuarial Study are not described or that conditions have changed since the calculations were made, you should contact the undersigned prior to relying on information in this Actuarial Study.

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

Future actuarial measurements may differ significantly from the current measurements presented in this Actuarial Study due to such factors as the following: Fund's experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements and changes in Fund provisions or applicable law. Due to the limited scope of



the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

This Actuarial Study should not be relied on for any purpose other than the purpose described in the primary communication. Determinations of the financial results associated with the benefits described in this Study in a manner other than the intended purpose may produce significantly different results.

This Actuarial Study was prepared using ProVal's valuation model, a software product of Winklevoss Technologies. We are relying on the ProVal model. We performed tests of the ProVal model with this assignment and made a reasonable attempt to understand the developer's intended purpose of, general operation of, major sensitivities and dependencies within, and key strengths and limitations of the ProVal model. In our professional judgment, the ProVal valuation model has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses.

This Actuarial Study 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.

This Actuarial Study was prepared at the request of the Unions and is intended for use by the Unions and those designated or approved by the Unions. This Actuarial Study may be provided to parties other than the Unions only in its entirety and only with the permission of the Unions. GRS is not responsible for unauthorized use of this Actuarial Study.

The signing actuaries are independent of the Fund Sponsor and are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you should have any question concerning the above or if we may be of further assistance with this matter, please do not hesitate to contact us.

Sincerest regards,
GABRIEL, ROEDER, SMITH & COMPANY



Shelly L. Jones, A.S.A., E.A., M.A.A.A., F.C.A.
Consultant and Actuary



Jennifer M. Borregard, E.A., M.A.A.A., F.C.A.
Consultant and Actuary



Actuarial Study as of October 1, 2023

	Actuarial Valuation		Proposed Change	
	Current Plan		For all current and future active command staff members, changing the definition of Pensionable Pay to include off-duty pay.	
	Cost Data	% of Projected Pensionable Payroll	Cost Data	% of Projected Pensionable Payroll
A. Participants				
1. Active Employees	516	N/A	516	N/A
2. Terminated Vested (including dormants)	30	N/A	30	N/A
3. Receiving Benefits (including DROPs)	818	N/A	818	N/A
4. Projected Annual Pensionable Payroll	\$ 85,774,916	100.0%	\$ 86,197,130	100.0%
5. Projected Annual Pensionable Payroll (including DROPs)*	\$ 112,349,623	131.0%	\$ 112,771,837	130.8%
B. Present Value of Future Benefits	\$ 1,821,600,745	2123.7%	\$ 1,823,448,442	2115.4%
C. Total Normal Costs	\$ 28,420,733	33.1%	\$ 28,477,932	33.0%
D. Actuarial Accrued Liability	\$ 1,558,188,336	1816.6%	\$ 1,559,744,246	1809.5%
E. Fund Assets				
1. Market Value of Assets	\$ 1,077,274,635	1255.9%	\$ 1,077,274,635	1249.8%
2. Smoothed Value of Assets	\$ 1,156,905,670	1348.8%	\$ 1,156,905,670	1342.2%
F. Unfunded Actuarial Accrued Liability	\$ 401,282,666	467.8%	\$ 402,838,576	467.3%
G. Fund Ratio				
1. Market Value of Assets Basis (E.1. / D.)	69.1%	N/A	69.1%	N/A
2. Smoothed Value of Assets Basis (E.2. / D.)	74.2%	N/A	74.2%	N/A
H. Member Contribution	\$ 8,764,291	10.2%	\$ 8,806,620	10.2%
I. City Minimum Funding Payment (% of Projected Annual Payroll including DROP)	\$ 55,019,105	64.1% 49.0%	\$ 55,125,016	64.0% 48.9%
J. Increase / (Decrease) in City Minimum Funding Payment (% of Projected Annual Payroll including DROP)	N/A	N/A	\$ 105,911	0.1% 0.1%

