

C4 A REFERRAL TO THE AUDIT COMMITTEE TO DISCUSS AN INCREASE TO THE INSPECTOR GENERAL'S PENSION ACCRUAL.

Applicable Area:

MIAMI BEACH

COMMISSION MEMORANDUM

TO: Honorable Mayor and Members of the City Commission
FROM: Commissioner Alex Fernandez
DATE: September 11, 2024
TITLE: REFERRAL TO THE AUDIT COMMITTEE TO DISCUSS AN INCREASE TO THE INSPECTOR GENERAL'S PENSION ACCRUAL.

RECOMMENDATION

The Administration recommends that the Commission retroactively approve the referral to the Audit Committee as recommended by the FERC committee on their July 26, 2024 meeting. The Audit Committee reviewed the item on August 14, 2024.

BACKGROUND/HISTORY

This item was originally heard at the October 18, 2023 City Commission meeting, at the request of Mayor Dan Gelber, the City Commission referred an item to the Finance and Economic Resiliency Committee to discuss an increase to the Inspector General's pension accrual factor. This action would require an amendment to the City's Miami Beach Employees' Retirement Plan (the "Pension Plan").

On February 22, 2023, the City Commission approved and adopted on second reading Ordinance No. 2023-4549 that amended several provisions of the Pension Plan, including changing the pension accrual factor to 4% for Elected Officials and Charter Officers, but excluded the Inspector General concerning this specific change.

Currently, the Inspector General is the only member of the Charter Officers with a 2.5% pension accrual factor.

This item was included on the May 24, 2024 Finance and Economic Resiliency Committee (FERC) agenda but was opened and continued. The item was also included on the June 28, 2024 FERC agenda but was deferred to the July 26, 2024 meeting. At the July 26, 2024 FERC meeting, members made the recommendation to return this item back to the full Commission for a referral to the Audit Committee.

The Audit Committee reviewed the item on August 14, 2024, and made a motion in support of increasing the pension accrual factor for the City of Miami Beach Inspector General from 2.5% to 4%, as the other Charter Officers. This information was provided to the Commission in the form of an LTC dated August 19, 2024.

ANALYSIS

Following approval of the referral, the Human Resources Department obtained authorization from the Pension Plan administrators to engage the Pension Plan actuary to conduct an analysis on the financial impact of making the change for the Inspector General from a 2.5% to 4% pension accrual factor to be applied to his final average monthly earnings upon retirement.

Foster & Foster, the Pension Plan actuary, submitted its report on April 12, 2024 (copy attached) and concluded that the estimated impact to the City's GASB 67 Net Pension Liability would increase by \$130,106. The estimated impact to the City's minimum contribution requirements in FY 2024-25 would be an increase of \$29,290.

FISCAL IMPACT STATEMENT

The estimated impact to the City's minimum contribution requirements in FY 2024-25 would be an increase of \$29,290. See attached actuarial analysis.

Does this Ordinance require a Business Impact Estimate? (FOR ORDINANCES ONLY)

If applicable, the Business Impact Estimate (BIE) was published on:
See BIE at: <https://www.miamibeachfl.gov/city-hall/city-clerk/meeting-notices/>

FINANCIAL INFORMATION

CONCLUSION

Should FERC recommend approval of the pension accrual factor from 2.5% to 4% for the Inspector General, the item will be referred to the City Commission for consideration of an Ordinance to effectuate the change.

Applicable Area

Citywide

Is this a "Residents Right to Know" item, pursuant to City Code Section 2-17?

No

Is this item related to a G.O. Bond Project?

No

Was this Agenda Item initially requested by a lobbyist which, as defined in Code Sec. 2-481, includes a principal engaged in lobbying? No

If so, specify the name of lobbyist(s) and principal(s):

Department

Human Resources

Sponsor(s)

Commissioner Alex Fernandez

Co-sponsor(s)

Condensed Title

Ref: Audit Committee – Increase Inspector General’s Pension Accrual. (Fernandez) HR

MIAMI BEACH

COMMISSION MEMORANDUM

TO: Honorable Mayor and Members of the City Commission
FROM: Mayor Dan Gelber
DATE: October 18, 2023

SUBJECT: REFERRAL TO THE FINANCE AND ECONOMIC RESILIENCY COMMITTEE TO DISCUSS AN INCREASE TO THE INSPECTOR GENERAL'S PENSION ACCRUAL FACTOR.

BACKGROUND/HISTORY

I would like to refer a discussion to the Finance and Economic Resiliency Committee regarding a proposed amendment to the Pension Ordinance, to discuss whether to increase the Inspector General's pension accrual factor from 2.5%, which is the rate provided to unclassified employees of the City, to 4%.

SUPPORTING SURVEY DATA

N/A

FINANCIAL INFORMATION

N/A

Applicable Area

Not Applicable

Is this a "Residents Right to Know" item, pursuant to City Code Section 2-14?

No

Does this item utilize G.O. Bond Funds?

No

Strategic Connection

Non-Applicable

Legislative Tracking

Mayor Dan Gelber

ATTACHMENTS:

Description

- Memorandum - IG Pension Accrual Referral

COMMISSION MEMORANDUM

TO: Honorable Members of the City Commission

FROM: Mayor Dan Gelber

DATE: October 18, 2023

SUBJECT: **Referral to the Finance and Economic Resiliency Committee a discussion regarding an increase to the Inspector General's pension accrual factor**

I would like to refer a discussion to the Finance and Economic Resiliency Committee regarding a proposed amendment to the Pension Ordinance, to discuss whether to increase the Inspector General's pension accrual factor from 2.5%, which is the rate provided to unclassified employees of the City, to 4%.

April 12, 2024

Ms. Sonia T. Walthour, IPMA-SCP
 Assistant Director, Human Resources Department
 1700 Convention Center Drive
 Miami Beach, FL 33139

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

Dear Sonia:

As requested, we have performed a special actuarial analysis to determine the estimated impact on the minimum funding requirements and GASB 67 Net Pension Liability (NPL) associated with 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 estimated impact on the City's GASB 67 Net Pension Liability and the City's minimum contribution requirements, determined as of October 1, 2023 (applicable to the fiscal year ending September 30, 2025), are illustrated below.

	Current	Proposed
(1) Actuarial Accrued Liability	\$ 1,030,244,448	\$ 1,030,374,554
(2) Actuarial Value of Assets	790,477,876	790,477,876
(3) UAAL, (1) – (2)	239,766,572	239,896,678
Estimated Increase in GASB 67 NPL		130,106
 (4) Impact on City's Contribution		
Normal Cost	17,042,588	17,064,732
Administrative Expenses	823,429	823,429
Payment Required to Amortize UAAL	23,388,518	23,398,711
Interest from 10/1/2023 to 10/1/2024	2,970,327	2,972,655
Minimum Required Contribution	44,224,862	44,259,527
Expected Member Contributions	10,382,624	10,387,999
Balance from City	33,842,238	33,871,528
Increase in City's Contribution		\$ 29,290

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 us.

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