

June 14, 2021

Pompano Beach Police & Firefighters' Retirement System
Board of Trustees
c/o Debra Tocarchick, Executive Director
2335 E. Atlantic Blvd., Suite 400
Pompano Beach, FL 33062

Actuarial Impact Statement:

Dear Board Members:

The purpose of this letter is to provide an Actuarial Impact Statement for changes to the Pompano Beach Police & Firefighters' Retirement Plan ("Plan"). Section 112.63(3) of the Florida Statutes specifies that an actuarial impact statement is to be issued before a change to retirement benefits is adopted and that a copy of such statement is to be forwarded to the Division of Retirement. It is our understanding that the City of Pompano Beach is considering:

An amendment to Sections 34.045, 34.053, and 34.059, concerning "Senior Management Employees." These employees are non-bargaining unit firefighter employees, whom we understand based on the current participant base to be the Fire Chief and three Assistant Chiefs. The amendments would create a five-year vesting period for these employees, allowing them to be eligible to retire at age 55 with five years of Continuous Service. These employees would also be eligible to purchase periods of prior Continuous Service, with the ability to utilize up to 250 hours of accrued vacation leave towards the purchase of any such service.

Based on communications with System Staff, we understand that much of the language is meant to mirror similar treatment for Senior Management Employees in the City's General Employees plan, and it is not believed that current employees plan to avail themselves of the prior service purchase language. Of the four current participants who meet the definition of a Senior Management Employee, only two have accrued fewer than 10 years of service as of the most recent valuation date. For the purposes of estimating the impact of this change, we have presumed that eligible Senior Management Employee participants would retire 100% of the time upon reaching age 55 with five years of service. Other assumptions remained as published in the October 1, 2020 valuation report.

Retirement Eligibility at Age 55 with 5 Years of Service for Senior Management Employees

The estimated impact of changing normal retirement eligibility and vesting for the affected employees is detailed below:

	10/1/2020 Valuation	10/1/2020 Actuarial Impact Statement
Entry Age Accrued Liability	\$342,655,039	\$342,789,371
Actuarial Value of Assets	234,435,540	234,435,540
Unfunded Actuarial Accrued Liability (UAAL)	\$108,219,499	\$108,353,831
Net Normal Cost	\$2,910,472	\$2,849,191
Administrative Expenses	613,939	613,939
Amortization of UAAL	9,226,291	9,236,119
Applicable Interest	930,802	927,045
Total required contribution	\$13,681,504	\$13,626,294
Expected non-employer contributions	1,973,481	1,973,481
Total recommended contribution	\$11,708,023	\$11,652,813

Change in accrued liability	\$134,332
Change in recommended contribution	\$(55,210)

The decrease in the recommended contribution is primarily due to the lower anticipated normal cost of benefits going forward, as the eligible Senior Management Employees are presumed to retire immediately upon reaching five years of service. We do not know the mechanics of how accrued vacation leave would apply towards prior service purchases, but since the ordinance clarifies that the full increase in the present value of future benefits would be paid for, we do not anticipate any financial impact to the System as a result of that language.

We provide two important caveats to users of this information:

- (1) If the eligible employees do not retire as presumed, the ultimate value of benefits may be higher or lower than projected in this valuation;
- (2) If eligible Senior Management Employees were to retire, future liabilities and normal costs of the System resulting from the proposed amendment would depend on future participants' and Senior Management Employees' specific demographic profiles.

Board of Trustees
Pompano Beach Police & Firefighters' Retirement System
Re: Actuarial Impact Statement
June 14, 2021
Page 3

This analysis has been prepared in accordance with generally accepted actuarial principles and practice. Future actuarial measurements may differ significantly from the current measurements presented in this analysis due to such factors as the following:

- plan 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 plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement. The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

In our opinion, this change is in compliance with Section 14, Article X of the State Constitution and with Section 112.64 Florida Statutes.

Sincerely,



Lawrence Watts, Jr., FSA, CFA, EA, MAAA
Actuary