

August 28, 2019

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 the 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 planning to amend the language in the retirement ordinances to incorporate the provisions of Chapter 2019-21.

On May 3, 2019, Senate Bill 426 was signed into law as Chapter 2019-21. This new law provides for the following benefits for firefighters who meet the eligibility conditions related to the types of cancer specified in the law:

1. A one-time payment of \$25,000 upon the initial diagnosis of cancer;
2. Cancer treatment health coverage during continuing active service and for 10 years after termination;
3. In the line of duty disability benefit if the cancer or treatment of cancer results in a total and permanent disability;
4. In the line of duty death benefit if the cancer or treatment of cancer results in death.

The law further clarifies that these benefits must be provided by the employer at no cost to the firefighter or the beneficiary. From the perspective of the pension plan, we believe that the primary impact would come from items #3 and #4 in the list – line-of-duty disability and line-of-duty death incidence rates could increase and may affect the benefits granted by the pension plan. Given the size of the plan, we do not anticipate changing the assumptions for line-of-duty disability and death incidence rates.

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Based on the October 1, 2018 valuation and assumptions, we estimate that the net effect of the legislation on the pension plan would be a \$0 change in liability and contributions.

We will be cognizant of any potential increases to the level of disability applications which might result from the increased awareness brought about by the new law, and we will continue to monitor for any clarification of the language. These could ultimately impact pension plan cost and liability.

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,

A handwritten signature in black ink that reads "Lawrence Watts, Jr." with a stylized flourish at the end.

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

cc: Paul O'Connell, Chairman (poconnell@wmpd.org)