

Regular Workshop – June 20, 2016
Agenda Item 11

Agenda Item: Proposed Ordinance 2016-22, Amending Chapter 34, Providing an Election for Refund of Accumulated Contributions or Actuarial Present Value of Frozen Accrued Benefit

Presenter: Town Manager and Staff

Summary: Proposed Ordinance 2016-22 amends Town Code Section 34, pertaining to pension cash out provisions to provide employees with greater than ten years of service a one-time election to exit the frozen Defined Benefit Pension Plan and take a Lump Sum cash payment. The Ordinance also amends the definition of Actuarial Equivalent to be in line with the actuarial rate of return assumption.

Attachments: 06-20-2016 Memo, Manager to Commission
04-01-2015 Foster & Foster Impact Study – General Employees
04-01-2015 Foster & Foster Impact Study – Police
04-01-2015 Foster & Foster Impact Study – Firefighters

Recommended

Action: Pending discussion, forward Ordinance 2016-22 to June 20, 2016 Special Meeting for first reading.

MEMORANDUM

Date: June 20, 2016

TO: Town Commission

FROM: Dave Bullock, Town Manager

SUBJECT: Proposed Ordinance 2016-22, Amending Chapter 34, Providing an Election for Refund of Accumulated Contributions or Actuarial Present Value of Frozen Accrued Benefit

The Town froze the General Employees' and Firefighters' pension on September 30, 2013 and the Police Officers' pension on February 1 2014. Any member of the system who was employed and had less than ten years of credited service on a date certain could elect to receive a refund of their accumulated contributions or the actuarial present value of their frozen accrued benefit, in lieu of any other benefit under the system.

In April 2015, the Town hired Doug Lozen of Foster & Foster to perform an impact study to determine what would happen if we allowed current Active Members with greater than ten years of credited service, the opportunity to cash out their actuarial accrued benefits.

Each Plan was analyzed for two types of scenarios:

Scenario A. All active Plan Members receive the lump sum equivalent of their accrued benefit (or accumulated Member Contributions, if greater); and

Scenario B. 50% of the active Plan Members with the largest liabilities received the lump sum equivalent of their accrued benefit (or accumulated Member Contributions, if greater).

In the worst case, Scenario A, a lump sum payment of \$6.6 million would take place, which reduces the market value of assets from \$32.7 million to \$26.2 million. The actuarial accrued liability (AAL) for each Member is roughly equal to the cash-out amount since the benefit is frozen. So, while the AAL decreases by the cash-out amount, Plan assets also decrease by the same amount, hence little change in the UAAL (Unfunded AAL).

At the July 22, 2015 Pension Board Meeting, the Board, by consensus of the Trustees, expressed no objection for the Town to move forward with a cash out offer to additional members of the Retirement System. On September 9, 2015 Executive Session, we introduced the cash out option to the Commission. On September 28, 2015 Doug Lozen was invited to the Executive Session to further explain the actuarial impact.

Attached are the three original studies for your review and consideration. These studies are currently being updated by Foster & Foster to include "terminated vested" members as well as a sensitivity analysis to the lowering of the actuarial equivalent rate and should be

completed within two weeks. We have summarized Doug's reports into one summary page which combines the three plans.

SCENARIO A - All active Members					
October 1 2014	Asset value- Current	Asset Value- Actuarial	Unfunded Accrued Actuarial Liability	Expected Net Cash Flow (Annual)	Town Contribution (Annual)
General	\$ 10,203,725	\$ 9,775,235	\$ 5,126,147	\$ (321,797)	\$ 738,676
Fire	\$ 15,707,549	\$ 15,026,121	\$ 13,703,215	\$ (216,305)	\$ 1,758,137
Police	\$ 6,858,039	\$ 6,429,064	\$ 4,741,178	\$ (231,728)	\$ 623,019
TOTAL	\$ 32,769,313	\$ 31,230,420	\$ 23,570,540	\$ (769,830)	\$ 3,119,832
SCENARIO A					
Lump Sum Payment	\$ (6,612,281)	\$ (6,611,281)	\$ (318,798)	\$ 66,460	\$ (82,340)
AFTER PAYOUT					
General	\$ 7,473,452	\$ 7,045,962	\$ 4,821,734	\$ (343,788)	\$ 706,625
Fire	\$ 12,973,059	\$ 12,291,631	\$ 13,554,879	\$ (246,216)	\$ 1,725,459
Police	\$ 5,710,521	\$ 5,281,546	\$ 4,875,129	\$ (246,286)	\$ 605,408
TOTAL	\$ 26,157,032	\$ 24,619,139	\$ 23,251,742	\$ (836,290)	\$ 3,037,492

SCENARIO B - 50% of Active (most Expensive Members)					
October 1 2014	Asset value- Current	Asset Value- Actuarial	Unfunded Accrued Actuarial Liability	Expected Net Cash Flow (Annual)	Town Contribution (Annual)
General	\$ 10,203,725	\$ 9,775,235	\$ 5,126,147	\$ (321,797)	\$ 738,676
Fire	\$ 15,707,549	\$ 15,026,121	\$ 13,703,215	\$ (216,305)	\$ 1,758,137
Police	\$ 6,858,039	\$ 6,429,064	\$ 4,741,178	\$ (231,728)	\$ 623,019
TOTAL	\$ 32,769,313	\$ 31,230,420	\$ 23,570,540	\$ (769,830)	\$ 3,119,832
SCENARIO B					
Lump Sum Payment	\$ (5,233,584)	\$ (5,232,584)	\$ (311,723)	\$ 39,736	\$ (53,288)
AFTER PAYOUT					
General	\$ 7,942,649	\$ 7,515,159	\$ 4,891,673	\$ (336,234)	\$ 714,218
Fire	\$ 13,619,025	\$ 12,937,597	\$ 13,581,211	\$ (237,417)	\$ 1,734,849
Police	\$ 5,974,055	\$ 5,545,080	\$ 4,785,933	\$ (235,915)	\$ 617,477
TOTAL	\$ 27,535,729	\$ 25,997,836	\$ 23,258,817	\$ (809,566)	\$ 3,066,544

In Summary,

- } Allowing this cash out transfers interest rate risk from the Town to the individual and reduces the number of pensioners.
- } There is a risk transfer from the Town to the Employee for future life expectancy for any cash outs.
- } Graystone Investment Advisor, sees no significant issues for the three plans under both worst case scenarios.
- } All investments in the plan are liquid.
- } If a sizable reduction in plan assets were to occur, no immediate change in the current 7% rate of return is required.
- } Most active members are more than 5-10 years away from normal retirement date, therefore expected benefit payments will not change significantly over next 5-10 years under both scenarios.

Ordinance 2016-22 was prepared and reviewed by the Town's Pension Counsel, Jim Linn.

Please feel free to contact me if you have any questions.

ORDINANCE 2016-22

AN ORDINANCE OF THE TOWN OF LONGBOAT KEY, FLORIDA, AMENDING THE CONSOLIDATED RETIREMENT SYSTEM FOR EMPLOYEES OF THE TOWN OF LONGBOAT KEY BY AMENDING SECTION 34.12, PLAN FREEZE AND PARTICIPATION IN DEFINED CONTRIBUTION PLAN; PROVIDING FOR AN ELECTION TO RECEIVE A REFUND OF ACCUMULATED CONTRIBUTIONS OR ACTUARIAL PRESENT VALUE OF FROZEN ACCRUED BENEFIT; AMENDING SECTION 34.13 DEFINITION OF ACTUARIAL EQUIVALENT; AMENDING SECTION 34.42, PLAN FREEZE AND ENROLLMENT IN THE FLORIDA RETIREMENT SYSTEM; PROVIDING FOR AN ELECTION TO RECEIVE A REFUND OF ACCUMULATED CONTRIBUTIONS OR ACTUARIAL PRESENT VALUE OF FROZEN ACCRUED BENEFIT; AMENDING SECTION 34.43 DEFINITION OF ACTUARIAL EQUIVALENT; AMENDING SECTION 34.72; PROVIDING FOR AN ELECTION TO RECEIVE A REFUND OF ACCUMULATED CONTRIBUTIONS OR ACTUARIAL PRESENT VALUE OF FROZEN ACCRUED BENEFIT; PROVIDING FOR SEVERABILITY; AMENDING SECTION 34.73 DEFINITION OF ACTUARIAL EQUIVALENT; REPEALING ALL ORDINANCES IN CONFLICT HEREWITH; PROVIDING AN EFFECTIVE DATE.

BE IT ORDAINED BY THE TOWN COMMISSION OF THE TOWN OF LONGBOAT KEY, FLORIDA, THAT:

SECTION 1. Section 34.12, Plan freeze and participation in defined contribution plan, is amended to read as follows:

Sec. 34.12. Plan freeze and participation in defined contribution plan.

Notwithstanding any other provision of the system:

- (A) The accrued benefits of all members of this system who are employed and not participating in the DROP on February 1, 2014, shall be frozen on that date. All members shall be fully vested in their frozen accrued benefit. The value of each member's frozen accrued benefit shall be calculated in accordance with the provisions of the system in effect on January 25, 2014, based on the member's credited service and average final compensation on that date. The frozen accrued benefit shall be payable to the member upon termination of town employment and attaining age 55 with ten years of credited service, 25 years of credited service regardless of age, or age 60 regardless of years of credited service, whichever occurs first. In applying the preceding sentence, credited service shall include all credited service as a member of this system prior to February 1, 2014, and all periods of employment as a full-time police officer with the Town of Longboat Key on and after February 1, 2014. For the

purpose of determining a member's frozen accrued benefit in accordance with this subsection (A), salary shall include any payments of accrued leave that would have been included in the member's salary if the member retired prior to February 1, 2014. Notwithstanding the preceding sentence, upon separation from employment, the amount of accrued leave included in a member's salary for the purpose of determining the member's frozen accrued benefit shall be the lesser of the amount of leave accrued at the time of separation from employment, or the amount of accrued leave that would have been included in the member's salary if the member retired prior to February 1, 2014, and the member's frozen accrued benefit shall be adjusted accordingly.

- (B) No benefits shall be accrued under this system on or after February 1, 2014, and no member contributions to this system shall be required on or after that date. The town shall continue to make contributions to the system in accordance with subsection 34.17(C), and the board shall continue to administer the system in accordance with sections 34.13 through 34.41 until all accrued benefits have been paid to all eligible members and beneficiaries.
- (C) Any member of this system who is employed on January 25, 2014 and has less than ten years of credited service on that date may elect to receive a refund of their accumulated contributions or the actuarial present value of their frozen accrued benefit, in lieu of any other benefit under the system.
- (D) Effective February 1, 2014, all current and future police officers of the Town of Longboat Key shall participate in a defined contribution retirement plan established by the Town of Longboat Key, and shall be eligible for benefits and make contributions to the defined contribution plan for all service as a police officer with the town on and after that date, in accordance with the defined contribution plan, as it may be amended from time to time.
- (E) Members of this system who retired, entered the DROP or terminated town employment with the right to a deferred vested benefit prior to February 1, 2014 shall be entitled to receive benefits from the system in accordance with the provisions of the system in effect on the date of their retirement, DROP entry, or termination of employment.
- (F) Effective July 5, 2016, any member of this system with the right to receive a deferred vested benefit who has not begun to receive a benefit may, on or before October 1, 2016, make a one-time irrevocable election on a form provided by the Town to receive a refund of their accumulated contributions or the actuarial present value of their frozen accrued benefit, in lieu of any other benefit under the system. For the purpose of determining the actuarial present value of the frozen accrued benefit, such benefit shall include the lesser of the amount of leave accrued as of July 5, 2016, or the amount of accrued leave that would have been included in the member's salary if the member retired prior to February 1, 2014.

SECTION 2. Section 34.13, Definitions, is amended as follows:

Sec. 34.13. Definitions.

- (A) As used herein, unless otherwise defined or required by the context, the following words and phrases shall have the meaning indicated:

"Actuarial equivalent" means a benefit or amount of equal value, based upon the RP 2000 Combined Healthy Mortality Table and an interest rate of ~~7.5~~ seven percent per annum. This definition may only be amended by the town pursuant to the recommendation of the board using the assumptions adopted by the board with the advice of the plan's actuary, such that actuarial assumptions are not subject to town discretion.

SECTION 3. Section 34.42, Plan freeze and enrollment in the Florida Retirement System, is amended to read as follows:

Sec. 34.42. Plan freeze and enrollment in the Florida Retirement System.

Notwithstanding any other provision of the system:

- (A) The accrued benefits of all members of this system who are employed and not participating in the DROP on September 30, 2013, shall be frozen on that date. All members shall be fully vested in their frozen accrued benefit based on their length of service as of September 30, 2013. The value of each member's frozen accrued benefit shall be calculated in accordance with the provisions of the system in effect on September 30, 2013, based on the member's credited service and average final compensation on that date. The frozen accrued benefit shall be payable to the member upon termination of town employment and attaining age 55 with ten years of credited service, 25 years of credited service regardless of age, or age 60 regardless of years of credited service, whichever occurs first. In applying the preceding sentence, credited service shall include all credited service as a member of this system prior to October 1, 2013, and all periods of employment as a full-time firefighter with the Town of Longboat Key on and after October 1, 2013. For the purpose of determining a member's frozen accrued benefit in accordance with this subsection (A), salary shall include any payments of accrued leave that would have been included in the member's salary if the member retired prior to October 1, 2013. Notwithstanding the preceding sentence, upon separation from employment the amount of accrued leave included in a member's salary for the purpose of determining the member's frozen accrued benefit shall be the lesser of the amount of leave accrued at the time of separation from employment, or the amount of accrued leave that would have been included in the member's salary if the member retired prior to October 1, 2013, and the member's frozen accrued benefit shall be adjusted accordingly.
- (B) No benefits shall be accrued under this system on or after October 1, 2013, and no member contributions to this system shall be required on or after that date. The town shall continue to make contributions to the system in accordance with subsection 34.47(C), and the board shall continue to administer the system in accordance with sections 34.43 through 34.67, until all accrued benefits have been paid to all eligible members and beneficiaries.
- (C) Any member of this system who is employed on September 30, 2013, and has less than ten years of credited service on that date may elect to receive a refund of their accumulated contributions or the actuarial present value of their frozen accrued benefit, in lieu of any other benefit under the system.

- (D) Effective October 1, 2013, all current and future firefighters of the Town of Longboat Key shall be enrolled in the Florida Retirement System, and shall accrue benefits under and make contributions to the Florida Retirement System for all service as a firefighter with the town on and after that date, in accordance with the state statutes and rules applicable to the Florida Retirement System, as those statutes and rules may be amended from time to time.
- (E) Members of this system who retired, entered the DROP or terminated town employment with the right to a deferred vested benefit prior to October 1, 2013, shall be entitled to receive benefits from the system in accordance with the provisions of the system in effect on the date of their retirement, DROP entry, or termination of employment. Members who retire or enter the DROP prior to October 1, 2013, shall not be eligible for reemployment with the town after that date, except at the exclusive option of the town.
- (F) Effective July 5, 2016, any member of this system with the right to receive a deferred vested benefit who has not begun to receive a benefit may, on or before October 1, 2016, make a one-time irrevocable election on a form provided by the Town to receive a refund of their accumulated contributions or the actuarial present value of their frozen accrued benefit, in lieu of any other benefit under the system. For the purpose of determining the actuarial present value of the frozen accrued benefit, such benefit shall include the lesser of the amount of leave accrued as of July 5, 2016, or the amount of accrued leave that would have been included in the member's salary if the member retired prior to October 1, 2013.

SECTION 4. Section 34.43, Definitions, is amended as follows:

Sec. 34.43. Definitions.

As used herein, unless otherwise defined or required by the context, the following words and phrases shall have the meaning indicated:

"Actuarial equivalent" means a benefit or amount of equal value, based upon the RP 2000 Combined Healthy Mortality Table at an interest rate of ~~seven~~ eight percent per annum. This definition may be amended by the town pursuant to the recommendation of the board with the advice of the plan's actuary, and the town may obtain the advice of an independent actuary, such that actuarial assumptions are not subject to town discretion.

SECTION 5. Section 34.72, Plan freeze and participation in defined contribution plan, is amended to read as follows:

Sec. 34.72. Plan freeze and participation in defined contribution plan.

Notwithstanding any other provision of the system:

- (A) The accrued benefits of all members of this system who are employed and not participating in the DROP on September 30, 2013, shall be frozen on that date. All members shall be fully vested in their frozen accrued benefit based on their

length of service. The value of each member's frozen accrued benefit shall be calculated in accordance with the provisions of the system in effect on September 30, 2013, based on the member's credited service and average final compensation on that date. The frozen accrued benefit shall be payable to the member upon termination of town employment and attaining age 55 with 30 years of credited service or age 62 regardless of years of credited service, whichever occurs first. Alternatively, a member who is employed and not participating in the DROP on September 30, 2013, may elect to receive the frozen accrued benefit, reduced in accordance with subsection 34.78(D), upon termination of town employment and attaining age 50 with 15 years of credited service. In applying the preceding two sentences, credited service shall include all credited service as a member of this system prior to October 1, 2013, and all periods of employment with the Town of Longboat Key on and after October 1, 2013. For the purpose of determining a member's frozen accrued benefit in accordance with this subsection (A), salary shall include any payments of accrued leave that do not exceed the member's accrued leave balance as of July 1, 2011, and that would have been included in the member's salary if the member retired prior to October 1, 2013. Notwithstanding the preceding sentence, upon separation from employment the amount of accrued leave included in a member's salary for the purpose of determining the member's frozen accrued benefit shall be the lesser of the amount of leave accrued at the time of separation from employment, or the amount of accrued leave that would have been included in the member's salary if the member retired prior to October 1, 2013, and the member's frozen accrued benefit shall be adjusted accordingly.

- (B) No benefits shall be accrued under this system on or after October 1, 2013, and no member contributions to this system shall be required on or after that date. The town shall continue to make contributions to the system in accordance with subsection 34.77(B), and the board shall continue to administer the system in accordance with sections 34.73 through 34.98, as modified by this section 34.72, until all accrued benefits have been paid to all eligible members and beneficiaries.
- (C) Any member of this system who is employed on September 30, 2013 and has less than ten years of credited service on that date may elect to receive a refund of their accumulated contributions or the actuarial present value of their frozen accrued benefit, in lieu of any other benefit under the system. Such election must be made in writing on a form provided by the town on or before December 13, 2013, and if a member does not make a timely election he/she shall retain the frozen accrued benefit and shall not be eligible for a refund of accumulated contributions or the actuarial present value of their frozen accrued benefit, except as otherwise provided in the plan.
- (D) Effective October 1, 2013, all current and future general employees of the Town of Longboat Key shall participate in a defined contribution retirement plan established by the Town of Longboat Key, and shall be eligible for benefits and make contributions to the defined contribution plan for all service as a general employee with the town on and after that date, in accordance with the defined contribution plan, as it may be amended from time to time.
- (E) Members of this system who retired, entered the drop or terminated town employment with the right to a deferred vested benefit prior to October 1, 2013

shall be entitled to receive benefits from the system in accordance with the provisions of the system in effect on the date of their retirement, DROP entry, or termination of employment. Members who retire or enter the DROP prior to October 1, 2013 shall not be eligible for reemployment with the town after that date, except at the exclusive option of the town.

- (F) Notwithstanding the provisions of subsection 34.96(B)(1), a member who as of June 1, 2013 is within five years of the normal retirement date, may enter the DROP without penalty or enhancements on the first day of any month prior to September 30, 2013. Any member entering DROP pursuant to this provision must execute a voluntary resignation irrevocable for any reason to be effective at the end of the member's participation in the DROP, and which provides that the member shall not be eligible for reemployment with the town, except at the exclusive option of the town.
- (G) Effective July 5, 2016, any member of this system with the right to receive a deferred vested benefit who has not begun to receive a benefit may, on or before October 1, 2016, make a one-time irrevocable election on a form provided by the Town to receive a refund of their accumulated contributions or the actuarial present value of their frozen accrued benefit, in lieu of any other benefit under the system. For the purpose of determining the actuarial present value of the frozen accrued benefit, such benefit shall include the lesser of the amount of leave accrued as of July 5, 2016, or the amount of accrued leave that would have been included in the member's salary if the member retired prior to October 1, 2013.

SECTION 6. Section 34.73, Definitions, is amended as follows:

Sec. 34.73. Definitions.

- (A) As used herein, unless otherwise defined or required by the context, the following words and phrases shall have the meaning indicated:

"Actuarial equivalent" means a benefit or amount of equal value, based upon the RP 2000 Combined Healthy Mortality Table and an interest rate of ~~7.75~~ seven percent per annum. This definition may only be amended by the town pursuant to the recommendation of the board using assumptions adopted by the board with the advice of the plan's actuary, such that actuarial assumptions are not subject to town discretion.

SECTION 7. All other ordinances of the Town of Longboat Key, Florida, or parts thereof which conflict with this or any part of this Ordinance are hereby repealed.

SECTION 8. If any section, subsection, sentence, clause, phrase of this ordinance, or the particular application thereof shall be held invalid by any court, administrative agency or other body with appropriate jurisdiction, the remaining section, subsection, sentences, clauses, or phrase under application shall not be affected thereby.

SECTION 9. This Ordinance shall take effect upon adoption.

Passed on the first reading the _____ day of _____, 2016.

Adopted on the second reading and public hearing the ___ day of _____, 2016.

Jack G. Duncan, Mayor

ATTEST:

Trish Granger, Town Clerk

April 10, 2015

VIA EMAIL

Board of Trustees
Town of Longboat Key
Consolidated Retirement System
501 Bay Isles Road
Longboat Key, FL 34228

Re: Town of Longboat Key
Firefighters' Retirement System
Cash Out Analysis

Dear Board:

As requested, we have determined the impact on liabilities and funding requirements associated with allowing active Members of the Firefighters' Retirement System to receive a lump sum payment equal to the present value of accrued benefits. This analysis looks at two groups for a potential cash-out:

- A. All active Plan Members as of October 1, 2014, i.e. those actively employed on that date, not participating in the DROP, and who did not previously receive a refund of accumulated Member Contributions in lieu of a future benefit.
- B. The same as scenario A, but representing only 50% of the active Plan Membership with the largest liabilities.

Please note that the Plan's current assumptions for Actuarial Equivalence, RP2000 combined healthy mortality, unisex, without mortality improvement projection, and 8.0% investment return, were utilized for determination of the lump sum equivalent value of accrued benefits.

Results and details of the analysis, determined as of October 1, 2014, are set forth on the enclosed schedule. Additionally, all methods and assumptions utilized for the October 1, 2014, valuation were employed for purposes of this study, except for the mortality and interest assumptions described above for calculation of the lump sum values. Please also note that the change in the Unfunded Actuarial Accrued Liability is amortized as a level dollar over 25 years, compared to a 30-year period utilized for benefit changes from prior years. The 25-year period approximates the expected future lifetime of the Plan's retirees.

Finally, it is important to note that results of this analysis are estimates, with the resulting true impact dependent on which Members elect to receive cash outs if provided by the Town by way of Plan amendment. We also recommend that the Board share results of this analysis with the Investment Consultant for input on the current availability of cash, and whether modification of the existing Investment Policy Statement and/or investment return assumption is recommended should cash-outs be permitted.

Board of Trustees
Town of Longboat Key
Consolidated Retirement System
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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. All of the sections of this report are considered an integral part of the actuarial opinions.

If you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Doug Lozen". The signature is written in a cursive style with a large, looping initial "D".

Douglas H. Lozen, EA, MAAA

DHL/lke
Enclosure

Town of Longboat Key
Firefighters' Retirement System

Cash-Out Analysis

Determined as of October 1, 2014

Applicable to the Fiscal Year Beginning October 1, 2015

Scenario	Asset Value ¹		UAAL	Lump Sum Payment	Expected Net Cash Flow ² (Annual)	Town Contribution (Annual)
	Market	Actuarial				
Current	15,707,549	15,026,121	13,703,215	0	(216,305)	1,758,137
A	12,973,059	12,291,631	13,554,879	2,734,490	(246,216)	1,725,459
B	13,619,025	12,937,597	13,581,211	2,088,524	(237,417)	1,734,849

Description of Scenarios

- A. All active Plan Members receive the actuarial lump sum equivalent of their accrued benefit (or accumulated Member Contributions, if greater). The lump sum equivalent is based on the Plan's current definition of Actuarial Equivalence: RP2000 combined healthy mortality, unisex, without mortality improvement projection, and 8.0% investment return assumption.

- B. 50% of the active Plan Membership with the largest liabilities receive the actuarial lump sum equivalent of their accrued benefit (or accumulated Member Contributions, if greater). The lump sum equivalent is based on the Plan's current definition of Actuarial Equivalence: RP2000 combined healthy mortality, unisex, without mortality improvement projection, and 8.0% investment return assumption.

¹ Asset values are reduced by the expected cash-out amounts for each scenario.

² Annual Town Contribution, less expected benefit payments and administrative expenses.



April 10, 2015

VIA EMAIL

Board of Trustees
Town of Longboat Key
Consolidated Retirement System
501 Bay Isles Road
Longboat Key, FL 34228

Re: Town of Longboat Key
General Employees' Retirement System
Cash Out Analysis

Dear Board:

As requested, we have determined the impact on liabilities and funding requirements associated with allowing active Members of the General Employees' Retirement System to receive a lump sum payment equal to the present value of accrued benefits. This analysis looks at two groups for a potential cash-out:

- A. All active Plan Members as of October 1, 2014, i.e. those actively employed on that date, not participating in the DROP, and who did not previously receive a refund of accumulated Member Contributions in lieu of a future benefit.
- B. The same as scenario A, but representing only 50% of the active Plan Membership with the largest liabilities.

Please note that the Plan's current assumptions for Actuarial Equivalence, RP2000 combined healthy mortality, unisex, without mortality improvement projection, and 7.75% investment return, were utilized for determination of the lump sum equivalent value of accrued benefits.

Results and details of the analysis, determined as of October 1, 2014, are set forth on the enclosed schedule. Additionally, all methods and assumptions utilized for the October 1, 2014, valuation were employed for purposes of this study, except for the mortality and interest assumptions described above for calculation of the lump sum values. Please also note that the change in the Unfunded Actuarial Accrued Liability is amortized as a level dollar over 20 years, compared to a 30-year period utilized for benefit changes from prior years. The 20-year period approximates the expected future lifetime of the Plan's retirees.

Finally, it is important to note that results of this analysis are estimates, with the resulting true impact dependent on which Members elect to receive cash outs if provided by the Town by way of Plan amendment. We also recommend that the Board share results of this analysis with the Investment Consultant for input on the current availability of cash, and whether modification of the existing Investment Policy Statement and/or investment return assumption is recommended should cash-outs be permitted.

Board of Trustees
Town of Longboat Key
Consolidated Retirement System
April 10, 2015
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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. All of the sections of this report are considered an integral part of the actuarial opinions.

If you have any questions, please let me know.

Sincerely,



Douglas H. Lozen, EA, MAAA

DHL/lke
Enclosure

Town of Longboat Key
General Employees' Retirement System

Cash-Out Analysis

Determined as of October 1, 2014

Applicable to the Fiscal Year Beginning October 1, 2015

Scenario	Asset Value ¹		UAAL	Lump Sum Payment	Expected Net Cash Flow ² (Annual)	Town Contribution (Annual)
	Market	Actuarial				
Current	10,203,725	9,776,235	5,126,147	0	(321,797)	738,676
A	7,473,452	7,045,962	4,821,734	2,730,273	(343,788)	706,625
B	7,942,649	7,515,159	4,891,673	2,261,076	(336,234)	714,218

Description of Scenarios

- A. All active Plan Members receive the actuarial lump sum equivalent of their accrued benefit (or accumulated Member Contributions, if greater). The lump sum equivalent is based on the Plan's current definition of Actuarial Equivalence: RP2000 combined healthy mortality, unisex, without mortality improvement projection, and 7.75% investment return assumption.
- B. 50% of the active Plan Membership with the largest liabilities receive the actuarial lump sum equivalent of their accrued benefit (or accumulated Member Contributions, if greater). The lump sum equivalent is based on the Plan's current definition of Actuarial Equivalence: RP2000 combined healthy mortality, unisex, without mortality improvement projection, and 7.75% investment return assumption.

¹ Asset values are reduced by the expected cash-out amounts for each scenario.

² Annual Town Contribution, less expected benefit payments and administrative expenses.



April 10, 2015

VIA EMAIL

Board of Trustees
Town of Longboat Key
Consolidated Retirement System
501 Bay Isles Road
Longboat Key, FL 34228

Re: Town of Longboat Key
Police Officers' Retirement System
Cash Out Analysis

Dear Board:

As requested, we have determined the impact on liabilities and funding requirements associated with allowing active Members of the Police Officers' Retirement System to receive a lump sum payment equal to the present value of accrued benefits. This analysis looks at two groups for a potential cash-out:

- A. All active Plan Members as of October 1, 2014, i.e. those actively employed on that date, not participating in the DROP, and who did not previously receive a refund of accumulated Member Contributions in lieu of a future benefit.
- B. The same as scenario A, but representing the top 4 (of 9) of the active Plan Membership with the largest liabilities.

Please note that the Plan's current assumptions for Actuarial Equivalence, RP2000 combined healthy mortality, unisex, without mortality improvement projection, and 7.5% investment return, were utilized for determination of the lump sum equivalent value of accrued benefits.

Results and details of the analysis, determined as of October 1, 2014, are set forth on the enclosed schedule. Additionally, all methods and assumptions utilized for the October 1, 2014, valuation were employed for purposes of this study, except for the mortality and interest assumptions described above for calculation of the lump sum values. Please also note that the change in the Unfunded Actuarial Accrued Liability is amortized as a level dollar over 20 years, compared to a 30-year period utilized for benefit changes from prior years. The 20-year period approximates the expected future lifetime of the Plan's retirees.

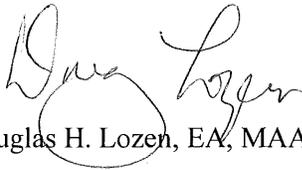
Finally, it is important to note that results of this analysis are estimates, with the resulting true impact dependent on which Members elect to receive cash outs if provided by the Town by way of Plan amendment. We also recommend that the Board share results of this analysis with the Investment Consultant for input on the current availability of cash, and whether modification of the existing Investment Policy Statement and/or investment return assumption is recommended should cash-outs be permitted.

Board of Trustees
Town of Longboat Key
Consolidated Retirement System
April 10, 2015
Page 2

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. All of the sections of this report are considered an integral part of the actuarial opinions.

If you have any questions, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Douglas H. Lozen". The signature is written in black ink and is positioned above the printed name.

Douglas H. Lozen, EA, MAAA

DHL/lke
Enclosure

Town of Longboat Key
Police Officers' Retirement System

Cash-Out Analysis

Determined as of October 1, 2014

Applicable to the Fiscal Year Beginning October 1, 2015

Scenario	Asset Value ¹		UAAL	Lump Sum Payment	Expected Net Cash Flow ² (Annual)	Town Contribution (Annual)
	Market	Actuarial				
Current	6,858,039	6,429,064	4,741,178	0	(231,728)	623,019
A	5,710,521	5,281,546	4,875,129	1,147,518	(246,286)	605,408
B	5,974,055	5,545,080	4,785,933	883,984	(235,915)	617,477

Description of Scenarios

- A. All active Plan Members receive the actuarial lump sum equivalent of their accrued benefit (or accumulated Member Contributions, if greater). The lump sum equivalent is based on the Plan's current definition of Actuarial Equivalence: RP2000 combined healthy mortality, unisex, without mortality improvement projection, and 7.5% investment return assumption.
- B. Top 4 (of 9) active Plan Members with the largest liabilities receive the actuarial lump sum equivalent of their accrued benefit (or accumulated Member Contributions, if greater). The lump sum equivalent is based on the Plan's current definition of Actuarial Equivalence: RP2000 combined healthy mortality, unisex, without mortality improvement projection, and 7.5% investment return assumption.

¹ Asset values are reduced by the expected cash-out amounts for each scenario.

² Annual Town Contribution, less expected benefit payments and administrative expenses.



PROPOSED ORDINANCE 2016-22

PENSION CASH OUT

REGULAR WORKSHOP AND SPECIAL MEETING

JUNE 20, 2016



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- On September 28 2015 Doug Lozen was invited to Executive session to explain the actuarial impact.



LUMP SUM PAYMENTS DEFINED

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 - Firefighters – 8%
 - General Employees – 7.75%
 - Police Officers – 7.5%

Note: This is different than the Investment Rate of Return Assumption (Now 7% for all three plans). This is the valuation funding assumption approved by the Pension Board of Trustees in conjunction with the October 1, 2015 valuations.



ACTUARIAL IMPACT ANALYSIS

- Scenario A – What would happen to the pension plan if all active members receive the lump sum equivalent of their accrued benefit (or accumulated Member Contributions, if greater)?; and
- Scenario B – What if only 50% of the most expensive active Plan members took the offer?



ACTUARIAL IMPACT ANALYSIS

- ▶ Allowing this cash out transfers interest rate risk from the Town to the individual and reduces the number of pensioners.
- ▶ There is a risk transfer from the Town to the Employee for future life expectancy for any cash outs.
- ▶ Graystone, Investment Advisor, sees no significant issues for the three plans under both worst case scenarios.
- ▶ All investments in the plan are liquid.
- ▶ If a sizable reduction in plan assets were to occur, no immediate change in the current 7% rate of return is required.
- ▶ Most active members are more than 5-10 years away from normal retirement date, therefore expected benefit payments will not change significantly over next 5-10 years under both scenarios.



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SCENARIO A - All active Members					
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Fire	\$ 15,707,549	\$ 15,026,121	\$ 13,703,215	\$ (216,305)	\$ 1,758,137
Police	\$ 6,858,039	\$ 6,429,064	\$ 4,741,178	\$ (231,728)	\$ 623,019
TOTAL	\$ 32,769,313	\$ 31,230,420	\$ 23,570,540	\$ (769,830)	\$ 3,119,832
SCENARIO A					
Lump Sum Payment	\$ (6,612,281)	\$ (6,611,281)	\$ (318,798)	\$ 66,460	\$ (82,340)
AFTER PAYOUT					
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TOTAL	\$ 26,157,032	\$ 24,619,139	\$ 23,251,742	\$ (836,290)	\$ 3,037,492



ACTUARIAL IMPACT ANALYSIS- SCENARIO B- 50% ACTIVE MEMBERS

SCENARIO B - 50% of Active (most Expensive Members)					
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AFTER PAYOUT					
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Fire	\$ 13,619,025	\$ 12,937,597	\$ 13,581,211	\$ (237,417)	\$ 1,734,849
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TOTAL	\$ 27,535,729	\$ 25,997,836	\$ 23,258,817	\$ (809,566)	\$ 3,066,544



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Total pension liability	\$ 57,642,811	\$ (1,000,000)	\$ 56,642,811
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Sections 34.13 Police
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HISTORICAL CHANGES IN RATES

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	9/23/13	7.5%	10/1/14	7.5%
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Fire			10/1/15	7.0%
			10/1/14	7.5%
			10/1/13	8.0%
General Employees			10/1/15	7.0%
			10/1/14	7.0%
			10/1/13	7.0%
	9/23/13	7.75%	10/1/12	7.75%



End of Agenda Item



PROPOSED ORDINANCE 2016-22

PENSION CASH OUT

REGULAR WORKSHOP AND SPECIAL MEETING

JUNE 20, 2016



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	<u>Actuarial Equivalent</u>		<u>Rate of Return Assumption</u>	
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PENSION CASH OUT

REGULAR WORKSHOP AND SPECIAL MEETING

JUNE 20, 2016



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			10/1/13	7.0%
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Extra slides



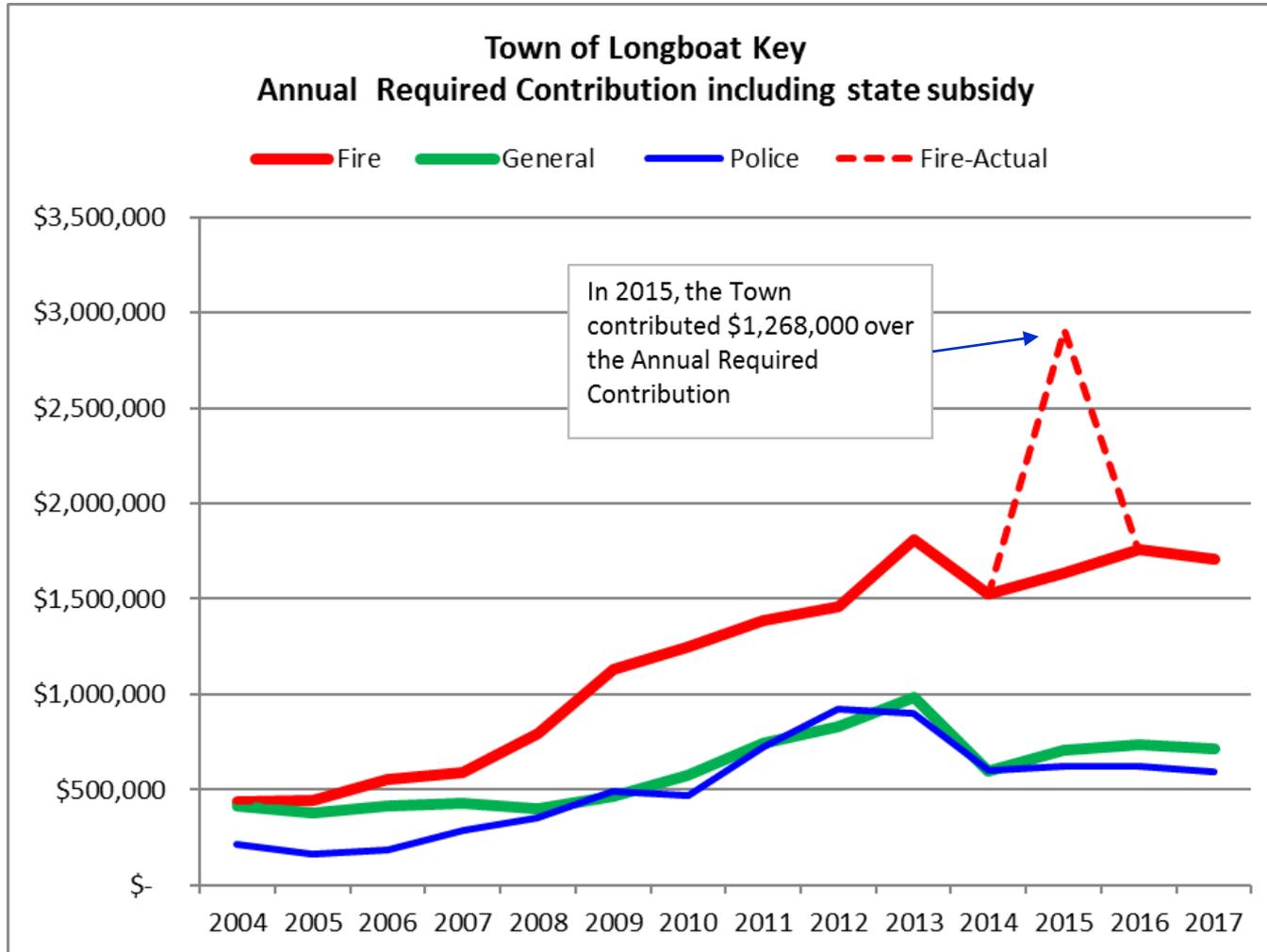
ANNUAL REQUIRED CONTRIBUTION

Annual Required Contribution including state subsidy

	General			Fire	Total
	Fire	Employees	Police		
2004	\$ 438,267	\$ 412,014	\$ 214,815	\$ 438,267	\$ 1,065,096
2005	\$ 446,953	\$ 380,983	\$ 160,901	\$ 446,953	\$ 988,837
2006	\$ 553,414	\$ 414,964	\$ 186,296	\$ 553,414	\$ 1,154,674
2007	\$ 586,776	\$ 429,684	\$ 289,705	\$ 586,776	\$ 1,306,165
2008	\$ 797,183	\$ 400,059	\$ 353,986	\$ 797,183	\$ 1,551,228
2009	\$ 1,129,911	\$ 465,898	\$ 488,225	\$ 1,129,911	\$ 2,084,034
2010	\$ 1,246,772	\$ 578,017	\$ 473,165	\$ 1,246,772	\$ 2,297,954
2011	\$ 1,384,027	\$ 743,196	\$ 722,020	\$ 1,384,027	\$ 2,849,243
2012	\$ 1,458,446	\$ 831,624	\$ 925,246	\$ 1,458,446	\$ 3,215,316
2013	\$ 1,812,384	\$ 986,240	\$ 902,207	\$ 1,812,384	\$ 3,700,831
2014	\$ 1,526,725	\$ 597,459	\$ 603,590	\$ 1,526,725	\$ 2,727,774
2015	\$ 1,638,549	\$ 704,515	\$ 621,921	\$ 2,906,549	\$ 2,964,985
2016	\$ 1,758,137	\$ 738,676	\$ 623,019	\$ 1,758,137	\$ 3,119,832
2017	\$ 1,705,515	\$ 712,431	\$ 594,116	\$ 1,705,515	\$ 3,012,062



ANNUAL REQUIRED CONTRIBUTION





UNFUNDED LIABILITY

Net Pension Liability as of September 30, 2015

	General Employees'	Police Officers'	Fire Fighters'	Total
Total pension liability	\$ 14,987,164	\$ 11,856,522	\$ 30,799,125	\$ 57,642,811
Plan fiduciary net position	<u>(9,834,102)</u>	<u>(6,472,965)</u>	<u>(16,442,648)</u>	<u>(32,749,715)</u>
Town's net pension liability	\$ 5,153,062	\$ 5,383,557	\$ 14,356,477	\$ 24,893,096
Plan fiduciary net position as a percentage of Total pension liability	65.62%	54.59%	53.39%	56.81%