

Actuarial Analysis Review Concerning General Employee Retirement Plan Cost of Living Adjustment Considerations

As briefly committed during last Tuesday's City Commission meeting, the City's pension analysis and actuarial consulting firm, Gabriel, Roeder, Smith & Company (GRS), concluded its report showing the financial impact of providing a one-time Cost of Living Adjustment (COLA) to City of Delray Beach general retired employees effective October 1, 2026.

As noted attached, resulting analysis was based on a 2.5% adjustment consideration for pensioners of the City of Delray Beach General Employees Retirement Plan who are in payment status as of October 1, 2025. A COLA (to this effect) would not apply to members who are participating in the Deferred Retirement Option Program (DROP), nor to those who have yet to retire from employment.

GRS's analysis contemplated two options: a 5-year amortization period, and a 10-year amortization. Under the 5-year approach, the Required City Contribution (RCC) will increase by \$533,897 annually (a total of \$2,669,485). The 10-year consideration would increase the RCC by \$310,158 each year (a total of \$3,101,580).

An opportunity for City Commission review and evaluation as outlined will therefore be offered via the May 19th regular meeting. GRS Senior Consultant and Vice President Jeff Amrose is likewise being asked to join us to help facilitate this discussion.



April 24, 2026

Ms. Lisa Castronovo
Pension Administrator
City of Delray Beach
100 Northwest 1st Avenue
Delray Beach, Florida 33444

Re: City of Delray Beach General Employees Retirement Plan

Dear Lisa:

As requested, we have prepared the enclosed analysis showing the first-year financial impact of providing the following proposed one-time Cost of Living Adjustment (COLA) to pensioners effective October 1, 2026:

Provide a one-time COLA of 2.5% to pensioners of the City of Delray Beach General Employees Retirement Plan who are in payment status as of October 1, 2025. The COLA would not apply to members who are participating in the DROP.

Please note that we have shown the impact under two alternatives for amortizing the increase in the Unfunded Actuarial Accrued Liability (UAAL). The increase in the UAAL has been amortized over five or ten years in this analysis rather than the current policy of 25 years. We have reflected a shorter amortization period to accelerate the funding of the liability increase since the proposed changes apply only to members who are already retired.

Summary of Findings

The impact of the above proposal on the Required City Contribution and funded ratio in the first year is summarized in the table below. Also summarized in the table is the increase in the Actuarial Present Value of Projected Benefits expected to be paid to the eligible retirees and beneficiaries, which represents a measurement of the ultimate cost of the proposed changes assuming all of the actuarial assumptions are met each year. This difference would be funded by additional City contributions over time.

Please note that the impact of the proposed COLA is being shown on the valuation results as of October 1, 2024, the most recent actuarial valuation, for illustrative purposes only. If the proposed COLA is adopted, funding requirements would not be impacted until the valuation report as of October 1, 2025, which determines the Required City Contribution for the fiscal year ending September 30, 2027.

As of October 1, 2024, the Plan was not fully funded. The results illustrated assume the Plan is in an unfunded position and therefore reflect the full impact on the Required City Contribution. To the extent the Plan has a surplus as of October 1, 2025, the increase in the Required City Contribution would be moderated, as the surplus would offset a portion of the additional cost.

The scope of this Supplemental Actuarial Valuation Report does not include an analysis of the potential range of such future measurements or a quantitative measurement of the future risks of not achieving the assumptions. In certain circumstances, detailed or quantitative assessments of one or more of these risks as well as various plan maturity measures and historical actuarial measurements may be requested from the actuary. Additional risk assessments are generally outside the scope of a Supplemental Actuarial Valuation Report. Additional assessments may include stress tests, scenario tests, sensitivity tests, stochastic modeling, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

Additional Disclosures

This report was prepared at the request of the Board of Trustees and is intended for use by the Board and those designated or approved by the Board. This report may be provided to parties other than the Plan only in its entirety and only with the permission of the Board.

The purpose of this report is to describe the financial effect of the proposed plan changes. This report should not be relied on for any purpose other than the purpose described above.

The calculations in this report are based upon information furnished by the Plan Administrator for the October 1, 2024 Actuarial Valuation concerning Plan benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries, as well as the pensioner census data provided for the October 1, 2025 Actuarial Valuation. We reviewed this information for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the Plan Administrator.

The calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based on the assumptions, methods, and plan provisions outlined in this report. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the author of the report prior to relying on information in the report.

This report has been prepared using our proprietary valuation model and related software which in our professional judgement has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Jeffrey Amrose and Trisha Amrose are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The undersigned actuaries are independent of the plan sponsor.



	Valuation	2.5% One-Time COLA	
		5-Year Amortization Period	10-Year Amortization Period
Required City Contribution (RCC)			
Dollar Amount	\$ 3,062,769	\$ 3,596,666	\$ 3,372,927
% of Covered Payroll	10.03%	11.78%	11.05%
Increase in RCC			
Dollar Amount	N/A	\$ 533,897	\$ 310,158
% of Covered Payroll	N/A	1.75%	1.02%
Funded Ratio	99.4%	98.1%	98.1%
Increase in Annual Benefit Payments	N/A	\$ 213,063	\$ 213,063
Increase in Actuarial Present Value of All Projected Benefits	N/A	\$ 2,203,817	\$ 2,203,817

Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. The assumptions used to determine the contribution requirement and accrued liability are the same as those used for the October 1, 2024 Actuarial Valuation Report dated May 8, 2025.

Future actuarial measurements may differ significantly from the current measurements presented in this report 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 due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period, or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law.

Please refer to the October 1, 2024 Actuarial Valuation Report dated May 8, 2025 for additional discussions regarding the risks associated with measuring the accrued liability and the actuarially determined contribution.

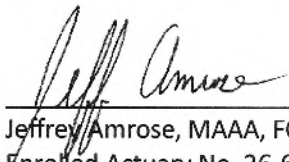


Ms. Lisa Castronovo
April 24, 2026
Page 4

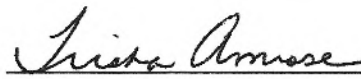
This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the Plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

We welcome your questions and comments.

Respectfully submitted,
Gabriel, Roeder, Smith & Company



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