

AGENDA
REGULAR BOARD MEETING
CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT SYSTEM
THURSDAY, JULY 15, 2021 at 8:30 AM
POLICE HEADQUARTERS – LARGE TRAINING ROOM
300 W. ATLANTIC AVENUE, DELRAY BEACH, FL 33444

1. Call to Order, Roll Call

2. Agenda Adoption
July 15, 2021

3. Maximum Benefits

Adjournment

IN ACCORDANCE WITH THE AMERICAN WITH DISABILITIES ACT OF 1990, PERSONS NEEDING A SPECIAL ACCOMMODATION TO PARTICIPATE IN THIS PROCEEDING SHOULD CONTACT THE PLAN ADMINISTRATOR NO LATER THAN TWO (2) DAYS PRIOR TO THE PROCEEDING, TELEPHONE (561) 243-4707 FOR ASSISTANCE; IF HEARING IMPAIRED, TELEPHONE THE FLORIDA RELAY SERVICE NUMBERS (800) 955-8771(TDD) OR (800) 955-8770 (VOICE) FOR ASSISTANCE. NOTICE IS GIVEN TO ALL INTERESTED PARTIES THAT IF ANY PERSON DECIDES TO APPEAL ANY DECISION MADE AT THE FORTHCOMING MEETING OF THE CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT SYSTEM, SUCH PERSON WILL NEED A RECORD OF THE PROCEEDINGS CONDUCTED AT SUCH MEETING AND FOR SUCH PURPOSE, HE OR SHE MAY NEED TO ENSURE THAT A VERBATIM RECORD OF THE PROCEEDING IS MADE, WHICH RECORDS INCLUDE THE TESTIMONY AND EVIDENCE UPON WHICH ANY APPEAL MAY BE BASED. FLORIDA STATUTE, SECTION 286.0105.



MEMORANDUM

TO: City of Delray Beach Police Officers' Retirement System Board of Trustees

FROM: Lisa Castronovo, Pension Administrator

SUBJECT: Maximum Benefit Limits

DATE: July 13, 2021

ISSUE:

Meaning of "annual starting benefit" and application on maximum benefit limits

EXPLANATION:

GRS recently provided a benefit calculation for one of the System's members (attachment #1). GRS calculated the Normal Retirement Benefit in accordance with City Code of Ordinances Section 33.62(B)(4) (attachment #2), which imposes a cap on the member's annual starting benefit of \$108,000 with all optional forms of benefits actuarially equivalent to the Normal Retirement Benefit. GRS has interpreted "annual starting benefit" to be the same as the "Normal Retirement Benefit." GRS's interpretation:

- 1) The member is married on the date he wishes to retire.
- 2) Section 33.62(B) – *Normal Retirement Benefit* describes the benefit a member normally receives. Under subsection (1) – *Duration, Survivor Benefits*, for married members the Normal Retirement Benefit is a 60% Contingent Annuity.
- 3) Per Section 33.62(B)(2) the Normal Retirement Benefit Amount shall be 2.5% of the members average final compensation for each year of continuous service after 10 years (3% for each year of service after 20 years).
- 4) Per Item (c) under Section 33.62(B)(4) – *Normal Retirement Benefit Effective July 7, 2015*, the normal retirement benefit is calculated in accordance with 33.62(B)(2) subject to an "maximum annual starting benefit" of \$108,000 (\$9,000/month).
- 5) Per Section 33.63 – *Optional Forms of Benefits*, the value of all benefit options shall be actuarially equivalent to the value of the Normal Retirement Benefit otherwise payable.
- 6) Per Section 33.62(I) – *Maximum Benefits*, members shall have a "maximum starting annual benefit" of \$108,000.

Based on the Actuarial Impact Statement done in May 2015 (attachment #3), it appears Foster & Foster valued the impact of the maximum benefit in the same manner GRS is interpreting it.

The issue for the Board to determine is the definition and interpretation of "annual starting benefit." GRS has interpreted the annual starting benefit to be the same as the Normal Retirement Benefit described in Ordinance Section 33.62(B)(1) and (2), which states that the Normal Retirement Benefit for a married member is the 60% Contingent Annuity. Both Foster & Foster and GRS agree on this (attachment #4). Ordinance Section 33.62 goes on to define how that Normal Retirement Benefit is calculated (33.62(B)(2), 33.62(B)(3), and 33.62(B)(4)) and that the "annual starting benefit" is limited to \$108,000 (33.62(B)(4)(c) and 33.62(B)(4)(d)).

For your reference, attachment #5 shows what the member's benefit would be if his Normal Retirement Benefit was not limited to \$9,000 and attachment #6 is the pertinent pension section from the most recently ratified Lieutenants PBA contract (the Police Officers' and Sergeants' contract contains the same language).

RECOMMENDATION:

Determine the meaning of "annual starting benefit" for application of maximum benefit limits.

ATTACHMENT #1

CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT SYSTEM

Notification of Benefits Payable as a Result of Participation
in the Deferred Retirement Option Plan (DROP)

Participant's Name: _____

You are eligible for a Normal Retirement Benefit from the Plan. Your benefit is payable at the beginning of each month commencing on DROP payments will end on the date you choose, but not later than . The amount of your monthly benefit depends on the optional form of annuity which you choose. Please initial the one optional annuity form listed below that you elect to receive.

- _____ 1. **MODIFIED CASH REFUND ANNUITY:** This option provides payments of \$9,927.90 to you as long as you live. If you should die before you have received an amount equal to your own contributions to the Plan, payments will continue to your beneficiary until your own accumulated contributions have been used up.
- _____ 2. **TEN YEAR CERTAIN AND LIFE THEREAFTER ANNUITY:** This option provides monthly payments of \$9,804.79 to you as long as you live. If you should die before 120 monthly payments have been made, the same amount* will continue to be paid to your beneficiary until a total of 120 monthly payments have been made in all.
- _____ 3. **60% CONTINGENT ANNUITY:** This option provides monthly payments of \$9,000.00 to you as long as you live. After your death, monthly payments to your surviving spouse until death or remarriage will be \$9,000.00 for the 12 months following your death and then \$5,400.00 thereafter. If you should die before you have received an amount equal to your own contributions to the Plan, payments will continue to your beneficiary until your own accumulated contributions have been used up.
- _____ 4. **100% JOINT AND SURVIVOR ANNUITY:** This option provides monthly payments of \$8,471.48 to you as long as you live. Your designated beneficiary, if living at the time of your death, will then receive monthly payments of \$ 8,471.48 * as long as he/she lives.
- _____ 5. **75% JOINT AND SURVIVOR ANNUITY:** This option provides monthly payments of \$8,794.13 to you as long as you live. Your designated beneficiary, if living at the time of your death, will then receive monthly payments of \$6,595.60 * as long as he/she lives.
- _____ 6. **66 2/3% JOINT AND SURVIVOR ANNUITY:** This option provides monthly payments of \$8,907.31 to you as long as you live. Your designated beneficiary, if living at the time of your death, will then receive monthly payments of \$5,938.21 * as long as he/she lives.
- _____ 7. **50% JOINT AND SURVIVOR ANNUITY:** This option provides monthly payments of \$9,142.60 to you as long as you live. Your designated beneficiary, if living at the time of your death, will then receive monthly payments of \$4,571.30 * as long as he/she lives.
- _____ 8. **100% JOINT AND SURVIVOR ANNUITY WITH POP-UP:** This option provides monthly payments of \$ _____ to you as long as you and your beneficiary live. Your designated beneficiary, if living at the time of your death, will then receive monthly payments of \$ _____ * as long as he/she lives. If you are living at the time of your beneficiary's death, you will then receive monthly payments of \$ _____ * as long as you live.
- _____ 9. **75% JOINT AND SURVIVOR ANNUITY WITH POP-UP:** This option provides monthly payments of \$ _____ to you as long as you and your beneficiary live. Your designated beneficiary, if living at the time of your death, will then receive monthly payments of \$* as long as he/she lives. If you are living at the time of your beneficiary's death, you will then receive monthly payments of \$ _____ * as long as you live.
- _____ 10. **66 2/3% JOINT AND SURVIVOR ANNUITY WITH POP-UP:** This option provides monthly payments of \$ _____ to you as long as you and your beneficiary live. Your designated beneficiary, if living at the time of your death, will then receive monthly payments of \$ _____ * as long as he/she lives. If you are living at the time of your beneficiary's death, you will then receive monthly payments of \$ _____ * as long as you live.
- _____ 11. **50% JOINT AND SURVIVOR ANNUITY WITH POP-UP:** This option provides monthly payments of \$ _____ to you as long as you and your beneficiary live. Your designated beneficiary, if living at the time of your death, will then receive monthly payments of \$* as long as he/she lives. If you are living at the time of your beneficiary's death, you will then receive monthly payments of \$ _____ * as long as you live.

* This amount will be adjusted to reflect any cost of living increases the member had received prior to death.

Section 415 of the Internal Revenue Code establishes a maximum limit on the amount of the benefit that can be paid from this plan. The benefit amount shown does not reflect the Section 415 limitation. The Section 415 limitation will be applied at the time retirement benefits are paid to you. Benefits that exceed the Section 415 limitation will not be paid from this plan.

Participant's Name: _____

The amounts above are based on the following information:

Your Date of Birth:	xx/xx/1970	Credited Service Date:	xx/xx/1997
Date of Termination:	xx/xx/2021	Years of Credited Service:	24.0000
Average Monthly Earnings:	\$12,xxx.xx		
Beneficiary Name:	Spouse	Beneficiary Date of Birth:	xx/xx/1983

After-Tax Contributions:	\$0.00		
Pre-Tax Contributions:	N/A		
Interest on Contributions:	N/A		
Accumulated Employee Contributions:	N/A		
Nontaxable Portion of Monthly Benefit for Options 1 or 2:	---	Number of Months Nontaxable Portion Continues:	---
Nontaxable Portion of Monthly Benefit for Options 3, 4, 5, 6, 7, 8, 9, 10 or 11:	---	Number of Months Nontaxable Portion Continues:	---

The Survivor Annuity benefit amounts shown above are based on the beneficiary named above and are payable only to this beneficiary. Should you wish to change your beneficiary before your payments begin, new amounts will have to be calculated.

This calculation is subject to correction. If you are or become aware of errors in the data that was used, the calculations that were made, or the plan provisions that were applied, it is your responsibility to contact the plan administrator. The plan has the right to recover from you amounts that were paid to you in error.

BOARD OF TRUSTEES: By _____ DATE: _____

I accept the terms above, including my choice of annuity form, and confirm the information shown above to be correct.

PARTICIPANT'S SIGNATURE: _____ DATE: _____

Calculation Date: May 21, 2021

State of _____

County of _____

The foregoing instrument was acknowledged before me by means of () physical presence or () online notarization this _____ day of _____, 20____ by _____, who is personally known to me or who has produced the following identification: _____

_____ (Notary Signature)

Seal:

_____ (Print Name of Notary)

ATTACHMENT #2

Sec. 33.62. - BENEFIT AMOUNTS AND ELIGIBILITY.

(A) *Normal Retirement Date.* This term shall have the following meanings:

- (1) For employees who are eligible to become members of the system as of its effective date, the normal retirement date shall be the date of their fifty-second (52nd) birthday, regardless of the number of years of continuous service.
- (2) For employees who are members of the system and terminate employment prior to October 1, 1989, the normal retirement date shall be the first day of the month coincidental with or subsequent to their fifty-second (52nd) birthday and the completion of twenty (20) years of continuous service.
- (3) For employees who are members of the system and elect to retire or terminate employment on or subsequent to October 1, 1989, the normal retirement date shall be the first day of the month coincident with or subsequent to completion of twenty (20) years of continuous service.
- (4) For employees who are members of the system and retire or terminate employment on or after December 31, 1999, the normal retirement date shall also be the first day of the month coincident with or subsequent to age fifty-five (55) and the completion of ten (10) years of continuous service.
- (5) For members hired after July 7, 2015, the normal retirement date shall be the first day of the month coincident with or subsequent to age fifty-five (55) and the completion of ten (10) years of continuous service, or completion of twenty-five (25) years of continuous service, regardless of age.

(B) *Normal Retirement Benefit.*

- (1) *Duration, Survivor Benefits.* A member retiring on his normal retirement date shall receive a monthly benefit which shall commence on his normal retirement date and be continued thereafter during his lifetime. Upon his death the full retirement benefit shall be continued to his spouse for one year and sixty (60) percent of that amount continued thereafter until the earlier of death or remarriage.
- (2) *Amount.* Normal retirement benefits shall be in the amount of two and one-half (2½) percent of average monthly earnings for each year of continuous service for employees with more than ten (10) but less than twenty (20) years of continuous service. Normal retirement benefits shall be in the amount of three (3) percent of average monthly earnings for each year of continuous service if a member has attained twenty (20) or more years of continuous service, subject to a maximum of seventy-five (75) percent of average monthly earnings. Provided, however, that in no event shall a member's total benefit be less than two (2) percent of average monthly earnings for each year of continuous service.
- (3) *Optional Enhanced Multiplier.*
 - (a) Notwithstanding any provision of subsection (B)(2) to the contrary, a member who is actively employed by the City on March 15, 2004, but who is not participating in the deferred retirement option plan (DROP), may elect a normal retirement benefit in the amount of three and one-half (3.5) percent of average monthly earnings for each year of continuous service if the member attains twenty (20) or more years of continuous service, subject to a maximum of eighty-seven and one-half (87.5) percent of average monthly earnings. Members electing this enhanced multiplier shall thereafter contribute three (3) percent of earnings to the Trust Fund in addition to the member contribution specified in Section 33.64(A), until July 7, 2015; and shall receive the enhanced multiplier for all periods of continuous service before that date. An election under this subparagraph must be on or before April 15, 2004.
 - (b) Notwithstanding any provision of subsection (B)(2) to the contrary, a member who is actively employed by the City on March 15, 2004, but does not elect the enhanced multiplier in accordance with subparagraph (a), above, and who is not participating in the

deferred retirement option plan (DROP), may thereafter elect a normal retirement benefit in the amount of three and one-half (3.5) percent of average monthly earnings for all future continuous service after making such election if the member attains twenty (20) or more years of continuous service, subject to a maximum of eighty-seven and one-half (87.5) percent of average monthly earnings. Members electing this enhanced multiplier shall thereafter contribute three (3) percent of earnings to the Trust Fund in addition to the member contribution specified in Section 33.64(A), until July 7, 2015. Such member may also elect to purchase the enhanced multiplier for some or all periods of continuous service prior to the date of the election, by paying the full actuarial cost of the enhanced multiplier, plus the full cost of any actuarial or other professional services required.

- (c) Notwithstanding any provision of subsection (B)(2) to the contrary, a member who is hired after March 15, 2004 and before April 9, 2013, and who is not participating in the deferred retirement option plan (DROP) may elect a normal retirement benefit in the amount of three and one-half (3.5) percent of average monthly earnings for future continuous service after making such election if the member attains twenty (20) or more years of continuous service, subject to a maximum of eighty-seven and one-half (87.5) percent of average monthly earnings. Members electing this enhanced multiplier shall thereafter contribute three (3) percent of earnings to the Trust Fund in addition to the member contribution specified in Section 33.64(A), through July 7, 2015. Such member may also elect to purchase the enhanced multiplier for some or all periods of continuous service prior to the date of the election, by paying the full actuarial cost of the enhanced multiplier, plus the full cost of any actuarial or other professional services required. Members hired on or after April 9, 2013 shall not be eligible for the optional enhanced multiplier .
- (d) If an eligible member elects the enhanced multiplier and attains more than ten (10) but less than twenty (20) years of continuous service, the member's benefit shall be determined in accordance with subsection (B)(2), and the member shall receive a refund of all additional contributions and amounts paid for the enhanced multiplier, without interest. In no event shall a member's total benefit be less than two (2) percent of average monthly earnings for each year of continuous service.

(4) Normal Retirement Benefit Effective July 7, 2015.

- (a) Notwithstanding any other provision of this Section 33.62, the normal retirement benefit for members employed on July 7, 2015, and members hired after July 7, 2015 shall be determined in accordance with this paragraph (4).
 - (b) The normal retirement benefit for members with twenty (20) or more years of continuous service on July 7, 2015 shall be determined in accordance with paragraphs (2) and (3) above.
 - (c) The normal retirement benefit for members who are employed and have less than twenty (20) years of continuous service on July 7, 2015 shall be determined in accordance with paragraphs (2) and (3) above for continuous service through July 7, 2015, and three (3) percent of average monthly earnings for continuous service after July 7, 2015, subject to a maximum annual starting benefit of one hundred eight thousand dollars (\$108,000.00); provided, in no event shall a member's total benefit be less than two (2) percent of average monthly earnings for each year of continuous service.
 - (d) The normal retirement benefit for members hired after July 7, 2015 shall be two and three-fourths (2.75) percent of average monthly earnings for each year of continuous service, subject to a maximum annual starting benefit of one hundred eight thousand dollars (\$108,000.00) and further subject to a maximum benefit of sixty-eight and three-fourths (68.75) percent of average monthly earnings; provided, in no event shall a member's total benefit be less than two (2) percent of average monthly earnings for each year of continuous service.
- (5) Upon becoming eligible for normal retirement, a member shall be one hundred (100) percent vested in his accrued benefit.

- (C) *Early Retirement Date.* On or after December 31, 1999, a member hired on or before July 7, 2015 may retire on or after the early retirement date, which shall be the first day of any month coincident with or next following the attainment of age fifty (50) and the completion of ten (10) years of continuous service. Early retirement is retirement from active employment with the City on or after the early retirement date and prior to the normal retirement date. A member hired after July 7, 2015 shall not be eligible for early retirement.
- (D) *Early Retirement Benefit.* The amount of the early retirement benefit shall be determined in the same manner as the normal retirement benefit, except that continuous service and average final compensation shall be determined as of the early retirement date. The benefit payable shall be reduced by three (3) percent for each year by which the commencement of benefits precedes the normal retirement date. The early retirement benefit provided in this subsection (D) shall have no application to the early retirement incentive provided in Section 33.687.
- (E) *Disability Retirement Provisions.*
- (1) (a) For purposes of this system, "total and permanent disability" shall mean an injury, disease or condition which totally and permanently incapacitates a member, either physically or mentally, from his regular and continuous duty as a police officer. A "total and permanent disability" arising directly from the performance of service to the City by a member shall be considered to be a service incurred disability. A "total and permanent disability" arising from any other cause or source, other than as modified below, shall be considered to be a nonservice incurred disability. A member shall not be entitled to receive a disability retirement benefit from the system if the disability is a result of:
- (1) Excessive and habitual use of drugs, intoxicants or narcotics;
 - (2) Injury or disease sustained by the member while willfully and illegally participating in fights, riots, civil insurrections, or while committing a crime;
 - (3) Injury or disease sustained by a member while serving in any of the armed forces;
 - (4) Injury or disease sustained by the member after his employment with the City has been terminated.
- (b) A member shall not receive a service incurred disability benefit for injury or disease sustained by the member while working (either as an employee or through some other contractual arrangement) for anyone other than the City, performing a job function the same as or related to the member's City job function, and arising out of the scope of any other employment or contractual arrangement, excepting injuries sustained by members while performing duties on behalf of the City and while within the City's jurisdiction although those injuries occurred at an outside employer's job site. In addition, a member shall not be entitled to receive a disability retirement benefit from the system on the basis of any condition which existed prior to the member's employment or which was evidenced during the member's pre-employment physical.
- (2) *Application for Benefits.* In order for the Board to consider a member's request for disability retirement benefits, the member must apply in writing to the Board. Upon receipt of proper application by the Board of Trustees, the Board of Trustees shall arrange for a physical examination of the applicant by the medical board. A further condition for receipt of disability retirement benefits from the system is that the applicant must apply for and diligently pursue disability benefits from social security and workers' compensation. Written proof of application must be submitted to the Board of Trustees. Failure of the applicant to qualify as being disabled under either the social security or workers' compensation laws may be considered by the Board of Trustees in review of that member's application or recovery from disability.
- (3) *Medical Board.* When a member submits proper application for a disability retirement benefit, the Board of Trustees shall designate a medical board to be composed of at least one physician. The medical board shall arrange for and pass upon all medical examinations required under the provisions of this subchapter, shall investigate all essential statements or certificates made by or on behalf of a member in connection with an application for disability retirement and

shall report in writing to the Board of Trustees its conclusions and recommendations upon all matters referred to it. The payment of those services shall be determined by the Board of Trustees.

- (4) *Determination of Disability.* All questions relating to eligibility for initial payment or continuance of disability benefits shall be determined by the Board of Trustees, taking into consideration the recommendations of the medical board and any other evidence of which the Board of Trustees may avail itself. The general steps which the Board of Trustees shall follow in its determination shall be as listed below, provided however, that the Board of Trustees may, in its discretion, alter or modify these steps:
 - (a) Determine whether the member's application is proper;
 - (b) If application is for a nonservice incurred disability, determine whether the ten (10) years of continuous service requirement has been met;
 - (c) Based on all evidence submitted to the Board of Trustees, determine whether the applicant satisfies the definition of disability, including the absence of listed exclusions;
 - (d) Determine whether the disability is to be considered a service-incurred disability or a nonservice disability, taking into consideration F.S. ch. 185.34.
 - (e) Establish a date of disability. This date may be the date of injury causing the disability, the date when the member could no longer perform his regular and continuous duties, the date when his sick pay and vacation pay are exhausted or such other date as determined by the Board of Trustees.
- (5) *Disability Retirement Benefits.*
 - (a) *Eligibility.* Each member shall be eligible for service incurred disability benefits, regardless of length of continuous service. Each member who completes ten (10) years of continuous service prior to becoming disabled shall be eligible for nonservice incurred disability benefits.
 - (b) *Initial Amount of Service Incurred Disability Benefit.* The greater of sixty (60) percent of the member's average monthly earnings in effect on the date of disability or the member's accrued pension benefit.
 - (c) *Amount of Nonservice Incurred Disability Benefit.* Two (2) percent of average monthly earnings in effect on the date of disability for each year of continuous service; provided, however, the minimum shall not be less than twenty-five (25) percent of average monthly earnings.
 - (d) *Terms of Payments.* Disability benefits shall commence on or as of the first day of the month coincident with or next following the date of disability, as established by the Board of Trustees, and shall continue to be paid on the first day of each subsequent month until the death or recovery of the disability retiree. The same survivorship percentages which apply to normal retirement benefits shall also apply to disability retirement benefits.
 - (e) *Eligibility for Other Benefits.* In the event that a member applying for disability benefits is also eligible for either early or normal retirement, the Board may, upon the request of the member, pay the early or normal retirement benefit instead of a disability retirement benefit.
- (6) *Report by Disability Retiree.*
 - (a) Each person currently receiving disability retirement benefits and each person who first qualifies for disability retirement benefits shall be required to submit to the Board of Trustees, upon a request by the Board of Trustees, a signed and notarized report which includes, but is not limited to:
 - (1) A medical report from the disability retiree's physician stating whether the retiree is still totally incapacitated to perform the regular and continuous duties of a police

officer shall be submitted to the Board. The required physician's statement must be dated within four (4) months of the request.

- (2) A statement to the effect that the disability retiree understands that if the report is incomplete or incorrect, his disability benefits may be suspended or discontinued.
- (b) In the event that the required reports are not submitted to the Board on a timely basis, or are incomplete or incorrect, the Board may, in its discretion, suspend or discontinue the disability retirement benefits.
- (7) *Disability Affidavit.* No member otherwise eligible to receive disability benefits shall be paid those benefits unless and until that member files a disability affidavit with the Board on a form furnished by the Board. By the disability affidavit, the prospective retiree shall affirm that he is acquainted and familiar with the terms and conditions of his disability retirement. In particular, he shall acknowledge the authority of the Board to require him to undergo periodic future physical examinations in order to determine whether he has recovered from disability.
- (8) *Authority for Reexamination.* Each person who first qualifies for or is then receiving disability retirement benefits on or after the effective date of this subchapter shall be subject to periodic reexamination by a medical board selected by the Board of Trustees to determine if the disability has ceased to exist.
- (9) *Recovery from Disability.*
 - (a) In the event a member who has been retired on a disability benefit regains his health and is able to perform his duties in the Police Department, the Board shall discontinue the pension; and further, the City shall, subject to budget and qualification of the member for the position, offer the member a position with the City as a police officer.
 - (b) If a member shall resume his employment with the City as a police officer then he may pay into the Fund an amount equal to the aggregate contributions plus interest at a rate to be determined by the Board (computed upon his annual earnings at the time of his disability retirement) he would have been required to make hereunder, as determined by the Board, during the period of his disability retirement had he not been retired, and shall thereupon receive creditable service for the period of the disability retirement. In any event, that member shall retain credit for the period of continuous service to the date of disability.

(F) *Preretirement Death.*

- (1) *Service Incurred.* A death benefit shall be payable on behalf of any member who dies as a direct result of an occurrence arising in the performance of service. These benefits are not to be limiting to other benefits available under State law. The benefits shall be payable as follows:
 - (a) To the spouse, until the earlier of death or remarriage, a monthly benefit equal to fifty (50) percent of the member's average monthly earnings; or to a designated beneficiary or beneficiaries other than the spouse, until death, a monthly benefit equal to the actuarial equivalent of a lifetime benefit payable to the member if the amount of fifty (50) percent of the member's average monthly earnings at date of death, plus
 - (b)
 - (1) For each unmarried child until he or she shall have reached the age of eighteen (18) years, and for each unmarried child from age eighteen (18) until age twenty-two (22) who is a full-time student in a fully accredited high school, college or university, there shall be paid in equal monthly installments, an amount equal to five (5) percent of the average monthly earnings subject to an overall limitation of a total of sixty (60) percent of average monthly earnings for the spouse and children combined. The nonstudent child's pension shall terminate on the earlier of death, marriage or the attainment of age eighteen (18). The pension of a child who is a student shall terminate on the earlier of death, marriage or the attainment of age twenty-two (22). Legally adopted children shall be eligible the same as natural children.
 - (2) Upon remarriage or death of the spouse, the five (5) percent child allowance shall be increased to ten (10) percent for each child, not to exceed a combined total of thirty-

five (35) percent of the member's average monthly earnings. The trusteeship and disbursements of the pension to any child shall be determined by the Board of Trustees.

- (c) Notwithstanding any provision of this subsection to the contrary, the surviving spouse of any member killed in the line of duty shall not lose death benefits upon remarriage.
 - (2) *Nonservice Incurred.* If any member shall die in active service from causes not attributable to active duty or service, a death benefit shall be payable as follows:
 - (a) With less than one year of continuous service, a single sum amount of two thousand five hundred dollars (\$2,500.00) to the member's spouse or other designated beneficiary or beneficiaries, as the case may be.
 - (b) With one but less than five (5) years of continuous service, a single sum amount of five thousand dollars (\$5,000.00) to the member's spouse or other designated beneficiary or beneficiaries, as the case may be.
 - (c) With five (5) or more years of continuous service:
 - (1) A single sum amount of five thousand dollars (\$5,000.00) to the member's spouse or other designated beneficiary or beneficiaries, as the case may be, plus;
 - (2) To the spouse until remarriage or death, in equal monthly payments, a pension equal to sixty-five (65) percent of that member's accrued pension as of date of death, subject to a minimum of twenty (20) percent of average monthly earnings; or to a designated beneficiary or beneficiaries other than the spouse, until death, a monthly benefit equal to the actuarial equivalent of a lifetime benefit payable to the member in the amount of sixty-five (65) percent of such member's accrued pension as of date of death, plus;
 - (3) To the child of the deceased member, the same benefits as are payable by reason of service incurred death, subject however, to a maximum combined limitation of monthly payments to the spouse and children of fifty (50) percent of average monthly earnings and thirty-five (35) percent after remarriage or death of spouse.
 - (3) In the event more than one beneficiary is designated by the member, the death benefits provided in this Section shall be apportioned equally among the beneficiaries.
- (G) *Vesting.*
- (1) If a member terminates his employment with the Police Department, either voluntarily or by lawful discharge, and is not eligible for any other benefits under this system, he shall be entitled to the following:
 - (a) Effective September 1, 1999, with less than ten (10) years of continuous service, refund of member contributions with a noncompounded simple interest rate of three (3) percent per year applied to the principal balance of the participant's contribution as accrued on December 31 of each year, per year. In the event the amount of member contributions with interest exceeds one thousand dollars (\$1,000.00), the refund of member contributions and interest shall be made only upon the written request of a member or designated beneficiary.
 - (b) With ten (10) or more years of continuous service:
 - (1) The pension benefit accrued to his date of termination, payable commencing on the date which would have been his earliest normal retirement date had he remained in employment, provided he does not elect to withdraw his member contributions; or
 - (2) Effective September 1, 1999, refund of member contributions with a noncompounded simple interest rate of five (5) percent per year applied to the principal balance of the participant's contribution as accrued on December 31 of each year.

- (2) Any member of this system who, for whatever reason, has his employment with the City as a police officer terminated, but who remains with or was previously employed by the City in some other capacity so that his total period of employment with the City is ten (10) years or more, shall have all benefits accrued under this system preserved, provided he does not elect to withdraw his member contributions. These accrued benefits shall be payable at his otherwise normal retirement date, in accordance with the provisions of this system. For purposes of determining normal retirement date under this vesting provision, continuous service shall include all continuous employment with the City as an employee as herein defined as well as the period of time subsequent to termination as a member of this system; however, benefits shall not be payable under this system during any period of continued employment by the City. Upon the written election of the Police Chief not to participate in the system, the employment of the Police Chief shall be deemed terminated for the purpose of applying the provisions of this system. A Police Chief who terminates his participation in this system shall not thereafter be eligible to receive benefits through this system while actively employed by the City.
- (H) *Application of Section.* The provisions set forth herein shall be applicable to all current and future members of the plan, except those members who retired, entered the DROP plan, or terminated employment prior to August 17, 1999. Members who retired, entered the DROP plan, or terminated employment prior to August 17, 1999 shall receive benefits in accordance with the plan provisions in effect on the date of their retirement, entry into the DROP plan, or termination, whichever is earliest.
- (I) **Maximum Benefits.** A member may not receive a pension or disability benefit which exceeds the lesser of:
- (1) One hundred (100) percent of the member's average compensation for the highest three (3) consecutive years as a member in the pension fund, or one hundred (100) percent of the member's average monthly earnings for the highest five (5) of the last ten (10) years of service for members hired after July 7, 2015; or
 - (2) A maximum annual starting benefit of one hundred eight thousand dollars (\$108,000.00); provided, in no event shall a member's total benefit be less than two (2) percent of average monthly earnings for each year of continuous service; or
 - (3) The maximum amount allowed under Section 415 of the Internal Revenue Code (increased to reflect the cost-of-living adjustment factor prescribed under Section 415(d) of the Internal Revenue Code), that is incorporated herein by reference. Notwithstanding any other provision of the system to the contrary, the annual benefit to which a member is entitled under the system shall not, in any limitation year, be in an amount which would exceed the applicable limitations under Section 415 of the Internal Revenue Code and the regulations issued thereunder. If the benefit payable under the system would (but for this Section) exceed the limitations of Section 415 of the [Internal Revenue] Code by reason of a benefit payable under another defined benefit plan aggregated with this system under [Internal Revenue] Code Section 415(f), the benefit under this system shall be reduced only after all reductions have been made under such other plan. As of January 1 of each calendar year commencing on or after January 1, 2008, the dollar limitation as determined by the Commissioner of the Internal Revenue Service for that calendar year, adjusted for the member's age in accordance with the applicable IRS regulations, shall become effective as the maximum permissible dollar amount of benefit payable under the system during the limitation year ending within that calendar year.
- (J) *Required Payment of Pension Benefits.* Pension benefits shall begin no later than April 1 of the calendar year following the calendar year in which the member retires, or in which the member attains age seventy and one-half (70½), even if the member has not filed a claim for pension benefits. In addition, payment of benefits shall be made in accordance with the applicable provisions of Section 401(a)(9) of the Internal Revenue Code, which is incorporated herein by reference. Notwithstanding any other provision of this plan to the contrary, a form of retirement income payable from this plan, shall satisfy the following conditions:
- (1) If the retirement income is payable before the member's death:

- a. It shall either be distributed or commence to the member not later than April 1 of the calendar year following the later of the calendar year in which the member attains age seventy and one-half (70½), or the calendar year in which the member retires;
- b. The distribution shall commence not later than the calendar year defined above; and (i) shall be paid over the life of the member or over the lifetimes of the member and spouse, issue or dependent, or (ii) shall be paid over the period extending not beyond the life expectancy of the member and spouse, issue or dependent.

Where a form of retirement income payment has commenced in accordance with the preceding paragraphs and the member dies before his entire interest in the plan has been distributed, the remaining portion of such interest in the plan shall be distributed no less rapidly than under the form of distribution in effect at the time of the member's death.

- (2) If the member's death occurs before the distribution of his interest in the plan has commenced, member's entire interest in the plan shall be distributed within five (5) years of member's death, unless it is to be distributed in accordance with the following rules:

- a. The member's remaining interest in the plan is payable to his spouse, issue or dependent;
- b. The remaining interest is to be distributed over the life of the spouse, issue or dependent or over a period not extending beyond the life expectancy of the spouse, issue or dependent; and
- c. Such distribution begins within one year of the member's death unless the member's spouse, is the sole designated beneficiary, in which case the distribution need not begin before the date on which the member would have attained age seventy and one-half (70½) and if the member's spouse dies before the distribution to the spouse begins, this Section shall be applied as if the spouse were the member.

- (K) *Qualified Health Insurance Premiums.* Upon the written request of the member, a distribution hereunder, or part thereof, shall be paid directly to an insurer on account of the qualified health insurance premiums payable by such member who is an eligible retired public safety officer, in accordance with the applicable provisions and limitations in Section 402 of the Internal Revenue Code.

(Code 1980, § 18-48; Am. Ord. No. 28-79, passed 5/14/79; Am. Ord. No. 97-84, passed 1/15/85; Am. Ord. No. 46-87, passed 5/26/87; Am. Ord. No. 104-87, passed 12/22/87; Am. Ord. No. 52-89, passed 9/12/89; Am. Ord. No. 53-89, passed 9/12/89; Am. Ord. No. 18-90, passed 5/22/90; Am. Ord. No. 52-92, passed 10/27/92; Am. Ord. No. 17-93, passed 3/10/93; Am. Ord. No. 50-95, passed 9/19/95; Am. Ord. No. 29-99, passed 8/17/99; Ord. No. 26-00, § 3, passed 9/26/00; Ord. No. 18-04, § 1, passed 3/11/04; Ord. No. 25-06, § 1, passed 5/2/06; Ord. No. 15-08, § 1, passed 4/1/08; Ord. No. 15-11, § 1, passed 5/3/11; Ord. No. 16-12, § 3, passed 6/19/12; Ord. No. 10-13, § 1, passed 6/4/13; [Ord. No. 10-15](#), § 3, passed 7/7/15; [Ord. No. 06-16](#), § 2, passed 2/16/16; Ord. No. [17-16](#), § 2, passed 10/4/16)

Sec. 33.63. - OPTIONAL FORMS OF BENEFITS.

Each member entitled to a normal, early or disability retirement benefit shall have the right at any time prior to his actual retirement to elect to have his benefit payable under any one of the options hereinafter set forth in lieu of the benefits otherwise provided herein, and to revoke any elections and make a new election at any time prior to actual retirement. **The value of optional benefits shall be actuarially equivalent to the value of benefits otherwise payable.** The member shall make an election by written request to the Board of Trustees, this request being retained in the Board's files.

- (A) *Option 1. Joint and Last Survivor Option.* A retiring member may elect to receive an actuarially adjusted retirement benefit during his lifetime and have such retirement benefit (including

seventy-five (75) percent, sixty-six and sixty-six one hundredths (66.66) percent or fifty (50) percent thereof) continued after his death to and during the lifetime of a designated joint annuitant. The election of Option 1 shall be null and void if the designated joint annuitant dies before the member's retirement, unless the member designates another joint annuitant in accordance with Subsection 33.61(C). In addition, the member may elect to add a "pop-up" feature to his joint and survivor option, then, upon the death of his joint annuitant, the amount of his monthly payment will be increased to the amount of a straight life annuity and such amount will be payable as of the first day of each month after the death of his joint annuitant for the remainder of his lifetime. A member electing to add the pop-up feature to his joint and survivor option will have his monthly benefit under this Option 1 actuarially reduced to take into account the addition of the pop-up feature.

- (B) *Option 2. Ten Years Certain and Life Thereafter.* A retiring member may elect to receive a retirement benefit with one hundred twenty (120) monthly payments guaranteed. If, after retiring, the member should die before the one hundred twenty (120) monthly payments are made, payments are then continued to his designated beneficiary until one hundred twenty (120) payments in all have been made, at which time benefits cease. After expiration of the one hundred twenty (120) monthly payments guaranteed, should the retired member be then alive, payments shall be continued during his remaining lifetime. Notwithstanding any other provision of the plan to the contrary, this option (Option 2) shall be the normal form of benefit for unmarried employees who retire from active service on or after December 31, 1999.
- (C) *Option 3. Other.* In lieu of the other optional forms enumerated in this Section, retirement benefits may be paid in any form approved by the Board so long as actuarial equivalence with the benefits otherwise payable is maintained.

(Code 1980, § 18-49; Ord. No. 26-00, § 4, passed 9/26/00; Ord. No. 20-09, § 2, passed 5/5/09; Ord. No. 16-12, § 4, passed 6/19/12)

Sec. 33.64. - CONTRIBUTIONS.

(A) *Member Contributions.*

- (1) Members shall make regular contributions to the Trust Fund at a rate equal to nine (9) percent of their respective annual earnings. Eligible employees, as a condition of membership, shall agree in writing upon becoming a member to make the contribution specified herein. These contributions shall be deducted from the earnings before the same are paid, until the member has earned the maximum normal retirement benefit payable under the System.
- (2) The City shall pick up the member contribution required by subsection (A)(1), above. The contributions so picked up shall be treated as employer contributions in determining tax treatment under the United States Internal Revenue Code. The City shall pick up the member contributions from funds established and available in the salaries account, which funds would have otherwise been designated as member contributions and paid to the pension fund. Member contributions picked up by the City pursuant to this subdivision shall be treated for purposes of making a refund of member contributions, and for all other purposes of this and other laws, in the same manner and to the same extent as member contributions made prior to the effective date of this subdivision. The intent of this subdivision is to comply with Section 414(h)(2) of the Internal Revenue Code. No employee shall have the option of choosing to receive the contributed amounts directly instead of having them paid by the City to the System.

- (B) *State Contributions.* Any moneys received or receivable by reason of laws of the State, for the express purpose of funding and paying for retirement benefits for Police Officers of the City shall be deposited in the Trust Fund comprising part of this system. By mutual agreement of the City and police officers' union, all annual premium tax moneys received pursuant to F.S. ch. 185, up to the amount received during the 2013 calendar year six hundred six thousand five hundred ninety-five dollars (\$606,595.00) shall be used to offset the cost of current benefits by reducing the City's annual

ATTACHMENT #3



May 8, 2015

VIA EMAIL

Mr. Jack Warner
City of Delray Beach
100 NW 1st Ave.
Delray Beach, FL 33444

Re: City of Delray Beach Police Officers' and
Firefighters' Retirement Plan

Dear Mr. Warner:

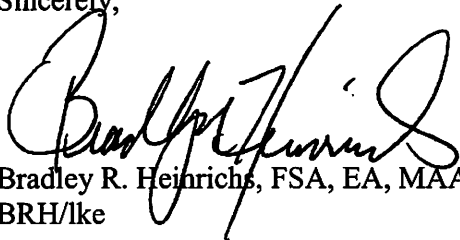
Enclosed is the following material, which has been prepared in support of the proposed benefit improvements to the Fund:

1. A copy of the required Actuarial Impact Statement, which outlines the costs associated with implementing the improvements.
2. Draft of transmittal letters to the Bureau of Local Retirement Systems and the Bureau of Police Officers' Retirement Trust Funds.

It will be necessary for the Chairman of the Board to sign the Actuarial Impact Statement as the Plan Administrator and forward the Impact Statement, along with a copy of the proposed Ordinance, to the two Bureaus prior to the final reading. Please also send us a copy of the final Ordinance once it is signed into law.

If you have any questions concerning the enclosed material, please let us know.

Sincerely,



Bradley R. Heinrichs, FSA, EA, MAAA
BRH/lke

Enclosures

CITY OF DELRAY BEACH
POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN

ACTUARIAL IMPACT STATEMENT

May 8, 2015
(Page 1)

Attached hereto is a comparison of the impact on the Total Required Contribution (per Chapter 112, Florida Statutes), and the Required City Contributions, resulting from the implementation of the following changes for Police Officers:

- A. Member Contributions will be 9.0% of earnings until the member has earned the maximum normal retirement benefit payable under the system.
- B. For Police Officers who are employed on the effective date and have less than 20 years of continuous service as of that date
 1. For service earned on and after the effective date the benefit multiplier shall be 3.0% per year of continuous service.
 - The benefit accrued prior to the effective date shall be based on whether or not the Member elected the enhanced multiplier and the number of years of continuous service at retirement.
 - For those electing the enhanced multiplier and retiring with 20 or more years of continuous service, the benefit multiplier for service accrued prior to the effective date will be 3.5%
 - For those electing the enhanced multiplier and retiring with less than 20 years of continuous service, the benefit multiplier for service accrued prior to the effective date will be 2.5%
 - For those not electing the enhanced multiplier (or hired on or after April 9, 2013) and retiring with 20 years or more of continuous service, the benefit multiplier shall be 3.0% for service prior to the effective date.
 - For those not electing the enhanced multiplier (or hired on or after April 9, 2013) and retiring with less than 20 years of continuous service, the benefit multiplier shall be 2.5% for service prior to the effective date.
 2. The maximum annual starting benefit shall be \$108,000.
- C. For Police Officers who are employed on the effective date and have less than 10 years of service as of the effective date
 1. Earnings shall mean base wages paid to the Member including state education compensation, police basic education, police career education compensation and up to 25 hours of overtime per fiscal year earned through the effective date but excluding overtime earned after the effective date, bonuses and any other payments.

CITY OF DELRAY BEACH
POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN

ACTUARIAL IMPACT STATEMENT

May 8, 2015
(Page 2)

- D. For Police Officers Hired on and after the effective date:
1. Average Monthly Earnings shall mean one sixtieth of the arithmetical average for the highest 5 years of the last 10 years preceding the actual retirement or termination date.
 2. Earnings shall mean basic wages paid to the member including state education compensation, police basic education, police career education compensation, but excluding overtime compensation, bonuses and other payments.
 3. The Normal Retirement date shall be the earlier of:
 - 25 years of continuous service regardless of age
 - Age 55 and the completion of 10 years of continuous service
 4. The Normal Retirement benefit shall be 2.75% of average monthly earnings for each year of continuous service, subject to a maximum annual starting benefit of \$108,000 and further subject to a maximum benefit of 68.75% of average monthly earnings.
 5. No Early Retirement eligibility
- E. As of the effective date, no further benefit enhancement or benefit adjustment shall be paid to Police Officers, other than the 1.0% per year benefit increase.

For the purpose of this Impact Statement the effective date was assumed to be May 18, 2015. The new Unfunded Actuarial Accrued Liability base for the benefit change is amortized over 20 years using the current payroll growth assumption.

The cost impact, determined as of October 1, 2014, as applicable to the plan year ending September 30, 2016, is as follows:

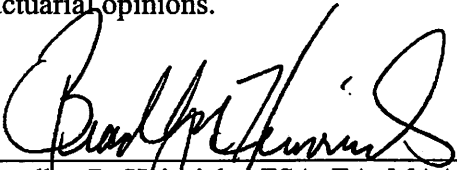
	<u>Current</u>	<u>Proposed</u>
Total Required Contribution	\$13,188,906	\$12,990,162
Less Expected Member Cont.	1,695,783	1,695,783
Equals Required City & State	11,493,123	11,294,379
Applicable State Contribution	504,922	504,922
Balance From City	10,988,201	10,789,457

CITY OF DELRAY BEACH
POLICE OFFICERS' AND FIREFIGHTERS' RETIREMENT PLAN

ACTUARIAL IMPACT STATEMENT

May 8, 2015
(Page 3)

The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution. 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 and the October 1, 2014 actuarial valuation report are considered an integral part of the actuarial opinions.



Bradley R. Heinrichs, FSA, EA, MAAA
Enrolled Actuary #14-6901

STATEMENT OF PLAN ADMINISTRATOR

The prepared information presented herein reflects the estimated cost of the proposed improvement.

Chairman, Board of Trustees

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Benefits <u>10/1/2014</u>	Old Benefits <u>10/1/2014</u>
A. Participant Data		
Number Included		
Actives	250	250
Service Retirees	161	161
DROP Retirees	39	39
Beneficiaries	23	23
Terminated Vested	7	7
Disability Retirees	<u>18</u>	<u>18</u>
Total	498	498
Total Annual Payroll	\$17,429,929	\$17,429,929
Payroll Under Assumed Ret. Age	17,169,271	17,169,271
Annual Rate of Payments to:		
Service Retirees	8,756,731	8,756,731
DROP Plan Members	2,841,170	2,841,170
Beneficiaries	328,307	328,307
Terminated Vested	59,991	59,991
Disability Retirees	557,954	557,954
B. Assets		
Actuarial Value ¹	144,519,908	144,519,908
Market Value ¹	154,253,773	154,253,773
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	97,991,507	99,976,257
Disability Benefits	2,068,785	2,084,962
Death Benefits	964,039	963,076
Vested Benefits	1,958,734	1,881,399
Refund of Contributions	680,738	680,738
Service Retirees	101,195,942	101,195,942
DROP Plan Members ¹	36,039,131	36,039,131
Beneficiaries	3,208,195	3,208,195
Terminated Vested	571,709	571,709
Disability Retirees	4,842,677	4,842,677
Police Overtime Account	1,625,338	1,625,338
COLA Account Balance	<u>8,666,220</u>	<u>8,666,220</u>
Total	259,813,015	261,735,644

C. Liabilities - (Continued)	New Benefits 10/1/2014	Old Benefits 10/1/2014
Present Value of Future Salaries	136,608,588	136,608,588
Present Value of Future Member Contributions	12,294,773	12,294,773
EAN Normal Cost (Retirement)	3,521,988	3,610,133
EAN Normal Cost (Disability)	169,967	170,735
EAN Normal Cost (Death)	84,850	84,771
EAN Normal Cost (Vesting)	132,120	127,097
EAN Normal Cost (Refunds)	<u>124,182</u>	<u>124,182</u>
Total Normal Cost (Entry Age Method)	4,033,107	4,116,918
Present Value of Future Normal Costs (Entry Age)	31,177,018	31,977,762
Accrued Liability (Retirement)	70,203,822	71,351,544
Accrued Liability (Disability)	743,149	751,950
Accrued Liability (Death)	303,192	303,092
Accrued Liability (Vesting)	1,086,030	1,051,492
Accrued Liability (Refunds)	150,592	150,592
Accrued Liability (Inactives) ¹	145,857,654	145,857,654
Police Overtime and COLA Accounts	<u>10,291,558</u>	<u>10,291,558</u>
Total Actuarial Accrued Liability	228,635,997	229,757,882
Unfunded Actuarial Accrued Liability (UAAL)	84,116,089	85,237,974
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives ¹	145,857,654	145,857,654
Actives	32,694,459	32,694,459
Member Contributions	<u>10,110,166</u>	<u>10,110,166</u>
Total	188,662,279	188,662,279
Non-vested Accrued Benefits	<u>4,043,709</u>	<u>4,043,709</u>
Total Present Value Accrued Benefits	192,705,988	192,705,988
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	0	
Benefits Paid (net of DROP Lump Sums)	0	
Interest	0	
Other	<u>0</u>	
Total:	0	

Valuation Date Applicable to Fiscal Year Ending	New Benefits 10/1/2014 <u>9/30/2016</u>	Old Benefits 10/1/2014 <u>9/30/2016</u>
E. Pension Cost		
Normal Cost (with interest) ²	\$4,426,042	\$4,518,019
Administrative Expenses (with interest) ²	247,795	247,795
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 20 years ² (as of 10/1/2014)	8,316,325	8,423,092
Total Required Contribution	12,990,162	13,188,906
Expected Member Contributions ²	1,695,783	1,695,783
Expected City & State Contribution	11,294,379	11,493,123

¹ The asset values and liabilities for DROP Members exclude accumulated DROP Balances.

² Contributions developed as of 10/1/2014 include adjustments for assumed interest and salary.

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate	RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disabled Lives: RP-2000 Disabled Table.
Interest Rate	8.00% per year compounded annually, net of investment related expenses.
Retirement Age	25% retire on normal retirement date; 10% retire each of the next two years; 25% retire in each of the third and fourth years following normal retirement date; and 100% retire the fifth year following normal retirement date.
Disability Rate	See table below.
Termination Rate	See table below.
Salary Increases	6.25% per year for the first 10 years of service, 5.00% thereafter.
Early Retirement	No Early Retirement is assumed.
Cost-of-Living Adjustment	1.00% per year for those that retire after 10/1/1993.
Administrative Expenses	Expenses paid out of the fund other than investment-related expenses are assumed to be equal to the average of actual expenses over the two previous years.
Payroll Growth	1.17% used for 10/1/2014 valuation.
Married	85% are assumed married with the husband 3 years older than the wife.
Funding Method	Entry Age Normal Actuarial Cost Method, for purposes of determining the dollar funding requirement a load of 5.60% is included for projected salary increases and 3.92% for interest.

<u>Age</u>	Firefighters - % Terminating <u>During the Year</u>	Police Officers - % Terminating <u>During the Year</u>	% Becoming Disabled <u>During the Year</u>
20	8.00%	12.00%	0.07%
30	6.00	10.00	0.09
40	0.00	2.00	0.15
50	0.00	0.00	0.50

SUMMARY OF CURRENT PLAN
(Through Ordinance No. 24-13)

<u>Original Effective Date</u>	April 22, 1974.
<u>Latest Amendment Date</u>	November 5, 2013.
<u>Credited Service</u>	Years and fractional parts of years of service as a sworn Police Officer or a regular or volunteer Firefighter employed by the City.
<u>Salary</u>	<p>Basic compensation, excluding commissions, overtime and bonuses. Lump sum payment of unused leave is also excluded.</p> <p>Effective October 1, 2006 for Police Officers', base earnings shall include up to 25 hours of overtime per fiscal year.</p>
<u>Average Final Compensation (AFC)</u>	One twelfth of the average of the 3 highest years of Salary.
<u>Normal Retirement</u>	
Date	The earlier of: 1) age 55 and 10 years of Credited Service, or 2) 20 years of Credited Service, regardless of age.
Benefit	<p>If less than 20 years of service, 2.50% of AFC times years of service. With 20 or more years of service, 3.50% (if the enhanced multiplier is elected) otherwise 3.00% of AFC times years of service, with a maximum benefit of 87.50%.</p> <p>Members hired on or after April 9, 2013 are not eligible to elect the enhanced multiplier.</p>
Form of Benefit	For married retirees, an annuity payable for the life of the Member; upon the death of the member, 100% of the Member's benefit payable to the spouse for one year and 60% payable thereafter until death or remarriage. For unmarried retirees, the normal form is a 10 Year Certain and Life Annuity.
<u>Early Retirement</u>	
Date	Age 50 and 10 years of Credited Service.
Benefit	Accrued benefit, reduced 3.00% for each year prior to Normal Retirement Date.

Cost-of-Living Adjustment

An annual increase equal to 1.00% applies for those who retire after October 1, 1993 commencing on the 25th anniversary of the retiree's hire date. Additional increases are available when the revenue under Chapters 175 and 185 exceeds \$504,922.

Contributions

Employee

6.00% of Salary, Members electing the Enhanced Multiplier contribute an additional 3.00% of Salary. Members hired on and after April 9, 2013 contribute 9.00% of Salary.

Premium Tax

Premium tax refunds.

City

Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability over 30 years.

Disability Benefit

Eligibility

Total and permanent as determined by the Board of Trustees. Ten years of service required for non-service connected disability.

Benefit Amount

Police Officers: Accrued benefit, but not less than 60% of AFC for service connected disabilities. For non-service connected disabilities, a benefit of 2.00% of AFC times years of service with a minimum of 25% of AFC.

Firefighters: Same as above, except the minimum is 61% of AFC.

Pre-Retirement Death Benefit

Service Incurred

50% of AFC to the spouse, plus 5% to each unmarried child under age 18 (age 22 if full-time student), subject to an overall maximum of 60% of AFC.

Non-Service Incurred

A \$2,500 lump sum if less than one year of service. A \$5,000 lump sum if more than one year of service but less than five.

If five or more years of service, a \$5,000 lump sum, plus a monthly benefit to the spouse of 65% of the accrued pension as of the date of death subject to a minimum of 20% of AFC, plus, to the eligible children, a monthly benefit determined in the same manner as the children's service incurred death benefit. The total monthly benefit is subject to a maximum of 50% of AFC and 35% after death or remarriage of the spouse.

Vesting (Termination)

Less than 10 years

Refund of Member Contributions.

10 or more years

Either the accrued benefit payable at Normal Retirement Date, provided contributions are not withdrawn, or a refund of member contributions.

Board of Trustees

The Board consists of the Mayor, the Fire Chief (or a firefighter designated by the Fire Chief), the Police Chief (or a police officer designated by the Police Chief), two City residents appointed by the City Commission, two Members of the Fire Department elected by the Membership and two Members of the Police Department elected by the Membership.

Deferred Retirement Option Plan

Eligibility

Satisfaction of Normal Retirement requirements.

Participation

Not to exceed 60 months.

Rate of Return

Net rate of return on retirement fund assets during the period the employee participates in the DROP.

Form of Distribution

Cash lump sum (options available) at termination of employment.

Ms. Sarah Carr
Police Officers' and Firefighters' Retirement Trust Funds
Department of Management Services, Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

Re: Actuarial Impact Statement

Dear Ms. Carr:

The City of Delray Beach is considering the implementation of amended retirement benefits for its Police Officers. The changes are described in the enclosed material.

Pursuant to the provisions of Chapter 185, we are enclosing the required Actuarial Impact Statement and a copy of the proposed Ordinance for your review.

If you have any questions or if additional information is needed, please contact us.

Sincerely,

Mr. Keith Brinkman
Bureau of Local Retirement Systems
Division of Retirement
Post Office Box 9000
Tallahassee, FL 32315-9000

Re: Actuarial Impact Statement

Dear Mr. Brinkman:

The City of Delray Beach is considering the implementation of amended retirement benefits for its Police Officers. The changes are described in the enclosed material.

Pursuant to Section 22d-1.04 of the Agency Rules, we are enclosing the required Actuarial Impact Statement (AIS) and a copy of the proposed Ordinance for your review.

If you have any questions or if additional information is needed, please contact us.

Sincerely,

ATTACHMENT #4

Tom Foster &
Foster

SUMMARY OF CURRENT PLAN
(Through Ordinance No. 24-13)

<u>Original Effective Date</u>	April 22, 1974.
<u>Latest Amendment Date</u>	November 5, 2013.
<u>Credited Service</u>	Years and fractional parts of years of service as a sworn Police Officer or a regular or volunteer Firefighter employed by the City.
<u>Salary</u>	<p>Basic compensation, excluding commissions, overtime and bonuses. Lump sum payment of unused leave is also excluded.</p> <p>Effective October 1, 2006 for Police Officers', base earnings shall include up to 25 hours of overtime per fiscal year.</p>
<u>Average Final Compensation (AFC)</u>	One twelfth of the average of the 3 highest years of Salary.
Normal Retirement	
Date	The earlier of: 1) age 55 and 10 years of Credited Service, or 2) 20 years of Credited Service, regardless of age.
Benefit	<p>If less than 20 years of service, 2.50% of AFC times years of service. With 20 or more years of service, 3.50% (if the enhanced multiplier is elected) otherwise 3.00% of AFC times years of service, with a maximum benefit of 87.50%.</p> <p>Members hired on or after April 9, 2013 are not eligible to elect the enhanced multiplier.</p>
Form of Benefit	For married retirees, an annuity payable for the life of the Member; upon the death of the member, 100% of the Member's benefit payable to the spouse for one year and 60% payable thereafter until death or remarriage. For unmarried retirees, the normal form is a 10 Year Certain and Life Annuity.
<u>Early Retirement</u>	
Date	Age 50 and 10 years of Credited Service.
Benefit	Accrued benefit, reduced 3.00% for each year prior to Normal Retirement Date.

For Members hired after July 7, 2015:

Compensation is the total actual fixed cash compensation including state education compensation, police basic education, police career education compensation, but excluding overtime compensation, bonuses and other payments.

H. Final Average Compensation (FAC)

For Members hired prior to July 7, 2015:

The average of Compensation over the highest 3 years of Credited Service.

For Members hired on or after July 7, 2015:

The average of Compensation over the highest 5 years out of the last 10 years of Credited Service.

I. Normal Retirement

For Members hired prior to July 7, 2015 with 20 or more years of service as of that date:

Eligibility: A member may retire on the first day of the month coincident with or next following the earlier of:

- (1) age 55 and 10 years of Credited Service, or
- (2) 20 years of Credited Service regardless of age.

Benefit: 3.00% (or 3.50% of FAC for those electing the enhanced multiplier) for each year of Credited Service; subject to a maximum benefit equal to 87.50% of FAC.

Normal Form of Benefit: 10 Years Certain and Life thereafter. For married participants, a monthly income payable for life of member; upon death of member, 100% of member's benefit payable to spouse for one year and 60% thereafter until death or remarriage of spouse.

COLA: Cost of living increases of 1.00% apply for those retiring after October 1, 1993, commencing on the 25th anniversary of the retiree's hire date.

For Members hired prior to July 7, 2015 with less than 20 years of service as of that date:

Eligibility: A member may retire on the first day of the month coincident with or next following the earlier of:

- (1) age 55 and 10 years of Credited Service, or
- (2) 20 years of Credited Service regardless of age.

Benefit: **For those retiring with more than 20 years of service:** 3.00% of FAC (or 3.50% of FAC for those electing the enhanced multiplier) for each year of Credited Service prior to July 7, 2015. For Credited Service earned after July 7, 2015, 3.00% of FAC for each year of Credited Service after July 7, 2015. Members hired after April 9, 2013 are not eligible to elect the enhanced multiplier.

For those retiring with less than 20 years of service: 2.50% of FAC for each year of Credited Service prior to July 7, 2015. For Credited Service earned after July 7, 2015, 3.00% of FAC for each year of Credited Service after July 7, 2015.

The maximum annual starting benefit is \$108,000, but not less than 2.00% of FAC for each year of continuous service.

Normal Form of Benefit: 10 Years Certain and Life thereafter. For married participants, a monthly income payable for life of member; upon death of member, 100% of member's benefit payable to spouse for one year and 60% thereafter until death or remarriage of spouse.

COLA: Cost of living increases of 1.00% apply for those retiring after October 1, 1993, commencing on the 25th anniversary of the retiree's hire date.

For Members hired after July 7, 2015:

Eligibility: A member may retire on the first day of the month coincident with or next following the earlier of:

- (1) age 55 and 10 years of Credited Service, or
- (2) 25 years of Credited Service regardless of age.

Benefit: 2.75% of FAC for each year of Credited Service, subject to a maximum annual starting benefit of \$108,000 (but not less than 2.00% of FAC for each year of continuous service). The maximum benefit is equal to 68.75% of FAC.

Normal Form of Benefit: 10 Years Certain and Life thereafter. For married participants, a monthly income payable for life of member; upon death of member, 100% of member's benefit payable to spouse for one year and 60% thereafter until death or remarriage of spouse.

COLA: Cost of living increases of 1.00% apply for those retiring after October 1, 1993, commencing on the 25th anniversary of the retiree's hire date.

ATTACHMENT #5

CITY OF DELRAY BEACH POLICE OFFICERS' RETIREMENT SYSTEM

Notification of Benefits Payable as a Result of Participation
in the Deferred Retirement Option Plan (DROP)

Participant's Name: _____

You are eligible for a Normal Retirement Benefit from the Plan. Your benefit is payable at the beginning of each month commencing on DROP payments will end on the date you choose, but not later than . The amount of your monthly benefit depends on the optional form of annuity which you choose. Please initial the one optional annuity form listed below that you elect to receive.

- _____ 1. **MODIFIED CASH REFUND ANNUITY:** This option provides payments of \$10,837.00 to you as long as you live. If you should die before you have received an amount equal to your own contributions to the Plan, payments will continue to your beneficiary until your own accumulated contributions have been used up.
- _____ 2. **TEN YEAR CERTAIN AND LIFE THEREAFTER ANNUITY:** This option provides monthly payments of \$10,704.00 to you as long as you live. If you should die before 120 monthly payments have been made, the same amount* will continue to be paid to your beneficiary until a total of 120 monthly payments have been made in all.
- _____ 3. **60% CONTINGENT ANNUITY:** This option provides monthly payments of \$9,825.00 to you as long as you live. After your death, monthly payments to your surviving spouse until death or remarriage will be \$9,825.00 for the 12 months following your death and then \$5,895.00 thereafter. If you should die before you have received an amount equal to your own contributions to the Plan, payments will continue to your beneficiary until your own accumulated contributions have been used up.
- _____ 4. **100% JOINT AND SURVIVOR ANNUITY:** This option provides monthly payments of \$9,250.00 to you as long as you live. Your designated beneficiary, if living at the time of your death, will then receive monthly payments of \$ 9,250.00 * as long as he/she lives.
- _____ 5. **75% JOINT AND SURVIVOR ANNUITY:** This option provides monthly payments of \$9,600.00 to you as long as you live. Your designated beneficiary, if living at the time of your death, will then receive monthly payments of \$7,200.00 * as long as he/she lives.
- _____ 6. **66 2/3% JOINT AND SURVIVOR ANNUITY:** This option provides monthly payments of \$9,725.00 to you as long as you live. Your designated beneficiary, if living at the time of your death, will then receive monthly payments of \$6,450.00 * as long as he/she lives.
- _____ 7. **50% JOINT AND SURVIVOR ANNUITY:** This option provides monthly payments of \$9,980.00 to you as long as you live. Your designated beneficiary, if living at the time of your death, will then receive monthly payments of \$4,990.00 * as long as he/she lives.
- _____ 8. **100% JOINT AND SURVIVOR ANNUITY WITH POP-UP:** This option provides monthly payments of \$ _____ to you as long as you and your beneficiary live. Your designated beneficiary, if living at the time of your death, will then receive monthly payments of \$ _____ * as long as he/she lives. If you are living at the time of your beneficiary's death, you will then receive monthly payments of \$ _____ * as long as you live.
- _____ 9. **75% JOINT AND SURVIVOR ANNUITY WITH POP-UP:** This option provides monthly payments of \$ _____ to you as long as you and your beneficiary live. Your designated beneficiary, if living at the time of your death, will then receive monthly payments of \$ _____ * as long as he/she lives. If you are living at the time of your beneficiary's death, you will then receive monthly payments of \$ _____ * as long as you live.
- _____ 10. **66 2/3% JOINT AND SURVIVOR ANNUITY WITH POP-UP:** This option provides monthly payments of \$ _____ to you as long as you and your beneficiary live. Your designated beneficiary, if living at the time of your death, will then receive monthly payments of \$ _____ * as long as he/she lives. If you are living at the time of your beneficiary's death, you will then receive monthly payments of \$ _____ * as long as you live.
- _____ 11. **50% JOINT AND SURVIVOR ANNUITY WITH POP-UP:** This option provides monthly payments of \$ _____ to you as long as you and your beneficiary live. Your designated beneficiary, if living at the time of your death, will then receive monthly payments of \$ _____ * as long as he/she lives. If you are living at the time of your beneficiary's death, you will then receive monthly payments of \$ _____ * as long as you live.

* This amount will be adjusted to reflect any cost of living increases the member had received prior to death.

Section 415 of the Internal Revenue Code establishes a maximum limit on the amount of the benefit that can be paid from this plan. The benefit amount shown does not reflect the Section 415 limitation. The Section 415 limitation will be applied at the time retirement benefits are paid to you. Benefits that exceed the Section 415 limitation will not be paid from this plan.

Participant's Name: _____

The amounts above are based on the following information:

Your Date of Birth:	xx/xx/1970	Credited Service Date:	xx/xx/1997
Date of Termination:	xx/xx/2021	Years of Credited Service:	24.0000
Average Monthly Earnings:	\$12,xxx.xx		
Beneficiary Name:	Spouse	Beneficiary Date of Birth:	xx/xx/1983

After-Tax Contributions:	\$0.00		
Pre-Tax Contributions:	N/A		
Interest on Contributions:	N/A		
Accumulated Employee Contributions:	N/A		
Nontaxable Portion of Monthly Benefit for Options 1 or 2:	---	Number of Months Nontaxable Portion Continues:	---
Nontaxable Portion of Monthly Benefit for Options 3, 4, 5, 6, 7, 8, 9, 10 or 11:	---	Number of Months Nontaxable Portion Continues:	---

The Survivor Annuity benefit amounts shown above are based on the beneficiary named above and are payable only to this beneficiary. Should you wish to change your beneficiary before your payments begin, new amounts will have to be calculated.

This calculation is subject to correction. If you are or become aware of errors in the data that was used, the calculations that were made, or the plan provisions that were applied, it is your responsibility to contact the plan administrator. The plan has the right to recover from you amounts that were paid to you in error.

BOARD OF TRUSTEES: By _____ DATE: _____

I accept the terms above, including my choice of annuity form, and confirm the information shown above to be correct.

PARTICIPANT'S SIGNATURE: _____ DATE: _____

Calculation Date: May 21, 2021

State of _____

County of _____

The foregoing instrument was acknowledged before me by means of () physical presence or () online notarization this _____ day of _____, 20____ by _____, who is personally known to me or who has produced the following identification: _____

_____ (Notary Signature)

Seal:

_____ (Print Name of Notary)

ATTACHMENT #6

established as part of the defined benefit pension plan, to be funded exclusively with Ch. 185 premium tax revenues. However, the City and Union have mutually agreed that all Ch. 185 premium tax revenues will be used to offset the City's pension contributions and that no Ch. 185 premium tax revenues will be allocated to the share plan at this time. The share plan shall not be activated until Ch. 185 premium tax revenues are allocated to the share plan. At such time as the City and Union agree to allocate Ch. 185 premium tax revenues to the share plan, the parties will negotiate the details of the share plan.

Section 2

Establish benefits as follows:

Tier 1: Employees with 20 or more years of service and retired/terminated employees:

- No change in pension benefits.

Tier 2: Employees with at least 10 years of service but less than 20 years of service at the time of plan change:

- Multiplier reduced from 3.5% to 3% for all future service, all retirement benefits determined using the final average compensation as of the retirement and/or termination date.
- Starting benefit limited to \$108,000 per year.
- Employees that reach 20 years of service shall retain

the 3.5% multiplier for all years of service prior to the Plan change.

- Compensation includes up to 25 hours of overtime.
- Participants remain eligible for the DROP on same terms as existing on day before amendment to Ordinance.
- COLA of not less than one percent (1%) will continue to be applied annually.

Tier 3: Employees not vested at the time of plan change:

- Multiplier reduced from 3.5% to 3% for all future service, all retirement benefits determined using the final average compensation as of the retirement and/or termination date.
- Compensation excludes any overtime earned after the plan change.
- Employees that reach 20 years of service shall retain the 3.5% multiplier for all years of service prior to the Plan change.
- COLA of not less than one percent (1%) will continue to be applied annually.
- Participants remain eligible for DROP on the same terms as existing on the day before amendment to Ordinance.
- Average Final Compensation: Highest 5 of last 10 years.
- Starting benefit limited to \$108,000 per year.

Tier 4: Employees hired after plan change:

- 2.75% multiplier for all credited service.
- Benefit limited to 68.75% of final average compensation.
- Normal Retirement changed to the later of age 55 or 25 years of service.
- Eliminated Early Retirement.
- Compensation excludes any overtime.
- Average Final Compensation: Highest 5 of last 10 years.
- Starting benefit limited to \$108,000 per year

Section 3

Notwithstanding any other provision of this Article, the parties agree that once the pension ordinance has been amended in accordance with Section 1 above, the City may revoke its participation in Chapter 185 pursuant to Fla. Stat. 185.60 at any time during the term of this Agreement if it determines that it is dissatisfied with the performance of the Board of Trustees responsible for administering the Chapter 185 pension plan (Plan). In determining the performance of the Board of Trustees the City shall consider some or all of the following factors in its sole discretion:

- (1) The Investment performance the plan;