



City of North Miami Beach  
Retirement Plan for Police  
Officers & Firefighters

## **Review of Funding Options Based on the October 1, 2008 Actuarial Valuation**

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## Funding Options in General

- In Florida, the unfunded actuarial accrued liability (UAAL) may be funded over a period of up to 30 years from the date liabilities are recognized.
- The Florida law is more restrictive than GASB rules which currently allow up to 30 years for the whole UAAL.
- Based on our reading of the October 1, 2008 actuarial valuation, the plan is funding its UAAL over a net 22 year period as a level % of pay.

## October 1, 2008 Valuation Results

- As of the valuation date the plan was 60.5% funded.
- The actuarial value of assets totaled about \$9 million more than the market value representing investment losses that will be recognized in future years.
- Additionally as of March 31, 2009 market assets were down an additional \$10 million from their October 1, 2008 value.
- We do not have any more current information, but given our experience with similar plans, we anticipate that the market value should have experienced a significant rebound since April 1, 2009.

## Ordinance 2007-3

- North Miami Beach adopted the above ordinance which requires that plan funding be no less than 70% as of October 1, 2014.
- The plan's actuary indicated that, prior to the downturn in the investment markets in 2008 and 2009, funding was on track to achieve this goal with minimal additional contributions.
- The market downturn has created an imbalance that may require about \$3 to \$4 million a year in additional city contributions to reach 70% by 2014.

## Projected Funding %'s

- Funding on the current amortization schedule, without the additional contributions required by ordinance 2007-3, is expected to achieve 70% about 2024 and 100% about 2039.
- These projections are in compliance with Florida law and GASB standards.
- They include a -8% projected return for the year ended September 30, 2009.
- The projections presume that returns beginning in 2009 will match the 8% actuarial assumption.
- They do not include the market bounce that we have seen in early 2010.

## Projected Funding %'s

- Furthermore, contribution income remains greater than benefit payments, meaning that the plan is not anticipating any near term cash flow needs.
- Given the economic and budget difficulties facing most city governments, it appears prudent to delay implementation of ordinance 2007-3 until the investment market has time to recover somewhat and tax revenues have an opportunity to stabilize.
- Then the city will be in a better position to consider a long-term funding policy that has sufficient flexibility to allow prudent reaction to outside factors.

## Plan Design Discussion

- The plan provides for retirement upon completion of 20 years of service. Upon attainment of 20 years of service 75% of participants are expected to retire, of which half will elect to enter a DROP period.
- This means that for funding purposes, that the plan is funded over a working career that is 20 to 21 years long.
- An alternative design would be a PLOP or BackDROP which does not require advance election but allows flexibility in benefit choice throughout a participant's career.

## Plan Design Discussion

- If the DROP choice were moved to the end of the working career rather than in the middle then plan funding could be extended over the whole working career. This could potentially improve funding %'s and ease contribution pressure.
- Issues regarding when employee contributions cease will have to be addressed but there are alternatives for this.
- The plan also indicates an age 52 normal retirement age. The City and Police Department may want to consider career objectives and how the pension plan could be modified to encourage desired behavior.