



October 30, 2014

Board of Trustees
Town of Lauderdale-By-The-Sea
Volunteer Firefighters' Pension Plan
c/o Mr. Jim Silverstone
4513 Ocean Boulevard
Lauderdale by the Sea, Florida 33308

**Re: Town of Lauderdale-By-The-Sea Volunteer Firefighters' Pension Plan
Chapter 2013-100 (Senate Bill No. 534) Implementation Package**

Dear Jim:

In 2013, the Governor signed Chapter 2013-100 (Senate Bill No. 534) into law. This new law applies to all publicly-funded defined benefit retirement plans in the State of Florida, with the exception of the Florida Retirement System (FRS), and it adds significant disclosure requirements. The law is effective beginning with the October 1, 2014 actuarial valuation reporting cycle. We offer our assistance in providing the information required under these new disclosure requirements.

Additional Disclosure Requirements

This law is intended to provide additional disclosures regarding the value of local government employee defined benefit pension plan liabilities, funded ratios, and contribution levels. The law mandates that pension liabilities, including the change in liabilities during the year, contribution requirements, and the length of time the current market value of assets will sustain expected benefit payments, be valued using two alternative sets of prescribed actuarial assumptions. In other words, we are required to determine the following information under two alternative sets of actuarial assumptions (in addition to the regular actuarial valuation results):

- The GASB 67 net pension liability, change in liability and funded ratio;
- The annual required contribution (as a dollar amount and as a percentage of valuation payroll); and
- The number of months or years for which the current market value of assets will sustain payment of expected retirement benefits.

The first set of actuarial assumptions includes the Plan's investment return assumption and the prescribed mortality assumption (RP-2000 fully generational with Scale AA). The second set includes an investment return assumption that is 2% less than the Plan's investment return assumption and the same prescribed mortality assumption as the first set.

Use of an assumed rate of return that is 2% below the Plan's assumed rate of return is intended to illustrate the discount rate sensitivity of the Plan. However, this will only show the impact of using a lower investment return assumption. The Board may want to include the required information also using an assumed rate of return that is 2% **above** the Plan's assumed rate of return. This additional scenario will not be included in the information required by the Department of Management Services (DMS), but it could be included in our report as well as any other place where the required information is shown or used. We will include this additional scenario in our report unless otherwise instructed by the Board.

The attached document shows the currently proposed additional disclosure items that would be required to comply with Chapter 2013-100. This additional information must be sent electronically to the DMS no later than 60 days following the date the Board approves the Actuarial Valuation Report.

The Plan will be deemed noncompliant if the required information is not submitted to the DMS within this time period. In that event, the DMS may notify the Department of Revenue and the Department of Financial Services of noncompliance, which could result in the withholding of any funds not pledged for satisfaction of bond debt service that are payable to the plan sponsor until the information is provided to the DMS.

Website Reporting

Please note that the Board and the City need to ensure the following information is stored on their respective website(s) containing either budget information related to the City or any actuarial or performance information related to the Plan:

- The Plan's most recent financial statement, actuarial valuation report, and a summary of the information required under Chapter 2013-100, including a link to the Division of Retirement Actuarial Summary Fact Sheet for the Plan.
- For the previous five years, beginning with 2013, a side by side comparison of the Plan's assumed rate of return compared to the actual rate of return, along with the percentage of cash, equity, bond, and alternative investments in the Plan portfolio.
- Optionally, any charts or graphs of the data from the above items.

Fees

We recommend that the Board authorize us to provide the above information needed to satisfy these disclosure requirements. Our fee to prepare all of the information summarized above will range from \$2,500 to \$3,000. Upon Board approval to proceed, we will begin preparing the additional required information.

If you should have any questions concerning the above, please do not hesitate to contact us.

Sincerest regards,



Melissa R. Algayer, EA
Consultant and Actuary

60T-1.0035

(1) All reporting fields terms referenced in subsections (2) through (4) are as required under section 112.664(1), unless expressly stated otherwise.

(a) Whenever used in this section “Annual Financial Statements” means a report issued annually which documents the financial information of the pension plan as of the plan year end date and, for the year then ended, certified for statutory compliance by the issuer and/or preparer. The annual financial statements must include a detailed listing of assets and methods used to value them, and a statement of income and disbursements during the year. Such income and disbursements shall be reconciled with the assets at the beginning and end of the year. The submitted annual financial statements must include all the statements and disclosures necessary to comply with section 112.664(1), F.S. If a plan does not have its own stand-alone annual financial statements prepared, a copy of the plan sponsor’s comprehensive annual financial report (CAFR) may be submitted, as long as the CAFR includes combining financial statements documenting the financial information for each plan, in its own separate column, and footnote disclosures in sufficient detail to satisfy the reporting requirements for each pension plan.

(b) Such annual financial statements must be submitted together with a certification statement, signed and dated by the plan actuary and/or the plan sponsor’s chief financial officer. The certification statement will be in the following format:

“With respect to the reporting standards for defined benefit retirement plans or systems contained in section 112.664(1), Florida Statutes, these annual financial statements were prepared and/or completed by me or under my direct supervision, or have been reviewed by me, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, meet the requirements and intent of section 112.664(1), Florida Statutes.”

Signature

Name

Title

Date

(2) The reports required to be filed electronically with the Department of Management Services under section 112.664(1), F.S., shall use the following format:

<u>Electronic Reporting Format - Must be submitted as a semi-colon delimited file in the following layout:</u>			
<u>Reference</u>	<u>Field Name</u>	<u>Field Value</u>	<u>Field Layout Variable length with the maximum number of characters (v#) or Fixed Length with the number of characters (f#)</u>
<u>(a)</u>	<u>City/District</u>	-	<u>v25</u>
<u>(b)</u>	<u>Plan Name</u>	-	<u>v50</u>
<u>(c)</u>	<u>Plan Type</u>	-	<u>v25</u>
<u>(d)</u>	<u>Valuation Date</u>	-	<u>f8 using MMDDYYYY format</u>
<u>(e)</u>	<u>Interest Rate</u>	-	<u>v5 using xx.xx format</u>

<u>(f)</u>	<u>Total pension liability:</u>	<u>Place responses in (f)(1)-(10)</u>	<u>Leave blank</u>
<u>(f)(1)</u>	<u>Service cost</u>	\$ _____	<u>v20 rounded to the nearest whole dollar, exclude "\$" in beginning of field and exclude commas; example 12313445</u>
<u>(f)(2)</u>	<u>Interest</u>	\$ _____	<u>Use (f)(1) field layout</u>
<u>(f)(3)</u>	<u>Benefit changes</u>	\$ _____	<u>Use (f)(1) field layout</u>
<u>(f)(4)</u>	<u>Difference between expected and actual experience</u>	\$ _____	<u>Use (f)(1) field layout</u>
<u>(f)(5)</u>	<u>Changes in assumptions</u>	\$ _____	<u>Use (f)(1) field layout</u>
<u>(f)(6)</u>	<u>Benefit payments</u>	\$ _____	<u>Use (f)(1) field layout</u>
<u>(f)(7)</u>	<u>Contribution refunds</u>	\$ _____	<u>Use (f)(1) field layout</u>

(f)(8)	<u>Net change in total pension liability</u>	\$ _____	<u>Use (f)(1) field layout</u>
(f)(9)	<u>Total pension liability – beginning of year</u>	\$ _____ -	<u>Use (f)(1) field layout</u>
(f)(10)	<u>Total pension liability – ending of year [A]</u>	\$ _____	<u>Use (f)(1) field layout</u>
(g)	<u>Plan fiduciary net position:</u>	<u>Place responses in (g)(1)-(12)</u>	<u>Leave blank</u>
(g)(1)	<u>Contributions – Employer</u>	\$ _____	<u>Use (f)(1) field layout</u>
(g)(2)	<u>Contributions – State</u>	\$ _____	<u>Use (f)(1) field layout</u>
(g)(3)	<u>Contributions – Member</u>	\$ _____	<u>Use (f)(1) field layout</u>
(g)(4)	<u>Net investment income</u>	\$ _____	<u>Use (f)(1) field layout</u>
(g)(5)	<u>Benefit payments</u>	\$ _____	<u>Use (f)(1) field layout</u>

<u>(g)(6)</u>	<u>Contributions refunds</u>	\$ _____	<u>Use (f)(1) field layout</u>
<u>(g)(7)</u>	<u>Administrative expense</u>	\$ _____	<u>Use (f)(1) field layout</u>
<u>(g)(8)</u>	<u>Other</u>	\$ _____	<u>Use (f)(1) field layout</u>
<u>(g)(9)</u>	<u>Net change in plan fiduciary net position</u>	\$ _____	<u>Use (f)(1) field layout</u>
<u>(g)(10)</u>	<u>Plan fiduciary net position - beginning of year</u>	\$ _____	<u>Use (f)(1) field layout</u>
<u>(g)11</u>	<u>Plan fiduciary net position – ending of year [B]</u>	\$ _____	<u>Use (f)(1) field layout</u>
<u>(h)</u>	<u>Net pension liability / (asset) [A] – [B]</u>	\$ _____	<u>Use (f)(1) field layout</u>
<u>(i)</u>	<u>Number of Months or Years for which the Market Value of Assets as of the Valuation</u>	<u>Place responses in (i)(1)-(6)</u>	<u>Leave blank</u>
<u>(i)(1)</u>	<u>Market Value of Assets at Valuation Date</u>	\$ _____	<u>Use (f)(1) field layout</u>

(i)(2)	<u>Total of Monthly Benefits Being Paid at Valuation Date</u>	\$ _____	<u>Use (f)(1) field layout</u>
(i)(3)	<u>Total of Monthly Benefits Payable at Normal Retirement for Terminated, Vested Participants</u>	\$ _____	<u>Use (f)(1) field layout</u>
(i)(4)	<u>Total of Monthly Benefits Payable at Normal Retirement for Active Participants</u>	\$ _____	<u>Use (f)(1) field layout</u>
(i)(5)	<u>Total of (2) - (4)</u>	\$ _____	<u>Use (f)(1) field layout</u>
(i)(6)	<u>Years of Benefits Payable*</u> *[Field Value of (i)(5) ÷ Field Value of (i)(1)] ÷ 12		<u>v6 using xxx.xx format</u>
(j)	<u>Recommended Plan contributions in Annual Dollar Value</u>	\$ _____	<u>Use (f)(1) field layout</u>
(k)	<u>Recommended Plan contributions as a Percentage of Valuation Payroll</u>	-	<u>v5 using xx.xx format</u>

(3) The generational mortality used by Pension Plans when submitting under (1) above, will reflect the mortality improvement before and after the measurement date in the following electronic format:

(a) Total pension liability:

1. Service cost	\$
2. Interest	\$
3. Benefit changes	\$
4. Difference between expected and actual experience	\$
5. Changes in assumptions	\$
6. Benefit payments	\$
7. Contribution refunds	\$
8. Net change in total pension liability	\$
9. Total pension liability – beginning	\$
10. Total pension liability - ending [A]	\$

(b) Plan fiduciary net position :

1. Contributions – Employer	\$
2. Contributions – State	\$
3. Contributions – Member	\$
4. Net investment income	\$
5. Benefit payments	\$
6. Contributions refunds	\$
7. Administrative expense	\$
8. Other	\$
9. Net change in plan fiduciary net position	\$
10. Plan fiduciary net position - beginning	\$
11. Plan fiduciary net position – ending [B]	\$

(c) Net pension liability / (asset) [A] – [B] \$

(d) A complete electronic copy of the plan’s annual financial statements submitted in a portable document format (PDF)

(4) Administrators of Pension plans complying with the reporting requirements in (3) above, will also submit electronically a report that meets the requirements of section 112.664(1)(b), F.S., in the following format:

(a) Total pension liability:

1. Service cost	\$
2. Interest	\$
3. Benefit changes	\$
4. Difference between expected and actual experience	\$
5. Changes in assumptions	\$
6. Benefit payments	\$
7. Contribution refunds	\$
8. Net change in total pension liability	\$
9. Total pension liability – beginning	\$
10. Total pension liability - ending [A]	\$

(b) Plan fiduciary net position:

1. Contributions – Employer	\$
2. Contributions – State	\$

3. Contributions – Member	\$
4. Net investment income	\$
5. Benefit payments	\$
6. Contributions refunds	\$
7. Administrative expense	\$
8. Other	\$
9. Net change in plan fiduciary net position	\$
10. Plan fiduciary net position - beginning	\$
11. Plan fiduciary net position – ending [B]	\$

(c) Net pension liability / (asset) [A] – [B] \$

(d) A complete electronic copy of the plan’s annual financial statements submitted in a portable document format (PDF)

(5) Disclosure of the number of months or years for which the current market value of assets will sustain the payment of expected retirement benefits is required, based on the results in the plan’s latest actuarial valuation, and under the conditions specified in (3) and (4) above. For purposes of this calculation, expected retirement benefits shall mean the sum of the following amounts:

(a) For current retirees, the monthly retirement benefit being paid, plus

(b) For terminated vested participants and participants in DROP, the monthly benefit payable at retirement, plus

(c) For active participants, the accrued monthly benefit payable at normal retirement.

(6) Disclosure of the recommended contributions to the plan is required, stated as an annual dollar value and as a percentage of valuation payroll, based on the results in the plan’s latest actuarial valuation, and under the conditions specified in (3) and (4) above.

(7) No additional charts or graphs are prescribed by the Department for compliance with s. 112.664(2)(b)3, F.S.

(8) If the plan’s actuarial valuation report is revised subsequent to the release of the annual financial statements, all the updated actuarial disclosure items identified in this section must be electronically transmitted to the Department within 60 days of receipt of the revised report from the plan actuary. The annual financial statements will not be required to be reissued and resubmitted to the Department.

Rulemaking Authority 112.665 FS. Law Implemented 112.664 FS. History–New _____.