

June 7, 2016

Ms. Althea Leigh-Lodge
Benefits USA, Inc.
3810 Inverrary Blvd., Suite 303
Lauderhill, FL 33319

Re: City of Riviera Beach General Employees' Retirement System - Actuarial Impact Statement

Dear Althea:

As requested, we have reviewed the proposed ordinance for the City of Riviera Beach General Employees' Retirement System. The proposed ordinance would change the definition of Earnings to include bonuses and comply with Section 112.66 (11), Florida Statutes. Accordingly, earnings exclude accumulated unused leave hours earned after August 20, 2014 (the ratification date for the most recent collective bargaining agreement for SEIU members) and annual overtime earnings in excess of 300 hours. We have prepared the enclosed Actuarial Impact Statement measuring the first year financial impact of this change.

The Statement must be filed with the Division of Retirement before the final public hearing on the ordinance. Please have a member of the Board of Trustees sign the Statement. Then send the Statement along with a copy of the proposed ordinance to Tallahassee.

Summary of Findings:

- The present value of future benefits decreases by approximately \$1.6 million.
 - The Plan would be expected to pay out \$1.6 million less, in today's dollars, to current members of the Plan. This can be viewed as the total cost impact due to the plan change if the actuarial assumptions are met each year.
- The Entry Age Normal Actuarial Accrued Liability decreases by approximately \$556,000.
- The first year required City contribution decreases by approximately \$101,000.
- The funded ratio increases from 102.2% to 102.8%.

The proposed ordinance would also amend and restate the plan as described below. In our opinion, the following changes would have no actuarial impact on the cost of the Plan:

- Section 14-21. Definitions
 - Includes clarifying language to definitions of the System and Board.
 - Revises language related to military service to comply with the minimum standards under the Uniformed Services Employment and Reemployment Rights Act (USERRA) and removes of restriction on the timeframe during which a member may purchase prior military service.
 - Removes outdated language regarding a service purchase window.
 - Clarifies that basic wages excludes non-salaried portions of severance pay and car allowances.
 - Removes outdated Internal Revenue Code language from the definition of Earnings.
 - Clarifies the definition of employee to exclude public safety employees.
 - Adds definition of the Plan.
 - Updates definition of plan year to reflect the fiscal year.
 - Updates the definition of spouse.
 - Replaces the term "trustee" with "custodian" and clarifies the custodian's role.

- Section 14-22. Eligibility
 - Incorporates the plan closure language of Ordinance 4058 (financial impact was measured in July 21, 2015 Actuarial Impact Statement).
 - Specifies requirements for plan participation, including a physical examination by the City's medical provider, completion of an application form, which includes the employee's designation of beneficiary or beneficiaries.
 - Eliminates the language regarding waiver of retirement disability allowance for members who have a specific disability upon commencement of plan participation.
 - Provides a limitation on the number of post retirement beneficiary changes without administrative charge to the member.
 - Updates retirement and disability benefit application and review procedures.
- Section 14-23. Retirement dates
 - Removes language requiring retirement no later than the member's 70th birthday.
- Section 14-24. Retirement benefits
 - Removes language regarding the form of payment, which will be added to Section 14-26.
 - Removes an expired minimum benefit provision (only applied to members actively employed on the date the Plan was first adopted).
 - Adds language clarifying that early retirement benefits may be deferred to the first day of the month following normal retirement.
 - Clarifies that a member receiving a nonservice-incurred disability benefit and reaches normal retirement shall receive no less than the member's accrued normal retirement benefit based on service and earnings as of the date of disability.
 - Removes language regarding cessation of service-incurred spousal death benefits upon remarriage.
 - Removes remarriage as a condition for eligibility for a service-incurred benefit payable to eligible children of the deceased member.
 - Adds language to the nonservice-incurred death provisions to comply with the minimum standards under the Uniformed Services Employment and Reemployment Rights Act (USERRA).
 - Clarifies that a member's vested benefit shall be payable the first of the month following normal or early retirement age.
 - Clarifies that a member must live to normal or early retirement age to receive a vested benefit.
- Section 14-25. Contributions
 - Clarifies that member contributions are to be deducted on a biweekly basis immediately upon employment.
 - Removes the 40-year maximum amortization period for the City's financing of any unfunded actuarial accrued liability.
- Section 14-26. Optional forms of retirement benefits
 - Clarifies the straight life annuity as the Plan's normal form of benefit.
 - Specifies the available joint and last survivor percentage options.
 - Removes language regarding the maximum DROP participation period that no longer applies.
 - Provides a minimum DROP interest crediting rate of zero percent (0%).
 - Eliminates mandated attendance of city sponsored employee education programs prior to entering the DROP, but adds language encouraging attendance at such education programs.
 - Adds language specifying that all DROP payments and DROP accruals shall comply with Section 415(b) of the Internal Revenue Code and all regulations thereunder.

- Section 14-27 Administration
 - Updates language regarding composition, election, responsibilities, requirements, and duties of the Board of Trustees.
- Section 14-28 Finances and fund management; establishment and operation of fund
 - Updates and clarifies the roles, responsibilities, and duties of Board of Trustees, custodian, investment consultant, and the city with respect to fund operations.
- Section 14-29 Miscellaneous
 - Removes language regarding the Board physician.
 - Clarifies that benefits shall not be forfeited except as otherwise required by law.
 - Adds language clarifying recovery and re-employment after a service-connected or nonservice-connected disability.
 - Updates language regarding members who are adjudged incapable of personally receiving and giving a valid receipt for any payment due to such member.
 - Removes the requirement that any approved amendments increasing benefits for active employees also apply to retirees and their beneficiaries.
 - Removes outdated language regarding plan termination.
- Section 14-31 Termination of plan
 - Removes outdated language regarding plan termination within the first ten years of the effective date of the original plan.
- Section 14-32 Payment of Member contribution; past continuous service
 - Removes outdated language regarding election to participate in this pension plan.

Under USERRA, if a member dies or becomes disabled while in the military, the Plan would provide certain benefits. The value of these benefits would result in an actuarial loss in the year in which the death or disability occurred. Because of the very low probability that this provision will be utilized, we do not feel that an estimate for advanced funding is necessary.

Please note that the change to the DROP interest crediting rate (i.e., the minimum crediting rate of 0%) will not have an actuarial impact for advance funding purposes since DROP interest crediting rate is not explicitly reflected. However actuarial losses will occur when actual fund earnings are negative.

Required Disclosures

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

The purpose of this report is to estimate the financial effect of the proposed changes. No statement in this report is intended to be interpreted as a recommendation in favor of the changes, or in opposition to them. This report should not be relied on for any purpose other than the purposes described above.

The calculations in this report are based upon information furnished by the Plan Administrator and the City for the October 1, 2015 Actuarial Valuation concerning Plan benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We reviewed this information for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the Plan Administrator or the City.


The calculations in this report are based upon assumptions regarding future events, which may or may not materialize. They are also based on the assumptions, methods, and plan provisions outlined in this report. Future actuarial measurements may differ significantly from the current measurements presented in this

report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the author of this report prior to relying on information in this report.

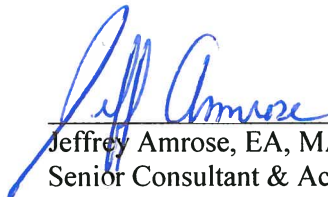
Melissa R. Moskowitz and Jeffrey Amrose are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The undersigned actuaries are independent of the plan sponsor.

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

Respectfully submitted,



Melissa R. Moskowitz, EA, FCA, MAAA
Consultant & Actuary



Jeffrey Amrose, EA, MAAA
Senior Consultant & Actuary

CITY OF RIVIERA BEACH GENERAL EMPLOYEES' RETIREMENT SYSTEM

Actuarial Impact Statement – June 7, 2016

Description of Amendments

The proposed ordinance would change the definition of Earnings to include bonuses and comply with Section 112.66 (11), Florida Statutes. Accordingly, earnings exclude accumulated unused leave hours earned after August 20, 2014 and annual overtime earnings for hours in excess of 300 hours (the ratification date for the most recent collective bargaining agreement for SEIU members).

The proposed ordinance would also amend and restate the Plan as described on pages 1-3 of the attached cover letter.

Funding Implications of Amendment

An actuarial cost estimate is attached. In our opinion, all other changes described on pages 1-3 of the attached cover letter would have no impact on the cost of the Plan.

Certification of Administrator

I believe the amendment to be in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the Constitution of the State of Florida.

For the Board of Trustees
as Plan Administrator

SUPPLEMENTAL ACTUARIAL VALUATION REPORT

Plan

City of Riviera Beach General Employees' Retirement System

Valuation Date

October 1, 2015

Date of Report

June 7, 2016

Report Requested by

Board of Trustees

Prepared by

Melissa R. Moskovitz

Group Valued

All active and inactive members of the Plan.

Plan Changes Being Considered for Change

Current Plan Provision

Earnings means basic wages, excluding non-regular overtime, bonuses, and any other non-regular payments. Basic wages includes salary, longevity and payments for earned, accrued and unused vacation, sick leave, and unreimbursed overtime.

Proposed Plan Provision

Earnings means basic wages, excluding non-regular overtime, and any other non-regular payments. Basic wages includes salary, up to 300 hours of annual regular overtime, longevity, bonuses, and payments for earned, accrued and unused vacation and sick leave accrued prior to August 21, 2014.

This change would apply to all active members as of the effective date.

The proposed ordinance would also amend and restate the Plan as described on pages 1-3 of the attached cover letter.

Actuarial Assumptions and Methods

Same as the October 1, 2015 Actuarial Valuation Report.

Some of the key assumptions/methods are:

Investment Return	7.5%
Salary Increase	6.2% to 11.0% per year, depending on service
Cost Method	Entry Age Normal

Amortization Period for New Changes in Actuarial Accrued Liability

30 years

Summary of Data Used in Report

See attached page.

Actuarial Impact of Proposal(s)

See attached page(s).

In our opinion, the additional changes described on pages 1-3 of the attached cover letter would have no actuarial impact on the cost of the Plan.

Special Risks Involved with the Proposal That the Plan Has Not Been Exposed to Previously

None

ACTUARIALLY DETERMINED EMPLOYER CONTRIBUTION (ADEC)			
A. Valuation Date	October 1, 2015 <i>Before Plan Change</i>	October 1, 2015 <i>After Plan Change</i>	<i>Increase/ (Decrease)</i>
B. ADEC to Be Paid During Fiscal Year Ending	9/30/2017	9/30/2017	
C. Assumed Dates of Employer Contrib.	12/31/2016 & 3/31/2017	12/31/2016 & 3/31/2017	
D. Annual Payment to Amortize Unfunded Actuarial Liability	\$ 0 *	\$ 0 *	\$ 0
E. Employer Normal Cost	1,877,717	1,779,356	(98,361)
F. ADEC if Paid on the Valuation Date: D+E	1,877,717	1,779,356	(98,361)
G. ADEC Adjusted for Frequency of Payments	1,929,411	1,828,342	(101,069)
H. ADEC as % of Covered Payroll	21.68 %	20.55 %	(1.13) %
I. Assumed Rate of Increase in Covered Payroll to Contribution Year	0.00 %	0.00 %	0.00 %
J. Covered Payroll for Contribution Year	8,897,612	8,897,612	0
K. ADEC for Contribution Year: I x K	1,929,411	1,828,342	(101,069)
L. ADEC as % of Covered Payroll in Contribution Year K÷J	21.68 %	20.55 %	(1.13) %

* The annual payment to amortize the UAL is less than \$0; however, under Chapter 112.66 of the Florida Statutes, the annual payment to amortize the UAL may not reduce the contribution below the amount required to fund the Normal Cost.

ACTUARIAL VALUE OF BENEFITS AND ASSETS

A. Valuation Date	October 1, 2015 <i>Before Plan Change</i>	October 1, 2015 <i>After Plan Change</i>	<i>Increase/ (Decrease)</i>
B. Actuarial Present Value of All Projected Benefits for			
1. Active Members			
a. Service Retirement Benefits	\$ 42,356,941	\$ 40,791,192	\$ (1,565,749)
b. Vesting Benefits	1,045,083	1,045,083	-
c. Disability Benefits	1,407,457	1,407,457	-
d. Preretirement Death Benefits	729,187	729,187	-
e. Return of Member Contributions	136,445	136,445	-
f. Total	<u>45,675,113</u>	<u>44,109,364</u>	<u>(1,565,749)</u>
2. Inactive Members			
a. Service Retirees & Beneficiaries	67,253,080	67,253,080	-
b. Disability Retirees	459,024	459,024	-
c. Terminated Vested Members	99,183	99,183	-
d. Total	<u>67,811,287</u>	<u>67,811,287</u>	<u>-</u>
3. Total for All Members	113,486,400	111,920,651	(1,565,749)
C. Actuarial Accrued (Past Service) Liability (Entry Age Normal)	94,222,691	93,666,825	(555,866)
D. Plan Assets			
1. Market Value	97,898,415	97,898,415	-
2. Actuarial Value	96,284,417	96,284,417	-
E. Unfunded Actuarial Accrued Liability	(2,061,726)	(2,617,592)	(555,866)
F. Actuarial Present Value of Projected Covered Payroll	76,812,863	76,812,863	-
G. Actuarial Present Value of Projected Member Contributions	4,608,772	4,608,772	-
H. Accumulated Contributions of Active Members	4,805,840	4,805,840	-
I. Funded Ratio: D2/C	102.2 %	102.8 %	0.6 %

CALCULATION OF EMPLOYER NORMAL COST

A. Valuation Date	October 1, 2015 <i>Before Plan Change</i>	October 1, 2015 <i>After Plan Change</i>	<i>Increase/ (Decrease)</i>
B. Normal Cost for			
1. Service Retirement Benefits	\$ 1,935,368	\$ 1,837,007	\$ (98,361)
2. Vesting Benefits	65,373	65,373	-
3. Disability Benefits	150,682	150,682	-
4. Preretirement Death Benefits	50,121	50,121	-
5. Return of Member Contributions	46,321	46,321	-
6. Total for Future Benefits	<u>2,247,865</u>	<u>2,149,504</u>	<u>(98,361)</u>
7. Assumed Amount for Administrative Expenses	<u>163,709</u>	<u>163,709</u>	<u>-</u>
8. Total Normal Cost	2,411,574	2,313,213	(98,361)
As % of Covered Payroll	27.10 %	26.00 %	(1.11) %
C. Expected Member Contribution	533,857	533,857	-
As % of Covered Payroll	6.00 %	6.00 %	0.00 %
D. Net Employer Normal Cost: B8-C	1,877,717	1,779,356	(98,361)
As % of Covered Payroll	21.10 %	20.00 %	(1.11) %

PARTICIPANT DATA		
	October 1, 2015 <i>Before Plan Change</i>	October 1, 2015 <i>After Plan Change</i>
ACTIVE MEMBERS		
Number	172	172
Covered Annual Payroll	\$ 8,897,612	\$ 8,897,612
Average Annual Payroll	\$ 51,730	\$ 51,730
Average Age	48.4	48.4
Average Past Service	9.2	9.2
Average Age at Hire	39.2	39.2
RETIREES, BENEFICIARIES & DROP		
Number	201	201
Annual Benefits	\$ 6,466,401	\$ 6,466,401
Average Annual Benefit	\$ 32,171	\$ 32,171
Average Age	65.6	65.6
DISABILITY RETIREES		
Number	5	5
Annual Benefits	\$ 66,564	\$ 66,564
Average Annual Benefit	\$ 13,313	\$ 13,313
Average Age	69.6	69.6
TERMINATED VESTED MEMBERS		
Number	3	3
Annual Benefits	\$ 23,040	\$ 23,040
Average Annual Benefit	\$ 7,680	\$ 7,680
Average Age	48.0	48.0