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April 21, 2022

Mr. Martin Lebowitz & Mr. Renaldo Gayle
Plan Administrators
City of North Miami Beach
17011 N.E. 19th Avenue – Room 311
North Miami Beach, Florida 33162

Re: Actuarial Study – Vested Actives as of 2013
Retirement Plan for General Employees of the City of North Miami Beach

Dear Marty & Renaldo:

As requested, we have performed an Actuarial Study as of October 1, 2021 to determine the required contribution of amending the normal retirement eligibility and cost of living increases for current active members who were vested as of 2013 (12/31/2013 for IUPA members and 9/30/2013 for all others) under the Retirement Plan for General Employees of the City of North Miami Beach (Plan). This study was performed at the request of the Pension Board (Board).

Current Plan Provisions – The Plan provides the following provisions:

- Annual cost of living increases (COLA):
  - 2.25% per annum commencing October 1st following receipt of benefit for one (1) year for pre-2013* (3.00%) benefit accruals and
  - 0.75% per annum commencing October 1st after three (3) years following termination of employment for post-2013* (2.50%) benefit accruals
  - No COLA during DROP participation.
- Normal retirement eligibility:
  - For pre-2013 (3.00%) benefit accruals: the earlier of attainment of age sixty-two (62) or attainment of age fifty-five (55) with twenty (20) years of credited service.
  - For post-2013 (2.50%) benefit accruals: the earlier of attainment of age sixty-two (62) with ten (10) years of credited service or attainment of age sixty (60) with twenty-five (25) years of credited service.
- Maximum period of DROP participation is thirty-six (36) months for all future DROPs.

* Note: reference to pre-2013 or post-2013 means December 31, 2013 for IUPA members and September 30, 2013 for all other members

<u>Proposal</u> – We understand the Board is interested in determining the financial impact of the following proposed Plan change:

- For current active employees who were vested as of 2013, the COLA that applies to all post-2013 (2.50%) benefit accruals is increased from 0.75% to 2.25%.

  The timing of the COLA is also changed from three (3) years after termination of employment to the October 1st following receipt of benefit for one (1) year.

  This would effectively provide eligible members the same COLA level and COLA timing as pre-2013 benefit accruals for all post-2013 benefit accruals.

- Normal retirement eligibility is changed to be the earlier of attainment of age sixty-two (62) or attainment of age fifty-five (55) with twenty (20) years of credited service for current active members who were vested as of 2013.

  This would effectively allow future eligible retirees to retire with both pieces of benefit accruals (pre-2013 and post-2013) at the earlier, pre-2013 eligibility.

- For current active employees who were vested as of 2013, DROP participation increased from a maximum of thirty-six (36) months to a maximum of sixty (60) months

The proposed changes would restore (retroactively) the 2.25% COLA and earlier retirement eligibility (age 62 or age 55 and 20 years of service) for all post-2013 benefit accruals for current active employees who were vested when the Plan was amended in 2013.

Please note that the post-2013 COLA for members who terminate service prior to passage of the proposed change remains 0.75%.

<u>Results</u> – The following summarizes the projected annual <u>increase</u> in the required contribution as a dollar amount and as a percentage of covered payroll under the Plan ($7,192,868). For comparison purposes, the total minimum required contribution for the fiscal year ending September 30, 2023 is $4,194,706 (58.3%).

Proposed Change	Estimated Annual Increase in City Required Contribution
For current active employees who were vested as of 2013: COLA and retirement eligibility for Post-2013 benefit accruals changed; DROP period maximum of 60 months	$ 230,000 +3.2%

The Estimated Increase in the City Required Contribution is an annual cost. The impact of the proposed changes on the accrued liability is amortized over 30 years. Thus, the increase in annual cost can be assumed to occur for the next 30 years.

Actuarial assumptions and methods, financial data, Plan provisions and member census data – The actuarial assumptions and methods, financial data and member census data employed for purposes of our Actuarial Study are the same actuarial assumptions and methods, financial data and member census data utilized for the October 1, 2021 Actuarial Valuation of the Plan with the following exceptions:

We were provided a listing of current eligible 2013 vested active members by the Plan Administrator.

Under the proposed change, DROP participation is expected to be five (5) years for all members at first eligibility.

The Plan provisions employed for purposes of our Actuarial Study are the same Plan provisions utilized in the October 1, 2021 Actuarial Valuation of the Plan with the exception of the proposed change described above.

Other Considerations – Under Governmental Accounting Standards Board (GASB) Statement Number 68, we understand the full cost of benefit changes must be recognized immediately in the Pension Expense (for accounting, not for funding).

Risk Assessment – Risk assessment may include scenario tests, sensitivity, or stress tests, stochastic modeling, and a comparison of the present value of benefits at low-risk discount rates. We are prepared to perform such assessment to aid the Board in the decision making process. Please refer to the October 1, 2021 Actuarial Valuation Report dated March 14, 2022 for additional discussion regarding the risks associated with measuring the accrued lability and the minimum funding payment.

This Actuarial Study is intended to describe the estimated future financial effects of the proposed benefit change on the Plan and is not intended as a recommendation in favor of the benefit changes nor in opposition to the benefit changes.

If all actuarial assumptions are met and if all current and future minimum required contributions are paid, Plan assets will be sufficient to pay all Plan benefits, future contributions are expected to remain relatively stable as a percent of payroll and the funded status is expected to improve. Plan minimum required contributions are determined in compliance with the requirements of the Florida Protection of Public Employee Retirement Benefits Act with normal cost determined as a level percent of covered payroll and a level percent amortization payment using an initial amortization period of 30 years.

The Unfunded Actuarial Accrued Liability (UAAL) may not be appropriate for assessing the sufficiency of Plan assets to meet the estimated cost of settling benefit obligations but may be appropriate for assessing the need for or the amount of future contributions. The UAAL would be different if it reflected the market value of assets rather than the smoothed value of assets.

These calculations are based upon assumptions regarding future events. However, the Plan's long term costs will be determined by actual future events, which may differ materially from the assumptions made. These calculations are also based upon present and proposed Plan provisions that are outlined or referenced in this Actuarial Study.

If you have reason to believe the assumptions used are unreasonable, the Plan provisions are incorrectly described or referenced, important Plan provisions relevant to this Actuarial Study are not described or that conditions have changed since the calculations were made, you should contact the undersigned prior to relying on information in this Actuarial Study.

If you have reason to believe that the information provided in this Actuarial Study is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the undersigned prior to making such decision.

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) and changes in Plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

This report does not reflect the recent and still developing impact of COVID-19.

This Actuarial Study should not be relied on for any purpose other than the purpose described in the primary communication. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

This report was prepared using ProVal's valuation model, a software product of Winklevoss Technologies. We are relying on the ProVal model. We performed tests of the ProVal model with this assignment and made a reasonable attempt to understand the developer's intended purpose of, general operation of, major sensitivities and dependencies within, and key strengths and limitations of the ProVal model. In our professional judgment, the ProVal valuation model has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses.

This Actuarial Study 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, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

This Actuarial Study may be provided to parties other than the Board only in its entirety and only with the permission of an approved representative of the Board.

The signing actuaries are independent of the Plan sponsor.

The undersigned are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

If you should have any question concerning the above or if we may be of further assistance with this matter, please do not hesitate to contact us.

Sincerest regards,
Gabriel, Roeder, Smith & Company

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