

ORDINANCE NO. 1157

AN ORDINANCE OF THE CITY OF LYNN HAVEN AMENDING CHAPTER 50, PERSONNEL, ARTICLE V, GENERAL EMPLOYEES' RETIREMENT SYSTEM, OF THE CODE OF ORDINANCES OF THE CITY OF LYNN HAVEN; AMENDING SECTION 50-171 BENEFIT AMOUNTS AND ELIGIBILITY BY ADDING SUBSECTION (f) MONTHLY SUPPLEMENTAL BENEFIT; AMENDING SECTION 50-174, VESTING, TO AMEND THE VESTING SCHEDULE FROM TEN TO FIVE YEARS FOR ALL ACTIVE MEMBERS; PROVIDING FOR INCLUSION IN THE CODE; PROVIDING FOR SEVERABILITY OF PROVISIONS; REPEALING ALL ORDINANCES IN CONFLICT HEREWITH AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the Board of Trustees of the City of Lynn Haven General Employees' Retirement System has recommended this ordinance to amend, effective upon passage of this ordinance; and

WHEREAS, the Board of Trustees of the City of Lynn Haven General Employees' Retirement System believes that implementation of this ordinance is in the best interests of the citizens of the City of Lynn Haven; and

WHEREAS, passage of this ordinance will allow the City to retain more experienced Employees;

NOW, THEREFORE, BE IT ENACTED BY THE PEOPLE OF THE CITY OF LYNN HAVEN, FLORIDA, that;

SECTION 1: That the City of Lynn Haven General Employees' Retirement System, is hereby amended by adding subsection (f) *Monthly supplemental benefit* to Section 50-171, Benefit amounts and eligibility, as follows:

* * *

(f) Monthly supplemental benefit. Any general employee who retires upon reaching normal retirement on or after October 1, 2023, shall be entitled to a three hundred dollar (\$300.00) per month supplement until they are deceased or until they reach the age of sixty-seven (67), whichever occurs first. Any general employee participating in DROP will not be eligible for this supplemental benefit until they separate from employment with the City.

SECTION 2: That the City of Lynn Haven General Employees' Retirement System, is hereby amended by amending Section 50-174, Vesting, as follows:

Section 50-174. –VESTING.

If a member terminates his employment with the City, either voluntarily or by discharge, and is not eligible for any other benefits under this System, the Member shall be entitled to the following:

- (1) If the Member has less than ~~ten~~ **five (5)** years Credited Service upon termination, the Member shall be entitled to a refund of his accumulated contributions or the Member may leave it deposited with the Fund.
- (2) **If a member has been in the service of the city for at least five (5) years, he shall be vested in the following percentage of his accrued benefit at the time he ceases to be an active member of the plan as follows:**

Completed Years of Service	Vested Percentage of Accrued Benefit
Less than 5.....	0%
5.....	50%
6.....	60%
7.....	70%
8.....	80%
9.....	90%
10 or more	100%

If the Member has ~~ten~~ **five (5)** or more years of Credited Service upon termination, the Member shall be entitled to a monthly retirement benefit, determined in the same manner as for normal or early retirement and based upon the vesting schedule and the Member's Credited Service, Average Final Compensation and the benefit accrual rate as of the date of termination, payable to him commencing at the Member's otherwise normal or early retirement date, **determined as if he had remained employed based upon his actual years of Credited Service,** provided he does not elect to withdraw his Accumulated Contributions and provided the Member survives to his otherwise normal or early retirement date. If the Member does not withdraw his Accumulated Contributions and does not survive to his otherwise normal or early retirement date, his Designated Beneficiary shall be entitled to a benefit as provided herein for a deceased Member, vested or eligible for retirement under Pre-Retirement Death.

SECTION 3: If any section, subsection, sentence, clause, phrase of this ordinance, or the particular application thereof shall be held invalid by any court, administrative agency, or other body with appropriate jurisdiction, the remaining section, subsection, sentences, clauses, or phrases under application shall not be affected thereby.

SECTION 4: It is the intention of the City Commission that the provisions of this Ordinance shall become and be made a part of the Code of Ordinances of the City; and that sections of this Ordinance may be renumbered or relettered and the word "ordinance" may be changed to "chapter", "section", "article", or such other appropriate word or phrase in order to accomplish such intentions; and regardless of whether such inclusion in the Code is accomplished, sections of this Ordinance may be renumbered or relettered and the correction of typographical and/or scrivener's errors which do not affect the intent may be authorized by the Mayor or his designee, without need of public hearing, by filing a corrected or recodified copy of same with the City Clerk.

SECTION 5: All ordinances or parts of ordinances, resolutions or parts of resolutions in conflict herewith are hereby repealed to the extent of such conflict.

SECTION 6: This Ordinance shall become effective as of October 1, 2023.

INTRODUCED AND PASSED on first reading, this 13th day of September, 2023.

PASSED AND ADOPTED ON SECOND READING, this 26th day of September, 2023.


JESSE NELSON, MAYOR

ATTEST:


VICKIE GAINER, CITY MANAGER

Approved as to form:


KEVIN OBOS, CITY ATTORNEY

Coding: Words in ~~strikeout~~ type are deletions from existing text.
Words in underline type are additions.

Ordinance 1157



August 23, 2023

Board of Trustees
City of Lynn Haven
General Employees' Pension Board

Re: City of Lynn Haven General Employees' Retirement System

Dear Board:

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

1. Three (3) copies of the required Actuarial Impact Statement, which outlines the costs associated with implementing the changes.
2. Draft of transmittal letters to the Bureau of Local Retirement Systems.

It will be necessary for the Chairman to sign each copy of the Actuarial Impact Statement as the Plan Administrator and forward the Impact Statement, along with a copy of the proposed Ordinance, to the Bureau prior to final reading.

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'JL Griffin', is written over a light blue circular stamp.

Joseph L. Griffin, ASA, EA, MAAA
JLG/lke

Enclosures

**Mr. Keith Brinkman
Bureau of Local Retirement Systems
Division of Retirement
3189 S. Blair Stone Rd.
Tallahassee, FL 32301**

Re: Actuarial Impact Statement

Dear Mr. Brinkman:

The City of Lynn Haven is considering the implementation of amended retirement benefits for its General Employees. 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,

**CITY OF LYNN HAVEN
GENERAL EMPLOYEES' RETIREMENT SYSTEM**

ACTUARIAL IMPACT STATEMENT

August 23, 2023
(Page 1)

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

- Provide a supplemental benefit of \$300 per month, payable to Members retiring under normal retirement. The supplement is payable for the retiree's lifetime but ceases at age 67. Any general employee participating in the DROP will not be eligible for this supplemental benefit until they separate from employment with the City.
- Amend the vesting eligibility requirements (for Members other than the City Manager) from 10 years of Credited Service to 5 years of Credited Service. The benefit amount will be equal to the accrued benefit multiplied by a vested percentage, as follows:

<u>Years of Credited Service</u>	<u>Vested Percentage</u>
Less than 5	None
5 but less than 6	50%
6 but less than 7	60%
7 but less than 8	70%
8 but less than 9	80%
9 but less than 10	90%
10 or more	100%

The cost impact, determined as of October 1, 2022, applicable to the fiscal year ending September 30, 2024, is as follows:

	<u>Proposed</u>	<u>Current</u>
Minimum Required Contribution	\$1,194,278	\$1,086,372
Member Contributions (Est.)	279,328	279,328
City Required Contribution ²	\$914,950	\$807,044

In conjunction with this Actuarial Impact Statement, the following assumption was established:

- DROP Participation: For purposes of valuing the supplemental benefit, 80% of Members eligible for normal retirement are assumed to participate in DROP and those who participate are assumed to participate for an average of 4 years.

CITY OF LYNN HAVEN
GENERAL EMPLOYEES' RETIREMENT SYSTEM

ACTUARIAL IMPACT STATEMENT

August 23, 2023
(Page 2)

Unless otherwise noted, all data, assumptions, methods and plan provisions are the same as in the October 1, 2022 actuarial valuation report. It should be noted that changes to retirement benefits could potentially affect participants' retirement or termination behavior. We will monitor and advise of any recommended changes with future experience studies.

Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope of the analysis, we did not perform an analysis of the potential range of such future measurements.

Please note that contents of this analysis and the October 1, 2022 actuarial valuation report are considered an integral part of the actuarial opinions. In reviewing the results presented in this study, it should be noted that there are risks that may not be inherently apparent to the reader that should be carefully considered. For key risks, please see the Discussion of Risk section of the October 1, 2022 actuarial valuation report.

In performing the analysis, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models to generate the costs. All internally developed models are reviewed as part of the process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

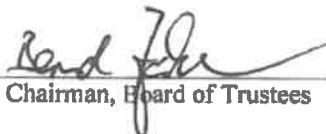
The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution. The undersigned is familiar with the immediate and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the opinions contained herein.



Joseph L. Griffin, EA, ASA, MAAA
Enrolled Actuary #23-6938

STATEMENT OF PLAN ADMINISTRATOR

The prepared information presented herein reflects the estimated impact of the proposed Ordinance.



Chairman, Board of Trustees

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Benefits <u>10/1/2022</u>	Old Benefits <u>10/1/2022</u>
A. Participant Data		
Actives	113	113
Service Retirees	40	40
DROP Retirees	10	10
Beneficiaries	5	5
Disability Retirees	1	1
Terminated Vested	<u>70</u>	<u>70</u>
Total	239	239
Payroll Under Assumed Ret. Age	5,076,484	5,076,484
Annual Rate of Payments to:		
Service Retirees	1,030,946	1,030,946
DROP Retirees	219,686	219,686
Beneficiaries	43,504	43,504
Disability Retirees	8,674	8,674
Terminated Vested	107,417	107,417
B. Assets		
Actuarial Value (AVA) ¹	22,394,108	22,394,108
Market Value (MVA) ¹	19,646,401	19,646,401
C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	12,424,281	12,205,125
Disability Benefits	205,381	205,381
Death Benefits	100,990	88,723
Vested Benefits	1,087,965	589,537
Refund of Contributions	114,901	251,753
Service Retirees		
DROP Retirees ¹	3,143,261	3,143,261
Beneficiaries	217,238	217,238
Disability Retirees	90,958	90,958
Terminated Vested	<u>999,503</u>	<u>999,503</u>
Total	29,753,392	29,160,393

C. Liabilities - (Continued)	New Benefits <u>10/1/2022</u>	Old Benefits <u>10/1/2022</u>
Present Value of Future Salaries	37,421,795	37,421,795
Present Value of Future Member Contributions	1,871,090	1,871,090
Normal Cost (Retirement)	673,307	661,731
Normal Cost (Disability)	16,662	16,662
Normal Cost (Death)	8,353	6,799
Normal Cost (Vesting)	117,739	48,621
Normal Cost (Refunds)	<u>30,424</u>	<u>44,835</u>
Total Normal Cost	846,485	778,648
Present Value of Future Normal Costs	5,717,982	5,411,721
Accrued Liability (Retirement)	7,686,161	7,539,476
Accrued Liability (Disability)	95,572	95,572
Accrued Liability (Death)	44,458	41,514
Accrued Liability (Vesting)	373,722	220,664
Accrued Liability (Refunds)	15,623	31,572
Accrued Liability (Inactives) ¹	<u>15,819,874</u>	<u>15,819,874</u>
Total Actuarial Accrued Liability (EAN AL)	24,035,410	23,748,672
Unfunded Actuarial Accrued Liability (UAAL)	1,641,302	1,354,564
Funded Ratio (AVA / EAN AL)	93.2%	94.3%

D. Actuarial Present Value of Accrued Benefits	New Benefits <u>10/1/2022</u>	Old Benefits <u>10/1/2022</u>
Vested Accrued Benefits		
Inactives ¹	15,819,874	15,819,874
Actives	4,382,814	3,600,869
Member Contributions	<u>1,100,666</u>	<u>1,100,666</u>
Total	21,303,354	20,521,409
Non-vested Accrued Benefits	<u>658,746</u>	<u>1,073,037</u>
Total Present Value Accrued Benefits (PVAB)	21,962,100	21,594,446
Funded Ratio (MVA / PVAB)	89.5%	91.0%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	367,654	
Benefit Changes	0	
Plan Experience	0	
Benefits Paid	0	
Interest	0	
Other	0	
Total	<u>367,654</u>	

Administrative Expenses ²	41,464	41,464
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 15 years (as of 10/1/2022) ²	221,277	188,024
Minimum Required Contribution	1,194,278	1,086,372
Expected Member Contributions ²	279,328	279,328
Expected City Contribution	914,950	807,044

¹ The asset values and liabilities include accumulated DROP Plan Balances as of 9/30/2022.

² Contributions developed as of 10/1/2022 displayed above have been adjusted to account for assumed salary increase and interest components.

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Active Lives:

Female: PubG.H-2010 for Employees.

Male: PubG.H-2010 (Below Median) for Employees, set back one year.

Healthy Retiree Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.

Male: PubG.H-2010 for Healthy Retirees, set back one year.

Beneficiary Lives:

Female: PubG.H-2010 for Healthy Retirees.

Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Disabled Lives:

PubG.H-2010 for Disabled Retirees, set forward three years.

All rates are projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accommodates future mortality improvements.

The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2021 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

Interest Rate

7.50% per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Salary Increases

<u>Service</u>	<u>Salary Scale</u>
<1	7.50%
1-4	6.00%
5-9	5.25%
10-14	4.50%
15+	4.00%

In addition, final projected salary is increased individually to account for additional non-regular payments. The salary increase assumption is based on the results of an actuarial experience study dated March 6, 2018.

Payroll Growth

0.00% for purposes of amortizing the Unfunded Actuarial Accrued Liability. This assumption cannot exceed the ten-year average payroll growth, in compliance with Part VII of Chapter 112, Florida Statutes.

Administrative Expenses

\$37,678 annually, based on the average of actual expenses incurred in the prior two fiscal years.

Amortization Method

New UAAL amortization bases are amortized over 15 years.

Bases established prior to the valuation date are adjusted proportionally to match the Expected Unfunded Actuarial Accrued Liability as of the valuation date, in order to align prior year bases with the portion of the current year UAAL associated with prior year sources.

Normal Retirement

<u>Years Following Normal Retirement Date</u>	<u>Retirement Probability</u>
0-3	25.0%
4	50.0%
5+	100.0%

The assumed rates of retirement are based on an actuarial experience study dated March 6, 2018.

Early Retirement

Commencing with eligibility for Early Retirement Age (Age 50 with 10 years of service), members are assumed to retire with an immediate subsidized benefit at the rate of 2% per year. This assumption is based on an actuarial experience study dated March 6, 2018.

Disability Rates

<u>Age</u>	<u>% Becoming Disabled During the Year</u>
20	0.020%
30	0.027%
40	0.047%
50	0.120%
60	0.600%

It is assumed that 25% of disablements are service related. This assumption is based on an actuarial experience study dated March 6, 2018.

Termination Rate

<u>Service</u>	<u>Termination Probability</u>	<u>Service</u>	<u>Termination Probability</u>
0	15.0%	10	8.0%
1	14.0%	11	7.0%
2	13.0%	12	6.0%
3	12.0%	13	5.0%
4	11.0%	14	4.0%
5	10.0%	15	3.0%
6	7.0%	16+	2.0%
7-9	4.0%		

The termination rates are based on the results of an actuarial experience study dated March 6, 2018.

Asset Valuation Method

All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

Funding Method

Entry Age Normal Actuarial Cost Method. The following loads are applied for determining the minimum required contribution:

Interest - a half year, based on current 7.50% assumption.

Salary - A full year, based on current 6.07% assumption.

**SUMMARY OF CURRENT PLAN
(Through Ordinance No. 1089)**

<u>Effective Date</u>	May 14, 1991
<u>Latest Amendment</u>	March 10, 2020
<u>Credited Service</u>	Total years and fractional parts of years of employment with the City as a General Employee.
<u>Salary</u>	W-2 Earnings, plus all tax deferred, or tax exempt items of income. For Service earned on or after July 1, 2011 Salary shall not include more than 300 hours of overtime per fiscal year. Only unused sick or annual leave accrued as of July 1, 2011 and attributable only to service earned prior to July 1, 2011 may be included in Salary for pension purposes.
<u>Average Final Compensation</u>	Average Salary for the 5 highest years during the last 10 years.
<u>Member Contributions</u>	5.0% of Salary.
<u>City Contributions</u>	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII Chapter 112, Florida Statutes. In no event will the City's contribution be less than 5.0% of the members' total salary.
<u>Normal Retirement</u>	
Date	Attainment of age 55 and 10 years of Credited Service (5 years for the City Manager as of January 14, 2020).
Benefit	3.0% of Average Final Compensation <u>times</u> Credited Service
Form of Benefit	Ten Year Certain and Life Annuity (options available).
<u>Early Retirement</u>	
Eligibility	Age 50 and 10 Years of Credited Service (5 years for the City Manager as of January 14, 2020).
Benefit	Accrued benefit, reduced 1/15 th for each of the first 5 years and 1/30 th for the next 5 years that Early Retirement precedes Normal Retirement.

Vesting

Schedule 100% after 10 years of Credited Service (5 years for the City Manager as of January 14, 2020).

Benefit Amount If not vested: Refund of Accumulated Contributions;
If vested: Accrued (formula) benefit payable at the otherwise Normal Retirement Date.

Disability

Eligibility Total and permanent disability prior to Normal Retirement Date. Ten years of Service required for not-in-line of duty benefits.

Benefit Accrued Benefit, actuarially reduced.

Death Benefits

Pre-Retirement Vested: Monthly accrued benefit payable as a ten-year certain to designated beneficiary at the otherwise Normal Retirement Date.
Non-Vested: Refund of Member's Accumulated Contributions.

Post-Retirement Benefits payable to beneficiary in accordance with option selected at retirement.

Board of Trustees

a. Two Commission appointees,
b. Two Members of Plan elected by the membership, and
c. Fifth Member elected by other 4 and appointed by the Commission.

Deferred Retirement Option Plan

Eligibility Satisfaction of Normal Retirement requirements (Age 55 and 10 years of Credited Service).

Participation Not more than 60 months.

Rate of Return Actual net rate of investment return (total return net of brokerage commissions, and transaction costs) credited each fiscal quarter.

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