

ORDINANCE NO. 1159

AN ORDINANCE OF THE CITY OF LYNN HAVEN AMENDING CHAPTER 50, PERSONNEL, ARTICLE III, POLICE OFFICERS' RETIREMENT SYSTEM, OF THE CODE OF ORDINANCES OF THE CITY OF LYNN HAVEN; AMENDING SECTION 50-81 BENEFIT AMOUNTS AND ELIGIBILITY BY ADDING SUBSECTION (f) MONTHLY SUPPLEMENTAL BENEFIT; AMENDING SECTION 50-84, 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 Police Officers' 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 Police Officers' 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 Police Officers;

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

SECTION 1: That the City of Lynn Haven Police Officers' Retirement System, is hereby amended by adding subsection (f) *Monthly supplemental benefit* to Section 50-81, Benefit amounts and eligibility, as follows:

Section 50-81. -Benefit amounts and eligibility.

* * *

(f) *Monthly supplemental benefit.* Any police officer 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 police officer 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 Police Officers' Retirement System, is hereby amended by amending Section 50-84, Vesting, as follows:

Section 50-84. -VESTING.

If a member terminates his employment as a Police Officer, 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 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.



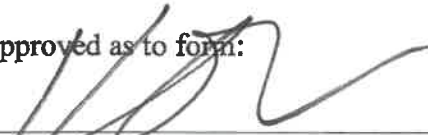
JESSE NELSON, MAYOR

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 1159



August 24, 2023

Board of Trustees
City of Lynn Haven
Police Officers' Pension Board

Re: City of Lynn Haven Police Officers' 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 and the Bureau of Police Officers' and Firefighters' Retirement Trust Funds.

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 two Bureaus prior to final reading.

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

Sincerely,

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

Enclosures

Mr. Steve Bardin
Police Officers' and Firefighters' Retirement Trust Funds
Department of Management Services, Division of Retirement
3189 S. Blair Stone Rd.
Tallahassee, FL 32301

Re: Actuarial Impact Statement

Dear Mr. Bardin:

The City of Lynn Haven is considering the implementation of amended retirement benefits for its Police Officers. The changes are described in the enclosed material.

Pursuant to the provisions of Chapter 185, we are enclosing the required Actuarial Impact Statement along with a copy of the proposed Ordinance for your review.

If you have any questions or if additional information is needed, please contact us.

Sincerely,

Michael Mettelle

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 Police Officers. 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,

Michael Mettelle

**CITY OF LYNN HAVEN
POLICE OFFICERS' RETIREMENT SYSTEM**

ACTUARIAL IMPACT STATEMENT

August 24, 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 firefighter 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 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	\$426,799	\$394,251
Member Contributions (Est.)	97,145	97,145
City And State Required Contribution	329,654	297,106
State Contribution (Est.) ¹	156,389	156,389
City Required Contribution	\$173,265	\$140,717

¹ Represents the amount received in calendar 2023. As per a Mutual Consent Agreement between the Membership and the City, the City may use \$90,000 to offset their funding requirements plus half the excess above \$90,000. The rest is allocated to the Share Plan.

CITY OF LYNN HAVEN
POLICE OFFICERS' RETIREMENT SYSTEM

ACTUARIAL IMPACT STATEMENT

August 24, 2023
(Page 2)

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
POLICE OFFICERS' RETIREMENT SYSTEM

ACTUARIAL IMPACT STATEMENT

August 24, 2023
(Page 3)

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, ASA, EA, 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

	<u>New Benefits</u> <u>10/1/2022</u>	<u>Old Benefits</u> <u>10/1/2022</u>
A. Participant Data		
Actives	36	36
Service Retirees	16	16
DROP Retirees	0	0
Beneficiaries	3	3
Disability Retirees	0	0
Terminated Vested	<u>19</u>	<u>19</u>
Total	74	74
Payroll Under Assumed Ret. Age	1,771,320	1,771,320
Annual Rate of Payments to:		
Service Retirees	458,234	458,234
DROP Retirees	0	0
Beneficiaries	61,636	61,636
Disability Retirees	0	0
Terminated Vested	61,924	61,924
B. Assets		
Actuarial Value (AVA) ¹	11,916,797	11,916,797
Market Value (MVA) ¹	11,003,722	11,003,722
C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	6,409,210	6,279,105
Disability Benefits	85,895	85,895
Death Benefits	29,281	27,053
Vested Benefits	548,618	182,086
Refund of Contributions	39,370	149,060
Service Retirees	5,248,761	5,248,761
DROP Retirees ¹	0	0
Beneficiaries	678,498	678,498
Disability Retirees	0	0
Terminated Vested	460,265	460,265
Share Plan Balances ¹	<u>291,102</u>	<u>291,102</u>
Total	13,791,000	13,401,825

C. Liabilities - (Continued)	New Benefits <u>10/1/2022</u>	Old Benefits <u>10/1/2022</u>
Present Value of Future Salaries	14,383,073	14,383,073
Present Value of Future Member Contributions	719,154	719,154
Normal Cost (Retirement)	318,025	310,536
Normal Cost (Disability)	9,015	9,015
Normal Cost (Death)	2,039	1,837
Normal Cost (Vesting)	46,736	12,952
Normal Cost (Refunds)	<u>13,291</u>	<u>25,093</u>
Total Normal Cost	389,106	359,433
Present Value of Future Normal Costs	2,944,806	2,765,174
Accrued Liability (Retirement)	3,884,809	3,800,807
Accrued Liability (Disability)	25,108	25,108
Accrued Liability (Death)	12,473	11,539
Accrued Liability (Vesting)	232,532	79,919
Accrued Liability (Refunds)	12,646	40,652
Accrued Liability (Inactives) ¹	6,387,524	6,387,524
Share Plan Balances ¹	<u>291,102</u>	<u>291,102</u>
Total Actuarial Accrued Liability (EAN AL)	10,846,194	10,636,651
Unfunded Actuarial Accrued Liability (UAAL)	(1,070,603)	(1,280,146)
Funded Ratio (AVA / EAN AL)	109.9%	112.0%

D. Actuarial Present Value of Accrued Benefits	New Benefits 10/1/2022	Old Benefits 10/1/2022
Vested Accrued Benefits		
Inactives + Share Plan Balances	6,678,626	6,678,626
Actives	2,027,812	1,809,919
Member Contributions	460,350	460,350
Total	<u>9,166,788</u>	<u>8,948,895</u>
Non-vested Accrued Benefits	<u>539,955</u>	<u>495,990</u>
Total Present Value Accrued Benefits (PVAB)	9,706,743	9,444,885
Funded Ratio (MVA / PVAB)	113.4%	116.5%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	261,858	
Benefit Changes	0	
Plan Experience	0	
Benefits Paid	0	
Interest	0	
Other	0	
Total	<u>261,858</u>	

Valuation Date Applicable to Fiscal Year Ending	New Benefits	Old Benefits
	10/1/2022 <u>9/30/2024</u>	10/1/2022 <u>9/30/2024</u>
E. Pension Cost		
Normal Cost ¹	\$426,799	\$394,251
Administrative Expenses ²	38,196	38,196
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 15 years (as of 10/1/2022) ³	(138,462)	(162,364)
Minimum Required Contribution ³	426,799	394,251
Expected Member Contributions ²	97,145	97,145
Expected City and State Contribution	329,654	297,106

¹ The asset values and liabilities include accumulated DROP and Share 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.

³ Reflects normal cost minimum funding requirements of Chapter 112, Florida Statutes.

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Active Lives:

Female: PubS.H-2010 (Below Median) for Employees, set forward one year.

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

Healthy Retiree Lives:

Female: PubS.H-2010 for Healthy Retirees, set forward one year.

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

Beneficiary Lives:

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

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

Disabled Lives:

80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.

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 special risk employees, with appropriate adjustments made based on plan demographics.

Interest Rate

7.25% 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

Salary Scale	
Service	Rate
0	7.50%
1-4	6.00%
5-9	5.50%
10-14	5.00%
15+	4.00%

In addition, final projected salary is increased individually to account for additional non-regular payments. The assumed rates were approved in conjunction with an actuarial experience study dated March 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

\$34,823 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.

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 7.25% assumption.

Salary - A full year, based on current 5.85% assumption.

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.

Retirement Age

<u>% Retiring During the Year (10-24 Years of Service)</u>	
<u>Age</u>	<u>Rate</u>
55	25.0%
56	33.3%
57-59	50.0%
60+	100.0%

Also, members are assumed to retire with 100% probability upon completion of 25 years of Credited Service. The assumed rates were approved in conjunction with an actuarial experience study dated March 2018.

Early Retirement

0.5% per year from ages 45-50 and 5.0% per year from ages 50-54. The assumed rates were approved in conjunction with an actuarial experience study dated March 2018.

Termination Rate

<u>% Terminating During the Year</u>	
<u>Service</u>	<u>Rate</u>
0	15.0%
1	14.0%
2	13.0%
3	12.0%
4	11.0%
5	10.0%
6	9.0%
7	8.0%
8	7.0%
9	6.0%
10	5.0%
11	4.0%
12	3.0%
13	2.0%
14	1.0%
15+	0.5%

The assumed rates were approved in conjunction with an actuarial experience study dated March 2018.

Disability Rate

See table below (1201). It is assumed that 75% of disablements are service related. This assumption is consistent with other Police Officer plans in the state.

% Becoming Disabled During the Year	
Age	Rate
20	0.03%
25	0.03%
30	0.04%
35	0.05%
40	0.07%
45	0.10%
50	0.18%
55	0.36%
60	0.90%

**SUMMARY OF CURRENT PLAN
(Through Ordinance No. 1104)**

<u>Effective Date</u>	August 14, 1973
<u>Eligibility</u>	Full-time employees who are classified as full-time sworn Police Officers shall participate in the Plan as a condition of employment.
<u>Credited Service</u>	Total years and fractional parts of years of employment with the City as a Police Officer.
<u>Salary</u>	Total Compensation reportable on Form W-2 plus all tax deferred, tax sheltered 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 highest 5 years during the 10 years immediately preceding retirement or termination.
<u>Member Contributions</u>	5.0% of Salary.
<u>City and State 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.
<u>Normal Retirement</u>	
Date	Earlier of: 1) age 55 and 10 years of Credited Service, 2) attainment of age 60 or 3) the completion of 25 years of Credited Service, regardless of age.
Benefit	3.5% of Average Final Compensation times Credited Service
Form of Benefit	Ten Year Certain and Life Annuity (options available).
<u>Early Retirement</u>	
Eligibility	Age 45 and 10 Years of Credited Service.
Benefit	Accrued benefit, reduced 3% for each year that Early Retirement precedes Normal Retirement.

Vesting

Schedule	100% after 10 years of Credited Service.
Benefit Amount	Member will receive the vested portion of his (her) accrued benefit at the otherwise Normal Retirement Date.

Disability

Eligibility	
Service Incurred	Covered from Date of Employment.
Non-Service Incurred	10 years of Credited Service.
Exclusions	Disability resulting from use of drugs, illegal participation in riots, service in the military, etc.
Benefit	Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred), or 25% of Average Final Compensation (Non-service Incurred).
Duration	Payable as a 10 Year Certain and Life Annuity or until recovery (as determined by the Board) (Options available).

Death Benefits

Pre-Retirement	
Vested	Monthly accrued benefit payable to designated beneficiary for 10 years.
Non-Vested	Return of Member's contributions without interest.
Post-Retirement	Benefits payable to beneficiary in accordance with option selected at retirement.

Board of Trustees

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

Deferred Retirement Option Program

Eligibility	Satisfaction of Normal Retirement requirements (earlier of: 1) Age 55 and 10 years of Credited Service, or 2) Attainment of Age 60 or 3) 25 years of Credited Service, regardless of age.)
Participation	Not to exceed 60 months
Rate of Return	Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter.
Form of Distribution	Cash lump sum (options available) payable at termination of employment.

Share Plan

Initial Allocation	Pursuant to Chapter 2015-39, Laws of Florida, a share plan was established as of September 30, 2019. The initial allocation included the balance of the Excess State Monies Reserve (\$224,454.35) and was allocated based on a formula to all active and DROP participants employed by the City on October 1, 2018.
Subsequent Allocations	50% of the State Monies received by the City in excess of \$90,000 per year shall be allocated to the Share Plan.
Investment Earnings	Net rate of investment return.
Distribution	Lump sum payment at retirement, vested termination, disability, or death.