Actuarial Concepts
Management Advisors
Benefits Specialists

November 27, 2012

Mr. Joseph Edmonds
Bureau of Local Retirement Systems
P.O. Box 9000
Tallahassee, Florida 32315-9000

Dear Joe:

The City of Coral Gable has asked me to clarify how Florida Statute Chapter 112.61 and Chapter 112.62 apply to the City of Coral Gables Retirement System.

As you now know, the Retirement System has a gain sharing provision (copy attached) that provides a COLA benefit under certain circumstances. This provision is unfunded, as the System actuary does not provide any advance recognition of the actuarial liability and related contribution requirement implications of such provision. A copy of the latest actuarial report is attached for reference. There was never any intent to advance fund, as any payments were to come from excess asset returns. See page 40 of the actuarial report under the COLA section.

1. Would you confirm that the provisions of Ch. 112.61 (copy attached) are applicable to all municipal governments, and prevail over existing local ordinances to the extent that there are conflicts, per the provisions of Ch. 112.62?

2. Would you confirm that Ch. 112.61 (first part) intends that liabilities for promised benefits to public employees be fairly and equitably funded by current as well as future taxpayers, and that this implies that such promised benefits be part of the funding requirements of the plan at the time they were promised?

3. Would you confirm that Ch. 112.61 (second part) further provides there is an exception to this general requirement of concurrent funding that promised benefits in addition to those that are part of the funding requirements may be paid from accumulated actuarial experience so long as the additional unfunded benefits do not exceed the net actuarial surplus accumulated from all sources of gains and losses?

4. Would you confirm that the latest actuarial report (attached) on Exhibit 1C shows that the net actuarial experience is negative?

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Thanks for your assistance with this.

Sincerely,

Michael Tierney

Michael J. Tierney