

CITY OF CORAL GABLES, FLORIDA

ORDINANCE NO. 2018-35

AN ORDINANCE AMENDING CHAPTER 46 OF THE "CODE OF THE CITY OF CORAL GABLES," ENTITLED "PENSIONS;" AMENDING SECTION 46-253, ENTITLED "NORMAL RETIREMENT INCOME;" TO PROVIDE THE SAME RETROACTIVE COST OF LIVING ADJUSTMENT AND ALTERNATIVE DISPUTE RESOLUTION MECHANISM TO FORMER CITY EMPLOYEES WHO OPTED OUT OF THE CLASS IN THE MURRHEE V. CITY OF CORAL GABLES CASE, AS IS PROVIDED TO MEMBERS OF THE CERTIFIED CLASS AND PROVIDING FOR SEVERABILITY, REPEALER, CODIFICATION, AND AN EFFECTIVE DATE.

WHEREAS, the City Commission approved the Settlement Agreement in Murrhee v. City of Coral Gables, Case No. 13-20731 CA (13) (Fla. 11th Cir. Ct.) and adopted Ordinance No. 2018-11 amending the City of Coral Gables Retirement System to implement provisions of the Settlement Agreement; and

WHEREAS, the Settlement Agreement provides for payment of a permanent retirement cost of living adjustment (COLA) to eligible class members retroactive to January 1, 2013 and January 1, 2014; and

WHEREAS, the Settlement Agreement and Ordinance 2018-11 provide an alternative dispute resolution mechanism to resolve disputes about future cost of living increases that may be provided to members of the certified class in the Murrhee case, which class consists of "[a]ll persons who have been in receipt of benefits from the Coral Gables Retirement System . . . for a full year preceding January 1, 2014, or their Designated Beneficiaries . . .;" and

WHEREAS, after the class was certified in the Murrhee case, four former City employees who were members of the class elected to opt-out of the class, and as a result did not receive the retroactive or permanent COLA that was provided to class members and are not covered by the alternative dispute resolution mechanism to resolve disputes about future cost of living increases; and

WHEREAS, the four former City employees who opted-out of the class have advised the City that they now wish to be treated in the same manner as class members; and

WHEREAS, the City has determined that it is in the interest of the City to allow the four former City employees who opted-out of the class to be treated in the same manner as class members; and

WHEREAS, to provide the same retroactive and permanent COLA and alternative dispute resolution mechanism to the four former City employees who opted-out of the class as was provided to class members, it is necessary to amend the Retirement Plan;

NOW, THEREFORE, BE IT ORDAINED BY THE COMMISSION OF THE CITY OF CORAL GABLES:

SECTION 1. That the foregoing recitals are hereby ratified and confirmed as being true and correct and are hereby made a part of this Ordinance upon adoption.

SECTION 2. That Section 46-253 of the "Code of the City of Coral Gables" pertaining to "Pensions" is hereby amended to read as follows (additions appear with a double underline):
Sec. 46-253. Normal retirement income.

(c) *Cost of living increase.* Effective as of each January 1, each person who has been in receipt of benefits for the full preceding year will receive a permanent increase in monthly benefit calculated as follows:

* * *

(6) For the class members in Murrhee v. City of Coral Gables, Case No. 13-20731 CA (13) (Fla. 11th Cir. Ct.), and for those members who opted out of the class in Murrhee v. City of Coral Gables but advised the city in writing on or before August 30, 2018 that they wish to be treated in the same manner as class members, or the designated beneficiaries of such members, paragraph 8.1 of the Class Action Settlement Agreement dated September 18, 2017 will govern cost of living increases as of January 1, 2013 and January 1, 2014.

(7) For the class members in Murrhee v. City of Coral Gables, Case No. 13-20731 CA (13) (Fla. 11th Cir. Ct.), for those members who opted out of the class in Murrhee v. City of Coral Gables but advised the city in writing on or before August 30, 2018 that they wish to be treated in the same manner as class members, and for those members who retired, entered the DROP or became eligible for normal retirement after January 1, 2013 and before February 10, 2015 and signed a settlement agreement with the city, or the designated beneficiaries of such members, paragraph 8.3 of the Class Action Settlement Agreement dated September 18, 2017 will govern cost of living increases for the fiscal year ending September 30, 2017 and each year thereafter and reads as follows:

* * *

SECTION 3. That all sections or parts of sections of the Code of the City of Coral Gables, all ordinances or parts of ordinances, and all laws of the City of Coral Gables in conflict herewith shall be and are hereby repealed insofar as there is a conflict or inconsistency.

SECTION 4. That it is the intention of the Commission of the City of Coral Gables, Florida, that the provisions of this Ordinance shall become and be made a part of the City of Coral Gables Code of Ordinances; and that the sections of this Ordinance may be renumbered or re-lettered to accomplish such intention, and the word "ordinance" may be changed to "section," "article," or such other appropriate word or phrases in order to accomplish such intentions.

SECTION 5. That this Ordinance shall become effective upon adoption; but it shall automatically terminate if the Alternative Dispute Resolution Mechanism is terminated by the City or with the City's approval pursuant to ¶ 7 of the Settlement Agreement.

PASSED AND ADOPTED THIS ELEVENTH DAY OF SEPTEMBER, A.D., 2018.

(Moved: Keon / Seconded: Lago)

(Yeas: Keon, Lago, Mena, Valdes-Fauli)

(Majority: (4-0) Vote)

(Absent: Quesada)

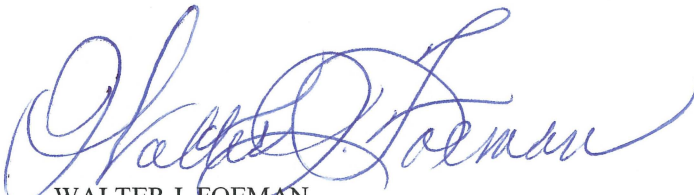
(Agenda Item: F-1)

APPROVED:

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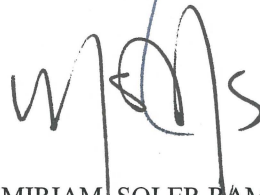
RAUL VALDES-FAULI
MAYOR

ATTEST:

A large, flowing handwritten signature in blue ink, appearing to read 'Walter J. Foeman'.

WALTER J. FOEMAN
CITY CLERK

APPROVED AS TO FORM AND
LEGAL SUFFICIENCY:

A handwritten signature in blue ink, consisting of stylized initials 'M', 'S', and 'R'.

MIRIAM SOLER RAMOS
CITY ATTORNEY



August 31, 2018

Ms. Kimberly Groome
Coral Gables Retirement System
147 Alhambra Circle, Suite 215
Coral Gables, FL 33134

**Re: City of Coral Gables Retirement System
Actuarial Impact Statement – Proposed Ordinance**

Dear Kimberly:

We have prepared this Actuarial Impact Statement for the City of Coral Gables Retirement System (“Plan”) to measure the first-year financial impact of the proposed Ordinance which would amend Section 46-253(c)(6) of the Code of the City of Coral Gables to allow the four former City employees who opted-out of the Class to be treated in the same manner as Class Members, and to provide them the same retroactive and permanent COLA and alternative dispute resolution mechanism as was provided to Class Members.

Summary of Findings

- The required City contribution for the fiscal year ending September 30, 2019 (payable October 1, 2018) increases by \$10,707, from \$25,083,655 to \$25,094,362.
- As a percentage of covered payroll, the required City contribution for the fiscal year ending September 30, 2019 increases by 0.03% of covered payroll, from 60.71% to 60.74%.
- The unfunded actuarial accrued liability as of October 1, 2017 increases by \$78,581, from \$226,839,817 to \$226,918,398, reflecting both the present value as of October 1, 2017 of the total retroactive cost-of-living adjustment (COLA) lump sum payments scheduled to be made mid-September 2018 (which total \$33,461) and of the increased monthly benefits payable thereafter (assuming no future COLAs are paid).

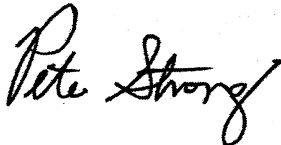
We note that if the proposed Ordinance for the four former City employees who opted-out of the Class is approved, then the COLA determination provisions of Section 46-253(c)(6), which provides for future COLAs to be granted to Class Members (and “Gap Members”) if the rate of return on the market value of assets during a fiscal year exceeds 10%, would be extended to these four former employees of the City. The City Commission can prevent a future COLA from being granted (or reduce it) by a 4/5 supermajority vote. We recommend incorporating an assumption into the actuarial valuation for future COLAs. However, the likelihood that the City Commission will prevent or reduce future COLAs is currently unknown, so if a future COLA assumption is not adopted, we recommend monitoring the actual experience of future COLA decisions made by the City Commission over a period of 3 to 5 years, and then taking action with regard to a future COLA assumption based on this experience.

Ms. Kimberly Groome
August 31, 2018
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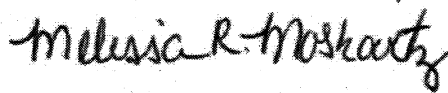
Peter N. Strong and Melissa R. Moskowitz are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

The signing actuaries are independent of the plan sponsor.

Respectfully submitted,



Peter N. Strong, FSA, MAAA, FCA
Enrolled Actuary No. 17-06975
Senior Consultant & Actuary



Melissa R. Moskowitz, MAAA, FCA
Enrolled Actuary No. 17-06467
Consultant & Actuary

Enclosures

This communication shall not be construed to provide tax advice, legal advice or investment advice.



ACTUARIAL IMPACT STATEMENT

Plan

City of Coral Gables Retirement System

Actuarial Valuation Date

October 1, 2017

Date of Report

August 31, 2018

Report Requested by

The Board of Trustees for the Plan

Prepared by

Peter N. Strong, FSA, EA, MAAA, FCA

Group Valued

All active and inactive members of the Plan

Plan Changes Being Proposed

See page 4 attached.

Participants Affected

Four former City employees in the Plan who opted-out of the Class

Actuarial Assumptions and Methods

Same used in the October 1, 2017 Actuarial Valuation. Some of the key assumptions/methods are:

Investment Return	7.65%
Mortality Table	Same used in the July 1, 2017 actuarial valuation of the Florida Retirement System
Cost Method	Entry Age Normal

Amortization Period for Any Change in Actuarial Accrued Liability

10 years

Actuarially Determined Contribution (ADC) - Reflecting Proposed Ordinance

A. Valuation Date	October 1, 2017					
	<i>Total</i>	<i>Elected</i>	<i>General Excludable</i>	<i>General Non-Excludable</i>	<i>Police Officers</i>	<i>Firefighters</i>
B. ADC to Be Paid During Fiscal Year Ending	9/30/2019	9/30/2019	9/30/2019	9/30/2019	9/30/2019	9/30/2019
C. Assumed City Contribution Date	10/1/2018	10/1/2018	10/1/2018	10/1/2018	10/1/2018	10/1/2018
D. Annual Payment to Amortize Unfunded Actuarial Accrued Liability	\$ 22,712,811	\$ 30,257	\$ 3,398,639	\$ 7,201,071	\$ 6,571,954	\$ 5,510,890
E. Total Normal Cost	6,726,494	256	1,261,422	1,588,470	2,228,594	1,647,752
F. Increase in Normal Cost due to Expected Payroll Growth	<u>252,244</u>	<u>10</u>	<u>47,303</u>	<u>59,568</u>	<u>83,572</u>	<u>61,791</u>
G. Total Contribution Requirement	29,691,549	30,523	4,707,364	8,849,109	8,884,120	7,220,433
H. State Contributions	145,830	0	0	0	93,559	52,271
I. State Contributions Discounted to BOY	<u>136,721</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>87,715</u>	<u>49,006</u>
J. City and Members Combined = G. - I.	29,554,828	30,523	4,707,364	8,849,109	8,796,405	7,171,427
K. Expected Member Contributions	4,131,480	0	908,576	1,241,134	1,201,364	780,406
L. Expected Member Contributions Discounted to BOY	3,981,977	0	875,698	1,196,222	1,157,891	752,166
M. Member Cost Sharing	496,454	0	0	496,454	0	0
N. Member Cost Sharing Discounted to BOY	<u>478,489</u>	<u>0</u>	<u>0</u>	<u>478,489</u>	<u>0</u>	<u>0</u>
O. Net City Contribution* = J. - L. - N.	25,094,362	30,523	3,831,666	7,174,398	7,638,514	6,419,261
P. Net City Contribution as % of Covered Payroll	60.74 %	N/A	42.17 %	57.81 %	63.58 %	82.26 %

* Interest at the 7.65% annual rate must be added from October 1 to the date(s) of deposit.



Actuarial Value of Benefits and Assets - Reflecting Proposed Ordinance

A. Valuation Date	October 1, 2017					
	<i>Total</i>	<i>Elected</i>	<i>General Excludable</i>	<i>General Non-Excludable</i>	<i>Police Officers</i>	<i>Firefighters</i>
B. Actuarial Present Value (APV) of All Projected Benefits						
1. Active Members						
a. Service Retirement Benefits	\$ 143,249,503	\$ -	\$ 20,737,914	\$ 32,364,711	\$ 56,933,580	\$ 33,213,298
b. Vesting Benefits	5,586,695	-	1,261,679	2,266,276	736,898	1,321,842
c. Disability Benefits	2,028,272	-	353,747	363,626	747,104	563,795
d. Preretirement Death Benefits	3,655,484	-	656,774	538,802	1,364,361	1,095,547
e. Return of Member Contributions	3,154,168	-	807,948	1,847,005	407,909	91,306
f. Total	157,674,122	-	23,818,062	37,380,420	60,189,852	36,285,788
2. Inactive Members						
a. Service Retirees & Beneficiaries	429,941,090	522,888	64,609,325	126,716,024	120,216,530	117,876,323
b. Disability Retirees	17,165,140	-	582,096	3,930,649	8,783,282	3,869,113
c. Terminated Vested Members	6,785,489	-	1,045,554	3,277,826	1,934,497	527,612
d. DROP Account Balances	33,835,492	-	1,934,317	5,477,621	5,311,298	21,112,256
e. Total	487,727,211	522,888	68,171,292	139,402,120	136,245,607	143,385,304
3. Total for All Members	645,401,333	522,888	91,989,354	176,782,540	196,435,459	179,671,092
C. Actuarial Accrued (Past Service) Liability	592,797,302	522,888	81,672,700	167,162,544	178,881,122	164,558,048
D. APV of Accumulated Plan Benefits per FASB ASC 960	N/A	N/A	N/A	N/A	N/A	N/A
E. Plan Assets						
1. Market Value	378,889,704	224,756	49,527,900	98,589,677	116,566,847	113,980,524
2. Actuarial Value	365,878,904	217,038	47,827,148	95,204,178	112,564,025	110,066,515
F. Unfunded Actuarial Accrued Liability	226,918,398	305,850	33,845,552	71,958,366	66,317,097	54,491,533
G. APV of Projected Covered Payroll	298,926,442	-	70,853,773	71,856,047	84,203,869	72,012,753
H. APV of Projected Member Contributions	29,892,644	-	7,085,377	7,185,605	8,420,387	7,201,275
I. Accumulated Value of Member Contributions	24,972,687	-	5,716,733	11,057,878	4,977,754	3,220,322

Participant Data

October 1, 2017

	Total	Elected	General Excludable	General Non- Excludable	Police Officers	Firefighters
Active Members						
Number	599	0	111	251	156	81
Covered Annual Payroll (expected)	\$ 41,314,804	\$ 0	\$ 9,085,760	\$ 12,411,342	\$ 12,013,641	\$ 7,804,061
Average Annual Salary	\$ 68,973	\$ 0	\$ 81,854	\$ 49,448	\$ 77,011	\$ 96,346
Average Age	41.4	0.0	45.5	43.0	38.3	36.6
Average Past Service	9.7	0.0	8.1	10.0	10.8	8.7
Average Age at Hire	31.7	0.0	37.4	33.0	27.5	27.9
Service Retirees, Beneficiaries & DROP						
Number	881	4	139	399	172	167
Annual Benefits	\$ 40,013,853	\$ 51,432	\$ 6,178,225	\$ 12,147,338	\$ 10,779,922	\$ 10,856,936
Average Annual Benefit	\$ 45,419	\$ 12,858	\$ 44,448	\$ 30,444	\$ 62,674	\$ 65,012
Average Age	64.9	70.7	67.4	66.7	63.2	60.2
Disability Retirees						
Number	56	0	2	21	23	10
Annual Benefits	\$ 1,952,717	\$ 0	\$ 90,644	\$ 473,565	\$ 938,405	\$ 450,103
Average Annual Benefit	\$ 34,870	\$ 0	\$ 45,322	\$ 22,551	\$ 40,800	\$ 45,010
Average Age	62.8	0.0	74.7	61.9	61.4	65.9
Terminated Vested Members						
Number	37	0	5	21	9	2
Annual Benefits	\$ 830,406	\$ 0	\$ 132,179	\$ 392,146	\$ 253,677	\$ 52,404
Average Annual Benefit	\$ 22,443	\$ 0	\$ 26,436	\$ 18,674	\$ 28,186	\$ 26,202
Average Age	47.2	0.0	46.6	47.8	45.9	47.9

