



March 14, 2018

Ms. Kimberly Groome
Coral Gables Retirement System
405 Biltmore Way
Coral Gables, FL 33134

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

Dear Kimberly:

We have prepared the enclosed Actuarial Impact Statement for the City of Coral Gables Retirement System ("Plan"), which measures the first-year financial impact of the proposed Ordinance which would implement the following changes in plan provisions for General Employees:

General Non-Excludable Employees (participants in the bargaining unit represented by Teamsters Local Union 769):

- Participants shall contribute in accordance with the cost-sharing provisions of Section 46-29(1) and Section 46-34 of the City Ordinance, subject to a maximum cap of:
 - 15% of compensation through March 18, 2018;
 - 14.5% of compensation from March 19, 2018 through the last full pay period before October 1, 2018;
 - 14% of compensation from the first pay period after October 1, 2018 through the last full pay period before October 1, 2019; and
 - 13.5% of compensation from the first pay period after October 1, 2019 through the last full pay period before September 30, 2020.
- Effective the first pay period after September 30, 2020, participants shall contribute in accordance with the cost-sharing provisions of Section 46-29(1) and Section 46-34 of the City Ordinance, subject to a maximum cap of 15% of compensation.
- Effective March 13, 2018, the maximum retirement benefit in the normal annuity form shall not exceed the lesser of: \$50,000 annually or 75% of final average compensation for participants with less than 10 years of credited service on March 13, 2018; and \$67,500 annually or 75% of final average compensation for participants with 10 or more years of credited service on March 13, 2018; provided in no event shall a participant's benefit be less than the accrued benefit on March 13, 2018.

General Excludable Employees:

- Effective October 1, 2014 through March 18, 2018, participants shall contribute in accordance with the cost-sharing provisions of Section 46-29(2) and Section 46-34 of the City Ordinance.
- Effective March 19, 2018, participants shall contribute at a rate equal to 0.5% less than the percent of compensation determined in accordance with the cost-sharing provisions of Section 46-29(2) of the City Ordinance, but in no event less than 10% of compensation.
- Effective the first pay period after October 1, 2018, participants shall contribute at a rate equal to 1.0% less than the percent of compensation determined in accordance with the cost-sharing provisions of Section 46-29(2) of the City Ordinance, but in no event less than 10% of compensation.
- Effective the first pay period after October 1, 2019, participants shall contribute at a rate equal to 1.5% less than the percent of compensation determined in accordance with the cost-sharing provisions of Section 46-29(2) of the City Ordinance, but in no event less than 10% of compensation.
- Effective the first pay period after September 30, 2020, participants shall contribute in accordance with the cost-sharing provisions of Section 46-29(2) and Section 46-34 of the City Ordinance.

As directed by the Board of Trustees, we have assumed that the maximum annual benefit caps effective March 13, 2018 for General Non-Excludable Employees remain the same through September 30, 2020, and then increase thereafter at the Plan's long-term rate of inflation (i.e., 2.50% per annum, compounded annually).

Summary of Findings

- The required employer contribution for the fiscal year ending September 30, 2018 increases by \$53,940, from \$23,090,720 to \$23,144,660 (due to the decrease in employee contributions).
- As a percentage of covered payroll, the required employer contribution for the fiscal year ending September 30, 2018 increases by 0.14% of covered payroll, from 59.73% to 59.87%.
- The unfunded actuarial accrued liability as of October 1, 2016 remains unchanged at \$224,896,425.

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This Statement must be filed with the Division of Retirement before the final public hearing on the Ordinance. Please have a member of the Board of Trustees sign the Statement. Then please send the Statement along with a copy of the proposed Ordinance to Tallahassee.

Required Disclosures

This report was prepared at the request of the City of Coral Gables and is intended for use by the Plan and those designated or approved by the Board of Trustees. This report may be provided to parties other than the Board only in its entirety and only with their permission. GRS is not responsible for unauthorized use of this report.

This report is intended to describe the financial effect of the proposed plan changes. No statement in this report is intended to be interpreted as a recommendation in favor of the changes or in opposition to them. This report should not be relied on for any purpose other than the purpose described above.

The calculations in this report are based upon information furnished by the Plan Administrator for the October 1, 2016 Actuarial Valuation concerning plan benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We reviewed this information for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the Plan Administrator.

The calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based on the assumptions, methods, and plan provisions outlined in this report. 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 or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. The scope of this report does not include an analysis of the potential range of such future measurements. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the author of the report prior to relying on information in the report.

Peter N. Strong and Melissa R. Moskovitz 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.

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This report 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.

Respectfully submitted,



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



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

Enclosures

cc: Ms. Raquel Elejabarrieta, Esq. (City of Coral Gables)

CITY OF CORAL GABLES RETIREMENT SYSTEM

Actuarial Impact Statement – March 14, 2018

Description of Amendment

This proposed Ordinance would implement the following changes in plan provisions:

General Non-Excludable Employees (participants in the bargaining unit represented by Teamsters Local Union 769):

- Participants shall contribute in accordance with the cost-sharing provisions of Section 46-29(1) and Section 46-34 of the City Ordinance, subject to a maximum cap of:
 - 15% of compensation through March 18, 2018;
 - 14.5% of compensation from March 19, 2018 through the last full pay period before October 1, 2018;
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- Effective March 13, 2018, the maximum retirement benefit in the normal annuity form shall not exceed the lesser of: \$50,000 annually or 75% of final average compensation for participants with less than 10 years of credited service on March 13, 2018; and \$67,500 annually or 75% of final average compensation for participants with 10 or more years of credited service on March 13, 2018; provided in no event shall a participant's benefit be less than the accrued benefit on March 13, 2018.

General Excludable Employees:

- Effective October 1, 2014 through March 18, 2018, participants shall contribute in accordance with the cost-sharing provisions of Section 46-29(2) and Section 46-34 of the City Ordinance.
- Effective March 19, 2018, participants shall contribute at a rate equal to 0.5% less than the percent of compensation determined in accordance with the cost-sharing provisions of Section 46-29(2) of the City Ordinance, but in no event less than 10% of compensation.
- Effective the first pay period after October 1, 2018, participants shall contribute at a rate equal to 1.0% less than the percent of compensation determined in accordance with the cost-sharing provisions of Section 46-29(2) of the City Ordinance, but in no event less than 10% of compensation.
- Effective the first pay period after October 1, 2019, participants shall contribute at a rate equal to 1.5% less than the percent of compensation determined in accordance with the cost-sharing provisions of Section 46-29(2) of the City Ordinance, but in no event less than 10% of compensation.

- Effective the first pay period after September 30, 2020, participants shall contribute in accordance with the cost-sharing provisions of Section 46-29(2) and Section 46-34 of the City Ordinance.

The maximum annual benefit caps effective March 13, 2018 for General Non-Excludable Employees are assumed to remain the same through September 30, 2020, and then increase thereafter at the Plan's assumed long-term rate of inflation (i.e., 2.50% per annum, compounded annually).

Funding Implications of Amendment

An actuarial cost estimate is attached.

Certification of Administrator

I believe the amendment to be in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the Constitution of the State of Florida.

For the Board of Trustees
as Plan Administrator

ACTUARIAL IMPACT STATEMENT

Plan

City of Coral Gables Retirement System

Actuarial Valuation Date

October 1, 2016

Date of Report

March 14, 2018

Report Requested by

City of Coral Gables

Prepared by

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

Group Valued

All active and inactive members of the Plan

Plan Changes Being Proposed

General Non-Excludable Employees (participants in the bargaining unit represented by Teamsters Local Union 769):

- Participants shall contribute in accordance with the cost-sharing provisions of Section 46-29(1) and Section 46-34 of the City Ordinance, subject to a maximum cap of:
 - 15% of compensation through March 18, 2018;
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Plan Changes Being Proposed (continued)

General Excludable Employees:

- Effective October 1, 2014 through March 18, 2018, participants shall contribute in accordance with the cost-sharing provisions of Section 46-29(2) and Section 46-34 of the City Ordinance.
- Effective March 19, 2018, participants shall contribute at a rate equal to 0.5% less than the percent of compensation determined in accordance with the cost-sharing provisions of Section 46-29(2) of the City Ordinance, but in no event less than 10% of compensation.
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- Effective the first pay period after October 1, 2019, participants shall contribute at a rate equal to 1.5% less than the percent of compensation determined in accordance with the cost-sharing provisions of Section 46-29(2) of the City Ordinance, but in no event less than 10% of compensation.
- Effective the first pay period after September 30, 2020, participants shall contribute in accordance with the cost-sharing provisions of Section 46-29(2) and Section 46-34 of the City Ordinance.

Participants Affected

All active General Employees

Actuarial Assumptions and Methods

Same used in the October 1, 2016 Actuarial Valuation

The maximum annual benefit caps effective March 13, 2018 for General Non-Excludable Employees are assumed to remain the same through September 30, 2020, and then increase thereafter at the Plan’s assumed long-term rate of inflation (i.e., 2.50% per annum, compounded annually).

Some of the key assumptions/methods are:

Investment Return	7.75%
Mortality Table	Same used in the July 1, 2016 actuarial valuation of the Florida Retirement System
Cost Method	Entry Age Normal

Amortization Period for Any Change in Actuarial Accrued Liability

25 years

Summary of Data Used in Report

See attached page. Same used in the October 1, 2016 Actuarial Valuation

Actuarial Impact of Proposal

See attached pages.

Special Risks Involved with the Proposal that the Plan Has Not Been Exposed to Previously

None

ACTUARIALLY DETERMINED CONTRIBUTION (ADC)
Reflecting Proposed Ordinance

A. Valuation Date	October 1, 2016					
	<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	9/30/2018	9/30/2018	9/30/2018	9/30/2018	9/30/2018	9/30/2018
C. Assumed City Contribution Date	10/1/2017	10/1/2017	10/1/2017	10/1/2017	10/1/2017	10/1/2017
D. Annual Payment to Amortize Unfunded Actuarial Liability	\$ 21,087,977	\$ 27,621	\$ 3,196,880	\$ 6,817,258	\$ 6,040,641	\$ 5,005,577
E. Total Normal Cost	6,299,172	233	1,194,619	1,528,775	2,151,521	1,424,024
F. Increase in Normal Cost due to Expected Payroll Growth	<u>236,219</u>	<u>9</u>	<u>44,798</u>	<u>57,329</u>	<u>80,682</u>	<u>53,401</u>
G. Total Contribution Requirement	27,623,368	27,863	4,436,297	8,403,362	8,272,844	6,483,002
H. State Contributions	145,830	-	-	-	93,559	52,271
I. State Contributions Discounted to BOY	<u>136,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,644</u>	<u>48,966</u>
J. City and Members Combined = G. - I.	27,486,758	27,863	4,436,297	8,403,362	8,185,200	6,434,036
K. Expected Member Contributions	3,865,904	-	853,244	1,220,543	1,121,312	670,805
L. Expected Member Contributions Discounted to BOY	3,724,281	-	821,986	1,175,830	1,080,234	646,231
M. Member Cost Sharing	641,310	-	63,993	577,317	-	-
N. Member Cost Sharing Discounted to BOY	<u>617,817</u>	<u>-</u>	<u>61,649</u>	<u>556,168</u>	<u>-</u>	<u>-</u>
O. Net City Contribution* = J. - L. - N.	23,144,660	27,863	3,552,662	6,671,364	7,104,966	5,787,805
P. Net City Contribution as % of Covered Payroll	59.87 %	N/A	41.64 %	54.66 %	63.36 %	86.28 %

* Interest at the 7.75% annual rate must be added from October 1 to the date(s) of deposit.

ACTUARIALLY DETERMINED CONTRIBUTION (ADC)

Actuarial Valuation as of October 1, 2016

A. Valuation Date	October 1, 2016					
	<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	9/30/2018	9/30/2018	9/30/2018	9/30/2018	9/30/2018	9/30/2018
C. Assumed City Contribution Date	10/1/2017	10/1/2017	10/1/2017	10/1/2017	10/1/2017	10/1/2017
D. Annual Payment to Amortize Unfunded Actuarial Liability	\$ 21,087,977	\$ 27,621	\$ 3,196,880	\$ 6,817,258	\$ 6,040,641	\$ 5,005,577
E. Total Normal Cost	6,299,172	233	1,194,619	1,528,775	2,151,521	1,424,024
F. Increase in Normal Cost due to Expected Payroll Growth	<u>236,219</u>	<u>9</u>	<u>44,798</u>	<u>57,329</u>	<u>80,682</u>	<u>53,401</u>
G. Total Contribution Requirement	27,623,368	27,863	4,436,297	8,403,362	8,272,844	6,483,002
H. State Contributions	145,830	-	-	-	93,559	52,271
I. State Contributions Discounted to BOY	<u>136,610</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87,644</u>	<u>48,966</u>
J. City and Members Combined = G. - I.	27,486,758	27,863	4,436,297	8,403,362	8,185,200	6,434,036
K. Expected Member Contributions	3,865,904	-	853,244	1,220,543	1,121,312	670,805
L. Expected Member Contributions Discounted to BOY	3,724,281	-	821,986	1,175,830	1,080,234	646,231
M. Member Cost Sharing	697,302	-	87,031	610,271	-	-
N. Member Cost Sharing Discounted to BOY	<u>671,757</u>	<u>-</u>	<u>83,843</u>	<u>587,914</u>	<u>-</u>	<u>-</u>
O. Net City Contribution* = J. - L. - N.	23,090,720	27,863	3,530,468	6,639,618	7,104,966	5,787,805
P. Net City Contribution as % of Covered Payroll	59.73 %	N/A	41.38 %	54.40 %	63.36 %	86.28 %

* Interest at the 7.75% annual rate must be added from October 1 to the date(s) of deposit.

**Increased Contribution Allocations for
General Excludable and Non-Excludable Members**

A. Valuation Date	October 1, 2016 (For Fiscal Year Ending September 30, 2018) Reflecting Proposed Ordinance		
	<i>Total</i>	<i>General Excludable</i>	<i>General Non- Excludable</i>
B. City Contribution (Before Cost Sharing)		42.36 %	59.22 %
C. City Contribution 10/1/2009 Baseline		40.31	31.04
D. Increase, Not Less Than Zero		2.05	28.18
E. 50% of Percentage Increase (50% x D.)		1.02 %	14.09 %
F. Total Member Contribution Rate (E. + 10%) for Excludable Employees; Min of (E. + 10%, 15%) for Non- Excludable Employees		11.02 %	15.00 %
G. Adjusted Member Contribution Rate Per Ordinance, Effective March 19, 2018		10.52 %	14.50 %
H. Average Member Contribution Rate During FYE 2018		10.75 %	14.73 %
I. Active Payroll as of 10/1/2016		\$ 8,532,435	\$ 12,205,428
J. Adjusted Cost Sharing Contribution ((H - 10%) x I.)	\$ 641,310	\$ 63,993	\$ 577,317

A. Valuation Date	October 1, 2016 (For Fiscal Year Ending September 30, 2018) Actuarial Valuation as of October 1, 2016		
	<i>Total</i>	<i>General Excludable</i>	<i>General Non- Excludable</i>
B. City Contribution (Before Cost Sharing)		42.36 %	59.22 %
C. City Contribution 10/1/2009 Baseline		40.31	31.04
D. Increase, Not Less Than Zero		2.05	28.18
E. 50% of Percentage Increase (50% x D.)		1.02 %	14.09 %
F. Total Member Contribution Rate (E. + 10%) for Excludable Employees; Min of (E. + 10%, 15%) for Non- Excludable Employees		11.02 %	15.00 %
G. Active Payroll as of 10/1/2016		\$ 8,532,435	\$ 12,205,428
H. Adjusted Cost Sharing Contribution ((F - 10%) x G.)	\$ 697,302	\$ 87,031	\$ 610,271

PARTICIPANT DATA

October 1, 2016

	Total	Elected	General Excludable	General Non-Excludable	Police Officers	Firefighters
ACTIVE MEMBERS						
Number	588	0	105	257	149	77
Covered Annual Payroll (expected)	\$ 38,659,035	\$ 0	\$ 8,532,435	\$ 12,205,428	\$ 11,213,118	\$ 6,708,054
Average Annual Salary	\$ 65,747	\$ 0	\$ 81,261	\$ 47,492	\$ 75,256	\$ 87,118
Average Age	41.2	0.0	45.9	42.0	38.6	37.3
Average Past Service	9.6	0.0	8.2	9.3	10.9	9.7
Average Age at Hire	31.6	0.0	37.7	32.7	27.7	27.6
SERVICE RETIREES, BENEFICIARIES & DROP MEMBERS						
Number	890	4	141	418	171	156
Annual Benefits	\$ 40,079,238	\$ 51,432	\$ 6,293,073	\$ 12,492,868	\$ 10,724,896	\$ 10,516,969
Average Annual Benefit	\$ 45,033	\$ 12,858	\$ 44,632	\$ 29,887	\$ 62,719	\$ 67,416
Average Age	65.4	69.7	67.4	66.8	63.3	61.8
DISABILITY RETIREES						
Number	57	0	2	21	24	10
Annual Benefits	\$ 1,973,097	\$ 0	\$ 90,644	\$ 462,378	\$ 969,972	\$ 450,103
Average Annual Benefit	\$ 34,616	\$ 0	\$ 45,322	\$ 22,018	\$ 40,416	\$ 45,010
Average Age	62.2	0.0	73.7	60.9	61.1	64.9
TERMINATED VESTED MEMBERS						
Number	39	0	5	22	10	2
Annual Benefits	\$ 881,836	\$ 0	\$ 131,620	\$ 411,105	\$ 286,707	\$ 52,404
Average Annual Benefit	\$ 22,611	\$ 0	\$ 26,324	\$ 18,687	\$ 28,671	\$ 26,202
Average Age	47.6	0.0	49.8	48.1	45.6	46.9