



March 11, 2022

Mr. Albert Lovingood  
The Resource Centers, LLC  
4360 Northlake Blvd. Suite 206  
Palm Beach Gardens, FL 33410

**Re: Lake Worth Beach General Employees Retirement System**

Dear Albert:

As requested, we have prepared the enclosed Actuarial Impact Statement measuring the first-year financial impact of the proposed ordinance which would amend the Plan as described below.

**Summary of Plan Changes**

For plan members holding a position identified in PERC certification No. 529, as amended or superseded (IBEW employees), the following changes will apply:

For members hired prior to October 1, 2010 who are employed by the City as of March 31, 2022:

- The vesting schedule would be changed from 50% after completion of 10 Years of Credited Service (grading up to 100% after completion of 20 Years of Credited Service) to 100% after completion of 10 Years of Credited Service.
- The Normal Retirement eligibility criteria would be revised to add attainment of the “Rule of 80” (in addition to the current criteria of attainment of age 55 with 30 years of service or attainment of age 65 with 10 years of service). The “Rule of 80” is attained when the sum of an employee’s age and years of Credited Service equals 80.
- The benefit multiplier would be increased from 2.0% to 2.25% for all years of Credited Service earned after September 30, 2010.

For members hired between October 1, 2010 and March 31, 2022 who are employed by the City as of March 31, 2022:

- A choice will be given between the current plan with no changes or the new cash balance plan described below. Employees who switch will become 100 percent vested in benefits accrued through March 31, 2022.

For members hired after March 31, 2022:

- All automatically enter a “5/5/5 Cash Balance Plan” under which they would accumulate a cash balance benefit with 5.0% City contributions and 5.0% member contributions and earn a fixed 5.0% annual interest crediting rate, credited quarterly at an effective quarterly rate of 1.2273% per quarter. The cash balance benefit will have 100% immediate vesting with no forfeitures upon death of the member.

IBEW employees who terminate, retire or enter the DROP prior to March 31, 2022 would not be affected by any plan changes.

The Statement must be filed with the Division of Retirement. Please have a member of the Board of Trustees sign the Statement. Then send the Statement along with a copy of the proposed Ordinance to Tallahassee.

### **Summary of Results**

The enclosed exhibits present the impact of the proposed plan changes. As shown on the exhibits, the proposed ordinance would:

- Increase the first-year required City contribution by \$207,374.
- Increase the unfunded actuarial accrued liability as of October 1, 2021 by \$1,839,525.

The impact was measured by an actuarial valuation performed as of October 1, 2021, using IBEW employee census data provided by the City and Plan administrator for this purpose. Only active IBEW plan members who were employed by the City as of the October 1, 2021 actuarial valuation date were included in this Actuarial Impact Statement.

Please note that as of the current valuation date, no IBEW members have had the chance to elect to switch to the cash balance plan, and we have not assumed any IBEW members will elect to switch to the cash balance plan for this Actuarial Impact Statement. The impact of any actual elections by IBEW members to switch to the cash balance plan will be measured once all elections have been made.

### **Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution**

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. The assumptions used to determine the contribution requirement and accrued liability in this report are the same as those used in the October 1, 2019 Actuarial Valuation Report dated May 4, 2020, with two exceptions:

- The mortality tables and improvement scales were updated to the tables used by the Florida Retirement System (FRS) for Regular Class members in the July 1, 2020 FRS actuarial valuation report.
- The assumed annual investment return rate was reduced from 7.2% to 7.0%.

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 due to changing conditions; 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. Please refer to the October 1, 2019 Actuarial Valuation Report dated May 4, 2020 for additional discussions regarding the risks associated with measuring the accrued liability and the actuarially determined contribution.

The scope of this supplemental valuation does not include an analysis of the potential range of such future measurements or a quantitative measurement of the future risks of not achieving the assumptions. In certain circumstances, detailed or quantitative assessments of one or more of these risks as well as various plan maturity measures and historical actuarial measurements may be requested from the actuary. Additional risk assessments are generally outside the scope of an Actuarial Impact Statement. Additional assessments may



include stress tests, scenario tests, sensitivity tests, stochastic modeling, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

## **Disclosures**

This report was prepared at the request of the City of Lake Worth Beach and the Pension Board and is intended for use by the City and the Pension Board and those designated or approved by the City or Board. This report may be provided to others only in its entirety and only with the permission of the City and Board.

This report is intended to describe the financial effect of the proposed plan changes on the retirement system. Except as otherwise noted, potential effects on other benefit plans were not considered. 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. GRS is not responsible for unauthorized use of this report.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Except for the changes described herein, the actuarial assumptions, methods, and plan provisions utilized in these calculations are the same as those used in the Actuarial Valuation as of October 1, 2019, presented in our Report dated May 4, 2020. The census data utilized in these calculations is the updated IBEW active member census data as of October 1, 2021, provided by the City and the Plan administrator for this impact statement. A brief summary of the census data used is shown on last page of this report.

The date of the valuation was October 1, 2021. This means that the results of the supplemental valuation indicate how the October 1, 2021 valuation would have been impacted if the proposed benefit changes had taken effect on that date. Supplemental valuations do not predict the result of future actuarial valuations. Rather, supplemental valuations give an indication of the cost of the benefit change only without comment on the complete end result of future valuations.

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.

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, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

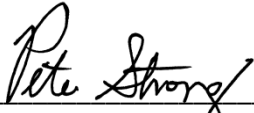


Mr. Albert Lovingood  
March 11, 2022  
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Peter N. Strong and Nicolas Lahaye are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. They are independent of the plan sponsor.

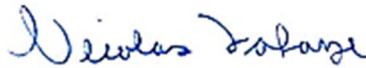
We welcome your questions and comments.

Sincerely yours,  
Gabriel, Roeder, Smith & Company



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Peter N. Strong, FSA, MAAA, FCA  
Enrolled Actuary No. 20-06975



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Nicolas Lahaye, FSA, MAAA, FCA  
Enrolled Actuary No. 20-07775

Enclosures



## CITY OF LAKE WORTH BEACH GENERAL EMPLOYEES RETIREMENT SYSTEM

### Impact Statement – March 11, 2022

#### Description of Amendments

For plan members holding a position identified in PERC certification No. 529, as amended or superseded (IBEW employees), the following changes will apply:

For members hired prior to October 1, 2010 who are employed by the City as of March 31, 2022:

- The vesting schedule would be changed from 50% after completion of 10 Years of Credited Service (grading up to 100% after completion of 20 Years of Credited Service) to 100% after completion of 10 Years of Credited Service.
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For members hired after March 31, 2022:

- All automatically enter a “5/5/5 Cash Balance Plan” under which they would accumulate a cash balance benefit with 5.0% City contributions and 5.0% member contributions and earn a fixed 5.0% annual interest crediting rate, credited quarterly at an effective quarterly rate of 1.2273% per quarter. The cash balance benefit will have 100% immediate vesting with no forfeitures upon death of the member.

IBEW employees who terminate, retire or enter the DROP prior to March 31, 2022 would not be affected by any plan changes. For purposes of this impact statement, we have not assumed any current members will elect to switch to the cash balance plan. The impact of any actual elections by members to switch to the cash balance plan will be measured once all elections have been made.

#### 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.

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For the Board of Trustees as Plan Administrator



## SUPPLEMENTAL ACTUARIAL VALUATION REPORT

### Plan

Lake Worth Beach General Employees Retirement System

### Valuation Date

October 1, 2021

### Date of Report

March 11, 2022

### Report Requested by

City of Lake Worth Beach

### Prepared by

Peter N. Strong

### Group Valued

Only active members of the Plan holding a position identified in PERC certification No. 529, as amended or superseded (IBEW employees).

### Benefit Provisions Being Considered for Change

For plan members holding a position identified in PERC certification No. 529, as amended or superseded (IBEW employees), the following changes will apply:

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IBEW employees who terminate, retire or enter the DROP prior to March 31, 2022 would not be affected by any plan changes. For purposes of this impact statement, we have not assumed any current members will elect to switch to the cash balance plan. The impact of any actual elections by members to switch to the cash balance plan will be measured once all elections have been made.

**Actuarial Assumptions and Methods**

The assumptions used to determine the contribution requirement and accrued liability in this report are the same as those used in the October 1, 2019 Actuarial Valuation Report dated May 4, 2020, with two exceptions:

- The mortality tables and improvement scales were updated to the tables used by the Florida Retirement System (FRS) for Regular Class members in the July 1, 2020 FRS actuarial valuation report.
- The assumed annual investment return rate was reduced from 7.2% to 7.0%.

All other assumptions are the same as used in the October 1, 2019 Actuarial Valuation Report. Some of the key assumptions/methods are:

**Salary Increase Rates:**

Years of Service	Merit and Seniority	Base (Economic)	Total Increase
1	5.0%	2.5%	7.5%
2	4.0%	2.5%	6.5%
3 & Over	2.5%	2.5%	5.0%

**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

**Actuarial Impact of Proposal(s)**

See attached page(s). This Actuarial Impact Statement measures the first-year financial impact of the proposed ordinance.

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

None

**Other Cost Considerations**

For purposes of this impact statement, we have not assumed any current members will elect to switch to the cash balance plan. The impact of any actual elections by members to switch to the cash balance plan will be measured once all elections have been made.



**IMPACT ON ACTUARIALLY DETERMINED CONTRIBUTION (ADC)**

A. Valuation Date	October 1, 2021
	<b><u>Net Increase</u></b>
B. ADC to Be Paid During Fiscal Year Ending	9/30/2023
C. Assumed Dates of Employer Contribution	Monthly
D. Annual Payment to Amortize Unfunded Actuarial Liability	\$ 147,524
E. Employer Normal Cost	44,808
F. Employer ADC if paid on the Valuation Date: D+E	192,332
G. Employer ADC Adjusted for Frequency of Payments	199,398
H. Assumed Rate of Increase in Covered Payroll to Contribution Year	4.00 %
I. Employer ADC for Contribution Year:	207,374



<b>IMPACT ON ACTUARIAL VALUE OF BENEFITS AND ASSETS</b>	
A. Valuation Date	October 1, 2021
	<b><u>Net Increase</u></b>
B. Actuarial Present Value of All Projected Benefits for	
1. Active Members	
a. Service Retirement Benefits	\$ 2,133,269
b. Vesting Benefits	(374,062)
c. Disability Benefits	(35,461)
d. Preretirement Death Benefits	(176,957)
e. Return of Member Contributions	0
f. Total	<u>1,546,789</u>
2. Inactive Members	
a. Service Retirees & Beneficiaries	0
b. Disability Retirees	0
c. Terminated Vested Members	<u>0</u>
d. Total	0
3. Total for All Members	1,546,789
C. Actuarial Accrued (Past Service) Liability	1,839,525
D. Actuarial Value of Accumulated Plan Benefits per FASB No. 35	N/A
D. Plan Assets	
1. Market Value	0
2. Actuarial Value	0
E. Unfunded Actuarial Accrued Liability	1,839,525
F. Actuarial Present Value of Projected Covered Payroll	(5,595,866)
G. Actuarial Present Value of Projected Member Contributions	(436,478)

<b>IMPACT ON CALCULATION OF EMPLOYER NORMAL COST</b>	
A. Valuation Date	October 1, 2021
	<b><u>Net Increase</u></b>
B. Normal Cost for	
1. Service Retirement Benefits	\$ 43,613
2. Vesting Benefits	1,750
3. Disability Benefits	(339)
4. Preretirement Death Benefits	(2,385)
5. Return of Member Contributions	<u>2,169</u>
6. Total for Future Benefits	44,808
7. Assumed Amount for Administrative Expenses	<u>0</u>
8. Total Normal Cost	44,808
C. Expected Member Contribution	0
D. Employer Normal Cost: B8-C	44,808

PARTICIPANT DATA USED*	
	October 1, 2021
<b>ACTIVE MEMBERS</b>	
Number	83
Covered Annual Payroll	\$ 5,750,166
Average Annual Payroll	\$ 69,279
Average Age	48.1
Average Past Service	9.8
Average Age at Hire	38.3

\*Only active IBEW members were valued in this impact statement.