OFFICIAL FILE COPY
CLERK OF THE BOARD
OF COUNTY COMMISSIONERS
MIAMI-DADE COUNTY, FLORIDA

Agenda Item No. 9(A)(17)(A)

04-24-07

Approved _____ Mayor
Veto _____
Override _____

RESOLUTION NO. R-426-07

RESOLUTION AUTHORIZING THE CITY OF HOMESTEAD TO AMEND THE HOMESTEAD FIREFIGHTER PENSION PLAN TO PROVIDE FOR NORMAL RETIREMENT UPON ATTAINMENT OF AGE 52 AND COMPLETION OF 25 YEARS OF CREDITED SERVICES

WHEREAS, the City of Homestead and Miami-Dade County have entered into an interlocal agreement concerning the funding for the Homestead Firefighter Pension Plan, which is the retirement plan for Miami-Dade Fire Rescue employees that were employees of the City of Homestead prior to the merging of the two fire departments; and

WHEREAS, the interlocal agreement requires approval from the Miami-Dade County Board of County Commissioners prior to any changes in the Homestead Firefighter Pension Plan; and

WHEREAS, the City of Homestead has requested approval from the County to amend the Homestead Firefighter Pension Plan to comply with minimum benefit requirements for plans receiving State of Florida Chapter 175 premium tax monies; and

MEMORANDUM

(Revised)

TO: Honorable Chairman Bruno A. Barreiro and Members, Board of County Commissioners

DATE: April 24, 2007

FROM: Murray A. Greenberg County Attorney

SUBJECT: Agenda Item No. 9(A)(17)(A)

Please note any items checked.

_____ **"4-Day Rule" ("3-Day Rule" for committees) applicable if raised**

_____ **6 weeks required between first reading and public hearing**

_____ **4 weeks notification to municipal officials required prior to public hearing**

_____ **Decreases revenues or increases expenditures without balancing budget**

_____ **Budget required**

_____ **Statement of fiscal impact required**

_____ **Bid waiver requiring County Manager's written recommendation**

_____ **Ordinance creating a new board requires detailed County Manager's report for public hearing**

_____ **Housekeeping item (no policy decision required)**

_____ **No committee review**

WHEREAS, the litigation concerning this issue has been dismissed, with prejudice, due to an amicable settlement; and

WHEREAS, according to the actuarial report the proposed amendment will not have a negative fiscal impact on the Homestead Firefighter Pension Plan; and

WHEREAS, by approving this amendment Miami-Dade County assumes no liability for any additional shortfall in pension obligations experienced by the Homestead Firefighter Pension Plan ,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MIAMI-DADE COUNTY, FLORIDA, that the City of Homestead is authorized to amend the Homestead Firefighter Pension Plan to offer normal retirement benefits to employees attaining age 52 who have completed 25 years of credited services, in accordance with the proposed amendment and ordinance submitted by the City of Homestead and attached hereto.

The foregoing resolution was offered by Commissioner Carlos A. Gimenez , who moved its adoption. The motion was seconded by Commissioner Dennis C. Moss and upon being put to a vote, the vote was as follows:

Bruno A. Barreiro, Chairman	aye		
Barbara J. Jordan, Vice-Chairwoman	aye		
Jose "Pepe" Diaz	aye	Audrey M. Edmonson	absent
Carlos A. Gimenez	aye	Sally A. Heyman	absent
Joe A. Martinez	aye	Dennos C. Moss	aye
Dorrin D. Rolle	aye	Natacha Seijas	absent
Katy Sorenson	aye	Rebeca Sosa	aye
Sen. Javier D. Souto	aye		

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The Chairperson thereupon declared the resolution duly passed and adopted this 24th day of April, 2007. This resolution shall become effective ten (10) days after the date of its adoption unless vetoed by the Mayor, and if vetoed, shall become effective only upon an override by this Board.

MIAMI-DADE COUNTY, FLORIDA
BY ITS BOARD OF COUNTY
COMMISSIONERS

HARVEY RUVIN, CLERK

Approved by County Attorney as
to form and legal sufficiency. GK

Lee Kraftchick

COUNTY COMMISSIONERS DADE COUNTY FLORIDA

By KAY SULLIVAN
Deputy Clerk

Memorandum

MIAMI-DADE COUNTY

Date: April 24, 2007

To: Honorable Chairman Bruno A. Barreiro and Members, Board of County Commissioners

From: George M. Burgess County Manager

Agenda Item No. 9(A)(17)(A)

Subject: Resolution Authorizing the City of Homestead to Amend the Homestead Firefighter Pension Plan

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Recommendation
It is recommended that the Board approve the attached resolution authorizing the City of Homestead to amend the Homestead Firefighter Pension Plan (Plan).

Scope
Not applicable

Fiscal Impact/Funding Source
There is no fiscal impact for the proposed agenda item.

Track Record/Monitor
The Miami-Dade Fire Rescue Department Chief Financial Officer, Scott Mendelsberg, tracks and monitors the Homestead Firefighter Pension Plan.

Background
The City of Homestead and Miami-Dade County entered into an Inter-local Agreement in October 2002, in an effort to settle litigation concerning the Homestead Firefighter Pension Plan (Attachment I). This Inter-local Agreement provided for continuing contributions from the County to the Plan in order to make future benefit payments to retirees. The Inter-local Agreement also required the City of Homestead to comply with various terms and conditions set by the County, including strengthening management and oversight of Plan assets as well as ongoing concerns cited by the State of Florida, Department of Management Services, regarding data contained in Annual Reports.

As previously reported, County staff continues to attend the Homestead Firefighter Pension Board meetings to monitor Board activities and review financial reports. The Pension Board focused on getting state acceptance of numerous prior year pension reports and made substantial progress in that effort. The Board also retained new investment advisors and hired an outside firm to oversee the performance of the new advisors.

On February 1, 2006, the City of Homestead received a letter from the Department of Management Services confirming release of State pension funds, contingent upon the Homestead Firefighter Pension Board receiving delinquent amounts from Miami-Dade County. On February 24, 2006, the County transferred $2,023,830 to the Homestead Pension Fund to pay its share of outstanding liabilities. The Homestead Pension Plan subsequently received more than $1.1 million in Chapter 175 and Supplemental monies from the State. As previously reported, the City of Homestead contributed $1.1 million in 2005. In the opinion of the Plan Actuary, the fund is now on sound actuarial ground, and the lawsuit has been dropped (Attachment II).

The City of Homestead is required to seek County approval prior to any changes in the Homestead Firefighter Pension Plan. The City has asked the County for approval to amend the normal retirement date to comply with state law governing minimum benefits for plans receiving State fire insurance premium tax monies. State law requires any plan receiving premium tax monies to offer normal retirement benefits to any employee at age 52 upon completion of 25 years of credited services, provided that the plan has sufficient funds to support the benefit. The current Homestead Plan offers normal retirement benefits to any employee at age 55 upon completion of 10 years of creditable service. Since the Plan has received all the outstanding contributions from the County and the State, there are now sufficient funds to pay the required benefit, and the balance sheet for the Plan assets contains a reserve of $252,546 to account for excess state funds received by the Plan.

The proposed amendment to the Homestead Firefighter Pension Plan would allow the Plan to use the excess state funds to pay benefits as required by state law (Attachment III). The proposed amendment would allow two members to retire one year earlier, but fewer years of credited service would reduce the future annual costs of the benefit. A member opting for early retirement at a lower benefit will actually cost the Plan less in the future. Since there is no annual cost increase, the premium tax monies would not be utilized for this proposed amendment.

Attached is a letter from the actuarial firm that reviews the Homestead Firefighter Pension Plan (Attachment IV). This letter confirms that there is no annual cost increase and therefore no need to use state premium tax money for this benefit.

Susanne M. Torriente
Assistant County Manager

ATTACHMENT I:

Inter-local Agreement

INTER-LOCAL AGREEMENT BETWEEN
MIAMI-DADE COUNTY AND THE CITY OF HOMESTEAD
REGARDING FUNDING AND ADMINISTRATION OF
THE CITY OF HOMESTEAD FIREMAN'S RELIEF AND PENSION FUND

THIS AGREEMENT made by and between MIAMI-DADE COUNTY, a political subdivision of the State of Florida, hereinafter called the "County", and the CITY OF HOMESTEAD, a municipal corporation, hereinafter called the "City".

WHEREAS, on September 19, 1978, the County and the City entered into an Agreement (the 1978 Agreement) whereby fire protection and rescue services relating to the City were transferred from the City to the County; and

WHEREAS, pursuant to Section 8 of the 1978 Agreement each employee transferred from the City to the County had the right to either remain in the City of Homestead Retirement Income Plan for Firemen (the City Plan) or join the Florida Retirement System (FRS); and

WHEREAS, all 20 Homestead firefighters chose to remain in the City Plan whereby their pension benefits would continue to be paid from the City of Homestead Fireman's Relief and Pension Fund (the Fund); and

WHEREAS, under said Section 8 the County has agreed to make certain contributions on behalf of those firefighters who chose to remain in the City Plan; and

WHEREAS, in the intervening years a number of factors have adversely affected the financial condition of the Fund including the City Plan being a "closed plan" dependent upon contributions by a declining number of active firefighters and a number of firefighters electing disability retirement status in advance of their normal retirement dates; and

WHEREAS, during such time the City and the County have been in dispute as to any obligations of the County to make up Fund shortfalls; and

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WHEREAS, the County maintains that it has at all times been in compliance with the terms of the Agreement, but retains an interest in preserving promised benefits to retired and active firefighters dependent upon the City Plan and the Fund; and

WHEREAS, the County and City contributions will, based on sound actuarial assumptions set forth in the Actuarial Consultant Report (Exhibit I) to this Agreement (the "Agreement"), be adequate to meet the pension payment requirement (the "Pension Requirement") under the City Plan;

IT IS HEREBY AGREED:

Section 1. The preamble to this Agreement is hereby incorporated by reference and made a part of this Agreement.

Section 2. The County agrees to make a one-time payment to the Fund of $1,411,259, representing the aggregate difference, plus accumulated interest, between the County's 13.95% Fund contribution rate from 1979 through 2001 and the prevailing FRS contribution rate during corresponding years, as set forth in Exhibit II to this Agreement. Payment is expected on or before October 1, 2002, and shall be adjusted for accumulated interest, from January 1, 2002 through remittance date. Remittance of this payment by the County is specifically conditioned on compliance of the Fund and its Board of Trustees (Pension Board) with the terms set forth below, and may be withheld for non-compliance.

Section 3. For each of the years 2002 through the year in which the last employee member of the Plan retires (projected 2009), the County shall contribute on behalf of each Fund participant then employed by the County, the same percentage of eligible gross earnings contributed on behalf of similarly situated firefighters in the FRS, at the prevailing *Special Risk* contribution rate. Any additional contributions that may be required to make the Plan actuarially sound shall be made by the City in accordance with Section 5.

Section 4. The Pension Fund shall make no further demands upon the County for the payment of any contributions other than the amounts set forth herein.

Section 5. In consideration for the County's obligation undertaken herein, the City agrees to make contributions to the Fund in each of the years 2002 through the year in which the last employee member of the Plan retires (projected 2009), inclusive, equal to the difference between the Fund's benefit payments and administrative expenses (Normal Cost) and the sum of contributions received from the County, State, and participating employee members of the Plan. The City recognizes that its contribution as a percentage of employee compensation will vary, subject to fluctuations in Fund expenses and asset yield. The projections presented in the attached Exhibit I, prepared by a professional actuarial consultant, are based on specific assumptions that may differ from actual experiences and market conditions. Notwithstanding, the County's sole Fund contribution obligations are reflected in Sections 2 and 3, and will under no circumstances be altered in the event Plan funding assumptions presented in Exhibit I are not realized. The City acknowledges that future County contributions are limited by this Agreement, and the City hereby agrees to fund, to the extent mandated by State law, any and all shortfalls that may result from differences between assumptions and actual experiences or market conditions. Beyond the date of the last retirement, the City shall, to the extent mandated by State law, continue to make contributions. The City is responsible for complying with all applicable requirements of Chapters 112 and 175, Florida Statutes, imposed on municipal employers maintaining pension plans, including but not limited to, the consistent and timely submission of annual actuarial reports to the Division of Retirement (the Division) and the County, substantiating the adequacy of current contribution levels as outlined in Section 112.63(1), Florida Statutes; and the submission of supplemental contributions, if necessary, on a quarterly

basis to alleviate funding shortfalls identified in the actuarial report, in accordance with and to the extent required by Section 175.131 Florida Statutes.

Section 6. Firefighter contributions to the Plan shall be maintained at the current level; each active Firefighter participating in the Plan shall contribute 5% of eligible gross earnings to the Fund.

Section 7. Upon termination of the Plan, all excess funds shall be returned to the State, County or City in accordance with State law.

Section 8. In consideration of the payments the County has agreed to make, the Fund agrees to make the following changes to its Board and Pension Plan:

(a) **Pension Board Membership, Responsibilities, and Oversight**

1) The Pension Board shall discharge its fiduciary responsibilities as set forth in the provisions of Sections 175.061 and 175.071, Florida Statutes and membership shall be reviewed to ensure compliance therewith. If the Board is not presently in compliance, it will be brought into compliance within sixty days. The Board agrees to include among its members persons with substantial experience in pension-related financial matters.

2) The City shall appoint a representative from the City Manager's office to monitor the Pension Board's meetings and actions and to ensure that any future amendments or other decisions affecting the Plan are financially sound and properly authorized. The City and the Board shall be jointly responsible for ensuring that the Board complies with all provisions of Chapter 175, Florida Statutes, including but not limited to the composition of the governing Board, terms of office, meetings, and legal structure. The City and Board shall also be

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responsible for review and payment of any professional service fee, attorney's fees and other costs associated with the Plan, from the Fund.

3) The County shall be entitled to appoint an ex-officio, non-voting County representative to the Board, who shall be entitled to attend all Board meetings, receive copies of all Board correspondence and otherwise be kept fully and promptly informed of all Fund matters.

4) A qualified firm or firms shall be hired to provide professional custodial, trust, and investment management services, as well as distribution of benefit payments. At least once every three years, the Board shall retain a professionally qualified independent consultant, who shall evaluate the performance of any existing professional money manager as required by Section 175.071(6), Florida Statutes.

5) The Board is the Plan Administrator, with ultimate responsibility for Plan administration issues and overseeing investment of Plan assets in accordance with Chapter 175, Florida Statutes and in accordance with the Plan. The Board's responsibility includes, but is not limited to, hiring an enrolled actuary to perform an annual actuarial valuation, using the techniques and assumptions that meet the requirements of Part VII, Chapter 112 of the Florida Statutes; the results of which must be filed in a report to the Florida Division of Retirement, in accordance with requirements detailed in Sections 112.63 and 175.261(2)(b), Florida Statutes; a copy of the annual actuarial report shall also be provided to the County. Further, the Board shall be responsible for assuring disbursement of all Plan benefits, including disability benefits, in accordance with Section 175.191, Florida Statutes.

(b) **Past Disability Benefit Approvals**

The Parties agree that the enhanced disability benefit the Pension Board previously permitted, as well as any other Plan changes the Board made without City or County approval, have not been provided to new retirees since at least January 11, 1994 and shall not be provided to new retirees after that date. The revised Pension Plan will incorporate this term and limit benefits accordingly.

(c) **Pension Board Reporting and Documentation Requirements**

1) The Pension Board shall abide by all financial and reporting provisions of Chapters 112, Part VII and 175.261, Florida Statutes. All outstanding fund and audit reporting obligations shall be fully satisfied, including completion and submission of delinquent annual audit reports (for 1998, 1999, 2000, and 2001) and annual reports to the State of Florida (for 1998, 1999, 2000, and 2001) within sixty days of this Agreement, with copies provided to the City and County.

2) The Pension Board shall meet a minimum of once each quarter as prescribed in Chapter 175.061, Florida Statutes, and minutes of all Board meetings shall be formally documented as public record and copies filed with the Homestead City Clerk.

3) The Pension Board shall be responsible for insuring that future Actuarial Valuation Reports are completed by an enrolled actuary and made available to the City and County no later than June 30th each year. The Pension Board shall provide the Plan Actuary all required information within sixty days following the close of each calendar year.

4) No future amendments to the Plan shall be implemented unless and until reviewed and approved by the City of Homestead and the County.

Section 9. Plan Changes

Any proposed changes to the Plan must be submitted to the State of Florida, Division of Retirement, for review, accompanied by a corresponding actuarial impact statement in accordance with Chapter 175, Florida Statutes, prior to final reading. Proposed changes shall also be provided to the County before they are implemented. If the County determines that the changes will affect the Plan's ability to meet its obligations, the County may reject the changes.

Section 10. Should the City or Pension Board fail to comply with any provisions specified herein, the County reserves the right to withhold contributions to the Fund.

Section 11. Municipal Loan Provision

The County shall make available sufficient funds for the City to meet contribution obligations to the Fund by providing a line of credit to the City, funded from non-ad valorem tax revenues, in an amount not to exceed $550,000, at an interest rate equal to the average monthly return on pooled cash earned by the County. At no time shall the outstanding balance on this line of credit exceed the yearly obligation of the City to the Fund and the outstanding balance shall be reduced to zero in the next succeeding fiscal year.

Section 12. City Repayment of Loan

At any point if the City does not meet its deposit obligations to the Plan, or if the City does not reduce its letter of credit outstanding balance to zero as required under Section 11 of this Agreement, the County may withhold, to the extent legally permissible, tax revenue collected by or distributed through the County Finance Department on behalf of the City. Any tax revenue subject to such withholding shall either be transferred to the Fund to satisfy City

obligations or transferred to the County's general fund to reimburse the County for letter of credit draw-downs.

Section 13. This Agreement shall constitute a settlement of any and all disputes related to the respective pension funding obligations of the County and the City pursuant to the 1978 Agreement and neither party shall have the power to pursue any claim related to such pension funding obligation in any court or administrative tribunal, other than an action to enforce this Agreement.

Section 14. Subject to the County's compliance with this Agreement, the Plan also agrees not to bring any suit, claim, demand or action or litigation in any forum or court, whether administrative, judicial or quasi-judicial, state or federal, against Miami-Dade County or the Miami-Dade Fire District and/or any of their employees or agents on any issue or matter or cause of action arising or allegedly arising out of the County's contributions to the Pension Plan.

Section 15. The above provisions numbered Sections 1 through 14 constitute the entire agreement between the parties. No promise, inducement or agreement not herein expressed has been made.

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The parties have read the foregoing agreement and fully understand it.

DATED this 10th day of October, 2002.

MIAMI-DADE COUNTY

Thomas David, Chief of Staff,
Assistant County Manager

Neil Flaxman
Attorney for Miami-Dade Fire Board

James Adams, Board of Trustees
City of Homestead Fireman's Relief and
Pension Fund

Curt Ivy, City Manager
City of Homestead

David Wolpin, Esq.
Attorney for City of Homestead

Attest: Sharon Cenner
City Clerk

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ATTACHMENT II:

Stipulation and Order of Dismissal

IN THE CIRCUIT COURT OF THE 11TH JUDICIAL CIRCUIT IN AND FOR DADE COUNTY, FLORIDA

GENERAL JURISDICTION DIVISION

CASE NO. 98-10285 CA 06

BOARD OF TRUSTEES OF CITY OF HOMESTEAD FIREMEN'S RELIEF AND PENSION FUND,

Plaintiff,

vs.

MIAMI-DADE COUNTY, formerly known as DADE COUNTY,

Defendant.

_____/

STIPULATION AND ORDER OF DISMISSAL

Plaintiff, Board of Trustees of City of Homestead Firemen's Relief and Pension Fund, and Defendant, Miami-Dade County, hereby stipulate that this proceeding including all claims have been amicably settled. The parties, therefore, jointly request the entry of an order of dismissal with prejudice, each party to bear its own costs.

Dated this 2nd day of March, 2006.

Stephen H. Cypen, Esq.
Cypen & Cypen
825 Arthur Godfrey Road
P.o. Box 402099
Miami Beach, Florida 33140

MURRAY A. GREENBERG
Miami-Dade County Attorney
111 N.W. 1st Street
Suite 2810
Miami, Florida 33128
Tel: (305)375-5151

By: _____
Lee Kraftchick
Assistant County Attorney
Florida Bar No. 313726

ORDER OF DISMISSAL

In consideration of the foregoing Stipulation, it is,

ORDERED AND ADJUDGED that the above cause be and the same is hereby dismissed with prejudice as to Plaintiff, Trustees of City of Homestead Firemen's Relief and Pension Fund, and Defendant Miami-Dade County, each party to bear its own costs.

DONE AND ORDERED in Chambers at Miami, Miami-Dade County, Florida, on this _____ day of _____, 2006.

Conformed Copy
MAR 6 - 2006
SCOTT J. SILVERMAN
CIRCUIT COURT JUDGE

CIRCUIT COURT JUDGE

Copies furnished to:

Stephen H. Cypen, Esq.
Lee Kraftchick, Esq.

ATTACHMENT III:

Proposed Amendment

ORDINANCE NO 2006-_____

AN ORDINANCE OF THE CITY OF HOMESTEAD, FLORIDA, AMENDING THE FIREFIGHTERS' RETIREMENT PLAN AT ARTICLE IV OF CHAPTER 22.5 "RETIREMENT PROGRAMS" OF THE CITY CODE BY AMENDING SECTION 22.5-257 "RETIREMENT DATES AND BENEFITS" TO PROVIDE FOR NORMAL RETIREMENT UPON ATTAINMENT OF AGE 52 AND COMPLETION OF 25 YEARS OF CREDITED SERVICE; PROVIDING FOR INCLUSION IN THE CODE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council has been advised that it is appropriate to amend the Plan to provide for normal retirement upon attainment of age 52 with 25 years of credited service as required by state law in order to protect future receipt of state premium tax monies by the Plan; and

WHEREAS, the City Council finds that amending the Plan to provide for normal retirement upon attainment of age 52 with 25 years of credited service is in the best interest of the City and its former firefighter employees.

IT IS HEREBY ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOMESTEAD, FLORIDA AS FOLLOWS:[1]

Section 1. Recitals. The above are true and correct and are incorporated herein by this reference.

Section 2. City Code Amended. Section 22.5-257, "Retirement Dates and Benefits," of Article IV of Chapter 22.5 "Retirement Plans," of the City Code is hereby amended to read as follows:

Sec. 22.5-257. Retirement dates and benefits.

(a) *Normal retirement.*

(1) *Date.* Normal retirement date shall be the first day of the month coincident with or next following either the attainment of the member's fifty-fifth birthday and completion of ten (10) years of credited service or the attainment of the member's fifty-second birthday and completion of twenty-five (25) years of credited service.

(2) *Benefit.* Normal retirement benefit shall be an amount equal to three (3) percent of the member's average final compensation multiplied by his credited service, with the result not to exceed the greater of eighty (80) percent of average final compensation or two (2) percent of average final compensation multiplied by credited service.

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[1]/ Proposed additions to existing City Code text are indicated by underline; proposed deletions from existing City Code text are indicated by ~~strikethrough~~.

Benefits shall commence on the first day of the month coincident with or next following a member's retirement and shall continue during his lifetime, but with one hundred twenty (120) payments guaranteed in any event. Benefits payable by the system shall be in addition to federal Social Security benefits.

* * * *

Section 3. **Inclusion In The Code.** It is the intention of the City Council that the provisions of this ordinance shall become and be made a part of the Code of Homestead, Florida. The sections of this ordinance may be renumbered or relettered to accomplish such intention, and the word "ordinance" may be changed to "section," "article," or other appropriate word.

Section 4. Effective Date. This ordinance shall become effective immediately upon adoption at second reading.

PASSED AND ADOPTED on first reading this _____ day of _____, 2006.

PASSED AND ADOPTED on second reading this _____ day of _____, 2006.

_____
ROSCOE WARREN, Mayor

ATTEST:

_____
City Clerk

APPROVED AS TO FORM AND LEGAL SUFFICIENCY:

_____
WEISS SEROTA HELFMAN PASTORIZA COLE & BONISKE, P.A
City Attorney

Motion to adopt by:
Seconded by:

FINAL VOTE AT ADOPTION
Mayor Roscoe Warren
Vice Mayor Steven D. Losner
Councilwoman Amanda S. Garner
Councilman Norman L. Hodge, Jr.
Councilman Lynda Bell
Councilman Jeffrey D. Porter
Councilwoman Judy Waldman

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ATTACHMENT IV:

Letter from Gabriel Roeder Smith & Company, Consultants & Actuaries

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

301 East Las Olas Blvd.
Suite 200
Ft. Lauderdale, FL 33301-2254

954.527.1616 phone
954.525.0083 fax
www.gabrielroeder.com

November 20, 2006

Scott Mendelsberg
Chief Financial Officer
Miami-Dade Fire Rescue Department
9300 N. W. 41st Street
Miami, FL 33178

Re: Homestead Firefighters Retirement System

Dear Scott:

With apologies for the delay, we are responding to your questions regarding the August 18, 2006 Actuarial Impact Statement. This Statement pertains to two proposed changes to the System:

- Implementation of a Deferred Retirement Option Plan (DROP), and
- Allowing normal retirement at age 52 with 25 years of service.

Enclosed are three pages from the Impact Statement. The page headed Calculation of Employer Normal Cost is the key page to review. You will see that the present value of future benefits (line B) would rise by $186,760 and the present value of future employee contributions would decline by $21,029 because members could retire sooner. These two changes would cause the present value of future normal costs to rise by $207,789, or 29%. The present value of future salaries would decline by $420,569, or 33%. Because the rate of decrease (33%) in future salaries exceeds the rate of increase (29%) in the present value of future normal costs, there is a reduction in the normal cost rate of 2.96% of this year's payroll, or $13,093.

Another way to look at this case is that without the amendment, we expect that all members will be retired in two years (on average); with the amendment, we expect all members to retire or enter the DROP (which is treated the same as retirement for funding purposes) in one year (on average). The total cost for two years exceeds the cost for one year.

We realize that these results are counterintuitive. Please let us know if you wish to discuss this matter further.

We welcome your questions and comments.

Sincerely yours,

Steve Palmquist

J. Stephen Palmquist

JSP/lgs

Enclosures

cc: Carolyn Furlong (w/enclosures)
Steve Cypen (w/enclosures)
Curt Ivy (w/enclosures)

RECEIVED
NOV 28 2006
FIRE RESCUE DEPARTMENT
CHIEF FINANCIAL OFFICER
SCOTT MENDELSBERG

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CALCULATION OF EMPLOYER NORMAL COST

	January 1, 2006 *After changes*	January 1, 2006 *Before Changes*	*Increase (Decrease)*
A. Valuation Date			
B. Actuarial Present Value of Projected Benefits	$ 8,455,177	$ 8,268,417	$ 186,760
C. Actuarial Value of Assets	7,327,394	7,327,394	0
D. Net Deficiency to amortized over 2 years	1,592,333	1,592,333	0
E. Actuarial Present Value of Projected Member Contributions	43,451	64,480	(21,029)
F. Actuarial Present Value of Projected Employer Normal Costs: B-C-D-E	(508,001)	(715,790)	207,789
G. Actuarial Present Value of Projected Covered Payroll	869,029	1,289,598	(420,569)
H. Employer Normal Cost Rate: F/G	(58.46)	(55.50) %	(2.96) %
I. Covered Annual Payroll	442,346	442,346	0
J. Employer Normal Cost: H x I	(258,595)	(245,502)	(13,093)
K. Assumed Amount of Administrative Expenses	69,441	69,441	0
L. Total Employer Normal Cost: J+K	0	0	0
M. Employer Normal Cost as % of Covered Payroll	0.00 %	0.00 %	0.00 %

SUMMARY OF VALUATION RESULTS			
	As of January 1		
COVERED GROUP	2006 *After Changes*	2006 *Before changes*	*Increase (Decrease)*
A. Number Included in the Valuation			
1. Active Members	4	4	-
2. Inactive Members	9	9	-
B. Covered Annual Payroll	$ 442,346	$ 442,346	$ -
LONG RANGE COST			
C. Actuarial Present Value of Projected Benefits	8,455,177	8,268,417	186,760
D. Actuarial Value of Assets	7,327,394	7,327,394	-
E. Actuarial Present Value of Future Contrib.			
1. Total C - D	1,127,783	941,023	186,760
2. Portion Assigned to Net Deficiency	1,592,333	1,592,333	-
3. Portion Assigned to Future Normal Costs	-	-	-
CURRENT ANNUAL COST			
F. Annual Payment Needed to Amortize Net Deficiency by 12/31/07	858,488	858,488	-
As % of B	194.08 %	194.08 %	0 %
G. Annual Employer Normal Cost	-	-	-
As % of B	0.00	0.00 %	0.00 %
H. Required Employer Contribs: F + G	858,488	858,488	-
As % of B	194.08	194.08 %	0.00 %
I. Credit for Chapter 175 Revenue	92,425	92,425	-
As % of B	20.89	20.89 %	0.00 %
J. Remaining Required Contribution	766,063	766,063	-
As % of B	173.18 %	173.18 %	0.00 %
K. Year to which Contributions Apply			
1. Plan Year Ending	12/31/06	12/31/06	
2. Employer Fiscal Year Ending	9/30/07	9/30/07	
3. Assumed Date(s) of Employer Contribs.	Quarterly	Quarterly	

ACTUARIAL PRESENT VALUE OF BENEFITS AND CONTRIBUTIONS

	As of January 1		
	2006 *After changes*	2006 *Before changes*	*Increase (Decrease)*
A. Actuarial Present Value of Projected Benefits for			
1. Active Members			
a. Service Retirement Benefits	$ 3,592,613	$ 3,342,424	$ 250,189
b. Vesting Benefits	-	-	-
c. Disability Benefits	55,196	101,191	(45,995)
d. Preretirement Death Benefits	25,612	43,046	(17,434)
e. Return of Member Contributions	-	-	-
f. Other	-	-	-
g. Total	3,673,421	3,486,661	186,760
2. Inactive Members			
a. Service Retirees & Benefits	777,963	777,963	-
b. Disability Retirees	3,939,117	3,939,117	-
c. Terminated Vested Members	64,676	64,676	-
d. Total	4,781,756	4,781,756	-
3. Total for All Members	8,455,177	8,268,417	186,760
B. Actuarial Accrued Liability	8,257,210	8,012,722	244,488
C. Actuarial Value of Assets	7,327,394	7,327,394	-
D. Accumulated Funding Deficiency	1,592,333	1,592,333	-
E. Actuarial Present Value of Projected Projected Member Contributions	43,451	64,480	(21,029)
F. Actuarial Present Value of Projected Covered Payroll	869,029	1,289,598	(420,569)