

August 19, 2024

Howard Tipton, Town Manager
Town of Longboat Key Consolidated Retirement System

Re: Town of Longboat Key
Consolidated Retirement System
Actuarial Analysis of Proposed COLA for General Employees

Dear Mr. Tipton:

As requested, we have performed a special actuarial analysis to determine the impact on Plan liabilities and funding requirements associated with providing the same Cost-of-Living Adjustment (COLA) to members of the General Employees' Plan as that provided to the Town's Police and Fire members.

A. Current COLA Structure for Police and Fire

1. Firefighters – Ordinance 02-06 (Effective July 8, 2002)

Cost-of-Living Adjustment: The monthly amount payable to normal and early service retirees, their joint pensioners or beneficiaries, if applicable, shall be subject to a cost-of-living adjustment commencing on the first October 1 following five (5) complete years of receiving retirement income payments and on each October 1st thereafter. The cost-of-living adjustment shall be three percent (3%) of the previous year's benefit amount. Disability retirees and terminated vested persons shall not receive cost-of-living adjustments.

2. Police Officers – Ordinance 2000-24 (Effective October 1, 2000)

Cost-of-Living Adjustment: The monthly amount payable to normal and early service Retirees, who retire on and after October 1, 2000, their joint pensioners or beneficiaries, if applicable, shall be subject to a cost-of-living adjustment commencing on the first October 1 following five (5) complete years of receiving retirement income payments and on each October 1st thereafter. The cost-of-living adjustment shall be three percent (3%) of the previous year's benefit amount. Disability retirees and terminated vested persons shall not receive cost-of-living adjustments.

B. Proposed COLA for General Employees

Based on the above-described Police and Fire COLAs, this analysis considers the following structure for participants of the General Employees portion of the Consolidated Retirement System:

- Current Active Employees: A 3% lifetime automatic COLA, beginning on the first October 1 following five complete years of retirement for those meeting the eligibility requirements for Normal or Early Retirement upon termination of employment.
- Current Retirees, Beneficiaries, and Joint Annuitants: For employees who terminated employment on and after October 1, 2000 who also met the eligibility requirements for Normal or Early Retirement at the time of termination, a 3% lifetime automatic COLA, beginning on the first October 1 following five complete years of retirement (but not prior to October 1, 2024).

The impact on Plan's funding requirements, determined as of October 1, 2023 (as applicable for the funding year beginning October 1, 2024), is shown on the attached schedule.

This analysis is based on the same data, assumptions, and methods as utilized in the October 1, 2023 actuarial valuation, except as otherwise noted.

In reviewing the results presented in this study, it should be noted there are risks that may not be inherently apparent to the reader that should be carefully considered. For key risks, please see the Discussion of Risk section of the October 1, 2023 actuarial valuation report.

In performing the analysis, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models to generate the costs. All internally developed models are reviewed as part of the process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

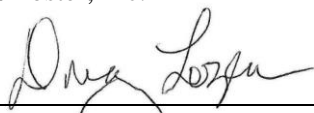
Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope of the analysis, we did not perform an analysis of the potential range of such future measurements.

The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of the October 1, 2023 valuation and this report are considered an integral part of the actuarial opinions.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By: 

Douglas H. Lozen, EA, MAAA
Enrolled Actuary #23-7778

Enclosure

Town of Longboat Key
Consolidated Retirement System - General Employees
Actuarial Analysis of Proposed Cost-of-Living Adjustment (COLA)
Determined as of October 1, 2023

COLA Scenario	GASB 67 Net Pension Liability ¹	Funded Ratio ²	Annual Town Contribution	
			Dollars	Increase/(Decrease)
Current - No COLA	2,743,504	84.6%	413,030	n/a
A	3,446,000	80.6%	469,908	56,878
B	5,499,000	70.8%	636,360	223,330

¹ GASB rules require immediate recognition of liabilities associated with benefit changes.

² Actuarial Asset Value divided by Entry Age Normal Actuarial Accrued Liability.

Description of Proposed COLA Scenario

A. A lifetime 3% automatic COLA, beginning the first October 1 following 5 years of benefit payments for future Normal and Early Retirees only.

B. The same as Scenario A for current and future retirees. Current Retirees, Beneficiaries, and Joint Annuitants under this proposal must have retired on or after October 1, 2000, immediately eligible for Normal or Early Retirement at the time of termination (Vested, Terminated Members are not considered for this COLA). The first adjustment will not occur prior to October 1, 2024.