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CITY OF
FORT LAUDERDALE

GENERAL EMPLOYEES' RETIREMENT SYSTEM

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June 29, 2011

Mayor John P. "Jack" Seiler
Vice Mayor Bobby B. DuBose
Commissioner Charlotte E. Rodstrom
Commissioner Bruce Roberts
Commissioner Romney Rogers

Subject: COLA Recommendation for GERS Retired, Disabled, and Beneficiaries

Dear Mayor and Commissioners,

I write to you today as Chairman of the City of Fort Lauderdale General Employees' Retirement System (GERS) to inform you of the Board's decision to recommend a Cost of Living Adjustment (COLA) to the City Commission for the Plan's retired, disabled, and beneficiaries.

At the February 10, 2011 Board of Trustees meeting, the Plan Actuary, Mr. J. Stephen Palmquist of Gabriel, Roeder, Smith & Company presented in great detail, the "Actuarial Valuation Report". In general, the report covered the actuarial valuation of benefit obligations, identified Plan assets, and calculated the portfolio's rate of return for fiscal year end September 30, 2010.

The Actuary's Report showed that the "Market Value Investment Return" for GERS' portfolio for fiscal year ending September 30, 2010 was 9.8% and produced "Total Net Investment Income" of \$27,902,451. This return surpassed the actuarial assumed rate of return of 7¼% by over 2% and resulted in earnings exceeding the assumed rate of return by \$1,256,488.

As a result of this performance, Mr. Palmquist informed the Board that the ordinance governing the Plan allows the Board to make a COLA recommendation to the City Commission. The Pension Ordinance provides in Section 20-110 (h) *Cost of Living Adjustment* that:

"The Board may, with the advise of the Plan's actuary and the approval of the City Commission, adjust the pensions of retired Members, including those receiving the Member's duration and survivor benefits under section 20-110(a)(2), annually



to reflect the change in the cost of living as measured by the Consumer Price Index or such other index approved by the Board, provided that such adjustments may only be made from investment return of the Fund in excess of that required to satisfy the actuarial interest assumption used in the most recent actuarial valuation of the Plan. If similar adjustments in the three (3) previous Plan years were less than the increase for those years in the index being used, such differences may be applied in addition to the current year's adjustment, subject to a total additional adjustment in any plan year of four (4) percent."

The Board considered and discussed at great length the impact of various COLA scenarios and ultimately opted to ask Mr. Plamquist for more information. Mr. Palmquist was asked to provide financial impact data for a one-time 3.5% increase for retirees and beneficiaries whose benefit originated prior to November 1, 2001 and a one-time 1% increase for those retirees and beneficiaries whose benefit originated on or after November 1, 2001. July 1, 2011 was chosen as the recommended effective date for this analysis.

The requested information was presented to the Board at our regular meeting on June 2, 2011 and a copy of that report is attached to this letter. After a lengthy in-depth discussion and input from all Trustees, a motion to recommend to the City Commission a 3.5% COLA for those whose benefits originated prior to November 1, 2001 and a 1% COLA for those whose benefit originated on or after November 1, 2001 was made by Vice Chairman Darmanin. Ms. Pfeiffer seconded the motion and it passed by a six (6) to one (1) margin.

It is worthy to note that the last COLA granted by the City Commission to those receiving a benefit from the GERS Plan was July 1, 2001. During the timeframe July 1, 2001 through January 2011, the Consumer Price Index (CPI) has increased 23.7%. A COLA for City pensioners and beneficiaries was formulated to protect those on fixed incomes from the ravages of inflation. The use of a recognized standard such as the Consumer Price Index (CPI) assures that a fair comparison is drawn between the real increases of goods and services over time and the amount of a COLA that can be granted. Over the last 10 years the CPI has dramatically outpaced the purchasing power of our pensioners.

The Board has been most concerned for quite sometime with those who started receiving benefits prior to November 1, 2001 as their benefit calculator was lower. This group includes 458 retirees who receive an average monthly benefit of \$1,614.17 and 177 beneficiaries who receive an average monthly benefit of only \$779.17. Inflation has hit them hardest and their ability to maintain a dignified lifestyle in their "golden years"

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has been compromised. To that end, the Board is recommending a higher COLA for this group.

The Board respectfully requests that the City Commission give this matter its due consideration and take measures necessary to enact the GERS Board of Trustees' recommendation. Should you have any questions, concerns, comments, suggestions, or would like additional information, please let me know. Thank you in advance for your attention to this most important matter.

Sincerely,



John LeRoy Bucci, Chairman
City of Fort Lauderdale GERS Board of Trustees

Attachments: Gabriel Roeder Smith & Company COLA Analysis Letter Dated May 25, 2011

C: Mark Darmanin, GERS Vice-Chairman
Sean Jones, GERS Secretary
Darlene Pfeiffer, GERS Trustee
Dr. Robert Helmholdt, GERS Trustee
Julie Cameron, GERS Trustee
Gregory Slagle, GERS Trustee
David Desmond, GERS Administrator
Robert Duncel, Assistant City Attorney
Lee R. Feldman, ICMA-CM, City Manager
Douglas Wood, Director of Finance and GERS Ex-Officio Board Member
Lynda Flynn, City Treasurer
J. Stephen Palmquist, GERS Plan Actuary, Gabriel, Roeder, Smith & Company