Hallandale Beach
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Office of the
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October 23, 2025

Fraternal Order of Police
Mr. Thomas D'Orazio, City of Hallandale Beach FOP Union President

Re: Actuarial Review of Proposed Pension Enhancements and the City's Response

Dear Mr. D'Orazio,

First, let me say that the City of Hallandale Beach deeply values our police officers and the work they do every day to protect and serve our community. This commitment has been demonstrated time and again by ensuring that our officers are among the best-equipped and best-trained in the State of Florida. My foremost goal, as it has been since the day I was appointed City Manager, is to ensure that every one of our officers has the tools, resources, and support necessary to go home safely to their families at the end of every shift.

That said, I want to emphasize that I am fully committed to ensuring our police officers receive competitive pay and benefits, including retirement security. In the previous negotiation cycle, I supported and approved salary adjustments for all officers, resulting in increases ranging from 9% to more than 15%. This action reflected my dedication to recognizing the vital contributions of our officers while maintaining sustainable fiscal practices that protect both employees and the community.

It is, however, our duty to ensure that the benefits we provide remain financially sustainable, both now and into the future.

The City of Hallandale Beach has completed its actuarial analysis of the pension benefit changes proposed by the Fraternal Order of Police ("the Union") for members of the Police Officers' and Firefighters' Personnel Retirement Trust. The analysis, prepared by **Foster & Foster Actuaries (August 12, 2025)**, evaluated each requested enhancement and quantified the impact on both annual funding requirements and the City's long-term unfunded pension liability.

During this same period, the City was finalizing its budget and Five-Year Fiscal Stabilization Plan, which is presented annually to the City Commission. Over the past ten months, it has been stated publicly at multiple Commission meetings that, while the City has made significant progress in restoring financial stability, we are not yet beyond risk. We face multiple external financial challenges, including the required environmental remediation at Chaves Lake (projected to cost several million dollars) and legislative proposals that could eliminate or severely restrict property tax collections. As you know, property taxes fund approximately fifty-five percent (55%) of the City's General Fund, and roughly forty-five percent (45%) of that revenue supports the Police Department.

It is with these fiscal realities, and with an eye toward the City's long-term stability, that we reviewed the actuarial findings.

Summary of Union Requests and Actuarial Impact

After reviewing the actuarial report, it is evident that the total package of proposed changes would impose substantial and unsustainable financial burdens on the City and its taxpayers for decades to come. The combined effect of these proposals would add millions of dollars in new unfunded liabilities immediately and permanently increase the City's annual pension costs.

Equally concerning is that, despite the magnitude of these proposed increases, the Union provided no options, offsets, or cost-sharing mechanisms to help fund them. As stewards of the City's fiscal health, we cannot responsibly consider benefit expansions without clearly identified and sustainable funding sources.

The actuarial study evaluated the following proposals:

1. **Lifetime Cost-of-Living Adjustments (COLAs)**

    - 1% COLA: ≈ $900,000 added to unfunded liability + $165,000 annual cost.
    - 2% COLA: ≈ $3.3 million added to unfunded liability + $530,000 annual cost.
    - 3% COLA: ≈ $8.65 million added to unfunded liability + $1.3 million annual cost.
    These increases are automatic and permanent. Over time, they would compound and significantly weaken the plan's funded ratio while diverting resources from essential public services.

2. **Raising or Removing the Pension Benefit Cap**

    - Cap raised to $135,000: ≈ $2.9 million added to unfunded liability + $468,000 annual cost.
    - Cap raised to $170,000: ≈ $4.6 million added to unfunded liability + $788,000 annual cost.
    - Cap removed entirely: ≈ $5.1 million added to unfunded liability + $1.0 million annual cost.
    Eliminating or increasing caps would create open-ended exposure and significantly expand future obligations without identified revenue to support them.

3. **Inclusion of $15,000 in Off-Duty Pay as Pensionable Earnings**

    - ≈ $675,000 added to unfunded liability + $954,000 annual cost.
    This change would permanently increase pensionable salaries and disproportionately inflate long-term payouts.

4. **Change to Average Final Compensation (AFC) Calculation**

- Four-year average for Tier 2: + $5,000 in unfunded liability.
- Three-year average for both Tiers: + $40,000 in unfunded liability.
- Two-year average for both Tiers: + $62,000 in unfunded liability. The shorter the averaging period, the higher the resulting benefit, though these impacts are relatively minor compared with the other proposals.

5. **Increase Tier 2 Accrual Rate to Match Tier 1 (3.00% → 3.20%)**

   - $11,613 in unfunded liability + ≈ $12,000 annual cost.

6. **Change to DROP Account Interest Credit Method**

   - Actuary found **no material financial impact**.

Cumulative Fiscal Effect

If adopted in full, the Union's major requests, lifetime COLAs, benefit-cap increases, and off-duty pay inclusion, would add well over $10 million to the City's unfunded pension liability immediately and increase annual pension contributions by more than $3 million per year.

It should be noted that the City's current unfunded liability is now the lowest it has been in eight years, following sustained efforts to rebuild financial strength and restore confidence in the City's fiscal management.

Such growth would erode the plan's funded ratio (currently ≈ 83%) and jeopardize its long-term solvency. It would also force the City to divert operating funds away from infrastructure, public safety, and employee compensation, or to raise taxes on residents to meet statutory funding obligations.

These are not hypothetical risks. Every additional dollar of unfunded liability becomes a debt that must be paid through either higher taxes, reduced services, or increased employee contributions. Left unchecked, these obligations could jeopardize the City's bond rating and restrict its ability to borrow for capital improvements.

City's Position and Path Forward

The City must balance its respect and gratitude for our police officers with our legal and ethical obligation to maintain fiscal discipline.

Accordingly, after reviewing the actuarial findings and assessing the long-term implications, the City will proceed only with the following limited adjustments:

1. **Tier 2 Accrual Rate Equal to Tier 1:** Increase of approximately $11,613 to the unfunded liability.

2. **Average Final Compensation Based on Highest Two Years for Tiers 1 and 2:** Increase of approximately $62,000 annually.
3. **Extension of the Deferred Retirement Option Program (DROP) from 5 years to 8 years.**

These refinements are modest, fair, and sustainable. They recognize the service of our officers while safeguarding the integrity of the pension fund and protecting the financial stability of Hallandale Beach.

The City is not in a position to accept the remaining proposals. To do so would expose residents and employees alike to unacceptable long-term risks. Furthermore, it must be noted for the record that the Union's submission offered no accompanying cost offsets, contribution adjustments, or funding mechanisms to balance these proposed increases. Responsible governance requires that any benefit expansion be paired with a reliable, identified source of funding.

Conclusion

The City remains committed to negotiating in good faith and ensuring that our police officers continue to receive competitive and secure retirement benefits. However, sustainability and fiscal discipline must guide every decision we make.

It was only a few short years ago that the City of Hallandale Beach faced the threat of bankruptcy and financial insolvency due to decades of deficit spending and poor fiscal management. It has taken five years of deliberate effort to restore financial stability, and we cannot, in good conscience, return the City to that position under my leadership.

The actuarial data leaves no ambiguity: adopting the complete set of proposals would significantly weaken the City's financial position for years to come.

We therefore invite the Union to focus our continued discussions on the three modifications identified above, all of which are attainable, fiscally responsible, and consistent with the long-term health of the pension plan and the community we serve.

Sincerely,

Dr. Jeremy Earle, Ph.D., AICP, FRA-RA
City Manager / CRA Executive Director
City of Hallandale Beach