

City of Hallandale Beach Retirement Plan

Actuarial Impact Statement

March 20, 2026

Attached hereto is a comparison of the impact on the Minimum Required Contribution (per Chapter 112, Florida Statutes) and the Required City Contribution, resulting from the implementation of the following changes:

Effective October 1, 2025, an Early Retirement Window (ERW) is offered to employees with 20 years of service or more and age 55 or older; or, 25 years of service or more and age 50 or older. Employee must retire and is assumed to retire once they satisfy the above requirements during the current contract that ends on September 30, 2028.

The cost impact, determined as of October 1, 2025, applicable to the fiscal year ending September 30, 2027, is as follows:

	<u>Proposed</u>	<u>Current</u>
Plan sponsor required contribution	\$3,923,846	\$3,407,672
Member contributions (est.)	\$77,803	\$113,965

Unless otherwise noted, all data, assumptions, methods and plan provisions are the same as in the October 1, 2025 actuarial valuation report. In performing this Actuarial Impact Statement, we were provided with all necessary information to evaluate the changes. It should be noted that changes to retirement benefits could potentially affect participants' retirement or termination behavior. We will monitor and advise of any recommended changes with future experience studies.

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.

Please note that contents of this analysis and the October 1, 2025 actuarial valuation report are considered an integral part of the actuarial opinions. In reviewing the results presented in this study, it should be noted that 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, 2025 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.

The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution. 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 opinions contained herein.



David A. Stocklas, EA, MAAA
Enrolled Actuary #23-5460

Statement of Plan Administrator

The prepared information presented herein reflects the estimated impact of the proposed Ordinance.

Chairman, Board of Trustees

	New Benefits 10/01/2025	Old Benefits 10/01/2025
A. Participant data		
Actives*	43	43
Terminated vested	54	54
Retirees	<u>168</u>	<u>168</u>
Total	265	265
Projected annual payroll	\$2,488,432	\$3,645,027
B. Assets		
Actuarial value (AVA)	\$65,363,852	\$65,363,852
Market value (MVA)	\$69,738,387	\$69,738,387
C. Liabilities		
Present value of benefits		
Active		
Retirement benefits	\$27,603,895	\$22,416,427
Vesting benefits	1,584,575	3,165,394
Disability benefits	290,587	743,423
Death benefits	11,045	24,333
Medical stipend	1,134,360	868,218
Terminated vested	10,772,100	10,772,100
Retirees	<u>45,944,975</u>	<u>45,944,975</u>
Total	\$87,341,537	\$83,934,870

* Active count includes 12 members that are expected to retire immediately.

	New Benefits 10/01/2025	Old Benefits 10/01/2025
C. Liabilities - (continued)		
Present value of future salaries	\$20,754,412	\$20,754,412
Present value of future member contributions	\$476,568	\$604,092
Normal cost		
Retirement benefits	\$317,187	\$357,264
Vesting benefits	122,364	189,845
Disability benefits	13,199	22,648
Death benefits	550	949
Medical stipend	<u>10,441</u>	<u>11,237</u>
Total normal cost	\$463,741	\$581,943
Present value of future normal cost	\$1,663,109	\$2,743,008
Actuarial accrued liability		
Active		
Retirement benefits	\$26,577,355	\$20,841,438
Vesting benefits	1,105,293	2,222,582
Disability benefits	240,868	642,136
Death benefits	8,369	19,250
Medical stipend	1,029,468	749,381
Inactives	<u>56,717,075</u>	<u>56,717,075</u>
Total actuarial accrued liability (EAN AAL)	\$85,678,428	\$81,191,862
Unfunded actuarial accrued liability (UAAL)	\$20,314,576	\$15,828,010
Funded ratio (AVA / EAN AAL)	76.3%	80.5%

	New Benefits 10/01/2025	Old Benefits 10/01/2025
D. Actuarial present value of accrued benefits		
Vested accrued benefits		
Participant in pay status	\$45,944,975	\$45,944,975
Inactive participants	10,772,100	10,772,100
Active participants	<u>26,563,690</u>	<u>18,754,801</u>
Total	\$83,280,765	\$75,471,876
Non-vested accrued benefits	<u>0</u>	<u>0</u>
Total present value of accrued benefits (PVAB)	\$83,280,765	\$75,471,876
Funded ratio (MVA / PVAB)	83.7%	92.4%
Increase (decrease) in PVAB due to:		
Plan amendment	\$7,808,889	

Valuation date	New Benefits 10/01/2025	Old Benefits 10/01/2025
Fiscal year ending	09/30/2027	09/30/2027
E. Pension Cost		
Base normal cost	\$463,741	\$581,943
Administrative expenses	95,000	95,000
Total normal cost	\$558,741	\$676,943
Adjusted normal cost for upcoming year	\$618,715	\$749,604
Payment to amortize UAAL	3,152,120	2,571,582
Interest to the end of the upcoming year	230,814	200,451
Expected member contributions	77,803	113,965
Expected plan sponsor contribution	\$3,923,846	\$3,407,672

Assumptions selected by actuary

Liability interest	During benefit payment period 6.25% Before benefit payment period 6.25%
Asset return	6.25% for the current plan year. Liability interest rate and asset return were selected by plan sponsor.
Interest rate for employee accumulations	3.00%. As defined in the plan document.
Expected expense	The expected expense included in normal cost is an estimate based on prior year expenses paid from plan assets. This is the best estimate available of upcoming year's expenses.
Retirement	Active and inactive participants are assumed to retire at normal retirement age as defined in Plan provisions. This assumption is based on the results of recent experience analysis and anticipated future experience.
Inflation	2.40% increase per year. See Long-Term Capital Market Assumptions link.
Upcoming salary increases	The preceding year's salary is increased using the S-5 Table from The Actuary's Pension Handbook, increased by 2.80% at each age. This table provides a rate of increase that declines as participants age. Note: not used for Plan accounting calculations.
Compensation limit increase	Expected salary increase is composed of salary inflation, a real wage growth and a merit increase. This reflects company salary increase philosophies along with more recent experience of the plan participants. 2.40% increase per year. Compensation limit increase should be consistent with the inflation assumption.

Mortality

Based on PubG-2010 General below median base rate mortality table (used on the 2024 State of Florida Valuation) projected to future years with historical and assumed mortality improvement (MI) rates using the MP-2021 mortality improvement scale.

Base rates

Before benefit payment period

PubG-2010 Below Median Employee, male and female, male set back 1 year

During benefit payment period

- Retirees- PubG-2010 Below Median Healthy Retiree base table, male and female, male set back 1 year
- Contingent survivor – same as retirees above (Pub 2010 “Approach 1”, see rationale below).
- Disabled Retiree – PubG-2010 Disabled Retiree base table, male and female set forward 4 years for both male and female. Participants in pay status who cannot be identified as disabled use the same table as retirees.

The Society of Actuaries is an actuarial organization that periodically reviews mortality data and publishes mortality tables and improvement scales. PubG-2010 is the baseline mortality rate table underlying the SOA Pub-2010 experience study published in January 2019.

Pub-2010 section 12.4.2 provided three approaches for designated beneficiaries in the calculation of joint-and-survivor annuities. We believe “Approach 1” is reasonable for this plan and has been selected due to data limitations in identifying contingent survivors. In addition, we believe beneficiary mortality isn’t materially different while both participants are alive.

Mortality improvement (MI)

MP-2021 is the improvement scale use on the 2024 State of Florida Valuation.

Disability

1987 Commissioner’s Group Disability Table, six month elimination period, male and female.

We rely on a publicly published table due to the limited size of the plan. The 1987 CGDT was recommended by the Society of Actuaries for pension valuation purposes.

Withdrawal

2003 Society of Actuaries Small Plan Age Table, multiplied by 0.75.

We rely on a publicly published table due to the limited size of the plan. The SOA Small Plan Age Table is the most recent withdrawal experience table published by the Society of Actuaries. A multiplier of 0.75 is applied to this table to reflect the results of the most recent experience analysis and anticipated future experience.

Marriage

75% married; husbands are 3 years older than wives.

This assumption does not have material impact on the results of this report and has been selected based on our best estimate of active workforce.

Form of benefit

Participants are assumed to receive their benefits on the normal form at the assumed retirement age.

Methods selected by plan sponsor

Actuarial value of plan assets

The market value of the Principal accounts is adjusted by spreading the expected value minus the actual value over four years. The deferred gains and losses are added to the current market value and then restricted to no more than 120% and no less than 80% of that market value.

Contributions received in the current plan year but applied to the prior plan year are added to the actuarial value of the Principal accounts.

Actuarial cost method

The **entry age normal (EAN)** cost method is used for this valuation.

The value in today's dollars for all projected plan benefits (reflecting service and pay increases through a member's assumed retirement age) is called the present value of benefits (**PVB**). The EAN method allocates each participant's PVB on a level basis over earnings or service between the participant's entry age and assumed retirement age.

The portion of the PVB allocated to each valuation year is the normal cost (NC). The individual normal costs are totaled to become the plan's **normal cost**. The plan's normal cost as a percentage of pay (pay related plan) or a dollar amount (non-pay related plan) should remain fairly stable, but may vary over time as your plan's population changes.

The **actuarial accrued liability (AAL)** is the portion of PVB attributable to past normal costs for all participants, and represents the targeted asset level for the plan.

The **unfunded actuarial accrued liability (UAAL)** is determined on each valuation date based on updated assets and data and compared to the expected UAAL based on the prior year's assumptions. Gains and losses (experience different than what was assumed) will increase or decrease the funding shortfall and create new liability bases to be funded. New bases are also created with plan amendments, assumption changes, or method changes.

The initial unfunded actuarial accrued liability, adjustments for benefit or assumption changes, and actuarial gain or loss are amortized as described on the Schedule of amortization bases page.

Plan provisions

This report reflects the maximum benefit limits under Internal Revenue Code (IRC) Section 415 and maximum compensation limits under IRC Section 401. The cost of any limit increase differing from that assumed is included in the plan experience.

Plan eligibility

Age	Not attained age 60.
Service	One year of service.
Class	Any employee of the employer considered to be a general employee by the employer, not a policeman, fireman, or manager, that works more than 37.5 hours per week and is considered to be on a full-time basis. Lawrence Faragher, Jorge Fernandini, and Mary Washington will be included in this group regardless of their management status. Must agree to make required contributions. Effective 10/01/2007 non-bargaining employees will not become or again become active participants. Bargaining employees hired after 01/05/2011 will not become or again become active participants.

Normal retirement benefit

Age	Attained age 60.
Form	Monthly annuity with benefits received guaranteed to be at least equal to the employees' accumulation on normal retirement date (optional forms may be elected prior to retirement).
Amount (accrued benefit)	73% of average compensation multiplied by the short service percentage and the accrued benefit adjustment (minimum benefit of \$20) for bargaining employees. 75% of average compensation multiplied by the short service percentage and the accrued benefit adjustment (minimum benefit of \$20) for non-bargaining employees. This amount will be reduced for each full or partial year that his/her spouse is eligible for the qualified preretirement survivor annuity before the earlier of the date he/she becomes inactive or reaches normal retirement date. For each year of coverage the reduction is .25%. The accrued benefit will be reduced if an active participant has not made all of his/her required contributions.

Early retirement benefit

Age	Attained age 55.
Service	Completed 20 years of service.
Form	Same as normal retirement benefit.
Amount	Accrued Benefit on Early Retirement Date reduced by 6 2/3% for each year up to five that the Early Retirement Date precedes Normal Retirement Date.

Late retirement benefit

Age	No maximum age.
Form	Same as normal retirement benefit.
Amount	Greater of Accrued Benefit on Late Retirement Date or Accrued Benefit on Normal Retirement Date increased to reflect that payment begins at a later date.

Termination benefit

Vesting percentage	20% after three years of vesting service plus 20% per year thereafter, up to 100%.
Form	Same as Normal Retirement Benefit with income deferred until Normal Retirement Date.
Amount (accrued benefit)	Equal to the sum of: a) The amount of retirement annuity which could be purchased on his normal retirement date by the participant's accumulation. b) Vesting percentage times the excess of the pension benefit as of the date of termination over (a) above. At any time on or after termination, the participant may elect to receive his/her participant's accumulation in cash in lieu of any and all retirement benefits.

Medical premium benefit

Eligibility	Active participant
Amount	An annual benefit of \$120 times years of service (maximum 20 years). Any non-bargaining employee hired after 01/01/1996 will not be eligible for this benefit.

Deferred retirement option plan

Eligibility	An active participant first becomes eligible to elect the DROP upon becoming eligible for early or normal retirement. A post-dated written letter of resignation fully binding upon the member is also required.
Election	An election to participate in the DROP shall be forfeited if not exercised within 90 days immediately prior to member's eligibility to enter the DROP. Those members eligible to participate in the DROP prior to its effective date (October 1, 2000) shall have a period of 90 days from the effective date to elect participation in the DROP. The period of participation in the DROP cannot exceed a period of five years and/or age 67.
Form	While the employee is in the DROP the pension benefit payments will be made to the DROP account as if the member had terminated employment and elected to receive monthly benefits payable in an amount as determined by the retirement option selected by the member. Payments to the DROP will earn or lose interest at the same rate and frequency as the pension fund, minus .5% for administrative cost. Payment options are lump sum, installments or an annuity.
Amount	After the commencement of participation in the DROP, no additional service under the retirement plan will be credited and all calculations for average compensation will be based on the years preceding the commencement of participation in the DROP. Otherwise the DROP benefit will be based on the normal retirement benefit formula. Upon termination of employment, the member will receive the balance of the DROP account either immediately or he/she may defer payment until the latest day permitted under the minimal distribution requirements of section 401(a)(9) of the Internal Revenue Code.

Contributions

Participant 3% of monthly compensation.

Death benefit

Greater of A or B below, if not waived:

A. Lump sum death benefit

Form Lump sum benefit payable to beneficiary.

Amount Participant's accumulation

B. Death benefit

Age Attained age 55.

Service 20 years of service.

Form Monthly annuity payable to spouse.

Amount The amount that would have been received had the participant elected a joint and 50% survivorship benefit option and early retired the day before death.

Definitions

Average compensation The monthly average of compensation received for the last three years of employment (all years if less than three).

Short service percentage The percentage obtained by dividing the number of complete months of service between a participant's date of employment and normal retirement date by 180 (maximum 100%).

Accrued benefit adjustment The quotient of the number of complete months of service as of a given date divided by the number of complete months of service as of normal retirement date.

Required contribution amount Total of participant's required contributions with interest, less any previously paid out contributions. Interest shall be credited in each year at a rate of 3% per annum compounded annually.