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Rick Scott, Governor

Chad Poppell, Secretary

June 17, 2016

Mr. David Hennessy
Lauderhill Police Officers' Pension Fund
13790 N.W. 4th St., Suite #105
Sunrise, FL 33325

RE: City of Lauderhill Police Officers' Retirement System – October 2013 through 2014

Dear Mr. Hennessy,

This is to notify you that the above referenced plan has been reviewed by a contract Enrolled Actuary for compliance with Part VII of Chapter 112, F.S. and Chapter 60T, F.A.C. Based upon the results of that review, we have determined the plan to be **state accepted**. By this letter, **all prior reports and actuarial impact statements** may likewise be considered to be **state accepted**.

Although the plan has been approved, there were items of interest noted during the review that should be addressed by your plan actuary for future reports. These items include the additional required information and clarifications listed on the attached page.

Please do not hesitate to contact our office if you have any questions.

Sincerely,

Keith Brinkman, Chief
Bureau of Local Retirement Systems
Florida Division of Retirement

Cc: Mr. Kennie Hobbs, Jr., Finance Director
Mr. Donald A. DuLaney, Jr., Actuary

Attachment

Attachment A

City of Lauderhill Police Officers' Retirement System
Items to Address in Future Reports

We recommend that you improve future reports as described below. You do not need to respond to us regarding the following items.

1. Section 3.5.3 of Actuarial Standard of Practice No. 4 (ASOP 4) provides guidance for plan provisions that are difficult to measure. "*Some plan provisions may create pension obligations that are difficult to measure using traditional valuation procedures. Examples of such plan provisions include…gain sharing provisions that trigger benefit increases when investment returns are favorable but do not trigger benefit decreases when investment returns are unfavorable.*"

   In this case, the variable thirteenth check may create pension obligations that are difficult to measure using traditional valuation procedures. It is not clear if the actuary is measuring any liability for the potential of additional checks.

   Section 3.5.3 of ASOP 4 indicates that "*the actuary should consider using alternative valuation procedures, such as stochastic modeling, option-pricing techniques, or deterministic procedures in conjunction with assumptions that are adjusted to reflect the impact of variations in experience from year to year…The actuary should disclose the approach taken.*" For this reason, we recommend that the actuary consider taking steps to value the potential impact of variable thirteenth checks. At a minimum, make it clear if any liability is being measured for them.