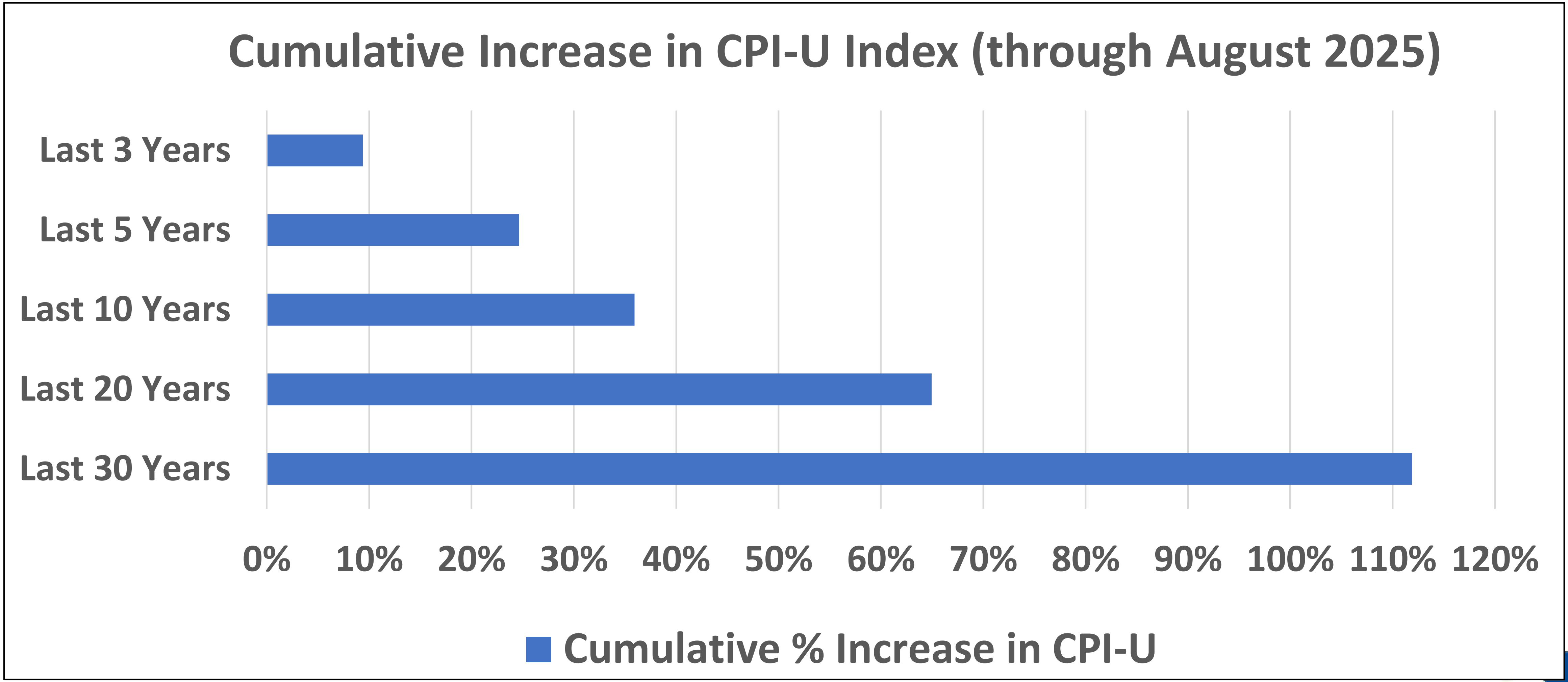
Effects of Inflation



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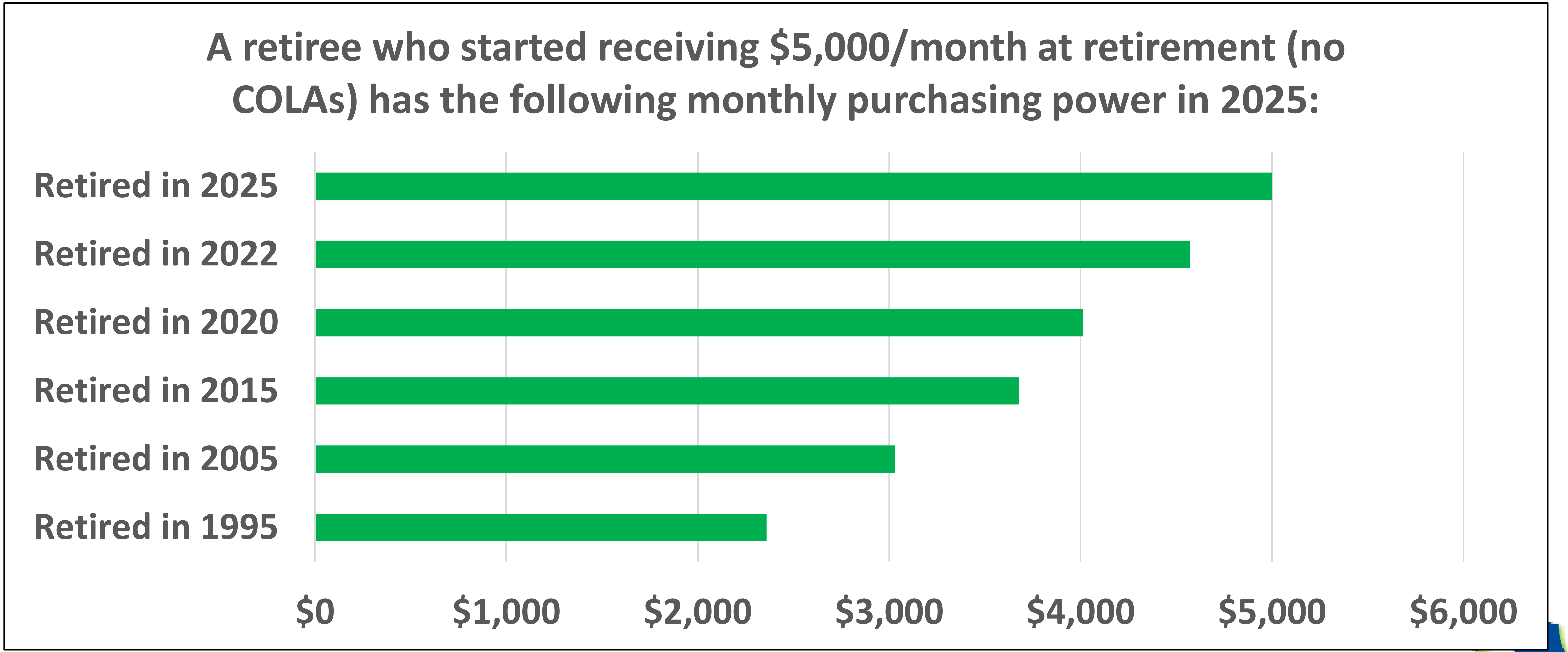

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Case Study #1 – Boynton Beach Firefighters

Boynton Beach Firefighters added a “No Cost to the City” COLA in 2006 for future retirees only.

- 2.0% Annual COLA starting 5 years after retirement.
- Increased Employee Contribution Rate by 5% of pay (from 7% to 12%) – this covered most of the 5.24% of pay initial cost increase (in 2006).
- City agreed to absorb 0.24% of pay net increase.

Case Study #1 – Boynton Beach Firefighters

- City/Union agreed cost of COLA would be re-evaluated once every 3 years - any increases would come from Chapter 175 funds.
- Base amount of Chapter 175 money was $589,543.
- First COLA re-evaluation as of 10/1/2009: showed cost of COLA was 5.24% of pay + $18,732, so Chapter 175 money allocated toward City contribution increased to $608,275.

Case Study #1 – Boynton Beach Firefighters

- COLA re-evaluations continued every 3 years (as of 10/1/12, 10/1/15, 10/1/18, 10/1/21 and 10/1/24).
- By 10/1/2021, COLA Cost had increased to 5.24% of pay plus $478,755, so Chapter 175 allocation toward required contribution increased to $1,068,298.
- Actual Chapter 175 money received in 2023 (for calendar year 2022) increased significantly to $1.64 million.

Case Study #1 – Boynton Beach Firefighters

- Approx. $570k more in actual Chapter 175 money than what is needed to pay for COLA.
- Studies were performed in 2023 to see if COLA could be enhanced using increase in Chapter 175 money.
- COLA was revised in 2024 from 2.0% deferred 5 years to 2.8% deferred 8 years (max DROP period had been extended from 5 to 8 years).

Case Study #1 – Boynton Beach Firefighters

- Members must enter the DROP and contribute 6% of pay for 3 years while in the DROP to be eligible for enhanced 2.8% COLA (otherwise they receive 2% COLA after 5-year delay).
- COLA Cost re-evaluation as of 10/1/2024 reflecting new COLA structure showed Chapter 175 money needed was now $1,566,534 (actual amount received for 2024 = $1,661,992, so about a $100,000 cushion).

Case Study #2 – Orlando Utilities Commission

The OUC Pension Plan has a variable COLA that depends on the actual investment return on market value of assets during the preceding year.

- If Net Investment Return ≤ 4.0%, COLA = 0.0%
- If Net Inv. Return > 4.0% but ≤ 8.0%, COLA = 1.0%
- If Net Inv. Return > 8.0% but ≤ 12.0%, COLA = 1.5%
- If Net Inv. Return > 12.0%, COLA = 2.0%

Case Study #2 – Orlando Utilities Commission

The OUC Pension Plan has a variable COLA that depends on the actual investment return on market value of assets during the preceding year.

- Variable COLA is only paid to retirees age 65+.
- COLA does not continue to survivors / joint annuitants.
- Deferral to 65 and variability reduces cost.

Case Study #3 – Palm Beach Gardens Police

This Plan has had a gain-sharing based COLA for 25+ years, but has never provided a COLA because cumulative experience is a net loss overall. The net loss is getting closer to "break-even" though after experience gains in recent years.

- Applies only to Pre-9/2012 Benefits, so if it does start providing COLAs, they will mostly benefit long-retired current retirees.

Case Study #3 – Palm Beach Gardens Police

Through collective bargaining, they recently implemented a 1.5% COLA starting the year after DROP Exit for current active and DROP members.

- Required City contribution increased from about $5.1 million to $6.6 million.