

September 6, 2019

VIA EMAIL

Ms. Grisell Aedo, Acting Retirement Director
City of Hialeah, Retirement Division
501 Palm Ave.
Hialeah, FL 33010

Re: City of Hialeah Employees' Retirement System
Section 112.664, Florida Statutes Compliance

Dear Grisell:

Please find enclosed the annual disclosures that satisfy the October 1, 2018 financial reporting requirements made under Section 112.664.

Our office will submit this information electronically to the Department of Management Services. However, it is important for you to be aware that this report must also be made available on the Plan or Plan Sponsor's website, if such website exists. A deadline for this website publication is not made clear in the law.

In addition to the enclosed report, the Plan or Plan Sponsor's website must provide a link to the Division of Retirement's Actuarial Summary Fact Sheet for the Plan, and also report the previous five years' assumed and actual rates of return, along with their respective asset allocations. The Board should contact its Investment Consultant for this information.

If there are any questions, concerns, or comments about any of the items contained in this report, please feel free to contact me.

Respectfully submitted,

Foster & Foster, Inc.

By: 

Bradley R. Heinrichs, FSA, EA, MAAA
Enrolled Actuary #17-6901

BRH/lke
Enclosures

cc via email: Stu Kaufman, Board Attorney

CITY OF HIALEAH
EMPLOYEES' RETIREMENT SYSTEM

SECTION 112.664, FLORIDA STATUTES
COMPLIANCE

With respect to the reporting standards for defined benefit retirement plans or systems contained in Section 112.664(1), F.S., the actuarial disclosures required under this section were prepared and completed by me or under my direct supervision and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, meet the requirements of Section 112.664(1), Florida Statutes, and Rule 60T-1.0035, Florida Administrative Code.

By:  Date: 9/6/2019
Bradley R. Heinrichs, FSA, EA, MAAA
Enrolled Actuary #17-6901



When reviewing the following schedules, please note the following:

- 1) The purpose of producing this report is solely to satisfy the requirements set forth by Section 112.664, Florida Statutes, and is mandatory for every Florida public pension fund, excluding the Florida Retirement System (FRS).
- 2) None of the schedules shown have any impact on the funding requirements of the Plan. These schedules are for statutory compliance purposes only.
- 3) In the schedules that follow, the columns labeled “ACTUAL” represent the final recorded GASB 67/68 results. The columns labeled “HYPOTHETICAL” illustrate what the results would have been if different assumptions were used.
- 4) It is our opinion that the Plan’s actual assumptions utilized in the October 1, 2018 Actuarial Valuation Report, as adopted by the Board of Trustees, are reasonable individually and in the aggregate, and represent our best estimate of future Plan experience.
- 5) The “Number of Years Expected Benefit Payments Sustained” calculated in Section II: Asset Sustainability should not be interpreted as the number of years the Plan has left until it is insolvent. This calculation is required by 112.664, Florida Statutes, but the numeric result is irrelevant, since in its calculation we are to assume there will be no further contributions to the Fund. As long as the Actuarially Determined Contribution is made each year the Plan will never become insolvent.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FISCAL YEAR SEPTEMBER 30, 2018

	ACTUAL	HYPOTHETICAL	
	7.80% RP-2000 Generational	5.80% RP-2000 Generational	9.80% RP-2000 Generational
<u>Total Pension Liability</u>			
Service Cost	7,202,768	11,532,217	4,655,348
Interest	70,617,995	63,880,630	75,339,857
Change in Annuity Savings Fund	3,399,514	3,399,514	3,399,514
Change in Annuity Reserve Fund	-	-	-
Changes of Benefit Terms	(6,194,034)	(8,970,713)	(4,398,743)
Differences Between Expected and Actual Experience	21,250,857	25,863,079	17,758,417
Changes of Assumptions	33,984,415	45,184,058	26,503,476
Contributions - Buy Back	3,658,285	3,658,285	3,658,285
Benefit Payments, Including Refunds of Employee Contributions	(75,067,920)	(75,067,920)	(75,067,920)
Net Change in Total Pension Liability	58,851,880	69,479,150	51,848,234
Total Pension Liability - Beginning	919,250,162	1,099,649,618	790,675,922
Total Pension Liability - Ending (a)	<u>\$ 978,102,042</u>	<u>\$ 1,169,128,768</u>	<u>\$ 842,524,156</u>
<u>Plan Fiduciary Net Position</u>			
Contributions - Employer	40,432,760	40,432,760	40,432,760
Contributions - State	461,877	461,877	461,877
Contributions - Employee	2,792,321	2,792,321	2,792,321
Contributions - Buy Back	3,658,285	3,658,285	3,658,285
Contributions - Annuity Savings Fund	3,399,514	3,399,514	3,399,514
Net Investment Income	61,184,032	61,184,032	61,184,032
Benefit Payments, Including Refunds of Employee Contributions	(75,067,920)	(75,067,920)	(75,067,920)
Administrative Expenses	(734,099)	(734,099)	(734,099)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	36,126,770	36,126,770	36,126,770
Plan Fiduciary Net Position - Beginning	679,986,360	679,986,360	679,986,360
Plan Fiduciary Net Position - Ending (b)	<u>\$ 716,113,130</u>	<u>\$ 716,113,130</u>	<u>\$ 716,113,130</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 261,988,912</u>	<u>\$ 453,015,638</u>	<u>\$ 126,411,026</u>

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: 7.80% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2018	706,113,130	-	71,050,033	-	52,305,873	687,368,970
2019	687,368,970	-	65,685,589	-	51,053,042	672,736,423
2020	672,736,423	-	66,692,540	-	49,872,432	655,916,315
2021	655,916,315	-	67,665,205	-	48,522,530	636,773,640
2022	636,773,640	-	68,146,568	-	47,010,628	615,637,700
2023	615,637,700	-	68,672,569	-	45,341,510	592,306,641
2024	592,306,641	-	69,318,927	-	43,496,480	566,484,194
2025	566,484,194	-	69,640,892	-	41,469,772	538,313,074
2026	538,313,074	-	69,784,389	-	39,266,829	507,795,514
2027	507,795,514	-	69,781,868	-	36,886,557	474,900,203
2028	474,900,203	-	69,536,556	-	34,330,290	439,693,937
2029	439,693,937	-	69,441,527	-	31,587,908	401,840,318
2030	401,840,318	-	69,104,926	-	28,648,453	361,383,845
2031	361,383,845	-	68,575,959	-	25,513,478	318,321,364
2032	318,321,364	-	67,860,477	-	22,182,508	272,643,395
2033	272,643,395	-	66,965,837	-	18,654,517	224,332,075
2034	224,332,075	-	66,091,033	-	14,920,352	173,161,394
2035	173,161,394	-	64,808,571	-	10,979,054	119,331,877
2036	119,331,877	-	63,460,565	-	6,832,924	62,704,236
2037	62,704,236	-	62,040,242	-	2,471,361	3,135,355
2038	3,135,355	-	60,520,788	-	-	-

*All DROP Balances paid in 2018.

Number of Years Expected Benefit Payments Sustained: 20.05

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.80% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 2
Hypothetical Assumptions: 5.80% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2018	706,113,130	-	71,050,033	-	38,894,111	673,957,208
2019	673,957,208	-	65,685,589	-	37,184,636	645,456,255
2020	645,456,255	-	66,692,540	-	35,502,379	614,266,094
2021	614,266,094	-	67,665,205	-	33,665,143	580,266,032
2022	580,266,032	-	68,146,568	-	31,679,179	543,798,643
2023	543,798,643	-	68,672,569	-	29,548,817	504,674,891
2024	504,674,891	-	69,318,927	-	27,260,895	462,616,859
2025	462,616,859	-	69,640,892	-	24,812,192	417,788,159
2026	417,788,159	-	69,784,389	-	22,207,966	370,211,736
2027	370,211,736	-	69,781,868	-	19,448,607	319,878,475
2028	319,878,475	-	69,536,556	-	16,536,391	266,878,310
2029	266,878,310	-	69,441,527	-	13,465,138	210,901,921
2030	210,901,921	-	69,104,926	-	10,228,269	152,025,264
2031	152,025,264	-	68,575,959	-	6,828,763	90,278,068
2032	90,278,068	-	67,860,477	-	3,268,174	25,685,765
2033	25,685,765	-	66,965,837	-	-	-

*All DROP Balances paid in 2018.

Number of Years Expected Benefit Payments Sustained: 15.38

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.80% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 3
Hypothetical Assumptions: 9.80% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2018	706,113,130	-	71,050,033	-	65,717,635	700,780,732
2019	700,780,732	-	65,685,589	-	65,457,918	700,553,061
2020	700,553,061	-	66,692,540	-	65,386,266	699,246,787
2021	699,246,787	-	67,665,205	-	65,210,590	696,792,172
2022	696,792,172	-	68,146,568	-	64,946,451	693,592,055
2023	693,592,055	-	68,672,569	-	64,607,066	689,526,552
2024	689,526,552	-	69,318,927	-	64,176,975	684,384,600
2025	684,384,600	-	69,640,892	-	63,657,287	678,400,995
2026	678,400,995	-	69,784,389	-	63,063,862	671,680,468
2027	671,680,468	-	69,781,868	-	62,405,374	664,303,974
2028	664,303,974	-	69,536,556	-	61,694,498	656,461,916
2029	656,461,916	-	69,441,527	-	60,930,633	647,951,022
2030	647,951,022	-	69,104,926	-	60,113,059	638,959,155
2031	638,959,155	-	68,575,959	-	59,257,775	629,640,971
2032	629,640,971	-	67,860,477	-	58,379,652	620,160,146
2033	620,160,146	-	66,965,837	-	57,494,368	610,688,677
2034	610,688,677	-	66,091,033	-	56,609,030	601,206,674
2035	601,206,674	-	64,808,571	-	55,742,634	592,140,737
2036	592,140,737	-	63,460,565	-	54,920,225	583,600,397
2037	583,600,397	-	62,040,242	-	54,152,867	575,713,022
2038	575,713,022	-	60,520,788	-	53,454,358	568,646,592
2039	568,646,592	-	58,902,488	-	52,841,144	562,585,248
2040	562,585,248	-	57,230,571	-	52,329,056	557,683,733
2041	557,683,733	-	55,459,200	-	51,935,505	554,160,038
2042	554,160,038	-	53,649,539	-	51,678,856	552,189,355
2043	552,189,355	-	51,780,979	-	51,577,289	551,985,665
2044	551,985,665	-	49,833,432	-	51,652,757	553,804,990
2045	553,804,990	-	47,858,066	-	51,927,844	557,874,768
2046	557,874,768	-	45,849,002	-	52,425,126	564,450,892
2047	564,450,892	-	43,824,446	-	53,168,790	573,795,236
2048	573,795,236	-	41,767,361	-	54,185,332	586,213,207
2049	586,213,207	-	39,690,796	-	55,504,045	602,026,456
2050	602,026,456	-	37,618,077	-	57,155,307	621,563,686
2051	621,563,686	-	35,542,224	-	59,171,672	645,193,134
2052	645,193,134	-	33,470,482	-	61,588,874	673,311,526
2053	673,311,526	-	31,413,179	-	64,445,284	706,343,631
2054	706,343,631	-	29,377,093	-	67,782,198	744,748,736
2055	744,748,736	-	27,372,493	-	71,644,124	789,020,367
2056	789,020,367	-	25,405,964	-	76,079,104	839,693,507
2057	839,693,507	-	23,490,547	-	81,138,927	897,341,887
2058	897,341,887	-	21,635,315	-	86,879,374	962,585,946
2059	962,585,946	-	19,849,857	-	93,360,780	1,036,096,869
2060	1,036,096,869	-	18,142,449	-	100,648,513	1,118,602,933
2061	1,118,602,933	-	16,519,962	-	108,813,609	1,210,896,580
2062	1,210,896,580	-	14,986,926	-	117,933,505	1,313,843,159
2063	1,313,843,159	-	13,545,834	-	128,092,884	1,428,390,209

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 3
Hypothetical Assumptions: 9.80% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2064	1,428,390,209	-	12,196,192	-	139,384,627	1,555,578,644
2065	1,555,578,644	-	10,936,745	-	151,910,807	1,696,552,706
2066	1,696,552,706	-	9,765,407	-	165,783,660	1,852,570,959
2067	1,852,570,959	-	8,681,274	-	181,126,572	2,025,016,257
2068	2,025,016,257	-	7,682,927	-	198,075,130	2,215,408,460
2069	2,215,408,460	-	6,767,242	-	216,778,434	2,425,419,652
2070	2,425,419,652	-	5,931,631	-	237,400,476	2,656,888,497
2071	2,656,888,497	-	5,172,872	-	260,121,602	2,911,837,227
2072	2,911,837,227	-	4,487,601	-	285,140,156	3,192,489,782
2073	3,192,489,782	-	3,871,111	-	312,674,314	3,501,292,985
2074	3,501,292,985	-	3,319,071	-	342,964,078	3,840,937,992
2075	3,840,937,992	-	2,826,534	-	376,273,423	4,214,384,881
2076	4,214,384,881	-	2,389,881	-	412,892,614	4,624,887,614
2077	4,624,887,614	-	2,005,645	-	453,140,710	5,076,022,679
2078	5,076,022,679	-	1,669,030	-	497,368,440	5,571,722,089
2079	5,571,722,089	-	1,375,888	-	545,961,346	6,116,307,547
2080	6,116,307,547	-	1,123,292	-	599,343,098	6,714,527,353
2081	6,714,527,353	-	907,988	-	657,979,189	7,371,598,554
2082	7,371,598,554	-	726,141	-	722,381,077	8,093,253,490
2083	8,093,253,490	-	574,263	-	793,110,703	8,885,789,930
2084	8,885,789,930	-	449,274	-	870,785,399	9,756,126,055
2085	9,756,126,055	-	347,790	-	956,083,312	10,711,861,577
2086	10,711,861,577	-	266,523	-	1,049,749,375	11,761,344,429
2087	11,761,344,429	-	201,878	-	1,152,601,862	12,913,744,413
2088	12,913,744,413	-	151,313	-	1,265,539,538	14,179,132,638
2089	14,179,132,638	-	112,187	-	1,389,549,501	15,568,569,952
2090	15,568,569,952	-	82,387	-	1,525,715,818	17,094,203,383
2091	17,094,203,383	-	59,884	-	1,675,228,997	18,769,372,496
2092	18,769,372,496	-	43,138	-	1,839,396,391	20,608,725,749
2093	20,608,725,749	-	30,787	-	2,019,653,615	22,628,348,577
2094	22,628,348,577	-	21,757	-	2,217,577,094	24,845,903,914
2095	24,845,903,914	-	15,209	-	2,434,897,838	27,280,786,543
2096	27,280,786,543	-	10,474	-	2,673,516,568	29,954,292,637
2097	29,954,292,637	-	7,116	-	2,935,520,330	32,889,805,851
2098	32,889,805,851	-	4,759	-	3,223,200,740	36,113,001,832
2099	36,113,001,832	-	3,131	-	3,539,074,026	39,652,072,727
2100	39,652,072,727	-	2,025	-	3,885,903,028	43,537,973,730
2101	43,537,973,730	-	1,291	-	4,266,721,362	47,804,693,801
2102	47,804,693,801	-	811	-	4,684,859,953	52,489,552,943
2103	52,489,552,943	-	501	-	5,143,976,164	57,633,528,606
2104	57,633,528,606	-	306	-	5,648,085,788	63,281,614,088
2105	63,281,614,088	-	184	-	6,201,598,172	69,483,212,076
2106	69,483,212,076	-	109	-	6,809,354,778	76,292,566,745
2107	76,292,566,745	-	65	-	7,476,671,538	83,769,238,218
2108	83,769,238,218	-	38	-	8,209,385,344	91,978,623,524
2109	91,978,623,524	-	22	-	9,013,905,104	100,992,528,606
2110	100,992,528,606	-	12	-	9,897,267,803	110,889,796,397
2111	110,889,796,397	-	6	-	10,867,200,047	121,756,996,438
2112	121,756,996,438	-	3	-	11,932,185,651	133,689,182,086
2113	133,689,182,086	-	2	-	13,101,539,844	146,790,721,928

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 3
 Hypothetical Assumptions: 9.80% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2114	146,790,721,928	-	1	-	14,385,490,749	161,176,212,676
2115	161,176,212,676	-	-	-	15,795,268,842	176,971,481,518

*All DROP Balances paid in 2018.

Number of Years Expected Benefit Payments Sustained: 999.99

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 9.80% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2020

Valuation Date: 10/1/2018

	ACTUAL	HYPOTHETICAL	
	7.80% RP-2000 Generational	5.80% RP-2000 Generational	9.80% RP-2000 Generational
Minimum Required Contribution (Fixed \$)	\$38,851,280	\$53,095,943	\$26,014,467
Minimum Required Contribution (% of Payroll)	75.66%	103.40%	50.66%
Expected Member Contribution	3,589,303	3,589,303	3,589,303
Expected State Money	461,877	461,877	461,877
Expected Sponsor Contribution (Fixed \$)	\$34,800,100	\$49,044,763	\$21,963,287
Expected Sponsor Contribution (% of Payroll)	67.77%	95.51%	42.77%
<u>ASSETS</u>			
Actuarial Value (AVA) ¹	696,946,890	696,946,890	696,946,890
Market Value (MVA) ¹	706,113,130	706,113,130	706,113,130
<u>LIABILITIES</u>			
Present Value of Benefits			
Active Members			
Retirement Benefits	222,836,614	323,393,919	161,375,137
Disability Benefits	8,968,013	12,433,704	6,728,990
Death Benefits	2,720,048	3,922,765	1,988,063
Vested Benefits	3,571,177	5,764,529	2,346,516
Refund of Contributions	1,061,342	1,142,762	989,793
Service Retirees	563,727,012	674,961,545	482,593,659
DROP Retirees ¹	43,947,180	52,549,675	37,845,017
Beneficiaries	10,176,605	11,636,414	9,055,967
Disability Retirees	43,029,134	49,541,936	38,001,022
Terminated Vested	11,353,198	16,099,742	8,396,879
Annuity Savings/Reserve	122,453,449	122,453,449	122,453,449
Total:	1,033,843,772	1,273,900,440	871,774,492
Present Value of Future Salaries	387,585,910	437,855,503	347,805,399
Total Normal Cost	7,371,027	11,883,419	4,733,117
Present Value of Future Normal Costs (Entry Age Normal)	55,234,898	101,030,655	31,730,502
Total Actuarial Accrued Liability ¹	978,608,874	1,172,869,785	840,043,990
Unfunded Actuarial Accrued Liability (UAAL)	281,661,984	475,922,895	143,097,100

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2020

Valuation Date: 10/1/2018

	ACTUAL	HYPOTHETICAL	
	7.80% RP-2000 Generational	5.80% RP-2000 Generational	9.80% RP-2000 Generational
<u>PENSION COST</u>			
Normal Cost ²	8,096,577	12,751,125	5,319,860
Administrative Expenses ²	0	0	0
Payment Required To Amortize UAAL ²	30,754,703	40,344,818	20,694,607
Minimum Required Contribution	\$38,851,280	\$53,095,943	\$26,014,467

¹ The asset values and liabilities include accumulated DROP Plan Balances as of 9/30/2018.

² Contributions developed as of 10/1/2018 are adjusted for 15 months of interest.