



October 3, 2018

William P. Hanes, Esq.
Administrator
Town of Palm Beach Retirement System
P.O. Box 2112
Palm Beach, Florida 33480

Re: Town of Palm Beach Retirement System – Ordinance 19-2018

Dear Bill:

We have reviewed the proposed Ordinance which amends Section 82-99, *Deferred retirement option program for firefighters*; Section 82-119, *Deferred retirement option program for police officers*; and Section 82-139, *Deferred retirement option program for members of benefit group general and benefit group lifeguard*, of the Town's Code of Ordinances with regard to the Town of Palm Beach Retirement System (Plan).

This Ordinance introduces additional language which would extend DROP participation for up to 36 calendar months beyond the maximum DROP participation period of 60 months, effective on and after January 1, 2019 and until January 1, 2022, if authorized by the Town Manager. The Town Manager's decision to authorize the extension of a member's DROP period is based on the operational needs of the Town and is not subject to grievance or other review.

In our opinion, these proposed changes would not have an immediate actuarial impact on the current cost of the Plan for prefunding purposes. If an extension of a member's DROP participation period delays the employment of a replacement employee, then this could reduce the cost of the Plan in future years, but this depends on future experience and is difficult to measure at this time.

Furthermore, if a member's DROP participation is extended by 1 to 3 years, the impact of the Internal Revenue Code Section 415(b) limit would need to be analyzed. If a member is close to or at the 415(b) limit before extending their DROP participation period, such an extension may cause their total benefit to exceed the 415(b) limit. This would need to be analyzed on a case-by-case basis. If a member's benefit is impacted by Section 415(b) due to an extension of their DROP participation period, then the actuarial liability in this Plan may be reduced as a result of the 415(b) limit.

Based on the above, it is our opinion that a formal Actuarial Impact Statement is not required. However, we recommend that you send a copy of this letter and the Ordinance to the Bureau of Local Retirement Systems before the final public hearing on the Ordinance.

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Peter N. Strong is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The undersigned actuary is independent of the plan sponsor.

If there are any questions, please let us know.

Respectfully submitted,

A handwritten signature in black ink that reads "Peter Strong". The signature is written in a cursive style with a large initial "P" and a long, sweeping underline.

Peter N. Strong, FSA, EA, MAAA
Senior Consultant and Actuary

The above communication shall not be construed to provide tax advice, legal advice or investment advice.