



# CITY of HOLLYWOOD, FLORIDA

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## Office of the City Manager

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**Wazir A. Ishmael, Ph.D.**  
City Manager

July 22, 2016

Mr. Dave Williams, Plan Administrator  
Board of Trustees of the City of Hollywood  
Police Officers Retirement System  
4205 Hollywood Boulevard, Suite 4  
Hollywood, Florida, 33021

Re: City of Hollywood as "Plan Sponsor" of the Police Pension Fund

Dear Mr. Williams:

The City of Hollywood, as the legal "Plan Sponsor" of the Police Pension Fund, is extending this correspondence to you as a Trustee, Administrator, or Actuary of the fund, as part of our ongoing effort to improve communication, cooperation, and ultimately, the financial viability of both the fund and the City. The City and the Police Pension Fund, in fact, all three of the City's pension plans, currently face serious financial challenges. Policy decisions, investment returns, participant contributions, expenditures, benefit distributions, demographic changes, the great recession, accumulated actuarial losses, and City Annual Required Contributions (ARC) levels all factor into a complex equation.

The Plan's current funding level is the 50+% range, dropping dramatically over the past two decades where it once existed in the 80+% range. The Leroy Collins Institute at Florida State University researches and evaluates the hundreds of government agencies statewide relative to pension plans, health care costs, and OPEBs for retirees; then provides a grading of each for fiscal health and viability. The Police, Fire, and General Employees' Retirement Funds all receive "F" ratings over the past several years, the lowest grade assigned. This represents the bottom approximate 10% of all public pension funds in the State. Additionally, The City of Hollywood's costs for health care and OPEBs for retirees costs have also been evaluated consistently for several years at a grade of "F", the lowest grade assigned. The existing financial condition and structure of pension plans, and health care benefits/OPEBs in the City of Hollywood are clearly in poor condition and fiscally unsustainable into the future. (attachment)

**Our Mission:** We are dedicated to providing municipal services for our diverse community in an atmosphere of cooperation, courtesy and respect.  
We do this by ensuring all who live, work and play in the City of Hollywood enjoy a high quality of life.

**"An Equal Opportunity and Service Provider Agency"**

In short, without significant modification to the factors impacting the fiscal health and stability of the City's pension plans, they cannot continue to be sustained along current trends. To simply provide the response that the pension plans are financially sound, as long as the City keeps making the ever increasing contributions to subsidize increasing costs is unrealistic and short sighted. The City simply cannot afford to continue increasing its ARCs each year, it is not an infinite source of funding. It does not have the increasing revenues to keep pace with the increasing costs, nor is placing that increasing burden upon the taxpayers of the City justifiable. Action must be taken now to change the above described conditions while they can still be effectively managed.

The financial health of the City directly impacts the pension plans, and conversely the financial health of the pension plans directly impacts the City. Unfortunately, over time the City and all three pension plans have continued to operate in a more independent and disconnected fashion. Each focusing on the issues and challenges in front of them without a great deal of communication, information, understanding, cooperation, or collective effort to improve upon the challenges common to all, albeit from different perspectives. Currently, the cumulative ARC for all three pension plans, that the City of Hollywood pays each year, is approaching \$50,000,000. This increasing annual cost to the City represents approximately 50% of the total annual ad valorem property tax revenues of the City. This annual cost is more than the entire annual operating budget of the City's Police Department, the single largest program for Hollywood. This is a grossly disproportionate percentage obligation of general fund tax revenues, which directly thwarts the City's ability to fund other services and capital improvements for its residents. This despite the fact that the City's tax base is the second largest in Broward County. Increasing costs are far outpacing revenue growth.

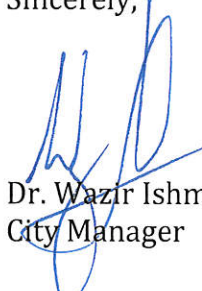
It should also be understood, that active employee contributions account for only approximately 10% of pension plan funding requirements, while the City's contributions approach 90%. Again, these fiscal conditions and trends are not sustainable into the future without making structural changes. Action must be taken now, and I am therefore recommending the following:

1. City Administration representatives will continue to increase their communication, coordination and involvement with all of the three pension plans, their boards of trustees, administrators, actuaries, attorneys, active participants, and retirees. These relationships must be developed and foster a productive working relationship to properly manage the business challenges.
2. Increase the regular flow of information and cooperation from the City to all three of the pension plans, and conversely from all three pension plans to the City. This means that prior to consideration and decision making on budgetary issues, annual actuarial reports, policies, assumption rates, distributions, ARCs, demographic impacts, timelines, etc.; that all parties provide advance notice and ample time to each other and participate together in the public policy making. Again, the actions of the pension plans impact the City as the Sponsor and vice versa, a better working partnership must be developed.

3. Establish a working " Pension Task Force" with equal representation from all three pension plans and the City, including trustees, administrators, actuaries, plan members and any other appropriate representatives to identify, evaluate, and recommend appropriate modifications to the issues impacting the fiscal health and viability of all pension plans, and the City as Sponsor.
4. More thoroughly educate and provide training to the City Commission, staff, pension plan trustees, administrators, actuaries, etc. on the complex array of issues impacting their own and each other's realm of responsibilities, and associated public policy decision making. There appears to be significant gaps in understanding/appreciating the issues of the other parties involved, and the impacts of their respective actions, a situation we can directly control and improve upon.
5. Consideration must also be given to more global issues including alternative approaches such as: Pension Obligation Bonds, merging pension plans, FRS participation, benefit options/replacement with other qualified plans, pension ordinance amendments, conflict resolution/litigation; prospectively or otherwise.

I sincerely believe that it is imperative that we all move collectively and with urgency, to actively work in a constructive business partnership addressing the above challenges to our public pension plans in the City of Hollywood. If we act now we can effect necessary changes that allow time to work for all of our mutual interests, and ensure the security of future retirement benefits. I welcome your thoughts and encourage you to contact me at 954-921-3201.

Sincerely,



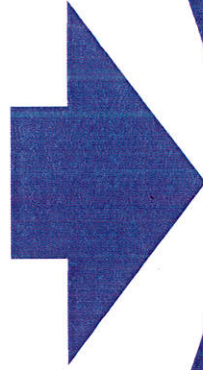
Dr. Wazir Ishmael  
City Manager

Attachment

c: Mayor, Vice Mayor, and City Commissioners  
City Attorney

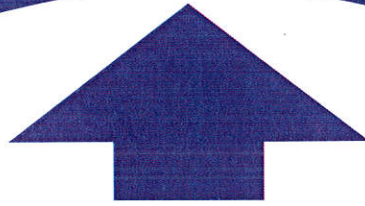


Pension  
Costs

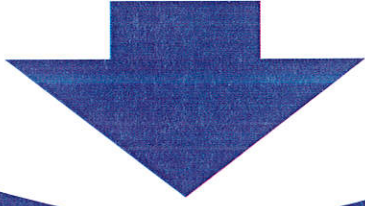


Taxpayers  
Property Owners  
Voters  
Residents  
Businesses

Tax Rate  
Fees



Tax Base  
Development



Health Care/OPEB  
Costs

