



Freiman Little Actuaries, LLC  
4105 Savannahs Trail  
Merritt Island, FL 32953

Phone 321 453 6542  
Fax 321 453 6998

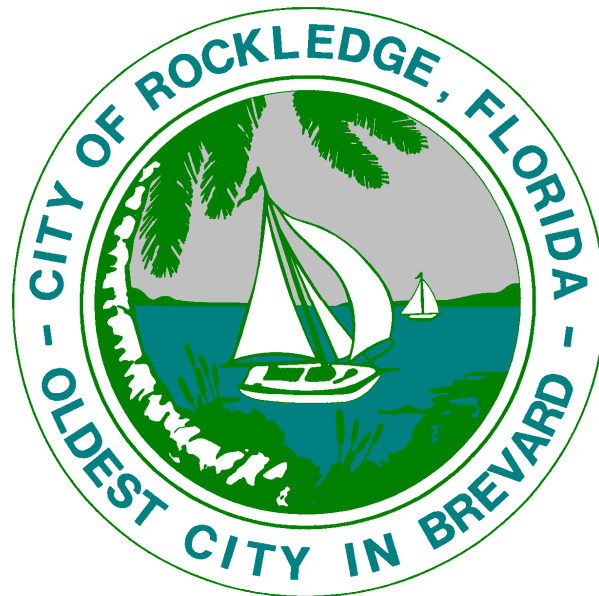
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# City of Rockledge

# General Employees Retirement Plan

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Actuarial Valuation as of October 1, 2024



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January 27, 2025

REPORT TO DETERMINE MINIMUM FUNDING REQUIREMENTS  
FOR THE PLAN AND FISCAL YEAR  
BEGINNING OCTOBER 1, 2025





January 27, 2025

Board of Trustees  
City of Rockledge General Employees Retirement Plan  
Rockledge, Florida

## **RE: Actuarial Valuation as of October 1, 2024**

Dear Board Members:

We are pleased to present the actuarial valuation as of October 1, 2024 for the City of Rockledge General Employees Retirement Plan (the Plan). This report provides a review of the current funded status of the Plan, establishes the minimum funding requirement for the fiscal year ending September 30, 2026, and provides an analysis of experience since the last valuation. In addition to providing the summary and derivation of actuarial findings, this report describes the data, assumptions, and methods used to create these results.

In producing our work product, we rely on various models, internal and external, which were used for their intended purposes. Underlying data, assumptions, methodologies, model inputs and resulting outputs have been reviewed. The 7.35% net assumed return is a prescribed assumption set by another party, as it is set by the Board. While we find all other inputs and outputs to be reasonable individually and in aggregate, this prescribed assumption significantly conflicts with our judgment regarding what would constitute a reasonable assumption for the purpose of the measurement. We continue to recommend lowering the net assumed return.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

Statement by Enrolled Actuary:

"This actuarial valuation and/or cost determination was 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, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation."

RE: Actuarial Valuation as of October 1, 2024  
January 27, 2025  
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We look forward to the presentation of these results to you in person and we are always available to answer any questions you may have.

Sincerely,



Chad M. Little, ASA, EA  
Partner, Consulting Actuary  
Enrollment Number 23-6619



Paula C. Freiman, ASA, EA  
Partner, Consulting Actuary  
Enrollment Number 23-5796

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## Section

## 1

# Board Summary

A summary of the key valuation findings are compared with the results of the prior valuation below.

## Summary of Principal Valuation Results

### Minimum Funding Requirements

Fiscal Year Ending September 30,	2025	2026
<u>Minimum Funding Requirement</u>		
As a Dollar Amount	\$574,935	\$751,748
As a Percent of Valuation Payroll	11.42%	11.46%

The \$751,748 minimum funding requirement for fiscal 2026 must be deposited on December 15, 2025.

### Funded Status

Valuation as of October 1,	2023	2024
Accrued Liability (AL)	\$24,118,101	\$26,357,562
Actuarial Value of Assets	<u>(22,412,562)</u>	<u>(23,887,697)</u>
Unfunded Accrued Liability (UAL)	\$1,705,539	\$2,469,865
Funded Percentage	92.93%	90.63%

### Key Assumptions

Valuation as of October 1,	2023	2024
Assumed Investment Return, Net of Expenses	7.45%	7.35%
Salary Increase Assumption		
Year 0-12	5.50%	5.50%
Year 13+	4.50%	4.50%

## Summary of Significant Events

Determination of the funded status of the Plan and minimum funding requirements are based on funding policy, participant data, asset information, Plan provisions, actuarial methods and assumptions. Any significant events associated with these items are discussed in the following.

In preparing our report we relied, without audit, on information (some oral and some written) supplied by the Plan Administrator and the City. This information includes, but is not limited to, statutory provisions, employee census, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

### Participant Data

During the year active membership increased by 21 from 115 to 136 members due to three retirees, 7 non-vested terminations, two transfers to another plan, and 33 new hires. The number of members receiving payments increased from 71 to 73 due to three retirements and two deaths where benefit payments commenced to one survivor. The number of terminations remained the same at 9.

The following provides a summary comparing the actual and expected pay increases for the 12-month periods ending on the date specified.

Year Ended September	Individual		Total Payroll Increase
	Actual	Expected	
2024	9.8%	5.2%	30.4%
2023	0.9%	5.2%	(7.6%)
2022	13.2%	5.2%	3.0%
2021	13.7%	6.0%	12.7%
2020	1.9%	6.0%	(3.8%)
2019	6.6%	6.0%	5.3%
2018	6.6%	6.0%	0.0%
2017	5.1%	6.0%	7.0%
2016	5.4%	6.0%	5.7%
2015	4.2%	6.0%	0.8%
Average:	6.7%	5.8%	4.9%

Pay increases were more than expected with the actual average pay increase amongst continuing actives at 9.8% in comparison to the 5.2% salary increase assumption. In addition, total payroll increased 4.9% each year on average over the last 10 years. Florida Statutes 112.64(5)(a) requires that the payroll growth assumption not exceed the average payroll growth for the prior ten years. This requirement is met in that the Unfunded Accrued Liability is amortized on a level dollar basis.

Overall, there was a demographic loss primarily due to pay increases more than expected. Should a pattern of consistent gains or losses develop, assumptions will be adjusted as needed. The last experience review was performed for the 10-year period preceding October 1, 2020. We recommend an experience review be performed.

## Assets

The investment return on the Market Value of Assets was 21.39% and the return on the Actuarial Value of Assets was 8.53%, each in comparison to the 7.45% net investment return assumption used for the year ending September 30, 2024. Because the return on the Actuarial Value of Assets was more than the net assumed investment return, there was an actuarial investment gain.

Note only a portion of actual investment gains or losses are recognized in the current year Actuarial Value of Assets with the remainder recognized over the next four years. Even if all assumptions are realized in the next several years, the Plan will experience changes in the required contribution rate until prior gains and losses are fully recognized.

The table below provides a comparison of the investment return on the Market Value of Assets and the Actuarial Value of Assets in comparison to the investment return assumed in the valuation of the Plan.

<b>12-Month Period Ended September 30,</b>	<b>% Market Return</b>	<b>% Actuarial Return</b>	<b>% Assumed Return</b>
2024	21.39%	8.53 %	7.45 %
2023	11.87%	4.87 %	7.55 %
2022	(14.37)%	6.02 %	7.65 %
2021	20.49 %	11.20 %	7.75 %
2020	10.87 %	8.81 %	7.80 %
2019	3.62 %	7.24 %	7.80 %
2018	9.84 %	8.39 %	7.90 %
2017	12.21 %	7.74 %	7.90 %
2016	9.31 %	7.34 %	8.00 %
2015	(0.03)%	5.94 %	8.00 %
Average	8.05 %	7.59 %	7.78 %

Investment returns less than the assumed rate of return result in increased annual minimum required contributions in the future.

## Plan Provisions

There were no changes in Plan provisions since the prior actuarial valuation.

## Assumptions and Methods

The net assumed rate of investment return was revised from 7.45% used in the October 1, 2023 actuarial valuation to 7.35% for this October 1, 2024 actuarial valuation of the Plan as directed by the Board of Trustees. The 7.35% net assumed return is a prescribed assumption set by another party, as it is set by the Board. The prescribed assumption significantly conflicts with our judgment regarding what would constitute a reasonable assumption for the purpose of the measurement. As discussed with the Board we recommend lowering the net assumed return.

See the Required Disclosure Under F.S. 112.664(1) found near the end of section 2 of this report which provides the funding results using a net assumed return assumption 2% higher and 2% lower than the 7.35% net assumed return used in this actuarial valuation. The Reasonable Actuarially Determined Contribution (RADC) is roughly half-way between the result for the 7.35% net assumed return and that for the 5.35% net assumed return assumption.

The impact of the change in assumptions may be found in the reconciliation of the funded status and minimum funding requirements found at the end of Section 2 of this report. See "Reconciliations" in the table of contents.

### Assessment and Disclosure of Risk

This section is meant to address the assessment and disclosure of risk in a pension funding valuation. This is not meant to be a comprehensive summary but should provide information regarding risks related to this plan. Additional historical information provided in this report also contains relevant information regarding asset size, asset mix, pay increases, benefits, and contributions. This information can be used to understand the changes over time to identify trends.

Actuarial Standards of Practice define risk as "The potential of actual future measurements deviating from expected future measurements resulting from actual future experience deviating from actuarially assumed experience...." The following provides examples of potential risk.

**Investment Risk:** As noted previously, investment returns less than the assumed rate of return result in increased annual minimum required contributions payable in a subsequent year.

**Interest Rate Risk:** Interest rates are used to discount the value of benefits. If the long-term expectation of returns is higher or lower than the assumed net investment return, the assumed net investment return should be adjusted. When the assumed net investment return is increased the estimated liability is decreased. When the assumed net investment return is decreased the estimated liability is increased. The chart below shows what the funded status of the plan is on a market value of assets basis after changing the net assumed return by 1% or 2%.

<b>Funded Status on Market Value of Assets Basis</b>						
<b>As of</b>	<b>Valuation</b>		<b>Valuation</b>	<b>Valuation</b>		<b>Valuation</b>
<b>10/1</b>	<b>2%</b>	<b>1%</b>	<b>Net</b>	<b>1%</b>	<b>2%</b>	<b>Net Assumed</b>
	<b>Decrease</b>	<b>Decrease</b>	<b>Assumed</b>	<b>Increase</b>	<b>Increase</b>	<b>Return</b>
			<b>Return</b>			<b>Assumption</b>
2024	75.75%	85.37%	95.49%	106.04%	116.97%	7.35%
2023	69.83%	78.50%	87.54%	96.93%	106.59%	7.45%
2022	66.95%	75.41%	84.26%	93.47%	102.97%	7.55%
2021	87.17%	97.90%	109.09%	120.67%	132.58%	7.65%
2020	77.49%	86.85%	96.61%	106.73%	117.13%	7.75%
2019	69.70%	78.48%	87.71%	97.34%	107.34%	7.80%
2018	69.74%	78.61%	87.95%	97.71%	107.84%	7.80%
2017	66.15%	74.61%	83.53%	92.87%	102.61%	7.90%
2016		71.16%	79.21%	87.54%		7.90%
2015		72.21%	79.88%	87.84%		8.00%
2014		75.71%	84.10%	92.86%		8.00%

**Longevity and Other Demographic Risks:** The estimated liability of the Plan is based on assumptions related to mortality, retirement, disability, and termination. To the extent that Plan experience is different than these assumptions the gains and losses affect future required contributions and estimated liability.

**Contribution Risk:** The possibility that the plan sponsor does not make contributions to the plan according to the funding policy.

Intergenerational equity risk: Intergenerational equity is the concept that resources do not belong to a specific generation and they must be preserved for future generations. One way to alleviate this risk is to pay for benefits over the average future service of the group receiving benefits. Members may feel there are inequities when one is paying more than others, receiving less than others, or paying more than others in relation to what they are receiving.

Plan maturity measures may help understand the risks associated with the plan. As the Plan matures, the ratio of the Market Value of Assets to the Covered Payroll increases. As this ratio gets larger, the impact of asset volatility has a larger effect on the volatility of the Minimum Required Contribution as a percentage of pay.

<b>Year Ending 9/30</b>	<b>Market Value of Assets</b>	<b>Payroll</b>	<b>Asset Volatility Ratio</b>
2024	\$25,167,820	\$6,311,725	4.0
2023	21,114,043	5,761,701	3.7
2022	19,374,874	5,387,387	3.6
2021	23,032,574	5,105,988	4.5
2020	19,271,267	5,056,951	3.8
2019	17,336,944	4,957,236	3.5
2018	16,827,700	4,766,306	3.5
2017	15,304,541	4,573,157	3.3
2016	14,412,104	4,387,506	3.3
2015	13,177,393	3,864,720	3.4
2014	12,863,211	4,094,475	3.1
2013	11,561,929	4,073,876	2.8
2012	10,534,827	4,130,994	2.6
2011	9,211,284	4,491,153	2.1
2010	9,255,489	4,387,013	2.1
2009	8,259,764	4,382,880	1.9
2008	7,794,927	4,280,250	1.8
2007	8,707,729	4,319,908	2.0
2006	7,799,445	3,812,673	2.0
2005	7,556,027	3,404,809	2.2

Another measure of a pension plan's maturity is the Ratio of Benefit Payments to Contributions. Over the life of a pension plan, it is expected that the majority of the benefits will be paid for by returns rather than contributions. For this to happen, as a plan matures, the plan will eventually pay out more in benefits than it receives in contributions. It is important to understand the magnitude of this difference so that steps can be taken, if necessary, to manage cash flows going forward. The table below provides the Ratio of Benefit Payments to Contributions. Note that there are other cash flows to be considered such as interest and dividends earned or expenses paid by a pension plan.

<b>Year Ending 9/30</b>	<b>Benefit Payments</b>	<b>Contributions</b>	<b>Ratio of Benefit Payments to Contributions</b>
2024	\$1,267,466	\$922,592	1.37
2023	1,259,009	791,158	1.59
2022	1,198,693	898,043	1.33
2021	1,137,829	1,031,014	1.10
2020	908,956	1,024,059	0.89
2019	1,085,673	1,053,726	1.03
2018	961,938	1,037,831	0.93
2017	1,727,630	955,922	1.81
2016	753,910	816,496	0.92
2015	429,686	812,038	0.53
2014	438,263	687,902	0.64
2013	430,909	592,604	0.73
2012	369,733	597,398	0.62
2011	331,636	593,378	0.56
2010	285,862	598,474	0.48
2009	326,637	604,644	0.54
2008	372,445	581,872	0.64
2007	353,667	573,603	0.62
2006	889,447	497,856	1.79
2005	437,598	493,101	0.89

When looking at Net Cash Flows, it is useful to understand the relative size of the cash flows in comparison to the Market Value of Assets. The following table provides the ratio of the Net Cash Flows divided by the Market Value of Assets. As mentioned previously, there are other cash flows to be considered such as interest and dividends earned or expenses paid by a pension plan.

<b>Year Ending 9/30</b>	<b><u>Contributions</u></b>	<b><u>Disbursements</u></b>	<b><u>Assets</u></b>	<b>Net Cash Flow Divided by <u>Assets</u></b>
2024	\$922,592	\$1,340,579	\$25,167,820	(0.02)
2023	791,158	1,321,245	21,114,043	(0.03)
2022	898,043	1,272,965	19,374,874	(0.02)
2021	1,031,014	1,201,099	23,032,574	(0.01)
2020	1,024,059	976,131	19,271,267	0.00
2019	1,053,726	1,151,067	17,336,944	(0.01)
2018	1,037,831	1,022,033	16,827,700	0.00
2017	955,922	1,773,916	15,304,541	(0.05)
2016	816,496	809,085	14,412,104	0.00
2015	812,038	494,147	13,177,393	0.02
2014	687,902	515,662	12,863,211	0.01
2013	592,604	496,127	11,561,929	0.01
2012	597,398	398,023	10,534,827	0.02
2011	593,378	384,780	9,211,284	0.02
2010	598,474	328,340	9,255,489	0.03
2009	604,644	364,408	8,259,764	0.03
2008	581,872	413,350	7,794,927	0.02
2007	573,603	397,216	8,707,729	0.02
2006	497,856	915,190	7,799,445	(0.05)
2005	493,101	455,052	7,556,027	0.01

### Low-Default-Risk Obligation Measure

This section aims to address the evaluation and disclosure of a Low-Default-Risk Obligation Measure (LDROM) within a pension funding valuation. The LDROM involves a calculation of liability assuming that the Plan's investments are in low-default-risk securities. Importantly, the LDROM serves as a supplementary calculation and is not intended to replace the funding measures outlined in this report.

Instead, the LDROM offers an additional perspective by providing a measure of the Plan's cost if its investments were shifted to low-default-risk fixed income securities. This adjustment aligns with return profiles that essentially mirror future cash flows, potentially mitigating contribution volatility. Furthermore, the LDROM serves to illustrate the potential savings the Plan experiences by diversifying its portfolio.

The table below depicts the Actuarial Accrued Liability for funding purposes in comparison to the LDROM. The net assumed rate of return for funding purposes is shown as well as the rate used to determine the LDROM based on the S&P Municipal Bond 20 Year High Grade Rate Index (yield to maturity). All other assumptions and methods are the same as described at the end of this report.

It's essential to understand that the LDROM is not the definitive measure of the Plan's liability. Instead, it provides an estimate of the Plan's cost under the scenario where the Board opts for a portfolio exclusively comprised of low-default-risk fixed income investments.

Valuation Date	Funding Accrued Liability	Funding Net Assumed Return	LDROM Accrued Liability	LDROM Rate
10/1				
2024	\$26,357,562	7.35%	\$39,249,662	4.06%
2023	\$24,118,101	7.45%	\$32,484,194	4.87%

## Section

**2****Results Derivation**

In this section, the assets and liabilities of the Plan are shown in detail. Assets and liabilities are then compared to determine the funded status and minimum funding requirements.

While asset information is based on the fair market value of assets, along with any techniques used to smooth out market fluctuations, liabilities are determined through a combination of the benefit provisions, participant census data which contains information for the members who will receive those benefits, and the methods and assumptions used with regard to how benefits will be paid to members. A summary of participant data, an outline of the benefit provisions, and a description of the methods and assumptions used in this valuation are described in Section 4.

**Financial Information**

Over the life of the Plan, the majority of assets are typically generated from investment return. In this section, we describe how the assets of the Plan are invested, show how the actuarial value of assets is derived, and review the investment results since the prior valuation.

**Investment Allocation**

<b>Valuation Date</b>	<b>October 1, 2023</b>		<b>October 1, 2024</b>	
Equity	\$14,339,719	67%	\$15,988,284	64%
Fixed Income Securities	2,359,404	11%	3,602,327	14%
Cash and Cash Equivalents	358,560	2%	316,352	1%
Real Estate	1,811,888	9%	2,387,156	9%
Infrastructure	2,661,262	13%	2,922,778	12%
DROP Assets			555,345	2%
Net Receivables	<u>(416,790)</u>	<u>(2%)</u>	<u>(604,422)</u>	<u>(2%)</u>
Fair Market Value of Assets	\$21,114,043	100%	\$25,167,820	100%

Note: DROP assets are shown in a separate category for the current valuation. They were included in another category in the prior valuation.

**Reconciliation of Market Value of Assets**

Year Ending September 30,	2023	2024
<b>1. Market Value of Assets at Beginning of Year</b>	\$19,374,874	\$21,114,043
<b>2. Contributions</b>		
a. Employer	\$445,456	\$539,736
b. Plan Members	<u>345,702</u>	<u>382,856</u>
c. Total Contributions	\$791,158	\$922,592
<b>3. Investment Income</b>		
a. Realized Appreciation (Depreciation)	\$134,249	\$281,771
b. Unrealized Appreciation (Depreciation)	1,723,490	3,677,146
c. Interest plus Dividends	491,581	605,506
d. Investment Expense	<u>(80,064)</u>	<u>(92,659)</u>
e. Net Investment Income	\$2,269,256	\$4,471,764
<b>4. Deductions</b>		
a. Monthly Benefits	(\$1,037,428)	(\$1,091,301)
b. Refund of Contributions	(86,927)	(42,705)
c. DROP Balance Disbursement	(134,654)	(133,460)
d. Administrative Expense	<u>(62,236)</u>	<u>(73,113)</u>
e. Total Deductions	(\$1,321,245)	(\$1,340,579)
<b>5. Net Increase</b>	<u>\$1,739,169</u>	<u>\$4,053,777</u>
<b>6. Market Value of Assets at End of Year</b>	\$21,114,043	\$25,167,820
<b>7. Return on Market Value of Assets = 2I / (A + B - I)</b>	11.87%	21.39%

### Development of Actuarial Value of Assets

The Market Value of Assets is adjusted to recognize investment earnings greater than (or less than) the assumed net investment return over a five-year period. The Actuarial Value of Assets is no more than 120% and no less than 80% of the Market Value of Assets.

1.	Market Value of Assets as of October 1, 2024			\$25,167,820
2.	Phase-In Gains (Losses) Over Five Year Period			
	<u>Year Ending</u>	<u>Original Gain (Loss)</u>	<u>Percent Unrecognized</u>	<u>Unrecognized Gain (Loss)</u>
	a. September 30, 2024	\$2,902,473	80%	\$2,321,978
	b. September 30, 2023	816,543	60%	489,926
	c. September 30, 2022	(5,043,401)	40%	(2,017,360)
	d. September 30, 2021	2,427,893	20%	<u>485,579</u>
	e. Total			\$1,280,123
3.	Preliminary Actuarial Value of Assets			\$23,887,697
4.	Corridor Around Market Value			
	a. Minimum = 80% of Market Value of Assets			\$20,134,256
	b. Maximum = 120% of Market Value of Assets			\$30,201,384
	c. Corridor Adjustment to Preliminary Actuarial Value			\$0
5.	Actuarial Value of Assets as of October 1, 2024			\$23,887,697

**Development of Historical Gain or Loss on Market Value of Assets**

<b>Fiscal Year End</b>	<b>2024</b>	<b>2023</b>
1. Market Value of Assets - Beginning of Year	\$21,114,043	\$19,374,874
2. Expected Interest on Assets	1,572,996	1,462,803
3. Contributions	922,592	791,158
4. Benefit Payments + Administrative Expenses	(1,340,579)	(1,321,245)
5. Interest on items (3) and (4)	<u>(3,705)</u>	<u>(10,090)</u>
6. Expected Value of Assets at End of Year	\$22,265,347	\$20,297,500
7. Market Value of Assets - End of Year	\$25,167,820	\$21,114,043
8. Gain (Loss) for Plan Year = (7) - (6)	\$2,902,473	\$816,543
<b>Fiscal Year End</b>	<b>2022</b>	<b>2021</b>
1. Market Value of Assets - Beginning of Year	\$23,032,574	\$19,271,267
2. Expected Interest on Assets	1,761,992	1,493,523
3. Contributions	898,043	1,031,014
4. Benefit Payments + Administrative Expenses	(1,272,965)	(1,201,099)
5. Interest on items (3) and (4)	<u>(1,369)</u>	<u>9,976</u>
6. Expected Value of Assets at End of Year	\$24,418,275	\$20,604,681
7. Market Value of Assets - End of Year	\$19,374,874	\$23,032,574
8. Gain (Loss) for Plan Year = (7) - (6)	\$(5,043,401)	\$2,427,893

**Historical Asset Values**

Year Ending <u>September 30,</u>	Actuarial Value of <u>Assets</u>	Fair Market Value of <u>Assets</u>	% <u>Market</u> <u>Return</u>	% <u>Actuarial</u> <u>Return</u>	% <u>Assumed</u> <u>Return</u>
2024	\$23,887,697	\$25,167,820	21.39 %	8.53 %	7.45 %
2023	22,412,562	21,114,043	11.87 %	4.87 %	7.55 %
2022	21,890,222	19,374,874	(14.37)%	6.02 %	7.65 %
2021	21,012,085	23,032,574	20.49 %	11.20 %	7.75 %
2020	19,058,024	19,271,267	10.87 %	8.81 %	7.80 %
2019	17,469,725	17,336,944	3.62 %	7.24 %	7.80 %
2018	16,384,954	16,827,700	9.84 %	8.39 %	7.90 %
2017	15,101,483	15,304,541	12.21 %	7.74 %	7.90 %
2016	14,805,468	14,412,104	9.31 %	7.34 %	8.00 %
2015	13,786,010	13,177,393	( 0.03)%	5.94 %	8.00 %

**Historical Contribution Amounts**

Year Ending <u>September 30,</u>	<u>Employer</u>	<u>Members</u>	<u>Total</u>
2024	\$539,736	\$382,856	\$922,592
2023	445,456	345,702	791,158
2022	574,800	323,243	898,043
2021	724,655	306,359	1,031,014
2020	720,642	303,417	1,024,059
2019	756,292	297,434	1,053,726
2018	751,853	285,978	1,037,831
2017	680,623	275,299	955,922
2016	561,465	255,031	816,496
2015	562,320	249,718	812,038

**Historical Deductions from Fund**

Year Ending <u>September 30,</u>	<u>Benefits</u>	<u>Refunds</u>	Administrative <u>Expense</u>	<u>Total</u>
2024	\$1,224,761	\$42,705	\$ 73,113	\$ 1,340,579
2023	1,172,082	86,927	62,236	1,321,245
2022	1,109,735	88,958	74,272	1,272,965
2021	1,024,888	112,941	63,270	1,201,099
2020	856,380	52,576	67,175	976,131
2019	947,727	137,946	65,394	1,151,067
2018	852,788	109,150	60,095	1,022,033
2017	1,693,784	33,846	46,286	1,773,916
2016	689,192	64,718	55,175	809,085
2015	352,136	77,550	64,461	494,147

**Present Value of Benefits**

Valuation as of October 1,	2023	2024
1. <b>Active Members</b>		
a. Retirement Benefits	\$12,834,490	\$15,430,678
b. Deferred Benefits	1,060,301	1,293,643
c. Survivor Benefits	399,222	507,795
d. Disability Retirement	<u>564,156</u>	<u>710,640</u>
e. Total for Active Members	\$14,858,169	\$17,942,756
2. <b>Inactive Members</b>		
a. Retired Members	\$12,015,250	\$12,149,373
b. Terminated members	423,883	466,716
c. Beneficiaries	929,085	998,629
d. Disability Retirement	<u>88,733</u>	<u>86,587</u>
e. Total for Inactive Members	\$13,456,951	\$13,701,305
3. <b>Present Value of Benefits (PVB)</b>	\$28,315,120	\$31,644,061

**Accrued Liability**

Valuation as of October 1,	2023	2024
1. <b>Active Members</b>		
a. Retirement Benefits	\$9,922,258	\$11,747,939
b. Deferred Benefits	223,730	245,425
c. Survivor Benefits	222,307	289,012
d. Disability Retirement	<u>292,855</u>	<u>373,881</u>
e. Total for Active Members	\$10,661,150	\$12,656,257
2. <b>Inactive Members</b>		
a. Retired Members	\$12,015,250	\$12,149,373
b. Terminated members	423,883	466,716
c. Beneficiaries	929,085	998,629
d. Disability Retirement	<u>88,733</u>	<u>86,587</u>
e. Total for Inactive Members	\$13,456,951	\$13,701,305
3. <b>Accrued Liability</b>	\$24,118,101	\$26,357,562

## Normal Cost

Valuation as of October 1,		2023	2024
1.	<b>Preliminary Normal Cost</b>		
a.	Retirement Benefits	\$408,306	\$527,779
b.	Deferred Benefits	109,302	142,664
c.	Survivor Benefits	25,340	31,935
d.	Disability Retirement	<u>37,684</u>	<u>47,880</u>
e.	Total	\$580,632	\$750,258
2.	<b>Total Normal Cost</b>		
a.	Preliminary Normal Cost	\$580,632	\$750,258
b.	Estimated Administrative Expense	<u>62,236</u>	<u>73,113</u>
c.	Total Normal Cost	\$642,868	\$823,371
d.	Total Normal Cost as a Percent of Pay	12.77 %	12.55 %
3.	<b>Employer Normal Cost</b>		
a.	Preliminary Normal Cost	\$580,632	
b.	Actual Administrative Expense	73,113	
c.	Actual Employee Contributions	<u>(382,856)</u>	
d.	Employer Normal Cost	\$270,889	
4.	<b>Valuation Payroll</b>	\$5,033,402	\$6,562,155

## Unfunded Accrued Liability

### **Unfunded Accrued Liability**

1. Accrued Liability	\$26,357,562
2. Actuarial Value of Assets	<u>(23,887,697)</u>
3. Unfunded Accrued Liability	\$2,469,865

### **Determination of Expected Unfunded Accrued Liability**

1. Unfunded Accrued Liability as of Prior Year	\$1,705,539
2. Interest for a full year on (1)	127,063
3. Employer Normal Cost (Including Administrative Expenses) Prior Yr.	270,889
4. Interest for a full year on (3)	20,181
5. City Contribution	(539,736)
6. Interest on Contribution for Time on Deposit	(31,971)
7. Change in Plan, Methods or Assumptions	<u>283,465</u>
8. Expected Unfunded Accrued Liability	\$1,835,430

### **Calculation of (Gain) or Loss**

1. Actual Unfunded Accrued Liability	\$2,469,865
2. Expected Unfunded Accrued Liability	<u>1,835,430</u>
3. Total (Gain) or Loss	\$634,435

### **Reconciliation of Unfunded Accrued Liability**

1. Unfunded Accrued Liability as of Prior Year	\$1,705,539
2. Total Change in Unfunded Accrued Liability	
a. Expected Change in Unfunded Accrued Liability	\$(153,574)
b. Change in Plan, Methods or Assumptions	283,465
c. Change Due to (Gain) or Loss	
i. Portion of (Gain) / Loss Due to Investments	\$(227,091)
ii. Portion of (Gain) / Loss Due to Demographic Experience	<u>861,526</u>
iii. Total (Gain) or Loss	\$634,435
d. Total Change in Unfunded Accrued Liability	\$764,326
3. Unfunded Accrued Liability	\$2,469,865

### **Determination of Investment Gain (Loss)**

1. Actuarial Value of Assets - Beginning of Year	\$22,412,562
2. Expected Interest on Beginning Value	1,669,736
3. Contributions (Employer)	539,736
4. Contributions (Employee)	382,856
5. Benefit Payments	(1,267,466)
6. Administrative Expenses	(73,113)
7. Interest on Contributions and Disbursements	<u>(3,705)</u>
8. Expected Value of Assets at End of Year	\$23,660,606
9. Actuarial Value of Assets - End of Year	\$23,887,697
10. Gain (Loss) for Plan Year = (9) - (8)	\$227,091
11. Actuarial Investment Income	\$1,893,122
12. Return on Actuarial Value of Assets	8.53 %

## Amortization of Unfunded Liability

The Unfunded Actuarial Accrued Liability is being amortized as a level dollar amount based on the net assumed return assumption. Changes in the Unfunded Actuarial Accrued Liability due to plan changes, assumption changes, method changes, or gains and losses are all amortized over a 25-year period.

### Amortization Bases

	10/1	Source	Original Balance	Remaining Balance	Adjusted Remaining Balance	Years Remain	Level \$ Amort
1.	2005	Method Change	\$(387,558)	\$(180,521)	\$(180,521)	11	\$(22,818)
2.	2006	Actuarial Loss	106,045	50,918	50,918	12	6,084
3.	2007	Actuarial Loss	131,907	64,848	64,848	13	7,372
4.	2008	Actuarial Loss	1,566,340	783,898	783,898	14	85,259
5.	2008	Method Change	5,097	2,550	2,550	14	277
6.	2008	Method Change	(1,333,766)	(667,503)	(667,503)	14	(72,599)
7.	2009	Actuarial Loss	317,686	161,053	161,053	15	16,838
8.	2010	Actuarial Loss	30,104	15,393	15,393	16	1,553
9.	2010	Plan Change	394,556	201,758	201,758	16	20,359
10.	2011	Actuarial Loss	548,021	281,603	281,603	17	27,523
11.	2012	Actuarial Gain	(66,804)	(34,382)	(34,382)	18	(3,265)
12.	2012	Asmp/Method Chg	810,340	417,064	417,064	18	39,604
13.	2013	Actuarial Loss	327,128	169,583	169,583	19	15,688
14.	2013	Assumption Chg	21,426	11,106	11,106	19	1,027
15.	2014	Actuarial Loss	40,289	21,119	21,119	20	1,908
16.	2014	Assumption Chg	22,355	11,716	11,716	20	1,058
17.	2015	Actuarial Loss	132,333	66,051	66,051	16	6,665
18.	2015	Assumption Chg	23,782	11,870	11,870	16	1,198
19.	2016	Actuarial Gain	(120,869)	(62,388)	(62,388)	17	(6,098)
20.	2016	Assumption Chg	840,843	434,006	434,006	17	42,419
21.	2017	Actuarial Gain	(133,464)	(71,267)	(71,267)	18	(6,767)
22.	2017	Assumption Chg	32,034	17,105	17,105	18	1,624
23.	2018	Actuarial Gain	(544,634)	(306,544)	(306,544)	19	(28,358)
24.	2018	Assumption Chg	206,529	116,244	116,244	19	10,753
25.	2019	Actuarial Gain	(221,413)	(134,374)	(134,374)	20	(12,139)
26.	2019	Plan Change	(45,645)	(27,702)	(27,702)	20	(2,502)
27.	2020	Actuarial Gain	(1,052,580)	(680,619)	(680,619)	21	(60,169)
28.	2020	Assumption Chg	(218,604)	(141,353)	(141,353)	21	(12,496)
29.	2021	Actuarial Gain	(360,108)	(343,102)	(343,102)	22	(29,738)
30.	2021	Assumption Chg	(134,302)	(127,960)	(127,960)	22	(11,091)
31.	2022	Actuarial Loss	970,159	745,691	745,691	23	63,477
32.	2022	Assumption Chg	244,741	237,270	237,270	23	20,198
33.	2023	Actuarial Loss	388,585	373,348	373,348	24	31,261
34.	2023	Assumption Chg	252,327	248,588	248,588	24	20,814
35.	2024	Actuarial Loss	634,435	634,435	521,333	25	42,995
36.	2024	Assumption Chg	283,465	<u>283,465</u>	<u>283,465</u>	25	<u>23,378</u>
Scheduled Amortization Payment							\$221,292
Outstanding Bases				\$2,582,967	\$2,469,865		
Unfunded Accrued Liability					2,469,865		

### Projected Unfunded Actuarial Liability and Amortization Payments

Plan Year Beginning October 1	Total Outstanding Bases	Total Amortization Payment
2024	\$2,469,865	\$221,292
2025	2,413,843	221,292
2026	2,353,704	221,292
2027	2,289,144	221,292
2028	2,219,839	221,292
2029	2,145,440	221,292
2030	2,065,573	221,292
2031	1,979,836	221,292
2032	1,887,797	221,292
2033	1,788,993	221,292
2034	1,682,927	221,292
2035	1,569,065	244,103
2036	1,422,346	238,024
2037	1,271,370	230,649
2038	1,117,214	217,718
2039	965,608	200,889
2040	820,926	171,121
2041	697,566	107,253
2042	633,701	76,099
2043	598,586	76,948
2044	559,978	88,640
2045	505,982	161,277
2046	370,041	202,107
2047	180,277	118,446
2048	66,376	66,376
2049	0	0

### Actions Taken to Reduce Unfunded Actuarial Accrued Liability

The required contributions calculated each year include a payment for the amortization of the unfunded actuarial accrued liability. This payment is designed to reduce the unfunded actuarial accrued liability in an orderly fashion over the next 25 years.

## Minimum Funding Requirements

### Determination of Required Contribution

Valuation as of October 1, Funding for Year Ending September 30,	2023 2025	2024 2026
<b>1. Minimum Required Contribution</b>		
a. Total Normal Cost	\$642,868	\$823,371
b. Amortization of Unfunded Accrued Liability	<u>155,919</u>	<u>221,292</u>
c. Beginning of Year Contribution	\$798,787	\$1,044,663
d. Interest	<u>78,152</u>	<u>100,814</u>
e. Minimum Required Contribution	\$876,939	\$1,145,477
<b>2. Contribution by Source - \$ Amount</b>		
a. City Policy Contribution	\$574,935	\$751,748
b. Expected Member Contributions	<u>302,004</u>	<u>393,729</u>
c. Total	\$876,939	\$1,145,477
<b>3. Contribution by Source - % Pay</b>		
a. City Policy Contribution	11.42 %	11.46 %
b. Expected Member Contributions	<u>6.00 %</u>	<u>6.00 %</u>
c. Total	17.42 %	17.46 %
<b>4. Valuation Payroll</b>	\$5,033,402	\$6,562,155
<b>5. Key Assumptions</b>		
a. Net Assumed Rate of Return	7.45 %	7.35 %
b. Assumed Valuation Payroll Increase	0.00 %	0.00 %

Note: The \$751,748 minimum funding requirement for fiscal 2026 must be deposited on December 15, 2025.

## Reconciliations

### Reconciliation of Funded Status

	Unfunded Accrued Liability	Funded Percentage	Change in Unfunded Accrued Liability	Change in Funded Percentage
<b>As of Prior Valuation</b>	<b>\$1,705,539</b>	<b>92.93 %</b>		
Changes in due to:				
Normal Operation of Plan	1,551,965	93.84 %	\$(153,574)	0.91 %
Investment Experience	1,324,874	94.75 %	(227,091)	0.91 %
Demographic Experience	2,186,400	91.61 %	861,526	(3.14)%
Net Return 7.35%	2,469,865	90.63 %	<u>283,465</u>	<u>(0.98)%</u>
Total Changes			\$764,326	(2.30)%
<b>As of Current Valuation</b>	<b>\$2,469,865</b>	<b>90.63 %</b>		

### Reconciliation of City Minimum Funding Requirement

	Dollar Amount	% of Pay
<b>City Required Contribution for Fiscal 2025</b>	<b>\$574,935</b>	<b>11.42 %</b>
Changes in Contribution due to:		
Normal Operation of Plan	\$0	0.00 %
Change in Expenses	11,856	0.24 %
Investment Experience	(20,577)	(0.41)%
Demographic Experience	147,371	(0.38)%
Net Return 7.35%	<u>38,163</u>	<u>0.59 %</u>
Total Changes	\$176,813	0.04 %
<b>City Required Contribution for Fiscal 2026</b>	<b>\$751,748</b>	<b>11.46 %</b>

Note: The City required contributions shown above must be deposited on December 15.

Section  
**3**

# Accounting Information

## Information Required by GASB 67/68

A supplemental report provides information under the Governmental Accounting Standards Board No. 67/68.

## Statement of Accumulated Plan Benefits

The present value of accrued benefits is an estimate of the liability for all benefits accrued to date.

Valuation as of October 1,	2023	2024
1. Actuarial present value of accumulated benefits		
a. Participants currently receiving benefits	\$13,033,068	\$13,234,589
b. Other participants	<u>6,875,130</u>	<u>7,881,990</u>
c. Vested participants	\$19,908,198	\$21,116,579
d. Nonvested participants	<u>1,681,795</u>	<u>1,934,492</u>
e. Total	\$21,589,993	\$23,051,071
2. Change in actuarial present value of accumulated benefits		
a. Actuarial present value of accumulated benefits beginning of year		\$21,589,993
b. Increase (decrease) during year attributable to:		
i. Plan amendment		\$0
ii. Change in assumptions or methods		238,301
iii. Increase for interest and probability of payment due to decrease in discount period and benefits accrued		2,490,243
iv. Benefits paid		(1,267,466)
v. Other		<u>0</u>
vi. Net increase (decrease)		\$1,461,078
c. Actuarial present value of accumulated benefits end of year		\$23,051,071

## Other Disclosures Required by the State of Florida

Valuation as of October 1,	2023	2024
Present value of active member:		
Future salaries (attained age)	\$37,891,746	\$47,574,177
Future contributions (attained age)	\$2,273,505	\$2,854,451
Balance of contributions with interest for actives	\$2,781,822	\$3,088,852

## Required Disclosure Under F.S. 112.664(1)

As required under F.S. Section 112.664(1) we have produced the following information:

- (a) Total pension liability calculated based on mortality used in one of the last two Florida Retirement System (FRS) valuations. This actuarial valuation assumes mortality as used in one of the last two actuarial valuations for not special risk members and not school instructional personnel in FRS.
- (b) Total pension liability calculated using an assumed interest rate that is 200 basis points lower than that assumed in the valuation of the Plan.
- (c) Determination of the number of months or years for which the current market value of assets is adequate to sustain the payment of expected retirement benefits.
- (d) Recommended contribution to the Plan using the most recent valuation and the contributions necessary prepared pursuant to (a) and (b) stated as a dollar amount and % of payroll.

	<u>2% Decrease</u> <u>(5.35%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.35%)</u>	<u>2% Increase</u> <u>(9.35%)</u>
Total pension liability	\$33,226,048	\$26,357,562	\$21,516,759
Plan fiduciary net position	<u>(25,167,820)</u>	<u>(25,167,820)</u>	<u>(25,167,820)</u>
Net pension liability	<u>\$8,058,228</u>	<u>\$1,189,742</u>	<u>\$(3,651,061)</u>
 Plan fiduciary net position as a percentage of the total pension liability	 75.75%	 95.49%	 116.97%
 Years of benefit payments:			
Expected for current members:	100	100	100
Paid for with current assets:	17.24	22.34	100.00
 City Contribution Requirement, Plus Expected Employee Contributions			
Dollar Amount	\$2,012,484	\$1,145,477	\$674,109
Percent of Payroll	30.67%	17.46%	10.27%
 Increase (Decrease)	 \$867,007		 \$(471,368)

### Required Disclosure Under F.S. 112.664(2)(b)2.

F.S. Section 112.664(2)(b)2. - For the previous five years, beginning with 2013, a side-by-side comparison of the plan's assumed rate of return compared to the actual rate of return, as well as the percentages of cash, equity, bond and alternative investments in the plan portfolio.

Year Ending September 30,	2024	2023	2022	2021	2020
Assumed rate of return	7.45%	7.55%	7.65%	7.75%	7.8%
Actual rate of return	21.4%	11.9%	(14.4%)	20.5%	10.9%
Percentages of assets in:					
Cash	(1%)	0%	1%	2%	2%
Equity	64%	67%	63%	70%	71%
Bond	14%	11%	11%	16%	18%
Alternative	23%	22%	25%	12%	9%
Total	100%	100%	100%	100%	100%

# Section 4 Supplementary Information

## Summary of Participant Data

Valuation as of October 1,	2023	2024
<u>Active Participants</u>		
Number	115	136
Average Age	46.8	44.8
Average Credited Service	9.0	8.2
Percent Male	67.0	66.2
Average Valuation Salary	\$47,932	\$50,402
Total Valuation Salary	\$5,512,198	\$6,854,698
Payroll Covered in Valuation	\$5,033,402	\$6,562,155
<u>Terminated with Rights to Deferred Benefits</u>		
Number	9	9
Average Age	51.1	52.1
Percent Male	55.6	55.6
Average Monthly Benefit	\$990	\$990
Total Benefits	\$106,942	\$106,942
<u>Retirements (DROP and Service Retirees)</u>		
Number	58	59
Average Age	70.2	70.7
Percent Male	74.1	72.9
Average Monthly Benefit	\$1,627	\$1,600
Total Benefits	\$1,132,548	\$1,132,669
Total of DROP Account Balances September 30	\$573,181	\$682,175
<u>Beneficiaries</u>		
Number	10	11
Average Age	65.5	63.9
Percent Male	10.0	9.1
Average Monthly Benefit	\$764	\$788
Total Benefits	\$91,674	\$103,954
<u>Disability Retirements</u>		
Number	3	3
Average Age	72.4	73.4
Percent Male	100.0	100.0
Average Monthly Benefit	\$383	\$383
Total Benefits	\$13,786	\$13,786

**Number of Active Members by Age and Service as of October 1, 2024**

Age	Service								Total	
	< 1	< 5	< 10	< 15	< 20	< 25	< 30	< 35		< 40
< 20	6	1								7
< 25	9	2								11
< 30	2	4	2							8
< 35	2	6	3	1	1					13
< 40	3	3	5		1					12
< 45	2	5	2	5	1					15
< 50	1	3	6			3				13
< 55	2	2	2		3	2				11
< 60	6	3	3	1	2	3	3	2		23
< 65		1	6	1	4	2	1	1		16
65+		1	1	3	2					7
Total	33	31	30	11	14	10	4	3		136

**Active Valuation Pay by Age and Service as of October 1, 2024**

Age	Service								Total	
	< 1	< 5	< 10	< 15	< 20	< 25	< 30	< 35		< 40
< 20	36,213	39,520								36,686
< 25	34,258	34,455								34,294
< 30	41,000	37,477	53,906							42,465
< 35	43,420	45,706	43,417	78,000	93,195					50,963
< 40	36,439	47,940	48,139		58,989					46,068
< 45	33,280	43,016	57,465	62,583	43,618					50,207
< 50	40,000	68,052	66,287			56,101				62,322
< 55	50,000	39,790	47,645		62,481	74,114				55,504
< 60	53,177	42,983	40,096	43,493	52,858	58,531	58,168	78,146		53,213
< 65		107,910	52,764	39,915	56,060	53,152	63,440	62,733		57,571
65+		44,925	63,091	41,683	56,845					49,537
Total	40,284	47,000	52,889	54,488	59,064	59,843	59,486	73,008		50,402

**DROP Balance Reconciliation**

<b>Year Ending September 30,</b>	<b>2023</b>	<b>2024</b>
1. Beginning Balance	\$492,747.18	\$573,181.46
2. Additions	\$176,171.32	\$152,608.48
3. Interest	\$38,916.63	\$89,845.22
4. Distributions	\$134,653.67	\$133,460.16
5. Ending Balance	\$573,181.46	\$682,175.00

**Reconciliation of Plan Participants**

	<b>Active</b>	<b>Retired</b>	<b>DROP</b>	<b>Deferred Vested</b>	<b>Disabled</b>	<b>Survivor</b>	<b>Total</b>
<b>October 1, 2023</b>	<b>115</b>	<b>53</b>	<b>5</b>	<b>9</b>	<b>3</b>	<b>10</b>	<b>195</b>
Retired	-3	4	-1				0
Nonvested Termination	-7						-7
Death		-2				1	-1
Transfers to Another Plan	-2	0	0	0	0	0	-2
Additions	33	0	0	0	0	0	33
<b>October 1, 2024</b>	<b>136</b>	<b>55</b>	<b>4</b>	<b>9</b>	<b>3</b>	<b>11</b>	<b>218</b>

## Outline of Plan Provisions

Plan Type: Single-employer Defined Benefit Pension Plan

Legal Authority: The Plan was established and is amended by local ordinance.

Effective Date: November 1, 1969. Plan amendment and restatement adopted December 4, 2019 effective December 14, 2019 with Ordinance No. 1764-2019. Subsequently amended by Ordinance No. 1766-2019, 1775-2020, 1778-2020, and 1793-2020.

Plan Administrator: The Board of Trustees

Board Composition: Two members are elected from among the general employees of the City, who are members of the plan, two city residents appointed by the Commission and one person is chosen by a majority of the previous four members.

Funding Requirements: Employer contributions are actuarially determined and subject to State statute. Employee contributions are as described below and may be amended by ordinance.

Plan Year: The 12-month period from October 1<sup>st</sup> to the next September 30<sup>th</sup>.

Member: Full-time General or Waste Water employees (excluding the Mayor, City Council, City Attorney and assistants) participate in the Plan immediately upon hire. A one-time option is provided for a person initially hired as a City Manager to irrevocably opt out of the Plan. The option must be exercised before the commencement date of employment with the City.

Credited Service: Employee service computed in years and completed calendar months. See Ordinance 1778-2020 regarding the "cross-credit" of service.

Vesting: Members become 100% vested after earning 10 years of Credited Service.

Basic Compensation: Total compensation actually paid in a Plan Year by the City including tax deferred compensation and excluding overtime, commissions, bonuses, expense allowances and payment for accrued annual leave, accrued sick leave, and accrued compensatory leave.

Employee Contributions: 6.0% of Basic Compensation. Members receive benefits under the Plan no less than the value of their accumulated Employee Contributions with interest.

Members who terminate non-vested are entitled to the return of Employee Contributions accumulated with interest to the first day of the month in which termination occurs. The interest rate for accumulation was 5% from October 1, 1984 until October 1, 2019 when it was revised to 1.5%. Prior to October 1, 1984 a different interest rate was credited to Employee Contributions.

Average Monthly Compensation: The sum of the highest five successive Plan Years of Basic Compensation in the last ten Plan Years of employment divided by 60.

Normal Retirement Date: The first day of the month coincident with or next following attainment of age 65 and 10 years of Credited Service.

Accrued Benefit: The amount of monthly retirement income payable at the Normal Retirement Date is determined according to the following formula:

$$2.75\% \times \text{Average Monthly Compensation} \times \text{Credited Service up to 30 years}$$

The Accrued Benefit is payable in the form of a life only annuity. However, any member with a spouse shall receive an actuarially equivalent 50% joint and survivor annuity unless the member chooses another Optional Form of Retirement Income.

Members who terminate employment 100% vested prior the Normal Retirement Date are eligible to receive their Accrued Benefit once the age requirements for the Normal Retirement Date are met, provided Employee Contributions remain in the Plan.

Late Retirement Benefit: The amount of monthly retirement income payable to a Member who retires after the Normal Retirement Date is the greater of (i) the monthly retirement income which can be provided by the single-sum value of the Accrued Benefit payable if he had retired at the Normal Retirement Date, accumulated with interest from the Normal Retirement Date to the date the monthly retirement income payments are to commence, and (ii) the monthly retirement income computed as described for the Accrued Benefit using Credited Service and Average Monthly Compensation determined at the Member's actual retirement date.

Early Retirement Date: The first day of the month coincident with or next following the date an employee retires prior to the Normal Retirement Date after attainment of age 55 and 10 years of Credited Service.

Early Retirement Benefit: The Accrued Benefit is reduced for commencement earlier than the Normal Retirement Date at a rate of 5/9% for the first 60 months and 5/18% thereafter. However, the minimum monthly retirement income for a Member who retires before the Normal Retirement Date with 25 years Credited Service is 60% x Average Monthly Compensation.

Members who terminate employment 100% vested prior to reaching the Early Retirement Date age requirements may elect to receive an Early Retirement Benefit once the age requirements are met, provided Employee Contributions remain in the Plan.

Members who terminate employment 100% vested prior the Normal Retirement Date but on or after their Early Retirement Date but do not commence receipt of an Early Retirement Benefit at that time will receive a monthly retirement income not less than the monthly retirement income which can be provided by the single-sum value of the monthly early retirement income which would have been payable if he had retired immediately upon termination, accumulated with interest from termination to the date the monthly retirement income payments are to commence.

Members who recover from Disability Retirement and who were eligible for an Early Retirement Benefit at the date of disability may elect to receive this benefit upon recovery from disability.

Disability Retirement: This benefit is payable from the first day of the month coincident with or next following the date the Retirement Committee approves the Member's Disability Retirement. The benefit is payable in the form of a 10 year certain and continuous annuity. The last payment is that due next preceding the earlier of (1) the date of recovery prior to the Normal Retirement Date and (2) the later of the date of death or the 120<sup>th</sup> payment. The amount of monthly retirement income is determined as follows:

- (a) Non-Line of Duty: Members with less than 10 years of Credited Service upon disability receive a monthly retirement income which can be provided by the greater of (i) the single-sum value of the Accrued Benefit and (ii) 2 x Basic Compensation paid in the Plan Year immediately preceding disability. The monthly retirement income which can be provided by (ii) is limited to 60% x Anticipated Monthly Retirement Income at the Normal Retirement Date.
- (b) Non-Line of Duty: Members with 10 years of Credited Service or more upon disability receive a monthly retirement income which is the greater of (i) the monthly retirement income which can be provided by the single-sum value of the Accrued Benefit and (ii) 30% x Basic Compensation paid in the Plan Year immediately preceding disability where the

single-sum value of this monthly amount does not exceed 100 x the Anticipated Monthly Retirement Income at the Normal Retirement Date.

- (c) Line of Duty: Members receive a monthly retirement income which is 50% x Basic Compensation paid in the Plan Year immediately preceding disability where the single-sum value of this monthly amount does not exceed 100 x the Anticipated Monthly Retirement Income at the Normal Retirement Date.

Members who recover from disability and re-enter the service of the City within 30 days of recovery will be deemed to have continuous service except that the period beginning with the first month for which Disability Retirement income was received and ending with the date of service re-entry is not considered as Credited Service.

Anticipated Monthly Retirement Income at the Normal Retirement Date: Determined as described for the Accrued Benefit, but instead using Anticipated Credited Service and Anticipated Average Monthly Compensation. Anticipated Credited Service is employee service computed in years and completed calendar months as if the member remains employed to the Normal Retirement Date. Anticipated Average Monthly Compensation is computed assuming that the last complete Plan Year of Basic Compensation is paid in each Plan Year, without change, to the Normal Retirement Date.

Survivor Benefit at Death of Disabled Member Prior to Disability Retirement: The designated beneficiary of a disabled Member who dies prior to receipt of Disability Retirement benefits is eligible to receive a monthly retirement income payable in the form of a 10 year certain and continuous annuity payable commencing on the first of the month coincident with or next following the date of the disabled Member's death. The designated beneficiary will receive a monthly retirement income which can be provided by the greater of (i) the single-sum value of the Accrued Benefit and (ii) 2 x Basic Compensation paid in the Plan Year immediately preceding disability not more than 100 x Anticipated Monthly Retirement Income at the Normal Retirement Date.

Survivor Benefit at Death of Vested Terminated Members: The designated beneficiary of vested Member who dies prior to retirement is eligible to receive a monthly retirement income payable in the form of a 10 year certain and continuous annuity payable commencing on the first of the month coincident with or next following the Member's death, which can be provided by the single-sum value of the Member's Accrued Benefit or Early Retirement Benefit.

Survivor Benefit at Death of Active Employee Prior to Normal Retirement Date: The designated beneficiary of a Member who dies while in active service prior to the Normal Retirement Date is eligible to receive, commencing on the first of the month coincident with or next following the Member's death, a monthly retirement income (payable in the form of a 10 year certain and continuous annuity) which can be provided by the greater of (i) the single-sum value of the Accrued Benefit as of the date of death, not less than the single-sum value of the Early Retirement Benefit which would have been payable if the Member had retired early on the date of death, and (ii) 2 x Basic Compensation paid in the Plan Year immediately preceding death not more than 100 x Anticipated Monthly Retirement Income at the Normal Retirement Date.

Survivor Benefit at Death of Active Employee After Normal Retirement Date: The designated beneficiary of a Member who dies while in active service after the Normal Retirement Date is eligible to receive, commencing on the first of the month coincident with or next following the Member's death, a monthly retirement income (payable in the form of a 10 year certain and continuous annuity) which can be provided by the single-sum value of the Late Retirement Benefit.

Optional Forms of Retirement Income: In addition to the life only form of annuity, also available under the terms of the Plan are the 10 year certain and continuous annuity and the joint and 50%, 66 2/3%, 75%, or 100% survivor annuity. With the joint and survivor options, the member may also elect the pop-up feature. The Plan also allows for other amounts and forms of retirement income that will meet the circumstances of the Participant, in the opinion of the Retirement Committee, and will not substantially

affect the actuarial soundness of the Plan. Ordinance 1641-2013 was adopted December 18, 2013. Members may no longer be paid their retirement income in a lump sum under Section 3.1, Option 3.

Deferred Retirement Option Program (DROP): Members are eligible to enter the DROP at age 55 with 25 years of service. The Accrued Benefit is frozen and no further Employee Contributions are payable at DROP entry. The Accrued Benefit accumulates with interest in the DROP account and is payable as a single-lump sum (or as an actuarially equivalent annuity) upon DROP exit. The DROP account earns interest at a rate equal to the funds net rate of investment return minus administration fees, unless the DROP participant, as a one-time irrevocable option, elects a self-directed DROP as approved by the board of trustees. The maximum DROP participation duration is 5 years and participation will end if the employee resigns, dies or is terminated with cause prior to completion of the 5 years.

## Description of Assumptions and Methods

Assumed Rate of Investment Return: 7.35% per year, net of investment expenses (revised from 7.45% used in the prior actuarial valuation).

Inflation: 2.0% per year. Note this assumption is not used directly in the valuation.

Salary Increase – Individual:

5.5% per year for 0-12 years of service and 4.5% per year at service levels over 12 years.

Salary Increase – Total Payroll: Based on individual salary increase assumptions and other decrements assumed in the valuation of Plan liabilities.

Unfunded accrued liability is amortized as a level dollar amount.

Mortality: Mortality rates are those required by state statute. Mortality is as assumed in one of the last two valuations for the Florida Retirement System (FRS) for not special risk and not school instructional personnel, as follows:

The following two sex distinct tables are used with fully generational mortality improvements using sex distinct Scale MP-2018.

Healthy Active: PubG.H-2010(B) (male set back 1 year)

Healthy Retiree: PubG.H-2010(B) (male set back 1 year)

Juvenile rates were used for ages 15-17.

The active table references the healthy retiree rates, above, at ages 81+.

The healthy retiree table references the active mortality rates, above, before age 51.

The following sex distinct table was used with no mortality improvement assumed:

Disabled Retiree: PubG.H-2010 (male and female set forward 3 years)

Retirement: Members are assumed to retire at a rate of 100% at either 65 and 10 years of service or 55 and 25 years of service, whichever decrement produces the higher liability.

Termination: Unisex rates of termination are as follows (with linear interpolation for interim ages):

Age by Service

Values:

Age	0	1	2	3	4	5	6	7	8	9	>=10
20	0.3882	0.3624	0.2910	0.2202	0.1872	0.1716	0.1488	0.1416	0.1356	0.1308	0.1125
25	0.3312	0.2712	0.2226	0.1758	0.1536	0.1392	0.1194	0.1110	0.0978	0.0870	0.0610
30	0.3150	0.2280	0.1848	0.1584	0.1386	0.1242	0.1086	0.0960	0.0858	0.0780	0.0530
35	0.3150	0.2136	0.1704	0.1512	0.1308	0.1194	0.1050	0.0924	0.0822	0.0750	0.0465
40	0.3006	0.1878	0.1446	0.1278	0.1086	0.0984	0.0882	0.0792	0.0708	0.0660	0.0330
45	0.3006	0.1866	0.1410	0.1236	0.1056	0.0924	0.0852	0.0762	0.0690	0.0642	0.0300
50	0.2868	0.1800	0.1332	0.1116	0.0978	0.0834	0.0756	0.0684	0.0636	0.0594	0.0325
55	0.3312	0.2160	0.1668	0.1422	0.1176	0.1032	0.0804	0.0708	0.0654	0.0636	0.0520
60	0.3312	0.2160	0.1668	0.1410	0.1158	0.1020	0.0792	0.0696	0.0642	0.0618	0.0655
65+	0.3312	0.2160	0.1668	0.1410	0.1158	0.1020	0.0792	0.0696	0.0642	0.0618	0.0410

Disability: Sex distinct rates as used for regular employees in the Florida Retirement System actuarial valuation report as of July 1, 2005. Linear interpolation has been used between the rates shown in five year age increments, as follows:

Age	Line-of-Duty		Age	Not Line-of-Duty	
	Male	Female		Male	Female
20	0.004%	0.001%	20	0.000%	0.000%
25	0.006%	0.002%	25	0.030%	0.010%
30	0.010%	0.007%	30	0.058%	0.026%
35	0.018%	0.010%	35	0.073%	0.049%
40	0.029%	0.016%	40	0.102%	0.075%
45	0.044%	0.022%	45	0.188%	0.165%
50	0.069%	0.035%	50	0.313%	0.285%
55	0.095%	0.049%	55	0.523%	0.478%
60	0.099%	0.044%	60	0.687%	0.599%
65+	0.004%	0.001%	65+	0.239%	0.150%

Funding Method: Entry Age Normal (level percent of salary)

A description of the funding method is found on the next page entitled "Glossary of Actuarial Terms."

## **Glossary of Actuarial Terms**

Present Value of Benefits (PVB): The present value, as of the valuation date, of all benefits that will become payable by the Plan for the current group of members in the census.

Normal Cost (NC): Under the Individual Entry Age Normal Cost Method, the annual normal cost for each individual active member is determined as the amount, from the date of employment to the date of retirement, sufficient to accumulate the value of the member's benefit at the time of retirement. The annual normal cost is a constant percentage of the member's projected covered pay.

Accrued Liability (AL): This is the portion of the PVB attributable to the past at the valuation date. For active members, AL is the annual NC accumulated from date of entry to the valuation date for each member. For retired and terminated members, the PVB and the AL are equal. The AL is the estimated liability owed by the pension fund at the valuation date.

Unfunded Accrued Liability (UAL): Any excess of the Accrued Liability over the fund assets. A negative UAL indicates fund assets are greater than the Accrued Liability, otherwise known as a surplus. Actuarial gains/(losses), as they occur, reduce (increase) the Unfunded Actuarial Accrued Liability.

Actuarial Value of Assets: The value of assets used in the actuarial valuation of the Plan which is compared to the AL to determine the UAL and minimum funding requirements. A method may be used to smooth out short term volatility in the fair market value of assets. In this valuation, the Actuarial Value of Assets has been calculated to smooth out unexpected fluctuations in the fair market value of assets over a 5-year period.