

CITY OF LAKE ALFRED
GENERAL EMPLOYEES' RETIREMENT SYSTEM

ACTUARIAL VALUATION
AS OF OCTOBER 1, 2022

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2024

GASB 67/68 DISCLOSURE INFORMATION
AS OF SEPTEMBER 30, 2022



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

December 12, 2022

Board of Trustees
City of Lake Alfred
General Employees' Pension Board

Re: City of Lake Alfred General Employees' Retirement System

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Lake Alfred General Employees' Retirement System. Included are the related results for GASB Statements No. 67 and No. 68. The funding valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year. The calculation of the liability for GASB results was performed for the purpose of satisfying the requirements of GASB Statements No. 67 and No. 68. Use of the results for other purposes may not be applicable and may produce significantly different results.

The valuations have been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflect laws and regulations issued to date pursuant to the provisions of Chapter 112, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in the valuations, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

The funding percentages and unfunded accrued liability as measured based on the actuarial value of assets will differ from similar measures based on the market value of assets. These measures, as provided, are appropriate for determining the adequacy of future contributions, but may not be appropriate for the purpose of settling a portion or all of its liabilities. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope of the valuations, we did not perform an analysis of the potential range of such future measurements.

In conducting the valuations, we have relied on personnel, plan design, and asset information supplied by the City of Lake Alfred, financial reports prepared by the custodian bank, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

Additionally, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models that apply the funding and accounting rules to generate the results. All internally developed models are reviewed as part of the valuation process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of October 1, 2021. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2022 using generally accepted actuarial principles. It is our opinion that the assumptions used for this purpose are internally consistent, reasonable, and comply with the requirements under GASB No. 67 and No. 68.


The undersigned are familiar with the immediate and long-term aspects of pension valuations, and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.


To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Lake Alfred, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the General Employees' Retirement System. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact us at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By: 
Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #20-6595

By: 
Sara E. Carlson, ASA, EA, MAAA
Enrolled Actuary #20-8546

Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Lake Alfred General Employees' Retirement System, performed as of October 1, 2022, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ending September 30, 2024.

The contribution requirements, compared with those set forth in the October 1, 2021 actuarial valuation report, are as follows:

Valuation Date Applicable to Fiscal Year Ending	10/1/2022 <u>9/30/2024</u>	10/1/2021 <u>9/30/2023</u>
Minimum Required Contribution	\$367,907	\$311,378
Member Contributions (Est.)	111,973	101,816
City Required Contribution	\$255,934	\$209,562

As you can see, the Minimum Required Contribution shows an increase when compared to the results determined in the October 1, 2021 actuarial valuation. The increase is attributable to unfavorable actuarial experience and lowering the investment return assumption from 7.25% to 7.15%.

Plan experience was unfavorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial loss included an investment return of 3.71% (Actuarial Asset Basis) which fell short of the 7.25% assumption, and unfavorable turnover experience. There were no significant sources of actuarial gain.

CHANGES SINCE PRIOR VALUATION

Plan Changes

Ordinance No. 1499-22 was adopted on October 3, 2022 and closed the Plan to new entrants effective January 1, 2023. All employees hired after January 1, 2023 will participate in a defined contribution plan. On or before March 31, 2023, each Member shall elect to either continue in this System or to transfer the greater of the present value of their accrued benefit or their accumulated contributions to the defined contribution plan. As outlined in our October 14, 2022 No Impact Letter, this change had no impact on the current funding requirements to the Plan.

Actuarial Assumption/Method Changes

In conjunction with this valuation, the investment return assumption was reduced from 7.25% to 7.15% per year, net of investment related expenses.

The impact of this change on the funding requirements to the plan can be found in the Comparative Summary of Principal Valuation Results section of this report.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Assump <u>10/1/2022</u>	Old Assump <u>10/1/2022</u>	<u>10/1/2021</u>
A. Participant Data			
Actives	39	39	37
Service Retirees	25	25	26
DROP Retirees	1	1	0
Beneficiaries	1	1	1
Disability Retirees	0	0	0
Terminated Vested	<u>40</u>	<u>40</u>	<u>36</u>
 Total	 106	 106	 100
 Payroll Under Assumed Ret. Age	 2,030,012	 2,030,012	 1,846,530
Annual Rate of Payments to:			
Service Retirees	299,141	299,141	311,777
DROP Retirees	42,343	42,343	0
Beneficiaries	17,768	17,768	17,768
Disability Retirees	0	0	0
Terminated Vested	82,941	82,941	82,941
B. Assets			
Actuarial Value (AVA) ¹	6,373,139	6,373,139	6,157,398
Market Value (MVA) ¹	5,703,249	5,703,249	6,618,050
C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	3,578,574	3,508,211	3,537,658
Disability Benefits	82,630	81,060	75,739
Death Benefits	21,269	20,998	19,493
Vested Benefits	696,627	679,831	502,981
Refund of Contributions	143,337	143,013	120,163
Service Retirees	2,732,248	2,712,983	2,839,333
DROP Retirees ¹	594,652	588,595	0
Beneficiaries	152,736	151,789	156,238
Disability Retirees	0	0	0
Terminated Vested	<u>486,041</u>	<u>478,159</u>	<u>441,577</u>
 Total	 8,488,114	 8,364,639	 7,693,182

C. Liabilities - (Continued)	New Assump <u>10/1/2022</u>	Old Assump <u>10/1/2022</u>	<u>10/1/2021</u>
Present Value of Future Salaries	13,924,528	13,854,106	12,658,607
Present Value of Future Member Contributions	696,226	692,705	632,930
Normal Cost (Retirement)	175,725	172,249	166,910
Normal Cost (Disability)	3,388	3,320	3,250
Normal Cost (Death)	1,075	1,064	984
Normal Cost (Vesting)	22,437	21,828	17,878
Normal Cost (Refunds)	<u>29,771</u>	<u>29,742</u>	<u>25,587</u>
Total Normal Cost	232,396	228,203	214,609
Present Value of Future Normal Costs	1,381,140	1,348,621	1,278,434
Accrued Liability (Retirement)	2,480,284	2,436,931	2,490,327
Accrued Liability (Disability)	59,577	58,588	53,937
Accrued Liability (Death)	15,048	14,872	13,886
Accrued Liability (Vesting)	557,513	545,199	391,222
Accrued Liability (Refunds)	28,875	28,902	28,228
Accrued Liability (Inactives) ¹	<u>3,965,677</u>	<u>3,931,526</u>	<u>3,437,148</u>
Total Actuarial Accrued Liability (EAN AL)	7,106,974	7,016,018	6,414,748
Unfunded Actuarial Accrued Liability (UAAL)	733,835	642,879	257,350
Funded Ratio (AVA / EAN AL)	89.7%	90.8%	96.0%

D. Actuarial Present Value of Accrued Benefits	New Assump <u>10/1/2022</u>	Old Assump <u>10/1/2022</u>	<u>10/1/2021</u>
Vested Accrued Benefits			
Inactives ¹	3,965,677	3,931,526	3,437,148
Actives	684,710	664,058	704,272
Member Contributions	<u>617,867</u>	<u>617,867</u>	<u>584,983</u>
Total	5,268,254	5,213,451	4,726,403
Non-vested Accrued Benefits	<u>364,284</u>	<u>356,365</u>	<u>318,569</u>
Total Present Value			
Accrued Benefits (PVAB)	5,632,538	5,569,816	5,044,972
Funded Ratio (MVA / PVAB)	101.3%	102.4%	131.2%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	62,722	0	
Plan Experience	0	527,061	
Benefits Paid	0	(355,105)	
Interest	0	352,888	
Other	<u>0</u>	<u>0</u>	
Total	62,722	524,844	

	New Assump	Old Assump	
Valuation Date	10/1/2022	10/1/2022	10/1/2021
Applicable to Fiscal Year Ending	<u>9/30/2024</u>	<u>9/30/2024</u>	<u>9/30/2023</u>
E. Pension Cost			
Normal Cost ²	\$247,525	\$243,059	\$228,387
Administrative Expenses ²	40,897	40,897	43,561
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 19 years (as of 10/1/2022) ²	79,485	69,831	39,430
Minimum Required Contribution	367,907	353,787	311,378
Expected Member Contributions ²	111,973	112,027	101,816
Expected City Contribution	255,934	241,760	209,562
F. Past Contributions			
Plan Years Ending:	<u>9/30/2022</u>		
City Requirement	238,405		
Actual Contributions Made:			
City	<u>238,405</u>		
G. Net Actuarial (Gain)/Loss	448,995		

¹ The asset values and liabilities include accumulated DROP Plan Balances as of 9/30/2022 and 9/30/2021.

² Contributions developed as of 10/1/2022 displayed above have been adjusted to account for assumed salary increase components.

H. Schedule Illustrating the Amortization of the Total Unfunded Actuarial Accrued Liability as of:

<u>Year</u>	<u>Projected Unfunded Actuarial Accrued Liability</u>
2022	733,835
2023	706,342
2024	671,313
2028	446,500
2033	216,171
2037	98
2041	0

I. (i) 5 Year Comparison of Actual and Assumed Salary Increases

	<u>Actual</u>	<u>Assumed</u>
Year Ended 9/30/2022	8.67%	6.38%
Year Ended 9/30/2021	5.66%	6.35%
Year Ended 9/30/2020	4.37%	6.00%
Year Ended 9/30/2019	10.21%	6.00%
Year Ended 9/30/2018	8.40%	6.00%

(ii) 5 Year Comparison of Investment Return on Market Value and Actuarial Value

	<u>Market Value</u>	<u>Actuarial Value</u>	<u>Assumed</u>
Year Ended 9/30/2022	-13.41%	3.71%	7.25%
Year Ended 9/30/2021	19.36%	9.41%	7.25%
Year Ended 9/30/2020	6.29%	7.99%	7.50%
Year Ended 9/30/2019	5.29%	8.37%	7.50%
Year Ended 9/30/2018	7.29%	6.96%	7.50%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2022	\$2,030,012
	10/1/2012	1,095,004
(b) Total Increase		85.39%
(c) Number of Years		10.00
(d) Average Annual Rate		6.37%

STATEMENT BY ENROLLED ACTUARY

This actuarial valuation 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.



Sara E. Carlson, ASA, EA, MAAA
Enrolled Actuary #20-8546

Please let us know when the report is approved by the Board and unless otherwise directed we will provide a copy of the report to the following office to comply with Chapter 112, Florida Statutes:

Mr. Keith Brinkman
Bureau of Local
Retirement Systems
Post Office Box 9000
Tallahassee, FL 32315-9000

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

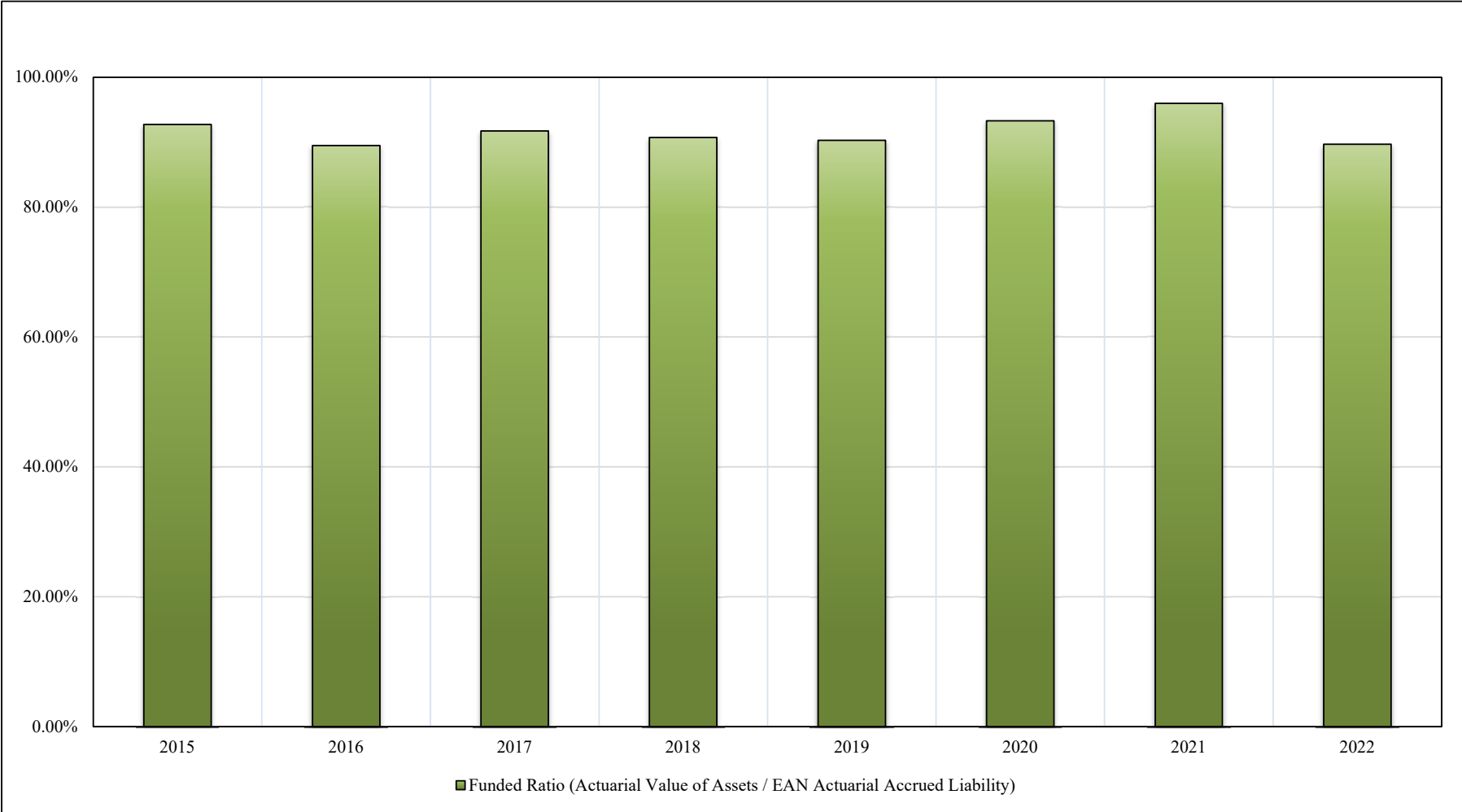
(1) Unfunded Actuarial Accrued Liability as of October 1, 2021	\$257,350
(2) Sponsor Normal Cost developed as of October 1, 2021	122,283
(3) Expected administrative expenses for the year ended September 30, 2022	40,933
(4) Expected interest on (1), (2) and (3)	29,007
(5) Sponsor contributions to the System during the year ended September 30, 2022	238,405
(6) Expected interest on (5)	17,284
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2022 (1)+(2)+(3)+(4)-(5)-(6)	193,884
(8) Change to UAAL due to Assumption Change	90,956
(9) Change to UAAL due to Actuarial (Gain)/Loss	448,995
(10) Unfunded Actuarial Accrued Liability as of October 1, 2022	733,835

Type of Base	Date Established	Years Remaining	10/1/2022 Amount	Amortization Amount
Method Change	10/1/2006	14	71,835	7,735
Actuarial Loss	10/1/2006	6	44,390	8,732
Actuarial Gain	10/1/2007	6	(45,101)	(8,872)
Method Change	10/1/2008	6	9,720	1,912
Benefit Change	10/1/2010	18	22,965	2,154
Benefit Change	10/1/2011	19	(17,932)	(1,637)
Assump Change	10/1/2012	10	30,016	4,016
Software Change	10/1/2013	11	(16,058)	(2,014)
Actuarial Gain	10/1/2013	1	(5,198)	(5,198)
Assump Changes	10/1/2013	11	44,685	5,603
Actuarial Gain	10/1/2014	2	(26,160)	(13,531)
Actuarial Gain	10/1/2015	3	(3,891)	(1,388)
Actuarial Loss	10/1/2016	4	15,627	4,320
Assump Change	10/1/2016	14	88,621	9,542
Actuarial Loss	10/1/2017	5	7,845	1,793
Actuarial Loss	10/1/2018	6	58,478	11,503
Actuarial Loss	10/1/2019	7	56,589	9,851
Actuarial Gain	10/1/2020	13	(87,279)	(9,829)
Assump Change	10/1/2020	13	6,504	732
Actuarial Gain	10/1/2021	14	(61,772)	(6,651)
Actuarial Loss	10/1/2022	15	448,995	46,445
			733,835	74,627

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2021	\$257,350
(2) Expected UAAL as of October 1, 2022	193,884
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	217,488
Salary Increases	(11,264)
Active Decrements	164,653
Inactive Mortality	(5,776)
Other	<u>83,894</u>
Increase in UAAL due to (Gain)/Loss	448,995
Assumption Changes	<u>90,956</u>
(4) Actual UAAL as of October 1, 2022	\$733,835

HISTORY OF FUNDING PROGRESS



ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Active Lives:

Female: PubG.H-2010 (Below Median) for Employees.

Male: PubG.H-2010 (Below Median) for Employees, set back one year.

Healthy Retiree Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.

Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Beneficiary Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.

Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Disabled Lives:

PubG.H-2010 for Disabled Retirees, set forward three years.

All rates are projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accommodates future mortality improvements.

The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2021 FRS valuation report for non-special-risk employees.

Interest Rate

7.15% (previously 7.25%) per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Salary Increases

See table that follows. Projected salary at retirement is increased based on individual accruals to account for non-regular compensation. The salary increase assumption was approved based on an actuarial experience study for the period 2010 – 2019.

Salary Scale	
Service	Rate
0-4	7.00%
5-9	6.00%
10+	5.50%

Payroll Growth

0.00% for purposes of amortizing the Unfunded Actuarial Accrued Liability. This assumption cannot exceed the ten-year average payroll growth, in compliance with Part VII of Chapter 112, Florida Statutes.

Administrative Expenses

\$38,397 annually, based on the average of actual expenses incurred in the prior two fiscal years.

Amortization Method

New UAAL amortization bases are amortized over 15 years.

Bases established prior to the valuation date are adjusted proportionally to match the Expected Unfunded Actuarial Accrued Liability as of the valuation date, in order to align prior year bases with the portion of the current year UAAL associated with prior year sources.

Retirement Age

See table below. This assumption was approved based on an actuarial experience study for the period 2010 – 2019.

% Retiring During the Year	
Age	Rate
55-56	5%
57-58	30%
59-64	50%
65+	100%

Disability Rate

Sample rates below. This assumption was approved based on an actuarial experience study for the period 2010 – 2019.

% Becoming Disabled During the Year	
Age	Rate
25	0.03%
35	0.03%
45	0.11%
55	0.45%
65	1.40%

Termination Rate

Sample rates as follows. This assumption was approved based on an actuarial experience study for the period 2010 – 2019.

Service	% Terminating During the Year		
	Age Range		
<5	25%	16%	14%
5-14	17%	10%	4%
15+	14%	4%	2%

Funding Method

Entry Age Normal Actuarial Cost Method. The following loads are applied for determining the minimum required contribution:

Interest - None, based on beginning of year funding.

Salary - A full year, based on current 6.51% assumption.

Actuarial Asset Method

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value returns, net of fees. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

GLOSSARY

Actuarial Value of Assets is the asset value used in the valuation to determine contribution requirements. It represents the plan's Market Value of Assets (see below), with adjustments according to the plan's Actuarial Asset Method. These adjustments produce a "smoothed" value that is likely to be less volatile from year to year than the Market Value of Assets.

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

(a) The normal cost accrual rate equals:

(i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by

(ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.

(b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

(c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

(d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

Market Value of Assets is the fair market value of plan assets as of the valuation date. This amount may be adjusted to produce an Actuarial Value of Assets for plan funding purposes.

Normal (Current Year's) Cost is the current year's cost for benefits yet to be funded. Under the Entry Age Normal cost method, it is determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current plan participants.

Total Annual Payroll is the projected annual rate of pay for the fiscal year beginning on the valuation date of all covered Members.

Total Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability over no more than 30 years. The required amount is adjusted for interest according to the timing of contributions during the year.

Unfunded Actuarial Accrued Liability (UAAL) is the difference between the actuarial accrued liability (described above) and the Actuarial Value of Assets. Under the Entry Age Normal Actuarial Cost Method, an actuarial gain or loss, based on actual versus expected UAAL, is determined in conjunction with each valuation of the plan.

DISCUSSION OF RISK

ASOP No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions, states that the actuary should identify risks that, in the actuary's professional judgment, may reasonably be anticipated to significantly affect the plan's future financial condition.

Throughout this report, actuarial results are determined using various actuarial assumptions. These results are based on the premise that all future plan experience will align with the plan's actuarial assumptions; however, there is no guarantee that actual plan experience will align with the plan's assumptions. It is possible that actual plan experience will differ from anticipated experience in an unfavorable manner that will negatively impact the plan's funded position.

Below are examples of ways in which plan experience can deviate from assumptions and the potential impact of that deviation. Typically, this results in an actuarial gain or loss representing the current-year financial impact on the plan's unfunded liability of the experience differing from assumptions; this gain or loss is amortized over a period of time determined by the plan's amortization method. When assumptions are selected that adequately reflect plan experience, gains and losses typically offset one another in the long term, resulting in a relatively low impact on the plan's contribution requirements associated with plan experience. When assumptions are too optimistic, losses can accumulate over time and the plan's amortization payment could potentially grow to an unmanageable level.

- Investment Return: When the rate of return on the Actuarial Value of Assets falls short of the assumption, this produces a loss representing assumed investment earnings that were not realized. Further, it is unlikely that the plan will experience a scenario that matches the assumed return in each year as capital markets can be volatile from year to year. Therefore, contribution amounts can vary in the future.
- Salary Increases: When a plan participant experiences a salary increase that was greater than assumed, this produces a loss representing the cost of an increase in anticipated plan benefits for the participant as compared to the previous year. The total gain or loss associated with salary increases for the plan is the sum of salary gains and losses for all active participants.
- Demographic Assumptions: Actuarial results take into account various potential events that could happen to a plan participant, such as retirement, termination, disability, and death. Each of these potential events is assigned a liability based on the likelihood of the event and the financial consequence of the event for the plan. Accordingly, actuarial liabilities reflect a blend of financial consequences associated with various possible outcomes (such as retirement at one of various possible ages). Once the outcome is known (e.g. the participant retires) the liability is adjusted to reflect the known outcome. This adjustment produces a gain or loss depending on whether the outcome was more or less favorable than other outcomes that could have occurred.

Impact of Plan Maturity on Risk

For newer pension plans, most of the participants and associated liabilities are related to active members who have not yet reached retirement age. As pension plans continue in operation and active members reach retirement ages, liabilities begin to shift from being primarily related to active members to being shared amongst active and retired members. Plan maturity is a measure of the extent to which this shift has occurred. It is important to understand that plan maturity can have an impact on risk tolerance and the overall risk characteristics of the plan. For example, closed plans with a large amount of retired liability do not have as long of a time horizon to recover from losses (such as losses on investments due to lower than expected investment returns) as plans where the majority of the liability is attributable to active members. For this reason, less tolerance for investment risk may be warranted for highly mature closed plans with a substantial inactive liability. Similarly, mature closed plans paying substantial retirement benefits resulting in a small positive or net negative cash flow can be more sensitive to near term investment volatility, particularly if the size of the fund is shrinking, which can result in less assets being available for investment in the market.

To assist with determining the maturity of the plan, we have provided some relevant metrics in the table following titled “Plan Maturity Measures and Other Risk Metrics”. Highlights of this information are discussed below:

- The Support Ratio, determined as the ratio of active to inactive members, has decreased from 162.5% on October 1, 2012 to 111.4% on October 1, 2022, indicating that the plan has been maturing during the period.
- The Accrued Liability Ratio, determined as the ratio of the Inactive Accrued Liability, which is the liability associated with members who are no longer employed but are due a benefit from the plan, to the Total Accrued Liability, is 55.8%. With a plan of this maturity, losses due to lower than expected investment returns or demographic factors may result in larger increases in contribution requirements than would be needed for a less mature plan. Please note Chapter 112, Florida Statutes, requires that the plan sponsor contributes the minimum required contribution; thus, there is minimal solvency risk to the plan.
- The Funded Ratio, determined as the ratio of the Actuarial Value of Assets to the Total Accrued Liability, has increased from 84.8% on October 1, 2012 to 89.7% on October 1, 2022.
- The Net Cash Flow Ratio, determined as the ratio of the Net Cash Flow (contributions minus benefit payments and administrative expenses) to the Market Value of Assets, increased from -3.1% on October 1, 2012 to -0.2% on October 1, 2022. The current Net Cash Flow Ratio of -0.2% indicates that contributions are not currently covering the plan's benefit payments and administrative expenses.

It is important to note that the actuary has identified the risks in this section as the most significant risks based on the characteristics of the plan and the nature of the project, however, it is not an exhaustive list of potential risks that could be considered. Additional advanced modeling, as well as the identification of additional risks, can be provided at the request of the audience addressed on page 2 of this report.

PLAN MATURITY MEASURES AND OTHER RISK METRICS

	<u>10/1/2022</u>	<u>10/1/2021</u>	<u>10/1/2017</u>	<u>10/1/2012</u>
<u>Support Ratio</u>				
Total Actives	39	37	36	39
Total Inactives ¹	35	35	31	24
Actives / Inactives ¹	111.4%	105.7%	116.1%	162.5%
 <u>Asset Volatility Ratio</u>				
Market Value of Assets (MVA)	5,703,249	6,618,050	4,774,481	3,233,292
Total Annual Payroll	2,030,012	1,846,530	1,451,582	1,095,004
MVA / Total Annual Payroll	280.9%	358.4%	328.9%	295.3%
 <u>Accrued Liability (AL) Ratio</u>				
Inactive Accrued Liability	3,965,677	3,437,148	3,149,064	2,324,915
Total Accrued Liability (EAN)	7,106,974	6,414,748	5,112,655	3,799,701
Inactive AL / Total AL	55.8%	53.6%	61.6%	61.2%
 <u>Funded Ratio</u>				
Actuarial Value of Assets (AVA)	6,373,139	6,157,398	4,689,668	3,221,178
Total Accrued Liability (EAN)	7,106,974	6,414,748	5,112,655	3,799,701
AVA / Total Accrued Liability (EAN)	89.7%	96.0%	91.7%	84.8%
 <u>Net Cash Flow Ratio</u>				
Net Cash Flow ²	(12,191)	(44,366)	181,404	(101,678)
Market Value of Assets (MVA)	5,703,249	6,618,050	4,774,481	3,233,292
Ratio	-0.2%	-0.7%	3.8%	-3.1%

¹ Excludes terminated participants awaiting a refund of member contributions.

² Determined as total contributions minus benefit payments and administrative expenses.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2022

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Cash	57,191.11
Total Cash and Equivalents	57,191.11
Total Receivable	0.00
Investments:	
Pooled/Common/Commingled Funds:	
Fixed Income	1,681,418.62
Equity	3,036,847.93
Real Estate	943,653.31
Total Investments	5,661,919.86
Total Assets	5,719,110.97
 <u>LIABILITIES</u>	
Payables:	
Refunds of Member Contributions	10,861.92
Administrative Expenses	5,000.00
Total Liabilities	15,861.92
 NET POSITION RESTRICTED FOR PENSIONS	 5,703,249.05

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022
Market Value Basis

ADDITIONS

Contributions:

Member	102,026.00
Buy-Back	39,821.00
City	238,405.00

Total Contributions 380,252.00

Investment Income:

Net Increase in Fair Value of Investments	(889,695.99)
Less Investment Expense ¹	(12,914.38)

Net Investment Income (902,610.37)

Total Additions (522,358.37)

DEDUCTIONS

Distributions to Members:

Benefit Payments	326,161.64
Lump Sum DROP Distributions	0.00
Refunds of Member Contributions	28,942.87

Total Distributions 355,104.51

Administrative Expense 37,338.45

Total Deductions 392,442.96

Net Increase in Net Position (914,801.33)

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 6,618,050.38

End of the Year 5,703,249.05

¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION
SEPTEMBER 30, 2022

Actuarial Assets for funding purposes are developed by increasing the Actuarial Assets used in the most recent actuarial valuation of the Fund by the average annual market value rate of return (net of investment related expenses) for the past four years. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Details of the derivation are set forth as follows:

Plan Year End	Rate of Return ¹	
09/30/2019	5.29%	
09/30/2020	6.29%	
09/30/2021	19.36%	
09/30/2022	-13.41%	
Annualized Rate of Return for prior four (4) years:		3.71%
(A) 10/01/2021 Actuarial Assets:		\$6,157,397.82
(I) Net Investment Income:		
1. Interest and Dividends	0.00	
2. Realized Gain (Loss)	0.00	
3. Unrealized Gain (Loss)	(889,695.99)	
4. Change in Actuarial Value	1,130,542.93	
5. Investment Related Expenses	(12,914.38)	
Total		227,932.56
(B) 10/01/2022 Actuarial Assets:		\$6,373,139.42
Actuarial Asset Rate of Return = $2I/(A+B-I)$:		3.71%
10/01/2022 Limited Actuarial Assets		\$6,373,139.42
10/01/2022 Market Value of Assets		\$5,703,249.05
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		(\$217,488.21)

¹Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2022
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	102,026.00	
Buy-Back	39,821.00	
City	238,405.00	
 Total Contributions		 380,252.00
Earnings from Investments:		
Net Increase in Fair Value of Investments	(889,695.99)	
Change in Actuarial Value	1,130,542.93	
 Total Earnings and Investment Gains		 240,846.94

EXPENDITURES

Distributions to Members:		
Benefit Payments	326,161.64	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	28,942.87	
 Total Distributions		 355,104.51
Expenses:		
Investment related ¹	12,914.38	
Administrative	37,338.45	
 Total Expenses		 50,252.83
 Change in Net Assets for the Year		 215,741.60
 Net Assets Beginning of the Year		 6,157,397.82
 Net Assets End of the Year ²		 6,373,139.42

¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

²Net Assets may be limited for actuarial consideration.

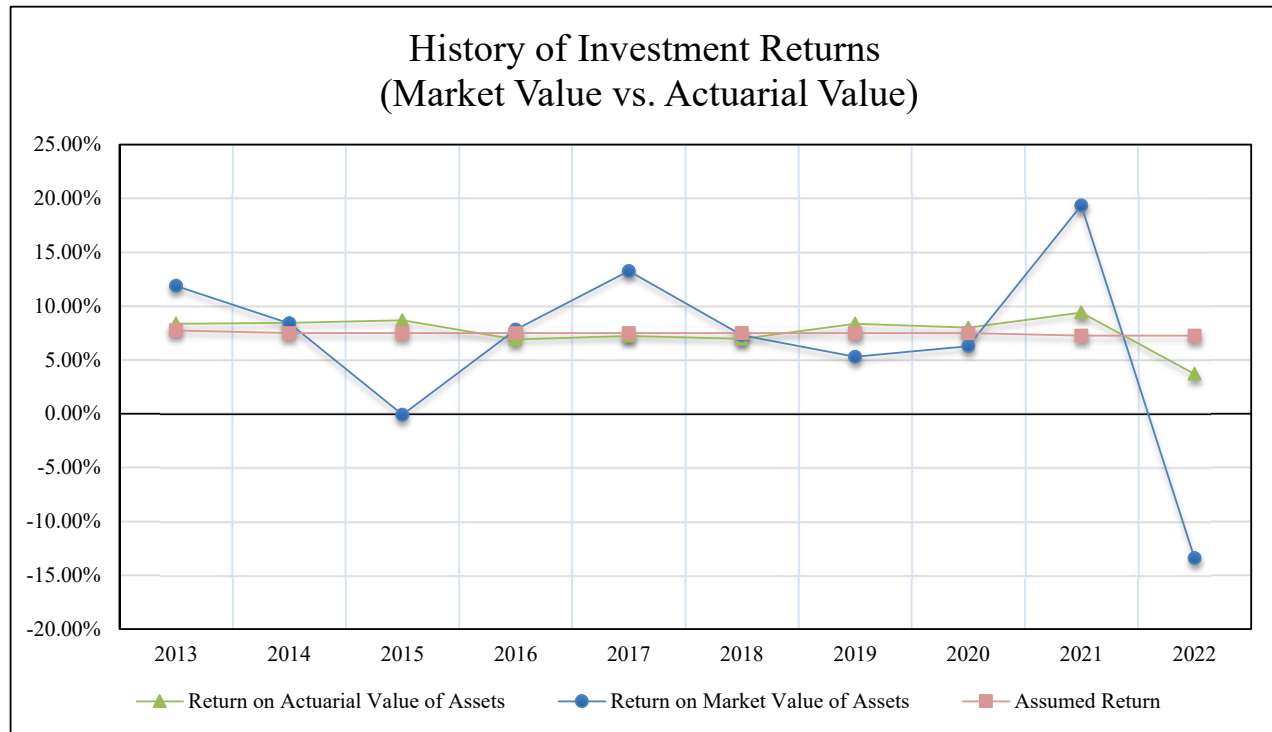
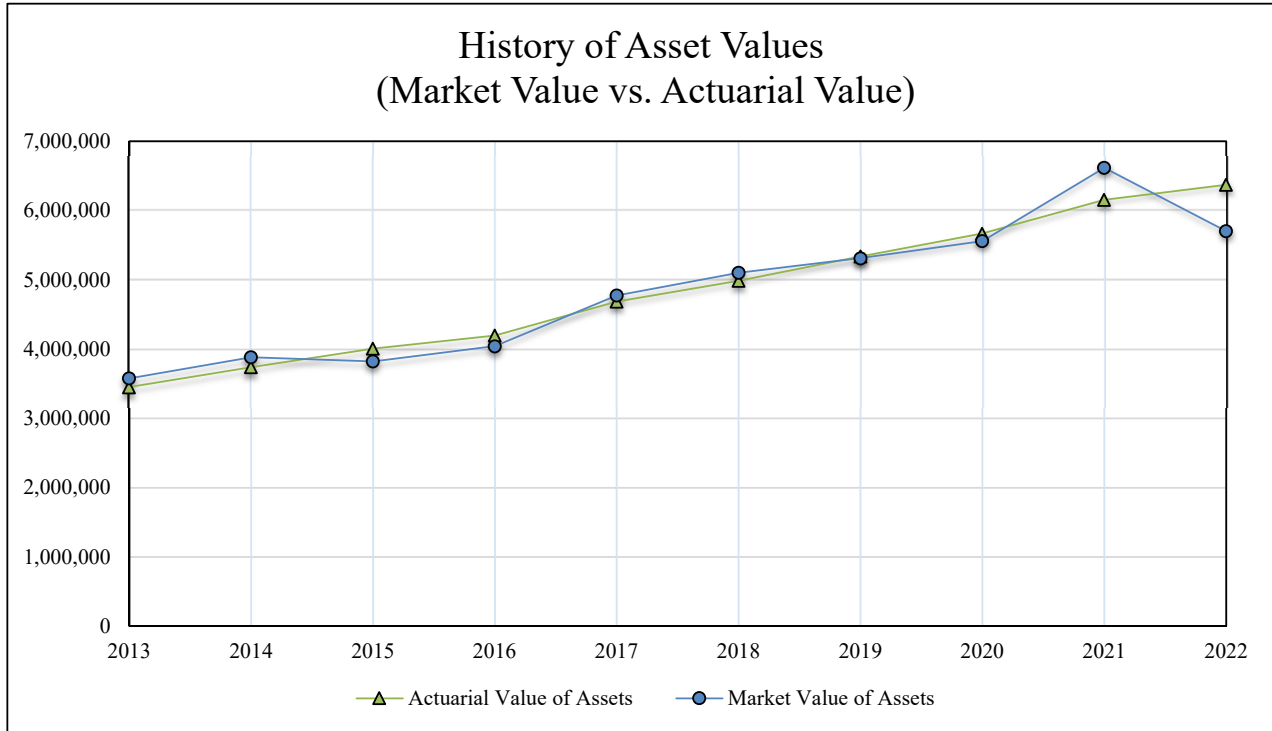
DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2021 to September 30, 2022

Beginning of the Year Balance	0.00
Plus Additions	28,228.48
Investment Return Earned	676.64
Less Distributions	0.00
End of the Year Balance	28,905.12

RECONCILIATION OF CITY SHORTFALL/(PREPAID) CONTRIBUTION
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2022

(1) Required City Contributions	\$238,405.00
(2) Less 2021 Prepaid Contribution	0.00
(3) Less Actual City Contributions	<u>(238,405.00)</u>
(4) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2022	\$0.00

HISTORY OF ASSET VALUES AND INVESTMENT RETURNS



STATISTICAL DATA

	<u>10/1/2022</u>	<u>10/1/2021</u>	<u>10/1/2020</u>	<u>10/1/2019</u>
<u>Actives</u>				
Number	39	37	38	34
Average Current Age	44.3	45.6	44.1	47.0
Average Age at Employment	38.9	40.0	39.0	41.5
Average Past Service	5.4	5.6	5.1	5.5
Average Annual Salary	\$52,052	\$49,906	\$47,084	\$47,663
<u>Service Retirees</u>				
Number	25	26	26	24
Average Current Age	70.4	69.3	69.0	68.8
Average Annual Benefit	\$11,966	\$11,991	\$11,960	\$12,128
<u>DROP Retirees</u>				
Number	1	0	0	1
Average Current Age	58.1	N/A	N/A	61.9
Average Annual Benefit	\$42,343	N/A	N/A	\$8,165
<u>Beneficiaries</u>				
Number	1	1	0	0
Average Current Age	74.8	73.8	N/A	N/A
Average Annual Benefit	\$17,768	\$17,768	N/A	N/A
<u>Disability Retirees</u>				
Number	0	0	0	0
Average Current Age	N/A	N/A	N/A	N/A
Average Annual Benefit	N/A	N/A	N/A	N/A
<u>Terminated Vested</u>				
Number	40	36	37	35
Average Current Age ¹	48.6	47.6	48.0	48.6
Average Annual Benefit ¹	\$10,368	\$10,368	\$10,840	\$10,328

¹ The Average Current Age and Average Annual Benefit exclude participants awaiting a refund of contributions.

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19												0
20 - 24	2											2
25 - 29	3		2			1						6
30 - 34	1	1			1							3
35 - 39						2	2					4
40 - 44	1					1						2
45 - 49		1		1		3						5
50 - 54	1		1		1	2	1	1				7
55 - 59		1		1		1		1				4
60 - 64	2	1			1	1	1					6
65+												0
Total	10	4	3	2	3	11	4	2	0	0	0	39

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2021	37
b. Terminations	
i. Vested (partial or full) with deferred annuity	0
ii. Vested in refund of member contributions only	(3)
iii. Refund of member contributions or full lump sum distribution received	(4)
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	0
f. DROP	<u>(1)</u>
g. Continuing participants	29
h. New entrants / Rehires	<u>10</u>
i. Total active life participants in valuation	<u>39</u>

2. Non-Active lives (including beneficiaries receiving benefits)

	Service Retirees, Vested Receiving <u>Benefits</u>	DROP <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested (Deferred Annuity)	Vested (Due Refund)	<u>Total</u>
a. Number prior valuation	26	0	1	0	8	28	63
Retired	0	0	0	0	0	0	0
DROP	0	1	0	0	0	0	1
Vested (Deferred Annuity)	0	0	0	0	0	0	0
Vested (Due Refund)	0	0	0	0	0	3	3
Hired/Terminated in Same Year	0	0	0	0	0	3	3
Death, With Survivor	0	0	0	0	0	0	0
Death, No Survivor	(1)	0	0	0	0	0	(1)
Disabled	0	0	0	0	0	0	0
Refund of Contributions	0	0	0	0	0	(2)	(2)
Rehires	0	0	0	0	0	0	0
Expired Annuities	0	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0	0
b. Number current valuation	25	1	1	0	8	32	67

SUMMARY OF CURRENT PLAN

<u>Eligibility</u>	Full-time employees who are classified as General Employees hired prior to January 1, 2023 who elect to remain in the plan.
<u>Credited Service</u>	Years and fractional parts of years while employment with the City.
<u>Salary</u>	Total W-2 compensation, plus tax deferred, tax sheltered, and tax exempt items of income. Effective July 1, 2011, Salary shall not include more than three hundred (300) hours of overtime per fiscal year. Additionally, Salary will include the lesser of the amount of sick or annual leave time accrued as of July 1, 2011, or the actual amount of sick or annual leave time for which the retiree receives payment at the time of retirement.
<u>Average Final Compensation</u>	Average Salary for the best 5 years of the last 10 years preceding retirement or termination.
<u>Member Contributions</u>	5.0% of Salary.
<u>City Contributions</u>	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over 30 years.
<u>Normal Retirement</u>	
Eligibility	Age 57 and 10 years of Credited Service.
Benefit	2.72% of Average Final Compensation <u>times</u> Credited Service.
Form of Benefit	Five Year Certain and Life Annuity (options available).
<u>Early Retirement</u>	
Eligibility	Age 55 and 10 Years of Credited Service.
Benefit	Accrued benefit, reduced 3% for each year that Early retirement precedes Normal retirement.

Disability Benefits

Benefit	Accrued benefit determined as for normal retirement, actuarially reduced to reflect payment prior to normal retirement.
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Vesting

Schedule	100% after 10 years of Credited Service
Benefit Amount	Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Early (reduced) or Normal Retirement Date.

Death Benefits

Pre-Retirement	If not vested, refund of accumulated member contributions, with interest. If vested, the accrued monthly benefit payable to the designated beneficiary for 5 years immediately (reduced) or at the otherwise Normal Retirement Date (unreduced).
Post-Retirement	Benefits payable to beneficiary in accordance with option selected at retirement.

Deferred Retirement Option Plan

Eligibility	Satisfaction of Normal Retirement requirements.
Participation	Not to exceed 60 months.
Rate of Return	At Member's election (may change method once during DROP participation) either actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or 6.5% per annum, compounded quarterly.
Form of Distribution	Cash lump sum (options available) at termination of employment.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2022

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Cash	57,191
Total Cash and Equivalents	57,191
Total Receivable	0
Investments:	
Pooled/Common/Commingled Funds:	
Fixed Income	1,681,419
Equity	3,036,848
Real Estate	943,653
Total Investments	5,661,920
Total Assets	5,719,111
<u>LIABILITIES</u>	
Payables:	
Refunds of Member Contributions	10,862
Administrative Expenses	5,000
Total Liabilities	15,862
NET POSITION RESTRICTED FOR PENSIONS	5,703,249

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022
Market Value Basis

ADDITIONS

Contributions:

Member	102,026
Buy-Back	39,821
City	238,405

Total Contributions	380,252
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Investment Income:

Net Increase in Fair Value of Investments	(889,696)
Interest & Dividends	0
Less Investment Expense ¹	(12,914)

Net Investment Income	(902,610)
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Total Additions	(522,358)
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DEDUCTIONS

Distributions to Members:

Benefit Payments	326,162
Lump Sum DROP Distributions	0
Refunds of Member Contributions	28,943

Total Distributions	355,105
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Administrative Expense	37,338
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Total Deductions	392,443
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Net Increase in Net Position	(914,801)
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NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year	6,618,050
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End of the Year	5,703,249
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¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2022)

Plan Administration

The City of Lake Alfred General Employees' Retirement System is a single employer defined benefit pension plan administered by a Board of Trustees which acts as the administrator of the Plan. The Board consists of seven Trustees, three of whom are legal residents of the City who are appointed by the Lake Alfred City Commission, three of whom are members of the System who are appointed by a majority of the General Employees who are members of the System and a seventh Trustee who is chosen by a majority of the first six Trustees.

Plan Membership as of October 1, 2021:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	27
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	36
Active Plan Members	37
	100
	100

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

A summary of the benefit provisions can be found in the October 1, 2021 Actuarial Valuation Report for City of Lake Alfred General Employees' Retirement System prepared by Foster & Foster Actuaries and Consultants.

Contributions

Member Contributions: 5.0% of Salary.

City Contributions: Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over 30 years.

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2022:

Asset Class	Target Allocation
US Large Cap Equity	25.00%
US Small Cap Equity	14.00%
Non-US Equity	21.00%
Core Bonds	15.00%
Core Plus	15.00%
Core Real Estate	10.00%
Total	100.00%

Concentrations:

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's Fiduciary Net Position.

Rate of Return:

For the year ended September 30, 2022, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was -13.41 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

GASB 67

Deferred Retirement Option Program

Eligibility: Satisfaction of Normal Retirement requirements.

Participation: Not to exceed 60 months.

Rate of Return: At Member's election (may change method once during DROP participation) either actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or 6.5% per annum, compounded quarterly.

The DROP balance as September 30, 2022 is \$28,905.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2022 were as follows:

Total Pension Liability	\$ 6,731,788
Plan Fiduciary Net Position	<u>\$ (5,703,249)</u>
Sponsor's Net Pension Liability	<u>\$ 1,028,539</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	84.72%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2021 updated to September 30, 2022 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	Service based
Discount Rate	7.15%
Investment Rate of Return	7.15%

Mortality Rate Healthy Active Lives:

Female: PubG.H-2010 (Below Median) for Employees.
 Male: PubG.H-2010 (Below Median) for Employees, set back one year.

Mortality Rate Healthy Retiree Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.
 Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Mortality Beneficiary Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.
 Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Mortality Rate Disabled Lives:

PubG.H-2010 for Disabled Retirees, set forward three years.

All rates are projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accommodates future mortality improvements.

The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman’s July 1, 2021 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

The most recent actuarial experience study used to review the other significant assumptions was dated, June 15, 2020.

The Long-Term Expected Rate of Return on Pension Plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2022 the inflation rate assumption of the investment advisor was 2.80%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

GASB 67

Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2022 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return ¹
US Large Cap Equity	7.10%
US Small Cap Equity	8.50%
Non-US Equity	8.20%
Core Bonds	2.50%
Core Plus	2.80%
Core Real Estate	6.60%

¹ Source: Florida League of Cities

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.15 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	1% Decrease	Current Discount Rate	1% Increase
	6.15%	7.15%	8.15%
Sponsor's Net Pension Liability	\$ 1,955,507	\$ 1,028,539	\$ 275,032

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 2 Fiscal Years

	<u>09/30/2022</u>	<u>09/30/2021</u>
Total Pension Liability		
Service Cost	216,884	205,075
Interest	456,882	441,055
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	28,582	(89,015)
Changes of assumptions	82,236	-
Contributions - Buy Back	39,821	-
Benefit Payments, including Refunds of Employee Contributions	(355,105)	(346,143)
Net Change in Total Pension Liability	<u>469,300</u>	<u>210,972</u>
Total Pension Liability - Beginning	6,262,488	6,051,516
Total Pension Liability - Ending (a)	<u>\$ 6,731,788</u>	<u>\$ 6,262,488</u>
Plan Fiduciary Net Position		
Contributions - Employer	238,405	-
Contributions - Employee	102,026	93,431
Contributions - Buy Back	39,821	-
Net Investment Income	(902,610)	1,100,300
Benefit Payments, including Refunds of Employee Contributions	(355,105)	(346,143)
Administrative Expense	(37,338)	(39,456)
Net Change in Plan Fiduciary Net Position	<u>(914,801)</u>	<u>808,132</u>
Plan Fiduciary Net Position - Beginning	6,618,050	5,809,918
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,703,249</u>	<u>\$ 6,618,050</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 1,028,539</u>	<u>\$ (355,562)</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	84.72%	105.68%
Covered Payroll	\$ 2,040,515	\$ 1,868,615
Net Pension Liability as a percentage of Covered Payroll	50.41%	-19.03%

Notes to Schedule:*Changes of assumptions:*

For measurement date 09/30/2022, the investment rate of return was lowered from 7.25% to 7.15% per year, net of investment related expenses.

SCHEDULE OF CONTRIBUTIONS

Last 2 Fiscal Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
09/30/2022	\$ 238,405	\$ 238,405	\$ -	\$ 2,040,515	11.68%
09/30/2021	\$ 247,802	\$ -	\$ 247,802	\$ 1,868,615	0.00%

Notes to Schedule

Valuation Date: 10/01/2020

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates can be found in the October 1, 2020 Actuarial Valuation for the City of Lake Alfred General Employees' Retirement System prepared by Foster & Foster Actuaries and Consultants.

SCHEDULE OF INVESTMENT RETURNS
Last 2 Fiscal Years

Fiscal Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
09/30/2022	-13.41%
09/30/2021	19.36%

NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2023)

Plan Description

The City of Lake Alfred General Employees' Retirement System is a single employer defined benefit pension plan administered by a Board of Trustees which acts as the administrator of the Plan. The Board consists of seven Trustees, three of whom are legal residents of the City who are appointed by the Lake Alfred City Commission, three of whom are members of the System who are appointed by a majority of the General Employees who are members of the System and a seventh Trustee who is chosen by a majority of the first six Trustees.

Each person employed by the City as a full-time General Employee becomes a Member of the System as a condition of his employment. All General Employees are therefore eligible for plan benefits as provided for in the plan document and by applicable law.

Plan Membership as of October 1, 2021:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	27
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	36
Active Plan Members	37
	100
	100

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

A summary of the benefit provisions can be found in the October 1, 2021 Actuarial Valuation Report for City of Lake Alfred General Employees' Retirement System prepared by Foster & Foster Actuaries and Consultants.

Contributions

Member Contributions: 5.0% of Salary.

City Contributions: Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over 30 years.

Net Pension Liability

The measurement date is September 30, 2022.

The measurement period for the pension expense was October 1, 2021 to September 30, 2022.

The reporting period is October 1, 2022 through September 30, 2023.

The Sponsor's Net Pension Liability was measured as of September 30, 2022.

The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2021 updated to September 30, 2022 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	Service based
Discount Rate	7.15%
Investment Rate of Return	7.15%

Mortality Rate Healthy Active Lives:

Female: PubG.H-2010 (Below Median) for Employees.
 Male: PubG.H-2010 (Below Median) for Employees, set back one year.

Mortality Rate Healthy Retiree Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.
 Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Mortality Beneficiary Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.
 Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Mortality Rate Disabled Lives:

PubG.H-2010 for Disabled Retirees, set forward three years.

All rates are projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accommodates future mortality improvements.

The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman’s July 1, 2021 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

The most recent actuarial experience study used to review the other significant assumptions was dated, June 15, 2020.

The Long-Term Expected Rate of Return on Pension Plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, Net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2022 the inflation rate assumption of the investment advisor was 2.80%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return ¹
US Large Cap Equity	25.00%	7.10%
US Small Cap Equity	14.00%	8.50%
Non-US Equity	21.00%	8.20%
Core Bonds	15.00%	2.50%
Core Plus	15.00%	2.80%
Core Real Estate	10.00%	6.60%
Total	100.00%	

¹ Source: Florida League of Cities

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.15 percent. The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Reporting Period Ending September 30, 2022	\$ 6,262,488	\$ 6,618,050	\$ (355,562)
Changes for a Year:			
Service Cost	216,884	-	216,884
Interest	456,882	-	456,882
Differences between Expected and Actual Experience	28,582	-	28,582
Changes of assumptions	82,236	-	82,236
Changes of benefit terms	-	-	-
Contributions - Employer	-	238,405	(238,405)
Contributions - Employee		102,026	(102,026)
Contributions - Buy Back	39,821	39,821	-
Net Investment Income	-	(902,610)	902,610
Benefit Payments, including Refunds of Employee Contributions	(355,105)	(355,105)	-
Administrative Expense	-	(37,338)	37,338
Net Changes	469,300	(914,801)	1,384,101
Reporting Period Ending September 30, 2023	\$ 6,731,788	\$ 5,703,249	\$ 1,028,539

Sensitivity of the Net Pension Liability to changes in the Discount Rate.

	Current		
	1% Decrease	Discount Rate	1% Increase
	6.15%	7.15%	8.15%
Sponsor's Net Pension Liability	\$ 1,955,507	\$ 1,028,539	\$ 275,032

Pension Plan Fiduciary Net Position.

Detailed information about the pension Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

FINAL PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS
FISCAL YEAR SEPTEMBER 30, 2022

For the year ended September 30, 2022, the Sponsor has recognized a Pension Expense of \$61,739.

On September 30, 2022, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	45,207	59,344
Changes of assumptions	-	14,917
Net difference between Projected and Actual Earnings on Pension Plan investments	-	471,236
Employer contributions subsequent to the measurement date	238,405	-
Total	\$ 283,612	\$ 545,497

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2022.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

Year ended September 30:	
2023	\$ (103,094)
2024	\$ (133,970)
2025	\$ (125,292)
2026	\$ (137,934)
2027	\$ -
Thereafter	\$ -

**PRELIMINARY PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES
AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS
FISCAL YEAR SEPTEMBER 30, 2023**

For the year ended September 30, 2023, the Sponsor will recognize a Pension Expense of \$339,954. On September 30, 2023, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	19,054	29,672
Changes of assumptions	54,824	-
Net difference between Projected and Actual Earnings on Pension Plan investments	738,056	-
Employer contributions subsequent to the measurement date	TBD	-
Total	TBD	\$ 29,672

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2023.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

Year ended September 30:	
2024	\$ 179,364
2025	\$ 188,042
2026	\$ 138,461
2027	\$ 276,395
2028	\$ -
Thereafter	\$ -

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 2 Fiscal Years

Reporting Period Ending	09/30/2023	09/30/2022
Measurement Date	09/30/2022	09/30/2021
Total Pension Liability		
Service Cost	216,884	205,075
Interest	456,882	441,055
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	28,582	(89,015)
Changes of assumptions	82,236	-
Contributions - Buy Back	39,821	-
Benefit Payments, including Refunds of Employee Contributions	(355,105)	(346,143)
Net Change in Total Pension Liability	469,300	210,972
Total Pension Liability - Beginning	6,262,488	6,051,516
Total Pension Liability - Ending (a)	<u>\$ 6,731,788</u>	<u>\$ 6,262,488</u>
Plan Fiduciary Net Position		
Contributions - Employer	238,405	-
Contributions - Employee	102,026	93,431
Contributions - Buy Back	39,821	-
Net Investment Income	(902,610)	1,100,300
Benefit Payments, including Refunds of Employee Contributions	(355,105)	(346,143)
Administrative Expense	(37,338)	(39,456)
Net Change in Plan Fiduciary Net Position	(914,801)	808,132
Plan Fiduciary Net Position - Beginning	6,618,050	5,809,918
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,703,249</u>	<u>\$ 6,618,050</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 1,028,539</u>	<u>\$ (355,562)</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	84.72%	105.68%
Covered Payroll	\$ 2,040,515	\$ 1,868,615
Net Pension Liability as a percentage of Covered Payroll	50.41%	-19.03%

Notes to Schedule:*Changes of assumptions:*

For measurement date 09/30/2022, the investment rate of return was lowered from 7.25% to 7.15% per year, net of investment related expenses.

SCHEDULE OF CONTRIBUTIONS
Last 2 Fiscal Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
09/30/2022	\$ 238,405	\$ 238,405	\$ -	\$ 2,040,515	11.68%
09/30/2021	\$ 247,802	\$ -	\$ 247,802	\$ 1,868,615	0.00%

Notes to Schedule

Valuation Date: 10/01/2020

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates can be found in the October 1, 2020 Actuarial Valuation for the City of Lake Alfred General Employees' Retirement System prepared by Foster & Foster Actuaries and Consultants.

EXPENSE DEVELOPMENT AND AMORTIZATION SCHEDULES

The following information is not required to be disclosed but is provided for informational purposes.

FINAL COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2022

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 241,598	\$ 77,747	\$ 236,356	\$ -
Employer Contributions made after September 29, 2021	-	-	238,405	-
Total Pension Liability Factors:				
Service Cost	205,075	-	-	205,075
Interest	441,055	-	-	441,055
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(89,015)	89,015	-	-
Current year amortization of experience difference	-	(29,671)	(76,427)	46,756
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	(14,917)	-	(14,917)
Benefit Payments, including Refunds of Employee Contributions	(346,143)	-	-	-
Net change	<u>210,972</u>	<u>44,427</u>	<u>161,978</u>	<u>677,969</u>
Plan Fiduciary Net Position:				
Contributions - Employer	-	-	-	-
Contributions - Employee	93,431	-	-	(93,431)
Projected Net Investment Income	410,628	-	-	(410,628)
Difference between projected and actual earnings on Pension Plan investments	689,672	689,672	-	-
Current year amortization	-	(185,849)	(34,222)	(151,627)
Benefit Payments, including Refunds of Employee Contributions	(346,143)	-	-	-
Administrative Expenses	(39,456)	-	-	39,456
Net change	<u>808,132</u>	<u>503,823</u>	<u>(34,222)</u>	<u>(616,230)</u>
Ending Balance	<u>\$ (355,562)</u>	<u>\$ 625,997</u>	<u>\$ 364,112</u>	<u>\$ 61,739</u>

PRELIMINARY COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2023

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ (355,562)	\$ 625,997	\$ 364,112	\$ -
Employer Contributions made after September 30, 2022	-	-	TBD*	-
Total Pension Liability Factors:				
Service Cost	216,884	-	-	216,884
Interest	456,882	-	-	456,882
Changes in benefit terms	-	-	-	-
Contributions - Buy Back	39,821	-	-	39,821
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	28,582	-	28,582	-
Current year amortization of experience difference	-	(29,672)	(54,735)	25,063
Change in assumptions about future economic or demographic factors or other inputs	82,236	-	82,236	-
Current year amortization of change in assumptions	-	(14,917)	(27,412)	12,495
Benefit Payments, including Refunds of Employee Contributions	(355,105)	-	-	-
Net change	<u>469,300</u>	<u>(44,589)</u>	<u>28,671</u>	<u>751,145</u>
Plan Fiduciary Net Position:				
Contributions - Employer	238,405	-	(238,405)	-
Contributions - Employee	102,026	-	-	(102,026)
Contributions - Buy Back	39,821	-	-	(39,821)
Projected Net Investment Income	479,367	-	-	(479,367)
Difference between projected and actual earnings on Pension Plan investments	(1,381,977)	-	1,381,977	-
Current year amortization	-	(137,934)	(310,619)	172,685
Benefit Payments, including Refunds of Employee Contributions	(355,105)	-	-	-
Administrative Expenses	(37,338)	-	-	37,338
Net change	<u>(914,801)</u>	<u>(137,934)</u>	<u>832,953</u>	<u>(411,191)</u>
Ending Balance	<u>\$ 1,028,539</u>	<u>\$ 443,474</u>	<u>TBD</u>	<u>\$ 339,954</u>

* Employer Contributions subsequent to the measurement date made after September 30, 2022 but made on or before September 30, 2023 need to be added.

AMORTIZATION SCHEDULE - INVESTMENTS

Increase (Decrease) in Pension Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on Pension Plan Investments

Plan Year Ending	Differences Between Expected and Actual Experience	Recognition Period (Years)	Increase (Decrease) in Pension Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on Pension Plan Investments											
			2022	2023	2024	2025	2026	2027	2028	2029	2030	2031		
2022	\$ 1,381,977	5	\$ -	\$ 276,397	\$ 276,395	\$ 276,395	\$ 276,395	\$ 276,395	\$ 276,395	\$ -	\$ -	\$ -	\$ -	\$ -
2021	\$ (689,672)	5	\$ (137,936)	\$ (137,934)	\$ (137,934)	\$ (137,934)	\$ (137,934)	\$ (137,934)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	\$ 63,208	5	\$ 12,642	\$ 12,642	\$ 12,642	\$ 12,642	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019	\$ 104,968	5	\$ 20,994	\$ 20,994	\$ 20,994	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ 2,930	5	\$ 586	\$ 586	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ (239,565)	5	\$ (47,913)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (151,627)	\$ 172,685	\$ 172,097	\$ 151,103	\$ 138,461	\$ 276,395	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - CHANGES OF ASSUMPTIONS

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions

Plan Year Ending	Changes of Assumptions	Recognition Period (Years)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
2022	\$ 82,236	3	\$ -	\$ 27,412	\$ 27,412	\$ 27,412	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	\$ (44,750)	3	\$ (14,917)	\$ (14,917)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (14,917)	\$ 12,495	\$ 27,412	\$ 27,412	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - EXPERIENCE

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience

Plan Year Ending	Differences Between Expected and Actual Experience	Recognition Period (Years)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
2022	\$ 28,582	3	\$ -	\$ 9,528	\$ 9,527	\$ 9,527	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	\$ (89,015)	3	\$ (29,671)	\$ (29,672)	\$ (29,672)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	\$ 135,621	3	\$ 45,207	\$ 45,207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019	\$ 93,660	3	\$ 31,220	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 46,756	\$ 25,063	\$ (20,145)	\$ 9,527	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -