

CITY OF LAKE ALFRED
GENERAL EMPLOYEES' RETIREMENT SYSTEM

ACTUARIAL VALUATION
AS OF OCTOBER 1, 2023

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2025



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

December 11, 2023

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. The 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. Use of the results for other purposes may not be applicable and may produce significantly different results.

The valuation has 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 reflects 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 valuation, 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 valuation, we did not perform an analysis of the potential range of such future measurements.

In conducting the valuation, 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 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.

In our opinion, the Minimum Required Contribution set forth in this report constitutes a reasonable actuarially determined contribution under Actuarial Standard of Practice No. 4.


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 #23-6595

By: 
Sara E. Carlson, ASA, EA, MAAA
Enrolled Actuary #23-8546

PTD/mw

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, 2023, 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, 2025.

The contribution requirements, compared with those set forth in the October 1, 2022 actuarial valuation report, are as follows:

Valuation Date	10/1/2023	10/1/2022
Applicable to Fiscal Year Ending	<u>9/30/2025</u>	<u>9/30/2024</u>
Minimum Required Contribution	\$396,447	\$367,907
Member Contributions (Est.)	87,476	111,973
City Required Contribution	\$308,971	\$255,934

As you can see, the Minimum Required Contribution shows an increase when compared to the results set forth in the October 1, 2022 actuarial valuation report. The increase is partially attributable to the net unfavorable actuarial experience outlined in the following paragraph and partially attributable to a reduction in the investment return assumption from 7.15% to 7.05%.

Plan experience was unfavorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial loss included an average salary increase of 17.54% which exceeded the 6.11% assumption and an investment return of 4.54% (Actuarial Asset Basis) which fell short of the 7.15% assumption. There were no significant sources of actuarial gain.

CHANGES SINCE PRIOR VALUATION

Plan Changes

Ordinance Number 1518-23 was adopted on July 24, 2023. This ordinance implemented recent changes to the Internal Revenue Code that had no impact on the Plan and also enacted the following changes:

- Members who purchase prior Military or Government Service will be able to pay for their service by after-tax contributions over a period of time not to exceed 5 years, rather than making one lump sum payment.
- Extended the maximum DROP participation period from 5 years to 8 years and allowed for entry into DROP any time after a Member reaches eligibility for Normal Retirement.

As stated in our letter dated June 19, 2023 these changes did not affect the current assumptions used and therefore had no impact on the current funding requirements.

Actuarial Assumption/Method Changes

In conjunction with this valuation, the investment return assumption was reduced from 7.15% to 7.05% per year, net of investment related expenses. Additionally, the outstanding Unfunded Actuarial Accrued Liability bases were consolidated into one base with a 14-year amortization period (the nearest whole number to the effective amortization period of the existing bases prior to consolidation).

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Asmp/Mthd <u>10/1/2023</u>	Old Asmp/Mthd <u>10/1/2023</u>	<u>10/1/2022</u>
A. Participant Data			
Actives	23	23	39
Service Retirees	25	25	25
DROP Retirees	1	1	1
Beneficiaries	3	3	1
Disability Retirees	0	0	0
Terminated Vested	<u>40</u>	<u>40</u>	<u>40</u>
 Total	 92	 92	 106
 Projected Annual Payroll	 1,592,189	 1,592,189	 2,030,012
 Annual Rate of Payments to:			
Service Retirees	312,593	312,593	299,141
DROP Retirees	42,343	42,343	42,343
Beneficiaries	29,638	29,638	17,768
Disability Retirees	0	0	0
Terminated Vested	74,065	74,065	82,941
 B. Assets			
Actuarial Value (AVA) ¹	6,279,328	6,279,328	6,373,139
Market Value (MVA) ¹	5,829,597	5,829,597	5,703,249
 C. Liabilities			
 Present Value of Benefits			
Actives			
Retirement Benefits	3,663,906	3,593,139	3,578,574
Disability Benefits	83,920	82,469	82,630
Death Benefits	20,836	20,578	21,269
Vested Benefits	726,596	710,039	696,627
Refund of Contributions	83,659	83,503	143,337
Service Retirees	2,835,643	2,815,570	2,732,248
DROP Retirees ¹	643,747	637,660	594,652
Beneficiaries	272,638	270,768	152,736
Disability Retirees	0	0	0
Terminated Vested	<u>432,965</u>	<u>425,571</u>	<u>486,041</u>
 Total	 8,763,910	 8,639,297	 8,488,114

C. Liabilities - (Continued)	New Asmp/Mthd <u>10/1/2023</u>	Old Asmp/Mthd <u>10/1/2023</u>	<u>10/1/2022</u>
Present Value of Future Salaries	11,629,702	11,571,289	13,924,528
Present Value of Future Member Contributions	581,485	578,564	696,226
Normal Cost (Retirement)	137,234	134,447	175,725
Normal Cost (Disability)	2,779	2,727	3,388
Normal Cost (Death)	727	719	1,075
Normal Cost (Vesting)	18,433	17,953	22,437
Normal Cost (Refunds)	<u>17,197</u>	<u>17,181</u>	<u>29,771</u>
Total Normal Cost	176,370	173,027	232,396
Present Value of Future Normal Costs	1,100,070	1,073,233	1,381,140
Accrued Liability (Retirement)	2,764,799	2,716,577	2,480,284
Accrued Liability (Disability)	64,513	63,524	59,577
Accrued Liability (Death)	16,576	16,389	15,048
Accrued Liability (Vesting)	612,731	599,756	557,513
Accrued Liability (Refunds)	20,228	20,249	28,875
Accrued Liability (Inactives) ¹	<u>4,184,993</u>	<u>4,149,569</u>	<u>3,965,677</u>
Total Actuarial Accrued Liability (EAN AL)	7,663,840	7,566,064	7,106,974
Unfunded Actuarial Accrued Liability (UAAL)	1,384,512	1,286,736	733,835
Funded Ratio (AVA / EAN AL)	81.9%	83.0%	89.7%

D. Actuarial Present Value of Accrued Benefits	New Asmp/Mthd <u>10/1/2023</u>	Old Asmp/Mthd <u>10/1/2023</u>	<u>10/1/2022</u>
Vested Accrued Benefits			
Inactives ¹	4,184,993	4,149,569	3,965,677
Actives	797,930	773,197	684,710
Member Contributions	<u>618,796</u>	<u>618,796</u>	<u>617,867</u>
Total	5,601,719	5,541,562	5,268,254
Non-vested Accrued Benefits	<u>376,822</u>	<u>369,756</u>	<u>364,284</u>
Total Present Value Accrued Benefits (PVAB)	5,978,541	5,911,318	5,632,538
Funded Ratio (MVA / PVAB)	97.5%	98.6%	101.3%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption/Method Changes	67,223	0	
Plan Experience	0	517,408	
Benefits Paid	0	(619,217)	
Interest	0	380,589	
Other	<u>0</u>	<u>0</u>	
Total	67,223	278,780	

	New Asmp/Mthd	Old Asmp/Mthd	
Valuation Date	10/1/2023	10/1/2023	10/1/2022
Applicable to Fiscal Year Ending	<u>9/30/2025</u>	<u>9/30/2025</u>	<u>9/30/2024</u>
E. Pension Cost			
Normal Cost ²	\$187,199	\$183,651	\$247,525
Administrative Expenses ²	51,811	51,811	40,897
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 14 years (as of 10/1/2023) ²	157,437	148,809	79,485
Minimum Required Contribution	396,447	384,271	367,907
Expected Member Contributions ²	87,476	87,518	111,973
Expected City Contribution	308,971	296,753	255,934
F. Past Contributions			
Plan Years Ending:	<u>9/30/2023</u>		
City Requirement	209,562		
Actual Contributions Made:			
City	<u>209,562</u>		
G. Net Actuarial (Gain)/Loss	544,954		

¹ The asset values and liabilities include accumulated DROP Plan Balances as of 9/30/2023 and 9/30/2022.

² Contributions developed as of 10/1/2023 displayed above have been adjusted to account for assumed salary increase and interest 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>
2023	1,384,512
2024	1,323,333
2025	1,257,841
2028	1,032,337
2031	755,696
2034	416,324
2037	0

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

	<u>Actual</u>	<u>Assumed</u>
Year Ended 9/30/2023	17.54%	6.11%
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%

(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 9/30/2023	8.74%	4.54%	7.15%
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%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2023	\$1,592,189
	10/1/2013	1,081,295
(b) Total Increase		47.25%
(c) Number of Years		10.00
(d) Average Annual Rate		3.95%

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 #23-8546

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
(After Method Change)

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2022	\$733,835
(2)	Sponsor Normal Cost developed as of October 1, 2022	130,895
(3)	Expected administrative expenses for the year ended September 30, 2023	38,397
(4)	Expected interest on (1), (2) and (3)	63,201
(5)	Sponsor contributions to the System during the year ended September 30, 2023	209,562
(6)	Expected interest on (5)	14,984
(7)	Expected Unfunded Actuarial Accrued Liability as of September 30, 2023 (1)+(2)+(3)+(4)-(5)-(6)	741,782
(8)	Change to UAAL due to Assumption Change	97,776
(9)	Change to UAAL due to Actuarial (Gain)/Loss	544,954
(10)	Unfunded Actuarial Accrued Liability as of October 1, 2023	1,384,512

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2023 <u>Amount</u>	Amortization <u>Amount</u>
Consolidation Base	10/1/2023	14	1,384,512	148,330

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES
(Before Method Change)

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2022	\$733,835
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(9)	Change to UAAL due to Actuarial (Gain)/Loss	544,954
(10)	Unfunded Actuarial Accrued Liability as of October 1, 2023	1,384,512

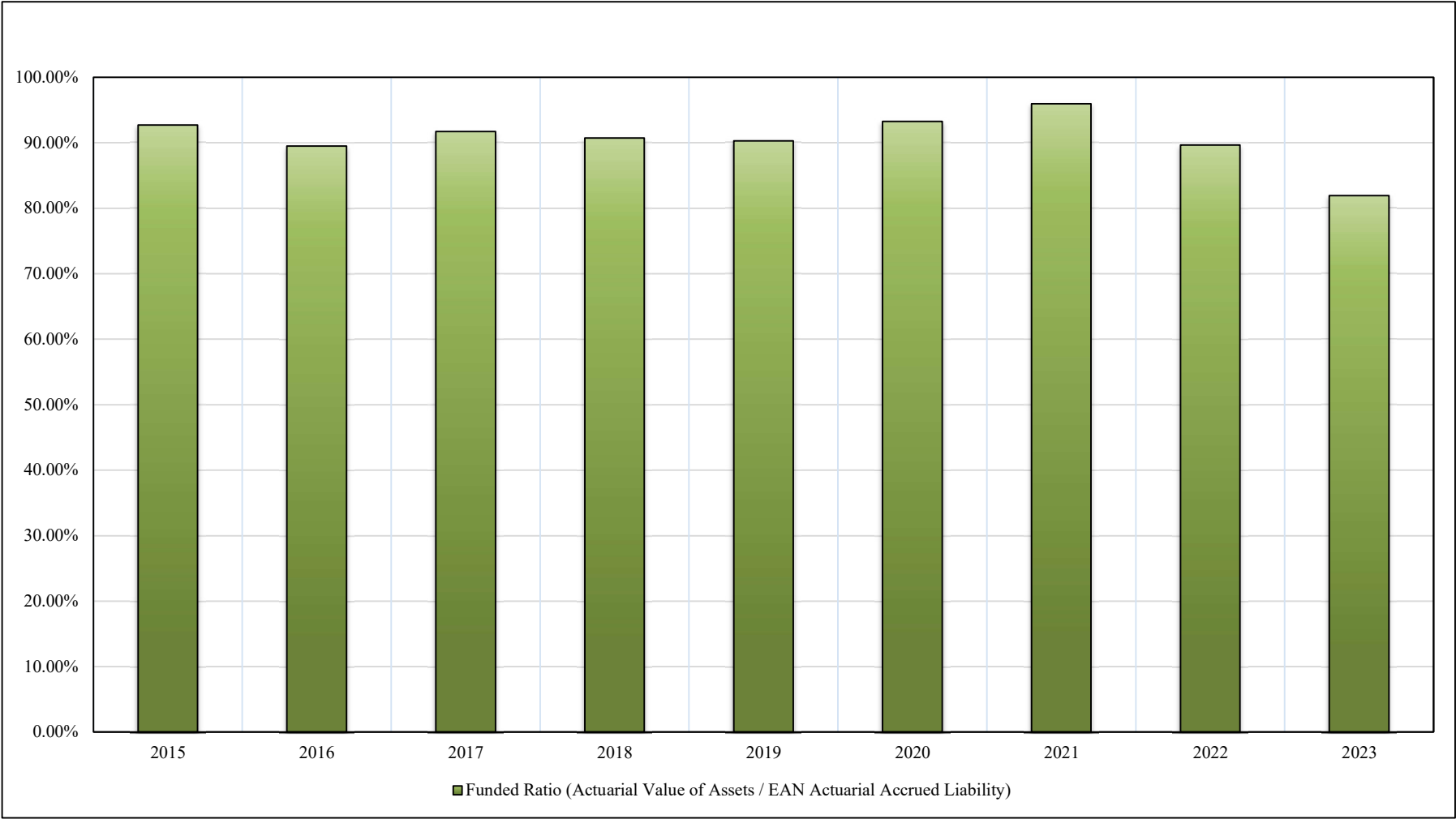
<u>Type of</u> <u>Base</u>	<u>Date</u> <u>Established</u>	<u>Years</u> <u>Remaining</u>	<u>10/1/2023</u> <u>Amount</u>	<u>Amortization</u> <u>Amount</u>
Method Change	10/1/2006	13	72,130	8,085
Actuarial Loss	10/1/2006	5	40,125	9,154
Actuarial Gain	10/1/2007	5	(40,767)	(9,300)
Method Change	10/1/2008	5	8,786	2,004
Benefit Change	10/1/2010	17	23,418	2,248
Benefit Change	10/1/2011	18	(18,336)	(1,709)
Assump Change	10/1/2012	9	29,257	4,204
Software Change	10/1/2013	10	(15,803)	(2,107)
Assump Changes	10/1/2013	10	43,977	5,863
Actuarial Gain	10/1/2014	1	(14,211)	(14,211)
Actuarial Gain	10/1/2015	2	(2,817)	(1,456)
Actuarial Loss	10/1/2016	3	12,723	4,533
Assump Change	10/1/2016	13	88,984	9,974
Actuarial Loss	10/1/2017	4	6,810	1,880
Actuarial Loss	10/1/2018	5	52,859	12,059
Actuarial Loss	10/1/2019	6	52,593	10,323
Actuarial Gain	10/1/2020	12	(87,152)	(10,277)
Assump Change	10/1/2020	12	6,495	766
Actuarial Gain	10/1/2021	13	(62,025)	(6,952)

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2023 <u>Amount</u>	Amortization <u>Amount</u>
Actuarial Loss	10/1/2022	14	452,974	48,529
Assump Change	10/1/2022	14	91,762	9,831
Actuarial Loss	10/1/2023	15	544,954	56,069
Asmp/Mthd Change	10/1/2023	15	97,776	10,060
			<u>1,384,512</u>	<u>149,570</u>

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2022	\$733,835
(2) Expected UAAL as of October 1, 2023	741,782
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	161,614
Salary Increases	220,673
Active Decrements	124,539
Inactive Mortality	34,364
Other	<u>3,764</u>
Increase in UAAL due to (Gain)/Loss	544,954
Assumption/Method Changes	<u>97,776</u>
(4) Actual UAAL as of October 1, 2023	\$1,384,512

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 for healthy lives 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.

Interest Rate

7.05% (prior year 7.15%) 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

\$48,814 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. The bases were consolidated into one base in conjunction with this valuation.

Funding Method

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

Interest – 3.525% for expected member contributions, based on current 7.05% assumption.

Salary - A full year, based on current 6.14% assumption.

Low-Default-Risk Obligation Measure

Based on the Entry Age Normal Actuarial Cost Method and an interest rate of 4.87% per year compounded annually, net of investment related expenses. This rate is consistent with the Yield to Maturity of the S&P Municipal Bond 20-Year High Grade Rate Index as of September 30, 2023. All other assumptions for the Low-Default-Risk Obligation Measure are consistent with the assumptions shown in this section unless otherwise noted.

Retirement Age

See table as follows. 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.

% Terminating During the Year			
Service	Age Range		
	<35	35-49	50+
<5	25%	16%	14%
5-14	17%	10%	4%
15+	14%	4%	2%

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.

Payroll Under Assumed Ret. Age is the projected annual rate of pay for the fiscal year beginning on the valuation date of all covered Members, excluding any Members who are assumed to retire with 100% probability on the valuation date.

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

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 134.6% on October 1, 2013 to 63.9% on October 1, 2023, 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 54.6%. 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 decreased from 85.2% on October 1, 2013 to 81.9% on October 1, 2023.
- 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, decreased from -1.0% on October 1, 2013 to -6.4% on October 1, 2023. The current Net Cash Flow Ratio of -6.4% indicates that contributions are not currently covering the plan's benefit payments and administrative expenses.

Low Default-Risk Obligation Measure

ASOP No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, was revised as of December 2021 to include a “low-default-risk obligation measure” (LDROM). This liability measure is consistent with the determination of the actuarial accrued liability shown on page 8 in terms of member data, plan provisions, and assumptions/methods, under the Entry Age Normal Cost Method, except that the interest rate is tied to low-default-risk fixed income securities. The S&P Municipal Bond 20 Year High Grade Rate Index (daily rate closest to, but not later than, the measurement date) was selected to represent a current market rate of low risk but longer-term investments that could be included in a low-risk asset portfolio. The interest rate used in this valuation was 4.87%, resulting in an LDROM of \$10,429,772. The LDROM should not be considered the “correct” liability measurement; it simply shows a possible outcome if the Board elected to hold a very low risk asset portfolio. The Board actually invests the pension plan’s contributions in a diversified portfolio of stocks and bonds and other investments with the objective of maximizing investment returns at a reasonable level of risk. Consequently, the difference between the plan’s Actuarial Accrued Liability disclosed earlier in this section and the LDROM can be thought of as representing the expected taxpayer savings from investing in the plan’s diversified portfolio compared to investing only in high quality bonds.

The actuarial valuation reports the funded status and develops contributions based on the expected return of the plan’s investment portfolio. If instead, the plan switched to investing exclusively in high quality bonds, the LDROM illustrates that reported funded status would be lower (which also implies that the Actuarially Determined Contributions would be higher), perhaps significantly. Unnecessarily high contribution requirements in the near term may not be affordable and could imperil plan sustainability and benefit security.

It is important to note that the actuary has identified the risks above 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>10/1/2023</u>	<u>10/1/2022</u>	<u>10/1/2018</u>	<u>10/1/2013</u>
<u>Support Ratio</u>				
Total Actives	23	39	37	35
Total Inactives ¹	36	35	32	26
Actives / Inactives ¹	63.9%	111.4%	115.6%	134.6%
<u>Asset Volatility Ratio</u>				
Market Value of Assets (MVA)	5,829,597	5,703,249	5,102,515	3,578,210
Total Annual Payroll	1,592,189	2,030,012	1,593,252	1,081,295
MVA / Total Annual Payroll	366.1%	280.9%	320.3%	330.9%
<u>Accrued Liability (AL) Ratio</u>				
Inactive Accrued Liability	4,184,993	3,965,677	3,198,774	2,525,432
Total Accrued Liability (EAN)	7,663,840	7,106,974	5,498,876	4,052,705
Inactive AL / Total AL	54.6%	55.8%	58.2%	62.3%
<u>Funded Ratio</u>				
Actuarial Value of Assets (AVA)	6,279,328	6,373,139	4,989,075	3,451,922
Total Accrued Liability (EAN)	7,663,840	7,106,974	5,498,876	4,052,705
AVA / Total Accrued Liability (EAN)	81.9%	89.7%	90.7%	85.2%
<u>Net Cash Flow Ratio</u>				
Net Cash Flow ²	(374,932)	(12,191)	(26,142)	(37,187)
Market Value of Assets (MVA)	5,829,597	5,703,249	5,102,515	3,578,210
Ratio	-6.4%	-0.2%	-0.5%	-1.0%

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, 2023

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Cash	81,584.33
Total Cash and Equivalents	81,584.33
Receivables:	
Member Contributions in Transit	2,894.93
Total Receivable	2,894.93
Investments:	
Pooled/Common/Commingled Funds:	
Fixed Income	1,643,341.58
Equity	3,356,612.60
Real Estate	745,913.91
Total Investments	5,745,868.09
Total Assets	5,830,347.35
<u>LIABILITIES</u>	
Payables:	
Administrative Expenses	750.00
Total Liabilities	750.00
NET POSITION RESTRICTED FOR PENSIONS	5,829,597.35

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023
Market Value Basis

ADDITIONS

Contributions:		
Member	95,013.26	
City	209,562.00	
Total Contributions		304,575.26
Investment Income:		
Net Increase in Fair Value of Investments	513,341.50	
Less Investment Expense ¹	(12,061.04)	
Net Investment Income		501,280.46
Total Additions		805,855.72
<u>DEDUCTIONS</u>		
Distributions to Members:		
Benefit Payments	335,426.38	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	283,791.05	
Total Distributions		619,217.43
Administrative Expense		60,289.99
Total Deductions		679,507.42
Net Increase in Net Position		126,348.30
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		5,703,249.05
End of the Year		5,829,597.35

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

ACTUARIAL ASSET VALUATION
SEPTEMBER 30, 2023

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	
09/30/2020	6.29%	
09/30/2021	19.36%	
09/30/2022	-13.41%	
09/30/2023	8.74%	
Annualized Rate of Return for prior four (4) years:		4.54%
(A) 10/01/2022 Actuarial Assets:		\$6,373,139.42
(I) Net Investment Income:		
1. Net Increase in Fair Value of Investments	513,341.50	
2. Change in Actuarial Value	(220,159.41)	
3. Investment Related Expenses	(12,061.04)	
Total		281,121.05
(B) 10/01/2023 Actuarial Assets:		\$6,279,328.31
Actuarial Asset Rate of Return = 2I/(A+B-I), based on Unlimited Actuarial Assets:		4.54%
10/01/2023 Limited Actuarial Assets		\$6,279,328.31
10/01/2023 Market Value of Assets		\$5,829,597.35
Actuarial Asset Rate of Return, based on Limited Actuarial Assets:		4.54%
Actuarial Gain/(Loss) due to Investment Return (Limited Actuarial Asset Basis)		(\$161,613.64)

¹Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2023
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	95,013.26	
City	209,562.00	
Total Contributions		304,575.26
Earnings from Investments:		
Net Increase in Fair Value of Investments	513,341.50	
Change in Actuarial Value	(220,159.41)	
Total Earnings and Investment Gains		293,182.09
EXPENDITURES		
Distributions to Members:		
Benefit Payments	335,426.38	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	283,791.05	
Total Distributions		619,217.43
Expenses:		
Investment related ¹	12,061.04	
Administrative	60,289.99	
Total Expenses		72,351.03
Change in Net Assets for the Year		(93,811.11)
Net Assets Beginning of the Year		6,373,139.42
Net Assets End of the Year²		6,279,328.31

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

²Net Assets may be limited for actuarial consideration.

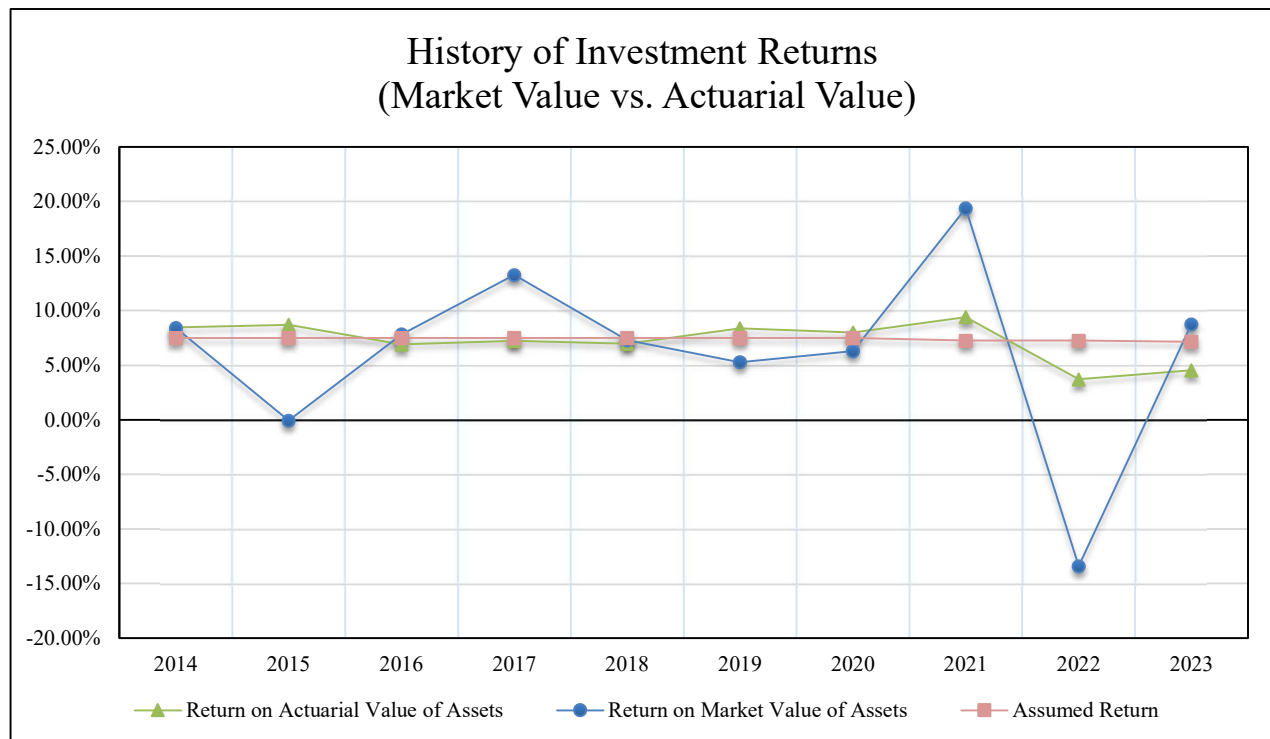
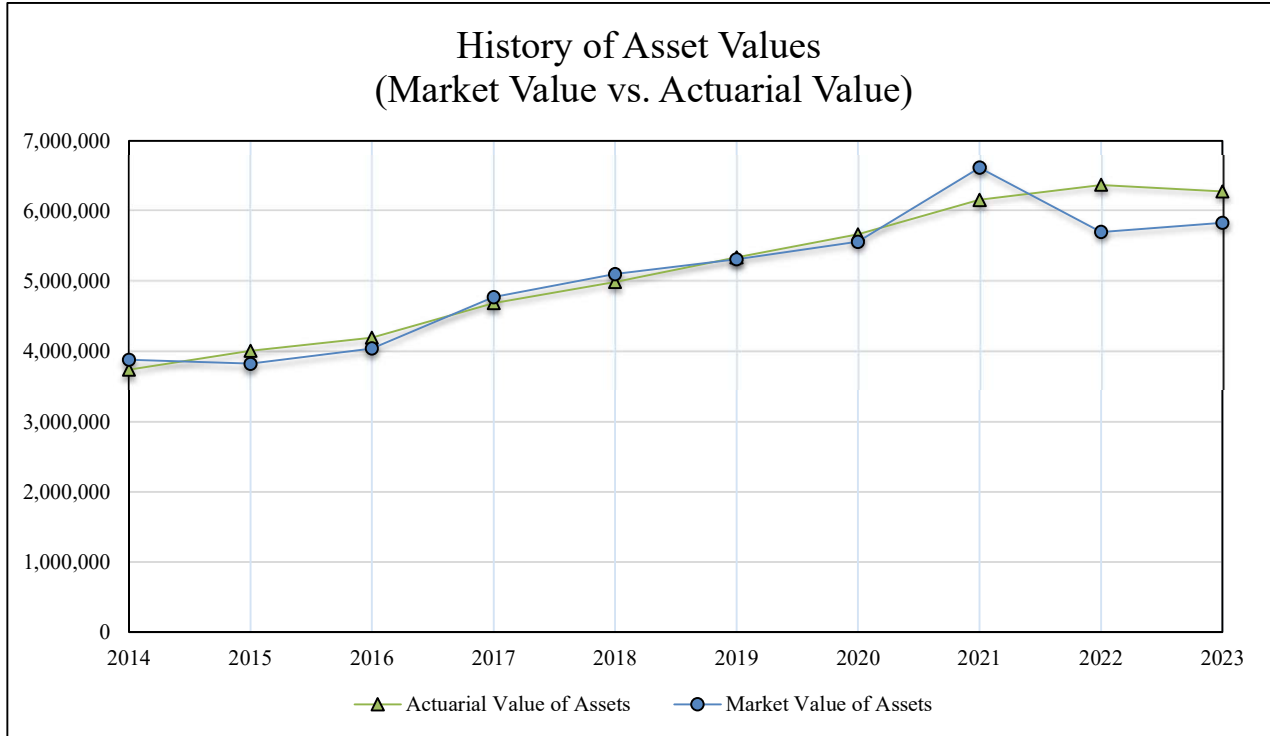
DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2022 to September 30, 2023

Beginning of the Year Balance	28,905.12
Plus Additions	42,342.72
Investment Return Earned	3,355.32
Less Distributions	0.00
End of the Year Balance	74,603.16

RECONCILIATION OF CITY SHORTFALL/(PREPAID) CONTRIBUTION
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2023

(1) Required City Contributions	\$209,562.00
(2) Less 2022 Prepaid Contribution	0.00
(3) Less Actual City Contributions	<u>(209,562.00)</u>
(4) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2023	\$0.00

HISTORY OF ASSET VALUES AND INVESTMENT RETURNS



STATISTICAL DATA

	<u>10/1/2023</u>	<u>10/1/2022</u>	<u>10/1/2021</u>	<u>10/1/2020</u>
<u>Actives</u>				
Number	23	39	37	38
Average Current Age	45.7	44.3	45.6	44.1
Average Age at Employment	37.8	38.9	40.0	39.0
Average Past Service	7.9	5.4	5.6	5.1
Average Annual Salary	\$69,226	\$52,052	\$49,906	\$47,084
<u>Service Retirees</u>				
Number	25	25	26	26
Average Current Age	70.5	70.4	69.3	69.0
Average Annual Benefit	\$12,504	\$11,966	\$11,991	\$11,960
<u>DROP Retirees</u>				
Number	1	1	0	0
Average Current Age	59.1	58.1	N/A	N/A
Average Annual Benefit	\$42,343	\$42,343	N/A	N/A
<u>Beneficiaries</u>				
Number	3	1	1	0
Average Current Age	70.8	74.8	73.8	N/A
Average Annual Benefit	\$9,879	\$17,768	\$17,768	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	40	36	37
Average Current Age ¹	48.0	48.6	47.6	48.0
Average Annual Benefit ¹	\$10,581	\$10,368	\$10,368	\$10,840

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		1										1
25 - 29						1						1
30 - 34		1										1
35 - 39	1					1						3
40 - 44												3
45 - 49			1			1						2
50 - 54		1		1		4		1				8
55 - 59			1			1		1				3
60 - 64						1						1
65+												0
Total	1	3	2	1	0	9	2	0	0	0	0	23

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2022	39
b. Terminations	
i. Vested (partial or full) with deferred annuity	0
ii. Vested in refund of member contributions only	(2)
iii. Refund of member contributions or full lump sum distribution	(14)
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	(1)
f. DROP	<u>0</u>
g. Continuing participants	22
h. New entrants / Rehires	<u>1</u>
i. Total active life participants in valuation	23

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	25	1	1	0	8	32	67
Retired	2				(1)		1
DROP							
Vested (Deferred Annuity)							
Vested (Due Refund)						2	2
Hired/Terminated in Same Year							
Death, With Survivor	(2)		2				
Death, No Survivor							
Disabled							
Refund of Contributions						(1)	(1)
Rehires							
Expired Annuities							
Data Corrections							
b. Number current valuation	25	1	3	0	7	33	69

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.

