

CITY OF LAKE ALFRED
GENERAL EMPLOYEES' RETIREMENT SYSTEM

ACTUARIAL VALUATION
AS OF OCTOBER 1, 2020

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2022

GASB 67/68 DISCLOSURE INFORMATION
AS OF SEPTEMBER 30, 2020



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

December 14, 2020

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.

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, 2019. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2020 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: 
Drew D. Ballard, EA, MAAA
Enrolled Actuary #20-8193

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

Enclosures

TABLE OF CONTENTS

Section	Title	Page
I	Introduction	
	a. Summary of Report	5
	b. Changes Since Prior Valuation	6
	c. Comparative Summary of Principal Valuation Results	7
II	Valuation Information	
	a. Reconciliation of Unfunded Actuarial Accrued Liabilities	13
	b. Detailed Actuarial (Gain)/Loss Analysis	14
	c. History of Funding Progress	15
	d. Actuarial Assumptions and Methods	16
	e. Glossary	19
	f. Discussion of Risk	21
III	Trust Fund	24
IV	Member Statistics	
	a. Statistical Data	31
	b. Age and Service Distribution	32
	c. Valuation Participant Reconciliation	33
V	Summary of Current Plan	34
VI	Governmental Accounting Standards Board Statements No. 67 and No. 68 Disclosure Information	36

SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Lake Alfred General Employees' Retirement System, performed as of October 1, 2020, 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, 2022.

The contribution requirements, compared with those set forth in the October 1, 2019 actuarial valuation report, are as follows:

Valuation Date	10/1/2020	10/1/2019
Applicable to Fiscal Year Ending	<u>9/30/2022</u>	<u>9/30/2021</u>
Minimum Required Contribution	\$337,115	\$336,912
Member Contributions (Est.)	98,710	89,110
City Required Contribution ²	\$238,405	\$247,802

¹ Please note that the City has access to a prepaid contribution of \$247,802.07 that is available to offset a portion of the above stated requirements for the fiscal year ending September 30, 2021.

Plan experience was favorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial gain included an average salary increase of 4.37% which fell short of the 6.00% assumption, favorable turnover experience, and an investment return of 7.99% (Actuarial Asset Basis) which exceeded the 7.50% assumption. There were no significant sources of actuarial loss.

CHANGES SINCE PRIOR VALUATION

Plan Changes

There have been no changes in benefits since the prior valuation.

Actuarial Assumption/Method Changes

As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

Additionally, as a result of an experience study dated June 15, 2020, the following changes to the assumptions were made in conjunction with this valuation:

- Future unfunded actuarial accrued liability bases will be amortized over 15 years
- The investment return assumption was reduced from 7.50% to 7.25% per year, net of investment related expenses
- The assumed rate of individual salary increases was changed from a flat 6.0% per year to a service-based table with the first 5 years of employment at 7.0% per year, then next 5 years at 6.0% per year and for service beyond 10 years, 5.5% per year
- The assumed rates of retirement were changed to an age-based table with varying rates from age 55 to age 65
- The assumed rates of pre-retirement withdrawal were amended to better reflect anticipated experience
- The assumed rates of disability were reduced by 50% at all ages

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Assump <u>10/1/2020</u>	Old Assump <u>10/1/2020</u>	<u>10/1/2019</u>
A. Participant Data			
Actives	38	38	34
Service Retirees	26	26	24
DROP Retirees	0	0	1
Beneficiaries	0	0	0
Disability Retirees	0	0	0
Terminated Vested	<u>37</u>	<u>37</u>	<u>35</u>
Total	101	101	94
Total Annual Payroll	\$1,789,205	\$1,781,215	\$1,620,548
Payroll Under Assumed Ret. Age	1,789,205	1,781,215	1,620,548
Annual Rate of Payments to:			
Service Retirees	310,969	310,969	291,083
DROP Retirees	0	0	8,165
Beneficiaries	0	0	0
Disability Retirees	0	0	0
Terminated Vested	97,559	97,559	103,279
B. Assets			
Actuarial Value (AVA) ¹	5,670,052	5,670,052	5,340,549
Market Value (MVA) ¹	5,562,116	5,562,116	5,314,253
C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	3,146,011	3,306,459	3,172,135
Disability Benefits	67,847	134,092	131,796
Death Benefits	17,805	25,369	25,142
Vested Benefits	440,306	411,487	339,203
Refund of Contributions	124,399	112,715	93,781
Service Retirees	2,893,577	2,884,610	2,752,212
DROP Retirees ¹	0	0	113,336
Beneficiaries	0	0	0
Disability Retirees	0	0	0
Terminated Vested	<u>569,529</u>	<u>567,178</u>	<u>578,025</u>
Total	7,259,474	7,441,910	7,205,630

C. Liabilities - (Continued)	New Assump <u>10/1/2020</u>	Old Assump <u>10/1/2020</u>	<u>10/1/2019</u>
Present Value of Future Salaries	11,920,152	12,565,167	11,371,009
Present Value of Future Member Contributions	596,008	628,258	568,550
Normal Cost (Retirement)	155,607	169,936	165,754
Normal Cost (Disability)	2,975	7,127	6,918
Normal Cost (Death)	923	1,552	1,543
Normal Cost (Vesting)	18,473	17,756	13,718
Normal Cost (Refunds)	25,766	22,755	19,571
Total Normal Cost	<u>203,744</u>	<u>219,126</u>	<u>207,504</u>
Present Value of Future Normal Costs	1,180,546	1,372,211	1,290,891
Accrued Liability (Retirement)	2,202,396	2,207,913	2,108,377
Accrued Liability (Disability)	48,175	86,049	85,450
Accrued Liability (Death)	12,537	16,243	16,323
Accrued Liability (Vesting)	325,938	283,690	237,018
Accrued Liability (Refunds)	26,776	24,016	23,998
Accrued Liability (Inactives) ¹	3,463,106	3,451,788	3,443,573
Total Actuarial Accrued Liability (EAN AL)	<u>6,078,928</u>	<u>6,069,699</u>	<u>5,914,739</u>
Unfunded Actuarial Accrued Liability (UAAL)	408,876	399,647	574,190
Funded Ratio (AVA / EAN AL)	93.3%	93.4%	90.3%

D. Actuarial Present Value of Accrued Benefits	New Assump <u>10/1/2020</u>	Old Assump <u>10/1/2020</u>	<u>10/1/2019</u>
Vested Accrued Benefits			
Inactives ¹	3,463,106	3,451,788	3,443,573
Actives	621,999	567,103	345,172
Member Contributions	<u>532,384</u>	<u>532,384</u>	<u>501,972</u>
Total	4,617,489	4,551,275	4,290,717
Non-vested Accrued Benefits	<u>240,863</u>	<u>226,247</u>	<u>345,522</u>
Total Present Value Accrued Benefits (PVAB)	4,858,352	4,777,522	4,636,239
Funded Ratio (MVA / PVAB)	114.5%	116.4%	114.6%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	80,830	0	
Plan Experience	0	191,216	
Benefits Paid	0	(383,278)	
Interest	0	333,345	
Other	<u>0</u>	<u>0</u>	
Total	80,830	141,283	

	New Assump	Old Assump	
Valuation Date	10/1/2020	10/1/2020	10/1/2019
Applicable to Fiscal Year Ending	<u>9/30/2022</u>	<u>9/30/2022</u>	<u>9/30/2021</u>
E. Pension Cost			
Normal Cost ²	\$216,947	\$232,274	\$219,954
Administrative Expenses ²	41,475	41,288	35,315
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 21 years (as of 10/1/2020) ²	78,693	77,834	81,643
Minimum Required Contribution	337,115	351,396	336,912
Expected Member Contributions ²	98,710	97,945	89,110
Expected City Contribution	238,405	253,451	247,802
F. Past Contributions			
Plan Years Ending:	<u>9/30/2020</u>		
City Requirement	245,849		
Actual Contributions Made:	245,849		
G. Net Actuarial (Gain)/Loss	(123,847)		

¹ The asset values and liabilities include accumulated DROP Plan Balances as of 9/30/2020 and 9/30/2019.

² Contributions developed as of 10/1/2020 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>
2020	408,876
2021	359,257
2022	333,428
2027	175,136
2032	56,159
2036	819
2041	0

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

	<u>Actual</u>	<u>Assumed</u>
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%
Year Ended 9/30/2017	13.86%	6.00%
Year Ended 9/30/2016	6.98%	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 9/30/2020	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%
Year Ended 9/30/2017	13.25%	7.24%	7.50%
Year Ended 9/30/2016	7.82%	6.91%	7.50%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2020	\$1,789,205
	10/1/2010	1,190,372
(b) Total Increase		50.31%
(c) Number of Years		10.00
(d) Average Annual Rate		4.16%

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.



Drew D. Ballard, EA, MAAA
Enrolled Actuary #20-8193

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

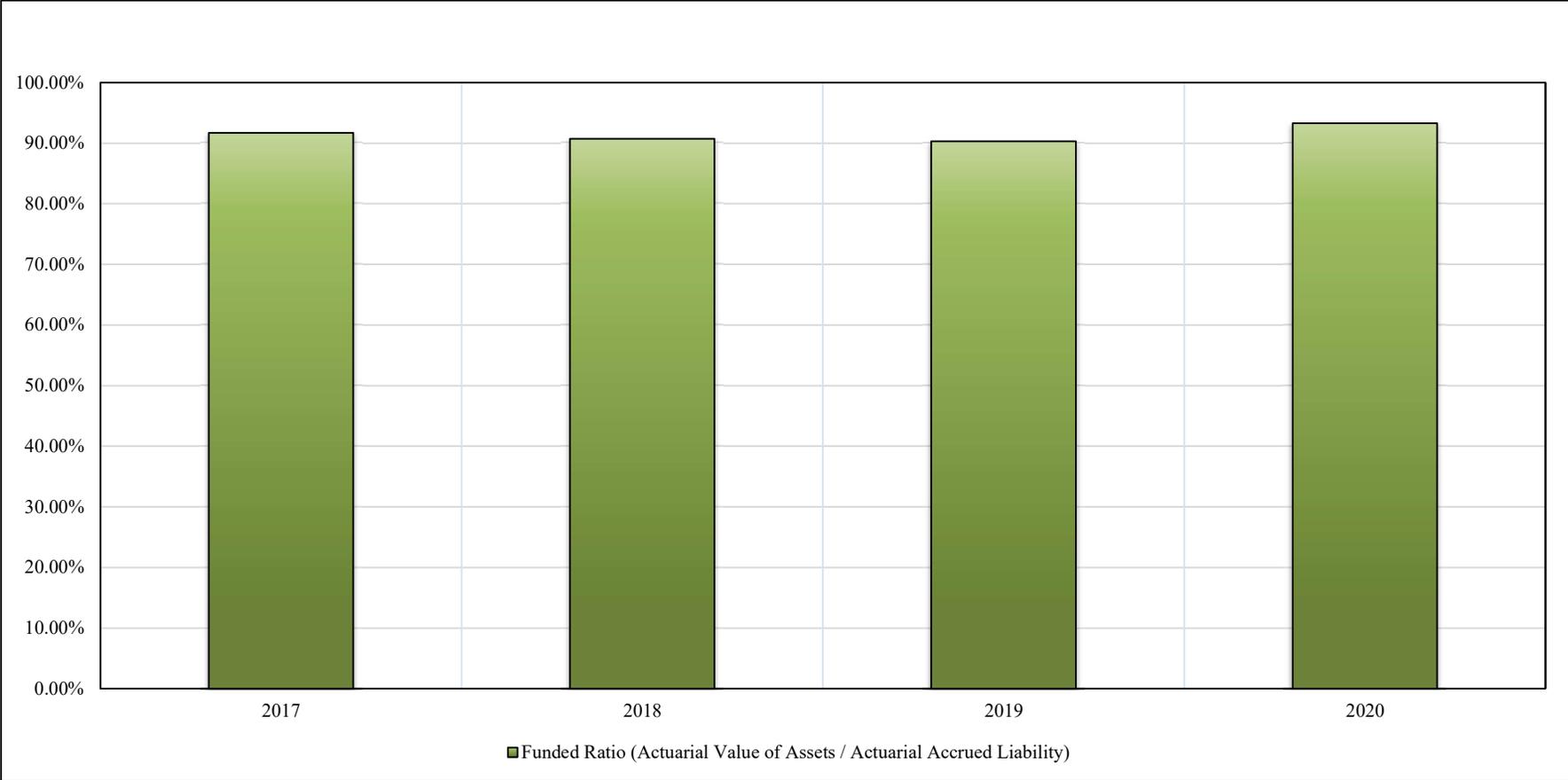
(1) Unfunded Actuarial Accrued Liability as of October 1, 2019	\$574,190
(2) Sponsor Normal Cost developed as of October 1, 2019	126,477
(3) Expected administrative expenses for the year ended September 30, 2020	33,316
(4) Expected interest on (1), (2) and (3)	53,799
(5) Sponsor contributions to the System during the year ended September 30, 2020	245,849
(6) Expected interest on (5)	18,439
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2020 (1)+(2)+(3)+(4)-(5)-(6)	523,494
(8) Change to UAAL due to Assumption Change	9,229
(9) Change to UAAL due to Actuarial (Gain)/Loss	(123,847)
(10) Unfunded Actuarial Accrued Liability as of October 1, 2020	408,876

<u>Type of Base</u>	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2020 Amount</u>	<u>Amortization Amount</u>
Method Change	10/1/2006	16	101,040	10,139
Actuarial Loss	10/1/2006	8	72,384	11,412
Actuarial Gain	10/1/2007	8	(73,544)	(11,595)
Method Change	10/1/2008	8	15,849	2,499
Benefit Change	10/1/2010	20	31,501	2,827
Actuarial Loss	10/1/2011	1	25,534	25,534
Benefit Change	10/1/2011	21	(24,486)	(2,150)
Actuarial Loss	10/1/2012	2	29,067	15,042
Assum Change	10/1/2012	12	44,191	5,257
Software Change	10/1/2013	13	(23,303)	(2,637)
Actuarial Gain	10/1/2013	3	(18,995)	(6,780)
Assum Changes	10/1/2013	13	64,844	7,337
Actuarial Gain	10/1/2014	4	(63,779)	(17,656)
Actuarial Gain	10/1/2015	5	(7,913)	(1,812)
Actuarial Loss	10/1/2016	6	28,621	5,642
Assum Change	10/1/2016	16	124,652	12,508
Actuarial Loss	10/1/2017	7	13,421	2,342
Actuarial Loss	10/1/2018	8	95,358	15,034
Actuarial Loss	10/1/2019	9	89,052	12,880
Actuarial Gain	10/1/2020	15	(123,847)	(12,879)
Assum Change	10/1/2020	15	9,229	960
			408,876	73,904

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2019	\$574,190
(2) Expected UAAL as of October 1, 2020	523,494
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(25,929)
Salary Increases	(59,958)
Active Decrements	(29,612)
Inactive Mortality	14,514
Other	<u>(22,862)</u>
Increase in UAAL due to (Gain)/Loss	(123,847)
Assumption Changes	<u>9,229</u>
(4) Actual UAAL as of October 1, 2020	\$408,876

HISTORY OF FUNDING PROGRESS



ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Active Lives:

Female: PubG.H-2010 (Below Median) for Employees. Prior year assumption: RP2000 Generational, 100% White Collar, Scale BB.

Male: PubG.H-2010 (Below Median) for Employees, set back one year. Prior year assumption: RP2000 Generational, 50% White Collar / 50% Blue Collar, Scale BB.

Healthy Retiree Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees. Prior year assumption: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year. Prior year assumption: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.

Beneficiary Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees. Prior year assumption: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year. Prior year assumption: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.

Disabled Lives:

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

Prior year assumption (Female): 100% RP2000 Disabled Female set forward two years.

Prior year assumption (Male): 100% RP2000 Disabled Male set back four 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, 2019 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

Interest Rate

7.25% (prior year 7.50%) 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 below (prior year 6.00% per year. 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

\$38,951 annually, based on the average of actual expenses incurred in the prior two fiscal years.

Amortization Method

New UAAL amortization amounts are amortized over 15 years.

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

Service	% Terminating During the Year		
	Age Range		
	<35	35-49	50+
<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 determination of the Minimum Required Contribution:

Interest – None, based on beginning of year funding
 Salary – A full year, based on the current 6.00% 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 stayed about the same from October 1, 2010 to October 1, 2020, indicating that the plan's maturity level has not significantly changed 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 57.0%. 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 stayed approximately the same from October 1, 2010 to October 1, 2020.
- 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 2.9% on October 1, 2010 to -1.7% on October 1, 2020. The current Net Cash Flow Ratio of -1.7% 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>10/1/2010</u>	<u>10/1/2015</u>	<u>10/1/2019</u>	<u>10/1/2020</u>
<u>Support Ratio</u>				
Total Actives	39	37	34	38
Total Inactives ¹	37	29	35	35
Actives / Inactives ¹	105.4%	127.6%	97.1%	108.6%
<u>Asset Volatility Ratio</u>				
Market Value of Assets (MVA)	3,047,287	3,825,287	5,314,253	5,562,116
Total Annual Payroll	1,190,372	1,170,264	1,620,548	1,789,205
MVA / Total Annual Payroll	256.0%	326.9%	327.9%	310.9%
<u>Accrued Liability (AL) Ratio</u>				
Inactive Accrued Liability	1,400,681	2,848,924	3,443,573	3,463,106
Total Accrued Liability (EAN)	3,491,357	4,324,046	5,914,739	6,078,928
Inactive AL / Total AL	40.1%	65.9%	58.2%	57.0%
<u>Funded Ratio</u>				
Actuarial Value of Assets (AVA)	3,258,956	4,009,016	5,340,549	5,670,052
Total Accrued Liability (EAN)	3,491,357	4,324,046	5,914,739	6,078,928
AVA / Total Accrued Liability (EAN)	93.3%	92.7%	90.3%	93.3%
<u>Net Cash Flow Ratio</u>				
Net Cash Flow ²	89,424	(54,237)	(63,598)	(93,292)
Market Value of Assets (MVA)	3,047,287	3,825,287	5,314,253	5,562,116
Ratio	2.9%	-1.4%	-1.2%	-1.7%

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, 2020

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Cash	46,577.55
Total Cash and Equivalents	46,577.55
Total Receivable	0.00
Investments:	
Pooled/Common/Commingled Funds:	
Fixed Income	1,624,391.98
Equity	3,621,404.33
Real Estate	529,819.61
Total Investments	5,775,615.92
Total Assets	5,822,193.47
<u>LIABILITIES</u>	
Payables:	
Refunds of Member Contributions	12,275.89
Prepaid City Contribution	247,802.07
Total Liabilities	260,077.96
NET POSITION RESTRICTED FOR PENSIONS	5,562,115.51

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020
Market Value Basis

ADDITIONS

Contributions:		
Member	86,546.02	
City	245,849.00	
Total Contributions		332,395.02
Investment Income:		
Net Increase in Fair Value of Investments	351,830.17	
Less Investment Expense ¹	(10,675.56)	
Net Investment Income		341,154.61
Total Additions		673,549.63

DEDUCTIONS

Distributions to Members:		
Benefit Payments	298,038.69	
Lump Sum DROP Distributions	30,978.62	
Lump Sum PLOP Distributions	26,274.29	
Refunds of Member Contributions	27,986.35	
Total Distributions		383,277.95
Administrative Expense		42,408.97
Total Deductions		425,686.92
Net Increase in Net Position		247,862.71
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		5,314,252.80
End of the Year		5,562,115.51

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

ACTUARIAL ASSET VALUATION
SEPTEMBER 30, 2020

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	
09/30/2017	13.25%	
09/30/2018	7.29%	
09/30/2019	5.29%	
09/30/2020	6.29%	
Annualized Rate of Return for prior four (4) years:		7.99%
(A) 10/01/2019 Actuarial Assets:		\$5,340,548.79
(I) Net Investment Income:		
1. Interest and Dividends	0.00	
2. Realized Gain (Loss)	0.00	
3. Unrealized Gain (Loss)	351,830.17	
4. Change in Actuarial Value	81,640.07	
5. Investment Related Expenses	(10,675.56)	
Total		422,794.68
(B) 10/01/2020 Actuarial Assets:		\$5,670,051.57
Actuarial Asset Rate of Return = 2I/(A+B-I):		7.99%
10/01/2020 Limited Actuarial Assets:		\$5,670,051.57
10/01/2020 Market Value of Assets:		\$5,562,115.51
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		\$25,928.58

¹Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2020
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	86,546.02	
City	245,849.00	
Total Contributions		332,395.02
Earnings from Investments:		
Net Increase in Fair Value of Investments	351,830.17	
Change in Actuarial Value	81,640.07	
Total Earnings and Investment Gains		433,470.24

EXPENDITURES

Distributions to Members:		
Benefit Payments	298,038.69	
Lump Sum DROP Distributions	30,978.62	
Lump Sum PLOP Distributions	26,274.29	
Refunds of Member Contributions	27,986.35	
Total Distributions		383,277.95
Expenses:		
Investment related ¹	10,675.56	
Administrative	42,408.97	
Total Expenses		53,084.53
Change in Net Assets for the Year		329,502.78
Net Assets Beginning of the Year		5,340,548.79
Net Assets End of the Year²		5,670,051.57

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

²Net Assets may be limited for actuarial consideration.

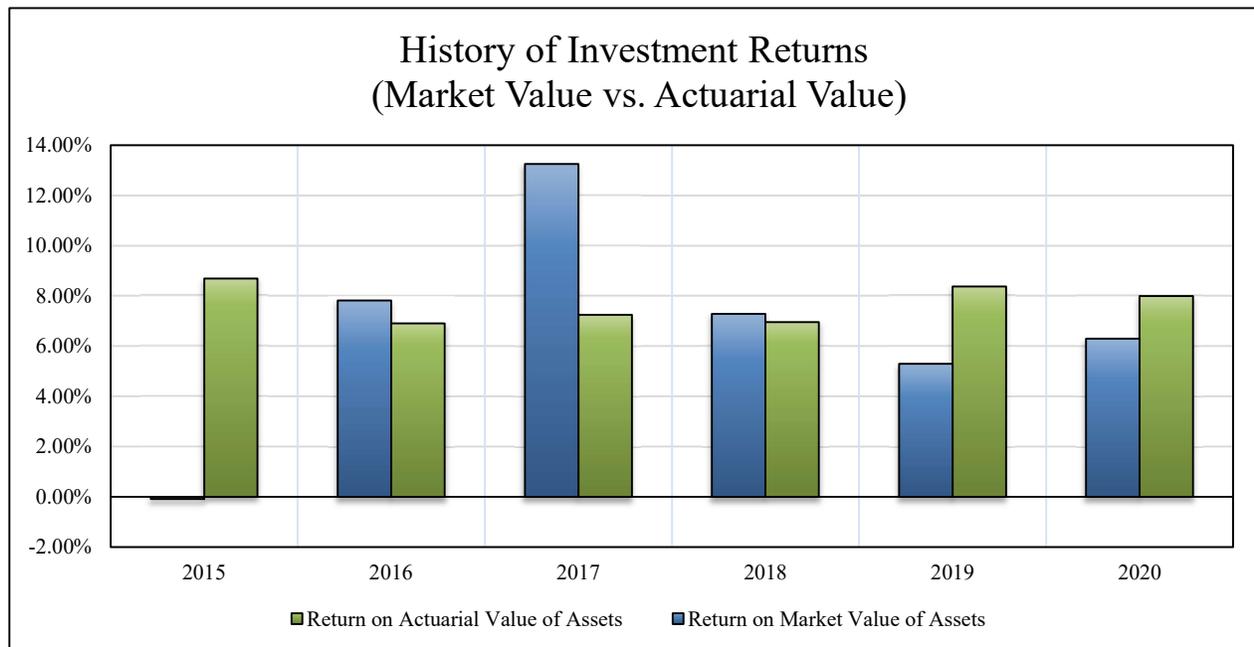
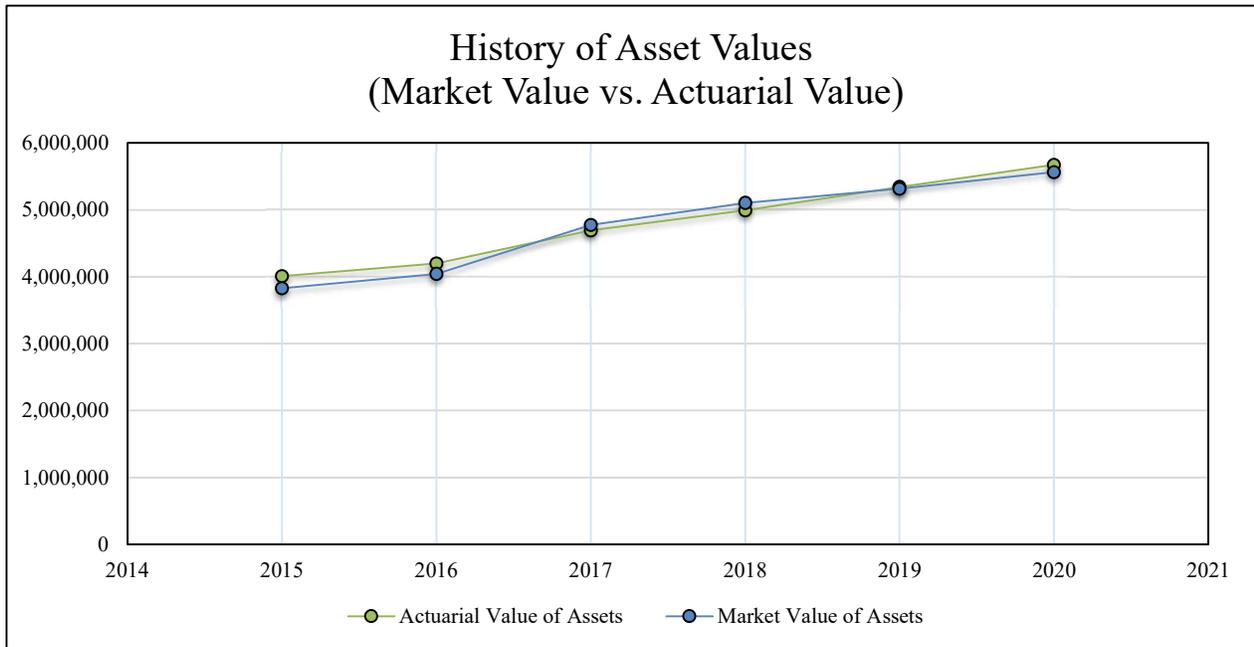
DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2019 to September 30, 2020

Beginning of the Year Balance	22,099.30
Plus Additions	7,484.40
Investment Return Earned	1,394.92
Less Distributions	(30,978.62)
End of the Year Balance	0.00

RECONCILIATION OF CITY'S SHORTFALL/(PREPAID) CONTRIBUTION
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2020

(1) Required City Contributions	\$245,849.00
(2) Less 2019 Prepaid Contribution	0.00
(3) Less Actual City Contributions	<u>(493,651.07)</u>
(4) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2020	(\$247,802.07)

HISTORY OF ASSET VALUES AND INVESTMENT RETURNS



STATISTICAL DATA

	<u>10/1/2017</u>	<u>10/1/2018</u>	<u>10/1/2019</u>	<u>10/1/2020</u>
<u>Actives</u>				
Number	36	37	34	38
Average Current Age	46.5	46.7	47.0	44.1
Average Age at Employment	41.5	41.3	41.5	39.0
Average Past Service	5.0	5.4	5.5	5.1
Average Annual Salary	\$40,322	\$43,061	\$47,663	\$47,084
<u>Service Retirees</u>				
Number	20	21	24	26
Average Current Age	68.2	69.1	68.8	69.0
Average Annual Benefit	\$12,461	\$12,200	\$12,128	\$11,960
<u>DROP Retirees</u>				
Number	1	1	1	0
Average Current Age	59.9	60.9	61.9	N/A
Average Annual Benefit	\$8,165	\$8,165	\$8,165	N/A
<u>Beneficiaries</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>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	32	30	35	37
Average Current Age ¹	48.7	49.7	48.6	48.0
Average Annual Benefit ¹	\$10,915	\$10,915	\$10,328	\$10,840

¹ Excludes 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	1											1
20 - 24	3			1								4
25 - 29	1	1										2
30 - 34			1			2						3
35 - 39						1	1					2
40 - 44	2			1	1	1						5
45 - 49		2		1		2		1				6
50 - 54	1		1	2		1		1				6
55 - 59	1	1	1				1	1				5
60 - 64			1	1		1	1					4
65+												0
Total	9	4	4	6	1	8	3	3	0	0	0	38

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2019	34
b. Terminations	
i. Vested (partial or full) with deferred annuity	0
ii. Vested in refund of member contributions only	(1)
iii. Refund of member contributions or full lump sum distribution received	(3)
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	29
h. New entrants	<u>9</u>
i. Total active life participants in valuation	38

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

	Service Retirees, Vested Receiving Benefits	DROP Benefits	Receiving Death Benefits	Receiving Disability Benefits	Vested (Deferred Annuity)	Vested (Due Refund)	<u>Total</u>
a. Number prior valuation	24	1	0	0	10	25	60
Retired	2	(1)	0	0	0	0	1
DROP	0	0	0	0	0	0	0
Vested (Deferred Annuity)	0	0	0	0	0	0	0
Vested (Due Refund)	0	0	0	0	0	1	1
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	0	0	0	0	0	0	0
Disabled	0	0	0	0	0	0	0
Refund of Contributions	0	0	0	0	(1)	(2)	(3)
Rehires	0	0	0	0	0	0	0
Expired Annuities	0	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	1	1
b. Number current valuation	26	0	0	0	9	28	63

SUMMARY OF CURRENT PLAN

<u>Eligibility</u>	Full-time employees who are classified as General Employees.
<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.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Cash	46,578
Total Cash and Equivalents	46,578
Total Receivable	0
Investments:	
Mutual Funds:	
Pooled/Common/Commingled Funds:	
Fixed Income	1,624,392
Equity	3,621,404
Real Estate	529,820
Total Investments	5,775,616
Total Assets	5,822,194
<u>LIABILITIES</u>	
Payables:	
Refunds of Member Contributions	12,276
Total Liabilities	12,276
NET POSITION RESTRICTED FOR PENSIONS	5,809,918

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020
Market Value Basis

ADDITIONS

Contributions:

Member	86,546	
City	493,651	
Total Contributions		580,197
Investment Income:		
Net Increase in Fair Value of Investments	351,830	
Interest & Dividends	0	
Less Investment Expense ¹	(10,675)	
Net Investment Income		341,155
Total Additions		921,352

DEDUCTIONS

Distributions to Members:

Benefit Payments	298,039	
Lump Sum DROP Distributions	30,979	
Lump Sum PLOP Distributions	26,274	
Refunds of Member Contributions	27,986	
Total Distributions		383,278
Administrative Expense		42,409
Total Deductions		425,687
Net Increase in Net Position		495,665

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		5,314,253
End of the Year		5,809,918

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

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2020)

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, 2019:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	25
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	35
Active Plan Members	34
	94

Benefits Provided

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

A summary of the benefit provisions can be found in the October 1, 2019 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, 2020:

Asset Class	Target Allocation
US Large Cap Equity	34.00%
US Small Cap Equity	11.00%
Non-US Equity	15.00%
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, 2020, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 6.29 percent.

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

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, 2020 is \$0.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2020 were as follows:

Total Pension Liability	\$ 6,051,516
Plan Fiduciary Net Position	\$ (5,809,918)
Sponsor's Net Pension Liability	<u>\$ 241,598</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	96.01%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2019 updated to September 30, 2020 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	Service based
Discount Rate	7.25%
Investment Rate of Return	7.25%

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 above 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, 2019 FRS valuation report for non-special-risk employees.

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 2020 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return¹</u>
US Large Cap Equity	4.60%
US Small Cap Equity	5.50%
Non-US Equity	6.70%
Core Bonds	1.60%
Core Plus	2.10%
Core Real Estate	5.00%

¹ Source: Florida League of Cities

Please note that long term expected return of the total portfolio is greater than simply multiplying each of the above "Long Term Expected Real Rate of Returns" by their target allocation % and adding them together. Not only is the time horizon longer for an actuarial valuation relative to the time horizon over which the above projected returns were generated, but also there is an additional correlation resulting from a diversified portfolio that will provide additional returns.

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.25 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 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Sponsor's Net Pension Liability	\$ 1,048,436	\$ 241,598	\$ (417,211)

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

	09/30/2020	09/30/2019
Total Pension Liability		
Service Cost	206,381	211,276
Interest	429,229	403,077
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	135,621	93,660
Changes of assumptions	(44,750)	-
Contributions - Buy Back	-	11,628
Benefit Payments, including Refunds of Employee Contributions	(383,278)	(348,831)
Net Change in Total Pension Liability	343,203	370,810
Total Pension Liability - Beginning	5,708,313	5,337,503
Total Pension Liability - Ending (a)	<u>\$ 6,051,516</u>	<u>\$ 5,708,313</u>
Plan Fiduciary Net Position		
Contributions - Employer	493,651	229,964
Contributions - Employee	86,546	79,133
Contributions - Buy Back	-	11,628
Net Investment Income	341,155	275,336
Benefit Payments, including Refunds of Employee Contributions	(383,278)	(348,831)
Administrative Expense	(42,409)	(35,492)
Net Change in Plan Fiduciary Net Position	495,665	211,738
Plan Fiduciary Net Position - Beginning	5,314,253	5,102,515
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,809,918</u>	<u>\$ 5,314,253</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 241,598</u>	<u>\$ 394,060</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	96.01%	93.10%
Covered Payroll	\$ 1,730,788	\$ 1,582,655
Net Pension Liability as a percentage of Covered Payroll	13.96%	24.90%

Notes to Schedule:*Changes of assumptions:*

For measurement date 09/30/2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

Additionally, as a result of an experience study dated June 15, 2020, the following changes were made:

- The investment return assumption was reduced from 7.50% to 7.25% per year, net of investment related expenses.
- The assumed rate of individual salary increases was changed from a flat 6.0% per year to a service-based table with the first 5 years of employment at 7.0% per year, then next 5 years at 6.0% per year and for service beyond 10 years, 5.5% per year.
- The assumed rates of retirement were changed to an age-based table with varying rates from age 55 to age 65.
- The assumed rates of pre-retirement withdrawal were amended to better reflect anticipated experience
- The assumed rates of disability were reduced by 50% at all ages.

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
09/30/2020	\$ 245,849	\$ 493,651	\$ (247,802)	\$ 1,730,788	28.52%
09/30/2019	\$ 229,964	\$ 229,964	\$ -	\$ 1,582,655	14.53%

Notes to Schedule

Valuation Date: 10/01/2018

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, 2018 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
09/30/2020	6.29%
09/30/2019	5.29%

NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2021)

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, 2019:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	25
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	35
Active Plan Members	34
	94
	94

Benefits Provided

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

A summary of the benefit provisions can be found in the October 1, 2019 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, 2020.

The measurement period for the pension expense was October 1, 2019 to September 30, 2020.

The reporting period is October 1, 2020 through September 30, 2021.

The Sponsor's Net Pension Liability was measured as of September 30, 2020.

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, 2019 updated to September 30, 2020 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	Service based
Discount Rate	7.25%
Investment Rate of Return	7.25%

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 above 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, 2019 FRS valuation report for non-special-risk employees.

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 2020 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, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return ¹
US Large Cap Equity	34.00%	4.60%
US Small Cap Equity	11.00%	5.50%
Non-US Equity	15.00%	6.70%
Core Bonds	15.00%	1.60%
Core Plus	15.00%	2.10%
Core Real Estate	10.00%	5.00%
Total	100.00%	

¹ Source: Florida League of Cities

Please note that long term expected return of the total portfolio is greater than simply multiplying each of the above “Long Term Expected Real Rate of Returns” by their target allocation % and adding them together. Not only is the time horizon longer for an actuarial valuation relative to the time horizon over which the above projected returns were generated, but also there is an additional correlation resulting from a diversified portfolio that will provide additional returns.

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.25 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, 2020	\$ 5,708,313	\$ 5,314,253	\$ 394,060
Changes for a Year:			
Service Cost	206,381	-	206,381
Interest	429,229	-	429,229
Differences between Expected and Actual Experience	135,621	-	135,621
Changes of assumptions	(44,750)	-	(44,750)
Changes of benefit terms	-	-	-
Contributions - Employer	-	493,651	(493,651)
Contributions - Employee	-	86,546	(86,546)
Contributions - Buy Back	-	-	-
Net Investment Income	-	341,155	(341,155)
Benefit Payments, including Refunds of Employee Contributions	(383,278)	(383,278)	-
Administrative Expense	-	(42,409)	42,409
Net Changes	343,203	495,665	(152,462)
Reporting Period Ending September 30, 2021	\$ 6,051,516	\$ 5,809,918	\$ 241,598

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.25%	7.25%	8.25%
Sponsor's Net Pension Liability	\$ 1,048,436	\$ 241,598	\$ (417,211)

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, 2020**

For the year ended September 30, 2020, the Sponsor has recognized a Pension Expense of \$254,542.

On September 30, 2020, 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	68,643	-
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan investments	-	14,012
Employer contributions subsequent to the measurement date	493,651	-
Total	\$ 562,294	\$ 14,012

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, 2020.

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:		
2021	\$	7,170
2022	\$	4,887
2023	\$	21,580
2024	\$	20,994
2025	\$	-
Thereafter	\$	-

**PRELIMINARY PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES
AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS
FISCAL YEAR SEPTEMBER 30, 2021**

For the year ended September 30, 2021, the Sponsor will recognize a Pension Expense of \$237,211.
On September 30, 2021, 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	121,634	-
Changes of assumptions	-	29,834
Net difference between Projected and Actual Earnings on Pension Plan investments	66,809	-
Employer contributions subsequent to the measurement date	TBD	-
Total	TBD	\$ 29,834

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, 2021. 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:		
2022	\$	47,819
2023	\$	64,512
2024	\$	33,636
2025	\$	12,642
2026	\$	-
Thereafter	\$	-

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

Reporting Period Ending	09/30/2021	09/30/2020
Measurement Date	<u>09/30/2020</u>	<u>09/30/2019</u>
Total Pension Liability		
Service Cost	206,381	211,276
Interest	429,229	403,077
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	135,621	93,660
Changes of assumptions	(44,750)	-
Contributions - Buy Back	-	11,628
Benefit Payments, including Refunds of Employee Contributions	<u>(383,278)</u>	<u>(348,831)</u>
Net Change in Total Pension Liability	343,203	370,810
Total Pension Liability - Beginning	<u>5,708,313</u>	<u>5,337,503</u>
Total Pension Liability - Ending (a)	<u>\$ 6,051,516</u>	<u>\$ 5,708,313</u>
Plan Fiduciary Net Position		
Contributions - Employer	493,651	229,964
Contributions - Employee	86,546	79,133
Contributions - Buy Back	-	11,628
Net Investment Income	341,155	275,336
Benefit Payments, including Refunds of Employee Contributions	(383,278)	(348,831)
Administrative Expense	<u>(42,409)</u>	<u>(35,492)</u>
Net Change in Plan Fiduciary Net Position	495,665	211,738
Plan Fiduciary Net Position - Beginning	<u>5,314,253</u>	<u>5,102,515</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,809,918</u>	<u>\$ 5,314,253</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 241,598</u>	<u>\$ 394,060</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	96.01%	93.10%
Covered Payroll	\$ 1,730,788	\$ 1,582,655
Net Pension Liability as a percentage of Covered Payroll	13.96%	24.90%

Notes to Schedule:*Changes of assumptions:*

For measurement date 09/30/2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were. Additionally, as a result of an experience study dated June 15, 2020, the following changes were made:

- The investment return assumption was reduced from 7.50% to 7.25% per year, net of investment related expenses.
- The assumed rate of individual salary increases was changed from a flat 6.0% per year to a service-based table with the first 5 years of employment at 7.0% per year, then next 5 years at 6.0% per year and for service beyond 10 years, 5.5% per year.
- The assumed rates of retirement were changed to an age-based table with varying rates from age 55 to age 65.
- The assumed rates of pre-retirement withdrawal were amended to better reflect anticipated experience
- The assumed rates of disability were reduced by 50% at all ages.

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
09/30/2020	\$ 245,849	\$ 493,651	\$ (247,802)	\$ 1,730,788	28.52%
09/30/2019	\$ 229,964	\$ 229,964	\$ -	\$ 1,582,655	14.53%

Notes to Schedule

Valuation Date: 10/01/2018

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, 2018 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, 2020

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 234,988	\$ 153,226	\$ 303,327	\$ -
Employer Contributions made after September 30, 2019	-	-	493,651	-
Total Pension Liability Factors:				
Service Cost	211,276	-	-	211,276
Interest	403,077	-	-	403,077
Changes in benefit terms	-	-	-	-
Contributions - Buy Back	11,628	-	-	11,628
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	93,660	-	93,660	-
Current year amortization of experience difference	-	(1,647)	(37,423)	35,776
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(348,831)	-	-	-
Net change	<u>370,810</u>	<u>(1,647)</u>	<u>549,888</u>	<u>661,757</u>
Plan Fiduciary Net Position:				
Contributions - Employer	229,964	-	(229,964)	-
Contributions - Employee	79,133	-	-	(79,133)
Contributions - Buy Back	11,628	-	-	(11,628)
Projected Net Investment Income	380,304	-	-	(380,304)
Difference between projected and actual earnings on Pension Plan investments	(104,968)	-	104,968	-
Current year amortization	-	(51,833)	(80,191)	28,358
Benefit Payments, including Refunds of Employee Contributions	(348,831)	-	-	-
Administrative Expenses	(35,492)	-	-	35,492
Net change	<u>211,738</u>	<u>(51,833)</u>	<u>(205,187)</u>	<u>(407,215)</u>
Ending Balance	<u>\$ 394,060</u>	<u>\$ 99,746</u>	<u>\$ 648,028</u>	<u>\$ 254,542</u>

PRELIMINARY COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2021

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 394,060	\$ 99,746	\$ 648,028	\$ -
Employer Contributions made after September 30, 2020	-	-	TBD*	-
Total Pension Liability Factors:				
Service Cost	206,381	-	-	206,381
Interest	429,229	-	-	429,229
Changes in benefit terms	-	-	-	-
Contributions - Buy Back	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	135,621	-	135,621	-
Current year amortization of experience difference	-	-	(82,630)	82,630
Change in assumptions about future economic or demographic factors or other inputs	(44,750)	44,750	-	-
Current year amortization of change in assumptions	-	(14,916)	-	(14,916)
Benefit Payments, including Refunds of Employee Contributions	(383,278)	-	-	-
Net change	<u>343,203</u>	<u>29,834</u>	<u>52,991</u>	<u>703,324</u>
Plan Fiduciary Net Position:				
Contributions - Employer	493,651	-	(493,651)	-
Contributions - Employee	86,546	-	-	(86,546)
Contributions - Buy Back	-	-	-	-
Projected Net Investment Income	404,363	-	-	(404,363)
Difference between projected and actual earnings on Pension Plan investments	(63,208)	-	63,208	-
Current year amortization	-	(51,833)	(34,220)	(17,613)
Benefit Payments, including Refunds of Employee Contributions	(383,278)	-	-	-
Administrative Expenses	(42,409)	-	-	42,409
Net change	<u>495,665</u>	<u>(51,833)</u>	<u>(464,663)</u>	<u>(466,113)</u>
Ending Balance	<u>\$ 241,598</u>	<u>\$ 77,747</u>	<u>\$ 236,356</u>	<u>\$ 237,211</u>

* Employer Contributions subsequent to the measurement date made after September 30, 2020 but made on or before September 30, 2021 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)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2020	\$ 63,208	5	\$ -	\$ 12,640	\$ 12,642	\$ 12,642	\$ 12,642	\$ 12,642	\$ -	\$ -	\$ -	\$ -
2019	\$ 104,968	5	\$ 20,992	\$ 20,994	\$ 20,994	\$ 20,994	\$ 20,994	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ 2,930	5	\$ 586	\$ 586	\$ 586	\$ 586	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ (239,565)	5	\$ (47,913)	\$ (47,913)	\$ (47,913)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (19,598)	5	\$ (3,920)	\$ (3,920)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 293,064	5	\$ 58,613	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 28,358	\$ (17,613)	\$ (13,691)	\$ 34,222	\$ 33,636	\$ 12,642	\$ -	\$ -	\$ -	\$ -

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)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2020	\$ (44,750)	3	\$ -	\$ (14,916)	\$ (14,917)	\$ (14,917)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ (14,916)	\$ (14,917)	\$ (14,917)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2020	\$ 135,621	3	\$ -	\$ 45,207	\$ 45,207	\$ 45,207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019	\$ 93,660	3	\$ 31,220	\$ 31,220	\$ 31,220	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ 18,610	3	\$ 6,203	\$ 6,203	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ (4,941)	3	\$ (1,647)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 35,776	\$ 82,630	\$ 76,427	\$ 45,207	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -