

**City of Satellite Beach
General Employees' Retirement System**

**Actuarial Valuation
As of October 1, 2021**

**Determines the Contribution
For the 2022/23 Fiscal Year**



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April 3, 2022

Introduction

This report presents the results of the October 1, 2021 actuarial valuation of the City of Satellite Beach General Employees' Retirement System. The report is based on the participant data and asset information provided by the pension plan administrator and, except for a cursory review for reasonableness including a comparison to the data provided for the previous valuation, we have not attempted to verify the accuracy of this information.

The primary purpose of this report is to provide a summary of the funded status of the plan as of October 1, 2021 and to determine the minimum required contribution under Chapter 112, Florida Statutes, for the 2022/23 plan year. In addition, this report provides a projection of the long-term funding requirements of the plan, statistical information concerning the assets held in the trust, statistical information concerning the participant population, and a summary of any recent plan changes.

The liabilities and cost presented in this report are based on numerous assumptions concerning the cost of benefits to be provided in the future, long-term investment returns, and the future demographic experience of the current participants. Anyone referring to this report should remember that the cost developed herein is only an *estimate* of the true cost of providing post-employment pension benefits. No one can predict with certainty whether the true cost will be higher or lower than the cost presented in this report. The calculated cost is entirely dependent upon the assumptions that are described in Table IV-A. If any of the assumptions is changed, then the cost shown in this report will change accordingly. Likewise, if any of the assumptions is not completely realized, then the cost shown in this report will change in the future.

Certain assumptions play a bigger role than others in determining the cost of the post-employment pension benefits. In some cases, relatively small changes in a particular assumption can have a dramatic impact on the anticipated cost of benefits. Although a thorough analysis of the impact of such changes is beyond the scope of this report, Table I-B illustrates the impact that alternative long-term investment returns would have on the minimum required contribution rate.

Minimum Required Contribution

Table I-A shows the development of the minimum required contribution for the 2022/23 plan year. The minimum required contribution is \$142,520, which represents a decrease of \$66,027 from the prior valuation.

Table I-C provides a breakdown of the sources of change in the minimum required contribution. Significantly, the minimum required contribution decreased by \$23,125 due to investment gains, increased by \$228,108 due to demographic experience, increased by \$23,255 due to the assumption changes that are described below, and decreased by \$294,265 due to the method change described below. The market value of assets earned 19.79% during the 2020/21 plan year. However, the actuarial value is based on a four-year average of the market value returns. On this basis, the actuarial value of assets earned 9.70% during the 2020/21 plan year, whereas a 7.10% annual investment return was



required to maintain a stable contribution rate. The demographic loss occurred primarily because salary increases were much higher than anticipated.

Chapter 112, Florida Statutes, sets forth the rules concerning the minimum required contribution for public pension plans within the state. Essentially, the City must contribute an amount equal to the annual normal cost of the plan, adjusted to reflect interest on any delayed payment of the contribution beyond the valuation date. On this basis, the City's 2022/23 minimum required contribution is \$142,520.

Based on the current assets, participant data, and actuarial assumptions and methods that are used to value the plan, the present-day value of the total long-term funding requirement is \$9,202,126. As illustrated in Table I-A, current assets are sufficient to cover \$8,277,410 of this amount, the employer's 2021/22 contribution will cover \$208,547 of this amount, the employer's 2022/23 contribution will cover \$142,520 of this amount, and future employee contributions are expected to cover \$46,902 of this amount, leaving \$526,747 to be covered by future employer funding beyond the 2022/23 fiscal year. Again, demographic and investment experience that differs from that assumed will either increase or decrease the future employer funding requirement.

Identification and Assessment of Risk

The liabilities and cost presented in this report are based on numerous assumptions concerning the cost of benefits to be provided in the future, long-term investment returns, and the future demographic experience of the current participants. Anyone referring to this report should remember that the cost developed herein is only an estimate of the true cost of providing post-employment pension benefits. No one can predict with certainty whether the true cost will be higher or lower than the cost presented in this report. The calculated cost is entirely dependent upon the assumptions that are described in Table IV-A. If any of the assumptions is changed, then the cost shown in this report will change accordingly. Likewise, there is always a risk that, should these assumptions not be realized, the liabilities of the plan, the contributions required to fund the plan, and the funded status of the plan may be significantly different than the amounts shown in this report.

Although a thorough analysis of the risk of not meeting the assumptions is beyond the scope of this report, this discussion is intended to identify the significant risks faced by the plan. In some cases, a more detailed review of the risks, including numerical analysis, may be appropriate to help the plan sponsor and other interested parties assess the specific impact of not realizing certain assumptions. For example, Table I-B illustrates the impact that alternative long-term investment returns would have on the contribution rate. Note that this report is not intended to provide advice on the management or reduction of the identified risks nor is this report intended to provide investment advice.

The most significant risk faced by most defined benefit pension plans is investment risk, i.e. the risk that long-term investment returns will be less than assumed. Other related risks include a risk that, if the investments of the plan decline dramatically over a short period of time (such as occurred with many pension plans in 2008), the plan's assets may not have sufficient time to recover before benefits become due. Even if the assets of the plan grow in accordance with the assumed investment return over time, if benefit payments are expected to be large in the short-term (for example, if the plan provides an actuarial equivalent lump sum payment option and a large number of participants are expected to become entitled to such a lump sum in the near future), the plan's assets may not be sufficient to support such a high



level of benefit payments. We have provided a 10-year projection of the expected benefit payments in Table III-G to help the Trustees in formulating an investment policy that is expected to provide an investment return that meets both the short- and long-term cash flow needs of the pension plan.

Another source of risk is demographic experience. This is the risk that participants will receive salary increases that are different than the amount assumed, that participants will retire, become disabled, or terminate their employment at a rate that is different than assumed, and that participants will live longer than assumed, just to cite a few examples of the demographic risk faced by the plan. Although for most pension plans, the demographic risk is not as significant as the investment risk, particularly in light of the fact that the mortality assumption includes a component for future life expectancy increases, the demographic risk can nevertheless be a significant contributing factor to liabilities and contribution rates that become higher than anticipated.

A third source of risk is the risk that the plan sponsor (or other contributing entities) will not make, or will not have the ability to make, the contributions that are required to keep the plan funded at a sufficient level. Material changes in the number of covered employees, covered payroll, and, in some cases, hours worked by active participants can also significantly impact the plan's liabilities and the level of contributions received by the plan.

Finally, an actuarial funding method has been used to allocate the gap between projected liabilities and assets to each year in the future. The contribution rate under some funding methods is higher during the early years of the plan and then is lower during the later years of the plan. Other funding methods provide for lower contribution rates initially, with increasing contribution rates over time.

The Trustees have adopted the individual entry age normal funding method for this plan with level-dollar payments towards the unfunded accrued liability. A brief description of the actuarial funding method is provided in Table IV-A.

Contents of the Report

Tables I-D through I-G provide a detailed breakdown of various liability amounts by type of benefit and by participant group. Tables II-A through II-F provide information concerning the assets of the trust fund. Specifically, Table II-A shows the development of the actuarial value of assets, which is based on the four-year average return on the market value of assets in order to provide a more stable and predictable contribution rate for the employer. Tables III-A through III-G provide statistical information concerning the plan's participant population. In particular, Table III-G gives a 10-year projection of the cash that is expected to be required from the trust fund in order to pay benefits to the current group of participants. Finally, Tables IV-A through V-B provide a summary of the actuarial assumptions and methods that are used to value the plan's benefits and of the relevant plan provisions as of October 1, 2021, as well as a summary of the changes that have occurred since the previous valuation report was prepared.

Assumption Changes

Two assumptions have been changed since the prior valuation was completed. First, the assumed interest (or discount) rate has been decreased from 7.10% per annum to 6.80% per annum to reflect lower future expected investment



earnings and as adopted by the pension board. Second, the administrative expense loading was changed from 12.50% of payroll to a flat \$25,000 per year. These changes increased the minimum required contribution by \$23,255.

Method Change

The actuarial cost method (or funding method) was changed from the aggregate cost method to the individual entry age normal cost method as described in Table IV-A. This change was made because there are very few actively working participants under the plan and, because the plan is frozen to new entrants, payroll is expected to go to zero. This change decreased the minimum required contribution by \$294,265.

Certification

This actuarial valuation was prepared 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 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 change in plan costs or required contribution rates have been taken into account in the valuation.

For the firm,

Charles T. Carr

Charles T. Carr
Consulting Actuary
Southern Actuarial Services Company, Inc.

Enrolled Actuary No. 20-04927

The individual above is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



Minimum Required Contribution

Table I-A



For the 2022/23 Plan Year

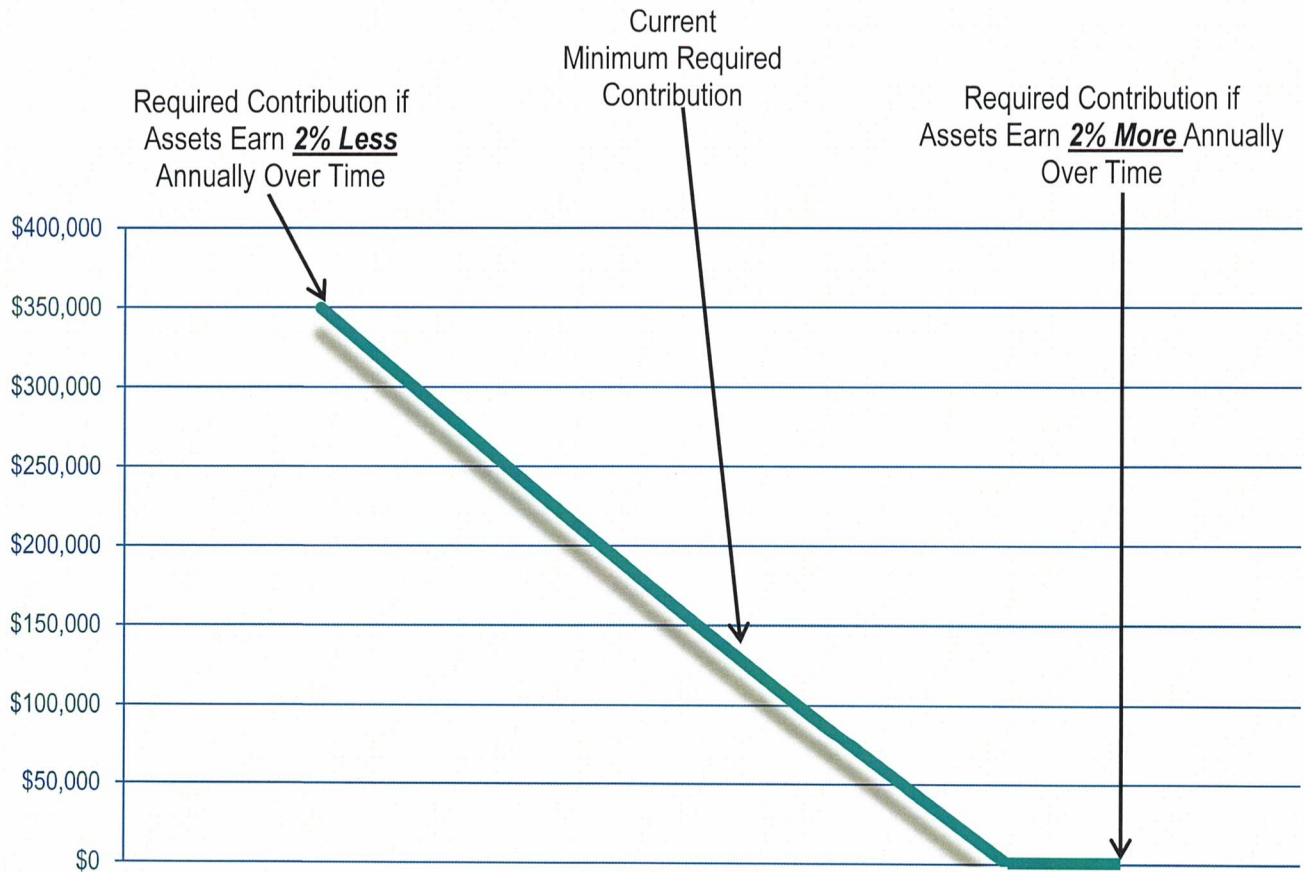
Entry Age Normal Cost for the 2021/22 Plan Year	\$54,215
Unfunded Liability Amortization Payment for the 2021/22 Plan Year	\$80,981
Expense Allowance for the 2021/22 Plan Year	\$25,000
Expected Employee Contribution for the 2021/22 Plan Year	(\$19,359)
	<hr/>
	\$140,837
Adjustment to Reflect End-of-Quarter Employer Contributions	\$5,887
Expected Employer Contribution for the 2021/22 Plan Year	(\$208,547)
	<hr/>
Remaining Contribution Due/(Credit) for the 2021/22 Plan Year	(\$61,823)
	<hr/>
	x 0.068
One Year's Interest Charge/(Credit) on the Remaining Contribution	(\$4,204)

Minimum Required Contribution for the 2022/23 Plan Year	\$142,520
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Sensitivity Analysis

Table I-B



The line above illustrates the sensitivity of the minimum required contribution to changes in the long-term investment return.



Gain and Loss Analysis

Table I-C

Source of Change in the Minimum Required Contribution

Previous minimum required contribution	\$208,547
Increase (decrease) due to investment gains and losses	(\$23,125)
Increase (decrease) due to demographic experience	\$228,108
Increase (decrease) due to plan amendments	\$0
Increase (decrease) due to actuarial assumption changes	\$23,255
Increase (decrease) due to actuarial method changes	(\$294,265)
Current minimum required contribution	<u>\$142,520</u>



Present Value of Future Benefits

Table I-D

	Old Assumptions <u>w/o Amendment</u>	Old Assumptions <u>w/ Amendment</u>	New Assumptions <u>w/ Amendment</u>
<i><u>Actively Employed Participants</u></i>			
Retirement benefits	\$2,261,162	\$2,261,162	\$2,337,854
Termination benefits	\$0	\$0	\$0
Disability benefits	\$66,152	\$66,152	\$67,930
Death benefits	\$14,458	\$14,458	\$14,777
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$2,341,772	\$2,341,772	\$2,420,561
<i><u>Deferred Vested Participants</u></i>			
Retirement benefits	\$69,432	\$69,432	\$71,756
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$69,432	\$69,432	\$71,756
<i><u>Due a Refund of Contributions</u></i>	\$0	\$0	\$0
<i><u>Deferred Beneficiaries</u></i>	\$0	\$0	\$0
<i><u>Retired Participants</u></i>			
Service retirements	\$6,124,988	\$6,124,988	\$6,275,338
Disability retirements	\$59,569	\$59,569	\$60,275
Beneficiaries receiving	\$368,308	\$368,308	\$374,196
DROP participants	\$0	\$0	\$0
Sub-total	\$6,552,865	\$6,552,865	\$6,709,809
<i><u>Grand Total</u></i>	<u>\$8,964,069</u>	<u>\$8,964,069</u>	<u>\$9,202,126</u>
Present Value of Future Payroll	\$583,504	\$583,504	\$586,268
Present Value of Future Employee Contribs.	\$46,680	\$46,680	\$46,902
Present Value of Future Employer Contribs.	\$639,979	\$639,979	\$877,814



Present Value of Accrued Benefits

Table I-E

	Old Assumptions <u>w/o Amendment</u>	Old Assumptions <u>w/ Amendment</u>	New Assumptions <u>w/ Amendment</u>
<u>Actively Employed Participants</u>			
Retirement benefits	\$1,889,491	\$1,889,491	\$1,952,461
Termination benefits	\$0	\$0	\$0
Disability benefits	\$60,161	\$60,161	\$61,760
Death benefits	\$13,117	\$13,117	\$13,404
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$1,962,769	\$1,962,769	\$2,027,625
<u>Deferred Vested Participants</u>			
Retirement benefits	\$69,432	\$69,432	\$71,756
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$69,432	\$69,432	\$71,756
<u>Due a Refund of Contributions</u>	\$0	\$0	\$0
<u>Deferred Beneficiaries</u>	\$0	\$0	\$0
<u>Retired Participants</u>			
Service retirements	\$6,124,988	\$6,124,988	\$6,275,338
Disability retirements	\$59,569	\$59,569	\$60,275
Beneficiaries receiving	\$368,308	\$368,308	\$374,196
DROP participants	\$0	\$0	\$0
Sub-total	\$6,552,865	\$6,552,865	\$6,709,809
<u>Grand Total</u>	<u>\$8,585,066</u>	<u>\$8,585,066</u>	<u>\$8,809,190</u>
<u>Funded Percentage</u>	100.77%	100.77%	98.20%

(Note: Funded percentage is equal to the ratio of the usable portion of the market value of assets divided by the present value of accrued benefits.)



Present Value of Vested Benefits

Table I-F

	Old Assumptions <u>w/o Amendment</u>	Old Assumptions <u>w/ Amendment</u>	New Assumptions <u>w/ Amendment</u>
<i><u>Actively Employed Participants</u></i>			
Retirement benefits	\$1,889,491	\$1,889,491	\$1,952,461
Termination benefits	\$0	\$0	\$0
Disability benefits	\$60,161	\$60,161	\$61,760
Death benefits	\$13,117	\$13,117	\$13,404
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$1,962,769	\$1,962,769	\$2,027,625
<i><u>Deferred Vested Participants</u></i>			
Retirement benefits	\$69,432	\$69,432	\$71,756
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$69,432	\$69,432	\$71,756
<i><u>Due a Refund of Contributions</u></i>	\$0	\$0	\$0
<i><u>Deferred Beneficiaries</u></i>	\$0	\$0	\$0
<i><u>Retired Participants</u></i>			
Service retirements	\$6,124,988	\$6,124,988	\$6,275,338
Disability retirements	\$59,569	\$59,569	\$60,275
Beneficiaries receiving	\$368,308	\$368,308	\$374,196
DROP participants	\$0	\$0	\$0
Sub-total	\$6,552,865	\$6,552,865	\$6,709,809
<i><u>Grand Total</u></i>	<u>\$8,585,066</u>	<u>\$8,585,066</u>	<u>\$8,809,190</u>



Entry Age Normal Accrued Liability

Table I-G

	Old Assumptions <u>w/o Amendment</u>	Old Assumptions <u>w/ Amendment</u>	New Assumptions <u>w/ Amendment</u>
<u>Actively Employed Participants</u>			
Retirement benefits	\$2,146,058	\$2,146,058	\$2,213,254
Termination benefits	\$0	\$0	\$0
Disability benefits	\$64,365	\$64,365	\$66,009
Death benefits	\$14,059	\$14,059	\$14,350
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$2,224,482	\$2,224,482	\$2,293,613
<u>Deferred Vested Participants</u>			
Retirement benefits	\$69,432	\$69,432	\$71,756
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$69,432	\$69,432	\$71,756
<u>Due a Refund of Contributions</u>	\$0	\$0	\$0
<u>Deferred Beneficiaries</u>	\$0	\$0	\$0
<u>Retired Participants</u>			
Service retirements	\$6,124,988	\$6,124,988	\$6,275,338
Disability retirements	\$59,569	\$59,569	\$60,275
Beneficiaries receiving	\$368,308	\$368,308	\$374,196
DROP participants	\$0	\$0	\$0
Sub-total	\$6,552,865	\$6,552,865	\$6,709,809
<u>Grand Total</u>	<u>\$8,846,779</u>	<u>\$8,846,779</u>	<u>\$9,075,178</u>
less Actuarial Value of Assets	(\$8,277,410)	(\$8,277,410)	(\$8,277,410)
<u>Unfunded Accrued Liability</u>	<u>\$569,369</u>	<u>\$569,369</u>	<u>\$797,768</u>



Entry Age Normal Cost

Table I-H

	Old Assumptions <u>w/o Amendment</u>	Old Assumptions <u>w/ Amendment</u>	New Assumptions <u>w/ Amendment</u>
<u>Actively Employed Participants</u>			
Retirement benefits	\$49,198	\$49,198	\$53,006
Termination benefits	\$0	\$0	\$0
Disability benefits	\$924	\$924	\$992
Death benefits	\$203	\$203	\$217
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$50,325	\$50,325	\$54,215
<u>Deferred Vested Participants</u>			
Retirement benefits	\$0	\$0	\$0
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$0	\$0	\$0
<u>Due a Refund of Contributions</u>	\$0	\$0	\$0
<u>Deferred Beneficiaries</u>	\$0	\$0	\$0
<u>Retired Participants</u>			
Service retirements	\$0	\$0	\$0
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	\$0	\$0	\$0
<u>Grand Total</u>	<u>\$50,325</u>	<u>\$50,325</u>	<u>\$54,215</u>



Unfunded Liability Bases

Table I-I


<u>Description</u>	<u>Original Amount</u>	<u>Outstanding Balance</u>	<u>Amortization Payment</u>	<u>Years Rem.</u>
Total		\$797,768	\$80,981	
		↓	↓	
Fresh start UAAL		\$797,768	\$80,981	15



Actuarial Value of Assets

Table II-A

Market Value Rate of Return

For the 2017/18 plan year	7.46%		Average return for the preceding year 9.69%
For the 2018/19 plan year	5.31%		
For the 2019/20 plan year	6.79%		
For the 2020/21 plan year	19.79%		

Actuarial Value of Assets as of October 1, 2020	\$8,207,455
Plus contributions for the 2020/21 plan year	\$301,931
Minus benefit payments and administrative expenses for the 2020/21 plan year	(\$968,136)
Minus DROP account credits	(\$26,363)
Minus advance employer contribution	\$0

Adjustment for interest at the average rate shown above,
but restricted to an amount that keeps the actuarial value
of assets within an 80%-120% corridor of the market value

Actuarial Value of Assets as of October 1, 2021 **\$8,277,410**

Historical Actuarial Value of Assets

October 1, 2012	\$5,384,278
October 1, 2013	\$5,714,233
October 1, 2014	\$6,200,875
October 1, 2015	\$6,660,031
October 1, 2016	\$6,971,325
October 1, 2017	\$7,236,805
October 1, 2018	\$7,541,717
October 1, 2019	\$7,920,187
October 1, 2020	\$8,207,455
October 1, 2021	\$8,277,410

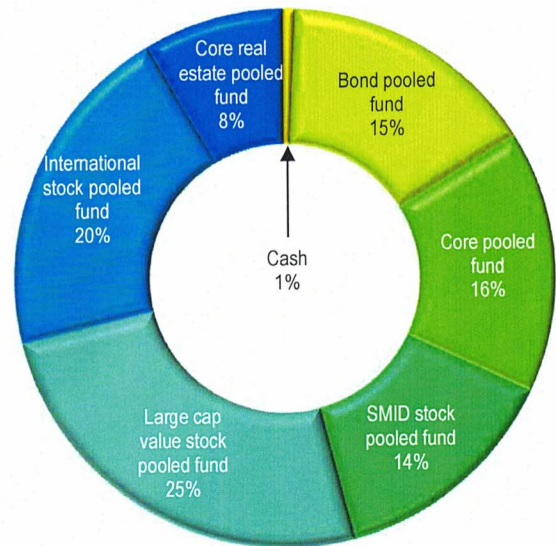


Market Value of Assets

Table II-B

As of October 1, 2021

Market Value of Assets	<u>\$8,952,608</u>
Cash	\$62,665
Bond pooled fund	\$1,387,579
Core pooled fund	\$1,414,436
SMID stock pooled fund	\$1,244,345
Large cap value stock pooled fund	\$2,264,887
International stock pooled fund	\$1,826,233
Core real estate pooled fund	\$751,979
Employee contribution receivable	\$484

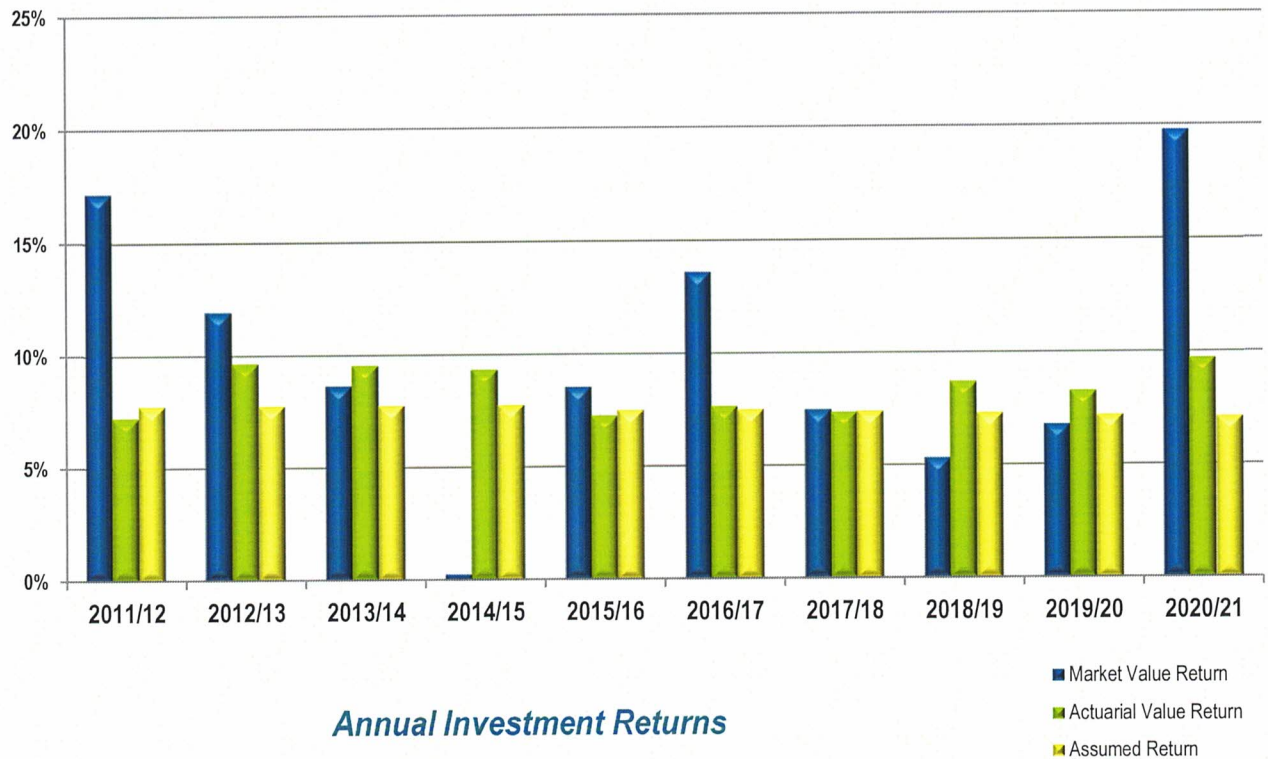
Historical Market Value of Assets

October 1, 2012	\$5,433,079
October 1, 2013	\$5,913,266
October 1, 2014	\$6,388,350
October 1, 2015	\$6,206,493
October 1, 2016	\$6,563,141
October 1, 2017	\$7,253,135
October 1, 2018	\$7,640,171
October 1, 2019	\$7,844,035
October 1, 2020	\$8,084,440
October 1, 2021	\$8,952,608



Investment Return

Table II-C



Plan	Market Value	Actuarial Value	Assumed
<u>Year</u>	<u>Return</u>	<u>Return</u>	<u>Return</u>
2011/12	17.17%	7.21%	7.75%
2012/13	11.93%	9.63%	7.75%
2013/14	8.62%	9.53%	7.75%
2014/15	0.25%	9.32%	7.75%
2015/16	8.52%	7.24%	7.50%
2016/17	13.60%	7.64%	7.50%
2017/18	7.46%	7.35%	7.40%
2018/19	5.31%	8.68%	7.30%
2019/20	6.79%	8.24%	7.20%
2020/21	19.79%	9.70%	7.10%
10yr. Avg.	9.81%	8.45%	7.50%



Asset Reconciliation

Table II-D

	<u>Market Value</u>	<u>Actuarial Value</u>
As of October 1, 2020	\$8,084,440	\$8,207,455
<i>Increases Due To:</i>		
Employer Contributions	\$282,660	\$282,660
Employee Contributions	\$19,271	\$19,271
Service Purchase Contributions	\$0	\$0
Total Contributions	<u>\$301,931</u>	<u>\$301,931</u>
Interest and Dividends	\$0	
Realized Gains (Losses)	\$0	
Unrealized Gains (Losses)	<u>\$1,534,373</u>	
Total Investment Income	\$1,534,373	\$762,523
Other Income	\$0	
Total Income	<u>\$1,836,304</u>	<u>\$1,064,454</u>
<i>Decreases Due To:</i>		
Monthly Benefit Payments	(\$941,634)	(\$941,634)
Refund of Employee Contributions	\$0	\$0
DROP Credits		(\$26,363)
Total Benefit Payments	<u>(\$941,634)</u>	<u>(\$967,997)</u>
Investment Expenses	\$0	
Administrative Expenses	(\$26,502)	(\$26,502)
Advance Employer Contribution		\$0
Total Expenses	<u>(\$968,136)</u>	<u>(\$994,499)</u>
As of October 1, 2021	<u><u>\$8,952,608</u></u>	<u><u>\$8,277,410</u></u>



Historical Trust Fund Detail

Table II-E

Income

Plan	Employer	Employee	Service	Interest /	Realized	Unrealized	Other
<u>Year</u>	<u>Contribs.</u>	<u>Contribs.</u>	<u>Purchase</u> <u>Contribs.</u>	<u>Dividends</u>	<u>Gains /</u> <u>Losses</u>	<u>Gains /</u> <u>Losses</u>	<u>Income</u>
2011/12	\$438,757	\$49,153	\$75,587	\$0	\$0	\$789,085	\$0
2012/13	\$274,264	\$35,318	\$0	\$0	\$0	\$638,768	\$0
2013/14	\$428,556	\$30,262	\$0	\$0	\$0	\$508,195	\$0
2014/15	\$370,855	\$31,458	\$0	\$0	\$0	\$15,912	\$0
2015/16	\$341,136	\$33,168	\$0	\$0	\$0	\$521,671	\$0
2016/17	\$349,352	\$22,233	\$0	\$0	\$0	\$879,559	\$0
2017/18	\$354,222	\$23,561	\$0	\$0	\$0	\$535,368	\$0
2018/19	\$306,047	\$22,474	\$0	\$0	\$0	\$400,754	\$0
2019/20	\$288,302	\$21,758	\$0	\$0	\$0	\$523,043	\$0
2020/21	\$282,660	\$19,271	\$0	\$0	\$0	\$1,534,373	\$0

Expenses

Plan	Monthly	Contrib.	Admin.	Invest.	<u>Other Actuarial Adjustments</u>	
<u>Year</u>	<u>Benefit</u> <u>Payments</u>	<u>Refunds</u>	<u>Expenses</u>	<u>Expenses</u>	<u>DROP</u> <u>Credits</u>	<u>Advance</u> <u>Employer</u> <u>Contribs.</u>
2011/12	\$450,909	\$0	\$18,525	\$0	-\$91,170	-\$16,437
2012/13	\$445,948	\$0	\$22,215	\$0	\$21,397	\$0
2013/14	\$469,265	\$0	\$22,674	\$0	\$22,236	\$0
2014/15	\$577,609	\$0	\$22,473	\$0	-\$84,179	\$0
2015/16	\$515,793	\$0	\$23,534	\$0	\$0	\$0
2016/17	\$528,339	\$8,806	\$24,005	\$0	\$67,910	\$0
2017/18	\$507,590	\$0	\$18,525	\$0	\$70,753	\$0
2018/19	\$500,343	\$0	\$25,068	\$0	\$68,004	\$0
2019/20	\$566,840	\$0	\$25,858	\$0	\$68,535	\$0
2020/21	\$941,634	\$0	\$26,502	\$0	\$26,363	\$0

Note: Information was not available to separate the investment expenses from the investment income nor was information available to separate the investment income by source.



Other Reconciliations

Table II-F

DROP Account Reconciliation

DROP Balance as of October 1, 2020	\$275,202
DROP Benefit Credits	\$26,314
DROP Investment Credits	\$49
DROP Benefits Paid Out	\$0
Net DROP Credit	\$26,363
DROP Balance as of October 1, 2021	<u>\$301,565</u>

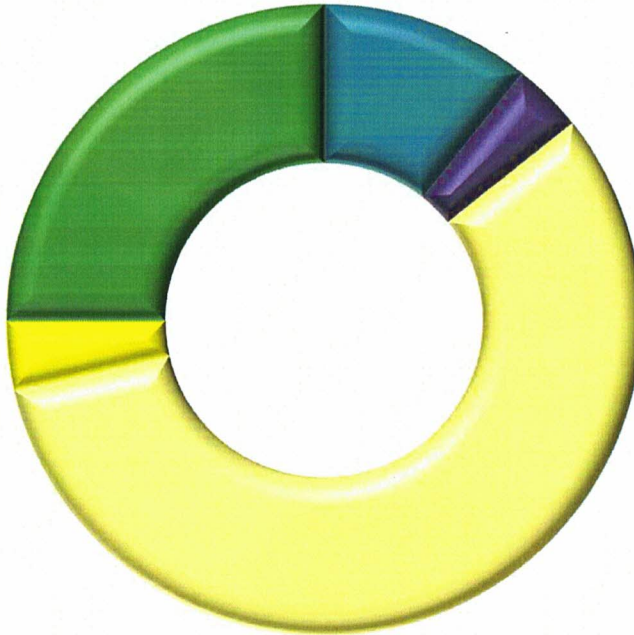
Advance Employer Contribution

Advance Employer Contribution as of October 1, 2020	\$0
Additional Employer Contribution	\$282,660
Minimum Required Contribution	<u>(\$282,660)</u>
Net Increase in Advance Employer Contribution	\$0
Advance Employer Contribution as of October 1, 2021	<u>\$0</u>



Summary of Participant Data

Table III-A

As of October 1, 2021*Participant Distribution by Status*Actively Employed Participants

Active Participants	3
DROP Participants	0

Inactive Participants

Deferred Vested Participants	1
Due a Refund of Contributions	0
Deferred Beneficiaries	0

Participants Receiving a Benefit

Service Retirements	16
Disability Retirements	1
Beneficiaries Receiving	7

Total Participants 28Number of Participants Included in Prior Valuations

	<i>Active</i>	<i>DROP</i>	<i>Inactive</i>	<i>Retired</i>	<i>Total</i>
October 1, 2012	8	1	4	19	32
October 1, 2013	6	1	4	21	32
October 1, 2014	6	1	4	21	32
October 1, 2015	6	0	3	23	32
October 1, 2016	4	0	3	25	32
October 1, 2017	4	1	2	21	28
October 1, 2018	4	1	2	21	28
October 1, 2019	4	1	2	21	28
October 1, 2020	3	1	1	23	28
October 1, 2021	3	0	1	24	28



Data Reconciliation

Table III-B

	<u>Active</u>	<u>DROP</u>	<u>Deferred Vested</u>	<u>Due a Refund</u>	<u>Def. Benef.</u>	<u>Service Retiree</u>	<u>Disabled Retiree</u>	<u>Benef. Rec'v.</u>	<u>Total</u>
<u>October 1, 2020</u>	3	1	1	0	0	15	1	7	28
<u>Change in Status</u>									
Re-employed									
Terminated									
Retired		(1)				1			
<u>Participation Ended</u>									
Transferred Out									
Cashed Out									
Died									
<u>Participation Began</u>									
Newly Hired									
Transferred In									
New Beneficiary									
<u>Other Adjustment</u>									
<u>October 1, 2021</u>	3	0	1	0	0	16	1	7	28

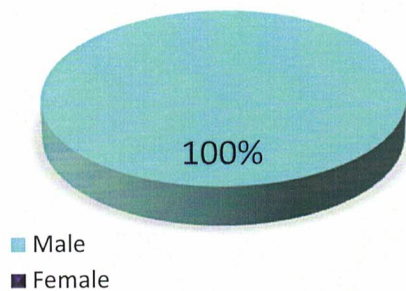


Active Participant Data

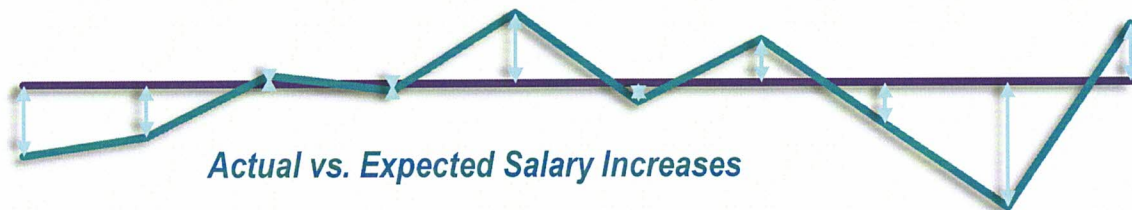
Table III-C

As of October 1, 2021

Gender Mix



Average Age	58.7 years
Average Service	30.0 years
Total Annualized Compensation for the Prior Year	\$240,891
Total Expected Compensation for the Current Year	\$241,982
Average Increase in Compensation for the Prior Year	9.92%
Expected Increase in Compensation for the Current Year	4.75%
Accumulated Contributions for Active Employees	\$636,505



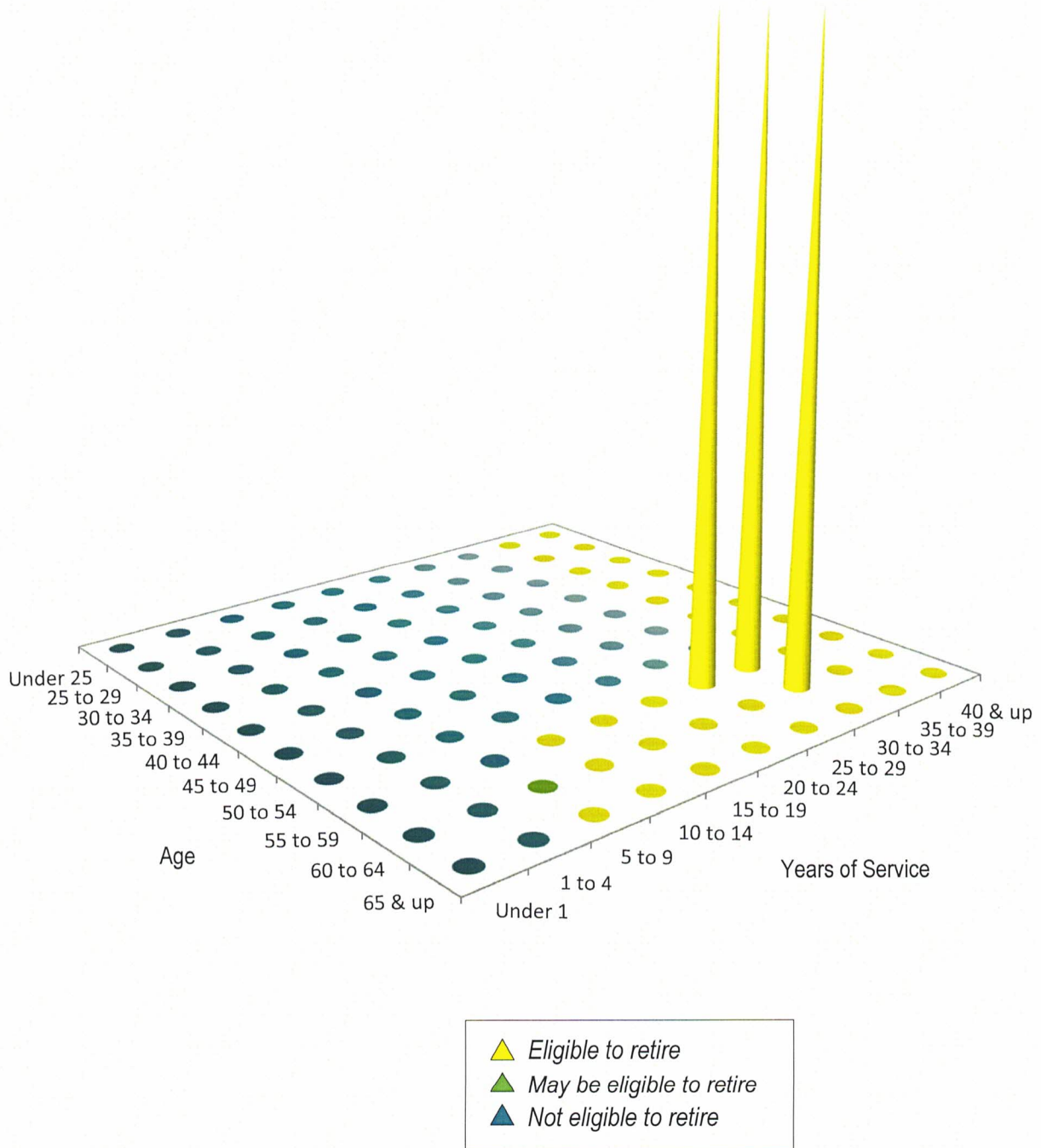
Active Participant Statistics From Prior Valuations

	Average Age	Average Service	Average Salary	Average Expected Salary Increase	Average Actual Salary Increase
October 1, 2012	54.9	22.4	\$61,826	4.75%	-1.76%
October 1, 2013	55.2	24.8	\$60,127	4.75%	-0.03%
October 1, 2014	56.2	25.8	\$63,046	4.75%	5.53%
October 1, 2015	57.2	26.8	\$65,558	4.75%	4.12%
October 1, 2016	55.8	25.8	\$66,759	4.75%	11.12%
October 1, 2017	56.8	26.8	\$68,630	4.75%	3.06%
October 1, 2018	57.8	27.8	\$73,628	4.75%	8.69%
October 1, 2019	58.8	28.8	\$74,053	4.75%	0.95%
October 1, 2020	57.7	29.0	\$73,952	4.75%	-6.56%
October 1, 2021	58.7	30.0	\$80,297	4.75%	9.92%



Active Age-Service Distribution

Table III-D



Active Age-Service-Salary Table

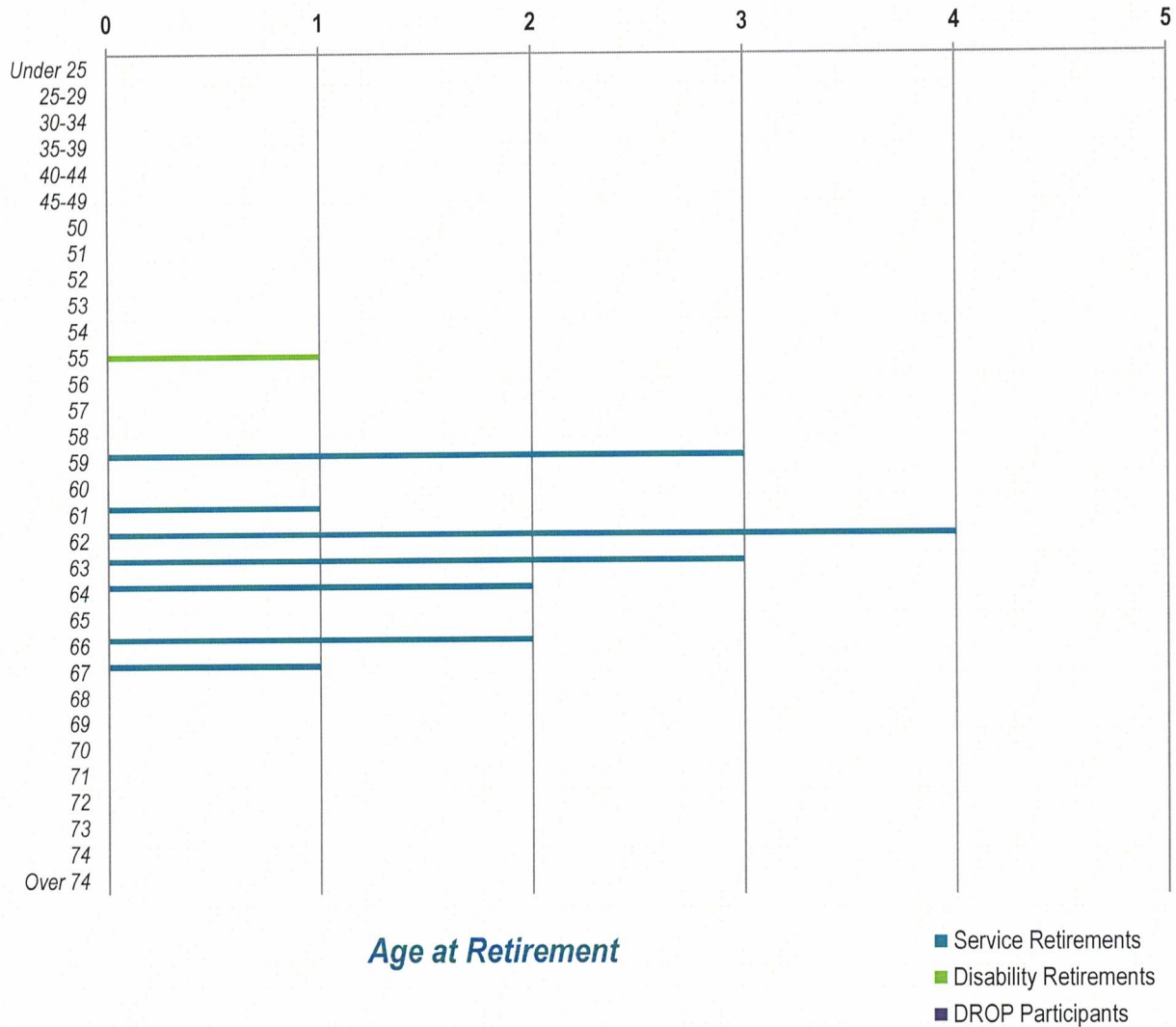
Table III-E

Attained Age	Completed Years of Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
40 to 44	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
45 to 49	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
50 to 54	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
55 to 59	0	0	0	0	0	0	1	1	0	0	2
Avg.Pay	0	0	0	0	0	0	64,157	74,155	0	0	69,156
60 to 64	0	0	0	0	0	0	0	1	0	0	1
Avg.Pay	0	0	0	0	0	0	0	102,579	0	0	102,579
65 & up	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	1	2	0	0	3
Avg.Pay	0	0	0	0	0	0	64,157	88,367	0	0	80,297



Inactive Participant Data

Table III-F

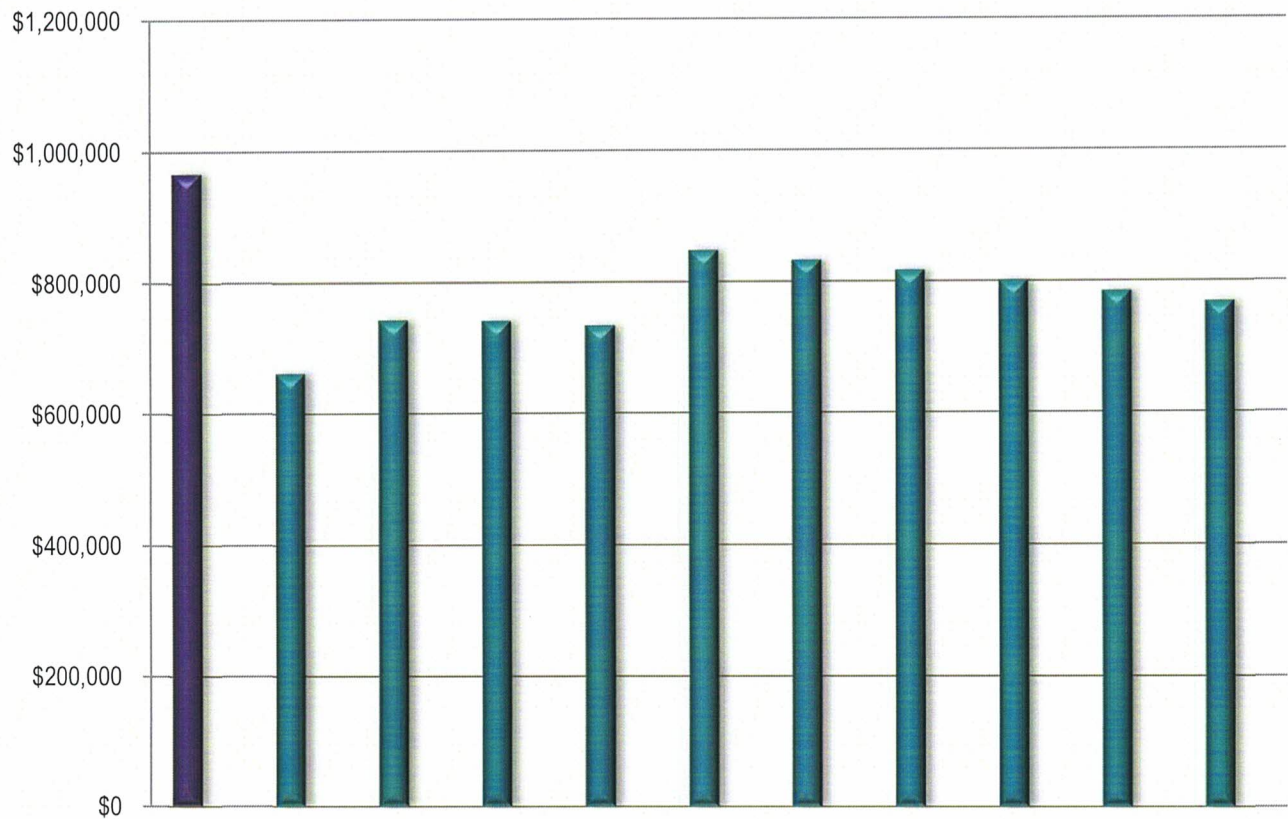
Average Monthly Benefit

Service Retirements	\$3,093.66
Disability Retirements	\$979.64
Beneficiaries Receiving	\$721.95
DROP Participants	Not applicable
Deferred Vested Participants	\$560.68
Deferred Beneficiaries	Not applicable



Projected Benefit Payments

Table III-G

Actual

For the period October 1, 2020 through September 30, 2021

\$967,948

Projected

For the period October 1, 2021 through September 30, 2022

\$660,828

For the period October 1, 2022 through September 30, 2023

\$742,478

For the period October 1, 2023 through September 30, 2024

\$741,361

For the period October 1, 2024 through September 30, 2025

\$733,409

For the period October 1, 2025 through September 30, 2026

\$848,610

For the period October 1, 2026 through September 30, 2027

\$833,218

For the period October 1, 2027 through September 30, 2028

\$817,426

For the period October 1, 2028 through September 30, 2029

\$801,302

For the period October 1, 2029 through September 30, 2030

\$784,928

For the period October 1, 2030 through September 30, 2031

\$768,328



Summary of Actuarial Methods and Assumptions

Table IV-A

NOTE: The following assumptions and methods have been selected and approved by the Board of Trustees based in part on the advice of the plan's enrolled actuary in accordance with the authority granted to the Board under the pension ordinances and State law.

1. **Actuarial Cost Method**

Individual entry age normal cost method. Under this actuarial cost method, a level funding cost is developed with respect to each benefit for each participant. The level funding cost for each benefit applies to the period beginning when the participant's service commences and ends when the participant is assumed to cease active participation due to each respective decrement. The actuarial accrued liability is equal to the accumulated level funding cost to the valuation date for all participants. The normal cost is equal to the level funding cost for the year immediately following the valuation date for all active participants.

2. **Amortization Method**

The unfunded actuarial accrued liability is amortized as a level dollar amount over a closed period of 15 years beginning October 1, 2021.

3. **Asset Method**

The actuarial value of assets is equal to the prior year's actuarial value of assets adjusted for contributions, benefit payments, and expenses and further adjusted by the average return on the market value of assets for the preceding four years; the actuarial value of assets is restricted to 80% to 120% of the market value.

4. **Interest (or Discount) Rate**

6.80% per annum

5. **Salary Increases**

Plan compensation is assumed to increase at the rate of 4.75% per annum, unless actual plan compensation is known for a prior plan year.



Summary of Actuarial Methods and Assumptions

Table IV-A

(continued)

6. Decrements

- Pre-retirement mortality: Sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Below Median Employee Mortality Table for general employees, with full generational improvements in mortality using Scale MP-2018 and with male ages set back one year
- Post-retirement mortality: Sex-distinct rates set forth in the PUB-2010 Headcount-Weighted Below Median Healthy Retiree Mortality Table for general employees, with full generational improvements in mortality using Scale MP-2018 and with male ages set back one year
- Disability: Sex-distinct rates set forth in the Wyatt 1985 Disability Study (Class 1); No disabilities are assumed to be service-related.
- Termination: Sex-distinct rates set forth in the Scale 155 Table
- Retirement: Retirement is assumed to occur upon the attainment of age 62 with at least five years of service, except that those participants who have attained their normal retirement age as of the valuation date are assumed to retire one year after the valuation date. Alternatively, participants who have earned at least 35 years of service are assumed to retire at the rate of 5.00% per annum and participants who have attained age 55 with between 10 years of service and 35 years of service are assumed to retire at the rate of 2.50% per annum.

7. Form of Payment

Future retirees have been assumed to select the 10-year certain and life annuity.

8. Beneficiary Age and Gender

Where beneficiary information is unavailable, beneficiaries have been assumed to be of the opposite gender of the participant, with males assumed to be three years older than females.

9. Expenses

Administrative expenses are assumed to be \$25,000 per year. In addition, the interest rate set forth in item 4. above is assumed to be net of investment expenses and commissions.



Changes in Actuarial Methods and Assumptions

Table IV-B

Since the completion of the previous valuation, three assumptions and methods have been changed, as follows:

- (1) The actuarial cost method (or funding method) was changed from the aggregate cost method to the individual entry age normal cost method.
- (2) The interest (or discount) rate was decreased from 7.10% per annum to 6.80% per annum.
- (3) The expense loading was changed from 12.50% of payroll to a flat \$25,000 per year.

The following additional assumption and method changes were made during the past 10 years:

- (1) *Effective October 1, 2020, the mortality basis was changed from the RP-2000 Combined Mortality Table with generational improvements in mortality using Scale BB to selected PUB-2010 Mortality Tables with generational improvements in mortality using Scale MP-2018.*
- (2) *Effective October 1, 2020, the interest (or discount) rate was decreased from 7.20% per annum to 7.10% per annum.*
- (3) *Effective October 1, 2020, the expense loading was increased from 1.75% of future payroll to 12.50% of future payroll.*
- (4) *Effective October 1, 2019, the interest (or discount) rate was decreased from 7.30% per annum to 7.20% per annum.*
- (5) *Effective October 1, 2018, the interest (or discount) rate was decreased from 7.40% per annum to 7.30% per annum.*
- (6) *Effective October 1, 2017, the interest (or discount) rate was decreased from 7.50% per annum to 7.40% per annum.*
- (7) *Effective October 1, 2016, the mortality basis was changed from a 2007 projection of the RP-2000 Mortality Table for annuitants to a full generational projection using Scale BB of the RP-2000 Combined Mortality Table as required by State law.*
- (8) *Effective October 1, 2015, the interest (or discount) rate was decreased from 7.75% per annum to 7.50% per annum.*



Changes in Actuarial Methods and Assumptions

Table IV-B

(continued)

- (9) *Effective October 1, 2012, the actuarial cost method was changed from the individual entry age normal cost method to the aggregate cost method.*



Summary of Plan Provisions

Table V-A

1. Benefit Formula

3% of Average Monthly Earnings multiplied by Credited Service earned prior to October 1, 2010 or after September 30, 2013 plus 2% of Average Monthly Earnings multiplied by Credited Service earned during the period October 1, 2010 through September 30, 2013 (§46-33(b)(1))

2. Service Retirement

Normal retirement: Age 62 with at least five years of participation (§46-33(a)(1))

Early retirement: Any age with at least 35 years of credited service; or
Age 55 with at least 10 years of credited service
(§46-33(a)(2))

(Note: In the case of early retirement, the participant's benefit is reduced by $\frac{1}{15}$ for each of the first five years plus $\frac{1}{30}$ for each of the next five years by which the participant's early retirement age precedes his normal retirement age.) (§46-33(b)(2))

3. Disability Retirement

Service-based disability: Participant must be disabled during the course of his employment with the City.
(§46-33(c)(1))

Non-service disability: Participant must have earned at least 10 years of credited service. (§46-33(c)(1))

The disability benefit is a monthly life annuity equal to the larger of the monthly accrued benefit or either 42% of average monthly earnings (for service-based disability) or 25% of average monthly earnings (for non-service disability), but offset as necessary to preclude the total of the participant's worker's compensation, disability benefit, and other City-financed disability or salary continuation benefit (excluding social security benefits) from exceeding his average monthly earnings. A partial month's payment is made to cover the period between the date of the Board's approval and the end of the month.
(§46-33(c)(4),(5), & (6))

(A participant is disabled if he is found to be mentally or physically incapacitated so as to be wholly unable to properly perform his duties as an employee of the City and is likely to remain so disabled continuously and permanently. However, a participant will not be eligible for a disability benefit if his disability is caused by excessive and habitual use of drugs, intoxicants, or narcotics; by injury or disease sustained while serving in the armed forces; by injury or disease sustained while willfully and illegally participating in fights, riots, or civil insurrections, or while committing a crime; by injury or disease sustained after termination of employment; or by a self-inflicted injury.) (§§46-33(c)(1) & (2))



Summary of Plan Provisions

Table V-A

(continued)

4. Deferred Vested Retirement

A vested participant who terminates employment before becoming eligible for retirement receives a deferred vested retirement benefit payable at the participant's early or normal retirement age. If the benefit is payable prior to normal retirement age, then the benefit is actuarially reduced to account for the earlier commencement of the benefit. (§46-33(e)(1))

A non-vested participant who terminates employment receives his accumulated contributions. (§46-33(e)(2))

5. Vesting

A participant becomes 100% vested upon the attainment of five years of credited service. For this purpose, service includes service earned under the City of Satellite Beach Police Officers' and Firefighters' Retirement System. (§46-33(e)(1))

6. Pre-Retirement Death Benefit

If a vested participant dies prior to retirement, the participant's beneficiary receives a 10-year certain annuity equal to the participant's monthly accrued benefit payable beginning at the participant's early or normal retirement age. At the beneficiary's election and upon approval by the Board of Trustees, an actuarially equivalent benefit is payable at any time following the participant's death. In any event, the pre-retirement death benefit guarantees at least the return of the participant's accumulated contributions. (§46-33(d))

If a non-vested participant dies prior to retirement, the participant's beneficiary receives the participant's accumulated contributions. (§46-33(d)(1))

7. Form of Payment

Actuarially increased single life annuity (*optional*);

10-year certain and life annuity (*normal form of payment*);

Actuarially reduced 50% joint and contingent annuity with a relative as the joint annuitant (*optional*);

Actuarially reduced 66 $\frac{2}{3}$ % joint and contingent annuity with a relative as the joint annuitant (*optional*);

Actuarially reduced 75% joint and contingent annuity with a relative as the joint annuitant (*optional*);



Summary of Plan Provisions

Table V-A

(continued)

Actuarially reduced 100% joint and contingent annuity with a relative as the joint annuitant (*optional*); or

Any other actuarially equivalent form of payment approved by the Board of Trustees (*optional*)

(Note: All forms of payment guarantee at least the return of the participant's accumulated contributions.)

(§46-33(b)(1), §46-34, & §46-35(a)(2))

8. Average Monthly Earnings

Average monthly earnings during the highest consecutive three years out of the 10 years immediately preceding the determination. Earnings include base pay, commissions, bonuses, maintenance pay, and overtime pay, but exclude accrued sick leave and vacation pay. Earnings cannot exceed the maximum amount allowed under IRC section 401(a)(17). (§46-31)

9. Credited Service

The service, expressed in years and completed months, from the participant's date of hire until his date of termination, retirement, or death, excluding periods during which the participant does not make the required employee contribution. Participants may also purchase up to five years of credited service for previous employment with any federal, state, county, or city government, including military service, by paying into the plan the full actuarial cost thereof, provided that no other retirement benefit is paid for such service. Payment for purchased service must be made within a period of time equal to the length of service being purchased. Where part-time service is purchased, the additional credited service granted is pro-rated accordingly. (§46-31 & §46-42(b))

10. Employee Contribution

Employees must contribute 8.00% of earnings and such contributions are accumulated with interest at the rate of 5.50% per annum. (§46-31)

11. City Contribution

The City is required to make quarterly contributions as determined in the most recent actuarial valuation of the retirement system. (§46-35(b))



Summary of Plan Provisions

Table V-A

(continued)

12. Deferred Retirement Option Plan (DROP)

A DROP is available to those participants who are at least age 57 and who have attained their early or normal retirement age, whereby the participant's monthly retirement benefit is accumulated on his behalf in a DROP account while he continues in active employment with the City. Individuals may participate in the DROP for a period of 12 to 60 months and neither earn additional benefits nor make the required employee contribution during the period of their DROP participation. DROP participants are considered to be retired for all other purposes under the plan and are not eligible for disability or pre-retirement death benefits. DROP accounts earn interest equal to the investment return realized by the market value of assets. (§46-41)

13. Participant Requirement

Only those individuals who were participants in the plan as of September 30, 1996 are eligible to continue their participation after that date. However, the City Manager was allowed to enter the plan on July 31, 2005 by contributing 50.1% of the cost of his past service credit. (§46-32(a) & §46-42(a))

14. Actuarial Equivalence

Based on 8.00% interest per annum and the 1984 Uninsured Pensioner Mortality Table (§46-31)

15. Retiree Increases

Retirement benefits in payment status on October 1, 1997 were increased by 1.00%. (§46-33(b)(3))

16. Plan Effective Date

The plan was originally effective on May 22, 1973.

17. Special Retirement Window

A special retirement window was available to participants who had attained age 59 with at least 25 years of service as of June 1, 2012 whereby the participant was eligible to receive a normal retirement benefit effective July 1, 2012 provided that the participant applied for retirement within 10 days following the passage of the ordinance.



Summary of Plan Amendments

Table V-B

No significant plan changes were adopted since the completion of the previous valuation.

The following additional plan amendments were adopted during the past 10 years and were reflected in prior valuation reports:

- (1) Effective January 15, 2014, the 0.1875% daily administrative charge on the DROP accounts was eliminated retroactively for the period December 6, 2004 through July 3, 2013. (Ordinance No. 1083)*
- (2) Effective July 3, 2013, the 0.1875% daily administrative charge on the DROP accounts was eliminated. (Ordinance No. 1071)*
- (3) Effective June 20, 2012, any participant who had attained the age of 59 with at least 25 years of service as of June 1, 2012 was allowed to retire with a normal retirement benefit provided that the participant applied for retirement to be effective July 1, 2012 within 10 days following the passage of the ordinance. (Ordinance No. 1056)*
- (4) The benefit formula multiplier was decreased from 3% to 2% for service earned during the period October 1, 2010 through September 30, 2013. (Ordinance No. 1034)*
- (5) Individuals who are not eligible for normal retirement, but who have attained age 57 and are eligible for early retirement, may elect to participate in the DROP. (Ordinance No. 1007)*

