

CITY OF FORT MEADE  
GENERAL EMPLOYEES' RETIREMENT PLAN

ACTUARIAL VALUATION  
AS OF OCTOBER 1, 2019

CONTRIBUTIONS APPLICABLE TO THE  
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2020

GASB 67/68 DISCLOSURE INFORMATION  
AS OF SEPTEMBER 30, 2019



**FOSTER & FOSTER**  
ACTUARIES AND CONSULTANTS

March 31, 2020

Board of Trustees  
City of Fort Meade  
General Employees' Pension Board

Re: City of Fort Meade General Employees' Retirement Plan

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Fort Meade General Employees' Retirement Plan. 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. 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 Fort Meade, 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, 2018. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2019 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.

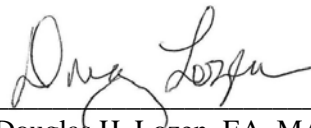
The undersigned are familiar with the immediate and long-term aspects of pension valuations, and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the 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 Fort Meade, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the General Employees' Retirement Plan. 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:   
\_\_\_\_\_  
Douglas H. Lozen, EA, MAAA  
Enrolled Actuary #17-7778

By:   
\_\_\_\_\_  
Tyler A. Koftan, EA, MAAA  
Enrolled Actuary #17-8685

Enclosures

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## SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Fort Meade General Employees' Retirement Plan, performed as of October 1, 2019, 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, 2020.

The contribution requirements, compared with those set forth in the October 1, 2018 actuarial valuation report (as developed by Southern Actuarial Services), are as follows:

Valuation Date	10/1/2019	10/1/2018
Applicable to Fiscal Year Ending	<u>9/30/2020</u>	<u>9/30/2019</u>
Minimum Required Contribution	\$178,708	\$212,649

<sup>1</sup> Please note that the City has access to a prepaid contribution of \$133,884.00 that is available to offset a portion of the above stated requirements for the fiscal year ending September 30, 2020.

As you can see, the Minimum Required Contribution shows a decrease when compared to the results determined in the October 1, 2018 actuarial valuation report.

Plan experience was unfavorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial loss included inactive mortality experience and an investment return of 6.66% (Actuarial Asset Basis) which fell short of the 7.00% assumption. These losses were offset in part by a gain associated with more turnover than expected.

## CHANGES SINCE PRIOR VALUATION

### Plan Changes

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

### Actuarial Assumption/Method Changes

In conjunction with this valuation of the plan, the assumed rates of mortality were changed to match those outlined in the July 1, 2018 Florida Retirement System actuarial valuation report for non-special risk employees. The October 1, 2018 valuation report for the City of Fort Meade General Employees' Retirement Plan disclosed rates from the RP-2000 Combined Mortality Table with full generational improvements utilizing Scale BB.

# COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2019</u>	<u>10/1/2018</u>
A. Participant Data		
Actives	34	42
Service Retirees	26	24
DROP Retirees	0	0
Beneficiaries	0	0
Disability Retirees	2	1
Terminated Vested	<u>14</u>	<u>16</u>
Total	76	83
Total Annual Payroll	\$1,297,046	\$1,447,733
Payroll Under Assumed Ret. Age	1,206,749	1,270,503
Annual Rate of Payments to:		
Service Retirees	334,666	311,181
DROP Retirees	0	0
Beneficiaries	0	0
Disability Retirees	22,300	14,157
Terminated Vested	100,479	124,748
B. Assets		
Actuarial Value (AVA) <sup>1</sup>	4,981,801	4,799,712
Market Value (MVA) <sup>1</sup>	5,017,706	5,037,513
C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	1,827,899	1,903,236
Disability Benefits	125,517	171,361
Death Benefits	61,771	37,537
Vested Benefits	53,701	81,112
Service Retirees	3,439,185	3,123,920
DROP Retirees <sup>1</sup>	0	0
Beneficiaries	0	0
Disability Retirees	231,882	180,594
Terminated Vested	<u>592,219</u>	<u>813,404</u>
Total	6,332,174	6,311,164

C. Liabilities - (Continued)	<u>10/1/2019</u>	<u>10/1/2018</u>
Present Value of Future Salaries	9,263,030	9,214,091
Total Normal Cost	71,880	95,246
Present Value of Future Normal Costs (EAN)	581,910	717,909
Accrued Liability (Retirement)	1,342,941	1,296,427
Accrued Liability (Disability)	80,491	106,778
Accrued Liability (Death)	35,636	23,397
Accrued Liability (Vesting)	27,910	48,735
Accrued Liability (Inactives) <sup>1</sup>	<u>4,263,286</u>	<u>4,117,918</u>
Total Actuarial Accrued Liability (EAN AL)	5,750,264	5,593,255
Total Actuarial Accrued Liability (FIL)	5,780,421	5,620,409
Unfunded Actuarial Accrued Liability (UAAL)	798,620	820,697
Funded Ratio (AVA / EAN AL)	86.6%	85.8%
Funded Ratio (AVA / FIL AL)	86.2%	85.4%



D. Actuarial Present Value of		
Accrued Benefits	<u>10/1/2019</u>	<u>10/1/2018</u>
Vested Accrued Benefits		
Inactives <sup>1</sup>	4,263,286	4,117,918
Actives	<u>885,628</u>	<u>1,067,230</u>
Total	5,148,914	5,185,148
Non-vested Accrued Benefits	<u>155,692</u>	<u>46,628</u>
Total Present Value		
Accrued Benefits (PVAB)	5,304,606	5,231,776
Funded Ratio (MVA / PVAB)	94.6%	96.3%
Increase (Decrease) in Present Value of		
Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
Plan Experience	54,463	
Benefits Paid	(336,094)	
Interest	354,461	
Other	<u>0</u>	
Total	72,830	

Valuation Date	10/1/2019	10/1/2018 <sup>2</sup>
Applicable to Fiscal Year Ending	<u>9/30/2020</u>	<u>9/30/2019</u>

#### E. Pension Cost

Normal Cost <sup>2</sup>	\$76,628	\$98,633
Administrative Expenses <sup>2</sup>	29,936	43,362
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 29 years (as of 10/1/2019) <sup>2</sup>	72,144	70,654
Minimum Required Contribution	178,708	212,649

#### F. Past Contributions

Plan Years Ending:	<u>9/30/2019</u>
City Requirement	212,649
Actual Contributions Made:	
City	<u>212,649</u>
Total	212,649

#### G. Net Actuarial (Gain)/Loss

N/A

<sup>1</sup> The asset values and liabilities include accumulated DROP Plan Balances as of 9/30/2019 and 9/30/2018.

<sup>2</sup> Results as of 10/1/2018 are consistent with the report prepared by Southern Actuarial Services.

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

<u>Year</u>	<u>Projected Unfunded Actuarial Accrued Liability</u>
2019	798,620
2020	782,112
2021	764,449
2028	600,887
2035	435,482
2041	228,574
2048	0

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

	<u>Actual</u>	<u>Assumed</u>
Year Ended 9/30/2019	5.93%	3.00%
Year Ended 9/30/2018	4.33%	3.00%
Year Ended 9/30/2017	2.12%	3.00%
Year Ended 9/30/2016	10.18%	3.00%
Year Ended 9/30/2015	5.96%	3.00%

(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 9/30/2019	5.14%	6.66%	7.00%
Year Ended 9/30/2018	7.55%	7.91%	7.50%
Year Ended 9/30/2017	13.41%	8.73%	7.50%
Year Ended 9/30/2016	8.35%	9.02%	7.50%
Year Ended 9/30/2015	0.11%	8.14%	7.50%

## 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.



Douglas H. Lozen, EA, MAAA  
Enrolled Actuary #17-7778

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, 2018	\$820,697
(2)	Sponsor Normal Cost developed as of October 1, 2018	95,246
(3)	Expected administrative expenses for the year ended September 30, 2019	41,873
(4)	Expected interest on (1), (2) and (3)	65,582
(5)	Sponsor contributions to the System during the year ended September 30, 2019	212,649
(6)	Expected interest on (5)	12,129
(7)	Unfunded Actuarial Accrued Liability as of September 30, 2019 (1)+(2)+(3)+(4)-(5)-(6)	798,620
(8)	Change to UAAL due to Assumption Change	0
(9)	Unfunded Actuarial Accrued Liability as of October 1, 2019	798,620 <sup>1</sup>

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2019 <u>Amount</u>	Amortization <u>Amount</u>
Prior Base #1		9	73,207	10,501
Prior Base #2		21	137,044	11,820
Assump Change	10/1/2016	27	296,735	23,136
Benefit Change	10/1/2017	28	20,523	1,580
Assump Change	10/1/2018	29	<u>271,111</u>	<u>20,637</u>
			798,620	67,674

<sup>1</sup> Components of the Expected UAAL are consistent with the report prepared by Southern Actuarial Services.

## ACTUARIAL ASSUMPTIONS AND METHODS

### Mortality Rate

#### *Healthy Active Lives:*

**Female:** RP2000 Generational, 100% White Collar, Scale BB

**Male:** RP2000 Generational, 50% White Collar / 50% Blue Collar, Scale BB

#### *Healthy Inactive Lives:*

**Female:** RP2000 Generational, 100% Annuitant White Collar, Scale BB

**Male:** RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB

#### *Disabled Lives:*

**Female:** 100% RP2000 Disabled Female set forward two years

**Male:** 100% RP2000 Disabled Male setback four years

The assumed rates of mortality are mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in the July 1, 2018 FRS actuarial valuation report for non-special risk lives. We feel this assumption sufficiently accommodates future mortality improvements.

### Interest Rate

7.00% 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

3.00% per year, as utilized by the prior actuary. This assumption appears reasonable based on the employee group covered. We will review this assumption with the next experience study.

### 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

\$28,081 annually, based on the average of actual expenses incurred in the prior two fiscal years.

Amortization Method

New UAAL amortization bases are amortized over 30 years.

Actuarial Asset Method

The Actuarial Value of Assets reflects a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.

Funding Method

Frozen Entry Age Actuarial Cost Method. The following loads are utilized for determination of the Total Required Contribution:

- Interest – A half-year, based on the current 7.0% assumption.
- Salary – None.

Retirement Age

100% at first eligibility for normal retirement. This assumption was carried over from the prior actuary and will be reviewed with the next experience study.

Termination Rates

Age and gender-based, see sample rates below. This assumption was carried over from the prior actuary and will be reviewed with the next experience study.

% Terminating During the Year		
Age	Male	Female
20	29.9%	49.9%
25	19.9%	29.9%
30	13.9%	19.9%
35	9.9%	13.9%
40	5.8%	9.9%
45	3.7%	5.8%
50	1.4%	3.7%
55	0.0%	1.4%
60	0.0%	0.0%

### Disability Rates

Age and gender-based, see sample rates below. This assumption was carried over from the prior actuary and will be reviewed with the next experience study.

% Becoming Disabled During the Year		
Age	Male	Female
20	0.03%	0.03%
25	0.04%	0.05%
30	0.05%	0.08%
35	0.07%	0.14%
40	0.12%	0.21%
45	0.20%	0.32%
50	0.36%	0.53%
55	0.72%	0.95%
60	1.26%	1.16%
65	1.75%	1.36%

No disablements are assumed to be service-related.

### Marriage

100% of active participants are assumed to be married, with spouses assumed to be the same age.



## GLOSSARY

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

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Normal (Current Year's) Cost Rate is determined in the aggregate as the ratio of (a) and (b) as follows:

- (a) The present value of benefits for all Plan participants, less the actuarial value of assets, less the Unfunded Actuarial Accrued Liability (UAAL).
- (b) The present value of future compensation over the anticipated number of years of participation, determined as of the valuation date.

The Normal Cost dollar requirement is the ratio of (a) and (b), multiplied by the Total Annual Payroll as of the valuation date.

Frozen Initial Liability Funding Method (Level Percent of Compensation) is the method used to determine required contributions under the Plan. The use of this method involves the systematic funding of the Normal Cost (described above) and the Unfunded Actuarial Accrued Liability (UAAL). The UAAL is reconciled each valuation with charges and credits as follows:

- (a) Charges: the Normal Cost for the prior year, in addition to interest at the valuation assumption on the Normal Cost and prior year's UAAL balance.
- (b) Credits: Sponsor contributions with interest at the valuation assumption.

New UAAL bases will be created only for changes in methods, assumptions, or benefits. Actuarial gains and losses are funded as part of the Normal Cost.

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 sponsor contributions during the year.

## DISCUSSION OF RISK

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

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

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

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

### Impact of Plan Maturity on Risk

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

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

- The Support Ratio, determined as the ratio of active to inactive members, has decreased from 92.3% on October 1, 2016 to 81.0% on October 1, 2019, indicating that the plan has been maturing during the period.
- The Accrued Liability Ratio, determined as the ratio of the Inactive Accrued Liability, which is the liability associated with members who are no longer employed but are due a benefit from the plan, to the Total Accrued Liability, is 74.1%. 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 slightly increased from 85.1% on October 1, 2016 to 86.6% on October 1, 2019.
- The Net Cash Flow Ratio, determined as the ratio of the Net Cash Flow (contributions minus benefit payments and administrative expenses) to the Market Value of Assets, increased from -6.2% on October 1, 2016 to -2.8% on October 1, 2019. The current Net Cash Flow Ratio of -2.8% 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>10/1/2016</u>	<u>10/1/2017</u>	<u>10/1/2018</u>	<u>10/1/2019</u>
<u>Support Ratio</u>				
Total Actives	36	41	42	34
Total Inactives	39	42	41	42
Actives / Inactives	92.3%	97.6%	102.4%	81.0%
<u>Asset Volatility Ratio</u>				
Market Value of Assets (MVA)	4,325,518	4,779,572	5,037,513	5,017,706
Total Annual Payroll	1,246,875	1,408,850	1,447,733	1,297,046
MVA / Total Annual Payroll	346.9%	339.3%	348.0%	386.9%
<u>Accrued Liability (AL) Ratio</u>				
Inactive Accrued Liability	3,777,711	4,107,262	4,117,918	4,263,286
Total Accrued Liability (EAN)	5,159,173	5,305,457	5,593,255	5,750,264
Inactive AL / Total AL	73.2%	77.4%	73.6%	74.1%
<u>Funded Ratio</u>				
Actuarial Value of Assets (AVA)	4,391,969	4,610,259	4,799,712	4,981,801
Total Accrued Liability (EAN)	5,159,173	5,305,457	5,593,255	5,750,264
AVA / Total Accrued Liability (EAN)	85.1%	86.9%	85.8%	86.6%
<u>Net Cash Flow Ratio</u>				
Net Cash Flow <sup>1</sup>	(268,426)	(118,235)	(99,325)	(141,914)
Market Value of Assets (MVA)	4,325,518	4,779,572	5,037,513	5,017,706
Ratio	-6.2%	-2.5%	-2.0%	-2.8%

<sup>1</sup> Determined as total contributions minus benefit payments and administrative expenses.

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2019

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Cash	46,376.72
Total Cash and Equivalents	46,376.72
Total Receivable	0.00
Investments:	
Pooled/Common/Commingled Funds:	
Fixed Income	1,478,902.29
Equity	3,127,852.56
Real Estate	499,838.05
Total Investments	5,106,592.90
Total Assets	5,152,969.62
<u>LIABILITIES</u>	
Payables:	
Administrative Expenses	1,379.54
Prepaid City Contribution	133,884.00
Total Liabilities	135,263.54
NET POSITION RESTRICTED FOR PENSIONS	5,017,706.08

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2019  
Market Value Basis

ADDITIONS

Contributions:

City	212,649.00	
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Total Contributions		212,649.00
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Investment Income:

Net Increase in Fair Value of Investments	265,897.04	
Less Investment Expense <sup>1</sup>	(9,905.27)	

Net Investment Income		255,991.77
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Total Additions		468,640.77
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DEDUCTIONS

Distributions to Members:

Benefit Payments	336,094.19	
Lump Sum DROP Distributions	0.00	

Total Distributions		336,094.19
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Administrative Expense		18,469.35
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Total Deductions		354,563.54
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Net Increase in Net Position		114,077.23
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NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		4,903,628.85
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End of the Year		5,017,706.08
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<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION  
September 30, 2019

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a five year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Plan Year Ending	Gain/Loss	<u>Gains/(Losses) Not Yet Recognized</u>				
		Amounts Not Yet Recognized by Valuation Year				
		2019	2020	2021	2022	2023
09/30/2015	(316,356)	0	0	0	0	0
09/30/2016	34,718	6,942	0	0	0	0
09/30/2017	252,229	100,891	50,445	0	0	0
09/30/2018	2,455	1,473	982	491	0	0
09/30/2019	(91,751)	(73,401)	(55,051)	(36,701)	(18,351)	0
Total		35,905	(3,624)	(36,210)	(18,351)	0

<u>Development of Investment Gain/(Loss)</u>	
Market Value of Assets, including Prepaid Contributions, 09/30/2018	5,037,513
Contributions Less Benefit Payments & Admin Expenses	(141,915)
Expected Investment Earnings*	347,743
Actual Net Investment Earnings	255,992
2019 Actuarial Investment Gain/(Loss)	<u>(91,751)</u>

\*Expected Investment Earnings =  $0.07 * 5,037,513 - 141,915 * [(1 + 0.07)^{0.5} - 1]$

<u>Development of Actuarial Value of Assets</u>	
(1) Market Value of Assets, 09/30/2019	5,017,706
(2) Gain/(Loss) Not Yet Recognized	<u>35,905</u>
(3) Actuarial Value of Assets, 09/30/2019, (1) - (2)	4,981,801
(A) 09/30/2018 Actuarial Assets, including Prepaid Contributions:	4,933,596
(I) Net Investment Income:	
1. Net Increase in Fair Value of Investments	265,897
2. Change in Actuarial Value	68,012
3. Investment Expenses	<u>(9,905)</u>
Total	324,004
(B) 09/30/2019 Actuarial Assets, including Prepaid Contributions:	5,115,685
Actuarial Asset Rate of Return = $2I/(A+B-I)$ :	6.66%
Market Value of Assets Rate of Return:	5.14%
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)	(16,381)
10/01/2019 Limited Actuarial Assets (not including Prepaid):	4,981,801

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
SEPTEMBER 30, 2019  
Actuarial Asset Basis

REVENUES

Contributions:		
City	212,649.00	
Total Contributions		212,649.00
Earnings from Investments:		
Net Increase in Fair Value of Investments	265,897.04	
Change in Actuarial Value	68,011.85	
Total Earnings and Investment Gains		333,908.89
	EXPENDITURES	
Distributions to Members:		
Benefit Payments	336,094.19	
Lump Sum DROP Distributions	0.00	
Total Distributions		336,094.19
Expenses:		
Investment related <sup>1</sup>	9,905.27	
Administrative	18,469.35	
Total Expenses		28,374.62
Change in Net Assets for the Year		182,089.08
Net Assets Beginning of the Year		4,799,712.00
Net Assets End of the Year <sup>2</sup>		4,981,801.08

<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.

<sup>2</sup>Net Assets may be limited for actuarial consideration.



RECONCILIATION OF CITY'S SHORTFALL/(PREPAID) CONTRIBUTION  
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2019

(1) Required City Contributions	\$212,649.00
(2) Less 2018 Prepaid Contribution	(133,884.00)
(3) Less Actual City Contributions	<u>(212,649.00)</u>
(4) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2019	(\$133,884.00)

## STATISTICAL DATA

	<u>10/1/2016</u>	<u>10/1/2017</u>	<u>10/1/2018</u>	<u>10/1/2019</u>
<u>Actives</u>				
Number	36	41	42	34
Average Current Age	45.1	42.2	42.9	44.3
Average Age at Employment	37.0	36.2	35.9	35.9
Average Past Service	8.1	6.0	7.0	8.4
Average Annual Salary	\$34,635	\$34,362	\$34,470	\$38,148
<u>Service Retirees</u>				
Number	21	25	24	26
Average Current Age	N/A	N/A	N/A	71.5
Average Annual Benefit	\$14,472	\$13,348	\$12,966	\$12,872
<u>DROP 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>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	1	1	2
Average Current Age	N/A	N/A	N/A	61.2
Average Annual Benefit	N/A	\$15,360	\$14,157	\$11,150
<u>Terminated Vested</u>				
Number	18	16	16	14
Average Current Age	N/A	N/A	N/A	55.5
Average Annual Benefit	\$7,601	\$7,582	\$7,797	\$7,177

## AGE AND SERVICE DISTRIBUTION

### PAST SERVICE

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

## VALUATION PARTICIPANT RECONCILIATION

### 1. Active lives

a. Number in prior valuation 10/1/2018	42
b. Terminations	
i. Vested (partial or full) with deferred annuity	0
ii. Non-vested terminations or full lump sum distribution received	(11)
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	(1)
e. Retired	0
f. DROP	<u>0</u>
g. Continuing participants	30
h. New entrants	<u>4</u>
i. Total active life participants in valuation	34

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

	Service Retirees, Vested Receiving <u>Benefits</u>	DROP <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested (Deferred Annuity) <u>          </u>	<u>Total</u>
a. Number prior valuation	24	0	0	1	16	41
Retired	2	0	0	0	(2)	0
DROP	0	0	0	0	0	0
Vested (Deferred Annuity)	0	0	0	0	0	0
Hired/Terminated in Same Year	0	0	0	0	0	0
Death, With Survivor	0	0	0	0	0	0
Death, No Survivor	0	0	0	0	0	0
Disabled	0	0	0	1	0	1
Rehires	0	0	0	0	0	0
Expired Annuities	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0
b. Number current valuation	26	0	0	2	14	42

## SUMMARY OF CURRENT PLAN

<u>Effective Date</u>	January 1, 1969
<u>Participation</u>	All full-time permanent general employees of the City of Fort Meade become members on the first day of the month following, or coinciding with, their date of employment.
<u>Credited Service</u>	Years and fractional parts of years completed to the nearest full month.
<u>Average Monthly Earnings</u>	Average of total cash remuneration (including overtime and payments for accrued vacation and longevity, but excluding bonuses) during the last 5 years prior to retirement or termination.
<u>Normal Retirement</u>	
Eligibility	The earlier of:  1) Age 70; or  2) Age 65 with at least 10 years of Credited Service; or  3) Age 62 with at least 30 years of Credited Service; or  4) Age 60 with at least 35 years of Credited Service; or  5) Completion of 40 years of Credited Service, regardless of age.
Benefit Amount	1.5% of Average Final Compensation times Credited Service.
Form of Benefit	Single Life Annuity (options available).

### Early Retirement

Eligibility	Age 60 and 20 Years of Credited Service.
Benefit Amount	Benefit determined as for Normal Retirement, but reduced 5% for each year that Early Retirement precedes age 65.

### Disability

#### Service Connected

Eligibility	The participant must have become disabled in the line of duty due to a sickness or injury which renders him or her unable to perform his or her own occupation with the City.
Benefit	The greater of:  1) Monthly accrued benefit; or  2) 30% of salary in effect at the time of disablement.

#### Non-Service Connected

Eligibility	10 years of Credited Service and the participant must be disabled due to a sickness or injury which renders him or her unable to perform his or her own occupation with the City.
Benefit	Monthly accrued benefit.

### Vesting (Termination of Employment)

Eligibility	At least 10 years of Credited Service.
Benefit Amount	Accrued benefit payable at age 65 unreduced or accrued benefit reduced 5% for each year commencement precedes age 65.

### Pre-Retirement Death

#### Prior to Normal Retirement Eligibility

Benefit	Single lump sum payment to the spouse of the participant equal to the actuarially equivalent value of 75% of the participant's vested accrued benefit.
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#### On or After Normal Retirement Eligibility

Benefit	66 $\frac{2}{3}$ % of the participant's accrued 66 $\frac{2}{3}$ % joint and contingent annuity payable to the spouse for life. The spouse may elect to receive the 75% lump sum benefit that is payable in the case of a pre-retirement death prior to reaching Normal Retirement eligibility.
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### Deferred Retirement Option Plan

Eligibility	Later of Age 62 or Normal Retirement eligibility.
Participation	Not to exceed 36 months.
Rate of Return	6.0% per annum.
Form of Distribution	Cash lump sum (options available) at termination of employment.

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2019

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Cash	46,377
Total Cash and Equivalents	46,377
Total Receivable	0
Investments:	
Pooled/Common/Commingled Funds:	
Fixed Income	1,478,902
Equity	3,127,853
Real Estate	499,838
Total Investments	5,106,593
Total Assets	5,152,970
<u>LIABILITIES</u>	
Payables:	
Administrative Expenses	1,380
Total Liabilities	1,380
NET POSITION RESTRICTED FOR PENSIONS	5,151,590



STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2019  
Market Value Basis

ADDITIONS

## Contributions:

City	212,649	
Total Contributions		212,649
Investment Income:		
Net Increase in Fair Value of Investments	265,897	
Interest & Dividends	0	
Less Investment Expense <sup>1</sup>	(9,905)	
Net Investment Income		255,992
Total Additions		468,641

DEDUCTIONS

## Distributions to Members:

Benefit Payments	336,094	
Refunds of Member Contributions	0	
Total Distributions		336,094
Administrative Expense		19,784
Total Deductions		355,878
Net Increase in Net Position		112,763

## NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year	5,038,827
End of the Year	5,151,590

<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.

## NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2019)

### *Plan Administration*

The Plan is a single-employer defined benefit pension plan administered by the City of Fort Meade. The five-member City Commission serves as the Board of Trustees.

### *Plan Membership as of October 1, 2018:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	25
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	16
Active Plan Members	42
	83

### *Benefits Provided*

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

A summary of the benefit provisions can be found in the October 1, 2018 Actuarial Valuation Report for the City of Fort Meade General Employees' Retirement Plan prepared by the prior actuary, Southern Actuarial Services.

### *Contributions*

Amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII of Florida Statutes, Chapter 112.

### *Investments*

#### *Investment Policy:*

The following was the Board's adopted asset allocation policy as of September 30, 2019:

Asset Class	Target Allocation
Core Bonds	15.00%
Core Plus	15.00%
US Large Cap Equity	34.00%
US Small Cap Equity	11.00%
Non-US Equity	15.00%
International Equity	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, 2019, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 5.14 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: Later of Age 62 or Satisfaction of Normal Retirement requirements.

Participation: Not to exceed 36 months.

Rate of Return: 6.0% per annum.

The DROP balance as September 30, 2019 is \$0.

## NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2019 were as follows:

Total Pension Liability	\$ 5,786,532
Plan Fiduciary Net Position	\$ (5,151,590)
Sponsor's Net Pension Liability	<u>\$ 634,942</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	89.03%

*Actuarial Assumptions:*

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2018 updated to September 30, 2019 using the following actuarial assumptions:

Inflation	2.92%
Salary Increases	3.00%
Discount Rate	7.00%
Investment Rate of Return	7.00%

*Mortality Rate Healthy Active Lives:*

Female: RP2000 Generational, 100% White Collar Combined Healthy, Scale BB.

Male: RP2000 Generational, 50% White Collar Combined Healthy / 50% Blue Collar, Scale BB.

*Mortality Rate Healthy Inactive Lives:*

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.

*Mortality Rate Disabled Lives:*

Female: 100% RP2000 Disabled Female set forward two years.

Male: 100% RP2000 Disabled Male setback four years.

The above 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, 2018 FRS valuation report for special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

The most recent actuarial experience study used to review the other significant assumptions was unknown.

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 2019 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, 2019 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Core Bonds	1.6%
Core Plus	2.1%
US Large Cap Equity	4.6%
US Small Cap Equity	5.5%
Non-US Equity	6.7%
International Equity	5.0%

Discount Rate:  
The Discount Rate used to measure the Total Pension Liability was 7.00 percent.  
The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	1% Decrease	Current	1% Increase
	6.00%	Discount Rate	8.00%
	7.00%		
Sponsor's Net Pension Liability	\$ 1,251,277	\$ 634,942	\$ 116,717

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
Last 10 Fiscal Years

Measurement Date <sup>1</sup>	09/30/2019	09/30/2018	09/30/2017
Total Pension Liability			
Service Cost	82,796	94,223	80,887
Interest	392,798	382,952	342,263
Changes of benefit terms	-	26,719	-
Differences between Expected and Actual Experience	(49,621)	(26,337)	95,640
Changes of assumptions	-	-	373,615
Benefit Payments, including Refunds of Employee Contributions	(336,094)	(337,146)	(308,763)
Other	-	(4,218)	5,532
Net Change in Total Pension Liability	89,879	136,193	589,174
Total Pension Liability - Beginning	5,696,653	5,560,460	4,971,286
Total Pension Liability - Ending (a)	<u>\$ 5,786,532</u>	<u>\$ 5,696,653</u>	<u>\$ 5,560,460</u>
Plan Fiduciary Net Position			
Contributions - Employer	212,649	275,513	236,582
Net Investment Income	255,992	342,535	559,921
Benefit Payments, including Refunds of Employee Contributions	(336,094)	(337,146)	(308,763)
Administrative Expense	(19,784)	(27,180)	(28,154)
Net Change in Plan Fiduciary Net Position	112,763	253,722	459,586
Plan Fiduciary Net Position - Beginning	5,038,827	4,785,105	4,325,519
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,151,590</u>	<u>\$ 5,038,827</u>	<u>\$ 4,785,105</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 634,942</u>	<u>\$ 657,826</u>	<u>\$ 775,355</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	89.03%	88.45%	86.06%
Covered Payroll	\$ 1,426,810	\$ 1,257,028	\$ 1,064,675
Net Pension Liability as a percentage of Covered Payroll	44.50%	52.33%	72.83%

**Notes to Schedule:**

<sup>1</sup> The 2014-2018 results were taken over from the 2018 CAFR.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
Last 10 Fiscal Years

Measurement Date <sup>1</sup>	09/30/2016	09/30/2015	09/30/2014
Total Pension Liability			
Service Cost	74,627	120,880	54,173
Interest	289,888	352,438	338,837
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	(39,575)	-	-
Changes of assumptions	854,987	-	-
Benefit Payments, including Refunds of Employee Contributions	(425,529)	(290,965)	(203,762)
Other	(97)	-	-
Net Change in Total Pension Liability	754,301	182,353	189,248
Total Pension Liability - Beginning	4,216,985	4,034,632	3,845,384
Total Pension Liability - Ending (a)	<u>\$ 4,971,286</u>	<u>\$ 4,216,985</u>	<u>\$ 4,034,632</u>
Plan Fiduciary Net Position			
Contributions - Employer	194,344	211,212	168,984
Net Investment Income	332,639	(6,348)	335,315
Benefit Payments, including Refunds of Employee Contributions	(425,529)	(221,451)	(203,762)
Administrative Expense	(26,270)	(21,732)	(37,664)
Net Change in Plan Fiduciary Net Position	75,184	(38,319)	262,873
Plan Fiduciary Net Position - Beginning	4,250,335	4,288,654	4,025,781
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,325,519</u>	<u>\$ 4,250,335</u>	<u>\$ 4,288,654</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 645,767</u>	<u>\$ (33,350)</u>	<u>\$ (254,022)</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	87.01%	100.79%	106.30%
Covered Payroll	\$ 1,012,380	\$ 1,130,621	\$ 1,045,343
Net Pension Liability as a percentage of Covered Payroll	63.79%	N/A	N/A

**Notes to Schedule:**

<sup>1</sup> The 2014-2018 results were taken over from the 2018 CAFR.

## SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

Fiscal Year Ended <sup>1</sup>	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
09/30/2019	\$ 212,649	\$ 212,649	\$ -	\$ 1,426,810	14.90%
09/30/2018	\$ 206,094	\$ 275,513	\$ (69,419)	\$ 1,257,028	21.92%
09/30/2017	\$ 196,391	\$ 236,582	\$ (40,191)	\$ 1,064,675	22.22%
09/30/2016	\$ 185,943	\$ 194,344	\$ (8,401)	\$ 1,012,380	19.20%
09/30/2015	\$ 201,031	\$ 211,212	\$ (10,181)	\$ 1,130,621	18.68%
09/30/2014	\$ 168,984	\$ 168,984	\$ -	\$ 1,045,343	16.17%
09/30/2013	\$ 166,886	\$ 166,886	\$ -	\$ 1,186,956	14.06%
09/30/2012	\$ 195,849	\$ 195,849	\$ -	\$ 1,441,126	13.59%
09/30/2011	\$ 162,888	\$ 162,888	\$ -	\$ 1,532,342	10.63%
09/30/2010	\$ 149,901	\$ 150,077	\$ (176)	\$ 1,693,871	8.86%

<sup>1</sup> The 2010-2018 results were taken over from the 2018 CAFR.

Notes to Schedule

Valuation Date: 10/01/2018

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

Methods and assumptions used to determine contribution rates:

Mortality Rates:

*Pre-retirement mortality:*

Sex-distinct rates set forth in the RP-2000 Combined Mortality Table, with full generational improvements in mortality using Scale BB.

*Post-retirement mortality:*

Sex-distinct rates set forth in the RP-2000 Combined Mortality Table, with full generational improvements in mortality using Scale BB.

*Disability:*

Sex-distinct rates set forth in the Wyatt 1985 Disability Study (Class 1); no disabilities are assumed to be service-related.

*Termination:*

The termination rates are age and gender based, ranging from 29.9% at age 20 to 0% at age 55 for males and ranging from 49.9% at age 20 to 0.0% at age 60 for

*Retirement:*

100% retirement is assumed at the earliest of:

- (a) any age with 40 years of service;
- (b) age 60 with 35 years of service.
- (c) age 62 with 30 years of service;
- (d) age 65 with 10 years of service, or
- (e) age 70

Interest Rate: 7.00% per annum.

Assumptions: All other assumptions and methods used for determining the Actuarially Determined Contribution can be found in the October 1, 2018 Actuarial Valuation Report for the City of Fort Meade General Employees' Retirement Plan prepared by the prior actuary Southern Actuarial Services.

**SCHEDULE OF INVESTMENT RETURNS**  
Last 10 Fiscal Years

Fiscal Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
09/30/2019	5.14%
09/30/2018	7.55%
09/30/2017	13.41%
09/30/2016	8.35%
09/30/2015	0.11%
09/30/2014	8.40%

<sup>1</sup> The 2014-2018 results were taken over from the 2018 CAFR and are Gross of Investment



## NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2019)

### *Plan Description*

The Plan is a single-employer defined benefit pension plan administered by the City of Fort Meade. The five-member City Commission serves as the Board of Trustees.

### *Plan Membership as of October 1, 2018:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	25
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	16
Active Plan Members	42
	<u>83</u>

### *Benefits Provided*

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

A summary of the benefit provisions can be found in the October 1, 2018 Actuarial Valuation Report for the City of Fort Meade General Employees' Retirement Plan prepared by the prior actuary, Southern Actuarial Services.

### *Contributions*

Amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII of Florida Statutes, Chapter 112.

### *Net Pension Liability*

The measurement date is September 30, 2019.

The measurement period for the expense was October 1, 2018 to September 30, 2019.

The reporting period is October 1, 2018 through September 30, 2019.

The Sponsor's Net Pension Liability was measured as of September 30, 2019.

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, 2018 updated to September 30, 2019 using the following actuarial assumptions:

Inflation	2.92%
Salary Increases	3.00%
Discount Rate	7.00%
Investment Rate of Return	7.00%

*Mortality Rate Healthy Active Lives:*

Female: RP2000 Generational, 100% White Collar Combined Healthy, Scale BB.

Male: RP2000 Generational, 50% White Collar Combined Healthy / 50% Blue Collar, Scale BB.

*Mortality Rate Healthy Inactive Lives:*

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.

*Mortality Rate Disabled Lives:*

Female: 100% RP2000 Disabled Female set forward two years.

Male: 100% RP2000 Disabled Male setback four years.

The above 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, 2018 FRS valuation report for special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

The most recent actuarial experience study used to review the other significant assumptions was unknown.

The Long-Term Expected Rate of Return on Pension Plan investments was 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 2019 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, 2019 are summarized in the following table:

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

*Discount Rate:*

The Discount Rate used to measure the Total Pension Liability was 7.00 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)
Balances at September 30, 2018	\$ 5,696,653	\$ 5,038,827	\$ 657,826
Changes for a Year:			
Service Cost	82,796	-	82,796
Interest	392,798	-	392,798
Differences between Expected and Actual Experience	(49,621)	-	(49,621)
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - Employer	-	212,649	(212,649)
Net Investment Income	-	255,992	(255,992)
Benefit Payments, including Refunds of Employee Contributions	(336,094)	(336,094)	-
Administrative Expense	-	(19,784)	19,784
Net Changes	89,879	112,763	(22,884)
Balances at September 30, 2019	\$ 5,786,532	\$ 5,151,590	\$ 634,942

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.00%	7.00%	8.00%
Sponsor's Net Pension Liability	\$ 1,251,277	\$ 634,942	\$ 116,717

*Pension Plan Fiduciary Net Position.*

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

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended September 30, 2019, the Sponsor will recognize a Pension Expense of \$375,833. On September 30, 2019, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	19,936	76,192
Changes of assumptions	535,197	-
Net difference between Projected and Actual Earnings on Pension Plan investments	-	62,791
Total	\$ 555,133	\$ 138,983

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:	
2020	\$ 125,368
2021	\$ 38,619
2022	\$ 98,653
2023	\$ 104,888
2024	\$ 48,622
Thereafter	\$ -

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
Last 10 Fiscal Years

Measurement Date <sup>1</sup>	09/30/2019	09/30/2018	09/30/2017
Total Pension Liability			
Service Cost	82,796	94,223	80,887
Interest	392,798	382,952	342,263
Changes of benefit terms	-	26,719	-
Differences between Expected and Actual Experience	(49,621)	(26,337)	95,640
Changes of assumptions	-	-	373,615
Benefit Payments, including Refunds of Employee Contributions	(336,094)	(337,146)	(308,763)
Other	-	(4,218)	5,532
Net Change in Total Pension Liability	89,879	136,193	589,174
Total Pension Liability - Beginning	5,696,653	5,560,460	4,971,286
Total Pension Liability - Ending (a)	<u>\$ 5,786,532</u>	<u>\$ 5,696,653</u>	<u>\$ 5,560,460</u>
Plan Fiduciary Net Position			
Contributions - Employer	212,649	275,513	236,582
Net Investment Income	255,992	342,535	559,921
Benefit Payments, including Refunds of Employee Contributions	(336,094)	(337,146)	(308,763)
Administrative Expense	(19,784)	(27,180)	(28,154)
Net Change in Plan Fiduciary Net Position	112,763	253,722	459,586
Plan Fiduciary Net Position - Beginning	5,038,827	4,785,105	4,325,519
Plan Fiduciary Net Position - Ending (b)	<u>\$ 5,151,590</u>	<u>\$ 5,038,827</u>	<u>\$ 4,785,105</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 634,942</u>	<u>\$ 657,826</u>	<u>\$ 775,355</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	89.03%	88.45%	86.06%
Covered Payroll	\$ 1,426,810	\$ 1,257,028	\$ 1,064,675
Net Pension Liability as a percentage of Covered Payroll	44.50%	52.33%	72.83%

**Notes to Schedule:**

<sup>1</sup> The 2014-2018 results were taken over from the 2018 CAFR.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
Last 10 Fiscal Years

Measurement Date <sup>1</sup>	09/30/2016	09/30/2015	09/30/2014
Total Pension Liability			
Service Cost	74,627	120,880	54,173
Interest	289,888	352,438	338,837
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	(39,575)	-	-
Changes of assumptions	854,987	-	-
Benefit Payments, including Refunds of Employee Contributions	(425,529)	(290,965)	(203,762)
Other	(97)	-	-
Net Change in Total Pension Liability	754,301	182,353	189,248
Total Pension Liability - Beginning	4,216,985	4,034,632	3,845,384
Total Pension Liability - Ending (a)	<u>\$ 4,971,286</u>	<u>\$ 4,216,985</u>	<u>\$ 4,034,632</u>
Plan Fiduciary Net Position			
Contributions - Employer	194,344	211,212	168,984
Net Investment Income	332,639	(6,348)	335,315
Benefit Payments, including Refunds of Employee Contributions	(425,529)	(221,451)	(203,762)
Administrative Expense	(26,270)	(21,732)	(37,664)
Net Change in Plan Fiduciary Net Position	75,184	(38,319)	262,873
Plan Fiduciary Net Position - Beginning	4,250,335	4,288,654	4,025,781
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,325,519</u>	<u>\$ 4,250,335</u>	<u>\$ 4,288,654</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 645,767</u>	<u>\$ (33,350)</u>	<u>\$ (254,022)</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	87.01%	100.79%	106.30%
Covered Payroll	\$ 1,012,380	\$ 1,130,621	\$ 1,045,343
Net Pension Liability as a percentage of Covered Payroll	63.79%	-2.95%	-24.30%

**Notes to Schedule:**

<sup>1</sup> The 2014-2018 results were taken over from the 2018 CAFR.

## SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

Fiscal Year Ended <sup>1</sup>	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
09/30/2019	\$ 212,649	\$ 212,649	\$ -	\$ 1,426,810	14.90%
09/30/2018	\$ 206,094	\$ 275,513	\$ (69,419)	\$ 1,257,028	21.92%
09/30/2017	\$ 196,391	\$ 236,582	\$ (40,191)	\$ 1,064,675	22.22%
09/30/2016	\$ 185,943	\$ 194,344	\$ (8,401)	\$ 1,012,380	19.20%
09/30/2015	\$ 201,031	\$ 211,212	\$ (10,181)	\$ 1,130,621	18.68%
09/30/2014	\$ 168,984	\$ 168,984	\$ -	\$ 1,045,343	16.17%
09/30/2013	\$ 166,886	\$ 166,886	\$ -	\$ 1,186,956	14.06%
09/30/2012	\$ 195,849	\$ 195,849	\$ -	\$ 1,441,126	13.59%
09/30/2011	\$ 162,888	\$ 162,888	\$ -	\$ 1,532,342	10.63%
09/30/2010	\$ 149,901	\$ 150,077	\$ (176)	\$ 1,693,871	8.86%

<sup>1</sup> The 2010-2018 results were taken over from the 2018 CAFR.

Notes to Schedule

Valuation Date: 10/01/2018

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

Methods and assumptions used to determine contribution rates:

## Mortality Rates:

*Pre-retirement mortality:*

Sex-distinct rates set forth in the RP-2000 Combined Mortality Table, with full generational improvements in mortality using Scale BB.

*Post-retirement mortality:*

Sex-distinct rates set forth in the RP-2000 Combined Mortality Table, with full generational improvements in mortality using Scale BB.

*Disability:*

Sex-distinct rates set forth in the Wyatt 1985 Disability Study (Class 1); no disabilities are assumed to be service-related.

*Termination:*

The termination rates are age and gender based, ranging from 29.9% at age 20 to 0% at age 55 for males and ranging from 49.9% at age 20 to 0.0% at age 60 for females.

*Retirement:*

100% retirement is assumed at the earliest of:

- (a) any age with 40 years of service;
- (b) age 60 with 35 years of service.
- (c) age 62 with 30 years of service;
- (d) age 65 with 10 years of service, or
- (e) age 70

Interest Rate: 7.00% per annum.

Assumptions: All other assumptions and methods used for determining the Actuarially Determined Contribution can be found in the October 1, 2018 Actuarial Valuation Report for the City of Fort Meade General Employees' Retirement Plan prepared by the prior actuary Southern Actuarial Services.

## EXPENSE DEVELOPMENT AND AMORTIZATION SCHEDULES

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



**COMPONENTS OF PENSION EXPENSE**  
**FISCAL YEAR SEPTEMBER 30, 2019**

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 657,826	\$ 176,146	\$ 778,364	\$ -
Total Pension Liability Factors:				
Service Cost	82,796	-	-	82,796
Interest	392,798	-	-	392,798
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(49,621)	49,621	-	-
Current year amortization of experience difference	-	(19,204)	(25,235)	6,031
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	(197,996)	197,996
Benefit Payments, including Refunds of Employee Contributions	(336,094)	-	-	-
Net change	<u>89,879</u>	<u>30,417</u>	<u>(223,231)</u>	<u>679,621</u>
Plan Fiduciary Net Position:				
Contributions - Employer	212,649	-	-	-
Projected Net Investment Income	347,705	-	-	(347,705)
Difference between projected and actual earnings on Pension Plan investments	(91,713)	-	91,713	-
Current year amortization	-	(71,001)	(95,134)	24,133
Benefit Payments, including Refunds of Employee Contributions	(336,094)	-	-	-
Administrative Expenses	(19,784)	-	-	19,784
Net change	<u>112,763</u>	<u>(71,001)</u>	<u>(3,421)</u>	<u>(303,788)</u>
Ending Balance	<u><u>\$ 634,942</u></u>	<u><u>\$ 135,562</u></u>	<u><u>\$ 551,712</u></u>	<u><u>\$ 375,833</u></u>

## 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 Projected and Actual Earnings	Recognition Period (Years)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2019	\$ 91,713	5	\$ 18,341	\$ 18,343	\$ 18,343	\$ 18,343	\$ 18,343	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ (26,114)	5	\$ (5,223)	\$ (5,223)	\$ (5,223)	\$ (5,222)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ (273,571)	5	\$ (54,714)	\$ (54,714)	\$ (54,715)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (55,322)	5	\$ (11,064)	\$ (11,066)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 383,965	5	\$ 76,793	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 24,133	\$ (52,660)	\$ (41,595)	\$ 13,121	\$ 18,343	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## 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)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2017	\$ 373,615	3.79	\$ 98,579	\$ 77,878	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 854,987	8.60	\$ 99,417	\$ 99,417	\$ 99,417	\$ 99,417	\$ 99,417	\$ 59,651	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 197,996	\$ 177,295	\$ 99,417	\$ 99,417	\$ 99,417	\$ 59,651	\$ -	\$ -	\$ -	\$ -	\$ -

## 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)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2019	\$ (49,621)	6	\$ (8,271)	\$ (8,270)	\$ (8,270)	\$ (8,270)	\$ (8,270)	\$ (8,270)	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ (26,337)	4.16	\$ (6,331)	\$ (6,331)	\$ (6,331)	\$ (1,013)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ 95,640	3.79	\$ 25,235	\$ 19,936	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (39,575)	8.60	\$ (4,602)	\$ (4,602)	\$ (4,602)	\$ (4,602)	\$ (4,602)	\$ (2,759)	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 6,031	\$ 733	\$ (19,203)	\$ (13,885)	\$ (12,872)	\$ (11,029)	\$ -	\$ -	\$ -	\$ -	\$ -