

CITY OF FORT MEADE
POLICE OFFICERS' RETIREMENT PLAN
ACTUARIAL VALUATION
AS OF OCTOBER 1, 2020
CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2021
GASB 67/68 DISCLOSURE INFORMATION
AS OF SEPTEMBER 30, 2020



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

November 30, 2020

Board of Trustees
City of Fort Meade
Police Officers' Pension Board

Re: City of Fort Meade Police Officers' 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 Police Officers' 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 Chapters 112 and 185, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in the valuations, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

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

In conducting the valuations, we have relied on personnel, plan design, and asset information supplied by the City of 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, 2019. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2020 using generally accepted actuarial principles. It is our opinion that the assumptions used for this purpose are internally consistent, reasonable, and comply with the requirements under GASB No. 67 and No. 68.


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

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

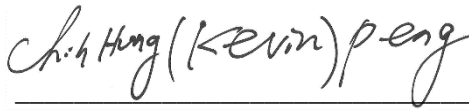
If there are any questions, concerns, or comments about any of the items contained in this report, please contact us at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By: 

Douglas H. Lozen, EA, MAAA
Enrolled Actuary #20-7778

By: 

Kevin H. Peng, ASA, EA, MAAA
Enrolled Actuary #20-7783

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Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Fort Meade Police Officers' Retirement Plan, performed as of October 1, 2020, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ending September 30, 2021.

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

| | | |
|--------------------------------------------|------------------|------------------|
| Valuation Date | 10/1/2020 | 10/1/2019 |
| Applicable to Fiscal Year Ending | <u>9/30/2021</u> | <u>9/30/2020</u> |
| Minimum Required Contribution ¹ | \$11,426 | \$26,973 |

Please note that the City has access to a prepaid contribution of \$5,578.00 that is available to offset a portion of the above stated requirements for the fiscal year ending September 30, 2021. The Minimum Required Contribution is based on the statutory Normal Cost Minimum plus expected Administrative Expenses. Please refer to the Funding Method description in the Actuarial Assumptions and Methods section for additional information.

As you can see, the Minimum Required Contribution shows a decrease when compared to the results determined in the October 1, 2019 actuarial valuation report. The decrease is attributable to a statutory change in mortality assumption and favorable experience described below.

Plan experience was favorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial gain included inactive mortality experience and an investment return of 7.87% (Actuarial Asset Basis) which exceeded the 7.00% assumption. There were no significant sources of actuarial loss.

CHANGES SINCE PRIOR VALUATION

Plan Changes

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

Actuarial Assumption/Method Changes

As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation report for special risk employees.

There have been no method changes since the prior valuation.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

| | New Assump <u>10/1/2020</u> | Old Assump <u>10/1/2020</u> | <u>10/1/2019</u> |
|--------------------------------|--------------------------------|--------------------------------|------------------|
| A. Participant Data | | | |
| Actives | 0 | 0 | 0 |
| Service Retirees | 5 | 5 | 6 |
| Beneficiaries | 1 | 1 | 1 |
| Disability Retirees | 0 | 0 | 0 |
| Terminated Vested | <u>4</u> | <u>4</u> | <u>4</u> |
| Total | 10 | 10 | 11 |
| Total Annual Payroll | \$0 | \$0 | \$0 |
| Payroll Under Assumed Ret. Age | 0 | 0 | 0 |
| Annual Rate of Payments to: | | | |
| Service Retirees | 60,788 | 60,788 | 97,257 |
| Beneficiaries | 14,418 | 14,418 | 14,418 |
| Disability Retirees | 0 | 0 | 0 |
| Terminated Vested | 38,613 | 38,613 | 38,613 |
| B. Assets | | | |
| Actuarial Value (AVA) | 1,197,250 | 1,197,250 | 1,194,781 |
| Market Value (MVA) | 1,189,453 | 1,189,453 | 1,205,619 |
| C. Liabilities | | | |
| Present Value of Benefits | | | |
| Actives | | | |
| Retirement Benefits | 0 | 0 | 0 |
| Disability Benefits | 0 | 0 | 0 |
| Death Benefits | 0 | 0 | 0 |
| Vested Benefits | 0 | 0 | 0 |
| Refund of Contributions | 0 | 0 | 0 |
| Service Retirees | 581,847 | 606,451 | 869,828 |
| Beneficiaries | 124,454 | 126,991 | 130,364 |
| Disability Retirees | 0 | 0 | 0 |
| Terminated Vested | <u>317,936</u> | <u>327,607</u> | <u>304,429</u> |
| Total | 1,024,237 | 1,061,049 | 1,304,621 |

| C. Liabilities - (Continued) | New Assump <u>10/1/2020</u> | Old Assump <u>10/1/2020</u> | <u>10/1/2019</u> |
|-------------------------------------------------|--------------------------------|--------------------------------|------------------|
| Present Value of Future Salaries | 0 | 0 | 0 |
| Present Value of Future Member Contributions | 0 | 0 | 0 |
| Normal Cost (Retirement) | 0 | 0 | 0 |
| Normal Cost (Disability) | 0 | 0 | 0 |
| Normal Cost (Death) | 0 | 0 | 0 |
| Normal Cost (Vesting) | 0 | 0 | 0 |
| Normal Cost (Refunds) | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Normal Cost | 0 | 0 | 0 |
| Present Value of Future Normal Costs | 0 | 0 | 0 |
| Accrued Liability (Retirement) | 0 | 0 | 0 |
| Accrued Liability (Disability) | 0 | 0 | 0 |
| Accrued Liability (Death) | 0 | 0 | 0 |
| Accrued Liability (Vesting) | 0 | 0 | 0 |
| Accrued Liability (Refunds) | 0 | 0 | 0 |
| Accrued Liability (Inactives) | <u>1,024,237</u> | <u>1,061,049</u> | <u>1,304,621</u> |
| Total Actuarial Accrued Liability (EAN AL) | 1,024,237 | 1,061,049 | 1,304,621 |
| Unfunded Actuarial Accrued Liability (UAAL) | (173,013) | (136,201) | 109,840 |
| Funded Ratio (AVA / EAN AL) | 116.9% | 112.8% | 91.6% |

| D. Actuarial Present Value of Accrued Benefits | New Assump <u>10/1/2020</u> | Old Assump <u>10/1/2020</u> | <u>10/1/2019</u> |
|------------------------------------------------------------------------------|--------------------------------|--------------------------------|------------------|
| Vested Accrued Benefits | | | |
| Inactives | 1,024,237 | 1,061,049 | 1,304,621 |
| Actives | 0 | 0 | 0 |
| Member Contributions | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | 1,024,237 | 1,061,049 | 1,304,621 |
| Non-vested Accrued Benefits | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Present Value | | | |
| Accrued Benefits (PVAB) | 1,024,237 | 1,061,049 | 1,304,621 |
| Funded Ratio (MVA / PVAB) | 116.1% | 112.1% | 92.4% |
| Increase (Decrease) in Present Value of Accrued Benefits Attributable to: | | | |
| Plan Amendments | 0 | 0 | |
| Assumption Changes | (36,812) | 0 | |
| Plan Experience | 0 | (231,893) | |
| Benefits Paid | 0 | (99,519) | |
| Interest | 0 | 87,840 | |
| Other | <u>0</u> | <u>0</u> | |
| Total | (36,812) | (243,572) | |

| | New Assump | Old Assump | |
|----------------------------------|------------------|------------------|------------------|
| Valuation Date | 10/1/2020 | 10/1/2020 | 10/1/2019 |
| Applicable to Fiscal Year Ending | <u>9/30/2021</u> | <u>9/30/2021</u> | <u>9/30/2020</u> |

E. Pension Cost

| | | | |
|-------------------------------------------------------------------------------------------------------------------------|----------|----------|--------|
| Normal Cost ¹ | \$0 | \$0 | \$0 |
| Administrative Expenses ¹ | 11,426 | 11,426 | 13,455 |
| Payment Required to Amortize Unfunded Actuarial Accrued Liability over 15 years (as of 10/1/2020) ¹ | (15,867) | (11,957) | 13,518 |
| Minimum Required Contribution | 11,426 | 11,426 | 26,973 |
| Expected Member Contributions ¹ | 0 | 0 | 0 |
| Expected City and State Contribution | 11,426 | 11,426 | 26,973 |

F. Past Contributions

| | |
|----------------------------|------------------|
| Plan Years Ending: | <u>9/30/2020</u> |
| City and State Requirement | 26,973 |
| Actual Contributions Made: | |
| City | 26,973 |
| State | 0 |
| Total | <u>26,973</u> |

G. Net Actuarial (Gain)/Loss (239,268)

¹ Contributions developed as of 10/1/2020 displayed above include an interest adjustment for the timing of sponsor contributions.

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

| <u>Year</u> | <u>Projected Unfunded Actuarial Accrued Liability</u> |
|-------------|-----------------------------------------------------------|
| 2020 | (173,013) ¹ |

I. 5 Year Comparison of Investment Return on Market Value and Actuarial Value

| | | <u>Market Value</u> | <u>Actuarial Value</u> | <u>Assumed</u> |
|------------|-----------|---------------------|------------------------|----------------|
| Year Ended | 9/30/2020 | 6.20% | 7.87% | 7.00% |
| Year Ended | 9/30/2019 | 4.98% | 6.53% | 7.00% |
| Year Ended | 9/30/2018 | 7.55% | 7.67% | 7.50% |
| Year Ended | 9/30/2017 | 13.56% | 8.78% | 7.50% |
| Year Ended | 9/30/2016 | 8.25% | 9.43% | 7.50% |

¹ Based on current State law and the existing UAAL bases, the UAAL is projected to be negative. Due to the statutory Normal Cost minimum requirement, the sponsor may not offset its funding requirement with a negative amortization payment. Accordingly, a projection of the UAAL for fiscal 2021 and later is not provided.

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 #20-7778

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

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

Mr. Steve Bardin
Municipal Police and Fire
Pension Trust Funds
Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

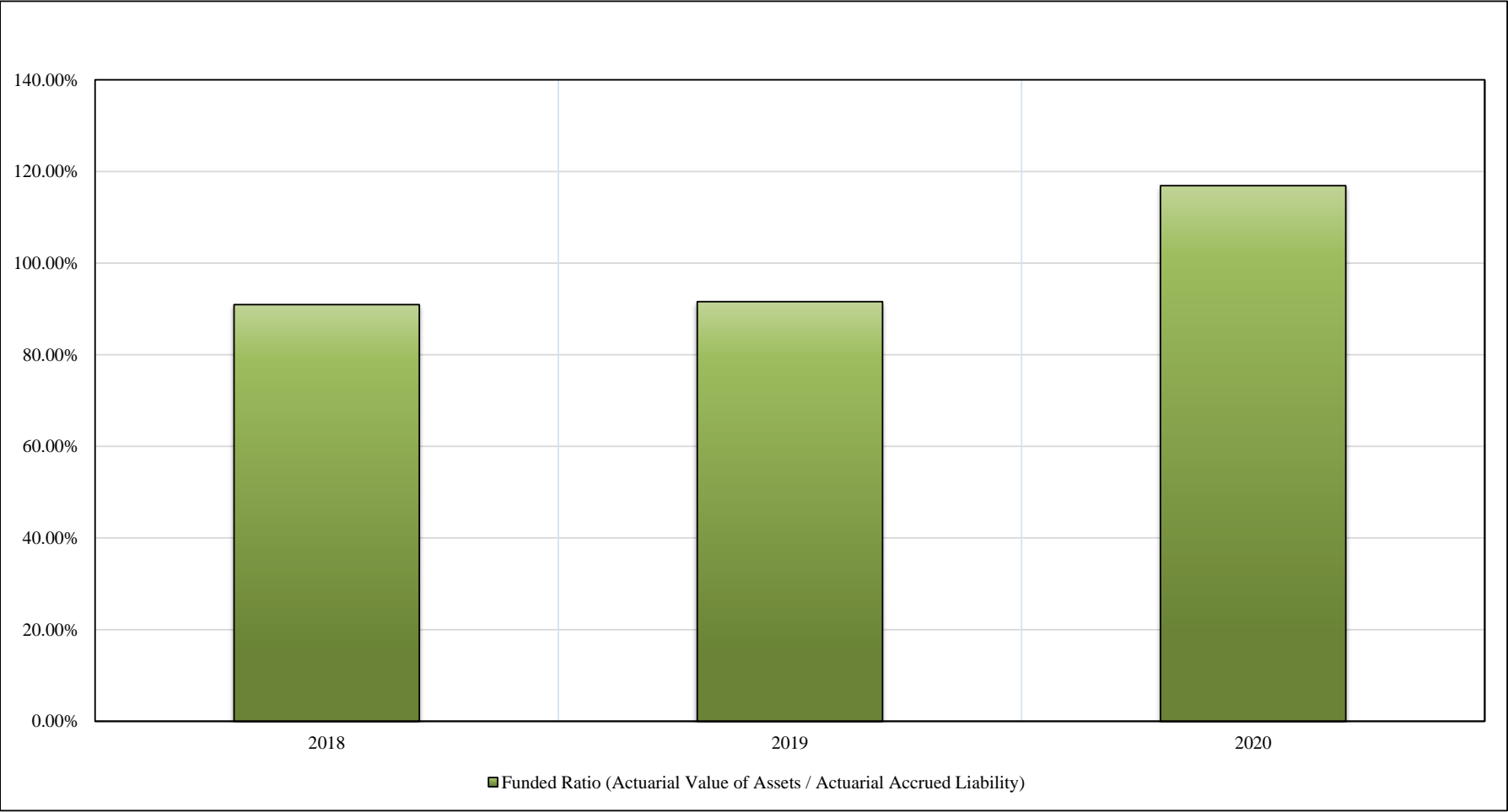
| | | |
|------|------------------------------------------------------------------------------------------------|-----------|
| (1) | Unfunded Actuarial Accrued Liability as of October 1, 2019 | \$109,840 |
| (2) | Sponsor Normal Cost developed as of October 1, 2019 | 0 |
| (3) | Expected administrative expenses for the year ended September 30, 2020 | 13,000 |
| (4) | Expected interest on (1), (2) and (3) | 8,144 |
| (5) | Sponsor contributions to the System during the year ended September 30, 2020 | 26,973 |
| (6) | Expected interest on (5) | 944 |
| (7) | Expected Unfunded Actuarial Accrued Liability as of September 30, 2020 (1)+(2)+(3)+(4)-(5)-(6) | 103,067 |
| (8) | Change to UAAL due to Assumption Change | (36,812) |
| (9) | Change to UAAL due to Actuarial (Gain)/Loss | (239,268) |
| (10) | Unfunded Actuarial Accrued Liability as of October 1, 2020 | (173,013) |

| Type of <u>Base</u> | Date <u>Established</u> | Years <u>Remaining</u> | 10/1/2020 <u>Amount</u> | Amortization <u>Amount</u> |
|------------------------|----------------------------|---------------------------|----------------------------|-------------------------------|
| Initial | 10/1/2016 | 11 | 97,093 | 12,101 |
| Amendment | 10/1/2017 | 12 | 450 | 53 |
| Assumption | 10/1/2018 | 13 | 51,396 | 5,747 |
| Actuarial Gain | 10/1/2019 | 14 | (45,872) | (4,902) |
| Actuarial Gain | 10/1/2020 | 15 | (239,268) | (24,552) |
| Assumption | 10/1/2020 | 15 | <u>(36,812)</u> | <u>(3,777)</u> |
| | | | (173,013) | (15,330) |

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

| | |
|-----------------------------------------------------------------------|--------------|
| (1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2019 | \$109,840 |
| (2) Expected UAAL as of October 1, 2020 | 103,067 |
| (3) Summary of Actuarial (Gain)/Loss, by component: | |
| Investment Return (Actuarial Asset Basis) | (10,003) |
| Inactive Mortality | (238,244) |
| Other | <u>8,979</u> |
| Increase in UAAL due to (Gain)/Loss | (239,268) |
| Assumption Changes | (36,812) |
| (4) Actual UAAL as of October 1, 2020 | (\$173,013) |

HISTORY OF FUNDING PROGRESS



ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Active Lives:

Female: PubS.H-2010 for Employees, set forward one year. Prior year assumption: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB.

Male: PubS.H-2010 (Below Median) for Employees, set forward one year. Prior year assumption: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB.

Healthy Retiree Lives:

Female: PubS.H-2010 for Healthy Retirees, set forward one year. Prior year assumption: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year. Prior year assumption: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Beneficiary Lives:

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

Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year. Prior year assumption: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Disabled Lives:

80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.

Prior year assumption (Female): 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale

Prior year assumption (Male): 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

All rates are projected generationally with Mortality Improvement Scale MP-2018.

The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2019 FRS valuation report for special risk employees. 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.

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.

Administrative Expenses

\$11,040 annually, based on the average of actual expenses incurred in the prior two fiscal years.

Funding Method

Entry Age Normal Actuarial Cost Method. In the event the Minimum Required Contribution is based on the statutory Normal Cost Minimum funding requirement, explicit reimbursement of the plan's Administrative Expense is included in determination of the Minimum Required Contribution.

Amortization Method

New components of the UAAL are amortized as level dollar over 15 years.

GLOSSARY

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

Individual Entry Age Normal Actuarial Cost Method (Level Dollar Amortization) is the method used to determine required contributions under the Plan. The actuarial accrued liability for inactive participants is the present value of future benefits.

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

Normal (Current Year's) Cost – Not applicable.

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

Total Annual Payroll – Not applicable.

Minimum Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability over no more than 15 years. The required amount is adjusted for interest according to the timing of contributions during the year. This funding requirement is no less than reimbursement of administrative expenses.

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

DISCUSSION OF RISK

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

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

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

- Investment Return: When the rate of return on the Actuarial Value of Assets falls short of the assumption, this produces a loss representing assumed investment earnings that were not realized. Further, it is unlikely that the plan will experience a scenario that matches the assumed return in each year as capital markets can be volatile from year to year. Therefore, contribution amounts can vary in the future.
- 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, is 0%, indicating the plan is comprised entirely inactive participants.
- 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 100.0%. With a plan of this maturity, losses due to lower than expected investment returns or demographic factors may result in larger increases in contribution requirements than would be needed for a less mature plan. Please note Chapter 112, Florida Statutes, requires that the plan sponsor contributes the minimum required contribution; thus, there is minimal solvency risk to the plan.
- The Funded Ratio, determined as the ratio of the Actuarial Value of Assets to the Total Accrued Liability, has increased from 90.9% on October 1, 2018 to 116.9% on October 1, 2020.
- The Net Cash Flow Ratio, determined as the ratio of the Net Cash Flow (contributions minus benefit payments and administrative expenses) to the Market Value of Assets, stayed approximately the same from October 1, 2018 to October 1, 2020. The current Net Cash Flow Ratio of -7.4% 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>10/1/2018</u> | <u>10/1/2019</u> | <u>10/1/2020</u> |
|-------------------------------------|------------------|------------------|------------------|
| <u>Support Ratio</u> | | | |
| Total Actives | 0 | 0 | 0 |
| Total Inactives | 11 | 11 | 10 |
| Actives / Inactives | 0.0% | 0.0% | 0.0% |
| <u>Asset Volatility Ratio</u> | | | |
| Market Value of Assets (MVA) | 1,231,929 | 1,205,619 | 1,189,453 |
| Total Annual Payroll | 0 | 0 | 0 |
| MVA / Total Annual Payroll | N/A | N/A | N/A |
| <u>Accrued Liability (AL) Ratio</u> | | | |
| Inactive Accrued Liability | 1,324,409 | 1,304,621 | 1,024,237 |
| Total Accrued Liability (EAN) | 1,324,409 | 1,304,621 | 1,024,237 |
| Inactive AL / Total AL | 100.0% | 100.0% | 100.0% |
| <u>Funded Ratio</u> | | | |
| Actuarial Value of Assets (AVA) | 1,204,372 | 1,194,781 | 1,197,250 |
| Total Accrued Liability (EAN) | 1,324,409 | 1,304,621 | 1,024,237 |
| AVA / Total Accrued Liability (EAN) | 90.9% | 91.6% | 116.9% |
| <u>Net Cash Flow Ratio</u> | | | |
| Net Cash Flow ¹ | (83,980) | (85,475) | (88,275) |
| Market Value of Assets (MVA) | 1,231,929 | 1,205,619 | 1,189,453 |
| Ratio | -6.8% | -7.1% | -7.4% |

¹ Determined as total contributions minus benefit payments and administrative expenses.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020

| <u>ASSETS</u> | MARKET VALUE |
|--------------------------------------|--------------|
| Cash and Cash Equivalents: | |
| Cash | 9,560.25 |
| Total Cash and Equivalents | 9,560.25 |
| Total Receivable | 0.00 |
| Investments: | |
| Pooled/Common/Commingled Funds: | |
| Fixed Income | 333,413.75 |
| Equity | 743,309.50 |
| Real Estate | 108,747.85 |
| Total Investments | 1,185,471.10 |
| Total Assets | 1,195,031.35 |
| <u>LIABILITIES</u> | |
| Prepaid City Contribution | 5,578.00 |
| Total Liabilities | 5,578.00 |
| NET POSITION RESTRICTED FOR PENSIONS | 1,189,453.35 |

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

ADDITIONS

Contributions:

| | | |
|-------------------------------------------|------------|-----------|
| City | 26,973.00 | |
| Total Contributions | | 26,973.00 |
| Investment Income: | | |
| Net Increase in Fair Value of Investments | 74,415.17 | |
| Less Investment Expense ¹ | (2,306.75) | |
| Net Investment Income | | 72,108.42 |
| Total Additions | | 99,081.42 |

DEDUCTIONS

Distributions to Members:

| | | |
|--------------------------------------|-----------|--------------|
| Benefit Payments | 99,518.88 | |
| Total Distributions | | 99,518.88 |
| Administrative Expense | | 15,728.54 |
| Total Deductions | | 115,247.42 |
| Net Increase in Net Position | | (16,166.00) |
| NET POSITION RESTRICTED FOR PENSIONS | | |
| Beginning of the Year | | 1,205,619.35 |
| End of the Year | | 1,189,453.35 |

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

ACTUARIAL ASSET VALUATION
September 30, 2020

Actuarial Assets for funding purposes are developed by 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 | | | | |
| | | 2020 | 2021 | 2022 | 2023 | 2024 |
| 09/30/2016 | 8,901 | 0 | 0 | 0 | 0 | 0 |
| 09/30/2017 | 70,130 | 14,026 | 0 | 0 | 0 | 0 |
| 09/30/2018 | 511 | 205 | 103 | 0 | 0 | 0 |
| 09/30/2019 | (24,128) | (14,476) | (9,650) | (4,824) | 0 | 0 |
| 09/30/2020 | (9,440) | (7,552) | (5,664) | (3,776) | (1,888) | 0 |
| Total | | (7,797) | (15,211) | (8,600) | (1,888) | 0 |

| <u>Development of Investment Gain/(Loss)</u> | |
|------------------------------------------------------|----------------|
| Market Value of Assets, 09/30/2019 | 1,205,619 |
| Contributions Less Benefit Payments & Admin Expenses | (82,696) |
| Expected Investment Earnings* | 81,548 |
| Actual Net Investment Earnings | 72,108 |
| 2020 Actuarial Investment Gain/(Loss) | <u>(9,440)</u> |

*Expected Investment Earnings = $0.07 * 1,205,619 - 82,696 * [(1 + 0.07) ^ 0.5 - 1]$

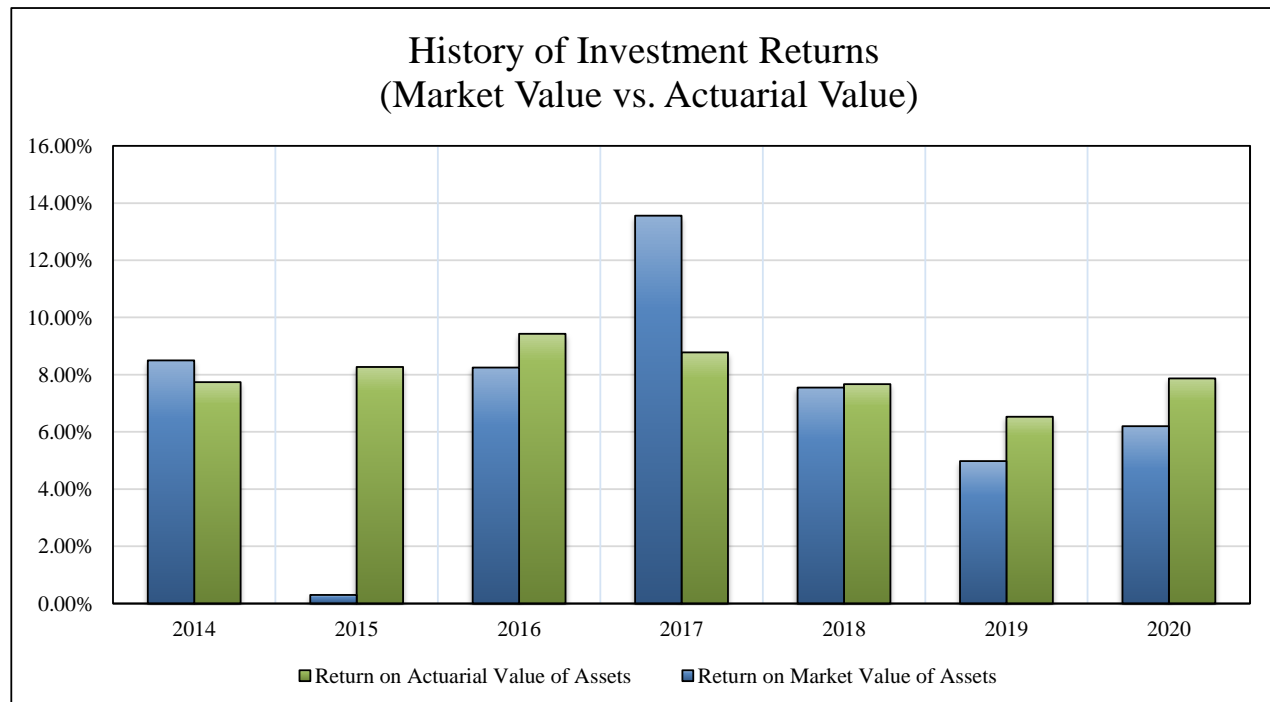
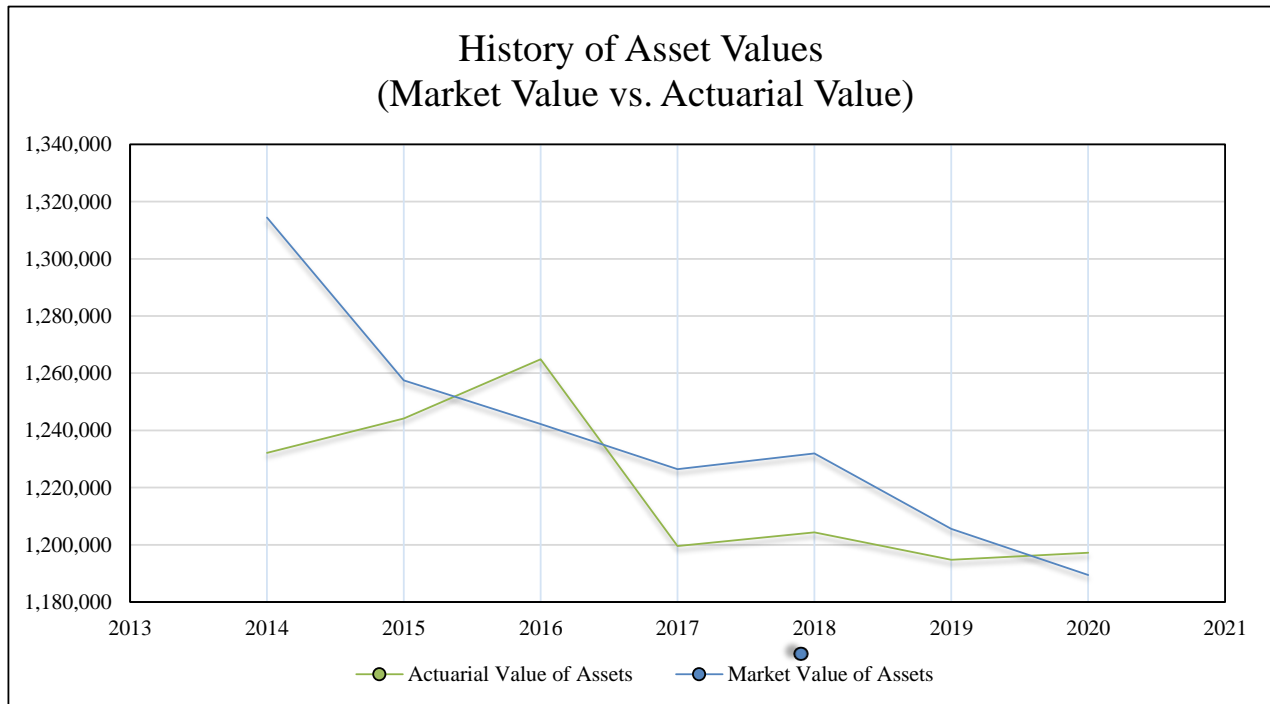
| <u>Development of Actuarial Value of Assets</u> | |
|------------------------------------------------------------------------|----------------|
| (1) Market Value of Assets, 09/30/2020 | 1,189,453 |
| (2) Gain/(Loss) Not Yet Recognized | <u>(7,797)</u> |
| (3) Actuarial Value of Assets, 09/30/2020, (1) - (2) | 1,197,250 |
| (A) 09/30/2019 Actuarial Assets: | 1,194,781 |
| (I) Net Investment Income: | |
| 1. Net Increase in Fair Value of Investments | 74,415 |
| 2. Change in Actuarial Value | 18,635 |
| 3. Investment Expenses | <u>(2,307)</u> |
| Total | 90,743 |
| (B) 09/30/2020 Actuarial Assets, including Prepaid Contributions: | 1,202,828 |
| Actuarial Asset Rate of Return = $2I/(A+B-I)$: | 7.87% |
| Market Value of Assets Rate of Return: | 6.20% |
| Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis) | 10,003 |
| 10/01/2020 Limited Actuarial Assets (not including Prepaid): | 1,197,250 |

REVENUES

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

| | |
|--------------------------------------------------------------------------------|--------------------|
| (1) Required City and State Contributions | \$26,973.00 |
| (2) Less Allowable State Contribution | <u>0.00</u> |
| (3) Required City Contribution for Fiscal 2020 | 26,973.00 |
| (4) Less 2019 Prepaid Contribution | 0.00 |
| (5) Less Actual City Contributions | <u>(32,551.00)</u> |
| (6) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2020 | (\$5,578.00) |

HISTORY OF ASSET VALUES AND INVESTMENT RETURNS



STATISTICAL DATA

| | <u>10/1/2018</u> | <u>10/1/2019</u> | <u>10/1/2020</u> |
|----------------------------|------------------|------------------|------------------|
| <u>Service Retirees</u> | | | |
| Number | 6 | 6 | 5 |
| Average Current Age | 70.7 | 71.7 | 71.4 |
| Average Annual Benefit | \$16,210 | \$16,210 | \$12,158 |
| <u>Beneficiaries</u> | | | |
| Number | 1 | 1 | 1 |
| Average Current Age | 72.6 | 73.6 | 74.6 |
| Average Annual Benefit | \$14,418 | \$14,418 | \$14,418 |
| <u>Disability Retirees</u> | | | |
| Number | 0 | 0 | 0 |
| Average Current Age | N/A | N/A | N/A |
| Average Annual Benefit | N/A | N/A | N/A |
| <u>Terminated Vested</u> | | | |
| Number | 4 | 4 | 4 |
| Average Current Age | 53.6 | 54.6 | 55.6 |
| Average Annual Benefit | \$9,653 | \$9,653 | \$9,653 |

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

| | |
|------------------------------------------------------------------|---|
| a. Number in prior valuation 10/1/2019 | 0 |
| b. Terminations | |
| i. Vested (partial or full) with deferred annuity | 0 |
| ii. Vested in refund of member contributions only | 0 |
| iii. Refund of member contributions or full lump sum distributio | 0 |
| c. Deaths | |
| i. Beneficiary receiving benefits | 0 |
| ii. No future benefits payable | 0 |
| d. Disabled | 0 |
| e. Retired | 0 |
| f. Continuing participants | 0 |
| g. New entrants | 0 |
| h. Total active life participants in valuation | 0 |

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

| | Service Retirees, Vested Receiving <u>Benefits</u> | Receiving Death <u>Benefits</u> | Receiving Disability <u>Benefits</u> | Vested (Deferred Annuity) | Vested (Due Refund) | <u>Total</u> |
|-------------------------------|----------------------------------------------------------------|---------------------------------------|--------------------------------------------|---------------------------------|---------------------------|--------------|
| a. Number prior valuation | 6 | 1 | 0 | 4 | 0 | 11 |
| Retired | 0 | 0 | 0 | 0 | 0 | 0 |
| Vested (Deferred Annuity) | 0 | 0 | 0 | 0 | 0 | 0 |
| Vested (Due Refund) | 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 | (1) | 0 | 0 | 0 | 0 | (1) |
| Disabled | 0 | 0 | 0 | 0 | 0 | 0 |
| Refund of Contributions | 0 | 0 | 0 | 0 | 0 | 0 |
| 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 | 5 | 1 | 0 | 4 | 0 | 10 |

SUMMARY OF CURRENT PLAN
(Historical reference only – There are no current participating members)

| | |
|---------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>CREDITED SERVICE</u> | Years and fractional parts of years of service (to the nearest month) with the City as a Police Officer. |
| <u>COMPENSATION</u> | Total compensation actually paid to a member including overtime, payment for accrued vacation and longevity but excluding bonuses (other than longevity bonuses). |
| <u>AVERAGE MONTHLY EARNINGS</u> | Average monthly compensation during the last 5 years of Credited Service prior to termination or retirement. |
| <u>NORMAL RETIREMENT</u> | |
| Eligibility | Earlier of: a) Age 55 and 30 years of Credited Service, b) Age 60 and 10 years of Credited Service, or c) the completion of 40 years of Credited Service, regardless of age. Additionally, members hired between the ages of 55 and 60 may retire at age 65. |
| Benefit Amount | 1.75 % of Average Monthly Earnings for each year of Credited Service. |
| Form of Benefit | 10 year certain and life thereafter (options available). |
| <u>EARLY RETIREMENT</u> | |
| Eligibility | Age 50 and 10 years of Credited Service. |
| Benefit Amount | Accrued benefit, reduced 5% per year for commencement prior to age 60. |
| <u>DISABILITY</u> | |
| Eligibility | a. Non-Service Incurred: 10 years of Credited Service. b. Service Incurred: Covered from Date of Employment c. Total and permanent disability as determined by the Board of Trustees. |
| Benefit Amount | |
| Service-Incurred | Accrued Benefit, but not less than 30% of the pay in effect as of the date of disability. |
| Non Service-Incurred | Accrued Benefit. |
| Form of Benefit | Single life annuity. |

PRE-RETIREMENT DEATH

Benefit Amount

Surviving Spouse

Actuarial equivalent of 75% of the member's vested accrued benefit, payable as a lump sum as soon as possible following the member's death. If the member dies while employed after attaining Normal Retirement eligibility, the survivor benefit is determined as if the member had retired under the 66 2/3% annuity option immediately prior to death.

VESTING (TERMINATION)

10 years or more

Accrued benefit payable at age 50 or later, on a reduced basis if to commence prior to Normal Retirement Date.

CONTRIBUTIONS

Premium Tax

None.

Member

None.

City

Annual amount necessary for payment of Normal (current year's) Cost, amortization of the Unfunded Actuarial Accrued Liability, and reimbursement of the plan's administrative expenses.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020

| <u>ASSETS</u> | MARKET VALUE |
|--------------------------------------|--------------|
| Cash and Cash Equivalents: | |
| Cash | 9,560 |
| Total Cash and Equivalents | 9,560 |
| Total Receivable | 0 |
| Investments: | |
| Pooled/Common/Commingled Funds: | |
| Fixed Income | 333,414 |
| Equity | 743,309 |
| Real Estate | 108,748 |
| Total Investments | 1,185,471 |
| Total Assets | 1,195,031 |
| Total Liabilities | 0 |
| NET POSITION RESTRICTED FOR PENSIONS | 1,195,031 |

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

ADDITIONS

Contributions:

| | | |
|-------------------------------------------|---------|---------|
| City | 32,551 | |
| Total Contributions | | 32,551 |
| Investment Income: | | |
| Net Increase in Fair Value of Investments | 74,415 | |
| Interest & Dividends | 0 | |
| Less Investment Expense ¹ | (2,307) | |
| Net Investment Income | | 72,108 |
| Total Additions | | 104,659 |

DEDUCTIONS

Distributions to Members:

| | | |
|---------------------------------|--------|----------|
| Benefit Payments | 99,519 | |
| Refunds of Member Contributions | 0 | |
| Total Distributions | | 99,519 |
| Administrative Expense | | 15,728 |
| Total Deductions | | 115,247 |
| Net Increase in Net Position | | (10,588) |

NET POSITION RESTRICTED FOR PENSIONS

| | |
|-----------------------|-----------|
| Beginning of the Year | 1,205,619 |
| End of the Year | 1,195,031 |

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

NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2020)

Plan Administration

The 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, 2019:

| | |
|---------------------------------------------------------------------|----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 7 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | 4 |
| Active Plan Members | - |
| | 11 |

Benefits Provided

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

A summary of the benefit provisions can be found in the October 1, 2019 Actuarial Valuation Report for the City of Fort Meade Police Officers' Retirement Plan prepared by Foster & Foster Actuaries and Consultants.

Contributions

Member Contributions: None.

Premium Tax: None.

City: Annual amount necessary for payment of Normal (current year's) Cost, amortization of the Unfunded Actuarial Accrued Liability, and reimbursement of the plan's administrative expenses.

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2020:

| Asset Class | Target Allocation |
|---------------------|-------------------|
| US Large Cap Equity | 34.00% |
| US Small Cap Equity | 11.00% |
| Non-US Equity | 15.00% |
| Core Bonds | 15.00% |
| Core Plus | 15.00% |
| Core Real Estate | 10.00% |
| Total | 100.00% |

Concentrations:

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

Rate of Return:

For the year ended September 30, 2020, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 6.20 percent.

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

NET PENSION LIABILITY OF THE SPONSOR

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

| | |
|------------------------------------------------------------------------|------------------|
| Total Pension Liability | \$ 1,233,468 |
| Plan Fiduciary Net Position | \$ (1,195,031) |
| Sponsor's Net Pension Liability | <u>\$ 38,437</u> |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 96.88% |

Actuarial Assumptions:

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

| | |
|---------------------------|-------|
| Inflation | 2.92% |
| Salary Increases | N/A |
| Discount Rate | 7.00% |
| Investment Rate of Return | 7.00% |

Mortality Rate Healthy Active Lives:

Female: PubS.H-2010 for Employees, set forward one year.

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

Mortality Rate Healthy Retiree Lives:

Female: PubS.H-2010 for Healthy Retirees, set forward one year.

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

Mortality Rate Beneficiary Lives:

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

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

Mortality Rate Disabled Lives:

80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.

All rates are projected generationally with Mortality Improvement Scale MP-2018.

The above described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2019 FRS valuation report for special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

Since this is a retiree-only plan, the assumptions for withdrawal, retirement, disability, payroll growth, and salary increases are not applicable. Accordingly, no formal actuarial experience study has been performed for these assumptions.

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

For 2020 the inflation rate assumption of the investment advisor was 2.80%.

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

Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2020 are summarized in the following table:

| Asset Class | Long Term Expected Real Rate of Return ¹ |
|---------------------|-----------------------------------------------------|
| US Large Cap Equity | 4.6% |
| US Small Cap Equity | 5.5% |
| Non-US Equity | 6.7% |
| Core Bonds | 1.6% |
| Core Plus | 2.1% |
| Core Real Estate | 5.0% |

¹ Source: Florida League of Cities

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 6.00% | Current Discount Rate 7.00% | 1% Increase 8.00% |
|---------------------------------|----------------------|-----------------------------------|----------------------|
| Sponsor's Net Pension Liability | \$ 144,758 | \$ 38,437 | \$ (53,462) |

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

| Measurement Date | 09/30/2020 | 09/30/2019 |
|----------------------------------------------------------------------------|---------------------|---------------------|
| Total Pension Liability | | |
| Service Cost | - | - |
| Interest | 86,536 | 86,653 |
| Changes of benefit terms | - | - |
| Differences between Expected and Actual Experience | 22,473 | 17,278 |
| Changes of assumptions | (62,010) | - |
| Benefit Payments, including Refunds of Employee Contributions | (99,519) | (111,675) |
| Net Change in Total Pension Liability | (52,520) | (7,744) |
| Total Pension Liability - Beginning | 1,285,988 | 1,293,732 |
| Total Pension Liability - Ending (a) | <u>\$ 1,233,468</u> | <u>\$ 1,285,988</u> |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | 32,551 | 32,551 |
| Net Investment Income | 72,108 | 59,166 |
| Benefit Payments, including Refunds of Employee Contributions | (99,519) | (111,675) |
| Administrative Expense | (15,728) | (6,674) |
| Net Change in Plan Fiduciary Net Position | (10,588) | (26,632) |
| Plan Fiduciary Net Position - Beginning | 1,205,619 | 1,232,251 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 1,195,031</u> | <u>\$ 1,205,619</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 38,437</u> | <u>\$ 80,369</u> |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 96.88% | 93.75% |
| Covered Payroll | N/A | N/A |
| Net Pension Liability as a percentage of Covered Payroll | N/A | N/A |

Notes to Schedule:*Changes of assumptions:*

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

SCHEDULE OF CONTRIBUTIONS

Last 2 Fiscal Years

| Fiscal Year Ended | Actuarially Determined Contribution | Contributions in relation to the Actuarially Determined Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a percentage of Covered Payroll |
|-------------------|-------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------------|--------------------|-----------------------------------------------------------|
| 09/30/2020 | \$ 26,973 | \$ 32,551 | \$ (5,578) | N/A | N/A |
| 09/30/2019 | \$ 32,551 | \$ 32,551 | \$ - | N/A | N/A |

Notes to Schedule

Valuation Date: 10/01/2019

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 can be found in the October 1, 2019 Actuarial Valuation for the City of Fort Meade Police Officers' Retirement Plan prepared by Foster & Foster Actuaries and Consultants.

SCHEDULE OF INVESTMENT RETURNS
Last 2 Fiscal Years

| Fiscal Year Ended ¹ | Annual Money-Weighted Rate of Return Net of Investment Expense |
|--------------------------------|-------------------------------------------------------------------|
| 09/30/2020 | 6.20% |
| 09/30/2019 | 4.98% |

NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2020)

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, 2019:

| | |
|---------------------------------------------------------------------|----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 7 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | 4 |
| Active Plan Members | - |
| | 11 |
| | 11 |

Benefits Provided

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

A summary of the benefit provisions can be found in the October 1, 2019 Actuarial Valuation Report for the City of Fort Meade Police Officers' Retirement Plan prepared by Foster & Foster Actuaries and Consultants.

Incorporated are the benefit changes for measurement date September 30, 2020 as noted under the Notes to Schedule of Changes in Net Pension Liability and Related Ratios.

Contributions

Member Contributions: None.

Premium Tax: None.

City: Annual amount necessary for payment of Normal (current year's) Cost, amortization of the Unfunded Actuarial Accrued Liability, and reimbursement of the plan's administrative expenses.

Net Pension Liability

The measurement date is September 30, 2020.

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

The reporting period is October 1, 2019 through September 30, 2020.

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

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

Actuarial Assumptions:

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

| | |
|---------------------------|-------|
| Inflation | 2.92% |
| Salary Increases | N/A |
| Discount Rate | 7.00% |
| Investment Rate of Return | 7.00% |

Mortality Rate Healthy Active Lives:

Female: PubS.H-2010 for Employees, set forward one year.

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

Mortality Rate Healthy Retiree Lives:

Female: PubS.H-2010 for Healthy Retirees, set forward one year.

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

Mortality Rate Beneficiary Lives:

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

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

Mortality Rate Disabled Lives:

80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.

All rates are projected generationally with Mortality Improvement Scale MP-2018.

The above described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2019 FRS valuation report for special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

Since this is a retiree-only plan, the assumptions for withdrawal, retirement, disability, payroll growth, and salary increases are not applicable. Accordingly, no formal actuarial experience study has been performed for these assumptions.

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 2020 the inflation rate assumption of the investment advisor was 2.80%.

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

Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2020 are summarized in the following table:

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

¹ Source: Florida League of Cities

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, 2019 | \$ 1,285,988 | \$ 1,205,619 | \$ 80,369 |
| Changes for a Year: | | | |
| Service Cost | - | - | - |
| Interest | 86,536 | - | 86,536 |
| Differences between Expected and Actual Experience | 22,473 | - | 22,473 |
| Changes of assumptions | (62,010) | - | (62,010) |
| Changes of benefit terms | - | - | - |
| Contributions - Employer | - | 32,551 | (32,551) |
| Net Investment Income | - | 72,108 | (72,108) |
| Benefit Payments, including Refunds of Employee Contributions | (99,519) | (99,519) | - |
| Administrative Expense | - | (15,728) | 15,728 |
| Net Changes | (52,520) | (10,588) | (41,932) |
| Balances at September 30, 2020 | \$ 1,233,468 | \$ 1,195,031 | \$ 38,437 |

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 | \$ 144,758 | \$ 38,437 | \$ (53,462) |

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, 2020, the Sponsor will recognize a Pension Expense of -\$31,499. On September 30, 2020, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------------------------------------|--------------------------------------|----------------------------------|
| Differences between Expected and Actual Experience | - | - |
| Changes of assumptions | - | - |
| Net difference between Projected and Actual Earnings on Pension Plan investments | 4,236 | - |
| Total | \$ 4,236 | \$ - |

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

| | |
|--------------------------|------------|
| Year ended September 30: | |
| 2021 | \$ (9,746) |
| 2022 | \$ 5,408 |
| 2023 | \$ 6,696 |
| 2024 | \$ 1,878 |
| 2025 | \$ - |
| Thereafter | \$ - |

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

| Measurement Date | 09/30/2020 | 09/30/2019 |
|----------------------------------------------------------------------------|---------------------|---------------------|
| Total Pension Liability | | |
| Service Cost | - | - |
| Interest | 86,536 | 86,653 |
| Changes of benefit terms | - | - |
| Differences between Expected and Actual Experience | 22,473 | 17,278 |
| Changes of assumptions | (62,010) | - |
| Benefit Payments, including Refunds of Employee Contributions | (99,519) | (111,675) |
| Net Change in Total Pension Liability | (52,520) | (7,744) |
| Total Pension Liability - Beginning | 1,285,988 | 1,293,732 |
| Total Pension Liability - Ending (a) | <u>\$ 1,233,468</u> | <u>\$ 1,285,988</u> |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | 32,551 | 32,551 |
| Net Investment Income | 72,108 | 59,166 |
| Benefit Payments, including Refunds of Employee Contributions | (99,519) | (111,675) |
| Administrative Expense | (15,728) | (6,674) |
| Net Change in Plan Fiduciary Net Position | (10,588) | (26,632) |
| Plan Fiduciary Net Position - Beginning | 1,205,619 | 1,232,251 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 1,195,031</u> | <u>\$ 1,205,619</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 38,437</u> | <u>\$ 80,369</u> |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 96.88% | 93.75% |
| Covered Payroll | N/A | N/A |
| Net Pension Liability as a percentage of Covered Payroll | N/A | N/A |

Notes to Schedule:*Changes of assumptions:*

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

SCHEDULE OF CONTRIBUTIONS

Last 2 Fiscal Years

| Fiscal Year Ended | Actuarially Determined Contribution | Contributions in relation to the Actuarially Determined Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a percentage of Covered Payroll |
|-------------------|-------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------------|--------------------|-----------------------------------------------------------|
| 09/30/2020 | \$ 26,973 | \$ 32,551 | \$ (5,578) | N/A | N/A |
| 09/30/2019 | \$ 32,551 | \$ 32,551 | \$ - | N/A | N/A |

Notes to Schedule

Valuation Date: 10/01/2019

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 can be found in the October 1, 2019 Actuarial Valuation for the City of Fort Meade Police Officers' Retirement Plan prepared by Foster & Foster Actuaries and Consultants.

EXPENSE DEVELOPMENT AND AMORTIZATION SCHEDULES

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

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2020

| | Net Pension Liability | Deferred Inflows | Deferred Outflows | Pension Expense |
|----------------------------------------------------------------------------------------------------------|--------------------------|---------------------|----------------------|--------------------|
| Beginning balance | \$ 80,369 | \$ 14,602 | \$ (3,280) | \$ - |
| Total Pension Liability Factors: | | | | |
| Service Cost | - | - | - | - |
| Interest | 86,536 | - | - | 86,536 |
| Changes in benefit terms | - | - | - | - |
| Differences between Expected and Actual Experience with regard to economic or demographic assumptions | 22,473 | - | 22,473 | - |
| Current year amortization of experience difference | - | - | (22,473) | 22,473 |
| Change in assumptions about future economic or demographic factors or other inputs | (62,010) | 62,010 | - | - |
| Current year amortization of change in assumptions | - | (62,010) | - | (62,010) |
| Benefit Payments, including Refunds of Employee Contributions | (99,519) | - | - | - |
| Net change | (52,520) | - | - | 46,999 |
| Plan Fiduciary Net Position: | | | | |
| Contributions - Employer | 32,551 | - | - | - |
| Projected Net Investment Income | 81,499 | - | - | (81,499) |
| Difference between projected and actual earnings on Pension Plan investments | (9,391) | - | 9,391 | - |
| Current year amortization | - | (19,424) | (6,697) | (12,727) |
| Benefit Payments, including Refunds of Employee Contributions | (99,519) | - | - | - |
| Administrative Expenses | (15,728) | - | - | 15,728 |
| Net change | (10,588) | (19,424) | 2,694 | (78,498) |
| Ending Balance | \$ 38,437 | \$ (4,822) | \$ (586) | \$ (31,499) |

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) | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|--------------------------------------------|------------------------------------------------------------|-------------------------------|-------------|-------------|------------|----------|----------|------|------|------|------|------|------|
| 2020 | \$ 9,391 | 5 | \$ 1,879 | \$ 1,878 | \$ 1,878 | \$ 1,878 | \$ 1,878 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2019 | \$ 24,089 | 5 | \$ 4,818 | \$ 4,818 | \$ 4,818 | \$ 4,818 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2018 | \$ (6,440) | 5 | \$ (1,288) | \$ (1,288) | \$ (1,288) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2017 | \$ (75,774) | 5 | \$ (15,155) | \$ (15,154) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ (14,913) | 5 | \$ (2,981) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net Increase (Decrease) in Pension Expense | | | \$ (12,727) | \$ (9,746) | \$ 5,408 | \$ 6,696 | \$ 1,878 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

AMORTIZATION SCHEDULE - CHANGES OF ASSUMPTIONS

| Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions | | | | | | | | | | | | | |
|--------------------------------------------------------------------------------------------------------------|---------------------------|-------------------------------|-------------|------|------|------|------|------|------|------|------|------|------|
| Plan Year Ending | Changes of Assumptions | Recognition Period (Years) | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| 2020 | \$ (62,010) | 1 | \$ (62,010) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net Increase (Decrease) in Pension Expense | | | \$ (62,010) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

AMORTIZATION SCHEDULE - EXPERIENCE

| Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience | | | | | | | | | | | | | |
|------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-------------------------------|-----------|------|------|------|------|------|------|------|------|------|------|
| Plan Year Ending | Differences Between Expected and Actual Experience | Recognition Period (Years) | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
| 2020 | \$ 22,473 | 1 | \$ 22,473 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net Increase (Decrease) in Pension Expense | | | \$ 22,473 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |