

CITY OF WINTER HAVEN  
GENERAL EMPLOYEES' PENSION PLAN  
ACTUARIAL VALUATION  
AS OF OCTOBER 1, 2024  
CONTRIBUTIONS APPLICABLE TO THE  
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2026



**FOSTER & FOSTER**  
ACTUARIES AND CONSULTANTS

January 6, 2025

Board of Trustees  
City of Winter Haven  
General Employees' Pension Board

Re: City of Winter Haven General Employees' Pension Plan

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Winter Haven General Employees' Pension Plan. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year. Use of the results for other purposes may not be applicable and may produce significantly different results.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Chapter 112, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in the valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

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

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the City of Winter Haven, financial reports prepared by the custodian bank, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

Additionally, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models that apply the funding rules to generate the results. All internally developed models are reviewed as part of the valuation process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

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

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

To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Winter Haven, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the General Employees' Pension 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 #23-7778

By:   
\_\_\_\_\_  
Kevin H. Peng, ASA, EA, MAAA  
Enrolled Actuary #23-7783

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Enclosures

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## SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Winter Haven General Employees' Pension Plan, performed as of October 1, 2024, 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, 2026.

The contribution requirements, compared with those set forth in the October 1, 2023 actuarial valuation report, are as follows:

Valuation Date	10/1/2024	10/1/2023
Applicable to Fiscal Year Ending	<u>9/30/2026</u>	<u>9/30/2025</u>
Minimum Required Contribution	\$2,544,920	\$2,801,921
% of Projected Annual Payroll	42.90%	44.94%
Member Contributions (Est.)	428,715	450,638
% of Projected Annual Payroll	7.00%	7.00%
City Required Contribution <sup>1</sup>	\$2,116,205	\$2,351,283
% of Projected Annual Payroll	35.90%	37.94%

<sup>1</sup> Please note that the City has access to a prepaid contribution of \$85,350.01 that is available to offset a portion of the above stated requirements for the fiscal year ending September 30, 2025. While plan funding is based on a dollar methodology, the City has requested disclosure of percentage of payroll requirement until payroll reduces to \$0. For information purposes, the percentage of payroll disclosure does not consider members participating in the DROP.

As you can see, the Minimum Required Contribution shows a decrease when compared to the results set forth in the October 1, 2023 actuarial valuation report. The decrease is attributable to favorable plan experience as described in the next paragraph.

Plan experience was favorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial gain included an investment return of 9.35% (Actuarial Asset Basis) which exceeded the 6.50% assumption and inactive mortality experience. These gains were offset in part by a loss associated with unfavorable turnover experience.

## CHANGES SINCE PRIOR VALUATION

### Plan Changes

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

### Actuarial Assumption/Method Changes

There have been no assumption or method changes since the prior valuation.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2024</u>	<u>10/1/2023</u>
A. Participant Data		
Actives	99	105
Service Retirees	198	206
DROP Retirees	15	13
Beneficiaries	38	37
Disability Retirees	8	9
Terminated Vested	<u>39</u>	<u>38</u>
Total	397	408
Projected Annual Payroll	5,702,486	5,993,514
Annual Rate of Payments to:		
Service Retirees	4,606,086	4,726,390
DROP Retirees	437,352	388,823
Beneficiaries	668,365	644,521
Disability Retirees	127,231	138,263
Terminated Vested	402,262	339,178
B. Assets		
Actuarial Value (AVA) <sup>1</sup>	79,202,894	75,654,359
Market Value (MVA) <sup>1</sup>	83,281,602	71,081,983
C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	26,902,111	26,336,853
Disability Benefits	324,391	332,019
Death Benefits	149,155	157,723
Vested Benefits	1,268,546	1,312,479
Refund of Contributions	264,593	364,102
Service Retirees	51,315,626	53,149,686
DROP Retirees <sup>1</sup>	7,500,627	6,545,347
Beneficiaries	6,456,875	6,475,716
Disability Retirees	1,187,703	1,311,951
Terminated Vested	<u>3,901,890</u>	<u>3,044,585</u>
Total	99,271,517	99,030,461

C. Liabilities - (Continued)	<u>10/1/2024</u>	<u>10/1/2023</u>
Present Value of Future Salaries	35,529,955	38,384,137
Present Value of Future Member Contributions	2,487,097	2,686,890
Normal Cost (Retirement)	451,717	474,030
Normal Cost (Disability)	11,548	12,009
Normal Cost (Death)	4,393	4,718
Normal Cost (Vesting)	54,171	57,882
Normal Cost (Refunds)	58,830	69,885
Total Normal Cost	<u>580,659</u>	<u>618,524</u>
Present Value of Future Normal Costs	2,980,778	3,324,779
Accrued Liability (Retirement)	24,458,518	23,636,467
Accrued Liability (Disability)	258,084	259,903
Accrued Liability (Death)	125,223	130,890
Accrued Liability (Vesting)	935,888	951,736
Accrued Liability (Refunds)	150,305	199,401
Accrued Liability (Inactives) <sup>1</sup>	70,362,721	70,527,285
Total Actuarial Accrued Liability (EAN AL)	<u>96,290,739</u>	<u>95,705,682</u>
Unfunded Actuarial Accrued Liability (UAAL)	17,087,845	20,051,323
Funded Ratio (AVA / EAN AL)	82.3%	79.0%

D. Actuarial Present Value of Accrued Benefits	<u>10/1/2024</u>	<u>10/1/2023</u>
Vested Accrued Benefits		
Inactives <sup>1</sup>	70,362,721	70,527,285
Actives	13,035,016	11,964,921
Member Contributions	<u>5,068,178</u>	<u>4,984,083</u>
Total	88,465,915	87,476,289
Non-vested Accrued Benefits	<u>1,085,897</u>	<u>1,009,351</u>
Total Present Value Accrued Benefits (PVAB)	89,551,812	88,485,640
Funded Ratio (MVA / PVAB)	93.0%	80.3%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
Plan Experience	1,254,890	
Benefits Paid	(5,753,302)	
Interest	5,564,584	
Other	<u>0</u>	
Total	1,066,172	

Valuation Date	10/1/2024	10/1/2023
Applicable to Fiscal Year Ending	<u>9/30/2026</u>	<u>9/30/2025</u>

E. Pension Cost

Normal Cost <sup>2</sup>	\$623,632	\$664,363
% of Projected Annual Payroll <sup>2</sup>	10.51	10.66
Administrative Expenses <sup>2</sup>	110,648	86,922
% of Projected Annual Payroll <sup>2</sup>	1.87	1.39
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 16 years (as of 10/1/2024) <sup>2</sup>	1,810,640	2,050,636
% of Projected Annual Payroll <sup>2</sup>	30.52	32.89
Minimum Required Contribution	2,544,920	2,801,921
% of Projected Annual Payroll <sup>2</sup>	42.90	44.94
Expected Member Contributions <sup>2</sup>	428,715	450,638
% of Projected Annual Payroll <sup>2</sup>	7.00	7.00
Expected City Contribution	2,116,205	2,351,283
% of Projected Annual Payroll <sup>2</sup>	35.90	37.94

F. Past Contributions

Plan Years Ending:	<u>9/30/2024</u>
City Requirement	2,045,734
Actual Contributions Made:	
City	<u>2,045,734</u>
Total	2,045,734

G. Net Actuarial (Gain)/Loss (2,450,061)

<sup>1</sup> The asset values and liabilities include accumulated DROP Plan Balances as of 9/30/2024 and 9/30/2023.

<sup>2</sup> Contributions developed as of 10/1/2024 displayed above have been adjusted to account for assumed salary increase and interest components.

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

<u>Year</u>	<u>Projected Unfunded Actuarial Accrued Liability</u>
2024	17,087,845
2025	16,403,099
2026	15,673,845
2030	12,250,987
2033	9,054,509
2037	3,735,439
2040	0

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

	<u>Actual</u>	<u>Assumed</u>
Year Ended 9/30/2024	1.88%	4.04%
Year Ended 9/30/2023	11.46%	4.03%
Year Ended 9/30/2022	4.39%	4.14%
Year Ended 9/30/2021	4.46%	4.27%
Year Ended 9/30/2020	8.67%	4.58%

(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 9/30/2024	22.36%	9.35%	6.50%
Year Ended 9/30/2023	11.98%	4.81%	6.50%
Year Ended 9/30/2022	-13.09%	2.70%	6.50%
Year Ended 9/30/2021	20.08%	8.61%	7.10%
Year Ended 9/30/2020	3.24%	6.83%	7.20%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2024	\$5,702,486
	10/1/2014	9,864,027
(b) Total Increase		-42.19%
(c) Number of Years		10.00
(d) Average Annual Rate		-5.33%

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 #23-7778

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

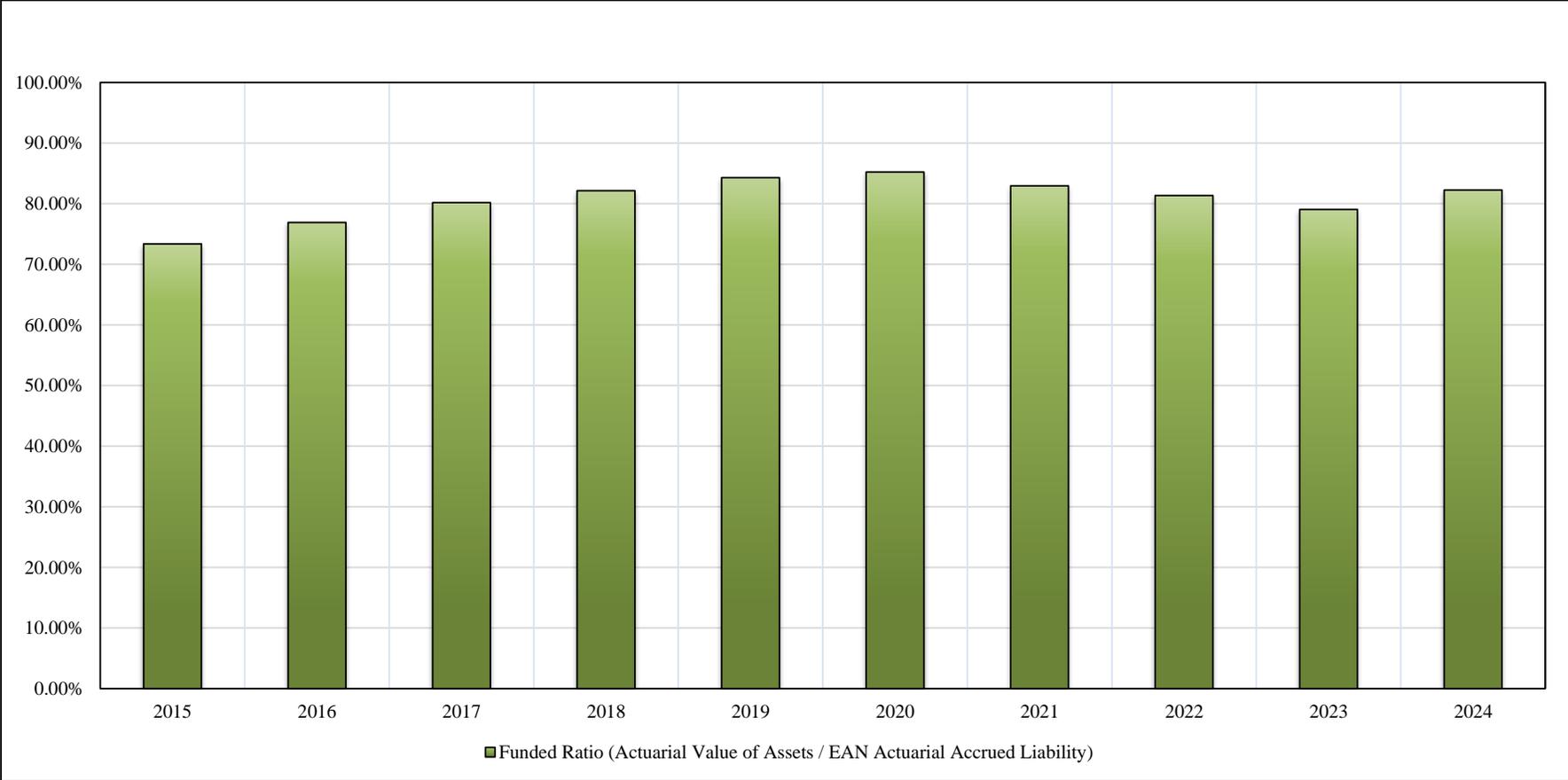
(1)	Unfunded Actuarial Accrued Liability as of October 1, 2023	\$20,051,323
(2)	Sponsor Normal Cost developed as of October 1, 2023	198,978
(3)	Expected administrative expenses for the year ended September 30, 2024	80,925
(4)	Expected interest on (1), (2) and (3)	1,318,900
(5)	Sponsor contributions to the System during the year ended September 30, 2024	2,045,734
(6)	Expected interest on (5)	66,486
(7)	Expected Unfunded Actuarial Accrued Liability as of September 30, 2024 (1)+(2)+(3)+(4)-(5)-(6)	19,537,906
(8)	Change to UAAL due to Assumption Change	0
(9)	Change to UAAL due to Actuarial (Gain)/Loss	(2,450,061)
(10)	Unfunded Actuarial Accrued Liability as of October 1, 2024	17,087,845

<u>Type of Base</u>	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2024 Amount</u>	<u>Amortization Amount</u>
Consolidation Base	10/1/2021	16	14,436,357	1,387,755
Actuarial Loss	10/1/2022	13	2,264,665	247,269
Actuarial Loss	10/1/2023	14	2,836,884	295,517
Actuarial Gain	10/1/2024	15	<u>(2,450,061)</u>	<u>(244,667)</u>
			17,087,845	1,685,874

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2023	\$20,051,323
(2) Expected UAAL as of October 1, 2024	19,537,906
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(2,109,935)
Salary Increases	(233,777)
Active Decrements	659,857
Inactive Mortality	(679,494)
Other	<u>(86,712)</u>
Increase in UAAL due to (Gain)/Loss	(2,450,061)
Assumption Changes	<u>0</u>
(4) Actual UAAL as of October 1, 2024	\$17,087,845

# HISTORY OF FUNDING PROGRESS



## ACTUARIAL ASSUMPTIONS AND METHODS

### Mortality Rate

#### *Healthy Active Lives:*

**Female:** PubG.H-2010 for Employees.

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

#### *Healthy Retiree Lives:*

**Female:** PubG.H-2010 for Healthy Retirees.

**Male:** PubG.H-2010 for Healthy Retirees, set back one year.

#### *Beneficiary Lives:*

**Female:** PubG.H-2010 for Healthy Retirees.

**Male:** PubG.H-2010 for Healthy Retirees, set back one year.

#### *Disabled Lives:*

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

All rates for healthy lives are projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accommodates future mortality improvements.

The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2023 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

### Interest Rate

6.50% per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

### Payroll Growth

None.

### Administrative Expenses

\$103,024 annually, based on the average of actual expenses incurred in the prior two fiscal years.

Amortization Method

New UAAL amortization bases are amortized over 15 years.

The amortization payment is subject to a minimum based on a 30-year amortization of the UAAL, if the UAAL is positive, in order to comply with Actuarial Standard of Practice No. 4.

Bases established prior to the valuation date are adjusted proportionally to match the Expected Unfunded Actuarial Accrued Liability as of the valuation date, in order to align prior year bases with the portion of the current year UAAL associated with prior year sources.

Funding Method

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

Interest - A half year, based on current 6.50% assumption.

Salary - A full year, based on current 4.02% assumption.

Salary Increases

Salary Scale	
Service	Rate
0	9.00%
1-9	5.00%
10-14	3.50%
15+	3.25%

This assumption is supported by an experience study issued on July 23, 2021, analyzing plan experience from valuations performed from October 1, 2010 through September 30, 2020.

Final Year Salary Load

Final Salary Load	
10/1/2012 Service	Rate
0	0.00%
1-4	5.00%
5-9	10.00%
10+	15.00%

This assumption was developed based on expectations of unused sick and annual leave time for impacted actives.

Asset Smoothing Methodology

The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a de minimis bias that is above or below the Market Value of Assets.

Termination Rates

% Terminating During the Year	
Service	Rate
0	25.0%
1-9	13.0%
10-19	5.0%
20+	1.0%

This assumption is supported by an experience study issued on July 23, 2021, analyzing plan experience from valuations performed from October 1, 2010 through September 30, 2020.

Disability Rates

Sample rates shown below. This assumption is supported by an experience study issued on July 23, 2021, analyzing plan experience from valuations performed from October 1, 2010 through September 30, 2020.

% Becoming Disabled During the Year	
Age	Rate
20	0.02%
25	0.02%
30	0.02%
35	0.02%
40	0.04%
45	0.07%
50	0.14%
55	0.30%
60	0.54%
65	0.93%

Early Retirement

Commencing upon age 55 (age 50 for members who attained age 40 with 10 years of service before November 20, 2017) with 10 years of Credited Service, members are assumed to retire with an immediate subsidized benefit at the rate of 5.00% per year. This assumption is supported by an experience study issued on July 23, 2021, analyzing plan experience from valuations performed from October 1, 2010 through September 30, 2020.

Normal Retirement

% Retiring During the Year	
Number of Years after First Eligible	Rate
0	50.0%
1-3	25.0%
4	50.0%
5+	100.0%

Additionally, 100% retirement upon first Normal Retirement eligibility is assumed for Members who had not attained age 40 with 10 years of Credited Service as of November 20, 2017. This assumption is supported by an experience study issued on July 23, 2021, analyzing plan experience from valuations performed from October 1, 2010 through September 30, 2020.

Low-Default-Risk Obligation Measure

Based on the Entry Age Normal Actuarial Cost Method and an interest rate of 4.06% per year compounded annually, net of investment related expenses. This rate is consistent with the Yield to Maturity of the S&P Municipal Bond 20-Year High Grade Rate Index as of September 30, 2024. All other assumptions for the Low-Default-Risk Obligation Measure are consistent with the assumptions shown in this section unless otherwise noted.

## GLOSSARY

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

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

(a) The normal cost accrual rate equals:

(i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by

(ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.

(b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

(c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

(d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

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

Normal (Current Year's) Cost is the current year's cost for benefits yet to be funded. Under the Entry Age Normal cost method, it is determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.

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

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

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

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

Total Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability over no more than 30 years. The required amount is adjusted for interest according to the timing of contributions during the year.

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

## DISCUSSION OF RISK

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

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

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

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

### Impact of Plan Maturity on Risk

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

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

- The Support Ratio, determined as the ratio of active to inactive members, has decreased from 85.7% on October 1, 2014 to 34.9% on October 1, 2024, 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 73.1%. 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 increased from 69.5% on October 1, 2014 to 82.3% on October 1, 2024.
- The Net Cash Flow Ratio, determined as the ratio of the Net Cash Flow (contributions minus benefit payments and administrative expenses) to the Market Value of Assets, decreased from 2.3% on October 1, 2014 to -4.1% on October 1, 2024. The current Net Cash Flow Ratio of -4.1% indicates that contributions are not currently covering the plan's benefit payments and administrative expenses.

### Low Default-Risk Obligation Measure

ASOP No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, was revised as of December 2021 to include a “low-default-risk obligation measure” (LDROM). This liability measure is consistent with the determination of the actuarial accrued liability shown on page 9 in terms of member data, plan provisions, and assumptions/methods, under the Entry Age Normal Cost Method, except that the interest rate is tied to low-default-risk fixed income securities. The S&P Municipal Bond 20 Year High Grade Rate Index (daily rate closest to, but not later than, the measurement date) was selected to represent a current market rate of low risk but longer-term investments that could be included in a low-risk asset portfolio. The interest rate used in this valuation was 4.06%, resulting in an LDROM of \$127,221,478. The LDROM should not be considered the “correct” liability measurement; it simply shows a possible outcome if the Board elected to hold a very low risk asset portfolio. The Board actually invests the pension plan’s contributions in a diversified portfolio of stocks and bonds and other investments with the objective of maximizing investment returns at a reasonable level of risk. Consequently, the difference between the plan’s Actuarial Accrued Liability disclosed earlier in this section and the LDROM can be thought of as representing the expected taxpayer savings from investing in the plan’s diversified portfolio compared to investing only in high quality bonds.

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

It is important to note that the actuary has identified the risks above as the most significant risks based on the characteristics of the plan and the nature of the project, however, it is not an exhaustive list of potential risks that could be considered. Additional advanced modeling, as well as the identification of additional risks, can be provided at the request of the audience addressed on page 2 of this report.

PLAN MATURITY MEASURES AND OTHER RISK METRICS

	<u>10/1/2024</u>	<u>10/1/2023</u>	<u>10/1/2019</u>	<u>10/1/2014</u>
<u>Support Ratio</u>				
Total Actives	99	105	171	245
Total Inactives <sup>1</sup>	284	288	298	286
Actives / Inactives <sup>1</sup>	34.9%	36.5%	57.4%	85.7%

Asset Volatility Ratio

Market Value of Assets (MVA)	83,281,602	71,081,983	73,119,585	54,770,698
Total Annual Payroll	6,185,668	6,440,540	7,596,559	10,136,685
MVA / Total Annual Payroll	1,346.4%	1,103.7%	962.5%	540.3%

Accrued Liability (AL) Ratio

Inactive Accrued Liability	70,362,721	70,527,285	68,224,089	41,120,683
Total Accrued Liability (EAN)	96,290,739	95,705,682	88,495,138	72,913,451
Inactive AL / Total AL	73.1%	73.7%	77.1%	56.4%

Funded Ratio

Actuarial Value of Assets (AVA)	79,202,894	75,654,359	74,598,541	50,642,882
Total Accrued Liability (EAN)	96,290,739	95,705,682	88,495,138	72,913,451
AVA / Total Accrued Liability (EAN)	82.3%	79.0%	84.3%	69.5%

Net Cash Flow Ratio

Net Cash Flow <sup>2</sup>	(3,373,531)	(4,627,163)	(2,545,626)	1,257,165
Market Value of Assets (MVA)	83,281,602	71,081,983	73,119,585	54,770,698
Ratio	-4.1%	-6.5%	-3.5%	2.3%

<sup>1</sup> Excludes terminated participants awaiting a refund of member contributions.

<sup>2</sup> Determined as total contributions minus benefit payments and administrative expenses.

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2024

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Transfer in Transit	34,355.87	34,355.87
Prepaid Expenses	6,905.37	6,905.37
Money Market	5,888,227.00	5,888,227.00
Cash	2,502.66	2,502.66
 Total Cash and Equivalents	 5,931,990.90	 5,931,990.90
Receivables:		
From Member for Overpayment	1,339.70	1,339.70
Investment Income	117,788.85	117,788.85
 Total Receivable	 119,128.55	 119,128.55
Investments:		
U. S. Bonds and Bills	2,817,988.75	2,772,563.80
Federal Agency Guaranteed Securities	4,392,523.09	4,182,180.57
Corporate Bonds	3,144,931.92	2,866,172.47
Municipal Obligations	16,135.92	13,479.60
Equities	40,037,760.04	55,750,293.94
Pooled/Common/Commingled Funds:		
Fixed Income	3,723,531.82	3,418,118.14
Real Estate	7,705,850.50	8,392,828.70
 Total Investments	 61,838,722.04	 77,395,637.22
 Total Assets	 67,889,841.49	 83,446,756.67
 <u>LIABILITIES</u>		
Payables:		
Refunds of Member Contributions	42,317.00	42,317.00
Benefit Payments	560.64	560.64
Investment Expenses	32,572.82	32,572.82
Administrative Expenses	4,354.00	4,354.00
Prepaid City Contribution	85,350.01	85,350.01
 Total Liabilities	 165,154.47	 165,154.47
 NET POSITION RESTRICTED FOR PENSIONS	 67,724,687.02	 83,281,602.20

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2024  
Market Value Basis

ADDITIONS

Contributions:

Member	452,185.72	
City	2,045,734.00	
<b>Total Contributions</b>		<b>2,497,919.72</b>

Investment Income:

Net Realized Gain (Loss)	4,597,765.92	
Unrealized Gain (Loss)	9,509,264.13	
Net Increase in Fair Value of Investments	14,107,030.05	
Interest & Dividends	1,846,628.14	
Less Investment Expense <sup>1</sup>	(380,507.77)	
<b>Net Investment Income</b>		<b>15,573,150.42</b>

Total Additions		18,071,070.14
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DEDUCTIONS

Distributions to Members:

Benefit Payments	5,470,156.21	
Lump Sum DROP Distributions	215,741.95	
Refunds of Member Contributions	67,403.43	
<b>Total Distributions</b>		<b>5,753,301.59</b>

Administrative Expense		118,148.99
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Total Deductions		5,871,450.58
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Net Increase in Net Position		12,199,619.56
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**NET POSITION RESTRICTED FOR PENSIONS**

Beginning of the Year		71,081,982.64
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End of the Year		83,281,602.20
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<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION  
SEPTEMBER 30, 2024

Actuarial Assets for funding purposes are developed by increasing the Actuarial Assets used in the most recent actuarial valuation of the Fund by the average annual market value rate of return (net of investment related expenses) for the past four years. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Details of the derivation are set forth as follows:

Plan Year End	Rate of Return <sup>1</sup>	
09/30/2021	20.08%	
09/30/2022	-13.09%	
09/30/2023	11.98%	
09/30/2024	22.36%	
Annualized Rate of Return for prior four (4) years:		9.35%
(A) 10/01/2023 Actuarial Assets:		\$75,654,358.87
(I) Net Investment Income:		
1. Interest and Dividends	1,846,628.14	
2. Realized Gain (Loss)	4,597,765.92	
3. Unrealized Gain (Loss)	9,509,264.13	
4. Change in Actuarial Value	(8,651,084.03)	
5. Investment Related Expenses	(380,507.77)	
Total		6,922,066.39
(B) 10/01/2024 Actuarial Assets, including Prepaid Contributions:		\$79,288,244.41
Actuarial Asset Rate of Return = $2I/(A+B-I)$ , based on Unlimited Actuarial Assets:		9.35%
10/01/2024 Limited Actuarial Assets		\$79,202,894.40
10/01/2024 Market Value of Assets		\$83,281,602.20
Actuarial Asset Rate of Return, based on Limited Actuarial Assets:		9.35%
Actuarial Gain/(Loss) due to Investment Return (Limited Actuarial Asset Basis)		\$2,109,934.68

<sup>1</sup>Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 SEPTEMBER 30, 2024  
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	452,185.72	
City	2,045,734.00	
Total Contributions		2,497,919.72
Earnings from Investments:		
Interest & Dividends	1,846,628.14	
Net Realized Gain (Loss)	4,597,765.92	
Unrealized Gain (Loss)	9,509,264.13	
Change in Actuarial Value	(8,651,084.03)	
Total Earnings and Investment Gains		7,302,574.16
	EXPENDITURES	
Distributions to Members:		
Benefit Payments	5,470,156.21	
Lump Sum DROP Distributions	215,741.95	
Refunds of Member Contributions	67,403.43	
Total Distributions		5,753,301.59
Expenses:		
Investment related <sup>1</sup>	380,507.77	
Administrative	118,148.99	
Total Expenses		498,656.76
Change in Net Assets for the Year		3,548,535.53
Net Assets Beginning of the Year		75,654,358.87
Net Assets End of the Year <sup>2</sup>		79,202,894.40

<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.

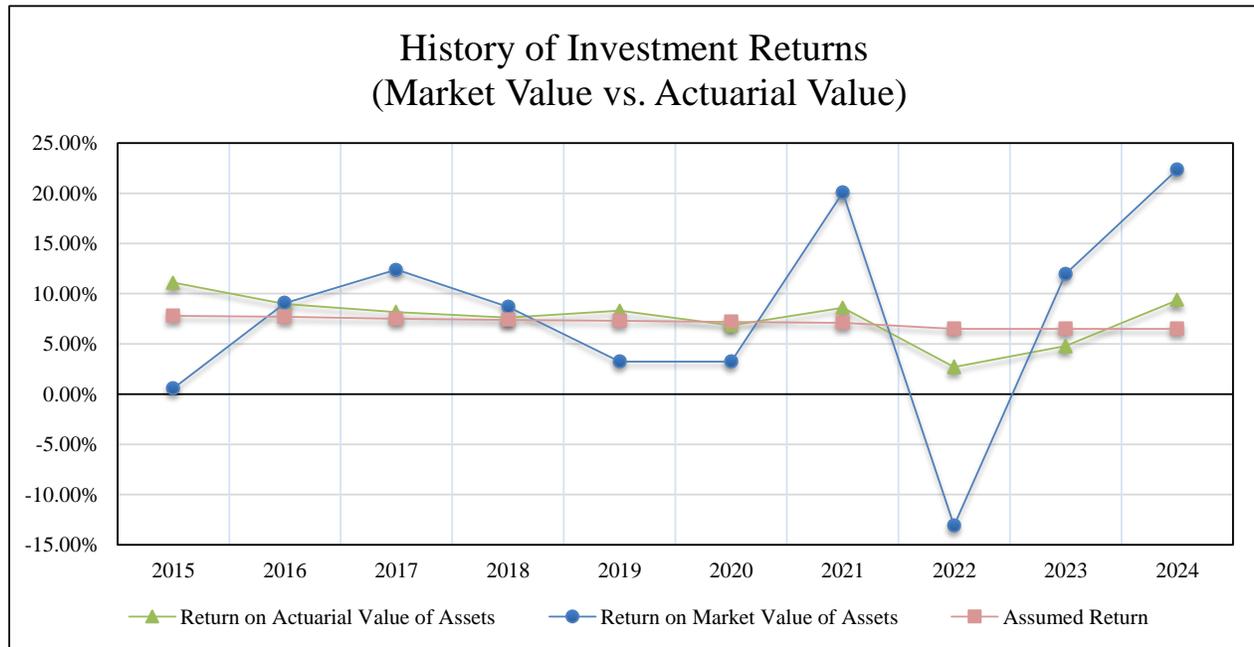
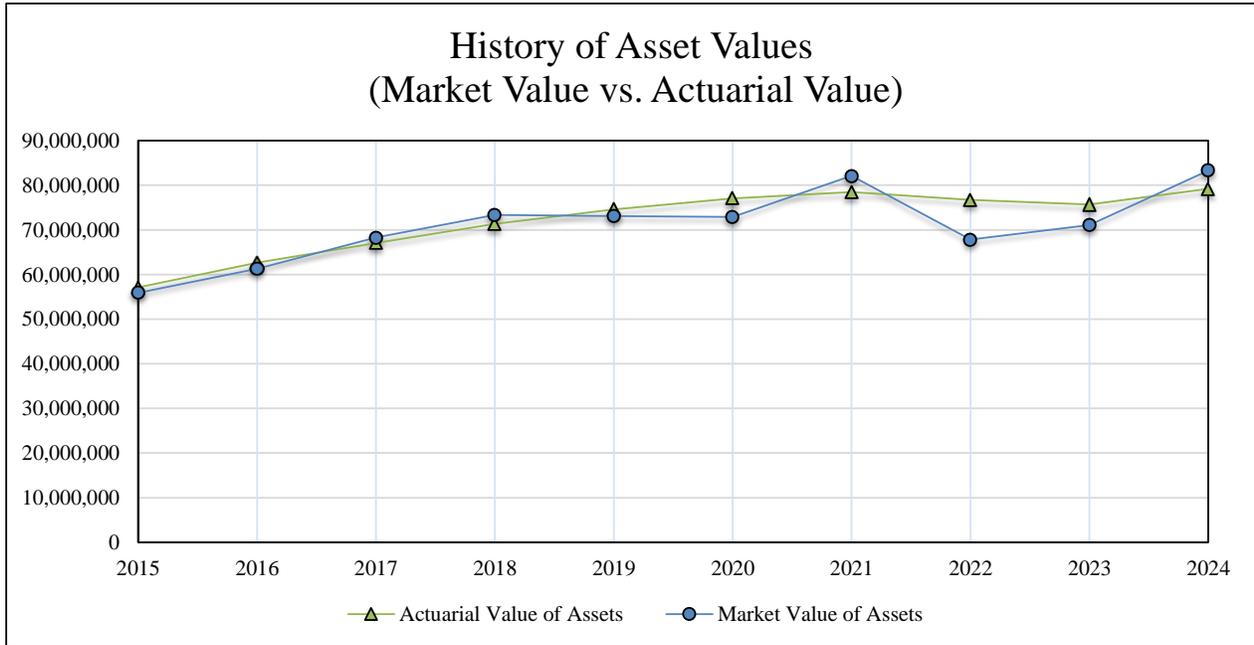
DEFERRED RETIREMENT OPTION PLAN ACTIVITY  
October 1, 2023 to September 30, 2024

Beginning of the Year Balance	1,113,690.76
Plus Additions	407,281.77
Investment Return Earned	73,095.33
Less Distributions	(215,741.95)
End of the Year Balance	1,378,325.91

RECONCILIATION OF CITY SHORTFALL/(PREPAID) CONTRIBUTION  
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2024

(1) Required City Contributions	\$2,045,734.00
(2) Plus 2023 Shortfall Contribution	24,831.83
(3) Less Actual City Contributions	<u>(2,155,915.84)</u>
(4) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2024	(\$85,350.01)

# HISTORY OF ASSET VALUES AND INVESTMENT RETURNS



## STATISTICAL DATA

	<u>10/1/2024</u>	<u>10/1/2023</u>	<u>10/1/2022</u>	<u>10/1/2021</u>
<u>Actives - Males</u>				
Number	66	71	79	92
Average Current Age	50.2	49.4	47.9	46.5
Average Age at Employment	35.2	35.0	34.7	34.9
Average Past Service	15.0	14.4	13.2	11.6
Average Annual Salary	\$63,818	\$63,264	\$56,215	\$52,175
<u>Actives - Females</u>				
Number	33	34	38	45
Average Current Age	49.6	48.3	47.3	45.8
Average Age at Employment	34.1	33.8	34.2	34.6
Average Past Service	15.5	14.5	13.1	11.2
Average Annual Salary	\$59,808	\$57,318	\$50,340	\$46,659
<u>Service Retirees</u>				
Number	198	206	202	201
Average Current Age	71.1	70.5	69.9	69.3
Average Annual Benefit	\$23,263	\$22,944	\$22,224	\$21,822
<u>DROP Retirees</u>				
Number	15	13	15	20
Average Current Age	61.2	60.8	59.6	59.0
Average Annual Benefit	\$29,157	\$29,909	\$35,452	\$34,767
<u>Beneficiaries</u>				
Number	38	37	39	39
Average Current Age	71.7	70.7	70.3	69.3
Average Annual Benefit	\$17,589	\$17,419	\$17,419	\$17,508
<u>Disability Retirees</u>				
Number	8	9	10	11
Average Current Age	63.9	64.5	64.7	64.8
Average Annual Benefit	\$15,904	\$15,363	\$14,514	\$14,423
<u>Terminated Vested</u>				
Number	39	38	36	35
Average Current Age <sup>1</sup>	55.3	54.2	53.7	52.9
Average Annual Benefit <sup>1</sup>	\$16,090	\$14,747	\$14,509	\$13,974

<sup>1</sup> The Average Current Age and Average Annual Benefit exclude participants awaiting a refund of contributions.

## AGE AND SERVICE DISTRIBUTION

### PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19												0
20 - 24												0
25 - 29						2						2
30 - 34						6						6
35 - 39						4	4	2				10
40 - 44						4	2		1			7
45 - 49						5	2	4	3	3		17
50 - 54						4	5	3	4	4	2	22
55 - 59						4	4	6	2	1	2	19
60 - 64						7	3	4				14
65+						1	1					2
Total	0	0	0	0	0	37	21	19	10	8	4	99

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2023	105
b. Terminations	
i. Vested (partial or full) with deferred annuity	(3)
ii. Vested in refund of member contributions only	0
iii. Refund of member contributions or full lump sum distribution	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	0
f. DROP	<u>(3)</u>
g. Continuing participants	99
h. New entrants / Rehires	<u>0</u>
i. Total active life participants in valuation	99

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

	Service Retirees, Vested Receiving <u>Benefits</u>	<u>DROP 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	206	13	37	9	23	15	303
Retired	1	(1)					0
DROP		3					3
Vested (Deferred Annuity)					3		3
Vested (Due Refund)							0
Hired/Terminated in Same Year							0
Death, With Survivor	(2)		3	(1)			0
Death, No Survivor	(7)		(2)				(9)
Disabled							0
Refund of Contributions					(1)	(1)	(2)
Rehires							0
Expired Annuities							0
Data Corrections							0
b. Number current valuation	198	15	38	8	25	14	298

SUMMARY OF CURRENT PLAN  
(Through Ordinance No. O-23-34)

<u>Eligibility</u>	All General Employees become Members as a condition of employment. No new entrants on and after November 20, 2017.
<u>Credited Service</u>	Years and completed months of service with the City as a General Employee.
<u>Salary</u>	Total compensation reportable on the Member's W-2 form, plus all tax exempt, tax sheltered and tax deferred items of income. Effective October 1, 2013, Salary shall not include more than three hundred (300) hours of overtime per calendar year. Additionally, Salary will include the lesser of the amount of unused sick and annual leave time accrued as of October 1, 2013, or the actual amount at termination or retirement.
<u>Average Final Compensation (AFC)</u>	Average Salary paid during the five (5) best years of the last ten (10).
<u>Normal Retirement</u>	
Date	Attainment of age 55 and the completion of 10 years of Credited Service. For Members who had not attained age 40 with 10 years of Credited Service on November 20, 2017, Normal Retirement is the earlier of a) Age 60 with 10 years of Credited Service, and b) the completion of 33 years of Credited Service, regardless of age.
Benefit	3.00% of AFC for each year of Credited Service. The benefit accrual rate reduces to 2.30% of AFC for service earned on and after November 20, 2017.
Form of Benefit	Life Annuity (options available).
<u>Early Retirement</u>	
Date	Age 50 and completion of 10 years of Credited Service. For Members who had not attained age 40 with 10 years of Credited Service on November 20, 2017, Early Retirement is age 55 with 10 years of Credited Service.
Benefit	Accrued benefit, reduced 1/15 <sup>th</sup> for each year that early retirement precedes normal retirement.

Disability Benefit

Eligibility	Total and permanent disability.
Benefit	Benefit accrued to date of disability, but not less than 40% of AFC.
Form of Benefit	10 Year Certain and Life Annuity (options available).

Pre-Retirement Death Benefit

Vested	Accrued benefit payable to designated beneficiary for 10 years at otherwise Normal Retirement Date (unreduced) or Early Retirement Date (reduced).
Non-Vested	Refund of Member Contributions, with 5.00% interest.

Vesting (Termination)

Not Vested (See Schedule)	Refund of Member Contributions, with 5.00% interest.
Vested	Applicable vested percentage of accrued benefit payable at age 55 or on a reduced basis if to commence prior to age 55 with the applicable percentage determined by the below schedule. For Members who had not attained age 40 with 10 years of Credited Service on November 20, 2017, the benefit is payable age 60 (unreduced), or age 55 (reduced as for early retirement from age 60).

Employed Prior to 1/1/1999:

<u>Years of Service</u>	<u>Vested %</u>
Less than 5	0%
5	25
6	30
7	35
8	40
9	45
10 or more	100

Employed After 12/31/1998:

<u>Years of Service</u>	<u>Vested %</u>
10 or more	100

Contributions

Employee 9.50% of total compensation, reduced to 7.00% effective November 20, 2017.

City Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the unfunded actuarial accrued liability (if any) over 30 years.

Cost-of-Living Adjustment

Service and Disability Retirees receive 0.50% increases each October 1 for ten years, beginning the first October 1 following one complete year of retirement.

Deferred Retirement Option Plan

Eligibility Satisfaction of Normal Retirement requirements (age 55 and 10 years of Credited Service).

Participation Not to exceed 60 months.

Rate of Return At Member's election:

(1) Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each Plan/Fiscal quarter, or

(2) 6.50% per annum compounded monthly.

Members may elect to change form of return 1 time during each 12 month period of DROP participation.

Form of Distribution Cash lump sum (options available) at termination of employment.