

CITY OF GULFPORT  
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 15, 2025

Board of Trustees  
City of Gulfport  
General Employees' Pension Board

Re: City of Gulfport 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 Gulfport 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 Gulfport, 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 Gulfport, 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:



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Patrick T. Donlan, EA, ASA, MAAA  
Enrolled Actuary #23-6595

By:



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Sara E. Carlson, ASA, EA, MAAA  
Enrolled Actuary #23-8546

SEC/mw

Enclosures

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## SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Gulfport 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 Applicable to Fiscal Year Ending	10/1/2024 <u>9/30/2026</u>	10/1/2023 <u>9/30/2025</u>
Minimum Required Contribution % of Projected Annual Payroll	15.1%	15.5%
Member Contributions (Est.) % of Projected Annual Payroll	2.7%	2.7%
City Required Contribution <sup>1</sup> % of Projected Annual Payroll	12.4%	12.8%

<sup>1</sup> Please note that a shortfall contribution of \$440.11 is due in addition to the above stated requirements for the fiscal year ending September 30, 2025.

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 an increase in the Projected Annual Payroll. The relatively stable payment required to amortize the Unfunded Actuarial Accrued Liability is now spread over a larger payroll. The decrease was offset in part by the impact of the unfavorable actuarial experience described in the next paragraph.

Plan experience was unfavorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial loss included an average salary increase of 11.25% which exceeded the 4.43% assumption and inactive mortality experience. These losses were offset in part by gains associated with an investment return of 8.15% (Actuarial Asset Basis) which exceeded the 6.80% assumption and active mortality 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.

## CONTRIBUTION IMPACT OF ANNUAL CHANGES

(1) Contribution Determined as of October 1, 2023	12.8%
(2) Summary of Contribution Impact by component:	
Change in Normal Cost Rate	0.1%
Change in Administrative Expense Percentage	-0.2%
Payroll Change Effect on UAAL Amortization	-0.8%
Investment Return (Actuarial Asset Basis)	-0.4%
Salary Increases	0.7%
Active Decrements	-0.1%
Inactive Mortality	0.2%
UAAL Amortization Impact from Contribution Policy	0.1%
Assumption Change	0.0%
Other	<u>0.0%</u>
Total Change in Contribution	-0.4%
(3) Contribution Determined as of October 1, 2024	12.4%



# COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2024</u>	<u>10/1/2023</u>
A. Participant Data		
Actives	97	88
Service Retirees	81	80
Beneficiaries	5	5
Disability Retirees	0	0
Terminated Vested	<u>119</u>	<u>111</u>
Total	302	284
Projected Annual Payroll	5,747,905	4,790,856
Annual Rate of Payments to:		
Service Retirees	965,808	922,042
Beneficiaries	17,174	12,516
Disability Retirees	0	0
Terminated Vested	258,308	230,741
B. Assets		
Actuarial Value (AVA)	20,403,530	19,178,697
Market Value (MVA)	21,863,547	18,126,440
C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	13,910,329	12,837,225
Disability Benefits	0	0
Death Benefits	186,241	187,500
Vested Benefits	1,137,625	929,771
Refund of Contributions	42,693	31,104
Service Retirees	9,256,474	8,793,807
Beneficiaries	141,574	109,347
Disability Retirees	0	0
Terminated Vested	<u>2,055,267</u>	<u>1,788,324</u>
Total	26,730,203	24,677,078

C. Liabilities - (Continued)	<u>10/1/2024</u>	<u>10/1/2023</u>
Present Value of Future Salaries	44,168,771	37,478,426
Present Value of Future Member Contributions	1,192,557	1,011,918
Normal Cost (Retirement)	397,206	332,667
Normal Cost (Disability)	0	0
Normal Cost (Death)	6,951	6,079
Normal Cost (Vesting)	78,574	61,482
Normal Cost (Refunds)	10,341	7,572
Total Normal Cost	<u>493,072</u>	<u>407,800</u>
Present Value of Future Normal Costs	3,454,257	2,896,955
Accrued Liability (Retirement)	11,075,748	10,432,123
Accrued Liability (Disability)	0	0
Accrued Liability (Death)	135,689	142,649
Accrued Liability (Vesting)	598,349	503,164
Accrued Liability (Refunds)	12,845	10,709
Accrued Liability (Inactives)	<u>11,453,315</u>	<u>10,691,478</u>
Total Actuarial Accrued Liability (EAN AL)	23,275,946	21,780,123
Unfunded Actuarial Accrued Liability (UAAL)	2,872,416	2,601,426
Funded Ratio (AVA / EAN AL)	87.7%	88.1%

D. Actuarial Present Value of		
Accrued Benefits	<u>10/1/2024</u>	<u>10/1/2023</u>
Vested Accrued Benefits		
Inactives	11,453,315	10,691,478
Actives	6,914,869	6,353,553
Member Contributions	<u>882,522</u>	<u>818,202</u>
Total	19,250,706	17,863,233
Non-vested Accrued Benefits	<u>127,035</u>	<u>192,662</u>
Total Present Value		
Accrued Benefits (PVAB)	19,377,741	18,055,895
Funded Ratio (MVA / PVAB)	112.8%	100.4%
Increase (Decrease) in Present Value of		
Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
Plan Experience	1,084,911	
Benefits Paid	(958,284)	
Interest	1,195,219	
Other	<u>0</u>	
Total	1,321,846	

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 (with interest)		
% of Projected Annual Payroll <sup>1</sup>	8.9	8.8
Administrative Expenses (with interest)		
% of Projected Annual Payroll <sup>1</sup>	1.5	1.7
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 20 years (as of 10/1/2024, with interest)		
% of Projected Annual Payroll <sup>1</sup>	4.7	5.0
Minimum Required Contribution		
% of Projected Annual Payroll <sup>1</sup>	15.1	15.5
Expected Member Contributions		
% of Projected Annual Payroll <sup>1</sup>	2.7	2.7
Expected City Contribution		
% of Projected Annual Payroll <sup>1</sup>	12.4	12.8

F. Past Contributions

Plan Years Ending:	<u>9/30/2024</u>
City Requirement	570,734
Actual Contributions Made:	
Members (excluding buyback)	145,376
City	<u>570,734</u>
Total	716,110

G. Net Actuarial (Gain)/Loss	303,022
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<sup>1</sup> Contributions developed as of 10/1/2024 are expressed as a percentage of Projected Annual Payroll at 10/1/2024 of \$5,747,905.

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	2,872,416
2025	2,790,180
2026	2,702,352
2031	2,165,077
2035	1,588,107
2040	616,844
2044	0

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

	<u>Actual</u>	<u>Assumed</u>
Year Ended 9/30/2024	11.25%	4.43%
Year Ended 9/30/2023	8.85%	4.50%
Year Ended 9/30/2022	9.62%	4.56%
Year Ended 9/30/2021	3.93%	4.60%
Year Ended 9/30/2020	3.71%	4.67%

(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	22.71%	8.15%	6.80%
Year Ended 9/30/2023	12.57%	4.70%	6.80%
Year Ended 9/30/2022	-16.40%	5.46%	7.00%
Year Ended 9/30/2021	22.50%	10.30%	7.25%
Year Ended 9/30/2020	7.47%	8.20%	7.25%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2024	\$5,747,905
	10/1/2014	2,540,156
(b) Total Increase		126.28%
(c) Number of Years		10.00
(d) Average Annual Rate		8.51%

## 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.



Sara E. Carlson, ASA, EA, MAAA  
Enrolled Actuary #23-8546

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	\$2,601,426
(2)	Sponsor Normal Cost developed as of October 1, 2023	278,447
(3)	Expected administrative expenses for the year ended September 30, 2024	81,059
(4)	Expected interest on (1), (2) and (3)	198,587
(5)	Sponsor contributions to the System during the year ended September 30, 2024	570,734
(6)	Expected interest on (5)	19,391
(7)	Expected Unfunded Actuarial Accrued Liability as of September 30, 2024 (1)+(2)+(3)+(4)-(5)-(6)	2,569,394
(8)	Change to UAAL due to Assumption Change	0
(9)	Change to UAAL due to Actuarial (Gain)/Loss	303,022
(10)	Unfunded Actuarial Accrued Liability as of October 1, 2024	2,872,416

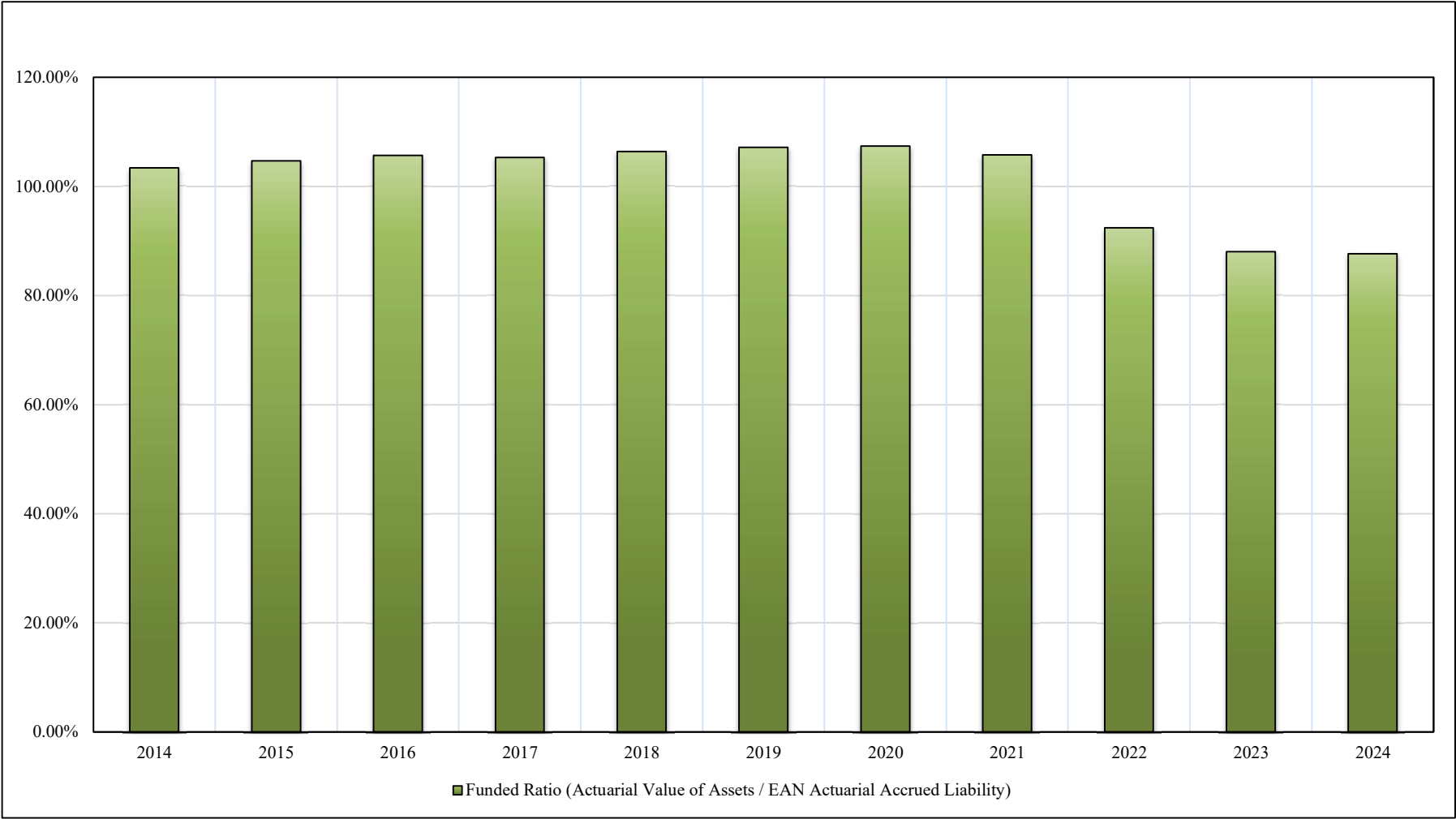
Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2024 <u>Amount</u>	Amortization <u>Amount</u>
Consolidation Base	10/1/2022	18	298,897	27,422
Benefit Change	10/1/2022	18	1,390,628	127,581
Actuarial Loss	10/1/2023	19	879,869	78,518
Actuarial Loss	10/1/2024	20	303,022	26,367
			2,872,416	259,888

## DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2023	\$2,601,426
(2) Expected UAAL as of October 1, 2024	2,569,394
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(257,280)
Salary Increases	461,278
Active Decrements	(36,240)
Inactive Mortality	155,899
Other	<u>(20,635)</u>
Increase in UAAL due to (Gain)/Loss	303,022
Assumption Changes	<u>0</u>
(4) Actual UAAL as of October 1, 2024	\$2,872,416



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 (Below Median) for Healthy Retirees, set back one year.

#### *Beneficiary Lives:*

**Female:** PubG.H-2010 (Below Median) 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, 2021 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

### Interest Rate

6.80% per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

### Salary Increases

See table that follows. These rates were developed based upon our April 15, 2022 Experience Study of the Plan. Projected salary in the year of retirement is increased individually according to accrued leave at transition date.

<u>Individual Salary Increases</u>	
<u>Service</u>	<u>Rate</u>
<1	7.00%
1-4	5.00%
5-9	4.00%
10-14	4.00%
15+	4.00%

### Payroll Growth

0.00% for purposes of amortizing the Unfunded Actuarial Accrued Liability. This assumption cannot exceed the ten-year average payroll growth, in compliance with Part VII of Chapter 112, Florida Statutes.

### Administrative Expenses

\$85,566 annually, based on the average of actual expenses incurred in the prior two fiscal years.

### Amortization Method

New UAAL amortization bases are amortized over 20 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 6.80% assumption.

Salary - None.

### 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.

Actuarial Asset Method

All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

Retirement Age

See table below. This assumption was developed from our April 15, 2022 Experience Study.

<u>% Retiring During the Year</u>	
<u>Age</u>	<u>Rate</u>
62	50.0%
63-64	15.0%
65	15.0%
66-68	15.0%
69	50.0%
70+	100.0%

Early Retirement

5.0% per year. This assumption was developed from our April 15, 2022 Experience Study.

Termination Rates

See table below. This assumption was covered in our April 15, 2022 Experience Study.

<u>% Terminating During the Year</u>	
<u>Service</u>	<u>Rate</u>
0	25.0%
1	10.0%
2-5	10.0%
6-19	7.0%
20+	0.0%

## 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 increased from 52.9% on October 1, 2014 to 72.4% on October 1, 2024, indicating that the plan has experienced a significant growth in active population.
- 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 49.2%. With a plan of this maturity, losses due to lower than expected investment returns or demographic factors may result in lower volatility in contribution requirements when compared to a more 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 decreased from 103.4% on October 1, 2014 to 87.7% 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 -0.4% on October 1, 2014 to -1.5% on October 1, 2024. The current Net Cash Flow Ratio of -1.5% 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 10 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 \$32,868,779. 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	97	88	80	64
Total Inactives <sup>1</sup>	134	132	128	121
Actives / Inactives <sup>1</sup>	72.4%	66.7%	62.5%	52.9%
<u>Asset Volatility Ratio</u>				
Market Value of Assets (MVA)	21,863,547	18,126,440	16,801,435	13,847,696
Total Annual Payroll	5,747,905	4,790,856	3,586,676	2,696,280
MVA / Total Annual Payroll	380.4%	378.4%	468.4%	513.6%
<u>Accrued Liability (AL) Ratio</u>				
Inactive Accrued Liability	11,453,315	10,691,478	9,960,006	7,242,450
Total Accrued Liability (EAN)	23,275,946	21,780,123	15,836,423	12,540,408
Inactive AL / Total AL	49.2%	49.1%	62.9%	57.8%
<u>Funded Ratio</u>				
Actuarial Value of Assets (AVA)	20,403,530	19,178,697	16,976,138	12,968,652
Total Accrued Liability (EAN)	23,275,946	21,780,123	15,836,423	12,540,408
AVA / Total Accrued Liability (EAN)	87.7%	88.1%	107.2%	103.4%
<u>Net Cash Flow Ratio</u>				
Net Cash Flow <sup>2</sup>	(325,518)	(608,324)	(579,671)	(53,507)
Market Value of Assets (MVA)	21,863,547	18,126,440	16,801,435	13,847,696
Ratio	-1.5%	-3.4%	-3.5%	-0.4%

<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:		
Short Term Investments	150,834.27	150,834.27
Total Cash and Equivalents	150,834.27	150,834.27
Receivables:		
Member Contributions in Transit	5,660.44	5,660.44
City Contributions in Transit	157,057.49	157,057.49
Additional City Contributions	440.11	440.11
Total Receivable	163,158.04	163,158.04
Investments:		
Mutual Funds:		
Fixed Income	9,047,074.95	8,543,411.64
Equity	7,803,326.26	12,266,139.42
Pooled/Common/Commingled Funds:		
Real Estate	750,000.00	746,534.68
Total Investments	17,600,401.21	21,556,085.74
Total Assets	17,914,393.52	21,870,078.05
<u>LIABILITIES</u>		
Payables:		
Benefit Payments	6,531.10	6,531.10
Total Liabilities	6,531.10	6,531.10
NET POSITION RESTRICTED FOR PENSIONS	17,907,862.42	21,863,546.95

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

ADDITIONS

Contributions:

Member	145,375.59
City	570,733.80

Total Contributions	716,109.39
---------------------	------------

Investment Income:

Net Realized Gain (Loss)	421,920.27	
Unrealized Gain (Loss)	2,748,537.45	
Net Increase in Fair Value of Investments		3,170,457.72
Interest & Dividends		928,545.42
Less Investment Expense <sup>1</sup>		(36,378.96)

Net Investment Income	4,062,624.18
-----------------------	--------------

Total Additions	4,778,733.57
-----------------	--------------

DEDUCTIONS

Distributions to Members:

Benefit Payments	945,740.11
Lump Sum PLOP Distributions	0.00
Refunds of Member Contributions	12,543.69

Total Distributions	958,283.80
---------------------	------------

Administrative Expense	83,343.18
------------------------	-----------

Total Deductions	1,041,626.98
------------------	--------------

Net Increase in Net Position	3,737,106.59
------------------------------	--------------

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year	18,126,440.36
-----------------------	---------------

End of the Year	21,863,546.95
-----------------	---------------

<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 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				
		2024	2025	2026	2027	2028
09/30/2021	2,614,371	522,875	0	0	0	0
09/30/2022	(4,755,206)	(1,902,083)	(951,042)	0	0	0
09/30/2023	943,897	566,339	377,560	188,781	0	0
09/30/2024	2,841,108	2,272,886	1,704,664	1,136,442	568,220	0
Total		1,460,017	1,131,182	1,325,223	568,220	0

<u>Development of Investment Gain/Loss</u>	
Market Value of Assets, including Prepaid Contributions, 09/30/2023	18,126,473
Contributions Less Benefit Payments & Admin Expenses	(325,990)
Expected Investment Earnings*	1,221,516
Actual Net Investment Earnings	4,062,624
2024 Actuarial Investment Gain/(Loss)	<u>2,841,108</u>

\*Expected Investment Earnings =  $0.068 * (18,126,473 - 0.5 * 325,990)$

<u>Development of Actuarial Value of Assets</u>	
(1) Market Value of Assets, 09/30/2024	21,863,547
(2) Gains/(Losses) Not Yet Recognized	<u>1,460,017</u>
(3) Actuarial Value of Assets, 09/30/2024, (1) - (2)	20,403,530
(4) Limited Actuarial Value of Assets, 09/30/2024	20,403,530
(A) 09/30/2023 Actuarial Assets, including Prepaid Contributions:	19,178,730
(I) Net Investment Income:	
1. Interest and Dividends	928,545
2. Realized Gain (Loss)	421,920
3. Unrealized Gain (Loss)	2,748,537
4. Change in Actuarial Value	(2,512,274)
5. Investment Expenses	<u>(36,379)</u>
Total	1,550,350
(B) 09/30/2024 Actuarial Assets, excluding Shortfall Contribution:	20,403,090
Actuarial Assets Rate of Return = $2I/(A+B-I)$ :	8.15%
Market Value of Assets Rate of Return:	22.71%

Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis) 257,280

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

REVENUES

Contributions:		
Member	145,375.59	
City	570,733.80	
Total Contributions		716,109.39
Earnings from Investments:		
Interest & Dividends	928,545.42	
Net Realized Gain (Loss)	421,920.27	
Unrealized Gain (Loss)	2,748,537.45	
Change in Actuarial Value	(2,512,274.00)	
Total Earnings and Investment Gains		1,586,729.14
	EXPENDITURES	
Distributions to Members:		
Benefit Payments	945,740.11	
Lump Sum PLOP Distributions	0.00	
Refunds of Member Contributions	12,543.69	
Total Distributions		958,283.80
Expenses:		
Investment related <sup>1</sup>	36,378.96	
Administrative	83,343.18	
Total Expenses		119,722.14
Change in Net Assets for the Year		1,224,832.59
Net Assets Beginning of the Year		19,178,697.36
Net Assets End of the Year <sup>2</sup>		20,403,529.95

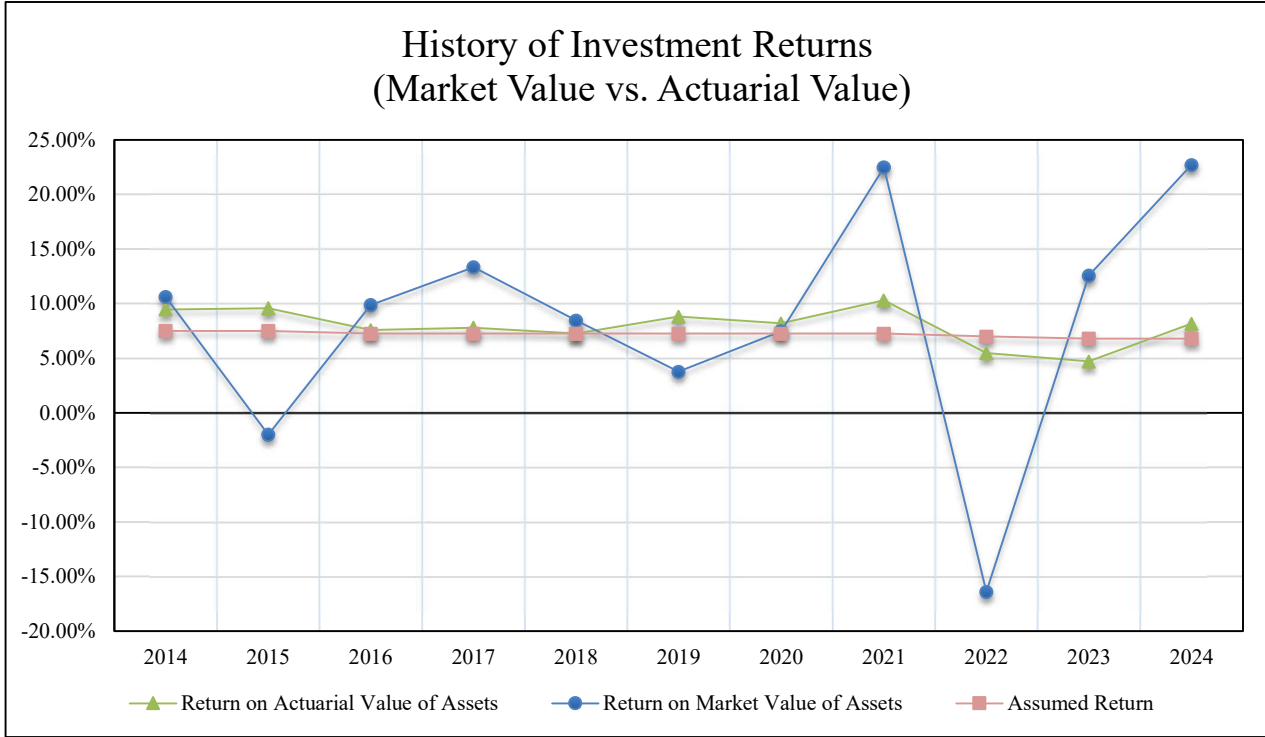
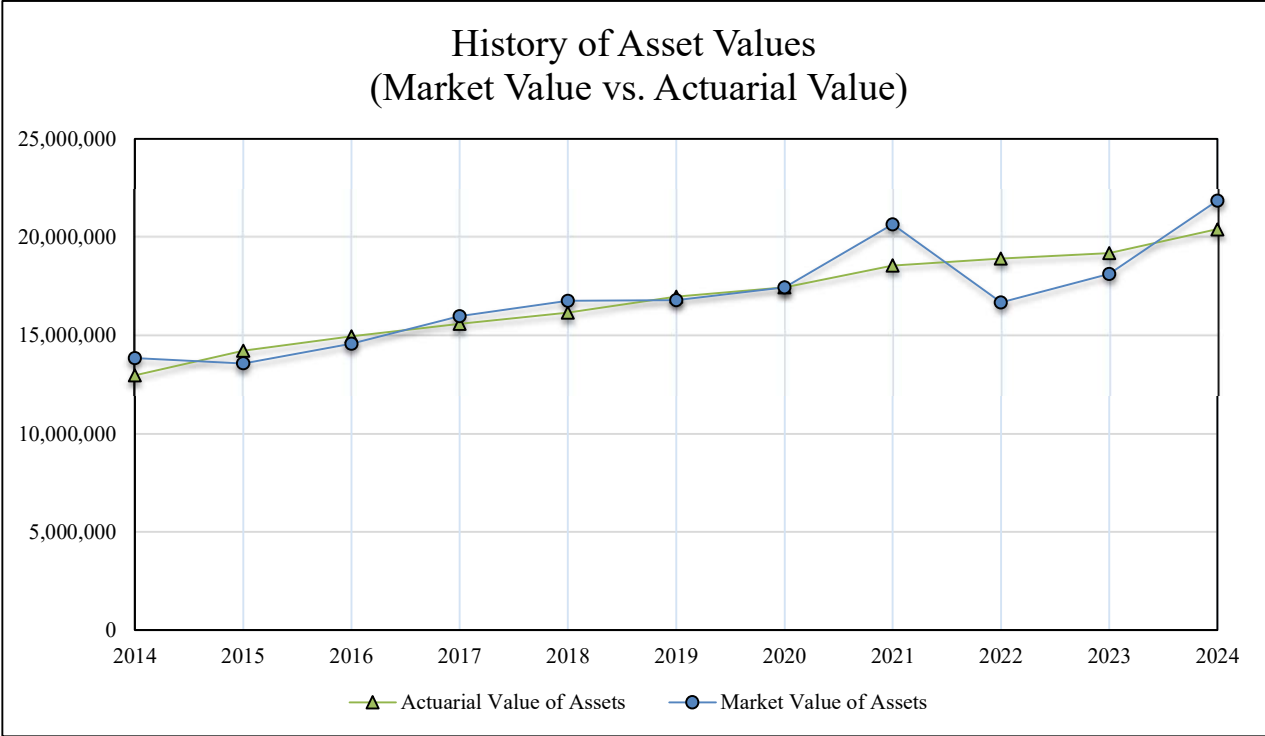
<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.

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

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

(1) City Required Contribution Rate	10.6%
(2) Pensionable Payroll Derived from Member Contributions	\$5,384,281.11
(3) City Required Contribution (1) x (2)	570,733.80
(4) Less 2023 Prepaid Contribution	(32.49)
(5) Less Actual City Contributions	<u>(570,261.20)</u>
(6) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2024	\$440.11

# 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</u>				
Number	97	88	87	87
Average Current Age	44.3	45.3	44.1	44.8
Average Age at Employment	35.7	35.6	34.8	36.0
Average Past Service	8.6	9.7	9.3	8.8
Average Annual Salary	\$59,257	\$54,442	\$51,420	\$47,164
<u>Service Retirees</u>				
Number	81	80	76	76
Average Current Age	72.6	72.2	71.7	70.8
Average Annual Benefit	\$11,924	\$11,526	\$11,669	\$11,611
<u>Beneficiaries</u>				
Number	5	5	5	5
Average Current Age	72.0	81.0	80.0	79.7
Average Annual Benefit	\$3,435	\$2,503	\$2,503	\$3,355
<u>Disability Retirees</u>				
Number	0	0	0	0
Average Current Age	N/A	N/A	N/A	N/A
Average Annual Benefit	N/A	N/A	N/A	N/A
<u>Terminated Vested</u>				
Number	119	111	107	95
Average Current Age <sup>1</sup>	61.5	61.0	59.5	59.2
Average Annual Benefit <sup>1</sup>	\$5,381	\$4,909	\$4,802	\$4,802

<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	1											1
20 - 24	1		1									2
25 - 29	4		1	2		2						9
30 - 34	6		2	2		7	1					18
35 - 39	4	1	1	1		4						11
40 - 44		1		3	1	5	3					13
45 - 49		1			1	3	2	1	1			9
50 - 54		1	1			2		1				5
55 - 59	3					3	1		2	1	1	11
60 - 64		1			1	2		1	2	1	3	11
65+		2				1	1	1			2	7
Total	19	7	6	8	3	29	8	4	5	2	6	97

## VALUATION PARTICIPANT RECONCILIATION

### 1. Active lives

a. Number in prior valuation 10/1/2023	88
b. Terminations	
i. Vested (partial or full) with deferred annuity	(2)
ii. Vested in refund of member contributions only	(4)
iii. Refund of member contributions or full lump sum distribution	(2)
c. Deaths	
i. Beneficiary receiving benefits	(1)
ii. No future benefits payable	0
d. Disabled	0
e. Retired	(2)
f. Continuing participants	77
g. New entrants / Rehires	<u>20</u>
h. Total active life participants in valuation	97

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

	Service Retirees, Vested Receiving	Receiving Death Benefits	Receiving Disability Benefits	Vested (Deferred Annuity)	Vested (Due Refund)	Total
a. Number prior valuation	80	5	0	47	64	196
Retired	3			(1)		2
Vested (Deferred Annuity)				2		2
Vested (Due Refund)					4	4
Hired/Terminated in Same Year					3	3
Death, With Survivor		1				1
Death, No Survivor	(1)	(1)				(2)
Disabled						0
Refund of Contributions						0
Rehires						0
Expired Annuities	(1)					(1)
Data Corrections						0
b. Number current valuation	81	5	0	48	71	205

SUMMARY OF CURRENT PLAN  
(Through Ordinance No. 2023-14)

<u>Eligibility</u>	Regular, full-time general employees who are not sworn police officers or certified firefighters enter on the 1 <sup>st</sup> of the month following date of employment (City Manager, Department Directors and City Clerk can be excluded).	
<u>Salary</u>	Total Compensation reportable on form W-2, including lump sum distributions for annual leave and sick leave accrued prior to January 2, 2012, plus all tax deferred, tax sheltered, or tax exempt items of income. Overtime is limited to 300 hours per year.	
<u>Average Compensation</u>	5 best years out of the last 10.	
<u>Credited Service</u>	Years and fractional parts of years of service with the City as a General Employee.	
<u>Member Contributions</u>	2.7% of Salary (Pre-Tax).	
<u>Normal Retirement</u>		
Date	The attainment of age 62 with 5 years of Credited Service.	
Benefit	2.0% of Average Compensation <u>times</u> Credited Service.	
Form of Benefit	Life Annuity (options available).	
<u>Early Retirement</u>		
Date	Attainment of age 55 with 5 years of Credited Service.	
Benefit	Accrued Benefit on Early Retirement Date, actuarially reduced for each year that Early Retirement precedes Normal Retirement.	
Form of Benefit	Life Annuity (options available).	
<u>Termination of Employment</u>		
Vesting Schedule	<u>Years of Service</u>	<u>Vested %</u>
	Less than 5	0%
	5 or more	100
Benefit	Vested Accrued benefit payable at 62 (unreduced) or Early Retirement Date (reduced).	

Pre-Retirement Death Benefit

Eligibility

5 Years of Credited Service.

Benefit

Accrued benefit payable for 10 years beginning at the member's otherwise Early Retirement Date (reduced) or Normal Retirement Date (unreduced).

Board of Trustees

4 Members of the Plan, 2 Council appointees, and the administrative services director.