

West Palm Beach Firefighters Pension Fund

GASB Statement No. 68 Plan Reporting and
Accounting Schedules
September 30, 2021





October 28, 2021

Ms. Karen Malcom
Accounting Manager
City of West Palm Beach
401 Clematis Street
West Palm Beach, Florida 33401

**Re: West Palm Beach Firefighters Pension Fund
GASB Statement No. 68 Disclosure Information**

Dear Karen:

As requested, we have prepared the actuarial disclosure information required under the Governmental Accounting Standards Board (GASB) Statement No. 68 for the West Palm Beach Firefighters Pension Fund for use in the preparation of the City's GAAP-basis employer financial statement for the reporting year ending September 30, 2021.

GASB Statement No. 68 establishes the accounting and financial reporting standards for state and local government employers who provide their employees (including former employees) pension benefits through a trust. These calculations have been made on a basis that is consistent with our understanding of this accounting standard. Enclosed are the following exhibits:

- Executive Summary;
- Schedule of Changes in the Employer's Net Pension Liability and Related Ratios for Measurement Year;
- Notes to Net Pension Liability;
- Pension Expense Under GASB Statement No. 68;
- Statement of Outflows and Inflows Arising from Current Reporting Period;
- Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods;
- Recognition of Deferred Outflows and Inflows of Resources;
- Schedule of Contributions;
- Notes to Schedule of Contributions; and
- Sensitivity of Net Pension Liability to the Single Discount Rate Assumption.

The actuarial valuation of the liabilities as of the September 30, 2020 measurement date was determined as of the beginning of the year, September 30, 2019 (based on the actuarial valuation results as reported in the revised September 30, 2019 actuarial valuation report dated March 18, 2020) rolled-forward to the

measurement date. These liabilities are used for GASB Statement No. 68 reporting for the reporting period ending September 30, 2021. Using a measurement date of September 30, 2020 allows for timelier reporting at the end of the year. If significant changes occur during the year, such as benefit changes or changes in assumptions or methods, these should be noted in the footnotes.

Required Disclosures

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of providing reporting and disclosure information that satisfies the requirements of GASB Statement No. 68. The calculation of the Plan's liability for this report is not applicable for purposes of funding the Plan. The Net Pension Liability is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligation. The Net Pension Liability is not an appropriate measure for assessing the need for or amount of future employer contributions. A calculation of the Plan's liability for purposes other than satisfying the requirements of GASB Statement No. 68 may produce significantly different results. This report may be provided to parties other than the City or Pension Board only in its entirety and only with the permission of the City or Pension Board or its authorized officials. GRS is not responsible for unauthorized use of this report.

This report is based upon information, furnished to us by the Plan Administrator, concerning Plan benefits, active members, deferred vested members, retirees and beneficiaries, and financial data. This information was checked for internal consistency, but it was not audited. We are not responsible for the accuracy or completeness of the information provided by the Plan Administrator.

This report complements the actuarial valuation report that was provided to the Board and should be considered in conjunction with that report. Please see the revised actuarial valuation report as of September 30, 2019 dated March 18, 2020 for additional discussion of the nature of actuarial calculations and information related to participant data, economic and demographic assumptions, and benefit provisions.

The findings in this report are based on data through September 30, 2019 and financial information through September 30, 2020. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: Plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status); and changes in Plan provisions or applicable law.

To the best of our knowledge, the information contained within this report is accurate and fairly represents the actuarial position of the Plan. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board.



Brad Lee Armstrong and Jeffrey T. Tebeau are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The signing actuaries are independent of the plan sponsor.

This report was prepared using our proprietary valuation model and related software which, in our professional judgment, has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

This actuarial valuation and/or cost determination was prepared and completed under direct supervision of the actuaries, and we acknowledge responsibility for the results. To the best of our knowledge, the results are complete and accurate. In our opinion, the techniques and assumptions used are reasonable and are based on generally accepted actuarial principles and practices. 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.

We welcome your questions and comments.

Sincerely yours,

Gabriel, Roeder, Smith & Company



Brad Lee Armstrong, ASA, EA, FCA, MAAA



Jeffrey T. Tebeau, FSA, EA, MAAA

BLA/JTT:rl

Executive Summary

GASB Statement No. 68

Actuarial Valuation Date	September 30, 2019
Measurement Date of the Net Pension Liability	September 30, 2020
Employer's Fiscal Year Ending Date (Reporting Date)	September 30, 2021

Membership as of Actuarial Valuation Date

Number of	
- Retirees and Beneficiaries	207
- Inactive, Nonretired Members	-
- Active Members	228
- Total	435
Covered Payroll #	\$ 21,020,508

Net Pension Liability

Total Pension Liability@	\$ 322,197,230
Plan Fiduciary Net Position@	252,230,683
Net Pension Liability	\$ 69,966,547
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.28%
Net Pension Liability as a Percentage of Covered Payroll	332.85%

Development of the Single Discount Rate

Single Discount Rate	7.50%
Long-Term Expected Rate of Investment Return	7.50%
Long-Term Municipal Bond Rate*	2.41%
Last year ending September 30 in the 2021 to 2120 projection period for which projected benefit payments are fully-funded	2120

Total Pension Expense	\$ 8,549,267
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Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,151,160	\$ 2,280,656
Changes in assumptions	5,973,718	4,115,534
Net difference between projected and actual earnings on pension plan investments	4,667,571	7,124,153
Total	\$ 11,792,449	\$ 13,520,343

Based on the payroll figures from the data for the September 30, 2020 valuation.

@ Includes DROP Account balances of \$69,624,241 and Share Account balances of \$41,797,522.

* Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of September 30, 2020. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.



Schedule of Changes in the Employer's Net Pension Liability and Related Ratios Multiyear GASB Statement No. 68

Measurement Period Ending September 30,	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 4,748,948	\$ 4,637,520	\$ 4,299,275	\$ 3,997,127	\$ 3,934,074	\$ 3,764,066	\$ 3,648,784
Interest on the Total Pension Liability #	15,356,555	14,635,101	14,539,716	13,652,932	13,153,854	12,846,010	12,333,803
Benefit Changes	-	-	-	-	-	-	-
Net Change to DROP and Share Accounts	12,174,555	8,721,401	10,283,962	11,407,181	13,603,677	7,613,395	14,700,037
Difference between expected and actual experience of the Total Pension Liability	(1,290,643)	1,566,360	(748,224)	(944,506)	(75,341)	(2,709,527)	-
Assumption Changes	(4,748,226)	-	6,304,411	5,482,333	-	-	-
Benefit Payments	(17,032,126)	(15,940,655)	(16,056,923)	(17,896,859)	(14,902,198)	(14,063,173)	(15,745,308)
Refunds	(59,635)	(41,259)	(102,314)	(225,496)	(19,093)	(246,947)	(202,153)
Net Change in Total Pension Liability	9,149,428	13,578,468	18,519,903	15,472,712	15,694,973	7,203,824	14,735,163
Total Pension Liability - Beginning	313,047,802	299,469,334	280,949,431	265,476,719	249,781,746	242,577,922	227,842,759
Total Pension Liability - Ending (a)	\$ 322,197,230	\$ 313,047,802	\$ 299,469,334	\$ 280,949,431	\$ 265,476,719	\$ 249,781,746	\$ 242,577,922
Plan Fiduciary Net Position							
Employer and State Contributions	\$ 11,095,789	\$ 10,373,258	\$ 9,398,714	\$ 7,594,810	\$ 7,665,074	\$ 7,530,174	\$ 7,370,114
Employee Contributions	4,144,354	2,738,646	3,325,997	5,631,366	3,778,776	2,963,279	5,254,738
Pension Plan Net Investment Income	20,389,301	9,185,948	24,051,595	23,590,017	16,158,856	3,085,047	15,770,182
Benefit Payments	(17,032,126)	(15,940,655)	(16,056,923)	(17,896,859)	(14,902,198)	(14,063,173)	(15,745,308)
Refunds	(59,635)	(41,259)	(102,314)	(225,496)	(19,093)	(246,947)	(202,153)
Pension Plan Administrative Expense	(196,920)	(176,142)	(199,057)	(183,315)	(164,821)	(204,066)	(160,459)
Other	14,987	17,896	25,833	19,789	56,439	58,204	107,826
Net Change in Plan Fiduciary Net Position	18,355,750	6,157,692	20,443,845	18,530,312	12,573,033	(877,482)	12,394,940
Plan Fiduciary Net Position - Beginning	233,874,933	227,717,241	207,273,396	188,743,084	176,170,051	176,974,492	164,579,552
Adjustment	-	-	-	-	-	73,041	-
Plan Fiduciary Net Position - Ending (b)	\$ 252,230,683	\$ 233,874,933	\$ 227,717,241	\$ 207,273,396	\$ 188,743,084	\$ 176,170,051	\$ 176,974,492
Net Pension Liability - Ending (a) - (b)	69,966,547	79,172,869	71,752,093	73,676,035	76,733,635	73,611,695	65,603,430
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.28 %	74.71 %	76.04 %	73.78 %	71.10 %	70.53 %	72.96 %
Covered-Employee Payroll	\$ 21,020,508	\$ 19,890,980	\$ 19,303,606	\$ 17,540,397	\$ 16,634,526	\$ 16,144,923	\$ 15,363,247
Net Pension Liability as a Percentage of Covered-Employee Payroll	332.85 %	398.03 %	371.70 %	420.04 %	461.29 %	455.94 %	427.02 %
Notes to Schedule:	*	*	*	*	*	*	*

* DROP and Share Accounts are included in the TPL and Plan Net Position.

Interest on TPL excludes DROP and Share Accounts.



Notes to Net Pension Liability

GASB Statement No. 68

Valuation Date: September 30, 2019
Measurement Date: September 30, 2020

Methods and Assumptions used to Determine Net Pension Liability:

Actuarial Cost Method	Entry Age Normal
Wage Inflation	4.10%
Salary Increases	4.10% to 4.60%, including inflation
Investment Rate of Return	7.50%
Long-Term Municipal Bond Rate	2.41%
Retirement Age	Age and experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation.
Mortality	The Florida Retirement System (FRS) mortality tables which use variations of the fully generational Pub-2010 Safety Mortality Tables with improvement scale MP-2018.

Other Information:

Notes	The Mortality Tables were updated to the tables indicated above, and reflected in the TPL as of September 30, 2020.
Cost-of-Living Adjustments	5.50% a year for Plan A pension recipients (hired prior to May 1, 1959). Implied 0% a year for prior Plan B pension recipients as of September 30, 2018, if aggregate gains from all sources do not limit it.



Pension Expense
Fiscal Year Ended September 30, 2021
(Based on Measurement Period Ending September 30, 2020)
GASB Statement No. 68

A. Expense

1. Service Cost	\$ 4,748,948
2. Interest on the Total Pension Liability	15,356,555
3. Current-Period Benefit Changes	0
4. Employee Contributions (made negative for addition here)	(4,144,354)
5. Projected Earnings on Plan Investments (made negative for addition here)	(17,464,362)
6. Pension Plan Administrative Expense	196,920
7. Other Changes in Plan Fiduciary Net Position	(14,987)
8. Other Changes in Total Pension Liability (Share and DROP Net Change)	12,174,555
9. Recognition of Outflow (Inflow) of Resources Due to Liabilities	428,259
10. Recognition of Outflow (Inflow) of Resources Due to Assets	(2,732,267)
11. Total Pension Expense	\$ 8,549,267

Statement of Outflows and Inflows
Arising from Current Reporting Period
Employer Fiscal Year Ended September 30, 2021
(Based on Measurement Period Ending September 30, 2020)
GASB Statement No. 68

A. Outflows (Inflows) of Resources Due to Liabilities

1. Difference between expected and actual experience of the Total Pension Liability (gains) or losses	\$ (1,290,643)
2. Assumption Changes (gains) or losses	\$ (4,748,226)
3. Recognition period for Liabilities: Average of the expected remaining service lives of all employees {in years}	7.5048
4. Outflow (Inflow) of Resources to be recognized in the current pension expense for the difference between expected and actual experience of the Total Pension Liability	\$ (171,976)
5. Outflow (Inflow) of Resources to be recognized in the current pension expense for Assumption Changes	\$ (632,692)
6. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Liabilities	<u>\$ (804,668)</u>
7. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for the difference between expected and actual experience of the Total Pension Liability	\$ (1,118,667)
8. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for Assumption Changes	\$ (4,115,534)
9. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Liabilities	<u>\$ (5,234,201)</u>

B. Outflows (Inflows) of Resources Due to Assets

1. Net difference between projected and actual earnings on pension plan investments (gains) or losses	\$ (2,924,939)
2. Recognition period for Assets {in years}	5.0000
3. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Assets	\$ (584,988)
4. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Assets	\$ (2,339,951)

C. Outflow of Resources Due to Employer Contribution

1. Deferred Outflow of Resources due to Employer pension contribution made subsequent to 9/30/2020 but before 9/30/2021 (from City)	\$ 9,405,758
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Statement of Outflows and Inflows

Arising from Current and Prior Reporting Periods

Employer Fiscal Year Ended September 30, 2021

(Based on Measurement Period Ending September 30, 2020)

GASB Statement No. 68

A. Outflows and Inflows of Resources Due to Liabilities and Assets to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Due to Liabilities	\$ 1,885,459	\$ 1,457,200	\$ 428,259
2. Due to Assets	1,555,857	4,288,124	(2,732,267)
3. Total	\$ 3,441,316	\$ 5,745,324	\$ (2,304,008)

B. Outflows and Inflows of Resources by Source to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between Expected and Actual Experience	\$ 207,600	\$ 824,508	\$ (616,908)
2. Assumption Changes	1,677,859	632,692	1,045,167
3. Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,555,857	4,288,124	(2,732,267)
4. Total	\$ 3,441,316	\$ 5,745,324	\$ (2,304,008)

C. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
1. Differences between Expected and Actual Experience	\$ 1,151,160	\$ 2,280,656	\$ (1,129,496)
2. Assumption Changes	5,973,718	4,115,534	1,858,184
3. Net Difference between Projected and Actual Earnings on Pension Plan Investments	4,667,571	7,124,153	(2,456,582)
4. Total	\$ 11,792,449	\$ 13,520,343	\$ (1,727,894)

D. Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

Year Ending September 30	Net Deferred Outflows of Resources
2022	\$ (1,768,394)
2023	279,413
2024	1,810,749
2025	(368,592)
2026	(583,369)
Thereafter	(1,097,701)
Total	\$ (1,727,894)



Recognition of Deferred Outflows and Inflows of Resources

Fiscal Year Ended September 30, 2021

Year Established	Initial Amount	Initial Recognition Period	Current Year Recognition	Remaining Recognition	Remaining Recognition Period
Deferred Outflow (Inflow) Due to Differences Between Expected and Actual Experience on Liabilities					
2016	(2,709,527)	6.7656	(400,486)	(306,611)	0.7656
2017	\$ (75,341)	6.7661	\$ (11,135)	\$ (19,666)	1.7661
2018	(944,506)	7.0336	(134,285)	(407,366)	3.0336
2019	(748,224)	7.0173	(106,626)	(428,346)	4.0173
2020	1,566,360	7.5451	207,600	1,151,160	5.5451
2021	(1,290,643)	7.5048	(171,976)	(1,118,667)	6.5048
Total			\$ (616,908)	\$ (1,129,496)	
Deferred Outflow (Inflow) Due to Assumption Changes					
2018	\$ 5,482,333	7.0336	\$ 779,449	\$ 2,364,537	3.0336
2019	6,304,411	7.0173	898,410	3,609,181	4.0173
2020	-	7.5451	-	-	5.5451
2021	(4,748,226)	7.5048	(632,692)	(4,115,534)	6.5048
Total			\$ 1,045,167	\$ 1,858,184	
Deferred Outflow (Inflow) Due to Differences Between Projected and Actual Earnings on Plan Investments					
2017	\$ (2,208,685)	5.0000	\$ (441,737)	\$ -	0.0000
2018	(8,692,958)	5.0000	(1,738,592)	(1,738,590)	1.0000
2019	(7,614,033)	5.0000	(1,522,807)	(3,045,612)	2.0000
2020	7,779,285	5.0000	1,555,857	4,667,571	3.0000
2021	(2,924,939)	5.0000	(584,988)	(2,339,951)	4.0000
Total			\$ (2,732,267)	\$ (2,456,582)	

According to paragraph 33 of GASB No. 68, differences between expected and actual experience and changes in assumptions are recognized in pension expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the pension plan (active employees and inactive employees) determined as of the beginning of the measurement period.

At the beginning of the current measurement period, the expected remaining service lives of all active employees in the plan was approximately 3,265 years. Additionally, the total plan membership (active employees and inactive employees) was 435. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the current measurement period is 7.5048 years.

Additionally, differences between projected and actual earnings on pension plan investments should be recognized in pension expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the pension expense as a level dollar amount over the closed period identified above.

Schedule of Contributions

GASB Statement No. 68

FY Ending September 30,	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll#	Actual Contribution as a % of Covered Payroll
2014	\$ 7,341,139	\$ 7,623,161	\$ (282,022)	\$ 15,363,247	49.62%
2015	7,194,839	7,530,174	(335,335)	16,144,923	46.64
2016	7,130,564	7,665,074	(534,510)	16,634,526	46.08
2017	7,277,740	7,594,810	(317,070)	17,540,397	43.30
2018	8,526,593	9,398,714	(872,121)	18,417,417	51.03
2019	9,065,383	10,373,258	(1,307,875)	20,108,941	51.59
2020	9,737,863	11,095,789	(1,357,926)	20,706,510	53.59
2021	9,405,758	9,405,758	-	22,001,085	42.75

[#] Based on the preliminary payroll figures from the corresponding September 30 valuation through the FY Ending September 30, 2017. Beginning with the FY ending September 30, 2018, covered payroll is the valuation payroll from the prior FY rolled-forward with one year's wage inflation.

^{*} The 2021 actual contribution was set equal to the Actuarially Determined Contribution and can be revised once the true figure is known.

Notes to Schedule of Contributions

GASB Statement No. 68

Valuation Date: September 30
Notes Actuarially determined contribution rates are calculated as of September 30, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Actuarially Determine Contribution Rates for FY Ending September 30, 2021:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	1-30 years
Asset Valuation Method	4-Year smoothed market
Wage Inflation	4.10%
Salary Increases	4.10% to 4.60%, including inflation
Investment Rate of Return	7.50%
Retirement Age	Age and experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2012 valuation.
Mortality	The Florida Retirement System (FRS) mortality tables which use variations of the fully generational Pub-2010 Safety Mortality Tables with improvement scale MP-2018.

Other Information:

Cost-of-Living Adjustments 5.50% a year for Plan A pension recipients (hired prior to May 1, 1959).
Implied 0% a year for prior Plan B pension recipients as of September 30, 2018, if aggregate gains from all sources do not limit it.



Sensitivity of Net Pension Liability to the Single Discount Rate Assumption GASB Statement No. 68

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on Pension Plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the member rate. Based on these 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 (7.50%) was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the Plan's net pension liability, calculated using a single discount rate of 7.50%, as well as what the Plan's net pension liability would be if it were calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher:

	Current Single Discount		
	1% Decrease	Rate Assumption	1% Increase
	6.50%	7.50%	8.50%
	\$95,406,677	\$69,966,547	\$49,086,654