

March 5, 2025

Board of Trustees
City of Lake City
Police Officers' Pension Board

Re: City of Lake City Municipal Police Officers' Pension Trust Fund

Dear Board:

Enclosed is the following material, which has been prepared in support of the proposed changes to the Fund:

1. One (1) copy of the required Actuarial Impact Statement, which outlines the costs associated with implementing the changes.
2. Draft of transmittal letters to the Bureau of Local Retirement Systems and the Bureau of Police Officers' and Firefighters' Retirement Trust Funds.

It will be necessary for the Chairman to sign each copy of the Actuarial Impact Statement as the Plan Administrator and forward the Impact Statement, along with a copy of the proposed Ordinance, to the two Bureaus prior to final reading.

If you have any questions concerning the enclosed material, please let us know.

Sincerely,



Patrick T. Donlan, EA, ASA, MAAA
PTD/Ike

Enclosures

Mr. Steve Bardin
Police Officers' and Firefighters' Retirement Trust Funds
Department of Management Services, Division of Retirement
3189 S. Blair Stone Rd.
Tallahassee, FL 32301

Re: Actuarial Impact Statement

Dear Mr. Bardin:

The City of Lake City is considering the implementation of amended retirement benefits for its Police Officers. The changes are described in the enclosed material.

Pursuant to the provisions of Chapter 185, we are enclosing the required Actuarial Impact Statement along with a copy of the proposed Ordinance for your review.

If you have any questions or if additional information is needed, please contact us.

Sincerely,

Mr. Keith Brinkman
Bureau of Local Retirement Systems
Division of Retirement
3189 S. Blair Stone Rd.
Tallahassee, FL 32301

Re: Actuarial Impact Statement

Dear Mr. Brinkman:

The City of Lake City is considering the implementation of amended retirement benefits for its Police Officers. The changes are described in the enclosed material.

Pursuant to Section 22d-1.04 of the Agency Rules, we are enclosing the required Actuarial Impact Statement (AIS) and a copy of the proposed Ordinance for your review.

If you have any questions or if additional information is needed, please contact us.

Sincerely,

CITY OF LAKE CITY
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND

ACTUARIAL IMPACT STATEMENT

March 5, 2025

Attached hereto is a comparison of the impact on the Minimum Required Contribution (per Chapter 112, Florida Statutes) and the Required City Contribution, resulting from the implementation of the following changes:

For members actively employed as of January 1, 2004, who retire after becoming eligible for normal or early retirement, a monthly supplement equal to \$10.00 per month times years of credited service shall be payable for the lifetime of the member, commencing on the first day of the month that falls on or follows the member's retirement or, if later, the end of the members DROP participation. Effective August 1, 2024, the supplemental benefit shall be paid to members receiving a service incurred disability benefit and shall continue for joint annuitants prospectively. Members who have retired prior to January 1, 2004, are not eligible for this retirement supplement.

The cost impact, determined as of October 1, 2024, applicable to the fiscal year ending September 30, 2026, is as follows:

	<u>Proposed</u>	<u>Current</u>
Minimum Required Contribution		
% of Projected Annual Payroll	19.2%	19.1%
Member Contributions (Est.)		
% of Projected Annual Payroll	5.0%	5.0%
City And State Required Contribution		
% of Projected Annual Payroll	14.2%	14.1%
State Contribution (Est.) ¹	\$186,188	\$186,188
% of Projected Annual Payroll	6.8%	6.8%
City Required Contribution ²		
% of Projected Annual Payroll	7.4%	7.3%

¹ Represents the amount received in calendar 2024. As per a Mutual Consent Agreement between the Membership and the City, all State Monies received each year will be available to offset the City's required contribution.

CITY OF LAKE CITY
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND

ACTUARIAL IMPACT STATEMENT

March 5, 2025

Unless otherwise noted, all data, assumptions, methods and plan provisions are the same as in the October 1, 2024 actuarial valuation report. It should be noted that changes to retirement benefits could potentially affect participants' retirement or termination behavior. We will monitor and advise of any recommended changes with future experience studies.

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 analysis, we did not perform an analysis of the potential range of such future measurements.

Please note that contents of this analysis and the October 1, 2024 actuarial valuation report are considered an integral part of the actuarial opinions. In reviewing the results presented in this study, it should be noted that there are risks that may not be inherently apparent to the reader that should be carefully considered. For key risks, please see the Discussion of Risk section of the October 1, 2024 actuarial valuation report.

In performing the analysis, 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 to generate the costs. All internally developed models are reviewed as part of the 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.

The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution. The undersigned is familiar with the immediate and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the opinions contained herein.



Patrick T. Donlan, ASA, EA, MAAA
Enrolled Actuary #20-6595

STATEMENT OF PLAN ADMINISTRATOR

The prepared information presented herein reflects the estimated impact of the proposed Ordinance.

Chairman, Board of Trustees

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Benefits <u>10/1/2024</u>	Old Benefits <u>10/1/2024</u>
A. Participant Data		
Actives	40	40
Service Retirees	22	22
DROP Retirees	1	1
Beneficiaries	3	3
Disability Retirees	5	5
Terminated Vested	<u>33</u>	<u>33</u>
Total	104	104
Projected Annual Payroll	2,725,456	2,725,456
Annual Rate of Payments to:		
Service Retirees	821,421	821,421
DROP Retirees	38,433	38,433
Beneficiaries	65,949	61,136
Disability Retirees	107,137	106,185
Terminated Vested	72,461	72,461
B. Assets		
Actuarial Value (AVA) ¹	20,546,516	20,546,516
Market Value (MVA) ¹	22,251,965	22,251,965
C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	6,892,108	6,860,037
Disability Benefits	499,226	495,443
Death Benefits	30,880	30,165
Vested Benefits	1,662,537	1,662,537
Refund of Contributions	125,302	125,302
Service Retirees	10,045,407	10,045,407
DROP Retirees ¹	822,438	822,438
Beneficiaries	507,638	471,203
Disability Retirees	1,173,311	1,165,170
Terminated Vested	871,569	871,569
Share Plan Balances ¹	<u>12,703</u>	<u>12,703</u>
Total	22,643,119	22,561,974

C. Liabilities - (Continued)	New Benefits <u>10/1/2024</u>	Old Benefits <u>10/1/2024</u>
Present Value of Future Salaries	20,186,695	20,186,695
Present Value of Future Member Contributions	1,009,335	1,009,335
Normal Cost (Retirement)	295,304	294,008
Normal Cost (Disability)	37,524	37,248
Normal Cost (Death)	1,557	1,525
Normal Cost (Vesting)	95,904	95,904
Normal Cost (Refunds)	18,869	18,869
Total Normal Cost	<u>449,158</u>	<u>447,554</u>
Present Value of Future Normal Costs	3,092,610	3,083,039
Accrued Liability (Retirement)	4,901,904	4,877,464
Accrued Liability (Disability)	245,964	243,931
Accrued Liability (Death)	19,443	18,918
Accrued Liability (Vesting)	919,973	919,973
Accrued Liability (Refunds)	30,159	30,159
Accrued Liability (Inactives) ¹	13,420,363	13,375,787
Share Plan Balances ¹	<u>12,703</u>	<u>12,703</u>
Total Actuarial Accrued Liability (EAN AL)	19,550,509	19,478,935
Unfunded Actuarial Accrued Liability (UAAL)	(996,007)	(1,067,581)
Funded Ratio (AVA / EAN AL)	105.1%	105.5%

D. Actuarial Present Value of Accrued Benefits	New Benefits <u>10/1/2024</u>	Old Benefits <u>10/1/2024</u>
Vested Accrued Benefits		
Inactives + Share Plan Balances ¹	13,433,066	13,388,490
Actives	2,571,136	2,559,542
Member Contributions	<u>223,979</u>	<u>223,979</u>
Total	16,228,181	16,172,011
Non-vested Accrued Benefits	<u>792,856</u>	<u>782,031</u>
Total Present Value		
Accrued Benefits (PVAB)	17,021,037	16,954,042
Funded Ratio (MVA / PVAB)	130.7%	131.2%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	66,995	
Benefit Changes	0	
Plan Experience	0	
Benefits Paid	0	
Interest	0	
Other	<u>0</u>	
Total	66,995	

Valuation Date Applicable to Fiscal Year Ending	New Benefits 10/1/2024 <u>9/30/2026</u>	Old Benefits 10/1/2024 <u>9/30/2026</u>
E. Pension Cost		
Normal Cost (with interest) % of Projected Annual Payroll ²	17.1	17.0
Administrative Expenses (with interest) % of Projected Annual Payroll ²	2.1	2.1
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 15 years (as of 10/1/2024, with interest) % of Projected Annual Payroll ²	(5.6)	(5.8)
Minimum Required Contribution ³ % of Projected Annual Payroll ^{2 3}	19.2	19.1
Expected Member Contributions % of Projected Annual Payroll ²	5.0	5.0
Expected City and State Contribution % of Projected Annual Payroll ^{2 3}	14.2	14.1

¹ The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2024.

² Contributions developed as of 10/1/2024 are expressed as a percentage of Projected Annual Payroll at 10/1/2024 of \$2,725,456.

³ Reflects normal cost minimum funding requirements of Chapter 112, Florida Statutes.

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Active Lives:

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

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

Healthy Retiree Lives:

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

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

Beneficiary Lives:

Female: PubG.H-2010 for Healthy Retirees.

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

Disabled Lives:

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

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 special risk employees, with appropriate adjustments made based on plan demographics.

Interest Rate

7.00% per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Salary Increases

See table later in this section. Projected salary at retirement is increased individually to account for non-regular compensation. This is based on an experience study utilizing data from October 1, 2010 through September 30, 2020.

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

\$54,829 annually, based on the average of actual expenses incurred in the prior two fiscal years.

Amortization Method

New UAAL amortization bases are amortized over the following amortization periods:

Experience: 15 Years.

Assumption/Method Changes: 15 Years.

Benefit Changes: 15 Years.

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.

Retirement Age (Early and Normal)

See table later in this section. This is based on an experience study utilizing data from October 1, 2010 through September 30, 2020.

Termination Rates

See table later in this section. This is based on an experience study utilizing data from October 1, 2010 through September 30, 2020.

Disability Rates

See sample rates later in this section. This is based on an experience study utilizing data from October 1, 2010 through September 30, 2020. 75% of disablements are assumed to be service-related.

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 7.00% assumption.

Salary - None.

Asset Valuation 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.

Assumption Tables

% Terminating during the year		% Becoming Disabled During the Year	
Service	Rate	Age	Rate
<3	15.00%	20	0.15%
3 - 9	7.50%	30	0.20%
10	25.00%	40	0.35%
11+	5.00%	50	0.90%
		60	4.50%

Salary Scale		% Retiring During the Year				
Service	Rate	Age				
		Service	50-51	52-54	55-59	60+
0	15.00%	<10	0%	0%	0%	100%
1+	4.50%	10 - 24	15%	15%	100%	100%
		25+	15%	100%	100%	100%

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.

SUMMARY OF PLAN PROVISIONS
(Through Ordinance 2021-2204, as modified by State Law)

<u>Effective Date of Existing Plan</u>	September 13, 1999 (99-859).
<u>Latest Amendment</u>	September 20, 2021.
<u>Credited Service</u>	Years and fractional parts of years of service with the City as a full-time Police Officer.
<u>Final Monthly Compensation</u>	Average of total cash compensation, including any lump sum payout of accrued leave and sick time, paid during the best 3 years of the last 10 years preceding retirement or termination. Pensionable overtime for service after July 1, 2011 is limited to 300 hours per year. Pensionable lump sum unused sick or annual leave is limited to the amount accrued as of July 1, 2011.
<u>Normal Retirement</u>	
Date	Earlier of age 55 and the completion of 10 years of Credited Service or age 52 and the completion of 25 years of Credited Service.
Benefit Amount	3.00% of Final Monthly Compensation times Credited Service plus \$10.00 per month times Credited Service as a supplemental benefit for life.
Form of Benefit	10 Year Certain and Life thereafter.
Cost-of-Living	Beginning at age 60, all service retirees and beneficiaries receive a 2.00% per year increase and each October 1 st thereafter.
<u>Early Retirement</u>	
Date	Attainment of age 50 and the completion of ten (10) years of Credited Service.
Benefit Amount	Accrued benefit, reduced 3.00% per year, plus \$10.00 per month times Credited Service as a supplemental benefit for life.

Disability

Eligibility	Total and permanent as determined by Board of Trustees. Members covered from date of employment for service incurred disabilities and after 10 years of employment for "non-service incurred".
Benefit Amount	3.00% of Final Monthly Compensation times Credited Service (but not less than 42% of Average Monthly Earnings for service incurred disabilities). Offset with Worker's Compensation if necessary.
Duration	Benefit commences upon Board approval and is paid until earlier of recovery or death.

Death

Pre-Retirement	Beneficiaries of Members who die after completing at least 10 years of service may elect to receive the Member's accrued benefit for 10 years at the Member's Normal (unreduced) or Early (reduced) Retirement Date.
Post-Retirement	According to option selected.

Vesting (Termination)

Less than 10 years of Credited Service	Refund of Member Contributions.
10 years or more	Accrued benefit payable at the Member's election, on his otherwise Early or Normal Retirement Date or Refund of Member Contributions, with 3.75% interest.

Contributions

Employee	5.00% of Earnings.
Premium Tax	0.85% tax on casualty insurance premiums.
City	Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability as provided in Part VII of Florida Statutes, Chapter 112.

Board of Trustees

2 Police Officers (selected by majority of Department Members), 2 Citizens (appointed by City Council) and a fifth member chosen by the other 4 and appointed by City Council.

Deferred Retirement Option Plan

Eligibility	Satisfaction of Normal Retirement requirements.
Participation	Not to exceed 60 months (may be extended up to 36 additional months).
Rate of Return	Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter.
Form of Distribution	Cash lump sum (options available) at termination of employment.

Share Plan

Initial Allocation	The accumulated unused 185 reserve money as of October 1, 2019 is divided among active Members as of October 1, 2019 based on a ratio that a Member's years of credited service as of that date bears to the total number of years of credited service of all of the Members employed on October 1, 2019.
Earnings	Same as overall Trust Fund.
Vesting	Same as regular Plan. Balances of non-Vested Members are allocated to remaining Share Participants on an annual basis using the same method as the initial allocation.