

City of Wauchula
GASB 74/75 Report

Actuarial Valuation
As of October 1, 2023

Measurement Date
As of September 30, 2024



April 9, 2025

Introduction

This report presents the results of the October 1, 2023 actuarial valuation of the post-employment benefits (other than pensions) provided by the City of Wauchula. In this report, these benefits are referred to as "Other Post-Employment Benefits" or "OPEB". The valuation is based upon the participant data and asset information provided as of October 1, 2023 by the City of Wauchula. Except for a cursory review for reasonableness, we have not attempted to verify the accuracy of this information. The primary purpose of this report is to provide accounting disclosures as of September 30, 2024 (the "measurement date") pursuant to Governmental Accounting Standards Board Statement Nos. 74 and 75 (GASB 74/75) in connection with the City's financial statements as of September 30, 2024 (the "reporting date").

The liabilities and cost presented in this report are based on numerous assumptions concerning the cost of benefits to be provided in the future, long-term investment returns, and the future demographic experience of the current participants. Anyone referring to this report should remember that the cost developed herein is only an estimate of the true cost of providing OPEB. No one can predict with certainty whether the true cost will be higher or lower than the cost presented in this report. The calculated cost is entirely dependent upon the described assumptions. If any of the assumptions is changed, then the cost shown in this report will change accordingly. Likewise, if any of the assumptions is not completely realized, then the cost shown in this report will change in the future.

Certain assumptions play a bigger role than others in determining the cost of the OPEB. In some cases, relatively small changes in a particular assumption can have a dramatic impact on the anticipated cost of benefits. Although a thorough analysis of the impact of such changes is beyond the scope of this report, GASB 74/75 requires disclosure of the impact of a 1% decrease or increase in the discount rate and a 1% decrease or increase in the healthcare cost trend rates.

Certification

This actuarial valuation was prepared 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 GASB 74/75 and the relevant Actuarial Standards of Practice issued by the Actuarial Standards Board. There is no post-employment benefit or expense to be provided by the City and/or paid from the trust'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 change in plan costs or required contribution rates have been taken into account in the valuation.

For the firm,



Charles T. Carr
Consulting Actuary
Southern Actuarial Services Company, Inc.

The individual above is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

DISCLOSURES RELATED TO POST-EMPLOYMENT BENEFITS

NET OPEB LIABILITY AS OF SEPTEMBER 30, 2024

Total OPEB liability	\$4,521,852 *
Less fiduciary net position	(697,273)
Net OPEB liability	<u>\$3,824,579 **</u>

* This amount has been rolled forward from October 1, 2023.

** This amount is recognized on the employer's balance sheet.

OPEB EXPENSE FOR THE 2023/24 FISCAL YEAR

Service cost	\$72,593
Other recognized changes in net pension liability:	
Expected interest growth	173,654
Investment gain/loss	(9,252)
Demographic gain/loss	(178,472)
Employee contributions	0
Benefit payments & refunds	0
Administrative expenses	7,149
Changes in benefit terms	0
Assumption changes	(53,383)
OPEB expense	<u>\$12,289 *</u>

* This amount is recognized on the employer's income statement, along with the employer contribution for the 2023/24 fiscal year.

DEFERRED INFLOW AND OUTFLOW OF RESOURCES

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Balance as of September 30, 2023	\$1,272,719	\$2,176,196
Change due to:		
Amortization payments	\$(381,065)	\$(622,172)
Investment gain/loss	\$0	\$70,502
Demographic gain/loss	\$0	\$1,025,064
Assumption changes	<u>\$344,285</u>	<u>\$0</u>
Total change	\$(36,780)	\$473,394
Balance as of September 30, 2024	\$1,235,939 *	\$2,649,590 *

* These amounts are recognized on the employer's balance sheet.

BALANCE EQUATION

Net OPEB liability as of September 30, 2023	\$4,455,911
Plus OPEB expense for the 2023/24 fiscal year	\$12,289
Minus employer contribution for the 2023/24 fiscal year	\$(133,447)
Plus change in balance of deferred outflows of resources	\$(36,780)
Minus change in balance of deferred inflows of resources	\$(473,394)
Net OPEB liability as of September 30, 2024	\$3,824,579

DISCLOSURES RELATED TO POST-EMPLOYMENT BENEFITS (continued)

DEFERRED INFLOW AND OUTFLOW OF RESOURCES (continued)

Amortization schedule for deferred outflows and inflows of resources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Balance as of September 30, 2024	\$1,235,939	\$2,649,590
Amount recognized in the 2024/25 OPEB expense:		
<i>Investment gain/loss</i>	\$23,828	\$33,149
<i>Demographic gain/loss</i>	\$143,791	\$322,263
<i>Assumption changes</i>	<u>\$213,376</u>	<u>\$266,759</u>
<i>Total</i>	\$380,995	\$622,171
Balance as of September 30, 2025	\$854,944	\$2,027,419
Amount recognized in the 2025/26 OPEB expense:		
<i>Investment gain/loss</i>	\$23,830	\$17,118
<i>Demographic gain/loss</i>	\$143,791	\$322,263
<i>Assumption changes</i>	<u>\$213,376</u>	<u>\$266,759</u>
<i>Total</i>	\$380,997	\$606,140
Balance as of September 30, 2026	\$473,947	\$1,421,279
Amount recognized in the 2026/27 OPEB expense:		
<i>Investment gain/loss</i>	\$0	\$17,117
<i>Demographic gain/loss</i>	\$87,074	\$249,556
<i>Assumption changes</i>	<u>\$201,380</u>	<u>\$235,305</u>
<i>Total</i>	\$288,454	\$501,978
Balance as of September 30, 2027	\$185,493	\$919,301
Amount recognized in the 2027/28 OPEB expense:		
<i>Investment gain/loss</i>	\$0	\$14,102
<i>Demographic gain/loss</i>	\$7,566	\$179,805
<i>Assumption changes</i>	<u>\$46,274</u>	<u>\$224,213</u>
<i>Total</i>	\$53,840	\$418,120
Balance as of September 30, 2028	\$131,653	\$501,181
Amount recognized in the 2028/29 OPEB expense:		
<i>Investment gain/loss</i>	\$0	\$0
<i>Demographic gain/loss</i>	\$1,208	\$169,969
<i>Assumption changes</i>	<u>\$42,768</u>	<u>\$48,735</u>
<i>Total</i>	\$43,976	\$218,704
Balance as of September 30, 2029	\$87,677	\$282,477

DISCLOSURES RELATED TO POST-EMPLOYMENT BENEFITS (continued)

CHANGES IN THE NET OPEB LIABILITY

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance as of September 30, 2023	\$5,060,027	\$(604,116)	\$4,455,911
Change due to:			
Service cost	\$72,593	\$0	\$72,593
Expected interest growth	\$212,407	\$(38,753)	\$173,654
Unexpected investment income	\$0	\$(70,502)	\$(70,502)
Demographic experience	\$(1,025,064)	\$0	\$(1,025,064)
Employer contributions	\$0	\$(133,447)	\$(133,447)
Employee contributions	\$0	\$0	\$0
Benefit payments & refunds	\$(142,396)	\$142,396	\$0
Administrative expenses	\$0	\$7,149	\$7,149
Changes in benefit terms	\$0	\$0	\$0
Assumption changes	\$344,285	\$0	\$344,285
Balance as of September 30, 2024	\$4,521,852	\$(697,273)	\$3,824,579

COMPARISON OF NET OPEB LIABILITY USING ALTERNATIVE DISCOUNT RATES

	Discount Rate Minus 1.00%	4.21% Discount Rate	Discount Rate Plus 1.00%
Total OPEB liability	\$5,142,695	\$4,521,852	\$4,014,960
Less fiduciary net position	<u>(697,273)</u>	<u>(697,273)</u>	<u>(697,273)</u>
Net OPEB liability	\$4,445,422	\$3,824,579	\$3,317,687

COMPARISON OF NET OPEB LIABILITY USING ALTERNATIVE HEALTHCARE COST TREND RATES

	Trend Rates Minus 1.00%	6.50% for the 2024/25 FY graded down to 5.00%	Trend Rates Plus 1.00%
Total OPEB liability	\$4,047,784	\$4,521,852	\$5,090,613
Less fiduciary net position	<u>(697,273)</u>	<u>(697,273)</u>	<u>(697,273)</u>
Net OPEB liability	\$3,350,511	\$3,824,579	\$4,393,340

HISTORICAL TREND INFORMATION

Measurement Date	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability	Funded Percentage	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
September 30, 2024	\$4,521,852	\$697,273	\$3,824,579	15.42%	\$2,699,152	141.70%
September 30, 2023	\$5,060,027	\$604,116	\$4,455,911	11.94%	\$3,449,266	129.18%
September 30, 2022	\$5,313,008	\$583,690	\$4,729,318	10.99%	\$3,215,689	147.07%
September 30, 2021	\$6,485,421	\$662,647	\$5,822,774	10.22%	\$3,038,830	191.61%
September 30, 2020	\$6,605,038	\$583,272	\$6,021,766	8.83%	\$2,973,961	202.48%
September 30, 2019	\$5,121,423	\$500,510	\$4,620,913	9.77%	\$3,136,162	147.34%
September 30, 2018	\$4,096,637	\$429,340	\$3,667,297	10.46%	\$2,685,252	136.57%
September 30, 2017	\$5,035,077	\$330,840	\$4,704,237	6.57%	\$2,537,297	185.40%
September 30, 2016	\$4,909,210	\$157,393	\$4,751,817	3.21%	\$2,537,297	187.28%

DISCLOSURES RELATED TO POST-EMPLOYMENT BENEFITS (continued)

HISTORICAL TREND INFORMATION (continued)

Changes in the net OPEB liability by source

Fiscal Year	Service Cost	Expected Interest Growth	Unexpected Investment Income	Demographic Experience	Employer Contributions	Employee Contributions	Benefit Payments & Refunds	Administrative Expenses	Changes In Benefit Terms	Assumption Changes
2023/24	\$72,593	\$173,654	\$ (70,502)	\$ (1,025,064)	\$ (133,447)	\$0	\$0	\$7,149	\$0	\$344,285
2022/23	\$62,392	\$233,060	\$ (15,089)	\$ (314,198)	\$ (135,363)	\$0	\$0	\$8,608	\$0	\$ (112,817)
2021/22	\$72,366	\$278,811	\$119,142	\$54,170	\$ (130,834)	\$0	\$0	\$8,651	\$0	\$ (1,495,762)
2020/21	\$109,968	\$152,991	\$ (80,159)	\$ (414,919)	\$ (121,775)	\$0	\$0	\$7,133	\$0	\$147,769
2019/20	\$100,915	\$92,684	\$354	\$193,790	\$ (181,903)	\$0	\$0	\$7,017	\$0	\$1,187,996
2018/19	\$76,135	\$140,444	\$ (10,017)	\$951,050	\$ (171,258)	\$0	\$0	\$6,949	\$0	\$ (39,687)
2017/18	\$91,285	\$167,498	\$2,713	\$ (871,543)	\$ (84,107)	\$0	\$0	\$6,869	\$0	\$ (349,655)
2016/17	\$89,281	\$143,990	\$ (9,152)	\$0	\$ (155,734)	\$0	\$ (122,410)	\$6,445	\$0	\$0

NOTE: The amortization period for demographic experience and assumption changes was 9.23 years for the 2017/18 fiscal year, 8.51 years for the 2018/19 fiscal year, 7.92 years for the 2019/20 fiscal year, 7.17 years for the 2020/21 fiscal year, 7.16 years for the 2021/22 fiscal year, 7.37 years for the 2022/23 fiscal year, and 8.05 years for the 2023/24 fiscal year.

DISCLOSURES RELATED TO POST-EMPLOYMENT BENEFITS (continued)

INFORMATION USED TO DETERMINE THE NET OPEB LIABILITY

Employer's reporting date: September 30, 2024
Measurement date: September 30, 2024
Actuarial valuation date: October 1, 2023

Actuarial assumptions

Discount rate:	4.21% per annum; this rate was used to discount all future benefit payments and is based on a blend of the expected long-term return on assets (for benefit payments during the first eight years after the valuation date) and a yield on 20-year Grade AA/Aa or higher municipal bonds of 4.06% per annum (for benefit payments beyond the first eight years after the valuation date); the expected long-term return on assets was determined by the Asset Consulting Group and the municipal bond yield is based on the return on the S&P Municipal Bond 20-year High Grade Index as of the measurement date.
Expected long-term return on assets:	6.50% per annum (2.62% per annum is attributable to long-term inflation)
Salary increases:	3.00% per annum
Cost-of-living increases:	Retiree contributions and health insurance premiums have been assumed to increase in accordance with the healthcare cost trend rates.
Healthcare cost trend rates:	Increases in healthcare costs are assumed to be 6.50% for the 2024/25 fiscal year graded down by 0.50% per year to 5.00% for the 2027/28 and later fiscal years.
Age-related morbidity:	Healthcare costs are assumed to increase at the rate of 3.50% for each year of age.
Implied subsidy:	Because the insurance carrier charges the same monthly rate for health insurance regardless of age, an implied monthly subsidy of \$450.00 for the retiree and \$575.00 for the retiree's spouse has been assumed at age 60 for the 2023/24 fiscal year; at other ages, the implied subsidy was developed based on the age-related morbidity assumption and, for other fiscal years, the implied subsidy was increased in accordance with the healthcare cost trend rates.
Mortality basis:	Sex-distinct rates set forth in the PUB-2010 Mortality Table (without income adjustments) for general and public safety employees, with full generational improvements in mortality using Scale MP-2020
Retirement:	10% of eligible general employees are assumed to retire at each of ages 55 through 59 and 100% of eligible general employees are assumed to retire at age 60; 20% of eligible police officers are assumed to retire at each of ages 55 through 57, 30% of eligible police officers are assumed to retire at each of ages 58 and 59, and 100% of eligible police officers are assumed to retire at age 60; regardless of the foregoing, employees who have earned at least 30 years of service are assumed to retire immediately.
Disability:	Assumed disability uses age- and gender-based rates; general employee disability rates range from 0.075% (males) and 0.035% (females) at age 25, 0.096% (males) and 0.054% (females) at age 35, and 0.162% (males) and 0.085% (females) at age 45, to 0.400% (males) and 0.180% (females) at age 55; police officer disability rates range from 0.179% (males) and 0.075% (females) at age 25, 0.290% (males) and 0.096% (females) at age 35, and 0.795% (males) and 0.162% (females) at age 45, to 1.030% (males) and 0.040% (females) at age 55.
Employment termination:	Assumed withdrawal uses age-based rates; general employee withdrawal rates range from 7.10% at age 25, 4.20% at age 35, 1.80% at age 45, and 0.80% at age 55 to 0.00% at age 60; police officer withdrawal rates range from 5.00% at age 25 and 3.00% at age 35 to 0.00% at age 45.
Coverage election:	25% of eligible employees are assumed to elect medical coverage under the City's health insurance plan for life upon retirement or disability and 80% of those electing coverage are also assumed to elect coverage for their spouse.
Spouses and dependents:	Husbands are assumed to be three years older than wives; retirees are not assumed to have any dependent children.
COBRA:	Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation; because the COBRA premium is determined periodically based on plan experience, the COBRA premium to be paid by the participant is assumed to fully cover the cost of providing healthcare coverage during the relevant period.
Changes:	Since the prior measurement date, the discount rate was decreased from 4.96% per annum to 4.21% per annum and the implied monthly subsidy at age 60 for the 2023/24 fiscal year was changed from \$483.75 to \$450.00 for the retiree and from \$618.12 to \$575.00 for the retiree's spouse.

DISCLOSURES RELATED TO POST-EMPLOYMENT BENEFITS (continued)

DETERMINATION OF THE LONG-TERM EXPECTED RATE OF RETURN ON PLAN ASSETS

Investment Category	Target Allocation	Expected Long-Term Real Return
Core bonds	20.00%	1.60% per annum
Core plus	20.00%	2.10% per annum
U.S. large cap equity	29.00%	4.60% per annum
U.S. small cap equity	8.00%	5.50% per annum
Non-U.S. equity	13.00%	6.70% per annum
Core real estate	10.00%	5.00% per annum
Total or weighted arithmetic average	100.00%	3.88% per annum

OPEB PLAN DESCRIPTION

Plan sponsor and administrator: *City of Wauchula*
Plan type: *Single-employer OPEB plan*
Number of covered individuals: *84 (28 inactive employees and beneficiaries currently receiving benefits; no inactive employees entitled to but not yet receiving benefits; 56 active employees)*
Contribution requirement: *Retirees must contribute an amount determined periodically by the insurance carrier, minus any explicit subsidies that are provided by the City; there are no minimum required employer contributions.*
OPEB trust reporting: *The trust issues a stand-alone financial report each year, which contains information about the trust's fiduciary net position. The fiduciary net position in this report has been determined on the same basis used by the trust and is equal to the market value of assets calculated under the accrual basis of accounting. This report is available to the public at the plan's administrative office: City of Wauchula, Finance Department, 126 South 7th Avenue, Wauchula, FL 33873, (863) 773-3131.*

Description of the benefit terms

Employees covered: *Regular, full-time employees of the City of Wauchula*
Types of benefits offered: *Post-retirement health insurance coverage, a utility subsidy, and a Christmas bonus*
Healthcare coverage: *Post-retirement health insurance coverage is provided to eligible individuals under the same fully-insured plan that covers active employees.*
Medical premiums: *For the 2024/25 fiscal year, the monthly premiums charged to retirees is \$745.66 (single coverage) or \$1,697.19 (single plus spouse coverage).*
Explicit health subsidy: *The City provides an explicit health insurance subsidy to certain retirees (those hired prior to 1999) equal to the premium for single coverage under the City's health insurance plan, less \$100.00 per month which is provided under the City-sponsored pension plan; the subsidy is provided regardless of whether the retiree elects coverage under the City-sponsored health insurance plan and the subsidy is provided for life.*
Explicit utility subsidy: *The City provides a \$30.00 monthly utility subsidy to certain retirees; the utility subsidy is provided to the retiree for life and to the retiree's spouse for life after the retiree's death.*
Christmas bonus: *The City provides an annual Christmas bonus to retirees and to the retiree's spouse after the retiree's death; the amount of the bonus is equal to \$25.00 for retirees with less than seven months of service or \$100.00 for retirees with more than seven months of service; in addition, retirees with more than 10 years of service receive \$10.00 for each year of service in excess of 10 years.*
Legal authority: *Under Florida State law, the City is required to offer retirees health insurance on the same basis as employees provided that the retiree pays the full premium for the relevant coverage; other OPEB may be eliminated at any time by the employer.*
Changes: *The benefit terms did not change from the prior measurement date.*

DISCLOSURES RELATED TO POST-EMPLOYMENT BENEFITS *(continued)*

PROJECTION OF THE FIDUCIARY NET POSITION

Date	BOY Balance	Contributions	Benefit Payments	Administrative Expenses	Investment Earnings	EOY Balance
October 1, 2023	\$604,116	\$133,447	\$142,396	\$7,149	\$109,255	\$697,273
October 1, 2024	\$697,273	\$133,447	\$201,722	\$10,127	\$42,815	\$661,686
October 1, 2025	\$661,686	\$133,447	\$208,759	\$10,481	\$40,265	\$616,158
October 1, 2026	\$616,158	\$133,447	\$211,898	\$10,638	\$37,200	\$564,269
October 1, 2027	\$564,269	\$133,447	\$226,945	\$11,394	\$33,322	\$492,699
October 1, 2028	\$492,699	\$133,447	\$254,754	\$12,790	\$27,736	\$386,338
October 1, 2029	\$386,338	\$133,447	\$256,528	\$12,879	\$20,763	\$271,141
October 1, 2030	\$271,141	\$133,447	\$270,610	\$13,586	\$12,802	\$133,194
October 1, 2031	\$133,194	\$133,447	\$281,167	\$14,116	\$3,481	-\$25,161
October 1, 2032	-\$25,161					

DISCLOSURES RELATED TO POST-EMPLOYMENT BENEFITS (continued)

AMORTIZATION BASES ATTRIBUTABLE TO UNEXPECTED INVESTMENT INCOME

	YEAR DURING WHICH THE GAIN OR LOSS AROSE					TOTAL
	2019/20	2020/21	2021/22	2022/23	2023/24	
<u>Payment Year</u>						
2023/24	\$70	-\$16,032	\$23,828	-\$3,018	-\$14,100	-\$9,252
2024/25		-\$16,031	\$23,828	-\$3,018	-\$14,100	-\$9,321
2025/26			\$23,830	-\$3,018	-\$14,100	\$6,712
2026/27				-\$3,017	-\$14,100	-\$17,117
2027/28					-\$14,102	-\$14,102
Remaining Balance	\$70	-\$32,063	\$71,486	-\$12,071	-\$70,502	-\$43,080

AMORTIZATION BASES ATTRIBUTABLE TO DEMOGRAPHIC EXPERIENCE

	YEAR DURING WHICH THE GAIN OR LOSS AROSE							TOTAL
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	
<u>Payment Year</u>								
2023/24	-\$94,425	\$111,757	\$24,468	-\$57,869	\$7,566	-\$42,632	-\$127,337	-\$178,472
2024/25	-\$94,425	\$111,757	\$24,468	-\$57,869	\$7,566	-\$42,632	-\$127,337	-\$178,472
2025/26	-\$94,425	\$111,757	\$24,468	-\$57,869	\$7,566	-\$42,632	-\$127,337	-\$178,472
2026/27	-\$21,718	\$56,994	\$22,514	-\$57,869	\$7,566	-\$42,632	-\$127,337	-\$162,482
2027/28				-\$9,836	\$7,566	-\$42,632	-\$127,337	-\$172,239
2028/29					\$1,208	-\$42,632	-\$127,337	-\$168,761
2029/30						-\$15,774	-\$127,337	-\$143,111
2030/31							-\$127,337	-\$127,337
2031/32							-\$6,368	-\$6,368
Remaining Balance	-\$304,993	\$392,265	\$95,918	-\$241,312	\$39,038	-\$271,566	-\$1,025,064	-\$1,315,714

AMORTIZATION BASES ATTRIBUTABLE TO ASSUMPTION CHANGES

	YEAR DURING WHICH THE GAIN OR LOSS AROSE							TOTAL
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	
<u>Payment Year</u>								
2023/24	-\$37,882	-\$4,664	\$149,999	\$20,609	-\$208,905	-\$15,308	\$42,768	-\$53,383
2024/25	-\$37,882	-\$4,664	\$149,999	\$20,609	-\$208,905	-\$15,308	\$42,768	-\$53,383
2025/26	-\$37,882	-\$4,664	\$149,999	\$20,609	-\$208,905	-\$15,308	\$42,768	-\$53,383
2026/27	-\$8,717	-\$2,375	\$138,003	\$20,609	-\$208,905	-\$15,308	\$42,768	-\$33,925
2027/28				\$3,506	-\$208,905	-\$15,308	\$42,768	-\$177,939
2028/29					-\$33,427	-\$15,308	\$42,768	-\$5,967
2029/30						-\$5,661	\$42,768	\$37,107
2030/31							\$42,768	\$42,768
2031/32							\$2,141	\$2,141
Remaining Balance	-\$122,363	-\$16,367	\$588,000	\$85,942	-\$1,077,952	-\$97,509	\$344,285	-\$295,964

DISCLOSURES RELATED TO POST-EMPLOYMENT BENEFITS (continued)

SUMMARY OF DEFERRED OUTFLOWS AND INFLOWS AS OF SEPTEMBER 30, 2024

	Deferred Outflows	Deferred Inflows
Unexpected investment income	\$47,658	\$81,486
Demographic experience	\$383,430	\$1,520,672
Assumption changes	\$804,851	\$1,047,432
Total	\$1,235,939	\$2,649,590