

CITY OF PALMETTO
POLICE OFFICERS' RETIREMENT PLAN
ACTUARIAL VALUATION
AS OF OCTOBER 1, 2020
CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2022
GASB 67/68 DISCLOSURE INFORMATION
AS OF SEPTEMBER 30, 2020



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

November 23, 2020

Board of Trustees
City of Palmetto
Police Officers' Pension Board

Re: City of Palmetto Police Officers' Retirement Plan

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Palmetto Police Officers' Retirement Plan. Included are the related results for GASB Statements No. 67 and No. 68. The funding 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. The calculation of the liability for GASB results was performed for the purpose of satisfying the requirements of GASB Statements No. 67 and No. 68. Use of the results for other purposes may not be applicable and may produce significantly different results.

The valuations have 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 reflect laws and regulations issued to date pursuant to the provisions of Chapters 112 and 185, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in the valuations, 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 valuations, we did not perform an analysis of the potential range of such future measurements.

In conducting the valuations, we have relied on personnel, plan design, and asset information supplied by the City of Palmetto, 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.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of October 1, 2019. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2020 using generally accepted actuarial principles. It is our opinion that the assumptions used for this purpose are internally consistent, reasonable, and comply with the requirements under GASB No. 67 and No. 68.


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 Palmetto, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the Police Officers' Retirement Plan. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.


If there are any questions, concerns, or comments about any of the items contained in this report, please contact us at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By: 

Douglas H. Lozen, EA, MAAA
Enrolled Actuary #20-7778

By: 

Kevin H. Peng, ASA, EA, MAAA
Enrolled Actuary #20-7783

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Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Palmetto Police Officers' Retirement Plan, performed as of October 1, 2020, 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, 2022.

The contribution requirements, compared with those set forth in the October 1, 2019 actuarial valuation report, are as follows:

Valuation Date Applicable to Fiscal Year Ending	10/1/2020 <u>9/30/2022</u>	10/1/2019 <u>9/30/2021</u>
Minimum Required Contribution % of Projected Annual Payroll	31.61%	32.86%
Member Contributions (Est.) % of Projected Annual Payroll	5.00%	5.00%
City And State Required Contribution % of Projected Annual Payroll	26.61%	27.86%
State Contribution (Est.) ¹ % of Projected Annual Payroll	\$133,879 8.68%	\$133,879 8.68%
City Required Contribution ² % of Projected Annual Payroll	17.93%	19.18%

¹ Represents the amount received in calendar 2020. 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.

² The required contribution from the combination of City and State sources for the year ending September 30, 2022, is 26.61% of the actual payroll realized in that year. As a budgeting tool, the City may contribute 17.93% of each Member's Salary and then make a one-time adjustment to account for the actual State Monies received. Please note that a shortfall contribution of \$13,398.87 is due in addition to the above stated requirements for the fiscal year ending September 30, 2021. Based on the 7% investment return assumption, a monthly interest charge of \$78 is payable for each full month after September 30, 2020 until the shortfall contribution is made.

As you can see, the Minimum Required Contribution shows a decrease when compared to the results determined in the October 1, 2019 actuarial valuation report. The decrease is attributable an increase in the level of State Monies (when expressed as a percentage of pensionable payroll), a statutory change in the mortality assumption, and net favorable experience described below.

Plan experience was favorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial gain included more turnover than expected, an average salary increase of 1.24% which fell short of the 5.32% assumption, and an investment return of 7.75% (Actuarial Asset Basis) which exceeded the 7.00% assumption. These gains were offset in part by losses associated with more retirements than expected, the disablement of 1 active employee, and inactive mortality experience.

CHANGES SINCE PRIOR VALUATION

Plan Changes

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

Actuarial Assumption/Method Changes

As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in the July 1, 2019 actuarial valuation for special risk lives, with appropriate risk and collar adjustments made based on plan demographics.

There have been no method changes since the prior valuation.

CONTRIBUTION IMPACT OF ANNUAL CHANGES

(1) Contribution Determined as of October 1, 2019	21.19%
(2) Summary of Contribution Impact by component:	
Change in State Contribution Percentage	-2.01%
Change in Normal Cost Rate	0.04%
Change in Administrative Expense Percentage	0.59%
Payroll Change Effect on UAAL Amortization	3.00%
Investment Return (Actuarial Asset Basis)	-0.92%
Salary Increases	-1.48%
Active Decrements	-1.21%
Inactive Mortality	0.52%
Assumption Change	-1.89%
Other	<u>0.10%</u>
Total Change in Contribution	-3.26%
(3) Contribution Determined as of October 1, 2020	17.93%

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Assump <u>10/1/2020</u>	Old Assump <u>10/1/2020</u>	<u>10/1/2019</u>
A. Participant Data			
Actives	28	28	33
Service Retirees	29	29	28
DROP Retirees	1	1	0
Beneficiaries	1	1	1
Disability Retirees	4	4	3
Terminated Vested	<u>15</u>	<u>15</u>	<u>9</u>
 Total	 78	 78	 74
 Total Annual Payroll	 \$1,630,302	 \$1,630,302	 \$1,971,033
Payroll Under Assumed Ret. Age	1,543,190	1,543,190	1,971,033
 Annual Rate of Payments to:			
Service Retirees	720,724	720,724	703,429
DROP Retirees	80,644	80,644	0
Beneficiaries	22,752	22,752	22,752
Disability Retirees	85,670	85,670	56,129
Terminated Vested	123,861	123,861	100,654
 B. Assets			
Actuarial Value (AVA) ¹	14,681,810	14,681,810	13,896,822
Market Value (MVA) ¹	14,631,105	14,631,105	13,777,431
 C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	6,247,253	6,340,427	7,775,169
Disability Benefits	442,934	423,624	525,358
Death Benefits	56,650	77,982	106,920
Vested Benefits	181,844	183,054	233,724
Refund of Contributions	66,193	66,053	73,878
Service Retirees	8,177,726	8,360,147	8,285,611
DROP Retirees ¹	982,094	1,003,918	0
Beneficiaries	89,722	98,691	103,878
Disability Retirees	895,809	881,561	623,510
Terminated Vested	769,623	780,182	567,784
Share Plan Balances ¹	<u>0</u>	<u>0</u>	<u>0</u>
 Total	 17,909,848	 18,215,639	 18,295,832

C. Liabilities - (Continued)	New Assump <u>10/1/2020</u>	Old Assump <u>10/1/2020</u>	<u>10/1/2019</u>
Present Value of Future Salaries	11,184,023	11,166,141	13,675,428
Present Value of Future Member Contributions	559,201	558,307	683,771
Normal Cost (Retirement)	220,965	223,684	287,468
Normal Cost (Disability)	45,871	43,963	54,863
Normal Cost (Death)	3,503	4,820	6,329
Normal Cost (Vesting)	14,648	14,744	19,989
Normal Cost (Refunds)	<u>11,137</u>	<u>11,127</u>	<u>11,696</u>
Total Normal Cost	296,124	298,338	380,345
Present Value of Future Normal Costs	2,063,927	2,075,204	2,520,551
Accrued Liability (Retirement)	4,665,837	4,743,029	5,813,175
Accrued Liability (Disability)	141,742	136,880	189,838
Accrued Liability (Death)	31,667	43,763	64,544
Accrued Liability (Vesting)	78,520	79,094	111,599
Accrued Liability (Refunds)	13,181	13,170	15,342
Accrued Liability (Inactives) ¹	10,914,974	11,124,499	9,580,783
Share Plan Balances ¹	<u>0</u>	<u>0</u>	<u>0</u>
Total Actuarial Accrued Liability (EAN AL)	15,845,921	16,140,435	15,775,281
Unfunded Actuarial Accrued Liability (UAAL)	1,164,111	1,458,625	1,878,459
Funded Ratio (AVA / EAN AL)	92.7%	91.0%	88.1%

D. Actuarial Present Value of Accrued Benefits	New Assump <u>10/1/2020</u>	Old Assump <u>10/1/2020</u>	<u>10/1/2019</u>
Vested Accrued Benefits			
Inactives + Share Plan Balances ¹	10,914,974	11,124,499	9,580,783
Actives	2,973,508	3,026,478	3,787,277
Member Contributions	<u>607,894</u>	<u>607,894</u>	<u>724,629</u>
Total	14,496,376	14,758,871	14,092,689
Non-vested Accrued Benefits	<u>447,229</u>	<u>452,980</u>	<u>368,224</u>
Total Present Value			
Accrued Benefits (PVAB)	14,943,605	15,211,851	14,460,913
Funded Ratio (MVA / PVAB)	97.9%	96.2%	95.3%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	(268,246)	0	
Plan Experience	0	650,658	
Benefits Paid	0	(881,144)	
Interest	0	981,424	
Other	<u>0</u>	<u>0</u>	
Total	(268,246)	750,938	

	New Assump	Old Assump	
Valuation Date	10/1/2020	10/1/2020	10/1/2019
Applicable to Fiscal Year Ending	<u>9/30/2022</u>	<u>9/30/2022</u>	<u>9/30/2021</u>

E. Pension Cost

Normal Cost (with interest)			
% of Total Annual Payroll ²	19.86	20.01	19.97
Administrative Expenses (with interest)			
% of Total Annual Payroll ²	2.72	2.72	2.13
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 20 years (as of 10/1/2020, with interest)			
% of Total Annual Payroll ²	9.03	10.77	10.76
Minimum Required Contribution			
% of Total Annual Payroll ²	31.61	33.50	32.86
Expected Member Contributions			
% of Total Annual Payroll ²	5.00	5.00	5.00
Expected City and State Contribution			
% of Total Annual Payroll ²	26.61	28.50	27.86

F. Past Contributions

Plan Years Ending:	<u>9/30/2020</u>
Total Required Contribution	630,879
City and State Requirement	540,079
Actual Contributions Made:	
Members (excluding buyback)	90,800
City	406,200
State	<u>133,879</u>
Total	630,879

G. Net Actuarial (Gain)/Loss (340,554)

¹ The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2020 and 9/30/2019.

² Contributions developed as of 10/1/2020 are expressed as a percentage of total annual payroll at 10/1/2020 of \$1,543,190.

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

<u>Year</u>	<u>Projected Unfunded Actuarial Accrued Liability</u>
2020	1,164,111
2021	1,101,564
2022	1,034,640
2027	622,836
2031	376,948
2035	11,079
2040	0

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

	<u>Actual</u>	<u>Assumed</u>
Year Ended 9/30/2020	1.24%	5.32%
Year Ended 9/30/2019	11.06%	5.61%
Year Ended 9/30/2018	1.50%	5.44%
Year Ended 9/30/2017	7.03%	5.52%
Year Ended 9/30/2016	7.96%	7.52%

(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 9/30/2020	8.37%	7.75%	7.00%
Year Ended 9/30/2019	3.17%	8.38%	7.00%
Year Ended 9/30/2018	9.46%	7.63%	7.10%
Year Ended 9/30/2017	11.46%	7.54%	7.25%
Year Ended 9/30/2016	10.33%	7.10%	7.50%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2020	\$1,543,190
	10/1/2010	1,651,607
(b) Total Increase		-6.56%
(c) Number of Years		10.00
(d) Average Annual Rate		-0.68%

STATEMENT BY ENROLLED ACTUARY

This actuarial valuation was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.



Douglas H. Lozen, EA, MAAA
Enrolled Actuary #20-7778

Please let us know when the report is approved by the Board and unless otherwise directed we will provide copies of the report to the following offices to comply with Chapter 112, Florida Statutes:

Mr. Keith Brinkman
Bureau of Local
Retirement Systems
Post Office Box 9000
Tallahassee, FL 32315-9000

Mr. Steve Bardin
Municipal Police and Fire
Pension Trust Funds
Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

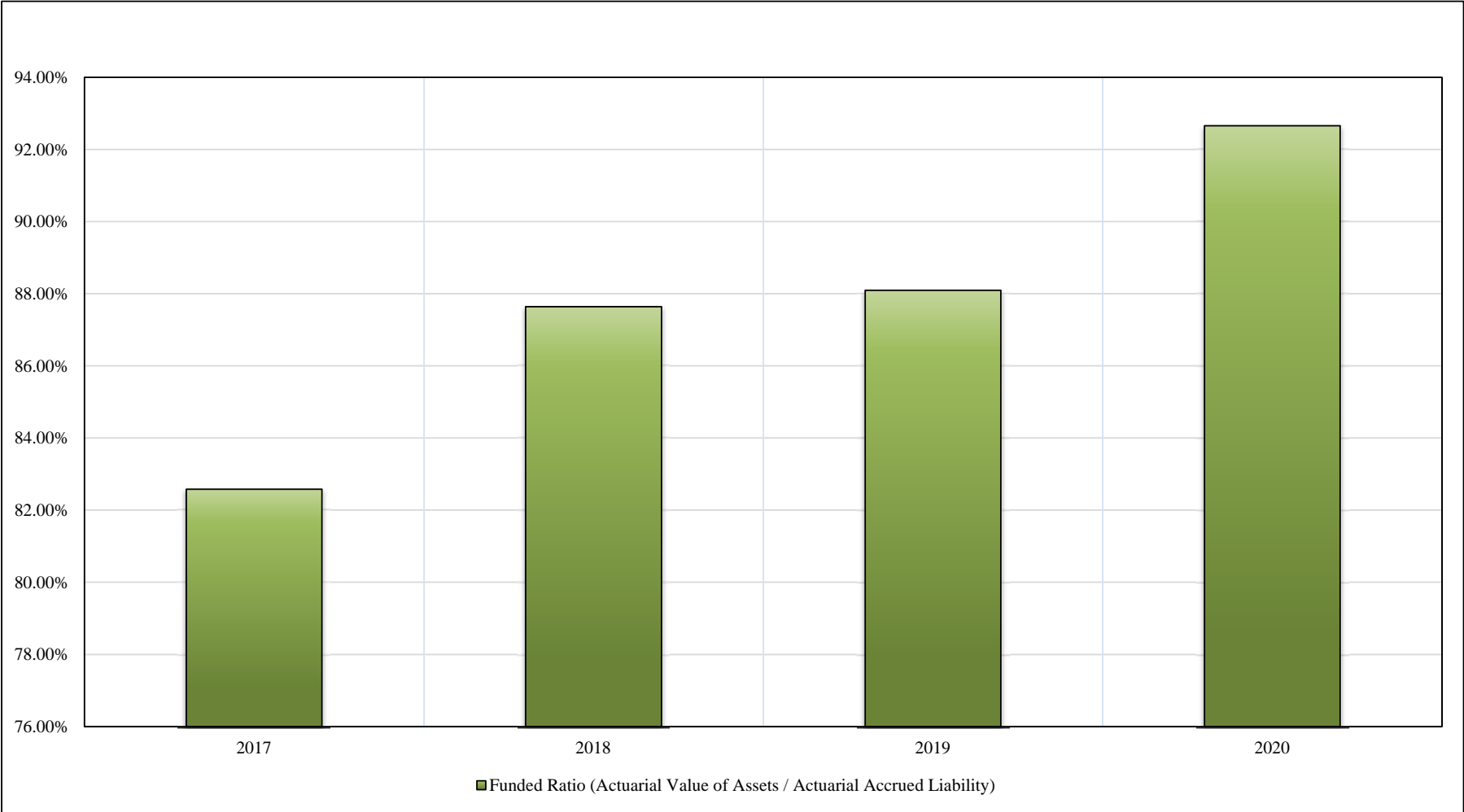
(1) Unfunded Actuarial Accrued Liability as of October 1, 2019	\$1,878,459
(2) Sponsor Normal Cost developed as of October 1, 2019	281,793
(3) Expected administrative expenses for the year ended September 30, 2020	40,594
(4) Expected interest on (1), (2) and (3)	152,638
(5) Sponsor contributions to the System during the year ended September 30, 2020	540,079
(6) Expected interest on (5)	14,226
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2020 (1)+(2)+(3)+(4)-(5)-(6)	1,799,179
(8) Change to UAAL due to Assumption Change	(294,514)
(9) Change to UAAL due to Actuarial (Gain)/Loss	(340,554)
(10) Unfunded Actuarial Accrued Liability as of October 1, 2020	1,164,111

Type of <u>Base</u>	<u>Date</u> <u>Established</u>	<u>Years</u> <u>Remaining</u>	<u>10/1/2020</u> <u>Amount</u>	<u>Amortization</u> <u>Amount</u>
Fresh Start	10/1/2015	8	769,312	120,407
Assumption Change	10/1/2015	15	421,584	43,259
Assumption Change	10/1/2016	16	535,381	52,967
Actuarial Loss	10/1/2017	7	95,095	16,491
Assumption Change	10/1/2017	17	192,643	18,441
Actuarial Gain	10/1/2018	8	(595,299)	(93,171)
Assumption Change	10/1/2018	18	139,758	12,985
Actuarial Loss	10/1/2019	9	240,705	34,528
Actuarial Gain	10/1/2020	10	(340,554)	(45,315)
Assump Change	10/1/2020	20	(294,514)	(25,981)
			1,164,111	134,611

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2019	\$1,878,459
(2) Expected UAAL as of October 1, 2020	1,799,179
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(102,895)
Salary Increases	(165,629)
Active Decrements	(135,176)
Inactive Mortality	57,972
Other	<u>5,174</u>
Increase in UAAL due to (Gain)/Loss	(340,554)
Assumption Changes	<u>(294,514)</u>
(4) Actual UAAL as of October 1, 2020	\$1,164,111

HISTORY OF FUNDING PROGRESS



ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Active Lives:

Female: PubS.H-2010 (Below Median) for Employees, set forward one year. Prior year assumption: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB.

Male: PubS.H-2010 (Below Median) for Employees, set forward one year. Prior year assumption: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB.

Healthy Retiree Lives:

Female: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year. Prior year assumption: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year. Prior year assumption: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Beneficiary Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees. Prior year assumption: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year. Prior year assumption: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Disabled Lives:

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

Prior year assumption (Female): 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale

Prior year assumption (Male): 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

All rates are projected generationally with Mortality Improvement Scale MP-2018.

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, 2019 FRS valuation report for special risk employees, with appropriate risk and collar adjustments made based on plan demographics. We feel this assumption sufficiently accommodates future mortality improvements.

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

Salary Scale	
Service	Rate
0	8.00%
1-4	5.50%
5+	5.00%

The above rates were adopted by the Board as the result of an Experience Study for the period October 1, 2010 through September 30, 2015.

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

\$40,491 annually, based on the average of actual expenses incurred in the prior two fiscal years.

Amortization Method

New UAAL amortization bases are established according to the following amortization periods:

- Experience: 10 Years.
- Assumption/Method Changes: 20 Years.
- Benefit Changes: 30 Years.

Normal Retirement Age

<u>Number of Years after First Eligibility for Normal Retirement</u>	<u>Probability of Retirement</u>
0	80%
1-4	40%
5	100%

These rates were utilized by the prior actuary and are reasonable based upon plan provisions.

Early Retirement Rate

5% for each eligible year. These rates were utilized by the prior actuary and are reasonable based upon plan provisions.

Terminal Leave Pay

<u>Credited Service as of 10/1/2011</u>	<u>Percentage Increase to Liabilities</u>
10 or more years	4.5%
1-10 years	3.5%
Less than 1 year	0.0%

The above loads are based on data provided by the City for adoption of the statutory limitations on payment of unused items of pensionable pay.

Funding Method

Entry Age Normal Actuarial Cost Method.

Actuarial Asset Method

The Actuarial Value of Assets utilizes a four-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses) is phased-in over a four-year period.

Termination Rates

<u>% Terminating During the Year</u>	
<u>Service</u>	<u>Rate</u>
0-5	8.0%
6-14	6.0%
15+	0.0%

The above rates were adopted by the Board as the result of an Experience Study for the period October 1, 2010 through September 30, 2015.

Disability Rates

Sample rates below. These rates were utilized by the prior actuary and are consistent with those used for other Florida municipal police officers. It is assumed that 75% of disablements are service related.

% Becoming Disabled During the Year	
Age	Rate
25	0.15%
30	0.18%
35	0.23%
40	0.30%
45	0.51%
50	1.00%
55	1.55%

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.

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

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

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

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

DISCUSSION OF RISK

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

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

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

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

Impact of Plan Maturity on Risk

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

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

- The Support Ratio, determined as the ratio of active to inactive members, has decreased from 91.4% on October 1, 2017 to 66.7% on October 1, 2020, indicating that the plan has been maturing during the period.
- The Accrued Liability Ratio, determined as the ratio of the Inactive Accrued Liability, which is the liability associated with members who are no longer employed but are due a benefit from the plan, to the Total Accrued Liability, is 68.9%. With a plan of this maturity, losses due to lower than expected investment returns or demographic factors may result in larger increases in contribution requirements than would be needed for a less mature plan. Please note Chapter 112, Florida Statutes, requires that the plan sponsor contributes the minimum required contribution; thus, there is minimal solvency risk to the plan.
- The Funded Ratio, determined as the ratio of the Actuarial Value of Assets to the Total Accrued Liability, has increased from 82.6% on October 1, 2017 to 92.7% on October 1, 2020, due primarily to the normal operation of the plan during the period.
- 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, increased from -3.0% on October 1, 2017 to -1.9% on October 1, 2020. The current Net Cash Flow Ratio of -1.9% indicates that contributions are not currently covering the plan's benefit payments and administrative expenses.

It is important to note that the actuary has identified the risks in this section 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>10/1/2017</u>	<u>10/1/2018</u>	<u>10/1/2019</u>	<u>10/1/2020</u>
<u>Support Ratio</u>				
Total Actives	32	31	33	28
Total Inactives ¹	35	39	38	42
Actives / Inactives ¹	91.4%	79.5%	86.8%	66.7%
 <u>Asset Volatility Ratio</u>				
Market Value of Assets (MVA)	12,404,635	13,503,567	13,777,431	14,631,105
Total Annual Payroll	1,671,989	1,608,102	1,971,033	1,630,302
MVA / Total Annual Payroll	741.9%	839.7%	699.0%	897.4%
 <u>Accrued Liability (AL) Ratio</u>				
Inactive Accrued Liability	8,920,337	9,582,954	9,580,783	10,914,974
Total Accrued Liability (EAN)	14,670,023	14,795,478	15,775,281	15,845,921
Inactive AL / Total AL	60.8%	64.8%	60.7%	68.9%
 <u>Funded Ratio</u>				
Actuarial Value of Assets (AVA)	12,114,851	12,966,106	13,896,822	14,681,810
Total Accrued Liability (EAN)	14,670,023	14,795,478	15,775,281	15,845,921
AVA / Total Accrued Liability (EAN)	82.6%	87.6%	88.1%	92.7%
 <u>Net Cash Flow Ratio</u>				
Net Cash Flow ²	(372,437)	(70,912)	(149,035)	(280,855)
Market Value of Assets (MVA)	12,404,635	13,503,567	13,777,431	14,631,105
Ratio	-3.0%	-0.5%	-1.1%	-1.9%

¹ Excludes terminated participants awaiting a refund of member contributions.

² Determined as total contributions minus benefit payments and administrative expenses.

PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1998	59,560.23	_____%
1999	57,050.17	-4.2%
2000	64,923.90	13.8%
2001	64,608.10	-0.5%
2002	74,901.71	15.9%
2003	99,422.54	32.7%
2004	103,045.19	3.6%
2005	108,732.34	5.5%
2006	110,320.22	1.5%
2007	108,732.34	-1.4%
2008	108,732.34	0.0%
2009	102,966.30	-5.3%
2010	102,744.94	-0.2%
2011	102,428.40	-0.3%
2012	99,465.82	-2.9%
2013	106,849.88	7.4%
2014	97,970.88	-8.3%
2015	103,281.28	5.4%
2016	114,200.27	10.6%
2017	121,071.10	6.0%
2018	130,363.16	7.7%
2019	131,485.70	0.9%
2020	133,879.22	1.8%

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	230,114.41	230,114.41
Prepaid Benefits	69,095.50	69,095.50
Total Cash and Equivalents	299,209.91	299,209.91
Receivables:		
Additional City Contributions	13,398.87	13,398.87
Investment Income	7,842.22	7,842.22
Total Receivable	21,241.09	21,241.09
Investments:		
U. S. Bonds and Bills	315,395.78	323,574.20
Federal Agency Guaranteed Securities	723,784.06	746,689.33
Corporate Bonds	639,122.96	668,976.15
Stocks	831,226.97	1,029,018.20
Mutual Funds:		
Fixed Income	2,011,051.94	2,138,797.98
Equity	6,285,144.56	7,887,591.60
Pooled/Common/Commingled Funds:		
Real Estate	1,150,000.00	1,516,006.51
Total Investments	11,955,726.27	14,310,653.97
Total Assets	12,276,177.27	14,631,104.97
 <u>LIABILITIES</u>		
Total Liabilities	0.00	0.00
 NET POSITION RESTRICTED FOR PENSIONS	 12,276,177.27	 14,631,104.97

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020
Market Value Basis

ADDITIONS

Contributions:		
Member		90,800.11
City		406,199.83
State		133,879.22
Total Contributions		630,879.16
Investment Income:		
Net Realized Gain (Loss)	100,533.81	
Unrealized Gain (Loss)	734,350.67	
Net Increase in Fair Value of Investments		834,884.48
Interest & Dividends		337,359.60
Less Investment Expense ¹		(37,714.99)
Net Investment Income		1,134,529.09
Total Additions		1,765,408.25

DEDUCTIONS

Distributions to Members:		
Benefit Payments		809,730.29
Lump Sum DROP Distributions		0.00
Lump Sum PLOP Distributions		60,373.18
Refunds of Member Contributions		11,040.65
Total Distributions		881,144.12
Administrative Expense		30,590.05
Total Deductions		911,734.17
Net Increase in Net Position		853,674.08

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		13,777,430.89
End of the Year		14,631,104.97

¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION
September 30, 2020

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a four year period. In the first year, 25% of the gain or loss is recognized. In the second year 50%, in the third year 75%, and in the fourth 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>Gain/Loss Not Yet Recognized</u>			
		Amounts Not Yet Recognized by Valuation Year			
		2020	2021	2022	2023
09/30/2017	490,582	0	0	0	0
09/30/2018	291,632	72,908	0	0	0
09/30/2019	(517,135)	(258,567)	(129,283)	0	0
09/30/2020	179,939	134,954	89,969	44,984	0
Total		(50,705)	(39,314)	44,984	0

<u>Development of Investment Gain/(Loss)</u>	
Market Value of Assets, 09/30/2019	13,777,431
Contributions Less Benefit Payments & Admin Expenses	(280,855)
Expected Investment Earnings *	954,590
Actual Net Investment Earnings	1,134,529
09/30/2020 Actuarial Investment Gain/(Loss)	179,939

*Expected Investment Earnings = $0.07 * [13,777,431 + 0.5 * (280,855)]$

<u>Development of Actuarial Value of Assets</u>	
(1) Market Value of Assets, 09/30/2020	14,631,105
(2) Gain/(Loss) Not Yet Recognized	(50,705)
(3) Actuarial Value of Assets, 09/30/2020, (1) - (2)	14,681,810
(A) 09/30/2019 Actuarial Assets:	13,896,822
(I) Net Investment Income:	
1. Interest and Dividends	337,360
2. Realized Gain (Loss)	100,534
3. Unrealized Gain (Loss)	734,351
4. Change in Actuarial Value	(68,686)
5. Investment Expenses	(37,715)
Total	1,065,843

(B) 09/30/2020 Actuarial Assets: 14,681,810

Actuarial Assets Rate of Return = $2I/(A+B-I)$: 7.75%
Market Value of Assets Rate of Return: 8.37%

Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis) 102,895

10/01/2020 Limited Actuarial Assets: 14,681,810

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2020
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	90,800.11	
City	406,199.83	
State	133,879.22	
 Total Contributions		 630,879.16
Earnings from Investments:		
Interest & Dividends	337,359.60	
Net Realized Gain (Loss)	100,533.81	
Unrealized Gain (Loss)	734,350.67	
Change in Actuarial Value	(68,686.00)	
 Total Earnings and Investment Gains		 1,103,558.08

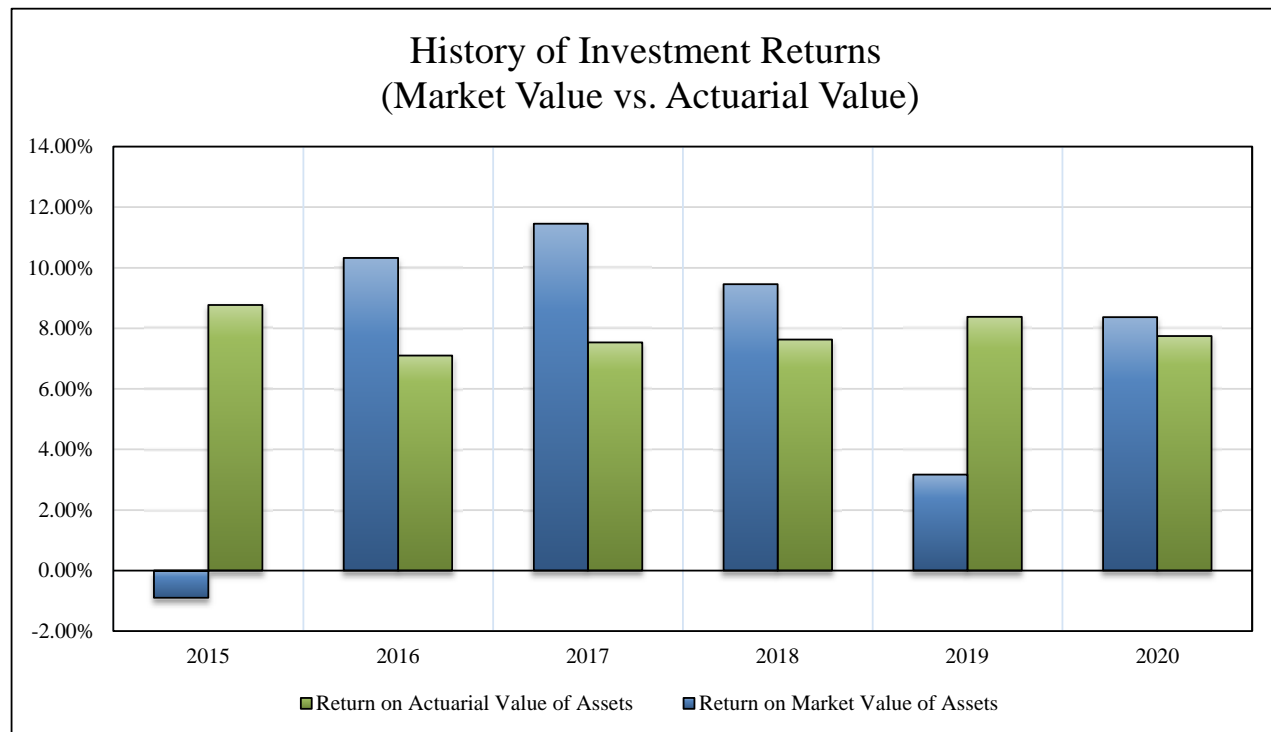
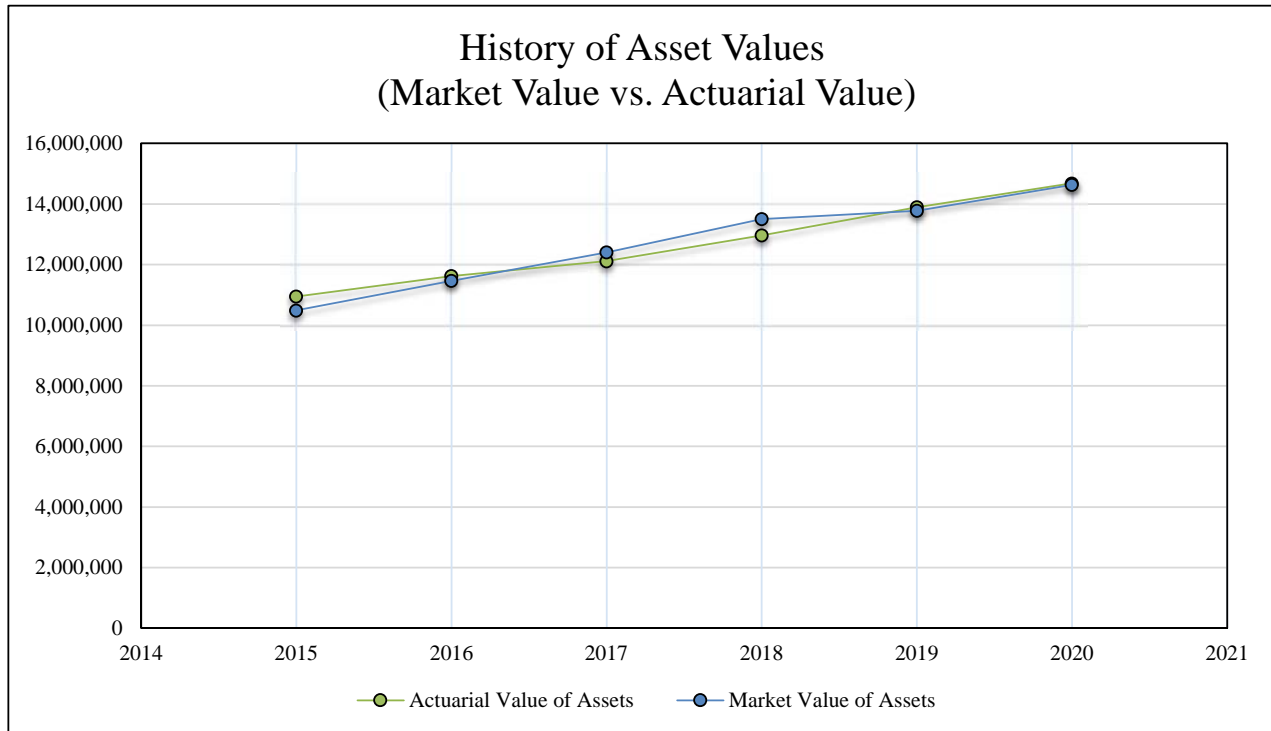
EXPENDITURES

Distributions to Members:		
Benefit Payments	809,730.29	
Lump Sum DROP Distributions	0.00	
Lump Sum PLOP Distributions	60,373.18	
Refunds of Member Contributions	11,040.65	
 Total Distributions		 881,144.12
Expenses:		
Investment related ¹	37,714.99	
Administrative	30,590.05	
 Total Expenses		 68,305.04
 Change in Net Assets for the Year		 784,988.08
 Net Assets Beginning of the Year		 13,896,821.89
 Net Assets End of the Year ²		 14,681,809.97

¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

²Net Assets may be limited for actuarial consideration.

HISTORY OF ASSET VALUES AND INVESTMENT RETURNS



DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2019 to September 30, 2020

Beginning of the Year Balance	0.00
Plus Additions	26,881.28
Investment Return Earned	0.00
Less Distributions	0.00
End of the Year Balance	26,881.28

Note: Election option assumption for one new DROP participant is the Normal Form.
Therefore, Investment Return Earned is not included.

RECONCILIATION OF CITY'S SHORTFALL/(PREPAID) CONTRIBUTION
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2020

(1) Total Required Contribution Rate	34.74%
(2) Pensionable Payroll Derived from Member Contributions	\$1,816,002.20
(3) Total Required Contribution (1) x (2)	630,879.16
(4) Less Actual Member Contributions	(90,800.11)
(5) Less Allowable State Contribution	<u>(133,879.22)</u>
(6) Equals Required City Contribution for Fiscal 2020	406,199.83
(7) Less 2019 Prepaid Contribution	0.00
(8) Less Actual City Contributions	<u>(392,800.96)</u>
(9) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2020	\$13,398.87

STATISTICAL DATA

	<u>10/1/2017</u>	<u>10/1/2018</u>	<u>10/1/2019</u>	<u>10/1/2020</u>
<u>Actives</u>				
Number	32	31	33	28
Average Current Age	39.6	40.5	41.5	41.5
Average Age at Employment	30.0	31.5	32.1	32.3
Average Past Service	9.6	9.0	9.4	9.2
Average Annual Salary	\$52,250	\$51,874	\$59,728	\$58,225
<u>Service Retirees</u>				
Number	27	29	28	29
Average Current Age	65.4	65.6	65.8	66.4
Average Annual Benefit	\$25,222	\$25,106	\$25,122	\$24,853
<u>DROP Retirees</u>				
Number	0	0	0	1
Average Current Age	N/A	N/A	N/A	55.9
Average Annual Benefit	N/A	N/A	N/A	\$80,644
<u>Beneficiaries</u>				
Number	1	1	1	1
Average Current Age	88.2	89.2	90.2	91.2
Average Annual Benefit	\$22,752	\$22,752	\$22,752	\$22,752
<u>Disability Retirees</u>				
Number	2	2	3	4
Average Current Age	71.8	72.8	64.9	65.0
Average Annual Benefit	\$12,688	\$12,688	\$18,710	\$21,418
<u>Terminated Vested</u>				
Number	7	10	9	15
Average Current Age ¹	39.0	39.9	39.9	41.4
Average Annual Benefit ²	\$15,764	\$17,953	\$16,776	\$17,694

¹ Effective 10/1/2018, the Average Current Age excludes participants awaiting a refund of contributions.

² The Average Annual Benefit excludes participants awaiting a refund of contributions.

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19												0
20 - 24	1											1
25 - 29	1		1	1								3
30 - 34	1		1		1	1						4
35 - 39	1					3						4
40 - 44		1						3				4
45 - 49	1	1				1		2				5
50 - 54						1	1	1	2			5
55 - 59										1		1
60 - 64			1									1
65+												0
Total	5	2	3	1	1	6	1	6	2	1	0	28

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2019	33
b. Terminations	
i. Vested (partial or full) with deferred annuity	(1)
ii. Vested in refund of member contributions only	(4)
iii. Refund of member contributions or full lump sum distribution received	(2)
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	(1)
e. Retired	(1)
f. DROP	<u>(1)</u>
g. Continuing participants	23
h. New entrants	<u>5</u>
i. Total active life participants in valuation	<u>28</u>

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

	Service Retirees, Vested Receiving <u>Benefits</u>	DROP <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested (Deferred Annuity)	Vested (Due Refund)	<u>Total</u>
a. Number prior valuation	28	0	1	3	6	3	41
Retired	1	0	0	0	0	0	1
DROP	0	1	0	0	0	0	1
Vested (Deferred Annuity)	0	0	0	0	1	0	1
Vested (Due Refund)	0	0	0	0	0	4	4
Hired/Terminated in Same Year	0	0	0	0	0	1	1
Death, With Survivor	0	0	0	0	0	0	0
Death, No Survivor	0	0	0	0	0	0	0
Disabled	0	0	0	1	0	0	1
Refund of Contributions	0	0	0	0	0	0	0
Rehires	0	0	0	0	0	0	0
Expired Annuities	0	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0	0
b. Number current valuation	29	1	1	4	7	8	50

SUMMARY OF CURRENT PLAN

<u>Eligibility</u>	Full-time employees who are classified as Police Officers participate as a condition of employment.
<u>Credited Service</u>	Total years and fractional parts of years of employment with the City as a Police Officer.
<u>Salary</u>	Gross Compensation reportable on the Member's W-2 form, including overtime, bonuses, lump sum payments of unused sick and vacation time. Effective July 1, 2011, annual overtime shall not exceed 300 hours. Additionally, lump sum payments for accrued unused sick and vacation time at the time of termination or retirement shall not exceed the amounts in place on July 1, 2011.
<u>Average Final Compensation</u>	Average Salary for the 5 best years of the 10 years immediately preceding retirement or termination.
<u>Member Contributions</u>	5.0% of Salary.
<u>City and State Contributions</u>	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII, Chapter 112, F.S.
<u>Normal Retirement</u>	
Date	Earlier of: 1) age 55 with 10 years of Credited Service, or 2) the completion of 23 years of Credited Service, regardless of age.
Benefit	3.0% of Average Final Compensation for each year of Credited Service.
Maximum Benefit	75% of Average Final Compensation for Members hired after June 7, 1982.
Form of Benefit	Ten Year Certain and Life Annuity (options available).

Early Retirement

Eligibility	Age 50 with 10 years of Credited Service.
Benefit	Accrued benefit, reduced 3% per year that the benefit commencement date precedes the Normal Retirement Date.

Vesting

Schedule	100% after 10 years of Credited Service.
Benefit Amount	Member will receive the vested portion of his (her) accrued benefit payable at the Early (reduced) or Normal Retirement Date.

Death Benefits

10 or more years of Credited Service	Monthly accrued benefit payable to designated beneficiary for life at otherwise Early (reduced) or Normal (unreduced) Retirement Date.
Less than 10 years of Credited Service	Refund of accumulated contributions.
Post-Retirement	Benefits payable to beneficiary in accordance with option selected at retirement.

Deferred Retirement Option Plan (DROP)

Eligibility	Satisfaction of Normal Retirement requirements.
Participation	Not to exceed 60 months from the date of first eligibility for Normal Retirement.
Rate of Return	At Member's election, either: a) 6.5% effective annual rate, or b) Net Investment Return (total return less brokerage commission, transaction costs and management fees) credited each fiscal quarter.
Distribution	Cash lump sum (options available) at termination of employment.

Disability

Eligibility	Covered from Date of Employment.
Exclusions	Disability resulting from use of drugs, illegal participation in riots, service in military, etc.
Benefit	
Service Incurred	Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 62% of Average Final Compensation.
Non-Service Incurred	
10 or More Years of Credited Service	Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 25% of Average Final Compensation.
Less than 10, but at least 5 Years of Credited Service	Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 20% of Average Final Compensation.
Less Than 5 Years of Credited Service	Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement.
Maximum Benefit	75% of Average Final Compensation for Members hired after June 7, 1982.
Duration	Payable for life (with 120 payments guaranteed) or until recovery (as determined by the Board). Optional forms of payment are available.

Chapter 185 Share Account

Pursuant to Chapter 2015-39, Laws of Florida, a supplemental benefit component for special benefits exists but is currently not funded as the City and Membership signed a Memo of Understanding to allow the City to use all future annual State Monies to offset its annual contribution requirements and no allocations have been made to the share accounts.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	230,114
Prepaid Benefits	69,096
Total Cash and Equivalents	299,210
Receivables:	
Additional City Contributions	13,399
Investment Income	7,842
Total Receivable	21,241
Investments:	
U. S. Bonds and Bills	323,574
Federal Agency Guaranteed Securities	746,689
Corporate Bonds	668,976
Stocks	1,029,018
Mutual Funds:	
Fixed Income	2,138,798
Equity	7,887,592
Pooled/Common/Commingled Funds:	
Real Estate	1,516,007
Total Investments	14,310,654
Total Assets	14,631,105
Total Liabilities	0
NET POSITION RESTRICTED FOR PENSIONS	14,631,105

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020
Market Value Basis

ADDITIONS

Contributions:

Member	90,800	
City	406,200	
State	133,879	
 Total Contributions		 630,879
 Investment Income:		
Net Increase in Fair Value of Investments	834,884	
Interest & Dividends	337,360	
Less Investment Expense ¹	(37,715)	
 Net Investment Income		 1,134,529
 Total Additions		 1,765,408

DEDUCTIONS

Distributions to Members:

Benefit Payments	809,730	
Lump Sum DROP Distributions	0	
Lump Sum PLOP Distributions	60,373	
Refunds of Member Contributions	11,041	
 Total Distributions		 881,144
 Administrative Expense		 30,590
 Total Deductions		 911,734
 Net Increase in Net Position		 853,674
 NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		13,777,431
 End of the Year		 14,631,105

¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2020)

Plan Administration

The City of Palmetto Police Officers' Retirement Plan is a single-employer defined benefit pension plan administered by a Board of Trustees which acts as the administrator of the plan. The Board consists of 5 Trustees, 2 of whom shall be legal residents of the City who are appointed by the City Commission, 2 of whom are Members of the plan who are elected by a majority of the Police Officers who are Members of the plan and a fifth Trustee who is chosen by a majority of the first 4 Trustees.

Plan Membership as of October 1, 2019:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	32
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	9
Active Plan Members	33
	74

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

A summary of the benefit provisions can be found in the October 1, 2019 Actuarial Valuation Report for the City of Palmetto Police Officers' Retirement Plan prepared by Foster & Foster Actuaries and Consultants.

Incorporated are the benefit changes for measurement date September 30, 2020 as noted under the Notes to Schedule of Changes in Net Pension Liability and Ratios.

Contributions

Member Contributions: 5.0% of Salary.

City and State Contributions: Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII, Chapter 112, Florida Statutes.

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2020:

Asset Class	Target Allocation
Domestic Equity	45.0%
International Equity	15.0%
Broad Market Fixed Income	15.0%
Fixed Income (Non-Core)	5.0%
Global Fixed income	5.0%
Real Estate	10.0%
GTAA	5.0%
Total	100.0%

Concentrations:

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's Fiduciary Net Position.

Rate of Return:

For the year ended September 30, 2020, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 8.37 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program

Eligibility: Satisfaction of Normal Retirement requirements.

Participation: Not to exceed 60 months from the date of first eligibility for Normal Retirement.

Rate of Return: At Member's election, either: a) 6.5% effective annual rate, or b) Net Investment Return (total return less brokerage commission, transaction costs and management fees) credited each fiscal quarter.

The DROP balance as September 30, 2020 is \$26,881¹.

¹ Election option assumption for one new DROP participant is the Normal Form. Therefore, Investment Return Earned is not included.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2020 were as follows:

Total Pension Liability	\$ 15,915,533
Plan Fiduciary Net Position	<u>\$ (14,631,105)</u>
Sponsor's Net Pension Liability	<u>\$ 1,284,428</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	91.93%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2019 updated to September 30, 2020 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Service based
Discount Rate	7.00%
Investment Rate of Return	7.00%

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.

Mortality Rate Healthy Retiree Lives:

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

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

Mortality Rate Beneficiary Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.

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

Mortality Rates Disabled Lives:

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

All rates are projected generationally with Mortality Improvement Scale MP-2018.

The above 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, 2019 FRS valuation report for special risk employees, with appropriate risk and collar adjustments made based on plan demographics. We feel this assumption sufficiently accommodates future mortality improvements.

The most recent actuarial experience study used to review the other significant assumptions was dated August 26, 2016.

The Long-Term Expected Rate of Return on Pension Plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2020 the inflation rate assumption of the investment advisor was 2.50%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2020 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return ¹
Domestic Equity	7.50%
International Equity	8.50%
Broad Market Fixed Income	2.50%
Fixed Income (Non-Core)	2.50%
Global Fixed income	3.50%
Real Estate	4.50%
GTAA	3.50%

¹ Source: AndCo Consulting

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.00 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those 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 was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Sponsor's Net Pension Liability	\$ 3,099,616	\$ 1,284,428	\$ (236,781)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 2 Fiscal Years

	<u>09/30/2020</u>	<u>09/30/2019</u>
Total Pension Liability		
Service Cost	396,835	340,650
Interest	1,062,027	1,068,270
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	439,144	(713,554)
Changes of assumptions	(316,881)	-
Benefit Payments, including Refunds of Employee Contributions	(881,144)	(800,334)
Net Change in Total Pension Liability	<u>699,981</u>	<u>(104,968)</u>
Total Pension Liability - Beginning	<u>15,215,552</u>	<u>15,320,520</u>
Total Pension Liability - Ending (a)	<u><u>\$ 15,915,533</u></u>	<u><u>\$ 15,215,552</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	406,200	480,634
Contributions - State	133,879	131,486
Contributions - Employee	90,800	89,571
Net Investment Income	1,134,529	422,898
Benefit Payments, including Refunds of Employee Contributions	(881,144)	(800,334)
Administrative Expense	(30,590)	(50,391)
Net Change in Plan Fiduciary Net Position	<u>853,674</u>	<u>273,864</u>
Plan Fiduciary Net Position - Beginning	<u>13,777,431</u>	<u>13,503,567</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 14,631,105</u></u>	<u><u>\$ 13,777,431</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 1,284,428</u></u>	<u><u>\$ 1,438,121</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	91.93%	90.55%
Covered Payroll	\$ 1,816,002	\$ 1,791,416
Net Pension Liability as a percentage of Covered Payroll	70.73%	80.28%

Notes to Schedule:*Changes of assumptions:*

For measurement date 09/30/2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in the July 1, 2019 actuarial valuation for special risk lives, with appropriate risk and collar adjustments made based on plan demographics.

SCHEDULE OF CONTRIBUTIONS
Last 2 Fiscal Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
09/30/2020	\$ 540,079	\$ 540,079	\$ -	\$ 1,816,002	29.74%
09/30/2019	\$ 610,335	\$ 612,120	\$ (1,785)	\$ 1,791,416	34.17%

Notes to Schedule

Valuation Date: 10/01/2018

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates can be found in the October 1, 2018 Actuarial Valuation for the City of Palmetto Police Officers' Retirement Plan prepared by Foster & Foster Actuaries and Consultants.

SCHEDULE OF INVESTMENT RETURNS
Last 2 Fiscal Years

Fiscal Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
09/30/2020	8.37%
09/30/2019	3.17%

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2020)

Plan Description

The City of Palmetto Police Officers' Retirement Plan is a single-employer defined benefit pension plan administered by a Board of Trustees which acts as the administrator of the plan. The Board consists of 5 Trustees, 2 of whom shall be legal residents of the City who are appointed by the City Commission, 2 of whom are Members of the plan who are elected by a majority of the Police Officers who are Members of the plan and a fifth Trustee who is chosen by a majority of the first 4 Trustees. Eligible are full-time employees who are classified as Police Officers participate as a condition of employment.

Plan Membership as of October 1, 2019:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	32
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	9
Active Plan Members	33
	74
	74

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

A summary of the benefit provisions can be found in the October 1, 2019 Actuarial Valuation Report for the City of Palmetto Police Officers' Retirement Plan prepared by Foster & Foster Actuaries and Consultants.

Incorporated are the benefit changes for measurement date September 30, 2020 as noted under the Notes to Schedule of Changes in Net Pension Liability and Ratios.

Contributions

Member Contributions: 5.0% of Salary.

City and State Contributions: Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII, Chapter 112, Florida Statutes.

Net Pension Liability

The measurement date is September 30, 2020.

The measurement period for the pension expense was October 1, 2019 to September 30, 2020.

The reporting period is October 1, 2019 through September 30, 2020.

The Sponsor's Net Pension Liability was measured as of September 30, 2020.

The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2019 updated to September 30, 2020 using the following actuarial assumptions:

Inflation	2.50%	
Salary Increases		Service based
Discount Rate	7.00%	
Investment Rate of Return	7.00%	

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.

Mortality Rate Healthy Retiree Lives:

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

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

Mortality Rate Beneficiary Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.

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

Mortality Rates Disabled Lives:

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

All rates are projected generationally with Mortality Improvement Scale MP-2018.

The above 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, 2019 FRS valuation report for special risk employees, with appropriate risk and collar adjustments made based on plan demographics. We feel this assumption sufficiently accommodates future mortality improvements.

The most recent actuarial experience study used to review the other significant assumptions was dated August 26, 2016.

The Long-Term Expected Rate of Return on Pension Plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2020 the inflation rate assumption of the investment advisor was 2.50%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return ¹
Domestic Equity	45.0%	7.50%
International Equity	15.0%	8.50%
Broad Market Fixed Income	15.0%	2.50%
Fixed Income (Non-Core)	5.0%	2.50%
Global Fixed income	5.0%	3.50%
Real Estate	10.0%	4.50%
GTAA	5.0%	3.50%
Total	100.0%	

¹ Source: AndCo Consulting

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.00 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those 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 was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2019	\$ 15,215,552	\$ 13,777,431	\$ 1,438,121
Changes for a Year:			
Service Cost	396,835	-	396,835
Interest	1,062,027	-	1,062,027
Differences between Expected and Actual Experience	439,144	-	439,144
Changes of assumptions	(316,881)	-	(316,881)
Changes of benefit terms	-	-	-
Contributions - Employer	-	406,200	(406,200)
Contributions - State	-	133,879	(133,879)
Contributions - Employee	-	90,800	(90,800)
Net Investment Income	-	1,134,529	(1,134,529)
Benefit Payments, including Refunds of Employee Contributions	(881,144)	(881,144)	-
Administrative Expense	-	(30,590)	30,590
Net Changes	699,981	853,674	(153,693)
Balances at September 30, 2020	\$ 15,915,533	\$ 14,631,105	\$ 1,284,428

Sensitivity of the Net Pension Liability to changes in the Discount Rate.

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.00%	7.00%	8.00%
Sponsor's Net Pension Liability	\$ 3,099,616	\$ 1,284,428	\$ (236,781)

Pension Plan Fiduciary Net Position.

Detailed information about the pension Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

**PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED
INFLOWS OF RESOURCES RELATED TO PENSIONS**

For the year ended September 30, 2020, the Sponsor will recognize a Pension Expense of \$308,357.

On September 30, 2020, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	372,828	356,778
Changes of assumptions	40,785	237,660
Net difference between Projected and Actual Earnings on Pension Plan investments	-	48,439
Total	<u>\$ 413,613</u>	<u>\$ 642,877</u>

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

Year ended September 30:	
2021	\$ (152,571)
2022	\$ (138,710)
2023	\$ 98,005
2024	\$ (35,988)
2025	\$ -
Thereafter	\$ -

Payable to the Pension Plan

On September 30, 2020, the Sponsor reported a payable of \$13,399 for the outstanding amount of contributions of the Pension Plan required for the year ended September 30, 2020.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 2 Fiscal Years

	<u>09/30/2020</u>	<u>09/30/2019</u>
Total Pension Liability		
Service Cost	396,835	340,650
Interest	1,062,027	1,068,270
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	439,144	(713,554)
Changes of assumptions	(316,881)	-
Benefit Payments, including Refunds of Employee Contributions	(881,144)	(800,334)
Net Change in Total Pension Liability	<u>699,981</u>	<u>(104,968)</u>
Total Pension Liability - Beginning	15,215,552	15,320,520
Total Pension Liability - Ending (a)	<u>\$ 15,915,533</u>	<u>\$ 15,215,552</u>
Plan Fiduciary Net Position		
Contributions - Employer	406,200	480,634
Contributions - State	133,879	131,486
Contributions - Employee	90,800	89,571
Net Investment Income	1,134,529	422,898
Benefit Payments, including Refunds of Employee Contributions	(881,144)	(800,334)
Administrative Expense	(30,590)	(50,391)
Net Change in Plan Fiduciary Net Position	<u>853,674</u>	<u>273,864</u>
Plan Fiduciary Net Position - Beginning	13,777,431	13,503,567
Plan Fiduciary Net Position - Ending (b)	<u>\$ 14,631,105</u>	<u>\$ 13,777,431</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 1,284,428</u>	<u>\$ 1,438,121</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	91.93%	90.55%
Covered Payroll	\$ 1,816,002	\$ 1,791,416
Net Pension Liability as a percentage of Covered Payroll	70.73%	80.28%

Notes to Schedule:*Changes of assumptions:*

For measurement date 09/30/2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in the July 1, 2019 actuarial valuation for special risk lives, with appropriate risk and collar adjustments made based on plan demographics.

SCHEDULE OF CONTRIBUTIONS
Last 2 Fiscal Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
09/30/2020	\$ 540,079	\$ 540,079	\$ -	\$ 1,816,002	29.74%
09/30/2019	\$ 610,335	\$ 612,120	\$ (1,785)	\$ 1,791,416	34.17%

Notes to Schedule

Valuation Date: 10/01/2018

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates can be found in the October 1, 2018 Actuarial Valuation for the City of Palmetto Police Officers' Retirement Plan prepared by Foster & Foster Actuaries and Consultants.

EXPENSE DEVELOPMENT AND AMORTIZATION SCHEDULES

The following information is not required to be disclosed but is provided for informational purposes.

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2020

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 1,438,121	\$ 965,135	\$ 657,842	\$ -
Total Pension Liability Factors:				
Service Cost	396,835	-	-	396,835
Interest	1,062,027	-	-	1,062,027
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	439,144	-	439,144	-
Current year amortization of experience difference	-	(178,389)	(173,706)	(4,683)
Change in assumptions about future economic or demographic factors or other inputs	(316,881)	316,881	-	-
Current year amortization of change in assumptions	-	(79,221)	(95,959)	16,738
Benefit Payments, including Refunds of Employee Contributions	(881,144)	-	-	-
Net change	<u>699,981</u>	<u>59,271</u>	<u>169,479</u>	<u>1,470,917</u>
Plan Fiduciary Net Position:				
Contributions - Employer	406,200	-	-	-
Contributions - State	133,879	-	-	-
Contributions - Employee	90,800	-	-	(90,800)
Projected Net Investment Income	954,590	-	-	(954,590)
Difference between projected and actual earnings on Pension Plan investments	179,939	179,939	-	-
Current year amortization	-	(251,187)	(103,427)	(147,760)
Benefit Payments, including Refunds of Employee Contributions	(881,144)	-	-	-
Administrative Expenses	(30,590)	-	-	30,590
Net change	<u>853,674</u>	<u>(71,248)</u>	<u>(103,427)</u>	<u>(1,162,560)</u>
Ending Balance	<u><u>\$ 1,284,428</u></u>	<u><u>\$ 953,158</u></u>	<u><u>\$ 723,894</u></u>	<u><u>\$ 308,357</u></u>

AMORTIZATION SCHEDULE - INVESTMENTS

Increase (Decrease) in Pension Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on Pension Plan Investments

Plan Year Ending	Differences Between Projected and Actual Earnings	Recognition Period (Years)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
2020	\$ (179,939)	5	\$ (35,987)	\$ (35,988)	\$ (35,988)	\$ (35,988)	\$ (35,988)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2019	\$ 517,136	5	\$ 103,427	\$ 103,427	\$ 103,427	\$ 103,427	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ (291,632)	5	\$ (58,326)	\$ (58,326)	\$ (58,326)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ (490,582)	5	\$ (98,116)	\$ (98,116)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (293,788)	5	\$ (58,758)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (147,760)	\$ (89,003)	\$ 9,113	\$ 67,439	\$ (35,988)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

