June 5, 2024

<u>VIA EMAIL</u>

Board of Trustees
City of Ocala
Pension Office
2100 NE 30 Avenue Building E
Ocala, FL 34470

Re: City of Ocala
        General Employees' Retirement System
        Corridor Test for Target Total Employer Contribution Percentage
        October 1, 2023 Valuation

Dear Board:

As requested, we have performed a special actuarial analysis for the purpose of determining if any adjustments to the Variable Benefit Multiplier are required pursuant to the provisions of Ordinance 2013-48. The study has been updated based on results of the October 1, 2023 actuarial valuation.

While Ordinance 2013-48 refers to the preliminary Defined Benefit Contribution Percentage for the year, the Board approved a funding methodology change from percentage of payroll to fixed dollar in conjunction with the October 1, 2015 valuation. Accordingly, the preliminary Defined Benefit Contribution Percentage for the fiscal year ending September 30, 2025 is simply the ratio of the fixed dollar amount divided by the Projected Defined Benefit Valuation Salary.

The City's required contribution for the year ending September 30, 2025, based on results of the October 1, 2023 actuarial valuation, is $9,187,871. Based on the language in Ordinance 2013-48, we are required to compute the Total Employer Contribution Percentage. In order to do this, we completed a one-year open group projection based on a stable workforce. The results of this analysis are as follows:

Projected Defined Benefit Valuation Salary	$ 7,097,194
Projected Defined Contribution Valuation Salary	42,221,246
Total Salary	$49,318,440
Projected City Defined Benefit Contribution	$ 9,187,871 (fixed dollar amount)
Projected City Defined Contribution	$42,221,246 * 8.00% = 3,377,700
Total Projected City Contribution	$12,565,571
Total Employer Contribution Percentage	25.5%

Ordinance 2013-48 provides that for the Contribution Year ending September 30, 2025, the Target Total Employer Contribution Percentage is between 18% and 33%. Since 25.5% falls inside the corridor, no action is needed.

Please note that changes to the multiplier and Member Contribution rates were computed based on the Assumptions and Methods used in the October 1, 2023 actuarial valuation report and the mandated amortization period of 10 years as outlined in Ordinance 2013-48. The Salary projection was based on the census data provided as of October 1, 2023 from the City for both the Defined Contribution and Defined Benefit Members. New hires were assumed to have the same profile as those Members hired during the Fiscal 2023 year.
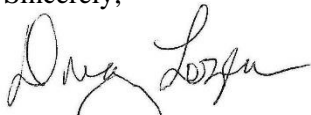
Results of the above analysis will remain in effect until October 1, 2025 at which point another analysis (based on the results of the October 1, 2024 actuarial valuation report) will need to be completed to determine if an adjustment to the multiplier and Member Contribution Rate is allowable.

The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of the October 1, 2023 valuation report are considered an integral part of the actuarial opinions. In reviewing the results presented in this study, it should be noted that there are risks that may not be inherently apparent to the reader that should be carefully considered. While we have identified a few key risks, providing numerical analysis of such risks is outside the scope of this study. For additional key risks please see the Discussion of Risk section of the October 1, 2023 actuarial valuation report.

Additionally, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models that apply the funding and accounting rules to generate the results. All internally developed models are reviewed as part of the valuation process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

If you have any questions, please let me know.

Sincerely,

Douglas H. Lozen, EA, MAAA
DHL/lke