

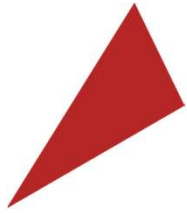


nyhart  
part of FuturePlan by Ascensus®

# CITY OF OCALA FIREFIGHTERS' RETIREMENT PLAN

**Board Summary of the October 1, 2023  
Actuarial Valuation Report**

**February 26, 2024**



# Table of Contents

Topic	Page
10/1/2023 Valuation Highlights	3
Summary of Results	4
Plan Experience and Impact on Unfunded Liability	5
Funding Requirement by Fiscal Year	6
Funded Ratio	7
Asset Information	8
Benchmarking	10
ASOP 4 Disclosures	13
Administrative Update	14
Experience Study Considerations	15
Participant Info	16
Benefit Payments	17
COLA Fund	18
Plan Funding History	23
Certification	26



# 10/1/2023 Valuation Highlights

---

## Prior Year Activity

- 9.95% return on market value compared to the expected return of 7.00%
- Salary increases greater than expected resulting in liability loss of \$2.7M.
- Total contributions to the plan of \$4.8M (\$3.4M City, and \$1.4M Employee and State)

## Current Year

- Plan funding level decreased to 78.6% on an actuarial (smoothed) asset basis. Plan is now 73.8% funded on market-value basis.
- Recommended employer contribution for FY 24/25 of \$3.74M, up about \$360K from last year.
- COLA node at 1/1/2024 could increase from \$703 to \$718 following prior practice, contingency reserve at 20%.
- We recommend an experience study before the 10/1/2024 valuation. (Last study was completed in 2019.)

## Looking Ahead

- Scheduled pay increases will continue to increase liability.
  - Administrative update: final BAC-DROP policy, draft buyback policy
-

# Summary of Results

Valuation Date	10/01/2022 FY 2023/2024	10/01/2023 FY 2024/2025
Funding rate	7.00%	7.00%
Entry Age Accrued Liability	\$ 88,822,517	\$ 95,049,856
Actuarial Value of Assets	<u>71,075,172</u>	<u>74,746,000</u>
Unfunded Accrued Liability	\$ 17,747,345	\$ 20,303,856
Funded Ratio (AVA)	80.0%	78.6%
Actuarial / Market Value	110.9%	106.5%
Expected Payroll	\$ 8,848,567	\$ 9,933,729
<b>City Contribution Requirement</b>		
Normal Cost	\$ 1,510,777	\$ 1,667,329
Expected Member Contribution	<u>(634,504)</u>	<u>(707,623)</u>
Net Normal Cost	\$ 876,273	\$ 959,706
Amortization of UAAL	2,319,732	2,556,549
Expenses and Interest	<u>380,431</u>	<u>421,988</u>
Total (City + State)	\$ 3,576,436	\$ 3,938,243
Exp. State Contribution	<u>(200,000)</u>	<u>(200,000)</u>
Exp. City Contribution	\$ 3,376,436	\$ 3,738,243
- % of payroll	38.2%	37.6%

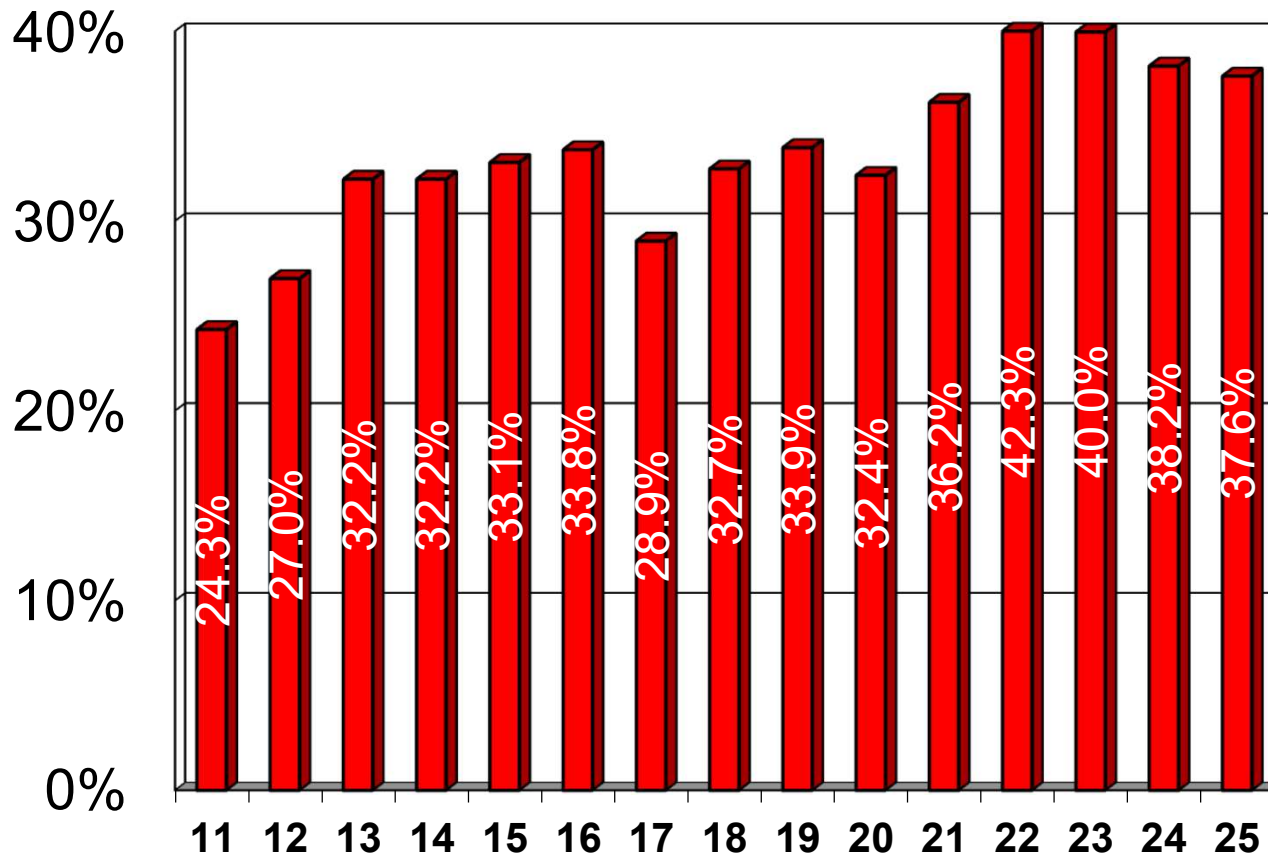


# Plan Experience on Unfunded Accrued Liability

Source	Effect (\$ millions)	Reason/Note (may not sum due to rounding)
10/1/2022	\$17.7	
Expected change	(1.7)	Interest Growth and Amortization of Unfunded
10/1/2023 Expected	\$16.0	
Retirement	0.1	Expected 5, Actual 4
Mortality	0.4	Expected 3, Actual 0
Disability	0.1	Expected 0, Actual 1
Turnover	0.1	Expected 5, Actual 4
Salaries	2.7	Expected increase 4.7%, Actual 13.2%
New Members	0.2	10 new entrants
Lag	(0.5)	Adjustment for timing difference
Assets	1.2	5.9% on actuarial value vs. 7.0% expected
Total Experience	\$4.3	
Assumption Change	0.0	
Plan Change	0.0	
10/1/2023	\$20.3	



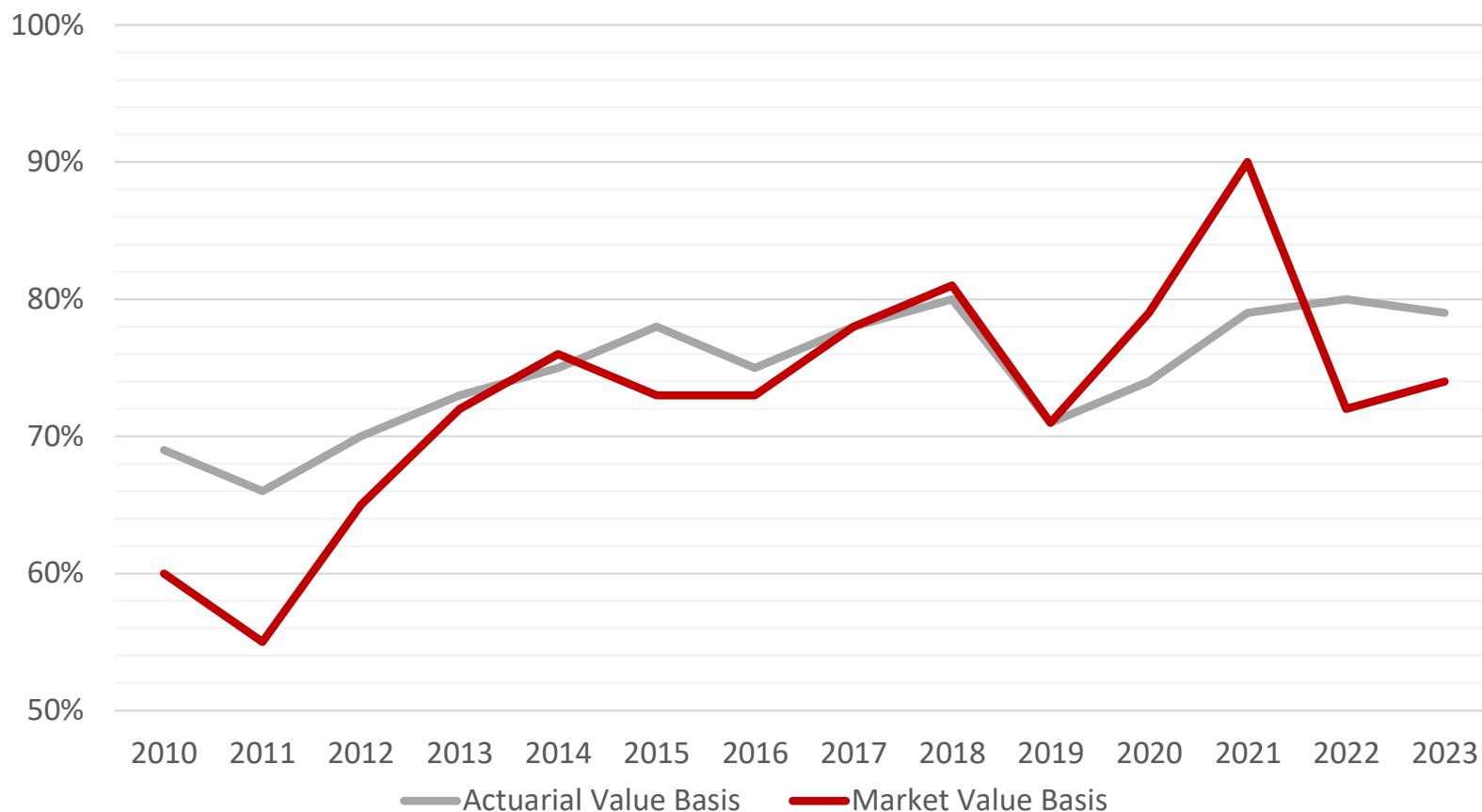
# Funding Requirement for Fiscal Year Ending (% of payroll)



- 2013: Discount rate change (to 7.75% from 8.00%) and mortality table update changed contribution requirement to 32.2% from 28.9%.
- 2018: Discount rate change (to 7.50% from 7.75%) and mortality table update changed contribution requirement to 32.4% from 29.2%.
- 2021: Discount rate change (to 7.00% from 7.50%), mortality table update, and experience study adjustments increased contribution requirement to 42.5% from 32.3%. Direct-rate smoothed impact over three years.



# Funded Ratio

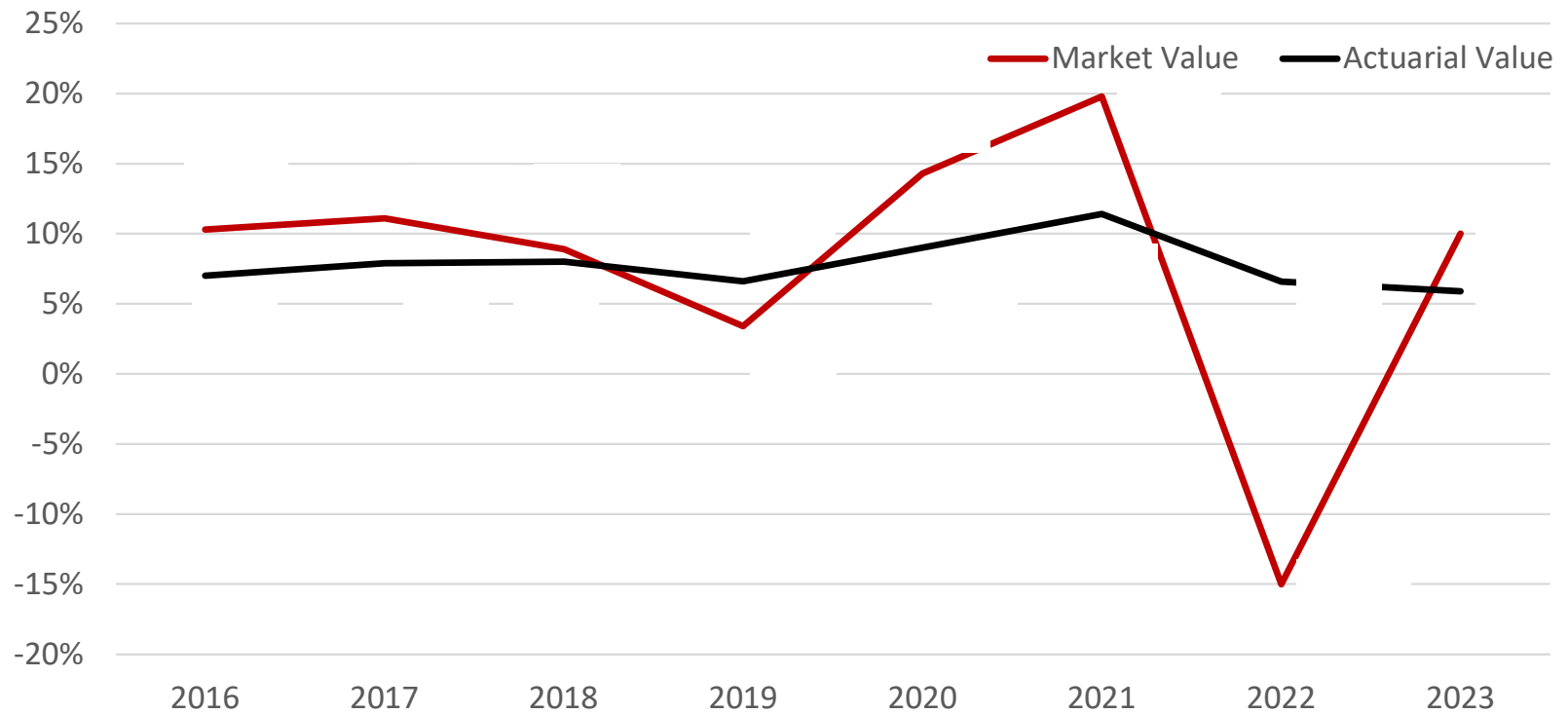


The Funded Ratio is the value of assets divided by the accrued liability. The Accrued Liability is the present value of benefits to be paid in the future allocated to service earned to date. The future benefits are discounted from expected time of payment back to the valuation date at a rate of 7.0%. The graph above shows the funded ratio based on the actuarial value of assets (AVA) and market value of assets (MVA) to demonstrate the impact of the asset smoothing method.



# Asset Information

## Rates of Return



## Average Rates of Return

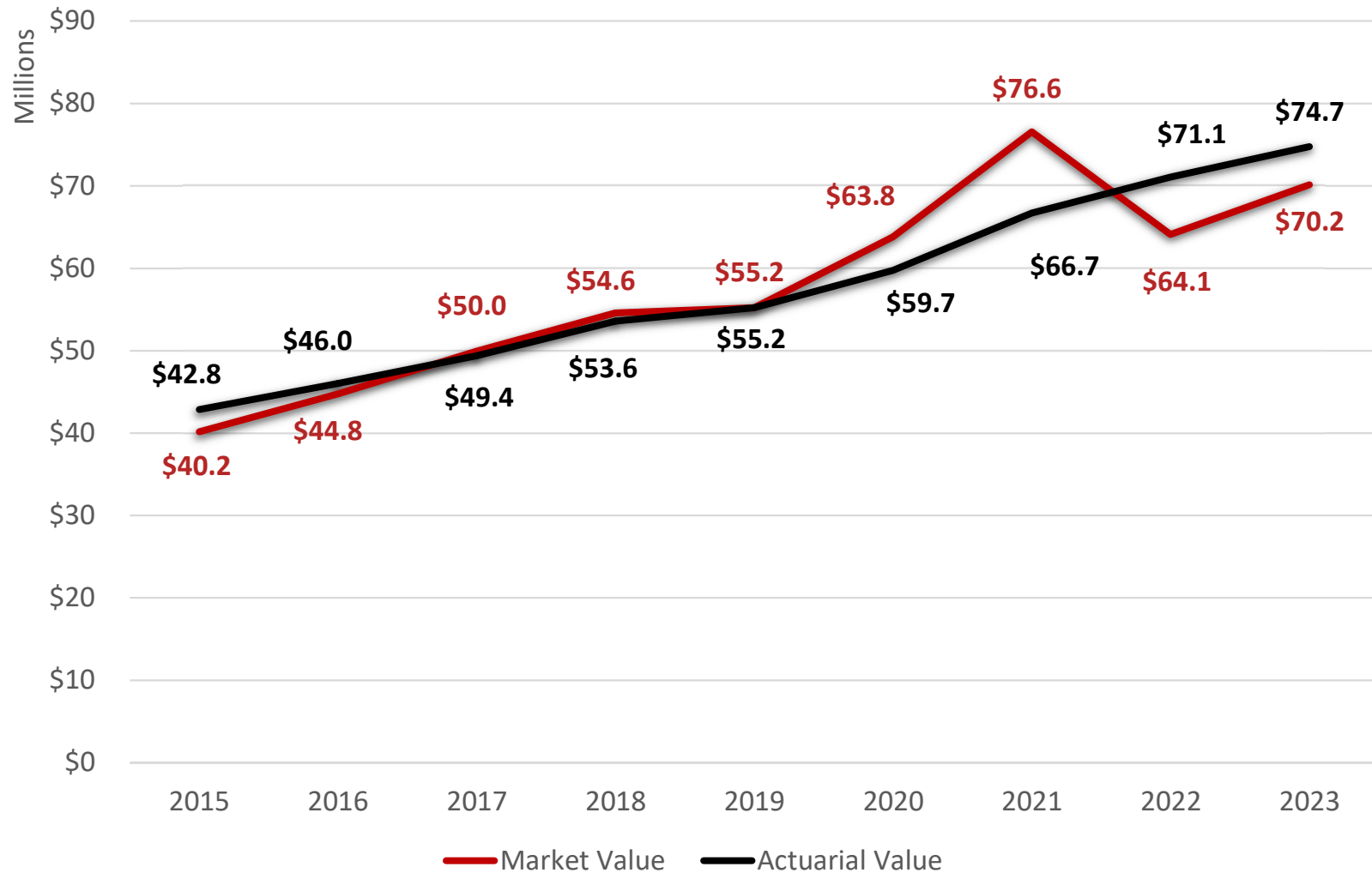
	5 - Years	10 - Years	20 - Years
Market Value	5.77%	6.83%	6.12%
Actuarial Value	7.87%	7.62%	6.17%





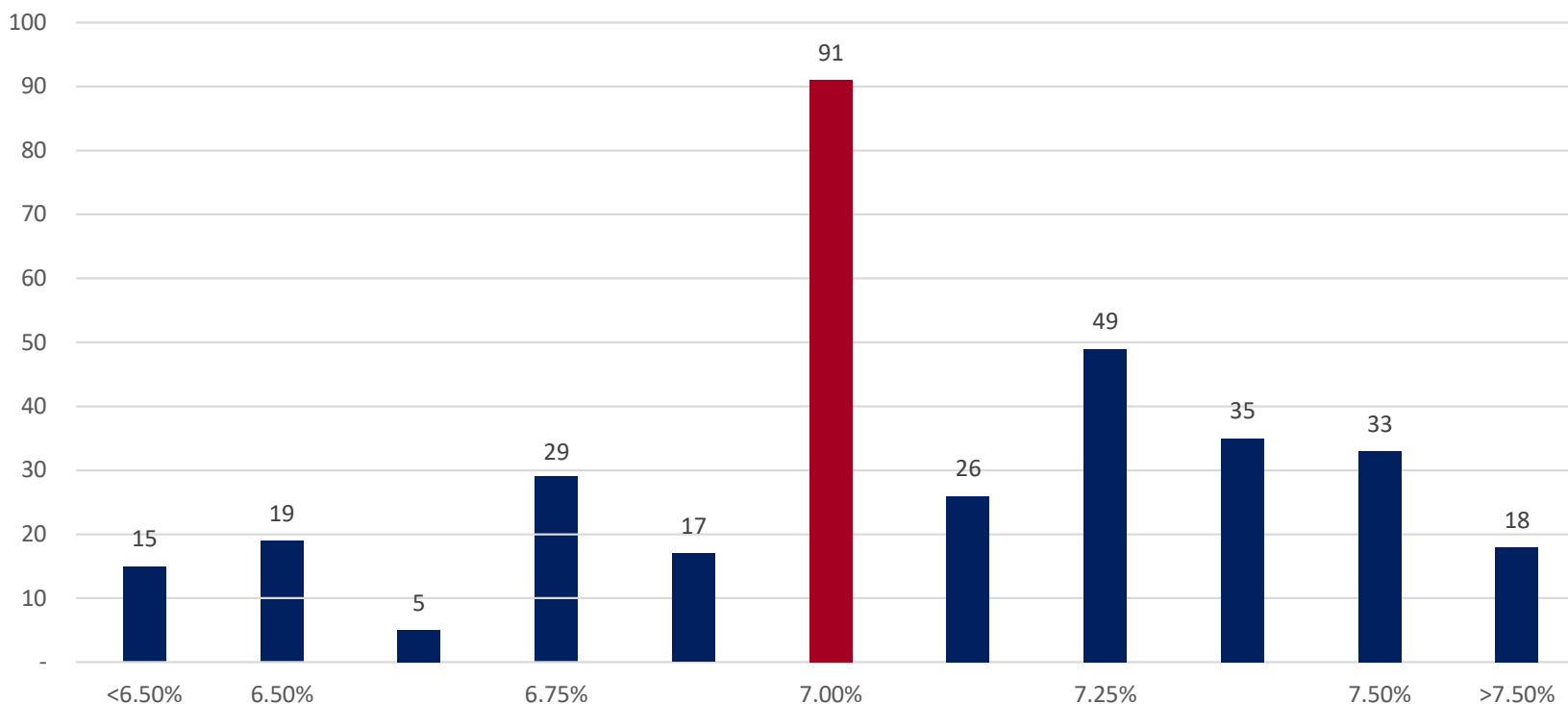
# Asset Information (Excluding Reserve/DROP, \$ millions)

## Actuarial Value vs. Market Value of Assets



# Benchmarking: Rates of Return in Florida

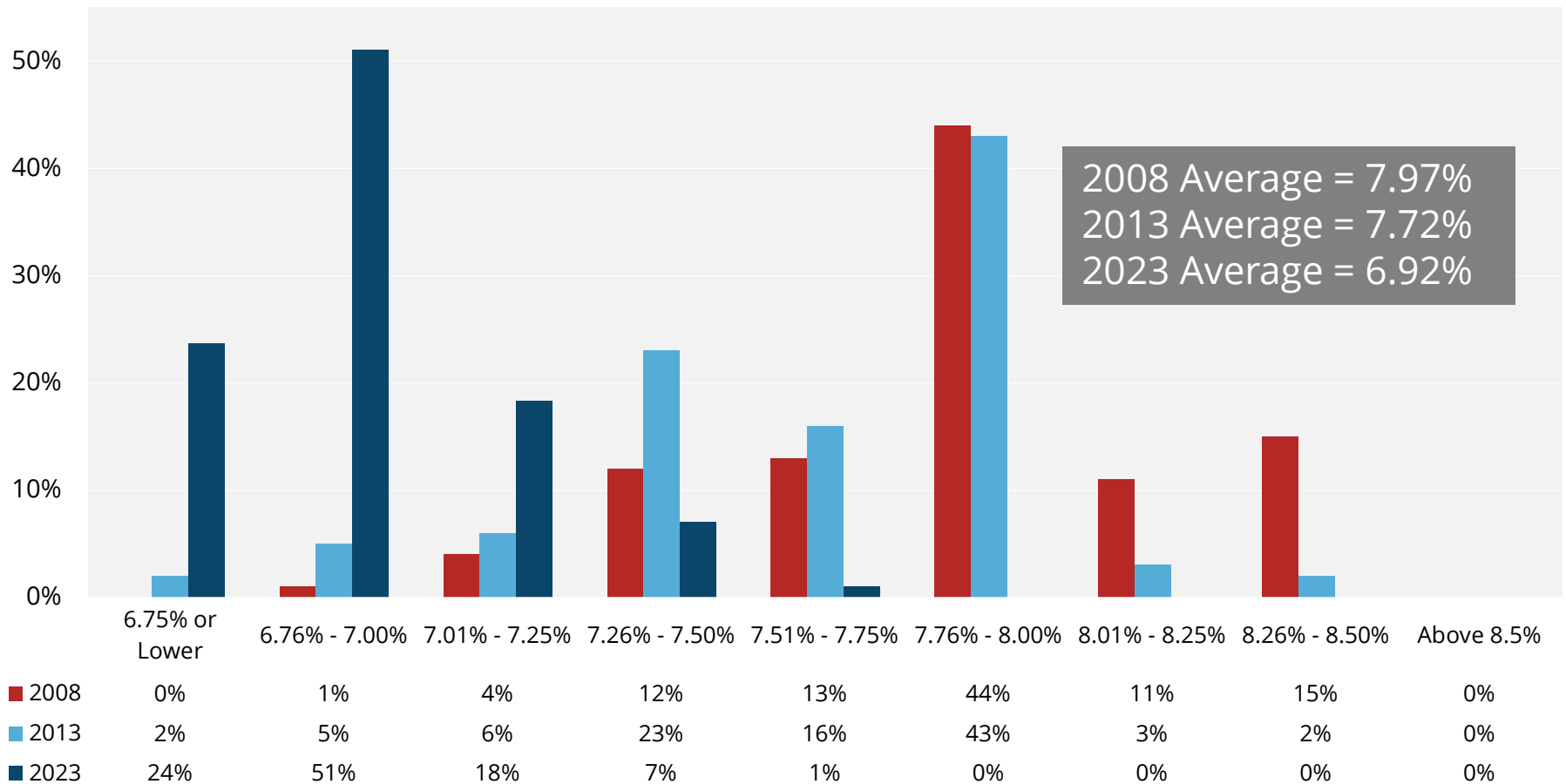
Rate of Return Assumptions for Open Florida Public Plans



Source: Florida Department of Management Services, rates for “Active” Florida plans with valuation dates in 2022 or later.

The average return assumption was 7.07% for this group, with the most common assumption being 7.00%.

# NASRA Survey Results: Large Public Plans



2008 Average = 7.97%  
 2013 Average = 7.72%  
 2023 Average = 6.92%

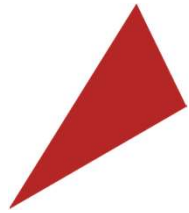
↑  
**Ocala: 7.00%**

Source: Public Fund Survey Summary of Findings for FY 2008, FY 2013, and FY 2023



# Benchmarking: 2024 NCPERS Public Retirement Systems Study

- Study conducted by National Conference on Public Employee Retirement Systems and Cobalt Community Research
  - ✓ 157 state and local government pension funds responded
  - ✓ 52% of respondents were local government funds
  - ✓ 48% of respondents were statewide funds
- Key findings from the study
  - ✓ Average funded ratio decreased from 77.8% to 75.4%
  - ✓ Average interest assumption moved from 6.86% to 6.91%
  - ✓ Amortization periods have tightened from 20.8 years to 20.4 years



# ASOP 4 Disclosures

	October 1, 2023
LDRM Liability Estimate	\$(111,356,499)
Market Value of Assets	<u>70,151,729</u>
LDRM Funded Status	\$(41,204,770)

The above Low-Default-Risk Obligation Measure estimate is based on a single effective discount rate of 5.64% which would produce approximately the same discounted cashflows as the FTSE Pension Liability Curve for the month prior to the valuation date. All other data, assumptions, methods and provisions are the same as those detailed in this report.



# Administrative Updates

## **BAC-DROP Policy**

- Final version pending board approval
- Designed to mirror Forward DROP

## **Buyback (Service Purchase) Policy**

- Based on the current ordinances, the cost to the member is based on the increase in the 'Entry Age Reserve' liability. This is the portion of ultimate liability already accrued by the member, which can be very small at the beginning of one's career.
- We have prepared a draft document discussing several concerns, including the possibility of utilizing the difference in estimated Present Value of Future Benefits (PVFB) as the liability measure used to determine cost. This is typically a better estimate for the true value one receives for the additional service.



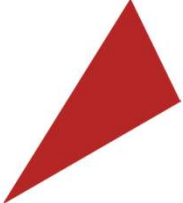
# Experience Study Considerations

- We recommend performing an experience study prior to the October 1, 2024 valuation. Best practice is every 3 to 5 years. We would review major assumptions in the valuation, including:
  - Interest rate
  - Rates of retirement, disability, termination
  - Amortization method
  - Rate of salary increases

---

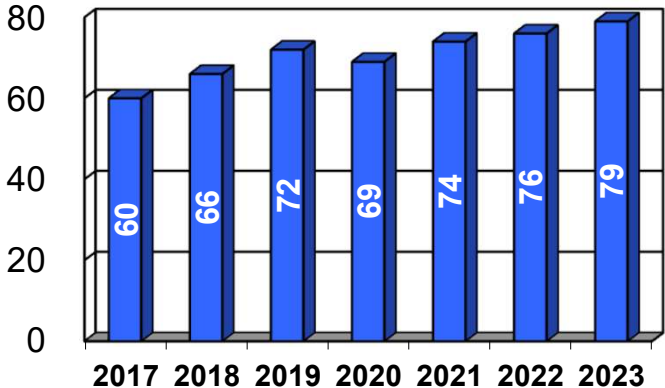
Age	Current Assumption
20	8.0%
30	6.5%
40	4.5%
50	2.5%

---

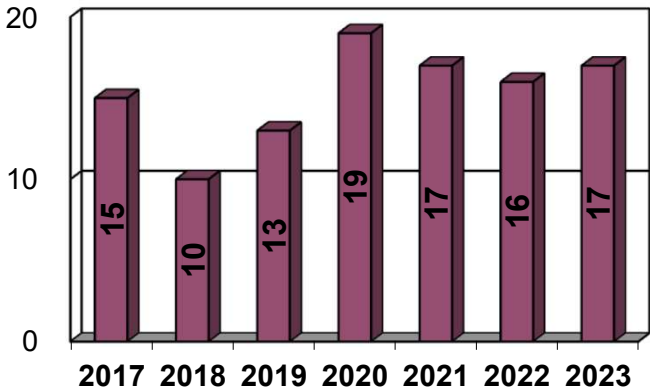


# Participant Information

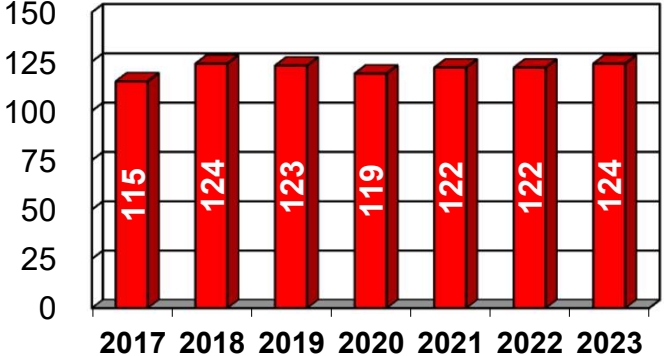
**Retirees/Beneficiaries  
(excluding DROP)**



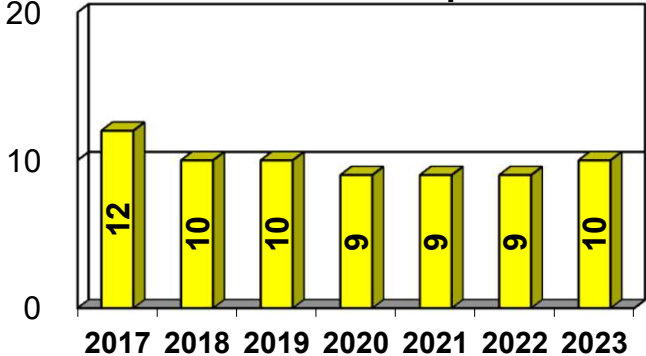
**DROP Participants**



**Active Participants**



**Disabled Participants**

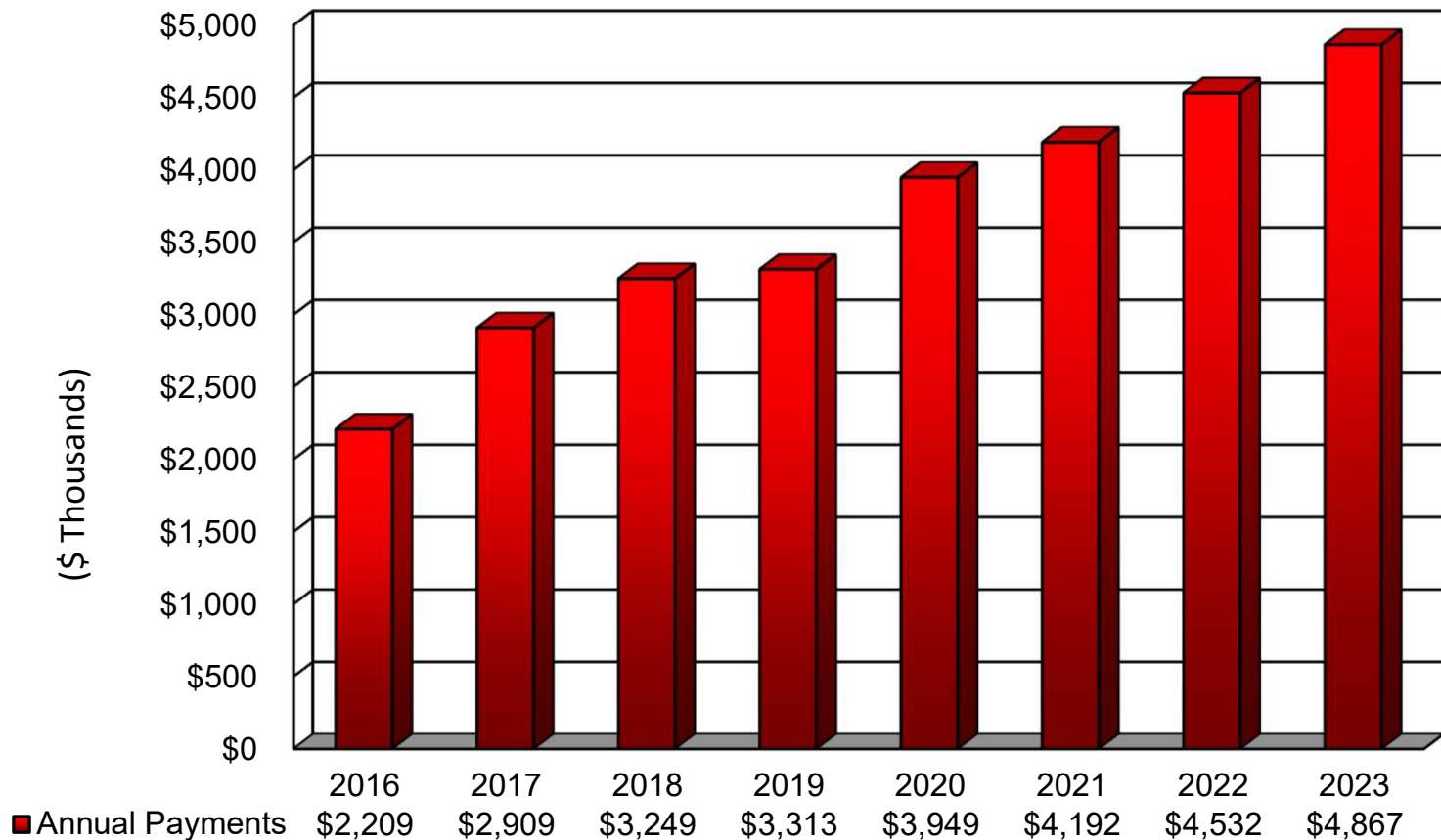


Active Demographics	2019	2020	2021	2022	2023
Average Age	36.9	37.0	36.8	36.7	36.9
Average Service	11.6	11.7	11.5	11.6	11.5
Average Plan Compensation	\$59,898	\$62,732	\$62,847	\$65,373	\$72,208





# Benefit Payments



Distributions as a Percentage of Assets							
2016	2017	2018	2019	2020	2021	2022	2023
4.8%	5.6%	6.1%	6.0%	6.2%	5.1%	5.9%	5.7%



# COLA Fund

- What are the COLA Fund benefits?
  - ✓ Based on years of service at retirement and years in retirement
  - ✓ Generally the amount increases gradually each year you are further into retirement
  - ✓ Can increase or decrease based on the COLA Fund valuation
- How are COLA benefits funded?
  - ✓ Initial funding from COLA Fund assets as of September 30, 2015 and Chapter 175 Reserve Fund
  - ✓ 0.50% of pay contribution from members
  - ✓ 50% of State Premium Tax Revenues in excess of \$200,000 plus any additional amounts not needed to fund the plan to a 90% funded level
  - ✓ Investment return
- How are COLA benefits adjusted?
  - ✓ Board action, designed to be variable
  - ✓ Decision whether to decrease node when reserve is insufficient



# COLA Fund

- Historical practice has been to maintain 20% of COLA Fund assets as a Contingency Reserve. Recall that under the plan's historical policy, the COLA Fund assets include the discounted hypothetical value of future member contributions and state premium tax revenues available to the COLA Fund.
- For 2024, if the historical 20% reserve level were maintained (by utilizing surplus to adjust benefits), this would result in a node increase from \$703 to \$718.
- Under the \$718 node, participants would see increased COLA amounts (ranging from \$3 to \$51) depending on their accrued service and the duration of their retirement.

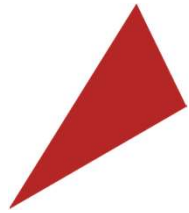


# COLA Fund

## Sample Payments (Node Changed)

2023: Monthly Benefit Payable from COLA Fund									
Credited Service at Retirement	Years Since Retirement/DROP Exit								
	0	1	2	...	20	21	22	23	24
...	...	...	...	...	...	...	...	...	...
24	81	108	135	...	621	648	675	702	729
25	<b>84</b>	<b>112</b>	141	...	647	675	<b>703</b>	731	759
26	88	117	146	...	673	702	731	760	790
...			...	...	...	...	...	...	...

2024: Monthly Benefit Payable from COLA Fund									
Credited Service at Retirement	Years Since Retirement/DROP Exit								
	0	1	2	...	20	21	22	23	24
...	...	...	...	...	...	...	...	...	...
24	83	110	138	...	634	662	689	717	744
25	<b>86</b>	<b>115</b>	144	...	661	689	<b>718</b>	747	775
26	90	119	149	...	687	717	747	777	806
...			...	...	...	...	...	...	...



# COLA Fund

## Sample Payments (Hypothetical Future)

After 5 Completed Years of Retirement

Years of Service at Retirement	2024 COLA Amount
20	\$184
25	\$230
30	\$276

After 25 Completed Years of Retirement

Years of Service at Retirement	2024 COLA Amount
20	\$643
25	\$804
30	\$965

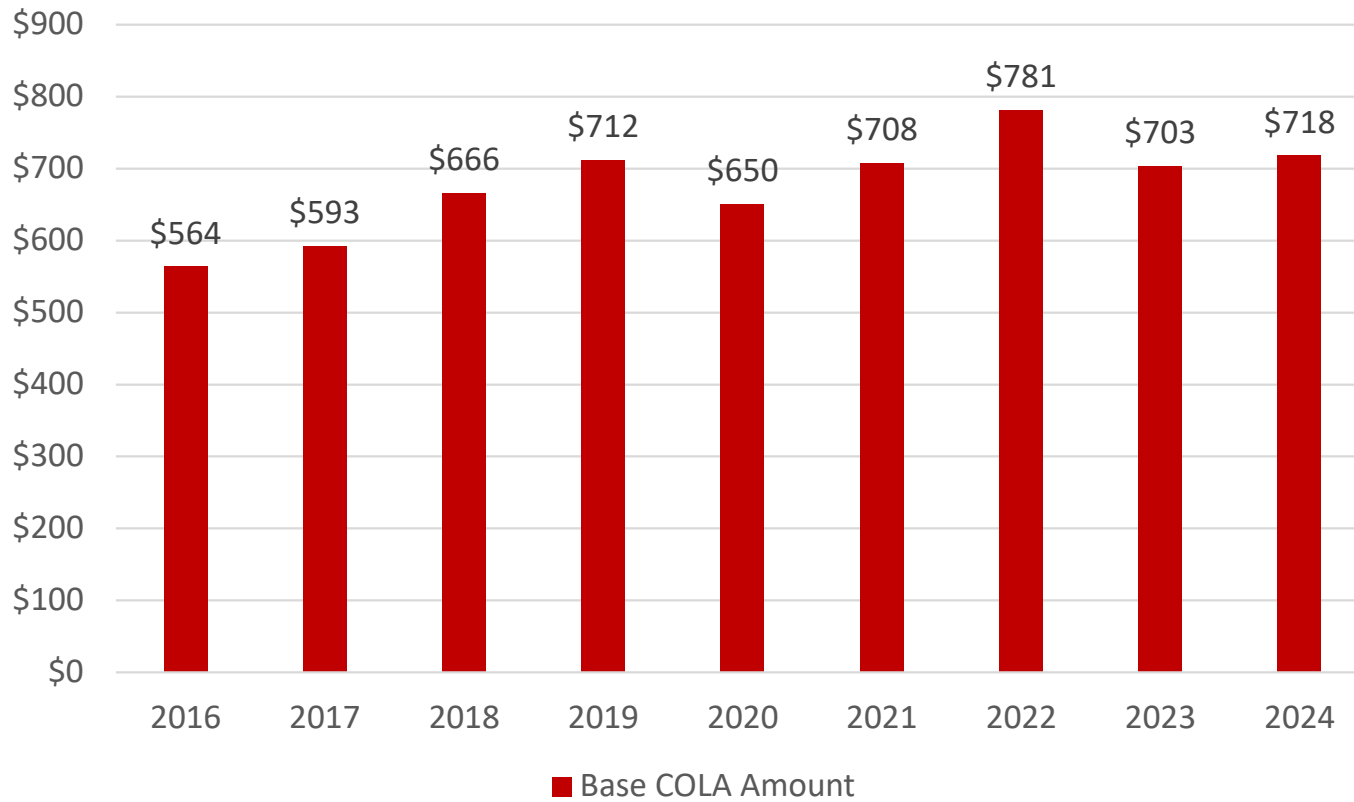
## Sample Participants

Participant Description	Benefit under 2023 Table (\$703 base)	Benefit under 2024 Table (\$718 base)
Retired or exited DROP in 2023 with 30 years of service	\$101	\$103
Retired or exited DROP in 2022 with 28 years of service	\$126	\$129



# COLA Fund

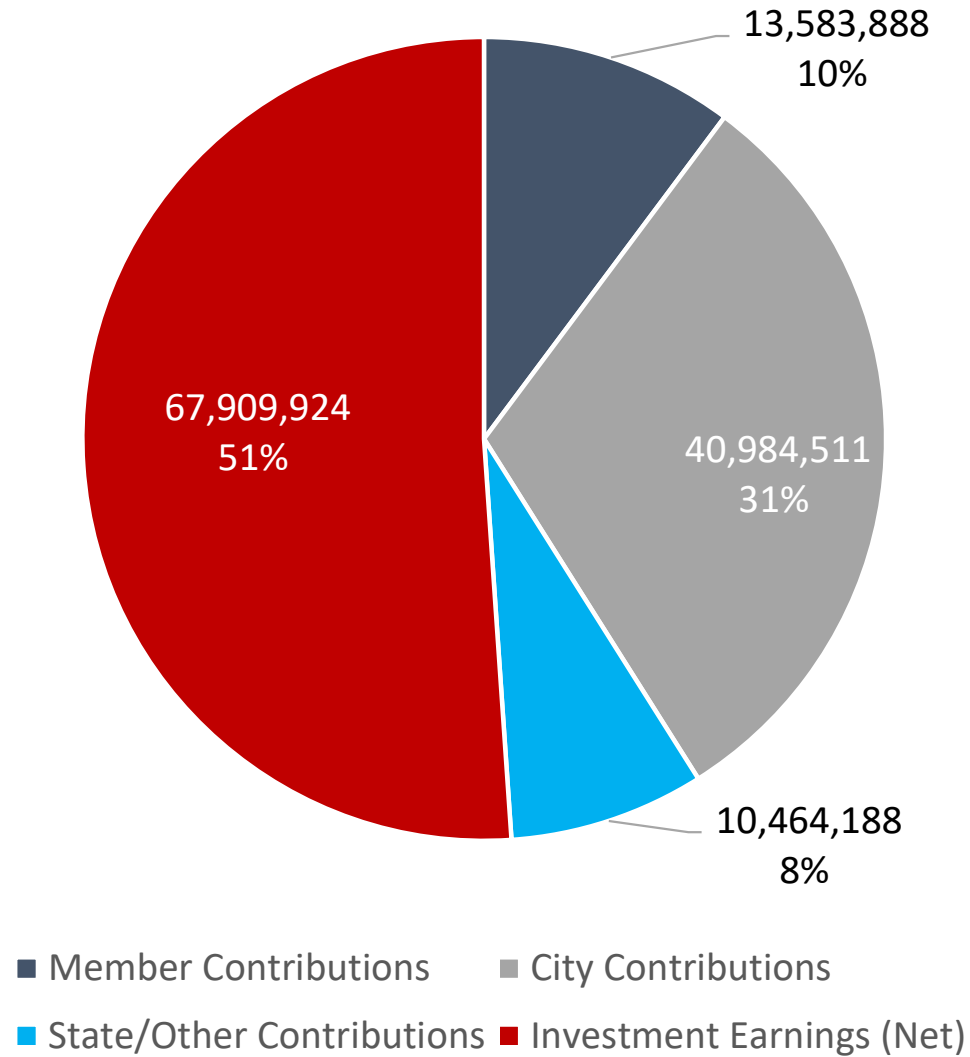
## Base COLA Amount



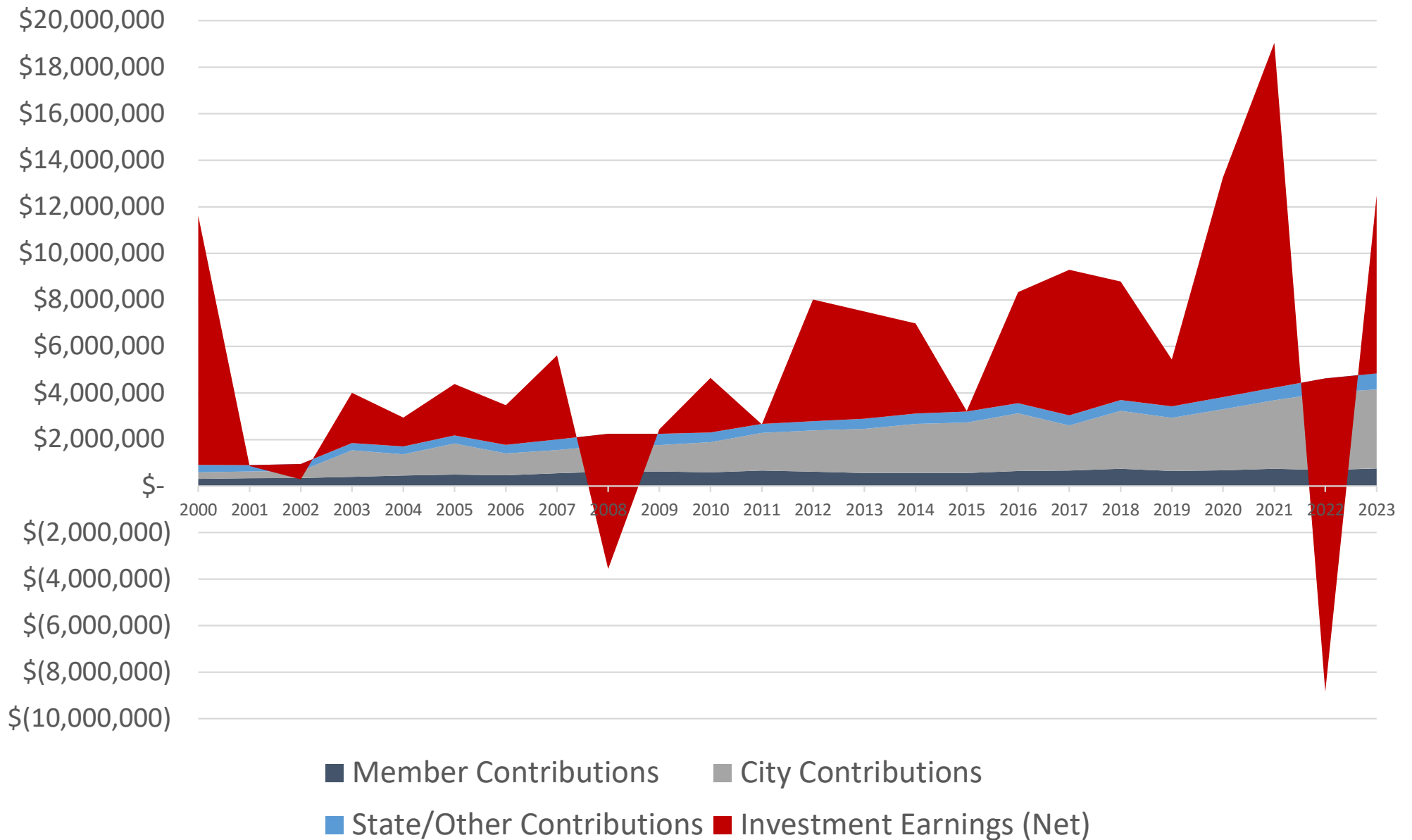


# Plan Funding History

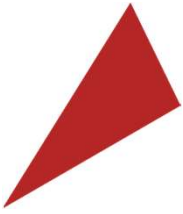
City of Ocala Firefighters' Retirement Plan, 1999-2023 Funding Sources



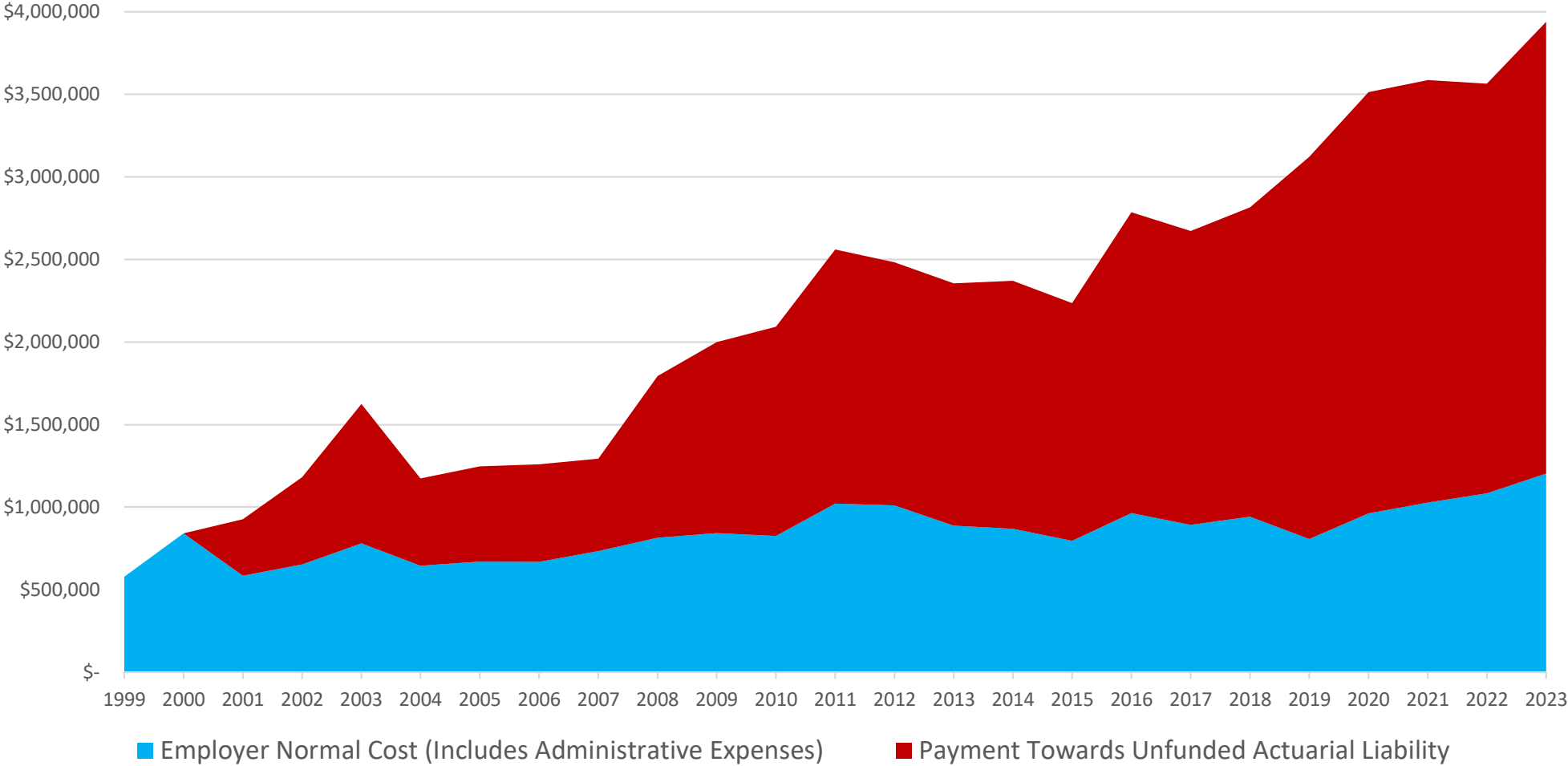
# Plan Funding History







# City Required Contribution History





# Certification

This report has been prepared for the primary purpose of summarizing the actuarial valuation for the City of Ocala Firefighter Pension Fund as of October 1, 2023. To the best of our knowledge, the reports summarized herein present fair positions of the funded status of the plan in accordance with the Actuarial Standards of Practice as described by the American Academy of Actuaries, and are based on the plan provisions and assumptions summarized within each report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such facts as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or other additional cost or contribution requirement based on the plan's funded status); and changes in plan provisions of applicable law. The scope of our assignment did not include an analysis of the potential range of future measurements.

In preparing these results, Nyhart used ProVal valuation software developed by Winklevoss Technologies, LLC. This software is widely used for the purpose of performing pension valuations. We coded the plan provisions, assumptions, methods and participant data summarized in this report, and reviewed the liability and cost outputs for reasonableness. We are not aware of any weakness or limitations in the software and have determined it is appropriate for performing this valuation.

Neither Nyhart nor any of its employees have any relationship with the plan or its sponsor which could impair or appear to impair the objectivity of this report. To the extent that this report or any attachment concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law.

The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

To our knowledge there have been no significant events prior to the current year's measurement date or as of the date of this report which could materially affect the results contained herein.

Nyhart



Lawrence Watts, Jr., FSA, CFA, EA, MAAA



Kerry Sipe, ASA, EA

February 26, 2024

Date