

August 4, 2022

VIA EMAIL

Mr. Christopher J. Watt  
Interim Chief of Staff  
City of Ocala  
110 SE Watula Avenue  
Ocala, FL 34471

Re: City of Ocala  
General Employees' Pension Plan  
Proposed Benefit Changes

Dear Chris,

As requested, we have performed a special actuarial analysis to determine the impact on Plan liabilities and funding requirements associated with the following proposed benefit enhancements:

- An increase in the benefit accrual rate from 1.00% to 1.30%, 1.60% or 2.00% for all years of Credited Service after 10/1/2013 for future retirees, as well as current retirees, DROP members, and vested terminated members with portion of their benefits based on the variable multiplier.

Results of this analysis, determined as of October 1, 2021, are shown on the attached schedule. The change in the Unfunded Actuarial Accrued Liability is amortized as a level dollar over 10 years.

**Disclosures**

It should be noted that changes to retirement benefits could potentially affect participants' retirement or termination behavior. The results of this analysis do not reflect any change in the assumptions for termination or retirement, but we will monitor and advise of any recommended changes with future experience studies.

In reviewing the results presented in this study, it should be noted there are risks that may not be inherently apparent to the reader that should be carefully considered. For key risks, please see the Discussion of Risk section of the 1 actuarial valuation report.

Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope of the analysis, we did not perform an analysis of the potential range of such future measurements.

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 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

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material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

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 sections of this report, as well as the October 1, 2021 valuation report, are considered an integral part of the actuarial opinions.

If you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Douglas H. Lozen". The signature is fluid and cursive, with a large loop at the end.

Douglas H. Lozen, EA, MAAA

DHL/lke

Enclosure

City of Ocala  
General Employees' Pension Plan  
Actuarial Analysis of Proposed Benefit Changes  
Determined as of October 1, 2021

Benefit Scenario	Estimated GASB 67 Net Pension Liability <sup>1</sup>	Funded Ratio <sup>2</sup>	Member Contribution Rate	Annual City Funding (est.) <sup>3</sup>		
				% of Pay	Dollar	Increase
Current Provisions	41,049,359	78.2%	5.00%	86.49%	7,875,000	n/a
A	44,066,516	77.2%	5.00%	91.63%	8,343,000	468,000
B	47,083,673	76.2%	5.00%	96.78%	8,812,000	937,000
C	51,106,549	75.0%	5.00%	103.64%	9,437,000	1,562,000

<sup>1</sup> GASB rules require immediate recognition of liabilities associated with benefit changes.

<sup>2</sup> Actuarial Asset Value divided by Entry Age Normal Actuarial Accrued Liability.

<sup>3</sup> Estimated City funding requirement based on payroll under the assumed retirement age.

Description of Proposed Scenarios

- A. The benefit accrual rate will be increased to 1.30% for all years of Credited Service after 10/1/2013 for future retirees, as well as current retirees, DROP members, and vested terminated members with portion of their benefit based on the variable multiplier.
- B. The benefit accrual rate will be increased to 1.60% for all years of Credited Service after 10/1/2013 for future retirees, as well as current retirees, DROP members, and vested terminated members with portion of their benefit based on the variable multiplier.
- C. The benefit accrual rate will be increased to 2.00% for all years of Credited Service after 10/1/2013 for future retirees, as well as current retirees, DROP members, and vested terminated members with portion of their benefit based on the variable multiplier.