



nyhart
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City of Ocala Firefighters' Retirement Plan

Board Update

December 1, 2025

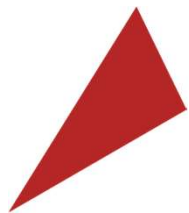
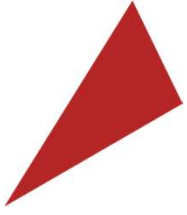
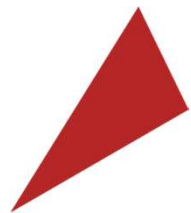


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COLA Fund Interest Policy



Interest on COLA Fund

- Section 43-35(b)(3) of the Ordinance describes how interest should be awarded to the COLA Fund:

The COLA fund shall be credited with the same market rate of investment return as the pension fund for each plan year, net of all investment-related expenses, **but not less than zero percent or more than seven percent.**

Monies in excess of seven percent, **determined as the ten-year average of annual plan returns**, shall be applied to reduce the unfunded actuarial accrued liability of the pension fund, until the pension fund reaches a funded ratio of 90 percent.

- Based on the board's interpretation/past policy, the 0% - 7% corridor has not applied, and the COLA Fund has been awarded the full investment return or loss of the pension fund.
- This year's COLA valuation will be year ten. Nyhart will need direction from board on how to calculate interest for the year ending 9/30/2025 and going forward. Policy regarding any transfers to the main fund to reduce the unfunded liability also need to be solidified.



Interest on COLA Fund

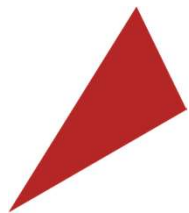
Questions for the board:

1. Should the 0% - 7% corridor be applied to the COLA fund going forward?
2. Should the COLA fund be required to transfer excess returns to the pension fund until the pension's funded ratio is 90%?

The following page outlines a few different options for how to interpret the ordinance language and establish a policy going forward. The options we show are not exhaustive; the board may consider other interpretations of the ordinance language.

The prospective numbers we show are for illustrative purposes only and should not be considered final for current or future year valuations.

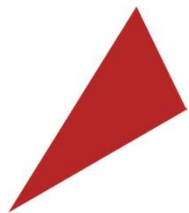
The retrospective calculations are purely hypothetical for illustrative purposes only. Had the ordinance language been strictly adhered to beginning in year one, the COLA Fund amount would have been different each year and benefit amounts would have been different.



Prospective: Example to Illustrate Options

Current Year Return on Total Fund: 10%
10-Year Average Return on Total Fund: 8%
Pension funded status < 90%

	No 0% - 7% corridor, No transfer to pension	Apply 0% - 7% corridor, No transfer to pension	No 0% - 7% corridor, Transfer excess of 10-year average over 7%	Apply 0% - 7% corridor, Transfer excess of 10-year average over 7%
9/30/2024	\$ 9,259,565	\$ 9,259,565	\$ 9,259,565	\$ 9,259,565
Contributions	350,000	350,000	350,000	350,000
Benefits Paid	(240,000)	(240,000)	(240,000)	(240,000)
Investment Return awarded to COLA Fund	900,000	652,000	900,000	652,000
Transfer to Pension Fund	-	-	(93,000)	(93,000)
9/30/2025	\$ 10,269,565	\$ 10,021,565	\$ 10,176,565	\$ 9,928,565
Return Awarded	10%	7%	10%	7%
Return Transferred	0%	0%	1%	1%

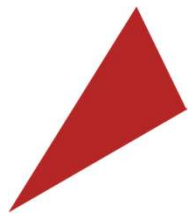


Retrospective: 0% - 7% Corridor

Based on the board's interpretation/past policy, the 0% - 7% corridor has not applied, and the COLA Fund has been awarded the full investment return or loss of the pension fund. The table below shows the hypothetical return or loss (above the 7% cap or below the 0% floor) awarded to the COLA Fund since inception.

	Actual Return	Return based on 0% - 7% corridor	Actual Investment Return	Investment Return based on 0% - 7% corridor	Difference
9/30/2016	11.2%	7.0%	410,000	255,000	155,000
9/30/2017	13.1%	7.0%	547,000	280,000	267,000
9/30/2018	9.6%	7.0%	460,000	305,000	155,000
9/30/2019	3.7%	3.7%	195,000	195,000	0
9/30/2020	14.3%	7.0%	798,000	352,000	446,000
9/30/2021	19.7%	7.0%	1,276,000	381,000	895,000
9/30/2022	-15.0%	0.0%	(1,168,000)	0	(1,168,000)
9/30/2023	10.0%	7.0%	666,000	416,000	250,000
9/30/2024	21.5%	7.0%	1,604,000	452,000	1,152,000
Total			4,788,000	2,636,000	2,152,000

This calculation is purely hypothetical. Had the corridor been applied since year one, the COLA Fund asset value would have been different each year and benefit amounts would likely have been different.



Retrospective: Transfer to Pension Fund

Based on the board's interpretation/past policy, monies in excess of seven percent, determined as the ten-year average of annual plan returns, has not been applied to reduce the unfunded actuarial accrued liability of the pension fund. The table below shows the hypothetical return over 7%, based on the ten-year average of annual returns for the pension fund.

	Ten-Year Average Return on Total Fund	Return based on Ten-Year Average	Return based on 7%	Difference
9/30/2016	5.0%	183,000	256,000	0
9/30/2017	4.7%	185,000	275,000	0
9/30/2018	7.9%	332,000	293,000	39,000
9/30/2019	8.2%	378,000	323,000	55,000
9/30/2020	8.7%	441,000	355,000	86,000
9/30/2021	10.7%	597,000	391,000	206,000
9/30/2022	7.1%	445,000	436,000	9,000
9/30/2023	6.8%	460,000	472,000	0
9/30/2024	8.0%	586,000	510,000	76,000
Total				\$ 471,000

This calculation is purely hypothetical. Had the transfer policy been applied since year one, the COLA Fund assets value would have been different each year and benefit amounts likely would have been different.



COLA Question #1

Based on the current COLA design, what has been the equivalent annual COLA as a percentage?

Equivalent Annual COLA %

We have calculated the equivalent annual COLA as a percentage of each retiree's regular pension benefit. This is based on current COLA amounts and service and would change over time. There is a clear relationship between pension benefit size and COLA as a percent of pension benefit. The current average equivalent percentage is 1.10%.

Monthly Pension Benefit by Range	Number of Retirees	Equivalent Annual COLA %
< \$1,000	1	3.03%
\$1,000 - \$2,000	5	1.75%
\$2,000 - \$3,000	12	1.42%
\$3,000 - \$4,000	22	1.17%
\$4,000 - \$5,000	10	0.87%
\$5,000 - \$6,000	10	0.71%
\$6,000 - \$7,000	8	0.78%
\$7,000 - \$8,000	6	0.75%
> \$8,000	1	1.47%
All	75	1.10%

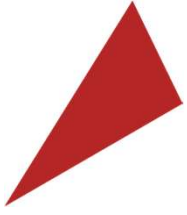


Equivalent Annual COLA %

A fixed annual percentage is a much simpler design but can be costly to provide. Recall our work from last February. We estimated the cost to move to a 1% annual increase under two scenarios (current retirees start fresh, current retirees preserve current COLA). Reminder that there would be legal considerations to explore before making any change.

- Liability for current actives increases substantially under the 1% annual increase design because the COLA benefits would increase with increases in pay, unlike currently.
- Liability for current retirees increases, especially if retirees preserve their current COLA benefits and the 1% increase is applied on top. Those with larger base benefits will see significant increases in COLA benefit, driving liability upward.

1/1/2025	Current COLA Design	1% Annual Increase – Start Fresh 1/1/2026	1% Annual Increase – Current Retirees Preserve Current COLA
Present Value of Benefits:			
Actives	\$ 4,132,000	\$ 10,940,000	\$ 10,940,000
Retirees	<u>5,772,000</u>	<u>5,942,000</u>	<u>9,205,000</u>
Total	\$ 9,904,000	\$ 16,882,000	\$ 20,145,000
% Increase		70%	103%



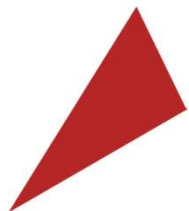
COLA Question #2

What are the key similarities and differences between the Ocala Fire COLA design and other comparable structures used by plans in Florida?



Ocala vs Comp - COLA Provisions

	Ocala Fire	Comparable Structure
Current COLA Established	2016	1994
Table Design	<ul style="list-style-type: none">• Node at 25 years of service, 22 years since retirement• Increase/decrease by 4% for each year different from node	<ul style="list-style-type: none">• Node at 25 years of service, 22 years since retirement• Increase/decrease by 5% for each year different from node
COLA Begin Date	Immediately upon retirement	4 years after retirement
Sources of funding	<ul style="list-style-type: none">• Initial Ch. 175 Fund Transfer• 0.50% Employee Contribution Rate• 50% State Premium Tax Revenues in excess of \$200,000• Annual investment return: same as pension fund	<ul style="list-style-type: none">• Existing COLA assets on 1/1/1995• Employer Contribution: \$2.5m minimum per year, increasing 4% annually (currently ~\$8.4m)• Annual investment return: actual return on COLA assets. Historically, also percentage of excess return on pension fund if plan had cumulative actuarial gains.
Contingency reserve	20%	20%



Ocala vs Comp - Summary Statistics

1/1/2025	Ocala	Comparable
Number receiving COLA	75	1,907
Average age	64	71
Average years since retirement	6	19
Average COLA Benefit	\$294	\$1,430

Current COLAs	Ocala	Comparable
Total Service = 25 Years since Retirement = 1	\$89	\$0 (starts year four)
Total Service = 28 Years since Retirement = 5	\$264	\$322
Total Service = 30 Years since Retirement = 9	\$425	\$816
Node: Total Service = 25 Years since Retirement = 22	\$738	\$1,864



COLA Question #3

**What are the sources of future funding
for the COLA benefit?**



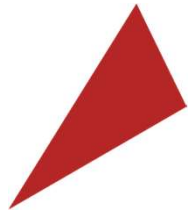
COLA Fund Assets

Historical Board policy includes future anticipated contributions when analyzing available COLA assets.

	1/1/2025 COLA Valuation Assets
COLA Fund Assets 9/30/2023	\$7,533,107
Member Contributions	55,628
BAC-DROP Reimbursement	(1,567)
State Premium Tax Revenues	288,279
COLA Benefits	(219,486)
Investment Income	<u>1,603,604</u>
COLA Fund Assets 9/30/2024	\$9,259,565
Chapter 175 Reserve Fund Transfer	0
PV of Future Member Contributions	1,075,467
PV of Future State Premium Tax Revenue	2,550,963
Interest to 1/1/2025	<u>212,154</u>
COLA Assets Available 1/1/2025	\$13,098,149

Current
funds

Anticipated
future
funds



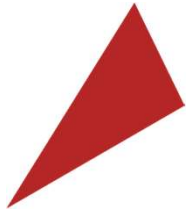
COLA Fund Assets PV Assumptions

Assumptions to calculate the present value of future member contributions:

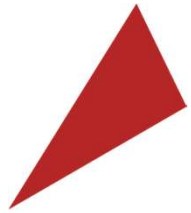
- Members continue to contribute 0.5% of pay
- Current pensionable payroll assumed to grow 1.5% annually
- Discounted at 6.75% (current valuation discount rate)

Assumptions to calculate the present value of State Premium Tax Revenues:

- 50% of the smaller of:
 - Prior year's premium tax in excess of \$200,000
 - 5-year average of those excess premium taxes
 - 10-year average of those excess premium taxes
- Discounted at 6.75% (current valuation discount rate)



Other Topics



Benefit Portal Reminders

Participants have access to the pension benefit portal hosted on the Nyhart website. A reminder email with login instructions was sent in October.

Participants can:

- Login with Multi-Factor Authentication
- Run benefit estimates at all eligible retirement ages
- Compare form of payment options
- Project salary growth to retirement (the system default is to use most recent 12 months of pay and assume 0% growth for future years)

Plan Administrator can:

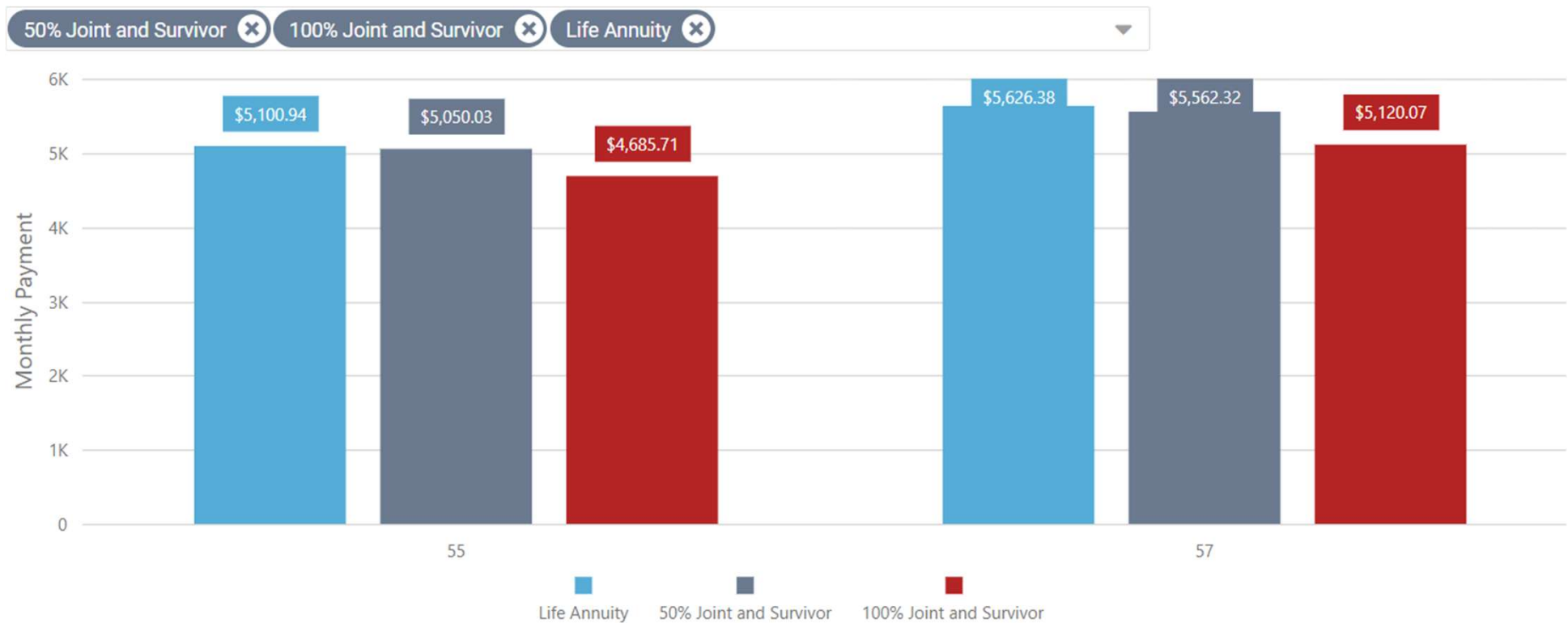
- Upload payroll
- Run final retirement applications
- Input final dates of termination
- Input final beneficiary information

Portal access is in addition to the annual benefit statements prepared by Nyhart.



Benefit Portal Reminders

Screenshot of Retirement Age Comparison:



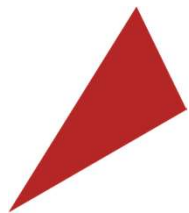


Prepaid Contribution Balance

The pension plan has a prepaid contribution balance. As of 10/1/2024, this balance was **\$986,973**.

- The prepaid account was established some time prior to 1999, due to City contributions made in excess of the minimum required.
- Interest is credited each year based on the current investment return assumption
- This account has historically been used to cover interest on contributions made later than assumed in the valuation.
- For example, the City contribution for the 2023/2024 Plan Year was assumed to be made on 9/30/2023, but was actually made on 10/16/2023.
 - The 16-day difference required an additional \$10,332 in interest to be paid to the plan (calculated using the current investment return assumption).
 - The difference was deducted from the plan's Prepaid position.

	Accrued/(Prepaid) Position
10/1/2023	(\$ 932,061)
Interest on Contributions made after assumed date	10,332
Interest on Beginning of Year Amount	<u>(65,244)</u>
10/1/2024	(\$ 986,973)

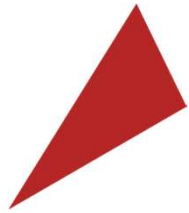


Bi-weekly Employer Contribution Schedule

- The plan's Recommended Contribution is assumed to be paid one year after the valuation date. The contribution includes an interest component to reflect one year of interest.

Recommended Contribution	10/1/2024 for FYE 9/30/2026
Normal Cost	\$3,370,017
Administrative Expenses	217,711
Amortization of Unfunded Liability	3,114,606
Applicable Interest	<u>393,422</u>
Total Recommended Contribution	\$7,095,756
Impact of Direct-Rate Smoothing	(1,371,559)
State Contribution	(200,000)
Expected Member Contribution	<u>(873,856)</u>
City Contribution	\$4,650,341

Interest
calculation
assumes
contribution
will be made
on 9/30/2025



Bi-weekly Employer Contribution Schedule

- The City requested moving to a bi-weekly contribution schedule beginning 10/1/2025.

Assumed Payment Schedule for Valuation		Bi-weekly Payment Schedule	
10/1/2025	\$ 4,650,341	10/3/2025	\$ 184,701
		10/17/2025	\$ 184,701
		10/31/2025	\$ 184,701
		.	
		.	
		.	
		9/18/2026	<u>\$ 184,701</u>
Total	\$ 4,650,341	Total	\$ 4,802,226

- Nyhart calculated the single bi-weekly payment amount that discounts back to the Recommended Contribution at the valuation date.
- The bi-weekly schedule results in an additional **\$152,000** to be contributed to the plan in interest.
- The Board, Union, and City may want to discuss using the Prepaid contribution balance to cover the additional interest.
- The contribution calculated at 10/1/2025 can reflect the anticipated bi-weekly schedule and adjust the interest component accordingly.



Certification

This report has been prepared for the primary purpose of summarizing estimated impacts for the City of Ocala Firefighter Pension Fund as of October 1, 2024. These estimates are based on assumptions and methods as described in the October 1, 2024, valuation report and this report is an integral part of this actuarial communication.

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

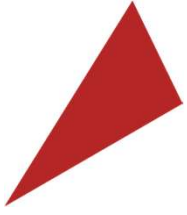


Lawrence Watts, Jr., FSA, CFA, EA, MAAA

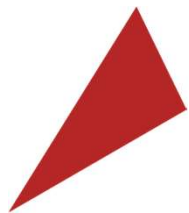


Kerry Sipe, ASA, EA

December 1, 2025

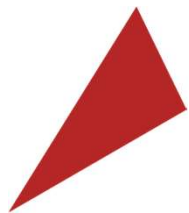


Appendix



Reconciliation of Plan Assets

	Pension Fund	COLA Fund	DROP and Post-DROP	Prepaid Contribution	Total Fund
9/30/2023	\$ 70,151,729	\$ 7,533,107	\$ 6,102,300	\$ 932,061	\$ 84,719,197
Contributions:					
Employer	3,376,436	-	-	-	3,376,436
Employee	859,327	54,061	-	-	913,388
State	<u>488,278</u>	<u>288,279</u>	-	-	<u>776,557</u>
Total Contributions	4,724,041	342,340	-	-	5,066,381
Benefit Payments	(5,126,800)	(219,486)	548,067	-	(4,798,219)
Administrative Expenses	(217,711)	-	-	-	(217,711)
Investment Return	<u>15,809,032</u>	<u>1,603,604</u>	<u>770,705</u>	<u>54,912</u>	<u>18,238,253</u>
9/30/2024	\$ 85,340,291	\$ 9,259,565	\$ 7,421,072	\$ 986,973	\$ 103,007,901
Return	22.6%	21.5%	12.3%	7.0%	21.5%



Ocala Fire Calculation of 2025 Table

1/1/2025	Ocala
COLA Assets Available	\$13,098,149
20% Contingency Reserve	<u>2,619,630</u>
Assets Remaining for COLA Benefits	\$10,478,519
Present Value of COLA Benefits:	
Current Retirees	\$5,568,736
Current Members	4,019,941
Future Members	<u>602,991</u>
Total	\$10,191,668
Remaining Assets for COLA Increase	\$286,851
Increase Ratio (as % of assets)	2.81%
Current Node	\$718
New Node	\$738