

August 31, 2021

VIA EMAIL

Board of Trustees
City of Ocala
General Employees' Pension Board

Re: City of Ocala General Employees' Pension Plan
Funding Impact Associated with Proposed Assumption Change

Dear Board:

As requested at the August 9, 2021 Board Meeting, we are writing to advise that the funding impact of lowering the investment return assumption by 25 basis points over each of the next two valuations, i.e. reducing from 7.00% to 6.75% with the October 1, 2021 valuation, followed by a reduction from 6.75% to 6.50% with the October 1, 2022 valuation, will be offset by corresponding reductions in two amortization components of the Unfunded Actuarial Accrued Liability.

As disclosed in our July 7, 2021 analysis, the annual funding impact of a reduction in the investment return assumption from 7.00% to 6.75% is \$873,928, while a reduction from 6.75% to 6.50% results in an additional annual funding increase of \$904,822. As provided on page 13 of the October 1, 2020 valuation, the actuarial losses from 2011 and 2012 will be fully amortized over the next two valuations. The corresponding funding reduction as these components expire is approximately \$831,090 and \$1,288,314, respectively.

It is important to note that the risk of funding volatility associated with investment performance that deviates from the assumption is magnified given that 88% of plan liabilities are currently attributable to retiree benefits. As discussed during the August meeting, a two-year phase in from 7.00% to 6.50% can be accomplished without impacting the City's current funding obligation given expiration of two UAAL components described above.

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, 2020 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, 2020 actuarial valuation report.

If you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Doug Lozen". The signature is fluid and cursive, with the first name "Doug" and last name "Lozen" clearly distinguishable.

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

Enclosures

Cc via email with enclosures: Bonni Jensen