

CITY OF OCALA
GENERAL EMPLOYEES' PENSION PLAN

ACTUARIAL IMPACT STATEMENT

December 1, 2025

Attached hereto is a comparison of the impact on the Minimum Required Contribution (per Chapter 112, Florida Statutes) and the Required City Contribution, resulting from the implementation of the following changes:

Adoption of the below change in methods and assumptions, resulting from a special Actuarial Experience Study:

- Spread Normal Costs over the full career of each Member instead of starting from the first valuation date an employee becomes a Member.
- An overall increase in the assumed rates for salary increases.
- Adjustments to retirement rates, generally lower than previously assumed for normal retirement and higher than previously assumed for early retirement.
- Adjustments to the assumed rates of withdrawal, resulting in generally fewer withdrawals than previously assumed.
- Reducing the disability rates by 50% at all ages.
- Mortality rates were changed to the same as used in the July 1, 2024 Florida Retirement System valuation report for non-special risk lives. ¹
- The investment return assumption is lowered from 6.60% to 6.50%. ¹

¹ Note that mortality and 6.50% investment return assumptions are currently mandated by the City Ordinances.

The cost impact, determined as of October 1, 2024, applicable to the fiscal year ending September 30, 2026, is as follows:

	<u>Proposed</u>	<u>Current</u>
Minimum Required Contribution	\$11,798,330	\$11,491,698
Member Contributions (Est.)	394,449	375,713
City Required Contribution	\$11,403,881	\$11,115,985

CITY OF OCALA
GENERAL EMPLOYEES' PENSION PLAN

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December 1, 2025

Unless otherwise noted, all data, assumptions, methods and plan provisions are the same as in the October 1, 2024 actuarial valuation report. In performing this Actuarial Impact Statement, we were provided with all necessary information to evaluate the changes. It should be noted that changes to retirement benefits could potentially affect participants' retirement or termination behavior. We will monitor and advise of any recommended changes with future experience studies.

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.

Please note that contents of this analysis and the October 1, 2024 actuarial 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. For key risks, please see the Discussion of Risk section of the October 1, 2024 actuarial valuation report.

In performing the analysis, 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 to generate the costs. All internally developed models are reviewed as part of the 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.

The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution. 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 opinions contained herein.



Douglas H. Lozen, EA, MAAA
Enrolled Actuary #23-7778

STATEMENT OF PLAN ADMINISTRATOR

The prepared information presented herein reflects the estimated impact of the proposed Ordinance.

Chairman, Board of Trustees

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Asmp/Mthd <u>10/1/2024</u>	Old Asmp/Mthd <u>10/1/2024</u>
A. Participant Data		
Actives	90	90
Service Retirees	707	707
DROP Retirees	14	14
Beneficiaries	105	105
Disability Retirees	3	3
Terminated Vested	<u>216</u>	<u>216</u>
 Total	 1,135	 1,135
 Projected Annual Payroll	 7,538,437	 7,229,417
Annual Rate of Payments to:		
Service Retirees	14,200,967	14,200,967
DROP Retirees	602,810	602,810
Beneficiaries	1,188,931	1,188,931
Disability Retirees	27,253	27,253
Terminated Vested	1,719,579	1,719,579
B. Assets		
Actuarial Value (AVA) ¹	191,476,542	191,476,542
Market Value (MVA) ¹	197,025,141	197,025,141
C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	26,230,922	24,647,249
Disability Benefits	386,906	638,584
Death Benefits	97,741	80,076
Vested Benefits	1,106,843	1,442,520
Refund of Contributions	0	0
Service Retirees	184,742,664	184,493,618
DROP Retirees ¹	12,798,309	12,726,340
Beneficiaries	11,551,712	11,476,736
Disability Retirees	453,340	443,907
Terminated Vested	<u>18,794,101</u>	<u>18,454,361</u>
 Total	 256,162,538	 254,403,391

C. Liabilities - (Continued)	New Asmp/Mthd <u>10/1/2024</u>	Old Asmp/Mthd <u>10/1/2024</u>
Present Value of Future Salaries	45,044,494	38,816,709
Present Value of Future Member Contributions	2,252,225	1,940,835
Normal Cost (Retirement)	452,497	319,911
Normal Cost (Disability)	16,237	24,201
Normal Cost (Death)	5,415	3,827
Normal Cost (Vesting)	97,996	98,608
Normal Cost (Refunds)	<u>0</u>	<u>0</u>
Total Normal Cost	572,145	446,547
Present Value of Future Normal Costs	2,991,608	2,145,547
Accrued Liability (Retirement)	23,804,812	23,072,932
Accrued Liability (Disability)	300,346	520,762
Accrued Liability (Death)	73,308	63,909
Accrued Liability (Vesting)	652,338	1,005,279
Accrued Liability (Refunds)	0	0
Accrued Liability (Inactives) ¹	<u>228,340,126</u>	<u>227,594,962</u>
Total Actuarial Accrued Liability (EAN AL)	253,170,930	252,257,844
Unfunded Actuarial Accrued Liability (UAAL)	61,694,388	60,781,302
Funded Ratio (AVA / EAN AL)	75.6%	75.9%

D. Actuarial Present Value of Accrued Benefits	New Asmp/Mthd <u>10/1/2024</u>	Old Asmp/Mthd <u>10/1/2024</u>
Vested Accrued Benefits		
Inactives ¹	228,340,126	227,594,962
Actives	23,749,418	23,434,230
Member Contributions	4,338,202	4,338,202
Total	<u>256,427,746</u>	<u>255,367,394</u>
Non-vested Accrued Benefits	<u>0</u>	<u>0</u>
Total Present Value Accrued Benefits (PVAB)	256,427,746	255,367,394
Funded Ratio (MVA / PVAB)	76.8%	77.2%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption/Method Changes	1,060,352	
Plan Experience	0	
Benefits Paid	0	
Interest	0	
Other	0	
Total	<u>1,060,352</u>	

	New Asmp/Mthd	Old Asmp/Mthd
Valuation Date	10/1/2024	10/1/2024
Applicable to Fiscal Year Ending	<u>9/30/2026</u>	<u>9/30/2026</u>
E. Pension Cost		
Normal Cost ²	\$598,750	\$464,141
Administrative Expenses ²	184,945	183,690
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 7 years (as of 10/1/2024) ²	11,014,635	10,843,867
Minimum Required Contribution	11,798,330	11,491,698
Expected Member Contributions ²	394,449	375,713
Expected City Contribution	11,403,881	11,115,985

¹ The asset values and liabilities include accumulated DROP Plan Balances as of 9/30/2024.

² Contributions developed as of 10/1/2024 displayed above have been adjusted to account for assumed salary increase components.

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Active Lives:

Female: PubG.H-2010 (Above Median) for Employees.

Male: PubG.H-2010 for Employees, set back one year.

Healthy Retiree Lives:

Female: PubG.H-2010 for Healthy Retirees.

Male: PubG.H-2010 for Healthy Retirees, set back one year.

Beneficiary Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.

Male: PubG.H-2010 for Healthy Retirees, set back one year.

Disabled Lives:

PubG.H-2010 for Disabled Retirees, set forward three years.

All rates for healthy lives are projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accommodates future mortality improvements.

The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2023 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

Interest Rate

6.60% (prior year 6.70%) per year compounded annually, net of investment related expenses. This assumption is mandated by City Ordinances.

Payroll Growth

0.00% for purposes of amortizing the Unfunded Actuarial Accrued Liability. This assumption cannot exceed the ten-year average payroll growth, in compliance with Part VII of Chapter 112, Florida Statutes.

Salary Increases

<u>Salary Scale</u>	
<u>Service</u>	<u>Rate</u>
0	14.00%
1-2	6.50%
3-4	5.50%
5-14	4.50%
15-24	3.50%
25+	4.50%

This assumption was adopted based on the May 5, 2017 actuarial experience study.

Administrative Expenses

\$176,727 annually, based on the average of actual expenses incurred in the prior two fiscal years.

Amortization Method

New UAAL amortization bases are amortized over 10 years.

The amortization payment is subject to a minimum based on a 30-year amortization of the UAAL, if the UAAL is positive, in order to comply with Actuarial Standard of Practice No. 4.

Bases established prior to the valuation date are adjusted proportionally to match the Expected Unfunded Actuarial Accrued Liability as of the valuation date, in order to align prior year bases with the portion of the current year UAAL associated with prior year sources.

Disability Rates

<u>Age</u>	<u>% Becoming Disabled During the Year</u>
20	0.051%
30	0.058
40	0.121
50	0.429
60	1.611

Termination Rates

<u>Service</u>	<u>Termination Rate</u>
0	20.00%
1-4	15.00
5-9	7.50
10-19	4.00
20+	6.50

These rates were adopted based on the May 5, 2017 actuarial experience study.

Normal Retirement

<u>Age</u>	<u>Probability of Retirement</u>
65	50%
66	33%
67	33%
68	100%

Members with at least 30 years of Credited Service are assumed to retire immediately. This assumption was adopted based on the May 5, 2017 actuarial valuation report.

Early Retirement

<u>25 or more Years of Credited Service</u>		<u>Less than 25 Years of Credited Service</u>	
<u>Credited Service</u>	<u>Assumption</u>	<u>Age</u>	<u>Assumption</u>
25	10.50%	55-60	5.75%
26	5.50%	61	6.50%
27	11.50%	62	12.00%
28	7.50%	63	5.00%
29	4.00%	64	3.00%

This assumption was adopted based on the May 5, 2017 actuarial experience study.

Funding Method

Entry Age Normal Actuarial Cost Method. The following loads are applied for determining the minimum required contribution:

Interest - None, based on a beginning of year funding methodology.

Salary - A full year, based on current 3.94% assumption.

Asset Smoothing Methodology

The Actuarial Value of Assets is based upon 5- year straight line recognition of the difference between expected earnings on the net market value of assets and actual earnings on the net market value of assets. The net market value of assets shall be the total fiduciary net position as defined by GASB 67/68, excluding any reserves held which are not designated for currently adopted plan benefits valued as part of the plan liabilities. The resulting value shall be adjusted if it does not fall between 120% and 80% of the market value of assets. This change shall be made assuming that this 5- year recognition method applies to differences between the expected and actual investment returns for the years ending September 30, 2009 and later. This method is mandated by Ordinance 2013-48.

SUMMARY OF CURRENT PLAN
(Through Ordinance 2024-12)

Variable Benefit and Contribution Program

All Members who are employed and not participating in the DROP on September 30, 2013 and do not fall in the Grandfathered group (see below) shall earn benefits for credited service on and after October 1, 2013 in accordance with the variable benefit and contribution program.

Average Final Compensation	Average final salary of the 8 highest years of the last 10 years prior to termination.
Salary	Effective October 1, 2013 salary means base wages and overtime payments up to 300 hours per calendar year, including all tax deferred, tax sheltered or tax-exempt items of income derived from elective employee payroll deductions or salary reductions, but excluding management deferred compensation and all other compensation.
Normal Form	Life Annuity
Member Contribution Rate	Minimum: 3% Maximum 5% Current: 5%
Multiplier	Minimum: 1.3% Maximum 2.55% Current: 1.3%
Normal Retirement Date	Same as old plan.
Early Retirement Date	Same as old plan.
Vesting	5 Year Cliff.
Cost of Living Adjustment	None for benefits earned on and after October 1, 2013.

The Member Contribution Rate and Multiplier will be adjusted as necessary so that the Target Total Employer Contribution Percentage is within the mandated corridors.

Provisions in Effect for Grandfathered Members within 5 years of Retirement as of September 30, 2013. All other Members have benefits frozen as of that date.

Credited Service	Years and fractional parts of years of continuous uninterrupted service with the City as a General Employee.
Salary	Total compensation reported on the W-2, but excluding accumulated sick leave and vacation pay and special bonuses, plus all tax deferred, tax sheltered, or tax exempt items of income.
Average Final Compensation	Average of Salary paid during the highest three (3) years of the last five (5).
Normal Retirement	
Date	First of the month following the earlier of: 1) age 65 and the completion of 5 years of Credited Service, or 2) 30 years of Credited Service, regardless of age.
Benefit	2.55% of Average Final Compensation (AFC) times Credited Service plus \$100 supplement.
Form of Benefit	10 Year Certain and Life Annuity (options available).
Early Retirement	
Date	Earlier of: 1) age 55 and the completion of 5 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age.
Benefit	Same as for Normal Retirement but reduced 3% for each year that Early Retirement precedes Normal Retirement.
Vesting (Termination of Employment)	
Less than 5 years	Refund of Member Contributions without interest.
5 years of more	Vested accrued benefit (determined as for Normal Retirement) paid beginning at the otherwise Normal Retirement Date, or a refund of Member Contributions without interest.

Disability

Eligibility	After completion of 5 years of Credited Service, or from date of hire if service incurred.
Benefit	\$50, plus 1% of AFC times Credited Service. Minimum benefit is \$100 per month.
Form of Benefit	Paid until earlier of death or recovery (with 120 payments guaranteed).

Cost-of-Living Adjustment

All Retirees, including Normal, Early, Disability, DROP, and Vested Terminated participants, and their joint pensioners and Beneficiaries (but excluding pre-retirement death Beneficiaries) shall receive a 3% automatic lifetime COLA, beginning the first October 1 after one year of benefit payments.

Pre-Retirement Death Benefits

Non-vested	Refund of Member Contributions without interest.
Vested or Eligible to Retire	Accrued benefit payable to beneficiary for 10 years.

Supplemental Benefit

\$100.00 per month, payable for life, to all retirees (including disability retirees).

Contributions

Members	8.18% of Salary, beginning October 1, 2008.
City	Remaining amount necessary to pay the Normal Cost and fund the accrued, past service liability as provided in Part VII of Chapter 112, Florida Statutes.

Deferred Retirement Option Plan

Eligibility	Satisfaction of Normal Retirement requirements (earlier of (1) Age 65 and 5 years of Credited Service, or (2) 30 years of Credited Service, regardless of age).
Participation	Not to exceed 96 months.
Rate of Return	6.5% or actual net rate of investment return (total return net of brokerage commissions and transaction costs) credited each fiscal quarter.
Form of Distribution	Cash lump sum (options available) at termination of employment.

CITY OF OCALA
GENERAL EMPLOYEES' PENSION
PLAN

ACTUARIAL EXPERIENCE STUDY
November 6, 2025



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

November 6, 2025

Board of Trustees
City of Ocala
General Employees' Pension Plan

Re: Actuarial Experience Study

Dear Board:

The following report presents the results of an actuarial experience study of the actuarial assumptions and methods used for actuarial valuation purposes for the City of Ocala General Employees' Pension Plan. In the course of the analysis, we compiled plan experience from October 1, 2014 through September 30, 2024. While we cannot verify the accuracy of all the information provided, the supplied information used for performance of the annual actuarial valuations or compiled from prior year annual reports was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe it has produced appropriate results.

The report includes a review of demographic and economic experience, a comparison of this experience to current actuarial assumptions, our recommendations for consideration regarding changes in assumptions or methods to be effective for the October 1, 2025 actuarial valuation, and the estimated actuarial impact of these suggested changes. We believe implementing the recommended changes will assist in achieving the objective of developing costs that are stable, predictable, and represent our best estimate of anticipated experience.

It is important to remember that the ultimate cost of your retirement plan is independent of any actuarial assumptions or methods used throughout the valuation process. This cost will be the sum of the benefits paid from the fund and the administrative expenses incurred, less any net investment gains received. Future actuarial measurements may differ significantly from current measurements due to such factors as: plan experience differing from that anticipated by assumptions; changes in assumptions; increases or decreases expected as part of the natural operation of the methodology used (such as the end of an amortization period); changes in plan provisions or applicable law.

Please note the contents of this analysis and the October 1, 2024 actuarial valuation report are considered integral parts of the actuarial opinions. 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 October 1, 2024 actuarial valuation report.

The actuarial measurements included in this report are based on actuarial asset values as of September 30, 2024 and would be different if market asset values were used instead of actuarial asset values.

In performing the analysis, 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 to generate the costs. All internally developed models are reviewed as part of the 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.

Foster & Foster does not provide legal, investment or accounting advice. Thus, the information in this report is not intended to supersede or supplant the advice or the interpretations of the plan or its affiliated legal, investing or accounting partners.

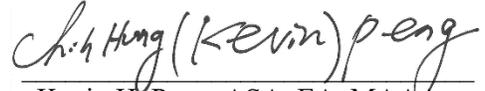
The undersigned are familiar with the immediate and long-term aspects of pension valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All sections of this report are considered an integral part of the actuarial opinions.

Respectfully submitted,

FOSTER & FOSTER INC.



Douglas H. Lozen, EA, MAAA



Kevin H. Peng, ASA, EA, MAAA

ACTUARIAL STANDARDS OF PRACTICE

The Actuarial Standards Board (ASB) is responsible for determining which actuarial activities are the best representations of generally accepted actuarial principles, and is also responsible for issuing guidance in the form of Actuarial Standards of Practice (ASOPs) to help actuaries in various practice areas deliver results and recommendations that are consistent with those representations. Generally speaking, ASOPs identify what the actuary should consider, document, and disclose when performing actuarial assignments.

The experience study and related measurements of benefit obligations for the plan are subject to the “coordinated guidance” provided in various ASOPs, including but not limited to:

- ❖ ASOP No. 4, *Measuring Pension Obligations and Determining Pension Plan Costs or Contributions*, which ties together the standards shown below, provides guidance on actuarial cost methods, and addresses overall considerations for measuring pension obligations and determining plan costs or contributions
- ❖ ASOP No. 23, *Data Quality*
- ❖ ASOP No. 25, *Credibility Procedures*
- ❖ ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*
- ❖ ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*
- ❖ ASOP No. 41, *Actuarial Communications*
- ❖ ASOP No. 44, *Selection and Use of Asset Valuation Methods for Pension Valuations*
- ❖ ASOP No. 51, *Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions*
- ❖ ASOP No. 56, *Modeling*

This report refers to ASOPs by number (e.g. ASOP No. 4) throughout. It is important to keep in mind that this experience study report only reflects the guidance provided in the final releases of the above-mentioned ASOPs issued by the ASB on or before the date of this report. The results provided in this report reflect the requirements of, and are consistent with, the applicable above-mentioned Actuarial Standards of Practice. When applicable, details from the relevant ASOP will be provided in the report section associated with a particular analysis or topic.

EXPERIENCE REVIEW SUMMARY

Below is a summary of our key findings and suggested changes for your consideration. The remainder of the document provides details of our analysis, documents our suggestions, and determines the estimated corresponding actuarial impact.

- ❖ Entry Age Normal Cost Spread Method – We recommend to spread Normal Costs over the full career of each Member instead of starting from the first valuation date an employee becomes a Member.
- ❖ Investment Return – In the summary section of this report, we have illustrated the impact of lowering the investment return assumption from 6.60% to 6.50% per year, for informational purposes.
- ❖ Salary Increases – We recommend an overall increase in the assumed rates based on experience observed during the period.
- ❖ Mortality Rates – Chapter 2015-157, Laws of Florida, mandates the Board to employ the mortality tables used in either of the two most recently published actuarial valuation reports of the Florida Retirement System (FRS). In conjunction with its July 1, 2024 actuarial valuation, the FRS adopted changes to the assumed mortality tables. Therefore, compliance requires incorporation of the updated assumption with the October 1, 2025 actuarial valuation.
- ❖ Retirement Rates – We recommend adjustments to retirement rates, generally lower than previously assumed for normal retirement and higher than previously assumed for early retirement.
- ❖ Withdrawal Rates – We recommend adjustments to the assumed rates of withdrawal, resulting in generally fewer withdrawals than previously assumed.
- ❖ Disability Rates – We recommend reducing the disability rates by 50%.

REVIEW OF SELECT VALUATION METHODS

In this section, we have evaluated the following valuation method:

- ❖ Entry Age Normal Cost Allocation

Entry Age Normal Cost Allocation

Under the Entry Age Normal Actuarial Cost Method, a “Normal Cost” is calculated for each individual active employee. The first step to calculate this Normal Cost is that a projection is made of the annual benefits that a Member will be entitled to at retirement and the total value of those benefits at their retirement age. The second step is to calculate an even funding amount over their career so that the full value of their projected retirement benefit is accumulated by the time they retire. This even funding amount is called the Normal Cost.

At any given point in time, the Actuarial Accrued Liability is equal to the total Present Value of projected Benefits less the Present Value of Future Normal Cost contributions.

In order to explain the current and proposed method, let’s assume that a new Member is not projected to get any salary increases and that they will retire at age 65 and that the Plan will not receive any investment earnings on the contributions made.

Hypothetical Member

Hire Date	4/1/2024
Annual Salary	\$50,000
Birth Date	10/1/1994
Projected Retirement Date	10/1/2059
Annual Projected Benefit at Retirement <i>(2.55% X 35.5 Years X \$50,000 AFC)</i>	\$45,263
Value of Projected Benefit at age 65 <i>(\$45,263 annual benefit X Life Annuity Factor)</i>	\$506,940

Current Allocation Method

Spreads the cost of the benefit over the 35 years from the first valuation date (10/1/2024) to the Projected Retirement Date (10/1/2059).

Normal Cost = \$14,484

(\$506,940 projected value of retirement benefit spread over 35 years)

Accrued Liability as of 10/1/2024 = \$0

Proposed Allocation Method

Spreads the cost of the benefit over 35.5 years from the date of hire (4/1/2024) to the Projected Retirement Date (10/1/2059).

Normal Cost = \$14,280

(\$506,940 projected value of retirement benefit spread over 35.5 years)

Accrued Liability as of 10/1/2024 = \$7,140

As can be seen on the previous page, under the proposed method, the Normal Cost is smaller and the Accrued Liability is larger than under the current method. Both methods are acceptable. However, it is our opinion that the proposed method is better from the perspective of actually spreading out the cost over a Member's entire career and for better reflecting the initial liability that is present for Members on a valuation date who were hired during previous year.

The impact on funding requirements of changing the Entry Age Normal Cost Allocation Method is a slight decrease in the City's contribution requirement (due to a smaller Normal Cost) and slight increase in the UAAL (due to a larger Accrued Liability), as shown below.

Entry Age Normal Cost Allocation	Required City/State Contribution	Increase / (Decrease)	UAAL	Funded Ratio
Current	11,115,985		60,781,302	75.9%
Proposed	11,103,532	(12,453)	60,896,358	75.9%

REVIEW OF ECONOMIC ASSUMPTIONS

ASOP No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*, provides guidance to actuaries in selecting (including giving advice on selecting) economic assumptions – primarily investment return, discount rate, post-retirement benefit increases, inflation, and compensation increases – for measuring obligations under defined benefit pension plans.

Throughout the remainder of this section, we have used the standards set forth in ASOP No. 27 as a guideline for reviewing and if applicable, selecting recommended changes to the following economic actuarial assumptions and methods:

- ❖ Investment Return
- ❖ Salary Increases

Please keep in mind that ASOP No. 27 (and ASOP No. 35) recognizes a range of reasonable assumptions and states “the actuary should recognize the uncertain nature of the items for which assumptions are selected and, as a result, may consider several different assumptions reasonable for a given measurement. The actuary should also recognize that different actuaries will apply different professional judgment and may choose different reasonable assumptions. As a result, a range of reasonable assumptions may develop both for an individual actuary and across actuarial practice.”

Investment Return

The investment return assumption is critical in the actuarial valuation since it determines the portion of assets that will come from investment income rather than contributions from the plan sponsor and its participants. The investment return assumption should be determined based on the long-term rate of return (net of investment-related fees) the plan expects to earn over the life of the plan. The assumed rate of investment return is currently 6.60% per year compounded annually, net of investment-related expenses.

We believe that the decision to modify the investment return assumption shall be made based upon input from your investment professionals, reflecting any significant changes to the asset allocation, and their judgment of capital market returns. Keep in mind, however, that this assumption should reflect the best estimate of investment returns expected to be realized until the last participant in the plan dies, which could be 50+ years from now.

ASOP No. 27 provides that in developing a reasonable assumption, the actuary may consider a broad range of data and other inputs, including the judgment of investment professionals. The data that may be considered includes: current yields to maturity of fixed income securities; forecasts of inflation, GDP growth, and total returns for each asset class; historical and current investment data (including real and nominal returns); the inflation and inflation risk components implicit in the yield of inflation-protected securities; dividend yields, earnings yields, real estate capitalization rates; and historical plan performance.

For purposes of reviewing the investment return assumption, a building block approach is often used, whereby the actuary determines the weighted average expected real rate of return for the plan’s target investment portfolio and then adjusts for inflation and expenses not reflected in the real rates of return. Foster & Foster is an actuarial firm, and we do not have the required expertise to produce our own capital market assumptions. For this reason, ASOP No. 27 addresses that the actuary will often collect capital market assumptions from external sources in order to determine the forward-looking expected arithmetic and/or geometric returns. The capital market assumptions can be broadly classified into the following categories: expected returns by asset class; standard deviation by asset class; and correlation coefficients between asset classes.

ASOP No. 27 states “to determine the forward-looking expected geometric return for an entire portfolio, the actuary should take the weighted average of the forward-looking expected arithmetic return for each of the asset classes and adjust such determination to reflect the variance of the entire portfolio...in general, a forward-looking expected geometric return for an asset class can be approximated by taking the forward-looking expected arithmetic return and subtracting one-half of the variance of the asset class”. Below, we have employed this technique in order to review the current investment return assumption used in actuarial valuations.

Capital Market Assumptions – Board Investment Advisor

In order to complete the GASB 67/68 disclosures each year, the Board’s investment advisor provides our firm with a broad target asset allocation (based on guidance from GASB) along with their corresponding forward-looking expected arithmetic returns by asset class. Below is the excerpt from the most recent GASB 67/68 disclosures, based on a September 30, 2024 measurement date.

Asset Class	(1) Target Allocation	(2) Expected Arithmetic Return by Asset Class (Long-Term)	(3) = (1) x (2) Expected Portfolio Arithmetic Return (Long-Term)
Fixed Income	25.00%	1.70%	0.43%
Hedge Fund of Funds	6.00%	2.80%	0.17%
Real Estate	12.00%	2.60%	0.31%
US Equity	24.00%	5.00%	1.20%
Developed Non US Equity	8.00%	5.00%	0.40%
Emerging Non US Equity	10.00%	5.50%	0.55%
Private Equity	5.00%	7.30%	0.37%
Private Debt	5.00%	3.70%	0.19%
Opportunistic	5.00%	2.50%	0.13%
Total Real	100.00%		3.75%
Assumed Inflation			2.50%
Total Nominal			6.25%

It is important to note that the investment return assumptions used for GASB purposes (as provided by the pension plan’s Investment Consultant, Segal Marco Advisors) reflect shorter-term capital market expectations, typically based on a 20-year horizon. In contrast, the return assumption used in the actuarial valuation reflects a much longer time horizon, spanning potentially 75+ years, until the last member of the plan has passed. This difference in time horizons is the key reason for the potential discrepancy between the GASB weighted average return (6.25%) and the actuarial assumption (6.60%).

Salary Increases

The salary increase assumption is used to project a participant’s compensation while actively employed, from the valuation date until the assumed retirement age. This allows the actuary to estimate the pension benefit the member will be entitled to at retirement. Generally, a participant’s compensation will increase over the long term in accordance with inflation, productivity growth, and merit adjustments. Currently, the valuation utilizes a service-based salary scale assumption.

When reviewing the experience, the actual increase exceeded the assumption for most service breakpoints. Based on this experience, we recommend amending the assumed rates of salary increases to better align with actual plan experience.

Service	Count	Salary (Prior Year)	Actual Salary	Expected Salary	Actual Increase	Expected Increase	Proposed Increase
1-2	26	1,004,159	1,109,292	1,069,429	10.47%	6.50%	8.50%
3-9	319	14,935,705	16,228,060	15,630,961	8.65%	4.65%	6.75%
10-18	727	38,244,154	40,764,112	39,781,833	6.59%	4.02%	5.25%
19-24	443	29,228,854	30,601,127	30,251,864	4.69%	3.50%	4.00%
25+	202	15,018,211	15,696,970	15,694,030	4.52%	4.50%	4.50%
<Total>	1717	98,431,083	104,399,561	102,428,117	6.06%	4.06%	5.03%

The impact of only the recommended changes to the salary increase assumption is an increase in the funding requirements.

Salary Increases	Required City/State Contribution	Increase / (Decrease)	UAAL	Funded Ratio
Current	11,115,985		60,781,302	75.9%
Proposed	11,246,495	130,510	60,600,896	76.0%

REVIEW OF DEMOGRAPHIC ASSUMPTIONS

ASOP No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations*, provides guidance to actuaries in selecting (including giving advice on selecting) demographic and other noneconomic assumptions for measuring obligations under defined benefit pension plans.

Throughout the remainder of this section, we have used the standards set forth in ASOP No. 35 as a guideline for reviewing and if applicable, selecting recommended changes to the following demographic and other noneconomic actuarial assumptions:

- ❖ Mortality Rates
- ❖ Retirement Rates
- ❖ Withdrawal Rates
- ❖ Disability Rates

Generally, demographic assumptions are based on actual plan experience with additional consideration for current trends. ASOP No. 35 states “the actuary should use professional judgment to estimate possible future outcomes based on past experience and future expectations and select assumptions based upon application of that professional judgment. For any given measurement, the actuary will typically be able to identify two or more reasonable assumptions for the same contingency.”

Demographic trends generally remain consistent over time, absent significant changes in plan provisions. Therefore, the best true indicator of future experience is past experience. For each assumption, this analysis compares actual experience for the studied time period to the current assumptions used for purposes of the actuarial valuations. Note that actuarial assumptions reflect average experience over long periods of time. A change in actuarial assumptions generally occurs when experience over a period of years indicates a consistent pattern.

Mortality Rates

The rate of mortality is the probability of death at a given age. As mortality rates have continued to decline over time, concern has increased about the impact of potential future mortality improvement on the magnitude of pension obligations. ASOP No. 35 discusses the importance of actuaries considering mortality improvements when measuring pension obligations. Specifically, an actuary should adjust mortality rates to reflect mortality improvement prior to the measurement date and include an assumption as to the expected mortality improvement after the measurement date, if reasonable.

The Society of Actuaries underwent a comprehensive experience study with the primary objective to develop mortality tables comprised solely of public-sector lives. Additionally, contributors to the study were asked to identify plan members as teachers, public safety personnel, or general employees. This helped provide new insights into the composition of gender-specific pension mortality by factors such as job category, specifically in the public sector. The published tables were released as the Pub-2010 Public Retirement Plans Mortality Tables.

Chapter 2015-157, Laws of Florida, mandates the Board to employ the mortality tables used in either of the two most recently published actuarial valuation reports of the Florida Retirement System (FRS). In conjunction with its July 1, 2019 actuarial valuation, the FRS adopted the Pub-2010 tables, as recommended by their actuary. FRS subsequently made additional changes to the assumed mortality rates (including replacement of the MP-2018 mortality improvement projection scale with the MP-2021 mortality improvement projection scale) in conjunction with its July 1, 2024 actuarial valuation. Accordingly, we are obligated to incorporate these latest changes in conjunction with the October 1, 2025 valuation.

The following tables illustrate life expectancies at various ages for pre-retirement and post-retirement under the prior mortality assumption and new mortality assumption. Additionally, the tables illustrate the effect of generational mortality improvement projection by comparing a retiree age 60 in 2024 with one age 60 in 2044:

Prior Mortality Assumption

Sample Ages	Future Life Expectancy (Years) as of 2024 ¹					
	Healthy Pre-Retirement		Healthy Post-Retirement		Disabled Retirement	
	Male	Female	Male	Female	Male	Female
40	55.80	59.05	45.08	47.87	27.63	30.60
45	50.58	53.78	40.16	42.90	24.05	27.03
50	45.40	48.53	35.32	38.04	20.95	23.88
55	40.31	43.35	30.64	33.28	18.14	20.84
60	35.36	38.24	26.09	28.53	15.46	17.84
65	30.59	33.23	21.70	23.84	12.90	14.87
70	25.97	28.33	17.50	19.31	10.49	12.03
75	21.55	23.60	13.61	15.09	8.25	9.41
80	17.41	19.12	10.16	11.27	6.29	7.15

Sample Age 60	Future Life Expectancy (Years) ¹					
	Healthy Pre-Retirement		Healthy Post-Retirement		Disabled Retirement	
	Male	Female	Male	Female	Male	Female
In 2024	35.36	38.24	26.09	28.53	15.46	17.84
In 2044	37.16	39.79	27.88	30.17	15.46	17.84

¹ Life expectancy in future years assumes generational improvements using the MP-2018 projection scale (no projection for Disabled lives).

Updated Mortality Assumptions

Sample Ages	Future Life Expectancy (Years) ¹					
	Healthy Pre-Retirement		Healthy Post-Retirement		Disabled Retirement	
	Male	Female	Male	Female	Male	Female
40	54.62	56.58	44.45	47.40	29.54	33.45
45	49.51	51.40	39.64	42.48	26.03	29.67
50	44.42	46.24	34.88	37.65	22.70	26.02
55	39.41	41.13	30.23	32.88	19.44	22.43
60	34.53	36.12	25.70	28.13	16.40	19.09
65	29.83	31.23	21.34	23.48	13.72	15.92
70	25.30	26.48	17.18	18.99	11.19	12.80
75	20.96	21.90	13.31	14.79	8.75	9.85
80	16.90	17.58	9.89	11.01	6.58	7.32

Sample Age 60	Future Life Expectancy (Years) ¹					
	Healthy Pre-Retirement		Healthy Post-Retirement		Disabled Retirement	
	Male	Female	Male	Female	Male	Female
In 2024	34.53	36.12	25.70	28.13	16.40	19.09
In 2044	36.01	37.38	27.38	29.59	18.63	21.24

¹ Life expectancy in future years assumes generational improvements using the MP-2021 projection scale.

Impact of Mortality Assumption Change

Sample Ages	Future Life Expectancy Increase/(Decrease) Years					
	Healthy Pre-Retirement		Healthy Post-Retirement		Disabled Retirement	
	Male	Female	Male	Female	Male	Female
40	-1.18	-2.47	-0.63	-0.47	1.91	2.85
45	-1.07	-2.38	-0.52	-0.42	1.98	2.64
50	-0.98	-2.29	-0.44	-0.39	1.75	2.14
55	-0.90	-2.22	-0.41	-0.40	1.30	1.59
60	-0.83	-2.12	-0.39	-0.40	0.94	1.25
65	-0.76	-2.00	-0.36	-0.36	0.82	1.05
70	-0.67	-1.85	-0.32	-0.32	0.70	0.77
75	-0.59	-1.70	-0.30	-0.30	0.50	0.44
80	-0.51	-1.54	-0.27	-0.26	0.29	0.17

Sample Age 60	Future Life Expectancy Increase/(Decrease) Years					
	Healthy Pre-Retirement		Healthy Post-Retirement		Disabled Retirement	
	Male	Female	Male	Female	Male	Female
In 2024	-0.83	-2.12	-0.39	-0.40	0.94	1.25
In 2044	-1.15	-2.41	-0.5	-0.58	3.17	3.40

In reviewing the tables above, you can see that the updated mortality assumption results in decreases in assumed future life expectancies for all categories, except for disabled Retirement.

Adoption of the statutory mortality rate changes results in decreases to the City's annual contribution requirement and the Plan's UAAL, as disclosed below:

Mortality Rates	Required City/State Contribution	Increase / (Decrease)	UAAL	Funded Ratio
Current	11,115,985		60,781,302	75.9%
Proposed	10,873,606	(242,379)	59,013,415	76.4%

Retirement Rates - Early

A retirement rate is the associated probability at a specific point in time that a participant will retire, given that they have attained the eligibility requirements for retirement. The associated cost due to retirement experience is determined by the age at which participants retire (or enter DROP). The current eligibility requirement for Early Retirements are earlier of (1) the attainment of age 55 and completion of 5 years of service or (2) completion of 25 years of service, regardless of age. Currently, the valuation uses a table of rates vary by age and service for Early Retirement.

The table below illustrates the comparison of the actual Early Retirement experience to the current assumption.

Early Retirement (Less Than 25 Years of Service)

Age	Count	Actual	Expected	Actual Rate	Expected Rate	Proposed Rate
55-60	311	27	17.89	8.68%	5.75%	7.25%
61	53	6	3.45	11.32%	6.50%	9.00%
62	51	4	6.12	7.84%	12.00%	10.00%
63	51	11	2.55	21.57%	5.00%	12.25%
64	46	5	1.38	10.87%	3.00%	7.00%
<Total>	512	53	31.39	10.35%	6.13%	8.18%

Early Retirement (More Than 25 Years of Service)

Service	Count	Actual	Expected	Actual Rate	Expected Rate	Proposed Rate
25	68	10	7.14	14.71%	10.50%	12.50%
26	62	4	3.41	6.45%	5.50%	6.00%
27	57	10	6.56	17.54%	11.50%	14.50%
28	45	5	3.38	11.11%	7.50%	9.25%
29	40	3	1.6	7.50%	4.00%	5.75%
<Total>	272	32	22.08	11.76%	8.12%	9.91%

As can be seen above, members elected Early Retirement more often than assumed. This experience was realized after the plan change in 2013. Given this experience, we recommend an adjustment to the Early Retirement assumption, as shown in the above.

Retirement Rates - Normal

The current eligibility requirements for Normal Retirement are the earlier of (1) attainment of age 65 and completion of 5 years of service, or (2) completion of 30 years of service, regardless of age. Currently, the valuation uses a table of rates by years eligible for normal retirement.

The tables below illustrate the comparison of the actual Normal Retirement experience to the current assumption.

Normal Retirement (Less Than 30 Years of Service)

Age	Count	Actual	Expected	Actual Rate	Expected Rate	Proposed Rate
65	49	15	24.5	30.61%	50.00%	40.00%
66	38	19	12.54	50.00%	33.00%	40.00%
67	17	9	5.61	52.94%	33.00%	40.00%
68	8	3	8	37.50%	100.00%	70.00%
69	5	2	5	40.00%	100.00%	70.00%
70+	3	1	3	33.33%	100.00%	100.00%
<Total>	120	49	58.65	40.83%	48.88%	44.75%

Normal Retirement (30+ Years of Service)

Service	Count	Actual	Expected	Actual Rate	Expected Rate	Proposed Rate
30	34	24	34	70.6%	100.0%	80.0%
31	11	9	11	81.8%	100.0%	90.0%
32	2	1	2	50.0%	100.0%	90.0%
33+	1	1	1	100.0%	100.0%	100.0%
<Total>	48	35	48	72.9%	100.0%	83.1%

Review of tables in the above shows that since 2014, Members elected to deferred Normal Retirement somewhat beyond the current assumption. As you can see, the recommended changes result in generally lower rates of normal retirement. This results in a later assumed retirement age and a lengthened period of time to fund future benefit accruals, thereby decreasing current costs, as shown below.

Retirement Rates	Required City/State Contribution	Increase / (Decrease)	UAAL	Funded Ratio
Current	11,115,985		60,781,302	75.9%
Proposed	11,069,958	(46,027)	60,491,915	76.0%

Withdrawal Rates

The withdrawal rate, or termination rate, is the probability that a participant will separate employment from a cause other than disability, death, or retirement. Currently, the valuation uses a service-based table.

Overall, the actual incidence of termination was less than expected in aggregate. Given this experience, we recommend adjustments to the rates as shown below.

Withdrawal Rates

Service	Count	Actual	Expected	Actual Rate	Expected Rate	Proposed Rate
1-4	79	7	11.85	8.9%	15.0%	12.0%
5-9	193	12	14.48	6.2%	7.5%	7.0%
10-19	551	22	22.04	4.0%	4.0%	4.0%
20+	162	3	10.53	1.9%	6.5%	4.0%
<Total>	985	44	58.9	4.5%	6.0%	5.2%

The recommended changes have the effect of lowering the assumed rates of termination. The aggregate effect is an increase to the City's contribution requirement, as shown below.

Withdrawal Rates	Required City/State Contribution	Increase / (Decrease)	UAAL	Funded Ratio
Current	11,115,985		60,781,302	75.9%
Proposed	11,169,130	53,145	60,854,258	75.9%

Disability Rates

The disability rate assumption is the probability that a member will become disabled while an active participant in the plan. Currently, the valuation utilizes an age-based table with relatively low expected probabilities. Over the past ten years, the plan expected 15.66 disabilities and there was 1 disability during that time. Given this experience, we recommend decreasing the disability rates by 50% for all ages.

The impact of only the recommended changes to the disability rates assumption is an increase in funding requirements.

Disability Rates	Required City/State Contribution	Increase / (Decrease)	UAAL	Funded Ratio
Current	11,115,985		60,781,302	75.9%
Proposed	11,170,552	54,567	61,145,212	75.8%

SUMMARY

As stated throughout the content of this report, we have recommended the Board consider several changes to the actuarial assumptions utilized for purposes of completing the annual valuations. It is our belief that these changes reflect sound actuarial principles, are in compliance with the Actuarial Standards of Practice, are our best estimate of anticipated future experience, and will assist in achieving the objective of developing costs that are stable and predictable. Below, we have provided a summary of the estimated actuarial impact for the discussed changes. Please note we have also included the impact of lowering the investment return assumption to 6.50% per year, for informational purposes.

Change	Assumption	Increase/(Decrease) Required City/State Contribution	Increase/(Decrease) UAAL	Funded Ratio
	Current			75.9%
(1)	6.50% Investment Return	348,571	2,674,340	75.1%
(2)	Entry Age Normal Cost Allocation	(12,453)	115,056	75.9%
(3)	Salary Increases	130,510	(180,406)	76.0%
(4)	Mortality Rates	(242,379)	(1,767,887)	76.4%
(5)	Retirement Rates	(46,027)	(289,387)	76.0%
(6)	Withdrawal Rates	53,145	72,956	75.9%
(7)	Disability Rates	54,567	363,910	75.8%
(8)	Combination (6.60%)	(58,979)	(1,703,915)	76.4%
(9)	Combination (6.50%)	287,896	913,086	75.6%