



City of Ocala Firefighter's Retirement Plan

Experience Study

October 1, 2019 – October 1, 2023

December 2, 2024



Summary of Recommendations

	Current Assumption	Recommendation
Economic		
Discount Rate	7.00%	Within the range of 6.50% - 7.00%
Inflation Rate	2.50%	No change
Salary Increases	8.00% - 2.50%, decreasing by age	10.00% - 5.00%, decreasing by age
Demographic		
Retirement Rates	Varies by age and service (rule of 70)	Keep structure, modify rates
Withdrawal Rates	Varies by age	Vary by service, 0.5% after 10 years
Disability Rates	Vary by age	No change
Funding Policy		
Actuarial Cost Method	Entry Age Normal Level % of Pay	No change
Asset Valuation Method	5-year smoothing of market gains/losses	No change
Amortization Method	20-year closed periods for demographic and assumption changes	Also 20-year closed period for future benefit increases



Cost Impact

Current Assumptions	Accrued Liability	Recommended Contribution
10/1/2023 Valuation	\$95,049,856	\$3,738,243

Proposed Change	Change in Accrued Liability	Change in Recommended Contribution	as % of payroll
Discount Rate 6.50%	\$5,511,000	\$570,000	5.7%
Discount Rate 6.75%	\$2,691,000	\$281,000	2.8%
Salary Increases	\$2,268,000	\$842,000	7.4%
Retirement Rates	\$(247,000)	\$(36,000)	-0.4%
Withdrawal Rates	\$205,000	\$272,000	2.7%
All Changes at 6.50%	\$7,700,000	\$1,817,000	17.0%
All Changes at 6.75%	\$4,857,000	\$1,478,000	13.7%
All Changes at 7.00%	\$2,139,000	\$1,150,000	10.4%



Discount Rate

- Historical review
 - The long-term averages fall short of the current assumption.
- Peer comparison
 - National average in 2023: 6.91% (based on the NASRA survey)
 - Florida public plans average in 2023: 7.00%
- Future expectations
 - Based on the plan's current allocation and the 2024 JP Morgan Capital Market Assumptions, the plan's long-term expected return would be roughly 7.4%.
 - Based on an average of capital market assumptions collected in the annual Horizon Survey, the expected return would be lower, in the 6.5%-7.0% range.

Average Return on Market Value	
5-Year	5.8%
10-Year	6.8%
20-Year	6.1%

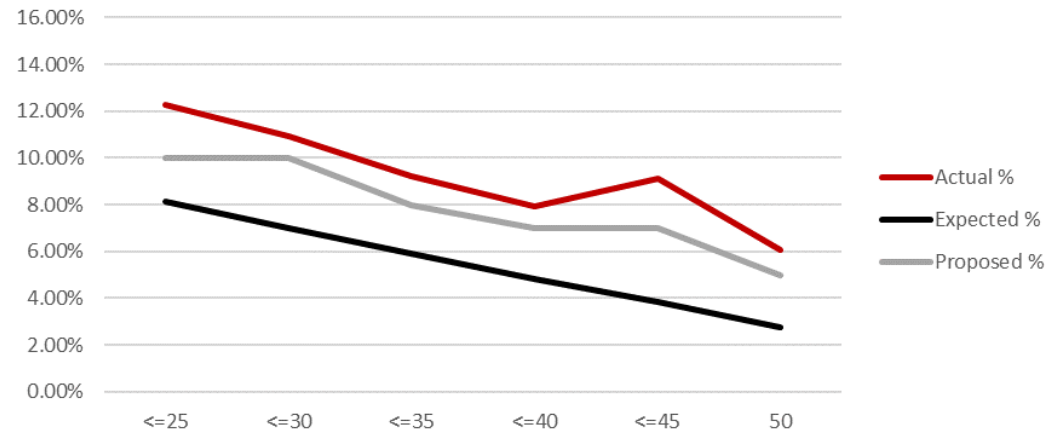
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Salary Increases

- Salary increases over the study period were greater than expected at all ages.
- Average pay increases for the 10/1/2023 plan year are expected to be 20%.
- Budgeted pay increases are 5% for the next fiscal year.
- This is a significant adjustment; we will monitor in future years and studies.

Salary Experience by Age



Recommended Rates:

Age	Current	Proposed
25	8.0%	10.0%
30	6.6%	10.0%
35	5.6%	8.0%
40	4.6%	7.0%
45	3.6%	7.0%
50	2.5%	5.0%

Cost Impact:

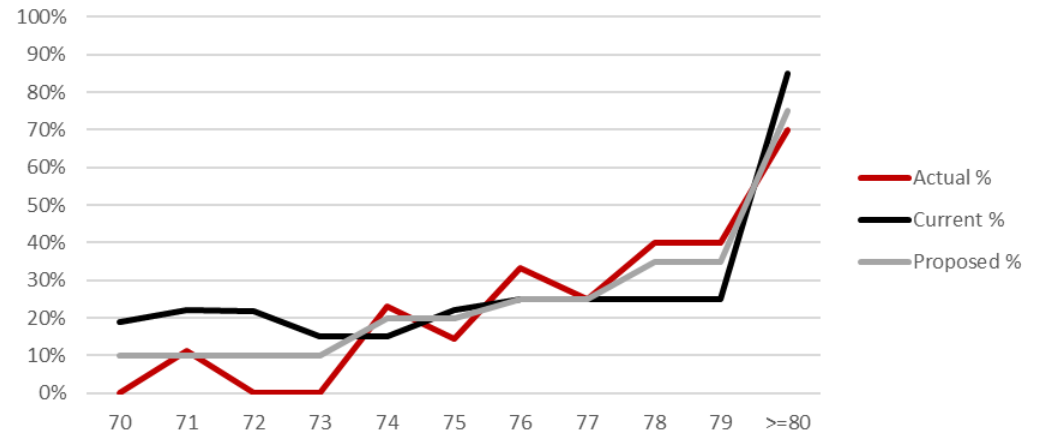
Change in Accrued Liability	Change in Recommended Contribution	as % of payroll
\$2,268,000	\$842,000	7.4%



Retirement Rates

- There were 25 actual retirements, out of 89 total exposures (number of those eligible to retire).
- 20 of the 25 opted to enter the DROP.
- Proposed adjustments downwards earlier in careers

Retirement Experience by Age+Service



Recommended Rates:

Age + Service	Current	Proposed
70	25%	10%
72	15%	10%
74	15%	20%
76	25%	25%
78	25%	35%
80+	100%	100%

Cost Impact:

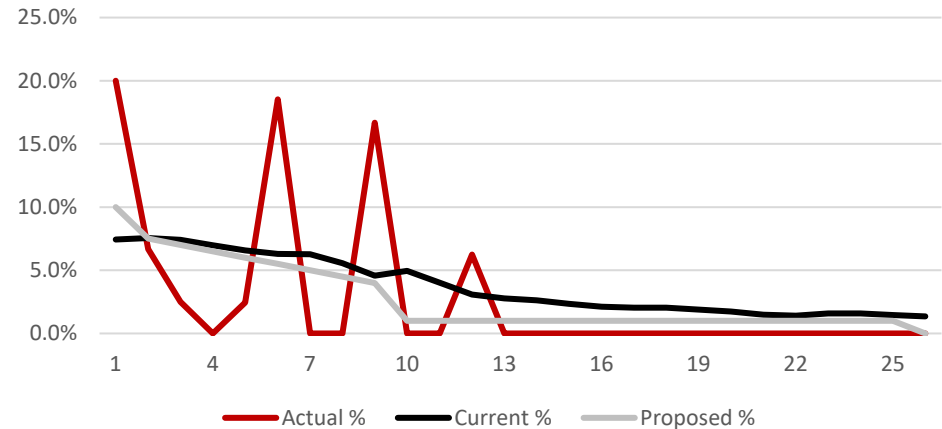
Change in Accrued Liability	Change in Recommended Contribution	as % of payroll
\$(247,000)	\$(36,000)	-0.4%



Withdrawal Rates

- From 2019 – 2023, there were 17 actual terminations, out of 521 total exposures.
- The current assumption is based on age, but service appears to be a better predictor for terminations.

Termination Experience by Service



Recommended Rates:

Service	Proposed
<1	10.0%
2	7.0%
4	6.0%
6	5.0%
8	4.0%
10-24	0.5%
25+	0.0%

Cost Impact:

Change in Accrued Liability	Change in Recommended Contribution	as % of payroll
\$205,000	\$272,000	2.7%



Direct Rate Smoothing

- There are alternatives to recognizing the change in assumptions. A common approach is direct rate smoothing.
- The change in assumptions would be recognized immediately in the liability at 10/1/2024, but the impact to the Recommended Contribution is phased in over time. We are proposing a three-year period.
- For example, to adopt all recommended changes at a 7.00% discount rate:

	No Smoothing	3-Year Direct Rate Smoothing
Impact to Accrued Liability	\$2,139,000	\$2,139,000
Impact to Recommended Contribution Year One	\$1,150,000	\$383,000
as % of payroll	10.4%	2.9%

- The remaining 2/3rds of the contribution increases will be phased in to the contributions calculated at years two and three.
- Note that these impacts were calculated as of 10/1/2023, as elsewhere in this summary. The actual smoothing will be calculated as of 10/1/2024.



Certification

This report has been prepared for the primary purpose of summarizing the experience study for the City of Ocala Firefighter's Retirement Plan 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, EA, FCA, CFA, MAAA



Kerry Sipe, ASA, EA

December 2, 2024

Date