



nyhart
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City of Ocala Firefighters' Retirement Plan

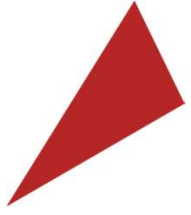
Board Update

August 18, 2025

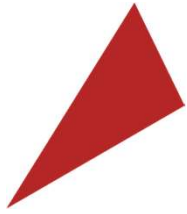


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DROP Period Impact Statement

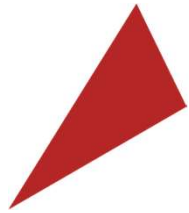


Impact Statement

Extend DROP Period to 6, 7, or 8 Years

- The valuation treats participants in Forward DROP like regular retirees and BAC-DROP is not explicitly valued. Under the current methods, changing the DROP period has no effect on the current liability of the plan.
- However, changing the DROP period is likely to influence participant retirement timing. Offering a longer Forward-DROP period could result in earlier retirements.
- To estimate the impact of 6-, 7-, and 8-year DROP periods, we adjusted each Rule of 70 age-service rate upward at each point. This is roughly equivalent to assuming each participant will retire six months earlier with each additional year of DROP availability.

Assumed Rates of Retirement				
Age + Service	Maximum DROP Period			
	5	6	7	8
70	10%	10%	10%	10%
71	10%	10%	10%	20%
72	10%	10%	20%	20%
73	10%	20%	20%	25%
74	20%	20%	25%	25%
75	20%	25%	25%	35%
76	25%	25%	35%	35%
77	25%	35%	35%	100%
78	35%	35%	100%	100%
79	35%	100%	100%	100%
80+	100%	100%	100%	100%



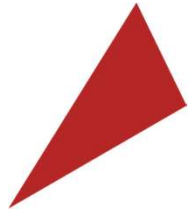
Impact Statement

Extend DROP Period to 6, 7, or 8 Years

- Estimated impact on funded status:

	10/1/2024 Valuation	Increase/(Decrease) from Valuation		
		6-Year DROP	7-Year DROP	8-Year DROP
Present Value of Future Benefits	\$ 151,704,890	(\$ 322,982)	(\$ 768,713)	(\$ 1,246,126)
Accrued Liability	\$ 111,565,632	\$ 254,359	\$ 511,235	\$ 744,927
Actuarial Value of Assets	<u>80,861,587</u>	<u>0</u>	<u>0</u>	<u>0</u>
Unfunded Liability	\$ 30,704,045	\$ 254,359	\$ 511,235	\$ 744,927
Funded Ratio	72.5%	(0.2%)	(0.4%)	(0.5%)
Covered Payroll	\$ 11,393,168	(\$ 329,180)	(\$ 476,772)	(\$ 761,896)

- Moving assumed retirement dates forward decreases Present Value of Future Benefits because number of working years are reduced
- Moving assumed retirement dates forward increases the Accrued Liability because we have shortened the total number of working years and attributing a larger proportion of years to the past.



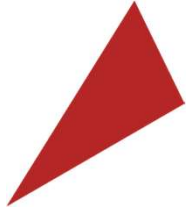
Impact Statement

Extend DROP Period to 6, 7, or 8 Years

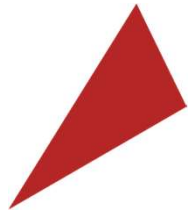
- Estimated impact on contribution:

	10/1/2024 Valuation	Increase/(Decrease) from Valuation		
		6-Year DROP	7-Year DROP	8-Year DROP
Normal Cost	\$3,370,017	(\$65,080)	(\$81,579)	(\$145,069)
Administrative Expenses	217,711	0	0	0
Amortization of Unfunded Liability	3,114,606	18,205	36,590	53,315
Interest	<u>393,422</u>	<u>(1,460)</u>	<u>(568)</u>	<u>(2,249)</u>
Total Recommended Contribution	\$7,095,756	(\$48,335)	(\$45,557)	(\$94,003)
State Contribution	(200,000)	0	0	0
Expected Member Contributions	<u>(873,856)</u>	<u>25,248</u>	<u>36,568</u>	<u>58,437</u>
City Contribution*	\$6,021,900	(\$23,087)	(\$8,989)	(\$35,566)
Covered Payroll	\$11,393,168	(\$329,180)	(\$476,772)	(\$761,896)
Total Contribution as % of Payroll	52.9%	1.4%	2.2%	3.5%
Normal Cost as % of Payroll	29.6%	0.3%	0.5%	0.8%

*Ignoring the impact of direct-rate smoothing in effect for the 10/1/2024 valuation.



Component B Incentive Pay



Impact Statement

Incentive Pay for Component B

- We were asked to estimate the impact of including Incentive Pay for Component B members in pensionable compensation.
- State educational incentive pay is already included in pensionable compensation.
- Our analysis is based on adding approx. \$42,000 of incentive pay to pensionable compensation.

10/1/2024	Valuation	Valuation with Incentive Pay for Component B	Increase/ (Decrease)
Covered Payroll	\$ 11,393,168	\$ 11,438,114	\$ 44,946
Accrued Liability	\$ 111,565,632	\$ 111,739,873	\$ 174,241
Actuarial Value of Assets	<u>80,861,587</u>	<u>80,861,587</u>	<u>0</u>
Unfunded Liability	\$ 30,704,045	\$ 30,878,286	\$ 174,241
Funded Ratio	72.5%	72.4%	(0.1%)
Present Value of Future Benefits	\$ 151,704,890	\$ 152,009,011	\$ 304,121



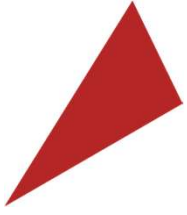
Impact Statement

Incentive Pay for Component B

- Estimated contribution impact is shown below:

10/1/2024	Valuation	Valuation with Incentive Pay for Component B	Increase/ (Decrease)
Normal Cost	\$ 3,370,017	\$ 3,381,168	\$ 11,151
Administrative Expenses	217,711	217,711	0
Amortization of Unfunded Liability	3,114,606	3,127,077	12,471
Interest	<u>393,422</u>	<u>394,784</u>	<u>1,362</u>
Total Recommended Contribution	\$ 7,095,756	\$ 7,120,740	\$ 24,984
State Contribution	(200,000)	(200,000)	0
Expected Member Contributions	<u>(873,856)</u>	<u>(877,303)</u>	<u>(3,447)</u>
City Contribution*	\$ 6,021,900	\$ 6,043,437	\$ 21,537
Covered Payroll	\$ 11,393,168	\$ 11,438,114	\$ 44,946
City Contribution as % of Payroll	52.86%	52.84%	(0.02%)

* Ignoring the impact of direct-rate smoothing currently in place for the 10/1/2024 valuation.



COLA Fund Interest Policy



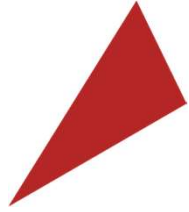
Current COLA Design Interest on COLA Fund

- 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.

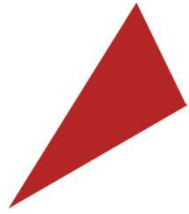
- Based on the board's interpretation/past policy, the 0% - 7% corridor has not applied, and the COLA Fund has been awarded the full investment return or loss of the pension fund.
- Next year's COLA valuation will be year ten. Nyhart will need direction from board on how to calculate interest for the 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.



Current COLA Design Interest on COLA Fund

Questions for the board:

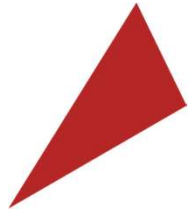
1. Should the 0% - 7% corridor be applied to the COLA fund going forward? The examples on the following two pages show the actual return applied to the COLA fund since inception and the hypothetical return had the corridor been in place from the beginning. The COLA fund has earned about \$2.2 million more with actual returns than in the hypothetical scenario. (See pages 13 and 14.)
2. Should the COLA fund be required to transfer excess returns to the pension fund until the pension's funded ratio is 90%? At the end of year 9, the excess returns over 7% sum up to \$3.3 million. (See page 15.)



Historical COLA

Actual Return from Total Fund

	Return	Beginning of Year	Member Contributions	State Premium Tax	COLA Benefits Paid	Investment Return	End of Year
9/30/2016	11.2%	3,645,542	37,029	97,036	(26,905)	409,078	4,161,780
9/30/2017	13.1%	4,161,780	35,634	97,108	(46,239)	547,645	4,795,928
9/30/2018	9.6%	4,795,928	38,157	136,495	(72,715)	459,836	5,357,701
9/30/2019	3.7%	5,357,701	38,217	144,320	(97,362)	194,873	5,637,749
9/30/2020	14.3%	5,637,749	39,249	160,184	(113,516)	798,144	6,521,810
9/30/2021	19.7%	6,521,810	39,494	170,645	(139,990)	1,276,218	7,868,177
9/30/2022	-15.0%	7,868,177	41,227	207,359	(179,075)	(1,167,834)	6,769,854
9/30/2023	10.0%	6,769,854	46,077	246,158	(194,863)	665,881	7,533,107
9/30/2024	21.5%	7,533,107	54,061	288,279	(219,486)	1,603,604	9,259,565
Total	8.0%		369,145	1,547,584	(1,090,151)	4,787,445	

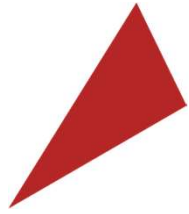


Historical COLA

Hypothetical with 0% - 7% Corridor

	Return	Beginning of Year	Member Contributions	State Premium Tax	COLA Benefits Paid	Investment Return	End of Year
9/30/2016	7.0%	3,645,542	37,029	97,036	(26,905)	255,542	4,008,244
9/30/2017	7.0%	4,008,244	35,634	97,108	(46,239)	280,206	4,374,953
9/30/2018	7.0%	4,374,953	38,157	136,495	(72,715)	305,037	4,781,927
9/30/2019	3.7%	4,781,927	38,217	144,320	(97,362)	194,873	5,061,975
9/30/2020	7.0%	5,029,633	39,249	160,184	(113,516)	351,739	5,499,631
9/30/2021	7.0%	5,465,025	39,494	170,645	(139,990)	381,457	5,951,237
9/30/2022	0.0%	5,914,208	41,227	207,359	(179,075)	0	6,020,748
9/30/2023	7.0%	5,983,719	46,077	246,158	(194,863)	416,245	6,534,365
9/30/2024	7.0%	6,494,744	54,061	288,279	(219,486)	451,671	7,108,890
Total	5.2%		369,145	1,547,584	(1,090,151)	2,636,770	

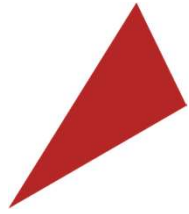
- Please note this is purely hypothetical to illustrate the potential impact of applying the 0% - 7% corridor.
- We are not reflecting the changes to the node and actual COLA benefits paid that would have resulted from the corridor.



Historical COLA Transfer to Pension Fund

	Actual Return	Return based on 0% - 7% corridor	Actual Investment Return	Investment Return based on 0% - 7% corridor	Excess to transfer to pension
9/30/2016	11.2%	7.0%	409,078	255,542	153,536
9/30/2017	13.1%	7.0%	547,645	280,206	267,439
9/30/2018	9.6%	7.0%	459,836	305,037	154,799
9/30/2019	3.7%	3.7%	194,873	194,873	0
9/30/2020	14.3%	7.0%	798,144	351,739	446,405
9/30/2021	19.7%	7.0%	1,276,218	381,457	894,761
9/30/2022	-15.0%	0.0%	(1,167,834)	0	0
9/30/2023	10.0%	7.0%	665,881	416,245	249,636
9/30/2024	21.5%	7.0%	1,603,604	451,671	1,151,933
Total	8.0%	5.2%	4,787,445	2,636,770	3,318,509

- Again, please note this is a purely hypothetical exercise to illustrate one possible interpretation of the ordinance language.
- The hypothetical scenario does not reflect the changes to the node or COLA fund that would have occurred had the corridor been in place or had an annual transfer of assets been made.



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

August 18, 2025