

October 8, 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, we have performed a special actuarial analysis to determine the impact on the plan's funding requirements associated with an assumption change described below:

A reduction in the investment return assumption from 7.00% to either 6.90%, 6.80%, 6.70%, 6.60% or 6.50% per year, net of investment-related expenses.

The impact on the funding requirement, determined as of October 1, 2020 (as applicable to the fiscal year ending September 30, 2022) is shown below:

Investment Return Assumption	City Required Contribution <sup>1</sup>	Unfunded Actuarial Accrued Liability (UAAL)	Change in UAAL
Current 7.00%	\$9,497,997	\$62,234,604	
6.90%	\$9,843,981	\$64,846,006	\$2,611,402
6.80%	\$10,194,727	\$67,506,938	\$5,272,334
6.70%	\$10,550,357	\$70,218,625	\$7,984,021
6.60%	\$10,910,992	\$72,982,327	\$10,747,723
6.50%	\$11,276,747	\$75,799,337	\$13,564,733

<sup>1</sup> The City's contribution amount is payable as a lump sum each October 1.

The change in UAAL associated with the assumption change was amortized over 10 years.

This analysis is based on the same data, assumptions, and methods as utilized in the October 1, 2020 actuarial valuation except as otherwise noted.

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.

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.

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.

If you have any questions, please let me know.

Sincerely,

A handwritten signature in cursive script, appearing to read "Doug Lozen".

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