

August 7, 2025

Board of Trustees
City of Ocala Firefighters' Retirement Plan
Attn: Ms. Alicia Gaither
3001 Northeast 21st Street
Ocala, FL 34470-4889

Actuarial Impact Statement: Incentive Pay for Component B Members

Dear Board Members:

The purpose of this letter is to provide an Actuarial Impact Statement for changes to the City of Ocala Firefighters' Retirement Plan ("Plan"). Section 112.63(3) of the Florida Statutes specifies that an actuarial impact statement is to be issued before a change to retirement benefits is adopted and that a copy of such statement is to be forwarded to the Division of Retirement. This letter was not intended for the benefit of any other party and may not be relied upon by any additional party. It is our understanding that the City of Ocala is considering:

- Including Incentive Pay for Component B Members in the definition of Earnable compensation (pensionable compensation)

Section 43-21(1) of the Ordinance describes the current pensionable compensation for Component B members as follows:

- (1) Earnable compensation for Component B shall be calculated using base salary, state educational incentive pay, and up to 300 hours of overtime pay per fiscal year, excluding all other compensation.

Our analysis was based on data provided by the City of Ocala. Total incentive pay for the period 10/1/2023 – 9/30/2024 was \$291,433. Of this, \$72,030 was earned by members in the DROP, leaving \$219,403 from current active members. Of this remaining amount, \$177,471 was determined to be educational incentive pay or other qualifying compensation already included in pensionable compensation used for the valuation. The file we were provided contained the fields listed below. The City indicated which fields were not already pensionable in an email dated June 5, 2025.

| Pay/Deduction Description | Currently Not Pensionable |
|----------------------------------|----------------------------------|
| FIRE EDBN BILINGPY CERT A24.12 | |
| FIRE EDBN BLUE CD CAP A24.14 | |
| FIRE EDBN BLUE CD FEO A24.14 | |
| FIRE EDBN ER SERV LDR INST BC | Not Pensionable |
| FIRE EDBN FORREDCD CERT A24.13 | |
| FIRE EDBN OFC I A24.11 | |
| FIRE EDBN OFC II A24.11 | |
| FIRE EDBN OFC III BC'S | Not Pensionable |
| FIRE EDBN OFC IV BC'S | Not Pensionable |
| FIRE EDBN SAFEINSP CERT A24.10 | |
| FIRE EDBN SPECOPQ CERT A24.15 | Not Pensionable |
| FIRE INC - AS/BS DEGREE | Not Pensionable |
| FIRE INC - HONOR GUARD AR 29.4 | |
| FIRE INC - SPECIAL OPSART 27.7 | |
| FIRE INC - USAR 27.7 | |
| FIRE INC-ARFF ART 28.7 | |
| FIRE INC-LAW ENFORCEMENT CERT | Not Pensionable |

The total incentive pay added to valuation salary for our analysis is \$41,932, or an increase in valuation salary of 0.39%.

This estimate is calculated 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. The impact was calculated as if the provisions were implemented October 1, 2024 using demographic and asset data as of October 1, 2024. Our estimate assumes incentive pay increases at the same proportional rate as other pay increases, that each active member's incentive pay will continue in the same pattern as earned during FYE '24, and that employee contributions will be made at the current 8.17% contribution rate on the additional pensionable compensation (7.67% going towards the main plan's benefits and 0.50% going towards the COLA fund). Other than noting the potential increased contributions, we do not attempt to quantify any impact on the COLA fund in this analysis.

| Estimate Based on 10/1/2024 Valuation | Estimated Increase |
|--|---------------------------|
| Accrued Liability | \$174,241 |
| Present Value of Future Benefits | \$304,121 |
| City Contribution – Year One | \$21,537 |

Note that the contribution impact shown above ignores the impact of direct-rate smoothing in effect for the October 1, 2024 valuation.

Additionally, our analysis does not take into account other variables that may impact future levels of incentive pay:

- Incentive pay levels may not be evenly distributed over different ages, positions, service levels, or retirement eligibility statuses. For example: many plans see members take on duties which could result in additional pensionable compensation as they near retirement age (for the purpose of increasing the final average earnings used in the calculation of the ultimate retirement benefit).
- Incentive pay may vary from year to year and could depend on special circumstances, external events, or future collective bargaining. Additionally, this analysis only analyzes the impact based on the plan's current membership; if future firefighters are also covered, then the estimated impact would be larger.
- Our cost estimate is based on a one-year snapshot of incentive pay received for the current active population. Though we believe our methodology to be reasonable based on available data, other methods could result in materially different figures.

This analysis has been prepared in accordance with generally accepted actuarial principles and practice. Future actuarial measurements may differ significantly from the current measurements presented in this analysis due to such factors 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; and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement. The undersigned is compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

Pending final ordinance language, in our opinion, this change would be in compliance with Section 14, Article X of the State Constitution and with Section 112.64 Florida Statutes.

Sincerely,



Lawrence Watts, Jr., FSA, CFA, EA, MAAA
Actuary



Kerry Sipe, ASA, EA
Actuary

cc: Rob Davis, Chairman

APPENDIX

| | 10/1/2024 Valuation | Impact Statement: Include Incentive Pay in Pensionable Earnings for Component B |
|---|--------------------------------|--|
| Funded Position | | |
| Entry age accrued liability | \$111,565,632 | \$111,739,873 |
| Actuarial value of assets | 80,861,587 | 80,861,587 |
| Unfunded actuarial accrued liability (UAAL) | 30,704,045 | 30,878,286 |
| Funded Ratio | 72.5% | 72.4% |
| Present Value of Future Benefits | \$151,704,890 | \$152,009,011 |
| Employer Contributions | | |
| Normal Cost | | |
| Total normal cost | \$3,370,017 | \$3,381,168 |
| Expected participant contributions | (873,856) | (877,303) |
| Net normal cost | \$2,496,161 | \$2,503,865 |
| Administrative expenses | 217,711 | 217,711 |
| Amortization of UAAL | 3,114,606 | 3,127,077 |
| Applicable interest | 393,422 | 394,784 |
| Total required contribution | \$6,221,900 | \$6,243,437 |
| Expected state contribution | (200,000) | (200,000) |
| Total recommended contribution | \$6,021,900 | \$6,043,437 |
| Impact of Direct-Rate Smoothing | (1,371,559) | (1,385,917) |
| City Contribution | \$4,650,341 | \$4,657,520 |
| Covered Payroll | \$11,393,168 | \$11,438,114 |