

June 7, 2018

VIA EMAIL

Board of Trustees
City of Venice
Municipal Police Officers' Pension Trust Fund
4100 Center Pointe Dr., Suite 108
Ft. Myers, FL 33916

Re: City of Venice
Municipal Police Officers' Pension Trust Fund
Actuarial Impact Statement

Dear Board:

Enclosed is the following material, which has been prepared in support of the proposed benefit change to the Fund:

1. Three (3) copies of the required Actuarial Impact Statement, which outlines the costs associated with implementing the change.
2. Draft of transmittal letters to the Bureau of Local Retirement Systems and the Bureau of Police Officers Retirement Trust Funds.

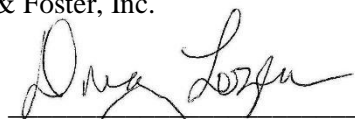
It will be necessary for the chairman to sign one (1) copy of each Actuarial Impact Statement as the Plan Administrator and forward the Impact Statements, along with a copy of the proposed Ordinance, to the two Bureaus prior to the final reading.

If you have any questions concerning the enclosed material, please let us know.

Sincerely,

Foster & Foster, Inc.

By:



Douglas H. Lozen, EA, MAAA
Enrolled Actuary #17-7778

DHL/lke

Enclosures

Cc with enclosures via email: Lori Stelzer
Lee Dehner

Mr. Steve Bardin
Police Officers' and Firefighters' Retirement Trust Funds
Department of Management Services, Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

Re: Actuarial Impact Statement

Dear Mr. Bardin:

The City of Venice is considering the implementation of amended retirement benefits for its Police Officers. The changes are described in the enclosed material.

Pursuant to the provisions of Chapter 185, we are enclosing the required Actuarial Impact Statement and a copy of the proposed Ordinance for your review.

If you have any questions or if additional information is needed, please contact us.

Sincerely,

Mr. Keith Brinkman
Bureau of Local Retirement Systems
Division of Retirement
Post Office Box 9000
Tallahassee, FL 32315-9000

Re: Actuarial Impact Statement

Dear Mr. Brinkman:

The City of Venice is considering the implementation of amended retirement benefits for its Police Officers. The changes are described in the enclosed material.

Pursuant to Section 22d-1.04 of the Agency Rules, we are enclosing the required Actuarial Impact Statement (AIS) and a copy of the proposed Ordinance for your review.

If you have any questions or if additional information is needed, please contact us.

Sincerely,

CITY OF VENICE
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND

ACTUARIAL IMPACT STATEMENT

June 7, 2018

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

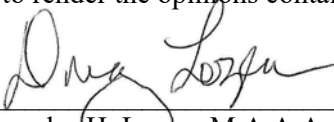
Effective October 1, 2017, the monthly benefit currently being received by every retiree who has been receiving benefit payments for at least one year as of October 1, 2017, including service and disability retirees and DROP participants, their joint pensioners or beneficiaries, shall be increased by one percent for each full year of retirement, up to a maximum increase of ten percent. Eligible retirees must have been retired for at least one full year as of October 1, 2017. This is a one-time increase in benefits and does not include vested terminated persons.

The increase in the Unfunded Actuarial Accrued Liability associated with the proposed change is amortized as a level dollar over twenty years.

The cost impact, determined as of October 1, 2017, applicable to the City's fiscal year ending September 30, 2019, is as follows:

| | <u>Current</u> | <u>Proposed</u> |
|--------------------------------------|----------------|-----------------|
| Total Required Contribution | \$1,512,016 | \$1,749,709 |
| Member Contributions (Est.) | \$36,137 | \$36,137 |
| City and State Required Contribution | \$1,475,879 | \$1,713,572 |
| State Contribution | \$214,704 | \$214,704 |
| Balance from City | \$1,261,175 | \$1,498,868 |

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, M.A.A.A.
Enrolled Actuary #17-7778

STATEMENT OF PLAN ADMINISTRATOR

The prepared information presented herein reflects the estimated cost of the proposed improvement.

Chairman, Board of Trustees

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

| | Proposed <u>10/1/2017</u> | Current <u>10/1/2017</u> |
|------------------------------------|------------------------------|-----------------------------|
| A. Participant Data | | |
| Actives | 6 | 6 |
| Service Retirees | 35 | 35 |
| DROP Retirees | 6 | 6 |
| Beneficiaries | 9 | 9 |
| Disability Retirees | 7 | 7 |
| Terminated Vested | <u>32</u> | <u>32</u> |
| Total | 95 | 95 |
| Total Annual Payroll | \$472,781 | \$472,781 |
| Payroll Under Assumed Ret. Age | 472,781 | 472,781 |
| Annual Rate of Payments to: | | |
| Service Retirees | 2,040,779 | 1,883,599 |
| DROP Retirees | 438,361 | 428,216 |
| Beneficiaries | 333,558 | 303,742 |
| Disability Retirees | 239,417 | 221,602 |
| Terminated Vested | 575,224 | 575,224 |
| B. Assets | | |
| Actuarial Value (AVA) ¹ | 36,007,624 | 36,007,624 |
| Market Value (MVA) ¹ | 36,180,611 | 36,180,611 |
| C. Liabilities | | |
| Present Value of Benefits | | |
| Actives | | |
| Retirement Benefits | 3,121,601 | 3,121,601 |
| Disability Benefits | 107,804 | 107,804 |
| Death Benefits | 11,412 | 11,412 |
| Vested Benefits | 252,958 | 252,958 |
| Refund of Contributions | 0 | 0 |
| Service Retirees | 24,241,358 | 22,394,412 |
| DROP Retirees ¹ | 7,425,869 | 7,288,759 |
| Beneficiaries | 3,195,478 | 2,911,270 |
| Disability Retirees | 2,808,924 | 2,609,616 |
| Terminated Vested | 3,910,185 | 3,910,185 |
| Share Plan Balances ¹ | <u>0</u> | <u>0</u> |
| Total | 45,075,589 | 42,608,017 |

| C. Liabilities - (Continued) | Proposed <u>10/1/2017</u> | Current <u>10/1/2017</u> |
|---|------------------------------|-----------------------------|
| Present Value of Future Salaries | 2,008,332 | 2,008,332 |
| Present Value of Future Member Contributions | 140,583 | 140,583 |
| Normal Cost (Retirement) | 74,791 | 74,791 |
| Normal Cost (Disability) | 17,239 | 17,239 |
| Normal Cost (Death) | 2,277 | 2,277 |
| Normal Cost (Vesting) | 26,784 | 26,784 |
| Normal Cost (Refunds) | <u>0</u> | <u>0</u> |
| Total Normal Cost | 121,091 | 121,091 |
| Present Value of Future Normal Costs | 442,304 | 442,304 |
| Accrued Liability (Retirement) | 2,855,271 | 2,855,271 |
| Accrued Liability (Disability) | 49,686 | 49,686 |
| Accrued Liability (Death) | 4,502 | 4,502 |
| Accrued Liability (Vesting) | 142,012 | 142,012 |
| Accrued Liability (Refunds) | 0 | 0 |
| Accrued Liability (Inactives) ¹ | 41,581,814 | 39,114,242 |
| Share Plan Balances ¹ | <u>0</u> | <u>0</u> |
| Total Actuarial Accrued Liability (EAN AL) | 44,633,285 | 42,165,713 |
| Unfunded Actuarial Accrued Liability (UAAL) | 8,625,661 | 6,158,089 |
| Funded Ratio (AVA / EAN AL) | 80.7% | 85.4% |

| D. Actuarial Present Value of Accrued Benefits | Proposed <u>10/1/2017</u> | Current <u>10/1/2017</u> |
|--|------------------------------|-----------------------------|
| Vested Accrued Benefits | | |
| Inactives + Share Plan Balances ¹ | 41,581,814 | 39,114,242 |
| Actives | 2,273,713 | 2,273,713 |
| Member Contributions | <u>443,592</u> | <u>443,592</u> |
| Total | 44,299,119 | 41,831,547 |
| Non-vested Accrued Benefits | <u>0</u> | <u>0</u> |
| Total Present Value | | |
| Accrued Benefits (PVAB) | 44,299,119 | 41,831,547 |
| Funded Ratio (MVA / PVAB) | 81.7% | 86.5% |
| Increase (Decrease) in Present Value of Accrued Benefits Attributable to: | | |
| Plan Amendments | 2,467,572 | |
| Assumption Changes | 0 | |
| New Accrued Benefits | 0 | |
| Benefits Paid | 0 | |
| Interest | 0 | |
| Other | <u>0</u> | |
| Total | 2,467,572 | |

| Valuation Date Applicable to Fiscal Year Ending | Proposed 10/1/2017 <u>9/30/2019</u> | Current 10/1/2017 <u>9/30/2019</u> |
|---|---|--|
| E. Pension Cost | | |
| Normal Cost ² | \$132,222 | \$132,222 |
| Administrative Expenses ² | 66,028 | 66,028 |
| Payment Required to Amortize Unfunded Actuarial Accrued Liability over 27 years (as of 10/1/2017) ² | 1,551,459 | 1,313,766 |
| Total Required Contribution | 1,749,709 | 1,512,016 |
| Expected Member Contributions ² | 36,137 | 36,137 |
| Expected City and State Contribution | 1,713,572 | 1,475,879 |

¹ The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2017.

² Contributions developed as of 10/1/2017 displayed above have been adjusted to account for assumed salary increase and interest components.

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rates

Healthy Active Lives:

Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB

Male: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB

Healthy Inactive Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB

Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale

The assumed rates of mortality were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in the July 1, 2016 FRS actuarial valuation report for special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

Previously, the special risk rates from the July 1, 2015 FRS actuarial valuation report were used.

Termination Rates

See Table on the following page (1304). These rates were adopted in conjunction with the October 1, 2011 valuation, based on results of an Experience Study for the period October 1, 1991 through October 1, 2010.

Disability Rates

See Table on the following page (1205). It is assumed that 75% of disablements and active deaths that occur are service-related. These assumptions are consistent with those utilized by other Florida municipal special risk retirement programs.

| <u>Age</u> | <u>% Terminating During the Year</u> | <u>% Becoming Disabled During the Year</u> |
|--------------------------------|---|--|
| 20 | 15.0% | 0.14% |
| 30 | 11.0 | 0.18 |
| 40 | 7.0 | 0.30 |
| | | |
| <u>Retirement Age</u> | Earlier of age 52 and 10 years of service or 25 years of service regardless of age. Also, any member who has reached Normal Retirement Age is assumed to retire at a rate of 25% for the first three years upon attaining first eligibility, and a rate of 100% thereafter. These rates were adopted in conjunction with the October 1, 2011 valuation, based on results of an Experience Study for the period October 1, 1991 through October 1, 2010. | |
| <u>Early Retirement</u> | Commencing at the member's eligibility for Early Retirement (20 years of Credited Service), members are assumed to retire with an immediate, subsidized benefit at the rate of 10% per year. This assumption was adopted in conjunction with the October 1, 2011 valuation, based on results of an Experience Study for the period October 1, 1991 through October 1, 2010. | |
| <u>Interest Rate</u> | 7.0%, compounded annually, net of investment related expenses. This assumption is consistent with the Plan's investment policy and long-term expected returns by asset class. Additionally, the 7.0% assumption was mandated by the Florida Division of Retirement's Reviewing Actuary in conjunction with the Plan's closure to new entrants beginning October 1, 2014. | |
| <u>Inflation Rate</u> | 2.50% per year. This assumption is reasonable, based on long-term experience. | |
| <u>Payroll Growth</u> | None. | |
| <u>Administrative Expenses</u> | \$60,469 annually, based on Administrative Expenses incurred during the prior fiscal year. | |
| <u>Salary Increases</u> | 10.0% for Members with less than 10 years of service, and 5.5% with 10 or more years of service. These rates were adopted in conjunction with the October 1, 2011 valuation, based on results of an Experience Study for the period October 1, 1991 through October 1, 2010. | |
| | Additionally, projected salary at retirement is increased according to the table on the following page for lump sum payments in the year of termination. These rates are averages, based on census data provided by the City. | |

| <u>Service as of 10/1/2012</u> | <u>Final Salary Load</u> |
|---------------------------------|--------------------------|
| 10 or more years | 20.0% |
| More than 1, less than 10 years | 10.0% |
| Less than 1 year | 0.0% |

Asset Smoothing Methodology

The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a de minimis bias that is above or below the Market Value of Assets.

Funding Method

Entry Age Normal Actuarial Cost Method. The following loads are applied for determination of the Sponsor dollar funding requirement:

Interest – A half year, based on the current 7.00% assumption.

Salary – A full year, based on the current 5.50% assumption.

SUMMARY OF PLAN PROVISIONS
(Through Ordinance No. 2015-17)

| | |
|-------------------------------------|--|
| <u>Eligibility</u> | Full-time, sworn police officers shall participate in the System as a condition of employment. Officers hired after September 30, 2014 shall participate in the Florida Retirement System. Members active on September 30, 2014 had the option of participating prospectively in the Florida Retirement System. |
| <u>Credited Service</u> | Total years and fractional parts of years of service with the City as a police officer. |
| <u>Salary</u> | Salary will include the lesser of the amount of sick or annual leave time accrued on the effective date (July 1, 2011) or the actual amount of sick or annual leave time for which the retiree receives payment at the time of retirement, regardless of whether the amount of sick or annual leave was, at some time prior to retirement, reduced below the amount on the effective date. Notwithstanding the foregoing, effective October 1, 2014 for members who are employed, have not reached normal retirement eligibility on that date and elect to continue participating in this system, salary shall mean base pay, excluding overtime and all other compensation; provided, the foregoing provisions regarding the inclusion of unused sick or annual leave time in the salary of members employed prior to the effective date shall continue to apply. |
| <u>Average Final Compensation</u> | Average Salary for the best 5 years during the 10 years immediately preceding termination. |
| <u>Member Contributions</u> | 7.00% of Salary. |
| <u>City and State Contributions</u> | Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over 30 years. In no event will City contributions be less than 12% of the total Salary of the members. |
| <u>Normal Retirement</u> | |
| Date | Earlier of age 52 and 10 years of Credited Service, or 25 years of Credited Service. |
| Benefit | 3.50% of Average Final Compensation times Credited Service through September 30, 2014, plus 2.75% of Average Final Compensation times Credited Service on and after October 1, 2014, plus a \$175 monthly supplement. |

Members eligible for Normal Retirement as of October 1, 2014 will continue to accrue benefits under Plan provisions in effect prior to Ordinance No. 2014-23.

Form of Benefit

Ten Year Certain and Life Annuity
(options available).

Early Retirement

Eligibility

20 years of Credited Service, regardless of age. There is no Early Retirement option for Members with less than 10 years of Credited Service as of October 1, 2014.

Benefit

Accrued benefit, reduced 2% per year preceding Normal Retirement Date.

Vesting

Members are 100% vested in benefits accrued prior to October 1, 2014.

Disability

Eligibility

Total and Permanent as determined by the Board.

Service Incurred

Covered from Date of Employment.

Non-Service Incurred

5 years of Credited Service.

Benefit

62.5% (Service Incurred), or 50% (Non-Service Incurred) of Salary (base hourly pay, plus shift differential plus incentive pay) at time of disability plus \$175 per month. Paid as a 100% Joint and Survivor Annuity.

Death Benefits

Pre-Retirement

Service Incurred

Covered from Date of Employment. 62.5% of earnings paid to spouse until death, or, if no spouse, in equal shares to dependent children.

Non-Service Incurred

Eligible after 5 years of Credited Service. 50% of earnings paid to spouse until death or remarriage, or, if no spouse, in equal shares to dependent children.

Post-Retirement

Benefits payable to beneficiary in accordance with option selected at retirement.

Board of Trustees

- a) Two Council appointees,
- b) Two Members of the Department elected by the membership, and
- c) Fifth Member elected by other 4 and appointed by Council.

Deferred Retirement Option Plan

Eligibility

Satisfaction of Normal Retirement requirements (earlier of 1) Age 50 and 10 years of Credited Service, or 2) 25 years of Credited Service.)

Participation

Not to exceed 60 months

Rate of Return

At member's election:

- a) an effective annual rate of 6.5%, or
- b) Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter.

Form of Distribution

Cash lump sum (options available) at termination of employment.

Chapter 185 Share Account

Pursuant to Chapter 2015-39, Laws of Florida, a share plan exists but is currently not funded as the City and Membership mutually consented to allow the City to use all annual State Monies to offset its funding requirements.