

October 25, 2019

VIA EMAIL

Board of Trustees  
City of Venice  
Municipal Police Officers' Pension Trust Fund  
c/o Amber McNeill  
Resource Centers, LLC  
4100 Center Pointe Drive, Suite 108  
Fort Myers, FL 33916

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

Dear Board:

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

1. 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 the Actuarial Impact Statement as the Plan Administrator and forward the Impact Statement, along with a signed 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 me know.

Sincerely,



Christine M. O'Neal, FSA, EA, MAAA

cc: Scott Christiansen, Plan Attorney  
cc: Alan Bullock, Human Resources Director  
cc: Linda Senne, Finance Director

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 amending retirement benefits for its Police Officers. The change is 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  
P. O. Box 9000  
Tallahassee, FL 32315-9000

Re: Actuarial Impact Statement

Dear Mr. Brinkman:

The City of Venice is considering amending retirement benefits for its Police Officers. The change is 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

October 25, 2019

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 from the proposed Ordinance (identified on page 8 as ksh\dm\ven\pol 04-30-19.ord rev 10-14-19):

Salary is being amended effective October 1, 2018 from base pay, excluding overtime, to what is reported on the member's W-2 form, excluding overtime. To value for this, the City provided us with the additional salary and contributions for the fiscal year ending September 30, 2019. Additionally, the City provided us with pensionable accrued unused sick or annual leave by Officer, and we readjusted the final salary load based on this information, replacing our prior assumption.

The increase in the unfunded actuarial accrued liability is amortized over ten years to be consistent with the Board's decision at the February 13, 2019 meeting to combine the amortization payments into a single base with the October 1, 2019 actuarial valuation.

The cost impact, determined as of October 1, 2018, for the plan/fiscal year ending September 30, 2020, is as follows:

	<u>Proposed</u>	<u>Current</u>
Total Required Contribution	\$1,512,807	\$1,439,986
Member Contributions (Est.)	26,237	24,142
City and State Required Contribution	1,486,570	1,415,844
State Contribution <sup>1</sup>	220,392	220,392
Balance from City	\$1,266,178	\$1,195,452

<sup>1</sup> Represents the amount received in calendar 2019. As per a Mutual Consent Agreement between the Membership and the City, all State Monies received each year will be available to offset the City's required contribution.

CITY OF VENICE  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND

ACTUARIAL IMPACT STATEMENT

October 25, 2019  
(Page 2)

Additionally, the proposed changes below will have no impact on the assumptions used in determining the funding requirements of the program:

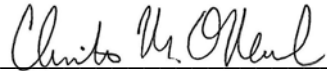
1. Section 50-138, Disability, is being amended to more clearly identify those individuals who may be eligible to apply for a disability pension in the event that they have resigned or their employment is terminated. This clarification does not change the way in which this provision has been applied or interpreted in the past. This change is being made because the current language has been challenged in litigation as being unclear and has resulted in unintended application of the language. The recommended change clarifies the language with no change in the intended application.
2. Section 50-145, Maximum Pension, is being amended by amending subsection (h) to provide that the limitation states exactly what is in the Internal Revenue Code.
3. Section 50-147, Miscellaneous Provisions, is being amended to add subsection (j), Missing Benefit Recipients. This provision is in accordance with a recent IRS Programs Compliance Memorandum that requires plans to have an approved method for locating terminated individuals who are due benefits from the plan.
4. Section 50-158, Deferred Retirement Option Plan, is being amended to remove subsection (f)(8), Prevention of Escheat and re-number the remaining subsections. The information contained in this subsection is being expanded in accordance with IRS guidance and moved to the Miscellaneous Provisions Section of the Plan where it will apply to all benefit recipients rather than just DROP recipients.
5. Section 50-160, Reemployment After Retirement, is being amended to make several changes as required by the Internal Revenue Code to satisfy the qualification requirements applicable to the reemployment of a disability retiree. Additional changes have been made to clarify the reemployment after receipt of early retirement benefits. This subsection has been amended to mirror the City of Venice Municipal Firefighters' Pension Trust Fund which has been reviewed and approved by Jim Linn.

CITY OF VENICE  
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND

ACTUARIAL IMPACT STATEMENT

October 25, 2019  
(Page 3)

The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution. Additionally, 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. All of the sections of this report and the October 1, 2018 actuarial valuation report are considered an integral part of the actuarial opinions.



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Christine M. O'Neal, FSA, EA, MAAA  
Enrolled Actuary #17-7916

STATEMENT OF PLAN ADMINISTRATOR

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

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Chairman, Board of Trustees

# COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Benefits <u>10/1/2018</u>	Old Benefits <u>10/1/2018</u>
A. Participant Data		
Actives	5	5
Service Retirees	38	38
DROP Retirees	3	3
Beneficiaries	9	9
Disability Retirees	7	7
Terminated Vested	<u>32</u>	<u>32</u>
Total	94	94
Total Annual Payroll	\$410,846	\$392,456
Payroll Under Assumed Ret. Age	327,901	315,845
Annual Rate of Payments to:		
Service Retirees	2,255,189	2,255,189
DROP Retirees	241,571	241,571
Beneficiaries	346,012	346,012
Disability Retirees	239,407	239,407
Terminated Vested	575,224	575,224
B. Assets		
Actuarial Value (AVA) <sup>1</sup>	36,873,710	36,873,710
Market Value (MVA) <sup>1</sup>	38,966,127	38,966,127
C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	2,648,934	2,616,949
Disability Benefits	90,784	88,963
Death Benefits	9,529	9,352
Vested Benefits	233,304	231,444
Refund of Contributions	0	0
Service Retirees	26,881,252	26,881,252
DROP Retirees <sup>1</sup>	4,498,522	4,498,522
Beneficiaries	3,325,287	3,325,287
Disability Retirees	2,785,342	2,785,342
Terminated Vested	4,196,437	4,196,437
Share Plan Balances <sup>1</sup>	<u>0</u>	0
Total	44,669,391	44,633,548

C. Liabilities - (Continued)	New Benefits <u>10/1/2018</u>	Old Benefits <u>10/1/2018</u>
Present Value of Future Salaries	1,820,629	1,757,428
Present Value of Future Member Contributions	127,444	123,020
Normal Cost (Retirement)	48,014	47,736
Normal Cost (Disability)	10,132	10,211
Normal Cost (Death)	1,215	1,231
Normal Cost (Vesting)	20,972	20,979
Normal Cost (Refunds)	<u>0</u>	<u>0</u>
Total Normal Cost	80,333	80,157
Present Value of Future Normal Costs	369,451	367,742
Accrued Liability (Retirement)	2,429,202	2,399,249
Accrued Liability (Disability)	43,752	41,709
Accrued Liability (Death)	4,218	3,991
Accrued Liability (Vesting)	135,928	134,017
Accrued Liability (Refunds)	0	0
Accrued Liability (Inactives) <sup>1</sup>	41,686,840	41,686,840
Share Plan Balances <sup>1</sup>	<u>0</u>	0
Total Actuarial Accrued Liability (EAN AL)	44,299,940	44,265,806
Unfunded Actuarial Accrued Liability (UAAL)	7,426,230	7,392,096
Funded Ratio (AVA / EAN AL)	83.2%	83.3%



D. Actuarial Present Value of Accrued Benefits	New Benefits <u>10/1/2018</u>	Old Benefits <u>10/1/2018</u>
Vested Accrued Benefits		
Inactives + Share Plan Balances <sup>1</sup>	41,686,840	41,686,840
Actives	1,601,453	1,601,453
Member Contributions	<u>380,624</u>	<u>380,624</u>
Total	43,668,917	43,668,917
Non-vested Accrued Benefits	<u>0</u>	<u>0</u>
Total Present Value		
Accrued Benefits (PVAB)	43,668,917	43,668,917
Funded Ratio (MVA / PVAB)	89.2%	89.2%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	0	
Benefits Paid	0	
Interest	0	
Other	<u>0</u>	
Total	0	

	New Benefits	Old Benefits
Valuation Date	10/1/2018	10/1/2018
Applicable to Fiscal Year Ending	<u>9/30/2020</u>	<u>9/30/2020</u>
E. Pension Cost		
Normal Cost <sup>2</sup>	\$91,825	\$87,525
Administrative Expenses <sup>2</sup>	79,685	76,120
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 26 years (as of 10/1/2018) <sup>2</sup>	1,341,297	1,276,341
Minimum Required Contribution	1,512,807	1,439,986
Expected Member Contributions <sup>2</sup>	26,237	24,142
Expected City and State Contribution	1,486,570	1,415,844

<sup>1</sup> The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2018.

<sup>2</sup> Contributions developed as of 10/1/2018 displayed above have been adjusted to account for assumed salary increase and interest components. It is important to note that the salary increase component increased under the new benefits due to the change in the pay

## ACTUARIAL ASSUMPTIONS AND METHODS

### Mortality Rate

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

### Interest Rate

7.00% per year 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.

### Salary Increases

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%

Payroll Growth

0.00% for purposes of amortizing the Unfunded Actuarial Accrued Liability. This assumption cannot exceed the ten-year average payroll growth, in compliance with Part VII of Chapter 112, Florida Statutes.

Administrative Expenses

\$69,712 annually, based on actual expenses incurred in the prior fiscal year.

Retirement Age

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.

Early Retirement

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.

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.

Inflation Rate

2.50% per year. This assumption is reasonable, based on long-term experience and input from the plan's investment consultant.

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.

<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

SUMMARY OF CURRENT PLAN  
(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.
<u>Benefit</u>	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.