

**TOWN OF BELLEAIR
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM
ACTUARIAL IMPACT STATEMENT**

October 17, 2017

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

- 1.) For service earned on or after October 1, 2013, pensionable salary shall not include more than three hundred (300) hours of overtime per calendar year. For the purpose of this impact statement, it is assumed that this will not affect the current Plan Members.
- 2.) For service earned on or after October 1, 2013, salary will include the lesser of the amount of sick or annual leave time accrued on October 1, 2013 or the actual amount of sick or annual leave time for which the retiree receives payment at the time of retirement. To value this provision we were provided the amount of sick and annual leave time each member had on October 1, 2013 and we assumed that is what would be pensionable at retirement.
- 3.) Provide that only future new employees hired as police chief may opt out of the plan. Current employees who are selected to become police chief are not eligible to opt out of the plan.

The cost impact, determined as of October 1, 2016, (as applicable to the fiscal year ending September 30, 2018), is as follows:

	<u>Current</u>	<u>Proposed</u>
Town and State Required Contribution	\$230,311	\$221,881
State Contribution (est.) ¹	48,560	48,560
Balance from Town	181,751	173,321


¹ Represents the amount received in fiscal 2016.

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The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution. The liabilities were computed based on the data used for the October 1, 2016 actuarial valuation utilizing the assumptions and methods stated in the October 1, 2016 actuarial valuation report. This impact statement and the October 1, 2016 valuation report are considered an integral part of the actuarial opinions. 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.



Patrick T. Donlan, ASA, EA, MAAA
Enrolled Actuary #17-6595

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

	New Benefits	Old Benefits
	<u>10/1/2016</u>	<u>10/1/2016</u>
A. Participant Data		
Actives	12	12
Service Retirees	8	8
Beneficiaries	0	0
Disability Retirees	0	0
Terminated Vested	<u>6</u>	<u>6</u>
 Total	 26	 26
 Total Annual Payroll	 \$776,203	 \$776,203
Payroll Under Assumed Ret. Age	776,203	776,203
 Annual Rate of Payments to:		
Service Retirees	174,352	174,352
Beneficiaries	0	0
Disability Retirees	0	0
Terminated Vested	0	0
 B. Assets		
Actuarial Value (AVA)	3,378,040	3,378,040
Market Value (MVA)	3,254,679	3,254,679
 C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	2,481,876	2,530,730
Disability Benefits	53,398	53,509
Death Benefits	22,694	23,027
Vested Benefits	48,725	48,820
Refund of Contributions	2,878	2,878
Service Retirees	1,847,840	1,847,840
Beneficiaries	0	0
Disability Retirees	0	0
Terminated Vested	28,334	28,334
Excess State Monies Reserve	<u>0</u>	<u>0</u>
 Total	 4,485,745	 4,535,138

C. Liabilities - (Continued)	New Benefits <u>10/1/2016</u>	Old Benefits <u>10/1/2016</u>
Present Value of Future Salaries	2,587,059	2,587,059
Present Value of Future Member Contributions	155,224	155,224
Total Normal Cost	162,593	168,433
Present Value of Future Normal Costs (EAN)	712,261	731,726
Total Actuarial Accrued Liability (AL)	3,943,827	3,973,756
Unfunded Actuarial Accrued Liability (UAAL)	565,787	595,716
Funded Ratio (AVA / AL)	85.7%	85.0%

D. Actuarial Present Value of Accrued Benefits	New Benefits <u>10/1/2016</u>	Old Benefits <u>10/1/2016</u>
Vested Accrued Benefits		
Inactives	1,876,174	1,876,174
Actives	1,062,892	1,082,013
Member Contributions	<u>332,515</u>	<u>332,515</u>
Total	3,271,581	3,290,702
Non-vested Accrued Benefits	<u>237,272</u>	<u>245,672</u>
Total Present Value Accrued Benefits (PVAB)	3,508,853	3,536,374
Funded Ratio (MVA / PVAB)	92.8%	92.0%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	(27,521)	
Assumption Changes	0	
New Accrued Benefits	0	
Benefits Paid	0	
Interest	0	
Other	<u>0</u>	
Total	(27,521)	

	New Benefits	Old Benefits
Valuation Date	10/1/2016	10/1/2016
Applicable to Fiscal Year Ending	<u>9/30/2018</u>	<u>9/30/2018</u>
E. Pension Cost		
Normal Cost ¹	\$179,872	\$186,332
Administrative Expenses ¹	29,962	29,962
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/2016) ¹	63,568	65,538
Total Required Contribution	273,402	281,832
Expected Member Contributions ¹	51,521	51,521
Expected Town and State Contribution	221,881	230,311

¹ Contributions developed as of 10/1/2016 displayed above have been adjusted to account for assumed salary increase and interest components.

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy 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 assumptions 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, 2015 FRS actuarial valuation report for special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

Previously, the RP 2000 Combined Healthy – Sex Distinct with disabled lives set forward 5 years was utilized.

Interest Rate

7.75% per year compounded annually, net of investment related expenses. This is supported by the target asset class allocation of the trust and the expected long-term return by asset class.

Retirement Age

Earlier of Age 55 with 5 years of credited service or 25 years of credited service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year. We feel that this assumption is reasonable based on Plan provisions.

Early Retirement

Commencing with the earliest Early Retirement (Age 50 with 10 years of Credited Service), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year. We feel that this assumption is reasonable based on Plan provisions.

Disability Rate

See table on the following page (65% of which are assumed to be regular in-line of duty, 10% catastrophic, and 25% not-in-line of duty). This assumption was developed from those used by other plans containing Florida municipal Police Officers.

Termination Rate

See table on the following page. This is based on the results of an experience study for the period 2002 to 2010.

Salary Increases

6.5% per year until the assumed retirement age; see table below. Projected salary at retirement is increased 20% to account for final non-regular compensation (individually calculated for the Proposed Benefits). This is supported by the results of an experience study for the period 1987 to 2010.

Payroll Growth

3.0% per year. This is in compliance with Part VII of Chapter 112, Florida Statutes.

Funding Method

Frozen Entry Age Actuarial Cost Method.

Actuarial Asset Method

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

Administrative Expenses

\$27,084 annually. This is equal to the actual non-investment-related expenses paid out of the trust during the year.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>	<u>Current Salary as % of Salary at age 55</u>
20	12.0%	0.03%	11.0%
30	10.0	0.04	20.7
40	5.2	0.07	38.9
50	1.6	0.18	73.0

SUMMARY OF CURRENT PLAN

<u>EFFECTIVE DATE</u>	July 1, 1968.
<u>AMENDED</u>	September 18, 2013.
<u>CREDITED SERVICE</u>	Years and fractional parts of years of service as a Full-time Police Officer.
<u>SALARY</u>	W-2 earnings plus tax deferred, tax sheltered and tax exempt income.
<u>AVERAGE FINAL COMPENSATION</u>	Average of Salary during the best 5 years of the last 10.
<u>NORMAL RETIREMENT</u>	
Eligibility	Age 55 and the completion of 5 years of Credited Service or the completion of 25 years of Credited Service, regardless of age.
Benefit Amount	3.50% of Average Final Compensation <u>times</u> Credited Service.
Form of Benefit	10 year certain and life thereafter (Options available).
<u>EARLY RETIREMENT</u>	
Eligibility	Age 50 and 10 years of Credited Service.
Benefit Amount	Accrued benefit, reduced 3% for each year that benefit commencement precedes normal retirement.
<u>DISABILITY</u>	
Eligibility	Total and permanent disability prior to Normal Retirement Date. 10 years of Creditable Service required for non-service related disability.
Benefit Amount	
(Service)	Unreduced accrued benefit, but not less than 42% of Average Final Compensation.
(Non-service)	Unreduced accrued benefit.

DEATH

Vested or On-Duty

Member's accrued benefit payable at what would have been the Member's Normal or Early (reduced) Retirement Date for 10 years.

Non-vested, Off-Duty

Refund of Member contributions.

VESTING (TERMINATION)

Less than 10 years of Credited Service

Refund of member contributions.

10 or more years of Service

Accrued benefit payable at age 50 or later, on Credited an actuarially reduced basis if to commence prior to Normal Retirement Date, or a refund of member contributions with interest.

CONTRIBUTIONS

Employee

6% of Salary.

Town and State

Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability as provided in Part VII, Florida Statutes, Chapter 112.

BOARD OF TRUSTEES

- a) Two Town Commission appointees,
- b) Two Members of the System elected by a majority of the other covered Police Officers, and
- c) A fifth Member elected by the other 4 and appointed by Commission.