

September 9, 2019

VIA EMAIL

Mr. Stefan Massol
Director of Support Services
Town of Belleair, FL

Re: Town of Belleair Municipal Police Officers' Retirement System - Special Actuarial Analysis

Dear Mr. Massol:

As requested, we have performed a special actuarial analysis to determine the impact on the Town's funding requirements of various proposed changes to the pension benefits if the proposed changes only affected new Police Officers hired on or after October 1, 2019. Because these proposed changes only affect future Police Officers, they would have no impact on the current funding requirements to the program, but would have an impact in future years as new Police Officers are hired.

The funding requirements to the Plan are made up of the normal cost for each Police Officer plus administrative expenses plus an amortization of the Unfunded Actuarial Accrued Liability. Brand new employees have no Unfunded Actuarial Accrued Liability, and for this analysis we are assuming that the administrative expenses are unaffected by the benefit level offered to the Police Officers. Therefore, the effect of a change in the benefits provided to new Officers is assumed to be the change in the normal cost plus the change in member contributions for each new officer.

For this analysis we have projected when each of the current Police Officers will retire under our current assumptions utilized in the October 1, 2018 actuarial valuation report. When each officer is replaced, we have projected the estimated savings in normal cost for that year and future years if the retiring officer is replaced with a new officer with the same entry age as the retiring officer. To determine the estimated salary of the new officer, we looked at the average fiscal 2018 Salary for the three most recently hired officers and projected salary increases to the new date assuming 5.77% increases each year (the current average expected increase in the annual valuation report). To get the estimated annual savings we compared the normal cost less member contributions for that officer under the current benefit structure with the normal cost less member contributions for that officer under the proposed benefit structure. The projected annual reduction in Town funding requirements for each of the following benefit changes for fiscal years 2020 through 2026 are shown in the exhibit at the end of this report:

55 & 10 Normal Retirement – Currently the Normal Retirement Date criteria for Police Officers is the earlier of 1.) Age 55 and the completion of **5 years** of Credited Service, or 2.) the completion of 25 years of Credited Service, regardless of Age. Under the proposal, the Normal Retirement Date criteria would be the earlier of 1.) Age 55 and the completion of **10 years** of Credited Service, or 2.) the completion of 25 years of Credited Service, regardless of Age.

3.00% Benefit Accrual Rate – Currently the Normal Retirement Benefit equals **3.50%** of Average Final Compensation for each year of Credited Service. Under this proposal, the Normal Retirement Benefit would equal **3.00%** of Average Final Compensation for each year of Credited Service.

2.75% Benefit Accrual Rate – Currently the Normal Retirement Benefit equals **3.50%** of Average Final Compensation for each year of Credited Service. Under this proposal, the Normal Retirement Benefit would equal **2.75%** of Average Final Compensation for each year of Credited Service.

8.0% Member Contribution Rate – Currently, the members contribute **6.0%** of their pensionable Salary to help offset the Town's required contributions. Under this proposal, the Member Contribution Rate for officers hired after October 1, 2019 would be **8.0%** of their pensionable Salary.

10.0% Member Contribution Rate – Currently, the members contribute **6.0%** of their pensionable Salary to help offset the Town's required contributions. Under this proposal, the Member Contribution Rate for officers hired after October 1, 2019 would be **10.0%** of their pensionable Salary.

Please note the contents of this analysis and the October 1, 2018 actuarial valuation report are considered an integral part of the actuarial opinions. All assumptions and methods are the same as the October 1, 2018 actuarial valuation report, except as 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.

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 valuation, we did not perform an analysis of the potential range of such future measurements.

Hopefully the results of this analysis will lead to good discussions. If you have any questions, concerns, or would like to discuss the results in greater detail, please do not hesitate to contact us.

Sincerely,

A handwritten signature in black ink that reads "Patrick T. Donlan". The signature is fluid and cursive, with a long horizontal line extending from the end.

Patrick T. Donlan, EA, ASA, MAAA
PTD/lke

Town of Belleair Municipal Police Officers' Retirement System

Special Actuarial Analysis - September 9, 2019

	Approximate Annual Savings to Town in Fiscal Year ¹						
	2021	2022	2023	2024	2025	2026	2027
55 & 10 Normal Retirement	19,055	27,869	33,315	41,536	43,933	46,468	55,185
3.0% Benefit Accrual Rate	16,514	23,273	27,422	33,146	35,058	37,081	47,737
2.75% Benefit Accrual Rate	24,769	34,908	41,131	49,717	52,585	55,620	71,604
8.0% Member Contribution Rate	8,372	11,806	14,035	16,462	17,412	18,416	23,149
10.0% Member Contribution Rate	16,743	23,612	28,070	32,923	34,823	36,832	46,298

¹ Estimates total annual Town savings for officers hired on or after October 1, 2019 by comparing normal cost less member contributions under current and proposed benefit structures.