

CITY OF VERO BEACH
POLICE OFFICERS' RETIREMENT FUND

SECTION 112.664, FLORIDA STATUTES COMPLIANCE
DETERMINED AS OF THE
OCTOBER 1, 2019 VALUATION DATE



April 24, 2020

VIA E-MAIL

Mickenzie Wright
Records Specialist
Foster & Foster, Inc.
2503 Del Prado Blvd. S., Suite 502
Cape Coral, FL 33904

Re: City of Vero Beach Police Officers' Retirement Fund
Section 112.664, Florida Statutes Compliance

Dear Mickenzie:

Please find enclosed the annual disclosures that satisfy the October 1, 2019 financial reporting requirements made under Section 112.664.

Our office will submit this information electronically to the Department of Management Services. However, it is important for you to be aware that this report must also be made available on the Plan or Plan Sponsor's website, if such website exists. A deadline for this website publication is not made clear in the law.

In addition to the enclosed report, the Plan or Plan Sponsor's website must provide a link to the Division of Retirement's Actuarial Summary Fact Sheet for the Plan, and also report the previous five years' assumed and actual rates of return, along with their respective asset allocations. The Board should contact its Investment Consultant for this information.

With respect to the reporting standards for defined benefit retirement plans or systems contained in Section 112.664(1), F.S., the actuarial disclosures required under this section were prepared and completed by me or under my direct supervision and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, meet the requirements of Section 112.664(1), Florida Statutes, and Rule 60T-1.0035, Florida Administrative Code.

If there are any questions, concerns, or comments about any of the items contained in this report, please feel free to contact me.

Respectfully submitted,

Foster & Foster, Inc.

By: 
Drew D. Ballard, EA, MAAA
Enrolled Actuary #20-8193

Enclosures

cc via email: Ken Harrison, Board Attorney
cc via email: Siera Feketa, Plan Administrator

When reviewing the following schedules, please note the following:

- 1) The purpose of producing this report is solely to satisfy the requirements set forth by Section 112.664, Florida Statutes, and is mandatory for every Florida public pension fund, excluding the Florida Retirement System (FRS).
- 2) None of the schedules shown have any impact on the funding requirements of the Plan. These schedules are for statutory compliance purposes only.
- 3) In the schedules that follow, the columns labeled “ACTUAL” represent the final recorded GASB 67/68 results. The columns labeled “HYPOTHETICAL” illustrate what the results would have been if different assumptions were used.
- 4) It is our opinion that the Plan’s actual assumptions utilized in the October 1, 2019 Actuarial Valuation Report, as adopted by the Board of Trustees, are reasonable individually and in the aggregate, and represent our best estimate of future Plan experience.
- 5) The “Number of Years Expected Benefit Payments Sustained” calculated in Section II: Asset Sustainability should not be interpreted as the number of years the Plan has left until it is insolvent. This calculation is required by 112.664, Florida Statutes, but the numeric result is irrelevant, since in its calculation we are to assume there will be no further contributions to the Fund. As long as the Actuarially Determined Contribution is made each year the Plan will never become insolvent.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FISCAL YEAR SEPTEMBER 30, 2019

	ACTUAL	HYPOTHETICAL
	7.65% RP-2000 Generational	5.65% RP-2000 Generational
<u>Total Pension Liability</u>		
Service Cost	605,715	994,186
Interest	3,525,391	3,315,948
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	49,124	497,951
Changes of Assumptions	-	-
Contributions - Buy Back	-	-
Benefit Payments, Including Refunds of Employee Contributions	(2,738,251)	(2,738,251)
Net Change in Total Pension Liability	1,441,979	2,069,834
Total Pension Liability - Beginning	46,846,951	59,064,287
Total Pension Liability - Ending (a)	<u>\$ 48,288,930</u>	<u>\$ 61,134,121</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	788,992	788,992
Contributions - State	280,231	280,231
Contributions - Employee	212,777	212,777
Net Investment Income	1,563,321	1,563,321
Benefit Payments, Including Refunds of Employee Contributions	(2,738,251)	(2,738,251)
Administrative Expenses	(91,872)	(91,872)
Net Change in Plan Fiduciary Net Position	15,198	15,198
Plan Fiduciary Net Position - Beginning	43,682,138	43,682,138
Plan Fiduciary Net Position - Ending (b)	<u>\$ 43,697,336</u>	<u>\$ 43,697,336</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 4,591,594</u>	<u>\$ 17,436,785</u>

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: 7.65% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2019	43,697,336	-	3,578,926	-	3,205,952	43,324,362
2020	43,324,362	-	3,069,101	-	3,196,921	43,452,182
2021	43,452,182	-	3,176,461	-	3,202,592	43,478,313
2022	43,478,313	-	3,225,417	-	3,202,719	43,455,615
2023	43,455,615	-	3,418,660	-	3,193,591	43,230,546
2024	43,230,546	-	3,519,072	-	3,172,532	42,884,006
2025	42,884,006	-	3,579,840	-	3,143,698	42,447,864
2026	42,447,864	-	3,636,055	-	3,108,182	41,919,991
2027	41,919,991	-	3,711,096	-	3,064,930	41,273,825
2028	41,273,825	-	3,757,011	-	3,013,742	40,530,556
2029	40,530,556	-	3,773,877	-	2,956,237	39,712,916
2030	39,712,916	-	3,785,359	-	2,893,248	38,820,805
2031	38,820,805	-	3,814,463	-	2,823,888	37,830,230
2032	37,830,230	-	3,856,777	-	2,746,491	36,719,944
2033	36,719,944	-	3,837,412	-	2,662,295	35,544,827
2034	35,544,827	-	3,816,599	-	2,573,194	34,301,422
2035	34,301,422	-	3,801,001	-	2,478,670	32,979,091
2036	32,979,091	-	3,777,249	-	2,378,421	31,580,263
2037	31,580,263	-	3,743,761	-	2,272,691	30,109,193
2038	30,109,193	-	3,709,216	-	2,161,476	28,561,453
2039	28,561,453	-	3,668,817	-	2,044,619	26,937,255
2040	26,937,255	-	3,623,837	-	1,922,088	25,235,506
2041	25,235,506	-	3,571,223	-	1,793,917	23,458,200
2042	23,458,200	-	3,509,825	-	1,660,301	21,608,676
2043	21,608,676	-	3,445,985	-	1,521,255	19,683,946
2044	19,683,946	-	3,373,529	-	1,376,784	17,687,201
2045	17,687,201	-	3,293,339	-	1,227,101	15,620,963
2046	15,620,963	-	3,206,387	-	1,072,359	13,486,935
2047	13,486,935	-	3,112,988	-	912,679	11,286,626
2048	11,286,626	-	3,013,104	-	748,176	9,021,698
2049	9,021,698	-	2,906,963	-	578,969	6,693,704
2050	6,693,704	-	2,794,208	-	405,190	4,304,686
2051	4,304,686	-	2,674,793	-	226,998	1,856,891
2052	1,856,891	-	2,549,268	-	-	-

*All DROP Balances paid in 2019.

Number of Years Expected Benefit Payments Sustained: 33.73

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.65% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 2
Hypothetical Assumptions: 5.65% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2019	43,697,336	-	3,578,926	-	2,367,795	42,486,205
2020	42,486,205	-	3,069,101	-	2,313,768	41,730,872
2021	41,730,872	-	3,176,461	-	2,268,059	40,822,470
2022	40,822,470	-	3,225,417	-	2,215,352	39,812,405
2023	39,812,405	-	3,418,660	-	2,152,824	38,546,569
2024	38,546,569	-	3,519,072	-	2,078,467	37,105,964
2025	37,105,964	-	3,579,840	-	1,995,356	35,521,480
2026	35,521,480	-	3,636,055	-	1,904,245	33,789,670
2027	33,789,670	-	3,711,096	-	1,804,278	31,882,852
2028	31,882,852	-	3,757,011	-	1,695,246	29,821,087
2029	29,821,087	-	3,773,877	-	1,578,279	27,625,489
2030	27,625,489	-	3,785,359	-	1,453,904	25,294,034
2031	25,294,034	-	3,814,463	-	1,321,354	22,800,925
2032	22,800,925	-	3,856,777	-	1,179,298	20,123,446
2033	20,123,446	-	3,837,412	-	1,028,568	17,314,602
2034	17,314,602	-	3,816,599	-	870,456	14,368,459
2035	14,368,459	-	3,801,001	-	704,440	11,271,898
2036	11,271,898	-	3,777,249	-	530,155	8,024,804
2037	8,024,804	-	3,743,761	-	347,640	4,628,683
2038	4,628,683	-	3,709,216	-	156,735	1,076,202
2039	1,076,202	-	3,668,817	-	-	-

*All DROP Balances paid in 2019.

Number of Years Expected Benefit Payments Sustained: 20.29

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.65% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2021

Valuation Date: 10/1/2019

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.65% RP-2000 Generational	5.65% RP-2000 Generational
Minimum Required Contribution (Fixed \$)	\$1,275,054	\$2,512,204
Minimum Required Contribution (% of Payroll)	35.0%	69.0%
Expected Member Contribution	239,732	237,423
Expected State Money	280,231	280,231
Expected Sponsor Contribution (Fixed \$)	\$755,091	\$1,994,550
Expected Sponsor Contribution (% of Payroll)	20.6%	54.6%

ASSETS

Actuarial Value ¹	43,847,237	43,847,237
Market Value ¹	43,697,336	43,697,336

LIABILITIES

Present Value of Benefits		
Active Members		
Retirement Benefits	19,110,087	27,390,072
Disability Benefits	852,744	1,170,388
Death Benefits	256,104	375,568
Vested Benefits	576,234	893,022
Refund of Contributions	123,925	131,303
Service Retirees	25,655,454	31,652,827
DROP Retirees ¹	5,109,347	6,245,039
Beneficiaries	1,455,692	1,690,910
Disability Retirees	202,526	227,742
Terminated Vested	226,061	338,833
Share Plan Balances ¹	0	0
Total:	<u>53,568,174</u>	<u>70,115,704</u>
Present Value of Future Salaries	24,543,111	27,498,379
Present Value of Future Member Contributions	1,557,152	1,744,650
Total Normal Cost	617,630	1,006,334
Present Value of Future Normal Costs (Entry Age Normal)	4,296,262	7,917,249
Total Actuarial Accrued Liability ¹	49,271,912	62,198,455
Unfunded Actuarial Accrued Liability (UAAL)	5,424,675	18,351,218

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2021

Valuation Date: 10/1/2019

	ACTUAL	HYPOTHETICAL
	7.65%	5.65%
	RP-2000	RP-2000
	Generational	Generational
<u>PENSION COST</u>		
Normal Cost ²	648,759	1,057,053
Administrative Expenses ²	119,472	119,472
Payment Required To Amortize UAAL ²	506,823	1,335,679
Minimum Required Contribution	\$1,275,054	\$2,512,204

¹ The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2019.

² Contributions developed as of 10/1/2019 displayed above have been adjusted to account for an assumed salary component.