

CITY OF VERO BEACH
POLICE OFFICERS' RETIREMENT FUND

SECTION 112.664, FLORIDA STATUTES COMPLIANCE
DETERMINED AS OF THE
OCTOBER 1, 2022 VALUATION DATE



June 21, 2023

VIA E-MAIL

Ms. Siera Feketa, Plan Administrator
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 Siera:

Please find enclosed the annual disclosures that satisfy the October 1, 2022 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:



Sara E. Carlson, ASA, EA, MAAA
Enrolled Actuary #23-8546

Enclosures

cc via email: Ken Harrison, Board Attorney
cc via email: Jessica A. De la Torre Vila, Legal Assistant

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, 2022 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, 2022

	ACTUAL	HYPOTHETICAL
Discount Rate:	7.35%	5.35%
<u>Total Pension Liability</u>		
Service Cost	632,225	1,064,827
Interest	3,880,464	2,862,306
Changes of Benefit Terms	(462,637)	(635,236)
Differences Between Expected and Actual Experience	720,612	1,798,088
Changes of Assumptions	614,022	913,855
Contributions - Buy Back	-	-
Benefit Payments, Including Refunds of Employee Contributions	(2,443,549)	(2,443,549)
Net Change in Total Pension Liability	2,941,137	3,560,291
Total Pension Liability - Beginning	52,676,315	67,233,046
Total Pension Liability - Ending (a)	<u>\$ 55,617,452</u>	<u>\$ 70,793,337</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	697,348	697,348
Contributions - State	309,953	309,953
Contributions - Employee	267,014	267,014
Net Investment Income	(8,272,580)	(8,272,580)
Benefit Payments, Including Refunds of Employee Contributions	(2,443,549)	(2,443,549)
Administrative Expenses	(96,924)	(96,924)
Net Change in Plan Fiduciary Net Position	(9,538,738)	(9,538,738)
Plan Fiduciary Net Position - Beginning	54,540,488	54,540,488
Plan Fiduciary Net Position - Ending (b)	<u>\$ 45,001,750</u>	<u>\$ 45,001,750</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 10,615,702</u>	<u>\$ 25,791,587</u>

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: Discount Rate = 7.35%

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
2022	45,001,750	-	4,047,986	-	3,158,865	44,112,629
2023	44,112,629	-	3,262,717	-	3,122,373	43,972,285
2024	43,972,285	-	3,425,930	-	3,106,060	43,652,415
2025	43,652,415	-	3,570,428	-	3,077,239	43,159,226
2026	43,159,226	-	3,687,197	-	3,036,699	42,508,728
2027	42,508,728	-	3,790,616	-	2,985,086	41,703,198
2028	41,703,198	-	3,882,480	-	2,922,504	40,743,222
2029	40,743,222	-	3,952,214	-	2,849,383	39,640,391
2030	39,640,391	-	4,059,391	-	2,764,386	38,345,386
2031	38,345,386	-	4,118,369	-	2,667,036	36,894,053
2032	36,894,053	-	4,156,380	-	2,558,966	35,296,639
2033	35,296,639	-	4,185,279	-	2,440,494	33,551,854
2034	33,551,854	-	4,199,400	-	2,311,733	31,664,187
2035	31,664,187	-	4,202,823	-	2,172,864	29,634,228
2036	29,634,228	-	4,208,308	-	2,023,460	27,449,380
2037	27,449,380	-	4,207,437	-	1,862,906	25,104,849
2038	25,104,849	-	4,192,113	-	1,691,146	22,603,882
2039	22,603,882	-	4,171,924	-	1,508,067	19,940,025
2040	19,940,025	-	4,140,772	-	1,313,418	17,112,671
2041	17,112,671	-	4,105,155	-	1,106,917	14,114,433
2042	14,114,433	-	4,061,241	-	888,160	10,941,352
2043	10,941,352	-	4,011,682	-	656,760	7,586,430
2044	7,586,430	-	3,950,333	-	412,428	4,048,525
2045	4,048,525	-	3,881,459	-	154,923	321,989
2046	321,989	-	3,800,918	-	-	-

*All DROP Balances paid in 2022.

Number of Years Expected Benefit Payments Sustained: 24.08

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.35% 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: Discount Rate = 5.35%

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
2022	45,001,750	-	4,047,986	-	2,299,310	43,253,074
2023	43,253,074	-	3,262,717	-	2,226,762	42,217,119
2024	42,217,119	-	3,425,930	-	2,166,972	40,958,161
2025	40,958,161	-	3,570,428	-	2,095,753	39,483,486
2026	39,483,486	-	3,687,197	-	2,013,734	37,810,023
2027	37,810,023	-	3,790,616	-	1,921,437	35,940,844
2028	35,940,844	-	3,882,480	-	1,818,979	33,877,343
2029	33,877,343	-	3,952,214	-	1,706,716	31,631,845
2030	31,631,845	-	4,059,391	-	1,583,715	29,156,169
2031	29,156,169	-	4,118,369	-	1,449,689	26,487,489
2032	26,487,489	-	4,156,380	-	1,305,897	23,637,006
2033	23,637,006	-	4,185,279	-	1,152,624	20,604,351
2034	20,604,351	-	4,199,400	-	989,999	17,394,950
2035	17,394,950	-	4,202,823	-	818,204	14,010,331
2036	14,010,331	-	4,208,308	-	636,980	10,439,003
2037	10,439,003	-	4,207,437	-	445,938	6,677,504
2038	6,677,504	-	4,192,113	-	245,107	2,730,498
2039	2,730,498	-	4,171,924	-	-	-

*All DROP Balances paid in 2022.

Number of Years Expected Benefit Payments Sustained: 17.65

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.35% 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, 2024

Valuation Date: 10/1/2022

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
Investment Rate of Return:	7.35%	5.35%
Minimum Required Contribution (Fixed \$)	\$1,217,960	\$2,658,219
Minimum Required Contribution (% of Payroll)	31.5%	68.8%
Expected Member Contribution	263,781	261,237
Expected State Money	309,953	309,953
Expected Sponsor Contribution (Fixed \$)	\$644,226	\$2,087,029
Expected Sponsor Contribution (% of Payroll)	16.5%	53.8%

ASSETS

Actuarial Value ¹	51,511,279	51,511,279
Market Value ¹	45,001,750	45,001,750

LIABILITIES

Present Value of Benefits		
Active Members		
Retirement Benefits	22,687,783	33,329,414
Disability Benefits	791,415	1,142,953
Death Benefits	247,710	373,957
Vested Benefits	442,099	746,618
Refund of Contributions	199,243	209,578
Service Retirees	28,048,618	34,554,158
DROP Retirees ¹	6,019,521	7,498,589
Beneficiaries	1,951,839	2,310,388
Disability Retirees	205,528	230,850
Terminated Vested	306,495	439,675
Share Plan Balances ¹	0	0
Total:	<u>60,900,251</u>	<u>80,836,180</u>
Present Value of Future Salaries	28,617,217	32,467,811
Present Value of Future Member Contributions	1,885,875	2,139,629
Total Normal Cost	665,240	1,111,015
Present Value of Future Normal Costs (Entry Age Normal)	5,004,245	9,695,479
Total Actuarial Accrued Liability (EAN) ¹	55,896,006	71,140,701
Unfunded Actuarial Accrued Liability (UAAL)	4,384,727	19,629,422

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2024

Valuation Date: 10/1/2022

	ACTUAL	HYPOTHETICAL
Investment Rate of Return:	7.35%	5.35%
<u>PENSION COST</u>		
Normal Cost ²	697,704	1,165,233
Administrative Expenses ²	101,601	101,601
Payment Required To Amortize UAAL ²	418,655	1,391,385
Minimum Required Contribution	\$1,217,960	\$2,658,219

¹ The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2022.

² Contributions developed as of 10/1/2022 displayed above have been adjusted to account for assumed salary increase components.