

May 28, 2019

VIA EMAIL

Cheryl Jackson, Plan Administrator  
City of Pensacola  
Police Officers' Retirement Fund  
222 West Main Street  
Pensacola, FL 32502

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

Dear Cheryl:

Please find enclosed the annual disclosures that satisfy the October 1, 2018 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.

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 #17-8193

Enclosures

cc via email: Michael J. Stebbins, Board Attorney

CITY OF PENSACOLA  
POLICE OFFICERS' RETIREMENT FUND

SECTION 112.664, FLORIDA STATUTES  
COMPLIANCE

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.

By:  Date: 5/28/2019  
Drew D. Ballard, EA, MAAA  
Enrolled Actuary #17-8193



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, 2018 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, 2018

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.125% RP-2000 Generational	5.125% RP-2000 Generational
<u>Total Pension Liability</u>		
Service Cost	816,071	1,392,518
Interest	8,949,790	8,509,972
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Contributions - Buy Back	47,123	47,123
Benefit Payments, Including Refunds of Employee Contributions	(6,397,599)	(6,397,599)
Net Change in Total Pension Liability	3,415,385	3,552,014
Total Pension Liability - Beginning	127,993,821	167,854,509
Total Pension Liability - Ending (a)	<u>\$ 131,409,206</u>	<u>\$ 171,406,523</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	4,528,544	4,528,544
Contributions - State	572,693	572,693
Contributions - Employee	209,565	209,565
Contributions - Buy Back	47,123	47,123
Net Investment Income	9,429,700	9,429,700
Benefit Payments, Including Refunds of Employee Contributions	(6,397,599)	(6,397,599)
Administrative Expenses	(52,447)	(52,447)
Net Change in Plan Fiduciary Net Position	8,337,579	8,337,579
Plan Fiduciary Net Position - Beginning	93,617,461	93,617,461
Less Reserve Accounts	371,687	371,687
Plan Fiduciary Net Position - Ending (b)	<u>\$ 101,583,353</u>	<u>\$ 101,583,353</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 29,825,853</u>	<u>\$ 69,823,170</u>

## PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1

Plan Assumptions: 7.125% 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
2018	101,955,040	-	8,033,022	-	6,978,120	100,900,138
2019	100,900,138	-	7,266,418	-	6,930,269	100,563,989
2020	100,563,989	-	7,601,199	-	6,894,392	99,857,182
2021	99,857,182	-	7,860,672	-	6,834,788	98,831,298
2022	98,831,298	-	8,112,286	-	6,752,730	97,471,742
2023	97,471,742	-	8,344,387	-	6,647,593	95,774,948
2024	95,774,948	-	8,619,143	-	6,516,908	93,672,713
2025	93,672,713	-	8,900,948	-	6,357,085	91,128,850
2026	91,128,850	-	9,156,624	-	6,166,726	88,138,952
2027	88,138,952	-	9,376,636	-	5,945,858	84,708,174
2028	84,708,174	-	9,564,558	-	5,694,720	80,838,336
2029	80,838,336	-	9,775,109	-	5,411,493	76,474,720
2030	76,474,720	-	9,924,813	-	5,095,252	71,645,159
2031	71,645,159	-	10,082,262	-	4,745,537	66,308,434
2032	66,308,434	-	10,213,955	-	4,360,604	60,455,083
2033	60,455,083	-	10,304,717	-	3,940,319	54,090,685
2034	54,090,685	-	10,402,881	-	3,483,359	47,171,163
2035	47,171,163	-	10,471,288	-	2,987,906	39,687,781
2036	39,687,781	-	10,513,801	-	2,453,200	31,627,180
2037	31,627,180	-	10,537,449	-	1,878,040	22,967,771
2038	22,967,771	-	10,538,439	-	1,261,022	13,690,354
2039	13,690,354	-	10,516,385	-	600,792	3,774,761
2040	3,774,761	-	10,467,214	-	-	-

\*All DROP Balances paid in 2018.

Number of Years Expected Benefit Payments Sustained: 22.36

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.13% 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: 5.125% 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
2018	101,955,040	-	8,033,022	-	5,019,350	98,941,368
2019	98,941,368	-	7,266,418	-	4,884,543	96,559,493
2020	96,559,493	-	7,601,199	-	4,753,893	93,712,187
2021	93,712,187	-	7,860,672	-	4,601,320	90,452,835
2022	90,452,835	-	8,112,286	-	4,427,830	86,768,379
2023	86,768,379	-	8,344,387	-	4,233,055	82,657,047
2024	82,657,047	-	8,619,143	-	4,015,308	78,053,212
2025	78,053,212	-	8,900,948	-	3,772,140	72,924,404
2026	72,924,404	-	9,156,624	-	3,502,737	67,270,517
2027	67,270,517	-	9,376,636	-	3,207,338	61,101,219
2028	61,101,219	-	9,564,558	-	2,886,346	54,423,007
2029	54,423,007	-	9,775,109	-	2,538,692	47,186,590
2030	47,186,590	-	9,924,813	-	2,163,989	39,425,766
2031	39,425,766	-	10,082,262	-	1,762,213	31,105,717
2032	31,105,717	-	10,213,955	-	1,332,435	22,224,197
2033	22,224,197	-	10,304,717	-	874,932	12,794,412
2034	12,794,412	-	10,402,881	-	389,140	2,780,671
2035	2,780,671	-	10,471,288	-	-	-

\*All DROP Balances paid in 2018.

Number of Years Expected Benefit Payments Sustained: 17.27

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.13% 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, 2020

Valuation Date: 10/1/2018

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.125%	5.125%
	RP-2000	RP-2000
	Generational	Generational
Minimum Required Contribution (Fixed \$)	\$5,034,324	\$7,898,641
Minimum Required Contribution (% of Payroll)	123.7%	194.2%
Expected Member Contribution	211,529	211,529
Expected State Money	572,693	572,693
Expected Sponsor Contribution (Fixed \$)	\$4,250,102	\$7,114,419
Expected Sponsor Contribution (% of Payroll)	104.4%	174.9%
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<b><u>ASSETS</u></b>		
Actuarial Value <sup>1</sup>	97,975,086	97,975,086
Market Value <sup>1</sup>	101,955,040	101,955,040
<b><u>LIABILITIES</u></b>		
Present Value of Benefits		
Active Members		
Retirement Benefits	27,295,830	40,905,933
Disability Benefits	2,711,707	3,778,520
Death Benefits	500,788	725,124
Vested Benefits	667,974	1,195,887
Refund of Contributions	24,365	25,181
Service Retirees	83,347,763	106,904,778
DROP Retirees <sup>1</sup>	12,051,298	15,917,181
Beneficiaries	6,944,446	8,378,839
Disability Retirees	3,626,834	4,540,273
Terminated Vested	991,711	1,506,461
Total:	<u>138,162,716</u>	<u>183,878,177</u>
Present Value of Future Salaries	27,571,531	30,152,431
Present Value of Future Member Contributions	1,433,720	1,567,926
Total Normal Cost	763,630	1,312,966
Present Value of Future Normal Costs (Entry Age Normal)	5,297,187	9,965,748
Total Actuarial Accrued Liability <sup>1</sup>	132,865,529	173,912,429
Unfunded Actuarial Accrued Liability (UAAL)	34,890,443	75,937,343

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR  
ENDING SEPTEMBER 30, 2020

Valuation Date: 10/1/2018

	ACTUAL	HYPOTHETICAL
	7.125%	5.125%
	RP-2000	RP-2000
	Generational	Generational
<b><u>PENSION COST</u></b>		
Normal Cost <sup>2</sup>	794,175	1,365,485
Administrative Expenses <sup>2</sup>	72,800	72,800
Payment Required To Amortize UAAL <sup>2</sup>	4,167,349	6,460,356
Minimum Required Contribution	\$5,034,324	\$7,898,641

<sup>1</sup> The asset values and liabilities include accumulated DROP 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 components.