

CITY OF PENSACOLA  
POLICE OFFICERS' RETIREMENT FUND

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

April 30, 2020

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, 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: Michael J. Stebbins, Board Attorney

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
	7.125% RP-2000 Generational	5.125% RP-2000 Generational
<u>Total Pension Liability</u>		
Service Cost	786,760	1,344,461
Interest	9,193,908	8,691,606
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	1,361,896	2,148,519
Changes of Assumptions	-	-
Contributions - Buy Back	-	-
Benefit Payments, Including Refunds of Employee Contributions	(6,317,326)	(6,317,326)
Net Change in Total Pension Liability	5,025,238	5,867,260
Total Pension Liability - Beginning	131,409,206	171,406,523
Total Pension Liability - Ending (a)	<u>\$ 136,434,444</u>	<u>\$ 177,273,783</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	4,445,468	4,445,468
Contributions - State	601,682	601,682
Contributions - Employee	211,533	211,533
Contributions - Buy Back	-	-
Net Investment Income	4,289,802	4,289,802
Benefit Payments, Including Refunds of Employee Contributions	(6,317,326)	(6,317,326)
Administrative Expenses	(48,723)	(48,723)
Net Change in Plan Fiduciary Net Position	3,182,436	3,182,436
Plan Fiduciary Net Position - Beginning	101,955,040	101,955,040
Less Reserve Accounts	668,865	668,865
Plan Fiduciary Net Position - Ending (b)	<u>\$ 104,468,611</u>	<u>\$ 104,468,611</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 31,965,833</u>	<u>\$ 72,805,172</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
2019	105,137,476	-	8,889,635	-	7,174,352	103,422,193
2020	103,422,193	-	7,544,984	-	7,100,041	102,977,250
2021	102,977,250	-	7,823,086	-	7,058,432	102,212,596
2022	102,212,596	-	8,099,018	-	6,994,120	101,107,698
2023	101,107,698	-	8,352,423	-	6,906,368	99,661,643
2024	99,661,643	-	8,649,364	-	6,792,758	97,805,037
2025	97,805,037	-	8,952,809	-	6,649,665	95,501,893
2026	95,501,893	-	9,228,136	-	6,475,758	92,749,515
2027	92,749,515	-	9,465,766	-	6,271,185	89,554,934
2028	89,554,934	-	9,696,133	-	6,035,364	85,894,165
2029	85,894,165	-	9,914,248	-	5,766,764	81,746,681
2030	81,746,681	-	10,077,714	-	5,465,432	77,134,399
2031	77,134,399	-	10,246,915	-	5,130,780	72,018,264
2032	72,018,264	-	10,390,889	-	4,761,126	66,388,501
2033	66,388,501	-	10,489,955	-	4,356,476	60,255,022
2034	60,255,022	-	10,594,697	-	3,915,734	53,576,059
2035	53,576,059	-	10,668,480	-	3,437,230	46,344,809
2036	46,344,809	-	10,716,031	-	2,920,309	38,549,087
2037	38,549,087	-	10,744,570	-	2,363,847	30,168,364
2038	30,168,364	-	10,751,552	-	1,766,472	21,183,284
2039	21,183,284	-	10,734,819	-	1,126,881	11,575,346
2040	11,575,346	-	10,688,768	-	443,956	1,330,534
2041	1,330,534	-	10,618,977	-	-	-

\*All DROP Balances paid in 2019.

Number of Years Expected Benefit Payments Sustained: 22.13

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
2019	105,137,476	-	8,889,635	-	5,160,499	101,408,340
2020	101,408,340	-	7,544,984	-	5,003,837	98,867,193
2021	98,867,193	-	7,823,086	-	4,866,477	95,910,584
2022	95,910,584	-	8,099,018	-	4,707,880	92,519,446
2023	92,519,446	-	8,352,423	-	4,527,591	88,694,614
2024	88,694,614	-	8,649,364	-	4,323,959	84,369,209
2025	84,369,209	-	8,952,809	-	4,094,506	79,510,906
2026	79,510,906	-	9,228,136	-	3,838,463	74,121,233
2027	74,121,233	-	9,465,766	-	3,556,153	68,211,620
2028	68,211,620	-	9,696,133	-	3,247,382	61,762,869
2029	61,762,869	-	9,914,248	-	2,911,294	54,759,915
2030	54,759,915	-	10,077,714	-	2,548,204	47,230,405
2031	47,230,405	-	10,246,915	-	2,157,981	39,141,471
2032	39,141,471	-	10,390,889	-	1,739,734	30,490,316
2033	30,490,316	-	10,489,955	-	1,293,824	21,294,185
2034	21,294,185	-	10,594,697	-	819,838	11,519,326
2035	11,519,326	-	10,668,480	-	316,986	1,167,832
2036	1,167,832	-	10,716,031	-	-	-

\*All DROP Balances paid in 2019.

Number of Years Expected Benefit Payments Sustained: 17.11

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, 2021**

Valuation Date: 10/1/2019

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.125% RP-2000 Generational	5.125% RP-2000 Generational
Minimum Required Contribution (Fixed \$)	\$4,978,986	\$7,940,635
Minimum Required Contribution (% of Payroll)	117.0%	186.5%
Expected Member Contribution	221,410	221,410
Expected State Money	601,682	601,682
Expected Sponsor Contribution (Fixed \$)	\$4,155,894	\$7,117,543
Expected Sponsor Contribution (% of Payroll)	97.1%	166.6%

**ASSETS**

Actuarial Value <sup>1</sup>	105,137,476	105,137,476
Market Value <sup>1</sup>	105,137,476	105,137,476

**LIABILITIES**

Present Value of Benefits		
Active Members		
Retirement Benefits	29,636,326	43,916,759
Disability Benefits	2,853,193	3,933,474
Death Benefits	526,662	753,759
Vested Benefits	631,575	1,121,154
Refund of Contributions	19,375	19,954
Service Retirees	83,395,235	106,511,666
DROP Retirees <sup>1</sup>	14,163,795	18,378,597
Beneficiaries	6,733,766	8,098,850
Disability Retirees	3,636,721	4,532,816
Terminated Vested	1,066,597	1,589,896
Total:	<u>142,663,245</u>	<u>188,856,925</u>
Present Value of Future Salaries	27,697,322	30,171,175
Present Value of Future Member Contributions	1,440,261	1,568,901
Total Normal Cost	796,994	1,374,248
Present Value of Future Normal Costs (Entry Age Normal)	5,279,504	9,927,296
Total Actuarial Accrued Liability <sup>1</sup>	137,383,741	178,929,629
Unfunded Actuarial Accrued Liability (UAAL)	32,246,265	73,792,153

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

Valuation Date: 10/1/2019

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.125%	5.125%
	RP-2000	RP-2000
	Generational	Generational
<b><u>PENSION COST</u></b>		
Normal Cost <sup>2</sup>	828,874	1,429,218
Administrative Expenses <sup>2</sup>	72,800	72,800
Payment Required To Amortize UAAL <sup>2</sup>	<u>4,077,312</u>	<u>6,438,617</u>
Minimum Required Contribution	\$4,978,986	\$7,940,635

<sup>1</sup> The asset values and liabilities include accumulated DROP Balances as of 9/30/2019.

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