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Pensacola General Pension and Retirement Fund

Actuarial Valuation Report as of September 30, 2020

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Cavanaugh Macdonald
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February 19, 2021

The City of Pensacola and
The Board of Trustees
Pensacola General Pension and Retirement Fund
Pensacola, FL

Dear Board of Trustees:

This report presents the results of the September 30, 2020 biennial actuarial valuation of the Pensacola General Pension and Retirement Fund. This valuation is used to determine the contributions for the City's fiscal years beginning October 1, 2021 and October 1, 2022.

The City contribution requirements are summarized below. The contribution amounts assume bi-weekly payments.

Required City contribution for plan year beginning October 1, 2021 and October 1, 2022	
Payable as a Lump Sum on October 1	$5,594,922
Interest Adjustments for bi-weekly payments	214,827
Total	$5,809,749

The assumptions used in the valuation are outlined in Table X. Provisions of the Fund are set forth in Table XI. Information required to be disclosed by the State of Florida under Chapter 112 is presented in Table Va. The projected unfunded actuarial accrued liability (UAAL) is shown in Table Vb. Tables VIa and VIb provide information about the Fund's assets. Tables VIIa though VIIh provide accounting information required under Governmental Accounting Standards Board (GASB) Statement No. 67, while Tables VIIIa through VIIIc provide information about the membership data. Finally, Table IX provides detailed historical data.

In order to prepare the results in this report we have utilized appropriate actuarial models that were developed for this purpose. These models use assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.

We note that as we are preparing this report, the world is in the midst of a pandemic. We have considered available information but do not believe that there is yet sufficient data to warrant the modification of any of our assumptions. We will continue to monitor the situation and advise the Board in the future of any adjustments that we believe would be appropriate.

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The actuarial computations presented in this report are to be used for the following purposes:

1) Determining the contributions necessary to fund the Plan. These calculations have been made on a basis consistent with our understanding of the Plan's funding requirements and goals.
2) Providing the information required to be disclosed by the State of Florida under Chapter 112.
3) Providing accounting information required under Governmental Accounting Standards Board (GASB) Statement No. 67.

Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. The interest rate used for determining liabilities is based on the expected return on assets. Therefore, liability amounts in this report cannot be used to assess a settlement of the obligation.

Certification

This actuarial valuation and/or cost determination was 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, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.

This is to certify that the independent consulting actuary is a Member of the American Academy of Actuaries, meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the Plan and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Plan.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

Sincerely yours,

Todd B. G

Todd B. Green, ASA, FCA, MAAA
President
Enrollment Number 20-8883

Micki R. Taylor

Micki R. Taylor, ASA, EA, FCA, MAAA
Consulting Actuary
Enrollment Number 20-5975

Comments

1. Changes in Benefit Provisions, Actuarial Assumptions and Methods

Since the previous valuation, the following assumption changes have been made:

1) The assumed rate of return was lowered from 7.40% to 7.20%. The rate will be lowered by 0.2% in biennial steps for each valuation until the assumed rate of return is 6.00%.
2) The mortality tables were updated to comply with Florida Statute 112.63(1)(f).

The assumption changes are reflected in the valuation and decreased the Unfunded Actuarial Accrued Liability (UAAL) by $62,137.

2. Health Insurance Premium Assistance program

The valuation of the Health Insurance Premium Assistance Program and pension benefits provided by the Fund are combined in the results that follow, except where noted.

Summary of Valuation Results — Table I

	As of September 30, 2020	As of September 30, 2018
1. Number of Members		
a. Active Members:	87	108
b. Deferred Vested Members:	52	58
c. DROP Members:	26	21
d. Retired Members:		
i. Non-disabled	420	429
ii. Disabled	25	34
iii. Beneficiaries	142	145
iv. Subtotal	587	608
e. Total Members:	752	795
2. Total Annual Compensation	**$ 5,136,477**	**$ 5,599,750**
3. Total Projected Payroll	**$ 5,136,477**	**$ 5,599,750**
4. Total Retired Member Benefits	**$ 13,638,254**	**$ 13,658,544**
5. Annual Cost (Pension and Retiree Healthcare combined)		
a. Present Value of Future Benefits	$ 179,809,472	$ 183,986,812
b. Present Value of Future Normal Cost	(3,314,147)	(4,054,062)
City Portion	*1,839,740*	*2,315,187*
Member Portion	*1,474,407*	*1,738,875*
c. Actuarial Accrued Liability (AAL)	176,495,325	179,932,750
d. Actuarial Value of Assets	(149,062,336)	(145,388,687)
e. Unfunded Accrued Liability	$ 27,432,989	$ 34,544,063
6. Actuarially Determined Contribution (Payable Bi-Weekly)		
a. Normal Cost	$ 653,860	$ 744,083
b. Payment to Amortize Unfunded Liability	5,125,828	5,392,620
c. Administrative Expenses	97,740	112,430
d. Interest Adjustment	214,827	234,614
e. Total	$ 6,092,255	$ 6,483,747
f. Expected Member Contributions	$ 282,506	$ 307,986
g. Estimated City Contributions	5,809,749	6,175,761
h. Total	$ 6,092,255	$ 6,483,747

	As of September 30, 2020	As of September 30, 2018
7. Actuarially Determined Contribution (Payable as a Lump Sum on October 1st)		
a. Normal Cost	$ 653,860	$ 744,083
b. Payment to Amortize Unfunded Liability	5,125,828	5,392,620
c. Administrative Expenses	97,740	112,430
e. Total	$ 5,877,428	$ 6,249,133
f. Expected Member Contributions	$ 282,506	$ 307,986
g. Estimated City Contributions	5,594,922	5,941,147
h. Total	$ 5,877,428	$ 6,249,133

Unfunded Actuarial Accrued Liability (UAAL) — Table II

1.	**Actual Unfunded Accrued Liability as of 9/30/2018**	$	34,544,063
2.	**Expected Change in Unfunded Liability During the 2018/2019 & 2019/2020 Plan Years:**		
a.	Due to Normal Cost		1,436,898
b.	Due to Contributions		12,726,882
c.	Due to Interest		4,493,766
d.	Total Expected Change = (a. - b. + c.)		(6,796,218)
3.	**Expected Unfunded Accrued Liability as of 9/30/2020**	$	27,747,845
4.	**Change in Unfunded Liability During the 2018/2019 & 2019/2020 Plan Years Due to:**		
a.	Method changes	$	0
b.	Assumption changes		(62,137)
c.	Plan amendments		0
d.	Total change	$	(62,137)
5.	**Actual Unfunded Accrued Liability as of 9/30/2020**	$	27,432,989
6.	**Actuarial Gain/(Loss) as of 9/30/2020**	$	252,719

	For the Plan Years 2021/2022 & 2022/2023	For the Plan Years 2019/2020 & 2020/2021
A. Number of Plan Participants as of September 30		
a. Retirees and beneficiaries receiving benefits	587	608
b. DROP members	26	21
c. Terminated plan participants entitled to but not yet receiving benefits	52	58
d. Active plan participants	87	108
e. Total	752	795
B. Development of Actuarially Determined Employer Contribution (ADEC) Payable on a bi-weekly basis		
a. Employer normal cost:		
i. Total normal cost (with Interest and Expenses)	$ 966,427	$ 1,091,127
ii. Expected employee contribution	282,506	307,986
iii. Employer normal cost	**$ 683,921**	**$ 783,141**
b. Amortization of UAAL:		
i. PV of future benefits	$ 179,809,472	$ 183,986,812
ii. PV of future employer normal costs	1,839,740	2,315,187
iii. PV of future employee contributions	1,474,407	1,738,875
iv. Actuarial accrued liability (AAL)	176,495,325	179,932,750
v. Actuarial value of assets	149,062,336	145,388,687
vi. Unfunded AAL (UAAL)	27,432,989	34,544,063
vii. Amortization of UAAL	**$ 5,125,828**	**$ 5,392,620**
c. ADEC (Item B.a.iii. plus item B.b.vii.)	**$ 5,809,749**	**$ 6,175,761**

C. Schedule of Funding Progress ($ in thousands)

Actuarial Valuation Date		(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) – (1)	(4) Funded Ratio (1) ÷ (2)	(5) Covered Payroll	(6) UAAL as % of Covered Payroll (3) ÷ (5)
9/30/2005		$104,435	$157,913	$53,478	66.1%	$16,904	316.4%
9/30/2006		106,662	157,417	50,755	67.8%	17,598	288.4%
9/30/2007	(a)	113,372	163,684	50,312	69.3%	14,807	339.8%
9/30/2008	(a)	115,679	166,311	50,632	69.6%	13,546	373.8%
9/30/2009		117,544	169,052	51,508	69.5%	12,091	426.0%
9/30/2010	(b)	119,198	174,015	54,817	68.5%	11,280	486.0%
9/30/2012	(a)	115,254	172,305	57,051	66.9%	7,835	728.2%
9/30/2014	(b)	126,848	176,126	49,278	72.0%	6,902	714.0%
9/30/2016	(b)	137,832	178,563	40,731	77.2%	6,348	641.6%
9/30/2018	(b)	145,389	179,933	34,544	80.8%	5,600	616.9%
9/30/2020	(b)	149,062	176,495	27,433	84.5%	5,136	534.1%

(a) Change in benefit provisions
(b) Change in actuarial assumptions

D. Additional Information

Valuation date	September 30, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Closed level dollar
Remaining amortization period	7 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.20%
Projected salary increases*	4.50% - 9.50%
Cost-of-living adjustments	1.50% per year for retirements before October 1, 2012; 1.00% for retirements on or after October 1, 2012
*Includes inflation at:	2.40%

Present Value of Accrued Benefits — Table IV

Shown below is the development of the Total Present value of Accrued Benefit for the Plan. The calculations were performed using the Plan's discount rate of 7.20%.

1. Actuarial Present Value of Accrued Benefits

	As of September 30, 2018	As of September 30, 2020
a. Vested Accrued Benefits:		
i. Inactive members and beneficiaries	$158,663,142	$155,311,872
ii. Active members	$21,269,607	$21,183,453
b. Total Benefits	**$179,932,749**	**$176,495,325**
c. Market Value of Assets	$147,043,426	$146,482,331
d. Percentage Funded	81.7%	83.0%

2. Statement of Changes in Total Actuarial Present Value of All Accrued Benefits

a. Actuarial Present Value as of September 30, 2018 (7.4% Interest):	**$179,932,749**
b. Increase (Decrease) During 2018/2019 & 2019/2020 Plan Years Attributable to:	
i. Interest	$25,593,123
ii. Benefits accumulated/experience	($2,137,272)
iii. Benefits paid	($26,831,138)
iv. Plan amendments	$0
v. Changes in actuarial assumptions or methods	($62,137)
vi. Net increase (decrease)	**($3,437,424)**
c. Actuarial Present Value as of September 30, 2020 (7.2% Interest):	**$176,495,325**

3. Items Affecting Calculation of Actuarial Present Value of Accrued Benefits

a. Plan provisions reflected in the accrued benefits (see Table XI)
b. Actuarial assumptions and methods used to determine present values (see Table X)

	September 30, 2020 After Assumption Change	September 30, 2020 Prior to Assumption Change	September 30, 2018
Participant Data			
1. Active Members			
a. Number	87	87	108
b. Valuation payroll	$ 5,136,477	$ 5,136,477	$ 5,599,750
c. Estimated payroll for next fiscal year	$ 5,136,477	$ 5,136,477	$ 5,599,750
2. Retired Members			
a. Number on service retirement	420	420	429
b. Annual benefits	$ 10,693,995	$ 10,693,995	$ 10,751,125
c. Number in DROP	26	26	21
d. Annual benefits	$ 562,379	$ 562,379	$ 476,515
e. Number on disability retirement	25	25	34
f. Annual benefits	$ 279,788	$ 279,788	$ 363,209
g. Number of beneficiaries of deceased members	142	142	145
h. Annual benefits	$ 2,102,092	$ 2,102,092	$ 2,067,695
i. Number of deferred vested members	52	52	58
j. Annual benefits	$ 641,901	$ 641,901	$ 732,433
Assets			
3. a. Assets for valuation purposes	$ 149,062,336	$ 149,062,336	$ 145,388,687
b. Market value of assets	$ 146,482,331	$ 146,482,331	$ 147,043,426

	September 30, 2020 After Assumption Change	September 30, 2020 Prior to Assumption Change	September 30, 2018
Liabilities			
4. Present value of prospective benefits payable in respect of:			
a. Retired members and beneficiaries:			
i. Present retirees on service retirement drawing allowances	$ 119,178,492	$ 119,033,253	$ 122,012,737
ii. Present beneficiaries drawing allowances	17,796,520	18,149,861	18,400,770
iii. Present retirees on disability retirement now drawing allowances	2,758,644	2,712,848	3,681,900
iv. Subtotal	$ 139,733,656	$ 139,895,962	$ 144,095,407
b. DROP members	$ 9,824,995	$ 9,800,710	$ 8,338,748
c. Former active members eligible for deferred benefits	$ 5,753,221	$ 5,729,196	$ 6,228,988
d. Present active members:			
i. Service retirement benefits	$ 22,742,700	$ 22,538,603	$ 23,338,470
ii. Deferred vested benefits	1,453,676	1,442,104	1,557,031
iii. Disability benefits	83,026	76,182	95,445
iv. Death benefits	218,198	269,299	332,723
v. Return of contributions	0	0	0
vi. Subtotal	$ 24,497,600	$ 24,326,188	$ 25,323,669
e. Total present value of all prospective benefits payable	$ 179,809,472	$ 179,752,056	$ 183,986,812
5. Present Value of Accrued Benefits	$ 176,495,325	$ 176,557,462	$ 179,932,750
6. Unfunded Actuarial Accrued Liabilities	$ 27,432,989	$ 27,495,126	$ 34,544,063

Contributions	September 30, 2020 After Assumption Change	September 30, 2020 Prior to Assumption Change	September 30, 2018
7. Normal Contribution Rate:			
a. From City (including interest)	13.31%	13.14%	13.98%
b. From Members	5.50%	5.50%	5.50%
8. Required City Contributions as % of Payroll (including interest):			
a. Normal	13.31%	13.14%	13.98%
b. Unfunded Actuarial Accrued Liabilities	99.79%	100.71%	96.30%
c. Total	113.10%	113.85%	110.28%
9. Required City Contributions (including interest) Payable on a bi-weekly basis:			
a. Normal	$ 683,921	$ 674,907	$ 783,141
b. Unfunded Actuarial Accrued Liabilities	5,125,828	5,173,177	5,392,620
c. Total	$ 5,809,749	$ 5,848,084	$ 6,175,761
10. Percentage of Compensation to be Contributed by Members	5.50%	5.50%	5.50%

	September 30, 2020 After Assumption Change	September 30, 2020 Prior to Assumption Change	September 30, 2018
11. Present Value of Active Members:			
a. Future salaries	$ 26,807,403	$ 26,537,557	$ 31,615,901
b. Future contributions	$ 1,474,407	$ 1,459,566	$ 1,738,875
12. Prior Fiscal Year's Contribution (cash basis):			
a. Required City (Payable in a Lump Sum)	$ 5,941,147	$ 5,941,147	$ 6,195,375
b. Actual City	5,946,490	5,946,490	6,200,956
c. Required member	307,986	307,986	370,603
d. Actual member	285,355	285,355	305,534
13. Accumulated Member Contributions	$ 3,521,381	$ 3,521,381	$ 3,923,166

Balance as of October 1	UAAL Beginning of Year	Amortization Payment	UAAL End of Year
2020	$27,432,989	$5,125,828	$24,282,336
2021	24,282,336	5,125,828	20,904,837
2022	20,904,837	5,125,828	17,284,158
2023	17,284,158	5,125,828	13,402,789
2024	13,402,789	5,125,828	9,241,962
2025	9,241,962	5,125,828	4,781,556
2026	4,781,556	5,125,828	0

Revenues and Expenditures

	As of September 30, 2020	As of September 30, 2018
Revenues:		
a. Member contributions	$ 285,355	$ 305,534
b. City contributions	5,946,490	6,200,956
c. City contributions – Other	0	0
d. Investment Income and Realized Gains	8,402,112	10,393,405
e. Increase in unrealized appreciation	4,280,167	1,675,033
f. Other revenue	11,002	4,996
g. Total revenues	$ 18,925,126	$ 18,579,924
Expenditures:		
a. Refunds of member contributions	$ 23,117	$ 14,721
b. Benefits payments	12,931,003	12,906,707
c. Payment from DROP accounts	377,999	172,360
d. Health care subsidy payments	103,712	120,036
e. Administrative expenses	7,678	8,077
f. Investment expenses	700,763	699,714
g. Realized losses	0	0
h. Decrease in unrealized appreciation	0	0
i. Other expenditures	90,062	104,353
j. Total expenditures	$ 14,234,334	$ 14,025,968
Net Income:		
Total revenues minus total expenditures	$ 4,690,792	$ 4,553,956

Summary of Assets for Pension and Retiree Healthcare Benefits Combined

	September 30, 2020 Market	September 30, 2018 Market
Cash	$ 81,725	$ 47,336
Debt Securities		
Short-term	2,525,061	3,190,265
Bonds	21,802,200	8,420,870
Equity Securities		
Common Stock	121,968,840	135,230,139
Other		
Accounts receivable	10,029	6,200
Accounts payable	(190,550)	(163,380)
Accrued Interest	285,026	311,996
Total Assets	$ 146,482,331	$ 147,043,426

	Valuation Date September 30:	2019	2020	2021	2022	2023	2024
A.	Actuarial Value Beginning of Year	$145,388,687	$146,109,981				
B.	Market Value End of Year	$141,791,539	$146,482,331				
C.	Market Value Beginning of Year	$147,043,426	$141,791,539				
D.	Cash Flow						
D1.	Contributions	$6,495,037	$6,231,845				
D2.	Other Revenue	0	0				
D3.	Benefit Payments	(13,395,307)	(13,435,831)				
D4.	Administrative Expenses	(113,078)	(97,740)				
D5.	Investment Expenses	(664,829)	(700,763)				
D6.	Net	$(7,678,177)	$(8,002,489)				
E.	Investment Income						
E1.	Market Total: B – C – D6	$2,426,290	$12,693,281				
E2.	Assumed Rate	7.40%	7.40%				
E3.	Amount for Immediate Recognition	$11,286,549	$10,923,173				
E4.	Amount for Phased-In Recognition	$(8,860,259)	$1,770,108				
F.	Phased-In Recognition of Investment Income						
F1.	Current Year: 0.20*E4	$(1,772,052)	$354,022				
F2.	First Prior Year	160,734	(1,772,052)	$354,022			
F3.	Second Prior Year	998,603	160,734	(1,772,052)	$354,022		
F4.	Third Prior Year	290,364	998,603	160,734	(1,772,052)	$354,022	
F5.	Fourth Prior Year	(2,564,727)	290,364	998,603	160,734	(1,772,052)	$354,022
F6.	Total Recognized Investment Gain	$(2,887,078)	$31,671	$(258,693)	$(1,257,296)	$(1,418,030)	$354,022
G.	Preliminary Actuarial Value End of Year:	$146,109,981	$149,062,336				
H.	Difference Between Market & Actuarial Values:	$(4,318,442)	$(2,580,005)	$(2,321,311)	$(1,064,015)	$354,022	$0

The actuarial value of assets recognizes assumed investment income (line E3) fully each year. Differences between actual and assumed investment income (line E4) are phased in over a closed 5 year period. During periods when investment performance exceeds the assumed rate, the actuarial value will tend to be less than market value. During periods when investment performance is less than assumed, the actuarial value will tend to be greater than the market value.

The material presented herein will follow the order presented in GASB 67. Paragraph numbers are provided for ease of reference.

Paragraphs 31(a) (1)-(4): The information is provided in the following table. The Net Pension Liability (NPL) is equal to the Total Pension Liability (TPL) minus the Financial Net Position (FNP). That result as of September 30, 2020 is presented in the table below.

	Fiscal Year Ending September 30, 2020
Total Pension Liability	$ 176,495,325
Fiduciary Net Position	146,482,331
Net Pension Liability	$ 30,012,994
Ratio of Fiduciary Net Position to Total Pension Liability	83.00%

Paragraph 31(b): This paragraph requires information regarding the actuarial assumptions used to measure the TPL. The actuarial assumptions utilized in developing the TPL are outlined in Schedule B. The total pension liability was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	4.50 – 9.50 percent, average, including inflation
Investment rate of return	7.20 percent, net of pension plan investment expense, including inflation
Mortality	**Pre-Retirement Healthy Mortality:** *Female:* PUB-2010 Headcount Weighted General Below Median Employee Female Table *Male:* PUB-2010 Headcount Weighted General Below Median Employee Male Table, set back 1 year *Projection Scale:* MP-2018 **Post-Retirement Healthy Mortality:** *Female:* PUB-2010 Headcount Weighted General Below Median Healthy Retiree Female Table *Male:* PUB-2010 Headcount Weighted General Below Median Healthy Retiree Male Table, set back 1 year *Projection Scale:* MP-2018 **Post-Retirement Disabled Mortality:** *Female:* PUB-2010 Headcount Weighted General Disabled Retiree Female Table, set forward 3 years *Male:* PUB-2010 Headcount Weighted General Disabled Retiree Male Table, set forward 3 years

The actuarial assumptions used in the September 30, 2020 valuation were based on the results of the last actuarial experience study, dated January 7, 2011.

Paragraph 31.b.(1)

(a) **Discount rate:** The discount rate used to measure the total pension liability was 7.20%.

(b) **Projected cash flows:** The projection of cash flows used to determine the discount rate assumed the City would contribute the actuarial determined contribution.

(c) **Long term rate of return:** The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

(d) **Municipal bond rate:** the discount rate determination does not use a municipal bond rate

(e) **Periods of projected benefit payments:** projected future benefit payments for all current plan members were projected through 2111.

(f) **Assumed Asset Allocation:** The target asset allocation and best estimates of arithmetic rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	37%	7.31%
Infrastructure	5%	8.07%
Private Real Estate	8%	4.91%
Convertibles	10%	5.72%
International Equity	15%	2.71%
Bonds	25%	3.61%
Total	**100%**	

(g) Sensitivity analysis: this paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the System, calculated using the discount rate of 7.20 percent, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 6.20%	Current Discount Rate 7.20%	1% Increase 8.20%
System's net pension liability	$47,151,257	$30,012,994	$15,412,752

Paragraph 31(c): September 30, 2020 is the actuarial valuation date upon which the TPL is based. No roll-forward procedures were used to determine the TPL.

Paragraph 34: In addition, the following should be noted regarding the RSI:

Changes of benefit terms: None.

Changes of assumption: Since the previous valuation, the following assumption changes have been made:

1) The assumed rate of return was lowered from 7.40% to 7.20%.
2) The mortality tables were updated to comply with Florida Statute 112.63(1)(f).

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates are determined on a biennial basis. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	9 years
Asset valuation method	5-year smoothed market
Inflation	3.00 percent
Salary increase	4.50-9.50 percent, including inflation
Investment rate of return	7.40 percent, net of pension plan investment expense, including inflation

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
GASB 67 Paragraph 32(a)

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service Cost	$ 706,288	$ 692,814	$ 806,853	$ 806,853	$ 960,937	$ 875,872	$ 875,872
Interest	12,830,343	12,870,665	13,096,503	13,087,373	13,265,393	13,080,194	13,039,418
Benefit changes						1,929,586	
Difference between expected and actual experience	(3,644,260)	-	(2,139,264)	-	(6,829,727)	-	-
Changes of assumptions	(62,137)	-	3,260,021	-	8,088,948	-	-
Benefit payments	(13,412,714)	(13,364,040)	(13,199,103)	(14,334,373)	(13,902,080)	(13,007,151)	(13,664,554)
Refunds of contributions	(23,117)	(31,267)	(14,721)	-	(82,082)	(31,304)	(82,048)
Net change in total pension liability	$ (3,605,597)	$ 168,172	$ 1,810,289	$ (440,147)	$ 1,501,389	$ 2,847,197	$ 168,688
Total pension liability - beginning	$ 180,100,922	$ 179,932,750	$ 178,122,461	$ 178,562,608	$ 177,061,219	$ 174,214,022	$ 174,045,334
Total pension liability - ending (a)	$ 176,495,325	$ 180,100,922	$ 179,932,750	$ 178,122,461	$ 178,562,608	$ 177,061,219	$ 174,214,022
Plan net position							
Contributions - employer	$ 5,946,490	$ 6,200,753	$ 6,200,956	$ 6,788,208	$ 6,788,559	$ 6,586,144	$ 6,586,424
Contributions - member	285,355	294,284	305,534	341,314	360,693	375,026	388,789
Net investment income	11,992,518	1,761,461	11,373,720	14,963,864	11,356,088	(2,230,201)	14,895,032
Benefit payments	(13,412,714)	(13,364,040)	(13,199,103)	(14,334,373)	(13,902,080)	(13,007,151)	(13,664,554)
Administrative expense	(97,740)	(113,078)	(112,430)	(134,684)	(102,605)	(126,054)	(103,765)
Refunds of contributions	(23,117)	(31,267)	(14,721)	-	(82,082)	(31,304)	(82,048)
Other	-	-	-	-	-	2,149,812	-
Net change in plan net position	$ 4,690,792	$ (5,251,887)	$ 4,553,956	$ 7,624,329	$ 4,418,573	$ (6,283,728)	$ 8,019,878
Plan net position - beginning	$ 141,791,539	$ 147,043,426	$ 142,489,470	$ 134,865,141	$ 130,446,568	$ 136,730,296	$ 128,710,418
Plan net position - ending (b)	$ 146,482,331	$ 141,791,539	$ 147,043,426	$ 142,489,470	$ 134,865,141	$ 130,446,568	$ 136,730,296
Net pension liability - ending (a) - (b)	$ 30,012,994	$ 38,309,383	$ 32,889,324	$ 35,632,991	$ 43,697,467	$ 46,614,651	$ 37,483,726

SCHEDULE OF THE NET PENSION LIABILITY
GASB 67 Paragraph 32(b)

	2020	2019	2018	2017	2016	2015	2014
Total pension liability	$176,495,325	$180,100,922	$179,932,750	$178,122,461	$178,562,608	$177,061,219	$174,214,022
Plan net position	146,482,331	141,791,539	147,043,426	142,489,470	134,865,141	130,446,568	136,730,296
Net pension liability	$ 30,012,994	$ 38,309,383	$ 32,889,324	$ 35,632,991	$ 43,697,467	$ 46,614,651	$ 37,483,726
Ratio of plan net position to total pension liability	83.00%	78.73%	81.72%	80.00%	75.53%	73.67%	78.48%
Covered-employee payroll	$ 5,067,293	$ 5,258,416	$ 5,555,159	$ 6,174,853	$ 6,347,558	$ 6,901,570	$ 6,757,461
Net pension liability as a percentage of covered-employee payroll	592.29%	728.53%	592.05%	577.07%	688.41%	675.42%	554.70%

SCHEDULE OF EMPLOYER CONTRIBUTIONS
GASB 67 Paragraph 32(c)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined employer contribution	$ 5,946,490	$ 6,200,753	$ 6,200,956	$ 6,788,559	$ 6,788,559	$ 7,515,167	$ 7,448,089	$ 7,157,167	$ 7,157,167	$ 7,162,033
Actual employer contributions	5,946,490	6,200,753	6,200,956	6,788,559	6,788,559	7,515,167	7,448,089	7,157,167	7,157,167	7,162,033
Annual contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	$ 5,067,293	$ 5,258,416	$ 5,555,159	$ 6,174,853	$ 6,347,558	$ 6,901,570	$ 6,757,461	$ 6,961,827	$ 7,834,617	$11,280,207
Actual contributions as a percentage of covered-employee payroll	117.35%	117.92%	111.63%	109.94%	106.95%	108.89%	110.22%	102.81%	91.35%	63.49%

Tabulated by Attained Age and Years of Service
as of September 30, 2020

Attained Age	Years of Service to Valuation Date							Totals	
	0-5	6-9	10-14	15-19	20-24	25-29	30 Plus	No.	Valuation Payroll
Under 20									
20-24									
25-29									
30-34									
35-39			1	4	1			6	$314,028
40-44			1	11				12	694,847
45-49			1	9	8	1	1	20	1,128,227
50-54			1	4	6	7		18	1,152,787
55-59				5	4	5	5	19	1,211,097
60									
61			1	1	2	2		6	284,202
62					1	2		3	149,663
63					1			1	62,269
64					1			1	68,312
65				1				1	71,045
66									
67									
68									
69									
70 & Over									
Totals	0	0	5	35	24	17	6	87	$5,136,477

While not used in the financial computations, the following group averages are computed and shown because of their general interest.

Age: 50.85 years
Service: 21.02 years
Annual Pay: $59,040

Retiree and Beneficiary Information September 30, 2020
Tabulated by Attained Ages

Attained Age	Service Retirement		Disability Retirement		Survivors and Beneficiaries		Totals	
	No.	Annual Benefits*	No.	Annual Benefits*	No.	Annual Benefits*	No.	Annual Benefits*
Under 20								
20-24								
25-29								
30-34								
35-39								
40-44			1	$7,298			1	$7,298
45-49			1	6,304	1	22,501	2	28,806
50-54	1	$64,240	1	12,582	1	11,834	3	88,656
55-59	7	246,230	2	32,475	5	77,547	14	356,252
60-64	50	1,355,026	4	63,675	4	75,397	58	1,494,098
65-69	103	2,577,097	3	31,801	16	207,277	122	2,816,175
70-74	105	2,714,546	4	41,497	23	497,751	132	3,253,794
75-79	66	1,817,075	2	17,136	18	296,836	86	2,131,048
80-84	44	898,595	3	29,342	32	365,658	79	1,293,596
85-89	28	586,741	4	34,316	28	387,124	60	1,008,181
90-94	15	345,835			12	128,837	27	474,672
95	1	8,641					1	8,641
96					1	8,043	1	8,043
97								
98								
99								
100 & Over					1	7,157	1	$7,157
Totals	420	$10,614,027	25	$276,428	142	$2,085,964	587	$12,976,419

* Excluding amounts for the health subsidy

There were 52 vested members with annual deferred benefits of $633,165 included in the valuation excluding amounts for the health subsidy.

In addition, there were 26 members who enrolled in the DROP. The accumulated benefits credited to the DROP are $2,762,018.

Data Reconciliation Table VIIIc

	Active	Deferred Vested	Retired	DROP	Total
1. Number of participants as of September 30, 2018	**108**	**58**	**608**	**21**	**795**
2. Change in status during the plan year:					
a. Actives who became inactive	(3)	3			
b. Members who retired	(7)		7		
c. Actives who enrolled in DROP	(11)			11	
d. Vesteds who became active					
e. Vesteds who retired		(9)	9		
f. Retirees who became active					
g. Transfer in					
3. No longer participating due to:					
a. Death			(62)		(62)
b. Refund of contributions					
c. Receipt of lump sum payment					
d. Expiration of certain period					
e. No longer in DROP			6	(6)	
f. Data change from last year					
g. Transfer out					
4. New participant due to:					
a. Initial participation					
b. Death of another participant			19		19
c. Data change from last year					
5. Number of participants as of September 30, 2020	**87**	**52**	**587**	**26**	**752**

Actuarial estimates regarding the inflation rate and real investment return rate were utilized in the valuation. These estimates are used, in combination with the other estimates, to (i) determine the present value of amounts expected to be paid in the future and (ii) establish rates of contribution which are expected to remain relatively level as a percent of total employee payroll.

Inflation

- Effective September, 30 2020, 2.40% per annum, compounded annually. This is the rate at which growth in the supply of money and credit is estimated to exceed growth in the supply of goods and services. It may be thought of as the rate of decline in the purchasing power of the dollar. There are a number of indices for measuring the inflation rate. The recent inflation rate as measured by the Consumer Price Index has been:

Year Ended:	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	Average for Period
Actual	1.4%	1.7%	2.3%	2.2%	1.5%	1.8%
Assumed	3.0	3.0	3.0	3.0	3.0	3.0

Real Investment Return

- Effective October 1, 2020, 4.80% per annum. This is the rate of return estimated to be produced by investing a pool of assets in an inflation-free environment. Recent real rates of investment return on the actuarial value of assets have been:

Year Ended:	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	Average for Period
Total Rate	7.2%	5.5%	7.6%	8.4%	9.7%	7.7%
Less Inflation Rate	1.4	1.7	2.3	2.2	1.5	1.8
Actual Real Rate	5.8	3.8	5.3	6.2	8.2	5.9
Projected Real Rate	4.4	4.4	4.6	4.6	4.8	4.6

- The total investment return rate was computed by dividing the investment earnings recognized in the actuarial value of assets, before the release of any reserve, by a weighted average of the value of assets during the year. The investment earnings are assumed to be net of any investment expenses.

- A schedule of recent salary change experience, as measured by average reported pay, follows:

Year Ended:	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016	Average for Period
% of Change: Actual Average*	9.0%	4.2%	4.2%	2.5%	3.9%	4.8%
Estimated	6.2	6.2	6.2	6.1	6.2	6.2
% Change in Total Payroll	(4.0)	(4.4)	(8.4)	(9.3)	(1.6)	(5.5)

*Excluding terminations and new members.

Prior Contribution Rates

Valuation Date	Applicable Fiscal Year	Normal Cost	Expenses	Unfunded Actuarial Accrued Liability	Total City Contributions
9-30-96	1996-97	1.42%	1.04%	4.76%	7.22%
9-30-97	1997-98	(3.64)	1.04	15.17	12.57
9-30-98	1998-99	(3.96)	0.93	13.44	10.41
9-30-99	1999-00	(2.43)	1.05	13.89	12.51
9-30-00	2000-02	(2.88)	1.05	16.97	15.14
9-30-01	2002-03	4.38	1.05	15.75	21.18
9-30-02	2003-04	12.33	1.05	15.20	28.58
9-30-03	2004-05	11.31	1.05	22.50	34.86
9-30-04	2005-06	11.13	1.05	25.10	37.28
9-30-05	2006-07	12.91	1.05	21.86	35.82
9-30-06	2007-08	12.84	1.05	20.50	34.39
9-30-07	2008-09	13.92	1.05	34.61	49.58
9-30-08	2009-10	13.26	1.05	38.92	53.23
9-30-09	2010-11	13.65	0.80	45.45	59.90
9-30-10	2011-12	10.36	0.61	53.27	64.24
9-30-12	2013-14	9.61	1.26	85.07	95.99
9-30-14	2015-16	11.53	1.50	89.35	102.37
9-30-16	2017-18	12.17	1.62	83.04	95.70
9-30-18	2019-20	11.97	2.01	96.30	110.28
9-30-20	2021-22	11.41	1.90	99.79	113.10

Actuarial Standards of Practice are issued by the Actuarial Standards Board and are binding on credentialed actuaries practicing in the United States. These standards generally identify what the actuary should consider, document and disclose when performing an actuarial assignment. In September 2017, Actuarial Standard of Practice Number 51, Assessment and Disclosure of Risk in Measuring Pension Obligations, (ASOP 51) was issued as final with application to measurement dates on or after November 1, 2018. This ASOP, which applies to funding valuations, actuarial projections, and actuarial cost studies of proposed plan changes, was first applicable for the September 30, 2020 actuarial valuation for the Plan.

A typical retirement plan faces many different risks, but the greatest risk is the inability to make benefit payments when due. If plan assets are depleted, benefits may not be paid which could create legal and litigation risk or the plan could become "pay as you go." The term "risk" is most commonly associated with an outcome with undesirable results. However, in the actuarial world, risk can be translated as uncertainty. The actuarial valuation process uses many actuarial assumptions to project how future contributions and investment returns will meet the cash flow needs for future benefit payments. Of course, we know that actual experience will not unfold exactly as anticipated by the assumptions and that uncertainty, whether favorable or unfavorable, creates risk. ASOP 51 defines risk as the potential of actual future measurements to deviate from expected results due to actual experience that is different than the actuarial assumptions.

The various risk factors for a given plan can have a significant impact – positive or negative – on the actuarial projection of liability and contribution rates.

There are a number of risks inherent in the funding of a defined benefit plan. These include:

- economic risks, such as investment return and price inflation;
- demographic risks such as mortality, payroll growth, aging population including impact of baby boomers, and retirement ages;
- contribution risk, i.e., the potential for contribution rates to be too high for the plan sponsor/employer to pay and
- external risks such as the regulatory and political environment.

There is a direct correlation between healthy, well-funded retirement plans and consistent contributions equal to the full actuarial contribution rate each year. The Plan is primarily funded by member and employer contributions to the trust fund, together with the earnings on these accumulated contributions. These contributions fund benefit accruals for current active members and administrative expenses. The remainder of the contributions amortizes the unfunded actuarial accrued liability. The required contribution rate is the sum of the rates for the normal cost for the plan and the amortization of the unfunded actuarial accrued liability. The required contribution rate is sensitive to increases in the UAAL and periods of lower than expected returns would lead to much higher contribution rates as a percentage of payroll.

The other significant risk factor for the Plan is investment return because of the volatility of returns and the size of plan assets compared to payroll. A perusal of historical returns over 10-20 years reveals that the actual return each year is rarely close to the average return for the same period. This is to be expected, given the underlying capital market assumptions and the Plan's asset allocation. To the extent market rates of interest affect the expected return on assets, there is a risk of change to the discount rate which determines the present value of liabilities and actuarial valuation results.

A key demographic risk for the Plan is improvements in mortality (longevity) greater than anticipated. While the actuarial assumptions reflect a margin for improvement in mortality experience these assumptions are refined every experience study, the risk arises because there is a possibility of some sudden shift, perhaps from a significant medical breakthrough that could quickly increase liabilities. Likewise, as we have recently seen with COVID-19, a public health crisis can result in a significant number of additional deaths in a short period of time, which can influence plan liabilities and future funding needs. While either of these events could happen, it represents a small probability and thus represents much less risk than the volatility associated with investment returns.

1. Actuarial Cost Method

- **To Determine the Funded Status and the Actuarially Determined Employer Contribution**
  Entry Age Normal Cost Method on an individual basis.

- **To Determine the Present Value of Accrued Benefits**
  Unit Credit

2. Decrements

- **Pre-Retirement Healthy Mortality**
  Female: PUB-2010 Headcount Weighted General Below Median Employee Female Table
  Male: PUB-2010 Headcount Weighted General Below Median Employee Male Table, set back 1 year
  Projection Scale: MP-2018

  Representative percentages of deaths assumed to be non-service (ordinary) or service (accidental) related are listed below.

Age	Ordinary		Accidental	
	Male	Female	Male	Female
20	90.91%	88.24%	9.09%	11.76%
25	90.24	90.91	9.76	9.09
30	90.57	90.00	9.43	10.00
35	89.47	90.48	10.53	9.52
40	89.81	89.66	10.19	10.34
45	90.05	89.89	9.95	10.11
50	90.06	90.28	9.94	9.72
55	89.94	90.09	10.06	9.91
60	90.01	90.03	9.99	9.97
64	90.02	89.98	9.98	10.02

- **Post-Retirement Healthy Mortality**
  Female: PUB-2010 Headcount Weighted General Below Median Healthy Retiree Female Table
  Male: PUB-2010 Headcount Weighted General Below Median Healthy Retiree Male Table, set back 1 year
  Projection Scale: MP-2018

- **Post-Retirement Disabled Mortality**
  Female: PUB-2010 Headcount Weighted General Disabled Retiree Female Table, set forward 3 years
  Male: PUB-2010 Headcount Weighted General Disabled Retiree Male Table, set forward 3 years

- **Disability**

  Representative values of the assumed annual rates of disability among members in active service are as follows:

Age	Ordinary Disability Rate	Accidental Disability Rate
20	0.0135%	0.0065%
25	0.0133	0.0067
30	0.0202	0.0098
35	0.0267	0.0133
40	0.0333	0.0167
45	0.0666	0.0334
50	0.1135	0.0565
55	0.1935	0.0965
60	0.3000	0.1500
64	0.3934	0.1966

- **Withdrawal from Active Status**

  Representative values of the assumed annual rates of withdrawal among members in active service are as follows:

Age	Rate
20	5.00%
25	13.00
30	11.00
35	9.00
40	7.00
45	5.00
50	4.00
54	4.00

- **Retirement**

Values of the assumed annual rates of retirement among members in active service are as follows:

Age	Rate
Under 45	5.00%
45	5.00
46	5.00
47	5.00
48	7.00
49	10.00
50	12.00
51	15.00
52	15.00
53	15.00
54	15.00
55	20.00
56	20.00
57	20.00
58	20.00
59	20.00
60	25.00
61	30.00
62	40.00
63	40.00
64	50.00
65 & Over	100.00

An additional 20% are assumed to retire when first eligible for an unreduced retirement benefit. In addition, 100% are assumed to retire upon the attainment of age 60 and the completion of 30 years of service.

3. **Interest Rates**

- **Used for Calculating All Liabilities**
  Effective October 1, 2020 the interest rate is assumed to be 7.20% net of investment expenses per annum, comprised of an inflation rate of 2.40% and a real rate of return of 4.80%.

4. **Salary Increases**

The following representative salary increases are assumed, which includes an inflation rate of 3.00%.

Age	Rate	Age	Rate	Age	Rate	Age	Rate
20	9.50%	30	7.50%	40	6.50%	50	6.50%
25	9.50%	35	6.50%	45	6.50%	55	5.50%

5. **Marriage Assumptions**

- 80% of members are assumed married or entitled to dependent benefits.

- Male spouses are assumed to be three years older than female spouses.

6. **Expenses**

Administrative expenses for the year following the valuation date are assumed to be equal to the actual amount for the previous fiscal year.

7. **Cost-of-Living Adjustments**

For retirements before October 1, 2012, benefits are assumed to increase 1.50% annually after retirement. For retirements on or after October 1, 2012, cost-of-living adjustments are assumed to be 1.00%. No COLA is assumed for participants who enter the DROP on or after October 1, 2012 while currently participating in the DROP.

8. Assets

Actuarial value, as developed in Tables VIb and VIc. The actuarial value of assets is a market-related method that each year recognizes 20% of the unexpected investment return.

9. Participation in the Health Insurance Premium Assistance program

50%

1. Participation

Participation, which was closed to new members on October 1, 1979, was reopened to new members effective October 6, 1997. Effective June 17, 2007, participation is closed to new members.

2. Credited Service

All service from date of hire. For benefit calculations only, fractional service greater than one-half is rounded up to a whole year. Members entering the Fund for the first time on or after October 6, 1997 who had service with the City had the option of purchasing credit for any or all prior service.

3. Average Final Compensation

For retirements before October 1, 2012, the average annual compensation, excluding unused leave and overtime in excess of 300 hours per fiscal year, during the highest 2 years of his or her last 5 years of contributing service prior to retirement, termination or death.

For retirements on or after October 1, 2012, the average annual compensation, excluding unused leave and overtime in excess of 200 hours per fiscal year, during the last 5 years of contributing service prior to retirement, termination or death. Overtime pay will be based on non-overtime rates for over 40 hours per week.

4. Normal Retirement Benefit

- **Eligibility**

  Age 55 and 20 years of credited service

- **Benefit Amount**

  An annual benefit equal to the greatest of:

  (a) 2.1% of Average Final Compensation times years of service (maximum 63%) for service accrued before October 1, 2012. For service accrued on or after October 1, 2012, 1.75% of Average Final Compensation times years of service (maximum 52.5%).

(b) 75% of the first $2,400 of Average Final Compensation, plus 50% of the next $1,200 of Average Final Compensation, plus 40% of any additional amount.

(c) $300 per year of service (maximum $6,000).

5. Early Retirement Benefit

- **Eligibility**

  25 years of credited service, regardless of age.

- **Benefit Amount**

  Computed as a normal retirement benefit, with a benefit reduction of the lesser of 3% for each year of age below age 55, or 3% for each year of credited service below 30 years. Such benefit shall not be less than $300 per year of service (service not to exceed 20 years).

6. Postponed Retirement

- **Eligibility**

  Retirement after first eligible for normal retirement benefit.

- **Benefit Amount**

  Computed as a normal retirement benefit plus, under formula (b) only, 1% of the normal retirement benefit for each year of service credited after normal retirement date, but before age 70.

7. Disability Benefit – Service-Connected

- **Eligibility**

  Total and permanent disability or partial disability incurred in the line of duty.

➢ **Benefit Amount**

Accrued retirement benefit at date of disability, with a benefit reduction for formulas (a) and (b) of 2% for each year by which service at date of disability is less than 20 years. For partial disability, the benefit is further reduced by a certain percentage determined by the Board. Such benefit shall not be less than $300 per year of service (service not to exceed 20 years).

8. Disability Benefit – Not Service-Connected

➢ **Eligibility**

Total and permanent disability or partial disability, and 6 years of credited service.

➢ **Benefit Amount**

Accrued retirement benefit at date of disability, with a benefit reduction for formulas (a) and (b) of 5% for each of the first 5 years, and 3% for each of the next 5 years by which service at date of disability is less than 20 years. For partial disability, the benefit is further reduced by a certain percentage determined by the Board. Such benefit shall not be less than $300 per year of service (service not to exceed 20 years).

9. Death Benefit – Service-Connected

➢ **Eligibility**

None.

➢ **Benefit Amount**

Computed as 80% of service-connected disability benefit, payable to the widow until death. If there is no surviving spouse, any dependent child(ren) under the age of 18 shall receive a benefit in the amount that a surviving spouse would have been entitled to. The total of all children's benefits shall not exceed the amount payable to the widow.

10. Death Benefit – Not Service-Connected

- **Eligibility**

  6 years of credited service.

- **Benefit Amount**

  Same as service-connected death benefit, except widow's benefit is computed as a non-service connected disability benefit.

11. Vested Termination

- **Eligibility**

  6 years of credited service.

- **Benefit Amount**

  The accrued retirement benefit, payable at age 60. If the member terminated with at least 20 years of credited service, the benefit is payable at age 55.

12. Non-Vested Termination

A member terminating for any cause, other than line of duty disability, with less than 6 years of credited service is entitled to a refund of all accumulated contributions.

13. Cost-of-Living Adjustments

For retirements before October 1, 2012, the cost of living adjustment (COLA) is based on the Consumer Price Index (CPI-U) from April 1 of the preceding year to March 31 of the year in which the increase is to be given, subject to a maximum increase of 1.50% per year.

For retirements on or after October 1, 2012, the COLA is also based on the Consumer Price Index (CPI-U), subject to a maximum increase of 1.00% per year.

For participants who enter the DROP on or after October 1, 2012, no COLA is granted while participating in the DROP.

14. Deferred Retirement Option Plan (DROP)

An active member eligible for normal retirement may continue employment with the City but elect to freeze the accrual of additional benefits as of the effective date of such election (as if the member had retired on such date). The member's normal retirement benefit payments will be credited to a DROP account. Member and City contributions to the Fund cease for the participant. A DROP participant's continued employment cannot normally exceed 60 months.

The DROP account will earn interest at 4% per annum for participants who entered the DROP prior to October 1, 2012 and 1.3% per year for participants who entered the DROP on or after to October 1, 2012. Cost-of-living adjustments are also credited to the benefits in the DROP account for participants who entered the DROP prior to October 1, 2012. Participants who entered the DROP on or after October 1, 2012 are not eligible for COLA payments while participating in the DROP.

Upon resignation, the participant then receives a distribution from the DROP account as well as regular monthly retirement benefits.

15. Retiree Health Insurance Premium Assistance

The Fund shall provide premium assistance for each covered retiree participating in the City group health insurance plan in the amount of $56 per month (not indexed for inflation).

16. Normal Form of Benefit

For participants who retired prior to October 1, 2012, the normal form of benefit is a benefit payable for life. Upon death 80% of the benefit is continued for the lifetime of the beneficiary. For participants who retire on or after October 1, 2012, the normal form of benefit is a single life annuity. Upon death all benefit payments stop.

17. Annual Contributions

- **Member**

  All members contribute 5.5% of compensation to the Fund.

- **City**

  The City contributes an actuarially determined amount which, together with member contributions, equals the sum of the normal cost and payments for the amortization of the unfunded actuarial accrued liability over a period not exceeding 40 years (currently 7 years).