

**CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND**

**SECTION 112.664, FLORIDA STATUTES COMPLIANCE
DETERMINED AS OF THE
OCTOBER 1, 2020 VALUATION DATE**



May 10, 2021

VIA E-MAIL

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, 2020 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, 2020 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, 2020

	ACTUAL	HYPOTHETICAL
Discount Rate:	7.125%	5.125%
<u>Total Pension Liability</u>		
Service Cost	825,932	1,409,793
Interest	9,511,040	8,964,213
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	699,810	1,235,497
Changes of Assumptions	(1,978,840)	(3,505,717)
Contributions - Buy Back	51,726	51,726
Benefit Payments, Including Refunds of Employee Contributions	(7,544,199)	(7,544,199)
Net Change in Total Pension Liability	1,565,469	611,313
Total Pension Liability - Beginning	136,434,444	177,273,783
Total Pension Liability - Ending (a)	<u>\$ 137,999,913</u>	<u>\$ 177,885,096</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	4,254,519	4,254,519
Contributions - State	623,811	623,811
Contributions - Employee	219,429	219,429
Contributions - Buy Back	51,726	51,726
Net Investment Income	9,020,508	9,020,508
Benefit Payments, Including Refunds of Employee Contributions	(7,544,199)	(7,544,199)
Administrative Expenses	(38,631)	(38,631)
Net Change in Plan Fiduciary Net Position	6,587,163	6,587,163
Plan Fiduciary Net Position - Beginning	105,137,476	105,137,476
Less Reserve Accounts	769,559	769,559
Plan Fiduciary Net Position - Ending (b)	<u>\$ 110,955,080</u>	<u>\$ 110,955,080</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 27,044,833</u>	<u>\$ 66,930,016</u>

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: Discount Rate = 7.125%

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
2020	111,724,639	-	8,934,634	-	7,642,084	110,432,089
2021	110,432,089	-	7,875,145	-	7,587,734	110,144,678
2022	110,144,678	-	8,194,002	-	7,555,897	109,506,573
2023	109,506,573	-	8,464,341	-	7,500,801	108,543,033
2024	108,543,033	-	8,788,720	-	7,420,593	107,174,906
2025	107,174,906	-	9,098,206	-	7,312,088	105,388,788
2026	105,388,788	-	9,366,717	-	7,175,262	103,197,333
2027	103,197,333	-	9,582,470	-	7,011,434	100,626,297
2028	100,626,297	-	9,804,166	-	6,820,350	97,642,481
2029	97,642,481	-	10,062,099	-	6,598,564	94,178,946
2030	94,178,946	-	10,209,275	-	6,346,544	90,316,215
2031	90,316,215	-	10,377,003	-	6,065,350	86,004,562
2032	86,004,562	-	10,517,405	-	5,753,142	81,240,299
2033	81,240,299	-	10,618,196	-	5,410,098	76,032,201
2034	76,032,201	-	10,751,329	-	5,034,278	70,315,150
2035	70,315,150	-	10,816,910	-	4,624,602	64,122,842
2036	64,122,842	-	10,858,501	-	4,181,918	57,446,259
2037	57,446,259	-	10,875,835	-	3,705,594	50,276,018
2038	50,276,018	-	10,868,990	-	3,194,959	42,601,987
2039	42,601,987	-	10,836,417	-	2,649,344	34,414,914
2040	34,414,914	-	10,770,015	-	2,068,381	25,713,280
2041	25,713,280	-	10,682,594	-	1,451,504	16,482,190
2042	16,482,190	-	10,573,389	-	797,679	6,706,480
2043	6,706,480	-	10,442,652	-	-	-

*All DROP Balances paid in 2020.

Number of Years Expected Benefit Payments Sustained: 23.64

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: Discount Rate = 5.125%

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
2020	111,724,639	-	8,934,634	-	5,496,938	108,286,943
2021	108,286,943	-	7,875,145	-	5,347,905	105,759,703
2022	105,759,703	-	8,194,002	-	5,210,213	102,775,914
2023	102,775,914	-	8,464,341	-	5,050,367	99,361,940
2024	99,361,940	-	8,788,720	-	4,867,088	95,440,308
2025	95,440,308	-	9,098,206	-	4,658,174	91,000,276
2026	91,000,276	-	9,366,717	-	4,423,742	86,057,301
2027	86,057,301	-	9,582,470	-	4,164,886	80,639,717
2028	80,639,717	-	9,804,166	-	3,881,554	74,717,105
2029	74,717,105	-	10,062,099	-	3,571,410	68,226,416
2030	68,226,416	-	10,209,275	-	3,234,991	61,252,132
2031	61,252,132	-	10,377,003	-	2,873,261	53,748,390
2032	53,748,390	-	10,517,405	-	2,485,096	45,716,081
2033	45,716,081	-	10,618,196	-	2,070,858	37,168,743
2034	37,168,743	-	10,751,329	-	1,629,395	28,046,809
2035	28,046,809	-	10,816,910	-	1,160,216	18,390,115
2036	18,390,115	-	10,858,501	-	664,244	8,195,858
2037	8,195,858	-	10,875,835	-	-	-

*All DROP Balances paid in 2020.

Number of Years Expected Benefit Payments Sustained: 17.75

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: 10/1/2020

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
Investment Rate of Return:	7.125%	5.125%
Minimum Required Contribution (Fixed \$)	\$4,805,703	\$7,732,659
Minimum Required Contribution (% of Payroll)	116.7%	187.8%
Expected Member Contribution	214,132	214,132
Expected State Money	623,811	623,811
Expected Sponsor Contribution (Fixed \$)	\$3,967,760	\$6,894,716
Expected Sponsor Contribution (% of Payroll)	95.7%	166.8%

ASSETS

Actuarial Value	110,431,718	110,431,718
Market Value	111,724,639	111,724,639

LIABILITIES

Present Value of Benefits		
Active Members		
Retirement Benefits	30,466,914	44,328,188
Disability Benefits	2,814,026	3,949,162
Death Benefits	366,441	520,900
Vested Benefits	564,686	984,922
Refund of Contributions	15,653	16,017
Service Retirees	86,636,417	109,794,918
DROP Retirees	11,530,440	14,878,718
Beneficiaries	6,960,909	8,383,619
Disability Retirees	3,632,866	4,513,160
Terminated Vested	1,399,194	2,083,866
Total:	144,387,546	189,453,470
Present Value of Future Salaries	25,730,469	27,930,184
Present Value of Future Member Contributions	1,337,984	1,452,370
Total Normal Cost	757,470	1,305,969
Present Value of Future Normal Costs (Entry Age Normal)	4,841,129	9,054,193
Total Actuarial Accrued Liability	139,546,417	180,399,277
Unfunded Actuarial Accrued Liability (UAAL)	29,114,699	69,967,559

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

Valuation Date: 10/1/2020

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
Investment Rate of Return:	7.125%	5.125%
<u>PENSION COST</u>		
Normal Cost (with interest)	787,769	1,358,208
Administrative Expenses (with interest)	72,800	72,800
Payment Required To Amortize UAAL (with interest)	<u>3,945,134</u>	<u>6,301,651</u>
Minimum Required Contribution	\$4,805,703	\$7,732,659

¹ The asset values and liabilities include accumulated Share Plan Balances as of 9/30/2020.

² Contributions developed as of 9/30/2020 displayed above have been adjusted to account for assumed salary increase components.