

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

SECTION 112.664, FLORIDA STATUTES COMPLIANCE
DETERMINED AS OF THE
OCTOBER 1, 2021 VALUATION DATE



July 22, 2022

VIA E-MAIL

Michelle Madril
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 Michelle:

Please find enclosed the annual disclosures that satisfy the October 1, 2021 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, ASA, EA, MAAA
Enrolled Actuary #20-8193

Enclosures

cc via email: Gary B. Leuchtman, 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, 2021 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, 2021

	ACTUAL	HYPOTHETICAL
Discount Rate:	7.125%	5.125%
<u>Total Pension Liability</u>		
Service Cost	785,361	1,340,088
Interest	9,624,254	8,995,254
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	1,350,334	2,154,594
Changes of Assumptions	-	-
Contributions - Buy Back	-	-
Benefit Payments, Including Refunds of Employee Contributions	(7,416,057)	(7,416,057)
Net Change in Total Pension Liability	4,343,892	5,073,879
Total Pension Liability - Beginning	137,999,913	177,885,096
Total Pension Liability - Ending (a)	<u>\$ 142,343,805</u>	<u>\$ 182,958,975</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	4,157,135	4,157,135
Contributions - State	640,286	640,286
Contributions - Employee	215,050	215,050
Contributions - Buy Back	-	-
Net Investment Income	24,880,274	24,880,274
Benefit Payments, Including Refunds of Employee Contributions	(7,416,057)	(7,416,057)
Administrative Expenses	(48,522)	(48,522)
Net Change in Plan Fiduciary Net Position	22,428,166	22,428,166
Plan Fiduciary Net Position - Beginning	111,724,639	111,724,639
Less Reserve Accounts	878,884	878,884
Plan Fiduciary Net Position - Ending (b)	<u>\$ 133,273,921</u>	<u>\$ 133,273,921</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 9,069,884</u>	<u>\$ 49,685,054</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
2021	134,152,805	-	8,875,558	-	9,242,196	134,519,443
2022	134,519,443	-	7,951,710	-	9,301,231	135,868,964
2023	135,868,964	-	8,262,868	-	9,386,299	136,992,395
2024	136,992,395	-	8,629,243	-	9,453,291	137,816,443
2025	137,816,443	-	8,970,249	-	9,499,856	138,346,050
2026	138,346,050	-	9,256,591	-	9,527,390	138,616,849
2027	138,616,849	-	9,490,198	-	9,538,362	138,665,013
2028	138,665,013	-	9,729,767	-	9,533,259	138,468,505
2029	138,468,505	-	10,015,963	-	9,509,062	137,961,604
2030	137,961,604	-	10,197,092	-	9,466,493	137,231,005
2031	137,231,005	-	10,352,179	-	9,408,913	136,287,739
2032	136,287,739	-	10,506,031	-	9,336,224	135,117,932
2033	135,117,932	-	10,638,350	-	9,248,161	133,727,743
2034	133,727,743	-	10,783,311	-	9,143,946	132,088,378
2035	132,088,378	-	10,856,110	-	9,024,548	130,256,816
2036	130,256,816	-	10,904,933	-	8,892,310	128,244,193
2037	128,244,193	-	10,955,632	-	8,747,104	126,035,665
2038	126,035,665	-	10,978,390	-	8,588,936	123,646,211
2039	123,646,211	-	10,957,739	-	8,419,423	121,107,895
2040	121,107,895	-	10,904,155	-	8,240,477	118,444,217
2041	118,444,217	-	10,830,419	-	8,053,317	115,667,115
2042	115,667,115	-	10,733,553	-	7,858,899	112,792,461
2043	112,792,461	-	10,613,267	-	7,658,365	109,837,559
2044	109,837,559	-	10,463,332	-	7,453,170	106,827,397
2045	106,827,397	-	10,292,491	-	7,244,782	103,779,688
2046	103,779,688	-	10,101,618	-	7,034,433	100,712,503
2047	100,712,503	-	9,881,400	-	6,823,741	97,654,844
2048	97,654,844	-	9,636,411	-	6,614,610	94,633,043
2049	94,633,043	-	9,368,306	-	6,408,858	91,673,595
2050	91,673,595	-	9,077,521	-	6,208,357	88,804,431
2051	88,804,431	-	8,763,795	-	6,015,106	86,055,742
2052	86,055,742	-	8,428,346	-	5,831,212	83,458,608
2053	83,458,608	-	8,072,774	-	5,658,833	81,044,667
2054	81,044,667	-	7,699,426	-	5,500,140	78,845,381
2055	78,845,381	-	7,310,728	-	5,357,289	76,891,942
2056	76,891,942	-	6,909,392	-	5,232,404	75,214,954
2057	75,214,954	-	6,499,388	-	5,127,525	73,843,091
2058	73,843,091	-	6,084,397	-	5,044,564	72,803,258
2059	72,803,258	-	5,668,503	-	4,985,292	72,120,047
2060	72,120,047	-	5,255,722	-	4,951,318	71,815,643
2061	71,815,643	-	4,849,968	-	4,944,084	71,909,759
2062	71,909,759	-	4,454,592	-	4,964,875	72,420,042
2063	72,420,042	-	4,072,617	-	5,014,841	73,362,266
2064	73,362,266	-	3,706,801	-	5,095,007	74,750,472
2065	74,750,472	-	3,359,376	-	5,206,293	76,597,389
2066	76,597,389	-	3,032,106	-	5,349,545	78,914,828
2067	78,914,828	-	2,726,196	-	5,525,561	81,714,193
2068	81,714,193	-	2,442,443	-	5,735,124	85,006,874

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
2069	85,006,874	-	2,181,193	-	5,979,035	88,804,716
2070	88,804,716	-	1,942,306	-	6,258,141	93,120,551
2071	93,120,551	-	1,725,200	-	6,573,379	97,968,730
2072	97,968,730	-	1,528,816	-	6,925,808	103,365,722
2073	103,365,722	-	1,351,921	-	7,316,646	109,330,447
2074	109,330,447	-	1,193,235	-	7,747,285	115,884,497
2075	115,884,497	-	1,051,373	-	8,219,315	123,052,439
2076	123,052,439	-	925,027	-	8,734,532	130,861,944
2077	130,861,944	-	812,937	-	9,294,953	139,343,960
2078	139,343,960	-	713,920	-	9,902,824	148,532,864
2079	148,532,864	-	626,894	-	10,560,633	158,466,603
2080	158,466,603	-	550,893	-	11,271,120	169,186,830
2081	169,186,830	-	485,032	-	12,037,282	180,739,080
2082	180,739,080	-	428,445	-	12,862,396	193,173,031
2083	193,173,031	-	380,150	-	13,750,036	206,542,917
2084	206,542,917	-	339,094	-	14,704,103	220,907,926
2085	220,907,926	-	304,225	-	15,728,852	236,332,553
2086	236,332,553	-	274,517	-	16,828,915	252,886,951
2087	252,886,951	-	248,943	-	18,009,327	270,647,335
2088	270,647,335	-	226,594	-	19,275,550	289,696,291
2089	289,696,291	-	206,681	-	20,633,498	310,123,108
2090	310,123,108	-	188,585	-	22,089,553	332,024,076
2091	332,024,076	-	171,812	-	23,650,595	355,502,859
2092	355,502,859	-	156,002	-	25,324,021	380,670,878
2093	380,670,878	-	140,715	-	27,117,787	407,647,950
2094	407,647,950	-	125,660	-	29,040,440	436,562,730
2095	436,562,730	-	110,776	-	31,101,148	467,553,102
2096	467,553,102	-	96,148	-	33,309,733	500,766,687
2097	500,766,687	-	82,020	-	35,676,704	536,361,371
2098	536,361,371	-	68,610	-	38,213,303	574,506,064
2099	574,506,064	-	56,119	-	40,931,558	615,381,503
2100	615,381,503	-	44,779	-	43,844,337	659,181,061
2101	659,181,061	-	34,820	-	46,965,410	706,111,651
2102	706,111,651	-	26,328	-	50,309,517	756,394,840
2103	756,394,840	-	19,298	-	53,892,445	810,267,987
2104	810,267,987	-	13,670	-	57,731,107	867,985,424
2105	867,985,424	-	9,352	-	61,843,628	929,819,700
2106	929,819,700	-	6,166	-	66,249,434	996,062,968
2107	996,062,968	-	3,899	-	70,969,348	1,067,028,417
2108	1,067,028,417	-	2,357	-	76,025,691	1,143,051,751
2109	1,143,051,751	-	1,371	-	81,442,388	1,224,492,768
2110	1,224,492,768	-	775	-	87,245,082	1,311,737,075
2111	1,311,737,075	-	424	-	93,461,251	1,405,197,902
2112	1,405,197,902	-	223	-	100,120,343	1,505,318,022
2113	1,505,318,022	-	114	-	107,253,905	1,612,571,813
2114	1,612,571,813	-	59	-	114,895,740	1,727,467,494
2115	1,727,467,494	-	30	-	123,082,058	1,850,549,522
2116	1,850,549,522	-	15	-	131,851,653	1,982,401,160

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
2117	1,982,401,160	-	6	-	141,246,082	2,123,647,236
2118	2,123,647,236	-	-	-	151,309,866	2,274,957,102

*All DROP Balances paid in 2021.

Number of Years Expected Benefit Payments Sustained: 999.99

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.125% 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
2021	134,152,805	-	8,875,558	-	6,647,895	131,925,142
2022	131,925,142	-	7,951,710	-	6,557,401	130,530,833
2023	130,530,833	-	8,262,868	-	6,477,969	128,745,934
2024	128,745,934	-	8,629,243	-	6,377,105	126,493,796
2025	126,493,796	-	8,970,249	-	6,252,944	123,776,491
2026	123,776,491	-	9,256,591	-	6,106,345	120,626,245
2027	120,626,245	-	9,490,198	-	5,938,909	117,074,956
2028	117,074,956	-	9,729,767	-	5,750,766	113,095,955
2029	113,095,955	-	10,015,963	-	5,539,509	108,619,501
2030	108,619,501	-	10,197,092	-	5,305,449	103,727,858
2031	103,727,858	-	10,352,179	-	5,050,778	98,426,457
2032	98,426,457	-	10,506,031	-	4,775,139	92,695,565
2033	92,695,565	-	10,638,350	-	4,478,040	86,535,255
2034	86,535,255	-	10,783,311	-	4,158,609	79,910,553
2035	79,910,553	-	10,856,110	-	3,817,228	72,871,671
2036	72,871,671	-	10,904,933	-	3,455,234	65,421,972
2037	65,421,972	-	10,955,632	-	3,072,138	57,538,478
2038	57,538,478	-	10,978,390	-	2,667,526	49,227,614
2039	49,227,614	-	10,957,739	-	2,242,123	40,511,998
2040	40,511,998	-	10,904,155	-	1,796,821	31,404,664
2041	31,404,664	-	10,830,419	-	1,331,960	21,906,205
2042	21,906,205	-	10,733,553	-	847,646	12,020,298
2043	12,020,298	-	10,613,267	-	344,075	1,751,106
2044	1,751,106	-	10,463,332	-	-	-

*All DROP Balances paid in 2021.

Number of Years Expected Benefit Payments Sustained: 23.17

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.125% 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, 2023

Valuation Date: 10/1/2021

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
Investment Rate of Return:	7.125%	5.125%
Minimum Required Contribution (Fixed \$)	\$4,101,231	\$7,099,874
Minimum Required Contribution (% of Payroll)	98.3%	170.2%
Expected Member Contribution	216,878	216,878
Expected State Money	640,286	640,286
Expected Sponsor Contribution (Fixed \$)	\$3,244,067	\$6,242,710
Expected Sponsor Contribution (% of Payroll)	77.1%	149.0%

ASSETS

Actuarial Value ¹	119,577,314	119,577,314
Market Value ¹	134,152,805	134,152,805

LIABILITIES

Present Value of Benefits		
Active Members		
Retirement Benefits	32,631,563	46,706,409
Disability Benefits	2,825,378	3,923,113
Death Benefits	278,334	399,336
Vested Benefits	429,452	745,895
Refund of Contributions	10,616	10,827
Service Retirees	89,258,295	112,861,340
DROP Retirees ¹	7,450,132	9,494,532
Beneficiaries	6,888,616	8,264,635
Disability Retirees	3,291,031	4,079,011
Terminated Vested	1,688,223	2,630,499
Total:	144,751,640	189,115,597
Present Value of Future Salaries	24,060,705	25,984,207
Present Value of Future		
Member Contributions	1,251,157	1,351,179
Total Normal Cost	756,324	1,299,823
Present Value of Future		
Normal Costs (Entry Age Normal)	4,499,758	8,359,864
Total Actuarial Accrued Liability (EAN) ¹	140,251,882	180,755,733
Unfunded Actuarial Accrued	20,674,568	61,178,419
Liability (UAAL)		

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2023

Valuation Date: 10/1/2021

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
Investment Rate of Return:	7.125%	5.125%
<u>PENSION COST</u>		
Normal Cost ²	786,577	1,351,816
Administrative Expenses ²	72,800	72,800
Payment Required To Amortize UAAL ²	<u>3,241,854</u>	<u>5,675,258</u>
Minimum Required Contribution	\$4,101,231	\$7,099,874

¹ The asset values and liabilities include accumulated DROP Balances as of 9/30/2021.

² Contributions developed as of 10/1/2021 displayed above have been adjusted to account for assumed salary increase components.