

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

SECTION 112.664, FLORIDA STATUTES COMPLIANCE
DETERMINED AS OF THE
OCTOBER 1, 2022 VALUATION DATE



October 13, 2023

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, 2022 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:



Joseph L. Griffin, ASA, EA, MAAA
Enrolled Actuary #23-6938

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, 2022 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, 2022

	ACTUAL	HYPOTHETICAL
Discount Rate:	7.125%	5.125%
<u>Total Pension Liability</u>		
Service Cost	794,084	1,352,719
Interest	9,893,600	9,226,607
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	(2,541,190)	(2,795,329)
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(8,560,682)	(8,560,682)
Net Change in Total Pension Liability	(414,188)	(776,685)
Total Pension Liability - Beginning	142,343,805	182,958,975
Total Pension Liability - Ending (a)	<u>\$ 141,929,617</u>	<u>\$ 182,182,290</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	3,972,023	3,972,023
Contributions - State	683,116	683,116
Contributions - Employee	214,372	214,372
Net Investment Income	(20,777,957)	(20,777,957)
Benefit Payments, Including Refunds of Employee Contributions	(8,560,682)	(8,560,682)
Administrative Expenses	(66,997)	(66,997)
Net Change in Plan Fiduciary Net Position	(24,536,125)	(24,536,125)
Plan Fiduciary Net Position - Beginning	134,152,805	134,152,805
	109,616,680	109,616,680
Less Reserve Accounts	966,951	966,951
Plan Fiduciary Net Position - Ending (b)	<u>\$ 108,649,729</u>	<u>\$ 108,649,729</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 33,279,888</u>	<u>\$ 73,532,561</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
2022	109,616,680	-	8,350,069	-	7,512,717	108,779,328
2023	108,779,328	-	8,337,558	-	7,453,502	107,895,272
2024	107,895,272	-	8,749,068	-	7,375,853	106,522,057
2025	106,522,057	-	9,140,627	-	7,264,062	104,645,492
2026	104,645,492	-	9,471,885	-	7,118,555	102,292,162
2027	102,292,162	-	9,713,079	-	6,942,288	99,521,371
2028	99,521,371	-	9,971,890	-	6,735,649	96,285,130
2029	96,285,130	-	10,286,672	-	6,493,853	92,492,311
2030	92,492,311	-	10,479,281	-	6,216,753	88,229,783
2031	88,229,783	-	10,691,700	-	5,905,480	83,443,563
2032	83,443,563	-	10,860,819	-	5,558,437	78,141,181
2033	78,141,181	-	11,004,588	-	5,175,521	72,312,114
2034	72,312,114	-	11,163,065	-	4,754,554	65,903,603
2035	65,903,603	-	11,243,040	-	4,295,098	58,955,661
2036	58,955,661	-	11,298,184	-	3,798,093	51,455,570
2037	51,455,570	-	11,356,095	-	3,261,648	43,361,123
2038	43,361,123	-	11,383,934	-	2,683,927	34,661,116
2039	34,661,116	-	11,366,280	-	2,064,681	25,359,517
2040	25,359,517	-	11,316,044	-	1,403,732	15,447,205
2041	15,447,205	-	11,244,226	-	700,038	4,903,017
2042	4,903,017	-	11,148,760	-	-	-

*All DROP Balances paid in 2022.

Number of Years Expected Benefit Payments Sustained: 20.44

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
2022	109,616,680	-	8,350,069	-	5,403,884	106,670,495
2023	106,670,495	-	8,337,558	-	5,253,213	103,586,150
2024	103,586,150	-	8,749,068	-	5,084,595	99,921,677
2025	99,921,677	-	9,140,627	-	4,886,757	95,667,807
2026	95,667,807	-	9,471,885	-	4,660,258	90,856,180
2027	90,856,180	-	9,713,079	-	4,407,482	85,550,583
2028	85,550,583	-	9,971,890	-	4,128,938	79,707,631
2029	79,707,631	-	10,286,672	-	3,821,420	73,242,379
2030	73,242,379	-	10,479,281	-	3,485,140	66,248,238
2031	66,248,238	-	10,691,700	-	3,121,247	58,677,785
2032	58,677,785	-	10,860,819	-	2,728,928	50,545,894
2033	50,545,894	-	11,004,588	-	2,308,485	41,849,791
2034	41,849,791	-	11,163,065	-	1,858,748	32,545,474
2035	32,545,474	-	11,243,040	-	1,379,853	22,682,287
2036	22,682,287	-	11,298,184	-	872,951	12,257,054
2037	12,257,054	-	11,356,095	-	337,174	1,238,133
2038	1,238,133	-	11,383,934	-	-	-

*All DROP Balances paid in 2022.

Number of Years Expected Benefit Payments Sustained: 16.11

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, 2024

Valuation Date: 10/1/2022

	ACTUAL	HYPOTHETICAL
Investment Rate of Return:	7.125%	5.125%
Minimum Required Contribution (Fixed \$)	\$4,309,018	\$7,341,413
Minimum Required Contribution (% of Payroll)	102.6%	174.8%
Expected Member Contribution	218,349	218,349
Expected State Money	683,116	683,116
Expected Sponsor Contribution (Fixed \$)	\$3,407,553	\$6,439,948
Expected Sponsor Contribution (% of Payroll)	81.2%	153.4%

ASSETS

Actuarial Value ¹	122,927,837	122,927,837
Market Value ¹	109,616,680	109,616,680

LIABILITIES

Present Value of Benefits		
Active Members		
Retirement Benefits	32,421,534	46,275,238
Disability Benefits	2,806,308	3,866,323
Death Benefits	274,109	390,442
Vested Benefits	379,823	653,745
Refund of Contributions	7,197	7,300
Service Retirees	96,426,247	121,749,722
DROP Retirees ¹	3,458,486	4,327,185
Beneficiaries	7,564,744	9,055,757
Disability Retirees	3,315,959	4,092,530
Terminated Vested	1,811,673	2,770,107
Total:	148,466,080	193,188,349
Present Value of Future Salaries	22,684,495	24,389,201
Present Value of Future Member Contributions	1,179,594	1,268,238
Total Normal Cost	757,751	1,301,144
Present Value of Future Normal Costs (Entry Age Normal)	4,226,128	7,819,841
Total Actuarial Accrued Liability (EAN) ¹	144,239,952	185,368,508
Unfunded Actuarial Accrued Liability (UAAL)	21,312,115	62,440,671

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2024

Valuation Date: 10/1/2022

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
Investment Rate of Return:	7.125%	5.125%
<u>PENSION COST</u>		
Normal Cost ²	788,061	1,353,190
Administrative Expenses ²	72,800	72,800
Payment Required To Amortize UAAL ²	<u>3,448,157</u>	<u>5,915,423</u>
Minimum Required Contribution	\$4,309,018	\$7,341,413

¹ The asset values and liabilities include accumulated DROP Balances as of 9/30/2022.

² Contributions developed as of 10/1/2022 displayed above have been adjusted to account for assumed salary increase and interest components.