

PENSION BOARD CONSULTANTS, INC.
CONSULTING, ACTUARIAL & ADMINISTRATIVE SERVICES

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January 19, 2015

Mr. Richard Barker, Jr., Fund Administrator
Financial Services Department
City of Pensacola
222 West Main Street
Pensacola, Florida 32502

City of Pensacola Police Officers' Retirement Fund

Dear Dick:

Senate Bill 534 amends Chapter 112, Florida Statutes to require each public pension plan to submit information to the Department of Management Services within 60 days after receipt of the actuarial report. Attached are calculations detailing the information required for the City of Pensacola Police Officers' Retirement Fund. A summary is as follows:

1. The attached Table A shows financial information for PYE2014 for two interest rates.

	<u>i=5.25%</u>	<u>i=7.25%</u>
a. Total pension liability	\$153,163,139	\$118,079,087
b. Plan fiduciary net position	\$83,340,581	\$83,340,581
c. City's net pension liability	\$69,822,558	\$34,738,506
d. Plan fiduciary net position as a percentage of total pension liability	54.4%	70.6%

2. Table B details the number of years for which the current market value of assets is adequate to sustain the payment of expected retirement benefits. With an investment assumption of 5.25%, the Fund can sustain payments for 15 years and using an investment assumption of 7.25%, can sustain payments for 18 years.

3. Table C shows the derivation of the required contribution levels for two interest rates. Calculations were based on data, assumptions and the Plan shown in our October 1, 2014 Actuarial Report.

	<u>i=5.25%</u>	<u>i=7.25%</u>
Total Required Contribution BOY	\$7,852,724	\$4,640,556
As a percentage of covered payroll	179.40%	106.00%
Expected State Contribution	\$473,283	\$473,283
Expected Employee Contribution	\$227,654	\$227,654
Minimum Required City Contribution BOY	\$7,151,786	\$3,939,619
As a percentage of covered payroll	163.36%	89.99%

Mr. Richard Barker, Jr.
January 19, 2015
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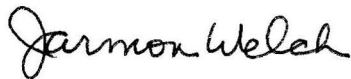
In addition to the preceding information and actuarial report, the Fund (if available) and sponsor websites must include five years', from October 1, 2013, active and expected net asset yields and asset class percentages and a link to the Division of Retirement's Actuarial Summary Fact Sheet for the Fund. This must be transmitted electronically within 60 days of receipt of the actuarial report.

Expense provisions under GASB 68 will be shown commencing next year.

I am a member of the American Academy of Actuaries and meet its Qualification Standards to render the actuarial opinion contained herein.

Please let us know if you find you need additional information. Best regards.

Cordially yours,

A handwritten signature in black ink that reads "Jarmon Welch". The signature is written in a cursive, flowing style.

Jarmon Welch, A.S.A.
President

Attachments

cc: Ms. P. Cheryl Jackson
Ms. Kelly Shelton

TABLE - A

CITY OF PENSACOLA POLICE OFFICERS' RETIREMENT FUND

Schedule of Changes in Net Pension Liability and Related Ratios

	i=5.25%	i=7.25%			
	2014	2014	2013	2012	2011
Total pension liability					
Service Cost (BOY)	\$930,340	\$930,340	\$1,282,649	\$1,605,230	
Interest	\$8,156,321	\$8,156,321	\$8,164,809	\$7,835,535	
Changes of benefit terms	\$0	\$0	(\$5,724,271)	\$0	
Differences between expected and actual experience	\$791,790	\$791,709	\$1,943,060	(\$2,734,414)	
Changes of assumptions	\$38,515,321	\$3,431,350	\$3,373,204	\$2,145,252	
Benefit payments, including refunds of member contributions	(\$5,994,107)	(\$5,994,107)	(\$4,605,472)	(\$3,967,087)	
Net change in total pension liability	\$42,399,665	\$7,315,613	\$4,433,979	\$4,884,516	
Total pension liability -- beginning	\$110,763,474	\$110,763,474	\$106,329,495	\$101,444,979	
Total pension liability -- ending(a)	\$153,163,139	\$118,079,087	\$110,763,474	\$106,329,495	
Plan fiduciary net position					
Contributions--employer	\$3,825,656	\$3,825,656	\$2,485,715	\$3,025,714	
Contributions--member	\$156,000	\$156,000	\$61,590	\$29,199	
Net investment income	\$6,881,022	\$6,881,022	\$9,839,718	\$11,504,769	
Benefit payments, including refunds of member contributions	(\$5,994,107)	(\$5,994,107)	(\$4,605,472)	(\$3,967,087)	
Administrative expense	(\$69,051)	(\$69,051)	(\$74,488)	(\$73,465)	
State Insurance	\$473,283	\$473,283	\$473,910	\$477,014	
Member buybacks	\$12,024	\$12,024	\$237,089	\$763,031	
Other					
Net change in plan fiduciary net position	\$5,284,827	\$5,284,827	\$8,418,062	\$11,759,175	
Plan fiduciary net position -- beginning	\$79,153,159	\$79,153,159	\$70,735,097	\$58,975,922	
Plan fiduciary net position -- ending	\$84,437,986	\$84,437,986	\$79,153,159	\$70,735,097	
less reserve accounts	\$1,097,405	\$1,097,405	\$1,019,927	\$847,359	
Total Plan fiduciary net position -- ending(b)	\$83,340,581	\$83,340,581	\$78,133,232	\$69,887,738	
City's net pension liability--ending(a)-(b)	\$69,822,558	\$34,738,506	\$32,630,242	\$36,441,757	
Plan fiduciary net position as a percentage of the total pension liability	54.4%	70.6%	70.5%	65.7%	
Covered-employee payroll	\$4,377,970	\$4,377,970	\$4,870,112	\$5,296,929	
City's pension liability as a percentage of covered-employee payroll	3498.5%	2697.1%	2274.4%	2007.4%	

PRIOR
INFORMATION
NOT
AVAILABLE

CITY OF PENSACOLA POLICE OFFICERS' RETIREMENT FUND

Payment of Expected Retirement Benefits

Investment Assumption = 5.25%				Investment Assumption = 7.25%		
	Plan fiduciary net position on 10/1	Expected Payout	Plan fiduciary net position on 9/30	Plan fiduciary net position on 10/1	Expected Payout	Plan fiduciary net position on 9/30
2014	\$83,340,581	\$5,866,285	\$81,541,697	\$83,340,581	\$5,866,285	\$83,091,182
2015	81,541,697	6,134,592	79,365,978	83,091,182	6,134,592	82,535,943
2016	79,365,978	6,350,018	76,849,297	82,535,943	6,350,018	81,709,405
2017	76,849,297	6,655,975	73,878,472	81,709,405	6,655,975	80,494,804
2018	73,878,472	6,966,640	70,424,703	80,494,804	6,966,640	78,858,955
2019	70,424,703	7,222,997	66,519,796	78,858,955	7,222,997	76,829,565
2020	66,519,796	7,502,697	62,115,496	76,829,565	7,502,697	74,353,066
2021	62,115,496	7,811,900	57,154,535	74,353,066	7,811,900	71,365,401
2022	57,154,535	8,129,547	51,598,800	71,365,401	8,129,547	67,820,453
2023	51,598,800	8,427,774	45,437,505	67,820,453	8,427,774	63,698,649
2024	45,437,505	8,761,852	38,601,125	63,698,649	8,761,852	58,919,714
2025	38,601,125	9,100,130	31,049,797	58,919,714	9,100,130	53,431,504
2026	31,049,797	9,407,899	22,778,097	53,431,504	9,407,899	47,215,316
2027	22,778,097	9,705,729	13,758,668	47,215,316	9,705,729	40,229,033
2028	13,758,668	9,999,999	3,955,999	40,229,033	9,999,999	32,420,639
2029	3,955,999	10,312,908	-6,690,647	32,420,639	10,312,908	23,710,541
2030				23,710,541	10,597,661	14,063,564
2031				14,063,564	10,837,596	3,459,850
2032				3,459,850	11,069,105	-8,160,926

Note: The total Plan fiduciary net position as of October 1, 2014, was \$84,437,986 less reserve accounts of \$1,097,405.

CITY OF PENSACOLA POLICE OFFICERS' RETIREMENT FUND

TABLE-C

Derivation of Required Contribution Levels

	<u>i=5.25%</u> <u>October 1, 2014</u>	<u>i=7.25%</u> <u>October 1, 2014</u>
1. Present Value of Future Benefits		
a. Active Participants		
(i) Retirement	\$37,334,231	\$24,501,994
(ii) Death	\$658,765	\$433,207
(iii) Disability	\$4,992,038	\$3,548,061
(iv) Withdrawal	\$1,364,833	\$748,647
(v) Return of Contributions	<u>\$56,021</u>	<u>\$52,241</u>
(vi) Total	\$44,405,888	\$29,284,150
b. Inactive Participants		
(i) Retirees and Beneficiaries	\$72,824,230	\$57,859,591
(ii) Disableds	\$4,483,258	\$3,577,698
(iii) Terminated Vested	\$1,517,545	\$1,012,184
(iv) DROP's Plus Accumulated Balances	<u>\$42,111,118</u>	<u>\$32,878,016</u>
(v) Total	\$120,936,151	\$95,327,489
c. Total	\$165,342,039	\$124,611,639
2. Value of Assets		
a. Actuarial Value of Assets	\$80,562,282	\$80,562,282
b. Contribution Surplus Account Available	\$700,508	\$700,508
c. Accumulated Chapter 185 Premium Tax	<u>\$396,897</u>	<u>\$396,897</u>
d. Net Actuarial Value of Assets (a. - b. - c.)	\$79,464,877	\$79,464,877
3. Unfunded Actuarial Accrued Liability	\$73,698,181	\$38,614,210
a. Amortization Payment BOY	\$6,407,045	\$3,751,814
4. Present Value of Future Normal Costs: (1.) - (2.) - (3.)	\$12,178,982	\$6,532,552
5. Ratio of Present Value of Future Salaries to Current Salaries		
a. 1% of PV of Future Salaries	\$395,189	\$354,024
b. Non DROP Payroll (Covered Payroll)	\$4,377,970	\$4,377,970
c. Ratio (a. / b.)	9.026764	8.086488
6. Individual Entry Age Normal Cost BOY		
a. Dollar Amount	\$1,375,679	\$818,742
b. As % of Covered Payroll	31.42%	18.70%
7. Expense Funding		
a. Annual Expense	\$70,000	\$70,000
d. As % of Covered Payroll	1.60%	1.60%
8. Annual Plan Cost		
a. Total Required Contribution BOY (3.a. + 6.a. + 7.a.)	\$7,852,724	\$4,640,556
b. Expected State Contribution	\$473,283	\$473,283
c. Expected Employee Contribution 10/1/2014 Change (5.2% x 5.b.)	\$227,654	\$227,654
d. Minimum Required City Contribution* (8.a. - 8.b. - 8.c.)	\$7,151,786	\$3,939,619
e. As % of Covered Payroll	163.36%	89.99%

* payable October 1