

September 19, 2019

VIA MAIL AND EMAIL

Ms. Karen Lauer
City of New Port Richey
Firefighters' Retirement System
5919 Main Street
New Port Richey, FL 34653

Re: City of New Port Richey
Firefighters' Retirement System
Actuarial Impact Statement

Dear Karen:

Enclosed is the following material which has been prepared in support of the proposed benefit changes:

- 1.) Three (3) copies of the required Actuarial Impact Statement which outlines the impact associated with implementing the changes.
- 2.) Draft of transmittal letters to the Bureau of Local Retirement Systems and the Bureau of Firefighters Retirement Trust Funds.

It is necessary that you forward signed copies of this impact statement and proposed ordinance to the bureaus between first and second readings of the proposed benefit change.

If you have any questions, please let me know.

Sincerely,



Patrick T. Donlan, ASA, MAAA

PTD/lke

Enclosures

CITY OF NEW PORT RICHEY
FIREFIGHTERS' RETIREMENT SYSTEM

ACTUARIAL IMPACT STATEMENT

September 19, 2019

Attached hereto is a comparison of the impact on the Total Required Contribution (per Chapter 112, Florida Statutes) resulting from the implementation of the following Plan amendments:

- 1.) Effective July 1, 2019, an additional presumption was added to the disability in-line-of-duty presumption. "Diagnosis of cancer or the circumstances that arise out of the treatment of cancer. A firefighter shall be considered totally and permanently disabled in the line of duty if he or she meets the Plan's definition of total and permanently disabled due to the diagnosis of cancer or circumstances that arise out of the treatment of cancer.

To value for this change, we are increasing the in-line-of duty assumption from 75% of disablements to 90% of disablements for Firefighters.

Please note that the benefit changes provided in this ordinance only relate to the disability benefits for the Pension Fund and do not provide for other additional benefits that are provided for in Florida Statutes Section 112.1816.

The cost impact, determined as of October 1, 2018, as applicable to the fiscal year ending September 30, 2020, is as follows:

	<u>Proposed</u>	<u>Current</u>
Total Required Contribution	\$502,092	\$498,022
Expected Member Contributions	99,514	99,514
Required City and State Contributions	402,578	398,508
Estimated State Contribution *	108,190	108,190
Balance from City	294,388	290,318

* Represents the amount received in calendar 2019. As per a Mutual Consent Agreement between the Membership and the City, all State Monies received each year will be available to offset the City's required contribution.

CITY OF NEW PORT RICHEY
FIREFIGHTERS' RETIREMENT SYSTEM

ACTUARIAL IMPACT STATEMENT

September 19, 2019
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The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution. The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report and the October 1, 2016 valuation report are considered an integral part of the actuarial opinions.



Patrick T. Donlan, ASA, EA, MAAA
Enrolled Actuary #17-6595

STATEMENT OF PLAN ADMINISTRATOR

The prepared information presented herein reflects the estimated cost of each proposed improvement.

Board of Trustees

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Benefits <u>10/1/2018</u>	Old Benefits <u>10/1/2018</u>
A. Participant Data		
Actives	22	22
Service Retirees	20	20
DROP Retirees	1	1
Beneficiaries	3	3
Disability Retirees	1	1
Terminated Vested	<u>10</u>	<u>10</u>
 Total	 57	 57
 Total Annual Payroll	 \$1,402,006	 \$1,402,006
Payroll Under Assumed Ret. Age	1,402,006	1,402,006
 Annual Rate of Payments to:		
Service Retirees	741,405	741,405
DROP Retirees	47,457	47,457
Beneficiaries	71,148	71,148
Disability Retirees	10,675	10,675
Terminated Vested	39,036	39,036
 B. Assets		
Actuarial Value (AVA) ¹	11,911,230	11,911,230
Market Value (MVA) ¹	12,343,014	12,343,014
 C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	3,595,019	3,595,019
Disability Benefits	412,253	382,719
Death Benefits	54,152	54,152
Vested Benefits	444,120	444,120
Refund of Contributions	66,938	66,938
Service Retirees	8,595,296	8,595,296
DROP Retirees ¹	855,343	855,343
Beneficiaries	764,379	764,379
Disability Retirees	50,417	50,417
Terminated Vested	282,991	282,991
Share Plan Balances ¹	0	0
Excess State Monies Reserve	<u>0</u>	<u>0</u>
 Total	 15,120,908	 15,091,374

C. Liabilities - (Continued)	New Benefits <u>10/1/2018</u>	Old Benefits <u>10/1/2018</u>
Present Value of Future Salaries	11,108,471	11,108,471
Present Value of Future Member Contributions	722,051	722,051
Total Normal Cost	405,095	401,368
Present Value of Future Normal Costs (EAN)	2,253,414	2,227,722
Accrued Liability (Retirement)	1,967,833	1,967,833
Accrued Liability (Disability)	94,279	90,437
Accrued Liability (Death)	26,122	26,122
Accrued Liability (Vesting)	215,032	215,032
Accrued Liability (Refunds)	15,802	15,802
Accrued Liability (Inactives) ¹	10,548,426	10,548,426
Share Plan Balances ¹	0	0
Excess State Monies Reserve	<u>0</u>	<u>0</u>
Total Actuarial Accrued Liability (EAN AL)	12,867,494	12,863,652
Total Actuarial Accrued Liability (Aggregate)	11,911,230	11,911,230
Unfunded Actuarial Accrued Liability (UAAL)	0	0
Funded Ratio (AVA / EAN AL)	92.6%	92.6%

D. Actuarial Present Value of Accrued Benefits	New Benefits <u>10/1/2018</u>	Old Benefits <u>10/1/2018</u>
Vested Accrued Benefits		
Inactives + Share Plan Balances ¹	10,548,426	10,548,426
Actives	970,048	947,290
Member Contributions	<u>482,650</u>	<u>482,650</u>
Total	12,001,124	11,978,366
Non-vested Accrued Benefits	<u>359,387</u>	<u>359,694</u>
Total Present Value		
Accrued Benefits (PVAB)	12,360,511	12,338,060
Funded Ratio (MVA / PVAB)	99.9%	100.0%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	22,451	
Assumption Changes	0	
New Accrued Benefits	0	
Benefits Paid	0	
Interest	0	
Other	<u>0</u>	
Total	22,451	

Valuation Date	New Benefits	Old Benefits
Applicable to Fiscal Year Ending	<u>10/1/2018</u>	<u>10/1/2018</u>
	<u>9/30/2020</u>	<u>9/30/2020</u>
E. Pension Cost		
Normal Cost ²	\$442,364	\$438,294
Administrative Expenses ²	59,728	59,728
Payment Required to Amortize Unfunded Actuarial Accrued Liability (as of 10/1/2018) ²	0	0
Minimum Required Contribution	502,092	498,022
Expected Member Contributions ²	99,514	99,514
Expected City and State Contribution	402,578	398,508

¹ The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2018 and 9/30/2017.

² Contributions developed as of 10/1/2018 displayed above have been adjusted to account for assumed salary increase and interest components.

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Active Lives:

Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB

Male: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB

Healthy Inactive Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB

Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale

The above assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2018 FRS valuation report for special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

75% of active deaths are assumed to be service-incurred.

Interest Rate

8.00% per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Salary Increases

5.00% per year until the assumed retirement age; see table below. We feel this is reasonable based on long-term expectations.

Payroll Growth

N/A.

Administrative Expenses

\$54,696 annually, based on actual expenses incurred in the prior fiscal year.

Retirement Age

10 or more years of service on 10/1/2013: Earlier of 1) age 41 and 21 years of service, or 2) age 51 and 11 years of service.

Less than 10 years of service on 10/1/2013: Earlier of 1) age 51 with 10 years of service, or 2) 23 years of service, regardless of age.

Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year. The assumed rates of retirement are consistent with those approved in conjunction with an actuarial experience study dated November 16, 2010.

Disability Rate

See table below. It is assumed that 90% (75% for "Old Benefits") of disablements and active Member deaths are service related. The assumed rates of disablement are consistent with those used by other plans containing Florida municipal Firefighters.

Termination Rate

See table below. The assumed rates of termination were approved in conjunction with an actuarial experience study dated November 16, 2010.

Load for Minimum DROP Return

The liabilities for future Normal Retirement Benefits are increased by 0.5% to account for the fact that DROP Members' quarterly returns will be subject to a floor of 0.0%.

Funding Method

Aggregate Actuarial Cost Method.

Actuarial Asset Method

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>	<u>Current Salary as % of Salary at age 47</u>
20	9.0%	0.14%	26.8%
25	8.6	0.15	34.2
30	7.5	0.18	43.6
35	5.7	0.23	55.7
40	3.9	0.30	71.1
45	2.4	0.51	90.7

SUMMARY OF CURRENT PLAN

Salary Effective upon adoption of proposed ordinance, total cash remuneration paid by the City for services rendered, including overtime paid up to but not exceeding 300 hours per year, and excluding payments for accrued unused sick or annual leave.

Credited Service a. Total aggregate period of service as a Firefighter, including military leave, if reemployed within one year (maximum 5 years credit.)

b. Upon termination, prior Credited Service will be forfeited if refund of contribution elected or if not reemployed within 5 years.

Normal Retirement

Frozen Benefit as of October 1, 2013:

Eligibility The earlier of: 1) age 50 and 10 years of Credited Service, or 2) age 40 and 20 years of Credited Service.

Average Final Compensation Average Salary during the 1 highest year of the last 3.

Benefit 3.5% of Average Final Compensation times Credited Service earned before October 1, 2013 (maximum benefit of 75% of Average Final Compensation, minimum benefit of 2.0% of Average Final Compensation times Credited Service), plus \$200 per month payable for life.

Form of Benefit 10 years certain and life thereafter (options available).

Accrued Benefit on and after October 1, 2013:

Eligibility

For Members with at least ten years of service as of 10/1/13: The earlier of: 1) age 50 and 10 years of Credited Service, or 2) age 40 and 20 years of Credited Service.

For Members with less than ten years of service as of 10/1/13: The earlier of: 1) age 52 and 10 years of Credited Service, or 2) 23 years of Credited Service, regardless of age.

Average Final Compensation Average Salary during the highest 3 years of the last 5 years of service.

Benefit 3.0% of Average Final Compensation times Credited Service earned on and after October 1, 2013 and prior to the effective date of the proposed ordinance and 3.25%

of AFC times Credited Service earned on and after the effective date of the proposed ordinance (maximum benefit of 75% of Average Final Compensation, minimum benefit of 2.0% of Average Final Compensation times Credited Service).

Form of Benefit

10 years certain and life thereafter (options available).

Early Retirement

Eligibility

The later of age 50 and the completion of 10 years of Credited Service.

Benefit

Same as for Normal Retirement reduced by 3.0% for each year that precedes the Normal Retirement Date

Disability In-Service

Eligibility

- a. Date of Employment.
- b. Service connected injury, disease or disability, which permanently incapacitates him from performing Firefighters' duties.

Benefit

Greater of: 1) 60% of regular base salary or, 2) 42% of Average Final Compensation, or 3) Accrued Benefit at date of Disability payable for life and the life of the surviving spouse or to dependent children in the event of death, plus \$100 per month payable to age 65.

Disability Non-Service

Eligibility

- a. One year of Credited Service.
- b. Non-service connected injury, disease or disability which permanently incapacitates the member from performing Firefighters' duties.

Benefit

\$100 per month, ceasing at age 65 plus the greater of 1) 30% of regular base salary, or 2) 25% of Average Final Compensation, or 3) Accrued Benefit at date of Disability for life (with 120 monthly payments guaranteed).

Pre-Retirement Death

If eligible for Normal Retirement, or vested, at beneficiary's election, either 1) accrued benefit payable as if the member had retired and selected the 100% Joint and Survivor annuity form of payment, or 2) accrued benefit payable for 10 years. Otherwise, refund of Member Contributions without interest.

Vesting (Termination)

Less than 10 years of
Contributing Service

Refund of Member Contributions without interest.

10 years or more

Accrued benefit payable at age 50 if Member
Contributions left in Fund or Refund of Member
Contributions.

Contributions

Employee

6.5% of Salary

Premium Tax

1.85% tax on premiums for fire insurance.

City

Remaining amount necessary for payment of Normal
(current year's) Cost and amortization of the accrued past
service liability as provided in Part VII of Chapter 112,
Florida Statutes. However, in any year in which the most
recent Actuarial Study states that the required City
Contribution is less than 5% of covered payroll, then the
City Contribution plus Member Contribution shall be
shared equally.

Board of Trustees

Two City Council appointees who are City residents,
two elected Members of the Fire Department, and a fifth
member elected by the other four.

Deferred Option Retirement Plan

Eligibility

For those Members that satisfy the Normal Retirement
requirements.

Participation

Not to exceed 60 months.

Rate of Return

At member's irrevocable election, either: a) 1.5% annual
rate compounded monthly, or b) net rate of return,
credited each fiscal quarter (the credited return for each
quarter will not be less than zero).

Distribution

Cash lump sum (options available) at termination of
employment.

Share Plan

Is provided for in the Plan but is currently not being
funded.

Mr. Keith Brinkman

Bureau of Program Services
Division of Retirement
P. O. Box 9000
Tallahassee, FL 32315-9000

Re: City of New Port Richey Firefighters' Retirement System
Actuarial Impact Statement

Dear Mr. Brinkman:

The City of New Port Richey is considering implementation of benefit changes. The provisions are described in the enclosed material.

Pursuant to Section 22d-1.04 of the Agency Rules, we are enclosing the required Actuarial Impact Statement, a copy of the proposed Ordinance, and related material for your review.

If you have any questions concerning the enclosed material, please contact us.

Mr. Stephen Bardin
Police Officers' and Firefighters' Retirement Trust Funds
Department of Management Services, Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

Re: Actuarial Impact Statement

Dear Mr. Bardin:

The City of New Port Richey is considering the implementation of amended retirement benefits for its Firefighters. The changes are described in the enclosed material.

Pursuant to the provisions of Chapter 175, we are enclosing the required Actuarial Impact Statement and a copy of the proposed Ordinance for your review.

If you have any questions or if additional information is needed, please contact us.

Sincerely,