

November 30, 2020

Mr. William Johnston
City of Gainesville
General Employees' Pension Plan
P.O. Box 490, Station 8
Gainesville, FL 32602

RE: GASB Statement No.67 and No.68 – City of Gainesville General Employees' Pension Plan

Dear Mr. Johnston:

We are pleased to present a GASB Statement No.67 and No.68 measured as of September 30, 2020 for the City of Gainesville General Employees' Pension Plan.

The calculation of the liability associated with the benefits referenced in this report was performed for satisfying the requirements of GASB No.67 and No.68 and is not applicable for other purposes, such as determining the plan's funding requirements. A calculation of the plan's liability for other purposes may produce significantly different results.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation as of October 1, 2019. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2020 using generally accepted actuarial principles. It is our opinion that the assumptions used for this purpose are internally consistent, reasonable, and comply with the requirements under GASB No.67 and No.68.

Certain schedules should include a 10-year history of information. As provided for in GASB No.67 and No.68, this historical information is only presented for the last 2 years in which the information was measured in conformity with the requirements of GASB No.67 and No.68.

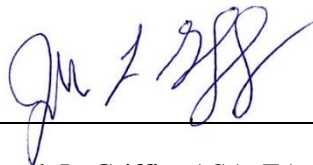
To the best of our knowledge, these statements are complete and accurate and are in accordance with generally recognized actuarial practices and methods. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope of the valuation, we did not perform an analysis of the potential range of such future measurements.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By:



Joseph L. Griffin, ASA, EA, MAAA
Enrolled Actuary #20-6938

Enclosures

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2020)

Plan Administration

The Employees' Plan is a contributory defined benefit single-employer pension plan that covers all permanent employees of the City, except certain personnel who elected to participate in the Defined Contribution Plan and who were grandfathered into that plan, and police officers and firefighters who participate in the Consolidated Plan. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate.

Plan Membership as of October 1, 2019:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	1,376
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	427
Active Plan Members	1,640
	3,443

Benefits Provided

The Plan provides retirement, termination, disability and death benefits. A summary of the benefit provisions can be found in the October 1, 2019 Actuarial Valuation Report for the City of Gainesville General Employees Pension Plan prepared by Foster & Foster Actuaries and Consultants.

Contributions

Member Contributions: 5% of Earnings.
Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2020:

Asset Class	Target Allocation
Domestic Equity	47.0%
International Equity	28.0%
Domestic Fixed Income	8.0%
Real Estate	12.0%
Alternative	5.0%
Total	100.0%

Concentrations:

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's Fiduciary Net Position.

Rate of Return:

For the year ended September 30, 2020, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 4.11 percent.
The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program

Eligibility: A member who has earned at least 27 years of Credited Service.
Participation: Members may participate for a maximum of 60 months or the attainment of 35 years of service.
Rate of Return: DROP benefits accumulate with interest as follows:

- For those who enter DROP on or before October 1, 2012 - 6.0% per year.
- For those who enter DROP after October 1, 2012 - 2.25% per year.
- For those who enter DROP on or after May 1, 2016 - One-time election for interest to accrue at (1) 2.25% per year or (2) a variable rate between 0.0% and 4.5% per year based on the plan's actual return for the previous plan year.

The DROP balance as September 30, 2020 is \$3,689,554.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2020 were as follows:

Total Pension Liability	\$ 602,264,766
Plan Fiduciary Net Position	\$ (577,437,181)
Sponsor's Net Pension Liability	<u>\$ 24,827,585</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	95.88%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2019 updated to September 30, 2020 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Service based
Discount Rate	7.90%
Investment Rate of Return	7.90%

Mortality Rate Healthy Active Lives:

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

Male: RP2000 Generational, 50% Combined Healthy White Collar / 50% Combined Healthy Blue Collar, Scale BB.

Mortality Rate Healthy Inactive Lives:

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

Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 100% RP2000 Disabled Female set forward two years.

Male: 100% RP2000 Disabled Male setback four years.

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

The most recent actuarial experience study used to review the other significant assumptions is unknown.

The Long-Term Expected Rate of Return on Pension Plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2020 the inflation rate assumption of the investment advisor was 2.50%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return¹</u>
Domestic Equity	7.50%
International Equity	8.50%
Domestic Fixed Income	2.50%
Real Estate	4.50%
Alternative	7.00%

¹ Source: AndCo Consulting

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Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.90 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	1% Decrease	Current Discount Rate	1% Increase
	6.90%	7.90%	8.90%
Sponsor's Net Pension Liability	\$ 93,316,099	\$ 24,827,585	\$ (32,613,544)

