

CITY OF GAINESVILLE  
OTHER POSTEMPLOYMENT BENEFITS PROGRAM

ACTUARIAL VALUATION  
AS OF OCTOBER 1, 2019

CONTRIBUTIONS APPLICABLE TO THE  
PLAN YEAR ENDING  
SEPTEMBER 30, 2020



September 2, 2020

City of Gainesville  
Ms. Diane Wilson  
Finance Director  
P.O. Box 490  
Gainesville, Florida 32602-0490

Re: City of Gainesville – October 1, 2019 Funding Valuation

Dear Ms. Wilson:

We are pleased to present to the City the annual actuarial valuation of the City of Gainesville's Other Postemployment Benefits (OPEB) Program. This valuation was performed to determine the current funded status of the Plan.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects all applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the City of Gainesville, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel and plan design information supplied by City personnel, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. Because of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. Due to the limited scope of this report, we did not provide an analysis of these potential differences.

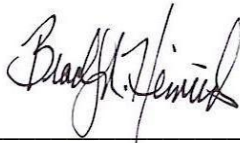
The undersigned are familiar with the immediate and long-term aspects of OPEB valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

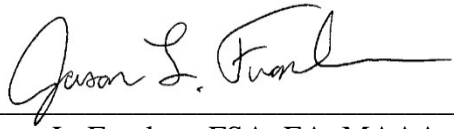
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Gainesville, nor does anyone at Foster & Foster, Inc. act as a member of the City Council of the City of Gainesville. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

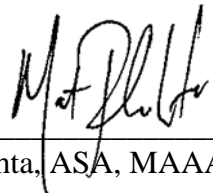
If there are any questions, concerns, or comments about any of the items contained in this report, please contact us at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By:   
Bradley R. Heinrichs, FSA, EA, MAAA  
Enrolled Actuary #20-6901

By:   
Jason L. Franken, FSA, EA, MAAA  
Enrolled Actuary #20-6888

By:   
Matt Plachta, ASA, MAAA

BRH\aw

Enclosures

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## SECTION 1 - Introduction

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### SECTION 1 - INTRODUCTION EXECUTIVE SUMMARY

The annual actuarial valuation of the City of Gainesville's Other Postemployment Benefits Program as of October 1, 2019, has been performed, and the results are presented in this Report. For purposes of this valuation Medical Insurance OPEBs were taken into consideration. The results described herein are applicable to the plan year ending September 30, 2020.

The following table shows the City's the results of the October 1, 2019 valuation of the Plan:

<b>Valuation Date</b>	<b>10/1/2019</b>
<b>Applicable for Fiscal Year Ending</b>	<b><u>9/30/2020</u></b>
Actuarially Determined Contribution	\$ -
<b>Funded Status as of Valuation Date:</b>	<b><u>10/1/2019</u></b>
Actuarial Accrued Liability (AAL)	\$ 43,629,316
Actuarial Value of Assets (AVA)	<u>63,674,314</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$ (20,044,998)
Funded Ratio	145.9%
Covered Payroll	\$ 148,889,032
Contribution as a Percent of Covered Payroll	0.0%

## SECTION 1 - Introduction

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### *City Funding Policy:*

The City's funding policy is to pay the normal cost amount applicable to the City yearly cost of the current benefit structure (the fixed dollar structure including COLA adjustment). In addition, any unfunded actuarial accrued liability (UAAL) is amortized over 10 years from inception as an additional contribution. For the 2019 fiscal year, the City contributed a total of \$2,348,167 to pre-fund benefits. See below for an excerpt from the City code, Article XII. – Retiree Health Insurance Program and Trust Fund:

Sec. 2-642 (b) (established by Ord. No. 080155, § 1, 9-4-08; Ord. No. 170102 , § 1, 7-6-17)

*Contributions.* In addition to premium payments made by retirees, gifts to the fund accepted by the city, and earnings, the city manager shall irrevocably transfer and/or deposit in the fund sum(s), which together with the other sources of income to the fund shall be sufficient to pay for the premium for health insurance benefits of the participants, including both the normal costs of such benefits and those necessary to amortize the unfunded liability (excluding that resulting from any implicit subsidy) for such benefits over a period of not longer than 40 years. For the purpose of securing the necessary funds, the city commission is hereby authorized to levy such taxes and generate such other revenues as may be necessary to provide the appropriate level of city contributions.

## SECTION 1 - Introduction

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### *Changes since the Prior Valuation*

The following changes have been made since the prior valuation:

- The census data reflects changes in status for the twenty-four (24) month period since October 1, 2017.
- The annual per capita claims costs have been updated based on plan experience during the 36 months preceding the valuation date. While the implicit subsidy resulting from these claims costs was excluded from this valuation, claims were used to update the Plan's persistency ratio applicable to benefits paid from the REHAB Trust.
- The investment rate of return was lowered from 8% as of October 1, 2017 to 7.9% as of October 1, 2019.

The resulting effect of these changes was an overall decrease in the actuarial accrued liability of approximately \$3.9 million, with updated census being the primary driver of the decrease.

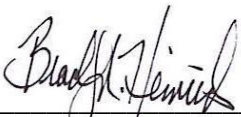
## SECTION 1 - Introduction


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The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the City Council to discuss the Report and any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By:   
Bradley R. Heinrichs, FSA, EA, MAAA

By:   
Jason L. Franken, FSA, EA, MAAA



## SECTION 1 - Introduction

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### GLOSSARY OF ACTUARIAL TERMS

Actuarial Present Value is the amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

For purposes of this standard, each such amount or series of amounts is:

1. adjusted for the probable financial effect of certain intervening events
2. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned, and
3. discounted according to an assumed rate (or rates) of return to reflect the time value of money.

Actuarial Cost Method is a procedure for determining the Present Value of plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Liability.

Total Annual Payroll is the annual rate of pay for the fiscal year prior to the valuation date of all covered members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Normal (Current Year's) Cost is the portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Actuarial Accrued Liability is the portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by future Normal Costs.

## SECTION 1 - Introduction

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Unfunded Actuarial Accrued Liability (UAAL) is a liability which arises when a plan is initially established or improved and such establishment or improvement is applicable to all years of past service. Under the Entry Age Normal Actuarial Cost Method, there is also a new UAAL created each year equal to the actuarial gain or loss for that year.

Actuarially Determined Contribution (ADC) represents the level of employer contribution effort that would be required on a sustained, ongoing basis to:

1. fund the Normal Cost (cost associated with new services received) each year and
2. amortize the total unfunded actuarial liabilities (or funding excess) attributed to past services over a maximum of thirty years.

The ADC is a basis for the allocation of the employer's projected cost of providing Other Post Employment Benefits (OPEB) over periods that approximate the periods in which the employer receives services from the covered employees. Accordingly, the ADC is used as the foundation on which the measurement of the employer's annual funding can be based.

Entry Age Normal Actuarial Cost Method is the method used to determine required contributions under the Plan. The use of this method involves the systematic funding of the Normal Cost (described above) and the Unfunded Accrued (Past Service) Liability.

## SECTION 2 – Valuation Results

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### SECTION 2 – VALUATION RESULTS

This actuarial valuation involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to constant revision as actual experience is compared with past expectations and new estimates are made about the future.

Calculations are based upon the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point. Calculations reflect a long-term prospective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

## SECTION 2 – Valuation Results

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### PRINICIPAL ASSUMPTIONS

For the Actuarial Valuation, the Entry Age Normal (level percent of pay) actuarial cost method was used. Select Actuarial Assumptions are listed in the table below:

<b>Valuation Interest Rate</b>	7.9%
<b>Inflation Rate</b>	3.0%
<b>Payroll Growth Assumption</b>	3.0%

#### Health Care Inflation

Year	Medical Claims		Premiums	Rx
	Pre-65	Post-65		
2019	7.30%	4.30%	7.20%	8.10%
2020	7.10%	4.40%	7.00%	7.80%
2021	6.80%	4.50%	6.80%	7.60%
2022	6.60%	4.50%	6.60%	7.30%
2023	6.30%	4.50%	6.40%	7.10%
2024	6.10%	4.50%	6.10%	6.80%
2025	5.80%	4.50%	5.90%	6.60%
2026	5.60%	4.50%	5.70%	6.30%
2027	5.30%	4.50%	5.40%	6.10%
2028	5.10%	4.50%	5.20%	5.80%
2029	4.80%	4.50%	5.00%	5.60%
2030	4.60%	4.50%	4.70%	5.30%
2031	4.50%	4.50%	4.60%	5.10%
2032	4.50%	4.50%	4.60%	4.80%
2033	4.50%	4.50%	4.50%	4.60%
2034+	4.50%	4.50%	4.50%	4.50%

#### Salary Inflation Assumption

Varies by Pension Plan.

#### Amortization of UAAL

Level Percent of Pay (Closed Amortization over 10 Years)

## SECTION 2 – Valuation Results

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### EMPLOYEE/EMPLOYER CONTRIBUTION INFORMATION

#### Health Care Subsidies (Retirement prior to 9/1/2008):

Normal or Early Retirees are subsidized \$10.00 x number of years of credited service plus one of the following:

- a. Plus \$5.00 x number of years of age and portion thereof over 65, on the date that retiree first enters the retiree health insurance program or January 1, 2009, whichever is later; or
- b. Minus \$5.00 x number of years of age and portion thereof under 65, on the date that retiree first enters the retiree health insurance program or January 1, 2009, whichever is later.

DROP Participants who have entered a regular DROP before September 1, 2008, or who have declared their intention to reverse DROP before September 1, 2008, shall have the period of employment while in the regular DROP, or the period of employment after the effective date of commencement of participation in the (reverse) DROP, added to credited service for purposes of the calculation described above.

For Disabled Retirees, the amount that the city will contribute towards the required premium, for persons who became retirees based upon application for disability retirement submitted before September 1, 2008, will be an amount equal to:

- a. 80% of the individual premium of the least costly (lowest premium) city group health plan option being offered at that time.
- b. The city will contribute towards any other tier of coverage of an amount equal to 150% of the individual premium of the least costly (lowest premium) city group plan option being offered at that time

For current retirees age 65 years or older on January 1, 2009, the amount the city will contribute towards the required Premium will be the greater of the amount contributed for the month of August 2008 or the amount determined under the provisions of this article.

#### Health Care Subsidies (Retirement after 8/31/2008):

Normal or Early Retirees are subsidized \$10.00 x number of years of credited service plus one of the following:

- a. Plus \$5.00 x number of years of age and portion thereof over 65, on the date that retiree first enters the retiree health insurance program or
- b. Minus \$5.00 x number of years of age and portion thereof under 65, on the date that the retiree first enters the retiree health insurance program

## SECTION 2 – Valuation Results

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DROP Participants who have entered a regular DROP after August 31, 2008, or who declare their intention to reverse DROP after August 31, 2008, shall not have the period of employment while in regular DROP, or the period of employment after the effective date of commencement of participation in the (reverse) DROP, count as credited service under subsection (a) above.

For Disabled Retirees, the amount that the city will contribute towards the required premium, for persons who became retirees based upon an application for disability retirement submitted after August 31, 2008, will be:

- a. For approved "in-line-of-duty" disabilities under the consolidated police officers and firefighter's retirement plan or the city employee's disability plan, the city will contribute towards an individual premium an amount equal to:
  - i. 80% of the individual premium of the least costly (lowest premium) city group health insurance plan option being offered at the time the disability retirement is approved.
  - ii. The city will contribute towards any other tier of coverage an amount equal to 150% of the individual premium of the least costly (lowest premium) city group health insurance plan option being offered at the time the disability retirement is approved.
- b. For approved disabilities other than "in-line-of-duty", the city will contribute 50 percent of the amount described above.

Those who do not meet the age and service requirements above are eligible for coverage only. Retirees must pay 100% of the active premium rates up to age 65, then 100% of the Medicare Supplement premium rate.

### *Contributions:*

The contribution policy of the City is established and may be amended by the City at any time. The annual contribution consists of the normal cost amount developed annually plus, given there is any unfunded actuarial accrued liability (UAAL), an amount to amortize said UAAL over 10 years from inception.

For the 2019 fiscal year, the City contributed a total of \$2,348,167 to pre-fund benefits.

## SECTION 2 – Valuation Results

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### DEVELOPMENT OF ANNUAL REQUIRED CONTRIBUTION

Valuation Date	10/1/2019
Applicable for Fiscal Year Ending	<u>9/30/2020</u>
<b><i>Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year</i></b>	
Actuarial Accrued Liability	\$ 43,629,316
Actuarial Value of Assets	<u>63,674,314</u>
Unfunded Actuarial Accrued Liability	\$ (20,044,998)
<b><i>Amortization Amount at Beginning of Fiscal Year</i></b>	
Amortization Period	10
Amortization Method	Closed
Discount Rate	7.90%
Payroll Growth Rate	3.00%
Total Amortization Amount	\$ (3,201,555)
<b><i>Development of Actuarially Determined Contribution (ADC)</i></b>	
Normal Cost at Beginning of Fiscal Year	\$ 829,957
Administrative Expenses	-
Interest on Normal Cost	<u>65,567</u>
Normal Cost Component	\$ 895,524
Amortization Amount at Beginning of Fiscal Year	\$ (3,201,555)
Amortization Interest	<u>0</u>
Amortization Component	\$ (3,201,555)
Actuarially Determined Contribution	\$ 0

## SECTION 2 – Valuation Results

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### RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

(1) Unfunded Actuarial Accrued Liability as of October 1, 2018	(\$22,361,004)
(2) Normal Cost developed as of October 1, 2018	775,865
(3) Expected Administrative Expenses for Fiscal 2019	19,078
(4) Interest on (1) and (2) and (3)	(1,704,487)
(5) Actual Sponsor Contributions to the System during the period of October 1, 2018 through October 1, 2019	2,348,167
(6) Interest on (5)	90,990
(7) Expected Unfunded Accrued Liability as of October 1, 2019 (1)+(2)+(3)+(4)-(5)-(6)	(25,709,705)
(8) Unfunded Accrued Liability as of October 1, 2019	(20,044,998)
(9) Change to UAAL due to Actuarial (Gain)/Loss (8)-(7)	5,664,707



## SECTION 2 – Valuation Results

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### SCHEDULE OF OUTSTANDING BASES

<u>Description</u>	<u>Date Established</u>	<u>Years Remaining</u>	<u>Outstanding Amount</u>	<u>Amortization Amount</u>
Initial Unfunded AAL	10/1/2017	8.00	\$ (15,690,224)	\$ (2,520,832)
Contribution Gain	10/1/2017	8.00	(2,456,028)	(394,592)
Actuarial Gain	10/1/2018	9.00	(1,175,681)	(173,699)
Contribution Gain	10/1/2018	9.00	(1,269,975)	(187,630)
Actuarial Loss	10/1/2019	10.00	5,664,707	778,874
Contribution Gain	10/1/2019	10.00	(5,117,797)	(703,676)
Total			<u>\$ (20,044,998)</u>	<u>\$ (3,201,555)</u>

## SECTION 3 – Trust Fund

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### SECTION 3 – TRUST FUND

#### STATEMENT OF FIDUCIARY NET POSITION September 30, 2019

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents	2,307,023
Investments:	
Smith Barney	61,367,825
Smith/Barney - OPEB	12
International Equity Services	-
Real Estate Investment Trusts	-
Total Investments	61,367,837
Total Assets	63,674,860
<u>LIABILITIES</u>	
Payables:	
Accounts Payable	546
Accrued Payroll	-
Total Liabilities	546
NET POSITION RESTRICTED FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS	63,674,314

## SECTION 3 – Trust Fund

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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019  
Market Value Basis

ADDITIONS

Contributions:

Employer Contributions	786,151
Employer Contribution-Implicit Rate Subsidy	1,562,016
Retiree Contribution	3,173,162

Total Contributions 5,521,329

Investment Income:

Interest & Dividends	1,529,660
Net Appreciation/(Depreciation) in Fair Value of Investments	(2,623,453)
Less Investment Expense	456,777

Net Investment Income (1,550,570)

Total Additions 3,970,759

DEDUCTIONS

Insurance Premiums	7,676,658
Personal Services	10,433
Other Operating Expenses	8,485
Transfer to Debt Service	160

Total Deductions 7,695,736

Net Increase in Net Position (3,724,977)

NET POSITION RESTRICTED FOR POSTEMPLOYMENT  
BENEFITS OTHER THAN PENSIONS

Beginning of the Year 67,399,291

End of the Year 63,674,314

## SECTION 5 – Member Statistics

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### SECTION 4 – PER CAPITA CLAIMS COSTS AND CONTRIBUTION AMOUNTS

#### 2019-2020 Per Capita Annual Claims Costs Per Participant

The following claim costs were used to calculate plan persistency used in the October 1, 2019 Actuarial Funding report.

<u>Program</u>	<u>Medical</u>	<u>Rx</u>	<u>Admin</u>
Health Insurance	\$8,697	\$5,024	\$744

#### 2019-2020 Annual Premium Amounts Per Participant

<u>Program</u>	<u>Member</u>	<u>Member and Spouse</u>	<u>Member And Child</u>	<u>Family</u>
Health Insurance	\$8,109	\$16,064	\$11,342	\$20,648

Medicare Supplement benefits were provided per participant on census files and were valued on an actual basis for retirees. For actives and for retirees for whom no contribution was reported, an assumed contribution was valued based on assumptions disclosed in Section 6.

## SECTION 5 – Member Statistics

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### SECTION 5 - MEMBER STATISTICS

#### STATISTICAL DATA

10/1/2019

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#### **Number of Active Participants (Including DROP)**

Eligible for Retiree Health Benefits	99
Not Yet Eligible for Retiree Health benefits	2,208
<b>Total</b>	<b>2,307</b>
Average Current Age	44.5
Average Age at Employment	34.3
Average Past Service	10.2
Covered Payroll	\$148,889,032
Average Covered Payroll	\$ 64,538

#### **Inactives**

	<u>Headcounts</u>	<u>Average Age</u>
Retirees	1,349	67.0
Disabled Members	63	63.9
Surviving Spouses	19	66.7
<b>Total</b>	<b>1,431</b>	<b>66.9</b>

## SECTION 5 – Member Statistics

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### AGE AND SERVICE DISTRIBUTION

AGE	TOTAL PAST SERVICE										Total
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
20 - 24	46	49	0	0	0	0	0	0	0	0	95
25 - 29	74	122	16	1	0	0	0	0	0	0	213
30 - 34	58	113	62	42	0	0	0	0	0	0	275
35 - 39	47	85	56	75	41	0	0	0	0	0	304
40 - 44	25	69	46	60	69	19	0	0	0	0	288
45 - 49	24	65	34	62	79	34	14	1	0	0	313
50 - 54	29	52	39	53	55	46	43	7	0	0	324
55 - 59	21	40	31	43	46	25	29	20	3	0	258
60 - 64	11	38	18	33	25	16	11	6	2	0	160
65+	3	13	9	20	17	6	2	4	1	2	77
Total	338	646	311	389	332	146	99	38	6	2	2,307

## SECTION 6 - Actuarial Assumptions and Funding Methods

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### SECTION 6 - ACTUARIAL ASSUMPTIONS AND FUNDING METHODS

<u>Valuation Date:</u>	October 1, 2019.
<u>Fiscal Year End:</u>	September 30, 2020.
<u>Actuarial Cost Method</u>	Entry Age Normal (Level Percentage of Pay)
<u>Asset Valuation Method</u>	Market Value of Assets.
<u>Discount Rate</u>	7.90% per year assumed investment return rate.
<u>Mortality Rates:</u>	

Mortality assumptions used in this valuation is the same assumption used in the 2018 Florida Retirement System (FRS) valuation as it applies to “special risk” and “other than special risk” participants. The tables used are as follows:

- Healthy Active Lives
  - **Female:** RP2000 Generational, 100% Combined Healthy White Collar, Scale BB.
  - **Male:** RP2000 Generational, 50% Combined Healthy White Collar / 50% Combined Healthy (previously Annuitant) Blue Collar, Scale BB.
  - **Male (Special Risk):** RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB.
  - For Special Risk members, 25% of future active member deaths are assumed to be in the line of duty.
  - For all other members, 2% of future active member deaths are assumed to be in the line of duty.
- 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.
  - **Male (Special Risk):** RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.
- Disabled Lives:
  - **Female:** 100% RP2000 Disabled Female set forward two years, no projection scale.
  - **Female (Special Risk):** 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.
  - **Male:** 100% RP2000 Disabled Male setback four years, no projection scale.
  - **Male (Special Risk):** 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

## SECTION 6 - Actuarial Assumptions and Funding Methods

### Retirement Rates:

General Pension Plan Employees Tier 1 – Hired on or before October 1, 2007							
Age	Years of Service						
	< 10	10 – 14	15 – 19	20	21 – 24	25 – 26	27 +
< 57	0.0%	0.0%	7.5%	20.0%	5.0%	10.0%	25.0%
57 – 59	0.0%	0.0%	7.5%	30.0%	7.5%	10.0%	25.0%
60 – 64	0.0%	0.0%	7.5%	30.0%	30.0%	10.0%	25.0%
65 +	0.0%	33.0%	33.0%	50.0%	30.0%	20.0%	100.0%

General Pension Plan Employees Tier 2 – Hired on or after October 2, 2007, but on or before October 1, 2012							
Age	Years of Service						
	< 10	10 – 14	15 – 19	20 – 24	25	26 – 29	30 +
< 57	0.0%	0.0%	5.0%	5.0%	20.0%	10.0%	25.0%
57 – 59	0.0%	0.0%	5.0%	5.0%	30.0%	10.0%	25.0%
60 – 64	0.0%	0.0%	5.0%	5.0%	30.0%	10.0%	25.0%
65 +	0.0%	33.0%	33.0%	33.0%	50.0%	20.0%	100.0%

General Pension Plan Employees Tier 3 – Hired on or after October 2, 2012							
Age	Years of Service						
	< 10	10 – 14	15 – 19	20 – 24	25	26 – 29	30 +
< 57	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	25.0%
57 – 59	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	25.0%
60 – 61	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	25.0%
62	0.0%	0.0%	7.5%	15.0%	15.0%	15.0%	50.0%
63 – 64	0.0%	0.0%	5.0%	5.0%	5.0%	5.0%	50.0%
65 +	0.0%	33.0%	33.0%	33.0%	33.0%	33.0%	100.0%

Police & Fire Pension Plan Employees				
Age	Years of Service			
	< 20	20	21 – 24	30 +
< 58	0.0%	25.0%	5.0%	100.0%
58 +	100.0%	100.0%	100.0%	100.0%



## SECTION 6 - Actuarial Assumptions and Funding Methods

### Termination Rates:

General Pension Plan Employees Male Participants						
Age	Years of Service					
	0 – 1	1 – 2	2 – 3	3 – 4	4 – 5	5 +
< 30	14.0%	12.0%	8.0%	6.0%	5.0%	4.0%
30 – 34	14.0%	12.0%	8.0%	6.0%	5.0%	3.0%
35 – 39	14.0%	12.0%	8.0%	6.0%	5.0%	2.5%
40 – 64	14.0%	12.0%	8.0%	6.0%	5.0%	2.0%
65 +	14.0%	12.0%	8.0%	6.0%	5.0%	0.0%

General Pension Plan Employees Female Participants						
Age	Years of Service					
	0 – 1	1 – 2	2 – 3	3 – 4	4 – 5	5 +
< 30	22.0%	16.0%	13.0%	11.0%	10.0%	7.0%
30 – 34	22.0%	16.0%	13.0%	11.0%	10.0%	5.0%
35 – 39	22.0%	16.0%	13.0%	11.0%	10.0%	4.0%
40 – 64	22.0%	16.0%	13.0%	11.0%	10.0%	3.0%
65 +	22.0%	16.0%	13.0%	11.0%	10.0%	0.0%

Police Pension Plan Employees						
Age	Years of Service					
	0 – 1	1 – 2	2 – 3	3 – 4	4 – 5	5 +
< 30	20.0%	12.0%	8.0%	6.0%	4.0%	4.0%
30 – 34	20.0%	12.0%	8.0%	6.0%	4.0%	3.5%
35 – 39	20.0%	12.0%	8.0%	6.0%	4.0%	2.0%
40 – 44	20.0%	12.0%	8.0%	6.0%	4.0%	1.5%
45 – 49	20.0%	12.0%	8.0%	6.0%	4.0%	1.0%
50 – 54	20.0%	12.0%	8.0%	6.0%	4.0%	0.5%
55 +	20.0%	12.0%	8.0%	6.0%	4.0%	0.0%

Fire Pension Plan Employees	
Age	Rate
< 30	2.5%
30 – 34	2.0%
35 – 39	1.5%
40 – 44	1.0%
45 – 49	0.5%
50 +	0.0%

## SECTION 6 - Actuarial Assumptions and Funding Methods

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### Disability Rates:

General Pension Plan Employees		
Age	Male	Female
25	0.03%	0.01%
30	0.06%	0.03%
35	0.07%	0.05%
40	0.10%	0.08%
45	0.19%	0.17%
50	0.31%	0.29%
55	0.52%	0.48%
60	0.69%	0.60%
65 +	0.24%	0.15%

Police & Fire Pension Plan Employees	
Age	Rate
25	0.11%
30	0.14%
35	0.18%
40	0.31%
45	0.43%
50	0.85%
55	1.27%
60 +	1.69%

### Salary Increases:

All Pension Plan Employees			
Years of Service	General	Police	Fire
< 5	5.0%	6.0%	5.0%
5 – 6	5.0%	5.0%	4.0%
7 – 9	4.0%	5.0%	4.0%
10 – 11	4.0%	4.0%	3.0%
12 – 14	3.0%	4.0%	3.0%
15 +	3.0%	3.0%	2.0%

Rate of Return on Investments: 7.90%

Inflation: 3.00% per year.

## SECTION 6 - Actuarial Assumptions and Funding Methods

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### Medical Aging Factors

An age morbidity curve developed based on a study performed by Dale Yamamoto for the Society of Actuaries was used to measure the annual increases in per capita claim costs for each age, and relative cost by gender adjusting the male age 65 per capita claims cost.

Age	Medical		Rx	
	Male	Female	Male	Female
15	0.1977	0.1938	0.1977	0.1938
20	0.1705	0.2326	0.1705	0.2326
25	0.1473	0.3101	0.1473	0.3101
30	0.1822	0.4341	0.1822	0.4341
35	0.2248	0.4651	0.2248	0.4651
40	0.2829	0.4612	0.2829	0.4612
45	0.3527	0.4884	0.3527	0.4884
50	0.4612	0.5736	0.4612	0.5736
55	0.6085	0.6667	0.6085	0.6667
60	0.7829	0.7791	0.7829	0.7791
65	1.0000	0.8862	1.0000	0.9884
70	1.0623	0.9120	1.2841	1.2622
75	1.0911	0.9707	1.4177	1.3792
80	1.1788	1.0900	1.4614	1.4087
85	1.3424	1.2851	1.3522	1.3419
90	1.5190	1.4680	1.1722	1.2237
95	1.6518	1.4727	1.0360	1.1247
100	1.6944	1.2937	0.9730	1.0746

### Health Care Inflation

The City's contribution towards the Premium will be adjusted annually at the rate of 50% of the annual percentage change in the individual premium for the least costly (lowest premium) City Group Health Plan option being offered, compared to the Premium of the least costly option offered the prior plan year.

### Plan Persistency

The portion of retirees electing contributory medical coverage was assumed to be in direct correlation to the employer's cost share of the total cost for eligible participants in each year of retirement. All pre-65 inactives are assumed to maintain their coverage until age 65. After age 65, persistency in the Health Options plan is related to the ratio of the expected employer subsidy to the expected claim costs in future years versus that same ratio at the time of the valuation. This assumption was based on recent plan experience. Medicare retirees in the Alternative Medicare plans were assumed to continue coverage for life.

## SECTION 6 - Actuarial Assumptions and Funding Methods

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### DISCUSSION OF CENSUS DATA AND ASSUMPTIONS

1. Census Data – We received October 1, 2019 census data from City personnel. We did not perform an audit of the data. We did review the information provided for consistency and reasonableness.
2. Health Premiums and Enrollment Data – The City’s personnel office provided medical plan cost information for fiscal year 2020. Enrollment data was provided in the census data and used to determine costs for future retirees as discussed in Sections 4 and 6 of this report.
3. Actuarial Assumptions and Methods –
  - a. Demographic Assumptions
    - i. Mortality rates continue to reflect those used for recent corresponding pension valuations. The mortality rates use rates mandated by Chapter 2015-157, Florida Statutes for pension plans. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The rates are those outlined in Milliman’s July 1, 2018 FRS valuation report.
    - ii. Retirement, termination and disability rates continue to reflect those used for recent corresponding pension valuations. We will continue to monitor both assumptions to ensure they capture plan experience.
    - iii. The remaining demographic assumptions are the same as the prior valuation.
  - b. Other Assumptions
    - i. Salary increase rates continue to reflect those used for recent corresponding pension valuations.
  - c. Cost Method - The valuation results were calculated using the Entry Age cost method.

## SECTION 7 – Summary of Plan Provisions

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### SECTION 7 - SUMMARY OF PLAN PROVISIONS

#### Credited Service

Total completed years of employment.

#### Eligibility for Insurance Coverage

##### General Pension Plan Employees

###### Tier 1

Hired before October 1, 2007. Normal retirement at age 65 and 10 years of service, or 20 years of service regardless of age. Early retirement at age 55 and 15 years of service.

###### Tier 2

Hired on or after October 1, 2007, but before October 1, 2012. Normal retirement at age 65 and 10 years of service, or 25 years of service regardless of age. Early retirement at age 55 and 15 years of service.

###### Tier 3

Hired on or after October 1, 2012, they are eligible to retire at age 65 and 10 years of service, or 30 years of service regardless of age. Early retirement at age 60 and 20 years of service.

##### Police & Fire Pension Plan Employees

Normal retirement at age 55 and 10 years of service, or 20 years of service, or combined age and service of at least 70. Early retirement at age 50 and 10 years of service.

**Those who terminate employment before normal or early retirement eligibility who may be due a pension benefit (terminated vested participants) are not eligible to participate in the retiree health plan.**

#### Health Care Insurance

Those who do not meet the age and service requirements below are eligible for coverage only. Retirees must pay 100% of the active premium rates up to age 65, then 100% of the Medicare Supplement premium rate.

## SECTION 7 – Summary of Plan Provisions

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### Health Care Subsidies (Retirement prior to 9/1/2008):

#### Normal or Early Retirement

\$10.00 x number of years of credited service and portion thereof of:

- a. Plus \$5.00 x number of years of age and portion thereof over 65, on the date that retiree first enters the retiree health insurance program or January 1, 2009, whichever is later; or
- b. Minus \$5,00 x number of years of age and portion thereof under 65, on the date that retiree first enters the retiree health insurance program or January 1, 2009, whichever is later.

#### DROP Participants

Employees who have entered a regular DROP before September 1, 2008, or who have declared their intention to reverse DROP before September 1, 2008, shall have the period of employment while in the regular DROP, or the period of employment after the effective date of commencement of participation in the (reverse) DROP, added to credited service for purposes of the calculation described above.

#### Disabled Retirement

The amount that the city will contribute towards the required premium, for persons who became retirees based upon application for disability retirement submitted before September 1, 2008, will be an amount equal to:

- a. 80% of the individual premium of the least costly (lowest premium) city group health plan option being offered at that time.
- b. The city will contribute towards any other tier of coverage of an amount equal to 150% of the individual premium of the least costly (lowest premium) city group plan option being offered at that time.

#### Retirees Age 65 as of 1/1/2009

For current retirees age 65 years or older on January 1, 2009, the amount the city will contribute towards the required Premium will be the greater of the amount contributed for the month of August 2008 or the amount determined under the provisions of this article.

## SECTION 7 – Summary of Plan Provisions

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### Health Care Subsidies (Retirement after 8/31/2008):

- |                            |  |
|----------------------------|--|
| Normal or Early Retirement | <p>\$10.00 x number of years of credited service and portion thereof of:</p> <ol style="list-style-type: none"><li>a. Plus \$5.00 x number of years of age and portion thereof over 65, on the date that retiree first enters the retiree health insurance program or</li><li>b. Minus \$5.00 x number of years of age and portion thereof under 65, on the date that the retiree first enters the retiree health insurance program</li></ol>  |
| DROP Participants          | <p>Employees who have entered a regular DROP after August 31, 2008, or who declare their intention to reverse DROP after August 31, 2008, shall not have the period of employment while in regular DROP, or the period of employment after the effective date of commencement of participation in the (reverse) DROP, count as credited service under subsection (a) above.</p>  |
| Disabled Retirement        | <p>The amount that the city will contribute towards the required premium, for persons who became retirees based upon an application for disability retirement submitted after August 31, 2008, will be:</p> <ol style="list-style-type: none"><li>a. For approved "in-line-of-duty" disabilities under the consolidated police officers and firefighter's retirement plan or the city employee's disability plan, the city will contribute towards an individual premium an amount equal to:<ol style="list-style-type: none"><li>i. 80% of the individual premium of the least costly (lowest premium) city group health insurance plan option being offered at the time the disability retirement is approved.</li><li>ii. The city will contribute towards any other tier of coverage an amount equal to 150% of the individual premium of the least costly (lowest premium) city group health insurance plan option being offered at the time the disability retirement is approved.</li></ol></li><li>b. For approved disabilities other than "in-line-of-duty", the city will contribute 50 percent of the amount described above.</li></ol> |