



July 30, 2015

VIA EMAIL AND MAIL

Mr. Dan McClain  
City of Haines City  
General Employees' Pension Plan  
P.O. Box 1507  
Haines City, FL 33845

Re: General Employees' Pension Plan  
Actuarial Impact Statement

Dear Mr. McClain:

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

1. Two (2) copies of the required Actuarial Impact Statement, which outlines the costs associated with implementing the changes.
2. Draft of transmittal letter to the Bureau of Program Services.

It will be necessary for the chairman to sign one (1) copy of each Actuarial Impact Statement as the Plan Administrator and forward the Impact Statement, along with a copy of the proposed Ordinance, to the Bureau prior to adoption.

Sincerely,

Patrick T. Donlan

PTD/lke

Enclosures

cc w/enclosure:	Kari Giddens, City Finance
cc w/enclosure:	Kandace Tappen, HR Director
cc w/enclosure:	Lee Dehner, Board Attorney
cc w/enclosure:	Susy Pita, Plan Administrator

Mr. Keith Brinkman  
Bureau of Local Retirement Systems  
Division of Retirement  
Post Office Box 9000  
Tallahassee, FL 32315-9000

Re: Actuarial Impact Statement

Dear Mr. Brinkman:

The City of Haines City has adopted amended retirement benefits for its General Employees. The changes are described in the enclosed material.

Pursuant to Section 22d-1.04 of the Agency Rules, we are enclosing the required Actuarial Impact Statements (AIS's) and a copy of the adopted Ordinance for your review.

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

Sincerely,

CITY OF HAINES CITY  
GENERAL EMPLOYEES' PENSION PLAN

ACTUARIAL IMPACT STATEMENT

July 30, 2015

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

Freeze the Plan benefits as of March 13, 2015. The benefits accrued by all participants will be frozen at the end of the day on March 13, 2015. The Members will have the choice at that point to either 1.) receive a refund of their accumulated contributions and forfeit any future benefits or 2.) leave their accumulated contributions in the Fund and begin to draw a lifetime benefit at their otherwise Normal or Early Retirement Date. Service with the City after March 13, 2015 will be used to determine vesting and eligibility for retirement, but will not be used in calculating the benefits. For the purpose of this Impact Statement, it is assumed that all Members will leave their contributions in the Fund.

The cost impact, determined as of October 1, 2014, applicable to the plan/fiscal year ending September 30, 2016, is as follows:

	<u>Current</u>	<u>Proposed</u>
Total Required Contribution % of Total Annual Payroll	21.9%	5.1%
Expected Member Contributions % of Total Annual Payroll	5.0%	0.0%
Balance From City % of Total Annual Payroll	16.9%	5.1%

Because of the significance of this plan change, this Impact Statement reflects one assumption change and one Cost Method change. The first change involves the expected rate of investment return. When a Plan is open and is expecting to receive City and Member Contributions long into the future, the Board can invest heavily in equities. When a Plan is frozen, then the time horizon for the investments is shorter and it becomes necessary to include more investments that are stable and predictable, such as fixed income. When the Board becomes more conservative in the investments, then the expected long term rate of return decreases. Therefore, at the request of the Actuary for the Division of Retirement, the assumption regarding future investment returns was changed from 8.0% to 7.5% per year, net of investment related expenses.

The other change reflected in this Impact Statement is to change the Actuarial Cost Method from the Entry Age Normal Cost Method to the Unit Credit Cost Method. Under the Unit Credit Cost Method, there is no Normal Cost because benefits are not accruing. The total Unfunded Actuarial Accrued Liability is then amortized over a fixed period (or periods). For the purpose of this Impact Statement, the total Unfunded Actuarial Accrued Liability was amortized over 14 years as a level dollar amount.

CITY OF HAINES CITY  
GENERAL EMPLOYEES' PENSION PLAN

ACTUARIAL IMPACT STATEMENT

July 30, 2015

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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. Additionally, 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 opinions contained herein. All of the sections of this report and the October 1, 2013 actuarial valuation report are considered an integral part of the actuarial opinions.

A handwritten signature in dark ink, appearing to read 'P. Donlan', followed by the date '7/30/15' written in a similar style.

Patrick T. Donlan, A.S.A., M.A.A.A.  
Enrolled Actuary #14-6595

STATEMENT OF PLAN ADMINISTRATOR

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

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Chairman, Board of Trustees

# COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Benefits New Assum&Method <u>10/1/2014</u>	Old Benefits Old Assum&Method <u>10/1/2014</u>
A. Participant Data		
Number Included		
Actives	116	116
Service Retirees	51	51
Beneficiaries	3	3
Terminated Vested	62	62
Disability Retirees	1	1
Total	<u>233</u>	<u>233</u>
Total Annual Payroll	\$4,283,894	\$4,283,894
Payroll Under Assumed Ret. Age	4,283,894	4,283,894
Annual Rate of Payments to:		
Service Retirees	886,803	886,803
Beneficiaries	43,182	43,182
Terminated Vested	310,614	310,614
Disability Retirees	11,963	11,963
B. Assets		
Actuarial Value	15,741,195	15,741,195
Market Value	16,592,142	16,592,142
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	4,984,061	10,271,623
Disability Benefits	232,202	441,433
Death Benefits	49,216	91,282
Vested Benefits	430,569	742,594
Refund of Contributions	62,270	94,130
Service Retirees	9,342,032	8,980,695
Beneficiaries	303,930	297,833
Terminated Vested	1,863,688	1,736,216
Disability Retirees	131,024	125,778
Total	<u>17,398,992</u>	<u>22,781,584</u>

C. Liabilities - (Continued)	New Benefits New Assum&Method 10/1/2014	Old Benefits Old Assum&Method 10/1/2014
Present Value of Future Salaries	27,618,792	26,983,199
Present Value of Future Member Contributions	0	1,349,160
Normal Cost (Retirement)	0	590,519
Normal Cost (Disability)	0	25,777
Normal Cost (Death)	0	6,200
Normal Cost (Vesting)	0	47,109
Normal Cost (Refunds)	0	23,374
Total Normal Cost	<u>0</u>	<u>692,979</u>
Present Value of Future Normal Costs (Entry Age)	0	4,060,286
Accrued Liability (Retirement)	4,984,061	6,792,540
Accrued Liability (Disability)	232,202	262,182
Accrued Liability (Death)	49,216	54,004
Accrued Liability (Vesting)	430,569	447,583
Accrued Liability (Refunds)	62,270	24,467
Accrued Liability (Inactives)	11,640,674	11,140,522
Actuarial Accrued Liability	<u>17,398,992</u>	<u>18,721,298</u>
Unfunded Actuarial Accrued Liability (UAAL)	1,657,797	2,980,103
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives	11,640,674	11,140,522
Actives	3,160,595	2,877,289
Member Contributions	<u>1,273,925</u>	<u>1,273,925</u>
Total	16,075,194	15,291,736
Non-vested Accrued Benefits	<u>1,066,955</u>	<u>998,026</u>
Total Present Value Accrued Benefits	17,142,149	16,289,762
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	852,387	
New Accrued Benefits	0	
Benefits Paid	0	
Interest	0	
Other	<u>0</u>	
Total:	852,387	

	New Benefits New Assum&Method	Old Benefits Old Assum&Method
Valuation Date	10/1/2014	10/1/2014
Applicable Fiscal Year End	<u>9/30/2016</u>	<u>9/30/2016</u>

#### E. Pension Cost

Normal Cost		
% of Projected Annual Payroll*	0.0	16.8
Administrative Expenses		
% of Projected Annual Payroll*	0.7	0.7
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 14 years (as of 10/1/14)		
% of Projected Annual Payroll*	4.4	4.4
Total Required Contribution		
% of Projected Annual Payroll*	5.1	21.9
Expected Member Contributions		
% of Projected Annual Payroll*	0.0	5.0
Expected City Contrib.		
% of Projected Annual Payroll*	5.1	16.9

\* Contributions developed as of 10/1/14 are expressed as a percentage of projected annual payroll at 10/1/14 of \$4,283,894.

## ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality</u>	RP2000 Combined Healthy Mortality Table projected to valuation date with scale AA. Disableds set forward 5 years.
<u>Interest Rate</u>	7.5% (prior 8.0%) per year compounded annually, net of investment-related expenses.
<u>Retirement Age</u>	Earlier of age 60 with the completion of 7 years of service and age 55 with the completion of 25 years of service. Members at or over the Normal Retirement Age on the valuation date are assumed to work one additional year.
<u>Early Retirement</u>	Commencing with the earliest Early Retirement Age (55 with 10 years of service), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
<u>Disability Rate</u>	See table below (1202).
<u>Termination Rate</u>	See table below (1312).
<u>Salary Increases</u>	N/A (prior 6% per year until the assumed retirement age)
<u>Final Salary Load</u>	Individually determined based upon current accruals.
<u>Payroll Increases</u>	None (prior 3% per year for amortizing UAAL)
<u>Administrative Expenses</u>	\$30,831 annually.
<u>Funding Method</u>	Unit Credit (Prior Entry Age Actuarial Cost Method)
<u>Actuarial Asset Method</u>	All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a four-year period.

<u>Age</u>	<u>% Becoming Disabled During the Year</u>	<u>% Terminating During the Year</u>
20	.051%	38.6%
30	.058	19.4
40	.121	7.3
50	.429	2.7
60	1.611	1.2



SUMMARY OF PLAN PROVISIONS  
(Through Ordinance No. 12-1433)

<u>Eligibility</u>	Full time (30 hours per week) City employees not classified as sworn Police Officers or Firefighters.
<u>Compensation</u>	Total pay, including up to 300 hours of overtime per year. Lump sum payments of accrued unused sick, vacation, paid time off or other leave will be limited to the amount accrued as of July 1, 2011.
<u>Average Final Compensation</u>	1/12 <sup>th</sup> of the average of the annual Compensation received for the 5 consecutive years out of the ten years immediately preceding retirement or termination which gives the highest average.
<u>Credited Service</u>	Total years and completed months of service as a General Employee with the City.
<u>Normal Retirement</u>	
Date	Age 60 and 5 years of Credited Service for employees hired before August 1, 1999. Age 60 and 7 years for employees hired after August 1, 1999.
Benefit Amount	3.0% of Average Final Compensation <u>times</u> Credited Service.
Form of Benefit	Life Annuity (options available).
<u>Early Retirement</u>	
Eligibility	Age 55 and 10 years of Credited Service.
Benefit	Accrued benefit, reduced 2% for each year up to 5 and 4% for each year between 5 and 10 that Early Retirement precedes Normal Retirement. Participants who have attained age 55 and 25 years of service may retire without any reduction.
Form of Benefit	Life Annuity (options available).

### Disability Benefit

Eligibility	Total and permanent (as determined by the Board). Member must have at least 10 years of Credited Service to be eligible.
Benefit	Benefit accrued to date of disability.
Form of Benefit	Monthly income payable until normal retirement, death, or recovery and a deferred annuity payable at Normal Retirement Date.

### Death Benefit

Greater of A. or B. as follows:

#### A. Single Sum Death Benefit

Benefit	Lump Sum Benefit equal to a refund of member contributions with interest.
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#### B. Survivor Annuity Death Benefit

Eligibility	Age 55 with 10 years of service.
Form of Benefit	Monthly annuity payable to spouse.
Amount	If death occurs between Early Retirement Date and Normal Retirement Date, the benefit is an annuity to the spouse for an amount no less than would have been received had the participant elected a joint and 50% survivorship benefit option and retired the day before death.

#### C. Alternative Survivor Benefit

Eligibility	7 years of service.
Form of Benefit	Monthly annuity payable to Beneficiary for exactly 10 years beginning on the date the Member would been eligible for Normal Retirement, or a reduced benefit if taken earlier.
Amount	The benefit the Member had accrued as of the date of death.

### Termination

Vesting Schedule	If employed on or before 8/1/99, 20% after 3 years, plus 20% per year thereafter to 100% after 7 years of Credited Service. If employed after 8/1/99, 100% after completion of 7 years of Credited Service.
Benefit	Member will receive the vested portion of his (her) accrued benefit at Normal Retirement Date.

Minimum Benefit

Refund of member contributions with interest.

Contributions

Members

5.0% of Compensation.

City

Balance required to fund the Normal Cost and amortize any Unfunded Actuarial Accrued Liability over a period not to exceed 30 years.