CITY OF HAINES CITY
GENERAL EMPLOYEES' PENSION PLAN

ACTUARIAL IMPACT STATEMENT

August 31, 2022

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 changes:

- Re-open the Plan, effective January 1, 2023. All current employees who are participating in the defined benefit plan (DB Plan) will have a one-time election to either remain in the current DB Plan or to opt-out of the current DB Plan. All current employees who are not participating in the DB Plan will have a one-time election whether or not to enter the DB Plan (for the purpose of this impact statement it is assumed that all employees will elect to remain in or enter the DB Plan). All new employees hired on or after January 1, 2023 who are not Police Officers or Firefighters will participate in this DB Plan.

- Service prior to March 14, 2015 and on and after January 1, 2023 will count towards vesting and eligibility for retirement, except that those Members who took a refund of contributions for service prior to the freeze date will not receive credit for that time prior to the freeze date.

- All Members will be allowed to purchase the time that they worked during the time the Plan was frozen. The cost of the buy back will be the full actuarial value of the credited service and the purchased time will count for all purposes.

- Members will be allowed to purchase up to 5 years of permissive service credit or "air time". The cost of the buy back will be the full actuarial value of the credited service and the purchased time will count for benefit accrual purposes. For vesting and eligibility for retirement purposes, this time be credited at ½ year for each year purchased (for the purpose of this impact statement it is assumed that no Members will elect to purchase this time).

- Members who had rolled over their contributions to the 401(a) plan and were actively participating in the Plan when the Plan was frozen will be allowed to purchase their service prior to the Plan freeze at a cost equal to ½ of the full actuarial value of the credited service and the purchased time will count for all purposes (for the purpose of this impact statement it is assumed that all of these participants will purchase the prior time and therefore the assets and liabilities reflect the additional service and contributions).

- All other provisions of the plan will remain unchanged.

- Additionally, effective January 1, 2023 City Commissioners shall become Members of this plan, but will have the benefit provisions outlined in Ordinance 16-1542 (if a Commissioner for 20 years uninterrupted, then 50% of final year's Salary for life).

The cost impact, determined as of October 1, 2021, applicable to the City’s fiscal year ending September 30, 2022 and September 30, 2023, is as follows:

	Proposed	Current
Total Required Contribution	$1,402,693	$203,843
% of Total Annual Payroll	16.6%	12.9%
Member Contributions (Est.)	436,727	0
% of Total Annual Payroll	5.0%	0.0%
City Required Contribution	965,966	203,843
% of Total Annual Payroll	11.6%	12.9%

* Please note that currently the funding requirements to the Plan are determined as a dollar amount. It is our understanding that if the Plan is re-opened, then the funding requirements would be determined as a percentage of payroll going forward. Please also note that because the change would be effective ¼ of the way through the fiscal year, the funding requirements for the fiscal year ending September 30, 2023 would be ¼ of the current funding requirements and ¾ of the proposed funding requirements.

Unless otherwise noted, all data, assumptions, methods and plan provisions are the same as in the October 1, 2021 actuarial valuation report except as noted. The assumed individual salary increases going forward is 6.0% per year in the Proposed column. The actuarial cost method was changed from the Traditional Unit Credit Method to the Entry Age Normal Method, determined as a level percentage of payroll. It should be noted that changes to retirement benefits could potentially affect participants’ retirement or termination behavior. We will monitor and advise of any recommended changes with future experience studies.

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 analysis, we did not perform an analysis of the potential range of such future measurements.

Please note that contents of this analysis and the October 1, 2021 actuarial valuation report are considered an integral part of the actuarial opinions. In reviewing the results presented in this study, it should be noted that there are risks that may not be inherently apparent to the reader that should be carefully considered. For key risks, please see the Discussion of Risk section of the October 1, 2021 actuarial valuation report.

In performing the analysis, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models to generate the costs. All internally developed models are reviewed as part of the process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

CITY OF HAINES CITY
GENERAL EMPLOYEES' PENSION PLAN

ACTUARIAL IMPACT STATEMENT

August 31, 2022
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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 opinions contained herein.

Patrick T. Donlan

Patrick T. Donlan, A.S.A., M.A.A.A.
Enrolled Actuary #20-6595

STATEMENT OF PLAN ADMINISTRATOR

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

Chairman, Board of Trustees

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Benefits 10/1/2021	Old Benefits 10/1/2021
A. Participant Data		
Actives	166	31
Service Retirees	66	66
Beneficiaries	5	5
Disability Retirees	1	1
Terminated Vested	72	72
Total	310	175
Total Annual Payroll	$8,186,591	$1,693,235
Payroll Under Assumed Ret. Age	7,951,882	1,483,076
Annual Rate of Payments to:		
Service Retirees	1,157,588	1,157,588
Beneficiaries	107,463	107,463
Disability Retirees	11,963	11,963
Terminated Vested	311,556	311,556
B. Assets		
Actuarial Value (AVA)	18,025,127	17,736,224
Market Value (MVA)	19,625,300	19,336,397
C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	9,945,107	2,982,121
Disability Benefits	404,638	89,339
Death Benefits	64,804	14,389
Vested Benefits	1,235,115	123,880
Refund of Contributions	250,951	0
Service Retirees	12,106,160	12,106,160
Beneficiaries	322,000	322,000
Disability Retirees	104,255	104,255
Terminated Vested	2,414,988	2,414,988
Total	26,848,018	18,157,132

C. Liabilities - (Continued)	New Benefits 10/1/2021	Old Benefits 10/1/2021
Present Value of Future Salaries	52,820,318	N/A
Present Value of Future Member Contributions	2,641,016	0
Normal Cost (Retirement)	531,812	0
Normal Cost (Disability)	28,098	0
Normal Cost (Death)	4,812	0
Normal Cost (Vesting)	93,708	0
Normal Cost (Refunds)	34,979	0
Total Normal Cost	693,409	0
Present Value of Future Normal Costs	4,558,101	0
Accrued Liability (Retirement)	6,509,141	2,982,121
Accrued Liability (Disability)	211,156	89,339
Accrued Liability (Death)	33,034	14,389
Accrued Liability (Vesting)	518,339	123,880
Accrued Liability (Refunds)	70,844	0
Accrued Liability (Inactives)	14,947,403	14,947,403
Total Actuarial Accrued Liability	22,289,917	18,157,132
Unfunded Actuarial Accrued Liability (UAAL)	4,264,790	420,908
Funded Ratio (AVA / TUC AL)	80.9%	97.7%

D. Actuarial Present Value of Accrued Benefits

	New Benefits 10/1/2021	Old Benefits 10/1/2021
Vested Accrued Benefits		
Inactives	14,947,403	14,947,403
Actives	3,613,308	2,651,917
Member Contributions	509,937	509,937
Total	19,070,648	18,109,257
Non-vested Accrued Benefits	310,596	47,875
Total Present Value Accrued Benefits (PVAB)	19,381,244	18,157,132
Funded Ratio (MVA / PVAB)	101.3%	106.5%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	1,224,112	
Benefit Changes	0	
Plan Experience	0	
Benefits Paid	0	
Interest	0	
Other	0	
Total	1,224,112	

	New Benefits	Old Benefits
Valuation Date	10/1/2021	10/1/2021
Applicable to Fiscal Year Ending	9/30/2023	9/30/2023
E. Pension Cost		
Normal Cost [1]	$761,658	$0
% of Total Annual Payroll [1]	9.0	0.0
Administrative Expenses [1]	61,509	62,087
% of Total Annual Payroll [1]	0.7	3.9
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 15 years (as of 10/1/2021) [1]	579,526	141,756
% of Total Annual Payroll [1]	6.9	9.0
Minimum Required Contribution	1,402,693	203,843
% of Total Annual Payroll [1]	16.6	12.9
Expected Member Contributions [1]	436,727	0
% of Total Annual Payroll [1]	5.0	0.0
Expected City Contribution	965,966	203,843
% of Total Annual Payroll [1]	11.6	12.9

[1] Contributions developed as of 10/1/2021 displayed above have been adjusted to account for assumed salary increase and interest components.

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate	*Healthy Active Lives:* **Female:** PubG.H-2010 for Employees. **Male:** PubG.H-2010 (Below Median) for Employees, set back one year. *Healthy Retiree Lives:* **Female:** PubG.H-2010 for Healthy Retirees. **Male:** PubG.H-2010 (Below Median) for Healthy Retirees, set back one year. *Beneficiary Lives:* **Female:** PubG.H-2010 (Below Median) for Healthy Retirees. **Male:** PubG.H-2010 for Healthy Retirees, set back one year. *Disabled Lives:* PubG.H-2010 for Disabled Retirees, set forward three years. All rates are projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accommodates future mortality improvements. The previously described mortality 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, 2021 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.
Interest Rate	7.25% 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	6.0% per year.
Payroll Growth	None.

Administrative Expenses	$55,997 annually, based on the average of actual expenses incurred in the prior two fiscal years.
Marital Assumption	100% of active members are assumed to be married, with husbands 3 years older than their wives.
Normal Retirement	After meeting eligibility for Age 60 and 7 years of Service or Age 55 and 25 years of Service:

Years after Normal Eligibility	Retirement Probability
0	60%
1 - 4	50%
5 +	100%

This assumption is based on the results of an actuarial experience study issued June 5, 2019.

Early Retirement	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.

This assumption is based on the results of an actuarial experience study issued June 5, 2019.

Termination Rate	Rates of termination are as follows:

Service	Rate of Termination
< 5	15.0%
5 – 10	9.0%
10 +	6.0%

This assumption is based on the results of an actuarial experience study issued June 5, 2019.

Disability Rate	Below is a sample of the assumed rates of disability:

Age	Rate of Disability
20	0.051%
30	0.058%
40	0.121%
50	0.429%
60	1.611%

This assumption is consistent with other General Employee plans in the state.

Funding Method	Entry Age Normal Cost Method (Traditional Unit Credit Cost Method for Old Benefits column). A ½ year interest load and a full year salary increase load are used for determining the minimum required contribution (a year and a half of interest load for Old Benefits column).

Actuarial Asset Method	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.
Amortization Method	New UAAL amortization bases are amortized over 15 years.

SUMMARY OF CURRENT PLAN
(Through Ordinance No. 18-1620)

Eligibility	Full time (30 hours per week) City employees not classified as sworn Police Officers or Firefighters hired prior to March 14, 2015 who did not opt out.
Compensation	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.
Average Final Compensation	1/12th 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. Frozen at midnight on March 13, 2015.
Credited Service	Total years and completed months of service as a General Employee with the City completed prior to March 14, 2015. Service completed after March 13, 2015 will count towards meeting the eligibility requirements for Normal or Early Retirement and for meeting the Vesting requirements.
Normal Retirement	
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 times Credited Service.
Form of Benefit	Life Annuity (options available).
Early Retirement	
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).
Contributions	
Members	5.0% of Compensation (prior to freeze).
City	Balance required to fund the Normal Cost and amortize any Unfunded Actuarial Accrued Liability over a period not to exceed 30 years.

<u>Disability Benefit</u>

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.

<u>Death Benefit</u> — 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.

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.

<u>Termination</u>

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.

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 is considering changes to the pension 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 Statement (AIS) for your review.

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

Sincerely,