



December 7, 2011

VIA MAIL & EMAIL

Mr. Mike Marstaller
City of Ormond Beach
Firefighters' Pension Board
P.O. Box 277
Ormond Beach, FL 32175-0277

Re: Firefighters' Retirement Trust Fund Actuarial Impact Statement

Dear Mr. Marstaller:

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

1. Three (3) copies of the required Actuarial Impact Statements which outline 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 will be necessary for the Chairman of the Board, to sign the Actuarial Impact Statement as the Plan Administrator, and forward the Impact Statement to the two Bureaus.

If you have any questions, please let me know.

Sincerely,

Patrick T. Donlan

PTD/rv

Enclosures

cc: Kelly McGuire, Finance Director
cc: Lee Dehner, Board Attorney

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

Re: Actuarial Impact Statement

Dear Mr. Brinkman:

The City of Ormond Beach is considering the implementation of amended retirement benefits for its firefighters. 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 for your review.

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

Sincerely,

Ms. Patricia Shoemaker
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 Ms. Shoemaker:

The City of Ormond Beach 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 for your review.

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

Sincerely,

CITY OF ORMOND BEACH
FIREFIGHTERS' RETIREMENT TRUST FUND

ACTUARIAL IMPACT STATEMENT

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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 benefit changes:

- 1.) As outlined in the ordinance, a prospective modification in the benefit accrual rate is required since the State contribution received in calendar 2011 was less than \$364,512. The decrease in the benefit accrual rate below 3.37% is proportional to the reduction in State Monies. As a result, effective January 1, 2012, the benefit accrual rate is changed from 3.31% to 3.21% for all years of Credited Service after January 1, 2012. The benefit accrual rate for service prior to January 1, 2010 will remain at 3.37% and the benefit accrual rate for service between January 1, 2010 and January 1, 2012 will be 3.31%.

The cost impact, determined as of October 1, 2010, as applicable for the fiscal year ending September 30, 2012, is as follows:

	<u>Current</u>	<u>Proposed</u>
Total Required Contribution % of Pensionable Payroll	61.5%	61.0%
Expected Member Contributions % of Pensionable Payroll	8.4%	8.4%
Required City & State % of Pensionable Payroll	53.1%	52.6%
Expected State Contribution % of Pensionable Payroll	339,654 12.3%	301,433 10.9%
Required City Contributions % of Pensionable Payroll	40.8%	41.7%

CITY OF ORMOND BEACH
FIREFIGHTERS' RETIREMENT TRUST FUND

ACTUARIAL IMPACT STATEMENT

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The Membership agreed that if the State monies fall between \$364,512 and \$266,934 in future years, then the benefit accrual rate is amended prospectively. When this happens, the Excess State Monies Reserve can be used to purchase a change in the benefit accrual rate.

The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution.



Patrick T. Donlan, ASA, MAAA
Enrolled Actuary #11-6595

STATEMENT OF PLAN ADMINISTRATOR

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

Board of Trustees

Comparative Summary of Principal Valuation Results

	<u>New Benefits</u> <u>10/1/2010</u>	<u>Old Benefits</u> <u>10/1/2010</u>
A. Participant Data		
Number Included		
Actives	46	46
Service Retirees	29	29
Beneficiaries	0	0
Terminated Vested	0	0
Disability Retirees	2	2
Total	77	77
Total Annual Payroll	\$2,754,532	\$2,754,532
Payroll Under Assumed Ret. Age	2,754,532	2,754,532
Annual Rate of Payments to:		
Service Retirees	1,349,182	1,349,182
Beneficiaries	0	0
Terminated Vested	0	0
Disability Retirees	32,970	32,970
B. Assets		
Actuarial Value	17,237,944	17,237,944
Market Value	15,794,302	15,794,302
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	14,058,897	14,175,960
Disability Benefits	120,818	121,652
Death Benefits	73,226	73,785
Vested Benefits	1,497,807	1,509,254
Refund of Contributions	47,676	47,676
Service Retirees	15,546,066	15,546,066
Beneficiaries	0	0
Terminated Vested	0	0
Disability Retirees	337,527	337,527
Excess State Monies Reserve	316,280	316,280
Total	31,998,297	32,128,200

	New Benefits <u>10/1/2010</u>	Old Benefits <u>10/1/2010</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	16,402,144	16,402,144
Present Value of Future Member Cont.	1,377,780	1,377,780
Normal Cost (Entry Age Normal)		
Retirement Benefits	643,062	648,993
Disability Benefits	3,432	3,459
Death Benefits	1,987	2,006
Vested Benefits	39,841	40,246
Refund of Contributions	2,385	2,385
Total Normal Cost	<u>690,708</u>	<u>697,089</u>
Present Value of Future Normal Costs	4,090,222	4,142,240
Actuarial Accrued Liability (Entry Age Normal)		
Retirement Benefits	10,357,225	10,426,462
Disability Benefits	95,442	96,030
Death Benefits	58,766	59,157
Vested Benefits	1,173,148	1,180,816
Refund of Contributions	23,620	23,620
Inactives plus state reserve	16,199,873	16,199,873
Total Actuarial Accrued Liability	<u>27,908,075</u>	<u>27,985,959</u>
Unfunded Actuarial Accrued Liability (UAAL)	10,670,131	10,748,016
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives	15,883,593	15,883,593
Actives	5,090,953	5,090,953
Member Contributions	2,120,950	2,120,950
	<u>23,095,496</u>	<u>23,095,496</u>
Total	23,095,496	23,095,496
Non-vested Accrued Benefits	<u>471,395</u>	<u>471,395</u>
Total Present Value Accrued Benefits	23,566,891	23,566,891
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	0	
Benefits Paid	0	
Interest	0	
Other	0	
	<u>0</u>	
Total:	0	

Valuation Date Applicable to Fiscal Year Ending	New Benefits 10/1/2010 <u>9/30/2012</u>	Old Benefits 10/1/2010 <u>9/30/2012</u>
E. Pension Cost		
Normal Cost (with interest) % of Total Annual Payroll*	26.0	26.3
Administrative Expense (with interest) % of Total Annual Payroll*	1.2	1.2
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/10) % of Total Annual Payroll*	33.8	34.0
Total Required Contribution % of Total Annual Payroll*	61.0	61.5
Expected Member Contributions % of Total Annual Payroll*	8.4	8.4
Expected City & State Contrib. % of Total Annual Payroll*	52.6	53.1

* Contributions developed as of 10/1/10 are expressed as a percentage of total annual payroll at 10/1/10 of \$2,754,532.

ACTUARIAL ASSUMPTIONS AND FUNDING METHODS

Assumptions

<u>Mortality Rates</u>	RP2000 Combined Healthy - Sex Distinct. Disability mortality is set forward five years.
<u>Termination Rates</u>	See Tables below (1302).
<u>Disability Rates</u>	See Tables below (1201).
<u>Retirement Age</u>	Earlier of age 60, age 55 and 10 years of service or 20 years of service regardless of age.
<u>Early Retirement</u>	Commencing at the member's eligibility for Early Retirement (age 50), members are assumed to retire with an immediate, subsidized benefit at the rate of 5% per year.
<u>Interest Rate</u>	7.50% per year, compounded annually, net of investment related expenses.
<u>Salary Increases</u>	5.5% per year up to the assumed retirement age; see Table below. Projected salary at retirement is increased 20% to account for non-regular payments.
<u>Payroll Growth</u>	Up to 3% per year (limited to the 10-year historical average of actual payroll growth of 0% in 2010).
<u>Administrative Expenses</u>	\$32,625 annually.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>	<u>Current Salary as % of Salary at age 55</u>
20	3.0%	0.14%	21.4%
30	2.5	0.18	33.3
40	1.3	0.30	51.7
50	0.5	1.00	80.2

Funding Method

Entry Age Normal Actuarial Cost Method

SUMMARY OF PLAN PROVISIONS
(Through Ordinance No. 2008-58)

<u>Eligibility</u>	Employees who are classified as full-time Firefighters shall participate in the System as a condition of employment.
<u>Credited Service</u>	Total years and fractional parts of years of service with the City as a Firefighter.
<u>Salary</u>	Total compensation reportable on the member's W-2 form plus all tax deferred, tax sheltered, and tax exempt items of income.
<u>Average Final Compensation</u>	Average Salary for the best 5 years of Credited Service.
<u>Member Contributions</u>	8.4% of Salary.
<u>City and State Contributions</u>	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII of Chapter 112, <u>Florida Statutes</u> .
<u>Normal Retirement</u>	
Date	Earlier of Age 60, Age 55 and 10 years of Credited Service, or 20 years of Credited Service.
Benefit	3.37% of Average Final Compensation <u>times</u> Credited Service prior to 12/31/2009 <u>plus</u> 3.31% of Average Final Compensation <u>times</u> Credited Service 1/1/2010 – 12/31/2012 <u>plus</u> 3.21% of Average Final Compensation <u>times</u> Credited Service on and after 1/1/2012

Form of Benefit

Ten Year Certain and Life Annuity (options available). These options include a partial (up to 25%) lump sum of the full value of their retirement benefits in exchange for a monthly benefit that is reduced by that same percentage.

Early Retirement

Eligibility

Age 50 and 10 Years of Credited Service.

Benefit

Accrued benefit, reduced 3% per year.

Vesting

Schedule

100% after 10 years of Credited Service.

Benefit Amount

Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date.

Disability

Eligibility

Service Incurred

Covered from Date of Employment.

Non-Service Incurred

10 years of Credited Service.

Exclusions

Disability resulting from use of drugs, illegal participation in riots, service in military, etc.

Benefit

Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred).

Duration

Payable for life with ten years certain or until recovery (as determined by the Board). Options available.

Death Benefits

Pre-Retirement

Vested

Monthly accrued benefit payable to designated beneficiary for 10 years.

Non-Vested

Refund of accumulated contributions without interest.

Post-Retirement

Benefits payable to beneficiary in accordance with option selected at retirement.

Board of Trustees

- a. Two Commission appointees,
- b. Two Members of the Department elected by the membership, and
- c. Fifth Member elected by other 4 appointed by Commission.

Deferred Retirement Option Plan

Eligibility

Satisfaction of Normal Retirement requirements (Earlier of Age 60, Age 55 and 10 years of Credited Service, or 20 years of Credited Service).

Participation

Not to exceed 60 months, or the date on which the Member completes 35 years of Service, if earlier.

Rate of Return

Participant's election:

- a.) 6.5% annually, or
- b.) actual net rate of investment return (total return net of brokerage commissions, transaction costs and management fees) credited each fiscal quarter.

Form of Distribution

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

BAC-DROP

Eligibility	Satisfaction of Normal Retirement requirements.
Participation	Upon election to retroactively enter DROP, the BAC-DROP period will not exceed 60 months, or the date on which the Member completes 35 years of Service, if earlier.
Rate of Return	6.5% annually
Form of Distribution	Cash lump sum (options available) at termination of employment.