



July 29, 2013

VIA EMAIL AND MAIL

Ms. Kelly McGuire
City of Ormond Beach
22 South Beach St.
Ormond Beach, FL 32174

Re: City of Ormond Beach
General Employees' Pension Plan

Dear Kelly:

Enclosed is the following material, which has been prepared in support of the adopted changes to the Plan:

1. Three (3) copies of the required Actuarial Impact Statement, which outlines the costs associated with implementing the proposed changes.
2. Draft of a transmittal letter to the Bureau of Local Retirement Systems.

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 adopted Ordinance, to the Bureau.

The original Actuarial Impact Statement prepared for this change utilized the October 1, 2011 actuarial valuation report. At the time the October 1, 2012 actuarial valuation report was prepared, the closure had not yet occurred. Therefore, the closure was not reflected in the October 1, 2012 actuarial valuation report.

If you have any questions concerning the enclosed material, please let me know.

Sincerely,

Patrick T. Donlan

PTD/lke

Enclosures

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

Re: Actuarial Impact Statement

Dear Mr. Brinkman:

The City of Ormond Beach has implemented amended retirement benefits for its General Employees. The amendments are described in the enclosed material.

Pursuant to Section 22d-1.04 of the Agency Rules, we are enclosing the required Actuarial Impact Statement and a copy of the adopted Ordinance for your review. We already sent you an Actuarial Impact Statement with the proposed ordinance prior to its adoption, but the Actuarial Impact Statement utilized the October 1, 2011 actuarial valuation report. This enclosed Actuarial Impact Statement was updated to utilize the October 1, 2012 actuarial valuation report.

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

Sincerely,

CITY OF ORMOND BEACH
GENERAL EMPLOYEES' PENSION PLAN

ACTUARIAL IMPACT STATEMENT

July 29, 2013

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 implementation of the following changes:

1. Closing the Defined Benefit Pension Plan to all employees hired on or after December 19, 2012. Future new hires will automatically participate in a Defined Contribution Retirement Plan sponsored by the City.
2. Amending the DROP crediting interest rate to be equal to the Fund's actual net earnings (but not less than 0%) for those Members who enter the DROP program on or after December 19, 2012.

The cost impact, determined as of October 1, 2012, as applicable to the fiscal year ending September 30, 2014, is as follows:

	<u>Current</u>	<u>Proposed</u>
Total Required Contribution % of Total Annual Payroll	34.9%	35.0%
Member Contributions (Est.) % of Total Annual Payroll	4.0%	4.0%
Balance from City % of Total Annual Payroll	30.9%	31.0%

Please note that because of the closing of the Plan to future new hires, the payroll growth assumption has been eliminated. The payroll growth assumption that was utilized in the October 1, 2012 valuation was 0.1% per year.

CITY OF ORMOND BEACH
GENERAL EMPLOYEES' PENSION PLAN

ACTUARIAL IMPACT STATEMENT

July 29, 2013

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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.



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

STATEMENT OF PLAN ADMINISTRATOR

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

Chairman, Board of Trustees

Comparative Summary of Principal Valuation Results

	<u>New Benefits</u> <u>10/1/2012</u>	<u>Old Benefits</u> <u>10/1/2012</u>
A. Participant Data		
Number Included		
Actives	191	191
Service Retirees	128	128
Beneficiaries	15	15
Terminated Vested	45	45
Disability Retirees	4	4
DROP Retirees	5	5
Total	388	388
Total Annual Payroll	\$7,781,341	\$7,781,341
Payroll Under Assumed Ret. Age	7,781,341	7,781,341
Annual Rate of Payments to:		
Service Retirees	2,118,980	2,118,980
Beneficiaries	174,999	174,999
Terminated Vested	265,269	265,269
Disability Retirees	23,038	23,038
DROP Retirees	107,233	107,233
B. Assets		
Actuarial Value ¹	31,428,468	31,428,468
Market Value ¹	32,238,717	32,238,717
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	23,394,741	23,394,741
Disability Benefits	1,527,018	1,527,018
Death Benefits	458,514	458,514
Vested Benefits	1,091,308	1,091,308
Refund of Contributions	49,275	49,275
Service Retirees	20,662,572	20,662,572
Beneficiaries	1,657,397	1,657,397
Terminated Vested	1,989,172	1,989,172
Disability Retirees	147,119	147,119
DROP Retirees ¹	1,352,006	1,352,006
Total	52,329,122	52,329,122

C. Liabilities - (Continued)	New Benefits <u>10/1/2012</u>	Old Benefits <u>10/1/2012</u>
Present Value of Future Salaries	53,644,735	53,644,735
Present Value of Future Member Contributions	2,145,789	2,145,789
EAN Normal Cost (Retirement)	870,937	870,937
EAN Normal Cost (Disability)	59,219	59,219
EAN Normal Cost (Death)	19,421	19,421
EAN Normal Cost (Vesting)	34,072	34,072
EAN Normal Cost (Refunds)	9,211	9,211
Total Normal Cost (Entry Age Method)	<u>992,860</u>	<u>992,860</u>
Present Value of Future Normal Costs (Entry Age)	6,773,267	6,773,267
Accrued Liability (Retirement)	17,666,659	17,666,659
Accrued Liability (Disability)	1,003,768	1,003,768
Accrued Liability (Death)	300,745	300,745
Accrued Liability (Vesting)	754,774	754,774
Accrued Liability (Refunds)	21,643	21,643
Accrued Liability (Inactives) ¹	25,808,266	25,808,266
Total Actuarial Accrued Liability	<u>45,555,855</u>	<u>45,555,855</u>
Unfunded Actuarial Accrued Liability (UAAL)	14,127,387	14,127,387
 D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives ¹	25,808,266	25,808,266
Actives	11,470,068	11,470,068
Member Contributions	<u>2,599,375</u>	<u>2,599,375</u>
Total	39,877,709	39,877,709
Non-vested Accrued Benefits	<u>257,351</u>	<u>257,351</u>
Total Present Value Accrued Benefits	40,135,060	40,135,060
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	<u>0</u>	
Total:	0	

Valuation Date Applicable to Fiscal Year Ending	New Benefits 10/1/2012 <u>9/30/2014</u>	Old Benefits 10/1/2012 <u>9/30/2014</u>
E. Pension Cost		
Normal Cost (with interest) % of Total Annual Payroll ²	13.2	13.2
Administrative Expense (with interest) % of Total Annual Payroll ²	0.4	0.4
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 25 years (as of 10/1/12) % of Total Annual Payroll ²	21.4	21.3
Total Required Contribution % of Total Annual Payroll ²	35.0	34.9
Expected Member Contributions % of Total Annual Payroll ²	4.0	4.0
Expected City Contribution % of Total Annual Payroll ²	31.0	30.9

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 10/1/2012.

² Contributions developed as of 10/1/2012 are expressed as a percentage of total annual payroll at 10/1/12 of \$7,781,341.

ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rate</u>	RP 2000 Combined Healthy (sex distinct), projected to valuation date using scale AA (previously static). Disableds are set forward 5 years.
<u>Termination Rates</u>	See Tables below (Mod T-6).
<u>Disability Rates</u>	See Tables below (1202).
<u>Retirement Age</u>	Earlier of age 62 and 5 years of service or when age plus service equal 85 (but at least age 55). Also, any member who has reached Normal Retirement Age is assumed to continue employment for one additional year.
<u>Early Retirement</u>	Commencing at the member's eligibility for Early Retirement (Age 60 with 5 years of Service or when age plus service equal 80), members are assumed to retire with an immediate, subsidized benefit at the rate of 2% per year.
<u>Interest Rate</u>	7.5% per year, compounded annually, net of investment related expenses.
<u>Salary Increases</u>	4.0% per year up to the assumed retirement age; see Table below.
<u>Payroll Growth</u>	None (previously up to 3% per year (limited to 10-year historical average of actual payroll growth of 0.1% in 2012)).
<u>Administrative Expenses</u>	\$30,973 annually.
<u>Funding Method</u>	Entry Age Normal Actuarial Cost Method.
<u>Asset Valuation Method</u>	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>	<u>Current Salary as % of Salary at age 60</u>
20	55.0%	0.05%	20.8%
30	38.4	0.06	30.8
40	4.2	0.12	45.6
50	1.7	0.43	67.6
60	0.0	1.61	100.0

Vesting

Schedule	100% after 5 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	Total and permanent.
Hired before 9/1/93	Covered from Date of Employment.
Hired 9/1/93 and after	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.
Duration	Payable for life or until recovery (as determined by the Board).

Death Benefits

Pre-Retirement	
Vested	Survivorship annuity computed as though the member retired on the date of death; equivalent alternative forms of benefit may be elected.
Non-Vested	Refund of accumulated contributions with interest at 4% annually.
Post-Retirement	Benefits payable to beneficiary in accordance with the option selected at retirement.

Board of Trustees

- a. Two Commission appointees,
- b. Two Members elected by the employee membership, and
- c. The Finance Director.

Deferred Retirement Option Plan

Eligibility	Satisfaction of Normal Retirement requirements.
Participation	Not to exceed 36 months.
Rate of Return	At Member's election: (1) Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or (2) 6.5% per annum compounded monthly. Members may elect to change form of return once during the period of DROP participation.
Form of Distribution	Cash lump sum (options available) at termination of employment.

Early Retirement Incentive Window

Eligibility	Any vested member whose combined years of credited service plus age equals 70 years or more on or before September 30, 2008.
Benefit	Unreduced normal retirement benefit plus a supplemental benefit of \$500 per month for a period not to exceed 36 months.