

December 9, 2013

VIA MAIL & EMAIL

Mr. Scott Johnson  
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. Johnson:

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/lke

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. Sara Carr  
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. Carr:

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 change:

- 1.) As outlined in the ordinance, a modification in the benefit accrual rate is required since the State contribution received in calendar 2013 was less than \$364,512, and less than what was received in calendar 2012. Under the prior structure, the benefit accrual rate was 3.37% for service accrued before January 1, 2010 and 3.34% for service accrued on and after January 1, 2010. As a result of the reduction in the State Monies, the new benefit accrual rate will be 3.37% for service accrued prior to January 1, 2010 and 3.34% for service accrued between January 1, 2010 and December 31, 2013 and 3.33% for service accrued on and after January 1, 2014. If the State Monies received in calendar 2014 exceed \$364,512, then the benefit accrual rate will revert back to 3.37% for all years of Credited Service.

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

	<u>Current</u>	<u>Proposed</u>
Total Required Contribution % of Pensionable Payroll	69.5%	69.4%
Expected Member Contributions % of Pensionable Payroll	8.4%	8.4%
Required City & State % of Pensionable Payroll	61.1%	61.0%
Expected State Contribution % of Pensionable Payroll	351,377 13.7%	348,934 13.6%
Required City Contributions % of Pensionable Payroll	47.4%	47.4%

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 \$266,934 and \$364,512 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. It is assumed for the purpose of this Impact Statement that the Reserve will not be used to purchase an increase 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.



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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.

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Board of Trustees

Comparative Summary of Principal Valuation Results

A. Participant Data	New Benefits <u>10/1/2012</u>	Old Benefits <u>10/1/2012</u>
Number Included		
Actives	44	44
Service Retirees	30	30
Beneficiaries	0	0
Terminated Vested	1	1
Disability Retirees	2	2
DROP Members	2	2
Total	<u>79</u>	<u>79</u>
Total Annual Payroll	\$2,568,321	\$2,568,321
Payroll Under Assumed Ret. Age	2,568,321	2,568,321
Annual Rate of Payments to:		
Service Retirees	1,367,649	1,367,649
Beneficiaries	0	0
Terminated Vested	22,448	22,448
Disability Retirees	32,970	32,970
DROP Members	135,195	135,195
 B. Assets		
Actuarial Value <sup>1</sup>	18,167,388	18,167,388
Market Value <sup>1</sup>	18,732,815	18,732,815
 C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	14,077,531	14,087,359
Disability Benefits	103,427	103,491
Death Benefits	63,112	63,155
Vested Benefits	1,373,787	1,374,736
Refund of Contributions	43,412	43,412
Service Retirees	15,374,312	15,374,312
Beneficiaries	0	0
Terminated Vested	158,325	158,325
Disability Retirees	326,830	326,830
DROP Members <sup>1</sup>	1,755,021	1,755,021
Excess State Monies Reserve	316,280	316,280
Total	<u>33,592,037</u>	<u>33,602,921</u>

	New Benefits <u>10/1/2012</u>	Old Benefits <u>10/1/2012</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	14,651,018	14,651,018
Present Value of Future Member Cont.	1,230,686	1,230,686
Normal Cost (Entry Age Normal)		
Retirement Benefits	606,468	606,961
Disability Benefits	3,677	3,679
Death Benefits	2,170	2,172
Vested Benefits	46,781	46,825
Refund of Contributions	2,560	2,560
Total Normal Cost	<u>661,656</u>	<u>662,197</u>
Present Value of Future Normal Costs	3,613,126	3,617,448
Actuarial Accrued Liability (Entry Age Normal)		
Retirement Benefits	10,883,393	10,889,333
Disability Benefits	77,697	77,738
Death Benefits	48,341	48,368
Vested Benefits	1,020,871	1,021,427
Refund of Contributions	17,840	17,840
Inactives plus state reserve <sup>1</sup>	17,930,768	17,930,768
Total Actuarial Accrued Liability	<u>29,978,910</u>	<u>29,985,474</u>
Unfunded Actuarial Accrued Liability (UAAL)	11,811,523	11,818,085
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives <sup>1</sup>	17,614,488	17,614,488
Actives	5,796,025	5,796,025
Member Contributions	<u>2,266,700</u>	<u>2,266,700</u>
Total	25,677,213	25,677,213
Non-vested Accrued Benefits	<u>368,497</u>	<u>368,497</u>
Total Present Value Accrued Benefits	26,045,710	26,045,710
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 <sup>2</sup>	26.7	26.8
Administrative Expense (with int.) % of Total Annual Payroll <sup>2</sup>	1.5	1.5
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/12) % of Total Annual Payroll <sup>2</sup>	41.2	41.2
Total Required Contribution % of Total Annual Payroll <sup>2</sup>	69.4	69.5
Expected Member Contributions % of Total Annual Payroll <sup>2</sup>	8.4	8.4
Expected City & State Contrib. % of Total Annual Payroll <sup>2</sup>	61.0	61.1

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

<sup>2</sup> Contributions developed as of 10/1/12 are expressed as a percentage of total annual payroll at 10/1/12 of \$2,568,321.

## ACTUARIAL ASSUMPTIONS AND METHODS

### Assumptions

<u>Mortality Rates</u>	RP2000 Combined Healthy - Sex Distinct. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disability mortality is set forward five years.
<u>Termination Rates</u>	See Tables below (1302).
<u>Disability Rates</u>	See Tables below (1201).
<u>Pension Age</u>	Earlier of age 60, age 55 and 10 years of service or 20 years of service regardless of age.
<u>Early Pension</u>	Commencing at the member's eligibility for Early Pension (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 Pension age; see Table below. Projected salary at Pension 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 2012).
<u>Administrative Expenses</u>	\$36,008 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 (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

<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	6.0%	0.03%	15.4%
30	5.0	0.04	26.2
40	2.6	0.07	44.8
50	0.8	0.18	76.5

SUMMARY OF PLAN PROVISIONS  
(Through Ordinance No. 2012-10)  
(Benefit Rate adjusted to reflect December 10, 2012 AIS)

<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 Pension</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> 3.34% of Average Final Compensation <u>times</u> Credited Service on and after 1/1/2010
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 Pension benefits in exchange for a monthly benefit that is reduced by that same percentage.

Early Pension

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 Pension 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-Pension

Vested Monthly accrued benefit payable to designated beneficiary for 10 years.

Non-Vested Refund of accumulated contributions without interest.

Post-Pension

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

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 Pension Option Plan

Eligibility

Satisfaction of Normal Pension 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 Pension 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.