

April 26, 2019

VIA EMAIL

Ms. Julie Enright, Plan Administrator

Re: City of Port Orange Fire and Rescue Pension Fund
Section 112.664, Florida Statutes Compliance

Dear Julie:

Please find enclosed the annual disclosures that satisfy the October 1, 2018 financial reporting requirements made under Section 112.664.

Our office will submit this information electronically to the Department of Management Services. However, it is important for you to be aware that this report must also be made available on the Plan or Plan Sponsor's website, if such website exists. A deadline for this website publication is not made clear in the law.

In addition to the enclosed report, the Plan or Plan Sponsor's website must provide a link to the Division of Retirement's Actuarial Summary Fact Sheet for the Plan, and also report the previous five years' assumed and actual rates of return, along with their respective asset allocations. The Board should contact its Investment Consultant for this information.

If there are any questions, concerns, or comments about any of the items contained in this report, please feel free to contact me.

Respectfully submitted,

Foster & Foster, Inc.

By: 

Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #17-6595

PTD/lke
Enclosures

cc via email: Pedro Herrera, Board Attorney
cc via email: Jessica A. De la Torre Vila, Legal Assistant

CITY OF PORT ORANGE
FIRE AND RESCUE PENSION FUND

SECTION 112.664, FLORIDA STATUTES
COMPLIANCE

With respect to the reporting standards for defined benefit retirement plans or systems contained in Section 112.664(1), F.S., the actuarial disclosures required under this section were prepared and completed by me or under my direct supervision and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, meet the requirements of Section 112.664(1), Florida Statutes, and Rule 60T-1.0035, Florida Administrative Code.

By: Patrick T. Donlan Date: 4/26/2019

Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #17-6595



When reviewing the following schedules, please note the following:

- 1) The purpose of producing this report is solely to satisfy the requirements set forth by Section 112.664, Florida Statutes, and is mandatory for every Florida public pension fund, excluding the Florida Retirement System (FRS).
- 2) None of the schedules shown have any impact on the funding requirements of the Plan. These schedules are for statutory compliance purposes only.
- 3) In the schedules that follow, the columns labeled “ACTUAL” represent the final recorded GASB 67/68 results. The columns labeled “HYPOTHETICAL” illustrate what the results would have been if different assumptions were used.
- 4) It is our opinion that the Plan’s actual assumptions utilized in the October 1, 2018 Actuarial Valuation Report, as adopted by the Board of Trustees, are reasonable individually and in the aggregate, and represent our best estimate of future Plan experience.
- 5) The “Number of Years Expected Benefit Payments Sustained” calculated in Section II: Asset Sustainability should not be interpreted as the number of years the Plan has left until it is insolvent. This calculation is required by 112.664, Florida Statutes, but the numeric result is irrelevant, since in its calculation we are to assume there will be no further contributions to the Fund. As long as the Actuarially Determined Contribution is made each year the Plan will never become insolvent.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FISCAL YEAR SEPTEMBER 30, 2018

	ACTUAL	HYPOTHETICAL	
	7.50% RP-2000 Generational	5.50% RP-2000 Generational	9.50% RP-2000 Generational
<u>Total Pension Liability</u>			
Service Cost	506,131	806,719	332,787
Interest	3,348,084	3,193,915	3,390,020
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	21,178	102,565	(32,516)
Changes of Assumptions	528,047	797,174	365,746
Contributions - Buy Back	12,086	12,086	12,086
Benefit Payments, Including Refunds of Employee Contributions	(2,534,625)	(2,534,625)	(2,534,625)
Net Change in Total Pension Liability	1,880,901	2,377,834	1,533,498
Total Pension Liability - Beginning	44,814,914	57,494,785	36,247,230
Total Pension Liability - Ending (a)	<u>\$ 46,695,815</u>	<u>\$ 59,872,619</u>	<u>\$ 37,780,728</u>
<u>Plan Fiduciary Net Position</u>			
Contributions - Employer	2,582,544	2,582,544	2,582,544
Contributions - State	388,246	388,246	388,246
Contributions - Employee	217,736	217,736	217,736
Contributions - Buy Back	12,086	12,086	12,086
Net Investment Income	1,718,519	1,718,519	1,718,519
Benefit Payments, Including Refunds of Employee Contributions	(2,534,625)	(2,534,625)	(2,534,625)
Administrative Expenses	(69,199)	(69,199)	(69,199)
Net Change in Plan Fiduciary Net Position	2,315,307	2,315,307	2,315,307
Plan Fiduciary Net Position - Beginning	27,921,021	27,921,021	27,921,021
Plan Fiduciary Net Position - Ending (b)	<u>\$ 30,236,328</u>	<u>\$ 30,236,328</u>	<u>\$ 30,236,328</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 16,459,487</u>	<u>\$ 29,636,291</u>	<u>\$ 7,544,400</u>

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: 7.50% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2018	30,236,328	-	2,742,648	-	2,164,875	29,658,555
2019	29,658,555	-	2,833,664	-	2,118,129	28,943,020
2020	28,943,020	-	2,963,157	-	2,059,608	28,039,471
2021	28,039,471	-	3,087,441	-	1,987,181	26,939,211
2022	26,939,211	-	3,222,923	-	1,899,581	25,615,869
2023	25,615,869	-	3,340,214	-	1,795,932	24,071,587
2024	24,071,587	-	3,501,296	-	1,674,070	22,244,361
2025	22,244,361	-	3,574,963	-	1,534,266	20,203,664
2026	20,203,664	-	3,636,148	-	1,378,919	17,946,435
2027	17,946,435	-	3,694,261	-	1,207,448	15,459,622
2028	15,459,622	-	3,759,356	-	1,018,496	12,718,762
2029	12,718,762	-	3,797,265	-	811,510	9,733,007
2030	9,733,007	-	3,857,126	-	585,333	6,461,214
2031	6,461,214	-	3,888,214	-	338,783	2,911,783
2032	2,911,783	-	3,915,747	-	-	-

*All DROP Balances paid in 2018.

Number of Years Expected Benefit Payments Sustained: 14.74

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.50% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 2
Hypothetical Assumptions: 5.50% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2018	30,236,328	-	2,742,648	-	1,587,575	29,081,255
2019	29,081,255	-	2,833,664	-	1,521,543	27,769,134
2020	27,769,134	-	2,963,157	-	1,445,816	26,251,793
2021	26,251,793	-	3,087,441	-	1,358,944	24,523,296
2022	24,523,296	-	3,222,923	-	1,260,151	22,560,524
2023	22,560,524	-	3,340,214	-	1,148,973	20,369,283
2024	20,369,283	-	3,501,296	-	1,024,025	17,892,012
2025	17,892,012	-	3,574,963	-	885,749	15,202,798
2026	15,202,798	-	3,636,148	-	736,160	12,302,810
2027	12,302,810	-	3,694,261	-	575,062	9,183,611
2028	9,183,611	-	3,759,356	-	401,716	5,825,971
2029	5,825,971	-	3,797,265	-	216,004	2,244,710
2030	2,244,710	-	3,857,126	-	-	-

*All DROP Balances paid in 2018.

Number of Years Expected Benefit Payments Sustained: 12.58

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.50% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 3
Hypothetical Assumptions: 9.50% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2018	30,236,328	-	2,742,648	-	2,742,175	30,235,855
2019	30,235,855	-	2,833,664	-	2,737,807	30,139,998
2020	30,139,998	-	2,963,157	-	2,722,550	29,899,391
2021	29,899,391	-	3,087,441	-	2,693,789	29,505,739
2022	29,505,739	-	3,222,923	-	2,649,956	28,932,772
2023	28,932,772	-	3,340,214	-	2,589,953	28,182,511
2024	28,182,511	-	3,501,296	-	2,511,027	27,192,242
2025	27,192,242	-	3,574,963	-	2,413,452	26,030,731
2026	26,030,731	-	3,636,148	-	2,300,202	24,694,785
2027	24,694,785	-	3,694,261	-	2,170,527	23,171,051
2028	23,171,051	-	3,759,356	-	2,022,680	21,434,375
2029	21,434,375	-	3,797,265	-	1,855,896	19,493,006
2030	19,493,006	-	3,857,126	-	1,668,622	17,304,502
2031	17,304,502	-	3,888,214	-	1,459,238	14,875,526
2032	14,875,526	-	3,915,747	-	1,227,177	12,186,956
2033	12,186,956	-	3,936,950	-	970,756	9,220,762
2034	9,220,762	-	3,955,042	-	688,108	5,953,828
2035	5,953,828	-	3,963,351	-	377,354	2,367,831
2036	2,367,831	-	3,972,899	-	-	-

*All DROP Balances paid in 2018.

Number of Years Expected Benefit Payments Sustained: 18.60

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 9.50% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2020

Valuation Date: 10/1/2018

	ACTUAL	HYPOTHETICAL	
	7.50% RP-2000 Generational	5.50% RP-2000 Generational	9.50% RP-2000 Generational
Minimum Required Contribution (Fixed \$)	\$2,799,231	\$3,788,465	\$1,960,620
Minimum Required Contribution (% of Payroll)	96.8%	131.0%	67.8%
Expected Member Contribution	216,977	216,977	216,977
Expected State Money	388,246	388,246	388,246
Expected Sponsor Contribution (Fixed \$)	\$2,194,008	\$3,183,242	\$1,355,397
Expected Sponsor Contribution (% of Payroll)	75.7%	109.9%	46.7%
<u>ASSETS</u>			
Actuarial Value ¹	30,239,928	30,239,928	30,239,928
Market Value ¹	30,236,328	30,236,328	30,236,328
<u>LIABILITIES</u>			
Present Value of Benefits			
Active Members			
Retirement Benefits	11,189,978	16,359,703	8,101,986
Disability Benefits	366,011	504,799	277,020
Death Benefits	68,802	90,674	53,960
Vested Benefits	695,582	1,198,399	432,673
Refund of Contributions	136,908	144,548	130,033
Service Retirees	34,430,530	43,487,688	28,222,636
DROP Retirees ¹	1,130,790	1,479,562	904,735
Beneficiaries	1,290,989	1,551,782	1,098,049
Disability Retirees	650,623	793,121	549,490
Terminated Vested	140,846	188,994	111,540
Share Plan Balances ¹	0	0	0
Total:	50,101,059	65,799,270	39,882,122
Present Value of Future Salaries	20,741,139	23,239,213	18,754,573
Present Value of Future Member Contributions	1,608,370	1,804,218	1,452,836
Total Normal Cost	491,051	784,907	322,136
Present Value of Future Normal Costs (Entry Age Normal)	2,896,083	5,226,354	1,707,579
Total Actuarial Accrued Liability ¹	47,204,976	60,572,916	38,174,543
Unfunded Actuarial Accrued Liability (UAAL)	16,965,048	30,332,988	7,934,615

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2020

Valuation Date: 10/1/2018

	ACTUAL	HYPOTHETICAL	
	7.50% RP-2000 Generational	5.50% RP-2000 Generational	9.50% RP-2000 Generational
<u>PENSION COST</u>			
Normal Cost (with interest)	509,465	806,492	337,437
Administrative Expenses (with interest)	71,794	71,102	72,486
Payment Required To Amortize UAAL (with interest)	2,217,972	2,910,871	1,550,697
Minimum Required Contribution	\$2,799,231	\$3,788,465	\$1,960,620

¹ The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2018.