

May 4, 2018

VIA EMAIL

Cheryl Jackson, Plan Administrator
City of Pensacola
Police Officers' Retirement Fund
222 West Main Street
Pensacola, FL 32502

Re: City of Pensacola Police Officers' Retirement Fund
Section 112.664, Florida Statutes Compliance

Dear Cheryl:

Please find enclosed the annual disclosures that satisfy the October 1, 2017 financial reporting requirements made under Section 112.664.

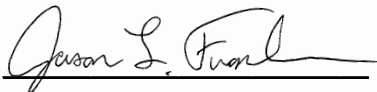
Our office will submit this information electronically to the Department of Management Services. However, it is important for you to be aware that this report must also be made available on the Plan or Plan Sponsor's website, if such website exists. A deadline for this website publication is not made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

Jason L. Franken, FSA, EA, MAAA
Enrolled Actuary #17-6888

JLF/lke

Enclosures

cc via email: Michael J. Stebbins, Board Attorney

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT 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: Jason L. Franken Date: 5/4/2018
Jason L. Franken, FSA, EA, MAAA
Enrolled Actuary #17-6888



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, 2017 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, 2017

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.125% RP-2000 Generational	5.125% RP-2000 Generational
<u>Total Pension Liability</u>		
Service Cost	761,793	1,324,631
Interest	8,977,910	8,305,495
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	(2,653,681)	1,899,427
Changes of Assumptions	-	-
Contributions - Buy Back	41,367	41,367
Benefit Payments, Including Refunds of Employee Contributions	(8,755,072)	(8,755,072)
Net Change in Total Pension Liability	(1,627,683)	2,815,848
Total Pension Liability - Beginning	129,621,504	165,038,661
Total Pension Liability - Ending (a)	<u>\$ 127,993,821</u>	<u>\$ 167,854,509</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	4,331,190	4,331,190
Contributions - State	542,277	542,277
Contributions - Employee	218,457	218,457
Contributions - Buy Back	41,367	41,367
Net Investment Income	11,614,044	11,614,044
Benefit Payments, Including Refunds of Employee Contributions	(8,755,072)	(8,755,072)
Administrative Expenses	(115,371)	(115,371)
Net Change in Plan Fiduciary Net Position	7,876,892	7,876,892
Plan Fiduciary Net Position - Beginning	85,740,569	85,740,569
Less reserve accounts	775,007	775,007
Plan Fiduciary Net Position - Ending (b)	<u>\$ 92,842,454</u>	<u>\$ 92,842,454</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 35,151,367</u>	<u>\$ 75,012,055</u>

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1

Plan Assumptions: 7.125% 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
2017	93,617,461	-	7,329,843	-	6,409,118	92,696,736
2018	92,696,736	-	6,995,866	-	6,355,415	92,056,285
2019	92,056,285	-	7,225,034	-	6,301,618	91,132,869
2020	91,132,869	-	7,536,033	-	6,224,746	89,821,582
2021	89,821,582	-	7,808,084	-	6,121,625	88,135,123
2022	88,135,123	-	8,050,093	-	5,992,843	86,077,873
2023	86,077,873	-	8,281,068	-	5,838,035	83,634,840
2024	83,634,840	-	8,537,884	-	5,654,820	80,751,776
2025	80,751,776	-	8,800,447	-	5,440,048	77,391,377
2026	77,391,377	-	9,035,406	-	5,192,249	73,548,220
2027	73,548,220	-	9,217,740	-	4,911,929	69,242,409
2028	69,242,409	-	9,400,413	-	4,598,632	64,440,628
2029	64,440,628	-	9,589,901	-	4,249,755	59,100,482
2030	59,100,482	-	9,727,338	-	3,864,373	53,237,517
2031	53,237,517	-	9,869,492	-	3,441,572	46,809,597
2032	46,809,597	-	9,986,496	-	2,979,415	39,802,516
2033	39,802,516	-	10,067,135	-	2,477,288	32,212,669
2034	32,212,669	-	10,155,735	-	1,933,355	23,990,289
2035	23,990,289	-	10,215,860	-	1,345,368	15,119,797
2036	15,119,797	-	10,248,394	-	712,187	5,583,590
2037	5,583,590	-	10,261,541	-	-	-

*All DROP Balances paid in 2017.

Number of Years Expected Benefit Payments Sustained: 20.54

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.13% 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: 5.125% 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
2017	93,617,461	-	7,329,843	-	4,610,068	90,897,686
2018	90,897,686	-	6,995,866	-	4,479,237	88,381,057
2019	88,381,057	-	7,225,034	-	4,344,388	85,500,411
2020	85,500,411	-	7,536,033	-	4,188,785	82,153,163
2021	82,153,163	-	7,808,084	-	4,010,267	78,355,346
2022	78,355,346	-	8,050,093	-	3,809,428	74,114,681
2023	74,114,681	-	8,281,068	-	3,586,175	69,419,788
2024	69,419,788	-	8,537,884	-	3,338,981	64,220,885
2025	64,220,885	-	8,800,447	-	3,065,809	58,486,247
2026	58,486,247	-	9,035,406	-	2,765,888	52,216,729
2027	52,216,729	-	9,217,740	-	2,439,903	45,438,892
2028	45,438,892	-	9,400,413	-	2,087,858	38,126,337
2029	38,126,337	-	9,589,901	-	1,708,234	30,244,670
2030	30,244,670	-	9,727,338	-	1,300,776	21,818,108
2031	21,818,108	-	9,869,492	-	865,272	12,813,888
2032	12,813,888	-	9,986,496	-	400,808	3,228,200
2033	3,228,200	-	10,067,135	-	-	-

*All DROP Balances paid in 2017.

Number of Years Expected Benefit Payments Sustained: 16.32

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.13% 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, 2019

Valuation Date: 10/1/2017

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.125%	5.125%
	RP-2000	RP-2000
	Generational	Generational
Total Required Contribution (Fixed \$)	\$5,202,559	\$9,402,937
Total Required Contribution (% of Payroll)	123.5%	223.3%
Expected Member Contribution	218,946	218,946
Expected State Money	542,277	542,277
Expected Sponsor Contribution (Fixed \$)	\$4,441,336	\$8,641,714
Expected Sponsor Contribution (% of Payroll)	105.4%	205.2%
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<u>ASSETS</u>		
Actuarial Value ¹	90,550,803	90,550,803
Market Value ¹	93,617,461	93,617,461
<u>LIABILITIES</u>		
Present Value of Benefits		
Active Members		
Retirement Benefits	27,377,156	41,089,156
Disability Benefits	2,780,241	3,882,170
Death Benefits	517,855	751,109
Vested Benefits	705,305	1,273,536
Refund of Contributions	30,608	31,789
Service Retirees	88,708,671	113,647,385
DROP Retirees ¹	9,267,968	12,334,181
Disability Retirees	3,617,795	4,548,794
Terminated Vested	922,287	1,427,702
Excess State Monies Reserve	0	0
Total:	<u>133,927,886</u>	<u>178,985,822</u>
Present Value of Future Salaries	29,191,213	32,057,819
Present Value of Future Member Contributions	1,517,943	1,667,007
Total Normal Cost	793,126	1,364,455
Present Value of Future Normal Costs (Entry Age Normal)	5,661,424	10,682,589
Total Actuarial Accrued Liability ¹	128,266,462	168,303,233
Total Amortization Charge	38,490,666	78,527,437

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2019

Valuation Date: 10/1/2017

	ACTUAL	HYPOTHETICAL
	7.125%	5.125%
	RP-2000	RP-2000
	Generational	Generational
<u>PENSION COST</u>		
Normal Cost ²	824,851	1,419,033
Administrative Expenses ²	72,800	72,800
Amortization Amount ²	4,304,908	7,911,104
Total Required Contribution	\$5,202,559	\$9,402,937

¹ The asset values and liabilities include accumulated DROP Balances as of 9/30/2017.

² Contributions developed as of 10/1/2017 displayed above have been adjusted to account for an assumed salary increase component.