

# ***City of Fort Pierce Retirement and Benefit System***



# ***Plan Summary Document***

SEPTEMBER 30, 2016



**T**he City of Fort Pierce Retirement and Benefit System is a defined benefit plan covering all municipal employees. Participation in the plan is compulsory for all full-time employees who are eligible upon employment except for those positions determined by the City Commission to be excludable who may, with the approval of the City Commission, choose to belong to a recognized deferred compensation retirement program rather than participate in the retirement and benefit system of the City. Any elected officer of the City may become a member of the system upon his written application filed with the Retirement Board.

Benefits vest after five (5) years of service for employees hired prior to October 1, 2012 and ten (10) years for those hired on or after this date. Upon retirement, General non-bargaining members are entitled to an annual retirement benefit, payable for life, of total service times 3.0 percent of final average salary based upon the highest five consecutive years out of the last ten years; Utilities Authority and Police members are entitled to an annual retirement benefit, payable for life, of total service times 3.0 percent of final average salary based upon the highest five out of the last ten years. General members who are covered by a collective bargaining agreement will be calculated at total service times 3.0 percent of final average salary based upon the highest five consecutive years out of the last ten years. Optional benefit forms are available on an actuarial equivalent basis. The system also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

The establishment, operation and administration of the plan are governed by relevant provisions contained in Article II of the City Charter, Chapter 13 of the City Code of Ordinances and Chapter 112 of the Florida Statutes.

# BOARD OF TRUSTEES

**Thomas Perona, Chair**

City Commissioner  
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Fort Pierce, FL 34954-1480

**Caleta Scott**

City of Fort Pierce  
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Fort Pierce Utilities Authority  
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Fort Pierce, FL 34954-1480

**Johnna S. Morris, Secretary/  
Treasurer**

Director of Finance  
City of Fort Pierce  
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Fort Pierce Police Department  
P.O. Box 1149  
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**Nina Penick**

Fort Pierce Utilities Authority  
P.O. Box 3191  
Fort Pierce, FL 34948

The Board Contracted Attorney serves as legal counsel to the Board of Trustees.

The power and authority to administer, manage and operate the Retirement and Benefit System of the City is vested in the Retirement Board.

The Board consists of two City Commissioners; one member appointed by the Utilities Authority; the City Finance Director; one elected Utilities Authority member; one elected general government member; and one elected police officer member.

The Board meets the third Thursday of each month at City Hall in the Second Floor conference room at the times designated by the Board.

## **MEMBERSHIP**

There are three classes of membership:

1. *Utilities Authority Member.* All employees of the Utilities Authority.
2. *Police Member.* Any employee in the Police Department of the City holding the rank of patrolman or higher.
3. *General Member.* Any member except a Police member or Utilities Authority member.

The Retirement and Benefit System is financed by member and participating employer contributions and investment income from Retirement and Benefit System assets.

# SUMMARY OF VALUATION RESULTS

September 30, 2016

## Participation

Participation in the Retirement and Benefit System begins upon employment.

## Normal Retirement

### Eligibility

(All Members)

*General and Utilities Authority Members:* 25 or more years of service regardless of age, or age 60 with 5 or more years of service if hired prior to October 1, 2012 and 10 or more years of service if hired after October 1, 2012.

*Police Members:* 25 or more years of service regardless of age, or age 55 with 5 or more years of service if hired prior to October 1, 2012 and 10 or more years of service if hired after October 1, 2012.

### Mandatory Retirement Age

None.

### Annual Amount

*General bargaining:* Total service times 3.0% of final average salary.

*Police, General non- bargaining, Utilities Authority:* Total service times 3.0% of final average salary.

*For members hired prior to October 1, 2012:* The maximum pension benefit is \$100,000 annually.

*For members hired on or after October 1, 2012:* The maximum annual pension benefit shall not exceed 75% of final average salary, with a maximum pension benefit of \$100,000 annually.

The normal form of benefit is a benefit payable for life. Optional forms are available on an actuarial equivalent basis.

**Type of Final Average Salary**

*General Members:* Highest five (5) consecutive years out of last ten.

*Police and Utilities Authority Members:* Highest five (5) years out of last ten.

Overtime hours included in compensation are limited to 300 hours per fiscal year.

*For members hired prior to October 1, 2012:*

Payments for unused sick and vacation time included in compensation are limited to unused sick and vacation time accrued through September 20, 2012 for General & Police, and July 1, 2011 for Utilities Authority.

*For members hired on or after October 1, 2012:*

Payments for unused sick and vacation time are not included in compensation.

**Deferred Retirement Option Plan (DROP) Retirement**

**Eligibility**

*General and Utilities Authority Members:* Same as Normal Retirement, election may be on or after normal retirement eligibility, but not after reaching 30 years of service. Participation in the DROP ends after five years.

**Annual Amount**

Computed as a normal retirement but based upon service and final average salary at time of DROP election. Member contributions cease and monthly benefits (and post-retirement increases, if any) accumulate in a self-directed DROP account and are payable to the member upon termination of employment.

## **Deferred Retirement**

**Eligibility**      *For Members hired prior to October 1, 2012: 5 or more years of service.*

*For Members hired on and after October 1, 2012:  
10 or more years of service.*

Benefits begin at age 60.

**Annual Amount**      Computed as a normal retirement but based upon service and final average salary at time of termination.

## **Disability Retirement**

The Retirement Board may retire a member on account of disability if all of the following requirements have been met:

1. the member has five (5) or more years of credited service if hired before October 1, 2012 or ten (10) or more years of credited service if hired on or after October 1, 2012;
2. the member was a member at the time the disability was incurred;
3. a completed application for disability retirement along with all required documentation has been submitted to the Retirement Board by the member or the member's department head;
4. membership is terminated prior to the selected date of disability retirement;
5. the participant submits to all medical examinations and tests and furnishes copies of all medical reports requested by the Retirement Board;
6. the Retirement Board determines the member to be totally and permanently incapacitated for duty in the employ of the member's participating employer, by reason of a personal injury or disease; and,
7. two (2) physicians, one of whom shall be selected by the Retirement Board and paid by the retirement system, and one of whom shall be selected by the member and paid by the member, both report to the Retirement Board, in writing, that the member is mentally or physically totally incapacitated for duty in the employ of the member's participating employer, the incapacity will probably be permanent, and the member should be retired.



The five or ten years of credited service requirements contained in this section shall be waived in the case of a member whom the Retirement Board finds to be in receipt of weekly workers' compensation on account of disability arising out of and in the course of his employment by a participating employer.

## **Disability Annuity**

Disability retirement applications are available at the Director of Finance office at City Hall.

1. The amount of a disability retirement annuity under the standard form of payment shall be calculated as provided in section 13-31, subject to subsections (b) and (c) of this section.
2. If a member is retired on account of disability as provided in section 13-36 for a disability arising out of and in the course of a member's employment by a participating employer, the following additional provisions shall apply:
  - a) Subject to subsection (b), the amount of disability annuity under the standard form of payment during the member's duty disability period shall not be less than 75% of the member's final average salary for all other coverage plans.
  - b) The member's duty disability retirement period begins on the date of the member's disability retirement.
  - c) The member's duty disability retirement period ends on the first to occur of the following dates: the date the pension is terminated as provided in section 13-38; or the end of the month in which the retired member dies; or, the date the annuity has been paid for the maximum duty disability retirement period.
  - d) The maximum duty disability retirement period is the number of months in the period from the date of the member's duty disability retirement and the first to occur of the following dates: the date the member would have acquired twenty-five (25) years of credited service had employment continued with a participating employer; the date the member attains age sixty-five (65) years but not prior to the date which is sixty (60) months after the date of duty disability retirement.
  - e) Credited service shall not be projected for the purpose of calculating the amount of a disability annuity.

- f) At the end of the disability period the disability benefit would convert to a regular retirement benefit with service credit granted for the duty disability period
- 3. The amount of a disability retirement annuity shall not exceed the difference between one hundred (100%) percent of the member's final average salary and the monthly equivalent of any weekly workers' compensation paid the retired member.
- 4. In no case shall the amount of the duty disability annuity under the standard form of payment for a police officer member be less than forty-two (42%) percent of final salary, nor shall the amount of the non-duty disability annuity under the standard form of payment for a police officer member who has ten (10) or more years of service be less than twenty-five (25%) percent of final salary.

**Duty Death Before Retirement**

Eligibility	No age or service requirements. Benefits begin upon termination of workers' compensation.
Annual Amount	A benefit equal to the same amount that was paid by workers' compensation to the widow until death, to unmarried children under 18 and dependent parents.

**Non-Duty Death Before Retirement**

Eligibility	5 or more years of service.
Annual Amount	Computed as a normal retirement but actuarially reduced in accordance with a 100% joint and survivor election.

**Post-Retirement Increases**

COLA may be granted from investment returns in excess of actuarial interest assumptions, not to exceed 3%.

**Military Service**

May be purchased by members who meet the eligibility conditions.

## **Member Contributions**

<i>General Bargaining Members:</i>	5.16% of annual salary
<i>General Non-Bargaining Members:</i>	5.16% of annual salary
<i>Police Bargaining Members:</i>	5.16% of annual salary
<i>Police Non-Bargaining Members:</i>	5.16% of annual salary
<i>Utilities Authority Members:</i>	6.16% of annual salary

## **Employer Contributions**

Actuarially determined amounts which together with member contributions are sufficient to at least cover the requirements of the funding objective.

## **Plan Year**

The plan is maintained on a fiscal year basis, October 1 to September 30.

## **Denied Claims**

Any member or beneficiary whose claim for benefits under the terms of this plan has been denied has the ability to petition the Retirement Board for a full and fair review of their claim.

## **Forfeiture of Benefits**

“Any public officer or employee who is convicted of a specified offense committed prior to retirement, or whose office or employment is terminated by reason of his or her admitted commission, aid, or abetment of a specified offense, shall forfeit all rights and benefits under any public retirement system of which he or she is a member, except for the return of his or her accumulated contributions as of the date of termination.” Florida Statutes §112.3173(3).

## REVENUES AND EXPENSES

	<b>Year Ended 9/30/2016</b>	<b>Year Ended 9/30/2015</b>
<i>REVENUES:</i>		
a. Member contributions	\$ 1,533,509	\$ 1,473,091
b. Employer contributions	4,211,312	4,093,267
c. Investment income		
1. Interest and dividends	3,349,118	3,364,767
2. Gain or loss on sales	2,508,100	7,375,853
3. Other (unrealized gain/loss)	11,261,975	(7,107,565)
TOTAL REVENUES	\$ 22,864,014	\$ 9,199,414
<i>EXPENDITURES:</i>		
a. Refunds or member contributions	\$ 492,348	\$ 287,470
b. Benefits paid	12,884,323	12,528,070
c. Investment expenses	647,002	648,983
d. Administrative expenses	217,891	176,341
e. Other	50,240	44,893
TOTAL EXPENDITURES	\$ 14,291,804	\$ 13,685,756
Adjustments:	\$ 0	\$ 0
<i>RESERVE INCREASE:</i>	\$ 8,572,210	\$ (4,486,342)

## VALUE OF ASSETS

	<b>September 30, 2016</b>	<b>September 30, 2015-</b>
	<b>Market</b>	<b>Market</b>
Cash	\$ 95,891	\$ 36,572
Receivables & Accruals	623,581	700,322
Other short-term	3,076,924	5,342,869
Real Estate	20,372,890	13,657,912
Bonds - government	29,855,487	28,503,268
- corporate	15,586,770	18,824,158
Stocks - common	13,788,126	13,416,920
- mutual funds	99,752,022	94,179,144
Other - Prepaid Expenses	105,712	—
Total Assets	\$ 183,257,403	\$ 174,661,165
Less Accounts Payable	51,386	27,358
Net Assets	\$ 183,206,017	\$ 174,633,807

# SUMMARY OF VALUATION RESULTS

September 30, 2016

## **Funding Objective**

The basic funding objective of the Retirement and Benefit System is to avoid transfer of the cost of benefit obligations between generations of taxpayers. This objective is implemented by contributions sufficient to:

- Pay for costs allocated to the current year on account of service rendered by participants in the current year (Normal Cost)
- Pay for costs allocated to prior years on account of service rendered by participants in prior years (Unfunded Actuarial Accrued Liability) over a 30-year period.

The annual actuarial valuation measures the relationship between Retirement and Benefit System obligations and assets and determines the contribution rates for the ensuing year. Several of the shortest amortization bases were combined in order to moderate scheduled contribution rate changes.

## **Funding Progress Indicators**

The September 30, 2016 actuarial valuation indicates that the actuarial accrued liabilities of the Retirement and Benefit System are 89% funded by valuation assets. This is an decrease from last year's funded ratio of 93%. Although not historically referred to, the ratio of the market value of assets to the Actuarial Accrued Liabilities is 88% which is lower than last year.

## **Trends To Monitor**

The market value of assets currently exceeds the funding value of assets by \$2 million. If gains from investment returns below the 7.75% assumed or gains from other sources do not emerge, this will create upward pressure on contribution requirements and a coinciding downward pressure on the funded ratios in subsequent valuation years.

# **SUMMARY OF VALUATION RESULTS**

## **SEPTEMBER 30, 2016**

### **ASSUMPTION CHANGES**

House Bill 1309 of 2015 mandates the use of the Florida Retirement System (FRS) mortality tables for the valuation dates beginning with the September 30, 2016 actuarial valuation. The FRS uses versions of the RP-2000 tables and Projection scale BB in a reasonable manner. These mortality tables produce life expectancies that are longer for males and females.

Both forward-looking asset return and inflation expectations have decline significantly in the past few years. The probability of exceeding an 8.0% rate of return is less than 35% in each year based on GRS Capital Market Assumption Modeler. Therefore, we have lowered the assumed rate of return to 7.75%. If the economic assumption expectations continue to decline, we may have to revisit this as soon as next year.

In recent years, salary increases have been lower than expected. To reflect a muted expectation, the merit and seniority salary increase rates were reduced for General and Utilities Authority and the wage inflation assumption was reduced from 4.5% to 4.0% for all groups. Furthermore, the rates of withdrawal were increased for all groups to reflect higher than expected turnover experience.

The loads on service related retirements were reduced for General members from 4% to 3.5% and for Utilities Authority members from 3.5% to 3% as part of the ongoing recognition of Senate Bill 1128 of 2011.

The total impact of the assumption changes increased the actuarial accrued liability by \$10.1 million and increased the employer contribution requirement by \$0.6 million.

## Observed Experience

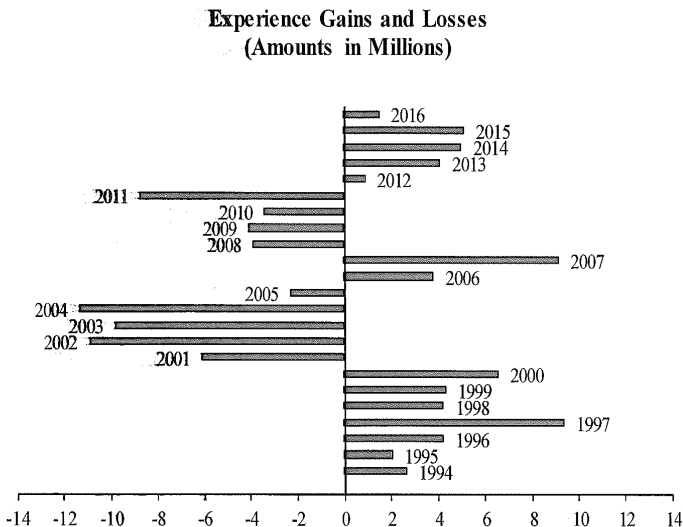
While the investment return on market value was 9.65%, the recognized rate of investment return was 8.89% due to averaging investment experience over the last 4 years. The recognized investment return was greater than 8.0% assumed return for fiscal year 2016. Note that each year's investment experience gain (loss) is spread over four years in equal dollar installments to reduce the effect of market volatility on contribution rates.

Demographic experience varied among the divisions. The principal deviations from projected experience were:

- ◆ 10.1% average pay increases in all the divisions vs. 5.9% expected (favorable)
- ◆ 10 year average payroll growth was less than the 4.0% assumed (unfavorable for unfunded liability contribution rates)
- ◆ Reductions in active member workforces for Police (favorable for normal cost; unfavorable for unfunded liability)

The net effect of the preceding experience factors was an aggregate experience gain of \$1,460,257.

Year-to-year experience variations are expected and normal in the operation of a retirement system as members vary their activities and economic conditions change. The expectation is that the favorable years and unfavorable years will tend to cancel over 5 to 10 year periods.



## Valuation Results – Contribution Requirement

The percent of payroll contribution requirements for the 2017-2018 fiscal year are:

<u>Members</u>	Utilities		
	General	Authority	Police
Bargaining	5.16 %	6.16 %	5.16 %
Non-Bargaining	5.16%	6.16 %	5.16%

<u>Employer for</u>	Utilities		
	General	Authority	Police
Bargaining	17.35%	17.92%	11.98%
Non-Bargaining	17.35%	17.92%	11.98%
Illustrative	\$1,639,755	\$2,439,936	\$799,048

For comparison, the percent-of-payroll contribution requirements for the 2016-2017 fiscal year based on last year's valuation are:

<u>Members</u>	Utilities		
	General	Authority	Police
Bargaining	5.16%	6.16%	5.16%
Non-Bargaining	5.16%	6.16%	5.16%

<u>Employer for</u>	Utilities		
	General	Authority	Police
Bargaining	14.89%	16.23%	14.61%
Non-Bargaining	14.89%	16.23%	14.61%
Illustrative	\$1,200,633	\$2,098,810	\$997,089

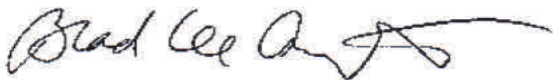


## **COST-OF-LIVING ADJUSTMENT (COLA)**

Section 13—43 of the City's Code of Ordinances provides for a COLA if the Investment return of the fund exceeds that required to satisfy the actuarial Interest assumption, which did happen this year. In addition, the cumulative value of any COLA's granted since 1999 may not exceed the cumulative net actuarial gains since 1999. Page B-11 shows the cumulative value of COLA's and net actuarial gains/(losses) since 1999. The present balance is (\$30,378,996). So even though the recognized rate of investment return for the last fiscal year of 8.89% exceeded the actuarial interest assumption of 8%, no COLA could be provided under Section 13—43 until the Retirement and Benefit System's future actuarial gains exceed \$30,378,996 plus interest. Given the cumulative net Actuarial loss balance, this COLA provision is not likely to operate for the Indefinite future.

### **Certification**

This actuarial valuation was 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, the technique and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation report. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation report.



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Brad Lee Armstrong, ASA, FCA, EA, MAAA  
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