



nyhart
part of FuturePlan by Ascensus®

City of Ocala Firefighters' Retirement Plan

October 1, 2024 Actuarial Valuation Results

February 24, 2025

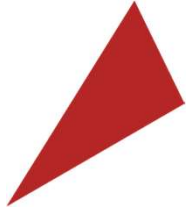
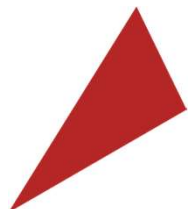


Table of Contents

Topic	Page
Highlights	3
Demographic Information	4
Summary of Results	5
Plan Experience on Unfunded Accrued Liability	7
Salary Increase Experience	8
Asset Information	9
Plan Funding History	11
History of City Contribution	12
Benchmarking	13
Administrative Update	14
Certification	15



10/1/2024 Highlights

Prior Year Activity

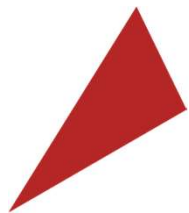
- 22.6% return on market value compared to the expected return of 7.0%. On a “smoothed” actuarial basis, the return was just over 9.0%.
- Significant salary increases greater than expected resulting in liability loss of \$3.8M.
- Total contributions to the plan of \$5.1M (\$3.4M City, and \$1.7M Employee and State)

Current Year

- Plan funding level decreased to 72.5% on an actuarial (smoothed) asset basis. Plan is now 76.5% funded on market-value basis, up from 73.8% last year.
- New assumptions adopted after experience study (discount rate lowered to 6.75%, new mortality). Impacts to be phased-in to contribution over a 3-year period. Resulting recommended employer contribution for FY 25/26 of \$4.65M.
- COLA node at 1/1/2025 could increase from \$718 to \$738 following prior practice with contingency reserve at 20%.

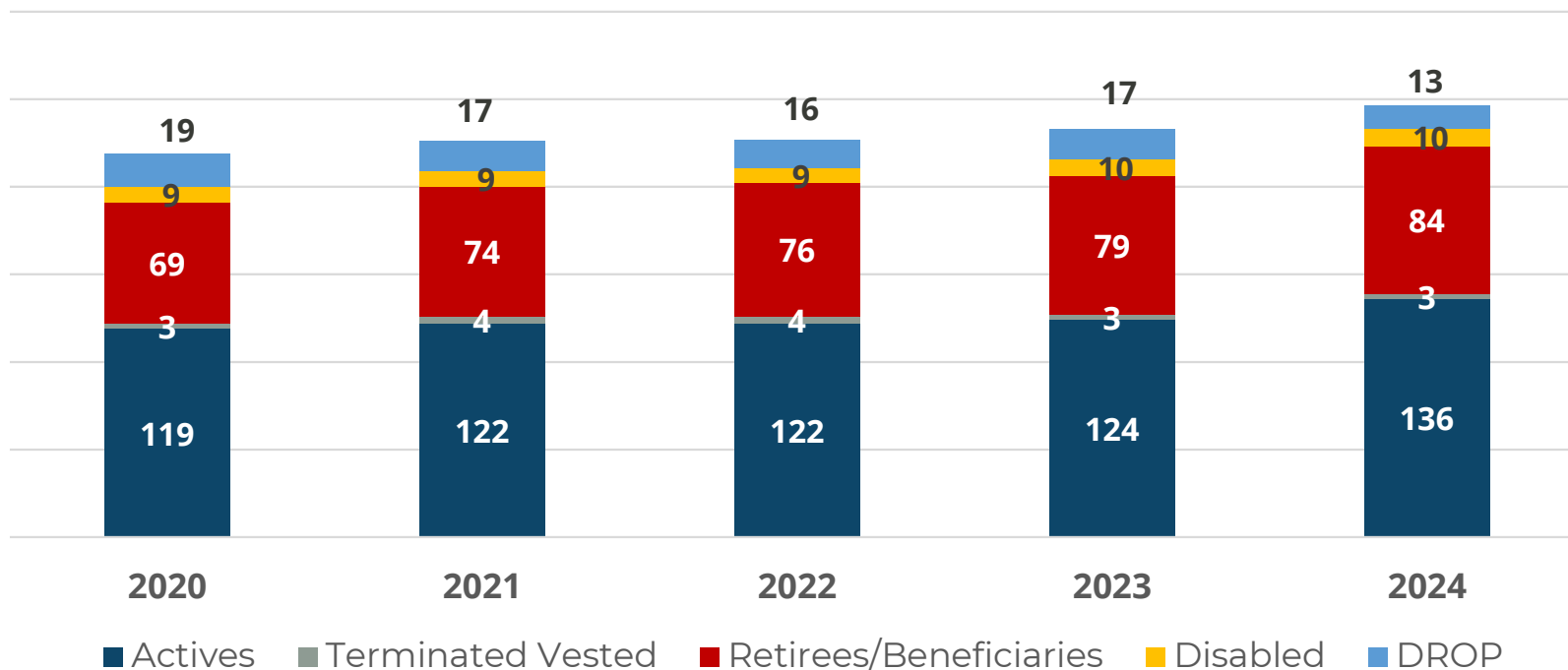
Looking Ahead

- Large pay increases will impact long-term expected costs. Direct-rate smoothing means contribution increases projected next two years.
- Administrative updates in progress: new COLA design, lengthening DROP period, buyback policy, incentive pay for Component B



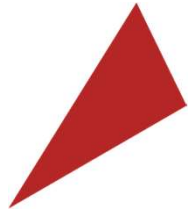
Demographic Information

Participant Counts



Active Demographics

	2020	2021	2022	2023	2024
Average Age	37.0	36.8	36.7	36.9	36.2
Average Service	11.7	11.5	11.6	11.5	11.2
Average Plan Compensation	\$62,732	\$62,847	\$65,373	\$72,208	\$79,915



Summary of Results

Valuation Date	10/1/2023	10/1/2024
Discount Rate	7.00%	6.75%
Accrued Liability	\$ 95,049,856	\$ 111,565,632
Actuarial Value of Assets	<u>74,746,000</u>	<u>80,861,587</u>
Unfunded Liability	\$ 20,303,856	\$ 30,704,045
Funded Ratio	78.6%	72.5%
Market Value Basis:		
Discount Rate	7.00%	6.75%
Accrued Liability	\$ 95,049,856	\$ 111,565,632
Market Value of Assets	<u>70,151,729</u>	<u>85,340,291</u>
Unfunded Liability	\$ 24,898,127	\$ 26,225,341
Funded Ratio	73.8%	76.5%



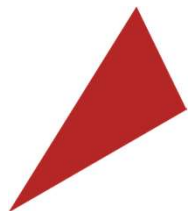
Summary of Results

Recommended Contribution	10/1/2023 for FYE 9/30/2025	10/1/2024 for FYE 9/30/2026
Normal Cost	\$1,667,329	\$3,370,017
Administrative Expenses	164,346	217,711
Amortization of Unfunded Liability	2,556,549	3,114,606
Interest	<u>257,642</u>	<u>393,422</u>
Total Recommended Contribution	\$4,645,866	\$7,095,756
Impact of Direct-Rate Smoothing	n/a	(1,371,559)
State Contribution	(200,000)	(200,000)
Expected Member Contributions	<u>(707,623)</u>	<u>(873,856)</u>
City Contribution	\$3,738,243	\$4,650,341
Expected Payroll	\$9,933,729	\$11,677,997
Total Contribution as % of Payroll	37.6%	39.8%



Plan Experience on Unfunded Accrued Liability

Source	Effect (\$ millions)	
10/1/2023	\$20.3	
Expected change	(1.6)	Interest Growth and Amortization of Unfunded
10/1/2024 Expected	\$18.7	
Demographic Movement	1.3	Fewer retirements and terminations than expected
Salary Experience	3.8	Expected increase 4.7%, Actual 18.3%
Asset Experience	(1.4)	9.0% on actuarial value vs. 7.0% expected
Total Experience	\$22.4	
Assumption Changes:		
Discount Rate	3.0	From 7.00% to 6.75%
Mortality	2.5	New mortality from July 1, 2024 FRS valuation
Salary Increases	2.9	Increase in assumed rates at all ages
Retirement Rates	(0.3)	Adjusted rates upward for those later in career
Withdrawal Rates	0.2	Adjusted rates to 0% for 10 years of service or greater
Total Assumption Changes	8.3	
10/1/2024	\$30.7	



Salary Increase Experience

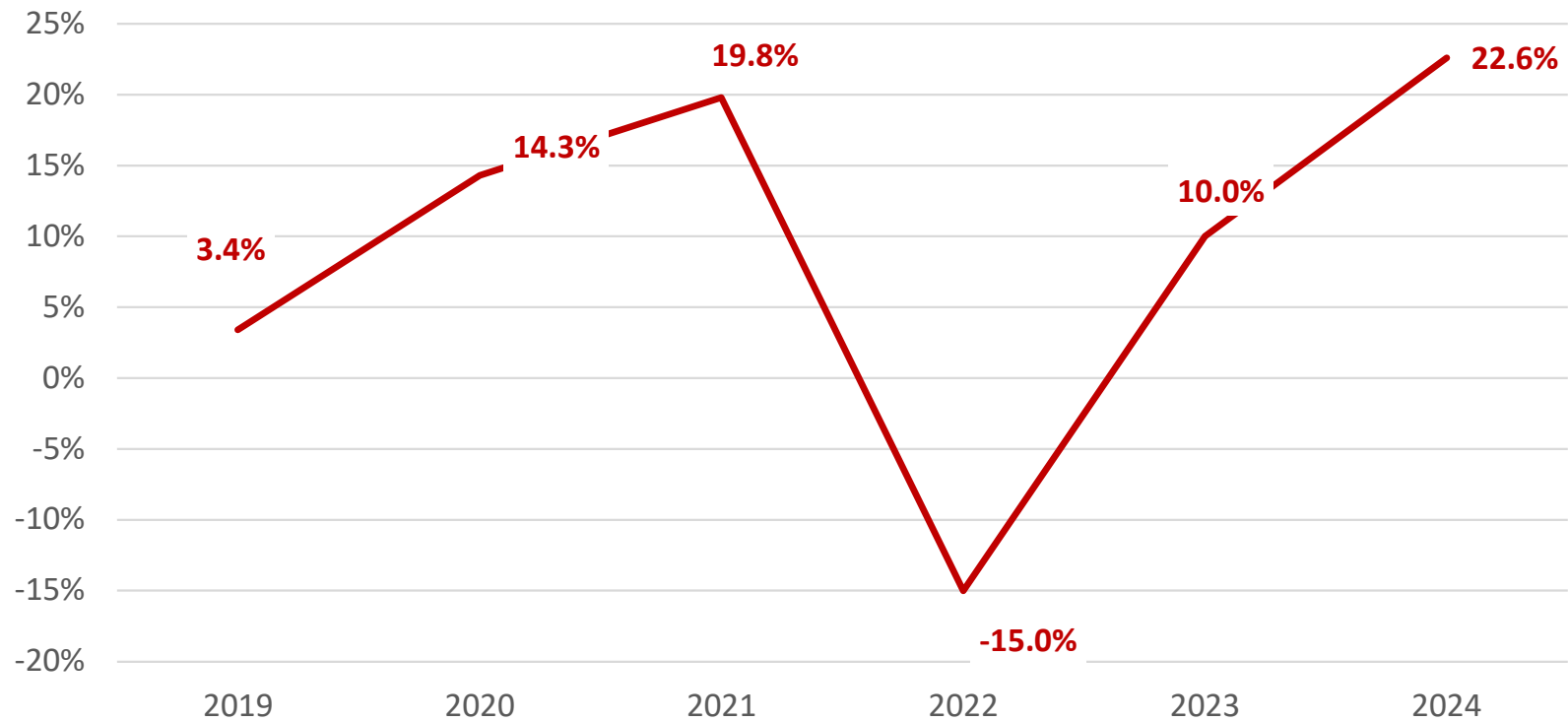
The plan has experienced significant salary increases over the past two years. This has a large impact on both ongoing cost (“Normal Cost”) for firefighters, as well as the unfunded liability (as prior service is now retroactively more valuable on a relative basis.)

	10/1/2024	10/1/2023	10/1/2022
Number of active employees	136	124	122
Pay provided for valuation	\$10,868,473	\$8,953,764	\$7,975,506
Average pay	\$79,915	\$72,208	\$65,373
Increase in average relative to prior year	10.7%	10.5%	
Continuing actives only (hired before 10/1/2021)	106	106	106
Average pay	\$91,839	\$77,608	\$68,384
Increase in average since prior year	18.3%	13.5%	



Asset Information

Rates of Return on Market Value



Average Rates of Return

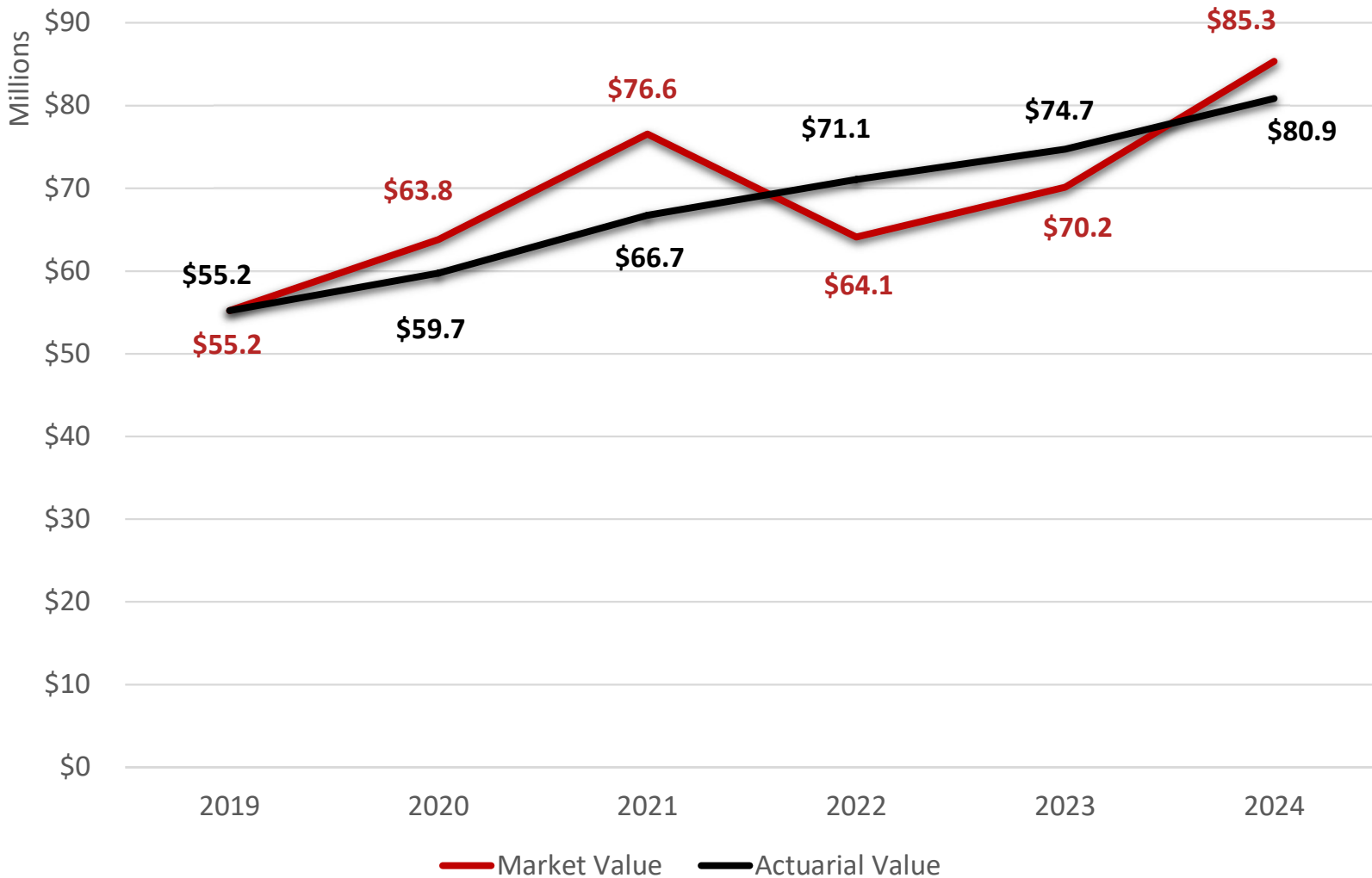
	5 - Years	10 - Years	20 - Years
Market Value	9.43%	8.04%	6.88%



Asset Information

(Excluding Reserve/DROP, \$ millions)

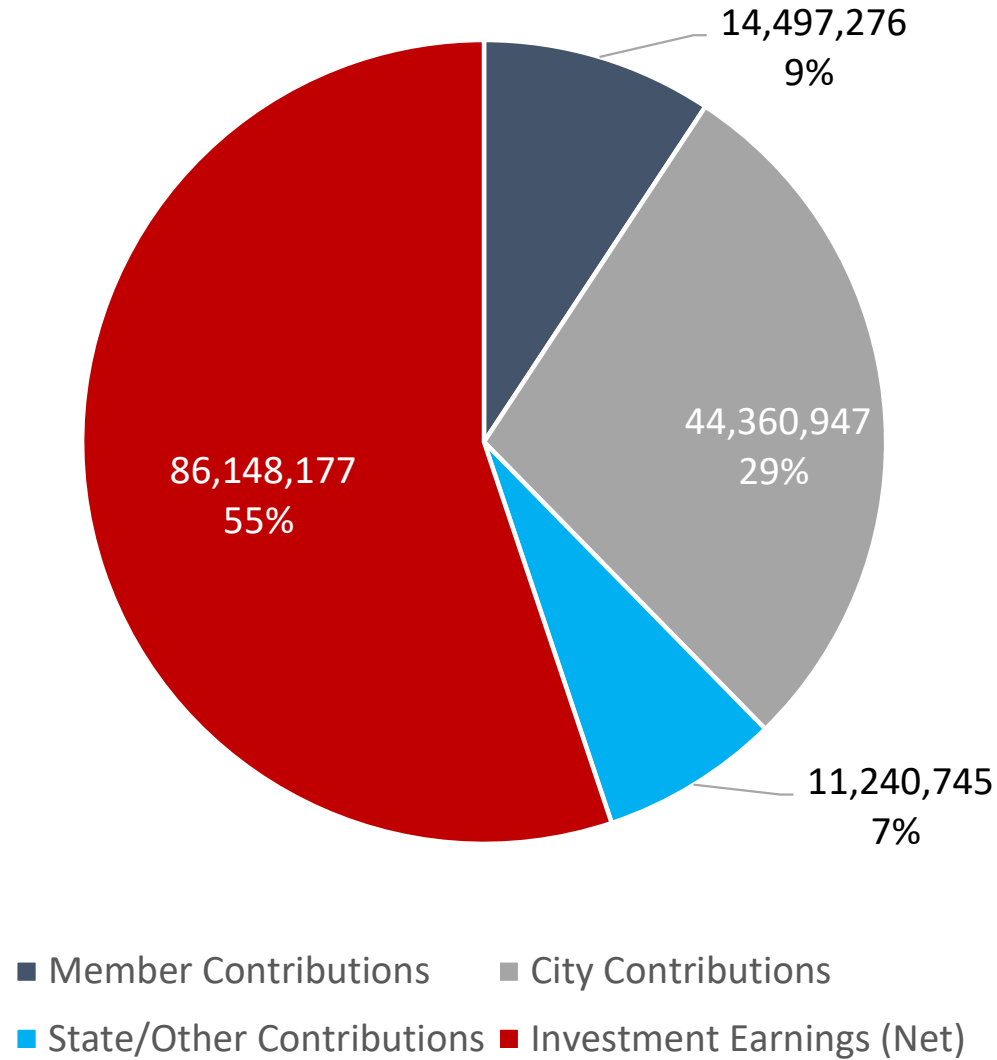
Actuarial Value vs. Market Value of Assets

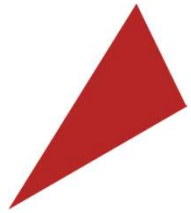




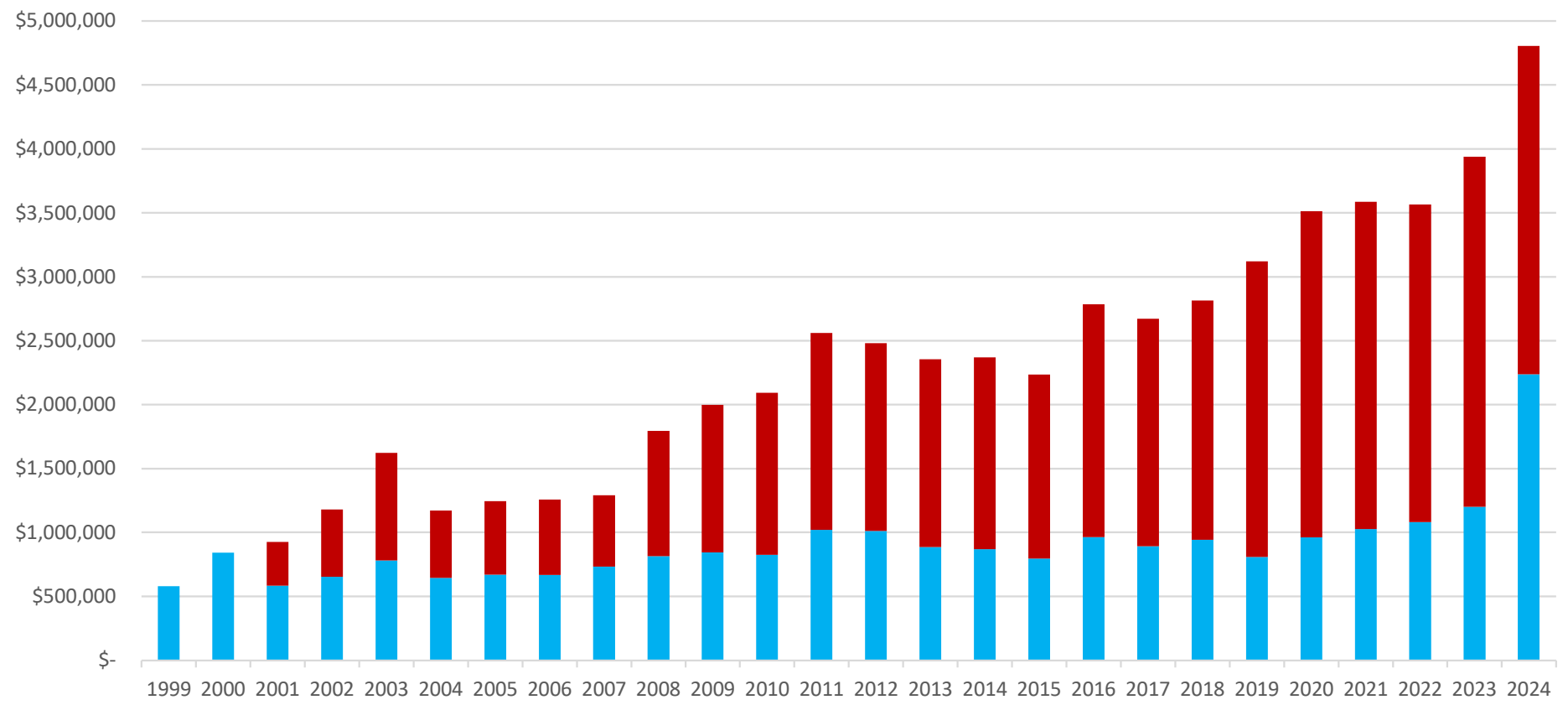
Plan Funding History

City of Ocala Firefighters' Retirement Plan, 1999-2024 Funding Sources





City Required Contribution History



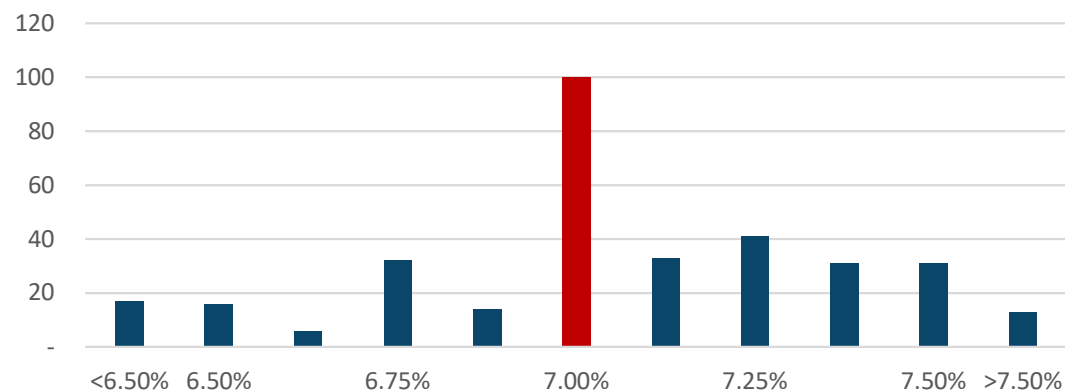
■ Employer Normal Cost (Includes Administrative Expenses) ■ Payment Towards Unfunded Actuarial Liability

- 10/1/2016: Discount rate changed from 7.75% to 7.50%, mortality table update
- 10/1/2019: Discount rate changed from 7.50% to 7.00%, mortality table update, experience study assumptions. Direct-rate smoothed impact over three years.
- 10/1/2024: Discount rate changed from 7.00% to 6.75%, mortality table update, experience study assumptions. Direct-rate smoothed impact over three years. Very large department-wide pay adjustments.



Benchmarking

Rate of Return Assumptions for Open Florida Public Plans



10/1/2023 Florida Funded Ratios (MVA Basis)	
All open plans	84.0%
Fire only	85.4%
Ocala Fire	76.5%

Source: Florida Department of Management Services, rates for “Active” Florida plans with valuation dates in 2023 or later.

- Florida Retirement System:
 - July 1, 2024 return assumption was 6.70% (same as prior year)
- NASRA Survey on Public Pension Plans:
 - Average return assumption was 6.91% for 2023 (down from 6.92% last year)
- NCPERS Public Retirement Survey (new ‘25 survey to be released next week):
 - Average funded level is 75.4% down from 77.8% last year
 - Average COLAs 2.0% but many respondents offered no COLA
 - Amortization periods shortening to 20.4 years, down from 20.8 last year



Administrative Updates

- BAC-DROP Policy – approved by board February 2024
- Experience Study – assumptions selected by board December 2024; reflected in October 1, 2024 valuation
- Buyback (Service Purchase) Policy – discussion draft summarizing issues available for continued board consideration
- Impact Statement #1: What if the COLA were redesigned to be a flat 1%, 1.5%, or 2% increase each year?
- Impact Statement #2: What if the maximum DROP period were extended to 6, 7, or 8 years?
- Impact Statement #3: What if certain incentives were added to the definition of pensionable pay for Component B members?
- 300-Hour Overtime Adjustments for Component A members – Nyhart has not yet been involved in the corrections process but is ready to assist.
- Component B Forward DROP Interest Schedule in progress.
- Entering Year Ten of COLA Fund – need clarification on return transfer policy and interest treatment



Certification

This report has been prepared for the primary purpose of summarizing the actuarial valuation for the City of Ocala Firefighter Pension Fund as of October 1, 2024. To the best of our knowledge, the reports summarized herein present fair positions of the funded status of the plan in accordance with the Actuarial Standards of Practice as described by the American Academy of Actuaries, and are based on the plan provisions and assumptions summarized within each report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such facts as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or other additional cost or contribution requirement based on the plan's funded status); and changes in plan provisions of applicable law. The scope of our assignment did not include an analysis of the potential range of future measurements.

In preparing these results, Nyhart used ProVal valuation software developed by Winklevoss Technologies, LLC. This software is widely used for the purpose of performing pension valuations. We coded the plan provisions, assumptions, methods and participant data summarized in this report, and reviewed the liability and cost outputs for reasonableness. We are not aware of any weakness or limitations in the software and have determined it is appropriate for performing this valuation.

Neither Nyhart nor any of its employees have any relationship with the plan or its sponsor which could impair or appear to impair the objectivity of this report. To the extent that this report or any attachment concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law.

The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

To our knowledge there have been no significant events prior to the current year's measurement date or as of the date of this report which could materially affect the results contained herein.

Nyhart



Lawrence Watts, Jr., FSA, CFA, EA, MAAA



Kerry Sipe, ASA, EA