

May 4, 2018

VIA EMAIL

Cheryl Jackson, Plan Administrator
City of Pensacola
Firefighters' Relief and Pension Fund
222 West Main Street
Pensacola, FL 32502

Re: City of Pensacola Firefighters' Relief and Pension 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.

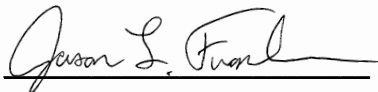
Our office will submit this information electronically to the Department of Management Services. However, it is important for you to be aware that this report must also be made available on the Plan or Plan Sponsor's website, if such website exists. A deadline for this website publication is not made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

CITY OF PENSACOLA
FIREFIGHTERS' RELIEF AND 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: 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>
	7.75% RP-2000 Generational	5.75% RP-2000 Generational
<u>Total Pension Liability</u>		
Service Cost	1,317,501	2,142,267
Interest	9,731,641	9,196,305
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	(3,442,328)	(4,458,592)
Changes of Assumptions	967,856	1,312,865
Benefit Payments, Including Refunds of Employee Contributions	(8,511,653)	(8,511,653)
Net Change in Total Pension Liability	63,017	(318,808)
Total Pension Liability - Beginning	128,507,886	162,049,300
Total Pension Liability - Ending (a)	<u>\$ 128,570,903</u>	<u>\$ 161,730,492</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	1,797,885	1,797,885
Contributions - State	538,660	538,660
Contributions - Employee	449,131	449,131
Net Investment Income	12,473,832	12,473,832
Benefit Payments, Including Refunds of Employee Contributions	(8,511,653)	(8,511,653)
Administrative Expenses	(90,536)	(90,536)
Other	81,471	81,471
Net Change in Plan Fiduciary Net Position	6,738,790	6,738,790
Plan Fiduciary Net Position - Beginning	113,883,891	113,883,891
Plan Fiduciary Net Position - Ending (b)	<u>\$ 120,622,681</u>	<u>\$ 120,622,681</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 7,948,222</u>	<u>\$ 41,107,811</u>

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: 7.75% 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	120,622,681	-	11,414,286	-	8,905,954	118,114,349
2018	118,114,349	-	8,804,343	-	8,812,694	118,122,700
2019	118,122,700	-	9,103,206	-	8,801,760	117,821,254
2020	117,821,254	-	9,293,920	-	8,771,008	117,298,342
2021	117,298,342	-	9,396,455	-	8,726,509	116,628,396
2022	116,628,396	-	9,517,157	-	8,669,911	115,781,150
2023	115,781,150	-	9,617,349	-	8,600,367	114,764,168
2024	114,764,168	-	9,780,616	-	8,515,224	113,498,776
2025	113,498,776	-	9,869,702	-	8,413,704	112,042,778
2026	112,042,778	-	9,963,772	-	8,297,219	110,376,225
2027	110,376,225	-	10,032,496	-	8,165,398	108,509,127
2028	108,509,127	-	10,111,503	-	8,017,637	106,415,261
2029	106,415,261	-	10,145,896	-	7,854,029	104,123,394
2030	104,123,394	-	10,168,542	-	7,675,532	101,630,384
2031	101,630,384	-	10,245,637	-	7,479,336	98,864,083
2032	98,864,083	-	10,261,267	-	7,264,342	95,867,158
2033	95,867,158	-	10,235,034	-	7,033,097	92,665,221
2034	92,665,221	-	10,182,523	-	6,786,982	89,269,680
2035	89,269,680	-	10,117,714	-	6,526,339	85,678,305
2036	85,678,305	-	10,044,464	-	6,250,846	81,884,687
2037	81,884,687	-	9,955,999	-	5,960,268	77,888,956
2038	77,888,956	-	9,853,385	-	5,654,575	73,690,146
2039	73,690,146	-	9,735,133	-	5,333,750	69,288,763
2040	69,288,763	-	9,602,077	-	4,997,799	64,684,485
2041	64,684,485	-	9,454,703	-	4,646,678	59,876,460
2042	59,876,460	-	9,293,203	-	4,280,314	54,863,571
2043	54,863,571	-	9,117,291	-	3,898,632	49,644,912
2044	49,644,912	-	8,927,052	-	3,501,557	44,219,417
2045	44,219,417	-	8,722,441	-	3,089,010	38,585,986
2046	38,585,986	-	8,503,871	-	2,660,889	32,743,004
2047	32,743,004	-	8,271,528	-	2,217,061	26,688,537
2048	26,688,537	-	8,025,744	-	1,757,364	20,420,157
2049	20,420,157	-	7,766,829	-	1,281,598	13,934,926
2050	13,934,926	-	7,494,215	-	789,556	7,230,267
2051	7,230,267	-	7,207,944	-	281,038	303,361
2052	303,361	-	6,908,599	-	-	-

*All DROP Balances paid in 2017.

Number of Years Expected Benefit Payments Sustained: 35.04

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.75% 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: 5.75% 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	120,622,681	-	11,414,286	-	6,607,643	115,816,038
2018	115,816,038	-	8,804,343	-	6,406,297	113,417,992
2019	113,417,992	-	9,103,206	-	6,259,817	110,574,603
2020	110,574,603	-	9,293,920	-	6,090,839	107,371,522
2021	107,371,522	-	9,396,455	-	5,903,714	103,878,781
2022	103,878,781	-	9,517,157	-	5,699,412	100,061,036
2023	100,061,036	-	9,617,349	-	5,477,011	95,920,698
2024	95,920,698	-	9,780,616	-	5,234,247	91,374,329
2025	91,374,329	-	9,869,702	-	4,970,270	86,474,897
2026	86,474,897	-	9,963,772	-	4,685,848	81,196,973
2027	81,196,973	-	10,032,496	-	4,380,392	75,544,869
2028	75,544,869	-	10,111,503	-	4,053,124	69,486,490
2029	69,486,490	-	10,145,896	-	3,703,779	63,044,373
2030	63,044,373	-	10,168,542	-	3,332,706	56,208,537
2031	56,208,537	-	10,245,637	-	2,937,429	48,900,329
2032	48,900,329	-	10,261,267	-	2,516,757	41,155,819
2033	41,155,819	-	10,235,034	-	2,072,202	32,992,987
2034	32,992,987	-	10,182,523	-	1,604,349	24,414,813
2035	24,414,813	-	10,117,714	-	1,112,967	15,410,066
2036	15,410,066	-	10,044,464	-	597,300	5,962,902
2037	5,962,902	-	9,955,999	-	-	-

*All DROP Balances paid in 2017.

Number of Years Expected Benefit Payments Sustained: 20.60

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.75% 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>
	7.75%	5.75%
	RP-2000	RP-2000
	Generational	Generational
Total Required Contribution (Fixed \$)	\$2,179,778	\$5,269,323
Total Required Contribution (% of Payroll)	44.8%	108.2%
Expected Member Contribution	535,700	535,700
Expected State Money	538,660	538,660
Expected Sponsor Contribution (Fixed \$)	\$1,105,418	\$4,194,963
Expected Sponsor Contribution (% of Payroll)	22.7%	86.1%

ASSETS

Actuarial Value ¹	120,059,817	120,059,817
Market Value ¹	120,622,681	120,622,681

LIABILITIES

Present Value of Benefits		
Active Members		
Retirement Benefits	27,697,975	43,825,602
Disability Benefits	2,082,152	3,213,729
Death Benefits	322,145	501,787
Vested Benefits	398,108	691,168
Refund of Contributions	84,618	90,191
Service Retirees	62,494,465	77,752,846
DROP Retirees ¹	18,030,275	22,765,213
Beneficiaries	9,078,988	10,668,313
Disability Retirees	19,773,746	23,768,045
Terminated Vested	308,112	407,371
Total:	<u>140,270,584</u>	<u>183,684,265</u>
Present Value of Future Salaries	43,438,771	49,734,345
Present Value of Future Member Contributions	4,778,265	5,470,778
Total Normal Cost	1,247,874	2,061,122
Present Value of Future Normal Costs (Entry Age Normal)	11,197,572	21,188,225
Total Actuarial Accrued Liability ¹	129,073,012	162,496,040
Unfunded Actuarial Accrued Liability (UAAL)	9,013,195	42,436,223

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

Valuation Date: 10/1/2017

	ACTUAL	HYPOTHETICAL
	7.75%	5.75%
	RP-2000	RP-2000
	Generational	Generational
<u>PENSION COST</u>		
Normal Cost ²	1,317,880	2,176,751
Administrative Expenses ²	95,615	95,615
Payment Required To Amortize UAAL ²	766,283	2,996,957
Total Required Contribution	\$2,179,778	\$5,269,323

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.