

January 7, 2019

VIA EMAIL

Mr. Mike Lowell
City of Temple Terrace
Police Officers' Pension Board
11250 N. 56th Street
Temple Terrace, FL 33687

Re: City of Temple Terrace Police Officers' Retirement System
Section 112.664, Florida Statutes Compliance

Dear Mike:

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, ASA, EA, MAAA
Enrolled Actuary #17-6595

PTD/lke
Enclosures

cc via email: Bonni Jensen, Board Attorney
cc via email: Ferrell Jenne, Plan Administrator

CITY OF TEMPLE TERRACE
POLICE OFFICERS' RETIREMENT SYSTEM

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: 1/7/2019

Patrick T. Donlan, ASA, EA, 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	626,092	970,805	430,734
Interest	3,359,135	3,222,512	3,393,696
Change in Excess State Money	-	-	-
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	1,046,273	1,439,444	788,126
Changes of Assumptions	79,720	110,186	59,365
Contributions - Buy Back	21,919	21,919	21,919
Benefit Payments, Including Refunds of Employee Contributions	(2,813,555)	(2,813,555)	(2,813,555)
Net Change in Total Pension Liability	2,319,584	2,951,311	1,880,285
Total Pension Liability - Beginning	45,569,149	59,027,101	36,699,162
Total Pension Liability - Ending (a)	<u>\$ 47,888,733</u>	<u>\$ 61,978,412</u>	<u>\$ 38,579,447</u>
<u>Plan Fiduciary Net Position</u>			
Contributions - Employer	2,202,438	2,202,438	2,202,438
Contributions - State	194,338	194,338	194,338
Contributions - Employee	290,312	290,312	290,312
Contributions - Buy Back	21,919	21,919	21,919
Net Investment Income	2,464,167	2,464,167	2,464,167
Benefit Payments, Including Refunds of Employee Contributions	(2,813,555)	(2,813,555)	(2,813,555)
Administrative Expenses	(42,874)	(42,874)	(42,874)
Net Change in Plan Fiduciary Net Position	2,316,745	2,316,745	2,316,745
Plan Fiduciary Net Position - Beginning	25,282,748	25,282,748	25,282,748
Plan Fiduciary Net Position - Ending (b)	<u>\$ 27,599,493</u>	<u>\$ 27,599,493</u>	<u>\$ 27,599,493</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 20,289,240</u>	<u>\$ 34,378,919</u>	<u>\$ 10,979,954</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	27,599,493	-	3,672,011	-	1,932,262	25,859,744
2019	25,859,744	-	2,869,977	-	1,831,857	24,821,624
2020	24,821,624	-	2,965,230	-	1,750,426	23,606,820
2021	23,606,820	-	3,038,262	-	1,656,577	22,225,135
2022	22,225,135	-	3,071,297	-	1,551,711	20,705,549
2023	20,705,549	-	3,156,003	-	1,434,566	18,984,112
2024	18,984,112	-	3,236,446	-	1,302,442	17,050,108
2025	17,050,108	-	3,302,937	-	1,154,898	14,902,069
2026	14,902,069	-	3,373,031	-	991,167	12,520,205
2027	12,520,205	-	3,454,435	-	809,474	9,875,244
2028	9,875,244	-	3,509,267	-	609,046	6,975,023
2029	6,975,023	-	3,571,239	-	389,205	3,792,989
2030	3,792,989	-	3,636,999	-	148,087	304,077
2031	304,077	-	3,676,042	-	-	-

*All DROP Balances paid in 2018.

Number of Years Expected Benefit Payments Sustained: 13.08

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	27,599,493	-	3,672,011	-	1,416,992	25,344,474
2019	25,344,474	-	2,869,977	-	1,315,022	23,789,519
2020	23,789,519	-	2,965,230	-	1,226,880	22,051,169
2021	22,051,169	-	3,038,262	-	1,129,262	20,142,169
2022	20,142,169	-	3,071,297	-	1,023,359	18,094,231
2023	18,094,231	-	3,156,003	-	908,393	15,846,621
2024	15,846,621	-	3,236,446	-	782,562	13,392,737
2025	13,392,737	-	3,302,937	-	645,770	10,735,570
2026	10,735,570	-	3,373,031	-	497,698	7,860,237
2027	7,860,237	-	3,454,435	-	337,316	4,743,118
2028	4,743,118	-	3,509,267	-	164,367	1,398,218
2029	1,398,218	-	3,571,239	-	-	-

*All DROP Balances paid in 2018.

Number of Years Expected Benefit Payments Sustained: 11.39

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	27,599,493	-	3,672,011	-	2,447,531	26,375,013
2019	26,375,013	-	2,869,977	-	2,369,302	25,874,338
2020	25,874,338	-	2,965,230	-	2,317,214	25,226,322
2021	25,226,322	-	3,038,262	-	2,252,183	24,440,243
2022	24,440,243	-	3,071,297	-	2,175,936	23,544,882
2023	23,544,882	-	3,156,003	-	2,086,854	22,475,733
2024	22,475,733	-	3,236,446	-	1,981,463	21,220,750
2025	21,220,750	-	3,302,937	-	1,859,082	19,776,895
2026	19,776,895	-	3,373,031	-	1,718,586	18,122,450
2027	18,122,450	-	3,454,435	-	1,557,547	16,225,562
2028	16,225,562	-	3,509,267	-	1,374,738	14,091,033
2029	14,091,033	-	3,571,239	-	1,169,014	11,688,808
2030	11,688,808	-	3,636,999	-	937,679	8,989,488
2031	8,989,488	-	3,676,042	-	679,389	5,992,835
2032	5,992,835	-	3,701,225	-	393,511	2,685,121
2033	2,685,121	-	3,733,711	-	-	-

*All DROP Balances paid in 2018.

Number of Years Expected Benefit Payments Sustained: 15.72

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, 2019

Valuation Date: 10/1/2018

	ACTUAL	HYPOTHETICAL	
	7.50% RP-2000 Generational	5.50% RP-2000 Generational	9.50% RP-2000 Generational
Total Required Contribution (Fixed \$)	\$2,930,489	\$4,014,420	\$2,066,489
Total Required Contribution (% of Payroll)	112.3%	153.8%	79.20%
Expected Member Contribution	303,339	300,416	306,263
Expected State Money	194,338	194,338	194,338
Expected Sponsor Contribution (Fixed \$)	\$2,432,812	\$3,519,666	\$1,565,888
Expected Sponsor Contribution (% of Payroll)	93.7%	135.2%	60.60%
<u>ASSETS</u>			
Actuarial Value ¹	26,843,622	26,843,622	26,843,622
Market Value ¹	27,599,493	27,599,493	27,599,493
<u>LIABILITIES</u>			
Present Value of Benefits			
Active Members			
Retirement Benefits	10,994,858	16,998,649	7,577,535
Disability Benefits	230,364	316,711	175,056
Death Benefits	81,015	100,590	66,335
Vested Benefits	1,315,362	2,017,689	900,761
Refund of Contributions	284,991	300,190	271,412
Service Retirees	32,503,679	41,389,551	26,504,092
DROP Retirees ¹	3,974,071	4,967,635	3,333,460
Beneficiaries	1,238,338	1,518,058	1,038,839
Disability Retirees	1,590,302	1,873,466	1,379,608
Terminated Vested	200,048	219,205	185,988
Total:	52,413,028	69,701,744	41,433,086
Present Value of Future Salaries	17,014,637	18,651,984	15,644,304
Present Value of Future Member Contributions	1,905,639	2,089,022	1,752,162
Total Normal Cost	588,815	938,425	392,035
Present Value of Future Normal Costs (Entry Age Normal)	3,844,318	6,833,360	2,309,228
Total Actuarial Accrued Liability ¹	48,568,710	62,868,384	39,123,858
Unfunded Actuarial Accrued Liability (UAAL)	21,725,088	36,024,762	12,280,236

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

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 ²	646,694	1,020,736	434,721
Administrative Expenses ²	47,088	46,635	47,542
Payment Required To Amortize UAAL ²	2,236,707	2,947,049	1,584,226
Total Required Contribution	\$2,930,489	\$4,014,420	\$2,066,489

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

² Contributions developed as of 10/1/2018 displayed above have been adjusted to account for assumed salary increase and interest components.