



April 15, 2021

Ms. Mayte D. Gamiotea
Pension Administrator
Retirement Plan for Employees of the
Town of Surfside
9293 Harding Avenue
Surfside, Florida 33154

**Re: Retirement Plan for Employees of the Town of Surfside
GASB Statement No. 67 Year End (True-Up)**

Dear Mayte:

As requested, we are pleased to enclose a copy of the Year-End Disclosure Report of actuarial information as of September 30, 2020 for the Retirement Plan for Employees of the Town of Surfside (Plan) required under GASB Statement No. 67.

We are pleased to enclose the following exhibits:

- Statement of Change in Net Pension Liability and Ratios
- Schedule of Contributions
- Notes to Schedule of Contributions
- Discount Rate
- Sensitivity Analysis

For GASB Statement No. 67, the actuarial valuation of the liabilities is determined as of the beginning of the year, October 1, 2019, and *rolled forward* to the measurement date, September 30, 2020. As you are aware, using the beginning year valuation liabilities allows for timelier reporting at year end. If significant changes occur during the year, such as benefit changes or changes in assumptions or methods, these may need to be reflected in the process.

The enclosed exhibits were based upon draft financial information as of September 30, 2020, which was furnished by the Town. **If this draft financial information changes during the auditing process, these exhibits may require revision.**

Please note there are other items not listed above that will be required in the Plan's financial statements and / or the Town's Comprehensive Annual Financial Report (CAFR) to fully comply with GASB Statement No. 67 standards. This additional information will need to be provided by the Plan's investment consultants, accountants or other financial statement preparers.

Required Disclosures

Plan provisions, member census data and actuarial assumptions and methods employed for purposes of our calculations are the same Plan provisions, member census data and actuarial assumptions and methods utilized for the October 1, 2019 Actuarial Valuation.

The actuarial assumptions used in this Actuarial Valuation are as adopted by the Board of Trustees. The economic and demographic actuarial assumptions are based on the results of actuarial Experience Studies for the periods October 1, 2009 - September 30, 2014. The mortality assumptions are as prescribed by statute. Each assumption represents an estimate of future Plan experience.

Financial data was provided by the Town for the October 1, 2020 Actuarial Valuation. DROP account balances total \$112,216 as of September 30, 2020.

The GASB Net Pension Liability and Plan Fiduciary Net Position as a Percentage of Total Pension Liability may not be appropriate for assessing the sufficiency of Plan assets to meet the estimated cost of settling benefit obligations but may be appropriate for assessing the need for or the amount of future contributions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: Plan experience differing from anticipated under 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); and changes in Plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

This report should not be relied on for any purpose other than the purpose described in the primary communication. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement plans. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the Plan as of the valuation date. All



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calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

This report may be provided to parties other than the Board only in its entirety and only with the permission of an approved representative of the Board.

The signing actuaries are independent of the Plan Sponsor.

The undersigned are Members of the American Academy of Actuaries and meet the qualification standards of the American Academy of Actuaries to render the actuarial opinions contained in this report.

If you should have any questions concerning the above or if we may be of further assistance with this matter, please do not hesitate to contact us.

Sincerest regards,



Shelly L. Jones, E.A., A.S.A., M.A.A.A.
Consultant and Actuary



Jennifer M. Borregard, E.A., M.A.A.A.
Consultant and Actuary

Enclosures



GASB Statement Number 67 Information

I. Net Pension Liability and Related Ratios

Measurement date	9/30/2014	9/30/2015	9/30/2016	9/30/2017	9/30/2018	9/30/2019	9/30/2020
A. <u>Total Pension Liability (TPL)</u>							
Service Cost	\$ 888,988	\$ 901,998	\$ 932,365	\$ 1,052,014	\$ 1,002,537	\$ 1,113,128	\$ 1,317,790
Interest	1,227,596	1,336,817	1,458,652	1,646,114	1,745,881	1,870,676	2,186,887
Benefit Changes	35,244	0	0	282,066	0	0	2,630,481
Difference Between Actual and Expected Experience	170,264	100,031	(35,527)	297,252	(348,726)	388,826	(293,683)
Assumption Changes	0	0	402,655	93,312	0	0	(617,989)
Benefit Payments, including Refunds of Member Contributions	(545,746)	(665,021)	(602,692)	(651,287)	(819,116)	(1,308,821)	(877,926)
Net Change in Total Pension Liability	\$ 1,776,346	\$ 1,673,825	\$ 2,155,453	\$ 2,719,471	\$ 1,580,576	\$ 2,063,809	\$ 4,345,560
Total Pension Liability (TPL) - (beginning of year)	15,562,038	17,338,384	19,012,209	21,167,662	23,887,133	25,467,709	27,531,518
Total Pension Liability (TPL) - (end of year)	\$ 17,338,384	\$ 19,012,209	\$ 21,167,662	\$ 23,887,133	\$ 25,467,709	\$ 27,531,518	\$ 31,877,078
B. <u>Plan Fiduciary Net Position</u>							
Contributions - Town and State	\$ 631,584	\$ 727,022	\$ 757,304	\$ 797,359	\$ 917,274	\$ 817,472	\$ 1,141,115
Contributions - Member	349,600	391,213	383,619	462,846	459,190	498,404	696,438
Net Investment Income	1,396,431	(132,329)	1,850,417	2,017,750	1,579,816	990,373	1,267,297
Benefit Payments, including Refunds of Member Contributions	(545,746)	(665,021)	(602,692)	(651,287)	(819,116)	(1,308,821)	(877,926)
Administrative Expenses	(80,194)	(85,426)	(130,686)	(85,518)	(120,389)	(118,212)	(108,170)
Other	0	0	0	0	0	0	(57,617)
Net Change in Plan Fiduciary Net Position	\$ 1,751,675	\$ 235,459	\$ 2,257,962	\$ 2,541,150	\$ 2,016,775	\$ 879,216	\$ 2,061,137
Plan Fiduciary Net Position - (beginning of year)	14,506,355	16,258,030	16,493,489	18,751,451	21,292,601	23,309,376	24,188,592
Plan Fiduciary Net Position - (end of year)	\$ 16,258,030	\$ 16,493,489	\$ 18,751,451	\$ 21,292,601	\$ 23,309,376	\$ 24,188,592	\$ 26,249,729
C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u>	\$ 1,080,354	\$ 2,518,720	\$ 2,416,211	\$ 2,594,532	\$ 2,158,333	\$ 3,342,926	\$ 5,627,349
D. <u>Plan Fiduciary Net Position as a Percentage of TPL: (B) / (A)</u>	93.77 %	86.75 %	88.59 %	89.14 %	91.53 %	87.86 %	82.35 %
E. <u>Covered Payroll</u> *	\$ 5,103,795	\$ 5,321,296	\$ 5,710,172	\$ 5,766,823	\$ 5,849,505	\$ 6,239,285	\$ 6,702,791
F. <u>NPL as a Percentage of Covered Payroll: (C) / (E)</u>	21.17 %	47.33 %	42.31 %	44.99 %	36.90 %	53.58 %	83.96 %
G. <u>Notes to Schedule:</u>							
Valuation Date	10/01/2013	10/01/2014	10/01/2015	10/01/2016	10/01/2017	10/01/2018	10/01/2019

Update procedures used to roll forward TPL excluding DROP account balances to the measurement dates - actual DROP account balances as of measurement dates included in TPL.

See *Notes to Schedule of Contributions* for benefit and assumption changes. For measurement period ending September 30, 2020: Benefit Changes - normal and early retirement eligibility was updated for Police Officers, General and Senior Management members, maximum benefit was updated to 80% for General members and the COLA was updated from 1.5% to 2.0% for retirements after January 14, 2020 for Police Officers and January 1, 2020 for General and Senior Management members; Assumption Changes - mortality assumptions and retirement rates for General and Senior Management members updated.

* Reported payroll used to determine contribution as provided under GASB No. 82.



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II. Schedule of Employer Contributions

Fiscal Year End 9/30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll ^{1,2}	Actual Contribution as a % of Covered Payroll
2011	\$ 625,963	\$ 625,963	\$ 0	\$ 4,016,852	15.58%
2012	515,440	515,440	0	4,053,208	12.72%
2013	534,209	534,209	0	4,359,957	12.25%
2014	631,584	631,584	0	5,103,795	12.37%
2015	727,022	727,022	0	5,321,296	13.66%
2016	757,304	757,304	0	5,710,172	13.26%
2017	797,359	797,359	0	5,766,823	13.83%
2018	917,274	917,274	0	5,849,505	15.68%
2019	817,472	817,472	0	6,239,285	13.10%
2020	945,871	1,141,115	(195,244)	6,702,791	17.02%

¹ Projected prior to fiscal year ended September 30, 2014

² Reported payroll on which contributions to the Plan are based as provided under GASB No. 82

GASB Statement Number 67 Information

III. Notes to Schedule of Contributions

Valuation Date: Actuarially determined contributions are calculated as of October 1st - two years prior the fiscal year end in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year Ended September 30, 2020:

Actuarial Cost Method	Entry Age
Amortization Method	Level dollar amount, Closed
Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	2.5%
Salary Increases	4.0% - 8.0%
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	<p>For healthy Police Officers during employment, RP 2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with 10% White Collar / 90% Blue Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB. For healthy Police Officers post employment, RP 2000 Annuitant Mortality Tables, separate rates for males and females, with 10% White Collar / 90% Blue Collar Adjustment and fully generational mortality improvements projected to each future decrement date with Scale BB.</p> <p>For healthy General Employees during employment, RP 2000 Combined Male Healthy Participant Mortality Table, with 50% White Collar / 50% Blue Collar Adjustment for males - RP 2000 Combined Female Healthy Participant Mortality Table, with White Collar Adjustment for females and fully generational mortality improvements projected to each future decrement date with Scale BB. For healthy General Employees post employment, RP 2000 Annuitant Male Mortality Table, with 50% White Collar / 50% Blue Collar Adjustment for males - RP 2000 Annuitant Female Mortality Table, with White Collar Adjustment for females and fully generational mortality improvements projected to each future decrement date with Scale BB.</p> <p>For disabled male Police Officers, 60% RP 2000 Disabled Male Mortality Table setback four years / 40% RP 2000 Annuitant Male Mortality Table, with White Collar Adjustment and no setback, without projected mortality improvements. For disabled female Police Officers, 60% RP 2000 Disabled Female Mortality Table set forward two years / 40% RP 2000 Annuitant Female Mortality Table, with White Collar Adjustment, without projected mortality improvements.</p> <p>For disabled male General Employees, RP 2000 Disabled Male Mortality Table, setback four years, without projected mortality improvements. For disabled female General Employees, RP 2000 Disabled Female Mortality Table, set forward two years, without projected mortality improvements.</p>
Cost of Living Adjustment	1.5%

Other Information:

Benefit Changes

2016: Created a senior management member class, changed retirement eligibility and vesting for Town Attorney along with increased benefit accrual rates, benefit cap and employee contributions for general employees and senior management. 2013: Police Officers - normal retirement eligibility updated to include completion of 15 years and 4 months of service if hired on a full time basis in March 2003; General Employees - may enter DROP upon attainment of normal retirement. 2012: Police Officers - normal retirement eligibility updated to the earliest of (1) age 52 with 20 years of Creditable Service, (2) age 62 with 5 years of Creditable Service or (3) completion of 25 years of Creditable Service. 2011: Town Manager and Town Attorney allowed to opt out of Plan. 2009: Member contributions picked-up by the Town.



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III. Notes to Schedule of Contributions (cont'd)

Assumption Changes

2016: Mortality rates updated for healthy participants per State statute. 2015: Investment return updated from 7.5% to 7.25%; mortality, withdrawal rates, salary increase factors and retirement rates updated. 2012: Mortality assumption for healthy General Employees updated to RP 2000 Combined Mortality Table (RP 2000 Disabled Mortality Table for disabled lives), separate rates for males and females, 15 years generational projection from valuation date for actives - 7 years generational projection from valuation date for inactives with Scale AA; mortality assumption for healthy Police Officer participants updated to RP 2000 Combined Mortality Table with Blue Collar Adjustment, separate rates for males and females, 15 years generational projection from valuation date for actives - 7 years generational projection from valuation date for inactives with Scale AA. 2010: Salary increase factors updated.

IV. Discount Rate

A discount rate of 7.25% was used to measure the TPL. This discount rate was based on the expected rate of return on Plan investments of 7.25%. The projection of cash flows used to determine this discount rate assumed member contributions will be made at the current member contribution rate and employer contributions will be made at rates equal to the difference between actuarially determined current contribution rates and the member contribution rate. Based on these assumptions, the pension Plan's fiduciary net position was projected to be available to make all projected future expected benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the TPL.

V. Sensitivity of the NPL to the Discount Rate Assumption

Measurement date: September 30, 2020

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.25%	7.25%	8.25%
NPL	\$ 10,279,797	\$ 5,627,349	\$ 1,834,157