

June 21, 2019

VIA EMAIL

Ferrell Jenne, Plan Administrator  
City of Daytona Beach  
Police Officers' and Firefighters' Retirement System  
2503 Del Prado Blvd. S., Suite 502  
Cape Coral, FL 33904

Re: City of Daytona Beach Police Officers' and Firefighters' Retirement System  
Section 112.664, Florida Statutes Compliance

Dear Ferrell:

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.

Respec

Foster

By:



---

Bradley R. Heinrichs, FSA, EA, MAAA  
Enrolled Actuary #17-6901

BRH/lke

Enclosures

CITY OF DAYTONA BEACH  
POLICE OFFICERS' AND FIREFIGHTERS' 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 in accordance with the requirements of Section 112.664(1), Florida Statutes, and the Code.

By:



Date: 6/21/2019

Bradley R. Heinrichs, FSA, EA, MAAA  
Enrolled Actuary #17-6901



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
<b><u>Total Pension Liability</u></b>			
Service Cost	3,315,488	5,166,427	2,242,532
Interest	18,050,280	16,888,703	18,622,076
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(1,579,758)	(3,283,436)	(1,464,641)
Changes of Assumptions	-	-	-
Contributions - Buy Back	39,150	39,150	39,150
Benefit Payments, Including Refunds of Employee Contributions	(15,053,567)	(15,053,567)	(15,053,567)
Net Change in Total Pension Liability	4,771,593	3,757,277	4,385,550
Total Pension Liability - Beginning	244,881,689	309,427,680	201,306,104
Total Pension Liability - Ending (a)	<u>\$ 249,653,282</u>	<u>\$ 313,184,957</u>	<u>\$ 205,691,654</u>
<b><u>Plan Fiduciary Net Position</u></b>			
Contributions - Employer	7,794,395	7,794,395	7,794,395
Contributions - State	937,925	937,925	937,925
Contributions - Employee	1,677,177	1,677,177	1,677,177
Contributions - Buy Back	39,150	39,150	39,150
Net Investment Income	13,601,101	13,601,101	13,601,101
Benefit Payments, Including Refunds of Employee Contributions	(15,053,567)	(15,053,567)	(15,053,567)
Administrative Expenses	(382,480)	(382,480)	(382,480)
Net Change in Plan Fiduciary Net Position	8,613,701	8,613,701	8,613,701
Plan Fiduciary Net Position - Beginning	175,194,639	175,194,639	175,194,639
COLA Fund Account	1,009,091	1,009,091	1,009,091
Plan Fiduciary Net Position - Ending (b)	<u>\$ 184,817,431</u>	<u>\$ 184,817,431</u>	<u>\$ 184,817,431</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 64,835,851</u>	<u>\$ 128,367,526</u>	<u>\$ 20,874,223</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	184,817,431	-	19,396,966	-	13,133,921	178,554,386
2019	178,554,386	-	16,590,866	-	12,769,421	174,732,941
2020	174,732,941	-	17,054,686	-	12,465,420	170,143,675
2021	170,143,675	-	17,531,014	-	12,103,363	164,716,024
2022	164,716,024	-	17,978,686	-	11,679,501	158,416,839
2023	158,416,839	-	18,429,537	-	11,190,155	151,177,457
2024	151,177,457	-	18,833,046	-	10,632,070	142,976,481
2025	142,976,481	-	19,154,735	-	10,004,934	133,826,680
2026	133,826,680	-	19,496,297	-	9,305,890	123,636,273
2027	123,636,273	-	19,716,264	-	8,533,361	112,453,370
2028	112,453,370	-	19,913,194	-	7,687,258	100,227,434
2029	100,227,434	-	20,075,986	-	6,764,208	86,915,656
2030	86,915,656	-	20,160,184	-	5,762,667	72,518,139
2031	72,518,139	-	20,168,919	-	4,682,526	57,031,746
2032	57,031,746	-	20,073,000	-	3,524,643	40,483,389
2033	40,483,389	-	19,943,668	-	2,288,367	22,828,088
2034	22,828,088	-	19,755,288	-	971,283	4,044,083
2035	4,044,083	-	19,546,882	-	-	-

\*All DROP Balances paid in 2018.

Number of Years Expected Benefit Payments Sustained: 17.21

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	184,817,431	-	19,396,966	-	9,631,542	175,052,007
2019	175,052,007	-	16,590,866	-	9,171,612	167,632,753
2020	167,632,753	-	17,054,686	-	8,750,798	159,328,865
2021	159,328,865	-	17,531,014	-	8,280,985	150,078,836
2022	150,078,836	-	17,978,686	-	7,759,922	139,860,072
2023	139,860,072	-	18,429,537	-	7,185,492	128,616,027
2024	128,616,027	-	18,833,046	-	6,555,973	116,338,954
2025	116,338,954	-	19,154,735	-	5,871,887	103,056,106
2026	103,056,106	-	19,496,297	-	5,131,938	88,691,747
2027	88,691,747	-	19,716,264	-	4,335,849	73,311,332
2028	73,311,332	-	19,913,194	-	3,484,510	56,882,648
2029	56,882,648	-	20,075,986	-	2,576,456	39,383,118
2030	39,383,118	-	20,160,184	-	1,611,666	20,834,600
2031	20,834,600	-	20,168,919	-	591,258	1,256,939
2032	1,256,939	-	20,073,000	-	-	-

\*All DROP Balances paid in 2018.

Number of Years Expected Benefit Payments Sustained: 14.06

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	184,817,431	-	19,396,966	-	16,636,300	182,056,765
2019	182,056,765	-	16,590,866	-	16,507,327	181,973,226
2020	181,973,226	-	17,054,686	-	16,477,359	181,395,899
2021	181,395,899	-	17,531,014	-	16,399,887	180,264,772
2022	180,264,772	-	17,978,686	-	16,271,166	178,557,252
2023	178,557,252	-	18,429,537	-	16,087,536	176,215,251
2024	176,215,251	-	18,833,046	-	15,845,879	173,228,084
2025	173,228,084	-	19,154,735	-	15,546,818	169,620,167
2026	169,620,167	-	19,496,297	-	15,187,842	165,311,712
2027	165,311,712	-	19,716,264	-	14,768,090	160,363,538
2028	160,363,538	-	19,913,194	-	14,288,659	154,739,003
2029	154,739,003	-	20,075,986	-	13,746,596	148,409,613
2030	148,409,613	-	20,160,184	-	13,141,304	141,390,733
2031	141,390,733	-	20,168,919	-	12,474,096	133,695,910
2032	133,695,910	-	20,073,000	-	11,747,644	125,370,554
2033	125,370,554	-	19,943,668	-	10,962,878	116,389,764
2034	116,389,764	-	19,755,288	-	10,118,651	106,753,127
2035	106,753,127	-	19,546,882	-	9,213,070	96,419,315
2036	96,419,315	-	19,277,612	-	8,244,148	85,385,851
2037	85,385,851	-	18,997,000	-	7,209,298	73,598,149
2038	73,598,149	-	18,660,864	-	6,105,433	61,042,718
2039	61,042,718	-	18,311,476	-	4,929,263	47,660,505
2040	47,660,505	-	17,913,290	-	3,676,867	33,424,082
2041	33,424,082	-	17,490,386	-	2,344,494	18,278,190
2042	18,278,190	-	17,051,817	-	926,467	2,152,840
2043	2,152,840	-	16,588,873	-	-	-

\*All DROP Balances paid in 2018.

Number of Years Expected Benefit Payments Sustained: 25.13

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, 2020

Valuation Date: 10/1/2018

	ACTUAL	HYPOTHETICAL	
	7.50% RP-2000 Generational	5.50% RP-2000 Generational	9.50% RP-2000 Generational
Minimum Required Contribution (Fixed \$)	\$11,242,888	\$16,848,974	\$6,596,108
Minimum Required Contribution (% of Payroll)	60.8%	91.2%	35.7%
Expected Member Contribution	1,899,648	1,881,338	1,917,958
Expected State Money	937,925	937,925	937,925
Expected Sponsor Contribution (Fixed \$)	\$8,405,315	\$14,029,711	\$3,740,225
Expected Sponsor Contribution (% of Payroll)	45.8%	76.2%	20.7%
<b><u>ASSETS</u></b>			
Actuarial Value <sup>1</sup>	184,817,431	184,817,431	184,817,431
Market Value <sup>1</sup>	184,817,431	184,817,431	184,817,431
<b><u>LIABILITIES</u></b>			
Present Value of Benefits			
Active Members			
Retirement Benefits	68,721,266	103,608,867	48,172,597
Disability Benefits	4,487,801	6,574,597	3,233,508
Death Benefits	1,122,145	1,676,665	797,667
Vested Benefits	4,285,624	7,492,407	2,597,882
Refund of Contributions	1,128,326	1,199,587	1,064,686
Service Retirees	152,522,833	186,556,327	128,336,550
DROP Retirees <sup>1</sup>	17,708,938	21,749,867	14,989,902
Beneficiaries	6,644,774	7,855,402	5,751,799
Disability Retirees	18,932,007	23,252,112	15,900,562
Terminated Vested	2,233,291	3,009,517	1,743,862
Share Plan Balances <sup>1</sup>	0	0	0
COLA Fund Reserve	1,086,589	1,086,589	1,086,589
Total:	278,873,594	364,061,937	223,675,604
Present Value of Future Salaries	148,570,916	168,164,252	133,059,040
Present Value of Future Member Contributions	14,729,173	16,671,637	13,191,341
Total Normal Cost	3,281,914	5,223,454	2,156,144
Present Value of Future Normal Costs (Entry Age Normal)	25,931,468	46,691,238	15,215,379
Total Actuarial Accrued Liability <sup>1</sup>	252,942,126	317,370,699	208,460,225
Unfunded Actuarial Accrued Liability (UAAL)	68,124,695	132,553,268	23,642,794



ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR  
ENDING SEPTEMBER 30, 2020

Valuation Date: 10/1/2018

	ACTUAL	HYPOTHETICAL	
	7.50% RP-2000 Generational	5.50% RP-2000 Generational	9.50% RP-2000 Generational
<b><u>PENSION COST</u></b>			
Normal Cost <sup>2</sup>	3,444,369	5,482,015	2,262,873
Administrative Expenses <sup>2</sup>	209,900	209,900	209,900
Payment Required To Amortize UAAL <sup>2</sup>	7,588,619	11,157,059	4,123,335
Minimum Required Contribution	\$11,242,888	\$16,848,974	\$6,596,108

<sup>1</sup> The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2018.

<sup>2</sup> Contributions developed as of 10/01/2018 displayed above have been adjusted to account for assumed salary increase components.