

May 5, 2014

Ms. Barb Cooper, Administrator
Leesburg Retirement Plan for General Employees
P.O. Box 296
Danville, IN 46122

Re: City of Leesburg Retirement Plan for General Employees

Dear Mrs. Cooper:

Enclosed is the following material, which has been prepared in support of the proposed benefit improvement to the Fund:

1. Two (2) copies of the required Actuarial Impact Statement, which outlines the costs associated with implementing the changes.
2. Draft of transmittal letter to the Bureau of Local Retirement Systems.

It will be necessary for the Chairman to sign each copy of the Actuarial Impact Statement as the Plan Administrator and forward the Impact Statement to the Bureau prior to adoption.

If you have any questions concerning the enclosed material, please let us know.

Sincerely,



Patrick T. Donlan

PTD/lke

Enclosures

cc: Scott Christiansen, Board Attorney

Mr. Keith Brinkman
Bureau of Local Retirement Systems
Division of Retirement
P. O. Box 9000
Tallahassee, FL 32315-9000

Re: Actuarial Impact Statement

Dear Mr. Brinkman:

The City of Leesburg is considering the implementation of amended retirement benefits for its General Employees. The amendments are described in the enclosed material.

Pursuant to Section 22d-1.04 of the Agency Rules, we are enclosing the required Actuarial Impact Statement (AIS) and a copy of the proposed Ordinance for your review.

If you have any questions or if additional information is needed, please contact us.

Sincerely,

CITY OF LEESBURG
RETIREMENT PLAN FOR GENERAL EMPLOYEES

ACTUARIAL IMPACT STATEMENT

May 5, 2014
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Attached hereto is a comparison of the impact on the Total Required Contribution (per Chapter 112, Florida Statutes), and the Required City Contributions, resulting from the implementation of the following changes:

- 1.) Provide for an early retirement incentive program for any Member who completes 20 or more years of service and is at least age 50 before September 30, 2014. The Early Retirement Reduction Factor for those Members, if they choose to retire and make a written election delivered to the Board on or before July 1, 2014 to retire on or before September 1, 2014, would be changed from 3.33% for each year prior to age 65 to the following rates for each year prior to age 65:

<u>Years of Service at Retirement</u>	<u>Annual Reduction Factor</u>
35 or more	0.0%
30 to 35	0.5%
25 to 30	1.5%
20 to 25	2.0%

* Please note that for the purpose of this Impact Statement, it is assumed that “service” mentioned in the description above includes up to 4 years of military service for those Members who have completed at least 15 years of Credited Service under this system. Please also note that this Impact Statement assumes that all eligible Members will take advantage of the Early Retirement Incentive. If this is adopted, then after the election period is over, we will prepare an amended Actuarial Impact Statement that reflects the actual Members who made the elections. Lastly, please note that all assumptions and methods used in the Impact Statement are the same as those outlined in the October 1, 2013 actuarial valuation report, with the exception that the affected Members are assumed to retire on September 1, 2014.

The cost impact, determined as of October 1, 2013, as applicable to the plan/fiscal year ending September 30, 2015, is as follows:

	<u>Current</u>	<u>Proposed</u>	<u>Change</u>
Total Required Contribution	\$1,198,576	\$1,435,084	\$236,508

CITY OF LEESBURG
RETIREMENT PLAN FOR GENERAL EMPLOYEES

ACTUARIAL IMPACT STATEMENT

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The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution.



Patrick T. Donlan, A.S.A, M.A.A.A.
Enrolled Actuary #14-6595

STATEMENT OF PLAN ADMINISTRATOR

The prepared information presented herein reflects the estimated cost of the proposed improvement.

Chairman, Board of Trustees

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Benefits 10/1/2013	Old Benefits 10/1/2013
A. Participant Data		
Number Included		
Actives	266	266
Service Retirees	158	158
Beneficiaries	33	33
Terminated Vested	212	212
Disability Retirees	4	4
Total	673	673
Total Annual Payroll		
	\$11,912,454	\$11,912,454
Payroll Under Assumed Ret. Age		
	11,667,638	11,545,209
Annual Rate of Payments to:		
Service Retirees	2,040,927	2,040,927
Beneficiaries	173,092	173,092
Terminated Vested	1,074,711	1,074,711
Disability Retirees	43,315	43,315
B. Assets		
Actuarial Value	32,493,882	32,493,882
Market Value	32,983,622	32,983,622
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	12,067,681	9,413,391
Disability Benefits	1,010,356	1,269,964
Death Benefits	134,129	182,490
Vested Benefits	1,434,448	1,434,448
Refund of Contributions	0	0
Service Retirees	20,494,855	20,494,855
Beneficiaries	1,323,829	1,323,829
Terminated Vested	4,121,802	4,121,802
Disability Retirees	384,432	384,432
Funding Credit Balance	0	0
Total	40,971,532	38,625,211

C. Liabilities - (Continued)	New Benefits <u>10/1/2013</u>	Old Benefits <u>10/1/2013</u>
Present Value of Future Salaries	N/A	N/A
Present Value of Future Member Contributions	<u>0</u>	<u>0</u>
EAN Normal Cost (Retirement)	82,179	73,867
EAN Normal Cost (Disability)	30,520	30,696
EAN Normal Cost (Death)	7,272	6,610
EAN Normal Cost (Vesting)	49,670	49,670
EAN Normal Cost (Refunds)	0	0
Total Normal Cost	<u>169,641</u>	<u>160,843</u>
Present Value of Future Normal Costs (Entry Age)	616,214	666,361
Accrued Liability (Retirement)	11,789,743	9,098,981
Accrued Liability (Disability)	864,669	1,113,373
Accrued Liability (Death)	106,569	152,159
Accrued Liability (Vesting)	1,269,419	1,269,419
Accrued Liability (Refunds)	0	0
Accrued Liability (Inactives)	26,324,918	26,324,918
Actuarial Accrued Liability	<u>40,355,318</u>	<u>37,958,850</u>
Unfunded Actuarial Accrued Liability (UAAL)	7,861,436	5,464,968
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Retirement Benefits		
Inactives	26,324,918	26,324,918
Actives	13,567,588	11,408,525
Member Contributions	<u>20,102</u>	<u>20,102</u>
Total	39,912,608	37,753,545
Non-vested Accrued Ret. Benefits	<u>1,058,925</u>	<u>871,666</u>
Total Present Value Accrued Benefits	40,971,533	38,625,211
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	2,346,322	
Assumption Changes	0	
New Accrued Benefits	0	
Benefits Paid	0	
Interest	0	
Other	<u>0</u>	
Total:	2,346,322	

	New Benefits	Old Benefits
Valuation Date	10/1/2013	10/1/2013
Applicable Fiscal Year End	<u>9/30/2015</u>	<u>9/30/2015</u>

E. Pension Cost

Normal Cost (with int.)	\$176,380	\$167,233
Administrative Expenses (with int.)	66,127	66,127
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 24 years (with int.) (as of 10/1/13)	1,192,577	965,216
Total Required Contribution	1,435,084	1,198,576
Expected Member Contributions	0	0
Required City Contribution	1,435,084	1,198,576

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rates RP 2000 Combined Healthy (sex distinct), projected to valuation date using scale AA. Disabled lives set forward 5 years.

Termination Rates See Table below.

Disability Rates See Table below.

<u>Retirement Rates</u>	<u>Age</u>	<u>Rate Per Year</u>
	50 – 54	2.0%
	55 – 58	20.0%
	59 – 61	20.0%
	62	50.0%
	63 – 64	25.0%
	65	100.0%

Interest Rate 7.5% per year, compounded annually, net of investment related expenses.

Salary Increases None.

Payroll Increase None.

Cost of Living Increases 2.0% per year after 3 years (no VT's).

Administrative Expenses \$63,600 added to Normal Cost.

Funding Method Entry Age Normal Method (the benefit change base for this impact statement is amortized over 20 years).

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	25.0%	0.05%
30	12.4	0.05
40	9.5	0.09
50	7.5	0.40
60	5.5	1.74

Actuarial Asset Method Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value.

SUMMARY OF PLAN PROVISIONS
(Through Ordinance 12-24)

<u>Eligibility</u>	Regular, full-time employees who are not certified Firefighters enter on date of employment (Optional for City Attorney, Assistant City Attorney, Mayor and City Commissioners). Employees hired on or after October 1, 2008 are not eligible.
<u>Salary</u>	Basic compensation, excluding overtime pay, shift differential, stand-by pay, lump sum vacation pay, accrued sick leave pay, severance pay, bonuses, expense allowances and all other extraordinary compensation, and including all tax deferred, tax sheltered or tax exempt items of income.
<u>Average Compensation</u>	Average Salary of the 3 highest consecutive years of the last 10 years of Credited Service (not including any Salary paid after September 30, 2008.)
<u>Credited Service</u>	Years and months of service with the City as a General Employee. For Members who retire after October 1, 1993 with at least 15 years of service, service also includes up to 4 years of prior military service if not receiving a continuing military service pension. For purposes of determining a Member's Normal Retirement Benefit, Credited Service shall not include service with the City after September 30, 2008. Credited Service after September 30, 2008, shall, however, be taken into consideration for vesting and benefit entitlement purposes.
<u>Normal Retirement</u>	
Date	The attainment of age 65 with 5 years of Credited Service.
Benefit	2.0% of Average Compensation <u>times</u> Credited Service prior to October 1, 2008, with a maximum of 45 years of Credited Service.
Form of Benefit	Lifetime benefits, ceasing upon death (options available).
<u>Early Retirement</u>	
Date	Attainment of age 50 with 15 years of Credited Service.
Benefit	Accrued Benefit on Early Retirement Date, reduced 3.33% for each year that Early Retirement precedes Age 65.

Form of Benefit

Lifetime benefits, ceasing upon death (options available).

Pre-Retirement Death Benefit

Requirement

Death while in active service.

Benefit

Monthly benefit provided by the greater of (i) or (ii), where (i) is the single sum value of the deferred monthly retirement income commencing at normal retirement date which has accrued to the date of death, and (ii) is the smaller of (a) 18 times Average Final Compensation at the date of death and (b) 100 times the anticipated monthly retirement income at Normal Retirement.

Disability

Eligibility

10 years of Credited Service.

Amount

Prior to normal retirement date, the benefit payable is the lesser of 50% of Average Final Compensation or \$1,500. At normal retirement date, the benefit payable is 2% times Average Final Compensation times year and months of Credited Service (to a maximum of 45 years) as if employment had continued from date of disability to normal retirement date.

Death Benefit

The greater of (i) or (ii), where (i) is equal to the single-sum value, as of the date of the participant's death, of the deferred monthly retirement income commencing at normal retirement date that the disabled participant would have accrued to the date of termination of service due to disability, and (ii) is the smaller of (a) 18 times Average Final Compensation at the date of termination due to disability and (b) 100 times the participant's anticipated monthly retirement income at Normal Retirement.

Termination of Employment

Vesting Schedule

<u>Years of Service</u>	<u>Vested %</u>
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Less than 5	0%
5 or more	100%

Benefit

Vested Accrued benefit payable at age 65 (unreduced) or, if completed 15 years of Credited Service, Early Retirement Date (reduced).

Cost of Living Adjustment

Retirees (other than vested terminated members) and their beneficiaries receive a 2.0% increase in benefits each October 1st commencing 3 years after their otherwise Normal Retirement Date.

Board of Trustees

1 City of Leesburg resident appointed by Commission, City Manager (or designee), Human Resources Director, one other department head appointed by the City Manager, 2 Members of the Plan who are not certified Police Officers and one Member of the Plan who is a certified Police Officer.

Deferred Retirement Option Plan

Eligibility

Satisfaction of Normal Retirement requirements.

Participation

Not to exceed 60 months.

Rate of Return

At Member's election:

- (1) Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or
- (2) 6.5% per annum compounded quarterly.

Form of Distribution

Cash lump sum (options available) at termination of employment.