



June 13, 2013

VIA EMAIL AND MAIL

Ms. Barbara Cooper
Post Office Box 296
Danville, Indiana 46122

Re: City of Leesburg Municipal Police Officers' Pension Trust Fund
Actuarial Impact Statement

Dear Barb:

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

1. Three (3) copies of the required Actuarial Impact Statement, which outlines the costs associated with implementing the changes.
2. Draft of transmittal letters to the Bureau of Program Services and the Bureau of Police Officers Retirement Trust Funds.

It will be necessary for the chairman to sign each copy of the Actuarial Impact Statement as the Plan Administrator and forward the Impact Statements, along with a copy of the proposed Ordinance, to the two Bureaus, prior to final reading.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'P. Donlan'.

Patrick T. Donlan

PTD/lke

Enclosures

Ms. Patricia Shoemaker
Police Officers' and Firefighters' Retirement Trust Funds
Department of Management Services, Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

Re: Actuarial Impact Statement

Dear Ms. Shoemaker:

The City of Leesburg is considering amended retirement benefits for its Police Officers. The amendments are described in the enclosed material.

Pursuant to the provisions of Chapter 185, we are enclosing the required Actuarial Impact Statement 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,

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

Re: Actuarial Impact Statement

Dear Mr. Brinkman:

The City of Leesburg is considering amended retirement benefits for its Police Officers. 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
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND

ACTUARIAL IMPACT STATEMENT
June 13, 2013

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 implementation of the following change:

- 1.) Amending the definition of Salary to comply with the regulations set forth in Senate Bill 1128. Effective January 22, 2013, Salary shall not include more than three hundred (300) hours of overtime per year. Additionally, Salary will include the lesser of the amount of unused sick and annual leave time accrued as of January 22, 2013, or the actual amount of sick and vacation leave time for which the retiree receives payment at the time of retirement.

The cost impact, determined as of October 1, 2012, as applicable to the fiscal year ending September 30, 2014, is as follows:

	<u>Current</u>	<u>Proposed</u>
Total Required Contribution % of Total Annual Payroll	22.90%	21.74%
Member Contributions (Est.) % of Total Annual Payroll	7.65%	7.65%
City and State Required Contribution % of Total Annual Payroll	15.25%	14.09%
State Contribution (est.) * % of Total Annual Payroll	155,518 4.29%	155,518 4.29%
Balance from City % of Total Annual Payroll	10.96%	9.80%

* Represents amount received in fiscal 2012.

Please note that for purposes of this impact statement, we assumed that the 300 hour limitation on overtime per year would not affect the current pensionable payroll. Additionally, the load assumption for the projected salary at retirement to account for lump sum accrued sick and annual leave payouts was modified from a fixed 22% per individual to an amount equal to their individual current accrual, determined as of January 22, 2013, as provided by the City. It is important to point out that the load assumption will be subject to further modification based on future experience. Subsequent changes will be reflected in future actuarial valuations.

CITY OF LEESBURG
MUNICIPAL POLICE OFFICERS' PENSION TRUST FUND

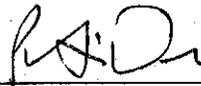
ACTUARIAL IMPACT STATEMENT

June 13, 2013

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Additionally, in anticipation of future experience, the Board of Trustees approved amending the investment return assumption from 7.9% to 7.75%, net of investment related expenses and amending the assumed rate of salary increases from 6.2% to 5.2% per year in conjunction with this Actuarial Impact Statement.

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, EA, ASA, MAAA
Enrolled Actuary #11-6595

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 Assum New Benefits <u>10/1/2012</u>	Old Assum New Benefits <u>10/1/2012</u>	Old Assum Old Benefits <u>10/1/2012</u>
A. Participant Data			
Number Included			
Actives	70	70	70
Service Retirees	27	27	27
Beneficiaries	0	0	0
Terminated Vested	7	7	7
Disability Retirees	1	1	1
DROP Retirees	<u>0</u>	<u>0</u>	<u>0</u>
Total	105	105	105
Total Annual Payroll	\$3,621,679	\$3,621,679	\$3,621,679
Payroll Under Assumed Ret. Age	3,621,679	3,621,679	3,621,679
Annual Rate of Payments to:			
Service Retirees	688,271	688,271	688,271
Beneficiaries	0	0	0
Terminated Vested	0	0	0
Disability Retirees	22,283	22,283	22,283
DROP Retirees	0	0	0
B. Assets			
Actuarial Value	13,985,699	13,985,699	13,985,699
Market Value	14,260,248	14,260,248	14,260,248
C. Liabilities			
Present Value of Benefits			
Active Members			
Retirement Benefits	10,516,626	10,920,257	11,176,357
Disability Benefits	557,467	586,354	586,354
Death Benefits	125,504	130,489	134,666
Vested Benefits	1,335,933	1,371,654	1,424,274
Refund of Contributions	206,714	212,327	205,408
Service Retirees	6,875,759	6,795,073	6,795,073
Beneficiaries	0	0	0
Terminated Vested	11,823	11,823	11,823
Disability Retirees	151,351	150,254	150,254
DROP Retirees	0	0	0
Excess State Monies Reserve	<u>67,056</u>	<u>67,056</u>	<u>67,056</u>
Total	19,848,233	20,245,287	20,551,265

	New Assum New Benefits <u>10/1/2012</u>	Old Assum New Benefits <u>10/1/2012</u>	Old Assum Old Benefits <u>10/1/2012</u>
C. Liabilities - (Continued)			
Present Value of Future Salaries	29,375,759	31,045,773	31,045,773
Present Value of Future Member Contributions	2,247,246	2,375,002	2,375,002
Normal Cost (FIL Method)	639,619	656,294	671,650
Present Value of Future Normal Costs (Entry Age)	3,306,384	3,744,259	3,875,891
Actuarial Accrued Liability	14,660,223	14,619,402	14,793,748
Unfunded Actuarial Accrued Liability (UAAL)	674,524	633,703	808,049
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives	7,038,933	6,957,150	6,957,150
Actives	3,518,058	3,337,063	3,337,063
Member Contributions	<u>2,321,982</u>	<u>2,321,982</u>	<u>2,321,982</u>
Total	12,878,973	12,616,195	12,616,195
Non-vested Accrued Benefits	<u>189,240</u>	<u>175,354</u>	<u>175,354</u>
Total Present Value Accrued Benefits	13,068,213	12,791,549	12,791,549
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	276,664	0	
New Accrued Benefits	0	0	
Benefits Paid	0	0	
Interest	0	0	
Other	<u>0</u>	<u>0</u>	
Total:	276,664	0	

Valuation Date Applicable to Fiscal Year Ending	New Assum New Benefits 10/1/2012 <u>9/30/2014</u>	Old Assum New Benefits 10/1/2012 <u>9/30/2014</u>	Old Assum Old Benefits 10/1/2012 <u>9/30/2014</u>
E. Pension Cost			
Normal Cost (with interest) % of Total Annual Payroll*	18.35	18.84	19.28
Administrative Expenses (with interest) % of Total Annual Payroll*	0.82	0.82	0.82
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/2012) % of Total Annual Payroll*	2.57	2.50	2.80
Total Required Contribution % of Total Annual Payroll*	21.74	22.16	22.90
Expected Member Contributions % of Total Annual Payroll*	7.65	7.65	7.65
Expected City & State Contribution % of Total Annual Payroll*	14.09	14.51	15.25

* Contributions developed as of 10/1/2012 are expressed as a percentage of total annual payroll at 10/1/2012 of \$3,621,679.

ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rate</u>	RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years.)
<u>Interest Rate</u>	7.75% (previously 7.9%) per year, compounded annually, net of investment related expenses.
<u>Retirement Age</u>	Earlier of: 1.) Age 50 and 25 years of Credited Service, or 2.) Age 55 and 10 years of Credited Service. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year.
<u>Early Retirement</u>	Commencing at eligibility for Early Retirement (Age 45 with 10 years of Credited Service), Members are assumed to retire with an immediate benefit at the rate of 2% per year.
<u>Disability Rate</u>	See table below (1207). It is assumed that 75% of disablements and active member deaths are service related.
<u>Termination Rate</u>	See table below (1302).
<u>Salary Increases</u>	5.2% (previously 6.2%) per year until the assumed retirement age; see table below. Projected salary at retirement is increased individually (previously 22%) to account for non-regular compensation.
<u>Cost-of-Living Adjustment</u>	None.
<u>Administrative Expenses</u>	\$28,447 added to Normal Cost (average of non-investment expenses for the past 2 years).
<u>Payroll Growth Assumption</u>	3.0% annually for amortizing UAAL.
<u>Funding Method</u>	Frozen Entry Age Actuarial Cost Method.
<u>Asset Valuation</u>	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>	<u>Current Salary as % of Salary at age 50</u>
20	9.0%	.07%	16.5%
30	7.5	.11	30.0
40	3.9	.19	54.8
50	1.2	.51	100.0

SUMMARY OF PLAN PROVISIONS
(Through Ordinance No. 11-32)

<u>Eligibility</u>	Full-time sworn police officers.
<u>Salary</u>	Reportable W-2 compensation, less Christmas bonuses, but including lump sum payment of accrued sick leave, accrued annual leave, or accrued compensatory leave, plus all tax deferred (IRC Section 414(h)(2) and IRC Section 457 contributions) and tax exempt (IRC Section 125) items of income.
<u>Average Final Compensation</u>	Average of Salary paid during the 4 best years of the last 10 years of Credited Service.
<u>Credited Service</u>	Years and fractional parts of years of service with the City as a Police Officer.
<u>Normal Retirement</u>	
Date	Earlier of 1.) Age 50 and the completion of 25 Years of Credited Service, or 2.) Age 55 and the completion of 10 years of Credited Service.
Benefit	3.00% of Average Final Compensation <u>times</u> Credited Service prior to May 27, 2003, and 2.00% thereafter.
Form of Benefit	Ten Year Certain and Life Annuity (options available).
<u>Early Retirement</u>	
Eligibility	Age 45 and completion of 10 years of Credited Service.
Benefit	Accrued benefit, reduced 3.0% per year.
<u>Disability Benefit</u>	
Eligibility	Total and permanent; Medical proof required. 10 years of Credited Service required for non-service incurred disability benefit.
Exclusions	Disability resulting from the use of drugs, illegal participation in riots, service in military, etc.

Benefit

Service Connected

Greater of accrued benefit or 50% of Average Final Compensation.

Non-Service Connected

Greater of accrued benefit or 25% of Average Final Compensation.

Pre-Retirement Death Benefit

Service Connected

Beneficiary receives a monthly benefit which can be provided by the greater of: 1.) present value of Member's accrued benefit, or 2.) lesser of 24 times the Member's Average Final Compensation, or 100 times the Member's anticipated normal retirement benefit.

Non-Service Connected

If less than 10 years of service, beneficiary receives a refund of Member contributions; otherwise, same as service connected benefits.

Death After Retirement

Benefit payable in accordance with optional form of pension selected at time of retirement.

Vesting (Termination of Employment)

Less than 10 years

Refund of Member Contributions.

10 years or more

Accrued pension payable on a reduced basis at Normal (unreduced) or Early (reduced) Retirement Date.

Member Contributions

7.65% of Salary.

City Contributions

Amount required after State premium tax refunds in order to pay current costs and amortize unfunded past service cost, as provided in Part VII, Chapter 112, Florida Statutes.

Board of Trustees

- a.) Two City residents appointed by the City Commission,
- b.) Two Police Officers elected by a majority of Police Officers and
- c.) A fifth Member elected by the Board and appointed (as a ministerial duty) by the City Commission.

Deferred Retirement Option Plan

Eligibility	Satisfaction of Normal Retirement requirements.
Participation	Not to exceed 36 months.
Rate of Return	Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter.
Form of Distribution	Cash lump sum (options available) at termination of employment.