

January 8, 2018

VIA EMAIL

Mr. Darrell Thompson, Plan Administrator
City of Fort Walton Beach
Municipal Firefighters' Pension Trust Fund
2503 Del Prado Blvd. S., Suite 502
Cape Coral, FL 33904

Re: City of Fort Walton Beach Municipal Firefighters' Pension Trust Fund
Section 112.664, Florida Statutes Compliance

Dear Robert:

Please find enclosed the annual disclosures that satisfy the October 1, 2017 financial reporting requirements made under Section 112.664.

Our office will submit this information electronically to the Department of Management Services by the February 1, 2016 deadline. 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: 

Drew D. Ballard, EA, MAAA
Enrolled Actuary #17-8193


DDB/lke
Enclosures

cc via email: Paul Daragjati, Board Attorney
cc via email: Carol Godwin, Budget and Grants Analyst
cc via email: Ferrell Jenne, Plan Administrator
cc via email: Kim Kilgore, Plan Administrator

CITY OF FORT WALTON BEACH
MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

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:  Date: 1/8/2018

Drew D. Ballard, EA, MAAA
Enrolled Actuary #17-8193



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, 2017 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, 2017

	ACTUAL	HYPOTHETICAL	
	7.80% RP-2000 Generational	5.80% RP-2000 Generational	9.80% RP-2000 Generational
<u>Total Pension Liability</u>			
Service Cost	494,032	783,208	327,686
Interest	1,830,663	1,781,510	1,830,308
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(199,349)	(269,053)	(157,743)
Changes of Assumptions	258,300	460,812	149,132
Contributions - Buy Back	32,155	32,155	32,155
Benefit Payments, Including Refunds of Employee Contributions	(1,434,474)	(1,434,474)	(1,434,474)
Net Change in Total Pension Liability	981,327	1,354,158	747,064
Total Pension Liability - Beginning	23,106,490	29,625,866	18,692,632
Total Pension Liability - Ending (a)	<u>\$ 24,087,817</u>	<u>\$ 30,980,024</u>	<u>\$ 19,439,696</u>
<u>Plan Fiduciary Net Position</u>			
Contributions - Employer	794,144	794,144	794,144
Contributions - State	204,568	204,568	204,568
Contributions - Employee	173,480	173,480	173,480
Contributions - Buy Back	32,155	32,155	32,155
Net Investment Income	1,401,324	1,401,324	1,401,324
Benefit Payments, Including Refunds of Employee Contributions	(1,434,474)	(1,434,474)	(1,434,474)
Administrative Expenses	(28,449)	(28,449)	(28,449)
Net Change in Plan Fiduciary Net Position	1,142,748	1,142,748	1,142,748
Plan Fiduciary Net Position - Beginning	14,389,400	14,389,400	14,389,400
Plan Fiduciary Net Position - Ending (b)	<u>\$ 15,532,148</u>	<u>\$ 15,532,148</u>	<u>\$ 15,532,148</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 8,555,669</u>	<u>\$ 15,447,876</u>	<u>\$ 3,907,548</u>

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: 7.80% 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
2017	15,532,148	-	1,419,396	-	1,156,151	15,268,903
2018	15,268,903	-	1,416,311	-	1,135,738	14,988,330
2019	14,988,330	-	1,485,838	-	1,111,142	14,613,634
2020	14,613,634	-	1,549,354	-	1,079,439	14,143,719
2021	14,143,719	-	1,562,085	-	1,042,289	13,623,923
2022	13,623,923	-	1,571,189	-	1,001,390	13,054,124
2023	13,054,124	-	1,668,695	-	953,143	12,338,572
2024	12,338,572	-	1,792,454	-	892,503	11,438,621
2025	11,438,621	-	1,862,185	-	819,587	10,396,023
2026	10,396,023	-	1,921,908	-	735,935	9,210,050
2027	9,210,050	-	1,931,456	-	643,057	7,921,651
2028	7,921,651	-	1,912,699	-	543,294	6,552,246
2029	6,552,246	-	1,901,702	-	436,909	5,087,453
2030	5,087,453	-	1,898,330	-	322,786	3,511,909
2031	3,511,909	-	1,921,463	-	198,992	1,789,438
2032	1,789,438	-	1,908,045	-	-	-

Number of Years Expected Benefit Payments Sustained: 15.94

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.80% 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: 5.80% 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
2017	15,532,148	-	1,419,396	-	859,702	14,972,454
2018	14,972,454	-	1,416,311	-	827,329	14,383,472
2019	14,383,472	-	1,485,838	-	791,152	13,688,786
2020	13,688,786	-	1,549,354	-	749,018	12,888,450
2021	12,888,450	-	1,562,085	-	702,230	12,028,595
2022	12,028,595	-	1,571,189	-	652,094	11,109,500
2023	11,109,500	-	1,668,695	-	595,959	10,036,764
2024	10,036,764	-	1,792,454	-	530,151	8,774,461
2025	8,774,461	-	1,862,185	-	454,915	7,367,191
2026	7,367,191	-	1,921,908	-	371,562	5,816,845
2027	5,816,845	-	1,931,456	-	281,365	4,166,754
2028	4,166,754	-	1,912,699	-	186,203	2,440,258
2029	2,440,258	-	1,901,702	-	86,386	624,942
2030	624,942	-	1,898,330	-	-	-

Number of Years Expected Benefit Payments Sustained: 13.33

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.80% 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: 9.80% 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
2017	15,532,148	-	1,419,396	-	1,452,600	15,565,352
2018	15,565,352	-	1,416,311	-	1,456,005	15,605,046
2019	15,605,046	-	1,485,838	-	1,456,488	15,575,696
2020	15,575,696	-	1,549,354	-	1,450,500	15,476,842
2021	15,476,842	-	1,562,085	-	1,440,188	15,354,945
2022	15,354,945	-	1,571,189	-	1,427,796	15,211,552
2023	15,211,552	-	1,668,695	-	1,408,966	14,951,823
2024	14,951,823	-	1,792,454	-	1,377,448	14,536,817
2025	14,536,817	-	1,862,185	-	1,333,361	14,007,993
2026	14,007,993	-	1,921,908	-	1,278,610	13,364,695
2027	13,364,695	-	1,931,456	-	1,215,099	12,648,338
2028	12,648,338	-	1,912,699	-	1,145,815	11,881,454
2029	11,881,454	-	1,901,702	-	1,071,199	11,050,951
2030	11,050,951	-	1,898,330	-	989,975	10,142,596
2031	10,142,596	-	1,921,463	-	899,823	9,120,956
2032	9,120,956	-	1,908,045	-	800,359	8,013,270
2033	8,013,270	-	1,940,936	-	690,195	6,762,529
2034	6,762,529	-	1,915,506	-	568,868	5,415,891
2035	5,415,891	-	1,891,394	-	438,079	3,962,576
2036	3,962,576	-	1,871,705	-	296,619	2,387,490
2037	2,387,490	-	1,851,112	-	143,270	679,648
2038	679,648	-	1,829,669	-	-	-

Number of Years Expected Benefit Payments Sustained: 21.37

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 9.80% 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: 10/1/2017

	ACTUAL	HYPOTHETICAL	
	7.80% RP-2000 Generational	5.80% RP-2000 Generational	9.80% RP-2000 Generational
Total Required Contribution (Fixed \$)	\$1,255,259	\$1,858,168	\$787,795
Total Required Contribution (% of Payroll)	55.7%	82.5%	34.9%
Expected Member Contribution	180,304	180,304	180,304
Expected State Money	204,568	204,568	204,568
Expected Sponsor Contribution (Fixed \$)	\$870,387	\$1,473,296	\$402,923
Expected Sponsor Contribution (% of Payroll)	38.6%	65.4%	17.8%

ASSETS

Actuarial Value ¹	15,822,787	15,822,787	15,822,787
Market Value ¹	15,532,148	15,532,148	15,532,148

LIABILITIES

Present Value of Benefits			
Active Members			
Retirement Benefits	10,820,992	16,571,807	7,493,721
Disability Benefits	433,154	585,592	332,521
Death Benefits	155,372	221,483	114,943
Vested Benefits	731,448	1,154,419	486,120
Refund of Contributions	113,172	119,865	107,208
Service Retirees	13,721,120	16,612,023	11,633,645
DROP Retirees ¹	0	0	0
Beneficiaries	1,644,467	2,030,670	1,379,960
Disability Retirees	0	0	0
Terminated Vested	437,039	613,143	323,989
Share Plan Balances ¹	0	0	0
Total:	28,056,764	37,909,002	21,872,107
Present Value of Future Salaries	16,531,960	18,288,990	15,090,858
Present Value of Future Member Contributions	1,322,557	1,463,119	1,207,269
Total Normal Cost	469,656	765,632	302,994
Present Value of Future Normal Costs (Entry Age Normal)	3,332,074	6,073,247	1,938,094
Total Actuarial Accrued Liability ¹	24,724,690	31,835,755	19,934,013
Unfunded Actuarial Accrued Liability (UAAL)	8,901,903	16,012,968	4,111,226

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

Valuation Date: 10/1/2017

	ACTUAL	HYPOTHETICAL	
	7.80% RP-2000 Generational	5.80% RP-2000 Generational	9.80% RP-2000 Generational
<u>PENSION COST</u>			
Normal Cost (with interest)	487,973	787,835	317,841
Administrative Expenses (with interest)	29,559	29,274	29,843
Payment Required To Amortize UAAL (with interest)	737,727	1,041,059	440,111
Total Required Contribution	\$1,255,259	\$1,858,168	\$787,795

¹ The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2017.