

ORDINANCE NO. 1419

AN ORDINANCE OF THE CITY OF PANAMA CITY BEACH FURTHER AMENDING THE CITY OF PANAMA CITY BEACH POLICE OFFICERS' RETIREMENT PLAN, ADOPTED PURSUANT TO ORDINANCE NO. 1159, AS SUBSEQUENTLY AMENDED; AMENDING SECTION 6, BENEFIT AMOUNTS AND ELIGIBILITY; REPEALING ALL ORDINANCES IN CONFLICT HERewith AND PROVIDING FOR AN EFFECTIVE DATE.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF PANAMA CITY BEACH, FLORIDA;

SECTION 1: That the City of Panama City Beach Police Officers' Retirement Plan, adopted by ordinance number 1159, as subsequently amended, is hereby further amended by amending Section 6, Benefit Amounts and Eligibility, subsection 1., Normal Retirement Date and adding subsection 6. Supplemental Benefit, to read as follows (new text **bold and underlined**, deleted text ~~struckthrough~~):

1. **Normal Retirement Age and Date.**

A Member's normal retirement age is the earlier of the attainment of age fifty (50) and the completion of twenty (20) years of Credited Service, ~~or the attainment of age fifty-five (55) and the completion of ten (10) years of Credited Service,~~ **or the completion of twenty-five (25) years of Credited Service, regardless of age.** Each Member shall become one hundred percent (100%) vested in his accrued benefit at normal retirement age. A Member's normal retirement date shall be the first day of the month coincident with or next following the date the Member retires from the City after attaining normal retirement age.

* * *

6. **Supplemental Benefit.**

In addition to the benefits provided for above, all normal and early retirees (not disability retirees or terminated vested persons), retiring on or after the effective date of the ordinance adopting this subsection 6, shall receive an additional supplemental monthly benefit of one hundred fifty dollars (\$150.00) per month payable for the life of the retiree.

In the event that the total state premium tax rebate in any fiscal year is reduced below \$137,096.00, the supplemental benefit for the following year shall be reduced proportionally to reflect the reduction in the state premium tax rebate below the

stated amount. In any fiscal year in which the state premium tax rebate is \$137,096.00 or higher, the above supplemental benefit shall not be adjusted for the following fiscal year.

SECTION 2: All Ordinances or parts of Ordinances in conflict herewith be and the same are hereby repealed.

SECTION 3: That this Ordinance shall become effective upon its adoption.

PASSED, APPROVED AND ADOPTED at the regular meeting of the City Council of the City of Panama City Beach, Florida, this 12th day of October, 2017.



MIKE THOMAS, MAYOR

ATTEST:



CITY CLERK

EXAMINED AND APPROVED by me this 12th day of October, 2017.



MIKE THOMAS, MAYOR

Published in the PCB News Herald on the 21st day of September, 2017

Posted on pcbgov.com on the 14th day of October, 2017.



City of Panama City Beach Police Officers' Pension Plan

Actuarial Impact Statement as of October 1, 2015

Amends the plan to allow for a 25 and out normal retirement and add a \$150/month supplemental benefit.



Empower Results®

Ms. Holly J. White
Assistant to City Manager for Finance
City of Panama City Beach
110 South Arnold Road
Panama City Beach, FL 32407

Re: *Panama City Beach Police Officers' Pension Plan*

Dear Ms. White:

In accordance with the City's request, we are pleased to present this report on the actuarial funding impact of a proposed change to the Pension Plan. The proposed change would introduce a "25 and out" normal retirement provision as well as add a \$150/month supplemental benefit for those who retire from active status. This change would be paid for by using excess Premium Tax Rebates. The change would be effective October 1, 2017, and would apply only for members who are actively employed on or after that date. That this proposed change is funded by rebates is demonstrated by the fact that the State Minimum Required Contribution remains relatively unchanged.

This actuarial impact study was performed as of October 1, 2015, using the same actuarial basis as the actuarial valuation as of that date. The cost estimates provided in this report were developed as if the proposed plan change were effective for the plan/fiscal year beginning October 1, 2015. The presumption is that the relative impact will be the same if the plan change in fact does not apply until the 2016-2017 fiscal year.

This report includes a Summary of Major Plan Provisions and a description of the Actuarial Basis used in the valuation. We relied on employee and financial data provided by the City. The Actuarial Cost Method used is considered acceptable under the Rules of the Department of Administration, Division of Retirement, Chapter 60T-1, Local Retirement Systems' Actuarial Reports.

STATEMENT BY ENROLLED ACTUARY

This actuarial valuation and/or cost determination was prepared and completed by the undersigned 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, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise provided for in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.

Respectfully submitted,

06/18/2017

Stephen Lambert-Oswald, F.S.A., E.A., M.A.A.A.
Enrollment No. 17-07225

Date

City of Panama City Beach Police Officers' Pension Plan

Table of Contents

	PAGE
Valuation Results	
Development of Normal Cost for State Minimum Required Contribution	1
State Minimum Required Contribution	2
Unfunded Frozen Initial and Supplemental Liabilities	3
Schedule Illustrating the Amortization of Unfunded Liabilities Existing This Date	4
Past Excess Contributions (State Requirements)	5
Pension Fund	
Market Value of Assets	6
Reconciliation of Assets (Market Value)	7
Investment Gain/(Loss)	8
Actuarial Value of Assets	9
Allocation of Actuarial Value of Assets to the Reserve for Other Retirement Benefits (i.e., Excluding DROP)	10
Member Data	
Participant Data Summary	11
Age and Service Distribution	12
Comparison of Actual vs. Assumed Salary Increases and Investment Returns	13
Reconciliation of DROP Participants and Assets	15
History of Excess Premium Tax Revenues	16
Basis for Valuation	
Summary of Major Plan Provisions	17
Actuarial Basis	20
Actuarial Cost Method	22

**City of Panama City Beach
Police Officers' Pension Plan**

**Development of Normal Cost for
State Minimum Required Contribution**

October 1, 2015

	<u>Current</u>	<u>Proposed</u>
1. Number of Participants		
Active	56	56
Terminated with Vested Benefits	3	3
Retirees and Beneficiaries	24	24
Total	<u>83</u>	<u>83</u>
2. Participant's Compensation		
a. Below Normal Retirement Age	\$ 2,969,177	\$ 2,969,177
b. Beyond Normal Retirement Age	-	-
c. Total	<u>\$ 2,969,177</u>	<u>\$ 2,969,177</u>
3. Present Value of Benefits		
Active	\$ 13,427,491	\$ 13,800,735
Terminated with Vested Benefits	891,656	891,656
Retirees	9,572,240	9,572,240
Excess State Monies Reserve	58,474	-
Total	<u>\$ 23,949,861</u>	<u>\$ 24,264,631</u>
4. Unfunded Actuarial Accrued Liability	\$ 332,748	\$ 647,518
5. Actuarial Value of Assets	\$ 16,808,417	\$ 16,808,417
6. Past Excess Contributions	\$ 40,746	\$ 40,746
7. Present Value of Future Employee Contributions	\$ 2,478,410	\$ 2,478,410
8. Present Value of Future City Normal Costs = (3) - (4) - [(5) - (6)] - (7) *	\$ 4,371,032	\$ 4,371,032
9. Present Value of Future Compensation	\$ 24,697,974	\$ 24,697,974
10. Normal Cost Rate = (8) ÷ (9)	17.70%	17.70%
11. Normal Cost = (2a) x (10)	\$ 525,544	\$ 525,544

City of Panama City Beach Police Officers' Pension Plan

State Minimum Required Contribution

October 1, 2015

	Plan Year Ended	
	<u>Current</u>	<u>Proposed</u>
1. Normal Cost	\$ 525,544	\$ 525,544
2. Amortization of Actuarial Accrued Liability	\$ 55,360	\$ 102,016
3. Interest Adjustment on (1) and (2) for Quarterly Payment	\$ 22,789	\$ 24,619
4. Expenses		
Current Year Estimate Equal to Prior Year's Actual	\$ 67,958	\$ 67,958
Make-up for Shortfall in Prior Year's Estimate	<u>14,970</u>	<u>14,970</u>
Total	\$ 82,928	\$ 82,928
5. Estimated State Premium Tax Refund (Equal to Prior Year's Actual Refund and Excluding Excess Premium Tax Revenues That Have Not Been Used to Provide Additional Benefits)	\$ 93,639	\$ 140,295
6. Past Excess Contributions plus Interest Adjusted for Quarterly Payment	\$ 42,344	\$ 42,344
7. Minimum Required Contribution by City for Fiscal Year = (1) + (2) + (3) + (4) – (5) – (6)	\$ 550,638	\$ 552,468
8. Percent of Participants' Compensation Below Normal Retirement Age*	18.55%	18.61%

* Under a new state interpretation, the actual required contribution is based on this percentage of actual, not estimated, Participants' Compensation Below Normal Retirement Age.

**City of Panama City Beach
Police Officers' Pension Plan**

Unfunded Frozen Initial and Supplemental Liabilities

October 1, 2015

	Initial Amount to be Amortized	Beginning Amortization Period	Original Amortization Period (Years)	Years Remaining	(BOY) Annual Amortization Amount	Unamortized Balance as of 10/1/2015
Initial Liability	\$ 369,135	10/1/1994	17	0	\$ -	-
Benefit Improvement	407,851	10/1/1994	30	9	33,545	226,316
Plan/Assumption Change	265,236	10/1/1994	30	9	21,815	147,178
Add \$150/month Supplemental Plus 25 and out	314,770	10/1/2016	9	9	46,656	314,770
					\$ 102,016	
						1. Unamortized Balance as of 10/1/2015 \$ 688,264
						2. Past Excess Contributions <u>40,746</u>
						3. Remaining Unfunded Liabilities = (1) - (2) \$ 647,518

**City of Panama City Beach
Police Officers' Pension Plan**

**Schedule Illustrating the Amortization of
Unfunded Liabilities Existing This Date**

October 1, 2015

October 1	Liability
2015	\$ 647,518
2016	589,142
2017	526,096
2018	458,007
2019	384,471
2020	305,052
2021	219,279
2022	126,644
2023	26,599
2024	-

The first figure is the Unfunded Frozen Initial and Supplemental Liabilities as of the current valuation date. For each year thereafter, the preceding year's Unfunded Liability is reduced by the annual amortization amount shown on the page titled History of Unfunded Frozen and Supplemental Liabilities and increased with interest at 8.00% per annum.

Thus the remaining amortization period as of the October 1, 2015, valuation is 2024 less 2015, or 9 years.

City of Panama City Beach Police Officers' Pension Plan

Past Excess Contributions (State Requirements)

October 1, 2015

	Plan Year Ended	
	<u>9/30/2014</u>	<u>9/30/2015</u>
Charges:		
Deficiency Brought Forward	\$ -	\$ -
Normal Cost	N/A	N/A
Expenses (Estimated and Make up)	N/A	N/A
Amortization of Frozen Initial and Supplemental Liabilities	N/A	N/A
Required City Contribution, per State*	600,619	615,560
State (Estimated)	93,639	93,639
Interest	<u>25,175</u>	<u>27,822</u>
Total Charges	\$ 719,433	\$ 737,021
Credits:		
Excess Contribution Brought Forward	\$ 2,883	\$ 62,506
City Contributions	646,023	589,810
State Contributions (Excluding Excess Premium Tax Revenues That Have Not Been Used to Provide Additional Benefits)	105,385	93,639
Interest	<u>27,648</u>	<u>31,812</u>
Total Credits	\$ 781,939	\$ 777,767
Balance:		
Excess Contribution Carried Forward	<u>\$ 62,506</u>	<u>\$ 40,746</u>
Deficiency Carried Forward	<u>\$ -</u>	<u>\$ -</u>

*Under a new state interpretation, the actual required contribution is based on the required contribution rate times actual Participants' Compensation Below Normal Retirement Age for the Plan Year. See the "State Required Exhibit" for this determination.

City of Panama City Beach Police Officers' Pension Plan

Market Value of Assets

October 1, 2015

	<u>10/1/2013</u>	<u>10/1/2015</u>
Assets:		
Cash	\$ 1,050,790.21	\$ 1,284,356.72
Certificates of Deposit	-	-
Government and Corporate Bond	4,540,069.65	4,380,901.23
Real Estate and Equity Funds	10,958,812.72	10,237,566.60
Due from City Funds	-	359,893.76
Due from State of Florida	-	117,869.72
Accrued Interest	-	-
Miscellaneous Receivable	-	21,583.68
	<hr/>	<hr/>
Total Assets	\$ 16,549,672.58	\$ 16,402,171.71
	<hr/>	<hr/>
Liabilities and Fund Balance:		
Liabilities:		
Accounts Payable	\$ (9,941.51)	\$ (15,076.85)
Refunds or Benefits Payable	(549.64)	(390.27)
Due Other Funds	-	(42,498.14)
	<hr/>	<hr/>
Total Liabilities	\$ (10,491.15)	\$ (57,965.26)
	<hr/>	<hr/>
Pension Fund Balance:	<u>\$ 16,539,181.43</u>	<u>\$ 16,344,206.45</u>

City of Panama City Beach Police Officers' Pension Plan

Reconciliation of Assets (Market Value)

October 1, 2015

	Plan Year Ended	
	<u>9/30/2014</u>	<u>9/30/2015</u>
Revenues:		
City Contributions	646,022.66	589,810.48
Employee Contributions	307,896.30	325,235.28
State Contributions	111,256.94	117,869.72
Repayment of Contributions	-	-
Interest & Dividends	260,376.11	380,177.70
Unrealized/Realized Gains (Losses)	1,291,130.89	(613,462.95)
Commissions	-	-
	<hr/>	<hr/>
Total Revenues	\$ 2,616,682.90	\$ 799,630.23
	<hr/>	<hr/>
Expenses:		
Pension Payments	670,793.07	826,245.48
Contribution Refunds	107,621.01	100,401.84
DROP Payments	210,819.03	-
Investment Expenses	34,355.55	47,486.59
Other Expenses	18,632.35	20,471.30
	<hr/>	<hr/>
Total Expenses	\$ 1,042,221.01	\$ 994,605.21
	<hr/>	<hr/>
Net Income:	\$ 1,574,461.89	\$ (194,974.98)
Fund Balance, Beginning of Year:	14,964,719.53	\$ 16,539,181.42
Fund Balance, End of Year:	\$ 16,539,181.42	\$ 16,344,206.44

**City of Panama City Beach
Police Officers' Pension Plan**

Investment Gain/(Loss)

October 1, 2015

1. Date of Actuarial Value of Assets:	10/1/2015	10/1/2014	10/1/2013	10/1/2012
2. Market Value as of Prior Year (including receivable contributions)	\$ 16,539,181	\$ 14,964,720	\$ 12,948,979	\$ 10,896,205
3. Receivable Contribution included above	\$ -	\$ -	\$ -	\$ -
4. Market Value Excluding Receivable (2) - (3)	\$ 16,539,181	\$ 14,964,720	\$ 12,948,979	\$ 10,896,205
5. Employer, Employee & State Contributions (made for the year, i.e., excluding the receivable contribution, item (3), but including contributions made after the end of the year with no expected return thereon)	\$ 1,032,915	\$ 1,065,176	\$ 857,352	\$ 773,832
6. Benefit Distributions	\$ 926,647	\$ 989,233	\$ 607,431	\$ 699,279
7. Administrative Expenses	\$ 67,958	\$ 52,988	\$ 52,529	\$ 57,490
8. Expected Return %	8.00%	8.00%	8.00%	8.00%
a. Item (4) for 1 year	\$ 1,323,135	\$ 1,197,178	\$ 1,035,918	\$ 871,696
b. Item (3) for partial & (5) for 1/2 year	40,522	41,787	33,634	30,358
c. Item (6) for 1/2 year	(36,353)	(38,808)	(23,830)	(27,433)
d. Item (7) for 1/2 year	(2,666)	(2,079)	(2,061)	(2,255)
	<u>\$ 1,324,638</u>	<u>\$ 1,198,078</u>	<u>\$ 1,043,661</u>	<u>\$ 872,366</u>
9. Expected Market Value (2)+(5)-(6)-(7)+(8)	\$ 17,902,130	\$ 16,185,752	\$ 14,190,032	\$ 11,785,635
10. Actual Market Value this Year (including receivable contributions)	\$ 16,344,206	\$ 16,539,181	\$ 14,964,720	\$ 12,948,979
11. Investment Gain/(Loss) from Experience	\$ (1,557,923)	\$ 353,429	\$ 774,687	\$ 1,163,343

City of Panama City Beach Police Officers' Pension Plan

Actuarial Value of Assets

October 1, 2015

5 -YEAR SMOOTHED MARKET VALUE WITHOUT PHASE-IN	10/1/2015
1. Market Value of Assets	\$ 16,344,206
2. Investment Gains/(Losses) for Four Prior Years	
a. Oct-14	\$ (1,557,923)
b. Oct-13	353,429
c. Oct-12	774,687
d. Oct-11	1,163,343
3. Unrecognized Investment Gains/(Losses)	
a. Oct-14 80% of (2)(a)	\$ (1,246,339)
b. Oct-13 60% of (2)(b)	212,057
c. Oct-12 40% of (2)(c)	309,875
d. Oct-11 20% of (2)(d)	<u>232,669</u>
e. Total: (a)+(b)+(c)+(d)	\$ (491,738)
4. Preliminary Actuarial Value of Assets = (1) - (3)(e)	\$ 16,835,944
5. Adjustment to be within 20% of market value	\$ -
6. Actuarial Value of Assets = (4) + (5)	\$ 16,835,944

**City of Panama City Beach
Police Officers' Pension Plan**

**Allocation of Actuarial Value of Assets to the
Reserve for Other Retirement Benefits (i.e., Excluding DROP)**

October 1, 2015

	<u>Actuarial Value Allocated in Proportion to Market Value</u>	<u>Market Value</u>
Reserve for DROP	\$ 27,527	\$ 26,723
Reserve for Other Retirement Benefits	<u>16,808,417</u>	<u>16,317,483</u>
Total Fund Balances	\$ 16,835,944	\$ 16,344,206

City of Panama City Beach Police Officers' Pension Plan

Funded Status – Accrued Benefits (ASC 960)

October 1, 2015

Generally the best measures of the Funded Status of a defined benefit plan are considered to be the levels of funding of the Actuarial Present Values of Accumulated Plan Benefits and Vested Benefits. Accumulated Plan Benefits are those future benefit payments that are attributable under the plan's provisions to employees' service rendered prior to the valuation date. Accumulated Plan Benefits are based on employees' actual pay histories, or estimates thereof; possible future salary increases or changes in Social Security levels are not recognized. Vested Benefits are those benefits which are nonforfeitable under the plan's vesting provisions.

The Actuarial Present Value of Accumulated Plan Benefits is the amount resulting from the application of actuarial assumptions to the Accumulated Plan Benefits to reflect the time value of money and the probabilities of death, disability, withdrawal and retirement. Underlying these assumptions (described on the Actuarial Basis page) is an assumption of an ongoing plan. Since most Accumulated Plan Benefits are generally synonymous with "Accrued Benefits" as defined in the plan, the Actuarial Present Value of Accumulated Plan Benefits has also been called the Present Value of Accrued Benefits.

	<u>10/1/2014</u>	<u>10/1/2015</u>
NET ASSETS AVAILABLE FOR BENEFITS*	\$ 15,507,985	\$ 16,808,417
ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS		
Vested Benefits		
Participants Currently Receiving Payments	\$ 8,922,332	\$ 9,572,240
All Other Participants	5,112,446	5,612,051
TOTAL VESTED BENEFITS	<u>\$ 14,034,778</u>	<u>\$ 15,184,291</u>
Percent Funded	110%	111%
NONVESTED BENEFITS	1,044,455	844,322
EXCESS STATE MONIES RESERVE	16,625	58,474
TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS	<u>\$ 15,095,858</u>	<u>\$ 16,087,087</u>
Percent Funded	103%	104%

* Actuarial Value of Assets

City of Panama City Beach Police Officers' Pension Plan

Funded Status – Accrued Benefits (ASC 960) (Continued)

October 1, 2015

	<u>10/1/2014</u>	<u>10/1/2015</u>
ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AS OF PRIOR VALUATION DATE	\$ 14,026,578	\$ 15,088,316
Increase (Decrease) During the Year Attributable to:		
Increase for Interest Due to the Decrease in the Discount Period	\$ 1,090,990	\$ 1,169,999
Benefits Paid	(778,414)	(926,647)
Benefits Accumulated, Turnover, Other Experience	749,162	755,419
Change in Actuarial Assumptions	-	-
Plan Amendment	-	-
Net Increase (Decrease)	\$ 1,061,738	\$ 998,771
ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AS OF CURRENT VALUATION DATE	\$ 15,088,316	\$ 16,087,087

**City of Panama City Beach
Police Officers' Pension Plan**

State Required Exhibit

October 1, 2015

	<u>10/1/2014</u>	<u>10/1/2015</u>
A. <u>Member Data</u>		
1. Active Members	54	56
2. Retired Members and beneficiaries receiving benefits (including DROP)	20	24
3. Disabled Members receiving benefits	0	0
4. Terminated vested Members	6	3
5. Prior year active compensation	\$ 2,590,023	\$ 2,858,939
6. Annual benefits payable to retirees and beneficiaries (including DROP)	\$ 776,956	\$ 847,166
7. Annual benefits payable to disabled retirees	\$ -	\$ -
8. Annual benefits payable to terminated vested Members	\$ 131,144	\$ 93,594
B. <u>Assets</u>		
1. Actuarial value	\$ 15,507,985	\$ 16,808,417
2. Market value	16,539,181	16,317,483
C. <u>Liabilities</u>		
1. Actuarial present value of future expected benefit payments for active members		
a. Retirement benefits	\$ 9,990,011	\$ 11,703,095
b. Termination benefits	2,087,315	1,881,734
c. Death benefits	76,992	82,357
d. Disability benefits	121,477	133,549
e. Total	<u>\$ 12,275,795</u>	<u>\$ 13,800,735</u>
2. Actuarial present value of future expected benefit payments for terminated vested members	\$ 1,114,230	\$ 891,656
3. Actuarial present value of future expected benefit payments for members currently receiving benefits		
a. Service retired, beneficiaries and DROP	\$ 8,922,332	\$ 9,572,240
b. Disability retired	-	-
c. Total	<u>\$ 8,922,332</u>	<u>\$ 9,572,240</u>
4. Excess State Monies Reserve	\$ 16,625	\$ 58,474
5. Total actuarial present value of future expected benefit payments	\$ 22,328,982	\$ 24,323,105
6. Entry age normal accrued liability	\$ 18,078,928	\$ 18,078,928
7. Unfunded entry age normal accrued liability	\$ 1,539,747	\$ 1,761,445
8. Liabilities at FRS discount rate		
a. Discount rate	7.65%	7.65%
b. Entry age normal accrued liability	\$ 18,718,027	\$ 18,718,027
c. Unfunded entry age normal accrued liability	\$ 3,210,042	\$ 1,909,610

City of Panama City Beach Police Officers' Pension Plan

State Required Exhibit (Continued)

October 1, 2015

	<u>10/1/2014</u>	<u>10/1/2015</u>
D. <u>Statement of Accumulated Plan Benefits</u>		
1. Actuarial present value of accumulated vested benefits		
a. Members currently receiving benefits (including DROP)	\$ 8,922,332	\$ 9,572,240
b. Other Members	5,112,446	5,612,051
c. Total	\$ 14,034,778	\$ 15,184,291
2. Actuarial present value of accumulated non-vested plan benefits	1,044,455	844,322
3. Excess State Monies Reserve	16,625	58,474
4. Total actuarial present value of accumulated plan benefits	\$ 15,095,858	\$ 16,087,087
5. Liabilities at FRS discount rate		
a. Discount rate	7.65%	7.65%
b. Actuarial present value of accumulated vested benefits	\$ 14,595,408	\$ 14,595,408
c. Total actuarial present value of accumulated plan benefits	\$ 15,704,488	\$ 15,746,337
E. <u>Statement of Change in Accumulated Plan Benefits</u>		
1. Actuarial present value of accumulated plan benefits as of Prior Valuation Date	\$ 14,026,578	\$ 15,088,316
2. Increase (decrease) during year attributable to:		
a. Plan amendment	0	0
b. Change in actuarial assumptions	0	0
c. Benefits paid	(778,414)	(926,647)
d. Other, including benefits accumulated and increase for interest due to decrease in the discount period	1,840,152	1,925,418
e. Net increase	\$ 1,061,738	\$ 998,771
3. Actuarial present value of accumulated plan benefits as of Current Valuation Date	\$ 15,088,316	\$ 16,087,087

City of Panama City Beach Police Officers' Pension Plan

State Required Exhibit (Continued)

October 1, 2015

Actuarial Valuation Date For Contribution Year	<u>10/1/2013</u> 2013-14	<u>10/1/2014</u> 2014-15
F. <u>Past Contributions</u>		
1. Total contribution required		
a. City		
i. Estimated Dollars, from Actuarial Valuation	\$ 615,147	\$ 550,638
ii. Percentage of Participants' Compensation	23.08%	18.55%
iii. Actual Compensation Under NRA	\$ 2,590,023	\$ 2,858,939
iv. Required, per new state interpretation = (ii.) x (iii.)	\$ 597,777	\$ 530,333
b. State (Estimated)	93,639	93,639
c. Member*	293,119	300,595
d. Total = (a.iv.) + (b.) + (c.)	\$ 984,535	\$ 924,567
2. Actual contributions made:		
a. City	\$ 646,023	\$ 589,810
b. State**	93,639	93,639
c. Member	307,896	325,235
d. Total	\$ 1,047,558	\$ 1,008,684
G. <u>Net Actuarial Gain (Loss)</u>		
	N/A	N/A
H. <u>Disclosure of Following Items:</u>		
	<u>10/1/2014</u>	<u>10/1/2015</u>
1. Actuarial present value of future salaries - attained age***	\$ 22,998,907	\$ 24,697,974
2. Actuarial present value of future employee contributions - attained age***	\$ 2,307,237	\$ 2,478,410
3. Actuarial present value of future contributions from other sources	N/A	N/A
4. Amount of active members' accumulated contributions	\$ 1,894,166	\$ 2,042,622
5. Actuarial present value of future salaries and future benefits at entry age	Not provided by system	
6. Actuarial present value of future employee contributions at entry age	Not provided by system	

* Determined by applying the required employee contribution rate (11.0%) to expected compensation for the year for participants under Normal Retirement Age (NRA)

** Excluding Excess Premium Tax Revenues that have not been used to provide Additional Benefits

*** Participants under Normal Retirement Age (NRA) only

City of Panama City Beach Police Officers' Pension Plan

Summary of Major Plan Provisions

October 1, 2015

Effective Date: August 25, 1971.

Plan Year: October 1 to September 30.

Last Amendment: Restatement (Ordinance 669) effective June 8, 2000. First Amendment (Ordinance 715) effective March 8, 2001 (changing Employee Contributions from 7.0% to 9.7% and the multiplier from 3.00% to 3.25%). Second Amendment (Ordinance 794) effective April 10, 2003 (for various law and other changes). Third Amendment (Ordinance 811) effective July 10, 2003 (adding Early Retirement). Fourth Amendment (Ordinance 881) effective July 22, 2004 (adding 3% increasing annuities as an Optional Form of Payment and changing investment policy). Fifth Amendment (Ordinance 1029) effective May 11, 2006 (changing various provisions as required by new IRS rules). Sixth Amendment (Ordinance 1070) effective May 17, 2007 (changing Employee Contributions from 9.7% to 11.0% and the multiplier from 3.25% to 3.50%). Seventh Amendment (Ordinance 1083) effective July 26, 2007 (adding 5% fixed investment return option for DROP). Restatement (Ordinance 1159) adopted August 17, 2009. First Amendment (Ordinance 1222) effective February 9, 2012 (adding 300 hours of overtime cap).

Eligibility: All permanent Police Officers who have passed the medical examination.

Employee Contributions: 11% of Compensation (9.7% prior to May 17, 2007) and excluded from taxable income under IRC Section 414(h).

Compensation: Total compensation paid by the City for services rendered as reported on Form W-2, plus all tax deferred, tax sheltered or tax exempt amounts derived from elective employee contributions or salary reductions. Compensation includes regular pay, overtime (up to 300 hours) and other cash incentives. Payments of leave amounts (vacation, sick, etc.) upon termination of employment shall not be included. Auto allowance and mileage reimbursements shall not be included. Compensation in excess of the IRC Section 401(a)(17) limit is disregarded.

Average Final Compensation: The Compensation received during the 5 years out of the last 10 years of Credited Service divided by 60, which produces the highest average, or the career average as a full-time Police Officer, if greater.

Credited Service: Years and fractional parts of years of service as a Police Officer with the City and while making Employee Contributions.

Accrued Benefit: The benefit using the formula for the Normal Retirement Benefit, based upon the Average Final Compensation and Credited Service as of the date of the calculation. The Accrued Benefit is payable at the Normal Retirement Date in the Normal Form of Benefit.

Accumulated Contributions: A participant's contributions with interest compounded annually at 5.25% through June 8, 2000; after that date interest is no longer accrued.

Normal Retirement Date: The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of Credited Service or (2) the date he attains age 55 and has completed at least 10 years of Credited Service. The proposed plan change would

City of Panama City Beach Police Officers' Pension Plan

also allow normal retirement with 25 years of service regardless of age.

Early Retirement Date: The first day of the month coincident with or next following the date a participant attains age 50 and has completed at least 10 years of Credited Service.

Normal Form of Benefit: A monthly annuity for life with 10 years certain.

Optional Forms of Benefit: Benefits Actuarially Equivalent to the benefit provided under the Normal Form of Benefit; optional forms:

- a. Life annuity (with no modified cash refund feature),
- b. Joint and survivor annuity (100%, 75%, 66 2/3% or 50%; reducing upon death of participant only),
- c. Level income option,
- d. Any of the above forms, increasing 3% per year on each January 1, or
- e. Lump Sum if under \$5,000, or less than \$100 per month.

Normal Retirement Benefit: A monthly benefit commencing at the Normal Retirement Date equal to 3.5% of Average Final Compensation multiplied by years of Credited Service, but not more than 100% of Average Final Compensation (excluding COLA's). The proposed plan change would also add a fixed \$150/month supplement for anyone retiring from active service. The normal form for this benefit would be a life annuity.

Late Retirement Benefit: Additional benefits will accrue after the Normal Retirement Date.

Early Retirement Benefit: A participant who elects to retire on or after his Early Retirement Date may receive an Early Retirement Benefit commencing at his Normal Retirement Date equal to his Accrued Benefit. If he further elects to have such benefit commence prior to his Normal Retirement Date, it shall be reduced 3% per year (.25% per month) for each period by which the benefit commencement date precedes his Normal Retirement Date. For this purpose Normal Retirement Date is determined based on the participant's actual years of Credited Service as a Police Officer at his termination date.

Death Benefit: The beneficiary of a participant who dies (1) during employment or after termination with a vested benefit and (2) with respect to whom benefit payments have not commenced shall be entitled to a Death Benefit equal to 100 times his monthly Accrued Benefit based on his Credited Service and Average Final Compensation as of the time of death. This benefit is payable in a lump sum unless the Police Officer elected that it be paid in an Actuarially Equivalent annuity or installments. The Plan also provides minimum Death Benefits based upon the vested, 10-year-certain portion of the Normal Form of Benefit or the refund of Accumulated Contributions.

Termination of Employment Benefit: A participant who terminates his employment after completing ten years of Credited Service for reason other than death, disability or retirement shall be entitled to a vested deferred monthly benefit commencing at his Normal Retirement Date equal to his Accrued Benefit. Any participant may withdraw his Accumulated Contributions; a vested participant who withdraws his Accumulated Contributions forfeits his rights to his vested Accrued Benefit or Death Benefit.

If a participant terminates after completing 10 years but prior to being eligible for retirement:

- With less than 20 years of Credited Service, his annuity can begin unreduced at age 55 or reduced (3% per year) between ages 50 and 55, or
- With 20 or more years of Credited Service, his annuity can begin unreduced at age 50.

City of Panama City Beach Police Officers' Pension Plan

Disability Benefit: A Participant who becomes totally and permanently disabled shall be eligible to receive a Disability Benefit in the form of an immediate monthly annuity for life with ten years certain as follows:

Job-Related Disability: Without regard to years of Credited Service, a benefit equal to the greater of his Accrued Benefit or 42% of Average Final Compensation as of the date of disability.

Non-Job-Related Disability: With ten or more years of Credited Service, a benefit equal to his Accrued Benefit as of the date of disability.

The Disability Benefit together with worker's compensation benefits may not exceed 100% of pay, as provided in the Plan. Optional Forms of Benefit may be elected.

Actuarial Equivalent: A benefit or amount of equal value, based upon the 1983 Group Annuity Mortality Table for Males and an interest rate of 8% per annum. In practice, in accordance with the prior document, the Table for Males is used for all Police Officers, regardless of sex, and the same table with ages set back 6 years is used for all beneficiaries and survivor annuitants, regardless of sex.

Maximum Benefits: IRC Section 415 limits apply as modified for governmental plans and for police and fire plans.

Deferred Retirement Option Program (DROP):

- a. **Eligibility:** Normal Retirement.
- b. **Benefit Amount:** The participant's Accrued Benefit calculated as of the beginning of the DROP period, accumulated quarterly with interest at a rate equal to either the Pension Plan's net investment performance during the quarter or a fixed guaranteed rate of 5% annually, plus cost-of-living adjustments, if any, during the DROP period. The participant elects which interest basis he wants upon his entry into the DROP, and may change such election only once during the DROP period.
- c. **Form of Benefit:** When the DROP period ends (maximum 5 years), the employee must terminate employment. At that time, the accumulated DROP benefits will be distributed in the form of a lump sum, a rollover, or a nonforfeitable fixed annuity to the participant, or if deceased, such participant's designated beneficiary. In addition, the monthly annuity, including any COLA adjustments, will continue to the participant as otherwise provided in the Plan.
- d. **Other Provisions:** A participant in DROP is no longer eligible for Death or Disability Benefits. Employee Contributions are no longer collected, and Credited Service and Average Final Compensation are frozen as of the date of entry into DROP.

City of Panama City Beach Police Officers' Pension Plan

Actuarial Basis

October 1, 2015

ACTUARIAL COST METHOD

Entry Age Normal with Frozen Initial Liability. Changes in actuarial assumptions are reflected in Normal Cost. Since at least 1999, all changes in plan benefits have been funded either by increases in the employee contribution rate or by increased Premium Tax Revenues.

ACTUARIAL ASSUMPTIONS

Investment Yield: The investment rate of earnings is assumed to be 8.00% per annum.

Interest on Employee Contributions: No interest is credited beyond June 8, 2000.

Mortality: Mortality is based on the RP-2000 (Retirement Plans-2000) Generational Tables from the year 2000 using Scale. [ProVal name: IRS 2008 Generational Mortality]

Disability: Preretirement disability is assumed to occur in accordance with a standard scale of disability rates (1955 UAW, male and female). Sample rates are shown below:

Age	Probability of Disablement	
	Male	Female
20	0.03%	0.04%
30	0.04%	0.06%
40	0.07%	0.10%
50	0.18%	0.26%
60	0.90%	1.21%

Twenty-five percent of disabilities are assumed to be non-job-related.

Withdrawal: Preretirement withdrawals are assumed to occur in accordance with a standard scale of turnover rates (T-5). Sample rates are shown below:

Age	Probability of Withdrawal
20	7.9%
30	7.2%
40	5.2%
50	2.6%

Salary Scale: Future salaries are assumed to increase at the rate of 6% per year.

City of Panama City Beach Police Officers' Pension Plan

Actuarial Value of Assets: Assets are valued using a 5-year smoothed market value without phase-in.

Retirement Rate: Each active participant is assumed to retire on the later of the actuarial valuation date or his Normal Retirement Date.

Timing of Contribution: The contribution is assumed to be made quarterly throughout the plan year.

Employees Covered: All participants as of the actuarial valuation date.

Expenses: Expenses for the current year are assumed to equal actual expenses for the prior year. If actual expenses for the current year differ from this estimate, a make-up contribution or credit is included.

Maximum Compensation: Compensation is limited to \$260,000 projected to increase at the rate of 4% per annum.

Maximum Benefits: The \$210,000 maximum for years ending in 2014 and other applicable Benefit Limitations under Section 415 are projected to increase at the rate of 4% per annum.

Completeness of Assumptions: All benefits and expenses to be provided by the Plan are recognized in the valuation. All known events are taken into account; no current trends are assumed to discontinue in the future.

COMPARABILITY WITH PRIOR VALUATION

Significant Events During the Year: None.

Significant Changes in the Summary of Major Plan Provisions: None.

Significant Changes in the Actuarial Cost Method or Actuarial Assumptions: Mortality was updated to RP-2000 Generational Mortality using Scale AA.

Other Information Needed to Fully and Fairly Disclose the Actuarial Position of the Plan: None.

City of Panama City Beach Police Officers' Pension Plan

Actuarial Cost Method "Entry Age Normal with Frozen Initial Liability"

October 1, 2015

An actuarial valuation is a series of mathematical calculations which project future benefits under a pension plan and future contributions to fund those benefits. The true cost of a pension plan cannot be determined until the last benefit is paid, because the true cost is the actual benefits ultimately paid, plus the expense of maintaining the plan, less the actual income earned on invested funds. Since funding cannot wait until the last benefit is paid, however, actuarial assumptions are used to project ultimate benefit levels and the reserves needed to provide them. An actuarial cost method is then used to establish a reasonable pattern of contributions to accumulate those reserves. The assumptions and cost method themselves, therefore, only impact on the incidence of funding, not the true cost. Each new valuation automatically corrects for any differences between the assumptions and actual experience, and the correction is spread over the current and future years of funding.

The Entry Age Normal with Frozen Initial Liability cost method spreads the funding of a portion of the pension benefits over the future service of all active participants and the balance is funded in a separate amortization schedule.

The Frozen Initial Liability is determined and fixed in the first year the cost method is adopted, although it may be redetermined or a supplemental piece added when the Plan is amended. The Frozen Initial Liability is the excess of the Present Value of Benefits over the sum of (a) the Present Value of Future Entry Age Normal Costs, (b) the Present Value of Future Employee Contributions, and (c) the Actuarial Value of Assets in the Trust Fund. The Entry Age Normal Cost is the annual cost determined by assuming the current Plan was always in effect and calculating the amount needed to produce level funding of benefits for all current participants from the date they would have entered the Plan. The Frozen Initial Liability may be amortized over as many as 40 years.

In each subsequent year, the order of steps is reversed. The Present Value of Future Normal Costs is calculated as the excess of the Present Value of Benefits over the sum of (a) the unfunded portion of the Frozen Initial Liability, (b) the Actuarial Value of Assets and (c) the Present Value of Future Employee Contributions.

The Normal Cost is developed by spreading the Present Value of Future City Normal Costs over the future compensation of all participants as a level percentage of pay, i.e., by dividing it by the Present Value of Future Compensation to get the Normal Cost Rate. The Normal Cost is the product of the Normal Cost Rate and the current Participants' Compensation. Actuarial gains or losses are included in the Present Value of Future Normal Costs, and are reflected in the Normal Cost Rate and thereby spread over the remaining future service of the participants in the Normal Cost. The Frozen Initial Liability is not adjusted for actuarial gains or losses.

City of Panama City Beach Police Officers' Pension Plan

The state minimum required contribution in a particular year is equal to the Normal Cost, plus a level amount which will amortize the Frozen Initial Liability and supplemental bases over the applicable number of years, plus expected and "make-up" expenses, less the Past Excess Contributions.

In the event of either a negative Normal Cost or an unfunded liability that is zero or less, the Cost Method will operate temporarily as the Aggregate Cost Method, in effect, until a positive unfunded liability is established at the time of a plan amendment, when a new Frozen Initial Liability is established.

The calculation of the contribution has been made in a manner that assumes quarterly payment during the Plan Year. In order to meet the state minimum funding requirements, the state minimum required contribution must be made at least quarterly during the Plan Year.