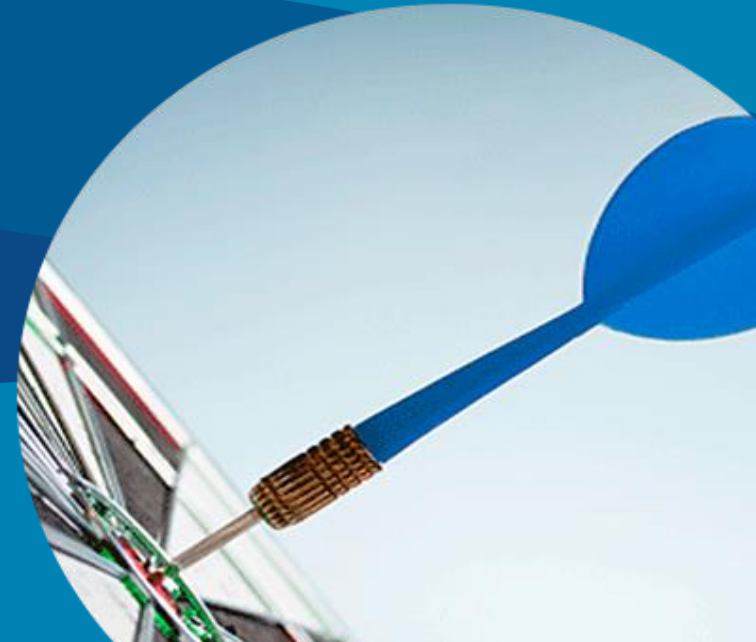




City of Clearwater Employees' Pension Plan

Presentation of the
January 1, 2025 Actuarial Valuation
Report



Demographics of the Plan

- 1,572 Active Members (up from 1,556 last year).
 - Covered Payroll: \$119.1 million (vs. \$112.6 million last year).
 - Average Annual Pay = \$75,777 (vs. \$72,367 last year).
- 1,523 Retirees and Beneficiaries (up from 1,496 last year).
 - Annual Pensions: \$63.34 million (vs. \$60.89 million last year).
 - Average Annual Pension = \$41,591 (vs. \$40,702 last year).

Principal Assumptions Used

- Investment Return Assumption: 6.50% Net of Investment Fees.
- Mortality Rates: Same as Florida Retirement System – updated as of 7/1/24 (based on PUB-2010 Mortality Tables).
 - Life Exp. for Age 65 Retired Non-Haz: 86.5 (Males); 88.6 (Females)
 - Life Exp. for Age 65 Retired P/F: 85.3 (Males); 88.1 (Females)
- Other Assumptions: Experience-based tables with rates that vary by Non-Haz/P/F, age, service, sex (updated 1/1/24 based on actual 12/31/2017- 12/31/2022 experience).

Experience During 2024

- Net Investment Return: 9.92% (on Market Value); 6.51% (on smoothed Actuarial Value), vs. 6.50% assumed.
 - 5-Year Historical Average: **6.9%**; 10-Year Historical Average: **7.3%**
- Average salary increases: 7.85% vs. 5.74% expected.
- Mortality experience was lower than expected (\$746,686 actual decrease in retiree payroll vs. \$1,395,938 expected).
- Overall experience: Loss of \$3.98 million (0.34% of last year's actuarial liability).

Required City Contribution

- For FY 2026: **\$7,322,218 (6.15% of Covered Pay)**; Minimum City contribution (by Ordinance) = 7.00% of Covered Pay. (vs. \$16,232,745, or 14.42% of Covered Pay, for FY 2025)
- Decrease due to change in Funding Method from Entry Age Normal Funding Method to Aggregate Funding Method.
- Prior to the change to the Aggregate Funding Method, FY 2026 required City contribution would have been \$17,348,536 (14.56% of Covered Pay).

Credit Balance

- The Plan has a \$40.18 million credit balance that has been built up over time by City contributions in excess of the required contributions and interest (it was \$38.14 million at 1/1/2024).
- Established to help offset volatility/spikes in the required City contribution during times of financial stress.
- Any portion of this credit balance can be applied to reduce the City's required contribution.

Clearwater Pension Plan Liabilities

- Present Value of All Future Benefits as of 1/1/2025 (including benefits not yet earned, for expected future years of service):
\$1.47 Billion (vs. \$1.40 Billion as of 1/1/2024)
- Actuarial Accrued Liability as of 1/1/2025 (based on benefits earned through 1/1/2025):
\$1.23 Billion (vs. \$1.17 Billion as of 1/1/2024)
- *LDROM (Low Default Risk Obligation Measure) as of 1/1/2025:*
\$1.74 Billion (using a 3.81% interest rate)

Clearwater Pension Plan Assets

- Market Value of Assets as of 1/1/2025:
\$1.34 Billion (vs. \$1.26 Billion as of 1/1/2024)
- Actuarial Value of Assets as of 1/1/2025 (reflecting asset smoothing over a trailing 5-year period):
\$1.35 Billion (vs. \$1.31 Billion as of 1/1/2024)
- Actuarial Value of Assets Net of the Plan's Credit Balance (which is \$40.2 million as of 1/1/2025):
\$1.31 Billion (vs. \$1.27 Billion as of 1/1/2024)

Clearwater Pension Plan Funded Ratios

- Based on Market Value of Assets:
109.01% (vs. 107.60% as of 1/1/2024)
- Based on Actuarial Value of Assets (reflecting asset smoothing):
110.02% (vs. 112.00% as of 1/1/2024)
- Based on Net Actuarial Value (Net of Credit Balance):
106.76% (vs. 108.74% as of 1/1/2024)

Conclusion

- The City of Clearwater Employees' Pension Plan is in great shape (one of the only medium to large-sized **fully funded** pension plans in Florida).
- Among municipal/governmental retirement plans in Florida with over \$200 million in assets (about 60 plans), Clearwater's Pension Plan has the highest (#1 ranked) funded ratio.
- As of 7/1/2024, the Florida Retirement System had an 80.7% funded ratio using a 6.70% investment return assumption (with \$198.7 Billion in assets).

Disclaimers

- This presentation is intended to be used in conjunction with the actuarial valuation report issued on May 7, 2025. This presentation should not be relied on for any purpose other than the purpose described in the valuation report.
- This presentation shall not be construed to provide tax advice, legal advice or investment advice.