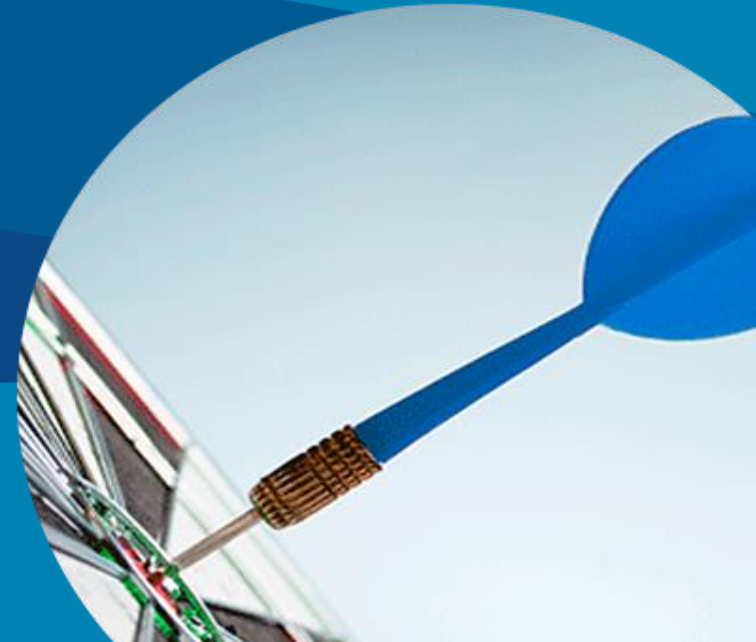




City of Clearwater Employees' Pension Plan

Presentation of the
January 1, 2024 Actuarial Valuation
Report



Purpose of an Actuarial Valuation

- To calculate the present value of future benefit payments from a pension plan, reflecting probabilities of payment and interest discounting, to determine the current liabilities of the pension plan and compare them to the pension plan's assets.
- To calculate the required annual employer contribution to the pension plan.
- To comply with State reporting requirements for municipal pension plans.

Principal Assumptions Used

- Investment Return Assumption: 6.50% Net of Investment Fees.
- Mortality Rates: Same as the Florida Retirement System (based on the PUB-2010 Mortality Tables).
 - Life Exp. for 65-Year Old Retired Non-Haz: 85.9 (Males); 88.6 (Females)
 - Life Exp. for 65-Year Old Retired P/F: 84.1 (Males); 87.2 (Females)
- Salary Increases, Rates of Retirement, Disability, Separation, Marriage: Experience-based tables varying by Non-Haz/P/F, age, service, sex (updated this year based on actual 12/31/2017-12/31/2022 experience).

Experience During 2023

- Investment Return: 13.72% (on Market Value). 7.56% (on smoothed Actuarial Value), vs. 6.50% assumed.
 - Asset-related Experience Gain: \$13.35 million.
 - 5-Year Historical Average: 8.84%; 10-Year Historical Average: 7.10%
- Average salaries increased 8.42% vs. 4.39% expected.
- Mortality experience lower than expected (\$602,465 actual decrease in retiree payroll vs. \$1,270,428 expected).
- Liability-related Experience Loss: \$17.29 million.

Required City Contribution

- For FY 2025: **\$16,232,745 (14.42% of Covered Pay)**
(vs. \$13,538,484, or 13.40% of Covered Pay, for FY 2024)
- Reasons for Increase:
 - Assumption Changes from 2023 Experience Study (**+\$1.6 M**)
 - 11% Increase in Covered Pay, which increased Normal Cost (**+\$1.1 M**)
- Note: Under FL Statutes, the minimum contribution is the Normal Cost, which is the estimated cost of benefits earned during the upcoming year (applies when a Plan is fully funded).

Credit Balance

- The Plan has a \$38.14 million credit balance that has been built up over time by City contributions in excess of the required contributions and interest (it was \$35.64 million at 1/1/2023).
- 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 1/1/2024 (including benefits not yet earned, for expected future years of service):
\$1.398 Billion (vs. \$1.308 Billion as of 1/1/2023)
- Actuarial Accrued Liability as of 1/1/2024 (based on benefits earned through 1/1/2024):
\$1.171 Billion (vs. \$1.124 Billion as of 1/1/2023)
- *LDROM (Low Default Risk Obligation Measure) as of 1/1/2024:*
\$1.474 Billion (using a 4.63% interest rate)

Clearwater Pension Plan Assets

- Market Value of Assets as of 1/1/2024:
\$1.260 Billion (vs. \$1.146 Billion as of 1/1/2023)
- Actuarial Value of Assets as of 1/1/2024 (reflecting asset smoothing over a trailing 5-year period):
\$1.311 Billion (vs. \$1.258 Billion as of 1/1/2023)
- Actuarial Value of Assets Net of the Plan's Credit Balance (which is \$38.1 million as of 1/1/2024):
\$1.273 Billion (vs. \$1.223 Billion as of 1/1/2023)

Clearwater Pension Plan Funded Ratios

- Based on Market Value of Assets:
107.60% (vs. 101.98% as of 1/1/2023)
- Based on Actuarial Value of Assets (reflecting asset smoothing):
112.00% (vs. 111.98% as of 1/1/2023)
- Based on Net Actuarial Value (Net of Credit Balance):
108.74% (vs. 108.81% as of 1/1/2023)

Conclusion

- The City of Clearwater Employees' Pension Plan is in great shape (one of the only large **fully funded** pension plans in Florida).
- Among municipal retirement plans in Florida with at least \$200 million in assets (approximately 60 plans), Clearwater's Pension Plan has the highest (#1 ranked) funded ratio.
- As of 7/1/2023, the Florida Retirement System had an 81.4% funded ratio using a 6.70% investment return assumption (with \$186.4 Billion in assets).

Disclaimers

- This presentation is intended to be used in conjunction with the actuarial valuation report issued on May 6, 2024. 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.