Main Library - Council Chambers
100 N. Osceola Avenue
Clearwater, FL 33755

Legislation Text

File #: ID#24-0677, **Version:** 1

SUBJECT/RECOMMENDATION:
Accept the January 1, 2024 Annual Actuarial Valuation for the Employees' Pension Plan.

SUMMARY:
Per the actuarial valuation report dated January 1, 2024, a minimum City employer contribution of $16.23 million, or 14.42% of covered payroll, is required for fiscal year 2025. This is an increase of approximately $2.69 million over the fiscal 2024 required contribution of $13.54 million, which represented 13.40% of covered payroll.

The breakout of the required contribution by group is as follows:

Police	$ 5,127,235	21.45% of covered payroll
Fire	$ 4,835,565	23.85% of covered payroll
Non-public safety	$ 6,269,945	9.16% of covered payroll
Total	$16,232,745	14.42% of covered payroll

The calendar year 2023 investment return was 13.72%, versus an assumed rate of 6.50%. The five-year smoothed actuarial investment rate of return was 7.56% versus the 6.50% assumption. Calendar 2019 through 2023 investment returns were 20.20%, 15.12%, 12.90%, (-14.02%) and 13.72%, respectively.

The increase in the required employer contribution is partially due to the recently completed 5-year experience study and related changes to actuarial assumptions that were adopted for this actuarial valuation. In the aggregate the assumption changes increased the required contribution by approximately $1.6 million.

The plan experienced a net actuarial experience loss of $3.9 million for the year. The loss was primarily due to salary increases of 8.42% versus an expected increase of 4.39%; as well as mortality experience loss. Salary increases were impacted by additional FTE's, promotions, and contractual salary increases. These losses were partially offset by investment returns in excess of the 6.5% assumption. This actuarial experience loss had no impact on the required employer contribution but did decrease the funded ratio by approximately 0.5%.

The plan's funded ratio at January 1, 2024 was 112.00% (including the credit balance) versus 111.98% for the prior year. The actuarial value of assets exceeds the market value of assets by $51.4 million as of January 1, 2024. This difference will be a gradual "hit" to the plan over subsequent years, in the absence of offsetting gains.

The plan's credit balance, which reflects actual contributions in-excess of actuarially required contributions in prior years, increased from $35.64 million to $38.14 million during calendar 2023, primarily due to interest earned on the credit balance. This credit balance is available to subsidize volatile employer contribution requirements during future investment market downturns. Staff is recommending the annual use of the interest earnings on the credit balance (approx. $2.5 million) to reduce the required employer contribution for the foreseeable future, which would effectively maintain the credit balance at the current $38 million level. The use of the interest earnings will help offset the increased cost of the recent assumption changes, as well as recent pension benefit enhancements.