

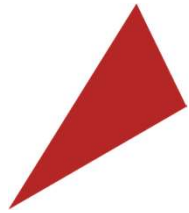


# **City of Orlando Firefighter Pension Fund**

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## **Board Summary of the October 1, 2024 Actuarial Valuation Report**

April 16, 2025



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# 10/1/2024 Valuation Highlights

## Prior Year Activity

- 18.4% return on market value. “Smoothed” return of 6.9%, less than the expected 7.25%, resulting in an asset loss.
- Liability gain of \$10.9M mostly attributable to the “self correction” from extra pay period reported last year.
- Total contributions to the plan of \$30.5M (\$22.8 City, \$3.6M Employee, and \$4.1M State)

## Current Year

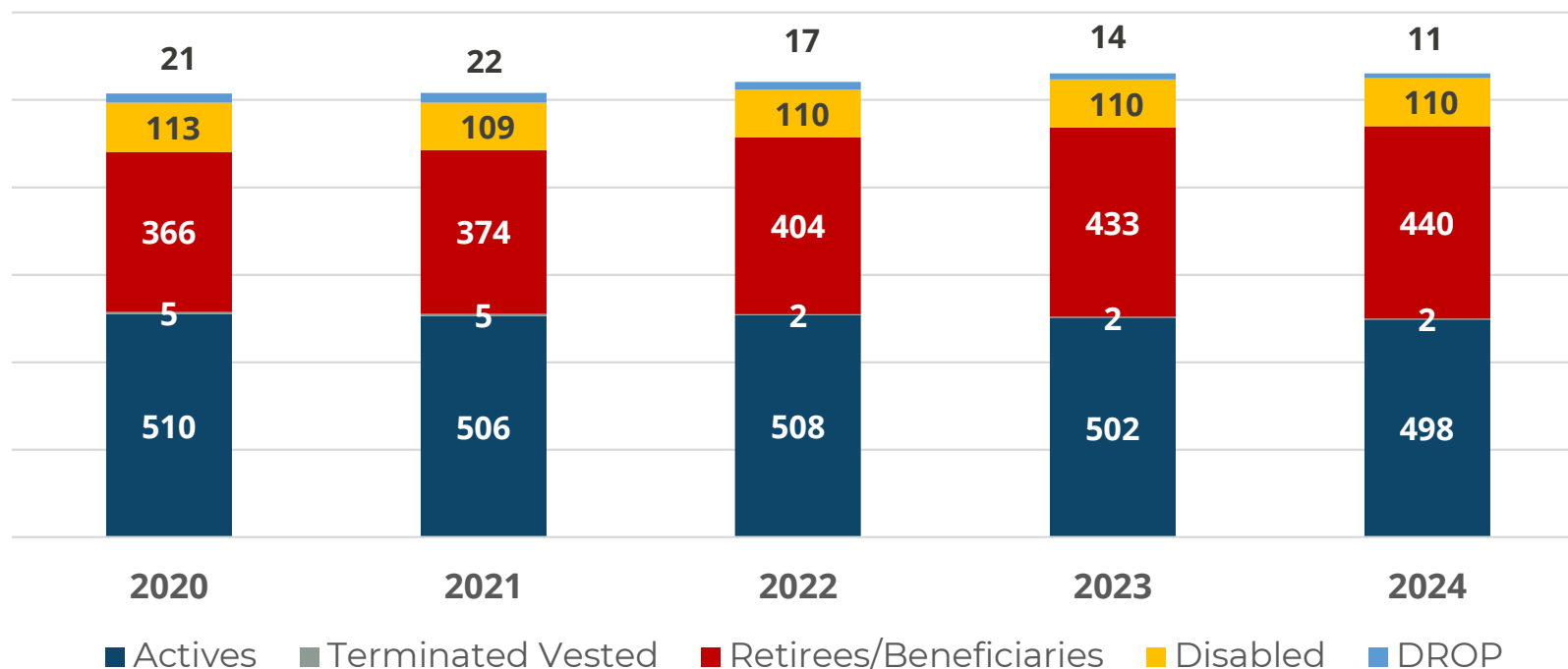
- Plan funding level increased from 82.1% to 84.0% on an actuarial (smoothed) asset basis.
- New assumptions adopted after experience study, including the new FRS mortality tables.
- Recommended employer contribution for FY 25/26 of \$26.5M, approximately the same as the prior year.

## Looking Ahead

- Discount rate currently at 7.25%; continue to monitor with volatile interest rate environment.
- Fresh start loss base falling off next year resulting in a drop in recommended contribution; continue to monitor tail volatility.

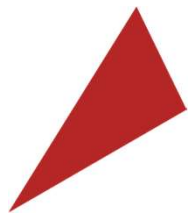
# Demographic Information

## Participant Counts



## Active Demographics

|                           | 2020     | 2021     | 2022     | 2023     | 2024     |
|---------------------------|----------|----------|----------|----------|----------|
| Average Age               | 41.7     | 42.2     | 42.0     | 41.7     | 41.8     |
| Average Service           | 13.1     | 13.4     | 13.2     | 12.8     | 13.0     |
| Average Plan Compensation | \$89,796 | \$90,697 | \$89,622 | \$95,984 | \$94,010 |



# Summary of Results

| Valuation Date            | 10/1/2023          | 10/1/2024          |
|---------------------------|--------------------|--------------------|
| Discount Rate             | 7.25%              | 7.25%              |
| Accrued Liability         | \$ 646,485,059     | \$ 666,255,255     |
| Actuarial Value of Assets | <u>530,707,593</u> | <u>559,644,576</u> |
| Unfunded Liability        | \$ 115,777,466     | \$ 106,610,679     |
| Funded Ratio              | 82.1%              | 84.0%              |

## Market Value Basis:

|   |                    |                    |
|---|--------------------|--------------------|
| Discount Rate                                 | 7.25%              | 7.25%              |
| Accrued Liability                             | \$ 646,485,059     | \$ 666,255,255     |
| Market Value of Assets (excluding Share Plan) | <u>479,145,072</u> | <u>559,644,576</u> |
| Unfunded Liability                            | \$ 167,339,987     | \$ 106,610,679     |
| Funded Ratio                                  | 74.1%              | 84.0%              |



# Summary of Results

| Recommended Contribution              | 10/1/2023<br>for FYE 9/30/2025 | 10/1/2024<br>for FYE 9/30/2026 |
|---------------------------------------|--------------------------------|--------------------------------|
| Normal Cost                           | \$ 14,966,420                  | \$ 14,432,755                  |
| Administrative Expenses               | 599,209                        | 609,850                        |
| Amortization of Unfunded Liability    | 15,005,258                     | 15,376,462                     |
| Interest                              | <u>1,955,298</u>               | <u>1,953,155</u>               |
| <b>Total Recommended Contribution</b> | <b>\$ 32,526,185</b>           | <b>\$ 32,372,222</b>           |
| Expected State Contribution           | (2,410,006)                    | (2,410,006)                    |
| Expected Member Contributions         | <u>(3,601,258)</u>             | <u>(3,478,994)</u>             |
| <b>City Contribution</b>              | <b>\$ 26,514,921</b>           | <b>\$ 26,483,222</b>           |
| Expected Payroll                      | \$ 50,111,140                  | \$ 47,987,496                  |
| Total Contribution as % of Payroll    | 52.9%                          | 55.2%                          |

# Salary Increase Experience

- The plan has experienced large variations in gains and losses due to salary experience the past few years. Based on our high-level data review, the pay we receive for the valuation may not always reflect the same number of pay periods.
- It is common to have some noise in pay data (for example: due to timing of raises, years with additional or accelerated pay periods, adjustment of amounts considered pensionable, etc.), but we will continue to work with staff to ensure consistency moving forward.

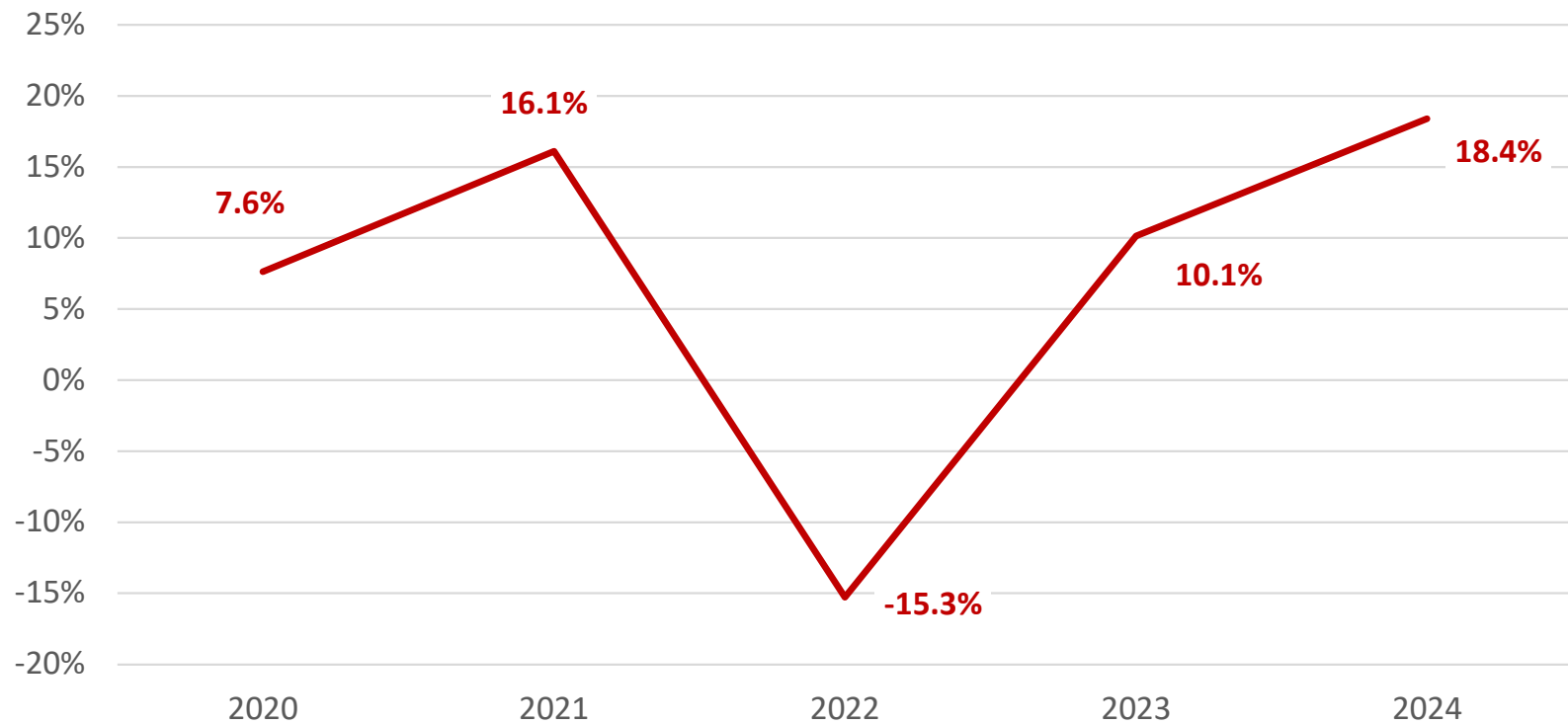
|   | 10/1/2022 | 10/1/2023 | 10/1/2024 |
|---|-----------|-----------|-----------|
| Expected Salary Increase  | 4.23%     | 4.24%     | 4.24%     |
| Actual Salary Increase  | 3.76%     | 12.60%    | 1.78%     |
| Liability (Gain)/Loss associated with Salary Experience (\$ millions) | (\$4.2)   | \$9.7     | (\$11.8)  |

- Expected salary increase for FY 2025 is based on the salary increase assumption in effect prior to the 2025 experience study.



# Asset Information

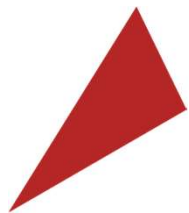
## Market Value Rates of Return



## Average Rates of Return

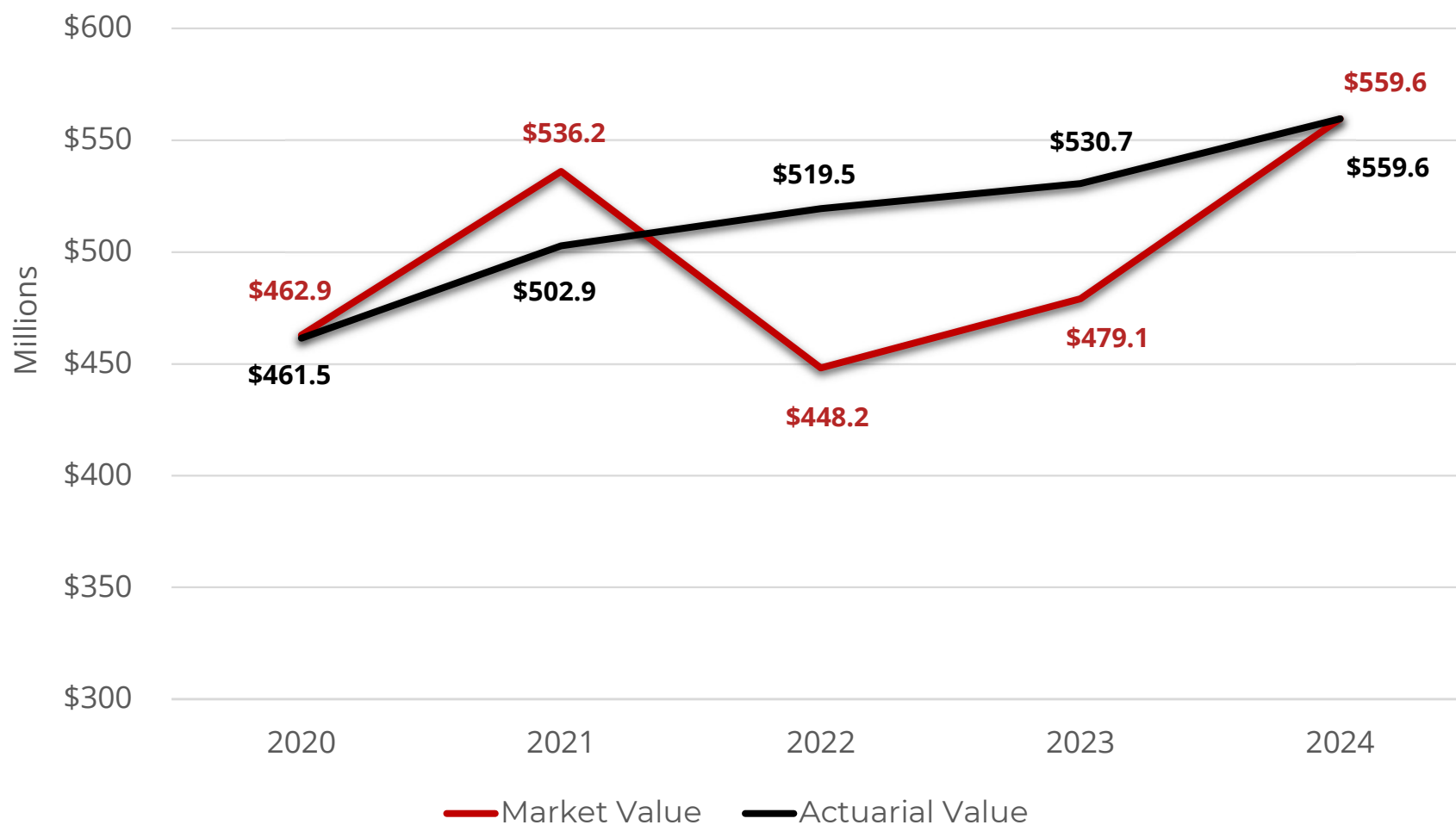
|              | 3 - Year | 5 - Year | 10 - Year |
|--------------|----------|----------|-----------|
| Market Value | 3.4%     | 6.7%     | 6.4%      |





# Asset Information

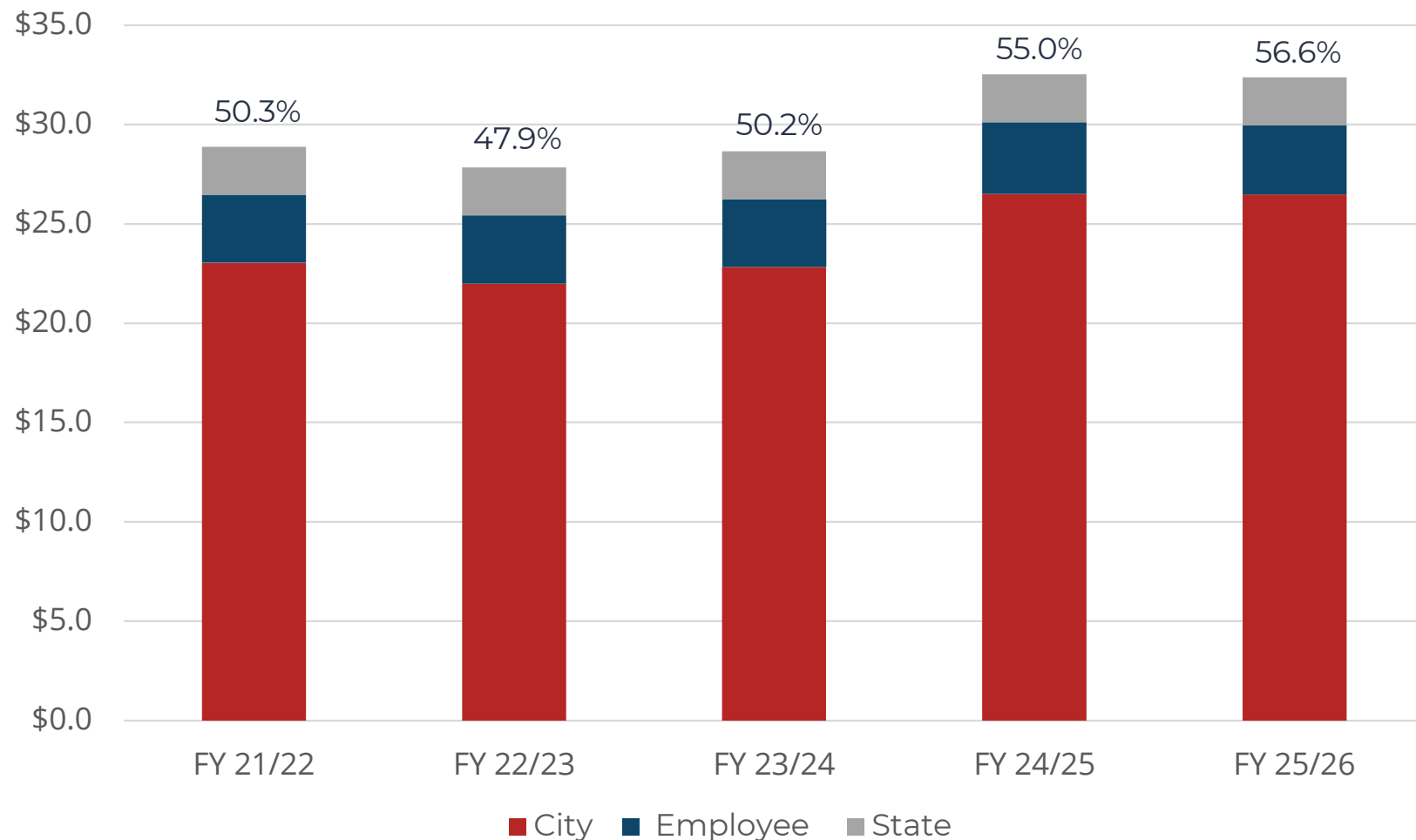
Actuarial Value vs. Market Value of Assets,  
Less Share Plan/Reserve





# Annual Funding Requirement (\$ millions)

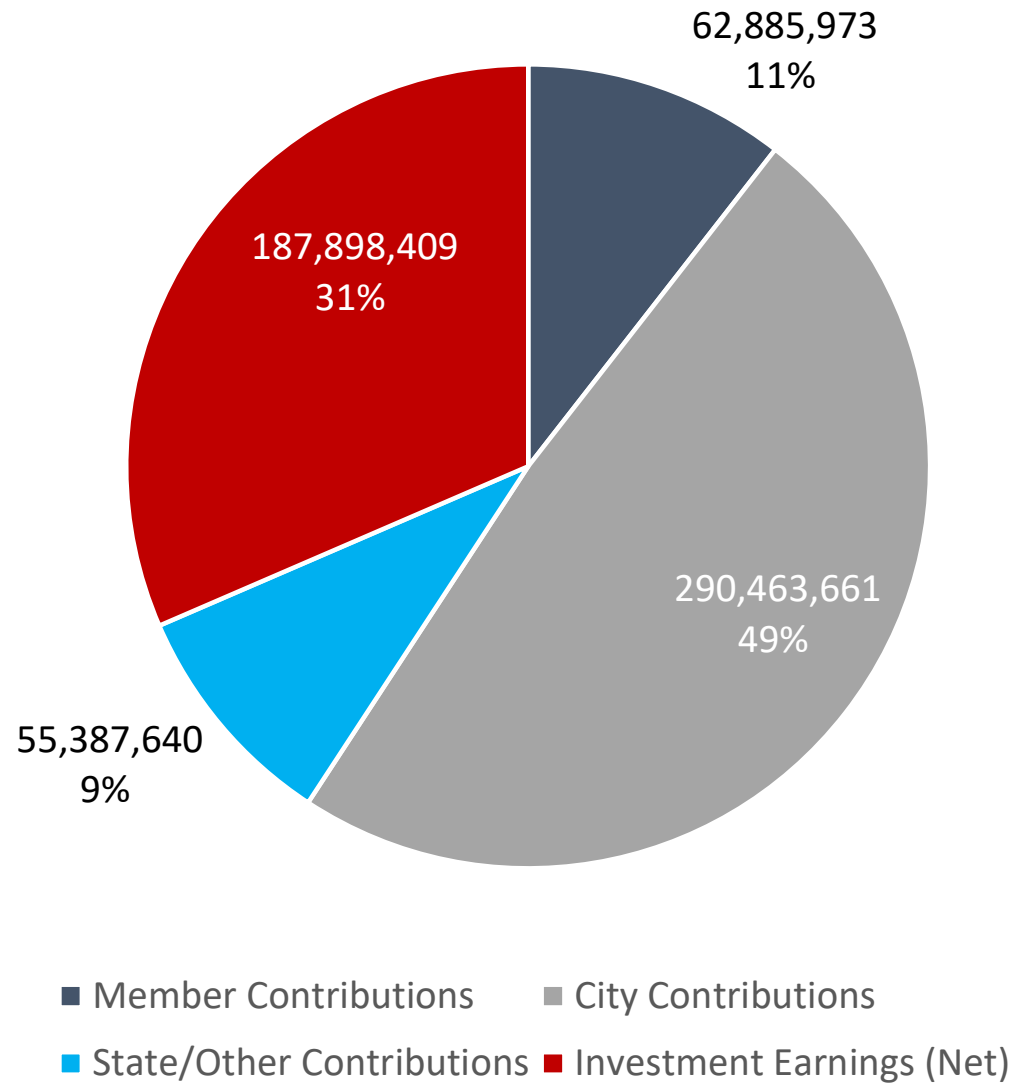
Annual Recommended Contribution as a  
Percentage of Payroll





# Plan Funding History

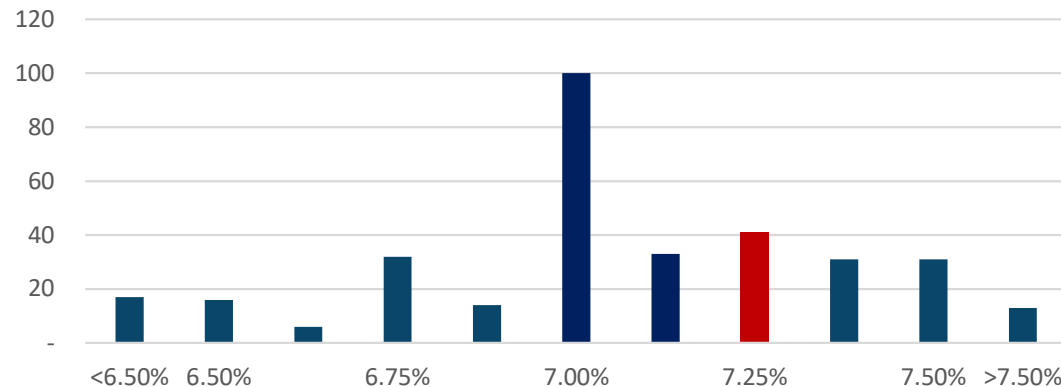
City of Orlando Firefighter Pension Fund, 2003-2024 Funding Sources





# Benchmarking

Rate of Return Assumptions for Open Florida Public Plans



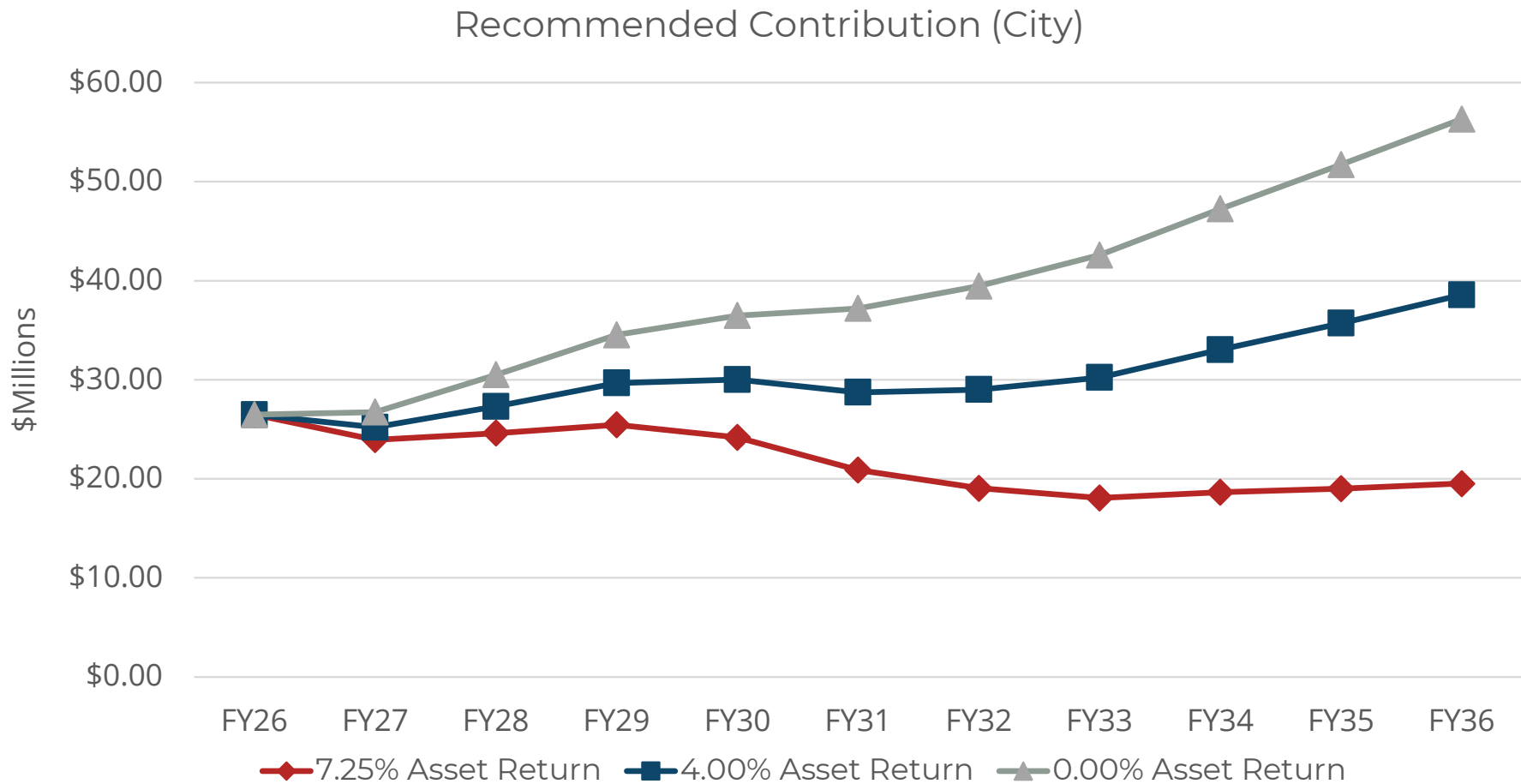
Source: Florida Department of Management Services, rates for "Active" Florida plans with valuation dates in 2023 or later.

| 10/1/2023 Florida Funded Ratios |                          |                        |
|---------------------------------|--------------------------|------------------------|
|                                 | Funded Ratio (MVA Basis) | Avg. Return Assumption |
| All open plans                  | 84.0%                    | 7.02%                  |
| Fire only                       | 85.4%                    | 7.07%                  |
| Orlando Fire                    | 82.1%                    | 7.25%                  |

- Florida Retirement System:
  - July 1, 2024 return assumption was 6.70% (same as prior year)
- NASRA Survey on Public Pension Plans:
  - Average return assumption was 6.91% for 2023 (down from 6.92% last year)
- NCPERS 2025 Public Retirement Survey:
  - Average return assumption was 6.67% for fiscal year-ends in first half of 2024
  - Average funded level is at 83.1%, up from last year's 75.4%
  - 3 in 4 systems provided COLAs in recent years (3.0% is most common)
  - Amortization periods shortening to a three-year low of 18.5 years, down from 20.4 last year

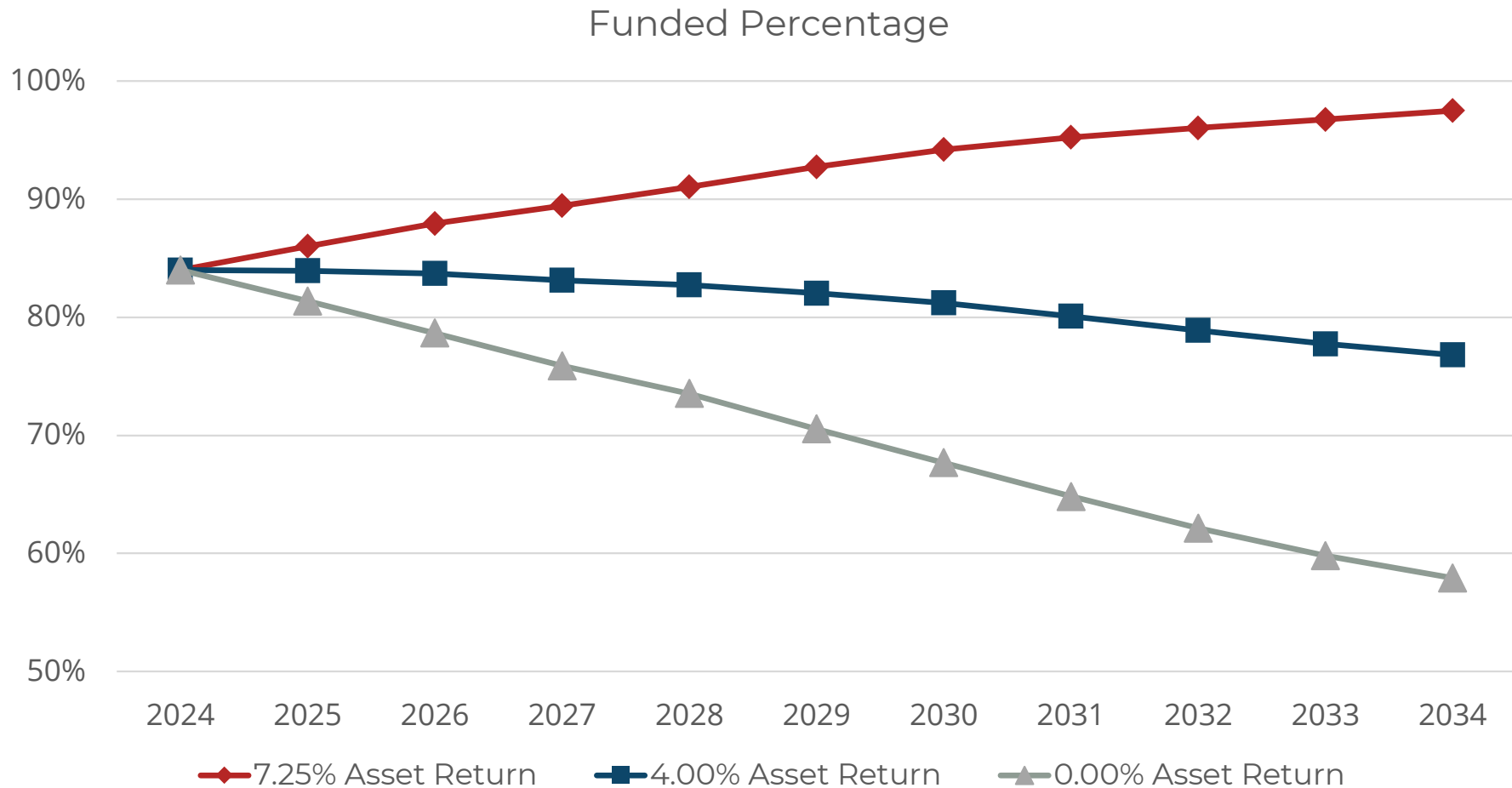


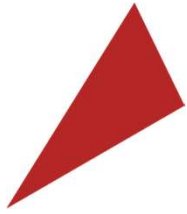
# Projection of Recommended Contribution at 7.25%



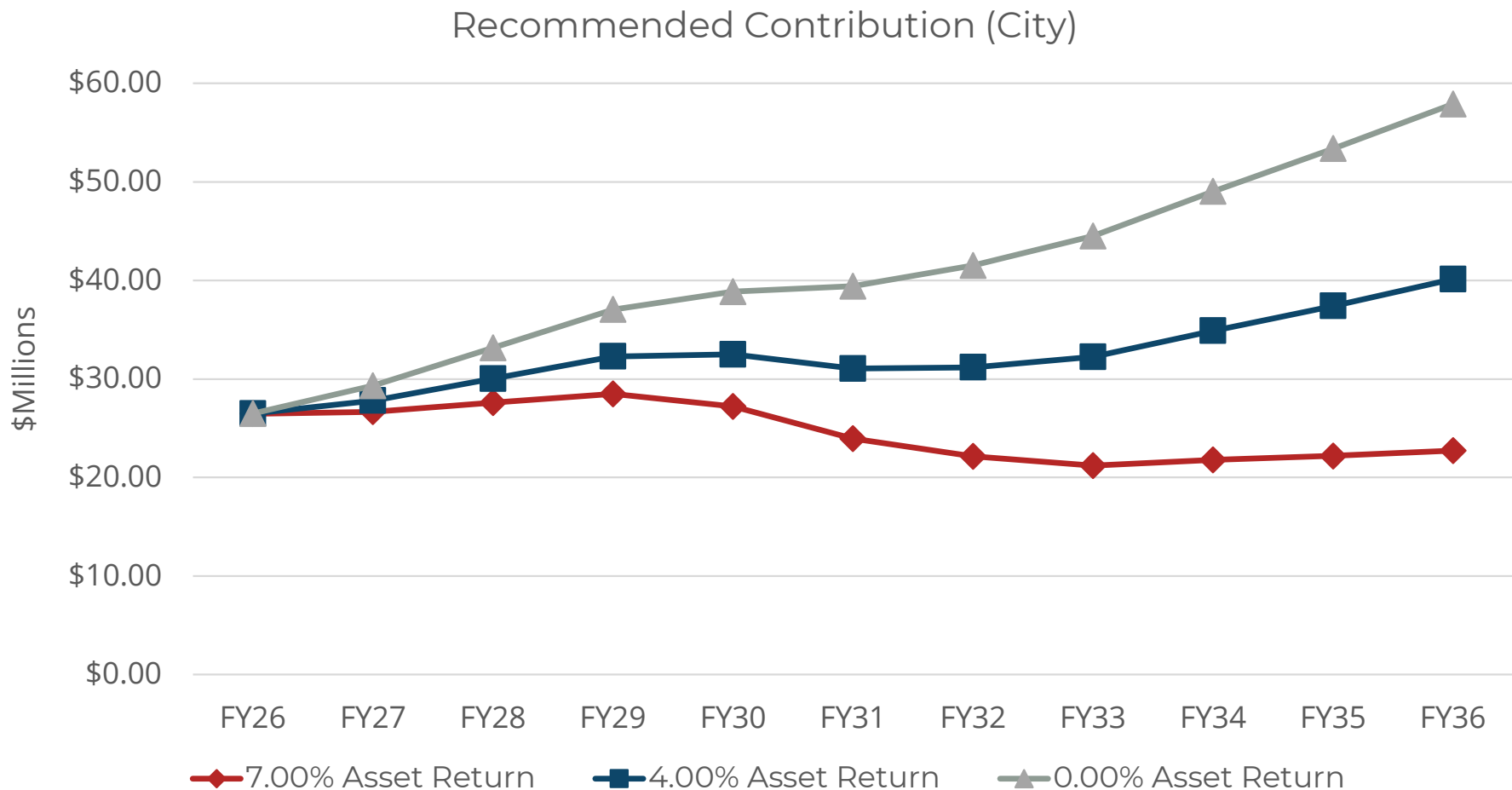


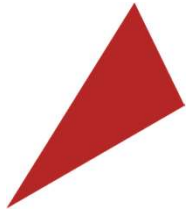
# Projection of Funded Percentage at 7.25%



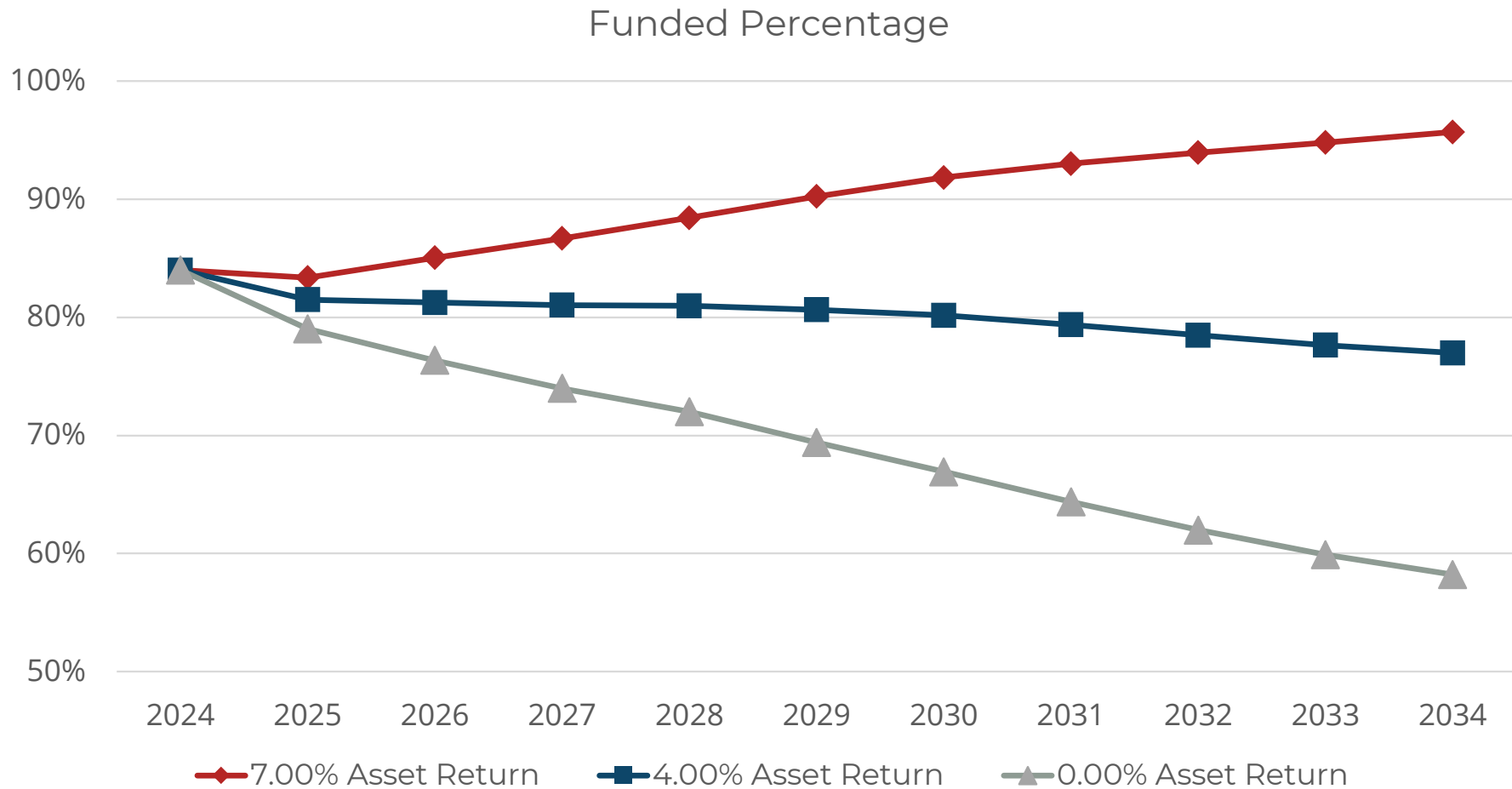


# Projection of Recommended Contribution at 7.00%





# Projection of Funded Percentage at 7.00%



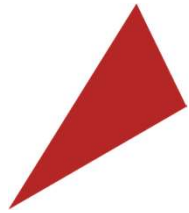


# Employee Contribution Rate

- We were recently asked by the City to review the current member contribution rate and determine if this rate is in-line with the actual cost of benefits.
- The current member contribution rate is 7.49% and has been in place for at least 20 years. This was set prior to Nyhart's involvement with the plan but we found historical information to support the development. Our findings show that the rate was based on a building block framework:

| Component               |              | Comments  |
|-------------------------|--------------|---|
| Basic contribution rate | 1.00%        | Set by policy; Florida law establishes a 0.5% minimum |
| 20 and out benefit      | 0.05%        | Likely a token amount for a de minimis impact         |
| COLA benefit            | 6.32%        | To pay for COLA enhancements granted in 1988 and 2000 |
| 68/85 modification      | 0.00%        | Paid for with state contributions                     |
| DROP benefits           | <u>0.12%</u> | Did not find support                                  |
| Total                   | 7.49%        |   |

- Our letter to the City used the same building block approach to determine if the 7.49% contribution rate remains in-line with the cost of benefits.
- We focused on the cost of providing COLA and DROP to current active members and avoiding having any prior costs of benefits paid for by current members.
- There are many considerations with setting member contributions, but our analysis did not find that the current rate was out-of-line with cost of benefits.



# Summary of Assumptions and Methods

| Assumption/Method     | Description   |
|-----------------------|---|
| Funding Interest Rate | 7.25% (net of investment expenses)  |
| Annual Pay Increases  | 2.50% plus merit scale (0.0% - 4.0%)  |
| Mortality Rates       | FRS Mortality Tables (based on 7/1/2024 FRS valuation)  |
| Retirement Rates      | Varies by service (e.g. 20% at 20 years of service, 35% at 25 years of service, 100% at 30 years of service)  |
| Withdrawal Rates      | Varies by service (e.g. 3% at less than 1 year of service, 1% at 5 years of service, 0% at 10+ years of service)  |
| Disability            | Varies by age (e.g. 0.79% at age 20, 0.28% at age 40, 0.47% at age 50). Seventy-five percent (75%) of disabilities are expected to be service-related.                              |
| COLA                  | Benefit amounts are assumed to increase 5% every 3 years  |
| Valuation Method      | Individual Entry Age Normal Cost Method. Fresh start of UAAL amortization over 20 years as of 9/30/2005. All new bases are to be amortized over 20 years from the date established. |
| Asset Method          | 20% (5-Year) Phase-In with 20% asset corridor. Reset Actuarial Value of Assets = Market Value as of 10/01/2024.   |
| Payroll Growth        | 1.33% (2.50%, limited by ten-year average of payroll growth)  |



# Certification

This report has been prepared for the primary purpose of summarizing the actuarial valuation for the City of Orlando Firefighter Pension Fund as of October 1, 2024. To the best of our knowledge, the reports summarized herein present fair positions of the funded status of the plan in accordance with the Actuarial Standards of Practice as described by the American Academy of Actuaries and are based on the plan provisions and assumptions summarized within each report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such facts as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or other additional cost or contribution requirement based on the plan's funded status); and changes in plan provisions of applicable law. The scope of our assignment did not include an analysis of the potential range of future measurements.

In preparing these results, Nyhart used ProVal valuation software developed by Winklevoss Technologies, LLC. This software is widely used for the purpose of performing pension valuations. We coded the plan provisions, assumptions, methods and participant data summarized in this report and reviewed the liability and cost outputs for reasonableness. We are not aware of any weakness or limitations in the software and have determined it is appropriate for performing this valuation.

Neither Nyhart nor any of its employees have any relationship with the plan or its sponsor which could impair or appear to impair the objectivity of this report. To the extent that this report or any attachment concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law.

The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

To our knowledge there have been no significant events prior to the current year's measurement date or as of the date of this report which could materially affect the results contained herein.

Nyhart



Kerry Sipe, ASA, EA



Samantha Olson, ASA, EA

April 11, 2025