



May 20, 2022

Mr. David M. Williams, Plan Administrator  
West Palm Beach Police Pension Fund  
2100 N. Florida Mango Road  
West Palm Beach, Florida 33409

**Re: West Palm Beach Police Pension Fund**

Dear Dave:

As requested, we have prepared the enclosed Supplemental Actuarial Valuation Report to illustrate the first-year impact of increasing the maximum period of DROP participation from 5 years (or upon attaining 30 years of service if earlier) to 8 years (or upon attaining 33 years of service if earlier).

With the exceptions described herein, all other assumptions, methods, benefit provisions, and data are the same as indicated in our September 30, 2021 Actuarial Valuation Report. This supplemental valuation does not include the cost associated with the proposed amendment to restore the 3% benefit multiplier for service from October 1, 2011 through September 30, 2017. The assumed retirement rates were changed to reflect the proposed extension of the maximum DROP participation. The revised retirement rates are summarized on page 5. If the proposed change is adopted, we recommend that the retirement rates be reviewed and revised periodically to reflect emerging experience.

#### **Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution**

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: Plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; 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 additional cost or contribution requirements based on the Plan's funded status); and changes in Plan provisions or applicable law. The scope of this report does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the Plan's future financial condition include:

1. Investment risk – actual investment returns may differ from the either assumed or forecasted returns;
2. Contribution risk – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the Plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
3. Salary and Payroll risk – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
4. Longevity risk – members may live longer or shorter than expected and receive pensions for a period of time other than assumed;
5. Other demographic risks – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example, if the investment return is less (or more) than the assumed rate, the cost of the Plan can be expected to increase (or decrease). Likewise if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

The computed contribution amounts may be considered as minimum contributions that comply with the pension Board's funding policy and the State statutes. The timely receipt of the actuarially determined contributions is critical to support the financial health of the Plan. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

#### **Additional Risk Assessment**

Additional risk assessment is outside the scope of this report. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability.

#### **Additional Disclosures**

This report was prepared at the request of the Board and is intended for use by the Retirement Plan and those designated or approved by them. This report may be provided to parties other than the Plan only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

This report is intended to describe the financial effect of the proposed changes on the Retirement Plan. Potential effects on other benefit plans were not considered. No statement in this report is intended to be interpreted as a recommendation in favor of the changes, or in opposition to them.



The study was performed on the basis of participant and financial data supplied by the Plan Administrator for the September 30, 2021 actuarial valuation. We checked for internal and year-to-year consistency, but did not audit this data. We are not responsible for the accuracy or completeness of the information provided by the Plan Administrator.

The measurement date used for calculating the financial effect of the proposed changes was September 30, 2021. The calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based upon present and proposed plan provisions that are outlined in the report. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the author of this report prior to relying on information in the report.

If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the author of the report prior to making such decision.

In the event that more than one change is being considered, it is very important to remember that the results of separate actuarial valuations cannot generally be added together to produce a correct estimate of the combined effect of all of the changes. The total can be considerably greater than the sum of the parts due to the interaction of various plan provisions with each other, and with the assumptions that must be used.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Jeffrey Amrose and Trisha Amrose are members of the American Academy of Actuaries. These actuaries meet the Academy's Qualification Standards to render the actuarial opinions contained herein.

The signing actuaries are independent of the plan sponsor.

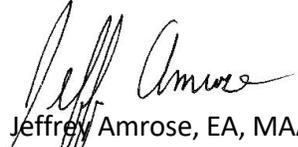
This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the Plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.



Mr. David M. Williams  
May 20, 2022  
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We welcome your questions and comments.

Sincerely yours,  
Gabriel, Roeder, Smith & Company

  
Jeffrey Amrose, EA, MAAA, FCA  
Senior Consultant & Actuary

  
Trisha Amrose, EA, MAAA, FCA  
Consultant & Actuary

Enclosures

This communication shall not be construed to provide tax advice, legal advice or investment advice.



# Supplemental Actuarial Valuation Report

## Plan

West Palm Beach Police Pension Fund

## Valuation Date

September 30, 2021

## Date of Report

May 20, 2022

## Report Requested by

Board of Trustees

## Prepared by

Gabriel, Roeder, Smith & Company

## Group Valued

All active and inactive members of the Plan.

## Plan Provisions Being Considered for Change

The maximum period of DROP participation would be increased from 5 years (or upon attaining 30 years of service if earlier) to 8 years (or upon attaining 33 years of service if earlier).

## Participants Affected

Future DROP members.

## Actuarial Assumptions and Methods

Same as used in the September 30, 2021 Actuarial Valuation Report, with the exception of the assumed rates of normal retirement:

- Increase the probability of retirement in the first year when reaching normal retirement eligibility from 45% to 65%.
- Increase the probability of retirement in the next two years after reaching normal retirement eligibility from 35% to 55%.
- Increase the probability of retirement in the third year after reaching normal retirement eligibility from 35% to 100%.
- Increase the initial retirement rate for members eligible for normal retirement as of the valuation date, September 30, 2021, to 85%.
- If the proposed change is adopted, we recommend that the retirement rates be reviewed and revised periodically to reflect emerging experience.

Some of the key assumptions/methods are:

Investment Return	7.00%
Salary increase	5.00% per year
Cost Method	Entry Age Normal



Mortality PUB-2010 Headcount Weighted Safety Below Median Employee Male Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Employee Female Table (pre-retirement), the PUB-2010 Headcount Weighted Safety Below Median Healthy Retiree Male Table (post-retirement) and the PUB-2010 Safety Healthy Retiree Female Table (post-retirement). These tables use ages set forward one year and mortality improvements to all future years after 2010 using Scale MP-2018. These are the same rates used for Special Risk Class members in the July 1, 2020 Actuarial Valuation of the Florida Retirement System (FRS), as required under Florida Statutes, Chapter 112.63(1)(f).

### **Amortization Period for Any Change in Actuarial Accrued Liability**

30 years

### **Summary of Data Used in Report**

See page 10.

### **Actuarial Impact of Proposal(s)**

See attached page(s) for the first-year impact of the proposed changes.

### **Other Cost Considerations**

This supplemental valuation does not include the cost associated with the proposed amendment to restore the 3% benefit multiplier for service from October 1, 2011 through September 30, 2017.

Potential impacts on other benefit plans were not considered.

The Actuarially Determined Contribution amounts in this supplemental valuation do not reflect any application of the Contribution Stabilization Reserve.

## Actuarially Determined Contribution (ADC)

A. Valuation Date	September 30, 2021 <i>Valuation</i>	September 30, 2021 <i>Extend Maximum DROP Participation to 8 Years</i>
B. ADC to Be Paid During Fiscal Year Ending	9/30/2023	9/30/2023
C. Assumed Date of Employer Contributions	Quarterly	Quarterly
D. Annual Payment to Amortize Unfunded Actuarial Accrued Liability (UAAL)	\$ 705,289	\$ 787,848
E. Normal Cost	7,182,678	7,243,190
F. Total Required Contribution if Paid Continuously During Year Beginning on Valuation Date	7,887,967	8,031,038
G. Covered Payroll	23,588,274	23,588,274
H. Total Required Contribution as % of Covered Payroll	33.44 %	34.05 %
I. Member Contribution as % of Covered Payroll	11.00 %	11.00 %
J. State Contribution as % of Covered Payroll	0.00 %	0.00 %
K. Required Employer Contribution (REC) as % of Covered Payroll	22.44 %	23.05 %
L. Projected Covered Payroll for Contribution Year	24,649,746	24,649,746
M. REC for Contribution Year: K x L	5,531,404	5,681,767
N. REC as % of Covered Payroll in Contribution Year: M ÷ L	22.44 %	23.05 %
O. Change in REC for Contribution Year	N/A	150,363
P. Change in REC as % of Covered Payroll in Contribution Year	N/A	0.61 %
<b>If the City Makes its Contribution on October 1st:</b>		
Q. REC for Contribution Year	5,347,410	5,492,772
R. REC as % of Covered Payroll in Contribution Year	21.69 %	22.28 %
S. Change in REC for Contribution Year	N/A	145,362
T. Change in REC as % of Covered Payroll in Contribution Year	N/A	0.59 %

## Actuarial Value of Benefits and Assets

A. Valuation Date	September 30, 2021 <i>Valuation</i>	September 30, 2021 <i>Extend Maximum DROP Participation to 8 Years</i>
B. Actuarial Present Value of All Projected Benefits for		
1. Active Members		
a. Service Retirement Benefits	\$ 155,195,321	\$ 153,731,253
b. Vesting Benefits	4,796,760	4,796,760
c. Disability Benefits	6,110,140	6,110,140
d. Preretirement Death Benefits	1,217,580	1,082,000
e. Return of Member Contributions	<u>516,195</u>	<u>513,064</u>
f. Total	167,835,996	166,233,217
2. Inactive Members		
a. Service Retirees & Beneficiaries	213,565,948	213,565,948
b. Terminated Vested Members	<u>3,434,980</u>	<u>3,434,980</u>
c. Total	217,000,928	217,000,928
3. Reserves and Share Plan / DROP Accounts	163,794,718	163,794,718
4. Total for All Members	548,631,642	547,028,863
C. Actuarial Accrued (Past Service) Liability	493,491,232	494,781,855
D. Actuarial Present Value of Accumulated Plan Benefits per FASB Statement No. 35	N/A	N/A
E. Plan Assets		
1. Market Value	485,338,602	485,338,602
2. Actuarial Value	485,338,602	485,338,602
F. Unfunded Actuarial Accrued Liability (UAAL)	8,152,630	9,443,253
G. Actuarial Present Value of Projected Covered Payroll	188,451,436	176,843,910
H. Actuarial Present Value of Projected Member Contributions	20,729,658	19,452,829
I. Funded Ratio: E2/C	98.3 %	98.1 %

## Calculation of Normal Cost

A. Valuation Date	September 30, 2021 <i>Valuation</i>	September 30, 2021 <i>Extend Maximum DROP Participation to 8 Years</i>
B. Normal Cost for		
1. Service Retirement Benefits	\$ 5,895,071	\$ 5,941,805
2. Vesting Benefits	327,195	333,396
3. Disability Benefits	435,314	443,203
4. Preretirement Death Benefits	72,107	68,355
5. Return of Member Contributions	<u>179,367</u>	<u>182,807</u>
6. Total for Future Benefits	6,909,054	6,969,566
As % of Covered Payroll	29.29 %	29.55 %
7. Assumed Amount for Administrative Expenses	<u>273,624</u>	<u>273,624</u>
As % of Covered Payroll	1.16 %	1.16 %
8. Total Normal Cost	7,182,678	7,243,190
As % of Covered Payroll	30.45 %	30.71 %

<b>Participant Data</b>		
	September 30, 2021 <i>Valuation</i>	September 30, 2021 <i>Extend Maximum DROP Participation to 8 Years</i>
<b>ACTIVE MEMBERS</b>		
Number	261	261
Covered Annual Payroll	\$ 23,074,804	\$ 23,074,804
Average Annual Payroll	\$ 88,409	\$ 88,409
Average Age	39.1	39.1
Average Past Service	10.8	10.8
Average Age at Hire	28.3	28.3
<b>RETIREES, BENEFICIARIES &amp; DROP PARTICIPANTS</b>		
Number	281	281
Annual Benefits	\$ 16,301,360	\$ 16,301,360
Average Annual Benefit	\$ 58,012	\$ 58,012
Average Age	64.3	64.3
<b>TERMINATED VESTED MEMBERS</b>		
Number	11	11
Annual Benefits	\$ 321,169	\$ 321,169
Average Annual Benefit	\$ 29,197	\$ 29,197
Average Age	44.4	44.4