

CITY OF WINTER GARDEN
PENSION PLAN FOR GENERAL EMPLOYEES

ACTUARIAL VALUATION
AS OF OCTOBER 1, 2024

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2026



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

April 23, 2025

Board of Trustees
City of Winter Garden
General Employees' Pension Board

Re: City of Winter Garden Pension Plan for General Employees

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Winter Garden Pension Plan for General Employees. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year. Use of the results for other purposes may not be applicable and may produce significantly different results.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Chapter 112, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in the valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

The funding percentages and unfunded accrued liability as measured based on the actuarial value of assets will differ from similar measures based on the market value of assets. These measures, as provided, are appropriate for determining the adequacy of future contributions, but may not be appropriate for the purpose of settling a portion or all of its liabilities. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope of the valuation, we did not perform an analysis of the potential range of such future measurements.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the City of Winter Garden, financial reports prepared by the custodian bank, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

Additionally, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models that apply the funding rules to generate the results. All internally developed models are reviewed as part of the valuation process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

In our opinion, the Minimum Required Contribution set forth in this report constitutes a reasonable actuarially determined contribution under Actuarial Standard of Practice No. 4.

The undersigned are familiar with the immediate and long-term aspects of pension valuations, and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Winter Garden, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the Pension Plan for General Employees. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact us at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By: 

Douglas H. Lozen, EA, MAAA
Enrolled Actuary #23-7778

By: 

Monica San Miguel

DHL/Ike

Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Winter Garden Pension Plan for General Employees, performed as of October 1, 2024, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ending September 30, 2026.

The contribution requirements, compared with those set forth in the October 1, 2023 actuarial valuation report, are as follows:

Valuation Date Applicable to Fiscal Year Ending	10/1/2024 <u>9/30/2026</u>	10/1/2023 <u>9/30/2025</u>
Minimum Required Contribution % of Projected Annual Payroll	23.29%	23.90%
Member Contributions (Est.) % of Projected Annual Payroll	2.50%	2.50%
City Required Contribution ¹ % of Projected Annual Payroll	20.79%	21.40%

¹ Please note that the City has access to a prepaid contribution of \$526,677.40 that is available to offset a portion of the above stated requirements for the fiscal year ending September 30, 2025.

As you can see, the Minimum Required Contribution shows a decrease when compared to the results set forth in the October 1, 2023 actuarial valuation report. The decrease as a percent of pay is mainly attributable to the increase in total payroll. The decrease was offset in part by unfavorable actuarial experience described in the next paragraph.

Plan experience was unfavorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial loss included an average salary increase of 8.67% which exceeded the 4.54% assumption, unfavorable turnover experience, and inactive mortality experience. These losses were offset in part by a gain associated with an investment return of 8.00% (Actuarial Asset Basis) which exceeded the 7.00% assumption.

CHANGES SINCE PRIOR VALUATION

Plan Changes

There have been no changes in benefits since the prior valuation.

Actuarial Assumption/Method Changes

There have been no assumption or method changes since the prior valuation.

CONTRIBUTION IMPACT OF ANNUAL CHANGES

(1) Contribution Determined as of October 1, 2023	21.40%
(2) Summary of Contribution Impact by component:	
Change in Normal Cost Rate	0.05%
Change in Administrative Expense Percentage	0.01%
Payroll Change Effect on UAAL Amortization	-1.27%
Investment Return (Actuarial Asset Basis)	-0.32%
Salary Increases	0.40%
Active Decrements	0.29%
Inactive Mortality	0.14%
UAAL Amortization Impact from Contribution Policy	0.00%
Assumption Change	0.00%
Other	<u>0.09%</u>
Total Change in Contribution	-0.61%
(3) Contribution Determined as of October 1, 2024	20.79%

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2024</u>	<u>10/1/2023</u>
A. Participant Data		
Actives	165	157
Service Retirees	92	84
DROP Retirees	0	2
Beneficiaries	8	7
Disability Retirees	2	2
Terminated Vested	<u>152</u>	<u>151</u>
 Total	 419	 403
 Projected Annual Payroll	 12,368,725	 10,968,146
 Annual Rate of Payments to:		
Service Retirees	2,096,909	1,874,519
DROP Retirees	0	92,612
Beneficiaries	101,895	93,062
Disability Retirees	35,745	35,745
Terminated Vested	594,134	563,208
 B. Assets		
Actuarial Value (AVA) ¹	40,721,427	37,467,869
Market Value (MVA) ¹	43,833,617	34,963,008
 C. Liabilities		
 Present Value of Benefits		
Actives		
Retirement Benefits	30,482,602	27,713,314
Disability Benefits	481,710	436,885
Death Benefits	290,551	265,396
Vested Benefits	5,014,256	4,530,827
Refund of Contributions	101,734	75,873
Service Retirees	21,419,502	19,214,300
DROP Retirees ¹	0	1,191,529
Beneficiaries	705,761	650,332
Disability Retirees	402,113	408,616
Terminated Vested	<u>3,049,712</u>	<u>2,814,819</u>
 Total	 61,947,941	 57,301,891

C. Liabilities - (Continued)	<u>10/1/2024</u>	<u>10/1/2023</u>
Present Value of Future Salaries	92,667,926	81,906,275
Present Value of Future Member Contributions	2,316,698	2,047,657
Normal Cost (Retirement)	1,093,855	970,685
Normal Cost (Disability)	23,705	21,026
Normal Cost (Death)	13,463	12,113
Normal Cost (Vesting)	312,827	274,820
Normal Cost (Refunds)	29,283	22,508
Total Normal Cost	<u>1,473,133</u>	<u>1,301,152</u>
Present Value of Future Normal Costs	9,923,040	8,730,950
Accrued Liability (Retirement)	22,954,082	21,053,699
Accrued Liability (Disability)	311,253	287,124
Accrued Liability (Death)	194,465	179,389
Accrued Liability (Vesting)	2,966,325	2,755,964
Accrued Liability (Refunds)	21,688	15,169
Accrued Liability (Inactives) ¹	<u>25,577,088</u>	<u>24,279,596</u>
Total Actuarial Accrued Liability (EAN AL)	52,024,901	48,570,941
Unfunded Actuarial Accrued Liability (UAAL)	11,303,474	11,103,072
Funded Ratio (AVA / EAN AL)	78.3%	77.1%

D. Actuarial Present Value of Accrued Benefits	<u>10/1/2024</u>	<u>10/1/2023</u>
Vested Accrued Benefits		
Inactives ¹	25,577,088	24,279,596
Actives	13,093,306	11,663,867
Member Contributions	<u>1,702,661</u>	<u>1,546,425</u>
Total	40,373,055	37,489,888
Non-vested Accrued Benefits	<u>1,731,102</u>	<u>1,469,915</u>
Total Present Value		
Accrued Benefits (PVAB)	42,104,157	38,959,803
Funded Ratio (MVA / PVAB)	104.1%	89.7%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
Plan Experience	2,827,447	
Benefits Paid	(2,328,772)	
Interest	2,645,679	
Other	<u>0</u>	
Total	3,144,354	

Valuation Date	10/1/2024	10/1/2023
Applicable to Fiscal Year Ending	<u>9/30/2026</u>	<u>9/30/2025</u>

E. Pension Cost

Normal Cost (with interest) % of Projected Annual Payroll ²	12.33	12.28
Administrative Expenses (with interest) % of Projected Annual Payroll ²	0.40	0.39
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 15 years (as of 10/1/2024, with interest) % of Projected Annual Payroll ²	10.56	11.23
Minimum Required Contribution % of Projected Annual Payroll ²	23.29	23.90
Expected Member Contributions % of Projected Annual Payroll ²	2.50	2.50
Expected City Contribution % of Projected Annual Payroll ²	20.79	21.40

F. Past Contributions

Plan Years Ending:	<u>9/30/2024</u>
Total Required Contribution	2,629,381
City Requirement	2,321,346
Actual Contributions Made:	
Members (excluding buyback)	308,034
City	<u>2,321,346</u>
Total	2,629,380

G. Net Actuarial (Gain)/Loss 698,692

¹ The asset values and liabilities include accumulated DROP Plan Balances as of 9/30/2024 and 9/30/2023.

² Contributions developed as of 10/1/2024 are expressed as a percentage of Projected Annual Payroll at 10/1/2024 of \$12,368,725.

H. Schedule Illustrating the Amortization of the Total Unfunded Actuarial Accrued Liability as of:

<u>Year</u>	<u>Projected Unfunded Actuarial Accrued Liability</u>
2024	11,303,474
2025	10,744,653
2026	10,146,715
2029	8,089,841
2033	4,609,924
2036	1,307,040
2039	0

I. (i) 5 Year Comparison of Actual and Assumed Salary Increases

	<u>Actual</u>	<u>Assumed</u>
Year Ended 9/30/2024	8.67%	4.54%
Year Ended 9/30/2023	19.49%	4.51%
Year Ended 9/30/2022	10.74%	4.51%
Year Ended 9/30/2021	1.19%	5.18%
Year Ended 9/30/2020	6.03%	5.24%

(ii) 5 Year Comparison of Investment Return on Market Value and Actuarial Value

	<u>Market Value</u>	<u>Actuarial Value</u>	<u>Assumed</u>
Year Ended 9/30/2024	24.39%	8.00%	7.00%
Year Ended 9/30/2023	11.83%	3.61%	7.00%
Year Ended 9/30/2022	-16.32%	4.48%	7.00%
Year Ended 9/30/2021	19.15%	9.84%	7.25%
Year Ended 9/30/2020	7.24%	7.57%	7.25%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2024	\$12,368,725
	10/1/2014	6,561,921
(b) Total Increase		88.49%
(c) Number of Years		10.00
(d) Average Annual Rate		6.54%

STATEMENT BY ENROLLED ACTUARY

This actuarial valuation was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.



Douglas H. Lozen, EA, MAAA
Enrolled Actuary #23-7778

Please let us know when the report is approved by the Board and unless otherwise directed we will provide a copy of the report to the following office to comply with Chapter 112 Florida Statutes:

Mr. Keith Brinkman
Bureau of Local
Retirement Systems
Post Office Box 9000
Tallahassee, FL 32315-9000

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

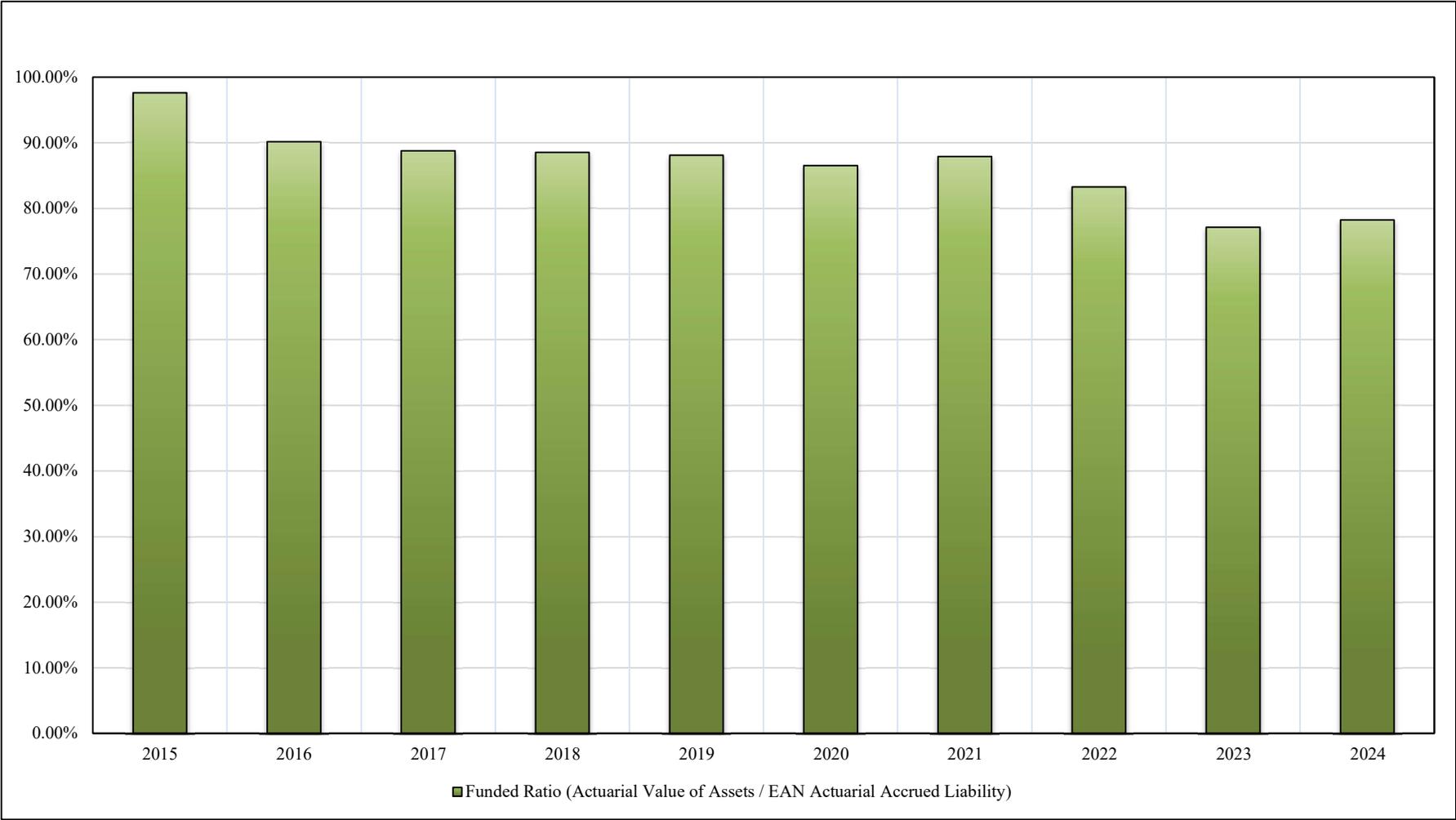
(1)	Unfunded Actuarial Accrued Liability as of October 1, 2023	\$11,103,072
(2)	Sponsor Normal Cost developed as of October 1, 2023	1,026,948
(3)	Expected administrative expenses for the year ended September 30, 2024	40,939
(4)	Expected interest on (1), (2) and (3)	850,534
(5)	Sponsor contributions to the System during the year ended September 30, 2024	2,321,346
(6)	Expected interest on (5)	95,365
(7)	Expected Unfunded Actuarial Accrued Liability as of September 30, 2024 (1)+(2)+(3)+(4)-(5)-(6)	10,604,782
(8)	Change to UAAL due to Assumption Change	0
(9)	Change to UAAL due to Actuarial (Gain)/Loss	698,692
(10)	Unfunded Actuarial Accrued Liability as of October 1, 2024	11,303,474

<u>Type of Base</u>	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2024 Amount</u>	<u>Amortization Amount</u>
Consolidation Base	10/1/2021	12	4,145,966	487,837
Actuarial Loss	10/1/2022	13	2,418,475	270,442
Actuarial Loss	10/1/2023	14	4,040,341	431,769
Actuarial Loss	10/1/2024	15	698,692	71,694
			11,303,474	1,261,742

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2023	\$11,103,072
(2) Expected UAAL as of October 1, 2024	10,604,782
 (3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(376,937)
Salary Increases	469,580
Active Decrements	333,958
Inactive Mortality	162,183
Other	<u>109,908</u>
Increase in UAAL due to (Gain)/Loss	698,692
Assumption Changes	<u>0</u>
 (4) Actual UAAL as of October 1, 2024	 \$11,303,474

HISTORY OF FUNDING PROGRESS



ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Active Lives:

Female: PubG.H-2010 for Employees.

Male: PubG.H-2010 for Employees, set back one year.

Healthy Retiree Lives:

Female: PubG.H-2010 for Healthy Retirees.

Male: PubG.H-2010 for Healthy Retirees, set back one year.

Beneficiary Lives:

Female: PubG.H-2010 for Healthy Retirees.

Male: PubG.H-2010 for Healthy Retirees, set back one year.

Disabled Lives:

PubG.H-2010 for Disabled Retirees, set forward three years.

All rates for healthy lives are projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accommodates future mortality improvements.

The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2023 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

Interest Rate

7.00% per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Salary Increases

Salary Scale	
Service	Rate
First Year	8.00%
1-4	5.00%
5+	4.00%

This assumption was approved in conjunction with an actuarial experience dated September 3, 2021.

Payroll Growth

0.00% for purposes of amortizing the Unfunded Actuarial Accrued Liability. This assumption cannot exceed the ten-year average payroll growth, in compliance with Part VII of Chapter 112, Florida Statutes.

Administrative Expenses

\$47,499 annually, based on the average of actual expenses incurred in the prior two fiscal years.

Amortization Method

New UAAL amortization bases are amortized over the following amortization periods:

Experience: 15 Years.

Assumption/Method Changes: 15 Years.

Benefit Changes: 15 Years.

The amortization payment is subject to a minimum based on a 30-year amortization of the UAAL, if the UAAL is positive, in order to comply with Actuarial Standard of Practice No. 4.

Bases established prior to the valuation date are adjusted proportionally to match the Expected Unfunded Actuarial Accrued Liability as of the valuation date, in order to align prior year bases with the portion of the current year UAAL associated with prior year sources.

Funding Method

Entry Age Normal Actuarial Cost Method. The following loads are applied for determining the minimum required contribution:

Interest - A half year, based on current 7.00% assumption.

Salary - None.

Low-Default-Risk Obligation Measure

Based on the Entry Age Normal Actuarial Cost Method and an interest rate of 4.06% per year compounded annually, net of investment related expenses. This rate is consistent with the Yield to Maturity of the S&P Municipal Bond 20-Year High Grade Rate Index as of September 30, 2024. All other assumptions for the Low-Default-Risk Obligation Measure are consistent with the assumptions shown in this section unless otherwise noted.

Actuarial Value of Assets

The Actuarial Value of Assets utilizes a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.

Normal Retirement Rates

<u>% Retiring During the Year (< 30 Years of Service)</u>		<u>% Retiring During the Year (30+ Years of Service)</u>	
<u>Years Following First Eligibility</u>	<u>Rate</u>	<u>Years Following First Eligibility</u>	<u>Rate</u>
< 4	30.0%	0	65.0%
4-6	25.0%	1-4	25.0%
7+	100.0%	5+	100.0%

This assumption was approved in conjunction with an actuarial experience dated September 3, 2021.

Early Retirement Rates

Members are assumed to retire with an immediate subsidized benefit at the rate of 5.00% per year.

This assumption was approved in conjunction with an actuarial experience dated September 3, 2021.

Termination Rates

<u>% Terminating During the Year</u>	
<u>Service</u>	<u>Rate</u>
First Year	20.0%
1-3	15.0%
4-6	10.0%
7-24	5.0%
25+	0.0%

This assumption was approved in conjunction with an actuarial experience dated September 3, 2021.

Disability Rates

% Becoming Disabled During the Year	
<u>Age</u>	<u>Rate</u>
20	0.01%
25	0.02%
30	0.02%
35	0.03%
40	0.04%
45	0.06%
50	0.10%
55	0.19%
60	0.33%

This assumption was reviewed in conjunction with an actuarial experience study as of September 3, 2021.

Cost of Living Adjustments

None.

Terminal Leave Pay

<u>Present Value of Retirement Liability</u>	<u>Percentage Increase to Liability (Hired Before October 1, 2000)</u>	<u>Percentage Increase to Liability (Hired After September 30, 2000)</u>
Normal	6.0%	3.0%
Early	3.0%	1.5%
Vesting	3.0%	1.5%
Death	3.0%	1.5%
Disability	3.0%	1.5%

The assumed rates are based on data provided by the City. Also, no liability increases are utilized for Members hired after June 30, 2011.

GLOSSARY

Actuarial Value of Assets is the asset value used in the valuation to determine contribution requirements. It represents the plan's Market Value of Assets (see below), with adjustments according to the plan's Actuarial Asset Method. These adjustments produce a "smoothed" value that is likely to be less volatile from year to year than the Market Value of Assets.

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

(a) The normal cost accrual rate equals:

(i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by

(ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.

(b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

(c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

(d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

Market Value of Assets is the fair market value of plan assets as of the valuation date. This amount may be adjusted to produce an Actuarial Value of Assets for plan funding purposes.

Normal (Current Year's) Cost is the current year's cost for benefits yet to be funded. Under the Entry Age Normal cost method, it is determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.

Payroll Under Assumed Ret. Age is the projected annual rate of pay for the fiscal year beginning on the valuation date of all covered Members, excluding any Members who are assumed to retire with 100% probability on the valuation date.

Projected Annual Payroll is the projected annual rate of pay for the fiscal year following the fiscal year beginning on the valuation date of all covered Members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current plan participants.

Total Annual Payroll is the projected annual rate of pay for the fiscal year beginning on the valuation date of all covered Members.

Total Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability over no more than 30 years. The required amount is adjusted for interest according to the timing of contributions during the year.

Unfunded Actuarial Accrued Liability (UAAL) is the difference between the actuarial accrued liability (described above) and the Actuarial Value of Assets. Under the Entry Age Normal Actuarial Cost Method, an actuarial gain or loss, based on actual versus expected UAAL, is determined in conjunction with each valuation of the plan.

DISCUSSION OF RISK

ASOP No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions, states that the actuary should identify risks that, in the actuary's professional judgment, may reasonably be anticipated to significantly affect the plan's future financial condition.

Throughout this report, actuarial results are determined using various actuarial assumptions. These results are based on the premise that all future plan experience will align with the plan's actuarial assumptions; however, there is no guarantee that actual plan experience will align with the plan's assumptions. It is possible that actual plan experience will differ from anticipated experience in an unfavorable manner that will negatively impact the plan's funded position.

Below are examples of ways in which plan experience can deviate from assumptions and the potential impact of that deviation. Typically, this results in an actuarial gain or loss representing the current-year financial impact on the plan's unfunded liability of the experience differing from assumptions; this gain or loss is amortized over a period of time determined by the plan's amortization method. When assumptions are selected that adequately reflect plan experience, gains and losses typically offset one another in the long term, resulting in a relatively low impact on the plan's contribution requirements associated with plan experience. When assumptions are too optimistic, losses can accumulate over time and the plan's amortization payment could potentially grow to an unmanageable level.

- Investment Return: When the rate of return on the Actuarial Value of Assets falls short of the assumption, this produces a loss representing assumed investment earnings that were not realized. Further, it is unlikely that the plan will experience a scenario that matches the assumed return in each year as capital markets can be volatile from year to year. Therefore, contribution amounts can vary in the future.
- Salary Increases: When a plan participant experiences a salary increase that was greater than assumed, this produces a loss representing the cost of an increase in anticipated plan benefits for the participant as compared to the previous year. The total gain or loss associated with salary increases for the plan is the sum of salary gains and losses for all active participants.
- Demographic Assumptions: Actuarial results take into account various potential events that could happen to a plan participant, such as retirement, termination, disability, and death. Each of these potential events is assigned a liability based on the likelihood of the event and the financial consequence of the event for the plan. Accordingly, actuarial liabilities reflect a blend of financial consequences associated with various possible outcomes (such as retirement at one of various possible ages). Once the outcome is known (e.g. the participant retires) the liability is adjusted to reflect the known outcome. This adjustment produces a gain or loss depending on whether the outcome was more or less favorable than other outcomes that could have occurred.

Impact of Plan Maturity on Risk

For newer pension plans, most of the participants and associated liabilities are related to active members who have not yet reached retirement age. As pension plans continue in operation and active members reach retirement ages, liabilities begin to shift from being primarily related to active members to being shared amongst active and retired members. Plan maturity is a measure of the extent to which this shift has occurred. It is important to understand that plan maturity can have an impact on risk tolerance and the overall risk characteristics of the plan. For example, closed plans with a large amount of retired liability do not have as long of a time horizon to recover from losses (such as losses on investments due to lower than expected investment returns) as plans where the majority of the liability is attributable to active members. For this reason, less tolerance for investment risk may be warranted for highly mature closed plans with a substantial inactive liability. Similarly, mature closed plans paying substantial retirement benefits resulting in a small positive or net negative cash flow can be more sensitive to near term investment volatility, particularly if the size of the fund is shrinking, which can result in less assets being available for investment in the market.

To assist with determining the maturity of the plan, we have provided some relevant metrics in the table following titled “Plan Maturity Measures and Other Risk Metrics”. Highlights of this information are discussed below:

- The Support Ratio, determined as the ratio of active to inactive members, has decreased from 114.9% on October 1, 2014 to 103.1% on October 1, 2024, indicating that the plan has been maturing during the period.
- The Accrued Liability Ratio, determined as the ratio of the Inactive Accrued Liability, which is the liability associated with members who are no longer employed but are due a benefit from the plan, to the Total Accrued Liability, is 49.2%. With a plan of this maturity, losses due to lower than expected investment returns or demographic factors may result in lower volatility in contribution requirements when compared to a more mature plan. Please note Chapter 112, Florida Statutes, requires that the plan sponsor contributes the minimum required contribution; thus, there is minimal solvency risk to the plan.
- The Funded Ratio, determined as the ratio of the Actuarial Value of Assets to the Total Accrued Liability, has decreased from 94.5% on October 1, 2014 to 78.3% on October 1, 2024.
- The Net Cash Flow Ratio, determined as the ratio of the Net Cash Flow (contributions minus benefit payments and administrative expenses) to the Market Value of Assets, increased from -1.1% on October 1, 2014 to 0.6% on October 1, 2024. The current Net Cash Flow Ratio of 0.6% indicates that contributions are generally covering the plan's benefit payments and administrative expenses.

Low Default-Risk Obligation Measure

ASOP No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, was revised as of December 2021 to include a “low-default-risk obligation measure” (LDROM). This liability measure is consistent with the determination of the actuarial accrued liability shown on page 10 in terms of member data, plan provisions, and assumptions/methods, under the Entry Age Normal Cost Method, except that the interest rate is tied to low-default-risk fixed income securities. The S&P Municipal Bond 20 Year High Grade Rate Index (daily rate closest to, but not later than, the measurement date) was selected to represent a current market rate of low risk but longer-term investments that could be included in a low-risk asset portfolio. The interest rate used in this valuation was 4.06%, resulting in an LDROM of \$77,068,181. The LDROM should not be considered the “correct” liability measurement; it simply shows a possible outcome if the Board elected to hold a very low risk asset portfolio. The Board actually invests the pension plan’s contributions in a diversified portfolio of stocks and bonds and other investments with the objective of maximizing investment returns at a reasonable level of risk. Consequently, the difference between the plan’s Actuarial Accrued Liability disclosed earlier in this section and the LDROM can be thought of as representing the expected taxpayer savings from investing in the plan’s diversified portfolio compared to investing only in high quality bonds.

The actuarial valuation reports the funded status and develops contributions based on the expected return of the plan’s investment portfolio. If instead, the plan switched to investing exclusively in high quality bonds, the LDROM illustrates that reported funded status would be lower (which also implies that the Actuarially Determined Contributions would be higher), perhaps significantly. Unnecessarily high contribution requirements in the near term may not be affordable and could imperil plan sustainability and benefit security.

It is important to note that the actuary has identified the risks above as the most significant risks based on the characteristics of the plan and the nature of the project, however, it is not an exhaustive list of potential risks that could be considered. Additional advanced modeling, as well as the identification of additional risks, can be provided at the request of the audience addressed on page 2 of this report.

PLAN MATURITY MEASURES AND OTHER RISK METRICS

	<u>10/1/2024</u>	<u>10/1/2023</u>	<u>10/1/2019</u>	<u>10/1/2014</u>
<u>Support Ratio</u>				
Total Actives	165	157	156	131
Total Inactives ¹	160	154	130	114
Actives / Inactives ¹	103.1%	101.9%	120.0%	114.9%
 <u>Asset Volatility Ratio</u>				
Market Value of Assets (MVA)	43,833,617	34,963,008	30,162,069	22,902,812
Total Annual Payroll	12,891,931	11,514,480	9,075,277	6,606,670
MVA / Total Annual Payroll	340.0%	303.6%	332.4%	346.7%
 <u>Accrued Liability (AL) Ratio</u>				
Inactive Accrued Liability	25,577,088	24,279,596	17,302,077	12,595,506
Total Accrued Liability (EAN)	52,024,901	48,570,941	34,343,555	22,413,373
Inactive AL / Total AL	49.2%	50.0%	50.4%	56.2%
 <u>Funded Ratio</u>				
Actuarial Value of Assets (AVA)	40,721,427	37,467,869	30,263,004	21,170,068
Total Accrued Liability (EAN)	52,024,901	48,570,941	34,343,555	22,413,373
AVA / Total Accrued Liability (EAN)	78.3%	77.1%	88.1%	94.5%
 <u>Net Cash Flow Ratio</u>				
Net Cash Flow ²	245,285	(505)	(178,744)	(260,547)
Market Value of Assets (MVA)	43,833,617	34,963,008	30,162,069	22,902,812
Ratio	0.6%	0.0%	-0.6%	-1.1%

¹ Excludes terminated participants awaiting a refund of member contributions.

² Determined as total contributions minus benefit payments and administrative expenses.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2024

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	1,113,327.14	1,113,327.14
Total Cash and Equivalents	1,113,327.14	1,113,327.14
Receivables:		
Member Contributions in Transit	2,608.41	2,608.41
City Contributions in Transit	583,088.88	583,088.88
Investment Income	43,077.32	43,077.32
Total Receivable	628,774.61	628,774.61
Investments:		
U. S. Bonds and Bills	3,763,623.09	3,746,762.60
Federal Agency Guaranteed Securities	3,732,284.56	3,860,754.27
Corporate Bonds	974,852.16	926,892.50
Stocks	10,296,353.13	13,732,293.76
Mutual Funds:		
Equity	11,131,431.95	18,025,492.38
Pooled/Common/Commingled Funds:		
Real Estate	2,147,505.00	2,372,660.00
Total Investments	32,046,049.89	42,664,855.51
Total Assets	33,788,151.64	44,406,957.26
<u>LIABILITIES</u>		
Payables:		
Refunds of Member Contributions	1,561.85	1,561.85
Investment Expenses	24,211.12	24,211.12
Administrative Expenses	7,192.40	7,192.40
Prepaid Member Contribution	13,697.88	13,697.88
Prepaid City Contribution	526,677.40	526,677.40
Total Liabilities	573,340.65	573,340.65
NET POSITION RESTRICTED FOR PENSIONS	33,214,810.99	43,833,616.61

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2024
Market Value Basis

ADDITIONS

Contributions:		
Member		308,034.29
City		2,321,346.41
Total Contributions		2,629,380.70
Investment Income:		
Net Realized Gain (Loss)	35,420.52	
Unrealized Gain (Loss)	7,537,873.29	
Net Increase in Fair Value of Investments		7,573,293.81
Interest & Dividends		1,207,776.37
Less Investment Expense ¹		(155,747.30)
Net Investment Income		8,625,322.88
Total Additions		11,254,703.58

DEDUCTIONS

Distributions to Members:		
Benefit Payments		2,065,662.06
Lump Sum DROP Distributions		138,960.83
Lump Sum PLOP Distributions		91,774.58
Refunds of Member Contributions		32,374.12
Total Distributions		2,328,771.59
Administrative Expense		55,323.64
Total Deductions		2,384,095.23
Net Increase in Net Position		8,870,608.35
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		34,963,008.26
End of the Year		43,833,616.61

¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

City of Winter Garden Pension Plan for General Employees

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS AS OF SEPTEMBER 30

	2024	2025	2026	2027	2028
A. Preliminary Actuarial Value Prior Year	37,467,869				
B. Market Value Beginning of Year	34,963,008				
C. Market Value End of Year	43,833,617				
D. Non-investment net cash flow	245,285				
E. Investment Return					
1. Actual market return net of investment expenses: C - B - D	8,625,323				
2. Expected return of 7.00%: (B + D/2) * 0.07	2,455,996				
3. Excess/(shortfall): E1 - E2	6,169,327				
F. Phased-in recognition of Investment Return					
1. Current year: 20% of E3	1,233,865				
2. 20% from first prior year	307,735	1,233,865			
3. 20% from second prior year	(1,756,079)	307,735	1,233,865		
4. 20% from third prior year	765,680	(1,756,079)	307,735	1,233,865	
5. 20% from fourth prior year	1,076	765,679	(1,756,081)	307,737	1,233,867
6. Total phased in investment return	552,277	551,200	(214,481)	1,541,602	1,233,867
G. Actuarial Value (AV) End of Year					
1. Preliminary AV end of year: A + D + E2 + F6	40,721,427				
2. Upper corridor limit: 120% * C	52,600,340				
3. Lower corridor limit: 80% * C	35,066,893				
4. Actuarial value end of year	40,721,427				
H. Difference between MV and AV:	3,112,190				
I. Net Investment Income:					
1. Interest and Dividends	1,207,776				
2. Realized Gain (Loss)	35,421				
3. Unrealized Gain (Loss)	7,537,873				
4. Change in Actuarial Value	(5,617,050)				
5. Investment Expenses	(155,747)				
	<u>3,008,273</u>				
Actuarial Assets Rate of Return = 2I/(A+G-I):	8.00%				
Market Value of Assets Rate of Return:	24.39%				
Actuarial Gain/(Loss) due to Investment Return: (Actuarial Asset Basis)	376,937				

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2024
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	308,034.29	
City	2,321,346.41	
Total Contributions		2,629,380.70
Earnings from Investments:		
Interest & Dividends	1,207,776.37	
Net Realized Gain (Loss)	35,420.52	
Unrealized Gain (Loss)	7,537,873.29	
Change in Actuarial Value	(5,617,049.88)	
Total Earnings and Investment Gains		3,164,020.30

EXPENDITURES

Distributions to Members:		
Benefit Payments	2,065,662.06	
Lump Sum DROP Distributions	138,960.83	
Lump Sum PLOP Distributions	91,774.58	
Refunds of Member Contributions	32,374.12	
Total Distributions		2,328,771.59
Expenses:		
Investment related ¹	155,747.30	
Administrative	55,323.64	
Total Expenses		211,070.94
Change in Net Assets for the Year		3,253,558.47
Net Assets Beginning of the Year		37,467,868.64
Net Assets End of the Year²		40,721,427.11

¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

²Net Assets may be limited for actuarial consideration.

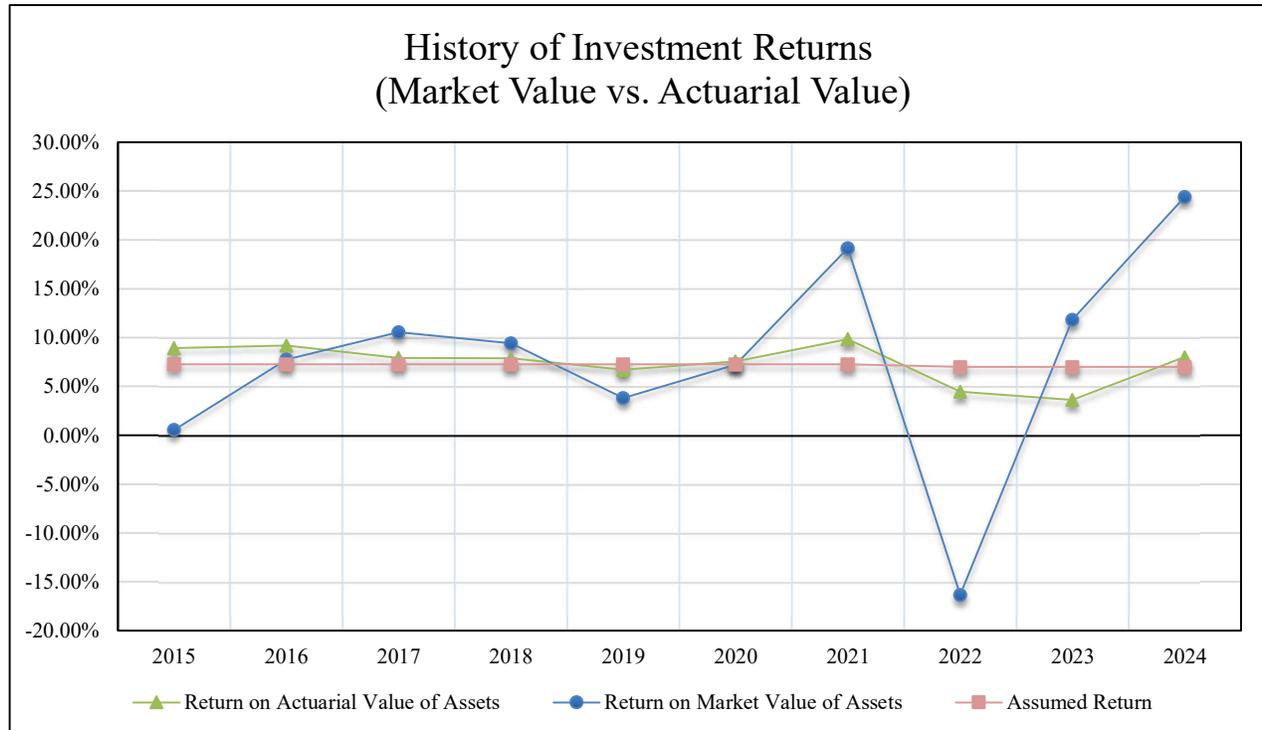
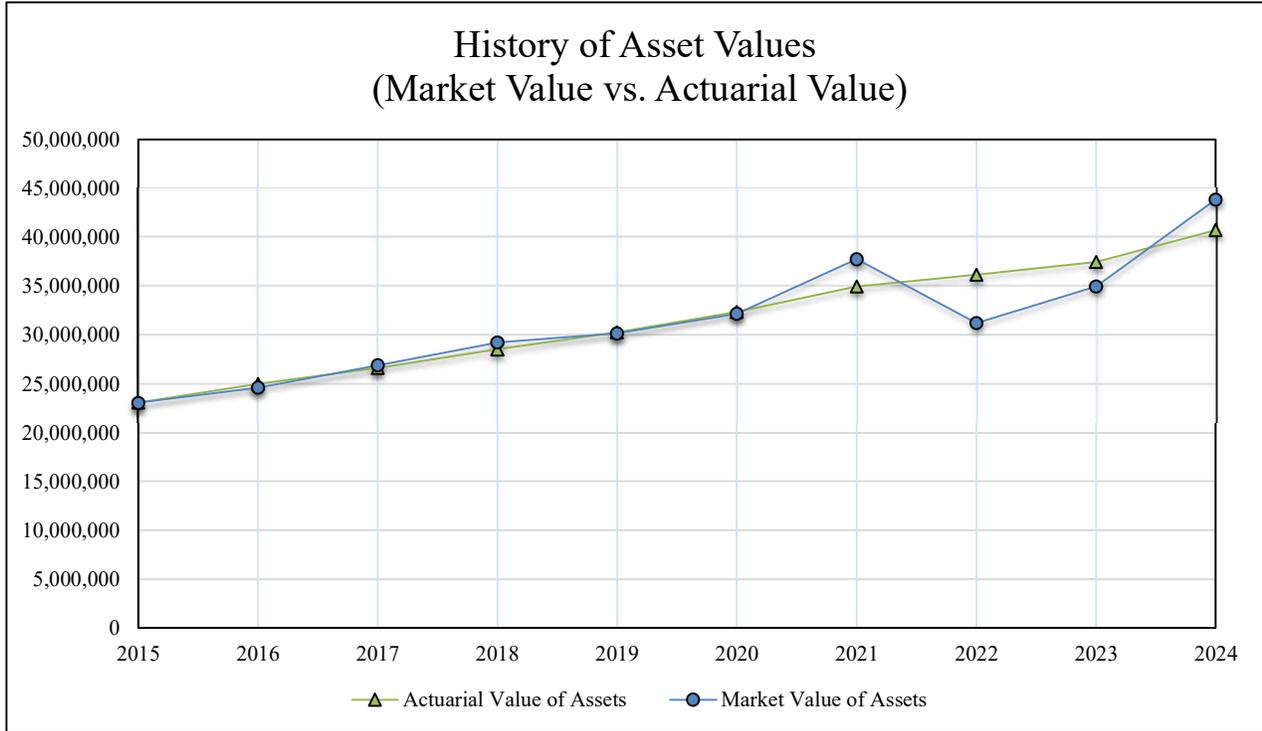
DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2023 to September 30, 2024

Beginning of the Year Balance	55,578.49
Plus Additions	69,458.94
Investment Return Earned	13,923.40
Less Distributions	(138,960.83)
End of the Year Balance	0.00

RECONCILIATION OF CITY SHORTFALL/(PREPAID) CONTRIBUTION
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2024

(1)	City Required Contribution Rate	18.84%
(2)	Pensionable Payroll Derived from Member Contributions	\$12,321,371.60
(3)	City Required Contribution (1) x (2)	2,321,346.41
(4)	Equals Required City Contribution for Fiscal 2024	2,321,346.41
(5)	Less 2023 Prepaid Contribution	(403,374.88)
(6)	Less Actual City Contributions	<u>(2,444,648.93)</u>
(7)	Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2024	(\$526,677.40)

HISTORY OF ASSET VALUES AND INVESTMENT RETURNS



STATISTICAL DATA

	<u>10/1/2024</u>	<u>10/1/2023</u>	<u>10/1/2022</u>	<u>10/1/2021</u>
<u>Actives</u>				
Number	165	157	149	160
Average Current Age	46.4	46.9	47.7	46.5
Average Age at Employment	38.1	38.4	38.8	38.3
Average Past Service	8.3	8.5	8.9	8.2
Average Annual Salary	\$78,133	\$73,341	\$65,629	\$60,169
<u>Service Retirees</u>				
Number	92	84	80	76
Average Current Age	70.6	70.7	70.1	69.8
Average Annual Benefit	\$22,792	\$22,316	\$21,932	\$20,550
<u>DROP Retirees</u>				
Number	0	2	2	1
Average Current Age	N/A	62.1	65.7	63.7
Average Annual Benefit	N/A	\$46,306	\$35,101	\$61,747
<u>Beneficiaries</u>				
Number	8	7	7	7
Average Current Age	70.7	68.5	70.5	69.5
Average Annual Benefit	\$12,737	\$13,295	\$10,945	\$10,945
<u>Disability Retirees</u>				
Number	2	2	2	2
Average Current Age	67.2	66.2	65.2	64.2
Average Annual Benefit	\$17,873	\$17,873	\$17,873	\$17,873
<u>Terminated Vested</u>				
Number	152	151	146	131
Average Current Age ¹	52.1	51.2	52.5	51.9
Average Annual Benefit ¹	\$10,244	\$9,546	\$9,392	\$9,472

¹ The Average Current Age and Average Annual Benefit exclude participants awaiting a refund of contributions.

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19												0
20 - 24	1	4	4									9
25 - 29	3	3	2	1	1							10
30 - 34	5	2	6	1			1					15
35 - 39	4			1	1	4	3					13
40 - 44	1	2	1	1	3	11	2	4				25
45 - 49	1	3				5	3	3	2	1		18
50 - 54	4	2	1		1	8	5	5	1		1	28
55 - 59	1	2		2		3	4	4	2	1	1	20
60 - 64	2		3	3	2	3	1	2	2	1		19
65+							4	4				8
Total	22	18	17	9	8	34	23	22	7	3	2	165

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2023	157
b. Terminations	
i. Vested (partial or full) with deferred annuity	(2)
ii. Vested in refund of member contributions only	(3)
iii. Refund of member contributions or full lump sum distribution	(6)
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	(6)
f. DROP	<u>0</u>
g. Continuing participants	140
h. New entrants / Rehires	<u>25</u>
i. Total active life participants in valuation	165

2. Non-Active lives (including beneficiaries receiving benefits)

	Service Retirees, Vested Receiving	DROP Benefits	Receiving Death Benefits	Receiving Disability Benefits	Vested (Deferred Annuity)	Vested (Due Refund)	Total
a. Number prior valuation	84	2	7	2	67	84	246
Retired	10	(2)			(2)		6
DROP							0
Vested (Deferred Annuity)					2		2
Vested (Due Refund)						3	3
Hired/Terminated in Same Year						3	3
Death, With Survivor	(1)		1				0
Death, No Survivor	(1)						(1)
Disabled							0
Refund of Contributions					(1)	(4)	(5)
Rehires							0
Expired Annuities							0
Data Corrections					(8)	8	0
b. Number current valuation	92	0	8	2	58	94	254

SUMMARY OF CURRENT PLAN
(Through Ordinance No. 22-02)

<u>Eligibility</u>	Full-time General Employees participate in the Plan as a condition of employment unless they have chosen to opt out and participate in the City's Defined Contribution Plan.
<u>Credited Service</u>	Total years and fractional parts of years of employment with the City as a General Employee.
<u>Salary</u>	Gross Compensation for services rendered to the City as a General Employee. Effective July 1, 2011, overtime is limited to 300 hours per calendar year. Additionally, accruals of unused sick and annual leave payments are not considered for benefit purposes after June 30, 2011.
<u>Average Final Compensation</u>	Average Salary for the 3 best years of the 10 years immediately preceding retirement or termination.
<u>Member Contributions</u>	2.5% of Salary, effective November 1, 2011.
<u>City Contributions</u>	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII, Chapter 112, F.S.
<u>Normal Retirement</u>	
Date	Earlier of: 1) age 62 with 5 years of Credited Service, 2) the completion of 30 years of Credited Service, regardless of age, or 3) the attainment of age 70, regardless of Credited Service.
Benefit	2.5% of Average Final Compensation for each year of Credited Service.
Form of Benefit	Life Annuity (options available).

Early Retirement

Eligibility	Age 60 with 5 years of Credited Service.
Benefit	Accrued benefit, reduced 5% per year that the benefit commencement date precedes age 62.

Vesting

Schedule	100% after 5 years of Credited Service.
Benefit Amount	Member will receive the vested portion of his (her) accrued benefit payable at the Early (reduced) or Normal Retirement Date.

Disability

Eligibility	10 years of Credited Service.
Benefit	2.0% of Average Final Compensation for the first 20 years of Credited Service, plus 1.0% of Average Final Compensation for Credited Service in excess of 20 years.
Minimum Benefit	The greater of \$100 or 40% of Average Final Compensation.
Duration	Payable for life. Optional forms of payment are available.

Death Benefits

Eligibility	5 years of Credited Service.
Benefit	Monthly accrued benefit payable to Designated beneficiary for 10 years at otherwise Early (reduced) or Normal (unreduced) Retirement Date.

Post-Retirement	Benefits payable to beneficiary in accordance with option selected at retirement.
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Deferred Retirement Option Plan

Eligibility	Satisfaction of Normal Retirement requirements.
Participation	Not to exceed 36 months, but may not participate past age 68.
Rate of Return	Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each Plan/Fiscal quarter, but not less than zero percent (0.0%)
Form of Distribution	Cash lump sum (options available) at termination of employment.