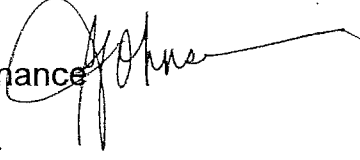


Interoffice Memorandum

From The Office Of The
Director of Finance

TO: Mayor and City Commissioners
FROM: Gloria J. Johnson, Director of Finance 
THRU: Robert Bradshaw, City Manager
RE: Actuarial Study on DC & DB Plan Changes
DATE: December 16, 2013

The actuarial study requested by the City Commission during the summer 2014 budget workshops is complete. The City Commission instructed me to have the study done to further pension reform measures. The study was to address amending benefits to the current defined benefit plan and proposed defined contribution plan to include the following:

1. All new employees hired after a certain date will have the option of either becoming a member of the City of Fort Pierce Defined Benefit System or Defined Contribution System. For this particular study the hire date is after January 1, 2014.
2. Members that elect to participate in the defined contribution plan; the City will contribute 10% of eligible wages towards the members account.
3. All General and Utilities Members multiplier after a certain date will be 2.5%. For this particular study the effective date is January 1, 2014. ***The member will not lose the 3% multiplier earned in previous years.***
4. The proposed changes above pertain to General and Utility Authority group members; Police Officers will not be affected.

The study outlines for the next 30 years the contribution rates, savings for both the City and the Utilities Authority based on assumptions outlined in the report. Attached is a copy of the report.



Gabriel Roeder Smith & Company
Consultants & Actuaries

One Towne Square
Suite 800
Southfield, MI 48076-3723

248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

December 12, 2013

Ms. Gloria Johnson
Finance Director
City of Fort Pierce
Post Office Box 1480
Fort Pierce, Florida 34954-1480

Re: Actuarial Impact Statement – Proposed Ordinance

Dear Gloria:

Enclosed is the Actuarial Impact Statement pertaining to the proposed ordinance affecting current and future members of the Retirement System. The Statement must be filed with the Division of Retirement before the final public hearing on the amending Ordinance.

Brad Lee Armstrong and Randall J. Dziubek are Members of the American Academy of Actuaries (MAAA) who meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

We welcome your questions and comments.

Respectfully submitted,

Brad Lee Armstrong, ASA, EA, MAAA

Randall J. Dziubek, ASA, EA, MAAA

BLA:sc
Enclosures

cc: Mr. James Walker, Esq.

**CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
ACTUARIAL COST ESTIMATE – DECEMBER 12, 2013**

REQUESTED BY: Ms. Gloria Johnson, Finance Director, City of Fort Pierce

SUBMITTED BY: Brad Lee Armstrong, ASA, EA, MAAA and Randall J. Dziubek, ASA, EA, MAAA
Gabriel, Roeder, Smith & Company

DATE: December 12, 2013

This report presents results of an actuarial cost estimate to determine the effects of reducing the multiplier for all active General and Utilities Authority members and establishing an optional defined contribution (DC) plan for all employees hired for the first time on or after January 1, 2014.

This report is intended to describe the financial effect of the proposed changes. No statement in this report is intended to be interpreted as a recommendation in favor of the changes, or in opposition to them. The date of the valuation was September 30, 2012. Brad Lee Armstrong and Randall J. Dziubek are Members of the American Academy of Actuaries (MAAA) as indicated, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Actuarial assumptions and methods were consistent with those used in the regular actuarial valuation of the Retirement and Benefit System on the valuation date, unless otherwise noted. In particular:

- The assumed rate of interest was 8.0%.
- Payroll was assumed to increase 4.5% per year.
- For this cost estimate, changes in Unfunded Actuarial Accrued Liability are amortized over 30 years.

The active group size is assumed to remain constant.

A brief summary of the system active data as of September 30, 2012 follows:

Valuation Group	Number	Payroll	Group Averages		
			Salary	Age (yrs.)	Service (yrs.)
General	216	\$ 8,625,945	\$ 39,935	47.8	8.9
Utilities Authority	237	11,801,344	49,795	47.2	9.9
Police	99	5,415,125	54,698	39.0	9.8
Total	552	\$ 25,842,414	\$ 46,816	46.0	9.5

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
IMPACT STATEMENT – DECEMBER 12, 2013

Description of Amendment

For accrued service prior to January 1, 2014:

- All General and Utilities Authority members receive a 3.0% multiplier.

For accrued service on or after January 1, 2014:

- All General and Utilities Authority members receive a 2.5% multiplier.

Members of the General Employees and Utilities Authority groups hired after January 1, 2014 have the option to participate in a Defined Contribution (DC) plan. The City will contribute 10% of pensionable earnings per year to the DC plan on behalf of the members.

Funding Implications of Amendment

An actuarial cost estimate for the amendment is attached.

Certification of Administrator

The actuary has been furnished with a description of the proposed amendment.

I believe the amendment to be in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X, of the Constitution of the State of Florida.

Gloria Johnson, Administrator
City of Fort Pierce Retirement and
Benefit System

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
ACTUARIAL COST ESTIMATE – DECEMBER 12, 2013

Data and Actuarial Assumptions

The data and actuarial assumptions used for the cost estimate were the same as those used for the September 30, 2012 actuarial valuation except we have illustrated projections if 10% of new hires elect the DC plan and if 20% of new hires elect the DC plan. We assumed the employer DC contributions will be immediately vested.

Description of Amendment

For accrued service prior to January 1, 2014:

- All General and Utilities Authority members receive a 3.0% multiplier.

For accrued service on or after January 1, 2014:

- All General and Utilities Authority members receive a 2.5% multiplier.

Members of the General Employees and Utilities Authority groups hired after January 1, 2014 have the option to participate in a Defined Contribution (DC) plan. The City will contribute 10% of pensionable earnings per year to the DC plan on behalf of the members.

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
ACTUARIAL COST ESTIMATE – DECEMBER 12, 2013

Contribution Implications of Amendment

Before Amendment

	<u>General Members</u>	<u>Utilities Authority</u>	<u>Police Members</u>
Normal Cost	15.17 %	14.72 %	20.16 %
Unfunded Actuarial Accrued Liability	2.99	6.88	0.00
Full Funding Credit	0.00	0.00	(0.85)
FS 112.64 (5) Compliance	2.93	1.70	0.91
Administrative Expenses	0.27	0.27	0.27
Total	<u>21.36</u>	<u>23.57</u>	<u>20.49</u>
Member portion	<u>5.16</u>	<u>6.16</u>	<u>5.16</u>
Employer portion	16.20	17.41	15.33

After Amendment

	<u>General Members</u>	<u>Utilities Authority</u>	<u>Police Members</u>
Normal Cost	14.45 %	14.11 %	20.16 %
Unfunded Actuarial Accrued Liability	2.56	6.51	0.00
Full Funding Credit	0.00	0.00	(0.85)
FS 112.64 (5) Compliance	2.67	1.58	0.91
Administrative Expenses	0.27	0.27	0.27
Total	<u>19.95</u>	<u>22.46</u>	<u>20.49</u>
Member portion	<u>5.16</u>	<u>6.16</u>	<u>5.16</u>
Employer portion	14.79	16.30	15.33

Allocation of Contribution Increase*

	<u>General Members</u>	<u>Utilities Authority</u>	<u>Police Members</u>
To Member	0.00 %	0.00 %	0.00 %
To Employer	(1.41)	(1.11)	0.00

* This reflects the 9 month period from January 1, 2014 to September 30, 2014.

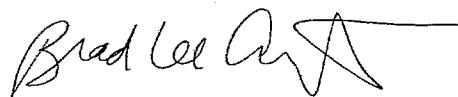
CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
ACTUARIAL COST ESTIMATE – DECEMBER 12, 2013

Actuarial Present Values (thousands of dollars)

	Before Amendment				After Amendment			
	General Members	Utilities Authority	Police Members	Total	General Members	Utilities Authority	Police Members	Total
Actuarial present value of active member benefits								
Service retirement	\$23,991	\$35,626	\$24,713	\$ 84,331	\$22,612	\$34,036	\$24,713	\$ 81,361
Vested termination benefits	2,879	3,549	771	7,199	2,718	3,358	771	6,847
Disability retirement	777	971	1,027	2,774	731	919	1,027	2,677
Survivor benefits (pre-retirement)	1,023	1,378	418	2,819	958	1,299	418	2,675
Termination benefits - refunds	81	136	41	258	81	136	41	258
Total	\$28,750	\$41,660	\$26,970	97,381	27,100	39,748	26,970	93,817
Actuarial present value of terminated vested members	1,389	687	295	2,371	1,389	687	295	2,371
Actuarial present value of retired members & beneficiaries	32,794	46,518	25,139	104,450	32,794	46,518	25,139	104,450
Total actuarial present value of future benefit payments	62,933	88,865	52,404	204,202	61,283	86,952	52,404	200,639
Actuarial Accrued Liability	52,799	76,173	42,772	171,745	51,869	75,057	42,772	169,699
Unfunded Actuarial Accrued Liability	7,716	12,037	4,374	24,127	6,786	10,921	4,374	22,080
Present value of active member future payroll	68,755	89,020	48,692	206,467	68,755	89,020	48,692	206,467
Present value of future active member contributions	3,548	5,484	2,513	11,544	3,548	5,484	2,513	11,544

Comment:

The decrease in unfunded actuarial accrued liability will be financed by 30 year level percent of payroll amortization.



Brad Lee Armstrong, ASA, EA, MAAA [11-5614]

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM

ACTUARIAL COST ESTIMATE - DECEMBER 12, 2013

Fiscal Year	Valuation Payroll Projected	Pre 1/1/2014 Proj Payroll*	10% DC Election Assumption		Before Proposed Changes		After Proposed Change					
			DC Payroll in Fiscal Year	Employer Rate	Dollars	Employer DB Rate	DB Dollars	DC Rate	DC Dollars	Employer Dollars	Rate*	Dollar Savings
13/14	\$ 9,419,748	\$ 9,336,617	\$ 83,131	16.20%	\$ 1,525,999	14.86%	\$ 1,387,538	10.00%	\$ 8,313	\$ 1,395,831	14.82%	\$ 130,148
14/15	9,843,636	9,659,519	184,118	17.12%	1,685,231	15.36%	1,483,508	10.00%	18,412	1,501,919	15.26%	183,311
15/16	10,286,600	10,039,064	247,535	17.36%	1,785,754	15.64%	1,569,964	10.00%	24,754	1,594,717	15.50%	191,036
16/17	10,749,497	10,442,869	306,627	18.42%	1,980,057	16.76%	1,750,217	10.00%	30,663	1,780,880	16.57%	199,178
17/18	11,233,224	10,859,894	373,330	20.89%	2,346,621	19.35%	2,101,650	10.00%	37,333	2,138,983	19.04%	207,638
18/19	11,738,719	11,286,320	452,399	17.70%	2,077,753	16.09%	1,816,123	10.00%	45,240	1,861,363	15.86%	216,390
19/20	12,266,962	11,729,995	536,967	16.78%	2,058,396	15.17%	1,779,182	10.00%	53,697	1,832,878	14.94%	225,518
20/21	12,818,975	12,201,841	617,134	17.87%	2,290,751	16.34%	1,993,903	10.00%	61,713	2,055,617	16.04%	235,134
21/22	13,395,829	12,695,192	700,637	15.30%	2,049,562	13.66%	1,734,313	10.00%	70,064	1,804,376	13.47%	245,186
22/23	13,998,641	13,203,613	795,028	15.32%	2,144,592	13.70%	1,809,467	10.00%	79,503	1,888,970	13.49%	255,622
23/24	14,628,580	13,721,271	907,309	15.80%	2,311,316	14.24%	1,954,187	10.00%	90,731	2,044,918	13.98%	266,398
24/25	15,286,866	14,264,621	1,022,245	17.96%	2,745,521	16.58%	2,365,615	10.00%	102,225	2,467,839	16.14%	277,682
25/26	15,974,775	14,853,239	1,121,536	18.48%	2,952,138	17.17%	2,550,314	10.00%	112,154	2,662,467	16.67%	289,671
26/27	16,693,640	15,453,302	1,240,338	18.05%	3,013,202	16.74%	2,587,111	10.00%	124,034	2,711,145	16.24%	302,057
27/28	17,444,854	16,093,987	1,350,867	18.80%	3,279,632	17.58%	2,829,416	10.00%	135,087	2,964,502	16.99%	315,130
28/29	18,229,872	16,754,214	1,475,658	21.49%	3,917,600	20.54%	3,441,331	10.00%	147,566	3,588,897	19.69%	328,703
29/30	19,050,216	17,453,247	1,596,969	23.19%	4,417,745	22.43%	3,915,075	10.00%	159,697	4,074,772	21.39%	342,973
30/31	19,907,476	18,188,423	1,719,053	24.51%	4,879,322	23.91%	4,349,488	10.00%	171,905	4,521,393	22.71%	357,930
31/32	20,803,313	18,950,315	1,852,998	25.88%	5,383,897	25.46%	4,825,099	10.00%	185,300	5,010,398	24.08%	373,499
32/33	21,739,462	19,753,551	1,985,910	25.13%	5,463,127	24.68%	4,874,700	10.00%	198,591	5,073,291	23.34%	389,836
33/34	22,717,737	20,598,896	2,118,842	23.31%	5,068,327	21.60%	4,449,479	10.00%	211,884	4,661,363	20.52%	406,964
34/35	23,740,036	21,490,332	2,249,704	19.54%	4,638,803	18.56%	3,988,892	10.00%	224,970	4,213,862	17.75%	424,940
35/36	24,808,337	22,413,438	2,394,899	16.19%	4,016,470	14.87%	3,333,335	10.00%	239,490	3,572,825	14.40%	443,645
36/37	25,924,712	23,393,042	2,531,670	12.92%	3,349,473	11.26%	2,632,972	10.00%	253,167	2,886,139	11.13%	463,334
37/38	27,091,324	24,418,024	2,673,300	12.61%	3,416,216	10.91%	2,664,965	10.00%	267,330	2,932,295	10.82%	483,921
38/39	28,310,434	25,501,832	2,808,601	16.30%	4,614,601	15.01%	3,828,186	10.00%	280,860	4,109,046	14.51%	505,554
39/40	29,584,404	26,640,535	2,943,868	14.56%	4,307,489	13.08%	3,484,882	10.00%	294,387	3,779,269	12.77%	528,220
40/41	30,915,702	27,831,599	3,084,103	13.13%	4,039,232	11.49%	3,198,905	10.00%	308,410	3,507,315	11.34%	551,916
41/42	32,306,908	29,080,338	3,226,571	12.36%	3,993,134	10.64%	3,093,759	10.00%	322,657	3,416,416	10.57%	576,717
42/43	33,760,719	30,386,573	3,374,147	9.59%	3,237,653	7.56%	2,297,591	10.00%	337,415	2,635,006	7.80%	602,647

* Total Contribution Rates are based on open group payroll.
 DC Contribution is based on a 10% employer contribution for Post-1/1/2014 hires only.

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM

ACTUARIAL COST ESTIMATE - DECEMBER 12, 2013

Fiscal Year	Valuation Payroll Projected	Pre 1/1/2014 Proj. Payroll*	20% DC Election Assumption		Before Proposed Changes			After Proposed Change			Dollar Savings	
			DC Payroll in Fiscal Year	Employer Rate	Dollars	Employer DB Rate	DB Dollars	DC Rate	DC Dollars	Employer Dollars		Rate*
13/14	\$ 9,419,748	\$ 9,253,486	\$ 166,261	16.20%	\$ 1,525,999	14.93%	\$ 1,381,896	10.00%	\$ 16,626	\$ 1,398,522	14.85%	\$ 127,477
14/15	9,843,636	9,475,401	368,235	17.12%	1,685,231	15.48%	1,466,845	10.00%	36,824	1,503,668	15.28%	181,562
15/16	10,286,600	9,791,529	495,071	17.36%	1,785,754	15.81%	1,547,562	10.00%	49,507	1,597,069	15.53%	188,685
16/17	10,749,497	10,136,242	613,255	18.42%	1,980,057	16.99%	1,722,467	10.00%	61,325	1,783,793	16.59%	196,265
17/18	11,233,224	10,486,564	746,660	20.89%	2,346,621	19.72%	2,067,863	10.00%	74,666	2,142,529	19.07%	204,091
18/19	11,738,719	10,833,921	904,798	17.70%	2,077,753	16.39%	1,775,181	10.00%	90,480	1,865,661	15.89%	212,092
19/20	12,266,962	11,193,029	1,073,933	16.78%	2,058,396	15.46%	1,730,586	10.00%	107,393	1,837,980	14.98%	220,417
20/21	12,818,975	11,584,706	1,234,269	17.87%	2,290,751	16.73%	1,938,053	10.00%	123,427	2,061,480	16.08%	229,271
21/22	13,395,829	11,994,554	1,401,274	15.30%	2,049,562	13.93%	1,670,905	10.00%	140,127	1,811,032	13.52%	238,529
22/23	13,998,641	12,408,585	1,590,056	15.32%	2,144,592	14.00%	1,737,517	10.00%	159,006	1,896,523	13.55%	248,069
23/24	14,628,580	12,813,961	1,814,619	15.80%	2,311,316	14.61%	1,872,075	10.00%	181,462	2,053,537	14.04%	257,778
24/25	15,286,866	13,242,376	2,044,490	17.96%	2,745,521	17.17%	2,273,102	10.00%	204,449	2,477,551	16.21%	267,970
25/26	15,974,775	13,731,703	2,243,072	18.48%	2,952,138	17.83%	2,448,815	10.00%	224,307	2,673,122	16.73%	279,017
26/27	16,693,640	14,212,964	2,480,676	18.03%	3,013,202	17.41%	2,474,860	10.00%	248,068	2,722,928	16.31%	290,274
27/28	17,444,854	14,743,120	2,701,734	18.80%	3,279,632	18.36%	2,707,162	10.00%	270,173	2,977,336	17.07%	302,297
28/29	18,229,872	15,278,556	2,951,316	21.49%	4,417,745	21.65%	3,307,784	10.00%	295,132	3,602,915	19.76%	314,684
29/30	19,050,216	15,856,277	3,193,939	23.19%	4,417,745	23.78%	3,770,550	10.00%	319,394	4,089,944	21.47%	327,802
30/31	19,907,476	16,469,371	3,438,105	24.51%	4,879,322	25.46%	4,193,913	10.00%	343,811	4,537,724	22.79%	341,599
31/32	20,803,313	17,097,317	3,705,995	25.88%	5,383,897	27.24%	4,657,402	10.00%	370,600	5,028,002	24.17%	355,895
32/33	21,739,462	17,767,641	3,971,820	22.13%	5,463,127	26.42%	4,694,975	10.00%	397,182	5,092,157	23.42%	370,970
33/34	22,717,737	18,480,054	4,237,683	22.31%	5,068,327	23.04%	4,257,723	10.00%	423,768	4,681,492	20.61%	386,835
34/35	23,740,036	19,240,628	4,499,407	19.54%	4,638,803	19.67%	3,785,294	10.00%	449,941	4,235,235	17.84%	403,568
35/36	24,808,337	20,018,539	4,789,799	16.19%	4,016,470	15.57%	3,116,596	10.00%	478,980	3,595,576	14.49%	420,894
36/37	25,924,712	20,861,372	5,063,340	12.92%	3,349,473	11.52%	2,403,856	10.00%	506,334	2,910,190	11.23%	439,283
37/38	27,091,324	21,744,724	5,346,601	12.61%	3,416,216	11.14%	2,423,032	10.00%	534,660	2,957,692	10.92%	458,524
38/39	28,310,434	22,693,231	5,617,203	16.30%	4,614,601	15.75%	3,574,008	10.00%	561,720	4,135,728	14.61%	478,873
39/40	29,584,404	23,696,667	5,887,737	14.56%	4,307,489	13.58%	3,218,462	10.00%	588,774	3,807,236	12.87%	500,253
40/41	30,915,702	24,747,496	6,168,206	13.13%	4,059,232	11.80%	2,919,794	10.00%	616,821	3,536,614	11.44%	522,617
41/42	32,306,908	25,853,767	6,453,141	12.36%	3,993,134	10.84%	2,801,755	10.00%	645,314	3,447,069	10.67%	546,065
42/43	33,760,719	27,012,426	6,748,293	9.59%	3,237,653	7.38%	1,992,231	10.00%	674,829	2,667,060	7.90%	570,593

* Total Contribution Rates are based on open group payroll.
 DC Contribution is based on a 10% employer contribution for Post-1/1/2014 hires only.

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM

ACTUARIAL COST ESTIMATE – DECEMBER 12, 2013

Utilities Authority Projected DB/DC Employer Contributions

Fiscal Year	Valuation Payroll Projected	Pre 1/1/2014 Proj. Payroll*	10% DC Election Assumption		Before Proposed Changes		After Proposed Change				Dollar Savings	
			DC Payroll in Fiscal Year	Employer Rate	Dollars	Employer DB Rate	DB Dollars	DC Rate	DC Dollars	Employer Dollars		Rate*
13/14	\$ 12,887,363	\$ 12,759,621	\$ 127,742	17.41%	\$ 2,243,690	16.41%	\$ 2,093,225	10.00%	\$ 12,774	\$ 2,105,999	16.34%	\$ 137,691
14/15	13,467,294	13,199,030	268,264	18.06%	2,432,345	16.76%	2,212,266	10.00%	26,826	2,239,092	16.63%	193,253
15/16	14,073,322	13,709,812	363,510	18.03%	2,537,929	16.79%	2,301,508	10.00%	36,351	2,337,859	16.61%	200,070
16/17	14,706,622	14,244,433	462,188	16.13%	2,372,559	14.88%	2,119,127	10.00%	46,219	2,165,346	14.72%	207,213
17/18	15,368,420	14,799,161	569,259	17.13%	2,631,886	15.95%	2,360,373	10.00%	56,926	2,417,299	15.73%	214,587
18/19	16,059,999	15,382,920	677,079	13.69%	2,198,813	12.41%	1,908,719	10.00%	67,708	1,976,427	12.31%	222,386
19/20	16,782,699	15,985,952	796,746	13.28%	2,228,290	12.00%	1,918,238	10.00%	79,675	1,997,913	11.90%	230,377
20/21	17,537,920	16,612,994	924,926	13.49%	2,360,850	12.22%	2,029,700	10.00%	92,493	2,122,192	12.10%	238,658
21/22	18,327,126	17,277,691	1,049,436	13.01%	2,383,826	11.76%	2,031,358	10.00%	104,944	2,136,302	11.66%	247,524
22/23	19,151,847	17,965,460	1,186,387	13.32%	2,550,406	12.11%	2,175,133	10.00%	118,639	2,293,771	11.98%	256,635
23/24	20,013,680	18,685,686	1,327,994	13.80%	2,762,344	12.65%	2,363,355	10.00%	132,799	2,496,155	12.47%	266,190
24/25	20,914,296	19,445,474	1,468,822	15.49%	3,238,709	14.48%	2,815,490	10.00%	146,882	2,962,373	14.16%	276,336
25/26	21,855,439	20,238,434	1,617,005	16.61%	3,630,939	15.72%	3,182,323	10.00%	161,700	3,344,023	15.30%	286,916
26/27	22,838,934	21,074,230	1,764,703	16.29%	3,721,181	15.41%	3,246,576	10.00%	176,470	3,423,047	14.99%	298,134
27/28	23,866,686	21,954,497	1,912,189	15.38%	3,670,938	14.43%	3,168,808	10.00%	191,219	3,360,027	14.08%	310,011
28/29	24,940,687	22,882,370	2,058,317	17.63%	4,398,001	16.91%	3,869,565	10.00%	205,832	4,075,397	16.34%	322,604
29/30	26,063,018	23,848,030	2,214,987	20.15%	5,252,251	19.69%	4,695,079	10.00%	221,499	4,916,577	18.86%	335,674
30/31	27,235,853	24,852,422	2,383,431	21.24%	5,785,226	20.91%	5,197,658	10.00%	238,343	5,436,001	19.96%	349,225
31/32	28,461,467	25,899,291	2,562,176	22.24%	6,330,679	22.05%	5,711,137	10.00%	256,218	5,967,354	20.97%	363,325
32/33	29,742,233	27,002,136	2,740,097	21.81%	6,487,262	21.61%	5,834,993	10.00%	274,010	6,109,003	20.54%	378,259
33/34	31,080,633	28,160,239	2,920,395	19.37%	6,019,931	18.94%	5,333,360	10.00%	292,039	5,625,399	18.10%	393,992
34/35	32,479,262	29,381,561	3,097,701	17.15%	5,568,953	16.50%	4,848,498	10.00%	309,770	5,158,268	15.88%	410,685
35/36	33,940,829	30,664,420	3,276,409	15.89%	5,394,281	15.13%	4,638,363	10.00%	327,641	4,966,004	14.63%	428,277
36/37	35,468,166	32,004,361	3,463,805	11.33%	4,019,931	10.08%	3,226,903	10.00%	346,380	3,573,284	10.07%	446,647
37/38	37,064,233	33,407,330	3,656,903	13.33%	4,940,277	12.30%	4,108,682	10.00%	365,690	4,474,373	12.07%	465,905
38/39	38,732,124	34,889,654	3,842,470	14.97%	5,798,153	14.12%	4,927,511	10.00%	384,247	5,311,718	13.71%	486,396
39/40	40,475,069	36,448,493	4,026,577	13.74%	5,562,357	12.76%	4,651,669	10.00%	402,658	5,054,326	12.49%	508,030
40/41	42,296,448	38,080,311	4,216,137	12.24%	5,175,124	11.09%	4,222,808	10.00%	421,614	4,644,422	10.98%	530,703
41/42	44,199,788	39,786,255	4,413,533	10.53%	4,653,791	9.19%	3,658,027	10.00%	441,353	4,099,380	9.27%	554,411
42/43	46,188,778	41,572,974	4,615,804	7.74%	3,574,429	6.09%	2,533,572	10.00%	461,580	2,995,153	6.48%	579,277

* Total Contribution Rates are based on open group payroll.
 DC Contribution is based on a 10% employer contribution for Post-1/1/2014 hires only.

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM

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Utilities Authority Projected DB/DC Employer Contributions

Fiscal Year	Valuation Payroll Projected	Pre 1/1/2014 Proj. Payroll*	20% DC Election Assumption		Before Proposed Changes			After Proposed Change			Dollar Savings	
			DC Payroll in Fiscal Year	Employer Rate	Dollars	DB Rate	DB Dollars	DC Rate	DC Dollars	Employer Dollars		Rate *
13/14	\$ 12,887,363	\$ 12,631,878	\$ 255,484	17.41%	\$ 2,243,690	16.51%	\$ 2,085,809	10.00%	\$ 25,548	\$ 2,111,358	16.38%	\$ 132,332
14/15	13,467,294	12,930,766	536,528	18.06%	2,432,345	16.95%	2,191,502	10.00%	53,653	2,245,155	16.67%	187,190
15/16	14,073,322	13,346,302	727,020	18.03%	2,537,929	17.03%	2,273,372	10.00%	72,702	2,346,074	16.67%	191,855
16/17	14,706,622	13,782,245	924,377	16.13%	2,372,559	15.12%	2,083,354	10.00%	92,438	2,175,792	14.79%	196,767
17/18	15,368,420	14,229,902	1,138,518	17.13%	2,631,886	16.28%	2,316,313	10.00%	113,852	2,430,164	15.81%	201,722
18/19	16,059,999	14,705,841	1,354,158	13.69%	2,198,813	12.62%	1,856,313	10.00%	135,416	1,991,729	12.40%	207,084
19/20	16,782,699	15,189,206	1,593,493	13.28%	2,228,290	12.22%	1,856,570	10.00%	159,349	2,015,919	12.01%	212,371
20/21	17,537,920	15,688,067	1,849,853	13.46%	2,360,850	12.48%	1,958,110	10.00%	184,985	2,143,096	12.22%	217,755
21/22	18,327,126	16,228,255	2,098,871	13.01%	2,383,826	12.02%	1,950,132	10.00%	209,887	2,160,019	11.79%	223,807
22/23	19,151,847	16,779,074	2,372,773	13.32%	2,550,406	12.42%	2,083,306	10.00%	237,277	2,320,584	12.12%	229,823
23/24	20,013,680	17,357,692	2,655,988	13.80%	2,762,344	13.02%	2,260,568	10.00%	265,599	2,526,167	12.62%	236,177
24/25	20,914,296	17,976,652	2,937,644	15.49%	3,238,709	15.03%	2,701,804	10.00%	293,764	2,995,568	14.32%	243,141
25/26	21,855,439	18,621,430	3,234,009	16.61%	3,630,939	16.42%	3,057,167	10.00%	323,401	3,380,567	15.47%	250,372
26/27	22,838,934	19,309,527	3,529,407	16.29%	3,721,181	16.11%	3,109,988	10.00%	352,941	3,462,929	15.16%	258,252
27/28	23,866,686	20,042,308	3,824,378	15.38%	3,670,038	15.07%	3,020,804	10.00%	382,438	3,403,242	14.26%	266,796
28/29	24,940,687	20,824,053	4,116,634	17.63%	4,398,001	17.82%	3,710,251	10.00%	411,663	4,121,915	16.53%	276,086
29/30	26,063,018	21,633,043	4,429,975	20.15%	5,252,251	20.91%	4,523,639	10.00%	442,997	4,966,636	19.06%	285,615
30/31	27,235,853	22,468,991	4,766,862	21.24%	5,785,226	22.31%	5,013,181	10.00%	476,686	5,489,867	20.16%	295,360
31/32	28,461,467	23,337,114	5,124,353	22.24%	6,330,679	23.62%	5,512,824	10.00%	512,435	6,025,259	21.17%	305,419
32/33	29,742,233	24,262,038	5,480,195	19.37%	6,487,262	23.18%	5,622,910	10.00%	548,019	6,170,929	20.75%	316,333
33/34	31,080,633	25,239,844	5,840,789	17.15%	6,019,392	20.24%	5,107,321	10.00%	584,079	5,691,400	18.31%	327,992
34/35	32,479,262	26,283,861	6,195,401	15.89%	5,568,953	16.01%	4,608,736	10.00%	619,540	5,228,276	16.10%	340,677
35/36	33,940,829	27,388,011	6,552,817	11.33%	5,394,281	10.37%	4,384,769	10.00%	655,282	5,040,050	14.85%	354,231
36/37	35,468,166	28,540,557	6,927,609	11.33%	4,019,931	12.86%	3,825,638	10.00%	692,761	3,651,566	10.30%	368,365
37/38	37,064,233	29,750,427	7,313,806	13.33%	4,940,277	14.91%	4,630,103	10.00%	731,381	4,557,019	12.29%	383,259
38/39	38,732,124	31,047,184	7,684,940	13.74%	5,798,153	13.39%	4,340,012	10.00%	805,315	5,398,597	13.94%	399,556
39/40	40,475,069	32,421,916	8,053,153	12.24%	5,562,357	11.51%	4,316,419	10.00%	843,227	4,739,706	11.21%	417,030
40/41	42,296,448	33,864,174	8,432,273	10.53%	4,653,791	9.38%	3,316,419	10.00%	882,707	4,199,126	9.50%	435,418
41/42	44,199,788	35,372,721	8,827,066	7.74%	3,574,429	5.89%	2,176,309	10.00%	923,161	3,099,470	6.71%	454,665
42/43	46,188,778	36,957,170	9,231,608									474,960

* Total Contribution Rates are based on open group payroll.

DC Contribution is based on a 10% employer contribution for Post-1/1/2014 hires only.

Gabriel Roeder Smith & Company

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
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Comment A: One significant decision to be made will be the default option for new hires. Participating in the DC plan will be materially higher if it is the default option when plan election forms are being completed. There is an anti-selection risk that the highest turnover positions will elect the DC plan more frequently. Another significant decision will be vesting requirements. The proposal does not specify vesting of the 10% employer defined contribution rate nor does it discuss the treatment of forfeitures for non-vested employer DC contributions. For purposes of this cost estimate, we have assumed that the DC vesting will be immediate and therefore there will be no forfeitures.

Comment B: The long-term effect of the proposed cost estimate using a 10% DC election assumption for new hires is a decrease in total employer contribution of total payroll of 0.68% for General members and 0.43% for Utilities Authority. The components of this long-term decrease are as follows:

Components of Changes in Long-term Total Employer Contribution Rate (as a Percent of Payroll)		
	General	Utilities Authority
A. Change in Total DB Normal Cost (90% of Population)	(0.65)%	(0.55)%
B. Change in Employer Normal Cost for DC Members (10% of Population)	(0.03)%	0.12%
C. Total Change in Employer Contribution Rate (A. + B.)	(0.68)%	(0.43)%

The long-term effect of the proposed cost estimate using a 20% DC election assumption for new hires is a decrease in total employer contribution of total payroll of 0.64% for General members and 0.26% for Utilities Authority. The components of this long-term decrease are as follows:

Components of Changes in Long-term Total Employer Contribution Rate (as a Percent of Payroll)		
	General	Utilities Authority
A. Change in Total DB Normal Cost (80% of Population)	(0.58)%	(0.49)%
B. Change in Employer Normal Cost for DC Members (20% of Population)	(0.06)%	0.23%
C. Total Change in Employer Contribution Rate (A. + B.)	(0.64)%	(0.26)%

These decreases would emerge over time as new employees replace the existing workforce. For purposes of this cost estimate, the change in the DB employer contribution rate is reflected beginning January 1, 2014 since the employer contribution rate for the year ending September 30, 2014 has already been certified by the Board of Trustees. The change in DC employer contribution rate is reflected beginning January 1, 2014. Since the DB plan remains open, there is no change in the amortization of the unfunded accrued liability contributions.

CITY OF FORT PIERCE RETIREMENT AND BENEFIT SYSTEM
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Comment C: The proposal changes the defined benefit multiplier from 3.0% to 2.5% for all accrued service on or after January 1, 2014 for all General and Utilities Authority members. We did not adjust the retirement rates for the proposed amendments.

Comment D: The calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based upon present and proposed assumptions that are outlined in the report. In particular, the number of active members is assumed to remain constant over the projection period and total payroll is assumed to grow at a rate of 4.5% per year. These assumptions are very sensitive to actual hiring practices of the state and short-term economic conditions.

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 authors of this report prior to relying on information in the report.

Comment E: 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 authors of the report prior to making such decision.

Comment F: In the event that more than one plan 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.

Comment G: This report is intended to describe the financial effect of the proposed plan changes on the Retirement System. Except as otherwise noted, potential effects on other benefit plans were not considered.

Comment H: The reader of this report should keep in mind that actuarial calculations are mathematical estimates based on current data and assumptions about future events (which may or may not materialize). Please note that actuarial calculations can and do vary from one valuation year to the next. As a result, the cost impact of a benefit change may fluctuate over time, as the demographics of the group changes.