

August 4, 2017

VIA EMAIL

Ms. Susy Pita, Plan Administrator
22233 Drawbridge Dr.
Leesburg, FL 34748

Re: City of Winter Haven
Firefighters' Retirement System

Dear Susy:

As requested, we are writing to provide information regarding a plan to reverse the recent decline in the GASB 67 Funded Ratio.

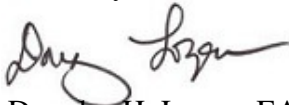
As the Board and City are aware, the referenced Plan has realized net actuarial losses, changes in actuarial assumptions, and benefit improvements that have increased the Unfunded Actuarial Accrued Liability (UAAL) over the past several years.

Additionally, the solution to any decrease in the funded ratio is an increased funding requirement, which has been reported to and approved by the Board of Trustees for each of the last twelve valuation reports.

Please see the attached GASB 67 Disclosure for the above referenced Plan (as updated to reflect changes set forth in the October 1, 2016 actuarial valuation). As you can see, the funded ratio has increased from 77.09% in fiscal 2015 to 79.03% in fiscal 2016. Going forward, if all actuarial assumptions are met regarding investment return, turnover, salary increases etc., then the annual required contributions will improve the funded ratio ultimately to 100%.

If you have any questions or need additional information, please let me know.

Sincerely,



Douglas H. Lozen, EA, MAAA

Enclosure

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	<u>09/30/2016</u>	<u>09/30/2015</u>
Total Pension Liability		
Service Cost	981,995	960,946
Interest	2,345,959	2,192,966
Change in Excess State Money	135,110	134,190
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	90,497	(101,413)
Changes of assumptions	1,017,583	-
Benefit Payments, including Refunds of Employee Contributions	<u>(1,159,453)</u>	<u>(1,039,426)</u>
Net Change in Total Pension Liability	3,411,691	2,147,263
Total Pension Liability - Beginning	<u>30,714,374</u>	<u>28,567,111</u>
Total Pension Liability - Ending (a)	<u>\$ 34,126,065</u>	<u>\$ 30,714,374</u>
Plan Fiduciary Net Position		
Contributions - Employer	1,586,480	1,402,664
Contributions - State	323,495	322,575
Contributions - Employee	402,477	364,180
Net Investment Income	2,195,014	72,827
Benefit Payments, including Refunds of Employee Contributions	(1,159,453)	(1,039,426)
Administrative Expense	<u>(57,927)</u>	<u>(53,759)</u>
Net Change in Plan Fiduciary Net Position	3,290,086	1,069,061
Plan Fiduciary Net Position - Beginning	<u>23,678,770</u>	<u>22,609,709</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 26,968,856</u>	<u>\$ 23,678,770</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 7,157,209</u>	<u>\$ 7,035,604</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	79.03%	77.09%
Covered Employee Payroll ¹	\$ 4,003,979	\$ 3,909,235
Net Pension Liability as a percentage of Covered Employee Payroll	178.75%	179.97%

Notes to Schedule:

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Changes of assumptions:

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	<u>09/30/2014</u>	<u>09/30/2013</u>
Total Pension Liability		
Service Cost	930,014	861,124
Interest	2,163,683	2,004,308
Change in Excess State Money	150,505	-
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	(884,685)	-
Benefit Payments, including Refunds of Employee Contributions	<u>(939,873)</u>	<u>(944,394)</u>
Net Change in Total Pension Liability	1,419,644	1,921,038
Total Pension Liability - Beginning	<u>27,147,467</u>	<u>25,226,429</u>
Total Pension Liability - Ending (a)	<u>\$ 28,567,111</u>	<u>\$ 27,147,467</u>
Plan Fiduciary Net Position		
Contributions - Employer	1,326,077	1,295,770
Contributions - State	338,890	325,350
Contributions - Employee	356,596	358,752
Net Investment Income	2,073,695	2,376,940
Benefit Payments, including Refunds of Employee Contributions	(939,873)	(944,394)
Administrative Expense	<u>(50,910)</u>	<u>(46,997)</u>
Net Change in Plan Fiduciary Net Position	3,104,475	3,365,421
Plan Fiduciary Net Position - Beginning	<u>19,505,234</u>	<u>16,139,813</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 22,609,709</u>	<u>\$ 19,505,234</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 5,957,402</u>	<u>\$ 7,642,233</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	79.15%	71.85%
Covered Employee Payroll ¹	\$ 3,565,959	\$ 3,587,515
Net Pension Liability as a percentage of Covered Employee Payroll	167.06%	213.02%

Notes to Schedule:

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Changes of assumptions:

For measurement date 09/30/2014, amounts reported as changes of assumptions were resulted from an actuarial experience performed on May 12, 2014, the Board of Trustees adopted numerous changes to the actuarial assumptions. The specifics of