

CITY OF SEBASTIAN POLICE OFFICERS' RETIREMENT SYSTEM

GASB 67/68 DISCLOSURE INFORMATION
MEASUREMENT DATE: SEPTEMBER 30, 2023

GASB 68 REPORTING
AS OF SEPTEMBER 30, 2023



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS



December 7, 2023

Board of Trustees
City of Sebastian Police Officers' Retirement System

RE: GASB Statements No. 67 and No. 68 – City of Sebastian Police Officers' Retirement System

Dear Board:

We are pleased to present this report of the GASB Statements No. 67 and No. 68 measured as of September 30, 2023 for the City of Sebastian Police Officers' Retirement System.

The calculation of the liability associated with the benefits referenced in this report was performed to satisfy the requirements of GASB No. 67 and No. 68 and is not applicable for other purposes, such as determining the plan's funding requirements. Use of the results for other purposes may not be applicable and may produce significantly different results.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of October 1, 2022. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending September 30, 2023 using generally accepted actuarial principles. It is our opinion that the assumptions used for this purpose are internally consistent, reasonable, and comply with the requirements under GASB No. 67 and No. 68.

In conducting the valuation, we have relied on personnel and plan design information supplied by the City and asset information supplied by the custodian bank. The actuarial assumptions and methods are described in the 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.

In performing the analysis, 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 to generate the costs. All internally developed models are reviewed as part of the 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.

To the best of our knowledge, these statements are complete and accurate and are in accordance with generally recognized actuarial practices and methods. 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.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact us at (293) 433-5500.

Respectfully submitted,
Foster & Foster, Inc.

A handwritten signature in black ink, appearing to read "Douglas H. Lozen". The signature is written in a cursive style with a horizontal line underneath it.

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

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I. SUMMARY

Valuation Date	10/01/2022	10/01/2021
GASB 67/68 Measurement Date	09/30/2023	09/30/2022
GASB 68 Reporting Date	09/30/2023	09/30/2022
Plan Membership:		
Inactives Currently Receiving Benefits	23	21
Inactives Not Yet Receiving Benefits	12	11
Active Plan Members	<u>35</u>	<u>39</u>
Total	70	71
Covered Payroll	\$ 2,931,563	\$ 2,843,600
Net Pension Liability		
Total Pension Liability	\$ 25,496,816	\$ 24,257,517
Plan Fiduciary Net Position	<u>20,766,051</u>	<u>18,482,915</u>
Net Pension Liability	\$ 4,730,765	\$ 5,774,602
Plan Fiduciary Net Position		
As a Percentage of Total Pension Liability	81.45%	76.19%
Net Pension Liability		
As a Percentage of Covered Payroll	161.37%	203.07%
Total Pension Expense	\$ 1,366,777	\$ 1,387,143
Development of Single Discount Rate		
Single Discount Rate	7.10%	7.10%
Long-Term Expected Rate of Return	7.10%	7.10%
High-quality Municipal Bond Rate	4.87%	1.93%
Number of Years Future Benefit Payments Are Expected to be Paid	All Years	All Years

II. FIDUCIARY NET POSITION

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2023

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	1,889,187
Cash	(2,251)
Total Cash and Equivalents	1,886,936
Receivables:	
Investment Income	25,838
Total Receivables	25,838
Investments:	
U. S. Bonds and Bills	1,314,454
Federal Agency Guaranteed Securities	636,455
Corporate Bonds	1,980,513
Municipal Obligations	127,329
Stocks	11,321,681
Equity	2,687,965
Real Estate	784,880
Total Investments	18,853,277
Total Assets	20,766,051
LIABILITIES	
Total Liabilities	0
Net Assets:	
Active and Retired Members' Equity	20,766,051
NET POSITION RESTRICTED FOR PENSIONS	20,766,051

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023
Market Value Basis

ADDITIONS

Contributions:

Member	234,525
City	763,666
State	272,496

Total Contributions 1,270,687

Investment Income:

Net Increase in Fair Value of Investments	1,779,759
Interest & Dividends	532,233
Less Investment Expense ¹	(137,399)

Net Investment Income 2,174,593

Total Additions 3,445,280

DEDUCTIONS

Benefit Payments	814,062
Lump Sum DROP Distributions	232,558
Refunds of Member Contributions	25,275

Total Distributions 1,071,895

Administrative Expense 90,249

Total Deductions 1,162,144

Net Increase in Net Position 2,283,136

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 18,482,915

End of the Year 20,766,051

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

III. GASB EXHIBITS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

GASB 67/68 Measurement Date	09/30/2023	09/30/2022
GASB 68 Reporting Period Ending	09/30/2023	09/30/2022
Total Pension Liability		
Service Cost	582,328	582,925
Interest	1,725,577	1,648,636
Changes in Benefit Terms	0	0
Experience Gains/Losses	3,289	(199,190)
Changes of Assumptions	0	0
Benefit Payments	<u>(1,071,895)</u>	<u>(824,301)</u>
Net Change in Total Pension Liability	1,239,299	1,208,070
Total Pension Liability – Beginning	<u>24,257,517</u>	<u>23,049,447</u>
Total Pension Liability – Ending (a)	\$ 25,496,816	\$ 24,257,517
Plan Fiduciary Net Position		
Contributions – Employer	763,666	799,032
Contributions – State	272,496	227,003
Contributions – Employee	234,525	227,488
Net Investment Income	2,174,593	(3,419,334)
Benefit Payments	(1,071,895)	(824,301)
Administrative Expense	(90,249)	(70,188)
Other	<u>0</u>	<u>0</u>
Net Change in Plan Fiduciary Net Position	2,283,136	(3,060,300)
Plan Fiduciary Net Position – Beginning	18,482,915	21,543,215
Adjustment to beginning of year	<u>0</u>	<u>0</u>
Plan Fiduciary Net Position – Ending (b)	\$ 20,766,051	\$ 18,482,915
Net Pension Liability – Ending (a) – (b)	\$ 4,730,765	\$ 5,774,602
Plan Fiduciary Net Position		
As % of Total Pension Liability	81.45%	76.19%
Covered Payroll	\$ 2,931,563	\$ 2,843,600
Net Pension Liability		
As % of Covered Payroll	161.37%	203.07%

SENSITIVITY TO CHANGES IN DISCOUNT RATE

GASB 67/68 Measurement Date	09/30/2023	09/30/2022
GASB 68 Reporting Date	09/30/2023	09/30/2022
Discount Rate	7.10%	7.10%
+ 1% Discount Rate	8.10%	8.10%
- 1% Discount Rate	6.10%	6.10%
Sponsor's Net Pension Liability		
Current Discount Rate	\$ 4,730,765	\$ 5,774,602
1% Increase in Discount Rate	2,237,266	3,361,246
1% Decrease in Discount Rate	7,726,331	8,674,748

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF
RESOURCES RELATED TO PENSIONS
YEAR-END SEPTEMBER 30, 2023

For the year ended September 30, 2023, the Sponsor will recognize a Pension Expense of \$1,366,777. On September 30, 2023, the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	263,452	123,833
Changes of assumptions	140,991	149,262
Net difference between projected and actual earnings on pension plan investments	1,177,356	0
Total	\$ 1,581,799	\$ 273,095

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year-ended September 30:		
2024	\$	323,007
2025	\$	288,019
2026	\$	868,711
2027	\$	(171,033)
2028	\$	0
Thereafter	\$	0

IV. SUPPLEMENTARY GASB 68 EXPENSE DETAIL

COMPONENTS OF PENSION EXPENSE
YEAR-END SEPTEMBER 30, 2023

	Net Pension Liability	Deferred Outflows	Deferred Inflows	Pension Expense
Beginning Balance	\$ 5,774,602	\$ 4,797,675	\$ 2,114,519	
Total Pension Liability Factors:				
Service Cost	582,328	0	0	582,328
Interest	1,725,577	0	0	1,725,577
Changes in Benefit Terms	0	0	0	0
Experience Gains/Losses	3,289	3,289	0	0
Current Year Amortization	0	(137,748)	(44,157)	93,591
Changes of Assumptions	0	0	0	0
Current Year Amortization	0	(49,499)	(74,631)	(25,132)
Benefit Payments	(1,071,895)	0	0	0
Net Change	<u>1,239,299</u>	<u>(183,958)</u>	<u>(118,788)</u>	<u>2,376,364</u>
Plan Fiduciary Net Position:				
Contributions - Employer	763,666	0	0	0
Contributions – State	272,496	0	0	0
Contributions – Employee	234,525	0	0	(234,525)
Projected Net Investment Income	1,316,140	0	0	(1,316,140)
Difference in Projected and Actual Earnings	858,453	0	858,453	0
Current Year Amortization	0	(1,196,730)	(745,901)	450,829
Benefit Payments	(1,071,895)	0	0	0
Administrative Expenses	(90,249)	0	0	90,249
Other	0	0	0	0
Net Change	<u>2,283,136</u>	<u>(1,196,730)</u>	<u>112,552</u>	<u>(1,009,587)</u>
Adjustment to beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Balance	\$ 4,730,765	\$ 3,416,987	\$ 2,108,283	\$ 1,366,777

AMORTIZATION SCHEDULE – EXPERIENCE

Year	Initial Base	Recognition Period	2023	2024	2025	2026	2027	Thereafter
2023	\$ 3,289	5	\$ 657	\$ 658	\$ 658	\$ 658	\$ 658	0
2022	(199,190)	5	(39,838)	(39,838)	(39,838)	(39,838)	0	0
2021	249,038	6	41,506	41,506	41,506	41,506	0	0
2020	408,904	6	68,151	68,151	68,151	0	0	0
2019	(25,912)	6	(4,319)	(4,319)	0	0	0	0
2018	164,601	6	27,434	0	0	0	0	0
Net Increase (Decrease) in Pension Expense			\$ 93,591	\$ 66,158	\$ 70,477	\$ 2,326	\$ 658	0

AMORTIZATION SCHEDULE – CHANGES OF ASSUMPTIONS

Year	Initial Base	Recognition Period	2023	2024	2025	2026	2027	Thereafter
2021	\$ 274,475	6	\$ 45,746	\$ 45,746	\$ 45,746	\$ 45,746	\$ 0	0
2020	(447,786)	6	(74,631)	(74,631)	(74,631)	0	0	0
2019	22,520	6	3,753	3,753	0	0	0	0
Net Increase (Decrease) in Pension Expense			\$ (25,132)	\$ (25,132)	\$ (28,885)	\$ 45,746	\$ 0	0

AMORTIZATION SCHEDULE – INVESTMENTS

Year	Initial Base	Recognition Period	2023	2024	2025	2026	2027	Thereafter
2023	\$ (858,453)	5	\$ (171,689)	\$ (171,691)	\$ (171,691)	\$ (171,691)	\$ (171,691)	0
2022	4,961,648	5	992,330	992,330	992,330	992,330	0	0
2021	(2,871,059)	5	(574,212)	(574,212)	(574,212)	0	0	0
2020	177,768	5	35,554	35,554	0	0	0	0
2019	844,232	5	168,846	0	0	0	0	0
Net Increase (Decrease) in Pension Expense			\$ 450,829	\$ 281,981	\$ 246,427	\$ 820,639	\$ (171,691)	0

V. ADDITIONAL INFORMATION

SCHEDULE OF CONTRIBUTIONS

Plan Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contrib. as % of Covered Payroll
09/30/2023	\$ 897,058	\$ 1,036,162	\$ (139,104)	\$ 2,931,563	35.35%
09/30/2022	\$ 932,701	\$ 1,026,035	\$ (93,334)	\$ 2,843,600	36.08%

The following assumptions were used to determine the Actuarially Determined Contribution for the plan year ending September 30, 2023:

Calculation Timing	The Actuarially Determined Contribution is calculated using a October 1, 2021 valuation date.
Interest Rate	7.10%
Assumptions	All other assumptions and methods used for determining the Actuarially Determined Contribution can be found in the October 1, 2021 Actuarial Valuation Report for the City of Sebastian Police Officers' Retirement System prepared by Foster & Foster Actuaries and Consultants.

INVESTMENT DISCLOSURES

Schedule of Investment Returns

For the year ended September 30, 2023, the annual money-weighted return on Pension Plan investments, net of pension plan investment expense, was 11.66 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fiscal Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
09/30/2023	11.66%
09/30/2022	-15.63%

Support for Long-Term Expected Rate of Return

The Long-Term Expected Rate of Return on Pension Plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation adopted as of September 30, 2023, as provided by Morgan Stanley, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	52.50%	5.31%
International Equity	12.50%	4.15%
Fixed Income	25.00%	1.20%
Private Real Estate	5.00%	3.90%
MLP/Energy Infrastructure	5.00%	3.33%
Total	100.00%	

Please note that long term expected return of the total portfolio is greater than simply multiplying each of the above "Long Term Expected Real Rate of Returns" by their target allocation % and adding them together. Not only is the time horizon longer for an actuarial valuation relative to the time horizon over which the above projected returns were generated, but also there is an additional correlation resulting from a diversified portfolio that will provide additional returns.

Inflation rate of investment advisor 2.40%

Concentrations

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's fiduciary net position.

ASSUMPTIONS

Valuation Date	10/01/2022
GASB 67/68 Measurement Date	09/30/2023
GASB 68 Reporting Date	09/30/2023
Discount Rate	7.10%
Long-Term Rate of Return	7.10%
Mortality	
<i>Healthy Active Lives:</i>	PubS.H-2010 (Below Median) for Employees, set forward one year.
<i>Healthy Retiree Lives:</i>	PubS.H-2010 for Healthy Retirees, set forward one year.
<i>Beneficiary Lives:</i>	Female: PubG.H-2010 (Below Median) for Healthy Retirees. Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.
<i>Disabled Lives:</i>	80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.
	All rates are projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accommodates future mortality improvements.
	The above 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, 2021 FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.
Salary Scale	Service based
Inflation	2.30%
Latest Experience Study Date	September 13, 2019

A summary of other assumptions reflected in the valuation can be found in the October 1, 2022 Actuarial Valuation for the City of Sebastian Police Officers' Retirement System prepared by Foster & Foster Actuaries and Consultants.

Changes in Assumptions

Total Pension Liability and GASB 68 Pension Expense measured as of September 30, 2023 reflect no assumption changes.

Development of the Discount Rate

The projection of cash flows used to determine the Discount Rate assumed that current Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate.

Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments (7.10 percent) was applied to all periods of projected benefit payments to determine the Total Pension Liability.

No projected benefit payments were discounted using a high-quality municipal bond rate of 4.87 percent. The high-quality municipal bond rate was based on the daily rate closest to, but not later than the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index.

The single equivalent Discount Rate was 7.10 percent.

SUMMARY OF CURRENT PLAN

Plan Description

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- Two City Council appointees,
- Two Members of the System, elected by the Membership, and
- Fifth Trustee elected by other 4 and appointed by City Council.

Full-time employees who are classified as full-time sworn Police Officers participate in the System as a condition of employment.

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

A summary of the benefit provisions can be found in the Actuarial Valuation as of October 1, 2022 for the City of Sebastian Police Officers' Retirement System prepared by Foster & Foster Actuaries and Consultants.

Benefit Changes

No benefit changes have been reflected since the prior year.

Deferred Retirement Option Program

Eligibility:

Satisfaction of Normal Retirement requirements.

Participation:

Not to exceed 60 months.

Rate of return:

1.30% annual interest, compounded monthly.

DROP balance:

The DROP balance as of September 30, 2023 is \$665,963.