



June 24, 2022

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

Re: West Palm Beach Police Pension Fund

Dear Dave:

As requested, we have prepared the enclosed Supplemental Actuarial Valuation Report for the West Palm Beach (City) Police Pension Fund (Plan) to update the September 30, 2021 actuarial valuation results to reflect House Bill 929 which was recently signed into law. Under this plan amendment, the 3% benefit multiplier was restored for all years of service between October 1, 2011 to October 1, 2017 for members who retire (including entry into the DROP) after the effective date of May 6, 2022. This change excludes current DROP members.

Based on this Supplemental Actuarial Valuation Report, the final Required City Contribution for the fiscal year ending September 30, 2023 is \$5,657,198 assuming the contribution is paid in full on October 1, 2022. If a different payment schedule is needed, please let us know.

Summary of Findings

- The required employer contribution for the fiscal year ending September 30, 2023 increases by \$309,788, from \$5,347,410 to \$5,657,198, assuming the contribution is paid in full on October 1, 2022.
- The Plan's funded ratio (actuarial value of assets divided by actuarial accrued liability) as of September 30, 2021 decreases from 98.3% to 97.8%.
- The Unfunded Actuarial Accrued Liability (UAAL) as of September 30, 2021 increases by \$2,851,511. This increase is being amortized over 30 years.
- The ultimate cost of the benefit multiplier change is measured by the change in the Actuarial Present Value of Projected Benefits, which is approximately \$3,612,000 as of September 30, 2021, as shown in item B5 on page 8. This represents the increase in benefit payments expected to be funded by the City in today's dollars. This assumes all of the actuarial assumptions are met each year.

Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

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

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

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

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

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

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

Additional Risk Assessment

Additional risk assessment is outside the scope of this report. Additional assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability. We are prepared to perform such assessment to aid in the decision-making process.



Additional Disclosures

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

The purpose of this report is to provide updated September 30, 2021 actuarial valuation results reflecting the plan amendment. No statement in this report is intended to be interpreted as a recommendation in favor of the changes or in opposition to them. This report should not be relied on for any purpose other than the purpose described above.

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

The calculations in this report are based upon information furnished by the Plan Administrator for the September 30, 2021 Actuarial Valuation concerning Plan benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We reviewed this information for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the Plan Administrator.

The calculations in this report are based on data or other information through September 30, 2021. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law.

The calculations are based upon assumptions regarding future events, which may or may not materialize. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the author of the report prior to relying on information in the report.

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



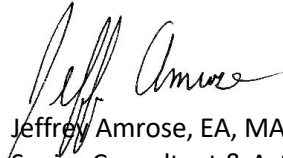
This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge, the information contained in this report is accurate and fairly presents the actuarial position of the Plan as of the valuation date. All calculations have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

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

This actuarial valuation and/or cost determination was prepared and completed by us or under our direct supervision, and we acknowledge responsibility for the results. To the best of our knowledge, the results are complete and accurate. In our opinion, the techniques and assumptions used are reasonable, meet the requirements and intent of Part VII, Chapter 112, Florida Statutes, and are based on generally accepted actuarial principles and practices. 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.

We welcome your questions and comments.

Sincerely yours,
Gabriel, Roeder, Smith & Company



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



Trisha Amrose, EA, MAAA, FCA
Consultant & Actuary

Enclosures

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



Supplemental Actuarial Valuation Report

Plan

West Palm Beach Police Pension Fund

Actuarial Valuation Date

September 30, 2021

Date of Report

June 24, 2022

Report Requested by

Board of Trustees

Prepared by

Gabriel, Roeder, Smith & Company

Group Valued

All active and inactive members of the Plan.

Plan Change

Restore the 3% multiplier for all years of service between October 1, 2011 to October 1, 2017 for members who retire (including entry into DROP) after the effective date of May 6, 2022. This change excludes current DROP members.

Participants Affected

Active participants as of the plan change effective date (May 6, 2022) are impacted if they have service prior to October 1, 2017 (at the 2.68% multiplier).

Actuarial Assumptions and Methods

Same as September 30, 2021 Actuarial Valuation Report.

Some of the key assumptions/methods are:

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



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

Amortization Period for Any Change in Actuarial Accrued Liability

30 years

Summary of Data Used in Report

See page 10. Same as used in the September 30, 2021 Actuarial Valuation.

Actuarial Impact of Proposal(s)

See attached page(s) for the first-year impact of the benefit multiplier change.

Other Cost Considerations

None

Actuarially Determined Contribution (ADC)

A. Valuation Date	September 30, 2021 <i>Before Amendment</i>	September 30, 2021 <i>After Amendment</i>
B. ADC to Be Paid During Fiscal Year Ending	9/30/2023	9/30/2023
C. Assumed Date of Employer Contributions	Quarterly	Quarterly
D. Annual Payment to Amortize Unfunded Actuarial Accrued Liability (UAAL)	\$ 705,289	\$ 886,919
E. Normal Cost	7,182,678	7,308,058
F. Total Required Contribution if Paid Continuously During Year Beginning on Valuation Date	7,887,967	8,194,977
G. Covered Payroll	23,588,274	23,588,274
H. Total Required Contribution as % of Covered Payroll	33.44 %	34.74 %
I. Member Contribution as % of Covered Payroll	11.00 %	11.00 %
J. State Contribution as % of Covered Payroll	0.00 %	0.00 %
K. Required Employer Contribution (REC) as % of Covered Payroll	22.44 %	23.74 %
L. Projected Covered Payroll for Contribution Year	24,649,746	24,649,746
M. REC for Contribution Year: $K \times L$	5,531,404	5,851,852
N. REC as % of Covered Payroll in Contribution Year: $M \div L$	22.44 %	23.74 %
O. Change in REC for Contribution Year	N/A	320,448
P. Change in REC as % of Covered Payroll in Contribution Year	N/A	1.30 %
If the City Makes its Contribution on October 1st:		
Q. REC for Contribution Year	5,347,410	5,657,198
R. REC as % of Covered Payroll in Contribution Year	21.69 %	22.95 %
S. Change in REC for Contribution Year	N/A	309,788
T. Change in REC as % of Covered Payroll in Contribution Year	N/A	1.26 %



Actuarial Value of Benefits and Assets

A. Valuation Date	September 30, 2021 <i>Before Amendment</i>	September 30, 2021 <i>After Amendment</i>
B. Actuarial Present Value of All Projected Benefits for		
1. Active Members		
a. Service Retirement Benefits	\$ 155,195,321	\$ 158,640,531
b. Vesting Benefits	4,796,760	4,908,547
c. Disability Benefits	6,110,140	6,154,620
d. Preretirement Death Benefits	1,217,580	1,227,910
e. Return of Member Contributions	<u>516,195</u>	<u>516,195</u>
f. Total	167,835,996	171,447,803
2. Inactive Members		
a. Service Retirees & Beneficiaries	213,565,948	213,565,948
b. Terminated Vested Members	<u>3,434,980</u>	<u>3,434,980</u>
c. Total	217,000,928	217,000,928
3. Reserves and Share Plan / DROP Accounts	163,794,718	163,794,718
4. Total for All Members	548,631,642	552,243,449
5. Change in Actuarial Present Value of All Projected Benefits	N/A	3,611,807
C. Actuarial Accrued (Past Service) Liability	493,491,232	496,342,743
D. Actuarial Present Value of Accumulated Plan Benefits per FASB Statement No. 35	N/A	N/A
E. Plan Assets		
1. Market Value	485,338,602	485,338,602
2. Actuarial Value	485,338,602	485,338,602
F. Unfunded Actuarial Accrued Liability (UAAL)	8,152,630	11,004,141
G. Change in UAAL	N/A	2,851,511
H. Actuarial Present Value of Projected Covered Payroll	188,451,436	188,451,436
I. Actuarial Present Value of Projected Member Contributions	20,729,658	20,729,658
J. Funded Ratio: E2/C	98.3 %	97.8 %

Calculation of Normal Cost

A. Valuation Date	September 30, 2021 <i>Before Amendment</i>	September 30, 2021 <i>After Amendment</i>
B. Normal Cost for		
1. Service Retirement Benefits	\$ 5,895,071	\$ 6,009,430
2. Vesting Benefits	327,195	335,075
3. Disability Benefits	435,314	437,897
4. Preretirement Death Benefits	72,107	72,665
5. Return of Member Contributions	<u>179,367</u>	<u>179,367</u>
6. Total for Future Benefits	6,909,054	7,034,434
As % of Covered Payroll	29.29 %	29.82 %
7. Assumed Amount for Administrative Expenses	<u>273,624</u>	<u>273,624</u>
As % of Covered Payroll	1.16 %	1.16 %
8. Total Normal Cost	7,182,678	7,308,058
As % of Covered Payroll	30.45 %	30.98 %

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