



**CITY OF ORLANDO
FIREFIGHTER PENSION FUND**

October 1, 2023
Actuarial Valuation Report

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At the request of the plan sponsor, this report summarizes the Firefighter Pension Fund for the City of Orlando as of October 1, 2023. The purpose of this report is to communicate the following results of the valuation:

- Determine Funded Status; and
- Determine Recommended Contribution for the fiscal year October 1, 2024 through September 30, 2025;

This report has been prepared in accordance with the applicable Federal and State laws. Consequently, it may not be appropriate for other purposes. Please contact Nyhart prior to disclosing this report to any other party or relying on its content for any purpose other than that explained above. Failure to do so may result in misrepresentation or misinterpretation of this report.

The results in this report were prepared using information provided to us by other parties. The census information has been provided to us by the employer. Asset information has been provided to us by the trustee. We have reviewed the provided data for reasonableness when compared to prior information provided, but have not audited the data. Where relevant data may be missing, we have made assumptions we believe to be reasonable. We are not aware of any significant issues with and have relied on the data provided. Any errors in the data provided may result in a different result than those provided in this report. A summary of the data used in the valuation is included in this report.

The actuarial assumptions and methods were chosen by the Board. In our opinion, all actuarial assumptions and methods are individually reasonable and in combination represent our best estimate of anticipated experience of the plan. 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); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement. This report has been prepared in accordance with generally accepted actuarial principles and practice.

This actuarial valuation and/or cost determination 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.

With respect to reporting standards for defined benefit retirement plans or systems contained in Section 112.664(1), Florida Statutes, the actuarial disclosures required under this section were 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, meet the requirements of Section 112.664(1), Florida Statutes, and Rule 60T-1.0035, Florida Administrative Code.

Neither Nyhart nor any of its employees have any relationship with the plan or its sponsor which could impair or appear to impair the objectivity of this report. To the extent that this report or any attachment concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law.

In preparing the results, Nyhart used Proval valuation software developed by Winklevoss Technologies, LLC. This software is widely used for the purpose of performing pension valuations. We coded the plan provisions, assumptions, methods, and participant data summarized in this report, and reviewed the liability and cost outputs for reasonableness. We are not aware of any material weaknesses or limitations in the software, and have determined it is appropriate for performing this valuation.

The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States and are available for any questions.

Nyhart



Lawrence Watts, Jr., FSA, CFA, EA, MAAA
Enrolled Actuary No. 23-8496



Kerry Sipe, ASA, EA
Enrolled Actuary No. 23-8613

April 9, 2024

Date

Copies of this Report are to be furnished to the Division of Retirement within 60 days of receipt from the actuary at the following addresses:

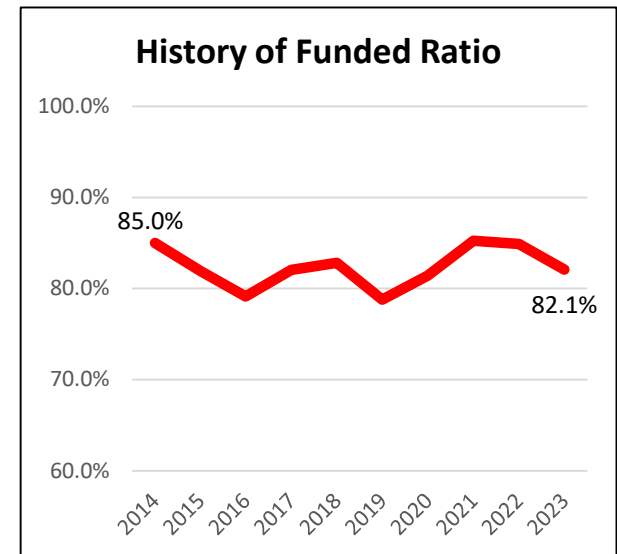
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Summary Results

The actuarial valuation's primary purpose is to produce a scorecard measure displaying the funding progress of the plan toward the ultimate goal of paying benefits at retirement. The accrued liability is based on an entry age level percentage of pay methodology.

| | October 1, 2022 | October 1, 2023 |
|--|------------------------|------------------------|
| Funded Status Measures | | |
| Accrued Liability | \$611,989,240 | \$646,485,059 |
| Actuarial Value of Assets | 519,502,500 | 530,707,593 |
| Unfunded Accrued Liability | \$92,486,740 | \$115,777,466 |
| Funded Percentage (AVA) | 84.9% | 82.1% |
| Funded percentage (MVA) | 73.2% | 74.1% |
| Cost Measures | | |
| Recommended Contribution (City Contribution) | \$22,834,091 | \$26,514,921 |
| Recommended Contribution (as a percentage of expected payroll) | 48.2% | 52.9% |
| Asset Performance | | |
| Market Value of Assets | \$448,157,347 | \$479,145,072 |
| Actuarial Value of Assets | 519,502,500 | 530,707,593 |
| Actuarial Value/Market Value | 115.9% | 110.8% |
| Member Information | | |
| Active Members | 508 | 502 |
| Terminated Vested Members | 2 | 2 |
| Retirees, Beneficiaries, and Disabled Members | 514 | 543 |
| DROP Participants | 17 | 14 |
| Total | 1,041 | 1,061 |
| Covered Payroll | \$45,528,166 | \$48,183,788 |
| Expected Payroll | \$47,349,293 | \$50,111,140 |



Changes Since Prior Valuation

The assumption on future payroll growth for the amortization payments was decreased from 1.86% to 1.74% to stay at or below the 10 year average of historical pay growth. There have been no other changes to the assumptions or methods used since the last valuation.

There have been no known changes to the plan provisions since the last valuation.

Key Notes

This year, the census was reconciled exclusively using PensionGold data. As a result, there were several updates made to the retiree census data that are reflected in this year's valuation report.

Five Year Valuation Summary

| | 10/01/2019 | 10/01/2020 | 10/01/2021 | 10/01/2022 | 10/01/2023 |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Funding | | | | | |
| Accrued Liability | \$544,258,275 | \$566,766,844 | \$589,743,477 | \$611,989,240 | \$646,485,059 |
| Actuarial Value of Assets | \$428,847,109 | \$461,470,098 | \$502,894,539 | \$519,502,500 | \$530,707,593 |
| Unfunded Actuarial Accrued Liability | \$115,411,166 | \$105,296,746 | \$86,848,938 | \$92,486,740 | \$115,777,466 |
| Funded Percentage | 78.8% | 81.4% | 85.3% | 84.9% | 82.1% |
| Total Normal Cost (NC) | \$14,231,677 | \$14,714,659 | \$14,604,920 | \$14,291,923 | \$14,966,420 |
| NC as a Percent of Covered Payroll | 31.7% | 32.1% | 31.8% | 31.4% | 31.1% |
| Actual Employer Contribution | \$22,607,064 | \$23,036,632 | \$21,993,539 | TBD | TBD |
| Recommended Contribution | \$22,607,064 | \$23,036,632 | \$21,993,539 | \$22,834,091 | \$26,514,921 |
| Recommended Contribution (% of Pay) | 50.4% | 50.3% | 47.9% | 50.2% | 55.0% |
| Interest Rate | 7.25% | 7.25% | 7.25% | 7.25% | 7.25% |
| Expense Load Assumption | \$206,357 | \$347,250 | \$326,940 | \$284,975 | \$599,209 |
| Rate of Return | | | | | |
| Actuarial Value of Assets | 3.1% | 7.3% | 9.0% | 4.2% | 4.5% |
| Market Value of Assets | 5.8% | 7.6% | 16.1% | -15.3% | 10.1% |
| Demographic Information | | | | | |
| Active Participants | 496 | 510 | 506 | 508 | 502 |
| Terminated Vested Participants | 5 | 5 | 5 | 2 | 2 |
| Retired Participants | 295 | 297 | 303 | 328 | 351 |
| Beneficiaries | 63 | 69 | 71 | 76 | 82 |
| Disabled Participants | 113 | 113 | 109 | 110 | 110 |
| DROP Participants | 21 | 21 | 22 | 17 | 14 |
| Total Participants | 993 | 1,015 | 1,016 | 1,041 | 1,061 |
| Covered Payroll | \$44,839,453 | \$45,795,877 | \$45,892,488 | \$45,528,166 | \$48,183,788 |
| Average Covered Pay | \$90,402 | \$89,796 | \$90,697 | \$89,622 | \$95,984 |

Identification of Risks

The results presented in this report are shown as single point values. However, these values are derived using assumptions about future markets and demographic behavior. If actual experience deviates from our assumptions, the actual results for the plan will consequently deviate from those presented in this report. Therefore, it is critical to understand the risks facing this pension plan. The following table shows the risks we believe are most relevant to the City of Orlando Firefighter Pension Fund. The risks are generally ordered with those we believe to have the most significance at the top. Also shown are possible methods by which a more detailed assessment of the risk can be performed.

| Type of Risk | Additional Information |
|-----------------------|---|
| Investment Return | Portfolio risk and substantial equity position leave the plan open to adverse market results, which could increase costs in the future. |
| Participant Longevity | The plan has adopted FRS' most recent mortality tables for valuation purposes. These tables are modified from the standard tables, and, compared to the previous tables used by FRS, project a slightly shorter participant longevity overall. There is no guarantee FRS' anticipated mortality experience will mirror your plan's future experience. Deviation from expected mortality rates could impact long-term liabilities and plan cost. |
| Retirement | The plan has a relatively generous provisions regarding retirement eligibility; if more employees than expected retire or avail themselves of early retirement options, then this could impact estimated plan liabilities. |
| Salary Growth | The plan has experienced volatility in observed salary increases in the recent past; as benefits are based on final average salary, the salary growth assumption is key to accurately calculating liabilities and future costs. |

| Type of Risk | Method to Assess Risk |
|-----------------------|--|
| Investment Return | Scenario testing; asset/liability study |
| Participant Longevity | Benefit projections and contribution strategy |
| Retirement | Scenario testing; review population and retirement rates |
| Salary Growth | Review salary history and future budgets; scenario testing |

Plan Maturity Measures - October 1, 2023

Each pension plan has a distinct life-cycle. New plans promise future benefits to active employees and then accumulate assets to pre-fund those benefits. As the plan matures, benefits are paid and the pre-funded assets begin to decumulate until ultimately, the plan pays out all benefits. A plan's maturity has a dramatic influence on how risks should be viewed. The following maturity measures illustrate where the City of Orlando Firefighter Pension Fund falls in its life-cycle.

Duration of Liabilities: 11.6

Duration is the most common measure of plan maturity. It is defined as the sensitivity of the liabilities to a change in the interest rate assumption. The metric also approximates the weighted average length of time, in years, until benefits are expected to be paid. A plan with high duration is, by definition, more sensitive to changes in interest rates. A plan with low duration is more susceptible to risk if asset performance deviates from expectations as there would be less time to make up for market losses in adverse market environments while more favorable environments could result in trapped surplus from gains. Conversely, high duration plans can often take on more risk when investing, and low duration plans are less sensitive to interest rate fluctuations.

Demographic Distribution - Ratio of Actively Accruing Participants to All Participants: 47.3%

A plan with a high ratio is more sensitive to fluctuations in salary (if a salary-based plan) and statutory changes. A plan with a low ratio is at higher risk from demographic experience. Such a plan should pay close attention to valuation assumptions as there will be less opportunity to realize future offsetting gains or losses when current experience deviates from assumptions. Plans with a low ratio also have limited opportunities to make alterations to plan design to affect future funded status.

Asset Leverage - Ratio of Payroll for Plan Participants to Market Value of Assets: 10.1%

Younger plans typically have a large payroll base from which to draw in order to fund the plan while mature plans often have a large pool of assets dedicated to providing benefits to a population primarily consisting of members no longer on payroll. Plans with low asset leverage will find it more difficult to address underfunding, as the contributions needed to make up the deficit will represent a higher percentage of payroll than for a plan with high asset leverage.

Benefit Payment Percentage - Ratio of Annual Benefit Payments to Market Value of Assets: 8.8%

As a plan enters its decumulation phase, a larger percentage of the pre-funded assets are paid out each year to retirees. A high percentage is not cause for alarm as long as the plan is nearly fully funded. However, such a plan is more sensitive to negative asset performance, especially if cash contributions are not an option to make up for losses.

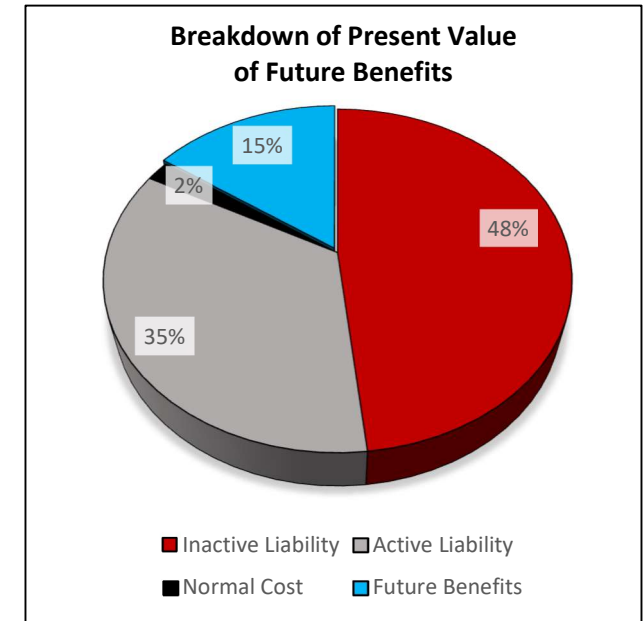
Present Value of Future Benefits

The Present Value of Future Benefits represents the discounted value of all future benefits expected to be payable to current members, considering future service and compensation not yet earned.

October 1, 2023

Present Value of Future Benefits

| | |
|--------------------------------------|-------------------|
| Active members | |
| Retirement | \$362,589,060 |
| Disability | 34,035,142 |
| Death | 4,116,442 |
| Termination | 2,020,975 |
| Refund of contributions | 442,294 |
| Total active | \$403,203,913 |
| Inactive members | |
| Retired members | \$286,914,157 |
| DROP members | 2,986,209 |
| Beneficiaries | 23,106,171 |
| Disabled members | 62,918,836 |
| Terminated vested members | 266,406 |
| Total inactive | \$376,191,779 |
| Total | \$779,395,692 |
| Present value of future payrolls | \$413,055,748 |

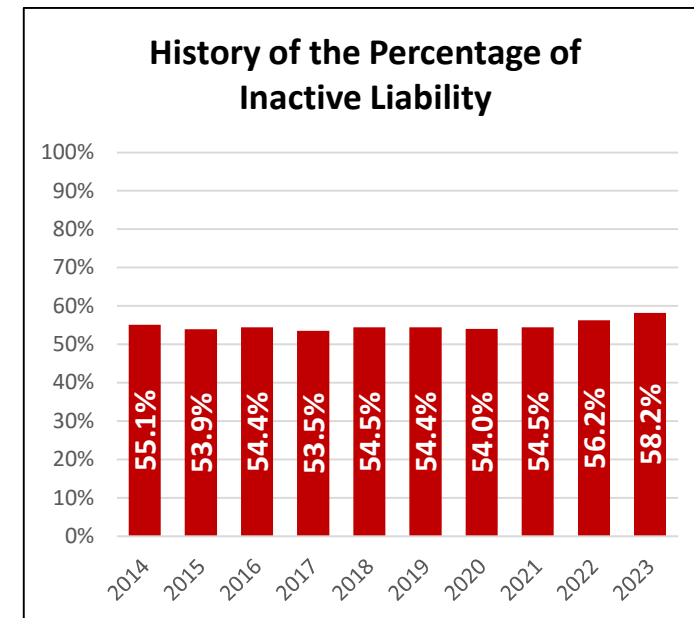


Accrued Liabilities

The Accrued Liability measures the present value of benefits earned as of the valuation date, using a specified set of actuarial assumptions. It is not a long-term snapshot of the liabilities.

October 1, 2023

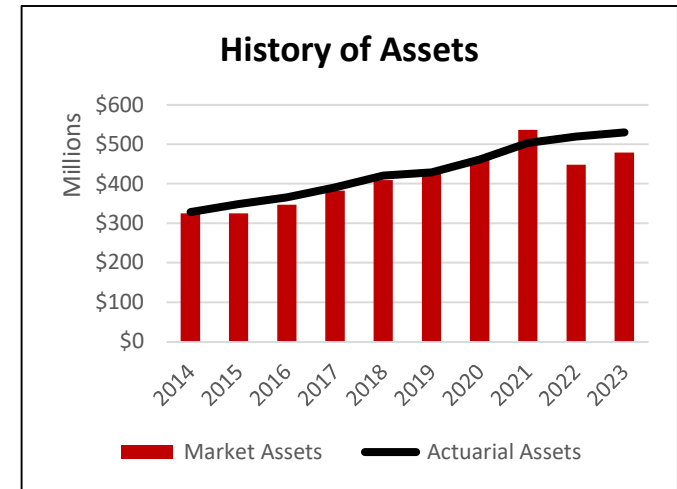
| Accrued Liabilities | |
|----------------------------|---------------|
| Active members | |
| Retirement | \$257,230,878 |
| Disability | 10,350,139 |
| Death | 2,011,926 |
| Termination | 666,602 |
| Refund of contributions | 33,735 |
| Total Active | \$270,293,280 |
| Inactive members | |
| Retired members | \$286,914,157 |
| DROP members | 2,986,209 |
| Beneficiaries | 23,106,171 |
| Disabled members | 62,918,836 |
| Terminated vested members | 266,406 |
| Total Inactive | \$376,191,779 |
| Total | \$646,485,059 |
| Normal Cost | \$14,966,420 |



Asset Information

The amount of assets backing the pension promise is typically the most significant driver of volatility and future costs within a pension plan. The investment performance of the assets directly offsets the ultimate cost.

| | October 1, 2023 |
|---|------------------------|
| Market Value Reconciliation | |
| Market value of assets, beginning of prior year | \$462,229,883 |
| Contributions | |
| Employer | \$21,993,539 |
| Employee | 3,553,820 |
| Non-Employer | 4,015,121 |
| Total | 29,562,480 |
| Investment income, net expenses | 47,068,741 |
| Benefit payments and refunds | (42,361,487) |
| Administrative expenses | (565,853) |
| Other expenses | (33,356) |
| Market value of assets, beginning of current year | \$495,900,408 |
| Return on Market Value | 10.14% |
| Share Plan Assets | \$16,755,336 |
| Market value of assets available for pension benefits | \$479,145,072 |
| Actuarial value of plan assets | |
| Value at beginning of current year | \$530,707,593 |



Asset Information (continued)

Plan Assets are used to develop funded percentages and contribution requirements.

| | October 1, 2023 |
|---|------------------------|
| 1. Expected actuarial value of assets | |
| (a) Actuarial value of assets, beginning of prior year | \$519,502,500 |
| (b) Contributions | 27,957,365 |
| (c) Benefit payments | (39,322,948) |
| (d) Refund of contributions | (173,050) |
| (e) Expenses | (599,209) |
| (f) Expected return | 37,957,367 |
| (g) Expected actuarial value of assets, beginning of current year | \$545,322,025 |
| 2. Market value of assets, beginning of current year | \$479,145,072 |
| 3. Actual return on market value | \$43,125,567 |
| 4. Amount subject to phase in [3-1(f)] | \$5,168,200 |
| 5. Phase in of asset gain/(loss) * | |
| (a) Current year (20% x \$5,168,200) | \$1,033,640 |
| (b) First prior year (20% x (\$120,258,434)) | (\$24,051,687) |
| (c) Second prior year (20% x \$40,271,834) | \$8,054,367 |
| (d) Third prior year (20% x \$1,746,238) | \$349,248 |
| (e) Total phase-in | (\$14,614,432) |
| 6. Preliminary actuarial value of assets, beginning of current year [1(g)+5(e)] | \$530,707,593 |
| 7. 80% market value of assets | \$383,316,058 |
| 8. 120% market value of assets | \$574,974,086 |
| 9. Final adjusted actuarial value of assets | \$530,707,593 |
| 10. Return on actuarial value of assets | 4.46% |

* The asset valuation method was updated, starting with the October 1, 2019 valuation, to the 20% (5-year) phase-in-method with a 20% corridor.

Reconciliation of Gain/Loss

October 1, 2023

Liability (gain)/loss

| | |
|---|---------------|
| Actuarial liability, beginning of prior year | \$611,989,240 |
| Normal cost | 14,291,923 |
| Benefit payments | (39,495,998) |
| Expected interest | 43,998,704 |
| Assumption changes | 0 |
| 1-year lag adjustment | 462,521 |
| Expected actuarial liability, beginning of current year | \$631,246,390 |
| Actual actuarial liability | \$646,485,059 |
| Liability (gain)/loss | \$15,238,669 |

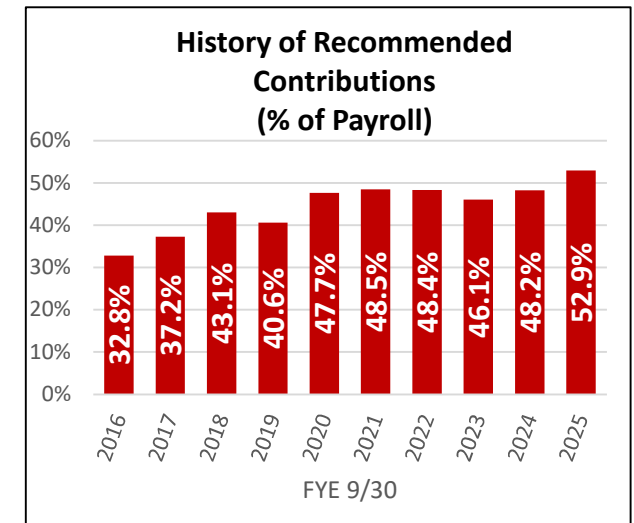
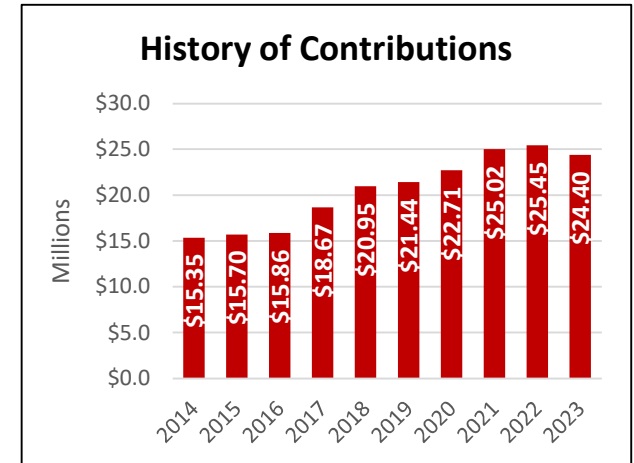
Asset (gain)/loss

| | |
|---|---------------------|
| Actuarial value of assets, beginning of prior year | \$519,502,500 |
| Contributions | 27,957,365 |
| Benefit payments and expenses | (40,095,207) |
| Expected investment return | 37,957,367 |
| Expected actuarial value of assets, beginning of current year | \$545,322,025 |
| Actual actuarial value of assets, beginning of current year (before accumulated reserve adjustment) | \$530,707,593 |
| Asset (gain)/loss | \$14,614,432 |
| Total (gain)/loss | \$29,853,101 |

Development of Recommended Contribution

The minimum recommended contribution is the annual amount necessary to fund the plan according to funding policies and/or applicable laws. The recommended contribution is composed of the normal cost, administrative expenses, and an amortization charge.

| | October 1, 2023 |
|---|------------------------|
| Funded Position | |
| 1. Entry age accrued liability | \$646,485,059 |
| 2. Actuarial value of assets | 530,707,593 |
| 3. Unfunded actuarial accrued liability (UAAL) | \$115,777,466 |
| Employer Contributions | |
| 1. Normal cost | |
| (a) Total normal cost | \$14,966,420 |
| (b) Normal cost associated with participant contributions | (3,601,258) |
| (c) Net normal cost | \$11,365,162 |
| 2. Administrative expenses | 599,209 |
| 3. Amortization of UAAL | 15,005,258 |
| 4. Applicable interest | 1,955,298 |
| 5. Total required contribution | \$28,924,927 |
| 6. Expected state contribution | (2,410,006) |
| 7. Total recommended contribution ¹ | \$26,514,921 |
| As a percentage of covered payroll | 55.03% |
| As a percentage of expected payroll | 52.91% |



¹ Lump sum payment to be made October 1, 2024

Demographic Information

The foundation of a reliable actuarial report is the participant information provided by the plan sponsor. Monitoring trends in demographic information is crucial for long-term pension planning.

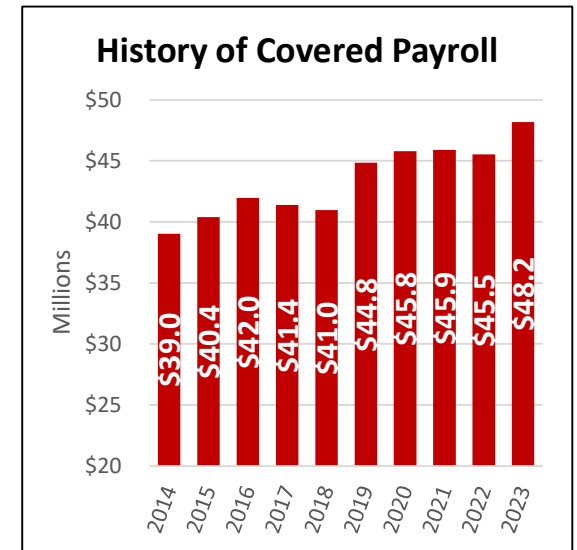
October 1, 2023

Participant Counts

| | |
|--------------------------------|--------------|
| Active Participants | 502 |
| Retired Participants | 351 |
| Beneficiaries | 82 |
| Disabled Participants | 110 |
| Terminated Vested Participants | 2 |
| DROP Participants | 14 |
| Total Participants | 1,061 |

Active Participant Demographics

| | |
|------------------------|---------------------|
| Average Age | 41.71 |
| Average Service | 12.77 |
| Average Compensation | \$95,984 |
| Covered Payroll | \$48,183,788 |



Demographic Information (continued)

| | October 1, 2023 |
|---|-----------------|
| Retiree Statistics | |
| Average Age | 66.09 |
| Average Monthly Benefit | \$5,076 |
| Beneficiary Statistics | |
| Average Age | 70.07 |
| Average Monthly Benefit | \$2,558 |
| Disabled Participants Statistics | |
| Average Age | 62.26 |
| Average Monthly Benefit | \$4,196 |
| Terminated Participants Statistics | |
| Average Age | 41.46 |
| Average Monthly Benefit | \$1,307 |
| DROP Participants Statistics | |
| Average Age | 51.16 |
| Average Monthly Benefit | \$6,515 |

Participant Reconciliation

| | Active | Terminated Vested | Disabled | Retired | Beneficiaries | Totals |
|--------------------------|---------------|--------------------------|-----------------|----------------|----------------------|---------------|
| Prior Year | 508 | 2 | 110 | 345 | 76 | 1,041 |
| Active | | | | | | 0 |
| To Disabled | (2) | | 2 | | | 0 |
| To Retired | (31) | | | 31 | | 0 |
| To Terminated Vested | | | | | | 0 |
| To Terminated Non-Vested | (5) | | | | | (5) |
| To Death | | | | | | 0 |
| Terminated Vested | | | | | | 0 |
| To Retired | | | | | | 0 |
| Disabled | | | | | | 0 |
| To Death | | | (2) | | | (2) |
| Retired | | | | | | 0 |
| To Death | | | | (11) | | (11) |
| Survivor | | | | | | 0 |
| To Death | | | | | (1) | (1) |
| Additions | 32 | | | | 8 | 40 |
| Departures | | | | | (1) | (1) |
| Corrections | | | | | | 0 |
| Current Year | 502 | 2 | 110 | 365 | 82 | 1,061 |

Active Participant Schedule

Active participant information grouped based on age and service.

| Age Group | Years of Service | | | | | | | | | | Total | Average Pay |
|--------------|------------------|--------|--------|----------|----------|----------|----------|----------|----------|---------|-------|-------------|
| | Under 1 | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40 & Up | | |
| Under 25 | 2 | 3 | | | | | | | | | 5 | 65,730 |
| 25 to 29 | 12 | 22 | 6 | | | | | | | | 40 | 69,056 |
| 30 to 34 | 7 | 38 | 15 | 15 | | | | | | | 75 | 79,221 |
| 35 to 39 | 5 | 30 | 26 | 24 | 13 | | | | | | 98 | 90,103 |
| 40 to 44 | 2 | 8 | 11 | 23 | 31 | 19 | | | | | 94 | 101,404 |
| 45 to 49 | | 1 | 1 | 8 | 32 | 52 | 2 | | | | 96 | 110,292 |
| 50 to 54 | 1 | | 2 | 1 | 13 | 41 | 10 | | | | 68 | 108,886 |
| 55 to 59 | | | | | 4 | 11 | 7 | | | | 22 | 107,334 |
| 60 to 64 | | | | | 1 | 2 | 1 | | | | 4 | 108,907 |
| 65 to 69 | | | | | | | | | | | | |
| 70 & up | | | | | | | | | | | | |
| Total | 29 | 102 | 61 | 71 | 94 | 125 | 20 | | | | 502 | 95,984 |

Plan Status

Special Acts beginning in 1945 and ordinances codified in Chapter 12, Articles II and III, Orlando City Code, and Fire Pension Ordinance.

Eligibility for Participation

All officers and firefighters regularly and continuously employed in the Fire Department, excluding secretaries, stenographers, and switchboard operators. Membership starts immediately upon hire.

Accrual of Benefits

A participant shall accumulate a benefit payable at normal retirement date based on credited service as of the date of determination and the accrual rate associated with their credited service. The total benefit shall not exceed 100% of Average Monthly Salary.

| <u>Credited Service</u> | <u>Accrual per Year of Credited Service</u> |
|-------------------------|---|
| 10-20 | 2% |
| 20-42.5 | 3.4% (maximum 85%) |
| 42.5+ | 3.4% (maximum 85%) + 2% for service over 42.5 |

Benefits

Normal Retirement

Eligibility Completion of 20 Years of Credited Service or attainment of age 47 and completion of 10 Years of Credited Service.

Benefit Unreduced Accrued Benefit payable immediately

Early Retirement

Eligibility Completion of 20 Years of Credited Service or attainment of age 47 and completion of 10 years of Credited Service.

Benefit Accrued retirement benefit

Late Retirement

Eligibility Participation continues after normal retirement date.

Benefit Accrued retirement benefit

Death before Retirement In Line of Duty

| | |
|-------------|---|
| Eligibility | Participant dies while performing duties. |
| Benefit | Members with less than 10 years of service – Beneficiary receives 75% of 80% of the member’s Average Monthly Salary until death. Members with 10 years of service – Beneficiary receives 100% of accrued benefit for 10 years and 75% of member’s 80% of the Average Monthly Salary. The 80% may be increased 3.4% for each year of service over 23.53 years (up to maximum of 85%) and an additional 2% for each year of service over 42.5 years (up to maximum of 100%). 25% of the surviving spouses’ pension is directed toward any surviving child under 18. |

Death before Retirement Not In Line of Duty

| | |
|-------------|--|
| Eligibility | Participant dies while not in line of duty. |
| Benefit | Members with less than 10 years of service – accumulated contributions without interest paid to Beneficiary. Members with 10 years of service - Beneficiary receives 100% of Accrued Benefit for 10 years and 65% (75% if members reached normal retirement) of the Accrued Benefit after 10 years until death. |

Death during Qualified Military Service

Starting January 1, 2007, the beneficiary of a member who dies while performing qualified military service will be entitled to non-line of duty death benefits, subject to repayment of any withdrawn employee contributions.

Termination Benefit

| | |
|-------------|--|
| Eligibility | Fully vested after 10 years of Credited Service. |
| Benefit | Less than 20 years of service – 2% of Average Monthly Salary per Years of Service More than 20 years of service – service retirement benefit Benefit payable at age 47. If the participant terminates prior to 10 years of service a refund of accumulated contributions without interest will be issued |

Disability Benefit In Line of Duty

| | |
|-------------|--|
| Eligibility | Immediately upon permanent disability |
| Benefit | 80% of average monthly salary plus 2% for credited service between 40 and 50 years. Benefit terminates upon death or recovery. |

Disability Benefit Not In Line of Duty

| | |
|-------------|---|
| Eligibility | Immediately upon permanent disability |
| Benefit | Less than 10 years of service – 3% of Average Monthly Salary per year 10-20 years of service – 4% of Average Monthly Salary per year (maximum 60%) More than 20 years of service - same as service retirement benefit |

Compensation

Salary

All employees' base pay, EMT and paramedic pay, longevity pay, incentive pay, and fixed monthly remuneration, including pick-up contributions, but excluding overtime pay, education advancement pay, and any other form of compensation.

Average Monthly Salary

Average Monthly Salary during the last 3 years of Credited Service, or the 5 best years of last 10 years if greater.

Credited Service

For Vesting and Benefit Accrual

Continuous service credited under Pension Fund, from most recent date of employment. Upon reemployment a member may restore pre-breach service upon repayment of amount withdrawn plus interest. Periods of Disability in Line of Duty are credited upon returning to service.

After employment, active military service (maximum of 5 years) after March 12, 1999 is included in Credited Service.

Employee Contributions

1% (basic), .05% for "20 and out", 6.32% for COLA, totaling 7.37% of Compensation; .12% for DROP (not explicit in ordinance).

DROP

| | |
|-------------|--|
| Eligibility | Eligible for service retirement and completion of 20 years of service. |
| Benefit | Forward Deferred Retirement Option Plan for up to 60 months or a retroactive Deferred Retirement Option Program for up to 60 months. Interest credited is 8.0% Combined years of credited service and DROP participation may not exceed 360 months. Beneficiaries of DROP participants are not entitled to preretirement death benefits and DROP participants are not eligible for disability benefits. |

COLA

| | |
|-------------|---|
| Eligibility | Members who retire with 20 or more years of service, or beneficiaries of these members. |
| Benefit | 5.0% triennial cost-of-living increase beginning 3 years after retirement or DROP exit. Additional cost of benefit is paid by members. Members terminating and not for COLA are not entitled to a refund of contributions to fund the COLA. |

Payment Forms

Normal Form
10 year Certain and Life

Optional Forms
50%, 66 2/3%, 75%, and 100% Joint and Survivor Annuity (reduction on first death); Single Life Annuity

For married participants who elect the 10 year Certain and Life,

- If death of the participant occurs during the 10 year certain period, the spouse will continue to receive 100% of the normal form benefit through the remainder of the ten years. After the ten year period, the spouse will receive 75% of the normal form benefit for the remainder of his or her lifetime.
- If death of the participant occurs after the 10 year certain period, the spouse will continue to receive 75% of the normal form benefit for the remainder of his or her lifetime.
- If the spouse dies before the participant, there is no reduction to the benefit.

Plan Provisions Not Included

We are not aware of any plan provisions not included in the valuation.

Adjustment Made for Subsequent Events

We are not aware of any event following the measurement date and prior to the date of this report that would materially impact results.

Changes Since Prior Report

None.

Cost Method

Entry Age Method

Amortization Method

Fresh Start of UAAL amortization over 20 years as of 9/30/2005. All new bases are to be amortized over a 20-year closed period with a 4.0% payroll growth assumption. This assumption was adjusted to 1.74% for 2023 to remain in compliance with the Florida 10-year average requirement.

Asset Valuation Method

20% (5-year) Phase-in method with a 20% asset corridor.

Interest Rates

7.25% net of investment expenses

The assumed interest rates are based on a study of actuarial experience for the plan during 2014-2018. See the experience study report dated November 21, 2019 as prepared by Nyhart.

Annual Pay Increases

2.50% inflation plus merit increases (sample below).

| <u>Age</u> | <u>Rates</u> |
|------------|--------------|
| 20 | 2.5% |
| 30 | 2.5% |
| 40 | 2.0% |
| 50 | 1.0% |
| 60 | 0.0% |

The assumed annual pay increases and inflation rate are based on a study of actuarial experience for the plan during 2014-2018. See the experience study report dated November 21, 2019 as prepared by Nyhart.

Expense and/or Contingency Loading

One-year term cost method, based on expenses for the previous year.

Mortality Rates

Pre-Retirement:

Pub-2010 Generational using scale MP-2018, Females, Headcount Weighted Safety Employee Female Table, set forward 1 year; Males, Headcount Weighted Safety Below Median Employee Male Table, set forward 1 year

Post-Retirement:

Pub-2010 Generational using scale MP-2018, Females, Headcount Weighted Safety Healthy Retiree Female Table, set forward 1 year; Males, Headcount Weighted Safety Below Median Healthy Retiree Male Table, set forward 1 year

Disabled:

Florida Retirement System special risk disabled mortality

75% of assumed deaths are expected to be in Line of Duty.

Pub-2010, Females, 80% Headcount Weighted General Disabled Retiree Female Table / 20% Headcount Weighted Safety Disabled Retiree Female Table; Males, 80% Headcount Weighted General Disabled Retiree Male Table / 20% Headcount Weighted Safety Disabled Retiree Male Table.

These are the same mortality rates used by the Florida Retirement System in its July 1, 2023 Actuarial Valuation Report.

Retirement Rates

After completion of 20 years of credited service with the following rates:

| <u>Service at Retirement</u> | <u>Rates</u> |
|----------------------------------|--------------|
| 20-23 | 10% |
| 24 | 20% |
| 25 | 40% |
| 26-28 | 30% |
| 29 | 70% |
| 30+ | 100% |

The assumed retirement rates are based on a study of actuarial experience for the plan during 2009-2014. See the experience study report dated November 19, 2015 as prepared by Nyhart. No changes were recommended based on the experience study for the plan during 2014-2018. See the experience study report dated November 21, 2019 as prepared by Nyhart.

Disability Rates

| <u>Age</u> | <u>Rates</u> |
|------------|--------------|
| 20 | 2.36% |
| 30 | 0.35% |
| 40 | 0.83% |
| 50 | 1.42% |

Disability rates cease upon attainment of 23 years of service.

75% of disabilities are assumed to be In Line of Duty and no offsets are included in any disability benefits. No probabilities of recovery are used.

The assumed disability rates are based on a study of actuarial experience for the plan during 2014-2018. See the experience study report dated November 21, 2019 as prepared by Nyhart.

Withdrawal Rates

| <u>Age</u> | <u>Rates</u> |
|------------|--------------|
| 20 | 1.50% |
| 30 | 1.00% |
| 40 | 0.50% |
| 50 | 0.25% |
| 60 | 0.25% |

If not vested upon termination, it is assumed that members withdraw their contribution balances.

The assumed withdrawal rates are based on a study of actuarial experience for the plan during 2014-2018. See the experience study report dated November 21, 2019 as prepared by Nyhart.

Marital Status and Ages

80% of active Members are assumed to be married with female spouses assumed to be 3 years younger than male spouses.

Cost-of-Living

All members retiring with 20 or more years of service are assumed to receive a 5% cost-of-living increase every 3 years.

State Contributions

Premium tax revenues under Chapter 175 are assumed to be \$2,410,006.

Covered Payroll

Most recent reported salary for all actives being valued, projected forward one year based on Annual Pay Increase assumptions above.

Expected Payroll

Covered Payroll increased by a 4.0% payroll growth assumption to account for the lagged contribution.

DROP

Retroactive Deferred Retirement Option Program:

It is assumed that 100% of those who have 27 or more years of service will participate in the retroactive DROP.

Forward Deferred Retirement Option Program:

The valuation does not explicitly assume future participation in the Forward DROP. Instead, a load is added to the liability equal to the actual Forward DROP account balances as of the valuation date.

Changes Since Prior Report

The assumption of future payroll growth for amortization purposes was decreased to 1.74% to stay at or below the 10 year average of historical pay growth, per state law.

The actuarial report also shows the necessary items required for plan reporting and the any state requirements.

- ✓ Reconciliation of unfunded actuarial liability
- ✓ Statement of changes in plan net assets
- ✓ Distribution of assets
- ✓ Schedule of amortizations
- ✓ Florida State requirements
 - Comparative summary of principal valuation results
 - Comparison of Payroll Growth, salary increases, and investment results
 - Requirements under Florida Statute 112.664 and F.A.C. 60T – 1.0035
 - Reserve account for benefit improvements under F.L. 99-1 and SB 172
- ✓ Supplemental CAFR information
- ✓ Low-Default-Risk Obligation Measure (LDROM)

Reconciliation of Unfunded Actuarial Liability

| | October 1, 2023 |
|---|------------------------|
| 1. Unfunded Actuarial Accrued Liability beginning of prior year | \$92,486,740 |
| 2. Normal Cost | 14,291,923 |
| 3. Expenses | 599,209 |
| 4. Employer Contributions | (21,993,539) |
| 5. Non-Employer Contributions | (5,963,826) |
| 6. Interest | 6,041,337 |
| 7. 1-year lag adjustment | 462,521 |
| 8. Expected Unfunded Actuarial Accrued Liability, beginning of current year | \$85,924,365 |
| 9. Changes due to: | |
| (a) Amendments | \$0 |
| (b) Assumptions | 0 |
| (c) Funding Methods | 0 |
| (d) Asset Valuation Methods | 0 |
| (e) Total | \$0 |
| 10. (Gain)/Loss due to: | |
| (a) Assets | \$14,614,432 |
| (b) Liabilities | \$15,238,669 |
| (c) Total | \$29,853,101 |
| 11. Unfunded Actuarial Liability beginning of current year [8 + 9(e) + 10(c)] | \$115,777,466 |

Statement of Changes in Plan Net Assets

| | <u>September 30, 2022</u> | <u>September 30, 2023</u> |
|---|---------------------------|---------------------------|
| 1. Additions | | |
| (a) Contributions: | | |
| (i) Employer | \$23,036,632 | \$21,993,539 |
| (ii) Member | 3,360,639 | 3,553,820 |
| (iii) Nonemployer contributing entity | 3,104,991 | 4,015,121 |
| (iv) Excess premium tax | 0 | 0 |
| (v) Total | \$29,502,262 | \$29,562,480 |
| (b) Investment income | | |
| (i) Net increase in fair value of investments | (\$88,737,686) | \$40,203,840 |
| (ii) Interest and dividends | 5,515,524 | 8,625,267 |
| (iii) Investment expense, other than from securities lending | (2,318,291) | (1,760,830) |
| (iv) Securities lending income | 32,348 | 464 |
| (v) Securities lending expense | (7,253) | 0 |
| (vi) Total | (\$85,515,358) | \$47,068,741 |
| (c) Other | 0 | 0 |
| (d) Total additions [(a)+(b)+(c)] | (\$56,013,096) | \$76,631,221 |
| 2. Deductions | | |
| (a) Benefit payments, including refunds of member contributions | \$34,400,221 | \$42,361,487 |
| (b) Administrative expense | 242,268 | 565,853 |
| (c) Other | 42,707 | 33,356 |
| (d) Total deductions | \$34,685,196 | \$42,960,696 |
| 3. Net increase [(1d)-(2d)] | (\$90,698,292) | \$33,670,525 |
| 4. Net assets held in trust for pension benefits, beginning of year | 552,928,175 | 462,229,883 |
| 5. Net assets held in trust for pension benefits, end of year [(3)+(4)] | \$462,229,883 | \$495,900,408 |

Distribution of Assets

| | September 30, 2022 | September 30, 2023 |
|--|---------------------------|---------------------------|
| Cash and deposits | \$10,506,645 | \$8,387,526 |
| Securities lending cash collateral | 355,586 | 339,203 |
| Total cash | \$10,862,231 | \$8,726,729 |
| Receivables | | |
| Contributions | \$0 | \$0 |
| Other | 0 | 0 |
| Total receivables | \$0 | \$0 |
| Investments | | |
| Domestic Equities | \$151,443,365 | \$156,592,585 |
| Fixed Income | 112,014,952 | 122,264,370 |
| International Equities | 67,364,820 | 77,027,836 |
| Global Asset Allocation | 0 | 0 |
| Share Plan Mutual Fund | 13,292,166 | 15,054,227 |
| Real Estate | 39,397,959 | 35,251,980 |
| Hedge Funds | 10,752,494 | 286,360 |
| Short-term Investments/Asset Bonded Securities | 671,937 | 435,686 |
| Private Debt | 32,633,202 | 45,422,725 |
| Private Equity | 24,092,646 | 34,912,945 |
| Total investments | 451,663,541 | 487,248,714 |
| Payables | | |
| Investment management fees | \$0 | \$0 |
| Due to broker for investments purchased | 0 | 0 |
| Collateral payable for securities lending | 0 | 0 |
| Other | 295,889 | 75,035 |
| Total liabilities | \$295,889 | \$75,035 |
| Reserved Assets | | |
| Balance in share fund | (\$14,072,536) | (\$16,755,336) |
| Assets available for benefits | \$448,157,347 | \$479,145,072 |

Schedule of Amortizations

| | | | | | | October 1, 2023 |
|-------------------------|-----------------------|-------------------------|------------------------|-------------------------------|--------------------------|------------------------|
| <u>Date Established</u> | <u>Description</u> | <u>Original Amounts</u> | <u>Original Period</u> | <u>Remaining Period Years</u> | <u>Remaining Balance</u> | <u>Annual Payment</u> |
| 9/30/2005 | Fresh Start | 18,321,886 | 20 | 2 | 4,910,078 | 2,519,766 |
| 9/30/2006 | Actuarial (Gain)/Loss | (4,506,959) | 20 | 3 | (1,716,412) | (602,564) |
| 9/30/2007 | Actuarial (Gain)/Loss | (4,698,623) | 20 | 4 | (2,286,940) | (617,730) |
| 9/30/2007 | Plan Amendment | 809,250 | 20 | 4 | 385,351 | 104,088 |
| 9/30/2008 | Actuarial (Gain)/Loss | 10,730,175 | 20 | 5 | 6,002,081 | 1,330,257 |
| 9/30/2009 | Plan Amendment | 8,133,032 | 20 | 6 | 5,123,267 | 970,285 |
| 9/30/2009 | Actuarial (Gain)/Loss | 14,877,715 | 20 | 6 | 10,304,507 | 1,951,550 |
| 9/30/2010 | Actuarial (Gain)/Loss | 7,047,273 | 20 | 7 | 5,313,227 | 884,227 |
| 9/30/2010 | Assumption Change | 4,950,244 | 20 | 7 | 3,732,192 | 621,111 |
| 9/30/2011 | Actuarial (Gain)/Loss | 6,486,893 | 20 | 8 | 5,219,773 | 779,049 |
| 9/30/2012 | Actuarial (Gain)/Loss | (3,644,397) | 20 | 9 | (3,083,159) | (419,137) |
| 9/30/2013 | Actuarial (Gain)/Loss | (1,136,396) | 20 | 10 | (998,907) | (125,207) |
| 9/30/2014 | Actuarial (Gain)/Loss | (1,834,540) | 20 | 11 | (1,663,431) | (194,141) |
| 9/30/2015 | Actuarial (Gain)/Loss | 6,029,015 | 20 | 12 | 5,208,487 | 570,607 |
| 9/30/2015 | Assumption Change | 13,660,962 | 20 | 12 | 11,801,750 | 1,292,920 |
| 9/30/2016 | Actuarial (Gain)/Loss | 11,623,470 | 20 | 13 | 10,283,010 | 1,064,601 |
| 9/30/2016 | Assumption Change | 9,364,914 | 20 | 13 | 8,284,916 | 857,738 |
| 9/30/2017 | Actuarial (Gain)/Loss | (12,194,307) | 20 | 14 | (10,983,230) | (1,080,729) |
| 9/30/2017 | Assumption Change | 2,759,850 | 20 | 14 | 2,485,756 | 244,594 |
| 9/30/2018 | Actuarial (Gain)/Loss | (1,680,465) | 20 | 15 | (1,544,014) | (145,105) |
| 9/30/2018 | Assumption Change | 6,142,390 | 20 | 15 | 5,643,632 | 530,383 |

Schedule of Amortizations (Cont.)

| | | | | | | October 1, 2023 |
|-------------------------|-----------------------|-----------------------------|----------------------------|-----------------------------------|------------------------------|---------------------------|
| <u>Date Established</u> | <u>Description</u> | <u>Original Amounts</u> | <u>Original Period</u> | <u>Remaining Period Years</u> | <u>Remaining Balance</u> | <u>Annual Payment</u> |
| 9/30/2019 | Actuarial (Gain)/Loss | 961,497 | 20 | 16 | 903,654 | 81,454 |
| 9/30/2019 | Assumption Change | 15,776,137 | 20 | 16 | 14,827,044 | 1,336,491 |
| 9/30/2019 | Asset Method Change | 15,317,044 | 20 | 16 | 14,395,572 | 1,297,599 |
| 9/30/2020 | Actuarial (Gain)/Loss | (5,347,487) | 20 | 17 | (5,126,769) | (444,876) |
| 9/30/2021 | Actuarial (Gain)/Loss | (13,110,288) | 20 | 18 | (12,785,360) | (1,071,519) |
| 9/30/2022 | Actuarial (Gain)/Loss | 11,416,935 | 20 | 19 | 11,288,290 | 916,332 |
| 9/30/2023 | Actuarial (Gain)/Loss | 29,853,101 | 20 | 20 | 29,853,101 | 2,353,214 |
| Total: | | | | | 115,777,466 | 15,005,258 |

Information to Comply with Florida 60T-1.003(4)(i)

Comparative Summary Of Principal Valuation Results

| | 10/1/2023 7.25% (current methods & assumptions) | 10/1/2023 7.25% (prior methods & assumptions) | 10/1/2022 7.25% |
|-------------------------------------|--|--|--------------------|
| Participant Data | | | |
| Active members | 502 | 502 | 508 |
| Total annual payroll | \$48,183,788 | \$48,183,788 | \$45,528,166 |
| Members in DROP | 14 | 14 | 17 |
| Total annualized benefit | \$1,094,533 | \$1,094,533 | \$1,314,511 |
| Retired members and beneficiaries | 433 | 433 | 404 |
| Total annualized benefit | \$23,895,592 | \$23,895,592 | \$21,434,839 |
| Disabled members receiving benefits | 110 | 110 | 110 |
| Total annualized benefit | \$5,539,288 | \$5,539,288 | \$5,504,211 |
| Terminated vested members | 2 | 2 | 2 |
| Total annualized benefit | \$31,359 | \$31,359 | \$31,359 |
| Assets | | | |
| Actuarial value of assets | \$530,707,593 | \$530,707,593 | \$519,502,500 |
| Market value of assets | \$479,145,072 | \$479,145,072 | \$448,157,347 |

Information to Comply with Florida 60T-1.003(4)(i)

Comparative Summary Of Principal Valuation Results (continued)

| | 10/1/2023 7.25% (current methods & assumptions) | 10/1/2023 7.25% (prior methods & assumptions) | 10/1/2022 7.25% |
|--|--|--|----------------------|
| Liabilities, present value of all future expected benefit payments | | | |
| Active members | | | |
| Retirement benefits | \$362,589,060 | \$362,589,060 | \$351,848,241 |
| Vesting benefits | \$2,020,975 | \$2,020,975 | 1,840,751 |
| Disability benefits | \$34,035,142 | \$34,035,142 | 31,247,041 |
| Death benefits | \$4,116,442 | \$4,116,442 | 4,027,458 |
| Return of contribution | 442,294 | 442,294 | 365,111 |
| Total | <u>\$403,203,913</u> | <u>\$403,203,913</u> | <u>\$389,328,602</u> |
| Terminated vested members | \$266,406 | \$266,406 | \$248,131 |
| Retired members and beneficiaries | \$313,006,537 | \$313,006,537 | \$281,367,571 |
| Disabled members | \$62,918,836 | \$62,918,836 | \$62,494,020 |
| Total | \$779,395,692 | \$779,395,692 | \$733,438,324 |
| Liabilities due and unpaid | \$0 | \$0 | \$0 |
| Actuarial accrued liability | \$646,485,059 | \$646,485,059 | \$611,989,240 |
| Unfunded actuarial accrued liability | \$115,777,466 | \$115,777,466 | \$92,486,740 |

Information to Comply with Florida 60T-1.003(4)(i)

Comparative Summary Of Principal Valuation Results (continued)

| | 10/1/2023 7.25% (current methods & assumptions) | 10/1/2023 7.25% (prior methods & assumptions) | 10/1/2022 7.25% |
|--|--|--|----------------------|
| Actuarial present value of accrued benefits | | | |
| Statement of actuarial present value of all accrued benefits | | | |
| Vested accrued benefits | | | |
| Inactive members and beneficiaries | \$376,191,779 | \$376,191,779 | \$344,109,722 |
| Active members | 178,808,000 | 178,808,000 | 179,408,840 |
| Total value of all vested accrued benefits | <u>\$554,999,779</u> | <u>\$554,999,779</u> | <u>\$523,518,562</u> |
| Non-vested accrued benefits | <u>4,435,007</u> | <u>4,435,007</u> | <u>4,899,986</u> |
| Total actuarial present value of all accrued benefits | \$559,434,786 | \$559,434,786 | \$528,418,548 |
| | | | |
| Actuarial present value of accrued benefits, beginning of year | \$528,418,548 | \$528,418,548 | \$506,412,687 |
| Increase (decrease) during year | | | |
| Benefits accumulated | \$33,608,571 | \$33,608,571 | \$19,797,096 |
| Plan amendment | 0 | 0 | 0 |
| Changes in actuarial assumptions | 0 | 0 | 0 |
| Interest | 36,903,665 | 36,903,665 | 35,528,222 |
| Benefits paid | (39,495,998) | (39,495,998) | (33,319,457) |
| Other changes | 0 | 0 | 0 |
| Net increase (decrease) | <u>\$31,016,238</u> | <u>\$31,016,238</u> | <u>\$22,005,861</u> |
| Actuarial present value of accrued benefits, end of year | \$559,434,786 | \$559,434,786 | \$528,418,548 |

Information to Comply with Florida 60T-1.003(4)(i)

Comparative Summary Of Principal Valuation Results (continued)

| | 10/1/2023 7.25% (current methods & assumptions) | 10/1/2023 7.25% (prior methods & assumptions) | 10/1/2022 7.25% |
|--|--|--|--------------------|
| Pension cost | | | |
| Normal Cost | \$14,966,420 | \$14,966,420 | \$14,291,923 |
| Member contributions | \$3,601,258 | \$3,601,258 | \$3,410,060 |
| Expected plan sponsor contribution | \$26,514,921 | \$26,514,921 | \$22,834,091 |
| As % of expected payroll | 52.91% | 52.91% | 48.22% |
| Member Contributions as % of payroll | 7.49% | 7.49% | 7.49% |
| Past contributions | 9/30/2023 | 9/30/2023 | 9/30/2022 |
| Required plan sponsor contribution | \$24,403,545 | \$24,403,545 | \$25,446,638 |
| Required member contribution | \$3,553,820 | \$3,553,820 | \$3,360,639 |
| Actual contributions made by: | | | |
| Plan's sponsor | \$21,993,539 | \$21,993,539 | \$23,036,632 |
| Members | \$3,553,820 | \$3,553,820 | \$3,360,639 |
| Other | \$2,410,006 | \$2,410,006 | \$2,410,006 |
| Net actuarial (gain)/loss (if applicable) | \$29,853,101 | \$29,853,101 | \$11,416,935 |
| Other disclosures (where applicable) | | | |
| Present value of active member | | | |
| Future salaries at attained age | \$413,055,748 | \$413,055,748 | \$376,676,023 |
| Future contributions at attained age | \$28,284,956 | \$28,284,956 | \$25,677,990 |
| Accumulated Member Contributions | \$35,879,962 | \$35,879,962 | \$36,829,847 |

Information to Comply with Florida 60T-1.003(3)(f)

September 30, 2023

Historical Salary Increases and Asset Performance

| <u>Year Ending</u> | <u>Payroll Growth</u> | <u>Salary Growth</u> | <u>Expected Salary Growth</u> | <u>Asset Return (Market)</u> | <u>Asset Return (Actuarial)</u> | <u>Asset Return (Expected)</u> |
|--------------------|-----------------------|----------------------|-------------------------------|------------------------------|---------------------------------|--------------------------------|
| 9/30/2023 | 5.61% | 12.60% | 4.24% | 10.14% | 4.46% | 7.25% |
| 9/30/2022 | -0.79% | 3.76% | 4.23% | -15.27% | 4.19% | 7.25% |
| 9/30/2021 | 0.21% | 5.53% | 5.50% | 16.10% | 9.04% | 7.25% |
| 9/30/2020 | 2.13% | 2.22% | 5.51% | 7.64% | 7.34% | 7.25% |
| 9/30/2019 | 4.57% | 6.26% | 5.55% | 5.84% | 3.12% | 7.60% |
| 9/30/2018 | -1.07% | 3.75% | 5.57% | 6.63% | 6.77% | 7.70% |
| 9/30/2017 | -1.37% | -1.84% | 5.60% | 10.45% | 7.29% | 7.75% |
| 9/30/2016 | 3.94% | 8.17% | 6.14% | 8.21% | 6.55% | 7.75% |
| 9/30/2015 | 3.46% | 6.50% | 5.00% | 0.10% | 6.27% | 8.00% |
| 9/30/2014 | 0.70% | 2.70% | 5.00% | 9.00% | 7.80% | 8.00% |
| <u>Averages</u> | | | | | | |
| 3-year | | | | 2.71% | 5.87% | |
| 5-year | | | | 4.30% | 5.61% | |
| 10-year | 1.74% | | | 5.55% | 6.27% | |
| 25-year | | | | 6.03% | 6.77% | |

Amortization of Unfunded Actuarial Accrued Liability

| | <u>UAAL</u> | <u>Amortization</u> |
|-----------|---------------|---------------------|
| 10/1/2023 | \$115,777,466 | \$15,005,258 |
| 10/1/2024 | \$108,078,193 | \$15,266,350 |
| 10/1/2025 | \$99,540,702 | \$12,923,768 |
| 10/1/2026 | \$92,896,661 | \$13,783,207 |
| 10/1/2042 | \$3,265,911 | \$3,265,911 |

Information to Comply with Florida Statute 112.664 and Florida Administrative Code 60T-1.0035¹

| | October 1, 2023 | | | |
|--|----------------------------------|-------------------------------|------------------------------------|-------------------------------|
| | GASB 67/68 Valuation 7.25% | -200 bp ² 5.25% | Funding Rate ² 7.25% | +200 bp ² 9.25% |
| Total pension liability | | | | |
| Service Cost | \$14,291,923 | \$14,291,923 | \$14,291,923 | \$14,291,923 |
| Interest | 44,093,071 | 43,998,704 | 43,998,704 | 43,998,704 |
| Benefit changes | 0 | 0 | 0 | 0 |
| Difference between expected and actual experience | (1,766,545) | 15,701,190 | 15,701,190 | 15,701,190 |
| Changes in assumptions | 0 | 183,414,459 | 0 | (123,738,283) |
| Benefit payments | (39,322,948) | (39,322,948) | (39,322,948) | (39,322,948) |
| Contribution refunds | (173,050) | (173,050) | (173,050) | (173,050) |
| Net change in pension liability | \$17,122,451 | \$217,910,278 | \$34,495,819 | (\$89,242,464) |
| Total pension liability, beginning of year | \$613,636,368 | \$611,989,240 | \$611,989,240 | \$611,989,240 |
| Total pension liability, end of year | \$630,758,819 | \$829,899,518 | \$646,485,059 | \$522,746,776 |
| Plan fiduciary net position | | | | |
| Contributions - Employer | \$21,993,539 | \$21,993,539 | \$21,993,539 | \$21,993,539 |
| Contributions - Member | 3,553,820 | 3,553,820 | 3,553,820 | 3,553,820 |
| Contributions - State | 2,410,006 | 2,410,006 | 2,410,006 | 2,410,006 |
| Net investment income | 43,125,567 | 43,125,567 | 43,125,567 | 43,125,567 |
| Benefit payments | (39,322,948) | (39,322,948) | (39,322,948) | (39,322,948) |
| Contribution refunds | (173,050) | (173,050) | (173,050) | (173,050) |
| Administrative expense | (565,853) | (565,853) | (565,853) | (565,853) |
| Other | (33,356) | (33,356) | (33,356) | (33,356) |
| Net change in plan fiduciary net position ³ | \$30,987,725 | \$30,987,725 | \$30,987,725 | \$30,987,725 |
| Plan fiduciary net position, beginning of year | \$448,157,347 | \$448,157,347 | \$448,157,347 | \$448,157,347 |
| Plan fiduciary net position, end of year | \$479,145,072 | \$479,145,072 | \$479,145,072 | \$479,145,072 |
| Net pension liability/(asset) | \$151,613,747 | \$350,754,446 | \$167,339,987 | \$43,601,704 |
| Funded ratio | 75.96% | 57.74% | 74.12% | 91.66% |
| Years that Assets support expected benefit payments | 16 | 14 | 16 | 21 |
| Estimated city contribution | | | | |
| Annual dollar value | \$25,791,523 | \$47,377,373 | \$26,514,921 | \$10,314,187 |
| Percentage of payroll | 51.47% | 94.54% | 52.91% | 20.58% |

¹Includes DROP assets and liabilities

²Based on valuation assumption with interest rate changes as noted

³Figures may not add due to rounding

Information to Comply with Florida Statute 112.664 and Florida Administrative Code 60T-1.0035¹

October 1, 2023

Sustainment of Expected Benefit Payments

Mortality GASB 67/68 Valuation
Interest 7.25%

| <u>Year</u> | <u>Market Value of Assets</u> | <u>Investment Return</u> | <u>Benefit Payments</u> |
|-------------|-------------------------------|--------------------------|---------------------------|
| 1 | \$479,145,072 | \$33,389,251 | \$37,869,935 ¹ |
| 2 | 474,664,388 | 33,109,988 | 36,589,988 |
| 3 | 471,184,388 | 32,784,743 | 38,638,093 |
| 4 | 465,331,038 | 32,294,094 | 40,499,107 |
| 5 | 457,126,025 | 31,611,000 | 42,976,396 |
| 6 | 445,760,629 | 30,684,433 | 45,856,460 |
| 7 | 430,588,602 | 29,497,406 | 48,300,730 |
| 8 | 411,785,278 | 28,040,018 | 50,944,145 |
| 9 | 388,881,151 | 26,291,987 | 53,400,424 |
| 10 | 361,772,714 | 24,260,074 | 55,269,009 |
| 11 | 330,763,779 | 21,980,065 | 56,163,605 |
| 12 | 296,580,239 | 19,425,583 | 58,302,413 |
| 13 | 257,703,409 | 16,542,509 | 60,113,504 |
| 14 | 214,132,414 | 13,302,018 | 62,404,448 |
| 15 | 165,029,984 | 9,676,869 | 64,235,758 |
| 16 | 110,471,095 | 5,699,516 | 64,848,769 |
| 17 | 51,321,842 | | 67,016,195 |

¹Benefit payments include the DROP balance at 9/30/2023

Information to Comply with Florida Statute 112.664 and Florida Administrative Code 60T-1.0035¹

October 1, 2023

Sustainment of Expected Benefit Payments

Mortality Pub-2010 Generational using Scale MP-2018 (FRS Mortality)
Interest 7.25%

| <u>Year</u> | <u>Market Value of Assets</u> | <u>Investment Return</u> | <u>Benefit Payments</u> |
|-------------|-------------------------------|--------------------------|---------------------------|
| 1 | \$479,145,072 | \$33,389,251 | \$37,869,935 ¹ |
| 2 | 474,664,388 | 33,109,988 | 36,589,988 |
| 3 | 471,184,388 | 32,784,743 | 38,638,093 |
| 4 | 465,331,038 | 32,294,094 | 40,499,107 |
| 5 | 457,126,025 | 31,611,000 | 42,976,396 |
| 6 | 445,760,629 | 30,684,433 | 45,856,460 |
| 7 | 430,588,602 | 29,497,406 | 48,300,730 |
| 8 | 411,785,278 | 28,040,018 | 50,944,145 |
| 9 | 388,881,151 | 26,291,987 | 53,400,424 |
| 10 | 361,772,714 | 24,260,074 | 55,269,009 |
| 11 | 330,763,779 | 21,980,065 | 56,163,605 |
| 12 | 296,580,239 | 19,425,583 | 58,302,413 |
| 13 | 257,703,409 | 16,542,509 | 60,113,504 |
| 14 | 214,132,414 | 13,302,018 | 62,404,448 |
| 15 | 165,029,984 | 9,676,869 | 64,235,758 |
| 16 | 110,471,095 | 5,699,516 | 64,848,769 |
| 17 | 51,321,842 | | 67,016,195 |

¹Benefit payments include the DROP balance at 9/30/2023

Information to Comply with Florida Statute 112.664 and Florida Administrative Code 60T-1.0035¹

October 1, 2023

Sustainment of Expected Benefit Payments

Mortality Pub-2010 Generational using Scale MP-2018 (FRS Mortality)
Interest 5.25%

| <u>Year</u> | <u>Market Value of Assets</u> | <u>Investment Return</u> | <u>Benefit Payments</u> |
|-------------|-------------------------------|--------------------------|---------------------------|
| 1 | \$479,145,072 | \$24,173,746 | \$37,869,935 ¹ |
| 2 | 465,448,883 | 23,487,865 | 36,589,988 |
| 3 | 452,346,760 | 22,746,929 | 38,638,093 |
| 4 | 436,455,596 | 21,864,416 | 40,499,107 |
| 5 | 417,820,905 | 20,821,897 | 42,976,396 |
| 6 | 395,666,406 | 19,584,152 | 45,856,460 |
| 7 | 369,394,098 | 18,141,514 | 48,300,730 |
| 8 | 339,234,882 | 16,489,653 | 50,944,145 |
| 9 | 304,780,390 | 14,617,140 | 53,400,424 |
| 10 | 265,997,106 | 12,532,594 | 55,269,009 |
| 11 | 223,260,691 | 10,265,750 | 56,163,605 |
| 12 | 177,362,836 | 7,800,687 | 58,302,413 |
| 13 | 126,861,110 | 5,102,413 | 60,113,504 |
| 14 | 71,850,019 | 2,154,963 | 62,404,448 |
| 15 | 11,600,534 | | 64,235,758 |

¹Benefit payments include the DROP balance at 9/30/2023

Information to Comply with Florida Statute 112.664 and Florida Administrative Code 60T-1.0035¹

October 1, 2023

Sustainment of Expected Benefit Payments

Mortality Pub-2010 Generational using Scale MP-2018 (FRS Mortality)
Interest 9.25%

| <u>Year</u> | <u>Market Value of Assets</u> | <u>Investment Return</u> | <u>Benefit Payments</u> |
|-------------|-------------------------------|--------------------------|---------------------------|
| 1 | \$479,145,072 | \$42,608,166 | \$37,869,935 ¹ |
| 2 | 483,883,303 | 43,104,341 | 36,589,988 |
| 3 | 490,397,656 | 43,614,289 | 38,638,093 |
| 4 | 495,373,852 | 43,990,418 | 40,499,107 |
| 5 | 498,865,163 | 44,201,323 | 42,976,396 |
| 6 | 500,090,090 | 44,184,372 | 45,856,460 |
| 7 | 498,418,002 | 43,919,156 | 48,300,730 |
| 8 | 494,036,428 | 43,394,306 | 50,944,145 |
| 9 | 486,486,589 | 42,584,855 | 53,400,424 |
| 10 | 475,671,020 | 41,499,904 | 55,269,009 |
| 11 | 461,901,915 | 40,185,802 | 56,163,605 |
| 12 | 445,924,112 | 38,611,123 | 58,302,413 |
| 13 | 426,232,822 | 36,707,768 | 60,113,504 |
| 14 | 402,827,086 | 34,439,124 | 62,404,448 |
| 15 | 374,861,762 | 31,769,506 | 64,235,758 |
| 16 | 342,395,510 | 28,738,653 | 64,848,769 |
| 17 | 306,285,394 | 25,300,441 | 67,016,195 |
| 18 | 264,569,640 | 21,369,771 | 68,607,326 |
| 19 | 217,332,085 | 16,912,013 | 70,559,347 |
| 20 | 163,684,751 | 11,904,427 | 71,558,915 |
| 21 | 104,030,263 | 6,317,384 | 73,084,595 |
| 22 | 37,263,052 | | 74,190,705 |

¹Benefit payments include the DROP balance at 9/30/2023

Reserve Account For Future Benefit Improvements Under F.L. 99-1

Adjusted Base Amount at 10/1/2023

| <u>Year Established</u> | <u>Description</u> | <u>Ch. 175 Fire</u> | <u>Suppl. Fire</u> |
|-------------------------|------------------------------------|---------------------|--------------------|
| 1998 | Base Year Premium Tax Distribution | \$1,065,707 | \$72,788 |
| 2007 | All 99-1 Benefits | 221,025 | 0 |
| 2009 | Multiplier Increase | 1,123,274 | 0 |
| | Adjusted Base Amount | <u>\$2,410,006</u> | <u>\$72,788</u> |

Reserve Account for 2022/2023

| | <u>Ch. 175 Fire</u> | <u>Suppl. Fire</u> |
|--|---------------------|--------------------|
| 1. Reserve Account | | |
| (a) Reserve Account at September 30, 2022 | \$0 | \$0 |
| (b) Interest on (a) for full year | 0 | 0 |
| (c) Distribution to Fire Share Plan | 0 | 0 |
| (d) Reserve Account at September 30, 2023 before 2022 Distribution | <u>\$0</u> | <u>\$0</u> |
| 2. Increase in Reserve Account | | |
| (a) Premium Tax Distribution for 2022 | \$4,015,121 | \$0 |
| (b) Amount Available | 2,410,006 | 72,788 |
| (c) Excess Used to Cover Employee State Shortfall | 0 | 0 |
| (d) Share Plan Allocation Available | \$1,605,115 | \$0 |
| (e) Amount Allocated to Share Plan | (1,605,115) | 0 |
| (f) Increase in Reserve | <u>\$0</u> | <u>\$0</u> |
| 3. Reserve Account at September 30, 2023 [(1d) + (2f)] | \$0 | \$0 |

Supplemental CAFR Information

Withdrawal From Active Employment Before Age and Service Retirement Eligibility and Pay Increase Assumptions

| Percent of Active Members Separating | | Pay Increase Assumption | |
|--------------------------------------|---------------------------------------|-------------------------|-----------------------------|
| Sample Ages | Expected Separations Within Next Year | Sample Ages | Annual Pay Percent Increase |
| 25 | 1.25% | 25 | 5.00% |
| 30 | 1.00% | 30 | 5.00% |
| 35 | 0.75% | 35 | 4.75% |
| 40 | 0.50% | 40 | 4.50% |
| 45 | 0.25% | 45 | 4.00% |
| 50 | 0.25% | 50 | 3.50% |
| 55 | 0.25% | 55 | 3.00% |
| 60 | 0.25% | 60 | 2.50% |

Supplemental CAFR Information

Schedule of Active Members' Valuation Data

| Valuation Date | Number | Annual Payroll | Annual Average Payroll | % Increase In Average Pay |
|----------------|--------|----------------|------------------------|---------------------------|
| 9/30/2014 | 500 | 39,030,560 | 78,061 | 0.53% |
| 9/30/2015 | 494 | 40,382,106 | 81,745 | 4.72% |
| 9/30/2016 | 481 | 41,973,977 | 87,264 | 6.75% |
| 9/30/2017 | 498 | 41,399,503 | 83,132 | -4.74% |
| 9/30/2018 | 486 | 40,957,849 | 84,275 | 1.37% |
| 9/30/2019 | 496 | 44,839,453 | 90,402 | 7.27% |
| 9/30/2020 | 510 | 45,795,877 | 89,796 | -0.67% |
| 9/30/2021 | 506 | 45,892,488 | 90,697 | 1.00% |
| 9/30/2022 | 508 | 45,528,166 | 89,622 | -1.19% |
| 9/30/2023 | 502 | 48,183,788 | 95,984 | 7.10% |

Schedule of Retirees and Beneficiaries Valuation Data

| Valuation Date | Added to Rolls | | Removed From Rolls | | Rolls End of Year | | % Increase in Annual Allowances | Average Annual Allowances |
|----------------|----------------|-------------------|--------------------|-------------------|-------------------|-------------------|---------------------------------|---------------------------|
| | Number | Annual Allowances | Number | Annual Allowances | Number | Annual Allowances | | |
| 9/30/2014 | 14 | 675,073 | 7 | 114,603 | 445 | 18,475,445 | 3.13% | 41,518 |
| 9/30/2015 | 19 | 1,239,892 | 9 | 257,454 | 455 | 19,457,883 | 5.32% | 42,765 |
| 9/30/2016 | 19 | 1,816,871 | 8 | 440,298 | 469 | 20,834,456 | 7.07% | 44,423 |
| 9/30/2017 | 7 | 625,676 | 11 | 205,234 | 466 | 21,254,898 | 2.02% | 45,611 |
| 9/30/2018 | 20 | 1,571,035 | 8 | 313,876 | 478 | 22,512,057 | 5.91% | 47,096 |
| 9/30/2019 | 26 | 1,845,850 | 12 | 315,934 | 492 | 24,041,973 | 6.80% | 48,866 |
| 9/30/2020 | 24 | 1,525,852 | 16 | 407,377 | 500 | 25,160,449 | 4.65% | 50,321 |
| 9/30/2021 | 23 | 1,614,043 | 16 | 546,504 | 505 | 26,227,988 | 4.24% | 51,937 |
| 9/30/2022 | 33 | 2,306,705 | 7 | 285,252 | 531 | 28,249,441 | 7.71% | 53,200 |
| 9/30/2023 | 41 | 2,647,113 | 15 | 527,055 | 557 | 30,369,498 | 7.50% | 54,523 |

Supplemental CAFR Information

Solvency Test

| Valuation Date | Aggregate Accrued Liabilities | | | Actuarial Value of Assets | Portion of Accrued Liabilities Covered by Reported Assets | | |
|----------------|-------------------------------|----------------------------|---|---------------------------|---|----------------------------|---------------------------|
| | Active Member Contributions | Retirees and Beneficiaries | Active and Inactive Members (Employer Financed Portion) | | Active Member Contributions | Retirees and Beneficiaries | Employer Financed Portion |
| 9/30/2014 | 27,702,743 | 212,744,463 | 145,867,313 | 328,357,893 | 100.00% | 100.00% | 60.27% |
| 9/30/2015 | 30,749,776 | 229,243,370 | 165,014,678 | 348,252,298 | 100.00% | 100.00% | 53.49% |
| 9/30/2016 | 30,272,316 | 251,608,286 | 180,389,466 | 365,768,349 | 100.00% | 100.00% | 46.50% |
| 9/30/2017 | 36,942,812 | 254,703,358 | 184,196,552 | 390,325,521 | 100.00% | 100.00% | 53.57% |
| 9/30/2018 | 36,599,666 | 276,436,708 | 194,593,040 | 420,441,619 | 100.00% | 100.00% | 55.19% |
| 9/30/2019 | 40,936,359 | 296,069,706 | 207,252,210 | 428,847,109 | 100.00% | 100.00% | 44.31% |
| 9/30/2020 | 38,385,313 | 306,239,278 | 222,142,253 | 461,470,098 | 100.00% | 100.00% | 52.60% |
| 9/30/2021 | 39,079,227 | 321,113,876 | 229,550,374 | 502,894,539 | 100.00% | 100.00% | 62.17% |
| 9/30/2022 | 36,829,847 | 344,109,722 | 231,049,671 | 519,502,500 | 100.00% | 100.00% | 59.97% |
| 9/30/2023 | 35,879,962 | 376,191,779 | 234,413,318 | 530,707,593 | 100.00% | 100.00% | 50.61% |

Equivalent Single Period Remaining

| | |
|--|---------------|
| Investment Return Assumption | 7.25% |
| Payroll Growth Assumption | 1.74% |
| Equivalent Level Dollar Discount Rate | 5.42% |
| Unfunded Actuarial Accrued Liability | \$115,777,466 |
| Amortization Payment (BOY) | \$15,005,258 |
| Weighted Amortization Factor | 7.71579 |
| Equivalent Single Amortization Period (yrs.) | 10 |

Supplemental CAFR Information

Schedule of Funding Progress

| Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) Entry Age | Unfunded AAL | Funded Ratio | Active Member Covered Payroll | Unfunded AAL |
|----------------|---------------------------|---|--------------|--------------|-------------------------------|--|
| | | | | | | as a Percentage of Active Member Covered Payroll |
| 9/30/2014 | 328.36 | 386.31 | 57.95 | 85.0% | 39.03 | 148.5% |
| 9/30/2015 | 348.25 | 425.01 | 76.76 | 81.9% | 40.38 | 190.1% |
| 9/30/2016 | 365.77 | 462.27 | 96.50 | 79.1% | 41.97 | 229.9% |
| 9/30/2017 | 390.32 | 475.84 | 85.52 | 82.0% | 41.40 | 206.6% |
| 9/30/2018 | 420.43 | 507.63 | 87.20 | 82.8% | 40.96 | 212.9% |
| 9/30/2019 | 428.85 | 544.26 | 115.41 | 78.8% | 44.84 | 257.4% |
| 9/30/2020 | 461.47 | 566.77 | 105.30 | 81.4% | 45.80 | 229.9% |
| 9/30/2021 | 502.89 | 589.74 | 86.85 | 85.3% | 45.89 | 189.2% |
| 9/30/2022 | 519.50 | 611.99 | 92.49 | 84.9% | 45.53 | 203.1% |
| 9/30/2023 | 530.71 | 646.49 | 115.78 | 82.1% | 48.18 | 240.3% |

Schedule of Employer Contributions

| Valuation Date | Fiscal Year Ending | Annual Required Contribution | Percentage Contributed | Payment Information |
|----------------|--------------------|------------------------------|------------------------|-----------------------------|
| | | | | |
| 9/30/2012 | 9/30/2014 | 15,349,478 | 100% | Lump Sum on October 1, 2013 |
| 9/30/2013 | 9/30/2015 | 15,695,905 | 100% | Lump Sum on October 1, 2014 |
| 9/30/2014 | 9/30/2016 | 15,860,906 | 100% | Lump Sum on October 1, 2015 |
| 9/30/2015 | 9/30/2017 | 18,666,749 | 100% | Lump Sum on October 1, 2016 |
| 9/30/2016 | 9/30/2018 | 20,951,655 | 100% | Lump Sum on October 1, 2017 |
| 9/30/2017 | 9/30/2019 | 21,438,116 | 100% | Lump Sum on October 1, 2018 |
| 9/30/2018 | 9/30/2020 | 22,711,364 | 100% | Lump Sum on October 1, 2019 |
| 9/30/2019 | 9/30/2021 | 25,017,070 | 100% | Lump Sum on October 1, 2020 |
| 9/30/2020 | 9/30/2022 | 25,446,638 | 100% | Lump Sum on October 1, 2021 |
| 9/30/2021 | 9/30/2023 | 24,403,545 | 100% | Lump Sum on October 1, 2022 |

Low-Default-Risk Obligation Measure (LDRM)

The LDRM liability represents the estimated asset value as of the measurement date the Plan would need in order to purchase a low-default-risk fixed income securities portfolio with durations that are reasonably consistent with the timing of benefits expected to be paid from the plan.

October 1, 2023

| | |
|------------------------|-----------------------|
| LDRM liability | \$ (763,571,759) |
| Market value of assets | <u>\$ 479,145,072</u> |
| LDRM funded status | \$ (284,426,687) |

The LDRM liability measure is for informational purposes only. The plan sponsor has no requirements to contribute to the Plan to meet this threshold, and the funded status on this basis is not used for any restrictions.

The LDRM funding target could reasonably be viewed as the assets needed to immunize the Plan against investment risk. If Plan assets are not funded to this level, it does not necessarily mean the security of participant benefits is at risk. If Plan assets are invested to earn in excess of a fixed income portfolio, future investment returns could make up the underfunding. If the plan is fully funded, or nearly fully funded, on the LDRM measure, the plan sponsor may want to consider reducing investment risk in order to offer greater benefit security and lower contribution volatility.

The above LDRM liability measure applies a single effective discount rate, 5.85%, which would produce approximately the same discounted plan cashflows as the FTSE Above Median Double-A Pension Discount Curve as of September 30, 2023. All other data, assumptions, methods and provisions are the same as those detailed in this report. We did not perform an analysis of assumption or provision changes resulting from a potential shift in investment policy due to the limited scope of our engagement.