



**Palm Bay
Police and Firefighters'
Pension Fund (General
Employees)**

Actuarial Valuation

*As of October 1, 2025
Contributions Applicable to the Plan/
Fiscal Year Ending September 30, 2027*

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

March 25, 2026

Board of Trustees
Palm Bay
Police and Firefighters' Pension Board

Re: Palm Bay Police and Firefighters' Pension Fund (General Employees) Actuarial Valuation Report

Dear Board,

This report details the annual actuarial valuation of the Palm Bay Police and Firefighters' Pension Fund (General Employees) as of October 1, 2025.

The valuation was performed to measure the plan's liability and funding levels and to determine the actuarially appropriate funding requirements for the plan year ending September 30, 2027. This report was prepared for use by the Board. Use of the results for other purposes may not be applicable and could produce significantly different results.

DATA AND ASSUMPTIONS

In preparing this report, we have relied on personnel and plan design supplied by Palm Bay. Assets were determined based on financial reports supplied by the custodian bank. In our opinion, the assumptions used in the valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated fund experience. Other sets of assumptions and methods could also be reasonable and could produce materially different results. 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.

DISCLOSURES AND LIMITATIONS

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such 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. Due to the limited scope of this report, we did not provide an analysis of these potential differences.

The funding percentages and unfunded accrued liability as measured based on the actuarial value of assets will differ from similar measures based on the market value of assets. These measures, as provided, are appropriate for determining the adequacy of future contributions, but may not be appropriate for the purpose of settling a portion or all of its liabilities.

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.

ACTUARIAL CERTIFICATION

The valuation has been conducted in accordance with all applicable laws and regulations, as well as generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board; specifically No. 4 for Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, No. 23 for Data Quality, No. 27 for Selection of Economic Assumptions for Measuring Pension Obligations, No. 35 for Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, No. 44, Selection and Use of Asset Valuation Methods for Pension Valuations, and No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations.

In our opinion, the Minimum Required Contribution set forth in this report constitutes a reasonable actuarially determined contribution under Actuarial Standard of Practice No. 4.

The undersigned are familiar with the immediate and long-term aspects of pension valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, no associate of Foster & Foster, Inc. working on this report has any direct financial interest or indirect material interest in the Palm Bay, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the Police and Firefighters' Pension Fund (General Employees). Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

Respectfully submitted,

Foster & Foster, Inc.



Patrick T. Donlan, EA, ASA, MAAA



Kevin H. Peng, ASA, EA, MAAA

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SUMMARY

The regular annual actuarial valuation of the Palm Bay Police and Firefighters' Pension Fund (General Employees), performed as of October 1, 2025, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ending September 30, 2027.

The contribution requirements, compared with those set forth in the October 1, 2024 actuarial valuation report, are as follows:

Valuation Date	10/1/2025	10/1/2024
Applicable to Fiscal Year Ending	9/30/2027	9/30/2026
Minimum Required Contribution % of Projected Annual Payroll	0.0%	0.0%

The balance of this report presents additional details of the actuarial valuation and the general operation of the Fund.

CHANGES SINCE PRIOR VALUATION

PLAN CHANGES

There have been no plan changes since the prior valuation.

ACTUARIAL ASSUMPTION/METHOD CHANGES

As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in the FRS actuarial valuation as of July 1, 2024.

VALUATION RESULTS

PRINCIPAL VALUATION RESULTS

Valuation Date	<u>New Assump</u> 10/1/2025	<u>Old Assump</u> 10/1/2025	10/1/2024
PARTICIPANT DATA			
Actives	0	0	0
Service Retirees	0	0	0
Beneficiaries	1	1	1
Disability Retirees	0	0	0
Terminated Vested	<u>0</u>	<u>0</u>	<u>0</u>
Total	1	1	1
Projected Annual Payroll	0	0	0
Annual Rate of Payments to:			
Service Retirees	0	0	0
Beneficiaries	2,532	2,532	2,532
Disability Retirees	0	0	0
Terminated Vested	0	0	0
ASSETS			
Actuarial Value (AVA)	271,980	271,980	256,443
Market Value (MVA)	308,131	308,131	280,540
LIABILITIES			
Present Value of Benefits			
Actives			
Retirement Benefits	0	0	0
Disability Benefits	0	0	0
Death Benefits	0	0	0
Vested Benefits	0	0	0
Refund of Contributions	0	0	0
Service Retirees	0	0	0
Beneficiaries	9,940	10,419	11,019
Disability Retirees	0	0	0
Terminated Vested	<u>0</u>	<u>0</u>	<u>0</u>
Total	9,940	10,419	11,019

Valuation Date	<u>New Assump</u> 10/1/2025	Old Assump 10/1/2025	10/1/2024
LIABILITIES (CONTINUED)			
Present Value of Future Salaries	0	0	0
Present Value of Future Member Contributions	0	0	0
Total Normal Cost	0	0	0
Present Value of Future Normal Costs (EAN)	0	0	0
Accrued Liability (Retirement)	0	0	0
Accrued Liability (Disability)	0	0	0
Accrued Liability (Death)	0	0	0
Accrued Liability (Vesting)	0	0	0
Accrued Liability (Refunds)	0	0	0
Accrued Liability (Inactives)	<u>9,940</u>	<u>10,419</u>	<u>11,019</u>
Total Actuarial Accrued Liability (EAN AL)	9,940	10,419	11,019
Total Actuarial Accrued Liability (Aggregate)	271,980	271,980	256,443
Unfunded Actuarial Accrued Liability (UAAL)	0	0	0
Funded Ratio (AVA / EAN AL)	2736.2%	2610.4%	2327.3%

ACTUARIAL PRESENT VALUE OF ACCRUED BENEFITS

Valuation Date	<u>New Assump</u> 10/1/2025	<u>Old Assump</u> 10/1/2025	10/1/2024
Vested Accrued Benefits			
Inactives	9,940	10,419	11,019
Actives	0	0	0
Member Contributions	<u>0</u>	<u>0</u>	<u>0</u>
Total	9,940	10,419	11,019
Non-vested Accrued Benefits	<u>0</u>	<u>0</u>	<u>0</u>
Total Present Value			
Accrued Benefits (PVAB)	9,940	10,419	11,019
Funded Ratio (MVA / PVAB)	3099.9%	2957.4%	2546.0%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	(479)	0	
Plan Experience	0	1,210	
Benefits Paid	0	(2,532)	
Interest	0	722	
Other	<u>0</u>	<u>0</u>	
Total	(479)	(600)	

CONTRIBUTION REQUIREMENTS

	<u>New Assump</u>	<u>Old Assump</u>	
Valuation Date	10/1/2025	10/1/2025	10/1/2024
Applicable to Fiscal Year Ending	9/30/2027	9/30/2027	9/30/2026

CALCULATION OF CONTRIBUTION REQUIREMENT

Normal Cost (with interest) % of Projected Annual Payroll	0.0	0.0	0.0
Administrative Expenses (with interest) % of Projected Annual Payroll	0.0	0.0	0.0
Payment Required to Amortize Unfunded Actuarial Accrued Liability (as of 10/1/2025, with interest) % of Projected Annual Payroll	0.0	0.0	0.0
Minimum Required Contribution % of Projected Annual Payroll	0.0	0.0	0.0
Expected Member Contributions % of Projected Annual Payroll	0.0	0.0	0.0
Expected City Contribution % of Projected Annual Payroll	0.0	0.0	0.0

PAST CONTRIBUTIONS

Plan Years Ending: 9/30/2025

Total Required Contribution	-
City Requirement	0

Actual Contributions Made:

Members (excluding buyback)	0
City	0
Total	0

OTHER INFORMATION

ILLUSTRATION OF AMORTITIZATION OF THE TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY

Year	Projected Unfunded Actuarial Accrued Liability
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N/A – Aggregate Actuarial Cost Method

5 YEAR COMPARISON OF INVESTMENT RETURN ON ACTUARIAL VALUE

		Market Value	Actuarial Value	Assumed
Year Ended	9/30/2025	13.00%	9.47%	7.40%
Year Ended	9/30/2024	26.67%	9.69%	7.65%
Year Ended	9/30/2023	13.96%	5.33%	7.65%
Year Ended	9/30/2022	-15.61%	5.03%	7.65%
Year Ended	9/30/2021	19.52%	11.59%	7.65%

STATEMENT BY ENROLLED ACTUARY

This actuarial valuation 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.



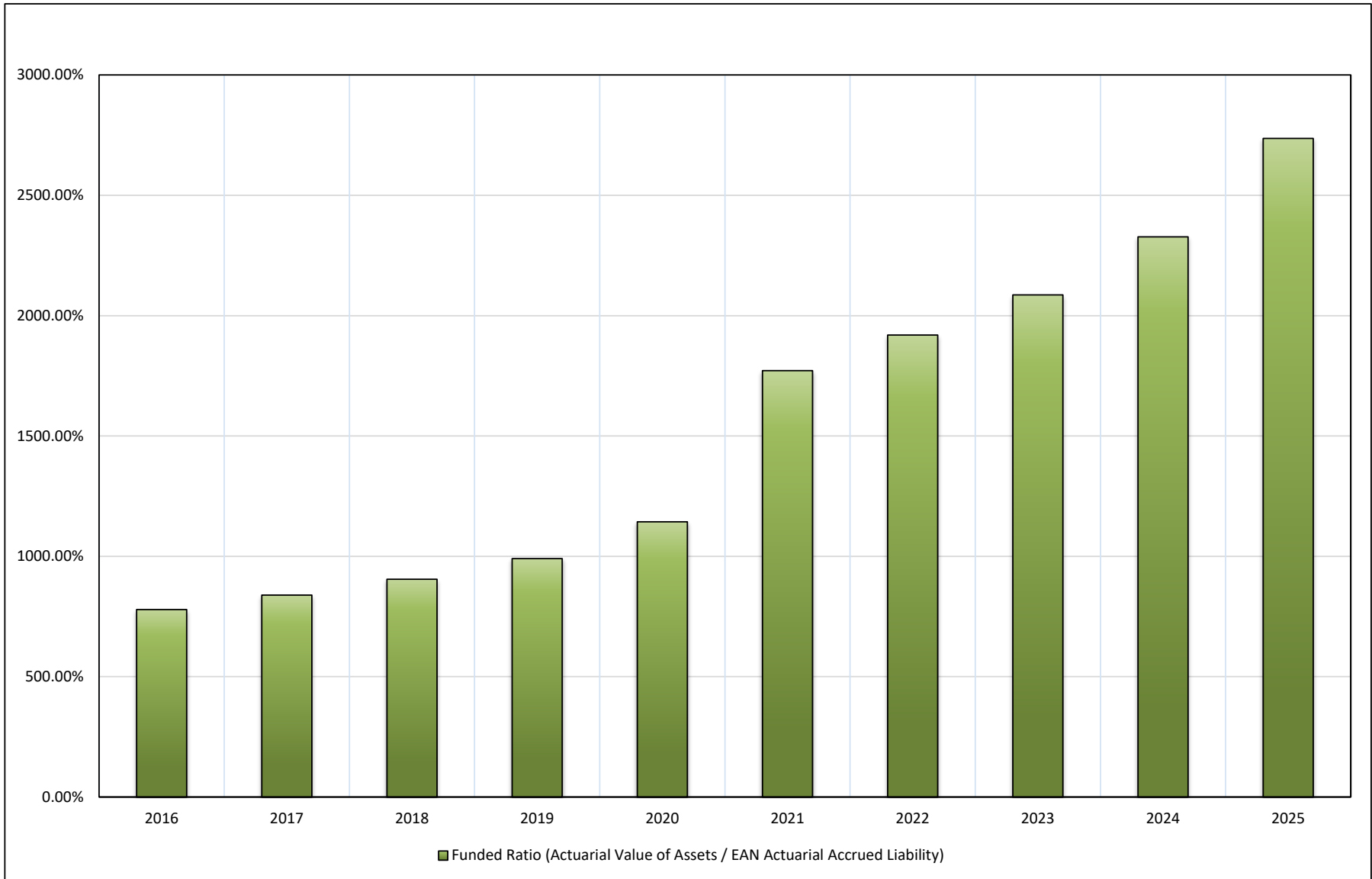
Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #23-6595

Please let us know when the report is approved by the Board and unless otherwise directed, we will provide copies of the report to the following offices to comply with Chapter 112 Florida Statutes:

Mr. Keith Brinkman
Bureau of Local
Retirement Systems
Post Office Box 9000
Tallahassee, FL 32315-9000

Mr. Steve Bardin
Municipal Police and Fire
Pension Trust Funds
Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

HISTORY OF FUNDING PROGRESS



STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2025

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	38,059.13
Deposits	8.25
Prepaid Expenses	45.18
Cash	118.54
 Total Cash and Equivalents	 38,231.10
 Receivables:	
Accounts Receivable	3.78
 Total Receivable	 3.78
 Investments:	
Mutual Funds:	
Fixed Income	53,132.50
Equity	217,969.38
 Total Investments	 271,101.88
 Total Assets	 309,336.76
 <u>LIABILITIES</u>	
Payables:	
Accounts Payable	77.92
To Firefighters' Trust Fund	181.53
To Police Officers' Trust Fund	946.81
 Total Liabilities	 1,206.26
 NET POSITION RESTRICTED FOR PENSIONS	 308,130.50

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2025
Market Value Basis

ADDITIONS

Total Contributions		0.00
Investment Income:		
Unrealized Gain (Loss)	30,187.25	
Net Increase in Fair Value of Investments		30,187.25
Interest & Dividends		5,998.74
Less Investment Expense ¹		(253.99)
Net Investment Income		35,932.00
Total Additions		35,932.00
<u>DEDUCTIONS</u>		
Distributions to Members:		
Benefit Payments	2,531.76	
Total Distributions		2,531.76
Administrative Expense		5,809.24
Total Deductions		8,341.00
Net Increase in Net Position		27,591.00
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		280,539.50
End of the Year		308,130.50

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

ACTUARIAL ASSET VALUATION
September 30, 2025

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a four year period. In the first year, 25% of the gain or loss is recognized. In the second year 50%, in the third year 75%, and in the fourth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Plan Year Ending	Gain/(Loss)	<u>Gains/Losses Not Yet Recognized</u>				
		Amounts Not Yet Recognized by Valuation Year				
		2025	2026	2027	2028	2029
09/30/2022	(57,248)	0	0	0	0	0
09/30/2023	12,789	3,198	0	0	0	0
09/30/2024	42,686	21,342	10,670	0	0	0
09/30/2025	15,481	11,611	7,740	3,870	0	0
Total		36,151	18,410	3,870	0	0

Development of Investment Gain/Loss

Market Value of Assets, 09/30/2024	280,540
Contributions Less Benefit Payments & Admin Expenses	(8,341)
Expected Investment Earnings*	20,451
Actual Net Investment Earnings	35,932
2025 Actuarial Investment Gain/(Loss)	15,481

*Expected Investment Earnings = $0.074 * (280,540 - 0.5 * 8,341)$

Development of Actuarial Value of Assets

(1) Market Value of Assets, 09/30/2025	308,131
(2) Gains/(Losses) Not Yet Recognized	36,151
(3) Actuarial Value of Assets, 09/30/2025, (1) - (2)	271,980
(4) Limited Actuarial Value of Assets, 09/30/2025	271,980
(A) 09/30/2024 Actuarial Assets:	256,443
(I) Net Investment Income:	
1. Interest and Dividends	5,999
2. Realized Gain (Loss)	0
3. Unrealized Gain (Loss)	30,187
4. Change in Actuarial Value	(12,054)
5. Investment Expenses	(254)
Total	23,878
(B) 09/30/2025 Actuarial Assets:	271,980
Actuarial Assets Rate of Return = $2I/(A+B-I)$:	9.47%
Market Value of Assets Rate of Return:	13.00%

Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis) 5,210

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2025
 Actuarial Asset Basis

REVENUES

Contributions:

Total Contributions		0.00
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Earnings from Investments:

Interest & Dividends	5,998.74	
Unrealized Gain (Loss)	30,187.25	
Change in Actuarial Value	(12,054.00)	

Total Earnings and Investment Gains		24,131.99
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EXPENDITURES

Distributions to Members:

Benefit Payments	2,531.76	
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Total Distributions		2,531.76
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Expenses:

Investment related ¹	253.99	
Administrative	5,809.24	

Total Expenses		6,063.23
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Change in Net Assets for the Year		15,537.00
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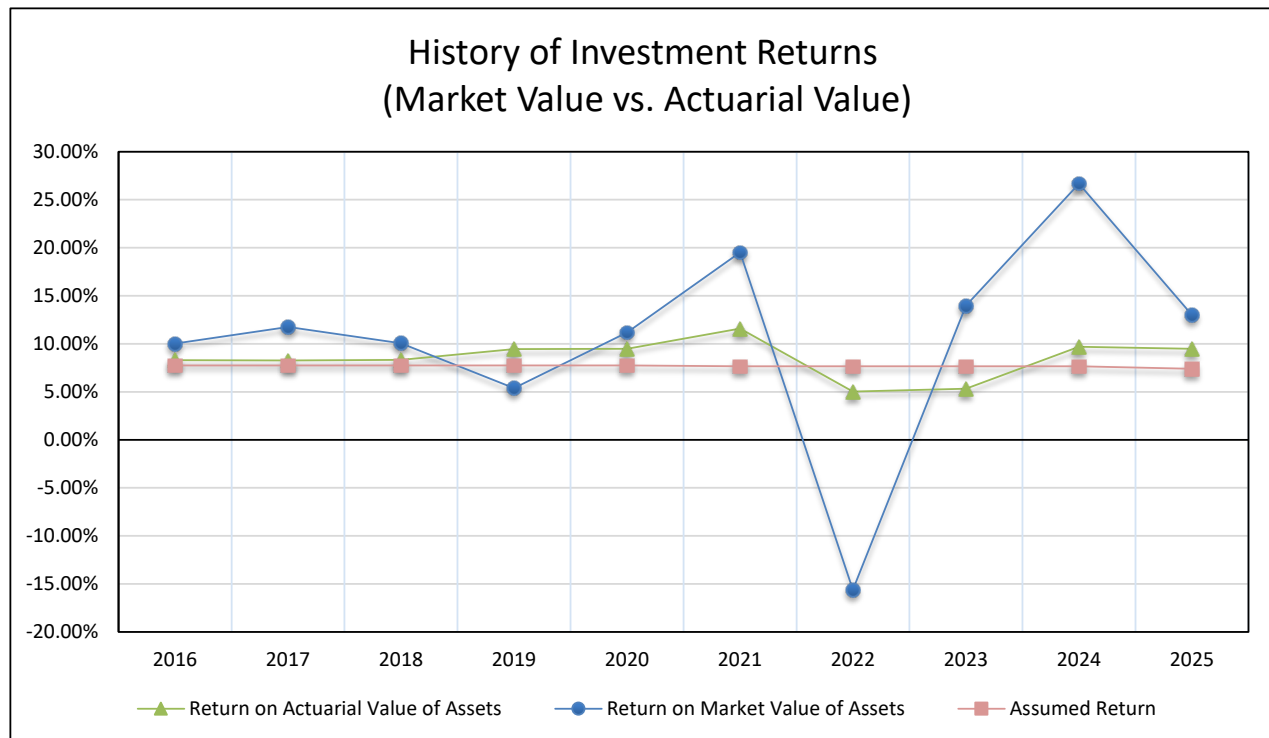
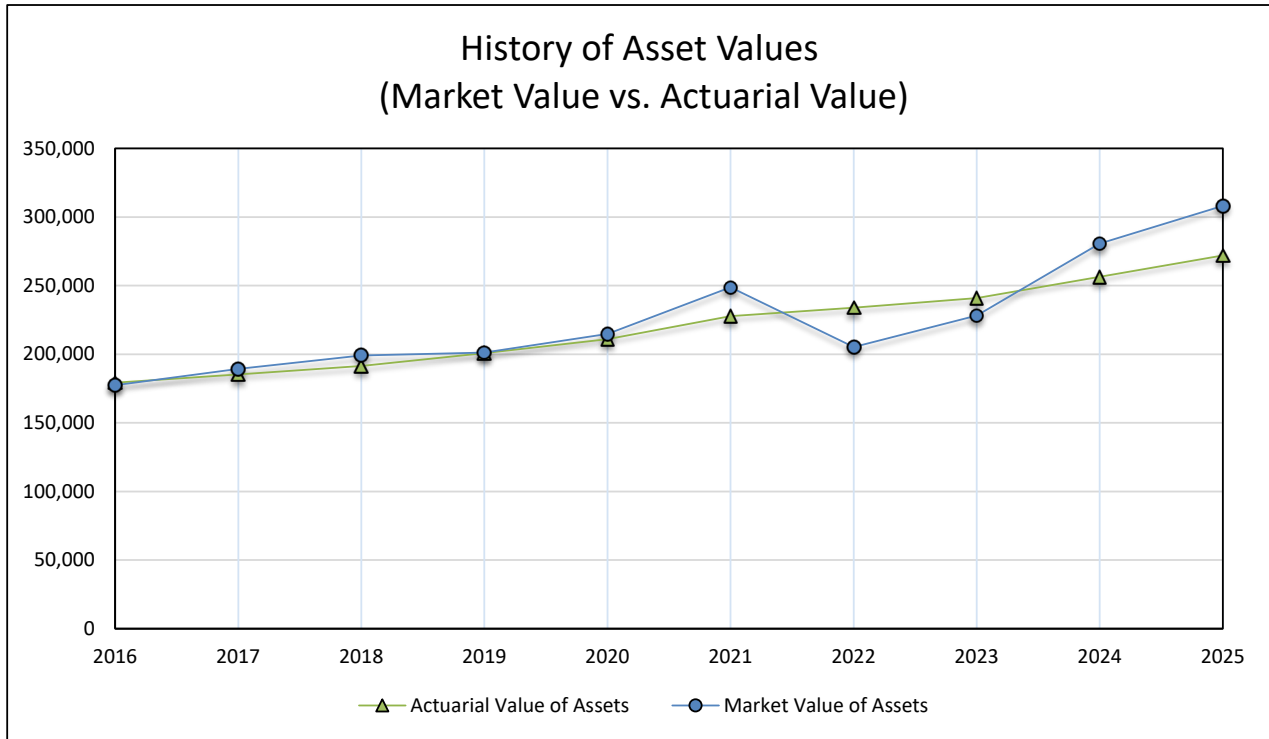
Net Assets Beginning of the Year		256,442.50
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Net Assets End of the Year ²		271,979.50
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¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

²Net Assets may be limited for actuarial consideration.

HISTORY OF ASSET VALUES AND INVESTMENT RETURNS



PARTICIPANT STATISTICS

STATISTICAL DATA

Valuation Date	10/1/2025	10/1/2024	10/1/2023	10/1/2022
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SERVICE RETIREES

Number	0	0	0	0
Average Current Age	N/A	N/A	N/A	N/A
Average Annual Benefit	N/A	N/A	N/A	N/A

BENEFICIARIES

Number	1	1	1	1
Average Current Age	91.3	90.3	89.3	88.3
Average Annual Benefit	\$2,532	\$2,532	\$2,532	\$2,532

PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2024	0
b. Terminations	
i. Vested (partial or full) with deferred annuity	0
ii. Vested in refund of member contributions only	0
iii. Refund of member contributions or full lump sum distribution	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	0
f. Continuing participants	0
g. New entrants / Rehires	<u>0</u>
h. Total active life participants in valuation	0

2. Non-Active lives (including beneficiaries receiving benefits)

	Service Retirees, Vested Receiving Benefits	Receiving Death Benefits	Receiving Disability Benefits	Vested (Deferred Annuity)	Vested (Due Refund)	Total
a. Number prior valuation	0	1	0	0	0	1
Retired						0
Vested (Deferred Annuity)						0
Vested (Due Refund)						0
Hired/Terminated in Same Year						0
Death, With Survivor						0
Death, No Survivor						0
Disabled						0
Refund of Contributions						0
Rehires						0
Expired Annuities						0
Data Corrections						0
b. Number current valuation	0	1	0	0	0	1

ACTUARIAL ASSUMPTIONS AND METHODS

This actuarial valuation report has been prepared in accordance with generally accepted actuarial principles and practices. The major assumptions and methods used in this valuation are as follows:

Demographic Assumptions

Mortality Rate

Healthy Retiree Lives:

Female: PubG.H-2010 for Healthy Retirees

Male: PubG.H-2010 for Healthy Retirees, set back 1 year

Beneficiary Lives:

Female: PubG.H-2010 for Healthy Retirees

Male: PubG.H-2010 for Healthy Retirees, set back 1 year

All rates are projected generationally with Mortality Improvement Scale MP-2021. We feel this assumption sufficiently accommodates future mortality improvements.

The previously 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, 2024 FRS valuation report for non-special-risk employees.

Previously, the following rates were used:

Healthy Retiree Lives:

Female: PubG.H-2010 for Healthy Retirees.

Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Beneficiary Lives:

Female: PubG.H-2010 (Above Median) for Healthy Retirees.

Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

All rates for healthy lives are projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accommodates future mortality improvements.

Economic Assumptions

Interest Rate

7.40% per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Administrative Expenses

None.

Actuarial Methods

Funding Method

Aggregate Actuarial Cost Method.

Actuarial Value of Assets

The market value of assets is adjusted to recognize, over a four-year period, investment earnings greater than (or less than) the assumed investment return. The Actuarial Value of Assets shall not be more than 120% or less than 80% of the market value of assets. Details are shown in the Asset Information Section of the report.

Low-Default-Risk Obligation Measure

Based on the Entry Age Normal Actuarial Cost Method and an interest rate of 4.50% per year compounded annually, net of investment related expenses. This rate is consistent with the Yield to Maturity of the S&P Municipal Bond 20-Year High Grade Rate Index as of September 30, 2025. All other assumptions for the Low-Default-Risk Obligation Measure are consistent with the assumptions shown in this section unless otherwise noted.

SUPPLEMENTARY INFORMATION

GLOSSARY

Accrued Benefit	The benefit earned as of a specific date based on the provisions of the plan and the member's age, service, and salary as of that date.
Actuarial Accrued Liability	The portion of the anticipated future benefits allocated to years prior to the valuation date determined according to the plan's Actuarial Cost Method.
Actuarial Value of Assets	The asset value used in the valuation to determine contribution requirements. It represents the plan's Market Value of Assets (see below), with adjustments according to the plan's Actuarial Asset Method. These adjustments produce a "smoothed" value that is likely to be less volatile from year to year than the Market Value of Assets.
Actuarial Assumptions	Assumptions regarding the occurrence of future events affecting plan costs. These assumptions include rates of investment earnings, changes in compensation, rates of mortality, withdrawal, disablement, and retirement as well as statistics related to marriage and family composition.
Actuarial Cost Method	A method of determining the portion of the cost of a plan to be allocated to each year; sometimes referred to as the "actuarial funding method." Each cost method allocates a certain portion of the actuarial present value of benefits between the Actuarial Accrued Liability and future normal costs to ensure the plan is adequately and systematically funded.
Actuarial Gain or Loss	The change in Unfunded Actuarial Accrued Liability resulting from experience different from Actuarial Assumptions. Gains decrease the Unfunded Actuarial Accrued Liability and losses increase the Unfunded Actuarial Accrued Liability.

Actuarial Present Value	The estimated amount of funds required as of a specified date to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payments between the specified date and the expected date of payment.
Amortization Payment	The portion of the plan contribution designated to pay interest and reduce the outstanding principal balance of Unfunded Actuarial Accrued Liability. If the amortization payment is less than the accrued interest on the Unfunded Actuarial Accrued Liability the outstanding principal balance will increase.
Decrements	Events which result in the termination of membership in the system such as retirement, disability, withdrawal, or death.
Funded Ratio	A measure of the ratio of the plan assets to liabilities of the system. Typically, the assets used in the measure are the Actuarial Value of Assets as determined by the asset valuation method. The Funded Ratio depends not only on the financial strength of the plan but also on the asset valuation method used to determine the assets and on the Actuarial Cost Method used to determine the liabilities.
Interest Rate	The assumed long-term rate of return on plan assets.
Market Value of Assets	The fair market value of plan assets as of the valuation date.
Normal Cost	The portion of the Actuarial Present Value of Benefits allocated to the current year determined according to the plan's Actuarial Cost Method.
Present Value of Benefits	The single sum value on the valuation date of all future benefits to be paid to current plan participants.
Projected Annual Payroll	The salary expected for the year after the valuation date, excluding members over the 100% assumed retirement age.

Projected Benefits	The benefits expected to be paid in the future based on the provisions of the plan and the Actuarial Assumptions. The projected values are based on anticipated future advancement in age and accrual of service as well as increases in salary paid to the participant.
Total Annual Payroll	The salary expected for the year after the valuation date.
Ultimate Cost	<p>The total cost to the plan once the last benefit has been paid. The Ultimate Cost equals</p> <p>Benefit Payments Plus: Expenses Less: Investment Income</p> <p>The Ultimate Cost is independent of the Actuarial Cost Method selected.</p>
Unfunded Actuarial Accrued Liability	The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.
Vested Benefit	Benefits members are entitled to regardless of employment status.

DISCUSSION OF RISK

ASOP No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions, states that the actuary should identify risks that, in the actuary's professional judgment, may reasonably be anticipated to significantly affect the plan's future financial condition.

Throughout this report, actuarial results are determined under various assumption scenarios. These results are based on the premise that all future plan experience will align with the plan's actuarial assumptions; however, there is no guarantee that actual plan experience will align with the plan's assumptions. It is possible that actual plan experience will differ from anticipated experience in an unfavorable manner that will negatively impact the plan's funded position.

Below are examples of ways in which plan experience can deviate from assumptions and the potential impact of that deviation. Typically, this results in an actuarial gain or loss representing the current-year financial impact on the plan's unfunded liability of the experience differing from assumptions; this gain or loss is amortized over a period of time determined by the plan's amortization method. When assumptions are selected that adequately reflect plan experience, gains and losses typically offset one another in the long term, resulting in a relatively low impact on the plan's contribution requirements associated with plan experience. When assumptions are too optimistic, losses can accumulate over time and the plan's amortization payment could potentially grow to an unmanageable level.

- Investment Return: When the rate of return on the Actuarial Value of Assets falls short of the assumption, this produces a loss representing assumed investment earnings that were not realized. Further, it is unlikely that the plan will experience a scenario that matches the assumed return in each year as capital markets can be volatile from year to year. Therefore, contribution amounts can vary in the future.
- Demographic Assumptions: Actuarial results take into account various potential events that could happen to a plan participant, such as retirement, termination, disability, and death. Each of these potential events is assigned a liability based on the likelihood of the event and the financial consequence of the event for the plan. Accordingly, actuarial liabilities reflect a blend of financial consequences associated with various possible outcomes (such as retirement at one of various possible ages). Once the outcome is known (e.g. the participant retires) the liability is adjusted to reflect the known outcome. This adjustment produces a gain or loss depending on whether the outcome was more or less favorable than other outcomes that could have occurred.
- Contribution Risk: This risk results from the potential that actual employer contributions may deviate from actuarially determined contributions, which are determined in accordance with the Board's funding policy. The funding policy is intended to result in contribution requirements that if paid when due, will result in a reasonable expectation that assets will accumulate to be sufficient to pay plan benefits when due. Contribution deficits, particularly large deficits and those that occur repeatedly,

increase future contribution requirements and put the plan at risk for not being able to pay plan benefits when due.

IMPACT OF PLAN MATURITY ON RISK

For newer pension plans, most of the participants and associated liabilities are related to active members who have not yet reached retirement age. As pension plans continue in operation and active members reach retirement ages, liabilities begin to shift from being primarily related to active members to being shared amongst active and retired members. Plan maturity is a measure of the extent to which this shift has occurred. It is important to understand that plan maturity can have an impact on risk tolerance and the overall risk characteristics of the plan. For example, plans with a large amount of retired liability do not have as long of a time horizon to recover from losses (such as losses on investments due to lower than expected investment returns) as plans where the majority of the liability is attributable to active members. For this reason, less tolerance for investment risk may be warranted for highly mature plans with a substantial inactive liability. Similarly, mature plans paying substantial retirement benefits resulting in a small positive or net negative cash flow can be more sensitive to near term investment volatility, particularly if the size of the fund is shrinking, which can result in less assets being available for investment in the market.

To assist with determining the maturity of the plan, we have provided some relevant metrics in the table following titled “Plan Maturity Measures and Other Risk Metrics”. Highlights of this information are discussed below:

- The Accrued Liability Ratio, determined as the ratio of the Inactive Accrued Liability, which is the liability associated with members who are no longer employed but are due a benefit from the plan, to the Total Accrued Liability, is 100.0%. With a plan of this maturity, losses due to lower than expected investment returns or demographic factors may result in larger increases in contribution requirements than would be needed for a less mature plan. Please note Chapter 112, Florida Statutes, requires that the plan sponsor contributes the minimum required contribution; thus, there is minimal solvency risk to the plan.
- The Funded Ratio, determined as the ratio of the Actuarial Value of Assets to the Total Accrued Liability, has increased from 726.6% on October 1, 2015 to 2736.2% on October 1, 2025.
- The Net Cash Flow Ratio, determined as the ratio of the Net Cash Flow (contributions minus benefit payments and administrative expenses) to the Market Value of Assets, increased from -6.7% on October 1, 2015 to -2.7% on October 1, 2025. The current Net Cash Flow Ratio of -2.7% indicates that contributions are not currently covering the plan's benefit payments and administrative expenses.

LOW DEFAULT-RISK OBLIGATION MEASURE

ASOP No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, was revised as of December 2021 to include a “low-default-risk obligation measure” (LDROM). This liability measure is consistent with the determination of the actuarial accrued liability shown on page 8 in terms of member data, plan provisions, and assumptions/methods, including the use of the Entry Age Normal Cost Method, except that the interest rate is tied to low-default-risk fixed income securities. The S&P Municipal Bond 20 Year High Grade Rate Index (daily rate closest to, but not later than, the measurement date) was selected to represent a current market rate of low risk but longer-term investments that could be included in a low-risk asset portfolio. The interest rate used in this valuation was 4.50% resulting in an LDROM of \$10,877. The LDROM should not be considered the “correct” liability measurement; it simply shows a possible outcome if the Board elected to hold a very low risk asset portfolio. Given that plan benefits are paid over time through the combination of contributions and investment returns, prudent investments selected by the Board help to balance asset accumulation through these two sources.

The actuarial valuation reports the funded status and develops contributions based on the expected return of the plan’s investment portfolio. If instead, the plan switched to investing exclusively in high quality bonds, the LDROM illustrates that reported funded status would be lower (which also implies that the Actuarially Determined Contributions would be higher), perhaps significantly. Unnecessarily high contribution requirements in the near term may not be affordable and could imperil plan sustainability and benefit security.

It is important to note that the actuary has identified the risks above as the most significant risks based on the characteristics of the plan and the nature of the project, however, it is not an exhaustive list of potential risks that could be considered. Additional advanced modeling, as well as the identification of additional risks, can be provided at the request of the audience addressed on page 2 of this report.

PLAN MATURITY MEASURES AND OTHER RISK METRICS

	10/1/2025	10/1/2024	10/1/2020	10/1/2015
ACCRUED LIABILITY (AL) RATIO				
Inactive Accrued Liability	9,940	11,019	18,444	23,958
Total Accrued Liability (EAN)	9,940	11,019	18,444	23,958
Inactive AL / Total AL	100.0%	100.0%	100.0%	100.0%
FUNDED RATIO				
Actuarial Value of Assets (AVA)	271,980	256,443	210,882	174,076
Total Accrued Liability (EAN)	9,940	11,019	18,444	23,958
AVA / Total Accrued Liability (EAN)	2736.2%	2327.3%	1143.4%	726.6%
NET CASH FLOW RATIO				
Net Cash Flow ¹	(8,341)	(7,429)	(8,474)	(11,343)
Market Value of Assets (MVA)	308,131	280,540	214,728	169,767
Ratio	-2.7%	-2.6%	-3.9%	-6.7%

¹ Determined as total contributions minus benefit payments and administrative expenses.