FPPTA
PENSION PLAN
DATA CENTER:

Overview and Financial Personality – FY2018

Report to the FPPTA membership to help understand the FPPTA members' pension plan statistics and to compare FPPTA plans to the 485 local defined benefit plans across the State of Florida. The report includes statistical data from FY 2018 and FY 2017.

Prepared by:
Florida Public Pension Trustees Association (FPPTA)
October 2020

FLORIDA PUBLIC PENSION TRUSTEES ASSOCIATION
SINCE 1984

INTRODUCTION

The Florida Public Pension Trustees Association (FPPTA) membership consists of 244 of the 485 local defined benefit retirement plans across the state of Florida. Our member trustees often ask: How does our plan compare to other plans in the FPPTA and to the 485 local plans across Florida?

This report compares Fiscal Year 2018 (October 1, 2017 – September 30, 2018) with Fiscal Year 2017 (October 1, 2016 – September 30, 2017). These are the latest data available. The publication attempts to illustrate the financial personality of a pension plan by looking at several elements, and comparing FPPTA member plans to the 485 local defined benefit plans. The statistics in this publication will look at the following plan fundamentals:

- Plan Name and Employee Group
- Number of Plan Participants
- Actuarial Value of Plan Assets
- Actuarial Accrued Liability (AAL)
- Unfunded Accrued Liability (UAL)
- Market Value of Assets as of 9/30
- Funded Ratio – Current Valuation
- Actual Market Value Rate of Return
- Assumed Rate of Return
- Percentage of Payroll Contributed by Employees
- Valuation Basis Total Dollar Contribution
- Employees Covered by Social Security

FPPTA members are encouraged to view their plan and compare to similar plans in the tables on the FPPTA website (fppta.org). All of the data come from the reports filed by each retirement system with the Florida Department of Management Services.

The Bureau of Local Retirement Systems in the Department of Management Services' Division of Retirement is responsible for monitoring Florida's local government defined benefit pension plans for compliance with Florida law and Florida Administrative Code. These responsibilities are divided between the Local Retirement Section and the Municipal Police Officers and Firefighters' Retirement Trust Funds Office.

FPPTA is not responsible for the accuracy of the data – if data for your plan are wrong, please contact the Bureau of Local Retirement Systems.

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INTRODUCTION TO FPPTA

The FPPTA is a membership organization, founded in 1984, as a not-for-profit organization. FPPTA is established for the purpose of providing education and information for and about the Florida public pension systems, and advocating for defined benefit pension plans.

Education is FPPTA's primary mission. We safeguard public retirement plans by offering a rigorous education program designed to prepare trustees to perform their duties with confidence, expertise and fiduciary responsibility. Ethics and best practices are dominant in our programs. Our Certified Public Pension Trustee (CPPT) designation is nationally recognized by industry professionals and continuing education is required to maintain certification.

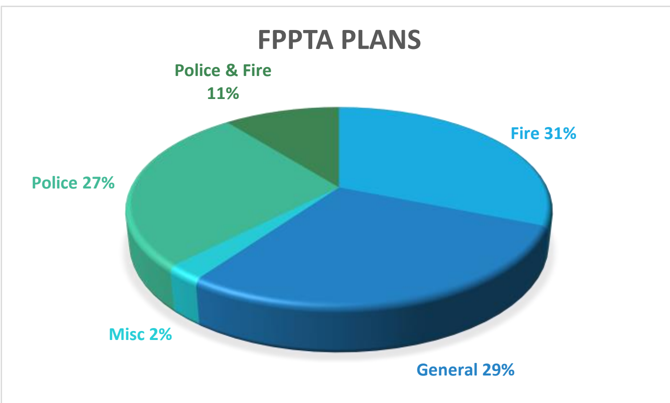
FPPTA Trustee Schools are offered twice a year and run two and one-half days, and offer Certified Public Pension Trustee program sessions, as well as continuing education sessions. Each Trustee School offers classes including lectures, continuing education workshops, panel discussions, and "break out" sessions with a focus on group discussion and participation.

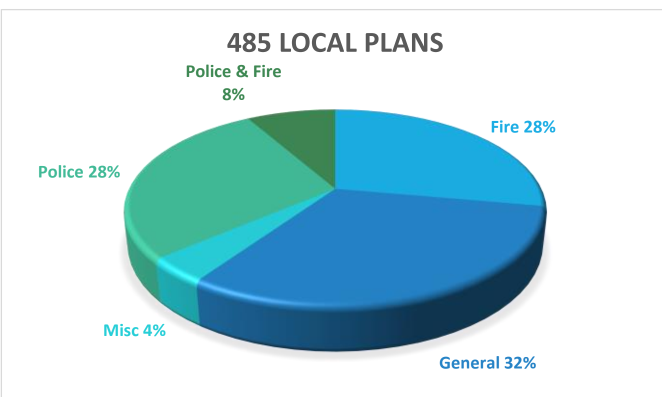
The FPPTA Annual Conference focuses on a macro-perspective of the industry and public pension landscape over two and one-half days of speakers, panels and discussions.

As of June 1, 2020, 244 defined benefit retirement systems are members of FPPTA. The following data analyses are based on these member plans. All of the data were collected from reports issued by the Bureau of Local Retirement Systems in the Department of Management Services' Division of Retirement, and they are responsible for the accuracy of the data. Their data come from the annual reports all retirement plans are required to file with the state.

EMPLOYEE GROUPS

Definition: Local public sector employees in Florida (those working for cities) are mostly covered by the local retirement system, while state and county employees, including teachers, are mostly covered by the Florida Retirement System (FRS). These local plans cover general employees, police officers, firefighters, and some miscellaneous employees. Some plans only represent one group of employees, while others may represent a combination of these employees. Those plans with an (*) beside their name on the database chart are closed – meaning that new employees are not eligible to join and become members of the plan. In those cases, the new employees are either covered by a defined contribution account – usually a 401(a) account, or they are covered by the Florida Retirement System.





The data show that the composition of the employee groups for the FPPTA plans and the 485 local plans are quite similar, with a couple of exceptions. Police and firefighter plans have slightly greater representation in FPPTA (69%) than in total 485 local plans (64%). General employee plans have slightly lower representation in FPPTA (29% to 32%).

NUMBER OF PLAN PARTICIPANTS

Definition: The total number of plan participants includes active members (currently working), retired members (former employees who are currently receiving benefits from the plan), beneficiaries of deceased members (collecting benefits on behalf of deceased employees), and terminated vested members (former employees who are eligible to receive benefits from the plan upon retirement). These numbers do not show the ratio of whether the plan is a younger plan (more active members than retired) or a more mature plan (more retirees than active members).

485 LOCAL PLANS		
	FY 2017	**FY 2018**
Number of plan participants	190,173	191,007
FPPTA PLANS		
	FY 2017	**FY 2018**
Number of plan participants	116,043	117,020

Statewide in FY18, there are 191,007 participants covered by the 485 local defined benefit plans. This number is slightly higher than FY17, which was 190,173 – an increase of 834 plan participants, or 0.4%.

The FPPTA plans represented a total of 117,020 plan participants in FY18 that are covered by a defined benefit plan. The number of plan participants increased by 977 members from FY17. This represents an increase of 0.8%. Overall, FPPTA represents 61.3% of the total local plan participants statewide.

FPPTA PLAN SIZE	PLANS	PERCENTAGE
2,000 or more	13	5.30%
1,000 -1,999	14	5.70%
501 - 999	25	10.20%
250 - 500	36	14.80%
249 - 100	70	28.70%
Under100	86	35.20%

FPPTA plans range in size from the largest of 9,595 participants to the smallest of 9 participants. The average plan size is 480 participants (actives, retirees, beneficiaries and terminated vested) – with 53 plans larger than the average and 191 below the average size. Twenty-seven plans represent 1,000 participants or more, with 13 larger than 2,000 participants. Of the 244 FPPTA plans, 37 are closed plans.

ACTUARIAL VALUE OF PLAN ASSETS

Definition: This is the smoothed value of the plan's assets that is used for performing an actuarial valuation to determine the amount of pension contributions the employer will have to make each year to fund the actuarial liability. The Actuarial Value of Assets (AVA) is calculated by starting with the market value of assets in the trust and using a formula to spread the recognition of prior years' asset gains and losses over a period of years. The method smooths the effects of large fluctuations in the market value and dampens the changes in the employer's contribution from one year to the next.

485 LOCAL PLANS		
	FY 2017	**FY 2018**
Actuarial Value of Plan Assets	$39.6 billion	$42.6 billion
FPPTA PLANS		
	FY 2017	**FY 2018**
Actuarial Value of Plan Assets	$30.5 billion	$33.0 billion

The increase in total AVA includes plan contributions and investment returns for the period FY17 to FY18, and the net impact of asset smoothing from prior years.

From FY17 to FY18, the total 485 local plan AVA increased from $39.6 billion to $42.6 billion – an increase of 7.6%. The total FPPTA plan AVA increased 8.2%, from $30.5 billion to $33 billion. FPPTA plans represent 77.4% of the actuarial value of plan assets of the total 485 local plans.

ACTUARIAL ACCRUED LIABILITY (AAL)

Definition: The portion of the present value of the plan's total projected pension benefits attributable to service already credited as of the valuation date. This includes all of the present value of benefits for retirees and beneficiaries currently receiving benefits and inactive members who have not yet commenced their benefits.

485 LOCAL PLANS		
	FY 2017	**FY 2018**
Actuarial Accrued Liability	$50.1 billion	$53.5 billion
FPPTA PLANS		
	FY 2017	**FY 2018**
Actuarial Accrued Liability	$39.7 billion	$40.4 billion

The increase in Actuarial Accrued Liability reflects benefit accruals and the increase in service credits, and changes in actuarial assumptions, such as possibly lowering of the discount rate used to calculate the present value of benefits.

From FY17 to FY18, the Actuarial Accrued Liability of both groups increased. For the 485 local plans, the liability increased from $50.1 billion to $53.5 billion – a 6.8% increase. For the FPPTA plans, the increase was from $39.7 billion to $40.4 billion – a 1.8% increase.

UNFUNDED ACCRUED LIABILITY (UAL)

Definition: For funding purposes, the amount by which the actuarial accrued liability (AAL) exceeds the actuarial value of assets (AVA) accumulated to finance the obligation.

485 LOCAL PLANS		
	FY 2017	**FY 2018**
Unfunded Accrued Liability	$10.6 billion	$10.9 billion
FPPTA PLANS		
	FY 2017	**FY 2018**
Unfunded Accrued Liability	$9.1 billlion	$9.4 billion

The increase in the Unfunded Accrued Liability (UAL) may be due to the actual asset investment returns during the period being lower than the expected investment returns. These numbers represent the unfunded liability of a pension plan – something discussed frequently in the news media that generates great misunderstandings about the funding of public pension plans. The term UAL is often used interchangeably with terms such as “unfunded liabilities,” “unfunded actuarially accrued liabilities” (UAAL), or “net pension liability” (NPL). However, different terms may mean different things, especially for accounting purposes.

The Unfunded Accrued Liability of the 485 local plans increased from FY17 to FY18 from $10.6 billion to $10.9 billion – a 2.8% increase. For the FPPTA plans, the increase was from $9.1 billion to $9.4 billion – a 3.3% increase.

MARKET VALUE OF ASSETS (MVA)

Definition: The fair market value of assets, including DROP accounts, is the last reported price of an asset in the market in which it is traded as measured the last day of the fiscal year (usually September 30).

485 LOCAL PLANS		
	FY 2017	FY 2018
Market Value of Plan Assets	$39.8 billion	$41.2 billion

FPPTA PLANS		
	FY 2017	FY 2018
Market Value of Plan Assets	$30.9 billion	$32.4 billion

The increase in the market value of assets was due to plan contributions and investment returns for the period FY17 to FY18.

The market value of the pension funds increased from FY17 to FY18. For the 485 local plans, the increase was from $39.8 billion to $41.2 billion – an increase of 3.5%. For the FPPTA plans, the increase was from $30.9 billion to $32.4 billion – an increase of 4.9%.

FUNDED RATIO – CURRENT VALUATION

Definition: It is the ratio, expressed as a percentage, of the assets of a pension plan to its liabilities. The ratio is the market value of plan assets divided by actuarial accrued liability (AAL). It is referred to as the pre-funded ratio – meaning it is the percentage of funds on hand now to play for present and future pension obligations.

485 LOCAL PLANS		
	FY 2017	FY 2018
Funded Ratio - Current Valuation	93.93%	96.14%

FPPTA PLANS		
	FY 2017	FY 2018
Funded Ratio - Current Valuation	83.91%	86.91%

The increase in market value of assets was slightly higher than the increase in AAL, leading to the improvement in funded ratio based on market value of assets. The pre-funded ratio of assets to liabilities for the 485 state plans increased from 93.93% to 96.14% from FY17 to FY18 – an increase of 2.4%.

For the same period, the FPPTA plans pre-funded ratio increased from 83.91% to 86.91% - an increase of 3.6%. The funded ratio ranges from a high of 155.8% pre-funded to a low of 47.4% pre-funded. None of the 244 FPPTA plans was below the national funded ratio average of 47.3% (Bureau of Economic Analysis, Research Study, July 2020).

PRE-FUNDED RATIO	FPPTA PLANS	PERCENTAGE	485 PLANS	PERCENTAGE
Over 100%	37	15.2%	102	21.0%
90 - 99%	57	23.4%	129	26.6%
80 - 89%	71	29.1%	122	25.2%
70 - 79%	52	21.3%	86	17.7%
60 - 69%	22	9.0%	29	6.0%
Under 60%	5	2.0%	17	3.5%

Funded ratio appears frequently in the media – used to claim that public pension funds are underfunded (and mostly called unfunded – which is a completely different term). The data show that two-thirds of the FPPTA plans are pre-funded at 80% or better and the large majority (89%) are pre-funded at 70% or better. The health of a pension plan depends upon much more than a single point in time comparison of assets and liabilities.

ACTUAL MARKET VALUE RATE OF RETURN

Definition: This is a measure of the total investment performance of the portfolio over the fiscal year. It is expressed as a percentage, reflecting the gain on investment as a percentage of the market value of assets. The gain in investments is calculated by starting with the increase in asset value from beginning to end of period, and adjusting for investment expenses, contributions, benefit payments, and administrative expenses.

485 LOCAL PLANS		
	FY 2017	**FY 2018**
Actual Market Value Rate of Return	10.82%	8.27%
FPPTA PLANS		
	FY 2017	**FY 2018**
Actual Market Value Rate of Return	11.36%	8.83%

From FY17 to FY18, the 485 plans' rate of return declined from 10.82% to 8.27% - a decrease of 23.6%. The FPPTA plans, during the same period, saw their return on investments decline from 11.36% to 8.83% - a decline of 22.3%. The decline in actual rates of return is consistent with the capital markets' performance during the same time period.

ACTUAL MARKET RETURN	FPPTA PLANS	PERCENTAGE	485 PLANS	PERCENTAGE
10% or greater	68	27.9%	110	22.7%
9% - 9.9%	53	21.7%	81	16.7%
8% - 8.9%	41	16.8%	91	18.8%
7% - 7.9%	55	22.5%	123	25.4%
Below 7%	27	11.10%	80	16.50%

The FPPTA actual market returns ranged for a high of 15.76% return on investments to a negative 4.9%. Four FPPTA plans had negative yearly returns in FY18.

ASSUMED RATE OF RETURN

Definition: This is an estimated measure of the long-term investment performance of the pension fund invested assets. The investment return assumption reflects the anticipated returns on the plan's current asset allocation as reflected in the Investment Policy Statement. This assumption is typically constructed by considering various factors including the time value of money, and growth in earnings, dividends, and interest. It is based on long-term expectations of the rate of return of the different asset classes which make up the pension plan's investment portfolio. Assumed rate of return is often used interchangeably with the terms Expected Return on Assets and Discount Rate.

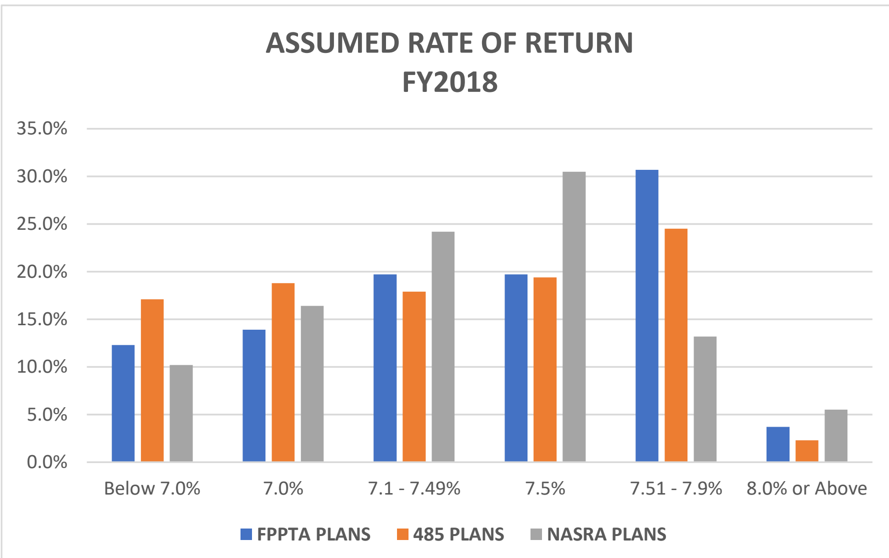
485 LOCAL PLANS		
	FY 2017	FY 2018
Assumed Rate of Return	7.31%	7.30%
FPPTA PLANS		
	FY 2017	**FY 2018**
Assumed Rate of Return	7.46%	7.37%

For the 485 local plans, the change in the average assumed rate of return was not significant. It decreased from 7.31% to 7.30% - a reduction of 1 basis point. However, for the FPPTA plans, the average assumed rate of return decreased from 7.46% to 7.37% - a reduction of 9 basis points. The decrease for the FPPTA plans is broadly consistent with the lowering of the assumption for public sector plans across the country.

ASSUMED RATE OF RETURN	FPPTA PLANS	FPPTA PERCENTAGE	485 LOCAL PLANS	485 PERCENTAGE	NASRA PLANS	NASRA PERCENTAGE
Below 7.0%	30	12.3%	83	17.1%	13	10.2%
7.0%	34	13.9%	91	18.8%	21	16.4%
7.1 - 7.49%	48	19.7%	87	17.9%	31	24.2%
7.5%	48	19.7%	94	19.4%	39	30.5%
7.51 - 7.9%	75	30.7%	119	24.5%	17	13.2%
8.0% or Above	9	3.7%	11	2.3%	7	5.5%

In FY18, the FPPTA plans' assumed rate of return ranged from a high of 8.5% to a low of 3% (a small, closed plan). The next lowest assumed rate of return was 6.0%, used by two plans. There are 143 plans (58.6%) above the 7.37% average, nine plans at 8% or more, and 30 plans (12.3%) at below 7%. The trend is toward a lower assumed rate of return.

The graph below shows a comparison of the discount rates for the 244 FPPTA plans, the 485 local plans, and a survey by the National Association of State Retirement Administrators (NASRA) of 128 plans across the United States. The NASRA data have an average assumed rate of return of 7.34%, consistent with the FPPTA plans. The data show that for the NASRA plans, the most common assumed rate is 7.5%, but for FPPTA plans the rate is above 7.5% but less than 8%, and the 485 plans share the same rate range.



The reasons for the lower assumed rate of returns is the fact retirement boards have voted to reduce their assumed rate of returns in response to market returns and, in an effort, to give more funding and stability to their plans. Most realize that the traditional 7.5% or higher rate of return is no longer obtainable in the current market environment, therefore, they have taken positive actions to lower the assumed rate to reflect general market trends.

When considering whether to lower the assumed rate of return, an issue brief from NASRA provides excellent guidance. "The process for evaluating a pension plan's investment return assumption should include abundant input and feedback from investment experts and actuarial professionals, and should reflect consideration of the factors prescribed in actuarial standards of practice." (NASRA Issue Brief, "Public Pension Plan Investment Return Assumptions," updated February 2020)

PERCENTAGE OF PAYROLL CONTRIBUTED BY EMPLOYEES

Definition: The percentage of pay deducted from the employees' salary as their contribution to the pension plan's funding. Almost all Florida local plans require a contribution by the employees. The exceptions in the database are excess plans, DROP plans, 175/185 share plans, volunteer firefighter plans and some closed plans.

485 LOCAL PLANS

	FY 2017	FY 2018
Percentage of Payroll contributed by employee	6.66%	6.73%

FPPTA PLANS

	FY 2017	FY 2018
Percentage of Payroll contributed by employee	6.92%	7.01%

In both cases, the percentage of payroll contributed by the employees increased from FY17 to FY18. For the 485 local plans, the increase was from 6.66% to 6.73% - an increase of 7 basis points. For the FPPTA plans, the increase was from 6.92% to 7.01% - an increase of 9 basis points.

FPPTA EE % CONTRIBUTION	PLANS	PERCENTAGE
Above 12%	11	4.5%
10 - 11.9%	31	12.7%
8 - 9.9%	61	25.0%
7 - 7.9%	64	26.2%
Below 7%	66	27.0%
No Contribution	11	4.5%

The range of employee contributions is from a high of 24.6% of payroll to a low of 0.5%. Of the 11 plans with no contributions from employees, they include closed plans with a small number of plan participants, a volunteer firefighter plan with no contribution requirements from the employee or plan with no required employee contribution. By removing the 11 non-contributing plans, the average percentage of payroll contributed by employees is 7.34%.

It is important to keep in mind that public employees not covered by Social Security tend to contribute a higher amount to make up for the loss of a Social Security benefit at retirement.

VALUATION BASIS TOTAL DOLLAR CONTRIBUTION

Definition: The required total annual contribution from all sources to fund the pension plan. These funds come from employee contributions, employer contribution, return on investments, and state funding (if it is a police or firefighter plan, called 185 or 175 contributions). Contributions will vary based on the Florida Statute Chapter assumption.

485 LOCAL PLANS

	FY 2017	FY 2018
Valuation Basis Total Dollar Contribution	$2.0 billion	$2.1 billion

FPPTA PLANS

	FY 2017	FY 2018
Valuation Basis Total Dollar Contribution	$1.6 billion	$1.7 billion

The amount needed to fully fund the retirement plans increased from FY17 to FY18. The increase for the 485 local plans went from $2.0 billion to $2.1 billion – an increase of 3.4%. For the FPPTA plans, the increase went from $1.6 billion to $1.7 billion – an increase of 3.1%. The increase in Actuarially Determined Employer Contributions is attributable to the increase in the Unfunded Accrued Liability (UAL) discussed on page 9.

EMPLOYEES COVERED BY SOCIAL SECURITY

Definition: When Social Security was established in 1935, state and local government employees were excluded from coverage. Over the years, these plans were given the option to opt-into Social Security coverage for their employees. Nationwide, about 75 percent of state and local retirement systems have opted for coverage, with about 25% still not covered. The majority of that 25% are police, firefighter and teacher retirement plans. The database lists coverage as TRUE – meaning the plan participants are covered by Social Security, and FALSE meaning they are not covered.

485 LOCAL PLANS		
	FY 2017	**FY 2018**
Employees covered by Social Security	74.90%	74.90%
FPPTA PLANS		
	FY 2017	**FY 2018**
Employees covered by Social Security	78.28%	78.28%

Of the 485 local defined benefit plans, 74.9% of the plans include mandatory Social Security coverage for their plan participants. The count is 364 plans covered and 121 plans not covered by Social Security. For the FPPTA plans, 78.3% of the plans include mandatory Social Security coverage. The count is 191 plans covered and 53 not covered.

One would assume that the FPPTA plans would have a lower Social Security covered rate than the 485 plans given the fact that police and firefighters have a slightly higher representation in the FPPTA and nationwide approximately one-fourth of public safety/teacher plans are not covered by Social Security.

SUMMARY

Below are charts showing a summary of the data presented in the previous pages. The first chart represents the **statistics of the 485 local defined benefit plans** – FY 2017 compared to FY 2018. The second chart represents the **statistics of the FPPTA defined benefit plan** members for the same period. The third chart shows the **percentage change** from FY17 to FY18 in each of the categories for both the 485 local plans and the FPPTA plans.

485 LOCAL PLANS

	FY 2017	FY 2018
Number of plan participants	190,173	191,007
Actuarial Value of Plan Assets	$39.6 billion	$42.6 billion
Actuarial Accrued Liability	$50.1 billion	$53.5 billion
Unfunded Accrued Liability	$10.6 billlion	$10.9 billion
Market Value of Plan Assets	$39.8 billion	$42.2 billion
Funded Ratio - Current Valuation	93.93%	96.14%
Actual Market Value Rate of Return	10.82%	8.27%
Assumed Rate of Return	7.31%	7.30%
Percentage of Payroll contributed by employee	6.66%	6.73%
Valuation Basis Total Dollar Contribution	$2.0 billion	$2.1 billion
Employees covered by Social Security	74.90%	74.90%

FPPTA PLANS

	FY 2017	FY 2018
Number of plan participants	116,043	117,020
Actuarial Value of Plan Assets	$30.5 billion	$33.0 billlion
Actuarial Accrued Liability	$39.7 billion	$40.4 billion
Unfunded Accrued Liability	$9.1 billion	$9.4 billion
Market Value of Plan Assets	$30.9 billlion	$32.4 billion
Funded Ratio - Current Valuation	83.91%	86.91%
Actual Market Value Rate of Return	11.36%	8.83%
Assumed Rate of Return	7.46%	7.37%
Percentage of Payroll contributed by employee	6.92%	7.01%
Valuation Basis Total Dollar Contribution	$1.6 billion	$1.6 billion
Employees covered by Social Security	78.28%	78.28%

FY17/FY18 PERCENTAGE CHANGE	485 LOCAL PLANS	FPPTA PLANS
Number of plan participants	0.4%	0.8%
Actuarial Value of Plan Assets	7.6%	8.2%
Actuarial Accrued Liability	6.8%	1.8%
Unfunded Accrued Liability	2.8%	3.3%
Market Value of Plan Assets	3.5%	4.9%
Funded Ratio - Current Valuation	2.4%	3.6%
Actual Market Value Rate of Return	-23.6%	-22.3%
Assumed Rate of Return	Down 1 bp	Down 9 bp
Percentage of Payroll contributed by employee	Up 7 bp	Up 9 bp
Valuation Basis Total Dollar Contribution	3.4%	3.1%
Employees covered by Social Security	NC	NC

CONCLUSIONS

FPPTA is an educational organization that schools public pension trustees and administrators on the best practices for successfully operating a pension plan for public employees. Their goal is to ensure that plan participants (and beneficiaries) receive their pension benefits for life. The 244 local pension plans participating in FPPTA are committed to safeguarding the retirement security of their plan participants. Trustees ensure each month that the retirement benefit is paid to those who have earned it.

The data in this study show that FPPTA is a voice for Florida's public pensions. While its membership consists of one-half of the 485 local defined benefit plans in Florida, FPPTA represents over 61% of the total plan participants and over 77% of the Actuarial Value and Market Value of Plan Assets under investment in FY18.

FPPTA SHARE OF 485 LOCAL DEFINED BENEFIT PLANS

	FPPTA SHARE
Number of plan participants	61.3%
Actuarial Value of Plan Assets	77.4%
Market Value of Plan Assets	76.9%

One issue that continues to trouble trustees, based on media reports and public reactions, is the funded ratio of assets to liabilities. Misunderstanding of funded ratio and a popular perception that anything below 100% (most media report 80%) is unacceptable are used to indicate the pension plan is financially or actuarily unsound. The American Academy of Actuaries defines funded ratio best:

> A funded ratio of 80% should not be used as a criterion for identifying a plan as being either in good financial health or poor financial health. No single level of funding should be identified as a defining line between a "healthy" and an "unhealthy" pension plan. Pension plans should have a strategy in place to attain or maintain a funded status of 100% or greater over a reasonable period of time. (American Academy of Actuaries, Issue Brief, July 2012)

Credit rating agencies, whose rating helps determine the borrowing rates for cities, look at pension funding ratios as one of the criteria for setting the bond rate. "Fitch generally considers a funded ratio of 70% or above to be adequate and less than 60% to be weak, while noting that the funded ratio is one of many factors considered in Fitch's analysis of pension obligations." ("Enhancing the Analysis of U.S. State and Local Government Pension Obligations," Feb.17, 2011)

FPPTA plans have responded to changes in the economy and markets by voting to lower their assumed rate of return. Some have done it in one step, while most have phased in the reduction over several years. The average assumed rate of return has declined from 7.46% in FY17 to 7.37% in FY18, a reduction of 9 basis points. At the same time, employee contributions increased slightly from 6.92% of payroll to 7.01%, an increase of 9 basis points.

When the economy and investment markets are booming, pension plans see the benefits through return on investments, greater assets, and declining unfunded liabilities, resulting in the plan sponsor making a smaller annual contribution. When the economy and markets experience a crisis and/or go into a recession, the opposite occurs. The increased employer contribution (during city declining revenues) puts pressure on pension plans (trustees) and often ignites calls to reform or replace defined benefits plans with defined contribution accounts. Trustees know a bull market will eventually become a bear market, and a bear market will eventually become a bull market. Their investment policies should be designed to take advantage of both markets.

Given all of the above, trustees are often held answerable for any and all changes in the pension plan: increased contributions, downturns in the markets, poor performance, and the economy. In truth, trustees have no control over any of these. Their control comes in two areas:

1. Setting the assumed rate of return (as this rate declines, the required contribution from the plan sponsor increases),
2. Investing the funds in a diversified portfolio (in a market they don’t control) to obtain reasonable returns with a prudent amount of risk – a portfolio that is rebalanced to adjust for changes in asset classes and to comply with the investment policy asset class targets.

Being a trustee is not an easy job. However, with all the expertise trustees and administrators possess about a difficult subject (that others have little understanding), it is their job to educate the plan sponsor, the media, plan active members, retired members (including beneficiaries) and terminated vested members about how a public pension operates and the advantages of a guaranteed pension benefit to the city and its residents.

ACKNOWLEDGEMENTS

FPPTA wishes to acknowledge the contributions to this study from several sources. All of the data come from the Bureau of Local Retirement Systems in the Department of Management Services' Division of Retirement. They are responsible for the accuracy of the data.

We acknowledge the support and encouragement from the FPPTA Board of Directors and CEO Kim Prior.

We acknowledge the data collection, analysis of data, and draft of the report compiled by Fred Nesbitt, FPPTA Media Consultant.

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We acknowledge the technical support provided by Sean McKinstry, FPPTA Research Specialist.

APPENDIX

The FPPTA has established the **Pension Plan Data Center** whereby members can view important plan data from their plan as well as other FPPTA members' plans and the 485 local defined benefit plans across Florida. All of the data were collected from reports issued by the Bureau of Local Retirement Systems in the Department of Management Services' Division of Retirement, and they are responsible for the accuracy of the data. Their data come from the annual reports all retirement plans are required to file with the state.

These five files can be found by logging into your account at: fppta.org

FY2018 FPPTA MEMBER DATA: The FY18 actuarial data used for this study for each of the 244 FPPTA member plans. These data can be viewed as a pdf (viewed and printed), and viewed in an Excel spreadsheet (viewed and printed).

FY2017 FPPTA MEMBER DATA: The FY17 actuarial data used for this study for each of the 244 FPPTA member plans. These data can be viewed as a pdf (viewed and printed), and viewed in an Excel spreadsheet (viewed and printed).

FY2018 ACTUARIAL FACT SHEET: A one-page summary sheet for each of the 485 local defined benefit plans, along with additional data as it relates to GASB 67 and actuarial disclosures required by section 112.664, *Florida Statutes*. The summary sheet also has a link to the plan's latest actuarial valuation. A sample of the one-page summary, with an explanation of terms, can be found on pages 24-25.

FY2018 INVENTORY OF MUNICIPALITIES: This table provides data about the 485 municipalities and an inventory of the cities by type of retirement plan: defined benefit, defined contribution, Florida Retirement System, and Social Security coverage. Each employee group is shown by type of plan.

FY2018 POPULATION DATA: This table provides data about the 485 local retirement plans showing city population, county name, county population, and plan members by active, retired, DROP and terminated member.

City/District Name: Coral Springs | **Employee group(s) covered:** Fire

Current actuarial valuation date: 10/1/2018 | **Date prepared:** 2/3/2020

Number of plan participants:	181	
Actuarial Value of Plan Assets (AVA):	$94,171,663	
Actuarial Accrued Liability (AAL):	$97,805,057	
Unfunded Accrued Liability (UAL):	$3,633,394	
Market Value of Plan Assets (MVA):	$106,201,362	

GASB 67 Reporting	
Discount Rate	8.50%
Total Pension Liability	85,413,825
Market Value of Plan Assets	104,469,875
Net Pension Liability	-19,056,050
GASB 67 Funded Ratio	122.31%

MVA Funded Ratio (5-year history):		**Averages for all plans with 2018 current actuarial valuation date**
Current valuation	107.07%	89.37% *
1 year prior	106.39%	86.29% *
2 years prior	100.36%	82.97% *
3 years prior	100.70%	82.44% *
4 years prior	107.09%	87.08% *
Rate of Return: Actuarial Value, Actual (2018 Plan Year)	8.79%	7.49%
Market Value, Actual	10.15%	8.62%
Assumed	7.50%	7.27%
Funding requirement as percentage of payroll:	34.61%	68.19% **
Percentage of payroll contributed by employee:	8.75%	6.44% **

Benefit Formula Description: 3.50% X AME X SC

AFC Averaging Period (years): 3

Employees covered by Social Security? Yes

Additional actuarial disclosures required by section 112.664, Florida Statutes:

Florida Statute Chapter	Discount Rate	Pension Liability	Market Value of Plan Assets	Net Pension Liability	Years assets sustain benefit payments	Total Dollar Contribution	Total % of Pay Contribution
112.664(1)(a)	8.50%	84,654,466	104,715,812	-20,061,346	999.99	1,249,448	8.24
112.664(1)(b)	6.50%	110,585,895	104,715,812	5,870,083	25.37	6,397,708	42.17
Valuation Basis	8.50%	N/A	N/A	N/A	31.66	5,139,356	33.87

Link to annual financial statements: https://www.rol.frs.state.fl.us/forms/LOC5340158PDF10012018N1.pdf

*Adjusted by excluding plans from average whose Funded Ratios were not within two standard deviations from the mean

**Excludes plans with zero payroll

(For explanation of terms, see glossary on page 2)

Actuarial Summary Fact Sheet – Glossary of Terms

Actuarial Value of Plan Assets (AVA):	Assets calculated under an asset valuation method smoothing the effects of volatility in market value of assets. Used to determine employer contribution.
Actuarial Accrued Liability (AAL):	Portion of Present Value of Fully Projected Benefits attributable to service credit earned as of the current actuarial valuation date.
Unfunded Accrued Liability (UAL):	The difference between the actuarial accrued liability and the actuarial value of assets accumulated to finance the obligation.
Market Value of Plan Assets (MVA):	The fair market value of assets, including DROP accounts.
MVA Funded Ratio:	Market Value of Plan Assets divided by Actuarial Accrued Liability (GASB)
Rate of Return (Assumed):	Assumed long-term rate of return on the pension fund assets.
Funding requirement as percentage of payroll:	Total Required Contribution (employer and employee) divided by total payroll of active participants. No interest adjustment is included.
AFC:	Average Final Compensation or some variant of compensation (e.g., AME [Average Monthly Earnings], FAC [Final Average Compensation], FMC [Final Monthly Compensation] etc.)
SC:	Service Credit

Section 112.664 – Glossary of Terms

Florida Statute Chapter:	112.664(1)(a) – uses mortality tables used in either of the two most recently published FRS valuation reports, with projection scale for mortality improvement 112.664(1)(b) – uses same mortality assumption as 112.664(1)(a) but using an assumed discount rate equal to 200 basis points (2.00%) less than plan's assumed rate of return. Valuation Basis – uses all the assumptions in the plan's valuation as of the current actuarial valuation date.
Discount Rate:	Rate used to discount the liabilities. Typically the same as assumed rate of return on assets.
Total Pension Liability:	Actuarial Accrued Liability measured using the appropriate assumptions as specified above and the Traditional Individual Entry Age Normal Cost
Net Pension Liability:	Total Pension Liability minus Market Value of Plan Assets.
Years assets sustain benefit payments:	Assuming no future contributions from any source, the number of years the market value of assets will sustain payment of expected retirement benefits. The number of years will vary based on the Florida Statute Chapter assumption.
Total Dollar Contribution:	Required contribution from all sources (i.e., employee and sponsor). Contribution will vary based on the Florida Statute Chapter assumption.
Total % of Pay Contribution:	Total Dollar Contribution divided by total payroll of active participants
Annual financial statements:	A report issued which covers a local government retirement system or plan to satisfy the financial reporting requirements of section 112.664(1), F.S.