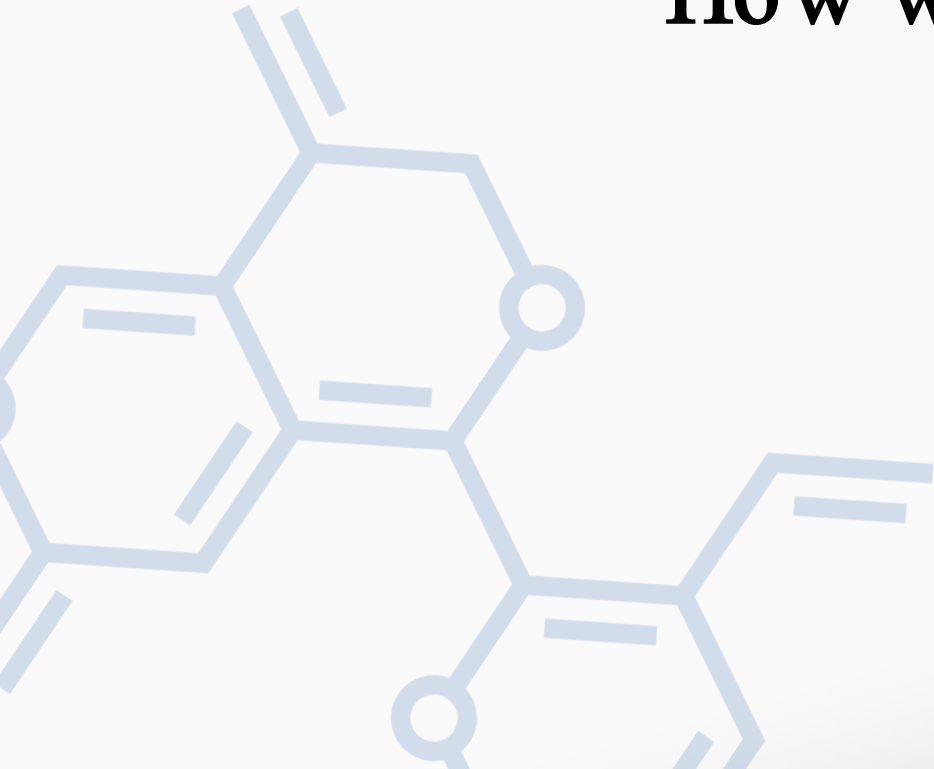


Retirement Funding Formula

Contributions + Investment Income = Benefits + Expenses

$$C + I = B + E$$

How we fund it = What it costs

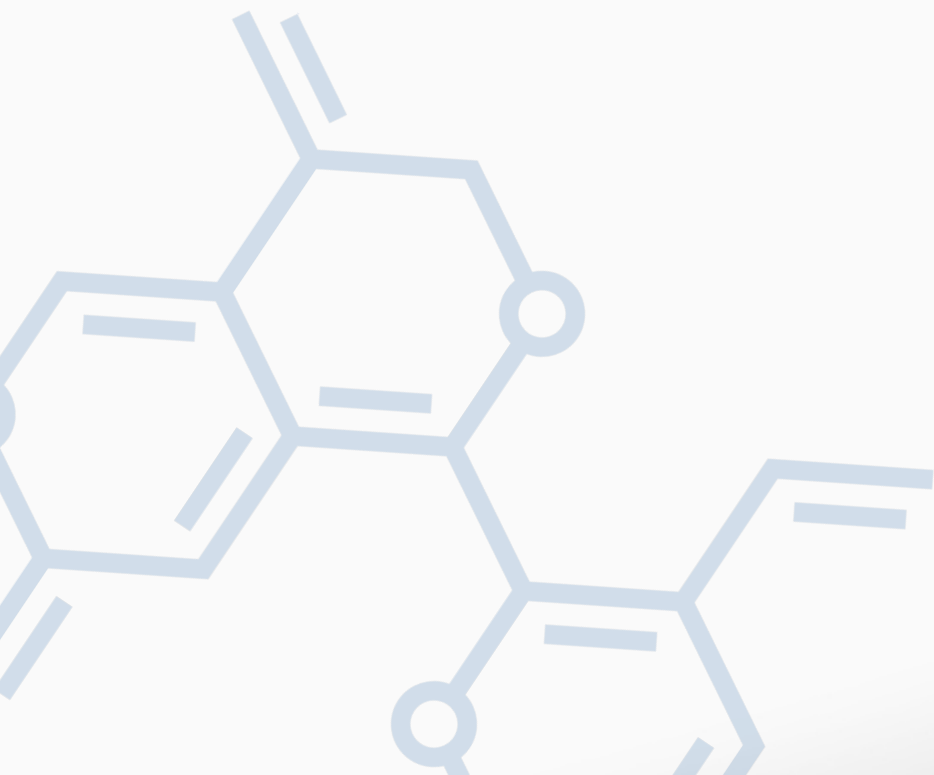


Let's Talk about the Benefits Side First

Contributions + Investment Income = Benefits + Expenses

B + E = Benefits + Expenses

“The ultimate cost”



Palm Beach Gardens Police Case Study: Benefits

- ❖ This Plan is fairly young compared to most other municipal pension plans in Florida (started in 1994)
- ❖ So most of the ultimate cost of the Plan has not been paid out yet (Plan Assets are accumulating to pay benefits in future years).

Palm Beach Gardens Police Case Study: Benefits

❖ Benefit Levels Pre-2012:

- 3.5% Benefit Multiplier
- NRD: Age 52 with 10 Years of Service or Completion of 20 Years Regardless of Age
- Definition of Compensation = Gross Pay (Including OT)
- 5-Year Final Average Pay

Palm Beach Gardens Police Case Study: Benefits

❖ Benefit Levels Changed Effective 9/13/2012:

- 2.75% Benefit Multiplier Post-9/13/2012
- NRD for Members with Less Than 10 Years of Service as of 9/13/2012: Age 55 with 10 Years of Service or 25 Years Regardless of Age
- Definition of Compensation = Base Pay Only (but no less than Gross Pay during the Year Ending 9/13/2012)
- Still 5-Year Final Average Pay

Palm Beach Gardens Police Case Study: Benefits

❖ Share Plan added in 2017:

- Funded by 50% of Chapter 185 State Money in excess of 2012 Amount of \$475,215
- Total Contributions into Share Plan through 9/30/2025 = \$1.8 Million
- About \$16,500 on average per active member

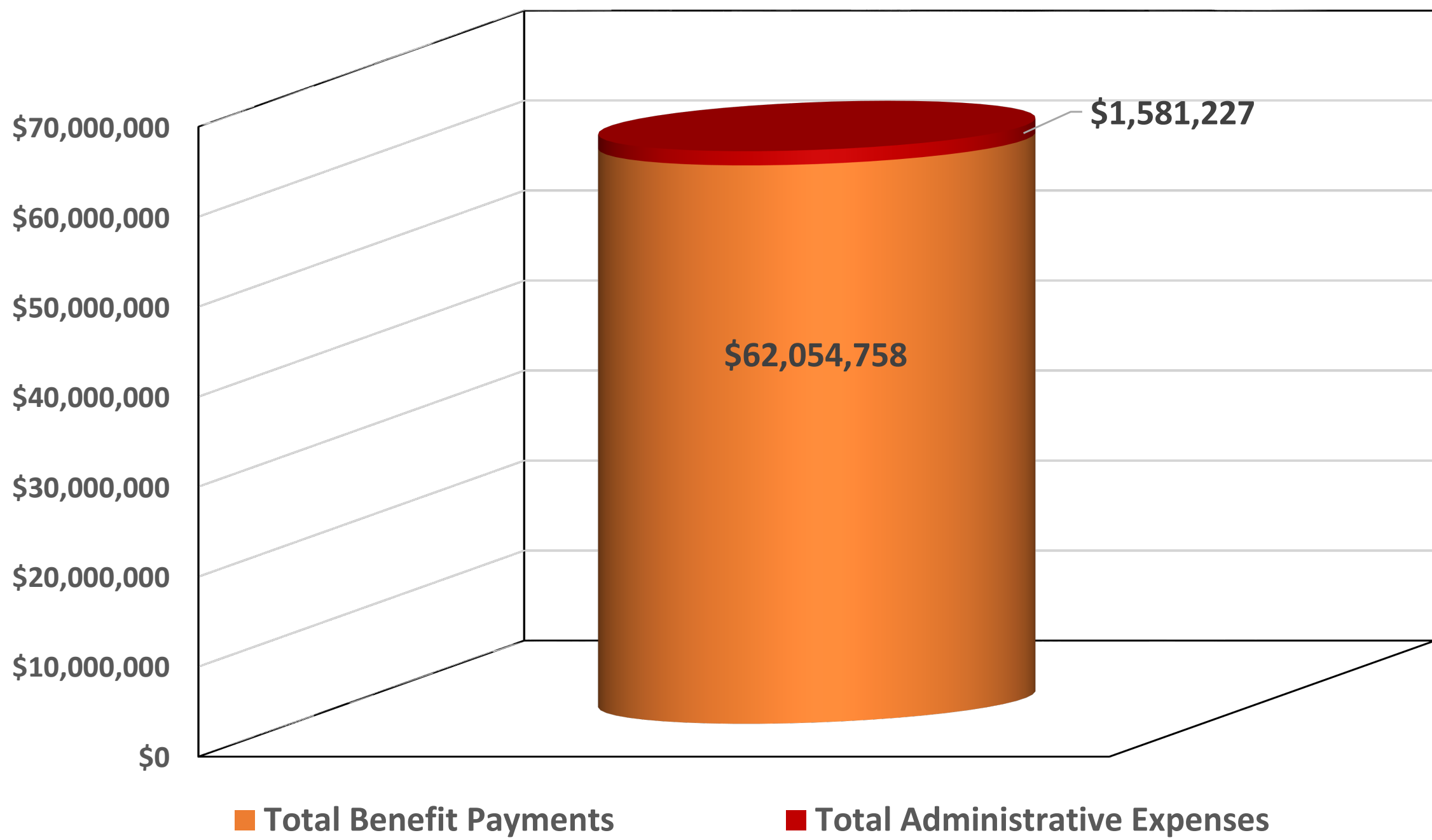
Palm Beach Gardens Police Case Study: Benefits

❖ Benefit Levels Changed Again Effective 10/1/2019:

- 3.0% Benefit Multiplier Post-10/1/2019
- NRD back to Age 52&10 or 20 Years of Service Regardless of Age for All Active Members
- Now the Benefit is calculated as follows:
 - $(\text{Pre-9/13/2012 Service}) \times 3.5\% + (\text{Service from 9/13/2012-9/30/2019}) \times 2.75\% + (\text{Service Post-9/30/2019}) \times 3.0\% \times (\text{Final Average Pay})$

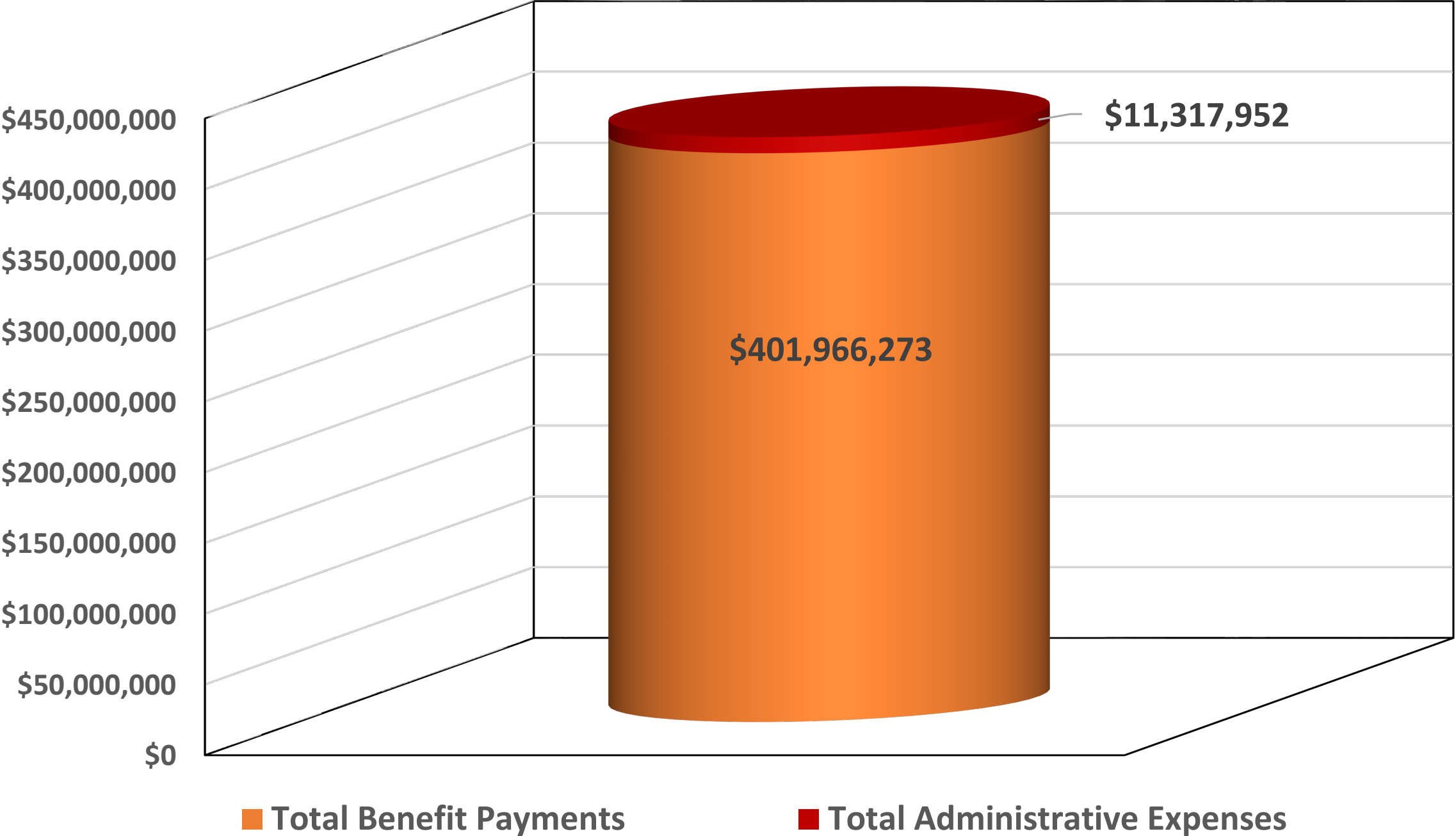
Palm Beach Gardens Police Case Study: Benefits

Actual Benefit Payments and Expenses, 2014-2024



Palm Beach Gardens Police Case Study: Benefits

Projected Benefit Payments and Expenses, 2025-2051



Palm Beach Gardens Police Case Study: Benefits

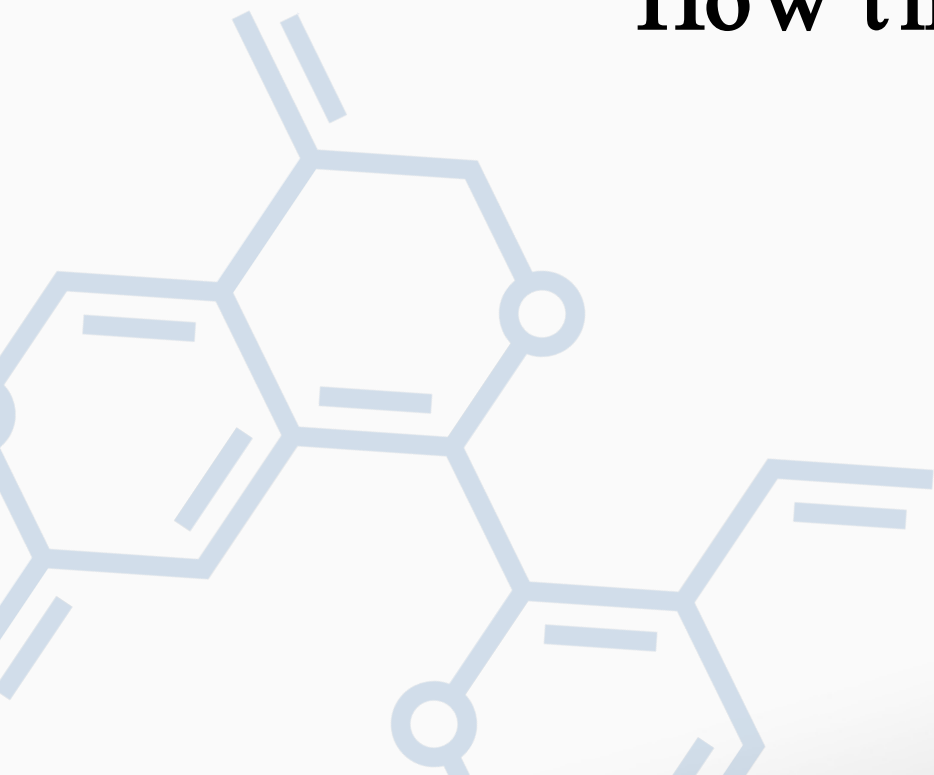
- ❖ 1.5% Annual COLA negotiated / agreed to in 2022 Collective Bargaining Agreement
 - Ordinance implementing COLA not adopted until 2025, so not reflected in liabilities in 2024
 - COLA Increases start on October 1st following separation from employment (DROP Exit or Retirement without entering DROP)
 - Increase in Present Value of Future Benefits = \$15.5 M
 - Increase in Required Contribution = \$1.59 M

Now Let's Talk about the Funding Side

Contributions + Investment Income = Benefits + Expenses

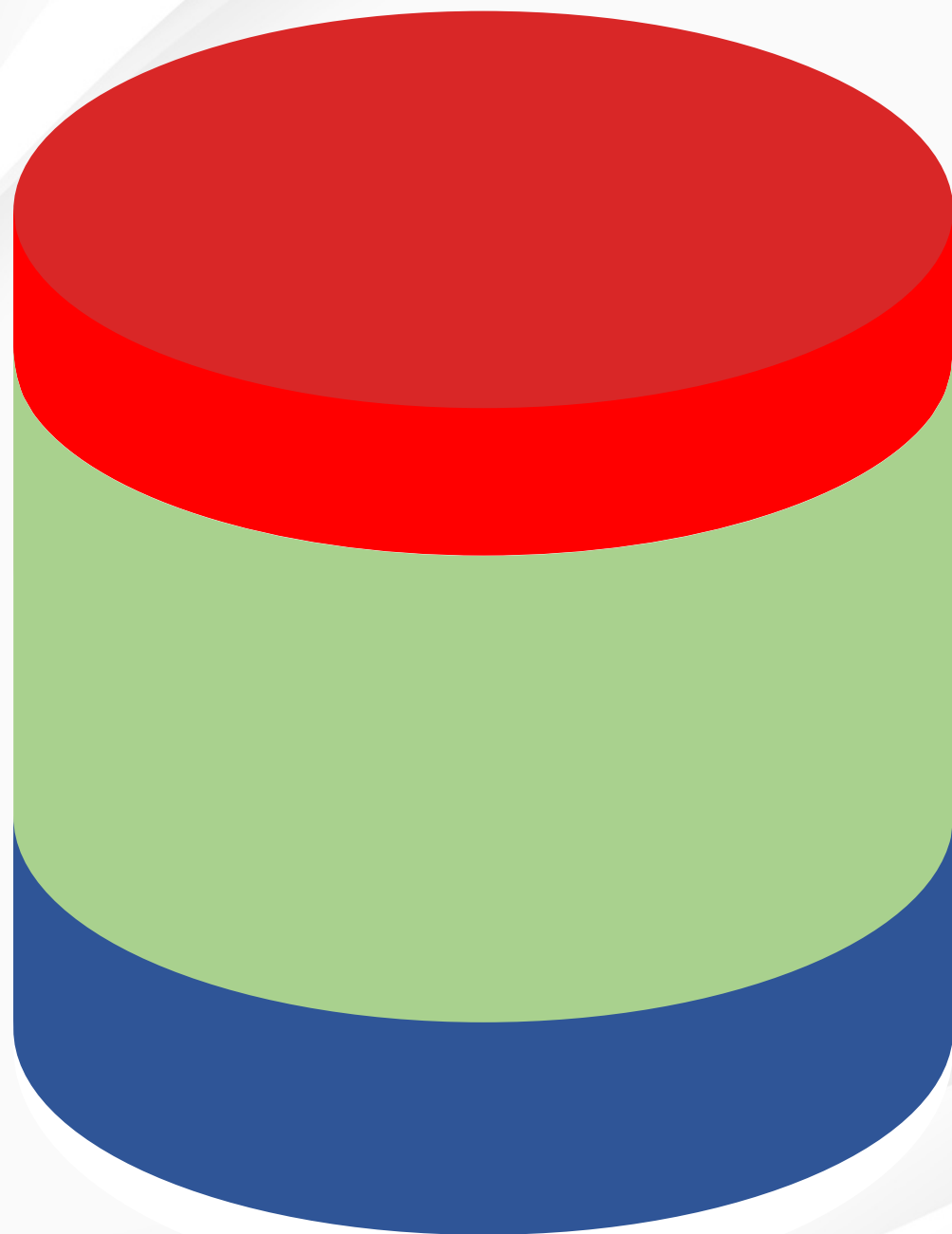
C + I = Contributions + Income

“How the ultimate cost is paid for”



$$C + I = B + E$$

Contributions + Investment Income = How to Pay for the Benefits



City Contribution

Normal Costs + Unfunded
Liability

Investment Earnings

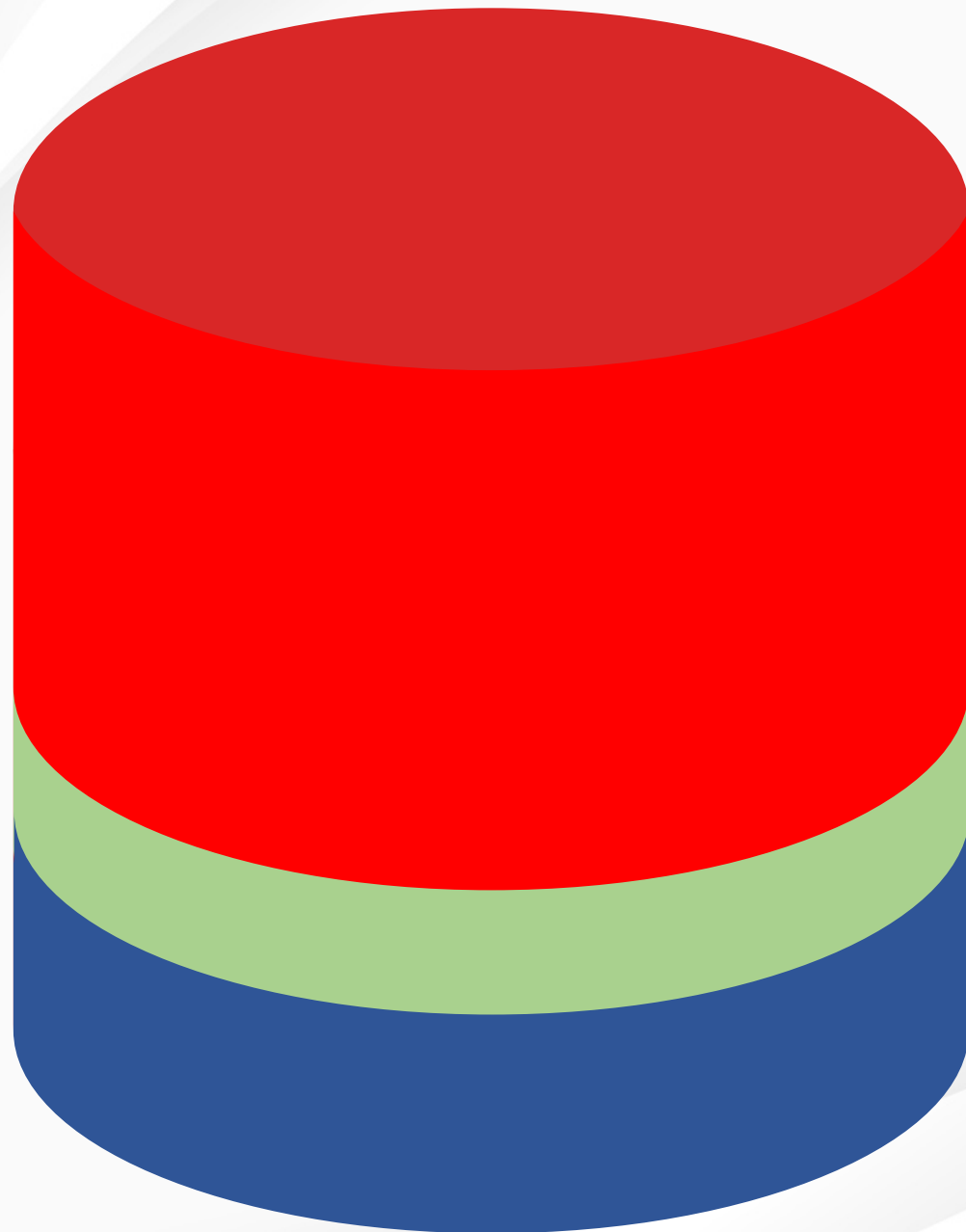
ROI
Dividends and Interest
Appreciation

Employee Contributions

+ P&F 175/185 State Funding

$$C + I = B + E$$

Contributions + Investment Income = How to Pay for the Benefits



City Contribution

Normal Costs + Unfunded
Liability

Investment Earnings

ROI
Dividends and Interest
Appreciation

Employee Contributions

+ P&F 175/185 State Funding

Palm Beach Gardens Police Case Study: History

- ❖ Let's begin 20 years ago - as of 10/1/2005:
 - Actuarial Accrued Liability = \$35.0 M
 - Actuarial Value of Assets = \$18.9 M
 - Funded Ratio = 54%
 - Investment Return Assumption was 8.5%
 - Benefit Levels:
 - 3.5% benefit multiplier, 20 & Out, covered compensation was gross pay (including OT)

Palm Beach Gardens Police Case Study: History

- ❖ 10/1/2006: Investment Return Assumption
Lowered from 8.5% to 7.5%
- Actuarial Accrued Liability Increased from
\$35.0M to \$46.5 M
- Actuarial Value of Assets = \$22.7 M
- Funded Ratio = 48.9%
- This was the Lowest Funded Ratio the Plan
has ever had

Palm Beach Gardens Police Case Study: History

- ❖ After the Great Financial Crisis hit in 2008-09:
 - Required contributions increased from 40% of pay as of 10/1/2007 to over 60% of pay by the time the asset decline was fully phased into the actuarial value of assets (by 2012).
 - Pension reform in 2012
 - Benefit multiplier cut from 3.5% to 2.75%
 - Definition of Comp changed to Base Pay only
 - New tier for NR eligibility (55&10, 25&Out)

Palm Beach Gardens Police Case Study: History

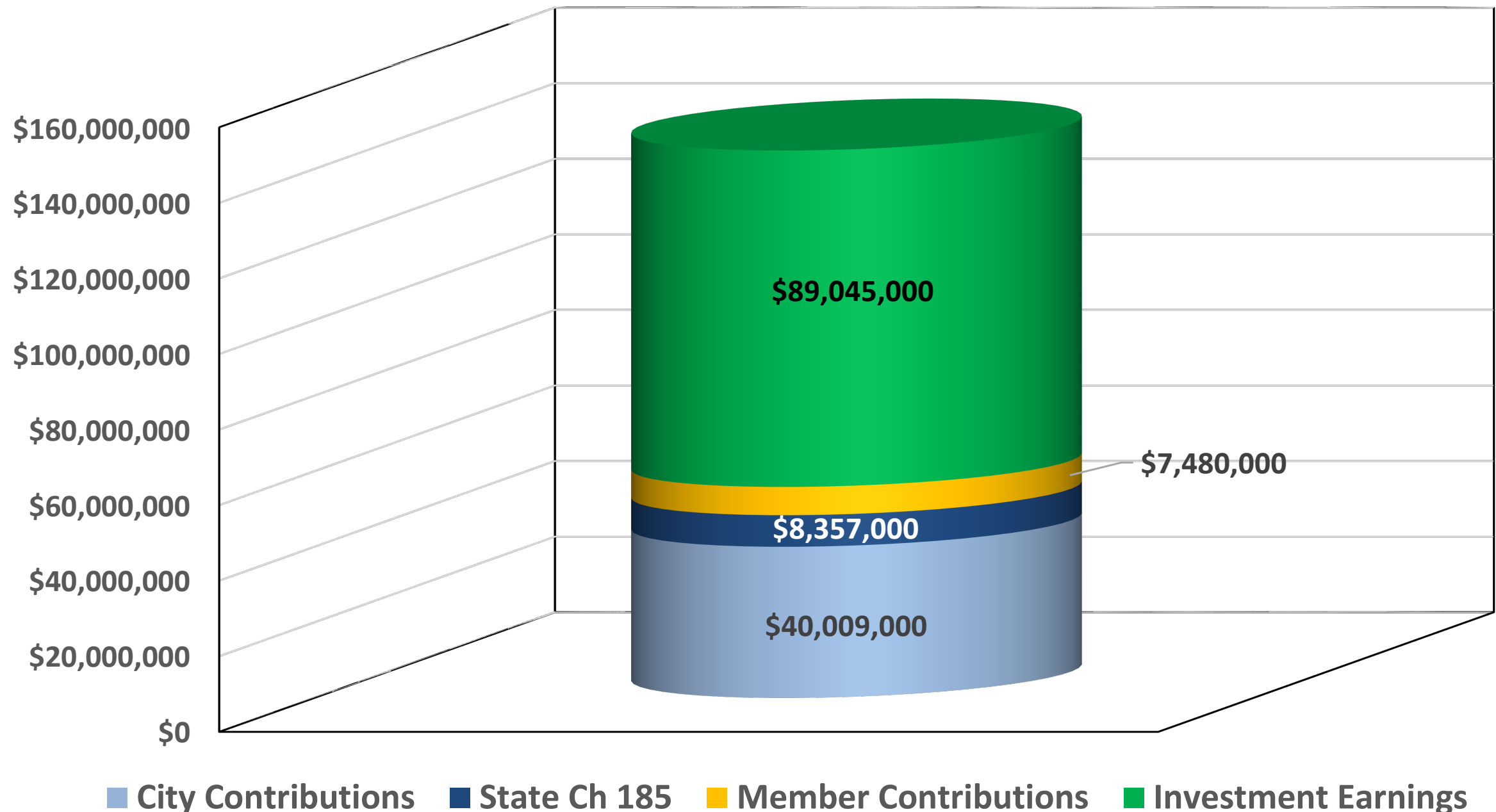
- ❖ Methods and Assumptions were changed to be more conservative
 - New amortization bases amortized over 15 years starting in 2008
 - Investment return assumption lowered 10 to 15 bps per year starting 10/1/2011, despite contrib. increases and funded ratio pressure; reached final target of 6.0% as of 10/1/2022
 - Amortization periods for all pre-2008 bases reduced to no more than 15 years in 2017; many older bases are now close to being paid off.

Palm Beach Gardens Police - Funding History

- ❖ Funded Ratio at 10/1/2006 = 49%
- ❖ Funded Ratio at 10/1/2015 = 72%
- ❖ Funded Ratio at 10/1/2024 = 88% (99% on a rolled forward market value basis as of 9/30/2024 under GASB 67)

Where has the Total Funding Come From?

Palm Beach Gardens Police - Sources of Funding, 2014-2024

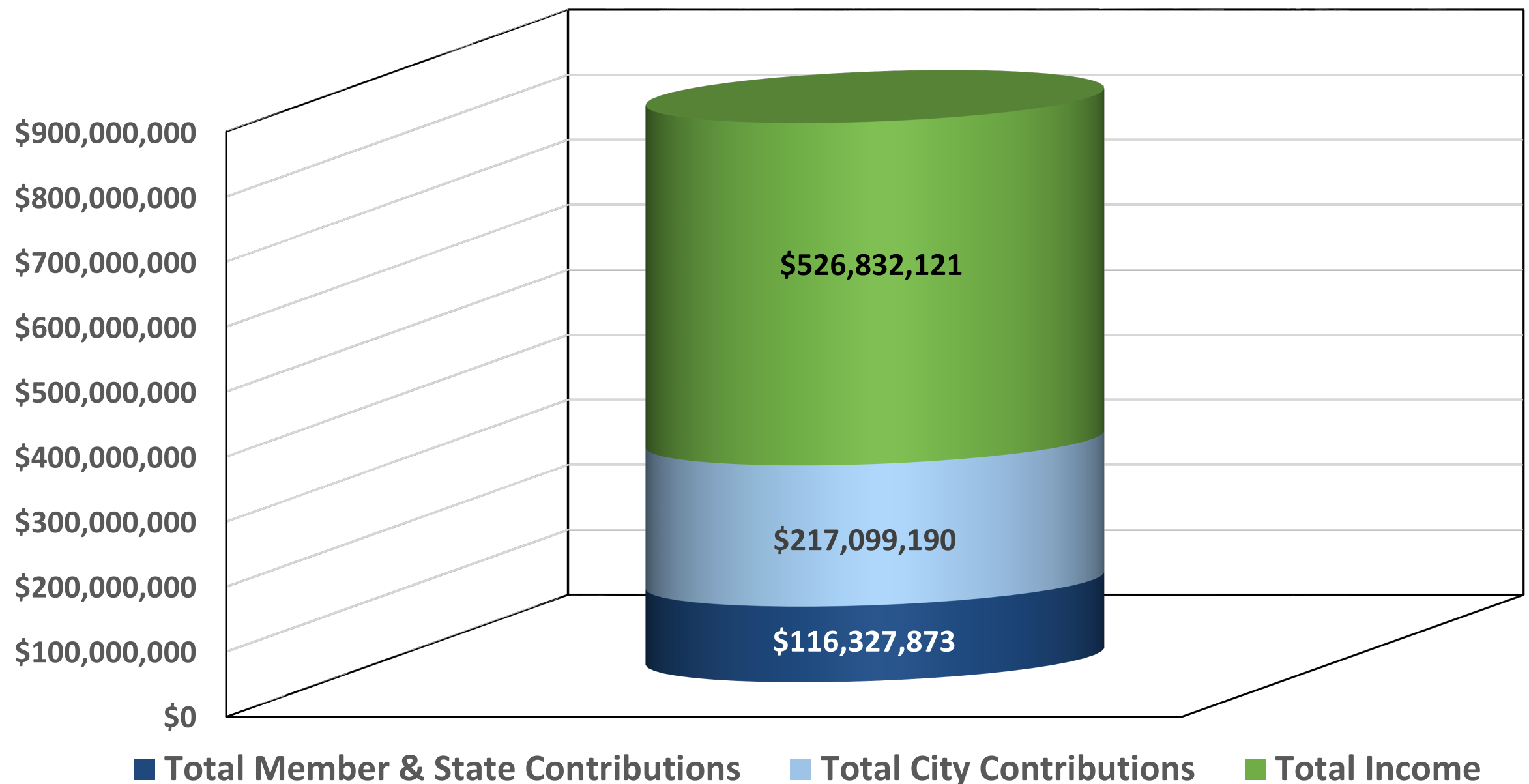


Where will Future Funding Come From?

Projected Contributions + Investment Income, 2025-2051

Scenario 1: Average Compound Annual Return = 6.2%

Projected Funded Ratio in 2051 = 102.8%

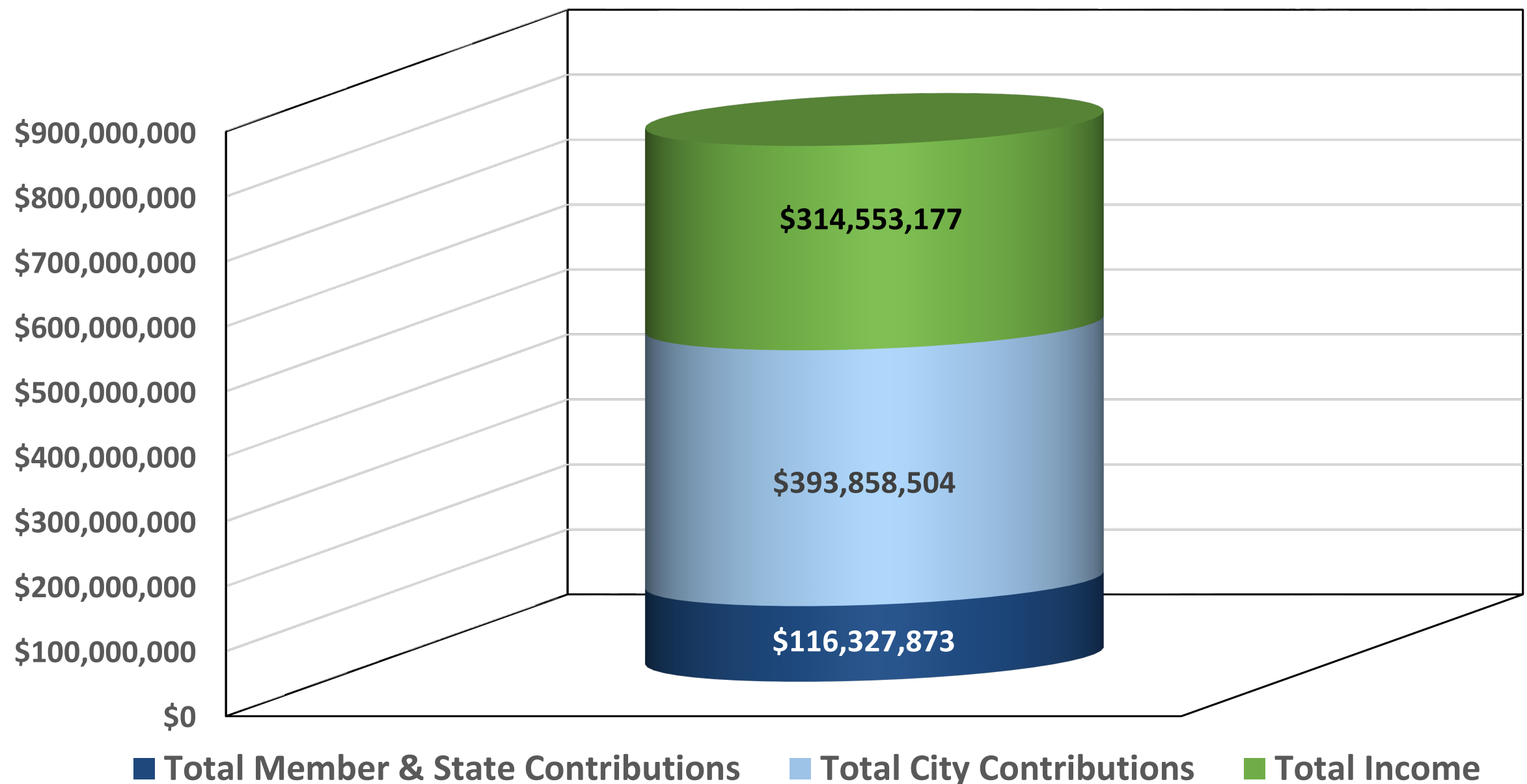


Where will Future Funding Come From?

Projected Contributions + Investment Income, 2025-2051

Scenario 2: Average Compound Annual Return = 3.6%

Projected Funded Ratio in 2051 = 99.8%

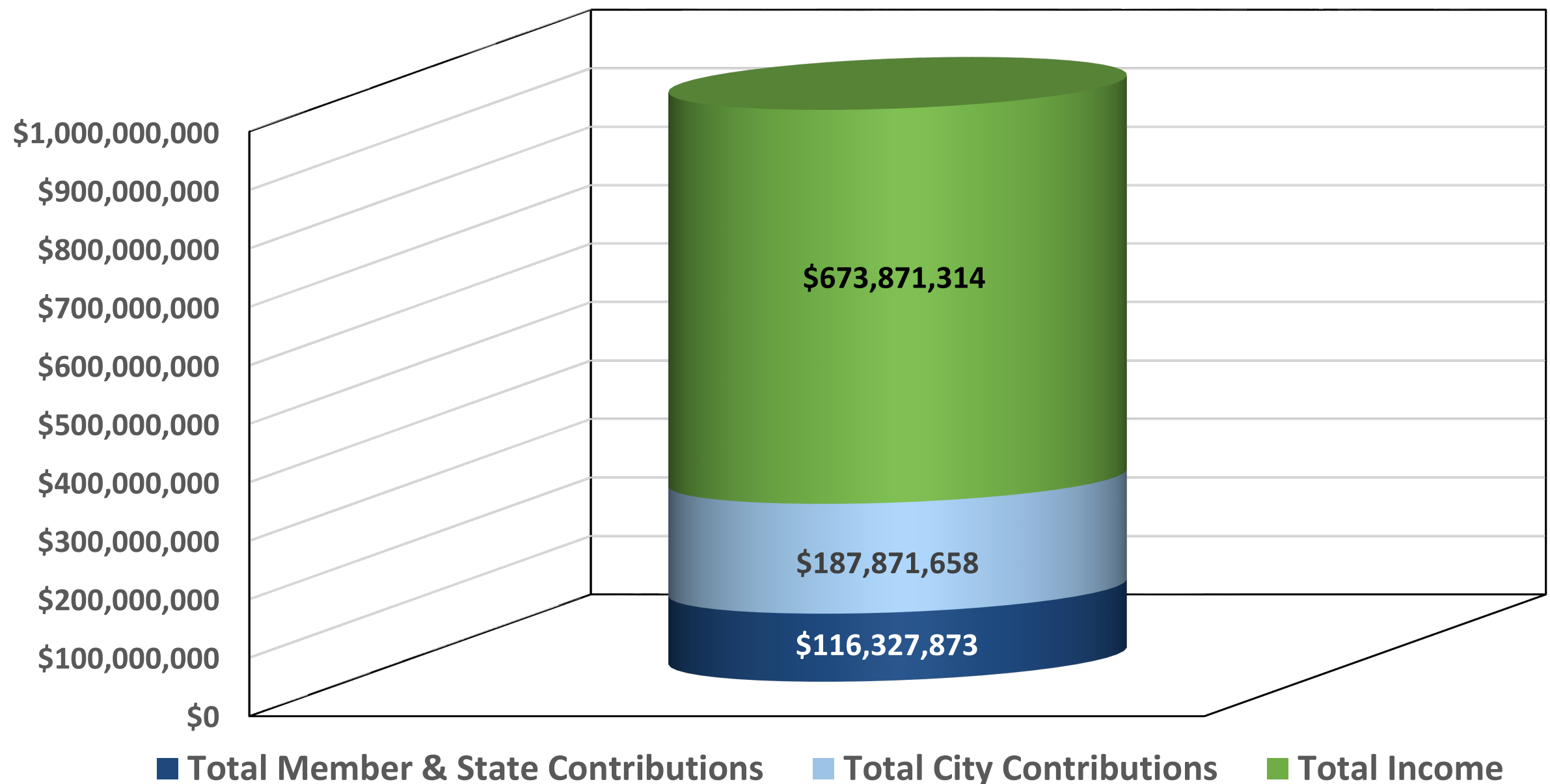


Where will Future Funding Come From?

Projected Contributions + Investment Income, 2025-2051

Scenario 3: Average Compound Annual Return = 7.1%

Projected Funded Ratio in 2051 = 126.2%



Range of Future Outcomes

- ❖ After 500 randomized simulations...
 - Projected Funded Ratio at 10/1/2051 varies from 61% to 402%
 - Median Projected Funded Ratio at 10/1/2051 = 120.4%
 - Projected Funded Ratio at 10/1/2051 is over 100% in 70% of the simulations