

# The Four Pillars of FPPTA Education and a Blueprint for Trustee Education



# A REVIEW OF THE FPPTA'S CPPT PROGRAM

# FOUR PILLARS OF TRUSTEE EDUCATION



1. **C + I = B + E**
2. **Behavioral Governance**
3. **Ethics**
4. **Economics**

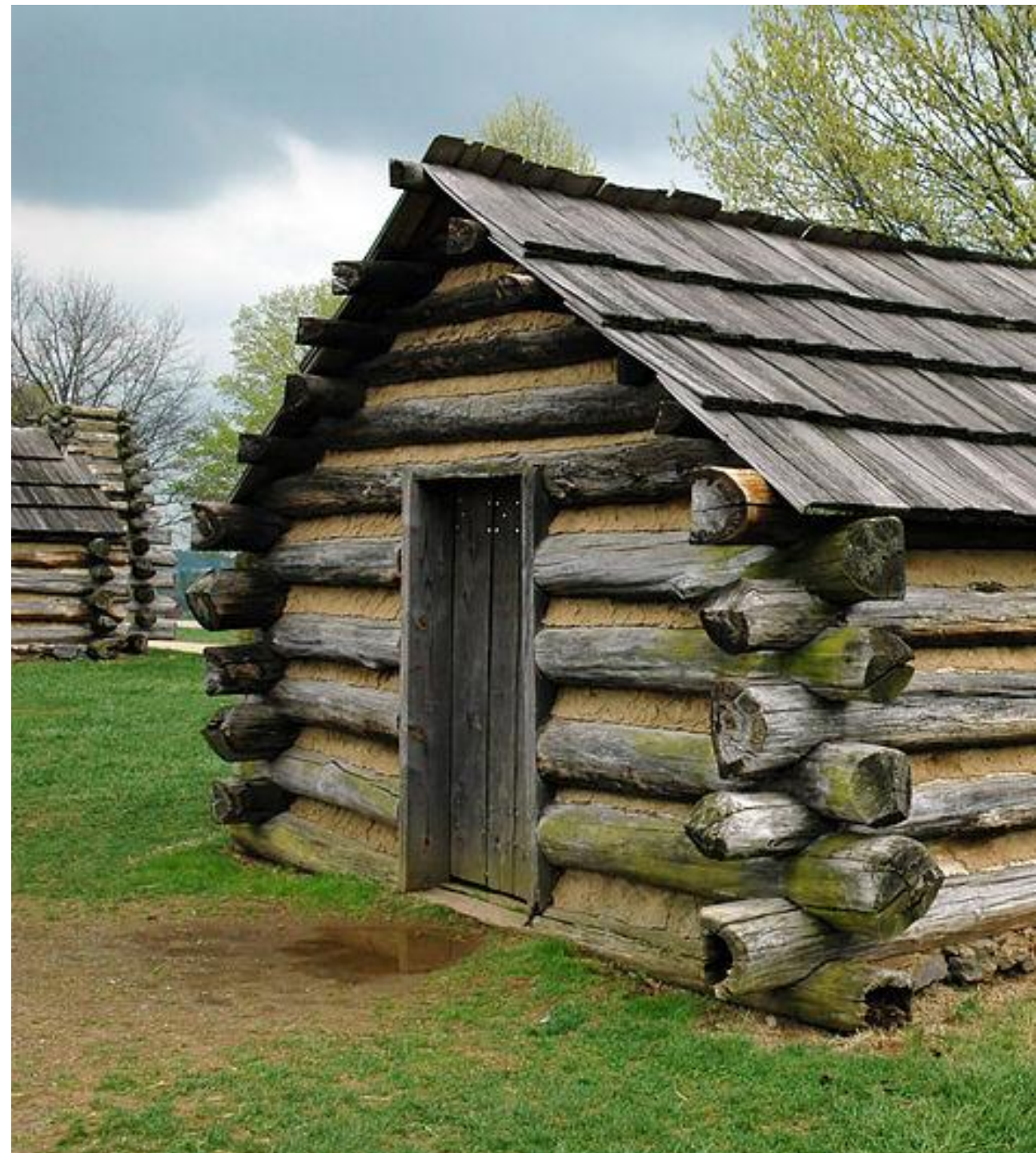
# BASIC

- **Governance for Exemplary Leadership and Stewardship**
- **Overview of Trustee Ethics in Florida**
- **Fundamental Equation of Pension Plan Financing:**  
$$C + I = B + E$$
- **Defined Benefit vs. Defined Contribution**
- **Foundational Economics for Public Pension Plan Trustees**
- **Pre-Funding vs. Pay-as-you-Go Pension Plans**
- **Actuarial Valuations of Defined Benefit Plans**
- **Actuarial Alphabet Soup**
- **Alphabet Soup for the Soul - Practical Applications & Examples**
- **Actuary's Perspective to Asset Allocations**
- **Funding Implications**



# INTERMEDIATE

- **Chapter 112 - 175 - 185**
- **Actuarial Assumptions**
- **Behavioral Governance – Leadership**
- **Advancing Ethics & Professionalism**
- **Establishing the Purpose of the Investment Program**
- **The Factors Driving Market Cycles**
- **Investment Policy Statement & City Ordinance**
- **Asset Classes and Benchmarks**
- **Private Debt & Private Equity**
- **Asset Allocation; Determining the Optimal Allocation of Capital**



# ADVANCED

- **Asset Class Performance / Market Cycles**
- **Understanding the Impact of Market/Economic Cycles on Asset Class Performance**
- **Alternative Investments**
- **Private Investments**
- **Fixed Income Markets**
- **Investment Program Operations**
- **International Equity / Developed & Emerging Markets**
- **Real Estate**
- **Ethics Master Class**
- **Establishing a Funding Policy**
- **Modifications of Pension Plans**
- **Putting it All Together: Applied Governance**





**Trustee  
Certification Program**

Intermediate Level Guidebook  
Monday

*Shaping the Future - Trustee by Trustee*



# CPPT GUIDEBOOKS

**Providing slide  
decks and a  
summary of each  
presentation**

## Benefit Plan Basics



Shaping the Future - Trade by Trade

Intermediate



## Investment Rate of Return Assumption

### Who's Responsible?

- Actuary
- Attorney
- Custodian
- Investment Consultant
- Money Managers
- Trustees

Shaping the Future - Trade by Trade

Intermediate



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## Establishing the Annual Rate of Return Assumption

Kerry Richardville & Joe Griffin

### Roles in Determining the Annual Rate of Return

In Florida, both the actuary and the investment consultant play essential but different roles in the annual return calculation.

They do not duplicate work—they provide two complementary measurements of investment performance.

### 1. Investment Consultant's Role

#### Primary Responsibility: Determine the Market Rate of Return

The investment consultant is responsible for the **investment-side analysis**, including:

#### A. Calculate the Market Rate of Return

- Uses custodial statements and time-weighted return methods
- Determines returns **by asset class and total portfolio**
- Produces monthly, quarterly, and annual performance reports
- Benchmarks returns against policy indexes and peers

This is the "raw" or "true" market return before any actuarial smoothing.

#### B. Confirm Compliance with the Investment Policy Statement (IPS)

- Asset allocation
- Rebalancing
- Manager performance

#### C. Provide Expected Return Assumptions (Forward-Looking)

Consultants prepare capital market assumptions that boards use when deciding:

- Whether to maintain, lower, or raise the **assumed investment return**
- Risk level and asset mix decisions

#### D. Reporting to the Pension Board

The investment consultant presents the official market return that will later be used by the actuary in funding calculations.

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# Welcome to the FPPTA-BOT

*We are here to inspire and engage you.*



What is the pension formula?



BGI Bot

The pension formula is a fundamental component of a defined benefit plan, crucial for determining how retirement benefits are calculated. It is typically expressed as:

$$C + I = B + E$$

- **C (Contributions):** These are the regular payments made by both employers and employees into the pension fund.
- **I (Investment Income):** This represents the returns generated from investing the contributions in various assets such as fixed income, equities, and mutual funds.



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TRUSTEE DASHBOARD

# PALM BEACH GARDENS – Police (Oct 1, 2024)

Police • Pension Trust Fund • Valuation Date: 10/1/2024

Overview

Funding

Membership

Contributions

FUNDED RATIO (ACTUARIAL)

## 98.0%

↑ +11.2% from prior year

MARKET VALUE OF ASSETS

## \$145.8M

↑ \$24.1M increase

ACTUARIAL VALUE OF ASSETS

## \$133.1M

Smoothed asset value

ACTUARIAL ACCRUED LIABILITY

## \$148.9M

UNFUNDED LIABILITY

## \$15.8M

### Actuarial Funded Ratio Trend (5-Year)



The actuarial funded ratio (AVA / AAL) reflects smoothed asset values. This provides a more stable measure of funding progress over time.

### Membership Distribution

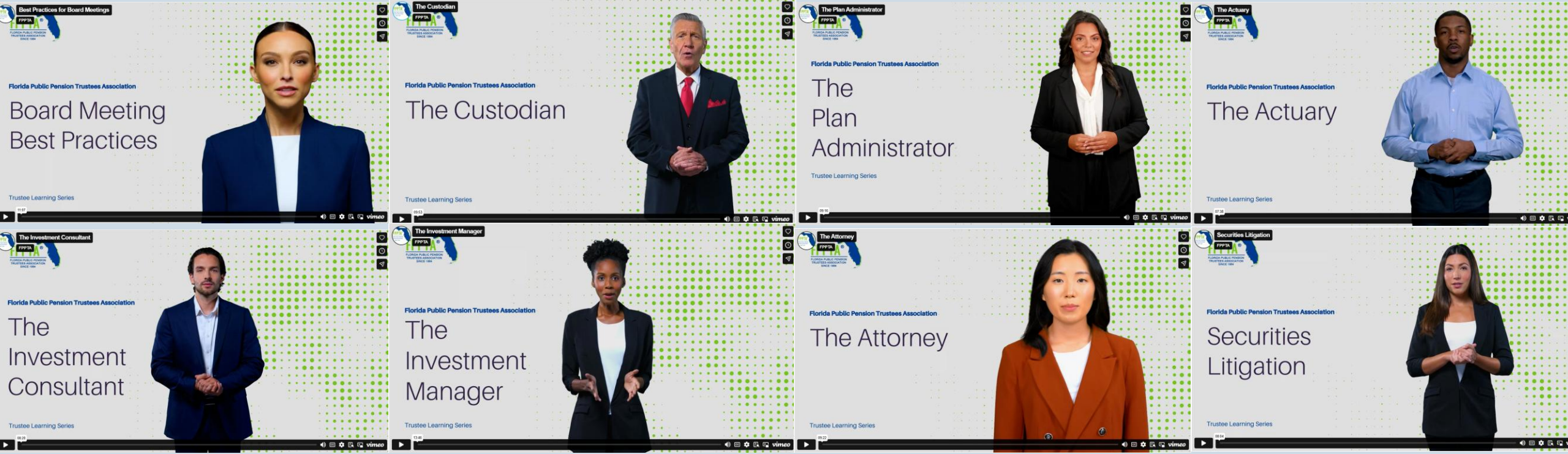


|                          |     |
|--------------------------|-----|
| Active Members           | 113 |
| Retirees & Beneficiaries | 90  |
| DROP Participants        | 14  |
| Terminated Vested        | 6   |

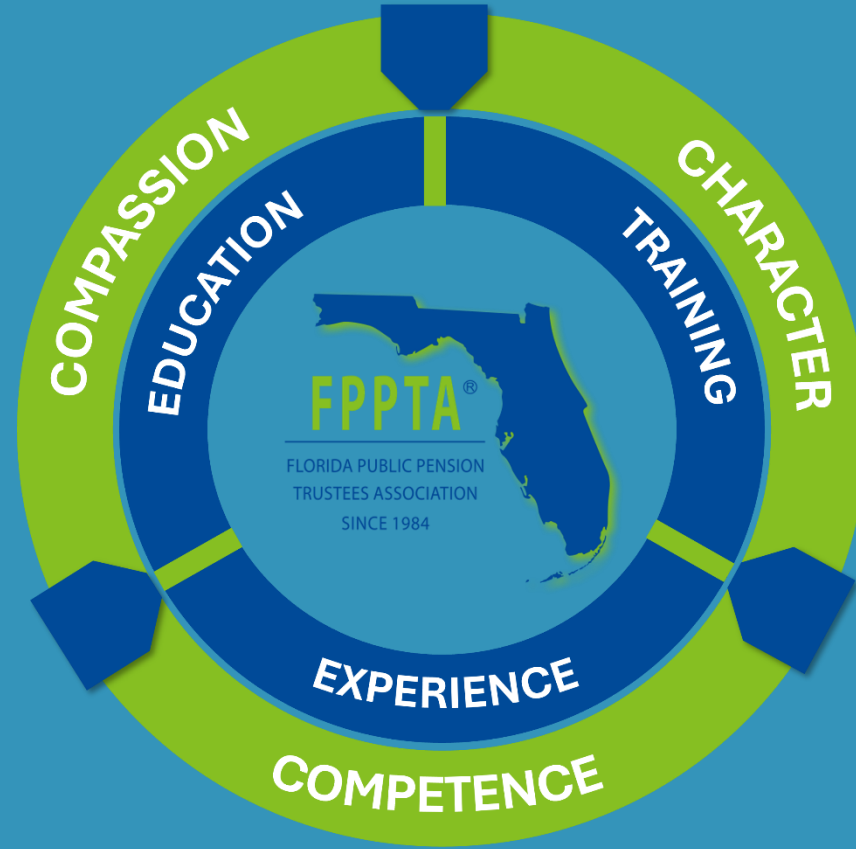
Investment Return

Discount Rate

Total Plan Members



# Pension Fundamentals for New Trustees: The FPPTA Avatar Faculty



*Shaping the Future Trustee by Trustee*