GRS
P: 954.527.1616 | F: 954.525.0083 | www.grsconsulting.com

March 14, 2025

Mr. Toby Rabelo
Resource Centers, LLC
4360 Northlake Blvd., Suite 206
Palm Beach Gardens, FL 33410

Re: City of Marco Island Firefighters Pension Plan
Actuarial Impact Statement

Dear Toby:

As requested, we have prepared the enclosed Actuarial Impact Statement showing the first-year financial impact of the proposed ordinance which would amend the City of Marco Island Firefighters Pension Plan (Plan) as follows:

- For members hired on or after July 1, 2022, the vesting period is changed from 10 years to 8 years. For these members, eligibility for normal retirement is changed from the earlier of age 55 with 10 years of service, or 25 years of service regardless of age, to the earlier of age 55 with 8 years of service, or 25 years of service regardless of age.
- Increase the monthly supplemental benefit from $3.00 per month for each year of service, up to $90 per month, to $7.50 per month for each year of service, up to $225 per month.
- Extend the current maximum period of DROP participation from 5 years (60 months) to 8 years (96 months).
- Change the DROP interest crediting rate from an effective annual rate of 1.3% compounded monthly to an effective annual rate of 4.0% compounded monthly.

Please note that the impact of the proposed Plan change is being shown on the October 1, 2024 valuation results, which determine the required contribution for the fiscal year ending September 30, 2026. If the proposed ordinance is adopted on or before September 30, 2025, this Actuarial Impact Statement would determine the required contribution for the fiscal year ending September 30, 2026, rather than the October 1, 2024 Actuarial Valuation Report.

The Statement must be filed with the Division of Retirement before the final public hearing on the ordinance. Please have a member of the Board of Trustees sign the Statement. Then send the Statement along with a copy of the proposed ordinance to Tallahassee.

Summary of Findings

- The Required City Contribution in the first year would increase by approximately $18,000 or 0.41% of covered payroll.

- The Funded Ratio would decrease from 113.6% to 112.7%.
- Since the Plan remains fully funded even after reflecting the liability increase for the changes described above, the Actuarially Determined Contribution does not include an amortization payment on the Unfunded Actuarial Accrued Liability (UAAL). The cost impact shown represents the change in the Normal Cost of the Plan only. If the Plan were not fully funded, the cost impact would have included an additional $15,000 increase in the UAAL amortization payment for the increase in the actuarial accrued liability associated with the proposed Plan changes.

Assumptions and Methods Used

The actuarial assumptions and methods used for this impact statement are the same as those used for the October 1, 2024 Actuarial Valuation Report.

Additional Disclosures

Please refer to the last two pages of this report for a discussion of risks associated with measuring the accrued liability and actuarially determined contribution.

This report was prepared at the request of the Board of Trustees and is intended for use by the Board and those designated or approved by the Board. This report may be provided to parties other than the Plan only in its entirety and only with the permission of the Board.

The purpose of this report is to describe the financial effect of the proposed plan changes. This report should not be relied on for any purpose other than the purpose described above. Potential effects on other benefit plans were not considered.

The calculations in this report are based upon information furnished by the Plan Administrator and the City for the October 1, 2024 Actuarial Valuation concerning Plan benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We reviewed this information for internal and year-to-year consistency, but did not audit the data. We are not responsible for the accuracy or completeness of the information provided by the Plan Administrator or the City.

The calculations are based upon assumptions regarding future events, which may or may not materialize. They are also based on the assumptions, methods, and plan provisions outlined in this report. 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 or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. If you have reason to believe that the assumptions that were used are unreasonable, that the plan provisions are incorrectly described, that important plan provisions relevant to this proposal are not described, or that conditions have changed since the calculations were made, you should contact the author of the report prior to relying on information in the report.

This report was prepared using our proprietary valuation model and related software which in our professional judgement has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

Jeffrey Amrose and Trisha Amrose are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The undersigned actuaries are independent of the plan sponsor.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the Plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

We welcome your questions and comments.

Respectfully submitted,
Gabriel, Roeder, Smith & Company

Jeffrey Amrose, MAAA, FCA	Trisha Amrose, MAAA, FCA
Enrolled Actuary No. 23-6975	Enrolled Actuary No. 23-8010

Enclosures

This communication shall not be construed to provide tax advice, legal advice or investment advice.

CITY OF MARCO ISLAND FIREFIGHTERS PENSION PLAN

Impact Statement – March 14, 2025

Description of Amendments

The proposed Ordinance would amend the Plan as follows:

- For members hired on or after July 1, 2022, the vesting period is changed from 10 years to 8 years. For these members, eligibility for normal retirement is changed from the earlier of age 55 with 10 years of service, or 25 years of service regardless of age, to the earlier of age 55 with 8 years of service, or 25 years of service regardless of age.
- Increase the monthly supplemental benefit from \$3.00 per month for each year of service, up to \$90 per month, to \$7.50 per month for each year of service, up to \$225 per month.
- Extend the current maximum period of DROP participation from 5 years (60 months) to 8 years (96 months).
- Change the DROP interest crediting rate from an effective annual rate of 1.3% compounded monthly to an effective annual rate of 4.0% compounded monthly.

Funding Implications of Amendment

An actuarial cost estimate is attached.

Certification of Administrator

I believe the amendment to be in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the Constitution of the State of Florida.

____

For the Board of Trustees
as Plan Administrator

SUPPLEMENTAL ACTUARIAL VALUATION REPORT

Plan

City of Marco Island Firefighters Pension Plan

Valuation Date

October 1, 2024

Date of Report

March 14, 2025

Report Requested by

Board of Trustees

Prepared by

Gabriel, Roeder, Smith & Company

Group Valued

All active and inactive members of the Plan as of October 1, 2024.

Benefit Provisions Being Considered for Change

- For members hired on or after July 1, 2022, the vesting period is changed from 10 years to 8 years. For these members, eligibility for normal retirement is changed from the earlier of age 55 with 10 years of service, or 25 years of service regardless of age, to the earlier of age 55 with 8 years of service, or 25 years of service regardless of age.
- Increase the monthly supplemental benefit from $3.00 per month for each year of service, up to $90 per month, to $7.50 per month for each year of service, up to $225 per month.
- Extend the current maximum period of DROP participation from 5 years (60 months) to 8 years (96 months).
- Change the DROP interest crediting rate from an effective annual rate of 1.3% compounded monthly to an effective annual rate of 4.0% compounded monthly.

Participants Affected

Current and future active members of the Plan on or after the effective date of the ordinance.

Actuarial Assumptions and Methods

Same as October 1, 2024 Actuarial Valuation Report. Some of the key assumptions/methods are:

Investment Return	7.0%
Salary Increase	7.5% to 13.0% per year depending on service
Cost Method	Individual Entry-Age Normal

Amortization Period for Change in Actuarial Accrued Liability Associated with Proposed Changes

30 years

Summary of Data Used in Report

See attached page; same as the data used for the October 1, 2024 Actuarial Valuation Report.

Actuarial Impact of Proposal(s)

See attached page(s)

Other Cost Considerations

None

Special Risks Involved with the Proposal That the Plan Has Not Been Exposed to Previously

None

ACTUARIALLY DETERMINED (REQUIRED) CONTRIBUTION (ADC)			
A. Valuation Date	October 1, 2024 *Baseline*	October 1, 2024 *Proposed Ordinance*	*Difference*
B. ADC to Be Paid During Fiscal Year Ending	9/30/2026	9/30/2026	
C. Assumed Date of Employer Contrib.	Biweekly	Biweekly	
D. Annual Payment to Amortize Unfunded Actuarial Liability	$ 0	$ 0	$ 0
E. Employer Normal Cost	1,459,373	1,475,803	16,430
F. ADC as of the Valuation Date: D+E	1,459,373	1,475,803	16,430
G. ADC Adjusted for Frequency of Payments	1,510,685	1,527,692	17,007
H. ADC as % of Covered Payroll	35.60 %	36.01 %	0.41 %
I. Assumed Rate of Increase in Covered Payroll to Contribution Year	4.00 %	4.00 %	
J. Covered Payroll for Contribution Year	4,412,672	4,412,672	0
K. ADC for Contribution Year: H x J	1,570,911	1,589,003	18,092
L. Estimated Credit for State Revenue in Contribution Year	415,898	415,898	0
M. ADC After State Contribution Applied in Contribution Year: K - L	1,155,013	1,173,105	18,092
N. Employer ADC as % of Covered Payroll in Contribution Year: M ÷ J	26.17 %	26.58 %	0.41 %

ACTUARIAL VALUE OF BENEFITS AND ASSETS			
A. Valuation Date	October 1, 2024	October 1, 2024	
	Baseline	***Proposed Ordinance***	***Difference***
B. Actuarial Present Value of All Projected Benefits for			
1. Active Members			
a. Service Retirement Benefits	$ 28,951,023	$ 29,184,411	$ 233,388
b. Vesting Benefits	1,889,477	1,929,183	39,706
c. Disability Benefits	1,272,684	1,285,199	12,515
d. Preretirement Death Benefits	96,810	98,130	1,320
e. Return of Member Contributions	19,432	16,141	(3,291)
f. Total	32,229,426	32,513,064	283,638
2. Inactive Members			
a. Service Retirees & Beneficiaries	3,999,991	3,999,991	0
b. Disability Retirees	1,321,105	1,321,105	0
c. Terminated Vested Members	919,108	919,108	0
d. Total	6,240,204	6,240,204	0
3. Total for All Members	38,469,630	38,753,268	283,638
C. Actuarial Accrued (Past Service) Liability (Entry Age Normal)	24,277,475	24,467,731	190,256
D. Actuarial Value of Accumulated Plan Benefits per FASB No. 35	N/A	N/A	N/A
E. Plan Assets			
1. Market Value	29,027,839	29,027,839	0
2. Actuarial Value	27,582,942	27,582,942	0
F. Unfunded Actuarial Accrued Liability	(3,305,467)	(3,115,211)	190,256
G. Actuarial Present Value of Projected Covered Payroll	41,199,626	41,065,522	(134,104)
H. Actuarial Present Value of Projected Member Contributions	1,235,989	1,231,966	(4,023)
I. Funded Ratio: E2 ÷ C	113.6%	112.7%	(0.9)%

CALCULATION OF EMPLOYER NORMAL COST			
A. Valuation Date	October 1, 2024	October 1, 2024	
	Baseline	***Proposed Ordinance***	***Difference***
B. Normal Cost for			
1. Service Retirement Benefits	$ 1,290,208	$ 1,302,804	$ 12,596
2. Vesting Benefits	122,619	125,466	2,847
3. Disability Benefits	102,585	103,663	1,078
4. Preretirement Death Benefits	5,285	5,371	86
5. Return of Member Contributions	3,765	3,588	(177)
6. Total for Future Benefits	1,524,462	1,540,892	16,430
7. Assumed Amount for Administrative Expenses	62,200	62,200	0
8. Total Normal Cost	1,586,662	1,603,092	16,430
9. Total as a % of Covered Payroll	37.40 %	37.78 %	0.38 %
C. Expected Member Contribution	127,289	127,289	0
D. Employer Normal Cost: B8-C	1,459,373	1,475,803	16,430
E. Employer Normal Cost as a % of Covered Payroll	34.40 %	34.78 %	0.38 %

PARTICIPANT DATA			
	October 1, 2024 ***Baseline***	October 1, 2024 ***Proposed Ordinance***	***Difference***
ACTIVE MEMBERS			
Number	40	40	0
Covered Annual Payroll	$ 4,242,954	$ 4,242,954	$ 0
Average Annual Payroll	$ 106,074	$ 106,074	$ 0
Average Age	40.6	40.6	0.0
Average Past Service	10.1	10.1	0.0
Average Age at Hire	30.5	30.5	0.0
RETIREES, BENEFICIARIES & DROP			
Number	4	4	0
Annual Benefits	$ 227,568	$ 227,568	$ 0
Average Monthly Benefit	$ 56,892	$ 56,892	$ 0
Average Age	58.7	58.7	0.0
DISABILITY RETIREES			
Number	2	2	0
Annual Benefits	$ 81,689	$ 81,689	$ 0
Average Monthly Benefit	$ 40,845	$ 40,845	$ 0
Average Age	55.0	55.0	0.0
TERMINATED VESTED MEMBERS			
Number	5	5	0
Annual Benefits	$ 95,874	$ 95,874	$ 0
Average Monthly Benefit	$ 19,175	$ 19,175	$ 0
Average Age	45.6	45.6	0.0

Risks Associated with Measuring the Accrued Liability and Actuarially Determined Contribution

The determination of the accrued liability and the actuarially determined contribution requires the use of assumptions regarding future economic and demographic experience. Risk measures are intended to aid in the understanding of the effects of future experience differing from the assumptions used in the course of the actuarial valuation. Risk measures may also help with illustrating the potential volatility in the accrued liability and the actuarially determined contribution that result from the differences between actual experience and the actuarial assumptions.

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 due to changing conditions; 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, or additional cost or contribution requirements based on the Plan's funded status); and changes in Plan provisions or applicable law. The scope of an actuarial valuation does not include an analysis of the potential range of such future measurements.

Examples of risk that may reasonably be anticipated to significantly affect the Plan's future financial condition include:

1. Investment risk – actual investment returns may differ from the either assumed or forecasted returns;
2. Contribution risk – actual contributions may differ from expected future contributions. For example, actual contributions may not be made in accordance with the Plan's funding policy or material changes may occur in the anticipated number of covered employees, covered payroll, or other relevant contribution base;
3. Salary and Payroll risk – actual salaries and total payroll may differ from expected, resulting in actual future accrued liability and contributions differing from expected;
4. Longevity risk – members may live longer or shorter than expected and receive pensions for a period of time other than assumed;
5. Other demographic risks – members may terminate, retire or become disabled at times or with benefits other than assumed resulting in actual future accrued liability and contributions differing from expected.

The effects of certain trends in experience can generally be anticipated. For example if the investment return is less (or more) than the assumed rate, the cost of the Plan can be expected to increase (or decrease). Likewise if longevity is improving (or worsening), increases (or decreases) in cost can be anticipated.

The computed contribution amounts may be considered as a minimum contribution that complies with the pension Board's funding policy and the State statutes. The timely receipt of the actuarially determined contributions is critical to support the financial health of the Plan. Users of this report should be aware that contributions made at the actuarially determined rate do not necessarily guarantee benefit security.

Risk Assessment

Risk assessment was outside the scope of this report. Risk assessment may include scenario tests, sensitivity tests, stochastic modeling, stress tests, and a comparison of the present value of accrued benefits at low-risk discount rates with the actuarial accrued liability. We are prepared to perform such assessment to aid the Board in the decision making process.