

CITY OF MARCO ISLAND  
POLICE OFFICERS' PENSION PLAN

ACTUARIAL IMPACT STATEMENT

October 29, 2021  
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Attached hereto is a comparison of the impact on the Minimum Required Contribution (per Chapter 112, Florida Statutes) and the Required City Contribution, resulting from the implementation of the following changes:

- Effective October 1, 2021, the normal retirement date for a member hired by the City on or after October 1, 2021 shall be the first day of the month coincident with or next following the earlier of the attainment of age 57 and the completion of six years of credited service, or age 52 and the completion of 25 years of credited service. The normal retirement date for members hired before October 1, 2021 remains unchanged.
- For credited service earned by a member on or after October 1, 2021, each July 1 following the later of the member's termination date or otherwise normal retirement date, the monthly benefit will increase in an amount equal to the COLA under title II of the Social Security Act, with a minimum percentage not to go below 1.00% and a maximum percentage not to exceed 1.50%. The assumed COLA rate for this portion of the benefit is 1.50%. For credited service earned before October 1, 2021, the COLA remains unchanged.
- Effective October 1, 2023, each member of the plan shall be required to make regular contributions to the fund in the amount of 3.00% of compensation.
- Effective October 1, 2021, 35% of the annual distribution of insurance premium tax revenues received in excess of \$137,352.30 shall be applied toward reducing the city's annual required pension contribution with the remaining 65% allocated to the share plan.

The cost impact, determined as of October 1, 2020, applicable to the fiscal year ending September 30, 2022, is as follows:

	<u>Proposed</u>	<u>Current</u>
Minimum Required Contribution		
% of Projected Annual Payroll	27.45%	29.91%
Member Contributions (Est.)		
% of Projected Annual Payroll	0.50%	0.50%
City And State Required Contribution		
% of Projected Annual Payroll	26.95%	29.41%
State Contribution (Est.) <sup>1</sup>	\$166,574	\$179,097
% of Projected Annual Payroll	6.94%	7.46%
City Required Contribution		
% of Projected Annual Payroll	20.01%	21.95%

<sup>1</sup> Represents the amount received in calendar 2021. As per a Mutual Consent Agreement between the Membership and the City, the City will use any State Monies up to \$137,352.30 to offset its required contribution. Effective October 1, 2021, 65% of the State Monies received by the City in excess of \$137,352.30 shall be allocated to the Share Plan, with the remaining 35% used by the City. Before October 1, 2021, excess State Monies were allocated 50% to the Share Plan, with the remaining 50% used by the City.

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Unless otherwise noted, all data, assumptions, methods and plan provisions are the same as in the October 1, 2020 actuarial valuation report. It should be noted that changes to retirement benefits could potentially affect participants' retirement or termination behavior. We will monitor and advise of any recommended changes with future experience studies.

Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope of the analysis, we did not perform an analysis of the potential range of such future measurements.

Please note that contents of this analysis and the October 1, 2020 actuarial valuation report are considered an integral part of the actuarial opinions. In reviewing the results presented in this study, it should be noted that there are risks that may not be inherently apparent to the reader that should be carefully considered. For key risks, please see the Discussion of Risk section of the October 1, 2020 actuarial valuation report.

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.

The changes presented herein are in compliance with Part VII, Chapter 112, Florida Statutes and Section 14, Article X of the State Constitution. The undersigned is familiar with the immediate and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the opinions contained herein.



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Sara E. Carlson, ASA, EA, MAAA  
Enrolled Actuary #20-8546

STATEMENT OF PLAN ADMINISTRATOR

The prepared information presented herein reflects the estimated impact of the proposed amendment.

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Chairman, Board of Trustees