



# **City of Sanibel General Employees' Retirement Plan**

## **Actuarial Valuation**

*As of October 1, 2025  
Contributions Applicable to the Plan/  
Fiscal Year Ending September 30, 2027*

**FOSTER & FOSTER**  
ACTUARIES AND CONSULTANTS

February 9, 2026

Board of Trustees  
City of Sanibel  
General Employees' Pension Board

Re: City of Sanibel General Employees' Retirement Plan Actuarial Valuation Report

Dear Board,

This report details the annual actuarial valuation of the City of Sanibel General Employees' Retirement Plan as of October 1, 2025.

The valuation was performed to measure the plan's liability and funding levels and to determine the actuarially appropriate funding requirements for the plan year ending September 30, 2027. This report was prepared for use by the Board. Use of the results for other purposes may not be applicable and could produce significantly different results.

#### **DATA AND ASSUMPTIONS**

In preparing this report, we have relied on personnel and plan design supplied by City of Sanibel. Assets were determined based on financial reports supplied by the custodian bank. In our opinion, the assumptions used in the valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated fund experience. Other sets of assumptions and methods could also be reasonable and could produce materially different results. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

#### **DISCLOSURES AND LIMITATIONS**

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such 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); and changes in plan provisions or applicable law. Due to the limited scope of this report, we did not provide an analysis of these potential differences.

The funding percentages and unfunded accrued liability as measured based on the actuarial value of assets will differ from similar measures based on the market value of assets. These measures, as provided, are appropriate for determining the adequacy of future contributions, but may not be appropriate for the purpose of settling a portion or all of its liabilities.

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.

#### **ACTUARIAL CERTIFICATION**

The valuation has been conducted in accordance with all applicable laws and regulations, as well as generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board; specifically No. 4 for Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, No. 23 for Data Quality, No. 27 for Selection of Economic Assumptions for Measuring Pension Obligations, No. 35 for Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, No. 44, Selection and Use of Asset Valuation Methods for Pension Valuations, and No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations.

In our opinion, the Minimum Required Contribution set forth in this report constitutes a reasonable actuarially determined contribution under Actuarial Standard of Practice No. 4.

The undersigned are familiar with the immediate and long-term aspects of pension valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, no associate of Foster & Foster, Inc. working on this report has any direct financial interest or indirect material interest in the City of Sanibel, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the General Employees' Retirement Plan. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

Respectfully submitted,

Foster & Foster, Inc.



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Sara E. Carlson, ASA, EA, MAAA



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## SUMMARY

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The regular annual actuarial valuation of the City of Sanibel General Employees' Retirement Plan, performed as of October 1, 2025, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ending September 30, 2027.

The contribution requirements, compared with those set forth in our February 9, 2026 letter (determined as of October 1, 2024), are as follows:

Valuation Date	10/1/2025	10/1/2024
Applicable to Fiscal Year Ending	9/30/2027	9/30/2026
Minimum Required Contribution	\$100,291	\$242,712
Member Contributions (Est.)	32,633	35,209
City Required Contribution	\$67,658	\$207,503

As you can see, the Minimum Required Contribution shows a decrease when compared to the results set forth as of October 1, 2024. The decrease is attributable to favorable actuarial experience, as described below, as well as an amortization base from 2015 being fully recognized.

Plan experience was favorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial gain included an investment return of 9.18% (Actuarial Asset Basis) which exceeded the 6.50% assumption and an average salary increase of 2.04% which fell short of the 3.39% assumption. These gains were offset in part by a loss associated with inactive mortality experience.

# CHANGES SINCE PRIOR VALUATION

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## **PLAN CHANGES**

There have been no plan changes since the prior valuation.

## **ACTUARIAL ASSUMPTION/METHOD CHANGES**

Since the previous valuation, as mandated by Chapter 2015-157, Laws of Florida, the mortality rates were updated to align with those outlined in Milliman's July 1, 2024 FRS valuation report for non-special-risk employees.

There were no method changes since the prior valuation.

# VALUATION RESULTS

## PRINCIPAL VALUATION RESULTS

Valuation Date	<u>New Assump</u> 10/1/2025	<u>Old Assump</u> 10/1/2025	10/1/2024
<b>PARTICIPANT DATA</b>			
Actives	6	6	7
Service Retirees	89	89	90
DROP Retirees	2	2	2
Beneficiaries	12	12	11
Terminated Vested	<u>34</u>	<u>34</u>	<u>34</u>
Total	143	143	144
Projected Annual Payroll	610,379	610,379	658,196
Annual Rate of Payments to:			
Service Retirees	2,336,208	2,336,208	2,298,883
DROP Retirees	62,241	62,241	62,241
Beneficiaries	271,182	271,182	259,622
Terminated Vested	229,806	229,806	287,421
<b>ASSETS</b>			
Actuarial Value (AVA) <sup>1</sup>	38,814,762	38,814,762	37,244,818
Market Value (MVA) <sup>1</sup>	38,814,762	38,814,762	37,244,818
<b>LIABILITIES</b>			
Present Value of Benefits			
Actives			
Retirement Benefits	1,847,936	1,859,849	2,048,687
Death Benefits	25,425	25,248	25,436
Vested Benefits	633,761	625,447	618,402
Refund of Contributions	0	0	0
Service Retirees	27,034,082	27,306,888	27,534,921
DROP Retirees <sup>1</sup>	1,214,025	1,220,348	1,144,218
Beneficiaries	2,044,456	2,061,332	2,125,280
Terminated Vested	<u>3,371,113</u>	<u>3,387,749</u>	<u>3,100,623</u>
Total	36,170,798	36,486,861	36,597,567

Valuation Date	<u>New Assump</u> 10/1/2025	<u>Old Assump</u> 10/1/2025	10/1/2024
<b>LIABILITIES (CONTINUED)</b>			
Present Value of Future Salaries	4,337,609	4,338,624	4,499,861
Present Value of Future Member Contributions	216,880	216,931	224,993
Normal Cost (Retirement)	30,271	30,480	37,296
Normal Cost (Death)	639	632	663
Normal Cost (Vesting)	21,270	21,382	29,341
Normal Cost (Refunds)	<u>0</u>	<u>0</u>	<u>0</u>
Total Normal Cost	52,180	52,494	67,300
Present Value of Future Normal Costs	339,457	339,962	383,114
Accrued Liability (Retirement)	1,656,916	1,667,464	1,818,727
Accrued Liability (Death)	21,155	21,029	20,998
Accrued Liability (Vesting)	489,594	482,089	469,686
Accrued Liability (Refunds)	0	0	0
Accrued Liability (Inactives) <sup>1</sup>	<u>33,663,676</u>	<u>33,976,317</u>	<u>33,905,042</u>
Total Actuarial Accrued Liability (EAN AL)	35,831,341	36,146,899	36,214,453
Unfunded Actuarial Accrued Liability (UAAL)	(2,983,421)	(2,667,863)	(1,030,365)
Funded Ratio (AVA / EAN AL)	108.3%	107.4%	102.8%

## ACTUARIAL PRESENT VALUE OF ACCRUED BENEFITS

Valuation Date	<u>New Assump</u> 10/1/2025	<u>Old Assump</u> 10/1/2025	10/1/2024
Vested Accrued Benefits			
Inactives <sup>1</sup>	33,663,676	33,976,317	33,905,042
Actives	1,399,053	1,395,570	1,365,887
Member Contributions	387,710	387,710	395,346
Total	35,450,439	35,759,597	35,666,275
Non-vested Accrued Benefits	0	0	0
Total Present Value			
Accrued Benefits (PVAB)	35,450,439	35,759,597	35,666,275
Funded Ratio (MVA / PVAB)	109.5%	108.5%	104.4%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	(309,158)	0	
Plan Experience	0	415,298	
Benefits Paid	0	(2,557,176)	
Interest	0	2,235,200	
Other	0	0	
Total	(309,158)	93,322	

## CONTRIBUTION REQUIREMENTS

	<u>New Assump</u>	<u>Old Assump</u>	
Valuation Date	10/1/2025	10/1/2025	10/1/2024
Applicable to Fiscal Year Ending	9/30/2027	9/30/2027	9/30/2026

### CALCULATION OF CONTRIBUTION REQUIREMENT

Normal Cost <sup>2</sup>	\$55,794	\$56,130	\$72,003
Administrative Expenses <sup>2</sup>	44,497	44,497	42,742
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 10 years (as of 10/1/2025) <sup>2</sup>	(271,038)	(226,967)	127,967
Minimum Required Contribution <sup>3</sup>	100,291	100,627	242,712
Expected Member Contributions <sup>2</sup>	32,633	32,633	35,209
Expected City Contribution	67,658	67,994	207,503

### PAST CONTRIBUTIONS

Plan Years Ending:	9/30/2025
City Requirement	786,935
Actual Contributions Made:	
City	786,935

<sup>1</sup> The asset values and liabilities include accumulated DROP Plan Balances as of 9/30/2025 and 9/30/2024.

<sup>2</sup> Contributions developed as of 10/1/2025 displayed above have been adjusted to account for assumed salary increase and interest components.

<sup>3</sup> Reflects normal cost minimum funding requirements of Chapter 112, Florida Statutes.

## OTHER INFORMATION

### ILLUSTRATION OF AMORTITIZATION OF THE TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY

Year	Projected Unfunded Actuarial Accrued Liability
2025	(2,983,421) <sup>1</sup>

### 5 YEAR COMPARISON OF ACTUAL AND ASSUMED SALARY INCREASES

		Actual	Assumed
Year Ended	9/30/2025	2.04%	3.39%
Year Ended	9/30/2024	3.94%	3.79%
Year Ended	9/30/2023	8.54%	3.76%
Year Ended	9/30/2022	11.71%	4.11%
Year Ended	9/30/2021	3.07%	4.03%

### 5 YEAR COMPARISON OF INVESTMENT RETURN ON ACTUARIAL VALUE

		Market Value	Actuarial Value	Assumed
Year Ended	9/30/2025	9.18%	9.18%	6.50%
Year Ended	9/30/2024	21.18%	21.18%	6.50%
Year Ended	9/30/2023	11.57%	11.57%	6.50%
Year Ended	9/30/2022	-15.71%	-15.71%	6.50%
Year Ended	9/30/2021	20.09%	20.09%	6.75%

### AVERAGE ANNUAL PAYROLL GROWTH

Valuation Date	Payroll
10/1/2025	\$610,379
10/1/2015	1,208,368
Total Increase	-49.49%
Number of Years	10.00
Average Annual Rate	-6.60%

<sup>1</sup> Based on current State law and the existing UAAL bases, the UAAL is projected to never be positive.

**STATEMENT BY ENROLLED ACTUARY**

This actuarial valuation was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.



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Sara E. Carlson, ASA, EA, MAAA  
Enrolled Actuary #23-8546

Please let us know when the report is approved by the Board and unless otherwise directed, we will provide copies of the report to the following offices to comply with Chapter 112 Florida Statutes:

Mr. Keith Brinkman  
Bureau of Local  
Retirement Systems  
Post Office Box 9000  
Tallahassee, FL 32315-9000

## UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2024	(\$1,030,365)
(2)	Sponsor Normal Cost developed as of October 1, 2024	34,390
(3)	Expected administrative expenses for the year ended September 30, 2025	39,950
(4)	Expected interest on (1), (2) and (3)	(63,440)
(5)	Sponsor contributions to the System during the year ended September 30, 2025	786,935
(6)	Expected interest on (5)	26,331
(7)	Expected Unfunded Actuarial Accrued Liability as of September 30, 2025 (1)+(2)+(3)+(4)-(5)-(6)	(1,832,731)
(8)	Change to UAAL due to Assumption Change	(315,558)
(9)	Change to UAAL due to Actuarial (Gain)/Loss	(835,132)
(10)	Unfunded Actuarial Accrued Liability as of October 1, 2025	(2,983,421)

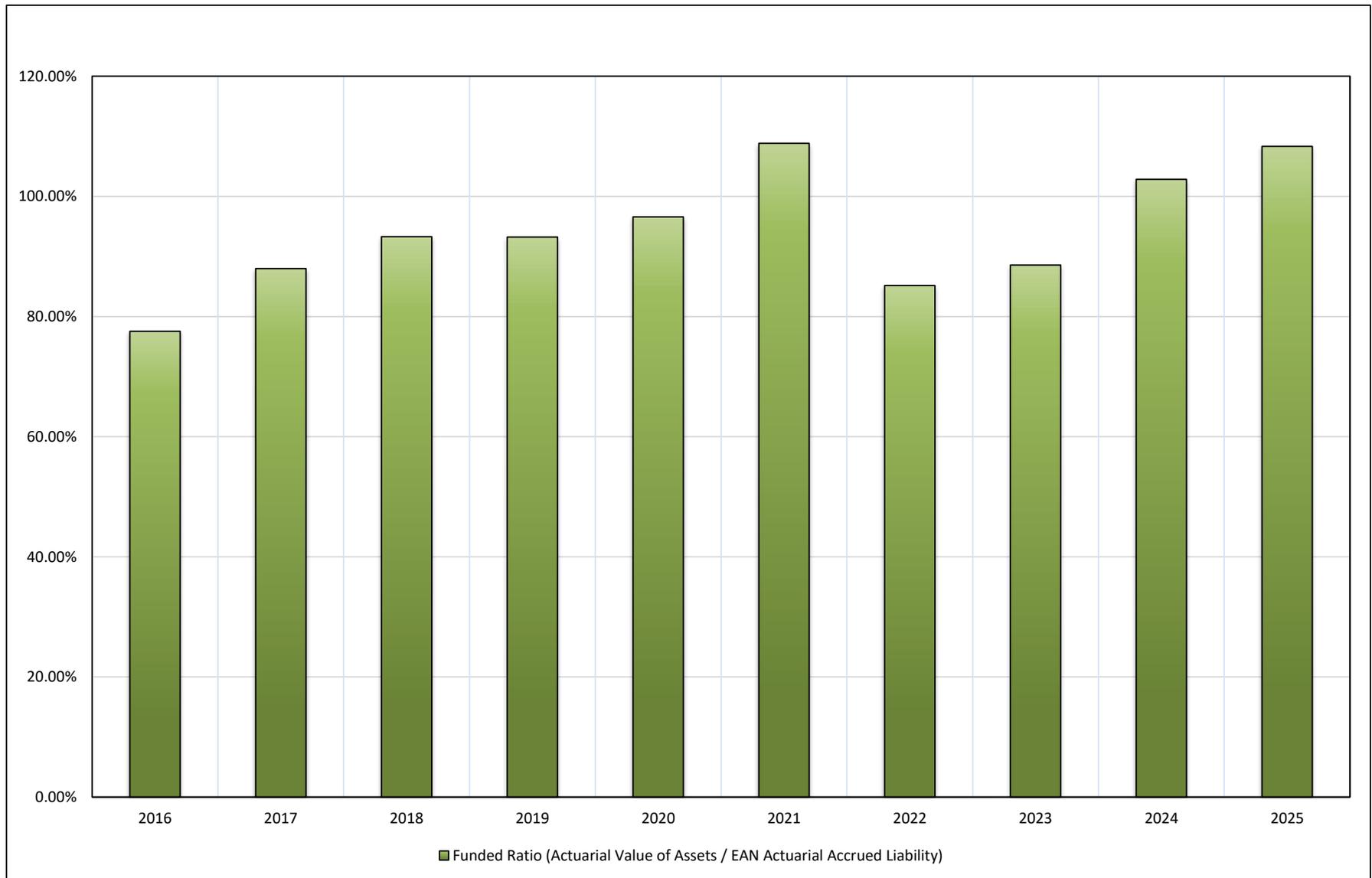
Type of Base	Date Established	Years Remaining	10/1/2025 Amount	Amortization Amount
Assump Change	10/1/2016	1	259,729	259,729
Actuarial Loss	10/1/2016	1	107,344	107,344
Actuarial Gain	10/1/2017	2	(670,510)	(345,808)
Actuarial Gain	10/1/2018	3	(31,570)	(11,193)
Reconciliation Base	10/1/2019	4	(469,644)	(128,723)
Actuarial Loss	10/1/2019	4	707,387	193,886
COLA Interpretation	10/1/2019	4	231,189	63,366
Actuarial Gain	10/1/2020	5	(305,851)	(69,106)
Assump Change	10/1/2020	5	(9,752)	(2,203)
Actuarial Gain	10/1/2021	6	(6,450,877)	(1,251,218)
Assump Change	10/1/2021	6	1,264,561	245,275
Actuarial Loss	10/1/2022	7	12,050,974	2,063,165
Actuarial Gain	10/1/2023	8	(2,008,352)	(309,715)
Actuarial Gain	10/1/2024	9	(6,507,359)	(917,984)
Actuarial Gain	10/1/2025	10	(835,132)	(109,081)
Assump Change	10/1/2025	10	(315,558)	(41,217)
			<u>(2,983,421)</u>	<u>(253,483)</u>

## DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

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(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2024	(\$1,030,365)
(2) Expected UAAL as of October 1, 2025	(1,832,731)
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(978,441)
Salary Increases	(118,074)
Active Decrements	28,153
Inactive Mortality	341,973
Other	<u>(108,743)</u>
Increase in UAAL due to (Gain)/Loss	(835,132)
Assumption Changes	<u>(315,558)</u>
(4) Actual UAAL as of October 1, 2025	(\$2,983,421)

## HISTORY OF FUNDING PROGRESS



STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2025

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Transfer in Transit	260,214.05	260,214.05
Short Term Investments	389,813.00	389,813.00
Checking Account	(194.64)	(194.64)
Cash	1.14	1.14
 Total Cash and Equivalents	 649,833.55	 649,833.55
Receivables:		
Investment Income	221,675.49	221,675.49
 Total Receivable	 221,675.49	 221,675.49
Investments:		
Fixed Income	16,383,701.59	16,693,485.10
Equities	13,920,885.21	20,698,121.63
Pooled/Common/Commingled Funds:		
Real Estate	678,662.07	685,978.48
 Total Investments	 30,983,248.87	 38,077,585.21
 Total Assets	 31,854,757.91	 38,949,094.25
 <u>LIABILITIES</u>		
Payables:		
Investment Expenses	12,723.00	12,723.00
To Police Officers' Trust Fund	121,609.40	121,609.40
 Total Liabilities	 134,332.40	 134,332.40
 NET POSITION RESTRICTED FOR PENSIONS	 31,720,425.51	 38,814,761.85

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2025  
Market Value Basis

ADDITIONS

Contributions:

Member	31,165.82
City	786,935.00

Total Contributions 818,100.82

Investment Income:

Net Realized Gain (Loss)	147,335.55	
Unrealized Gain (Loss)	2,227,828.30	
Net Increase in Fair Value of Investments		2,375,163.85
Interest & Dividends		1,087,325.14
Less Investment Expense <sup>1</sup>		(110,964.16)

Net Investment Income 3,351,524.83

Total Additions 4,169,625.65

DEDUCTIONS

Distributions to Members:

Benefit Payments	2,557,176.16
Lump Sum DROP Distributions	0.00
Refunds of Member Contributions	0.00

Total Distributions 2,557,176.16

Administrative Expense 42,505.67

Total Deductions 2,599,681.83

Net Increase in Net Position 1,569,943.82

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 37,244,818.03

End of the Year 38,814,761.85

Actuarial Asset Rate of Return 9.2%

Actuarial Gain/(Loss) due to Investment Return 978,440.80

<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.

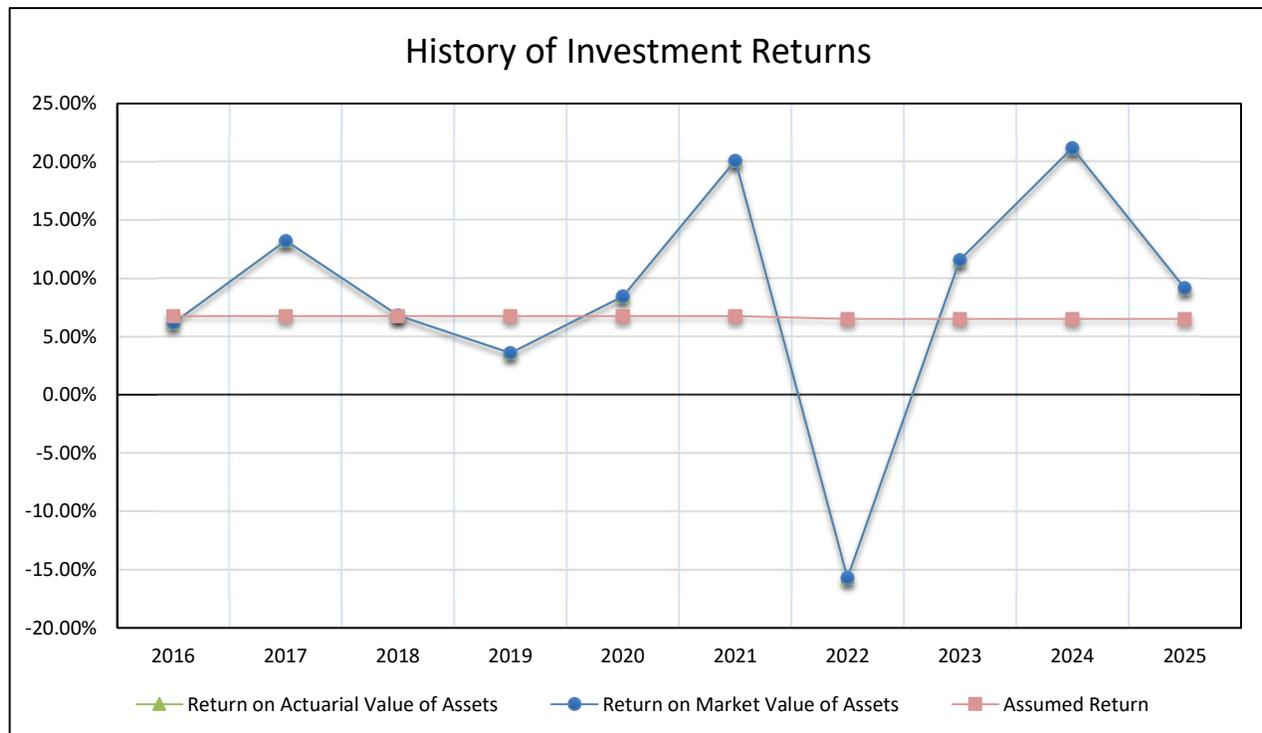
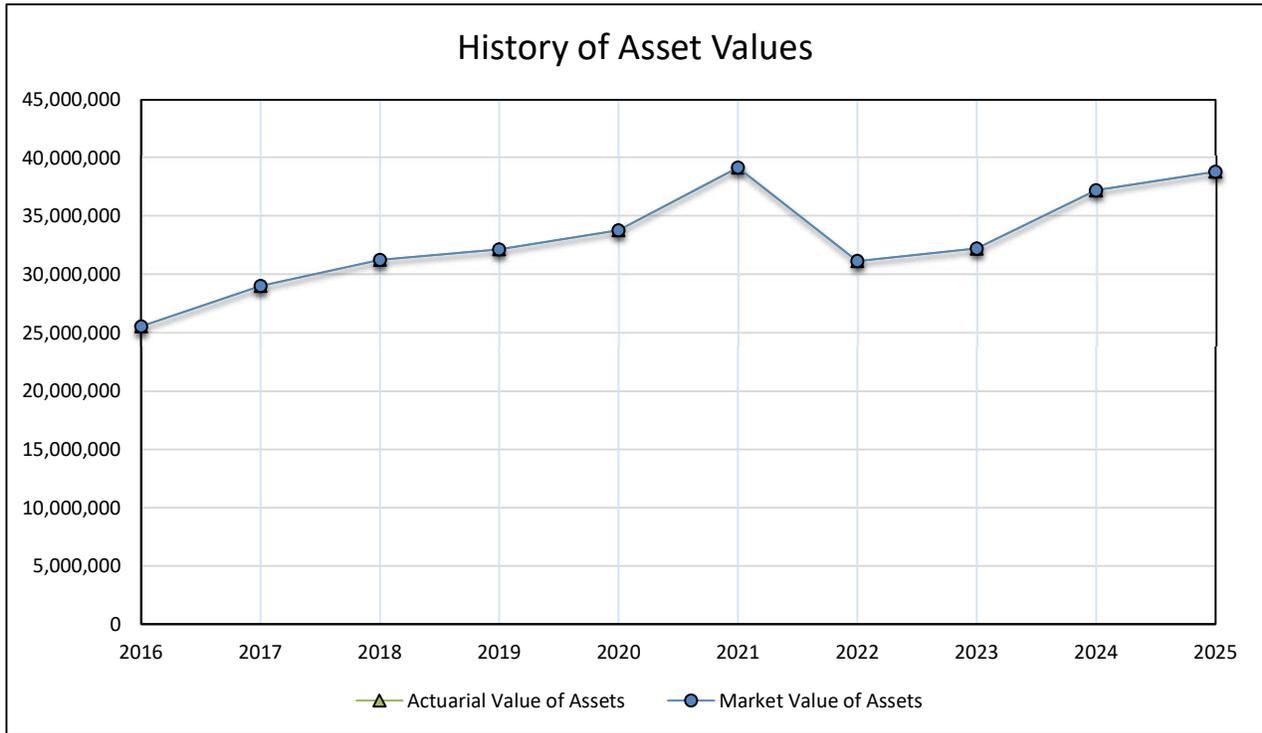
DEFERRED RETIREMENT OPTION PLAN ACTIVITY  
October 1, 2024 to September 30, 2025

Beginning of the Year Balance	187,247.65
Plus Additions	62,241.24
Investment Return Earned	13,239.72
Less Distributions	0.00
End of the Year Balance	262,728.61

## RECONCILIATION OF CITY SHORTFALL/(PREPAID) CONTRIBUTION

(1) Required City Contributions	786,935.00
(2) Less 2024 Prepaid Contribution	(23,263.00)
(3) Less Actual City Contributions	<u>(763,672.00)</u>
(4) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2025	\$0.00

## HISTORY OF ASSET VALUES AND INVESTMENT RETURNS



# PARTICIPANT STATISTICS

## STATISTICAL DATA

Valuation Date	10/1/2025	10/1/2024	10/1/2023	10/1/2022
<b>ACTIVES</b>				
Number	6	7	8	8
Average Current Age	54.4	54.4	54.2	53.2
Average Age at Employment	30.1	31.6	34.1	34.1
Average Past Service	24.3	22.8	20.1	19.1
Average Annual Salary	\$101,730	\$94,028	\$86,337	\$79,847
<b>SERVICE RETIREES</b>				
Number	89	90	91	90
Average Current Age	73.1	72.5	71.6	70.8
Average Annual Benefit	\$26,250	\$25,543	\$25,349	\$25,345
<b>DROP RETIREES</b>				
Number	2	2	1	2
Average Current Age	65.7	64.7	62.6	65.0
Average Annual Benefit	\$31,121	\$31,121	\$44,636	\$26,783
<b>BENEFICIARIES</b>				
Number	12	11	10	9
Average Current Age	72.7	70.3	70.5	70.4
Average Annual Benefit	\$22,599	\$23,602	\$19,866	\$19,402
<b>TERMINATED VESTED</b>				
Number	34	34	36	38
Average Current Age <sup>1</sup>	59.8	59.0	58.8	58.1
Average Annual Benefit <sup>1</sup>	\$6,964	\$8,710	\$8,749	\$9,017

<sup>1</sup> The Average Current Age and Average Annual Benefit exclude participants awaiting a refund of contributions.

# AGE AND SERVICE DISTRIBUTION

## ACTIVE EMPLOYEES

AGE	PAST SERVICE											Total	
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+		
15 - 19													0
20 - 24													0
25 - 29													0
30 - 34													0
35 - 39													0
40 - 44													0
45 - 49										1			1
50 - 54										2		1	3
55 - 59								1					1
60 - 64								1					1
65+													0
Total	0	0	0	0	0	0	0	2	3	0	1		6

# PARTICIPANT RECONCILIATION

## 1. Active lives

a. Number in prior valuation 10/1/2024	7
b. Terminations	
i. Vested (partial or full) with deferred annuity	(1)
ii. Vested in refund of member contributions only	0
iii. Refund of member contributions or full lump sum distribution	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Retired	0
e. DROP	0
f. Continuing participants	6
g. New entrants / Rehires	0
h. Total active life participants in valuation	6

## 2. Non-Active lives (including beneficiaries receiving benefits)

	Service Retirees, Vested Receiving Benefits	DROP Benefits	Receiving Death Benefits	Vested (Deferred Annuity)	Vested (Due Refund)	Total
a. Number prior valuation	90	2	11	33	1	137
Retired	1			(1)		0
DROP						0
Vested (Deferred Annuity)				1		1
Vested (Due Refund)						0
Hired/Terminated in Same Year						0
Death, With Survivor	(1)		1			0
Death, No Survivor	(1)					(1)
Refund of Contributions						0
Rehires						0
Expired Annuities						0
Data Corrections						0
b. Number current valuation	89	2	12	33	1	137

# ACTUARIAL ASSUMPTIONS AND METHODS

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## Mortality Rate

### **Healthy Active Lives:**

*Female:* PubG.H-2010 for Employees

*Male:* PubG.H-2010 for Employees, set back 1 year

### **Healthy Retiree Lives:**

*Female:* PubG.H-2010 for Healthy Retirees

*Male:* PubG.H-2010 for Healthy Retirees, set back 1 year

### **Beneficiary Lives:**

*Female:* PubG.H-2010 for Healthy Retirees

*Male:* PubG.H-2010 for Healthy Retirees, set back 1 year

### **Disabled Lives:**

*Female:* PubG.H-2010 for Disabled Retirees, set forward 4 years

*Male:* PubG.H-2010 for Disabled Retirees, set forward 4 years

All rates are projected generationally with Mortality Improvement Scale MP-2021. We feel this assumption sufficiently accommodates future mortality improvements.

The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2024 FRS valuation report for non-special-risk employees.

Previously, the following rates were used:

### **Healthy Active Lives:**

*Female:* PubG.H-2010 for Employees.

*Male:* PubG.H-2010 for Employees, set back one year.

### **Healthy Retiree Lives:**

*Female:* PubG.H-2010 for Healthy Retirees.

*Male:* PubG.H-2010 for Healthy Retirees, set back one year.



Bases established prior to the valuation date are adjusted proportionally to match the Expected Unfunded Actuarial Accrued Liability as of the valuation date, in order to align prior year bases with the portion of the current year UAAL associated with prior year sources.

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#### Funding Method

Entry Age Normal Cost Method. The following loads are applied for determining the minimum required contribution:

- Interest - A half year, based on current 6.50% assumption.
- Salary - A full year, based on current 3.56% assumption.

Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation. The normal cost accrual rate equals:

- (i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by
- (ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.

In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future.

Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

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#### Retirement Age

One year following satisfaction of the Plan's requirement for Normal Retirement. This assumption is consistent with historical Plan experience.

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Early Retirement

Commencing upon eligibility for Early Retirement, Members are assumed to retire with an immediate benefit at the rate of 5% per year. This assumption is consistent with historical Plan experience.

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Termination Rates

See sample rates below, adopted by the Board with the October 1, 2013 valuation, based on historical experience.

% Terminating During the Year	
Age	Rate
20	9.3%
30	5.5%
40	4.6%
50	4.1%
60	3.6%
70+	3.1%

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Disability Rates

See sample rates below. These rates are consistent with other municipal Florida non-special-risk plans.

% Becoming Disabled During the Year	
Age	Rate
20	0.14%
30	0.18%
40	0.30%
50	1.00%
60+	2.09%

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Cost-of-Living Adjustment

2% for 25 years, beginning 5 years after retirement, payable to Normal and Early Retirees. For Members who retired prior to May 1, 2011, the adjustments are 2.75% annually for 25 years, beginning 3 years after retirement.

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Asset Methodology

Fair Market Value, net of investment-related expenses.

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# PLAN PROVISIONS

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Most Recent Plan Amendment      Ordinance 24-022

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Effective Date of Latest Amendment      October 1, 2024

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Eligibility      Participants who are not sworn police officers enter on date of employment. The Plan closed to new entrants in 2011.

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Salary      Compensation means an employee's fixed rate of pay from the City of Sanibel as determined on June 1st immediately after an employee's hire date and on June 1st of each following year during which he/she is an employee. Effective on the effective date of the ordinance from which this article derives, compensation for employees who are not included in any bargaining unit means fixed rate of pay. Notwithstanding the preceding sentence, effective May 1, 2011 compensation for employees (other than police dispatchers) who are included in a bargaining unit shall mean fixed rate of pay if the union representing such employees agrees to this definition in writing on or before that date. Effective on November 1, 2011 compensation for police dispatchers shall mean fixed rate of pay.

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Average Compensation      Career monthly average Salary for Plan B Members, and the average of the highest consecutive five years for Plan A Members.

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Credited Service      Years and fractional parts of years of service with the City as a General Employee.

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## Normal Retirement

Date      Attainment of age 65 with 6 years of Credited Service. For Members with 15 years or more of Credited Service as of 9/30/11 (12/31/11 for Police Dispatchers), it is the attainment of age 60 with 5 years of Credited Service.

Additionally, those Members who attained age 60 with 5 years of Credited Service prior to 10/1/11 (1/1/12 for Police Dispatchers) remain under the prior eligibility requirements for the Normal Retirement Date.

Benefit	3.0% of Average Final Compensation times Credited Service before 5/1/11 (1/1/12 for Police Dispatchers) plus 1.68% of Average Final Compensation times Credited Service after 4/30/11 (12/31/11 for Police Dispatchers).
Form of Benefit	10 Year Certain and Life (options available).

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#### Early Retirement

Date	Attainment of age 60 with 6 years of Credited Service. For Members with 15 years or more of Credited Service as of 9/30/11 (12/31/11 for Police Dispatchers), it is the attainment of age 55 with 5 years of Credited Service.  Additionally, those Members who attained age 55 with 5 years of Credited Service prior to 10/1/11 (1/1/12 for Police Dispatchers) remain under the prior eligibility requirements for the Early Retirement Date.
Benefit	Accrued Benefit on Early Retirement Date, reduced 5.0% for each year that Early Retirement Date precedes the Normal Retirement Date.
Form of Benefit	10 Year Certain and Life (options available).

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#### Pre-Retirement Death Benefit

Eligibility	5 Years of Credited Service.
Benefit	½ of the actuarially reduced accrued benefit payable for the life of the spouse or beneficiary beginning at the Member's otherwise Early Retirement Date.

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#### Employee Contributions

Plan A Members	5% of base pay.
Plan B Members	None.

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## Termination of Employment

### Vesting Schedule

Years of Service	Vested %
Less than 6	0%
6 or more	100%

Additionally, Members with at least 5 years of Credited Service as of 9/30/11 (12/31/11 for Police Dispatchers), are 100% vested in their accrued benefit.

### Benefit

Vested Accrued benefit payable at the Normal Retirement Date (unreduced) or the Early Retirement Date (reduced).

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### Cost-of-Living Adjustment

To all Normal and Early Retirees after October 17, 2006, 2% automatic COLA for 25 years, beginning on the first October 1 following 5 years of retirement (including DROP Retirees). For Members retiring prior to May 1, 2011, the adjustments are 2.75% annually for 25 years, beginning 3 years after retirement.

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### Deferred Retirement Option Plan (DROP)

Eligibility	Satisfaction of Normal Retirement Requirements.
Participation	Not to exceed 60 months.
Rate of Return	6% annual rate, credited monthly.
Distribution	Lump sum at termination of employment.

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### Board of Trustees

2 Members of the Plan and 3 Council appointees.

# SUPPLEMENTARY INFORMATION

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## GLOSSARY

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Accrued Benefit	The benefit earned as of a specific date based on the provisions of the plan and the member's age, service, and salary as of that date.
Actuarial Accrued Liability	The portion of the anticipated future benefits allocated to years prior to the valuation date determined according to the plan's Actuarial Cost Method.
Actuarial Value of Assets	The asset value used in the valuation to determine contribution requirements. It represents the plan's Market Value of Assets (see below), with adjustments according to the plan's Actuarial Asset Method. These adjustments produce a "smoothed" value that is likely to be less volatile from year to year than the Market Value of Assets.
Actuarial Assumptions	Assumptions regarding the occurrence of future events affecting plan costs. These assumptions include rates of investment earnings, changes in compensation, rates of mortality, withdrawal, disablement, and retirement as well as statistics related to marriage and family composition.
Actuarial Cost Method	A method of determining the portion of the cost of a plan to be allocated to each year; sometimes referred to as the "actuarial funding method." Each cost method allocates a certain portion of the actuarial present value of benefits between the Actuarial Accrued Liability and future normal costs to ensure the plan is adequately and systematically funded.
Actuarial Gain or Loss	The change in Unfunded Actuarial Accrued Liability resulting from experience different from Actuarial Assumptions. Gains decrease the Unfunded Actuarial Accrued Liability and losses increase the Unfunded Actuarial Accrued Liability.

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Actuarial Present Value	The estimated amount of funds required as of a specified date to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payments between the specified date and the expected date of payment.
Amortization Payment	The portion of the plan contribution designated to pay interest and reduce the outstanding principal balance of Unfunded Actuarial Accrued Liability. If the amortization payment is less than the accrued interest on the Unfunded Actuarial Accrued Liability the outstanding principal balance will increase.
Decrements	Events which result in the termination of membership in the system such as retirement, disability, withdrawal, or death.
Funded Ratio	A measure of the ratio of the plan assets to liabilities of the system. Typically, the assets used in the measure are the Actuarial Value of Assets as determined by the asset valuation method. The Funded Ratio depends not only on the financial strength of the plan but also on the asset valuation method used to determine the assets and on the Actuarial Cost Method used to determine the liabilities.
Interest Rate	The assumed long-term rate of return on plan assets.
Market Value of Assets	The fair market value of plan assets as of the valuation date.
Normal Cost	The portion of the Actuarial Present Value of Benefits allocated to the current year determined according to the plan's Actuarial Cost Method.
Present Value of Benefits	The single sum value on the valuation date of all future benefits to be paid to current plan participants.
Projected Annual Payroll	The salary expected for the year after the valuation date, excluding members over the 100% assumed retirement age.

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Projected Benefits	The benefits expected to be paid in the future based on the provisions of the plan and the Actuarial Assumptions. The projected values are based on anticipated future advancement in age and accrual of service as well as increases in salary paid to the participant.
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Total Annual Payroll	The salary expected for the year after the valuation date.
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Ultimate Cost	<p>The total cost to the plan once the last benefit has been paid. The Ultimate Cost equals</p> <p>Benefit Payments Plus: Expenses Less: Investment Income</p> <p>The Ultimate Cost is independent of the Actuarial Cost Method selected.</p>
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Unfunded Actuarial Accrued Liability	The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.
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Vested Benefit	Benefits members are entitled to regardless of employment status.
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## DISCUSSION OF RISK

ASOP No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions, states that the actuary should identify risks that, in the actuary's professional judgment, may reasonably be anticipated to significantly affect the plan's future financial condition.

Throughout this report, actuarial results are determined under various assumption scenarios. These results are based on the premise that all future plan experience will align with the plan's actuarial assumptions; however, there is no guarantee that actual plan experience will align with the plan's assumptions. It is possible that actual plan experience will differ from anticipated experience in an unfavorable manner that will negatively impact the plan's funded position.

Below are examples of ways in which plan experience can deviate from assumptions and the potential impact of that deviation. Typically, this results in an actuarial gain or loss representing the current-year financial impact on the plan's unfunded liability of the experience differing from assumptions; this gain or loss is amortized over a period of time determined by the plan's amortization method. When assumptions are selected that adequately reflect plan experience, gains and losses typically offset one another in the long term, resulting in a relatively low impact on the plan's contribution requirements associated with plan experience. When assumptions are too optimistic, losses can accumulate over time and the plan's amortization payment could potentially grow to an unmanageable level.

- Investment Return: When the rate of return on the Actuarial Value of Assets falls short of the assumption, this produces a loss representing assumed investment earnings that were not realized. Further, it is unlikely that the plan will experience a scenario that matches the assumed return in each year as capital markets can be volatile from year to year. Therefore, contribution amounts can vary in the future.
- Salary Increases: When a plan participant experiences a salary increase that was greater than assumed, this produces a loss representing the cost of an increase in anticipated plan benefits for the participant as compared to the previous year. The total gain or loss associated with salary increases for the plan is the sum of salary gains and losses for all active participants.
- Demographic Assumptions: Actuarial results take into account various potential events that could happen to a plan participant, such as retirement, termination, disability, and death. Each of these potential events is assigned a liability based on the likelihood of the event and the financial consequence of the event for the plan. Accordingly, actuarial liabilities reflect a blend of financial consequences associated with various possible outcomes (such as retirement at one of various possible ages). Once the outcome is known (e.g. the participant retires) the liability is adjusted to reflect the known outcome. This adjustment produces a gain or loss depending on whether the outcome was more or less favorable than other outcomes that could have occurred.

## IMPACT OF PLAN MATURITY ON RISK

For newer pension plans, most of the participants and associated liabilities are related to active members who have not yet reached retirement age. As pension plans continue in operation and active members reach retirement ages, liabilities begin to shift from being primarily related to active members to being shared amongst active and retired members. Plan maturity is a measure of the extent to which this shift has occurred. It is important to understand that plan maturity can have an impact on risk tolerance and the overall risk characteristics of the plan. For example, plans with a large amount of retired liability do not have as long of a time horizon to recover from losses (such as losses on investments due to lower than expected investment returns) as plans where the majority of the liability is attributable to active members. For this reason, less tolerance for investment risk may be warranted for highly mature plans with a substantial inactive liability. Similarly, mature plans paying substantial retirement benefits resulting in a small positive or net negative cash flow can be more sensitive to near term investment volatility, particularly if the size of the fund is shrinking, which can result in less assets being available for investment in the market.

To assist with determining the maturity of the plan, we have provided some relevant metrics in the table following titled “Plan Maturity Measures and Other Risk Metrics”. Highlights of this information are discussed below:

- The Support Ratio, determined as the ratio of active to inactive members, has decreased from 16.7% on October 1, 2015 to 4.4% on October 1, 2025, indicating that the plan has been maturing during the period.
- The Accrued Liability Ratio, determined as the ratio of the Inactive Accrued Liability, which is the liability associated with members who are no longer employed but are due a benefit from the plan, to the Total Accrued Liability, is 94.0%. With a plan of this maturity, losses due to lower than expected investment returns or demographic factors may result in larger increases in contribution requirements than would be needed for a less mature plan. Please note Chapter 112, Florida Statutes, requires that the plan sponsor contributes the minimum required contribution; thus, there is minimal solvency risk to the plan.
- The Funded Ratio, determined as the ratio of the Actuarial Value of Assets to the Total Accrued Liability, has increased from 80.2% on October 1, 2015 to 108.3% on October 1, 2025.
- The Net Cash Flow Ratio, determined as the ratio of the Net Cash Flow (contributions minus benefit payments and administrative expenses) to the Market Value of Assets, decreased from 1.6% on October 1, 2015 to -4.6% on October 1, 2025. The current Net Cash Flow Ratio of -4.6% indicates that contributions are not currently covering the plan's benefit payments and administrative expenses.

## **LOW DEFAULT-RISK OBLIGATION MEASURE**

ASOP No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, was revised as of December 2021 to include a “low-default-risk obligation measure” (LDROM). This liability measure is consistent with the determination of the actuarial accrued liability shown on page 8 in terms of member data, plan provisions, and assumptions/methods, including the use of the Entry Age Normal Cost Method, except that the interest rate is tied to low-default-risk fixed income securities. The S&P Municipal Bond 20 Year High Grade Rate Index (daily rate closest to, but not later than, the measurement date) was selected to represent a current market rate of low risk but longer-term investments that could be included in a low-risk asset portfolio. The interest rate used in this valuation was 4.50% resulting in an LDROM of \$43,419,042. The LDROM should not be considered the “correct” liability measurement; it simply shows a possible outcome if the Board elected to hold a very low risk asset portfolio. Given that plan benefits are paid over time through the combination of contributions and investment returns, prudent investments selected by the Board help to balance asset accumulation through these two sources.

The actuarial valuation reports the funded status and develops contributions based on the expected return of the plan’s investment portfolio. If instead, the plan switched to investing exclusively in high quality bonds, the LDROM illustrates that reported funded status would be lower (which also implies that the Actuarially Determined Contributions would be higher), perhaps significantly. Unnecessarily high contribution requirements in the near term may not be affordable and could imperil plan sustainability and benefit security.

It is important to note that the actuary has identified the risks above as the most significant risks based on the characteristics of the plan and the nature of the project, however, it is not an exhaustive list of potential risks that could be considered. Additional advanced modeling, as well as the identification of additional risks, can be provided at the request of the audience addressed on page 2 of this report.

## PLAN MATURITY MEASURES AND OTHER RISK METRICS

	10/1/2025	10/1/2024	10/1/2020	10/1/2015
<b>SUPPORT RATIO</b>				
Total Actives	6	7	11	22
Total Inactives <sup>1</sup>	136	136	140	132
Actives / Inactives <sup>1</sup>	4.4%	5.1%	7.9%	16.7%
<b>ASSET VOLATILITY RATIO</b>				
Market Value of Assets (MVA)	38,814,762	37,244,818	33,799,737	24,045,815
Total Annual Payroll	610,379	658,196	728,721	1,208,368
MVA / Total Annual Payroll	6,359.1%	5,658.6%	4,638.2%	1,989.9%
<b>ACCRUED LIABILITY (AL) RATIO</b>				
Inactive Accrued Liability	33,663,676	33,905,042	32,743,381	26,285,758
Total Accrued Liability (EAN)	35,831,341	36,214,453	34,996,465	29,979,503
Inactive AL / Total AL	94.0%	93.6%	93.6%	87.7%
<b>FUNDED RATIO</b>				
Actuarial Value of Assets (AVA)	38,814,762	37,244,818	33,799,737	24,045,815
Total Accrued Liability (EAN)	35,831,341	36,214,453	34,996,465	29,979,503
AVA / Total Accrued Liability (EAN)	108.3%	102.8%	96.6%	80.2%
<b>NET CASH FLOW RATIO</b>				
Net Cash Flow <sup>2</sup>	(1,781,581)	(1,709,566)	(1,066,159)	385,547
Market Value of Assets (MVA)	38,814,762	37,244,818	33,799,737	24,045,815
Ratio	-4.6%	-4.6%	-3.2%	1.6%

<sup>1</sup> Excludes terminated participants awaiting a refund of member contributions.

<sup>2</sup> Determined as total contributions minus benefit payments and administrative expenses.