

CITY OF SANIBEL
GENERAL EMPLOYEES' RETIREMENT PLAN

ACTUARIAL VALUATION
AS OF OCTOBER 1, 2020

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2022

GASB 67/68 DISCLOSURE INFORMATION
AS OF SEPTEMBER 30, 2020



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

February 1, 2021

Board of Trustees
City of Sanibel
General Employees' Pension Board

Re: City of Sanibel General Employees' Retirement Plan

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Sanibel General Employees' Retirement Plan. Included are the related results for GASB Statements No. 67 and No. 68. The funding valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year. The calculation of the liability for GASB results was performed for the purpose of satisfying the requirements of GASB Statements No. 67 and No. 68. Use of the results for other purposes may not be applicable and may produce significantly different results.

The valuations have been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflect laws and regulations issued to date pursuant to the provisions of Chapter 112, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in the valuations, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

The funding percentages and unfunded accrued liability are measured based on the actuarial 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. 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 valuations, we did not perform an analysis of the potential range of such future measurements.

In conducting the valuations, we have relied on personnel, plan design, and asset information supplied by the City of Sanibel, financial reports prepared by the custodian bank, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. 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.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of October 1, 2019. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2020 using generally accepted actuarial principles. It is our opinion that the assumptions used for this purpose are internally consistent, reasonable, and comply with the requirements under GASB No. 67 and No. 68.

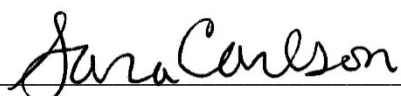
The undersigned are familiar with the immediate and long-term aspects of pension valuations, and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the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

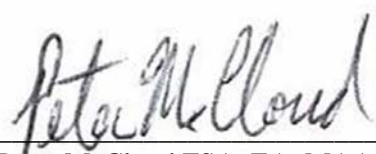
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Sanibel, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the General Employees' Retirement Plan.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

If there are any questions, concerns, or comments about any of the items contained in this report, please contact us at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

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

By: 
Peter McCloud FSA, EA, MAAA
Enrolled Actuary #20-6101

Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Sanibel General Employees' Retirement Plan, performed as of October 1, 2020, 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, 2022.

The contribution requirements, compared with those set forth in the October 1, 2019 actuarial valuation report, are as follows:

Valuation Date	10/1/2020	10/1/2019
Applicable to Fiscal Year Ending	<u>9/30/2022</u>	<u>9/30/2021</u>
Minimum Required Contribution	\$676,559	\$906,967
Member Contributions (Est.)	39,112	42,911
City Required Contribution	\$637,447	\$864,056

As you can see, the Minimum Required Contribution shows a decrease when compared to the results determined in the October 1, 2019 actuarial valuation. The decrease is attributable to an amortization charge from 2010 being fully paid off, as well as favorable actuarial experience as described below.

Plan experience was favorable overall on the basis of the plan's actuarial assumptions. The primary source of actuarial gain was an investment return of 8.46% (Actuarial Asset Basis) which exceeded the 6.75% assumption. This gain was offset in part by a loss associated with inactive mortality experience.

CHANGES SINCE PRIOR VALUATION

Plan Changes

There have been no changes in benefits since the prior valuation.

Actuarial Assumption/Method Changes

As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

There have been no method changes since the prior valuation.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Assump <u>10/1/2020</u>	Old Assump <u>10/1/2020</u>	<u>10/1/2019</u>
A. Participant Data			
Actives	11	11	12
Service Retirees	83	83	82
DROP Retirees	4	4	3
Beneficiaries	7	7	7
Terminated Vested	<u>47</u>	<u>47</u>	<u>49</u>
Total	152	152	153
Total Annual Payroll	\$728,721	\$728,721	\$800,354
Payroll Under Assumed Ret. Age	728,721	728,721	800,354
Annual Rate of Payments to:			
Service Retirees	1,951,224	1,951,224	1,907,167
DROP Retirees	96,721	96,721	54,023
Beneficiaries	92,834	92,834	92,495
Terminated Vested	575,533	575,533	586,893
B. Assets			
Actuarial Value (AVA) ¹	33,799,737	33,799,737	32,178,191
Market Value (MVA) ¹	33,799,737	33,799,737	32,178,191
C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	2,082,552	2,060,791	2,415,176
Death Benefits	19,127	32,201	32,963
Vested Benefits	567,813	553,591	539,295
Refund of Contributions	0	0	0
Service Retirees	24,136,268	24,150,725	24,069,159
DROP Retirees ¹	1,608,906	1,612,913	935,719
Beneficiaries	984,331	977,016	996,117
Terminated Vested	<u>6,013,876</u>	<u>6,030,724</u>	<u>5,969,327</u>
Total	35,412,873	35,417,961	34,957,756

C. Liabilities - (Continued)	New Assump <u>10/1/2020</u>	Old Assump <u>10/1/2020</u>	<u>10/1/2019</u>
Present Value of Future Salaries	4,783,134	4,759,627	4,969,674
Present Value of Future Member Contributions	239,157	237,981	248,484
Normal Cost (Retirement)	49,981	48,860	58,749
Normal Cost (Death)	902	1,529	1,729
Normal Cost (Vesting)	24,227	23,673	25,087
Normal Cost (Refunds)	<u>0</u>	<u>0</u>	<u>0</u>
Total Normal Cost	75,110	74,062	85,565
Present Value of Future Normal Costs	416,408	409,049	440,843
Accrued Liability (Retirement)	1,843,421	1,827,404	2,156,437
Accrued Liability (Death)	14,432	24,563	24,737
Accrued Liability (Vesting)	395,231	385,567	365,417
Accrued Liability (Refunds)	0	0	0
Accrued Liability (Inactives) ¹	<u>32,743,381</u>	<u>32,771,378</u>	<u>31,970,322</u>
Total Actuarial Accrued Liability (EAN AL)	34,996,465	35,008,912	34,516,913
Unfunded Actuarial Accrued Liability (UAAL)	1,196,728	1,209,175	2,338,722
Funded Ratio (AVA / EAN AL)	96.6%	96.5%	93.2%

D. Actuarial Present Value of Accrued Benefits	New Assump <u>10/1/2020</u>	Old Assump <u>10/1/2020</u>	<u>10/1/2019</u>
Vested Accrued Benefits			
Inactives ¹	32,743,381	32,771,378	31,970,322
Actives	1,465,859	1,449,515	1,723,012
Member Contributions	<u>410,451</u>	<u>410,451</u>	<u>435,443</u>
Total	34,619,691	34,631,344	34,128,777
Non-vested Accrued Benefits	<u>0</u>	<u>0</u>	<u>0</u>
Total Present Value Accrued Benefits (PVAB)	34,619,691	34,631,344	34,128,777
Funded Ratio (MVA / PVAB)	97.6%	97.6%	94.3%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	(11,653)	0	
Plan Experience	0	284,900	
Benefits Paid	0	(2,017,921)	
Interest	0	2,235,588	
Other	<u>0</u>	<u>0</u>	
Total	(11,653)	502,567	

Valuation Date	New Assump 10/1/2020	Old Assump 10/1/2020	10/1/2019
Applicable to Fiscal Year Ending	<u>9/30/2022</u>	<u>9/30/2022</u>	<u>9/30/2021</u>

E. Pension Cost

Normal Cost ²	\$80,627	\$79,502	\$91,752
Administrative Expenses ²	40,877	40,877	41,899
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 10 years (as of 10/1/2020) ²	555,055	556,817	773,316
Minimum Required Contribution	676,559	677,196	906,967
Expected Member Contributions ²	39,112	39,112	42,911
Expected City Contribution	637,447	638,084	864,056

F. Past Contributions

Plan Years Ending:	<u>9/30/2020</u>
City Requirement	953,846
Actual Contributions Made:	
City	<u>953,846</u>
Total	953,846

G. Net Actuarial (Gain)/Loss (390,387)

¹ The asset values and liabilities include accumulated DROP Plan Balances as of 9/30/2020 and 9/30/2019.

² Contributions developed as of 10/1/2020 displayed above have been adjusted to account for assumed salary increase and interest components.

H. Schedule Illustrating the Amortization of the Total Unfunded Actuarial Accrued Liability as of:

<u>Year</u>	<u>Projected Unfunded Actuarial Accrued Liability</u>
2020	1,196,728
2021	725,527
2022	341,017
2024	132,592
2027	27,433
2030	0

I. (i) 5 Year Comparison of Actual and Assumed Salary Increases

	<u>Actual</u>	<u>Assumed</u>
Year Ended 9/30/2020	4.71%	3.84%
Year Ended 9/30/2019	1.61%	3.73%
Year Ended 9/30/2018	7.66%	3.73%
Year Ended 9/30/2017	5.36%	3.72%
Year Ended 9/30/2016	2.88%	3.47%

(ii) 5 Year Comparison of Investment Return on Market Value and Actuarial Value

	<u>Market Value</u>	<u>Actuarial Value</u>	<u>Assumed</u>
Year Ended 9/30/2020	8.46%	8.46%	6.75%
Year Ended 9/30/2019	3.60%	3.60%	6.75%
Year Ended 9/30/2018	6.80%	6.80%	6.75%
Year Ended 9/30/2017	13.22%	13.22%	6.75%
Year Ended 9/30/2016	6.17%	6.17%	6.75%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2020	\$728,721
	10/1/2010	1,534,370
(b) Total Increase		-52.51%
(c) Number of Years		10.00
(d) Average Annual Rate		-7.18%

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.



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

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

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

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2019	\$2,338,722
(2)	Sponsor Normal Cost developed as of October 1, 2019	45,547
(3)	Expected administrative expenses for the year ended September 30, 2020	39,074
(4)	Expected interest on (1), (2) and (3)	162,257
(5)	Sponsor contributions to the System during the year ended September 30, 2020	953,846
(6)	Expected interest on (5)	32,192
(7)	Expected Unfunded Actuarial Accrued Liability as of September 30, 2020 (1)+(2)+(3)+(4)-(5)-(6)	1,599,562
(8)	Change to UAAL due to Assumption Change	(12,447)
(9)	Change to UAAL due to Actuarial (Gain)/Loss	(390,387)
(10)	Unfunded Actuarial Accrued Liability as of October 1, 2020	1,196,728

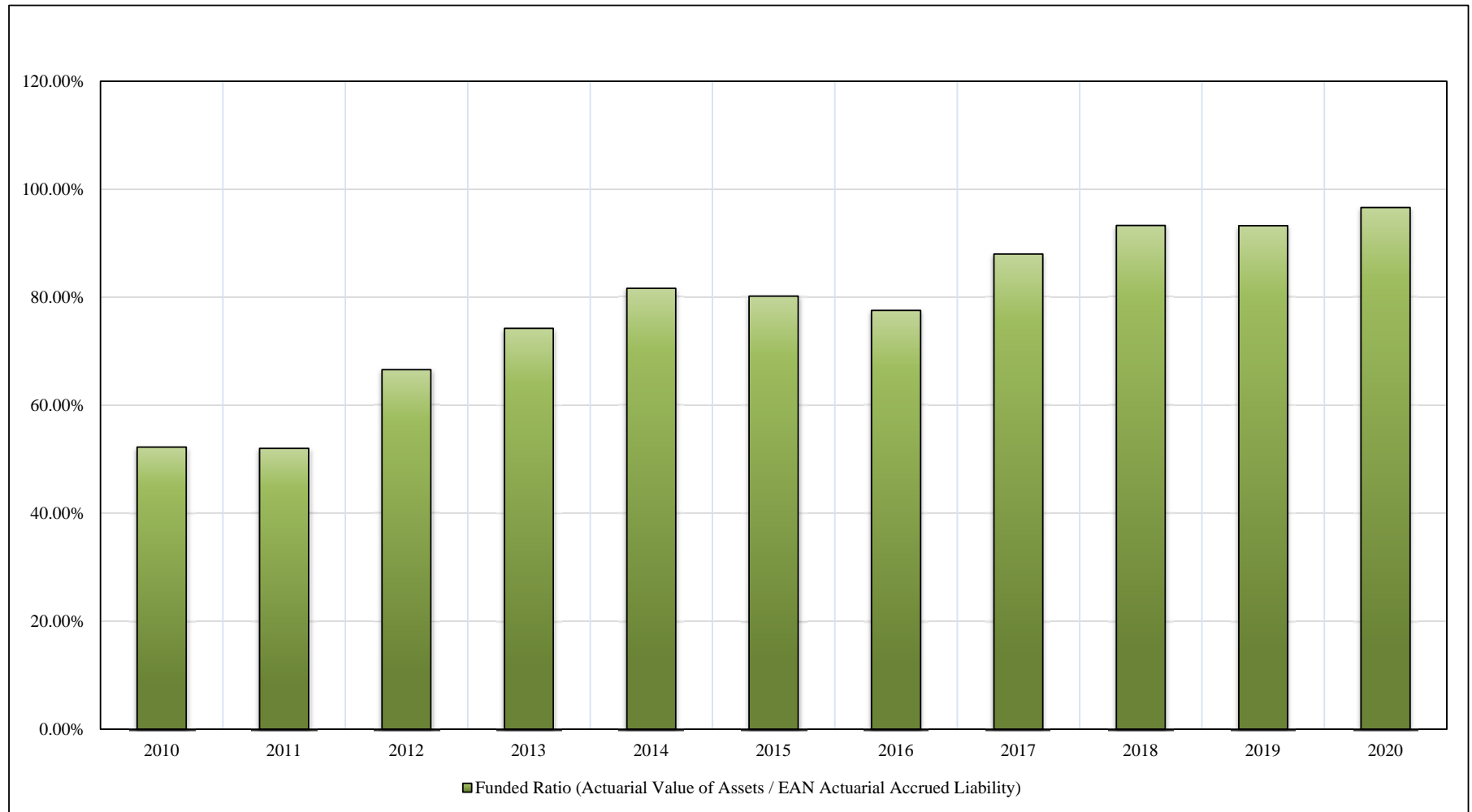
Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2020 <u>Amount</u>	Amortization <u>Amount</u>
Method Change	10/1/2004	2	241,436	124,659
Prior Losses	10/1/2004	2	610,324	315,125
Actuarial Gain	10/1/2005	2	(150,304)	(77,606)
Benefit Change	10/1/2005	2	216,966	112,025
Actuarial Loss	10/1/2006	2	100,117	51,693
Benefit Change	10/1/2006	2	85,918	44,362
Actuarial Loss	10/1/2007	2	71,082	36,701
Method Change	10/1/2008	2	(287,061)	(148,217)
Assum. Change	10/1/2009	2	43,315	22,365
Benefit Change	10/1/2010	2	(391,704)	(202,246)
Actuarial Loss	10/1/2011	1	111,005	111,005
Actuarial Loss	10/1/2012	2	223,416	115,355
Method Change	10/1/2012	2	(222,427)	(114,844)
Assum. Change	10/1/2012	2	114,141	58,934
Actuarial Gain	10/1/2013	3	(263,311)	(93,562)
Assum. Change	10/1/2013	3	(17,327)	(6,157)
Actuarial Gain	10/1/2014	4	(332,050)	(91,314)
Actuarial Loss	10/1/2015	5	921,331	209,089
Assum. Change	10/1/2016	6	987,947	192,665

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2020 <u>Amount</u>	Amortization <u>Amount</u>
Actuarial Loss	10/1/2016	6	408,308	79,627
Actuarial Gain	10/1/2017	7	(1,490,247)	(256,782)
Actuarial Gain	10/1/2018	8	(53,549)	(8,319)
Reconciliation Base	10/1/2019	9	(673,262)	(95,776)
Actuarial Loss	10/1/2019	9	1,014,079	144,259
COLA Interpretation	10/1/2019	9	331,419	47,146
Actuarial Gain	10/1/2020	10	(390,387)	(51,468)
Assum. Change	10/1/2020	10	<u>(12,447)</u>	<u>(1,641)</u>
			1,196,728	517,078

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2019	\$2,338,722
(2) Expected UAAL as of October 1, 2020	1,599,562
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(543,259)
Salary Increases	19,344
Active Decrements	(88,849)
Inactive Mortality	275,208
Other	<u>(52,831)</u>
Increase in UAAL due to (Gain)/Loss	(390,387)
Assumption Changes	<u>(12,447)</u>
(4) Actual UAAL as of October 1, 2020	\$1,196,728

HISTORY OF FUNDING PROGRESS ¹



¹ Asset values and liabilities in 2010 exclude accumulated DROP Plan Balances.

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Active Lives:

Female: PubG.H-2010 for Employees. Prior year assumption: RP2000 Generational, 100% White Collar, Scale BB.

Male: PubG.H-2010 for Employees, set back one year. Prior year assumption: RP2000 Generational, 50% White Collar / 50% Blue Collar, Scale BB.

Healthy Retiree Lives:

Female: PubG.H-2010 for Healthy Retirees. Prior year assumption: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: PubG.H-2010 for Healthy Retirees, set back one year. Prior year assumption: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.

Beneficiary Lives:

Female: PubG.H-2010 for Healthy Retirees. Prior year assumption: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: PubG.H-2010 for Healthy Retirees, set back one year. Prior year assumption: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.

Disabled Lives:

PubG.H-2010 for Disabled Retirees, set forward three years.

Prior year assumption (Female): 100% RP2000 Disabled Female set forward two years.

Prior year assumption (Male): 100% RP2000 Disabled Male set back four years.

All rates are projected generationally with Mortality Improvement Scale MP-2018. 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, 2019 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

Interest Rate

6.75% per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Salary Increases

See sample rates below. These rates are consistent with long term Plan experience.

Salary Scale	
Age	Rate
20	7.78%
30	6.25%
40	5.40%
50	4.80%
60+	2.78%

Payroll Growth

0.00% for purposes of amortizing the Unfunded Actuarial Accrued Liability. This assumption cannot exceed the ten-year average payroll growth, in compliance with Part VII of Chapter 112, Florida Statutes.

Administrative Expenses

\$38,080 annually, based on the average of actual expenses incurred in the prior two fiscal years.

Retirement Age

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

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.

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%

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%

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.

Entry Age Normal Actuarial Cost Method

The following loads are applied for determination of the Sponsor dollar funding requirement:

Interest – A half year, based on the current 6.75% assumption.

Salary – A full year, based on the current 3.84% assumption.

Asset Methodology

Fair Market Value, net of investment-related expenses.

Amortization Method

New UAAL amortization bases are amortized over 10 years.

GLOSSARY

Actuarial Value of Assets is 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.

Entry Age Normal Cost Method - 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.

(a) 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.

(b) 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.

(c) 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. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

(d) 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.

Market Value of Assets is the fair market value of plan assets as of the valuation date. This amount may be adjusted to produce an Actuarial Value of Assets for plan funding purposes.

Normal (Current Year's) Cost is the current year's cost for benefits yet to be funded. Under the Entry Age Normal cost method, it is determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current plan participants.

Total Annual Payroll is the projected annual rate of pay for the fiscal year beginning on the valuation date of all covered Members.

Total Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability over no more than 30 years. The required amount is adjusted for interest according to the timing of contributions during the year.

Unfunded Actuarial Accrued Liability (UAAL) is the difference between the actuarial accrued liability (described above) and the Actuarial Value of Assets. Under the Entry Age Normal Actuarial Cost Method, an actuarial gain or loss, based on actual versus expected UAAL, is determined in conjunction with each valuation of the plan.

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 using various actuarial assumptions. 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, closed 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 closed plans with a substantial inactive liability. Similarly, mature closed 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 23.8% on October 1, 2010 to 7.9% on October 1, 2020, 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 93.6%. 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 52.2% on October 1, 2010 to 96.6% on October 1, 2020.
- 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 5.0% on October 1, 2010 to -3.2% on October 1, 2020. The current Net Cash Flow Ratio of -3.2% indicates that contributions are not currently covering the plan's benefit payments and administrative expenses.

It is important to note that the actuary has identified the risks in this section 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

	<u>10/1/2010</u>	<u>10/1/2015</u>	<u>10/1/2019</u>	<u>10/1/2020</u>
<u>Support Ratio</u>				
Total Actives	31	22	12	11
Total Inactives ¹	130	132	139	140
Actives / Inactives ¹	23.8%	16.7%	8.6%	7.9%

Asset Volatility Ratio

Market Value of Assets (MVA) ³	10,952,327	24,045,815	32,178,191	33,799,737
Total Annual Payroll	1,534,370	1,208,368	800,354	728,721
MVA / Total Annual Payroll	713.8%	1,989.9%	4,020.5%	4,638.2%

Accrued Liability (AL) Ratio

Inactive Accrued Liability ³	20,666,613	26,285,758	31,970,322	32,743,381
Total Accrued Liability (EAN) ³	22,685,731	29,979,503	34,516,913	34,996,465
Inactive AL / Total AL	91.1%	87.7%	92.6%	93.6%

Funded Ratio

Actuarial Value of Assets (AVA) ³	11,845,784	24,045,815	32,178,191	33,799,737
Total Accrued Liability (EAN) ³	22,685,731	29,979,503	34,516,913	34,996,465
AVA / Total Accrued Liability (EAN)	52.2%	80.2%	93.2%	96.6%

Net Cash Flow Ratio

Net Cash Flow ²	546,953	385,547	(230,568)	(1,066,159)
Market Value of Assets (MVA) ³	10,952,327	24,045,815	32,178,191	33,799,737
Ratio	5.0%	1.6%	-0.7%	-3.2%

¹ Excludes terminated participants awaiting a refund of member contributions.

² Determined as total contributions minus benefit payments and administrative expenses.

³ Asset values and liabilities as of 10/1/2010 exclude accumulated DROP Plan Balances.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Pooled Cash	(935.73)	(935.73)
Transfer in Transit	348,947.33	348,947.33
Money Market	439,613.00	439,613.00
Cash	2.98	2.98
Total Cash and Equivalents	787,627.58	787,627.58
Receivables:		
From Broker for Investments Sold	9,588.40	9,588.40
Investment Income	79,782.90	79,782.90
Total Receivable	89,371.30	89,371.30
Investments:		
Fixed Income	7,943,250.64	8,632,633.69
Equities	13,954,000.22	17,453,969.64
Mutual Funds:		
Equity	1,257,739.45	3,784,650.03
Pooled/Common/Commingled Funds:		
Real Estate	2,918,313.01	3,100,833.93
Total Investments	26,073,303.32	32,972,087.29
Total Assets	26,950,302.20	33,849,086.17
<u>LIABILITIES</u>		
Payables:		
Investment Expenses	9,717.13	9,717.13
To Broker for Investments Purchased	39,632.14	39,632.14
Total Liabilities	49,349.27	49,349.27
NET POSITION RESTRICTED FOR PENSIONS	26,900,952.93	33,799,736.90

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020
Market Value Basis

ADDITIONS

Contributions:

Member	36,464.36
City	953,846.00

Total Contributions	990,310.36
---------------------	------------

Investment Income:

Net Realized Gain (Loss)	127,713.77	
Unrealized Gain (Loss)	1,875,307.39	
Net Increase in Fair Value of Investments		2,003,021.16
Interest & Dividends		838,446.97
Less Investment Expense ¹		(153,763.49)

Net Investment Income	2,687,704.64
-----------------------	--------------

Total Additions	3,678,015.00
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DEDUCTIONS

Distributions to Members:

Benefit Payments	2,012,083.35
Lump Sum DROP Distributions	0.00
Refunds of Member Contributions	5,837.96

Total Distributions	2,017,921.31
---------------------	--------------

Administrative Expense	38,547.52
------------------------	-----------

Total Deductions	2,056,468.83
------------------	--------------

Net Increase in Net Position	1,621,546.17
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NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year	32,178,190.73
-----------------------	---------------

End of the Year	33,799,736.90
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Actuarial Asset Rate of Return	8.5%
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Actuarial Gain/(Loss) due to Investment Return	543,259.45
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¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

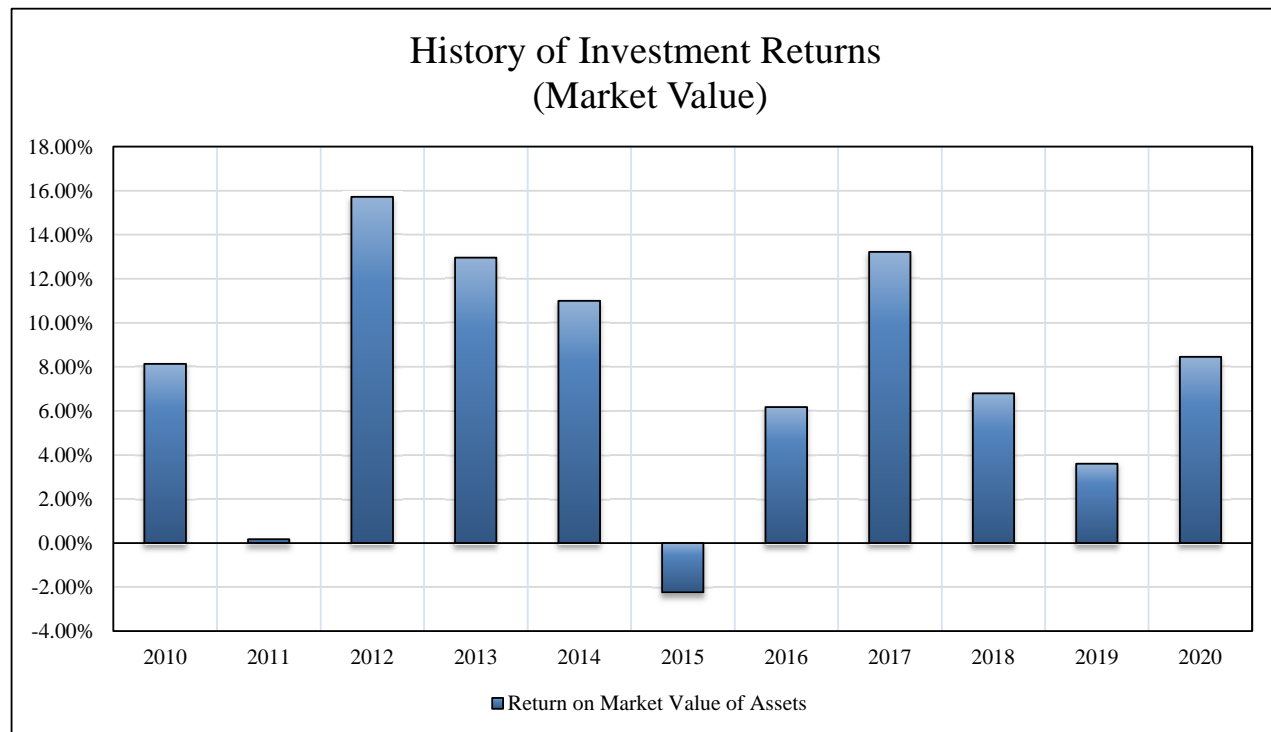
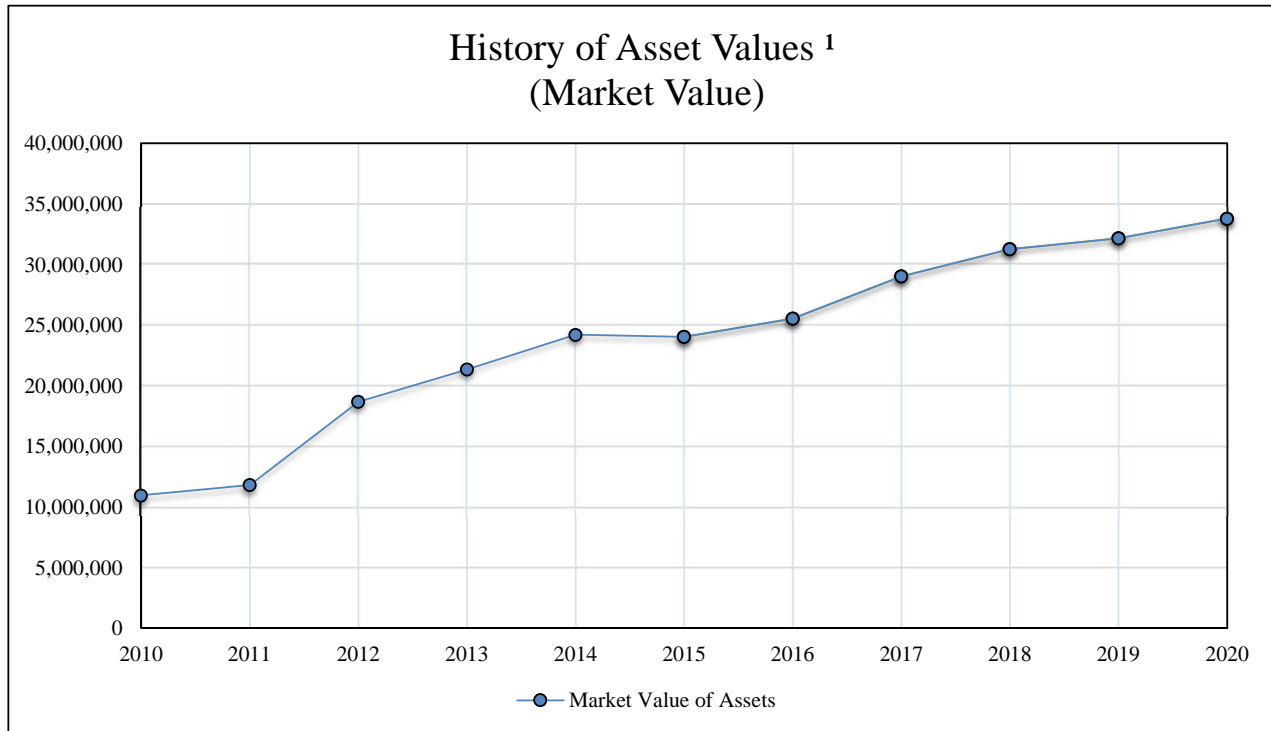
DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2019 to September 30, 2020

Beginning of the Year Balance	120,288.69
Plus Additions	86,046.48
Investment Return Earned	9,747.05
Less Distributions	0.00
End of the Year Balance	216,082.22

RECONCILIATION OF CITY'S SHORTFALL/(PREPAID) CONTRIBUTION
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2020

(1) Required City Contributions	\$953,846.00
(2) Less 2019 Prepaid Contribution	0.00
(3) Less Actual City Contributions	<u>(953,846.00)</u>
(4) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2020	\$0.00

HISTORY OF ASSET VALUES AND INVESTMENT RETURNS



¹ Asset values in 2010 exclude accumulated DROP Plan Balances.

STATISTICAL DATA

	<u>10/1/2017</u>	<u>10/1/2018</u>	<u>10/1/2019</u>	<u>10/1/2020</u>
<u>Actives</u>				
Number	17	16	12	11
Average Current Age	53.4	54.3	54.8	54.8
Average Age at Employment	37.6	37.9	38.1	37.4
Average Past Service	15.8	16.4	16.7	17.4
Average Annual Salary	\$57,064	\$61,888	\$66,696	\$66,247
<u>Service Retirees</u>				
Number	73	79	82	83
Average Current Age	68.8	68.9	69.6	70.5
Average Annual Benefit	\$22,483	\$23,002	\$23,258	\$23,509
<u>DROP Retirees</u>				
Number	2	2	3	4
Average Current Age	65.6	66.6	66.8	67.4
Average Annual Benefit	\$22,547	\$22,547	\$18,008	\$24,180
<u>Beneficiaries</u>				
Number	3	6	7	7
Average Current Age	69.3	68.9	66.8	67.8
Average Annual Benefit	\$7,703	\$6,525	\$13,214	\$13,262
<u>Terminated Vested</u>				
Number	59	50	49	47
Average Annual Benefit ¹	\$13,747	\$12,307	\$12,487	\$12,512

¹ The Average Annual Benefit excludes participants awaiting a refund of contributions.

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19												0
20 - 24												0
25 - 29												0
30 - 34												0
35 - 39												0
40 - 44								1				1
45 - 49								2		1		3
50 - 54							1					1
55 - 59							2					2
60 - 64							1	1	1			3
65+							1					1
Total	0	0	0	0	0	0	5	4	1	1	0	11

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2019	12
b. Terminations	
i. Vested (partial or full) with deferred annuity	0
ii. Vested in refund of member contributions only	0
iii. Refund of member contributions or full lump sum distribution received	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	0
f. DROP	(1)
g. Continuing participants	11
h. New entrants	0
i. Total active life participants in valuation	11

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

	Service Retirees, Vested Receiving <u>Benefits</u>	DROP <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested (Deferred Annuity)	Vested (Due Refund)	<u>Total</u>
a. Number prior valuation	82	3	7	0	47	2	141
Retired	1	0	0	0	(1)	0	0
DROP	0	1	0	0	0	0	1
Vested (Deferred Annuity)	0	0	0	0	0	0	0
Vested (Due Refund)	0	0	0	0	0	0	0
Hired/Terminated in Same Year	0	0	0	0	0	0	0
Death, With Survivor	0	0	0	0	0	0	0
Death, No Survivor	0	0	0	0	0	0	0
Disabled	0	0	0	0	0	0	0
Refund of Contributions	0	0	0	0	0	(1)	(1)
Rehires	0	0	0	0	0	0	0
Expired Annuities	0	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0	0
b. Number current valuation	83	4	7	0	46	1	141

SUMMARY OF CURRENT PLAN

<u>Effective Date of Latest Amendment</u>	November 1, 2011
<u>Eligibility</u>	Participants who are not sworn police officers enter on date of employment.
<u>Salary</u>	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.
<u>Average Compensation</u>	Career monthly average Salary for Plan B Members, and the average of the highest consecutive five years for Plan A Members.
<u>Credited Service</u>	Years and fractional parts of years of service with the City as a General Employee.
<u>Normal Retirement</u>	
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).

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).

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.

Employee Contributions

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

Termination of Employment

Vesting Schedule	<u>Years of Service</u>	<u>Vested %</u>
	Less than 6 6 or more	0% 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).	

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.

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.

Board of Trustees

2 Members of the Plan (1 with under 15 years of service, 1 with 15 years of service or more), 1 Department Director appointed by the City Manager, 3 Council appointees, 1 chosen by the other 6 Members of the Board.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2020

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Pooled Cash	(936)
Transfer in Transit	348,947
Money Market	439,613
Cash	3
Total Cash and Equivalents	787,627
Receivables:	
From Broker for Investments Sold	9,588
Investment Income	79,783
Total Receivable	89,371
Investments:	
Fixed Income	8,632,634
Equities	17,453,970
Mutual Funds:	
Equity	3,784,650
Pooled/Common/Commingled Funds:	
Real Estate	3,100,834
Total Investments	32,972,088
Total Assets	33,849,086
<u>LIABILITIES</u>	
Payables:	
Investment Expenses	9,717
To Broker for Investments Purchased	39,632
Total Liabilities	49,349
NET POSITION RESTRICTED FOR PENSIONS	33,799,737

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2020
Market Value Basis

ADDITIONS

Contributions:

Member	36,464	
City	953,846	
Total Contributions		990,310
Investment Income:		
Net Increase in Fair Value of Investments	2,003,021	
Interest & Dividends	838,447	
Less Investment Expense ¹	(153,763)	
Net Investment Income		2,687,705
Total Additions		3,678,015

DEDUCTIONS

Distributions to Members:

Benefit Payments	2,012,083	
Lump Sum DROP Distributions	0	
Refunds of Member Contributions	5,838	
Total Distributions		2,017,921
Administrative Expense		38,548
Total Deductions		2,056,469
Net Increase in Net Position		1,621,546
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		32,178,191
End of the Year		33,799,737

¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2020)

Plan Administration

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of: Two Members of the Plan (1 with under 15 years of service, 1 with 15 years of service or more), one Department Director appointed by the City Manager, three Council appointees, one chosen by the other six Members of the Board. All employees hired on or after February 7, 2012 are not eligible for participation in the plan.

Plan Membership as of October 1, 2019:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	92
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	49
Active Plan Members	12
	153

Benefits Provided

The Plan provides retirement, termination and death benefits.

A summary of the benefit provisions can be found in the October 1, 2019 Actuarial Valuation Report for the City of Sanibel General Employees' Retirement Plan prepared by Foster & Foster Actuaries and Consultants.

Contributions

Employee Contributions: Plan A Members: 5% of base pay. Plan B Members: None.

City Contributions: Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2020:

Asset Class	Target Allocation
Domestic Equity	38.0%
International Equity	15.0%
Bonds	23.0%
TIPS	2.0%
Convertibles	10.0%
Private Real Estate	5.0%
Infrastructure	5.0%
Cash	2.0%
Total	100.0%

Concentrations:

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's Fiduciary Net Position.

Rate of Return:

For the year ended September 30, 2020, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 8.46 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program

Eligibility: Satisfaction of Normal Retirement requirements.

Participation: Not to exceed 60 months.

Rate of Return: 6% annual rate, credited monthly.

The DROP balance as September 30, 2020 is \$216,082.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2020 were as follows:

Total Pension Liability	\$ 34,815,162
Plan Fiduciary Net Position	\$ (33,799,737)
Sponsor's Net Pension Liability	<u>\$ 1,015,425</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	97.08%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2019 updated to September 30, 2020 using the following actuarial assumptions:

Inflation	2.70%
Salary Increases	Age based
Discount Rate	6.75%
Investment Rate of Return	6.75%

Mortality Rate Healthy Active Lives:

Female: PubG.H-2010 for Employees.

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

Mortality Rate Healthy Retiree Lives:

Female: PubG.H-2010 for Healthy Retirees.

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

Mortality Rate Beneficiary Lives:

Female: PubG.H-2010 for Healthy Retirees.

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

Mortality Rate Disabled Lives:

PubG.H-2010 for Disabled Retirees, set forward three years.

All rates are projected generationally with Mortality Improvement Scale MP-2018. 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, 2019 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

The most recent actuarial experience study used to review the other significant assumptions was dated December 4, 2008.

The Long-Term Expected Rate of Return on Pension Plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2020 the inflation rate assumption of the investment advisor was 2.30%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

GASB 67

Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2020 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return ¹
Domestic Equity	8.50%
International Equity	4.10%
Bonds	3.70%
TIPS	2.60%
Convertibles	7.90%
Private Real Estate	5.00%
Infrastructure	6.40%
Cash	0.50%

¹ Source: Burgess Chambers

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 6.75 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Sponsor's Net Pension Liability	\$ 4,775,517	\$ 1,015,425	\$ (2,157,837)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 2 Fiscal Years

	09/30/2020	09/30/2019
Total Pension Liability		
Service Cost	101,372	130,166
Interest	2,251,064	2,230,037
Changes of benefit terms	-	357,668
Differences between Expected and Actual Experience	214,926	(53,922)
Changes of assumptions	9,039	-
Benefit Payments, including Refunds of Employee Contributions	(2,017,921)	(1,914,033)
Net Change in Total Pension Liability	558,480	749,916
Total Pension Liability - Beginning	34,256,682	33,506,766
Total Pension Liability - Ending (a)	<u>\$ 34,815,162</u>	<u>\$ 34,256,682</u>
Plan Fiduciary Net Position		
Contributions - Employer	953,846	1,677,105
Contributions - Employee	36,464	43,972
Net Investment Income	2,687,705	1,130,613
Benefit Payments, including Refunds of Employee Contributions	(2,017,921)	(1,914,033)
Administrative Expense	(38,548)	(37,612)
Net Change in Plan Fiduciary Net Position	1,621,546	900,045
Plan Fiduciary Net Position - Beginning	32,178,191	31,278,146
Plan Fiduciary Net Position - Ending (b)	<u>\$ 33,799,737</u>	<u>\$ 32,178,191</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 1,015,425</u>	<u>\$ 2,078,491</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	97.08%	93.93%
Covered Payroll	\$ 729,288	\$ 879,443
Net Pension Liability as a percentage of Covered Payroll	139.24%	236.34%

Notes to Schedule:*Changes of benefit terms:*

For measurement date 09/30/2019, amounts reported as changes of benefit terms resulted from a legal opinion offered at the August 14, 2019 Board Meeting, the Trustees approved that Vested Terminated members terminating on or after October 17, 2006 (the effective date of Ordinance 2006-013) are eligible for cost-of-living adjustments.

Changes of assumptions:

For measurement date 09/30/2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

SCHEDULE OF CONTRIBUTIONS

Last 2 Fiscal Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
09/30/2020	\$ 953,846	\$ 953,846	\$ -	\$ 729,288	130.79%
09/30/2019	\$ 1,677,105	\$ 1,677,105	\$ -	\$ 879,443	190.70%

Notes to Schedule

Valuation Date: 10/01/2018

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates can be found in the October 1, 2018 Actuarial Valuation for the City of Sanibel General Employees' Retirement Plan prepared by Foster & Foster Actuaries and Consultants.

SCHEDULE OF INVESTMENT RETURNS
Last 2 Fiscal Years

Fiscal Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
09/30/2020	8.46%
09/30/2019	3.60%

NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2020)

Plan Description

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

Two Members of the Plan (1 with under 15 years of service, 1 with 15 years of service or more), one Department Director appointed by the City Manager, three Council appointees, one chosen by the other six Members of the Board.

Regular, full-time employees who are not sworn police officers enter on date of employment.

All employees hired on or after February 7, 2012 are not eligible for participation in the plan.

Plan Membership as of October 1, 2019:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	92
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	49
Active Plan Members	12
	<u>153</u>

Benefits Provided

The Plan provides retirement, termination and death benefits.

A summary of the benefit provisions can be found in the October 1, 2019 Actuarial Valuation Report for the City of Sanibel General Employees' Retirement Plan prepared by Foster & Foster Actuaries and Consultants.

Contributions

Employee Contributions: Plan A Members: 5% of base pay. Plan B Members: None.

City Contributions: Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

Net Pension Liability

The measurement date is September 30, 2020.

The measurement period for the pension expense was October 1, 2019 to September 30, 2020.

The reporting period is October 1, 2019 through September 30, 2020.

The Sponsor's Net Pension Liability was measured as of September 30, 2020.

The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2019 updated to September 30, 2020 using the following actuarial assumptions:

Inflation	2.70%
Salary Increases	Age based
Discount Rate	6.75%
Investment Rate of Return	6.75%

Mortality Rate Healthy Active Lives:

Female: PubG.H-2010 for Employees.

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

Mortality Rate Healthy Retiree Lives:

Female: PubG.H-2010 for Healthy Retirees.

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

Mortality Rate Beneficiary Lives:

Female: PubG.H-2010 for Healthy Retirees.

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

Mortality Rate Disabled Lives:

PubG.H-2010 for Disabled Retirees, set forward three years.

All rates are projected generationally with Mortality Improvement Scale MP-2018. 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, 2019 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

The most recent actuarial experience study used to review the other significant assumptions was dated December 4, 2008.

The Long-Term Expected Rate of Return on Pension Plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, Net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2020 the inflation rate assumption of the investment advisor was 2.30%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return ¹
Domestic Equity	38.0%	8.50%
International Equity	15.0%	4.10%
Bonds	23.0%	3.70%
TIPS	2.0%	2.60%
Convertibles	10.0%	7.90%
Private Real Estate	5.0%	5.00%
Infrastructure	5.0%	6.40%
Cash	2.0%	0.50%
Total	100.0%	

¹ Source: Burgess Chambers

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 6.75 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of September 30, 2019	\$ 34,256,682	\$ 32,178,191	\$ 2,078,491
Changes for a Year:			
Service Cost	101,372	-	101,372
Interest	2,251,064	-	2,251,064
Differences between Expected and Actual Experience	214,926	-	214,926
Changes of assumptions	9,039	-	9,039
Changes of benefit terms	-	-	-
Contributions - Employer	-	953,846	(953,846)
Contributions - Employee	-	36,464	(36,464)
Net Investment Income	-	2,687,705	(2,687,705)
Benefit Payments, including Refunds of Employee Contributions	(2,017,921)	(2,017,921)	-
Administrative Expense	-	(38,548)	38,548
Net Changes	558,480	1,621,546	(1,063,066)
Balances as of September 30, 2020	\$ 34,815,162	\$ 33,799,737	\$ 1,015,425

Sensitivity of the Net Pension Liability to changes in the Discount Rate.

	Current Discount		
	1% Decrease 5.75%	Rate 6.75%	1% Increase 7.75%
Sponsor's Net Pension Liability	\$ 4,775,517	\$ 1,015,425	\$ (2,157,837)

Pension Plan Fiduciary Net Position.

Detailed information about the pension Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

**PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED
INFLOWS OF RESOURCES RELATED TO PENSIONS**
FISCAL YEAR SEPTEMBER 30, 2020

For the year ended September 30, 2020, the Sponsor will recognize a Pension Expense of \$201,474.

On September 30, 2020, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan investments	-	210,394
Total	<u>\$ -</u>	<u>\$ 210,394</u>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

Year ended September 30:	
2021	\$ (263,661)
2022	\$ 79,355
2023	\$ 84,244
2024	\$ (110,332)
2025	\$ -
Thereafter	\$ -

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 2 Fiscal Years

Measurement Date ¹	09/30/2020	09/30/2019
Total Pension Liability		
Service Cost	101,372	130,166
Interest	2,251,064	2,230,037
Changes of benefit terms	-	357,668
Differences between Expected and Actual Experience	214,926	(53,922)
Changes of assumptions	9,039	-
Benefit Payments, including Refunds of Employee Contributions	(2,017,921)	(1,914,033)
Net Change in Total Pension Liability	558,480	749,916
Total Pension Liability - Beginning	34,256,682	33,506,766
Total Pension Liability - Ending (a)	<u>\$ 34,815,162</u>	<u>\$ 34,256,682</u>
Plan Fiduciary Net Position		
Contributions - Employer	953,846	1,677,105
Contributions - Employee	36,464	43,972
Net Investment Income	2,687,705	1,130,613
Benefit Payments, including Refunds of Employee Contributions	(2,017,921)	(1,914,033)
Administrative Expense	(38,548)	(37,612)
Net Change in Plan Fiduciary Net Position	1,621,546	900,045
Plan Fiduciary Net Position - Beginning	32,178,191	31,278,146
Plan Fiduciary Net Position - Ending (b)	<u>\$ 33,799,737</u>	<u>\$ 32,178,191</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 1,015,425</u>	<u>\$ 2,078,491</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	97.08%	93.93%
Covered Payroll	\$ 729,288	\$ 879,443
Net Pension Liability as a percentage of Covered Payroll	139.24%	236.34%

Notes to Schedule:

¹ Effective for the City's fiscal year ending 09/30/2020, the GASB 68 measurement date of the Pension Expense has been approved and changed from 09/30/2019 to 09/30/2020.

Changes of benefit terms:

For measurement date 09/30/2019, amounts reported as changes of benefit terms resulted from a legal opinion offered at the August 14, 2019 Board Meeting, the Trustees approved that Vested Terminated members terminating on or after October 17, 2006 (the effective date of Ordinance 2006-013) are eligible for cost-of-living adjustments.

Changes of assumptions:

For measurement date 09/30/2020, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in Milliman's July 1, 2019 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.

SCHEDULE OF CONTRIBUTIONS

Last 2 Fiscal Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
09/30/2020	\$ 953,846	\$ 953,846	\$ -	\$ 729,288	130.79%
09/30/2019	\$ 1,677,105	\$ 1,677,105	\$ -	\$ 879,443	190.70%

Notes to Schedule

Valuation Date: 10/01/2018

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates can be found in the October 1, 2018 Actuarial Valuation for the City of Sanibel General Employees' Retirement Plan prepared by Foster & Foster Actuaries and Consultants.

EXPENSE DEVELOPMENT AND AMORTIZATION SCHEDULES

The following information is not required to be disclosed but is provided for informational purposes.

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2020

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 2,078,491	\$ 700,699	\$ 800,999	\$ -
Total Pension Liability Factors:				
Service Cost	101,372	-	-	101,372
Interest	2,251,064	-	-	2,251,064
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	214,926	-	214,926	-
Current year amortization of experience difference	-	-	(214,926)	214,926
Change in assumptions about future economic or demographic factors or other inputs	9,039	-	9,039	-
Current year amortization of change in assumptions	-	-	(9,039)	9,039
Benefit Payments, including Refunds of Employee Contributions	(2,017,921)	-	-	-
Net change	558,480	-	-	2,576,401
Plan Fiduciary Net Position:				
Contributions - Employer	953,846	-	-	-
Contributions - Employee	36,464	-	-	(36,464)
Projected Net Investment Income	2,136,045	-	-	(2,136,045)
Difference between projected and actual earnings on Pension Plan investments	551,660	551,660	-	-
Current year amortization	-	(458,237)	(217,271)	(240,966)
Benefit Payments, including Refunds of Employee Contributions	(2,017,921)	-	-	-
Administrative Expenses	(38,548)	-	-	38,548
Net change	1,621,546	93,423	(217,271)	(2,374,927)
Ending Balance	\$ 1,015,425	\$ 794,122	\$ 583,728	\$ 201,474

AMORTIZATION SCHEDULE - INVESTMENTS

Increase (Decrease) in Pension Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on Pension Plan
Investments

Plan Year Ending	Differences Between Projected and Actual Earnings	Recognition Period (Years)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2020	\$ (551,660)	5	\$ (110,332)	\$ (110,332)	\$ (110,332)	\$ (110,332)	\$ (110,332)	\$ -	\$ -	\$ -	\$ -	\$ -
2019	\$ 972,880	5	\$ 194,576	\$ 194,576	\$ 194,576	\$ 194,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ (24,446)	5	\$ (4,889)	\$ (4,889)	\$ (4,889)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ (1,715,079)	5	\$ (343,016)	\$ (343,016)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 113,477	5	\$ 22,695	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (240,966)	\$ (263,661)	\$ 79,355	\$ 84,244	\$ (110,332)	\$ -	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - CHANGES OF ASSUMPTIONS

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions

Plan Year Ending	Changes of Assumptions	Recognition Period (Years)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2020	\$ 9,039	1	\$ 9,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 9,039	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - EXPERIENCE

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience												
Plan Year Ending	Differences Between Expected and Actual Experience	Recognition Period (Years)	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2020	\$ 214,926	1	\$ 214,926	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 214,926	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -