POMPANO BEACH POLICE AND FIREFIGHTERS' RETIREMENT SYSTEM

Overview of the October 1, 2024 Actuarial Valuation Results
City Commission Meeting

May 7, 2025

Certification

This report was prepared for the Police and Firefighters' Retirement System for the City of Pompano Beach as of October 1, 2024. This is meant to be a summary of the valuation results and may not be appropriate for other uses. Please contact Nyhart prior to disclosing this report to any other party or relying on its content for any purpose other than the intended use.

Except where indicated otherwise, the results included in this report are based on the same data, assumptions, methods, and plan provisions as the 10/1/2024 valuation. As a result, these sections of the 2024 valuation report should be considered part of this report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such facts as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or other additional cost or contribution requirement based on the plan's funded status); and changes in plan provisions of applicable law. The scope of our assignment did not include an analysis of the potential range of future measurements. In preparing these results, Nyhart used ProVal valuation software developed by Winklevoss Technologies, LLC. This software is widely used for the purpose of performing pension valuations. We coded the plan provisions, assumptions, methods and participant data summarized in this report, and reviewed the liability and cost outputs for reasonableness. We are not aware of any weakness or limitations in the software and have determined it is appropriate for performing this valuation.

This report has been prepared in accordance with generally accepted actuarial principles and practice.

The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

Lawrence Watts, Jr., FSA, CFA, EA, MAAA   **Samantha Olson, ASA, EA**

May 7, 2025
Date

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10/1/2024 Valuation Highlights

Prior Year Activity

- 19.13% return on market value of assets, resulting in 5.98% actuarial return versus the expected 7.00%

- Liabilities slightly higher than anticipated due to fewer deaths, more retirements, and higher salaries than expected

Current Year

- Following an experience study for the period from 2018-2023, changes were adopted to the inflation rate, salary scale, retirement rates, and withdrawal rates assumptions; AME multiplier policy now reflected. The mortality rates have been updated to match those adopted in the FRS Actuarial Valuation as of July 1, 2024. These changes generally increased calculated liabilities.

- Amortization bases established from 10/1/1995 through 10/1/2001 have been consolidated into a single base to be amortized over the next 7 years.

- Plan funding level decreased 1.9% due primarily to smoothed asset return being less than assumed and adoption of updated assumptions. Recommended employer contribution for FY 25/26 of $28.0M, an increase of approximately $4.4M relative to the prior year

Looking Ahead

- Continue to monitor discount rate, especially with volatile interest rate environment; reached policy rate of 7.00% last year.

- Poor asset returns from 2022 will have an impact over the next two valuations – substantial loss continues to smooth into asset value.

- Substantial number of firefighters are currently in the DROP program due to the CBA changes. As those firefighters ultimately separate from service and are replaced with new members, projected contributions will likely increase in future years.

- Note also that securities markets have experienced considerable volatility in the months since the valuation date. We strongly recommend that stakeholders consider subsequent fluctuations in trust asset values and related impacts when making decisions and analyzing the figures presented in this report.
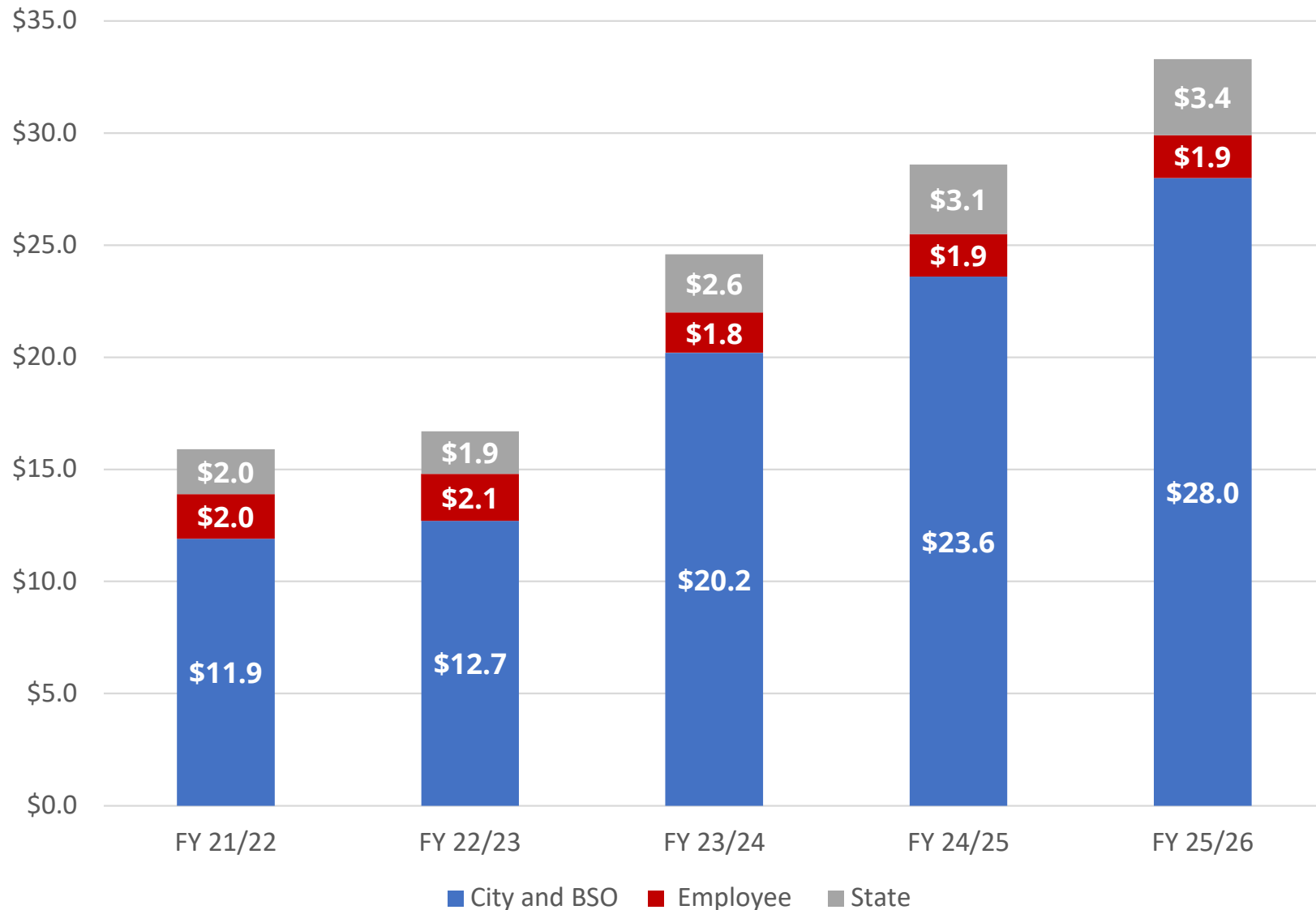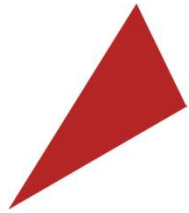
Historical Funded Ratio
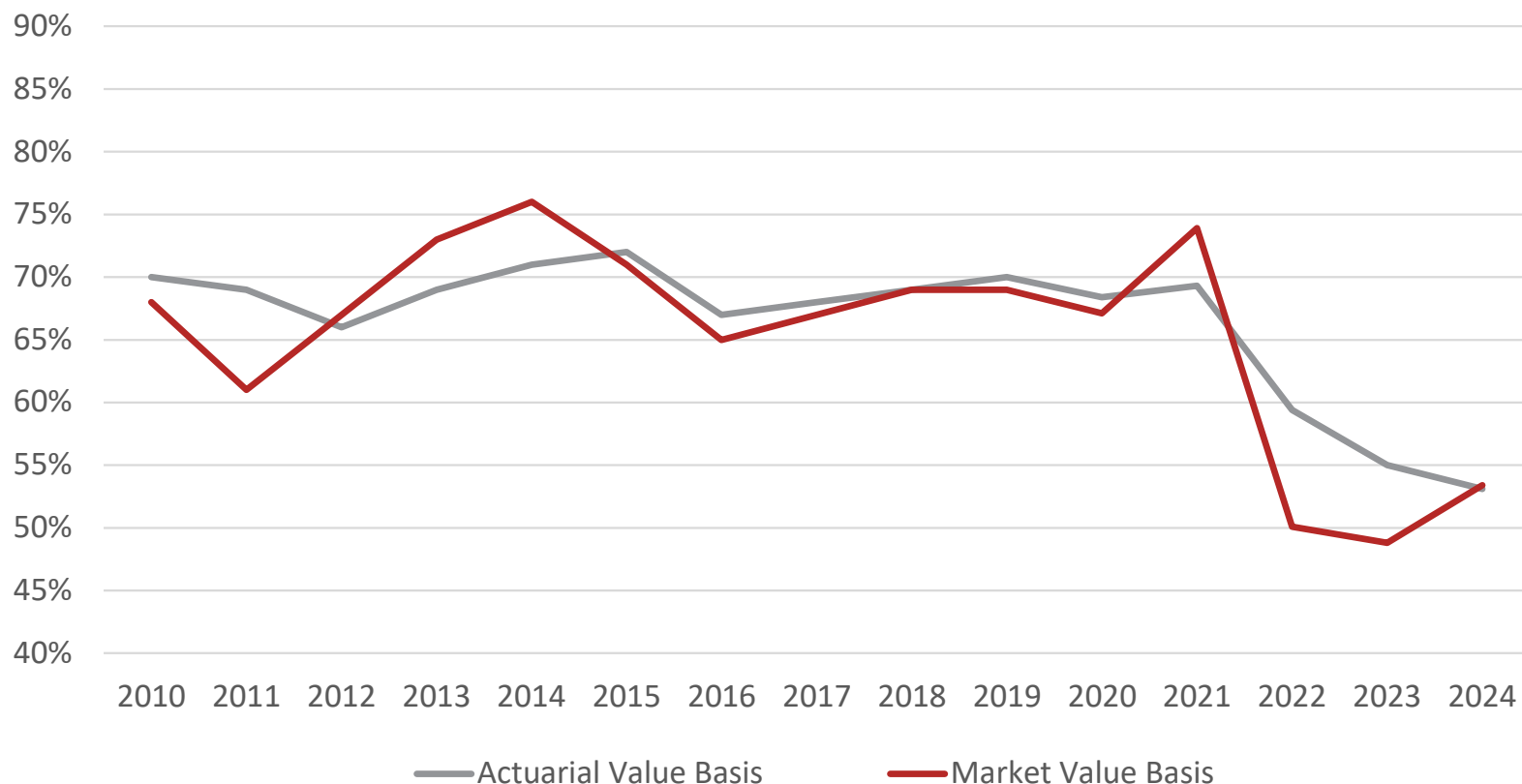
The Funded Ratio is the value of assets divided by the accrued liability. The Accrued Liability is the present value of benefits to be paid in the future allocated to service earned to date. The future benefits are discounted from expected time of payment back to the valuation date at a rate of 7.00% (for 2023+; historical valuations utilized different discount rates). The graph above shows the funded ratio based on the actuarial value of assets (AVA) and market value of assets (MVA) to demonstrate the impact of the asset smoothing method.

Annual Funding Requirement ($ in Millions)

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Chart data:

	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
State	$2.0	$1.9	$2.6	$3.1	$3.4
Employee	$2.0	$2.1	$1.8	$1.9	$1.9
City and BSO	$11.9	$12.7	$20.2	$23.6	$28.0

Legend: ■ City and BSO ■ Employee ■ State

(Note: totals may not align due to contribution timing assumptions and rounding.)

Annual Funding Requirement ($ in Millions)

	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
■ Employee Contributions	2.0	2.1	1.8	1.9	1.9
■ Interest	0.9	1.0	1.5	1.7	2.0
■ Amortization of UAAL	9.2	9.5	14.4	17.3	20.4
■ ER Normal Cost + Expenses	3.5	3.9	6.5	7.3	8.5

Chart totals: FY 21/22 $15.6, FY 22/23 $16.5, FY 23/24 $24.2, FY 24/25 $28.2, FY 25/26 $32.8
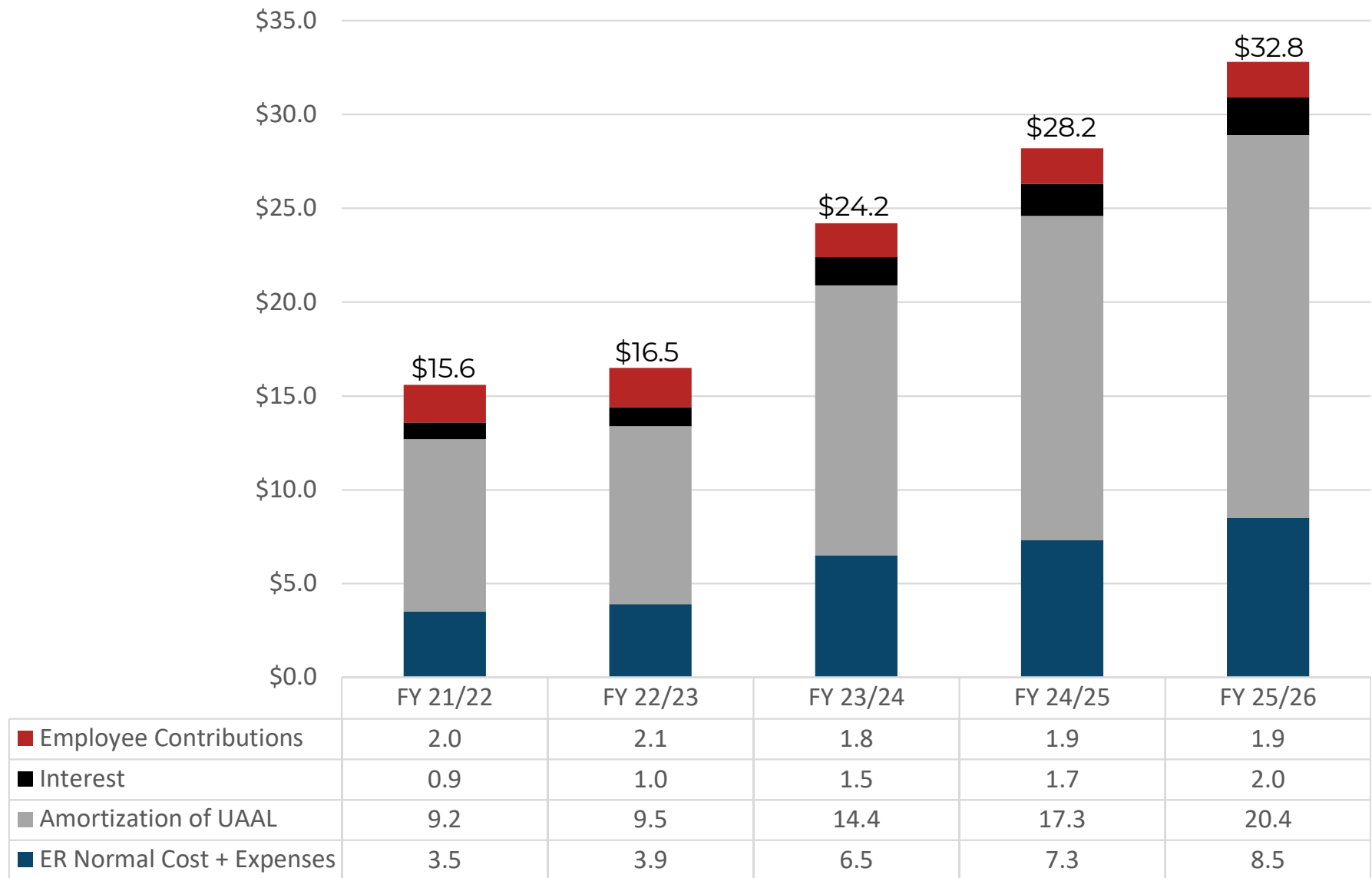
These figures include amounts covered by anticipated Chapter 175 and 185 premium tax distributions negotiated to offset the required employer contributions. These are anticipated to be roughly $3.4 million based on recent receipts.
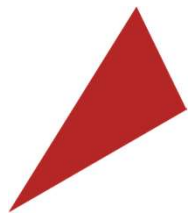
Breakdown of Recommended Contributions

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|	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
Fire	7,302,092	8,209,199	15,264,166	18,238,131	21,592,022
Police	4,736,155	4,607,228	4,890,981	5,366,082	6,371,897
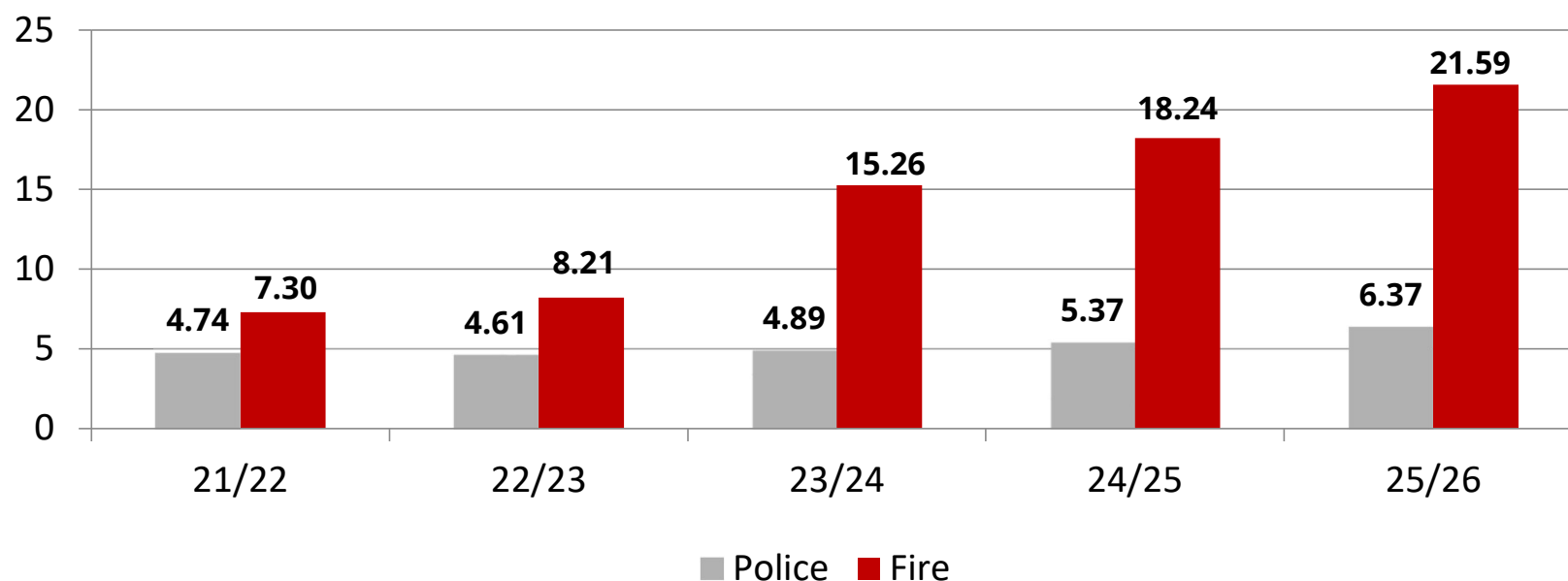
Assumed quarterly contributions for Police and lump sum for Fire prior to 23/24 FY.
FY 23/24 and forward presume lump sum payment for both as of 12/31.
(Chart is in $ millions)
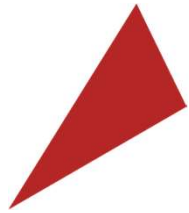
Benchmarking: Rates of Return in Florida

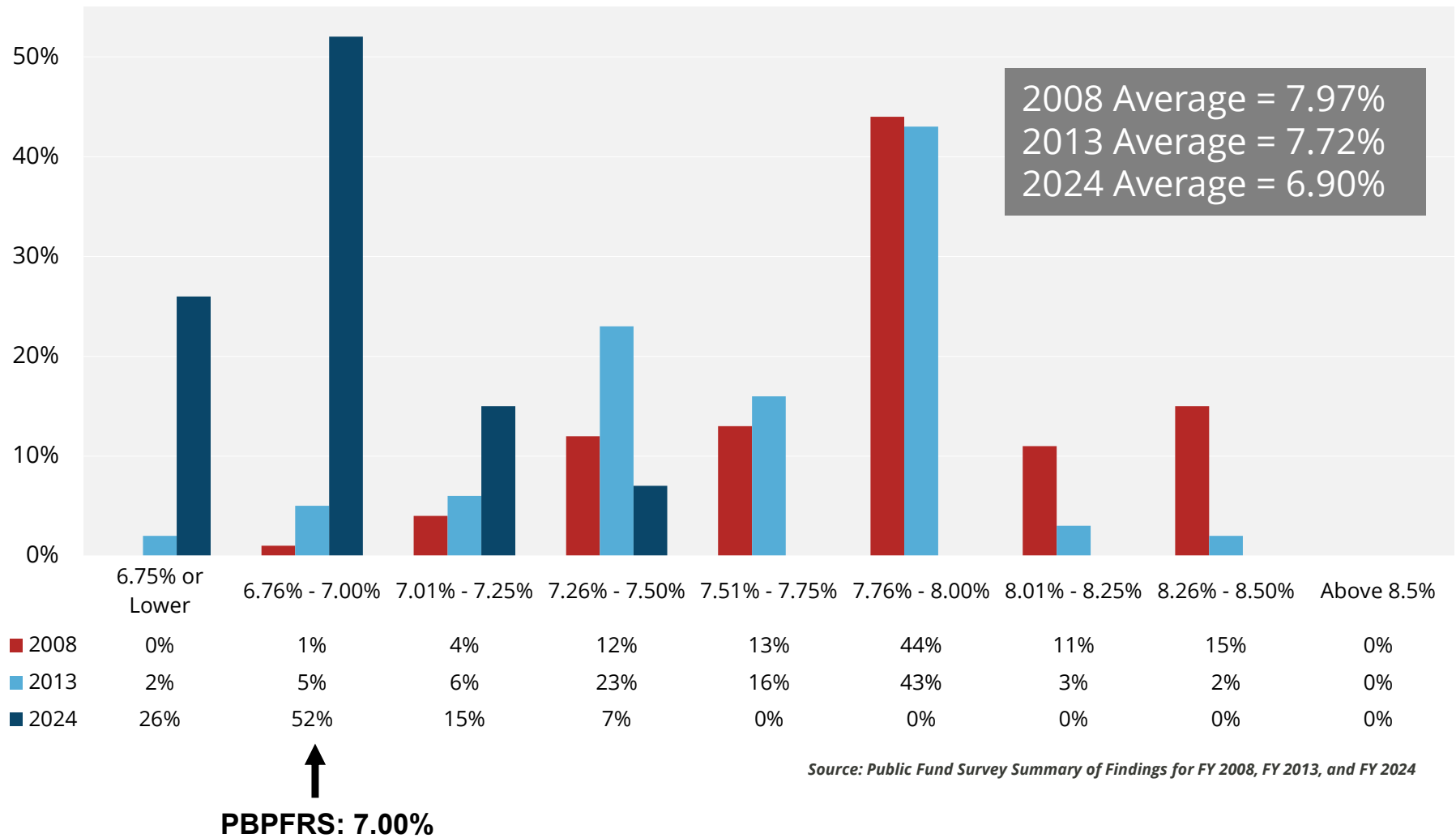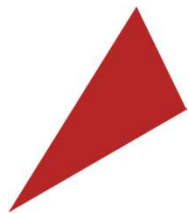Rate of Return Assumptions for Open Florida Public Plans
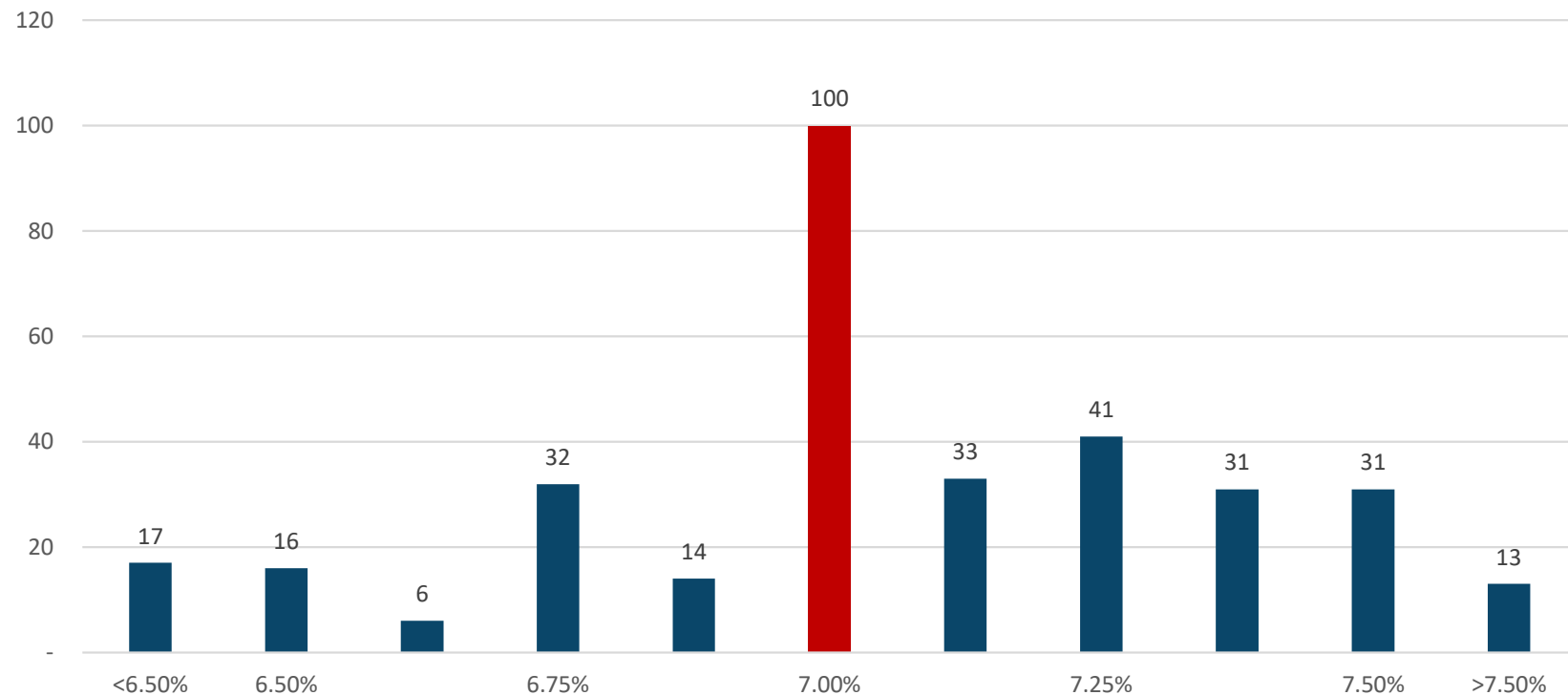
Source: Florida Department of Management Services, rates for "Active" Florida plans with valuation dates in 2023 or later.

The average return assumption was 7.03% for this group, with the most common assumption being 7.00%. The statewide FRS assumption remained at 6.70% as of July 1, 2024.

NASRA Survey Results: Large Public Plans

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2008 Average = 7.97%
2013 Average = 7.72%
2024 Average = 6.90%

	6.75% or Lower	6.76% - 7.00%	7.01% - 7.25%	7.26% - 7.50%	7.51% - 7.75%	7.76% - 8.00%	8.01% - 8.25%	8.26% - 8.50%	Above 8.5%
2008	0%	1%	4%	12%	13%	44%	11%	15%	0%
2013	2%	5%	6%	23%	16%	43%	3%	2%	0%
2024	26%	52%	15%	7%	0%	0%	0%	0%	0%

PBPFRS: 7.00%

Source: Public Fund Survey Summary of Findings for FY 2008, FY 2013, and FY 2024

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Participant Information - Total

Active Demographics

	2022	2023	2024
Average Age	38.7	37.3	36.1
Average Service	10.7	9.3	8.5
Average Plan Compensation	$101,183	$110,467	$111,884

Inactive Demographics

2024	In Pay	Term Vested	DROP
Average Age	69.0	48.9	51.3
Average Monthly Benefit	$5,144	$4,106	$7,341

Participant Counts

	2020	2021	2022	2023	2024
Total	594	600	605	600	604
Inactives	388	388	389	387	383
DROP	25	26	28	56	68
Actives	181	186	188	157	153

■ Actives ■ DROP ■ Inactives
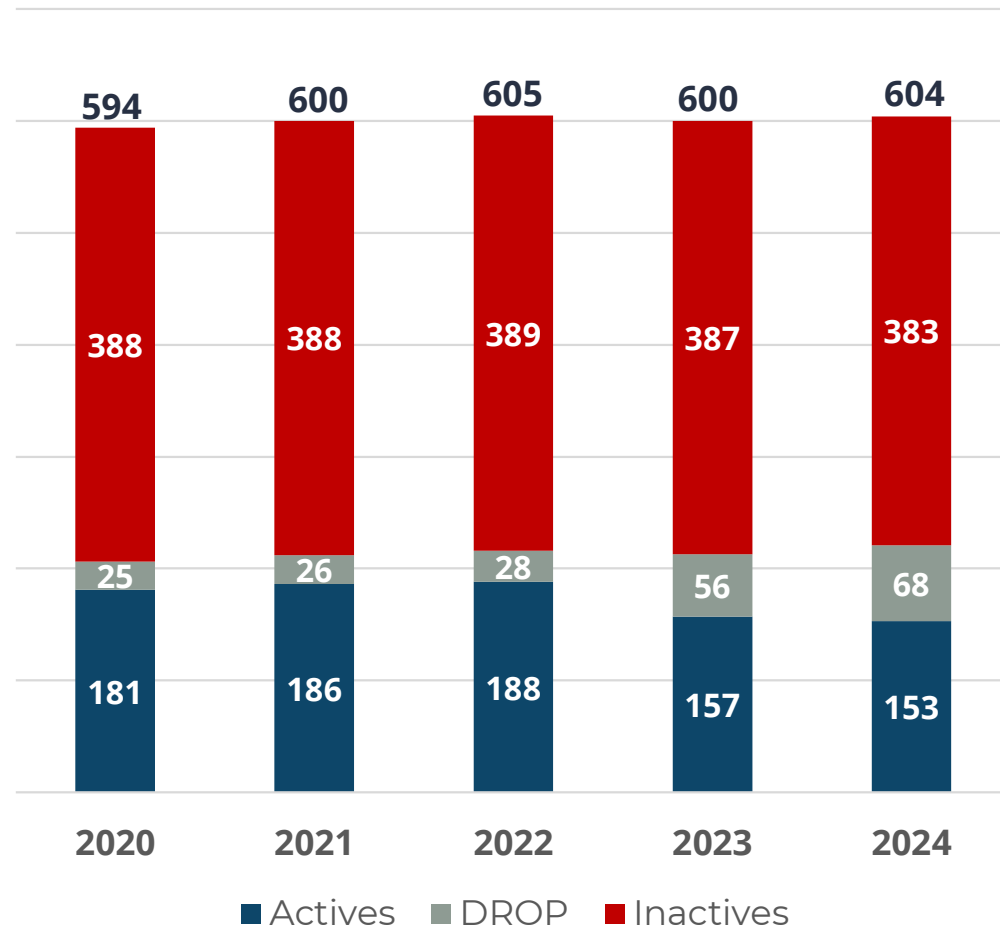
Key Takeaways

Assumptions and Future Contributions

- Assumption changes were adopted following an experience study for the period from 2018-2023 and mortality rates were updated to match those adopted in the FRS Actuarial Valuation as of July 1, 2024.

- In the near term, there is still considerable upward pressure on contributions. 2022 asset losses will continue to be recognized and new firefighter hires will increase normal cost as those in DROP ultimately separate from service.

- With assumption and plan changes, estimated ongoing cost is nearly double (as % of pay) relative to the plan before the most recent CBA changes.

Funding Status

- Funding percentage declined 1.9% mainly due to smoothed asset return being less than assumed and adoption of updated assumptions.

- Market volatility still a concern; future firefighter behavior may change as a result of the 2022/2023 plan provisions. Funding policy targets unfunded liabilities to be paid over 20 years. We have seen volatility in securities markets YTD in 2025 which could impact funding status.

Demographics and Governance

- We would encourage continued dialogue between the Board and the City given the significant changes to the plan and increases in contributions in recent years.