

TOWN OF INDIAN RIVER SHORES PUBLIC SAFETY OFFICERS AND FIREFIGHTERS'
DEFINED BENEFIT PLAN

GASB 67/68 DISCLOSURE INFORMATION
MEASUREMENT DATE: SEPTEMBER 30, 2023

GASB 68 REPORTING
AS OF SEPTEMBER 30, 2023



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

November 27, 2023

Board of Trustees

Town of Indian River Shores Public Safety Officers and Firefighters' Defined Benefit Plan

RE: GASB Statements No. 67 and No. 68 – Town of Indian River Shores Public Safety Officers and Firefighters' Defined Benefit Plan

Dear Board:

We are pleased to present this report of the GASB Statements No. 67 and No. 68 measured as of September 30, 2023 for the Town of Indian River Shores Public Safety Officers and Firefighters' Defined Benefit Plan.

The calculation of the liability associated with the benefits referenced in this report was performed to satisfy the requirements of GASB No. 67 and No. 68 and is not applicable for other purposes, such as determining the plan's funding requirements. Use of the results for other purposes may not be applicable and may produce significantly different results.

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, 2022. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending September 30, 2023 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.

In conducting the valuation, we have relied on personnel and plan design information supplied by the Town and asset information supplied by the custodian bank. The actuarial assumptions and methods are described in the 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.

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.

To the best of our knowledge, these statements are complete and accurate and are in accordance with generally recognized actuarial practices and methods. 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 valuation, we did not perform an analysis of the potential range of such future measurements.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact us at (293) 433-5500.

Respectfully submitted,
Foster & Foster, Inc.

A handwritten signature in black ink, reading "Douglas H. Lozen", is written over a horizontal line. The signature is cursive and stylized.

Douglas H. Lozen, EA, MAAA
Enrolled Actuary #23-7778

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I. SUMMARY

Valuation Date	10/01/2022	10/01/2021
GASB 67/68 Measurement Date	09/30/2023	09/30/2022
GASB 68 Reporting Date	09/30/2023	09/30/2022
Plan Membership:		
Inactives Currently Receiving Benefits	19	19
Inactives Not Yet Receiving Benefits	5	5
Active Plan Members	18	15
Total	42	39
Covered Payroll	\$ 1,534,611	\$ 1,452,742
Net Pension Liability		
Total Pension Liability	\$ 17,408,935	\$ 17,699,472
Plan Fiduciary Net Position	16,836,601	16,139,568
Net Pension Liability	\$ 572,334	\$ 1,559,904
Plan Fiduciary Net Position		
As a Percentage of Total Pension Liability	96.71%	91.19%
Net Pension Liability		
As a Percentage of Covered Payroll	37.30%	107.38%
Total Pension Expense	\$ 787,204	\$ 620,728
Development of Single Discount Rate		
Single Discount Rate	6.75%	6.75%
Long-Term Expected Rate of Return	6.75%	6.75%
High-quality Municipal Bond Rate	4.87%	1.93%
Number of Years Future Benefit Payments Are Expected to be Paid	All Years	All Years

II. FIDUCIARY NET POSITION

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2023

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	594,455
Cash	84
Total Cash and Equivalents	594,539
Receivables:	
State Contributions	40,759
Investment Income	26,345
Total Receivables	67,104
Investments:	
U. S. Bonds and Bills	1,603,457
Federal Agency Guaranteed Securities	878,063
Corporate Bonds	667,635
Municipal Obligations	282,897
Stocks	3,718,660
Mutual Funds:	
Fixed Income	663,115
Equity	6,397,525
Pooled/Common/Commingled Funds:	
Real Estate	1,977,001
Total Investments	16,188,353
Total Assets	16,849,996
 <u>LIABILITIES</u>	
Payables:	
Investment Expenses	7,875
Administrative Expenses	5,520
Total Liabilities	13,395
 NET POSITION RESTRICTED FOR PENSIONS	 16,836,601

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023
Market Value Basis

ADDITIONS

Contributions:

Member	138,115
Town	351,314
State	239,474

Total Contributions 728,903

Investment Income:

Net Increase in Fair Value of Investments	1,244,922
Interest & Dividends	417,183
Less Investment Expense ¹	(70,247)

Net Investment Income 1,591,858

Total Additions 2,320,761

DEDUCTIONS

Distributions to Members:

Benefit Payments	964,667
Lump Sum DROP Distributions	310,513
Lump Sum Share Distributions	281,495
Refunds of Member Contributions	4,337

Total Distributions 1,561,012

Administrative Expense 62,716

Total Deductions 1,623,728

Net Increase in Net Position 697,033

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 16,139,568

End of the Year 16,836,601

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

III. GASB EXHIBITS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

GASB 67/68 Measurement Date	09/30/2023	09/30/2022
GASB 68 Reporting Period Ending	09/30/2023	09/30/2022
Total Pension Liability		
Service Cost	230,727	220,875
Interest	1,157,604	1,127,028
Share Plan Allocation	239,474	144,476
Changes in Benefit Terms	0	0
Experience Gains/Losses	(357,330)	419,151
Changes of Assumptions	0	0
Benefit Payments	<u>(1,561,012)</u>	<u>(1,375,783)</u>
Net Change in Total Pension Liability	(290,537)	535,747
Total Pension Liability – Beginning	<u>17,699,472</u>	<u>17,163,725</u>
Total Pension Liability – Ending (a)	\$ 17,408,935	\$ 17,699,472
Plan Fiduciary Net Position		
Contributions – Employer	351,314	182,610
Contributions – State	239,474	144,476
Contributions – Employee	138,115	82,952
Net Investment Income	1,591,858	(2,514,394)
Benefit Payments	(1,561,012)	(1,375,783)
Administrative Expense	(62,716)	(62,466)
Other	<u>0</u>	<u>0</u>
Net Change in Plan Fiduciary Net Position	697,033	(3,542,605)
Plan Fiduciary Net Position – Beginning	16,139,568	19,682,173
Adjustment to beginning of year	<u>0</u>	<u>0</u>
Plan Fiduciary Net Position – Ending (b)	\$ 16,836,601	\$ 16,139,568
 Net Pension Liability – Ending (a) – (b)	 \$ 572,334	 \$ 1,559,904
Plan Fiduciary Net Position		
As % of Total Pension Liability	96.71%	91.19%
 Covered Payroll	 \$ 1,534,611	 \$ 1,452,742
 Net Pension Liability	 37.30%	 107.38%
As % of Covered Payroll		

SENSITIVITY TO CHANGES IN DISCOUNT RATE

GASB 67/68 Measurement Date	09/30/2023	09/30/2022
GASB 68 Reporting Date	09/30/2023	09/30/2022
Discount Rate	6.75%	6.75%
+ 1% Discount Rate	7.75%	7.75%
- 1% Discount Rate	5.75%	5.75%
Sponsor's Net Pension Liability		
Current Discount Rate	\$ 572,334	\$ 1,559,904
1% Increase in Discount Rate	(838,734)	185,386
1% Decrease in Discount Rate	2,256,202	3,204,405

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF
RESOURCES RELATED TO PENSIONS
YEAR-END SEPTEMBER 30, 2023

For the year ended September 30, 2023, the Sponsor will recognize a Pension Expense of \$787,204. On September 30, 2023, 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 actual and expected experience	169,087	267,999
Changes of assumptions	0	0
Net difference between projected and actual earnings on pension plan investments	1,293,574	0
Total	\$ 1,462,661	\$ 267,999

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:		
2024	\$	507,440
2025	\$	227,963
2026	\$	565,787
2027	\$	(106,528)
2028	\$	0
Thereafter	\$	0

IV. SUPPLEMENTARY GASB 68 EXPENSE DETAIL

COMPONENTS OF PENSION EXPENSE
YEAR-END SEPTEMBER 30, 2023

	Net Pension Liability	Deferred Outflows	Deferred Inflows	Pension Expense
Beginning Balance	\$ 1,559,904	\$ 3,652,822	\$ 1,274,174	
Total Pension Liability Factors:				
Service Cost	230,727	0	0	230,727
Interest	1,157,604	0	0	1,157,604
Share Plan Allocation	239,474	0	0	239,474
Changes in Benefit Terms	0	0	0	0
Experience Gains/Losses	(357,330)	0	357,330	0
Current Year Amortization	0	(206,748)	(89,331)	117,417
Changes of Assumptions	0	0	0	0
Current Year Amortization	0	0	(260,702)	(260,702)
Benefit Payments	(1,561,012)	0	0	0
Net Change	(290,537)	(206,748)	7,297	1,484,520
Plan Fiduciary Net Position:				
Contributions - Employer	351,314	0	0	0
Contributions – State	239,474	0	0	0
Contributions – Employee	138,115	0	0	(138,115)
Projected Net Investment Income	1,059,220	0	0	(1,059,220)
Difference in Projected and Actual Earnings	532,638	0	532,638	0
Current Year Amortization	0	(881,653)	(444,350)	437,303
Benefit Payments	(1,561,012)	0	0	0
Administrative Expenses	(62,716)	0	0	62,716
Other	0	0	0	0
Net Change	697,033	(881,653)	88,288	(697,316)
Adjustment to beginning of year	0	0	0	0
Ending Balance	\$ 572,334	\$ 2,564,421	\$ 1,369,759	\$ 787,204

AMORTIZATION SCHEDULE – EXPERIENCE

Year	Initial Base	Recognition Period	2023	2024	2025	2026	2027	Thereafter
2023	\$ (357,330)	4	\$ (89,331)	\$ (89,333)	\$ (89,333)	\$ (89,333)	0	0
2022	419,151	3	139,717	139,717	0	0	0	0
2021	117,478	4	29,370	29,370	0	0	0	0
2020	27,322	4	6,831	0	0	0	0	0
2019	154,152	5	30,830	0	0	0	0	0
Net Increase (Decrease) in Pension Expense			\$ 117,417	\$ 79,754	\$ (89,333)	\$ (89,333)	0	0

AMORTIZATION SCHEDULE – CHANGES OF ASSUMPTIONS

Year	Initial Base	Recognition Period	2023	2024	2025	2026	2027	Thereafter
2020	\$ (408,460)	4	\$ (102,115)	\$ 0	\$ 0	\$ 0	\$ 0	0
2019	(792,936)	5	(158,587)	0	0	0	0	0
Net Increase (Decrease) in Pension Expense			\$ (260,702)	\$ 0	\$ 0	\$ 0	\$ 0	0

AMORTIZATION SCHEDULE – INVESTMENTS

Year	Initial Base	Recognition Period	2023	2024	2025	2026	2027	Thereafter
2023	\$ (532,638)	5	\$ (106,526)	\$ (106,528)	\$ (106,528)	\$ (106,528)	\$ (106,528)	0
2022	3,808,239	5	761,648	761,648	761,648	761,648	0	0
2021	(1,689,118)	5	(337,824)	(337,824)	(337,824)	0	0	0
2020	551,951	5	110,390	110,390	0	0	0	0
2019	48,075	5	9,615	0	0	0	0	0
Net Increase (Decrease) in Pension Expense			\$ 437,303	\$ 427,686	\$ 317,296	\$ 655,120	\$ (106,528)	0

V. ADDITIONAL INFORMATION

SCHEDULE OF CONTRIBUTIONS

Plan Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contrib. as % of Covered Payroll
09/30/2023	\$ 348,971	\$ 351,314	\$ (2,343)	\$ 1,534,611	22.89%
09/30/2022	\$ 182,610	\$ 182,610	\$ 0	\$ 1,452,742	12.57%

The following assumptions were used to determine the Actuarially Determined Contribution for the plan year ending September 30, 2023:

Calculation Timing	The Actuarially Determined Contribution is calculated using a October 1, 2022 valuation date.
Interest Rate	6.75%
Assumptions	All other assumptions and methods used for determining the Actuarially Determined Contribution can be found in the October 1, 2022 Actuarial Valuation Report for the Town of Indian River Shores Public Safety Officers and Firefighters' Defined Benefit Plan prepared by Foster & Foster Actuaries and Consultants.

INVESTMENT DISCLOSURES

Schedule of Investment Returns

For the year ended September 30, 2023, the annual money-weighted return on Pension Plan investments, net of pension plan investment expense, was 10.19 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fiscal Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
09/30/2023	10.19%
09/30/2022	-13.10%

Support for Long-Term Expected Rate of Return

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.

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

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation adopted as of September 30, 2023, as provided by AndCo Consulting, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	60.00%	7.50%
Broad Market Fixed Income	18.00%	2.50%
Fixed Income (Non-Core)	5.00%	2.50%
Private Real Estate	10.00%	4.50%
Alternative	5.00%	5.76%
Cash	2.00%	2.50%
Total	100.00%	

Inflation rate of investment advisor 2.50%

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.

ASSUMPTIONS

Valuation Date	10/01/2022
GASB 67/68 Measurement Date	09/30/2023
GASB 68 Reporting Date	09/30/2023
Discount Rate	6.75%
Long-Term Rate of Return	6.75%
Mortality	
<i>Healthy Active Lives:</i>	PubS.H-2010 (Below Median) for Employees, set forward one year.
<i>Healthy Retiree Lives:</i>	PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.
<i>Beneficiary Lives:</i>	Female: PubG.H-2010 (Below Median) for Healthy Retirees. Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.
<i>Disabled Lives:</i>	80% PubG.H-2010 for Disabled Retirees / 20% PubS.H-2010 for Disabled Retirees.
	All rates are projected generationally with Mortality Improvement Scale MP-2018.
	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, 2021 FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.
Salary Scale	Service based
Inflation	2.00%
Latest Experience Study Date	July 24, 2020

A summary of other assumptions reflected in the valuation can be found in the October 1, 2022 Actuarial Valuation Report for the Town of Indian River Shores Public Safety Officers and Firefighters' Defined Benefit Plan prepared by Foster & Foster Actuaries and Consultants.

Changes in Assumptions

Total Pension Liability and GASB 68 Pension Expense measured as of September 30, 2023 reflect no assumption changes.

Development of the Discount Rate

The projection of cash flows used to determine the Discount Rate assumed that current 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 (6.75 percent) was applied to all periods of projected benefit payments to determine the Total Pension Liability.

No projected benefit payments were discounted using a high-quality municipal bond rate of 4.87 percent. The high-quality municipal bond rate was based on the daily rate closest to, but not later than the measurement date of the S&P Municipal Bond 20 Year High Grade Rate Index.

The single equivalent Discount Rate was 6.75 percent.

SUMMARY OF CURRENT PLAN

Plan Description

The Plan is a single-employer defined benefit pension plan administered by a Board of Trustees which is responsible for overseeing the investment of Pension Fund assets and application of the provisions of the Pension Ordinance. The Board has authority over distribution of all pensions and makes final decisions on claims and appeals. Five trustees comprise the Board: one full-time, certified firefighter of the Town elected by Pension Fund Participants, one full-time, certified police officer of the Town elected by Pension Fund Participants, two residents of the Town who are selected by the Town, and a fifth member who must be a legal resident of the Town and who shall be elected by the other four and appointed by the Town Council as a ministerial duty.

Members are eligible to participate immediately upon hire as a Public Safety Officer or Firefighter.

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

A summary of the benefit provisions can be found in the Actuarial Valuation as of October 1, 2022 for the Town of Indian River Shores Public Safety Officers and Firefighters' Defined Benefit Plan prepared by Foster & Foster Actuaries and Consultants.

Benefit Changes

No benefit changes have been reflected since the prior year.

Deferred Retirement Option Program

Eligibility:	Prospectively upon satisfaction of Normal Retirement requirements.
Participation:	Up to 60 months, but not beyond 30 years of total service with the Town.
Rate of return:	Actual net returns realized by the Plan as a whole.
DROP balance:	The DROP balance as of September 30, 2023 is \$122,180.