

TOWN OF LADY LAKE
POLICE OFFICERS' RETIREMENT TRUST FUND

ACTUARIAL VALUATION
AS OF OCTOBER 1, 2022

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2024

GASB 67/68 DISCLOSURE INFORMATION
AS OF SEPTEMBER 30, 2022



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

December 13, 2022

Board of Trustees
Town of Lady Lake
Police Officers' Pension Board

Re: Town of Lady Lake Police Officers' Retirement Trust Fund

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the Town of Lady Lake Police Officers' Retirement Trust Fund. 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 Chapters 112 and 185, 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 as measured based on the actuarial value of assets will differ from similar measures based on the market value of assets. These measures, as provided, are appropriate for determining the adequacy of future contributions, but may not be appropriate for the purpose of settling a portion or all of its liabilities. 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 Town of Lady Lake, 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.

Additionally, 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 that apply the funding and accounting rules to generate the results. All internally developed models are reviewed as part of the valuation process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

The 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, 2021. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2022 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 Town of Lady Lake, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the Police Officers' Retirement Trust Fund. 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:



Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #20-6595

By:



Kevin H. Peng, ASA, EA, MAAA
Enrolled Actuary #20-7783

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Enclosures

TABLE OF CONTENTS

Section	Title	Page
I	Introduction	
	a. Summary of Report	6
	b. Changes Since Prior Valuation	8
	c. Contribution Impact of Annual Changes	9
	d. Comparative Summary of Principal Valuation Results	10
II	Valuation Information	
	a. Reconciliation of Unfunded Actuarial Accrued Liabilities	16
	b. Detailed Actuarial (Gain)/Loss Analysis	17
	c. History of Funding Progress	18
	d. Actuarial Assumptions and Methods	19
	e. Glossary	22
	f. Discussion of Risk	24
	g. Partial History of Premium Tax Refunds	27
III	Trust Fund	28
IV	Member Statistics	
	a. Statistical Data	35
	b. Age and Service Distribution	36
	c. Valuation Participant Reconciliation	37
V	Summary of Current Plan	38
VI	Governmental Accounting Standards Board Statements No. 67 and No. 68 Disclosure Information	41

SUMMARY OF REPORT

The regular annual actuarial valuation of the Town of Lady Lake Police Officers' Retirement Trust Fund, performed as of October 1, 2022, 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, 2024.

The contribution requirements, compared with those set forth in the October 1, 2021 actuarial valuation, are as follows:

Valuation Date	10/1/2022	10/1/2021
Applicable to Fiscal Year Ending	<u>9/30/2024</u>	<u>9/30/2023</u>
Minimum Required Contribution ¹		
% of Projected Annual Payroll	28.0%	28.0%
Member Contributions (Est.)		
% of Projected Annual Payroll	5.0%	5.0%
Town And State Required Contribution		
% of Projected Annual Payroll	23.0%	23.0%
State Contribution (Est.) ²	\$119,543	\$119,543
% of Projected Annual Payroll	7.6%	7.6%
Town Required Contribution ³		
% of Projected Annual Payroll	15.4%	15.4%

¹ Per Florida Statutes, the contributions from Town, State, and Members have to be at least equal to Normal Cost. Had this minimum requirement not existed, the required Town and State contribution would have been 20.1% of Projected Annual Payroll for fiscal 2023 and 20.8% for 2024.

² Represents the estimated allowable State Monies for fiscals 2023 and 2024. As per a Mutual Consent Agreement between the Membership and the Town, all State Monies received each year up to \$110,000.00 (based on Ordinance 2021-20) will be available to offset the Town's required contribution, with amounts over this threshold allocated equally between the Share Plan and the Town's required contribution.

³ The required contribution from the combination of Town and State sources for the year ending September 30, 2024, is 23.0% of the actual payroll realized in that year. As a budgeting tool, the Town may contribute 15.4% of each Member's Salary and then make a one-time adjustment to account for the actual State Monies received. Please note that the Town has access to a prepaid contribution of \$69,693.21 that is available to offset a portion of the above stated requirements for the fiscal year ending September 30, 2023.

As you can see, the Minimum Required Contribution stays the same when compared to the results determined in the October 1, 2021 actuarial valuation. If it were not for the normal cost minimum funding requirements, there would have been an increase in the required contribution, which is attributable to unfavorable actuarial experience as described in the next paragraph.

Plan experience was unfavorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial loss included an investment return of 4.83% (Actuarial Asset Basis) which fell short of the 7.00% assumption, inactive mortality experience, and unfavorable retirement experience. These losses were offset in part by a gain associated with more turnover than expected.

CHANGES SINCE PRIOR VALUATION

Plan Changes

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

Actuarial Assumption/Method Changes

There have been no assumption or method changes since the prior valuation.

CONTRIBUTION IMPACT OF ANNUAL CHANGES

(1) Contribution Determined as of October 1, 2021	15.8%
(2) Summary of Contribution Impact by component:	
Change in State Contribution Percentage	-0.4%
Change in Normal Cost Rate	0.0%
Other	<u>0.0%</u>
Total Change in Contribution	-0.4%
(3) Contribution Determined as of October 1, 2022	15.4%

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2022</u>	<u>10/1/2021</u>
A. Participant Data		
Actives	25	30
Service Retirees	12	10
Beneficiaries	0	0
Disability Retirees	4	4
Terminated Vested	<u>19</u>	<u>16</u>
Total	60	60
Payroll Under Assumed Ret. Age	1,579,819	1,640,818
Annual Rate of Payments to:		
Service Retirees	407,666	365,360
Beneficiaries	0	0
Disability Retirees	86,322	86,322
Terminated Vested	22,164	22,164
B. Assets		
Actuarial Value (AVA) ¹	10,996,029	10,578,625
Market Value (MVA) ¹	9,533,250	11,604,407
C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	6,642,904	6,653,848
Disability Benefits	62,450	64,286
Death Benefits	19,809	20,688
Vested Benefits	685,390	754,438
Refund of Contributions	40,870	53,935
Service Retirees	4,537,699	4,173,675
Beneficiaries	0	0
Disability Retirees	924,091	935,133
Terminated Vested	191,843	180,035
Share Plan Balances ¹	<u>89,330</u>	<u>110,474</u>
Total	13,194,386	12,946,512

C. Liabilities - (Continued)	<u>10/1/2022</u>	<u>10/1/2021</u>
Present Value of Future Salaries	10,822,467	12,233,076
Present Value of Future Member Contributions	541,123	611,654
Normal Cost (Retirement)	359,022	364,936
Normal Cost (Disability)	6,232	6,290
Normal Cost (Death)	1,450	1,551
Normal Cost (Vesting)	52,087	60,072
Normal Cost (Refunds)	7,995	10,631
Total Normal Cost	426,786	443,480
Present Value of Future Normal Costs	2,855,626	3,205,035
Accrued Liability (Retirement)	4,227,346	3,974,400
Accrued Liability (Disability)	20,378	18,075
Accrued Liability (Death)	9,891	9,201
Accrued Liability (Vesting)	330,007	329,133
Accrued Liability (Refunds)	8,175	11,351
Accrued Liability (Inactives)	5,653,633	5,288,843
Share Plan Balances ¹	89,330	110,474
Total Actuarial Accrued Liability (EAN AL)	10,338,760	9,741,477
Unfunded Actuarial Accrued Liability (UAAL)	(657,269)	(837,148)
Funded Ratio (AVA / EAN AL)	106.4%	108.6%

D. Actuarial Present Value of		
Accrued Benefits	<u>10/1/2022</u>	<u>10/1/2021</u>
Vested Accrued Benefits		
Inactives + Share Plan Balances ¹	5,742,963	5,399,317
Actives	2,485,670	2,250,480
Member Contributions	<u>474,081</u>	<u>468,518</u>
Total	8,702,714	8,118,315
Non-vested Accrued Benefits	<u>658,766</u>	<u>677,083</u>
Total Present Value		
Accrued Benefits (PVAB)	9,361,480	8,795,398
Funded Ratio (MVA / PVAB)	101.8%	131.9%
Increase (Decrease) in Present Value of		
Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
Plan Experience	476,388	
Benefits Paid	(508,197)	
Interest	597,891	
Other	<u>0</u>	
Total	566,082	

Valuation Date	10/1/2022	10/1/2021
Applicable to Fiscal Year Ending	<u>9/30/2024</u>	<u>9/30/2023</u>

E. Pension Cost

Normal Cost (with interest) % of Total Annual Payroll ²	28.0	28.0
Administrative Expenses (with interest) % of Total Annual Payroll ²	3.3	3.2
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 15 years (as of 10/1/2022, with interest) % of Total Annual Payroll ²	(5.5)	(6.1)
Minimum Required Contribution ³ % of Total Annual Payroll ^{2 3}	28.0	28.0
Expected Member Contributions % of Total Annual Payroll ²	5.0	5.0
Expected Town and State Contribution % of Total Annual Payroll ^{2 3}	23.0	23.0

F. Past Contributions

Plan Years Ending:	<u>9/30/2022</u>
Total Required Contribution	451,020
Town and State Requirement	364,286
Actual Contributions Made:	
Members (excluding buyback)	86,735
Town	244,743
State	<u>119,543</u>
Total	451,021

G. Net Actuarial (Gain)/Loss	173,710
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¹ The asset values and liabilities include accumulated Share Plan Balances as of 9/30/2022 and 9/30/2021.

² Contributions developed as of 10/1/2022 are expressed as a percentage of total annual payroll at 10/1/2022 of \$1,579,819.

³ Reflects normal cost minimum funding requirements of Chapter 112, Florida Statutes.

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

<u>Year</u>	<u>Projected Unfunded Actuarial Accrued Liability</u>
2022	(657,269) ¹

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

	<u>Actual</u>	<u>Assumed</u>
Year Ended 9/30/2022	8.66%	5.86%
Year Ended 9/30/2021	9.39%	5.87%
Year Ended 9/30/2020	5.67%	5.80%
Year Ended 9/30/2019	6.64%	5.85%
Year Ended 9/30/2018	8.61%	6.25%

(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 9/30/2022	-17.11%	4.83%	7.00%
Year Ended 9/30/2021	20.53%	9.90%	7.25%
Year Ended 9/30/2020	8.56%	8.25%	7.25%
Year Ended 9/30/2019	4.14%	8.41%	7.25%
Year Ended 9/30/2018	8.86%	7.28%	7.75%

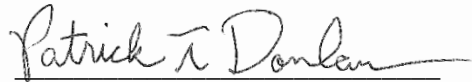
(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2022	\$1,579,819
	10/1/2012	1,344,024
(b) Total Increase		17.54%
(c) Number of Years		10.00
(d) Average Annual Rate		1.63%

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

STATEMENT BY ENROLLED ACTUARY

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



Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #20-6595

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

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

Mr. Steve Bardin
Municipal Police and Fire
Pension Trust Funds
Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

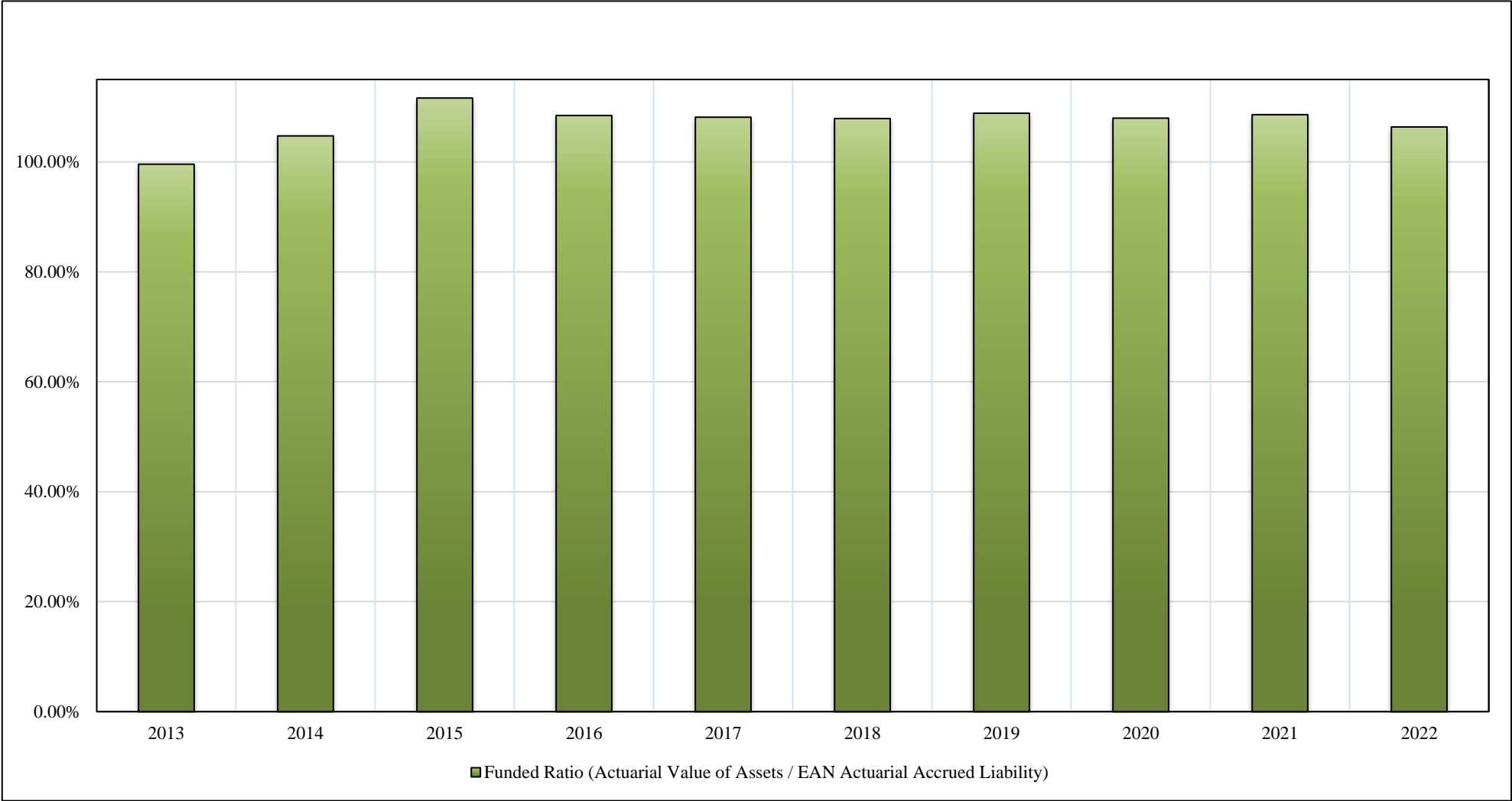
(1)	Unfunded Actuarial Accrued Liability as of October 1, 2021	(\$837,148)
(2)	Sponsor Normal Cost developed as of October 1, 2021	361,439
(3)	Expected administrative expenses for the year ended September 30, 2022	51,102
(4)	Expected interest on (1), (2) and (3)	(31,511)
(5)	Sponsor contributions to the System during the year ended September 30, 2022	364,286
(6)	Expected interest on (5)	10,575
(7)	Expected Unfunded Actuarial Accrued Liability as of September 30, 2022 (1)+(2)+(3)+(4)-(5)-(6)	(830,979)
(8)	Change to UAAL due to Assumption Change	0
(9)	Change to UAAL due to Actuarial (Gain)/Loss	173,710
(10)	Unfunded Actuarial Accrued Liability as of October 1, 2022	(657,269)

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2022 <u>Amount</u>	Amortization <u>Amount</u>
Fresh Start	10/1/2018	11	(673,358)	(83,922)
Actuarial Gain	10/1/2018	11	(363,947)	(45,360)
Asmp/Mthd Change	10/1/2018	11	355,738	44,337
Actuarial Gain	10/1/2019	12	(130,989)	(15,413)
Asmp/Mthd Change	10/1/2020	13	(286,490)	(32,036)
Actuarial Gain	10/1/2020	13	(174,490)	(19,512)
Benefits Change	10/1/2020	13	493,731	55,211
Actuarial Gain	10/1/2021	14	(310,524)	(33,184)
Assump Change	10/1/2021	14	259,350	27,715
Actuarial Loss	10/1/2022	15	<u>173,710</u>	<u>17,825</u>
			(657,269)	(84,339)

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2021	(\$837,148)
(2) Expected UAAL as of October 1, 2022	(830,979)
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	229,778
Salary Increases	(15,312)
Active Decrements	(35,142)
Inactive Mortality	43,739
Interest Crediting on Share Plan Balances	(23,790)
Other	<u>(25,563)</u>
Increase in UAAL due to (Gain)/Loss	173,710
Assumption Changes	0
(4) Actual UAAL as of October 1, 2022	(\$657,269)

HISTORY OF FUNDING PROGRESS



ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Active Lives:

Female: PubS.H-2010 (Below Median) for Employees, set forward one year.

Male: PubS.H-2010 (Below Median) for Employees, set forward one year.

Healthy Retiree Lives:

Female: PubS.H-2010 for Healthy Retirees, set forward one year.

Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.

Beneficiary Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.

Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Disabled Lives:

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. 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, 2021 FRS valuation report for special risk employees, with appropriate adjustments made based on plan demographics.

Interest Rate

7.00% 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

<u>Years of Service</u>	<u>Rate</u>
0 – 4	6.25%
5 – 9	6.00%
10 – 14	5.50%
15+	5.00%

This assumption is based on results of an experience study dated December 12, 2018.

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

\$50,258 annually, based on the average of actual expenses incurred in the prior two fiscal years.

Amortization Method

New UAAL amortization bases are amortized over 15 years.

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

Retirement Age

Earlier of age 55 and 8 years of service or the completion of 20 years of service, regardless of age. This assumption was confirmed as part of an experience study dated December 12, 2018 and plan provision effective October 4, 2021.

Early Retirement

Commencing with eligibility for Early Retirement Age (age 50 with 8 years of Service), Members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year. This assumption is based on results of an experience study dated December 12, 2018 and plan provision effective October 4, 2021.

Disability Rate

Table of sample rates are shown below.

<u>Age</u>	<u>Rate</u>
20	0.03%
30	0.04%
40	0.07%
50	0.18%

It is assumed that 75% of disablements are service related. This assumption was confirmed as part of an experience study dated December 12, 2018.

Termination Rate

<u>Age</u>	<u>Rate</u>
<30	11.8%
30-34	9.6%
35-39	6.9%
40-44	4.8%
45-49	3.9%
50-54	1.4%
55+	1.0%

In addition, all members are assumed to have a 12% rate in their first year, regardless of age. This assumption is based on results of an experience study dated December 12, 2018.

Funding Method

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

Interest - a half year, based on current 7.00% assumption.

Salary - None.

Asset Valuation

All assets are valued at market value with an adjustment to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

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 433.3% on October 1, 2012 to 147.1% on October 1, 2022, 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 54.7%. 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 98.7% on October 1, 2012 to 106.4% on October 1, 2022.
- 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 7.0% on October 1, 2012 to -1.0% on October 1, 2022. The current Net Cash Flow Ratio of -1.0% 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>10/1/2022</u>	<u>10/1/2021</u>	<u>10/1/2017</u>	<u>10/1/2012</u>
<u>Support Ratio</u>				
Total Actives	25	30	27	26
Total Inactives ¹	17	15	12	6
Actives / Inactives ¹	147.1%	200.0%	225.0%	433.3%

Asset Volatility Ratio

Market Value of Assets (MVA)	9,533,250	11,604,407	7,854,597	4,855,467
Total Annual Payroll	1,669,705	1,857,897	1,527,162	1,344,024
MVA / Total Annual Payroll	571.0%	624.6%	514.3%	361.3%

Accrued Liability (AL) Ratio

Inactive Accrued Liability	5,653,633	5,288,843	3,451,754	2,040,839
Total Accrued Liability (EAN)	10,338,760	9,741,477	7,010,827	4,677,794
Inactive AL / Total AL	54.7%	54.3%	49.2%	43.6%

Funded Ratio

Actuarial Value of Assets (AVA)	10,996,029	10,578,625	7,581,278	4,615,904
Total Accrued Liability (EAN)	10,338,760	9,741,477	7,010,827	4,677,794
AVA / Total Accrued Liability (EAN)	106.4%	108.6%	108.1%	98.7%

Net Cash Flow Ratio

Net Cash Flow ²	(94,110)	(47,738)	37,210	341,201
Market Value of Assets (MVA)	9,533,250	11,604,407	7,854,597	4,855,467
Ratio	-1.0%	-0.4%	0.5%	7.0%

¹ Excludes terminated participants awaiting a refund of member contributions.

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

PARTIAL HISTORY OF PREMIUM TAX REFUNDS

Received During <u>Fiscal Year</u>	<u>Amount</u>	Increase from <u>Previous Year</u>
1998	38,224.00	_____%
1999	44,931.63	17.5%
2000	83,611.21	86.1%
2001	68,911.16	-17.6%
2002	79,849.47	15.9%
2003	83,511.11	4.6%
2004	93,282.31	11.7%
2005	98,209.34	5.3%
2006	98,209.34	0.0%
2007	101,743.55	3.6%
2008	101,337.56	-0.4%
2009	102,614.59	1.3%
2010	89,527.35	-12.8%
2011	88,122.72	-1.6%
2012	87,389.86	-0.8%
2013	85,098.25	-2.6%
2014	88,481.74	4.0%
2015	98,306.14	11.1%
2016	101,651.30	3.4%
2017	102,878.64	1.2%
2018	109,636.75	6.6%
2019	121,575.38	10.9%
2020	121,657.50	0.1%
2021	124,682.40	2.5%
2022	129,085.26	3.5%

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2022

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	209,457.42	209,457.42
Total Cash and Equivalents	209,457.42	209,457.42
Total Receivable	0.00	0.00
Investments:		
Mutual Funds:		
Fixed Income	4,294,439.56	3,571,622.67
Equity	4,823,884.31	4,491,696.63
Pooled/Common/Commingled Funds:		
Real Estate	884,571.83	1,342,274.00
Total Investments	10,002,895.70	9,405,593.30
Total Assets	10,212,353.12	9,615,050.72
<u>LIABILITIES</u>		
Payables:		
Investment Expenses	8,413.87	8,413.87
Administrative Expenses	3,694.07	3,694.07
Prepaid Town Contribution	69,693.21	69,693.21
Total Liabilities	81,801.15	81,801.15
NET POSITION RESTRICTED FOR PENSIONS	10,130,551.97	9,533,249.57

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022
Market Value Basis

ADDITIONS

Contributions:

Member	86,734.68
Town	244,743.03
State	129,085.26

Total Contributions	460,562.97
---------------------	------------

Investment Income:

Net Realized Gain (Loss)	12,930.00
Unrealized Gain (Loss)	(3,112,257.35)
Net Increase in Fair Value of Investments	(3,099,327.35)
Interest & Dividends	1,155,628.71
Less Investment Expense ¹	(33,349.39)

Net Investment Income	(1,977,048.03)
-----------------------	----------------

Total Additions	(1,516,485.06)
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DEDUCTIONS

Distributions to Members:

Benefit Payments	469,537.86
Lump Sum Share Distributions	10,964.68
Refunds of Member Contributions	27,694.19

Total Distributions	508,196.73
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Administrative Expense	46,475.61
------------------------	-----------

Total Deductions	554,672.34
------------------	------------

Net Increase in Net Position	(2,071,157.40)
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NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year	11,604,406.97
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End of the Year	9,533,249.57
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¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION

September 30, 2022

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a five year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Plan Year Ending	Gain/(Loss)	<u>Gains/Losses Not Yet Recognized</u>				
		Amounts Not Yet Recognized by Valuation Year				
		2022	2023	2024	2025	2026
09/30/2021	1,282,228	769,336	512,890	256,444	0	0
09/30/2022	(2,790,144)	(2,232,115)	(1,674,086)	(1,116,057)	(558,028)	0
Total		(1,462,779)	(1,161,196)	(859,613)	(558,028)	0

Development of Investment Gain/Loss

Market Value of Assets, including Prepaid Contributions, 09/30/2021	11,651,315
Contributions Less Benefit Payments & Admin Expenses	(71,324)
Expected Investment Earnings*	813,096
Actual Net Investment Earnings	(1,977,048)
2022 Actuarial Investment Gain/(Loss)	<u>(2,790,144)</u>

*Expected Investment Earnings = $0.07 * (11,651,315 - 0.5 * 71,324)$

Development of Actuarial Value of Assets

(1) Market Value of Assets, 09/30/2022	9,533,250
(2) Gains/(Losses) Not Yet Recognized	<u>(1,462,779)</u>
(3) Actuarial Value of Assets, 09/30/2022, (1) - (2)	10,996,029

(A) 09/30/2021 Actuarial Assets, including Prepaid Contributions: 10,625,533

(I) Net Investment Income:

1. Interest and Dividends	1,155,629
2. Realized Gain (Loss)	12,930
3. Unrealized Gain (Loss)	(3,112,257)
4. Change in Actuarial Value	2,488,561
5. Investment Expenses	<u>(33,349)</u>
Total	511,513

(B) 09/30/2022 Actuarial Assets, including Prepaid Contributions: 11,065,722

Actuarial Assets Rate of Return = $2I/(A+B-I)$: 4.83%

Market Value of Assets Rate of Return: -17.11%

10/01/2022 Limited Actuarial Assets (not including Prepaid): 10,996,029

Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis) (229,778)

REVENUES

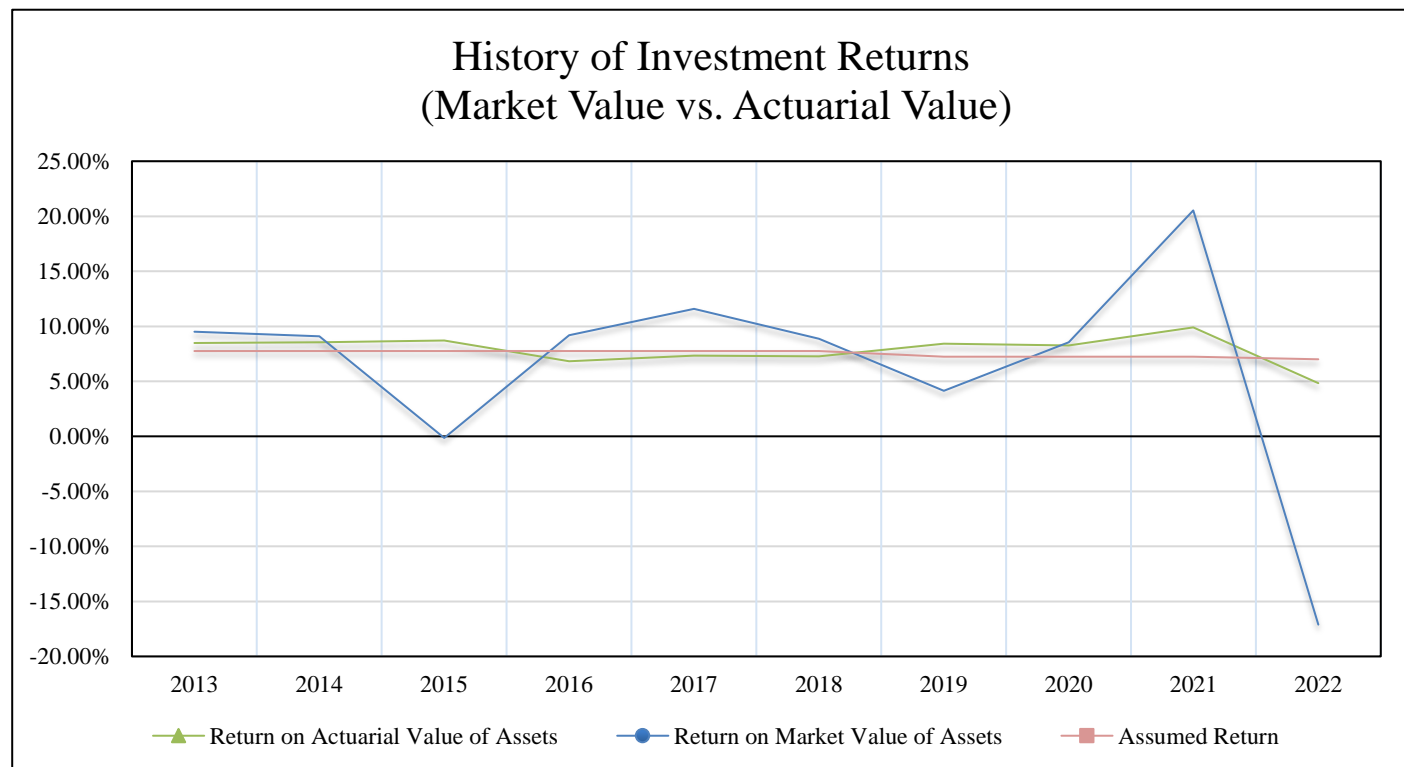
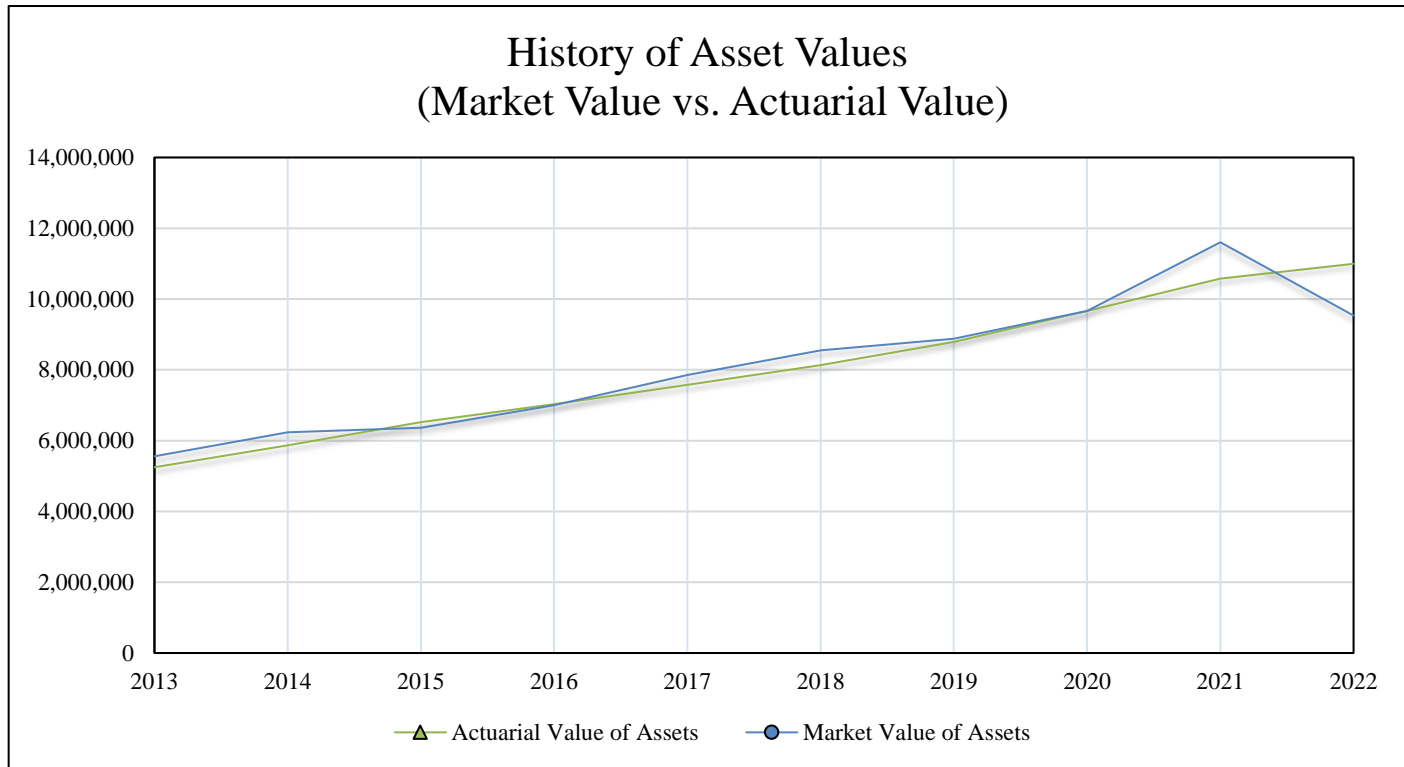
SUPPLEMENTAL CHAPTER 185 SHARE PLAN ACTIVITY
October 1, 2021 through September 30, 2022

9/30/2021 Balance	110,473.58
Prior Year Adjustment	(838.38)
Plus Additions	9,542.63
Investment Return Earned (Est.)	(16,883.00)
Administrative Fees	(2,000.00)
Less Distributions	(10,964.68)
9/30/2022 Balance (Est.)	89,330.15

RECONCILIATION OF TOWN SHORTFALL/(PREPAID) CONTRIBUTION
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2022

(1) Total Required Contribution Rate	26.0%
(2) Pensionable Payroll Derived from Member Contributions	\$1,734,693.60
(3) Total Required Contribution (1) x (2)	451,020.34
(4) Less Actual Member Contributions	(86,734.68)
(5) Less Allowable State Contribution	<u>(119,542.63)</u>
(6) Equals Required Town Contribution for Fiscal 2022	244,743.03
(7) Less 2021 Prepaid Contribution	(46,908.33)
(8) Less Actual Town Contributions	<u>(267,527.91)</u>
(9) Equals Town's Shortfall/(Prepaid) Contribution as of September 30, 2022	(\$69,693.21)

HISTORY OF ASSET VALUES AND INVESTMENT RETURNS



STATISTICAL DATA

	<u>10/1/2022</u>	<u>10/1/2021</u>	<u>10/1/2020</u>	<u>10/1/2019</u>
<u>Actives</u>				
Number	25	30	26	27
Average Current Age	41.2	41.5	41.7	41.1
Average Age at Employment	34.6	35.8	34.3	34.8
Average Past Service	6.6	5.7	7.4	6.3
Average Annual Salary	\$66,788	\$61,930	\$62,004	\$58,818
<u>Service Retirees</u>				
Number	12	10	9	9
Average Current Age	63.7	61.8	64.4	63.4
Average Annual Benefit	\$33,972	\$36,536	\$28,901	\$28,901
<u>Beneficiaries</u>				
Number	0	0	0	0
Average Current Age	N/A	N/A	N/A	N/A
Average Annual Benefit	N/A	N/A	N/A	N/A
<u>Disability Retirees</u>				
Number	4	4	4	4
Average Current Age	54.9	53.9	52.9	51.9
Average Annual Benefit	\$21,581	\$21,581	\$21,581	\$21,581
<u>Terminated Vested</u>				
Number	19	16	13	12
Average Current Age ¹	45.5	44.5	43.5	42.5
Average Annual Benefit ¹	\$22,164	\$22,164	\$22,164	\$22,164

¹ The Average Current Age and Average Annual Benefit exclude 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	2				1							3
30 - 34		2				2						4
35 - 39		2		1				1				4
40 - 44				1		2						3
45 - 49				1	1	1		1	1			5
50 - 54		2				2	1	1				6
55 - 59												0
60 - 64												0
65+												0
Total	2	6	0	3	2	7	1	3	1	0	0	25

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2021	30
b. Terminations	
i. Vested (partial or full) with deferred annuity	0
ii. Vested in refund of member contributions only	(3)
iii. Refund of member contributions or full lump sum distribution received	(2)
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	(2)
f. Continuing participants	23
g. New entrants / Rehires	<u>2</u>
h. Total active life participants in valuation	25

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

	Service Retirees, Vested Receiving <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested (Deferred <u>Annuity</u>)	Vested (Due <u>Refund</u>)	<u>Total</u>
a. Number prior valuation	10	0	4	1	15	30
Retired	2	0	0	0	0	2
Vested (Deferred Annuity)	0	0	0	0	0	0
Vested (Due Refund)	0	0	0	0	3	3
Hired/Terminated in Same Year	0	0	0	0	1	1
Death, With Survivor	0	0	0	0	0	0
Death, No Survivor	0	0	0	0	0	0
Disabled	0	0	0	0	0	0
Refund of Contributions	0	0	0	0	(1)	(1)
Rehires	0	0	0	0	0	0
Expired Annuities	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0
b. Number current valuation	12	0	4	1	18	35

SUMMARY OF CURRENT PLAN
(Through Ordinance 2021-20)

<u>Eligibility</u>	Full-time employees who are classified as sworn Police Officers.
<u>Credited Service</u>	Total years and fractional parts of years of service with the Town as a Police Officer.
<u>Salary</u>	Total W-2 compensation, plus tax deferred, tax sheltered and tax exempt income and excludes overtime in excess of 300 hours earned each fiscal year after the effective date. Unused annual leave eligible to be included in Salary is frozen as of November 21, 2011 and any leave used will reduce this frozen amount.
<u>Average Final Compensation</u>	Average Salary for the best 5 years during the 10 years immediately preceding retirement or termination.
<u>Member Contributions</u>	5.00% of Salary.
<u>Town and State Contributions</u>	Remaining amount required in order to fund to actuarial soundness.
<u>Normal Retirement</u>	
Date	Earlier of 1) Age 55 and 8 years of Credited Service, or 2) 20 years of Credited Service, regardless of age.
Benefit	(3.30% <u>times</u> Credited Service earned prior to October 1, 2021 plus 3.50% <u>times</u> Credited Service earned on or after October 1, 2021) <u>times</u> Average Final Compensation, plus a supplemental monthly benefit of \$200 (\$100 if retired prior to November 2, 2006).
Form of Benefit	Ten Year Certain and Life Annuity (options available).
<u>Early Retirement</u>	
Eligibility	Age 50 with 8 Years of Credited Service.
Benefit	Accrued benefit, reduced 3.00% for each year that Early Retirement precedes the otherwise Normal Retirement Date assuming continued employment.

Vesting

Schedule	100% after 8 years of Credited Service.
Benefit Amount	Member will receive either a refund of their accumulated contributions or the vested portion of his (her) accrued benefit payable at their otherwise Normal or Early (reduced) Retirement Date.

Disability

Eligibility	
Service Incurred	Covered from Date of Employment.
Non-Service Incurred	8 years of Credited Service.
Exclusions	Disability resulting from use of drugs, illegal participation in riots, service in military, etc.
Benefit	Benefit accrued as regular retirement to date of disability but not less than 42% of Average Final Compensation (Service Incurred). Accrued regular retirement amount (Non-Service Incurred).
Duration	Payable for life with 10 years certain or until recovery (as determined by the Board). Optional forms available.

Death Benefits

Pre-Retirement	
Vested	Monthly accrued benefit payable to designated beneficiary for 10 years at Member's Normal or Early (reduced) Retirement Date.
Non-Vested	Refund of accumulated contributions without interest.
Post-Retirement	Benefits payable to beneficiary in accordance with option selected at retirement.

Board of Trustees

- a. Two Commission appointees,
- b. Two Members of the Department elected by the Membership, and
- c. Fifth Member elected by other 4 and appointed by Commission.

Chapter 185 Share Accounts

Ordinance 2018-45 established a Share Plan and is funded by the entire excess state monies reserve and an equal share of annual state monies in excess of \$85,098.25. Based on Ordinance 2021-20, the “frozen” State Monies increases from \$85,098.25 to \$110,000.00 for the 2021 Calendar year and thereafter.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2022

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	209,457
Total Cash and Equivalents	209,457
Total Receivable	0
Investments:	
Mutual Funds:	
Fixed Income	3,571,623
Equity	4,491,697
Pooled/Common/Commingled Funds:	
Real Estate	1,342,274
Total Investments	9,405,594
Total Assets	9,615,051
<u>LIABILITIES</u>	
Payables:	
Investment Expenses	8,414
Administrative Expenses	3,694
Total Liabilities	12,108
NET POSITION RESTRICTED FOR PENSIONS	9,602,943

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2022
Market Value Basis

ADDITIONS

Contributions:

Member	86,735
Town	267,528
State	129,085

Total Contributions	483,348
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Investment Income:

Net Increase in Fair Value of Investments	(3,099,327)
Interest & Dividends	1,155,629
Less Investment Expense ¹	(33,349)

Net Investment Income	(1,977,047)
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Total Additions	(1,493,699)
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DEDUCTIONS

Distributions to Members:

Benefit Payments	469,538
Lump Sum Share Distributions	10,965
Refunds of Member Contributions	27,694

Total Distributions	508,197
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Administrative Expense	46,476
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Total Deductions	554,673
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Net Increase in Net Position	(2,048,372)
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NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year	11,651,315
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End of the Year	9,602,943
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¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2022)

Plan Administration

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

- a. Two Commission appointees,
- b. Two Members of the Department elected by the Membership, and a
- c. Fifth Member elected by other 4 and appointed by Commission.

Plan Membership as of October 1, 2021:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	14
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	16
Active Plan Members	30
	60

Benefits Provided

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

A summary of the benefit provisions can be found in the October 1, 2021 Actuarial Valuation Report for the Town of Lady Lake Police Officers' Retirement Trust Fund prepared by Foster & Foster Actuaries and Consultants.

Contributions

Member Contributions: 5.00% of Salary.

Town and State Contributions: Remaining amount required in order to fund to actuarial soundness.

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2022:

Asset Class	Target Allocation
Domestic Equity	45.0%
International Equity	15.0%
Broad Market Fixed Income	25.0%
Global Fixed Income	5.0%
Private Real Estate	10.0%
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, 2022, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was -17.11 percent.

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

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2022 were as follows:

Total Pension Liability	\$ 10,325,470
Plan Fiduciary Net Position	\$ (9,602,943)
Sponsor's Net Pension Liability	<u>\$ 722,527</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	93.00%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2021 updated to September 30, 2022 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Service based
Discount Rate	7.00%
Investment Rate of Return	7.00%

Mortality Rate Healthy Lives:

Female: PubS.H-2010 (Below Median) for Employees, set forward one year.

Male: PubS.H-2010 (Below Median) for Employees, set forward one year.

Mortality Rate Healthy Retiree Lives:

Female: PubS.H-2010 for Healthy Retirees, set forward one year.

Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.

Mortality Rate Beneficiary Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.

Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Mortality Rate Disabled Lives:

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. 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, 2021 FRS valuation report for 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 12, 2018.

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 2022 the inflation rate assumption of the investment advisor was 2.50%.

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 arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2022 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return ¹
Domestic Equity	7.50%
International Equity	8.50%
Broad Market Fixed Income	2.50%
Global Fixed Income	3.50%
Private Real Estate	4.50%

¹ Source: AndCo Consulting

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.00 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 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Sponsor's Net Pension Liability	\$ 1,945,196	\$ 722,527	\$ (292,907)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 2 Fiscal Years

	09/30/2022	09/30/2021
Total Pension Liability		
Service Cost	439,992	310,932
Interest	692,768	658,877
Share Plan Allocation	9,542	19,792
Changes of benefit terms	-	462,151
Differences between Expected and Actual Experience	(19,432)	(90,188)
Changes of assumptions	-	249,989
Benefit Payments, including Refunds of Employee Contributions	(508,197)	(431,268)
Net Change in Total Pension Liability	614,673	1,180,285
Total Pension Liability - Beginning	9,710,797	8,530,512
Total Pension Liability - Ending (a)	\$ 10,325,470	\$ 9,710,797
Plan Fiduciary Net Position		
Contributions - Employer	267,528	217,593
Contributions - State	129,085	124,682
Contributions - Employee	86,735	87,037
Net Investment Income	(1,977,047)	1,985,061
Benefit Payments, including Refunds of Employee Contributions	(508,197)	(431,268)
Administrative Expense	(46,476)	(54,040)
Net Change in Plan Fiduciary Net Position	(2,048,372)	1,929,065
Plan Fiduciary Net Position - Beginning	11,651,315	9,722,250
Plan Fiduciary Net Position - Ending (b)	\$ 9,602,943	\$ 11,651,315
Net Pension Liability - Ending (a) - (b)	\$ 722,527	\$ (1,940,518)
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	93.00%	119.98%
Covered Payroll	\$ 1,734,694	\$ 1,740,741
Net Pension Liability as a percentage of Covered Payroll	41.65%	-111.48%

Notes to Schedule:

Changes of benefit terms:

For measurement date 09/30/2021, amounts reported as changes of benefit terms, resulted from Ordinance No. 2021-20. This ordinance provided the following benefit changes:

1. Increase the benefit accrual rate from 3.3% to 3.5% for credited service earned on or after October 1, 2021.
2. Reduce the vesting requirement from 10 years to 8 years of Credited Service.
3. Change the required service for Non-Service Incurred Disability from 10 years to 8 years.
4. Change the Early Retirement Date from age 50 with 10 years of Credited Service to age 50 with 8 years of Credited Service.
5. Change the Normal Retirement Date from the earlier of age 55 with 10 years of Credited Service or 25 years of Credited Service regardless of age to the earlier of age 55 with 8 years of Credited Service or 20 years of Credited Service regardless of age.
6. Increase the "frozen" State Monies from \$85,098.25 to \$110,000.00. The Town would be able to use this amount each year and anything received above this amount would be split between the Town and the Share Plan.
7. Change the Required Beginning Date from age seventy and one-half to seventy-two.

Changes of assumptions:

For measurement date 09/30/2021, the investment rate of return was lowered from 7.25% to 7.00% per year, net of investment related expenses.

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
09/30/2022	\$ 364,286	\$ 387,071	\$ (22,785)	\$ 1,734,694	22.31%
09/30/2021	\$ 330,741	\$ 322,483	\$ 8,258	\$ 1,740,741	18.53%

Notes to Schedule

Valuation Date: 10/01/2020 (AIS 09/03/2021)

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, 2020 Actuarial Valuation for the Town of Lady Lake Police Officers' Retirement Trust Fund 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
09/30/2022	-17.11%
09/30/2021	20.53%

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2022)

Plan Description

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

- a. Two Commission appointees,
- b. Two Members of the Department elected by the Membership, and a
- c. Fifth Member elected by other 4 and appointed by Commission.

Each person employed by the Town Police Department as a full-time Police Officer becomes a member of the System as a condition of his employment. All Police Officers are therefore eligible for plan benefits as provided for in the plan document and by applicable law.

Plan Membership as of October 1, 2021:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	14
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	16
Active Plan Members	30
	<hr/>
	60
	<hr/>

Benefits Provided

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

A summary of the benefit provisions can be found in the October 1, 2021 Actuarial Valuation Report for the Town of Lady Lake Police Officers' Retirement Trust Fund prepared by Foster & Foster Actuaries and Consultants.

Contributions

Member Contributions: 5.00% of Salary.

Town and State Contributions: Remaining amount required in order to fund to actuarial soundness.

Net Pension Liability

The measurement date is September 30, 2022.

The measurement period for the pension expense was October 1, 2021 to September 30, 2022.

The reporting period is October 1, 2021 through September 30, 2022.

The Sponsor's Net Pension Liability was measured as of September 30, 2022.

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, 2021 updated to September 30, 2022 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Service based
Discount Rate	7.00%
Investment Rate of Return	7.00%

Mortality Rate Healthy Lives:

Female: PubS.H-2010 (Below Median) for Employees, set forward one year.

Male: PubS.H-2010 (Below Median) for Employees, set forward one year.

Mortality Rate Healthy Retiree Lives:

Female: PubS.H-2010 for Healthy Retirees, set forward one year.

Male: PubS.H-2010 (Below Median) for Healthy Retirees, set forward one year.

Mortality Rate Beneficiary Lives:

Female: PubG.H-2010 (Below Median) for Healthy Retirees.

Male: PubG.H-2010 (Below Median) for Healthy Retirees, set back one year.

Mortality Rate Disabled Lives:

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. 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, 2021 FRS valuation report for 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 12, 2018.

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 2022 the inflation rate assumption of the investment advisor was 2.50%.

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 arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return ¹
Domestic Equity	45.0%	7.5%
International Equity	15.0%	8.5%
Broad Market Fixed Income	25.0%	2.5%
Global Fixed Income	5.0%	3.5%
Private Real Estate	10.0%	4.5%
Total	100.0%	

¹ Source: AndCo Consulting

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.00 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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances as of September 30, 2021	\$ 9,710,797	\$ 11,651,315	\$ (1,940,518)
Changes for a Year:			
Service Cost	439,992	-	439,992
Interest	692,768	-	692,768
Share Plan Allocation	9,542	-	9,542
Differences between Expected and Actual Experience	(19,432)	-	(19,432)
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - Employer	-	267,528	(267,528)
Contributions - State	-	129,085	(129,085)
Contributions - Employee	-	86,735	(86,735)
Net Investment Income	-	(1,977,047)	1,977,047
Benefit Payments, including Refunds of Employee Contributions	(508,197)	(508,197)	-
Administrative Expense	-	(46,476)	46,476
Net Changes	614,673	(2,048,372)	2,663,045
Balances as of September 30, 2022	\$ 10,325,470	\$ 9,602,943	\$ 722,527

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

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Sponsor's Net Pension Liability	\$ 1,945,196	\$ 722,527	\$ (292,907)

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, 2022

For the year ended September 30, 2022, the Sponsor will recognize a Pension Expense of \$565,257.

On September 30, 2022, 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	-	131,888
Changes of assumptions	165,992	33,014
Net difference between Projected and Actual Earnings on Pension Plan investments	1,471,349	-
Total	<u>\$ 1,637,341</u>	<u>\$ 164,902</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:

2023	\$ 303,631
2024	\$ 314,054
2025	\$ 296,725
2026	\$ 558,029
2027	\$ -
Thereafter	\$ -

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 2 Fiscal Years

Measurement Date	09/30/2022	09/30/2021
Total Pension Liability		
Service Cost	439,992	310,932
Interest	692,768	658,877
Share Plan Allocation	9,542	19,792
Changes of benefit terms	-	462,151
Differences between Expected and Actual Experience	(19,432)	(90,188)
Changes of assumptions	-	249,989
Benefit Payments, including Refunds of Employee Contributions	(508,197)	(431,268)
Net Change in Total Pension Liability	614,673	1,180,285
Total Pension Liability - Beginning	9,710,797	8,530,512
Total Pension Liability - Ending (a)	<u>\$ 10,325,470</u>	<u>\$ 9,710,797</u>
Plan Fiduciary Net Position		
Contributions - Employer	267,528	217,593
Contributions - State	129,085	124,682
Contributions - Employee	86,735	87,037
Net Investment Income	(1,977,047)	1,985,061
Benefit Payments, including Refunds of Employee Contributions	(508,197)	(431,268)
Administrative Expense	(46,476)	(54,040)
Net Change in Plan Fiduciary Net Position	(2,048,372)	1,929,065
Plan Fiduciary Net Position - Beginning	11,651,315	9,722,250
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,602,943</u>	<u>\$ 11,651,315</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 722,527</u>	<u>\$ (1,940,518)</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	93.00%	119.98%
Covered Payroll	\$ 1,734,694	\$ 1,740,741
Net Pension Liability as a percentage of Covered Payroll	41.65%	-111.48%

Notes to Schedule:*Changes of benefit terms:*

For measurement date 09/30/2021, amounts reported as changes of benefit terms, resulted from Ordinance No. 2021-20. This ordinance provided the following benefit changes:

1. Increase the benefit accrual rate from 3.3% to 3.5% for credited service earned on or after October 1, 2021.
2. Reduce the vesting requirement from 10 years to 8 years of Credited Service.
3. Change the required service for Non-Service Incurred Disability from 10 years to 8 years.
4. Change the Early Retirement Date from age 50 with 10 years of Credited Service to age 50 with 8 years of Credited Service.
5. Change the Normal Retirement Date from the earlier of age 55 with 10 years of Credited Service or 25 years of Credited Service regardless of age to the earlier of age 55 with 8 years of Credited Service or 20 years of Credited Service regardless of age.
6. Increase the "frozen" State Monies from \$85,098.25 to \$110,000.00. The Town would be able to use this amount each year and anything received above this amount would be split between the Town and the Share Plan.
7. Change the Required Beginning Date from age seventy and one-half to seventy-two.

Changes of assumptions:

For measurement date 09/30/2021, the investment rate of return was lowered from 7.25% to 7.00% per year, net of investment related expenses.

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
09/30/2022	\$ 364,286	\$ 387,071	\$ (22,785)	\$ 1,734,694	22.31%
09/30/2021	\$ 330,741	\$ 322,483	\$ 8,258	\$ 1,740,741	18.53%

Notes to Schedule

Valuation Date: 10/01/2020 (AIS 09/03/2021)

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, 2020 Actuarial Valuation for the Town of Lady Lake Police Officers' Retirement Trust Fund 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, 2022

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ (1,940,518)	\$ 1,399,075	\$ 377,113	\$ -
Total Pension Liability Factors:				
Service Cost	439,992	-	-	439,992
Interest	692,768	-	-	692,768
Share Plan Allocation	9,542	-	-	9,542
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(19,432)	19,432	-	-
Current year amortization of experience difference	-	(110,177)	-	(110,177)
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	(33,014)	(103,495)	70,481
Benefit Payments, including Refunds of Employee Contributions	(508,197)	-	-	-
Net change	<u>614,673</u>	<u>(123,759)</u>	<u>(103,495)</u>	<u>1,102,606</u>
Plan Fiduciary Net Position:				
Contributions - Employer	267,528	-	-	-
Contributions - State	129,085	-	-	-
Contributions - Employee	86,735	-	-	(86,735)
Projected Net Investment Income	813,096	-	-	(813,096)
Difference between projected and actual earnings on Pension Plan investments	(2,790,143)	-	2,790,143	-
Current year amortization	-	(295,834)	(611,840)	316,006
Benefit Payments, including Refunds of Employee Contributions	(508,197)	-	-	-
Administrative Expenses	(46,476)	-	-	46,476
Net change	<u>(2,048,372)</u>	<u>(295,834)</u>	<u>2,178,303</u>	<u>(537,349)</u>
Ending Balance	<u><u>\$ 722,527</u></u>	<u><u>\$ 979,482</u></u>	<u><u>\$ 2,451,921</u></u>	<u><u>\$ 565,257</u></u>

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	Differences Between	Recognition											
Ending	Projected and Actual	Period (Years)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	
Earnings													
2022	\$ 2,790,143	5	\$ 558,027	\$ 558,029	\$ 558,029	\$ 558,029	\$ 558,029	\$ -	\$ -	\$ -	\$ -	\$ -	-
2021	\$ (1,282,228)	5	\$ (256,446)	\$ (256,446)	\$ (256,446)	\$ (256,446)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2020	\$ (113,104)	5	\$ (22,621)	\$ (22,621)	\$ (22,621)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2019	\$ 269,066	5	\$ 53,813	\$ 53,813	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2018	\$ (83,833)	5	\$ (16,767)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Net Increase (Decrease) in Pension Expense			\$ 316,006	\$ 332,775	\$ 278,962	\$ 301,583	\$ 558,029	\$ -	\$ -	\$ -	\$ -	\$ -	-

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)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
2021	\$ 249,989	4	\$ 62,497	\$ 62,497	\$ 62,497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	\$ (132,057)	4	\$ (33,014)	\$ (33,014)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ 245,986	6	\$ 40,998	\$ 40,998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 70,481	\$ 70,481	\$ 62,497	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - EXPERIENCE

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience

Plan Year	Differences Between	Recognition														
Ending	Expected and Actual	Period (Years)	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031				
Experience																
2022	\$ (19,432)	4	\$ (4,858)	\$ (4,858)	\$ (4,858)	\$ (4,858)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2021	\$ (90,188)	4	\$ (22,547)	\$ (22,547)	\$ (22,547)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2020	\$ (14,413)	4	\$ (3,603)	\$ (3,603)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2019	\$ (303,366)	5	\$ (60,673)	\$ (60,673)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2018	\$ (47,663)	6	\$ (7,944)	\$ (7,944)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2017	\$ (63,314)	6	\$ (10,552)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Net Increase (Decrease) in Pension Expense			\$ (110,177)	\$ (99,625)	\$ (27,405)	\$ (4,858)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-