



**Town of Melbourne
Beach
Police Officers'
Retirement Trust Fund**

Actuarial Valuation

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

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

March 30, 2026

Board of Trustees
Town of Melbourne Beach
Police Officers' Pension Board

Re: Town of Melbourne Beach Police Officers' Retirement Trust Fund Actuarial Valuation Report

Dear Board,

This report details the annual actuarial valuation of the Town of Melbourne Beach Police Officers' Retirement Trust Fund as of October 1, 2025.

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

DATA AND ASSUMPTIONS

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

DISCLOSURES AND LIMITATIONS

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law. Due to the limited scope of this report, we did not provide an analysis of these potential differences.

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

In performing the analysis, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models to generate the costs. All internally developed models are reviewed as part of the process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

ACTUARIAL CERTIFICATION

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


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

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

To our knowledge, no associate of Foster & Foster, Inc. working on this report has any direct financial interest or indirect material interest in the Town of Melbourne Beach, 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.

Respectfully submitted,

Foster & Foster, Inc.



Douglas H. Lozen, EA, MAAA



Paul Baugher, EA, FSA, MAAA

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SUMMARY

The regular annual actuarial valuation of the Town of Melbourne Beach Police Officers' Retirement Trust Fund, performed as of October 1, 2025, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ending September 30, 2027.

The contribution requirements, compared with those set forth in the October 1, 2024 actuarial valuation report, are as follows:

Valuation Date	10/1/2025	10/1/2024
Applicable to Fiscal Year Ending	9/30/2027	9/30/2026
Minimum Required Contribution % of Projected Annual Payroll	34.76%	31.37%
Member Contributions (Est.) % of Projected Annual Payroll	5.00%	5.00%
Town and State Required Contribution % of Projected Annual Payroll	29.76%	26.37%
State Contribution (Est.) ¹ % of Projected Annual Payroll	\$55,609 6.54%	\$55,609 6.54%
Town Required Contribution (Est.) ² % of Projected Annual Payroll	23.22%	19.83%

As you can see, the Minimum Required Contribution increased in comparison to the results set forth in the October 1, 2024 actuarial valuation report. The increase is attributable to a change in the mortality assumption, combined with net unfavorable actuarial experience described in the next paragraph.

¹ Represents the amount received in calendar 2025. Under the 'default' provisions of Chapter 2015-39, Laws of Florida, the Town has access to annual premium tax revenues up to \$54,044.91 (the amount received in calendar 2003). Annual state monies in excess of this amount will be allocated equally between the Town as a funding credit and the membership share plan.

² The required contribution from the combination of Town and State sources for the year ending September 30, 2027, is 29.76% of the actual payroll realized in that year. As a budgeting tool, the Town may contribute 23.22% of each Member's Salary and then make a one-time adjustment to account for the actual State Monies received. Please note that a shortfall contribution of \$4,905.42 is due in addition to the above stated requirements for the fiscal year ending September 30, 2026.

Plan experience was unfavorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial loss included an average salary increase of 16.35% which exceeded the 5.34% assumption, inactive mortality experience, and an investment return of 6.34% (Actuarial Asset Basis) which fell short of the 6.50% assumption. These losses were offset in part by a gain associated with favorable turnover experience.

CHANGES SINCE PRIOR VALUATION

PLAN CHANGES

There have been no plan changes since the prior valuation.

ACTUARIAL ASSUMPTION/METHOD CHANGES

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

VALUATION RESULTS

PRINCIPAL VALUATION RESULTS

Valuation Date	<u>New Assump</u> 10/1/2025	<u>Old Assump</u> 10/1/2025	10/1/2024
PARTICIPANT DATA			
Actives	12	12	11
Service Retirees	8	8	8
Beneficiaries	1	1	1
Disability Retirees	1	1	1
Terminated Vested	<u>5</u>	<u>5</u>	<u>5</u>
Total	27	27	26
Projected Annual Payroll	850,109	850,109	725,188
Annual Rate of Payments to:			
Service Retirees	301,329	301,329	297,430
Beneficiaries	15,058	15,058	15,058
Disability Retirees	16,697	16,697	16,697
Terminated Vested	22,379	22,379	22,379
ASSETS			
Actuarial Value (AVA) ¹	5,339,851	5,339,851	5,107,726
Market Value (MVA) ¹	5,732,579	5,732,579	5,331,881
LIABILITIES			
Present Value of Benefits			
Actives			
Retirement Benefits	3,336,595	3,235,317	2,588,849
Disability Benefits	308,458	299,902	268,463
Death Benefits	21,366	27,239	22,593
Vested Benefits	0	0	0
Refund of Contributions	50,994	50,947	39,199
Service Retirees	3,154,913	3,041,289	3,096,594
Beneficiaries	3,658	3,658	18,066
Disability Retirees	183,349	181,987	184,336
Terminated Vested	156,796	149,154	140,173
Share Plan Balances ¹	<u>1,564</u>	<u>1,564</u>	<u>0</u>
Total	7,217,693	6,991,057	6,358,273

Valuation Date	<u>New Assump</u> 10/1/2025	Old Assump 10/1/2025	10/1/2024
LIABILITIES (CONTINUED)			
Present Value of Future Salaries	5,863,095	5,855,080	4,687,582
Present Value of Future Member Contributions	293,155	292,754	234,379
Normal Cost (Retirement)	175,498	170,248	135,470
Normal Cost (Disability)	35,973	35,164	36,030
Normal Cost (Death)	1,249	1,605	1,307
Normal Cost (Vesting)	0	0	0
Normal Cost (Refunds)	<u>12,225</u>	<u>12,217</u>	<u>9,894</u>
Total Normal Cost	224,945	219,234	182,701
Present Value of Future Normal Costs	1,514,689	1,473,347	1,161,356
Accrued Liability (Retirement)	2,086,705	2,023,927	1,664,680
Accrued Liability (Disability)	90,674	87,470	72,239
Accrued Liability (Death)	12,074	15,395	13,133
Accrued Liability (Vesting)	0	0	0
Accrued Liability (Refunds)	13,271	13,266	7,696
Accrued Liability (Inactives)	3,498,716	3,376,088	3,439,169
Share Plan Balances ¹	<u>1,564</u>	<u>1,564</u>	<u>0</u>
Total Actuarial Accrued Liability (EAN AL)	5,703,004	5,517,710	5,196,917
Unfunded Actuarial Accrued Liability (UAAL)	363,153	177,859	89,191
Funded Ratio (AVA / EAN AL)	93.6%	96.8%	98.3%

ACTUARIAL PRESENT VALUE OF ACCRUED BENEFITS

Valuation Date	<u>New Assump</u> 10/1/2025	<u>Old Assump</u> 10/1/2025	10/1/2024
Vested Accrued Benefits			
Inactives + Share Plan Balances ¹	3,500,280	3,377,652	3,439,169
Actives	1,120,120	1,085,187	860,922
Member Contributions	<u>191,685</u>	<u>191,685</u>	<u>160,618</u>
Total	4,812,085	4,654,524	4,460,709
Non-vested Accrued Benefits	<u>157,794</u>	<u>152,930</u>	<u>231,896</u>
Total Present Value			
Accrued Benefits (PVAB)	4,969,879	4,807,454	4,692,605
Funded Ratio (MVA / PVAB)	115.3%	119.2%	113.6%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	162,425	0	
Plan Experience	0	159,473	
Benefits Paid	0	(338,638)	
Interest	0	294,014	
Other	<u>0</u>	<u>0</u>	
Total	162,425	114,849	

CONTRIBUTION REQUIREMENTS

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

CALCULATION OF CONTRIBUTION REQUIREMENT

Normal Cost (with interest) % of Projected Annual Payroll ²	27.32	26.63	26.01
Administrative Expenses (with interest) % of Projected Annual Payroll ²	2.97	2.97	3.99
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 15 years (as of 10/1/2025, with interest) % of Projected Annual Payroll ²	4.47	2.23	1.37
Minimum Required Contribution % of Projected Annual Payroll ²	34.76	31.83	31.37
Expected Member Contributions % of Projected Annual Payroll ²	5.00	5.00	5.00
Expected Town and State Contribution % of Projected Annual Payroll ²	29.76	26.83	26.37

PAST CONTRIBUTIONS

Plan Years Ending: 9/30/2025

Town and State Requirement 232,784

Actual Contributions Made:

Town	177,175
State	55,609
Total	232,784

¹ The asset values and liabilities include accumulated Share Plan Balances as of 9/30/2025 and 9/30/2024.

² Contributions developed as of 10/1/2025 are expressed as a percentage of Projected Annual Payroll at 10/1/2025 of \$850,109.

OTHER INFORMATION

ILLUSTRATION OF AMORTIZATION OF THE TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY

Year	Projected Unfunded Actuarial Accrued Liability
2025	363,153
2026	347,539
2027	330,910
2030	274,250
2034	179,962
2037	91,868
2040	0

5 YEAR COMPARISON OF ACTUAL AND ASSUMED SALARY INCREASES

		Actual	Assumed
Year Ended	9/30/2025	16.35%	5.34%
Year Ended	9/30/2024	7.47%	5.14%
Year Ended	9/30/2023	13.06%	4.76%
Year Ended	9/30/2022	8.54%	5.16%
Year Ended	9/30/2021	3.27%	5.47%

5 YEAR COMPARISON OF INVESTMENT RETURN ON ACTUARIAL VALUE

		Market Value	Actuarial Value	Assumed
Year Ended	9/30/2025	9.30%	6.34%	6.50%
Year Ended	9/30/2024	24.04%	9.67%	6.60%
Year Ended	9/30/2023	13.26%	5.64%	6.70%
Year Ended	9/30/2022	-16.71%	3.06%	6.90%
Year Ended	9/30/2021	23.65%	10.13%	7.25%

AVERAGE ANNUAL PAYROLL GROWTH

Valuation Date	Payroll
10/1/2025	\$850,109
10/1/2015	451,868
Total Increase	88.13%
Number of Years	10.00
Average Annual Rate	6.52%

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.



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

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

UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2024	\$89,191
(2)	Sponsor Normal Cost developed as of October 1, 2024	146,442
(3)	Expected administrative expenses for the year ended September 30, 2025	28,018
(4)	Expected interest on (1), (2) and (3)	16,227
(5)	Sponsor contributions to the System during the year ended September 30, 2025	232,784
(6)	Expected interest on (5)	6,101
(7)	Expected Unfunded Actuarial Accrued Liability as of September 30, 2025 (1)+(2)+(3)+(4)-(5)-(6)	40,993
(8)	Change to UAAL due to Assumption Change	185,294
(9)	Change to UAAL due to Actuarial (Gain)/Loss	136,866
(10)	Unfunded Actuarial Accrued Liability as of October 1, 2025	363,153

Type of Base	Date Established	Years Remaining	10/1/2025 Amount	Amortization Amount
Consolidation Base	10/1/2022	12	29,150	3,355
Actuarial Loss	10/1/2023	13	413	45
Assump Change	10/1/2023	13	12,583	1,374
Actuarial Gain	10/1/2024	14	(27,619)	(2,877)
Assump Change	10/1/2024	14	26,466	2,757
Actuarial Loss	10/1/2025	15	136,866	13,668
Assump Change	10/1/2025	15	185,294	18,504
			<u>363,153</u>	<u>36,826</u>

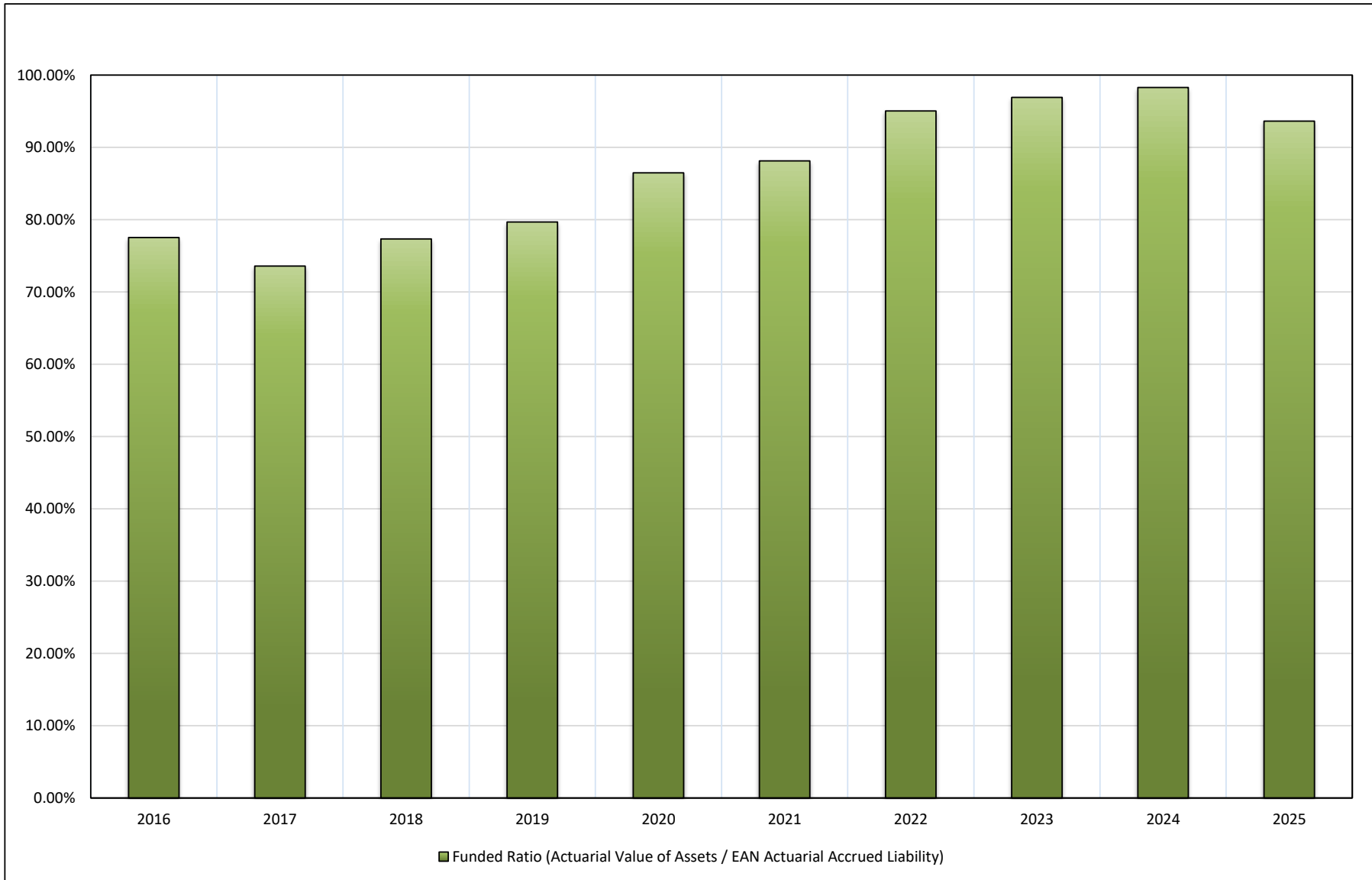
DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2024	\$89,191
(2) Expected UAAL as of October 1, 2025	40,993
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	8,105
Salary Increases	121,406
Active Decrements	(35,458)
Inactive Mortality	54,688
Other	<u>(11,875)</u>
Increase in UAAL due to (Gain)/Loss	136,866
Assumption Changes	<u>185,294</u>
(4) Actual UAAL as of October 1, 2025	\$363,153

RECONCILIATION OF CHANGES IN CONTRIBUTION REQUIREMENT

(1) Contribution Determined as of October 1, 2024	19.40%
(2) Summary of Contribution Impact by component:	
Change in State Contribution Percentage	0.43%
Change in Normal Cost Rate	0.62%
Change in Administrative Expense Percentage	-1.02%
Payroll Change Effect on UAAL Amortization	-0.10%
Investment Return (Actuarial Asset Basis)	0.10%
Salary Increases	1.47%
Active Decrements	-0.43%
Inactive Mortality	0.66%
UAAL Amortization Impact from Contribution Policy	-0.71%
Assumption Change	2.93%
Other	<u>-0.13%</u>
Total Change in Contribution	3.82%
(3) Contribution Determined as of October 1, 2025	23.22%

HISTORY OF FUNDING PROGRESS



STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2025

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	103,390.59	103,390.59
Total Cash and Equivalents	103,390.59	103,390.59
Receivables:		
Additional Town Contributions	4,905.42	4,905.42
Total Receivable	4,905.42	4,905.42
Investments:		
Mutual Funds:		
Fixed Income	1,884,445.82	1,809,626.81
Equity	2,213,110.33	3,816,156.07
Total Investments	4,097,556.15	5,625,782.88
Total Assets	4,205,852.16	5,734,078.89
<u>LIABILITIES</u>		
Payables:		
Investment Expenses	1,500.00	1,500.00
Total Liabilities	1,500.00	1,500.00
NET POSITION RESTRICTED FOR PENSIONS	4,204,352.16	5,732,578.89

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

ADDITIONS

Contributions:

Member	40,512.30
Town	177,175.09
State	57,172.27

Total Contributions 274,859.66

Investment Income:

Net Realized Gain (Loss)	36,928.96	
Unrealized Gain (Loss)	329,026.96	
Net Increase in Fair Value of Investments		365,955.92
Interest & Dividends		144,773.69
Less Investment Expense ¹		(21,000.00)

Net Investment Income 489,729.61

Total Additions 764,589.27

DEDUCTIONS

Distributions to Members:

Benefit Payments	329,184.00
Refunds of Member Contributions	9,454.23

Total Distributions 338,638.23

Administrative Expense 25,253.50

Total Deductions 363,891.73

Net Increase in Net Position 400,697.54

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 5,331,881.35

End of the Year 5,732,578.89

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

ACTUARIAL ASSET VALUATION
SEPTEMBER 30, 2025

Actuarial Assets for funding purposes are developed by increasing the Actuarial Assets used in the most recent actuarial valuation of the Fund by the average annual market value rate of return (net of investment related expenses) for the past four years. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Details of the derivation are set forth as follows:

Plan Year End	Rate of Return ¹
09/30/2022	-16.71%
09/30/2023	13.26%
09/30/2024	24.04%
09/30/2025	9.30%

Annualized Rate of Return for prior four (4) years: 6.34%

(A) 10/01/2024 Actuarial Assets, including Prepaid Contributions: \$5,110,996.05

(I) Net Investment Income:

1. Interest and Dividends	144,773.69	
2. Realized Gain (Loss)	36,928.96	
3. Unrealized Gain (Loss)	329,026.96	
4. Change in Actuarial Value	(168,573.38)	
5. Investment Related Expenses	(21,000.00)	
Total		321,156.23

(B) 10/01/2025 Actuarial Assets, excluding Shortfall Contribution: \$5,334,945.12

Actuarial Asset Rate of Return = 2I/(A+B-I), based on Unlimited Actuarial Assets: 6.34%

10/01/2025 Limited Actuarial Assets, including Shortfall Contribution \$5,339,850.54

10/01/2025 Market Value of Assets, including Shortfall Contribution \$5,732,578.89

Actuarial Asset Rate of Return, based on Limited Actuarial Assets: 6.34%

Actuarial Gain/(Loss) due to Investment Return (Limited Actuarial Asset Basis) (\$8,104.89)

¹Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2025
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	40,512.30	
Town	177,175.09	
State	57,172.27	
Total Contributions		274,859.66
Earnings from Investments:		
Interest & Dividends	144,773.69	
Net Realized Gain (Loss)	36,928.96	
Unrealized Gain (Loss)	329,026.96	
Change in Actuarial Value	(168,573.38)	
Total Earnings and Investment Gains		342,156.23
EXPENDITURES		
Distributions to Members:		
Benefit Payments	329,184.00	
Refunds of Member Contributions	9,454.23	
Total Distributions		338,638.23
Expenses:		
Investment related ¹	21,000.00	
Administrative	25,253.50	
Total Expenses		46,253.50
Change in Net Assets for the Year		232,124.16
Net Assets Beginning of the Year		5,107,726.38
Net Assets End of the Year²		5,339,850.54

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

²Net Assets may be limited for actuarial consideration.

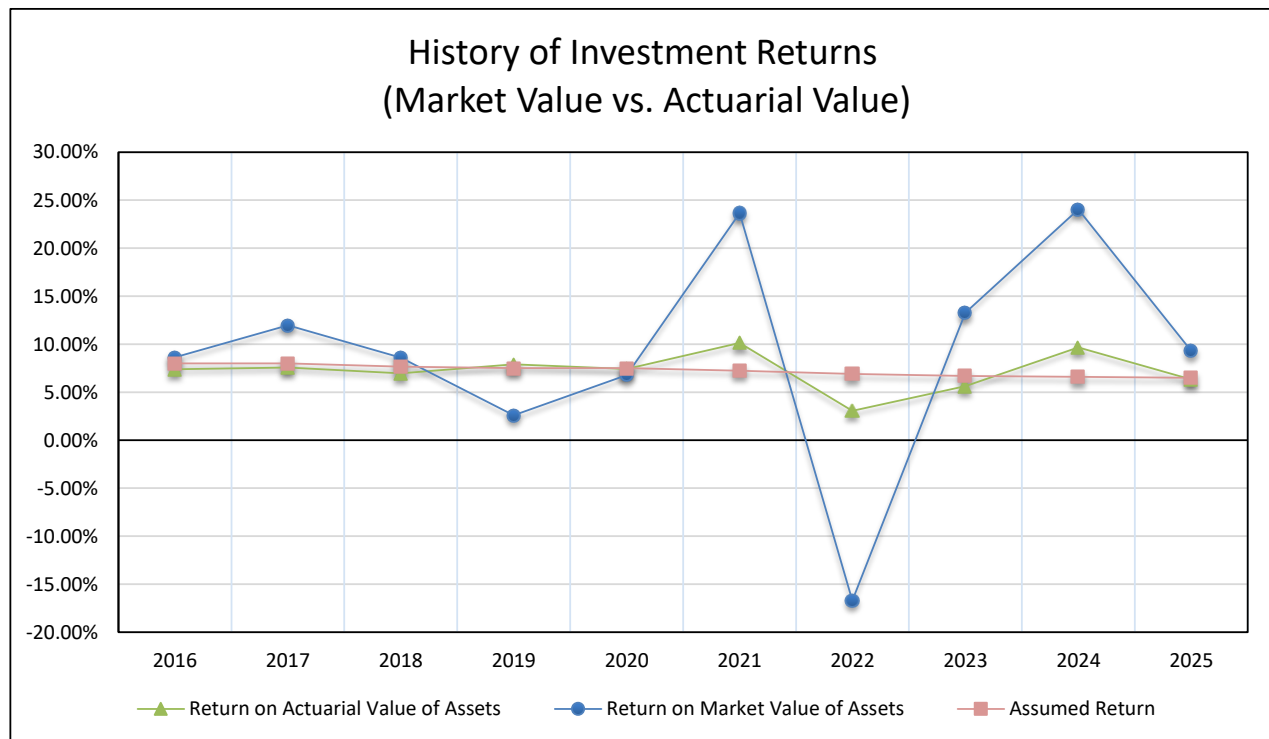
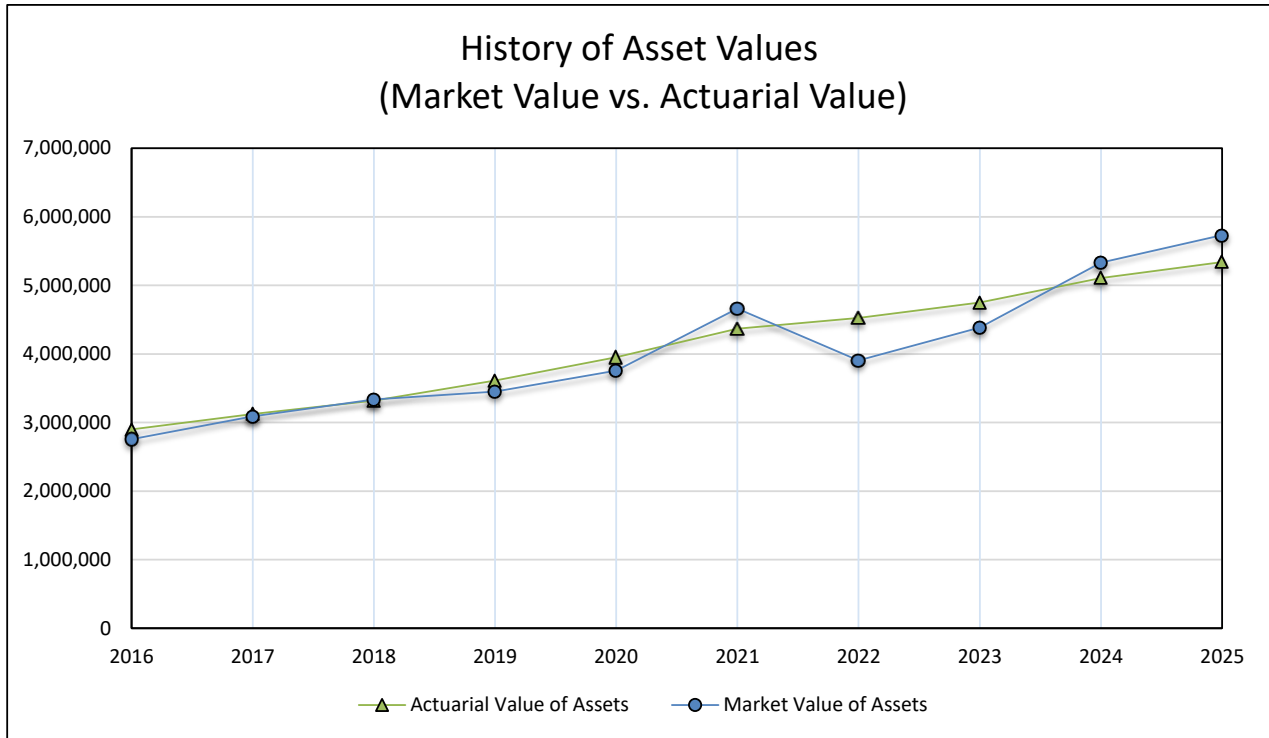
SUPPLEMENTAL SHARE PLAN ACTIVITY
CHAPTER 185

Year Beginning	10/1/2024
Year Ending	9/30/2025
Beginning of Year Balance	0.00
Prior Year Adjustment	0.00
Plus Additions	1,563.68
Investment Return Earned	0.00
Administrative Fees	0.00
Less Distributions	<u>0.00</u>
End of Year Balance	1,563.68

RECONCILIATION OF TOWN SHORTFALL/(PREPAID) CONTRIBUTION

Fiscal Year Ended	9/30/2025
(1) Town and State Required Contribution Rate	28.73%
(2) Pensionable Payroll Derived from Member Contributions	\$810,246.00
(3) Town and State Required Contribution (1) x (2)	232,783.68
(4) Less Allowable State Contribution	<u>(55,608.59)</u>
(5) Equals Required Town Contribution for Fiscal 2025	177,175.09
(6) Less 2024 Prepaid Contribution	(3,269.67)
(7) Less Actual Town Contributions	<u>(169,000.00)</u>
(8) Equals Town's Shortfall/(Prepaid) Contribution as of September 30, 2025	\$4,905.42

HISTORY OF ASSET VALUES AND INVESTMENT RETURNS



PARTICIPANT STATISTICS

STATISTICAL DATA

Valuation Date	10/1/2025	10/1/2024	10/1/2023	10/1/2022
ACTIVES				
Number	12	11	10	10
Average Current Age	39.6	43.9	42.5	38.8
Average Age at Employment	33.8	38.3	35.0	29.8
Average Past Service	5.8	5.6	7.5	9.0
Average Annual Salary	\$70,842	\$65,926	\$61,746	\$58,126
SERVICE RETIREES				
Number	8	8	7	7
Average Current Age	69.7	68.7	69.4	71.2
Average Annual Benefit	\$37,666	\$37,179	\$33,233	\$29,110
BENEFICIARIES				
Number	1	1	1	0
Average Current Age	53.7	52.7	51.7	N/A
Average Annual Benefit	\$15,058	\$15,058	\$15,058	N/A
DISABILITY RETIREES				
Number	1	1	1	1
Average Current Age	57.0	56.0	55.0	54.0
Average Annual Benefit	\$16,697	\$16,697	\$16,697	\$16,697
TERMINATED VESTED				
Number	5	5	4	3
Average Current Age ¹	42.1	41.1	40.1	39.1
Average Annual Benefit ¹	\$22,379	\$22,379	\$22,379	\$22,379

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

AGE AND SERVICE DISTRIBUTION

ACTIVE EMPLOYEES

AGE	PAST SERVICE											Total	
	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+		
15 - 19													0
20 - 24													0
25 - 29	1	1											2
30 - 34	1				1								2
35 - 39			1				1						2
40 - 44			2					1					3
45 - 49									1				1
50 - 54		1											1
55 - 59													0
60 - 64		1											1
65+													0
Total	2	3	3	0	1	0	1	1	1	0	0		12

PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2024	11
b. Terminations	
i. Vested (partial or full) with deferred annuity	0
ii. Vested in refund of member contributions only	0
iii. Refund of member contributions or full lump sum distribution	(1)
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	0
f. Continuing participants	10
g. New entrants / Rehires	<u>2</u>
h. Total active life participants in valuation	12

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

	Service Retirees, Vested Receiving Benefits	Receiving Death Benefits	Receiving Disability Benefits	Vested (Deferred Annuity)	Vested (Due Refund)	Total
a. Number prior valuation	8	1	1	1	4	15
Retired						0
Vested (Deferred Annuity)						0
Vested (Due Refund)						0
Hired/Terminated in Same Year						0
Death, With Survivor						0
Death, No Survivor						0
Disabled						0
Refund of Contributions						0
Rehires						0
Expired Annuities						0
Data Corrections						0
b. Number current valuation	8	1	1	1	4	15

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Active Lives:

Female: PubS-2010 for Employees

Male: PubS-2010 for Employees, set forward 1 year

Healthy Retiree Lives:

Female: PubS-2010 for Healthy Retirees

Male: PubS-2010 for Healthy Retirees, set forward 1 year

Beneficiary Lives:

Female: PubG.H-2010 for Healthy Retirees

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

Disabled Lives:

Female: PubG.H-2010 for Disabled Retirees, set forward 1 years

Male: PubG.H-2010 for Disabled Retirees

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

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

Previously, the following rates were used:

Healthy Active Lives:

Female: PubS.H-2010 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 for healthy lives were projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accommodates future mortality improvements.

Interest Rate

6.50% 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

Rates shown below. In addition, the projected salary at retirement is increased 15% to account for lump-sum payments.

Salary Scale	
Service	Rate
0-4	6.00%
5-14	4.50%
15+	4.00%

The assumed rates were established with the December, 2022 actuarial experience study.

Payroll Growth

None.

Administrative Expenses

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; the amortization payment is subject to a minimum based on a 30-year amortization of the UAAL, if the UAAL is positive, in order to comply with Actuarial Standard of Practice No. 4.

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.

Funding Method

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

Interest - A half year.

Salary – None.

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

The normal cost accrual rate equals:

(i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by

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

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

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

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

Actuarial Asset Method

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

Normal Retirement

100% assumed retirement at the earlier of: 1) age 55 and 10 years of credited service, or 2) age 52 and 20 years of credited service, regardless of age. This assumption was affirmed with the December, 2022 actuarial experience study.

Early Retirement

Members are not assumed to take early retirement. This assumption was affirmed with the December, 2022 actuarial experience study.

Disability Rate

Sample age-based rates below. It is assumed that 75% of disablements are service-related. The assumed rates were affirmed with the December, 2022 actuarial experience study.

% Becoming Disabled During the Year	
Age	Rate
20	0.210%
25	0.225%
30	0.270%
35	0.345%
40	0.450%
45	0.765%
50	1.500%
55	2.325%
60+	3.135%

Termination Rate

% Terminating During the Year	
Service	Rate
0-5	20.0%
6+	0.0%

The assumed rates were established with the December, 2022 actuarial experience study.

PLAN PROVISIONS

Most Recent Plan Amendment	Ordinance No. 2020-06
Eligibility	Full-time employees who are classified as full-time sworn Police Officers participate in the System as a condition of employment.
Credited Service	Total years and fractional parts of years of employment with the Town as a Police Officer.
Salary	Total cash compensation for services rendered. Effective July 1, 2011, Salary shall not include more than three hundred (300) hours of overtime per calendar year. Additionally, Salary will include the lesser of the amount of sick or annual leave time accrued as of July 1, 2011, or the actual amount of sick or annual leave time for which the retiree receives payment at the time of retirement.
Average Final Compensation	Average Earnings for the highest 5 years during the 10 years immediately preceding retirement or termination.
Member Contributions	5% of Salary.
Town and State Contributions	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over 30 years.
Normal Retirement	
Date	Earlier of: 1) age 55 and 10 years of Credited Service, or 2) age 52 and 20 years of Credited Service.
Benefit	3.0% of Average Final Compensation for each year of Credited Service
Benefit Supplement	In addition, members retiring after 10/1/98 with 20 or more years of service, or on or after 10/1/02 at Normal Retirement, receive a monthly benefit supplement equal to \$10 for each full year of Credited Service.
Form of Benefit	Ten Year Certain and Life Annuity (options available).

Early Retirement

Eligibility	Age 50 and 10 Years of Credited Service.
Benefit	Accrued benefit, reduced 3% per year prior to Normal Retirement.

Vesting

Schedule	100% after 10 years of Credited Service.
Benefit Amount	Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date.

Cost-of-Living Adjustments

Members (including terminated vested members, but excluding disability retirees) who begin receiving payments after 10/1/2001 receive a 3% per year increase beginning on the 10/1 following the otherwise normal retirement date (or the date of termination, if later) and ending on the 10/1 preceding age 62.

Disability

Eligibility	Service Incurred: Covered from Date of Employment. Non-Service Incurred: 10 years of Credited Service.
Benefit	Service Incurred: 50% of rate of regular base pay. Non-Service Incurred: Benefit accrued to date of disability but not less than 25% of Average Monthly Earnings.
Duration	Payable for life with ten years certain or until recovery (as determined by the Board).

Death Benefits

Pre-Retirement	Not vested: Refund of accumulated contributions. Vested: Accrued benefit payable to beneficiary for 10 years at otherwise Normal Retirement Date.
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 the Commission.

Chapter 185 Share Plan

Established with Ordinance 2017-04. When the Chapter 185 Premium Tax Monies exceeds \$54,044.91, 50% of the excess will fund this Share Plan. Details will be established by the Board of Trustees once the Share Plan is funded.

SUPPLEMENTARY INFORMATION

GLOSSARY

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

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

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

DISCUSSION OF RISK

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

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

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

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

IMPACT OF PLAN MATURITY ON RISK

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

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

- The Support Ratio, determined as the ratio of active to inactive members, has decreased from 112.5% on October 1, 2015 to 109.1% on October 1, 2025, indicating that the plan has been maturing during the period.
- The Accrued Liability Ratio, determined as the ratio of the Inactive Accrued Liability, which is the liability associated with members who are no longer employed but are due a benefit from the plan, to the Total Accrued Liability, is 61.3%. 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 79.6% on October 1, 2015 to 93.6% on October 1, 2025.
- The Net Cash Flow Ratio, determined as the ratio of the Net Cash Flow (contributions minus benefit payments and administrative expenses) to the Market Value of Assets, decreased from -1.1% on October 1, 2015 to -1.6% on October 1, 2025. The current Net Cash Flow Ratio of -1.6% indicates that contributions are not currently covering the plan's benefit payments and administrative expenses.

LOW DEFAULT-RISK OBLIGATION MEASURE

ASOP No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, was revised as of December 2021 to include a “low-default-risk obligation measure” (LDROM). This liability measure is consistent with the determination of the actuarial accrued liability shown on page 9 in terms of member data, plan provisions, and assumptions/methods, including the use of the Entry Age Normal Cost Method, except that the interest rate is tied to low-default-risk fixed income securities. The S&P Municipal Bond 20 Year High Grade Rate Index (daily rate closest to, but not later than, the measurement date) was selected to represent a current market rate of low risk but longer-term investments that could be included in a low-risk asset portfolio. The interest rate used in this valuation was 4.50% resulting in an LDROM of \$7,320,864. The LDROM should not be considered the “correct” liability measurement; it simply shows a possible outcome if the Board elected to hold a very low risk asset portfolio. Given that plan benefits are paid over time through the combination of contributions and investment returns, prudent investments selected by the Board help to balance asset accumulation through these two sources.

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

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

PLAN MATURITY MEASURES AND OTHER RISK METRICS

	10/1/2025	10/1/2024	10/1/2020	10/1/2015
SUPPORT RATIO				
Total Actives	12	11	10	9
Total Inactives ¹	11	11	9	8
Actives / Inactives ¹	109.1%	100.0%	111.1%	112.5%
ASSET VOLATILITY RATIO				
Market Value of Assets (MVA)	5,732,579	5,331,881	3,755,659	2,570,543
Total Annual Payroll	850,109	725,188	566,447	451,868
MVA / Total Annual Payroll	674.3%	735.2%	663.0%	568.9%
ACCRUED LIABILITY (AL) RATIO				
Inactive Accrued Liability	3,498,716	3,439,169	2,410,230	2,365,852
Total Accrued Liability (EAN)	5,703,004	5,196,917	4,570,708	3,432,799
Inactive AL / Total AL	61.3%	66.2%	52.7%	68.9%
FUNDED RATIO				
Actuarial Value of Assets (AVA)	5,339,851	5,107,726	3,952,626	2,733,793
Total Accrued Liability (EAN)	5,703,004	5,196,917	4,570,708	3,432,799
AVA / Total Accrued Liability (EAN)	93.6%	98.3%	86.5%	79.6%
NET CASH FLOW RATIO				
Net Cash Flow ²	(89,032)	(96,792)	68,833	(29,427)
Market Value of Assets (MVA)	5,732,579	5,331,881	3,755,659	2,570,543
Ratio	-1.6%	-1.8%	1.8%	-1.1%

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 Fiscal Year	Amount	Increase from Previous Year
1998	35,351.93	_____%
1999	39,576.78	12.0%
2000	37,232.70	-5.9%
2001	40,146.67	7.8%
2002	47,539.23	18.4%
2003	54,044.91	13.7%
2004	48,344.89	-10.5%
2005	42,790.49	-11.5%
2006	42,790.49	0.0%
2007	42,790.49	0.0%
2008	42,790.49	0.0%
2009	36,379.23	-15.0%
2010	39,265.10	7.9%
2011	33,669.10	-14.3%
2012	32,943.06	-2.2%
2013	31,709.36	-3.7%
2014	32,043.51	1.1%
2015	-	-100.0%
2016	32,270.58	N/A
2017	36,786.85	14.0%
2018	78,809.00	114.2%
2019	40,536.00	-48.6%
2020	42,205.96	4.1%
2021	42,469.89	0.6%
2022	45,792.37	7.8%
2023	52,692.66	15.1%
2024	50,512.84	-4.1%
2025	57,172.27	13.2%