

CITY OF GAINESVILLE GENERAL EMPLOYEES PENSION PLAN

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

GASB 68 REPORTING
AS OF SEPTEMBER 30, 2023



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS



December 12, 2023

Mr. William Johnston
City of Gainesville General Employees Pension Plan

RE: GASB Statements No. 67 and No. 68 – City of Gainesville General Employees Pension Plan

Dear Mr. Johnston:

We are pleased to present this report of the GASB Statements No. 67 and No. 68 measured as of September 30, 2023 for the City of Gainesville General Employees Pension Plan.

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

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of October 1, 2022. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending September 30, 2023 using generally accepted actuarial principles. It is our opinion that the assumptions used for this purpose are internally consistent, reasonable, and comply with the requirements under GASB No. 67 and No. 68.

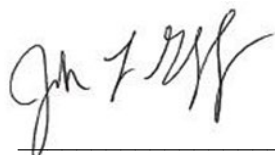
In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the City of Gainesville. The actuarial assumptions and methods are described in the Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

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

To the best of our knowledge, these statements are complete and accurate and are in accordance with generally recognized actuarial practices and methods. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope of the valuation, we did not perform an analysis of the potential range of such future measurements.

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

Respectfully submitted,
Foster & Foster, Inc.

A handwritten signature in black ink, appearing to read "JL Griffin". The signature is written in a cursive style with a horizontal line underneath it.

Joseph L. Griffin, ASA, EA, MAAA
Enrolled Actuary #23-6938

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I. SUMMARY

Valuation Date	10/01/2022	10/01/2021
GASB 67/68 Measurement Date	09/30/2023	09/30/2022
GASB 68 Reporting Date	09/30/2023	09/30/2022
Plan Membership:		
Inactives Currently Receiving Benefits	1,507	1,453
Inactives Not Yet Receiving Benefits	529	475
Active Plan Members	<u>1,644</u>	<u>1,676</u>
Total	3,680	3,604
Covered Payroll	\$ 111,476,645	\$ 106,635,320
Net Pension Liability		
Total Pension Liability	\$ 679,159,682	\$ 661,070,407
Plan Fiduciary Net Position	<u>606,462,522</u>	<u>520,845,918</u>
Net Pension Liability	\$ 72,697,160	\$ 140,224,489
Plan Fiduciary Net Position		
As a Percentage of Total Pension Liability	89.30%	78.79%
Net Pension Liability		
As a Percentage of Covered Payroll	65.21%	131.50%
Total Pension Expense	\$ 37,116,980	\$ 32,665,735
Development of Single Discount Rate		
Single Discount Rate	7.75%	7.75%
Long-Term Expected Rate of Return	7.75%	7.75%
High-quality Municipal Bond Rate	4.87%	1.93%
Number of Years Future Benefit Payments Are Expected to be Paid	All Years	All Years

II. FIDUCIARY NET POSITION

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2023

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Total Cash and Equivalents	7,453,385
Receivables:	
Due from Other Funds	9,662,219
Total Receivables	9,662,219
Investments:	
Total Investments	590,638,265
Total Assets	607,753,869
LIABILITIES	
Accounts Payable	1,283,958
Wages Payable	7,389
Total Liabilities	1,291,347
Net Assets:	
Active and Retired Members' Equity	606,462,522
NET POSITION RESTRICTED FOR PENSIONS	606,462,522

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

ADDITIONS

Contributions:

Employee	5,573,832
Employer	5,674,901

Total Contributions 11,248,733

Investment Income:

Net Increase in Fair Value of Investments	112,490,765
Interest & Dividends	6,776,537
Less Investment Expense ¹	(2,621,522)

Net Investment Income 116,645,780

Total Additions 127,894,513

DEDUCTIONS

Distributions to Members:

Benefit Payments - Regular Pension	40,582,110
Benefit Payments - Disability Pension	222,420
Refunds of Member Contributions	872,551

Total Distributions 41,677,081

Administrative Expense 600,828

Total Deductions 42,277,909

Net Increase in Net Position 85,616,604

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 520,845,918

End of the Year 606,462,522

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

III. GASB EXHIBITS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

GASB 67/68 Measurement Date	09/30/2023	09/30/2022
GASB 68 Reporting Period Ending	09/30/2023	09/30/2022
Total Pension Liability		
Service Cost	9,893,114	9,941,415
Interest	50,384,686	48,135,336
Changes in Benefit Terms	0	0
Experience Gains/Losses	(511,444)	13,619,109
Changes of Assumptions	0	10,137,250
Benefit Payments	<u>(41,677,081)</u>	<u>(40,258,669)</u>
Net Change in Total Pension Liability	18,089,275	41,574,441
Total Pension Liability – Beginning	<u>661,070,407</u>	<u>619,495,966</u>
Total Pension Liability – Ending (a)	\$ 679,159,682	\$ 661,070,407
Plan Fiduciary Net Position		
Contributions – Employer	5,674,901	5,551,544
Contributions – Employee	5,573,832	5,331,766
Net Investment Income	116,645,780	(144,078,947)
Benefit Payments	(41,677,081)	(40,258,669)
Administrative Expense	(600,828)	(478,628)
Other	<u>0</u>	<u>0</u>
Net Change in Plan Fiduciary Net Position	85,616,604	(173,932,934)
Plan Fiduciary Net Position – Beginning	520,845,918	692,370,620
Adjustment to beginning of year	<u>0</u>	<u>2,408,232</u>
Plan Fiduciary Net Position – Ending (b)	\$ 606,462,522	\$ 520,845,918
Net Pension Liability – Ending (a) – (b)	\$ 72,697,160	\$ 140,224,489
Plan Fiduciary Net Position		
As % of Total Pension Liability	89.30%	78.79%
Covered Payroll	\$ 111,476,645	\$ 106,635,320
Net Pension Liability		
As % of Covered Payroll	65.21%	131.50%

SENSITIVITY TO CHANGES IN DISCOUNT RATE

GASB 67/68 Measurement Date	09/30/2023	09/30/2022
GASB 68 Reporting Date	09/30/2023	09/30/2022
Discount Rate	7.75%	7.75%
+ 1% Discount Rate	8.75%	8.75%
- 1% Discount Rate	6.75%	6.75%
Sponsor's Net Pension Liability		
Current Discount Rate	\$ 72,697,160	\$ 140,224,489
1% Increase in Discount Rate	8,749,210	77,181,481
1% Decrease in Discount Rate	148,878,596	215,356,707

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

For the year ended September 30, 2023, the Sponsor will recognize a Pension Expense of \$37,116,980. On September 30, 2023, the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	9,540,556	461,496
Changes of assumptions	7,045,367	0
Net difference between projected and actual earnings on pension plan investments	19,528,280	0
Total	\$ 36,114,203	\$ 461,496

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year-ended September 30:		
2024	\$	11,083,424
2025	\$	8,041,215
2026	\$	28,167,483
2027	\$	(11,639,415)
2028	\$	0
Thereafter	\$	0

IV. SUPPLEMENTARY GASB 68 EXPENSE DETAIL

COMPONENTS OF PENSION EXPENSE
YEAR-END SEPTEMBER 30, 2023

	Net Pension Liability	Deferred Outflows	Deferred Inflows	Pension Expense
Beginning Balance	\$ 140,224,489	\$ 195,000,919	\$ 60,378,804	
Total Pension Liability Factors:				
Service Cost	9,893,114	0	0	9,893,114
Interest	50,384,686	0	0	50,384,686
Changes in Benefit Terms	0	0	0	0
Experience Gains/Losses	(511,444)	0	511,444	0
Current Year Amortization	0	(3,752,477)	(128,458)	3,624,019
Changes of Assumptions	0	0	0	0
Current Year Amortization	0	(2,997,820)	0	2,997,820
Benefit Payments	(41,677,081)	0	0	0
Net Change	<u>18,089,275</u>	<u>(6,750,297)</u>	<u>382,986</u>	<u>66,899,639</u>
Plan Fiduciary Net Position:				
Contributions - Employer	5,674,901	0	0	0
Contributions – Employee	5,573,832	0	0	(5,573,832)
Projected Net Investment Income	39,163,178	0	0	(39,163,178)
Difference in Projected and Actual Earnings	77,482,602	0	77,482,602	0
Current Year Amortization	0	(49,950,143)	(35,596,620)	14,353,523
Benefit Payments	(41,677,081)	0	0	0
Administrative Expenses	(600,828)	0	0	600,828
Other	0	0	0	0
Net Change	<u>85,616,604</u>	<u>(49,950,143)</u>	<u>41,885,982</u>	<u>(29,782,659)</u>
Adjustment to beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Balance	\$ 72,697,160	\$ 138,300,479	\$ 102,647,772	\$ 37,116,980

AMORTIZATION SCHEDULE – EXPERIENCE

Year	Initial Base	Recognition Period	2023	2024	2025	2026	2027	Thereafter
2023	\$ (511,444)	5	\$ (102,288)	\$ (102,289)	\$ (102,289)	\$ (102,289)	\$ (102,289)	0
2022	13,619,109	6	2,269,852	2,269,852	2,269,852	2,269,852	2,269,852	0
2021	922,294	6	153,716	153,716	153,716	153,716	0	0
2020	(157,018)	6	(26,170)	(26,170)	(26,170)	0	0	0
2019	6,644,543	5	1,328,909	0	0	0	0	0
Net Increase (Decrease) in Pension Expense			\$ 3,624,019	\$ 2,295,109	\$ 2,295,109	\$ 2,321,279	\$ 2,167,563	0

AMORTIZATION SCHEDULE – CHANGES OF ASSUMPTIONS

Year	Initial Base	Recognition Period	2023	2024	2025	2026	2027	Thereafter
2022	\$ 10,137,250	6	\$ 1,689,542	\$ 1,689,542	\$ 1,689,542	\$ 1,689,542	\$ 1,689,542	\$ 0
2021	574,399	6	95,733	95,733	95,733	95,733	0	0
2019	6,062,725	5	1,212,545	0	0	0	0	0
Net Increase (Decrease) in Pension Expense			\$ 2,997,820	\$ 1,785,275	\$ 1,785,275	\$ 1,785,275	\$ 1,689,542	\$ 0

AMORTIZATION SCHEDULE – INVESTMENTS

Year	Initial Base	Recognition Period	2023	2024	2025	2026	2027	Thereafter
2023	\$ (77,482,602)	5	\$ (15,496,522)	\$ (15,496,520)	\$ (15,496,520)	\$ (15,496,520)	\$ (15,496,520)	\$ 0
2022	197,787,244	5	39,557,449	39,557,449	39,557,449	39,557,449	0	0
2021	(100,500,491)	5	(20,100,098)	(20,100,098)	(20,100,098)	0	0	0
2020	15,211,044	5	3,042,209	3,042,209	0	0	0	0
2019	36,752,427	5	7,350,485	0	0	0	0	0
Net Increase (Decrease) in Pension Expense			\$ 14,353,523	\$ 7,003,040	\$ 3,960,831	\$ 24,060,929	\$ (15,496,520)	\$ 0

V. ADDITIONAL INFORMATION

SCHEDULE OF CONTRIBUTIONS

Plan Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contrib. as % of Covered Payroll
09/30/2023	\$ 5,674,161	\$ 5,674,901	\$ (740)	\$ 111,476,645	5.09%
09/30/2022	\$ 5,551,544	\$ 5,551,544	\$ 0	\$ 106,635,320	5.21%

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

Calculation Timing	The Actuarially Determined Contribution is calculated using a October 1, 2021 valuation date.
Interest Rate	7.75%
Assumptions	All other assumptions and methods used for determining the Actuarially Determined Contribution can be found in the October 1, 2021 Actuarial Valuation Report for the City of Gainesville General Employees Pension Plan prepared by Foster & Foster Actuaries and Consultants.

INVESTMENT DISCLOSURES

Schedule of Investment Returns

For the year ended September 30, 2023, the annual money-weighted return on Pension Plan investments, net of pension plan investment expense, was 23.22 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fiscal Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
09/30/2023	23.22%
09/30/2022	-20.77%

Support for Long-Term Expected Rate of Return

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

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	47.00%	7.50%
International Equity	28.00%	8.50%
Domestic Fixed Income	8.00%	2.50%
Real Estate	12.00%	4.50%
Alternative	5.00%	6.99%
Total	100.00%	

Inflation rate of investment advisor 2.50%

Concentrations

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan’s fiduciary net position.

ASSUMPTIONS

Valuation Date	10/01/2022
GASB 67/68 Measurement Date	09/30/2023
GASB 68 Reporting Date	09/30/2023
Discount Rate	7.75%
Long-Term Rate of Return	7.75%
Mortality	
<i>Healthy Active Lives</i>	Female: PubG.H-2010 for Employees. Male: PubG.H-2010 for Employees, set back one year.
<i>Healthy Retiree Lives</i>	Female: PubG.H-2010 for Healthy Retirees. Male: PubG.H-2010 for Healthy Retirees, set back one year.
<i>Disabled Lives</i>	PubG.H-2010 for Disabled Retirees, set forward three years.
	All rates are projected generationally with Mortality Improvement Scale MP-2018.
	The previously described mortality assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman’s July 1, 2021 FRS valuation report for non-special-risk employees, with appropriate adjustments made based on plan demographics.
Salary Scale	Service based
Inflation	2.50%
Latest Experience Study Date	The most recent actuarial experience study used to review the other significant assumptions is unknown.

A summary of other assumptions reflected in the valuation can be found in the October 1, 2022 Actuarial Valuation for the City of Gainesville General Employees Pension Plan prepared by Foster & Foster Actuaries and Consultants.

Changes in Assumptions

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

Development of the Discount Rate

The projection of cash flows used to determine the Discount Rate assumed that current Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate.

Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments (7.75 percent) was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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

The single equivalent Discount Rate was 7.75 percent.

SUMMARY OF CURRENT PLAN

Plan Description

The Employees' Plan is a contributory defined benefit single-employer pension plan that covers all permanent employees of the City, except certain personnel who elected to participate in the Defined Contribution Plan and who were grandfathered into that plan, and police officers and firefighters who participate in the Consolidated Plan. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate.

Benefits Provided

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

A summary of the benefit provisions can be found in the Actuarial Valuation as of October 1, 2022 for the City of Gainesville General Employees Pension Plan prepared by Foster & Foster Actuaries and Consultants.

Benefit Changes

No benefit changes have been reflected since the prior year.

Deferred Retirement Option Program

Eligibility:

A member who has earned at least 27 years of Credited Service.

Participation:

Participation: Members may participate for a maximum of 60 months or the attainment of 35 years of service.

Rate of return:

DROP benefits accumulate with interest as follows:

- For those who enter DROP on or before October 1, 2012 - 6.0% per year.
- For those who enter DROP after October 1, 2012 - 2.25% per year.
- For those who enter DROP on or after May 1, 2016 - One-time election for interest to accrue at (1) 2.25% per year or (2) a variable rate between 0.0% and 4.5% per year based on the plan's actual return for the previous plan year.

DROP balance:

The DROP balance as of September 30, 2023 is \$4,992,119.