

CITY OF TAYLOR POLICE AND FIRE RETIREMENT SYSTEM

GASB DISCLOSURE INFORMATION
STATEMENTS 67/68
MEASUREMENT DATE: JUNE 30, 2024

GASB 68 REPORTING
AS OF JUNE 30, 2024



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS



October 18, 2024

Board of Trustees
City of Taylor Police and Fire Retirement System

RE: GASB statements 67/68 – City of Taylor Police and Fire Retirement System

Dear Board:

We are pleased to present this report of the GASB statements 67/68 measured as of June 30, 2024 for the City of Taylor Police and Fire Retirement System.

The calculation of the liability associated with the benefits referenced in this report was performed to satisfy the requirements of GASB 67/68 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 June 30, 2023. The total pension liability was rolled forward from the valuation date to the plan's fiscal year ending June 30, 2024 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 67/68.

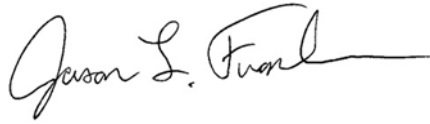
In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the City. The actuarial assumptions and methods are described in the Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed 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 (630) 620-2000.

Respectfully submitted,
Foster & Foster, Inc.

A handwritten signature in black ink that reads "Jason L. Frank". The signature is written in a cursive style with a long horizontal line extending to the right.

JASON L. FRANK, FSA, EA, MAAA

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I. SUMMARY

Valuation Date	06/30/2023	06/30/2022
GASB 67/68 Measurement Date	06/30/2024	06/30/2023
GASB 68 Reporting Date	06/30/2024	06/30/2023
Plan Membership		
Inactives Currently Receiving Benefits ¹	275	272
Inactives Not Yet Receiving Benefits	8	7
Active Plan Members	75	77
Total	358	356
Covered Payroll	\$ 6,282,167	\$ 6,051,154
Net Pension Liability		
Total Pension Liability	\$ 209,269,023	\$ 207,388,590
Plan Fiduciary Net Position	140,778,947	135,577,185
Net Pension Liability/(Asset)	\$ 68,490,076	\$ 71,811,405
Plan Fiduciary Net Position		
As a % of Total Pension Liability	67.27%	65.37%
Net Pension Liability/(Asset)		
As a % of Covered Payroll	1090.23%	1186.74%
Total Pension Expense/(Income)	\$ 7,954,484	\$ 9,501,449
Development of Single Discount Rate		
Single Discount Rate	7.16%	7.25%
Long-Term Expected Rate of Return	7.25%	7.25%
High-quality Municipal Bond Rate	4.21%	4.13%
Number of Years Future Benefit Payments Are Expected to be Paid	52	All Years

¹ The inactive counts Exclude EDROs (29 for the June 30, 2024 measurement date and 29 for the prior measurement date).

II. GASB EXHIBITS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

GASB 67/68 Measurement Date	06/30/2024	06/30/2023
GASB 68 Reporting Period Ending	06/30/2024	06/30/2023
Total Pension Liability		
Service Cost	1,565,729	2,091,187
Interest	14,522,051	14,340,497
Changes in Benefit Terms	0	190,473
Experience Gains/Losses	3,349,882	3,388,755
Changes of Assumptions	(256,891)	0
Benefit Payments	(17,300,338)	(16,662,200)
Net Change in Total Pension Liability	<u>1,880,433</u>	<u>3,348,712</u>
Total Pension Liability – Beginning	207,388,590	204,039,878
Total Pension Liability – Ending (a)	<u>\$ 209,269,023</u>	<u>\$ 207,388,590</u>
Plan Fiduciary Net Position		
Contributions – Employer	6,636,384	6,574,292
Contributions – Employee	576,009	626,846
Net Investment Income	15,108,266	12,938,360
Benefit Payments	(17,300,338)	(16,662,200)
Administrative Expense	(88,995)	(81,683)
Other	270,436	(3,361)
Net Change in Plan Fiduciary Net Position	<u>5,201,762</u>	<u>3,392,254</u>
Plan Fiduciary Net Position – Beginning	135,577,185	132,184,931
Adjustment to beginning of year	<u>0</u>	<u>0</u>
Plan Fiduciary Net Position – Ending (b)	<u>\$ 140,778,947</u>	<u>\$ 135,577,185</u>
Net Pension Liability – Ending (a) – (b)	<u>\$ 68,490,076</u>	<u>\$ 71,811,405</u>
Plan Fiduciary Net Position		
As % of Total Pension Liability	67.27%	65.37%
Covered Payroll	<u>\$ 6,282,167</u>	<u>\$ 6,051,154</u>
Net Pension Liability		
As % of Covered Payroll	1090.23%	1186.74%

SENSITIVITY TO CHANGES IN DISCOUNT RATE

GASB 67/68 Measurement Date	06/30/2024	06/30/2023
GASB 68 Reporting Date	06/30/2024	06/30/2023
Discount Rate	7.16%	7.25%
+ 1% Discount Rate	8.16%	8.25%
- 1% Discount Rate	6.16%	6.25%
Sponsor's Net Pension Liability		
Current Discount Rate	\$ 68,490,076	\$ 71,811,405
1% Increase in Discount Rate	50,643,408	53,806,009
1% Decrease in Discount Rate	89,823,598	93,330,401

PENSION EXPENSE
YEAR-END JUNE 30, 2024

For the year ended June 30, 2024, the Sponsor will recognize a Pension Expense/(Income) of \$7,954,484. Below is a summary of the components of the Pension expense.

Fiscal Year End	06/30/2024
Beginning of Measurement Period	07/01/2023
End of Measurement Period	06/30/2024
<hr/>	
Service Cost	\$ 1,565,729
Interest on Total Pension Liability	14,522,051
Changes in Benefit Terms	0
Contributions – Employee	(576,009)
Projected Earnings on Investments	(9,450,629)
Administrative Expenses	88,995
Recognition of deferred outflows/(inflows)	
Experience Gains/Losses	3,673,425
Assumption Changes	(230,334)
Investment Returns	(1,368,308)
Other	(270,436)
Total Pension Expense	<hr/> 7,954,484

PENSION DEFERRED OUTFLOWS/INFLOWS
YEAR-END JUNE 30, 2024

On June 30, 2024, 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	3,362,839	0
Changes of assumptions	0	171,260
Net difference between projected and actual earnings on pension plan investments	0	2,063,561
Total	\$ 3,362,839	\$ 2,234,821

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 June 30:

2025	\$ (437,623)
2026	\$ 4,570,009
2027	\$ (1,872,841)
2028	\$ (1,131,527)
2029	\$ 0
Thereafter	\$ 0

III. SUPPLEMENTARY GASB 68 EXPENSE DETAIL

AMORTIZATION SCHEDULE – EXPERIENCE

Year	Initial Base	Recognition Period	2024	2025	2026	2027	2028	Thereafter
2024	\$ 3,349,882	3	\$ 1,116,628	\$ 1,116,627	\$ 1,116,627	\$ 0	\$ 0	0
2023	3,388,755	3	1,129,585	1,129,585	0	0	0	0
2022	5,656,642	3	1,885,547	0	0	0	0	0
2021	(1,833,339)	4	(458,335)	0	0	0	0	0
Net Increase (Decrease) in Pension Expense			\$ 3,673,425	\$ 2,246,212	\$ 1,116,627	\$ 0	\$ 0	0

AMORTIZATION SCHEDULE – CHANGES OF ASSUMPTIONS

Year	Initial Base	Recognition Period	2024	2025	2026	2027	2028	Thereafter
2024	\$ (256,891)	3	\$ (85,631)	\$ (85,630)	\$ (85,630)	0 \$	0 \$	0
2021	(578,810)	4	(144,703)	0	0	0	0	0
Net Increase (Decrease) in Pension Expense			\$ (230,334)	\$ (85,630)	\$ (85,630)	0 \$	0 \$	0

AMORTIZATION SCHEDULE – INVESTMENTS

Year	Initial Base	Recognition Period	2024	2025	2026	2027	2028	Thereafter
2024	\$ (5,657,637)	5	\$ (1,131,529)	\$ (1,131,527)	\$ (1,131,527)	\$ (1,131,527)	\$ (1,131,527)	0
2023	(3,706,572)	5	(741,314)	(741,314)	(741,314)	(741,314)	0	0
2022	27,059,264	5	5,411,853	5,411,853	5,411,853	0	0	0
2021	(30,686,084)	5	(6,137,217)	(6,137,217)	0	0	0	0
2020	6,149,494	5	1,229,899	0	0	0	0	0
Net Increase (Decrease) in Pension Expense			\$ (1,368,308)	\$ (2,598,205)	3,539,012	\$ (1,872,841)	\$ (1,131,527)	0

IV. ADDITIONAL INFORMATION

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contrib. as % of Covered Payroll
06/30/2024	\$ 6,636,384	\$ 6,636,384	\$ 0	\$ 6,282,167	105.64%
06/30/2023	\$ 6,574,292	\$ 6,574,292	\$ 0	\$ 6,051,154	108.65%

The following assumptions were used to determine the Actuarially Determined Contribution for the fiscal year ended June 30, 2024:

Calculation Timing	The Actuarially Determined Contribution is calculated using a June 30, 2022 valuation date.
Interest Rate	7.25%
Assumptions	All other assumptions and methods used for determining the Actuarially Determined Contribution can be found in the June 30, 2022 Actuarial Valuation Report for the City of Taylor Police and Fire Retirement System prepared by Foster & Foster Actuaries and Consultants.

ASSUMPTIONS

Valuation Date	June 30, 2023
GASB 67/68 Measurement Date	June 30, 2024
GASB 68 Reporting Date	June 30, 2024
Discount Rate	7.16%
Long-Term Rate of Return	7.25%
Cost Method	Entry Age Normal
Latest Experience Study Date	December 19, 2023
Mortality Rate	2010 Public Safety Retiree Mortality Table, with generational mortality improvements with Scale MP-2019.

The mortality assumptions sufficiently accommodate anticipated future mortality improvements.

Retirement Age

Service	Police Command Age < 60 Rate	Corp/ Patrol	Corp/ Patrol	Fire	Fire	All Age 60+ Rate
		Hired Before 9/30/11 Age < 60 Rate	Hired After 9/30/11 Age < 60 Rate	Hired Before 8/1/12 Age < 60 Rate	Hired After 8/1/12 Age < 60 Rate	
<18	N/A	N/A	N/A	N/A	N/A	100%
18	N/A	70%	N/A	N/A	N/A	100%
19	N/A	70%	N/A	N/A	N/A	100%
20	100%	70%	N/A	70%	30%	100%
21	100%	20%	N/A	40%	20%	100%
21	100%	20%	N/A	30%	20%	100%
23	100%	20%	N/A	20%	20%	100%
21	100%	20%	N/A	20%	20%	100%
25	100%	100%	100%	50%	50%	100%
26	100%	100%	100%	50%	50%	100%
27	100%	100%	100%	50%	50%	100%
28	100%	100%	100%	50%	50%	100%
29	100%	100%	100%	50%	50%	100%
30	100%	100%	100%	100%	100%	100%
31	100%	100%	100%	100%	100%	100%
32+	100%	100%	100%	100%	100%	100%

Changes in Assumptions

Total Pension Liability as of the June 30, 2024 measurement date reflects the following assumption changes:

- The discount rate was updated from 7.25% to 7.16%.
- Salary increase rates were updated to a service-based table.
- Retirement rates, termination rates and disability rates were updated.

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 provide future benefit payments for 52 years. Therefore benefit payments for 52 years were discounted using a Discount Rate equal to the Long-Term Expected Rate of Return of 7.25 percent.

Future benefit payments beyond 52 years were discounted using a high-quality municipal bond rate of 4.21 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 7.16 percent.

SUMMARY OF CURRENT PLAN

Plan	<p>The Plan is a single employer defined benefit pension plan that covers all eligible public safety employees of the City. The plan is administered by a Board of Trustees comprised of five members:</p> <ul style="list-style-type: none">a.) One police officer elected by plan members,b.) One firefighter elected by plan members,c.) Two members representing the City, andd.) The city treasurer.
Final Average Compensation (FAC)	<p>Highest 3 years out of last 10. Fire FAC will use base wages only and overtime is capped at \$3,000. Corporal/Patrol FAC shall be base wage plus a maximum of 240 hours of paid leave.</p>
Service Retirement	
Eligibility	<p>Corporal/Patrol hired prior to 10/1/2011 and Fire hired prior to August 1, 2012: Any age with 20 or more years of service or age 60 regardless of service.</p> <p>Corporal/Patrol hired after 9/30/2011: Age 50 with 25 or more years of service or age 60.</p> <p>Fire hired after August 1, 2021: Any age with 20 or more years of service or age 60 regardless of service.</p> <p>Police Command: Any age with 25 or more years of service or age 60 regardless of service.</p>
Annual Benefit	<p>Corporal/Patrol hired prior to 10/1/2011: Straight life pension equals 2.80% FAC times first 25 years of service, maximum of 70% of FAC.</p> <p>Police Command and Fire hired prior July 1, 2007: Straight life pension equals 2.80% of FAC times first 25 years of service plus 1.00% of FAC times years of service in excess of 25 years to a maximum of 75% of FAC.</p> <p>Fire hired on or after July 1, 2007 (and before August 1, 2012) and Corporal/Patrol hired after 9/30/2011: Straight life pension equals 2.25% of FAC times years of service.</p> <p>Fire hired on or after August 1, 2021: Straight life pension equals 2.25% of FAC times years of service to a maximum of 75% of FAC.</p>

Duty Disability Retirement

Eligibility	Payable upon the total and permanent disability of a member in the line of duty.
Benefit	To age 55: 50% of FAC. At age 55: Same as service retirement pension with service credit from date of disability to age 55.

Non-Duty Disability Retirement

Eligibility	Payable upon the total and permanent disability of a member with 5 or more years of service
Benefit	To Age 55: 1.50% of FAC times years of service. At Age 55: Same as service retirement pension.

Deferred Retirement

Eligibility	10 years of credited service.
Benefit	Computed as service retirement but based upon service, FAC and benefit provisions in effect at termination. Benefit begins at date retirement would have occurred had member remained in employment.

Duty Death in Service Survivor's Pension

Eligibility	Payable upon the expiration of a worker's compensation to the survivors of a member who died in the line of duty.
Benefit	Same amount that was paid by worker's compensation.

Non-Duty Death in Service Survivor's Pension

Eligibility	Payable to a surviving spouse, if any, upon the death of a member with 10 or more years of service.
Benefit	Fire: Spouse's pension equals 60% of the straight life pension. All others: Accrued straight life pension actuarially reduced in accordance with an Option I election

Death After Retirement Survivor's Pension

Eligibility	Payable to an eligible surviving spouse, if any, upon the death of a retired member who was receiving a straight life pension which was effective July 1, 1975 or later.
Annual Benefit:	Spouse's pension equals 60% of the straight life pension the deceased retiree was receiving.

Deferred Retirement Option Plan

Eligibility	Must be Police Command or member of the Taylor Professional Fire Fighters Associate Local 1252 hired before August 1, 2012. Members can elect DROP after earning 20 years of service. Fire members must earn 20 years on or before June 30, 2022.
Participation	Not to exceed 60 months.
Rate of Return	DROP Interest for each DROP Participant prior to termination of employment shall be equal to the rate paid to an employee who terminates their employment and withdraws their annuity in lieu of a retirement. Upon termination of employment, DROP Interest shall be credited at the same rate and in the same manner as interests is credited to an employee who withdraws their annuity and terminates employment in lieu of a retirement.
DROP balance:	The DROP balance as of June 30, 2024 is \$3,615,800.
Member Contributions	8.00% of pay. Member contributions earn 2.00% interest.
Benefit Changes	No benefit changes have been reflected since the prior year.