

Taking a closer look at your pension plan

City of Hallandale Beach General Employee & Professional Plan



Actuarial update

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Contents

What's
new?

Funding &
accounting
results

**Risk
management**

Supporting
information

What's new?



What's new?

General Plan - Capital market assumptions update

Asset class	Expected arithmetic return	Expected geometric return	Current allocation %
US Equity - Large Cap	7.70%	6.20%	25.17%
US Equity - Mid Cap	8.00%	6.20%	2.86%
US Equity - Small Cap	8.55%	6.20%	1.40%
Non-US Equity	8.00%	6.20%	14.58%
REITS	7.30%	5.65%	0.40%
Real Estate (Direct Property)	5.35%	5.00%	6.09%
TIPS	1.70%	1.50%	0.59%
Core Bond	2.60%	2.45%	46.42%
High Yield Bond	5.45%	5.00%	2.48%
			100.00%
Exp LTROA (arithmetic mean)			5.16%
Portfolio Standard Deviation			8.75%
40th percentile			4.19%
45th percentile			4.50%
Expected Compound Return			4.80%
55th percentile			5.10%
60th percentile			5.41%
Equity/Fixed Income/Other			44% / 50% / 6%

An updated capital market assumptions (CMA) study was released May 2020. This study replaces the CMA study released October 2018.

- ↓ Equity, real estate, high yield fixed income – approximately 0.25% lower to 0.05% lower
- ↑ Fixed income (except for high yield) – approximately 1.40% to 1.80% lower

Interest assumption review uses:

- Target allocations
- Expected geometric returns
- Plan's asset allocation

Approximately
\$120,000 increase in
ADC for every 0.25%
decrease in the
assumed interest rate

What's new?

Professional - Capital market assumptions update

Asset class	Expected arithmetic return	Expected geometric return	Current allocation %
US Equity - Large Cap	7.70%	6.20%	30.85%
US Equity - Mid Cap	8.00%	6.20%	3.47%
US Equity - Small Cap	8.55%	6.20%	1.79%
Non-US Equity	8.00%	6.20%	17.99%
REITS	7.30%	5.65%	0.39%
Real Estate (Direct Property)	5.35%	5.00%	6.08%
TIPS	1.70%	1.50%	0.59%
Core Bond	2.60%	2.45%	36.85%
High Yield Bond	5.45%	5.00%	1.98%
			100.00%
Exp LTROA (arithmetic mean)			5.68%
Portfolio Standard Deviation			10.17%
40th percentile			4.38%
45th percentile			4.79%
Expected Compound Return			5.19%
55th percentile			5.59%
60th percentile			6.00%
Equity/Fixed Income/Other			54% / 39% / 6%

An updated capital market assumptions (CMA) study was released May 2020.
This study replaces the CMA study released October 2018.

- ↓ Equity, real estate, high yield fixed income – approximately 0.25% lower to 0.05% lower
- ↑ Fixed income (except for high yield) – approximately 1.40% to 1.80% lower

Interest assumption review uses:

- Target allocations
- Expected geometric returns
- Plan's asset allocation

Approximately
\$40,000 increase in
ADC for every 0.25%
decrease in the
assumed interest rate

What's new?

Mortality

Small decrease in liabilities when new mortality adopted 2020

The Society of Actuaries (SOA) released new mortality tables and improvement scales.

For pre-retirees we changed to:

- SOA PubG Base table, below Median rate table Male setback 1 year
- Mortality improvement using MP-2018 scale

For retirees we changed to:

- SOA PubG Base table, below Median rate table Male setback 1 year
- Mortality improvement using MP-2018 scale

Funding results



Funding results

Actuarially determined contribution

In millions



Plan year ending 2020

Professional

General

Actuarial accrued liability

\$21.49

\$72.42

Actuarial value of assets

19.67

64.32

Unfunded Liability

\$1.82

\$8.10

Funded ratio (AVA/AAL)

92%

89%

Market value of assets

\$19.53

\$63.94

Funded ratio (MVA/AAL)

91%

88%

ADC

Net Normal cost

\$160,459

\$787,858

Amortization

320,933

965,351

ADC¹ (includes Interest)

\$513,886

\$1,871,551

¹ City's fiscal year period from 10/01/2021 through 09/30/2022.

Funding results

Unfunded actuarial accrued liability

	In millions	
	Professional	General
Actuarial accrued liability (before changes)	\$21.335	\$71.777
Less actuarial value of assets	19.670	64.318
Preliminary unfunded actuarial accrued liability	\$1.665	\$7.459
Change in unfunded actuarial accrued liability due to:		
Assumption changes	0.158	0.647
Cost method change	0.000	0.000
Plan changes	0.000	0.000
Unfunded actuarial accrued liability after changes	\$1.823	\$8.106

Information is as of 10/01/2020

Accounting results



Accounting results

Statement of pension expense

For fiscal year ending 09/30/2021	Professional	General
Service cost	\$110,196	\$783,012
Interest cost	1,417,144	4,866,309
Contributions from employees	(40,465)	(161,435)
Expected investment income	(1,293,804)	(4,247,319)
Administrative expenses	26,144	38,656
Other expenses	0	0
Other deductions	0	0
Changes in benefit provisions	0	0
Recognition of deferred outflows and inflows due to:		
Differences between expected and actual experience	212,956	(947,114)
Changes in assumptions	157,999	401,965
Differences between expected and actual investment earnings	(69,958)	(61,116)
Total pension expense	\$520,212	\$672,958
Rates used to determine pension expense		
Discount rate	7.00%	7.00%
Long-term rate of return	7.00%	7.00%

Risk management



Pension risk management

Manage pension risks to maintain long-term viability

Evaluate
plan design



Adjust benefit
accruals

.....
Review covered
group

Review
investment
allocation



Risk quantified by
expected returns

.....
Risk can be measured
by worst outcomes

Risk
transfer



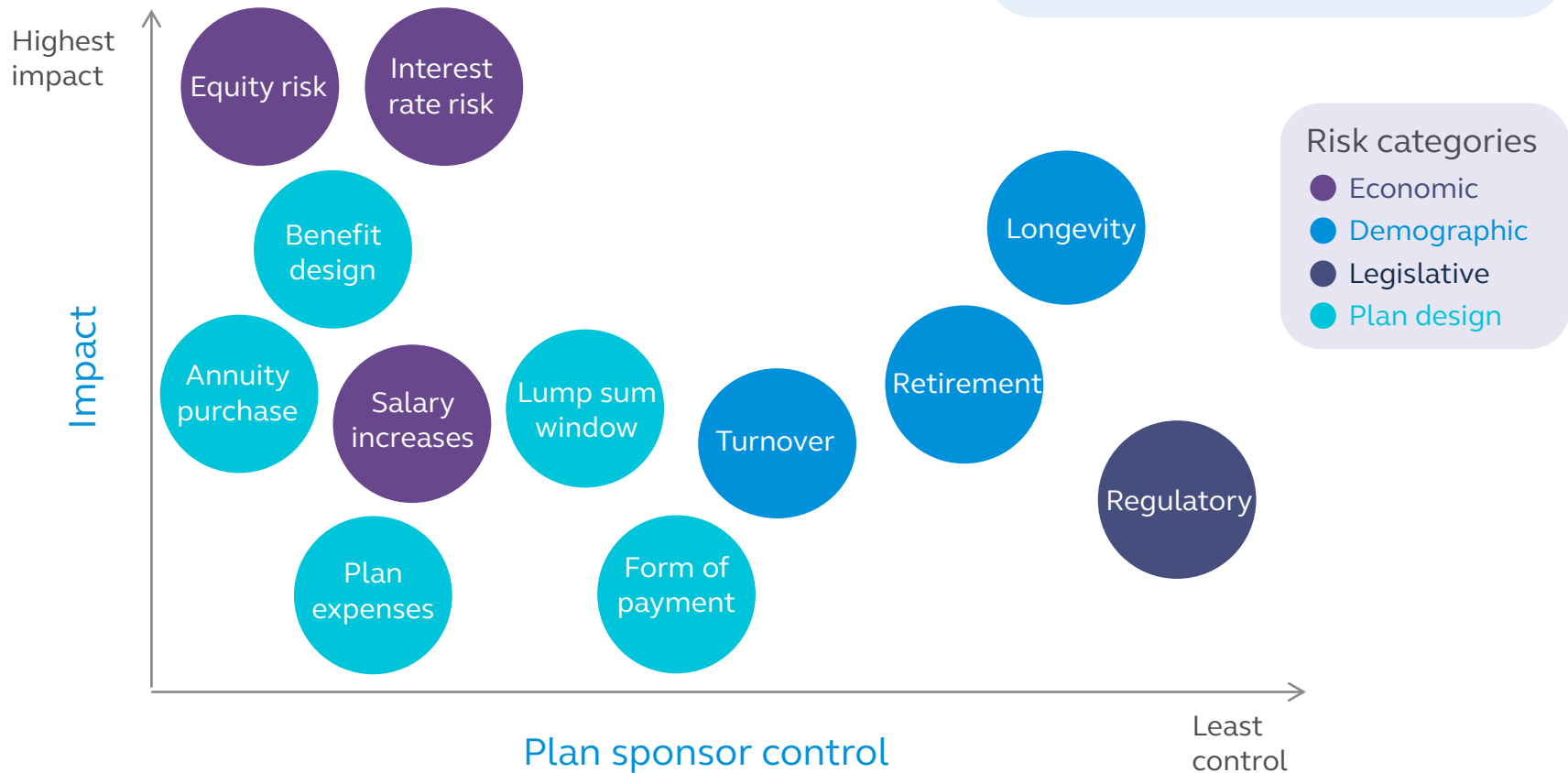
Lump sums

.....
Annuities

Every choice has pros and cons - analyze carefully before implementing

Risk management

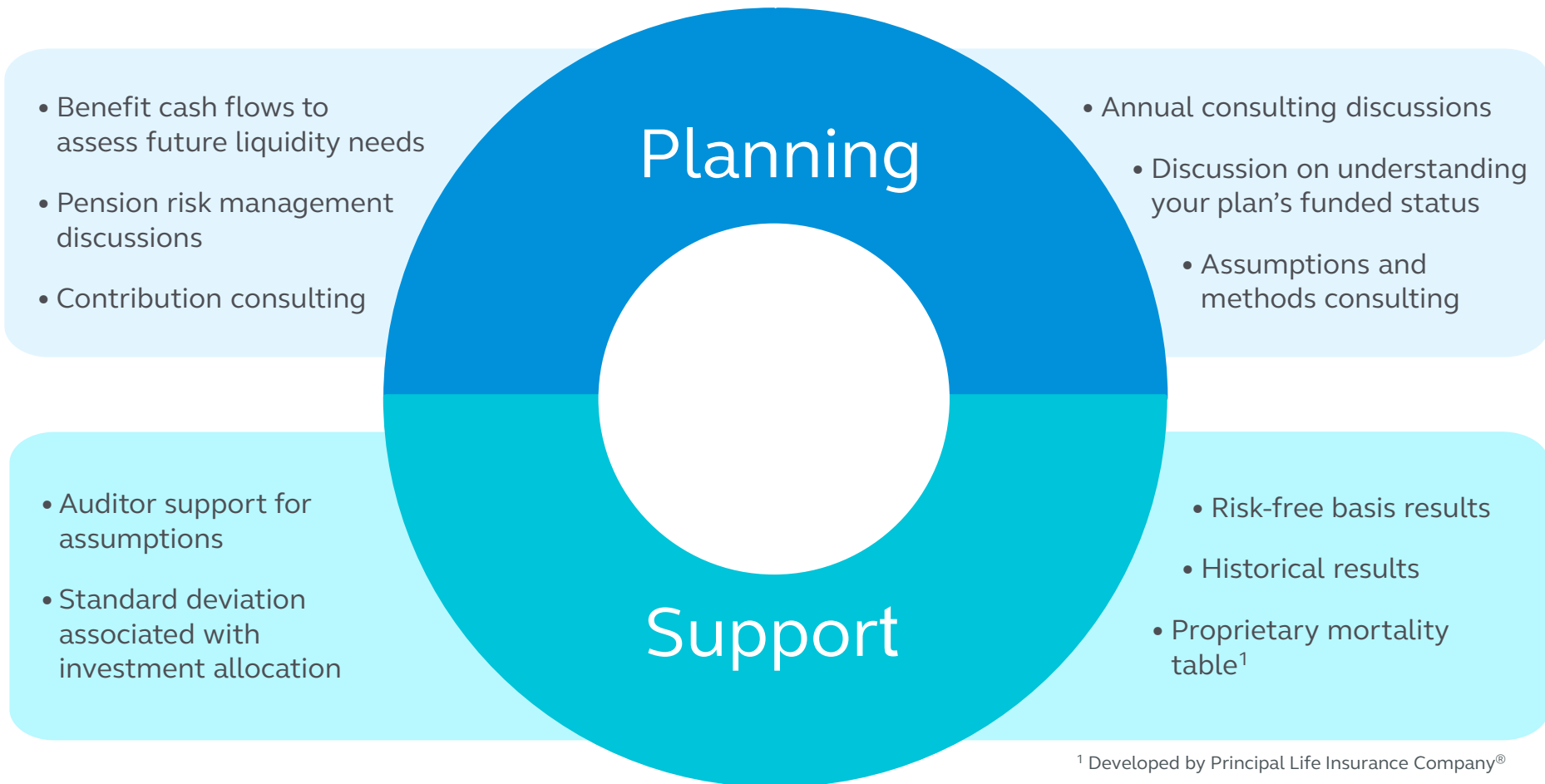
Risks: impact vs. control¹



¹ Based on Session 001: Talking Risk from the 2018 Enrolled Actuary meeting

More than just a valuation

extras included in our base fees



Helping plan sponsors achieve pension goals for over 65 years

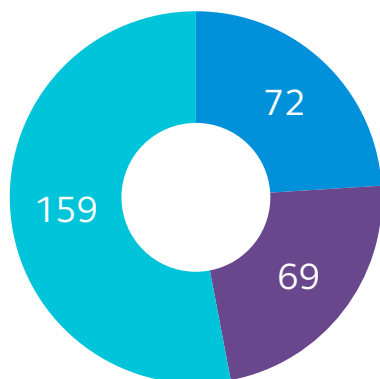
Supporting information



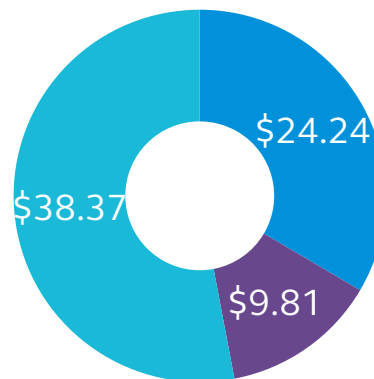
Supporting information

General Plan - Funding liability breakdown

Participant count



Liability



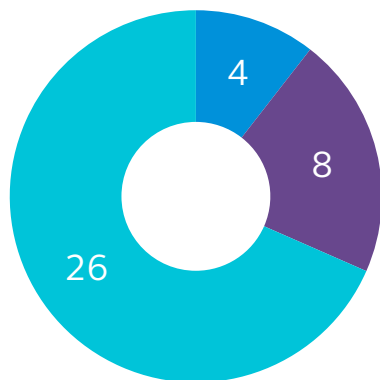
	Participant count	Liability (in millions)	Average age
Active participants	72	\$24.24	50.3
Terminated vested	69	\$9.81	56.2
Participants in pay status	159	\$38.37	72.7
	300	\$72.42	n/a

Information is as of 10/01/2020

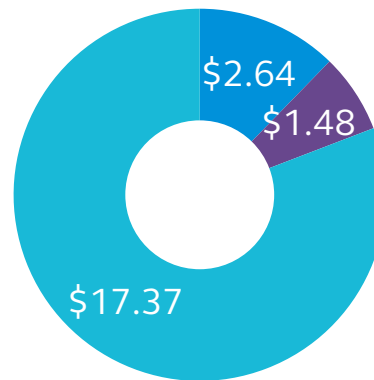
Supporting information

Professional Plan - Funding liability breakdown

Participant count



Liability



	Participant count	Liability (in millions)	Average age
Active participants	4	\$2.64	47.1
Terminated vested	8	\$1.48	54.1
Participants in pay status	26	\$17.37	64.8
	38	\$21.49	n/a

Information is as of 10/01/2020

Supporting information

Basis for results

The values shown in this document reflect census data, benefit provisions, methods, and assumptions utilized in the 10/01/2020 actuarial valuation report.

The information in this document is not intended to supplant funding results contained in the annual valuation report, accounting information contained in the annual disclosure report, or amounts that may be included on government forms or filings. If you need these documents or other related information, please contact me.

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