

**SPECIAL CALL  
GENERAL EMPLOYEE PENSION COMMITTEE MINUTES  
THURSDAY, MARCH 16, 2023 10:00 A.M.  
UPSTAIRS TRAINING ROOM, CITY HALL, VERO BEACH, FLORIDA**

**PRESENT:** Monte Falls, City Manager; John Turner, City Attorney; Cindy Lawson, Finance Director; Gabrielle Manus, Human Resource Director and Tammy Bursick, City Clerk

**1. CALL TO ORDER**

**2. ITEM FOR DISCUSSION:**

**A) Review and Approval of the 10/1/2022 Actuarial Valuation Report – Malichi Waterman/Segal**

Mr. Malichi Waterman, Segal Vice President and Consulting Actuary, gave an overview of the City of Vero Beach General Employee Retirement Plan. In the actuarial valuation summary, he explained that the rate of return on the market value of assets was -15.83% for the year ending September 30, 2022. The return on the actuarial value of assets was 4.89% for the same period due to the recognition of prior years' investment gains and losses. This resulted in an actuarial loss when measured against the assumed rate of return of 6.25%. This actuarial investment loss increased the actuarial determined contribution by \$321,595. Given the low fixed income interest rate environment, target asset allocation and expectations of future investment returns for various asset classes, they advise the Board to continue to monitor actual and anticipated investment returns relative to the assumed long-term rate of return on investments of 6.25%.

Mr. Waterman referred to page 16 of the report and said it is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

Mr. Waterman went over the asset history that started in 2013 and ended September 30, 2022, as well as the historical investment returns.

Mr. Waterman briefly went over the net loss from the COLA experience which is -1,751,193. He said they are fine as long as they continue giving more than they would need, if that changes then the assumptions would need to be looked at.

Mr. Waterman went over the history of employer contributions beginning in 2014 and ending in 2023. The percent contributed always has been 100% except in 2018, which was because they sold their utilities to Florida Power and Light (FPL).

Mr. Waterman went over the risks in the summary and said that this actuarial valuation is based on plan assets as of September 30, 2022. The Plan's funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the plan year. Since the actuarial valuation results are dependent of a given set of assumptions, there is a risk that emerging results may

differ as actual experience proves to be different from the assumptions. On page 8, it shows the key valuation results. He said that the Plan is in great shape, but they should be looking at the COLA long term.

Ms. Lawson commented that the GASB report this year will show a liability of \$233 million because of the way the financial statements are presented. She will explain to the City Council and the Finance Commission that it is not as bad as it looks. She said it is just an accounting entry on the books.

**Ms. Lawson made a motion to accept the evaluation report and include it in their financial statements. Mrs. Manus seconded the motion and it passed unanimously.**

**Ms. Lawson made a motion to ratify the continued assumption of 6.25% investment return. Mrs. Manus seconded the motion and it passed unanimously.**

### **3. PUBLIC COMMENTS**

### **4. ADJOURNMENT**

**Ms. Lawson made a motion to adjourn today's meeting at 10:34 a.m. Ms. Manus seconded the motion and it passed unanimously.**

/tb