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Act 2019-132 Analysis

2221 EFOL Foley

The attached tables show the estimated impact of Act 2019-132 and optional election to increase Tier 1 member contribution rates of the above employer based on the September 30, 2019 actuarial valuation.

Item 1) shows the estimated change in the Unfunded Actuarial Accrued Liability (UAAL) if the election is made to convert Tier 2 benefits as provided in Act 2019-132. Item 1) also shows the estimated UAAL amortization payment and the change in the UAAL contribution rate for all members that would be in effect beginning 10/1/2021 – 9/30/2022 (FY 2022).

- The additional UAAL will be amortized over a closed 15-year period as a percentage of total payroll. This increase is due to the years of service of the Tier 2 members as of September 30, 2019 that will be converted to Tier 1 service.

Item 2) shows the change in Tier 2 normal cost as a % of Tier 2 estimated payroll that would be required for current Tier 2 members to fund the ongoing cost of the additional benefits that will be accruing if the benefit structure is changed.

Item 3) shows the overall impact as a % of estimated payroll for the election under Act 2019-132.

Items 4), 5), and 6) show the estimated impact of the unit opting to increase the member contribution rates under Act 2011-676 for current Tier 1 members from 5% for Non-FLC members and 6% for FLC members, to 7.50% for Non-FLC members and 8.5% for FLC members.

Item 7) shows a summary of the overall impact of electing Act 2019-132 and Act 2011-676 based on the September 30, 2019 valuation. Over time, as current Tier 1 members leave service and are replaced with members that would be classified as Tier 2, and the UAAL is fully amortized, the ultimate cost as a percentage of payroll is estimated to be 1.04% of payroll.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors 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; and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Foley EFOL Act 2019-132 Analysis

Estimated Based on Valuation Results as of 9/30/2019 and 15 Year Amortization of Increase

1) Change in UAAL and UAAL contribution due to Act 2019-132

Increase in UAAL	Yearly Amortization Payment in 1st Year	Increase in UAAL Rate as a % of Estimated Total Payroll
\$669,596	\$62,644	0.39%

2) Change in Tier 2 Normal Cost as a % of Tier 2 Estimated Payroll due to Act 2019-132

	Act 2019-132	9/30/2019 Valuation	Change
Total Tier 2 Normal Rate	9.21%	6.67%	2.54%
Blended Employee Rate*	7.80%	6.30%	1.50%
Net Employer Tier 2 Normal Rate	1.41%	0.37%	1.04%

3) Overall Impact of Act 2019-132 as a % of Estimated Payroll

	First Year Cost/(Savings)	Tier 1	Tier 2
Amortization of UAAL	\$62,644	0.39%	0.39%
Tier 2 Normal Cost Change	\$53,723	0.00%	1.04%
Total Impact	\$116,367	0.39%	1.43%

4) Change in UAAL and UAAL contribution due to Act 2011-676 (if Act 2011-676 Has NOT Already Been Adopted)

Increase in UAAL	Yearly Amortization Payment in 1st Year	Increase in UAAL Rate as a % of Estimated Total Payroll
\$50,372	\$3,212	0.02%

5) Change in Tier 1 Normal Cost as a % of Tier 1 Estimated Payroll due to Act 2011-676

	Act 2011-676	9/30/2019 Valuation	Change
Total Tier 1 Normal Rate	8.84%	8.81%	0.03%
Blended Employee Rate*	7.95%	5.45%	2.50%
Net Employer Tier 1 Normal Rate	0.89%	3.36%	(2.47%)

6) Overall Impact of Act 2011-676 as a % of Estimated Payroll

	First Year Cost/(Savings)	Tier 1	Tier 2
Amortization of UAAL	\$3,212	0.02%	0.02%
Tier 1 Normal Cost Change	(\$269,150)	(2.47%)	0.00%
Total Impact	(\$265,938)	(2.45%)	0.02%

7) Overall Impact Based Upon 9/30/2019 Data Assuming Act 2019-132 and Act 2011-676 Are Adopted Eff. 10/1/2021

	First Year Cost/(Savings)	Tier 1	Tier 2
Amortization of UAAL	\$65,856	0.41%	0.41%
Tier 2 Normal Cost Change	\$53,723	0.00%	1.04%
Tier 1 Normal Cost Change	(\$269,150)	(2.47%)	0.00%
Net Impact	(\$149,571)	(2.06%)	1.45%

*Employee rate is a blend of FLC employee contribution rates and non-FLC employee contribution rates.