



**Kissimmee Utility
Authority
Employees' Retirement
Plan**

Actuarial Valuation

*As of October 1, 2025
Contributions Applicable to the Plan/
Fiscal Year Ending September 30, 2026*

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

January 5, 2026

Board of Trustees
Kissimmee Utility Authority
General Employees' Pension Board

Re: Kissimmee Utility Authority Employees' Retirement Plan Actuarial Valuation Report

Dear Board,

This report details the annual actuarial valuation of the Kissimmee Utility Authority Employees' Retirement Plan as of October 1, 2025.

The valuation was performed to measure the plan's liability and funding levels and to determine the actuarially appropriate funding requirements for the plan year ending September 30, 2026. This report was prepared for use by the Board. Use of the results for other purposes may not be applicable and could produce significantly different results.

DATA AND ASSUMPTIONS

In preparing this report, we have relied on personnel and plan design supplied by Kissimmee Utility Authority. Assets were determined based on financial reports supplied by the custodian bank. In our opinion, the assumptions used in the valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated fund experience. Other sets of assumptions and methods could also be reasonable and could produce materially different results. 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.

DISCLOSURES AND LIMITATIONS

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such 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 (such as the end of an amortization period); and changes in plan provisions or applicable law. Due to the limited scope of this report, we did not provide an analysis of these potential differences.

The funding percentages and unfunded accrued liability as measured based on the actuarial value of assets will differ from similar measures based on the market value of assets. These measures, as provided, are appropriate for determining the adequacy of future contributions, but may not be appropriate for the purpose of settling a portion or all of its liabilities.

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.

ACTUARIAL CERTIFICATION

The valuation has been conducted in accordance with all applicable laws and regulations, as well as generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board; specifically No. 4 for Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, No. 23 for Data Quality, No. 27 for Selection of Economic Assumptions for Measuring Pension Obligations, No. 35 for Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, No. 44, Selection and Use of Asset Valuation Methods for Pension Valuations, and No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations.

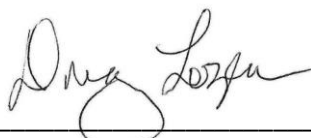
In our opinion, the Minimum Required Contribution set forth in this report constitutes a reasonable actuarially determined contribution under Actuarial Standard of Practice No. 4.

The undersigned are familiar with the immediate and long-term aspects of pension valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, no associate of Foster & Foster, Inc. working on this report has any direct financial interest or indirect material interest in the Kissimmee Utility Authority, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the Employees' Retirement Plan. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

Respectfully submitted,

Foster & Foster, Inc.



Douglas H. Lozen, EA, MAAA



Tyler A. Koftan, EA, MAAA

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SUMMARY

The regular annual actuarial valuation of the Kissimmee Utility Authority Employees' Retirement Plan, performed as of October 1, 2025, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ending September 30, 2026.

The contribution requirements, compared with those set forth in the October 1, 2024 actuarial report, are as follows:

| Valuation Date | 10/1/2025 | 10/1/2024 |
|---|-----------|-----------|
| Applicable to Fiscal Year Ending | 9/30/2026 | 9/30/2025 |
| Total Recommended Contribution % of Projected Annual Payroll | 30.25% | 27.86% |
| Member Contributions (Est.) % of Projected Annual Payroll | 1.41% | 1.37% |
| Sponsor Required Contribution (Est.) ¹ % of Projected Annual Payroll | 28.84% | 26.49% |

As you can see, the Minimum Required Contribution shows an increase when compared to the results set forth in the October 1, 2024 actuarial valuation report. The increase is attributable to a State-mandated change of actuarial assumptions and unfavorable experience described below.

Plan experience was unfavorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial loss included an investment return of 4.69% (Actuarial Asset Basis) which fell short of the 7.55% assumption, an average salary increase of 8.75% which exceeded the 6.20% assumption, and unfavorable turnover experience. There were no significant sources of actuarial gain.

For informational purposes, the ratio of Market Value of Assets to the Total Present Value of Accrued Benefits, as of October 1, 2024, is 100.8%.

¹ Please note that the Sponsor has access to a prepaid contribution of \$390,295.28 that is available to offset a portion of the above stated requirements for the fiscal year ending September 30, 2026.

CHANGES SINCE PRIOR VALUATION

PLAN CHANGES

As the result of a special actuarial analysis, the Member Contribution Rate for Tier 2 participants has increased from 2.35% to 2.69% and the Member Contribution Rate for Tier 3 participants has decreased from 4.90% to 4.51%.

ACTUARIAL ASSUMPTION/METHOD CHANGES

Since the previous valuation, as mandated by Chapter 2015-157, Laws of Florida, the mortality rates were updated to align with those outlined in Milliman's July 1, 2024 FRS valuation report for non-special-risk employees.

The plan's net investment return assumption has been changed from 7.55% to 7.45%, net of investment-related fees.

There were no method changes since the prior valuation.

VALUATION RESULTS

PRINCIPAL VALUATION RESULTS

| | <u>New Assump /</u> <u>New Bfts</u> | <u>New Assump /</u> <u>Old Bfts</u> | <u>Old Assump /</u> <u>Old Bfts</u> | |
|------------------------------------|--|--|--|------------------|
| Valuation Date | 10/1/2025 | 10/1/2025 | 10/1/2025 | 10/1/2024 |
| PARTICIPANT DATA | | | | |
| Actives | 254 | 254 | 254 | 248 |
| Service Retirees | 222 | 222 | 222 | 213 |
| DROP Retirees | 17 | 17 | 17 | 15 |
| Beneficiaries | 45 | 45 | 45 | 46 |
| Disability Retirees | 4 | 4 | 4 | 4 |
| Terminated Vested | <u>64</u> | <u>64</u> | <u>64</u> | <u>71</u> |
| Total | 606 | 606 | 606 | 597 |
| Projected Annual Payroll | 27,578,344 | 27,578,344 | 27,578,344 | 25,234,722 |
| Annual Rate of Payments to: | | | | |
| Service Retirees | 7,064,048 | 7,064,048 | 7,064,048 | 6,525,785 |
| DROP Retirees | 1,107,279 | 1,107,279 | 1,107,279 | 909,066 |
| Beneficiaries | 706,373 | 706,373 | 706,373 | 704,357 |
| Disability Retirees | 56,805 | 56,805 | 56,805 | 56,805 |
| Terminated Vested | 694,222 | 694,222 | 694,222 | 980,345 |
| ASSETS | | | | |
| Actuarial Value (AVA) ¹ | 130,476,059 | 130,476,059 | 130,476,059 | 125,179,688 |
| Market Value (MVA) ¹ | 144,649,694 | 144,649,694 | 144,649,694 | 131,705,811 |
| LIABILITIES | | | | |
| Present Value of Benefits | | | | |
| Actives | | | | |
| Retirement Benefits | 102,270,246 | 102,270,246 | 100,776,874 | 93,338,365 |
| Disability Benefits | 3,812,966 | 3,812,969 | 3,555,377 | 3,263,225 |
| Death Benefits | 1,212,402 | 1,212,447 | 935,921 | 866,790 |
| Vested Benefits | 6,185,374 | 6,184,227 | 6,064,708 | 5,501,641 |
| Refund of Contributions | 42,973 | 42,973 | 41,788 | 31,779 |
| Service Retirees | 72,777,275 | 72,777,275 | 72,555,108 | 66,909,040 |
| DROP Retirees ¹ | 16,155,860 | 16,155,860 | 16,066,762 | 12,796,909 |
| Beneficiaries | 6,240,161 | 6,240,161 | 6,232,303 | 6,257,862 |
| Disability Retirees | 627,443 | 627,443 | 621,368 | 630,062 |
| Terminated Vested | <u>3,252,215</u> | <u>3,252,215</u> | <u>3,203,378</u> | <u>4,970,887</u> |
| Total | 212,576,915 | 212,575,816 | 210,053,587 | 194,566,560 |

| | <u>New Assump /</u> <u>New Bfts</u> 10/1/2025 | <u>New Assump /</u> <u>Old Bfts</u> 10/1/2025 | <u>Old Assump /</u> <u>Old Bfts</u> 10/1/2025 | 10/1/2024 |
|---|---|---|---|-------------|
| LIABILITIES (CONTINUED) | | | | |
| Present Value of Future Salaries | 275,782,234 | 275,782,234 | 274,519,051 | 249,666,535 |
| Present Value of Future Member Contributions | 3,888,529 | 3,888,529 | 3,870,719 | 3,420,432 |
| Normal Cost (Retirement) | 3,861,763 | 3,861,763 | 3,797,090 | 3,491,599 |
| Normal Cost (Disability) | 190,770 | 190,771 | 179,132 | 165,912 |
| Normal Cost (Death) | 61,557 | 61,567 | 47,357 | 43,813 |
| Normal Cost (Vesting) | 377,692 | 377,443 | 370,197 | 342,340 |
| Normal Cost (Refunds) | 11,794 | 11,794 | 11,539 | 8,558 |
| Total Normal Cost | 4,503,576 | 4,503,338 | 4,405,315 | 4,052,222 |
| Present Value of Future Normal Costs | 43,402,195 | 43,401,307 | 42,201,804 | 38,272,171 |
| Accrued Liability (Retirement) | 64,435,558 | 64,435,558 | 63,794,704 | 59,837,265 |
| Accrued Liability (Disability) | 2,010,645 | 2,010,645 | 1,885,571 | 1,733,845 |
| Accrued Liability (Death) | 630,359 | 630,366 | 491,454 | 459,507 |
| Accrued Liability (Vesting) | 3,034,787 | 3,034,569 | 2,990,931 | 2,690,740 |
| Accrued Liability (Refunds) | 10,417 | 10,417 | 10,204 | 8,272 |
| Accrued Liability (Inactives) ¹ | 99,052,954 | 99,052,954 | 98,678,919 | 91,564,760 |
| Total Actuarial Accrued Liability (EAN AL) | 169,174,720 | 169,174,509 | 167,851,783 | 156,294,389 |
| Unfunded Actuarial Accrued Liability (UAAL) | 38,698,661 | 38,698,450 | 37,375,724 | 31,114,701 |
| Funded Ratio (AVA / EAN AL) | 77.1% | 77.1% | 77.7% | 80.1% |

ACTUARIAL PRESENT VALUE OF ACCRUED BENEFITS

| Valuation Date | <u>New Assump /</u> | <u>New Assump /</u> | <u>Old Assump /</u> | 10/1/2024 |
|--|---------------------|---------------------|---------------------|------------------|
| | <u>New Bfts</u> | <u>Old Bfts</u> | <u>Old Bfts</u> | |
| Vested Accrued Benefits | | | | |
| Inactives ¹ | 99,052,954 | 99,052,954 | 98,678,919 | 91,564,760 |
| Actives | 36,753,353 | 36,753,353 | 36,165,241 | 34,854,030 |
| Member Contributions | <u>2,602,090</u> | <u>2,602,090</u> | <u>2,602,090</u> | <u>2,403,971</u> |
| Total | 138,408,397 | 138,408,397 | 137,446,250 | 128,822,761 |
| Non-vested Accrued Benefits | <u>5,135,596</u> | <u>5,135,596</u> | <u>5,043,716</u> | <u>5,008,702</u> |
| Total Present Value | | | | |
| Accrued Benefits (PVAB) | 143,543,993 | 143,543,993 | 142,489,966 | 133,831,463 |
| Funded Ratio (MVA / PVAB) | 100.8% | 100.8% | 101.5% | 98.4% |
| Increase (Decrease) in Present Value of Accrued Benefits Attributable to: | | | | |
| Plan Amendments | 0 | 0 | 0 | |
| Assumption Changes | 0 | 1,054,027 | 0 | |
| Plan Experience | 0 | 0 | 6,409,988 | |
| Benefits Paid | 0 | 0 | (7,569,993) | |
| Interest | 0 | 0 | 9,818,508 | |
| Other | <u>0</u> | <u>0</u> | <u>0</u> | |
| Total | 0 | 1,054,027 | 8,658,503 | |

CONTRIBUTION REQUIREMENTS

| | <u>New Assump /</u> <u>New Bfts</u> | <u>New Assump /</u> <u>Old Bfts</u> | <u>Old Assump /</u> <u>Old Bfts</u> | |
|----------------------------------|--|--|--|-----------|
| Valuation Date | 10/1/2025 | 10/1/2025 | 10/1/2025 | 10/1/2024 |
| Applicable to Fiscal Year Ending | 9/30/2026 | 9/30/2026 | 9/30/2026 | 9/30/2025 |

CALCULATION OF CONTRIBUTION REQUIREMENT

| | | | | |
|---|-------|-------|-------|-------|
| Normal Cost (with interest) % of Projected Annual Payroll ² | 16.33 | 16.33 | 15.97 | 16.06 |
| Administrative Expenses (with interest) % of Projected Annual Payroll ² | 0.20 | 0.20 | 0.20 | 0.23 |
| Payment Required to Amortize Unfunded Actuarial Accrued Liability over 24 years (as of 10/1/2025, with interest) % of Projected Annual Payroll ² | 13.72 | 13.72 | 13.30 | 11.57 |
| Minimum Required Contribution % of Projected Annual Payroll ² | 30.25 | 30.25 | 29.47 | 27.86 |
| Expected Member Contributions % of Projected Annual Payroll ² | 1.41 | 1.40 | 1.40 | 1.37 |
| Expected Sponsor Contribution % of Projected Annual Payroll ² | 28.84 | 28.85 | 28.07 | 26.49 |

PAST CONTRIBUTIONS

| | |
|-----------------------------|------------------|
| Plan Years Ending: | 9/30/2025 |
| Sponsor Requirement | 6,897,858 |
| Actual Contributions Made: | |
| Members (excluding buyback) | 372,978 |
| Sponsor | <u>6,897,858</u> |
| Total | 7,270,836 |

¹ The asset values and liabilities include accumulated DROP Plan Balances as of 9/30/2025 and 9/30/2024.

² Contributions developed as of 10/1/2025 are expressed as a percentage of Projected Annual Payroll at 10/1/2025 of \$27,578,344.

OTHER INFORMATION

ILLUSTRATION OF AMORTIZATION OF THE TOTAL UNFUNDED ACTUARIAL ACCRUED LIABILITY

| Year | Projected Unfunded Actuarial Accrued Liability |
|------|--|
| 2025 | 38,698,661 |
| 2026 | 37,515,179 |
| 2027 | 36,243,526 |
| 2033 | 26,357,835 |
| 2038 | 14,592,425 |
| 2044 | 6,798,598 |
| 2049 | 0 |

5 YEAR COMPARISON OF ACTUAL AND ASSUMED SALARY INCREASES

| | | Actual | Assumed |
|------------|-----------|--------|---------|
| Year Ended | 9/30/2025 | 8.75% | 6.20% |
| Year Ended | 9/30/2024 | 8.44% | 6.10% |
| Year Ended | 9/30/2023 | 6.32% | 6.05% |
| Year Ended | 9/30/2022 | 4.87% | 6.05% |
| Year Ended | 9/30/2021 | 4.30% | 4.56% |

5 YEAR COMPARISON OF INVESTMENT RETURN ON ACTUARIAL VALUE

| | | Market Value | Actuarial Value | Assumed |
|------------|-----------|--------------|-----------------|---------|
| Year Ended | 9/30/2025 | 10.01% | 4.69% | 7.55% |
| Year Ended | 9/30/2024 | 21.37% | 6.62% | 7.65% |
| Year Ended | 9/30/2023 | 9.54% | 4.73% | 7.75% |
| Year Ended | 9/30/2022 | -17.88% | 3.33% | 7.75% |
| Year Ended | 9/30/2021 | 18.35% | 11.23% | 7.75% |

AVERAGE ANNUAL PAYROLL GROWTH

| Valuation Date | Payroll |
|---------------------|--------------|
| 10/1/2025 | \$27,578,344 |
| 10/1/2015 | 17,051,427 |
| Total Increase | 61.74% |
| Number of Years | 10.00 |
| Average Annual Rate | 4.93% |

STATEMENT BY ENROLLED ACTUARY

This actuarial valuation was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.



Douglas H. Lozen, EA, MAAA
Enrolled Actuary #23-7778

Please let us know when the report is approved by the Board and unless otherwise directed, we will provide copies of the report to the following offices to comply with Chapter 112 Florida Statutes:

Mr. Keith Brinkman
Bureau of Local
Retirement Systems
Post Office Box 9000
Tallahassee, FL 32315-9000

Mr. Steve Bardin
Municipal Police and Fire
Pension Trust Funds
Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

UNFUNDED ACTUARIAL ACCRUED LIABILITIES

| | | |
|------|--|--------------|
| (1) | Unfunded Actuarial Accrued Liability as of October 1, 2024 | \$31,114,701 |
| (2) | Sponsor Normal Cost developed as of October 1, 2024 | 3,706,506 |
| (3) | Expected administrative expenses for the year ended September 30, 2025 | 59,185 |
| (4) | Expected interest on (1), (2) and (3) | 2,631,235 |
| (5) | Sponsor contributions to the System during the year ended September 30, 2025 | 6,897,858 |
| (6) | Expected interest on (5) | 520,788 |
| (7) | Expected Unfunded Actuarial Accrued Liability as of September 30, 2025 (1)+(2)+(3)+(4)-(5)-(6) | 30,092,981 |
| (8) | Change to UAAL due to Assumption Change | 1,322,726 |
| (9) | Change to UAAL due to Benefit Change | 211 |
| (10) | Change to UAAL due to Actuarial (Gain)/Loss | 7,282,743 |
| (11) | Unfunded Actuarial Accrued Liability as of October 1, 2025 | 38,698,661 |

| Type of Base | Date Established | Years Remaining | 10/1/2025 Amount | Amortization Amount |
|--------------------|------------------|-----------------|-------------------|---------------------|
| Consolidation Base | 10/1/2021 | 24 | 18,510,138 | 1,561,793 |
| Actuarial Loss | 10/1/2022 | 12 | 3,387,892 | 406,542 |
| Benefits Change | 10/1/2022 | 12 | (418) | (50) |
| Actuarial Loss | 10/1/2023 | 13 | 1,843,750 | 210,578 |
| Assump Change | 10/1/2023 | 13 | 1,415,057 | 161,617 |
| Actuarial Loss | 10/1/2024 | 14 | 3,347,224 | 365,874 |
| Assump Change | 10/1/2024 | 14 | 1,589,338 | 173,725 |
| Actuarial Loss | 10/1/2025 | 15 | 7,282,743 | 765,455 |
| Assump Change | 10/1/2025 | 15 | 1,322,726 | 139,026 |
| Benefits Change | 10/1/2025 | 15 | 211 | 22 |
| | | | <u>38,698,661</u> | <u>3,784,582</u> |

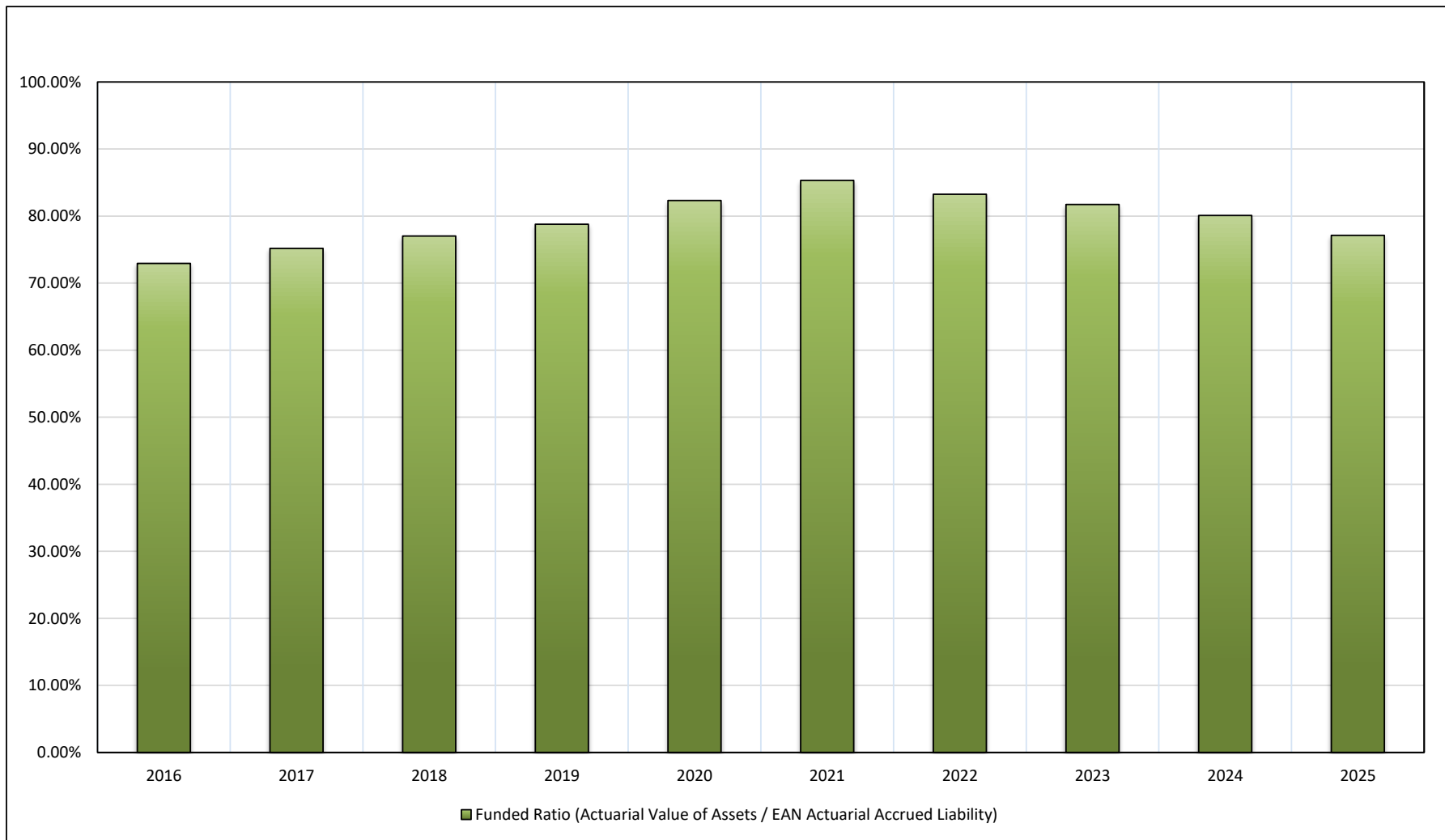
DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

| | |
|---|------------------|
| (1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2024 | \$31,114,701 |
| (2) Expected UAAL as of October 1, 2025 | 30,092,981 |
| (3) Summary of Actuarial (Gain)/Loss, by component: | |
| Investment Return (Actuarial Asset Basis) | 3,588,020 |
| Salary Increases | 1,110,609 |
| Active Decrements | 1,299,076 |
| Inactive Mortality | 163,302 |
| Other | <u>1,121,736</u> |
| Increase in UAAL due to (Gain)/Loss | 7,282,743 |
| Assumption Changes | 1,322,726 |
| Benefits Changes | <u>211</u> |
| (4) Actual UAAL as of October 1, 2025 | \$38,698,661 |

RECONCILIATION OF CHANGES IN CONTRIBUTION REQUIREMENT

| | |
|---|--------------|
| (1) Contribution Determined as of October 1, 2024 | 26.49% |
| (2) Summary of Contribution Impact by component: | |
| Change in Normal Cost Rate | -0.09% |
| Change in Administrative Expense Percentage | -0.03% |
| Payroll Change Effect on UAAL Amortization | -0.98% |
| Investment Return (Actuarial Asset Basis) | 1.37% |
| Salary Increases | 0.43% |
| Active Decrements | 0.50% |
| Inactive Mortality | 0.06% |
| UAAL Amortization Impact from Contribution Policy | -0.09% |
| Assumption Change | 0.78% |
| Benefits Change | -0.01% |
| Other | <u>0.41%</u> |
| Total Change in Contribution | 2.35% |
| (3) Contribution Determined as of October 1, 2025 | 28.84% |

HISTORY OF FUNDING PROGRESS



STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2025

| <u>ASSETS</u> | COST VALUE | MARKET VALUE |
|--------------------------------------|----------------|----------------|
| Cash and Cash Equivalents: | | |
| Short Term Investments | 1,097,461.78 | 1,097,461.78 |
| Total Cash and Equivalents | 1,097,461.78 | 1,097,461.78 |
| Receivables: | | |
| Investment Income | 202,424.28 | 202,424.28 |
| Total Receivable | 202,424.28 | 202,424.28 |
| Investments: | | |
| Fixed Income | 32,022,208.38 | 31,641,120.13 |
| Equity | 52,887,453.49 | 62,114,311.82 |
| Pooled/Common/Commingled Funds: | | |
| Equity | 32,596,394.38 | 37,229,598.06 |
| Real Estate | 9,400,200.53 | 12,827,173.22 |
| Total Investments | 126,906,256.78 | 143,812,203.23 |
| Total Assets | 128,206,142.84 | 145,112,089.29 |
| <u>LIABILITIES</u> | | |
| Payables: | | |
| Investment Expenses | 72,100.40 | 72,100.40 |
| Prepaid Sponsor Contribution | 390,295.28 | 390,295.28 |
| Total Liabilities | 462,395.68 | 462,395.68 |
| NET POSITION RESTRICTED FOR PENSIONS | 127,743,747.16 | 144,649,693.61 |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2025
Market Value Basis

ADDITIONS

Contributions:

| | |
|----------|--------------|
| Member | 372,977.57 |
| Buy-Back | 43,146.11 |
| Sponsor | 6,897,857.72 |

Total Contributions 7,313,981.40

Investment Income:

| | |
|---|----------------|
| Net Realized Gain (Loss) | 14,236,555.20 |
| Unrealized Gain (Loss) | (4,588,132.63) |
| Net Increase in Fair Value of Investments | 9,648,422.57 |
| Interest & Dividends | 4,277,045.24 |
| Less Investment Expense ¹ | (394,106.07) |

Net Investment Income 13,531,361.74

Total Additions 20,845,343.14

DEDUCTIONS

Distributions to Members:

| | |
|---------------------------------|--------------|
| Benefit Payments | 7,569,993.33 |
| Lump Sum DROP Distributions | 266,772.86 |
| Refunds of Member Contributions | 8,676.65 |

Total Distributions 7,845,442.84

Administrative Expense 56,017.66

Total Deductions 7,901,460.50

Net Increase in Net Position 12,943,882.64

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 131,705,810.97

End of the Year 144,649,693.61

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

ACTUARIAL ASSET VALUATION
SEPTEMBER 30, 2025

Actuarial Assets for funding purposes are developed by increasing the Actuarial Assets used in the most recent actuarial valuation of the Fund by the average annual market value rate of return (net of investment related expenses) for the past four years. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Details of the derivation are set forth as follows:

| Plan Year End | Rate of Return ¹ | |
|--|-----------------------------|------------------|
| 09/30/2022 | -17.88% | |
| 09/30/2023 | 9.54% | |
| 09/30/2024 | 21.37% | |
| 09/30/2025 | 10.01% | |
| Annualized Rate of Return for prior four (4) years: | | 4.69% |
| (A) 10/01/2024 Actuarial Assets, including Prepaid Contributions: | | \$126,107,377.36 |
| (I) Net Investment Income: | | |
| 1. Interest and Dividends | 4,277,045.24 | |
| 2. Realized Gain (Loss) | 14,236,555.20 | |
| 3. Unrealized Gain (Loss) | (4,588,132.63) | |
| 4. Change in Actuarial Value | (7,647,510.99) | |
| 5. Investment Related Expenses | (394,106.07) | |
| Total | | 5,883,850.75 |
| (B) 10/01/2025 Actuarial Assets, including Prepaid Contributions: | | \$130,866,354.69 |
| Actuarial Asset Rate of Return = $2I/(A+B-I)$, based on Unlimited Actuarial Assets: | | 4.69% |
| 10/01/2025 Limited Actuarial Assets | | \$130,476,059.41 |
| 10/01/2025 Market Value of Assets | | \$144,649,693.61 |
| Actuarial Asset Rate of Return, based on Limited Actuarial Assets: | | 4.69% |
| Actuarial Gain/(Loss) due to Investment Return (Limited Actuarial Asset Basis) | | (\$3,588,019.86) |

¹Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2025
 Actuarial Asset Basis

| REVENUES | | |
|---|----------------|-----------------------|
| Contributions: | | |
| Member | 372,977.57 | |
| Buy-Back | 43,146.11 | |
| Sponsor | 6,897,857.72 | |
| Total Contributions | | 7,313,981.40 |
| Earnings from Investments: | | |
| Interest & Dividends | 4,277,045.24 | |
| Net Realized Gain (Loss) | 14,236,555.20 | |
| Unrealized Gain (Loss) | (4,588,132.63) | |
| Change in Actuarial Value | (7,647,510.99) | |
| Total Earnings and Investment Gains | | 6,277,956.82 |
| EXPENDITURES | | |
| Distributions to Members: | | |
| Benefit Payments | 7,569,993.33 | |
| Lump Sum DROP Distributions | 266,772.86 | |
| Refunds of Member Contributions | 8,676.65 | |
| Total Distributions | | 7,845,442.84 |
| Expenses: | | |
| Investment related ¹ | 394,106.07 | |
| Administrative | 56,017.66 | |
| Total Expenses | | 450,123.73 |
| Change in Net Assets for the Year | | 5,296,371.65 |
| Net Assets Beginning of the Year | | 125,179,687.76 |
| Net Assets End of the Year² | | 130,476,059.41 |

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

²Net Assets may be limited for actuarial consideration.

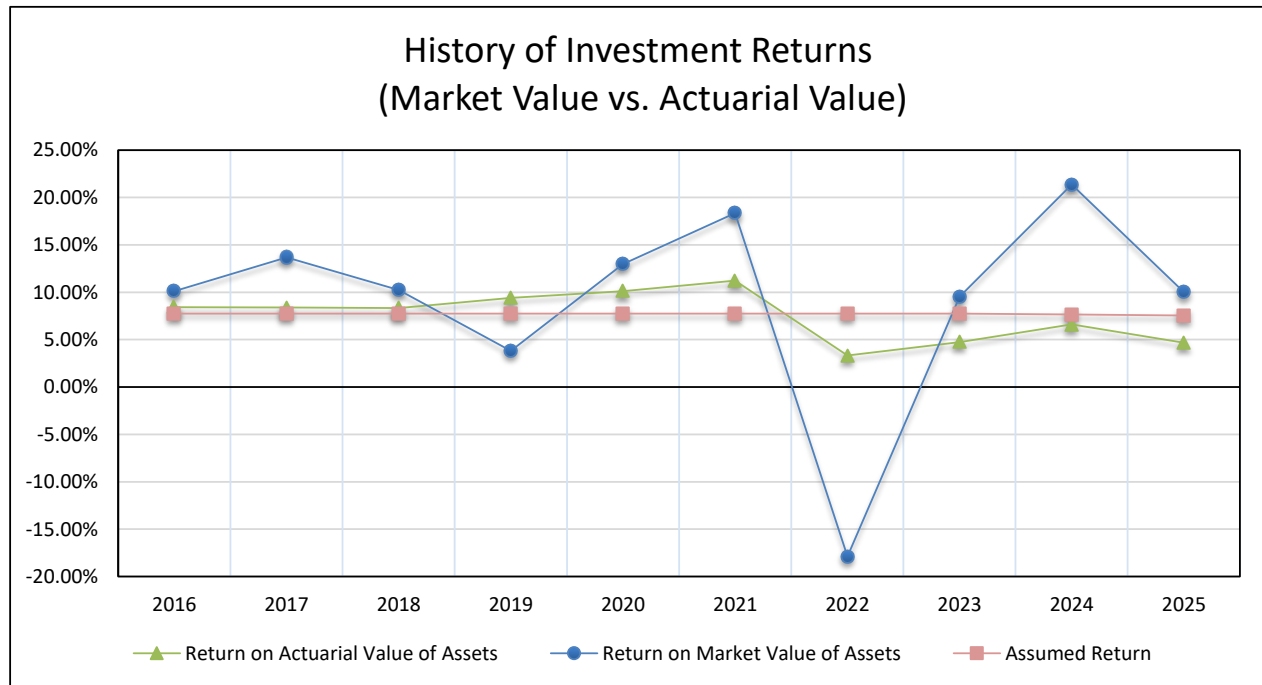
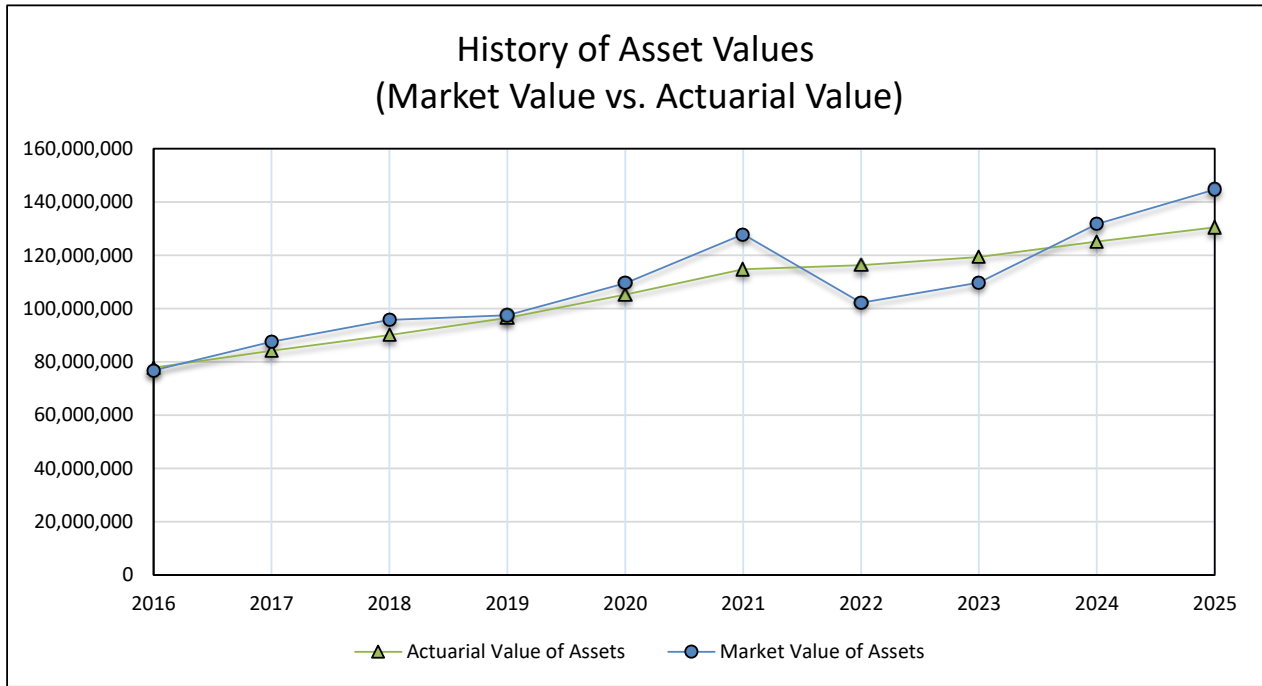
DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2024 to September 30, 2025

| | |
|-------------------------------|--------------|
| Beginning of the Year Balance | 2,338,656.91 |
| Plus Additions | 975,161.56 |
| Investment Return Earned | 186,246.95 |
| Less Distributions | (266,772.86) |
| End of the Year Balance | 3,233,292.56 |

RECONCILIATION OF SPONSOR SHORTFALL/(PREPAID) CONTRIBUTION

| Fiscal Year Ended | 9/30/2025 |
|--|-----------------------|
| (1) Sponsor Required Contribution Rate | 26.49% |
| (2) Pensionable Payroll Derived from Member Contributions | \$26,039,477.99 |
| (3) Sponsor Required Contribution (1) x (2) | 6,897,857.72 |
| (4) Less 2024 Prepaid Contribution | (927,689.60) |
| (5) Less Actual Sponsor Contributions | <u>(6,360,463.40)</u> |
| (6) Equals Sponsor's Shortfall/(Prepaid) Contribution as of September 30, 2025 | (\$390,295.28) |

HISTORY OF ASSET VALUES AND INVESTMENT RETURNS



PARTICIPANT STATISTICS

STATISTICAL DATA

| Valuation Date | 10/1/2025 | 10/1/2024 | 10/1/2023 | 10/1/2022 |
|-------------------------------------|-----------|-----------|-----------|-----------|
| ACTIVES | | | | |
| Number | 254 | 248 | 249 | 246 |
| Average Current Age | 44.1 | 44.0 | 43.7 | 44.1 |
| Average Age at Employment | 33.7 | 33.6 | 33.0 | 32.8 |
| Average Past Service | 10.4 | 10.4 | 10.7 | 11.3 |
| Average Annual Salary | \$109,341 | \$101,804 | \$97,038 | \$93,367 |
| SERVICE RETIREES | | | | |
| Number | 222 | 213 | 205 | 194 |
| Average Current Age | 69.4 | 69.0 | 68.8 | 68.6 |
| Average Annual Benefit | \$31,820 | \$30,637 | \$29,492 | \$28,118 |
| DROP RETIREES | | | | |
| Number | 17 | 15 | 14 | 13 |
| Average Current Age | 60.3 | 60.8 | 61.3 | 59.9 |
| Average Annual Benefit | \$65,134 | \$60,604 | \$57,271 | \$58,921 |
| BENEFICIARIES | | | | |
| Number | 45 | 46 | 51 | 50 |
| Average Current Age | 68.4 | 68.4 | 68.0 | 66.9 |
| Average Annual Benefit | \$15,697 | \$15,312 | \$14,514 | \$14,384 |
| DISABILITY RETIREES | | | | |
| Number | 4 | 4 | 4 | 4 |
| Average Current Age | 67.9 | 66.9 | 65.9 | 64.9 |
| Average Annual Benefit | \$14,201 | \$14,201 | \$14,201 | \$14,201 |
| TERMINATED VESTED | | | | |
| Number | 64 | 71 | 65 | 64 |
| Average Current Age ¹ | 51.0 | 50.4 | 50.4 | 50.0 |
| Average Annual Benefit ¹ | \$12,856 | \$16,616 | \$15,947 | \$13,943 |

¹ The Average Current Age and Average Annual Benefit exclude participants awaiting a refund of contributions.

AGE AND SERVICE DISTRIBUTION

ACTIVE EMPLOYEES

| AGE | PAST SERVICE | | | | | | | | | | | Total | |
|---------|--------------|----|----|----|----|-----|-------|-------|-------|-------|-----|-------|-----|
| | 0 | 1 | 2 | 3 | 4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30+ | | |
| 15 - 19 | | | | | | | | | | | | | 0 |
| 20 - 24 | 3 | 5 | 2 | 2 | | | | | | | | | 12 |
| 25 - 29 | | 3 | 3 | 3 | | 5 | 1 | | | | | | 15 |
| 30 - 34 | 3 | 2 | 3 | 3 | 4 | 5 | 1 | | | | | | 21 |
| 35 - 39 | 2 | 4 | 2 | 3 | 6 | 12 | 11 | 3 | | | | | 43 |
| 40 - 44 | | 3 | 2 | 5 | 5 | 9 | 1 | 11 | 2 | | | | 38 |
| 45 - 49 | 3 | 4 | 2 | | 2 | 6 | 10 | 8 | 4 | | | | 39 |
| 50 - 54 | 3 | 1 | 2 | | | 5 | 5 | 10 | 4 | 4 | 1 | | 35 |
| 55 - 59 | 1 | 1 | 3 | 1 | | 4 | 4 | 6 | 8 | 3 | 2 | | 33 |
| 60 - 64 | | | 1 | | 1 | 4 | 3 | | 6 | 1 | | | 16 |
| 65+ | | | | | | 1 | 1 | | | | | | 2 |
| Total | 15 | 23 | 20 | 17 | 18 | 51 | 37 | 38 | 24 | 8 | 3 | | 254 |

PARTICIPANT RECONCILIATION

1. Active lives

| | |
|---|------------|
| a. Number in prior valuation 10/1/2024 | 248 |
| b. Terminations | |
| i. Vested (partial or full) with deferred annuity | 0 |
| ii. Vested in refund of member contributions only | 0 |
| iii. Refund of member contributions or full lump sum distribution | (3) |
| c. Deaths | |
| i. Beneficiary receiving benefits | 0 |
| ii. No future benefits payable | 0 |
| d. Disabled | 0 |
| e. Retired | (4) |
| f. DROP | <u>(4)</u> |
| g. Continuing participants | 237 |
| h. New entrants / Rehires | <u>17</u> |
| i. Total active life participants in valuation | 254 |

2. Non-Active lives (including beneficiaries receiving benefits)

| | Service Retirees, Vested Receiving Benefits | DROP Benefits | Receiving Death Benefits | Receiving Disability Benefits | Vested (Deferred Annuity) | Vested (Due Refund) | Total |
|-------------------------------|---|------------------|--------------------------------|-------------------------------------|---------------------------------|---------------------------|-------|
| a. Number prior valuation | 213 | 15 | 46 | 4 | 59 | 12 | 349 |
| Retired | 11 | (2) | | | (5) | | 4 |
| DROP | | 4 | | | | | 4 |
| Vested (Deferred Annuity) | | | | | | | 0 |
| Vested (Due Refund) | | | | | | | 0 |
| Hired/Terminated in Same Year | | | | | | | 0 |
| Death, With Survivor | (1) | | 1 | | | | 0 |
| Death, No Survivor | (2) | | (2) | | | | (4) |
| Disabled | | | | | | | 0 |
| Refund of Contributions | | | | | | (1) | (1) |
| Rehires | | | | | | (1) | (1) |
| Expired Annuities | | | | | | | 0 |
| Data Corrections | 1 | | | | | | 1 |
| b. Number current valuation | 222 | 17 | 45 | 4 | 54 | 10 | 352 |

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Active Lives:

Female: PubG.H-2010 for Employees

Male: PubG.H-2010 for Employees, set back 1 year

Healthy Retiree Lives:

Female: PubG.H-2010 for Healthy Retirees

Male: PubG.H-2010 for Healthy Retirees, set back 1 year

Beneficiary Lives:

Female: PubG.H-2010 for Healthy Retirees

Male: PubG.H-2010 for Healthy Retirees, set back 1 year

Disabled Lives:

Female: PubG.H-2010 for Disabled Retirees, set forward 4 years

Male: PubG.H-2010 for Disabled Retirees, set forward 4 years

All rates are projected generationally with Mortality Improvement Scale MP-2021. We feel this assumption sufficiently accommodates future mortality improvements.

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, 2024 FRS valuation report for non-special-risk employees.

Previously, the following rates were used:

Healthy Active Lives:

Female: PubG.H-2010 (Above Median) for Employees.

Male: PubG.H-2010 (Above Median) for Employees, set back one year.

Healthy Retiree Lives:

Female: PubG.H-2010 for Healthy Retirees.

Male: PubG.H-2010 for Healthy Retirees, set back one year.

Beneficiary Lives:

Female: PubG.H-2010 for Healthy Retirees.

Male: PubG.H-2010 for Healthy Retirees, set back one year.

Disabled Lives:

PubG.H-2010 for Disabled Retirees, set forward three years.

All rates for healthy lives were projected generationally with Mortality Improvement Scale MP-2018. We feel this assumption sufficiently accommodates future mortality improvements.

Interest Rate

7.45% (prior year 7.55%) per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Salary Increases

See below. These rates are based on results of the August 23, 2023 experience study.

| Salary Scale | |
|--------------|------|
| Service | Rate |
| 0-4 | 8.0% |
| 5-9 | 6.5% |
| 10+ | 5.0% |

Payroll Growth

0.00% for purposes of amortizing the Unfunded Actuarial Accrued Liability. This assumption cannot exceed the ten-year average payroll growth, in compliance with Part VII of Chapter 112, Florida Statutes.

Inflation Assumption

2.5% for Internal Revenue Code 415 and 401(a)(17) benefit limits. This is consistent with long term inflation expected by the Plan's Investment Consultant.

Administrative Expenses

Based on the average of actual expenses incurred in the prior two fiscal years.

Amortization Method

New UAAL amortization bases are amortized over 15 years.

The amortization payment is subject to a minimum based on a 30-year amortization of the UAAL in order to comply with Actuarial Standard of Practice No. 4.

Bases established prior to the valuation date are adjusted proportionally to match the Expected Unfunded Actuarial Accrued Liability as of the valuation date, in order to align prior year bases with the portion of the current year UAAL associated with prior year sources.

Funding Method

Entry Age Normal Cost Method.

Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

The normal cost accrual rate equals:

(i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by

(ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.

In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future.

Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

Asset Valuation

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

Retirement Age

Tier 1: 50% from ages 62 to 69, and 100% at ages 70 and above.

Tier 2: 70% when age plus service equals 80, and 100% thereafter.

Tier 3: 50% at age 62, and 100% at ages 63 and above.

These rates are based on results of the August 23, 2021 experience study.

Early Retirement

Commencing with the earliest Early Retirement Age (55 with 10 years of Credited Service), Members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year (Tiers 1 and 2) or 15% (Tier 3). These rates are based on results of the August 23, 2021 experience study.

Disability Rates

See sample rates below. These rates are supported by results of the August 23, 2021 experience study.

| % Becoming Disabled During the Year | |
|-------------------------------------|-------|
| Age | Rate |
| 20 | 0.03% |
| 30 | 0.04% |
| 40 | 0.07% |
| 50 | 0.18% |
| 60 | 0.90% |

Termination Rates

The below tables are based on results of the August 23, 2021 experience study.

| Termination Rates Tier 1 | |
|-----------------------------|------|
| Service | Rate |
| 0-4 | 7.5% |
| 5-9 | 3.5% |
| 10+ | 2.5% |

| Termination Rates Tier 2 | |
|-----------------------------|------|
| Service | Rate |
| 0-9 | 6.5% |
| 10-19 | 2.0% |
| 20+ | 0.0% |

| Termination Rates Tier 3 | |
|-----------------------------|------|
| Service | Rate |
| 0-4 | 4.0% |
| 5-9 | 2.5% |
| 10+ | 0.0% |

PLAN PROVISIONS

Most Recent Plan Amendment

Board Resolution 23-02

Credited Service

Years and fractional parts of years of service as a Kissimmee Utility Authority (KUA) Employee (or City of Kissimmee Employee prior to October 1, 1998).

Salary

Basic compensation actually paid to the Member by the KUA, including vacation and sick pay and all tax deferred, tax sheltered, or tax exempt items of income derived from elective employee payroll deductions or salary reductions from basic compensation. "Basic compensation" for hourly employees, for each two week pay period, shall be equal to the Member's base hourly rate of pay times the actual hours worked, but not to exceed 80 hours. Salary shall not include overtime pay, sick leave annual payout, lump sum payment of sick leave and vacation time at retirement, education reimbursement, longevity pay bonuses, commissions, expense allowances, additional pay representing the employer portion of FICA and Medicare for employees not on Social Security, sick, vacation, and comp time paid in excess of 40 hours in one week and all other extraordinary compensation.

Average Final Compensation

Average Salary paid during the highest five (5) years of career earnings.

Normal Retirement

Eligibility

Tier 1 and Tier 3 Members: Age 62 and 10 years of Credited Service.

Tier 2 Members: The date on which the sum of age and service equals 80.

Benefit Amount

2.6% (Tier 1 and Tier 2 Members) or 3% (Tier 3 Members) of Average Final Compensation times Credited Service.

Form of Benefit

Life Annuity.

Early Retirement

Eligibility

Age 55 and 10 years of Credited Service.

| Benefit Amount | Computed as for Normal Retirement, reduced 2% for each year prior to Normal Retirement. | | | | | | | | | | | | | | |
|------------------------------|--|------------------|------------|---|-----|---|-----|---|-----|---|-----|---|-----|----|------|
| Form of Benefit | Life Annuity. | | | | | | | | | | | | | | |
| <hr/> | | | | | | | | | | | | | | | |
| Supplement | In addition to the formula benefit, early and normal retirees receive \$300 per month to age 65 and \$25 per month thereafter. | | | | | | | | | | | | | | |
| <hr/> | | | | | | | | | | | | | | | |
| Disability | | | | | | | | | | | | | | | |
| Eligibility | Total and permanent disability as determined by the Board of Trustees. Two years of service required. | | | | | | | | | | | | | | |
| Benefit Amount | Accrued benefit (25% of AFC minimum). | | | | | | | | | | | | | | |
| <hr/> | | | | | | | | | | | | | | | |
| Pre-Retirement Death | | | | | | | | | | | | | | | |
| Eligibility | 5 years of service. | | | | | | | | | | | | | | |
| Benefit | Beneficiary receives benefit for life, with 10 years certain, which can be funded with the greater of accrued benefit at time of death or the lesser of 1) 24 times AFC, or 2) 100 times the projected Normal Retirement benefit. | | | | | | | | | | | | | | |
| <hr/> | | | | | | | | | | | | | | | |
| Vesting (Termination) | | | | | | | | | | | | | | | |
| Less than 5 years of Service | Refund of Member Contributions, if any. | | | | | | | | | | | | | | |
| 5 years or more | Vested percentage of accrued benefit payable at otherwise Normal Retirement or Early (reduced) Date. Percentage determined as follows: | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>Credited Service</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>5</td> <td>25%</td> </tr> <tr> <td>6</td> <td>40%</td> </tr> <tr> <td>7</td> <td>55%</td> </tr> <tr> <td>8</td> <td>70%</td> </tr> <tr> <td>9</td> <td>85%</td> </tr> <tr> <td>10</td> <td>100%</td> </tr> </tbody> </table> | Credited Service | Percentage | 5 | 25% | 6 | 40% | 7 | 55% | 8 | 70% | 9 | 85% | 10 | 100% |
| Credited Service | Percentage | | | | | | | | | | | | | | |
| 5 | 25% | | | | | | | | | | | | | | |
| 6 | 40% | | | | | | | | | | | | | | |
| 7 | 55% | | | | | | | | | | | | | | |
| 8 | 70% | | | | | | | | | | | | | | |
| 9 | 85% | | | | | | | | | | | | | | |
| 10 | 100% | | | | | | | | | | | | | | |

Contributions

| | |
|----------|--|
| Employee | Tier 1 Members: None Tier 2 Members: 2.69% of Salary Tier 3 Members: 4.51% of Salary |
| KUA | Amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability over 30 years. |

Deferred Retirement Option Plan

| | |
|----------------------|--|
| Eligibility | Satisfaction of Normal Retirement requirements. |
| Participation | Not to exceed 96 months. |
| Rate of Return | At the Member's election either: 1) 6.5% per annum, compounded monthly, or 2) actual net rate of investment return for the fiscal quarter. Accounts updated monthly. |
| Form of Distribution | Cash lump sum at termination of employment (options available). |

SUPPLEMENTARY INFORMATION

GLOSSARY

| | |
|-----------------------------|--|
| Accrued Benefit | The benefit earned as of a specific date based on the provisions of the plan and the member's age, service, and salary as of that date. |
| Actuarial Accrued Liability | The portion of the anticipated future benefits allocated to years prior to the valuation date determined according to the plan's Actuarial Cost Method. |
| Actuarial Value of Assets | The asset value used in the valuation to determine contribution requirements. It represents the plan's Market Value of Assets (see below), with adjustments according to the plan's Actuarial Asset Method. These adjustments produce a "smoothed" value that is likely to be less volatile from year to year than the Market Value of Assets. |
| Actuarial Assumptions | Assumptions regarding the occurrence of future events affecting plan costs. These assumptions include rates of investment earnings, changes in compensation, rates of mortality, withdrawal, disablement, and retirement as well as statistics related to marriage and family composition. |
| Actuarial Cost Method | A method of determining the portion of the cost of a plan to be allocated to each year; sometimes referred to as the "actuarial funding method." Each cost method allocates a certain portion of the actuarial present value of benefits between the Actuarial Accrued Liability and future normal costs to ensure the plan is adequately and systematically funded. |
| Actuarial Gain or Loss | The change in Unfunded Actuarial Accrued Liability resulting from experience different from Actuarial Assumptions. Gains decrease the Unfunded Actuarial Accrued Liability and losses increase the Unfunded Actuarial Accrued Liability. |

| | |
|---------------------------|--|
| Actuarial Present Value | The estimated amount of funds required as of a specified date to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest, and by probabilities of payments between the specified date and the expected date of payment. |
| Amortization Payment | The portion of the plan contribution designated to pay interest and reduce the outstanding principal balance of Unfunded Actuarial Accrued Liability. If the amortization payment is less than the accrued interest on the Unfunded Actuarial Accrued Liability the outstanding principal balance will increase. |
| Decrement | Events which result in the termination of membership in the system such as retirement, disability, withdrawal, or death. |
| Funded Ratio | A measure of the ratio of the plan assets to liabilities of the system. Typically, the assets used in the measure are the Actuarial Value of Assets as determined by the asset valuation method. The Funded Ratio depends not only on the financial strength of the plan but also on the asset valuation method used to determine the assets and on the Actuarial Cost Method used to determine the liabilities. |
| Interest Rate | The assumed long-term rate of return on plan assets. |
| Market Value of Assets | The fair market value of plan assets as of the valuation date. |
| Normal Cost | The portion of the Actuarial Present Value of Benefits allocated to the current year determined according to the plan's Actuarial Cost Method. |
| Present Value of Benefits | The single sum value on the valuation date of all future benefits to be paid to current plan participants. |
| Projected Annual Payroll | The salary expected for the year after the valuation date, excluding members over the 100% assumed retirement age. |

| | |
|--------------------|--|
| Projected Benefits | The benefits expected to be paid in the future based on the provisions of the plan and the Actuarial Assumptions. The projected values are based on anticipated future advancement in age and accrual of service as well as increases in salary paid to the participant. |
|--------------------|--|

| | |
|----------------------|--|
| Total Annual Payroll | The salary expected for the year after the valuation date. |
|----------------------|--|

| | |
|---------------|---|
| Ultimate Cost | <p>The total cost to the plan once the last benefit has been paid. The Ultimate Cost equals</p> <p>Benefit Payments Plus: Expenses Less: Investment Income</p> <p>The Ultimate Cost is independent of the Actuarial Cost Method selected.</p> |
|---------------|---|

| | |
|--------------------------------------|---|
| Unfunded Actuarial Accrued Liability | The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. |
|--------------------------------------|---|

| | |
|----------------|---|
| Vested Benefit | Benefits members are entitled to regardless of employment status. |
|----------------|---|

DISCUSSION OF RISK

ASOP No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions, states that the actuary should identify risks that, in the actuary's professional judgment, may reasonably be anticipated to significantly affect the plan's future financial condition.

Throughout this report, actuarial results are determined under various assumption scenarios. These results are based on the premise that all future plan experience will align with the plan's actuarial assumptions; however, there is no guarantee that actual plan experience will align with the plan's assumptions. It is possible that actual plan experience will differ from anticipated experience in an unfavorable manner that will negatively impact the plan's funded position.

Below are examples of ways in which plan experience can deviate from assumptions and the potential impact of that deviation. Typically, this results in an actuarial gain or loss representing the current-year financial impact on the plan's unfunded liability of the experience differing from assumptions; this gain or loss is amortized over a period of time determined by the plan's amortization method. When assumptions are selected that adequately reflect plan experience, gains and losses typically offset one another in the long term, resulting in a relatively low impact on the plan's contribution requirements associated with plan experience. When assumptions are too optimistic, losses can accumulate over time and the plan's amortization payment could potentially grow to an unmanageable level.

- Investment Return: When the rate of return on the Actuarial Value of Assets falls short of the assumption, this produces a loss representing assumed investment earnings that were not realized. Further, it is unlikely that the plan will experience a scenario that matches the assumed return in each year as capital markets can be volatile from year to year. Therefore, contribution amounts can vary in the future.
- Salary Increases: When a plan participant experiences a salary increase that was greater than assumed, this produces a loss representing the cost of an increase in anticipated plan benefits for the participant as compared to the previous year. The total gain or loss associated with salary increases for the plan is the sum of salary gains and losses for all active participants.
- Demographic Assumptions: Actuarial results take into account various potential events that could happen to a plan participant, such as retirement, termination, disability, and death. Each of these potential events is assigned a liability based on the likelihood of the event and the financial consequence of the event for the plan. Accordingly, actuarial liabilities reflect a blend of financial consequences associated with various possible outcomes (such as retirement at one of various possible ages). Once the outcome is known (e.g. the participant retires) the liability is adjusted to reflect the known outcome. This adjustment produces a gain or loss depending on whether the outcome was more or less favorable than other outcomes that could have occurred.

- **Contribution Risk:** This risk results from the potential that actual employer contributions may deviate from actuarially determined contributions, which are determined in accordance with the Board’s funding policy. The funding policy is intended to result in contribution requirements that if paid when due, will result in a reasonable expectation that assets will accumulate to be sufficient to pay plan benefits when due. Contribution deficits, particularly large deficits and those that occur repeatedly, increase future contribution requirements and put the plan at risk for not being able to pay plan benefits when due.

IMPACT OF PLAN MATURITY ON RISK

For newer pension plans, most of the participants and associated liabilities are related to active members who have not yet reached retirement age. As pension plans continue in operation and active members reach retirement ages, liabilities begin to shift from being primarily related to active members to being shared amongst active and retired members. Plan maturity is a measure of the extent to which this shift has occurred. It is important to understand that plan maturity can have an impact on risk tolerance and the overall risk characteristics of the plan. For example, plans with a large amount of retired liability do not have as long of a time horizon to recover from losses (such as losses on investments due to lower than expected investment returns) as plans where the majority of the liability is attributable to active members. For this reason, less tolerance for investment risk may be warranted for highly mature plans with a substantial inactive liability. Similarly, mature plans paying substantial retirement benefits resulting in a small positive or net negative cash flow can be more sensitive to near term investment volatility, particularly if the size of the fund is shrinking, which can result in less assets being available for investment in the market.

To assist with determining the maturity of the plan, we have provided some relevant metrics in the table following titled “Plan Maturity Measures and Other Risk Metrics”. Highlights of this information are discussed below:

- The Support Ratio, determined as the ratio of active to inactive members, has decreased from 93.9% on October 1, 2015 to 74.3% on October 1, 2025, indicating that the plan has been maturing during the period.
- The Accrued Liability Ratio, determined as the ratio of the Inactive Accrued Liability, which is the liability associated with members who are no longer employed but are due a benefit from the plan, to the Total Accrued Liability, is 58.6%. With a plan of this maturity, losses due to lower than expected investment returns or demographic factors may result in larger increases in contribution requirements than would be needed for a less mature plan. Please note Chapter 112, Florida Statutes, requires that the plan sponsor contributes the minimum required contribution; thus, there is minimal solvency risk to the plan.
- The Funded Ratio, determined as the ratio of the Actuarial Value of Assets to the Total Accrued Liability, has increased from 71.2% on October 1, 2015 to 77.1% on October 1, 2025.

- The Net Cash Flow Ratio, determined as the ratio of the Net Cash Flow (contributions minus benefit payments and administrative expenses) to the Market Value of Assets, decreased from 1.6% on October 1, 2015 to -0.2% on October 1, 2025. The current Net Cash Flow Ratio of -0.2% indicates that contributions are not currently covering the plan's benefit payments and administrative expenses.

LOW DEFAULT-RISK OBLIGATION MEASURE

ASOP No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, was revised as of December 2021 to include a “low-default-risk obligation measure” (LDROM). This liability measure is consistent with the determination of the actuarial accrued liability shown on page 8 in terms of member data, plan provisions, and assumptions/methods, including the use of the Entry Age Normal Cost Method, except that the interest rate is tied to low-default-risk fixed income securities. The S&P Municipal Bond 20 Year High Grade Rate Index (daily rate closest to, but not later than, the measurement date) was selected to represent a current market rate of low risk but longer-term investments that could be included in a low-risk asset portfolio. The interest rate used in this valuation was 4.50% resulting in an LDROM of \$239,961,285. The LDROM should not be considered the “correct” liability measurement; it simply shows a possible outcome if the Board elected to hold a very low risk asset portfolio. Given that plan benefits are paid over time through the combination of contributions and investment returns, prudent investments selected by the Board help to balance asset accumulation through these two sources.

The actuarial valuation reports the funded status and develops contributions based on the expected return of the plan’s investment portfolio. If instead, the plan switched to investing exclusively in high quality bonds, the LDROM illustrates that reported funded status would be lower (which also implies that the Actuarially Determined Contributions would be higher), perhaps significantly. Unnecessarily high contribution requirements in the near term may not be affordable and could imperil plan sustainability and benefit security.

It is important to note that the actuary has identified the risks above as the most significant risks based on the characteristics of the plan and the nature of the project, however, it is not an exhaustive list of potential risks that could be considered. Additional advanced modeling, as well as the identification of additional risks, can be provided at the request of the audience addressed on page 2 of this report.

PLAN MATURITY MEASURES AND OTHER RISK METRICS

| | 10/1/2025 | 10/1/2024 | 10/1/2020 | 10/1/2015 |
|-------------------------------------|-------------|-------------|-------------|-------------|
| SUPPORT RATIO | | | | |
| Total Actives | 254 | 248 | 243 | 248 |
| Total Inactives ¹ | 342 | 337 | 313 | 264 |
| Actives / Inactives ¹ | 74.3% | 73.6% | 77.6% | 93.9% |
| ASSET VOLATILITY RATIO | | | | |
| Market Value of Assets (MVA) | 144,649,694 | 131,705,811 | 109,522,279 | 69,864,473 |
| Total Annual Payroll | 27,772,654 | 25,247,462 | 20,967,789 | 17,505,722 |
| MVA / Total Annual Payroll | 520.8% | 521.7% | 522.3% | 399.1% |
| ACCRUED LIABILITY (AL) RATIO | | | | |
| Inactive Accrued Liability | 99,052,954 | 91,564,760 | 76,211,330 | 51,978,395 |
| Total Accrued Liability (EAN) | 169,174,720 | 156,294,389 | 127,864,185 | 101,354,295 |
| Inactive AL / Total AL | 58.6% | 58.6% | 59.6% | 51.3% |
| FUNDED RATIO | | | | |
| Actuarial Value of Assets (AVA) | 130,476,059 | 125,179,688 | 105,263,918 | 72,120,480 |
| Total Accrued Liability (EAN) | 169,174,720 | 156,294,389 | 127,864,185 | 101,354,295 |
| AVA / Total Accrued Liability (EAN) | 77.1% | 80.1% | 82.3% | 71.2% |
| NET CASH FLOW RATIO | | | | |
| Net Cash Flow ² | (312,030) | (2,050,013) | (973,053) | 1,113,221 |
| Market Value of Assets (MVA) | 144,649,694 | 131,705,811 | 109,522,279 | 69,864,473 |
| Ratio | -0.2% | -1.6% | -0.9% | 1.6% |

¹ Excludes terminated participants awaiting a refund of member contributions.

² Determined as total contributions minus benefit payments and administrative expenses.