

City of Dover, Delaware Police Pension Plan

GASB 67 Actuarial Information for the
Fiscal Year Ending June 30, 2024

GASB 68 Actuarial Information for the
Fiscal Year Ending June 30, 2024
(June 30, 2024 Measurement Date)

Bolton

Submitted by:

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October 30, 2024
Ms. Patricia Marney
Interim Controller/Treasurer
City of Dover
5 E Reed Street
Dover, DE 19901

Re: City of Dover, Delaware Police Pension Plan – GASB 68 Actuarial Information for the Measurement Period Ending June 30, 2024

Dear Patricia,

The following report contains the GASB 67 actuarial information to be included with the plan's financial statements for the fiscal year ending June 30, 2024 and the GASB 68 actuarial information to be included with the City's financial statements for the fiscal year ending June 30, 2024. The GASB 68 information has been provided as of the June 30, 2024 measurement date for FY 2024.

Methodology, Reliance, and Certification

This report is prepared for the internal use of the City and its auditors in connection with our actuarial valuations of the pension plan as required by GASB 68. The purpose of this report is to provide the GASB 67 actuarial information for use in the plan's financial statements for the fiscal year ending June 30, 2024 and the GASB 68 information for use in the City's financial statements for the fiscal year ending June 30, 2024. It is neither intended nor necessarily suitable for other purposes. Bolton is not responsible for the consequences of any other use or the reliance upon this report by any other party.

These calculations are applicable for the valuation date only. This valuation does not provide any guarantee that the plan will be able to provide the promised benefits in the future.

The total pension liability is based on the July 1, 2023 actuarial valuation rolled forward to June 30, 2024. Our understanding is that there have been no additional substantial changes affecting the liabilities or assets of the plan since July 1, 2023 that would cause our estimates of the June 30, 2024 liabilities to not reasonably reflect the condition of the plan. The methods, assumptions, and participant data used are detailed in the July 1, 2023 actuarial valuation. The calculation of the Actuarially Determined Contribution for the fiscal year ended June 30, 2024 is contained in the July 1, 2022 actuarial valuation report.

Our calculations assume that the members and the City will continue to make all required actuarially determined contributions (ADCs). The level of plan assets, the expected future ADCs, and the expected future investment earnings are expected to be sufficient to cover all expected future benefits and expenses. Thus, these GASB results were developed using the long-term investment return assumption as the discount rate.

The long-term nominal expected rate of return on pension plan investments was determined using a building-block method where return expectations are established for each asset class. The building-block approach uses the current underlying fundamentals, not historical returns. For example, spread and the risk-free rate are used for fixed income; and dividends, earnings growth and valuation are used for equity.

This report is based on plan provisions, census data, and asset data submitted by the City. We have relied on this information for purposes of preparing this report. We have not audited the census data provided; however, based on our review, the data appears to be reasonable and consistent with previously provided information. Unless otherwise noted in our report, we believe the information provided is sufficiently complete and reliable for purposes of the results presented in this report. The accuracy of the results presented in this report is dependent upon the accuracy and completeness of the underlying information. The City is solely responsible for the validity and completeness of this information.

The City is responsible for selecting the plan's funding policy, actuarial valuation methods, asset valuation methods, and assumptions; although for this valuation we are using the Entry Age Normal method, as prescribed by GASB 67 and 68. The policies, methods and assumptions used in this valuation are those that have been so prescribed and are described in this report. The City is solely responsible for communicating to Bolton any changes required thereto.

This is a deterministic valuation in that it is based on a single set of assumptions. This set of assumptions is one possible basis for our calculations. We may consider that some factors are not material to the valuation of the plan and may not provide a specific assumption for those factors. We may have used other assumptions in the past. We will likely consider changes in assumptions at a future date.

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward-looking projection over a very long period of time, no one projection is uniquely "correct" and many alternative projections of the future could also be regarded as reasonable. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future.

The City could reasonably ask how the valuation would change if we used a different assumption set or if plan experience exhibited variations from our assumptions. This report does not contain such an analysis. That type of analysis would be a separate assignment.

In addition, decisions regarding benefit improvements, benefit changes, the trust's investment policy, and similar issues should not be based on this valuation. These issues are complex and other factors should be considered when making such decisions. Other factors might include the anticipated vitality of the local economy and future growth expectations, as well as other economic and financial factors.

The cost of this plan is determined by the benefits promised by the plan, the plan's participant population, the investment experience of the plan and many other factors. An actuarial valuation is a budgeting tool for the City or, in this case, a measure of accounting expense. It does not affect the cost of the plan. As the experience of the plan evolves, it is normal for the level of contributions and expense of the plan to change.

The report is conditioned on the assumption of an ongoing plan and is not meant to present the actuarial position of the plan in the case of plan termination. 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 (such as the end



of an amortization period or additional cost or contribution requirements based on the plan's funded status), and changes in plan provisions or applicable law.

The valuation was completed using both proprietary and third-party models (including software and tools). We have tested these models to ensure they are used for their intended purposes, within their known limitations, and without any known material inconsistencies unless otherwise stated.

The calculations in this report have been computed in accordance with our understanding of generally accepted actuarial principles and practices and fairly reflect the actuarial position of the plan. The various actuarial assumptions and methods which have been used are, in our opinion, appropriate for the purposes of this report.

We make every effort to ensure that our calculations are accurately performed. We reserve the right to correct any potential errors by amending the results of this report or by including the corrections in a future valuation report.

Bolton does not practice law and, therefore, cannot and does not provide legal advice. Any statutory interpretation on which this report is based reflects Bolton's understanding as an actuarial firm. Bolton recommends that recipients of this report consult with legal counsel when making any decisions regarding compliance with ERISA, the Internal Revenue Code, or any other statute or regulation.

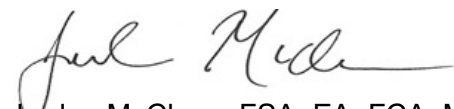
The City should notify Bolton promptly after receipt of this report if the City disagrees with anything contained in the report or is aware of any information that would affect the results of the report that has not been communicated to Bolton or incorporated herein. The report will be deemed final and acceptable to the City unless the City promptly provides such notice to Bolton.

The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. We are not aware of any direct or material indirect financial interest or relationship, including investments or other services, which could create a conflict of interest that would impair the objectivity of our work.

Sincerely,



Tom Vicente, FSA, EA



Jordan McClane, FSA, EA, FCA, MAAA



City of Dover, Delaware Police Pension Plan

Actuarial Information to Include in the Financial Statements for the June 30, 2024 Measurement Date

Net Pension Liability of the City

The components of the net pension liability of the City at June 30, 2024, were as follows:

Total pension liability	\$ 16,500,578
Plan fiduciary net position	(16,003,523)
City's net pension liability	<u>\$ 497,055</u>
Plan fiduciary net position as a percentage of the total pension liability	96.99%

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2023 rolled forward to June 30, 2024 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.35%
Salary increases	N/A
Investment rate of return	6.5%, net of pension plan investment expense, including inflation
Mortality	- <u>Healthy retirees</u> : Pub-2010 Safety Retirees Amount-Weighted Mortality Table with generational projection from the 2010 base year using Scale MP-2021 - <u>Disabled retirees</u> : Pub-2010 Safety Disabled Retirees Amount-Weighted Mortality Table with generational projection from the 2010 base year using Scale MP-2021 - <u>Beneficiaries</u> : Pub-2010 Contingent Survivors Amount-Weighted Mortality Table with generational projection from the 2010 base year using Scale MP-2021

The above is a summary of key actuarial assumptions. Full descriptions of the actuarial assumptions are available in the July 1, 2023 actuarial valuation report.



City of Dover, Delaware Police Pension Plan

Actuarial Information to Include in the Financial Statements for the June 30, 2024 Measurement Date

Long-term expected rate of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Money Market	4.0%	3.26%
Short Term Bonds	3.0%	3.91%
Intermediate Term Bonds	3.0%	4.19%
Long Term Bonds	7.0%	4.98%
Extended Duration	12.0%	6.70%
Non-traditional Bond	3.0%	2.25%
Inflation Protected Bonds	2.0%	4.30%
High Yield Bond	3.0%	6.06%
Large Cap Value	7.0%	6.71%
Large Cap Growth	11.5%	6.98%
Mid Cap	8.0%	7.47%
Small Cap	7.0%	8.46%
Foreign Equity	14.5%	8.38%
Emerging Markets	8.0%	11.06%
Real Estate Investment	3.0%	8.43%
Infrastructure	4.0%	7.87%
Total	100.0%	

Sensitivity of the net pension liability to changes in the discount rate

	1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
City's net pension liability	\$ 1,902,515	\$ 497,055	\$ (722,503)



City of Dover, Delaware Police Pension Plan
 Actuarial Information to Include in the Financial Statements
 for the June 30, 2024 Measurement Date

Changes in the Net Pension Liability

	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at 6/30/23	\$ 16,807,646	\$ 15,053,250	\$ 1,754,396
Changes for the year:			
Service cost	-		-
Interest	1,044,558		1,044,558
Changes of benefit terms	-		-
Differences between expected and actual experience	123,419		123,419
Changes of assumptions	-		-
Contributions - employer		1,164,193	(1,164,193)
Contributions - member		-	-
Net investment income		1,265,928	(1,265,928)
Benefit payments, including refunds of member contributions	(1,475,045)	(1,475,045)	-
Administrative expense		(4,803)	4,803
Other		-	-
Net Changes	<u>(307,068)</u>	<u>950,273</u>	<u>(1,257,341)</u>
Balances at 6/30/24	<u>\$ 16,500,578</u>	<u>\$ 16,003,523</u>	<u>\$ 497,055</u>



City of Dover, Delaware Police Pension Plan

Actuarial Information to Include in the Financial Statements for the June 30, 2024 Measurement Date

Components of City's Pension Expense for the Fiscal Year Ended June 30, 2024

Note	Description	Amount
A	Service cost	\$ -
B	Interest on the total pension liability	1,044,558
A	Changes of benefit terms	-
C	Differences between expected and actual experience	123,419
C	Changes of assumptions	-
A	Employee contributions	-
D	Projected earnings on pension plan investments	(968,202)
C	Differences between expected and actual earnings on plan investments	157,101
A	Pension plan administrative expense	4,803
A	Other changes in fiduciary net position	-
Total Pension Expense		\$ 361,679

Notes:

A Provided in the Changes in Net Pension Liability exhibit.

B Based on the following calculation:

	Amount for Period (a)	Portion of Period (b)	Projected Rate of Return (c)	Projected Earnings (a) x (b) x (c)
Beginning total pension liability	\$ 16,807,646	100%	6.50%	\$ 1,092,497
Service cost (end of year)	-	0%	6.50%	-
Benefit payments, including refunds of employee contributions	(1,475,045)	50%	6.50%	(47,939)
Total interest on the total pension liability				\$ 1,044,558

C Provided in the Schedules of Deferrals.

D Based on the following calculation:

	Amount for Period (a)	Portion of Period (b)	Projected Rate of Return (c)	Projected Earnings (a) x (b) x (c)
Beginning plan fiduciary net position	\$ 15,053,250	100%	6.50%	\$ 978,461
Employer contributions	1,164,193	50%	6.50%	37,836
Employee contributions	-	50%	6.50%	-
Benefit payments, including refunds of employee contributions	(1,475,045)	50%	6.50%	(47,939)
Administrative expense and other	(4,803)	50%	6.50%	(156)
Total Projected Earnings				\$ 968,202



City of Dover, Delaware Police Pension Plan

Actuarial Information to Include in the Financial Statements for the June 30, 2024 Measurement Date

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2024, the City 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 expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	577,142	-
Total	\$ 577,142	\$ -

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	\$ 62,378
2026	644,199
2027	(69,889)
2028	(59,546)
2029	-
Thereafter	-



City of Dover, Delaware Police Pension Plan
Actuarial Information to Include in the Financial Statements
for the June 30, 2024 Measurement Date

Changes in the City's Net Pension Liability and Related Ratios
 Last 10 Fiscal Years (Dollar amounts in thousands)

Total pension liability	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	1,045	1,092	1,130	1,162	1,134	1,173	1,197	1,211	1,281	1,311
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	123	(330)	(246)	-	207	(157)	-	-	(836)	286
Changes of assumptions	-	-	48	(134)	633	(88)	(44)	116	-	932
Benefit payments, including refunds of member contributions	(1,475)	(1,507)	(1,517)	(1,534)	(1,537)	(1,517)	(1,541)	(1,528)	(1,528)	(1,558)
Net change in total pension liability	(307)	(745)	(586)	(506)	436	(590)	(388)	(202)	(1,083)	972
Total pension liability - beginning	16,808	17,552	18,138	18,644	18,208	18,798	19,186	19,388	20,471	19,499
Total pension liability - ending (a)	\$ 16,501	\$ 16,808	\$ 17,552	\$ 18,138	\$ 18,644	\$ 18,208	\$ 18,798	\$ 19,186	\$ 19,388	\$ 20,471
Plan fiduciary net position	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contributions - employer	\$ 1,164	\$ 771	\$ 1,287	\$ 988	\$ 1,033	\$ 1,097	\$ 1,295	\$ 1,118	\$ 1,093	\$ 1,386
Contributions - member	-	-	-	-	-	-	-	-	-	-
Net investment income	1,266	990	(2,442)	3,816	439	820	908	1,433	279	283
Benefit payments, including refunds of member contributions	(1,475)	(1,507)	(1,517)	(1,534)	(1,537)	(1,517)	(1,541)	(1,528)	(1,528)	(1,558)
Administrative expense	(5)	(4)	(12)	(7)	(5)	(5)	(5)	(5)	(5)	(6)
Other	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	\$ 950	\$ 250	\$ (2,684)	\$ 3,263	\$ (70)	\$ 394	\$ 657	\$ 1,018	\$ (160)	\$ 105
Plan fiduciary net position - beginning	15,053	14,804	17,488	14,225	14,295	13,900	13,243	12,225	12,385	12,279
Plan fiduciary net position - ending (b)	<u>\$ 16,004</u>	<u>\$ 15,053</u>	<u>\$ 14,804</u>	<u>\$ 17,488</u>	<u>\$ 14,225</u>	<u>\$ 14,295</u>	<u>\$ 13,900</u>	<u>\$ 13,243</u>	<u>\$ 12,225</u>	<u>\$ 12,385</u>
City's net pension liability - ending (a)-(b)	<u>\$ 497</u>	<u>\$ 1,754</u>	<u>\$ 2,748</u>	<u>\$ 650</u>	<u>\$ 4,419</u>	<u>\$ 3,913</u>	<u>\$ 4,897</u>	<u>\$ 5,943</u>	<u>\$ 7,163</u>	<u>\$ 8,086</u>
Plan fiduciary net position as a percentage of the total pension liability	96.99%	89.56%	84.34%	96.42%	76.30%	78.51%	73.95%	69.03%	63.05%	60.50%
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
City's net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Expected average remaining service years of all participants	-	-	-	-	-	-	-	-	-	-

Benefit changes: None.

Changes of assumptions: None.



City of Dover, Delaware Police Pension Plan

Actuarial Information to Include in the Financial Statements for the June 30, 2024 Measurement Date

Schedule of City Contributions

Last 10 Fiscal Years (Dollar amounts in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 351	\$ -	\$ 1,115	\$ 935	\$ 965	\$ 1,050	\$ 1,205	\$ 1,176	\$ 1,212	\$ 1,176
Contributions in relation to the actuarially determined contribution	1,164	771	1,287	988	1,033	1,097	1,295	1,118	1,093	1,386
Contribution deficiency (excess)	\$ (813)	\$ (771)	\$ (172)	\$ (53)	\$ (69)	\$ (47)	\$ (90)	\$ 58	\$ 119	\$ (209)
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Valuation date:

Actuarially determined contribution amounts are calculated as of the beginning of the fiscal year (July 1) for the year immediately following the fiscal year. Actuarial valuations are performed every year. The assumptions shown below are those used in the July 1, 2022 actuarial valuation to calculate the FY 2024 ADC. Assumptions used to determine contributions in the past may not have been the same.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Layered, level dollar
Remaining amortization period	10 years
Asset valuation method	Market value
Inflation	2.5%
Salary increases	N/A
COLA for members in receipt of benefits	2.0%
Investment rate of return	6.5%, net of pension plan investment expense, including inflation
Retirement age	N/A
Mortality	

Healthy retirees: Pub-2010 Safety Retirees Amount-Weighted Mortality Table with generational projection from the 2010 base year using Scale MP-2021

Disabled retirees: Pub-2010 Safety Disabled Retirees Amount-Weighted Mortality Table with generational projection from the 2010 base year using Scale MP-2021

Beneficiaries: Pub-2010 Contingent Survivors Amount-Weighted Mortality Table with generational projection from the 2010 base year using Scale MP-2021

City of Dover, Delaware Police Pension Plan

Actuarial Information to Include in the Financial Statements for the June 30, 2024 Measurement Date

Schedule of Differences between Projected and Actual Earnings on Pension Plan Investments

In conformity with paragraph 33b of Statement 68, the effects of differences between projected and actual earnings on pension plan investments are recognized in pension expense using a systematic and rational method over a closed five-year period, beginning in the current reporting period. The following table illustrates the application of this requirement.

Year	Differences between Projected and Actual Earnings on Pension Plan Investments	Recognition Period (Years)	Increase (Decrease) in Pension Expense Arising from the Recognition of Differences between Projected and Actual Earnings on Plan Investments				
			2024	2025	2026	2027	2028
2020	473,633	5	94,725				
2021	(2,909,118)	5	(581,824)	(581,822)			
2022	3,570,439	5	714,088	714,088	714,087		
2023	(51,716)	5	(10,343)	(10,343)	(10,343)	(10,344)	
2024	(297,726)	5	\$ (59,545)	(59,545)	(59,545)	(59,545)	(59,546)
Net increase (decrease) in pension expense			\$ 157,101	\$ 62,378	\$ 644,199	\$ (69,889)	\$ (59,546)

Deferred Outflows of Resources and Deferred Inflows of Resources Arising from Differences between Projected and Actual Earnings on Pension Plan Investments

Year	Investment Earnings Less than Projected (a)	Investment Earnings Greater Than Projected (b)	Amounts Recognized in Pension Expense Through June 30, 2024 (c)	Balances at June 30, 2024	
				Deferred Outflows of Resources (a) - (c)	Deferred Inflows of Resources (b) - (c)
2020	473,633	-	\$ 473,633	-	-
2021	-	2,909,118	2,327,296	-	581,822
2022	3,570,439	-	2,142,264	1,428,175	-
2023	-	51,716	20,686	-	31,030
2024	-	297,726	59,545	-	238,181
				\$ 1,428,175	\$ 851,033

City of Dover, Delaware Police Pension Plan

Actuarial Information to Include in the Financial Statements for the June 30, 2024 Measurement Date

Schedule of Differences between Expected and Actual Experience

In conformity with paragraph 33a of Statement 68, the effects of differences between projected and actual experience are recognized in pension expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees), determined as of the beginning of the measurement period. The following table illustrates the application of this requirement.

Year	Differences between Expected and Actual Experience	Recognition Period (Years)	Increase (Decrease) in Pension Expense Arising from the Recognition of Differences between Projected and Actual Experience	
			2024	2025
2024	123,419	1	\$ 123,419	
Net increase (decrease) in pension expense			\$ 123,419	\$ -

Deferred Outflows of Resources and Deferred Inflows of Resources Arising from Differences between Expected and Actual Experience

Year	Experience Losses (a)	Experience Gains (b)	Amounts Recognized in Pension Expense Through June 30, 2024 (c)	Balances at June 30, 2024	
				Deferred Outflows of Resources (a) - (c)	Deferred Inflows of Resources (b) - (c)
2024	123,419	-	123,419	-	-
				\$ -	\$ -

City of Dover, Delaware Police Pension Plan

Actuarial Information to Include in the Financial Statements for the June 30, 2024 Measurement Date

Schedule of Changes of Assumptions

In conformity with paragraph 33a of Statement 68, the effects of changes of assumptions should be recognized in pension expense, beginning in the current reporting period, using a systematic and rational method over a closed period equal to the average of the remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees), determined as of the beginning of the measurement period. The following table illustrates the application of this requirement.

Year	Changes of Assumptions	Recognition Period (Years)	Increase (Decrease) in Pension Expense Arising from the Effects of Changes of Assumptions	
			2024	2025
2024	-	1	\$ -	-
Net increase (decrease) in pension expense			\$ -	\$ -

Deferred Outflows of Resources and Deferred Inflows of Resources Arising from Changes of Assumptions

Year	Increases in Total Pension Liability (a)	Decreases in Total Pension Liability (b)	Amounts Recognized in Pension Expense Through June 30, 2024 (c)	Balances at June 30, 2024	
				Deferred Outflows of Resources (a) - (c)	Deferred Inflows of Resources (b) - (c)
2024	-	-	-	-	-
				\$ -	\$ -