

CITY OF FERNANDINA BEACH  
GENERAL EMPLOYEES'  
PENSION PLAN

ACTUARIAL VALUATION REPORT  
AS OF OCTOBER 1, 2016

CONTRIBUTIONS APPLICABLE TO THE PLAN/  
FISCAL YEAR ENDING SEPTEMBER 30, 2018

February 3, 2017

Board of Trustees  
City of Fernandina Beach  
General Employees' Pension Plan  
P.O. Box 668  
204 Ash Street  
Fernandina Beach, FL 32034-0668

Re: City of Fernandina Beach  
General Employees' Pension Plan

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Fernandina Beach General Employees' Pension Plan. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year. Please note that this valuation may not be applicable for any other purposes.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Chapter 112, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the Board of Trustees, financial reports prepared by the custodian bank, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. 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.


The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets 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 valuations of the program has any direct financial interest or indirect material interest in the City of Fernandina Beach, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Fernandina Beach General Employees' Pension Plan. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By:   
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Douglas H. Lozen, EA, MAAA  
Enrolled Actuary #14-7778

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Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Fernandina Beach General Employees' Pension Plan, performed as of October 1, 2016, has been completed, and the results are presented in this Report. The contribution amounts developed in this valuation are applicable to the plan/fiscal year ended September 30, 2018.

The contribution requirements, compared with amounts developed in the October 1, 2015, actuarial valuation, are as follows:


Valuation Date	10/1/2016	10/1/2015
Applicable Fiscal Year	<u>9/30/2018</u>	<u>9/30/2017</u>
Total Required Contribution		
% of Total Annual Payroll	39.35%	41.47%
Expected Member Contributions		
% of Total Annual Payroll	6.50%	6.50%
Balance from City		
% of Total Annual Payroll	32.85%	34.97%


Experience since the prior valuation was more favorable than expected on the basis of the actuarial assumptions. The primary source of favorable experience is attributable to an average increase in pensionable compensation that was below the 5.0% assumption. There were no other material sources of actuarial gain or loss. The above funding requirements for the fiscal year ending September 30, 2018 also incorporates assumption changes approved by the Board of Trustees as the result of a special Experience Study. Details of the impact on the Plan's funding requirements and liabilities are set forth in the Comparative Summary of Principal Valuation Results section of this report.

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By:   
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Douglas H. Lozen, EA, MAAA

By:   
\_\_\_\_\_  
Christine M. O'Neal, FSA, EA, MAAA

## CONTRIBUTION IMPACT OF ANNUAL CHANGES

(1) Contribution Determined as of October 1, 2015	34.97%
(2) Summary of Contribution Impact by component:	
Investment Return (Actuarial Asset Basis)	0.0%
Salary Increases	-0.2%
Payroll Change Effect on UAAL Amortization	-2.3%
Change in Normal Cost Rate	0.2%
Active Decrements	0.0%
Inactive Mortality	0.0%
Change in Level of Administrative Expenses	-0.1%
Assumption Changes	1.1%
Other	<u>-0.8%</u>
Total Change in Contribution	-2.12%
(3) Contribution Determined as of October 1, 2016	32.85%

## CHANGES SINCE PRIOR VALUATION

### Plan Changes

There have been no changes in benefits since the prior valuation.

### Actuarial Assumption/Method Changes

As a result of the Experience Study dated November 10, 2016, the Board has made the following changes in conjunction with this report:

1. **Salary Increases** - The assumed rate of individual salary increases was changed from a flat 5.0% each year to a service-based table.
2. **Mortality Rates** – The assumed rates of mortality were changed to match what is used by the Florida Retirement System (FRS) for other than special risk participants, as disclosed in the July 1, 2015 valuation report.
3. **Retirement Rates** – The rates for Normal and Early Retirement were modified to reflect historical participant behavior.
4. **Withdrawal Rates** – The assumed rates of turnover changed from an age-based table to a service-based table.
5. **Investment Return** – Lowered from 8.00% to 7.75%.

Details of the above assumptions can be found in the Actuarial Assumptions and Methods section of this report.

Additionally, all components of the Unfunded Actuarial Accrued Liability are now amortized utilizing a level-dollar approach. Future bases attributed to actuarial gains or losses will be amortized over 10 years, assumption changes amortized over 20 years, and benefit changes amortized over 30 years.



COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Assump <u>10/1/2016</u>	Old Assump <u>10/1/2016</u>	<u>10/1/2015</u>
A. Participant Data			
Number Included			
Actives	95	95	84
Service Retirees	59	59	58
DROP Retirees	5	5	8
Beneficiaries	9	9	9
Disability Retirees	4	4	4
Terminated Vested	<u>35</u>	<u>35</u>	<u>34</u>
Total	207	207	197
Total Annual Payroll	\$4,783,932	\$4,787,232	\$4,219,243
Payroll Under Assumed Ret. Age	4,704,039	4,787,232	4,219,243
Annual Rate of Payments to:			
Service Retirees	1,096,134	1,096,134	1,021,335
DROP Retirees	179,708	179,708	272,880
Beneficiaries	104,119	104,119	92,466
Disability Retirees	55,760	55,760	55,760
Terminated Vested	176,125	176,125	199,279
B. Assets			
Actuarial Value <sup>1</sup>	18,501,175	18,501,175	17,057,988
Market Value <sup>1</sup>	18,042,439	18,042,439	16,530,959
C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	11,672,604	13,546,742	11,708,068
Disability Benefits	367,109	541,191	486,595
Death Benefits	211,135	165,072	148,953
Vested Benefits	2,528,212	1,680,343	1,629,069
Refund of Contributions	74,888	36,734	24,123
Service Retirees	11,134,298	10,545,799	9,638,988
DROP Retirees <sup>1</sup>	2,801,681	2,708,462	4,069,674
Beneficiaries	656,801	609,390	553,542
Disability Retirees	432,251	492,784	502,936
Terminated Vested	<u>1,291,509</u>	<u>1,233,345</u>	<u>1,495,030</u>
Total	31,170,488	31,559,862	30,256,978

C. Liabilities - (Continued)	New Assump <u>10/1/2016</u>	Old Assump <u>10/1/2016</u>	<u>10/1/2015</u>
Present Value of Future Salaries	29,623,167	36,238,722	32,919,440
Present Value of Future Member Contributions	1,925,506	2,355,517	2,139,764
Normal Cost (Retirement)	389,371	553,228	477,729
Normal Cost (Disability)	31,393	45,735	39,189
Normal Cost (Death)	10,340	9,344	7,929
Normal Cost (Vesting)	138,805	103,391	96,378
Normal Cost (Refunds)	<u>19,263</u>	<u>7,982</u>	<u>5,691</u>
Total Normal Cost	589,172	719,680	626,916
Present Value of Future Normal Costs	3,338,827	5,002,487	4,513,846
Accrued Liability (Retirement)	9,461,648	9,669,058	8,236,529
Accrued Liability (Disability)	218,776	268,081	244,562
Accrued Liability (Death)	149,151	100,610	92,740
Accrued Liability (Vesting)	1,673,884	925,626	905,796
Accrued Liability (Refunds)	11,662	4,220	3,335
Accrued Liability (Inactives) <sup>1</sup>	<u>16,316,540</u>	<u>15,589,780</u>	<u>16,260,170</u>
Total Actuarial Accrued Liability	27,831,661	26,557,375	25,743,132
Unfunded Actuarial Accrued Liability (UAAL)	9,330,486	8,056,200	8,685,144
Funded Ratio (AVA / AL)	66.5%	69.7%	66.3%
<b>D. Actuarial Present Value of Accrued Benefits</b>			
Vested Accrued Benefits			
Inactives <sup>1</sup>	16,316,540	15,589,780	16,260,170
Actives	5,466,781	4,635,919	3,728,266
Member Contributions	<u>2,494,333</u>	<u>2,494,333</u>	<u>2,216,522</u>
Total	24,277,654	22,720,032	22,204,958
Non-vested Accrued Benefits	<u>299,144</u>	<u>385,440</u>	<u>334,667</u>
Total Present Value Accrued Benefits	24,576,798	23,105,472	22,539,625
Funded Ratio (MVA / PVAB)	73.4%	78.1%	73.3%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	1,471,326	0	
New Accrued Benefits	0	628,174	
Benefits Paid	0	(1,793,747)	
Interest	0	1,731,420	
Other	<u>0</u>	<u>0</u>	
Total	1,471,326	565,847	

	New Assump	Old Assump	
Valuation Date	10/1/2016	10/1/2016	10/1/2015
Applicable to Fiscal Year Ending	<u>9/30/2018</u>	<u>9/30/2018</u>	<u>9/30/2017</u>

#### E. Pension Cost

Normal Cost (with interest) % of Total Annual Payroll <sup>2</sup>	13.01	15.63	15.45
Administrative Expenses (with interest) % of Total Annual Payroll <sup>2</sup>	0.73	0.72	0.77
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 29 years (as of 10/1/2016, with interest) % of Total Annual Payroll <sup>2</sup>	25.61	21.87	25.25
Total Required Contribution % of Total Annual Payroll <sup>2</sup>	39.35	38.22	41.47
Expected Member Contributions % of Total Annual Payroll <sup>2</sup>	6.50	6.50	6.50
Expected City Contribution % of Total Annual Payroll <sup>2</sup>	32.85	31.72	34.97

#### F. Past Contributions

Plan Years Ending:	<u>9/30/2016</u>
City Requirement	1,574,760
Actual Contributions Made:	
Members (excluding buyback)	302,123
City	<u>1,590,471</u>
Total	1,892,594

G. Net Actuarial (Gain)/Loss (83,133)

<sup>1</sup> The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/2016 and 9/30/2015.

<sup>2</sup> Contributions developed as of 10/1/2016 are expressed as a percentage of total annual payroll at 10/1/2016 of \$4,704,039.

H. Schedule Illustrating the Amortization of the Total Unfunded Actuarial Accrued Liability as of:

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2016	9,330,486
2017	8,803,873
2018	8,236,447
2025	4,966,223
2032	1,742,929
2038	140,564
2045	0

I. (i) 3 Year Comparison of Actual and Assumed Salary Increases

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	4.56%	5.00%
Year Ended	9/30/2015	3.14%	5.00%
Year Ended	9/30/2014	1.62%	5.00%

(ii) 3 Year Comparison of Investment Return on Actuarial Value

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	8.06%	8.00%
Year Ended	9/30/2015	9.44%	8.00%
Year Ended	9/30/2014	8.21%	8.00%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2016	\$4,783,932
	10/1/2006	4,664,730
(b) Total Increase		2.56%
(c) Number of Years		10.00
(d) Average Annual Rate		0.25%

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 #14-7778

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

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

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1) Unfunded Actuarial Accrued Liability as of October 1, 2015	\$8,685,144
(2) Sponsor Normal Cost developed as of October 1, 2015	352,665
(3) Expected administrative expenses for the year ended September 30, 2016	31,336
(4) Expected interest on (1), (2) and (3)	724,278
(5) Sponsor contributions to the System during the year ended September 30, 2016	1,590,471
(6) Expected interest on (5)	63,619
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2016 (1)+(2)+(3)+(4)-(5)-(6)	8,139,333
(8) Change to UAAL due to Assumption Change	1,274,286
(9) Change to UAAL due to Actuarial (Gain)/Loss	(83,133)
(10) Unfunded Accrued Liability as of October 1, 2016	9,330,486

<u>Type of Base</u>	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2016 Amount</u>	<u>Amortization Amount</u>
	2/1/1993	6	\$320,792	\$63,914
	10/1/1995	9	127,230	18,706
	10/1/1999	13	933,372	108,096
	10/1/2000	14	532,121	59,035
method change	10/1/2004	18	1,454,530	141,550
prior losses	10/1/2004	12	1,272,064	154,633
actuarial loss	10/1/2005	12	398,127	48,396
actuarial loss	10/1/2006	12	58,703	7,136
actuarial gain	10/1/2007	12	(375,739)	(45,675)
actuarial loss	10/1/2008	2	388,113	201,296
method change	10/1/2008	12	510,044	62,001
assum. change	10/1/2008	12	357,394	43,445
actuarial loss	10/1/2009	23	1,630,914	142,992
actuarial loss	10/1/2010	24	18,003	1,554
actuarial loss	10/1/2011	25	772,798	65,759
actuarial loss	10/1/2012	26	90,764	7,623
assum. change	10/1/2012	26	395,353	33,204
benefit change	10/1/2012	26	3,764	316
actuarial gain	10/1/2013	27	(341,979)	(28,379)

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2016 <u>Amount</u>	Amortization <u>Amount</u>
software change	10/1/2013	27	457,420	37,959
actuarial gain	10/1/2014	28	(407,741)	(33,466)
actuarial gain	10/1/2015	29	(456,714)	(37,109)
assum. change	10/1/2016	20	1,274,286	118,221
actuarial gain	10/1/2016	10	<u>(83,133)</u>	<u>(11,369)</u>
			9,330,486	1,159,838

## DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2015	\$8,685,144
(2) Expected UAAL as of October 1, 2016	8,139,333
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(10,255)
Salary Increases	(74,785)
Active Decrements	392
Inactive Mortality	15,646
Other	<u>(14,131)</u>
Increase in UAAL due to (Gain)/Loss	(83,133)
Assumption Changes	<u>1,274,286</u>
(4) Actual UAAL as of October 1, 2016	\$9,330,486



## ACTUARIAL ASSUMPTIONS AND METHODS

### Mortality Rate

#### *Healthy Lives:*

**Female:** RP2000 Generational, 100% Annuitant White Collar, Scale BB

**Male:** RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB

#### *Disabled Lives:*

**Female:** 100% RP2000 Disabled Female set forward two years

**Male:** 100% RP2000 Disabled Male setback four years

The above assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption 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, 2015 FRS valuation report for other than special risk participants. We feel this assumption sufficiently accommodates future mortality improvements.

(Prior assumption: RP 2000 Combined Healthy (sex distinct), projected to the valuation year using scale AA. Disabled lives are set forward 5 years.)

### Normal Retirement

For Members with less than 25 years of Credited Service, a 100% assumption at age 65. For Members with 25 or more years of Credited Service, an 80% assumption at ages 55 and 56, and a 100% assumption for ages 57 and older. For 35 or more years of Credited Service, no change to prior assumption of 100% assumed retirement upon the completion of 35 years of Credited Service. These rates were adopted as a result of our November 10, 2016 Experience Study.

### Early Retirement

For Members with less than 25 years of Credited Service, an 8% assumption for each year of eligibility from ages 55-59, and a 25% assumption for each year of eligibility for ages 60-64. For Members with 25 or more years of Credited Service, a 25% assumption for 25 to 28 years of Credited Service, and a 100% assumption for 29 or more years of Credited Service. These rates were adopted as a result of our November 10, 2016 Experience Study.

Disability Rate

See table below (1201). It is assumed that 75% of disablements are service related. The assumed rates of disablement were developed from those used by other plans containing Florida municipal employees.

<u>Age</u>	<u>% Becoming Disabled During the Year</u>
20	0.03%
30	0.04%
40	0.07%
50	0.18%

Termination Rate

<u>Credited Service</u>	<u>Termination Probability</u>
Less than 2 Years	25.0%
2-3 Years	10.0%
4-9 Years	8.5%
10 Years and Greater	5.0%

This assumption was adopted as a result of our November 10, 2016 Experience Study.

Interest Rate

7.75% (previously 8.00%) 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, and also approved by the Board of Trustees as a result of our November 10, 2016 Experience Study

Salary Increases

<u>Credited Service</u>	<u>Increase</u>
Less than 1 Year	10.0%
1 Year	6.0%
2-5 Years	4.5%
6 Years and Greater	4.0%

This assumption was adopted as a result of our November 10, 2016 Experience Study.

Payroll Growth

0% (previously 0.98%) per year for amortization of the Unfunded Actuarial Accrued Liability. This assumption was adopted as a result of our November 10, 2016 Experience Study.

Administrative Expenses

\$33,274 annually, based on prior year's actual expenses.

Funding Method

Entry Age Normal Actuarial Cost Method.

Actuarial Asset Method

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

## VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the fiscal year beginning on the valuation date of all covered Members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Normal (Current Year's) Cost is determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.

Individual Entry Age Normal Actuarial Cost Method (Level Percent of Compensation) is the method used to determine required contributions under the Plan. The use of this method involves the systematic funding of the Normal Cost (described above) and the Unfunded Accrued (Past Service) Liability. The actuarial accrued liability for active participants is the difference between the present value of future benefits and the present value of future Normal Costs. The actuarial accrued liability for inactive participants is the present value of future benefits.

Unfunded Actuarial Accrued Liability (UAAL) is the difference between the actuarial accrued liability (described above) and the actuarial value of assets. Under the Entry Age Normal Actuarial Cost Method, an actuarial gain or loss, based on actual versus expected UAAL, is determined in conjunction with each valuation of the plan.

Total Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability over no more than 30 years. The required amount is adjusted for interest according to the timing of contributions during the year.

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2016

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Prepaid Benefits	105,457.18	105,457.18
Money Market	1,131,500.00	1,131,500.00
Cash	1,770.44	1,770.44
Total Cash and Equivalents	1,238,727.62	1,238,727.62
Receivables:		
Member Contributions in Transit	22,873.48	22,873.48
Tax Reclaims	1,804.05	1,804.05
Investment Income	35,341.98	35,341.98
Total Receivable	60,019.51	60,019.51
Investments:		
U. S. Bonds and Bills	384,929.00	387,762.00
Federal Agency Guaranteed Securities	1,637,777.00	1,651,566.00
Corporate Bonds	2,189,451.41	2,186,439.78
Stocks	5,328,445.97	6,190,961.29
Mutual Funds:		
Equity	3,670,874.13	4,702,226.83
Pooled/Common/Commingled Funds:		
Real Estate	1,524,957.78	1,647,237.61
Total Investments	14,736,435.29	16,766,193.51
Total Assets	16,035,182.42	18,064,940.64
 <u>LIABILITIES</u>		
Payables:		
To Broker for Investments Purchased	22,501.45	22,501.45
Total Liabilities	22,501.45	22,501.45
NET POSITION RESTRICTED FOR PENSIONS	16,012,680.97	18,042,439.19

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
Market Value Basis

ADDITIONS

Contributions:

Member	302,123.34	
City	1,590,471.00	

Total Contributions		1,892,594.34
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Investment Income:

Net Realized Gain (Loss)	247,373.97	
Unrealized Gain (Loss)	790,010.28	
Net Increase in Fair Value of Investments	1,037,384.25	
Interest & Dividends	498,357.63	
Less Investment Expense <sup>1</sup>	(89,835.05)	

Net Investment Income		1,445,906.83
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Total Additions		3,338,501.17
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DEDUCTIONS

Distributions to Members:

Benefit Payments	1,229,552.99	
Lump Sum DROP Distributions	546,687.07	
Refunds of Member Contributions	17,507.14	

Total Distributions		1,793,747.20
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Administrative Expense		33,273.92
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Total Deductions		1,827,021.12
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Net Increase in Net Position		1,511,480.05
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NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		16,530,959.14
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End of the Year		18,042,439.19
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<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION  
SEPTEMBER 30, 2016

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 <sup>1</sup>	
09/30/2013	12.91%	
09/30/2014	9.41%	
09/30/2015	1.31%	
09/30/2016	8.95%	
Annualized Rate of Return for prior four (4) years:		8.06%
(A) 10/01/2015 Actuarial Assets:		\$17,057,988.25
(I) Net Investment Income:		
1. Interest and Dividends	498,357.63	
2. Realized Gains (Losses)	247,373.97	
3. Change in Actuarial Value	721,716.89	
4. Investment Related Expenses	(89,835.05)	
Total		1,377,613.44
(B) 10/01/2016 Actuarial Assets:		\$18,501,174.91
Actuarial Asset Rate of Return = 2I/(A+B-I):		8.06%
10/01/2016 Limited Actuarial Assets:		\$18,501,174.91
10/01/2016 Market Value of Assets:		\$18,042,439.19
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		\$10,255.19

<sup>1</sup>Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 SEPTEMBER 30, 2016  
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	302,123.34	
City	1,590,471.00	
Total Contributions		1,892,594.34
Earnings from Investments:		
Interest & Dividends	498,357.63	
Net Realized Gain (Loss)	247,373.97	
Change in Actuarial Value	721,716.89	
Total Earnings and Investment Gains		1,467,448.49

EXPENDITURES

Distributions to Members:		
Benefit Payments	1,229,552.99	
Lump Sum DROP Distributions	546,687.07	
Refunds of Member Contributions	17,507.14	
Total Distributions		1,793,747.20
Expenses:		
Investment related <sup>1</sup>	89,835.05	
Administrative	33,273.92	
Total Expenses		123,108.97
Change in Net Assets for the Year		1,443,186.66
Net Assets Beginning of the Year		17,057,988.25
Net Assets End of the Year <sup>2</sup>		18,501,174.91

<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.

<sup>2</sup>Net Assets may be limited for actuarial consideration.



DEFERRED RETIREMENT OPTION PLAN ACTIVITY  
October 1, 2015 to September 30, 2016

Beginning of the Year Balance	1,126,484.89
Plus Additions	217,088.49
Investment Return Earned	57,977.17
Less Distributions	(546,687.07)
End of the Year Balance	854,863.48

## STATISTICAL DATA

	<u>10/1/2013</u>	<u>10/1/2014</u>	<u>10/1/2015</u>	<u>10/1/2016</u>
<u>Actives</u> <sup>1</sup>				
Number	88	87	84	95
Average Current Age	44.5	45.8	44.5	44.7
Average Age at Employment	34.9	36.2	34.9	35.5
Average Past Service	9.6	9.6	9.6	9.2
Average Annual Salary	\$48,839	\$49,157	\$50,229	\$50,357
<u>Service Retirees</u>				
Number		55	58	59
Average Current Age		67.6	68.2	67.6
Average Annual Benefit		\$17,992	\$17,609	\$18,579
<u>DROP Retirees</u>				
Number		10	8	5
Average Current Age		60.6	60.5	61.3
Average Annual Benefit		\$30,236	\$34,110	\$35,942
<u>Beneficiaries</u>				
Number		9	9	9
Average Current Age		71.6	72.6	74.0
Average Annual Benefit		\$10,274	\$10,274	\$11,569
<u>Disability Retirees</u>				
Number		4	4	4
Average Current Age		60.5	61.5	62.5
Average Annual Benefit		\$13,940	\$13,940	\$13,940
<u>Terminated Vested</u>				
Number		30	34	35
Average Current Age <sup>2</sup>		54.7	53.9	54.1
Average Annual Benefit <sup>2</sup>		\$7,137	\$8,664	\$7,658

<sup>1</sup> Prior to 10/1/2015, averages were salary weighted.

<sup>2</sup> Excludes non-vested members awaiting a refund of contributions.

## AGE AND SERVICE DISTRIBUTION

### PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	4	3	0	0	0	0	0	0	0	0	0	7
25 - 29	2	2	0	0	0	0	1	0	0	0	0	5
30 - 34	1	0	0	0	0	3	1	1	0	0	0	6
35 - 39	3	0	0	0	0	2	5	3	0	0	0	13
40 - 44	1	2	1	0	1	5	0	2	0	0	0	12
45 - 49	4	0	1	1	1	0	7	4	1	0	0	19
50 - 54	0	1	0	0	1	2	3	2	1	0	1	11
55 - 59	0	0	0	0	0	2	6	2	0	0	0	10
60 - 64	0	0	3	0	0	2	4	3	0	0	0	12
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	15	8	5	1	3	16	27	17	2	0	1	95

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2015	84
b. Terminations	
i. Vested (partial or full) with deferred benefits	(3)
ii. Non-vested or full lump sum distribution received	(2)
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	(1)
f. DROP	<u>0</u>
g. Continuing participants	78
h. New entrants (includes 1 retiree to active)	<u>17</u>
i. Total active life participants in valuation	95

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

	Service Retirees, Vested Receiving <u>Benefits</u>	DROP <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested <u>Deferred</u>	<u>Total</u>
a. Number prior valuation	58	8	9	4	34	113
Retired	5	(3)	0	0	(1)	1
DROP	0	0	0	0	0	0
Vested Deferred	0	0	0	0	3	3
Death, With Survivor	(1)	0	1	0	0	0
Death, No Survivor	(2)	0	0	0	0	(2)
Disabled	0	0	0	0	0	0
Refund of Contributions	0	0	0	0	(1)	(1)
Rehires	(1)	0	0	0	0	(1)
Expired Annuities	0	0	(1)	0	0	(1)
Data Corrections	0	0	0	0	0	0
b. Number current valuation	59	5	9	4	35	112

SUMMARY OF PLAN PROVISIONS  
(Through Ordinance No. 2016-21)

<u>Eligibility</u>	Full-time City employees who are not classified as Police Officers or Firefighters participate as a condition of employment.
<u>Credited Service</u>	Total years and fractional parts of years of employment with the City as a General Employee.
<u>Salary</u>	Total compensation reportable on the Member's W-2 form, plus all tax exempt, tax sheltered and tax deferred items of income. Effective October 16, 2012 for Members represented by the United Brotherhood of Carpenters and Joiners Local 2120 (July 1, 2011 for all other Members), Salary shall not include more than three hundred (300) hours of overtime per calendar year. Additionally, Salary will include the lesser of the amount of unused sick and annual leave time accrued as of the above effectives dates, or the actual amount at termination or retirement.
<u>Average Final Compensation</u>	Average Salary for the 5 best years of the 10 years immediately preceding retirement or termination.
<u>Member Contributions</u>	6.5% of Salary.
<u>City Contributions</u>	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII, Chapter 112, F.S.
<u>Normal Retirement</u>	
Date	Earlier of: 1) age 55 and 25 years of Credited Service, 2) age 65 and 6 years of Credited Service, or 3) 35 years of Credited Service, regardless of age.
Benefit	Plan A Members: 2.75% of Average Final Compensation <u>times</u> Credited Service.
Form of Benefit	Life Annuity (options available).

### Early Retirement

Eligibility	Earlier of: 1) age 55 and have completed 6 years of Credited Service, or 2) 25 years of Credited Service, regardless of age.
Benefit	Accrued benefit, reduced 2% per year.

### Vesting

Schedule	100% after 6 years of Credited Service.
Benefit Amount	Member will receive the accrued benefit payable at the otherwise Early (reduced) or Normal (unreduced) Retirement Date.

### Disability

Eligibility	
Service Incurred	Covered from Date of Employment.
Non-Service Incurred	10 years of Credited Service.
Benefit	Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred) or 25% of Average Final Compensation (Non-Service Incurred).
Duration	Payable for life (with 120 payments guaranteed) or until recovery (as determined by the Board).

### Death Benefits

Pre-Retirement	
Vested	Monthly accrued benefit payable to designated beneficiary for 10 years beginning at otherwise Early (reduced) or Normal (Unreduced) Retirement Date.
Non-Vested	Refund of accumulated contributions, if any.
Post-Retirement	Benefits payable to beneficiary in accordance with option selected at retirement.

Board of Trustees

- a. Two Commission appointees,
- b. Two Members elected by the Membership, and
- c. Fifth Member elected by other 4 and appointed by Commission.

Deferred Retirement Option Plan

Eligibility	Satisfaction of Normal or Early Retirement requirements.
Participation	Not more than 60 months.
Rate of Return	At election of Member (may change once during DROP period) either: 1) actual net rate of investment return (total return net of brokerage commissions, transaction costs, and management fees), or 2) 6.5%. Earnings are credited each fiscal quarter.
Form of Distribution	Cash lump sum (options available) payable at termination of employment.

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2016

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Prepaid Benefits	105,457
Money Market	1,131,500
Cash	1,770
Total Cash and Equivalents	1,238,727
Receivables:	
Member Contributions in Transit	22,873
Tax Reclaims	1,804
Investment Income	35,342
Total Receivable	60,019
Investments:	
U. S. Bonds and Bills	387,762
Federal Agency Guaranteed Securities	1,651,566
Corporate Bonds	2,186,440
Stocks	6,190,961
Mutual Funds:	
Equity	4,702,227
Pooled/Common/Commingled Funds:	
Real Estate	1,647,238
Total Investments	16,766,194
Total Assets	18,064,940
<u>LIABILITIES</u>	
Payables:	
To Broker for Investments Purchased	22,501
Total Liabilities	22,501
NET POSITION RESTRICTED FOR PENSIONS	18,042,439



STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
Market Value Basis

ADDITIONS

## Contributions:

Member	302,123	
City	1,590,471	
<b>Total Contributions</b>		<b>1,892,594</b>
 Investment Income:		
Net Increase in Fair Value of Investments	1,037,384	
Interest & Dividends	498,358	
Less Investment Expense <sup>1</sup>	(89,835)	
<b>Net Investment Income</b>		<b>1,445,907</b>
<b>Total Additions</b>		<b>3,338,501</b>

DEDUCTIONS

## Distributions to Members:

Benefit Payments	1,229,553	
Lump Sum DROP Distributions	546,687	
Refunds of Member Contributions	17,507	
<b>Total Distributions</b>		<b>1,793,747</b>
 Administrative Expense		 33,274
<b>Total Deductions</b>		<b>1,827,021</b>
<b>Net Increase in Net Position</b>		<b>1,511,480</b>

## NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		16,530,959
End of the Year		18,042,439

<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.

**NOTES TO THE FINANCIAL STATEMENTS**  
(For the Year Ended September 30, 2016)

Plan Description

*Plan Administration*

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- a. Two Commission appointees,
- b. Two Members elected by the Membership, and
- c. Fifth Member elected by other 4 and appointed by Commission.

*Plan Membership as of October 1, 2015:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	79
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	34
Active Plan Members	84
	197

*Benefits Provided*

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement:

Date: Earlier of: 1) age 55 and 25 years of Credited Service, 2) age 65 and 6 years of Credited Service, or 3) 35 years of Credited Service, regardless of age.

Benefit: Plan A Members: 2.75% of Average Final Compensation times Credited Service.

Early Retirement:

Eligibility: Earlier of: 1) age 55 and have completed 6 years of Credited Service, or 2) 25 years of Credited Service, regardless of age.

Benefit: Accrued benefit, reduced 2% per year.

Vesting:

Schedule: 100% after 6 years of Credited Service.

Benefit Amount: Member will receive the accrued benefit payable at the otherwise Early (reduced) or Normal (unreduced) Retirement Date.

Disability:

Eligibility: Service Incurred Covered from Date of Employment.

Non-Service Incurred 10 years of Credited Service.

Benefit: Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred) or 25% of Average Final Compensation (Non-Service Incurred).

Pre-Retirement Death Benefits:

Vested: Monthly accrued benefit payable to designated beneficiary for 10 years beginning at otherwise Early (reduced) or Normal (Unreduced) Retirement Date.

Non-Vested: Refund of accumulated contributions, if any.

*Contributions*

Member Contributions: 6.5% of Salary.

City Contributions: Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

Investments

*Investment Policy:*

The following was the Board's adopted asset allocation policy as of September 30, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	55%
International Equity	10%
Broad Market Fixed Income	25%
Real Estate	10%
<u>Total</u>	<u>100%</u>

*Concentrations:*

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's Fiduciary Net Position.

*Rate of Return:*

For the year ended September 30, 2016, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 8.95 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program

Eligibility: Satisfaction of Normal or Early Retirement requirements.

Participation: Not to exceed 60 months.

Rate of Return: At election of Member (may change once during DROP period) either: 1) actual net rate of investment return (total return net of brokerage commissions, transaction costs, and management fees), or 2) 6.5%. Earnings are credited each fiscal quarter.

The DROP balance as September 30, 2016 is \$854,863.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2016 were as follows:

Total Pension Liability	\$ 27,354,529
Plan Fiduciary Net Position	\$ (18,042,439)
Sponsor's Net Pension Liability	<u>\$ 9,312,090</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	<u>65.96%</u>

*Actuarial Assumptions:*

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Service based
Discount Rate	7.75%
Investment Rate of Return	7.75%

*Mortality Rate Healthy Lives:*

Mortality Table - RP2000 Fully Generational with Scale BB, with collar and annuitant adjustments as follows:

Males – 50% Annuitant White Collar, 50% Annuitant Blue Collar.

Females – 100% Annuitant White Collar.

*Mortality Rate Disabled Lives:*

Mortality Table - RP2000 without projection, with the following adjustments:

Males – 100% Disabled Male with four year setback

Females – 100% Disabled Female with two year set forward.

The most recent actuarial experience study used to review the other significant assumptions was dated November 10th, 2016.

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2016 the inflation rate assumption of the investment advisor was 2.50%.

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.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.5%
International Equity	8.5%
Broad Market Fixed Income	2.5%
Real Estate	4.5%

## GASB 67

### Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.75 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension Liability	\$ 12,365,003	\$ 9,312,090	\$ 6,751,053

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
Last 10 Fiscal Years

	<u>09/30/2016</u>	<u>09/30/2015</u>
Total Pension Liability		
Service Cost	640,943	658,841
Interest	2,040,323	1,992,049
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(289,022)	(458,339)
Changes of assumptions	996,058	-
Benefit Payments, including Refunds of Employee Contributions	<u>(1,793,747)</u>	<u>(1,348,707)</u>
Net Change in Total Pension Liability	1,594,555	843,844
Total Pension Liability - Beginning	<u>25,759,974</u>	<u>24,916,130</u>
Total Pension Liability - Ending (a)	<u><u>\$ 27,354,529</u></u>	<u><u>\$ 25,759,974</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	1,590,471	1,291,060
Contributions - Employee	302,123	265,734
Net Investment Income	1,445,907	209,869
Benefit Payments, including Refunds of Employee Contributions	(1,793,747)	(1,348,707)
Administrative Expense	<u>(33,274)</u>	<u>(31,336)</u>
Net Change in Plan Fiduciary Net Position	1,511,480	386,620
Plan Fiduciary Net Position - Beginning	<u>16,530,959</u>	<u>16,144,339</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 18,042,439</u></u>	<u><u>\$ 16,530,959</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 9,312,090</u></u>	<u><u>\$ 9,229,015</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	65.96%	64.17%
Covered Employee Payroll <sup>1</sup>	\$ 4,648,051	\$ 4,533,367
Net Pension Liability as a percentage of Covered Employee Payroll	200.34%	203.58%

**Notes to Schedule:**

<sup>1</sup> The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

*Changes of assumptions:*

For measurement date 09/30/2016, as a result of the Experience Study dated November 10, 2016, the Board has made the following changes:

1. Salary Increases - The assumed rate of individual salary increases was changed from a flat 5.0% each year to a service-based table.
2. Mortality Rates - The assumed rates of mortality were changed to match what is used by the Florida Retirement System (FRS) for other than special risk participants.
3. Retirement Rates – The rates for Normal and Early Retirement were modified to reflect historical participant behavior.
4. Withdrawal Rates – The assumed rates of turnover changed from an age-based table to a service-based table.
5. Investment Return - Lowered from 8.00% to 7.75%.

Details of the above assumptions can be found in the Actuarial Assumptions and Methods section of the 10/01/2016 Valuation report.

Additionally, all future bases of the Unfunded Actuarial Accrued Liability (beginning with those established on October 1, 2016) will be amortized utilizing a level-dollar approach. Future bases attributed to actuarial gains or losses will be amortized over 10 years, assumption changes amortized over 20 years, and benefit changes amortized over 30 years.

Finally, the inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
Last 10 Fiscal Years

	<u>09/30/2014</u>	<u>09/30/2013</u>
Total Pension Liability		
Service Cost	638,941	591,612
Interest	1,905,236	1,829,639
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(1,609,123)</u>	<u>(1,438,098)</u>
Net Change in Total Pension Liability	935,054	983,153
Total Pension Liability - Beginning	<u>23,981,076</u>	<u>22,997,923</u>
Total Pension Liability - Ending (a)	<u><u>\$ 24,916,130</u></u>	<u><u>\$ 23,981,076</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	1,222,791	1,018,294
Contributions - Employee	268,700	274,302
Net Investment Income	1,372,874	1,716,113
Benefit Payments, including Refunds of Employee Contributions	<u>(1,609,123)</u>	<u>(1,438,098)</u>
Administrative Expense	<u>(23,442)</u>	<u>(31,129)</u>
Net Change in Plan Fiduciary Net Position	1,231,799	1,539,482
Plan Fiduciary Net Position - Beginning	<u>14,912,541</u>	<u>13,373,059</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 16,144,339</u></u>	<u><u>\$ 14,912,541</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 8,771,791</u></u>	<u><u>\$ 9,068,535</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	64.79%	62.18%
Covered Employee Payroll <sup>1</sup>	\$ 4,133,843	\$ 4,220,035
Net Pension Liability as a percentage of Covered Employee Payroll	212.19%	214.89%

**Notes to Schedule:**

<sup>1</sup> The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	1,574,760	1,291,060	1,222,791	1,018,294
Contributions in relation to the Actuarially Determined Contributions	1,590,471	1,291,060	1,222,791	1,018,294
Contribution Deficiency (Excess)	\$ (15,711)	\$ -	\$ -	\$ -
Covered Employee Payroll <sup>1</sup>	\$ 4,648,051	\$ 4,533,367	\$ 4,133,843	\$ 4,220,035
Contributions as a percentage of Covered Employee Payroll	34.22%	28.48%	29.58%	24.13%

<sup>1</sup> The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Notes to Schedule

Valuation Date: 10/01/2014  
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost Method.  
 Amortization Method: Level Percentage of Pay, Closed.  
 Remaining Amortization Period: 30 Years.  
 Mortality Rate: RP2000 Combined Healthy Table – projected to valuation date using scale AA. Disabled lives are set forward 5 years.  
 Interest Rate: 8% per year compounded annually, net of investment related expenses.  
 Retirement Age: Normal Retirement: Earlier of: 1) age 55 and 25 years of service, 2) age 65 and 6 years of service, or 3) 35 years of service, regardless of age. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year. Commencing with the earliest Early Retirement Age, Members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year.  
 Disability Rates: See table on following page (1201). It is assumed that 75% of disablements are service related.  
 Termination Rates: See table on following page (T-5).  
 Salary Increases: 5.0% per year until the assumed retirement age. Projected salary at retirement is increased on an individual basis to account for non-regular compensation.  
 Payroll Growth: 1.7% per year.  
 Actuarial Asset Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value returns, net of fees. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

Termination and Disability Rate Tables:	Age	% Becoming Disabled During the Year	% Terminating During the Year
		20	0.03%
	30	0.04%	7.20%
	40	0.07%	5.20%
	50	0.18%	2.60%



SCHEDULE OF INVESTMENT RETURNS  
Last 10 Fiscal Years

	<u>09/30/2016</u>	<u>09/30/2015</u>	<u>09/30/2014</u>	<u>09/30/2013</u>
Annual Money-Weighted Rate of Return				
Net of Investment Expense	8.95%	1.31%	9.41%	12.91%

**NOTES TO THE FINANCIAL STATEMENTS**  
(For the Year Ended September 30, 2017)

General Information about the Pension Plan

*Plan Description*

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- a. Two Commission appointees,
- b. Two Members elected by the Membership, and
- c. Fifth Member elected by other 4 and appointed by Commission.

Full-time City employees, hired after July 4, 2007, who are not classified as Police Officers or Firefighters participate as a condition of employment.

*Plan Membership as of October 1, 2015:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	79
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	34
Active Plan Members	84
	197
	197

*Benefits Provided*

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement:

Date: Earlier of: 1) age 55 and 25 years of Credited Service, 2) age 65 and 6 years of Credited Service, or 3) 35 years of Credited Service, regardless of age.

Benefit: Plan A Members: 2.75% of Average Final Compensation times Credited Service.

Early Retirement:

Eligibility: Earlier of: 1) age 55 and have completed 6 years of Credited Service, or 2) 25 years of Credited Service, regardless of age.

Benefit: Accrued benefit, reduced 2% per year.

Vesting:

Schedule: 100% after 6 years of Credited Service.

Benefit Amount: Member will receive the accrued benefit payable at the otherwise Early (reduced) or Normal (unreduced) Retirement Date.

Disability:

Eligibility: Service Incurred Covered from Date of Employment.

Benefit: Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred) or 25% of Average Final Compensation (Non-Service Incurred).

Pre-Retirement Death Benefits:

Vested: Monthly accrued benefit payable to designated beneficiary for 10 years beginning at otherwise Early (reduced) or Normal (Unreduced) Retirement Date.

Non-Vested: Refund of accumulated contributions, if any.

*Contributions*

Member Contributions: 6.5% of Salary.

City Contributions: Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

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### Net Pension Liability

The measurement date is September 30, 2016.

The measurement period for the pension expense was October 1, 2015 to September 30, 2016.

The reporting period is October 1, 2016 through September 30, 2017.

The Sponsor's Net Pension Liability was measured as of September 30, 2016.

The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

#### *Actuarial Assumptions:*

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	Service based
Discount Rate	7.75%
Investment Rate of Return	7.75%

#### *Mortality Rate Healthy Lives:*

Mortality Table - RP2000 Fully Generational with Scale BB, with collar and annuitant adjustments as follows:

Males – 50% Annuitant White Collar, 50% Annuitant Blue Collar.

Females – 100% Annuitant White Collar.

#### *Mortality Rate Disabled Lives:*

Mortality Table - RP2000 without projection, with the following adjustments:

Males – 100% Disabled Male with four year setback

Females – 100% Disabled Female with two year set forward.

The most recent actuarial experience study used to review the other significant assumptions was dated November 10th, 2016.

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, Net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2016 the inflation rate assumption of the investment advisor was 2.50%.

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.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	55%	7.50%
International Equity	10%	8.50%
Broad Market Fixed Income	25%	2.50%
Real Estate	10%	4.50%
Total	100%	

## GASB 68

### Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.75 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

## CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(a)-(b)
Reporting Period Ending September 30, 2016	\$ 25,759,974	\$ 16,530,959	\$ 9,229,015
Changes for a Year:			
Service Cost	640,943	-	640,943
Interest	2,040,323	-	2,040,323
Differences between Expected and Actual Experience	(289,022)	-	(289,022)
Changes of assumptions	996,058	-	996,058
Changes of benefit terms	-	-	-
Contributions - Employer	-	1,590,471	(1,590,471)
Contributions - Employee	-	302,123	(302,123)
Net Investment Income	-	1,445,907	(1,445,907)
Benefit Payments, including Refunds of Employee Contributions	(1,793,747)	(1,793,747)	-
Administrative Expense	-	(33,274)	33,274
Net Changes	1,594,555	1,511,480	83,075
Reporting Period Ending September 30, 2017	\$ 27,354,529	\$ 18,042,439	\$ 9,312,090

*Sensitivity of the Net Pension Liability to changes in the Discount Rate.*

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.75%	7.75%	8.75%
Sponsor's Net Pension Liability	\$ 12,365,003	\$ 9,312,090	\$ 6,751,053

*Pension Plan Fiduciary Net Position.*

Detailed information about the pension Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

**PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED  
INFLOWS OF RESOURCES RELATED TO PENSIONS**

For the year ended September 30, 2017, the Sponsor will recognize a Pension Expense of \$1,328,892.

On September 30, 2017, the Sponsor 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	-	491,771
Changes of assumptions	747,044	-
Net difference between Projected and Actual Earnings on Pension Plan investments	482,399	-
Employer contributions subsequent to the measurement date	TBD	-
Total	TBD	\$ 491,771

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended October 1, 2017.

Other 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 September 30:		
2018	\$	241,576
2019	\$	241,577
2020	\$	278,680
2021	\$	(24,161)
2022	\$	-
Thereafter	\$	-

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
Last 10 Fiscal Years

Reporting Period Ending	09/30/2017	09/30/2016
Measurement Date	09/30/2016	09/30/2015
Total Pension Liability		
Service Cost	640,943	658,841
Interest	2,040,323	1,992,049
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(289,022)	(458,339)
Changes of assumptions	996,058	-
Benefit Payments, including Refunds of Employee Contributions	(1,793,747)	(1,348,707)
Net Change in Total Pension Liability	1,594,555	843,844
Total Pension Liability - Beginning	25,759,974	24,916,130
Total Pension Liability - Ending (a)	<u>\$ 27,354,529</u>	<u>\$ 25,759,974</u>
Plan Fiduciary Net Position		
Contributions - Employer	1,590,471	1,291,060
Contributions - Employee	302,123	265,734
Net Investment Income	1,445,907	209,869
Benefit Payments, including Refunds of Employee Contributions	(1,793,747)	(1,348,707)
Administrative Expense	(33,274)	(31,336)
Net Change in Plan Fiduciary Net Position	1,511,480	386,620
Plan Fiduciary Net Position - Beginning	16,530,959	16,144,339
Plan Fiduciary Net Position - Ending (b)	<u>\$ 18,042,439</u>	<u>\$ 16,530,959</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 9,312,090</u>	<u>\$ 9,229,015</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	65.96%	64.17%
Covered Employee Payroll <sup>1</sup>	\$ 4,648,051	\$ 4,533,367
Net Pension Liability as a percentage of Covered Employee Payroll	200.34%	203.58%

**Notes to Schedule:**

<sup>1</sup> The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

*Changes of assumptions:*

For measurement date 09/30/2016, as a result of the Experience Study dated November 10, 2016, the Board has made the following changes:

1. Salary Increases - The assumed rate of individual salary increases was changed from a flat 5.0% each year to a service-based table.
2. Mortality Rates - The assumed rates of mortality were changed to match what is used by the Florida Retirement System (FRS) for other than special risk participants.
3. Retirement Rates – The rates for Normal and Early Retirement were modified to reflect historical participant behavior.
4. Withdrawal Rates – The assumed rates of turnover changed from an age-based table to a service-based table.
5. Investment Return - Lowered from 8.00% to 7.75%.

Details of the above assumptions can be found in the Actuarial Assumptions and Methods section of the 10/01/2016 Valuation report.

Additionally, all future bases of the Unfunded Actuarial Accrued Liability (beginning with those established on October 1, 2016) will be amortized utilizing a level-dollar approach. Future bases attributed to actuarial gains or losses will be amortized over 10 years, assumption changes amortized over 20 years, and benefit changes amortized over 30 years.

Finally, the inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
Last 10 Fiscal Years

Reporting Period Ending	09/30/2015	09/30/2014
Measurement Date	<u>09/30/2014</u>	<u>09/30/2013</u>
Total Pension Liability		
Service Cost	638,941	591,612
Interest	1,905,236	1,829,639
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(1,609,123)</u>	<u>(1,438,098)</u>
Net Change in Total Pension Liability	935,054	983,153
Total Pension Liability - Beginning	<u>23,981,076</u>	<u>22,997,923</u>
Total Pension Liability - Ending (a)	<u><u>\$ 24,916,130</u></u>	<u><u>\$ 23,981,076</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	1,222,791	1,018,294
Contributions - Employee	268,700	274,302
Net Investment Income	1,372,874	1,716,113
Benefit Payments, including Refunds of Employee Contributions	<u>(1,609,123)</u>	<u>(1,438,098)</u>
Administrative Expense	<u>(23,442)</u>	<u>(31,129)</u>
Net Change in Plan Fiduciary Net Position	1,231,799	1,539,482
Plan Fiduciary Net Position - Beginning	<u>14,912,541</u>	<u>13,373,059</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 16,144,339</u></u>	<u><u>\$ 14,912,541</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 8,771,791</u></u>	<u><u>\$ 9,068,535</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	64.79%	62.18%
Covered Employee Payroll <sup>1</sup>	\$ 4,133,843	\$ 4,220,035
Net Pension Liability as a percentage of Covered Employee Payroll	212.19%	214.89%

**Notes to Schedule:**

<sup>1</sup> The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.



SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	1,574,760	1,291,060	1,222,791	1,018,294
Contributions in relation to the Actuarially Determined Contributions	1,590,471	1,291,060	1,222,791	1,018,294
Contribution Deficiency (Excess)	\$ (15,711)	\$ -	\$ -	\$ -
Covered Employee Payroll <sup>1</sup>	\$ 4,648,051	\$ 4,533,367	\$ 4,133,843	\$ 4,220,035
Contributions as a percentage of Covered Employee Payroll	34.22%	28.48%	29.58%	24.13%

<sup>1</sup> The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Notes to Schedule

Valuation Date: 10/01/2014

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost Method.  
 Amortization Method: Level Percentage of Pay, Closed.  
 Remaining Amortization Period: 30 Years.  
 Mortality Rate: RP2000 Combined Healthy Table – projected to valuation date using scale AA. Disabled lives are set forward 5 years.  
 Interest Rate: 8% per year compounded annually, net of investment related expenses.  
 Retirement Age: Normal Retirement: Earlier of: 1) age 55 and 25 years of service, 2) age 65 and 6 years of service, or 3) 35 years of service, regardless of age. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year. Commencing with the earliest Early Retirement Age, Members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year.  
 Disability Rates: See table on following page (1201). It is assumed that 75% of disablements are service related.  
 Termination Rates: See table on following page (T-5).  
 Salary Increases: 5.0% per year until the assumed retirement age. Projected salary at retirement is increased on an individual basis to account for non-regular compensation.  
 Payroll Growth: 1.7% per year.  
 Actuarial Asset Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value returns, net of fees. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

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Termination and Disability Rate Tables:

Age	% Becoming Disabled During the Year	% Terminating During the Year
20	0.03%	7.90%
30	0.04%	7.20%
40	0.07%	5.20%
50	0.18%	2.60%

FINAL COMPONENTS OF PENSION EXPENSE  
FISCAL YEAR SEPTEMBER 30, 2016

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 8,771,791	\$ 148,412	\$ 1,291,060	\$ -
Employer Contributions made after 09/30/2015	-	-	1,590,471	-
Total Pension Liability Factors:				
Service Cost	658,841	-	-	658,841
Interest	1,992,049	-	-	1,992,049
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(458,339)	458,339	-	-
Current year amortization of experience difference	-	(91,667)	-	(91,667)
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(1,348,707)	-	-	(1,348,707)
Net change	<u>843,844</u>	<u>366,672</u>	<u>1,590,471</u>	<u>1,210,516</u>
Plan Fiduciary Net Position:				
Contributions - Employer	1,291,060	-	(1,291,060)	-
Contributions - Employee	265,734	-	-	(265,734)
Net Investment Income	1,298,617	-	-	(1,298,617)
Difference between projected and actual earnings on Pension Plan investments	(1,088,748)	-	1,088,748	-
Current year amortization	-	(37,103)	(217,749)	180,646
Benefit Payments	(1,348,707)	-	-	1,348,707
Administrative Expenses	(31,336)	-	-	31,336
Net change	<u>386,620</u>	<u>(37,103)</u>	<u>(420,061)</u>	<u>(3,662)</u>
Ending Balance	<u>\$ 9,229,015</u>	<u>\$ 477,981</u>	<u>\$ 2,461,470</u>	<u>\$ 1,206,854</u>

**PRELIMINARY COMPONENTS OF PENSION EXPENSE**  
**FISCAL YEAR SEPTEMBER 30, 2017**

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 9,229,015	\$ 477,981	\$ 2,461,470	\$ -
Employer Contributions made after 09/30/2016	-	-	TBD*	-
Total Pension Liability Factors:				
Service Cost	640,943	-	-	640,943
Interest	2,040,323	-	-	2,040,323
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(289,022)	289,022	-	-
Current year amortization of experience difference	-	(163,923)	-	(163,923)
Change in assumptions about future economic or demographic factors or other inputs	996,058	-	996,058	-
Current year amortization of change in assumptions	-	-	(249,014)	249,014
Benefit Payments	(1,793,747)	-	-	(1,793,747)
Net change	<u>1,594,555</u>	<u>125,099</u>	<u>747,044</u>	<u>972,610</u>
Plan Fiduciary Net Position:				
Contributions - Employer	1,590,471	-	(1,590,471)	-
Contributions - Employee	302,123	-	-	(302,123)
Net Investment Income	1,325,100	-	-	(1,325,100)
Difference between projected and actual earnings on Pension Plan investments	120,807	120,807	-	-
Current year amortization	-	(61,265)	(217,749)	156,484
Benefit Payments	(1,793,747)	-	-	1,793,747
Administrative Expenses	(33,274)	-	-	33,274
Net change	<u>1,511,480</u>	<u>59,542</u>	<u>(1,808,220)</u>	<u>356,282</u>
Ending Balance	<u>\$ 9,312,090</u>	<u>\$ 662,622</u>	<u>TBD</u>	<u>\$ 1,328,892</u>

\* Employer Contributions subsequent to the measurement date made after September 30, 2016 but made on or before September 30, 2017 need to be added.

AMORTIZATION SCHEDULE - INVESTMENTS

Increase (Decrease) in Pension Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on Pension Plan Investments

Plan Year Ending	Differences Between		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Projected and Actual Earnings	Recognition Period (Years)											
2014	\$ (185,514)	5	\$ (37,102)	\$ (37,103)	\$ (37,103)	\$ (37,103)	\$ (37,103)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 1,088,748	5	\$ -	\$ 217,749	\$ 217,749	\$ 217,750	\$ 217,750	\$ 217,750	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (120,807)	5	\$ -	\$ -	\$ (24,162)	\$ (24,162)	\$ (24,161)	\$ (24,161)	\$ (24,161)	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (37,102)	\$ 180,646	\$ 156,484	\$ 156,485	\$ 156,486	\$ 193,589	\$ (24,161)	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - CHANGES OF ASSUMPTIONS

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions

Plan Year Ending	Changes of Assumptions	Recognition Period (Years)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014	\$ -	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ -	5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 996,058	4	\$ -	\$ -	\$ 249,014	\$ 249,014	\$ 249,015	\$ 249,015	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ -	\$ 249,014	\$ 249,014	\$ 249,015	\$ 249,015	\$ -	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - EXPERIENCE

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience

Plan Year Ending	Differences Between Expected and Actual Experience	Recognition Period (Years)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014	\$ -	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ (458,339)	5	\$ -	\$ (91,667)	\$ (91,668)	\$ (91,668)	\$ (91,668)	\$ (91,668)	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (289,022)	4	\$ -	\$ -	\$ (72,255)	\$ (72,255)	\$ (72,256)	\$ (72,256)	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ (91,667)	\$ (163,923)	\$ (163,923)	\$ (163,924)	\$ (163,924)	\$ -	\$ -	\$ -	\$ -	\$ -