



**FOSTER & FOSTER**  
ACTUARIES AND CONSULTANTS

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June 21, 2018

VIA EMAIL

Ms. Jennifer Chase  
City of Melbourne  
Police Officers' Retirement System  
900 East Strawbridge Avenue  
Melbourne, FL 32935

Re: City of Melbourne Police Officers' Retirement Trust Fund  
Section 112.664, Florida Statutes Compliance

Dear Jennifer:

Please find enclosed the annual disclosures that satisfy the October 1, 2017 financial reporting requirements made under Section 112.664.

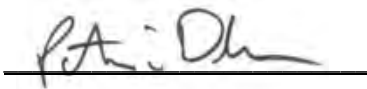
Our office will submit this information electronically to the Department of Management Services. However, it is important for you to be aware that this report must also be made available on the Plan or Plan Sponsor's website, if such website exists. A deadline for this website publication is not made clear in the law.

In addition to the enclosed report, the Plan or Plan Sponsor's website must provide a link to the Division of Retirement's Actuarial Summary Fact Sheet for the Plan, and also report the previous five years' assumed and actual rates of return, along with their respective asset allocations. The Board should contact its Investment Consultant for this information.

If there are any questions, concerns, or comments about any of the items contained in this report, please feel free to contact me.

Respectfully submitted,

Foster & Foster, Inc.

By: 

Patrick T. Donlan, EA, ASA, MAAA  
Enrolled Actuary #17-6595

PTD/lke  
Enclosures

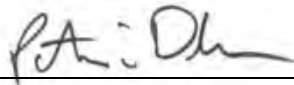
cc via email: Paul Daragjati Board Attorney

CITY OF MELBOURNE  
POLICE OFFICERS' RETIREMENT TRUST FUND

SECTION 112.664, FLORIDA STATUTES  
COMPLIANCE

With respect to the reporting standards for defined benefit retirement plans or systems contained in Section 112.664(1), F.S., the actuarial disclosures required under this section were 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, meet the requirements of Section 112.664(1), Florida Statutes, and Rule 60T-1.0035, Florida Administrative Code.

By:



Date: 6/21/2018

Patrick T. Donlan, EA, ASA, MAAA  
Enrolled Actuary #17-6595



When reviewing the following schedules, please note the following:

- 1) The purpose of producing this report is solely to satisfy the requirements set forth by Section 112.664, Florida Statutes, and is mandatory for every Florida public pension fund, excluding the Florida Retirement System (FRS).
- 2) None of the schedules shown have any impact on the funding requirements of the Plan. These schedules are for statutory compliance purposes only.
- 3) In the schedules that follow, the columns labeled “ACTUAL” represent the final recorded GASB 67/68 results. The columns labeled “HYPOTHETICAL” illustrate what the results would have been if different assumptions were used.
- 4) It is our opinion that the Plan’s actual assumptions utilized in the October 1, 2017 Actuarial Valuation Report, as adopted by the Board of Trustees, are reasonable individually and in the aggregate, and represent our best estimate of future Plan experience.
- 5) The “Number of Years Expected Benefit Payments Sustained” calculated in Section II: Asset Sustainability should not be interpreted as the number of years the Plan has left until it is insolvent. This calculation is required by 112.664, Florida Statutes, but the numeric result is irrelevant, since in its calculation we are to assume there will be no further contributions to the Fund. As long as the Actuarially Determined Contribution is made each year the Plan will never become insolvent.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
FISCAL YEAR SEPTEMBER 30, 2017

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.50% RP-2000 Generational	5.50% RP-2000 Generational
<u>Total Pension Liability</u>		
Service Cost	1,463,224	2,252,427
Interest	6,888,890	6,409,965
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	174,092	253,562
Changes of Assumptions	-	-
Contributions - Buy Back	125,811	125,811
Benefit Payments, Including Refunds of Employee Contributions	(6,959,523)	(6,959,523)
Net Change in Total Pension Liability	1,692,494	2,082,242
Total Pension Liability - Beginning	93,996,175	117,899,931
Total Pension Liability - Ending (a)	<u>\$ 95,688,669</u>	<u>\$ 119,982,173</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	3,073,421	3,073,421
Contributions - State	630,296	630,296
Contributions - Employee	581,719	581,719
Contributions - Buy Back	125,811	125,811
Net Investment Income	7,412,999	7,412,999
Benefit Payments, Including Refunds of Employee Contributions	(6,959,523)	(6,959,523)
Administrative Expenses	(78,701)	(78,701)
Net Change in Plan Fiduciary Net Position	4,786,022	4,786,022
Plan Fiduciary Net Position - Beginning	71,918,661	71,918,661
Plan Fiduciary Net Position - Ending (b)	<u>\$ 76,704,683</u>	<u>\$ 76,704,683</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 18,983,986</u>	<u>\$ 43,277,490</u>

## PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1  
Plan Assumptions: 7.50% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2017	76,704,685	-	7,976,283	-	5,453,741	74,182,143
2018	74,182,143	-	5,986,961	-	5,339,150	73,534,332
2019	73,534,332	-	6,180,762	-	5,283,296	72,636,866
2020	72,636,866	-	6,536,603	-	5,202,642	71,302,905
2021	71,302,905	-	6,663,304	-	5,097,844	69,737,445
2022	69,737,445	-	6,919,827	-	4,970,815	67,788,433
2023	67,788,433	-	7,129,773	-	4,816,766	65,475,426
2024	65,475,426	-	7,215,259	-	4,640,085	62,900,252
2025	62,900,252	-	7,261,006	-	4,445,231	60,084,477
2026	60,084,477	-	7,286,888	-	4,233,077	57,030,666
2027	57,030,666	-	7,334,090	-	4,002,272	53,698,848
2028	53,698,848	-	7,374,225	-	3,750,880	50,075,503
2029	50,075,503	-	7,390,366	-	3,478,524	46,163,661
2030	46,163,661	-	7,416,190	-	3,184,167	41,931,638
2031	41,931,638	-	7,393,700	-	2,867,609	37,405,547
2032	37,405,547	-	7,353,558	-	2,529,658	32,581,647
2033	32,581,647	-	7,294,651	-	2,170,074	27,457,070
2034	27,457,070	-	7,217,624	-	1,788,619	22,028,065
2035	22,028,065	-	7,140,920	-	1,384,320	16,271,465
2036	16,271,465	-	7,050,468	-	955,967	10,176,964
2037	10,176,964	-	6,933,506	-	503,266	3,746,724
2038	3,746,724	-	6,811,172	-	-	-

\*All DROP Balances paid in 2017.

Number of Years Expected Benefit Payments Sustained: 21.55

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.50% interest.

**It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.**

## PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 2  
Hypothetical Assumptions: 5.50% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2017	76,704,685	-	7,976,283	-	3,999,410	72,727,812
2018	72,727,812	-	5,986,961	-	3,835,388	70,576,239
2019	70,576,239	-	6,180,762	-	3,711,722	68,107,199
2020	68,107,199	-	6,536,603	-	3,566,139	65,136,735
2021	65,136,735	-	6,663,304	-	3,399,280	61,872,711
2022	61,872,711	-	6,919,827	-	3,212,704	58,165,588
2023	58,165,588	-	7,129,773	-	3,003,039	54,038,854
2024	54,038,854	-	7,215,259	-	2,773,717	49,597,312
2025	49,597,312	-	7,261,006	-	2,528,174	44,864,480
2026	44,864,480	-	7,286,888	-	2,267,157	39,844,749
2027	39,844,749	-	7,334,090	-	1,989,774	34,500,433
2028	34,500,433	-	7,374,225	-	1,694,733	28,820,941
2029	28,820,941	-	7,390,366	-	1,381,917	22,812,492
2030	22,812,492	-	7,416,190	-	1,050,742	16,447,044
2031	16,447,044	-	7,393,700	-	701,261	9,754,605
2032	9,754,605	-	7,353,558	-	334,280	2,735,327
2033	2,735,327	-	7,294,651	-	-	-

\*All DROP Balances paid in 2017.

Number of Years Expected Benefit Payments Sustained: 16.37

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.50% interest.

**It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.**

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR  
ENDING SEPTEMBER 30, 2019

Valuation Date: 10/1/2017

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.50%	5.50%
	RP-2000	RP-2000
	Generational	Generational
Total Required Contribution (Fixed \$)	\$4,249,365	\$6,519,211
Total Required Contribution (% of Payroll)	50.25%	77.10%
Expected Member Contribution	584,872	584,872
Expected State Money	630,296	630,296
Expected Sponsor Contribution (Fixed \$)	\$3,034,197	\$5,304,043
Expected Sponsor Contribution (% of Payroll)	35.88%	62.73%

**ASSETS**

Actuarial Value <sup>1</sup>	74,716,547	74,716,547
Market Value <sup>1</sup>	76,704,685	76,704,685

**LIABILITIES**

Present Value of Benefits		
Active Members		
Retirement Benefits	33,172,556	48,710,654
Disability Benefits	3,012,081	4,127,217
Death Benefits	179,272	241,886
Vested Benefits	2,436,414	3,879,604
Refund of Contributions	328,999	348,047
Service Retirees	47,303,449	57,999,489
DROP Retirees <sup>1</sup>	11,060,072	13,273,348
Beneficiaries	1,482,959	1,741,594
Disability Retirees	8,203,315	10,044,987
Terminated Vested	1,991,988	2,660,210
Share Plan Balances <sup>1</sup>	0	0
Excess State Monies Reserve	127,773	127,773
Total:	<u>109,298,878</u>	<u>143,154,809</u>
Present Value of Future Salaries	64,656,069	72,289,883
Present Value of Future Member Contributions	4,471,906	4,999,895
Total Normal Cost	1,555,623	2,421,112
Present Value of Future Normal Costs (Entry Age Normal)	11,511,944	20,198,463
Total Actuarial Accrued Liability <sup>1</sup>	97,786,934	122,956,346
Unfunded Actuarial Accrued Liability (UAAL)	23,070,387	48,239,799

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR  
ENDING SEPTEMBER 30, 2019

Valuation Date: 10/1/2017

	ACTUAL	HYPOTHETICAL
	7.50%	5.50%
	RP-2000	RP-2000
	Generational	Generational
<b><u>PENSION COST</u></b>		
Normal Cost (with interest)	1,613,959	2,487,693
Administrative Expenses (with interest)	81,596	80,810
Payment Required To Amortize UAAL (with interest)	2,553,810	3,950,708
Total Required Contribution	\$4,249,365	\$6,519,211

<sup>1</sup> The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2017.