

July 3, 2017

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
Senate Bill 534 (Section 112.664, Florida Statutes) Compliance

Dear Jennifer:

Please find enclosed the annual disclosures that satisfy the October 1, 2016 financial reporting requirements made under Section 112.664.

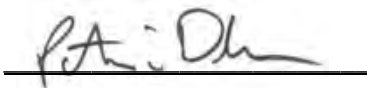
Our office will submit this information electronically to the Department of Management Services. However, it is important for you to be aware that this report must also be made available on the Plan or Plan Sponsor's website, if such website exists. A deadline for this website publication is not made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

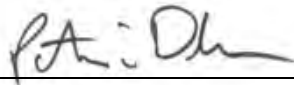
cc via email: Scott R. Christiansen, Board Attorney

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: 7/3/2017

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, 2016 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.

GASB 67: SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FISCAL YEAR SEPTEMBER 30, 2016

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.50%	5.50%
	RP-2000	RP-2000
	Generational	Generational
	<u> </u>	<u> </u>
<u>Total Pension Liability</u>		
Service Cost	1,514,579	2,429,720
Interest	6,609,747	6,360,538
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	(723,896)	(852,901)
Changes of Assumptions	2,243,175	(991,033)
Contributions - Buy Back	6,497	6,497
Benefit Payments, Including Refunds of Employee Contributions	(4,794,165)	(4,794,165)
Net Change in Total Pension Liability	4,855,937	2,158,656
Total Pension Liability - Beginning	89,140,238	115,741,275
Total Pension Liability - Ending (a)	<u>\$ 93,996,175</u>	<u>\$ 117,899,931</u>
 <u>Plan Fiduciary Net Position</u>		
Contributions - Employer	2,948,527	2,948,527
Contributions - State	597,263	597,263
Contributions - Employee	549,814	549,814
Contributions - Buy Back	6,497	6,497
Net Investment Income	6,589,808	6,589,808
Benefit Payments, Including Refunds of Employee Contributions	(4,794,165)	(4,794,165)
Administrative Expenses	(106,160)	(106,160)
Net Change in Plan Fiduciary Net Position	5,791,584	5,791,584
Plan Fiduciary Net Position - Beginning	66,127,077	66,127,077
Plan Fiduciary Net Position - Ending (b)	<u>\$ 71,918,661</u>	<u>\$ 71,918,661</u>
 Net Pension Liability - Ending (a) - (b)	<u>\$ 22,077,514</u>	<u>\$ 45,981,270</u>

GASB 68: PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.50%	5.50%
	<u> </u>	<u> </u>
Pension Expense	<u>\$ 2,867,693</u>	<u>\$ 4,185,276</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
2016	71,918,610	-	8,865,361	-	5,061,445	68,114,694
2017	68,114,694	-	5,914,891	-	4,886,794	67,086,597
2018	67,086,597	-	5,963,026	-	4,807,881	65,931,452
2019	65,931,452	-	6,131,033	-	4,714,945	64,515,364
2020	64,515,364	-	6,374,134	-	4,599,622	62,740,852
2021	62,740,852	-	6,495,021	-	4,462,001	60,707,832
2022	60,707,832	-	6,772,854	-	4,299,105	58,234,083
2023	58,234,083	-	6,958,536	-	4,106,611	55,382,158
2024	55,382,158	-	7,030,541	-	3,890,017	52,241,634
2025	52,241,634	-	7,072,255	-	3,652,913	48,822,292
2026	48,822,292	-	7,102,334	-	3,395,334	45,115,292
2027	45,115,292	-	7,128,189	-	3,116,340	41,103,443
2028	41,103,443	-	7,151,509	-	2,814,577	36,766,511
2029	36,766,511	-	7,144,390	-	2,489,574	32,111,695
2030	32,111,695	-	7,157,442	-	2,139,973	27,094,226
2031	27,094,226	-	7,123,288	-	1,764,944	21,735,882
2032	21,735,882	-	7,066,701	-	1,365,190	16,034,371
2033	16,034,371	-	6,998,605	-	940,130	9,975,896
2034	9,975,896	-	6,913,866	-	488,922	3,550,952
2035	3,550,952	-	6,830,333	-	-	-

*All DROP Balances paid in 2016.

Number of Years Expected Benefit Payments Sustained: 19.52

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
2016	71,918,610	-	8,865,361	-	3,711,726	66,764,975
2017	66,764,975	-	5,914,891	-	3,509,414	64,359,498
2018	64,359,498	-	5,963,026	-	3,375,789	61,772,261
2019	61,772,261	-	6,131,033	-	3,228,871	58,870,099
2020	58,870,099	-	6,374,134	-	3,062,567	55,558,532
2021	55,558,532	-	6,495,021	-	2,877,106	51,940,617
2022	51,940,617	-	6,772,854	-	2,670,480	47,838,243
2023	47,838,243	-	6,958,536	-	2,439,744	43,319,451
2024	43,319,451	-	7,030,541	-	2,189,230	38,478,140
2025	38,478,140	-	7,072,255	-	1,921,811	33,327,696
2026	33,327,696	-	7,102,334	-	1,637,709	27,863,071
2027	27,863,071	-	7,128,189	-	1,336,444	22,071,326
2028	22,071,326	-	7,151,509	-	1,017,256	15,937,073
2029	15,937,073	-	7,144,390	-	680,068	9,472,751
2030	9,472,751	-	7,157,442	-	324,172	2,639,481
2031	2,639,481	-	7,123,288	-	-	-

*All DROP Balances paid in 2016.

Number of Years Expected Benefit Payments Sustained: 15.37

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, 2018

Valuation Date: 10/1/2016

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.50%	5.50%
	RP-2000	RP-2000
	Generational	Generational
Total Required Contribution (Fixed \$)	\$4,039,291	\$6,138,537
Total Required Contribution (% of Payroll)	52.69%	80.06%
Expected Member Contribution	523,314	523,314
Expected State Money	597,263	597,263
Expected Sponsor Contribution (Fixed \$)	\$2,918,714	\$5,017,960
Expected Sponsor Contribution (% of Payroll)	38.07%	65.44%

ASSETS

Actuarial Value ¹	72,017,714	72,017,714
Market Value ¹	71,918,610	71,918,610

LIABILITIES

Present Value of Benefits		
Active Members		
Retirement Benefits	29,129,914	42,970,253
Disability Benefits	2,788,057	3,803,563
Death Benefits	370,134	498,834
Vested Benefits	2,207,048	3,470,145
Refund of Contributions	270,915	285,952
Service Retirees	41,745,988	51,178,791
DROP Retirees ¹	17,165,118	20,715,067
Beneficiaries	1,511,517	1,781,066
Disability Retirees	7,969,757	9,770,998
Terminated Vested	1,709,662	2,266,227
Excess State Monies Reserve	127,773	127,773
Total:	<u>104,995,883</u>	<u>136,868,669</u>
Present Value of Future Salaries	57,777,840	64,440,057
Present Value of Future Member Contributions	3,943,748	4,398,491
Total Normal Cost	1,429,117	2,217,780
Present Value of Future Normal Costs (Entry Age Normal)	10,294,587	18,011,470
Total Actuarial Accrued Liability ¹	94,701,296	118,857,199
Unfunded Actuarial Accrued Liability (UAAL)	22,683,582	46,839,485

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2018

Valuation Date: 10/1/2016

	ACTUAL	HYPOTHETICAL
	7.50%	5.50%
	RP-2000	RP-2000
	Generational	Generational
<u>PENSION COST</u>		
Normal Cost (with interest)	1,482,709	2,278,769
Administrative Expenses (with interest)	110,141	109,079
Payment Required To Amortize UAAL (with interest)	2,446,441	3,750,689
Total Required Contribution	\$4,039,291	\$6,138,537

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