

CITY OF MELBOURNE
POLICE OFFICERS'
RETIREMENT TRUST FUND

OCTOBER 1, 2016
ACTUARIAL VALUATION REPORT

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

February 1, 2017

Board of Trustees
c/o Ms. Jennifer Chase
City of Melbourne
Police Officers' Retirement Trust Fund
900 East Strawbridge Avenue
Melbourne, FL 32935

Re: City of Melbourne
Police Officers' Retirement Trust Fund

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Melbourne Police Officers' Retirement Trust Fund. 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 Chapters 112, and 185, 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 City of Melbourne and 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 Melbourne, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Melbourne Police Officers' Retirement Trust Fund. 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:



Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #14-6595

PTD/tb

Enclosures

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INTRODUCTORY DISCUSSION

The regular annual actuarial valuation of the City of Melbourne Police Officers' Retirement Trust Fund, performed as of October 1, 2016, has been completed, and the results are presented in this Report. The results of this valuation are applicable to the plan/fiscal year ended September 30, 2018.

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

| Valuation Date | 10/1/2016 | 10/1/2015 |
|---|------------------|------------------|
| Applicable Plan Year End | <u>9/30/2018</u> | <u>9/30/2017</u> |
| Total Required Contribution % of Total Annual Payroll | 52.69% | 50.60% |
| Member Contributions (Est.) % of Total Annual Payroll | 6.83% | 6.73% |
| City and State Required Contribution % of Total Annual Payroll | 45.86% | 43.87% |
| State Contribution (est.) ¹ % of Total Annual Payroll | 597,263 7.79% | 597,263 7.79% |
| Balance from City % of Total Annual Payroll | 38.07% | 36.08% |

¹ The City may use up to \$676,112.20 in State Contributions (based on the traditional interpretation of Chapter 99-1, Florida Statutes) for determining its minimum funding requirements. For budgeting purposes, the required Sponsor Contribution (City and State) is 45.86% of Pensionable Earnings for the fiscal year ending September 30, 2018. The precise City requirement for the year is this amount, less actual State Contributions (up to the maximum \$676,112.20).

Please also note the City has a prepaid contribution of \$58,867.07 that may be utilized for the fiscal year ending September 30, 2017.

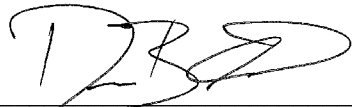
During the past year, there has been net favorable experience, on the basis of the actuarial assumptions. The primary components of favorable experience included an 8.11% investment return (Actuarial Asset Basis) that exceeded the 7.5% assumption and average increases in Pensionable Earnings that were below the assumed rate. These gains were partially offset by the effect of lower than expected retiree mortality and the granting of four Disability Retirements. For a detailed analysis that displays the actuarial gain/loss by component, please refer to page 16 of the report.


For informational purposes, the City's funding requirement, when expressed as a percentage of payroll, including an estimate of the annual pay for DROP participants, is approximately 32.2% for the fiscal year ending September 30, 2018. It is important to note that this funding rate is for illustration purposes only. The City should budget based on the percentage shown on page 5.

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 of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 
Drew D. Ballard, EA, MAAA

By: 
Patrick T. Donlan, EA, ASA, MAAA

CONTRIBUTION IMPACT OF ANNUAL CHANGES

| | |
|--|---------------|
| (1) Contribution Determined as of October 1, 2015 | 36.87% |
| (2) Summary of Contribution Impact by component: | |
| Change in Available State Money | -0.79% |
| Investment Return (Actuarial Asset Basis) | -0.43% |
| Salary Increases | -0.15% |
| Payroll Change Effect on UAAL Amortization Payment | 0.46% |
| Active Decrements | -0.06% |
| Inactive Mortality | 0.25% |
| Assumption Change | 2.47% |
| Other | <u>-0.55%</u> |
| Total Change in Contribution | 1.20% |
| (3) Contribution Determined as of October 1, 2016 | 38.07% |

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 Chapter 2015-157, Laws of Florida, the assumed rate of mortality was changed from the RP-2000 Combined Healthy Table to the assumptions used by the Florida Retirement System for special risk employees. This change is described in the Actuarial Assumptions and Methods section of this report.

Additionally, the payroll growth assumption has decreased from 0.31% to 0.18% per year, in order to comply with Chapter 112, Part VII, Florida Statutes.

The impact on the funding requirements of these changes is disclosed in the Comparative Summary of Principal Valuation Results that follows.

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 | | | |
| Actives | 135 | 135 | 142 |
| Service Retirees | 98 | 98 | 92 |
| DROP Retirees | 18 | 18 | 17 |
| Beneficiaries | 9 | 9 | 9 |
| Disability Retirees | 29 | 29 | 24 |
| Terminated Vested | <u>38</u> | <u>38</u> | <u>37</u> |
| Total | 327 | 327 | 321 |
| Total Annual Payroll | \$7,729,886 | \$7,729,886 | \$8,062,531 |
| Payroll Under Assumed Ret. Age | 7,666,800 | 7,666,800 | 7,765,362 |
| Annual Rate of Payments to: | | | |
| Service Retirees | 3,543,896 | 3,543,896 | 3,331,957 |
| DROP Retirees | 1,078,071 | 1,078,071 | 942,455 |
| Beneficiaries | 155,497 | 155,497 | 155,497 |
| Disability Retirees | 700,911 | 700,911 | 562,704 |
| Terminated Vested | 198,877 | 198,877 | 214,651 |
| B. Assets | | | |
| Actuarial Value (AVA) ¹ | 72,017,714 | 72,017,714 | 67,381,235 |
| Market Value (MVA) ¹ | 71,918,610 | 71,918,610 | 66,127,077 |
| C. Liabilities | | | |
| Present Value of Benefits | | | |
| Actives | | | |
| Retirement Benefits | 29,129,914 | 28,916,646 | 31,184,767 |
| Disability Benefits | 2,788,057 | 3,011,692 | 3,091,266 |
| Death Benefits | 370,134 | 163,014 | 167,127 |
| Vested Benefits | 2,207,048 | 2,220,099 | 2,347,861 |
| Refund of Contributions | 270,915 | 271,919 | 268,469 |
| Service Retirees | 41,745,988 | 40,020,957 | 37,816,740 |
| DROP Retirees ¹ | 17,165,118 | 16,882,076 | 14,812,033 |
| Beneficiaries | 1,511,517 | 1,409,943 | 1,442,938 |
| Disability Retirees | 7,969,757 | 8,127,828 | 6,608,068 |
| Terminated Vested | 1,709,662 | 1,691,207 | 2,041,380 |
| Excess State Monies Reserve | <u>127,773</u> | <u>127,773</u> | <u>127,773</u> |
| Total | 104,995,883 | 102,843,154 | 99,908,422 |

| 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 | 57,777,840 | 58,262,962 | 60,024,599 |
| Present Value of Future Member Contributions | 3,943,748 | 3,976,861 | 4,039,656 |
| Normal Cost (Retirement) | 990,594 | 990,946 | 1,025,897 |
| Normal Cost (Disability) | 230,161 | 250,235 | 252,352 |
| Normal Cost (Death) | 18,646 | 8,025 | 8,237 |
| Normal Cost (Vesting) | 134,164 | 135,195 | 147,015 |
| Normal Cost (Refunds) | <u>55,552</u> | <u>55,621</u> | <u>53,693</u> |
| Total Normal Cost | 1,429,117 | 1,440,022 | 1,487,194 |
| Present Value of Future Normal Costs | 10,294,587 | 10,439,034 | 10,895,684 |
| Accrued Liability (Retirement) | 21,807,385 | 21,547,366 | 23,470,425 |
| Accrued Liability (Disability) | 1,176,913 | 1,242,370 | 1,264,217 |
| Accrued Liability (Death) | 239,324 | 105,646 | 107,234 |
| Accrued Liability (Vesting) | 1,218,684 | 1,219,786 | 1,289,441 |
| Accrued Liability (Refunds) | 29,175 | 29,168 | 32,489 |
| Accrued Liability (Inactives) ¹ | 70,102,042 | 68,132,011 | 62,721,159 |
| Excess State Monies Reserve | <u>127,773</u> | <u>127,773</u> | <u>127,773</u> |
| Total Actuarial Accrued Liability (AL) | 94,701,296 | 92,404,120 | 89,012,738 |
| Unfunded Actuarial Accrued Liability (UAAL) | 22,683,582 | 20,386,406 | 21,631,503 |
| Funded Ratio (AVA / AL) | 76.0% | 77.9% | 75.7% |

| D. Actuarial Present Value of Accrued Benefits | New Assump <u>10/1/2016</u> | Old Assump <u>10/1/2016</u> | <u>10/1/2015</u> |
|--|--------------------------------|--------------------------------|------------------|
| Vested Accrued Benefits | | | |
| Inactives ¹ | 70,102,042 | 68,132,011 | 62,721,159 |
| Actives | 10,932,254 | 10,864,946 | 12,709,038 |
| Member Contributions | <u>3,673,134</u> | <u>3,673,134</u> | <u>3,752,773</u> |
| Total | 84,707,430 | 82,670,091 | 79,182,970 |
| Non-vested Accrued Benefits | <u>3,165,351</u> | <u>3,132,184</u> | <u>3,158,584</u> |
| Total Present Value Accrued Benefits (PVAB) | 87,872,781 | 85,802,275 | 82,341,554 |
| Funded Ratio (MVA / PVAB) | 81.8% | 83.8% | 80.3% |
| Increase (Decrease) in Present Value of Accrued Benefits Attributable to: | | | |
| Plan Amendments | 0 | 0 | |
| Assumption Changes | 2,070,506 | 0 | |
| New Accrued Benefits | 0 | 2,259,051 | |
| Benefits Paid | 0 | (4,794,165) | |
| Interest | 0 | 5,995,835 | |
| Other | <u>0</u> | <u>0</u> | |
| Total | 2,070,506 | 3,460,721 | |

| | 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 ² | 19.34 | 19.49 | 19.87 |
| Administrative Expenses (with interest) % of Total Annual Payroll ² | 1.44 | 1.44 | 1.05 |
| Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/2016, with interest) % of Total Annual Payroll ² | 31.91 | 29.29 | 29.68 |
| Total Required Contribution % of Total Annual Payroll ² | 52.69 | 50.22 | 50.60 |
| Expected Member Contributions % of Total Annual Payroll ² | 6.83 | 6.83 | 6.73 |
| Expected City and State Contribution % of Total Annual Payroll ² | 45.86 | 43.39 | 43.87 |

F. Past Contributions

| | |
|----------------------------|------------------|
| Plan Years Ending: | <u>9/30/2016</u> |
| City and State Requirement | 3,545,790 |

Actual Contributions Made:

| | |
|-----------------------------|-----------------------------|
| Members (excluding buyback) | 549,814 |
| City | 2,948,527 |
| State | <u>597,263</u> ³ |
| Total | 4,095,604 |

G. Net Actuarial (Gain)/Loss (314,846)

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

² Contributions developed as of 10/1/2016 are expressed as a percentage of total annual payroll at 10/1/2016 of \$7,666,800.

³ Reflects traditional interpretation of Chapter 99-1, Florida Statutes.

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

| <u>Year</u> | <u>Projected Unfunded Actuarial Accrued Liability</u> |
|-------------|---|
| 2016 | 22,683,582 |
| 2017 | 21,849,986 |
| 2018 | 20,964,450 |
| 2025 | 13,581,483 |
| 2032 | 3,021,485 |
| 2039 | (1,476,332) |
| 2046 | 0 |

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

| | | <u>Actual</u> | <u>Assumed</u> |
|------------|-----------|---------------|----------------|
| Year Ended | 9/30/2016 | 4.59% | 6.00% |
| Year Ended | 9/30/2015 | 3.91% | 6.00% |
| Year Ended | 9/30/2014 | 2.99% | 6.00% |

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

| | | <u>Actual</u> | <u>Assumed</u> |
|------------|-----------|---------------|----------------|
| Year Ended | 9/30/2016 | 8.11% | 7.50% |
| Year Ended | 9/30/2015 | 10.28% | 7.50% |
| Year Ended | 9/30/2014 | 10.13% | 7.50% |

(iii) Average Annual Payroll Growth

| | | |
|-------------------------|-----------|-------------|
| (a) Payroll as of: | 10/1/2016 | \$7,729,886 |
| | 10/1/2006 | 7,593,121 |
| (b) Total Increase | | 1.80% |
| (c) Number of Years | | 10.00 |
| (d) Average Annual Rate | | 0.18% |

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.



Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #14-6595

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

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

Ms. Sarah Carr
Municipal Police and Fire
Pension Trust Funds
Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

| | | |
|------|--|--------------|
| (1) | Unfunded Actuarial Accrued Liability as of October 1, 2015 | \$21,631,503 |
| (2) | Sponsor Normal Cost developed as of October 1, 2015 | 964,585 |
| (3) | Expected administrative expenses for the year ended September 30, 2016 | 78,532 |
| (4) | Expected interest on (1), (2) and (3) | 1,697,652 |
| (5) | Sponsor contributions to the System during the year ended September 30, 2016 | 3,545,790 |
| (6) | Expected interest on (5) | 125,230 |
| (7) | Expected Unfunded Actuarial Accrued Liability as of September 30, 2016 (1)+(2)+(3)+(4)-(5)-(6) | 20,701,252 |
| (8) | Change to UAAL due to Assumption Change | 2,297,176 |
| (9) | Change to UAAL due to Actuarial (Gain)/Loss | (314,846) |
| (10) | Unfunded Actuarial Accrued Liability as of October 1, 2016 | 22,683,582 |

| Type of Base | Date Established | Years Remaining | 10/1/2016 Amount | Amortization Amount |
|----------------|------------------|-----------------|------------------|---------------------|
| | 10/1/1976 | 0 | \$0 | \$0 |
| | 10/1/1977 | 1 | 14,061 | 14,061 |
| | 10/1/1992 | 6 | 1,629,364 | 321,581 |
| method change | 10/1/2002 | 16 | 4,953,260 | 498,617 |
| prior losses | 10/1/2002 | 16 | 4,953,260 | 498,617 |
| actuarial loss | 10/1/2003 | 17 | 635,509 | 61,955 |
| actuarial loss | 10/1/2004 | 18 | 2,986,704 | 282,856 |
| actuarial loss | 10/1/2005 | 19 | 2,612,723 | 241,024 |
| benefit change | 10/1/2005 | 19 | 42,930 | 3,960 |
| actuarial gain | 10/1/2006 | 20 | (2,123,856) | (191,305) |
| actuarial loss | 10/1/2007 | 21 | 712,778 | 62,822 |
| actuarial loss | 10/1/2008 | 22 | 1,274,666 | 110,138 |
| method change | 10/1/2008 | 22 | 1,308,655 | 113,074 |
| benefit change | 10/1/2008 | 22 | 2,783,823 | 240,536 |
| actuarial loss | 10/1/2009 | 23 | 4,199,918 | 356,368 |
| actuarial loss | 10/1/2010 | 24 | 1,512,829 | 126,250 |
| assum change | 10/1/2010 | 24 | 1,181,047 | 98,562 |
| benefit change | 10/1/2010 | 24 | (719,004) | (60,003) |
| actuarial loss | 10/1/2011 | 25 | 5,366,401 | 441,066 |

| | | | | |
|----------------|-----------|----|------------------|-----------------|
| assum change | 10/1/2011 | 25 | (4,578,128) | (376,278) |
| benefit change | 10/1/2011 | 25 | (1,952,883) | (160,508) |
| actuarial loss | 10/1/2012 | 26 | 372,491 | 30,190 |
| actuarial gain | 10/1/2013 | 27 | (1,148,867) | (91,922) |
| actuarial gain | 10/1/2014 | 28 | (1,551,606) | (122,684) |
| actuarial gain | 10/1/2015 | 29 | (2,438,370) | (190,706) |
| assum changes | 10/1/2015 | 29 | (1,326,453) | (103,742) |
| assum changes | 10/1/2016 | 30 | 2,297,176 | 177,864 |
| actuarial gain | 10/1/2016 | 30 | <u>(314,846)</u> | <u>(24,378)</u> |
| | | | 22,683,582 | 2,358,015 |

Maximum of 30 Year Amortization of UAAL or
Total of Individual Amortization Amounts,
no Less Than Administrative Expenses

2,358,015

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

| | |
|---|------------------|
| (1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2015 | \$21,631,503 |
| (2) Expected UAAL as of October 1, 2016 | 20,701,252 |
| (3) Summary of Actuarial (Gain)/Loss, by component: | |
| Investment Return (Actuarial Asset Basis) | (408,775) |
| Salary Increases | (142,329) |
| Active Decrements | (61,441) |
| Inactive Mortality | 237,074 |
| Other | <u>60,625</u> |
| Increase in UAAL due to (Gain)/Loss | (314,846) |
| Assumption Changes | <u>2,297,176</u> |
| (4) Actual UAAL as of October 1, 2016 | \$22,683,582 |

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Lives:

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

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB

Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale

It is assumed that 75% of deaths are duty related.

The above assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2016 FRS valuation report for special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

(Previously RP 2000 (Sex Distinct) - no projection - Disabled lives set forward 5 years).

Interest Rate

7.50% 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.

Retirement Age

Earlier of: 1) Age 55 and 10 years of service, or 2) 25 years of service, regardless of age. The assumed retirement age was approved in conjunction with an actuarial experience study dated January 27, 2015.

Early Retirement

Commencing with the earliest Early Retirement Age (age 45), members are assumed to retire with an immediate subsidized benefit at the rate of 4.0% per year. The assumed rate of Early Retirement was approved in conjunction with an actuarial experience study dated January 27, 2015.

Disability Rate

Sample rates below (1207 * 3). It is assumed that 75% of disablements are service related. The rates were approved in conjunction with an actuarial experience study dated January 27, 2015.

% Becoming Disabled
During the Year

| | |
|----|-------|
| 20 | 0.21% |
| 30 | 0.33% |
| 40 | 0.57% |
| 50 | 1.53% |

Termination Rate

| <u>Credited Service</u> | <u>Rate</u> |
|-------------------------|-------------|
| Less than 5 Years | 10.0% |
| 5+ Years | 3.5% |

The assumed rates of termination were approved in conjunction with an actuarial experience study dated January 27, 2015.

Salary Increases

| <u>Age</u> | <u>Increase</u> |
|--------------|-----------------|
| Below 30 | 6.0% |
| 30 and Older | 4.5% |

The assumed rates of salary increase were approved in conjunction with an actuarial experience study dated January 27, 2015.

Additionally, projected salary at retirement is increased based on individual accruals to account for non-regular compensation.

Administrative Expenses
expenses.

\$106,160 annually, based on prior year's actual

Payroll Increase

0.18% (previously 0.31%) 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.

Funding Method

Entry Age Normal Actuarial Cost Method.

COLA

Retirees from 10/1/2008 to 11/27/2012:

1.0% automatic COLA beginning 1 year after retirement for Normal, Early, and Disability Retirees.

Retirees after 11/27/2012:

Proportion of a 1.0% automatic COLA (measured by comparing actual service at 11/27/2012 against projected service at retirement), beginning 1 year after Retirement and continuing for 10 years, payable to Normal, Early, and Disability Retirees.

VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the fiscal year following 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.

PARTIAL HISTORY OF PREMIUM TAX REFUNDS

| <u>Received During Fiscal Year</u> | <u>Amount</u> | <u>Increase from Previous Year</u> |
|--|---------------|--|
| 1994 | 267,015.68 | _____% |
| 1995 | 309,578.45 | 15.9% |
| 1996 | 342,046.12 | 10.5% |
| 1997 | 400,243.36 | 17.0% |
| 1998 | 397,717.20 | -0.6% |
| 1999 | 397,166.24 | -0.1% |
| 2000 | 389,270.14 | -2.0% |
| 2001 | 406,512.13 | 4.4% |
| 2002 | 457,470.19 | 12.5% |
| 2003 | 477,169.26 | 4.3% |
| 2004 | 517,667.86 | 8.5% |
| 2005 | 551,431.20 | 6.5% |
| 2006 | 571,640.13 | 3.7% |
| 2007 | 559,897.07 | -2.1% |
| 2008 | 563,153.23 | 0.6% |
| 2009 | 539,782.49 | -4.1% |
| 2010 | 544,571.96 | 0.9% |
| 2011 | 534,528.08 | -1.8% |
| 2012 | 527,255.28 | -1.4% |
| 2013 | 520,281.11 | -1.3% |
| 2014 | 535,651.01 | 3.0% |
| 2015 | 543,474.18 | 1.5% |
| 2016 | 597,262.55 | 9.9% |

EXCESS STATE MONIES RESERVE

| | <u>Actual</u> <u>State Contribution</u> | <u>Applicable</u> <u>"Frozen" Amount</u> | <u>Addition to</u> <u>Excess State</u> <u>Monies Reserve</u> |
|---|--|---|--|
| 2000 | \$389,270.14 | \$397,717.20 | \$0.00 |
| 2001 | 406,512.13 | 397,717.20 | 8,794.93 |
| 2002 | 457,470.19 | 397,717.20 | 59,752.99 |
| 2003 | 477,169.26 | 397,717.20 | 79,452.06 |
| 2004 | 517,667.86 | 397,717.20 | 119,950.66 |
| 2005 | 551,431.20 | 397,717.20 | 153,714.00 |
| 2006 | 571,640.13 | 397,717.20 | 173,922.93 |
| 2007 | 559,897.07 | 412,009.20 | 147,887.87 |
| 2008 | 563,153.23 | 412,009.20 | 151,144.03 |
| 2009 | 539,782.49 | 412,009.20 | 127,773.29 |
| 2010 | 544,571.96 | 705,370.20 | 0.00 |
| 2011 | 534,528.08 | 676,112.20 | 0.00 |
| 2012 | 527,255.28 | 676,112.20 | 0.00 |
| 2013 | 520,281.11 | 676,112.20 | 0.00 |
| 2014 | 535,651.01 | 676,112.20 | 0.00 |
| 2015 | 543,474.18 | 676,112.20 | 0.00 |
| 2016 | 597,262.55 | 676,112.20 | <u>0.00</u> |
| Total Excess State Monies | | | 1,022,392.76 |
| Less Excess Used in Funding Ordinance No. 2006-122 | | | (421,664.64) |
| Less Excess Used in Funding Ordinance No. 2009-49 | | | <u>(472,954.83)</u> |
| Equals Current State Monies Reserve | | | \$127,773.29 |

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

| | |
|-------------------------------|--------------|
| Beginning of the Year Balance | 2,421,037.83 |
| Plus Additions | 1,046,820.28 |
| Investment Return Earned | 189,164.81 |
| Less Distributions | (518,375.69) |
| End of the Year Balance | 3,138,647.23 |

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016

| <u>ASSETS</u> | COST VALUE | MARKET VALUE |
|--|-------------------|-------------------|
| Cash and Cash Equivalents: | | |
| Prepaid Benefits | 363,225.56 | 363,225.56 |
| Money Market | 1,536,500.00 | 1,536,500.00 |
| Cash | 365,745.50 | 365,745.50 |
| Total Cash and Equivalents | 2,265,471.06 | 2,265,471.06 |
| Receivables: | | |
| Member Contributions in Transit | 18,213.28 | 18,213.28 |
| Member Buy-Back Contributions | 199.69 | 199.69 |
| City Contributions in Transit | 13,985.30 | 13,985.30 |
| Tax Reclaims | 264.79 | 264.79 |
| Investment Income | 103,057.36 | 103,057.36 |
| Total Receivable | 135,720.42 | 135,720.42 |
| Investments: | | |
| U. S. Bonds and Bills | 3,038,351.00 | 3,341,157.00 |
| Federal Agency Guaranteed Securities | 10,577,389.00 | 10,584,341.00 |
| Corporate Bonds | 4,013,559.08 | 4,047,413.42 |
| Stocks | 32,100,795.58 | 35,571,047.01 |
| Mutual Funds: | | |
| Fixed Income | 3,564,510.51 | 3,150,143.03 |
| Equity | 10,819,939.95 | 12,993,644.34 |
| Total Investments | 64,114,545.12 | 69,687,745.80 |
| Total Assets | 66,515,736.60 | 72,088,937.28 |
| <u>LIABILITIES</u> | | |
| Payables: | | |
| Investment Expenses | 88,655.33 | 88,655.33 |
| Administrative Expenses | 22,804.67 | 22,804.67 |
| Prepaid City Contribution | 58,867.07 | 58,867.07 |
| Total Liabilities | 170,327.07 | 170,327.07 |
| NET POSITION RESTRICTED FOR PENSIONS | 66,345,409.53 | 71,918,610.21 |

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

ADDITIONS

| | | | |
|---|--------------|--------------|---------------|
| Contributions: | | | |
| Member | | 549,814.34 | |
| Buy-Back | | 6,496.75 | |
| City | | 2,948,527.06 | |
| State | | 597,262.55 | |
| Total Contributions | | | 4,102,100.70 |
| Investment Income: | | | |
| Net Realized Gain (Loss) | 1,554,047.51 | | |
| Unrealized Gain (Loss) | 3,610,831.70 | | |
| Net Increase in Fair Value of Investments | | 5,164,879.21 | |
| Interest & Dividends | | 1,810,927.78 | |
| Less Investment Expense ¹ | | (386,049.74) | |
| Net Investment Income | | | 6,589,757.25 |
| Total Additions | | | 10,691,857.95 |
| <u>DEDUCTIONS</u> | | | |
| Distributions to Members: | | | |
| Benefit Payments | | 4,171,286.83 | |
| Lump Sum DROP Distributions | | 518,375.69 | |
| Refunds of Member Contributions | | 104,502.35 | |
| Total Distributions | | | 4,794,164.87 |
| Administrative Expense | | | 106,160.32 |
| Total Deductions | | | 4,900,325.19 |
| Net Increase in Net Position | | | 5,791,532.76 |
| NET POSITION RESTRICTED FOR PENSIONS | | | |
| Beginning of the Year | | | 66,127,077.45 |
| End of the Year | | | 71,918,610.21 |

¹Investment 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 ¹ | |
|--|-----------------------------|-----------------|
| 09/30/2013 | 12.98% | |
| 09/30/2014 | 9.99% | |
| 09/30/2015 | -0.07% | |
| 09/30/2016 | 10.02% | |
| Annualized Rate of Return for prior four (4) years: | | 8.11% |
| (A) 10/01/2015 Actuarial Assets: | | \$67,381,235.38 |
| (I) Net Investment Income: | | |
| 1. Interest and Dividends | 1,810,927.78 | |
| 2. Realized Gains (Losses) | 1,554,047.51 | |
| 3. Change in Actuarial Value | 2,455,777.06 | |
| 4. Investment Related Expenses | (386,049.74) | |
| Total | | 5,434,702.61 |
| (B) 10/01/2016 Actuarial Assets: | | \$72,017,713.50 |
| Actuarial Asset Rate of Return = 2I/(A+B-I): | | 8.11% |
| 10/01/2016 Limited Actuarial Assets: | | \$72,017,713.50 |
| 10/01/2016 Market Value of Assets: | | \$71,918,610.21 |
| Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis) | | \$408,775.41 |

¹Market Value Basis, net of investment related expenses.

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

REVENUES

| | | |
|---|--------------|------------------|
| Contributions: | | |
| Member | 549,814.34 | |
| Buy-Back | 6,496.75 | |
| City | 2,948,527.06 | |
| State | 597,262.55 | |
| Total Contributions | | 4,102,100.70 |
| Earnings from Investments: | | |
| Interest & Dividends | 1,810,927.78 | |
| Net Realized Gain (Loss) | 1,554,047.51 | |
| Change in Actuarial Value | 2,455,777.06 | |
| Total Earnings and Investment Gains | | 5,820,752.35 |

EXPENDITURES

| | | |
|---|--------------|-------------------|
| Distributions to Members: | | |
| Benefit Payments | 4,171,286.83 | |
| Lump Sum DROP Distributions | 518,375.69 | |
| Refunds of Member Contributions | 104,502.35 | |
| Total Distributions | | 4,794,164.87 |
| Expenses: | | |
| Investment related ¹ | 386,049.74 | |
| Administrative | 106,160.32 | |
| Total Expenses | | 492,210.06 |
| Change in Net Assets for the Year | | 4,636,478.12 |
| Net Assets Beginning of the Year | | 67,381,235.38 |
| Net Assets End of the Year ² | | 72,017,713.50 |

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

²Net Assets may be limited for actuarial consideration.

RECONCILIATION OF CITY'S SHORTFALL/(PREPAID) CONTRIBUTION
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2016

| | |
|--|-----------------------|
| (1) City & State Required Contribution Rate | 43.73% |
| (2) Pensionable Payroll Derived from Member Contributions | \$8,108,368.64 |
| (3) City & State Required Contribution (1) x (2) | 3,545,789.61 |
| (4) Less Allowable State Contribution | <u>(597,262.55)</u> |
| (5) Equals Required City Contribution for Fiscal 2016 | 2,948,527.06 |
| (6) Less 2015 Prepaid Contribution | (390,942.29) |
| (7) Less Actual City Contributions | <u>(2,616,451.84)</u> |
| (8) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2016 | (\$58,867.07) |

STATISTICAL DATA ¹

| | <u>10/1/2013</u> | <u>10/1/2014</u> | <u>10/1/2015</u> | <u>10/1/2016</u> |
|-------------------------------------|------------------|------------------|------------------|------------------|
| <u>Actives</u> | | | | |
| Number | 141 | 138 | 142 | 135 |
| Average Current Age | 38.4 | 38.4 | 37.9 | 37.9 |
| Average Age at Employment | 28.7 | 28.2 | 28.3 | 28.4 |
| Average Past Service | 9.7 | 10.2 | 9.6 | 9.5 |
| Average Annual Salary | \$56,607 | \$57,570 | \$56,778 | \$57,258 |
| <u>Service Retirees</u> | | | | |
| Number | | 90 | 92 | 98 |
| Average Current Age | | 63.4 | 63.4 | 63.5 |
| Average Annual Benefit | | \$34,541 | \$36,217 | \$36,162 |
| <u>DROP Retirees</u> | | | | |
| Number | | 17 | 17 | 18 |
| Average Current Age | | 53.6 | 52.9 | 53.2 |
| Average Annual Benefit | | \$56,779 | \$55,439 | \$59,893 |
| <u>Beneficiaries</u> | | | | |
| Number | | 7 | 9 | 9 |
| Average Current Age | | 65.8 | 67.0 | 68.0 |
| Average Annual Benefit | | \$15,128 | \$17,277 | \$17,277 |
| <u>Disability Retirees</u> | | | | |
| Number | | 24 | 24 | 29 |
| Average Current Age | | 53.2 | 53.7 | 53.3 |
| Average Annual Benefit | | \$21,857 | \$23,446 | \$24,169 |
| <u>Terminated Vested</u> | | | | |
| Number | | 36 | 37 | 38 |
| Average Current Age | | 46.9 | 47.1 | 46.2 |
| Average Annual Benefit ² | | \$17,088 | \$17,888 | \$19,888 |

¹ Prior to 10/1/2014, averages were salary weighted.

² The Average Annual Benefit excludes participants 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 | 3 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 7 |
| 25 - 29 | 4 | 8 | 2 | 2 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 18 |
| 30 - 34 | 4 | 2 | 1 | 3 | 0 | 18 | 4 | 0 | 0 | 0 | 0 | 32 |
| 35 - 39 | 1 | 2 | 0 | 0 | 1 | 8 | 6 | 1 | 0 | 0 | 0 | 19 |
| 40 - 44 | 0 | 0 | 0 | 0 | 1 | 3 | 8 | 6 | 1 | 0 | 0 | 19 |
| 45 - 49 | 2 | 0 | 0 | 1 | 0 | 2 | 6 | 10 | 6 | 0 | 0 | 27 |
| 50 - 54 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 2 | 5 | 0 | 0 | 10 |
| 55 - 59 | 0 | 0 | 0 | 0 | 0 | 2 | 1 | 0 | 0 | 0 | 0 | 3 |
| 60 - 64 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 65+ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 14 | 14 | 5 | 6 | 4 | 35 | 26 | 19 | 12 | 0 | 0 | 135 |

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

| | |
|---|------------|
| a. Number in prior valuation 10/1/2015 | 142 |
| b. Terminations | |
| i. Vested (partial or full) with deferred benefits | (7) |
| ii. Non-vested or full lump sum distribution received | (7) |
| c. Deaths | |
| i. Beneficiary receiving benefits | 0 |
| ii. No future benefits payable | 0 |
| d. Disabled | (4) |
| e. Retired | 0 |
| f. DROP | <u>(4)</u> |
| g. Continuing participants | 120 |
| h. New entrants | <u>15</u> |
| i. Total active life participants in valuation | 135 |

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 | 92 | 17 | 9 | 24 | 37 | 179 |
| Retired | 0 | (3) | 0 | 0 | (4) | (7) |
| DROP | 3 | 4 | 0 | 0 | 0 | 7 |
| Vested Deferred | 4 | 0 | 0 | 1 | 8 | 13 |
| Death, With Survivor | 0 | 0 | 0 | 0 | 0 | 0 |
| Death, No Survivor | (1) | 0 | 0 | 0 | 0 | (1) |
| Disabled | 0 | 0 | 0 | 4 | (1) | 3 |
| Refund of Contributions | 0 | 0 | 0 | 0 | (2) | (2) |
| Rehires | 0 | 0 | 0 | 0 | 0 | 0 |
| Expired Annuities | 0 | 0 | 0 | 0 | 0 | 0 |
| Data Corrections | 0 | 0 | 0 | 0 | 0 | 0 |
| b. Number current valuation | 98 | 18 | 9 | 29 | 38 | 192 |

SUMMARY OF PLAN PROVISIONS
(Through Ordinance No. 2013-46)

| | |
|-----------------------------------|---|
| <u>Eligibility</u> | All full-time Police Officers (excluding the Chief, who may opt out) covered from date of employment, including during probationary period. |
| <u>Salary</u> | <p><u>Hired prior to 11/28/2012:</u></p> <p>Total compensation reportable on a Members W-2 form, subject to the following exceptions:</p> <ul style="list-style-type: none">a) Effective May 2, 2011, payments for extra duty or special detail work performed on behalf of a second party employer shall be excluded.b) Effective November 27, 2012, Salary shall not include payments for overtime in excess of 200 hours; provided, the 200 hour annual limit shall be increased to 300 hours in any fiscal year for overtime worked during a declared emergency.c) Effective November 27, 2012, Salary shall include the lesser amount of either the accrued unused sick and annual leave on November 27, 2012, or the actual amount of accrued unused sick and annual leave for which the retiree receives payment at retirement. <p><u>Hired after 11/27/2012:</u></p> <p>Total compensation reportable on a Members W-2 form, excluding payments for accrued unused sick and annual leave. Additionally, Salary shall exclude payments for overtime in excess of 150 hours per fiscal year, regardless of whether or not the overtime is worked during a declared emergency.</p> |
| <u>Average Final Compensation</u> | Average of best five (5) years of the last 10 years of Credited Service. |
| <u>Credited Service</u> | Years and fractional parts of years of service with the City as a Police Officer. |
| <u>Normal Retirement</u> | |
| Date | Earlier of age 55 <u>and</u> 10 years of Credited Service, or completion of 25 years of Credited Service. |
| Benefit | 3% of Average Final Compensation <u>times</u> Credited Service. |
| Form of Benefit | Ten Year Certain and Life Annuity (Options available). |

Early Retirement

| | |
|---------|---|
| Age | Age 45 and 10 Years of Credited Service. |
| Benefit | Accrued pension payable immediately, reduced 3% for each of the first 5 years, and actuarially reduced for all years in excess of 5 years; or, unreduced accrued pension payable at Normal Retirement Date. |

Vesting

| | |
|--------------------|---|
| Less Than 10 Years | Return of Member Contributions. |
| 10 or More Years | Accrued benefit payable at Normal Retirement Date (unreduced) or Early Retirement Date (reduced). |

Disability

Service Connected

| | |
|-------------|---|
| Eligibility | Total and permanent and unable to perform duties as a Police Officer. |
| Benefit | Accrued pension, but not less than 50% of Average Final Compensation. |

Non-Service Connected

| | |
|-------------|---|
| Eligibility | Same as for Service Connected except also must have 366 consecutive days of Credited Service. |
| Benefit | Accrued pension, but not less than 25% of Average Final Compensation. |
| Duration | Payable for life and 10 years certain (options available) or until recovery (as determined by the Board). |

Pre-Retirement Death

| | |
|------------|--|
| Non-vested | Refund of Member Contributions. |
| Vested | At beneficiary's election: 1) \$50,000, or 2) the Member's accrued pension benefit payable for 10 years beginning at the Member's otherwise Normal Retirement Date (unreduced) or Early Retirement Date (reduced). |

Board of Trustees

- a. Two City residents appointed by the City Council.
- b. Two Police Officers elected by a majority of Police Officers, and
- c. A fifth member elected by the Board and appointed (as a ministerial duty) by the City Council.

Contributions

Employee

Hired prior to 11/28/2012:

5.0% of Salary (increased to 6.5%, effective September 1, 2013).

Hired after 11/27/2012:

8.0% of Salary

State

Premium tax refund.

City

Remaining amount necessary to fund Normal Cost and amortize any Past Service Liability as provided in Part VII, Chapter 112, Florida Statutes.

COLA

Members eligible for NR prior to 11/28/2012:

1% automatic cost-of-living increases beginning one year after retirement for Normal, Early, and Disability Retirees. Vested terminated members are not included.

Members eligible for NR after 11/27/2012:

Proportion of 1% (measured by comparing actual service as of 11/27/2012 to total service at the time of retirement) beginning one year after retirement and continuing for 10 years, payable to Normal, Early, and Disability Retirees. Vested terminated members are not included.

Deferred Retirement Option Plan

Eligibility

Satisfaction of Normal Retirement requirements.

Participation

Earlier of: 1) 60 months in the DROP program, or 2) completion of 31 years of employment with the City as a Police Officer.

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), 2) 6.5% (1.3% for Members who enter DROP on and after 11/27/2012), or 3) 1/2 of 1) and 2). Investment 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 | 363,226 |
| Money Market | 1,536,500 |
| Cash | 365,745 |
| Total Cash and Equivalents | 2,265,471 |
| Receivables: | |
| Member Contributions in Transit | 18,213 |
| Member Buy-Back Contributions | 200 |
| City Contributions in Transit | 13,985 |
| Tax Reclaims | 265 |
| Investment Income | 103,057 |
| Total Receivable | 135,720 |
| Investments: | |
| U. S. Bonds and Bills | 3,341,157 |
| Federal Agency Guaranteed Securities | 10,584,341 |
| Corporate Bonds | 4,047,414 |
| Stocks | 35,571,047 |
| Mutual Funds: | |
| Fixed Income | 3,150,143 |
| Equity | 12,993,644 |
| Total Investments | 69,687,746 |
| Total Assets | 72,088,937 |
| <u>LIABILITIES</u> | |
| Payables: | |
| Investment Expenses | 88,655 |
| Administrative Expenses | 22,805 |
| Unearned Revenue | 58,867 |
| Total Liabilities | 170,327 |
| NET POSITION RESTRICTED FOR PENSIONS | 71,918,610 |

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

ADDITIONS

Contributions:

| | | |
|---|-----------|----------------|
| Member | 549,814 | |
| Buy-Back | 6,497 | |
| City | 2,948,527 | |
| State | 597,263 | |
| Total Contributions | | 4,102,101 |
| Investment Income: | | |
| Net Increase in Fair Value of Investments | 5,164,879 | |
| Interest & Dividends | 1,810,928 | |
| Less Investment Expense ¹ | (386,050) | |
| Net Investment Income | | 6,589,757 |
| Total Additions | | 10,691,858 |

DEDUCTIONS

Distributions to Members:

| | | |
|--|-----------|----------------|
| Benefit Payments | 4,171,287 | |
| Lump Sum DROP Distributions | 518,376 | |
| Refunds of Member Contributions | 104,502 | |
| Total Distributions | | 4,794,165 |
| Administrative Expense | | 106,160 |
| Total Deductions | | 4,900,325 |
| Net Increase in Net Position | | 5,791,533 |
| NET POSITION RESTRICTED FOR PENSIONS | | |
| Beginning of the Year | | 66,127,077 |
| End of the Year | | 71,918,610 |

¹Investment 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 City residents appointed by the City Council.
- b. Two Police Officers elected by a majority of Police Officers, and
- c. A fifth member elected by the Board and appointed (as a ministerial duty) by the City Council.

Plan Membership as of October 1, 2015:

| | |
|---|-----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 142 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | 37 |
| Active Plan Members | 142 |
| | 321 |

Benefits Provided

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

Normal Retirement:

Date: Earlier of age 55 and 10 years of Credited Service, or completion of 25 years of Credited Service.

Benefit: 3% of Average Final Compensation times Credited Service.

Early Retirement:

Date: Age 45 and 10 Years of Credited Service.

Benefit: Accrued pension payable immediately, reduced 3% for each of the first 5 years, and actuarially reduced for all years in excess of 5 years; or, unreduced accrued pension payable at Normal Retirement Date.

Vesting:

Less than 10 years: Return of Member Contributions.

10 or More Years: Accrued benefit payable at Normal Retirement Date (unreduced) or Early Retirement Date (reduced).

Disability:

Service Connected Eligibility: Total and permanent and unable to perform duties as a Police Officer.

Service Connected Benefit: Accrued pension, but not less than 50% of Average Final Compensation.

Non-Service Connected Eligibility: Same as for Service Connected except also must have 366 consecutive days of Credited Service.

Non-Service Connected Benefit: Accrued pension, but not less than 25% of Average Final Compensation.

Pre-Retirement Death:

Vested: At beneficiary's election: 1) \$50,000, or 2) the Member's accrued pension benefit payable for 10 years beginning at the Member's otherwise Normal Retirement Date (unreduced) or Early Retirement Date (reduced).

Non-Vested: Refund of Member Contributions.

COLA:

Members eligible for NR prior to 11/28/2012:

1% automatic cost-of-living increases beginning one year after retirement for Normal, Early, and Disability Retirees.

Vested terminated members are not included.

Members eligible for NR after 11/27/2012:

Proportion of 1% (measured by comparing actual service as of 11/27/2012 to total service at the time of retirement) beginning one year after retirement and continuing for 10 years, payable to Normal, Early, and Disability Retirees. Vested terminated members are not included.

Contributions

Employee:

Hired prior to 11/28/2012:

5.0% of Salary (increased to 6.5%, effective September 1, 2013).

Hired after 11/27/2012:

8.0% of Salary.

State: Premium tax refund.

City: Remaining amount necessary to fund Normal cost and amortize any Past Service Liability as provided in Part VII, 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 | 45% |
| International Equity | 15% |
| Domestic Fixed Income | 30% |
| Global Fixed Income | 5% |
| Real Estate | 5% |
| Total | 100% |

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 10.02 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 Retirement requirements.

Participation: Earlier of: 1) 60 months in the DROP program, or 2) completion of 31 years of employment with the City as a Police Officer.

Rate of Return: At the Member's election: 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), 2) 6.5% (1.3% for Members who enter DROP on and after 11/27/2012), or 3) 1/2 of 1) and 2). Investment earnings are credited each fiscal quarter.

The DROP balance as September 30, 2016 is \$3,138,647.

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 | \$ 93,996,175 |
| Plan Fiduciary Net Position | \$ (71,918,610) |
| Sponsor's Net Pension Liability | <u>\$ 22,077,565</u> |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 76.51% |

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 | 4.50% - 6.00% |
| Discount Rate | 7.50% |
| Investment Rate of Return | 7.50% |

Mortality Rate Healthy Lives:

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

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The most recent actuarial experience study used to review the other significant assumptions was dated January 27, 2015.

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 | Long Term Expected Real Rate of Return |
|-----------------------|--|
| Domestic Equity | 7.50% |
| International Equity | 8.50% |
| Domestic Fixed Income | 2.50% |
| Global Fixed Income | 3.50% |
| Real Estate | 4.50% |

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Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.50 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 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|---------------------------------|----------------------|-----------------------------------|----------------------|
| Sponsor's Net Pension Liability | \$ 32,860,796 | \$ 22,077,565 | \$ 13,116,064 |

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

| | 09/30/2016 | 09/30/2015 | 09/30/2014 |
|--|----------------------|----------------------|----------------------|
| Total Pension Liability | | | |
| Service Cost | 1,514,579 | 1,457,495 | 1,468,863 |
| Interest | 6,609,747 | 6,500,397 | 6,297,597 |
| Changes of benefit terms | - | - | - |
| Differences between Expected and Actual Experience | (723,896) | (129,550) | - |
| Changes of assumptions | 2,243,175 | (1,189,338) | - |
| Contributions - Buy Back | 6,497 | 8,784 | - |
| Benefit Payments, including Refunds of Employee Contributions | (4,794,165) | (5,699,583) | (4,402,589) |
| Net Change in Total Pension Liability | 4,855,937 | 948,205 | 3,363,871 |
| Total Pension Liability - Beginning | 89,140,238 | 88,192,033 | 84,828,162 |
| Total Pension Liability - Ending (a) | <u>\$ 93,996,175</u> | <u>\$ 89,140,238</u> | <u>\$ 88,192,033</u> |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | 2,948,527 | 2,876,710 | 3,025,362 |
| Contributions - State | 597,263 | 543,474 | 535,651 |
| Contributions - Employee | 549,814 | 512,708 | 523,863 |
| Contributions - Buy Back | 6,497 | 8,784 | - |
| Net Investment Income | 6,589,757 | (43,614) | 6,199,184 |
| Benefit Payments, including Refunds of Employee Contributions | (4,794,165) | (5,699,583) | (4,402,589) |
| Administrative Expense | (106,160) | (78,532) | (85,877) |
| Net Change in Plan Fiduciary Net Position | 5,791,533 | (1,880,053) | 5,795,594 |
| Plan Fiduciary Net Position - Beginning | 66,127,077 | 68,007,130 | 62,211,536 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 71,918,610</u> | <u>\$ 66,127,077</u> | <u>\$ 68,007,130</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 22,077,565</u> | <u>\$ 23,013,161</u> | <u>\$ 20,184,903</u> |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 76.51% | 74.18% | 77.11% |
| Covered Employee Payroll ¹ | \$ 8,108,369 | \$ 8,613,965 | \$ 7,753,130 |
| Net Pension Liability as a percentage of Covered Employee Payroll | 272.28% | 267.16% | 260.35% |

Notes to Schedule:

¹ 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 Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

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.

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For measurement date 09/30/2015, amounts reported as changes of assumptions resulted from an actuarial experience study dated January 27, 2015, the Board approved a number of assumption changes. A brief description of the changes are shown below.

- The assumed rate of salary increase was changed from a flat 6.0% per year to an age-based table.
- The assumed rates of termination were changed from an age-based table to a service-based table.
- The assumed Normal Retirement Age was amended to eliminate the assumption that those eligible for Normal Retirement as of the valuation date will continue employment for one additional year. It is now assumed that any member eligible for Normal Retirement as of the valuation date will retire immediately.
- The assumed rate of Early Retirement was increased from 2.0% per year to 4.0% per year.
- The assumed rates of disablement at each age were tripled.

Additionally, the payroll growth assumption has decreased from 0.90% to 0.31% per year, in order to comply with Chapter 112, Part VII, Florida Statutes.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

| | 09/30/2016 | 09/30/2015 | 09/30/2014 |
|---|--------------|--------------|--------------|
| Actuarially Determined Contribution | 3,545,790 | 3,420,184 | 3,561,013 |
| Contributions in relation to the Actuarially Determined Contributions | 3,545,790 | 3,420,184 | 3,561,013 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| Covered Employee Payroll ¹ | \$ 8,108,369 | \$ 8,613,965 | \$ 7,753,130 |
| Contributions as a percentage of Covered Employee Payroll | 43.73% | 39.71% | 45.93% |

¹ 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: RP 2000 Combined Healthy – Sex Distinct. Disabled lives set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.
 Interest Rate: 7.5% per year compounded annually, net of investment related expenses.
 Retirement Age: Earlier of: 1) Age 55 and 10 years of service, or 2) 25 years of service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.
 Early Retirement: Commencing with the earliest Early Retirement Age (age 45), members are assumed to retire with an immediate subsidized benefit at the rate of 2% per year.
 Disability Rates: See table below (1207). It is assumed that 75% of disablements and active Member deaths are service related.
 Termination Rates: See table below (1304).
 Salary Increases: 6.0% per year until the assumed retirement age. Projected salary at retirement is increased based on individual accruals to account for non-regular compensation.
 Payroll Increase: 0.9% per year.
 Asset Valuation 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 Table:

| Age | % Becoming Disabled During the Year | % Terminating During the Year |
|-----|-------------------------------------|-------------------------------|
| 20 | 0.07% | 12.40% |
| 30 | 0.11% | 10.50% |
| 40 | 0.19% | 5.70% |
| 50 | 0.51% | 1.50% |

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COLA:

Retirees from 10/1/2008 to 11/27/2012:

1.0% automatic COLA beginning 1 year after retirement for Normal, Early, and Disability Retirees.

Retirees after 11/27/2012:

Proportion of a 1.0% automatic COLA (measured by comparing actual service at 11/27/2012 against projected service at retirement), beginning 1 year after Retirement and continuing for 10 years, payable to Normal, Early, and Disability Retirees.

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

| | <u>09/30/2016</u> | <u>09/30/2015</u> | <u>09/30/2014</u> |
|--------------------------------------|-------------------|-------------------|-------------------|
| Annual Money-Weighted Rate of Return | | | |
| Net of Investment Expense | 10.02% | -0.07% | 9.99% |

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 City residents appointed by the City Council.
- b. Two Police Officers elected by a majority of Police Officers, and
- c. A fifth member elected by the Board and appointed (as a ministerial duty) by the City Council.

All full-time Police Officers (excluding the Chief, who may opt out) covered from date of employment, including during probationary period.

Plan Membership as of October 1, 2015:

| | |
|---|-----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 142 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | 37 |
| Active Plan Members | 142 |
| | 321 |
| | 321 |

Benefits Provided

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

Normal Retirement:

Date: Earlier of age 55 and 10 years of Credited Service, or completion of 25 years of Credited Service.

Benefit: 3% of Average Final Compensation times Credited Service.

Early Retirement:

Date: Age 45 and 10 Years of Credited Service.

Benefit: Accrued pension payable immediately, reduced 3% for each of the first 5 years, and actuarially reduced for all years in excess of 5 years; or, unreduced accrued pension payable at Normal Retirement Date.

Vesting:

Less than 10 years: Return of Member Contributions.

10 or More Years: Accrued benefit payable at Normal Retirement Date (unreduced) or Early Retirement Date (reduced).

Disability:

Service Connected Eligibility: Total and permanent and unable to perform duties as a Police Officer.

Service Connected Benefit: Accrued pension, but not less than 50% of Average Final Compensation.

Non-Service Connected Eligibility: Same as for Service Connected except also must have 366 consecutive days of Credited Service.

Non-Service Connected Benefit: Accrued pension, but not less than 25% of Average Final Compensation.

Pre-Retirement Death:

Vested: At beneficiary's election: 1) \$50,000, or 2) the Member's accrued pension benefit payable for 10 years beginning at the Member's otherwise Normal Retirement Date (unreduced) or Early Retirement Date (reduced).

Non-Vested: Refund of Member Contributions.

COLA:

Members eligible for NR prior to 11/28/2012:

1% automatic cost-of-living increases beginning one year after retirement for Normal, Early, and Disability Retirees. Vested terminated members are not included.

Members eligible for NR after 11/27/2012:

Proportion of 1% (measured by comparing actual service as of 11/27/2012 to total service at the time of retirement) beginning one year after retirement and continuing for 10 years, payable to Normal, Early, and Disability Retirees. Vested terminated members are not included.

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Contributions

Employee:

Hired prior to 11/28/2012:

5.0% of Salary (increased to 6.5%, effective September 1, 2013).

Hired after 11/27/2012:

8.0% of Salary.

State: Premium tax refund.

City: Remaining amount necessary to fund Normal cost and amortize any Past Service Liability as provided in Part VII, Chapter 112, Florida Statutes.

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 | 4.50% - 6.00% |
| Discount Rate | 7.50% |
| Investment Rate of Return | 7.50% |

Mortality Rate Healthy Lives:

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

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The most recent actuarial experience study used to review the other significant assumptions was dated January 27, 2015.

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.

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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>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|-----------------------|--------------------------|---|
| Domestic Equity | 45% | 7.50% |
| International Equity | 15% | 8.50% |
| Domestic Fixed Income | 30% | 2.50% |
| Global Fixed Income | 5% | 3.50% |
| Real Estate | 5% | 4.50% |
| <u>Total</u> | <u>100%</u> | |

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.50 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 Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a)-(b) |
| Reporting Period Ending September 30, 2016 | \$ 89,140,238 | \$ 66,127,077 | \$ 23,013,161 |
| Changes for a Year: | | | |
| Service Cost | 1,514,579 | - | 1,514,579 |
| Interest | 6,609,747 | - | 6,609,747 |
| Differences between Expected and Actual Experience | (723,896) | - | (723,896) |
| Changes of assumptions | 2,243,175 | - | 2,243,175 |
| Changes of benefit terms | - | - | - |
| 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 | - | 6,589,757 | (6,589,757) |
| Benefit Payments, including Refunds of Employee Contributions | (4,794,165) | (4,794,165) | - |
| Administrative Expense | - | (106,160) | 106,160 |
| Net Changes | 4,855,937 | 5,791,533 | (935,596) |
| Reporting Period Ending September 30, 2017 | \$ 93,996,175 | \$ 71,918,610 | \$ 22,077,565 |

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

| | Current Discount | | |
|---------------------------------|------------------|---------------|---------------|
| | 1% Decrease | Rate | 1% Increase |
| | 6.50% | 7.50% | 8.50% |
| Sponsor's Net Pension Liability | \$ 32,860,796 | \$ 22,077,565 | \$ 13,116,064 |

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 \$3,174,507.

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 | - | 607,698 |
| Changes of assumptions | 1,682,382 | 594,670 |
| Net difference between Projected and Actual Earnings on Pension Plan investments | 1,097,658 | - |
| Employer and State contributions subsequent to the measurement date | TBD | - |
| Total | TBD | \$ 1,202,368 |

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer and State contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 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 | \$ 423,430 |
| 2019 | \$ 423,430 |
| 2020 | \$ 1,062,844 |
| 2021 | \$ (332,032) |
| 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 | 09/30/2015 |
|--|----------------------|----------------------|----------------------|
| Measurement Date | 09/30/2016 | 09/30/2015 | 09/30/2014 |
| Total Pension Liability | | | |
| Service Cost | 1,514,579 | 1,457,495 | 1,468,863 |
| Interest | 6,609,747 | 6,500,397 | 6,297,597 |
| Changes of benefit terms | - | - | - |
| Differences between Expected and Actual Experience | (723,896) | (129,550) | - |
| Changes of assumptions | 2,243,175 | (1,189,338) | - |
| Contributions - Buy Back | 6,497 | 8,784 | - |
| Benefit Payments, including Refunds of Employee Contributions | (4,794,165) | (5,699,583) | (4,402,589) |
| Net Change in Total Pension Liability | 4,855,937 | 948,205 | 3,363,871 |
| Total Pension Liability - Beginning | 89,140,238 | 88,192,033 | 84,828,162 |
| Total Pension Liability - Ending (a) | <u>\$ 93,996,175</u> | <u>\$ 89,140,238</u> | <u>\$ 88,192,033</u> |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | 2,948,527 | 2,876,710 | 3,025,362 |
| Contributions - State | 597,263 | 543,474 | 535,651 |
| Contributions - Employee | 549,814 | 512,708 | 523,863 |
| Contributions - Buy Back | 6,497 | 8,784 | - |
| Net Investment Income | 6,589,757 | (43,614) | 6,199,184 |
| Benefit Payments, including Refunds of Employee Contributions | (4,794,165) | (5,699,583) | (4,402,589) |
| Administrative Expense | (106,160) | (78,532) | (85,877) |
| Net Change in Plan Fiduciary Net Position | 5,791,533 | (1,880,053) | 5,795,594 |
| Plan Fiduciary Net Position - Beginning | 66,127,077 | 68,007,130 | 62,211,536 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 71,918,610</u> | <u>\$ 66,127,077</u> | <u>\$ 68,007,130</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 22,077,565</u> | <u>\$ 23,013,161</u> | <u>\$ 20,184,903</u> |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 76.51% | 74.18% | 77.11% |
| Covered Employee Payroll ¹ | \$ 8,108,369 | \$ 8,613,965 | \$ 7,753,130 |
| Net Pension Liability as a percentage of Covered Employee Payroll | 272.28% | 267.16% | 260.35% |

Notes to Schedule:

¹ 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 Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

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.

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For measurement date 09/30/2015, amounts reported as changes of assumptions resulted from an actuarial experience study dated January 27, 2015, the Board approved a number of assumption changes. A brief description of the changes are shown below.

- The assumed rate of salary increase was changed from a flat 6.0% per year to an age-based table.
- The assumed rates of termination were changed from an age-based table to a service-based table.
- The assumed Normal Retirement Age was amended to eliminate the assumption that those eligible for Normal Retirement as of the valuation date will continue employment for one additional year. It is now assumed that any member eligible for Normal Retirement as of the valuation date will retire immediately.
- The assumed rate of Early Retirement was increased from 2.0% per year to 4.0% per year.
- The assumed rates of disablement at each age were tripled.

Additionally, the payroll growth assumption has decreased from 0.90% to 0.31% per year, in order to comply with Chapter 112, Part VII, Florida Statutes.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

| | 09/30/2016 | 09/30/2015 | 09/30/2014 |
|---|--------------|--------------|--------------|
| Actuarially Determined Contribution | 3,545,790 | 3,420,184 | 3,561,013 |
| Contributions in relation to the Actuarially Determined Contributions | 3,545,790 | 3,420,184 | 3,561,013 |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| Covered Employee Payroll ¹ | \$ 8,108,369 | \$ 8,613,965 | \$ 7,753,130 |
| Contributions as a percentage of Covered Employee Payroll | 43.73% | 39.71% | 45.93% |

¹ 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: | RP 2000 Combined Healthy – Sex Distinct. Disabled lives set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. |
| Interest Rate: | 7.5% per year compounded annually, net of investment related expenses. |
| Retirement Age: | Earlier of: 1) Age 55 and 10 years of service, or 2) 25 years of service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year. |
| Early Retirement: | Commencing with the earliest Early Retirement Age (age 45), members are assumed to retire with an immediate subsidized benefit at the rate of 2% per year. |
| Disability Rates: | See table below (1207). It is assumed that 75% of disablements and active Member |
| Termination Rates: | See table below (1304). |
| Salary Increases: | 6.0% per year until the assumed retirement age. Projected salary at retirement is increased based on individual accruals to account for non-regular compensation. |
| Payroll Increase: | 0.9% per year. |
| Asset Valuation 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 Table: | % Becoming Disabled During the Year | % Terminating During the Year |
|--|-------------------------------------|-------------------------------|
| | Age | Year |
| | 20 | 0.07% |
| | 30 | 12.40% |
| | 40 | 10.50% |
| | 40 | 5.70% |
| | 50 | 1.50% |

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COLA:

Retirees from 10/1/2008 to 11/27/2012:

1.0% automatic COLA beginning 1 year after retirement for Normal, Early, and Disability Retirees.

Retirees after 11/27/2012:

Proportion of a 1.0% automatic COLA (measured by comparing actual service at 11/27/2012 against projected service at retirement), beginning 1 year after Retirement and continuing for 10 years, payable to Normal, Early, and Disability Retirees.

FINAL COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

| | Net Pension Liability | Deferred Inflows | Deferred Outflows | Pension Expense |
|---|--------------------------|---------------------|----------------------|---------------------|
| Beginning balance | \$ 20,184,903 | \$ 1,238,764 | \$ 3,420,184 | \$ - |
| Employer and State contributions made after 09/30/2015 | - | - | 3,545,790 | - |
| Total Pension Liability Factors: | | | | |
| Service Cost | 1,457,495 | - | - | 1,457,495 |
| Interest | 6,500,397 | - | - | 6,500,397 |
| Changes in benefit terms | - | - | - | - |
| Contributions - Buy Back | 8,784 | - | - | 8,784 |
| Differences between Expected and Actual Experience with regard to economic or demographic assumptions | (129,550) | 129,550 | - | - |
| Current year amortization of experience difference | - | (32,387) | - | (32,387) |
| Change in assumptions about future economic or demographic factors or other inputs | (1,189,338) | 1,189,338 | - | - |
| Current year amortization of change in assumptions | - | (297,334) | - | (297,334) |
| Benefit Payments | (5,699,583) | - | - | (5,699,583) |
| Net change | <u>948,205</u> | <u>989,167</u> | <u>3,545,790</u> | <u>1,937,372</u> |
| Plan Fiduciary Net Position: | | | | |
| Contributions - Employer | 2,876,710 | - | (2,876,710) | - |
| Contributions - State | 543,474 | - | (543,474) | - |
| Contributions - Employee | 512,708 | - | - | (512,708) |
| Contributions - Buy Back | 8,784 | - | - | (8,784) |
| Net Investment Income | 5,031,668 | - | - | (5,031,668) |
| Difference between projected and actual earnings on Pension Plan investments | (5,075,282) | - | 5,075,282 | - |
| Current year amortization | - | (309,691) | (1,015,057) | 705,366 |
| Benefit Payments | (5,699,583) | - | - | 5,699,583 |
| Administrative Expenses | (78,532) | - | - | 78,532 |
| Net change | <u>(1,880,053)</u> | <u>(309,691)</u> | <u>640,041</u> | <u>930,321</u> |
| Ending Balance | <u>\$ 23,013,161</u> | <u>\$ 1,918,240</u> | <u>\$ 7,606,015</u> | <u>\$ 2,867,693</u> |

PRELIMINARY COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2017

| | Net Pension Liability | Deferred Inflows | Deferred Outflows | Pension Expense |
|---|--------------------------|---------------------|----------------------|---------------------|
| Beginning balance | \$ 23,013,161 | \$ 1,918,240 | \$ 7,606,015 | \$ - |
| Employer and State contributions made after 09/30/2016 | - | - | TBD* | - |
| Total Pension Liability Factors: | | | | |
| Service Cost | 1,514,579 | - | - | 1,514,579 |
| Interest | 6,609,747 | - | - | 6,609,747 |
| Changes in benefit terms | - | - | - | - |
| Contributions - Buy Back | 6,497 | - | - | 6,497 |
| Differences between Expected and Actual Experience with regard to economic or demographic assumptions | (723,896) | 723,896 | - | - |
| Current year amortization of experience difference | - | (213,361) | - | (213,361) |
| Change in assumptions about future economic or demographic factors or other inputs | 2,243,175 | - | 2,243,175 | - |
| Current year amortization of change in assumptions | - | (297,334) | (560,793) | 263,459 |
| Benefit Payments | (4,794,165) | - | - | (4,794,165) |
| Net change | <u>4,855,937</u> | <u>213,201</u> | <u>1,682,382</u> | <u>3,386,756</u> |
| Plan Fiduciary Net Position: | | | | |
| 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 | 4,929,597 | - | - | (4,929,597) |
| Difference between projected and actual earnings on Pension Plan investments | 1,660,160 | 1,660,160 | - | - |
| Current year amortization | - | (641,723) | (1,015,057) | 373,334 |
| Benefit Payments | (4,794,165) | - | - | 4,794,165 |
| Administrative Expenses | (106,160) | - | - | 106,160 |
| Net change | <u>5,791,533</u> | <u>1,018,437</u> | <u>(4,560,847)</u> | <u>(212,249)</u> |
| Ending Balance | <u>\$ 22,077,565</u> | <u>\$ 3,149,878</u> | <u>TBD</u> | <u>\$ 3,174,507</u> |

* Employer and State 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 Projected and Actual Earnings | Recognition Period (Years) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|---|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------|------|------|------|
| 2014 | \$ (1,548,454) | 5 | \$ (309,690) | \$ (309,691) | \$ (309,691) | \$ (309,691) | \$ (309,691) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2015 | \$ 5,075,282 | 5 | \$ - | \$ 1,015,057 | \$ 1,015,057 | \$ 1,015,056 | \$ 1,015,056 | \$ 1,015,056 | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ (1,660,160) | 5 | \$ - | \$ - | \$ (332,032) | \$ (332,032) | \$ (332,032) | \$ (332,032) | \$ (332,032) | \$ - | \$ - | \$ - | \$ - |
| Net Increase (Decrease) in Pension Expense | | | \$ (309,690) | \$ 705,366 | \$ 373,334 | \$ 373,333 | \$ 373,333 | \$ 683,024 | \$ (332,032) | \$ - | \$ - | \$ - | \$ - |

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 | \$ (1,189,338) | 4 | \$ - | \$ (297,334) | \$ (297,334) | \$ (297,335) | \$ (297,335) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ 2,243,175 | 4 | \$ - | \$ - | \$ 560,793 | \$ 560,794 | \$ 560,794 | \$ 560,794 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net Increase (Decrease) in Pension Expense | | | \$ - | \$ (297,334) | \$ 263,459 | \$ 263,459 | \$ 263,459 | \$ 560,794 | \$ - | \$ - | \$ - | \$ - | \$ - |

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 | \$ (129,550) | 4 | \$ - | \$ (32,387) | \$ (32,387) | \$ (32,388) | \$ (32,388) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ (723,896) | 4 | \$ - | \$ - | \$ (180,974) | \$ (180,974) | \$ (180,974) | \$ (180,974) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net Increase (Decrease) in Pension Expense | | | \$ - | \$ (32,387) | \$ (213,361) | \$ (213,362) | \$ (213,362) | \$ (180,974) | \$ - | \$ - | \$ - | \$ - | \$ - |