

The logo for nyhart, featuring the word "nyhart" in a white, lowercase, sans-serif font centered within a black rectangular box. To the left of this box is a thick black vertical bar, and to its right is a thin red vertical bar.

nyhart

City of Ocala Firefighters Retirement Plan

*September 30, 2015
GASB Nos. 67 & 68 Report*

Actuarial Certification	3
Summary	5
Statement of Fiduciary Net Position	6
Statement of Changes in Fiduciary Net Position	7
Schedule of Changes in Net Pension Liability and Related Ratios	8
Pension Expense	9
Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions	10
Rate of Return	12
Discount Rate and Net Pension Liability Sensitivity	13
Schedule of Contributions	14
Actuarial Assumptions for Total Pension Liability	15
Actuarial Assumptions for Actuarially Determined Contributions	17
Plan Provisions	19

This report is prepared in accordance with our understanding of GASB Nos. 67 & 68 for the purpose of disclosing pension plans in financial statements. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report.

The information presented in this report is based on:

- the actuarial assumptions included in this report;
- the plan provisions;
- participant information furnished to us by the Plan Administrator;
- asset information furnished to us by the Plan Trustee.

We have reviewed the provided data for reasonableness when compared to prior information provided, but have not audited the data. Where relevant data may be missing, we may have made assumptions we believe are reasonable for the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided. Any errors in the data provided may result in a different result than those provided in this report.

The interest rate, other economic assumptions, and demographic assumptions have been selected by the plan sponsor with our recommendations. The assumptions used, in our opinion, are reasonable and represent a reasonable expectation of future experience under the plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

A summary of any assumptions not included in this report, the plan provisions and the participant information is included in the Actuarial Valuation Report for funding purposes.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following

- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

To our knowledge there have been no significant events prior to the current year's measurement date or as of the date of this report which could materially affect the results contained herein.

Neither Nyhart nor any of its employees have any relationships with the plan or plan sponsor which could impair or appear to impair the objectivity of this report.

Nyhart



David D. Harris, ASA, EA, MAAA

03/9/2016

Net Pension Liability

The components of the net pension liability at September 30

	09/30/2015	09/30/2014
Total pension liability	\$ 59,720,376	\$ 58,123,645
Plan fiduciary net position	(45,589,356)	(45,543,421)
Net pension liability	\$ 14,131,020	\$ 12,580,224
Plan fiduciary net position as a percent of the total pension liability	76.34%	78.36%
Pension Expense for the Fiscal Year Ended September 30	\$ 2,128,430	\$ 1,722,440

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions

Inflation	3.25%	3.25%
Salary increases, including inflation	3.25%-7.25%	3.25%-7.25%
Investment rate of return, including inflation, and net of investment expense	7.75%	7.75%

Plan Membership

The total pension liability was determined based on the plan membership as of October 1

	2014	2013
Inactive plan members and beneficiaries currently receiving benefits	77	75
Inactive plan members entitled to but not yet receiving benefits	5	4
Active plan members	117	115
Total members	199	194

City of Ocala Firefighters Retirement Plan
GASB Nos. 67 & 68 Report as of Fiscal Year Ending September 30, 2015
Statement of Fiduciary Net Position

Assets	09/30/2015	09/30/2014
Cash and deposits	\$ 1,837,147	\$ 1,484,759
Securities lending cash collateral	0	0
Total cash	\$ 1,837,147	\$ 1,484,759
Receivables:		
Contributions	\$ 7,600	\$ 0
Due from broker for investments sold	0	0
Investment income	87,794	5,319
Other	636	1,800
Total receivables	\$ 96,030	\$ 7,119
Investments:		
Fixed Income	\$ 11,275,410	\$ 11,064,865
Domestic Equities	21,284,176	22,484,160
International Equities	5,492,352	5,994,284
Real Estate Fund	5,650,779	4,538,482
Total investments	\$ 43,702,717	\$ 44,081,791
Total assets	\$ 45,635,894	\$ 45,573,669
 Liabilities		
Payables:		
Investment management fees	\$ 46,538	\$ 30,248
Due to broker for investments purchased	0	0
Collateral payable for securities lending	0	0
Other	0	0
Total liabilities	\$ 46,538	\$ 30,248
 Net position restricted for pensions	\$ 45,589,356	\$ 45,543,421

City of Ocala Firefighters Retirement Plan
GASB Nos. 67 & 68 Report as of Fiscal Year Ending September 30, 2015
Statement of Changes in Fiduciary Net Position

	09/30/2015	09/30/2014
Additions		
Contributions:		
Employer	\$ 2,180,098	\$ 2,117,780
Member	467,838	553,787
Nonemployer contributing entity	554,915	450,140
Total contributions	\$ 3,202,851	\$ 3,121,707
Investment income:		
Net increase in fair value of investments	\$ (865,315)	\$ 3,209,384
Interest and dividends	1,026,020	718,812
Less investment expense, other than from securities lending	(147,197)	(136,111)
Net income other than from securities lending	\$ 13,508	\$ 3,792,085
Securities lending income	0	0
Less securities lending expense	0	0
Net income from securities lending	\$ 0	\$ 0
Net investment income	\$ 13,508	\$ 3,792,085
Other	0	0
Total additions	\$ 3,216,359	\$ 6,913,792
Deductions		
Benefit payments, including refunds of member contributions	\$ 3,092,921	\$ 2,901,757
Administrative expense	77,503	67,517
Other	0	0
Total deductions	\$ 3,170,424	\$ 2,969,274
Net increase in net position	\$ 45,935	\$ 3,944,518
Net position restricted for pensions		
Beginning of year	45,543,421	41,598,903
End of year	\$ 45,589,356	\$ 45,543,421

City of Ocala Firefighters Retirement Plan
 GASB Nos. 67 & 68 Report as of Fiscal Year Ending September 30, 2015
 Schedule of Changes in Net Pension Liability and Related Ratios

	09/30/2015	09/30/2014
Total pension liability		
Service cost	\$ 1,121,980	\$ 1,163,818
Interest	4,471,685	4,274,720
Changes of benefit terms	0	0
Differences between expected and actual experience	(904,013)	142,133
Changes of assumptions	0	0
Benefit payments, including refunds of member contributions	(3,092,921)	(2,901,757)
Net change in total pension liability	1,596,731	2,678,914
Total pension liability - beginning	58,123,645	55,444,731
Total pension liability - ending (a)	\$ 59,720,376	\$ 58,123,645
Plan fiduciary net position		
Contributions - employer	\$ 2,180,098	\$ 2,117,780
Contributions - member	467,838	553,787
Contributions - nonemployer contributing member	554,915	450,140
Net investment income	13,508	3,792,085
Benefit payments, including refunds of member contributions	(3,092,921)	(2,901,757)
Administrative expenses	(77,503)	(67,517)
Other	0	0
Net change in plan fiduciary net position	\$ 45,935	\$ 3,944,518
Plan fiduciary net position - beginning	45,543,421	41,598,903
Plan fiduciary net position - ending (b)	\$ 45,589,356	\$ 45,543,421
Net pension liability - ending (a) - (b)	\$ 14,131,020	\$ 12,580,224
Plan fiduciary net position as a percentage of the total pension liability	76.34%	78.36%
Covered-employee payroll	\$ 6,311,053	6,392,458
Net pension liability as percentage of covered-employee payroll	223.91%	196.80%

Fiscal year ending	09/30/2015
Service cost	\$ 1,121,980
Interest on total pension liability	4,471,685
Projected earnings on pension plan investments	(3,530,872)
Changes of benefit terms	0
Employee contributions	(467,838)
Pension plan administrative expense	77,503
Other changes	0
Current period recognition of deferred outflows/(inflows) of resources	
Differences between Expected & Actual Experience in measurement of the Total Pension Liability	\$ (111,378)
Changes of assumptions	0
Differences between Projected & Actual Earnings on Pension Plan Investments	567,350
Total	\$ 2,128,430

City of Ocala Firefighters Retirement Plan
GASB Nos. 67 & 68 Report as of Fiscal Year Ending September 30, 2015
Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Differences between expected and actuarial experience in measurement of the total pension liability for fiscal year ending:	Initial Balance	Initial Amortization Period	Annual Recognition	09/30/2015 Balance
September 30, 2015	\$ (904,013)	7	\$ (129,145)	\$ (774,868)
September 30, 2014	142,133	8	17,767	106,599
			\$ (111,378)	\$ (668,269)

Changes in assumptions for fiscal year ending:	Initial Balance	Initial Amortization Period	Annual Recognition	09/30/2015 Balance
September 30, 2015	0	7	0	0
			\$ 0	\$ 0

Differences between projected and actual earnings on pension plan investments for fiscal year ending:	Initial Balance	Initial Amortization Period	Annual Recognition	09/30/2015 Balance
September 30, 2015	\$ 3,517,364	5	\$ 703,473	\$ 2,813,891
September 30, 2014	(680,613)	5	(136,123)	(408,367)
			\$ 567,350	\$ 2,405,524

City of Ocala Firefighters Retirement Plan
GASB Nos. 67 & 68 Report as of Fiscal Year Ending September 30, 2015
Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 106,599	\$ (774,868)
Changes of Assumptions	\$ 0	\$ 0
Net difference between projected and actual earnings on pension plan investments	\$ 2,813,891	\$ (408,367)
	\$ 2,920,490	\$ (1,183,235)

The balances as of September 30, 2015 of the deferred outflows/(inflows) of resources will be recognized in pension expense for the fiscal year ending September 30.

2016	\$ 455,972
2017	\$ 455,972
2018	\$ 455,974
2019	\$ 592,094
2020	\$(111,378)
Thereafter	\$(111,379)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return 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, 2015 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Fixed Income	25.0%	1.00%
Domestic Equities	50.0%	5.80%
International Equities	15.0%	6.50%
Real Estate Fund	10.0%	4.70%
Cash	0.0%	0.00%
Total	100.0%	

Long-term expected rate of return is 7.75%.

Discount rate

The discount rate used to measure the total pension liability was 7.75%. 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 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.

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

The following presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability	\$ 21,048,377	\$ 14,131,020	\$ 8,353,544

City of Ocala Firefighters Retirement Plan
GASB Nos. 67 & 68 Report as of Fiscal Year Ending September 30, 2015
Schedule of Contributions

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 2,355,312	\$ 2,482,131	\$ 2,560,047	\$ 2,111,966	\$ 1,999,430
Contributions in relation to the actuarially determined contribution	2,420,499	2,358,181	2,143,008	2,024,626	1,863,674
Contribution deficiency (excess)	\$ (65,187)	\$ 123,950	\$ 417,039	\$ 87,340	\$ 135,756
Covered-employee payroll	\$ 6,507,660	\$ 6,311,053	\$ 6,392,458	\$ 6,961,657	\$ 7,204,930
Contributions as a percentage of covered-employee payroll	37.19%	37.37%	33.52%	29.08%	25.87%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 1,795,369	\$ 1,293,087	\$ 1,258,041	\$ 1,243,765	\$ 1,200,311
Contributions in relation to the actuarially determined contribution	1,545,607	1,383,658	1,391,544	1,270,666	1,200,311
Contribution deficiency (excess)	\$ 249,762	\$ (90,571)	\$ (133,503)	\$ (26,901)	\$ 0
Covered-employee payroll	\$ 6,872,487	\$ 7,166,031	\$ 7,134,279	\$ 6,100,211	\$ 5,744,369
Contributions as a percentage of covered-employee payroll	22.49%	19.31%	19.51%	20.83%	20.90%

The total pension liability as of September 30, 2015 was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Method
Asset Method	Market Value of Assets
Interest Rates	
Discount Rate	7.75%
Expected Long Term Rate of Return	7.75%
Municipal Bond Rate	N/A
Inflation	3.25%
Annual Pay Increases	0.0%-4.0%, plus inflation
Measurement Date	September 30, 2015, based on a valuation date of September 30, 2014
Ad-hoc Cost-of-living Increases	<p>Benefit payment schedule to be designed by Board. Funding is from .75% member contributions and excess investment return. Excess investment return is 100% of the first 1% in excess of the actuarial assumption, 75% of the next 1%, and 50% of the next 4%.</p> <p>Transfers of excess return is limited to periods when experience is favorable, determined on a cumulative basis from October 1, 2002.</p>
Mortality Rates	
Healthy	RP-2000 Mortality Table projected to 2020
Disabled	RP-2000 Mortality Table for Disabled Lives projected to 2020

Retirement Rates

75% at 80 points (age plus service), with remainder at the earlier of

- 1) Age 60 and 10 years of service; or
- 2) 30 years of service

All other assumptions

As described in the assumptions section of the actuarial determined contribution

Experience Study

The most recent experience study was completed in July 2011 taking into account 7 years of data experience.

Cost Method	Individual Entry Age Cost Method												
Amortization Method	<p>The following amortization periods will apply for any unfunded actuarial accrued liabilities, all on an increasing payroll basis of 3.25%:</p> <ul style="list-style-type: none"> - Unfunded liability as of October 1, 2001: 25 years - Benefit improvements for actives: 25 years - Benefit improvements for inactives: 15 years - Actuarial gains/losses: 20 years - Changes in actuarial assumptions: 20 years 												
Asset Valuation Method	20% write up method												
Interest Rates	7.75% net of investment expenses												
Annual Pay Increases	<p>3.25% inflation plus the below merit increases</p> <table border="0" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: left;"><u>General</u></th> </tr> </thead> <tbody> <tr> <td><= 30</td> <td>4.0%</td> </tr> <tr> <td>35</td> <td>3.0%</td> </tr> <tr> <td>40</td> <td>2.0%</td> </tr> <tr> <td>45</td> <td>1.0%</td> </tr> <tr> <td>50</td> <td>0.0%</td> </tr> </tbody> </table>	<u>Age</u>	<u>General</u>	<= 30	4.0%	35	3.0%	40	2.0%	45	1.0%	50	0.0%
<u>Age</u>	<u>General</u>												
<= 30	4.0%												
35	3.0%												
40	2.0%												
45	1.0%												
50	0.0%												
Expense and/or Contingency Loading	Non-investment expenses in previous year												

Mortality Rates

Healthy	RP 2000 Mortality Table, Employees and Annuitants, projected by scale AA to 2020
Disabled	RP 2000 Disabled Mortality Table, projected by scale AA to 2020 10% of Active deaths are assumed to be in the line of duty

Retirement Rates

75% at 80 points (age plus service), with remainder at the earlier of

- 1) Age 60 and 10 years of service; or
- 2) 30 years of service

Disability Rates

<u>Age</u>	<u>Rate</u>
20	0.10%
30	0.14%
40	0.29%
50	0.92%

80% of disabilities are assumed to be in the line of duty.

Withdrawal Rates

<u>Age</u>	<u>Rate</u>
20	6.68%
30	4.18%
40	2.28%
50	0.98%

Marital Status and Ages

80% of Participants assumed to be married with wives assumed to be 3 years younger than husbands.



Plan Status

Established October 1, 1999

Eligibility for Participation

Employees in the Fire Department, certified as firefighters.

Accrual of Benefits

The accrued benefit is determined as 3% of Average Final Compensation multiplied by Credited Service as of date of determination; maximum of 93% of Average Monthly Earnings.

Vesting

100% after 10 years

Benefits

Normal Retirement

Eligibility	Age 55 and 10 years of credited service, Rule of 70, or 25 years of credited service.
Benefit	Accrued Benefit

Early Retirement

Eligibility	Age 50 and 10 years of credited service
Benefit	Accrued Benefit reduced by 2% for each year prior to normal retirement date.

Termination Benefit

Eligibility	Fully vested after 10 years of credited service
Benefit	Accrued retirement benefit payable at participant's normal retirement date. If the participant terminates prior to 10 years of service a refund of the accumulated contributions with interest will be issued.

Disability Benefit In Line of Duty

Eligibility	Immediately upon permanent disability
Benefit	Accrued benefit, but not less than 42% of AME.

Disability Benefit Not In Line of Duty

Eligibility	Participant without vested benefit
Benefit	Refund of Contributions
Eligibility	Participant with vested benefit
Benefit	If vested, accrued benefit, but not less than 30% of AME.

Death Benefit

Eligibility	Participant without vested benefit
Benefit	Refund of Contributions
Eligibility	Service Incurred; Participant with vested benefit
Benefit	choice of (i) Accrued benefit payable for 120 months; or (ii) 50% of AME to spouse until death.
Eligibility	Non-Service Incurred; Participant with vested benefit
Benefit	If not eligible for either early or normal retirement, same as for Service-Incurred Death Benefits. If eligible for either early or normal retirement, choice of (i) accrued benefit payable for 120 months; or (ii) 50% of accrued benefit to spouse until death.

Credited Service

For Vesting and Benefit Accrual
 Service is defined as years and completed months.

Compensation

Average Monthly Earnings
 Average during highest 3 consecutive of last 5 years of total earnings, including base salary, pick-up contributions, overtime pay, assignment pay, and educational incentive.

Employee Contributions

7.67% to Regular Fund Retirement Plan and 0.75% to COLA Fund (8.42% total).

Payment Forms

Normal Form

50% joint & contingent survivor, with 10 years' certain, payable for life (married); 10 years' certain and life (single).

Optional Forms

66 2/3%, 75%, and 100% Joint and Survivor Annuity (last survivor basis) and Life Annuity.

DROP

Up to 5 years; actuarially equivalent BAC-DROP

COLA

Benefit payment schedule to be designed by Board. Funding is from .75% member contributions and excess investment return. Excess investment return is 100% of the first 1% in excess of the actuarial assumption, 75% of the next 1%, and 50% of the next 4%.

Transfers of excess return is limited to periods when experience is favorable, determined on a cumulative basis from October 1, 2002.

Plan Provision Not Included

This report does not include bargained Plan Changes effective October 1, 2015 including: For members not within 5 years of normal retirement eligibility Average Monthly Earnings is based on the average during the highest 5 consecutive of the last 10 years of earnings only including base salary, education incentive and 300 hours of overtime. Also, for this group the normal form of benefit is a single life annuity with 10 years certain and COLA fund employee contributions are reduced to 0.50% of payroll.

Adjustments made for Subsequent Events

There have been no adjustments made to the results base on the bargained Plan Changes effective October 1, 2015.