

July 19, 2016

VIA EMAIL

Ms. Alicia Gaither
City of Ocala
110 SE Watula Ave
Ocala, FL 34471

Re: City of Ocala General Employees' Retirement System
Senate Bill 534 (Section 112.664, Florida Statutes) Compliance

Dear Alicia:

Please find enclosed the annual disclosures that satisfy the October 1, 2015 financial reporting requirements made under Section 112.664.

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

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

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

Respectfully submitted,

Foster & Foster, Inc.

By: 

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

DHL/lke
Enclosures

cc via email: H. Lee Dehner, Board Attorney

CITY OF OCALA
GENERAL EMPLOYEES' RETIREMENT SYSTEM

SECTION 112.664, FLORIDA STATUTES
COMPLIANCE

With respect to the reporting standards for defined benefit retirement plans or systems contained in Section 112.664(1), F.S., the actuarial disclosures required under this section were prepared and completed by me or under my direct supervision and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, meet the requirements of Section 112.664(1), Florida Statutes, and Rule 60T-1.0035, Florida Administrative Code.

By:



Date: 7/19/2016

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



When reviewing the following schedules, please note the following:

- 1) The purpose of producing this report is solely to satisfy the requirements set forth by Section 112.664, Florida Statutes, and is mandatory for every Florida public pension fund, excluding the Florida Retirement System (FRS).
- 2) None of the schedules shown have any impact on the funding requirements of the Plan. These schedules are for statutory compliance purposes only.
- 3) In the schedules that follow, the columns labeled “ACTUAL” represent the final recorded GASB 67/68 results. The columns labeled “HYPOTHETICAL” illustrate what the results would have been if different assumptions were used.
- 4) It is our opinion that the Plan’s actual assumptions utilized in the October 1, 2015 Actuarial Valuation Report, as adopted by the Board of Trustees, are reasonable individually and in the aggregate, and represent our best estimate of future Plan experience.
- 5) The “Number of Years Expected Benefit Payments Sustained” calculated in Section II: Asset Sustainability should not be interpreted as the number of years the Plan has left until it is insolvent. This calculation is required by 112.664, Florida Statutes, but the numeric result is irrelevant, since in its calculation we are to assume there will be no further contributions to the Fund. As long as the Actuarially Determined Contribution is made each year the Plan will never become insolvent.

	ACTUAL		HYPOTHETICAL	
	7.00% RP-2000 Generational / Static ¹ 9/30/2015	7.00% RP-2000 Generational 9/30/2015	5.00% RP-2000 Generational 9/30/2015	9.00% RP-2000 Generational 9/30/2015
<u>GASB 67: Schedule of Changes in Net Pension Liability</u>				
<u>Total Pension Liability</u>				
Service Cost	1,955,680	1,959,033	3,162,956	1,269,104
Interest	13,857,718	13,864,049	12,800,109	14,267,289
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	1,329,173	1,315,825	1,858,701	1,025,718
Changes of Assumptions	-	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(13,862,112)	(13,862,112)	(13,862,112)	(13,862,112)
Net Change in Total Pension Liability	3,280,459	3,276,795	3,959,654	2,699,999
Total Pension Liability - Beginning	202,942,770	203,029,869	259,770,276	164,187,388
Total Pension Liability - Ending (a)	<u>\$ 206,223,229</u>	<u>\$ 206,306,664</u>	<u>\$ 263,729,930</u>	<u>\$ 166,887,387</u>
<u>Plan Fiduciary Net Position</u>				
Contributions - Employer	13,053,609	13,053,609	13,053,609	13,053,609
Contributions - Employee	584,624	584,624	584,624	584,624
Net Investment Income	(2,523,690)	(2,523,690)	(2,523,690)	(2,523,690)
Benefit Payments, Including Refunds of Employee Contributions	(13,862,112)	(13,862,112)	(13,862,112)	(13,862,112)
Administrative Expenses	(172,861)	(172,861)	(172,861)	(172,861)
Net Change in Plan Fiduciary Net Position	(2,920,430)	(2,920,430)	(2,920,430)	(2,920,430)
Plan Fiduciary Net Position - Beginning	117,930,568	117,930,568	117,930,568	117,930,568
Plan Fiduciary Net Position - Ending (b)	<u>\$ 115,010,138</u>	<u>\$ 115,010,138</u>	<u>\$ 115,010,138</u>	<u>\$ 115,010,138</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 91,213,091</u>	<u>\$ 91,296,526</u>	<u>\$ 148,719,792</u>	<u>\$ 51,877,249</u>

GASB 68: Pension Expense for Fiscal Year Ending September 30, 2015

Pension Expense	<u>\$ 5,785,326</u>	<u>\$ 5,855,821</u>	<u>\$ 7,300,156</u>	<u>\$ 4,124,559</u>
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¹ Plan's mortality assumptions are RP-2000 Generational for Healthy Lives and RP-2000 Static for Disabled Lives.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1

Plan Assumptions: 7.00% and RP-2000 Generational Mortality for Healthy Lives / RP-2000 Static Mortality for Disabled Lives

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2015	115,010,138	-	12,955,435	-	7,597,269	109,651,972
2016	109,651,972	-	11,185,482	-	7,284,146	105,750,636
2017	105,750,636	-	11,870,379	-	6,987,081	100,867,338
2018	100,867,338	-	12,569,926	-	6,620,766	94,918,178
2019	94,918,178	-	13,249,879	-	6,180,527	87,848,826
2020	87,848,826	-	13,677,673	-	5,670,699	79,841,852
2021	79,841,852	-	14,224,137	-	5,091,085	70,708,800
2022	70,708,800	-	14,607,148	-	4,438,366	60,540,018
2023	60,540,018	-	15,130,962	-	3,708,218	49,117,274
2024	49,117,274	-	15,622,759	-	2,891,413	36,385,928
2025	36,385,928	-	15,906,290	-	1,990,295	22,469,933
2026	22,469,933	-	16,243,170	-	1,004,384	7,231,147
2027	7,231,147	-	16,538,410	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 12.44

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.00% interest.

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

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 2
Hypothetical Assumptions: 7.00% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2015	115,010,138	-	12,955,445	-	7,597,269	109,651,962
2016	109,651,962	-	11,185,517	-	7,284,144	105,750,589
2017	105,750,589	-	11,870,445	-	6,987,076	100,867,220
2018	100,867,220	-	12,570,034	-	6,620,754	94,917,940
2019	94,917,940	-	13,250,047	-	6,180,504	87,848,397
2020	87,848,397	-	13,677,922	-	5,670,661	79,841,136
2021	79,841,136	-	14,224,496	-	5,091,022	70,707,662
2022	70,707,662	-	14,607,648	-	4,438,269	60,538,283
2023	60,538,283	-	15,131,644	-	3,708,072	49,114,711
2024	49,114,711	-	15,623,667	-	2,891,201	36,382,245
2025	36,382,245	-	15,907,687	-	1,989,988	22,464,546
2026	22,464,546	-	16,245,162	-	1,003,938	7,223,322
2027	7,223,322	-	16,541,106	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 12.44

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.00% interest.

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

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 3
Hypothetical Assumptions: 5.00% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2015	115,010,138	-	12,955,445	-	5,426,621	107,481,314
2016	107,481,314	-	11,185,517	-	5,094,428	101,390,225
2017	101,390,225	-	11,870,445	-	4,772,750	94,292,530
2018	94,292,530	-	12,570,034	-	4,400,376	86,122,872
2019	86,122,872	-	13,250,047	-	3,974,892	76,847,717
2020	76,847,717	-	13,677,922	-	3,500,438	66,670,233
2021	66,670,233	-	14,224,496	-	2,977,899	55,423,636
2022	55,423,636	-	14,607,648	-	2,405,991	43,221,979
2023	43,221,979	-	15,131,644	-	1,782,808	29,873,143
2024	29,873,143	-	15,623,667	-	1,103,065	15,352,541
2025	15,352,541	-	15,907,687	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 10.97

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.00% interest.

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

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 4
Hypothetical Assumptions: 9.00% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2015	115,010,138	-	12,955,445	-	9,767,917	111,822,610
2016	111,822,610	-	11,185,517	-	9,560,687	110,197,780
2017	110,197,780	-	11,870,445	-	9,383,630	107,710,965
2018	107,710,965	-	12,570,034	-	9,128,335	104,269,266
2019	104,269,266	-	13,250,047	-	8,787,982	99,807,201
2020	99,807,201	-	13,677,922	-	8,367,142	94,496,421
2021	94,496,421	-	14,224,496	-	7,864,576	88,136,501
2022	88,136,501	-	14,607,648	-	7,274,941	80,803,794
2023	80,803,794	-	15,131,644	-	6,591,417	72,263,567
2024	72,263,567	-	15,623,667	-	5,800,656	62,440,556
2025	62,440,556	-	15,907,687	-	4,903,804	51,436,673
2026	51,436,673	-	16,245,162	-	3,898,268	39,089,779
2027	39,089,779	-	16,541,106	-	2,773,730	25,322,403
2028	25,322,403	-	16,739,361	-	1,525,745	10,108,787
2029	10,108,787	-	16,952,539	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 14.60

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 9.00% interest.

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

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2016

Valuation Date: 10/1/2014

	ACTUAL		HYPOTHETICAL	
	7.00% RP-2000 Generational / Static ¹	7.00% RP-2000 Generational	5.00% RP-2000 Generational	9.00% RP-2000 Generational
Total Required Contribution (Fixed \$)	\$16,005,539	\$16,015,236	\$20,007,009	\$12,573,600
Total Required Contribution (% of Payroll)	104.0%	104.0%	129.9%	81.7%
Expected Member Contribution	610,589	610,589	604,689	616,488
Expected Sponsor Contribution (Fixed \$)	\$15,394,950	\$15,404,647	\$19,402,320	\$11,957,112
Expected Sponsor Contribution (% of Payroll)	100.0%	100.1%	126.0%	77.7%

ASSETS

Actuarial Value ²	117,095,812	117,095,812	117,095,812	117,095,812
Market Value ²	115,010,138	115,010,138	115,010,138	115,010,138

LIABILITIES

Present Value of Benefits				
Active Members				
Retirement Benefits	55,888,488	55,888,488	77,796,547	41,782,184
Disability Benefits	1,891,086	1,964,897	2,590,400	1,536,380
Death Benefits	533,876	533,876	629,971	457,505
Vested Benefits	4,967,338	4,967,338	7,847,437	3,326,824
Refund of Contributions	15,605	15,605	15,854	15,368
Service Retirees	119,516,215	119,516,215	147,621,558	99,618,171
DROP Retirees ²	6,049,043	6,049,043	6,983,424	5,391,617
Beneficiaries	9,895,892	9,895,892	12,067,865	8,360,337
Disability Retirees	277,724	281,592	371,686	223,890
Terminated Vested	19,174,550	19,194,119	28,469,067	13,543,438
Total:	218,209,817	218,307,065	284,393,809	174,255,714
Present Value of Future Salaries	95,170,821	95,170,821	104,220,490	87,650,297
Present Value of Future Member Contributions	3,132,311	3,132,311	3,408,587	2,902,171
Total Normal Cost	1,579,072	1,582,173	2,603,970	1,005,479
Present Value of Future Normal Costs (Entry Age Normal)	5,943,427	5,963,704	10,414,105	3,572,547
Total Actuarial Accrued Liability ²	212,266,390	212,343,361	273,979,704	170,683,167
Unfunded Actuarial Accrued Liability (UAAL)	95,170,578	95,247,549	156,883,892	53,587,355

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2016

Valuation Date: 10/1/2014

	ACTUAL	HYPOTHETICAL		
	7.00% RP-2000 Generational / Static ¹	7.00% RP-2000 Generational	5.00% RP-2000 Generational	9.00% RP-2000 Generational
<u>PENSION COST</u>				
Normal Cost ³	1,720,960	1,724,339	2,810,530	1,106,414
Administrative Expenses ³	188,393	188,393	186,573	190,214
Payment Required To Amortize UAAL ³	14,096,186	14,102,504	17,009,906	11,276,972
Total Required Contribution	\$16,005,539	\$16,015,236	\$20,007,009	\$12,573,600

¹ Plan's mortality assumptions are RP-2000 Generational for Healthy Lives and RP-2000 Static for Disabled Lives.

² The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/2015.

³ Contributions developed as of 10/1/2015 displayed above have been adjusted to account for assumed salary increase and interest components.