

CITY OF OCALA
POLICE OFFICERS' RETIREMENT SYSTEM

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2015

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDED SEPTEMBER 30, 2017

March 16, 2016

Board of Trustees
c/o Mr. Dale Adams
City of Ocala
Police Officers' Retirement System
402 S. Pine Ave.
Ocala, FL 34471-1174

Re: City of Ocala
Police Officers' Retirement System

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Ocala Police Officers' Retirement System. 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 Ocala, 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 Ocala, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the Police Officers' Retirement System. 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: 

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

DHL/lke

Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Ocala Police Officers' Retirement System, performed as of October 1, 2015, has been completed and the results are presented in this Report. The contribution amounts developed in this valuation apply to the plan/fiscal year ending September 30, 2017.

The funding requirements, compared with amounts developed in the February 8, 2016, Actuarial Impact Statement (determined as of October 1, 2014), are as follows:

Valuation Date	10/1/2015	10/1/2014
Applicable Plan Year End	<u>9/30/2017</u>	<u>9/30/2016</u>
Total Required Contribution % of Total Annual Payroll	50.84%	52.78%
Member Contributions (Est.) % of Total Annual Payroll	8.00%	8.00%
City and State Required Contribution % of Total Annual Payroll	42.84%	44.78%
State Contribution (est.) ¹ % of Total Annual Payroll	471,520 5.61%	471,520 5.61%
Balance from City ² % of Total Annual Payroll	37.23%	39.17%

¹ Amount shown reflects the contribution received in fiscal 2015, under the traditional interpretation of Chapter 99-1, Florida Statutes. Under Chapter 2015-39, Florida Statutes, Mutual Consent between the City and Plan Membership must be reached regarding the use of future State Monies once a Collective Bargaining Agreement is entered into after June 30, 2015.

² For budgeting purposes, the required Sponsor Contribution (City and State) is 42.84% of Pensionable Earnings for the fiscal year ending September 30, 2017. The precise City requirement for the year is this amount, less applicable State Contributions. The net account balance of \$527,911 is available to assist in funding the City's contribution requirement for the year ending September 30, 2016.

Experience since the prior valuation was more favorable than anticipated, based on the Plan's actuarial assumptions. The primary sources of favorable experience included average increases in pensionable compensation that were below the assumed rate by almost 3%, and greater than expected Retiree mortality. These gains were partially offset by a 7.78% investment return (net of fees, Actuarial Asset Basis), falling short of the 8% assumption, and no turnover for Members with five or more years of Credited Service.

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: 

Douglas H. Lozen, EA, MAAA

By: 

Christine M. O'Neal, ASA, EA, MAAA

CONTRIBUTION IMPACT OF ANNUAL CHANGES

(1) Contribution Determined as of October 1, 2014	38.91%
(2) Summary of Contribution Impact by component:	
Change in Available State Money	0.0%
Investment Return (Actuarial Asset Basis)	0.2%
Salary Increases	-1.2%
Payroll Change	-0.9%
Payroll Growth Assumption	0.0%
Change in Administrative Expense	0.0%
New Entrants	0.0%
Active Decrements	0.2%
Inactive Mortality	-0.2%
Change in Normal Cost	0.0%
Assumption Change	0.0%
Other	<u>0.2%</u>
Total Change in Contribution	-1.68%
(3) Contribution Determined as of October 1, 2015	37.23%

CHANGES SINCE PRIOR VALUATION

Plan Changes

Ordinance 2016-23, adopted and effective March 1, 2016, provides for the following changes:

1. Active Members not within five years of Normal Retirement as of November 1, 2015
 - a. The benefit accrual rate is reduced from 3.33% to 3.00% of Average Final Compensation for Credited Service accrued after October 31, 2015.
 - b. Elimination of the Supplemental Benefit.
 - c. The net-of-fees DROP earnings are limited to a maximum of 3% and minimum of 1% for DROP Balances established on or after November 1, 2015.
2. Active Members within five years of Normal Retirement as of November 1, 2015

No changes in benefits.
3. For all active Members, overtime pay for pensionable purposes is limited to 300 hours per year for benefits accrued after October 31, 2015.
4. Establishment of a Share Plan.

Details of the impact on Plan funding and liabilities for the above changes are set forth in our February 8, 2016, Actuarial Impact Statement.

Actuarial Assumption/Method Changes

There were no changes in methods or assumptions since the prior valuation.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2015</u>	<u>10/1/2014</u>
A. Participant Data		
Number Included		
Actives	145	137
Service Retirees	72	71
DROP Retirees	18	19
Beneficiaries	16	13
Disability Retirees	5	5
Terminated Vested	<u>13</u>	<u>12</u>
Total	269	257
Total Annual Payroll	\$8,398,397	\$8,033,144
Payroll Under Assumed Ret. Age	8,398,397	8,033,144
Annual Rate of Payments to:		
Service Retirees	2,649,597	2,550,649
DROP Retirees	1,040,355	1,068,415
Beneficiaries	236,628	157,267
Disability Retirees	112,241	112,241
Terminated Vested	189,108	223,434
B. Assets		
Actuarial Value ^{1 2}	59,186,815	54,826,800
Market Value ¹	57,894,276	58,779,277
C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	37,566,426	35,857,712
Disability Benefits	1,691,338	1,670,769
Death Benefits	148,612	148,042
Vested Benefits	2,899,684	2,919,606
Refund of Contributions	226,103	202,686
Service Retirees	26,467,790	25,689,923
DROP Retirees ¹	16,361,420	16,234,002
Beneficiaries	1,955,818	1,143,290
Disability Retirees	1,209,050	1,224,995
Terminated Vested	1,602,967	1,794,501
Excess State Monies Reserve	<u>0</u>	<u>0</u>
Total	90,129,208	86,885,526

C. Liabilities - (Continued)	<u>10/1/2015</u>	<u>10/1/2014</u>
Present Value of Future Salaries	59,716,050	57,563,490
Present Value of Future Member Contributions	4,777,284	4,605,079
Normal Cost (Retirement)	1,221,280	1,171,894
Normal Cost (Disability)	136,560	129,980
Normal Cost (Death)	8,045	7,746
Normal Cost (Vesting)	186,977	177,016
Normal Cost (Refunds)	<u>35,825</u>	<u>31,843</u>
Total Normal Cost	1,588,687	1,518,479
Present Value of Future Normal Costs	10,716,275	10,410,353
Accrued Liability (Retirement)	29,243,513	27,745,007
Accrued Liability (Disability)	802,643	810,831
Accrued Liability (Death)	97,768	98,670
Accrued Liability (Vesting)	1,623,113	1,683,716
Accrued Liability (Refunds)	48,851	50,238
Accrued Liability (Inactives) ¹	47,597,045	46,086,711
Excess State Monies Reserve	<u>0</u>	<u>0</u>
Total Actuarial Accrued Liability	79,412,933	76,475,173
Unfunded Actuarial Accrued Liability (UAAL)	20,226,118	21,648,373
Funded Ratio (AVA / AL)	74.5%	71.7%
 D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives ¹	47,597,045	46,086,711
Actives	14,664,280	13,784,593
Member Contributions	<u>5,721,175</u>	<u>5,335,200</u>
Total	67,982,500	65,206,504
Non-vested Accrued Benefits	<u>4,217,096</u>	<u>3,897,718</u>
Total Present Value Accrued Benefits	72,199,596	69,104,222
Funded Ratio (MVA / PVAB)	80.2%	85.1%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	1,792,471	
Benefits Paid	(4,062,918)	
Interest	5,365,821	
Other	<u>0</u>	
Total	3,095,374	

Valuation Date	10/1/2015	10/1/2014
Applicable to Fiscal Year Ending	<u>9/30/2017</u>	<u>9/30/2016</u>

E. Pension Cost

Normal Cost (with interest) % of Total Annual Payroll ³	19.67	19.66
Administrative Expenses (with interest) % of Total Annual Payroll ³	0.89	0.94
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 29 years (as of 10/1/2015, with interest) % of Total Annual Payroll ³	30.28	32.18
Total Required Contribution % of Total Annual Payroll ³	50.84	52.78
Expected Member Contributions % of Total Annual Payroll ³	8.00	8.00
Expected City and State Contribution % of Total Annual Payroll ³	42.84	44.78

F. Past Contributions

Plan Years Ending:	<u>9/30/2015</u>
Total Required Contribution	4,135,386
City and State Requirement	3,505,831
Actual Contributions Made:	
Members (excluding buyback)	629,554
City	3,111,881
State	<u>471,520</u>
Total	4,212,955

G. Net Actuarial (Gain)/Loss (545,523)

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/2015 and 9/30/2014.

² Actuarial Value of Assets does not include the Funding Standard Account Credit Balance or Administrative Expense Account.

³ Contributions developed as of 10/1/2015 are expressed as a percentage of total annual payroll at 10/1/2015 of \$8,398,397.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2015	20,226,118
2016	19,203,698
2017	18,075,717
2024	10,504,856
2031	2,014,389
2044	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2015	2.42%	5.36%
Year Ended	9/30/2014	2.58%	5.37%
Year Ended	9/30/2013	1.59%	5.41%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2015	7.78%	8.00%
Year Ended	9/30/2014	9.72%	8.00%
Year Ended	9/30/2013	7.42%	8.00%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2015	\$8,398,397
	10/1/2005	7,631,572
(b) Total Increase		10.05%
(c) Number of Years		10.00
(d) Average Annual Rate		0.96%

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.



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

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, 2014	\$21,648,373
(2) Sponsor Normal Cost developed as of October 1, 2014	875,827
(3) Expected administrative expenses for the year ended September 30, 2015	72,694
(4) Expected interest on (1), (2) and (3)	1,804,844
(5) Sponsor contributions to the System during the year ended September 30, 2015	3,505,831
(6) Expected interest on (5)	124,266
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2015 (1)+(2)+(3)+(4)-(5)-(6)	20,771,641
(8) Change to UAAL due to Assumption Change	0
(9) Change to UAAL due to Actuarial (Gain)/Loss	(545,523)
(10) Unfunded Accrued Liability as of October 1, 2015	20,226,118

Type of Base	Date Established	Years Remaining	10/1/2015 Amount	Amortization Amount
method change	10/1/2004	19	\$3,258,563	\$295,360
prior losses	10/1/2004	13	2,928,287	328,019
plan amendment	10/1/2004	19	3,560,727	322,748
actuarial loss	10/1/2005	13	2,665,981	298,636
actuarial loss	10/1/2006	13	851,004	95,327
plan amendment	10/1/2006	21	1,644,205	142,184
actuarial gain	10/1/2007	13	(124,535)	(13,950)
assumption change	10/1/2007	22	95,144	8,061
actuarial loss	10/1/2008	3	958,656	341,511
method change	10/1/2008	13	492,067	55,120
actuarial loss	10/1/2009	14	2,726,662	291,924
actuarial gain	10/1/2010	15	(219,590)	(22,577)
assumption change	10/1/2010	15	1,361,173	139,948
actuarial loss	10/1/2011	6	1,117,162	219,216
assumption change	10/1/2011	16	56,663	5,618
actuarial loss	10/1/2012	7	1,432,096	248,578
actuarial gain	10/1/2013	8	(821,276)	(128,678)
actuarial gain	10/1/2014	9	(251,767)	(36,159)
plan amendment	10/1/2014	29	(959,581)	(73,283)
actuarial gain	10/1/2015	10	<u>(545,523)</u>	<u>(72,687)</u>
			20,226,118	2,444,916

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2014	\$21,648,373
(2) Expected UAAL as of October 1, 2015	20,771,641
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	123,687
Salary Increases	(703,340)
Active Decrements	122,983
Inactive Mortality	(151,341)
New Entrants	22,853
Other	<u>39,635</u>
Increase in UAAL due to (Gain)/Loss	(545,523)
Assumption Changes	<u>0</u>
(4) Actual UAAL as of October 1, 2015	\$20,226,118

ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rate</u>	RP-2000 Combined Healthy Table with no projection with disabled lives set forward 5 years. We believe this assumption sufficiently accommodates future mortality improvements.
<u>Interest Rate</u>	8.0% per year compounded annually, net of investment-related expenses. This assumption is supported by the Plan's investment policy strategy and long-term expected returns by asset class.
<u>Retirement Age</u>	Earlier of 1) Age 52 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. This assumption was reviewed by the Board in conjunction with an Experience Study performed for the period October 1, 1997 through October 1, 2010.
<u>Early Retirement</u>	Commencing with the earliest Retirement Age, Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year. This assumption was reviewed by the Board in conjunction with an Experience Study performed for the period October 1, 1997 through October 1, 2010.
<u>Disability Rate</u>	See table below; 75% of disablements are assumed to be service related. This assumption was adopted by the Board in conjunction with an Experience Study performed for the period October 1, 1997 through October 1, 2010.
<u>Termination Rate</u>	See table below. This assumption was adopted by the Board in conjunction with an Experience Study performed for the period October 1, 1997 through October 1, 2010.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	8.0%	0.14%
30	5.5	0.18
40	3.3	0.30
50	1.4	1.00

Salary Increases

<u>Credited Service</u>	<u>Salary Scale</u>
<10 Years	6.0%
10-15 Years	5.5%
15-20 Years	5.0%
20-25 Years	4.5%
>25 Years	4.0%

The above rates were approved by the Board in conjunction with an Experience Study performed for the period October 1, 1997 through October 1, 2010.

Payroll Increase

0.9% for amortization of the Unfunded Actuarial Accrued Liability. This assumption is consistent with the Plan's ten-year payroll growth average.

Partial Lump Sums

For valuation purposes, no future retirees are assumed to opt for a partial lump sum.

Administrative Expenses

\$72,024 annually, based on actual administrative expenses incurred during the prior fiscal year.

Funding Method

Entry Age Normal Actuarial Cost Method.

Asset Valuation Method

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 5-year average Market Value return and is then diminished by the Funding Standard Account Credit Balance and further adjusted for the Administrative Expense Account. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the valuation year 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>
1993	286,276.00	_____%
1994	287,427.00	0.4%
1995	314,904.00	9.6%
1996	334,734.00	6.3%
1997	358,646.00	7.1%
1998	370,841.81	3.4%
1999	389,759.63	5.1%
2000	382,862.87	-1.8%
2001	403,077.56	5.3%
2002	442,447.29	9.8%
2003	506,930.80	14.6%
2004	526,765.89	3.9%
2005	544,392.80	3.3%
2006	569,421.43	4.6%
2007	544,392.80	-4.4%
2008	544,392.80	0.0%
2009	514,489.49	-5.5%
2010	448,284.61	-12.9%
2011	429,239.39	-4.2%
2012	412,295.01	-3.9%
2013	413,332.50	0.3%
2014	440,294.47	6.5%
2015	471,519.76	7.1%

EXCESS STATE MONIES RESERVE

	<u>Actual State Contribution</u>	<u>Applicable "Frozen" Amount</u>	<u>Excess State Monies Reserve</u>
1998	\$370,841.81	\$370,841.81	\$0.00
1999	389,759.63	370,841.81	18,917.82
2000	382,862.87	606,246.81	0.00
2001	403,077.56	606,246.81	0.00
2002	442,447.29	624,999.81	0.00
2003	506,930.80	430,492.81	76,437.99
2004	526,765.89	430,492.81	96,273.08
2005	544,392.80	438,485.81	105,906.99
2006	569,421.43	728,101.81	0.00
2007	544,392.80	826,383.81	0.00
2008	544,392.80	826,383.81	0.00
2009	514,489.49	826,383.81	0.00
2010	448,284.61	826,383.81	0.00
2011	429,239.39	826,383.81	0.00
2012	412,295.01	826,383.81	0.00
2013	413,332.50	826,383.81	0.00
2014	440,294.47	826,383.81	0.00
2015	471,519.76	826,383.81	<u>0.00</u>
Accumulated Excess			297,535.88
Less Excess Used in Funding Ordinance No. 5383 (3.0% Ad Hoc COLA)			(191,628.89)
Less Excess Used in Funding Ordinance No. 5721 (additional supplement)			<u>(105,906.99)</u>
Equals Current State Monies Reserve			\$0.00

Funding Standard Account
(Non-Investment Related Expenses)

	<u>9/30/2012</u>	<u>9/30/2013</u>	<u>9/30/2014</u>	<u>9/30/2015</u>
(a) Expense Account Deficit Beginning of Year	455,526	484,540	520,070	571,269
(b) Expected Expenses	73,721	66,579	63,470	72,694
(c) Actual Expenses	66,579	63,470	72,694	72,024
(d) Expense Account Deficit End of Year	484,540	520,070	571,269	616,274

Net Actuarial Assets = Smoothed Market Value - (Contribution Surplus Account - Non-Investment Related Expense Account)

\$59,714,726 - (\$1,144,185 - \$616,274) = \$59,186,815

Funding Standard Account
(Contribution Surplus)

	<u>9/30/2012</u>	<u>9/30/2013</u>	<u>9/30/2014</u>	<u>9/30/2015</u>
Charges				
(a) Prior year's Accumulated Funding Deficiency	0	0	0	0
(b) Required City/State Contribution	2,811,635	2,844,568	3,216,877	3,370,992
(c) Interest on (a) & (b)	224,931	227,565	257,350	269,679
(d) Total Charges	3,036,566	3,072,133	3,474,227	3,640,671
Credits				
(e) Prior year's Credit Balance	793,042	810,993	875,716	994,524
(f) City/State Contributions	2,889,247	2,967,071	3,401,591	3,583,401
(g) Interest on (e) & (f)	165,270	169,785	191,444	206,931
(h) Total Credits	3,847,559	3,947,849	4,468,751	4,784,856
Balance				
(1) Accumulated Funding Deficiency (-) or Credit (+) Balance as of Plan Year End	810,993	875,716	994,524	1,144,185

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Money Market	1,161,290.60	1,161,290.60
Cash	169,455.31	169,455.31
Total Cash and Equivalents	1,330,745.91	1,330,745.91
Receivables:		
Investment Income	82,435.90	82,435.90
Total Receivable	82,435.90	82,435.90
Investments:		
Fixed Income	20,417,218.01	20,443,789.91
Equity	13,043,370.59	14,407,930.29
Mutual Funds:		
Equity	10,441,931.16	16,976,672.50
Pooled/Common/Commingled Funds:		
Equity	2,691,680.76	1,937,811.14
Real Estate	2,451,540.06	2,809,542.18
Total Investments	49,045,740.58	56,575,746.02
Total Assets	50,458,922.39	57,988,927.83
<u>LIABILITIES</u>		
Payables:		
Investment Expenses	72,553.48	72,553.48
Administrative Expenses	21,516.51	21,516.51
Refunds (prior)	581.82	581.82
Total Liabilities	94,651.81	94,651.81
NET POSITION RESTRICTED FOR PENSIONS	50,364,270.58	57,894,276.02

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015
Market Value Basis

ADDITIONS

Contributions:

Member	629,554.46
Buy-Back	83,865.00
City	3,111,881.33
State	471,519.76

Total Contributions 4,296,820.55

Investment Income:

Miscellaneous Income	(1,169.05)
Net Realized Gain (Loss)	2,461,880.10
Unrealized Gain (Loss)	(4,297,740.81)
Net Increase in Fair Value of Investments	(1,837,029.76)
Interest & Dividends	1,229,586.07
Less Investment Expense ¹	(439,435.43)

Net Investment Income (1,046,879.12)

Total Additions 3,249,941.43

DEDUCTIONS

Distributions to Members:

Benefit Payments	2,878,842.81
Lump Sum DROP Distributions	935,702.29
Lump Sum PLOP Distributions	159,087.83
Refunds of Member Contributions	89,285.28

Total Distributions 4,062,918.21

Administrative Expense 72,023.95

Total Deductions 4,134,942.16

Net Increase in Net Position (885,000.73)

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 58,779,276.75

End of the Year 57,894,276.02

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

ACTUARIAL ASSET VALUATION
SEPTEMBER 30, 2015

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 five 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*	
09/30/2011	-0.64%	
09/30/2012	18.35%	
09/30/2013	13.66%	
09/30/2014	10.75%	
09/30/2015	-1.76%	
Annualized Rate of Return for prior five (5) years:		7.78%
(A) 10/01/2014 Actuarial Assets:		\$55,250,054.52
(I) Net Investment Income:		
1. Interest and Dividends	1,228,417.02	
2. Realized Gains (Losses)	2,461,880.10	
3. Change in Actuarial Value	1,051,931.22	
4. Investment Related Expenses	(439,435.43)	
Total		4,302,792.91
(B) 10/01/2015 Actuarial Assets:		\$59,714,725.82
Actuarial Asset Rate of Return = $2I/(A+B-I)$:		7.78%
10/01/2015 Limited Actuarial Assets:		\$59,714,725.82
10/01/2015 Market Value of Assets:		\$57,894,276.02
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		(\$123,686.59)

*Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2015
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	629,554.46	
Buy-Back	83,865.00	
City	3,111,881.33	
State	471,519.76	
 Total Contributions		 4,296,820.55
Earnings from Investments:		
Interest & Dividends	1,229,586.07	
Miscellaneous Income	(1,169.05)	
Net Realized Gain (Loss)	2,461,880.10	
Change in Actuarial Value	1,051,931.22	
 Total Earnings and Investment Gains		 4,742,228.34

EXPENDITURES

Distributions to Members:		
Benefit Payments	2,878,842.81	
Lump Sum DROP Distributions	935,702.29	
Lump Sum PLOP Distributions	159,087.83	
Refunds of Member Contributions	89,285.28	
 Total Distributions		 4,062,918.21
Expenses:		
Investment related ¹	439,435.43	
Administrative	72,023.95	
 Total Expenses		 511,459.38
 Change in Net Assets for the Year		 4,464,671.30
 Net Assets Beginning of the Year		 55,250,054.52
 Net Assets End of the Year ²		 59,714,725.82

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

²Net Assets may be limited for actuarial consideration.

DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2014 to September 30, 2015

Beginning of the Year Balance	3,837,388.43
Plus Additions	1,208,818.22
Investment Return Earned	274,416.64
Less Distributions	(935,702.29)
End of the Year Balance	4,384,921.00

STATISTICAL DATA ¹

	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>	<u>10/1/2015</u>
<u>Actives</u>				
Number	146	143	137	145
Average Current Age	39.6	39.6	40.0	38.4
Average Age at Employment	27.0	27.1	27.1	27.2
Average Past Service	12.6	12.5	12.9	11.2
Average Annual Salary	\$58,618	\$57,829	\$58,636	\$57,920
<u>Service Retirees</u>				
Number			71	72
Average Current Age			64.9	65.9
Average Annual Benefit			\$35,925	\$36,800
<u>DROP Retirees</u>				
Number			19	18
Average Current Age			53.1	54.0
Average Annual Benefit			\$56,232	\$57,798
<u>Beneficiaries</u>				
Number			13	16
Average Current Age			67.0	67.0
Average Annual Benefit			\$12,097	\$14,789
<u>Disability Retirees</u>				
Number			5	5
Average Current Age			49.2	50.2
Average Annual Benefit			\$22,448	\$22,448
<u>Terminated Vested ²</u>				
Number			11	10
Average Current Age			50.1	51.2
Average Annual Benefit			\$20,312	\$18,911

¹ Prior to 10/1/2015, averages were salary weighted.

² Statistics do not include non-vested Members 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	1	0	0	0	0	0	0	0	0	0	4
25 - 29	4	2	6	2	1	8	0	0	0	0	0	23
30 - 34	5	1	2	5	1	7	8	0	0	0	0	29
35 - 39	2	2	0	2	0	2	4	4	0	0	0	16
40 - 44	1	0	0	1	0	5	9	16	3	0	0	35
45 - 49	0	1	0	0	0	0	2	10	13	1	0	27
50 - 54	0	0	1	0	0	4	0	2	1	1	0	9
55 - 59	0	0	0	0	0	0	0	0	1	0	0	1
60 - 64	0	0	0	0	0	0	0	1	0	0	0	1
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	15	7	9	10	2	26	23	33	18	2	0	145

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2014	137
b. Terminations	
i. Vested (partial or full) with deferred benefits	(1)
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	0
e. Retired	(1)
f. DROP	<u>(2)</u>
g. Continuing participants	126
h. New entrants	<u>19</u>
i. Total active life participants in valuation	145

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	71	19	13	5	12	120
Retired	1	(3)	0	0	0	(2)
DROP	3	2	0	0	0	5
Vested Deferred	0	0	0	0	0	0
Death, With Survivor	(3)	0	3	0	0	0
Death, No Survivor	0	0	0	0	0	0
Disabled	0	0	0	0	0	0
Refund of Contributions	0	0	0	0	2	2
Rehires	0	0	0	0	(1)	(1)
Expired Annuities	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0
b. Number current valuation	72	18	16	5	13	124

SUMMARY OF PLAN PROVISIONS
(Through Ordinance 2016-23)

CREDITED SERVICE	Years and fractional parts of years of service with the City as a Police Officer.
SALARY	Total compensation for services rendered, including overtime, but excluding special detail pay, bonuses and unused vacation and sick time, plus tax deferred, tax sheltered and tax exempt items of income. Pensionable Overtime is limited to 300 hours per year for benefits accrued after October 31, 2015.
AVERAGE FINAL COMPENSATION	Average Salary during the best 5 years of the 10 years preceding termination.
NORMAL RETIREMENT	
Eligibility	Earlier of 1) Age 52 and 10 years of Credited Service, or 2) 25 years of Credited Service, regardless of age.
Benefit Amount	3.33% of Average Final Compensation times Credited Service. For Members not within 5 years of Normal Retirement as of November 1, 2015, the benefit accrual is 3.00% of Average Final Compensation for Credited Service earned after October 31, 2015.
Form of Benefit	Payable for life, with 120 monthly payments guaranteed. Options available.
EARLY RETIREMENT	
Eligibility	Age 50 and 10 years of Credited Service.
Benefit Amount	Accrued benefit, reduced 3% per year prior to Normal Retirement.

SUPPLEMENTAL BENEFIT

Eligibility	Normal and Early Retirees and their Joint Pensioners or Beneficiaries, <u>excluding</u> vested terminated persons.
Monthly Benefit Amount	\$10.00 for each full year of Credited Service. The Supplemental Benefit is eliminated for Members not within 5 years of Normal Retirement as of November 1, 2015.

DISABILITY

Eligibility	Service Incurred - Covered from Date of Employment. Non-Service Incurred - 10 years of Credited Service.
Benefit	Benefit accrued to date of disability, but not less than 42% of Average Final Compensation (Service Incurred), or 25% of Average Final Compensation (Non-Service Incurred).
Duration	Payable for life (with 10 year guarantee) or until recovery (as determined by the Board). Optional forms available.

PRE-RETIREMENT DEATH

(Non-Vested Members)	Refund of Member contributions to designated beneficiary.
(Vested Members)	Accrued benefit payable at Member's otherwise Early or Normal Retirement Date to beneficiary for 10 years.

VESTING (TERMINATION)

Less than 10 years of Service	Refund of Member Contributions.
10 years or more	Accrued benefit payable at otherwise Normal Retirement Date, or Refund of Member Contributions.

CONTRIBUTIONS

Employee	8.00% of Salary.
Premium Tax	0.85% tax on casualty insurance premiums.
City	Remaining amount necessary for payment of Normal (current year's) cost plus any additional amount necessary to fund any past service liability as provided in Part VII of Chapter 112, Florida Statutes.

DEFERRED RETIREMENT OPTION PLAN

Eligibility	Satisfaction of Normal Retirement requirements.
Participation	Not to exceed 60 months.
Rate of Return	<p>At member's election (may change method once during DROP participation) either: a) 6.5% annual rate, or b) Net Investment Return (total return less brokerage commission, transaction costs and management fees) credited each fiscal quarter.</p> <p>For Members not within 5 years of Normal Retirement eligibility as of November 1, 2015, the net-of-fees earnings for DROP balances established on or after November 1, 2015 is limited to a maximum of 3% and minimum of 1%.</p>
Distribution	Cash lump sum (options available) at termination of employment.

BOARD OF TRUSTEES

Two City residents appointed by the City Council, two Police Officers elected by majority of covered members, and a fifth member elected by other 4 and appointed by City Council (as a ministerial duty).

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Money Market	1,161,291
Cash	169,455
Total Cash and Equivalents	1,330,746
Receivables:	
Investment Income	82,436
Total Receivable	82,436
Investments:	
Fixed Income	20,443,790
Equity	14,407,930
Mutual Funds:	
Equity	16,976,673
Pooled/Common/Commingled Funds:	
Equity	1,937,811
Real Estate	2,809,542
Total Investments	56,575,746
Total Assets	57,988,928
<u>LIABILITIES</u>	
Payables:	
Investment Expenses	72,553
Administrative Expenses	21,517
Refunds (prior)	582
Total Liabilities	94,652
NET POSITION RESTRICTED FOR PENSIONS	57,894,276

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015
Market Value Basis

ADDITIONS

Contributions:

Member	629,554	
Buy-Back	83,865	
City	3,111,881	
State	471,520	
 Total Contributions		 4,296,820
 Investment Income:		
Net Increase in Fair Value of Investments	(1,837,030)	
Interest & Dividends	1,229,586	
Less Investment Expense ¹	(439,435)	
 Net Investment Income		 (1,046,879)
 Total Additions		 3,249,941

DEDUCTIONS

Distributions to Members:

Benefit Payments	2,878,843	
Lump Sum DROP Distributions	935,702	
Lump Sum PLOP Distributions	159,088	
Refunds of Member Contributions	89,285	
 Total Distributions		 4,062,918
 Administrative Expense		 72,024
 Total Deductions		 4,134,942
 Net Increase in Net Position		 (885,001)
 NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		58,779,277
 End of the Year		 57,894,276

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

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2015)

Plan Description

Plan Administration

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of: Two City residents appointed by the City Council, two Police Officers elected by majority of covered Members, and a fifth Member elected by other four and appointed by City Council (as a ministerial duty).

Plan Membership as of October 1, 2014:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	108
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	12
Active Plan Members	137
	257

Benefits Provided

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

Normal Retirement:

Eligibility: Earlier of 1) Age 52 and 10 years of Credited Service, or 2) 25 years of Credited Service, regardless of age.
Benefit Amount: 3.33% of Average Final Compensation times Credited Service.

Early Retirement:

Eligibility: Age 50 and 10 years of Credited Service.
Benefit Amount: Accrued benefit, reduced 3% per year prior to Normal Retirement.

Supplemental Benefit:

Eligibility: Normal and Early Retirees and their Joint Pensioners or Beneficiaries, excluding vested terminated persons.
Monthly Benefit Amount: \$10.00 for each full year of Credited Service.

Disability:

Eligibility: Service Incurred - Covered from Date of Employment. Non-Service Incurred - 10 years of Credited Service.
Benefit: Benefit accrued to date of disability, but not less than 42% of Average Final Compensation (Service Incurred), or 25% of Average Final Compensation (Non-Service Incurred).

Pre-Retirement Death Benefits:

Non-Vested Members: Refund of Member contributions to designated beneficiary.
Vested Members: Accrued benefit payable at Member's otherwise Early or Normal Retirement Date to beneficiary for 10 years.

Vesting (Termination):

Less than 10 years of Service: Refund of Member Contributions.
10 years or more: Accrued benefit payable at otherwise Normal Retirement Date, or Refund of Member Contributions.

Contributions

Employee: 8.00% of Salary.
Premium Tax: 0.85% tax on casualty insurance premiums.
City: Remaining amount necessary for payment of Normal (current year's) cost plus any additional amount necessary to fund any past service liability as provided in Part VII of Chapter 112, Florida Statutes.

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2015:

Asset Class	Target Allocation
Domestic Equity	37.50%
International Equity	15.00%
Bonds	27.50%
Convertibles	10.00%
Private Real Estate	5.00%
MLPs	5.00%
Total	100.00%

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, 2015, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was -1.76 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: Not to exceed 60 months.

Rate of Return: At member's election (may change method once during DROP participation) either: a) 6.5% annual rate, or b) Net Investment Return (total return less brokerage commission, transaction costs and management fees) credited each fiscal quarter.

The DROP balance as September 30, 2015 is \$4,384,921.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2015 were as follows:

Total Pension Liability	\$ 80,880,942
Plan Fiduciary Net Position	<u>\$ (57,894,276)</u>
Sponsor's Net Pension Liability	<u>\$ 22,986,666</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	71.58%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	4.00% - 6.00%
Discount Rate	8.00%
Investment Rate of Return	8.00%

Mortality Rate: RP-2000 Table with no projection. Disabled lives set forward 5 years. We feel this assumption sufficiently accommodates future mortality improvements.

The significant assumptions are based upon the most recent actuarial experience study dated August 1, 2011 for the period 1997-2010.

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.

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, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	8.00%
International Equity	3.00%
Bonds	4.40%
Convertibles	6.40%
Private Real Estate	4.60%
MLPs	10.40%

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 8.00 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	Current Discount Rate	1% Increase
	<u>7.00%</u>	<u>8.00%</u>	<u>9.00%</u>
Sponsor's Net Pension Liability	\$ 31,966,272	\$ 22,986,666	\$ 16,219,961

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	<u>09/30/2015</u>	<u>09/30/2014</u>
Total Pension Liability		
Service Cost	1,639,535	1,688,742
Interest	6,207,407	5,940,330
Change in Funding Standard Account	-	56,039
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(971,456)	-
Changes of assumptions	-	-
Contributions - Buy Back	83,865	-
Benefit Payments, including Refunds of Employee Contributions	<u>(4,062,918)</u>	<u>(4,531,980)</u>
Net Change in Total Pension Liability	2,896,433	3,153,131
Total Pension Liability - Beginning	<u>77,984,509</u>	<u>74,831,378</u>
Total Pension Liability - Ending (a)	<u>\$ 80,880,942</u>	<u>\$ 77,984,509</u>
Plan Fiduciary Net Position		
Contributions - Employer	3,111,881	2,961,297
Contributions - State	471,520	440,294
Contributions - Employee	629,554	632,728
Contributions - Buy Back	83,865	-
Net Investment Income	(1,046,879)	5,733,534
Benefit Payments, including Refunds of Employee Contributions	(4,062,918)	(4,531,980)
Administrative Expense	<u>(72,024)</u>	<u>(72,694)</u>
Net Change in Plan Fiduciary Net Position	(885,001)	5,163,179
Plan Fiduciary Net Position - Beginning	<u>58,779,277</u>	<u>53,616,098</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 57,894,276</u>	<u>\$ 58,779,277</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 22,986,666</u>	<u>\$ 19,205,232</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	71.58%	75.37%
Covered Employee Payroll*	\$ 9,288,611	\$ 7,909,106
Net Pension Liability as a percentage of Covered Employee Payroll	247.47%	242.82%

Notes to Schedule:

**For the 2014 Fiscal year, the Covered Employee Payroll figure was not available. Pensionable Salary has been reported instead.*

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	09/30/2015	09/30/2014
Actuarially Determined Contribution	3,505,831	3,345,551
Contributions in relation to the Actuarially Determined Contributions	3,583,401	3,345,551
Contribution Deficiency (Excess)	\$ (77,570)	\$ -
Covered Employee Payroll*	\$ 9,288,611	\$ 7,909,106
Contributions as a percentage of Covered Employee Payroll	38.58%	42.30%

*For the 2014 Fiscal year, the Covered Employee Payroll figure was not available. Pensionable Salary has been reported instead.

Notes to Schedule

Valuation Date: 10/01/2013
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:	24 Years (as of 10/01/2013 valuation).												
Mortality Rate:	RP-2000 Table with no projection. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).												
Interest Rate:	8.0% per year compounded annually, net of investment related expenses.												
Inflation:	3.0% per year.												
Retirement Age:	Earlier of 1) Age 52 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 Retirement Age, Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.												
Disability Rates:	See table on following page (1205). 75% of disablements are assumed to be service related.												
Termination Rates:	See table on following page.												
Salary Increases:	<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">Credited Service</th> <th style="text-align: center; border-bottom: 1px solid black;">Salary Scale</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><10 Years</td> <td style="text-align: center;">6.0%</td> </tr> <tr> <td style="text-align: center;">10-15 Years</td> <td style="text-align: center;">5.5%</td> </tr> <tr> <td style="text-align: center;">15-20 Years</td> <td style="text-align: center;">5.0%</td> </tr> <tr> <td style="text-align: center;">20-25 Years</td> <td style="text-align: center;">4.5%</td> </tr> <tr> <td style="text-align: center;">>25 Years</td> <td></td> </tr> </tbody> </table>	Credited Service	Salary Scale	<10 Years	6.0%	10-15 Years	5.5%	15-20 Years	5.0%	20-25 Years	4.5%	>25 Years	
Credited Service	Salary Scale												
<10 Years	6.0%												
10-15 Years	5.5%												
15-20 Years	5.0%												
20-25 Years	4.5%												
>25 Years													
Payroll Increase:	1.3% (previously 2.0%).												
Partial Lump Sums:	For valuation purposes, no future retirees are assumed to opt for a partial lump sum.												
Asset Valuation Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 5-year average Market Value return and is then diminished by the Funding Standard Account Credit Balance and further adjusted for the Administrative Expense Account. It is possible that over time this technique will produce an insignificant bias above or below Market Value.												

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Termination and Disability Rate Table:

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	8.00%	0.14%
30	5.50%	0.18%
40	3.30%	0.30%
50	1.40%	1.00%

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	<u>09/30/2015</u>	<u>09/30/2014</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	-1.76%	10.63%

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2016)

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: Two City residents appointed by the City Council, two Police Officers elected by majority of covered Members, and a fifth Member elected by other four and appointed by City Council (as a ministerial duty). Each person employed by the City Police Department as a full-time Police Officer becomes a member of the System as a condition of his employment. All Police Officers are therefore eligible for plan benefits as provided for in the plan document and by applicable law.

Plan Membership as of October 1, 2014:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	108
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	12
Active Plan Members	137
	257
	257

Benefits Provided

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

Normal Retirement:

Eligibility: Earlier of 1) Age 52 and 10 years of Credited Service, or 2) 25 years of Credited Service, regardless of age.
Benefit Amount: 3.33% of Average Final Compensation times Credited Service.

Early Retirement:

Eligibility: Age 50 and 10 years of Credited Service.
Benefit Amount: Accrued benefit, reduced 3% per year prior to Normal Retirement.

Supplemental Benefit:

Eligibility: Normal and Early Retirees and their Joint Pensioners or Beneficiaries, excluding vested terminated persons.
Monthly Benefit Amount: \$10.00 for each full year of Credited Service.

Disability:

Eligibility: Service Incurred - Covered from Date of Employment. Non-Service Incurred - 10 years of Credited Service.
Benefit: Benefit accrued to date of disability, but not less than 42% of Average Final Compensation (Service Incurred), or 25% of Average Final Compensation (Non-Service Incurred).

Pre-Retirement Death Benefits:

Non-Vested Members: Refund of Member contributions to designated beneficiary.

Vested Members: Accrued benefit payable at Member's otherwise Early or Normal Retirement Date to beneficiary for 10 years.

Vesting (Termination):

Less than 10 years of Service: Refund of Member Contributions.
10 years or more: Accrued benefit payable at otherwise Normal Retirement Date, or Refund of Member Contributions.

Contributions

Employee: 8.00% of Salary.
Premium Tax: 0.85% tax on casualty insurance premiums.
City: Remaining amount necessary for payment of Normal (current year's) cost plus any additional amount necessary to fund any past service liability as provided in Part VII of Chapter 112, Florida Statutes.

Net Pension Liability

The measurement date is September 30, 2015.

The measurement period for the pension expense was October 1, 2014 to September 30, 2015.

The reporting period is October 1, 2015 through September 30, 2016.

The Sponsor's Net Pension Liability was measured as of September 30, 2015.

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, 2014 updated to September 30, 2015 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	4.00% - 6.00%
Discount Rate	8.00%
Investment Rate of Return	8.00%

Mortality Rate: RP-2000 Table with no projection. Disabled lives set forward 5 years. We feel this assumption sufficiently accommodates future mortality improvements.

The significant assumptions are based upon the most recent actuarial experience study dated August 1, 2011 for the period 1997-2010.

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.

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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	37.50%	8.00%
International Equity	15.00%	3.00%
Bonds	27.50%	4.40%
Convertibles	10.00%	6.40%
Private Real Estate	5.00%	4.60%
MLPs	5.00%	10.40%
Total	100.00%	

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 8.00 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, 2015	\$ 77,984,509	\$ 58,779,277	\$ 19,205,232
Changes for a Year:			
Service Cost	1,639,535	-	1,639,535
Interest	6,207,407	-	6,207,407
Differences between Expected and Actual Experience	(971,456)	-	(971,456)
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - Employer	-	3,111,881	(3,111,881)
Contributions - State	-	471,520	(471,520)
Contributions - Employee	-	629,554	(629,554)
Contributions - Buy Back	83,865	83,865	-
Net Investment Income	-	(1,046,879)	1,046,879
Benefit Payments, including Refunds of Employee Contributions	(4,062,918)	(4,062,918)	-
Administrative Expense	-	(72,024)	72,024
Net Changes	2,896,433	(885,001)	3,781,434
Reporting Period Ending September 30, 2016	\$ 80,880,942	\$ 57,894,276	\$ 22,986,666

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	7.00%	8.00%	9.00%
Sponsor's Net Pension Liability	\$ 31,966,272	\$ 22,986,666	\$ 16,219,961

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, 2016, the Sponsor will recognize a Pension Expense of \$3,244,031.

On September 30, 2016, 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	-	777,164
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan investments	3,724,320	-
Employer and State Contributions subsequent to the measurement date	-	-
Total	\$ 3,724,320	\$ 777,164

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, 2016.

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:				
2017		\$	663,436	
2018		\$	663,436	
2019		\$	663,436	
2020		\$	956,848	
2021		\$	-	
Thereafter		\$	-	

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

Reporting Period Ending	09/30/2016	09/30/2015
Measurement Date	<u>09/30/2015</u>	<u>09/30/2014</u>
Total Pension Liability		
Service Cost	1,639,535	1,688,742
Interest	6,207,407	5,940,330
Change in Funding Standard Account	-	56,039
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(971,456)	-
Changes of assumptions	-	-
Contributions - Buy Back	83,865	-
Benefit Payments, including Refunds of Employee Contributions	<u>(4,062,918)</u>	<u>(4,531,980)</u>
Net Change in Total Pension Liability	2,896,433	3,153,131
Total Pension Liability - Beginning	<u>77,984,509</u>	<u>74,831,378</u>
Total Pension Liability - Ending (a)	<u>\$ 80,880,942</u>	<u>\$ 77,984,509</u>
Plan Fiduciary Net Position		
Contributions - Employer	3,111,881	2,961,297
Contributions - State	471,520	440,294
Contributions - Employee	629,554	632,728
Contributions - Buy Back	83,865	-
Net Investment Income	(1,046,879)	5,733,534
Benefit Payments, including Refunds of Employee Contributions	(4,062,918)	(4,531,980)
Administrative Expense	<u>(72,024)</u>	<u>(72,694)</u>
Net Change in Plan Fiduciary Net Position	(885,001)	5,163,179
Plan Fiduciary Net Position - Beginning	<u>58,779,277</u>	<u>53,616,098</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 57,894,276</u>	<u>\$ 58,779,277</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 22,986,666</u>	<u>\$ 19,205,232</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	71.58%	75.37%
Covered Employee Payroll*	\$ 9,288,611	\$ 7,909,106
Net Pension Liability as a percentage of Covered Employee Payroll	247.47%	242.82%

Notes to Schedule:

**For the 2015 Reporting Period Ending year, the Covered Employee Payroll figure was not available. Pensionable Salary has been reported instead.*

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

Reporting Period Ending	09/30/2016	09/30/2015
Measurement Date	09/30/2015	09/30/2014
Actuarially Determined Contribution	3,505,831	3,345,551
Contributions in relation to the		
Actuarially Determined Contributions	3,583,401	3,345,551
Contribution Deficiency (Excess)	\$ (77,570)	\$ -
Covered Employee Payroll*	\$ 9,288,611	\$ 7,909,106
Contributions as a percentage of		
Covered Employee Payroll	38.58%	42.30%

**For the 2015 Reporting Period Ending year, the Covered Employee Payroll figure was not available. Pensionable Salary has been reported instead.*

Notes to Schedule

Valuation Date: 10/01/2013

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:	24 Years (as of 10/01/2013 valuation).														
Mortality Rate:	RP-2000 Table with no projection. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives 8.0% per year compounded annually, net of investment related expenses.														
Interest Rate:	8.0% per year compounded annually, net of investment related expenses.														
Inflation:	3.0% per year.														
Retirement Age:	Earlier of 1) Age 52 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 Retirement Age, Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.														
Disability Rates:	See table on following page (1205). 75% of disablements are assumed to be service related.														
Termination Rates:	See table on following page.														
Salary Increases:	<table border="0" style="margin-left: 40px;"> <tr> <td style="text-align: center;">Credited</td> <td></td> </tr> <tr> <td style="text-align: center;">Service</td> <td style="text-align: center;">Salary Scale</td> </tr> <tr> <td style="text-align: center;"><10 Years</td> <td style="text-align: center;">6.00%</td> </tr> <tr> <td style="text-align: center;">10-15 Years</td> <td style="text-align: center;">5.50%</td> </tr> <tr> <td style="text-align: center;">15-20 Years</td> <td style="text-align: center;">5.00%</td> </tr> <tr> <td style="text-align: center;">20-25 Years</td> <td style="text-align: center;">4.50%</td> </tr> <tr> <td style="text-align: center;">>25 Years</td> <td style="text-align: center;">0.00%</td> </tr> </table>	Credited		Service	Salary Scale	<10 Years	6.00%	10-15 Years	5.50%	15-20 Years	5.00%	20-25 Years	4.50%	>25 Years	0.00%
Credited															
Service	Salary Scale														
<10 Years	6.00%														
10-15 Years	5.50%														
15-20 Years	5.00%														
20-25 Years	4.50%														
>25 Years	0.00%														
Payroll Increase:	1.3% (previously 2.0%).														
Partial Lump Sums:	For valuation purposes, no future retirees are assumed to opt for a partial lump sum.														

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Asset Valuation Method:

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 5-year average Market Value return and is then diminished by the Funding Standard Account Credit Balance and further adjusted for the Administrative Expense Account. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

Termination and Disability Rate Table:

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	8.00%	0.14%
30	5.50%	0.18%
40	3.30%	0.30%
50	1.40%	1.00%

FINAL COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 21,215,280	\$ -	\$ 3,401,591	\$ -
Prior Period Adjustment	56,039	-	-	-
	<u>\$ 21,271,319</u>	<u>\$ -</u>	<u>\$ 3,401,591</u>	<u>\$ -</u>
Employer and State Contributions made after 09/30/2014	-	-	3,583,401	-
Total Pension Liability Factors:				
Service Cost	1,688,742	-	-	1,688,742
Interest	5,940,330	-	-	5,940,330
Changes in benefit terms	-	-	-	-
Contributions - Buy Back	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	-	-	-	-
Current year amortization of experience difference	-	-	-	-
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(4,531,980)	-	-	(4,531,980)
Net change	<u>3,097,092</u>	<u>-</u>	<u>3,583,401</u>	<u>3,097,092</u>
Plan Fiduciary Net Position:				
Contributions - Employer	2,961,297	-	(2,961,297)	-
Contributions - State	440,294	-	(440,294)	-
Contributions - Employee	632,728	-	-	(632,728)
Net Investment Income	4,266,474	-	-	(4,266,474)
Difference between projected and actual earnings on Pension Plan investments	1,467,060	1,467,060	-	-
Current year amortization	-	(293,412)	-	(293,412)
Benefit Payments	(4,531,980)	-	-	4,531,980
Administrative Expenses	(72,694)	-	-	72,694
Net change	<u>5,163,179</u>	<u>1,173,648</u>	<u>(3,401,591)</u>	<u>(587,940)</u>
Ending Balance	<u>\$ 19,205,232</u>	<u>\$ 1,173,648</u>	<u>\$ 3,583,401</u>	<u>\$ 2,509,152</u>

PRELIMINARY COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 19,205,232	\$ 1,173,648	\$ 3,583,401	\$ -
Employer and State Contributions made after 09/30/2015	-	-	TBD*	-
Total Pension Liability Factors:				
Service Cost	1,639,535	-	-	1,639,535
Interest	6,207,407	-	-	6,207,407
Changes in benefit terms	-	-	-	-
Contributions - Buy Back	83,865	-	-	83,865
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(971,456)	971,456	-	-
Current year amortization of experience difference	-	(194,292)	-	(194,292)
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(4,062,918)	-	-	(4,062,918)
Net change	<u>2,896,433</u>	<u>777,164</u>	<u>-</u>	<u>3,673,597</u>
Plan Fiduciary Net Position:				
Contributions - Employer	3,111,881	-	(3,111,881)	-
Contributions - State	471,520	-	(471,520)	-
Contributions - Employee	629,554	-	-	(629,554)
Contributions - Buy Back	83,865	-	-	(83,865)
Net Investment Income	4,708,817	-	-	(4,708,817)
Difference between projected and actual earnings on Pension Plan investments	(5,755,696)	-	5,755,696	-
Current year amortization	-	(293,412)	(1,151,140)	857,728
Benefit Payments	(4,062,918)	-	-	4,062,918
Administrative Expenses	(72,024)	-	-	72,024
Other	-	-	-	-
Net change	<u>(885,001)</u>	<u>(293,412)</u>	<u>1,021,155</u>	<u>(429,566)</u>
Ending Balance	<u>\$ 22,986,666</u>	<u>\$ 1,657,400</u>	<u>TBD</u>	<u>\$ 3,244,031</u>

* Employer and State Contributions subsequent to the measurement date made after September 30, 2015 but made on or before September 30, 2016 needs to be added.