

CITY OF LEESBURG  
RETIREMENT PLAN FOR GENERAL EMPLOYEES

ACTUARIAL VALUATION REPORT  
AS OF OCTOBER 1, 2014

CONTRIBUTIONS APPLICABLE TO THE PLAN/  
FISCAL YEAR ENDED SEPTEMBER 30, 2016



January 30, 2015

Board of Trustees

Re: City of Leesburg  
Retirement Plan for General Employees

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Leesburg Retirement Plan for General Employees. 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(s).

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 Chapter 112, 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.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the Board of Trustees and the City, 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 Leesburg, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Leesburg Retirement Plan for General Employees. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.



By: \_\_\_\_\_

Patrick T. Donlan, M.A.A.A., A.S.A.  
Enrolled Actuary #14-6595

PTD\lke  
Enclosures

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## SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Leesburg Retirement Plan for General Employees, performed as of October 1, 2014, has been completed, and the results are presented in this Report. The results of this valuation are applicable to the plan/fiscal year ended September 30, 2016.

The funding requirements, compared with the amounts developed in the October 1, 2013 actuarial impact statement issued on May 5, 2014, are as follows:

Valuation Date	10/1/2013	10/1/2014
Applicable Plan/Fiscal Year End	<u>9/30/2015</u>	<u>9/30/2016</u>
Total Required Contribution	\$1,435,084	\$1,166,446
Valuation Date	10/1/2015	10/1/2016
Applicable Plan/Fiscal Year End	<u>9/30/2017</u>	<u>9/30/2018</u>
<b><u>Estimated</u></b> Projected Contribution *	\$1,038,446	\$978,446

\* Because the Board utilizes use a 4-year smoothing technique on the Actuarial Value of Assets, it is likely that there will be investment gains relative to the assumption during the next three years. Please see Page 21. If the Fund earns 7.50% for each of fiscal 2015, 2016, and 2017, then the rounded 4-year rolling averages would be 10.35%, 8.76% and 8.15% for each of those respective years. Because the 4-year rolling averages are what is used in the valuations, this would produce investment gains (relative to the 7.50% assumption) of approximately \$947,000, \$441,000 and \$235,000 in the October 1, 2015, October 1, 2016 and October 1, 2017 valuation reports. The 10-year amortizations for these gains would reduce the Plan's funding requirements by approximately \$128,000, \$60,000 and \$32,000 respectively. Therefore, at the end of the 3-year period, the funding requirements will be approximately \$220,000 per year lower than they are now, which represents approximately 1.2% of the current department payroll. It is very important to point out that turnover, retirements, deaths, etc. influence the actual funding requirements on an annual basis. The reduction of 1.2% of payroll is only resulting from deferred investment gains and makes the assumption that each of the next 3 years the Fund will experience exactly 7.50% returns.

Please note that the City has a prepaid contribution of \$5,816.22 (see Page 14).

The pensionable payroll for the fiscal year ended September 30, 2014 for the Members who were active on October 1, 2014 was \$10,311,777. If we assume that that amount would drop by 5.00% each year (when Members retire they are not replaced in the defined benefit plan), then the dollar amounts stated above would represent approximately the following percentages of the pensionable payroll (please note that the dollar amounts shown above are what is legally required. These percentages are shown only for comparative purposes):

Valuation Date	10/1/2013	10/1/2014
Applicable Plan/Fiscal Year End	<u>9/30/2015</u>	<u>9/30/2016</u>
Total Required Contribution	14.65%	12.53%

The approximate total payroll for the City for the fiscal year ended September 30, 2014 is \$17,973,241 (this does not include the fire department). If we assume that this amount would stay the same for next year, then the dollar amounts stated above would represent approximately the following percentages of the total payroll of the City's Police and General Employees (please note that the dollar amounts shown above are what is legally required. These percentages are shown only for comparative purposes):

Valuation Date	10/1/2013	10/1/2014
Applicable Plan/Fiscal Year End	<u>9/30/2015</u>	<u>9/30/2016</u>
Total Recommended Contribution	7.98%	6.49%

Net actuarial experience has been favorable during the past 12 months. The primary sources of favorable experience included a conservative estimate of the early retirement window benefits that were elected from July 1, 2014 to September 1, 2014, lower than expected retirements in light of the early retirement window and an 8.75% investment return (Actuarial Asset Value basis) that exceeded the 7.50% assumption.

One gauge of the funded status of the Plan is to compare the Market Value of Assets to the Total Present Value of Accrued Benefits. On this basis, the funded ratio as of October 1, 2013 was 80.50% (after Early Retirement Benefits were included in the Total Present Value of Accrued Benefits) and as of October 1, 2014 it had become 88.03%.

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 any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

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

  
By: \_\_\_\_\_  
Heidi E. Andorfer, EA, FSA

Plan Changes Since Prior Valuation

Since the prior valuation, there was an Early Retirement Incentive Program adopted. The provisions of this Program and the impact on the Plan's funding requirements were outlined in our Actuarial Impact Statement dated May 5, 2014.

Actuarial Assumption/Method Changes Since Prior Valuation

There have been no changes to the assumptions or methods since the prior valuation.

## COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2014</u>	<u>10/1/2013</u>
A. Participant Data		
Number Included		
Actives	221	266
Service Retirees	185	158
Beneficiaries	35	33
Terminated Vested	221	212
Disability Retirees	<u>5</u>	<u>4</u>
Total	667	673
Total Annual Payroll	\$10,311,777	\$11,912,454
Payroll Under Assumed Ret. Age	10,028,148	11,667,638
Annual Rate of Payments to:		
Service Retirees	2,392,116	2,040,927
Beneficiaries	180,987	173,092
Terminated Vested	1,087,545	1,074,711
Disability Retirees	81,382	43,315
B. Assets		
Actuarial Value	33,963,202	32,493,882
Market Value	34,948,909	32,983,622
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	7,183,094	12,067,681
Disability Benefits	1,076,541	1,010,356
Death Benefits	140,250	134,129
Vested Benefits	1,129,688	1,434,448
Refund of Contributions	0	0
Service Retirees	23,997,638	20,494,855
Beneficiaries	1,351,888	1,323,829
Terminated Vested	4,235,987	4,121,802
Disability Retirees	585,511	384,432
Funding Credit Balance	<u>0</u>	<u>0</u>
Total	39,700,597	40,971,532

C. Liabilities - (Continued)	<u>10/1/2014</u>	<u>10/1/2013</u>
Present Value of Future Salaries	N/A	N/A
Present Value of Future Member Contributions	0	0
EAN Normal Cost (Retirement)	55,875	82,179
EAN Normal Cost (Disability)	24,833	30,520
EAN Normal Cost (Death)	5,122	7,272
EAN Normal Cost (Vesting)	39,099	49,670
EAN Normal Cost (Refunds)	<u>0</u>	<u>0</u>
Total Normal Cost (Entry Age Method)	124,929	169,641
Present Value of Future Normal Costs (Entry Age)	491,494	616,214
Accrued Liability (Retirement)	6,954,043	11,789,743
Accrued Liability (Disability)	952,854	864,669
Accrued Liability (Death)	117,518	106,569
Accrued Liability (Vesting)	1,013,664	1,269,419
Accrued Liability (Refunds)	0	0
Accrued Liability (Inactives)	<u>30,171,024</u>	<u>26,324,918</u>
Total Actuarial Accrued Liability	39,209,103	40,355,318
Unfunded Actuarial Accrued Liability (UAAL)	5,245,901	7,861,436
 D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Retirement Benefits		
Inactives	30,171,024	26,324,918
Actives	8,772,304	13,567,588
Member Contributions	<u>20,102</u>	<u>20,102</u>
Total	38,963,430	39,912,608
Non-vested Accrued Retirement Benefits	<u>737,168</u>	<u>1,058,925</u>
Total Present Value Accrued Benefits	39,700,598	40,971,533
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	(1,551,447)	
Benefits Paid	(2,691,425)	
Interest	2,971,937	
Other	<u>0</u>	
Total:	(1,270,935)	

Valuation Date	10/1/2014	10/1/2013
Applicable to Fiscal Year Ending	<u>9/30/2016</u>	<u>9/30/2015</u>
E. Pension Cost		
Normal Cost (with interest)	\$134,299	\$176,380
Administrative Expenses (with interest)	87,169	66,127
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 23 years (with interest) (as of 10/1/2014)	944,978	1,192,577
Total Required Contribution	1,166,446	1,435,084
Expected Member Contributions	0	0
Required City Contribution	1,166,446	1,435,084
F. Past Contributions		
Plan Years Ending:	<u>9/30/2014</u>	
Total Required Contribution	1,456,725	
Actual Contributions Made:		
	Members	0
	City	<u>1,456,725</u>
	Total	1,456,725
G. Net Actuarial Gain (Loss)	1,942,139	

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2014	5,245,901
2015	4,694,362
2016	4,101,461
2019	2,165,172
2024	1,521,636
2034	(590,160)
2037	0

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

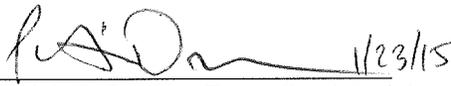
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	N/A	N/A
Year Ended	9/30/2013	N/A	N/A
Year Ended	9/30/2012	N/A	N/A

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	8.75%	7.50%
Year Ended	9/30/2013	8.13%	7.50%
Year Ended	9/30/2012	6.88%	7.50%

## STATEMENT BY ENROLLED ACTUARY

This actuarial valuation was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.

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

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

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

RECONCILIATION OF CITY'S SHORTFALL/(PREPAID) CONTRIBUTION  
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2014

(1) Required City Contribution for Fiscal 2014	\$1,456,725.00
(2) Less 2013 Prepaid Contribution	0.00
(3) Less Actual City Contributions	<u>(1,462,541.22)</u>
(4) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2014	(\$5,816.22)

## RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1) Unfunded Actuarial Accrued Liability (UAAL) Plus Credit Balance as of October 1, 2013	\$7,861,436
(2) Sponsor Normal Cost developed as of October 1, 2013	169,641
(3) Expected administrative expenses for the year ended September 30, 2014	63,599
(4) Expected interest on (1), (2) and (3)	604,716
(5) Sponsor contributions to the System during the year ended September 30, 2014	1,456,725
(6) Expected interest on (5)	54,627
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2014 (1)+(2)+(3)+(4)-(5)-(6)	7,188,040
(8) Change to UAAL due to Actuarial (Gain)/Loss	(1,942,139)
(9) Unfunded Accrued Liability as of October 1, 2014	5,245,901

	<u>Date</u> <u>Established</u>	<u>Years</u> <u>Remaining</u>	<u>10/1/2014</u> <u>Amount</u>	<u>Amortization</u> <u>Amount</u>
"A"	10/1/1978	4	\$372,355	\$103,417
"B"	10/1/1990	6	215,134	42,636
"C"	10/1/1991	7	155,011	27,224
"D"	10/1/1993	9	189,056	27,570
"E"	10/1/1995	11	268,810	34,182
"F"	10/1/1999	15	281,314	29,646
"G"	10/1/2000	16	(246,700)	(25,104)
"H"	10/1/2001	17	(2,297,188)	(226,513)
Method Change	10/1/2004	20	(157,470)	(14,369)
Benefit Change	10/1/2005	21	603,589	53,918
Benefit Change	10/1/2006	22	3,447,650	302,068
Method & Assum	10/1/2007	23	4,093,748	352,387
Prior Losses <sup>1</sup>	10/1/2007	14	2,998,728	328,597
Benefit Changes	10/1/2007	23	(9,193,434)	(791,365)
Actuarial Loss	10/1/2008	4	38,958	10,820

	<u>Date</u> <u>Established</u>	<u>Years</u> <u>Remaining</u>	<u>10/1/2014</u> <u>Amount</u>	<u>Amortization</u> <u>Amount</u>
Method Change	10/1/2008	14	1,287,946	141,132
Actuarial Loss	10/1/2009	5	869,207	199,849
Assum Change	10/1/2009	15	138,532	14,599
Actuarial Loss	10/1/2010	6	677,716	134,311
Actuarial Loss	10/1/2011	7	2,213,825	388,810
Actuarial Gain	10/1/2012	8	(374,005)	(59,398)
Assumption Change	10/1/2012	18	880,955	84,432
Actuarial Gain	10/1/2013	9	(1,607,106)	(234,364)
Benefit Change	10/1/2013	19	2,331,409	217,766
Actuarial Gain	10/1/2014	10	<u>(1,942,139)</u>	<u>(263,202)</u>
			5,245,901	879,049

<sup>1</sup>It is assumed that 50% of the cost method portion of the change base from 2007 was attributable to unfavorable actuarial experience prior to that date. This loss will be amortized over a 20 year period effective October 1, 2008 (compared to 29 years). Additionally, prior gain and loss bases are amortized over 20 years, and new gain and loss bases on and after October 1, 2008 will be amortized over 10 years.

## ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rates</u>	RP 2000 Combined Healthy (sex distinct), projected to valuation date using scale AA. Disabled lives set forward 5 years.														
<u>Termination Rates</u>	See Table below.														
<u>Disability Rates</u>	See Table below.														
<u>Retirement Rates</u>	<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;"><u>Age</u></th> <th style="text-align: center;"><u>Rate per Year</u></th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">50 – 54</td> <td style="text-align: center;">2.0%</td> </tr> <tr> <td style="text-align: center;">55 – 58</td> <td style="text-align: center;">20.0%</td> </tr> <tr> <td style="text-align: center;">59 – 61</td> <td style="text-align: center;">20.0%</td> </tr> <tr> <td style="text-align: center;">62</td> <td style="text-align: center;">50.0%</td> </tr> <tr> <td style="text-align: center;">63 – 64</td> <td style="text-align: center;">25.0%</td> </tr> <tr> <td style="text-align: center;">65</td> <td style="text-align: center;">100.0%</td> </tr> </tbody> </table>	<u>Age</u>	<u>Rate per Year</u>	50 – 54	2.0%	55 – 58	20.0%	59 – 61	20.0%	62	50.0%	63 – 64	25.0%	65	100.0%
<u>Age</u>	<u>Rate per Year</u>														
50 – 54	2.0%														
55 – 58	20.0%														
59 – 61	20.0%														
62	50.0%														
63 – 64	25.0%														
65	100.0%														
<u>Interest Rate</u>	7.50% per year, compounded annually, net of investment related expenses.														
<u>Salary Increases</u>	None.														
<u>Payroll Increase</u>	None.														
<u>Cost of Living Increases</u>	2.00% per year after 3 years (none for VT's).														
<u>Administrative Expenses</u>	\$81,087 added to Normal Cost.														
<u>Funding Method</u>	Entry Age Normal Method														
<u>Actuarial Asset Method</u>	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value.														

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	25.0%	0.05%
30	12.4	0.06
40	9.5	0.12
50	7.5	0.43
60	5.5	1.61

## VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the fiscal year beginning on the valuation date of all covered Members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

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.

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

(a) The normal cost accrual rate equals

- (i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by
- (ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.

(b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

(c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

(d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

ACTUARIAL ASSET VALUATION  
SEPTEMBER 30, 2014

Actuarial Assets for funding purposes are developed by increasing the Actuarial Assets used in the most recent actuarial valuation of the Fund by the average annual market value rate of return (net of investment related expenses) for the past four years. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Details of the derivation are set forth as follows:

Plan Year End	Rate of Return*	
09/30/2011	1.38%	
09/30/2012	13.94%	
09/30/2013	9.94%	
09/30/2014	10.13%	
Annualized Rate of Return for prior four (4) years:		8.75%
(A) 10/01/2013 Actuarial Assets:		\$32,493,881.92
(I) Net Investment Income:		
1. Interest and Dividends	635,782.31	
2. Realized Gains (Losses)	1,527,187.40	
3. Change in Actuarial Value	814,625.31	
4. Investment Related Expenses	(192,487.90)	
Total		2,785,107.12
(B) 10/01/2014 Actuarial Assets:		\$33,963,201.95
Actuarial Asset Rate of Return = $2I/(A+B-I)$ :		8.75%
10/01/2014 Limited Actuarial Assets:		\$33,963,201.95

\*Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 SEPTEMBER 30, 2014  
 Actuarial Asset Basis

REVENUES

Contributions:		
City	1,456,725.00	
Total Contributions		1,456,725.00
Earnings from Investments:		
Interest & Dividends	635,782.31	
Net Realized Gain (Loss)	1,527,187.40	
Change in Actuarial Value	814,625.31	
Total Earnings and Investment Gains		2,977,595.02

EXPENDITURES

Distributions to Members:		
Benefit Payments	2,324,556.43	
Lump Sum DROP Distributions	0.00	
Lump Sum PLOP Distributions	359,387.41	
Refunds of Member Contributions	7,481.20	
Total Distributions		2,691,425.04
Expenses:		
Investment Related <sup>1</sup>	192,487.90	
Administrative	81,087.05	
Total Expenses		273,574.95
Change in Net Assets for the Year		1,469,320.03
Net Assets Beginning of the Year		32,493,881.92
Net Assets End of the Year <sup>2</sup>		33,963,201.95

<sup>1</sup>Investment Related expenses include investment advisory, custodial and performance monitoring fees.

<sup>2</sup>Net Assets may be limited for actuarial consideration.

## STATISTICAL DATA \*

	<u>10/1/2011</u>	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>
Number	316	290	266	221
Average Current Age	46.3	46.8	47.5	47.3
Average Age at Employment	36.6	36.9	37.4	32.9
Average Past Service	9.8	9.8	10.1	14.4
Average Annual Salary	\$42,881	\$43,940	\$44,784	\$46,660

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

## 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	0	0	0	0	0	0	0	0	0	0	0	0
25 - 29	0	0	0	0	0	4	0	0	0	0	0	4
30 - 34	0	0	0	0	0	21	7	0	0	0	0	28
35 - 39	0	0	0	0	0	6	9	4	0	0	0	19
40 - 44	0	0	0	0	0	8	14	11	1	0	0	34
45 - 49	0	0	0	0	0	9	8	5	9	7	1	39
50 - 54	0	0	0	0	0	11	10	4	8	9	0	42
55 - 59	0	0	0	0	0	2	13	3	4	3	3	28
60 - 64	0	0	0	0	0	14	4	1	1	1	0	21
65+	0	0	0	0	0	2	2	0	1	0	1	6
Total	0	0	0	0	0	77	67	28	24	20	5	221

## VALUATION PARTICIPANT RECONCILIATION

## 1. Active lives

a. Number in prior valuation 10/1/2013	266
b. Terminations	
i. Vested (partial or full) with deferred benefits	23
ii. Non-vested or full lump sum distribution received	1
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	21
f. DROP	0
g. Voluntary withdrawal	0
h. Continuing participants	221
i. Transfer	0
j. Total active life participants in valuation	221

## 2. Non-Active lives (including beneficiaries receiving benefits)

	Service Retirees, Vested Receiving <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested <u>Deferred</u>	<u>Total</u>
a. Number prior valuation	158	33	4	212	407
Retired	31	0	0	(10)	21
DROP	0	0	0	0	0
Vested Deferred	0	0	0	23	23
Death, With Survivor	(1)	3	0	(2)	0
Death, No Survivor	(3)	(1)	0	(1)	(5)
Disabled	0	0	0	0	0
Refund of Contributions	0	0	0	0	0
Rehires	0	0	0	0	0
Data Corrections	0	0	1	(1)	0
d. Number current valuation	185	35	5	221	446

SUMMARY OF PLAN PROVISIONS  
(Through Ordinance 14-19)

Eligibility Regular, full-time employees who are not certified Firefighters enter on date of employment (Optional for City Attorney, Assistant City Attorney, Mayor and City Commissioners). Employees hired on or after October 1, 2008 are not eligible.

Salary Basic compensation, excluding overtime pay, shift differential, stand-by pay, lump sum vacation pay, accrued sick leave pay, severance pay, bonuses, expense allowances and all other extraordinary compensation, and including all tax deferred, tax sheltered or tax exempt items of income.

Average Compensation Average Salary of the 3 highest consecutive years of the last 10 years of Credited Service (not including any Salary paid after September 30, 2008).

Credited Service Years and months of service with the City as a General Employee. For Members who retire after October 1, 1993 with at least 15 years of service, service also includes up to 4 years of prior military service if not receiving a continuing military service pension. For purposes of determining a Member's Normal Retirement Benefit, Credited Service shall not include service with the City after September 30, 2008. Credited Service after September 30, 2008, shall, however, be taken into consideration for vesting and benefit entitlement purposes.

Normal Retirement

Date The attainment of age 65 with 5 years of Credited Service.

Benefit 2.00% of Average Compensation times Credited Service prior to October 1, 2008, with a maximum of 45 years of Credited Service.

Form of Benefit Lifetime benefits, ceasing upon death (options available).

Early Retirement

Date Attainment of age 50 with 15 years of Credited Service.

Benefit Accrued Benefit on Early Retirement Date, reduced 3.33% for each year that Early Retirement precedes Age 65.

Form of Benefit Lifetime benefits, ceasing upon death (options available).

Pre-Retirement Death Benefit

Requirement	Death while in active service.
Benefit	Monthly benefit provided by the greater of (i) or (ii), where (i) is the single sum value of the deferred monthly retirement income commencing at normal retirement date which has accrued to the date of death, and (ii) is the smaller of (a) 18 times Average Final Compensation at the date of death and (b) 100 times the anticipated monthly retirement income at Normal Retirement.

Disability

Eligibility	10 years of Credited Service.
Amount	Prior to normal retirement date, the benefit payable is the lesser of 50% of Average Final Compensation or \$1,500. At normal retirement date, the benefit payable is 2.00% times Average Final Compensation times years and months of Credited Service (to a maximum of 45 years) as if employment had continued from date of disability to normal retirement date.

Death Benefit

The greater of (i) or (ii), where (i) is equal to the single-sum value, as of the date of the participant's death, of the deferred monthly retirement income commencing at normal retirement date that the disabled participant would have accrued to the date of termination of service due to disability, and (ii) is the smaller of (a) 18 times Average Final Compensation at the date of termination due to disability and (b) 100 times the participant's anticipated monthly retirement income at Normal Retirement.

Termination of Employment

Vesting Schedule	<u>Years of Service</u>	<u>Vested %</u>
	Less than 5	0%
	5 or more	100%
Benefit	Vested Accrued benefit payable at age 65 (unreduced) or, if completed 15 years of Credited Service, Early Retirement Date (reduced).	

Cost of Living Adjustment

Retirees (other than vested terminated members) and their beneficiaries receive a 2.00% increase in benefits each October 1<sup>st</sup> commencing 3 years after their otherwise Normal Retirement Date.

Board of Trustees

One City of Leesburg resident appointed by Commission, City Manager (or designee), Human Resources Director, one other department head appointed by the City Manager, two Members of the Plan who are not certified Police Officers and one Member of the Plan who is a certified Police Officer.

Deferred Retirement Option Plan

Eligibility	Satisfaction of Normal Retirement requirements.
Participation	Not to exceed 60 months.
Rate of Return	At Member's election: <ol style="list-style-type: none"> <li>(1) Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or</li> <li>(2) 6.50% per annum compounded quarterly.</li> </ol>
Form of Distribution	Cash lump sum (options available) at termination of employment.

Early Retirement Window  
(July 1, 2014 to September 30, 2014)

Eligibility	Age 50 with 20 years of service by September 30, 2014 who elect to retire by September 1, 2014.										
Benefit	Accrued Benefit on Early Retirement Date, reduced based on the following schedule for each year that Early Retirement precedes Age 65. <table style="margin-left: 40px;"> <thead> <tr> <th><u>Years of Credited Service at Retirement</u></th> <th><u>Reduction Factor</u></th> </tr> </thead> <tbody> <tr> <td>35 or More</td> <td>0%</td> </tr> <tr> <td>30 to 35</td> <td>0.5%</td> </tr> <tr> <td>25 to 30</td> <td>1.5%</td> </tr> <tr> <td>20 to 25</td> <td>2.0%</td> </tr> </tbody> </table>	<u>Years of Credited Service at Retirement</u>	<u>Reduction Factor</u>	35 or More	0%	30 to 35	0.5%	25 to 30	1.5%	20 to 25	2.0%
<u>Years of Credited Service at Retirement</u>	<u>Reduction Factor</u>										
35 or More	0%										
30 to 35	0.5%										
25 to 30	1.5%										
20 to 25	2.0%										
Form of Benefit	Lifetime benefits, ceasing upon death (options available).										

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/2014

City	1,456,725	*
Plan Members	0.00%	

\* Flat dollar requirement for City.

Annual Pension Cost	1,403,315
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Contributions made	1,456,725
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Actuarial valuation date	10/1/2012
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Actuarial cost method	Entry Age Normal
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Amortization method	Level Dollar
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Remaining amortization period	25 Years (as of 10/1/2012)
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Asset valuation method	4 Year Smoothed Market Value
------------------------	------------------------------

Actuarial assumptions:

Investment rate of return	7.50% (as of 10/1/2012)
Projected salary increase	0.00%
Post Retirement COLA	2.00% for Service Retirees beginning 3 years after Normal Retirement

THREE YEAR TREND INFORMATION

<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of (APC)</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
9/30/2014	1,403,315	104%	829,105
9/30/2013	1,312,787	95%	882,515
9/30/2012	963,255	55%	820,397

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

DEVELOPMENT OF NET PENSION OBLIGATION (NPO)

This municipal Defined Benefit Plan has been subject to the minimum funding standards since the adoption of the "Florida Protection of Public Employee Retirement Benefits Act" (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the sponsor has funded the actuarially determined required contributions for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the NPO on October 1, 1997, is 0.

The recent development of the Net Pension Obligation is as follows:

	<u>9/30/2008</u>	<u>9/30/2009</u>	<u>9/30/2010</u>	<u>9/30/2011</u>	<u>9/30/2012</u>	<u>9/30/2013</u>	<u>9/30/2014</u>
Actuarially Determined							
Contribution (A)	2,388,162	737,974	852,340	924,086	986,422	1,362,439	1,456,725
Interest on NPO	(30,216)	(8,528)	(2,122)	1,836	28,709	61,530	66,189
Adjustment to (A)	19,534	5,881	3,833	(3,317)	(51,876)	(111,182)	(119,599)
	-----	-----	-----	-----	-----	-----	-----
Annual Pension Cost	2,377,480	735,327	854,051	922,605	963,255	1,312,787	1,403,315
Contributions Made	2,113,487	649,908	801,286	564,298	525,643	1,250,669	1,456,725
	-----	-----	-----	-----	-----	-----	-----
Increase in NPO	263,993	85,419	52,765	358,307	437,612	62,118	(53,410)
NPO Beginning of Year	(377,699)	(113,706)	(28,287)	24,478	382,785	820,397	882,515
	-----	-----	-----	-----	-----	-----	-----
NPO End of Year	(113,706)	(28,287)	24,478	382,785	820,397	882,515	829,105

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2014

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	217,541.74
Money Market	403,675.03
Cash	283,186.14
Total Cash and Equivalents	904,402.91
Receivables:	
From Broker for Investments Sold	237,387.07
Investment Income	89,076.47
Total Receivable	326,463.54
Investments:	
U. S. Bonds and Bills	2,102,035.63
Federal Agency Guaranteed Securities	2,100,868.74
Corporate Bonds	1,800,703.92
Stocks	18,053,918.41
Mutual Funds:	
Fixed Income	473,047.76
Equity	1,840,418.40
Pooled/Common/Commingled Funds:	
Alternative Investments	7,361,411.32
Total Investments	33,732,404.18
Total Assets	34,963,270.63
<u>LIABILITIES</u>	
Payables:	
To Broker for Investments Purchased	8,545.61
Prepaid City Contribution	5,816.22
Total Liabilities	14,361.83
NET POSITION RESTRICTED FOR PENSIONS	34,948,908.80

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
Market Value Basis

ADDITIONS

Contributions:		
City	1,456,725.00	
Total Contributions		1,456,725.00
Investment Income:		
Net Increase in Fair Value of Investments	2,837,779.16	
Interest & Dividends	635,782.31	
Less Investment Expense <sup>1</sup>	(192,487.90)	
Net Investment Income		3,281,073.57
Total Additions		4,737,798.57

DEDUCTIONS

Distributions to Members:		
Benefit Payments	2,324,556.43	
Lump Sum PLOP Distributions	359,387.41	
Refunds of Member Contributions	7,481.20	
Total Distributions		2,691,425.04
Administrative Expense		81,087.05
Total Deductions		2,772,512.09
Net Increase in Net Position		1,965,286.48
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		32,983,622.32
End of the Year		34,948,908.80

<sup>1</sup>Investment Related expenses include investment advisory, custodial and performance monitoring fees.

NOTES TO THE FINANCIAL STATEMENTS  
(For the Year Ended September 30, 2014)

Plan Description

*Plan Administration*

The Plan is administered by a Board of Trustees comprised of:

1 City of Leesburg resident appointed by Commission, City Manager (or designee), Human Resources Director, one other department head appointed by the City Manager, 2 Members of the Plan who are not certified Police Officers and one Member of the Plan who is a certified Police Officer.

*Plan Membership as of October 1, 2013:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	195
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	212
Active Plan Members	266
	673

*Benefits Provided*

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

Normal Retirement:

Date: The attainment of age 65 with 5 years of Credited Service.

Benefit: 2.0% of Average Compensation times Credited Service prior to October 1, 2008, with a maximum of 45 years of Credited Service.

Early Retirement:

Date: Attainment of age 50 with 15 years of Credited Service.

Benefit: Accrued Benefit on Early Retirement Date, reduced 3.33% for each year that Early Retirement precedes Age 65.

Termination of Employment:

Vesting Schedule:	<u>Years of Service</u>	<u>Vested %</u>
	Less than 5	0%
	5 or more	100%

Benefit: Vested Accrued benefit payable at age 65 (unreduced) or, if completed 15 years of Credited Service, Early Retirement Date (reduced).

Disability:

Eligibility: 10 years of Credited Service.

Amount: Prior to normal retirement date, the benefit payable is the lesser of 50% of Average Final Compensation or \$1,500. At normal retirement date, the benefit payable is 2% times Average Final Compensation times year and months of Credited Service (to a maximum of 45 years) as if employment had continued from date of disability to normal retirement date.

Death Benefit: The greater of (i) or (ii), where (i) is equal to the single-sum value, as of the date of the participant's death, of the deferred monthly retirement income commencing at normal retirement date that the disabled participant would have accrued to the date of termination of service due to disability, and (ii) is the smaller of (a) 18 times Average Final Compensation at the date of termination due to disability and (b) 100 times the participant's anticipated monthly retirement income at Normal Retirement.

Pre-Retirement Death Benefit:

Requirement: Death while in active service.

Benefit: Monthly benefit provided by the greater of (i) or (ii), where (i) is the single sum value of the deferred monthly retirement income commencing at normal retirement date which has accrued to the date of death, and (ii) is the smaller of (a) 18 times Average Final Compensation at the date of death and (b) 100 times the anticipated monthly retirement income at Normal Retirement.

Cost of Living Adjustment:

Retirees (other than vested terminated members) and their beneficiaries receive a 2.0% increase in benefits each October 1st commencing 3 years after their otherwise Normal Retirement Date.

*Contributions*

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

## Investments

### *Investment Policy:*

The following was the Board's adopted asset allocation policy as of September 30, 2014:

Asset Class	Target Allocation
Domestic Equity	50%
International Equity	10%
Fixed Income	20%
Real Estate	10%
Hedge Funds	10%
Total	100%

### *Concentrations:*

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's fiduciary net position.

### *Rate of Return:*

For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 10.13 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:

(1) Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or

(2) 6.5% per annum compounded quarterly.

The DROP balance as September 30, 2014 is \$0.

## NET PENSION LIABILITY OF THE SPONSOR

The components of the net pension liability of the sponsor on September 30, 2014 were as follows:

Total Pension Liability	\$ 40,602,995
Plan Fiduciary Net Position	<u>\$ (34,948,909)</u>
Sponsor's Net Pension Liability	<u>\$ 5,654,086</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	86.07%

*Actuarial Assumptions:*

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.00%
Salary Increases	None
Investment Rate of Return	7.50%

RP 2000 Combined Healthy (sex distinct), projected to valuation date using scale AA. Disabled lives set forward 5 years.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 1999-2006.

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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.80%
International Equity	7.70%
Fixed Income	2.30%
Real Estate	6.90%
Hedge Funds	5.10%

Discount Rate:

The discount rate used to measure the total pension liability was 7.50 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Sponsor's Net Pension Liability	\$ 10,032,280	\$ 5,654,086	\$ 1,961,608

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

	<u>09/30/2014</u>	<u>09/30/2013</u>
Total Pension Liability		
Service Cost	208,967	194,388
Interest	2,926,654	2,883,831
Change in Excess State Money	-	-
Share Plan Allocation	-	-
Changes of Benefit Terms		
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	
Benefit Payments, Including Refunds of Employee Contributions	(2,691,425)	(2,352,214)
Net Change in Total Pension Liability	444,196	726,004
Total Pension Liability - Beginning	40,158,799	39,432,795
Total Pension Liability - Ending (a)	<u>\$ 40,602,995</u>	<u>\$ 40,158,799</u>
Plan Fiduciary Net Position		
Contributions - Employer	1,456,725	1,250,669
Contributions - State	-	-
Contributions - Employee	-	-
Net Investment Income	3,281,074	3,036,199
Benefit Payments, Including Refunds of Employee Contributions	(2,691,425)	(2,352,214)
Administrative Expense	(81,087)	(63,599)
Other	-	-
Net Change in Plan Fiduciary Net Position	1,965,287	1,871,055
Plan Fiduciary Net Position - Beginning	32,983,622	31,112,567
Plan Fiduciary Net Position - Ending (b)	<u>\$ 34,948,909</u>	<u>\$ 32,983,622</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 5,654,086</u>	<u>\$ 7,175,177</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.07%	82.13%

SCHEDULE OF CONTRIBUTIONS  
Last 10 Fiscal Years  
(Dollar Amounts in Thousands)

	09/30/2014	9/30/2013
Actuarially Determined Contribution	1,456,725	1,435,084
Contributions in Relation to the		
Actuarially Determined Contributions	1,456,725	1,435,084
Contribution Deficiency (Excess)	\$ -	\$ -

Notes to Schedule

Valuation Date: 10/01/2012

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 Method.	
Amortization Method:	Level Dollar.	
Remaining Amortization Period:	25 Years.	
Actuarial Asset Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value.	
Salary Increases:	None.	
Interest Rate:	7.5% per year, compounded annually, net of investment related expenses.	
Payroll Increase:	None.	
Cost of Living Increases:	2.0% per year after 3 years (no VT's).	
Retirement Rates:	<u>Age</u>	<u>Rate Per Year</u>
	50-54	2.0%
	55-58	20.0%
	59-61	20.0%
	62	50.0%
	63-64	25.0%
	65	100.0%

Termination Rates: See table below.  
 Disability Rates: See table below.  
 Mortality: RP 2000 Combined Healthy (sex distinct), projected to valuation date using scale AA (previously static). Disabled lives set forward 5 years.  
 Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	25.0%	0.05%
30	12.4%	0.05%
40	9.5%	0.09%
50	7.5%	0.40%
60	5.5%	1.74%

SCHEDULE OF INVESTMENT RETURNS  
Last 10 Fiscal Years

	<u>09/30/2014</u>	<u>09/30/2013</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	10.13%	9.94%

NOTES TO THE FINANCIAL STATEMENTS  
(For the Year Ended September 30, 2014)

General Information about the Pension Plan

*Plan Description*

Regular, full-time employees who are not certified Firefighters enter on date of employment (Optional for City Attorney, Assistant City Attorney, Mayor and City Commissioners). Employees hired on or after October 1, 2008 are not eligible. The Plan is administered by a Board of Trustees comprised of:  
1 City of Leesburg resident appointed by Commission, City Manager (or designee), Human Resources Director, one other department head appointed by the City Manager, 2 Members of the Plan who are not certified Police Officers and one Member of the Plan who is a certified Police Officer.

*Plan Membership as of October 1, 2013:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	195
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	212
Active Plan Members	266
	<u>673</u>

*Benefits Provided*

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

Normal Retirement:

Date: The attainment of age 65 with 5 years of Credited Service.

Benefit: 2.0% of Average Compensation times Credited Service prior to October 1, 2008, with a maximum of 45 years of Credited Service.

Early Retirement:

Date: Attainment of age 50 with 15 years of Credited Service.

Benefit: Accrued Benefit on Early Retirement Date, reduced 3.33% for each year that Early Retirement precedes Age 65.

Termination of Employment:

Vesting Schedule:	<u>Years of Service</u>	<u>Vested %</u>
	Less than 5	0%
	5 or more	100%

Benefit: Vested Accrued benefit payable at age 65 (unreduced) or, if completed 15 years of Credited Service, Early Retirement Date (reduced).

Disability:

Eligibility: 10 years of Credited Service.

Amount: Prior to normal retirement date, the benefit payable is the lesser of 50% of Average Final Compensation or \$1,500. At normal retirement date, the benefit payable is 2% times Average Final Compensation times year and months of Credited Service (to a maximum of 45 years) as if employment had continued from date of disability to normal retirement date.

Death Benefit: The greater of (i) or (ii), where (i) is equal to the single-sum value, as of the date of the participant's death, of the deferred monthly retirement income commencing at normal retirement date that the disabled participant would have accrued to the date of termination of service due to disability, and (ii) is the smaller of (a) 18 times Average Final Compensation at the date of termination due to disability and (b) 100 times the participant's anticipated monthly retirement income at Normal Retirement.

Pre-Retirement Death Benefit:

Requirement: Death while in active service.

Benefit: Monthly benefit provided by the greater of (i) or (ii), where (i) is the single sum value of the deferred monthly retirement income commencing at normal retirement date which has accrued to the date of death, and (ii) is the smaller of (a) 18 times Average Final Compensation at the date of death and (b) 100 times the anticipated monthly retirement income at Normal Retirement.

Cost of Living Adjustment:

Retirees (other than vested terminated members) and their beneficiaries receive a 2.0% increase in benefits each October 1st commencing 3 years after their otherwise Normal Retirement Date.

*Contributions*

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

## Net Pension Liability

The Sponsor's net pension liability was measured as of September 30, 2014.

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, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.00%
Salary Increases	None
Investment Rate of Return	7.50%

RP 2000 Combined Healthy (sex distinct), projected to valuation date using scale AA. Disabled lives set forward 5 years.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 1999-2006.

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 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	50.00%	7.80%
International Equity	10.00%	7.70%
Fixed Income	20.00%	2.30%
Real Estate	10.00%	6.90%
Hedge Funds	10.00%	5.10%
	<u>100.00%</u>	

### Discount Rate:

The discount rate used to measure the total pension liability was 7.50 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2013	\$ 40,158,799	\$ 32,983,622	\$ 7,175,177
Changes for a Year:			
Service Cost	208,967		208,967
Interest	2,926,654		2,926,654
Change In Excess State Money	-		-
Share Plan Allocation	-		-
Differences Between Expected and Actual Experience	-		-
Contributions - Employer		1,456,725	(1,456,725)
Contributions -State		-	-
Contributions - Employee		-	-
Net Investment Income		3,281,074	(3,281,074)
Benefit Payments, Including Refunds of Employee Contributions	(2,691,425)	(2,691,425)	(0)
Administrative Expense		(81,087)	81,087
Other Changes	-	-	-
New Changes	444,196	1,965,287	(1,521,091)
Balances at September 30, 2014	<u>\$ 40,602,995</u>	<u>\$ 34,948,909</u>	<u>\$ 5,654,086</u>

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.50%	7.50%	8.50%
Sponsor's Net Pension Liability	\$ 10,032,280	\$ 5,654,086	\$ 1,961,608

*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, 2015 the Sponsor will recognize a pension expense of \$620,950. On September 30, 2015 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
	<u>                    </u>	<u>                    </u>
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	685,315
Total	<u>\$ -</u>	<u>\$ 685,315</u>

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:	
2016	\$ (171,329)
2017	\$ (171,329)
2018	\$ (171,329)
2019	\$ (171,329)
2020	\$ -
Thereafter	\$ -

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

	<u>09/30/2014</u>	<u>09/30/2013</u>
Total Pension Liability		
Service Cost	208,967	194,388
Interest	2,926,654	2,883,831
Change in Excess State Money	-	-
Share Plan Allocation	-	-
Changes of Benefit Terms		-
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(2,691,425)</u>	<u>(2,352,214)</u>
Net Change in Total Pension Liability	444,196	726,004
Total Pension Liability - Beginning	40,158,799	39,432,795
Total Pension Liability - Ending (a)	<u>\$ 40,602,995</u>	<u>\$ 40,158,799</u>
Plan Fiduciary Net Position		
Contributions - Employer	1,456,725	1,250,669
Contributions- State	-	-
Contributions - Employee	-	-
Net Investment Income	3,281,074	3,036,199
Benefit Payments, Including Refunds of Employee Contributions	<u>(2,691,425)</u>	<u>(2,352,214)</u>
Administrative Expense	(81,087)	(63,599)
Other	-	-
Net Change in Plan Fiduciary Net Position	<u>1,965,287</u>	<u>1,871,055</u>
Plan Fiduciary Net Position - Beginning	<u>32,983,622</u>	<u>31,112,567</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 34,948,909</u>	<u>\$ 32,983,622</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 5,654,086</u>	<u>\$ 7,175,177</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.07%	82.13%

SCHEDULE OF CONTRIBUTIONS  
Last 10 Fiscal Years

	09/30/2014	09/30/2013
Actuarially Determined Contribution	1,456,725	1,435,084
Contributions in Relation to the		
Actuarially Determined Contributions	1,456,725	1,435,084
Contribution Deficiency (Excess)	\$ -	\$ -

Notes to Schedule

Valuation Date: 10/01/2012

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 Method.	
Amortization Method:	Level Dollar.	
Remaining Amortization Period:	25 Years.	
Actuarial Asset Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value.	
Salary Increases:	None.	
Interest Rate:	7.5% per year, compounded annually, net of investment related expenses.	
Payroll Increase:	None.	
Cost of Living Increases:	2.0% per year after 3 years (no VT's).	
Retirement Rates:	<u>Age</u>	<u>Rate Per Year</u>
	50-54	2.0%
	55-58	20.0%
	59-61	20.0%
	62	50.0%
	63-64	25.0%
	65	100.0%

Termination Rates: See table below.  
 Disability Rates: See table below.  
 Mortality: RP 2000 Combined Healthy (sex distinct), projected to valuation date using scale AA (previously static). Disabled lives set forward 5 years.  
 Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	25.0%	0.05%
30	12.4%	0.05%
40	9.5%	0.09%
50	7.5%	0.40%
60	5.5%	1.74%

COMPONENTS OF PENSION EXPENSE  
FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	7,175,177	-	1,456,725	
Total pension liability factors:				
Service cost	208,967			208,967
Interest	2,926,654			2,926,654
Change in Excess State Money	-			-
Share Plan Allocation	-			-
Changes in benefit terms	-			-
Differences between expected and actual experience with regard to economic or demographic assumptions				
Current year amortization		-	-	-
Changes in assumptions about future economic or demographic factors or other inputs				
Current year amortization		-	-	-
Benefit payments	(2,691,425)			(2,691,425)
Net change	444,196	-	-	444,196
Plan fiduciary net position:				
Contributions - employer	1,456,725		(1,456,725)	
Contributions - state	-			-
Contributions - employee	-			-
Net investment income	2,424,430			(2,424,430)
Difference between projected and actual earnings on pension plan investments				
Current year amortization	856,644	856,644	-	(171,329)
Benefit payments	(2,691,425)	(171,329)	-	2,691,425
Administrative expenses	(81,087)			81,087
Other	-			-
Net change	1,965,287	685,315	(1,456,725)	176,754
Ending Balance	5,654,086	685,315	-	620,950