

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 ¹	(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

¹Investment 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:

<u>Vesting Schedule:</u>	<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:

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

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	\$ (34,948,909)
Sponsor's Net Pension Liability	\$ 5,654,086
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:

Asset Class	Long Term Expected Real Rate of Return
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

	09/30/2014	09/30/2013
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)	\$ 40,602,995	\$ 40,158,799
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)	\$ 34,948,909	\$ 32,983,622
Net Pension Liability - Ending (a) - (b)	\$ 5,654,086	\$ 7,175,177
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
	673
	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.

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	\$ 40,602,995	34,948,909	5,654,086

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</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

	09/30/2014	09/30/2013
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)	\$ 40,602,995	\$ 40,158,799
 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)	\$ 34,948,909	\$ 32,983,622
 Net Pension Liability - Ending (a) - (b)	\$ 5,654,086	\$ 7,175,177
 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:	Age	Rate Per Year
	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)			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