

CITY OF LEESBURG  
RETIREMENT PLAN FOR GENERAL EMPLOYEES

ACTUARIAL VALUATION REPORT  
AS OF OCTOBER 1, 2016

CONTRIBUTIONS APPLICABLE TO THE PLAN/  
FISCAL YEAR ENDED SEPTEMBER 30, 2018

December 5, 2016

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). 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 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. 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 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.

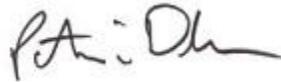
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Leesburg, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Leesburg Retirement Plan 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

## TABLE OF CONTENTS

Section	Title	Page
I	Introduction	
	a. Summary of Report	5
	b. Changes Since Prior Report	8
	c. Comparative Summary of Principal Valuation Results	9
II	Valuation Information	
	a. Reconciliation of Unfunded Actuarial Accrued Liabilities	15
	b. Actuarial Assumptions and Funding Methods	17
	c. Valuation Notes	19
III	Trust Fund	21
IV	Member Statistics	
	a. Statistical Data	25
	b. Age and Service Distribution	26
	c. Valuation Participant Reconciliation	27
V	Summary of Plan Provisions	28
VI	Governmental Accounting Standards Board Disclosure Information	31

## SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Leesburg Retirement Plan for General Employees, performed as of October 1, 2016, 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, 2018.

The funding requirements, compared with the amounts developed in the October 1, 2015 actuarial valuation report, are as follows:

Valuation Date	10/1/2016	10/1/2015
Applicable Plan/Fiscal Year End	<u>9/30/2018</u>	<u>9/30/2017</u>
 Total Required Contribution	 \$1,079,495	 \$1,010,847
 Valuation Date	 10/1/2018	 10/1/2017
Applicable Plan/Fiscal Year End	<u>9/30/2020</u>	<u>9/30/2019</u>
 <b><u>Estimated</u></b> Projected Contribution <sup>1</sup>	 \$1,081,652	 \$1,113,623

<sup>1</sup> Because the Board utilizes a 4-year smoothing technique on the Actuarial Value of Assets, it is likely that there will be investment losses relative to the assumption during the next two years. Please see Page 23. If the Fund earns 7.45% for each of fiscal 2017, 2018, and 2019, then the rounded 4-year rolling averages would be 6.79%, 6.13%, and 7.66% for each of those respective years. Because the 4-year rolling averages are what is used in the valuations, this would produce investment losses (relative to the 7.45% assumption) of approximately \$235,000 and \$468,000 in the October 1, 2017 and October 1, 2018 valuation reports, and an investment gain of approximately \$76,000 in the October 1, 2019 valuation report. The 10-year amortizations for these gains and losses would change the Plan's funding requirements by approximately a \$34,000 increase, a \$68,000 increase, and an \$11,000 decrease respectively. Therefore, at the end of the 3-year period, the funding requirements will be approximately \$91,000 per year higher than they are now based upon the 4-year smoothing of the investment returns. However, when we prepare the October 1, 2018 actuarial valuation report, two of the individual Unfunded Actuarial Accrued Liability bases will be paid off, which will have the effect of reducing the City's funding requirements by approximately \$107,000, which would mean the funding requirements would be similar to what they are now. In the October 1, 2019 valuation, an additional amortization for the October 1, 2009 actuarial loss will be paid off as well; this payoff combined with the projected investment experience amortization as of October 1, 2019 results in a

projected contribution requirement as of October 1, 2019 that is approximately \$200,000 lower than the requirement developed as of October 1, 2016 in this report. It is very important to point out that turnover, retirements, deaths, etc. influence the actual funding requirements on an annual basis. The funding requirement projections for the October 1, 2018 and October 1, 2019 valuations are only resulting from deferred investment gains and the paying off of bases, and make the assumption that each of the next 3 years the Fund will experience exactly 7.45% returns.

The pensionable payroll for the fiscal year ended September 30, 2016 for the Members who were active on October 1, 2016 was \$9,483,760. 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	10/1/2015	10/1/2016
Applicable Plan/Fiscal Year End	<u>9/30/2017</u>	<u>9/30/2018</u>
Total Required Contribution	11.22%	12.61%

The approximate total payroll for the City for the fiscal year ended September 30, 2016 is \$18,727,630 (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):

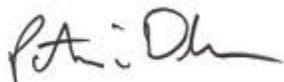
Valuation Date	10/1/2015	10/1/2016
Applicable Plan/Fiscal Year End	<u>9/30/2017</u>	<u>9/30/2018</u>
Total Recommended Contribution	5.40%	5.76%

Net actuarial experience has been favorable during the past 12 months. The primary sources of favorable experience included fewer than expected retirements and favorable inactive mortality experience. The gains from the favorable experience were offset slightly by an investment return of 7.40% (Actuarial Asset basis) that fell short of the 7.50% assumption. Despite favorable actuarial experience during the year, the City’s funding requirements increased due to actuarial assumption changes.

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

### Plan Changes Since Prior Valuation

There have been no plan changes since the prior valuation.

### Actuarial Assumption/Method Changes Since Prior Valuation

As required by Chapter 2015-157, Laws of Florida, the mortality rates were changed to be the same as used for the Florida Retirement System (FRS) in the July 1, 2015 actuarial valuation report for non-special risk lives.

Additionally, the investment return assumption was reduced from 7.50% to 7.45% as discussed in the Board meeting on December 1, 2015.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Assump <u>10/1/2016</u>	Old Assump <u>10/1/2016</u>	<u>10/1/2015</u>
<b>A. Participant Data</b>			
Actives	185	185	204
Service Retirees	185	185	189
Beneficiaries	40	40	34
Disability Retirees	5	5	5
Terminated Vested	<u>244</u>	<u>244</u>	<u>234</u>
<b>Total</b>	<b>659</b>	<b>659</b>	<b>666</b>
Total Annual Payroll	\$9,483,760	\$9,483,760	\$9,770,761
Payroll Under Assumed Ret. Age	8,768,032	8,768,032	9,413,583
Annual Rate of Payments to:			
Service Retirees	2,383,435	2,383,435	2,423,192
Beneficiaries	185,371	185,371	161,195
Disability Retirees <sup>1</sup>	62,646	62,646	62,646
Terminated Vested	1,082,432	1,082,432	1,071,817
<b>B. Assets</b>			
Actuarial Value (AVA)	36,184,553	36,184,553	35,239,358
Market Value (MVA)	34,967,109	34,967,109	33,820,101
<b>C. Liabilities</b>			
Present Value of Benefits			
Actives			
Retirement Benefits	8,035,697	7,722,813	7,607,753
Disability Benefits	831,621	1,000,506	1,073,019
Death Benefits	242,467	129,317	138,653
Vested Benefits	754,979	748,472	894,622
Refund of Contributions	0	0	0
Service Retirees	24,807,444	23,396,403	23,867,042
Beneficiaries	1,596,353	1,487,493	1,307,788
Disability Retirees	520,136	573,786	573,765
Terminated Vested	<u>4,544,718</u>	<u>4,335,264</u>	<u>4,116,575</u>
<b>Total</b>	<b>41,333,415</b>	<b>39,394,054</b>	<b>39,579,217</b>

<sup>1</sup> Amount shown has been corrected based on current benefits in force.

C. Liabilities - (Continued)	New Assump <u>10/1/2016</u>	Old Assump <u>10/1/2016</u>	<u>10/1/2015</u>
Present Value of Future Salaries	N/A	N/A	N/A
Present Value of Future Member Contributions	0	0	0
Normal Cost (Retirement)	39,904	39,176	50,632
Normal Cost (Disability)	16,293	19,830	22,879
Normal Cost (Death)	9,456	3,756	4,590
Normal Cost (Vesting)	23,841	23,433	29,417
Normal Cost (Refunds)	<u>0</u>	<u>0</u>	<u>0</u>
Total Normal Cost	89,494	86,195	107,518
Present Value of Future Normal Costs	334,654	322,386	407,133
Accrued Liability (Retirement)	7,876,556	7,565,482	7,411,036
Accrued Liability (Disability)	759,038	911,408	966,067
Accrued Liability (Death)	199,923	113,052	119,122
Accrued Liability (Vesting)	694,593	688,780	810,689
Accrued Liability (Refunds)	0	0	0
Accrued Liability (Inactives)	<u>31,468,651</u>	<u>29,792,946</u>	<u>29,865,170</u>
Total Actuarial Accrued Liability (AL)	40,998,761	39,071,668	39,172,084
Unfunded Actuarial Accrued Liability (UAAL)	4,814,208	2,887,115	3,932,726
Funded Ratio (AVA / AL)	88.3%	92.6%	90.0%

D. Actuarial Present Value of Accrued Benefits	New Assump <u>10/1/2016</u>	Old Assump <u>10/1/2016</u>	<u>10/1/2015</u>
Vested Accrued Benefits			
Inactives	31,468,651	29,792,946	29,865,170
Actives	9,383,556	9,130,753	9,131,634
Member Contributions	<u>20,102</u>	<u>20,102</u>	<u>20,102</u>
Total	40,872,309	38,943,801	39,016,906
Non-vested Accrued Benefits	<u>461,106</u>	<u>450,252</u>	<u>562,311</u>
Total Present Value			
Accrued Benefits (PVAB)	41,333,415	39,394,053	39,579,217
Funded Ratio (MVA / PVAB)	84.6%	88.8%	85.4%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	1,939,362	0	
New Accrued Benefits	0	(351,854)	
Benefits Paid	0	(2,700,483)	
Interest	0	2,867,173	
Other	<u>0</u>	<u>0</u>	
Total	1,939,362	(185,164)	

	New Assump	Old Assump	
Valuation Date	10/1/2016	10/1/2016	10/1/2015
Applicable to Fiscal Year Ending	<u>9/30/2018</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
E. Pension Cost			
Normal Cost <sup>1</sup>	\$96,161	\$92,660	\$115,582
Administrative Expenses <sup>1</sup>	75,427	75,462	79,360
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 21 years (as of 10/1/2016) <sup>1</sup>	907,907	720,579	815,905
Total Required Contribution	1,079,495	888,701	1,010,847
Expected Member Contributions	0	0	0
Expected City Contribution	1,079,495	888,701	1,010,847
F. Past Contributions			
Plan Years Ending:	<u>9/30/2016</u>		
Total Required Contribution	1,166,446		
Actual Contributions Made:			
Members (excluding buyback)	0		
City	<u>1,166,446</u>		
Total	1,166,446		
G. Net Actuarial (Gain)/Loss	(322,551)		

<sup>1</sup> Contributions developed as of 10/1/2016 displayed above have been adjusted to account for assumed interest components.

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

<u>Year</u>	<u>Projected Unfunded Actuarial Accrued Liability</u>
2016	4,814,208
2017	4,264,962
2018	3,674,793
2023	2,751,036
2028	877,712
2032	211,338
2037	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	N/A	N/A
Year Ended	9/30/2015	N/A	N/A
Year Ended	9/30/2014	N/A	N/A

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	7.40%	7.50%
Year Ended	9/30/2015	8.77%	7.50%
Year Ended	9/30/2014	8.75%	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 UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1) Unfunded Actuarial Accrued Liability as of October 1, 2015	\$3,932,726
(2) Sponsor Normal Cost developed as of October 1, 2015	107,518
(3) Expected administrative expenses for the year ended September 30, 2016	73,823
(4) Expected interest on (1), (2) and (3)	305,787
(5) Sponsor contributions to the System during the year ended September 30, 2016	1,166,446
(6) Expected interest on (5)	43,742
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2016 (1)+(2)+(3)+(4)-(5)-(6)	3,209,666
(8) Change to UAAL due to Assumption Changes	1,927,093
(9) Change to UAAL due to Actuarial (Gain)/Loss	(322,551)
(10) Unfunded Actuarial Accrued Liability as of October 1, 2016	4,814,208

<u>Type of Base</u>	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2016 Amount</u>	<u>Amortization Amount</u>
"A"	10/1/1978	2	\$174,764	\$90,520
"B"	10/1/1990	4	134,396	37,302
"C"	10/1/1991	5	103,665	23,814
"D"	10/1/1993	7	137,433	24,107
"E"	10/1/1995	9	205,211	29,877
"F"	10/1/1999	13	226,720	25,894
"G"	10/1/2000	14	(200,570)	(21,924)
"H"	10/1/2001	15	(1,881,793)	(197,787)
Method Change	10/1/2004	18	(131,258)	(12,541)
Benefit Change	10/1/2005	19	505,377	47,054
Benefit Change	10/1/2006	20	2,898,206	263,575
Method & Assum	10/1/2007	21	3,453,619	307,443
Prior Losses	10/1/2007	12	2,392,207	287,061
Benefit Changes	10/1/2007	21	(7,755,880)	(690,432)
Actuarial Loss	10/1/2008	2	18,285	9,471
Method Change	10/1/2008	12	1,027,446	123,292
Actuarial Loss	10/1/2009	3	489,126	174,888
Assum Change	10/1/2009	13	111,648	12,752
Actuarial Loss	10/1/2010	4	423,376	117,510

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2016 <u>Amount</u>	Amortization <u>Amount</u>
Actuarial Loss	10/1/2011	5	1,480,504	340,105
Actuarial Gain	10/1/2012	6	(262,398)	(51,947)
Assumption Change	10/1/2012	16	726,408	73,713
Actuarial Gain	10/1/2013	7	(1,168,282)	(204,924)
Benefit Change	10/1/2013	17	1,933,498	190,093
Actuarial Gain	10/1/2014	8	(1,450,928)	(230,096)
Actuarial Gain	10/1/2015	9	(381,114)	(55,487)
Actuarial Gain	10/1/2016	10	(322,551)	(43,633)
Assumption Changes	10/1/2016	20	<u>1,927,093</u>	<u>175,258</u>
			4,814,208	844,958

## ACTUARIAL ASSUMPTIONS AND METHODS

### Mortality Rates

#### *Healthy Lives:*

**Female:** RP2000 Generational, 100% Annuitant White Collar, Scale BB

**Male:** RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB

#### *Disabled Lives:*

**Female:** 100% RP2000 Disabled Female set forward two years

**Male:** 100% RP2000 Disabled Male setback four years

(Previously RP2000 Combined Healthy (sex distinct), projected to valuation year using scale AA. Disabled lives set forward 5 years.)

The above assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2015 FRS valuation report. We feel this assumption sufficiently accommodates future mortality improvements.

### Termination Rates

See Table on following page. This assumption was adopted by the Board, based on results of the September 3, 2007 Experience Study.

### Disability Rates

See Table on following page. These rates are similar to those utilized by other municipal General Employee programs.

### 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%

This assumption was adopted by the Board, based on results of the September 3, 2007 Experience Study.

### Interest Rate

7.45% (previously 7.5%) per year, compounded annually, net of investment related expenses. This assumption was adopted by the Board in conjunction with the October 1, 2016 actuarial valuation.

<u>Salary Increases</u>	None (frozen Plan).
<u>Payroll Increase</u>	None for amortizing UAAL (frozen Plan).
<u>Interest Adjustment for Required Contribution</u>	7.45% for projecting dollar requirement.
<u>Cost of Living Increases</u>	2.00% per year after 3 years (none for VT's).
<u>Administrative Expenses</u>	\$70,197 added to Normal Cost, based on actual administrative expenses from the prior fiscal year.
<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.

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2016

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Money Market	239,540.75	239,540.75
Cash	5,694.79	5,694.79
Total Cash and Equivalents	245,235.54	245,235.54
Receivables:		
From Broker for Investments Sold	3,232.97	3,232.97
Investment Income	68,405.59	68,405.59
Total Receivable	71,638.56	71,638.56
Investments:		
U. S. Bonds and Bills	2,556,888.28	2,576,209.34
Federal Agency Guaranteed Securities	1,647,616.64	1,652,540.20
Corporate Bonds	1,520,369.76	1,521,318.52
Stocks	14,882,498.12	18,453,918.91
Mutual Funds:		
Fixed Income	428,381.61	440,177.56
Equity	1,455,375.69	2,018,599.02
Pooled/Common/Commingled Funds:		
Real Estate	5,945,353.61	7,988,473.74
Total Investments	28,436,483.71	34,651,237.29
Total Assets	28,753,357.81	34,968,111.39
<u>LIABILITIES</u>		
Payables:		
To Broker for Investments Purchased	1,002.53	1,002.53
Total Liabilities	1,002.53	1,002.53
NET POSITION RESTRICTED FOR PENSIONS	28,752,355.28	34,967,108.86

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
Market Value Basis

ADDITIONS

Contributions:			
City		1,166,446.00	
Total Contributions			1,166,446.00
Investment Income:			
Net Realized Gain (Loss)	593,173.48		
Unrealized Gain (Loss)	1,746,486.41		
Net Increase in Fair Value of Investments		2,339,659.89	
Interest & Dividends		592,076.62	
Less Investment Expense <sup>1</sup>		(180,494.07)	
Net Investment Income			2,751,242.44
Total Additions			3,917,688.44
<u>DEDUCTIONS</u>			
Distributions to Members:			
Benefit Payments		2,607,910.39	
Lump Sum DROP Distributions		0.00	
Lump Sum PLOP Distributions		92,572.67	
Total Distributions			2,700,483.06
Administrative Expense			70,197.37
Total Deductions			2,770,680.43
Net Increase in Net Position			1,147,008.01
 NET POSITION RESTRICTED FOR PENSIONS			
Beginning of the Year			33,820,100.85
End of the Year			34,967,108.86

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

ACTUARIAL ASSET VALUATION  
SEPTEMBER 30, 2016

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 <sup>1</sup>	
09/30/2013	9.94%	
09/30/2014	10.13%	
09/30/2015	1.47%	
09/30/2016	8.31%	
Annualized Rate of Return for prior four (4) years:		7.40%
(A) 10/01/2015 Actuarial Assets:		\$35,239,357.64
(I) Net Investment Income:		
1. Interest and Dividends	592,076.62	
2. Realized Gains (Losses)	593,173.48	
3. Change in Actuarial Value	1,544,674.16	
4. Investment Related Expenses	(180,494.07)	
Total		2,549,430.19
(B) 10/01/2016 Actuarial Assets:		\$36,184,553.40
Actuarial Asset Rate of Return = 2I/(A+B-I):		7.40%
10/01/2016 Limited Actuarial Assets:		\$36,184,553.40
10/01/2016 Market Value of Assets:		\$34,967,108.86
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		(\$34,451.76)

<sup>1</sup>Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 SEPTEMBER 30, 2016  
 Actuarial Asset Basis

REVENUES

Contributions:		
City	1,166,446.00	
Total Contributions		1,166,446.00
Earnings from Investments:		
Interest & Dividends	592,076.62	
Net Realized Gain (Loss)	593,173.48	
Change in Actuarial Value	1,544,674.16	
Total Earnings and Investment Gains		2,729,924.26

EXPENDITURES

Distributions to Members:		
Benefit Payments	2,607,910.39	
Lump Sum DROP Distributions	0.00	
Lump Sum PLOP Distributions	92,572.67	
Total Distributions		2,700,483.06
Expenses:		
Investment related <sup>1</sup>	180,494.07	
Administrative	70,197.37	
Total Expenses		250,691.44
Change in Net Assets for the Year		945,195.76
Net Assets Beginning of the Year		35,239,357.64
Net Assets End of the Year <sup>2</sup>		36,184,553.40

<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 <sup>1</sup>

	<u>10/1/2013</u>	<u>10/1/2014</u>	<u>10/1/2015</u>	<u>10/1/2016</u>
<u>Actives</u>				
Number	266	221	204	185
Average Current Age	47.5	47.3	48.7	49.8
Average Age at Employment	37.4	32.9	32.9	32.8
Average Past Service	10.1	14.4	15.8	17.0
Average Annual Salary	\$44,784	\$46,660	\$47,896	\$51,264
<u>Service Retirees</u>				
Number		185	189	185
Average Current Age		68.0	68.8	68.9
Average Annual Benefit		\$12,930	\$12,821	\$12,883
<u>Beneficiaries</u>				
Number		35	34	40
Average Current Age		72.1	73.2	72.5
Average Annual Benefit		\$5,171	\$4,741	\$4,634
<u>Disability Retirees</u>				
Number		5	5	5
Average Current Age		62.4	63.4	64.4
Average Annual Benefit <sup>2</sup>		\$12,529	\$12,529	\$12,529
<u>Terminated Vested</u>				
Number		221	234	244
Average Current Age		49.8	49.9	50.5
Average Annual Benefit		\$4,921	\$4,580	\$4,436

<sup>1</sup> Prior to 10/1/2014, averages were salary weighted.

<sup>2</sup> Amounts shown have been corrected based on current benefits in force.

## 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	2	0	0	0	0	0	2
30 - 34	0	0	0	0	0	2	9	0	0	0	0	11
35 - 39	0	0	0	0	0	2	13	5	0	0	0	20
40 - 44	0	0	0	0	0	3	8	10	1	0	0	22
45 - 49	0	0	0	0	0	0	7	7	10	6	0	30
50 - 54	0	0	0	0	0	6	10	5	8	10	4	43
55 - 59	0	0	0	0	0	1	11	3	3	6	4	28
60 - 64	0	0	0	0	0	1	7	3	0	1	0	12
65+	0	0	0	0	0	3	10	1	0	3	0	17
Total	0	0	0	0	0	20	75	34	22	26	8	185

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2015	204
b. Terminations	
i. Vested (partial or full) with deferred benefits	(12)
ii. Non-vested or full lump sum distribution received	0
c. Deaths	
i. Beneficiary receiving benefits	(1)
ii. No future benefits payable	0
d. Disabled	0
e. Retired	<u>(6)</u>
f. Continuing participants	185
g. New entrants	<u>0</u>
h. Total active life participants in valuation	185

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>	<u>Vested Deferred</u>	<u>Total</u>
a. Number prior valuation	189	34	5	234	462
Retired	7	0	0	(1)	6
Vested Deferred	0	0	0	12	12
Death, With Survivor	(4)	6	0	(1)	1
Death, No Survivor	(7)	0	0	0	(7)
Disabled	0	0	0	0	0
Refund of Contributions	0	0	0	0	0
Rehires	0	0	0	0	0
Expired Annuities	0	0	0	0	0
Data Corrections	0	0	0	0	0
b. Number current valuation	185	40	5	244	474

SUMMARY OF PLAN PROVISIONS  
(Through Ordinance 14-19)

<u>Eligibility</u>	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.
<u>Salary</u>	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.
<u>Average Compensation</u>	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).
<u>Credited Service</u>	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.
<u>Normal Retirement</u>	
Date	The attainment of age 65 with 5 years of Credited Service.
Benefit	2.00% of Average Compensation <u>times</u> 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).
<u>Early Retirement</u>	
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:

- (1) Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or
- (2) 6.50% per annum compounded quarterly.

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.

<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).

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2016

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Money Market	239,541
Cash	5,695
Total Cash and Equivalents	245,236
Receivables:	
From Broker for Investments Sold	3,233
Investment Income	68,406
Total Receivable	71,639
Investments:	
U. S. Bonds and Bills	2,576,209
Federal Agency Guaranteed Securities	1,652,540
Corporate Bonds	1,521,318
Stocks	18,453,919
Mutual Funds:	
Fixed Income	440,178
Equity	2,018,599
Pooled/Common/Commingled Funds:	
Real Estate	7,988,474
Total Investments	34,651,237
Total Assets	34,968,112
<u>LIABILITIES</u>	
Payables:	
To Broker for Investments Purchased	1,003
Total Liabilities	1,003
NET POSITION RESTRICTED FOR PENSIONS	34,967,109

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2016  
Market Value Basis

ADDITIONS

## Contributions:

City	1,166,446	
Total Contributions		1,166,446
Investment Income:		
Net Increase in Fair Value of Investments	2,339,660	
Interest & Dividends	592,076	
Less Investment Expense <sup>1</sup>	(180,494)	
Net Investment Income		2,751,242
Total Additions		3,917,688

DEDUCTIONS

## Distributions to Members:

Benefit Payments	2,607,910	
Lump Sum PLOP Distributions	92,573	
Total Distributions		2,700,483
Administrative Expense		70,197
Total Deductions		2,770,680
Net Increase in Net Position		1,147,008

## NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		33,820,101
End of the Year		34,967,109

<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, 2016)

Plan Description

*Plan Administration*

The Plan is a single-employer defined benefit pension plan administered by a Board of Trustees comprised of: 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.

Each person employed by the City as of September 30, 2008 as a full-time General Employee shall remain a Member of the System and is therefore eligible for plan benefits as provided for in the plan document and by applicable law with the exception of designated department heads and administrative management employees who elected to opt out of the System as of September 30, 2008, and all future new General Employees shall be ineligible to become Members of this System.

*Plan Membership as of October 1, 2015:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	228
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	234
Active Plan Members	204
	666
	666

*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.

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% 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 1st commencing 3 years after their otherwise Normal Retirement Date.

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.

<u>Years of Credited Service at Retirement</u>	<u>Reduction Factor</u>
35 or More	0.0%
30 to 35	0.5%
25 to 30	1.5%
20 to 25	2.0%

*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, 2016:

<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, 2016, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 8.31 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, 2016 is \$0.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2016 were as follows:

Total Pension Liability	\$ 41,127,077
Plan Fiduciary Net Position	\$ (34,967,109)
Sponsor's Net Pension Liability	<u>\$ 6,159,968</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	85.02%

*Actuarial Assumptions:*

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions.

Inflation	2.00%
Salary Increases	None (frozen Plan)
Discount Rate	7.45%
Investment Rate of Return	7.45%

*Mortality Rate Healthy Lives:*

Mortality Table - RP2000 Fully Generational with Scale BB, with collar and annuitant adjustments as follows:

Males – 50% Annuitant White Collar, 50% Annuitant Blue Collar.

Females – 100% Annuitant White Collar.

*Mortality Rate Disabled Lives:*

Mortality Table - RP2000 without projection, with the following adjustments:

Males – 100% Disabled Male with four year setback

Females – 100% Disabled Female with two year set forward.

The other significant assumptions are based upon the most recent actuarial experience study dated September 3th, 2007, 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.

For 2016 the inflation rate assumption of the investment advisor was 2.30%.

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.71%
International Equity	7.26%
Fixed Income	2.45%
Real Estate	3.58%
Hedge Funds	2.80%

## GASB 67

### Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.45 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 6.45%	Current Discount Rate 7.45%	1% Increase 8.45%
Sponsor's Net Pension Liability	\$ 10,784,133	\$ 6,159,968	\$ 2,289,094

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

	<u>09/30/2016</u>	<u>09/30/2015</u>
Total Pension Liability		
Service Cost	141,911	152,878
Interest	2,831,625	2,944,455
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(22,731)	(1,744,070)
Changes of assumptions	1,913,430	-
Benefit Payments, including Refunds of Employee Contributions	<u>(2,700,483)</u>	<u>(2,992,933)</u>
Net Change in Total Pension Liability	2,163,752	(1,639,670)
Total Pension Liability - Beginning	<u>38,963,325</u>	<u>40,602,995</u>
Total Pension Liability - Ending (a)	<u>\$ 41,127,077</u>	<u>\$ 38,963,325</u>
Plan Fiduciary Net Position		
Contributions - Employer	1,166,446	1,435,084
Net Investment Income	2,751,242	502,864
Benefit Payments, including Refunds of Employee Contributions	(2,700,483)	(2,992,933)
Administrative Expense	<u>(70,197)</u>	<u>(73,823)</u>
Net Change in Plan Fiduciary Net Position	1,147,008	(1,128,808)
Plan Fiduciary Net Position - Beginning	<u>33,820,101</u>	<u>34,948,909</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 34,967,109</u>	<u>\$ 33,820,101</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 6,159,968</u>	<u>\$ 5,143,224</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	85.02%	86.80%
Covered Employee Payroll	\$ 10,350,154	\$ 11,184,611
Net Pension Liability as a percentage of Covered Employee Payroll	59.52%	45.98%

**Notes to Schedule:***Changes of assumptions:*

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System.

The investment rate of return was lowered from 7.50% to 7.45%, net of investment related expenses.

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
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	726,005
Total Pension Liability - Beginning	<u>40,158,799</u>	<u>39,432,794</u>
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
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	<u>(81,087)</u>	<u>(63,599)</u>
Net Change in Plan Fiduciary Net Position	1,965,287	1,871,055
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%
Covered Employee Payroll	N/A	N/A
Net Pension Liability as a percentage of Covered Employee Payroll	N/A	N/A

**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	1,166,446	1,435,084	1,456,725	1,435,084
Contributions in relation to the Actuarially Determined Contributions	1,166,446	1,435,084	1,456,725	1,435,084
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 10,350,154	\$ 11,184,611	N/A	N/A
Contributions as a percentage of Covered Employee Payroll	11.27%	12.83%	N/A	N/A

Notes to Schedule

Valuation Date: 10/01/2014  
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: 23 Years (as of 10/01/2014 Valuation).  
Mortality: RP 2000 Combined Healthy (sex distinct), projected to valuation date using scale AA. Disabled lives set forward 5 years.

Termination Rates: See table below.  
Disability Rates: See table below.

Retirement Rates:	Age	Rate Per Year
	50-54	2%
	55-58	20%
	59-61	20%
	62	50%
	63-64	25%
	65	100%

Interest Rate: 7.5% per year, compounded annually, net of investment related expenses.  
Salary Increases: None.  
Payroll Increase: None.  
Cost of Living Increases: 2.0% per year after 3 years (no VT's).  
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.

Termination and Disability Rate Table:	% Terminating During the Year	% Becoming Disabled During the Year
Age		
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%

SCHEDULE OF INVESTMENT RETURNS  
Last 10 Fiscal Years

	<u>09/30/2016</u>	<u>09/30/2015</u>	<u>09/30/2014</u>	<u>09/30/2013</u>
Annual Money-Weighted Rate of Return				
Net of Investment Expense	8.31%	1.47%	10.13%	9.94%

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 a Board of Trustees comprised of: 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.

Each person employed by the City as of September 30, 2008 as a full-time General Employee shall remain a Member of the System and is therefore eligible for plan benefits as provided for in the plan document and by applicable law with the exception of designated department heads and administrative management employees who elected to opt out of the System as of September 30, 2008, and all future new General Employees shall be ineligible to become Members of this System.

*Plan Membership as of October 1, 2015:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	228
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	234
Active Plan Members	204
	666
	666

*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.

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% 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:

Years of Service	Vested %
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).

## GASB 68

### Cost of Living Adjustment:

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

### 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.

<u>Years of Credited Service</u>	<u>Reduction Factor</u>
35 or More	0.0%
30 to 35	0.5%
25 to 30	1.5%
20 to 25	2.0%

### *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.

## GASB 68

### Net Pension Liability

The measurement date is September 30, 2016.

The measurement period for the pension expense was October 1, 2015 to September 30, 2016.

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

The Sponsor's Net Pension Liability was measured as of September 30, 2016.

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, 2015 updated to September 30, 2016 using the following actuarial assumptions.

Inflation	2.00%
Salary Increases	None (frozen Plan)
Discount Rate	7.45%
Investment Rate of Return	7.45%

#### *Mortality Rate Healthy Lives:*

Mortality Table - RP2000 Fully Generational with Scale BB, with collar and annuitant adjustments as follows:

Males – 50% Annuitant White Collar, 50% Annuitant Blue Collar.

Females – 100% Annuitant White Collar.

#### *Mortality Rate Disabled Lives:*

Mortality Table - RP2000 without projection, with the following adjustments:

Males – 100% Disabled Male with four year setback

Females – 100% Disabled Female with two year set forward.

The other significant assumptions are based upon the most recent actuarial experience study dated September 3th, 2007, 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.

For 2016 the inflation rate assumption of the investment advisor was 2.30%.

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, 2016 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%	7.71%
International Equity	10%	7.26%
Fixed Income	20%	2.45%
Real Estate	10%	3.58%
Hedge Funds	10%	2.80%
Total	100%	

## GASB 68

### Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.45 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	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2015	\$ 38,963,325	\$ 33,820,101	\$ 5,143,224
Changes for a Year:			
Service Cost	141,911	-	141,911
Interest	2,831,625	-	2,831,625
Differences between Expected and Actual Experience	(22,731)	-	(22,731)
Changes of assumptions	1,913,430	-	1,913,430
Changes of benefit terms	-	-	-
Contributions - Employer	-	1,166,446	(1,166,446)
Net Investment Income	-	2,751,242	(2,751,242)
Benefit Payments, including Refunds of Employee Contributions	(2,700,483)	(2,700,483)	-
Administrative Expense	-	(70,197)	70,197
Net Changes	2,163,752	1,147,008	1,016,744
Balances at September 30, 2016	\$ 41,127,077	\$ 34,967,109	\$ 6,159,968

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.45%	7.45%	8.45%
Sponsor's Net Pension Liability	\$ 10,784,133	\$ 6,159,968	\$ 2,289,094

*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 \$1,116,493.

On September 30, 2016, 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	-	592,723
Changes of assumptions	956,715	-
Net difference between Projected and Actual Earnings on Pension Plan investments	671,696	-
Total	<u>\$ 1,628,411</u>	<u>\$ 592,723</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:	
2017	\$ 549,108
2018	\$ 185,115
2019	\$ 356,444
2020	\$ (54,979)
2021	\$ -
Thereafter	\$ -

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

	<u>09/30/2016</u>	<u>09/30/2015</u>
Total Pension Liability		
Service Cost	141,911	152,878
Interest	2,831,625	2,944,455
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(22,731)	(1,744,070)
Changes of assumptions	1,913,430	-
Benefit Payments, including Refunds of Employee Contributions	(2,700,483)	(2,992,933)
Net Change in Total Pension Liability	<u>2,163,752</u>	<u>(1,639,670)</u>
Total Pension Liability - Beginning	38,963,325	40,602,995
Total Pension Liability - Ending (a)	<u>\$ 41,127,077</u>	<u>\$ 38,963,325</u>
Plan Fiduciary Net Position		
Contributions - Employer	1,166,446	1,435,084
Net Investment Income	2,751,242	502,864
Benefit Payments, including Refunds of Employee Contributions	(2,700,483)	(2,992,933)
Administrative Expense	(70,197)	(73,823)
Net Change in Plan Fiduciary Net Position	<u>1,147,008</u>	<u>(1,128,808)</u>
Plan Fiduciary Net Position - Beginning	33,820,101	34,948,909
Plan Fiduciary Net Position - Ending (b)	<u>\$ 34,967,109</u>	<u>\$ 33,820,101</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 6,159,968</u>	<u>\$ 5,143,224</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	85.02%	86.80%
Covered Employee Payroll	\$ 10,350,154	\$ 11,184,611
Net Pension Liability as a percentage of Covered Employee Payroll	59.52%	45.98%

**Notes to Schedule:***Changes of assumptions:*

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System.

The investment rate of return was lowered from 7.50% to 7.45%, net of investment related expenses.

**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
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	726,005
Total Pension Liability - Beginning	40,158,799	39,432,794
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
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)
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%
Covered Employee Payroll	N/A	N/A
Net Pension Liability as a percentage of Covered Employee Payroll	N/A	N/A

**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	1,166,446	1,435,084	1,456,725	1,435,084
Contributions in relation to the Actuarially Determined Contributions	1,166,446	1,435,084	1,456,725	1,435,084
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 10,350,154	\$ 11,184,611	N/A	N/A
Contributions as a percentage of Covered Employee Payroll	11.27%	12.83%	N/A	N/A

Notes to Schedule

Valuation Date: 10/01/2014

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: 23 Years (as of 10/01/2014 Valuation).  
 Mortality: RP 2000 Combined Healthy (sex distinct), projected to valuation date using scale AA. Disabled lives set forward 5 years.

Termination Rates: See table below.  
 Disability Rates: See table below.

Retirement Rates:	Age	Rate Per Year
	50-54	2%
	55-58	20%
	59-61	20%
	62	50%
	63-64	25%
	65	100%

Interest Rate: 7.5% per year, compounded annually, net of investment related expenses.  
 Salary Increases: None.  
 Payroll Increase: None.  
 Cost of Living Increases: 2.0% per year after 3 years (no VT's).  
 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.

Termination and Disability Rate Table:

Age	% Terminating During the Year	% Becoming Disabled During the Year
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%

**COMPONENTS OF PENSION EXPENSE**  
**FISCAL YEAR SEPTEMBER 30, 2016**

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 5,143,224	\$ 1,676,701	\$ 1,645,692	\$ -
<b>Total Pension Liability Factors:</b>				
Service Cost	141,911	-	-	141,911
Interest	2,831,625	-	-	2,831,625
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(22,731)	22,731	-	-
Current year amortization of experience difference	-	(592,722)	-	(592,722)
Change in assumptions about future economic or demographic factors or other inputs	1,913,430	-	1,913,430	-
Current year amortization of change in assumptions	-	-	(956,715)	956,715
Benefit Payments	(2,700,483)	-	-	(2,700,483)
Net change	<u>2,163,752</u>	<u>(569,991)</u>	<u>956,715</u>	<u>637,046</u>
<b>Plan Fiduciary Net Position:</b>				
Contributions - Employer	1,166,446	-	-	-
Net Investment Income	2,476,349	-	-	(2,476,349)
Difference between projected and actual earnings on Pension Plan investments	274,893	274,893	-	-
Current year amortization	-	(226,307)	(411,423)	185,116
Benefit Payments	(2,700,483)	-	-	2,700,483
Administrative Expenses	(70,197)	-	-	70,197
Net change	<u>1,147,008</u>	<u>48,586</u>	<u>(411,423)</u>	<u>479,447</u>
Ending Balance	<u><u>\$ 6,159,968</u></u>	<u><u>\$ 1,155,296</u></u>	<u><u>\$ 2,190,984</u></u>	<u><u>\$ 1,116,493</u></u>

AMORTIZATION SCHEDULE - INVESTMENTS

Increase (Decrease) in Pension Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on Pension Plan Investments

Plan Year Ending	Differences Between Projected and Actual Earnings	Recognition Period (Years)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014	\$ (856,644)	5	\$ (171,328)	\$ (171,329)	\$ (171,329)	\$ (171,329)	\$ (171,329)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 2,057,116	5	\$ -	\$ 411,424	\$ 411,423	\$ 411,423	\$ 411,423	\$ 411,423	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (274,893)	5	\$ -	\$ -	\$ (54,978)	\$ (54,978)	\$ (54,979)	\$ (54,979)	\$ (54,979)	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (171,328)	\$ 240,095	\$ 185,116	\$ 185,116	\$ 185,115	\$ 356,444	\$ (54,979)	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - CHANGES OF ASSUMPTIONS

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions

Plan Year Ending	Changes of Assumptions	Recognition Period (Years)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014	\$ -	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ -	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 1,913,430	2	\$ -	\$ -	\$ 956,715	\$ 956,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ -	\$ 956,715	\$ 956,715	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - EXPERIENCE

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience

Plan Year Ending	Differences Between Expected and Actual Experience	Recognition Period (Years)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014	\$ -	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ (1,744,070)	3	\$ -	\$ (581,356)	\$ (581,357)	\$ (581,357)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (22,731)	2	\$ -	\$ -	\$ (11,365)	\$ (11,366)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ (581,356)	\$ (592,722)	\$ (592,723)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -