

CITY OF LEESBURG
MUNICIPAL POLICE OFFICERS'
PENSION TRUST FUND

ACTUARIAL VALUATION
AS OF OCTOBER 1, 2016

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

December 12, 2016

Ms. Barbara C. Cooper
Plan Administrator
Post Office Box 296
Danville, Indiana 46122

Re: City of Leesburg Municipal Police Officers' Pension Trust Fund

Dear Barb:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Leesburg Municipal Police Officers' Pension Trust Fund. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year. Please note that this valuation may not be applicable for any other purposes.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Chapters 112, and 185, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the City of Leesburg, 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.

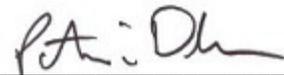
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Leesburg, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Leesburg Municipal Police Officers' Pension Trust Fund. 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, ASA, MAAA
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	7
	c. Comparative Summary of Principal Valuation Results	8
II	Valuation Information	
	a. Reconciliation of Unfunded Actuarial Accrued Liability	14
	b. Actuarial Assumptions and Methods	15
	c. Valuation Notes	17
	d. Partial History of Premium Tax Refunds	18
III	Trust Fund	19
IV	Member Statistics	
	a. Statistical Data	24
	b. Age and Service Distribution	25
	c. Member Reconciliation	26
V	Summary of Plan Provisions	27
VI	Governmental Accounting Standards Board Statements	30

SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Leesburg Municipal Police Officers' Pension Trust Fund, performed as of October 1, 2016, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ending September 30, 2018.

The contribution requirements, compared with those developed in the October 1, 2015 valuation report, are as follows:

Valuation Date Applicable Plan/Fiscal Year End	10/1/2016 <u>9/30/2018</u>	10/1/2015 <u>9/30/2017</u>
Total Required Contribution		
% of Total Annual Payroll	25.86%	20.93%
Less Member Contributions		
% of Total Annual Payroll	7.65%	7.65%
Equals Required City and State		
% of Total Annual Payroll	18.21%	13.28%
Less State Contribution ¹	\$183,761	\$183,761
% of Total Annual Payroll	4.95%	4.95%
Balance from City ²		
% of Total Annual Payroll	13.26%	8.33%

¹ Represents the amount received in fiscal 2016. It is our understanding that for the term of this union contract, the City will be able to utilize all State Monies to offset their funding requirements.

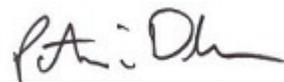
² As requested by the Division of Retirement, the required contribution from City and State sources for the year ending September 30, 2018, is 18.21% of the actual Non-DROP payroll realized in that year. As a budgeting tool, the City may contribute 13.26% of each non-DROP Member's Salary and then make a one-time adjustment to account for the actual State Monies received.

As can be seen, the Total Required Contribution has increased when expressed as a percentage of Total Annual Payroll. This increase is primarily the result of net unfavorable actuarial experience over the past year. The principal components of unfavorable experience were average increases in pensionable earnings of 19.88%, which was significantly greater than the 5.2% assumption, no inactive mortality, and a 7.00% investment return (Actuarial Asset Basis) which failed to meet the 7.75% assumption. This unfavorable experience was partially offset by the effect of larger than expected employee turnover. The requirements as a percentage of payroll were also helped partially by the fact that the amortization of the Unfunded Actuarial Accrued Liability (UAAL) represents a smaller percentage of payroll when the payroll is larger. Included in the above is also the effect of all of the assumption changes approved by the Board (increased the funding by 0.3% of payroll).

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

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

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

CHANGES SINCE PRIOR VALUATION

Plan Changes – Since the prior valuation, there have been no changes to the Plan that impacted the funding requirements.

Actuarial Assumption/Method Changes – As a result of the September 13, 2016 Experience Study, the Board adopted the following changes in conjunction with this report:

1. The investment return assumption was lowered from 7.75% to 7.65% net of investment related expenses.
2. The mortality rates were changed from the RP2000 Combined Healthy table to the tables used by the Florida Retirement System (FRS) for special risk lives in their July 1, 2015 actuarial valuation report. This change was required by Chapter 2015-157, Laws of Florida.
3. The retirement assumption was changed to the following table:

Early Retirement with less than 25 years of Credited Service:	10.0% (previously 2%) per year
Normal Retirement with 25 years of Credited Service:	100.0%
Normal Retirement with < 25 yrs at 55	75%
Normal Retirement with < 25 yrs at 56	25%
Normal Retirement with < 25 yrs at 57	25%
Normal Retirement with < 25 yrs at 58	25%
Normal Retirement with < 25 yrs at 59	25%
Normal Retirement with < 25 yrs at 60+	100%

4. The withdrawal rates were changed to continue to use the current assumption for more than 10 years of service and assuming a 9.0% turnover rate each of the first 10 years.
5. The payroll growth used for amortizing the Unfunded Actuarial Accrued Liability was changed from 0.8% to 0.0%.
6. The assumed rates of individual salary increase was changed from a flat 5.2% to the following rates based upon Credited Service:

< 5 Years of Service	7.0% per year
5 – 14 Years of Service	5.0% per year
15+ Years of Service	4.5% per year

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>
A. Participant Data			
Actives	57	57	56
Service Retirees	32	32	31
DROP Retirees	1	1	1
Beneficiaries	0	0	0
Disability Retirees	1	1	1
Terminated Vested	<u>12</u>	<u>12</u>	<u>9</u>
Total	103	103	98
Total Annual Payroll	\$3,804,687	\$3,801,620	\$3,187,590
Payroll Under Assumed Ret. Age	3,713,452	3,801,620	3,187,590
Annual Rate of Payments to:			
Service Retirees	863,159	863,159	849,402
DROP Retirees	50,491	50,491	50,491
Beneficiaries	0	0	0
Disability Retirees	27,925	27,925	17,305
Terminated Vested	49,467	49,467	52,310
B. Assets			
Actuarial Value (AVA) ¹	18,757,499	18,757,499	17,815,618
Market Value (MVA) ¹	17,840,282	17,840,282	17,092,313
C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	12,706,257	13,645,709	11,171,863
Disability Benefits	410,862	481,711	436,718
Death Benefits	445,471	207,482	187,201
Vested Benefits	752,195	786,283	686,646
Refund of Contributions	222,830	142,209	133,024
Service Retirees	8,953,458	8,461,144	8,446,097
DROP Retirees ¹	770,016	753,834	700,413
Beneficiaries	0	0	0
Disability Retirees	363,555	356,813	221,917
Terminated Vested	397,597	389,011	487,442
Excess State Monies Reserve	<u>0</u>	<u>0</u>	<u>0</u>
Total	25,022,241	25,224,196	22,471,321

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	25,526,388	27,758,304	24,822,657
Present Value of Future Member Contributions	1,952,769	2,123,510	1,898,933
Total Normal Cost	679,443	748,986	458,304
Present Value of Future Normal Costs (EAN)	3,407,862	4,206,224	3,791,217
Total Actuarial Accrued Liability (AL)	20,351,729	19,755,322	18,902,378
Unfunded Actuarial Accrued Liability (UAAL)	1,594,230	997,823	1,086,760
Funded Ratio (AVA / AL)	92.2%	94.9%	94.3%

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 ¹	10,484,626	9,960,802	9,855,869
Actives	4,404,777	4,031,297	3,022,501
Member Contributions	<u>2,305,950</u>	<u>2,305,950</u>	<u>2,101,550</u>
Total	17,195,353	16,298,049	14,979,920
Non-vested Accrued Benefits	<u>430,767</u>	<u>482,421</u>	<u>561,827</u>
Total Present Value Accrued Benefits (PVAB)	17,626,120	16,780,470	15,541,747
Funded Ratio (MVA / PVAB)	101.2%	106.3%	110.0%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	845,650	0	
New Accrued Benefits	0	1,032,019	
Benefits Paid	0	(960,560)	
Interest	0	1,167,264	
Other	<u>0</u>	<u>0</u>	
Total	845,650	1,238,723	

	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 (with interest)			
% of Total Annual Payroll ²	19.00	20.47	14.93
Administrative Expenses (with interest)			
% of Total Annual Payroll ²	1.36	1.33	1.45
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 28 years (as of 10/1/2016, with interest)			
% of Total Annual Payroll ²	5.50	3.76	4.55
Total Required Contribution			
% of Total Annual Payroll ²	25.86	25.56	20.93
Expected Member Contributions			
% of Total Annual Payroll ²	7.65	7.65	7.65
Expected City and State Contribution			
% of Total Annual Payroll ²	18.21	17.91	13.28

F. Past Contributions

Plan Years Ending:	<u>9/30/2016</u>
Total Required Contribution	716,745
City and State Requirement	439,681
Actual Contributions Made:	
Members (excluding buyback)	277,064
City	255,920
State	<u>183,761</u>
Total	716,745

G. Net Actuarial (Gain)/Loss

N/A

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/2016 and 9/30/2015.

² Contributions developed as of 10/1/2016 are expressed as a percentage of total annual payroll at 10/1/2016 of \$3,713,452.

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	1,594,230
2017	1,504,476
2018	1,407,857
2025	835,693
2031	609,172
2038	172,514
2044	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	19.88%	5.20%
Year Ended	9/30/2015	8.30%	5.20%
Year Ended	9/30/2014	-1.10%	5.20%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	7.00%	7.75%
Year Ended	9/30/2015	9.64%	7.75%
Year Ended	9/30/2014	9.61%	7.75%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2016	\$3,804,687
	10/1/2006	3,316,192
(b) Total Increase		14.73%
(c) Number of Years		10.00
(d) Average Annual Rate		1.38%

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 copies of the report to the following offices to comply with Chapter 112 Florida Statutes:

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

Ms. Sarah Carr
Municipal Police and Fire
Pension Trust Funds
Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1) Unfunded Actuarial Accrued Liability as of October 1, 2015	\$1,086,760
(2) Sponsor Normal Cost developed as of October 1, 2015	214,453
(3) Expected administrative expenses for the year ended September 30, 2016	44,648
(4) Expected interest on (1), (2) and (3)	102,574
(5) Sponsor contributions to the System during the year ended September 30, 2016	439,681
(6) Expected interest on (5)	10,931
(7) Unfunded Actuarial Accrued Liability as of September 30, 2016 (1)+(2)+(3)+(4)-(5)-(6)	997,823
(8) Change to UAAL due to Assumption Change	596,407
(9) Unfunded Actuarial Accrued Liability as of October 1, 2016	1,594,230

Type of Base	Date Established	Years Remaining	10/1/2016 Amount	Amortization Amount
"A"	10/1/1991	5	\$311,044	\$71,701
"B"	10/1/1998	12	329,643	39,900
"C"	10/1/2001	15	(941,769)	(100,034)
"D"	10/1/2003	17	(44,258)	(4,402)
"E"	10/1/2004	18	260,464	25,194
Method Change	10/1/2008	12	248,454	30,073
Assum Changes	10/1/2010	14	362,590	40,029
Benefit Change	10/1/2012	26	(159,234)	(13,267)
Assum Changes	10/1/2012	16	34,735	3,564
Benefit Change	10/1/2012	26	216,802	18,064
Benefit Change	10/1/2014	28	379,352	30,878
Assum Changes	10/1/2016	20	<u>596,407</u>	<u>54,967</u>
			1,594,230	196,667

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Lives:

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

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB

Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale

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

Interest Rate

7.65% per year (prior 7.75%), compounded annually, net of investment related expenses. This is supported by the target asset class allocation of the trust and the expected long-term return by asset class.

Retirement Age

<u>Age/Service</u>	<u>Probability</u>
25 Yrs of Service	100%
< 25 Yrs, Age 55	75%
< 25 Yrs, Age 56	25%
< 25 Yrs, Age 57	25%
< 25 Yrs, Age 58	25%
< 25 Yrs, Age 59	25%
< 25 Yrs, Age 60	100%

(Previously 100% at first eligibility for Normal Retirement. Also, any Member who has reached Normal Retirement eligibility is assumed to continue employment for one additional year).

This is based on the results of the September 13, 2016 experience study.

Early Retirement

Commencing at eligibility for Early Retirement Members are assumed to retire with an immediate benefit at the rate of 2% per year if they have 25+ years of Credited Service (10% if less than 25 years of Credited Service). (Previously 2.0% for all).

This is based on the results of the September 13, 2016 experience study.

Disability Rate

See table below (1207). It is assumed that 75% of disablements and active member deaths are service related. This was supported by the September 13, 2016 experience study.

Termination Rate

Table below applies after 10 years of service (1302). The assumption is 9.0% for each of the first 10 years. (Previously used below table for all service). This is based on the results of the September 13, 2016 experience study.

Salary Increases

<u>Credited Service</u>	<u>Assumed Rate</u>
< 5 Years of Service	7.0% per year
5 – 14 Years of Service	5.0% per year
15+ Years of Service	4.5% per year

(Previously 5.2% per year until the assumed retirement age). Projected salary at retirement is increased individually to account for non-regular compensation. This is based on the results of the September 13, 2016 experience study.

Administrative Expenses

\$48,630 added to Normal Cost (average of non-investment expenses for the past 2 years).

Payroll Growth Assumption

0% annually for amortizing UAAL (prior 0.80%)

Funding Method

Frozen Entry Age Actuarial Cost Method.

Asset Valuation

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. 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 (Currently after 10 Yrs Svc) (Previously for all Yrs Svc)</u>	<u>% Becoming Disabled During the Year</u>
20	9.0%	.07%
30	7.5	.11
40	3.9	.19
50	1.2	.51

VALUATION NOTES

Total Annual Payroll is the annual rate of pay for the fiscal year following 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.

Normal (Current Year's) Cost is the current year's cost for benefits yet to be funded.

Unfunded Actuarial Accrued Liability (UAAL) is a liability which arises when a pension plan is initially established or improved and such establishment or improvement is applicable to all years of past service.

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.

Frozen Entry Age Actuarial Cost Method is the method used to determine required contributions under the Plan. The use of this method involves the systematic funding of the Normal Cost (described above) and the Unfunded Accrued (Past Service) Liability. See the "Reconciliation of Unfunded Actuarial Accrued Liability" for details regarding the current status of the separate liabilities.

PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1994	91,204.00	_____%
1995	93,883.00	2.9%
1996	103,247.00	10.0%
1997	109,924.00	6.5%
1998	166,718.18	51.7%
1999	118,410.85	-29.0%
2000	114,627.92	-3.2%
2001	120,045.31	4.7%
2002	137,612.65	14.6%
2003	159,149.65	15.7%
2004	166,624.90	4.7%
2005	184,093.15	10.5%
2006	184,827.50	0.4%
2007	184,093.15	-0.4%
2008	184,093.15	0.0%
2009	170,126.72	-7.6%
2010	159,138.64	-6.5%
2011	161,436.95	1.4%
2012	155,518.07	-3.7%
2013	155,996.52	0.3%
2014	160,225.10	2.7%
2015	168,105.42	4.9%
2016	183,761.35	9.3%

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Money Market	567,765.00	567,765.00
Cash	391.40	391.40
Total Cash and Equivalents	568,156.40	568,156.40
Receivables:		
Total Receivable	0.00	0.00
Investments:		
Fixed Income	5,062,054.96	5,023,883.11
Equities	9,719,461.88	10,563,266.06
Pooled/Common/Commingled Funds:		
Equity	1,133,222.21	1,684,976.48
Total Investments	15,914,739.05	17,272,125.65
Total Assets	16,482,895.45	17,840,282.05
<u>LIABILITIES</u>		
Total Liabilities	0.00	0.00
NET POSITION RESTRICTED FOR PENSIONS	16,482,895.45	17,840,282.05

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

ADDITIONS

Contributions:		
Member		277,064.21
City		255,919.63
State		183,761.35
Total Contributions		716,745.19
Investment Income:		
Net Realized Gain (Loss)	150,732.24	
Unrealized Gain (Loss)	509,671.24	
Net Increase in Fair Value of Investments		660,403.48
Interest & Dividends		438,003.95
Less Investment Expense ¹		(55,655.22)
Net Investment Income		1,042,752.21
Total Additions		1,759,497.40

DEDUCTIONS

Distributions to Members:		
Benefit Payments		891,084.60
Lump Sum DROP Distributions		0.00
Refunds of Member Contributions		69,475.42
Total Distributions		960,560.02
Administrative Expense		50,968.40
Total Deductions		1,011,528.42
Net Increase in Net Position		747,968.98
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		17,092,313.07
End of the Year		17,840,282.05

¹Investment 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 ¹	
09/30/2013	11.80%	
09/30/2014	11.76%	
09/30/2015	-1.21%	
09/30/2016	6.19%	
Annualized Rate of Return for prior four (4) years:		7.00%
(A) 10/01/2015 Actuarial Assets:		\$17,815,618.38
(I) Net Investment Income:		
1. Interest and Dividends	438,003.95	
2. Realized Gains (Losses)	150,732.24	
3. Change in Actuarial Value	703,582.73	
4. Investment Related Expenses	(55,655.22)	
Total		1,236,663.70
(B) 10/01/2016 Actuarial Assets:		\$18,757,498.85
Actuarial Asset Rate of Return = 2I/(A+B-I):		7.00%
10/01/2016 Limited Actuarial Assets:		\$18,757,498.85
10/01/2016 Market Value of Assets:		\$17,840,282.05
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		(\$132,499.68)

¹Market Value Basis, net of investment related expenses.

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

REVENUES

Contributions:		
Member	277,064.21	
City	255,919.63	
State	183,761.35	
 Total Contributions		 716,745.19
Earnings from Investments:		
Interest & Dividends	438,003.95	
Net Realized Gain (Loss)	150,732.24	
Change in Actuarial Value	703,582.73	
 Total Earnings and Investment Gains		 1,292,318.92

EXPENDITURES

Distributions to Members:		
Benefit Payments	891,084.60	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	69,475.42	
 Total Distributions		 960,560.02
Expenses:		
Investment related ¹	55,655.22	
Administrative	50,968.40	
 Total Expenses		 106,623.62
 Change in Net Assets for the Year		 941,880.47
 Net Assets Beginning of the Year		 17,815,618.38
 Net Assets End of the Year ²		 18,757,498.85

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

²Net Assets may be limited for actuarial consideration.

DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2015 to September 30, 2016

Beginning of the Year Balance	147,711.53
Plus Additions	50,490.72
Investment Return Earned	10,648.24
Less Distributions	0.00
End of the Year Balance	208,850.49

STATISTICAL DATA ¹

	<u>10/1/2013</u>	<u>10/1/2014</u>	<u>10/1/2015</u>	<u>10/1/2016</u>
<u>Actives</u>				
Number	70	65	56	57
Average Current Age	40.5	40.7	39.1	39.6
Average Age at Employment	29.9	29.7	29.6	29.2
Average Past Service	10.6	11.0	9.5	10.4
Average Annual Salary	\$53,643	\$52,365	\$56,921	\$66,749
<u>Service Retirees</u>				
Number		29	31	32
Average Current Age		65.5	65.9	66.6
Average Annual Benefit		\$26,603	\$27,400	\$26,974
<u>DROP Retirees</u>				
Number		1	1	1
Average Current Age		54.3	55.3	56.3
Average Annual Benefit		\$50,491	\$50,491	\$50,491
<u>Beneficiaries</u>				
Number		0	0	0
Average Current Age		N/A	N/A	N/A
Average Annual Benefit		N/A	N/A	N/A
<u>Disability Retirees</u>				
Number		1	1	1
Average Current Age		42.0	43.0	44.0
Average Annual Benefit		\$17,305	\$17,305	\$27,925
<u>Terminated Vested</u>				
Number		10	9	12
Average Current Age		49.3	50.2	39.3
Average Annual Benefit ²		\$18,286	\$17,437	\$16,489

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

² The Average Annual Benefit excludes participants awaiting a refund of contributions.

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	3	1	0	0	0	0	0	0	0	0	0	4
25 - 29	1	3	1	3	0	0	0	0	0	0	0	8
30 - 34	2	0	0	1	1	3	0	0	0	0	0	7
35 - 39	0	0	1	0	1	2	3	1	0	0	0	8
40 - 44	0	0	1	0	0	3	3	3	0	0	0	10
45 - 49	0	0	0	0	0	0	1	4	4	2	0	11
50 - 54	0	1	0	0	0	2	0	1	2	0	0	6
55 - 59	0	0	0	0	0	0	1	1	0	0	0	2
60 - 64	0	0	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	1	0	0	0	0	1
Total	6	5	3	4	2	10	9	10	6	2	0	57

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2015	56
b. Terminations	
i. Vested (partial or full) with deferred benefits	(2)
ii. Non-vested or full lump sum distribution received	(4)
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	0
f. DROP	<u>0</u>
g. Continuing participants	50
h. New entrants	<u>7</u>
i. Total active life participants in valuation	57

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

	Service Retirees, Vested Receiving <u>Benefits</u>	DROP <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested <u>Deferred</u>	<u>Total</u>
a. Number prior valuation	31	1	0	1	9	42
Retired	1	0	0	0	(1)	0
DROP	0	0	0	0	0	0
Vested Deferred	0	0	0	0	6	6
Death, With Survivor	0	0	0	0	0	0
Death, No Survivor	0	0	0	0	0	0
Disabled	0	0	0	0	0	0
Refund of Contributions	0	0	0	0	(2)	(2)
Rehires	0	0	0	0	0	0
Expired Annuities	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0
b. Number current valuation	32	1	0	1	12	46

SUMMARY OF PLAN PROVISIONS
(Through Ordinance No. 15-32)

<u>Eligibility</u>	Full-time sworn police officers.
<u>Salary</u>	Reportable W-2 compensation, less Christmas bonuses, but including lump sum payment of accrued sick leave, accrued annual leave, or accrued compensatory leave, plus all tax deferred (IRC Section 414(h)(2) and IRC Section 457 contributions) and tax exempt (IRC Section 125) items of income. Effective January 22, 2013, Salary shall not include more than 300 hours of overtime per year. Additionally, Salary will include the lesser of the amount of unused sick and annual leave time accrued as of January 22, 2013, or the actual amount of sick and vacation leave time for which the retiree receives payment at the time of retirement.
<u>Average Final Compensation</u>	Average of Salary paid during the 5 best years of the last 10 years of Credited Service. (The best 4 years for any Member eligible for Normal Retirement as of January 27, 2014.)
<u>Credited Service</u>	Years and fractional parts of years of service with the City as a Police Officer.
<u>Normal Retirement</u>	
Date	Earlier of 1.) Age 52 (Age 50 for Members eligible for Normal Retirement as of October 1, 2015 under the prior provisions) and the completion of 25 Years of Credited Service, or 2.) Age 55 and the completion of 10 years of Credited Service.
Benefit	3.00% of Average Final Compensation <u>times</u> Credited Service prior to May 27, 2003; 2.00% for each year between May 27, 2003 and September 30, 2009; 2.5% for each year of Credited Service between October 1, 2009 and September 30, 2015; and 3.00% for each year of Credited Service thereafter.
Form of Benefit	Ten Year Certain and Life Annuity (options available).
<u>Early Retirement</u>	
Eligibility	Age 50 (Age 45 for Members who will be eligible for Early Retirement as of October 1, 2015 under the prior provisions) and completion of 10 years of Credited Service.
Benefit	Accrued benefit, reduced 3.0% per year.

Disability Benefit

Eligibility	Total and permanent; Medical proof required. 10 years of Credited Service required for non-service incurred disability benefit.
Exclusions	Disability resulting from the use of drugs, illegal participation in riots, service in military, etc.
Benefit	
Service Connected	Greater of accrued benefit or 50% of Average Final Compensation.
Non-Service Connected	Greater of accrued benefit or 25% of Average Final Compensation.

Pre-Retirement Death Benefit

Service Connected	Beneficiary receives a monthly benefit which can be provided by the greater of: 1.) present value of Member's accrued benefit, or 2.) lesser of 24 times the Member's Average Final Compensation, or 100 times the Member's anticipated normal retirement benefit.
Non-Service Connected	If less than 10 years of service, beneficiary receives a refund of Member contributions; otherwise, same as service connected benefits.

Death After Retirement

Benefit payable in accordance with optional form of pension selected at time of retirement.

Vesting (Termination of Employment)

Less than 10 years	Refund of Member Contributions.
10 years or more	Accrued pension payable on a reduced basis at Normal (unreduced) or Early (reduced) Retirement Date.

Member Contributions

7.65% of Salary.

City Contributions

Amount required after State premium tax refunds in order to pay current costs and amortize unfunded past service cost, as provided in Part VII, Chapter 112, Florida Statutes.

Board of Trustees

- a.) Two City residents appointed by the City Commission,
- b.) Two Police Officers elected by a majority of Police Officers and
- c.) A fifth Member elected by the Board and appointed (as a ministerial duty) by the City Commission.

Deferred Retirement Option Plan

Eligibility	Satisfaction of Normal Retirement requirements.
Participation	Not to exceed 60 months.
Rate of Return	Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter.
Form of Distribution	Cash lump sum (options available) at termination of employment.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Money Market	567,765
Cash	391
Total Cash and Equivalents	568,156
Total Receivable	0
Investments:	
Fixed Income	5,023,883
Equities	10,563,266
Pooled/Common/Commingled Funds:	
Equity	1,684,977
Total Investments	17,272,126
Total Assets	17,840,282
Total Liabilities	0
NET POSITION RESTRICTED FOR PENSIONS	17,840,282

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

ADDITIONS

Contributions:

Member	277,064	
City	255,920	
State	183,761	
Total Contributions		716,745
 Investment Income:		
Net Increase in Fair Value of Investments	660,403	
Interest & Dividends	438,004	
Less Investment Expense ¹	(55,655)	
Net Investment Income		1,042,752
Total Additions		1,759,497

DEDUCTIONS

Distributions to Members:

Benefit Payments	891,085	
Lump Sum DROP Distributions	0	
Refunds of Member Contributions	69,475	
Total Distributions		960,560
 Administrative Expense		 50,968
Total Deductions		1,011,528
Net Increase in Net Position		747,969

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		17,092,313
End of the Year		17,840,282

¹Investment 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 the Plan's Board of Trustees comprised of:

- a.) Two City residents appointed by the City Commission,
- b.) Two Police Officers elected by a majority of Police Officers and
- c.) A fifth Member elected by the Board and appointed (as a ministerial duty) by the City Commission.

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	33
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	9
Active Plan Members	56
	98

Benefits Provided

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

Normal Retirement:

Date: Earlier of 1.) Age 52 (Age 50 for Members eligible for Normal Retirement as of October 1, 2015 under the prior provisions) and the completion of 25 Years of Credited Service, or 2.) Age 55 and the completion of 10 years of Credited Service.

Benefit: 3.00% of Average Final Compensation times Credited Service prior to May 27, 2003, and 2.00% for each year between May 27, 2003, and September 30, 2009 and 2.5% for each year of Credited Service between October 1, 2009 and September 30, 2015; and 3.00% for each year of Credited Service thereafter.

Early Retirement:

Date: Age 50 (Age 45 for Members who will be eligible for Early Retirement as of October 1, 2015 under the prior provisions) and completion of 10 years of Credited Service.

Benefit: Accrued benefit, reduced 3.0% per year.

Vesting (Termination of Employment):

Less than 10 years: Refund of Member Contributions.

10 years or more: Accrued pension payable on a reduced basis at Normal (unreduced) or Early (reduced) Retirement Date.

Disability:

Eligibility: Total and permanent; Medical proof required. 10 years of Credited Service required for non-service incurred disability benefit.

Benefit: Service Connected: Greater of accrued benefit or 50% of Average Final Compensation.

Non-Service Connected: Greater of accrued benefit or 25% of Average Final Compensation.

Pre-Retirement Death Benefit:

Service Connected: Beneficiary receives a monthly benefit which can be provided by the greater of: 1.) present value of Member's accrued benefit, or 2.) lesser of 24 times the Member's Average Final Compensation, or 100 times the Member's anticipated normal retirement benefit.

Non-Service Connected: If less than 10 years of service, beneficiary receives a refund of Member contributions; otherwise, same as service connected benefits.

Contributions

Member Contributions: 7.65% of Salary.

City Contributions: Amount required after State premium tax refunds in order to pay current costs and amortize unfunded past service cost, as provided in Part VII, Chapter 112, Florida Statutes.

GASB 67

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	45%
International Equity	15%
Broad Market Fixed Income	20%
Global Fixed Income	5%
TIPS	5%
Real Estate	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 6.19 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: Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter.

The DROP balance as September 30, 2016 is \$208,850.

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	\$ 19,783,809
Plan Fiduciary Net Position	<u>\$ (17,840,282)</u>
Sponsor's Net Pension Liability	<u>\$ 1,943,527</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	90.18%

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	2.50%
Salary Increases	Service based
Discount Rate	7.65%
Investment Rate of Return	7.65%

Mortality Rate Healthy Lives:

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

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The most recent actuarial experience study used to review the other significant assumptions was dated, September 13, 2016.

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 2.50%.

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	7.50%
International Equity	8.50%
Broad Market Fixed Income	2.50%
Global Fixed Income	3.50%
TIPS	2.50%
Real Estate	4.50%

GASB 67

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.65 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	1% Decrease	Current Discount Rate	1% Increase
	6.65%	7.65%	8.65%
	<u> </u>	<u> </u>	<u> </u>
Sponsor's Net Pension Liability	\$ 4,349,320	\$ 1,943,527	\$ (61,704)

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	531,469	583,726
Interest	1,386,584	1,401,184
Changes of benefit terms	-	390,863
Differences between Expected and Actual Experience	615,885	(1,091,580)
Changes of assumptions	370,217	-
Benefit Payments, including Refunds of Employee Contributions	(960,560)	(1,098,375)
Net Change in Total Pension Liability	<u>1,943,595</u>	<u>185,818</u>
Total Pension Liability - Beginning	<u>17,840,214</u>	<u>17,654,396</u>
Total Pension Liability - Ending (a)	<u><u>\$ 19,783,809</u></u>	<u><u>\$ 17,840,214</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	255,920	248,486
Contributions - State	183,761	168,105
Contributions - Employee	277,064	250,545
Net Investment Income	1,042,752	(211,259)
Benefit Payments, including Refunds of Employee Contributions	(960,560)	(1,098,375)
Administrative Expense	(50,968)	(46,291)
Net Change in Plan Fiduciary Net Position	<u>747,969</u>	<u>(688,789)</u>
Plan Fiduciary Net Position - Beginning	<u>17,092,313</u>	<u>17,781,102</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 17,840,282</u></u>	<u><u>\$ 17,092,313</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 1,943,527</u></u>	<u><u>\$ 747,901</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	90.18%	95.81%
Covered Employee Payroll ¹	\$ 3,621,754	\$ 3,476,535
Net Pension Liability as a percentage of Covered Employee Payroll	53.66%	21.51%

Notes to Schedule:

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Changes of benefit terms:

For measurement date 09/30/2015, amounts reported as changes of benefit terms were resulted from:

- 3.00% times Credited Service earned prior to May 27, 2003, plus
- 2.00% times Credited Service earned between May 27, 2003 and September 30, 2009, plus
- 2.50% times Credited Service earned between October 1, 2009 and September 30, 2015, plus
- 3.00% times Credited Service earned on and after October 1, 2015.

Changes of assumptions:

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted of the September 13, 2016 Experience Study, the Board adopted the following changes:

1. The investment return assumption was lowered from 7.75% to 7.65% net of investment related expenses.
2. The mortality rates were changed from the RP2000 Combined Healthy table to the tables used by the Florida Retirement System (FRS) for special risk lives in their July 1, 2015 actuarial valuation report. This change was required by Chapter 2015-157, Laws of Florida.

GASB 67

3. The retirement assumption was changed to the following table:

Early Retirement with less than 25 years of Credited Service: 10.0% (previously 2%) per year.

Normal Retirement with 25 years of Credited Service:	100%
Normal Retirement with < 25 yrs at 55	75%
Normal Retirement with < 25 yrs at 56	25%
Normal Retirement with < 25 yrs at 57	25%
Normal Retirement with < 25 yrs at 58	25%
Normal Retirement with < 25 yrs at 59	25%
Normal Retirement with < 25 yrs at 60+	100%

4. The withdrawal rates were changed to continue to use the current assumption for more than 10 years of service and assuming a 9.0% turnover rate each of the first 10 years.

5. The assumed rates of individual salary increase was changed from a flat 5.2% to the following rates based upon Credited Service:

< 5 Years of Service	7.0% per year
5 – 14 Years of Service	5.0% per year
15+ Years of Service	4.5% per year

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	612,234	568,199
Interest	1,299,397	1,219,007
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(822,819)</u>	<u>(765,084)</u>
Net Change in Total Pension Liability	1,088,812	1,022,122
Total Pension Liability - Beginning	<u>16,565,584</u>	<u>15,543,462</u>
Total Pension Liability - Ending (a)	<u><u>\$ 17,654,396</u></u>	<u><u>\$ 16,565,584</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	371,964	406,147
Contributions - State	160,225	155,997
Contributions - Employee	258,985	276,198
Net Investment Income	1,868,068	1,685,318
Benefit Payments, including Refunds of Employee Contributions	(822,819)	(765,084)
Administrative Expense	<u>(43,005)</u>	<u>(31,140)</u>
Net Change in Plan Fiduciary Net Position	1,793,418	1,727,436
Plan Fiduciary Net Position - Beginning	<u>15,987,684</u>	<u>14,260,248</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 17,781,102</u></u>	<u><u>\$ 15,987,684</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ (126,706)</u></u>	<u><u>\$ 577,900</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	100.72%	96.51%
Covered Employee Payroll ¹	\$ 3,385,424	\$ 3,610,429
Net Pension Liability as a percentage of Covered Employee Payroll	-3.74%	16.01%

Notes to Schedule:

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	439,681	416,591	532,189	562,144
Contributions in relation to the Actuarially Determined Contributions	439,681	416,591	532,189	562,144
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll ¹	\$ 3,621,754	\$ 3,476,535	\$ 3,385,424	\$ 3,610,429
Contributions as a percentage of Covered Employee Payroll	12.14%	11.98%	15.72%	15.57%

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Notes to Schedule

Valuation Date: 10/01/2014 (AIS 09/02/2015)
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: Frozen Entry Age Actuarial Cost Method.
Amortization Method: Level Percentage of Pay, Closed.
Remaining Amortization Period: 30 Years (as of 10/01/2014).
Mortality: RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).
Interest Rate: 7.75% per year, compounded annually, net of investment related expenses.
Retirement Age: 100% at first eligibility for Normal Retirement. Also, any Member who has reached Normal Retirement eligibility is assumed to continue employment for one additional year.
Early Retirement: Commencing at eligibility for Early Retirement, Members are assumed to retire with an immediate benefit at the rate of 2% per year.
Disability Rates: See table below (1207). It is assumed that 75% of disablements and active member deaths are service related.
Termination Rates: See table below (1302).
Salary Increases: 5.2% per year until the assumed retirement age. Projected salary at retirement is increased individually to account for non-regular compensation.
Cost-of-Living Adjustment: None.
Payroll Growth Assumption: 1.6% annually for amortizing UAAL.
Asset Valuation: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. 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	9.0%	0.07%
30	7.5%	0.11%
40	3.9%	0.19%
50	1.2%	0.51%

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	6.19%	-1.21%	11.76%	11.80%

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

General Information about the Pension Plan

Plan Description

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

- a.) Two City residents appointed by the City Commission,
- b.) Two Police Officers elected by a majority of Police Officers and
- c.) A fifth Member elected by the Board and appointed (as a ministerial duty) by the City Commission.

Each person employed by the City Police Department as a full-time Police Officer becomes a Member of the Plan as a condition of his employment. All Members are therefore eligible for all plan benefits as provided for in the plan document and by applicable law.

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	33
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	9
Active Plan Members	56
	98
	98

Benefits Provided

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

Normal Retirement:

Date: Earlier of 1.) Age 52 (Age 50 for Members eligible for Normal Retirement as of October 1, 2015 under the prior provisions) and the completion of 25 Years of Credited Service, or 2.) Age 55 and the completion of 10 years of Credited Service.

Benefit: 3.00% of Average Final Compensation times Credited Service prior to May 27, 2003, and 2.00% for each year between May 27, 2003, and September 30, 2009 and 2.5% for each year of Credited Service between October 1, 2009 and September 30, 2015; and 3.00% for each year of Credited Service thereafter.

Early Retirement:

Date: Age 50 (Age 45 for Members who will be eligible for Early Retirement as of October 1, 2015 under the prior provisions) and completion of 10 years of Credited Service.

Benefit: Accrued benefit, reduced 3.0% per year.

Vesting (Termination of Employment):

Less than 10 years: Refund of Member Contributions.

10 years or more: Accrued pension payable on a reduced basis at Normal (unreduced) or Early (reduced) Retirement Date.

Disability:

Eligibility: Total and permanent; Medical proof required. 10 years of Credited Service required for non-service incurred disability benefit.

Benefit: Service Connected: Greater of accrued benefit or 50% of Average Final Compensation.

Pre-Retirement Death Benefit:

Service Connected: Beneficiary receives a monthly benefit which can be provided by the greater of: 1.) present value of Member's accrued benefit, or 2.) lesser of 24 times the Member's Average Final Compensation, or 100 times the Member's anticipated normal retirement benefit.

Non-Service Connected: If less than 10 years of service, beneficiary receives a refund of Member contributions; otherwise, same as service connected benefits.

Contributions

Member Contributions: 7.65% of Salary.

City Contributions: Amount required after State premium tax refunds in order to pay current costs and amortize unfunded past service cost, as provided in Part VII, 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	2.50%
Salary Increases	Service based
Discount Rate	7.65%
Investment Rate of Return	7.65%

Mortality Rate Healthy Lives:

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

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The most recent actuarial experience study used to review the other significant assumptions was dated, September 13, 2016.

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 2.50%.

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	45%	7.50%
International Equity	15%	8.50%
Broad Market Fixed Income	20%	2.50%
Global Fixed Income	5%	3.50%
TIPS	5%	2.50%
Real Estate	10%	4.50%
<u>Total</u>	<u>100%</u>	

GASB 68

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.65 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, 2015	\$ 17,840,214	\$ 17,092,313	\$ 747,901
Changes for a Year:			
Service Cost	531,469	-	531,469
Interest	1,386,584	-	1,386,584
Differences between Expected and Actual Experience	615,885	-	615,885
Changes of assumptions	370,217	-	370,217
Changes of benefit terms	-	-	-
Contributions - Employer	-	255,920	(255,920)
Contributions - State	-	183,761	(183,761)
Contributions - Employee	-	277,064	(277,064)
Net Investment Income	-	1,042,752	(1,042,752)
Benefit Payments, including Refunds of Employee Contributions	(960,560)	(960,560)	-
Administrative Expense	-	(50,968)	50,968
Net Changes	1,943,595	747,969	1,195,626
Balances at September 30, 2016	\$ 19,783,809	\$ 17,840,282	\$ 1,943,527

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.65%	7.65%	8.65%
Sponsor's Net Pension Liability	\$ 4,349,320	\$ 1,943,527	\$ (61,704)

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 \$635,887.

On September 30, 2016, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	492,708	727,720
Changes of assumptions	296,173	-
Net difference between Projected and Actual Earnings on Pension Plan investments	906,092	-
Total	\$ 1,694,973	\$ 727,720

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	\$ 257,162
2018	\$ 257,161
2019	\$ 383,544
2020	\$ 69,386
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	531,469	583,726
Interest	1,386,584	1,401,184
Changes of benefit terms	-	390,863
Differences between Expected and Actual Experience	615,885	(1,091,580)
Changes of assumptions	370,217	-
Benefit Payments, including Refunds of Employee Contributions	(960,560)	(1,098,375)
Net Change in Total Pension Liability	<u>1,943,595</u>	<u>185,818</u>
Total Pension Liability - Beginning	<u>17,840,214</u>	<u>17,654,396</u>
Total Pension Liability - Ending (a)	<u>\$ 19,783,809</u>	<u>\$ 17,840,214</u>
Plan Fiduciary Net Position		
Contributions - Employer	255,920	248,486
Contributions - State	183,761	168,105
Contributions - Employee	277,064	250,545
Net Investment Income	1,042,752	(211,259)
Benefit Payments, including Refunds of Employee Contributions	(960,560)	(1,098,375)
Administrative Expense	(50,968)	(46,291)
Net Change in Plan Fiduciary Net Position	<u>747,969</u>	<u>(688,789)</u>
Plan Fiduciary Net Position - Beginning	<u>17,092,313</u>	<u>17,781,102</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 17,840,282</u>	<u>\$ 17,092,313</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 1,943,527</u>	<u>\$ 747,901</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	90.18%	95.81%
Covered Employee Payroll ¹	\$ 3,621,754	\$ 3,476,535
Net Pension Liability as a percentage of Covered Employee Payroll	53.66%	21.51%

Notes to Schedule:

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Changes of benefit terms:

For measurement date 09/30/2015, amounts reported as changes of benefit terms were resulted from:

- 3.00% times Credited Service earned prior to May 27, 2003, plus
- 2.00% times Credited Service earned between May 27, 2003 and September 30, 2009, plus
- 2.50% times Credited Service earned between October 1, 2009 and September 30, 2015, plus
- 3.00% times Credited Service earned on and after October 1, 2015.

Changes of assumptions:

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted of the September 13, 2016 Experience Study, the Board adopted the following changes:

1. The investment return assumption was lowered from 7.75% to 7.65% net of investment related expenses.
2. The mortality rates were changed from the RP2000 Combined Healthy table to the tables used by the Florida Retirement System (FRS) for special risk lives in their July 1, 2015 actuarial valuation report. This change was required by Chapter 2015-157, Laws of Florida.

GASB 68

3. The retirement assumption was changed to the following table:

Early Retirement with less than 25 years of Credited Service: 10.0% (previously 2%) per year.

Normal Retirement with 25 years of Credited Service:	100%
Normal Retirement with < 25 yrs at 55	75%
Normal Retirement with < 25 yrs at 56	25%
Normal Retirement with < 25 yrs at 57	25%
Normal Retirement with < 25 yrs at 58	25%
Normal Retirement with < 25 yrs at 59	25%
Normal Retirement with < 25 yrs at 60+	100%

4. The withdrawal rates were changed to continue to use the current assumption for more than 10 years of service and assuming a 9.0% turnover rate each of the first 10 years.

5. The assumed rates of individual salary increase was changed from a flat 5.2% to the following rates based upon Credited Service:

< 5 Years of Service	7.0% per year
5 – 14 Years of Service	5.0% per year
15+ Years of Service	4.5% per year

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	612,234	568,199
Interest	1,299,397	1,219,007
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(822,819)</u>	<u>(765,084)</u>
Net Change in Total Pension Liability	1,088,812	1,022,122
Total Pension Liability - Beginning	<u>16,565,584</u>	<u>15,543,462</u>
Total Pension Liability - Ending (a)	<u><u>\$ 17,654,396</u></u>	<u><u>\$ 16,565,584</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	371,964	406,147
Contributions - State	160,225	155,997
Contributions - Employee	258,985	276,198
Net Investment Income	1,868,068	1,685,318
Benefit Payments, including Refunds of Employee Contributions	(822,819)	(765,084)
Administrative Expense	<u>(43,005)</u>	<u>(31,140)</u>
Net Change in Plan Fiduciary Net Position	1,793,418	1,727,436
Plan Fiduciary Net Position - Beginning	<u>15,987,684</u>	<u>14,260,248</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 17,781,102</u></u>	<u><u>\$ 15,987,684</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ (126,706)</u></u>	<u><u>\$ 577,900</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	100.72%	96.51%
Covered Employee Payroll ¹	\$ 3,385,424	\$ 3,610,429
Net Pension Liability as a percentage of Covered Employee Payroll	-3.74%	16.01%

Notes to Schedule:

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	439,681	416,591	532,189	562,144
Contributions in relation to the Actuarially Determined Contributions	439,681	416,591	532,189	562,144
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll ¹	\$ 3,621,754	\$ 3,476,535	\$ 3,385,424	\$ 3,610,429
Contributions as a percentage of Covered Employee Payroll	12.14%	11.98%	15.72%	15.57%

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Notes to Schedule

Valuation Date: 10/01/2014 (AIS 09/02/2015)
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: Frozen Entry Age Actuarial Cost Method.
 Amortization Method: Level Percentage of Pay, Closed.
 Remaining Amortization Period: 30 Years (as of 10/01/2014).
 Mortality: RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).
 Interest Rate: 7.75% per year, compounded annually, net of investment related expenses.
 Retirement Age: 100% at first eligibility for Normal Retirement. Also, any Member who has reached Normal Retirement eligibility is assumed to continue employment for one additional year.
 Early Retirement: Commencing at eligibility for Early Retirement, Members are assumed to retire with an immediate benefit at the rate of 2% per year.
 Disability Rates: See table below (1207). It is assumed that 75% of disablements and active member deaths are service related.
 Termination Rates: See table below (1302).
 Salary Increases: 5.2% per year until the assumed retirement age. Projected salary at retirement is increased individually to account for non-regular compensation.
 Cost-of-Living Adjustment: None.
 Payroll Growth Assumption: 1.6% annually for amortizing UAAL.
 Asset Valuation: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. 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	9.00%	0.07%
30	7.50%	0.11%
40	3.90%	0.19%
50	1.20%	0.51%

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 747,901	\$ 1,288,799	\$ 1,256,632	\$ -
Total Pension Liability Factors:				
Service Cost	531,469	-	-	531,469
Interest	1,386,584	-	-	1,386,584
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	615,885	-	615,885	-
Current year amortization of experience difference	-	(181,930)	(123,177)	(58,753)
Change in assumptions about future economic or demographic factors or other inputs	370,217	-	370,217	-
Current year amortization of change in assumptions	-	-	(74,044)	74,044
Benefit Payments	(960,560)	-	-	(960,560)
Net change	<u>1,943,595</u>	<u>(181,930)</u>	<u>788,881</u>	<u>972,784</u>
Plan Fiduciary Net Position:				
Contributions - Employer	255,920	-	-	-
Contributions - State	183,761	-	-	-
Contributions - Employee	277,064	-	-	(277,064)
Net Investment Income	1,313,231	-	-	(1,313,231)
Difference between projected and actual earnings on Pension Plan investments	(270,479)	-	270,479	-
Current year amortization	-	(126,383)	(368,253)	241,870
Benefit Payments	(960,560)	-	-	960,560
Administrative Expenses	(50,968)	-	-	50,968
Net change	<u>747,969</u>	<u>(126,383)</u>	<u>(97,774)</u>	<u>(336,897)</u>
Ending Balance	<u>\$ 1,943,527</u>	<u>\$ 980,486</u>	<u>\$ 1,947,739</u>	<u>\$ 635,887</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	\$ (631,915)	5	\$ (126,383)	\$ (126,383)	\$ (126,383)	\$ (126,383)	\$ (126,383)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 1,570,790	5	\$ -	\$ 314,158	\$ 314,158	\$ 314,158	\$ 314,158	\$ 314,158	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 270,479	5	\$ -	\$ -	\$ 54,095	\$ 54,096	\$ 54,096	\$ 54,096	\$ 54,096	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (126,383)	\$ 187,775	\$ 241,870	\$ 241,871	\$ 241,871	\$ 368,254	\$ 54,096	\$ -	\$ -	\$ -	\$ -

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	\$ -	6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ -	6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 370,217	5	\$ -	\$ -	\$ 74,044	\$ 74,044	\$ 74,043	\$ 74,043	\$ 74,043	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ -	\$ 74,044	\$ 74,044	\$ 74,043	\$ 74,043	\$ 74,043	\$ -	\$ -	\$ -	\$ -

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		2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Expected and Actual Experience	Recognition Period (Years)											
2014	\$ -	6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ (1,091,580)	6	\$ -	\$ (181,930)	\$ (181,930)	\$ (181,930)	\$ (181,930)	\$ (181,930)	\$ (181,930)	\$ -	\$ -	\$ -	\$ -
2016	\$ 615,885	5	\$ -	\$ -	\$ 123,177	\$ 123,177	\$ 123,177	\$ 123,177	\$ 123,177	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ (181,930)	\$ (58,753)	\$ (58,753)	\$ (58,753)	\$ (58,753)	\$ (58,753)	\$ -	\$ -	\$ -	\$ -