

CITY OF LEESBURG
MUNICIPAL FIREMEN'S RETIREMENT PLAN

ACTUARIAL VALUATION
AS OF OCTOBER 1, 2016

CONTRIBUTIONS APPLICABLE TO THE PLAN
YEAR ENDED SEPTEMBER 30, 2018

December 21, 2016

Board of Trustees
City of Leesburg
Municipal Firemen's Retirement Plan
PO Box 490630
Leesburg, FL 34749

Re: City of Leesburg
Municipal Firemen's Retirement Plan

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Leesburg Municipal Firemen's Retirement Plan. 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 175, 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, the Board's Administrator and Attorney, and the State of Florida, 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.

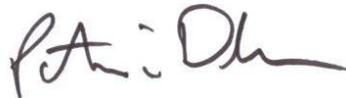
The undersigned is familiar with the immediate and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the 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 Firemen's Retirement Plan. 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, MAAA, ASA
Enrolled Actuary #14-6595

PTD\tb

Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Leesburg Municipal Firemen’s Retirement Plan, 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 year ending September 30, 2018.

The contribution requirements, compared with the amounts set forth in the October 1, 2015 actuarial valuation report, are as follows:

Valuation Date	10/1/2016	10/1/2015
Applicable Plan Year End	<u>9/30/2018</u>	<u>9/30/2017</u>
Total Required Contribution		
% of Projected Annual Payroll	37.1%	35.2%
Members Contributions (Est.)		
% of Projected Annual Payroll	6.5%	6.5%
Required City and State		
% of Projected Annual Payroll	30.6%	28.7%
State Contribution ¹	110,449	110,449
% of Projected Annual Payroll	4.3%	4.3%
Balance from City ²		
% of Projected Annual Payroll	26.3%	24.4%

¹ Reflects “traditional” interpretation of Chapter 175, Florida Statutes.

² As requested by the Division of Retirement, the required contribution from the City and State for the year ending September 30, 2018, is 30.6% of the actual payroll realized in that year. As a budgeting tool, the City may contribute 26.3% of each 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 Projected Annual Payroll. This increase is only the result of a State mandated change to the assumed rates of mortality. If the change to the mortality assumption were not made, then the funding requirements would have decreased when expressed as a percentage of Projected Annual Payroll. Please see the Comparative Summary of Principal Valuation Results that follows to see the funding requirements before and after the assumption change. During the past year, there was a larger than expected average individual increase in pensionable earnings. The 4-year rolling average investment return of 7.61% which was greater than the assumed rate of 7.50%. The impact of these actuarial gains and losses were not as

significant as the effect of a reduction in the level of administrative expenses, when expressed as a percentage of Projected Annual Payroll. Please note that through the use of the smoothing technique, the Fund has a deferred investment loss that will be realized over the next 2 years. As of October 1, 2016, the deferred investment loss totaled \$114,290. For example, if the Plan earns 7.5% this year, then the 4-year rolling average investment return used in the October 1, 2017 actuarial valuation report will be 6.18%, which would provide an actuarial loss on the investments in next year's report.

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

Respectfully submitted,

FOSTER & FOSTER, INC.

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

CHANGES SINCE PRIOR VALUATION

Plan Changes

There were no plan changes since the prior valuation.

Actuarial Assumption/Method Changes

As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed from the RP-2000 Combined Healthy Tables to the mortality tables used by the Florida Retirement System for special risk employees for 2015. The impact of this change is shown on the comparative summary section of this report.

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	45	45	41
Service Retirees	25	25	26
Beneficiaries	4	4	3
Disability Retirees	1	1	1
Terminated Vested	<u>5</u>	<u>5</u>	<u>4</u>
Total	80	80	75
Total Annual Payroll	\$2,573,622	\$2,573,622	\$2,269,006
Payroll Under Assumed Ret. Age	2,573,622	2,573,622	2,269,006
Annual Rate of Payments to:			
Service Retirees	1,021,332	1,021,332	992,045
Beneficiaries	77,961	77,961	45,903
Disability Retirees	18,408	18,408	18,408
Terminated Vested	70,573	70,573	54,082
B. Assets			
Actuarial Value (AVA) ¹	17,589,407	17,589,407	16,734,353
Market Value (MVA) ¹	17,475,117	17,475,117	16,241,906
C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	11,316,292	11,252,734	10,491,025
Disability Benefits	310,775	335,216	314,770
Death Benefits	541,114	229,256	214,834
Vested Benefits	942,545	944,159	891,630
Refund of Contributions	45,678	45,843	30,331
Service Retirees	10,950,859	10,575,100	10,275,748
Beneficiaries	736,857	683,194	347,872
Disability Retirees	185,390	195,607	199,310
Terminated Vested	275,849	273,134	210,544
Share Account Balances	<u>499,294</u>	<u>499,294</u>	<u>486,573</u>
Total	25,804,653	25,033,537	23,462,637

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	22,007,629	22,251,874	19,886,498
Present Value of Future Member Contributions	1,430,496	1,446,372	1,292,622
Normal Cost (Retirement)	370,166	370,999	320,253
Normal Cost (Disability)	18,837	20,507	18,327
Normal Cost (Death)	31,542	12,573	11,215
Normal Cost (Vesting)	53,264	53,370	44,334
Normal Cost (Refunds)	<u>11,394</u>	<u>11,417</u>	<u>9,484</u>
Total Normal Cost	485,203	468,866	403,613
Present Value of Future Normal Costs	4,095,090	3,996,378	3,351,230
Accrued Liability (Retirement)	8,221,048	8,121,831	7,752,834
Accrued Liability (Disability)	157,635	166,472	162,353
Accrued Liability (Death)	277,603	122,915	119,681
Accrued Liability (Vesting)	401,470	396,101	551,603
Accrued Liability (Refunds)	3,558	3,511	4,889
Accrued Liability (Inactives)	12,148,955	11,727,035	11,033,474
Share Balances	<u>499,294</u>	<u>499,294</u>	<u>486,573</u>
Total Actuarial Accrued Liability (AL)	21,709,563	21,037,159	20,111,407
Unfunded Actuarial Accrued Liability (UAAL)	4,120,156	3,447,752	3,377,054
Funded Ratio (AVA / AL)	81.0%	83.6%	83.2%

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	12,148,955	11,727,035	11,033,474
Actives	4,319,142	4,115,995	3,787,589
Share Balances	499,294	499,294	486,573
Member Contributions	<u>1,407,805</u>	<u>1,407,805</u>	<u>1,424,902</u>
Total	18,375,196	17,750,129	16,732,538
Non-vested Accrued Benefits	<u>470,845</u>	<u>474,697</u>	<u>656,345</u>
Total Present Value Accrued Benefits (PVAB)	18,846,041	18,224,826	17,388,883
Funded Ratio (MVA / PVAB)	92.7%	95.9%	93.4%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	621,215	0	
New Accrued Benefits	0	799,925	
Benefits Paid	0	(1,222,312)	
Interest	0	1,258,330	
Other	<u>0</u>	<u>0</u>	
Total	621,215	835,943	

	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	19.6	18.9	18.5
Administrative Expenses (with interest)			
% of Total Annual Payroll ²	1.5	1.5	2.3
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 24 years (as of 10/1/2016, with interest)			
% of Total Annual Payroll ²	16.0	13.7	14.4
Total Required Contribution			
% of Total Annual Payroll ²	37.1	34.1	35.2
Expected Member Contributions			
% of Total Annual Payroll ²	6.5	6.5	6.5
Expected City and State Contribution			
% of Total Annual Payroll ²	30.6	27.6	28.7

F. Past Contributions

Plan Years Ending:	<u>9/30/2016</u>
Total Required Contribution	814,835
City and State Requirement	651,365
Actual Contributions Made:	
Members (excluding buyback)	163,470
City	540,916
State	<u>110,449</u> ³
Total	814,835

G. Net Actuarial (Gain)/Loss 162,127

¹ The asset values include accumulated Share Account Balances as of 10/1/2015 and 10/1/2016.

² Contributions developed as of 10/1/2016 are expressed as a percentage of total annual payroll at 10/1/2016 of \$2,573,622.

³ Reflects traditional interpretation of Chapter 99-1, Florida Statutes.

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	4,120,156
2017	4,002,905
2018	3,873,024
2024	2,768,023
2029	1,333,793
2035	63,763
2040	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	4.65%	4.51%
Year Ended	9/30/2015	6.22%	4.63%
Year Ended	9/30/2014	1.30%	4.75%

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

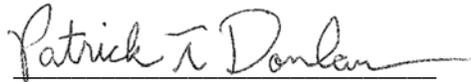
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	7.61%	7.50%
Year Ended	9/30/2015	8.81%	7.50%
Year Ended	9/30/2014	8.16%	7.50%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2016	\$2,573,622
	10/1/2006	2,158,492
(b) Total Increase		19.23%
(c) Number of Years		10.00
(d) Average Annual Rate		1.77%

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	\$3,377,054
(2) Sponsor Normal Cost developed as of October 1, 2015	256,128
(3) Expected administrative expenses for the year ended September 30, 2016	50,322
(4) Expected interest on (1), (2) and (3)	274,376
(5) Sponsor contributions to the System during the year ended September 30, 2016	651,365
(6) Expected interest on (5)	20,890
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2016 (1)+(2)+(3)+(4)-(5)-(6)	3,285,625
(8) Change to UAAL due to Assumption Change	672,404
(9) Change to UAAL due to Actuarial (Gain)/Loss	162,127
(10) Unfunded Actuarial Accrued Liability as of October 1, 2016	4,120,156

<u>Type of</u> <u>Base</u>	<u>Date</u> <u>Established</u>	<u>Years</u> <u>Remaining</u>	<u>10/1/2016</u> <u>Amount</u>	<u>Amortization</u> <u>Amount</u>
Initial Base	10/1/2007	11	\$2,907,677	\$355,679
Method Change	10/1/2008	12	(1,125,464)	(129,765)
Assumption Changes	10/1/2010	14	(202,204)	(21,108)
Benefit Change	10/1/2010	24	(10,635)	(836)
Assumption Changes	10/1/2013	17	147,382	13,722
Method Change	10/1/2013	17	2,444,002	227,545
Actuarial Gain	10/1/2014	8	(286,449)	(44,228)
Actuarial Gain	10/1/2015	9	(588,684)	(83,160)
Actuarial Loss	10/1/2016	10	162,127	21,209
Assumption Change	10/1/2016	20	<u>672,404</u>	<u>57,466</u>
			4,120,156	396,524

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rates

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 mortality 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 for special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

Previously, the RP 2000 Combined Healthy – Sex Distinct with disabled lives set forward 5 years was utilized.

Termination Rates

25% in year one
 10% in years 2 through 5
 3% in years 6 through 10
 2% in years 11 and up

These rates were developed in a March 7, 2014 Experience Study.

Disability Rates

<u>Age</u>	<u>% Becoming Disabled During the Year</u>
20	0.05%
30	0.06
40	0.12
50	0.43

75% of disabilities are assumed to occur in the line of duty.

Retirement Age

50% at first eligibility for Normal Retirement.
 50% in second year of eligibility.
 100% in third year of eligibility.

These rates were developed in a March 7, 2014 Experience Study.

Early Retirement

3.00% per year eligible.

Interest Rate

7.50% per year, compounded annually, net of investment-related expenses. This rate is supported by the long-term rate of return expected from the plan's current asset allocation.

Salary Increases

6.00% in years 1 – 5
5.00% in years 6-10
4.00% in years 11 and up

These rates were developed in a March 7, 2014 Experience Study.

Payroll Growth

0.9% for amortizing UAAL.

Administrative Expenses

\$36,378 annually.

Funding Method

Entry Age Normal Cost Method.

Asset Valuation 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 of Assets.

VALUATION NOTES

Total Annual Payroll is the projected 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. Under the Entry Age Normal Actuarial Cost Method, there is also a new UAAL created each year equal to the actuarial gain or loss for that year.

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 until Normal Retirement, 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.

PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1994	63,955.26	_____%
1995	63,314.22	-1.0%
1996	65,179.45	2.9%
1997	69,719.13	7.0%
1998	97,054.72	39.2%
1999	94,115.90	-3.0%
2000	98,330.96	4.5%
2001	94,572.00	-3.8%
2002	101,495.00	7.3%
2003	114,619.00	12.9%
2004	119,788.00	4.5%
2005	123,857.00	3.4%
2006	138,695.00	12.0%
2007	179,780.63	29.6%
2008	177,356.72	-1.3%
2009	151,617.38	-14.5%
2010	150,459.61	-0.8%
2011	148,365.97	-1.4%
2012	163,137.34	10.0%
2013	156,635.48	-4.0%
2014	161,481.42	3.1%
2015	166,379.91	3.0%
2016	150,583.64	-9.5%

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	754,516.71	754,516.71
Cash	(540.00)	(540.00)
Total Cash and Equivalents	753,976.71	753,976.71
Receivables:		
Investment Income	39,314.24	39,314.24
Total Receivable	39,314.24	39,314.24
Investments:		
U. S. Bonds and Bills	516,043.03	527,920.02
Federal Agency Guaranteed Securities	225,663.48	230,113.20
Corporate Bonds	3,411,248.35	3,471,888.86
Stocks	4,739,422.36	5,042,935.35
Mutual Funds:		
Fixed Income	1,558,548.89	1,730,989.68
Equity	3,671,201.22	4,001,981.80
Pooled/Common/Commingled Funds:		
Real Estate	1,543,262.34	1,683,526.17
Total Investments	15,665,389.67	16,689,355.08
Total Assets	16,458,680.62	17,482,646.03
<u>LIABILITIES</u>		
Payables:		
Benefit Payments	3,515.66	3,515.66
Share Payments to Current Retirees	4,013.45	4,013.45
Total Liabilities	7,529.11	7,529.11
NET POSITION RESTRICTED FOR PENSIONS	16,451,151.51	17,475,116.92

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

ADDITIONS

Contributions:			
Member		163,470.07	
City		540,916.18	
State		150,583.64	
Total Contributions			854,969.89
Investment Income:			
Net Realized Gain (Loss)	387,025.32		
Unrealized Gain (Loss)	775,208.11		
Net Increase in Fair Value of Investments		1,162,233.43	
Interest & Dividends		573,375.38	
Less Investment Expense ¹		(98,678.24)	
Net Investment Income			1,636,930.57
Total Additions			2,491,900.46

DEDUCTIONS

Distributions to Members:			
Benefit Payments		1,090,298.90	
Lump Sum Share Distributions		62,917.85	
Lump Sum PLOP Distributions		45,000.00	
Refunds of Member Contributions		24,095.15	
Total Distributions			1,222,311.90
Administrative Expense			36,377.90
Total Deductions			1,258,689.80
Net Increase in Net Position			1,233,210.66
NET POSITION RESTRICTED FOR PENSIONS			
Beginning of the Year			16,241,906.26
End of the Year			17,475,116.92

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	13.41%	
09/30/2014	8.82%	
09/30/2015	-1.45%	
09/30/2016	10.27%	
Annualized Rate of Return for prior four (4) years:		7.61%
(A) 10/01/2015 Actuarial Assets:		\$16,734,353.41
(I) Net Investment Income:		
1. Interest and Dividends	573,375.38	
2. Realized Gains (Losses)	387,025.32	
3. Change in Actuarial Value	397,051.12	
4. Investment Related Expenses	(98,678.24)	
Total		1,258,773.58
(B) 10/01/2016 Actuarial Assets:		\$17,589,407.08
Actuarial Asset Rate of Return = 2I/(A+B-I):		7.61%
10/01/2016 Limited Actuarial Assets:		\$17,589,407.08
10/01/2016 Market Value of Assets:		\$17,475,116.92
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		\$18,195.15

¹Market Value Basis, net of investment related expenses.

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

REVENUES

Contributions:		
Member	163,470.07	
City	540,916.18	
State	150,583.64	
 Total Contributions		 854,969.89
Earnings from Investments:		
Interest & Dividends	573,375.38	
Net Realized Gain (Loss)	387,025.32	
Change in Actuarial Value	397,051.12	
 Total Earnings and Investment Gains		 1,357,451.82

EXPENDITURES

Distributions to Members:		
Benefit Payments	1,090,298.90	
Lump Sum Share Distributions	62,917.85	
Lump Sum PLOP Distributions	45,000.00	
Refunds of Member Contributions	24,095.15	
 Total Distributions		 1,222,311.90
Expenses:		
Investment related ¹	98,678.24	
Administrative	36,377.90	
 Total Expenses		 135,056.14
 Change in Net Assets for the Year		 855,053.67
 Net Assets Beginning of the Year		 16,734,353.41
 Net Assets End of the Year ²		 17,589,407.08

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

²Net Assets may be limited for actuarial consideration.

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	54	52	41	45
Average Current Age	40.9	40.0	40.2	38.7
Average Age at Employment	27.5	28.1	28.2	27.7
Average Past Service	13.3	11.9	12.0	11.0
Average Annual Salary	\$55,990	\$56,462	\$55,342	\$57,192
<u>Service Retirees</u>				
Number				25
Average Current Age				63.4
Average Annual Benefit				\$40,853
<u>Beneficiaries</u>				
Number				4
Average Current Age				72.4
Average Annual Benefit				\$19,490
<u>Disability Retirees</u>				
Number				1
Average Current Age				54.3
Average Annual Benefit				\$18,408
<u>Terminated Vested</u>				
Number				5
Average Current Age				38.4
Average Annual Benefit ²				\$17,643

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	0	0	0	0	0	0	0	0	0	0	3
25 - 29	4	0	0	1	0	2	1	0	0	0	0	8
30 - 34	1	0	0	1	0	1	0	0	0	0	0	3
35 - 39	1	0	0	0	0	2	7	0	0	0	0	10
40 - 44	0	0	0	0	0	1	1	2	0	0	0	4
45 - 49	0	0	0	0	0	1	5	5	2	0	0	13
50 - 54	0	0	0	0	0	0	0	1	3	0	0	4
55 - 59	0	0	0	0	0	0	0	0	0	0	0	0
60 - 64	0	0	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	9	0	0	2	0	7	14	8	5	0	0	45

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2015	41
b. Terminations	
i. Vested (partial or full) with deferred benefits	(1)
ii. Non-vested or full lump sum distribution received	(2)
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	(2)
f. DROP	<u>0</u>
f. Continuing participants	36
g. New entrants	<u>9</u>
h. Total active life participants in valuation	45

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	26	0	3	1	4	34
Retired	2	0	0	0	0	2
DROP	0	0	0	0	0	0
Vested Deferred	0	0	0	0	1	1
Death, With Survivor	(1)	0	1	0	0	0
Death, No Survivor	(1)	0	0	0	0	(1)
Disabled	0	0	0	0	0	0
Refund of Contributions	0	0	0	0	0	0
Rehires	0	0	0	0	0	0
Expired Annuities	(1)	0	0	0	0	(1)
Data Corrections	0	0	0	0	0	0
b. Number current valuation	25	0	4	1	5	35

SUMMARY OF PLAN PROVISIONS
(Through Ordinance 15-31)

<u>Credited Service</u>	Total years and completed months of service as a full-time firefighter with the City. No credit is received for service for which Member Contributions have been withdrawn.
<u>Basic Compensation</u>	Compensation actually paid to a participant in a calendar year, but excluding overtime pay, shift differential, commissions, bonus payments, accrued annual leave, accrued sick leave, accrued compensatory time, expense allowances, working out of class pay and all other forms of extraordinary compensation, plus all tax deferred or tax exempt items of compensation.
<u>Average Monthly Compensation</u>	Average of monthly rate of Basic Compensation during the highest 3 successive calendar years during the 5 years preceding termination.
<u>Normal Retirement</u>	
Date	Earlier of a.) Age 52 and the completion of 25 years of Credited Service, or b.) Age 55 and the completion of 10 years of Credited Service.
Benefit Amount	3.00% of Average Monthly Earnings <u>times</u> Credited Service.
Form of Benefit	10 Year Certain and Life thereafter.
<u>Early Retirement</u>	
Date	Age 50 and 10 years of Credited Service.
Benefit Amount	Accrued benefit, reduced 3.00% for each year prior to Normal Retirement Date.
<u>Disability</u>	
Eligibility	Total and permanent as determined by Board of Trustees, and for at least a period of 5 months if not service-incurred.
Exclusions	Disability resulting from use of drugs, illegal participation in riots, service in military, etc.

Benefit Amount

Non-Line-of-Duty

Less than 10 Years

The monthly income which can be provided by the greater of (A) or (B), where:

(A) is the actuarial present value of the accrued benefit at date of disability, and

(B) is two times the Basic Compensation paid in the calendar year preceding date of disability, but no greater than the actuarial present value of 60% of the Member's Anticipated Monthly Retirement Income at Normal Retirement Date.

More than 10 Years

The monthly income which is the greater of (A) or (B), where:

(A) is the monthly income which can be provided by the actuarial present value of the accrued benefit at date of disability, and

(B) is 30% (.3) of the Participant's Basic Compensation paid in the calendar year preceding date of disability, but no greater than the actuarial present value of 100% of the Member's Anticipated Monthly Retirement Income at Normal Retirement Date.

Line-of-Duty

A monthly income equal to 50% of the Basic Compensation paid in the calendar year preceding the date of disability. This amount is limited to the actuarial present value of the Member's Anticipated Monthly Retirement Income at Normal Retirement Date.

Duration

Benefit commences upon Board approval and is paid on a 10 year Certain and Life thereafter basis or until recovery if such recovery occurs prior to Normal Retirement Date. Optional forms available.

Death

Pre-Retirement

The monthly income, payable to designated Beneficiary for 10 years certain and life thereafter, which can be provided by the greater of (A) or (B), where:

(A) is the actuarial present value of the accrued benefit at date of death, and

(B) is two times the Basic Compensation paid in the calendar year preceding the date of death, but no greater than the actuarial present value of the Member's Anticipated Monthly Retirement Income at Normal Retirement Date.

Post-Retirement

According to option selected, if any.

Vesting (Termination)

Less than 10 years of
Credited Service

Refund of Member Contributions, with 5.00% interest (no interest for Members hired on or after August 1, 2015).

10 years or more

Accrued benefit payable at the Member's election, at age 52 (unreduced) or as early as age 50 (reduced) or refund of Member Contributions, with 5.00% interest (no interest for Members hired on or after August 1, 2015).

Supplemental Benefit

\$10.50 per month times the years of Credited Service, payable for life, with a maximum of 13 years.

Contributions

Employee

6.50% of Basic Compensation.

Premium Tax

1.85% tax on fire insurance premiums.

City

Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability, as provided in Part VII of F.S. Chapter 112.

SHARE ACCOUNT ACTIVITY
October 1, 2015 through September 30, 2016

09/30/2015 Balance	\$480,980
Plus Additions	36,121
Investment Return Earned	43,347
Less Expenses	(2,250)
Less Distributions	<u>(58,904)</u>
09/30/2016 Balance	\$499,294

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	754,517
Cash	(540)
Total Cash and Equivalents	753,977
Receivables:	
Investment Income	39,314
Total Receivable	39,314
Investments:	
U. S. Bonds and Bills	527,920
Federal Agency Guaranteed Securities	230,113
Corporate Bonds	3,471,889
Stocks	5,042,935
Mutual Funds:	
Fixed Income	1,730,990
Equity	4,001,982
Pooled/Common/Commingled Funds:	
Real Estate	1,683,526
Total Investments	16,689,355
Total Assets	17,482,646
<u>LIABILITIES</u>	
Payables:	
Benefit Payments	3,516
Share Payments to Current Retirees	4,013
Total Liabilities	7,529
NET POSITION RESTRICTED FOR PENSIONS	17,475,117

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

ADDITIONS

Contributions:

Member	163,470	
City	540,916	
State	150,584	
Total Contributions		854,970
 Investment Income:		
Net Increase in Fair Value of Investments	1,162,234	
Interest & Dividends	573,375	
Less Investment Expense ¹	(98,678)	
Net Investment Income		1,636,931
Total Additions		2,491,901

DEDUCTIONS

Distributions to Members:

Benefit Payments	1,090,299	
Lump Sum Share Distributions	62,918	
Lump Sum PLOP Distributions	45,000	
Refunds of Member Contributions	24,095	
Total Distributions		1,222,312
 Administrative Expense		 36,378
Total Deductions		1,258,690
Net Increase in Net Position		1,233,211
 NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		16,241,906
End of the Year		17,475,117

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 City of Leesburg Firefighters’ Retirement Plan is a governmental single-employer defined benefit plan created by ordinances of the City of Leesburg. The administration of the plan is conducted by a Board of Trustees consisting of five persons:

- a. Two City appointees;
- b. Two Members of the Department elected by the membership, and a
- c. Fifth Member elected by other 4 and appointed by City.

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	30
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	4
Active Plan Members	41
	75

Benefits Provided

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

Normal Retirement:

Date: Earlier of a.) Age 52 and the completion of 25 years of Credited Service, or b.) Age 55 and the completion of 10 years of Credited Service.

Benefit Amount: 3.00% of Average Monthly Earnings times Credited Service.

Early Retirement:

Date: Age 50 and 10 years of Credited Service.

Benefit Amount: Accrued benefit, reduced 3.00% for each year prior to Normal Retirement Date.

Disability:

Eligibility: Total and permanent as determined by Board of Trustees, and for at least a period of 5 months if not service-incurred.

Benefit Amount Non-Line-of Duty Less than 10 Years:

The monthly income which can be provided by the greater of (A) or (B), where:

(A) is the actuarial present value of the accrued benefit at date of disability, and

(B) is two times the Basic Compensation paid in the calendar year preceding date of disability, but no greater than the actuarial present value of 60% of the Member’s Anticipated Monthly Retirement Income at Normal Retirement Date.

Benefit Amount Non-Line of Duty More than 10 Years:

The monthly income which is the greater of (A) or (B), where:

(A) is the monthly income which can be provided by the actuarial present value of the accrued benefit at date of disability, and

(B) is 30% (.3) of the Participant’s Basic Compensation paid in the calendar year preceding date of disability, but no greater than the actuarial present value of 100% of the Member’s Anticipated Monthly Retirement Income at Normal Retirement Date

Line-of-Duty: A monthly income equal to 50% of the Basic Compensation paid in the calendar year preceding the date of disability. This amount is limited to the actuarial present value of the Member’s Anticipated Monthly Retirement Income at Normal Retirement Date.

Pre-Retirement Death Benefits:

The monthly income, payable to designated Beneficiary for 10 years certain and life thereafter, which can be provided by the greater of (A) or (B), where:

(A) is the actuarial present value of the accrued benefit at date of death, and

(B) is two times the Basic Compensation paid in the calendar year preceding the date of death, but no greater than the actuarial present value of the Member’s Anticipated Monthly Retirement Income at Normal Retirement Date.

Vesting (Termination):

Less than 10 years of Credited Service: Refund of Member Contributions, with 5.00% interest (no interest for Members hired on or after August 1, 2015).

10 years or more: Accrued benefit payable at the Member's election, at age 52 (unreduced) or as early as age 50 (reduced) or refund of Member Contributions, with 5.00% interest (no interest for Members hired on or after August 1, 2015).

Supplemental Benefit:

\$10.50 per month times the years of Credited Service, payable for life, with a maximum of 13 years.

Contributions

Employee: 6.50% of Basic Compensation.

Premium Tax: 1.85% tax on fire insurance premiums.

City: Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability, as provided in Part VII of Florida Statutes Chapter 112.

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	35%
International Equity	15%
Bonds	22%
TIPS	3%
Convertibles	10%
Private Real Estate	7%
REITS	3%
MLPs	5%
Total	100%

Concentrations:

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's Fiduciary Net Position.

Rate of Return:

For the year ended September 30, 2016, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 10.27 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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	\$ 21,306,523
Plan Fiduciary Net Position	<u>\$ (17,475,117)</u>
Sponsor's Net Pension Liability	<u>\$ 3,831,406</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	82.02%

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	2.70%
Salary Increases	4.00% - 6.00%
Discount Rate	7.50%
Investment Rate of Return	7.50%

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, March 7, 2014.

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 2.70%.

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	8.0%
International Equity	3.0%
Bonds	4.4%
TIPS	3.1%
Convertibles	6.4%
Private Real Estate	4.6%
REITS	7.0%
MLPs	10.4%

GASB 67

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.50 percent.

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

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Sponsor's Net Pension Liability	\$ 6,443,242	\$ 3,831,406	\$ 1,654,022

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	409,225	512,330
Interest	1,509,178	1,483,143
Share Plan Allocation	40,135	55,931
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(428,003)	(267,086)
Changes of assumptions	673,999	-
Benefit Payments, including Refunds of Employee Contributions	(1,222,312)	(1,445,857)
Net Change in Total Pension Liability	<u>982,222</u>	<u>338,461</u>
Total Pension Liability - Beginning	<u>20,324,301</u>	<u>19,985,840</u>
Total Pension Liability - Ending (a)	<u><u>\$ 21,306,523</u></u>	<u><u>\$ 20,324,301</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	540,916	609,819
Contributions - State	150,584	166,380
Contributions - Employee	163,470	178,693
Net Investment Income	1,636,931	(244,332)
Benefit Payments, including Refunds of Employee Contributions	(1,222,312)	(1,445,857)
Administrative Expense	(36,378)	(50,322)
Net Change in Plan Fiduciary Net Position	<u>1,233,211</u>	<u>(785,619)</u>
Plan Fiduciary Net Position - Beginning	<u>16,241,906</u>	<u>17,027,525</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 17,475,117</u></u>	<u><u>\$ 16,241,906</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 3,831,406</u></u>	<u><u>\$ 4,082,395</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82.02%	79.91%
Covered Employee Payroll ¹	\$ 2,514,924	\$ 2,901,491
Net Pension Liability as a percentage of Covered Employee Payroll	152.35%	140.70%

Notes to Schedule:

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

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 for special risk employees.

The inflation assumption rate was lowered from 3.00% to 2.70%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

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	542,778	504,910
Interest	1,419,978	1,339,445
Share Plan Allocation	51,032	-
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	(836,424)	(780,467)
Net Change in Total Pension Liability	<u>1,177,364</u>	<u>1,063,888</u>
Total Pension Liability - Beginning	<u>18,808,476</u>	<u>17,744,588</u>
Total Pension Liability - Ending (a)	<u><u>\$ 19,985,840</u></u>	<u><u>\$ 18,808,476</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	866,635	827,920
Contributions - State	161,481	156,635
Contributions - Employee	190,151	187,674
Net Investment Income	1,362,537	1,792,048
Benefit Payments, including Refunds of Employee Contributions	(836,424)	(780,467)
Administrative Expense	(46,621)	(34,748)
Net Change in Plan Fiduciary Net Position	<u>1,697,759</u>	<u>2,149,062</u>
Plan Fiduciary Net Position - Beginning	<u>15,329,766</u>	<u>13,180,704</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 17,027,525</u></u>	<u><u>\$ 15,329,766</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 2,958,315</u></u>	<u><u>\$ 3,478,710</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	85.20%	81.50%
Covered Employee Payroll ¹	\$ 2,925,402	\$ 2,887,291
Net Pension Liability as a percentage of Covered Employee Payroll	101.13%	120.48%

Notes to Schedule:

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

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	651,365	720,269	977,084	938,370
Contributions in relation to the Actuarially Determined Contributions	651,365	720,269	977,084	938,370
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll ¹	\$ 2,514,924	\$ 2,901,491	\$ 2,925,402	\$ 2,887,291
Contributions as a percentage of Covered Employee Payroll	25.90%	24.82%	33.40%	32.50%

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

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 Cost Method (20-Year Amortization of new Base).
 Amortization Method: Level Percentage of Pay, Closed.
 Remaining Amortization Period: 26 Years (as of 10/01/2014).
 Mortality: RP2000 Combined Healthy - Sex Distinct. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disability mortality is set forward five years.

Termination Rates: 25% in year one.
 10% in years 2 through 5.
 3% in years 6 through 10.
 2% in years 11 and up.

Disability Rates:	% Becoming Disabled During the	
	Age	Year
	20	0.05%
	30	0.06%
	40	0.12%
	50	0.43%

75% of disabilities are assumed to occur in the line of duty.
 Retirement Age: 50% at first eligibility for Normal Retirement.
 50% in second year of eligibility.
 100% in third year of eligibility.
 Early Retirement: 3.00% per year eligible.
 Interest Rate: 7.50% per year, compounded annually, net of investment-related expenses.
 Salary Increases: 6.00% in years 1-5.
 5.00% in years 6-10.
 4.00% in years 11 and up.

Payroll Growth: 3.0% for amortizing UAAL.
 Asset Valuation 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 of Assets.

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	10.27%	-1.45%	8.82%	13.41%

NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2016)

General Information about the Pension Plan

Plan Description

The City of Leesburg Firefighters' Retirement Plan is a governmental single-employer defined benefit plan created by ordinances of the City of Leesburg. The administration of the plan is conducted by a Board of Trustees consisting of five persons:

- a. Two City appointees;
- b. Two Members of the Department elected by the membership, and a
- c. Fifth Member elected by other 4 and appointed by City.

Any actively employed full-time person employed by the City of Leesburg, who is certified as a Firefighter as a condition of employment in accordance with Section 633.35, Florida Statutes, and whose duty it is to extinguish fires, to protect life and to protect property, is a member of the City of Leesburg Firefighters' Retirement Plan, including during the initial probationary employment period.

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	30
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	4
Active Plan Members	41
	75
	75

Benefits Provided

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

Normal Retirement:

Date: Earlier of a.) Age 52 and the completion of 25 years of Credited Service, or b.) Age 55 and the completion of 10 years of Credited Service.

Benefit Amount: 3.00% of Average Monthly Earnings times Credited Service.

Early Retirement:

Date: Age 50 and 10 years of Credited Service.

Benefit Amount: Accrued benefit, reduced 3.00% for each year prior to Normal Retirement Date.

Disability:

Eligibility: Total and permanent as determined by Board of Trustees, and for at least a period of 5 months if not service-incurred.

Benefit Amount Non-Line-of Duty Less than 10 Years:

The monthly income which can be provided by the greater of (A) or (B), where:

(A) is the actuarial present value of the accrued benefit at date of disability, and

(B) is two times the Basic Compensation paid in the calendar year preceding date of disability, but no greater than the actuarial present value of 60% of the Member's Anticipated Monthly Retirement Income at Normal Retirement Date.

Benefit Amount Non-Line of Duty More than 10 Years:

The monthly income which is the greater of (A) or (B), where:

(A) is the monthly income which can be provided by the actuarial present value of the accrued benefit at date of disability, and

(B) is 30% (.3) of the Participant's Basic Compensation paid in the calendar year preceding date of disability, but no greater than the actuarial present value of 100% of the Member's Anticipated Monthly Retirement Income at Normal Retirement Date

Line-of-Duty: A monthly income equal to 50% of the Basic Compensation paid in the calendar year preceding the date of disability.

This amount is limited to the actuarial present value of the Member's Anticipated Monthly Retirement Income at Normal Retirement Date.

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Pre-Retirement Death Benefits:

The monthly income, payable to designated Beneficiary for 10 years certain and life thereafter, which can be provided by the greater of (A) or (B), where:

(A) is the actuarial present value of the accrued benefit at date of death, and

(B) is two times the Basic Compensation paid in the calendar year preceding the date of death, but no greater than the actuarial present value of the Member's Anticipated Monthly Retirement Income at Normal Retirement Date.

Vesting (Termination):

Less than 10 years of Credited Service: Refund of Member Contributions, with 5.00% interest (no interest for Members hired on or after August 1, 2015).

10 years or more: Accrued benefit payable at the Member's election, at age 52 (unreduced) or as early as age 50 (reduced) or refund of Member Contributions, with 5.00% interest (no interest for Members hired on or after August 1, 2015).

Supplemental Benefit:

\$10.50 per month times the years of Credited Service, payable for life, with a maximum of 13 years.

Contributions

Employee: 6.50% of Basic Compensation.

Premium Tax: 1.85% tax on fire insurance premiums.

City: Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability, as provided in Part VII of Florida Statutes Chapter 112.

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	2.70%
Salary Increases	4.00% - 6.00%
Discount Rate	7.50%
Investment Rate of Return	7.50%

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, March 7, 2014.

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 2.70%.

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.

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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	35%	8.00%
International Equity	15%	3.00%
Bonds	22%	4.40%
TIPS	3%	3.10%
Convertibles	10%	6.40%
Private Real Estate	7%	4.60%
REITS	3%	7.00%
MLPs	5%	10.40%
<u>Total</u>	<u>100%</u>	

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.50 percent.

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

CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2015	\$ 20,324,301	\$ 16,241,906	\$ 4,082,395
Changes for a Year:			
Service Cost	409,225	-	409,225
Interest	1,509,178	-	1,509,178
Share Plan Allocation	40,135	-	40,135
Differences between Expected and Actual Experience	(428,003)	-	(428,003)
Changes of assumptions	673,999	-	673,999
Changes of benefit terms	-	-	-
Contributions - Employer	-	540,916	(540,916)
Contributions - State	-	150,584	(150,584)
Contributions - Employee	-	163,470	(163,470)
Net Investment Income	-	1,636,931	(1,636,931)
Benefit Payments, including Refunds of Employee Contributions	(1,222,312)	(1,222,312)	-
Administrative Expense	-	(36,378)	36,378
Net Changes	982,222	1,233,211	(250,989)
Balances at September 30, 2016	\$ 21,306,523	\$ 17,475,117	\$ 3,831,406

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.50%	7.50%	8.50%
Sponsor's Net Pension Liability	\$ 6,443,242	\$ 3,831,406	\$ 1,654,022

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 \$804,676.

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	-	547,445
Changes of assumptions	561,665	-
Net difference between Projected and Actual Earnings on Pension Plan investments	473,423	-
Total	\$ 1,035,088	\$ 547,445

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		\$	176,232
2018		\$	176,231
2019		\$	216,278
2020		\$	(83,942)
2021		\$	2,844
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	409,225	512,330
Interest	1,509,178	1,483,143
Share Plan Allocation	40,135	55,931
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(428,003)	(267,086)
Changes of assumptions	673,999	-
Benefit Payments, including Refunds of Employee Contributions	(1,222,312)	(1,445,857)
Net Change in Total Pension Liability	<u>982,222</u>	<u>338,461</u>
Total Pension Liability - Beginning	<u>20,324,301</u>	<u>19,985,840</u>
Total Pension Liability - Ending (a)	<u>\$ 21,306,523</u>	<u>\$ 20,324,301</u>
Plan Fiduciary Net Position		
Contributions - Employer	540,916	609,819
Contributions - State	150,584	166,380
Contributions - Employee	163,470	178,693
Net Investment Income	1,636,931	(244,332)
Benefit Payments, including Refunds of Employee Contributions	(1,222,312)	(1,445,857)
Administrative Expense	(36,378)	(50,322)
Net Change in Plan Fiduciary Net Position	<u>1,233,211</u>	<u>(785,619)</u>
Plan Fiduciary Net Position - Beginning	<u>16,241,906</u>	<u>17,027,525</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 17,475,117</u>	<u>\$ 16,241,906</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 3,831,406</u>	<u>\$ 4,082,395</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82.02%	79.91%
Covered Employee Payroll ¹	\$ 2,514,924	\$ 2,901,491
Net Pension Liability as a percentage of Covered Employee Payroll	152.35%	140.70%

Notes to Schedule:

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

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 for special risk employees.

The inflation assumption rate was lowered from 3.00% to 2.70%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

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	542,778	504,910
Interest	1,419,978	1,339,445
Share Plan Allocation	51,032	-
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	(836,424)	(780,467)
Net Change in Total Pension Liability	1,177,364	1,063,888
Total Pension Liability - Beginning	18,808,476	17,744,588
Total Pension Liability - Ending (a)	<u>\$ 19,985,840</u>	<u>\$ 18,808,476</u>
Contributions - Employer	866,635	827,920
Contributions - State	161,481	156,635
Contributions - Employee	190,151	187,674
Net Investment Income	1,362,537	1,792,048
Benefit Payments, including Refunds of Employee Contributions	(836,424)	(780,467)
Administrative Expense	(46,621)	(34,748)
Net Change in Plan Fiduciary Net Position	1,697,759	2,149,062
Plan Fiduciary Net Position - Beginning	15,329,766	13,180,704
Plan Fiduciary Net Position - Ending (b)	<u>\$ 17,027,525</u>	<u>\$ 15,329,766</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 2,958,315</u>	<u>\$ 3,478,710</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	85.20%	81.50%
Covered Employee Payroll ¹	\$ 2,925,402	\$ 2,887,291
Net Pension Liability as a percentage of Covered Employee Payroll	101.13%	120.48%

Notes to Schedule:

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

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	651,365	720,269	977,084	938,370
Contributions in relation to the Actuarially Determined Contributions	651,365	720,269	977,084	938,370
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll ¹	\$ 2,514,924	\$ 2,901,491	\$ 2,925,402	\$ 2,887,291
Contributions as a percentage of Covered Employee Payroll	25.90%	24.82%	33.40%	32.50%

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

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 Cost Method (20-Year Amortization of new Base).

Amortization Method: Level Percentage of Pay, Closed.

Remaining Amortization Period: 26 Years (as of 10/01/2014).

Mortality: RP2000 Combined Healthy - Sex Distinct. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disability mortality is set forward five years.

Termination Rates: 25% in year one.
10% in years 2 through 5.
3% in years 6 through 10.
2% in years 11 and up.

Disability Rates:	% Becoming Disabled During the	
	Age	Year
	20	0.05%
	30	0.06%
	40	0.12%
	50	0.43%

75% of disabilities are assumed to occur in the line of duty.

Retirement Age: 50% at first eligibility for Normal Retirement.

50% in second year of eligibility.

100% in third year of eligibility.

Early Retirement: 3.00% per year eligible.

Interest Rate: 7.50% per year, compounded annually, net of investment-related expenses.

Salary Increases: 6.00% in years 1-5.

5.00% in years 6-10.

4.00% in years 11 and up.

Payroll Growth: 3.0% for amortizing UAAL.

Asset Valuation 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 of Assets.

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 4,082,395	\$ 349,071	\$ 1,200,879	\$ -
Total Pension Liability Factors:				
Service Cost	409,225	-	-	409,225
Interest	1,509,178	-	-	1,509,178
Share Plan Allocation	40,135	-	-	40,135
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(428,003)	428,003	-	-
Current year amortization of experience difference	-	(109,488)	-	(109,488)
Change in assumptions about future economic or demographic factors or other inputs	673,999	-	673,999	-
Current year amortization of change in assumptions	-	-	(112,334)	112,334
Benefit Payments	(1,222,312)	-	-	(1,222,312)
Net change	<u>982,222</u>	<u>318,515</u>	<u>561,665</u>	<u>739,072</u>
Plan Fiduciary Net Position:				
Contributions - Employer	540,916	-	-	-
Contributions - State	150,584	-	-	-
Contributions - Employee	163,470	-	-	(163,470)
Net Investment Income	1,203,003	-	-	(1,203,003)
Difference between projected and actual earnings on Pension Plan investments	433,928	433,928	-	-
Current year amortization	-	(126,832)	(300,219)	173,387
Benefit Payments	(1,222,312)	-	-	1,222,312
Administrative Expenses	(36,378)	-	-	36,378
Net change	<u>1,233,211</u>	<u>307,096</u>	<u>(300,219)</u>	<u>65,604</u>
Ending Balance	<u>\$ 3,831,406</u>	<u>\$ 974,682</u>	<u>\$ 1,462,325</u>	<u>\$ 804,676</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	\$ (200,233)	5	\$ (40,046)	\$ (40,046)	\$ (40,047)	\$ (40,047)	\$ (40,047)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 1,501,098	5	\$ -	\$ 300,219	\$ 300,219	\$ 300,220	\$ 300,220	\$ 300,220	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (433,928)	5	\$ -	\$ -	\$ (86,785)	\$ (86,785)	\$ (86,786)	\$ (86,786)	\$ (86,786)	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (40,046)	\$ 260,173	\$ 173,387	\$ 173,388	\$ 173,387	\$ 213,434	\$ (86,786)	\$ -	\$ -	\$ -	\$ -

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	\$ -	7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ -	7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 673,999	6	\$ -	\$ -	\$ 112,334	\$ 112,333	\$ 112,333	\$ 112,333	\$ 112,333	\$ 112,333	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ -	\$ 112,334	\$ 112,333	\$ 112,333	\$ 112,333	\$ 112,333	\$ 112,333	\$ -	\$ -	\$ -

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	\$ -	7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ (267,086)	7	\$ -	\$ (38,156)	\$ (38,155)	\$ (38,155)	\$ (38,155)	\$ (38,155)	\$ (38,155)	\$ (38,155)	\$ -	\$ -	\$ -
2016	\$ (428,003)	6	\$ -	\$ -	\$ (71,333)	\$ (71,334)	\$ (71,334)	\$ (71,334)	\$ (71,334)	\$ (71,334)	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ (38,156)	\$ (109,488)	\$ (109,489)	\$ (109,489)	\$ (109,489)	\$ (109,489)	\$ (109,489)	\$ -	\$ -	\$ -