

CITY OF NORTH PORT POLICE OFFICERS'  
PENSION - LOCAL OPTION TRUST FUND

ACTUARIAL VALUATION  
AS OF OCTOBER 1, 2016

CONTRIBUTIONS APPLICABLE TO PLAN/  
FISCAL YEAR ENDING SEPTEMBER 30, 2018

March 10, 2017

Board of Trustees  
c/o Mr. Robert Kovacs, Administrator  
The Resource Center, LLC  
4360 Northlake Blvd., Suite 206  
Palm Beach Gardens, FL 33410

Re: City of North Port  
Police Officers' Pension – Local Option Trust Fund

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of North Port Police Officers' Pension - Local Option 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, Laws of Florida, 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 North Port, 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 North Port, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of North Port Police Officers' Pension - Local Option 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:



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Douglas H. Lozen, EA, MAAA  
Enrolled Actuary #14-7778

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Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of North Port Police Officers' Pension - Local Option 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 ended September 30, 2018.

The contribution requirements, compared with those developed in the June 2, 2016, Actuarial Impact Statement (determined as of October 1, 2015), are as follows:

Valuation Date	10/1/2016	10/1/2015
Applicable Plan/Fiscal Yr. End	<u>9/30/2018</u>	<u>9/30/2017</u>
Total Required Contribution	\$2,916,864	\$2,656,010
Member Contributions (Est.)	591,582	544,239
City and State Required Contribution	2,325,282	2,111,771
State Contribution <sup>1</sup>	280,000	280,000
Balance from City <sup>1</sup>	\$2,045,282	\$1,831,771

<sup>1</sup> Per Ordinance 2015-54, the City may use up to \$280,000 in State Monies annually, if received, to offset its funding obligation. Annual State Monies in excess of \$280,000 are allocated to the Share Plan.

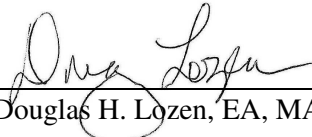
Actuarial experience during the past 12 months has been less favorable than expected on the basis of the Plan's actuarial assumptions. The primary sources of unfavorable experience included a 6.99% investment return (Actuarial Asset basis), falling short of the 7.75% assumption, net unfavorable employee turnover, and one pre-retirement death. These losses were partially offset by average increases in Pensionable Compensation that were below the assumed rates by more than 1%.


Additionally, funding requirements have increased due to adoption of the state-mandated mortality assumption under Chapter 2015-39, Laws of Florida.

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

Respectfully submitted,

FOSTER & FOSTER, INC.

By:   
Douglas H. Lozen, EA, MAAA

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

## CHANGES SINCE PRIOR VALUATION

### Plan Changes Since Prior Valuation

- Ordinance 2015-54, adopted and effective January 12, 2016, closed the Plan to new entrants, in addition to establishing a Share Plan with Chapter 185 excess premium tax revenue. Details of the impact on the plan's funding requirements and liabilities are set forth in our June 2, 2016, Actuarial Impact Statement.
- Ordinance 2016-06, adopted and effective July 12, 2016, amended Plan language for compliance with requirements under the Internal Revenue Code. A letter of no actuarial impact was submitted for these changes.

### Actuarial Assumption/Method Changes Since Prior Valuation

- 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 for special risk employees used by the Florida Retirement System actuary in the July 1, 2015 actuarial valuation.
- The payroll increase assumption utilized for purposes of amortizing the Unfunded Actuarial Accrued Liability was removed, as described in the June 2, 2016, Actuarial Impact Statement.

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			
Number Included			
Actives	87	87	85
Service Retirees	22	22	20
DROP Retirees	1	1	0
Beneficiaries	3	3	2
Disability Retirees	9	9	9
Terminated Vested	<u>22</u>	<u>22</u>	<u>24</u>
Total	144	144	140
Total Annual Payroll	\$6,579,405	\$6,579,405	\$6,217,766
Payroll Under Assumed Ret. Age	6,579,405	6,579,405	6,041,699
Annual Rate of Payments to:			
Service Retirees	1,174,029	1,174,029	1,112,036
DROP Retirees	82,852	82,852	0
Beneficiaries	110,896	110,896	70,280
Disability Retirees	268,560	268,560	268,560
Terminated Vested	26,792	26,792	26,792
B. Assets			
Actuarial Value <sup>1</sup>	35,884,478	35,884,478	32,923,998
Market Value <sup>1</sup>	34,995,161	34,995,161	31,992,095
C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	31,801,799	31,739,851	30,345,376
Disability Benefits	1,973,769	2,125,356	1,969,035
Death Benefits	1,265,556	552,644	525,712
Vested Benefits	1,789,462	1,807,277	1,725,987
Refund of Contributions	172,916	173,642	172,954
Service Retirees	13,350,581	12,947,248	12,353,188
DROP Retirees <sup>1</sup>	1,097,616	1,064,619	0
Beneficiaries	1,342,545	1,307,535	848,786
Disability Retirees	2,901,979	2,870,955	2,904,439
Terminated Vested	171,347	171,166	184,681
Share Plan Balances	164,317	164,317	61,432
City Prepaid	<u>0</u>	<u>0</u>	<u>528,906</u>
Total	56,031,887	54,924,610	51,620,496



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	59,827,097	60,420,349	56,649,585
Present Value of Future Member Contributions	4,786,168	4,833,628	4,531,967
Normal Cost (Retirement)	1,430,310	1,430,412	1,328,423
Normal Cost (Disability)	154,298	166,226	150,993
Normal Cost (Death)	116,893	48,985	45,856
Normal Cost (Vesting)	118,463	119,765	116,840
Normal Cost (Refunds)	<u>37,510</u>	<u>37,558</u>	<u>39,304</u>
Total Normal Cost	1,857,474	1,802,946	1,681,416
Present Value of Future Normal Costs	15,949,857	15,634,430	14,958,572
Accrued Liability (Retirement)	19,145,713	18,969,132	18,103,726
Accrued Liability (Disability)	677,734	713,277	652,722
Accrued Liability (Death)	293,443	140,995	134,515
Accrued Liability (Vesting)	917,227	921,395	865,833
Accrued Liability (Refunds)	19,528	19,541	23,696
Accrued Liability (Inactives) <sup>1</sup>	18,864,068	18,361,523	16,291,094
Share Plan Balances	164,317	164,317	61,432
City Prepaid	<u>0</u>	<u>0</u>	<u>528,906</u>
Total Actuarial Accrued Liability	40,082,030	39,290,180	36,661,924
Unfunded Actuarial Accrued Liability (UAAL)	4,197,552	3,405,702	3,737,926
Funded Ratio (AVA / AL)	89.5%	91.3%	89.8%
<b>D. Actuarial Present Value of Accrued Benefits</b>			
Vested Accrued Benefits			
Inactives <sup>1</sup>	18,864,068	18,361,523	16,291,094
Actives	9,747,225	9,298,020	8,829,372
Member Contributions	4,042,054	4,042,054	3,816,582
Share Plan Balances	<u>164,317</u>	<u>164,317</u>	<u>61,432</u>
Total	32,817,664	31,865,914	28,998,480
Non-vested Accrued Benefits	<u>2,307,708</u>	<u>2,310,136</u>	<u>2,567,487</u>
Total Present Value Accrued Benefits	35,125,372	34,176,050	31,565,967
Funded Ratio (MVA / PVAB)	99.6%	102.4%	101.3%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	949,322	0	
New Accrued Benefits	0	2,114,902	
Benefits Paid	0	(1,878,394)	
Interest	0	2,373,575	
Other	<u>0</u>	<u>0</u>	
Total	949,322	2,610,083	

	New Assump	Old Assump	
Valuation Date	10/1/2016	10/1/2016	10/1/2015
Applicable to Fiscal Year Ending	<u>9/30/2018</u>	<u>9/30/2018</u>	<u>9/30/2017</u>

E. Pension Cost

Normal Cost <sup>2</sup>	\$2,087,666	\$2,026,381	\$1,893,283
Administrative Expenses <sup>2</sup>	84,677	84,677	78,298
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 29 years (as of 10/1/2016) <sup>2</sup>	744,521	661,953	684,429
Total Required Contribution	2,916,864	2,773,011	2,656,010
Expected Member Contributions <sup>2</sup>	591,582	591,582	544,239
Expected City & State Contribution	2,325,282	2,181,429	2,111,771

F. Past Contributions

Plan Years Ending: 9/30/2016

City and State Requirement 2,449,745

Actual Contributions Made:

Members (excluding buyback)	500,840
City	1,640,839
City Prepaid (Ord. 2015-54)	528,906
State	<u>280,000</u> <sup>3</sup>
Total	2,950,585

G. Net Actuarial (Gain)/Loss 571,140

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

<sup>2</sup> Contributions developed as of 10/1/2016 displayed above have been adjusted to account for assumed salary increase and interest components.

<sup>3</sup> Reflects Mutual Consent under Chapter 2015-39, Laws of Florida.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2016	4,197,552
2017	3,809,094
2018	3,390,530
2025	2,349,419
2032	594,431
2038	30,816
2045	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	6.9%	8.4%
Year Ended	9/30/2015	2.7%	8.9%
Year Ended	9/30/2014	1.5%	8.6%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	6.99%	7.75%
Year Ended	9/30/2015	9.36%	7.75%
Year Ended	9/30/2014	8.46%	7.75%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2016	\$6,579,405
	10/1/2006	4,066,564
(b) Total Increase		61.79%
(c) Number of Years		10.00
(d) Average Annual Rate		4.93%

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.



Douglas H. Lozen, EA, MAAA  
Enrolled Actuary #14-7778

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	\$3,737,926
(2) Sponsor Normal Cost developed as of October 1, 2015	1,198,080
(3) Expected administrative expenses for the year ended September 30, 2016	69,536
(4) Expected interest on (1), (2) and (3)	385,235
(5) Sponsor contributions to the System during the year ended September 30, 2016	2,449,745
(6) Expected interest on (5)	106,470
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2016 (1)+(2)+(3)+(4)-(5)-(6)	2,834,562
(8) Change to UAAL due to Assumption Change	791,850
(9) Change to UAAL due to Actuarial (Gain)/Loss	571,140
(10) Unfunded Accrued Liability as of October 1, 2016	4,197,552

<u>Type of Base</u>	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2016 Amount</u>	<u>Amortization Amount</u>
	10/1/1990	4	\$64,348	\$17,930
	10/1/1997	11	90,607	11,637
	10/1/1999	13	151,835	17,584
	10/1/2000	14	129,197	14,334
method change	10/1/2004	18	1,245,872	121,244
actuarial loss	10/1/2004	12	1,085,340	131,934
actuarial loss	10/1/2005	12	864,553	105,095
actuarial gain	10/1/2006	12	(258,152)	(31,381)
actuarial loss	10/1/2007	12	961,257	116,851
actuarial loss	10/1/2008	2	160,060	83,015
method change	10/1/2008	12	67,428	8,197
actuarial loss	10/1/2009	3	559,048	200,419
actuarial loss	10/1/2010	4	49,296	13,736
assum. change	10/1/2010	14	199,797	22,166
benefit change	10/1/2010	24	175,019	15,107
actuarial loss	10/1/2011	5	653,540	150,911
actuarial loss	10/1/2012	6	347,333	69,201
assum. change	10/1/2012	16	(747,033)	(77,080)
actuarial gain	10/1/2013	7	(1,101,859)	(194,738)

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2016 <u>Amount</u>	Amortization <u>Amount</u>
actuarial gain	10/1/2014	8	(862,397)	(137,957)
actuarial gain	10/1/2015	9	(1,004,253)	(147,650)
benefit change	10/1/2015	29	3,726	303
assum. change	10/1/2016	20	791,850	73,464
actuarial loss	10/1/2016	10	<u>571,140</u>	<u>78,106</u>
			4,197,552	662,428

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2015	\$3,737,926
(2) Expected UAAL as of October 1, 2016	2,834,562
 (3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	252,533
Salary Increases	(296,379)
Active Decrements	321,134
Inactive Mortality	71,685
Data Corrections	47,433
Other	<u>174,734</u>
Increase in UAAL due to (Gain)/Loss	571,140
Assumption Changes	<u>791,850</u>
(4) Actual UAAL as of October 1, 2016	\$4,197,552

## 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) for special risk participants. The above rates are those outlined in the July 1, 2015 FRS actuarial valuation report. We feel these assumptions sufficiently accommodate future mortality improvements.

Additionally, 75% of active Member deaths are assumed to be service-related.

Prior assumption: RP-2000 Table with no projection. (Disabled lives set forward 5 years).

### Interest Rate

7.75% per year compounded annually, net of investment related expenses. This assumption is supported by the Plan's target asset allocation and expected long-term rate of return by asset class.

### Normal Retirement

Years Eligible for Normal Retirement	Percent Retiring
0	66.7%
1	50.0%
2 or More	100.0%

The above rates were adopted in conjunction with the September 5, 2013 Experience Study.



Early Retirement

Commencing with attainment of Early Retirement Status (age 45 with 10 years of service), Members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year (5% for valuations prior to October 1, 2012).

The above rates were adopted in conjunction with the September 5, 2013 Experience Study.

Salary Increases

<u>Credited Service</u>	<u>Assumption</u>
First 2 Years	17.0%
2-10 Years	8.5%
11-20 Years	6.0%
More than 20 Years	2.0%

The above rates were adopted in conjunction with the September 5, 2013 Experience Study.

A flat 7.5% salary increase assumption was utilized for valuations prior to October 1, 2012.

Final Year Salary Load

Projected salary at retirement is increased 20% to account for non-regular compensation (no load for Members hired after January 1, 2012).

Payroll Growth

0% per year, established with Plan closure under Ordinance 2015-54.

Administrative Expenses

\$75,340 annually, based on the prior year's actual expenses.

Termination Rates

<u>Credited Service</u>	<u>Assumption</u>
First Year	24.0%
1-4 Years	6.0%
5-19 Years	3.0%
20 or more Years	0.0%

The above rates were adopted in conjunction with the September 5, 2013 Experience Study.

Disability Rates

See table below for sample rates. 75% of Disability Retirements are assumed to be service-incurred.

<u>Age</u>	<u>% Becoming Disabled During the Year</u>
20	0.14%
30	0.18
40	0.30
50	1.00%

Marital Assumption

80% are assumed Married with husbands three years older than their wives.

Asset Smoothing Methodology

The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a negligible bias that is above or below the Market Value of Assets.

Funding Method

Entry Age Normal Actuarial Cost Method. The following loads are applied for determination of the Sponsor funding requirement:

Interest – A half year, based on the current 7.75% assumption.

Salary – A full year, based on the current 8.2% assumption.

## 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 determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.

Individual Entry Age Normal Actuarial Cost Method (Level Percent of Compensation) 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. The actuarial accrued liability for active participants is the difference between the present value of future benefits and the present value of future Normal Costs. The actuarial accrued liability for inactive participants is the present value of future benefits.

Unfunded Actuarial Accrued Liability (UAAL) is the difference between the actuarial accrued liability (described above) and the actuarial value of assets. Under the Entry Age Normal Actuarial Cost Method, an actuarial gain or loss, based on actual versus expected UAAL, is determined in conjunction with each valuation of the plan.

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.

PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1994	29,252.28	_____%
1995	32,923.48	12.6%
1996	38,247.59	16.2%
1997	43,649.70	14.1%
1998	48,260.66	10.6%
1999	51,574.48	6.9%
2000	51,511.40	-0.1%
2001	56,480.66	9.6%
2002	76,778.55	35.9%
2003	88,977.27	15.9%
2004	132,825.30	49.3%
2005	163,669.80	23.2%
2006	191,599.50	17.1%
2007	232,905.15	21.6%
2008	221,662.73	-4.8%
2009	275,946.30	24.5%
2010	278,182.12	0.8%
2011	257,676.16	-7.4%
2012	282,742.64	9.7%
2013	297,989.02	5.4%
2014	306,641.87	2.9%
2015	341,431.51	11.3%
2016	378,332.56	10.8%

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2016

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	751,394.57	751,394.57
Prepaid Expenses	3,341.00	3,341.00
Cash	(406.25)	(406.25)
 Total Cash and Equivalents	 754,329.32	 754,329.32
Receivables:		
City Contributions in Transit	567,629.00	567,629.00
Investment Income	81,051.65	81,051.65
 Total Receivable	 648,680.65	 648,680.65
Investments:		
U. S. Bonds and Bills	2,721,899.23	2,737,410.55
Federal Agency Guaranteed Securities	887,656.33	912,113.05
Corporate Bonds	3,219,931.35	3,278,348.65
Stocks	6,868,242.51	8,466,920.14
Mutual Funds:		
Fixed Income	3,512,254.89	3,168,257.44
Equity	13,077,456.37	13,153,626.38
Pooled/Common/Commingled Funds:		
Real Estate	1,900,000.00	2,505,152.49
 Total Investments	 32,187,440.68	 34,221,828.70
 Total Assets	 33,590,450.65	 35,624,838.67
 <u>LIABILITIES</u>		
Prepaid City Contribution	629,677.39	629,677.39
 Total Liabilities	 629,677.39	 629,677.39
 NET POSITION RESTRICTED FOR PENSIONS	 32,960,773.26	 34,995,161.28

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

ADDITIONS

Contributions:			
Member		500,839.76	
Buy-Back		71,559.96	
City		1,640,838.61	
State		378,332.56	
Total Contributions			2,591,570.89
Investment Income:			
Net Realized Gain (Loss)	860,102.91		
Unrealized Gain (Loss)	1,008,647.55		
Net Increase in Fair Value of Investments		1,868,750.46	
Interest & Dividends		701,826.53	
Less Investment Expense <sup>1</sup>		(205,347.44)	
Net Investment Income			2,365,229.55
Total Additions			4,956,800.44

DEDUCTIONS

Distributions to Members:			
Benefit Payments		1,527,561.67	
Lump Sum DROP Distributions		0.00	
Lump Sum PLOP Distributions		318,983.57	
Refunds of Member Contributions		31,848.94	
Total Distributions			1,878,394.18
Administrative Expense			75,340.23
Total Deductions			1,953,734.41
Net Increase in Net Position			3,003,066.03
NET POSITION RESTRICTED FOR PENSIONS			
Beginning of the Year			31,992,095.25
End of the Year			34,995,161.28

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

ACTUARIAL ASSET VALUATION  
SEPTEMBER 30, 2016

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

Details of the derivation are set forth as follows:

Plan Year End	Rate of Return <sup>1</sup>	
09/30/2013	13.52%	
09/30/2014	8.12%	
09/30/2015	-0.62%	
09/30/2016	7.41%	
Annualized Rate of Return for prior four (4) years:		6.99%
(A) 10/01/2015 Actuarial Assets:		\$32,923,998.15
(I) Net Investment Income:		
1. Interest and Dividends	701,826.53	
2. Realized Gains (Losses)	860,102.91	
3. Change in Actuarial Value	966,061.46	
4. Investment Related Expenses	(205,347.44)	
Total		2,322,643.46
(B) 10/01/2016 Actuarial Assets:		\$35,884,478.09
Actuarial Asset Rate of Return = 2I/(A+B-I):		6.99%
10/01/2016 Limited Actuarial Assets:		\$35,884,478.09
10/01/2016 Market Value of Assets:		\$34,995,161.28
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		(\$252,533.48)

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

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

REVENUES

Contributions:		
Member	500,839.76	
Buy-Back	71,559.96	
City	1,640,838.61	
State	378,332.56	
 Total Contributions		 2,591,570.89
Earnings from Investments:		
Interest & Dividends	701,826.53	
Net Realized Gain (Loss)	860,102.91	
Change in Actuarial Value	966,061.46	
 Total Earnings and Investment Gains		 2,527,990.90

EXPENDITURES

Distributions to Members:		
Benefit Payments	1,527,561.67	
Lump Sum DROP Distributions	0.00	
Lump Sum PLOP Distributions	318,983.57	
Refunds of Member Contributions	31,848.94	
 Total Distributions		 1,878,394.18
Expenses:		
Investment related <sup>1</sup>	205,347.44	
Administrative	75,340.23	
 Total Expenses		 280,687.67
 Change in Net Assets for the Year		 2,960,479.94
 Net Assets Beginning of the Year		 32,923,998.15
 Net Assets End of the Year <sup>2</sup>		 35,884,478.09

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

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



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

Beginning of the Year Balance	0.00
Plus Additions	82,852.08
Investment Return Earned	2,889.02
Less Distributions	0.00
End of the Year Balance	85,741.10

SUPPLEMENTAL CHAPTER 185 SHARE PLAN ACTIVITY  
October 1, 2015 to September 30, 2016

Beginning of the Year Balance (Ordinance 2015-54)	61,432
Plus Additions	98,333
Investment Return Earned (est.)	4,552
Less Distributions	0
End of the Year Balance (est.)	\$164,317

RECONCILIATION OF CITY'S SHORTFALL/(PREPAID) CONTRIBUTION  
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2016

(1) Required City and State Contributions	\$2,449,745.00
(2) Less Allowable State Contribution	<u>(280,000.00)</u>
(3) Required City Contribution for Fiscal 2016	2,169,745.00
(4) Less 2015 Prepaid Contribution (Ordinance 2015-54)	(528,906.39)
(5) Less Actual City Contributions	<u>(2,270,516.00)</u>
(6) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2016	(\$629,677.39)

## STATISTICAL DATA <sup>1</sup>

	<u>10/1/2013</u>	<u>10/1/2014</u>	<u>10/1/2015 <sup>2</sup></u>	<u>10/1/2016</u>
<u>Actives</u>				
Number	95	97	85	87
Average Current Age	38.6	39.6	38.8	38.6
Average Age at Employment	29.2	29.9	29.4	29.1
Average Past Service	9.4	9.7	9.4	9.5
Average Annual Salary	\$73,297	\$72,029	\$73,150	\$75,625
<u>Service Retirees</u>				
Number			20	22
Average Current Age			60.5	60.1
Average Annual Benefit			\$55,602	\$53,365
<u>DROP Retirees</u>				
Number			0	1
Average Current Age			N/A	58.4
Average Annual Benefit			N/A	\$82,852
<u>Beneficiaries</u>				
Number			2	3
Average Current Age			47.2	50.1
Average Annual Benefit			\$35,140	\$36,965
<u>Disability Retirees</u>				
Number			9	9
Average Current Age			56.4	57.4
Average Annual Benefit			\$29,840	\$29,840
<u>Terminated Vested</u>				
Number <sup>3</sup>			1	1
Average Current Age			39.3	40.3
Average Annual Benefit			\$26,792	\$26,792

<sup>1</sup> Prior to 10/1/2015, averages were salary weighted.

<sup>2</sup> 10/1/2015 column reflects demographics from the June 2, 2016 Impact Statement.

<sup>3</sup> Excludes non-vested Members 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	4	0	0	0	0	0	0	0	0	0	0	4
25 - 29	1	0	1	5	0	2	0	0	0	0	0	9
30 - 34	0	1	4	0	2	10	1	0	0	0	0	18
35 - 39	0	0	0	0	1	4	6	1	0	0	0	12
40 - 44	0	0	0	1	1	6	9	2	0	0	0	19
45 - 49	0	1	1	0	0	2	8	5	2	0	0	19
50 - 54	1	0	0	0	0	0	1	2	1	0	0	5
55 - 59	1	0	0	0	0	0	0	0	0	0	0	1
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
<b>Total</b>	<b>7</b>	<b>2</b>	<b>6</b>	<b>6</b>	<b>4</b>	<b>24</b>	<b>25</b>	<b>10</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>87</b>

**VALUATION PARTICIPANT RECONCILIATION**  
(Reconciled from the June 2, 2016 Actuarial Impact Statement)

1. Active lives

a. Number in prior valuation 10/1/2015	85
b. Terminations	
i. Vested (partial or full) with deferred benefits	0
ii. Non-vested or full lump sum distribution received	(2)
c. Deaths	
i. Beneficiary receiving benefits	(1)
ii. No future benefits payable	0
d. Disabled	0
e. Retired	(2)
f. DROP	<u>(1)</u>
g. Continuing participants	79
h. New entrants	<u>8</u>
i. Total active life participants in valuation	87

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	20	0	2	9	24	55
Retired	2	0	0	0	0	2
DROP	0	1	0	0	0	1
Vested Deferred	0	0	0	0	0	0
Death, With Survivor	0	0	1	0	0	1
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	22	1	3	9	22	57

SUMMARY OF PLAN PROVISIONS  
(Through Ordinance 2016-06)

<u>Original Plan Effective Date</u>	December 14, 1979
<u>Latest Amendment</u>	July 12, 2016
<u>Credited Service</u>	<p>a. Total aggregate period of service, including military leave if reemployed by City within 1 year of discharge under honorable conditions.</p> <p>b. Upon termination, prior Credited Service will be forfeited if refund of contributions elected, or if not reemployed within (5) years, and not vested at termination.</p> <p>The Plan is closed to Police Officers hired after December 31, 2015.</p>
<u>Average Final Compensation</u>	Average total W-2 earnings, plus tax deferred and tax exempt income, during the best 5 years of the last 10 years of service.
<u>Normal Retirement</u>	
Eligibility	The earlier of 1.) age 55 and the completion of 10 Years of Service or 2.) the completion of 25 Years of Service, regardless of age. For Members hired after May 27, 2014, there is an age 52 requirement, in addition to the completion of 25 years of Credited Service.
Benefit Amount	3.50% of Average Final Compensation for each year of Credited Service. For Member hired after May 27, 2014, the benefit accrual rate is 3.15% for each year of Credited Service.
Form of Benefit	Ten Year Certain and Life Annuity (options available).

Early Retirement

Eligibility	Age 45 and 10 Years of Service.
Benefit Amount	Accrued benefit, reduced by 3% per year for each year prior to the Normal Retirement Date if the Member has less than 15 years of service, 2% per year if the Member has at least 15 but less than 20 years of service or 1% per year of the Member has 20 or more years of service at the time of retirement. The Normal Retirement date is the earlier of 55 and 10 or when the Member would have reached 25 years of service.  For Members hired after May 27, 2014, the reduction is a flat 3% per year for each year prior to the Normal Retirement Date (determined as if employment had continued).

Disability

Service Connected	
Eligibility	a.) Years of Service: None  b.) Total and permanent disability prior to Normal Retirement Date.
Benefit Amount	Greater of 1) 2% times Average Final Compensation times Credited Service, or 2) 60% of earnings in effect at time of disability (80% AFC minimum for intentional violence); 10 year certain and life annuity form of benefit (optional forms available).
Non-Service Connected	
Eligibility	a.) 10 Years of Service.  b.) Total and permanent disability prior to Normal Retirement.
Benefit Amount	Same as Service Connected except minimum 50% of earnings.

Supplemental Benefit

\$165 per month for all service retirees, disability retirees, vested terminated Members, and beneficiaries. The supplemental benefit is not payable for Members hired after May 27, 2014.



Pre-Retirement Death

Coverage from date of hire (service-incurred) or after 5 Years of Service (non-service). Benefit is 60% (Service incurred) or 50% (non-service) of compensation in effect at time of death payable to spouse for life (service incurred) or for life or until remarriage (non-service). If no spouse, children receive benefit in equal shares until age 18 (or age 23 if full-time student). Minimum benefit for vested Members is accrued benefit, less any benefits paid pursuant to other death benefit provisions.

Vesting (Termination)

Less than 10 years of Service

Refund of Member Contributions Contributing without interest.

10 years or more

Accrued benefit payable at age 45 or later, on reduced basis if to commence prior to age 55, or Refund of Member Contributions.

Contributions

Employee

8.0% of total compensation.

Premium Tax

0.85% tax on premiums for casualty insurance.

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 Chapter 112, Florida Statutes. In no event will City contributions be less than 18% of the Members' total pay.

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. 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 (earlier of (1) Age 55 and 10 years of Credited Service, or (2) the completion of 25 years of Credited Service, regardless of age).
Participation	Not to exceed 36 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.