

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

ACTUARIAL VALUATION
AS OF OCTOBER 1, 2015

CONTRIBUTIONS APPLICABLE TO PLAN/
FISCAL YEAR ENDING SEPTEMBER 30, 2017

February 12, 2016

Board of Trustees
c/o Ms. Linda Runkle, 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 Linda:

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, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations.

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

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

DHL/lke

Enclosures

TABLE OF CONTENTS

Section	Title	Page
I	<u>Introduction</u>	
	a. Summary of Report	5
	b. Changes Since Prior Valuation	7
	c. Requirements of Chapter 112, Part VII, Florida Statutes	8
II	<u>Valuation Information</u>	
	a. Reconciliation of Unfunded Actuarial Accrued Liabilities	13
	b. Detailed Actuarial (Gain)/Loss Analysis	15
	c. Actuarial Assumptions and Methods	16
	d. Valuation Notes	18
	e. History of Premium Tax Refunds	19
	f. Excess State Monies Reserve	20
III	Trust Fund	21
IV	<u>Member Statistics</u>	
	a. Statistical Data	25
	b. Age and Service Distribution	26
	c. Member Reconciliation	27
V	Summary of Plan Provisions	28
VI	Governmental Accounting Standards Board Statement No. 27 Disclosure Information	32

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, 2015, 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, 2017.

The contribution requirements, compared with those developed in the October 1, 2014, actuarial valuation, are as follows:

Valuation Date	10/1/2014	10/1/2015
Applicable Plan/Fiscal Yr. End	<u>9/30/2016</u>	<u>9/30/2017</u>
Total Required Contribution	\$3,082,023	\$2,607,676
% of Total Annual Payroll		
Member Contributions (Est.)	632,278	559,247
% of Total Annual Payroll		
City and State Required Contribution	2,449,745	2,048,429
% of Total Annual Payroll		
State Contribution ¹	179,229	179,229
% of Total Annual Payroll		
Balance from City ¹		
% of Total Annual Payroll	\$2,270,516	\$1,869,200

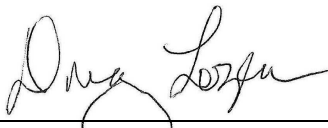
¹ The City may use up to \$179,229 in State Contributions (under the traditional interpretation of Chapter 99-1, Florida Statutes) for determining its minimum funding requirements until the next bargaining agreement is effective.

Actuarial experience during the past 12 months has been more favorable than expected on the basis of the Plan's actuarial assumptions. The primary sources of favorable experience included a 9.36% investment return (Actuarial Asset basis), exceeding the 7.75% assumption, average increases in Pensionable Compensation that were below the assumed rates by more than 6%, and greater than expected employee turnover. Partially offsetting these gains were losses due to one disability retirement and earlier than expected retirements.


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, ASA, MAAA

CHANGES SINCE PRIOR VALUATION

Plan Changes Since Prior Valuation

There have been no plan changes since the prior valuation.

Actuarial Assumption/Method Changes Since Prior Valuation

There have been no changes in assumptions or methods since the prior valuation.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2015</u>	<u>10/1/2014</u>
A. Participant Data		
Number Included		
Actives	88	97
Service Retirees	20	17
DROP Retirees	0	0
Beneficiaries	2	1
Disability Retirees	9	8
Terminated Vested	<u>21</u>	<u>17</u>
Total	140	140
Total Annual Payroll	\$6,372,942	\$6,986,815
Payroll Under Assumed Ret. Age	6,196,874	6,986,815
Annual Rate of Payments to:		
Service Retirees	1,112,036	910,662
DROP Retirees	0	0
Beneficiaries	70,280	27,207
Disability Retirees	268,560	237,062
Terminated Vested	26,792	0
B. Assets		
Actuarial Value ¹	32,923,998	28,318,540
Market Value ¹	31,992,095	30,315,138
C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	30,781,503	33,235,309
Disability Benefits	2,022,380	2,225,095
Death Benefits	542,611	600,514
Vested Benefits	1,729,189	1,896,818
Refund of Contributions	187,358	234,023
Service Retirees	12,353,188	9,948,751
DROP Retirees ¹	0	0
Beneficiaries	848,786	334,787
Disability Retirees	2,904,439	2,538,720
Terminated Vested	165,889	32,085
Excess State Monies Reserve	<u>590,338</u>	<u>428,135</u>
Total	52,125,681	51,474,237

C. Liabilities - (Continued)	<u>10/1/2015</u>	<u>10/1/2014</u>
Present Value of Future Salaries	58,571,540	65,738,009
Present Value of Future Member Contributions	4,685,723	5,259,041
Normal Cost (Retirement)	1,362,646	1,563,804
Normal Cost (Disability)	155,250	183,363
Normal Cost (Death)	47,249	55,930
Normal Cost (Vesting)	117,186	130,710
Normal Cost (Refunds)	<u>41,007</u>	<u>50,768</u>
Total Normal Cost	1,723,338	1,984,575
Present Value of Future Normal Costs	15,468,231	17,534,996
Accrued Liability (Retirement)	18,116,207	18,917,043
Accrued Liability (Disability)	653,561	672,767
Accrued Liability (Death)	134,808	138,732
Accrued Liability (Vesting)	866,174	900,497
Accrued Liability (Refunds)	24,060	27,724
Accrued Liability (Inactives) ¹	16,272,302	12,854,343
Excess State Monies Reserve	<u>590,338</u>	<u>428,135</u>
Total Actuarial Accrued Liability	36,657,450	33,939,241
Unfunded Actuarial Accrued Liability (UAAL)	3,733,452	5,620,701
Funded Ratio (AVA / AL)	89.8%	83.4%

D. Actuarial Present Value of Accrued Benefits

Vested Accrued Benefits		
Inactives ¹	16,272,302	12,854,343
Actives	8,851,421	8,729,394
Member Contributions	<u>3,830,201</u>	<u>3,890,449</u>
Total	28,953,924	25,474,186
Non-vested Accrued Benefits	<u>2,584,339</u>	<u>3,377,238</u>
Total Present Value Accrued Benefits	31,538,263	28,851,424
Funded Ratio (MVA / PVAB)	101.4%	105.1%

Increase (Decrease) in Present Value of
Accrued Benefits Attributable to:

Plan Amendments	0
Assumption Changes	0
New Accrued Benefits	1,825,134
Benefits Paid	(1,323,014)
Interest	2,184,719
Other	<u>0</u>
Total	2,686,839

Valuation Date	10/1/2015	10/1/2014
Applicable to Fiscal Year Ending	<u>9/30/2017</u>	<u>9/30/2016</u>

E. Pension Cost

Normal Cost ²	\$1,944,067	\$2,244,949
Administrative Expenses ²	78,442	77,402
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 25 years (as of 10/1/2015) ²	585,167	759,672
Total Required Contribution	2,607,676	3,082,023
Expected Member Contributions ²	559,247	632,278
Expected City & State Contribution	2,048,429	2,449,745

F. Past Contributions

Plan Years Ending: 9/30/2015

City and State Requirement 2,553,412

Actual Contributions Made:

Members (excluding buyback)	519,932
City	2,374,183
State	<u>179,229</u> ³
Total	3,073,344

G. Net Actuarial (Gain)/Loss (1,284,634)

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/2015 and 9/30/2014.

² Contributions developed as of 10/1/2015 displayed above have been adjusted to account for assumed salary increase and interest components.

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 Accrued Liability</u>
2015	3,733,452
2016	3,463,867
2017	3,146,412
2023	2,834,496
2029	763,278
2034	90,210
2040	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2015	2.7%	8.9%
Year Ended	9/30/2014	1.5%	8.6%
Year Ended	9/30/2013	3.2%	8.4%

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


		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2015	9.36%	7.75%
Year Ended	9/30/2014	8.46%	7.75%
Year Ended	9/30/2013	8.42%	7.75%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2015	\$6,372,942
	10/1/2005	3,148,923
(b) Total Increase		102.38%
(c) Number of Years		10.00
(d) Average Annual Rate		7.30%

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, 2014	\$5,620,701
(2) Sponsor Normal Cost developed as of October 1, 2014	1,425,630
(3) Expected administrative expenses for the year ended September 30, 2015	68,425
(4) Expected interest on (1), (2) and (3)	548,742
(5) Sponsor contributions to the System during the year ended September 30, 2015	2,553,412
(6) Expected interest on (5)	92,000
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2015 (1)+(2)+(3)+(4)-(5)-(6)	5,018,086
(8) Change to UAAL due to Assumption Change	0
(9) Change to UAAL due to Actuarial (Gain)/Loss	(1,284,634)
(10) Unfunded Accrued Liability as of October 1, 2015	3,733,452

<u>Type of Base</u>	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2015 Amount</u>	<u>Amortization Amount</u>
	10/1/1990	5	\$92,391	\$19,446
	10/1/1997	12	113,900	10,899
	10/1/1999	14	188,587	15,849
	10/1/2000	15	159,721	12,681
method change	10/1/2004	19	1,520,025	99,955
actuarial loss	10/1/2004	13	1,355,476	121,195
actuarial loss	10/1/2005	13	1,079,736	96,541
actuarial gain	10/1/2006	13	(322,404)	(28,827)
actuarial loss	10/1/2007	13	1,200,509	107,340
actuarial loss	10/1/2008	3	275,523	94,225
method change	10/1/2008	13	84,211	7,529
actuarial loss	10/1/2009	4	855,799	222,317
actuarial loss	10/1/2010	5	70,779	14,897
assum. change	10/1/2010	15	247,001	19,611
benefit change	10/1/2010	*	211,241	17,975
actuarial loss	10/1/2011	6	901,236	160,079
actuarial loss	10/1/2012	7	465,884	71,826
assum. change	10/1/2012	17	(916,629)	(65,780)
actuarial gain	10/1/2013	8	(1,448,444)	(197,855)

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2015 <u>Amount</u>	Amortization <u>Amount</u>
actuarial gain	10/1/2014	9	(1,116,456)	(137,260)
actuarial gain	10/1/2015	10	<u>(1,284,634)</u>	<u>(143,916)</u>
			3,733,452	518,727

* Amortized as level dollar.

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2014	\$5,620,701
(2) Expected UAAL as of October 1, 2015	5,018,086
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(470,941)
Salary Increases	(919,568)
Active Decrements	153,368
Inactive Mortality	63,123
Other	<u>(110,616)</u>
Increase in UAAL due to (Gain)/Loss	(1,284,634)
Assumption Changes	<u>0</u>
(4) Actual UAAL as of October 1, 2015	\$3,733,452

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

RP 2000 Combined Healthy – sex distinct with no projection. Rates for disabled lives are set forward five years. We believe this assumption sufficiently accommodates expected future mortality improvements.

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

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%

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).

Salary Increases

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

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

5% per year.

Administrative Expenses

\$69,536 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%

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 8.6% 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>
1993	26,157.01	_____%
1994	29,252.28	11.8%
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%

EXCESS STATE MONIES RESERVE

	<u>Actual</u> <u>State Contribution</u>	<u>Applicable</u> <u>"Frozen" Amount</u>	<u>Excess State</u> <u>Monies Reserve</u>
1999	\$51,574.48	\$48,260.66	\$3,313.82
2000	51,511.40	87,721.66	0.00
2001	56,480.66	146,545.66	0.00
2002	76,778.55	146,545.66	0.00
2003	88,977.27	146,545.66	0.00
2004	132,825.30	146,545.66	0.00
2005	163,669.80	146,545.66	17,124.14
2006	191,599.50	146,545.66	45,053.84
2007	232,905.15	146,545.66	86,359.49
2008	221,662.73	146,545.66	75,117.07
2009	275,946.30	146,545.66	129,400.64
2010	278,182.12	146,545.66	131,636.46
2011	257,676.16	179,228.66	78,447.50
2012	282,742.64	179,228.66	103,513.98
2013	297,989.02	179,228.66	118,760.36
2014	306,641.87	179,228.66	127,413.21
2015	341,431.51	179,228.66	<u>162,202.85</u>
Total Excess State Monies			1,078,343.36
Less Excess Used in Funding			
Ordinance No. 2011-06 Improvements			<u>(488,005.46)</u>
Equals Current State Monies Reserve			\$590,337.90

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	1,081,135.18	1,081,135.18
Cash	(22.35)	(22.35)
Total Cash and Equivalents	1,081,112.83	1,081,112.83
Receivables:		
Member Buy-Back Contributions	24,567.76	24,567.76
City Contributions in Transit	593,545.75	593,545.75
State Contributions	341,431.51	341,431.51
Investment Income	50,042.54	50,042.54
Total Receivable	1,009,587.56	1,009,587.56
Investments:		
U. S. Bonds and Bills	2,424,752.97	2,440,356.50
Federal Agency Guaranteed Securities	676,185.67	704,576.18
Corporate Bonds	3,009,487.00	3,011,457.10
Stocks	15,607,749.33	16,634,312.82
Mutual Funds:		
Fixed Income	3,383,461.93	3,041,533.95
Equity	1,876,000.00	1,633,692.31
Pooled/Common/Commingled Funds:		
Real Estate	1,900,000.00	2,437,448.51
Total Investments	28,877,636.90	29,903,377.37
Total Assets	30,968,337.29	31,994,077.76
<u>LIABILITIES</u>		
Payables:		
Benefit Payments	1,982.51	1,982.51
Total Liabilities	1,982.51	1,982.51
NET POSITION RESTRICTED FOR PENSIONS	30,966,354.78	31,992,095.25

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015
Market Value Basis

ADDITIONS

Contributions:		
Member		519,931.89
Buy-Back		24,567.76
City		2,374,183.00
State		341,431.51
Total Contributions		3,260,114.16
Investment Income:		
Net Realized Gain (Loss)	1,920,931.35	
Unrealized Gain (Loss)	(2,501,765.44)	
Net Increase in Fair Value of Investments		(580,834.09)
Interest & Dividends		619,460.91
Less Investment Expense ¹		(229,234.26)
Net Investment Income		(190,607.44)
Total Additions		3,069,506.72

DEDUCTIONS

Distributions to Members:		
Benefit Payments		1,234,626.71
Lump Sum DROP Distributions		0.00
Refunds of Member Contributions		88,387.19
Total Distributions		1,323,013.90
Administrative Expense		69,535.84
Total Deductions		1,392,549.74
Net Increase in Net Position		1,676,956.98

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		30,315,138.27
End of the Year		31,992,095.25

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

ACTUARIAL ASSET VALUATION
SEPTEMBER 30, 2015

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*	
09/30/2012	17.26%	
09/30/2013	13.52%	
09/30/2014	8.12%	
09/30/2015	-0.62%	
Annualized Rate of Return for prior four (4) years:		9.36%
(A) 10/01/2014 Actuarial Assets:		\$28,318,539.85
(I) Net Investment Income:		
1. Interest and Dividends	619,460.91	
2. Realized Gains (Losses)	1,920,931.35	
3. Change in Actuarial Value	426,735.88	
4. Investment Related Expenses	(229,234.26)	
Total		2,737,893.88
(B) 10/01/2015 Actuarial Assets:		\$32,923,998.15
Actuarial Asset Rate of Return = 2I/(A+B-I):		9.36%
10/01/2015 Limited Actuarial Assets:		\$32,923,998.15
10/01/2015 Market Value of Assets:		\$31,992,095.25
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		\$470,941.15

*Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2015
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	519,931.89	
Buy-Back	24,567.76	
City	2,374,183.00	
State	341,431.51	
 Total Contributions		 3,260,114.16
Earnings from Investments:		
Interest & Dividends	619,460.91	
Net Realized Gain (Loss)	1,920,931.35	
Change in Actuarial Value	426,735.88	
 Total Earnings and Investment Gains		 2,967,128.14

EXPENDITURES

Distributions to Members:		
Benefit Payments	1,234,626.71	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	88,387.19	
 Total Distributions		 1,323,013.90
Expenses:		
Investment related ¹	229,234.26	
Administrative	69,535.84	
 Total Expenses		 298,770.10
 Change in Net Assets for the Year		 4,605,458.30
 Net Assets Beginning of the Year		 28,318,539.85
 Net Assets End of the Year ²		 32,923,998.15

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

²Net Assets may be limited for actuarial consideration.

STATISTICAL DATA ¹

	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>	<u>10/1/2015</u>
<u>Actives</u>				
Number	90	95	97	88
Average Current Age	38.1	38.6	39.6	38.8
Average Age at Employment	29.2	29.2	29.9	29.7
Average Past Service	8.9	9.4	9.7	9.1
Average Annual Salary	\$67,260	\$73,297	\$72,029	\$72,420
<u>Service Retirees</u>				
Number				20
Average Current Age				60.5
Average Annual Benefit				\$55,602
<u>DROP Retirees</u>				
Number				0
Average Current Age				N/A
Average Annual Benefit				N/A
<u>Beneficiaries</u>				
Number				2
Average Current Age				47.2
Average Annual Benefit				\$35,140
<u>Disability Retirees</u>				
Number				9
Average Current Age				56.4
Average Annual Benefit				\$29,840
<u>Terminated Vested</u>				
Number ²				1
Average Current Age				39.3
Average Annual Benefit				\$26,792

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

² 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	0	0	1	0	0	0	0	0	0	0	0	1
25 - 29	0	1	5	0	2	3	0	0	0	0	0	11
30 - 34	1	4	0	2	1	12	1	0	0	0	0	21
35 - 39	2	1	0	1	1	5	2	1	0	0	0	13
40 - 44	0	0	0	1	0	6	8	2	0	0	0	17
45 - 49	1	1	0	0	0	3	7	6	1	0	0	19
50 - 54	0	0	0	0	0	0	1	1	1	0	0	3
55 - 59	0	0	0	0	0	0	1	0	1	0	0	2
60 - 64	0	1	0	0	0	0	0	0	0	0	0	1
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	4	8	6	4	4	29	20	10	3	0	0	88

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2014	97
b. Terminations	
i. Vested (partial or full) with deferred benefits	(4)
ii. Non-vested or full lump sum distribution received	(4)
c. Deaths	
i. Beneficiary receiving benefits	(1)
ii. No future benefits payable	0
d. Disabled	(1)
e. Retired	(3)
f. DROP	<u>0</u>
g. Continuing participants	84
h. New entrants	<u>4</u>
i. Total active life participants in valuation	88

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

	Service Retirees, Vested Receiving	DROP Benefits	Receiving Death Benefits	Receiving Disability Benefits	Vested Deferred	Total
	<u>Benefits</u>	<u>Benefits</u>	<u>Benefits</u>	<u>Benefits</u>	<u>Deferred</u>	<u>Total</u>
a. Number prior valuation	17	0	1	8	17	43
Retired	3	0	0	0	0	3
DROP	0	0	0	0	0	0
Vested Deferred	0	0	0	0	4	4
Death, With Survivor	0	0	1	0	0	1
Death, No Survivor	0	0	0	0	0	0
Disabled	0	0	0	1	0	1
Refund of Contributions	0	0	0	0	0	0
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	20	0	2	9	21	52

SUMMARY OF PLAN PROVISIONS
(Through Ordinance 2014-21)

<u>Original Plan Effective Date</u>	December 14, 1979
<u>Latest Amendment</u>	May 27, 2014
<u>Credited Service</u>	a. Total aggregate period of service, including military leave if reemployed by City within 1 year of discharge under honorable conditions. 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.
<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 if 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 Rate (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.
<u>Supplemental Benefit</u>	\$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.
<u>Pre-Retirement Death</u>	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.
<u>Vesting (Termination)</u>	
Less than 10 years of Contributing Service	Refund of Member Contributions 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.
<u>Contributions</u>	
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 <u>Florida Statutes</u> Chapter 112. In no event will City contributions be less than 18% of the

Board of Trustees

Members' total pay.

- 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.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	1,081,135
Cash	(22)
Total Cash and Equivalents	1,081,113
Receivables:	
Member Buy-Back Contributions	24,568
City Contributions in Transit	593,546
State Contributions	341,431
Investment Income	50,043
Total Receivable	1,009,588
Investments:	
U. S. Bonds and Bills	2,440,356
Federal Agency Guaranteed Securities	704,576
Corporate Bonds	3,011,457
Stocks	16,634,313
Mutual Funds:	
Fixed Income	3,041,534
Equity	1,633,692
Pooled/Common/Commingled Funds:	
Real Estate	2,437,449
Total Investments	29,903,377
Total Assets	31,994,078
<u>LIABILITIES</u>	
Payables:	
Benefit Payments	1,983
Total Liabilities	1,983
NET POSITION RESTRICTED FOR PENSIONS	31,992,095

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015
Market Value Basis

ADDITIONS

Contributions:

Member	519,932	
Buy-Back	24,568	
City	2,374,183	
State	341,432	
 Total Contributions		 3,260,115
 Investment Income:		
Net Increase in Fair Value of Investments	(580,835)	
Interest & Dividends	619,461	
Less Investment Expense ¹	(229,234)	
 Net Investment Income		 (190,608)
 Total Additions		 3,069,507

DEDUCTIONS

Distributions to Members:

Benefit Payments	1,234,627	
Lump Sum DROP Distributions	0	
Refunds of Member Contributions	88,387	
 Total Distributions		 1,323,014
 Administrative Expense		 69,536
 Total Deductions		 1,392,550
 Net Increase in Net Position		 1,676,957
 NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		30,315,138
 End of the Year		 31,992,095

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

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2015)

Plan Description

Plan Administration

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

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

Plan Membership as of October 1, 2014:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	26
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	17
Active Plan Members	97
	140

Benefits Provided

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

Normal Retirement:

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

Benefit Amount: 3.50% of Average Final Compensation times Credited Service. For Members hired after May 27, 2014, the benefit accrual rate is 3.15% for each year of Credited Service.

Early Retirement:

Eligibility: Age 45 and 10 Years of Service.

Benefit Amount: Accrued benefit, reduced by 3% per year for each year prior to normal retirement 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 Rate (determined as if employment had continued).

Disability:

Eligibility Service Connected: 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).

Eligibility Non-Service Connected: Eligibility: a.) 10 Years of Service. b.) Total and permanent disability prior to Normal Retirement Date.

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 Benefits:

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

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	50%
International Equity	10%
Investment Grade Bonds	20%
Global Bond	5%
Real Estate	10%
GTAA	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, 2015, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was -0.62 percent.
 The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program

Eligibility: Satisfaction of Normal Retirement requirements (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.

The DROP balance as September 30, 2015 is \$0.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2015 were as follows:

Total Pension Liability	\$ 36,831,064
Plan Fiduciary Net Position	<u>\$ (31,992,095)</u>
Sponsor's Net Pension Liability	<u>\$ 4,838,969</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	86.86%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	2% 17.00%
Discount Rate	7.75%
Investment Rate of Return	7.75%

Mortality Rate: RP 2000 Combined Healthy – sex distinct with no projection. Rates for disabled lives are set forward five years. We believe this assumption sufficiently accommodates expected future mortality improvements. Additionally, 75% of active Member deaths are assumed to be service-related.

The significant assumptions are based upon the most recent actuarial experience study dated September 5th, 2013 for the period 1994-2012.

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.50%
International Equity	8.50%
Investment Grade Bonds	2.50%
Global Bond	3.50%
Real Estate	4.50%
GTAA	3.50%

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.75 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
	<u>6.75%</u>	<u>7.75%</u>	<u>8.75%</u>
Sponsor's Net Pension Liability	\$ 9,271,747	\$ 4,838,969	\$ 1,105,657

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

	09/30/2015	09/30/2014	09/30/2013
Total Pension Liability			
Service Cost	1,991,280	1,967,848	1,826,309
Interest	2,731,953	2,485,396	2,249,376
Change in Excess State Money	162,203	127,413	-
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	(1,105,298)	-	-
Changes of assumptions	-	-	-
Contributions - Buy Back	24,568	-	-
Benefit Payments, including Refunds of Employee Contributions	(1,323,014)	(1,267,557)	(1,076,074)
Net Change in Total Pension Liability	2,481,692	3,313,100	2,999,611
Total Pension Liability - Beginning	34,349,372	31,036,272	28,036,661
Total Pension Liability - Ending (a)	<u>\$ 36,831,064</u>	<u>\$ 34,349,372</u>	<u>\$ 31,036,272</u>
Plan Fiduciary Net Position			
Contributions - Employer	2,374,183	2,250,656	2,204,949
Contributions - State	341,432	306,642	297,989
Contributions - Employee	519,932	546,581	517,988
Contributions - Buy Back	24,568	-	-
Net Investment Income	(190,608)	2,171,807	3,040,119
Benefit Payments, including Refunds of Employee Contributions	(1,323,014)	(1,267,557)	(1,076,074)
Administrative Expense	(69,536)	(68,425)	(70,311)
Net Change in Plan Fiduciary Net Position	1,676,957	3,939,704	4,914,660
Plan Fiduciary Net Position - Beginning	30,315,138	26,375,434	21,460,774
Plan Fiduciary Net Position - Ending (b)	<u>\$ 31,992,095</u>	<u>\$ 30,315,138</u>	<u>\$ 26,375,434</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 4,838,969</u>	<u>\$ 4,034,234</u>	<u>\$ 4,660,838</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	86.86%	88.26%	84.98%
Covered Employee Payroll*	\$ 6,550,454	\$ 6,605,273	\$ 6,274,152
Net Pension Liability as a percentage of Covered Employee Payroll	73.87%	61.08%	74.29%

Notes to Schedule:

*For the Fiscal years 2013 and 2014 the Covered Employee Payroll figures were not available. Pensionable Salary has been reported instead.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	2,553,412	2,429,885	2,384,178
Contributions in relation to the Actuarially Determined Contributions	2,553,412	2,429,885	2,384,178
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Employee Payroll*	\$ 6,550,454	\$ 6,605,273	\$ 6,274,152
Contributions as a percentage of Covered Employee Payroll	38.98%	36.79%	38.00%

*For the Fiscal years 2013 and 2014 the Covered Employee Payroll figures were not available. Pensionable Salary has been reported instead.

Notes to Schedule

Valuation Date: 10/01/2013

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 Actuarial Cost Method. The following loads are applied for determination of the Sponsor funding requirements: Interest: A half year, based on the current 7.75% assumption. Salary: A half year, based on the current 8.60% assumption.										
Amortization Method:	Level Percentage of Pay, Closed.										
Remaining Amortization Period:	27 Years (as of 10/01/2012).										
Mortality Rate:	RP 2000 Combined Healthy Mortality Table, Sex Distinct. Disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Additionally, 75% of active Member deaths are assumed to be service-related.										
Interest Rate:	7.75% per year, compounded annually, net of investment related expenses.										
Inflation:	3.0% per year.										
Normal Retirement:	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Years Eligible for Normal Retirement</th> <th style="text-align: center;">Percent Retiring</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">66.7%</td> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">50.0%</td> </tr> <tr> <td style="text-align: center;">2 or More</td> <td style="text-align: center;">100.0%</td> </tr> </tbody> </table>	Years Eligible for Normal Retirement	Percent Retiring	0	66.7%	1	50.0%	2 or More	100.0%		
Years Eligible for Normal Retirement	Percent Retiring										
0	66.7%										
1	50.0%										
2 or More	100.0%										
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).										
Salary Increases:	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Credited Service</th> <th style="text-align: center;">Assumption</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">First 2 Years</td> <td style="text-align: center;">17.0%</td> </tr> <tr> <td style="text-align: center;">2 -10 Years</td> <td style="text-align: center;">8.5%</td> </tr> <tr> <td style="text-align: center;">11-20 Years</td> <td style="text-align: center;">6.0%</td> </tr> <tr> <td style="text-align: center;">More than 20 Years</td> <td style="text-align: center;">2.0%</td> </tr> </tbody> </table>	Credited Service	Assumption	First 2 Years	17.0%	2 -10 Years	8.5%	11-20 Years	6.0%	More than 20 Years	2.0%
Credited Service	Assumption										
First 2 Years	17.0%										
2 -10 Years	8.5%										
11-20 Years	6.0%										
More than 20 Years	2.0%										
	A flat 7.5% salary increase assumption was utilized for valuations prior to October 1, 2012.										
Payroll Growth:	5% per year.										

GASB 67

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).

Termination Rates:	Credited Service	Assumption
	First Year	24.0%
	1-4 Years	6.0%
	5-19 Years	3.0%
	20 or more Years	0.0%

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

Age	% Becoming Disabled During the Year
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 deminis bias that is above or below the Market Value of Assets.

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	<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	-0.62%	8.12%	13.52%

NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2016)

General Information about the Pension Plan

Plan Description

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

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

Each person employed by the City Police Department as a full-time Police Officer becomes a Member of the plan as a condition of his employment. All Police Officers are therefore eligible for all plan benefits as provided for in the plan document and by applicable law, except that any future Police Chief may, within 30 days of becoming Police Chief, notify the Board and the City in writing, of his election to not be a member of this System.

Plan Membership as of October 1, 2014:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	26
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	17
Active Plan Members	97
	140
	140

Benefits Provided

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

Normal Retirement:

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

Benefit Amount: 3.50% of Average Final Compensation times Credited Service. For Members hired after May 27, 2014, the benefit accrual rate is 3.15% for each year of Credited Service.

Early Retirement:

Eligibility: Age 45 and 10 Years of Service.

Benefit Amount: Accrued benefit, reduced by 3% per year for each year prior to normal retirement 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 prior to the Normal Retirement Rate (determined as if employment had continued).

Disability:

Eligibility Service Connected: 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).

Eligibility Non-Service Connected: Eligibility: a.) 10 Years of Service. b.) Total and permanent disability prior to Normal Retirement Date.

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 Benefits:

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

GASB 68

Vesting (Termination):

Less than 10 years of Contributing 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 Florida Statutes Chapter 112. In no event will City contributions be less than 18% of the Members total Pay.

Net Pension Liability

The measurement date is September 30, 2015.

The measurement period for the pension expense was October 1, 2014 to September 30, 2015.

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

The Sponsor's Net Pension Liability was measured as of September 30, 2015.

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, 2014 updated to September 30, 2015 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	2% 17.00%
Discount Rate	7.75%
Investment Rate of Return	7.75%

Mortality Rate: RP 2000 Combined Healthy – sex distinct with no projection. Rates for disabled lives are set forward five years. We believe this assumption sufficiently accommodates expected future mortality improvements. Additionally, 75% of active Member deaths are assumed to be service-related.

The significant assumptions are based upon the most recent actuarial experience study dated September 5th, 2013 for the period 1994-2012.

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, Net of Pension Plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	50%	7.50%
International Equity	10%	8.50%
Investment Grade Bonds	20%	2.50%
Global Bond	5%	3.50%
Real Estate	10%	4.50%
GTAA	5%	3.50%
	<u>100%</u>	

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.75 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)
Reporting Period Ending September 30, 2015	\$ 34,349,372	\$ 30,315,138	\$ 4,034,234
Changes for a Year:			
Service Cost	1,991,280	-	1,991,280
Interest	2,731,953	-	2,731,953
Change in Excess State Money	162,203	-	162,203
Differences between Expected and Actual Experience	(1,105,298)	-	(1,105,298)
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - Employer	-	2,374,183	(2,374,183)
Contributions - State	-	341,432	(341,432)
Contributions - Employee	-	519,932	(519,932)
Contributions - Buy Back	24,568	24,568	-
Net Investment Income	-	(190,608)	190,608
Benefit Payments, including Refunds of Employee Contributions	(1,323,014)	(1,323,014)	-
Administrative Expense	-	(69,536)	69,536
Net Changes	2,481,692	1,676,957	804,735
Reporting Period Ending September 30, 2016	\$ 36,831,064	\$ 31,992,095	\$ 4,838,969

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.75%	7.75%	8.75%
Sponsor's Net Pension Liability	\$ 9,271,747	\$ 4,838,969	\$ 1,105,657

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 \$2,365,988.

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	-	947,399
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan investments	2,054,397	-
Employer and State contributions subsequent to the measurement date	2,449,745	-
Total	\$ 4,504,142	\$ 947,399

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer and State contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2016.

Other 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	\$	352,740
2018	\$	352,739
2019	\$	352,739
2020	\$	364,580
2021	\$	(157,900)
Thereafter	\$	(157,900)

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

Reporting Period Ending	09/30/2016	09/30/2015	09/30/2014
Measurement Date	09/30/2015	09/30/2014	09/30/2013
Total Pension Liability			
Service Cost	1,991,280	1,967,848	1,826,309
Interest	2,731,953	2,485,396	2,249,376
Change in Excess State Money	162,203	127,413	-
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	(1,105,298)	-	-
Changes of assumptions	-	-	-
Contributions - Buy Back	24,568	-	-
Benefit Payments, including Refunds of Employee Contributions	(1,323,014)	(1,267,557)	(1,076,074)
Net Change in Total Pension Liability	2,481,692	3,313,100	2,999,611
Total Pension Liability - Beginning	34,349,372	31,036,272	28,036,661
Total Pension Liability - Ending (a)	<u>\$ 36,831,064</u>	<u>\$ 34,349,372</u>	<u>\$ 31,036,272</u>
Plan Fiduciary Net Position			
Contributions - Employer	2,374,183	2,250,656	2,204,949
Contributions - State	341,432	306,642	297,989
Contributions - Employee	519,932	546,581	517,988
Contributions - Buy Back	24,568	-	-
Net Investment Income	(190,608)	2,171,807	3,040,119
Benefit Payments, including Refunds of Employee Contributions	(1,323,014)	(1,267,557)	(1,076,074)
Administrative Expense	(69,536)	(68,425)	(70,311)
Net Change in Plan Fiduciary Net Position	1,676,957	3,939,704	4,914,660
Plan Fiduciary Net Position - Beginning	30,315,138	26,375,434	21,460,774
Plan Fiduciary Net Position - Ending (b)	<u>\$ 31,992,095</u>	<u>\$ 30,315,138</u>	<u>\$ 26,375,434</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 4,838,969</u>	<u>\$ 4,034,234</u>	<u>\$ 4,660,838</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	86.86%	88.26%	84.98%
Covered Employee Payroll*	\$ 6,550,454	\$ 6,605,273	\$ 6,274,152
Net Pension Liability as a percentage of Covered Employee Payroll	73.87%	61.08%	74.29%

Notes to Schedule:

**For the Reporting Period Ending years 2014 and 2015 the Covered Employee Payroll figures were not available. Pensionable Salary has been reported instead.*

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

Reporting Period Ending	09/30/2016	09/30/2015	09/30/2014
Measurement Date	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	2,553,412	2,429,885	2,384,178
Contributions in relation to the			
Actuarially Determined Contributions	2,553,412	2,429,885	2,384,178
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Employee Payroll*	\$ 6,550,454	\$ 6,605,273	\$ 6,274,152
Contributions as a percentage of			
Covered Employee Payroll	38.98%	36.79%	38.00%

**For the Reporting Period Ending years 2014 and 2015 the Covered Employee Payroll figures were not available. Pensionable Salary has been reported instead.*

Notes to Schedule

Valuation Date: 10/01/2013

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 Actuarial Cost Method. The following loads are applied for determination of the Sponsor funding requirements: Interest: A half year, based on the current 7.75% assumption. Salary: A half year, based on the current 8.60% assumption.										
Amortization Method:	Level Percentage of Pay, Closed.										
Remaining Amortization Period:	27 Years (as of 10/01/2012).										
Mortality Rate:	RP 2000 Combined Healthy Mortality Table, Sex Distinct. Disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Additionally, 75% of active Member deaths are assumed to be service-related.										
Interest Rate:	7.75% per year, compounded annually, net of investment related expenses.										
Inflation:	3.0% per year.										
Normal Retirement:	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Years Eligible for Normal Retirement</th> <th style="text-align: center;">Percent Retiring</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">0</td> <td style="text-align: center;">66.7%</td> </tr> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">50.0%</td> </tr> <tr> <td style="text-align: center;">2 or More</td> <td style="text-align: center;">100.0%</td> </tr> </tbody> </table>	Years Eligible for Normal Retirement	Percent Retiring	0	66.7%	1	50.0%	2 or More	100.0%		
Years Eligible for Normal Retirement	Percent Retiring										
0	66.7%										
1	50.0%										
2 or More	100.0%										
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).										
Salary Increases:	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Credited Service</th> <th style="text-align: center;">Assumption</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">First 2 Years</td> <td style="text-align: center;">17.0%</td> </tr> <tr> <td style="text-align: center;">2 -10 Years</td> <td style="text-align: center;">8.5%</td> </tr> <tr> <td style="text-align: center;">11-20 Years</td> <td style="text-align: center;">6.0%</td> </tr> <tr> <td style="text-align: center;">More than 20 Years</td> <td style="text-align: center;">2.0%</td> </tr> </tbody> </table>	Credited Service	Assumption	First 2 Years	17.0%	2 -10 Years	8.5%	11-20 Years	6.0%	More than 20 Years	2.0%
Credited Service	Assumption										
First 2 Years	17.0%										
2 -10 Years	8.5%										
11-20 Years	6.0%										
More than 20 Years	2.0%										

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

GASB 68

Payroll Growth: 5% per year.
 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).

Termination Rates:	Credited Service	Assumption
	First Year	24.0%
	1-4 Years	6.0%
	5-19 Years	3.0%
	20 or more Years	0.0%

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

Age	% Becoming Disabled During the Year
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 deminis bias that is above or below the Market Value of Assets.

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 4,660,838	\$ -	\$ 2,557,298	\$ -
Employer Contributions made after 09/30/2014	-	-	2,715,615	-
Total Pension Liability Factors:				
Service Cost	1,967,848	-	-	1,967,848
Interest	2,485,396	-	-	2,485,396
Change in Excess State Money	127,413	-	-	127,413
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	-	-	-	-
Current year amortization of experience difference	-	-	-	-
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(1,267,557)	-	-	(1,267,557)
Net change	<u>3,313,100</u>	<u>-</u>	<u>2,715,615</u>	<u>3,313,100</u>
Plan Fiduciary Net Position:				
Contributions - Employer	2,250,656	-	(2,250,656)	-
Contributions - State	306,642	-	(306,642)	-
Contributions - Employee	546,581	-	-	(546,581)
Net Investment Income	2,112,602	-	-	(2,112,602)
Difference between projected and actual earnings on Pension Plan investments	59,205	59,205	-	-
Current year amortization	-	(11,841)	-	(11,841)
Benefit Payments	(1,267,557)	-	-	1,267,557
Administrative Expenses	(68,425)	-	-	68,425
Net change	<u>3,939,704</u>	<u>47,364</u>	<u>(2,557,298)</u>	<u>(1,335,042)</u>
Ending Balance	<u>\$ 4,034,234</u>	<u>\$ 47,364</u>	<u>\$ 2,715,615</u>	<u>\$ 1,978,058</u>

PRELIMINARY COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 4,034,234	\$ 47,364	\$ 2,715,615	\$ -
Employer and State Contributions made after 09/30/2015	-	-	2,449,745	-
Total Pension Liability Factors:				
Service Cost	1,991,280	-	-	1,991,280
Interest	2,731,953	-	-	2,731,953
Change in Excess State Money	162,203	-	-	162,203
Changes in benefit terms	-	-	-	-
Contributions - Buy Back	24,568	-	-	24,568
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(1,105,298)	1,105,298	-	-
Current year amortization of experience difference	-	(157,899)	-	(157,899)
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(1,323,014)	-	-	(1,323,014)
Net change	<u>2,481,692</u>	<u>947,399</u>	<u>2,449,745</u>	<u>3,429,091</u>
Plan Fiduciary Net Position:				
Contributions - Employer	2,374,183	-	(2,374,183)	-
Contributions - State	341,432	-	(341,432)	-
Contributions - Employee	519,932	-	-	(519,932)
Contributions - Buy Back	24,568	-	-	(24,568)
Net Investment Income	2,421,791	-	-	(2,421,791)
Difference between projected and actual earnings on Pension Plan investments	(2,612,399)	-	2,612,399	-
Current year amortization	-	(11,841)	(522,479)	510,638
Benefit Payments	(1,323,014)	-	-	1,323,014
Administrative Expenses	(69,536)	-	-	69,536
Net change	<u>1,676,957</u>	<u>(11,841)</u>	<u>(625,695)</u>	<u>(1,063,103)</u>
Ending Balance	<u>\$ 4,838,969</u>	<u>\$ 982,922</u>	<u>\$ 4,539,665</u>	<u>\$ 2,365,988</u>