

CITY OF ORMOND BEACH  
FIREFIGHTERS' PENSION TRUST FUND

ACTUARIAL VALUATION AND REPORT  
AS OF OCTOBER 1, 2014

CONTRIBUTIONS APPLICABLE TO THE PLAN/  
FISCAL YEAR ENDED SEPTEMBER 30, 2016

December 30, 2014

Board of Trustees  
City of Ormond Beach  
Firefighters' Pension Trust Fund  
22 South Beach Street  
Ormond Beach, FL 32174

Re: City of Ormond Beach  
Firefighters' Pension Trust Fund

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Ormond Beach Firefighters' Pension Trust Fund. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Chapters 112, and 175, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the City of Ormond Beach, 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 Ormond Beach, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Ormond Beach Firefighters' Pension Trust Fund. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By:   
Patrick T. Donlan, ASA, EA, MAAA  
Enrolled Actuary #14-6595

PTD/lke

Enclosures

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## SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Ormond Beach Firefighters' Pension Trust Fund, performed as of October 1, 2014, has been completed, and the results are presented in this Report. The results of this valuation are applicable to the plan/fiscal year ended September 30, 2016.

The contribution requirements developed in this valuation, compared with amounts developed in the December 30, 2014 Actuarial Impact Statement, determined as of October 1, 2013, are as follows:

Valuation Date	10/1/2013	10/1/2014
Applicable Plan/Fiscal Year End	<u>9/30/2015</u>	<u>9/30/2016</u>
Total Required Contribution % of Total Annual Payroll	67.0%	69.5%
Member Contributions (Est.) % of Total Annual Payroll	8.4%	8.4%
City and State Required Contribution % of Total Annual Payroll	58.6%	61.1%
State Contribution <sup>1</sup> % of Total Annual Payroll	364,512 14.1%	364,512 14.1%
Balance from City <sup>2</sup> % of Total Annual Payroll	44.5%	47.0%

<sup>1</sup> Represents the "frozen" amount outlined in Ordinance No. 2008-58.

<sup>2</sup> As requested by the Division of Retirement, the required contribution from the combination of City and State sources for the year ending September 30, 2016, is 61.1% of the actual payroll realized in that year. As a budgeting tool, the City may contribute 47.0% of each Member's Salary and then make a one-time adjustment to account for the actual State Monies received. Please note that the City has a prepaid contribution of \$4,265.55 that can be used to help offset their fiscal 2015 requirement (see Page 23).

As can be seen, the Total Required Contribution has increased when expressed as a percentage of Total Annual Payroll. There was actually favorable experience over the past year. The principal components of favorable experience included greater than expected retiree mortality and a 10.6% investment return (Actuarial Asset Basis) that exceeded the 7.25% assumption. For a more detailed analysis of the gain, please see page 14. There are a couple of reasons that the funding requirements increased when expressed as a percentage of Total Annual Payroll even though there was net favorable actuarial experience. The first reason is that the Total Annual Payroll reduced slightly even though it was expected

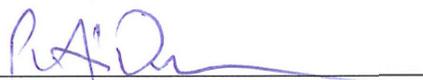
to grow by 1.0%. The reason for this is that the number of Firefighters participating in DROP increased from 2 to 4 and the number of non-DROP active Firefighters reduced from 44 to 42. The payroll growth assumption that is utilized in amortizing the Unfunded Actuarial Accrued Liability is limited to the historical 10-year average payroll growth experienced by the Plan. Last year, 1.0% payroll growth was used and this year it was limited to 0.0%. The Total Required Contribution before changing the payroll growth assumption from 1.0% to 0.0% and before changing the investment return assumption from 7.25% to 7.00% was 63.5% of payroll (a 3.5% of payroll reduction compared to last year's report). After making the mandatory change to the payroll growth assumption, the Total Required Contribution became 66.2% of payroll (still a 0.8% of payroll reduction from last year). Lastly, the Board decided to reduce the investment return assumption from 7.25% to 7.00% per year, net of investment related expenses. After this change, the Total Required Contribution became 69.5% of payroll, as shown above.

For informational purposes, the City's funding requirement, when expressed as a percentage of payroll, including an estimate of the annual pay for the DROP participants, is approximately 42.0% for the fiscal year ending September 30, 2016. It is important to note that this funding rate is for illustration purposes only. The City should budget based on the information provided on page 5.

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

Respectfully submitted,

FOSTER & FOSTER, INC.

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

By:   
Drew Ballard, EA

### Plan Changes Since Prior Valuation

As outlined in Ordinance No. 2008-58, a modification in the benefit accrual rate is required since the State contribution received in calendar 2014 exceeded \$364,512. Under the prior structure, the benefit accrual rate was 3.37% for service accrued prior to January 1, 2010 and 3.34% for service accrued between January 1, 2010 and December 31, 2013 and 3.33% for service accrued on and after January 1, 2014. As a result of the increase in the State Monies, the new benefit accrual rate will be 3.37% for all years of service. If the State Monies received in calendar 2015 fall below \$364,512, then the benefit accrual rate will need to be adjusted for future years of Credited Service.

The impact of this change is outlined in our Actuarial Impact Statement dated December 30, 2014.

### Actuarial Assumption/Method Changes

The following changes were made since the prior valuation:

1. The Board adopted a change in the investment return assumption from 7.25% to 7.00%, net of investment related expenses.
2. The payroll growth assumption used for amortizing the Unfunded Actuarial Accrued Liabilities, is limited to the historical 10-year average and decreased from 1.0% per year in last year's valuation to 0.0% per year in this valuation.

## COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

A. Participant Data	New Assum <u>10/1/2014</u>	Old Assum <u>10/1/2014</u>	Old Assum <u>10/1/2013</u>
Number Included			
Actives	42	42	44
Service Retirees	32	32	29
Beneficiaries	0	0	1
Terminated Vested	2	2	1
Disability Retirees	2	2	2
DROP Members	4	4	2
Total	<u>82</u>	<u>82</u>	<u>79</u>
Total Annual Payroll	\$2,592,731	\$2,592,731	\$2,602,816
Payroll Under Assumed Ret. Age	2,592,731	2,592,731	2,602,816
Annual Rate of Payments to:			
Service Retirees	1,485,209	1,485,209	1,332,322
Beneficiaries	0	0	36,580
Terminated Vested	46,448	46,448	22,448
Disability Retirees	32,970	32,970	32,970
DROP Members	220,984	220,984	135,195
B. Assets			
Actuarial Value <sup>1</sup>	22,500,427	22,500,427	20,323,034
Market Value <sup>1</sup>	24,133,824	24,133,824	21,641,080
C. Liabilities			
Present Value of Benefits			
Active Members			
Retirement Benefits	15,277,116	14,708,400	16,199,038
Disability Benefits	93,829	90,907	97,564
Death Benefits	55,310	53,958	58,816
Vested Benefits	1,028,317	982,422	936,827
Refund of Contributions	45,421	45,126	39,260
Service Retirees	17,059,207	16,685,938	15,127,985
Beneficiaries	0	0	246,070
Terminated Vested	382,058	367,952	176,870
Disability Retirees	329,488	322,488	328,301
DROP Members <sup>1</sup>	3,163,675	3,092,873	1,926,230
Excess State Monies Reserve	334,809	334,809	316,280
Total	<u>37,769,230</u>	<u>36,684,873</u>	<u>35,453,241</u>

	New Assum <u>10/1/2014</u>	Old Assum <u>10/1/2014</u>	Old Assum <u>10/1/2013</u>
C. Liabilities - (Continued)			
Present Value of Future Salaries	14,537,298	14,406,603	14,185,323
Present Value of Future Member Cont.	1,221,133	1,210,155	1,191,567
Normal Cost (Entry Age Normal)			
Retirement Benefits	647,543	615,236	664,729
Disability Benefits	11,220	10,876	12,388
Death Benefits	4,148	4,013	4,546
Vested Benefits	70,780	67,080	58,683
Refund of Contributions	9,084	9,050	7,804
Total Normal Cost	<u>742,775</u>	<u>706,255</u>	<u>748,150</u>
Present Value of Future Normal Costs	4,096,357	3,856,187	3,814,287
Actuarial Accrued Liability (Entry Age Normal)			
Retirement Benefits	11,725,470	11,366,682	12,856,203
Disability Benefits	41,552	40,684	44,155
Death Benefits	36,145	35,607	39,460
Vested Benefits	588,554	569,708	562,502
Refund of Contributions	11,915	11,945	14,898
Inactives plus state reserve <sup>1</sup>	21,269,237	20,804,060	18,121,736
Total Actuarial Accrued Liability	<u>33,672,873</u>	<u>32,828,686</u>	<u>31,638,954</u>
Unfunded Actuarial Accrued Liability (UAAL)	11,172,446	10,328,259	11,315,920
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives <sup>1</sup>	20,934,428	20,469,251	17,805,456
Actives	6,822,060	6,532,437	7,861,281
Member Contributions	2,246,393	2,246,393	2,507,266
Total	<u>30,002,881</u>	<u>29,248,081</u>	<u>28,174,003</u>
Non-vested Accrued Benefits	<u>673,706</u>	<u>639,518</u>	<u>610,923</u>
Total Present Value Accrued Benefits	30,676,587	29,887,599	28,784,926
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	788,988	0	
New Accrued Benefits	0	957,453	
Benefits Paid	0	(1,873,763)	
Interest	0	2,018,983	
Other	0	0	
Total:	<u>788,988</u>	<u>1,102,673</u>	

Valuation Date Applicable to Fiscal Year Ending	New Assum 10/1/2014 <u>9/30/2016</u>	Old Assum 10/1/2014 <u>9/30/2016</u>	Old Assum 10/1/2013 <u>9/30/2015</u>
E. Pension Cost			
Normal Cost (with interest) % of Total Annual Payroll <sup>2</sup>	29.7	28.2	29.8
Administrative Expense (with int.) % of Total Annual Payroll <sup>2</sup>	1.2	1.2	1.2
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/14) % of Total Annual Payroll <sup>2</sup>	38.6	36.8	36.0
Total Required Contribution % of Total Annual Payroll <sup>2</sup>	69.5	66.2	67.0
Expected Member Contributions % of Total Annual Payroll <sup>2</sup>	8.4	8.4	8.4
Expected City & State Contrib. % of Total Annual Payroll <sup>2</sup>	61.1	57.8	58.6

## F. Past Contributions

Plan Year Ending:	<u>9/30/2014</u>
Total Required Contribution	1,882,147
City and State Requirement	1,654,336
Actual Contributions Made:	
Members	251,962
City	1,289,824
State	364,512 <sup>3</sup>
Total	<u>1,906,298</u>

G. Net Actuarial Gain (Loss) 704,382

<sup>1</sup> The asset values and liabilities for DROP Members include accumulated DROP Balances as of 09/30/2013 and 09/30/2014.

<sup>2</sup> Contributions developed as of 10/1/14 are expressed as a percentage of total annual payroll at 10/1/14 of \$2,592,731.

<sup>3</sup> Reflects "traditional" interpretation of Chapter 99-1, Florida Statutes, as amended.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2014	\$11,172,446
2015	10,919,159
2016	10,648,140
2021	9,032,240
2026	6,751,678
2036	1,286,418
2044	0

I. (i) 3 Year Comparison of Actual and Assumed Increases in Pensionable Compensation.

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	5.6%	5.5%
Year Ended	9/30/2013	1.3%	5.5%
Year Ended	9/30/2012	-1.0%	5.5%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	10.6%	7.25%
Year Ended	9/30/2013	9.5%	7.50%
Year Ended	9/30/2012	7.1%	7.50%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2014	\$2,592,731
	10/1/2004	2,726,133
(b) Total Increase		-4.9%
(c) Number of Years		10.00
(d) Average Annual Rate		-0.5%

## 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.

 12/31/14  
Patrick T. Donlan, EA, ASA, MAAA  
Enrolled Actuary #14-6595

Please let us know when the report is approved by the Board and unless otherwise directed we will provide copies of the report to the following offices to comply with Chapter 112 Florida Statutes:

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

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

## RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2013	\$11,315,920
(2)	City and State Normal Cost Applicable for the year *	560,269
(3)	Interest on (1) and (2)	859,909
(4)	Sponsor Contributions to the System during the year ending September 30, 2014	1,654,336
(5)	Interest on (4)	49,121
(6)	Change to UAAL due to Actuarial (Gain) or Loss	(704,382)
(7)	Change to UAAL due to Assumption Change	844,187
(8)	Unfunded Accrued Liability as of October 1, 2014 (1)+(2)+(3)-(4)-(5)+(6)+(7)	11,172,446

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2014 Amount</u>	<u>Amortization Amount</u>
	10/1/1986	2	16,272	8,411
	10/1/1992	8	(22,017)	(3,446)
	10/1/1995	11	16,530	2,060
	10/1/1996	12	49,271	5,797
	10/1/1999	15	46,767	4,799
	10/1/2000	16	226,657	22,424
	10/1/2001	17	138,299	13,239
	10/1/2002	18	2,561,319	237,970
Method Change	10/1/2004	20	1,779,653	156,997
Actuarial Loss	10/1/2004	20	1,737,996	153,322
Actuarial Loss	10/1/2005	21	52,227	4,505
Actuarial Gain	10/1/2006	22	(286,985)	(24,248)
Actuarial Gain	10/1/2007	23	(810,276)	(67,180)
Benefit Change	10/1/2007	23	1,057,221	87,654
Actuarial Loss	10/1/2008	24	124,299	10,129
Method Change	10/1/2008	24	323,547	26,364
Actuarial Loss	10/1/2009	25	191,990	15,397
Benefit Change	10/1/2009	25	(84,563)	(6,782)
Benefit Change	10/1/2009	25	29,884	2,397
Actuarial Loss	10/1/2010	26	1,663,066	131,430
Assumption	10/1/2010	26	1,671,784	132,119
Benefit Change	10/1/2010	26	(78,069)	(6,170)
Actuarial Loss	10/1/2011	27	1,281,546	99,920
Benefit Change	10/1/2011	27	123,787	9,651
Actuarial Gain	10/1/2012	28	(530,386)	(40,841)
Benefit Change	10/1/2012	28	(6,376)	(491)
Actuarial Gain	10/1/2013	29	(1,061,145)	(80,775)
Assumption	10/1/2013	29	770,835	58,676
Benefit Change	10/1/2013	29	49,508	3,769
Actuarial Gain	10/1/2014	30	(704,382)	(53,050)
Assumption	10/1/2014	30	844,187	63,579
			<u>11,172,446</u>	<u>967,626</u>

\* Includes \$30,756 for administrative expenses.

## DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2013	\$11,315,920
(2) Expected UAAL as of October 1, 2014	11,032,641
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(683,226)
Salary Increases	25,499
Active Decrements	50,935
Inactive Mortality	(177,027)
Other	<u>79,437</u>
Increase in UAAL due to (Gain)/Loss	(704,382)
(4) Increase in UAAL due to Assumption Change	844,187
(5) Actual UAAL as of October 1, 2014	11,172,446

## ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rates</u>	RP2000 Combined Healthy - Sex Distinct. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disability mortality is set forward five years.
<u>Termination Rates</u>	See Tables below (1302).
<u>Disability Rates</u>	See Tables below (1201).
<u>Pension Age</u>	Earlier of age 60, age 55 and 10 years of service or 20 years of service regardless of age.
<u>Early Pension</u>	Commencing at the member's eligibility for Early Pension (age 50), members are assumed to retire with an immediate, subsidized benefit at the rate of 5% per year.
<u>Interest Rate</u>	7.00% (previously 7.25%) per year, compounded annually, net of investment related expenses.
<u>Salary Increases</u>	5.5% per year up to the assumed Pension age; see Table below. Projected salary at Pension is increased 20% to account for non-regular payments.
<u>Payroll Growth</u>	Up to 3% per year (limited to the 10-year historical average of actual payroll growth of 0.0% in 2014).
<u>Administrative Expenses</u>	\$31,122 annually.
<u>Funding Method</u>	Entry Age Normal Actuarial Cost Method.
<u>Asset Valuation Method</u>	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>	<u>Current Salary as % of Salary at age 55</u>
20	6.0%	0.03%	15.4%
30	5.0	0.04	26.2
40	2.6	0.07	44.8
50	0.8	0.18	76.5

## VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the year beginning on the valuation date of all covered Members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

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

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

Total Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability over no more than 30 years. The required amount is adjusted for interest according to the timing of contributions during the year.

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

(a) The normal cost accrual rate equals:

- (i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by
- (ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.

(b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

(c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

(d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

## HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1993	81,321.25	_____%
1994	82,171.86	1.0%
1995	89,018.40	8.3%
1996	93,346.62	4.9%
1997	95,808.88	2.6%
1998	146,584.66	53.0%
1999	143,340.16	-2.2%
2000	185,577.09	29.5%
2001	218,066.25	17.5%
2002	192,917.32	-11.5%
2003	220,878.19	14.5%
2004	251,578.42	13.9%
2005	197,096.70	-21.7%
2006	311,579.41	58.1%
2007	370,088.25	18.8%
2008	429,930.62	16.2%
2009	329,393.61	-23.4%
2010	339,653.88	3.1%
2011	301,433.46	-11.3%
2012	351,376.95	16.6%
2013	348,933.85	-0.7%
2014	383,041.30	9.8%

EXCESS STATE MONIES RESERVE

	Regular Distribution			Special Distribution		
	Actual State Contribution	Applicable "Frozen" Amount	Excess State Monies Reserve	Actual State Contribution	Applicable "Frozen" Amount	Excess State Monies Reserve
1998	\$89,529.42	\$89,529.42	\$0.00	N/A	N/A	N/A
1999	108,124.02	89,529.42	18,594.60	35,216.14	35,216.14	0.00
2000	152,549.52	108,310.42	44,239.10	33,027.57	35,216.14	0.00
2001	180,905.88	155,624.42	25,281.46	37,160.37	35,216.14	1,944.23
2002	190,609.92	155,624.42	34,985.50	2,307.40	35,216.14	0.00
2003	209,495.34	178,434.42	31,060.92	11,382.85	35,216.14	0.00
2004	237,391.57	178,434.42	58,957.15	14,186.85	35,216.14	0.00
2005	197,096.70	178,434.42	18,662.28	0.00	35,216.14	0.00
2006	191,767.80	178,434.42	13,333.38	119,811.61	70,432.28	49,379.33 *
2007	203,475.26	178,434.42	25,040.84	166,612.99	35,216.14	131,396.85
2008	292,592.51	178,434.42	114,158.09	137,338.11	35,216.14	102,121.97
2009	286,100.15	286,100.15	0.00	43,293.46	43,293.46	0.00
2010	280,205.74	280,205.74	0.00	59,448.13	59,448.13	0.00
2011	203,871.31	203,871.31	0.00	97,562.15	97,562.15	0.00
2012	255,254.51	255,254.51	0.00	96,122.44	96,122.44	0.00
2013	267,786.65	267,786.65	0.00	81,147.20	81,147.20	0.00
2014	283,460.75	283,460.75	<u>0.00</u>	99,580.55	81,051.25	<u>18,529.30</u>
			384,313.32			303,371.68
	Accumulated Regular Excess		384,313.32			
	Accumulated Special Excess		303,371.68			
	Less Excess Used in Funding Ordinance 2008-56 (3.12% B.R.)		(196,438)			
	Less Excess Used in Funding Ordinance 2008-58 (3.37% B.R.)		<u>(156,438)</u>			
	Total State Monies Reserve		\$334,809.05			

\* Special Distribution accrued beginning fiscal year ending September 30, 2006.

ACTUARIAL ASSET VALUATION  
SEPTEMBER 30, 2014

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*	
09/30/2011	-0.66%	
09/30/2012	19.34%	
09/30/2013	13.21%	
09/30/2014	11.53%	
Annualized Rate of Return for prior four (4) years:		10.61%
(A) 10/01/2013 Actuarial Assets:		\$20,323,034.37
(I) Net Investment Income:		
1. Interest and Dividends		591,452.24
2. Realized Gains (Losses)		1,447,354.59
3. Change in Actuarial Value		243,836.39
4. Investment Related Expenses		(125,193.33)
	Total	2,157,449.89
(B) 10/01/2014 Actuarial Assets:		\$22,500,427.14
Actuarial Asset Rate of Return = $2I/(A+B-I)$ :		10.61%
10/01/2014 Limited Actuarial Assets:		\$22,500,427.14

\*Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 SEPTEMBER 30, 2014  
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	227,810.24	
Buy-Back	24,152.14	
City	1,289,824.27	
State	383,041.30	
Total Contributions		1,924,827.95
Earnings from Investments:		
Interest & Dividends	591,452.24	
Net Realized Gain (Loss)	1,447,354.59	
Change in Actuarial Value	243,836.39	
Total Earnings and Investment Gains		2,282,643.22
	EXPENDITURES	
Distributions to Members:		
Benefit Payments	1,466,751.59	
Lump Sum DROP Distributions	381,275.54	
Refunds of Member Contributions	25,736.07	
Total Distributions		1,873,763.20
Expenses:		
Investment Related <sup>1</sup>	125,193.33	
Administrative	31,121.87	
Total Expenses		156,315.20
Change in Net Assets for the Year		2,177,392.77
Net Assets Beginning of the Year		20,323,034.37
Net Assets End of the Year <sup>2</sup>		22,500,427.14

<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, 2013 to September 30, 2014

09/30/2013 Balance	283,327.85
Plus Additions	387,733.25
Investment Return Earned	17,730.18
Less Distributions	(381,275.54)
09/30/2014 Balance	307,515.74

RECONCILIATION OF CITY'S SHORTFALL/(PREPAID) CONTRIBUTION  
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2014

(1) City and State Required Contribution Rate (from the December 9, 2013 Actuarial Impact Statement)	61.0%
(2) Pensionable Payroll Derived from Member Contributions	\$2,712,026.67
(3) Required City and State Contribution (1) x (2)	1,654,336.27
(4) Less Allowable State Contribution	<u>(364,512.00)</u>
(5) Equals Required City Contribution	1,289,824.27
(6) Less Actual City Contributions	<u>(1,294,089.82)</u>
(7) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2014	(\$4,265.55)

STATISTICAL DATA

(Averages are salary weighted)

	<u>10/1/2011</u>	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>
<u>Active Members</u>				
Number	44	44	44	42
Average Current Age	41.5	42.5	43.6	42.0
Average Age at Employment	30.0	29.9	30.0	29.0
Average Past Service	11.5	12.6	13.6	13.0
Average Annual Salary	\$58,858	\$58,371	\$59,155	\$61,732

## 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	1	0	0	1	0	0	0	0	0	0	0	2
25 - 29	3	0	0	0	0	2	0	0	0	0	0	5
30 - 34	0	0	0	1	0	2	0	0	0	0	0	3
35 - 39	0	0	0	0	0	1	6	1	0	0	0	8
40 - 44	0	0	0	1	0	2	0	4	0	0	0	7
45 - 49	0	0	0	0	0	1	4	5	0	0	0	10
50 - 54	0	0	0	0	0	1	0	3	1	0	0	5
55 - 59	0	0	0	0	0	0	0	0	0	0	0	0
60 - 64	0	0	0	0	0	0	1	1	0	0	0	2
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	4	0	0	3	0	9	11	14	1	0	0	42

## VALUATION PARTICIPANT RECONCILIATION

## 1. Active lives

a. Number in prior valuation 10/1/13	44
b. Terminations	
i. Vested (partial or full) with deferred benefits	1
ii. Non-vested or full lump sum distribution received	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	2
f. Entered DROP	3
g. Continuing participants	38
h. New entrants	4
i. Total active life participants in valuation	42

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

	<u>Service Retirees, Vested Receiving Benefits</u>	<u>Receiving Death Benefits</u>	<u>Receiving Disability Benefits</u>	<u>Vested Deferred</u>	<u>DROP</u>	<u>Total</u>
a. Number prior valuation	29	1	2	1	2	35
b. In	3	0	0	1	3	7
c. Out	0	1	0	0	1	2
d. Number current valuation	32	0	2	2	4	40

SUMMARY OF PLAN PROVISIONS  
 (Through Ordinance No. 2012-10)  
 (Benefit Rate adjusted to reflect December 30, 2014 AIS)

<u>Eligibility</u>	Employees who are classified as full-time Firefighters shall participate in the System as a condition of employment.
<u>Credited Service</u>	Total years and fractional parts of years of service with the City as a Firefighter.
<u>Salary</u>	Total compensation reportable on the member's W-2 form plus all tax deferred, tax sheltered, and tax exempt items of income.
<u>Average Final Compensation</u>	Average Salary for the best 5 years of Credited Service.
<u>Member Contributions</u>	8.4% of Salary.
<u>City and State Contributions</u>	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII of Chapter 112, <u>Florida Statutes</u> .
<u>Normal Pension</u>	
Date	Earlier of Age 60, Age 55 and 10 years of Credited Service, or 20 years of Credited Service.
Benefit	3.37% of Average Final Compensation <u>times</u> Credited Service
Form of Benefit	Ten Year Certain and Life Annuity (options available). These options include a partial (up to 25%) lump sum of the full value of their Pension benefits in exchange for a monthly benefit that is reduced by that same percentage.
<u>Early Pension</u>	
Eligibility	Age 50 and 10 Years of Credited Service.
Benefit	Accrued benefit, reduced 3% per year.

Vesting

Schedule	100% after 10 years of Credited Service.
Benefit Amount	Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Pension Date.

Disability

Eligibility	
Service Incurred	Covered from Date of Employment.
Non-Service Incurred	10 years of Credited Service.
Exclusions	Disability resulting from use of drugs, illegal participation in riots, service in military, etc.
Benefit	Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred).
Duration	Payable for life with ten years certain or until recovery (as determined by the Board). Options available.

Death Benefits

Pre-Pension	
Vested	Monthly accrued benefit payable to designated beneficiary for 10 years.
Non-Vested	Refund of accumulated contributions without interest.
Post-Pension	Benefits payable to beneficiary in accordance with option selected at Pension.

Board of Trustees

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

Deferred Pension Option Plan

Eligibility	Satisfaction of Normal Pension requirements (Earlier of Age 60, Age 55 and 10 years of Credited Service, or 20 years of Credited Service).
Participation	Not to exceed 60 months, or the date on which the Member completes 35 years of Service, if earlier.
Rate of Return	Participant's election: <ul style="list-style-type: none"> <li>a.) 6.5% annually, or</li> <li>b.) actual net rate of investment return (total return net of brokerage commissions, transaction costs and management fees) credited each fiscal quarter.</li> </ul>
Form of Distribution	Cash lump sum (options available) at termination of employment.

BAC-DROP

Eligibility	Satisfaction of Normal Pension requirements.
Participation	Upon election to retroactively enter DROP, the BAC-DROP period will not exceed 60 months, or the date on which the Member completes 35 years of Service, if earlier.
Rate of Return	6.5% annually
Form of Distribution	Cash lump sum (options available) at termination of employment.

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/2014

City and State	61.0%
Plan Members	8.4%

Annual Pension Cost <sup>1</sup>	1,654,831
Contributions made <sup>1</sup>	1,654,336
Actuarial valuation date	10/1/2012
Actuarial cost method	Entry Age Normal
Amortization method	Level % of Payroll, Closed
Remaining amortization period	30 years (as of 10/1/2012)
Asset valuation method	4 Year Smoothed Market Value

Actuarial assumptions:

Investment rate of return	7.5% (as of 10/1/2012)
Projected salary increase*	5.5% (as of 10/1/2012)
* Includes inflation at	3.0%
Post Retirement COLA	0.0%

THREE YEAR TREND INFORMATION

Year <u>Ending</u>	Annual Pension Cost (APC) <sup>1</sup>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
9/30/2014	1,654,831	100%	(131,259)
9/30/2013	1,603,833	100%	(131,754)
9/30/2012	1,358,310	100%	(132,252)

<sup>1</sup> Beginning 9/30/2012 this includes both City and State contributions.

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

DEVELOPMENT OF NET PENSION OBLIGATION (NPO)

This municipal Defined Benefit Plan has been subject to the minimum funding standards since the adoption of the "Florida Protection of Public Employee Retirement Benefits Act" (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the sponsor has funded the actuarially determined required contributions for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the NPO on October 1, 1997, is 0.

The recent development of the Net Pension Obligation to date is as follows:

	<u>9/30/08</u>	<u>9/30/09</u>	<u>9/30/10</u>	<u>9/30/11</u>	<u>9/30/12</u>	<u>9/30/13</u>	<u>9/30/14</u>
Actuarially Determined							
Contribution (A)	658,816	634,338	806,779	782,955	1,357,810	1,603,335	1,654,336 <sup>1</sup>
Interest on NPO	(13,961)	(13,808)	(12,749)	(10,984)	(9,956)	(9,919)	(9,882)
Adjustment to (A)	15,877	27,047	25,658	24,682	10,456	10,417	10,377
	-----	-----	-----	-----	-----	-----	-----
Annual Pension Cost	660,732	647,577	819,688	796,653	1,358,310	1,603,833	1,654,831 <sup>1</sup>
Contributions Made	658,816	634,338	806,779	782,954	1,357,810	1,603,335	1,654,336 <sup>1</sup>
	-----	-----	-----	-----	-----	-----	-----
Increase in NPO	1,916	13,239	12,909	13,699	500	498	495
NPO Beginning of Year	(174,515)	(172,599)	(159,360)	(146,451)	(132,752)	(132,252)	(131,754)
	-----	-----	-----	-----	-----	-----	-----
NPO End of Year	(172,599)	(159,360)	(146,451)	(132,752)	(132,252)	(131,754)	(131,259)

<sup>1</sup> Beginning with the fiscal year ended September 30, 2012 this includes City and State Contributions.

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2014

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Money Market	1,328,058.59
Total Cash and Equivalents	1,328,058.59
Receivables:	
State Contributions	99,580.55
Investment Income	59,855.34
Total Receivable	159,435.89
Investments:	
Corporate Bonds	7,003,541.66
Stocks	15,647,053.56
Total Investments	22,650,595.22
Total Assets	24,138,089.70
<u>LIABILITIES</u>	
Prepaid City Contribution	4,265.55
Total Liabilities	4,265.55
NET POSITION RESTRICTED FOR PENSIONS	24,133,824.15
TOTAL LIABILITIES AND NET ASSETS	24,138,089.70

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
Market Value Basis

ADDITIONS

Contributions:		
Member	227,810.24	
Buy-Back	24,152.14	
City	1,289,824.27	
State	383,041.30	
Total Contributions		1,924,827.95
Investment Income:		
Net Increase in Fair Value of Investments	2,006,542.82	
Interest & Dividends	591,452.24	
Less Investment Expense <sup>1</sup>	(125,193.33)	
Net Investment Income		2,472,801.73
Total Additions		4,397,629.68

DEDUCTIONS

Distributions to Members:		
Benefit Payments	1,466,751.59	
Lump Sum DROP Distributions	381,275.54	
Refunds of Member Contributions	25,736.07	
Total Distributions		1,873,763.20
Administrative Expense		31,121.87
Total Deductions		1,904,885.07
Net Increase in Net Position		2,492,744.61
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		21,641,079.54
End of the Year		24,133,824.15

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

NOTES TO THE FINANCIAL STATEMENTS  
(For the Year Ended September 30, 2014)

Plan Description

*Plan Administration*

Board of Trustees:

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

*Plan Membership as of October 1, 2013:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	34
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	1
Active Plan Members	44
	79
	79

*Benefits Provided*

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

Normal Pension:

Date: Earlier of Age 60, Age 55 and 10 years of Credited Service, or 20 years of Credited Service.

Benefit: 3.37% of Average Final Compensation times Credited Service prior to 1/1/2010, plus 3.34% of Average Final Compensation times Credited Service between 1/1/2010 and 12/31/2013, plus 3.33% of Average Final Compensation times Credited Service on and after 1/1/2014.

Early Pension:

Eligibility: Age 50 and 10 Years of Credited Service.

Benefit: Accrued benefit, reduced 3% per year.

Vesting:

Schedule: 100% after 10 years of Credited Service.

Benefit: Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Pension Date.

Disability:

Service Incurred: Covered from Date of Employment.

Non-Service Incurred: 10 years of Credited Service.

Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred).

Pre-Pension Death Benefits:

Vested: Monthly accrued benefit payable to designated beneficiary for 10 years.

Non-Vested: Refund of accumulated contributions without interest.

*Contributions*

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

## Investments

### *Investment Policy:*

The following was the Board's adopted asset allocation policy as of September 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	55.00%
International Equity	10.00%
Fixed Income	35.00%
Total	100.00%

### *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, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 11.53 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 Pension requirements (Earlier of Age 60, Age 55 and 10 years of Credited Service, or 20 years of Credited Service).

**Participation:** Not to exceed 60 months, or the date on which the Member completes 35 years of Service, if earlier.

**Rate of Return:** Participant's election:

a.) 6.5% annually, or

b.) actual net rate of investment return (total return net of brokerage commissions, transaction costs and management fees) credited each fiscal quarter.

### BAC-DROP

**Eligibility:** Satisfaction of Normal Pension requirements.

**Participation:** Upon election to retroactively enter DROP, the BAC-DROP period will not exceed 60 months, or the date on which the Member completes 35 years of Service, if earlier.

**Rate of Return:** 6.5% annually.

The DROP balance as September 30, 2014 is \$307,516.

## NET PENSION LIABILITY OF THE SPONSOR

The components of the net pension liability of the sponsor on September 30, 2014 were as follows:

Total Pension Liability	\$ 33,523,295
Plan Fiduciary Net Position	\$ (24,133,824)
Sponsor's Net Pension Liability	<u>\$ 9,389,471</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	71.99%

*Actuarial Assumptions:*

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	5.50%
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 1988-2010.

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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.80%
International Equity	7.70%
Fixed Income	2.30%

## Discount Rate:

The discount rate used to measure the total pension liability was 7.00 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Sponsor's Net Pension Liability	\$ 13,136,131	\$ 9,389,471	\$ 6,242,635

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

	<u>09/30/2014</u>
Total Pension Liability	
Service Cost	814,546
Interest	2,232,501
Change in Excess State Money	18,529
Share Plan Allocation	-
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(1,873,763)
Net Change in Total Pension Liability	<u>1,191,813</u>
Total Pension Liability - Beginning	32,331,482
Total Pension Liability - Ending (a)	<u><u>\$ 33,523,295</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	1,289,824
Contributions- State	383,041
Contributions - Employee	251,962
Net Investment Income	2,472,802
Benefit Payments, Including Refunds of Employee Contributions	(1,873,763)
Administrative Expense	(31,122)
Other	-
Net Change in Plan Fiduciary Net Position	<u>2,492,745</u>
 Plan Fiduciary Net Position - Beginning	<u>21,641,080</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 24,133,824</u></u>
 Net Pension Liability - Ending (a) - (b)	<u><u>\$ 9,389,471</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.99%
 Covered Employee Payroll	\$ 2,712,027
Net Pension Liability as a Percentage of covered Employee Payroll	346.22%

SCHEDULE OF CONTRIBUTIONS  
Last 10 Fiscal Years

	09/30/2014
Actuarially Determined Contribution Contributions in Relation to the	1,654,336
Actuarially Determined Contributions	1,654,336
Contribution Deficiency (Excess)	\$ (0)
Covered Employee Payroll	\$ 2,712,027
Contributions as a Percentage of Covered Employee Payroll	61.00%

Notes to Schedule

Valuation Date: 10/01/2012

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.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	30 Years (as of 10/01/2012).
Asset Valuation Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.
Inflation:	3.0% per year.
Salary Increases:	5.5% per year up to the assumed Pension age. Projected salary at Pension is increased 20% to account for non-regular payments.
Interest Rate:	7.50% per year, compounded annually, net of investment related expenses.
Payroll Growth:	Up to 3% per year (limited to the 10-year historical average of actual payroll growth of 0% in 2012).
Pension Age:	Earlier of age 60, age 55 and 10 years of service or 20 years of service regardless of age.
Early Pension:	Commencing at the member's eligibility for Early Pension (age 50), members are assumed to retire with an immediate, subsidized benefit at the rate of 5% per year.

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

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	6.0%	0.03%
30	5.0%	0.04%
40	2.6%	0.07%
50	0.8%	0.18%

SCHEDULE OF INVESTMENT RETURNS  
Last 10 Fiscal Years

	<u>09/30/2014</u>
Annual Money-Weighted Rate of Return	
Net of Investment Expense	11.53%

NOTES TO THE FINANCIAL STATEMENTS  
(For the Year Ended September 30, 2014)

General Information about the Pension Plan

*Plan Description*

Employees who are classified as full-time Firefighters shall participate in the System as a condition of employment.

Board of Trustees:

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

*Plan Membership as of October 1, 2013:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	34
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	1
Active Plan Members	44
	79
	79

*Benefits Provided*

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

Normal Pension:

Date: Earlier of Age 60, Age 55 and 10 years of Credited Service, or 20 years of Credited Service.

Benefit: 3.37% of Average Final Compensation times Credited Service prior to 1/1/2010, plus 3.34% of Average Final Compensation times Credited Service between 1/1/2010 and 12/31/2013, plus 3.33% of Average Final Compensation times Credited Service on and after 1/1/2014.

Early Pension:

Eligibility: Age 50 and 10 Years of Credited Service.

Benefit: Accrued benefit, reduced 3% per year.

Vesting:

Schedule: 100% after 10 years of Credited Service.

Benefit: Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Pension Date.

Disability:

Service Incurred: Covered from Date of Employment.

Non-Service Incurred: 10 years of Credited Service.

Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred).

Pre-Pension Death Benefits:

Vested: Monthly accrued benefit payable to designated beneficiary for 10 years.

Non-Vested: Refund of accumulated contributions without interest.

*Contributions*

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

## Net Pension Liability

The Sponsor's net pension liability was measured as of September 30, 2014.

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, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	5.50%
Investment Rate of Return	7.00%

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

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 1988-2010.

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 2014 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	55.00%	7.80%
International Equity	10.00%	7.70%
Fixed Income	35.00%	2.30%
Total	<u>100.00%</u>	

### Discount Rate:

The discount rate used to measure the total pension liability was 7.00 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2013	\$ 32,331,482	\$ 21,641,080	\$ 10,690,402
Changes for a Year:			
Service Cost	814,546		814,546
Interest	2,232,501		2,232,501
Change In Excess State Money	18,529		18,529
Share Plan Allocation	-		-
Differences Between Expected and Actual Experience	-		-
Contributions - Employer		1,289,824	(1,289,824)
Contributions -State		383,041	(383,041)
Contributions - Employee		251,962	(251,962)
Net Investment Income		2,472,802	(2,472,802)
Benefit Payments, Including Refunds of Employee Contributions	(1,873,763)	(1,873,763)	-
Administrative Expense		(31,122)	31,122
Other Changes	-	-	-
New Changes	1,191,813	2,492,745	(1,300,932)
Balances at September 30, 2014	<u>\$ 33,523,295</u>	<u>\$ 24,133,824</u>	<u>\$ 9,389,471</u>

*Sensitivity of the net pension liability to changes in the discount rate.*

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.00%	7.00%	8.00%
Sponsor's Net Pension Liability	\$ 13,136,131	\$ 9,389,471	\$ 6,242,635

*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, 2015 the Sponsor will recognize a pension expense of \$754,675. On September 30, 2015 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	765,783
Total	<u>\$ -</u>	<u>\$ 765,783</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$ (191,446)
2017	\$ (191,446)
2018	\$ (191,446)
2019	\$ (191,446)
2020	\$ -
Thereafter	\$ -

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

	<u>09/30/2014</u>
Total Pension Liability	
Service Cost	814,546
Interest	2,232,501
Change in Excess State Money	18,529
Share Plan Allocation	-
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(1,873,763)</u>
Net Change in Total Pension Liability	1,191,813
Total Pension Liability - Beginning	32,331,482
Total Pension Liability - Ending (a)	<u><u>\$ 33,523,295</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	1,289,824
Contributions- State	383,041
Contributions - Employee	251,962
Net Investment Income	2,472,802
Benefit Payments, Including Refunds of Employee Contributions	1,873,763
Administrative Expense	(31,122)
Other	-
Net Change in Plan Fiduciary Net Position	<u>6,240,271</u>
Plan Fiduciary Net Position - Beginning	21,641,080
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 24,133,824</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 9,389,471</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.99%
Covered Employee Payroll	\$ 2,712,027
Net Pension Liability as a Percentage of covered Employee Payroll	346.22%

SCHEDULE OF CONTRIBUTIONS  
Last 10 Fiscal Years

	09/30/2014
Actuarially Determined Contribution	1,654,336
Contributions in Relation to the Actuarially Determined Contributions Contribution Deficiency (Excess)	1,654,336 \$ (0)
Covered Employee Payroll	\$ 2,712,027
Contributions as a Percentage of Covered Employee Payroll	61.00%

Notes to Schedule

Valuation Date: 10/01/2012  
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.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	30 Years (as of 10/01/2012).
Asset Valuation Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.
Inflation:	3.0% per year.
Salary Increases:	5.5% per year up to the assumed Pension age. Projected salary at Pension is increased 20% to account for non-regular payments.
Interest Rate:	7.50% per year, compounded annually, net of investment related expenses.
Payroll Growth:	Up to 3% per year (limited to the 10-year historical average of actual payroll growth of 0% in 2012).
Pension Age:	Earlier of age 60, age 55 and 10 years of service or 20 years of service regardless of age.
Early Pension:	Commencing at the member's eligibility for Early Pension (age 50), members are assumed to retire with an immediate, subsidized benefit at the rate of 5% per year.

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

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the</u>
20	6.0%	0.03%
30	5.0%	0.04%
40	2.6%	0.07%
50	0.8%	0.18%

COMPONENTS OF PENSION EXPENSE  
FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	10,690,402	-	1,289,824	
Total pension liability factors:				
Service cost	814,546			814,546
Interest	2,232,501			2,232,501
Change in Excess State Money	18,529			18,529
Share Plan Allocation	-			-
Changes in benefit terms	-			-
Differences between expected and actual experience with regard to economic or demographic assumptions				
Current year amortization		-	-	-
Changes in assumptions about future economic or demographic factors or other inputs				
Current year amortization		-	-	-
Benefit payments	(1,873,763)			(1,873,763)
Net change	<u>1,191,813</u>	<u>-</u>	<u>-</u>	<u>1,191,813</u>
Plan fiduciary net position:				
Contributions - employer	1,289,824		(1,289,824)	
Contributions - state	383,041			(383,041)
Contributions - employee	251,962			(251,962)
Net investment income	1,515,574			(1,515,574)
Difference between projected and actual earnings on pension plan investments				
Current year amortization	957,228	957,228	-	(191,446)
Benefit payments	(1,873,763)	(191,446)	-	1,873,763
Administrative expenses	(31,122)			31,122
Other	-			-
Net change	<u>2,492,745</u>	<u>765,783</u>	<u>(1,289,824)</u>	<u>(437,138)</u>
Ending Balance	<u>9,389,471</u>	<u>765,783</u>	<u>-</u>	<u>754,675</u>