

CITY OF ORMOND BEACH  
GENERAL EMPLOYEES' PENSION PLAN

ACTUARIAL VALUATION AND REPORT  
AS OF OCTOBER 1, 2017

CONTRIBUTIONS APPLICABLE TO THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2019

December 13, 2017

Board of Trustees  
City of Ormond Beach  
General Employees' Pension Plan  
P.O. Box 277  
Ormond Beach, FL 32175-0277

Re: City of Ormond Beach  
General Employees' Pension Plan

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Ormond Beach General Employees' Pension Plan. Included are the related results for GASB Statements No. 67 and No. 68. The funding 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 calculation of the liability for GASB results was performed for the purpose of satisfying the requirements of GASB Statements No. 67 and No. 68. Please note that these valuations may not be applicable for any other purposes.

The valuations have 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 Chapter 112, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in these valuations, 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 valuations, we have relied on personnel, plan design, and asset information supplied by the Board of Trustees, 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 total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of October 1, 2016. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2017 using generally accepted actuarial principles. It is our opinion that the assumptions used for this purpose are internally consistent, reasonable, and comply with the requirements under GASB No. 67 and No. 68.


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 General Employees' Pension Plan. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

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

Respectfully submitted,

Foster & Foster, Inc.

By:   
Patrick T. Donlan, ASA, EA, MAAA  
Enrolled Actuary #17-6595

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Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Ormond Beach General Employees’ Pension Plan, performed as of October 1, 2017, 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, 2019.

The applicable contribution requirements, compared with amounts developed in the October 1, 2016 actuarial valuation report, are as follows:

Valuation Date Applicable to Fiscal Year Ending	<u>10/1/2017</u> <u>9/30/2019</u>	<u>10/1/2016</u> <u>9/30/2018</u>
<b>Total Required Contribution</b>		
% of Projected Annual Payroll	31.1%	31.2%
<b>Member Contributions</b>		
% of Projected Annual Payroll	4.0%	4.0%
<b>Balance From City <sup>1</sup></b>		
% of Projected Annual Payroll	27.1%	27.2%


<sup>1</sup> At the request of the Division of Retirement, the required contribution from the City for the year ending September 30, 2019, is 27.1% of the actual pensionable payroll realized in that year. Please also note the City has a shortfall contribution of \$1,882.91 that must be paid in addition to the contribution above.

As can be seen, the Total Required Contribution has decreased when expressed as a percentage of Total Annual Payroll. This decrease is due to net favorable actuarial experience during the past 12 months. The primary components of favorable experience include favorable employee turnover and retirements, greater than expected inactive mortality, and a 7.60% investment return (Actuarial Asset Basis) that exceeded the 6.75% assumed rate. These gains were partially offset by the effect of average increases in Pensionable Compensation that were more than the assumed rate.

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:   
Sara E. Carlson

## CONTRIBUTION IMPACT OF ANNUAL CHANGES

(1) Contribution Determined as of October 1, 2016	27.2%
(2) Summary of Contribution Impact by component:	
Change in Normal Cost Rate	0.1%
Change in Administrative Expense Percentage	0.2%
Payroll Change Effect on UAAL Amortization	1.0%
Investment Return (Actuarial Asset Basis)	-0.8%
Salary Increases	0.3%
Active Decrements	-1.3%
Inactive Mortality	-0.9%
Other	<u>1.3%</u>
Total Change in Contribution	-0.1%
(3) Contribution Determined as of October 1, 2017	27.1%

## CHANGES SINCE PRIOR VALUATION

### Plan Changes

Ordinance No. 17-32 clarified IRC regulations and removed the 6.5% fixed DROP interest rate. Additional detail of these plan changes are outlined in our No Impact Letter dated September 19, 2017.

### Actuarial Assumption/Method Changes

As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the rates used in the Florida Retirement System July 1, 2016 valuation from the July 1, 2015 valuation for non-special risk lives.



COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2017</u>	<u>10/1/2016</u>
<b>A. Participant Data</b>		
Actives	118	134
Service Retirees	139	135
DROP Retirees	9	6
Beneficiaries	14	16
Disability Retirees	2	1
Terminated Vested	<u>40</u>	<u>43</u>
 Total	 322	 335
 Total Annual Payroll	 \$6,200,882	 \$6,643,500
Payroll Under Assumed Ret. Age	6,200,882	6,643,500
 Annual Rate of Payments to:		
Service Retirees	2,385,026	2,231,428
DROP Retirees	238,399	156,784
Beneficiaries	233,510	207,732
Disability Retirees	51,788	7,399
Terminated Vested	284,118	353,802
 <b>B. Assets</b>		
Actuarial Value (AVA) <sup>1</sup>	47,747,067	45,135,399
Market Value (MVA) <sup>1</sup>	47,412,916	43,167,929
 <b>C. Liabilities</b>		
Present Value of Benefits		
Actives		
Retirement Benefits	25,095,948	26,615,899
Disability Benefits	1,019,260	1,051,323
Death Benefits	393,065	637,280
Vested Benefits	802,793	808,731
Refund of Contributions	1,147	10,048
Service Retirees	25,580,462	23,905,323
DROP Retirees <sup>1</sup>	3,251,493	2,179,603
Beneficiaries	2,381,847	1,876,419
Disability Retirees	478,474	64,521
Terminated Vested	<u>2,308,028</u>	<u>3,076,273</u>
Total	61,312,517	60,225,420

C. Liabilities - (Continued)	<u>10/1/2017</u>	<u>10/1/2016</u>
Present Value of Future Salaries	35,272,328	37,735,354
Present Value of Future Member Contributions	1,410,893	1,509,414
Normal Cost (Retirement)	789,331	821,796
Normal Cost (Disability)	50,446	53,070
Normal Cost (Death)	21,211	34,671
Normal Cost (Vesting)	46,415	48,882
Normal Cost (Refunds)	<u>686</u>	<u>3,573</u>
Total Normal Cost	908,089	961,992
Present Value of Future Normal Costs	4,953,110	5,360,860
Accrued Liability (Retirement)	20,859,006	22,082,048
Accrued Liability (Disability)	709,003	720,887
Accrued Liability (Death)	295,603	479,532
Accrued Liability (Vesting)	495,030	474,103
Accrued Liability (Refunds)	461	5,851
Accrued Liability (Inactives) <sup>1</sup>	<u>34,000,304</u>	<u>31,102,139</u>
Total Actuarial Accrued Liability (EAN AL)	56,359,407	54,864,560
Unfunded Actuarial Accrued Liability (UAAL)	8,612,340	9,729,161
Funded Ratio (AVA / EAN AL)	84.7%	82.3%

D. Actuarial Present Value of Accrued Benefits	<u>10/1/2017</u>	<u>10/1/2016</u>
Vested Accrued Benefits		
Inactives <sup>1</sup>	34,000,304	31,102,139
Actives	13,875,213	14,988,650
Member Contributions	<u>2,651,458</u>	<u>2,849,856</u>
Total	50,526,975	48,940,645
Non-vested Accrued Benefits	<u>304,286</u>	<u>492,556</u>
Total Present Value Accrued Benefits (PVAB)	50,831,261	49,433,201
Funded Ratio (MVA / PVAB)	93.3%	87.3%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	829,017	
Benefits Paid	(2,677,338)	
Interest	3,246,381	
Other	<u>0</u>	
Total	1,398,060	

Valuation Date	10/1/2017	10/1/2016
Applicable to Fiscal Year Ending	<u>9/30/2019</u>	<u>9/30/2018</u>

E. Pension Cost

Normal Cost (with interest) % of Total Annual Payroll <sup>2</sup>	15.1	15.0
Administrative Expenses (with interest) % of Total Annual Payroll <sup>2</sup>	0.8	0.6
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 20 years (as of 10/1/2017, with interest) % of Total Annual Payroll <sup>2</sup>	15.2	15.6
Total Required Contribution % of Total Annual Payroll <sup>2</sup>	31.1	31.2
Expected Member Contributions % of Total Annual Payroll <sup>2</sup>	4.0	4.0
Expected City Contribution % of Total Annual Payroll <sup>2</sup>	27.1	27.2

F. Past Contributions

Plan Years Ending:	<u>9/30/2017</u>
Total Required Contribution	1,934,813
City Requirement	1,676,838
Actual Contributions Made:	
Members (excluding buyback)	257,975
City	<u>1,676,838</u>
Total	1,934,813

G. Net Actuarial (Gain)/Loss (825,743)

<sup>1</sup> The asset values and liabilities include accumulated DROP Plan Balances as of 9/30/2017 and 9/30/2016.

<sup>2</sup> Contributions developed as of 10/1/2017 are expressed as a percentage of total annual payroll at 10/1/2017 of \$6,200,882.

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

<u>Year</u>	<u>Projected Unfunded Actuarial Accrued Liability</u>
2017	8,612,340
2018	8,221,959
2019	7,859,493
2024	8,180,144
2028	5,414,527
2033	1,458,589
2037	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2017	5.1%	4.0%
Year Ended	9/30/2016	2.6%	4.0%
Year Ended	9/30/2015	3.1%	4.0%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2017	7.60%	6.75%
Year Ended	9/30/2016	8.11%	6.75%
Year Ended	9/30/2015	10.82%	7.00%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2017	\$6,200,882
	10/1/2007	9,453,666
(b) Total Increase		-34.41%
(c) Number of Years		10.00
(d) Average Annual Rate		-4.13%

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.



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Patrick T. Donlan, EA, ASA, MAAA  
Enrolled Actuary #17-6595

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

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

## RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1) Unfunded Actuarial Accrued Liability as of October 1, 2016	\$9,729,161
(2) Sponsor Normal Cost developed as of October 1, 2016	696,252
(3) Expected administrative expenses for the year ended September 30, 2017	40,941
(4) Expected interest on (1), (2) and (3)	705,097
(5) Sponsor contributions to the System during the year ended September 30, 2017	1,676,838
(6) Expected interest on (5)	56,530
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2017 (1)+(2)+(3)+(4)-(5)-(6)	9,438,083
(8) Change to UAAL due to Actuarial (Gain)/Loss	(825,743)
(9) Unfunded Actuarial Accrued Liability as of October 1, 2017	8,612,340

<u>Type of Base</u>	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2017 Amount</u>	<u>Amortization Amount</u>
	9/1/1993	6	(124,845)	(24,347)
	9/1/1993	6	232,936	45,426
	10/1/1995	8	493,132	76,614
	10/1/1996	9	370,808	52,750
	10/1/2000	13	1,996,947	220,667
Method Change	10/1/2004	17	1,543,837	145,574
Actuarial Loss	10/1/2004	11	1,319,736	162,820
Actuarial Loss	10/1/2005	11	105,140	12,971
Actuarial Gain	10/1/2006	11	(529,849)	(65,369)
Actuarial Gain	10/1/2007	11	(484,375)	(59,759)
Benefit Impove.	10/1/2007	20	1,494,411	129,586
Actuarial Loss	10/1/2008	1	50,836	50,836
Method Change	10/1/2008	11	467,486	57,675
Actuarial Loss	10/1/2009	2	416,692	215,148
Assum Change	10/1/2009	12	223,918	26,058
Actuarial Loss	10/1/2010	3	515,829	183,288
Assum Changes	10/1/2010	13	1,007,916	111,377
Actuarial Loss	10/1/2011	4	1,265,878	348,118
Actuarial Gain	10/1/2012	5	(958,965)	(217,629)
Assum Change	10/1/2012	15	712,574	72,137
Actuarial Gain	10/1/2013	6	(1,820,434)	(355,013)

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2017 <u>Amount</u>	Amortization <u>Amount</u>
Assum Change	10/1/2013	16	1,034,599	100,902
Actuarial Gain	10/1/2014	7	(1,073,903)	(185,042)
Assum Change	10/1/2014	17	1,119,524	105,564
Actuarial Gain	10/1/2015	8	(2,019,917)	(313,818)
Assum Change	10/1/2015	18	1,240,445	113,443
Actuarial Gain	10/1/2016	9	(1,225,827)	(174,381)
Assum Change	10/1/2016	19	2,063,554	183,539
Actuarial Gain	10/1/2017	10	<u>(825,743)</u>	<u>(108,864)</u>
			8,612,340	910,271



DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2016	\$9,729,161
(2) Expected UAAL as of October 1, 2017	9,438,083
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(380,428)
Salary Increases	128,070
Active Decrements	(570,367)
Inactive Mortality	(398,963)
Other	<u>395,945</u>
Increase in UAAL due to (Gain)/Loss	(825,743)
(4) Actual UAAL as of October 1, 2017	\$8,612,340

## ACTUARIAL ASSUMPTIONS AND METHODS

### Mortality Rate

#### *Healthy Active Lives:*

**Female:** RP2000 Generational, 100% Combined Healthy White Collar, Scale BB

**Male:** RP2000 Generational, 50% Combined Healthy White Collar / 50% Combined Healthy Blue Collar, Scale BB

#### *Healthy Inactive Lives:*

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

**Male:** RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB

#### *Disabled Lives:*

**Female:** 100% RP2000 Disabled Female set forward two years

**Male:** 100% RP2000 Disabled Male setback four years

The assumed rates of mortality were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in the July 1, 2016 FRS actuarial valuation report. We feel this assumption sufficiently accommodates future mortality improvements.

Previously, the non-special risk rates from the July 1, 2015 FRS actuarial valuation report were used.

### Termination Rates

See Tables on following page (Mod T-6).

### Disability Rates

See Tables on following page (1202).

### Retirement Age

Earlier of age 62 and 5 years of service or when age plus service equal 85 (but at least age 55). Also, any member who has reached Normal Retirement Age is assumed to continue employment for one additional year. We believe this assumption is reasonable given the plan provisions.

### Early Retirement

Commencing at the member's eligibility for Early Retirement (Age 60 with 5 years of Service or when age plus service equal 80), members are assumed to retire with an immediate, subsidized benefit at the rate of 2.00% per year.

<u>Interest Rate</u>	6.75% per year, compounded annually, net of investment related expenses.
<u>Salary Increases</u>	4.0% per year up to the assumed retirement age; see Table below.
<u>Payroll Growth</u>	None.
<u>Administrative Expenses</u>	\$47,283 annually, based on the prior year's actual expenses.
<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. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>	<u>Current Salary as % of Salary at age 60</u>
20	55.00%	0.05%	20.7%
30	38.35	0.06	30.7
40	4.23	0.12	45.6
50	1.68	0.43	67.5
60	0.00	1.61	100.0

## 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 Actuarial Accrued Liability (UAAL) is a liability which arises when a pension plan is initially established or improved and such establishment or improvement is applicable to all years of past service. Under the Entry Age Normal Actuarial Cost Method, there is also a new UAAL created each year equal to the actuarial gain or loss for that year.

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

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

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

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2017

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Money Market	1,091,145.53	1,091,145.53
Total Cash and Equivalents	1,091,145.53	1,091,145.53
Receivables:		
Additional City Contributions	1,882.91	1,882.91
Investment Income	73,691.01	73,691.01
Total Receivable	75,573.92	75,573.92
Investments:		
Fixed	14,179,287.76	14,159,593.75
Equities	25,411,627.51	31,904,372.65
Miscellaneous	165,409.70	184,500.45
Total Investments	39,756,324.97	46,248,466.85
Total Assets	40,923,044.42	47,415,186.30
<u>LIABILITIES</u>		
Payables:		
Benefit Payments	446.41	446.41
Prepaid Member Contribution	1,824.22	1,824.22
Total Liabilities	2,270.63	2,270.63
NET POSITION RESTRICTED FOR PENSIONS	40,920,773.79	47,412,915.67

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
Market Value Basis

ADDITIONS

Contributions:		
Member		257,975.06
City		1,676,837.89
Total Contributions		1,934,812.95
Investment Income:		
Net Realized Gain (Loss)	1,700,820.01	
Unrealized Gain (Loss)	2,677,023.24	
Net Increase in Fair Value of Investments		4,377,843.25
Interest & Dividends		889,044.02
Less Investment Expense <sup>1</sup>		(232,091.95)
Net Investment Income		5,034,795.32
Total Additions		6,969,608.27
<u>DEDUCTIONS</u>		
Distributions to Members:		
Benefit Payments		2,535,207.28
Lump Sum DROP Distributions		98,120.36
Refunds of Member Contributions		44,010.24
Total Distributions		2,677,337.88
Administrative Expense		47,283.35
Total Deductions		2,724,621.23
Net Increase in Net Position		4,244,987.04
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		43,167,928.63
End of the Year		47,412,915.67

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

ACTUARIAL ASSET VALUATION  
SEPTEMBER 30, 2017

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

Details of the derivation are set forth as follows:

Plan Year End	Rate of Return <sup>1</sup>	
09/30/2014	11.92%	
09/30/2015	-1.42%	
09/30/2016	8.72%	
09/30/2017	11.76%	
Annualized Rate of Return for prior four (4) years:		7.60%
(A) 10/01/2016 Actuarial Assets:		\$45,135,398.60
(I) Net Investment Income:		
1. Interest and Dividends	889,044.02	
2. Realized Gains (Losses)	1,700,820.01	
3. Change in Actuarial Value	1,043,704.53	
4. Investment Related Expenses	(232,091.95)	
Total		3,401,476.61
(B) 10/01/2017 Actuarial Assets:		\$47,747,066.93
Actuarial Asset Rate of Return = 2I/(A+B-I):		7.60%
10/01/2017 Limited Actuarial Assets:		\$47,747,066.93
10/01/2017 Market Value of Assets:		\$47,412,915.67
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		\$380,428.31

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



CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 SEPTEMBER 30, 2017  
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	257,975.06	
City	1,676,837.89	
Total Contributions		1,934,812.95
Earnings from Investments:		
Interest & Dividends	889,044.02	
Net Realized Gain (Loss)	1,700,820.01	
Change in Actuarial Value	1,043,704.53	
Total Earnings and Investment Gains		3,633,568.56

EXPENDITURES

Distributions to Members:		
Benefit Payments	2,535,207.28	
Lump Sum DROP Distributions	98,120.36	
Refunds of Member Contributions	44,010.24	
Total Distributions		2,677,337.88
Expenses:		
Investment related <sup>1</sup>	232,091.95	
Administrative	47,283.35	
Total Expenses		279,375.30
Change in Net Assets for the Year		2,611,668.33
Net Assets Beginning of the Year		45,135,398.60
Net Assets End of the Year <sup>2</sup>		47,747,066.93

<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, 2016 to September 30, 2017

Beginning of the Year Balance	173,911.46
Plus Additions	174,443.22
Investment Return Earned	16,901.35
Less Distributions	(98,120.36)
End of the Year Balance	267,135.67

Note: Investment Return Earned is based on available data through June 30, 2017 for members choosing investment return based on the Plan's investment experience.

RECONCILIATION OF CITY'S SHORTFALL/(PREPAID) CONTRIBUTION  
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2017

(1)	Total Required Contribution Rate	30.0%
(2)	Pensionable Payroll Derived from Member Contributions	\$6,449,376.50
(3)	Total Required Contribution (1) x (2)	1,934,812.95
(4)	Less Actual Member Contributions	<u>(257,975.06)</u>
(5)	Equals Required City Contribution for Fiscal 2017	1,676,837.89
(6)	Less 2016 Prepaid Contribution	0.00
(7)	Less Actual City Contributions	<u>(1,674,954.98)</u>
(8)	Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2017	\$1,882.91

STATISTICAL DATA

	<u>10/1/2014</u>	<u>10/1/2015</u>	<u>10/1/2016</u>	<u>10/1/2017</u>
<u>Actives</u>				
Number	159	145	134	118
Average Current Age	49.6	51.1	51.8	51.9
Average Age at Employment	38.2	38.5	37.9	37.8
Average Past Service	11.4	12.6	13.9	14.1
Average Annual Salary	\$46,067	\$48,386	\$49,578	\$52,550
<u>Service Retirees</u>				
Number	127	134	135	139
Average Current Age	69.8	69.7	70.1	70.4
Average Annual Benefit	\$16,366	\$16,289	\$16,529	\$17,158
<u>DROP Retirees</u>				
Number	10	3	6	9
Average Current Age	63.5	60.9	61.8	62.1
Average Annual Benefit	\$20,728	\$36,529	\$26,131	\$26,489
<u>Beneficiaries</u>				
Number	18	17	16	14
Average Current Age	71.7	73.8	76.4	66.6
Average Annual Benefit	\$13,274	\$13,745	\$12,983	\$16,679
<u>Disability Retirees</u>				
Number	3	2	1	2
Average Current Age	75.3	74.9	58.8	57.1
Average Annual Benefit	\$6,431	\$5,372	\$7,399	\$25,894
<u>Terminated Vested</u>				
Number	49	41	43	40
Average Current Age	49.0	49.9	51.0	50.8
Average Annual Benefit <sup>1</sup>	\$9,637	\$10,679	\$11,793	\$9,471

<sup>1</sup> The Average Annual Benefit excludes participants awaiting a refund of contributions.

## AGE AND SERVICE DISTRIBUTION

### PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	0	0	0	0	0	0	0	0	0	0	0	0
25 - 29	0	0	0	0	0	2	0	0	0	0	0	2
30 - 34	0	0	0	0	0	2	2	0	0	0	0	4
35 - 39	0	0	0	0	1	2	2	1	0	0	0	6
40 - 44	0	0	0	0	0	5	2	4	0	0	0	11
45 - 49	0	0	0	0	2	2	9	1	0	1	0	15
50 - 54	0	0	0	0	1	7	7	6	1	7	1	30
55 - 59	0	0	0	0	0	5	8	5	4	3	0	25
60 - 64	0	0	0	0	0	4	7	4	5	0	0	20
65+	0	0	0	0	0	1	4	0	0	0	0	5
Total	0	0	0	0	4	30	41	21	10	11	1	118

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2016	134
b. Terminations	
i. Vested (partial or full) with deferred benefits	(3)
ii. Non-vested or full lump sum distribution received	(2)
c. Deaths	
i. Beneficiary receiving benefits	(2)
ii. No future benefits payable	0
d. Disabled	0
e. Retired	(5)
f. DROP	<u>(4)</u>
g. Continuing participants	118
h. New entrants	<u>0</u>
i. Total active life participants in valuation	118

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	135	6	16	1	43	201
Retired	9	(1)	0	0	(3)	5
DROP	0	4	0	0	0	4
Vested Deferred	0	0	0	0	3	3
Death, With Survivor	(1)	0	3	0	0	2
Death, No Survivor	(4)	0	(5)	0	0	(9)
Disabled	0	0	0	1	(1)	0
Refund of Contributions	0	0	0	0	(2)	(2)
Rehires	0	0	0	0	0	0
Expired Annuities	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0
b. Number current valuation	139	9	14	2	40	204

SUMMARY OF PLAN PROVISIONS  
(Through Ordinance No. 17-32)

<u>Eligibility</u>	Full-time employees in permanent positions excluding Firefighters and Police Officers, shall participate in the System as a condition of employment. Employees hired after December 19, 2012 do not participate in this Plan.
<u>Credited Service</u>	Total years and fractional parts of years of service with the City as a General Employee.
<u>Salary</u>	Total compensation, not including bonuses, overtime and lump sums.
<u>Average Monthly Compensation</u>	Average Salary for the best 5 years preceding termination.
<u>Member Contributions</u>	4.00% of Salary.
<u>City Contributions</u>	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over 30 years.
<u>Normal Retirement</u>	
Date	Earlier of Age 62 and 5 years of Credited Service or when the sum of age and years of service equal 85 but not earlier than age 55.
Benefit	2.50% of Average Monthly Compensation <u>times</u> Credited Service.
Form of Benefit	Life Annuity (options available).
<u>Early Retirement</u>	
Eligibility	Age 60 and 5 Years of Credited Service or when the sum of age and years of service equals 80.
Benefit	Accrued benefit, reduced 5.00% for each year that Early Retirement precedes Normal Retirement.
<u>Vesting</u>	
Schedule	100% after 5 years of Credited Service.
Benefit Amount	Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date.

Disability

Eligibility	Total and permanent.
Hired before 9/1/1993	Covered from Date of Employment.
Hired 9/1/1993 and after	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.
Duration	Payable for life or until recovery (as determined by the Board).

Death Benefits

Pre-Retirement	
Vested	Survivorship annuity computed as though the member retired on the date of death; equivalent alternative forms of benefit may be elected.
Non-Vested	Refund of accumulated contributions with interest at 4.00% annually.
Post-Retirement	Benefits payable to beneficiary in accordance with the option selected at retirement.

Board of Trustees

- a. Two Commission appointees,
- b. Two Members elected by the employee membership, and
- c. The Finance Director.

Deferred Retirement Option Plan

Eligibility	Satisfaction of Normal Retirement requirements.
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), but not less than 0%, credited each fiscal quarter.

Form of Distribution Cash lump sum (options available) at termination of employment.

Early Retirement Incentive Window

Eligibility Any vested member whose combined years of credited service plus age equals 70 years or more on or before September 30, 2008.

Benefit Unreduced normal retirement benefit plus a supplemental benefit of \$500 per month for a period not to exceed 36 months.

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2017

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Money Market	1,091,145
Total Cash and Equivalents	1,091,145
Receivables:	
Additional City Contributions	1,883
Investment Income	73,691
Total Receivable	75,574
Investments:	
Fixed	14,159,594
Equities	31,904,373
Miscellaneous	184,500
Total Investments	46,248,467
Total Assets	47,415,186
<u>LIABILITIES</u>	
Payables:	
Benefit Payments	446
Total Liabilities	446
NET POSITION RESTRICTED FOR PENSIONS	47,414,740

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
Market Value Basis

ADDITIONS

## Contributions:

Member	258,972	
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City	1,676,838	
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Total Contributions		1,935,810
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## Investment Income:

Net Increase in Fair Value of Investments	4,377,843	
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Interest & Dividends	889,044	
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Less Investment Expense <sup>1</sup>	(232,092)	
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Net Investment Income		5,034,795
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Total Additions		6,970,605
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DEDUCTIONS

## Distributions to Members:

Benefit Payments	2,535,207	
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Lump Sum DROP Distributions	98,121	
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Refunds of Member Contributions	44,010	
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Total Distributions		2,677,338
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Administrative Expense		47,283
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Total Deductions		2,724,621
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Net Increase in Net Position		4,245,984
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## NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		43,168,756
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End of the Year		47,414,740
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<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, 2017)

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 Commission appointees,
- b. Two Members elected by the employee Membership, and
- c. The Finance Director.

Full-time employees in permanent positions excluding Firefighters and Police Officers, shall participate in the System as a condition of employment. Employees hired after December 19, 2012 do not participate in this Plan.

*Plan Membership as of October 1, 2016:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	158
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	43
Active Plan Members	134
	335
	335

*Benefits Provided*

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

Normal Retirement:

Date: Earlier of Age 62 and 5 years of Credited Service or when the sum of age and years of service equal 85 but not earlier than age 55.

Benefit: 2.50% of Average Monthly Compensation times Credited Service.

Early Retirement:

Eligibility: Age 60 and 5 Years of Credited Service or when the sum of age and years of service equals 80.

Benefit: Accrued benefit, reduced 5.00% for each year that Early Retirement precedes Normal Retirement.

Vesting (Termination):

Schedule: 100% after 5 years of Credited Service.

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

Disability:

Eligibility Hired before 09/01/1993: Covered from Date of Employment.

Eligibility Hired 09/01/1993 and after: 10 years of Credited Service.

Benefit accrued to date of disability.

Pre-Retirement Death Benefits:

Vested: Survivorship annuity computed as though the Member retired on the date of death; equivalent alternative forms of benefit may be elected.

Non-Vested: Refund of accumulated contributions with interest at 4.00% annually.

Early Retirement Incentive Window:

Eligibility: Any vested Member whose combined years of credited service plus age equals 70 years or more on or before 09/30/2008.

Benefit: Unreduced normal retirement benefit plus a supplemental benefit of \$500 per month for a period not to exceed 36 months.

*Contributions*

Member Contributions: 4.00% of Salary.

City Contributions: Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over 30 years.

## GASB 67

### Investments

#### *Investment Policy:*

The following was the Board's adopted asset allocation policy as of September 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	55%
International Equity	10%
<u>Fixed Income</u>	<u>35%</u>
<u>Total</u>	<u>100%</u>

#### *Concentrations:*

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

#### *Rate of Return:*

For the year ended September 30, 2017, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 11.76 percent.

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

#### Deferred Retirement Option Program

Eligibility: Satisfaction of Normal Retirement requirements.

Participation: Not to exceed 36 months.

Rate of Return: At Member's election:

- (1) Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or
- (2) 6.5% per annum compounded monthly.

Members may elect to change form of return once during the period of DROP participation.

The DROP balance as September 30, 2017 is \$267,136<sup>1</sup>.

<sup>1</sup> Investment Return Earned is based on available data through June 30, 2017 for members choosing investment return based on the Plan's investment experience.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2017 were as follows:

Total Pension Liability	\$ 56,592,311
Plan Fiduciary Net Position	<u>\$ (47,414,740)</u>
Sponsor's Net Pension Liability	<u>\$ 9,177,571</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	83.78%

*Actuarial Assumptions:*

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2016 updated to September 30, 2017 using the following actuarial assumptions:

Inflation	2.30%
Salary Increases	4.00%
Discount Rate	6.75%
Investment Rate of Return	6.75%

*Mortality Rate Healthy Lives:*

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

Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.

*Mortality Rate Disabled Lives:*

Female: 100% RP2000 Disabled Female set forward two years.

Male: 100% RP2000 Disabled Male setback four years.

The date of the most recent experience study for which significant assumptions are based upon is not available.

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

For 2017 the inflation rate assumption of the investment advisor was 2.50%.

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

Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	6.07%
International Equity	5.50%
Fixed Income	2.15%

*Discount Rate:*

The Discount Rate used to measure the Total Pension Liability was 6.75 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>5.75%</u>	<u>6.75%</u>	<u>7.75%</u>
Sponsor's Net Pension Liability	\$ 15,573,064	\$ 9,177,571	\$ 3,807,788

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

	09/30/2017	09/30/2016
Total Pension Liability		
Service Cost	1,008,657	1,030,143
Interest	3,716,543	3,519,769
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(845,456)	(998,789)
Changes of assumptions	-	2,056,848
Benefit Payments, including Refunds of Employee Contributions	(2,677,338)	(2,665,290)
Net Change in Total Pension Liability	1,202,406	2,942,681
Total Pension Liability - Beginning	55,389,905	52,447,224
Total Pension Liability - Ending (a)	\$ 56,592,311	\$ 55,389,905
Plan Fiduciary Net Position		
Contributions - Employer	1,676,838	1,841,947
Contributions - Employee	258,972	268,746
Net Investment Income	5,034,795	3,480,385
Benefit Payments, including Refunds of Employee Contributions	(2,677,338)	(2,665,290)
Administrative Expense	(47,283)	(40,941)
Net Change in Plan Fiduciary Net Position	4,245,984	2,884,847
Plan Fiduciary Net Position - Beginning	43,168,756	40,283,909
Plan Fiduciary Net Position - Ending (b)	\$ 47,414,740	\$ 43,168,756
Net Pension Liability - Ending (a) - (b)	\$ 9,177,571	\$ 12,221,149
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	83.78%	77.94%
Covered Employee Payroll <sup>1</sup>	\$ 6,449,377	\$ 6,697,988
Net Pension Liability as a percentage of Covered Employee Payroll	142.30%	182.46%

**Notes to Schedule:**

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

*Changes of assumptions:*

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the mortality rates were changed to be the same as used for the Florida Retirement System (FRS) in the July 1, 2015 actuarial valuation report for non-special risk lives. The inflation assumption rate was lowered from 3.00% to 2.30%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

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

	<u>09/30/2015</u>	<u>09/30/2014</u>
Total Pension Liability		
Service Cost	1,018,762	1,093,946
Interest	3,463,279	3,340,253
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(367,046)	-
Changes of assumptions	1,299,686	-
Benefit Payments, including Refunds of Employee Contributions	<u>(2,848,216)</u>	<u>(2,354,789)</u>
Net Change in Total Pension Liability	2,566,465	2,079,410
Total Pension Liability - Beginning	<u>49,880,759</u>	<u>47,801,349</u>
Total Pension Liability - Ending (a)	<u>\$ 52,447,224</u>	<u>\$ 49,880,759</u>
Plan Fiduciary Net Position		
Contributions - Employer	1,957,894	2,308,531
Contributions - Employee	280,702	297,875
Net Investment Income	(584,428)	4,407,810
Benefit Payments, including Refunds of Employee Contributions	(2,848,216)	(2,354,789)
Administrative Expense	<u>(41,210)</u>	<u>(29,130)</u>
Net Change in Plan Fiduciary Net Position	(1,235,258)	4,630,297
Plan Fiduciary Net Position - Beginning	<u>41,519,167</u>	<u>36,888,870</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 40,283,909</u>	<u>\$ 41,519,167</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 12,163,315</u>	<u>\$ 8,361,592</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	76.81%	83.24%
Covered Employee Payroll <sup>1</sup>	\$ 7,027,074	\$ 7,446,876
Net Pension Liability as a percentage of Covered Employee Payroll	173.09%	112.28%

**Notes to Schedule:**

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

*Changes of assumptions:*

For measurement date 09/30/2015, amounts reported as changes of assumptions were resulted from lowering the investment rate of return from 7.00% to 6.75%.



SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

	09/30/2017	09/30/2016	09/30/2015	09/30/2014
Actuarially Determined Contribution	1,676,838	1,841,947	1,957,894	2,308,531
Contributions in relation to the Actuarially Determined Contributions	1,676,838	1,841,947	1,957,894	2,308,531
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll <sup>1</sup>	\$ 6,449,377	\$ 6,697,988	\$ 7,027,074	\$ 7,446,876
Contributions as a percentage of Covered Employee Payroll	26.00%	27.50%	27.86%	31.00%

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

Notes to Schedule

Valuation Date: 10/01/2015

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost Method.  
 Amortization Method: Level % of Payroll, Closed.  
 Remaining Amortization Period: 22 Years (as of 10/01/2015).  
 Mortality: RP 2000 Combined Healthy (sex distinct), projected to valuation year using scale AA. Disabled lives are set forward 5 years. We feel this assumption accommodates expected mortality improvements.  
 Termination Rates: See table below (Mod T-6).  
 Disability Rates: See table below (1202).  
 Retirement Age: Earlier of age 62 and 5 years of service or when age plus service equal 85 (but at least age 55). Also, any member who has reached Normal Retirement Age is assumed to continue employment for one additional year. We believe this assumption is reasonable given the plan provisions.  
 Early Retirement: Commencing at the member's eligibility for Early Retirement (Age 60 with 5 years of Service or when age plus service equal 80), Members are assumed to retire with an immediate, subsidized benefit at the rate of 2% per year.  
 Interest Rate: 6.75% per year, compounded annually, net of investment related expenses.  
 Salary Increases: 4.0% per year up to the assumed retirement age.  
 Payroll Growth: None.  
 Asset Valuation Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

Termination and Disability Rate Tables:

Age	% Becoming Disabled During the	% Terminating During the Year
20	0.05%	55.00%
30	0.06%	38.35%
40	0.12%	4.23%
50	0.43%	1.68%
60	1.61%	0.00%

SCHEDULE OF INVESTMENT RETURNS  
Last 10 Fiscal Years

	<u>09/30/2017</u>	<u>09/30/2016</u>	<u>09/30/2015</u>	<u>09/30/2014</u>
Annual Money-Weighted Rate of Return				
Net of Investment Expense	11.76%	8.72%	-1.42%	11.92%

NOTES TO THE FINANCIAL STATEMENTS  
(For the Year Ended September 30, 2017)

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 Commission appointees,
- b. Two Members elected by the employee Membership, and
- c. The Finance Director.

Full-time employees in permanent positions excluding Firefighters and Police Officers, shall participate in the System as a condition of employment. Employees hired after December 19, 2012 do not participate in this Plan.

*Plan Membership as of October 1, 2016:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	158
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	43
Active Plan Members	134
	335

*Benefits Provided*

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

Normal Retirement:

Date: Earlier of Age 62 and 5 years of Credited Service or when the sum of age and years of service equal 85 but not earlier than age 55.

Benefit: 2.50% of Average Monthly Compensation times Credited Service.

Early Retirement:

Eligibility: Age 60 and 5 Years of Credited Service or when the sum of age and years of service equals 80.

Benefit: Accrued benefit, reduced 5.00% for each year that Early Retirement precedes Normal Retirement.

Vesting (Termination):

Schedule: 100% after 5 years of Credited Service.

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

Disability:

Eligibility Hired before 09/01/1993: Covered from Date of Employment.

Eligibility Hired 09/01/1993 and after: 10 years of Credited Service.

Benefit accrued to date of disability.

Pre-Retirement Death Benefits:

Vested: Survivorship annuity computed as though the Member retired on the date of death; equivalent alternative forms of benefit may be elected.

Non-Vested: Refund of accumulated contributions with interest at 4.00% annually.

Early Retirement Incentive Window:

Eligibility: Any vested Member whose combined years of credited service plus age equals 70 years or more on or before 09/30/2008.

Benefit: Unreduced normal retirement benefit plus a supplemental benefit of \$500 per month for a period not to exceed 36 months.

*Contributions*

Member Contributions: 4.00% of Salary.

City Contributions: Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over 30 years.

## GASB 68

### Net Pension Liability

The measurement date is September 30, 2017.

The measurement period for the pension expense was October 1, 2016 to September 30, 2017.

The reporting period is October 1, 2016 through September 30, 2017.

The Sponsor's Net Pension Liability was measured as of September 30, 2017.

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, 2016 updated to September 30, 2017 using the following actuarial assumptions:

Inflation	2.30%
Salary Increases	4.00%
Discount Rate	6.75%
Investment Rate of Return	6.75%

#### *Mortality Rate Healthy Lives:*

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

Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.

#### *Mortality Rate Disabled Lives:*

Female: 100% RP2000 Disabled Female set forward two years.

Male: 100% RP2000 Disabled Male setback four years.

The date of the most recent experience study for which significant assumptions are based upon is not available.

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

For 2017 the inflation rate assumption of the investment advisor was 2.50%.

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

Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2017 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%	6.07%
International Equity	10%	5.50%
Fixed Income	35%	2.15%
Total	100%	

#### Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 6.75 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)
Balances at September 30, 2016	\$ 55,389,905	\$ 43,168,756	\$ 12,221,149
Changes for a Year:			
Service Cost	1,008,657	-	1,008,657
Interest	3,716,543	-	3,716,543
Differences between Expected and Actual Experience	(845,456)	-	(845,456)
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - Employer	-	1,676,838	(1,676,838)
Contributions - Employee	-	258,972	(258,972)
Net Investment Income	-	5,034,795	(5,034,795)
Benefit Payments, including Refunds of Employee Contributions	(2,677,338)	(2,677,338)	-
Administrative Expense	-	(47,283)	47,283
Net Changes	1,202,406	4,245,984	(3,043,578)
Balances at September 30, 2017	\$ 56,592,311	\$ 47,414,740	\$ 9,177,571

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	5.75%	6.75%	7.75%
Sponsor's Net Pension Liability	\$ 15,573,064	\$ 9,177,571	\$ 3,807,788

*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, 2017, the Sponsor will recognize a Pension Expense of \$2,038,098.

On September 30, 2017, 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	-	988,330
Changes of assumptions	1,010,538	-
Net difference between Projected and Actual Earnings on Pension Plan investments	-	799,616
Total	<u>\$ 1,010,538</u>	<u>\$ 1,787,946</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:	
2018	\$ 411,856
2019	\$ (173,990)
2020	\$ (585,769)
2021	\$ (429,505)
2022	\$ -
Thereafter	\$ -

**Payable to the Pension Plan**

On September 30, 2017, the Sponsor reported a payable of \$1,883 for the outstanding amount of contributions of the Pension Plan required for the year ended September 30, 2017.

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

	<u>09/30/2017</u>	<u>09/30/2016</u>
Total Pension Liability		
Service Cost	1,008,657	1,030,143
Interest	3,716,543	3,519,769
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(845,456)	(998,789)
Changes of assumptions	-	2,056,848
Benefit Payments, including Refunds of Employee Contributions	<u>(2,677,338)</u>	<u>(2,665,290)</u>
Net Change in Total Pension Liability	1,202,406	2,942,681
Total Pension Liability - Beginning	55,389,905	52,447,224
Total Pension Liability - Ending (a)	<u>\$ 56,592,311</u>	<u>\$ 55,389,905</u>
Plan Fiduciary Net Position		
Contributions - Employer	1,676,838	1,841,947
Contributions - Employee	258,972	268,746
Net Investment Income	5,034,795	3,480,385
Benefit Payments, including Refunds of Employee Contributions	(2,677,338)	(2,665,290)
Administrative Expense	<u>(47,283)</u>	<u>(40,941)</u>
Net Change in Plan Fiduciary Net Position	4,245,984	2,884,847
Plan Fiduciary Net Position - Beginning	43,168,756	40,283,909
Plan Fiduciary Net Position - Ending (b)	<u>\$ 47,414,740</u>	<u>\$ 43,168,756</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 9,177,571</u>	<u>\$ 12,221,149</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	83.78%	77.94%
Covered Employee Payroll <sup>1</sup>	\$ 6,449,377	\$ 6,697,988
Net Pension Liability as a percentage of Covered Employee Payroll	142.30%	182.46%

**Notes to Schedule:**

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

*Changes of assumptions:*

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the mortality rates were changed to be the same as used for the Florida Retirement System (FRS) in the July 1, 2015 actuarial valuation report for non-special risk lives. The inflation assumption rate was lowered from 3.00% to 2.30%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

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

	<u>09/30/2015</u>	<u>09/30/2014</u>
Total Pension Liability		
Service Cost	1,018,762	1,093,946
Interest	3,463,279	3,340,253
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(367,046)	-
Changes of assumptions	1,299,686	-
Benefit Payments, including Refunds of Employee Contributions	<u>(2,848,216)</u>	<u>(2,354,789)</u>
Net Change in Total Pension Liability	2,566,465	2,079,410
Total Pension Liability - Beginning	49,880,759	47,801,349
Total Pension Liability - Ending (a)	<u>\$ 52,447,224</u>	<u>\$ 49,880,759</u>
Plan Fiduciary Net Position		
Contributions - Employer	1,957,894	2,308,531
Contributions - Employee	280,702	297,875
Net Investment Income	(584,428)	4,407,810
Benefit Payments, including Refunds of Employee Contributions	(2,848,216)	(2,354,789)
Administrative Expense	<u>(41,210)</u>	<u>(29,130)</u>
Net Change in Plan Fiduciary Net Position	(1,235,258)	4,630,297
Plan Fiduciary Net Position - Beginning	41,519,167	36,888,870
Plan Fiduciary Net Position - Ending (b)	<u>\$ 40,283,909</u>	<u>\$ 41,519,167</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 12,163,315</u>	<u>\$ 8,361,592</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	76.81%	83.24%
Covered Employee Payroll <sup>1</sup>	\$ 7,027,074	\$ 7,446,876
Net Pension Liability as a percentage of Covered Employee Payroll	173.09%	112.28%

**Notes to Schedule:**

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

*Changes of assumptions:*

For measurement date 09/30/2015, amounts reported as changes of assumptions were resulted from lowering the investment rate of return from 7.00% to 6.75%.



**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years

	09/30/2017	09/30/2016	09/30/2015	09/30/2014
Actuarially Determined Contribution	1,676,838	1,841,947	1,957,894	2,308,531
Contributions in relation to the Actuarially Determined Contributions	1,676,838	1,841,947	1,957,894	2,308,531
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll <sup>1</sup>	\$ 6,449,377	\$ 6,697,988	\$ 7,027,074	\$ 7,446,876
Contributions as a percentage of Covered Employee Payroll	26.00%	27.50%	27.86%	31.00%

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

Notes to Schedule

Valuation Date: 10/01/2015

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost Method.  
 Amortization Method: Level % of Payroll, Closed.  
 Remaining Amortization Period: 22 Years (as of 10/01/2015).  
 Mortality: RP 2000 Combined Healthy (sex distinct), projected to valuation year using scale AA. Disabled lives are set forward 5 years. We feel this assumption accommodates expected mortality improvements.

Termination Rates: See table below (Mod T-6).  
 Disability Rates: See table below (1202).  
 Retirement Age: Earlier of age 62 and 5 years of service or when age plus service equal 85 (but at least age 55). Also, any member who has reached Normal Retirement Age is assumed to continue employment for one additional year. We believe this assumption is reasonable given the plan provisions.

Early Retirement: Commencing at the member's eligibility for Early Retirement (Age 60 with 5 years of Service or when age plus service equal 80), Members are assumed to retire with an immediate, subsidized benefit at the rate of 2% per year.

Interest Rate: 6.75% per year, compounded annually, net of investment related expenses.  
 Salary Increases: 4.0% per year up to the assumed retirement age.  
 Payroll Growth: None.  
 Asset Valuation Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

Termination and Disability Rate Tables:	% Becoming Disabled During the	% Terminating During the
	Age	Year
	20	55.00%
	30	38.35%
	40	4.23%
	50	1.68%
	60	0.00%

**COMPONENTS OF PENSION EXPENSE**  
**FISCAL YEAR SEPTEMBER 30, 2017**

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 12,221,149	\$ 1,474,440	\$ 4,101,870	\$ -
Total Pension Liability Factors:				
Service Cost	1,008,657	-	-	1,008,657
Interest	3,716,543	-	-	3,716,543
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(845,456)	845,456	-	-
Current year amortization of experience difference	-	(706,510)	-	(706,510)
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	(1,010,538)	1,010,538
Benefit Payments	(2,677,338)	-	-	-
Net change	<u>1,202,406</u>	<u>138,946</u>	<u>(1,010,538)</u>	<u>5,029,228</u>
Plan Fiduciary Net Position:				
Contributions - Employer	1,676,838	-	-	-
Contributions - Employee	258,972	-	-	(258,972)
Projected Net Investment Income	2,887,269	-	-	(2,887,269)
Difference between projected and actual earnings on Pension Plan investments	2,147,526	2,147,526	-	-
Current year amortization	-	(585,770)	(693,598)	107,828
Benefit Payments	(2,677,338)	-	-	-
Administrative Expenses	(47,283)	-	-	47,283
Net change	<u>4,245,984</u>	<u>1,561,756</u>	<u>(693,598)</u>	<u>(2,991,130)</u>
Ending Balance	<u>\$ 9,177,571</u>	<u>\$ 3,175,142</u>	<u>\$ 2,397,734</u>	<u>\$ 2,038,098</u>

AMORTIZATION SCHEDULE - INVESTMENTS

Increase (Decrease) in Pension Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on Pension Plan Investments

Plan Year Ending	Differences Between Projected and Actual Earnings	Recognition Period (Years)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
2015	\$ 3,467,991	5	\$ 693,598	\$ 693,598	\$ 693,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (781,321)	5	\$ (156,264)	\$ (156,264)	\$ (156,264)	\$ (156,264)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ (2,147,526)	5	\$ (429,506)	\$ (429,505)	\$ (429,505)	\$ (429,505)	\$ (429,505)	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 107,828	\$ 107,829	\$ 107,829	\$ (585,769)	\$ (429,505)	\$ -	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - CHANGES OF ASSUMPTIONS

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions

Plan Year Ending	Changes of Assumptions	Recognition Period (Years)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
2015	\$ 1,299,686	4	\$ 324,922	\$ 324,922	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 2,056,848	3	\$ 685,616	\$ 685,616	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 1,010,538	\$ 1,010,538	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - EXPERIENCE

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience

Plan Year Ending	Differences Between Expected and Actual Experience	Recognition Period (Years)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
2015	\$ (367,046)	4	\$ (91,762)	\$ (91,762)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (998,789)	3	\$ (332,930)	\$ (332,930)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ (845,456)	3	\$ (281,818)	\$ (281,819)	\$ (281,819)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (706,510)	\$ (706,511)	\$ (281,819)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -