

CITY OF HOLLY HILL  
POLICE OFFICERS' RETIREMENT TRUST FUND

ACTUARIAL VALUATION  
AS OF OCTOBER 1, 2016

CONTRIBUTIONS APPLICABLE TO THE PLAN/  
FISCAL YEAR ENDED SEPTEMBER 30, 2018

May 9, 2017

Board of Trustees  
City of Holly Hill  
Police Officers' Pension Board  
1065 Ridgewood Avenue  
Holly Hill, FL 32117

Re: Holly Hill Police Officers' Retirement Trust Fund

Dear Board:

We are pleased to present this report of the annual actuarial valuation of the City of Holly Hill Police Officers' Retirement Trust Fund. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year. Please note that this valuation may not be applicable for any other purposes.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Chapters 112, and 185, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations.

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

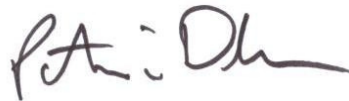
opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

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 Holly Hill, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Holly Hill Police Officers' Retirement 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.

A handwritten signature in dark ink, appearing to read "P.T. Donlan", written in a cursive style.

By: \_\_\_\_\_

Patrick T. Donlan, M.A.A.A., A.S.A.  
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 Holly Hill Police Officers' Retirement Trust Fund, performed as of October 1, 2016, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ended September 30, 2018.

The contribution requirements, compared with those developed in the October 1, 2015 actuarial valuation, are as follows:

Valuation Date	10/1/2016	10/1/2015
Applicable Plan/Fiscal Year End	<u>9/30/2018</u>	<u>9/30/2017</u>
Total Required Contribution	663,448	597,483
Member Contributions (Est.)	80,588	74,398
Required City and State Cont.	<b>582,860</b>	<b>523,085</b>
Applicable State Contribution <sup>1</sup>	108,177	108,177
Balance from City <sup>1</sup>	474,863	414,908

<sup>1</sup> Reflects mutual consent to allow the City to utilize all of the State Monies that come in each year to help offset the City's bottom line funding requirements to the Plan. Amount shown represents the amount received during fiscal 2016, but the City will utilize more or less for the applicable fiscal year, depending on the amount actually received.

During the past 12 months, actuarial experience has less favorable than expected on the basis of the actuarial assumptions. The primary components of unfavorable experience included a 5.92% investment return (Actuarial Asset basis) that was less than the 7.5% assumed rate, no turnover, and no inactive mortality. Partially offsetting these losses was the effect of average increases in pensionable earnings that were less 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  
Patrick T. Donlan, ASA, EA, MAAA

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

## CHANGES SINCE PRIOR VALUATION

### Plan Changes

There have been no plan changes since the prior valuation.

### Actuarial Assumption/Method Changes

There were several assumption changes made as a result of an August 10, 2016 Experience study, as follows:

- The assumed rates of retirement were changed to the following table of expected rates:

		Expected Retirement Rates
Service	Age	
<20	50-54	5.0%
	55	50.0%
	56	75.0%
	57+	100.0%
20+	<55	50.0%
	55	50.0%
	56	75.0%
	57+	100.0%

- The assumed mortality rates were amended to match those used by the Florida Retirement System in their July 1, 2015 valuation report.
- The investment return assumption was reduced from 7.5% to 7.4%, net of investment related expenses.
- The assumption for projected non-regular pensionable compensation paid out at retirement was changed from a flat 40% to an individual assumption based on their hours accrued as of July 8, 2011.
- The assumed rates of withdrawal were increase by 10% from age 40 to 49 and an assumption was made that 15% of Officers will terminate in their first year of employment.
- The assumed individual salary increase was changed from a flat 6.0%, to a service based table, with the rate of 10.0% during the first year of employment and 5.5% for all future years of service.
- The payroll growth assumption utilized in amortizing the Unfunded Actuarial Accrued Liability was changed from 0.38% to 0.0%.

# COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Assump <u>10/1/2016</u>	Old Assump <u>10/1/2016</u>	<u>10/1/2015</u>
A. Participant Data			
Actives	24	24	23
Service Retirees	14	14	14
DROP Retirees	0	0	0
Beneficiaries	1	1	1
Disability Retirees	1	1	1
Terminated Vested	<u>8</u>	<u>8</u>	<u>8</u>
Total	48	48	47
Total Annual Payroll	\$1,200,750	\$1,203,073	\$1,116,990
Payroll Under Assumed Ret. Age	1,200,750	1,203,073	1,116,990
Annual Rate of Payments to:			
Service Retirees	605,050	605,050	598,505
DROP Retirees	0	0	0
Beneficiaries	14,283	14,283	14,283
Disability Retirees	8,374	8,374	8,374
Terminated Vested	84,940	84,940	84,940
B. Assets			
Actuarial Value (AVA) <sup>1</sup>	9,590,468	9,590,468	9,065,143
Market Value (MVA) <sup>1</sup>	9,166,974	9,166,974	8,566,354
C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	3,947,187	4,123,515	3,717,220
Disability Benefits	42,886	40,462	37,188
Death Benefits	88,296	38,188	34,034
Vested Benefits	561,309	573,791	530,055
Refund of Contributions	104,228	104,040	87,816
Service Retirees	7,634,376	7,126,801	7,176,460
DROP Retirees <sup>1</sup>	0	0	0
Beneficiaries	134,849	122,814	126,058
Disability Retirees	62,386	57,032	59,240
Terminated Vested	676,080	657,926	611,480
Excess State Monies Reserve	<u>0</u>	<u>0</u>	<u>0</u>
Total	13,251,597	12,844,569	12,379,551



C. Liabilities - (Continued)	New Assump <u>10/1/2016</u>	Old Assump <u>10/1/2016</u>	<u>10/1/2015</u>
Present Value of Future Salaries	7,603,948	7,180,618	6,845,374
Present Value of Future Member Contributions	532,276	502,643	414,587
Normal Cost (Retirement)	146,388	163,233	155,721
Normal Cost (Disability)	4,290	4,603	4,236
Normal Cost (Death)	8,810	3,956	3,521
Normal Cost (Vesting)	39,951	41,858	38,557
Normal Cost (Refunds)	<u>16,521</u>	<u>16,316</u>	<u>14,045</u>
Total Normal Cost	215,960	229,966	216,080
Present Value of Future Normal Costs	1,316,846	1,383,474	1,338,803
Accrued Liability (Retirement)	3,014,008	3,115,821	2,732,762
Accrued Liability (Disability)	15,289	13,000	10,665
Accrued Liability (Death)	40,384	15,793	12,489
Accrued Liability (Vesting)	327,447	321,947	290,799
Accrued Liability (Refunds)	29,932	29,961	20,795
Accrued Liability (Inactives) <sup>1</sup>	8,507,691	7,964,573	7,973,238
Excess State Monies Reserve	<u>0</u>	<u>0</u>	<u>0</u>
Total Actuarial Accrued Liability (AL)	11,934,751	11,461,095	11,040,748
Unfunded Actuarial Accrued Liability (UAAL)	2,344,283	1,870,627	1,975,605
Funded Ratio (AVA / AL)	80.4%	83.7%	82.1%

D. Actuarial Present Value of Accrued Benefits	New Assump <u>10/1/2016</u>	Old Assump <u>10/1/2016</u>	<u>10/1/2015</u>
Vested Accrued Benefits			
Inactives <sup>1</sup>	8,507,691	7,964,573	7,973,238
Actives	1,804,939	1,745,999	1,568,601
Member Contributions	<u>507,642</u>	<u>507,642</u>	<u>436,476</u>
Total	10,820,272	10,218,214	9,978,315
Non-vested Accrued Benefits	<u>324,035</u>	<u>370,618</u>	<u>280,662</u>
Total Present Value			
Accrued Benefits (PVAB)	11,144,307	10,588,832	10,258,977
Funded Ratio (MVA / PVAB)	82.3%	86.6%	83.5%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	555,475	0	
New Accrued Benefits	0	203,059	
Benefits Paid	0	(619,400)	
Interest	0	746,196	
Other	<u>0</u>	<u>0</u>	
Total	555,475	329,855	

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

#### E. Pension Cost

Normal Cost <sup>2</sup>	\$236,929	\$252,905	\$237,634
Administrative Expenses <sup>2</sup>	35,093	35,178	26,747
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 28 years (as of 10/1/2016) <sup>2</sup>	391,426	341,987	333,102
Total Required Contribution	663,448	630,070	597,483
Expected Member Contributions <sup>2</sup>	80,588	78,615	74,398
Expected City and State Contribution	582,860	551,455	523,085

#### F. Past Contributions

Plan Years Ending: 9/30/2016

City and State Requirement 569,054

Actual Contributions Made:

Members (excluding buyback)	71,468
City	460,877
State	<u>108,177</u> <sup>3</sup>
Total	640,522

G. Net Actuarial (Gain)/Loss 149,657

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

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

<sup>3</sup> Reflects mutual consent.

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

<u>Year</u>	<u>Projected Unfunded Actuarial Accrued Liability</u>
2016	2,344,283
2017	2,134,575
2018	1,909,350
2025	1,150,345
2031	368,063
2044	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	4.31%	6.00%
Year Ended	9/30/2015	7.92%	6.00%
Year Ended	9/30/2014	8.69%	6.00%

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

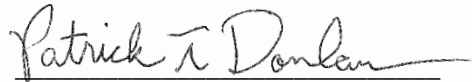
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	5.92%	7.50%
Year Ended	9/30/2015	8.21%	7.50%
Year Ended	9/30/2014	9.06%	7.50%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2016	\$1,200,750
	10/1/2006	1,192,362
(b) Total Increase		0.70%
(c) Number of Years		10.00
(d) Average Annual Rate		0.07%

## STATEMENT BY ENROLLED ACTUARY

This actuarial valuation was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.



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

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

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

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

# RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2015	\$1,975,605
(2)	Sponsor Normal Cost developed as of October 1, 2015	147,749
(3)	Expected administrative expenses for the year ended September 30, 2016	24,321
(4)	Expected interest on (1), (2) and (3)	160,164
(5)	Sponsor contributions to the System during the year ended September 30, 2016	569,054
(6)	Expected interest on (5)	17,815
(7)	Expected Unfunded Actuarial Accrued Liability as of September 30, 2016 (1)+(2)+(3)+(4)-(5)-(6)	1,720,970
(8)	Change to UAAL due to Assumption Change	473,656
(9)	Change to UAAL due to Actuarial (Gain)/Loss	149,657
(10)	Unfunded Actuarial Accrued Liability as of October 1, 2016	2,344,283

Type of Base	Date Established	Years Remaining	10/1/2016 Amount	Amortization Amount
Method Change	10/1/2002	12	\$425,111	\$50,902
Loss Portion <sup>1</sup>	10/1/2002	12	425,115	50,903
Actuarial Gain	10/1/2003	12	(313,461)	(37,533)
Actuarial Loss	10/1/2004	12	1,079,439	129,251
Actuarial Gain	10/1/2005	12	(63,254)	(7,574)
Actuarial Loss	10/1/2006	12	46,293	5,543
Benefit Change	10/1/2006	20	32,977	2,989
Assumption Change	10/1/2007	21	791,493	70,215
Actuarial Loss	10/1/2007	12	4,179	500
Actuarial Loss	10/1/2008	2	196,567	101,790
Method Change	10/1/2008	12	191,562	22,937
Benefit Change	10/1/2008	22	(221,562)	(19,273)
Actuarial Loss	10/1/2009	3	78,802	28,163
Actuarial Loss	10/1/2010	4	96,994	26,904
Actuarial Loss	10/1/2011	5	156,741	35,976
Actuarial Gain	10/1/2012	6	(96,452)	(19,074)
Software Change	10/1/2013	17	(404,756)	(39,677)
Actuarial Gain	10/1/2013	7	(142,335)	(24,935)
Actuarial Gain	10/1/2014	8	(203,383)	(32,207)

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2016 <u>Amount</u>	Amortization <u>Amount</u>
Benefit Change	10/1/2014	28	(600)	(48)
Actuarial Gain	10/1/2015	9	(358,500)	(52,109)
Actuarial Loss	10/1/2016	10	149,657	20,208
Assumption Change	10/1/2016	20	<u>473,656</u>	<u>42,932</u>
			2,344,283	356,783

## DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2015	\$1,975,605
(2) Expected UAAL as of October 1, 2016	1,720,970
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	143,105
Salary Increases	(121,079)
Active Decrements	113,240
Inactive Mortality	55,201
Other	<u>(40,810)</u>
Increase in UAAL due to (Gain)/Loss	149,657
Assumption Changes	<u>473,656</u>
(4) Actual UAAL as of October 1, 2016	\$2,344,283



## ACTUARIAL ASSUMPTIONS AND METHODS

### Mortality Rate

#### *Healthy Lives:*

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

**Male:** RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB

#### *Disabled Lives:*

**Female:** 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale

**Male:** 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale

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

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

It is assumed that 75% of active deaths are service related.

### Interest Rate

7.40% (previously 7.50%) per year compounded annually, net of investment related expenses. This assumption resulted from the August 10, 2016 Experience Study.

### Retirement Age

		Expected Retirement Rates
Service	Age	
<20	50-54	5.0%
	55	50.0%
	56	75.0%
	57+	100.0%
20+	<55	50.0%
	55	50.0%
	56	75.0%
	57+	100.0%

Previously: 100% at Earlier of age 55 and 6 years of service (10 years of service if hired after July 1, 2011), or the completion of 20 years of service, regardless of age, and 5.0% per year while eligible for Early Retirement. Also, any member who has reached Normal Retirement was assumed to continue employment for one additional year.

This assumption resulted from the August 10, 2016 Experience Study.

Disability Rate

See table below (1201), 75% of disablements are assumed to be service related. We believe this assumption is in line with the experience incurred by other plans containing Florida municipal Police Officers.

Termination Rate

See table below (1305) for prior assumption. The new assumption is 15% in the first year of employment and an increase in the below rates by 10% from age 40 to 49. This assumption resulted from the August 10, 2016 Experience Study.

Salary Increases

10.0% in first year of employment and 5.5% per year after that (previously 6.00% for all years). This assumption is based on the results of an experience study performed in 2016. Salary in year of retirement is increased individually to account for lump sums (previously 40% of a year's Salary).

Payroll Increase

None (0.38% for 10/1/2015 valuation).

Administrative Expenses

\$31,987 annually. This is equal to the actual non-investment-related expenses paid out of the trust during the year

Funding Method

Entry Age Normal Actuarial Cost Method.

Asset Valuation Method

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

Projected Dollar Requirements

Costs as of the valuation date are increased by 3.7% (previously 3.75%) interest and 5.795% (previously 6.0%) salary growth (average assumed rate of individual salary increase as of valuation date) to determine dollar funding requirements for the applicable fiscal year end.

<u>Age</u>	<i>Prior Assumption</i> <u>% Terminating</u> <u>During the Year</u>	<u>% Becoming Disabled</u> <u>During the Year</u>	<i>Prior Assumption</i> <u>Current Salary as %</u> <u>of Salary at age 50</u>
20	17.2%	0.03%	17.4%
30	15.0	0.04	31.2
40	8.2	0.07	55.8
50	1.7	0.18	100.0

## VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay as of the valuation date for 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.

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.

# PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1994	43,894.29	_____%
1995	48,205.39	9.8%
1996	47,682.87	-1.1%
1997	51,189.90	7.4%
1998	51,838.81	1.3%
1999	48,759.83	-5.9%
2000	45,177.19	-7.3%
2001	45,612.78	1.0%
2002	51,038.21	11.9%
2003	60,740.83	19.0%
2004	71,624.61	17.9%
2005	74,699.30	4.3%
2006	74,699.30	0.0%
2007	74,699.30	0.0%
2008	-	-100.0%
2009	150,819.27	N/A
2010	69,797.43	-53.7%
2011	64,309.42	-7.9%
2012	61,153.14	-4.9%
2013	59,865.22	-2.1%
2014	95,509.46	59.5%
2015	102,018.98	6.8%
2016	108,176.57	6.0%

# EXCESS STATE MONIES RESERVE

	<u>Actual</u> <u>State Contribution</u>	<u>Applicable</u> <u>"Frozen" Amount</u>	<u>Excess State</u> <u>Monies Reserve</u>
2000	\$45,177.19	\$107,245.81	\$0.00
2001	45,612.78	108,155.81	0.00
2002	51,038.21	108,155.81	0.00
2003	60,740.83	108,155.81	0.00
2004	71,624.61	108,155.81	0.00
2005	74,699.30	108,155.81	0.00
2006	74,699.30	250,591.81	0.00
2007	74,699.30	250,591.81	0.00
2008	0.00	250,591.81	0.00
2009	150,819.27	250,591.81	0.00
2010	69,797.43	224,192.81	0.00
2011	64,309.42	224,192.81	0.00
2012	61,153.14	224,192.81	0.00
2013	59,865.22	224,192.81	0.00
2014	95,509.46	224,192.81	0.00
2015	102,018.98	N/A	0.00
2016	108,176.57	N/A	<u>0.00</u>

Equals Current State Monies Reserve \$0.00

The City and Membership have mutually consented to all State Monies being used to offset the City's contributions through September 30, 2018

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2016

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Prepaid Benefits	51,853.55	51,853.55
Money Market	593,972.15	593,972.15
Cash	3,874.37	3,874.37
Total Cash and Equivalents	649,700.07	649,700.07
Receivables:		
Member Contributions in Transit	2,516.32	2,516.32
From Broker for Investments Sold	2,022.43	2,022.43
Investment Income	26,367.01	26,367.01
Total Receivable	30,905.76	30,905.76
Investments:		
U. S. Bonds and Bills	1,112,485.40	1,131,639.61
Federal Agency Guaranteed Securities	289,371.64	290,519.99
Corporate Bonds	891,146.37	894,847.41
Equities	5,192,895.82	6,205,201.27
Total Investments	7,485,899.23	8,522,208.28
Total Assets	8,166,505.06	9,202,814.11
<u>LIABILITIES</u>		
Payables:		
To Broker for Investments Purchased	35,840.02	35,840.02
Total Liabilities	35,840.02	35,840.02
NET POSITION RESTRICTED FOR PENSIONS	8,130,665.04	9,166,974.09

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

ADDITIONS

Contributions:

Member	71,468.35
City	460,877.43
State	108,176.57

Total Contributions	640,522.35
---------------------	------------

Investment Income:

Net Realized Gain (Loss)	46,204.61	
Unrealized Gain (Loss)	469,518.69	
Net Increase in Fair Value of Investments		515,723.30
Interest & Dividends		177,339.65
Less Investment Expense <sup>1</sup>		(81,578.36)

Net Investment Income	611,484.59
-----------------------	------------

Total Additions	1,252,006.94
-----------------	--------------

DEDUCTIONS

Distributions to Members:

Benefit Payments	619,400.08
Lump Sum DROP Distributions	0.00
Refunds of Member Contributions	0.00

Total Distributions	619,400.08
---------------------	------------

Administrative Expense	31,986.85
------------------------	-----------

Total Deductions	651,386.93
------------------	------------

Net Increase in Net Position	600,620.01
------------------------------	------------

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year	8,566,354.08
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End of the Year	9,166,974.09
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<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.



ACTUARIAL ASSET VALUATION  
SEPTEMBER 30, 2016

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

Details of the derivation are set forth as follows:

Plan Year End	Rate of Return <sup>1</sup>
09/30/2013	12.03%
09/30/2014	7.30%
09/30/2015	-2.39%
09/30/2016	7.26%

Annualized Rate of Return for prior four (4) years: 5.92%

(A) 10/01/2015 Actuarial Assets: \$9,065,143.06

(I) Net Investment Income:

1. Interest and Dividends	177,339.65	
2. Realized Gains (Losses)	46,204.61	
3. Change in Actuarial Value	394,223.37	
4. Investment Related Expenses	(81,578.36)	
Total		536,189.27

(B) 10/01/2016 Actuarial Assets: \$9,590,467.75

Actuarial Asset Rate of Return =  $2I/(A+B-I)$ : 5.92%

10/01/2016 Limited Actuarial Assets: \$9,590,467.75

10/01/2016 Market Value of Assets: \$9,166,974.09

Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis) (\$143,104.57)

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

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

REVENUES

Contributions:		
Member	71,468.35	
City	460,877.43	
State	108,176.57	
Total Contributions		640,522.35
Earnings from Investments:		
Interest & Dividends	177,339.65	
Net Realized Gain (Loss)	46,204.61	
Change in Actuarial Value	394,223.37	
Total Earnings and Investment Gains		617,767.63

EXPENDITURES

Distributions to Members:		
Benefit Payments	619,400.08	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	0.00	
Total Distributions		619,400.08
Expenses:		
Investment related <sup>1</sup>	81,578.36	
Administrative	31,986.85	
Total Expenses		113,565.21
Change in Net Assets for the Year		525,324.69
Net Assets Beginning of the Year		9,065,143.06
Net Assets End of the Year <sup>2</sup>		9,590,467.75

<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.

## STATISTICAL DATA

	<u>10/1/2013</u>	<u>10/1/2014</u>	<u>10/1/2015</u>	<u>10/1/2016</u>
<u>Actives - Hired before 7/1/2011</u>				
Number	15	10	9	9
Average Current Age	39.6	41.4	42.6	43.6
Average Age at Employment	31.3	29.9	29.5	29.5
Average Past Service	8.3	11.5	13.1	14.1
Average Annual Salary	\$51,121	\$57,669	\$58,552	\$58,988
<u>Actives - Hired on or after 7/1/2011</u>				
Number	9	13	14	15
Average Current Age	35.1	32.9	32.9	33.5
Average Age at Employment	33.6	31.1	30.8	30.5
Average Past Service	1.4	1.8	2.1	3.0
Average Annual Salary	\$39,803	\$39,560	\$42,145	\$44,812
<u>Service Retirees</u>				
Number	13	14	14	14
Average Current Age	62.7	63.7	64.7	65.7
Average Annual Benefit	\$38,895	\$42,216	\$42,750	\$43,218
<u>DROP Retirees</u>				
Number	1	0	0	0
Average Current Age	53.2	N/A	N/A	N/A
Average Annual Benefit	\$72,128	N/A	N/A	N/A
<u>Beneficiaries</u>				
Number	2	1	1	1
Average Current Age	74.5	68.9	69.9	70.9
Average Annual Benefit	\$26,696	\$14,283	\$14,283	\$14,283
<u>Disability Retirees</u>				
Number	2	2	1	1
Average Current Age	67.0	68.0	68.7	69.7
Average Annual Benefit	\$10,349	\$10,349	\$8,374	\$8,374
<u>Terminated Vested <sup>1</sup></u>				
Number	3	5	6	6
Average Current Age	45.7	44.0	44.3	45.3
Average Annual Benefit	\$14,429	\$12,572	\$14,157	\$14,157

<sup>1</sup> Excludes non-vested terminated Members awaiting a refund of Member 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	2	0	0	0	0	0	0	0	0	2
25 - 29	1	1	2	0	1	1	0	0	0	0	0	6
30 - 34	0	0	2	0	0	1	0	0	0	0	0	3
35 - 39	0	0	0	0	0	2	0	0	0	0	0	2
40 - 44	0	0	0	0	0	1	3	0	0	0	0	4
45 - 49	0	0	1	1	0	1	0	1	0	0	0	4
50 - 54	0	1	0	0	0	0	0	0	1	0	0	2
55 - 59	0	0	0	0	0	0	0	1	0	0	0	1
60 - 64	0	0	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	1	2	7	1	1	6	3	2	1	0	0	24

## VALUATION PARTICIPANT RECONCILIATION

### 1. Active lives

a. Number in prior valuation 10/1/2015	23
b. Terminations	
i. Vested (partial or full) with deferred benefits	0
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	0
f. DROP	<u>0</u>
g. Continuing participants	23
h. New entrants	<u>1</u>
i. Total active life participants in valuation	24

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

	Service Retirees, Vested Receiving <u>Benefits</u>	DROP <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested Deferred	<u>Total</u>
a. Number prior valuation	14	0	1	1	8	24
Retired	0	0	0	0	0	0
DROP	0	0	0	0	0	0
Vested Deferred	0	0	0	0	0	0
Death, With Survivor	0	0	0	0	0	0
Death, No Survivor	0	0	0	0	0	0
Disabled	0	0	0	0	0	0
Refund of Contributions	0	0	0	0	0	0
Rehires	0	0	0	0	0	0
Expired Annuities	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0
b. Number current valuation	14	0	1	1	8	24

SUMMARY OF CURRENT PLAN  
(Through Ordinance 2967)

<u>Latest Amendment Date</u>	February 9, 2016.
<u>Eligibility</u>	Full-time employees who are classified as full-time sworn police officers shall participate in the System as a condition of employment.
<u>Credited Service</u>	Total years and fractional parts of years of continuous employment with the City as a Police Officer.
<u>Earnings</u>	Total W-2 Earnings plus all tax deferred or tax exempt items of income. Additional 10.6% of Earnings included for calculating AFC if employed prior to 10/1/1999.
<u>Average Final Compensation (AFC)</u>	Average Earnings for the highest 5 years during the 10 years immediately preceding retirement or termination.
<u>Member Contributions</u>	5.00% of Earnings, 7.00% if hired on or after July 1, 2011.
<u>Member Contributions by City</u>	8.00% of Earnings prior to October 1, 2005; 0.00% thereafter. Members hired on or after 10/1/1999 vest in these contributions 16.66% for each complete year of Credited Service to 100% after 6 years of Credited Service. Members hired before 10/1/1999 are 100% vested in these contributions.
<u>City and State Contributions</u>	Remaining amount necessary to pay current costs and amortize past service cost if any, over 30 years.
<u>Normal Retirement</u>	
Date	Earlier of Age 55 and 6 years of Credited Service or 20 years of Credited Service. For Members hired on or after July 1, 2011, the Earlier of age 55 and 10 years of Credited Service or 20 years of credited service regardless of age.
Benefit	3.00% of Average Final Compensation times Credited Service. Members retiring after 10/1/1999 receive \$150 per month, payable for life.
Form of Benefit	Ten Year Certain and Life Annuity (options available).

### Early Retirement

Eligibility Age 50 and 6 Years of Credited Service. For Members hired on or after July 1, 2011, age 55 and 10 Years of Credited Service.

Benefit Accrued benefit, reduced 3% per year.

### Cost of Living Adjustment

Annual 2.00% increase commencing 5 years after retirement for those Members who retire on or after October 6, 2009 (including disability retirees and beneficiaries, but not including those who terminate prior to reaching their Early or Normal Retirement Date and later begin drawing benefits).

### Vesting

Schedule 100% after 6 years of Credited Service. For Members hired on or after July 1, 2011, 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 Retirement Date.

### Disability

Eligibility Service Incurred: Covered from date of employment.  
Non-Service Incurred: 10 years of Credited Service.

Benefit Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred), or 25% of Average Final Compensation (Non-Service Incurred).

Duration Payable for life (with 120 months guaranteed) or until recovery (as determined by the Board). Options are available.

### Death Benefits

Pre-Retirement Vested: Monthly accrued benefit payable to designated beneficiary for 10 years.  
Non-vested: Refund of accumulated contributions without interest.

Post-Retirement Benefits payable to beneficiary in accordance with option selected at retirement.

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 and appointed by Commission.

Deferred Retirement Option Plan

Eligibility

Eligibility for Normal Retirement.

Participation

Not to exceed 60 months.

Rate of Return

Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs).

Form of Distribution

Lump sum at termination of employment.



STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2016

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Prepaid Benefits	51,854
Money Market	593,972
Cash	3,874
Total Cash and Equivalents	649,700
Receivables:	
Member Contributions in Transit	2,516
From Broker for Investments Sold	2,023
Investment Income	26,367
Total Receivable	30,906
Investments:	
U. S. Bonds and Bills	1,131,640
Federal Agency Guaranteed Securities	290,520
Corporate Bonds	894,847
Equities	6,205,201
Total Investments	8,522,208
Total Assets	9,202,814
<u>LIABILITIES</u>	
Payables:	
To Broker for Investments Purchased	35,840
Total Liabilities	35,840
NET POSITION RESTRICTED FOR PENSIONS	9,166,974

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

ADDITIONS

## Contributions:

Member	71,468	
City	460,877	
State	108,177	
Total Contributions		640,522
Investment Income:		
Net Increase in Fair Value of Investments	515,723	
Interest & Dividends	177,340	
Less Investment Expense <sup>1</sup>	(81,578)	
Net Investment Income		611,485
Total Additions		1,252,007

DEDUCTIONS

## Distributions to Members:

Benefit Payments	619,400	
Lump Sum DROP Distributions	0	
Refunds of Member Contributions	0	
Total Distributions		619,400
Administrative Expense		31,987
Total Deductions		651,387
Net Increase in Net Position		600,620
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		8,566,354
End of the Year		9,166,974

<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, 2016)

### 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 of the Department elected by the Membership, and a
- c. Fifth Member elected by other 4 and appointed by Commission.

#### *Plan Membership as of October 1, 2015:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	16
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	8
Active Plan Members	23
	47

#### *Benefits Provided*

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

##### Normal Retirement:

Date: Earlier of Age 55 and 6 years of Credited Service or 20 years of Credited Service. For Members hired on or after July 1, 2011 the Earlier of age 55 and 10 years of Credited Service or 20 years of credited service regardless of age.

Benefit: 3.0% of Average Final Compensation times Credited Service. Members retiring after October 1, 1999, receive \$150 per month, payable for life.

##### Early Retirement:

Eligibility: Age 50 and 6 Years of Credited Service. For Members hired on or after July 1, 2011 Age 55 and 10 Years of Credited Service.

Benefit: Accrued benefit, reduced 3% per year.

##### Cost of Living Adjustment:

Annual 2.0% increase commencing 5 years after retirement for those Members who retire on or after October 6, 2009 (including disability retirees and beneficiaries, but not including those who terminate prior to reaching their Early or Normal Retirement Date and later begin drawing benefits).

##### Vesting:

Schedule: 100% after 6 years of Credited Service. For Members hired on or after July 1, 2011 100% after 10 years of Credited Service.

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

##### Disability:

Eligibility: Service Incurred: Covered from date of employment. Non-Service Incurred: 10 years of Credited Service.

Benefit: Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred), or 25% of Average Final Compensation (Non-Service Incurred).

##### Pre-Retirement Death Benefits:

Vested: Monthly accrued benefit payable to designated beneficiary for 10 years. Non-vested: Refund of accumulated contributions without interest.

#### *Contributions*

Member Contributions: 5.00% of Earnings, 7.00% if hired on or after July 1, 2011.

Member Contributions by City: 8.00% of Earnings prior to October 1, 2005: 0.00% thereafter. Members hired on or after October 1, 1999, vest in these contributions 16.66% for each complete year of Credited Service to 100% after 6 years of Credited Service. Members hired before October 1, 1999, are 100% vested in these contributions.

City and State Contributions: Remaining amount necessary to pay current costs and amortize past service cost if any, over 30 years.

## Investments

*Investment Policy:*

The following was the Board's adopted asset allocation policy as of September 30, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	60%
International Equity	10%
Fixed Income	30%
Total	100%

*Concentrations:*

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

*Rate of Return:*

For the year ended September 30, 2016, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 7.26 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 for Normal Retirement.

Participation: Not to exceed 60 months.

Rate of Return: Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs).

The DROP balance as September 30, 2016 is \$0.

## NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2016 were as follows:

Total Pension Liability	\$ 11,798,012
Plan Fiduciary Net Position	\$ (9,166,974)
Sponsor's Net Pension Liability	<u>\$ 2,631,038</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	77.70%

*Actuarial Assumptions:*

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions:

Inflation	2.30%
Salary Increases	Service based
Discount Rate	7.40%
Investment Rate of Return	7.40%

*Mortality Rate Healthy Lives:*

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

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

*Mortality Rate Disabled Lives:*

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The most recent actuarial experience study used to review the other significant assumptions was dated August 10, 2016.

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

For 2016 the inflation rate assumption of the investment advisor was 2.30%.

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

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2016 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.66%
International Equity	7.26%
Fixed Income	2.47%

*Discount Rate:*

The Discount Rate used to measure the Total Pension Liability was 7.40 percent.

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

	1% Decrease	Current Discount Rate	1% Increase
	6.40%	7.40%	8.40%
Sponsor's Net Pension Liability	\$ 4,098,755	\$ 2,631,038	\$ 1,419,493

# SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

## Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014
Total Pension Liability			
Service Cost	230,699	222,322	249,756
Interest	843,655	823,857	810,040
Changes of benefit terms	-	(526)	-
Differences between Expected and Actual Experience	(370,289)	(153,367)	-
Changes of assumptions	385,611	-	-
Benefit Payments, including Refunds of Employee Contributions	(619,400)	(655,033)	(1,040,177)
Net Change in Total Pension Liability	470,276	237,253	19,619
Total Pension Liability - Beginning	11,327,736	11,090,483	11,070,864
Total Pension Liability - Ending (a)	<u>\$ 11,798,012</u>	<u>\$ 11,327,736</u>	<u>\$ 11,090,483</u>
Plan Fiduciary Net Position			
Contributions - Employer	460,877	519,860	636,738
Contributions - State	108,177	102,019	95,509
Contributions - Employee	71,468	72,917	67,173
Net Investment Income	611,485	(206,022)	600,411
Benefit Payments, including Refunds of Employee Contributions	(619,400)	(655,033)	(1,040,177)
Administrative Expense	(31,987)	(24,321)	(21,956)
Net Change in Plan Fiduciary Net Position	600,620	(190,580)	337,698
Plan Fiduciary Net Position - Beginning	8,566,354	8,756,934	8,419,236
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,166,974</u>	<u>\$ 8,566,354</u>	<u>\$ 8,756,934</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 2,631,038</u>	<u>\$ 2,761,382</u>	<u>\$ 2,333,549</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	77.70%	75.62%	78.96%
Covered Employee Payroll <sup>1</sup>	\$ 1,162,274	\$ 1,130,458	\$ 1,135,179
Net Pension Liability as a percentage of Covered Employee Payroll	226.37%	244.27%	205.57%

### Notes to Schedule:

<sup>1</sup> The Covered Employee Payroll numbers shown are in compliance with GASB 82.

#### Changes of benefit terms:

For measurement date 09/30/2015, amounts reported as changes of benefit terms were resulted from:

- 1.) For Members hired after July 1, 2011 the Member Contribution rate is decreased from 8% of pay to 7% of pay effective October 1, 2015.
- 2.) Establishing a share plan.
- 3.) The bargaining parties mutually consent to allowing the use of all State Monies received to be utilized to offset the City's Required Contribution.

#### Changes of assumptions:

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from an August 10, 2016 Experience study. The following changes have been made:

- The assumed mortality rates were amended to match those used by the Florida Retirement System in their July 1, 2015 valuation report.
- The investment return assumption was reduced from 7.5% to 7.4%, net of investment related expenses.
- The assumption for projected non-regular pensionable compensation paid out at retirement was changed from a flat 40% to an individual assumption based on their hours accrued as of July 8, 2011.
- The assumed rates of withdrawal were increase by 10% from age 40 to 49 and an assumption was made that 15% of Officers will terminate in their first year of employment.

## GASB 67

- The assumed rates of retirement were changed to the following table of expected rates:

		<u>Expected</u>
		<u>Retirement</u>
<u>Service</u>	<u>Age</u>	<u>Rates</u>
< 20	50-54	5.0%
	55	50.0%
	56	75.0%
	57+	100.0%
20+	<55	50.0%
	55	50.0%
	56	75.0%
	57+	100.0%

- The assumed individual salary increase was changed from a flat 6.0%, to a service based table, with the rate of 10.0% during the first year of employment and 5.5% for all future years of service.
- The inflation assumption rate was lowered from 3.00% to 2.70%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

## SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014
Actuarially Determined Contribution	569,054	621,879	732,247
Contributions in relation to the Actuarially Determined Contributions	569,054	621,879	732,247
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Employee Payroll <sup>1</sup>	\$ 1,162,274	\$ 1,130,458	\$ 1,135,179
Contributions as a percentage of Covered Employee Payroll	48.96%	55.01%	64.50%

<sup>1</sup> The Covered Employee Payroll numbers shown are in compliance with GASB 82.

Notes to Schedule

Valuation Date: 10/01/2014 (AIS 01/04/2016)

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 10/01/2014).
Mortality:	RP 2000 Combined Healthy – Sex Distinct. Disabled lives are set forward 5 years. Based upon other studies of municipal Police Officers, we feel this assumption sufficiently accommodates future mortality improvements.
Interest Rate:	7.5% per year compounded annually, net of investment related expenses. This assumption was discussed and lowered as a re-sult of our July 23, 2008 Experience Study.
Retirement Age:	Earlier of age 55 and 6 years of service (10 years of service if hired after July 1, 2011), or the completion of 20 years of service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year. We feel this assumption is reasonable given current Plan provisions.
Early Retirement:	Commencing with eligibility for Early Retirement Age (age 50 with 6 years of Service (10 years of service if hired after July 1, 2011)), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year. We feel this assumption is reasonable given current Plan provisions.
Disability Rate:	See table on following page (1201), 75% of disablements are assumed to be service related. We believe this assumption is in line with the experience incurred by other plans containing Florida municipal Police Officers.
Termination Rate:	See table on following page (1305). This assumption was discussed and adjusted as a result of our July 23, 2008 Experience Study.
Salary Increases:	6.0% per year until the assumed retirement age. Projected salary at retirement is increased 40% to account for non-regular compensation. We feel this assumption is reasonable as compared to long-term experience realized by the plan.
Payroll Increase:	1.32% for 10/01/14 Valuation.
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.



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Termination and Disability Rate Table:

Age	% Becoming Disabled During the Year	% Terminating During the Year
20	0.03%	17.2%
30	0.04%	15.0%
40	0.07%	8.2%
50	0.18%	1.7%

SCHEDULE OF INVESTMENT RETURNS  
Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014
Annual Money-Weighted Rate of Return Net of Investment Expense	7.26%	-2.39%	7.30%

## NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2016)

### General Information about the Pension Plan

#### *Plan Description*

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

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

Full-time employees who are classified as full-time sworn police officers shall participate in the System as a condition of employment.

#### *Plan Membership as of October 1, 2015:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	16
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	8
Active Plan Members	23
	47

#### *Benefits Provided*

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

##### Normal Retirement:

Date: Earlier of Age 55 and 6 years of Credited Service or 20 years of Credited Service. For Members hired on or after July 1, 2011 the Earlier of age 55 and 10 years of Credited Service or 20 years of credited service regardless of age.

Benefit: 3.0% of Average Final Compensation times Credited Service. Members retiring after October 1, 1999, receive \$150 per month, payable for life.

##### Early Retirement:

Eligibility: Age 50 and 6 Years of Credited Service. For Members hired on or after July 1, 2011 Age 55 and 10 Years of Credited Service.

Benefit: Accrued benefit, reduced 3% per year.

##### Cost of Living Adjustment:

Annual 2.0% increase commencing 5 years after retirement for those Members who retire on or after October 6, 2009 (including disability retirees and beneficiaries, but not including those who terminate prior to reaching their Early or Normal Retirement Date and later begin drawing benefits).

##### Vesting:

Schedule: 100% after 6 years of Credited Service. For Members hired on or after July 1, 2011 100% after 10 years of Credited Service.

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

##### Disability:

Eligibility: Service Incurred: Covered from date of employment. Non-Service Incurred: 10 years of Credited Service.

Benefit: Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred), or 25% of Average Final Compensation (Non-Service Incurred).

##### Pre-Retirement Death Benefits:

Vested: Monthly accrued benefit payable to designated beneficiary for 10 years. Non-vested: Refund of accumulated contributions without interest.

#### *Contributions*

Member Contributions: 5.00% of Earnings, 7.00% if hired on or after July 1, 2011.

Member Contributions by City: 8.00% of Earnings prior to October 1, 2005: 0.00% thereafter. Members hired on or after October 1, 1999, vest in these contributions 16.66% for each complete year of Credited Service to 100% after 6 years of Credited Service.

Members hired before October 1, 1999, are 100% vested in these contributions.

City and State Contributions: Remaining amount necessary to pay current costs and amortize past service cost if any, over 30 years.

## Net Pension Liability

The measurement date is September 30, 2016.

The measurement period for the pension expense was October 1, 2015 to September 30, 2016.

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

The Sponsor's Net Pension Liability was measured as of September 30, 2016.

The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

### *Actuarial Assumptions:*

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions:

Inflation	2.30%
Salary Increases	Service based
Discount Rate	7.40%
Investment Rate of Return	7.40%

### *Mortality Rate Healthy Lives:*

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

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

### *Mortality Rate Disabled Lives:*

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The most recent actuarial experience study used to review the other significant assumptions was dated August 10, 2016.

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

For 2016 the inflation rate assumption of the investment advisor was 2.30%.

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

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	60%	7.66%
International Equity	10%	7.26%
Fixed Income	30%	2.47%
Total	100%	

### *Discount Rate:*

The Discount Rate used to measure the Total Pension Liability was 7.40 percent.

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

## CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2015	\$ 11,327,736	\$ 8,566,354	\$ 2,761,382
Changes for a Year:			
Service Cost	230,699	-	230,699
Interest	843,655	-	843,655
Differences between Expected and Actual Experience	(370,289)	-	(370,289)
Changes of assumptions	385,611	-	385,611
Changes of benefit terms	-	-	-
Contributions - Employer	-	460,877	(460,877)
Contributions - State	-	108,177	(108,177)
Contributions - Employee	-	71,468	(71,468)
Net Investment Income	-	611,485	(611,485)
Benefit Payments, including Refunds of Employee Contributions	(619,400)	(619,400)	-
Administrative Expense	-	(31,987)	31,987
Net Changes	470,276	600,620	(130,344)
Balances at September 30, 2016	\$ 11,798,012	\$ 9,166,974	\$ 2,631,038

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.40%	7.40%	8.40%
Sponsor's Net Pension Liability	\$ 4,098,755	\$ 2,631,038	\$ 1,419,493

*Pension Plan Fiduciary Net Position.*

Detailed information about the pension Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

## PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended September 30, 2016, the Sponsor will recognize a Pension Expense of \$524,301.

On September 30, 2016, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	-	328,838
Changes of assumptions	289,209	-
Net difference between Projected and Actual Earnings on Pension Plan investments	542,490	-
Total	<u>\$ 831,699</u>	<u>\$ 328,838</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:	
2017	\$ 131,500
2018	\$ 182,622
2019	\$ 182,622
2020	\$ 6,117
2021	\$ -
Thereafter	\$ -

# SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

## Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014
Total Pension Liability			
Service Cost	230,699	222,322	249,756
Interest	843,655	823,857	810,040
Changes of benefit terms	-	(526)	-
Differences between Expected and Actual Experience	(370,289)	(153,367)	-
Changes of assumptions	385,611	-	-
Benefit Payments, including Refunds of Employee Contributions	(619,400)	(655,033)	(1,040,177)
Net Change in Total Pension Liability	470,276	237,253	19,619
Total Pension Liability - Beginning	11,327,736	11,090,483	11,070,864
Total Pension Liability - Ending (a)	<u>\$ 11,798,012</u>	<u>\$ 11,327,736</u>	<u>\$ 11,090,483</u>
Plan Fiduciary Net Position			
Contributions - Employer	460,877	519,860	636,738
Contributions - State	108,177	102,019	95,509
Contributions - Employee	71,468	72,917	67,173
Net Investment Income	611,485	(206,022)	600,411
Benefit Payments, including Refunds of Employee Contributions	(619,400)	(655,033)	(1,040,177)
Administrative Expense	(31,987)	(24,321)	(21,956)
Net Change in Plan Fiduciary Net Position	600,620	(190,580)	337,698
Plan Fiduciary Net Position - Beginning	8,566,354	8,756,934	8,419,236
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,166,974</u>	<u>\$ 8,566,354</u>	<u>\$ 8,756,934</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 2,631,038</u>	<u>\$ 2,761,382</u>	<u>\$ 2,333,549</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	77.70%	75.62%	78.96%
Covered Employee Payroll <sup>1</sup>	\$ 1,162,274	\$ 1,130,458	\$ 1,135,179
Net Pension Liability as a percentage of Covered Employee Payroll	226.37%	244.27%	205.57%

### Notes to Schedule:

<sup>1</sup> The Covered Employee Payroll numbers shown are in compliance with GASB 82.

#### Changes of benefit terms:

For measurement date 09/30/2015, amounts reported as changes of benefit terms were resulted from:

- 1.) For Members hired after July 1, 2011 the Member Contribution rate is decreased from 8% of pay to 7% of pay effective October 1, 2015.
- 2.) Establishing a share plan.
- 3.) The bargaining parties mutually consent to allowing the use of all State Monies received to be utilized to offset the City's Required Contribution.

#### Changes of assumptions:

For measurement date 09/30/2016, amounts reported as changes of assumptions resulted from an August 10, 2016 Experience study. The following changes have been made:

- The assumed mortality rates were amended to match those used by the Florida Retirement System in their July 1, 2015 valuation report.
- The investment return assumption was reduced from 7.5% to 7.4%, net of investment related expenses.
- The assumption for projected non-regular pensionable compensation paid out at retirement was changed from a flat 40% to an individual assumption based on their hours accrued as of July 8, 2011.

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- The assumed rates of withdrawal were increase by 10% from age 40 to 49 and an assumption was made that 15% of Officers will terminate in their first year of employment.
- The assumed rates of retirement were changed to the following table of expected rates:

		<u>Retirement</u>
<u>Service</u>	<u>Age</u>	<u>Rates</u>
< 20	50-54	5.0%
	55	50.0%
	56	75.0%
	57+	100.0%
20+	<55	50.0%
	55	50.0%
	56	75.0%
	57+	100.0%

- The assumed individual salary increase was changed from a flat 6.0%, to a service based table, with the rate of 10.0% during the first year of employment and 5.5% for all future years of service.
- The inflation assumption rate was lowered from 3.00% to 2.70%, matching the long-term inflation assumption utilized by the Plan's investment consultant.



## SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014
Actuarially Determined Contribution	569,054	621,879	732,247
Contributions in relation to the			
Actuarially Determined Contributions	569,054	621,879	732,247
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Employee Payroll <sup>1</sup>	\$ 1,162,274	\$ 1,130,458	\$ 1,135,179
Contributions as a percentage of			
Covered Employee Payroll	48.96%	55.01%	64.50%

<sup>1</sup> The Covered Employee Payroll numbers shown are in compliance with GASB 82.

Notes to Schedule

Valuation Date: 10/01/2014 (AIS 01/04/2016)

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 10/01/2014).
Mortality:	RP 2000 Combined Healthy – Sex Distinct. Disabled lives are set forward 5 years. Based upon other studies of municipal Police Officers, we feel this assumption sufficiently accommodates future mortality improvements.
Interest Rate:	7.5% per year compounded annually, net of investment related expenses. This assumption was discussed and lowered as a re-sult of our July 23, 2008 Experience Study.
Retirement Age:	Earlier of age 55 and 6 years of service (10 years of service if hired after July 1, 2011), or the completion of 20 years of service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year. We feel this assumption is reasonable given current Plan provisions.
Early Retirement:	Commencing with eligibility for Early Retirement Age (age 50 with 6 years of Service (10 years of service if hired after July 1, 2011)), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year. We feel this assumption is reasonable given current Plan provisions.
Disability Rate:	See table on following page (1201), 75% of disablements are assumed to be service related. We believe this assumption is in line with the experience incurred by other plans containing Florida municipal Police Officers.
Termination Rate:	See table on following page (1305). This assumption was discussed and adjusted as a result of our July 23, 2008 Experience Study.
Salary Increases:	6.0% per year until the assumed retirement age. Projected salary at retirement is increased 40% to account for non-regular compensation. We feel this assumption is reasonable as compared to long-term experience realized by the plan.
Payroll Increase:	1.32% for 10/01/14 Valuation.
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.

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Termination and Disability Rate Table:

Age	% Becoming Disabled During the Year	% Terminating During the Year
20	0.03%	17.2%
30	0.04%	15.0%
40	0.07%	8.2%
50	0.18%	1.7%

**COMPONENTS OF PENSION EXPENSE**  
**FISCAL YEAR SEPTEMBER 30, 2016**

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 2,761,382	\$ 102,244	\$ 690,696	\$ -
Total Pension Liability Factors:				
Service Cost	230,699	-	-	230,699
Interest	843,655	-	-	843,655
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(370,289)	370,289	-	-
Current year amortization of experience difference	-	(143,695)	-	(143,695)
Change in assumptions about future economic or demographic factors or other inputs	385,611	-	385,611	-
Current year amortization of change in assumptions	-	-	(96,402)	96,402
Benefit Payments	(619,400)	-	-	(619,400)
Net change	<u>470,276</u>	<u>226,594</u>	<u>289,209</u>	<u>407,661</u>
Plan Fiduciary Net Position:				
Contributions - Employer	460,877	-	-	-
Contributions - State	108,177	-	-	-
Contributions - Employee	71,468	-	-	(71,468)
Net Investment Income	642,069	-	-	(642,069)
Difference between projected and actual earnings on Pension Plan investments	(30,584)	-	30,584	-
Current year amortization	-	-	(178,790)	178,790
Benefit Payments	(619,400)	-	-	619,400
Administrative Expenses	(31,987)	-	-	31,987
Net change	<u>600,620</u>	<u>-</u>	<u>(148,206)</u>	<u>116,640</u>
Ending Balance	<u><u>\$ 2,631,038</u></u>	<u><u>\$ 328,838</u></u>	<u><u>\$ 831,699</u></u>	<u><u>\$ 524,301</u></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)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2015	\$ 863,371	5	\$ 172,675	\$ 172,674	\$ 172,674	\$ 172,674	\$ 172,674	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 30,584	5	\$ -	\$ 6,116	\$ 6,117	\$ 6,117	\$ 6,117	\$ 6,117	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 172,675	\$ 178,790	\$ 178,791	\$ 178,791	\$ 178,791	\$ 6,117	\$ -	\$ -	\$ -	\$ -	\$ -

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)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2015	\$ -	3	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 385,611	4	\$ -	\$ 96,402	\$ 96,403	\$ 96,403	\$ 96,403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ 96,402	\$ 96,403	\$ 96,403	\$ 96,403	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## 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)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2015	\$ (153,367)	3	\$ (51,123)	\$ (51,122)	\$ (51,122)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (370,289)	4	\$ -	\$ (92,573)	\$ (92,572)	\$ (92,572)	\$ (92,572)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (51,123)	\$ (143,695)	\$ (143,694)	\$ (92,572)	\$ (92,572)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -