

CITY OF VENICE  
MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

ACTUARIAL VALUATION REPORT  
AS OF OCTOBER 1, 2015

CONTRIBUTIONS APPLICABLE TO THE  
PLAN/FISCAL YEAR ENDED SEPTEMBER 30, 2017

December 22, 2015

Board of Trustees  
City of Venice  
Municipal Firefighters' Pension Trust Fund  
200 N. Grove St.  
Venice, FL 34285

Re: City of Venice  
Municipal Firefighters' Pension Trust Fund

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Venice Municipal Firefighters' Pension Trust Fund. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year. 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 175, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience. 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 Venice 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 Venice, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Venice Municipal Firefighters' Pension Trust Fund. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

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

Respectfully submitted,

Foster & Foster, Inc.

By:   
\_\_\_\_\_  
Douglas H. Lozen, EA, MAAA  
Enrolled Actuary #14-7778

DHL/lke  
Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Venice Municipal Firefighters' Pension Trust Fund, performed as of October 1, 2015, has been completed, and the results are presented in this Report. The contributions developed in this valuation apply to the plan/fiscal year ending September 30, 2017.

The funding requirements, compared with amounts set forth in the December 7, 2015 Actuarial Impact Statement (determined as of October 1, 2014), are as follows:

Valuation Date	10/1/2015	10/1/2014
Applicable Plan/Fiscal Yr. End	<u>9/30/2017</u>	<u>9/30/2016</u>
Total Required Contribution	2,725,064	3,235,696
% of Total Annual Payroll		
Member Contributions (Est.)	128,474	213,452
% of Total Annual Payroll		
City and State Required Contribution	2,596,590	3,022,244
% of Total Annual Payroll		
State Contribution <sup>1</sup>	272,353	272,353
% of Total Annual Payroll		
Balance from City <sup>1</sup>	2,324,237	2,749,891
% of Total Annual Payroll		

<sup>1</sup> The City may use up to \$295,941 in State Contributions for determining its minimum funding requirements, pursuant to Ordinance 2014-22.

Please note the City has a prepaid contribution of \$297,806 which is available to offset a portion of the above stated requirements for Fiscal 2016.

Experience during the past 12 months was more favorable than expected, on the basis of the Plan's actuarial assumptions. The primary sources of favorable actuarial experience included a 9.19% investment return (Actuarial Asset basis), exceeding the 7.00% assumption, average increases in Pensionable Compensation that were less than the assumed rate and greater than expected employee turnover due to nearly half of the active membership transferring to the Florida Retirement System.

The balance of this Report presents additional details regarding 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 answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By:   
Douglas H. Lozen, EA, MAAA

By:   
Drew D. Ballard, EA, MAAA

## CHANGES SINCE PRIOR VALUATION

### Plan Changes

As outlined in our December 7, 2015 Actuarial Impact Statement, there have been two benefit changes since the previous valuation:

- 100% vesting for benefits accrued prior to October 1, 2014.
- A Salary definition using Base Pay, effective October 1, 2014 for Members not eligible for Normal Retirement as of that date. This definition is applicable only for service after October 1, 2014. Notwithstanding the foregoing, effective October 1, 2014, sick or vacation time which is accrued, but for which a member has not been paid prior to October 1, 2014, shall not be considered in determining the value of any future retirement benefit, including the calculation of any frozen benefit.

### Actuarial Assumption/Method Changes

The load assumption for the projected salary at retirement to account for lump sum accrued sick and vacation leave payouts was modified from a fixed 0% per individual to an amount equal to their individual accrual, as provided by the City. It is important to point out that the load assumption will be subject to further modification based on future experience. Subsequent changes will be reflected in future actuarial valuations.

Additionally, beginning with this valuation, all future UAAL amortization bases will be amortized based on the following schedule:

- Actuarial Losses – 10 Years
- Actuarial Gains – 20 Years
- Assumption/Method Changes – 20 Years
- Benefit Changes – 30 Years

The changes to the schedule of UAAL amortization for future bases were approved by the Board of Trustees at the March 9, 2015 Board Meeting.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2015</u>	<u>10/1/2014</u>
<b>A. Participant Data</b>		
Number Included		
Actives	22	40
Service Retirees	30	30
Beneficiaries	9	9
Disability Retirees	4	4
Terminated Vested	<u>18</u>	<u>0</u>
Total	83	83
Total Annual Payroll	\$1,668,189	\$2,743,197
Payroll Under Assumed Ret. Age	1,668,189	2,743,197
Annual Rate of Payments to:		
Service Retirees	1,797,097	1,753,329
Beneficiaries	161,173	161,173
Disability Retirees	75,650	75,650
Terminated Vested	428,626	0
<b>B. Assets</b>		
Actuarial Value	18,378,749	17,708,024
Market Value	17,723,882	18,628,386
<b>C. Liabilities</b>		
Present Value of Benefits		
Actives		
Retirement Benefits	10,743,172	15,158,188
Disability Benefits	416,368	735,448
Death Benefits	104,055	185,658
Vested Benefits	1,570,263	3,232,225
Refund of Contributions	0	0
Service Retirees	23,082,375	23,218,563
Beneficiaries	1,159,828	1,208,805
Disability Retirees	950,514	960,091
Terminated Vested	3,061,952	0
Excess State Monies Reserve	<u>8,861</u>	<u>164,382</u>
Total	41,097,388	44,863,360

C. Liabilities - (Continued)	<u>10/1/2015</u>	<u>10/1/2014</u>
Present Value of Future Salaries	10,659,707	19,988,237
Present Value of Future Member Contributions	746,179	1,399,177
Normal Cost (Retirement)	323,755	535,279
Normal Cost (Disability)	43,725	73,665
Normal Cost (Death)	12,316	20,154
Normal Cost (Vesting)	333,303	513,491
Normal Cost (Refunds)	<u>0</u>	<u>0</u>
Total Normal Cost	713,099	1,142,589
Present Value of Future Normal Costs	3,680,304	7,304,593
Accrued Liability (Retirement)	8,797,308	11,476,910
Accrued Liability (Disability)	149,146	208,465
Accrued Liability (Death)	28,771	42,542
Accrued Liability (Vesting)	178,329	279,009
Accrued Liability (Refunds)	0	0
Accrued Liability (Inactives)	28,254,669	25,387,459
Excess State Monies Reserve	<u>8,861</u>	<u>164,382</u>
Total Actuarial Accrued Liability	37,417,084	37,558,767
Unfunded Actuarial Accrued Liability (UAAL)	19,038,335	19,850,743
Funded Ratio (AVA / AL)	49.1%	47.1%
 D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives	28,254,669	25,387,459
Actives	6,169,972	7,181,854
Member Contributions	<u>1,811,964</u>	<u>2,543,410</u>
Total	36,236,605	35,112,723
Non-vested Accrued Benefits	<u>0</u>	<u>0</u>
Total Present Value Accrued Benefits	36,236,605	35,112,723
Funded Ratio (MVA / PVAB)	48.9%	53.1%
 Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	726,804	
Benefits Paid	(1,991,123)	
Interest	2,388,201	
Other	<u>0</u>	
Total	1,123,882	

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

E. Pension Cost

Normal Cost <sup>1</sup>	\$784,555	\$1,270,091
Administrative Expenses <sup>1</sup>	74,609	47,028
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 29 years (as of 10/1/2015) <sup>1</sup>	1,865,900	1,918,577
Total Required Contribution	2,725,064	3,235,696
Expected Member Contributions <sup>1</sup>	128,474	213,452
Expected City & State Contribution	2,596,590	3,022,244

F. Past Contributions

Plan Years Ending:	<u>9/30/2015</u>
Total Required Contribution	1,297,956
City and State Requirement	1,184,071

Actual Contributions Made:

Members (excluding buyback)	116,523
City <sup>2</sup>	911,718
State	<u>272,353</u>
Total	1,300,594

G. Net Actuarial (Gain)/Loss (2,041,428)

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

<sup>2</sup> Per Ordinance 2014-22, includes \$155,521 from the Excess State Monies Reserve.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2015	19,038,335
2016	18,556,343
2017	18,040,615
2024	13,461,416
2031	6,427,924
2037	2,064,917
2044	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2015	4.23%	6.94%
Year Ended	9/30/2014	3.36%	7.70%
Year Ended	9/30/2013	7.20%	7.87%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2015	9.19%	7.00%
Year Ended	9/30/2014	9.39%	7.75%
Year Ended	9/30/2013	8.97%	7.75%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2015	\$1,668,189
	10/1/2005	2,342,130
(b) Total Increase		-28.77%
(c) Number of Years		10.00
(d) Average Annual Rate		-3.34%

STATEMENT BY ENROLLED ACTUARY

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

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

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

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

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

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1) Unfunded Actuarial Accrued Liability as of October 1, 2014	\$19,850,743
(2) Sponsor Normal Cost developed as of October 1, 2014	950,565
(3) Expected administrative expenses for the year ended September 30, 2015	42,307
(4) Expected interest on (1), (2) and (3)	1,457,572
(5) Sponsor contributions to the System during the year ended September 30, 2015	1,184,071
(6) Expected interest on (5)	37,353
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2015 (1)+(2)+(3)+(4)-(5)-(6)	21,079,763
(8) Change to UAAL due to Assumption Change	0
(9) Change to UAAL due to Actuarial (Gain)/Loss	(2,041,428)
(10) Unfunded Accrued Liability as of October 1, 2015	19,038,335

Type of Base	Date Established	Years Remaining	10/1/2015 Amount	Amortization Amount
	10/1/1988	3	\$96,315	\$34,300
	10/1/1991	6	(98,117)	(19,238)
	10/1/1998	13	486,737	54,428
	10/1/1999	14	514,995	55,035
	10/1/2000	15	1,198,992	123,031
method change	10/1/2002	17	2,113,551	202,319
prior losses	10/1/2002	17	2,113,551	202,319
actuarial loss	10/1/2003	18	1,069,584	99,374
actuarial loss	10/1/2004	19	2,147,930	194,223
actuarial loss	10/1/2005	20	1,360,743	120,042
actuarial loss	10/1/2006	21	379,660	32,746
actuarial loss	10/1/2007	22	349,213	29,505
actuarial loss	10/1/2008	23	1,312,934	108,856
method change	10/1/2008	23	494,829	41,026
assum. change	10/1/2009	14	(492,967)	(52,681)
actuarial loss	10/1/2009	24	2,808,287	228,833
actuarial loss	10/1/2010	25	1,271,780	101,993
assum. change	10/1/2010	15	478,129	49,062
actuarial loss	10/1/2011	26	1,700,920	134,422
actuarial loss	10/1/2012	27	1,479,886	115,384
actuarial loss	10/1/2013	28	510,851	39,336
software change	10/1/2013	28	1,392,384	107,216
benefit change	10/1/2013	28	(3,287,333)	(253,131)
actuarial gain	10/1/2014	29	(779,147)	(59,309)
assum. change	10/1/2014	29	3,235,284	246,271
benefit change	10/1/2014	29	(779,228)	(59,315)
actuarial gain	10/1/2015	20	<u>(2,041,428)</u>	<u>(180,090)</u>
			19,038,335	1,695,957

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2014	\$19,850,743
(2) Expected UAAL as of October 1, 2015	21,079,763
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(377,014)
Salary Increases	(226,364)
Active Decrements	(1,441,438)
Inactive Mortality	128,436
Other	<u>(125,048)</u>
Increase in UAAL due to (Gain)/Loss	(2,041,428)
Assumption Changes	<u>0</u>
(4) Actual UAAL as of October 1, 2015	\$19,038,335

## ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rate</u>	RP2000 Combined Healthy without projection, sex distinct. Disabled lives are set forward five years. Based on other studies of municipal firefighters, we feel this assumption sufficiently accommodates expected future mortality improvements.
<u>Interest Rate</u>	7.00% per year compounded annually, net of investment-related expenses. This was required by the reviewing actuary at the Division of Retirement in conjunction with the plan closure. Additionally, this is supported by the target asset allocation of the trust and the expected long-term return by asset class.
<u>Retirement Age</u>	Earlier of age 55 and 10 years of service or 25 years of service, regardless of age. Also, any Member who reaches Normal Retirement is assumed to continue employment for one additional year. We feel this assumption is reasonable based upon the plan provisions.
<u>Early Retirement</u>	Commencing with eligibility for Early Retirement Age (Earlier of age 50 with 10 years of service or 20 years of service, regardless of age), Members are assumed to retire with an immediate subsidized benefit at the rate of 15% per year. There is no Early Retirement assumption for Members with less than 10 years of Credited Service as of October 1, 2014. This assumption was approved by the Board in conjunction with an actuarial experience study dated May 3, 2010.
<u>Disability Rate</u>	D1205. See sample rates on following page. It is assumed that 75% of disablements and active deaths that occur are service related. This assumption was developed from those used by other plans containing Florida municipal firefighters.
<u>Termination Rate</u>	W1304. See sample rates on following page. This assumption was developed from those used by other plans containing Florida municipal firefighters.
<u>Administrative Expenses</u>	\$67,814 per year, based on the prior year's actual expenses.
<u>Payroll Growth</u>	None.
<u>Cost-of-Living Adjustment</u>	3% per year from retirement to age 65. Benefits based on Credited Service after September 30, 2014 are not subject to the COLA.
<u>Asset Valuation Method</u>	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

Funding Method

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

Interest – A half year, based on the current 7.0% assumption.

Salary – A full year, based on the current 6.3% assumption.

Salary Increases

<u>Years of Service</u>	<u>% Increase in Salary</u>
Less than 10	10.0%
10-15	6.5
15-20	5.5
20 and greater	5.0

The assumed rates of salary increases were approved by the Board in conjunction with an actuarial experience study dated May 3, 2010.

Additionally, projected salary at retirement is increased based on individual accruals in order to account for lump sum accrued sick and vacation leave payouts.

Turnover and Disability Rates

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	12.4%	0.14%
30	11.1	0.18
40	6.8	0.30
50	2.2	1.00

## VALUATION NOTES

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

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

Normal (Current Year's) Cost is determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.

Individual Entry Age Normal Actuarial Cost Method (Level Percent of Compensation) is the method used to determine required contributions under the Plan. The use of this method involves the systematic funding of the Normal Cost (described above) and the Unfunded Accrued (Past Service) Liability. The actuarial accrued liability for active participants is the difference between the present value of future benefits and the present value of future Normal Costs. The actuarial accrued liability for inactive participants is the present value of future benefits.

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

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

PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1992	66,683.00	_____%
1993	67,186.00	0.8%
1994	81,096.00	20.7%
1995	72,373.00	-10.8%
1996	76,965.26	6.3%
1997	85,816.26	11.5%
1998	143,012.28	66.6%
1999	125,041.12	-12.6%
2000	177,255.46	41.8%
2001	176,495.28	-0.4%
2002	194,519.07	10.2%
2003	166,236.19	-14.5%
2004	180,446.49	8.5%
2005	192,363.23	6.6%
2006	239,238.99	24.4%
2007	355,709.22	48.7%
2008	391,694.05	10.1%
2009	233,461.64	-40.4%
2010	262,094.82	12.3%
2011	251,217.11	-4.2%
2012	272,498.46	8.5%
2013	270,222.11	-0.8%
2014	304,801.85	12.8%
2015	272,353.29	-10.6%

EXCESS STATE MONIES RESERVE

Firefighters' Distribution

	Regular Distribution			Special Distribution		
	<u>Actual State Contribution</u>	<u>Applicable "Frozen" Amount</u>	<u>Excess State Monies Reserve</u>	<u>Actual State Contribution</u>	<u>Applicable "Frozen" Amount</u>	<u>Excess State Monies Reserve</u>
1998	\$86,391.48	*	*	\$38,724.52	*	*
1999	\$86,316.80	*	*	\$41,989.66	*	*
2000	135,265.80	*	*	77,180.94	*	*
2001	99,314.14	*	*	33,696.73	*	*
2002	112,368.90	*	*	48,453.44	*	*
2003	114,616.26	*	*	51,619.93	*	*
2004	121,493.22	*	*	58,953.27	*	*
2005	126,006.48	*	*	66,356.75	*	*
2006	158,450.40	*	*	80,788.59	*	*
2007	192,101.23	192,101.23	0.00	163,607.99	103,839.77	59,768.22
2008	219,446.87	219,446.87	0.00	172,247.18	76,494.13	95,753.05
2009	177,169.38	177,169.38	0.00	56,292.26	118,771.62	0.00
2010	203,986.50	203,986.50	0.00	58,108.32	91,954.50	0.00
2011	197,656.20	197,656.20	0.00	53,560.91	98,284.80	0.00
2012	182,513.76	182,513.76	0.00	89,984.70	113,427.24	0.00
2013	175,358.35	175,358.35	0.00	94,863.76	120,582.65	0.00
2014	196,261.87	196,261.87	0.00	108,539.98	99,679.13	8,860.85
2015	189,697.45	189,697.45	<u>0.00</u>	82,655.84	106,243.55	<u>0.00</u>
			0.00			164,382.12
Accumulated Regular Excess			0.00			
Accumulated Special Excess			<u>164,382.12</u>			
Total Excess State Monies			164,382.12			
Less amount available to the City as a prepaid contribution for Fiscal 2015			(155,521.27)			
Equals Current Excess State Monies			8,860.85			

\* The actual State Monies never exceeded the "Frozen" amount until 2007.

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2015

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	412,228.13	412,228.13
Total Cash and Equivalents	412,228.13	412,228.13
Receivables:		
Member Contributions in Transit	4,122.01	4,122.01
City Contributions in Transit	38,305.24	38,305.24
State Contributions	272,353.29	272,353.29
Investment Income	28,188.41	28,188.41
Total Receivable	342,968.95	342,968.95
Investments:		
U. S. Bonds and Bills	3,038,277.61	3,104,741.55
Federal Agency Guaranteed Securities	1,088,017.40	1,079,407.24
Corporate Bonds	304,755.75	306,720.35
Stocks	5,272,102.28	5,560,831.33
Mutual Funds:		
Fixed Income	977,527.61	836,465.17
Equity	4,689,085.33	4,298,441.54
Pooled/Common/Commingled Funds:		
Real Estate	2,086,861.50	2,079,883.66
Total Investments	17,456,627.48	17,266,490.84
Total Assets	18,211,824.56	18,021,687.92
 <u>LIABILITIES</u>		
Prepaid City Contribution	297,806.16	297,806.16
Total Liabilities	297,806.16	297,806.16
NET POSITION RESTRICTED FOR PENSIONS	17,914,018.40	17,723,881.76

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

ADDITIONS

Contributions:

Member	116,522.57
City	756,196.77
State	272,353.29

Total Contributions 1,145,072.63

Investment Income:

Net Realized Gain (Loss)	1,305,717.06
Unrealized Gain (Loss)	(1,702,260.61)
Net Increase in Fair Value of Investments	(396,543.55)
Interest & Dividends	504,411.22
Less Investment Expense <sup>1</sup>	(98,506.40)

Net Investment Income 9,361.27

Total Additions 1,154,433.90

DEDUCTIONS

Distributions to Members:

Benefit Payments	1,991,123.48
Refunds of Member Contributions	0.00

Total Distributions 1,991,123.48

Administrative Expense 67,814.26

Total Deductions 2,058,937.74

Net Increase in Net Position (904,503.84)

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 18,628,385.60

End of the Year 17,723,881.76

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

ACTUARIAL ASSET VALUATION  
SEPTEMBER 30, 2015

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

Details of the derivation are set forth as follows:

Plan Year End	Rate of Return*	
09/30/2012	15.38%	
09/30/2013	11.54%	
09/30/2014	10.38%	
09/30/2015	0.05%	
Annualized Rate of Return for prior four (4) years:		9.19%
(A) 10/01/2014 Actuarial Assets:		\$17,708,023.72
(I) Net Investment Income:		
1. Interest and Dividends	504,411.22	
2. Realized Gains (Losses)	1,305,717.06	
3. Change in Actuarial Value	(127,031.69)	
4. Investment Related Expenses	(98,506.40)	
Total		1,584,590.19
(B) 10/01/2015 Actuarial Assets:		\$18,378,748.80
Actuarial Asset Rate of Return = 2I/(A+B-I):		9.19%
10/01/2015 Limited Actuarial Assets:		\$18,378,748.80
10/01/2015 Market Value of Assets:		\$17,723,881.76
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		\$377,013.81

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

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

REVENUES

Contributions:		
Member	116,522.57	
City	756,196.77	
State	272,353.29	
 Total Contributions		 1,145,072.63
Earnings from Investments:		
Interest & Dividends	504,411.22	
Net Realized Gain (Loss)	1,305,717.06	
Change in Actuarial Value	(127,031.69)	
 Total Earnings and Investment Gains		 1,683,096.59

EXPENDITURES

Distributions to Members:		
Benefit Payments	1,991,123.48	
Refunds of Member Contributions	0.00	
 Total Distributions		 1,991,123.48
Expenses:		
Investment Related <sup>1</sup>	98,506.40	
Administrative	67,814.26	
 Total Expenses		 166,320.66
 Change in Net Assets for the Year		 670,725.08
 Net Assets Beginning of the Year		 17,708,023.72
 Net Assets End of the Year <sup>2</sup>		 18,378,748.80

<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.

RECONCILIATION OF CITY'S SHORTFALL/(PREPAID) CONTRIBUTION  
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2015

(1) Required City and State Contributions	1,184,071.33
(2) Less Allowable State Contribution	<u>(272,353.29)</u>
(3) Equals Required City Contribution for Fiscal 2015	911,718.04
(4) Less 2014 Prepaid Contribution (from Excess State Monies Reserve)	(155,521.27)
(5) Less Actual City Contributions	<u>(1,054,002.93)</u>
(6) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2015	(\$297,806.16)

## STATISTICAL DATA

	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>	<u>10/1/2015</u>
<u>Actives</u>				
Number	37	37	40	22
Average Current Age	38.0	39.0	39.2	42.0
Average Age at Employment	27.0	27.5	28.1	27.9
Average Past Service	11.0	11.5	11.1	14.1
Average Annual Salary	\$71,982	\$78,038	\$68,580	\$75,827
<u>Service Retirees</u>				
Number	29	29	30	30
Average Current Age	N/A	N/A	61.2	62.2
Average Annual Benefit	\$55,851	\$57,223	\$58,444	\$59,903
<u>Beneficiaries</u>				
Number	9	9	9	9
Average Current Age	N/A	N/A	70.8	71.8
Average Annual Benefit	\$17,908	\$17,908	\$17,908	\$17,908
<u>Disability Retirees</u>				
Number	5	5	4	4
Average Current Age	N/A	N/A	53.8	54.8
Average Annual Benefit	\$18,505	\$18,289	\$18,913	\$18,913

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	0	0	0	0	0	0	0
35 - 39	0	0	0	0	0	0	3	1	0	0	0	4
40 - 44	0	0	0	0	0	0	5	5	0	0	0	10
45 - 49	0	0	0	0	0	0	2	2	0	0	0	4
50 - 54	0	0	0	0	0	0	1	1	0	0	0	2
55 - 59	0	0	0	0	0	0	0	0	0	0	0	0
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	0	0	0	0	0	2	11	9	0	0	0	22

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2014	40
b. Terminations	
i. Vested (partial or full) with deferred benefits	(18)
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	<u>0</u>
f. Continuing participants	22
g. New entrants	<u>0</u>
h. Total active life participants in valuation	22

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

	Service Retirees, Vested Receiving <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested <u>Deferred</u>	<u>Total</u>
a. Number prior valuation	30	9	4	0	43
Retired	0	0	0	0	0
Vested Deferred	0	0	0	18	18
Death, With Survivor	0	0	0	0	0
Death, No Survivor	0	0	0	0	0
Disabled	0	0	0	0	0
Refund of Contributions	0	0	0	0	0
Rehires	0	0	0	0	0
Expired Annuities	0	0	0	0	0
Data Corrections	0	0	0	0	0
b. Number current valuation	30	9	4	18	61

SUMMARY OF PLAN PROVISIONS  
(Ordinance 2015-23)

<u>Original Effective Date</u>	October 1, 1961
<u>Latest Amendment</u>	December 8, 2015
<u>Eligibility</u>	Full-time employment with the City as a Firefighter. The Plan is closed to Firefighters hired after September 30, 2014.
<u>Credited Service</u>	Total number of years and fractional parts of years of service with the City as a Firefighter.
<u>Average Final Compensation</u>	Average W-2 Salary (plus tax deferred and tax sheltered income) during the 5 highest years of the last 10 for Members eligible for Normal Retirement as of October 1, 2014. Salary for all other Members shall be base pay applicable for service after October 1, 2014. Notwithstanding the foregoing, effective October 1, 2014, sick or vacation time which is accrued, but for which a member has not been paid prior to October 1, 2014, shall not be considered in determining the value of any future retirement benefit, including the calculation of any frozen benefit.
<u>Normal Retirement</u>	
Eligibility	Earlier of age 55 and 10 years of Credited Service, or 25 years of Credited Service.
Benefit Amount	3.50% of Average Final Compensation times Years of Credited Service, plus \$175 per month, for Members eligible for Normal Retirement as of October 1, 2014. The benefit accrual rate is 2.75% for Credited Service on and after October 1, 2014 for Members not eligible for Normal Retirement as of that date.
Form of Benefit	10 Years Certain and Life thereafter. Optional forms are available.
<u>Early Retirement</u>	
Eligibility	Earlier of age 50 and 10 years of Credited Service, or the completion of 20 years of Credited Service regardless of age for Members with 10 or more years of Credited Service as of October 1, 2014. Early Retirement is not available for Members with less than 10 years of Credited Service as of that date.
Benefit	Deferred benefit payable at Normal Retirement Date or reduced 2% per year and payable immediately.

Disability

Eligibility	Total and Permanent as determined by the Board. Members are covered from date of employment for service-incurred disabilities and after five (5) years of service for non-service disabilities.
Benefit Amount	Greater of 2% times Average Final Compensation times Credited Service, or 50% of Average Final Compensation. Benefits are payable as a 100% Joint and Survivor Annuity to spouse or children. Optional forms are available.

Pre-Retirement Death

Eligibility	Coverage in effect from date of employment for service incurred deaths and after five (5) years of service for non-service incurred.
Benefit	50% of Average Final Compensation paid to spouse until death, if service incurred, or until death or remarriage, if non-service incurred.
Minimum Benefit for Vested Members	Accrued benefit, less any spouse or surviving children benefits payable.

Cost of Living Adjustment

Normal and Early service retirees who retire after October 1, 1998 receive a 3.0% increase each year after retirement through age 65. For Members not eligible for Normal Retirement as of October 1, 2014, no cost-of-living adjustments are applicable to benefits based on Credited Service after that date.

Vesting (Termination)

Less than 10 years of Contributing Service	Refund of Member Contributions.
10 years or more	Accrued benefit payable at Early Retirement Age or later if Member contributions left in Fund; otherwise, Refund of Member Contributions. Additionally, members are 100% vested for benefits accrued prior to October 1, 2014, regardless of accrued service as of that date.

Contributions

Employee	7.00% of Salary.
State	Premium tax refund.
City	Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability as provided in Part VII of <u>Florida Statutes</u> Chapter 112.

Board of Trustees

Two City Council appointees who are City residents, two elected Members of the Fire Department, and a fifth Member elected by the other four and appointed by Council (as a ministerial duty).

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2015

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	412,228
Total Cash and Equivalents	412,228
Receivables:	
Member Contributions in Transit	4,122
City Contributions in Transit	38,305
State Contributions	272,353
Investment Income	28,189
Total Receivable	342,969
Investments:	
U. S. Bonds and Bills	3,104,742
Federal Agency Guaranteed Securities	1,079,407
Corporate Bonds	306,720
Stocks	5,560,831
Mutual Funds:	
Fixed Income	836,465
Equity	4,298,442
Pooled/Common/Commingled Funds:	
Real Estate	2,079,884
Total Investments	17,266,491
Total Assets	18,021,688
 <u>LIABILITIES</u>	
Payables:	
Unearned Revenue	297,806
Total Liabilities	297,806
NET POSITION RESTRICTED FOR PENSIONS	17,723,882

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

ADDITIONS

## Contributions:

Member	116,523	
City	756,197	
State	272,353	
 Total Contributions		 1,145,073
 Investment Income:		
Net Increase in Fair Value of Investments	(396,545)	
Interest & Dividends	504,411	
Less Investment Expense <sup>1</sup>	(98,506)	
 Net Investment Income		 9,360
 Total Additions		 1,154,433

DEDUCTIONS

## Distributions to Members:

Benefit Payments	1,991,123	
Refunds of Member Contributions	0	
 Total Distributions		 1,991,123
 Administrative Expense		 67,814
 Total Deductions		 2,058,937
 Net Increase in Net Position		 (904,504)
 NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		18,628,386
 End of the Year		 17,723,882

<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, 2015)

Plan Description

*Plan Administration*

The Plan is a single employer defined benefit pension plan administered by a Board of Trustees comprised of: Two City Council appointees who are City residents, two elected Members of the Fire Department, and a fifth Member elected by the other four and appointed by Council (as a ministerial duty).

Eligible are full-time employment with the City as a Firefighter. The Plan is closed to Firefighters hired after September 30, 2014.

*Plan Membership as of October 1, 2014:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	43
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	40
	83

*Benefits Provided*

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

Normal Retirement:

Eligibility: Earlier of age 55 and 10 years of Credited Service, or 25 years of Credited Service.

Benefit Amount: 3.50% of Average Final Compensation times Years of Credited Service, plus \$175 per month for Members eligible for Normal Retirement as of October 1, 2014. The benefit accrual rate is 2.75% for Credited Service on and after October 1, 2014 for Members not eligible for Normal Retirement as of that date.

Early Retirement:

Eligibility: Earlier of age 50 and 10 years of Credited Service, or the completion of 20 years of Credited Service regardless of age for Members with 10 or more years of Credited Service as of October 1, 2014. Early Retirement is not available for Members with less than 10 years of Credited Service as of that date.

Benefit: Deferred benefit payable at Normal Retirement Date or reduced 2% per year and payable immediately.

Disability:

Eligibility: Total and Permanent as determined by the Board. Members are covered from date of employment for service-incurred disabilities and after five years of service for non-service disabilities.

Benefit Amount: Greater of 2% times Average Final Compensation times Credited Service, or 50% of Average Final Compensation. Benefits are payable as a 100% Joint and Survivor Annuity to spouse or children. Optional forms are available.

Pre-Retirement Death:

Eligibility: Coverage in effect from date of employment for service incurred deaths and after five years of service for non-service incurred.

Benefit: 50% of Average Final Compensation paid to spouse until death, if service incurred, or until death or remarriage, if non-service incurred.

Minimum Benefit for Vested Members: Accrued benefit, less any spouse or surviving children benefits payable.

Cost-of-Living Adjustment:

Normal and Early service retirees who retire after October 1, 1998 receive a 3.0% increase each year after retirement through age 65. For Members not eligible for Normal Retirement as of October 1, 2014, no cost-of-living adjustments are applicable to benefits based on Credited Service after that date.

Vesting (Termination):

Less than 10 years of Contributing Service: Refund of Member Contributions.

10 years or more: Accrued benefit payable at Early Retirement Age or later if Member contributions left in Fund; otherwise, Refund of Member Contributions. Additionally, members are 100% vested for benefits accrued prior to October 1, 2014, regardless of accrued service as of that date.

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### *Contributions*

Employee: 7.00% of Salary.

State: Premium tax refund.

City: Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability, as provided in Part VII of Florida Statutes Chapter 112.

### *Investments*

#### *Investment Policy:*

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

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	45%
International Equity	15%
Broad Market Fixed Income	25%
Global Fixed income	5%
Real Estate	10%
<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, 2015, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 0.05 percent.

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

NET PENSION LIABILITY OF THE SPONSOR

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

Total Pension Liability	\$ 38,553,253
Plan Fiduciary Net Position	\$ (17,723,882)
Sponsor's Net Pension Liability	<u>\$ 20,829,371</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	<u>45.97%</u>

*Actuarial Assumptions:*

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

Inflation	3.00%
Salary Increases	Service Based
Discount Rate	7.00%
Investment Rate of Return	7.00%

Mortality Rate: RP2000 Combined Healthy without projection, sex distinct. Disabled lives are set forward five years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

The actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period 2000-2006.

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

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

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

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.50%
International Equity	8.50%
Broad Market Fixed Income	2.50%
Global Fixed income	3.50%
Real Estate	4.50%

**Discount Rate:**

The Discount Rate used to measure the Total Pension Liability was 7.00 percent.

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

	1% Decrease	Current Discount Rate	1% Increase
	<u>6.00%</u>	<u>7.00%</u>	<u>8.00%</u>
Sponsor's Net Pension Liability	\$ 25,349,535	\$ 20,829,371	\$ 17,030,488

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

	09/30/2015	09/30/2014	09/30/2013
Total Pension Liability			
Service Cost	1,139,410	672,304	623,948
Interest	2,653,780	2,581,984	2,487,336
Change in Excess State Money	-	8,861	-
Changes of benefit terms	(797,774)	-	-
Differences between Expected and Actual Experience	(473,564)	-	-
Changes of assumptions	2,961,891	-	-
Benefit Payments, including Refunds of Employee Contributions	(1,991,123)	(2,003,310)	(1,873,445)
Net Change in Total Pension Liability	3,492,620	1,259,839	1,237,840
Total Pension Liability - Beginning	35,060,633	33,800,794	32,562,954
Total Pension Liability - Ending (a)	<u>38,553,253</u>	<u>\$ 35,060,633</u>	<u>\$ 33,800,794</u>
Plan Fiduciary Net Position			
Contributions - Employer	756,197	1,674,244	1,451,786
Contributions - State	272,353	304,802	270,222
Contributions - Employee	116,523	269,968	269,835
Net Investment Income	9,360	1,727,970	1,723,100
Benefit Payments, including Refunds of Employee Contributions	(1,991,123)	(2,003,310)	(1,873,445)
Administrative Expense	(67,814)	(42,307)	(42,357)
Net Change in Plan Fiduciary Net Position	(904,504)	1,931,366	1,799,141
Plan Fiduciary Net Position - Beginning	18,628,386	16,697,020	14,897,879
Plan Fiduciary Net Position - Ending (b)	<u>\$ 17,723,882</u>	<u>\$ 18,628,386</u>	<u>\$ 16,697,020</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 20,829,371</u>	<u>\$ 16,432,247</u>	<u>\$ 17,103,774</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	45.97%	53.13%	49.40%
Covered Employee Payroll	\$ 1,710,697	\$ 2,768,905	\$ 2,767,537
Net Pension Liability as a percentage of Covered Employee Payroll	1217.60%	593.46%	618.01%

**Notes to Schedule:***Changes of benefit terms:*

For Fiscal year 2015, amounts reported as changes of benefit terms were resulted from Ordinance 2014-22, adopted and effective August 26, 2014, amended certain Plan provisions for current Firefighters, in addition to the closure of the Plan to Firefighters hired after September 30, 2014. Details of the impact of these changes are set forth in our August 18, 2014 Actuarial Impact Statement. Furthermore as outlined in our December 7, 2015 Actuarial Impact Statement below changes were included as well:

- 100% vesting for benefits accrued prior to October 1, 2014.
- A Salary definition using Base Pay, effective October 1, 2014 for Members not eligible for Normal Retirement as of that date. This definition is applicable only for service after October 1, 2014. Notwithstanding the foregoing, effective October 1, 2014, sick or vacation time which is accrued, but for which a member has not been paid prior to October 1, 2014, shall not be considered in determining the value of any future retirement benefit, including the calculation of any frozen benefit.

*Changes of assumptions:*

For fiscal year 2015, amounts reported as changes of assumptions were resulted from a reduction in the investment return assumption from 7.75% to 7.00%. Plus a change in funding method from percent of payroll to dollar funding.

The load assumption for the projected salary at retirement to account for lump sum accrued sick and vacation leave payouts was modified from a fixed 0% per individual to an amount equal to their individual accrual, as provided by the City. It is important to point out that the load assumption will be subject to further modification based on future experience. Subsequent changes will be reflected in future actuarial valuations.

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	1,184,071	1,960,108	1,692,902
Less Excess State monies available as a "prepaid"	(155,521)		
Contributions in relation to the Actuarially Determined Contributions	1,028,550	1,970,185	1,692,902
Contribution Deficiency (Excess)	\$ -	\$ (10,077)	\$ -
Covered Employee Payroll	\$ 1,710,697	\$ 2,768,905	\$ 2,767,537
Contributions as a percentage of Covered Employee Payroll	60.12%	71.15%	61.17%

Notes to Schedule

Valuation Date: 10/01/2013 (AIS 8/18/14 (B))  
 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.  
 Mortality: RP2000 Combined Healthy without projection, sex distinct. Disabled lives are set forward five years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.  
 Inflation: 3.0% per year.  
 Interest Rate: 7.75% per year compounded annually, net of investment related expenses.  
 Retirement Age: Earlier of age 55 and 10 years of service or 25 years of service, regardless of age. Also, any Member who reaches Normal Retirement is assumed to continue employment for Commencing with eligibility for Early Retirement Age (Earlier of age 50 with 10 years of service or 20 years of service, regardless of age), Members are assumed to retire with an immediate subsidized benefit at the rate of 15% per year.  
 Early Retirement:  
 Disability Rates: D1205. See sample rates on following page. It is assumed that 75% of disablements and active deaths that occur are service related.  
 Termination Rates: W1304. See sample rates on following page.  
 Salary Increases: Service based as shown below. Projected salary at retirement is increased 20% to account for nonregular compensation.  
 Payroll Growth: 3% per year.  
 Cost-of-Living Adjustment: 3% per year from retirement to age 65.  
 Asset Valuation Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

Salary Increases:	Years of Service	% Increase in Salary
	Less than 10	10.00%
	10-15	6.50%
	15-20	5.50%
	20 and greater	5.00%

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### Turnover and Disability Rates:

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	12.40%	0.14%
30	11.10%	0.18%
40	6.80%	0.30%
50	2.20%	1.00%

SCHEDULE OF INVESTMENT RETURNS  
Last 10 Fiscal Years

	<u>09/30/2015</u>	<u>09/30/2014</u>	<u>09/30/2013</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	0.05%	10.38%	11.54%

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 a Board of Trustees comprised of: Two City Council appointees who are City residents, two elected Members of the Fire Department, and a fifth Member elected by the other four and appointed by Council (as a ministerial duty).

Eligible are full-time employment with the City as a Firefighter. The Plan is closed to Firefighters hired after September 30, 2014.

*Plan Membership as of October 1, 2014:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	43
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	40
	<hr style="border-top: 1px solid black;"/>
	83
	<hr style="border-top: 3px double black;"/>

*Benefits Provided*

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

Normal Retirement:

Eligibility: Earlier of age 55 and 10 years of Credited Service, or 25 years of Credited Service.

Benefit Amount: 3.50% of Average Final Compensation times Years of Credited Service, plus \$175 per month for Members eligible for Normal Retirement as of October 1, 2014. The benefit accrual rate is 2.75% for Credited Service on and after October 1, 2014 for Members not eligible for Normal Retirement as of that date.

Early Retirement:

Eligibility: Earlier of age 50 and 10 years of Credited Service, or the completion of 20 years of Credited Service regardless of age for Members with 10 or more years of Credited Service as of October 1, 2014. Early Retirement is not available for Members with less than 10 years of Credited Service as of that date.

Benefit: Deferred benefit payable at Normal Retirement Date or reduced 2% per year and payable immediately.

Disability:

Eligibility: Total and Permanent as determined by the Board. Members are covered from date of employment for service-incurred disabilities and after five years of service for non-service disabilities.

Benefit Amount: Greater of 2% times Average Final Compensation times Credited Service, or 50% of Average Final Compensation. Benefits are payable as a 100% Joint and Survivor Annuity to spouse or children. Optional forms are available.

Pre-Retirement Death:

Eligibility: Coverage in effect from date of employment for service incurred deaths and after five years of service for non-service incurred.

Benefit: 50% of Average Final Compensation paid to spouse until death, if service incurred, or until death or remarriage, if non-service incurred.

Minimum Benefit for Vested Members: Accrued benefit, less any spouse or surviving children benefits payable.

Cost-of-Living Adjustment:

Normal and Early service retirees who retire after October 1, 1998 receive a 3.0% increase each year after retirement through age 65. For Members not eligible for Normal Retirement as of October 1, 2014, no cost-of-living adjustments are applicable to benefits based on Credited Service after that date.

Vesting (Termination):

Less than 10 years of Contributing Service: Refund of Member Contributions.

10 years or more: Accrued benefit payable at Early Retirement Age or later if Member contributions left in Fund; otherwise, Refund of Member Contributions. Additionally, members are 100% vested for benefits accrued prior to October 1, 2014, regardless of accrued service as of that date.

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### *Contributions*

Employee: 7.00% of Salary.

State: Premium tax refund.

City: Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability, as provided in Part VII of Florida Statutes Chapter 112.

Net Pension Liability

The measurement date is September 30, 2015.

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

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

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

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

*Actuarial Assumptions:*

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

Inflation	3.00%
Salary Increases	Service Based
Discount Rate	7.00%
Investment Rate of Return	7.00%

Mortality Rate: RP2000 Combined Healthy without projection, sex distinct. Disabled lives are set forward five years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

The actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period 2000-2006.

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

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	45%	7.50%
International Equity	15%	8.50%
Broad Market Fixed Income	25%	2.50%
Global Fixed income	5%	3.50%
Real Estate	10%	4.50%
Total	100%	

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.00 percent.

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

CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2014	\$ 35,060,633	\$ 18,628,386	\$ 16,432,247
Changes for a Year:			
Service Cost	1,139,410	-	1,139,410
Interest	2,653,780	-	2,653,780
Differences between Expected and Actual Experience	(473,564)	-	(473,564)
Changes of assumptions	2,961,891	-	2,961,891
Changes of benefit terms	(797,774)	-	(797,774)
Contributions - Employer	-	756,197	(756,197)
Contributions - State	-	272,353	(272,353)
Contributions - Employee	-	116,523	(116,523)
Net Investment Income	-	9,360	(9,360)
Benefit Payments, including Refunds of Employee Contributions	(1,991,123)	(1,991,123)	-
Administrative Expense	-	(67,814)	67,814
Net Changes	3,492,620	(904,504)	4,397,124
Balances at September 30, 2015	\$ 38,553,253	\$ 17,723,882	\$ 20,829,371

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.00%	7.00%	8.00%
Sponsor's Net Pension Liability	\$ 25,349,535	\$ 20,829,371	\$ 17,030,488

*Pension Plan Fiduciary Net Position.*

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

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

For the year ended September 30, 2016, the Sponsor will recognize a Pension Expense of \$2,082,718.

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	-	355,173
Changes of assumptions	2,221,419	-
Net difference between Projected and Actual Earnings on Pension Plan investments	863,501	-
Employer contributions subsequent to the measurement date	2,364,000	-
<b>Total</b>	<b>\$ 5,448,920</b>	<b>\$ 355,173</b>

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

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

Year ended September 30:		
2017	\$	816,653
2018	\$	816,654
2019	\$	816,654
2020	\$	279,786
2021	\$	-
Thereafter	\$	-

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

	09/30/2015	09/30/2014	09/30/2013
Total Pension Liability			
Service Cost	1,139,410	672,304	623,948
Interest	2,653,780	2,581,984	2,487,336
Change in Excess State Money	-	8,861	-
Changes of benefit terms	(797,774)	-	-
Differences between Expected and Actual Experience	(473,564)	-	-
Changes of assumptions	2,961,891	-	-
Benefit Payments, including Refunds of Employee Contributions	(1,991,123)	(2,003,310)	(1,873,445)
Net Change in Total Pension Liability	3,492,620	1,259,839	1,237,840
Total Pension Liability - Beginning	35,060,633	33,800,794	32,562,954
Total Pension Liability - Ending (a)	<u>\$ 38,553,253</u>	<u>\$ 35,060,633</u>	<u>\$ 33,800,794</u>
Plan Fiduciary Net Position			
Contributions - Employer	756,197	1,674,244	1,451,786
Contributions - State	272,353	304,802	270,222
Contributions - Employee	116,523	269,968	269,835
Net Investment Income	9,360	1,727,970	1,723,100
Benefit Payments, including Refunds of Employee Contributions	(1,991,123)	(2,003,310)	(1,873,445)
Administrative Expense	(67,814)	(42,307)	(42,357)
Net Change in Plan Fiduciary Net Position	(904,504)	1,931,366	1,799,141
Plan Fiduciary Net Position - Beginning	18,628,386	16,697,020	14,897,879
Plan Fiduciary Net Position - Ending (b)	<u>\$ 17,723,882</u>	<u>\$ 18,628,386</u>	<u>\$ 16,697,020</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 20,829,371</u>	<u>\$ 16,432,247</u>	<u>\$ 17,103,774</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	45.97%	53.13%	49.40%
Covered Employee Payroll	\$ 1,710,697	\$ 2,768,905	\$ 2,767,537
Net Pension Liability as a percentage of Covered Employee Payroll	1217.60%	593.46%	618.01%

**Notes to Schedule:**

*Changes of benefit terms:*

For Fiscal year 2015, amounts reported as changes of benefit terms were resulted from Ordinance 2014-22, adopted and effective August 26, 2014, amended certain Plan provisions for current Firefighters, in addition to the closure of the Plan to Firefighters hired after September 30, 2014. Details of the impact of these changes are set forth in our August 18, 2014 Actuarial Impact Statement. Furthermore as outlined in our December 7, 2015 Actuarial Impact Statement below changes were included as well:

- 100% vesting for benefits accrued prior to October 1, 2014.
- A Salary definition using Base Pay, effective October 1, 2014 for Members not eligible for Normal Retirement as of that date. This definition is applicable only for service after October 1, 2014. Notwithstanding the foregoing, effective October 1, 2014, sick or vacation time which is accrued, but for which a member has not been paid prior to October 1, 2014, shall not be considered in determining the value of any future retirement benefit, including the calculation of any frozen benefit.

*Changes of assumptions:*

For fiscal year 2015, amounts reported as changes of assumptions were resulted from a reduction in the investment return assumption from 7.75% to 7.00%. Plus a change in funding method from percent of payroll to dollar funding. The load assumption for the projected salary at retirement to account for lump sum accrued sick and vacation leave payouts was modified from a fixed 0% per individual to an amount equal to their individual accrual, as provided by the City. It is important to point out that the load assumption will be subject to further modification based on future experience. Subsequent changes will be reflected in future actuarial valuations.

**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years

	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	1,184,071	1,960,108	1,692,902
Less Excess State monies available as a "prepaid"	(155,521)		
Contributions in relation to the Actuarially Determined Contributions	1,028,550	1,970,185	1,692,902
Contribution Deficiency (Excess)	\$ -	\$ (10,077)	\$ -
Covered Employee Payroll	\$ 1,710,697	\$ 2,768,905	\$ 2,767,537
Contributions as a percentage of Covered Employee Payroll	60.12%	71.15%	61.17%

Notes to Schedule

Valuation Date: 10/01/2013 (AIS 8/18/14 (B))  
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.  
Mortality: RP2000 Combined Healthy without projection, sex distinct. Disabled lives are set forward five years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.  
Inflation: 3.0% per year.  
Interest Rate: 7.75% per year compounded annually, net of investment related expenses.  
Retirement Age: Earlier of age 55 and 10 years of service or 25 years of service, regardless of age. Also, any Member who reaches Normal Retirement is assumed to continue employment for one additional year.  
Early Retirement: Commencing with eligibility for Early Retirement Age (Earlier of age 50 with 10 years of service or 20 years of service, regardless of age), Members are assumed to retire with an immediate subsidized benefit at the rate of 15% per year.  
Disability Rates: D1205. See sample rates on following page. It is assumed that 75% of disablements and active deaths that occur are service related.  
Termination Rates: W1304. See sample rates on following page.  
Salary Increases: Service based as shown below. Projected salary at retirement is increased 20% to account for nonregular compensation.  
Payroll Growth: 3% per year.  
Cost-of-Living Adjustment: 3% per year from retirement to age 65.  
Asset Valuation Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

Salary Increases:	Years of Service	% Increase in Salary
	Less than 10	10.00%
	10-15	6.50%
	15-20	5.50%
	20 and greater	5.00%

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Turnover and Disability Rates:

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	12.40%	0.14%
30	11.10%	0.18%
40	6.80%	0.30%
50	2.20%	1.00%

FINAL COMPONENTS OF PENSION EXPENSE  
FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 17,103,774	\$ -	\$ 1,674,244	\$ -
Employer Contributions made after September 30, 2014	-	-	756,197	-
Total Pension Liability Factors:				
Service Cost	672,304	-	-	672,304
Interest	2,581,984	-	-	2,581,984
Change in Excess State Money	8,861	-	-	8,861
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	-	-	-	-
Current year amortization of experience difference	-	-	-	-
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(2,003,310)	-	-	(2,003,310)
Net change	<u>1,259,839</u>	<u>-</u>	<u>756,197</u>	<u>1,259,839</u>
Plan Fiduciary Net Position:				
Contributions - Employer	1,674,244	-	(1,674,244)	-
Contributions - State	304,802	-	-	(304,802)
Contributions - Employee	269,968	-	-	(269,968)
Net Investment Income	1,301,901	-	-	(1,301,901)
Difference between projected and actual earnings on	426,069	426,069	-	-
Current year amortization	-	(85,214)	-	(85,214)
Benefit Payments	(2,003,310)	-	-	2,003,310
Administrative Expenses	(42,307)	-	-	42,307
Net change	<u>1,931,366</u>	<u>340,855</u>	<u>(1,674,244)</u>	<u>83,733</u>
Ending Balance	<u><u>\$ 16,432,247</u></u>	<u><u>\$ 340,855</u></u>	<u><u>\$ 756,197</u></u>	<u><u>\$ 1,343,572</u></u>

PRELIMINARY FINAL COMPONENTS OF PENSION EXPENSE  
FISCAL YEAR SEPTEMBER 30, 2016

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 16,432,247	\$ 340,855	\$ 756,197	\$ -
Employer Contributions made after September 30, 2014	-	-	2,364,000	-
Total Pension Liability Factors:				
Service Cost	1,139,410	-	-	1,139,410
Interest	2,653,780	-	-	2,653,780
Change in Excess State Money	-	-	-	-
Changes in benefit terms	(797,774)	-	-	(797,774)
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(473,564)	473,564	-	-
Current year amortization of experience difference	-	(118,391)	-	(118,391)
Change in assumptions about future economic or demographic factors or other inputs	2,961,891	-	2,961,891	-
Current year amortization of change in assumptions	-	-	(740,472)	740,472
Benefit Payments	(1,991,123)	-	-	(1,991,123)
Net change	<u>3,492,620</u>	<u>355,173</u>	<u>4,585,419</u>	<u>1,626,374</u>
Plan Fiduciary Net Position:				
Contributions - Employer	756,197	-	(756,197)	-
Contributions - State	272,353	-	-	(272,353)
Contributions - Employee	116,523	-	-	(116,523)
Net Investment Income	1,408,288	-	-	(1,408,288)
Difference between projected and actual earnings on	(1,398,928)	-	1,398,928	-
Current year amortization	-	(85,214)	(279,785)	194,571
Benefit Payments	(1,991,123)	-	-	1,991,123
Administrative Expenses	(67,814)	-	-	67,814
Net change	<u>(904,504)</u>	<u>(85,214)</u>	<u>362,946</u>	<u>456,344</u>
Ending Balance	<u>\$ 20,829,371</u>	<u>\$ 610,814</u>	<u>\$ 5,704,562</u>	<u>\$ 2,082,718</u>