

CITY OF EDGEWATER
GENERAL EMPLOYEES' RETIREMENT PLAN

ACTUARIAL VALUATION
AS OF OCTOBER 1, 2014

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

March 13, 2015

Board of Trustees
City of Edgewater
General Employees' Pension Board
P.O. Box 100
Edgewater, FL 32132-0100

Re: City of Edgewater
General Employees' Retirement Plan

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Edgewater General Employees' Retirement Plan. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year.

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

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the City of Edgewater and the Board of Trustees, financial reports prepared by the custodian bank, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The 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.

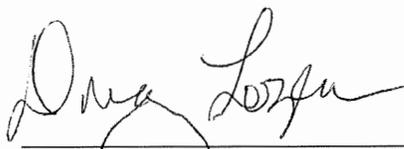
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Edgewater, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Edgewater General Employees' Retirement Plan. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

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

Respectfully submitted,

Foster & Foster, Inc.

By:



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 Edgewater General Employees' Retirement Plan, performed as of October 1, 2014, 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, 2016.

The contribution requirements, compared with those developed in the October 1, 2013 actuarial valuation, are as follows:

| | | |
|-----------------------------|------------------|------------------|
| Valuation Date | 10/1/2013 | 10/1/2014 |
| Applicable Plan Year End | <u>9/30/2015</u> | <u>9/30/2016</u> |
| Total Required Contribution | \$734,663 | \$667,550 |
| Member Contributions (Est.) | 14,841 | 9,725 |
| Balance from City * | \$719,822 | \$657,825 |

*The City has a prepaid contribution of \$6,426.29 available to offset the current year's required contribution.

Experience since the prior valuation has been more favorable than expected, relative to the Plan's actuarial assumptions. The principal sources of favorable experience were attributable to a 11.0% investment return (Actuarial Asset Basis), exceeding the 7.5% assumption and average increases in pensionable earnings that were less than expected. These gains were partially offset by no inactive mortality.

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

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 

Douglas H. Lozen, EA, MAAA

By: 

Christine M. O'Neal, ASA, EA, MAAA

Plan Changes Since Prior Valuation

There were no changes to the plan since the prior valuation.

Actuarial Assumption/Method Changes Since Prior Valuation

The mortality table was updated with projected improvements through 2014.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

| | <u>10/1/2014</u> | <u>10/1/2013</u> |
|--------------------------------|-------------------|-------------------|
| A. Participant Data | | |
| Number Included | | |
| Actives | 7 | 11 |
| Service Retirees | 78 | 75 |
| Beneficiaries | 4 | 3 |
| Terminated Vested | 30 | 29 |
| Disability Retirees | 1 | 1 |
| Total | <u>120</u> | <u>119</u> |
| Total Annual Payroll | \$360,510 | \$550,178 |
| Payroll Under Assumed Ret. Age | 360,510 | 550,178 |
| Annual Rate of Payments to: | | |
| Service Retirees | 1,225,131 | 1,163,712 |
| Beneficiaries | 50,993 | 36,191 |
| Terminated Vested | 158,559 | 140,003 |
| Disability Retirees | 5,168 | 5,168 |
| B. Assets | | |
| Actuarial Value | 11,730,897 | 11,095,862 |
| Market Value | 12,538,805 | 12,030,936 |
| C. Liabilities | | |
| Present Value of Benefits | | |
| Active Members | | |
| Retirement Benefits | 1,806,785 | 2,601,351 |
| Disability Benefits | 48,372 | 92,663 |
| Death Benefits | 4,168 | 7,660 |
| Vested Benefits | 0 | 0 |
| Refund of Contributions | 0 | 0 |
| Accumulated Leave | 36,136 | 52,027 |
| Service Retirees | 13,646,532 | 13,069,505 |
| Beneficiaries | 569,180 | 392,029 |
| Terminated Vested | 1,392,770 | 1,140,781 |
| Disability Retirees | 56,499 | 57,291 |
| Total | <u>17,560,442</u> | <u>17,413,307</u> |

| | <u>10/1/2014</u> | <u>10/1/2013</u> |
|---------------------------------------------------------------------------|-------------------|-------------------|
| C. Liabilities - (Continued) | | |
| Present Value of Future Salaries | 837,641 | 1,594,086 |
| Present Value of Future Member Cont. | 20,941 | 39,852 |
| Normal Cost | | |
| Retirement Benefits | 53,762 | 80,810 |
| Disability Benefits | 6,446 | 9,905 |
| Death Benefits | 353 | 535 |
| Vested Benefits | 0 | 0 |
| Refund of Contributions | 0 | 0 |
| Total | <u>60,561</u> | <u>91,250</u> |
| Present Value of Future Normal Costs | 174,207 | 312,198 |
| Actuarial Accrued Liability | | |
| Retirement Benefits | 1,684,457 | 2,373,312 |
| Disability Benefits | 33,459 | 62,260 |
| Death Benefits | 3,338 | 5,931 |
| Vested Benefits | 0 | 0 |
| Refund of Contributions | 0 | 0 |
| Inactives | 15,664,981 | 14,659,606 |
| Total | <u>17,386,235</u> | <u>17,101,109</u> |
| Unfunded Actuarial Accrued Liability (UAAL) | 5,655,338 | 6,005,247 |
| D. Actuarial Present Value of Accrued Benefits | | |
| Vested Accrued Benefits | | |
| Inactives | 15,664,981 | 14,659,606 |
| Actives | 1,475,670 | 2,071,322 |
| Member Contributions | 101,889 | 124,805 |
| Total | <u>17,242,540</u> | <u>16,855,733</u> |
| Non-vested Accrued Benefits | <u>38,030</u> | <u>55,904</u> |
| Total Present Value Accrued Benefits | 17,280,570 | 16,911,637 |
| Increase (Decrease) in Present Value of Accrued Benefits Attributable to: | | |
| Plan Amendments | 0 | |
| Assumption Changes | 0 | |
| New Accrued Benefits | 437,468 | |
| Benefits Paid | (1,288,586) | |
| Interest | 1,220,051 | |
| Other | 0 | |
| Total: | <u>368,933</u> | |

| Valuation Date Applicable Fiscal Year End | 10/1/2014 <u>9/30/2016</u> | 10/1/2013 <u>9/30/2015</u> |
|----------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| E. Pension Cost | | |
| Normal Cost* | 65,345 | 98,459 |
| Administrative Expense* | 45,644 | 51,673 |
| Payment Required to Amortize Unfunded Actuarial Accrued Liability over 18 years* | 556,561 | 584,531 |
| Total Required Contribution | 667,550 | 734,663 |
| Expected Member Contributions | 9,725 | 14,841 |
| Expected City Contribution | 657,825 | 719,822 |
| F. Past Contributions | | |
| Plan Years Ending: | <u>9/30/2014</u> | |
| Total Required Contribution | 779,357 | |
| City Requirement | 766,179 | |
| Actual Contributions Made: | | |
| Members | 13,178 | |
| City | 766,179 | |
| Total | <u>779,357</u> | |
| G. Net Actuarial Gain (Loss) | 134,456 | |

*Contributions include adjustments for assumed investment and salary increases.

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

| <u>Year</u> | <u>Projected Unfunded Accrued Liability</u> |
|-------------|-------------------------------------------------|
| 2014 | 5,655,338 |
| 2015 | 5,524,989 |
| 2016 | 5,384,865 |
| 2017 | 5,234,233 |
| 2018 | 5,072,302 |
| 2023 | 4,061,206 |
| 2028 | 2,141,956 |
| 2032 | 0 |

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

| | | <u>Actual</u> | <u>Assumed</u> |
|------------|-----------|---------------|----------------|
| Year Ended | 9/30/2014 | -2.6% | 4.0% |
| Year Ended | 9/30/2013 | 0.2% | 4.0% |
| Year Ended | 9/30/2012 | 1.2% | 5.5% |

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

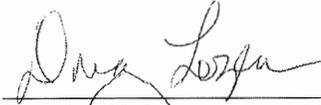
| | | <u>Actual</u> | <u>Assumed</u> |
|------------|-----------|---------------|----------------|
| Year Ended | 9/30/2014 | 11.0% | 7.5% |
| Year Ended | 9/30/2013 | 10.4% | 7.5% |
| Year Ended | 9/30/2012 | 5.3% | 7.5% |

(iii) Average Annual Payroll Growth

| | | |
|-------------------------|-----------|-----------|
| (a) Payroll as of: | 10/1/2014 | \$360,510 |
| | 10/1/2007 | 2,307,345 |
| (b) Total Increase | | -84.4% |
| (c) Number of Years | | 7.00 |
| (d) Average Annual Rate | | -23.3% |

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 a copy of the report to the following office to comply with Chapter 112 Florida Statutes:

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

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

| | |
|-------------------------------------------------------------------------------------|-------------|
| (1) Unfunded Actuarial Accrued Liability as of October 1, 2013 | \$6,005,247 |
| (2) City Normal Cost Applicable for the year* | 125,386 |
| (3) Interest on (1) and (2) | 458,002 |
| (4) Sponsor Contributions to the System during the year ending September 30, 2014 | 766,179 |
| (5) Interest on (4) | 32,662 |
| (6) Expected Unfunded Actuarial Accrued Liability as of October 1, 2014 | 5,789,794 |
| (7) Change to Unfunded Actuarial Accrued Liability due to Experience (Gain) or Loss | (134,456) |
| (8) Unfunded Accrued Liability as of October 1, 2014 (1)+(2)+(3)-(4)-(5)+(7) | 5,655,338 |

| | <u>Date Established</u> | <u>Years Remaining</u> | <u>10/1/2014 Amount</u> | <u>Amortization Amount</u> |
|-------------------|-----------------------------|----------------------------|-----------------------------|--------------------------------|
| Method Change | 10/1/2012 | 18 | 6,055,943 | 580,407 |
| Assumption Change | 10/1/2012 | 18 | 151,249 | 14,496 |
| Experience Gain | 10/1/2013 | 9 | (417,398) | (60,869) |
| Experience Gain | 10/1/2014 | 10 | (134,456) | (18,222) |

Total

5,655,338

515,812

*Includes \$47,890 for administrative expenses.

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate RP2000 Combined Healthy projected to the valuation year with schedule AA - Sex Distinct.

Interest Rate 7.5% per year compounded annually, net of investment related expenses.

Normal Retirement

| Age | Retirement Probability |
|--------------|------------------------|
| 55 | 50% |
| 56 | 0% |
| 57 | 0% |
| 58 | 0% |
| 59 | 0% |
| 60 and older | 100% |

In addition to the above table, 100% Retirement is assumed upon the completion of 25 years of Credited Service.

Disability Rate See table on following page.

Termination Rate None assumed.

Salary Increases 4% per year.

Early Retirement None assumed.

Administrative Expenses \$42,302 per year.

Funding Method Entry Age Normal Actuarial Cost Method

The following loads are applied for determination of the Sponsor funding requirement:

Interest – A half year, based on the current 7.5% assumption.

Salary – A full year, based on the current average assumption of 4.0%.

Actuarial Asset Method

All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a four-year period.

| <u>Age</u> | <u>% Becoming Disabled During the Year</u> | <u>% Terminating During the Year</u> | <u>Salary Increases</u> |
|------------|------------------------------------------------|------------------------------------------|-------------------------|
| 40 | 0.30% | 0.00% | 4.00% |
| 45 | 0.51 | 0.00 | 4.00 |
| 50 | 1.00 | 0.00 | 4.00 |
| 55 | 1.55 | 0.00 | 4.00 |

VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay as of 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 initial base is amortized as a level dollar over 20 years). The required amount is adjusted for interest and assumed salary increases according to the timing of contributions during the year.

ACTUARIAL ASSET VALUATION
September 30, 2014

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a four year period. In the first year, 25% of the gain or loss is recognized. In the second year 50%, in the third year 75%, and in the fourth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

| Plan Year Ending | Gain/Loss | <u>Gains/Losses Not Yet Recognized</u> | | | |
|---------------------|-----------|----------------------------------------------|----------------|---------------|----------|
| | | Amounts Not Yet Recognized by Valuation Year | | | |
| | | 2014 | 2015 | 2016 | 2017 |
| 09/30/2011 | (909,550) | 0 | 0 | 0 | 0 |
| 09/30/2012 | 1,204,622 | 301,154 | 0 | 0 | 0 |
| 09/30/2013 | 746,867 | 373,433 | 186,716 | 0 | 0 |
| 09/30/2014 | 177,762 | 133,321 | 88,880 | 44,439 | 0 |
| Total | | 807,908 | 275,596 | 44,439 | 0 |

| <u>Development of Investment Gain/Loss</u> | |
|--------------------------------------------|----------------|
| Actual Net Return on Market Value | 1,059,400 |
| Expected Investment Earnings* | 881,638 |
| 2014 Actuarial Investment Gain/Loss | <u>177,762</u> |

*Expected Investment Earnings = $0.075 * [12,030,936 + 0.5 * (551,531)]$

| <u>Development of Actuarial Value of Assets</u> | |
|------------------------------------------------------|-------------------|
| (1) Market Value of Assets, 09/30/2014 | 12,538,805 |
| (2) Gains/(Losses) Not Yet Recognized | 807,908 |
| (3) Actuarial Value of Assets, 09/30/2014, (1) - (2) | <u>11,730,897</u> |
| (A) 09/30/2013 Actuarial Assets: | 11,095,862 |
| (I) Net Investment Income: | |
| 1. Interest and Dividends | 483,881 |
| 2. Realized Gains (Losses) | 56,071 |
| 2. Change in Actuarial Value | 677,519 |
| 3. Investment Expenses | (30,906) |
| Total | <u>1,186,566</u> |
| (B) 09/30/2014 Actuarial Assets: | 11,730,897 |
| Actuarial Assets Rate of Return = $2I/(A+B-I)$: | 10.97% |
| Market Value of Assets Rate of Return: | 8.94% |
| 10/01/2014 Limited Actuarial Assets: | 11,730,897 |

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

REVENUES

| | | |
|-------------------------------------|------------|--------------|
| Contributions: | | |
| Member | 13,178.12 | |
| City | 766,179.00 | |
| Total Contributions | | 779,357.12 |
| Earnings from Investments: | | |
| Interest & Dividends | 483,881.45 | |
| Net Realized Gain (Loss) | 56,071.22 | |
| Change in Actuarial Value | 677,518.56 | |
| Total Earnings and Investment Gains | | 1,217,471.23 |

EXPENDITURES

| | | |
|-----------------------------------------|--------------|---------------|
| Distributions to Members: | | |
| Benefit Payments | 1,249,341.22 | |
| Refunds of Member Contributions | 39,244.55 | |
| Total Distributions | | 1,288,585.77 |
| Expenses: | | |
| Investment Related ¹ | 30,905.50 | |
| Administrative | 42,302.30 | |
| Total Expenses | | 73,207.80 |
| Change in Net Assets for the Year | | 635,034.78 |
| Net Assets Beginning of the Year | | 11,095,862.22 |
| Net Assets End of the Year ² | | 11,730,897.00 |

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

²Net Assets may be limited for actuarial consideration.

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

| | |
|-----------------------------------------------------------------------------------------|---------------------|
| (1) City Required Contribution (from the October 1, 2012 Actuarial Valuation Report) | \$766,179.00 |
| (2) Less Actual City Contributions | (667,788.67) |
| (3) Less Prepaid Contribution as of September 30, 2013 | <u>(104,816.62)</u> |
| (4) Equals City's Prepaid Contribution as of September 30, 2014 | \$6,426.29 |

STATISTICAL DATA

(Averages are salary weighted prior to 10/1/2012)

| <u>All Active Members</u> | <u>10/1/2011</u> | <u>10/1/2012</u> | <u>10/1/2013</u> | <u>10/1/2014</u> |
|------------------------------------|------------------|------------------|------------------|------------------|
| Average Current Age | 49.6 | 50.2 | 50.7 | 51.2 |
| Average Age at Employment | 28.9 | 29.7 | 29.5 | 29.0 |
| Average Past Service | 20.7 | 20.5 | 21.2 | 22.2 |
| Average Annual Salary | \$46,271 | \$49,049 | \$50,016 | \$51,501 |
| <u>Fund 1 Active Members</u> | | | | |
| Average Current Age | 50.2 | 50.6 | 51.6 | |
| Average Age at Employment | 30.5 | 30.4 | 30.4 | |
| Average Past Service | 19.5 | 20.2 | 21.2 | |
| Average Annual Salary | \$45,665 | \$45,085 | \$45,014 | |
| <u>Fund 440 Active Members</u> | | | | |
| Average Current Age | 51.2 | 50.7 | 49.8 | 50.8 |
| Average Age at Employment | 29.5 | 30.4 | 28.4 | 28.4 |
| Average Past Service | 20.2 | 20.3 | 21.4 | 22.4 |
| Average Annual Salary | \$50,961 | \$52,883 | \$53,332 | \$51,911 |
| <u>Fund 447 Active Members</u> | | | | |
| Average Current Age | 47.9 | 44.5 | | |
| Average Age at Employment | 25.0 | 19.9 | | |
| Average Past Service | 22.8 | 24.5 | | |
| Average Annual Salary | \$34,069 | \$40,221 | | |
| <u>Fund 448 Active Members</u> | | | | |
| Average Current Age | 51.0 | 51.6 | 52.6 | 53.6 |
| Average Age at Employment | 34.0 | 32.7 | 32.7 | 32.7 |
| Average Past Service | 17.0 | 18.9 | 19.9 | 20.9 |
| Average Annual Salary | \$47,114 | \$50,739 | \$50,130 | \$49,044 |

STATISTICAL DATA

(Excludes Benefit Index Retirees beginning with 10/1/2011)

| <u>All Inactive Members</u> | <u>10/1/2011</u> | <u>10/1/2012</u> | <u>10/1/2013</u> | <u>10/1/2014</u> |
|--------------------------------------|------------------|------------------|------------------|------------------|
| Average Current Age | 57.2 | 57.6 | 58.4 | 59.1 |
| Average Annual Benefit | \$11,855 | \$12,663 | \$12,522 | \$12,807 |
| <u>Fund 1 Inactive Members</u> | | | | |
| Average Current Age | 57.9 | 58.3 | 59.3 | 59.6 |
| Average Annual Benefit | \$12,649 | \$13,245 | \$13,245 | \$13,702 |
| <u>Fund 440 Inactive Members</u> | | | | |
| Average Current Age | 56.4 | 57.1 | 57.9 | 58.7 |
| Average Annual Benefit | \$12,687 | \$13,913 | \$13,409 | \$13,842 |
| <u>Fund 447 Inactive Members</u> | | | | |
| Average Current Age | 56.4 | 56.5 | 56.9 | 57.9 |
| Average Annual Benefit | \$9,542 | \$10,439 | \$10,785 | \$10,785 |
| <u>Fund 448 Inactive Members</u> | | | | |
| Average Current Age | 62.0 | 63.0 | 64.0 | 65.0 |
| Average Annual Benefit | \$8,446 | \$8,446 | \$8,446 | \$8,446 |
| <u>Fund 502 Inactive Members</u> | | | | |
| Average Current Age | 45.0 | 46.0 | 47.0 | 48.0 |
| Average Annual Benefit | \$2,756 | \$2,756 | \$2,756 | \$2,756 |

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 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30 - 34 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 35 - 39 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 40 - 44 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 1 |
| 45 - 49 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 2 |
| 50 - 54 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 2 |
| 55 - 59 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 2 |
| 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 | 0 | 0 | 1 | 6 | 0 | 0 | 7 |

MEMBER RECONCILIATION

1. Active lives

| | |
|-------------------------------------------------------|----|
| a. Number in prior report 10/1/2013 | 11 |
| b. Terminations | |
| i. Vested (partial or full) with deferred benefits | 1 |
| ii. Non-vested or full lump sum distribution received | 0 |
| c. Deaths | |
| i. Beneficiary receiving benefits | 0 |
| ii. No future benefits payable | 0 |
| d. Disabled | 0 |
| e. Retired | 3 |
| f. Continuing participants | 7 |
| g. New entrants | 0 |
| h. Total active life participants in valuation | 7 |

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

| | <u>Service Retirees, Vested Receiving Benefits</u> | <u>Receiving Death Benefits</u> | <u>Receiving Disability Benefits</u> | <u>Vested Deferred</u> | <u>Total</u> |
|-----------------------------|----------------------------------------------------|---------------------------------|--------------------------------------|------------------------|--------------|
| a. Number prior report | 75 | 3 | 1 | 29 | 108 |
| b. In | 4 | 1 | 0 | 1 | 6 |
| c. Out | 1 | 0 | 0 | 0 | 1 |
| d. Number current valuation | 78 | 4 | 1 | 30 | 113 |

SUMMARY OF PLAN PROVISIONS
(Through Ordinance 2013-O-17)

| | |
|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <u>Eligibility</u> | Regular, full-time general employees after attaining age 18 with 3 months of service. On and after October 1, 1996, no further employees will become active under this Plan. |
| <u>Salary</u> | Total Compensation. |
| <u>Average Final Compensation (AFC)</u> | Average Salary for the highest 3 years during the 10 years immediately preceding retirement or termination. |
| <u>Credited Service</u> | Total years and fractional parts of years of service with the City. |
| <u>Member Contributions</u> | 2.5% of Salary. |
| <u>Normal Retirement</u> | |
| Date | The earlier of: 1) age 55 and the completion of 5 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age. |
| Benefit | 2.0% of Average Final Compensation times Credited Service. |
| Form of Benefit | Single Life Annuity (options available). |
| <u>Early Retirement</u> | |
| Date | The earlier of: 1) age 50 and the completion of 5 years of Credited Service, or 2) the completion of 20 years of Credited Service, regardless of age. |
| Benefit | Determined as for Normal Retirement and reduced 5.0% for each year that Early Retirement precedes Normal Retirement. |

Disability Benefit

| | |
|-------------|----------------------------------------------------------------------------------------|
| Eligibility | 5 years of Credited Service. |
| Benefit | Benefit accrued to date of disability. Minimum benefit is 25% of AFC. |
| Duration | Payable until normal retirement, death or until recovery (as determined by the Board). |

Death Benefits

Pre-Retirement

| | |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Vested | A monthly benefit determined assuming the participant terminated employment on his date of death, survived to his earliest retirement date, elected a 50% qualified joint and survivor annuity and then died the next day. |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

| | |
|------------|-------------------------------------------------------|
| Not Vested | Refund of accumulated contributions without interest. |
|------------|-------------------------------------------------------|

| | |
|-----------------|-------------------------------------------------|
| Post-Retirement | According to optional form of benefit selected. |
|-----------------|-------------------------------------------------|

Termination of Employment

Benefit

| | |
|-------------------|-------------------------------------------------------|
| Less than 5 years | Refund of accumulated contributions without interest. |
|-------------------|-------------------------------------------------------|

| | |
|-----------|-----------------------------------------------------------------------|
| 5 or more | Refund of Contributions or Accrued benefit payable at retirement age. |
|-----------|-----------------------------------------------------------------------|

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

ANNUAL PENSION COSTS AND RELATED INFORMATION

| | |
|-------------------------------------|----------------------------|
| Contribution rates as of 9/30/2014 | |
| City | 766,179 |
| Plan Members | 2.5% |
| | |
| Actuarially Determined Contribution | 766,179 |
| Contributions made | 766,179 |
| Actuarial valuation date | 10/1/2012 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Dollar |
| Remaining amortization period | 20 Years (as of 10/1/2012) |
| Asset valuation method | 4 Year Smoothed Market |
| Actuarial assumptions: | |
| Investment rate of return | 7.5% |
| Projected salary increase* | 4.0% |
| * Includes inflation at | 3.0% |
| Post Retirement COLA | 0.0% |

THREE YEAR TREND INFORMATION

| Year Ending | Annual Pension Cost (APC) | Percentage of (A) Contributed | Net Pension Obligation |
|----------------|---------------------------------|-------------------------------------|------------------------------|
| 9/30/2014 | 766,178 | 100% | 12 |
| 9/30/2013 | 475,793 | 100% | 13 |
| 9/30/2012 | 484,340 | 100% | 14 |

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

DEVELOPMENT OF NET PENSION OBLIGATION (NPO)

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

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

| | <u>9/30/11</u> | <u>9/30/12</u> | <u>9/30/13</u> | <u>9/30/14</u> |
|------------------------|----------------|----------------|----------------|----------------|
| Actuarially Determined | | | | |
| Contribution (A) | 443,259 | 484,341 | 475,794 | 766,179 |
| Interest on NPO | 1 | 1 | 1 | 1 |
| Adjustment to (A) | (2) | (2) | (2) | (2) |
| | ----- | ----- | ----- | ----- |
| Annual Pension Cost | 443,258 | 484,340 | 475,793 | 766,178 |
| Contributions Made | 443,259 | 484,341 | 475,794 | 766,179 |
| | ----- | ----- | ----- | ----- |
| Increase in NPO | (1) | (1) | (1) | (1) |
| NPO Beginning of Year | 16 | 15 | 14 | 13 |
| | ----- | ----- | ----- | ----- |
| NPO End of Year | 15 | 14 | 13 | 12 |

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014

| <u>ASSETS</u> | MARKET VALUE |
|--------------------------------------|--------------|
| Cash and Cash Equivalents: | |
| Short Term Investments | 455,485 |
| Total Cash and Equivalents | 455,485 |
| Receivables: | |
| Member Contributions in Transit | 395 |
| City Contributions in Transit | 2,779 |
| Investment Income | 43,112 |
| Total Receivable | 46,286 |
| Investments: | |
| U. S. Bonds and Bills | 19,681 |
| Federal Agency Guaranteed Securities | 1,248,568 |
| Corporate Bonds | 2,467,228 |
| Municipal Obligations | 206,552 |
| Mutual Funds: | |
| Equity | 8,101,431 |
| Total Investments | 12,043,460 |
| Total Assets | 12,545,231 |
| Total Liabilities | 6,426 |
| NET POSITION RESTRICTED FOR PENSIONS | 12,538,805 |

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

ADDITIONS

Contributions:

| | | |
|-------------------------------------------|----------|-----------|
| Member | 13,178 | |
| City | 766,179 | |
| Total Contributions | | 779,357 |
| Investment Income: | | |
| Net Increase in Fair Value of Investments | 606,424 | |
| Interest & Dividends | 483,882 | |
| Less Investment Expense ¹ | (30,906) | |
| Net Investment Income | | 1,059,400 |
| Total Additions | | 1,838,757 |

DEDUCTIONS

Distributions to Members:

| | | |
|--------------------------------------|-----------|------------|
| Benefit Payments | 1,249,341 | |
| Refunds of Member Contributions | 39,245 | |
| Total Distributions | | 1,288,586 |
| Administrative Expense | | 42,302 |
| Total Deductions | | 1,330,888 |
| Net Increase in Net Position | | 507,869 |
| NET POSITION RESTRICTED FOR PENSIONS | | |
| Beginning of the Year | | 12,030,936 |
| End of the Year | | 12,538,805 |

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

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

Plan Description

Plan Administration

The Board of Trustees shall consist of five members appointed as follows:

- (1) Two of whom, unless otherwise prohibited by law, must be legal residents of the municipality and must be appointed by the governing body of the municipality.
- (2) Two of whom are current or retired members of the plan who are currently employed by the City who are elected by a majority of current and retired members who are currently employed by the City.
- (3) The fifth member shall be a union representative for the General Employees as appointed by the union. The fifth member shall have the same rights as each of the other four members.
- (4) If the majority of the members of the plan fails to elect a member as a Trustee, the city manager shall appoint either a resident or an employee that is a resident of the City.
- (5) Two un-excused absences, as determined by the Board, within a twelve month period shall be a deemed resignation.

Plan Membership as of October 1, 2013:

| | |
|---------------------------------------------------------------------|-----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 79 |
| Inactive Plan Members Entitled to but Not Yet Receiving Benefits | 29 |
| Active Plan Members | 11 |
| | 119 |
| | 119 |

Benefits Provided

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

Normal Retirement:

Date: The earlier of: 1) age 55 and the completion of 5 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age.

Benefit: 2.0% of Average Final Compensation times Credited Service.

Early Retirement:

Date: The earlier of: 1) age 50 and the completion of 5 years of Credited Service, or 2) the completion of 20 years of Credited Service, regardless of age.

Benefit: Determined as for Normal Retirement and reduced 5.0% for each year that Early Retirement precedes Normal Retirement.

Termination of Employment:

Less than 5 years: Refund of accumulated contributions without interest.

5 or more: Refund of Contributions or Accrued benefit payable at retirement age.

Disability:

Eligibility: 5 years of Credited Service.

Benefit: Benefit accrued to date of disability. Minimum benefit is 25% of AFC.

Pre-Retirement Death Benefits:

Vested: A monthly benefit determined assuming the participant terminated employment on his date of death, survived to his earliest retirement date, elected a 50% qualified joint and survivor annuity and then died the next day.

Not Vested: Refund of accumulated contributions without interest.

Contributions

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

Investments

Investment Policy:

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

| Asset Class | Target Allocation |
|---------------------------|-------------------|
| Domestic Equity | 45% |
| International Equity | 15% |
| Broad Market Fixed Income | 25% |
| TIPS | 5% |
| Real Estate | 10% |
| 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, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 8.94 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, 2014 were as follows:

| | |
|---------------------------------------------------------------------------|------------------------|
| Total Pension Liability | \$ 17,144,907 |
| Plan Fiduciary Net Position | <u>\$ (12,538,805)</u> |
| Sponsor's Net Pension Liability | <u>\$ 4,606,102</u> |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 73.13% |

Actuarial Assumptions:

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

| | |
|---------------------------|-------|
| Inflation | 3.00% |
| Salary Increases | 4.00% |
| Investment Rate of Return | 7.50% |

RP2000 Combined Healthy projected to the valuation date with schedule AA - Sex Distinct.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 2003-2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

| Asset Class | Long Term Expected Real Rate of Return |
|---------------------------|-------------------------------------------|
| Domestic Equity | 7.8% |
| International Equity | 2.2% |
| Broad Market Fixed Income | 3.7% |
| TIPS | 5.3% |
| Real Estate | 4.9% |

Discount Rate:

The discount rate used to measure the total pension liability was 7.50 percent.

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

| | 1% Decrease 6.50% | Current Discount Rate 7.50% | 1% Increase 8.50% |
|---------------------------------|----------------------|-----------------------------------|----------------------|
| Sponsor's Net Pension Liability | \$ 6,273,845 | \$ 4,606,102 | \$ 3,183,713 |

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

| | <u>09/30/2014</u> | <u>09/30/2013</u> |
|----------------------------------------------------------------------------|----------------------|----------------------|
| Total Pension Liability | | |
| Service Cost | 91,269 | 84,901 |
| Interest | 1,241,107 | 1,237,145 |
| Change in Excess State Money | - | - |
| Share Plan Allocation | - | - |
| Changes of Benefit Terms | - | - |
| Differences Between Expected and Actual Experience | - | - |
| Changes of Assumptions | - | - |
| Contributions - Buy Back | - | - |
| Benefit Payments, Including Refunds of Employee Contributions | (1,288,586) | (1,262,597) |
| Net Change in Total Pension Liability | <u>43,790</u> | <u>59,449</u> |
| Total Pension Liability - Beginning | 17,101,117 | 17,041,668 |
| Total Pension Liability - Ending (a) | <u>\$ 17,144,907</u> | <u>\$ 17,101,117</u> |
| | | |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | 766,179 | 475,794 |
| Contributions - State | - | - |
| Contributions - Employee | 13,178 | 15,348 |
| Contributions - Buy Back | - | - |
| Net Investment Income | 1,059,400 | 1,563,721 |
| Benefit Payments, Including Refunds of Employee Contributions | (1,288,586) | (1,262,597) |
| Administrative Expense | (42,302) | (76,889) |
| Other | - | - |
| Net Change in Plan Fiduciary Net Position | <u>507,869</u> | <u>715,377</u> |
| | | |
| Plan Fiduciary Net Position - Beginning | <u>12,030,936</u> | <u>11,315,559</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 12,538,805</u> | <u>\$ 12,030,936</u> |
| | | |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 4,606,102</u> | <u>\$ 5,070,181</u> |
| | | |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 73.13% | 70.35% |
| | | |
| Covered Employee Payroll | \$ 567,030 | \$ 613,927 |
| Net Pension Liability as a Percentage of covered Employee Payroll | 812.32% | 825.86% |

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

| | 09/30/2014 | 9/30/2013 |
|--------------------------------------|------------|------------|
| Actuarially Determined Contribution | 766,179 | 475,794 |
| Contributions in Relation to the | | |
| Actuarially Determined Contributions | 766,179 | 475,794 |
| Contribution Deficiency (Excess) | \$ - | \$ - |
| | | |
| Covered Employee Payroll | \$ 567,030 | \$ 613,927 |
| Contributions as a Percentage of | | |
| Covered Employee Payroll | 135.12% | 77.50% |

Notes to Schedule

Valuation Date: 10/01/2012 as revised 9/12/13
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 (previously the Aggregate Actuarial Cost Method).
The following loads are applied for determination of the Sponsor funding requirement:
Interest - A half year, based on the current 7.5% assumption.
Salary - A full year, based on the current average assumption of 4.0%.

Actuarial Asset Method: All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a four-year period.

Inflation: 3.0% per year.

Interest Rate: 7.5% per year compounded annually, net of investment related expenses.

Normal Retirement:

| <u>Age</u> | <u>Retirement Probability</u> |
|--------------|-------------------------------|
| 55 | 50% |
| 56 | 0% |
| 57 | 0% |
| 58 | 0% |
| 59 | 0% |
| 60 and older | 100% |

In addition to the above table, 100% Retirement is assumed upon the completion of 25 years of Credited Service.
Valuations prior to October 1, 2012 - 100% assumed retirement at age 60.

Early Retirement: None assumed.

Salary Increases: 4% per year. See table below for a sample of prior rates.
 Termination Rates: None assumed. See table below for a sample of prior rates.
 Disability Rates: See table below.
 Mortality: RP2000 Combined Healthy projected to the valuation date with schedule AA - Sex Distinct.
 Prior valuations utilized the RP2000 Combined Healthy Projected to 2005.

| Current Sample Rates: | <u>Age</u> | <u>% Terminating During the Year</u> | <u>% Becoming Disabled During the Year</u> | <u>Salary Increases</u> |
|-----------------------|------------|------------------------------------------|------------------------------------------------|-----------------------------|
| | | 40 | 0.00% | 0.30% |
| | 45 | 0.00% | 0.51% | 4.00% |
| | 50 | 0.00% | 1.00% | 4.00% |
| | 55 | 0.00% | 1.55% | 4.00% |

| Prior Sample Rates: | <u>Age</u> | <u>% Terminating During the Year</u> | <u>% Becoming Disabled During the Year</u> | <u>Salary Increases</u> |
|---------------------|------------|------------------------------------------|------------------------------------------------|-----------------------------|
| | | 40 | 5.64% | 0.30% |
| | 45 | 4.38% | 0.51% | 5.69% |
| | 50 | 3.36% | 1.00% | 5.42% |
| | 55 | 2.52% | 1.55% | 5.18% |

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

| | <u>09/30/2014</u> | <u>09/30/2013</u> |
|-------------------------------------------------------------------|-------------------|-------------------|
| Annual Money-Weighted Rate of Return Net of Investment Expense | 8.94% | 13.50% |

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

General Information about the Pension Plan

Plan Description

Regular, full-time general employees after attaining age 18 with 3 months of service. On and after October 1, 1996, no further employees will become active under this Plan.

The Board of Trustees shall consist of five members appointed as follows:

- (1) Two of whom, unless otherwise prohibited by law, must be legal residents of the municipality and must be appointed by the governing body of the municipality.
- (2) Two of whom are current or retired members of the plan who are currently employed by the City who are elected by a majority of current and retired members who are currently employed by the City.
- (3) The fifth member shall be a union representative for the General Employees as appointed by the union. The fifth member shall have the same rights as each of the other four members.

Plan Membership as of October 1, 2013:

| | |
|---------------------------------------------------------------------|-----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 79 |
| Inactive Plan Members Entitled to but Not Yet Receiving Benefits | 29 |
| Active Plan Members | 11 |
| | 119 |

Benefits Provided

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

Normal Retirement:

Date: The earlier of: 1) age 55 and the completion of 5 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age.

Benefit: 2.0% of Average Final Compensation times Credited Service.

Early Retirement:

Date: The earlier of: 1) age 50 and the completion of 5 years of Credited Service, or 2) the completion of 20 years of Credited Service, regardless of age.

Benefit: Determined as for Normal Retirement and reduced 5.0% for each year that Early Retirement precedes Normal Retirement.

Termination of Employment:

Less than 5 years: Refund of accumulated contributions without interest.

5 or more: Refund of Contributions or Accrued benefit payable at retirement age.

Disability:

Eligibility: 5 years of Credited Service.

Benefit: Benefit accrued to date of disability. Minimum benefit is 25% of AFC.

Pre-Retirement Death Benefits:

Vested: A monthly benefit determined assuming the participant terminated employment on his date of death, survived to his earliest retirement date, elected a 50% qualified joint and survivor annuity and then died the next day.

Not Vested: Refund of accumulated contributions without interest.

Contributions

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

Net Pension Liability

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

The total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial Assumptions:

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

| | |
|---------------------------|-------|
| Inflation | 3.00% |
| Salary Increases | 4.00% |
| Investment Rate of Return | 7.50% |

RP2000 Combined Healthy projected to the valuation date with schedule AA - Sex Distinct.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 2003-2012.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September, 30 2014 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|---------------------------|--------------------------|---------------------------------------------------|
| Domestic Equity | 45.00% | 7.80% |
| International Equity | 15.00% | 2.20% |
| Broad Market Fixed Income | 25.00% | 3.70% |
| TIPS | 5.00% | 5.30% |
| Real Estate | 10.00% | 4.90% |
| Total | <u>100.00%</u> | |

Discount Rate:

The discount rate used to measure the total pension liability was 7.50 percent.

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

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

CHANGES IN NET PENSION LIABILITY

| | Increase (Decrease) | | |
|------------------------------------------------------------------|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a)-(b) |
| Balances at September 30, 2013 | \$ 17,101,117 | \$ 12,030,936 | \$ 5,070,181 |
| Changes for a Year: | | | |
| Service Cost | 91,269 | | 91,269 |
| Interest | 1,241,107 | | 1,241,107 |
| Change In Excess State Money | - | | - |
| Share Plan Allocation | - | | - |
| Differences Between Expected and Actual Experience | - | | - |
| Changes of Assumptions | - | | - |
| Changes of Benefit Terms | - | | - |
| Contributions - Employer | | 766,179 | (766,179) |
| Contributions - State | | - | - |
| Contributions - Employee | | 13,178 | (13,178) |
| Contributions - Buy Back | - | - | - |
| Net Investment Income | | 1,059,400 | (1,059,400) |
| Benefit Payments, Including Refunds of Employee Contributions | (1,288,586) | (1,288,586) | - |
| Administrative Expense | | (42,302) | 42,302 |
| Other Changes | - | - | - |
| New Changes | 43,790 | 507,869 | (464,079) |
| Balances at September 30, 2014 | \$ 17,144,907 | \$ 12,538,805 | \$ 4,606,102 |

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

| | Current Discount | | |
|---------------------------------|------------------|--------------|--------------|
| | 1% Decrease | Rate | 1% Increase |
| | 6.50% | 7.50% | 8.50% |
| Sponsor's Net Pension Liability | \$ 6,273,845 | \$ 4,606,102 | \$ 3,183,713 |

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in a separately issued Plan financial report.

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

For the year ended September 30, 2015 the Sponsor will recognize a pension expense of \$294,936. On September 30, 2015 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 | - | - |
| Changes of Assumptions | - | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 590,330 |
| Total | <u>\$ -</u> | <u>\$ 590,330</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: | |
| 2015 | \$ (184,926) |
| 2016 | \$ (184,926) |
| 2017 | \$ (184,926) |
| 2018 | \$ (35,552) |
| 2019 | \$ - |
| Thereafter | \$ - |

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

| | <u>09/30/2014</u> | <u>09/30/2013</u> |
|----------------------------------------------------------------------------|----------------------|----------------------|
| Total Pension Liability | | |
| Service Cost | 91,269 | 84,901 |
| Interest | 1,241,107 | 1,237,145 |
| Change in Excess State Money | - | - |
| Share Plan Allocation | - | - |
| Changes of Benefit Terms | - | - |
| Differences Between Expected and Actual Experience | - | - |
| Changes of Assumptions | - | - |
| Contributions - Buy Back | - | - |
| Benefit Payments, Including Refunds of Employee Contributions | (1,288,586) | (1,262,597) |
| Net Change in Total Pension Liability | 43,790 | 59,449 |
| Total Pension Liability - Beginning | 17,101,117 | 17,041,668 |
| Total Pension Liability - Ending (a) | <u>\$ 17,144,907</u> | <u>\$ 17,101,117</u> |
| | | |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | 766,179 | 475,794 |
| Contributions - State | - | - |
| Contributions - Employee | 13,178 | 15,348 |
| Contributions - Buy Back | - | - |
| Net Investment Income | 1,059,400 | 1,563,721 |
| Benefit Payments, Including Refunds of Employee Contributions | (1,288,586) | (1,262,597) |
| Administrative Expense | (42,302) | (76,889) |
| Other | - | - |
| Net Change in Plan Fiduciary Net Position | 507,869 | 715,377 |
| | - | - |
| Plan Fiduciary Net Position - Beginning | 12,030,936 | 11,315,559 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 12,538,805</u> | <u>\$ 12,030,936</u> |
| | 0 | 0 |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 4,606,102</u> | <u>\$ 5,070,181</u> |
| | 0 | 0 |
| | | |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 73.13% | 70.35% |
| | | |
| Covered Employee Payroll | \$ 567,030 | \$ 613,927 |
| Net Pension Liability as a Percentage of covered Employee Payroll | 812.32% | 825.86% |

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

| | <u>09/30/2014</u> | <u>09/30/2013</u> |
|--------------------------------------|-------------------|-------------------|
| Actuarially Determined Contribution | 766,179 | 475,794 |
| Contributions in Relation to the | | |
| Actuarially Determined Contributions | 766,179 | 475,794 |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> |
| | | |
| Covered Employee Payroll | \$ 567,030 | \$ 613,927 |
| Contributions as a Percentage of | | |
| Covered Employee Payroll | 135.12% | 77.50% |

Notes to Schedule

Valuation Date: 10/01/2012 as revised 9/12/13
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 (previously the Aggregate Actuarial Cost Method).
Interest - A half year, based on the current 7.5% assumption.
Salary - A full year, based on the current average assumption of 4.0%.

Actuarial Asset Method: All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a four-year period.

Inflation: 3.0% per year.

Interest Rate: 7.5% per year compounded annually, net of investment related expenses.

Normal Retirement:

| <u>Age</u> | <u>Retirement Probability</u> |
|--------------|-------------------------------|
| 55 | 50% |
| 56 | 0% |
| 57 | 0% |
| 58 | 0% |
| 59 | 0% |
| 60 and older | 100% |

In addition to the above table, 100% Retirement is assumed upon the completion of 25 years of Credited Service.
Valuations prior to October 1, 2012 - 100% assumed retirement at age 60.

Early Retirement: None assumed.

Salary Increases: 4% per year. See table below for a sample of prior rates.
 Termination Rates: None assumed. See table below for a sample of prior rates.
 Disability Rates: See table below.
 Mortality: RP2000 Combined Healthy projected to the valuation date with schedule AA - Sex Distinct.

Prior valuations utilized the RP2000 Combined Healthy Projected to 2005.

| Current Sample Rates: | <u>% Terminating</u> | <u>% Becoming Disabled During</u> | <u>Salary</u> |
|-----------------------|------------------------|-----------------------------------|------------------|
| <u>Age</u> | <u>During the Year</u> | <u>the Year</u> | <u>Increases</u> |
| 40 | 0.00% | 0.30% | 4.00% |
| 45 | 0.00% | 0.51% | 4.00% |
| 50 | 0.00% | 1.00% | 4.00% |
| 55 | 0.00% | 1.55% | 4.00% |

| Prior Sample Rates: | <u>% Terminating</u> | <u>% Becoming</u> | <u>Salary</u> |
|---------------------|------------------------|----------------------------|------------------|
| <u>Age</u> | <u>During the Year</u> | <u>Disabled During the</u> | <u>Increases</u> |
| | | <u>Year</u> | |
| 40 | 5.64% | 0.30% | 6.02% |
| 45 | 4.38% | 0.51% | 5.69% |
| 50 | 3.36% | 1.00% | 5.42% |
| 55 | 2.52% | 1.55% | 5.18% |

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2015

| | Net Pension Liability | Deferred Inflows | Deferred Outflows | Pension Expense |
|-------------------------------------------------------------------------------------------------------|--------------------------|---------------------|----------------------|-------------------|
| Beginning balance | \$ 5,070,181 | \$ - | \$ 766,179 | |
| Total pension liability factors: | | | | |
| Service cost | 91,269 | | | 91,269 |
| Interest | 1,241,107 | | | 1,241,107 |
| Change in Excess State Money | - | | | - |
| Share Plan Allocation | - | | | - |
| Changes in Benefit terms | - | | | - |
| Contributions - buy back | - | | | - |
| Differences between expected and actual experience with regard to economic or demographic assumptions | - | - | - | - |
| Current year amortization | | - | - | - |
| Changes in assumptions about future economic or demographic factors or other inputs | - | - | - | - |
| Current year amortization | | - | - | - |
| Benefit payments | (1,288,586) | | | (1,288,586) |
| Net change | <u>43,790</u> | <u>-</u> | <u>-</u> | <u>43,790</u> |
| Plan fiduciary net position: | | | | |
| Contributions - employer | 766,179 | | (766,179) | |
| Contributions - state | - | | | - |
| Contributions - employee | 13,178 | | | (13,178) |
| Contributions - buy back | - | | | - |
| Net investment income | 881,638 | | | (881,638) |
| Difference between projected and actual earnings on pension plan investments | 177,762 | 775,255 | - | |
| Current year amortization | | (184,926) | - | (184,926) |
| Benefit payments | (1,288,586) | | | 1,288,586 |
| Administrative expenses | (42,302) | | | 42,302 |
| Other | - | | | - |
| Net change | <u>507,869</u> | <u>590,330</u> | <u>(766,179)</u> | <u>251,146</u> |
| Ending Balance | <u>\$ 4,606,102</u> | <u>\$ 590,330</u> | <u>\$ -</u> | <u>\$ 294,936</u> |