

CITY OF EDGEWATER  
POLICE RETIREMENT PLAN

ACTUARIAL VALUATION  
AS OF OCTOBER 1, 2015

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

March 11, 2016

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

Re: City of Edgewater  
Police Retirement Plan

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Edgewater Police 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. Please note that this valuation may not be applicable for any other purposes.

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

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

A handwritten signature in black ink, appearing to read "Doug Lozen", written over a horizontal line.

Doug 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 Police Retirement Plan, performed as of October 1, 2015, 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, 2017.

The contribution requirements, compared with those developed in the October 1, 2014 Actuarial Valuation Report, are as follows:

Valuation Date	10/1/2014	10/1/2015
Applicable Plan Year End	<u>9/30/2016</u>	<u>9/30/2017</u>
Total Required Contribution		
% of Total Annual Payroll	58.7%	54.2%
Member Contributions (Est.)		
% of Total Annual Payroll	6.0%	6.0%
City and State Required Contribution		
% of Total Annual Payroll	52.7%	48.2%
State Contribution (est.)	127,668	127,668
% of Total Annual Payroll	8.8%	8.8%
Balance from City <sup>1</sup>		
% of Total Annual Payroll	43.9%	39.4%

<sup>1</sup> For budgeting purposes, the required Sponsor Contribution (City and State) is 48.2% of Pensionable Earnings for the fiscal year ending September 30, 2017. The precise City requirement for the year is this amount, less actual State Contributions (allowable State Contribution cannot exceed \$222,837). Additionally, the City has access to a Credit Balance of \$272,870 for meeting the above funding requirements.

Experience since the prior valuation has less favorable than expected, relative to the actuarial assumptions. The primary sources of unfavorable experience included lower than expected employee turnover and average increases in pensionable earnings that were greater than the assumed rate. These losses were partially offset by a 9.9% investment return (Actuarial Asset Basis), exceeding the 7.5% assumption.

In spite of the net actuarial loss for the year, the percentage of payroll contribution requirement decreased due to a 20% increase in valuation payroll. This increase lowers the percentage of payroll contribution requirement for payment on the Unfunded Actuarial Accrued Liability.

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

## CONTRIBUTION IMPACT OF ANNUAL CHANGES

(1) Contribution Determined as of October 1, 2014	42.4%
(2) Summary of Contribution Impact by component:	
Change in Available State Money	-0.2%
Investment Return (Actuarial Asset Basis)	-1.8%
Salary Increases	0.5%
Payroll Change	-7.3%
Amortization Base Payoffs	1.8%
Change in Administrative Expenses	0.4%
Active Decrements	1.5%
Inactive Mortality	0.2%
Change in Normal Cost	-0.4%
Assumption Change	0.0%
Other	<u>2.3%</u>
Total Change in Contribution	-3.0%
(3) Contribution Determined as of October 1, 2015	39.4%

## CHANGES SINCE PRIOR VALUATION

### Plan Changes Since Prior Valuation

There have been no changes in benefits since the prior valuation.

### Actuarial Assumption/Method Changes Since Prior Valuation

There have been no changes in methods or assumptions since the prior valuation.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2015</u>	<u>10/1/2014</u>
A. Participant Data		
Number Included		
Actives	27	23
Service Retirees	22	23
DROP Retirees	1	1
Beneficiaries	1	0
Disability Retirees	1	1
Terminated Vested	<u>9</u>	<u>10</u>
Total	61	58
Total Annual Payroll	\$1,455,177	\$1,212,319
Payroll Under Assumed Ret. Age	1,455,177	1,212,319
Annual Rate of Payments to:		
Service Retirees	645,645	666,437
DROP Retirees	40,672	40,672
Beneficiaries	20,793	0
Disability Retirees	28,580	28,580
Terminated Vested	85,014	48,434
B. Assets		
Actuarial Value <sup>1</sup>	8,445,627	7,609,364
Market Value <sup>1</sup>	8,150,243	8,086,767
C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	4,112,724	3,647,150
Disability Benefits	298,646	258,661
Death Benefits	21,577	19,216
Vested Benefits	218,506	174,727
Refund of Contributions	40,246	32,210
Accumulated Leave	143,945	127,650
Service Retirees	7,311,236	7,663,923
DROP Retirees <sup>1</sup>	725,469	688,856
Beneficiaries	251,580	0
Disability Retirees	366,373	368,401
Terminated Vested	709,204	282,016
Excess State Monies Reserve	0	0
Funding Standard Account (FSA)	<u>272,870</u>	<u>275,560</u>
Total	14,472,376	13,538,370

C. Liabilities - (Continued)	<u>10/1/2015</u>	<u>10/1/2014</u>
Present Value of Future Salaries	11,435,843	9,345,545
Present Value of Future Member Contributions	686,151	560,733
Normal Cost (Retirement)	188,384	162,551
Normal Cost (Disability)	20,853	18,633
Normal Cost (Death)	1,106	1,046
Normal Cost (Vesting)	26,422	20,218
Normal Cost (Refunds)	<u>11,938</u>	<u>9,270</u>
Total Normal Cost	248,703	211,718
Present Value of Future Normal Costs	1,775,642	1,499,584
Accrued Liability (Retirement) <sup>3</sup>	2,772,831	2,517,592
Accrued Liability (Disability)	139,276	121,154
Accrued Liability (Death)	13,451	11,864
Accrued Liability (Vesting)	124,315	99,212
Accrued Liability (Refunds)	10,129	10,208
Accrued Liability (Inactives + FSA) <sup>1</sup>	9,636,732	9,278,756
Excess State Monies Reserve	<u>0</u>	<u>0</u>
Total Actuarial Accrued Liability	12,696,734	12,038,786
Unfunded Actuarial Accrued Liability (UAAL)	4,251,107	4,429,422
Funded Ratio (AVA / AL)	66.5%	63.2%
 D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives <sup>1</sup>	9,363,862	9,003,196
Actives	556,775	542,659
Member Contributions	<u>413,101</u>	<u>381,787</u>
Total	10,333,738	9,927,642
Non-vested Accrued Benefits	<u>660,625</u>	<u>703,389</u>
Total Present Value Accrued Benefits	10,994,363	10,631,031
Funded Ratio (MVA / PVAB)	74.1%	76.1%
 Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	289,358	
Benefits Paid	(697,208)	
Interest	771,182	
Other	<u>0</u>	
Total	363,332	

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 (with interest) % of Total Annual Payroll <sup>2</sup>	17.7	18.1
Administrative Expenses (with interest) % of Total Annual Payroll <sup>2</sup>	3.5	3.1
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 18 years (as of 10/1/2015, with interest) % of Total Annual Payroll <sup>2</sup>	33.0	37.5
Total Required Contribution % of Total Annual Payroll <sup>2</sup>	54.2	58.7
Expected Member Contributions % of Total Annual Payroll <sup>2</sup>	6.0	6.0
Expected City and State Contribution % of Total Annual Payroll <sup>2</sup>	48.2	52.7

F. Past Contributions

Plan Years Ending:	<u>9/30/2015</u>
Total Required Contribution	847,845
City and State Requirement	768,235
Actual Contributions Made:	
Members (excluding buyback)	79,610
City	640,567
State	<u>127,668</u>
Total	847,845

G. Net Actuarial (Gain)/Loss 95,507

<sup>1</sup> The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/2015 and 9/30/2014.

<sup>2</sup> Contributions developed as of 10/1/2015 are expressed as a percentage of total annual payroll at 10/1/2015 of \$1,455,177.

<sup>3</sup> Includes accumulated leave.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2015	4,251,107
2016	4,072,699
2017	3,882,060
2021	3,015,198
2025	1,970,583
2029	621,513
2033	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2015	9.44%	6.77%
Year Ended	9/30/2014	6.58%	6.40%
Year Ended	9/30/2013	8.51%	6.00%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2015	9.90%	7.50%
Year Ended	9/30/2014	10.32%	7.50%
Year Ended	9/30/2013	9.15%	7.50%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2015	\$1,455,177
	10/1/2005	1,133,186
(b) Total Increase		28.41%
(c) Number of Years		10.00
(d) Average Annual Rate		2.53%

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	\$4,429,422
(2) Sponsor Normal Cost developed as of October 1, 2014	138,979
(3) Expected administrative expenses for the year ended September 30, 2015	36,404
(4) Expected interest on (1), (2) and (3)	343,995
(5) Sponsor contributions to the System during the year ended September 30, 2015	768,235
(6) Expected interest on (5)	24,965
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2015 (1)+(2)+(3)+(4)-(5)-(6)	4,155,600
(8) Change to UAAL due to Assumption Change	0
(9) Change to UAAL due to Actuarial (Gain)/Loss	95,507
(10) Unfunded Accrued Liability as of October 1, 2015	4,251,107

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2015 <u>Amount</u>	Amortization <u>Amount</u>
Initial Base	10/1/1981	2	\$7,887	\$4,086
Benefit Change	10/1/1986	1	130	130
Assump Change	10/1/1986	1	942	942
Benefit Change	10/1/1987	2	434	225
Method Change	10/1/1987	2	(1,746)	(905)
Benefit Change	10/1/1989	4	10,620	2,950
Benefit Change	10/1/1989	4	19,516	5,420
Benefit Change	10/1/1990	5	59,678	13,721
Benefit Change	10/1/1999	14	985,200	107,957
Benefit Change	10/1/2003	18	143,448	13,748
Method Change	10/1/2011	16	2,808,857	285,827
Assump Change	10/1/2011	16	103,339	10,516
Experience Loss	10/1/2012	7	41,529	7,294
Experience Loss	10/1/2013	8	94,795	15,055
Experience Gain	10/1/2014	9	(119,029)	(17,358)
Experience Loss	10/1/2015	10	<u>95,507</u>	<u>12,943</u>
			4,251,107	462,551

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2014	\$4,429,422
(2) Expected UAAL as of October 1, 2015	4,155,600
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(183,806)
Salary Increases	51,422
Active Decrements	159,753
Inactive Mortality	18,149
Other	<u>49,989</u>
Increase in UAAL due to (Gain)/Loss	95,507
Assumption Changes	<u>0</u>
(4) Actual UAAL as of October 1, 2015	\$4,251,107

## ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

RP-2000 Combined Healthy Mortality, projected to 2005 using scale AA. We believe this assumption sufficiently accommodates future mortality improvements.

Interest Rate

7.50% per year compounded annually, net of investment related expenses. This assumption is supported by the Plan's investment policy and long-term expected returns by asset class.

Normal Retirement

<b>Years Eligible for Normal Retirement</b>	<b>Retirement Probability</b>
0	50%
1	0%
2	33%
3	60%
4	60%
5	60%
6 and greater	100%

It is assumed that no one works past age 58 if they are eligible to retire. This assumption was adopted based on the September 12, 2013 experiences study.

Early Retirement

None assumed.

Salary Increases

<b>Credited Service</b>	<b>Assumption</b>
Less than 10 Years	7.50%
10 Years and Greater	4.20%

This assumption was adopted based on the September 12, 2013 experiences study.

Administrative Expenses

\$49,324 per year based on the prior year expense.

Amortization Method

Level dollar.

Funding Method

Entry Age Normal Actuarial Cost Method.

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.

Termination Rates

<b>Credited Service</b>	<b>Assumption</b>
Less than 5 Years	18%
5-9 Years	14%
10 Years and Greater	0%

This assumption was adopted based on the September 12, 2013 experiences study.

Disability Rates

See sample rates below; 80% of disablements are assumed to be service-related.

<b>Age</b>	<b>Assumption</b>
40	0.33%
45	0.56%
50	1.09 %
55	1.69%

## 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.

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

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

(a) The normal cost accrual rate equals

(i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by

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

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

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

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

PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1998	62,640.03	_____%
1999	73,930.98	18.0%
2000	66,743.47	-9.7%
2001	70,794.89	6.1%
2002	83,308.98	17.7%
2003	94,334.37	13.2%
2004	108,374.65	14.9%
2005	114,652.41	5.8%
2006	119,224.68	4.0%
2007	126,824.09	6.4%
2008	126,189.05	-0.5%
2009	131,228.05	4.0%
2010	125,155.52	-4.6%
2011	125,638.65	0.4%
2012	122,039.14	-2.9%
2013	121,374.86	-0.5%
2014	125,386.65	3.3%
2015	127,668.11	1.8%

EXCESS STATE MONIES RESERVE

	<u>Actual</u> <u>State Contribution</u>	<u>Applicable</u> <u>"Frozen" Amount</u>	<u>Excess State</u> <u>Monies Reserve</u>
1999	\$73,930.98	\$222,837.03	\$0.00
2000	66,743.47	222,837.03	0.00
2001	70,794.89	222,837.03	0.00
2002	83,308.98	222,837.03	0.00
2003	94,334.37	222,837.03	0.00
2004	108,374.65	222,837.03	0.00
2005	114,652.41	222,837.03	0.00
2006	119,224.68	222,837.03	0.00
2007	126,824.09	222,837.03	0.00
2008	126,189.05	222,837.03	0.00
2009	131,228.05	222,837.03	0.00
2010	125,155.52	222,837.03	0.00
2011	125,638.65	222,837.03	0.00
2012	122,039.14	222,837.03	0.00
2013	121,374.86	222,837.03	0.00
2014	125,386.65	222,837.03	0.00
2015	127,668.11	222,837.03	<u>0.00</u>
Total Excess State Monies			0.00

## FUNDING STANDARD ACCOUNT

	<u>9/30/2014</u>	<u>9/30/2015</u>
<u>Charges</u>		
(a) Prior year's Accumulated Funding Deficiency	0	0
(b) City Required Contribution	641,492	640,567
(c) Interest on (a) & (b)	24,056	24,021
(d) Total Charges	665,548	664,588
<u>Credits</u>		
(e) Prior year's Credit Balance	359,310	275,560
(f) Employer Contribution	534,795	618,054
(g) Interest on (e) & (f)	47,003	43,844
(h) Total Credits	941,108	937,458
<u>Balance</u>		
(i) Accumulated Funding Deficiency (-) or Credit (+) Balance as of Plan Year End	275,560	272,870

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2015

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	366,109.13	366,109.13
Total Cash and Equivalents	366,109.13	366,109.13
Receivables:		
Investment Income	31,653.69	31,653.69
Total Receivable	31,653.69	31,653.69
Investments:		
U. S. Bonds and Bills	272,976.76	277,439.70
Federal Agency Guaranteed Securities	765,113.61	778,035.24
Corporate Bonds	1,588,109.80	1,541,895.58
Municipal Obligations	280,411.75	282,794.50
Stocks	2,594,625.23	2,807,050.22
Mutual Funds:		
Equity	2,044,316.73	2,073,429.22
Total Investments	7,545,553.88	7,760,644.46
Total Assets	7,943,316.70	8,158,407.28
<u>LIABILITIES</u>		
Payables:		
Investment Expenses	5,750.00	5,750.00
Administrative Expenses	2,414.27	2,414.27
Total Liabilities	8,164.27	8,164.27
NET POSITION RESTRICTED FOR PENSIONS	7,935,152.43	8,150,243.01

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

ADDITIONS

Contributions:		
Member		79,609.87
City		618,054.38
State		127,668.11
Total Contributions		825,332.36
Investment Income:		
Net Realized Gain (Loss)	160,374.64	
Unrealized Gain (Loss)	(353,909.28)	
Net Increase in Fair Value of Investments		(193,534.64)
Interest & Dividends		226,133.96
Less Investment Expense <sup>1</sup>		(47,922.71)
Net Investment Income		(15,323.39)
Total Additions		810,008.97
<u>DEDUCTIONS</u>		
Distributions to Members:		
Benefit Payments		695,017.32
Lump Sum DROP Distributions		0.00
Refunds of Member Contributions		2,191.01
Total Distributions		697,208.33
Administrative Expense		49,324.13
Total Deductions		746,532.46
Net Increase in Net Position		63,476.51
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		8,086,766.50
End of the Year		8,150,243.01

<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 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>			2018
		Amounts Not Yet Recognized by Valuation Year			
		2015	2016	2017	
09/30/2012	731,093	0	0	0	0
09/30/2013	278,581	69,646	0	0	0
09/30/2014	207,117	103,559	51,780	0	0
09/30/2015	(624,785)	(468,589)	(312,393)	(156,197)	0
<b>Total</b>		<b>(295,384)</b>	<b>(260,613)</b>	<b>(156,197)</b>	<b>0</b>

<u>Development of Investment Gain/Loss</u>	
Actual Return Net of Investment Expenses	(15,323)
Expected Investment Earnings*	609,462
2015 Actuarial Investment Gain/Loss	<u>(624,785)</u>

\*Expected Investment Earnings =  $0.075 * (8,086,767 + 0.5 * 78,800)$

<u>Development of Actuarial Value of Assets</u>	
(1) Market Value of Assets, 09/30/2015	8,150,243
(2) Gains/(Losses) Not Yet Recognized	<u>(295,384)</u>
(3) Actuarial Value of Assets, 09/30/2015, (1) - (2)	8,445,627
 (A) 09/30/2014 Actuarial Assets:	 7,609,364
 (I) Net Investment Income:	
1. Interest and Dividends	226,134
2. Realized Gains (Losses)	160,375
2. Change in Actuarial Value	418,878
3. Investment Expenses	<u>(47,923)</u>
 Total	 757,464
 (A) 09/30/2015 Actuarial Assets:	 8,445,627
 Actuarial Assets Rate of Return = $2I/(A+B-I)$	 9.90%
Market Value of Assets Rate of Return:	-0.19%
 Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)	 183,806
 10/01/2015 Limited Actuarial Assets:	 8,445,627

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

REVENUES

Contributions:		
Member	79,609.87	
City	618,054.38	
State	127,668.11	
 Total Contributions		 825,332.36
Earnings from Investments:		
Interest & Dividends	226,133.96	
Net Realized Gain (Loss)	160,374.64	
Change in Actuarial Value	418,877.72	
 Total Earnings and Investment Gains		 805,386.32

EXPENDITURES

Distributions to Members:		
Benefit Payments	695,017.32	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	2,191.01	
 Total Distributions		 697,208.33
Expenses:		
Investment related <sup>1</sup>	47,922.71	
Administrative	49,324.13	
 Total Expenses		 97,246.84
 Change in Net Assets for the Year		 836,263.51
 Net Assets Beginning of the Year		 7,609,363.50
 Net Assets End of the Year <sup>2</sup>		 8,445,627.01

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

<sup>2</sup>Net Assets may be limited for actuarial consideration.

DEFERRED RETIREMENT OPTION PLAN ACTIVITY  
October 1, 2014 to September 30, 2015

Beginning of the Year Balance	162,697.68
Plus Additions	40,671.84
Investment Return Earned	(1,299.73)
Less Distributions	0.00
End of the Year Balance	202,069.79

STATISTICAL DATA <sup>1</sup>

	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>	<u>10/1/2015</u>
<u>Actives</u>				
Number	25	23	23	27
Average Current Age	35.9	37.1	35.8	34.0
Average Age at Employment	28.4	29.1	29.1	28.1
Average Past Service	7.5	8.0	6.7	5.9
Average Annual Salary	\$44,702	\$50,413	\$52,710	\$53,895
<u>Service Retirees</u>				
Number			23	22
Average Current Age			N/A	58.9
Average Annual Benefit			\$28,976	\$29,348
<u>DROP Retirees</u>				
Number			1	1
Average Current Age			N/A	50.3
Average Annual Benefit			\$40,672	\$40,672
<u>Beneficiaries</u>				
Number			0	1
Average Current Age			N/A	50.6
Average Annual Benefit			N/A	\$20,793
<u>Disability Retirees</u>				
Number			1	1
Average Current Age			N/A	53.1
Average Annual Benefit			\$28,580	\$28,580
<u>Terminated Vested</u>				
Number			10	9
Average Current Age			N/A	45.8
Average Annual Benefit			\$4,843	\$9,446

<sup>1</sup> Prior to 10/1/2014, averages were salary weighted.

## 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	3	1	0	0	0	0	0	0	0	0	0	4
25 - 29	2	2	0	0	1	1	0	0	0	0	0	6
30 - 34	0	0	0	1	0	2	1	0	0	0	0	4
35 - 39	0	0	0	2	0	1	2	0	0	0	0	5
40 - 44	0	0	0	1	1	2	0	1	0	0	0	5
45 - 49	0	0	0	0	0	1	0	0	0	0	0	1
50 - 54	0	0	0	0	0	1	0	0	1	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	5	3	0	4	2	8	3	1	1	0	0	27

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2014	23
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	0
f. DROP	<u>0</u>
g. Continuing participants	22
h. New entrants	<u>5</u>
i. Total active life participants in valuation	27

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

	Service Retirees, Vested Receiving <u>Benefits</u>	DROP <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested <u>Deferred</u>	<u>Total</u>
a. Number prior valuation	23	1	0	1	10	35
Retired	0	0	0	0	0	0
DROP	0	0	0	0	0	0
Vested Deferred	0	0	0	0	1	1
Death, With Survivor	(1)	0	1	0	0	0
Death, No Survivor	0	0	0	0	0	0
Disabled	0	0	0	0	0	0
Refund of Contributions	0	0	0	0	(2)	(2)
Rehires	0	0	0	0	0	0
Expired Annuities	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0
b. Number current valuation	22	1	1	1	9	34

SUMMARY OF PLAN PROVISIONS  
(Through Ordinance 2013-O-18)

<u>Eligibility</u>	Full-time police officers shall participate in the system as a condition of employment.
<u>Salary</u>	Total Compensation.
<u>Average Final Compensation (AFC)</u>	Average Salary for the highest 3 years during the 5 years immediately preceding retirement or termination.
<u>Credited Service</u>	Total years and fractional parts of years of service with the City as a Police Officer.
<u>Member Contributions</u>	6.00% of Salary.
<u>City and State Contributions</u>	Remaining amount necessary to pay current costs and amortize past service cost, if any, as provided in Part VII of Florida Statutes, Chapter 112.
<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 20 years of Credited Service, regardless of age.
Benefit	2.00% of Average Final Compensation times Credited Service as of 10/1/1987 plus 3.00% of Average Final Compensation times Credited Service after 10/1/1987.
Form of Benefit	Ten Year Certain and Life Annuity (options available).
<u>Early Retirement</u>	
Date	Age 50 and 5 years of Credited Service.
Benefit	Determined as for Normal Retirement and reduced 3.00% for each year that Early Retirement precedes Normal Retirement.
<u>Disability Benefit</u>	
Eligibility	
Service Incurred	Covered from Date of Employment.
Non-Service Incurred	5 years of Credited Service.
Exclusions	Disability resulting from use of drugs, illegal participation in riots, service in military, etc.

Benefit	Benefit accrued to date of disability. Minimum benefit for Service Incurred is 42% of AFC, for Non-Service Incurred is 25% of AFC.
Duration	Payable for life (with 120 monthly payments guaranteed), 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 100% 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.
-----------	---

Board of Trustees

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

Deferred Retirement Option Plan

Eligibility	Eligibility for Normal Retirement.
-------------	------------------------------------

Participation	Not to exceed 60 months.
---------------	--------------------------

Rate of Return	Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter.
----------------	---

Form of Distribution	Cash lump sum at termination of employment.
----------------------	---

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2015

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	366,109
Total Cash and Equivalents	366,109
Receivables:	
Investment Income	31,654
Total Receivable	31,654
Investments:	
U. S. Bonds and Bills	277,440
Federal Agency Guaranteed Securities	778,035
Corporate Bonds	1,541,896
Municipal Obligations	282,794
Stocks	2,807,050
Equity	2,073,429
Total Investments	7,760,644
Total Assets	8,158,407
<u>LIABILITIES</u>	
Payables:	
Investment Expenses	5,750
Administrative Expenses	2,414
Total Liabilities	8,164
NET POSITION RESTRICTED FOR PENSIONS	8,150,243

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

ADDITIONS

## Contributions:

Member	79,610	
City	618,054	
State	127,668	
 Total Contributions		 825,332
 Investment Income:		
Net Increase in Fair Value of Investments	(193,535)	
Interest & Dividends	226,134	
Less Investment Expense <sup>1</sup>	(47,923)	
 Net Investment Income		 (15,324)
 Total Additions		 810,008

DEDUCTIONS

## Distributions to Members:

Benefit Payments	695,017	
Lump Sum DROP Distributions	0	
Refunds of Member Contributions	2,191	
 Total Distributions		 697,208
 Administrative Expense		 49,324
 Total Deductions		 746,532
 Net Increase in Net Position		 63,476
 NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		8,086,767
 End of the Year		 8,150,243

<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 the Plan's Board of Trustees comprised of:

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

*Plan Membership as of October 1, 2014:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	25
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	10
Active Plan Members	23
	58
	58

*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 20 years of Credited Service, regardless of age.

Benefit: 2.0% of Average Final Compensation times Credited Service as of 10/1/1987 plus 3.0% of Average Final Compensation times Credited Service after 10/1/1987.

Early Retirement:

Date: Age 50 and 5 years of Credited Service.

Benefit: Determined as for Normal Retirement and reduced 3.0% for each year that Early Retirement precedes Normal Retirement.

Disability:

Eligibility: Service Incurred: Covered from Date of Employment.

Non-Service Incurred: 5 years of Credited Service.

Benefit: Benefit accrued to date of disability. Minimum benefit for Service Incurred is 42% of AFC, for Non-Service Incurred 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 100% qualified joint and survivor annuity and then died the next day.

Not Vested: Refund of accumulated contributions without interest.

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.

*Contributions*

Member Contributions: 6.00% of Salary.

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

Investments

*Investment Policy:*

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

Asset Class	Target Allocation
Domestic Equity	45%
International Equity	15%
Broad Market Fixed Income	25%
Real Estate	10%
TIPS	5%
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, 2015, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was -0.19 percent.

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

Deferred Retirement Option Program

Eligibility: Eligibility for Normal Retirement.

Participation: Not to exceed 60 months.

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

The DROP balance as September 30, 2015 is \$202,070.

## 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	\$ 11,892,699
Plan Fiduciary Net Position	\$ (8,150,243)
Sponsor's Net Pension Liability	\$ 3,742,456
Plan Fiduciary Net Position as a percentage of Total Pension Liability	68.53%

*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	4.20% - 7.50%
Discount Rate	7.50%
Investment Rate of Return	7.50%

Mortality Rate: RP-2000 Combined Healthy Mortality, projected to 2005 using scale AA. We believe this assumption sufficiently accommodates future mortality improvements.

The significant assumptions are based upon the most recent actuarial experience study dated September 13th, 2013 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, 2015 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.5%
International Equity	8.5%
Broad Market Fixed Income	2.5%
Real Estate	2.5%
TIPS	4.5%

**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	\$ 5,111,924	\$ 3,742,456	\$ 2,599,080

## 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			
Prior Period Adjustment		(386,259)	
Service Cost	209,572	206,976	192,536
Interest	855,433	859,397	836,080
Change in Excess State Money	-	-	-
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	(19,907)	-	-
Changes of assumptions	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(697,208)	(773,904)	(690,444)
Net Change in Total Pension Liability	347,890	(93,790)	338,172
Total Pension Liability - Beginning	11,544,809	11,638,599	11,300,427
Total Pension Liability - Ending (a)	<u>\$ 11,892,699</u>	<u>\$ 11,544,809</u>	<u>\$ 11,638,599</u>
Plan Fiduciary Net Position			
Contributions - Employer	618,054	534,795	768,448
Contributions - State	127,668	125,387	121,375
Contributions - Employee	79,610	76,054	70,431
Net Investment Income	(15,324)	759,444	769,004
Benefit Payments, including Refunds of Employee Contributions	(697,208)	(773,904)	(690,444)
Administrative Expense	(49,324)	(36,404)	(82,988)
Net Change in Plan Fiduciary Net Position	63,476	685,372	955,826
Plan Fiduciary Net Position - Beginning	8,086,767	7,401,395	6,445,569
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,150,243</u>	<u>\$ 8,086,767</u>	<u>\$ 7,401,395</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 3,742,456</u>	<u>\$ 3,458,042</u>	<u>\$ 4,237,204</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	68.53%	70.05%	63.59%
Covered Employee Payroll*	\$ 1,396,624	\$ 1,267,568	\$ 1,173,844
Net Pension Liability as a percentage of Covered Employee Payroll	267.96%	272.81%	360.97%

**Notes to Schedule:**

\*The Covered Employee Payroll figures were not available. For the Fiscal 2015 Pensionable Salary plus DROP has been reported instead.

**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years

	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	768,235	766,878	874,513
Contributions in relation to the Actuarially Determined Contributions	745,722	660,182	768,448
Contribution Deficiency (Excess)	<u>\$ 22,513</u>	<u>\$ 106,696</u>	<u>\$ 106,065</u>
Covered Employee Payroll*	\$ 1,396,624	\$ 1,267,568	\$ 1,173,844
Contributions as a percentage of Covered Employee Payroll	53.39%	52.08%	65.46%

\*The Covered Employee Payroll figures were not available. For the Fiscal 2015 Pensionable Salary plus DROP has been reported instead.

Notes to Schedule

Valuation Date: 10/01/2013

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 dollar.  
 Remaining Amortization Period: 20 Years (as of 10/01/2013).  
 Mortality: RP-2000 Combined Healthy Mortality, projected to 2005 using scale AA. Based on a study of over 650 public safety funds, the RP-2000 table (with no projection) reflects a 10% margin for future mortality improvements.  
 Interest Rate: 7.5% per year compounded annually, net of investment related expenses.

Retirement Age:

Years Eligible for Normal Retirement	Retirement Probability
0	50%
1	0%
2	33%
3	60%
4	60%
5	60%
6 and greater	100%

Early Retirement: None assumed.

Inflation: 3.0% per year.

Salary Increases:

Credited Service	Assumption
Less than 10 Years	7.5%
10 Years or Greater	4.2%

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.

GASB 67

Termination Rates:

Credited Service	Assumption
Less than 5 Years	18%
5-9 Years	14%
10 Years and Greater	0%

Disability Rates:

See sample rates below. 80% of disablements are assumed as service-related.

Age	% Becoming Disabled During the Year
40	0.30%
45	0.51
50	1.00
55	1.55

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	-0.19%	10.40%	10.40%

NOTES TO THE FINANCIAL STATEMENTS  
(For the Year Ended September 30, 2016)

General Information about the Pension Plan

*Plan Description*

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

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

Full-time police officers shall participate in the system as a condition of employment.

*Plan Membership as of October 1, 2014:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	25
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	10
Active Plan Members	23
	58
	58

*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 20 years of Credited Service, regardless of age.

Benefit: 2.0% of Average Final Compensation times Credited Service as of 10/1/1987 plus 3.0% of Average Final Compensation

Early Retirement:

Date: Age 50 and 5 years of Credited Service.

Benefit: Determined as for Normal Retirement and reduced 3.0% for each year that Early Retirement precedes Normal Retirement.

Disability:

Eligibility: Service Incurred: Covered from Date of Employment.

Benefit: Benefit accrued to date of disability. Minimum benefit for Service Incurred is 42% of AFC, for Non-Service Incurred 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 100% qualified joint and survivor annuity and then died the next day.

Not Vested: Refund of accumulated contributions without interest.

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.

*Contributions*

Member Contributions: 6.00% of Salary.

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

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	4.20% - 7.50%
Discount Rate	7.50%
Investment Rate of Return	7.50%

Mortality Rate: RP-2000 Combined Healthy Mortality, projected to 2005 using scale AA. We believe this assumption sufficiently accommodates future mortality improvements.

The significant assumptions are based upon the most recent actuarial experience study dated September 13th, 2013 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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	45%	7.5%
International Equity	15%	8.5%
Broad Market Fixed Income	25%	2.5%
Real Estate	10%	2.5%
TIPS	5%	4.5%
Total	100%	

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)
Reporting Period Ending September 30, 2015	\$ 11,544,809	\$ 8,086,767	\$ 3,458,042
Changes for a Year:			
Service Cost	209,572	-	209,572
Interest	855,433	-	855,433
Differences between Expected and Actual Experience	(19,907)	-	(19,907)
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - Employer	-	618,054	(618,054)
Contributions - State	-	127,668	(127,668)
Contributions - Employee	-	79,610	(79,610)
Net Investment Income	-	(15,324)	15,324
Benefit Payments, including Refunds of Employee Contributions	(697,208)	(697,208)	-
Administrative Expense	-	(49,324)	49,324
Net Changes	347,890	63,476	284,414
Reporting Period Ending September 30, 2016	\$ 11,892,699	\$ 8,150,243	\$ 3,742,456

*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	\$ 5,111,924	\$ 3,742,456	\$ 2,599,080

*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 \$448,098.

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	-	14,931
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan investments	264,128	-
Employer and State contributions subsequent to the measurement date	TBD	-
<b>Total</b>	<b>\$ 264,128</b>	<b>\$ 14,931</b>

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer and State 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	\$ 22,842
2018	\$ 22,841
2019	\$ 78,557
2020	\$ 124,957
2021	\$ -
Thereafter	\$ -

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

Reporting Period Ending Measurement Date	09/30/2016 09/30/2015	09/30/2015 09/30/2014	09/30/2014 09/30/2013
Total Pension Liability			
Prior Period Adjustment		(386,259)	
Service Cost	209,572	206,976	192,536
Interest	855,433	859,397	836,080
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	(19,907)	-	-
Changes of assumptions	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(697,208)	(773,904)	(690,444)
Net Change in Total Pension Liability	347,890	(93,790)	338,172
Total Pension Liability - Beginning	11,544,809	11,638,599	11,300,427
Total Pension Liability - Ending (a)	<u>\$ 11,892,699</u>	<u>\$ 11,544,809</u>	<u>\$ 11,638,599</u>
Plan Fiduciary Net Position			
Contributions - Employer	618,054	534,795	768,448
Contributions - State	127,668	125,387	121,375
Contributions - Employee	79,610	76,054	70,431
Net Investment Income	(15,324)	759,444	769,004
Benefit Payments, including Refunds of Employee Contributions	(697,208)	(773,904)	(690,444)
Administrative Expense	(49,324)	(36,404)	(82,988)
Net Change in Plan Fiduciary Net Position	63,476	685,372	955,826
Plan Fiduciary Net Position - Beginning	8,086,767	7,401,395	6,445,569
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,150,243</u>	<u>\$ 8,086,767</u>	<u>\$ 7,401,395</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 3,742,456</u>	<u>\$ 3,458,042</u>	<u>\$ 4,237,204</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	68.53%	70.05%	63.59%
Covered Employee Payroll*	\$ 1,396,624	\$ 1,267,568	\$ 1,173,844
Net Pension Liability as a percentage of Covered Employee Payroll	267.96%	272.81%	360.97%

**Notes to Schedule:**

*\*The Covered Employee Payroll figures were not available. For the Reporting Period Endin year 2016 Pensionable Salary plus DROP has been reported instead.*

**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years

Reporting Period Ending	09/30/2016	09/30/2015	09/30/2014
Measurement Date	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	768,235	766,878	874,513
Contributions in relation to the Actuarially Determined Contributions	745,722	660,182	768,448
Contribution Deficiency (Excess)	<u>\$ 22,513</u>	<u>\$ 106,696</u>	<u>\$ 106,065</u>
Covered Employee Payroll*	\$ 1,396,624	\$ 1,267,568	\$ 1,173,844
Contributions as a percentage of Covered Employee Payroll	53.39%	52.08%	65.46%

*\*The Covered Employee Payroll figures were not available. For the Reporting Period Endin year 2016 Pensionable Salary plus DROP has been reported instead.*

Notes to Schedule

Valuation Date: 10/01/2013

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 dollar.  
 Remaining Amortization Period: 20 Years (as of 10/01/2013).  
 Mortality: RP-2000 Combined Healthy Mortality, projected to 2005 using scale AA. Based on a study of over 650 public safety funds, the RP-2000 table (with no projection) reflects a 10% margin for future mortality improvements.  
 Interest Rate: 7.5% per year compounded annually, net of investment related expenses.

Retirement Age:

Years Eligible for Normal Retirement	Retirement Probability
0	50%
1	0%
2	33%
3	60%
4	60%
5	60%
6 and greater	100%

Early Retirement: None assumed.

Inflation: 3.0% per year.

Salary Increases:

Credited Service	Assumption
Less than 10 Years	7.5%
10 Years or Greater	4.2%

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.

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Termination Rates:

Credited Service	Assumption
Less than 5 Years	18%
5-9 Years	14%
10 Years and Greater	0%

Disability Rates:

See sample rates below. 80% of disablements are assumed as service-related.

Age	% Becoming Disabled During the Year
40	0.30%
45	0.51
50	1.00
55	1.55

FINAL COMPONENTS OF PENSION EXPENSE  
FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning Balance	\$ 4,237,204	\$ 222,864	\$ 660,182	\$ -
Prior Period Adjustment	\$ (386,259)			
	<u>\$ 3,850,945</u>	<u>\$ 222,864</u>	<u>\$ 660,182</u>	<u>\$ -</u>
Employer and State contributions made after 09/30/2014	-	-	745,722	-
Total Pension Liability Factors:				
Service Cost	206,976	-	-	206,976
Interest	859,397	-	-	859,397
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	(773,904)	-	-	(773,904)
Net change	<u>292,469</u>	<u>-</u>	<u>745,722</u>	<u>292,469</u>
Plan Fiduciary Net Position:				
Contributions - Employer	534,795	-	(534,795)	-
Contributions - State	125,387	-	(125,387)	-
Contributions - Employee	76,054	-	-	(76,054)
Net Investment Income	552,327	-	-	(552,327)
Difference between projected and actual earnings on Pension Plan investments	207,117	207,117	-	-
Current year amortization	-	(97,140)	-	(97,140)
Benefit Payments	(773,904)	-	-	773,904
Administrative Expenses	(36,404)	-	-	36,404
Net change	<u>685,372</u>	<u>109,977</u>	<u>(660,182)</u>	<u>84,787</u>
Ending Balance	<u>\$ 3,458,042</u>	<u>\$ 332,841</u>	<u>\$ 745,722</u>	<u>\$ 377,256</u>

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

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 3,458,042	\$ 332,841	\$ 745,722	\$ -
Employer and State Contributions made after 09/30/2015	-	-	TBD*	-
Total Pension Liability Factors:				
Service Cost	209,572	-	-	209,572
Interest	855,433	-	-	855,433
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(19,907)	19,907	-	-
Current year amortization of experience difference	-	(4,976)	-	(4,976)
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(697,208)	-	-	(697,208)
Net change	<u>347,890</u>	<u>14,931</u>	<u>-</u>	<u>362,821</u>
Plan Fiduciary Net Position:				
Contributions - Employer	618,054	-	(618,054)	-
Contributions - State	127,668	-	(127,668)	-
Contributions - Employee	79,610	-	-	(79,610)
Net Investment Income	609,463	-	-	(609,463)
Difference between projected and actual earnings on Pension Plan investments	(624,787)	-	624,787	-
Current year amortization	-	(97,140)	(124,958)	27,818
Benefit Payments	(697,208)	-	-	697,208
Administrative Expenses	(49,324)	-	-	49,324
Net change	<u>63,476</u>	<u>(97,140)</u>	<u>(245,893)</u>	<u>85,277</u>
Ending Balance	<u>\$ 3,742,456</u>	<u>\$ 250,632</u>	<u>TBD</u>	<u>\$ 448,098</u>

\* Employer and State Contributions subsequent to the measurement date made after September 30, 2015 but made on or before September 30, 2016 needs to be added.