

CITY OF NAPLES
GENERAL RETIREMENT SYSTEM

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2015

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

December 3, 2015

Board of Trustees
City of Naples General Retirement System
c/o City of Naples Finance Department
735 8th Street, South
Naples, FL 34102

Re: City of Naples
General Retirement System

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Naples General Retirement System. 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 Chapter 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. 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 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 Naples, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Naples General Retirement System. 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

TABLE OF CONTENTS

Section	Title	Page
I	<u>Introduction</u>	
	a. Summary of Report	5
	b. Contribution Impact of Annual Changes	7
	c. Changes Since Prior Valuation	8
	d. Requirements of Chapter 112, Part VII, Florida Statutes	9
II	<u>Valuation Information</u>	
	a. Reconciliation of Unfunded Actuarial Accrued Liabilities and Derivation of Actuarial (Gain)/Loss	14
	b. Detailed Actuarial (Gain)/Loss Analysis	15
	c. Actuarial Assumptions and Methods	16
	d. Valuation Notes	19
III	Trust Fund	20
IV	<u>Member Statistics</u>	
	a. Statistical Data	25
	b. Age and Service Distribution	26
	c. Member Reconciliation	27
V	Summary of Plan Provisions	28
VI	Governmental Accounting Standards Board Disclosure Information	31

SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Naples General Retirement System, 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 City’s plan/fiscal year ending September 30, 2017. Funding requirements are projected for a lump sum City deposit on October 1, 2016, based on the Board’s adoption of a Beginning of Year Funding Method.

The funding requirements, compared with the amounts developed in the October 1, 2014, actuarial valuation (as modified with our May 20, 2015 Beginning of Year Funding analysis), 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	16.34%	15.54%
Member Contributions (Est.)		
% of Total Annual Payroll	4.43%	4.39%
City Required Contribution ¹		
% of Total Annual Payroll	11.91%	11.15%

¹ Additionally, the City has access to a \$21,869.61 prepaid contribution; this may be applied to the City’s October 1, 2015 lump sum deposit.

Experience since the last valuation has been more favorable than expected, relative to the Plan’s actuarial assumptions. The primary sources of favorable experience included a 9.8% net-of-fees investment return (Actuarial Asset Basis), exceeding the 7.5% assumption, average increases in pensionable compensation that were below the assumption by approximately 2%, greater than expected employee turnover, and greater than expected inactive mortality. There were no material sources of actuarial loss.

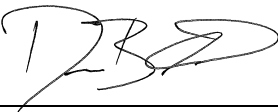
The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 

Douglas H. Lozen, EA, MAAA

By: 

Drew D. Ballard, EA, MAAA

CONTRIBUTION IMPACT OF ANNUAL CHANGES

(1) Contribution Determined as of October 1, 2014	11.91%
(2) Summary of Contribution Impact by component:	
Investment Return (Actuarial Asset Basis)	-0.4%
Salary Increases	-0.1%
Payroll Change	0.2%
Payroll Growth Assumption	0.0%
Amortization Base Payoffs	0.0%
New Entrants	0.0%
Active Decrements	-0.1%
Inactive Mortality	-0.4%
Data Corrections	0.0%
Assumption Change	0.0%
Other	<u>0.0%</u>
	-0.76%
(3) Contribution Determined as of October 1, 2015	11.15%

CHANGES SINCE PRIOR VALUATION

Plan Changes

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

Actuarial Assumption/Method Changes

Mortality rates are based on the RP 2000 Combined Healthy Table, projected to October 1, 2015 using Scale AA. The prior valuation projected rates to October 1, 2014 using Scale AA.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Method <u>10/1/2015</u>	New Method <u>10/1/2014</u>	Old Method <u>10/1/2014</u>
A. Participant Data			
Number Included			
Actives	299	301	301
Service Retirees	219	222	222
DROP Retirees	0	0	0
Beneficiaries	17	16	16
Disability Retirees	1	1	1
Terminated Vested	<u>38</u>	<u>27</u>	<u>27</u>
Total	574	567	567
 Total Annual Payroll	 16,009,433	 15,835,700	 15,835,700
 Annual Rate of Payments to:			
Service Retirees	3,478,289	3,365,465	3,365,465
DROP Retirees	0	0	0
Beneficiaries	133,370	132,317	132,317
Disability Retirees	10,171	10,171	10,171
Terminated Vested	302,948	276,814	276,814
 B. Assets			
Actuarial Value	49,154,365	46,476,025	46,476,025
Market Value	49,861,157	51,236,145	51,236,145
 C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	31,540,897	32,165,144	32,165,144
Disability Benefits	729,298	784,447	784,447
Death Benefits	362,679	361,181	361,181
Vested Benefits	1,245,994	1,337,098	1,337,098
Refund of Contributions	1,066,578	976,330	976,330
Service Retirees	33,156,929	32,547,621	32,547,621
DROP Retirees	0	0	0
Beneficiaries	1,149,995	1,092,041	1,092,041
Disability Retirees	84,375	86,059	86,059
Terminated Vested	<u>2,024,320</u>	<u>1,986,936</u>	<u>1,986,936</u>
Total	71,361,065	71,336,857	71,336,857

C. Liabilities - (Continued)	New Method 10/1/2015	New Method 10/1/2014	Old Method 10/1/2014
Present Value of Future Salaries	109,964,069	110,882,815	110,882,815
Present Value of Future Member Contributions	4,827,423	4,910,463	4,910,463
Normal Cost (Retirement)	1,048,077	1,043,314	1,043,314
Normal Cost (Disability)	35,895	37,337	37,337
Normal Cost (Death)	22,082	21,196	21,196
Normal Cost (Vesting)	97,228	113,753	113,753
Normal Cost (Refunds)	<u>138,175</u>	<u>128,506</u>	<u>128,506</u>
Total Normal Cost	1,341,457	1,344,106	1,344,106
Present Value of Future Normal Costs	7,771,193	7,919,378	7,919,378
Accrued Liability (Retirement)	25,418,534	25,855,420	25,855,420
Accrued Liability (Disability)	524,342	569,861	569,861
Accrued Liability (Death)	205,482	206,223	206,223
Accrued Liability (Vesting)	681,602	723,901	723,901
Accrued Liability (Refunds)	344,293	349,417	349,417
Accrued Liability (Inactives)	<u>36,415,619</u>	<u>35,712,657</u>	<u>35,712,657</u>
Total Actuarial Accrued Liability	63,589,872	63,417,479	63,417,479
Unfunded Actuarial Accrued Liability (UAAL)	14,435,507	16,941,454	16,941,454
Funded Ratio (AVA / AL)	77.3%	73.3%	73.3%
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives	36,415,619	35,712,657	35,712,657
Actives	15,802,598	16,145,946	16,145,946
Member Contributions	<u>7,436,153</u>	<u>7,247,611</u>	<u>7,247,611</u>
Total	59,654,370	59,106,214	59,106,214
Non-vested Accrued Benefits	<u>919,702</u>	<u>1,279,973</u>	<u>1,279,973</u>
Total Present Value Accrued Benefits	60,574,072	60,386,187	60,386,187
Funded Ratio (MVA / PVAB)	82.3%	84.8%	84.8%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	0	0	
New Accrued Benefits	176,954	0	
Benefits Paid	(4,354,731)	0	
Interest	4,365,662	0	
Other	<u>0</u>	<u>0</u>	
Total	187,885	0	

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

E. Pension Cost

Normal Cost (with interest)			
% of Total Annual Payroll ¹	8.38	8.49	8.81
Administrative Expenses (with interest)			
% of Total Annual Payroll ¹	0.85	0.81	0.84
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/2015)			
% of Total Annual Payroll ¹	6.31	7.04	7.30
Total Required Contribution			
% of Total Annual Payroll ¹	15.54	16.34	16.95
Expected Member Contributions			
% of Total Annual Payroll ¹	4.39	4.43	4.43
Expected City Contribution			
% of Total Annual Payroll ¹	11.15	11.91	12.52

F. Past Contributions

Plan Years Ending:	<u>9/30/2015</u>
Total Required Contribution	2,718,371
City Requirement	2,023,395
Actual Contributions Made:	
Members (excluding buyback)	694,975
City	<u>2,023,395</u>
Total	2,718,370

G. Net Actuarial (Gain)/Loss (2,500,560)

¹ Contributions developed as of 10/1/2015 are expressed as a percentage of total annual payroll at 10/1/2015 of \$16,009,433.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2015	14,435,507
2016	14,431,525
2017	14,389,210
2020	13,988,374
2025	12,082,263
2030	7,844,345
2045	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2015	3.21%	5.27%
Year Ended	9/30/2014	2.66%	7.00%
Year Ended	9/30/2013	2.20%	7.00%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2015	9.76%	7.50%
Year Ended	9/30/2014	11.55%	7.50%
Year Ended	9/30/2013	9.31%	7.50%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2015	\$16,009,433
	10/1/2005	11,268,057
(b) Total Increase		42.1%
(c) Number of Years		10.00
(d) Average Annual Rate		3.6%

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

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2014	\$16,941,454
(2)	Sponsor Normal Cost developed as of October 1, 2014	642,584
(3)	Expected administrative expenses for the year ended September 30, 2015	128,474
(4)	Expected interest on (1), (2) and (3)	1,323,621
(5)	Sponsor contributions to the System during the year ended September 30, 2015	2,023,395
(6)	Expected interest on (5)	76,671
(7)	Expected Unfunded Actuarial Accrued Liability as of September 30, 2015 (1)+(2)+(3)+(4)-(5)-(6)	16,936,067
(8)	Change to UAAL due to Assumption Change	0
(9)	Change to UAAL due to Actuarial (Gain)/Loss	(2,500,560)
(10)	Unfunded Accrued Liability as of October 1, 2015	14,435,507

	<u>Type of</u> <u>Base</u>	<u>Date</u> <u>Established</u>	<u>Years</u> <u>Remaining</u>	<u>10/1/2015</u> <u>Amount</u>	<u>Amortization</u> <u>Amount</u>
	Experience Loss	10/1/2002	17	\$1,928,788	\$151,047
	Experience Loss	10/1/2003	18	710,746	53,462
	Experience Loss	10/1/2004	19	3,225,638	233,748
	Amendment	10/1/2004	19	27,320	1,980
	Experience Gain	10/1/2005	20	(2,109,886)	(147,688)
	Experience Gain	10/1/2006	21	(204,965)	(13,892)
	Amendment	10/1/2006	21	69,359	4,701
	Experience Loss	10/1/2007	22	815,085	53,604
Method/Assump	Change	10/1/2007	22	4,817,919	316,852
	Experience Loss	10/1/2008	23	5,961,809	381,195
	Assump Changes	10/1/2009	24	(33,651)	(2,096)
	Experience Loss	10/1/2009	24	7,428,365	462,601
	Experience Loss	10/1/2010	25	658,996	40,035
	Benefit Change	10/1/2010	25	(9,395,778)	(570,814)
	Experience Loss	10/1/2011	26	2,869,468	170,317
	Benefit Change	10/1/2011	26	369,520	21,933
	Experience Loss	10/1/2012	27	1,085,548	63,036
	Experience Gain	10/1/2013	28	(343,466)	(19,537)
	Experience Gain	10/1/2014	29	(1,099,720)	(61,348)
	Assump Change	10/1/2014	29	154,972	8,645
	Actuarial Gain	10/1/2015	30	<u>(2,500,560)</u>	<u>(136,949)</u>
				14,435,507	1,010,832

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2014	\$16,941,454
(2) Expected UAAL as of October 1, 2015	16,936,067
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(1,029,595)
Salary Increases	(237,589)
Active Decrements	(382,454)
Inactive Mortality	(1,042,909)
Other	<u>191,987</u>
Increase in UAAL due to (Gain)/Loss	(2,500,560)
Assumption Changes	<u>0</u>
(4) Actual UAAL as of October 1, 2015	\$14,435,507

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rates

RP-2000 Sex-Distinct Healthy Mortality Table, projected to Valuation Date using Scale AA. Disabled lives are set forward 5 years.

We believe this assumption sufficiently accommodates expected future mortality improvements.

Interest Rate

7.50% per year, compounded annually, net of investment related expenses. This assumption was adopted by the Board in conjunction with a revision to the October 1, 2009 valuation.

Termination Rates

Sample Ages	Years of Service	% of Active Members Separating Within Next Year
ALL	0	20.0%
	1	18.0%
	2	16.0%
	3	10.0%
	4	6.0%
20	5+	16.2%
25		13.2%
30		10.8%
35		9.4%
40		7.8%
45		5.8%
50		3.2%
55+		0.8%

The above rates were incorporated with the October 1, 2007 valuation as the result of a prior Experience Study.

Disability Rates

Sample Ages	% Becoming Disabled During the Year
20	0.05%
25	0.05%
30	0.06%
35	0.09%
40	0.12%
45	0.28%
50	0.43%

The above rates are consistent with the national average for general employee public pension plans.

Salary Increases

<u>Years of Service</u>	<u>Increase</u>
1 to 2	6.0%
3	5.5%
4	5.5%
5	5.5%
6	5.5%
7 to 8	5.5%
9	5.5%
10 to 19	5.0%
20+	4.0%

The above rates were incorporated with the October 1, 2014 valuation as the result of an Experience Study.

Normal Retirement Rates

<u>Number of Years After First Eligibility For Normal Retirement</u>	<u>Probability of Retirement</u>
0	25%
1	25%
2	50%
3	50%
4	60%
5	80%
6	100%

The above rates were incorporated with the October 1, 2007 valuation as the result of a prior Experience Study.

For Members hired after September 30, 2011, 100% retirement is assumed at the earlier of 1) Age 65 with 8 years of Credited Service, and 2) the completion of 33 years of Credited Service, regardless of Age. This assumption is reasonable, based on Plan provisions and historical experience.

Early Retirement Rates

Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year. This assumption was incorporated with the October 1, 2007 valuation as the result of a prior Experience Study.

Payroll Growth

3.5% per year for amortization of the Unfunded Actuarial Accrued Liability. This assumption is consistent with the long-term payroll growth average, and therefore deemed reasonable.

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 five-year period.

Administrative Expenses

\$135,760, based on actual incurred administrative expenses from the prior fiscal year.

Funding Method

Entry Age Actuarial Cost Method.

VALUATION NOTES

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

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

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

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

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

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

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Checking Account	503.18	503.18
Money Market	1,159,826.00	1,159,826.00
Cash	475.71	475.71
 Total Cash and Equivalents	 1,160,804.89	 1,160,804.89
Receivables:		
Member Contributions	25.74	25.74
City Contributions	177.29	177.29
 Total Receivable	 203.03	 203.03
Investments:		
Fixed Income	9,768,195.88	9,781,440.03
Equities	28,825,666.76	31,750,059.03
Pooled/Common/Commingled Funds:		
Fixed Income	2,300,000.00	2,311,198.00
Hedge	2,300,000.00	2,335,014.00
Real Estate	2,000,000.00	2,544,437.98
 Total Investments	 45,193,862.64	 48,722,149.04
 Total Assets	 46,354,870.56	 49,883,156.96
 <u>LIABILITIES</u>		
Prepaid Member Contribution	129.89	129.89
Prepaid City Contribution	21,869.61	21,869.61
 Total Liabilities	 21,999.50	 21,999.50
 NET POSITION RESTRICTED FOR PENSIONS	 46,332,871.06	 49,861,157.46
 TOTAL LIABILITIES AND NET ASSETS	 46,354,870.56	 49,883,156.96
	46,354,870.56	49,883,156.96
	0.00	0.00

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

ADDITIONS

Contributions:

Member	694,975.42	
City	2,023,395.31	

Total Contributions		2,718,370.73
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Investment Income:

Net Realized Gain (Loss)	2,978,497.39	
Unrealized Gain (Loss)	(3,297,670.34)	
Net Increase in Fair Value of Investments	(319,172.95)	
Interest & Dividends	983,447.22	
Less Investment Expense ¹	(267,140.75)	

Net Investment Income		397,133.52
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Total Additions		3,115,504.25
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DEDUCTIONS

Distributions to Members:

Benefit Payments	3,591,008.08	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	763,723.40	

Total Distributions		4,354,731.48
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Administrative Expense		135,759.82
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Total Deductions		4,490,491.30
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Net Increase in Net Position		(1,374,987.05)
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NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		51,236,144.51
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End of the Year		49,861,157.46
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¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

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

REVENUES

Contributions:		
Member	694,975.42	
City	2,023,395.31	
Total Contributions		2,718,370.73
Earnings from Investments:		
Interest & Dividends	983,447.22	
Net Realized Gain (Loss)	2,978,497.39	
Change in Actuarial Value	755,657.66	
Total Earnings and Investment Gains		4,717,602.27

EXPENDITURES

Distributions to Members:		
Benefit Payments	3,591,008.08	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	763,723.40	
Total Distributions		4,354,731.48
Expenses:		
Investment Related ¹	267,140.75	
Administrative	135,759.82	
Total Expenses		402,900.57
Change in Net Assets for the Year		2,678,340.95
Net Assets Beginning of the Year		46,476,024.51
Net Assets End of the Year²		49,154,365.46

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

²Net Assets may be limited for actuarial consideration.

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 five year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth 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				
		2015	2016	2017	2018	2019
09/30/2011	(2,982,368)	0	0	0	0	0
09/30/2012	4,810,181	962,036	0	0	0	0
09/30/2013	2,501,369	1,000,548	500,274	0	0	0
09/30/2014	2,414,626	1,448,776	965,850	482,925	0	0
09/30/2015	(3,380,710)	(2,704,568)	(2,028,426)	(1,352,284)	(676,142)	0
Total		706,792	(562,302)	(869,359)	(676,142)	0

<u>Development of Investment Gain/Loss</u>	
Market Value of Assets, including Prepaid Contributions, 09/30/2014	51,257,316
Contributions Less Benefit Payments & Admin Expenses	(1,772,121)
Expected Investment Earnings*	3,777,844
Actual Net Investment Earnings	397,134
2015 Actuarial Investment Gain/(Loss)	<u>(3,380,710)</u>

*Expected Investment Earnings = $0.075 * [51,257,316 + 0.5 * (1,772,121)]$

<u>Development of Actuarial Value of Assets</u>	
(1) Market Value of Assets, 09/30/2015	49,861,157
(2) Gains/(Losses) Not Yet Recognized	706,792
(3) Actuarial Value of Assets, 09/30/2015, (1) - (2)	<u>49,154,365</u>
(A) 09/30/2014 Actuarial Assets, including Prepaid Contributions:	46,497,196
(I) Net Investment Income:	
1. Interest and Dividends	983,447
2. Realized Gains (Losses)	2,978,497
3. Change in Actuarial Value	755,658
4. Investment Expenses	(267,141)
Total	<u>4,450,462</u>
(B) 09/30/2015 Actuarial Assets, including Prepaid Contributions:	49,176,365
Actuarial Assets Rate of Return = $2I/(A+B-I)$:	9.76%
Market Value of Assets Rate of Return:	0.79%
Actuarial Gain/(Loss) due to Investment Return (actuarial Asset Basis)	1,029,595
10/01/2015 Limited Actuarial Assets, not including Prepaid:	49,154,365

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

(1) City and State Contribution Rate	12.92%
(2) Pensionable Payroll	<u>\$15,660,954.44</u>
(3) City and State Required Contribution (1) x (2)	2,023,395.31
(4) Less 2014 Prepaid Contribution	(21,171.60)
(5) Less Actual City Contributions	<u>(2,024,093.32)</u>
(6) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2015	(\$21,869.61)

STATISTICAL DATA

	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>	<u>10/1/2015</u>
<u>Actives - Hired on or before September 30, 2011</u>				
Number	255	237	212	191
Average Current Age	48.5	49.4	50.6	51.6
Average Age at Employment	37.8	37.8	38.1	38.2
Average Past Service	10.7	11.6	12.5	13.4
Average Annual Salary	\$52,588	\$53,746	\$53,980	\$55,822

Actives - Hired after September 30, 2011

Number	47	68	89	108
Average Current Age	39.1	39.9	41.3	41.1
Average Age at Employment	38.4	38.6	39.5	39.1
Average Past Service	0.7	1.3	1.8	2.0
Average Annual Salary	\$47,909	\$47,777	\$49,346	\$49,513

Service Retirees

Number	211	211	222	219
Average Current Age	N/A	N/A	N/A	70.6
Average Annual Benefit	\$13,669	\$14,553	\$15,160	\$15,883

DROP Retirees

Number	0	0	0	0
Average Current Age	N/A	N/A	N/A	N/A
Average Annual Benefit	N/A	N/A	N/A	N/A

Beneficiaries

Number	15	16	16	17
Average Current Age	N/A	N/A	N/A	70.8
Average Annual Benefit	\$8,458	\$8,334	\$8,270	\$7,845

Disability Retirees

Number	1	1	1	1
Average Current Age	N/A	N/A	N/A	66.2
Average Annual Benefit	\$10,171	\$10,171	\$10,171	\$10,171

Terminated Vested ¹

Number	N/A	18	21	23
Average Current Age	N/A	N/A	N/A	50.3
Average Annual Benefit	N/A	\$14,876	\$13,182	\$13,172

¹ Excludes non-vested Members awaiting a refund of Member Contributions.

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	0	0	0	1	0	0	0	0	0	0	0	1
25 - 29	9	4	3	1	1	5	0	0	0	0	0	23
30 - 34	4	5	2	5	2	2	3	0	0	0	0	23
35 - 39	7	3	1	4	3	6	2	2	0	0	0	28
40 - 44	4	4	2	1	4	16	3	1	0	0	0	35
45 - 49	3	3	5	4	1	14	2	3	4	1	0	40
50 - 54	3	4	1	5	1	13	8	3	6	3	0	47
55 - 59	3	1	1	2	3	10	11	10	6	4	5	56
60 - 64	1	1	3	0	1	14	3	7	3	3	0	36
65+	0	0	0	1	0	3	0	3	2	0	1	10
Total	34	25	18	24	16	83	32	29	21	11	6	299

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2014	301
b. Terminations	
i. Vested (partial or full) with deferred benefits ¹	(16)
ii. Non-vested or full lump sum distribution received	(13)
c. Deaths	
i. Beneficiary receiving benefits	(1)
ii. No future benefits payable	0
d. Disabled	0
e. Retired	(6)
f. DROP	0
g. Voluntary withdrawal	<u>0</u>
h. Continuing participants	265
i. New entrants	<u>34</u>
j. Total active life participants in valuation	299

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> ¹	<u>Total</u>
a. Number prior valuation	222	0	16	1	27	266
Retired	6	0	0	0	0	6
DROP	0	0	0	0	0	0
Vested Deferred	1	0	0	0	7	8
Death, With Survivor	(1)	0	1	0	0	0
Death, No Survivor	(9)	0	(1)	0	(1)	(11)
Disabled	0	0	0	0	0	0
Refund of Contributions	0	0	1	0	5	6
Rehires	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0
b. Number current valuation	219	0	17	1	38	275

¹ Includes nonvested Members awaiting a refund of Member Contributions.

GENERAL RETIREMENT SYSTEM
SUMMARY OF PLAN PROVISIONS
(Through Ordinance 12-13142)

<u>Eligibility</u>	Full-time General Employees hired prior to 3/1/95 enter the Plan on employment. Those hired after 2/28/95 enter following 6 months of service.
<u>Compensation</u>	Base pay, including holiday, vacation, longevity, and sick pay, but excluding overtime and all other pay.
<u>Final Average Compensation</u>	Average of Compensation paid during the eight (8) highest consecutive years of service. The average cannot be less than the three-year average determined as of September 30, 2011.
<u>Credited Service</u>	Years and completed months of service as a General Employee. Service for which the member received a refund of contributions shall not be counted.
<u>Normal Retirement</u>	
Date	Earlier of 1) the attainment of age 60 and the completion of 5 years of service, or 2) the date when age plus service equals 85 (Rule of 85). For Members hired after September 30, 2011, the Normal Retirement Date is the earlier of 1) Age 65 with 8 years of Credited Service, or 2) the completion of 33 years of Credited Service, regardless of Age.
Benefit	The sum of the following: a.) 2.5% of Final Average Compensation (using a three-year average, determined as of September 30, 2011) for each year of Credited Service as of September 30, 2011, plus b.) 1.6% of Final Average Compensation (using an eight-year average) for Credited Service after September 30, 2011.
Form of Benefit	Life annuity, ceasing upon death (options available).

Early Retirement

Date	The attainment of age 55 and the completion of 5 years of service.
Benefit	Determined as for Normal Retirement, reduced 3% per year for each year that the Early Retirement Date precedes age 60. The reduction is prorated monthly. For Members hired after September 30, 2011, the reduction is 5% per year, for each year that the Early Retirement Date precedes age 65. The reduction is prorated monthly.

Termination of Employment

Members hired before
October 1, 2011

Less Than 5 Years	Return of member contributions with interest.
5 to 10 Years, But Less Than Age 50	Return of member contributions with interest plus an amount equal to the accumulated contributions that would have existed had the member contributed at the rate contributed by the City.
10 or More Years or Upon Attaining Age 50 and 5 Years	Accrued monthly benefit payable at Normal or Early (reduced basis) Retirement Date, or return of member contributions with interest.

Members hired after
September 30, 2011

Less Than 8 Years	Return of member contributions with interest.
8 or More Years	The accrued benefit, payable at the Normal (unreduced), or Early (reduced) Retirement Date.

Pre-Retirement Death

Less Than 5 Years and 6 Months	Return of member contributions with interest.
More than 5 Years and 6 Months	Return of member contributions with interest plus an amount equal to the accumulated contributions that would have existed had the member contributed at the rate contributed by the City.

Deferred Retirement Option Plan

Eligibility Non-union members who had 30 years of service in June, 2005.

Participation Not to exceed 84 months.

Rate of Return Actual net rate of investment return realized by the system from the short term investment fund or money market fund in which the DROP account is invested.

Form of Distribution Cash lump sum at termination of employment.

Contributions

Members 5.0% of Compensation. The contribution rate is 3% for Members hired after September 30, 2011.

City Remaining amount necessary to fund the Normal Cost and amortize the Unfunded Actuarial Accrued Liability over not more than 30 years.

Board of Trustees

Two Council appointees, three City Manager appointees, one retiree of the Plan elected by the membership, and a seventh Member elected by the other 6 who is a City resident.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Checking Account	503
Money Market	1,159,826
Cash	476
Total Cash and Equivalents	1,160,805
Receivables:	
Member Contributions	26
City Contributions	177
Total Receivable	203
Investments:	
Fixed Income	9,781,440
Equities	31,750,059
Pooled/Common/Commingled Funds:	
Fixed Income	2,311,198
Hedge	2,335,014
Real Estate	2,544,438
Total Investments	48,722,149
Total Assets	49,883,157
<u>LIABILITIES</u>	
Payables:	
Prepaid Member Contribution	130
Unearned Revenue	21,870
Total Liabilities	22,000
NET POSITION RESTRICTED FOR PENSIONS	49,861,157

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

ADDITIONS

Contributions:

Member	694,975	
City	2,023,395	
Total Contributions		2,718,370
Investment Income:		
Net Increase in Fair Value of Investments	(319,173)	
Interest & Dividends	983,447	
Less Investment Expense ¹	(267,141)	
Net Investment Income		397,133
Total Additions		3,115,503

DEDUCTIONS

Distributions to Members:

Benefit Payments	3,591,008	
Lump Sum DROP Distributions	0	
Refunds of Member Contributions	763,723	
Total Distributions		4,354,731
Administrative Expense		135,760
Total Deductions		4,490,491
Net Increase in Net Position		(1,374,988)
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		51,236,145
End of the Year		49,861,157

¹Investment 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. Three City Manager appointees;
- c. One retiree of the Plan elected by the Membership, and a
- d. Seventh Member elected by the other six who is a City resident.

Plan Membership as of October 1, 2014:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	239
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	27
Active Plan Members	301
	567

Benefits Provided

The Plan provides retirement, termination, and death benefits.

Normal Retirement:

Date: Earlier of 1) the attainment of age 60 and the completion of 5 years of service, or 2) the date when age plus service equals 85 (Rule of 85). For Members hired after September 30, 2011, the Normal Retirement Date is the earlier of 1) Age 65 with 8 years of Credited Service, or 2) the completion of 33 years of Credited Service, regardless of Age.

Benefit: The sum of the following:

- a.) 2.5% of Final Average Compensation (using a three-year average, determined as of September 30, 2011) for each year of Credited Service as of September 30, 2011, plus
- b.) 1.6% of Final Average Compensation (using an eight-year average) for Credited Service after September 30, 2011.

Early Retirement:

Date: The attainment of age 55 and the completion of 5 years of service.

Benefit: Determined as for Normal Retirement, reduced 3% per year for each year that the Early Retirement Date precedes age 60. The reduction is prorated monthly.

For Members hired after September 30, 2011, the reduction is 5% per year, for each year that the Early Retirement Date precedes age 65. The reduction is prorated monthly.

Termination of Employment:

Members hired before October 1, 2011:

Less Than 5 Years: Return of Member contributions with interest.

5 to 10 Years, But Less Than Age 50: Return of Member contributions with interest plus an amount equal to the accumulated contributions that would have existed had the Member contributed at the rate contributed by the City.

10 or More Years or Upon Attaining Age 50 and 5 Years: Accrued monthly benefit payable at Normal or Early (reduced basis) Retirement Date, or return of Member contributions with interest.

Members hired after September 30, 2011:

Less Than 8 Years: Return of Member contributions with interest.

8 or More Years: The accrued benefit, payable at the Normal (unreduced), or Early (reduced) Retirement Date.

Pre-Retirement Death Benefits:

Less Than 5 Years and 6 Months: Return of Member contributions with interest.

More than 5 Years and 6 Months: Return of Member contributions with interest plus an amount equal to the accumulated contributions that would have existed had the Member contributed at the rate contributed by the City.

Contributions

Members: 5% of Compensation. The contribution rate is 3% for Members hired after September 30, 2011.

City: Remaining amount necessary to fund the Normal Cost and amortize the Unfunded Actuarial Accrued Liability over not more than 30 years.

Investments

Investment Policy:

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

Asset Class	Target Allocation
Domestic Equity	55%
International Equity	10%
Fixed Income	20%
Real Estate	5%
Hedge Funds	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, 2015, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 0.79 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: Non-union members who had 30 years of service in June, 2005.

Participation: Not to exceed 84 months.

Rate of Return: Actual net rate of investment return realized by the system from the short term investment fund or money market fund in which the DROP account is invested.

The DROP balance as September 30, 2015 is \$0.

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	\$ 63,587,582
Plan Fiduciary Net Position	<u>\$ (49,861,157)</u>
Sponsor's Net Pension Liability	<u>\$ 13,726,425</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	78.41%

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	4.00% - 6.00%
Discount Rate	7.50%
Investment Rate of Return	7.50%

RP-2000 Sex-Distinct Healthy Mortality Table, projected to Valuation Date using Scale AA. Disabled lives are set forward 5 years.

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

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

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

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.39%
International Equity	7.51%
Fixed Income	2.32%
Real Estate	5.09%
Hedge Funds	2.87%

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	Current Discount Rate	1% Increase
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Sponsor's Net Pension Liability	\$ 19,855,440	\$ 13,726,425	\$ 8,457,477

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

	<u>09/30/2015</u>	<u>09/30/2014</u>
Total Pension Liability		
Service Cost	1,500,184	1,471,441
Interest	4,553,080	4,418,330
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	504,129	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(4,354,731)</u>	<u>(3,888,957)</u>
Net Change in Total Pension Liability	2,202,662	2,000,814
Total Pension Liability - Beginning	<u>61,384,920</u>	<u>59,384,106</u>
Total Pension Liability - Ending (a)	<u><u>\$ 63,587,582</u></u>	<u><u>\$ 61,384,920</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	2,023,395	1,924,183
Contributions - Employee	694,975	715,147
Net Investment Income	397,133	5,868,861
Benefit Payments, including Refunds of Employee Contributions	<u>(4,354,731)</u>	<u>(3,888,957)</u>
Administrative Expense	<u>(135,760)</u>	<u>(128,474)</u>
Net Change in Plan Fiduciary Net Position	(1,374,988)	4,490,760
Plan Fiduciary Net Position - Beginning	<u>51,236,145</u>	<u>46,745,385</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 49,861,157</u></u>	<u><u>\$ 51,236,145</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 13,726,425</u></u>	<u><u>\$ 10,148,775</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.41%	83.47%
Covered Employee Payroll	\$ 18,135,744	\$ 15,618,366 *
Net Pension Liability as a percentage of Covered Employee Payroll	75.69%	64.98%

Notes to Schedule:

* The reported 2014 Covered Employee Payroll was based on Pensionable Salary.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	09/30/2015	09/30/2014
Actuarially Determined Contribution	2,023,395	1,924,183
Contributions in relation to the Actuarially Determined Contributions	2,023,395	1,924,183
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll	\$ 18,135,744	\$ 15,618,366 *
Contributions as a percentage of Covered Employee Payroll	11.16%	12.32%

* The reported 2014 Covered Employee Payroll was based on Pensionable Salary.

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 Percentage of Pay, Closed.
 Remaining Amortization Period: 30 Years.
 Mortality: RP-2000 Sex-Distinct Healthy Mortality Table, projected to Valuation Date using Scale AA. Disabled lives are set forward 5 years.

Sample	Male	Female
50	0.17%	0.13%
55	0.28%	0.24%
60	0.55%	0.47%
65	1.06%	0.91%
70	1.82%	1.57%
75	3.15%	2.53%
80	5.65%	4.19%

Interest Rate: 7.50% per year, compounded annually, net of investment related expenses.

Termination Rates:	Years of Service	% of Active Members Separating Within Next Year
ALL	0	20.00%
	1	18.00%
	2	16.00%
	3	10.00%
	4	6.00%
20	5+	16.20%
25		13.20%
30		10.80%
35		9.40%
40		7.80%
45		5.80%
50		3.20%
55+		0.80%

GASB 67

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 five-year period.

Inflation: 3.0% per year.

Disability Rates:	Sample Ages	% Becoming Disabled During the
		Year
	20	0.05%
	25	0.05%
	30	0.06%
	35	0.09%
	40	0.12%
	45	0.28%
	50	0.43%

Salary Increases:	Years of	Increase
	Service	
	1 to 2	10.00%
	3	9.50%
	4	8.50%
	5	8.00%
	6	7.50%
	7 to 8	7.00%
	9	6.00%
	10 to 19	5.50%
	20+	4.50%

Normal Retirement Rates:	Number of Years After First	Probability of
	Eligibility For Normal Retirement	Retirement
	0	25.00%
	1	25.00%
	2	50.00%
	3	50.00%
	4	60.00%
	5	80.00%
	6	100.00%

For Members hired after September 30, 2011, 100% retirement is assumed at the earlier of 1) Age 65 with 8 years of Credited Service, and 2) the completion of 33 years of Credited Service, regardless of Age.

Early Retirement Rates: Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

Payroll Growth: 3.50% per year for amortization of the Unfunded Actuarial Accrued Liability. The prior valuation utilized a 4.20% payroll growth assumption.

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	<u>09/30/2015</u>	<u>09/30/2014</u>
Annual Money-Weighted Rate of Return		
Net of Investment Expense	0.79%	12.72%

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. Three City Manager appointees;
- c. One retiree of the Plan elected by the Membership, and a
- d. Seventh Member elected by the other six who is a City resident.

Full-time General Employees hired prior to 3/1/95 enter the Plan on employment. Those hired after 2/28/95 enter following 6 months of service.

Plan Membership as of October 1, 2014:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	239
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	27
Active Plan Members	301
	567

Benefits Provided

The Plan provides retirement, termination, and death benefits.

Normal Retirement:

Date: Earlier of 1) the attainment of age 60 and the completion of 5 years of service, or 2) the date when age plus service equals 85 (Rule of 85). For Members hired after September 30, 2011, the Normal Retirement Date is the earlier of 1) Age 65 with 8 years of Credited Service, or 2) the completion of 33 years of Credited Service, regardless of Age.

Benefit: The sum of the following:

- a.) 2.5% of Final Average Compensation (using a three-year average, determined as of September 30, 2011) for each year of Credited Service as of September 30, 2011, plus
- b.) 1.6% of Final Average Compensation (using an eight-year average) for Credited Service after September 30, 2011.

Early Retirement:

Date: The attainment of age 55 and the completion of 5 years of service.

Benefit: Determined as for Normal Retirement, reduced 3% per year for each year that the Early Retirement Date precedes age 60. The reduction is prorated monthly.

For Members hired after September 30, 2011, the reduction is 5% per year, for each year that the Early Retirement Date precedes age 65. The reduction is prorated monthly.

Termination of Employment:

Members hired before October 1, 2011:

Less Than 5 Years: Return of Member contributions with interest.

5 to 10 Years, But Less Than Age 50: Return of Member contributions with interest plus an amount equal to the accumulated contributions that would have existed had the Member contributed at the rate contributed by the City.

10 or More Years or Upon Attaining Age 50 and 5 Years: Accrued monthly benefit payable at Normal or Early (reduced basis) Retirement Date, or return of Member contributions with interest.

Members hired after September 30, 2011:

Less Than 8 Years: Return of Member contributions with interest.

8 or More Years: The accrued benefit, payable at the Normal (unreduced), or Early (reduced) Retirement Date.

Pre-Retirement Death Benefits:

Less Than 5 Years and 6 Months: Return of Member contributions with interest.

More than 5 Years and 6 Months: Return of Member contributions with interest plus an amount equal to the accumulated contributions that would have existed had the Member contributed at the rate contributed by the City.

GASB 68

Contributions

Members: 5% of Compensation. The contribution rate is 3% for Members hired after September 30, 2011.

City: Remaining amount necessary to fund the Normal Cost and amortize the Unfunded Actuarial Accrued Liability over not more than 30 years.

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	4.00% - 6.00%
Discount Rate	7.50%
Investment Rate of Return	7.50%

RP-2000 Sex-Distinct Healthy Mortality Table, projected to Valuation Date using Scale AA. Disabled lives are set forward 5 years.

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	55%	7.39%
International Equity	10%	7.51%
Fixed Income	20%	2.32%
Real Estate	5%	5.09%
Hedge Funds	10%	2.87%
<u>Total</u>	<u>100%</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, 2014	\$ 61,384,920	\$ 51,236,145	\$ 10,148,775
Changes for a Year:			
Service Cost	1,500,184	-	1,500,184
Interest	4,553,080	-	4,553,080
Differences between Expected and Actual Experience	504,129	-	504,129
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - Employer	-	2,023,395	(2,023,395)
Contributions - Employee	-	694,975	(694,975)
Net Investment Income	-	397,133	(397,133)
Benefit Payments, including Refunds of Employee Contributions	(4,354,731)	(4,354,731)	-
Administrative Expense	-	(135,760)	135,760
Net Changes	2,202,662	(1,374,988)	3,577,650
Balances at September 30, 2015	\$ 63,587,582	\$ 49,861,157	\$ 13,726,425

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	\$ 19,855,440	\$ 13,726,425	\$ 8,457,477

Pension Plan Fiduciary Net Position.

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

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

For the year ended September 30, 2016, the Sponsor will recognize a Pension Expense of \$2,036,722.

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	378,097	-
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan investments	1,254,518	-
Employer contributions subsequent to the measurement date	-	-
Total	\$ 1,632,615	\$ -

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

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

Year ended September 30:		
2017	\$	318,929
2018	\$	318,930
2019	\$	318,930
2020	\$	675,826
2021	\$	-
Thereafter	\$	-

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

	<u>09/30/2015</u>	<u>09/30/2014</u>
Total Pension Liability		
Service Cost	1,500,184	1,471,441
Interest	4,553,080	4,418,330
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	504,129	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(4,354,731)</u>	<u>(3,888,957)</u>
Net Change in Total Pension Liability	2,202,662	2,000,814
Total Pension Liability - Beginning	<u>61,384,920</u>	<u>59,384,106</u>
Total Pension Liability - Ending (a)	<u><u>\$ 63,587,582</u></u>	<u><u>\$ 61,384,920</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	2,023,395	1,924,183
Contributions - Employee	694,975	715,147
Net Investment Income	397,133	5,868,861
Benefit Payments, including Refunds of Employee Contributions	(4,354,731)	(3,888,957)
Administrative Expense	(135,760)	(128,474)
Other	-	-
Net Change in Plan Fiduciary Net Position	<u>(1,374,988)</u>	<u>4,490,760</u>
Plan Fiduciary Net Position - Beginning	<u>51,236,145</u>	<u>46,745,385</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 49,861,157</u></u>	<u><u>\$ 51,236,145</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 13,726,425</u></u>	<u><u>\$ 10,148,775</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.41%	83.47%
Covered Employee Payroll	\$ 18,135,744	\$ 15,618,366 *
Net Pension Liability as a percentage of Covered Employee Payroll	75.69%	64.98%

Notes to Schedule:

* The reported 2014 Covered Employee Payroll was based on Pensionable Salary.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	09/30/2015	09/30/2014
Actuarially Determined Contribution	2,023,395	1,924,183
Contributions in relation to the Actuarially Determined Contributions	2,023,395	1,924,183
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll	\$ 18,135,744	\$ 15,618,366 *
Contributions as a percentage of Covered Employee Payroll	11.16%	12.32%

* The reported 2014 Covered Employee Payroll was based on Pensionable Salary.

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 Percentage of Pay, Closed.
 Remaining Amortization Period: 30 Years.
 Mortality: RP-2000 Sex-Distinct Healthy Mortality Table, projected to Valuation Date using Scale AA. Disabled lives are set forward 5 years.

Sample	Male	Female
50	0.17%	0.13%
55	0.28%	0.24%
60	0.55%	0.47%
65	1.06%	0.91%
70	1.82%	1.57%
75	3.15%	2.53%
80	5.65%	4.19%

Interest Rate: 7.50% per year, compounded annually, net of investment related expenses.

Termination Rates:

Sample Ages	Years of Service	% of Active Members Separating Within Next Year
ALL	0	20.00%
0	1	18.00%
0	2	16.00%
0	3	10.00%
0	4	6.00%
20	5+	16.20%
25		13.20%
30		10.80%
35		9.40%
40		7.80%
45		5.80%
50		3.20%
55+		0.80%

GASB 68

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 five-year period.

Inflation: 3.0% per year.

Disability Rates:	Sample Ages	% Becoming Disabled During the
		Year
	20	0.05%
	25	0.05%
	30	0.06%
	35	0.09%
	40	0.12%
	45	0.28%
	50	0.43%

Salary Increases:	Years of	Increase
	Service	
	1 to 2	10.00%
	3	9.50%
	4	8.50%
	5	8.00%
	6	7.50%
	7 to 8	7.00%
	9	6.00%
	10 to 19	5.50%
	20+	4.50%

Normal Retirement Rates:	Number of Years After First	Probability of
	Eligibility For Normal Retirement	Retirement
	0	25.00%
	1	25.00%
	2	50.00%
	3	50.00%
	4	60.00%
	5	80.00%
	6	100.00%

For Members hired after September 30, 2011, 100% retirement is assumed at the earlier of 1) Age 65 with 8 years of Credited Service, and 2) the completion of 33 years of Credited Service, regardless of Age.

Early Retirement Rates: Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

Payroll Growth: 3.50% per year for amortization of the Unfunded Actuarial Accrued Liability. The prior valuation utilized a 4.20% payroll growth assumption.

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 10,148,775	\$ 1,931,708	\$ 2,023,395	\$ -
Employer Contributions made after September 30, 2015	-	-	TBD*	-
Total Pension Liability Factors:				
Service Cost	1,500,184	-	-	1,500,184
Interest	4,553,080	-	-	4,553,080
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	504,129	-	504,129	-
Current year amortization of experience difference	-	-	(126,032)	126,032
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(4,354,731)	-	-	(4,354,731)
Net change	<u>2,202,662</u>	<u>-</u>	<u>378,097</u>	<u>1,824,565</u>
Plan Fiduciary Net Position:				
Contributions - Employer	2,023,395	-	(2,023,395)	-
Contributions - Employee	694,975	-	-	(694,975)
Net Investment Income	3,776,256	-	-	(3,776,256)
Difference between projected and actual earnings on Pension Plan investments	(3,379,123)	-	3,379,123	-
Current year amortization	-	(482,927)	(675,824)	192,897
Benefit Payments	(4,354,731)	-	-	4,354,731
Administrative Expenses	(135,760)	-	-	135,760
Net change	<u>(1,374,988)</u>	<u>(482,927)</u>	<u>679,904</u>	<u>212,157</u>
Ending Balance	<u>\$ 13,726,425</u>	<u>\$ 1,448,781</u>	<u>TBD</u>	<u>\$ 2,036,722</u>

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