

CITY OF NAPLES
FIREFIGHTERS' PENSION AND RETIREMENT SYSTEM

ACTUARIAL VALUATION
REPORT AS OF OCTOBER 1, 2015

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

November 30, 2015

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

Re: City of Naples
Firefighters' Pension and Retirement System

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Naples Firefighters' Pension and 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 Chapters 112 and 175, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the 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 Firefighters' Pension and 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

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Naples Firefighters’ Pension and 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	10/1/14	10/1/15
Applicable Plan Year End	<u>9/30/16</u>	<u>9/30/17</u>
Total Required Contribution		
% of Total Annual Payroll	71.32%	68.60%
Less Member Contributions (Est.)		
% of Total Annual Payroll	4.95%	4.91%
City and State Required Contribution		
% of Total Annual Payroll	66.37%	63.69%
Less State Contribution (est.) ^{1 2}	721,101	721,101
% of Total Annual Payroll	22.30%	22.30%
Less City Incentive Contribution	57,135	57,135
% of Total Annual Payroll	1.77%	1.77%
Balance from City ¹		
% of Total Annual Payroll	42.30%	39.62%

¹ The City may use up to \$1,668,662 in State Contributions for determining its minimum funding requirements. For budgeting purposes, the required Sponsor Contribution (City and State) is 63.69% 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 (up to the maximum \$1,668,662). Additionally, the City has access to a \$139,486.51 prepaid contribution; this may be used in conjunction with the City’s October 1, 2016 lump sum deposit.

² In absence of mutual consent between the City and Union upon the beginning of the next Collective Bargaining Agreement, the level of State Contributions will be determined according to Chapter 2015-39, Florida Statutes.

Experience since the prior valuation has been more favorable than expected on the basis of the Plan's actuarial assumptions. The primary source of favorable experience was attributable to a 9.3% investment return (Actuarial Asset Basis), exceeding the 7.5% assumption. Please see page 15 for additional details regarding Plan experience for fiscal 2015.

In spite of a net actuarial gain for the year, City funding requirements have increased due to a decrease in annual State Contributions of almost \$151,000.

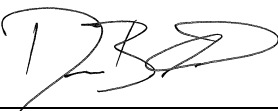
The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

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	35.96%
(2) Summary of Contribution Impact by component:	
Change in Available State Money	4.7%
Investment Return (Actuarial Asset Basis)	-1.7%
Salary Increases	-0.1%
Payroll Increase	-2.0%
Payroll Growth Assumption	0.5%
Amortization Base Payoffs	0.0%
New Entrants	0.0%
Active Decrements	-0.1%
Inactive Mortality	0.1%
Data Corrections	0.0%
Assumption Change	0.0%
Other	<u>2.3%</u>
	3.66%
(3) Contribution Determined as of October 1, 2015	39.62%

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.
- The payroll growth assumption, utilized for purposes of amortizing the Unfunded Actuarial Accrued Liability, was lowered from 1.0% to 0.8% per year. This reduction complies with the requirements of Part VII of Chapter 112, Florida Statutes, whereby the use of a payroll growth assumption is limited to the Plan's actual ten-year payroll growth average, determined as of the valuation date.
- Funding requirements are based on a Beginning of Year funding methodology. It is assumed that the City will deposit the actuarially determined contribution annually on October 1. Please refer to our May 20, 2015 analysis.

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	48	48	48
Service Retirees	36	35	35
DROP Retirees	6	6	6
Beneficiaries	1	1	1
Disability Retirees	1	1	1
Terminated Vested	<u>6</u>	<u>5</u>	<u>5</u>
 Total	 98	 96	 96
 Total Annual Payroll	 3,233,944	 3,055,169	 3,055,169
 Annual Rate of Payments to:			
Service Retirees	2,043,374	2,006,609	2,006,609
DROP Retirees	499,391	480,253	480,253
Beneficiaries	10,162	7,859	7,859
Disability Retirees	42,840	41,694	41,694
Terminated Vested	77,131	59,563	59,563
 B. Assets			
Actuarial Value ¹	44,672,607	40,930,065	40,930,065
Market Value ¹	44,973,797	44,704,902	44,704,902
 C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	20,625,655	19,288,203	19,288,203
Disability Benefits	1,144,239	1,157,775	1,157,775
Death Benefits	95,006	95,719	95,719
Vested Benefits	95,783	99,670	99,670
Refund of Contributions	8,128	16,742	16,742
Service Retirees	31,628,157	31,397,127	31,397,127
DROP Retirees ¹	8,757,799	7,737,083	7,737,083
Beneficiaries	84,854	67,325	67,325
Disability Retirees	592,532	588,336	588,336
Terminated Vested	476,217	413,938	413,938
Share Balances ¹	<u>783,232</u>	795,104	<u>795,104</u>
 Total	 64,291,602	 61,657,022	 61,657,022

C. Liabilities - (Continued)	New Method <u>10/1/2015</u>	New Method <u>10/1/2014</u>	Old Method <u>10/1/2014</u>
Present Value of Future Salaries	29,666,833	27,637,710	27,637,710
Present Value of Future Member Contributions	1,456,642	1,368,808	1,368,808
Normal Cost (Retirement)	750,613	724,561	724,561
Normal Cost (Disability)	92,118	87,620	87,620
Normal Cost (Death)	6,638	6,559	6,559
Normal Cost (Vesting)	13,280	11,997	11,997
Normal Cost (Refunds)	<u>3,524</u>	<u>6,931</u>	<u>6,931</u>
Total Normal Cost	866,173	837,668	837,668
Present Value of Future Normal Costs	6,505,202	6,847,693	6,847,693
Accrued Liability (Retirement)	14,979,320	13,333,100	13,333,100
Accrued Liability (Disability)	414,948	406,306	406,306
Accrued Liability (Death)	49,765	47,880	47,880
Accrued Liability (Vesting)	19,402	23,130	23,130
Accrued Liability (Refunds)	174	0	0
Accrued Liability (Inactives) ¹	41,539,559	40,203,809	40,203,809
Share Balances ¹	<u>783,232</u>	<u>795,104</u>	<u>795,104</u>
Total Actuarial Accrued Liability	57,786,400	54,809,329	54,809,329
Unfunded Actuarial Accrued Liability (UAAL)	13,113,793	13,879,264	13,879,264
Funded Ratio (AVA / AL)	77.3%	74.7%	74.7%
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives ¹	41,539,559	40,203,809	40,203,809
Actives	14,380,796	13,115,779	13,115,779
Share Balances ¹	783,232	795,104	795,104
Member Contributions	<u>1,905,708</u>	<u>1,948,164</u>	<u>1,948,164</u>
Total	58,609,295	56,062,856	56,062,856
Non-vested Accrued Benefits	<u>83,055</u>	<u>76,820</u>	<u>76,820</u>
Total Present Value Accrued Benefits	58,692,350	56,139,676	56,139,676
Funded Ratio (MVA / PVAB)	76.6%	79.6%	79.6%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	0	0	
New Accrued Benefits	483,529	0	
Benefits Paid	(2,063,933)	0	
Interest	4,133,078	0	
Other	<u>0</u>	<u>0</u>	
Total	2,552,674	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 ²	26.78	27.42	28.45
Administrative Expenses (with interest) % of Total Annual Payroll ²	1.98	1.83	1.90
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/2015) % of Total Annual Payroll ²	39.84	42.07	43.65
Total Required Contribution % of Total Annual Payroll ²	68.60	71.32	74.00
Expected Member Contributions % of Total Annual Payroll ²	4.91	4.95	4.95
Expected City & State Contribution % of Total Annual Payroll ²	63.69	66.37	69.05

F. Past Contributions

Plan Years Ending:	<u>9/30/2015</u>
Total Required Contribution	2,055,579
City and State Requirement	1,901,771
Actual Contributions Made:	
Members (excluding buyback)	153,807
City	1,180,670
State	<u>721,101</u>
Total	2,055,578

G. Net Actuarial (Gain)/Loss (647,496)

¹ The asset values and liabilities include accumulated DROP and Share Balances as of 9/30/2015 and 9/30/2014.

² Contributions developed as of 10/1/2015 are expressed as a percentage of total annual payroll at 10/1/2015 of \$3,233,944.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2015	13,113,793
2016	12,712,171
2017	12,269,344
2020	10,660,648
2025	6,806,951
2030	1,822,925
2045	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2015	3.68%	5.02%
Year Ended	9/30/2014	2.26%	6.51%
Year Ended	9/30/2013	1.81%	6.27%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2015	9.29%	7.50%
Year Ended	9/30/2014	11.03%	7.50%
Year Ended	9/30/2013	9.43%	7.50%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2015	\$3,233,944
	10/1/2005	2,982,022
(b) Total Increase		8.4%
(c) Number of Years		10.00
(d) Average Annual Rate		0.8%

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	\$13,879,264
(2) Sponsor Normal Cost developed as of October 1, 2014	686,437
(3) Expected administrative expenses for the year ended September 30, 2015	55,927
(4) Expected interest on (1), (2) and (3)	1,094,525
(5) Sponsor contributions to the System during the year ended September 30, 2015	1,901,771
(6) Expected interest on (5)	53,093
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2015 (1)+(2)+(3)+(4)-(5)-(6)	13,761,289
(8) Change to UAAL due to Assumption Change	0
(9) Change to UAAL due to Actuarial (Gain)/Loss	(647,496)
(10) Unfunded Accrued Liability as of October 1, 2015	13,113,793

<u>Type of Base</u>	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2015 Amount</u>	<u>Amortization Amount</u>
	10/1/1997	12	\$1,391,600	\$161,207
	10/1/1999	14	2,165,182	227,255
	10/1/2000	15	(999,122)	(100,579)
	10/1/2002	17	4,145,950	388,498
	10/1/2003	18	2,297,382	208,727
Actuarial Loss	10/1/2004	19	2,609,154	230,478
Amendment	10/1/2004	19	(9,110)	(805)
Actuarial Gain	10/1/2005	20	(309,170)	(26,618)
Assum. Change	10/1/2005	20	1,220,157	105,049
Actuarial Gain	10/1/2006	21	(481,969)	(40,532)
Assum. Change	10/1/2006	21	1,286,754	108,211
Actuarial Loss	10/1/2007	22	1,802,719	148,372
Assum./Method Change	10/1/2007	22	131,083	10,789
Amendment	10/1/2007	22	876,566	72,145
Actuarial Loss	10/1/2008	23	3,832,632	309,263
Actuarial Gain	10/1/2009	24	(60,835)	(4,820)
Assumption Changes	10/1/2009	24	(1,650,548)	(130,784)
Actuarial Loss	10/1/2010	25	1,979,441	154,236
Actuarial Loss	10/1/2011	26	1,630,790	125,119
Actuarial Gain	10/1/2012	27	(1,035,389)	(78,310)
Amendment	10/1/2012	27	(5,417,781)	(409,768)
Actuarial Gain	10/1/2013	28	(199,015)	(14,855)
Actuarial Gain	10/1/2014	29	(1,341,671)	(98,925)
Assumption Change	10/1/2014	29	(103,511)	(7,632)
Actuarial Gain	10/1/2015	30	<u>(647,496)</u>	<u>(47,203)</u>
			13,113,793	1,288,518

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2014	\$13,879,264
(2) Expected UAAL as of October 1, 2015	13,761,289
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(735,883)
Salary Increases	(47,484)
Active Decrements	(42,352)
Inactive Mortality	51,123
Other	<u>127,100</u>
Increase in UAAL due to (Gain)/Loss	(647,496)
Assumption Changes	<u>0</u>
(4) Actual UAAL as of October 1, 2015	\$13,113,793

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rates

RP-2000 Table projected to the Valuation Date with Schedule AA – Disabled lives are set forward 5 years.

Based on studies of public safety pension plans, we believe this assumption sufficiently accommodates expected future mortality improvements.

Normal Retirement

Eligibility

Hired prior to 6/1/2013: Earlier of 1) Age 55, 2) the completion of 25 years of Credited Service, regardless of age, or 3) the attainment of Age 50 with 20 years of Credited Service.

Hired after May 31, 2013: Earlier of 1) Age 55 with 8 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age.

Retirement Rates

Assumed Normal Retirement rates shown below were incorporated with the October 1, 2007 valuation as the result of a prior Experience Study. These rates are also applicable for Members hired after May 31, 2013, as adopted with the October 1, 2013 valuation.

<u>Number of Year After First Eligibility For Normal Retirement</u>	<u>Probability of Normal Retirement</u>
0	25%
1	50%
2	50%
3	50%
4	100%

The retirement rate for Normal Retirement is 100% for participants who have attained age 55 or 25 years of service, regardless of age.

Early Retirement

Attainment of age 50, regardless of years of Credited Service. Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

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

Termination Rates

<u>Sample Ages</u>	<u>Years of Service</u>	<u>% of Active Members Separating Within Next Year</u>
ALL	0	20.0%
	1	12.0%
	2	8.0%
	3	4.0%
	4	2.0%
20	5+	9.6%
25		5.6%
30		2.8%
35		1.4%
40		0.4%
45+		0.0%

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

Disability Rates

See table below. It is assumed that 75% of disablements and active Member deaths are service-related. These rates are in line with the national average for municipal defined benefit pension programs.

<u>Age</u>	<u>% Becoming Disabled During the Year</u>
20	0.14%
25	0.15%
30	0.18%
35	0.23%
40	0.30%
45	0.51%
50	1.00%

Salary Increases

See table below. These rates were incorporated with the October 1, 2014 valuation as the result of an Experience Study.

<u>Years of Service</u>	<u>Salary Increase</u>
1	6.0%
2-9	5.5%
10-14	5.0%
15-19	4.5%
20+	4.0%

Payroll Growth

0.8% per year for amortization of the Unfunded Actuarial Accrued Liability, based on the ten-year average (statutory limit). The assumption was 1.0% for the October 1, 2014 valuation.

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, 2006 valuation.

Administrative Expenses

\$63,952, based on actual Administrative Expenses incurred during the prior fiscal year.

Post Retirement COLA

3% per year at beginning at age 50 for Service Retirees, Disability Retirees, and surviving Beneficiaries. The COLA is not applicable for Vested Terminated Members, or for benefits accrued after May 31, 2013.

Funding Method

Entry Age Normal Actuarial Cost Method.

Actuarial Value of Assets

The Actuarial Value of Assets utilizes a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.

VALUATION NOTES

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

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

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

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

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

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

PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1993	149,494.29	_____%
1994	161,873.43	8.3%
1995	192,559.04	19.0%
1996	257,693.96	33.8%
1997	294,558.53	14.3%
1998	301,079.01	2.2%
1999	455,798.85	51.4%
2000	554,631.15	21.7%
2001	575,860.11	3.8%
2002	655,065.93	13.8%
2003	806,425.83	23.1%
2004	857,886.93	6.4%
2005	902,412.83	5.2%
2006	977,382.61	8.3%
2007	1,028,721.85	5.3%
2008	1,223,271.11	18.9%
2009	1,390,851.74	13.7%
2010	893,185.02	-35.8%
2011	765,598.10	-14.3%
2012	834,617.96	9.0%
2013	811,882.25	-2.7%
2014	871,999.13	7.4%
2015	721,101.37	-17.3%

EXCESS STATE MONIES RESERVE

	<u>Actual State Contribution</u>	<u>Applicable "Frozen" Amount</u>	<u>Excess State Monies for Reserve</u>
1999	455,798.85	436,036.07	19,762.78
2000	554,631.15	607,243.07	0.00
2001	575,860.11	607,243.07	0.00
2002	655,065.93	708,644.07	0.00
2003	806,425.83	708,644.07	97,781.76
2004	857,886.93	708,644.07	149,242.86
2005	902,412.83	708,644.07	193,768.76
2006	977,382.61	708,644.07	268,738.54
2007	1,028,721.85	775,809.07	252,912.78
2008	1,223,271.11	775,809.07	447,462.04
2009 ¹	1,390,851.74	1,668,662.00	0.00
2010	893,185.02	1,668,662.00	0.00
2011	765,598.10	1,668,662.00	0.00
2012	834,617.96	1,668,662.00	0.00
2013	811,882.25	1,668,662.00	0.00
2014	871,999.13	1,668,662.00	0.00
2015	721,101.37	1,668,662.00	<u>0.00</u>
		Total:	1,429,669.52
			Less Excess Used in Ord. No. 02-9816 (19,762.78)
			Less Excess Used in Ord. No. 06-11152 (709,531.92)
			Less Excess Used in Ord. No. 08-12286 (18,328.88)
			Less Excess Used in Ord. No. 10-12807 (682,045.94)
			Total Excess State Monies Reserve: 0.00

¹ Supplemental Distribution accrued beginning the fiscal year ending September 30, 2009. Additionally, the "frozen" State Contribution increased to \$1,668,662 as a result of Ordinances 09-12517 and 09-12518.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Checking Account	350.97	350.97
Money Market	955,803.00	955,803.00
Cash	628.04	628.04
 Total Cash and Equivalents	 956,782.01	 956,782.01
Receivables:		
Member Contributions	218.69	218.69
State Contributions	721,101.37	721,101.37
 Total Receivable	 721,320.06	 721,320.06
Investments:		
Fixed Income	8,787,708.88	8,802,712.33
Equities	26,281,169.18	28,953,410.64
Pooled/Common/Commingled Funds:		
Fixed Income	1,900,000.00	1,909,251.00
Hedge	1,900,000.00	1,928,925.00
Real Estate	1,450,000.00	1,844,717.62
 Total Investments	 40,318,878.06	 43,439,016.59
 Total Assets	 41,996,980.13	 45,117,118.66
 <u>LIABILITIES</u>		
Payables:		
Benefit Payments	3,382.60	3,382.60
Prepaid Member Contribution	452.47	452.47
Prepaid City Contribution	139,486.51	139,486.51
 Total Liabilities	 143,321.58	 143,321.58
 NET POSITION RESTRICTED FOR PENSIONS	 41,853,658.55	 44,973,797.08

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

ADDITIONS

Contributions:

Member	153,807.38
City	1,123,534.95
City Incentive	57,135.00
State	721,101.37

Total Contributions 2,055,578.70

Investment Income:

Net Realized Gain (Loss)	2,362,900.52
Unrealized Gain (Loss)	(2,638,222.87)
Net Increase in Fair Value of Investments	(275,322.35)
Interest & Dividends	853,287.05
Less Investment Expense ¹	(236,762.21)

Net Investment Income 341,202.49

Total Additions 2,396,781.19

DEDUCTIONS

Distributions to Members:

Benefit Payments	2,045,319.41
Lump Sum DROP Distributions	0.00
Lump Sum Share Distributions	18,613.97
Refunds of Member Contributions	0.00

Total Distributions 2,063,933.38

Administrative Expense 63,952.42

Total Deductions 2,127,885.80

Net Increase in Net Position 268,895.39

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 44,704,901.69

End of the Year 44,973,797.08

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	153,807.38	
City	1,123,534.95	
City Incentive	57,135.00	
State	721,101.37	
 Total Contributions		 2,055,578.70
Earnings from Investments:		
Interest & Dividends	853,287.05	
Net Realized Gain (Loss)	2,362,900.52	
Change in Actuarial Value	835,424.13	
 Total Earnings and Investment Gains		 4,051,611.70

EXPENDITURES

Distributions to Members:		
Benefit Payments	2,045,319.41	
Lump Sum DROP Distributions	0.00	
Lump Sum Share Distributions	18,613.97	
Refunds of Member Contributions	0.00	
 Total Distributions		 2,063,933.38
Expenses:		
Investment Related ¹	236,762.21	
Administrative	63,952.42	
 Total Expenses		 300,714.63
 Change in Net Assets for the Year		 3,742,542.39
 Net Assets Beginning of the Year		 40,930,064.69
 Net Assets End of the Year ²		 44,672,607.08

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	(2,253,494)	0	0	0	0	0
09/30/2012	3,493,051	698,610	0	0	0	0
09/30/2013	2,016,241	806,496	403,248	0	0	0
09/30/2014	2,023,214	1,213,928	809,286	404,643	0	0
09/30/2015	(3,022,305)	(2,417,844)	(1,813,383)	(1,208,922)	(604,461)	0
Total		301,190	(600,849)	(804,279)	(604,461)	0

Development of Investment Gain/(Loss)

Market Value of Assets, including Prepaid Contributions, 09/30/2014	44,882,911
Contributions Less Benefit Payments & Admin Expenses	(72,307)
Expected Investment Earnings*	3,363,507
Actual Net Investment Earnings	341,202
2015 Actuarial Investment Gain/(Loss)	<u>(3,022,305)</u>

*Expected Investment Earnings = $0.075 * [44,882,911 + 0.5 * (72,307)]$

Development of Actuarial Value of Assets

(1) Market Value of Assets, 09/30/2015	44,973,797
(2) Gains/(Losses) Not Yet Recognized	301,190
(3) Actuarial Value of Assets, 09/30/2015, (1) - (2)	<u>44,672,607</u>

(A) 09/30/2014 Actuarial Assets, including Prepaid Contributions: 41,108,074

(I) Net Investment Income:

1. Interest and Dividends	853,287
2. Realized Gains (Losses)	2,362,901
3. Change in Actuarial Value	835,424
4. Investment Expenses	(236,762)
Total	<u>3,814,849</u>

(B) 09/30/2015 Actuarial Assets, including Prepaid Contributions: 44,812,546

Actuarial Asset Rate of Return = $2I/(A+B-I)$: 9.29%
Market Value of Assets Rate of Return: 0.77%

Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis) 735,883

10/01/2015 Limited Actuarial Assets, not including Prepaid: 44,672,607

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

(1)	City and State Contribution Rate	61.28%
(2)	Pensionable Payroll Derived from Member Contributions	\$3,103,412.73
(3)	City and State Required Contribution (1) x (2)	1,901,771.32
(4)	Less Allowable State Contribution	<u>(721,101.37)</u>
(5)	Equals Required City Contribution for Fiscal 2015	1,180,669.95
(6)	Less 2014 Prepaid Contribution	(178,009.54)
(7)	Less City Incentive Contribution	(57,135.00)
(8)	Less Actual City Contributions	<u>(1,085,011.92)</u>
(9)	Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2015	(\$139,486.51)

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

Beginning of the Year Balance	103,225.02
Plus Additions	487,893.78
Investment Return Earned	5,002.48
Less Distributions	0.00
End of the Year Balance	596,121.28

SUPPLEMENTAL CHAPTER 175 SHARE PLAN ACTIVITY
October 1, 2014 to September 30, 2015

09/30/2014 Balance	795,103.63
Plus Additions	-
Investment Return Earned	6,741.84
Less Distributions	18,613.97
09/30/2015 Balance	783,231.51

STATISTICAL DATA ¹

	<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 May 31, 2013</u>				
Number	52	55	47	45
Average Current Age	39.8	39.3	38.1	38.9
Average Age at Employment	27.6	27.6	27.2	26.8
Average Past Service	12.2	11.7	10.9	12.1
Average Annual Salary	\$68,182	\$64,567	\$63,956	\$68,759

Actives - Hired after May 31, 2013

Number	N/A	1	1	3
Average Current Age	N/A	24.8	25.8	23.2
Average Age at Employment	N/A	24.7	24.7	22.3
Average Past Service	N/A	0.1	1.1	0.9
Average Annual Salary	N/A	\$49,452	\$49,226	\$46,601

Service Retirees

Number	30	33	35	36
Average Current Age	58.9	57.5	59.9	60.8
Average Annual Benefit	\$52,409	\$54,421	\$57,332	\$56,760

DROP Retirees

Number	0	0	6	6
Average Current Age	N/A	N/A	52.7	53.5
Average Annual Benefit	N/A	N/A	\$80,042	\$83,232

Beneficiaries

Number	1	1	1	1
Average Current Age	69.9	70.9	71.9	72.9
Average Annual Benefit	\$7,859	\$7,859	\$7,859	\$10,162

Disability Retirees

Number	1	1	1	1
Average Current Age	52.7	53.7	54.7	55.7
Average Annual Benefit	\$38,341	\$40,479	\$41,694	\$42,840

Terminated Vested ²

Number	5	4	4	5
Average Current Age	46.6	46.3	47.3	44.5
Average Annual Benefit	\$16,524	\$14,891	\$14,891	\$15,426

¹ Active Member statistical data was weighted by salary for prior valuations.

² 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	2	0	0	0	0	0	0	0	0	0	0	2
25 - 29	0	0	3	0	0	2	0	0	0	0	0	5
30 - 34	0	0	1	0	2	6	0	0	0	0	0	9
35 - 39	0	0	2	2	1	2	2	2	0	0	0	11
40 - 44	0	0	0	0	1	0	2	5	1	0	0	9
45 - 49	0	0	0	0	0	0	1	4	5	0	0	10
50 - 54	0	0	0	0	0	0	0	1	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	2	0	6	2	4	10	5	12	7	0	0	48

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2014	48
b. Terminations	
i. Vested (partial or full) with deferred benefits ¹	(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	(1)
f. DROP	0
g. Voluntary withdrawal	<u>0</u>
h. Continuing participants	46
i. New entrants	<u>2</u>
j. Total active life participants in valuation	48

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	35	6	1	1	5	48
Retired	1	0	0	0	0	1
DROP	0	0	0	0	0	0
Vested Deferred	0	0	0	0	1	1
Death, With Survivor	0	0	0	0	0	0
Death, No Survivor	0	0	0	0	0	0
Disabled	0	0	0	0	0	0
Refund of Contributions	0	0	0	0	0	0
Rehires	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0
b. Number current valuation	36	6	1	1	6	50

¹ Includes nonvested Members awaiting a refund of Member Contributions.

FIREFIGHTERS' PENSION AND RETIREMENT SYSTEM
SUMMARY OF PLAN PROVISIONS
(Through Ordinance No. 14-13466)

<u>Eligibility</u>	Full-time employees who are classified as certified Firefighters participate in the Plan as a condition of employment.
<u>Credited Service</u>	Total years and completed days of uninterrupted service with the City as a Firefighter.
<u>Salary</u>	Base compensation, excluding overtime pay, holiday pay, and fringe benefits.
<u>Final Average Compensation</u>	Average of compensation paid during the five (5) highest years of the last ten years of service. The average cannot be less than the three-year average (consecutive years) determined as of May 31, 2013.
<u>Normal Retirement</u>	
Date	Earlier of 1) age 55, 2) age 50 and the completion of 20 years of Credited Service, or 3) the completion of 25 years of credited service, regardless of age. For Members hired after May 31, 2013, the Normal Retirement Date is the earlier of 1) Age 55 with 8 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of Age.
Benefit	The sum of the following: a.) 4% of Final Average Compensation (using a three-year average, determined as of May 31, 2013) for each year of Credited Service through May 31, 2013, plus b.) 3% of Final Average Compensation (using a five-year average) for Credited Service after May 31, 2013. Members who had attained Normal Retirement eligibility as of May 31, 2013 continue to accrued benefits under Plan provisions in effect prior to Ordinance 13-13283.
Form of Benefit	Ten Year Certain and Life Annuity (options available).

Early Retirement

Date Age 50, regardless of years of Credited Service. Members hired after May 31, 2013 attain Early Retirement eligibility at age 50 with 8 years of Credited Service.

Benefit Accrued benefit, reduced 3% for each year Early Retirement precedes the earlier of age 55, or the completion of 20 years of Credited Service, regardless of age.

For Members hired after May 31, 2013, the reduction is 3% for each year Early Retirement precedes the earlier of age 55 and 8 years of Credited Service, or the completion of 25 years of Credited Service, regardless of age.

Vesting

Schedule 100% after 5 years of Credited Service. Members hired after May 31, 2013 are fully vested upon the completion of 8 years of Credited Service.

Benefit Amount Member will receive the vested portion of his (her) accrued benefit payable at age 55 (unreduced), or age 50, reduced as for Early Retirement.

Non-vested Members receive a refund of Member contributions accumulated with 5.5% interest.

Disability

Eligibility Total and permanent as determined by the Board of Trustees. Members are covered from Date of Employment.

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

Duration Payable for life with 10 years certain or until recovery (as determined by the Board).

Death Benefits

Pre-Retirement

Vested

Accrued benefit, actuarially reduced for commencement prior to age 55. The benefit is determined as if the participant had retired immediately prior to death and had chosen the 100% joint survivor option.

Non-Vested

Refund of Member contributions, with 5.5% interest.

Post-Retirement

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

Cost of Living Adjustment

Eligibility

Normal and Early service Retirees and Beneficiaries, including Disability Retirees. Vested, terminated Members are not eligible for the COLA.

Amount

3.0% increase per year following one year of payments and the retiree's 50th birthday.

COLAs are not applicable to benefits accrued after May 31, 2013.

Member Contributions

5.0% of Compensation. The contribution rate is 3% for Members hired after May 31, 2013.

City and State Contributions

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over 30 years.

Deferred Retirement Option Plan

Eligibility

Normal Retirement eligibility.

Participation

Not to exceed 60 months.

Rate of Return

1.3% annual effective rate, compounded monthly.

Form of Distribution

Cash lump sum at termination of employment.

Board of Trustees

Two Council appointees, two Members of the Plan elected by the Membership, and a fifth Member elected by other 4 and appointed by Council as a ministerial duty.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Checking Account	351
Money Market	955,803
Cash	628
Total Cash and Equivalents	956,782
Receivables:	
Member Contributions	219
State Contributions	721,101
Total Receivable	721,320
Investments:	
Fixed Income	8,802,712
Equities	28,953,411
Mutual Funds:	
Pooled/Common/Commingled Funds:	
Fixed Income	1,909,251
Hedge	1,928,925
Real Estate	1,844,718
Total Investments	43,439,017
Total Assets	45,117,119
<u>LIABILITIES</u>	
Payables:	
Benefit Payments	3,383
Prepaid Member Contribution	452
Unearned Revenue	139,487
Total Liabilities	143,322
NET POSITION RESTRICTED FOR PENSIONS	44,973,797

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

ADDITIONS

Contributions:

Member	153,807	
City	1,123,535	
City Incentive	57,135	
State	721,101	
Total Contributions		2,055,578
Investment Income:		
Net Increase in Fair Value of Investments	(275,323)	
Interest & Dividends	853,287	
Less Investment Expense ¹	(236,762)	
Net Investment Income		341,202
Total Additions		2,396,780

DEDUCTIONS

Distributions to Members:

Benefit Payments	2,045,319	
Lump Sum DROP Distributions	0	
Lump Sum Share Distributions	18,614	
Refunds of Member Contributions	0	
Total Distributions		2,063,933
Administrative Expense		63,952
Total Deductions		2,127,885
Net Increase in Net Position		268,895
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		44,704,902
End of the Year		44,973,797

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. Two Members of the Plan elected by the Membership, and a
- c. Fifth Member elected by other four and appointed by Council as a ministerial duty.

Plan Membership as of October 1, 2014:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	43
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	5
Active Plan Members	48
	96

Benefits Provided

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

Normal Retirement:

Date: Earlier of 1) age 55, 2) age 50 and the completion of 20 years of Credited Service, or 3) the completion of 25 years of credited service, regardless of age.

For Members hired after May 31, 2013, the Normal Retirement Date is the earlier of 1) Age 55 with 8 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of Age.

Benefit: The sum of the following:

- a.) 4% of Final Average Compensation (using a three-year average, determined as of May 31, 2013) for each year of Credited Service through May 31, 2013, plus
- b.) 3% of Final Average Compensation (using a five-year average) for Credited Service after May 31, 2013.

Members who had attained Normal Retirement eligibility as of May 31, 2013 continue to accrued benefits under Plan provisions in effect prior to Ordinance 13-13283.

Early Retirement:

Date: Age 50, regardless of years of Credited Service. Members hired after May 31, 2013 attain Early Retirement eligibility at age 50 with 8 years of Credited Service.

Benefit: Accrued benefit, reduced 3% for each year Early Retirement precedes the earlier of age 55, or the completion of 20 years of Credited Service, regardless of age.

For Members hired after May 31, 2013, the reduction is 3% for each year Early Retirement precedes the earlier of age 55 and 8 years of Credited Service, or the completion of 25 years of Credited Service, regardless of age.

Vesting:

Schedule: 100% after 5 years of Credited Service. Members hired after May 31, 2013 are fully vested upon the completion of 8 years of Credited Service.

Benefit Amount: Member will receive the vested portion of his (her) accrued benefit payable at age 55 (unreduced), or age 50, reduced as for Early Retirement.

Non-vested Members receive a refund of Member contributions accumulated with 5.5% interest.

Disability:

Eligibility: Total and permanent as determined by the Board of Trustees. Members are covered from Date of Employment.

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

Pre-Retirement Death Benefits:

Vested: Accrued benefit, actuarially reduced for commencement prior to age 55. The benefit is determined as if the participant had retired immediately prior to death and had chosen the 100% joint survivor option.

Non-Vested: Refund of Member contributions, with 5.5% interest.

Cost of Living Adjustment:

Eligibility: Normal and Early service Retirees and Beneficiaries, including Disability Retirees. Vested, terminated Members are not eligible for the COLA.

Amount: 3.0% increase per year following one year of payments and the retiree’s 50th birthday.

COLAs are not applicable to benefits accrued after May 31, 2013.

Contributions

Member Contributions: 5.0% of Compensation. The contribution rate is 3% for Members hired after May 31, 2013.

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

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 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 0.77 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: Normal Retirement eligibility.

Participation: Not to exceed 60 months.

Rate of Return: 1.3% annual effective rate, compounded monthly.

The DROP balance as September 30, 2015 is \$596,121.

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	\$ 57,525,964
Plan Fiduciary Net Position	<u>\$ (44,973,797)</u>
Sponsor's Net Pension Liability	<u>\$ 12,552,167</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	78.18%

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 Table projected to the Valuation Date with Schedule AA. Disabled lives set forward 5 years. Based upon other studies of safety pension plans, we believe this assumption sufficiently accommodates expected future mortality improvements.

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	\$ 20,009,671	\$ 12,552,167	\$ 6,409,358

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	842,047	981,492
Interest	4,102,672	3,896,369
Share Plan Allocation	-	-
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(247,033)	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(2,063,933)</u>	<u>(1,911,491)</u>
Net Change in Total Pension Liability	2,633,753	2,966,370
Total Pension Liability - Beginning	<u>54,892,211</u>	<u>51,925,841</u>
Total Pension Liability - Ending (a)	<u><u>\$ 57,525,964</u></u>	<u><u>\$ 54,892,211</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	1,180,670	1,342,378
Contributions - State	721,101	871,999
Contributions - Employee	153,807	177,737
Net Investment Income	341,202	4,986,191
Benefit Payments, including Refunds of Employee Contributions	(2,063,933)	(1,911,491)
Administrative Expense	<u>(63,952)</u>	<u>(55,927)</u>
Net Change in Plan Fiduciary Net Position	268,895	5,410,887
Plan Fiduciary Net Position - Beginning	<u>44,704,902</u>	<u>39,294,015</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 44,973,797</u></u>	<u><u>\$ 44,704,902</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 12,552,167</u></u>	<u><u>\$ 10,187,309</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.18%	81.44%
Covered Employee Payroll	\$ 4,341,784	\$ 3,573,306 *
Net Pension Liability as a percentage of Covered Employee Payroll	289.10%	285.09%

Notes to Schedule:

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

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	09/30/2015	09/30/2014
Actuarially Determined Contribution	1,901,771	2,214,378
Contributions in relation to the Actuarially Determined Contributions	1,901,771	2,214,378
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll	\$ 4,341,784	\$ 3,573,306 *
Contributions as a percentage of Covered Employee Payroll	43.80%	61.97%

* The 2014 reported Covered Employee Payroll figure 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.
 Actuarial Value of Assets: The Actuarial Value of Assets utilizes a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.

Inflation: 3.0% per year.

	Years of Service	Salary Increase
	1	10.00%
	2 - 9	7.50%
	10-14	6.00%
	15-19	5.50%
	20+	4.50%

Interest Rate: 7.5% per year, compounded annually, net of investment related expenses.
 Payroll Growth: 3.2% per year for amortization of the Unfunded Actuarial Accrued Liability. The assumption was 4.1% for the October 1, 2012 valuation.
 Post Retirement COLA: 3% per year at beginning at age 50 for Service Retirees, Disability Retirees, and surviving Beneficiaries. The COLA is not applicable for Vested Terminated Members, or for benefits accrued after May 31, 2013.
 Normal Retirement Age: Earlier of 1) age 55, 2) the completion of 25 years of credited service, regardless of age, or 3) the attainment of age 50 with 20 years of credited service. For Members hired after May 31, 2013, the Normal Retirement Date is the earlier of Age 55 with 8 years of Credited Service, or the completion of 25 years of Credited Service, regardless of age.
 Early Retirement Age: Attainment of age 50, regardless of years of Credited Service. Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
 Mortality: RP-2000 Table projected to the Valuation Date with Schedule AA. Disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, RP2000 without projection reflects a 10% margin for future mortality improvements.

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Disability Rates:

See table below. It is assumed that 75% of disablements and active Member deaths are service-related.

Age	% Becoming Disabled During the Year
20	0.14%
25	0.15%
30	0.18%
35	0.23%
40	0.30%
45	0.51%
50	1.00%

Retirement Rates:

Number of Year After First Eligibility For Normal Retirement	Probability of Normal Retirement
0	25%
1	50%
2	50%
3	50%
4	100%

The retirement rate for Normal Retirement is 100% for participants who have attained age 55 or 25 years of service, regardless of age.

Mortality Rates:

Age	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%

Termination Rates:

Sample Ages	Years of Service	% of Active Members Separating Within Next Year
ALL	0	20.00%
	1	12.00%
	2	8.00%
	3	4.00%
	4	2.00%
20	5+	9.60%
25		5.60%
30		2.80%
35		1.40%
40		0.40%
45+		0.00%

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	0.77%	12.67%

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 Plan elected by the Membership, and a
- c. Fifth Member elected by other four and appointed by Council as a ministerial duty.

Full-time employees who are classified as certified Firefighters participate in the Plan as a condition of employment.

Plan Membership as of October 1, 2014:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	43
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	5
Active Plan Members	48
	<hr style="border-top: 1px solid black;"/>
	<hr style="border-top: 3px double black;"/>
	96

Benefits Provided

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

Normal Retirement:

Date: Earlier of 1) age 55, 2) age 50 and the completion of 20 years of Credited Service, or 3) the completion of 25 years of credited service, regardless of age.

For Members hired after May 31, 2013, the Normal Retirement Date is the earlier of 1) Age 55 with 8 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of Age.

Benefit: The sum of the following:

- a.) 4% of Final Average Compensation (using a three-year average, determined as of May 31, 2013) for each year of Credited Service through May 31, 2013, plus
- b.) 3% of Final Average Compensation (using a five-year average) for Credited Service after May 31, 2013.

Members who had attained Normal Retirement eligibility as of May 31, 2013 continue to accrued benefits under Plan provisions in effect prior to Ordinance 13-13283.

Early Retirement:

Date: Age 50, regardless of years of Credited Service. Members hired after May 31, 2013 attain Early Retirement eligibility at age 50 with 8 years of Credited Service.

Benefit: Accrued benefit, reduced 3% for each year Early Retirement precedes the earlier of age 55, or the completion of 20 years of Credited Service, regardless of age.

For Members hired after May 31, 2013, the reduction is 3% for each year Early Retirement precedes the earlier of age 55 and 8 years of Credited Service, or the completion of 25 years of Credited Service, regardless of age.

Vesting:

Schedule: 100% after 5 years of Credited Service. Members hired after May 31, 2013 are fully vested upon the completion of 8 years of Credited Service.

Benefit Amount: Member will receive the vested portion of his (her) accrued benefit payable at age 55 (unreduced), or age 50, reduced as for Early Retirement.

Non-vested Members receive a refund of Member contributions accumulated with 5.5% interest.

Disability:

Eligibility: Total and permanent as determined by the Board of Trustees. Members are covered from Date of Employment.

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

Pre-Retirement Death Benefits:

Vested: Accrued benefit, actuarially reduced for commencement prior to age 55. The benefit is determined as if the participant had retired immediately prior to death and had chosen the 100% joint survivor option.

Non-Vested: Refund of Member contributions, with 5.5% interest.

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Cost of Living Adjustment:

Eligibility: Normal and Early service Retirees and Beneficiaries, including Disability Retirees. Vested, terminated Members are not eligible for the COLA.

Amount: 3.0% increase per year following one year of payments and the retiree's 50th birthday.

COLAs are not applicable to benefits accrued after May 31, 2013.

Contributions

Member Contributions: 5.0% of Compensation. The contribution rate is 3% for Members hired after May 31, 2013.

City and State Contributions: Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over 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 Table projected to the Valuation Date with Schedule AA. Disabled lives set forward 5 years. Based upon other studies of safety pension plans, we believe this assumption sufficiently accommodates expected future mortality improvements.

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	\$ 54,892,211	\$ 44,704,902	\$ 10,187,309
Changes for a Year:			
Service Cost	842,047	-	842,047
Interest	4,102,672	-	4,102,672
Share Plan Allocation	-	-	-
Differences between Expected and Actual Experience	(247,033)	-	(247,033)
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - Employer	-	1,180,670	(1,180,670)
Contributions - State	-	721,101	(721,101)
Contributions - Employee	-	153,807	(153,807)
Net Investment Income	-	341,202	(341,202)
Benefit Payments, including Refunds of Employee Contributions	(2,063,933)	(2,063,933)	-
Administrative Expense	-	(63,952)	63,952
Net Changes	2,633,753	268,895	2,364,858
Balances at September 30, 2015	\$ 57,525,964	\$ 44,973,797	\$ 12,552,167

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	\$ 20,009,671	\$ 12,552,167	\$ 6,409,358

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 \$939,583.

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	-	205,861
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan investments	1,193,235	-
Employer contributions subsequent to the measurement date	-	-
Total	\$ 1,193,235	\$ 205,861

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	\$	155,976
2018	\$	155,976
2019	\$	155,976
2020	\$	560,619
2021	\$	(41,173)
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	842,047	981,492
Interest	4,102,672	3,896,369
Share Plan Allocation	-	-
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(247,033)	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(2,063,933)</u>	<u>(1,911,491)</u>
Net Change in Total Pension Liability	2,633,753	2,966,370
Total Pension Liability - Beginning	<u>54,892,211</u>	<u>51,925,841</u>
Total Pension Liability - Ending (a)	<u><u>\$ 57,525,964</u></u>	<u><u>\$ 54,892,211</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	1,180,670	1,342,378
Contributions - State	721,101	871,999
Contributions - Employee	153,807	177,737
Net Investment Income	341,202	4,986,191
Benefit Payments, including Refunds of Employee Contributions	(2,063,933)	(1,911,491)
Administrative Expense	<u>(63,952)</u>	<u>(55,927)</u>
Net Change in Plan Fiduciary Net Position	268,895	5,410,887
Plan Fiduciary Net Position - Beginning	<u>44,704,902</u>	<u>39,294,015</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 44,973,797</u></u>	<u><u>\$ 44,704,902</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 12,552,167</u></u>	<u><u>\$ 10,187,309</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.18%	81.44%
Covered Employee Payroll	\$ 4,341,784	\$ 3,573,306 *
Net Pension Liability as a percentage of Covered Employee Payroll	289.10%	285.09%

Notes to Schedule:

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

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

	09/30/2015	09/30/2014
Actuarially Determined Contribution	1,901,771	2,214,378
Contributions in relation to the Actuarially Determined Contributions	1,901,771	2,214,378
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll	\$ 4,341,784	\$ 3,573,306 *
Contributions as a percentage of Covered Employee Payroll	43.80%	61.97%

* The 2014 reported Covered Employee Payroll figure 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.
 Actuarial Value of Assets: The Actuarial Value of Assets utilizes a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.
 Inflation: 3.0% per year.

Salary Increases:	Years of Service	Salary Increase
	1 0	10%
	2 - 9	7.50%
	10-14	6.00%
	15-19	5.50%
	20+	4.50%

Interest Rate: 7.5% per year, compounded annually, net of investment related expenses.
 Payroll Growth: 3.2% per year for amortization of the Unfunded Actuarial Accrued Liability. The assumption was 4.1% for the October 1, 2012 valuation.
 Post Retirement COLA: 3% per year at beginning at age 50 for Service Retirees, Disability Retirees, and surviving Beneficiaries. The COLA is not applicable for Vested Terminated Members, or for benefits accrued after May 31, 2013.
 Normal Retirement Age: Earlier of 1) age 55, 2) the completion of 25 years of credited service, regardless of age, or 3) the attainment of age 50 with 20 years of credited service. For Members hired after May 31, 2013, the Normal Retirement Date is the earlier of Age 55 with 8 years of Credited Service, or the completion of 25 years of Credited Service, regardless of age.
 Early Retirement Age: Attainment of age 50, regardless of years of Credited Service. Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
 Mortality: RP-2000 Table projected to the Valuation Date with Schedule AA. Disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, RP2000 without projection reflects a 10% margin for future mortality improvements.

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Disability Rates:

See table below. It is assumed that 75% of disablements and active Member deaths are service-related.

Age	% Becoming Disabled During the Year
20	0.14%
25	0.15%
30	0.18%
35	0.23%
40	0.30%
45	0.51%
50	1.00%

Retirement Rates:

Number of Year After First Eligibility For Normal Retirement	Probability of Normal Retirement
0	25%
1	50%
2	50%
3	50%
4	100%

The retirement rate for Normal Retirement is 100% for participants who have attained age 55 or 25 years of service, regardless of age.

Mortality Rates:

Age	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%

Termination Rates:

Sample Ages	Years of Service	% of Active Members Separating Within Next Year
ALL	0	20.00%
	1	12.00%
	2	8.00%
	3	4.00%
	4	2.00%
20	5+	9.60%
25		5.60%
30		2.80%
35		1.40%
40		0.40%
45+		0.00%

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 10,187,309	\$ 1,618,571	\$ 1,180,670	\$ -
Employer Contributions made after September 30, 2015	-	-	TBD*	-
Total Pension Liability Factors:				
Service Cost	842,047	-	-	842,047
Interest	4,102,672	-	-	4,102,672
Share Plan Allocation	-	-	-	-
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(247,033)	247,033	-	-
Current year amortization of experience difference	-	(41,172)	-	(41,172)
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(2,063,933)	-	-	(2,063,933)
Net change	<u>2,633,753</u>	<u>205,861</u>	<u>-</u>	<u>2,839,614</u>
Plan Fiduciary Net Position:				
Contributions - Employer	1,180,670	-	(1,180,670)	-
Contributions - State	721,101	-	-	(721,101)
Contributions - Employee	153,807	-	-	(153,807)
Net Investment Income	3,350,156	-	-	(3,350,156)
Difference between projected and actual earnings on Pension Plan investments	(3,008,954)	-	3,008,954	-
Current year amortization	-	(404,642)	(601,790)	197,148
Benefit Payments	(2,063,933)	-	-	2,063,933
Administrative Expenses	(63,952)	-	-	63,952
Net change	<u>268,895</u>	<u>(404,642)</u>	<u>1,226,494</u>	<u>(1,900,031)</u>
Ending Balance	<u>\$ 12,552,167</u>	<u>\$ 1,419,790</u>	<u>TBD</u>	<u>\$ 939,583</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.