

CITY OF NAPLES
POLICE OFFICERS' RETIREMENT TRUST FUND

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2015

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

November 25, 2015

Board of Trustees
City of Naples Police Officers' Retirement Trust Fund
c/o City of Naples Finance Department
735 8th Street, South
Naples, FL 34102

Re: City of Naples
Police Officers' Retirement Trust Fund

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Naples Police Officers' Retirement Trust Fund. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year. Please note that this valuation may not be applicable for any other purposes.

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

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the 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 Police Officers' Retirement Trust Fund. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

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

Respectfully submitted,

Foster & Foster, Inc.

By:



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

DHL/lke

Enclosures

TABLE OF CONTENTS

| Section | Title | Page |
|---------|---|------|
| I | Introduction | |
| | 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 | Valuation Information | |
| | a. Reconciliation of Unfunded Actuarial Accrued Liability | 14 |
| | b. Detailed Actuarial (Gain)/Loss Analysis | 15 |
| | c. Actuarial Assumptions and Methods | 16 |
| | d. Valuation Notes | 19 |
| | e. Partial History of Premium Tax Refunds | 20 |
| | f. Excess State Monies Reserve | 21 |
| III | Trust Fund | 22 |
| IV | Member Statistics | |
| | a. Statistical Data | 28 |
| | b. Age and Service Distribution | 29 |
| | c. Member Reconciliation | 30 |
| V | Summary of Plan Provisions | 31 |
| VI | Governmental Accounting Standards Board Statement Disclosure Information | 34 |

SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Naples Police Officers' Retirement Trust Fund, 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 | 61.11% | 63.26% |
| | | |
| Less Member Contributions (Est.) | | |
| % of Total Annual Payroll | 4.65% | 4.65% |
| | | |
| City and State Required Contribution | | |
| % of Total Annual Payroll | 56.46% | 58.61% |
| | | |
| Less State Contribution (est.) ^{1 2} | 551,656 | 551,656 |
| % of Total Annual Payroll | 12.75% | 12.75% |
| | | |
| Less City Incentive Contribution | 40,356 | 40,356 |
| % of Total Annual Payroll | 0.93% | 0.93% |
| | | |
| Balance from City ¹ | | |
| % of Total Annual Payroll | 42.78% | 44.93% |

¹ The City may use up to \$737,941.37 in State Contributions for determining its minimum funding requirements. For budgeting purposes, the required Sponsor Contribution (City and State) is 58.61% 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 \$737,941.37). Additionally, the City has access to a \$199,107.54 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 sources of favorable experience included a 9.5% investment return (Actuarial Asset Basis), exceeding the 7.5% assumption, and average increases in pensionable compensation that were less than the assumption by more than 2%. These gains were partially offset by lower than expected employee turnover and earlier than expected Normal Retirements. Please see page 15 for additional details regarding Plan experience for fiscal 2015.


In spite of a net actuarial gain for the year, Plan funding requirements, when expressed as a percentage of payroll, have increased as a result of reductions in Valuation Payroll and the payroll growth assumption utilized for amortization of the Unfunded Actuarial Accrued Liability (UAAL). While these reductions result in an increase in the percent of payroll funding rate for the UAAL, the City's dollar funding requirement has remained stable since the prior valuation.

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 | 43.26% |
| (2) | Summary of Contribution Impact by component: | |
| | Change in Available State Money | -0.2% |
| | Investment Return (Actuarial Asset Basis) | -1.3% |
| | Salary Increases | -0.2% |
| | Payroll Decrease | 1.4% |
| | Payroll Growth Assumption | 1.5% |
| | Amortization Base Payoffs | 0.0% |
| | New Entrants | 0.0% |
| | Active Decrements | 0.6% |
| | Inactive Mortality | -0.1% |
| | Data Corrections | 0.0% |
| | Assumption Change | 0.0% |
| | Other | <u>0.0%</u> |
| | | 1.67% |
| (3) | | 44.93% |

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 1.2% to 0.7% 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 | 60 | 62 | 62 |
| Service Retirees | 57 | 55 | 55 |
| DROP Retirees | 9 | 5 | 5 |
| Beneficiaries | 7 | 7 | 7 |
| Disability Retirees | 2 | 2 | 2 |
| Terminated Vested | <u>16</u> | <u>16</u> | <u>16</u> |
| Total | 151 | 147 | 147 |
| Total Annual Payroll | 4,326,363 | 4,406,901 | 4,406,901 |
| Annual Rate of Payments to: | | | |
| Service Retirees | 2,446,092 | 2,400,897 | 2,400,897 |
| DROP Retirees | 695,522 | 417,591 | 417,591 |
| Beneficiaries | 157,350 | 155,964 | 155,964 |
| Disability Retirees | 92,613 | 92,613 | 92,613 |
| Terminated Vested | 176,954 | 127,816 | 127,816 |
| B. Assets | | | |
| Actuarial Value ¹ | 42,113,491 | 38,734,162 | 38,734,162 |
| Market Value ¹ | 42,500,716 | 42,468,244 | 42,468,244 |
| C. Liabilities | | | |
| Present Value of Benefits | | | |
| Actives | | | |
| Retirement Benefits | 19,427,337 | 21,565,355 | 21,565,355 |
| Disability Benefits | 993,959 | 1,001,954 | 1,001,954 |
| Death Benefits | 123,413 | 128,208 | 128,208 |
| Vested Benefits | 1,026,647 | 1,116,668 | 1,116,668 |
| Refund of Contributions | 34,159 | 29,932 | 29,932 |
| Service Retirees | 29,979,670 | 29,764,893 | 29,764,893 |
| DROP Retirees ¹ | 10,900,902 | 6,476,645 | 6,476,645 |
| Beneficiaries | 1,588,418 | 1,594,414 | 1,594,414 |
| Disability Retirees | 1,154,709 | 1,162,711 | 1,162,711 |
| Terminated Vested | 1,690,204 | 1,520,000 | 1,520,000 |
| Excess State Monies Reserve | <u>0</u> | 0 | <u>0</u> |
| Total | 66,919,418 | 64,360,780 | 64,360,780 |

| 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 | 27,922,078 | 27,969,220 | 27,969,220 |
| Present Value of Future Member Contributions | 1,298,377 | 1,300,854 | 1,300,854 |
| Normal Cost (Retirement) | 561,224 | 585,174 | 585,174 |
| Normal Cost (Disability) | 103,777 | 110,249 | 110,249 |
| Normal Cost (Death) | 6,292 | 6,742 | 6,742 |
| Normal Cost (Vesting) | 100,273 | 131,884 | 131,884 |
| Normal Cost (Refunds) | <u>8,387</u> | <u>6,643</u> | <u>6,643</u> |
| Total Normal Cost | 779,953 | 840,692 | 840,692 |
| Present Value of Future Normal Costs | 4,229,189 | 4,447,300 | 4,447,300 |
| Accrued Liability (Retirement) | 16,373,128 | 18,363,224 | 18,363,224 |
| Accrued Liability (Disability) | 395,788 | 387,151 | 387,151 |
| Accrued Liability (Death) | 89,279 | 94,351 | 94,351 |
| Accrued Liability (Vesting) | 513,432 | 544,220 | 544,220 |
| Accrued Liability (Refunds) | 4,699 | 5,871 | 5,871 |
| Accrued Liability (Inactives) ¹ | 45,313,903 | 40,518,663 | 40,518,663 |
| Excess State Monies Reserve | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Actuarial Accrued Liability | 62,690,229 | 59,913,480 | 59,913,480 |
| Unfunded Actuarial Accrued Liability (UAAL) | 20,576,738 | 21,179,318 | 21,179,318 |
| Funded Ratio (AVA / AL) | 67.2% | 64.7% | 64.7% |

D. Actuarial Present Value of Accrued Benefits

| | | | |
|--------------------------------------|------------------|------------------|------------------|
| Vested Accrued Benefits | | | |
| Inactives ¹ | 45,313,903 | 40,518,663 | 40,518,663 |
| Actives | 13,892,252 | 16,054,456 | 16,054,456 |
| Member Contributions | <u>2,465,315</u> | <u>2,534,807</u> | <u>2,534,807</u> |
| Total | 61,671,470 | 59,107,926 | 59,107,926 |
| Non-vested Accrued Benefits | <u>508,709</u> | <u>665,096</u> | <u>665,096</u> |
| Total Present Value Accrued Benefits | 62,180,179 | 59,773,022 | 59,773,022 |
| Funded Ratio (MVA / PVAB) | 68.4% | 71.0% | 71.0% |

Increase (Decrease) in Present Value of
Accrued Benefits Attributable to:

| | | |
|----------------------|-------------|----------|
| Plan Amendments | 0 | 0 |
| Assumption Changes | 0 | 0 |
| New Accrued Benefits | 726,618 | 0 |
| Benefits Paid | (2,701,145) | 0 |
| Interest | 4,381,684 | 0 |
| Other | <u>0</u> | <u>0</u> |
| Total | 2,407,157 | 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 | 18.03 | 19.08 | 19.79 |
| Administrative Expenses (with interest) % of Total Annual Payroll ² | 2.49 | 1.67 | 1.73 |
| Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/2015) % of Total Annual Payroll ² | 42.74 | 40.36 | 41.87 |
| Total Required Contribution % of Total Annual Payroll ² | 63.26 | 61.11 | 63.39 |
| Expected Member Contributions % of Total Annual Payroll ² | 4.65 | 4.65 | 4.65 |
| Expected City & State Contribution % of Total Annual Payroll ² | 58.61 | 56.46 | 58.74 |

F. Past Contributions

| | |
|-----------------------------|------------------|
| Plan Years Ending: | <u>9/30/2015</u> |
| Total Required Contribution | 2,500,945 |
| City and State Requirement | 2,289,655 |
| Actual Contributions Made: | |
| Members (excluding buyback) | 211,290 |
| City | 1,737,998 |
| State | <u>551,656</u> |
| Total | 2,500,944 |

G. Net Actuarial (Gain)/Loss (589,306)

¹ The asset values and liabilities for DROP Members include accumulated DROP 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 \$4,326,363.

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

| <u>Year</u> | <u>Projected Unfunded Accrued Liability</u> |
|-------------|---|
| 2015 | 20,576,738 |
| 2016 | 20,132,064 |
| 2017 | 19,640,124 |
| 2020 | 17,842,887 |
| 2025 | 13,502,873 |
| 2030 | 7,622,293 |
| 2045 | 0 |

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

| | | <u>Actual</u> | <u>Assumed</u> |
|------------|-----------|---------------|----------------|
| Year Ended | 9/30/2015 | 2.97% | 5.08% |
| Year Ended | 9/30/2014 | 3.70% | 6.84% |
| Year Ended | 9/30/2013 | 2.85% | 6.52% |

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


| | | <u>Actual</u> | <u>Assumed</u> |
|------------|-----------|---------------|----------------|
| Year Ended | 9/30/2015 | 9.52% | 7.50% |
| Year Ended | 9/30/2014 | 11.38% | 7.50% |
| Year Ended | 9/30/2013 | 9.50% | 7.50% |

(iii) Average Annual Payroll Growth

| | | |
|-------------------------|-----------|-------------|
| (a) Payroll as of: | 10/1/2015 | \$4,326,363 |
| | 10/1/2005 | 4,051,684 |
| (b) Total Increase | | 6.8% |
| (c) Number of Years | | 10.00 |
| (d) Average Annual Rate | | 0.7% |

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 | \$21,179,318 |
| (2) Sponsor Normal Cost developed as of October 1, 2014 | 635,771 |
| (3) Expected administrative expenses for the year ended September 30, 2015 | 73,395 |
| (4) Expected interest on (1), (2) and (3) | 1,638,884 |
| (5) Sponsor contributions to the System during the year ended September 30, 2015 | 2,289,655 |
| (6) Expected interest on (5) | 71,669 |
| (7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2015 (1)+(2)+(3)+(4)-(5)-(6) | 21,166,044 |
| (8) Change to UAAL due to Assumption Change | 0 |
| (9) Change to UAAL due to Actuarial (Gain)/Loss | (589,306) |
| (10) Unfunded Accrued Liability as of October 1, 2015 | 20,576,738 |

| Type of Base | Date Established | Years Remaining | 10/1/2015 Amount | Amortization Amount |
|----------------------|------------------|-----------------|------------------|---------------------|
| | 10/1/1997 | 12 | \$1,224,366 | \$142,502 |
| | 10/1/1999 | 14 | 1,905,030 | 201,036 |
| | 10/1/2000 | 15 | (879,086) | (89,007) |
| | 10/1/2002 | 17 | 3,647,937 | 344,035 |
| | 10/1/2003 | 18 | 2,021,445 | 184,900 |
| Actuarial Loss | 10/1/2004 | 19 | 2,295,799 | 204,232 |
| Amendment | 10/1/2004 | 19 | (8,017) | (713) |
| Actuarial Gain | 10/1/2005 | 20 | (272,042) | (23,594) |
| Assum. Change | 10/1/2005 | 20 | 1,073,635 | 93,116 |
| Actuarial Gain | 10/1/2006 | 21 | (424,094) | (35,938) |
| Assum. Change | 10/1/2006 | 21 | 1,132,243 | 95,947 |
| Actuarial Loss | 10/1/2007 | 22 | 1,586,268 | 131,594 |
| Assum./Method Change | 10/1/2007 | 22 | 115,345 | 9,569 |
| Amendment | 10/1/2007 | 22 | 771,320 | 63,987 |
| Actuarial Loss | 10/1/2008 | 23 | 3,372,497 | 274,371 |
| Actuarial Loss | 10/1/2009 | 24 | 2,529,946 | 202,166 |
| Assumption Changes | 10/1/2009 | 24 | 1,849,982 | 147,830 |
| Actuarial Loss | 10/1/2010 | 25 | 2,837,967 | 223,065 |
| Actuarial Loss | 10/1/2011 | 26 | 3,296,641 | 255,201 |
| Benefit Changes | 10/1/2011 | 26 | (6,394,192) | (494,989) |
| Actuarial Loss | 10/1/2012 | 27 | 1,319,010 | 100,682 |
| Actuarial Gain | 10/1/2013 | 28 | (763,727) | (57,544) |
| Actuarial Gain | 10/1/2014 | 29 | (1,208,998) | (90,006) |
| Assumption Change | 10/1/2014 | 29 | 136,769 | 10,182 |
| Actuarial Gain | 10/1/2015 | 30 | (589,306) | (43,386) |
| | | | 20,576,738 | 1,849,238 |

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

| | |
|---|-----------------|
| (1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2014 | \$21,179,318 |
| | |
| (2) Expected UAAL as of October 1, 2015 | 21,166,044 |
| | |
| (3) Summary of Actuarial (Gain)/Loss, by component: | |
| Investment Return (Actuarial Asset Basis) | (781,106) |
| Salary Increases | (115,943) |
| Active Decrements | 380,707 |
| Inactive Mortality | (62,513) |
| Other | <u>(10,451)</u> |
| Increase in UAAL due to (Gain)/Loss | (589,306) |
| Assumption Changes | <u>0</u> |
| | |
| (4) Actual UAAL as of October 1, 2015 | \$20,576,738 |

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rates

RP-2000 Table projected to Valuation Date using 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 Age

Hired prior to 4/1/2012: Earlier of 1) age 50 or 2) the completion of 25 years of credited service. The retirement rate for Members who have reached 25 years of service is 100%. See table on next page for additional rates.

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

Hired after 3/31/2012: Earlier of 1) age 60 with completion of 8 years of credited service, or 2) the completion of 30 years of credited service. The retirement rate for Members who have reached 30 years of service is 100%. See table on next page for additional rates.

These rates were adopted in conjunction with the October 1, 2012 valuation. This assumption is reasonable, based on Plan provisions.

Early Retirement Age

Hired prior to 4/1/2012: Earlier of 1) age 45 or 2) the completion of 20 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.

Hired after 3/31/2012: Attainment of age 45 and the completion of 20 years of credited service. Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

These rates were adopted in conjunction with the October 1, 2012 valuation. This assumption is reasonable, based on Plan provisions.

| | |
|--------------------------------|---|
| <u>Termination Rates</u> | See table on following page. These rates were incorporated with the October 1, 2007 valuation as the result of a prior Experience Study. |
| <u>Disability Rates</u> | See table on following page. This assumption is in line with the national average for municipal defined benefit pension programs. |
| <u>Interest Rate</u> | 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. |
| <u>Salary Increases</u> | See table below. These rates were incorporated with the October 1, 2014 valuation as the result of an Experience Study. |
| <u>Administrative Expenses</u> | \$107,547, based on actual Administrative Expenses incurred during the prior fiscal year. |
| <u>Funding Method</u> | Entry Age Normal Actuarial Cost Method. |
| <u>Post-Retirement COLA</u> | 3% per year at ages 55 through 62 for Service Retirees and surviving Beneficiaries. No COLA for Disability Retirees, Vested Terminated Members, or Members hired after 3/31/2012. |
| <u>Payroll Growth</u> | 0.7% per year for amortization of the Unfunded Actuarial Accrued Liability. The assumption was 1.2% for the 10/1/2014 valuation. |
| <u>Actuarial Asset Method</u> | 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. |

% Increase in Salary

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

Disability Rates

| 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% |

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

Retirement Rates

| Number of Years After First Eligibility For Normal Retirement | Probability of Normal Retirement |
|---|-------------------------------------|
| 0 | 30% |
| 1 | 30% |
| 2 | 30% |
| 3 | 30% |
| 4 | 30% |
| 5 | 100% |

Termination Rates

| Sample Ages | Years of Service | % of Active Members Separating Within Next Year |
|----------------|---------------------|--|
| ALL | 0 | 20.0% |
| | 1 | 16.0% |
| | 2 | 14.0% |
| | 3 | 12.0% |
| | 4 | 10.0% |
| 20 | 5+ | 10.0% |
| 25 | | 10.0% |
| 30 | | 8.8% |
| 35 | | 6.8% |
| 40 | | 4.8% |
| 45+ | | 3.2% |

VALUATION NOTES

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

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

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

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

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

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

PARTIAL HISTORY OF PREMIUM TAX REFUNDS

| <u>Received During Fiscal Year</u> | <u>Amount</u> | <u>Increase from Previous Year</u> |
|--|---------------|--|
| 1993 | 348,798.49 | _____% |
| 1994 | 370,674.47 | 6.3% |
| 1995 | 399,899.77 | 7.9% |
| 1996 | 438,677.91 | 9.7% |
| 1997 | 486,936.40 | 11.0% |
| 1998 | 500,979.37 | 2.9% |
| 1999 | 521,102.07 | 4.0% |
| 2000 | 544,431.81 | 4.5% |
| 2001 | 578,886.07 | 6.3% |
| 2002 | 679,725.72 | 17.4% |
| 2003 | 780,142.25 | 14.8% |
| 2004 | 784,882.00 | 0.6% |
| 2005 | 726,369.64 | -7.5% |
| 2006 | 773,953.70 | 6.6% |
| 2007 | 740,322.92 | -4.3% |
| 2008 | 726,369.64 | -1.9% |
| 2009 | 625,279.98 | -13.9% |
| 2010 | 546,848.13 | -12.5% |
| 2011 | 553,719.90 | 1.3% |
| 2012 | 519,408.75 | -6.2% |
| 2013 | 512,283.63 | -1.4% |
| 2014 | 540,981.00 | 5.6% |
| 2015 | 551,656.38 | 2.0% |

EXCESS STATE MONIES RESERVE

| | <u>Actual State Contribution</u> | <u>Applicable "Frozen" Amount</u> | <u>Excess State Monies for Reserve</u> |
|------|--------------------------------------|---------------------------------------|--|
| 1998 | \$500,979.37 | \$500,979.37 | \$0.00 |
| 1999 | 521,102.07 | 500,979.37 | 20,122.70 |
| 2000 | 544,431.81 | 500,979.37 | 43,452.44 |
| 2001 | 578,886.07 | 500,979.37 | 77,906.70 |
| 2002 | 679,725.72 | 500,979.37 | 178,746.35 |
| 2003 | 780,142.25 | 662,446.37 | 117,695.88 |
| 2004 | 784,882.00 | 662,446.37 | 122,435.63 |
| 2005 | 726,369.64 | 662,446.37 | 63,923.27 |
| 2006 | 773,953.70 | 662,446.37 | 111,507.33 |
| 2007 | 740,322.92 | 662,446.37 | 77,876.55 |
| 2008 | 726,369.64 | 737,941.37 | 0.00 |
| 2009 | 625,279.98 | 737,941.37 | 0.00 |
| 2010 | 546,848.13 | 737,941.37 | 0.00 |
| 2011 | 553,719.90 | 737,941.37 | 0.00 |
| 2012 | 519,408.75 | 737,941.37 | 0.00 |
| 2013 | 512,283.63 | 737,941.37 | 0.00 |
| 2014 | 540,981.00 | 737,941.37 | 0.00 |
| 2015 | 551,656.38 | 737,941.37 | <u>0.00</u> |
| | | Total: | 813,666.85 |
| | | | Less Excess Used in Ord. No. 03-10084 |
| | | | (320,228.19) |
| | | | Less Excess Used in Ord. No. 08-12124 |
| | | | (493,438.66) |
| | | Total Excess State Monies Reserve: | 0.00 |

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015

| <u>ASSETS</u> | COST VALUE | MARKET VALUE |
|--------------------------------------|---------------|---------------|
| Cash and Cash Equivalents: | | |
| Checking Account | 480.09 | 480.09 |
| Money Market | 949,118.00 | 949,118.00 |
| Cash | 440.17 | 440.17 |
| Total Cash and Equivalents | 950,038.26 | 950,038.26 |
| Receivables: | | |
| Member Contributions | 242.47 | 242.47 |
| State Contributions | 551,656.38 | 551,656.38 |
| Total Receivable | 551,898.85 | 551,898.85 |
| Investments: | | |
| Fixed Income | 8,330,126.44 | 8,356,017.56 |
| Equities | 24,589,663.02 | 27,132,758.74 |
| Pooled/Common/Commingled Funds: | | |
| Fixed Income | 1,850,000.00 | 1,859,007.00 |
| Hedge | 1,850,000.00 | 1,878,164.00 |
| Real Estate | 1,550,000.00 | 1,971,939.45 |
| Total Investments | 38,169,789.46 | 41,197,886.75 |
| Total Assets | 39,671,726.57 | 42,699,823.86 |
| <u>LIABILITIES</u> | | |
| Prepaid City Contribution | 199,107.54 | 199,107.54 |
| Total Liabilities | 199,107.54 | 199,107.54 |
| NET POSITION RESTRICTED FOR PENSIONS | 39,472,619.03 | 42,500,716.32 |

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

ADDITIONS

| | | |
|----------------|--------------|--|
| Contributions: | | |
| Member | 211,290.25 | |
| City | 1,697,642.49 | |
| City Incentive | 40,356.00 | |
| State | 551,656.38 | |

Total Contributions 2,500,945.12

Metlife Benefit & ADM Fee Reimbursements 5,198.00

Investment Income:

| | | |
|---|----------------|--|
| Net Realized Gain (Loss) | 2,226,578.28 | |
| Unrealized Gain (Loss) | (2,484,328.83) | |
| Net Increase in Fair Value of Investments | (257,750.55) | |
| Interest & Dividends | 816,217.60 | |
| Less Investment Expense ¹ | (223,446.33) | |

Net Investment Income 335,020.72

Total Additions 2,841,163.84

DEDUCTIONS

Distributions to Members:

| | | |
|---------------------------------|--------------|--|
| Benefit Payments | 2,689,051.80 | |
| Lump Sum DROP Distributions | 0.00 | |
| Refunds of Member Contributions | 12,092.72 | |

Total Distributions 2,701,144.52

Administrative Expense 107,547.02

Total Deductions 2,808,691.54

Net Increase in Net Position 32,472.30

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 42,468,244.02

End of the Year 42,500,716.32

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 | 211,290.25 | |
| City | 1,697,642.49 | |
| City Incentive | 40,356.00 | |
| State | 551,656.38 | |
| Total Contributions | | 2,500,945.12 |
| Metlife Benefit & ADM Fee Reimbursements | | 5,198.00 |
| Earnings from Investments: | | |
| Interest & Dividends | 816,217.60 | |
| Net Realized Gain (Loss) | 2,226,578.28 | |
| Change in Actuarial Value | 867,726.17 | |
| Total Earnings and Investment Gains | | 3,910,522.05 |

EXPENDITURES

| | | |
|---|--------------|-------------------|
| Distributions to Members: | | |
| Benefit Payments | 2,689,051.80 | |
| Lump Sum DROP Distributions | 0.00 | |
| Refunds of Member Contributions | 12,092.72 | |
| Total Distributions | | 2,701,144.52 |
| Expenses: | | |
| Investment Related ¹ | 223,446.33 | |
| Administrative | 107,547.02 | |
| Total Expenses | | 330,993.35 |
| Change in Net Assets for the Year | | 3,379,329.30 |
| Net Assets Beginning of the Year | | 38,734,162.02 |
| Net Assets End of the Year ² | | 42,113,491.32 |

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 | (2,200,443) | 0 | 0 | 0 | 0 | 0 |
| 09/30/2012 | 3,653,643 | 730,729 | 0 | 0 | 0 | 0 |
| 09/30/2013 | 1,981,363 | 792,545 | 396,273 | 0 | 0 | 0 |
| 09/30/2014 | 1,904,870 | 1,142,922 | 761,948 | 380,974 | 0 | 0 |
| 09/30/2015 | (2,848,714) | (2,278,971) | (1,709,228) | (1,139,486) | (569,743) | 0 |
| Total | | 387,225 | (551,007) | (758,512) | (569,743) | 0 |

Development of Investment Gain/(Loss)

| | |
|---|--------------------|
| Market Value of Assets, including Prepaid Contributions, 09/30/2014 | 42,601,073 |
| Contributions Less Benefit Payments & Admin Expenses | (302,548) |
| Expected Investment Earnings* | 3,183,735 |
| Actual Net Investment Earnings | 335,021 |
| 2015 Actuarial Investment Gain/(Loss) | <u>(2,848,714)</u> |

*Expected Investment Earnings = 0.075 * [42,601,073 + 0.5 * (302,548)]

Development of Actuarial Value of Assets

| | |
|--|-------------------|
| (1) Market Value of Assets, 09/30/2015 | 42,500,716 |
| (2) Gains/(Losses) Not Yet Recognized | 387,225 |
| (3) Actuarial Value of Assets, 09/30/2015, (1) - (2) | <u>42,113,491</u> |

(A) 09/30/2014 Actuarial Assets, including Prepaid Contributions: 38,866,991

(I) Net Investment Income:

| | |
|------------------------------|------------------|
| 1. Interest and Dividends | 816,218 |
| 2. Realized Gains (Losses) | 2,226,578 |
| 3. Change in Actuarial Value | 867,726 |
| 4. Investment Expenses | (223,446) |
| Total | <u>3,687,076</u> |

(B) 09/30/2015 Actuarial Assets, including Prepaid Contributions: 42,312,599

Actuarial Assets Rate of Return = 2I/(A+B-I): 9.52%
Market Value of Assets Rate of Return: 0.79%

Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis) 781,106

10/01/2015 Limited Actuarial Assets, not including Prepaid: 42,113,491

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

| | |
|-------------------------------|--------------|
| Beginning of the Year Balance | 772,980.36 |
| Plus Additions | 563,513.91 |
| Investment Return Earned | 13,600.01 |
| Less Distributions | 0.00 |
| End of the Year Balance | 1,350,094.28 |

Note:
Additions for one new member are calculated on the Normal Form

Note:
Investment Return for one new member has not been determined, and will be included in Investment Return reported for Plan year ending September 30, 2016

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

| | | |
|-----|--|-----------------------|
| (1) | City and State Contribution Rate | 50.92% |
| (2) | Pensionable Payroll Derived from Member Contributions | \$4,496,572.81 |
| (3) | City and State Required Contribution (1) x (2) | 2,289,654.87 |
| (4) | Less Allowable State Contribution | <u>(551,656.38)</u> |
| (5) | Equals Required City Contribution for Fiscal 2015 | 1,737,998.49 |
| (6) | Less 2014 Prepaid Contribution | (132,828.51) |
| (7) | Less City Incentive Contribution | (40,356.00) |
| (8) | Less Actual City Contributions | <u>(1,763,921.52)</u> |
| (9) | Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2015 | (\$199,107.54) |

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 March 31, 2012</u> | | | | |
| Number | 64 | 60 | 53 | 47 |
| Average Current Age | 40.1 | 40.8 | 42.5 | 42.6 |
| Average Age at Employment | 29.8 | 29.5 | 30.0 | 29.6 |
| Average Past Service | 10.3 | 11.3 | 12.5 | 13.0 |
| Average Annual Salary | \$73,907 | \$76,091 | \$71,501 | \$74,790 |
| <u>Actives - Hired after March 31, 2012</u> | | | | |
| Number | 4 | 7 | 9 | 13 |
| Average Current Age | 40.8 | 36.8 | 36.4 | 34.0 |
| Average Age at Employment | 40.6 | 35.9 | 35.0 | 32.6 |
| Average Past Service | 0.2 | 0.9 | 1.4 | 1.4 |
| Average Annual Salary | \$76,236 | \$68,444 | \$71,052 | \$62,402 |
| <u>Service Retirees</u> | | | | |
| Number | 53 | 54 | 55 | 57 |
| Average Current Age | 59.6 | 60.6 | 61.3 | 61.7 |
| Average Annual Benefit | \$42,731 | \$42,251 | \$43,653 | \$42,914 |
| <u>DROP Retirees</u> | | | | |
| Number | 3 | 4 | 5 | 9 |
| Average Current Age | 52.3 | 51.8 | 51.6 | 51.3 |
| Average Annual Benefit | \$80,654 | \$82,590 | \$83,518 | \$77,280 |
| <u>Beneficiaries</u> | | | | |
| Number | 6 | 6 | 7 | 7 |
| Average Current Age | 62.2 | 63.3 | 63.2 | 64.2 |
| Average Annual Benefit | \$24,237 | \$24,237 | \$22,281 | \$22,479 |
| <u>Disability Retirees</u> | | | | |
| Number | 2 | 2 | 2 | 2 |
| Average Current Age | 47.2 | 48.2 | 49.2 | 50.2 |
| Average Annual Benefit | \$46,307 | \$46,307 | \$46,307 | \$46,307 |
| <u>Terminated Vested ²</u> | | | | |
| Number | 10 | 11 | 12 | 11 |
| Average Current Age | 44.1 | 44.7 | 44.8 | 44.5 |
| Average Annual Benefit | \$12,324 | \$14,476 | \$10,651 | \$16,087 |

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 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25 - 29 | 3 | 1 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6 |
| 30 - 34 | 3 | 0 | 0 | 0 | 0 | 4 | 5 | 0 | 0 | 0 | 0 | 12 |
| 35 - 39 | 1 | 0 | 0 | 0 | 1 | 4 | 2 | 0 | 0 | 0 | 0 | 8 |
| 40 - 44 | 0 | 1 | 1 | 1 | 1 | 4 | 0 | 3 | 0 | 0 | 0 | 11 |
| 45 - 49 | 0 | 0 | 0 | 0 | 0 | 1 | 3 | 5 | 4 | 1 | 0 | 14 |
| 50 - 54 | 0 | 0 | 0 | 0 | 0 | 2 | 1 | 2 | 2 | 0 | 0 | 7 |
| 55 - 59 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| 60 - 64 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| 65+ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 7 | 2 | 1 | 4 | 3 | 15 | 11 | 10 | 6 | 1 | 0 | 60 |

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

| | |
|---|----------|
| a. Number in prior valuation 10/1/2014 | 62 |
| b. Terminations | |
| i. Vested (partial or full) with deferred benefits ¹ | (2) |
| ii. Non-vested or full lump sum distribution received | (2) |
| c. Deaths | |
| i. Beneficiary receiving benefits | 0 |
| ii. No future benefits payable | 0 |
| d. Disabled | 0 |
| e. Retired | (1) |
| f. DROP | (4) |
| g. Voluntary withdrawal | <u>0</u> |
| h. Continuing participants | 53 |
| i. New entrants | <u>7</u> |
| j. Total active life participants in valuation | 60 |

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 Deferred ¹ | <u>Total</u> |
|-----------------------------|--|-------------------------|---------------------------------------|--|---------------------------------|--------------|
| a. Number prior valuation | 55 | 5 | 7 | 2 | 16 | 85 |
| Retired | 1 | 0 | 0 | 0 | (2) | (1) |
| DROP | 0 | 4 | 0 | 0 | 0 | 4 |
| Vested Deferred | 2 | 0 | 0 | 0 | 2 | 4 |
| Death, With Survivor | 0 | 0 | 0 | 0 | 0 | 0 |
| Death, No Survivor | (1) | 0 | 0 | 0 | 0 | (1) |
| 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 | 57 | 9 | 7 | 2 | 16 | 91 |

¹ Includes nonvested Members awaiting a refund of Member Contributions.

POLICE OFFICERS' RETIREMENT TRUST FUND
SUMMARY OF PLAN PROVISIONS

| | |
|-----------------------------------|--|
| <u>Eligibility</u> | Full-time employees who are classified as full-time sworn Police Officers participate in the Plan as a condition of employment. |
| <u>Credited Service</u> | Total years and completed months of uninterrupted service with the City as a Police Officer. |
| <u>Salary</u> | Total pay, plus additional compensation received. Effective 3/31/2012, future accrued leave lump sum payouts shall not exceed the lesser of \$6,700 and the value accrued prior to 10/1/2011. |
| <u>Final Average Compensation</u> | Average Salary for the best three (3) years of service. Benefits accrued after 3/31/2012 shall be based on Average Salary for the best eight (8) years of service, however, in no event will the future Final Average Compensation be less than the amount determined as of 3/31/2012 under the prior 3 year average definition. |
| <u>Normal Retirement</u> | |
| Date | <u>Hired prior to 4/1/2012:</u> Earlier of age 50 or 25 years of Credited Service, regardless of age. <u>Hired after 3/31/2012:</u> Earlier of age 60 with the completion of 8 years of Credited Service, or the completion of 30 years of Credited Service, regardless of age. |
| Benefit | <u>Hired prior to 4/1/2012:</u> Frozen accrued benefit as of 3/31/2012, plus a future service benefit of 3.0% of Final Average Compensation for each year of Credited Service beyond 3/31/2012 <u>Hired after 3/31/2012:</u> 3.0% of Final Average Compensation for all years of Credited Service. |
| Form of Benefit | Ten Year Certain and Life Annuity (options available). |

Early Retirement

Date Hired prior to 4/1/2012: Earlier of age 45 or 20 years of Credited Service, regardless of age.

Hired after 3/31/2012: Attainment of age 45 and the completion of 20 years of Credited Service.

Benefit Accrued benefit, reduced 3% (5% for Members hired after 3/31/2012) for each year prior to Normal Retirement.

Vesting

Schedule 100% after 5 years (8 years for Members hired after 3/31/2012) of Credited Service.

Benefit Amount Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date.

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

Actuarially reduced accrued benefit payable to designated beneficiary for life with 10 years certain.

Non-Vested

Refund of member contributions, with 5.5% interest.

Post-Retirement

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

Member Contributions

5.0% of Salary. Members hired after 3/31/2012 contribute 3.0% of Salary.

City and State Contributions

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

Cost of Living Adjustment

Eligibility

Normal and Early service Retirees and Beneficiaries. COLA is not payable to Disability, Vested Terminated Retirees, or any Member hired after 3/31/2012.

Amount

3.0% increase per year following one year of payments and the retiree's 55th birthday, ceasing on the retiree's 62nd birthday.

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 | 480 |
| Money Market | 949,118 |
| Cash | 440 |
| Total Cash and Equivalents | 950,038 |
| Receivables: | |
| Member Contributions | 243 |
| State Contributions | 551,656 |
| Total Receivable | 551,899 |
| Investments: | |
| Fixed Income | 8,356,018 |
| Equities | 27,132,759 |
| Pooled/Common/Commingled Funds: | |
| Fixed Income | 1,859,007 |
| Hedge | 1,878,164 |
| Real Estate | 1,971,939 |
| Total Investments | 41,197,887 |
| Total Assets | 42,699,824 |
| <u>LIABILITIES</u> | |
| Payables: | |
| Unearned Revenue | 199,108 |
| Total Liabilities | 199,108 |
| NET POSITION RESTRICTED FOR PENSIONS | 42,500,716 |

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

ADDITIONS

Contributions:

| | | |
|--|-----------|---------------|
| Member | 211,290 | |
| City | 1,697,642 | |
| City Incentive | 40,356 | |
| State | 551,656 | |
| Total Contributions | | 2,500,944 |
| Metlife Benefit & ADM Fee Reimbursements | | 5,198 |
| Investment Income: | | |
| Net Increase in Fair Value of Investments | (257,749) | |
| Interest & Dividends | 816,218 | |
| Less Investment Expense ¹ | (223,446) | |
| Net Investment Income | | 335,023 |
| Total Additions | | 2,841,165 |

DEDUCTIONS

Distributions to Members:

| | | |
|----------------------------------|-----------|---------------|
| Benefit Payments | 2,689,052 | |
| Lump Sum DROP Distributions | 0 | |
| Refunds of Member Contributions | 12,093 | |
| Total Distributions | | 2,701,145 |
| Administrative Expense | | 107,547 |
| Total Deductions | | 2,808,692 |
| Net Increase in Net Position | | 32,473 |

NET POSITION RESTRICTED FOR PENSIONS

| | |
|-----------------------|------------|
| Beginning of the Year | 42,468,243 |
| End of the Year | 42,500,716 |

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 | 69 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | 16 |
| Active Plan Members | 62 |
| | 147 |

Benefits Provided

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

Normal Retirement:

Date: Hired prior to 4/1/2012: Earlier of age 50 or 25 years of Credited Service, regardless of age.

Hired after 3/31/2012: Earlier of age 60 with the completion of 8 years of Credited Service, or the completion of 30 years of Credited Service, regardless of age.

Benefit: Hired prior to 4/1/2012: Frozen accrued benefit as of 3/31/2012, plus a future service benefit of 3.0% of Final Average Compensation for each year of Credited Service beyond 3/31/2012.

Hired after 3/31/2012: 3.0% of Final Average Compensation for all years of Credited Service.

Early Retirement:

Date: Hired prior to 4/1/2012: Earlier of age 45 or 20 years of Credited Service, regardless of age.

Hired after 3/31/2012: Attainment of age 45 and the completion of 20 years of Credited Service.

Benefit: Accrued benefit, reduced 3% (5% for Members hired after 3/31/2012) for each year prior to Normal Retirement.

Vesting:

Schedule: 100% after 5 years (8 years for Members hired after 3/31/2012) of Credited Service.

Benefit: Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date.

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: Actuarially reduced accrued benefit payable to designated beneficiary for life with 10 years certain.

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

Cost of Living Adjustment:

Eligibility: Normal and Early service Retirees and Beneficiaries. COLA is not payable to Disability, Vested Terminated Retirees, or any Member hired after 3/31/2012.

Amount: 3.0% increase per year following one year of payments and the retiree's 55th birthday, ceasing on the retiree's 62nd birthday.

Contributions

Member Contributions: 5.0% of Salary. Members hired after 3/31/2012 contribute 3.0% of Salary.

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

GASB 67

Investments

Investment Policy:

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

| <u>Asset Class</u> | <u>Target Allocation</u> |
|----------------------|--------------------------|
| Domestic Equity | 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: Police officers hired prior to April 1, 2012 shall be eligible to participate in the DROP upon attaining age 50 or 25 years of credited service.

Participation: Not to exceed 60 months.

Rate of Return: A Member's DROP account will earn interest at the rate of 1.3 percent per annum, compounded monthly.

The DROP balance as September 30, 2015 is \$1,350,094.

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 | \$ 61,555,656 |
| Plan Fiduciary Net Position | <u>\$ (42,500,716)</u> |
| Sponsor's Net Pension Liability | <u>\$ 19,054,940</u> |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 69.04% |

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 Valuation Date using Schedule AA. Disabled lives are set forward 5 years. Based upon other studies of municipal Police Officers, we feel this assumption sufficiently accommodates 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 | \$ 25,832,847 | \$ 19,054,940 | \$ 13,361,964 |

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 | 1,007,847 | 944,053 |
| Interest | 4,448,873 | 4,254,147 |
| Changes of benefit terms | - | - |
| Differences between Expected and Actual Experience | (860,949) | - |
| Changes of assumptions | - | - |
| Benefit Payments, including Refunds of Employee Contributions | <u>(2,701,145)</u> | <u>(2,630,150)</u> |
| Net Change in Total Pension Liability | 1,894,626 | 2,568,050 |
| Total Pension Liability - Beginning | <u>59,661,030</u> | <u>57,092,980</u> |
| Total Pension Liability - Ending (a) | <u>\$ 61,555,656</u> | <u>\$ 59,661,030</u> |
| | | |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | 1,737,998 | 1,672,462 |
| Contributions - State | 551,656 | 540,981 |
| Contributions - Employee | 211,290 | 229,089 |
| Net Investment Income | 335,023 | 4,746,677 |
| Benefit Payments, including Refunds of Employee Contributions | (2,701,145) | (2,630,150) |
| Administrative Expense | (107,547) | (73,395) |
| Other | <u>5,198</u> | <u>5,556</u> |
| Net Change in Plan Fiduciary Net Position | 32,473 | 4,491,220 |
| Plan Fiduciary Net Position - Beginning | <u>42,468,243</u> | <u>37,977,023</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 42,500,716</u> | <u>\$ 42,468,243</u> |
| | | |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 19,054,940</u> | <u>\$ 17,192,787</u> |
| | | |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 69.04% | 71.18% |
| | | |
| Covered Employee Payroll | \$ 5,164,848 | \$ 4,786,859 * |
| Net Pension Liability as a percentage of Covered Employee Payroll | 368.94% | 359.17% |

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 | 2,289,654 | 2,213,443 |
| Contributions in relation to the Actuarially | | |
| Determined Contributions | 2,289,654 | 2,213,443 |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> |
| Covered Employee Payroll | \$ 5,164,848 | \$ 4,786,859 * |
| Contributions as a percentage of Covered | | |
| Employee Payroll | 44.33% | 46.24% |

* 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. |
| Mortality: | RP-2000 Table projected to Valuation Date using Schedule AA. Disabled lives are set forward 5 years. |
| Termination Rates: | See table on next page. |
| Disability Rates: | See table on next page. |
| Normal Retirement Age: | Hired prior to 04/01/2012: Earlier of 1) age 50 or 2) the completion of 25 years of credited service. The retirement rate for Members who have reached 25 years of service is 100%. See table on next page for additional rates. Hired after 03/31/2012: Earlier of 1) age 60 with completion of 8 years of credited service, or 2) the completion of 30 years of credited service. The retirement rate for Members who have reached 30 years of service is 100%. See table on next page for additional rates. |
| Early Retirement Age: | Hired prior to 04/01/2012: Earlier of 1) age 45 or 2) the completion of 20 years of credited service. Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year. Hired after 03/31/2012: Attainment of age 45 and the completion of 20 years of credited service. Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year. |
| Interest Rate: | 7.50% per year, compounded annually, net of investment related expenses. |
| Salary Increases: | See table on next page. |
| Post Retirement COLA: | 3% per year at ages 55 through 62 for Service Retirees and surviving Beneficiaries. No COLA for Disability Retirees, Vested Terminated Members, or Members hired after 03/31/2012. |
| Payroll Growth: | 2.7% per year for amortization of the Unfunded Actuarial Accrued Liability. The assumption was 4.7% for the 10/01/2012 valuation. |
| 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. |

GASB 67

Disability Rates:

| 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% |

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

% Increase in Salary:

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

Retirement Rates:

| Number of Years After First Eligibility For Normal Retirement | Probability of Normal Retirement |
|--|-------------------------------------|
| 0 | 30.00% |
| 1 | 30.00% |
| 2 | 30.00% |
| 3 | 30.00% |
| 4 | 30.00% |
| 5 | 100.00% |

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 | 16.00% |
| | 2 | 14.00% |
| | 3 | 12.00% |
| | 4 | 10.00% |
| 20 | 5+ | 10.00% |
| 25 | | 10.00% |
| 30 | | 8.80% |
| 35 | | 6.80% |
| 40 | | 4.80% |
| 45 | | 3.20% |

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% | 12.60% |

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 full-time sworn Police Officers participate in the Plan as a condition of employment.

Plan Membership as of October 1, 2014:

| | |
|---|-----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 69 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | 16 |
| Active Plan Members | 62 |
| | 147 |
| | 147 |

Benefits Provided

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

Normal Retirement:

Date: Hired prior to 4/1/2012: Earlier of age 50 or 25 years of Credited Service, regardless of age.

Hired after 3/31/2012: Earlier of age 60 with the completion of 8 years of Credited Service, or the completion of 30 years of Credited Service, regardless of age.

Benefit: Hired prior to 4/1/2012: Frozen accrued benefit as of 3/31/2012, plus a future service benefit of 3.0% of Final Average Compensation for each year of Credited Service beyond 3/31/2012.

Hired after 3/31/2012: 3.0% of Final Average Compensation for all years of Credited Service.

Early Retirement:

Date: Hired prior to 4/1/2012: Earlier of age 45 or 20 years of Credited Service, regardless of age.

Hired after 3/31/2012: Attainment of age 45 and the completion of 20 years of Credited Service.

Benefit: Accrued benefit, reduced 3% (5% for Members hired after 3/31/2012) for each year prior to Normal Retirement.

Vesting:

Schedule: 100% after 5 years (8 years for Members hired after 3/31/2012) of Credited Service.

Benefit: Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date.

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: Actuarially reduced accrued benefit payable to designated beneficiary for life with 10 years certain.

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

Cost of Living Adjustment:

Eligibility: Normal and Early service Retirees and Beneficiaries. COLA is not payable to Disability, Vested Terminated Retirees, or any Member hired after 3/31/2012.

Amount: 3.0% increase per year following one year of payments and the retiree's 55th birthday, ceasing on the retiree's 62nd birthday.

Contributions

Member Contributions: 5.0% of Salary. Members hired after 3/31/2012 contribute 3.0% of Salary.

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 Valuation Date using Schedule AA. Disabled lives are set forward 5 years. Based upon other studies of municipal Police Officers, we feel this assumption sufficiently accommodates 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 | \$ 59,661,030 | \$ 42,468,243 | \$ 17,192,787 |
| Changes for a Year: | | | |
| Service Cost | 1,007,847 | - | 1,007,847 |
| Interest | 4,448,873 | - | 4,448,873 |
| Differences between Expected and Actual Experience | (860,949) | - | (860,949) |
| Changes of assumptions | - | - | - |
| Changes of benefit terms | - | - | - |
| Contributions - Employer | - | 1,737,998 | (1,737,998) |
| Contributions - State | - | 551,656 | (551,656) |
| Contributions - Employee | - | 211,290 | (211,290) |
| Net Investment Income | - | 335,023 | (335,023) |
| Benefit Payments, including Refunds of Employee Contributions | (2,701,145) | (2,701,145) | - |
| Administrative Expense | - | (107,547) | 107,547 |
| Other Changes | - | 5,198 | (5,198) |
| Net Changes | 1,894,626 | 32,473 | 1,862,153 |
| Balances at September 30, 2015 | <u>\$ 61,555,656</u> | <u>\$ 42,500,716</u> | <u>\$ 19,054,940</u> |

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 | \$ 25,832,847 | \$ 19,054,940 | \$ 13,361,964 |

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 \$1,521,636.

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 | - | 573,966 |
| Changes of assumptions | - | - |
| Net difference between Projected and Actual Earnings on Pension Plan investments | 1,125,930 | - |
| Employer contributions subsequent to the measurement date | - | - |
| Total | \$ 1,125,930 | \$ 573,966 |

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 | \$ | (100,910) |
| 2018 | \$ | (100,910) |
| 2019 | \$ | 186,073 |
| 2020 | \$ | 567,711 |
| 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 | 1,007,847 | 944,053 |
| Interest | 4,448,873 | 4,254,147 |
| Changes of benefit terms | - | - |
| Differences between Expected and Actual Experience | (860,949) | - |
| Changes of assumptions | - | - |
| Benefit Payments, including Refunds of Employee Contributions | <u>(2,701,145)</u> | <u>(2,630,150)</u> |
| Net Change in Total Pension Liability | 1,894,626 | 2,568,050 |
| Total Pension Liability - Beginning | <u>59,661,030</u> | <u>57,092,980</u> |
| Total Pension Liability - Ending (a) | <u>\$ 61,555,656</u> | <u>\$ 59,661,030</u> |
| | | |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | 1,737,998 | 1,672,462 |
| Contributions - State | 551,656 | 540,981 |
| Contributions - Employee | 211,290 | 229,089 |
| Net Investment Income | 335,023 | 4,746,677 |
| Benefit Payments, including Refunds of Employee Contributions | (2,701,145) | (2,630,150) |
| Administrative Expense | (107,547) | (73,395) |
| Other | <u>5,198</u> | <u>5,556</u> |
| Net Change in Plan Fiduciary Net Position | 32,473 | 4,491,220 |
| Plan Fiduciary Net Position - Beginning | <u>42,468,243</u> | <u>37,977,023</u> |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 42,500,716</u> | <u>\$ 42,468,243</u> |
| | | |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 19,054,940</u> | <u>\$ 17,192,787</u> |
| | | |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 69.04% | 71.18% |
| | | |
| Covered Employee Payroll | \$ 5,164,848 | \$ 4,786,859 * |
| Net Pension Liability as a percentage of Covered Employee Payroll | 368.94% | 359.17% |

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 | 2,289,654 | 2,213,443 |
| Contributions in relation to the | | |
| Actuarially Determined Contributions | 2,289,654 | 2,213,443 |
| Contribution Deficiency (Excess) | \$ - | \$ - |
| | | |
| Covered Employee Payroll | \$ 5,164,848 | \$ 4,786,859 * |
| Contributions as a percentage of | | |
| Covered Employee Payroll | 44.33% | 46.24% |

* 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. |
| Mortality: | RP-2000 Table projected to Valuation Date using Schedule AA. Disabled lives are set forward 5 years. |
| Termination Rates: | See table on next page. |
| Disability Rates: | See table on next page. |
| Normal Retirement Age: | Hired prior to 04/01/2012: Earlier of 1) age 50 or 2) the completion of 25 years of credited service. The retirement rate for Members who have reached 25 years of service is 100%. See table on next page for additional rates. Hired after 03/31/2012: Earlier of 1) age 60 with completion of 8 years of credited service, or 2) the completion of 30 years of credited service. The retirement rate for Members who have reached 30 years of service is 100%. See table on next page for additional rates. |
| Early Retirement Age: | Hired prior to 04/01/2012: Earlier of 1) age 45 or 2) the completion of 20 years of credited service. Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year. Hired after 03/31/2012: Attainment of age 45 and the completion of 20 years of credited service. Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year. |
| Interest Rate: | 7.50% per year, compounded annually, net of investment related expenses. |
| Salary Increases: | See table on next page. |
| Post Retirement COLA: | 3% per year at ages 55 through 62 for Service Retirees and surviving Beneficiaries. No COLA for Disability Retirees, Vested Terminated Members, or Members hired after 03/31/2012. |
| Payroll Growth: | 2.7% per year for amortization of the Unfunded Actuarial Accrued Liability. The assumption was 4.7% for the 10/01/2012 valuation. |
| 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. |

GASB 68

Inflation: 3.0% per year.

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

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

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

| Retirement Rates: | Number of Years After First | Probability of Normal |
|-------------------|-----------------------------------|-----------------------|
| | Eligibility For Normal Retirement | |
| | 0 | 30.00% |
| | 1 | 30.00% |
| | 2 | 30.00% |
| | 3 | 30.00% |
| | 4 | 30.00% |
| | 5 | 100.00% |

| Mortality Rates: | Age | Male | Female |
|------------------|-----|-------|--------|
| | | 50 | 0.17% |
| | 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 | % of Active Members |
|--------------------|-------------|----------|-----------------------------|
| | | Service | Separating Within Next Year |
| | ALL | 0 | 20.00% |
| | | 1 | 16.00% |
| | | 2 | 14.00% |
| | | 3 | 12.00% |
| | | 4 | 10.00% |
| | 20 | 5+ | 10.00% |
| | 25 | | 10.00% |
| | 30 | | 8.80% |
| | 35 | | 6.80% |
| | 40 | | 4.80% |
| | 45 | | 3.20% |

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

| | Net Pension Liability | Deferred Inflows | Deferred Outflows | Pension Expense |
|---|--------------------------|---------------------|----------------------|---------------------|
| Beginning balance | \$ 17,192,787 | \$ 1,526,551 | \$ 1,737,998 | \$ - |
| Employer Contributions made after September, 30, 2015 | - | - | TBD* | - |
| Total Pension Liability Factors: | | | | |
| Service Cost | 1,007,847 | - | - | 1,007,847 |
| Interest | 4,448,873 | - | - | 4,448,873 |
| Changes in benefit terms | - | - | - | - |
| Differences between Expected and Actual Experience with regard to economic or demographic assumptions | (860,949) | 860,949 | - | - |
| Current year amortization of experience difference | - | (286,983) | - | (286,983) |
| Change in assumptions about future economic or demographic factors or other inputs | - | - | - | - |
| Current year amortization of change in assumptions | - | - | - | - |
| Benefit Payments | (2,701,145) | - | - | (2,701,145) |
| Net change | <u>1,894,626</u> | <u>573,966</u> | <u>-</u> | <u>2,468,592</u> |
| Plan Fiduciary Net Position: | | | | |
| Contributions - Employer | 1,737,998 | - | (1,737,998) | - |
| Contributions - State | 551,656 | - | - | (551,656) |
| Contributions - Employee | 211,290 | - | - | (211,290) |
| Net Investment Income | 3,173,578 | - | - | (3,173,578) |
| Difference between projected and actual earnings on Pension Plan investments | (2,838,555) | - | 2,838,555 | - |
| Current year amortization | - | (381,637) | (567,711) | 186,074 |
| Benefit Payments | (2,701,145) | - | - | 2,701,145 |
| Administrative Expenses | (107,547) | - | - | 107,547 |
| Other | 5,198 | - | - | (5,198) |
| Net change | <u>32,473</u> | <u>(381,637)</u> | <u>532,846</u> | <u>(946,956)</u> |
| Ending Balance | <u>\$ 19,054,940</u> | <u>\$ 1,718,880</u> | <u>TBD</u> | <u>\$ 1,521,636</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.