

CITY OF NAPLES
GENERAL RETIREMENT SYSTEM

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2016

CONTRIBUTIONS APPLICABLE TO THE CITY'S
PLAN/FISCAL YEAR ENDED SEPTEMBER 30, 2018

November 30, 2016

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

Re: City of Naples
General Retirement System

Dear Board:

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

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

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

The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

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

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

Respectfully submitted,

Foster & Foster, Inc.

By:



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

DHL/lke

Enclosures

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SUMMARY OF REPORT

SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Naples General Retirement System, performed as of October 1, 2016, 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, 2018. Funding requirements are projected for a lump sum City deposit on October 1, 2017, 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, 2015 actuarial valuation, are as follows:

Valuation Date	10/1/2016	10/1/2015
Applicable Plan Year End	<u>9/30/2018</u>	<u>9/30/2017</u>
Total Required Contribution % of Total Annual Payroll	16.08%	15.54%
Member Contributions (Est.) % of Total Annual Payroll	4.24%	4.39%
City Required Contribution ¹ % of Total Annual Payroll	11.84%	11.15%

¹ Additionally, the City has an \$82,641.33 shortfall contribution for the fiscal year ended September 30, 2016. The Division of Retirement expects an interest charge of \$517 for each full month after September 30, 2015 until this deposit is made.


Experience since the last valuation has been more favorable than expected, relative to the Plan’s actuarial assumptions. The primary sources of favorable experience included a 10.36% net-of-fees investment return (Actuarial Asset Basis), exceeding the 7.50% assumption and greater than expected inactive mortality. These gains were partially offset by unfavorable retirement and employee turnover experience.

In spite of this experience, it can be seen that the Total Required Contribution increased since the previous valuation. This increase is due to a mandated change to the assumed rates of mortality, as described on page 8.


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, 2015	11.15%
(2) Summary of Contribution Impact by component:	
Investment Return (Actuarial Asset Basis)	-0.5%
Salary Increases	-0.1%
Change in Normal Cost Rate	-0.3%
Change in Administrative Expense Percentage	0.1%
Payroll Change Effect on UAAL Amortization	0.1%
Active Decrements	0.2%
Inactive Mortality	-0.1%
Assumption Change	1.1%
Other	<u>0.2%</u>
	0.69%
(3) Contribution Determined as of October 1, 2016	11.84%

CHANGES SINCE PRIOR VALUATION

Plan Changes

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

Actuarial Assumption/Method Changes

As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed from the RP-2000 Combined Healthy Table to the mortality table used by the Florida Retirement System actuary. The impact of this change is shown on the comparative summary section of this report.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Assump <u>10/1/2016</u>	Old Assump <u>10/1/2016</u>	Old Assump <u>10/1/2015</u>
A. Participant Data			
Number Included			
Actives	302	302	299
Service Retirees	221	221	219
DROP Retirees	0	0	0
Beneficiaries	21	21	17
Disability Retirees	1	1	1
Terminated Vested	<u>53</u>	<u>53</u>	<u>38</u>
Total	598	598	574
 Total Annual Payroll	 16,216,214	 16,216,214	 16,009,433
 Annual Rate of Payments to:			
Service Retirees	3,600,497	3,600,497	3,478,289
DROP Retirees	0	0	0
Beneficiaries	191,417	191,417	133,370
Disability Retirees	10,171	10,171	10,171
Terminated Vested	386,938	386,938	302,948
 B. Assets			
Actuarial Value	52,278,036	52,278,036	49,154,365
Market Value	51,937,865	51,937,865	49,861,157
 C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	31,775,601	30,783,386	31,540,897
Disability Benefits	545,949	677,374	729,298
Death Benefits	542,023	358,398	362,679
Vested Benefits	1,251,827	1,213,064	1,245,994
Refund of Contributions	1,068,066	1,077,637	1,066,578
Service Retirees	36,157,861	34,709,866	33,156,929
DROP Retirees	0	0	0
Beneficiaries	1,735,258	1,650,349	1,149,995
Disability Retirees	74,264	82,161	84,375
Terminated Vested	<u>2,793,282</u>	<u>2,731,414</u>	<u>2,024,320</u>
Total	75,944,131	73,283,649	71,361,065

C. Liabilities - (Continued)	New Assump <u>10/1/2016</u>	Old Assump <u>10/1/2016</u>	Old Assump <u>10/1/2015</u>
Present Value of Future Salaries	110,480,106	112,733,638	109,964,069
Present Value of Future Member Contributions	4,684,356	4,779,906	4,827,423
Normal Cost (Retirement)	1,066,586	1,035,076	1,048,077
Normal Cost (Disability)	27,310	34,087	35,895
Normal Cost (Death)	36,834	22,977	22,082
Normal Cost (Vesting)	84,467	82,377	97,228
Normal Cost (Refunds)	<u>138,148</u>	<u>138,836</u>	<u>138,175</u>
Total Normal Cost	1,353,345	1,313,353	1,341,457
Present Value of Future Normal Costs	8,041,086	7,816,785	7,771,193
Accrued Liability (Retirement)	25,414,161	24,590,978	25,418,534
Accrued Liability (Disability)	388,648	475,782	524,342
Accrued Liability (Death)	287,673	197,583	205,482
Accrued Liability (Vesting)	711,051	686,797	681,602
Accrued Liability (Refunds)	340,847	341,934	344,293
Accrued Liability (Inactives)	<u>40,760,665</u>	<u>39,173,790</u>	<u>36,415,619</u>
Total Actuarial Accrued Liability	67,903,045	65,466,864	63,589,872
Unfunded Actuarial Accrued Liability (UAAL)	15,625,009	13,188,828	14,435,507
Funded Ratio (AVA / AL)	77.0%	79.9%	77.3%

D. Actuarial Present Value of Accrued Benefits

Vested Accrued Benefits			
Inactives	40,760,665	39,173,790	36,415,619
Actives	15,476,978	14,800,760	15,802,598
Member Contributions	<u>7,609,095</u>	<u>7,609,095</u>	<u>7,436,153</u>
Total	63,846,738	61,583,645	59,654,370
Non-vested Accrued Benefits	<u>761,647</u>	<u>728,139</u>	<u>919,702</u>
Total Present Value Accrued Benefits	64,608,385	62,311,784	60,574,072
Funded Ratio (MVA / PVAB)	80.4%	83.4%	82.3%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	2,296,601	0	
New Accrued Benefits	0	1,766,796	
Benefits Paid	0	(4,406,881)	
Interest	0	4,377,797	
Other	<u>0</u>	<u>0</u>	
Total	2,296,601	1,737,712	

	New Assump	Old Assump	Old Assump
Valuation Date	10/1/2016	10/1/2016	10/1/2015
Applicable to Fiscal Year Ending	<u>9/30/2018</u>	<u>9/30/2018</u>	<u>9/30/2017</u>

E. Pension Cost

Normal Cost			
% of Total Annual Payroll ¹	8.35	8.10	8.38
Administrative Expenses			
% of Total Annual Payroll ¹	0.90	0.90	0.85
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/2016)			
% of Total Annual Payroll ¹	6.83	6.01	6.31
Total Required Contribution			
% of Total Annual Payroll ¹	16.08	15.01	15.54
Expected Member Contributions			
% of Total Annual Payroll ¹	4.24	4.24	4.39
Expected City Contribution			
% of Total Annual Payroll ¹	11.84	10.77	11.15

F. Past Contributions

Plan Years Ending:	<u>9/30/2016</u>
City Requirement	1,969,372
Actual Contributions Made:	
Members (excluding buyback)	711,740
City	<u>1,969,372</u>
Total	2,681,112

G. Net Actuarial (Gain)/Loss (1,045,857)

¹ Contributions developed as of 10/1/2016 are expressed as a percentage of total annual payroll at 10/1/2016 of \$16,216,214.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2016	15,625,009
2017	15,605,690
2018	15,543,232
2021	15,048,016
2026	12,833,851
2031	8,009,216
2046	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	3.30%	5.28%
Year Ended	9/30/2015	3.21%	5.27%
Year Ended	9/30/2014	2.66%	7.00%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	10.36%	7.50%
Year Ended	9/30/2015	9.76%	7.50%
Year Ended	9/30/2014	11.55%	7.50%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2016	\$16,216,214
	10/1/2006	11,422,183
(b) Total Increase		42.0%
(c) Number of Years		10.00
(d) Average Annual Rate		3.6%

STATEMENT BY ENROLLED ACTUARY

This actuarial valuation was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.



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

Please let us know when the report is approved by the Board and unless otherwise directed we will provide copies of the report to the following offices to comply with Chapter 112 Florida Statutes:

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

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2015	\$14,435,507
(2)	Sponsor Normal Cost developed as of October 1, 2015	638,643
(3)	Expected administrative expenses for the year ended September 30, 2016	135,760
(4)	Expected interest on (1), (2) and (3)	1,135,652
(5)	Sponsor contributions to the System during the year ended September 30, 2016	1,969,372
(6)	Expected interest on (5)	141,505
(7)	Expected Unfunded Actuarial Accrued Liability as of September 30, 2016 (1)+(2)+(3)+(4)-(5)-(6)	14,234,685
(8)	Change to UAAL due to Assumption Change	2,436,181
(9)	Change to UAAL due to Actuarial (Gain)/Loss	(1,045,857)
(10)	Unfunded Accrued Liability as of October 1, 2016	15,625,009

	Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2016 <u>Amount</u>	Amortization <u>Amount</u>
	Experience Loss	10/1/2002	16	\$1,885,006	\$154,202
	Experience Loss	10/1/2003	17	696,943	54,579
	Experience Loss	10/1/2004	18	3,172,413	238,630
	Amendment	10/1/2004	18	26,869	2,021
	Experience Gain	10/1/2005	19	(2,080,592)	(150,772)
	Experience Gain	10/1/2006	20	(202,601)	(14,182)
	Amendment	10/1/2006	20	68,559	4,799
	Experience Loss	10/1/2007	21	807,427	54,724
Method/Assump	Change	10/1/2007	21	4,772,650	323,469
	Experience Loss	10/1/2008	22	5,917,334	389,156
	Assump Changes	10/1/2009	23	(33,459)	(2,139)
	Experience Loss	10/1/2009	23	7,386,060	472,261
	Experience Loss	10/1/2010	24	656,307	40,871
	Benefit Change	10/1/2010	24	(9,357,440)	(582,734)
	Experience Loss	10/1/2011	25	2,862,011	173,873
	Benefit Change	10/1/2011	25	368,559	22,391
	Experience Loss	10/1/2012	26	1,084,207	64,353
	Experience Gain	10/1/2013	27	(343,474)	(19,945)
	Experience Gain	10/1/2014	28	(1,101,025)	(62,629)
	Assump Change	10/1/2014	28	155,156	8,826
	Actuarial Gain	10/1/2015	29	(2,506,225)	(139,809)
	Actuarial Gain	10/1/2016	30	(1,045,857)	(57,279)
	Assump Change	10/1/2016	30	<u>2,436,181</u>	<u>133,423</u>
				15,625,009	1,108,089

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2015	\$14,435,507
(2) Expected UAAL as of October 1, 2016	14,234,685
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(1,377,637)
Salary Increases	(160,275)
Active Decrements	674,901
Inactive Mortality	(382,033)
Other	<u>199,187</u>
Increase in UAAL due to (Gain)/Loss	(1,045,857)
Assumption Changes	<u>2,436,181</u>
(4) Actual UAAL as of October 1, 2016	\$15,625,009

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rates

Healthy Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB

Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB

Disabled Lives:

Female: 100% RP2000 Disabled Female set forward two years

Male: 100% RP2000 Disabled Male setback four years

The above assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2015 FRS valuation report. We feel this assumption sufficiently accommodates future mortality improvements.

Previously, the RP-2000 Sex-Distinct Healthy Mortality Table, projected to Valuation Date using Scale AA with disabled lives set forward 5 years.

Interest Rate

7.50% per year, compounded annually, net of investment related expenses. This assumption was adopted by the Board in conjunction with a revision to the October 1, 2009 valuation and is supported by the Plan's investment policy and long-term expected returns by asset class.

Termination Rates

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

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

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

Disability Rates

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

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

Salary Increases

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

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

Normal Retirement Rates

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

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

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

Early Retirement Rates

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

Payroll Growth

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

Actuarial Asset Method

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

Administrative Expenses

\$145,459, based on actual incurred administrative expenses from the prior fiscal year.

Funding Method

Entry Age Actuarial Cost Method.

VALUATION NOTES

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

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

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

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

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

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

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Checking Account	1,518.11	1,518.11
Transfer in Transit	970,000.00	970,000.00
Money Market	1,732,221.00	1,732,221.00
Cash	(4,803.84)	(4,803.84)
 Total Cash and Equivalents	 2,698,935.27	 2,698,935.27
Receivables:		
Member Contributions in Transit	25,761.09	25,761.09
Additional City Contributions	82,641.33	82,641.33
 Total Receivable	 108,402.42	 108,402.42
Investments:		
Fixed Income	10,004,238.25	10,110,091.60
Equities	28,479,429.57	33,789,034.17
Pooled/Common/Commingled Funds:		
Fixed Income	1,183,151.00	1,197,165.00
Hedge	1,330,000.00	1,373,946.65
Real Estate	2,000,000.00	2,661,097.07
 Total Investments	 42,996,818.82	 49,131,334.49
 Total Assets	 45,804,156.51	 51,938,672.18
 <u>LIABILITIES</u>		
Prepaid Member Contribution	807.11	807.11
 Total Liabilities	 807.11	 807.11
 NET POSITION RESTRICTED FOR PENSIONS	 45,803,349.40	 51,937,865.07

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016
Market Value Basis

ADDITIONS

Contributions:		
Member		711,739.99
City		1,969,371.94
Total Contributions		2,681,111.93
Investment Income:		
Net Realized Gain (Loss)	582,511.67	
Unrealized Gain (Loss)	2,595,255.62	
Net Increase in Fair Value of Investments		3,177,767.29
Interest & Dividends		1,031,555.82
Less Investment Expense ¹		(261,387.66)
Net Investment Income		3,947,935.45
Total Additions		6,629,047.38

DEDUCTIONS

Distributions to Members:		
Benefit Payments		3,704,749.89
Lump Sum DROP Distributions		0.00
Refunds of Member Contributions		702,130.62
Total Distributions		4,406,880.51
Administrative Expense		145,459.26
Total Deductions		4,552,339.77
Net Increase in Net Position		2,076,707.61
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		49,861,157.46
End of the Year		51,937,865.07

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

ACTUARIAL ASSET VALUATION
September 30, 2016

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				
		2016	2017	2018	2019	2020
09/30/2012	4,810,181	0	0	0	0	0
09/30/2013	2,501,369	500,274	0	0	0	0
09/30/2014	2,414,626	965,850	482,925	0	0	0
09/30/2015	(3,380,710)	(2,028,426)	(1,352,284)	(676,142)	0	0
09/30/2016	277,664	222,131	166,598	111,066	55,533	0
Total		(340,171)	(702,761)	(565,076)	55,533	0

Development of Investment Gain/Loss

Market Value of Assets, including Prepaid Contributions, 09/30/2015	49,883,157
Contributions Less Benefit Payments & Admin Expenses	(1,892,420)
Expected Investment Earnings*	3,670,271
Actual Net Investment Earnings	3,947,935
2016 Actuarial Investment Gain/(Loss)	<u>277,664</u>

*Expected Investment Earnings = $0.075 * [49,883,157 + 0.5 * (1,892,420)]$

Development of Actuarial Value of Assets

(1) Market Value of Assets, 09/30/2016	51,937,865
(2) Gains/(Losses) Not Yet Recognized	(340,171)
(3) Actuarial Value of Assets, 09/30/2016, (1) - (2)	<u>52,278,036</u>
(A) 09/30/2015 Actuarial Assets, including Prepaid Contributions:	49,176,365
(I) Net Investment Income:	
1. Interest and Dividends	1,031,556
2. Realized Gains (Losses)	582,512
3. Change in Actuarial Value	3,642,219
4. Investment Expenses	(261,388)
Total	<u>4,994,898</u>
(B) 09/30/2016 Actuarial Assets, including Prepaid Contributions:	52,278,843
Actuarial Assets Rate of Return = $2I/(A+B-I)$:	10.36%
Market Value of Assets Rate of Return:	7.93%
Actuarial Gain/(Loss) due to Investment Return (actuarial Asset Basis)	1,377,637
10/01/2016 Limited Actuarial Assets, not including Prepaid:	52,278,036

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2016
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	711,739.99	
City	1,969,371.94	
Total Contributions		2,681,111.93
Earnings from Investments:		
Interest & Dividends	1,031,555.82	
Net Realized Gain (Loss)	582,511.67	
Change in Actuarial Value	3,642,218.62	
Total Earnings and Investment Gains		5,256,286.11
Other		0.00

EXPENDITURES

Distributions to Members:		
Benefit Payments	3,704,749.89	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	702,130.62	
Total Distributions		4,406,880.51
Expenses:		
Investment related ¹	261,387.66	
Administrative	145,459.26	
Total Expenses		406,846.92
Change in Net Assets for the Year		3,123,670.61
Net Assets Beginning of the Year		49,154,365.46
Net Assets End of the Year ²		52,278,036.07

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

²Net Assets may be limited for actuarial consideration.

RECONCILIATION OF CITY'S SHORTFALL/(PREPAID) CONTRIBUTION
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2016

(1) City Required Contribution Rate	11.91%
(2) Pensionable Payroll	<u>\$16,535,448.73</u>
(3) City Required Contribution (1) x (2)	1,969,371.94
(4) Less 2015 Prepaid Contribution	(21,869.61)
(5) Less Actual City Contributions	<u>(1,864,861.00)</u>
(6) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2016	\$82,641.33

STATISTICAL DATA

	<u>10/1/2013</u>	<u>10/1/2014</u>	<u>10/1/2015</u>	<u>10/1/2016</u>
<u>Actives - Hired on or before September 30, 2011</u>				
Number	237	212	191	170
Average Current Age	49.4	50.6	51.6	52.4
Average Age at Employment	37.8	38.1	38.2	38.0
Average Past Service	11.6	12.5	13.4	14.5
Average Annual Salary	\$53,746	\$53,980	\$55,822	\$55,939
<u>Actives - Hired after September 30, 2011</u>				
Number	68	89	108	132
Average Current Age	39.9	41.3	41.1	42.9
Average Age at Employment	38.6	39.5	39.1	40.6
Average Past Service	1.3	1.8	2.0	2.3
Average Annual Salary	\$47,777	\$49,346	\$49,513	\$50,807
<u>Service Retirees</u>				
Number	211	222	219	221
Average Current Age	N/A	N/A	70.6	71.1
Average Annual Benefit	\$14,553	\$15,160	\$15,883	\$16,292
<u>Beneficiaries</u>				
Number	16	16	17	21
Average Current Age	N/A	N/A	70.8	71.6
Average Annual Benefit	\$8,334	\$8,270	\$7,845	\$9,115
<u>Disability Retirees</u>				
Number	1	1	1	1
Average Current Age	N/A	N/A	66.2	67.2
Average Annual Benefit	\$10,171	\$10,171	\$10,171	\$10,171
<u>Terminated Vested ¹</u>				
Number	18	21	23	27
Average Current Age	N/A	N/A	50.3	50.5
Average Annual Benefit	\$14,876	\$13,182	\$13,172	\$14,331

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

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	3	0	0	0	1	0	0	0	0	0	0	4
25 - 29	3	5	2	1	1	3	0	0	0	0	0	15
30 - 34	5	6	5	2	3	6	2	0	0	0	0	29
35 - 39	1	7	3	1	3	7	5	2	0	0	0	29
40 - 44	3	2	4	2	1	17	1	2	0	0	0	32
45 - 49	10	4	2	4	4	7	4	3	3	1	0	42
50 - 54	7	1	3	2	5	7	7	3	6	1	0	42
55 - 59	2	2	3	1	2	11	16	8	6	4	3	58
60 - 64	2	1	1	2	0	10	4	7	3	4	2	36
65+	0	1	0	1	1	3	1	3	3	1	1	15
Total	36	29	23	16	21	71	40	28	21	11	6	302

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2015	299
b. Terminations	
i. Vested (partial or full) with deferred benefits ¹	(13)
ii. Non-vested or full lump sum distribution received	(13)
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	(8)
f. DROP	0
g. Voluntary withdrawal	<u>0</u>
h. Continuing participants	265
i. New entrants	<u>37</u>
j. Total active life participants in valuation	302

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	219	0	17	1	38	275
Retired	8	0	0	0	(2)	6
DROP	0	0	0	0	0	0
Vested Deferred	2	0	0	0	24	26
Death, With Survivor	(5)	0	4	0	0	(1)
Death, No Survivor	(4)	0	0	0	0	(4)
Disabled	0	0	0	0	0	0
Refund of Contributions	0	0	0	0	(7)	(7)
Rehires	0	0	0	0	0	0
Data Corrections	1	0	0	0	0	1
b. Number current valuation	221	0	21	1	53	296

¹ Includes nonvested Members awaiting a refund of Member Contributions.

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

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

Early Retirement

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

Termination of Employment

Members hired before
October 1, 2011

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

Members hired after
September 30, 2011

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

Pre-Retirement Death

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

Deferred Retirement Option Plan

Eligibility	Non-union members who had 30 years of service in June, 2005.
Participation	Not to exceed 84 months.
Rate of Return	Actual net rate of investment return realized by the system from the short term investment fund or money market fund in which the DROP account is invested.
Form of Distribution	Cash lump sum at termination of employment.

Contributions

Members	5.0% of Compensation. The contribution rate is 3% for Members hired after September 30, 2011.
City	Remaining amount necessary to fund the Normal Cost and amortize the Unfunded Actuarial Accrued Liability over not more than 30 years.

Board of Trustees

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

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Checking Account	1,518
Transfer in Transit	970,000
Money Market	1,732,221
Cash	(4,804)
Total Cash and Equivalents	2,698,935
Receivables:	
Member Contributions in Transit	25,761
Additional City Contributions	82,641
Total Receivable	108,402
Investments:	
Fixed Income	10,110,092
Equities	33,789,034
Pooled/Common/Commingled Funds:	
Fixed Income	1,197,165
Hedge	1,373,947
Real Estate	2,661,097
Total Investments	49,131,335
Total Assets	51,938,672
Total Liabilities	0
NET POSITION RESTRICTED FOR PENSIONS	51,938,672

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016
Market Value Basis

ADDITIONS

Contributions:

Member	712,547	
City	1,969,372	
Total Contributions		2,681,919
Investment Income:		
Net Increase in Fair Value of Investments	3,177,768	
Interest & Dividends	1,031,556	
Less Investment Expense ¹	(261,388)	
Net Investment Income		3,947,936
Total Additions		6,629,855

DEDUCTIONS

Distributions to Members:

Benefit Payments	3,704,750	
Lump Sum DROP Distributions	0	
Refunds of Member Contributions	702,131	
Total Distributions		4,406,881
Administrative Expense		145,459
Total Deductions		4,552,340
Net Increase in Net Position		2,077,515
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		49,861,157
End of the Year		51,938,672

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

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

Plan Description

Plan Administration

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

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

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	237
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	38
Active Plan Members	299
	574

Benefits Provided

The Plan provides retirement, termination, and death benefits.

Normal Retirement:

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

Benefit: The sum of the following:

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

Early Retirement:

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

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

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

Termination of Employment:

Members hired before October 1, 2011:

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

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

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

Members hired after September 30, 2011:

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

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

Pre-Retirement Death Benefits:

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

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

Contributions

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

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

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2016:

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, 2016, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 7.93 percent.

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

Deferred Retirement Option Program

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

Participation: Not to exceed 84 months.

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

The DROP balance as September 30, 2016 is \$0.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2016 were as follows:

Total Pension Liability	\$ 66,303,352
Plan Fiduciary Net Position	<u>\$ (51,938,672)</u>
Sponsor's Net Pension Liability	<u>\$ 14,364,680</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	78.33%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions:

Inflation	2.30%
Salary Increases	4.00% - 6.00%
Discount Rate	7.50%
Investment Rate of Return	7.50%

Mortality Rate Healthy Lives:

Mortality Table - RP2000 Fully Generational with Scale BB, with collar and annuitant adjustments as follows:

Males – 50% Annuitant White Collar, 50% Annuitant Blue Collar.

Females – 100% Annuitant White Collar.

Mortality Rate Disabled Lives:

Mortality Table - RP2000 without projection, with the following adjustments:

Males – 100% Disabled Male with four year setback

Females – 100% Disabled Female with two year set forward.

The date of the most recent experience study for which significant assumptions are based upon is not available.

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.

For 2016 the inflation rate assumption of the investment advisor was 2.30%.

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, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.42%
International Equity	7.00%
Fixed Income	2.42%
Real Estate	3.64%
Hedge Funds	2.76%

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Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.50 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Sponsor's Net Pension Liability	\$ 21,128,685	\$ 14,364,680	\$ 8,615,303

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

	<u>09/30/2016</u>	<u>09/30/2015</u>	<u>09/30/2014</u>
Total Pension Liability			
Service Cost	1,515,025	1,500,184	1,471,441
Interest	4,717,437	4,553,080	4,418,330
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	(1,619,494)	504,129	-
Changes of assumptions	2,509,683	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(4,406,881)</u>	<u>(4,354,731)</u>	<u>(3,888,957)</u>
Net Change in Total Pension Liability	2,715,770	2,202,662	2,000,814
Total Pension Liability - Beginning	63,587,582	61,384,920	59,384,106
Total Pension Liability - Ending (a)	<u>\$ 66,303,352</u>	<u>\$ 63,587,582</u>	<u>\$ 61,384,920</u>
Plan Fiduciary Net Position			
Contributions - Employer	1,969,372	2,023,395	1,924,183
Contributions - Employee	712,547	694,975	715,147
Net Investment Income	3,947,936	397,133	5,868,861
Benefit Payments, including Refunds of Employee Contributions	(4,406,881)	(4,354,731)	(3,888,957)
Administrative Expense	(145,459)	(135,760)	(128,474)
Net Change in Plan Fiduciary Net Position	2,077,515	(1,374,988)	4,490,760
Plan Fiduciary Net Position - Beginning	49,861,157	51,236,145	46,745,385
Plan Fiduciary Net Position - Ending (b)	<u>\$ 51,938,672</u>	<u>\$ 49,861,157</u>	<u>\$ 51,236,145</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 14,364,680</u>	<u>\$ 13,726,425</u>	<u>\$ 10,148,775</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.33%	78.41%	83.47%
Covered Employee Payroll ¹	\$ 16,535,449	\$ 18,135,744	\$ 15,618,366
Net Pension Liability as a percentage of Covered Employee Payroll	86.87%	75.69%	64.98%

Notes to Schedule:

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period.

Changes of assumptions

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System.

The inflation assumption rate was lowered from 3.00% to 2.30%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014
Actuarially Determined Contribution	1,969,372	2,023,395	1,924,183
Contributions in relation to the Actuarially Determined Contributions	1,969,372	2,023,395	1,924,183
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Employee Payroll ¹	\$ 16,535,449	\$ 18,135,744	\$ 15,618,366
Contributions as a percentage of Covered Employee Payroll	11.91%	11.16%	12.32%

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period.

Notes to Schedule

Valuation Date: 10/01/2014
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

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

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

Termination Rates:

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

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.

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

Salary Increases:	Years of	
	<u>Service</u>	<u>Increase</u>
	1 to 2	6.00%
	3	5.50%
	4	5.50%
	5	5.50%
	6	5.50%
	7 to 8	5.50%
	9	5.50%
	10 to 19	5.00%
	20+	4.00%

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

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

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

Payroll Growth: 3.5% per year for amortization of the Unfunded Actuarial Accrued Liability.

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	<u>09/30/2016</u>	<u>09/30/2015</u>	<u>09/30/2014</u>
Annual Money-Weighted Rate of Return			
Net of Investment Expense	7.93%	0.79%	12.72%

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2017)

General Information about the Pension Plan

Plan Description

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

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

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

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	237
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	38
Active Plan Members	299
	574
	574

Benefits Provided

The Plan provides retirement, termination, and death benefits.

Normal Retirement:

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

Benefit: The sum of the following:

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

Early Retirement:

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

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

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

Termination of Employment:

Members hired before October 1, 2011:

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

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

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

Members hired after September 30, 2011:

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

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

Pre-Retirement Death Benefits:

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

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

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Contributions

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

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

Net Pension Liability

The measurement date is September 30, 2016.

The measurement period for the pension expense was October 1, 2015 to September 30, 2016.

The reporting period is October 1, 2016 through September 30, 2017.

The Sponsor's Net Pension Liability was measured as of September 30, 2016.

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, 2015 updated to September 30, 2016 using the following actuarial assumptions:

Inflation	2.30%
Salary Increases	4.00% - 6.00%
Discount Rate	7.50%
Investment Rate of Return	7.50%

Mortality Rate Healthy Lives:

Mortality Table - RP2000 Fully Generational with Scale BB, with collar and annuitant adjustments as follows:

Males – 50% Annuitant White Collar, 50% Annuitant Blue Collar.

Females – 100% Annuitant White Collar.

Mortality Rate Disabled Lives:

Mortality Table - RP2000 without projection, with the following adjustments:

Males – 100% Disabled Male with four year setback

Females – 100% Disabled Female with two year set forward.

The date of the most recent experience study for which significant assumptions are based upon is not available.

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.

For 2016 the inflation rate assumption of the investment advisor was 2.30%.

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, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	55%	7.42%
International Equity	10%	7.00%
Fixed Income	20%	2.42%
Real Estate	5%	3.64%
Hedge Funds	10%	2.76%
Total	100%	

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Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.50 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Reporting Period Ending September 30, 2016	\$ 63,587,582	\$ 49,861,157	\$ 13,726,425
Changes for a Year:			
Service Cost	1,515,025	-	1,515,025
Interest	4,717,437	-	4,717,437
Differences between Expected and Actual Experience	(1,619,494)	-	(1,619,494)
Changes of assumptions	2,509,683	-	2,509,683
Changes of benefit terms	-	-	-
Contributions - Employer	-	1,969,372	(1,969,372)
Contributions - Employee	-	712,547	(712,547)
Net Investment Income	-	3,947,936	(3,947,936)
Benefit Payments, including Refunds of Employee Contributions	(4,406,881)	(4,406,881)	-
Administrative Expense	-	(145,459)	145,459
Net Changes	<u>2,715,770</u>	<u>2,077,515</u>	<u>638,255</u>
Reporting Period Ending September 30, 2017	<u>\$ 66,303,352</u>	<u>\$ 51,938,672</u>	<u>\$ 14,364,680</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	\$ 21,128,685	\$ 14,364,680	\$ 8,615,303

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, 2017, the Sponsor will recognize a Pension Expense of \$2,481,706.

On September 30, 2017, 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	252,064	1,214,621
Changes of assumptions	1,882,263	-
Net difference between Projected and Actual Earnings on Pension Plan investments	838,829	-
Employer contributions subsequent to the measurement date	TBD	
Total	TBD	\$ 1,214,621

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, 2017.

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:		
2018	\$	485,780
2019	\$	485,779
2020	\$	842,674
2021	\$	(55,698)
2022	\$	-
Thereafter	\$	-

Payable to the Pension Plan

On September 30, 2016, the Sponsor reported a payable of \$82,641 for the outstanding amount of contributions of the Pension Plan required for the year ended September 30, 2016.

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

Reporting Period Ending Measurement Date	09/30/2017 09/30/2016	09/30/2016 09/30/2015	09/30/2015 09/30/2014
Total Pension Liability			
Service Cost	1,515,025	1,500,184	1,471,441
Interest	4,717,437	4,553,080	4,418,330
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	(1,619,494)	504,129	-
Changes of assumptions	2,509,683	-	-
Benefit Payments, including Refunds of Employee Contributions	(4,406,881)	(4,354,731)	(3,888,957)
Net Change in Total Pension Liability	2,715,770	2,202,662	2,000,814
Total Pension Liability - Beginning	63,587,582	61,384,920	59,384,106
Total Pension Liability - Ending (a)	<u>\$ 66,303,352</u>	<u>\$ 63,587,582</u>	<u>\$ 61,384,920</u>
 Plan Fiduciary Net Position			
Contributions - Employer	1,969,372	2,023,395	1,924,183
Contributions - Employee	712,547	694,975	715,147
Net Investment Income	3,947,936	397,133	5,868,861
Benefit Payments, including Refunds of Employee Contributions	(4,406,881)	(4,354,731)	(3,888,957)
Administrative Expense	(145,459)	(135,760)	(128,474)
Net Change in Plan Fiduciary Net Position	2,077,515	(1,374,988)	4,490,760
Plan Fiduciary Net Position - Beginning	49,861,157	51,236,145	46,745,385
Plan Fiduciary Net Position - Ending (b)	<u>\$ 51,938,672</u>	<u>\$ 49,861,157</u>	<u>\$ 51,236,145</u>
 Net Pension Liability - Ending (a) - (b)	<u>\$ 14,364,680</u>	<u>\$ 13,726,425</u>	<u>\$ 10,148,775</u>
 Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.33%	78.41%	83.47%
 Covered Employee Payroll ¹	\$ 16,535,449	\$ 18,135,744	\$ 15,618,366
Net Pension Liability as a percentage of Covered Employee Payroll	86.87%	75.69%	64.98%

Notes to Schedule:

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period.

Changes of assumptions

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System.

The inflation assumption rate was lowered from 3.00% to 2.30%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014
Actuarially Determined Contribution	1,969,372	2,023,395	1,924,183
Contributions in relation to the Actuarially Determined Contributions	1,969,372	2,023,395	1,924,183
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
Covered Employee Payroll ¹	\$ 16,535,449	\$ 18,135,744	\$ 15,618,366
Contributions as a percentage of Covered Employee Payroll	11.91%	11.16%	12.32%

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period.

Notes to Schedule

Valuation Date: 10/01/2014

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost Method.
 Amortization Method: Level Percentage of Pay, Closed.
 Remaining Amortization Period: 30 Years.
 Mortality: RP-2000 Sex-Distinct Healthy Mortality Table, projected to Valuation Date using Scale AA. Disabled lives are set forward 5 years.
 Interest Rate: 7.50% per year, compounded annually, net of investment related expenses.

Termination Rates:	Years of Service	% of Active Members Separating Within Next Year
	ALL	20.0%
	0	18.0%
	0	16.0%
	0	10.0%
	0	6.0%
	20	16.2%
	25	13.2%
	30	10.8%
	35	9.4%
	40	7.8%
	45	5.8%
	50	3.2%
	55+	0.8%

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.

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

Salary Increases:	Years of	Increase
	Service	
	1 to 2	6.0%
	3	5.5%
	4	5.5%
	5	5.5%
	6	5.5%
	7 to 8	5.5%
	9	5.5%
	10 to 19	5.0%
	20+	4.0%

Normal Retirement Rates:	Number of Years After First	Probability of
	Eligibility For Normal Retirement	Retirement
	0	25%
	1	25%
	2	50%
	3	50%
	4	60%
	5	80%
	6	100%

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

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

Payroll Growth: 3.5% per year for amortization of the Unfunded Actuarial Accrued Liability.

FINAL COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 10,148,775	\$ 1,931,708	\$ 2,023,395	\$ -
Employer Contributions made after September 30, 2015	-	-	1,969,372	-
Total Pension Liability Factors:				
Service Cost	1,500,184	-	-	1,500,184
Interest	4,553,080	-	-	4,553,080
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	504,129	-	504,129	-
Current year amortization of experience difference	-	-	(126,033)	126,033
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(4,354,731)	-	-	(4,354,731)
Net change	<u>2,202,662</u>	<u>-</u>	<u>2,347,468</u>	<u>1,824,566</u>
Plan Fiduciary Net Position:				
Contributions - Employer	2,023,395	-	(2,023,395)	-
Contributions - Employee	694,975	-	-	(694,975)
Net Investment Income	3,776,256	-	-	(3,776,256)
Difference between projected and actual earnings on Pension Plan investments	(3,379,123)	-	3,379,123	-
Current year amortization	-	(482,927)	(675,824)	192,897
Benefit Payments	(4,354,731)	-	-	4,354,731
Administrative Expenses	(135,760)	-	-	135,760
Net change	<u>(1,374,988)</u>	<u>(482,927)</u>	<u>679,904</u>	<u>212,157</u>
Ending Balance	<u>\$ 13,726,425</u>	<u>\$ 1,448,781</u>	<u>\$ 5,050,767</u>	<u>\$ 2,036,723</u>

PRELIMINARY COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2017

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 13,726,425	\$ 1,448,781	\$ 5,050,767	\$ -
Employer Contributions made after September 30, 2016	-	-	TBD*	-
Total Pension Liability Factors:				
Service Cost	1,515,025	-	-	1,515,025
Interest	4,717,437	-	-	4,717,437
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(1,619,494)	1,619,494	-	-
Current year amortization of experience difference	-	(404,873)	(126,032)	(278,841)
Change in assumptions about future economic or demographic factors or other inputs	2,509,683	-	2,509,683	-
Current year amortization of change in assumptions	-	-	(627,420)	627,420
Benefit Payments	(4,406,881)	-	-	(4,406,881)
Net change	<u>2,715,770</u>	<u>1,214,621</u>	<u>1,756,231</u>	<u>2,174,160</u>
Plan Fiduciary Net Position:				
Contributions - Employer	1,969,372	-	(1,969,372)	-
Contributions - Employee	712,547	-	-	(712,547)
Net Investment Income	3,669,446	-	-	(3,669,446)
Difference between projected and actual earnings on Pension Plan investments	278,490	278,490	-	-
Current year amortization	-	(538,625)	(675,824)	137,199
Benefit Payments	(4,406,881)	-	-	4,406,881
Administrative Expenses	(145,459)	-	-	145,459
Net change	<u>2,077,515</u>	<u>(260,135)</u>	<u>(2,645,196)</u>	<u>307,546</u>
Ending Balance	<u>\$ 14,364,680</u>	<u>\$ 2,403,267</u>	<u>TBD</u>	<u>\$ 2,481,706</u>

* Employer Contributions subsequent to the measurement date made after September 30, 2016 but made on or before September 30, 2017 needs to be added.

AMORTIZATION SCHEDULE - INVESTMENTS

Increase (Decrease) in Pension Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on Pension Plan Investments

Plan Year Ending	Differences Between Projected and Actual Earnings	Recognition Period (Years)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014	\$ (2,414,635)	5	\$ (482,927)	\$ (482,927)	\$ (482,927)	\$ (482,927)	\$ (482,927)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 3,379,123	5	\$ -	\$ 675,824	\$ 675,824	\$ 675,825	\$ 675,825	\$ 675,825	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (278,490)	5	\$ -	\$ -	\$ (55,698)	\$ (55,698)	\$ (55,698)	\$ (55,698)	\$ (55,698)	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (482,927)	\$ 192,897	\$ 137,199	\$ 137,200	\$ 137,200	\$ 620,127	\$ (55,698)	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - CHANGES OF ASSUMPTIONS

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions

Plan Year Ending	Changes of Assumptions	Recognition Period (Years)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014	\$ -	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ -	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 2,509,683	4	\$ -	\$ -	\$ 627,420	\$ 627,421	\$ 627,421	\$ 627,421	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ -	\$ 627,420	\$ 627,421	\$ 627,421	\$ 627,421	\$ -	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - EXPERIENCE

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience

Plan Year Ending	Differences Between Expected and Actual Experience	Recognition Period (Years)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014	\$ -	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 504,129	4	\$ -	\$ 126,033	\$ 126,032	\$ 126,032	\$ 126,032	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (1,619,494)	4	\$ -	\$ -	\$ (404,873)	\$ (404,873)	\$ (404,874)	\$ (404,874)	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ 126,033	\$ (278,841)	\$ (278,841)	\$ (278,842)	\$ (404,874)	\$ -	\$ -	\$ -	\$ -	\$ -