

CITY OF ST. PETE BEACH
POLICE OFFICERS' RETIREMENT SYSTEM

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2017

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDED SEPTEMBER 30, 2019

February 2, 2018

Board of Trustees
Police Officers' Pension Board
City of St. Pete Beach
155 Corey Ave.
St. Petersburg Beach, FL 33706

Re: City of St. Pete Beach
Police Officers' Retirement System

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of St. Pete Beach Police Officers' Retirement System. Included are the related results for GASB Statements No. 67 and No. 68. The funding 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. The calculation of the liability for GASB results was performed for the purpose of satisfying the requirements of GASB Statements No. 67 and No. 68. Please note that these valuations may not be applicable for any other purposes.

The valuations have 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 valuations, 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 total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of October 1, 2016. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2017 using generally accepted actuarial principles. It is our opinion that the assumptions used for this purpose are internally consistent, reasonable, and comply with the requirements under GASB No. 67 and No. 68.

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 St. Pete Beach, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of St. Pete Beach Police Officers' 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:

Patrick T. Donlan, ASA, EA, MAAA
Enrolled Actuary #17-6595

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Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of St. Pete Beach Police Officers' Retirement System, performed as of October 1, 2017, has been completed and the results are presented in this Report. The contribution amounts developed in this valuation apply to the plan/fiscal year ending September 30, 2019.

The funding requirements developed in this valuation, compared with amounts determined in the October 1, 2016 Actuarial Valuation, are as follows:

Valuation Date	10/1/2017	10/1/2016
Applicable Plan/Fiscal Year End	<u>9/30/2019</u>	<u>9/30/2018</u>
Total Required Contribution	\$722,346	\$651,733
Less Member Contributions	\$0	\$0
Equals Required City and State	\$722,346	\$651,733
State Contribution *	\$93,815	\$93,815
Balance from City	\$628,531	\$557,918

* Represents the amount of State Contributions received in fiscal 2017.

Plan experience over the past year was unfavorable overall, relative to the Plan's actuarial assumptions. The primary source of unfavorable experience was no inactive mortality during the year. Additionally there was a data correction that impacted the above results (see Page 15).

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: Patrick T. Donlan
Patrick T. Donlan, ASA, EA, MAAA

By: Sara Carlson
Sara E. Carlson, EA

CHANGES SINCE PRIOR VALUATION

Plan Changes

There have been no plan changes since the prior valuation.

Actuarial Assumption/Method Changes

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

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2017</u>	<u>10/1/2016</u>
A. Participant Data		
Actives	0	0
Service Retirees	26	26
Beneficiaries	1	1
Disability Retirees	1	1
Terminated Vested	<u>6</u>	<u>6</u>
 Total	 34	 34
 Total Annual Payroll	 \$0	 \$0
Payroll Under Assumed Ret. Age	0	0
 Annual Rate of Payments to:		
Service Retirees	1,169,493	1,146,282
Beneficiaries	36,342	35,283
Disability Retirees	44,582	43,284
Terminated Vested	68,464	68,464
 B. Assets		
Actuarial Value (AVA) ¹	11,642,240	11,540,279
Market Value (MVA) ¹	11,545,616	11,084,818
 C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	0	0
Disability Benefits	0	0
Death Benefits	0	0
Vested Benefits	0	0
Refund of Contributions	0	0
Service Retirees	17,389,891	16,802,350
Beneficiaries	124,655	125,778
Disability Retirees	267,905	271,944
Terminated Vested	540,260	509,678
Share Plan Balances ¹	<u>1,527</u>	<u>1,527</u>
 Total	 18,324,238	 17,711,277

C. Liabilities - (Continued)	<u>10/1/2017</u>	<u>10/1/2016</u>
Present Value of Future Salaries	0	0
Present Value of Future Member Contributions	0	0
Total Normal Cost	0	0
Present Value of Future Normal Costs	0	0
Total Actuarial Accrued Liability (EAN AL)	18,324,238	17,711,277
Unfunded Actuarial Accrued Liability (UAAL)	6,681,998	6,170,998
Funded Ratio (AVA / EAN AL)	63.5%	65.2%

D. Actuarial Present Value of Accrued Benefits	<u>10/1/2017</u>	<u>10/1/2016</u>
Vested Accrued Benefits		
Inactives + Share Plan Balances ¹	18,324,238	17,711,277
Actives	0	0
Member Contributions	<u>0</u>	<u>0</u>
Total	18,324,238	17,711,277
Non-vested Accrued Benefits	<u>0</u>	<u>0</u>
Total Present Value		
Accrued Benefits (PVAB)	18,324,238	17,711,277
Funded Ratio (MVA / PVAB)	63.0%	62.6%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	638,126	
Benefits Paid	(1,222,178)	
Interest	1,197,013	
Other	<u>0</u>	
Total	612,961	

Valuation Date	10/1/2017	10/1/2016
Applicable to Fiscal Year Ending	<u>9/30/2019</u>	<u>9/30/2018</u>

E. Pension Cost

Normal Cost ²	\$0	\$0
Administrative Expenses ²	29,048	17,236
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (as of 10/1/2017) ²	693,298	634,497
Total Required Contribution	722,346	651,733
Expected Member Contributions ²	0	0
Expected City and State Contribution	722,346	651,733

F. Past Contributions

Plan Years Ending:	<u>9/30/2017</u>
City and State Requirement	564,940
Actual Contributions Made:	
Members (excluding buyback)	0
City	472,080
State	<u>93,815</u>
Total	565,895

G. Net Actuarial (Gain)/Loss 645,304

¹ The asset values and liabilities include accumulated Share Plan Balances as of 9/30/2017 and 9/30/2016.

² Contributions developed as of 10/1/2017 displayed above have been adjusted to account for an assumed interest component.

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

<u>Year</u>	<u>Projected Unfunded Actuarial Accrued Liability</u>
2017	6,681,998
2018	6,478,401
2019	6,260,552
2026	4,755,131
2033	2,753,284
2040	897,885
2047	0

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

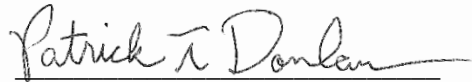
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2017	N/A	N/A
Year Ended	9/30/2016	N/A	N/A
Year Ended	9/30/2015	N/A	N/A

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2017	7.01%	7.00%
Year Ended	9/30/2016	7.39%	7.00%
Year Ended	9/30/2015	9.35%	7.00%

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.



Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #17-6595

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, 2016	\$6,170,998
(2)	Sponsor Normal Cost developed as of October 1, 2016	0
(3)	Expected administrative expenses for the year ended September 30, 2017	15,598
(4)	Expected interest on (1), (2) and (3)	432,516
(5)	Sponsor contributions to the System during the year ended September 30, 2017	565,895
(6)	Expected interest on (5)	16,523
(7)	Expected Unfunded Actuarial Accrued Liability as of September 30, 2017 (1)+(2)+(3)+(4)-(5)-(6)	6,036,694
(8)	Change to UAAL due to Actuarial (Gain)/Loss	645,304
(9)	Unfunded Actuarial Accrued Liability as of October 1, 2017	6,681,998

<u>Type of Base</u>	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2017 Amount</u>	<u>Amortization Amount</u>
"D"	10/1/1990	3	139,392	49,641
"E"	10/1/1993	6	195,523	38,336
"F"	10/1/1998	11	(16,909)	(2,107)
"G"	10/1/1999	12	110,240	12,971
"H"	10/1/2000	13	166,522	18,621
"I"	10/1/2004	17	1,164,548	111,476
"J"	10/1/2004	17	58,182	5,569
"K"	10/1/2005	18	273,363	25,398
"L"	10/1/2006	19	(293,640)	(26,552)
"M"	10/1/2007	20	330,659	29,170
Actuarial Loss	10/1/2008	21	832,046	71,765
Method Change	10/1/2008	21	(207,832)	(17,926)
Actuarial Loss	10/1/2009	22	589,403	49,799
Actuarial Loss	10/1/2010	23	517,270	42,887
Assum Changes	10/1/2010	23	219,539	18,202
Actuarial Loss	10/1/2011	24	494,972	40,333
Assum Changes	10/1/2011	24	991,691	80,808
Actuarial Loss	10/1/2012	25	42,296	3,392
Benefit Reduction	10/1/2012	25	(1,252,285)	(100,429)
Merger	10/1/2012	25	(283,198)	(22,712)
Actuarial Gain	10/1/2013	26	(535,150)	(42,292)

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2017 <u>Amount</u>	Amortization <u>Amount</u>
Actuarial Loss	10/1/2014	27	36,816	2,870
Assum Change	10/1/2014	27	1,154,085	89,982
Actuarial Gain	10/1/2015	28	(42,695)	(3,288)
Actuarial Loss	10/1/2016	29	172,092	13,100
Assum Change	10/1/2016	29	1,179,764	89,804
Actuarial Loss	10/1/2017	30	<u>645,304</u> ¹	<u>48,601</u>
			6,681,998	627,419

¹ The database used in preparing the valuation report contains information on which Retirees will receive Cost of Living Adjustments (COLA's) and when they will begin receiving those COLA's. This year an internal audit of the database revealed that the projected amount and/or date needed to be amended for a few of the retirees. This resulted in approximately \$470,000 of the Actuarial Loss shown for 10/1/2017. The fact that there was no inactive mortality contributed another \$170,000 to the loss. The annual payment, before interest, associated with the data correction is approximately \$35,400.

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rates

Healthy Lives:

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

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB

Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale

The above assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS) for special risk participants. The above rates are those outlined in Milliman's July 1, 2016 FRS valuation report for special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

Interest Rate

7.00% per year compounded annually, net of investment related expenses. This assumption was lowered in conjunction with the October 1, 2014 valuation. This assumption is in line with the national average for public programs and is reasonable based on the asset allocation.

Cost-of-Living Adjustment

3% per year commencing 7 years after attainment of normal retirement (Frozen benefit only).

Payroll Growth

None.

Administrative Expenses

\$26,288 annually. This is equal to the actual non-investment related expenses paid out of the trust during the year.

Funding Method

Entry Age Normal Actuarial Cost Method.

A one and a half year interest load, based on the current 7.00% assumption, is applied for determining the Sponsor dollar funding requirement.

VALUATION NOTES

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

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

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

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

(a) The normal cost accrual rate equals

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

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

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

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

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

PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1998	37,731.99	_____%
1999	38,241.45	1.4%
2000	37,829.92	-1.1%
2001	45,407.98	20.0%
2002	48,086.79	5.9%
2003	51,781.22	7.7%
2004	58,748.94	13.5%
2005	70,633.66	20.2%
2006	70,633.66	0.0%
2007	80,972.09	14.6%
2008	117,089.98	44.6%
2009	76,519.17	-34.6%
2010	74,058.28	-3.2%
2011	72,174.88	-2.5%
2012	92,535.74	28.2%
2013	80,851.14	-12.6%
2014	88,046.64	8.9%
2015	87,677.08	-0.4%
2016	86,942.48	-0.8%
2017	93,814.62	7.9%

SUPPLEMENTAL CHAPTER 185 SHARE PLAN ACTIVITY
October 1, 2016 through September 30, 2017

9/30/2016 Balance	1,527.40
Plus Additions	0.00
Investment Return Earned	0.00
Less Distributions	0.00
9/30/2017 Balance	1,527.40

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2017

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	148,585.18	148,585.18
Total Cash and Equivalents	148,585.18	148,585.18
Receivables:		
City Contributions in Transit	233,448.16	233,448.16
State Contributions	93,814.62	93,814.62
Investment Income	19,121.86	19,121.86
Total Receivable	346,384.64	346,384.64
Investments:		
U. S. Bonds and Bills	1,153,070.20	1,153,406.84
Federal Agency Guaranteed Securities	775,921.68	770,356.50
Corporate Bonds	1,941,703.92	1,948,887.60
Municipal Obligations	28,609.80	30,672.00
Mutual Funds:		
Fixed Income	620,705.19	578,507.67
Equity	4,839,468.96	6,568,815.37
Total Investments	9,359,479.75	11,050,645.98
Total Assets	9,854,449.57	11,545,615.80
<u>LIABILITIES</u>		
Total Liabilities	0.00	0.00
NET POSITION RESTRICTED FOR PENSIONS	9,854,449.57	11,545,615.80

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017
Market Value Basis

ADDITIONS

Contributions:			
City		472,079.96	
State		93,814.62	
Total Contributions			565,894.58
Investment Income:			
Net Realized Gain (Loss)	317,545.96		
Unrealized Gain (Loss)	600,998.55		
Net Increase in Fair Value of Investments		918,544.51	
Interest & Dividends		265,555.80	
Less Investment Expense ¹		(40,731.25)	
Net Investment Income			1,143,369.06
Total Additions			1,709,263.64

DEDUCTIONS

Distributions to Members:			
Benefit Payments		1,222,177.68	
Lump Sum Share Distributions		0.00	
Total Distributions			1,222,177.68
Administrative Expense			26,288.10
Total Deductions			1,248,465.78
Net Increase in Net Position			460,797.86
NET POSITION RESTRICTED FOR PENSIONS			
Beginning of the Year			11,084,817.94
End of the Year			11,545,615.80

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

ACTUARIAL ASSET VALUATION
SEPTEMBER 30, 2017

Actuarial Assets for funding purposes are developed by increasing the Actuarial Assets used in the most recent actuarial valuation of the Fund by the average annual market value rate of return (net of investment related expenses) for the past four years. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Details of the derivation are set forth as follows:

Plan Year End	Rate of Return ¹	
09/30/2014	9.67%	
09/30/2015	-1.17%	
09/30/2016	9.22%	
09/30/2017	10.75%	
Annualized Rate of Return for prior four (4) years:		7.01%
(A) 10/01/2016 Actuarial Assets:		\$11,540,278.96
(I) Net Investment Income:		
1. Interest and Dividends	265,555.80	
2. Realized Gains (Losses)	317,545.96	
3. Change in Actuarial Value	242,162.16	
4. Investment Related Expenses	(40,731.25)	
Total		784,532.67
(B) 10/01/2017 Actuarial Assets:		\$11,642,240.43
Actuarial Asset Rate of Return = 2I/(A+B-I):		7.01%
10/01/2017 Limited Actuarial Assets:		\$11,642,240.43
10/01/2017 Market Value of Assets:		\$11,545,615.80
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		\$1,119.16

¹Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2017
 Actuarial Asset Basis

REVENUES

Contributions:		
City	472,079.96	
State	93,814.62	
Total Contributions		565,894.58
Earnings from Investments:		
Interest & Dividends	265,555.80	
Net Realized Gain (Loss)	317,545.96	
Change in Actuarial Value	242,162.16	
Total Earnings and Investment Gains		825,263.92

EXPENDITURES

Distributions to Members:		
Benefit Payments	1,222,177.68	
Lump Sum Share Distributions	0.00	
Total Distributions		1,222,177.68
Expenses:		
Investment related ¹	40,731.25	
Administrative	26,288.10	
Total Expenses		67,019.35
Change in Net Assets for the Year		101,961.47
Net Assets Beginning of the Year		11,540,278.96
Net Assets End of the Year²		11,642,240.43

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

²Net Assets may be limited for actuarial consideration.

STATISTICAL DATA

	<u>10/1/2014</u>	<u>10/1/2015</u>	<u>10/1/2016</u>	<u>10/1/2017</u>
<u>Actives</u>				
Number	1	0	0	0
Average Current Age	50.0	N/A	N/A	N/A
Average Age at Employment	37.8	N/A	N/A	N/A
Average Past Service	12.2	N/A	N/A	N/A
Average Annual Salary	\$62,402	N/A	N/A	N/A
<u>Service Retirees</u>				
Number	22	23	26	26
Average Current Age	59.6	60.2	60.8	61.8
Average Annual Benefit	\$45,319	\$45,050	\$44,088	\$44,981
<u>DROP Retirees</u>				
Number	2	2	0	0
Average Current Age	61.2	62.2	N/A	N/A
Average Annual Benefit	\$36,499	\$36,499	N/A	N/A
<u>Beneficiaries</u>				
Number	1	1	1	1
Average Current Age	93.9	94.9	95.9	96.9
Average Annual Benefit	\$33,258	\$34,255	\$35,283	\$36,342
<u>Disability Retirees</u>				
Number	1	1	1	1
Average Current Age	78.1	79.1	80.1	81.1
Average Annual Benefit	\$40,799	\$42,023	\$43,284	\$44,582
<u>Terminated Vested</u>				
Number	7	7	6	6
Average Current Age	44.5	45.5	46.4	47.4
Average Annual Benefit ¹	\$16,691	\$16,691	\$17,116	\$17,116

¹ The Average Annual Benefit excludes participants awaiting a refund of contributions.

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2016	0
b. Terminations	
i. Vested (partial or full) with deferred benefits	0
ii. Non-vested or full lump sum distribution received	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	<u>0</u>
f. Continuing participants	0
g. New entrants	<u>0</u>
h. Total active life participants in valuation	0

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

	Service Retirees, Vested Receiving <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested <u>Deferred</u>	<u>Total</u>
a. Number prior valuation	26	1	1	6	34
Retired	0	0	0	0	0
Vested Deferred	0	0	0	0	0
Death, With Survivor	0	0	0	0	0
Death, No Survivor	0	0	0	0	0
Disabled	0	0	0	0	0
Refund of Contributions	0	0	0	0	0
Rehires	0	0	0	0	0
Expired Annuities	0	0	0	0	0
Data Corrections	0	0	0	0	0
b. Number current valuation	26	1	1	6	34

SUMMARY OF PLAN PROVISIONS
(Through Ordinance No. 2013-24)

ORIGINAL EFFECTIVE DATE	October 1, 1960.
LATEST AMMENDMENT	October 8, 2013.
ELIGIBILITY	Full-time employees who are classified as full-time Sworn Police Officers and elected to remain in this Plan shall participate in the System. No new employees will participate.
CREDITED SERVICE	Total years and fractional parts of years of employment with the City or County as a Police Officer.
SALARY	Total compensation reported on the member's W-2, plus all tax-deferred, tax sheltered and tax exempt income for benefit accrued prior to February 1, 2013 (Base pay for benefit accrued after February 1, 2013).
AVERAGE FINAL COMPENSATION (AFC)	Average Salary for the best 5 years during the 10 years immediately preceding retirement or termination (Frozen at January 31, 2013 for "frozen benefit").
MEMBER CONTRIBUTIONS	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, as provided in Part VII of Florida Statutes, Chapter 112.
NORMAL RETIREMENT	
Date	Earlier of age 55 or the completion of 25 years of Credited Service for "frozen benefit" and the earlier of 1) age 60 with 10 years of Credited Service or 2) the completion of 30 years of Credited Service for the "future service benefit" except that if Member had 10 years of Credited Service on January 31, 2013, then prior retirement criteria applies to both benefits.
"Frozen Benefit"	<ul style="list-style-type: none"> a. Members hired before 10/1/81: 3.2% of AFC for service to 10/1/81, plus 4.0% of AFC for service from 10/1/81 to 1/31/13. b. Members hired on and after 10/1/81: 3.2% of AFC for all service up to 1/31/13.

	c. Benefits capped at 90% of AFC, subject to minimum accrual requirements of Chapter 185, F.S.
“Future Service Benefit”	1.25% of AFC for service beginning 2/1/13. Benefits capped at 90% of AFC, subject to minimum accrual requirements of Chapter 185, F.S.
Form of Benefit	Ten Year Certain and Life Annuity (options available).
COST OF LIVING INCREASES	Retirees receive a 3% per year cost-of-living adjustment commencing 7 years after attainment of normal retirement age (10 years after retirement if retired prior to March 14, 2006) on “frozen benefit”. None on “future service benefit”.
EARLY RETIREMENT	
Eligibility	Earlier of (1) Age 50 and 10 years of Credited Service, and (2) 20 years of Credited Service, regardless of age for “frozen benefit”. None for “future service benefit”, except that if Member had 10 years of Credited Service on January 31, 2013, then prior retirement criteria applies to both benefits.
Benefit Amount	Accrued benefit, reduced 3% per year.
VESTING	
Schedule	10% after 1 year of Credited Service plus 10% per year thereafter up to 100% after 10 years for “frozen benefit”. 100% after 10 years of Credited Service on “future service benefit”.
Benefit Amount	Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date.
DISABILITY	
Eligibility	Total and permanent after 10 years of Credited Service (non-service incurred) or from date of hire (service incurred).
Waiting Period	Board approval.
Exclusions	Disability resulting from use of drugs, illegal participation in riots, service in the military, etc.
Benefit	Benefit accrued to date of disability but not less than 50% of AFC if service incurred.

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

DEATH BENEFITS

Pre-Retirement

Vested Value of accrued benefit payable on a monthly basis to the beneficiary for 10 years.

Not Vested Refund of contributions, without interest.

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

BOARD OF TRUSTEES

- a. Two legal residents appointed by the City Commission,
- b. Two Members of the System elected by a majority of the membership, and
- c. Fifth member elected by the other 4 and appointed by the Commission.

DEFERRED RETIREMENT OPTION PLAN (Only available to Members who enter DROP on or before February 1, 2013)

Eligibility Satisfaction of Normal Retirement requirements (earlier of (1) Age 55, or (2) 25 years of Credited Service).

Participation Not to exceed 60 months.

Rate of Return At the Member's election: (1) 7.5% annual rate, or (2) actual net rate of investment return (total return net of brokerage commissions, management fees, and transaction costs), credited each fiscal quarter.

Form of Distribution Cash lump sum (options available) at termination of employment.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2017

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	148,585
Total Cash and Equivalents	148,585
Receivables:	
City Contributions in Transit	233,448
State Contributions	93,815
Investment Income	19,122
Total Receivable	346,385
Investments:	
U. S. Bonds and Bills	1,153,407
Federal Agency Guaranteed Securities	770,356
Corporate Bonds	1,948,888
Municipal Obligations	30,672
Mutual Funds:	
Fixed Income	578,508
Equity	6,568,815
Total Investments	11,050,646
Total Assets	11,545,616
Total Liabilities	0
NET POSITION RESTRICTED FOR PENSIONS	11,545,616

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017
Market Value Basis

ADDITIONS

Contributions:

City	472,080
State	93,815

Total Contributions	565,895
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Investment Income:

Net Increase in Fair Value of Investments	918,544
Interest & Dividends	265,556
Less Investment Expense ¹	(40,731)

Net Investment Income	1,143,369
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Total Additions	1,709,264
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DEDUCTIONS

Distributions to Members:

Benefit Payments	1,222,178
Lump Sum Share Distributions	0

Total Distributions	1,222,178
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Administrative Expense	26,288
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Total Deductions	1,248,466
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Net Increase in Net Position	460,798
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NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year	11,084,818
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End of the Year	11,545,616
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¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

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

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 legal residents appointed by the City Commission,
- b. Two Members of the System elected by a majority of the membership, and
- c. Fifth member elected by the other 4 and appointed by the Commission.

Full-time employees who are classified as full-time Sworn Police Officers and elected to remain in this Plan shall participate in the System. No new employees will participate.

Plan Membership as of October 1, 2016:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	28
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	6
Active Plan Members	-
	34
	34

Benefits Provided

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

Normal Retirement:

Date: Earlier of age 55 or the completion of 25 years of Credited Service for “frozen benefit” and the earlier of 1) age 60 with 10 years of Credited Service or 2) the completion of 30 years of Credited Service for the “future service benefit” except that if Member had 10 years of Credited Service on January 31, 2013, then prior retirement criteria applies to both benefits.

Frozen Benefit:

- a. Members hired before 10/1/81: 3.2% of AFC for service to 10/1/81, plus 4.0% of AFC for service from 10/1/81 to 1/31/13.
- b. Members hired on and after 10/1/81: 3.2% of AFC for all service up to 1/31/13.
- c. Benefits capped at 90% of AFC, subject to minimum accrual requirements of Chapter 185, F.S.

Future Service Benefit: 1.25% of AFC for service beginning 2/1/13. Benefits capped at 90% of AFC, subject to minimum accrual requirements of Chapter 185, F.S.

Cost-of-Living Increases:

Retirees receive a 3% per year cost-of-living adjustment commencing 7 years after attainment of normal retirement age (10 years after retirement if retired prior to March 14, 2006) on “frozen benefit”. None on “future service benefit”.

Early Retirement:

Eligibility: Earlier of 1) Age 50 and 10 years of Credited Service, and 2) 20 years of Credited Service, regardless of age for “frozen benefit”. None for “future service benefit”, except that if Member had 10 years of Credited Service on January 31, 2013, then prior retirement criteria applies to both benefits.

Benefit: Accrued benefit, reduced 3% per year.

Vesting:

Schedule: 10% after 1 year of Credited Service plus 10% per year thereafter up to 100% after 10 years for “frozen benefit”. 100% after 10 years of Credited Service on “future service benefit”.

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

Disability:

Eligibility: Total and permanent after 10 years of Credited Service (non-service incurred) or from date of hire (service incurred).

Benefit: Benefit accrued to date of disability but not less than 50% of AFC if service incurred.

Pre-Retirement Death Benefits:

Vested: Value of accrued benefit payable on a monthly basis to the beneficiary for 10 years.

Non-Vested: Refund of contributions, without interest.

GASB 67

Contributions

Member Contributions: 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, as provided in Part VII of Florida Statutes, Chapter 112.

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	45%
International Equity	10%
Broad Market Fixed Income	40%
Global Fixed income	5%
<u>Total</u>	<u>100%</u>

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, 2017, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 10.75 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

Only available to Members who enter DROP on or before February 1, 2013.

Eligibility: Satisfaction of Normal Retirement requirements (earlier of (1) Age 55, or (2) 25 years of Credited Service).

Participation: Not to exceed 60 months.

Rate of Return: At the Member's election: (1) 7.5% annual rate, or (2) actual net rate of investment return (total return net of brokerage commissions, management fees, and transaction costs), credited each fiscal quarter.

The DROP balance as September 30, 2017 is \$0.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2017 were as follows:

Total Pension Liability	\$ 17,686,112
Plan Fiduciary Net Position	<u>\$ (11,545,616)</u>
Sponsor's Net Pension Liability	<u>\$ 6,140,496</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	65.28%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2016 updated to September 30, 2017 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	N/A
Discount Rate	7.00%
Investment Rate of Return	7.00%

Mortality Rate Healthy Lives:

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

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The most recent actuarial experience study used to review the other significant assumptions was dated October 12, 2010.

The Long-Term Expected Rate of Return on Pension Plan investments can be 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 2017 the inflation rate assumption of the investment advisor was 2.50%.

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 geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2017 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.5%
International Equity	8.5%
Broad Market Fixed Income	2.5%
Global Fixed income	3.5%

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.00 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
	6.00%	7.00%	8.00%
Sponsor's Net Pension Liability	\$ 8,258,119	\$ 6,140,496	\$ 4,388,552

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

	09/30/2017	09/30/2016
Total Pension Liability		
Service Cost	-	-
Interest	1,179,519	1,102,568
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	267,414	239,884
Changes of assumptions	-	1,161,657
Benefit Payments, including Refunds of Employee Contributions	(1,222,178)	(1,587,440)
Net Change in Total Pension Liability	224,755	916,669
Total Pension Liability - Beginning	17,461,357	16,544,688
Total Pension Liability - Ending (a)	<u>\$ 17,686,112</u>	<u>\$ 17,461,357</u>
Plan Fiduciary Net Position		
Contributions - Employer	472,080	494,855
Contributions - State	93,815	86,942
Contributions - Employee	-	-
Net Investment Income	1,143,369	972,743
Benefit Payments, including Refunds of Employee Contributions	(1,222,178)	(1,587,440)
Administrative Expense	(26,288)	(15,598)
Net Change in Plan Fiduciary Net Position	460,798	(48,498)
Plan Fiduciary Net Position - Beginning	11,084,818	11,133,316
Plan Fiduciary Net Position - Ending (b)	<u>\$ 11,545,616</u>	<u>\$ 11,084,818</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 6,140,496</u>	<u>\$ 6,376,539</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	65.28%	63.48%
Covered Employee Payroll ¹	N/A	N/A
Net Pension Liability as a percentage of Covered Employee Payroll	N/A	N/A

Notes to Schedule:

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

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 for special risk employees.

Additionally, the inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

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	15,380	45,240
Interest	1,101,556	1,099,695
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	255,813	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(1,098,393)</u>	<u>(1,078,586)</u>
Net Change in Total Pension Liability	274,356	66,349
Total Pension Liability - Beginning	<u>16,270,332</u>	<u>16,203,983</u>
Total Pension Liability - Ending (a)	<u><u>\$ 16,544,688</u></u>	<u><u>\$ 16,270,332</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	444,748	577,960
Contributions - State	87,677	88,047
Contributions - Employee	274	3,857
Net Investment Income	(133,318)	1,052,775
Benefit Payments, including Refunds of Employee Contributions	(1,098,393)	(1,078,586)
Administrative Expense	<u>(24,655)</u>	<u>(32,171)</u>
Net Change in Plan Fiduciary Net Position	(723,667)	611,882
Plan Fiduciary Net Position - Beginning	<u>11,856,983</u>	<u>11,245,101</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 11,133,316</u></u>	<u><u>\$ 11,856,983</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 5,411,372</u></u>	<u><u>\$ 4,413,349</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	67.29%	72.87%
Covered Employee Payroll ¹	\$ 9,453	\$ 124,414
Net Pension Liability as a percentage of Covered Employee Payroll	57244.42%	3547.32%

Notes to Schedule:

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

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	09/30/2017	09/30/2016	09/30/2015	09/30/2014
Actuarially Determined Contribution Contributions in relation to the Actuarially Determined Contributions	564,940	581,797	530,921	666,007
Contribution Deficiency (Excess)	565,895	581,797	532,425	666,007
	\$ (955)	\$ -	\$ (1,504)	\$ -
Covered Employee Payroll ¹	N/A	N/A	\$ 9,453	\$ 124,414
Contributions as a percentage of Covered Employee Payroll	N/A	N/A	5632.28%	535.32%

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

Notes to Schedule

Valuation Date: 10/01/2015

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 % of Pay, Closed.

Remaining Amortization Period: 30 Years (as of 10/01/2015).

Mortality Rate: RP 2000 Combined Healthy – Sex Distinct. Disabled lives are set forward 5 years. Based upon other studies of municipal Police Officers, we feel this assumption sufficiently accommodates future mortality improvements.

Interest Rate: 7.00% per year compounded annually, net of investment related expenses. This assumption was lowered in conjunction with the October 1, 2014 valuation. This assumption is in line with the national average for public programs and is reasonable based on the asset allocation.

Cost-of-Living Adjustment: 3% per year commencing 7 years after attainment of normal retirement (Frozen benefit only).

Payroll Growth: None.

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	<u>09/30/2017</u>	<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	10.75%	9.22%	-1.17%	9.67%

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 legal residents appointed by the City Commission,
- b. Two Members of the System elected by a majority of the membership, and
- c. Fifth member elected by the other 4 and appointed by the Commission.

Full-time employees who are classified as full-time Sworn Police Officers and elected to remain in this Plan shall participate in the System. No new employees will participate.

Plan Membership as of October 1, 2016:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	28
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	6
Active Plan Members	-
	34
	34

Benefits Provided

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

Normal Retirement:

Date: Earlier of age 55 or the completion of 25 years of Credited Service for “frozen benefit” and the earlier of 1) age 60 with 10 years of Credited Service or 2) the completion of 30 years of Credited Service for the “future service benefit” except that if Member had 10 years of Credited Service on January 31, 2013, then prior retirement criteria applies to both benefits.

Frozen Benefit:

- a. Members hired before 10/1/81: 3.2% of AFC for service to 10/1/81, plus 4.0% of AFC for service from 10/1/81 to 1/31/13.
- b. Members hired on and after 10/1/81: 3.2% of AFC for all service up to 1/31/13.
- c. Benefits capped at 90% of AFC, subject to minimum accrual requirements of Chapter 185, F.S.

Future Service Benefit: 1.25% of AFC for service beginning 2/1/13. Benefits capped at 90% of AFC, subject to minimum accrual requirements of Chapter 185, F.S.

Cost-of-Living Increases:

Retirees receive a 3% per year cost-of-living adjustment commencing 7 years after attainment of normal retirement age (10 years after retirement if retired prior to March 14, 2006) on “frozen benefit”. None on “future service benefit”.

Early Retirement:

Eligibility: Earlier of 1) Age 50 and 10 years of Credited Service, and 2) 20 years of Credited Service, regardless of age for “frozen benefit”. None for “future service benefit”, except that if Member had 10 years of Credited Service on January 31, 2013, then prior retirement criteria applies to both benefits.

Benefit: Accrued benefit, reduced 3% per year.

Vesting:

Schedule: 10% after 1 year of Credited Service plus 10% per year thereafter up to 100% after 10 years for “frozen benefit”. 100% after 10 years of Credited Service on “future service benefit”.

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

Disability:

Eligibility: Total and permanent after 10 years of Credited Service (non-service incurred) or from date of hire (service incurred).

Benefit: Benefit accrued to date of disability but not less than 50% of AFC if service incurred.

Pre-Retirement Death Benefits:

Vested: Value of accrued benefit payable on a monthly basis to the beneficiary for 10 years.

Non-Vested: Refund of contributions, without interest.

Contributions

Member Contributions: 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, as provided in Part VII of Florida Statutes, Chapter 112.

Net Pension Liability

The measurement date is September 30, 2017.

The measurement period for the pension expense was October 1, 2016 to September 30, 2017.

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

The Sponsor's Net Pension Liability was measured as of September 30, 2017.

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, 2016 updated to September 30, 2017 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	N/A
Discount Rate	7.00%
Investment Rate of Return	7.00%

Mortality Rate Healthy Lives:

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

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The most recent actuarial experience study used to review the other significant assumptions was dated October 12, 2010.

The Long-Term Expected Rate of Return on Pension Plan investments can be 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 2017 the inflation rate assumption of the investment advisor was 2.50%.

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 geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	45%	7.50%
International Equity	10%	8.50%
Broad Market Fixed Income	40%	2.50%
Global Fixed income	5%	3.50%
Total	100%	

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.00 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, 2016	\$ 17,461,357	\$ 11,084,818	\$ 6,376,539
Changes for a Year:			
Service Cost	-	-	-
Interest	1,179,519	-	1,179,519
Differences between Expected and Actual Experience	267,414	-	267,414
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - Employer	-	472,080	(472,080)
Contributions - State	-	93,815	(93,815)
Contributions - Employee	-	-	-
Net Investment Income	-	1,143,369	(1,143,369)
Benefit Payments, including Refunds of Employee Contributions	(1,222,178)	(1,222,178)	-
Administrative Expense	-	(26,288)	26,288
Net Changes	224,755	460,798	(236,043)
Balances at September 30, 2017	<u>\$ 17,686,112</u>	<u>\$ 11,545,616</u>	<u>\$ 6,140,496</u>

Sensitivity of the Net Pension Liability to changes in the Discount Rate.

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.00%	7.00%	8.00%
Sponsor's Net Pension Liability	\$ 8,258,119	\$ 6,140,496	\$ 4,388,552

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 \$729,396.

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	-	-
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan investments	-	129,701
Total	\$ -	\$ 129,701

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		\$	8,224
2019		\$	64,434
2020		\$	(124,095)
2021		\$	(78,264)
2022		\$	-
Thereafter		\$	-

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

	<u>09/30/2017</u>	<u>09/30/2016</u>
Total Pension Liability		
Service Cost	-	-
Interest	1,179,519	1,102,568
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	267,414	239,884
Changes of assumptions	-	1,161,657
Benefit Payments, including Refunds of Employee Contributions	<u>(1,222,178)</u>	<u>(1,587,440)</u>
Net Change in Total Pension Liability	224,755	916,669
Total Pension Liability - Beginning	17,461,357	16,544,688
Total Pension Liability - Ending (a)	<u>\$ 17,686,112</u>	<u>\$ 17,461,357</u>
Plan Fiduciary Net Position		
Contributions - Employer	472,080	494,855
Contributions - State	93,815	86,942
Contributions - Employee	-	-
Net Investment Income	1,143,369	972,743
Benefit Payments, including Refunds of Employee Contributions	(1,222,178)	(1,587,440)
Administrative Expense	<u>(26,288)</u>	<u>(15,598)</u>
Net Change in Plan Fiduciary Net Position	460,798	(48,498)
Plan Fiduciary Net Position - Beginning	11,084,818	11,133,316
Plan Fiduciary Net Position - Ending (b)	<u>\$ 11,545,616</u>	<u>\$ 11,084,818</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 6,140,496</u>	<u>\$ 6,376,539</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	65.28%	63.48%
Covered Employee Payroll ¹	N/A	N/A
Net Pension Liability as a percentage of Covered Employee Payroll	N/A	N/A

Notes to Schedule:

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

Effective for the City's fiscal year ending 09/30/2016, the GASB 68 measurement date of the Pension Expense has been approved and changed from 09/30/2015 to 09/30/2016.

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 for special risk employees.

Additionally, the inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

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	15,380	45,240
Interest	1,101,556	1,099,695
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	255,813	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(1,098,393)</u>	<u>(1,078,586)</u>
Net Change in Total Pension Liability	274,356	66,349
Total Pension Liability - Beginning	16,270,332	16,203,983
Total Pension Liability - Ending (a)	<u><u>\$ 16,544,688</u></u>	<u><u>\$ 16,270,332</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	444,748	577,960
Contributions - State	87,677	88,047
Contributions - Employee	274	3,857
Net Investment Income	(133,318)	1,052,775
Benefit Payments, including Refunds of Employee Contributions	(1,098,393)	(1,078,586)
Administrative Expense	<u>(24,655)</u>	<u>(32,171)</u>
Net Change in Plan Fiduciary Net Position	(723,667)	611,882
Plan Fiduciary Net Position - Beginning	11,856,983	11,245,101
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 11,133,316</u></u>	<u><u>\$ 11,856,983</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 5,411,372</u></u>	<u><u>\$ 4,413,349</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	67.29%	72.87%
Covered Employee Payroll ¹	\$ 9,453	\$ 124,414
Net Pension Liability as a percentage of Covered Employee Payroll	57244.42%	3547.32%

Notes to Schedule:

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

Effective for the City's fiscal year ending 09/30/2016, the GASB 68 measurement date of the Pension Expense has been approved and changed from 09/30/2015 to 09/30/2016.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	09/30/2017	09/30/2016	09/30/2015	09/30/2014
Actuarially Determined Contribution	564,940	581,797	530,921	666,007
Contributions in relation to the Actuarially Determined Contributions	565,895	581,797	532,425	666,007
Contribution Deficiency (Excess)	\$ (955)	\$ -	\$ (1,504)	\$ -
Covered Employee Payroll ¹	N/A	N/A	\$ 9,453	\$ 124,414
Contributions as a percentage of Covered Employee Payroll	N/A	N/A	5632.28%	535.32%

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

Notes to Schedule

Valuation Date: 10/01/2015

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 % of Pay, Closed.

Remaining Amortization Period: 30 Years (as of 10/01/2015).

Mortality Rate: RP 2000 Combined Healthy – Sex Distinct. Disabled lives are set forward 5 years. Based upon other studies of municipal Police Officers, we feel this assumption sufficiently accommodates future mortality improvements.

Interest Rate: 7.00% per year compounded annually, net of investment related expenses. This assumption was lowered in conjunction with the October 1, 2014 valuation. This assumption is in line with the national average for public programs and is reasonable based on the asset allocation.

Cost-of-Living Adjustment: 3% per year commencing 7 years after attainment of normal retirement (Frozen benefit only).

Payroll Growth: None.

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2017

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 6,376,539	\$ 295,744	\$ 565,587	\$ -
Total Pension Liability Factors:				
Service Cost	-	-	-	-
Interest	1,179,519	-	-	1,179,519
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	267,414	-	267,414	-
Current year amortization of experience difference	-	-	(267,414)	267,414
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(1,222,178)	-	-	-
Net change	<u>224,755</u>	<u>-</u>	<u>-</u>	<u>1,446,933</u>
Plan Fiduciary Net Position:				
Contributions - Employer	472,080	-	-	-
Contributions - State	93,815	-	-	-
Contributions - Employee	-	-	-	-
Projected Net Investment Income	752,047	-	-	(752,047)
Difference between projected and actual earnings on Pension Plan investments	391,322	391,322	-	-
Current year amortization	-	(180,307)	(188,529)	8,222
Benefit Payments	(1,222,178)	-	-	-
Administrative Expenses	(26,288)	-	-	26,288
Net change	<u>460,798</u>	<u>211,015</u>	<u>(188,529)</u>	<u>(717,537)</u>
Ending Balance	<u>\$ 6,140,496</u>	<u>\$ 506,759</u>	<u>\$ 377,058</u>	<u>\$ 729,396</u>

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)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
2014	\$ (281,050)	5	\$ (56,210)	\$ (56,210)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 942,645	5	\$ 188,529	\$ 188,529	\$ 188,529	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (229,154)	5	\$ (45,831)	\$ (45,831)	\$ (45,831)	\$ (45,831)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ (391,322)	5	\$ (78,266)	\$ (78,264)	\$ (78,264)	\$ (78,264)	\$ (78,264)	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 8,222	\$ 8,224	\$ 64,434	\$ (124,095)	\$ (78,264)	\$ -	\$ -	\$ -	\$ -	\$ -

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)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
2017	\$ 267,414	1	\$ 267,414	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			<u>\$ 267,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>