

CITY OF CAPE CORAL  
MUNICIPAL GENERAL EMPLOYEES'  
RETIREMENT PLAN

ACTUARIAL VALUATION REPORT  
AS OF OCTOBER 1, 2016

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

February 28, 2017

Mr. Bob Kovacs, Plan Administrator  
The Resource Centers, LLC  
P. O. Box 152665  
Cape Coral, FL 33915-2665

Re: City of Cape Coral  
Municipal General Employees' Retirement Plan

Dear Bob:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Cape Coral Municipal General Employees' Retirement Plan. 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 Cape Coral, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Cape Coral Municipal General Employees' Retirement Plan. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

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

Respectfully submitted,  
Foster & Foster, Inc.

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

DHL/lke

Enclosures

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## SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Cape Coral Municipal General Employees' Retirement Plan, performed as of October 1, 2016, has been completed, and the results are presented in this Report. The results of this valuation are applicable to the plan/fiscal year ended September 30, 2018.

The funding requirements, compared with amounts developed in the October 1, 2015 actuarial valuation, are as follows:

Valuation Date Applicable to Plan/Fiscal Year Ending	10/1/2016 <u>9/30/2018</u>	10/1/2015 <u>9/30/2017</u>
Total Required Contribution	\$25,200,650	\$23,142,947
Member Contributions (Est.)	4,523,867	4,397,929
Balance From City <sup>1</sup>	20,676,783	18,745,018

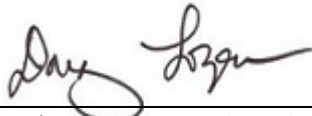
<sup>1</sup> Please note that the City has a shortfall contribution of \$248,060.68 due in addition to the amounts described above. The Member Contributions for fiscal 2018 are estimated based on the Buy Up elections. The City's required contribution is the amount shown on the "Balance From City" line regardless of the Member Contributions actually made. The effective Member Contribution rate will vary each year as new Members enter and Members electing the Buy Up leave the plan.

During the past year, the actuarial experience has been less favorable than expected on the basis of the actuarial assumptions. The primary sources of loss were unfavorable turnover and retirement experience, as well as a 7.38% investment return (Actuarial Asset Basis) that fell short of the 7.75% assumption. These losses were offset slightly by favorable salary increase experience.

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:   
Christine M. O'Neal, FSA, EA, MAAA

### Plan Changes Since Prior Valuation

There have been no Plan changes since the prior valuation.

### Actuarial Assumption/Method Changes Since Prior Valuation

To comply with Chapter 112, Florida Statutes, the payroll growth was limited to the ten year average rate of 1.14% (prior valuation used a 2.08% rate). There were no other changes in assumptions or methods.

## COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2016</u>	<u>10/1/2015</u>
A. Participant Data		
Actives	791	756
Service Retirees	529	506
DROP Retirees	88	95
Beneficiaries	60	59
Terminated Vested	<u>134</u>	<u>111</u>
Total	1,602	1,527
Total Annual Payroll	\$41,733,509	\$37,673,415
Payroll Under Assumed Ret. Age	40,808,599	36,872,506
Annual Rate of Payments to:		
Service Retirees	11,771,113	10,913,775
DROP Retirees	2,520,545	2,535,011
Beneficiaries	627,039	595,749
Terminated Vested	182,319	177,014
B. Assets		
Actuarial Value (AVA) <sup>1</sup>	230,568,918	207,219,364
Market Value (MVA) <sup>1</sup>	224,525,185	199,305,119
C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	153,573,856	143,602,319
Death Benefits	3,437,805	3,300,816
Vested Benefits	11,440,628	11,099,710
Refund of Contributions	1,203,327	981,642
Service Retirees	139,356,972	128,094,058
DROP Retirees <sup>1</sup>	51,007,082	50,010,728
Beneficiaries	5,639,812	5,584,860
Terminated Vested	<u>1,699,749</u>	<u>1,663,122</u>
Total	367,359,231	344,337,255



C. Liabilities - (Continued)	<u>10/1/2016</u>	<u>10/1/2015</u>
Present Value of Future Salaries	327,792,623	294,993,931
Present Value of Future Member Contributions	34,629,492	31,445,977
Normal Cost (Retirement)	6,300,855	5,843,043
Normal Cost (Death)	223,778	212,895
Normal Cost (Vesting)	768,837	760,290
Normal Cost (Refunds)	<u>173,397</u>	<u>145,596</u>
Total Normal Cost	7,466,867	6,961,824
Present Value of Future Normal Costs	55,296,336	52,826,697
Accrued Liability (Retirement)	106,400,700	98,390,231
Accrued Liability (Death)	1,686,856	1,648,061
Accrued Liability (Vesting)	6,070,248	5,974,573
Accrued Liability (Refunds)	201,476	144,925
Accrued Liability (Inactives) <sup>1</sup>	<u>197,703,615</u>	<u>185,352,768</u>
Total Actuarial Accrued Liability (AL)	312,062,895	291,510,558
Unfunded Actuarial Accrued Liability (UAAL)	81,493,977	84,291,194
Funded Ratio (AVA / AL)	73.9%	71.1%

D. Actuarial Present Value of		
Accrued Benefits	<u>10/1/2016</u>	<u>10/1/2015</u>
Vested Accrued Benefits		
Inactives <sup>1</sup>	197,703,615	185,352,768
Actives	29,040,682	27,427,645
Member Contributions	<u>27,610,135</u>	<u>25,693,428</u>
Total	254,354,432	238,473,841
Non-vested Accrued Benefits	<u>15,572,743</u>	<u>15,214,722</u>
Total Present Value		
Accrued Benefits (PVAB)	269,927,175	253,688,563
Funded Ratio (MVA / PVAB)	83.2%	78.6%
Increase (Decrease) in Present Value of		
Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	10,062,605	
Benefits Paid	(12,981,811)	
Interest	19,157,818	
Other	<u>0</u>	
Total	16,238,612	

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

#### E. Pension Cost

Normal Cost <sup>2</sup>	\$8,287,508	\$7,727,682
Administrative Expenses <sup>2</sup>	198,211	244,080
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 25 years (as of 10/1/2016) <sup>2</sup>	16,714,931	15,171,185
Total Required Contribution	25,200,650	23,142,947
Expected Member Contributions <sup>2</sup>	4,523,867	4,397,929
Expected City Contribution	20,676,783	18,745,018

#### F. Past Contributions

Plan Years Ending:	<u>9/30/2016</u>
City Requirement	16,709,229
Actual Contributions Made:	
Members (excluding buyback)	4,155,469
City	<u>16,709,229</u>
Total	20,864,698

G. Net Actuarial (Gain)/Loss	4,527,780
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<sup>1</sup> The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/2016 and 9/30/2015.

<sup>2</sup> Contributions developed as of 10/1/2016 displayed above have been adjusted to account for assumed salary increase and interest components.

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

<u>Year</u>	<u>Projected Unfunded Actuarial Accrued Liability</u>
2016	81,493,977
2017	71,582,831
2018	60,906,289
2024	34,086,649
2030	13,191,107
2041	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	8.52%	6.87%
Year Ended	9/30/2015	12.60%	6.86%
Year Ended	9/30/2014	3.13%	6.90%

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


		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	7.38%	7.75%
Year Ended	9/30/2015	9.49%	7.75%
Year Ended	9/30/2014	9.78%	7.75%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2016	\$41,733,509
	10/1/2006	37,267,937
(b) Total Increase		11.98%
(c) Number of Years		10.00
(d) Average Annual Rate		1.14%

## 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 a copy of the report to the following office 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	\$84,291,194
(2)	Sponsor Normal Cost developed as of October 1, 2015	3,026,779
(3)	Expected administrative expenses for the year ended September 30, 2016	219,890
(4)	Expected interest on (1), (2) and (3)	6,775,664
(5)	Sponsor contributions to the System during the year ended September 30, 2016	16,709,229
(6)	Expected interest on (5)	638,101
(7)	Expected Unfunded Actuarial Accrued Liability as of September 30, 2016 (1)+(2)+(3)+(4)-(5)-(6)	76,966,197
(8)	Change to UAAL due to Assumption Change	0
(9)	Change to UAAL due to Actuarial (Gain)/Loss	4,527,780
(10)	Unfunded Actuarial Accrued Liability as of October 1, 2016	81,493,977

Type of Base	Date Established	Years Remaining	10/1/2016 Amount	Amortization Amount
	10/1/1987	1	\$172,241	\$172,241
	10/1/1988	2	171,683	88,558
	10/1/1991	5	(350,925)	(79,340)
	10/1/1994	8	3,473,744	536,264
	10/1/2003	17	551,614	51,340
Method Change	10/1/2004	18	11,109,742	1,002,205
Prior Losses	10/1/2004	12	9,678,666	1,115,660
Actuarial Loss	10/1/2005	12	1,828,651	210,789
Actuarial Loss	10/1/2006	12	1,190,802	137,264
Benefit Change	10/1/2006	20	1,973,135	168,563
Actuarial Gain	10/1/2007	12	(4,509,402)	(519,799)
Benefit Change	10/1/2007	21	8,691,479	725,045
Actuarial Loss	10/1/2008	2	7,037,546	3,630,119
Method Change	10/1/2008	12	4,813,811	554,888
Assumption Change	10/1/2009	13	1,681,054	183,861
Actuarial Loss	10/1/2009	3	7,550,995	2,677,918
Actuarial Loss	10/1/2010	4	4,740,298	1,299,870
Benefit Change	10/1/2010	24	181,045	14,218
Assumption Change	10/1/2010	14	(554,795)	(57,898)

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2016 <u>Amount</u>	Amortization <u>Amount</u>
Actuarial Loss	10/1/2011	5	7,705,963	1,742,234
Benefit Change	10/1/2011	25	(6,025,926)	(465,233)
Actuarial Loss	10/1/2012	6	449,992	87,348
Assumption Change	10/1/2012	16	5,091,954	490,495
Actuarial Gain	10/1/2013	7	(105,197)	(18,027)
Actuarial Gain	10/1/2014	8	(3,647,002)	(563,011)
Actuarial Loss	10/1/2015	9	911,841	128,786
Assumption Change	10/1/2015	19	13,153,188	1,153,256
Actuarial Loss	10/1/2016	10	<u>4,527,780</u>	<u>592,180</u>
			81,493,977	15,059,794

## DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2015	\$84,291,194
(2) Expected UAAL as of October 1, 2016	76,966,197
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	780,721
Salary Increases	(98,360)
Active Decrements	3,650,998
Inactive Mortality	214,902
Other	<u>(20,481)</u>
Increase in UAAL due to (Gain)/Loss	4,527,780
Assumption Changes	<u>0</u>
(4) Actual UAAL as of October 1, 2016	\$81,493,977



## ACTUARIAL ASSUMPTIONS AND METHODS

### Mortality Rates

As disclosed in the 7/1/2015 FRS valuation report dated December 1, 2015.

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

Male Non-Disabled: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.

Female Disabled: RP2000 100% Disabled Female set forward 2 years, no projection scale.

Male Disabled: FP2000, 100% Disabled Male setback four years, no projection scale.

### Termination Rates

<u>Age</u>	<u>% Terminating during the Year</u>
20	13.00%
30	10.00%
40	6.00%
50	5.70%
60	0.00%

These rates were adopted based on the July 25, 2011 experience study.

### Disability Rates

<u>Age</u>	<u>% Becoming Disabled during the Year</u>
20	0.05%
30	0.06%
40	0.12%
50	0.43%
60	1.61%

### Retirement Age

<u>Number of Years after First Eligibility for Normal Retirement</u>	<u>Probability of Retirement</u>
0	10%
1	10%
2	10%
3	10%
4	10%
5	100%

Members with 25 or more years of Credited Service are assumed to retire immediately. These rates were adopted based on the July 25, 2011 experience study.

Early Retirement

Commencing upon eligibility for Early Retirement, Members are assumed to retire with an immediate benefit at the rate of 2.00% per year.

Interest Rate

7.75% per year, compounded annually, net of investment expenses. This assumption is supported by the Plan's investment policy and long-term expected returns by asset class.

Salary Increases

<u>Age</u>	<u>Credited Service</u>	<u>Assumption</u>
All	less than 20 years	7.00%
under age 50	20 or more years	5.80%
50-59	20 or more years	5.30%
60 and older	20 or more years	5.00%

This assumption was adopted based on the July 25, 2011 experience study.

Payroll Increase

1.14% per year (2.08% used for 10/1/2015).

Administrative Expenses

\$178,584 based on the prior year's expense.

Asset Valuation Method

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

Funding Method

Entry Age Normal Actuarial Cost Method. The following loads are applied for determination of the Sponsor funding requirement:

Interest – half a year based on the 7.75% assumption.

Salary – a full year based on the current average assumption of 6.85%.

## GLOSSARY

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

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

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

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

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

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

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2016

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	4,970,339.04	4,970,339.04
Cash	624.95	624.95
Total Cash and Equivalents	4,970,963.99	4,970,963.99
Receivables:		
Member Contributions	104.13	104.13
Additional City Contributions	248,060.68	248,060.68
From Broker for Investments Sold	258,245.99	258,245.99
Investment Income	61,105.62	61,105.62
Total Receivable	567,516.42	567,516.42
Investments:		
Stocks	68,882,306.95	77,238,586.76
Hedge Fund of Funds	5,000,000.00	9,529,726.22
Mutual Funds:		
Equity	21,384,083.17	19,619,918.64
Pooled/Common/Commingled Funds:		
Fixed Income	37,933,714.60	53,235,462.79
Equity	13,577,625.61	13,577,625.61
Real Estate	37,269,635.78	46,271,020.27
Total Investments	184,047,366.11	219,472,340.29
Total Assets	189,585,846.52	225,010,820.70
<u>LIABILITIES</u>		
Payables:		
Investment Expenses	157,273.72	157,273.72
Administrative Expenses	10,540.45	10,540.45
Refunds of Member Contributions (Prior)	12,992.03	12,992.03
To Broker for Investments Purchased	304,780.44	304,780.44
Prepaid Member Contribution	48.59	48.59
Total Liabilities	485,635.23	485,635.23
NET POSITION RESTRICTED FOR PENSIONS	189,100,211.29	224,525,185.47

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

ADDITIONS

Contributions:		
Member	4,155,468.88	
Buy-Back	73,023.88	
City	16,709,229.00	
Total Contributions		20,937,721.76
Investment Income:		
Net Realized Gain (Loss)	49,354.17	
Unrealized Gain (Loss)	14,282,269.91	
Net Increase in Fair Value of Investments		14,331,624.08
Interest & Dividends		3,943,867.71
Less Investment Expense <sup>1</sup>		(832,752.35)
Net Investment Income		17,442,739.44
Total Additions		38,380,461.20

DEDUCTIONS

Distributions to Members:		
Benefit Payments	11,267,153.16	
Lump Sum DROP Distributions	1,290,613.94	
Refunds of Member Contributions	424,043.64	
Total Distributions		12,981,810.74
Administrative Expense		178,584.12
Total Deductions		13,160,394.86
Net Increase in Net Position		25,220,066.34
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		199,305,119.13
End of the Year		224,525,185.47

<sup>1</sup> Investment related expenses include investment advisory, custodial and performance monitoring fees.

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

REVENUES

Contributions:		
Member	4,155,468.88	
Buy-Back	73,023.88	
City	16,709,229.00	
Total Contributions		20,937,721.76
Earnings from Investments:		
Interest & Dividends	3,943,867.71	
Net Realized Gain (Loss)	49,354.17	
Change in Actuarial Value	12,411,757.61	
Total Earnings and Investment Gains		16,404,979.49

EXPENDITURES

Distributions to Members:		
Benefit Payments	11,267,153.16	
Lump Sum DROP Distributions	1,290,613.94	
Refunds of Member Contributions	424,043.64	
Total Distributions		12,981,810.74
Expenses:		
Investment related <sup>1</sup>	832,752.35	
Administrative	178,584.12	
Total Expenses		1,011,336.47
Change in Net Assets for the Year		23,349,554.04
Net Assets Beginning of the Year		207,219,364.27
Net Assets End of the Year <sup>2</sup>		230,568,918.31

<sup>1</sup> Investment related expenses include investment advisory, custodial and performance monitoring fees.

<sup>2</sup> Net Assets may be limited for actuarial consideration.

ACTUARIAL ASSET VALUATION  
SEPTEMBER 30, 2016

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 <sup>1</sup>	
09/30/2013	12.71%	
09/30/2014	10.04%	
09/30/2015	-1.36%	
09/30/2016	8.66%	
Annualized Rate of Return for prior four (4) years:		7.38%
(A) 10/01/2015 Actuarial Assets:		\$207,219,364.27
(I) Net Investment Income:		
1. Interest and Dividends	3,943,867.71	
2. Realized Gains (Losses)	49,354.17	
3. Change in Actuarial Value	12,411,757.61	
4. Investment Related Expenses	(832,752.35)	
Total		15,572,227.14
(B) 10/01/2016 Actuarial Assets:		\$230,568,918.31
Actuarial Asset Rate of Return = 2I/(A+B-I):		7.38%
10/01/2016 Limited Actuarial Assets:		\$230,568,918.31
10/01/2016 Market Value of Assets:		\$224,525,185.47
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		(\$780,721.41)

<sup>1</sup> Market Value Basis, net of investment related expenses.

DEFERRED RETIREMENT OPTION PLAN ACTIVITY  
October 1, 2015 to September 30, 2016

Beginning of the Year Balance	11,477,960.65
Plus Additions	2,386,307.26
Investment Return Earned	765,371.61
Less Distributions	(1,290,613.94)
End of the Year Balance	13,339,025.58



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

(1) Required City Contribution for Fiscal 2016	16,709,229.00
(2) Less 2015 Prepaid Contribution	(5,945.12)
(3) Less Actual City Contributions	<u>(16,455,223.20)</u>
(4) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2016	\$248,060.68

# STATISTICAL DATA <sup>1</sup>

	<u>10/1/2013</u>	<u>10/1/2014</u>	<u>10/1/2015</u>	<u>10/1/2016</u>
<u>Actives</u>				
Number	707	729	756	791
Average Current Age	48.2	47.3	47.0	46.7
Average Age at Employment	38.0	38.2	38.3	38.1
Average Past Service	10.2	9.1	8.7	8.6
Average Annual Salary	\$47,861	\$46,197	\$49,833	\$52,760
<u>Service Retirees</u>				
Number		484	506	529
Average Current Age		N/A	68.8	69.1
Average Annual Benefit		\$19,584	\$21,569	\$22,252
<u>DROP Retirees</u>				
Number		90	95	88
Average Current Age		N/A	61.9	61.5
Average Annual Benefit		\$24,367	\$26,684	\$28,643
<u>Beneficiaries</u>				
Number		56	59	60
Average Current Age		N/A	74.1	74.3
Average Annual Benefit		\$10,165	\$10,097	\$10,451
<u>Terminated Vested</u>				
Number		113	111	134
Average Annual Benefit <sup>2</sup>		\$6,350	\$6,808	\$7,012

<sup>1</sup> Prior to 10/1/2014, averages were salary weighted.

<sup>2</sup> Average benefit of those expected to take an annuity.

## 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	1	0	0	0	0	0	0	0	0	0	0	1
20 - 24	11	6	4	0	1	0	0	0	0	0	0	22
25 - 29	21	12	6	1	3	2	2	0	0	0	0	47
30 - 34	10	7	7	5	9	19	8	0	0	0	0	65
35 - 39	9	8	8	9	2	9	18	6	0	0	0	69
40 - 44	7	10	12	8	10	13	24	6	7	0	0	97
45 - 49	11	14	7	6	3	21	23	14	10	1	0	110
50 - 54	13	8	9	8	3	24	55	19	18	0	0	157
55 - 59	4	7	6	8	11	24	50	28	16	2	0	156
60 - 64	5	5	3	3	2	9	18	8	3	1	0	57
65+	1	3	0	0	0	2	3	1	0	0	0	10
Total	93	80	62	48	44	123	201	82	54	4	0	791

## VALUATION PARTICIPANT RECONCILIATION

### 1. Active lives

a. Number in prior valuation 10/1/2015	756
b. Terminations	
i. Vested (partial or full) with deferred benefits	(18)
ii. Non-vested or full lump sum distribution received	(14)
c. Deaths	
i. Beneficiary receiving benefits	(1)
ii. No future benefits payable	0
d. Disabled	0
e. Retired	(8)
f. DROP	<u>(21)</u>
g. Continuing participants	694
h. New entrants	<u>97</u>
i. Total active life participants in valuation	791

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

	Service Retirees, Vested Receiving <u>Benefits</u>	DROP <u>Benefits</u>	Receiving Death <u>Benefits</u>	Vested <u>Deferred</u>	<u>Total</u>
a. Number prior valuation	506	95	59	111	771
Retired	37	(27)	0	(2)	8
DROP	0	21	0	0	21
Vested Deferred	0	0	0	18	18
Death, With Survivor	(2)	(1)	4	0	1
Death, No Survivor	(12)	0	(3)	0	(15)
Disabled	0	0	0	0	0
Refund of Contributions	0	0	0	(6)	(6)
Rehires	0	0	0	0	0
Expired Annuities	0	0	0	0	0
Data Corrections	0	0	0	0	0
Hire/Term Same Year	0	0	0	13	13
b. Number current valuation	529	88	60	134	811

SUMMARY OF PLAN PROVISIONS  
(Through Ordinance 51-13)

<u>Effective Date of Amended Plan</u>	December 20, 1982.
<u>Eligibility</u>	Full-time General Employees hired on or after May 1, 1994, participate in the Plan as a condition of employment.
<u>Salary</u>	Total compensation reported on the W-2, plus all tax deferred, tax sheltered, and tax exempt items of income. Effective July 30, 2013, Salary shall only include payments for up to 300 hours of overtime worked per year and shall not include any payments for accrued leave in excess of the number of hours accrued as of that date.
<u>Average Final Compensation</u>	Average of the five (5) best years of the final 10 years of service.
<u>Credited Service</u>	Years and fractional parts of years of service with the City as a General Employee with Member Contributions, when required.
<u>Normal Retirement</u>	
Date	Earlier of:  1) the attainment of age 60, or 2) the completion of 25 years of service, regardless of age.  For Members hired on and after October 1, 2013, the earlier of:  1) the attainment of age 62 with 10 years of Credited Service or 2) the completion of 27 years of service regardless of age.
Benefit	2.50% of Average Final Compensation <u>times</u> Credited Service for the first 20 years of Credited Service plus 2.75% of Average Final Compensation <u>times</u> each year in excess of 20 years. Benefit accrues at 2.60% for the first 20 years for Members who terminate with 20 or more years of Credited Service.  Maximum benefit the lesser of 80% of Average Final Compensation and \$95,000 (or the accrued benefit as of October 1, 2013).
Form of Benefit	10 Year Certain and Life (options available).

Cost-of-Living  
Adjustment

Benefit increased 3.00% annually beginning the first October 1<sup>st</sup> following one year of retirement. Members who did not elect the buy-up (pay an additional 1.60% in Member Contributions) will have a 2.50% Cost of Living adjustment beginning the third October 1<sup>st</sup> following retirement for benefits accrued on and after October 1, 2013.

Early Retirement

Date

Age 50 and completion of 10 years of Credited Service.

Benefit

Determined as for Normal Retirement and actuarially reduced.

Form of Benefit

10 Year Certain and Life subject to cost-of-living adjustment described above.

Death Benefit

Pre-Retirement

Actuarial equivalent of participant's accrued benefit payable to designated beneficiary as a Ten Year Certain and Life Annuity or on such other basis as approved by the Board.

Post-Retirement

According to optional form of benefit selected at retirement.

Termination of Employment

Vesting Schedule

For terminations prior to October 1, 2013:

<u>Years of Service</u>	<u>Vested %</u>
Less than 5	0%
5	50
6	60
7	70
8	80
9	90
10 or more	100

For terminations on and after October 1, 2013, a member shall be 100% vested upon the completion of 10 years of service. A Member with more than 5 but less than 10 years as of October 1, 2013 shall retain their vested percentage as provided prior to the plan change.

Benefit

Less than 5 years

Refund of Member Contributions with 3.50% interest per annum.

5 or more years

Refund of Contributions, with interest or vested accrued benefit payable at Normal (unreduced) or Early (reduced) Retirement Date.

Death Prior to Benefit  
Commencement

Beneficiary will receive the actuarial equivalent of the participant's monthly retirement income on a Ten Year Certain and Life basis.

Member Contributions

Amount

9.90% of Salary. (An additional 1.60% in Member Contributions for those electing the buy-up beginning October 1, 2013.)

Interest

3.50% per year.

Deferred Retirement Option Plan

Eligibility

Satisfaction of Normal Retirement requirements (earlier of age 60, or the completion of 25 years of Credited Service, regardless of age).

Participation

Not to exceed 60 months.

Rate of Return

At Member's election:

- (1) Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or
- (2) 6.50% per annum compounded monthly.

Members may elect to change form of return 2 times during each 12 month period of DROP participation.

Form of Distribution

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

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2016

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	4,970,339
Cash	625
Total Cash and Equivalents	4,970,964
Receivables:	
Member Contributions	104
Additional City Contributions	248,061
From Broker for Investments Sold	258,246
Investment Income	61,105
Total Receivable	567,516
Investments:	
Stocks	77,238,587
Hedge Fund of Funds	9,529,726
Mutual Funds:	
Equity	19,619,919
Pooled/Common/Commingled Funds:	
Fixed Income	53,235,463
Equity	13,577,625
Real Estate	46,271,020
Total Investments	219,472,340
Total Assets	225,010,820
<u>LIABILITIES</u>	
Payables:	
Investment Expenses	157,274
Administrative Expenses	10,540
Refunds of Member Contributions (Prior)	12,992
To Broker for Investments Purchased	304,780
Total Liabilities	485,586
NET POSITION RESTRICTED FOR PENSIONS	224,525,234



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

ADDITIONS

## Contributions:

Member	4,110,347	
Buy-Back	73,024	
City	16,703,284	
Total Contributions		20,886,655
Investment Income:		
Net Increase in Fair Value of Investments	14,331,624	
Interest & Dividends	3,943,868	
Less Investment Expense <sup>1</sup>	(832,752)	
Net Investment Income		17,442,740
Total Additions		38,329,395

DEDUCTIONS

## Distributions to Members:

Benefit Payments	11,267,153	
Lump Sum DROP Distributions	1,288,739	
Refunds of Member Contributions	424,044	
Total Distributions		12,979,936
Administrative Expense		178,584
Total Deductions		13,158,520
Net Increase in Net Position		25,170,875
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		199,354,359
End of the Year		224,525,234

<sup>1</sup>Investment 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:

- Two legal residents of the City who are appointed by the City Council,
- Two Members of the System who are elected by a majority of the General Employees who are Members of the Plan,
- Fifth Trustee who is chosen by a majority of the first 4 Trustees, and subject to the approval of the City Council.

*Plan Membership as of October 1, 2015:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	660
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	111
Active Plan Members	756
	<u>1,527</u>

*Benefits Provided*

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

Normal Retirement:

Date: Earlier of: 1) the attainment of age 60, or 2) the completion of 25 years of service, regardless of age.

For Members hired on and after October 1, 2013 the earlier of: 1) the attainment of age 62 with 10 years of Credited Service or 2) the completion of 27 years of service regardless of age.

Benefit: 2.50% of Average Final Compensation times Credited Service for the first 20 years of Credited Service plus 2.75% of Average Final Compensation times each year in excess of 20 years. Benefit accrues at 2.60% for the first 20 years for Members who terminate with 20 or more years of Credited Service.

Maximum benefit the lesser of 80% of Average Final Compensation and \$95,000 (or the accrued benefit as of October 1, 2013).

Cost-of-Living Adjustment:

Benefit increased 3.00% annually beginning the first October 1st following one year of retirement. Members who did not elect the buy-up (pay an additional 1.60% in Member Contributions) will have a 2.50% Cost of Living adjustment beginning the third October 1st following retirement for benefits accrued on and after October 1, 2013.

Early Retirement:

Date: Age 50 and completion of 10 years of Credited Service.

Benefit: Determined as for Normal Retirement and actuarially reduced.

Pre-Retirement Death Benefits:

Actuarial equivalent of participant's accrued benefit payable to designated beneficiary as a Ten Year Certain and Life Annuity or on such other basis as approved by the Board.

Termination of Employment:

Vesting Schedule (for terminations prior to October 1, 2013):

<u>Years of Service</u>	<u>Vested %</u>
Less than 5	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

For terminations on and after October 1, 2013, a Member shall be 100% vested upon the completion of 10 years of service. A Member with more than 5 but less than 10 years as of October 1, 2013 shall retain their vested percentage as provided prior to the plan change.

Benefit:

Less than 5 years: Refund of Member Contributions with 3.5% interest per annum.

5 or more years: Refund of Contributions, with interest or vested accrued benefit payable at Normal (unreduced) or Early (reduced) Retirement Date.

Death Prior to Benefit Commencement:

Beneficiary will receive the actuarial equivalent of the participant's monthly retirement income on a Ten Year Certain and Life basis.

*Contributions*

Member Contributions Amount: 9.90% of Salary. (An additional 1.60% in Member Contributions for those electing the buy-up beginning October 1, 2013). Interest: 3.50% per year.

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

*Investments**Investment Policy:*

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

<u>Asset Class</u>	<u>Target Allocation</u>
US Equity	32%
Developed Non US Equity	10%
Emerging Market Equity	8%
US Core Fixed Income	20%
Hedge Fund of Funds	8%
Real Estate	12%
Private Equity	5%
Farmland	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, 2016, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 8.66 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: Satisfaction of Normal Retirement requirements (earlier of age 60, or the completion of 25 years of Credited Service, regardless of age).

Participation: Not to exceed 60 months.

At Member's election:

(1) Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or

(2) 6.5% per annum compounded monthly.

Members may elect to change form of return 2 times during each 12 month period of DROP participation.

The DROP balance as September 30, 2016 is \$13,339,026.

## 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	\$ 303,869,461
Plan Fiduciary Net Position	\$ (224,525,234)
Sponsor's Net Pension Liability	<u>\$ 79,344,227</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	73.89%

*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	2.00%
Salary Increases	5.00% - 7.00%
Discount Rate	7.75%
Investment Rate of Return	7.75%

*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 most recent actuarial experience study used to review the other significant assumptions was dated July 25, 2011.

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 2.00%.

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	Long Term Expected Real Rate of Return
US Equity	6.62%
Developed Non US Equity	7.30%
Emerging Market Equity	9.66%
US Core Fixed Income	1.72%
Hedge Fund of Funds	3.68%
Real Estate	4.46%
Private Equity	11.27%
Farmland	6.72%

Discount Rate:  
The Discount Rate used to measure the Total Pension Liability was 7.75 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	1% Increase
	6.75%	Discount Rate 7.75%	8.75%
Sponsor's Net Pension Liability	\$ 116,144,265	\$ 79,344,227	\$ 48,861,292

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

	09/30/2016	09/30/2015
Total Pension Liability		
Service Cost	6,787,332	6,345,174
Interest	21,003,661	19,926,291
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	3,893,760	(867,289)
Changes of assumptions	14,374,009	-
Contributions - Buy Back	73,024	248,187
Benefit Payments, including Refunds of Employee Contributions	(12,979,936)	(11,406,026)
Net Change in Total Pension Liability	33,151,850	14,246,337
Total Pension Liability - Beginning	270,717,611	256,471,274
Total Pension Liability - Ending (a)	<u>\$303,869,461</u>	<u>\$270,717,611</u>
Plan Fiduciary Net Position		
Contributions - Employer	16,703,284	15,896,933
Contributions - Employee	4,110,347	3,900,545
Contributions - Buy Back	73,024	248,187
Net Investment Income	17,442,740	(2,670,840)
Benefit Payments, including Refunds of Employee Contributions	(12,979,936)	(11,406,026)
Administrative Expense	(178,584)	(219,890)
Net Change in Plan Fiduciary Net Position	25,170,875	5,748,909
Plan Fiduciary Net Position - Beginning	199,354,359	193,605,450
Plan Fiduciary Net Position - Ending (b)	<u>\$224,525,234</u>	<u>\$199,354,359</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 79,344,227</u>	<u>\$ 71,363,252</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	73.89%	73.64%
Covered Employee Payroll <sup>1</sup>	\$ 38,839,907	\$ 43,059,029
Net Pension Liability as a percentage of Covered Employee Payroll	204.29%	165.73%

**Note to Schedule:**

<sup>1</sup> 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.

The inflation assumption rate was lowered from 3.00% to 2.00%, 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>09/30/2014</u>	<u>09/30/2013</u>
Total Pension Liability		
Service Cost	6,326,371	5,871,342
Interest	18,821,859	17,724,278
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Contributions - Buy Back	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(10,426,554)</u>	<u>(9,350,092)</u>
Net Change in Total Pension Liability	<u>14,721,676</u>	<u>14,245,528</u>
Total Pension Liability - Beginning	<u>241,749,598</u>	<u>227,504,070</u>
Total Pension Liability - Ending (a)	<u><u>\$256,471,274</u></u>	<u><u>\$241,749,598</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	14,847,599	11,946,344
Contributions - Employee	3,740,529	3,377,905
Contributions - Buy Back	-	-
Net Investment Income	17,248,123	18,720,913
Benefit Payments, including Refunds of Employee Contributions	<u>(10,426,554)</u>	<u>(9,350,092)</u>
Administrative Expense	<u>(209,604)</u>	<u>(145,987)</u>
Net Change in Plan Fiduciary Net Position	<u>25,200,093</u>	<u>24,549,083</u>
Plan Fiduciary Net Position - Beginning	<u>168,405,357</u>	<u>143,856,274</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$193,605,450</u></u>	<u><u>\$168,405,357</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 62,865,824</u></u>	<u><u>\$ 73,344,241</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.49%	69.66%
Covered Employee Payroll <sup>1</sup>	\$ 36,210,403	\$ 33,074,042
Net Pension Liability as a percentage of Covered Employee Payroll	173.61%	221.76%

**Note to Schedule:**

<sup>1</sup> 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

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	16,709,229	15,890,988	14,847,599	11,946,344
Contributions in relation to the				
Actuarially Determined Contributions	16,703,284	15,896,933	14,847,599	11,946,344
Contribution Deficiency (Excess)	\$ 5,945	\$ (5,945)	\$ -	\$ -
Covered Employee Payroll <sup>1</sup>	\$ 38,839,907	\$ 43,059,029	\$ 36,210,403	\$ 33,074,042
Contributions as a percentage of				
Covered Employee Payroll	43.01%	36.92%	41.00%	36.12%

<sup>1</sup> 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: 10/01/2014

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.  
The following loads are applied for determination of the Sponsor funding requirement:  
Interest – half a year based on the 7.75% assumption.  
Salary – a full year based on the current average assumption of 6.82%.

Amortization Method: Level Percentage of Pay, Closed.  
Remaining Amortization Period: 27 Years (as of 10/01/2014).  
Mortality: RP 2000 Combined Healthy (sex distinct), projected to valuation date using scale AA (previously static). Disabled lives are set forward 5 years.

Termination Rates:	Age	% Terminating During the Year
	20	13.00%
	30	10.00%
	40	6.00%
	50	5.70%
	60	0.00%

Disability Rates:	Age	% Becoming Disabled During the Year
	20	0.05%
	30	0.06%
	40	0.12%
	50	0.43%
	60	1.61%

Retirement Age:	Number of Years after First Eligibility for Normal Retirement	Probability of Retirement
	0	10%
	1	10%
	2	10%
	3	10%
	4	10%
	5	100%

Members with 25 or more years of Credited Service are assumed to retire immediately.



## GASB 67

Early Retirement:	Commencing upon eligibility for Early Retirement, Members are assumed to retire with an immediate benefit at the rate of 2% per year.																	
Interest Rate:	7.75% per year, compounded annually, net of investment expenses.																	
Salary Increases:	<table><tr><th>Age</th><th>Credit Service</th><th>Assumption</th></tr><tr><td>All</td><td>less than 20 years</td><td>7.00%</td></tr><tr><td>Under Age 50</td><td>20 or more years</td><td>5.80%</td></tr><tr><td>50-59</td><td>20 or more years</td><td>5.30%</td></tr><tr><td>60 and Older</td><td>20 or more years</td><td>5.00%</td></tr></table>	Age	Credit Service	Assumption	All	less than 20 years	7.00%	Under Age 50	20 or more years	5.80%	50-59	20 or more years	5.30%	60 and Older	20 or more years	5.00%		
Age	Credit Service	Assumption																
All	less than 20 years	7.00%																
Under Age 50	20 or more years	5.80%																
50-59	20 or more years	5.30%																
60 and Older	20 or more years	5.00%																
Payroll Increase:	Up to 5.00% per year.																	
Asset Valuation Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.																	

**SCHEDULE OF INVESTMENT RETURNS**  
Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Annual Money-Weighted Rate of Return				
Net of Investment Expense	8.66%	-1.36%	10.04%	12.71%

## NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2016)

## General Information about the Pension Plan

*Plan Description*

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

- a. Two legal residents of the City who are appointed by the City Council,
- b. Two Members of the System who are elected by a majority of the General Employees who are Members of the Plan,
- c. Fifth Trustee who is chosen by a majority of the first 4 Trustees, and subject to the approval of the City Council.

Full-time General Employees hired on or after May 1, 1994, participate in the Plan as a condition of employment.

*Plan Membership as of October 1, 2015:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	660
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	111
Active Plan Members	756
	<u>1,527</u>

*Benefits Provided*

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

Normal Retirement:

Date: Earlier of: 1) the attainment of age 60, or 2) the completion of 25 years of service, regardless of age.

For Members hired on and after October 1, 2013 the earlier of: 1) the attainment of age 62 with 10 years of Credited Service or 2) the completion of 27 years of service regardless of age.

Benefit: 2.50% of Average Final Compensation times Credited Service for the first 20 years of Credited Service plus 2.75% of Average Final Compensation times each year in excess of 20 years. Benefit accrues at 2.60% for the first 20 years for Members who terminate with 20 or more years of Credited Service.

Maximum benefit the lesser of 80% of Average Final Compensation and \$95,000 (or the accrued benefit as of October 1, 2013).

Cost-of-Living Adjustment:

Benefit increased 3.00% annually beginning the first October 1st following one year of retirement. Members who did not elect the buy-up (pay an additional 1.60% in Member Contributions) will have a 2.50% Cost of Living adjustment beginning the third October 1st following retirement for benefits accrued on and after October 1, 2013.

Early Retirement:

Date: Age 50 and completion of 10 years of Credited Service.

Benefit: Determined as for Normal Retirement and actuarially reduced.

Pre-Retirement Death Benefits:

Actuarial equivalent of participant's accrued benefit payable to designated beneficiary as a Ten Year Certain and Life Annuity or on such other basis as approved by the Board.

Termination of Employment:

Vesting Schedule (for terminations prior to October 1, 2013):

<u>Years of Service</u>	<u>Vested %</u>
Less than 5	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

For terminations on and after October 1, 2013, a Member shall be 100% vested upon the completion of 10 years of service. A Member with more than 5 but less than 10 years as of October 1, 2013 shall retain their vested percentage as provided prior to the plan change.

Benefit:

Less than 5 years: Refund of Member Contributions with 3.5% interest per annum.

5 or more years: Refund of Contributions, with interest or vested accrued benefit payable at Normal (unreduced) or Early (reduced) Retirement Date.

Death Prior to Benefit Commencement:

Beneficiary will receive the actuarial equivalent of the participant's monthly retirement income on a Ten Year Certain and Life basis.

*Contributions*

Member Contributions Amount: 9.90% of Salary. (An additional 1.60% in Member Contributions for those electing the buy-up beginning October 1, 2013). Interest: 3.50% per year.

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

## 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, 2015 through September 30, 2016.

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	2.00%
Salary Increases	5.00% - 7.00%
Discount Rate	7.75%
Investment Rate of Return	7.75%

### *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

The most recent actuarial experience study used to review the other significant assumptions was dated July 25, 2011.

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 2.00%.

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
US Equity	32%	6.62%
Developed Non US Equity	10%	7.30%
Emerging Market Equity	8%	9.66%
US Core Fixed Income	20%	1.72%
Hedge Fund of Funds	8%	3.68%
Real Estate	12%	4.46%
Private Equity	5%	11.27%
Total	100%	

### Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.75 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, 2015	\$ 270,717,611	\$ 199,354,359	\$ 71,363,252
Changes for a Year:			
Service Cost	6,787,332	-	6,787,332
Interest	21,003,661	-	21,003,661
Differences between Expected and Actual Experience	3,893,760	-	3,893,760
Changes of assumptions	14,374,009	-	14,374,009
Changes of benefit terms	-	-	-
Contributions - Employer	-	16,703,284	(16,703,284)
Contributions - Employee	-	4,110,347	(4,110,347)
Contributions - Buy Back	73,024	73,024	-
Net Investment Income	-	17,442,740	(17,442,740)
Benefit Payments, including Refunds of Employee Contributions	(12,979,936)	(12,979,936)	-
Administrative Expense	-	(178,584)	178,584
Net Changes	33,151,850	25,170,875	7,980,975
Balances at September 30, 2016	\$ 303,869,461	\$ 224,525,234	\$ 79,344,227

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.75%	7.75%	8.75%
Sponsor's Net Pension Liability	\$ 116,144,265	\$ 79,344,227	\$ 48,861,292

*Pension Plan Fiduciary Net Position.*

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

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

For the year ended September 30, 2016, the Sponsor will recognize a Pension Expense of \$14,073,825.

On September 30, 2016, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	3,115,008	520,374
Changes of assumptions	11,499,208	-
Net difference between Projected and Actual Earnings on Pension Plan investments	7,890,841	-
Total	<u>\$ 22,505,057</u>	<u>\$ 520,374</u>

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

Year ended September 30:

2017	\$ 5,964,025
2018	\$ 5,964,026
2019	\$ 6,741,740
2020	\$ 3,314,892
2021	\$ -
Thereafter	\$ -

Payable to the Pension Plan

On September 30, 2016, the Sponsor reported a payable of \$248,061 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**

	09/30/2016	09/30/2015
Total Pension Liability		
Service Cost	6,787,332	6,345,174
Interest	21,003,661	19,926,291
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	3,893,760	(867,289)
Changes of assumptions	14,374,009	-
Contributions - Buy Back	73,024	248,187
Benefit Payments, including Refunds of Employee Contributions	(12,979,936)	(11,406,026)
Net Change in Total Pension Liability	33,151,850	14,246,337
Total Pension Liability - Beginning	270,717,611	256,471,274
Total Pension Liability - Ending (a)	<u>\$303,869,461</u>	<u>\$270,717,611</u>
Plan Fiduciary Net Position		
Contributions - Employer	16,703,284	15,896,933
Contributions - Employee	4,110,347	3,900,545
Contributions - Buy Back	73,024	248,187
Net Investment Income	17,442,740	(2,670,840)
Benefit Payments, including Refunds of Employee Contributions	(12,979,936)	(11,406,026)
Administrative Expense	(178,584)	(219,890)
Net Change in Plan Fiduciary Net Position	25,170,875	5,748,909
Plan Fiduciary Net Position - Beginning	199,354,359	193,605,450
Plan Fiduciary Net Position - Ending (b)	<u>\$224,525,234</u>	<u>\$199,354,359</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 79,344,227</u>	<u>\$ 71,363,252</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	73.89%	73.64%
Covered Employee Payroll <sup>1</sup>	\$ 38,839,907	\$ 43,059,029
Net Pension Liability as a percentage of Covered Employee Payroll	204.29%	165.73%

**Note to Schedule:**

<sup>1</sup> 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.

The inflation assumption rate was lowered from 3.00% to 2.00%, 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

	09/30/2014	09/30/2013
Total Pension Liability		
Service Cost	6,326,371	5,871,342
Interest	18,821,859	17,724,278
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Contributions - Buy Back	-	-
Benefit Payments, including Refunds of Employee Contributions	(10,426,554)	(9,350,092)
Net Change in Total Pension Liability	14,721,676	14,245,528
Total Pension Liability - Beginning	241,749,598	227,504,070
Total Pension Liability - Ending (a)	<u>\$256,471,274</u>	<u>\$241,749,598</u>
Plan Fiduciary Net Position		
Contributions - Employer	14,847,599	11,946,344
Contributions - Employee	3,740,529	3,377,905
Contributions - Buy Back	-	-
Net Investment Income	17,248,123	18,720,913
Benefit Payments, including Refunds of Employee Contributions	(10,426,554)	(9,350,092)
Administrative Expense	(209,604)	(145,987)
Net Change in Plan Fiduciary Net Position	25,200,093	24,549,083
Plan Fiduciary Net Position - Beginning	168,405,357	143,856,274
Plan Fiduciary Net Position - Ending (b)	<u>\$193,605,450</u>	<u>\$168,405,357</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 62,865,824</u>	<u>\$ 73,344,241</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.49%	69.66%
Covered Employee Payroll <sup>1</sup>	\$ 36,210,403	\$ 33,074,042
Net Pension Liability as a percentage of Covered Employee Payroll	173.61%	221.76%

**Note to Schedule:**

<sup>1</sup> 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

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	16,709,229	15,890,988	14,847,599	11,946,344
Contributions in relation to the				
Actuarially Determined Contributions	16,703,284	15,896,933	14,847,599	11,946,344
Contribution Deficiency (Excess)	\$ 5,945	\$ (5,945)	\$ -	\$ -
Covered Employee Payroll <sup>1</sup>	\$ 38,839,907	\$ 43,059,029	\$ 36,210,403	\$ 33,074,042
Contributions as a percentage of				
Covered Employee Payroll	43.01%	36.92%	41.00%	36.12%

<sup>1</sup> 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: 10/01/2014

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.  
The following loads are applied for determination of the Sponsor funding requirement:  
Interest – half a year based on the 7.75%  
Salary – a full year based on the current average assumption of 6.82%.

Amortization Method: Level Percentage of Pay, Closed.

Remaining Amortization Period: 27 Years (as of 10/01/2014).

Mortality: RP 2000 Combined Healthy (sex distinct), projected to valuation date using scale AA (previously static). Disabled lives are set forward 5 years.

Termination Rates:	Age	% Terminating During the Year
	20	13.00%
	30	10.00%
	40	6.00%
	50	5.70%
	60	0.00%
	Age	% Becoming Disabled During the Year
	20	0.05%
	30	0.06%
	40	0.12%
	50	0.43%
	60	1.61%

## GASB 68

Retirement Age:	Number of Years after First Eligibility for Normal	Probability of Retirement
	0	10%
	1	10%
	2	10%
	3	10%
	4	10%
	5	100%

Members with 25 or more years of Credited Service are assumed to retire immediately.

Early Retirement: Commencing upon eligibility for Early Retirement, Members are assumed to retire with an immediate benefit at the rate of 2% per year.

Interest Rate: 7.75% per year, compounded annually, net of investment expenses.

Salary Increases:	Age	Credit Service	Assumption
	All	less than 20 years	7.00%
	Under Age 50	20 or more years	5.80%
	50-59	20 or more years	5.30%
	60 and Older	20 or more years	5.00%

Payroll Increase: Up to 5.00% per year.

Asset Valuation Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

**COMPONENTS OF PENSION EXPENSE**  
**FISCAL YEAR SEPTEMBER 30, 2016**

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 71,363,252	\$ 3,026,974	\$ 14,401,223	\$ -
Total Pension Liability Factors:				
Service Cost	6,787,332	-	-	6,787,332
Interest	21,003,661	-	-	21,003,661
Changes in benefit terms	-	-	-	-
Contributions - Buy Back	73,024	-	-	73,024
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	3,893,760	-	3,893,760	-
Current year amortization of experience difference	-	(173,458)	(778,752)	605,294
Change in assumptions about future economic or demographic factors or other inputs	14,374,009	-	14,374,009	-
Current year amortization of change in assumptions	-	-	(2,874,801)	2,874,801
Benefit Payments	(12,979,936)	-	-	(12,979,936)
Net change	<u>33,151,850</u>	<u>(173,458)</u>	<u>14,614,216</u>	<u>18,364,176</u>
Plan Fiduciary Net Position:				
Contributions - Employer	16,703,284	-	-	-
Contributions - Employee	4,110,347	-	-	(4,110,347)
Contributions - Buy Back	73,024	-	-	(73,024)
Net Investment Income	15,749,428	-	-	(15,749,428)
Difference between projected and actual earnings on Pension Plan investments	1,693,312	1,693,312	-	-
Current year amortization	-	(1,116,377)	(3,600,305)	2,483,928
Benefit Payments	(12,979,936)	-	-	12,979,936
Administrative Expenses	(178,584)	-	-	178,584
Net change	<u>25,170,875</u>	<u>576,935</u>	<u>(3,600,305)</u>	<u>(4,290,351)</u>
Ending Balance	<u>\$ 79,344,227</u>	<u>\$ 3,430,451</u>	<u>\$ 25,415,134</u>	<u>\$ 14,073,825</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)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	\$ (3,888,569)	5	\$ (777,713)	\$ (777,714)	\$ (777,714)	\$ (777,714)	\$ (777,714)	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 18,001,528	5	\$ -	\$ 3,600,305	\$ 3,600,305	\$ 3,600,306	\$ 3,600,306	\$ 3,600,306	\$ -	\$ -	\$ -	\$ -
2016	\$ (1,693,312)	5	\$ -	\$ -	\$ (338,663)	\$ (338,663)	\$ (338,662)	\$ (338,662)	\$ (338,662)	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (777,713)	\$ 2,822,591	\$ 2,483,928	\$ 2,483,929	\$ 2,483,930	\$ 3,261,644	\$ (338,662)	\$ -	\$ -	\$ -

## 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	\$ -	5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 14,374,009	5	\$ -	\$ -	\$ 2,874,801	\$ 2,874,802	\$ 2,874,802	\$ 2,874,802	\$ 2,874,802	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ -	\$ 2,874,801	\$ 2,874,802	\$ 2,874,802	\$ 2,874,802	\$ 2,874,802	\$ -	\$ -	\$ -	\$ -

## 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)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2015	\$ (867,289)	5	\$ (173,457)	\$ (173,458)	\$ (173,458)	\$ (173,458)	\$ (173,458)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 3,893,760	5	\$ -	\$ 778,752	\$ 778,752	\$ 778,752	\$ 778,752	\$ 778,752	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (173,457)	\$ 605,294	\$ 605,294	\$ 605,294	\$ 605,294	\$ 778,752	\$ -	\$ -	\$ -	\$ -	\$ -