FINANCE COMMITTEE
AGENDA

DATE: AUGUST 16, 2017 DAY: WEDNESDAY TIME: 1:45 P.M.

PLACE: CONFERENCE ROOM LINDBERGH, ORLANDO INTERNATIONAL AIRPORT
ONE JEFF FUQUA BOULEVARD

For individuals who conduct lobbying activities with Aviation Authority employees or Board members, registration with the Aviation Authority is required each year prior to conducting any lobbying activities. A statement of expenditures incurred in connection with those lobbying instances should also be filed prior to April 1 of each year for the preceding year. As of January 16, 2013, lobbying any Aviation Authority Staff who are members of any committee responsible for ranking Proposals, Letters of Interest, Statements of Qualifications or Bids and thereafter forwarding those recommendations to the Board and/or Board Members is prohibited from the time that a Request for Proposals, Request for Letters of Interests, Request for Qualifications or Request for Bids is released to the time that the Board makes an award. As adopted by the Board on September 19, 2012, lobbyists are now required to sign-in at the Aviation Authority offices prior to any meetings with Staff or Board members. In the event a lobbyist meets with or otherwise communicates with Staff or a Board member at a location other than the Aviation Authority offices, the lobbyist shall file a Notice of Lobbying (Form 4) detailing each instance of lobbying to the Aviation Authority within 7 calendar days of such lobbying. As of January 16, 2013, Lobbyists will also provide a notice to the Aviation Authority when meeting with the Mayor of the City of Orlando or the Mayor of Orange County at their offices. The policy, forms, and instructions are available in the Aviation Authority's offices and the web site. Please contact the Director of Board Services with questions at (407) 825-2032.

I. CALL TO ORDER

II. ROLL CALL

III. CONSENT AGENDA

These items are considered routine and will be acted upon in one motion. If discussion is requested on an item, it will be considered separately.

A. Recommendation to Rank Proposals for Arbitrage Rebate Calculation Services, Authorize Negotiations with Firms in Ranked Order, and Authorize the Executive Director to execute the Agreement pursuant to his authority to enter into contracts for Professional Services

B. Correction of Scrivener's Error on Investment Policy

C. Recommendation to Extend the Line of Credit with PNC Bank

IV. INFORMATION ONLY

A. Report on the Retirement Plan for Employees of Greater Orlando Aviation Authority

B. Report on the Defined Contribution Retirement Plan of Greater Orlando Aviation Authority

C. Report on Other Post-Employment Benefits Trust for Retirees of Greater Orlando Aviation Authority

GREATER ORLANDO AVIATION AUTHORITY

Orlando International Airport
One Jeff Fuqua Boulevard
Orlando, Florida 32827-4392

MEMORANDUM

TO: Members of the Finance Committee

FROM: Kathleen Sharman, Chief Financial Officer

DATE: August 16, 2017

ITEM DESCRIPTION

Recommendation to Rank Proposals for Arbitrage Rebate Calculation Services, Authorize Negotiations with Firms in Ranked Order, and Authorize the Executive Director to execute the Agreement pursuant to his authority to enter into contracts for Professional Services

BACKGROUND

On Monday, May 15, 2017, the Aviation Authority released a Request for Proposals (RFP) for Arbitrage Rebate Calculation Services. Proposals were received on Tuesday, June 6, 2017 from the following firms (in alphabetical order):

Arbitrage Compliance Specialists, Inc. (ACS)
BLX Group LLC (BLX)
First Southwest Asset Management, LLC (First Southwest)
Hawkins Delafield & Wood LLP (Hawkins)
PFM Asset Management LLC (PFM)

The term of the Agreement will be for three years, plus two additional one (1) year options that can be exercised at the sole discretion of the Authority. The Executive Director appointed an Ad Hoc Committee comprised of Tianna Dumond, Director of Internal Audit; Bradley Friel, Director of Planning; and Kathleen Sharman, Chief Financial Officer, (acting as chairman of the Ad Hoc Committee) to evaluate the RFP responses.

EVALUATION

On Tuesday, June 20, 2017, the Ad Hoc Committee met in a publically advertised meeting to review the responses to the RFP based on the following evaluation criteria:

Agreement to meeting the Authority's general terms and conditions

All firms' agreed to meet the general terms and conditions with only First Southwest and PFM taking exception to certain conditions.

Proposed rates, fees or charges and other detailed cost proposal information:

Fees	ACS	BLX	First Southwest	Hawkins	PFM
Annually/issue/year	$ 750.00	$ 1,150.00	$ 1,400.00	$ 1,500.00	$ 1,500.00
Issues	19.00	19.00	19.00	19.00	19.00
Total	14,250.00	21,850.00	26,600.00	28,500.00	28,500.00
Discount offered*	-	-	2,660.00	-	-
Total after discount	$ 14,250.00	$ 21,850.00	$ 23,940.00	$28,500.00	$ 28,500.00
5 Year Reporting/issue	2,450.00	3,150.00	4,200.00	3,500.00	3,500.00
* discount if information provided in a spreadsheet or electronic text file format					

Additional Fees for amending calculations:

- ACS: no additional charge
- BLX: may be additional charge depending on complexity of recalculation
- First Southwest: no additional fee once calculations are in their database
- Hawkins: no additional charge
- PFM: did not answer

The calculations shown above are based on the current number of issues to be analyzed. Each firm stated the per-issue fee for future issues would remain the same during the initial Agreement period, as well as the optional extension periods.

Experience of the firm with arbitrage rebate calculations, including for comparable issuers

All firms appeared to be capable and have the ability to perform the services requested. ACS is a niche company with their sole focus of preparing arbitrage calculations. They have developed proprietary software in order to compute arbitrage liabilities under different accounting methods in order to determine the lowest liabilities under the Tax Code. The software has been audited by the IRS and has been found to be 100% compliant with the Tax Code.BLX did not answer the question regarding preparing calculations for tax exempt lines of credit.

ACS has a tax attorney with 30 years’ of experience on staff; BLX is a wholly owned subsidiary of Orrick Herrington & Sutcliffe LLP, a law firm; Hawkins is a law firm; First Southwest does not have any legal expertise on staff but provides an opinion from an on staff CPA; and PFM has an enrolled agent/Certified Tax Professional, and a Certified Financial Analyst, all on staff.

Experience and qualifications of the firm staff assigned to the account, particularly the individual with day to day responsibility

All firms have experienced senior staff that would be assigned to the account, however the assigned preparers from Hawkins have the fewest years of experience, with the actual preparers having no more than 2 years' experience each.

Firm's technical approach of performing the services including the transition from prior provider

ACS proposed to collect the necessary documents, determine rebate and yield restriction, request current investment statements as well as access to future statements.

BLX proposed to review methodology and approach of any existing rebate analyses, and discuss with the Authority opportunities to revisit certain assumptions.

First Southwest proposed to rerun the most recent calculations, reconcile differences, meet with Authority personnel to address questions and then start the current year calculations.

Hawkins proposed to review prior arbitrage rebate reports and determine how to proceed with new computations. They will rely on the work from the previous provider.

PFM proposed to review the prior calculation reports and will rely on the reports of the prior provider unless they identify errors or omissions during their review.

ISSUES

Based on the analysis of the above, the Ad Hoc Committee voted to short list the firms and ranked them in the following order:

Arbitrage Compliance Specialists, Inc.
BLX Group LLC
First Southwest Asset Management, LLC

RECOMMENDED ACTION

It is respectfully requested that the Finance Committee: (1) accept the Ad Hoc Committee's recommendation to rank Arbitrage Compliance Specialists, Inc. the first ranked proposer, followed by BLX Group LLC, followed by First Southwest Asset Management, LLC; (2) authorize Staff and legal counsel to negotiate terms with the first ranked firm, or failing successful negotiations with the first ranked firm, authorize negotiations with the second or third ranked firm, if necessary and (3) authorize the Executive Director to approve the terms negotiated and execute the Agreement that is most advantageous to the Authority, subject to satisfactory legal review.

GREATER ORLANDO AVIATION AUTHORITY

Orlando International Airport
One Jeff Fuqua Boulevard
Orlando, Florida 32827-4392

MEMORANDUM

TO: Members of the Finance Committee

FROM: Kathleen Sharman, Chief Financial Officer

DATE: August 16, 2017

ITEM DESCRIPTION

Correction of Scrivener's Error on Investment Policy

BACKGROUND

- On May 17, 2017, The Board approved Organizational Policy 470.01 Investment Policy. The policy states the Local Government Investment Pools (LGIPs) requires the Pool to have the highest ratings "by any two rating agencies". The policy also states Money Market Funds (MMFs) are required to have the highest ratings "by any two rating agencies". These were Scrivener's errors.
-
- The correct language is that both LGIPs and MMFs should have the highest ratings "by any one rating agency". PFM Management has reviewed and agreed with the correction to the policy.

RECOMMENDED ACTION

It is respectfully requested that the Finance Committee recommend that the Authority Board accept the corrections to the Investment Policy.

GREATER ORLANDO AVIATION AUTHORITY

Orlando International Airport
One Jeff Fuqua Boulevard
Orlando, Florida 32827-4392

MEMORANDUM

TO: Members of the Finance Committee

FROM: Kathleen Sharman, Chief Financial Officer

DATE: August 16, 2017

ITEM DESCRIPTION

Recommendation to Extend the Line of Credit with PNC Bank

BACKGROUND

The Authority currently has three line of credit facilities ("LOC Facilities"). One is with Bank of America, N.A. ("Bank of America") in the amount of $200,000,000, entered into May 22, 2013 and expiring on July 31, 2019. The second is with Wells Fargo Bank, N.A. ("Wells Fargo") in the amount of $250,000,000, entered into July 31, 2015 and expiring on June 29, 2018. The third is with PNC Public Finance ("PNC") in the amount of $100,000,000 entered into November 6, 2015 and expiring November 4, 2017. The combined total LOC Facilities capacity is $550,000,000. The LOC Facilities are issued under the Amended and Restated Master Subordinated Indenture of Trust and are secondary subordinate indebtedness under the Airport Facilities Revenue Bond Resolution.

The LOC Facilities are used to interim finance various tax-exempt and taxable airport projects and as an available source of funds to pay future commitments when contracts are awarded and until the permanent funding is received. The permanent funding is expected to be made from many different sources, to the extent legally allowable, including federal and state grants, Passenger Facility Charges, Customer Facility Charges, and the proceeds from the issuance of General Airport Revenue Bonds and Passenger Facility Charge supported Bonds.

ISSUES

The Authority's Capital Improvement Plan includes a number of projects currently underway, including the early work efforts relating to the South Terminal Complex that require the use of the LOC Facilities. Some of which are (A) costs incurred to acquire, design, construct and equip the new south terminal complex including: (1) site development such as the clearing, removal of vegetation and water features, grading of 175+ acres to accommodate the proposed terminals, parking facilities, aircraft taxiways and aprons, construction of roadways and bridges necessary for ground transportation, utility lines and other related site development; (2) a new approximately four level 835,000 square foot airside terminal with 16 gates which will accommodate both international and domestic air service, baggage handling systems, concession areas, food court, passenger holdrooms, sterile corridor system, passenger boarding bridges, emergency generators, operations centers and related airside terminal improvements; (3) new aprons and taxiways, lighting and an aircraft fuel hydrant system; (4) a new approximately 809,000 square foot landside terminal, baggage handling system, federal inspection station, curbside check-in areas, internal ticket counters and kiosks, and other related landside terminal improvements; (5) a new ground transportation center with elevated, covered walkways to and from the landside terminal, garage, and the multimodal terminal, and other related ground transportation improvements; (6) additional parking spaces to supplement the 2,400 space multi-story garage that is currently under construction as part of the South Airport Automated People Mover (APM) program; and (7) a new ground support equipment complex to house all of the supplies and equipment required to provide service to the proposed complex, dispose of airline waste, house portable fuel transports, minor communications, and facilities to maintain and repair ground support vehicles associated with aircraft activity, all as more particularly described in the plans and specifications on file with the Authority; and (B) costs incurred to acquire, design, construct and equip the following projects in the North Terminal Complex and other areas: (1) repurpose Airside 1 Federal Inspection Services (FIS) to convert the existing FIS to alternate use upon decommissioning of the Airside 1 facility; (2) replacing building system infrastructure including sewer, HVAC and information technology; (3) replacement of existing Airside APM Vehicles and related infrastructure; (4) design and construction of the Heintzelman Boulevard extension from Jeff Fuqua Boulevard to Boggy Creek road; (5) fiber infrastructure/ductbanks/information technology enhancements and security projects; (6) various development of airport property for non-airline revenue generation; (7) Rent-a-Car (RAC) facility improvements including a quick turn-around (QTA) facility, storage facility and other RAC related infrastructure projects; and (8) Airport capacity, access control and security enhancement projects in the airfield, landside terminal and airside terminals to address changes in federal regulations.

Based on the anticipated financing schedule and the future anticipated commitments, the entire capacity of the LOC Facilities will be instrumental to the timely funding of these projects.

The PNC line of credit expires November 4, 2017. The agreement with PNC Bank allows the LOC to be extended for a year with mutual acceptance by both parties. PNC has agreed to extend the LOC with no increase in fees and both parties have agreed to certain modifications to legal terms, subject to Finance Committee approval.

FISCAL IMPACT

The fees and rates payable under the PNC Line of Credit will vary depending on amounts utilized and the tax status of amounts drawn. The Authority pays an unutilized fee of 25 basis points annually based on the Authorized Amount less the average daily balance of the principal amount of all outstanding Advances for the preceding 3 months, payable in arrears and quarterly thereafter. The taxable interest rate is the LIBOR monthly floating rate plus .70% (70 basis points)and the tax-exempt interest rate is 70% of LIBOR Monthly Floating Rate plus .47% (47 basis points). Unutilized fees are included in the Authority’s Operation & Maintenance Budget. Interest paid on draws for PFC related projects is paid from PFC funds and interest paid on non-PFC projects is paid from Discretionary funds and reimbursed by the permanent financing source.

RECOMMENDED ACTION

It is respectfully requested that the Finance Committee approve staff’s recommendation to (1) extend the LOC with PNC Bank for a one-year period to expire November 4, 2018 on mutually agreed terms; and (2) request approval from the Aviation Authority Board to take any and all actions necessary to execute such amendment subject to satisfactory review by legal counsel.

GREATER ORLANDO AVIATION AUTHORITY

Orlando International Airport
One Jeff Fuqua Boulevard
Orlando, Florida 32827-4392

MEMORANDUM

TO: Members of the Finance Committee

FROM: Kathy Bond, Chair, Retirement Benefits Committee

DATE: August 16, 2017

ITEM DESCRIPTION

Report on the Retirement Plan for Employees of Greater Orlando Aviation Authority

BACKGROUND

The Retirement Benefits Committee prepared the annual financial summary for The Retirement Plan for Employees of Greater Orlando Aviation Authority (the Plan) for the year ended September 30, 2016. Included in the summary are the following:

- Plan Description
- Actuarial Assumptions and Cost Methods
- Schedule of Funding Progress for the past five years
- Asset Allocation as of September 30, 2016
- Certain Financial Information on Investments for the Year Ended September 30, 2016

An experience study conducted by the Plan's Actuary, dated September 29, 2016, resulted in a number of assumption and method changes. The changes are as follows:

— The actuarial cost method was changed from the Aggregate Actuarial Cost Method to the Entry Age Normal Actuarial Cost Method
— The investment return assumption was lowered from 7.25% to 7.00% per year net of investment related expenses
— The salary increase assumption was lowered from 5.00% to 4.25% per year until the assumed retirement age
— As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed from the RP-2000 Combined Healthy Tables (projected to valuation date using Scale AA) to the mortality tables for other than special risk employees used by the Florida Retirement System
— The assumed rates of early and normal retirement were amended
— The assumed rates of termination were amended

During the year ended September 30, 2016, there were no changes to the targeted asset allocation for the Plan.

RECOMMENDED ACTION

There is no recommended action for this item. This memorandum is for information purposes only.

INFORMATION ITEM – A –

The Retirement Plan for Employees of Greater Orlando Aviation Authority
(a frozen Defined Benefit Plan)

PLAN DESCRIPTION

The Authority contributes to the Retirement Plan for Employees of Greater Orlando Aviation Authority (Plan), a single-employer retirement Plan. The Plan provides retirement and death benefits to Plan participants and beneficiaries. Participants should refer to the Plan Document for a complete description of the Plan's provisions. Since September 30, 2012, Comerica Bank holds the assets of the Plan. For this Plan year, Comerica paid Plan benefits. Foster and Foster issues a publicly available actuarial report that includes required supplementary information for the Plan. The DB Plan is administered by the Retirement Benefits Committee (RBC or Administrator), a committee appointed by the Authority Board. The Authority, through the action of its Board, can modify, alter, or amend the Plan. At September 30, 2016, there were 106 active Plan participants.

The Authority authorizes all regular employees hired before October 1, 1999, other than firefighters to participate in the Plan. The Authority authorizes employees hired after September 30, 1999 to participate in the Single-Employer Defined Contribution Retirement Plan. The Authority allowed employees who were participants of the Plan to convert to the Defined Contribution Plan during the period of February 23, 2001 to June 30, 2001. The Authority credits all eligible service according to the Plan. Retirement benefits equal 3% of the average of the three years of highest annual earnings multiplied by years of credited service with a maximum of 75% of the average earnings. In the event of early retirement, there is a 3% benefit reduction for each year prior to age 65. Normal retirement date is the first day of the month following, or coinciding with, the earlier of a participant's sixty-fifth birthday and seven years of credited service, or twenty-five years of credited service. An employee is 20% vested after the first year of credited service and achieves 100% vesting after five years of service. The Authority Board establishes benefit provisions.

If a vested participant dies after becoming eligible for early retirement, but prior to actual retirement, his eligible spouse or other named beneficiary receives an amount equal to that which would have been received if the participant had retired on the date of death with an immediate 50% contingent annuity.

If a vested participant dies before becoming eligible for early retirement, his eligible spouse or other named beneficiary receives an amount equal to that which would have been received if the participant had separated from service on the date of death, survived to the earliest possible retirement age and retired on that date with an immediate 50% contingent annuity. If the beneficiary is not the spouse, benefit is paid for five years. This benefit is payable unless otherwise elected by the participant and spouse.

The Retirement Plan for Employees of Greater Orlando Aviation Authority
(a frozen Defined Benefit Plan)

CERTAIN ACTUARIAL ASSUMPTIONS AND COST METHOD

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive Plan (the Plan as understood by the employer and Plan participants) and include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

A.	Cost Method	
	1. Funding	Entry Age Normal Actuarial Cost Method
	2. Accumulated Benefit Obligation	Accrued Benefit Method
B.	Assumed Investment Return Rate	7.00% per year, compounded annually; net rate after investment related expenses
C.	Salary Increases (including inflation)	4.25% per year
D.	Inflation	3.0% per year
E.	Mortality Rates	**Female**: RP2000 Generational, 100% Annuitant White Collar, Scale BB **Male:** RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB
F.	Asset Value	Difference between actual and expected returns recognized over five years
G.	Administrative Expenses	Expenses paid out of the fund other than investment related expenses are assumed to be equal to the average of actual expenses over the previous two years.

The Retirement Plan for Employees of Greater Orlando Aviation Authority
(a frozen Defined Benefit Plan)

ASSET ALLOCATION AND PERFORMANCE SUMMARY
(UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funding Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b – a)/c)
10/01/12	$87,170,898	$114,144,127	$26,973,229	76.4%	$11,443,116	235.7%
10/01/13	$97,405,204	$119,945,649	$22,540,445	81.2%	$10,827,820	208.2%
10/01/14	$109,582,834	$125,311,720	$15,728,896	87.4%	$10,708,838	146.9%
10/01/15	$118,658,406	$131,258,305	$12,599,899	90.4%	$9,142,182	137.8%
10/01/16	$126,822,928	$139,465,445	$12,642,517	90.9%	$8,028,946	157.5%

Fund Type As of 9/30/2016	Target Allocation	Actual Allocation	Market Value
Large Cap Equity	30%	30%	$ 35,607,063
Mid Cap Equity	10%	10%	12,015,668
Small Cap Equity	10%	10%	11,960,881
International Equity	15%	15%	17,742,460
Fixed Income	35%	35%	42,152,288
Portfolio Value 9/30/16			$ 119,478,360
Portfolio Value 9/30/15			$ 108,342,517
Net Investment Return			10,011,406
Net Cash Flow			1,124,437
Portfolio Value 9/30/16			$ 119,478,360
		Annualized	
	1 Year Return	3 Year Return	5 Year Return
Plan Return	8.51	5.51	9.76
Benchmark (Note A)	10.83	6.77	10.21

Note A: The Benchmark consists of the following indices and their respective weights: Russell 3000 (50%), MSCI AC World ex USA – Net (15%) and Barclays Aggregate (35%).

GREATER ORLANDO AVIATION AUTHORITY

Orlando International Airport
One Jeff Fuqua Boulevard
Orlando, Florida 32827-4392

MEMORANDUM

TO: Members of the Finance Committee

FROM: Kathy Bond, Chair, Retirement Benefits Committee

DATE: August 16, 2017

ITEM DESCRIPTION

Report on the Defined Contribution Retirement Plan of Greater Orlando Aviation Authority

BACKGROUND

The Retirement Benefits Committee prepared the annual financial summary for the Defined Contribution Retirement Plan of Greater Orlando Aviation Authority (the DC Plan) for the year ended December 31, 2016. Included in the summary are the following:

- Plan Description
- Certain Financial Information on Investments for the Year Ended December 31, 2016

RECOMMENDED ACTION

There is no recommended action for this item. This memorandum is for information purposes only.

The Defined Contribution Retirement Plan of Greater Orlando Aviation Authority

PLAN DESCRIPTION

The Greater Orlando Aviation Authority (the Authority or Employer) established the Greater Orlando Aviation Authority Defined Contribution Retirement Plan (the DC Plan) to provide benefits at retirement to employees of the Authority. Participants should refer to the DC Plan Document for a more complete description of the DC Plan's provisions. The DC Plan, a single- employer retirement plan, provides retirement and death benefits to plan participants and beneficiaries. The DC Plan is administered by the Retirement Benefits Committee (RBC or Administrator), a committee appointed by the Authority Board. The Authority, through the action of its Board, can modify, alter, or amend the DC Plan. At December 31, 2016, there were 497 active DC Plan participants.

All employees hired on or after October 1, 1999, other than firefighters, are eligible to participate in the DC Plan. Employees hired prior to October 1, 1999, other than firefighters, could continue in the Retirement Plan for Employees of Greater Orlando Aviation Authority, a defined benefit plan, or convert to this DC Plan during the period of February 23, 2001, to June 30, 2001. Eligible employees include regular full-time employees and regular part-time employees who are normally scheduled to work 20 or more hours per week. The employees are eligible to participate after three full months of service.

The DC Plan has separate accounts for each participant and participants may direct their account balance to be invested in several different investment options. The Authority will contribute 6% of base wages and up to 4% as a matching contribution. The participant may contribute up to 10%, of which up to the first 4% may be pretax or after-tax wages. Participant contributions and earnings are 100% vested. The Authority's contributions will vest at 20% per year of service, starting at one year of service.

Each participant's account is credited with the participant's contribution and allocation of DC Plan earnings, and charged with an allocation of administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's valued account.

The Defined Contribution Retirement Plan of Greater Orlando Aviation Authority

ASSET ALLOCATION AND PERFORMANCE SUMMARY (Note A)
(UNAUDITED)

Fund Type As of 12/31/2016	Actual Allocation		Market Value
Large Cap Equity	30%		$ 9,643,330
International Equity	6%		1,969,344
Fixed Income	27%		8,801,256
Balanced Fund	20%		6,562,818
Mid Cap Equity	8%		2,437,319
Small Cap Equity	9%		2,836,105
Portfolio Value 12/31/16			$ 32,250,172
Portfolio Value 12/31/15			$ 28,422,063
Net Investment Return			2,716,833
Net Cash Flow			1,111,276
Portfolio Value 12/31/16			32,250,172
		Annualized	
	1 Year Return	**3 Year Return**	**5 Year Return**
Plan	**6.98**	**5.57**	**10.0**

Note A: No index is presented as there is no comparable index for any Defined Contribution plan due to the individual account cash flows and allocation movements of the numerous participants during each time period.

GREATER ORLANDO AVIATION AUTHORITY

Orlando International Airport
One Jeff Fuqua Boulevard
Orlando, Florida 32827-4392

MEMORANDUM

TO: Members of the Finance Committee

FROM: Kathy Bond, Chair, Retirement Benefits Committee

DATE: August 16, 2017

ITEM DESCRIPTION

Report on Other Post-Employment Benefits Trust for Retirees of Greater Orlando Aviation Authority

BACKGROUND

The Retirement Benefits Committee prepared the annual financial summary for The Other Post-Employment Benefits Trust for Retirees of Greater Orlando Aviation Authority (OPEB Trust) for the year ended September 30, 2016. Included in the summary are the following:

- Plan Description
- Actuarial Assumptions and Cost Methods
- Schedule of Funding Progress for the past five years
- Asset Allocation as of September 30, 2016
- Certain Financial Information on Investments for the Year Ended September 30, 2016

The Trust has experienced an increase in the Unfunded Actuarial Accrued Liability (AAL) since the prior valuation due to:

- The per capita claims cost assumption and retiree premiums were updated
- Changes in the demographics
- The trend rate schedule was updated to reflect the Getzen model approach after the first five years of trends
- The mortality rates were updated to align with the new FRS mortality rates
- The funding method was updated from Projected Unit Credit to Entry Age
- The participation rates were updated to utilize a 25% participation rate for retirees who were hired on or after October 1, 2006
- The asset return was approximately 10.6% increase, offsetting the overall increase in the AAL

RECOMMENDED ACTION

There is no recommended action for this item. This memorandum is for information purposes only.

INFORMATION ITEM – C –

The Other Post-Employment Benefits Trust for Retirees of Greater Orlando Aviation Authority

PLAN DESCRIPTION

The Greater Orlando Aviation Authority Healthcare Plan (GOAAHP) is a single-employer healthcare plan administered by the Retirement Benefits Committee (RBC or Administrator), a committee appointed by the Authority Board. The GOAAHP provides postemployment healthcare benefits and life insurance to those participants who, in accordance with Article 4 of the Retirement Plan for Employees of the Greater Orlando Aviation Authority and Article 5 of the Greater Orlando Aviation Authority Defined Contribution Retirement Plan, retire at a participants' normal retirement date or early retirement date who receive pension benefits immediately upon termination. As of September 30, 2016, the GOAAHP provided benefits to 348 participants.

For employees who retired after August 2, 1997, and employees hired prior to October 1, 2006, eligibility for paid health care premiums will be determined by the years of credited service at the time of retirement. Employees who are eligible to retire and do not elect to receive healthcare benefits immediately upon termination of employment forfeit eligibility for any health care coverage under this policy. The Authority's premium contribution for employees retiring after August 2, 1997, and for employees hired prior to October 1, 2006, is as follows:

Credited Service	Contribution
20 or more years	100%
15 but less than 20 years	75%
10 but less than 15 years	50%
Less than 10 years	0%

The premiums for employees hired on or after October 1, 2006, will be paid by the employee at 100%. Spouse and dependent coverage is available at the retiree's expense provided the retiree is eligible to receive health benefits.

The Other Post-Employment Benefits Trust for Retirees of Greater Orlando Aviation Authority

CERTAIN ACTUARIAL ASSUMPTIONS AND COST METHOD

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan participants) and include the types of benefits in force at the valuation date. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

A. Actuarial Cost/Funding Method	Entry Age Normal Actuarial Cost Method
B. Amortization of the UAAL	The Unfunded Actuarial Accrued Liability has been amortized on a closed, level dollar basis over 20 years.
C. Discount/Interest Rate	6.5%
D. Health Care Trend	Medical: increased due to the use of the Getzen Model from 7.5% FY 15/16 to 8.75% for 2017 Dental and Vision: 5% per year
E. Medical Claims Costs	Pre-65 participants: centered at age 49; Age-graded to reflect higher costs at later ages. Post-65 participants: reflect average AARP supplemental plan premium costs for current population and no additional age-grading.
F. Medical Aging Factors	4% per year prior to age 65; 0% per year thereafter.
G. Health Care Participation	90% participation assumed, with 25% electing spouse coverage with date of hire before 10/1/06; 25% participation assumed, with 25% electing spouse coverage with date of hire on or after 10/1/06.
H. Marital Status	80% assumed married, with male spouses 3 years older than female spouses.
I. Inflation Rate	3% per year
J. Payroll Growth	0.0% per year. Level dollar amortization
K. Mortality	**Female:** RP2000 Generational, 100% Annuitant White Collar, Scale BB **Male:** RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB

The Other Post-Employment Benefits Trust for Retirees of Greater Orlando Aviation Authority

ASSET ALLOCATION AND PERFORMANCE SUMMARY
(UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b – a)	Funding Ratio (a/b)	Covered Payroll (c)	UAAL as Percentage of Covered Payroll ((b – a)/c)
09/30/13	$40,366,562	$54,108,457	$13,741,895	74.60%	$34,027,896	40.4%
09/30/14	$47,137,372	$54,765,012	$7,627,640	86.07%	$35,067,092	21.8%
09/30/15	$48,627,614	$54,963,544	$6,355,930	88.47%	$36,933,844	17.2%
09/30/15*	$48,627,614	$51,940,649	$3,313,035	93.62%	$36,933,844	89.7%
09/30/16	$53,788,172	$63,811,332	$10,023,160	84.29%	$38,901,470	25.8%

Fund Type As of 9/30/2016	Target Allocation	Actual Allocation	Market Value
Large Cap Equity	30%	32%	$ 16,142,711
Mid Cap Equity	10%	10%	5,294,927
Small Cap Equity	10%	10%	5,217,268
International Equity	15%	14%	7,155,489
Fixed Income	35%	34%	16,863,191
Subtotal			$ 50,673,586
Portfolio Value 9/30/15			$ 45,925,837
Net Investment Return			4,224,302
Net Cash Flow – Contributions less Benefits Paid			523,447
Portfolio Value 9/30/16			$ 50,673,586
		Annualized	
	1 Year Return	3 Year Return	5 Year Return
Plan	9.73	6.35	----
Policy Index (Note A)	10.42	6.81	----

Note A: The Policy Index consists of the following indices and their respective weights: Russell 3000 (50%), MSCI EAFE - Net (15%) and Barclays Aggregate (35%).

* During the fiscal year 2016 an experience study was performed for the period of January 1, 2005 through December 31, 2015. Certain changes in assumptions were made based on the experience study and were applied to the actuarial data at September 30, 2015.