

CITY OF EDGEWATER
POLICE RETIREMENT PLAN

ACTUARIAL VALUATION
AS OF OCTOBER 1, 2016

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

March 17, 2017

Board of Trustees
City of Edgewater
Police Officers' Pension Board
P.O. Box 100
Edgewater, FL 32132-0100

Re: City of Edgewater
Police Retirement Plan

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Edgewater Police 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 Chapters 112, and 185, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the City of Edgewater and 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.

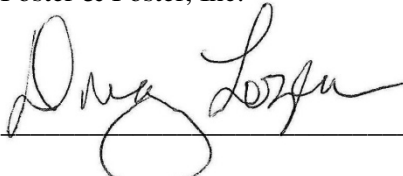
The undersigned is familiar with the immediate and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the 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 Edgewater, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Edgewater Police 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: 
Doug H. Lozen, EA, MAAA
Enrolled Actuary #14-7778

DHL/ke
Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Edgewater Police Retirement Plan, performed as of October 1, 2016, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ended September 30, 2018.

The contribution requirements, compared with those developed in the October 1, 2015 Actuarial Valuation Report, are as follows:

Valuation Date	10/1/2016	10/1/2015
Applicable Plan Year End	<u>9/30/2018</u>	<u>9/30/2017</u>
Total Required Contribution		
% of Total Annual Payroll	57.7%	54.2%
Member Contributions (Est.)		
% of Total Annual Payroll	6.0%	6.0%
City and State Required Contribution		
% of Total Annual Payroll	51.7%	48.2%
State Contribution (est.) ¹	0	0
% of Total Annual Payroll	0.0%	0.0%
Balance from City ¹		
% of Total Annual Payroll	51.7%	48.2%

¹ Per agreement between the Membership and City, all State Monies are allocated to the Share Plan established with Ordinance 2016-O-34. Additionally, the City has access to a Credit Balance of \$164,086 for meeting the above funding requirements.

Experience since the prior valuation was less favorable than expected, relative to the actuarial assumptions. The primary sources of loss included unfavorable turnover experience, a 6.71% investment return (Actuarial Asset Basis), falling short of the 7.50% assumption, and no retiree mortality. These losses were partially offset by average increases in pensionable earnings that were lower than the assumed rate.

Additionally, the percentage of payroll contribution requirement increased due to the State mandated assumption for mortality under Chapter 2015-39, Laws of Florida. For a complete breakdown of the changes in the contribution requirement, please see page 7.

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 any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 

Douglas H. Lozen, EA, MAAA

By: 

Julie E. Franken, EA, MAAA

CONTRIBUTION IMPACT OF ANNUAL CHANGES

(1) Contribution Determined as of October 1, 2015	39.4%
(2) Summary of Contribution Impact by component:	
Change in Available State Money ¹	8.8%
Investment Return (Actuarial Asset Basis)	0.6%
Salary Increases	-0.3%
Payroll Change Effect on UAAL Amortization	-0.2%
Amortization Base Payoffs	-0.1%
Change in Administrative Expenses	1.3%
Active Decrements	1.1%
Inactive Mortality	0.3%
Change in Normal Cost Rate	-0.2%
Assumption Change	1.5%
Other	<u>-0.5%</u>
Total Change in Contribution	12.3%
(3) Contribution Determined as of October 1, 2016	51.7%

¹ All State Monies allocated to the Share Plan beginning with the fiscal year ending September 30, 2016.

CHANGES SINCE PRIOR VALUATION

Plan Changes Since Prior Valuation

Ordinance 2016-O-34, adopted and effective November 14, 2016, amended and restated provisions applicable to the Police Officers' Retirement Plan. The restatement includes adoption of language necessary for compliance with the Internal Revenue Code, in addition to the state-mandated requirement for a Share Plan. A letter of No Actuarial Impact was submitted for these changes.

Actuarial Assumption/Method Changes Since Prior Valuation

The assumed rates of mortality were changed to match those used by the Florida Retirement System for special risk employees in their July 1, 2015 valuation report.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Assump <u>10/1/2016</u>	Old Assump <u>10/1/2016</u>	<u>10/1/2015</u>
A. Participant Data			
Actives	27	27	27
Service Retirees	23	23	22
DROP Retirees	0	0	1
Beneficiaries	1	1	1
Disability Retirees	2	2	1
Terminated Vested	<u>12</u>	<u>12</u>	<u>9</u>
Total	65	65	61
Total Annual Payroll	\$1,462,787	\$1,462,787	\$1,455,177
Payroll Under Assumed Ret. Age	1,462,787	1,462,787	1,455,177
Annual Rate of Payments to:			
Service Retirees	686,317	686,317	645,645
DROP Retirees	0	0	40,672
Beneficiaries	20,793	20,793	20,793
Disability Retirees	51,382	51,382	28,580
Terminated Vested	125,341	125,341	85,014
B. Assets			
Actuarial Value (AVA) ¹	8,833,738	8,833,738	8,445,627
Market Value (MVA) ¹	8,545,786	8,545,786	8,150,243
C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	4,050,711	4,085,464	4,112,724
Disability Benefits	230,707	263,935	298,646
Death Benefits	42,376	17,933	21,577
Vested Benefits	219,787	222,056	218,506
Refund of Contributions	44,861	44,916	40,246
Accumulated Leave	141,775	142,991	143,945
Service Retirees	7,979,920	7,738,248	7,311,236
DROP Retirees ¹	0	0	725,469
Beneficiaries	256,234	249,253	251,580
Disability Retirees	672,501	671,723	366,373
Terminated Vested	1,047,133	1,033,122	709,204
Share Plan ¹	138,245	138,245	0
Funding Standard Account (FSA)	<u>164,086</u>	<u>164,086</u>	<u>272,870</u>
Total	14,988,336	14,771,972	14,472,376

C. Liabilities - (Continued)	New Assump <u>10/1/2016</u>	Old Assump <u>10/1/2016</u>	<u>10/1/2015</u>
Present Value of Future Salaries	11,271,131	11,379,594	11,435,843
Present Value of Future Member Contributions	676,268	682,776	686,151
Normal Cost (Retirement)	184,833	186,705	188,384
Normal Cost (Disability)	16,756	19,079	20,853
Normal Cost (Death)	2,277	970	1,106
Normal Cost (Vesting)	26,096	26,372	26,422
Normal Cost (Refunds)	<u>13,822</u>	<u>13,838</u>	<u>11,938</u>
Total Normal Cost	243,784	246,964	248,703
Present Value of Future Normal Costs	1,710,238	1,748,951	1,775,642
Accrued Liability (Retirement) ³	2,758,505	2,766,737	2,772,831
Accrued Liability (Disability)	103,746	117,840	139,276
Accrued Liability (Death)	25,890	10,785	13,451
Accrued Liability (Vesting)	120,657	121,801	124,315
Accrued Liability (Refunds)	11,181	11,181	10,129
Accrued Liability (Inactives + FSA) ¹	10,119,874	9,856,432	9,636,732
Share Plan ¹	<u>138,245</u>	<u>138,245</u>	<u>0</u>
Total Actuarial Accrued Liability (AL)	13,278,098	13,023,021	12,696,734
Unfunded Actuarial Accrued Liability (UAAL)	4,444,360	4,189,283	4,251,107
Funded Ratio (AVA / AL)	66.5%	67.8%	66.5%

D. Actuarial Present Value of Accrued Benefits	New Assump <u>10/1/2016</u>	Old Assump <u>10/1/2016</u>	<u>10/1/2015</u>
Vested Accrued Benefits			
Inactives ¹	9,955,788	9,692,346	9,363,862
Share Plan ¹	138,245	138,245	0
Actives	610,977	619,593	556,775
Member Contributions	<u>403,728</u>	<u>403,728</u>	<u>413,101</u>
Total	11,108,738	10,853,912	10,333,738
Non-vested Accrued Benefits	<u>668,020</u>	<u>672,772</u>	<u>660,625</u>
Total Present Value Accrued Benefits (PVAB)	11,776,758	11,526,684	10,994,363
Funded Ratio (MVA / PVAB)	72.6%	74.1%	74.1%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	250,074	0	
New Accrued Benefits	0	693,801	
Benefits Paid	0	(950,417)	
Interest	0	788,937	
Other	<u>0</u>	<u>0</u>	
Total	250,074	532,321	

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

E. Pension Cost

Normal Cost (with interest) % of Total Annual Payroll ²	17.3	17.5	17.7
Administrative Expenses (with interest) % of Total Annual Payroll ²	4.8	4.8	3.5
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 20 years (as of 10/1/2016, with interest) % of Total Annual Payroll ²	35.6	33.9	33.0
Total Required Contribution % of Total Annual Payroll ²	57.7	56.2	54.2
Expected Member Contributions % of Total Annual Payroll ²	6.0	6.0	6.0
Expected City and State Contribution % of Total Annual Payroll ²	51.7	50.2	48.2

F. Past Contributions

Plan Years Ending:	<u>9/30/2016</u>
City and State Requirement	746,047
Actual Contributions Made:	
Members (excluding buyback)	84,939
City *	746,047
State (allocated to Share Plan)	<u>138,245</u>
Total	969,231

G. Net Actuarial (Gain)/Loss 168,697

¹ The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2016 and 9/30/2015.

² Contributions developed as of 10/1/2016 are expressed as a percentage of total annual payroll at 10/1/2016 of \$1,462,787.

³ Includes accumulated leave.

* Includes contributions from the Funding Standard Account, if necessary.

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	4,444,360
2017	4,238,347
2018	4,020,498
2023	2,754,755
2027	1,487,147
2032	97,395
2036	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	6.57%	6.74%
Year Ended	9/30/2015	9.44%	6.77%
Year Ended	9/30/2014	6.58%	6.40%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2016	6.71%	7.50%
Year Ended	9/30/2015	9.90%	7.50%
Year Ended	9/30/2014	10.32%	7.50%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2016	\$1,462,787
	10/1/2006	1,239,918
(b) Total Increase		17.97%
(c) Number of Years		10.00
(d) Average Annual Rate		1.67%

STATEMENT BY ENROLLED ACTUARY

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



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

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

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

Ms. Sarah Carr
Municipal Police and Fire
Pension Trust Funds
Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1) Unfunded Actuarial Accrued Liability as of October 1, 2015	\$4,251,107
(2) Sponsor Normal Cost developed as of October 1, 2015	161,392
(3) Expected administrative expenses for the year ended September 30, 2016	49,324
(4) Expected interest on (1), (2) and (3)	332,787
(5) Sponsor contributions to the System during the year ended September 30, 2016	746,047
(6) Expected interest on (5)	27,977
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2016 (1)+(2)+(3)+(4)-(5)-(6)	4,020,586
(8) Change to UAAL due to Assumption Change	255,077
(9) Change to UAAL due to Actuarial (Gain)/Loss	168,697
(10) Unfunded Actuarial Accrued Liability as of October 1, 2016	4,444,360

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2016 <u>Amount</u>	Amortization <u>Amount</u>
Initial Base	10/1/1981	1	\$4,034	\$4,034
Benefit Change	10/1/1987	1	222	222
Method Change	10/1/1987	1	(892)	(892)
Benefit Change	10/1/1989	3	8,139	2,911
Benefit Change	10/1/1989	3	14,959	5,351
Benefit Change	10/1/1990	4	48,772	13,546
Benefit Change	10/1/1999	13	930,969	106,576
Benefit Change	10/1/2003	17	137,644	13,572
Method Change	10/1/2011	15	2,677,552	282,170
Assump Change	10/1/2011	15	98,508	10,381
Experience Loss	10/1/2012	6	36,332	7,200
Experience Loss	10/1/2013	7	84,624	14,862
Experience Gain	10/1/2014	8	(107,897)	(17,136)
Experience Loss	10/1/2015	9	87,620	12,778
Experience Loss	10/1/2016	10	168,697	22,862
Assump Change	10/1/2016	20	<u>255,077</u>	<u>23,275</u>
			4,444,360	501,712

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2015	\$4,251,107
(2) Expected UAAL as of October 1, 2016	4,020,586
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	66,039
Salary Increases	(29,932)
Active Decrements	119,196
Inactive Mortality	31,919
Other	<u>(18,525)</u>
Increase in UAAL due to (Gain)/Loss	168,697
Assumption Changes	<u>255,077</u>
(4) Actual UAAL as of October 1, 2016	\$4,444,360

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Lives:

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

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

Disabled Lives:

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

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

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

Previously, RP 2000 Combined Healthy Mortality, projected to 2005 using scale AA.

Interest Rate

7.50% per year compounded annually, net of investment related expenses. This assumption is supported by the Plan’s investment policy and long-term expected returns by asset class.

Normal Retirement

Years Eligible for Normal Retirement	Retirement Probability
0	50%
1	0%
2	33%
3	60%
4	60%
5	60%
6 and greater	100%

It is assumed that no one works past age 58 if they are eligible to retire. The retirement assumptions were adopted based on the September 12, 2013 experience study.

Early Retirement

None assumed.

Salary Increases

Credited Service	Assumption
Less than 10 Years	7.50%
10 Years and Greater	4.20%

This assumption was adopted based on the September 12, 2013 experience study.

Administrative Expenses

\$67,029 per year based on the prior year expense.

Amortization Method

Level dollar.

Funding Method

Entry Age Normal Actuarial Cost Method.

Actuarial Asset Method

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

Termination Rates

Credited Service	Assumption
Less than 5 Years	18%
5-9 Years	14%
10 Years and Greater	0%

This assumption was adopted based on the September 12, 2013 experience study.

Disability Rates

See sample rates below; 80% of disablements are assumed to be service-related.

Age	Assumption
40	0.33%
45	0.56%
50	1.09 %
55	1.69%

GLOSSARY

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

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

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

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

(a) The normal cost accrual rate equals

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

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

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

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

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

PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1998	62,640.03	_____%
1999	73,930.98	18.0%
2000	66,743.47	-9.7%
2001	70,794.89	6.1%
2002	83,308.98	17.7%
2003	94,334.37	13.2%
2004	108,374.65	14.9%
2005	114,652.41	5.8%
2006	119,224.68	4.0%
2007	126,824.09	6.4%
2008	126,189.05	-0.5%
2009	131,228.05	4.0%
2010	125,155.52	-4.6%
2011	125,638.65	0.4%
2012	122,039.14	-2.9%
2013	121,374.86	-0.5%
2014	125,386.65	3.3%
2015	127,668.11	1.8%
2016	138,244.76	8.3%

FUNDING STANDARD ACCOUNT

	<u>9/30/2015</u>	<u>9/30/2016</u>
<u>Charges</u>		
(a) Prior year's Accumulated Funding Deficiency	0	0
(b) City Required Contribution	640,567	746,047
(c) Interest on (a) & (b)	24,021	27,977
(d) Total Charges	664,588	774,024
<u>Credits</u>		
(e) Prior year's Credit Balance	275,560	272,870
(f) Employer Contribution	618,054	621,470
(g) Interest on (e) & (f)	43,844	43,770
(h) Total Credits	937,458	938,110
<u>Balance</u>		
(i) Accumulated Funding Deficiency (-) or Credit (+) Balance as of Plan Year End	272,870	164,086

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	245,534.67	245,534.67
Total Cash and Equivalents	245,534.67	245,534.67
Receivables:		
Investment Income	30,504.28	30,504.28
Total Receivable	30,504.28	30,504.28
Investments:		
U. S. Bonds and Bills	173,356.44	172,637.85
Federal Agency Guaranteed Securities	741,788.63	757,250.87
Corporate Bonds	2,149,200.45	2,155,413.49
Municipal Obligations	51,083.50	53,560.40
Mutual Funds:		
Equity	4,939,801.76	5,136,128.76
Total Investments	8,055,230.78	8,274,991.37
Total Assets	8,331,269.73	8,551,030.32
<u>LIABILITIES</u>		
Payables:		
Investment Expenses	2,125.00	2,125.00
Administrative Expenses	3,119.43	3,119.43
Total Liabilities	5,244.43	5,244.43
NET POSITION RESTRICTED FOR PENSIONS	8,326,025.30	8,545,785.89

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

ADDITIONS

Contributions:		
Member		84,938.97
City		621,470.13
State		138,244.76
Total Contributions		844,653.86
Investment Income:		
Net Realized Gain (Loss)	365,001.32	
Unrealized Gain (Loss)	4,670.01	
Net Increase in Fair Value of Investments		369,671.33
Interest & Dividends		248,424.19
Less Investment Expense ¹		(49,759.78)
Net Investment Income		568,335.74
Total Additions		1,412,989.60

DEDUCTIONS

Distributions to Members:		
Benefit Payments		715,415.25
Lump Sum DROP Distributions		235,002.02
Lump Sum Share Distributions		0.00
Refunds of Member Contributions		0.00
Total Distributions		950,417.27
Administrative Expense		67,029.45
Total Deductions		1,017,446.72
Net Increase in Net Position		395,542.88

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		8,150,243.01
End of the Year		8,545,785.89

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

ACTUARIAL ASSET VALUATION
September 30, 2016

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a four year period. In the first year, 25% of the gain or loss is recognized. In the second year 50%, in the third year 75%, and in the fourth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Plan Year Ending	Gains/Losses	<u>Gains/Losses Not Yet Recognized</u>			2019
		Amounts Not Yet Recognized by Valuation Year			
		2016	2017	2018	
09/30/2013	278,581	0	0	0	0
09/30/2014	207,117	51,780	0	0	0
09/30/2015	(624,785)	(312,393)	(156,197)	0	0
09/30/2016	(36,452)	(27,339)	(18,226)	(9,113)	0
Total		(287,952)	(174,423)	(9,113)	0

<u>Development of Investment Gain/Loss</u>	
Actual Return Net of Investment Expenses	568,336
Expected Investment Earnings*	604,788
2016 Actuarial Investment Gain/(Loss)	<u>(36,452)</u>

*Expected Investment Earnings = $0.075 * [8,150,243 + 0.5 * (172,793)]$

<u>Development of Actuarial Value of Assets</u>	
(1) Market Value of Assets, 09/30/2016	8,545,786
(2) Gains/(Losses) Not Yet Recognized	<u>(287,952)</u>
(3) Actuarial Value of Assets, 09/30/2016, (1) - (2)	8,833,738
(A) 09/30/2015 Actuarial Assets:	8,445,627
(I) Net Investment Income:	
1. Interest and Dividends	248,424.19
2. Realized Gains (Losses)	365,001.32
2. Change in Actuarial Value	(2,761.99)
3. Investment Expenses	<u>(49,759.78)</u>
Total	560,903.74
(B) 09/30/2016 Actuarial Assets:	8,833,738
Actuarial Assets Rate of Return = $2I/(A+B-I)$	6.71%
Market Value of Assets Rate of Return:	7.05%
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)	(66,039)
10/01/2016 Limited Actuarial Assets:	8,833,738

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

REVENUES

Contributions:		
Member	84,938.97	
City	621,470.13	
State	138,244.76	
 Total Contributions		 844,653.86
Earnings from Investments:		
Interest & Dividends	248,424.19	
Net Realized Gain (Loss)	365,001.32	
Change in Actuarial Value	(2,761.99)	
 Total Earnings and Investment Gains		 610,663.52

EXPENDITURES

Distributions to Members:		
Benefit Payments	715,415.25	
Lump Sum DROP Distributions	235,002.02	
Lump Sum Share Distributions	0.00	
Refunds of Member Contributions	0.00	
 Total Distributions		 950,417.27
Expenses:		
Investment related ¹	49,759.78	
Administrative	67,029.45	
 Total Expenses		 116,789.23
 Change in Net Assets for the Year		 388,110.88
 Net Assets Beginning of the Year		 8,445,627.01
 Net Assets End of the Year ²		 8,833,737.89

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

²Net Assets may be limited for actuarial consideration.

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

Beginning of the Year Balance	202,069.79
Plus Additions	27,114.56
Investment Return Earned	5,817.67
Less Distributions	(235,002.02)
End of the Year Balance	0.00

SUPPLEMENTAL CHAPTER 185 SHARE PLAN ACTIVITY
October 1, 2015 to September 30, 2016

09/30/2015 Balance (est.)	0.00
Plus Additions	138,244.76
Investment Return Earned	0.00
Less Distributions	0.00
09/30/2016 Balance (est.)	138,244.76

STATISTICAL DATA ¹

	<u>10/1/2013</u>	<u>10/1/2014</u>	<u>10/1/2015</u>	<u>10/1/2016</u>
<u>Actives</u>				
Number	23	23	27	27
Average Current Age	37.1	35.8	34.0	32.7
Average Age at Employment	29.1	29.1	28.1	27.1
Average Past Service	8.0	6.7	5.9	5.6
Average Annual Salary	\$50,413	\$52,710	\$53,895	\$54,177
<u>Service Retirees</u>				
Number		23	22	23
Average Current Age		N/A	58.9	59.5
Average Annual Benefit		\$28,976	\$29,348	\$29,840
<u>DROP Retirees</u>				
Number		1	1	0
Average Current Age		N/A	50.3	N/A
Average Annual Benefit		\$40,672	\$40,672	N/A
<u>Beneficiaries</u>				
Number		0	1	1
Average Current Age		N/A	50.6	51.6
Average Annual Benefit		N/A	\$20,793	\$20,793
<u>Disability Retirees</u>				
Number		1	1	2
Average Current Age		N/A	53.1	44.2
Average Annual Benefit		\$28,580	\$28,580	\$25,691
<u>Terminated Vested</u>				
Number		10	9	12
Average Current Age		N/A	45.8	46.8
Average Annual Benefit		\$4,843	\$9,446	\$10,445

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

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	1	2	1	0	0	0	0	0	0	0	0	4
25 - 29	2	3	1	0	0	1	0	0	0	0	0	7
30 - 34	0	0	1	0	1	3	0	0	0	0	0	5
35 - 39	1	0	0	0	2	1	2	0	0	0	0	6
40 - 44	0	0	0	0	1	2	0	1	0	0	0	4
45 - 49	0	0	0	0	0	0	0	0	0	0	0	0
50 - 54	0	0	0	0	0	0	0	0	1	0	0	1
55 - 59	0	0	0	0	0	0	0	0	0	0	0	0
60 - 64	0	0	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	4	5	3	0	4	7	2	1	1	0	0	27

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2015	27
b. Terminations	
i. Vested (partial or full) with deferred benefits	(3)
ii. Non-vested or full lump sum distribution received	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	(1)
e. Retired	0
f. DROP	<u>0</u>
g. Continuing participants	23
h. New entrants	<u>4</u>
i. Total active life participants in valuation	27

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

	Service Retirees, Vested Receiving <u>Benefits</u>	DROP <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested <u>Deferred</u>	<u>Total</u>
a. Number prior valuation	22	1	1	1	9	34
Retired	1	(1)	0	0	0	0
DROP	0	0	0	0	0	0
Vested Deferred	0	0	0	0	3	3
Death, With Survivor	0	0	0	0	0	0
Death, No Survivor	0	0	0	0	0	0
Disabled	0	0	0	1	0	1
Refund of Contributions	0	0	0	0	0	0
Rehires	0	0	0	0	0	0
Expired Annuities	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0
b. Number current valuation	23	0	1	2	12	38

SUMMARY OF PLAN PROVISIONS
(Through Ordinance 2016-O-34)

<u>Eligibility</u>	Full-time police officers shall participate in the system as a condition of employment.
<u>Salary</u>	Total Compensation.
<u>Average Final Compensation (AFC)</u>	Average Salary for the highest 3 years during the 5 years immediately preceding retirement or termination.
<u>Credited Service</u>	Total years and fractional parts of years of service with the City as a Police Officer.
<u>Member Contributions</u>	6.00% of Salary.
<u>City and State Contributions</u>	Remaining amount necessary to pay current costs and amortize past service cost, if any, as provided in Part VII of Florida Statutes, Chapter 112.
<u>Normal Retirement</u>	
Date	The earlier of: 1) age 55 and the completion of 5 years of Credited Service, or 2) the completion of 20 years of Credited Service, regardless of age.
Benefit	2.00% of Average Final Compensation times Credited Service as of 10/1/1987 plus 3.00% of Average Final Compensation times Credited Service after 10/1/1987.
Form of Benefit	Ten Year Certain and Life Annuity (options available).
<u>Early Retirement</u>	
Date	Age 50 and 5 years of Credited Service.
Benefit	Determined as for Normal Retirement and reduced 3.00% for each year that Early Retirement precedes Normal Retirement.
<u>Disability Benefit</u>	
Eligibility	
Service Incurred	Covered from Date of Employment.
Non-Service Incurred	5 years of Credited Service.
Exclusions	Disability resulting from use of drugs, illegal participation in riots, service in military, etc.

Benefit	Benefit accrued to date of disability. Minimum benefit for Service Incurred is 42% of AFC, for Non-Service Incurred is 25% of AFC.
Duration	Payable for life (with 120 monthly payments guaranteed), or until recovery (as determined by the Board).

Death Benefits

Pre-Retirement

Vested	A monthly benefit determined assuming the participant terminated employment on his date of death, survived to his earliest retirement date, elected a 100% qualified joint and survivor annuity and then died the next day.
--------	---

Not Vested	Refund of accumulated contributions without interest.
------------	---

Post-Retirement	According to optional form of benefit selected.
-----------------	---

Termination of Employment

Benefit

Less than 5 years	Refund of accumulated contributions without interest.
-------------------	---

5 or more	Refund of Contributions or Accrued benefit payable at retirement age.
-----------	---

Board of Trustees

- a. Two Council appointees,
- b. Two Members of the Department elected by the membership, and
- c. Fifth Member elected by the other 4 and appointed by Council.

Deferred Retirement Option Plan

Eligibility	Eligibility for Normal Retirement.
-------------	------------------------------------

Participation	Not to exceed 60 months.
---------------	--------------------------

Rate of Return	Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter.
----------------	---

Form of Distribution	Cash lump sum at termination of employment.
----------------------	---

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	245,535
Total Cash and Equivalents	245,535
Receivables:	
Investment Income	30,504
Total Receivable	30,504
Investments:	
U. S. Bonds and Bills	172,638
Federal Agency Guaranteed Securities	757,251
Corporate Bonds	2,155,413
Municipal Obligations	53,560
Mutual Funds:	
Equity	5,136,129
Total Investments	8,274,991
Total Assets	8,551,030
<u>LIABILITIES</u>	
Payables:	
Investment Expenses	2,125
Administrative Expenses	3,119
Total Liabilities	5,244
NET POSITION RESTRICTED FOR PENSIONS	8,545,786

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

ADDITIONS

Contributions:

Member	84,939	
City	621,470	
State	138,245	
 Total Contributions		 844,654
 Investment Income:		
Net Increase in Fair Value of Investments	369,671	
Interest & Dividends	248,424	
Less Investment Expense ¹	(49,760)	
 Net Investment Income		 568,335
 Total Additions		 1,412,989

DEDUCTIONS

Distributions to Members:

Benefit Payments	715,415	
Lump Sum DROP Distributions	235,002	
Refunds of Member Contributions	0	
 Total Distributions		 950,417
 Administrative Expense		 67,029
 Total Deductions		 1,017,446
 Net Increase in Net Position		 395,543
 NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		8,150,243
 End of the Year		 8,545,786

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

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

Plan Description

Plan Administration

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

- a. Two Council appointees,
- b. Two Members of the Department elected by the membership, and
- c. Fifth Member elected by the other 4 and appointed by Council.

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	25
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	9
Active Plan Members	27
	61
	61

Benefits Provided

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

Normal Retirement:

Date: The earlier of: 1) age 55 and the completion of 5 years of Credited Service, or 2) the completion of 20 years of Credited Service, regardless of age.

Benefit: 2.0% of Average Final Compensation times Credited Service as of 10/1/1987 plus 3.0% of Average Final Compensation times Credited Service after 10/1/1987.

Early Retirement:

Date: Age 50 and 5 years of Credited Service.

Benefit: Determined as for Normal Retirement and reduced 3.0% for each year that Early Retirement precedes Normal Retirement.

Disability:

Eligibility: Service Incurred: Covered from Date of Employment.

Non-Service Incurred: 5 years of Credited Service.

Benefit: Benefit accrued to date of disability. Minimum benefit for Service Incurred is 42% of AFC, for Non-Service Incurred is 25% of AFC.

Pre-Retirement Death Benefits:

Vested: A monthly benefit determined assuming the participant terminated employment on his date of death, survived to his earliest retirement date, elected a 100% qualified joint and survivor annuity and then died the next day.

Not Vested: Refund of accumulated contributions without interest.

Termination of Employment:

Benefit Less than 5 years: Refund of accumulated contributions without interest.

5 or more: Refund of Contributions or Accrued benefit payable at retirement age.

Contributions

Member Contributions: 6.00% of Salary.

City and State Contributions: Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability as provided for in Part VII in Chapter 112, Florida Statutes.

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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>
Domestic Equity	45%
International Equity	15%
Domestic Fixed Income	40%
<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 7.05 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: Eligibility for Normal Retirement.

Participation: Not to exceed 60 months.

Rate of Return: Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter.

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

NET PENSION LIABILITY OF THE SPONSOR

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

Total Pension Liability	\$ 12,679,398
Plan Fiduciary Net Position	\$ (8,545,786)
Sponsor's Net Pension Liability	\$ 4,133,612
Plan Fiduciary Net Position as a percentage of Total Pension Liability	67.40%

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	2.50%
Salary Increases	4.20% - 7.50%
Discount Rate	7.50%
Investment Rate of Return	7.50%

Mortality Rate Healthy Lives:

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

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

Mortality Rate Disabled Lives:

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

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

The most recent actuarial experience study used to review the other significant assumptions was dated September 13, 2013.

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 2.50%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of 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
Domestic Equity	7.5%
International Equity	8.5%
Domestic Fixed Income	2.5%

Discount Rate:

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

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

	1% Decrease	Current Discount Rate	1% Increase
	6.50%	7.50%	8.50%
Sponsor's Net Pension Liability	\$ 5,691,219	\$ 4,133,612	\$ 2,847,035

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

	<u>09/30/2016</u>	<u>09/30/2015</u>
Total Pension Liability		
Prior Period Adjustment	-	-
Service Cost	248,453	209,572
Interest	874,946	855,433
Share Plan Allocation	138,245	-
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	230,533	(19,907)
Changes of assumptions	244,939	-
Benefit Payments, including Refunds of Employee Contributions	(950,417)	(697,208)
Net Change in Total Pension Liability	<u>786,699</u>	<u>347,890</u>
Total Pension Liability - Beginning	11,892,699	11,544,809
Total Pension Liability - Ending (a)	<u>\$ 12,679,398</u>	<u>\$ 11,892,699</u>
Plan Fiduciary Net Position		
Contributions - Employer	621,470	618,054
Contributions - State	138,245	127,668
Contributions - Employee	84,939	79,610
Net Investment Income	568,335	(15,324)
Benefit Payments, including Refunds of Employee Contributions	(950,417)	(697,208)
Administrative Expense	(67,029)	(49,324)
Net Change in Plan Fiduciary Net Position	<u>395,543</u>	<u>63,476</u>
Plan Fiduciary Net Position - Beginning	8,150,243	8,086,767
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,545,786</u>	<u>\$ 8,150,243</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 4,133,612</u>	<u>\$ 3,742,456</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	67.40%	68.53%
Covered Employee Payroll ¹	\$ 1,415,650	\$ 1,396,624
Net Pension Liability as a percentage of Covered Employee Payroll	291.99%	267.96%

Notes to Schedule:

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

Changes of assumptions:

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

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

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

	<u>09/30/2014</u>	<u>09/30/2013</u>
Total Pension Liability		
Prior Period Adjustment	(386,259)	-
Service Cost	206,976	192,536
Interest	859,397	836,080
Share Plan Allocation	-	-
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	(773,904)	(690,444)
Net Change in Total Pension Liability	(93,790)	338,172
Total Pension Liability - Beginning	11,638,599	11,300,427
Total Pension Liability - Ending (a)	<u>\$ 11,544,809</u>	<u>\$ 11,638,599</u>
Plan Fiduciary Net Position		
Contributions - Employer	534,795	768,448
Contributions - State	125,387	121,375
Contributions - Employee	76,054	70,431
Net Investment Income	759,444	769,004
Benefit Payments, including Refunds of Employee Contributions	(773,904)	(690,444)
Administrative Expense	(36,404)	(82,988)
Net Change in Plan Fiduciary Net Position	685,372	955,826
Plan Fiduciary Net Position - Beginning	7,401,395	6,445,569
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,086,767</u>	<u>\$ 7,401,395</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 3,458,042</u>	<u>\$ 4,237,204</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	70.05%	63.59%
Covered Employee Payroll ¹	\$ 1,267,568	\$ 1,173,844
Net Pension Liability as a percentage of Covered Employee Payroll	272.81%	360.97%

Notes to Schedule:

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

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	746,047	768,235	766,878	874,513
Contributions in relation to the Actuarially Determined Contributions	621,470	745,722	660,182	768,448
Contribution Deficiency (Excess)	\$ 124,577	\$ 22,513	\$ 106,696	\$ 106,065
Covered Employee Payroll ¹	\$ 1,415,650	\$ 1,396,624	\$ 1,267,568	\$ 1,173,844
Contributions as a percentage of Covered Employee Payroll	43.90%	53.39%	52.08%	65.46%

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

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost Method.
Amortization Method: Level dollar.
Remaining Amortization Period: 19 Years (as of 10/01/2014).
Mortality: RP-2000 Combined Healthy Mortality, projected to 2005 using scale AA. Based on a study of over 650 public safety funds, the RP-2000 table (with no projection) reflects a 10% margin for future mortality improvements.
Interest Rate: 7.5% per year compounded annually, net of investment related expenses.

Retirement Age:

Years Eligible for Normal Retirement	Retirement Probability
0	50%
1	0%
2	33%
3	60%
4	60%
5	60%
6 and greater	100%

It is assumed that no one works past age 58 if they are eligible to retire.
None assumed.

Early Retirement:

Salary Increases:

Credited Service	Assumption
Less than 10 Years	7.5%
10 Years or Greater	4.2%

Actuarial Asset Method:

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

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Termination Rates:

Credited Service	Assumption
Less than 5 Years	18%
5-9 Years	14%
10 Years and Greater	0%

Disability Rates:

See sample rates below. 80% of disablements are assumed as service-related.

Age	% Becoming Disabled During the Year
40	0.33%
45	0.56%
50	1.09%
55	1.69%

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	<u>09/30/2016</u>	<u>09/30/2015</u>	<u>09/30/2014</u>	<u>09/30/2013</u>
Annual Money-Weighted Rate of Return				
Net of Investment Expense	7.05%	-0.19%	10.40%	10.40%

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

General Information about the Pension Plan

Plan Description

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

- a. Two Council appointees,
- b. Two Members of the Department elected by the membership, and
- c. Fifth Member elected by the other 4 and appointed by Council.

Full-time police officers shall participate in the system as a condition of employment.

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	25
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	9
Active Plan Members	27
	61
	61

Benefits Provided

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

Normal Retirement:

Date: The earlier of: 1) age 55 and the completion of 5 years of Credited Service, or 2) the completion of 20 years of Credited Service, regardless of age.

Benefit: 2.0% of Average Final Compensation times Credited Service as of 10/1/1987 plus 3.0% of Average Final Compensation times Credited Service after 10/1/1987.

Early Retirement:

Date: Age 50 and 5 years of Credited Service.

Benefit: Determined as for Normal Retirement and reduced 3.0% for each year that Early Retirement precedes Normal Retirement.

Disability:

Eligibility: Service Incurred: Covered from Date of Employment.

Benefit: Benefit accrued to date of disability. Minimum benefit for Service Incurred is 42% of AFC, for Non-Service Incurred is 25% of AFC.

Pre-Retirement Death Benefits:

Vested: A monthly benefit determined assuming the participant terminated employment on his date of death, survived to his earliest retirement date, elected a 100% qualified joint and survivor annuity and then died the next day.

Not Vested: Refund of accumulated contributions without interest.

Termination of Employment:

Benefit Less than 5 years: Refund of accumulated contributions without interest.

5 or more: Refund of Contributions or Accrued benefit payable at retirement age.

Contributions

Member Contributions: 6.00% of Salary.

City and State Contributions: Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability as provided for in Part VII in Chapter 112, Florida Statutes.

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Net Pension Liability

The measurement date is September 30, 2016.

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

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

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

The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

Actuarial Assumptions:

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

Inflation	2.50%
Salary Increases	4.20% - 7.50%
Discount Rate	7.50%
Investment Rate of Return	7.50%

Mortality Rate Healthy Lives:

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

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

Mortality Rate Disabled Lives:

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

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

The most recent actuarial experience study used to review the other significant assumptions was dated September 13, 2013.

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 2.50%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	45%	7.5%
International Equity	15%	8.5%
Domestic Fixed Income	40%	2.5%
Total	<u>100%</u>	

Discount Rate:

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

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

CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Reporting Period Ending September 30, 2016	\$ 11,892,699	\$ 8,150,243	\$ 3,742,456
Changes for a Year:			
Service Cost	248,453	-	248,453
Interest	874,946	-	874,946
Share Plan Allocation	138,245	-	138,245
Differences between Expected and Actual Experience	230,533	-	230,533
Changes of assumptions	244,939	-	244,939
Changes of benefit terms	-	-	-
Contributions - Employer	-	621,470	(621,470)
Contributions - State	-	138,245	(138,245)
Contributions - Employee	-	84,939	(84,939)
Net Investment Income	-	568,335	(568,335)
Benefit Payments, including Refunds of Employee Contributions	(950,417)	(950,417)	-
Administrative Expense	-	(67,029)	67,029
Net Changes	786,699	395,543	391,156
Reporting Period Ending September 30, 2017	\$ 12,679,398	\$ 8,545,786	\$ 4,133,612

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.50%	7.50%	8.50%
Sponsor's Net Pension Liability	\$ 5,691,219	\$ 4,133,612	\$ 2,847,035

Pension Plan Fiduciary Net Position.

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

**FINAL PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED
INFLOWS OF RESOURCES RELATED TO PENSIONS
FISCAL YEAR SEPTEMBER 30, 2016**

For the year ended September 30, 2016, the Sponsor recognized a Pension Expense of \$448,098.

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	-	14,931
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan investments	264,128	-
Employer and State contributions subsequent to the measurement date	759,715	-
Total	\$ 1,023,843	\$ 14,931

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer and State contributions subsequent to the measurement date has been recognized as a reduction of the Net Pension Liability in the year ended September 30, 2016.

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

Year ended September 30:		
2017	\$	22,842
2018	\$	22,841
2019	\$	78,557
2020	\$	124,957
2021	\$	-
Thereafter	\$	-

**PRELIMINARY PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS
FISCAL YEAR SEPTEMBER 30, 2017**

For the year ended September 30, 2017, the Sponsor will recognize a Pension Expense of \$787,945.

On September 30, 2017, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	172,899	9,954
Changes of assumptions	183,705	-
Net difference between Projected and Actual Earnings on Pension Plan investments	265,473	-
Employer and State contributions subsequent to the measurement date	TBD	-
Total	TBD	\$ 9,954

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer and State contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2017.

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

Year ended September 30:		
2018	\$	149,000
2019	\$	204,716
2020	\$	251,116
2021	\$	7,291
2022	\$	-
Thereafter	\$	-

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

Reporting Period Ending	09/30/2017	09/30/2016
Measurement Date	<u>09/30/2016</u>	<u>09/30/2015</u>
Total Pension Liability		
Prior Period Adjustment	-	-
Service Cost	248,453	209,572
Interest	874,946	855,433
Share Plan Allocation	138,245	-
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	230,533	(19,907)
Changes of assumptions	244,939	-
Benefit Payments, including Refunds of Employee Contributions	<u>(950,417)</u>	<u>(697,208)</u>
Net Change in Total Pension Liability	786,699	347,890
Total Pension Liability - Beginning	<u>11,892,699</u>	<u>11,544,809</u>
Total Pension Liability - Ending (a)	<u>\$ 12,679,398</u>	<u>\$ 11,892,699</u>
Plan Fiduciary Net Position		
Contributions - Employer	621,470	618,054
Contributions - State	138,245	127,668
Contributions - Employee	84,939	79,610
Net Investment Income	568,335	(15,324)
Benefit Payments, including Refunds of Employee Contributions	(950,417)	(697,208)
Administrative Expense	<u>(67,029)</u>	<u>(49,324)</u>
Net Change in Plan Fiduciary Net Position	395,543	63,476
Plan Fiduciary Net Position - Beginning	<u>8,150,243</u>	<u>8,086,767</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,545,786</u>	<u>\$ 8,150,243</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 4,133,612</u>	<u>\$ 3,742,456</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	67.40%	68.53%
Covered Employee Payroll ¹	\$ 1,415,650	\$ 1,396,624
Net Pension Liability as a percentage of Covered Employee Payroll	291.99%	267.96%

Notes to Schedule:

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

Changes of assumptions:

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

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

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

Reporting Period Ending	09/30/2015	09/30/2014
Measurement Date	<u>09/30/2014</u>	<u>09/30/2013</u>
Total Pension Liability		
Prior Period Adjustment	(386,259)	-
Service Cost	206,976	192,536
Interest	859,397	836,080
Share Plan Allocation	-	-
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(773,904)</u>	<u>(690,444)</u>
Net Change in Total Pension Liability	(93,790)	338,172
Total Pension Liability - Beginning	<u>11,638,599</u>	<u>11,300,427</u>
Total Pension Liability - Ending (a)	<u>\$ 11,544,809</u>	<u>\$ 11,638,599</u>
Plan Fiduciary Net Position		
Contributions - Employer	534,795	768,448
Contributions - State	125,387	121,375
Contributions - Employee	76,054	70,431
Net Investment Income	759,444	769,004
Benefit Payments, including Refunds of Employee Contributions	(773,904)	(690,444)
Administrative Expense	<u>(36,404)</u>	<u>(82,988)</u>
Net Change in Plan Fiduciary Net Position	685,372	955,826
Plan Fiduciary Net Position - Beginning	<u>7,401,395</u>	<u>6,445,569</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 8,086,767</u>	<u>\$ 7,401,395</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 3,458,042</u>	<u>\$ 4,237,204</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	70.05%	63.59%
Covered Employee Payroll ¹	\$ 1,267,568	\$ 1,173,844
Net Pension Liability as a percentage of Covered Employee Payroll	272.81%	360.97%

Notes to Schedule:

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

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	746,047	768,235	766,878	874,513
Contributions in relation to the Actuarially Determined Contributions	621,470	745,722	660,182	768,448
Contribution Deficiency (Excess)	\$ 124,577	\$ 22,513	\$ 106,696	\$ 106,065
Covered Employee Payroll ¹	\$ 1,415,650	\$ 1,396,624	\$ 1,267,568	\$ 1,173,844
Contributions as a percentage of Covered Employee Payroll	43.90%	53.39%	52.08%	65.46%

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

Notes to Schedule

Valuation Date: 10/01/2014

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

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost Method.
 Amortization Method: Level dollar.
 Remaining Amortization Period: 19 Years (as of 10/01/2014).
 Mortality: RP-2000 Combined Healthy Mortality, projected to 2005 using scale AA. Based on a study of over 650 public safety funds, the RP-2000 table (with no projection) reflects a 10% margin for future mortality improvements.
 Interest Rate: 7.5% per year compounded annually, net of investment related expenses.

Retirement Age:

Years Eligible for Normal Retirement	Retirement Probability
0	50%
1	0%
2	33%
3	60%
4	60%
5	60%
6 and greater	100%

It is assumed that no one works past age 58 if they are eligible to retire.

Early Retirement:

None assumed.

Salary Increases:

Credited Service	Assumption
Less than 10 Years	7.5%
10 Years or Greater	4.2%

Actuarial Asset Method:

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

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Termination Rates:

Credited Service	Assumption
Less than 5 Years	18%
5-9 Years	14%
10 Years and Greater	0%

Disability Rates:

See sample rates below. 80% of disablements are assumed as service-related.

Age	% Becoming Disabled During the Year
40	0.33%
45	0.56%
50	1.09%
55	1.69%

FINAL COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning Balance	\$ 3,458,042	\$ 332,841	\$ 745,722	\$ -
Employer and State contributions made after 09/30/2015	-	-	759,715	-
Total Pension Liability Factors:				
Service Cost	209,572	-	-	209,572
Interest	855,433	-	-	855,433
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(19,907)	19,907	-	-
Current year amortization of experience difference	-	(4,976)	-	(4,976)
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(697,208)	-	-	(697,208)
Net change	<u>347,890</u>	<u>14,931</u>	<u>759,715</u>	<u>362,821</u>
Plan Fiduciary Net Position:				
Contributions - Employer	618,054	-	(618,054)	-
Contributions - State	127,668	-	(127,668)	-
Contributions - Employee	79,610	-	-	(79,610)
Net Investment Income	609,463	-	-	(609,463)
Difference between projected and actual earnings on Pension Plan investments	(624,787)	-	624,787	-
Current year amortization	-	(97,140)	(124,958)	27,818
Benefit Payments	(697,208)	-	-	697,208
Administrative Expenses	(49,324)	-	-	49,324
Net change	<u>63,476</u>	<u>(97,140)</u>	<u>(245,893)</u>	<u>85,277</u>
Ending Balance	<u>\$ 3,742,456</u>	<u>\$ 250,632</u>	<u>\$ 1,259,544</u>	<u>\$ 448,098</u>

PRELIMINARY COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2017

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 3,742,456	\$ 250,632	\$ 1,259,544	\$ -
Employer and State Contributions made after 09/30/2016	-	-	TBD*	-
Total Pension Liability Factors:				
Service Cost	248,453	-	-	248,453
Interest	874,946	-	-	874,946
Share Plan Allocation	138,245	-	-	138,245
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	230,533	-	230,533	-
Current year amortization of experience difference	-	(4,977)	(57,634)	52,657
Change in assumptions about future economic or demographic factors or other inputs	244,939	-	244,939	-
Current year amortization of change in assumptions	-	-	(61,234)	61,234
Benefit Payments	(950,417)	-	-	(950,417)
Net change	<u>786,699</u>	<u>(4,977)</u>	<u>356,604</u>	<u>425,118</u>
Plan Fiduciary Net Position:				
Contributions - Employer	621,470	-	(621,470)	-
Contributions - State	138,245	-	(138,245)	-
Contributions - Employee	84,939	-	-	(84,939)
Net Investment Income	604,789	-	-	(604,789)
Difference between projected and actual earnings on Pension Plan investments	(36,454)	-	36,454	-
Current year amortization	-	(97,139)	(132,248)	35,109
Benefit Payments	(950,417)	-	-	950,417
Administrative Expenses	(67,029)	-	-	67,029
Net change	<u>395,543</u>	<u>(97,139)</u>	<u>(855,509)</u>	<u>362,827</u>
Ending Balance	<u>\$ 4,133,612</u>	<u>\$ 148,516</u>	<u>TBD</u>	<u>\$ 787,945</u>

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

AMORTIZATION SCHEDULE - INVESTMENTS

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

Plan Year Ending	Differences Between Expected and Actual Experience*	Recognition Period (Years)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2013	\$ (278,581)	5	\$ (55,717)	\$ (55,716)	\$ (55,716)	\$ (55,716)	\$ (55,716)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014	\$ (207,117)	5	\$ -	\$ (41,424)	\$ (41,424)	\$ (41,423)	\$ (41,423)	\$ (41,423)	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 624,787	5	\$ -	\$ -	\$ 124,958	\$ 124,958	\$ 124,957	\$ 124,957	\$ 124,957	\$ -	\$ -	\$ -	\$ -
2016	\$ 36,454	5	\$ -	\$ -	\$ -	\$ 7,290	\$ 7,291	\$ 7,291	\$ 7,291	\$ 7,291	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (55,717)	\$ (97,140)	\$ 27,818	\$ 35,109	\$ 35,109	\$ 90,825	\$ 132,248	\$ 7,291	\$ -	\$ -	\$ -

AMORTIZATION SCHEUDLE - CHANGES OF ASSUMPTIONS

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

Plan Year Ending	Changes of Assumptions	Recognition Period (Years)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014	\$ -	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ -	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 244,939	4	\$ -	\$ -	\$ 61,234	\$ 61,235	\$ 61,235	\$ 61,235	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ -	\$ 61,234	\$ 61,235	\$ 61,235	\$ 61,235	\$ -	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - EXPERIENCE

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

Plan Year Ending	Differences Between Expected and Actual Experience	Recognition Period (Years)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014	\$ -	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ (19,907)	4	\$ -	\$ (4,976)	\$ (4,977)	\$ (4,977)	\$ (4,977)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 230,533	4	\$ -	\$ -	\$ 57,634	\$ 57,633	\$ 57,633	\$ 57,633	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ (4,976)	\$ 52,657	\$ 52,656	\$ 52,656	\$ 57,633	\$ -	\$ -	\$ -	\$ -	\$ -