

CITY OF LAKE WALES
GENERAL EMPLOYEES' PENSION PLAN AND TRUST

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2014

CONTRIBUTIONS APPLICABLE TO THE PLAN/FISCAL
YEAR ENDED SEPTEMBER 30, 2016



November 18, 2014

Board of Trustees
City of Lake Wales
General Employees' Pension Plan and Trust
Post Office Box 1320
Lake Wales, FL 33859-1320

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Lake Wales General Employees' Pension Plan and Trust. 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.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Chapter 112, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the City Finance Department, financial reports prepared by the custodian bank, as well as ICC Capital Management, 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 Lake Wales, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Lake Wales General Employees' Pension Plan and Trust. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

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

Respectfully submitted,

Foster & Foster, Inc.

By:


Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #14-6595

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Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Lake Wales General Employees' Pension Plan and Trust, performed as of October 1, 2014, has been completed, and the results are presented in this Report. The results of this valuation are applicable to the plan/fiscal year ended September 30, 2016.

The funding requirements, compared with the amounts set forth in the October 1, 2013 Actuarial Valuation report, are as follows:

Valuation Date	10/1/2013	10/1/2014
Applicable Plan/Fiscal Year End	<u>9/30/2015</u>	<u>9/30/2016</u>
Total Required Contribution		
% of Total Annual Non-DROP Payroll	13.4%	11.8%
Member Contributions		
% of Total Annual Non-DROP Payroll	5.0%	5.0%
Balance from City		
% of Total Annual Non-DROP Payroll	8.4%	6.8%

The required contribution from the City for the Plan year beginning October 1, 2014 and ending September 30, 2015, will be 8.4% of the actual pensionable earnings during that year. The City requirement for fiscal 2016 is 6.8% of the non-DROP pensionable payroll realized during that year.

As can be seen, the Total Required Contribution has decreased when expressed as a percentage of Total Annual Payroll. The primary components of favorable experience included a 8.95% investment return (Actuarial Asset basis) that exceeded the 7.75% assumption, and lower than expected average increases in pensionable earnings. These gains were partially offset by the effect of lower than expected employee turnover.

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By:  _____
Sara E. Baumer

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

Plan Changes Since Prior Valuation

There have been no plan changes since the prior valuation.

Actuarial Assumption/Method Changes Since Prior Valuation

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

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2014</u>	<u>10/1/2013</u>
A. Participant Data		
Number Included		
Actives	92	93
Service Retirees	33	32
Beneficiaries	2	2
Terminated Vested	6	7
Disability Retirees	0	0
DROP Retirees	2	3
Total	<u>135</u>	<u>137</u>
Total Annual Payroll	\$3,282,762	\$3,219,722
Payroll Under Assumed Ret. Age	3,282,762	3,219,722
Annual Rate of Payments to:		
Service Retirees	436,014	401,999
Beneficiaries	10,228	10,228
Terminated Vested	16,568	15,500
Disability Retirees	0	0
DROP Retirees	25,065	48,239
B. Assets		
Actuarial Value ¹	8,783,745	8,127,448
Market Value ¹	9,318,555	8,522,030
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	4,068,929	3,746,839
Disability Benefits	222,082	214,345
Death Benefits	21,513	20,309
Vested Benefits	1,533,800	1,510,622
Refund of Contributions	262,123	284,900
Service Retirees	4,071,609	3,768,250
Beneficiaries	125,528	126,179
Terminated Vested	174,483	164,499
Disability Retirees	0	0
DROP Retirees ¹	400,796	684,761
Total	<u>10,880,863</u>	<u>10,520,704</u>

	<u>10/1/2014</u>	<u>10/1/2013</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries (Attained Age)	17,198,682	17,034,903
Present Value of Future Member Contributions	859,934	851,745
Normal Cost (FIL Method)	263,366	304,143
Present Value of Future Normal Costs (Entry Age)	1,649,564	1,784,688
Actuarial Accrued Liability	9,501,065	8,911,546
Unfunded Actuarial Accrued Liability (UAAL)	717,320	784,098
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives ¹	4,772,416	4,743,689
Actives	1,395,217	1,129,620
Member Contributions	1,031,064	946,358
	<hr/>	<hr/>
Total	7,198,697	6,819,667
Non-vested Accrued Benefits	622,875	675,557
	<hr/>	<hr/>
Total Present Value Accrued Benefits	7,821,572	7,495,224
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	258,822	
Benefits Paid	(494,203)	
Interest	561,729	
Other	0	
	<hr/>	
Total:	326,348	

Valuation Date Applicable to Fiscal Year Ending	10/1/2014 <u>9/30/2016</u>	10/1/2013 <u>9/30/2015</u>
E. Pension Cost		
Normal Cost (with interest) % of Total Annual Payroll ²	8.3	9.8
Administrative Expenses (with interest) % of Total Annual Payroll ²	0.8	0.8
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 28 years (as of 10/1/14) (with interest) % of Total Annual Payroll ²	2.7	2.8
Total Required Contribution % of Total Annual Payroll ²	11.8	13.4
Expected Member Contributions % of Total Annual Payroll ²	5.0	5.0
Expected City Contrib. % of Total Annual Payroll ²	6.8	8.4

F. Past Contributions

Plan Year Ending:	<u>9/30/2014</u>
Total Required Contribution	450,085
City Requirement	294,883
Actual Contributions Made:	
Members	155,202
City	<u>294,883</u>
Total	450,085

G. Net Actuarial Gain (Loss) N/A

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 10/1/2013 and 10/1/2014.

² Contributions developed as of 10/1/2014, are expressed as a percentage of Total Annual Payroll at 10/1/2014 of \$3,282,762.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2014	\$717,320
2015	679,553
2016	653,738
2021	492,988
2026	286,292
2031	(13,884)
2042	0

I. (i) 3 Year Comparison of Actual and Assumed Increases in Pensionable Earnings

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	2.7%	6.5%
Year Ended	9/30/2013	3.6%	6.5%
Year Ended	9/30/2012	2.8%	6.5%

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

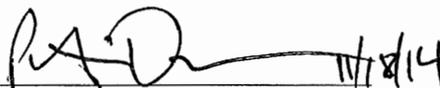
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	8.9%	7.75%
Year Ended	9/30/2013	8.2%	7.75%
Year Ended	9/30/2012	4.6%	7.75%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2014	\$3,282,762
	10/1/2004	2,201,601
(b) Total Increase		49.1%
(c) Number of Years		10.00
(d) Average Annual Rate		4.08%

STATEMENT BY ENROLLED ACTUARY

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



Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #14-6595

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

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

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2013	\$784,098
(2)	City and State Normal Cost Applicable for the year *	167,305
(3)	Interest on (1) and (2)	73,734
(4)	Sponsor Contributions to the System during the year ending September 30, 2014	294,883
(5)	Interest on (4)	12,934
(6)	Unfunded Actuarial Accrued Liability as of October 1, 2014 (1) + (2) + (3) - (4) - (5)	\$717,320

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2014 Amount</u>	<u>Amortization Amount</u>
"A"	1/1/1986	1	\$16,380	\$16,380
"B"	1/1/1990	5	87,890	18,964
"C"	1/1/1995	10	37,198	4,400
"D"	10/1/1997	13	25,627	2,461
"E"	10/1/2001	17	163,902	12,906
"F"	10/1/2003	19	13,880	1,012
"G"	10/1/2005	21	(160,924)	(10,980)
"H"	10/1/2006	22	916,227	60,678
Method	10/1/2008	14	4,919	446
Assumptions	10/1/2008	14	61,990	5,626
Benefits	10/1/2011	27	(103,743)	(6,075)
Assumptions	10/1/2011	17	(92,756)	(7,304)
Assumptions	10/1/2012	18	145,464	11,006
Benefits	10/1/2012	28	<u>(398,734)</u>	<u>(22,877)</u>
			\$717,320	\$86,643

*Includes \$24,148 for administrative expenses.

ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rates</u>	RP2000 Mortality Table (Combined Healthy), projected to valuation date using scale AA. Disabled lives set forward 5 years.
<u>Termination Rates</u>	See Table below.
<u>Disability Rates</u>	See Table below. It is assumed that 25% of disablements are service related.
<u>Retirement Age</u>	Age 60 and 10 years of service. Also, any member who has reached Normal Retirement is assumed to work one additional year.
<u>Early Retirement</u>	Commencing upon eligibility for Early Retirement, members are assumed to retire with an immediate benefit at the rate of 2% per year.
<u>Interest Rate</u>	7.75% per year, compounded annually, net of investment related expenses.
<u>Pensionable Earnings Increases</u>	6.5% per year until the assumed retirement age; see table below. Projected earnings at retirement are assumed to include individual accrued leave balances to account for non-regular compensation.
<u>Payroll Increase for Amortizing UAAL</u>	3.66% per year.
<u>Administrative Expenses</u>	0.75% of Payroll.
<u>Funding Method</u>	Frozen Entry Age Actuarial Cost Method
<u>Actuarial Asset Method</u>	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>	<u>Current Salary as % of Salary at age 60</u>
20	46.3%	0.05%	8.1%
30	23.3	0.06	15.1
40	13.1	0.12	28.4
50	10.4	0.43	53.3
60	10.4	1.61	100.0

VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the 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.

Normal (Current Year's) Cost is the current year's cost for benefits yet to be funded.

Unfunded Accrued Liability is a liability which arises when a retirement plan is initially established or improved and such establishment or improvement is applicable to all years of past service.

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.

Frozen Entry Age Method is the method used to determine required contributions under the Plan. The use of this method involves the systematic funding of the Normal Cost (described above) and the Unfunded Actuarial Accrued (Past Service) Liability. See the "Reconciliation of Unfunded Actuarial Accrued Liability" for details regarding the current status of the liability.

ACTUARIAL ASSET VALUATION
SEPTEMBER 30, 2014

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

Details of the derivation are set forth as follows:

Plan Year End	Rate of Return*	
09/30/2011	-3.40%	
09/30/2012	16.43%	
09/30/2013	13.69%	
09/30/2014	10.18%	
Annualized Rate of Return for prior four (4) years:		8.95%
(A) 10/01/2013 Actuarial Assets:		\$8,127,447.52
(I) Net Investment Income:		
1. Interest and Dividends		230,810.81
2. Realized Gains (Losses)		614,563.80
3. Change in Actuarial Value		(66,159.64)
4. Investment Related Expenses		(55,033.00)
	Total	724,181.97
(B) 10/01/2014 Actuarial Assets:		\$8,783,744.71
Actuarial Asset Rate of Return = $2I/(A+B-I)$:		8.95%
10/01/2014 Limited Actuarial Assets:		\$8,783,744.71

*Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2014
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	155,201.62	
City	294,883.08	
Total Contributions		450,084.70
Earnings from Investments:		
Interest & Dividends	230,810.81	
Net Realized Gain (Loss)	614,563.80	
Change in Actuarial Value	(66,159.64)	
Total Earnings and Investment Gains		779,214.97

EXPENDITURES

Distributions to Members:		
Benefit Payments	415,636.53	
Lump Sum DROP Distributions	31,603.03	
Refunds of Member Contributions	46,963.60	
Total Distributions		494,203.16
Expenses:		
Investment Related ¹	55,033.00	
Administrative	23,766.32	
Total Expenses		78,799.32
Change in Net Assets for the Year		656,297.19
Net Assets Beginning of the Year		8,127,447.52
Net Assets End of the Year ²		8,783,744.71

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, 2013 to September 30, 2014

09/30/2013 Balance	182,109.58
Plus Additions	46,576.58
Investment Return Earned	74.12
Less Distributions	(31,603.03)
09/30/2014 Balance	197,157.25

RECONCILIATION OF CITY'S SHORTFALL FOR THE
FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2014

(1) City Required Contribution Rate (from the August 27, 2013 Actuarial Impact Statement)	9.5%
(2) Pensionable Payroll Derived from Member Contributions	\$3,104,032.40
(3) Required City Contribution (1) x (2)	294,883.08
(4) Less Actual City Contributions	(255,967.77)
(5) Less City's Prepaid Contribution as of September 30, 2013	<u>(38,912.60)</u>
(6) Equals City's Prepaid Contribution (Shortfall) as of September 30, 2014	(\$2.71)

STATISTICAL DATA *

	<u>10/1/2011</u>	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>
Number	84	91	93	92
Average Current Age	45.9	46.1	45.5	45.2
Average Age at Employment	39.0	39.0	38.9	38.1
Average Past Service	6.9	7.1	6.6	7.1
Average Annual Salary	\$32,196	\$32,160	\$34,621	\$35,682

* Prior to October 1, 2013, 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	1	0	0	0	0	0	0	0	0	0	0	1
20 - 24	2	2	1	1	0	0	0	0	0	0	0	6
25 - 29	2	0	0	3	0	2	0	0	0	0	0	7
30 - 34	1	0	1	0	0	2	1	0	0	0	0	5
35 - 39	1	0	2	3	3	4	1	1	0	0	0	15
40 - 44	1	3	1	0	1	2	1	1	0	0	0	10
45 - 49	0	1	0	0	1	5	2	0	0	1	0	10
50 - 54	1	0	2	1	0	5	3	2	1	0	0	15
55 - 59	0	1	0	0	0	4	0	2	0	0	0	7
60 - 64	0	0	1	0	2	6	1	0	1	0	0	11
65+	1	0	0	0	0	3	0	0	0	1	0	5
Total	10	7	8	8	7	33	9	6	2	2	0	92

MEMBER RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/13	93
b. Terminations	
i. Vested (partial or full) with deferred benefits	0
ii. Non-vested or full lump sum distribution received	9
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	1
f. DROP Retired	1
g. Voluntary withdrawal	0
h. Continuing participants	82
i. New entrants	10
j. Total active life participants in valuation	92

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

	Service Retirees, Vested Receiving <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	<u>Vested Deferred</u>	<u>DROP</u>	<u>Total</u>
a. Number prior valuation	32	2	0	7	3	44
b. In	3	0	0	0	1	4
c. Out	2	0	0	1	2	5
d. Number current valuation	33	2	0	6	2	43

SUMMARY OF PLAN PROVISIONS

<u>Eligibility</u>	Full-time employees who are classified as General Employees participate in the Plan as a condition of employment. Full-time employees in pay grades 119(a)-300 may opt out.
<u>Compensation</u>	Total pay (including the lesser of the amount of sick and annual leave time accrued as of July 1, 2011, or the actual amount of sick and annual leave time accrued at the time of separation from employment), but not including more than 300 hours of overtime per year, expense reimbursements, director's fees or contributions made by the City to this Plan or other fringe benefit plans.
<u>Average Monthly Compensation</u>	Average Compensation for the highest consecutive 5 calendar years preceding retirement or termination.
<u>Credited Service</u>	Total years and fractional parts of years of employment with the City as a General Employee.
<u>Normal Retirement</u>	
Date	Age 60 and 10 years of service.
Benefit	2.50% of Average Monthly Compensation <u>times</u> Credited Service. (Maximum Annual Benefit = \$75,000)
Form of Benefit	Life Annuity (options available).
<u>Early Retirement</u>	
Date	Age 55 and 10 years of Credited Service.
Benefit	Accrued benefit, reduced 1/15 th for each of the first 2.5 years and 1/30 th for each of the next 2.5 years that Early Retirement precedes Normal Retirement.
<u>Death Benefit</u>	
Pre-Retirement	Refund of accumulated contributions, with interest.
Post-Retirement	Benefits payable to beneficiary in accordance with option selected at retirement.
<u>Vesting</u>	
Schedule	100% after 10 years of Credited Service.
Benefit Amount	Member will receive the vested portion of his (her) accrued benefit payable at age 55 (reduced) or age 60 (unreduced).

Disability Benefit

Eligibility	10 years of Credited Service for Not In Line-of- Duty benefits.
Benefit Amount	Accrued pension benefit, reduced as for Early Retirement, or return of Member Contributions, with interest. Minimum benefit for In Line-of-Duty disability is 42% of Average Final Compensation.

Member Contributions

5.0% of Compensation (cease upon reaching the \$75,000 maximum annual accrued benefit).

City Contributions

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over 30 years.

Deferred Retirement Option Plan

Eligibility	Satisfaction of Normal Retirement requirements.
Participation	Not to exceed 60 months.
Rate of Return	At Member's election: (a) 91 T-Bill interest rate; or (b) actual net rate of investment return. The member may revise this election bi-annually.
Form of Distribution	Cash lump sum payable at termination of employment.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Money Market	907,679.64
Cash	(109,014.51)
Total Cash and Equivalents	798,665.13
Receivables:	
Additional City Contributions	2.71
Investment Income	18,893.28
Total Receivable	18,895.99
Investments:	
U. S. Bonds and Bills	368,826.70
Federal Agency Guaranteed Securities	234,514.71
Corporate Bonds	1,993,599.39
Stocks	5,719,640.29
Municipal Obligations	184,413.25
Total Investments	8,500,994.34
Total Assets	9,318,555.46
<u>LIABILITIES</u>	
Total Liabilities	0.00
NET POSITION RESTRICTED FOR PENSIONS	9,318,555.46
TOTAL LIABILITIES AND NET ASSETS	9,318,555.46

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014
Market Value Basis

ADDITIONS

Contributions:

Member	155,201.62	
City	294,883.08	
Total Contributions		450,084.70
Investment Income:		
Net Increase in Fair Value of Investments	688,632.02	
Interest & Dividends	230,810.81	
Less Investment Expense ¹	(55,033.00)	
Net Investment Income		864,409.83
Total Additions		1,314,494.53

DEDUCTIONS

Distributions to Members:

Benefit Payments	415,636.53	
Lump Sum DROP Distributions	31,603.03	
Refunds of Member Contributions	46,963.60	
Total Distributions		494,203.16
Administrative Expense		23,766.32
Total Deductions		517,969.48
Net Increase in Net Position		796,525.05
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		8,522,030.41
End of the Year		9,318,555.46

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

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/14

City	9.5%
Plan Members	5.0%

Annual Pension Cost	301,613
Contributions made	294,883
Actuarial valuation date	10/1/2012
Actuarial cost method	Frozen Entry Age
Amortization method	Level Percentage of Pay, Closed
Remaining amortization period	29 Years (as of 10/1/12)
Asset valuation method	4 Year Smoothed Market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increase*	6.5% (as of 10/1/12)
* Includes inflation at	3.0%
Post Retirement COLA	0.0%

THREE YEAR TREND INFORMATION

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/14	301,613	98%	(62,318)
9/30/13	252,894	97%	(69,048)
9/30/12	174,012	95%	(76,465)

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

DEVELOPMENT OF NET PENSION OBLIGATION (NPO)

This municipal Defined Benefit Plan has been subject to the minimum funding standards since the adoption of the "Florida Protection of Public Employee Retirement Benefits Act" (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the sponsor has funded the actuarially determined required contributions for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the NPO on October 1, 1997, is 0.

The recent development of the Net Pension Obligation is as follows:

	<u>9/30/11</u>	<u>9/30/12</u>	<u>9/30/13</u>	<u>9/30/14</u>
Actuarially Determined				
Contribution (A)	71,802	165,024	245,477	294,883
Interest on NPO	(7,414)	(6,623)	(5,926)	(5,351)
Adjustment to (A)	17,621	15,611	13,343	12,081
	-----	-----	-----	-----
Annual Pension Cost	82,009	174,012	252,894	301,613
Contributions Made	71,803	165,024	245,477	294,883
	-----	-----	-----	-----
Increase in NPO	10,206	8,988	7,417	6,730
NPO Beginning of Year	(95,659)	(85,453)	(76,465)	(69,048)
	-----	-----	-----	-----
NPO End of Year	(85,453)	(76,465)	(69,048)	(62,318)

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2014)

Plan Description

Plan Administration

The general administration and responsibility for the proper operation of the retirement system and trust and for making effective the provisions of this ordinance are hereby vested in a board of trustees (herein designaed as the plan administrator) consisting of five (5) persons as follows:

- (1) The mayor and/or commissioner to be appointed by the city commission;
- (2) Finance director, as a non-voting member of the board;
- (3) Two (2) employee members to be elected by a majority of the actively employed members of the retirement system; and
- (4) Two (2) public members selected by the board and appointed by the city commission.

Plan Membership as of October 1, 2013:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	37
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	7
Active Plan Members	93
	137

Benefits Provided

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

Normal Retirement:

Date: Age 60 and 10 years of service.

Benefit: 2.50% of Average Monthly Compensation times Credited Service. (Maximum Annual Benefit = \$75,000).

Early Retirement:

Date: Age 55 and 10 years of Credited Service.

Benefit: Accrued benefit, reduced 1/15th for each of the first 2.5 years and 1/30th for each of the next 2.5 years that Early Retirement precedes Normal Retirement.

Vesting:

Schedule: 100% after 10 years of Credited Service.

Benefit: Member will receive the vested portion of his (her) accrued benefit payable at age 55 (reduced) or age 60 (unreduced).

Disability:

Eligibility: 10 years of Credited Service for Not In Line-of- Duty benefits.

Benefit: Accrued pension benefit, reduced as for Early Retirement, or return of Member Contributions, with interest.

Minimum benefit for In Line-of-Duty disability is 42% of Average Final Compensation.

Pre-Retirement Death Benefits:

Refund of accumulated contributions, with interest.

Contributions

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

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	50.00%
International Equity	15.00%
Fixed Income	35.00%
<u>Total</u>	<u>100.00%</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, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 10.18 percent.

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

Deferred Retirement Option Program

Eligibility: Satisfaction of Normal Retirement requirements.

Participation: Not to Exceed 60 Months.

Rate of Return: At Member's election:

(a) 91 T-Bill interest rate; or

(b) actual net rate of investment return. The member may revise this election bi-annually.

The DROP balance as September 30, 2014 is \$197,157.

NET PENSION LIABILITY OF THE SPONSOR

The components of the net pension liability of the sponsor on September 30, 2014 were as follows:

Total Pension Liability	\$ 9,032,970
Plan Fiduciary Net Position	\$ (9,318,555)
Sponsor's Net Pension Liability	<u>\$ (285,585)</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	103.16%

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	6.50%
Investment Rate of Return	7.75%

RP2000 Mortality Table (Combined Healthy), projected to valuation date using scale AA. Disabled lives set forward 5 years.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 1992-2008.

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. 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, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	5.75%
International Equity	6.00%
Fixed Income	2.50%

Discount Rate:

The discount rate used to measure the total pension liability was 7.75 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension Liability	\$ 732,771	\$ (285,585)	\$ (1,069,143)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years
(Dollar Amounts in Thousands)

	<u>09/30/2014</u>
Total Pension Liability	
Service Cost	313,558
Interest	667,476
Change in Excess State Money	-
Share Plan Allocation	-
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	-
Changes of Assumptions	
Benefit Payments, Including Refunds of Employee Contributions	(494,203)
Net Change in Total Pension Liability	<u>486,831</u>
Total Pension Liability - Beginning	8,546,139
Total Pension Liability - Ending (a)	<u><u>\$ 9,032,970</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	294,883
Contributions- State	-
Contributions - Employee	155,202
Net Investment Income	864,410
Benefit Payments, Including Refunds of Employee Contributions	(494,203)
Administrative Expense	(23,766)
Other	-
Net Change in Plan Fiduciary Net Position	<u>796,525</u>
Plan Fiduciary Net Position - Beginning	8,522,030
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 9,318,555</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ (285,585)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	103.16%
Covered Employee Payroll	\$ 3,104,032
Net Pension Liability as a Percentage of covered Employee Payroll	-9.20%

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

(Dollar Amounts in Thousands)

	09/30/2014
Actuarially Determined Contribution Contributions in Relation to the Actuarially Determined Contributions	294,883
Contribution Deficiency (Excess)	\$ (0)
Covered Employee Payroll Contributions as a Percentage of Covered Employee Payroll	\$ 3,104,032 9.50%

Notes to Schedule

Valuation Date: 10/01/2012

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:	Frozen Entry Age Actuarial Cost Method.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	29 Years (as of 10/01/2012).
Actuarial Asset Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value.
Inflation:	3.0% per year.
Pensionable Earnings Increases:	6.5% per year until the assumed retirement age. Projected earnings at retirement are assumed to include individual accrued leave balances to account for non-regular compensation.
Interest Rate:	7.75% per year, compounded annually, net of investment related expenses.
Payroll Increase for Amortizing UAAL:	Up to 5.0% per year (3.66% for current valuation).
Retirement Age:	Age 60 and 10 years of service. Also, any member who has reached Normal Retirement is assumed to work one additional year.
Early Retirement:	Commencing upon eligibility for Early Retirement, members are assumed to retire with an immediate benefit at the rate of 2% per year.

Termination Rates:	See Table below.
Disability Rates:	See Table below. It is assumed that 75% of disablements and active deaths are service related.
Mortality:	RP2000 Mortality Table (Combined Healthy), projected to valuation date using scale AA (previously static). Disabled lives set forward 5 years.
Other Information:	Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	46.3%	0.05%
30	23.3%	0.06%
40	13.1%	0.12%
50	10.4%	0.43%
60	10.4%	1.61%

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	<u>09/30/2014</u>
Annual Money-Weighted Rate of Return	
Net of Investment Expense	10.18%

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2014)

General Information about the Pension Plan

Plan Description

Full-time employees who are classified as General Employees participate in the Plan as a condition of employment.

Full-time employees in pay grades 119(a)-300 may opt out.

The general administration and responsibility for the proper operation of the retirement system and trust and for making effective the provisions of this ordinance are hereby vested in a board of trustees (herein designaed as the plan administrator) consisting of five (5) persons as follows:

- (1) The mayor and/or commissioner to be appointed by the city commission;
- (2) Finance director, as a non-voting member of the board;
- (3) Two (2) employee members to be elected by a majority of the actively employed members of the retirement system; and
- (4) Two (2) public members selected by the board and appointed by the city commission.

Plan Membership as of October 1, 2013:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	37
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	7
Active Plan Members	93
	137

Benefits Provided

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

Normal Retirement:

Date: Age 60 and 10 years of service.

Benefit: 2.50% of Average Monthly Compensation times Credited Service. (Maximum Annual Benefit = \$75,000).

Early Retirement:

Date: Age 55 and 10 years of Credited Service.

Benefit: Accrued benefit, reduced 1/15th for each of the first 2.5 years and 1/30th for each of the next 2.5 years that

Vesting:

Schedule: 100% after 10 years of Credited Service.

Benefit: Member will receive the vested portion of his (her) accrued benefit payable at age 55 (reduced) or age 60

Disability:

Eligibility: 10 years of Credited Service for Not In Line-of- Duty benefits.

Benefit: Accrued pension benefit, reduced as for Early Retirement, or return of Member Contributions, with interest.

Pre-Retirement Death Benefits:

Refund of accumulated contributions, with interest.

Contributions

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

Net Pension Liability

The Sponsor's net pension liability was measured as of September 30, 2014.

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, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	6.50%
Investment Rate of Return	7.75%

RP2000 Mortality Table (Combined Healthy), projected to valuation date using scale AA. Disabled lives set forward 5 years.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 1992-2008.

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.

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 2014 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	50.00%	5.75%
International Equity	15.00%	6.00%
Fixed Income	35.00%	2.50%
Total	<u>100.00%</u>	

Discount Rate:

The discount rate used to measure the total pension liability was 7.75 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2013	\$ 8,546,139	\$ 8,522,030	\$ 24,109
Changes for a Year:			
Service Cost	313,558		313,558
Interest	667,476		667,476
Change In Excess State Money	-		-
Share Plan Allocation	-		-
Differences Between Expected and Actual Experience	-		-
Contributions - Employer		294,883	(294,883)
Contributions -State		-	-
Contributions - Employee		155,202	(155,202)
Net Investment Income		864,410	(864,410)
Benefit Payments, Including Refunds of Employee Contributions	(494,203)	(494,203)	-
Administrative Expense		(23,766)	23,766
Other Changes	-	-	-
New Changes	486,831	796,525	(309,694)
Balances at September 30, 2014	<u>\$ 9,032,970</u>	<u>\$ 9,318,555</u>	<u>\$ (285,585)</u>

Sensitivity of the net pension liability to changes in the discount rate.

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.75%	7.75%	8.75%
Sponsor's Net Pension Liability	\$ 732,771	\$ (285,585)	\$ (1,069,143)

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in a separately issued Plan financial report.

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

For the year ended September 30, 2015 the Sponsor will recognize a pension expense of \$150,455. On September 30, 2015 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	165,266
Total	<u>\$ -</u>	<u>\$ 165,266</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$ (41,317)
2017	\$ (41,317)
2018	\$ (41,317)
2019	\$ (41,315)
2020	\$ -
Thereafter	\$ -

Payable to the Pension Plan

On September 30, 2014, the Sponsor reported a payable of \$2.71, for the outstanding amount of contributions of the pension plan required for the year ended September 30, 2014.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years
(Dollar Amounts in Thousands)

	<u>09/30/2014</u>
Total Pension Liability	
Service Cost	313,558
Interest	667,476
Change in Excess State Money	-
Share Plan Allocation	-
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(494,203)
Net Change in Total Pension Liability	<u>486,831</u>
Total Pension Liability - Beginning	8,546,139
Total Pension Liability - Ending (a)	<u><u>\$ 9,032,970</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	294,883
Contributions - State	-
Contributions - Employee	155,202
Net Investment Income	864,410
Benefit Payments, Including Refunds of Employee Contributions	494,203
Administrative Expense	(23,766)
Other	-
Net Change in Plan Fiduciary Net Position	<u>1,784,931</u>
Plan Fiduciary Net Position - Beginning	8,522,030
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 9,318,555</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ (285,585)</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	103.16%
Covered Employee Payroll	\$ 3,104,032
Net Pension Liability as a Percentage of covered Employee Payroll	-9.20%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years
(Dollar Amounts in Thousands)

	09/30/2014
Actuarially Determined Contribution	294,883
Contributions in Relation to the Actuarially Determined Contributions	294,883
Contribution Deficiency (Excess)	\$ (0)
Covered Employee Payroll	\$ 3,104,032
Contributions as a Percentage of Covered Employee Payroll	9.50%

Notes to Schedule

Valuation Date: 10/01/2012
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:	Frozen Entry Age Actuarial Cost Method.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	29 Years (as of 10/01/2012).
Actuarial Asset Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value.
Inflation:	3.0% per year.
Pensionable Earnings Increases:	6.5% per year until the assumed retirement age. Projected earnings at retirement are assumed to include individual accrued leave balances to account for non-regular compensation.
Interest Rate:	7.75% per year, compounded annually, net of investment related expenses.
Payroll Increase for Amortizing UAAL:	Up to 5.0% per year (3.66% for current valuation).
Retirement Age:	Age 60 and 10 years of service. Also, any member who has reached Normal Retirement is assumed to work one additional year.
Early Retirement:	Commencing upon eligibility for Early Retirement, members are assumed to retire with an immediate benefit at the rate of 2% per year.

Termination Rates: See Table below.
 Disability Rates: See Table below. It is assumed that 75% of disablements and active deaths are service related.
 Mortality: RP2000 Mortality Table (Combined Healthy), projected to valuation date using scale AA (previously static). Disabled lives set forward 5 years.
 Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the</u>
20	46.3%	0.05%
30	23.3%	0.06%
40	13.1%	0.12%
50	10.4%	0.43%
60	10.4%	1.61%

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	24,109	-	294,883	
Total pension liability factors:				
Service cost	313,558			313,558
Interest	667,476			667,476
Change in Excess State Money	-			-
Share Plan Allocation	-			-
Changes in benefit terms	-			-
Differences between expected and actual experience with regard to economic or demographic assumptions				
Current year amortization	-	-	-	-
Changes in assumptions about future economic or demographic factors or other inputs				
Current year amortization	-	-	-	-
Benefit payments	(494,203)			(494,203)
Net change	<u>486,831</u>	<u>-</u>	<u>-</u>	<u>486,831</u>
Plan fiduciary net position:				
Contributions - employer	294,883		(294,883)	
Contributions - state	-			-
Contributions - employee	155,202			(155,202)
Net investment income	657,827			(657,827)
Difference between projected and actual earnings on pension plan investments				
Current year amortization	206,583	206,583	-	(41,317)
Benefit payments	(494,203)			494,203
Administrative expenses	(23,766)			23,766
Other	-			-
Net change	<u>796,525</u>	<u>165,266</u>	<u>(294,883)</u>	<u>(336,376)</u>
Ending Balance	<u>(285,585)</u>	<u>165,266</u>	<u>-</u>	<u>150,455</u>