

February 21, 2017

Ms. Linda Runkle, Plan Administrator
The Resource Centers, LLC
P.O. Box 152665
Cape Coral, FL 33915-2665

RE: GASB Statement No. 67 and No. 68– City of Cape Coral Municipal General Employees’ Retirement Plan

Dear Board:

We are pleased to present to the Board a GASB Statement No. 67 and No. 68 measured as of September 30, 2016 for the City of Cape Coral Municipal General Employees’ Retirement Plan.

The calculation of the liability associated with the benefits referenced in this report was performed for the purpose of satisfying the requirements of GASB No.67 and No.68 and is not applicable for purposes, such as determining the plans’ funding requirements. A calculation of the plan’s liability for other purposes may produce significantly different results.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of October 1, 2015. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ending September 30th, 2016 using generally accepted actuarial principles. It is our opinion that the assumptions used for this purposes are internally consistent, reasonable, and comply with the requirements under GASB No.67 and No.68.

Certain schedules should include a 10-year history of information. As provided for in GASB No. 67 and No.68, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB No. 67 and No.68.

To the best of our knowledge, these statements are complete and accurate and are in accordance with generally recognized actuarial practices and methods.

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

Respectfully submitted,

Foster & Foster, Inc.

By: 

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

DHL/lke
Enclosures

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016

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

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

ADDITIONS

Contributions:

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

DEDUCTIONS

Distributions to Members:

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

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

Plan Membership as of October 1, 2015:

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

Benefits Provided

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

Normal Retirement:

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

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

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

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

Cost-of-Living Adjustment:

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

Early Retirement:

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

Benefit: Determined as for Normal Retirement and actuarially reduced.

Pre-Retirement Death Benefits:

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

Termination of Employment:

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

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

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

Benefit:

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

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

Death Prior to Benefit Commencement:

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

Contributions

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

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

Investments

Investment Policy:

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

<u>Asset Class</u>	<u>Target Allocation</u>
US Equity	32%
Developed Non US Equity	10%
Emerging Market Equity	8%
US Core Fixed Income	20%
Hedge Fund of Funds	8%
Real Estate	12%
Private Equity	5%
Farmland	5%
Total	100%

Concentrations:

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's Fiduciary Net Position.

Rate of Return:

For the year ended September 30, 2016, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 8.66 percent.

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

Deferred Retirement Option Program

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

Participation: Not to exceed 60 months.

At Member's election:

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

(2) 6.5% per annum compounded monthly.

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

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

NET PENSION LIABILITY OF THE SPONSOR

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

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

Actuarial Assumptions:

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

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

Mortality Rate Healthy Lives:

Mortality Table - RP2000 Fully Generational with Scale BB, with collar and annuitant adjustments as follows:

Males – 50% Annuitant White Collar, 50% Annuitant Blue Collar.

Females – 100% Annuitant White Collar.

Mortality Rate Disabled Lives:

Mortality Table - RP2000 without projection, with the following adjustments:

Males – 100% Disabled Male with four year setback

Females – 100% Disabled Female with two year set forward.

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

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2016 the inflation rate assumption of the investment advisor was 2.00%.

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

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

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

GASB 67

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.75 percent.

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

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

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

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

Note 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.

The inflation assumption rate was lowered from 3.00% to 2.00%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

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

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

Note 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 Contributions in relation to the Actuarially Determined Contributions	16,709,229	15,890,988	14,847,599	11,946,344
Contribution Deficiency (Excess)	\$ 5,945	\$ (5,945)	\$ -	\$ -
Covered Employee Payroll ¹	\$ 38,839,907	\$ 43,059,029	\$ 36,210,403	\$ 33,074,042
Contributions as a percentage of Covered Employee Payroll	43.01%	36.92%	41.00%	36.12%

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

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

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

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

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

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

GASB 67

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

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	<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	8.66%	-1.36%	10.04%	12.71%

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

General Information about the Pension Plan

Plan Description

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

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

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

Plan Membership as of October 1, 2015:

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

Benefits Provided

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

Normal Retirement:

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

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

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

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

Cost-of-Living Adjustment:

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

Early Retirement:

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

Benefit: Determined as for Normal Retirement and actuarially reduced.

Pre-Retirement Death Benefits:

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

GASB 68

Termination of Employment:

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

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

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

Benefit:

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

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

Death Prior to Benefit Commencement:

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

Contributions

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

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

GASB 68

Net Pension Liability

The measurement date is September 30, 2016.

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

The reporting period is October 1, 2015 through September 30, 2016.

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

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

Actuarial Assumptions:

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

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

Mortality Rate Healthy Lives:

Mortality Table - RP2000 Fully Generational with Scale BB, with collar and annuitant adjustments as follows:

Males – 50% Annuitant White Collar, 50% Annuitant Blue Collar.

Females – 100% Annuitant White Collar.

Mortality Rate Disabled Lives:

Mortality Table - RP2000 without projection, with the following adjustments:

Males – 100% Disabled Male with four year setback

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

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, Net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2016 the inflation rate assumption of the investment advisor was 2.00%.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
US Equity	32%	6.62%
Developed Non US Equity	10%	7.30%
Emerging Market Equity	8%	9.66%
US Core Fixed Income	20%	1.72%
Hedge Fund of Funds	8%	3.68%
Real Estate	12%	4.46%
Private Equity	5%	11.27%
<u>Total</u>	<u>100%</u>	

GASB 68

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.75 percent.

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

CHANGES IN NET PENSION LIABILITY

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

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

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

Pension Plan Fiduciary Net Position.

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

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

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

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

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

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

Year ended September 30:	
2017	\$ 5,964,025
2018	\$ 5,964,026
2019	\$ 6,741,740
2020	\$ 3,314,892
2021	\$ -
Thereafter	\$ -

Payable to the Pension Plan

On September 30, 2016, the Sponsor reported a payable of \$248,061 for the outstanding amount of contributions of the Pension Plan required for the year ended September 30, 2016.

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

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

Note 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.

The inflation assumption rate was lowered from 3.00% to 2.00%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

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

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

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

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

Amortization Method: Level Percentage of Pay, Closed.

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

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

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

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

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

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

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

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

Payroll Increase: Up to 5.00% per year.

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

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

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

AMORTIZATION SCHEDULE - INVESTMENTS

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

Plan Year Ending	Differences Between Projected and Actual Earnings	Recognition Period (Years)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
2014	\$ (3,888,569)	5	\$ (777,713)	\$ (777,714)	\$ (777,714)	\$ (777,714)	\$ (777,714)	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 18,001,528	5	\$ -	\$ 3,600,305	\$ 3,600,305	\$ 3,600,306	\$ 3,600,306	\$ 3,600,306	\$ -	\$ -	\$ -	\$ -
2016	\$ (1,693,312)	5	\$ -	\$ -	\$ (338,663)	\$ (338,663)	\$ (338,662)	\$ (338,662)	\$ (338,662)	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (777,713)	\$ 2,822,591	\$ 2,483,928	\$ 2,483,929	\$ 2,483,930	\$ 3,261,644	\$ (338,662)	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - CHANGES OF ASSUMPTIONS

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

Plan Year Ending	Changes of Assumptions	Recognition Period (Years)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014	\$ -	4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ -	5	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 14,374,009	5	\$ -	\$ -	\$ 2,874,801	\$ 2,874,802	\$ 2,874,802	\$ 2,874,802	\$ 2,874,802	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ -	\$ 2,874,801	\$ 2,874,802	\$ 2,874,802	\$ 2,874,802	\$ 2,874,802	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - EXPERIENCE

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

Plan Year Ending	Differences Between Expected and Actual Experience	Recognition Period (Years)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2015	\$ (867,289)	5	\$ (173,457)	\$ (173,458)	\$ (173,458)	\$ (173,458)	\$ (173,458)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 3,893,760	5	\$ -	\$ 778,752	\$ 778,752	\$ 778,752	\$ 778,752	\$ 778,752	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (173,457)	\$ 605,294	\$ 605,294	\$ 605,294	\$ 605,294	\$ 778,752	\$ -	\$ -	\$ -	\$ -	\$ -