

February 9, 2017

Mr. Scott Baur
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 Police Officers’ 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 Police Officers’ 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	4,326,082
Prepaid Expenses	1,769
Cash	109
Total Cash and Equivalents	4,327,960
Receivables:	
From Broker for Investments Sold	509,290
Investment Income	153,819
Total Receivable	663,109
Investments:	
U. S. Bonds and Bills	12,128,146
Federal Agency Guaranteed Securities	4,643,017
Corporate Bonds	10,672,842
Municipal Obligations	126,648
Certificates of Deposits	173,075
Stocks	50,872,728
Mutual Funds:	
Equity	28,706,438
Pooled/Common/Commingled Funds:	
Equity	12,730,288
Real Estate	15,971,274
Total Investments	136,024,456
Total Assets	141,015,525
<u>LIABILITIES</u>	
Payables:	
Investment Expenses	92,484
Administrative Expenses	9,721
Prior Refunds	8,071
To Broker for Investments Purchased	693,280
Total Liabilities	803,556
NET POSITION RESTRICTED FOR PENSIONS	140,211,969

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

ADDITIONS

Contributions:

Member	1,553,768	
Buy-Back	105,656	
City	6,875,656	
State	1,256,354	
 Total Contributions		 9,791,434
 Investment Income:		
Net Increase in Fair Value of Investments	7,710,149	
Interest & Dividends	3,400,464	
Less Investment Expense ¹	(360,688)	
 Net Investment Income		 10,749,925
 Total Additions		 20,541,359

DEDUCTIONS

Distributions to Members:

Benefit Payments	6,067,333	
Lump Sum DROP Distributions	291,289	
Refunds of Member Contributions	12,346	
 Total Distributions		 6,370,968
 Administrative Expense		 112,350
 Total Deductions		 6,483,318
 Net Increase in Net Position		 14,058,041
 NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		126,153,928
 End of the Year		 140,211,969

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 City of Cape Coral Municipal Police Officers' Retirement Plan is a single-employer defined benefit pension plan administered by a Board of Trustees which acts as the administrator of the Plan. The Board consists of 5 Trustees, 2 of whom shall be legal residents of the City who are appointed by the City Council, 2 of whom are Members of the Plan who are elected by a majority of the Police Officers' who are Members of the Plan and a fifth Trustee who is chosen by a majority of the first 4 Trustees.

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	118
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	20
Active Plan Members	216
	354
	354

Benefits Provided

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

Normal Retirement:

Date: Earlier of attainment of age 50 or the completion of 25 Years of Credited Service. For Members hired on or after October 1, 2013: earlier of the attainment of age 50 with 10 years of Credited Service or 27 years of Credited Service regardless of age.

Benefit: 3.25% of Average Final Compensation times Years of Credited Service. For all Members who have not reached Normal Retirement eligibility as of October 1, 2013 the maximum benefit shall not exceed \$7,916.67 or the actual accrued benefit as of October 1, 2013.

Cost of Living Adjustment:

Beginning on the first October 1 following one complete year of receiving retirement income payments, the benefit is increased 3% annually. The first increase is a pro-rata adjustment, based on the number of months benefits commenced prior to October 1. For Members hired on or after October 1, 2013 the cost of living adjustment is after 3 complete years of receiving income payments.

Early Retirement:

Date: Age 40 and completion of 10 years of Credited Service.

Benefit: Determined as for Normal Retirement and actuarially reduced.

Disability:

Eligibility: Total and permanent as determined by the Retirement Committee (medical proof required).

Benefit: Percentage of Average Final Compensation determined in accordance with the following schedule:

<u>Years of Service</u>	<u>Service Incurred</u>	<u>Non-Service Incurred</u>
Less Than 5	66 2/3%	25%
5 to 10	66 2/3%	50%
10 or More	66 2/3%	66 2/3%

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 67

Termination of Employment:

<u>Vesting Schedule:</u>	<u>Years of Service</u>	<u>Vested Percent</u>
	Less Than 5	0
	5	50
	6	60
	7	70
	8	80
	9	90
	10 or More	100

For Members hired on or after October 1, 2013 vesting is 100% at 10 Years.

Benefit: Less than 5 years: Refund of Member Contributions.

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

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: 10% of Salary. Interest: 3.50% per year through 10/01/1991, 0% thereafter.

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 Large Cap Equity	35%
US Small / Mid Cap Equity	10%
International Equity	15%
U.S Direct Real Estate	10%
Absolute Return	10%
US Aggregate Bond	20%
<u>Total</u>	<u>100%</u>

Concentrations:

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

Rate of Return:

For the year ended September 30, 2016, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 8.47 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 (1) Age 50, or (2) 25 years of Credited Service).

Participation: Not to exceed 60 months.

Rate of Return: At Member's election:

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

(2) 6.50% per annum compounded monthly.

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

The DROP balance as September 30, 2016 is \$6,365,097.

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	\$ 170,169,493
Plan Fiduciary Net Position	\$ (140,211,969)
Sponsor's Net Pension Liability	<u>\$ 29,957,524</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	82.40%

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		2.25%
Salary Increases	6.00% - 10.00%	
Discount Rate		7.75%
Investment Rate of Return		7.75%

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 May 1, 2012.

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 2.25%.

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

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

Asset Class	Long Term Expected Real Rate of Return
US Large Cap Equity	6.00%
US Small / Mid Cap Equity	6.50%
International Equity	6.25%
U.S Direct Real Estate	5.25%
Absolute Return	3.25%
US Aggregate Bond	2.00%

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 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension Liability	\$ 53,069,886	\$ 29,957,524	\$ 11,175,874

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	4,597,357	4,181,795
Interest	11,714,484	11,186,338
Change in Excess State Money	379,832	256,415
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	2,017,708	(2,507,874)
Changes of assumptions	6,709,188	-
Contributions - Buy Back	105,656	-
Benefit Payments, including Refunds of Employee Contributions	<u>(6,370,968)</u>	<u>(6,551,123)</u>
Net Change in Total Pension Liability	19,153,257	6,565,551
Total Pension Liability - Beginning	<u>151,016,236</u>	<u>144,450,685</u>
Total Pension Liability - Ending (a)	<u>\$170,169,493</u>	<u>\$151,016,236</u>
Plan Fiduciary Net Position		
Contributions - Employer	6,875,656	6,995,863
Contributions - State	1,256,354	1,132,937
Contributions - Employee	1,553,768	1,454,685
Contributions - Buy Back	105,656	-
Net Investment Income	10,749,925	128,262
Benefit Payments, including Refunds of Employee Contributions	(6,370,968)	(6,551,123)
Administrative Expense	<u>(112,350)</u>	<u>(132,861)</u>
Net Change in Plan Fiduciary Net Position	14,058,041	3,027,763
Plan Fiduciary Net Position - Beginning	<u>126,153,928</u>	<u>123,126,165</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$140,211,969</u>	<u>\$126,153,928</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 29,957,524</u>	<u>\$ 24,862,308</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82.40%	83.54%
Covered Employee Payroll ¹	\$ 15,813,229	\$ 18,006,886
Net Pension Liability as a percentage of Covered Employee Payroll	189.45%	138.07%

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 2.25%, 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	4,249,385	3,943,745
Interest	10,547,735	9,908,025
Change in Excess State Money	209,437	-
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Contributions - Buy Back	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(6,427,849)</u>	<u>(5,378,316)</u>
Net Change in Total Pension Liability	8,578,708	8,473,454
Total Pension Liability - Beginning	<u>135,871,977</u>	<u>127,398,523</u>
Total Pension Liability - Ending (a)	<u>\$144,450,685</u>	<u>\$135,871,977</u>
Plan Fiduciary Net Position		
Contributions - Employer	6,660,536	6,260,750
Contributions - State	1,085,959	1,002,434
Contributions - Employee	1,326,883	1,414,151
Contributions - Buy Back	-	-
Net Investment Income	10,828,135	13,788,213
Benefit Payments, including Refunds of Employee Contributions	<u>(6,427,849)</u>	<u>(5,378,316)</u>
Administrative Expense	<u>(112,882)</u>	<u>(92,544)</u>
Net Change in Plan Fiduciary Net Position	13,360,782	16,994,688
Plan Fiduciary Net Position - Beginning	<u>109,765,383</u>	<u>92,770,695</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$123,126,165</u>	<u>\$109,765,383</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 21,324,520</u>	<u>\$ 26,106,594</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	85.24%	80.79%
Covered Employee Payroll ¹	\$ 12,835,801	\$ 13,471,634
Net Pension Liability as a percentage of Covered Employee Payroll	166.13%	193.79%

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	7,433,901	7,613,340	7,537,058	7,137,272
Contributions in relation to the Actuarially Determined Contributions	7,752,178	7,872,385	7,537,058	7,137,272
Contribution Deficiency (Excess)	\$ (318,277)	\$ (259,045)	\$ -	\$ -
Covered Employee Payroll ¹	\$ 15,813,229	\$ 18,006,886	\$ 12,835,801	\$ 13,471,634
Contributions as a percentage of Covered Employee Payroll	49.02%	43.72%	58.72%	52.98%

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 - A half year, based on the current 7.75% assumption.
 Salary - A full year, based on the current average assumption of 7.24%.

Amortization Method: Level Percentage of Pay, Closed.

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

Mortality: RP-2000 (combined healthy with no projection). Disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disabled lives set forward 5 years.

Normal Retirement:	Number of Years after first Eligible		Retirement Probability
		0-4	
	5 or more		100%

Early Retirement: Commencing at eligibility for Early Retirement (Age 40 with 10 years of Credited Service), Members are assumed to retire with an immediate benefit at the rate of 2% per year.

Disability Rates:	Age	Rates
	20	0.153%
30	0.174%	
40	0.363%	
50	1.287%	

Asset Smoothing Methodology: It is assumed that 75% of Disability Retirements are service-related. The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a deminis bias that is above or below the Market Value of Assets.

Termination Rates:	Credited Service	Termination Probability
	0-1	7.5%
2-5	4.0%	
More than 5 years	3.5%	

GASB 67

Salary Increases:	<u>Credited Service</u>	<u>Assumption</u>
	less than 5 years	10.0%
	5 -15 years	7.0%
	more than 15 years	6.0%
Final Year Salary Load:	Years of Credited Service as of <u>February 7, 2012</u>	<u>Assumption</u>
	0	No load
	Less than 10 years	5.0%
	10 or more years	10.0%
Interest Rate:	7.75% per year compounded annually, net of investment related expenses.	
Payroll Growth Assumption:	5.00% per year (in 2014, capped at 4.08% per year as limited by historical 10 year payroll growth).	

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	8.47%	0.10%	9.77%	14.48%

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

General Information about the Pension Plan

Plan Description

The City of Cape Coral Municipal Police Officers' Retirement Plan is a single-employer defined benefit pension plan administered by a Board of Trustees which acts as the administrator of the Plan. The Board consists of 5 Trustees, 2 of whom shall be legal residents of the City who are appointed by the City Council, 2 of whom are Members of the Plan who are elected by a majority of the Police Officers' who are Members of the Plan and a fifth Trustee who is chosen by a majority of the first 4 Trustees.

Each person employed by the City Police Department as a full-time Police Officer becomes a Member of the Plan as a condition of his employment. All Police Officers are therefore eligible for Plan benefits as provided for in the plan document and by applicable law.

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	118
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	20
Active Plan Members	216
	354

Benefits Provided

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

Normal Retirement:

Date: Earlier of attainment of age 50 or the completion of 25 Years of Credited Service. For Members hired on or after October 1, 2013: earlier of the attainment of age 50 with 10 years of Credited Service or 27 years of Credited Service regardless of age.

Benefit: 3.25% of Average Final Compensation times Years of Credited Service. For all Members who have not reached Normal Retirement eligibility as of October 1, 2013 the maximum benefit shall not exceed \$7,916.67 or the actual accrued benefit as of October 1, 2013.

Cost of Living Adjustment:

Beginning on the first October 1 following one complete year of receiving retirement income payments, the benefit is increased 3% annually. The first increase is a pro-rata adjustment, based on the number of months benefits commenced prior to October 1. For Members hired on or after October 1, 2013 the cost of living adjustment is after 3 complete years of receiving income payments.

Early Retirement:

Date: Age 40 and completion of 10 years of Credited Service.

Benefit: Determined as for Normal Retirement and actuarially reduced.

Disability:

Eligibility: Total and permanent as determined by the Retirement Committee (medical proof required).

Benefit: Percentage of Average Final Compensation determined in accordance with the following schedule:

<u>Years of Service</u>	<u>Service Incurred</u>	<u>Non-Service Incurred</u>
Less Than 5	66 2/3%	25%
5 to 10	66 2/3%	50%
10 or More	66 2/3%	66 2/3%

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:

<u>Vesting Schedule:</u>	<u>Years of Service</u>	<u>Vested Percent</u>
	Less Than 5	0
	5	50
	6	60
	7	70
	8	80
	9	90
	10 or More	100

For Members hired on or after October 1, 2013 vesting is 100% at 10 Years.

Benefit: Less than 5 years: Refund of Member Contributions.

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

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: 10% of Salary. Interest: 3.50% per year through 10/01/1991, 0% thereafter.

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	2.25%
Salary Increases	6.00% - 10.00%
Discount Rate	7.75%
Investment Rate of Return	7.75%

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 May 1, 2012.

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 2.25%.

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 Large Cap Equity	35%	6.00%
US Small / Mid Cap Equity	10%	6.50%
International Equity	15%	6.25%
U.S Direct Real Estate	10%	5.25%
Absolute Return	10%	3.25%
US Aggregate Bond	20%	2.00%
<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	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2015	\$ 151,016,236	\$ 126,153,928	\$ 24,862,308
Changes for a Year:			
Service Cost	4,597,357	-	4,597,357
Interest	11,714,484	-	11,714,484
Change in Excess State Money	379,832	-	379,832
Differences between Expected and Actual Experience	2,017,708	-	2,017,708
Changes of assumptions	6,709,188	-	6,709,188
Changes of benefit terms	-	-	-
Contributions - Employer	-	6,875,656	(6,875,656)
Contributions - State	-	1,256,354	(1,256,354)
Contributions - Employee	-	1,553,768	(1,553,768)
Contributions - Buy Back	105,656	105,656	-
Net Investment Income	-	10,749,925	(10,749,925)
Benefit Payments, including Refunds of Employee Contributions	(6,370,968)	(6,370,968)	-
Administrative Expense	-	(112,350)	112,350
Net Changes	<u>19,153,257</u>	<u>14,058,041</u>	<u>5,095,216</u>
Balances at September 30, 2016	<u>\$ 170,169,493</u>	<u>\$ 140,211,969</u>	<u>\$ 29,957,524</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	\$ 53,069,886	\$ 29,957,524	\$ 11,175,874

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 \$7,673,315.

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	1,681,424	1,671,916
Changes of assumptions	5,590,990	-
Net difference between Projected and Actual Earnings on Pension Plan investments	4,150,706	-
Total	\$ 11,423,120	\$ 1,671,916

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		\$ 2,328,180
2018		\$ 2,328,181
2019		\$ 2,772,817
2020		\$ 867,543
2021		\$ 1,454,483
Thereafter		\$ -

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	4,597,357	4,181,795
Interest	11,714,484	11,186,338
Change in Excess State Money	379,832	256,415
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	2,017,708	(2,507,874)
Changes of assumptions	6,709,188	-
Contributions - Buy Back	105,656	-
Benefit Payments, including Refunds of Employee Contributions	(6,370,968)	(6,551,123)
Net Change in Total Pension Liability	<u>19,153,257</u>	<u>6,565,551</u>
Total Pension Liability - Beginning	<u>151,016,236</u>	<u>144,450,685</u>
Total Pension Liability - Ending (a)	<u><u>\$170,169,493</u></u>	<u><u>\$151,016,236</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	6,875,656	6,995,863
Contributions - State	1,256,354	1,132,937
Contributions - Employee	1,553,768	1,454,685
Contributions - Buy Back	105,656	-
Net Investment Income	10,749,925	128,262
Benefit Payments, including Refunds of Employee Contributions	(6,370,968)	(6,551,123)
Administrative Expense	(112,350)	(132,861)
Net Change in Plan Fiduciary Net Position	<u>14,058,041</u>	<u>3,027,763</u>
Plan Fiduciary Net Position - Beginning	<u>126,153,928</u>	<u>123,126,165</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$140,211,969</u></u>	<u><u>\$126,153,928</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 29,957,524</u></u>	<u><u>\$ 24,862,308</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82.40%	83.54%
Covered Employee Payroll ¹	\$ 15,813,229	\$ 18,006,886
Net Pension Liability as a percentage of Covered Employee Payroll	189.45%	138.07%

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 2.25%, 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	4,249,385	3,943,745
Interest	10,547,735	9,908,025
Change in Excess State Money	209,437	-
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Contributions - Buy Back	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(6,427,849)</u>	<u>(5,378,316)</u>
Net Change in Total Pension Liability	8,578,708	8,473,454
Total Pension Liability - Beginning	<u>135,871,977</u>	<u>127,398,523</u>
Total Pension Liability - Ending (a)	<u>\$144,450,685</u>	<u>\$135,871,977</u>
Plan Fiduciary Net Position		
Contributions - Employer	6,660,536	6,260,750
Contributions - State	1,085,959	1,002,434
Contributions - Employee	1,326,883	1,414,151
Contributions - Buy Back	-	-
Net Investment Income	10,828,135	13,788,213
Benefit Payments, including Refunds of Employee Contributions	<u>(6,427,849)</u>	<u>(5,378,316)</u>
Administrative Expense	<u>(112,882)</u>	<u>(92,544)</u>
Net Change in Plan Fiduciary Net Position	13,360,782	16,994,688
Plan Fiduciary Net Position - Beginning	<u>109,765,383</u>	<u>92,770,695</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$123,126,165</u>	<u>\$109,765,383</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 21,324,520</u>	<u>\$ 26,106,594</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	85.24%	80.79%
Covered Employee Payroll ¹	\$ 12,835,801	\$ 13,471,634
Net Pension Liability as a percentage of Covered Employee Payroll	166.13%	193.79%

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	7,433,901	7,613,340	7,537,058	7,137,272
Contributions in relation to the				
Actuarially Determined Contributions	7,752,178	7,872,385	7,537,058	7,137,272
Contribution Deficiency (Excess)	\$ (318,277)	\$ (259,045)	\$ -	\$ -
Covered Employee Payroll ¹	\$ 15,813,229	\$ 18,006,886	\$ 12,835,801	\$ 13,471,634
Contributions as a percentage of				
Covered Employee Payroll	49.02%	43.72%	58.72%	52.98%

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 - A half year, based on the current 7.75%

Salary - A full year, based on the current average assumption of 7.24%.

Amortization Method: Level Percentage of Pay, Closed.

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

Mortality: RP-2000 (combined healthy with no projection). Disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disabled lives set forward 5 years.

Normal Retirement:	Number of Years after first Eligible		Retirement Probability
	0-4	5 or more	50%
			100%

Early Retirement: Commencing at eligibility for Early Retirement (Age 40 with 10 years of Credited Service), Members are assumed to retire with an immediate benefit at the rate of 2% per year.

Disability Rates:	Age	Rates
		20
	30	0.174%
	40	0.363%
	50	1.287%

It is assumed that 75% of Disability Retirements are service-related.

Asset Smoothing Methodology: The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a deminis bias that is above or below the Market Value of Assets.

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Termination Rates:	Credited Service	Termination Probability
	0-1	7.50%
	2-5	4.00%
	More than 5 years	3.50%
Salary Increases:	Credited Service	Assumption
	less than 5 years	10.0%
	5 -15 years	7.0%
	more than 15 years	6.0%
Final Year Salary Load:	Years of Credited Service as of February 7, 2012	Assumption
	0	No load
	Less than 10 years	5.0%
	10 or more years	10.0%
Interest Rate:	7.75% per year compounded annually, net of investment related expenses.	
Payroll Growth Assumption:	5.00% per year (in 2014, capped at 4.08% per year as limited by historical 10 year payroll growth).	

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 24,862,308	\$ 3,423,803	\$ 7,621,096	\$ -
Total Pension Liability Factors:				
Service Cost	4,597,357	-	-	4,597,357
Interest	11,714,484	-	-	11,714,484
Change in Excess State Money	379,832	-	-	379,832
Changes in benefit terms	-	-	-	-
Contributions - Buy Back	105,656	-	-	105,656
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	2,017,708	-	2,017,708	-
Current year amortization of experience difference	-	(417,979)	(336,284)	(81,695)
Change in assumptions about future economic or demographic factors or other inputs	6,709,188	-	6,709,188	-
Current year amortization of change in assumptions	-	-	(1,118,198)	1,118,198
Benefit Payments	(6,370,968)	-	-	(6,370,968)
Net change	<u>19,153,257</u>	<u>(417,979)</u>	<u>7,272,414</u>	<u>11,462,864</u>
Plan Fiduciary Net Position:				
Contributions - Employer	6,875,656	-	-	-
Contributions - State	1,256,354	-	-	-
Contributions - Employee	1,553,768	-	-	(1,553,768)
Contributions - Buy Back	105,656	-	-	(105,656)
Net Investment Income	9,905,119	-	-	(9,905,119)
Difference between projected and actual earnings on Pension Plan investments	844,806	844,806	-	-
Current year amortization	-	(613,598)	(1,905,274)	1,291,676
Benefit Payments	(6,370,968)	-	-	6,370,968
Administrative Expenses	(112,350)	-	-	112,350
Net change	<u>14,058,041</u>	<u>231,208</u>	<u>(1,905,274)</u>	<u>(3,789,549)</u>
Ending Balance	<u><u>\$ 29,957,524</u></u>	<u><u>\$ 3,237,032</u></u>	<u><u>\$ 12,988,236</u></u>	<u><u>\$ 7,673,315</u></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	2024	2025
2014	\$ (2,223,178)	5	\$ (444,635)	\$ (444,635)	\$ (444,636)	\$ (444,636)	\$ (444,636)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 9,526,371	5	\$ -	\$ 1,905,275	\$ 1,905,274	\$ 1,905,274	\$ 1,905,274	\$ 1,905,274	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (844,806)	5	\$ -	\$ -	\$ (168,962)	\$ (168,961)	\$ (168,961)	\$ (168,961)	\$ (168,961)	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (444,635)	\$ 1,460,640	\$ 1,291,676	\$ 1,291,677	\$ 1,291,677	\$ 1,736,313	\$ (168,961)	\$ -	\$ -	\$ -	\$ -	\$ -

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	\$ -	6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ -	6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 6,709,188	6	\$ -	\$ -	\$ 1,118,198	\$ 1,118,198	\$ 1,118,198	\$ 1,118,198	\$ 1,118,198	\$ 1,118,198	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ -	\$ 1,118,198	\$ 1,118,198	\$ 1,118,198	\$ 1,118,198	\$ 1,118,198	\$ 1,118,198	\$ -	\$ -	\$ -

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	\$ -	6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ (2,507,874)	6	\$ -	\$ (417,979)	\$ (417,979)	\$ (417,979)	\$ (417,979)	\$ (417,979)	\$ (417,979)	\$ -	\$ -	\$ -	\$ -
2016	\$ 2,017,708	6	\$ -	\$ -	\$ 336,284	\$ 336,284	\$ 336,285	\$ 336,285	\$ 336,285	\$ 336,285	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ (417,979)	\$ (81,695)	\$ (81,695)	\$ (81,694)	\$ (81,694)	\$ (81,694)	\$ 336,285	\$ -	\$ -	\$ -