

CITY OF SANIBEL
GENERAL EMPLOYEES' RETIREMENT PLAN

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2014

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

January 22, 2015

Board of Trustees
City of Sanibel
General Employees' Retirement Plan
800 Dunlop Road
Sanibel, FL 33957-4096

Re: City of Sanibel
General Employees' Retirement Plan

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Sanibel General Employees' Retirement Plan. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year.

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 and the Board of Trustees, financial reports prepared by the Plan's Custodian Bank, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Sanibel, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Sanibel General Employees' Retirement Plan. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

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

Respectfully submitted,

Foster & Foster, Inc.

By:



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

DHL/lke

Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Sanibel General Employees' Retirement Plan, 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 contribution requirements, compared with those developed in the October 1, 2013, actuarial valuation, are as follows:

| | | |
|---------------------------------------|------------------|------------------|
| Valuation Date | 10/1/2013 | 10/1/2014 |
| Applicable to Plan/Fiscal Year Ending | <u>9/30/2015</u> | <u>9/30/2016</u> |
| Total Required Contribution | \$1,697,685 | \$1,525,257 |
| Member Contributions (Est.) | 68,370 | 67,916 |
| Balance from City | \$1,629,315 | \$1,457,341 |

Experience since the prior valuation has been more favorable than expected, on the basis of the Plan's actuarial assumptions. The primary source of favorable experience is attributable to an 11.0% investment return (Market Value Basis), which greatly exceeded the 6.75% assumption. This gain was partially offset by lower than expected mortality. There were no other material sources of favorable or unfavorable experience.

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: 
Douglas H. Lozen, EA, MAAA

By: 
Drew D. Ballard, EA, MAAA

CHANGES SINCE PRIOR VALUATION

Plan Changes

There have been no changes in benefits since the prior valuation.

Actuarial Assumption/Method Changes

Assumption Change: Mortality rates are based on the RP2000 Combined Healthy Table, projected to 2014 with Schedule AA. The prior valuation projected rates to 2013.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

| | <u>10/1/2014</u> | <u>10/1/2013</u> |
|--------------------------------|------------------|------------------|
| A. Participant Data | | |
| Number Included | | |
| Actives | 24 | 25 |
| Service Retirees | 65 | 62 |
| DROP Retirees | 3 | 3 |
| Beneficiaries | 0 | 0 |
| Terminated Vested | <u>66</u> | <u>69</u> |
| Total | 158 | 159 |
| Total Annual Payroll | \$1,268,311 | \$1,274,340 |
| Payroll Under Assumed Ret. Age | 1,268,311 | 1,274,340 |
| Annual Rate of Payments to: | | |
| Service Retirees | 1,359,659 | 1,253,682 |
| DROP Retirees | 20,335 | 19,791 |
| Beneficiaries | 0 | 0 |
| Terminated Vested | 1,003,641 | 1,127,581 |
| B. Assets | | |
| Actuarial Value ¹ | 24,213,810 | 21,346,473 |
| Market Value ¹ | 24,213,810 | 21,346,473 |
| C. Liabilities | | |
| Present Value of Benefits | | |
| Active Members | | |
| Retirement Benefits | 3,682,613 | 3,436,372 |
| Death Benefits | 37,425 | 37,616 |
| Vested Benefits | 565,783 | 558,446 |
| Refund of Contributions | 0 | 1,718 |
| Service Retirees | 16,462,661 | 15,306,403 |
| DROP Retirees ¹ | 394,172 | 378,615 |
| Beneficiaries | 0 | 0 |
| Terminated Vested | <u>9,234,848</u> | <u>9,845,257</u> |
| Total | 30,377,502 | 29,564,427 |

| | <u>10/1/2014</u> | <u>10/1/2013</u> |
|--|-------------------|-------------------|
| C. Liabilities - (Continued) | | |
| Present Value of Future Salaries | 7,408,704 | 7,953,459 |
| Present Value of Future Member Cont. | 370,435 | 397,673 |
| Normal Cost (Entry Age Normal) | | |
| Retirement Benefits | 128,915 | 142,926 |
| Death Benefits | 2,070 | 2,057 |
| Vested Benefits | 36,996 | 34,903 |
| Refund of Contributions | 0 | 450 |
| Total Normal Cost | <u>167,981</u> | <u>180,336</u> |
| Present Value of Future Normal Costs | 723,145 | 811,215 |
| Actuarial Accrued Liability (Entry Age Normal) | | |
| Retirement Benefits | 3,204,415 | 2,877,231 |
| Death Benefits | 26,260 | 25,394 |
| Vested Benefits | 332,001 | 319,986 |
| Refund of Contributions | 0 | 326 |
| Inactives ¹ | 26,091,681 | 25,530,275 |
| Total Actuarial Accrued Liability | <u>29,654,357</u> | <u>28,753,212</u> |
| Unfunded Actuarial Accrued Liability (UAAL) | 5,440,547 | 7,406,739 |
| D. Actuarial Present Value of Accrued Benefits | | |
| Vested Accrued Benefits | | |
| Inactives ¹ | 26,091,681 | 25,530,275 |
| Actives | 2,498,069 | 2,258,672 |
| Member Contributions | 513,631 | 454,037 |
| | <u>29,103,381</u> | <u>28,242,984</u> |
| Total | 29,103,381 | 28,242,984 |
| Non-vested Accrued Benefits | <u>0</u> | <u>0</u> |
| Total Present Value Accrued Benefits | 29,103,381 | 28,242,984 |
| Increase (Decrease) in Present Value of Accrued Benefits Attributable to: | | |
| Plan Amendments | 0 | |
| Assumption Changes | 0 | |
| New Accrued Benefits | 274,036 | |
| Benefits Paid | (1,276,944) | |
| Interest | 1,863,305 | |
| Other | 0 | |
| Total: | <u>860,397</u> | |

| Valuation Date | 10/1/2014 | 10/1/2013 |
|---|------------------|------------------|
| Applicable to Fiscal Year Ending | <u>9/30/2016</u> | <u>9/30/2015</u> |
| E. Pension Cost | | |
| Normal Cost ² | 179,902 | 193,506 |
| % of Total Annual Payroll | | |
| Administrative Expense ² | 29,440 | 33,510 |
| % of Total Annual Payroll | | |
| Payment Required to Amortize Unfunded Actuarial Accrued Liability over 10 years ² (as of 10/1/14) | 1,315,915 | 1,470,669 |
| % of Total Annual Payroll | | |
| Total Required Contribution | 1,525,257 | 1,697,685 |
| % of Total Annual Payroll | | |
| Expected Member Contributions ² | 67,916 | 68,370 |
| % of Total Annual Payroll | | |
| Expected City Contributions | 1,457,341 | 1,629,315 |
| % of Total Annual Payroll | | |
| F. Past Contributions | | |
| Plan Years Ending: | <u>9/30/2014</u> | |
| Total Required Contribution | 1,725,422 | |
| City Requirement | 1,659,991 | |
| Actual Contributions Made: | | |
| City | 1,681,948 | |
| Members | <u>65,431</u> | |
| Total | 1,747,379 | |
| G. Net Actuarial Gain (Loss) | 884,207 | |

¹ The asset values and liabilities for DROP Member include accumulated DROP Balances as of 9/30/13 and 9/30/14.

² Contributions developed as of 10/1/14 above have been adjusted to account for assumed interest and salary increase components.

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

| <u>Year</u> | <u>Projected Unfunded Accrued Liability</u> |
|-------------|---|
| 2014 | 5,440,547 |
| 2015 | 4,496,126 |
| 2016 | 3,487,957 |
| 2017 | 2,411,735 |
| 2018 | 1,262,869 |
| 2019 | 638,266 |
| 2024 | 0 |

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

| | | <u>Actual</u> | <u>Assumed</u> |
|------------|-----------|---------------|----------------|
| Year Ended | 9/30/2014 | 3.1% | 3.8% |
| Year Ended | 9/30/2013 | -1.4% | 3.9% |
| Year Ended | 9/30/2012 | 1.9% | 3.9% |

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

| | | <u>Actual</u> | <u>Assumed</u> |
|------------|-----------|---------------|----------------|
| Year Ended | 9/30/2014 | 11.0% | 6.75% |
| Year Ended | 9/30/2013 | 13.0% | 6.75% |
| Year Ended | 9/30/2012 | 4.1% | 7.50% |

(iii) Average Annual Payroll Growth

| | | |
|-------------------------|-----------|-------------|
| (a) Payroll as of: | 10/1/2014 | \$1,268,311 |
| | 10/1/2004 | 3,900,248 |
| (b) Total Increase | | -67.5% |
| (c) Number of Years | | 10.00 |
| (d) Average Annual Rate | | -10.6% |

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.

 1/22/15
Douglas H. Lozen, EA, MAAA
Enrolled Actuary #14-7778

Please let us know when the report is approved by the Board and unless otherwise directed we will provide 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 LIABILITIES AND
DERIVATION OF ACTUARIAL (GAIN)/LOSS

| | | |
|-----|---|-------------|
| (1) | Unfunded Actuarial Accrued Liability as of October 1, 2013 | \$7,406,739 |
| (2) | Sponsor Normal Cost developed as of October 1, 2013 | 116,619 |
| (3) | Expected Administrative Expenses during fiscal 2014 | 31,229 |
| (4) | Interest on (1), (2), and (3) | 508,881 |
| (5) | Sponsor Contributions to the System during the year ending September 30, 2014 | 1,681,948 |
| (6) | Interest on (5) | 56,766 |
| (7) | Expected Unfunded Actuarial Accrued Liability as of October 1, 2014 [(1)+(2)+(3)+(4)-(5)-(6)] | 6,324,754 |
| (8) | Change to UAAL due to Actuarial (Gain)/Loss | (884,207) |
| (9) | Unfunded Accrued Liability as of October 1, 2014 | 5,440,547 |

| | <u>Date Established</u> | <u>Years Remaining</u> | <u>10/1/2014 Amount</u> | <u>Amortization Amount</u> |
|----------------|-----------------------------|----------------------------|-----------------------------|--------------------------------|
| method change | 10/1/2004 | 8 | 1,024,313 | 159,139 |
| prior losses | 10/1/2004 | 8 | 2,589,359 | 402,288 |
| actuarial gain | 10/1/2005 | 8 | (637,677) | (99,071) |
| benefit change | 10/1/2005 | 8 | 920,500 | 143,011 |
| actuarial loss | 10/1/2006 | 8 | 424,756 | 65,991 |
| benefit change | 10/1/2006 | 8 | 364,512 | 56,631 |
| actuarial loss | 10/1/2007 | 8 | 301,568 | 46,852 |
| actuarial loss | 10/1/2008 | 4 | 2,050,019 | 563,757 |
| method change | 10/1/2008 | 8 | (1,217,884) | (189,213) |
| actuarial loss | 10/1/2009 | 5 | 926,702 | 210,307 |
| assum. change | 10/1/2009 | 8 | 183,769 | 28,551 |
| actuarial loss | 10/1/2010 | 6 | 640,668 | 124,940 |
| benefit change | 10/1/2010 | 8 | (1,661,848) | (258,188) |
| actuarial loss | 10/1/2011 | 7 | 822,418 | 141,709 |
| actuarial loss | 10/1/2012 | 8 | 947,862 | 147,262 |
| method change | 10/1/2012 | 8 | (943,667) | (146,610) |
| assum. change | 10/1/2012 | 8 | 484,254 | 75,235 |
| actuarial gain | 10/1/2013 | 9 | (839,621) | (119,441) |
| assum. change | 10/1/2013 | 9 | (55,249) | (7,859) |
| actuarial gain | 10/1/2014 | 10 | (884,207) | (116,572) |
| | | | 5,440,547 | 1,228,719 |

ACTUARIAL ASSUMPTIONS AND METHODS

| | |
|----------------------------------|--|
| <u>Mortality Rates</u> | RP2000 Combined Healthy Mortality Table (sex distinct), projected to the valuation date with Schedule AA. |
| <u>Termination Rates</u> | See Table below (these rates reflect the new assumption; rates for valuations prior to October 1, 2013 were double those shown below). |
| <u>Disability Rates</u> | See Table below. |
| <u>Retirement Age</u> | One year following satisfaction of the Plan's requirement for Normal Retirement. |
| <u>Early Retirement</u> | Commencing upon eligibility for Early Retirement, Members are assumed to retire with an immediate benefit at the rate of 5% per year. |
| <u>Interest Rate</u> | 6.75% per year, compounded annually, net of investment related expenses. |
| <u>Salary Increases</u> | See Table below. |
| <u>Payroll Increase</u> | None. |
| <u>Cost-of-Living Adjustment</u> | 2% for 25 years, beginning 5 years after retirement, payable to Normal and Early Retirees. For Members who retired prior to May 1, 2011, the adjustments are 3% annually for 25 years, beginning 3 years after retirement. |
| <u>Administrative Expenses</u> | \$27,489. |

| <u>Age</u> | <u>% Terminating During the Year</u> | <u>% Becoming Disabled During the Year</u> | <u>Average Salary Increase</u> |
|------------|--------------------------------------|--|--------------------------------|
| 20 | 9.3% | 0.14% | 7.8% |
| 30 | 5.5 | 0.18 | 6.3 |
| 40 | 4.6 | 0.30 | 5.4 |
| 50 | 4.1 | 1.00 | 4.8 |

Entry Age Normal Actuarial Cost Method

The following loads are applied for determination of the Sponsor dollar funding requirement:

Interest – A half year, based on the current 6.75% assumption.

Salary – A full year, based on the current 3.6% assumption.

Asset Methodology

Fair Market Value, net of investment-related expenses.

VALUATION NOTES

Total Annual Payroll is the annual rate of pay as of 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 determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.

Individual Entry Age Normal Actuarial Cost Method (Level Percent of Compensation) 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 Accrued (Past Service) Liability. The actuarial accrued liability for active participants is the difference between the present value of future benefits and the present value of future Normal Costs. The actuarial accrued liability for inactive participants is the present value of future benefits.

Unfunded Actuarial Accrued Liability (UAAL) is the difference between the actuarial accrued liability (described above) and the actuarial value of assets. Under the Entry Age Normal Actuarial Cost Method, an actuarial gain or loss, based on actual versus expected UAAL, is determined in conjunction with each valuation of the plan.

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.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014

| <u>ASSETS</u> | MARKET VALUE |
|--------------------------------------|---------------|
| Cash and Cash Equivalents: | |
| Short Term Investments | 584,973.82 |
| Pooled Cash | 4,183.06 |
| Total Cash and Equivalents | 589,156.88 |
| Receivables: | |
| Investment Income | 66,791.57 |
| Total Receivable | 66,791.57 |
| Investments: | |
| U. S. Bonds and Bills | 1,299,988.03 |
| Federal Agency Guaranteed Securities | 461,518.87 |
| Corporate Bonds | 5,676,204.42 |
| Stocks | 7,824,983.55 |
| Mutual Funds: | |
| Equity | 7,372,968.45 |
| Pooled/Common/Commingled Funds: | |
| Real Estate | 942,626.53 |
| Total Investments | 23,578,289.85 |
| Total Assets | 24,234,238.30 |
| <u>LIABILITIES</u> | |
| Payables: | |
| Benefit Payments | 467.50 |
| Investment Expenses | 19,960.85 |
| Total Liabilities | 20,428.35 |
| NET POSITION RESTRICTED FOR PENSIONS | 24,213,809.95 |

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

ADDITIONS

Contributions:

| | | |
|---|--------------|--------------|
| Member | 65,431.25 | |
| City | 1,681,948.00 | |
| Total Contributions | | 1,747,379.25 |
| Investment Income: | | |
| Net Increase in Fair Value of Investments | 1,874,363.59 | |
| Interest & Dividends | 691,922.34 | |
| Less Investment Expense ¹ | (141,895.22) | |
| Net Investment Income | | 2,424,390.71 |
| Total Additions | | 4,171,769.96 |

DEDUCTIONS

Distributions to Members:

| | | |
|--------------------------------------|--------------|---------------|
| Benefit Payments | 1,276,944.10 | |
| Lump Sum DROP Distributions | 0.00 | |
| Refunds of Member Contributions | 0.00 | |
| Total Distributions | | 1,276,944.10 |
| Administrative Expense | | 27,489.02 |
| Total Deductions | | 1,304,433.12 |
| Net Increase in Net Position | | 2,867,336.84 |
| NET POSITION RESTRICTED FOR PENSIONS | | |
| Beginning of the Year | | 21,346,473.11 |
| End of the Year | | 24,213,809.95 |

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

DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2013 to September 30, 2014

| | |
|--------------------------|-----------|
| 09/30/2013 Balance | 62,624.25 |
| Plus Additions | 19,790.52 |
| Investment Return Earned | 4,394.92 |
| Less Distributions | 0.00 |
| 09/30/2014 Balance | 86,809.69 |

STATISTICAL DATA

(Averages are salary weighted)

| | <u>10/1/2011</u> | <u>10/1/2012</u> | <u>10/1/2013</u> | <u>10/1/2014</u> |
|---------------------------|------------------|------------------|------------------|------------------|
| Number | 26 | 26 | 25 | 24 |
| Average Current Age | 50.4 | 50.5 | 52.0 | 52.8 |
| Average Age at Employment | 39.8 | 40.1 | 40.4 | 39.9 |
| Average Past Service | 10.6 | 10.4 | 11.6 | 12.9 |
| Average Annual Salary | \$50,234 | \$50,998 | \$50,974 | \$52,846 |

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

| AGE | 0 | 1 | 2 | 3 | 4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30+ | Total |
|---------|---|---|---|---|---|-----|-------|-------|-------|-------|-----|-------|
| 15 - 19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20 - 24 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 25 - 29 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30 - 34 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| 35 - 39 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 2 |
| 40 - 44 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 1 | 0 | 0 | 0 | 3 |
| 45 - 49 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| 50 - 54 | 0 | 0 | 0 | 0 | 0 | 3 | 0 | 3 | 0 | 0 | 0 | 6 |
| 55 - 59 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 1 | 1 | 0 | 4 |
| 60 - 64 | 0 | 0 | 0 | 0 | 0 | 5 | 1 | 0 | 1 | 0 | 0 | 7 |
| 65+ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 | 0 | 12 | 5 | 4 | 2 | 1 | 0 | 24 |

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

| | |
|---|-----|
| a. Number in prior valuation 10/1/13 | 25 |
| b. Terminations | |
| i. Vested (partial or full) with deferred benefits | 1 * |
| ii. Non-vested or full lump sum distribution received | 0 |
| c. Deaths | |
| i. Beneficiary receiving benefits | 0 |
| ii. No future benefits payable | 0 |
| d. Retired | 0 |
| e. DROP Retired | 0 |
| f. Voluntary withdrawal | 0 |
| g. Continuing participants | 24 |
| h. New entrants | 0 |
| i. Total active life participants in valuation | 24 |

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

| | <u>Service Retirees, Vested Receiving Benefits</u> | <u>Receiving Death Benefits</u> | <u>Vested Deferred</u> | <u>DROP Retired</u> | <u>Total</u> |
|-----------------------------|--|---------------------------------|------------------------|---------------------|--------------|
| a. Number prior valuation | 62 | 0 | 69 | 3 | 134 |
| b. In | 4 | 0 | 1 | 0 | 5 |
| c. Out | 1 | 0 | 4 | 0 | 5 |
| d. Number current valuation | 65 | 0 | 66 | 3 | 134 |

* Non-vested Member, awaiting a refund of Member Contributions.

SUMMARY OF PLAN PROVISIONS

| | |
|---|--|
| <u>Effective Date of Latest Amendment</u> | November 1, 2011 |
| <u>Eligibility</u> | Regular, full-time employees who are not sworn police officers enter on date of employment. |
| <u>Salary</u> | Compensation means an employee's fixed rate of pay from the City of Sanibel as determined on June 1st immediately after an employee's hire date and on June 1st of each following year during which he/she is an employee. Effective on the effective date of the ordinance from which this article derives, compensation for employees who are not included in any bargaining unit means fixed rate of pay. Notwithstanding the preceding sentence, effective May 1, 2011 compensation for employees (other than police dispatchers) who are included in a bargaining unit shall mean fixed rate of pay if the union representing such employees agrees to this definition in writing on or before that date. Effective on November 1, 2011 compensation for police dispatchers shall mean fixed rate of pay. |
| <u>Average Compensation</u> | Career monthly average Salary for Plan B Members, and the average of the highest consecutive five years for Plan A Members. |
| <u>Credited Service</u> | Years and fractional parts of years of service with the City as a General Employee. |
| <u>Normal Retirement</u> | |
| Date | Attainment of age 65 with 6 years of Credited Service. For Members with 15 years or more of Credited Service as of 9/30/11 (12/31/11 for Police Dispatchers), it is the attainment of age 60 with 5 years of Credited Service. Additionally, those Members who attained age 60 with 5 years of Credited Service prior to 10/1/11 (1/1/12 for Police Dispatchers) remain under the prior eligibility requirements for the Normal Retirement Date. |
| Benefit | 3.0% of Average Final Compensation times Credited Service before 5/1/11 (1/1/12 for Police Dispatchers) plus 1.68% of Average Final Compensation times Credited Service after 4/30/11 (12/31/11 for Police Dispatchers). |
| Form of Benefit | 10 Year Certain and Life (options available). |

Early Retirement

| | |
|-----------------|--|
| Date | Attainment of age 60 with 6 years of Credited Service. For Members with 15 years or more of Credited Service as of 9/30/11 (12/31/11 for Police Dispatchers), it is the attainment of age 55 with 5 years of Credited Service. Additionally, those Members who attained age 55 with 5 years of Credited Service prior to 10/1/11 (1/1/12 for Police Dispatchers) remain under the prior eligibility requirements for the Early Retirement Date. |
| Benefit | Accrued Benefit on Early Retirement Date, reduced 5.0% for each year that Early Retirement Date precedes the Normal Retirement Date. |
| Form of Benefit | 10 Year Certain and Life (options available). |

Pre-Retirement Death Benefit

| | |
|-------------|---|
| Eligibility | 5 Years of Credited Service. |
| Benefit | ½ of the actuarially reduced accrued benefit payable for the life of the spouse or beneficiary beginning at the Member's otherwise Early Retirement Date. |

Employee Contributions

| | |
|----------------|-----------------|
| Plan A Members | 5% of base pay. |
| Plan B Members | None. |

Termination of Employment

| | | |
|------------------|--|-----------------|
| Vesting Schedule | <u>Years of Service</u> | <u>Vested %</u> |
| | Less than 6 | 0% |
| | 6 or more | 100 |
| | Additionally, Members with at least 5 years of Credited Service as of 9/30/11 (12/31/11 for Police Dispatchers), are 100% vested in their accrued benefit. | |
| Benefit | Vested Accrued benefit payable at the Normal Retirement Date (unreduced) or the Early Retirement Date (reduced). | |

Cost –of-Living Adjustment

To all Normal and Early Retirees after October 17, 2006, 2% automatic COLA for 25 years, beginning on the first October 1 following 5 years of retirement (including DROP Retirees). For Members retiring prior to May 1, 2011, the adjustments are 3% annually for 25 years, beginning 3 years after retirement.

Deferred Retirement Option Plan (DROP)

Eligibility

Satisfaction of Normal Retirement Requirements.

Participation

Not to exceed 60 months.

Rate of Return

6% annual rate, credited monthly.

Distribution

Lump sum at termination of employment.

Board of Trustees

2 Members of the Plan (1 with under 15 years of service, 1 with 15 years of service or more), 1 Department Director appointed by the City Manager, 3 Council appointees, 1 chosen by the other 6 Members of the Board.

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 | 126.85% |
| Members | 5.00% |
| Actuarially Determined Contribution | 1,659,991 |
| Contributions made | 1,681,948 |
| Actuarial valuation date | 10/1/2012 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level percentage of pay, closed |
| Remaining amortization period | 10 Years as of 10/1/2012 |
| Asset valuation method | Fair Market Value (as of 10/1/2012) |
| Actuarial assumptions (as of 10/1/2012): | |
| Investment rate of return | 6.75% |
| Projected salary increase* | See Page 13 |
| * Includes inflation at | 3.0% |
| Post Retirement COLA | 2% for 25 years, beginning 5 years after Normal or Early Retirement |

THREE YEAR TREND INFORMATION

| <u>Year</u> <u>Ending</u> | Annual Pension Cost (APC) | Percentage of APC <u>Contributed</u> | Net Pension <u>Obligation</u> |
|------------------------------|---------------------------------|--|-------------------------------------|
| 9/30/14 | 1,925,268 | 87.4% | (3,879,880) |
| 9/30/13 | 1,932,548 | 87.5% | (4,123,200) |
| 9/30/12 | 1,404,270 | 397.9% | (4,364,488) |

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>9/30/10</u> | <u>9/30/11</u> | <u>9/30/12</u> | <u>9/30/13</u> | <u>9/30/14</u> |
|------------------------|----------------|----------------|----------------|----------------|----------------|
| Actuarially Determined | | | | | |
| Contribution (A) | 1,448,913 | 1,397,764 | 1,668,403 | 1,659,991 | 1,659,991 |
| Interest on NPO | (15,048) | (13,586) | (327,337) | (278,316) | (278,316) |
| Adjustment to (A) | 34,545 | 20,092 | 591,482 | 543,593 | 543,593 |
| | ----- | ----- | ----- | ----- | ----- |
| Annual Pension Cost | 1,468,410 | 1,404,270 | 1,932,548 | 1,925,268 | 1,925,268 |
| Contributions Made | 1,448,913 | 5,587,616 | 1,691,261 | 1,681,948 | 1,681,948 |
| | ----- | ----- | ----- | ----- | ----- |
| Increase in NPO | 19,497 | (4,183,346) | 241,287 | 243,320 | 243,320 |
| NPO Beginning of Year | (200,639) | (181,142) | (4,364,488) | (4,123,200) | (4,123,200) |
| | ----- | ----- | ----- | ----- | ----- |
| NPO End of Year | (200,639) | (181,142) | (4,364,488) | (4,123,200) | (3,879,880) |

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014

| <u>ASSETS</u> | MARKET VALUE |
|--------------------------------------|---------------|
| Cash and Cash Equivalents: | |
| Short Term Investments | 584,973.82 |
| Pooled Cash | 4,183.06 |
| Total Cash and Equivalents | 589,156.88 |
| Receivables: | |
| Investment Income | 66,791.57 |
| Total Receivable | 66,791.57 |
| Investments: | |
| U. S. Bonds and Bills | 1,299,988.03 |
| Federal Agency Guaranteed Securities | 461,518.87 |
| Corporate Bonds | 5,676,204.42 |
| Stocks | 7,824,983.55 |
| Mutual Funds: | |
| Equity | 7,372,968.45 |
| Pooled/Common/Commingled Funds: | |
| Real Estate | 942,626.53 |
| Total Investments | 23,578,289.85 |
| Total Assets | 24,234,238.30 |
| <u>LIABILITIES</u> | |
| Payables: | |
| Benefit Payments | 467.50 |
| Investment Expenses | 19,960.85 |
| Total Liabilities | 20,428.35 |
| NET POSITION RESTRICTED FOR PENSIONS | 24,213,809.95 |
| TOTAL LIABILITIES AND NET ASSETS | 24,234,238.30 |

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

ADDITIONS

Contributions:

| | | |
|---|--------------|--------------|
| Member | 65,431.25 | |
| City | 1,681,948.00 | |
| Total Contributions | | 1,747,379.25 |
| Investment Income: | | |
| Net Increase in Fair Value of Investments | 1,874,363.59 | |
| Interest & Dividends | 691,922.34 | |
| Less Investment Expense ¹ | (141,895.22) | |
| Net Investment Income | | 2,424,390.71 |
| Total Additions | | 4,171,769.96 |

DEDUCTIONS

Distributions to Members:

| | | |
|--------------------------------------|--------------|---------------|
| Benefit Payments | 1,276,944.10 | |
| Total Distributions | | 1,276,944.10 |
| Administrative Expense | | 27,489.02 |
| Total Deductions | | 1,304,433.12 |
| Net Increase in Net Position | | 2,867,336.84 |
| NET POSITION RESTRICTED FOR PENSIONS | | |
| Beginning of the Year | | 21,346,473.11 |
| End of the Year | | 24,213,809.95 |

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

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

Plan Description

Plan Administration

The Plan is administered by a Board of Trustees comprised of:
2 Members of the Plan (1 with under 15 years of service, 1 with 15 years of service or more), 1 Department Director appointed by the City Manager, 3 Council appointees, 1 chosen by the other 6 Members of the Board.

Plan Membership as of October 1, 2013:

| | |
|---|-----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 65 |
| Inactive Plan Members Entitled to but Not Yet Receiving Benefits | 69 |
| Active Plan Members | 25 |
| | 159 |

Benefits Provided

The Plan provides retirement, termination and death benefits.

Normal Retirement:

Date: Attainment of age 65 with 6 years of Credited Service. For Members with 15 years or more of Credited Service as of 9/30/11 (12/31/11 for Police Dispatchers), it is the attainment of age 60 with 5 years of Credited Service.

Additionally, those Members who attained age 60 with 5 years of Credited Service prior to 10/1/11 (1/1/12 for Police Dispatchers) remain under the prior eligibility requirements for the Normal Retirement Date.

Benefit: 3.0% of Average Final Compensation times Credited Service before 5/1/11 (1/1/12 for Police Dispatchers) plus 1.68% of Average Final Compensation times Credited Service after 4/30/11 (12/31/11 for Police Dispatchers).

Early Retirement:

Date: Attainment of age 60 with 6 years of Credited Service. For Members with 15 years or more of Credited Service as of 9/30/11 (12/31/11 for Police Dispatchers), it is the attainment of age 55 with 5 years of Credited Service.

Additionally, those Members who attained age 55 with 5 years of Credited Service prior to 10/1/11 (1/1/12 for Police Dispatchers) remain under the prior eligibility requirements for the Early Retirement Date.

Benefit: Accrued Benefit on Early Retirement Date, reduced 5.0% for each year that Early Retirement Date precedes the Normal Retirement Date.

Termination of Employment:

Vesting Schedule:

| <u>Years of Service</u> | <u>Vested %</u> |
|-------------------------|-----------------|
| Less than 6 | 0% |
| 6 or more | 100% |

Additionally, Members with at least 5 years of Credited Service as of 9/30/11 (12/31/11 for Police Dispatchers), are 100% vested in their accrued benefit.

Benefit: Vested Accrued benefit payable at the Normal Retirement Date (unreduced) or the Early Retirement Date (reduced).

Pre-Retirement Death Benefits:

Eligibility: 5 Years of Credited Service.

Benefit: ½ of the actuarially reduced accrued benefit payable for the life of the spouse or beneficiary beginning at the Member's otherwise Early Retirement Date.

Cost-of-Living Adjustment:

To all Normal and Early Retirees after October 17, 2006, 2% automatic COLA for 25 years, beginning on the first October 1 following 5 years of retirement (including DROP Retirees).

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:

| Asset Class | Target Allocation |
|----------------------|-------------------|
| Domestic Equity | 38% |
| International Equity | 15% |
| Bonds | 23% |
| TIPS | 2% |
| Convertibles | 10% |
| Private Real Estate | 5% |
| MLPs | 5% |
| Cash | 2% |
| 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, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 11.00 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: 6% annual rate, credited monthly.

The DROP balance as September 30, 2014 is \$86,810.

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 | \$ 29,344,966 |
| Plan Fiduciary Net Position | \$ (24,213,810) |
| Sponsor's Net Pension Liability | \$ 5,131,156 |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 82.51% |

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 | 4.80% - 7.80% | |
| Investment Rate of Return | | 6.75% |

RP2000 Combined Healthy Mortality Table (sex distinct), projected to the valuation date with Schedule AA.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 2002-2006.

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:

| Asset Class | Long Term Expected Real Rate of Return |
|----------------------|---|
| Domestic Equity | 7.8% |
| International Equity | 2.2% |
| Bonds | 3.7% |
| TIPS | 2.0% |
| Convertibles | 5.3% |
| Private Real Estate | 4.9% |
| MLPs | 12.7% |

Cash

1.2%

Discount Rate:

The discount rate used to measure the total pension liability was 6.75 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 5.75% | Current Discount Rate 6.75% | 1% Increase 7.75% |
|---------------------------------|----------------------|-----------------------------------|----------------------|
| Sponsor's Net Pension Liability | \$ 8,559,578 | \$ 5,131,156 | \$ 2,251,718 |

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

| | 09/30/2014 | 09/30/2013 |
|--|---------------|---------------|
| Total Pension Liability | | |
| Service Cost | 196,178 | 183,773 |
| Interest | 1,895,908 | 1,851,553 |
| 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 | (1,276,944) | (1,504,296) |
| Net Change in Total Pension Liability | 815,142 | 531,030 |
| Total Pension Liability - Beginning | 28,529,824 | 27,998,794 |
| Total Pension Liability - Ending (a) | \$ 29,344,966 | \$ 28,529,824 |
| | | |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | 1,681,948 | 1,691,261 |
| Contributions- State | - | 0 |
| Contributions - Employee | 65,431 | 64,908 |
| Net Investment Income | 2,424,391 | 2,436,581 |
| Benefit Payments, Including Refunds of Employee Contributions | (1,276,944) | (1,504,296) |
| Administrative Expense | (27,489) | (31,229) |
| Other | - | - |
| Net Change in Plan Fiduciary Net Position | 2,867,337 | 2,657,225 |
| | | |
| Plan Fiduciary Net Position - Beginning | 21,346,473 | 18,689,248 |
| Plan Fiduciary Net Position - Ending (b) | \$ 24,213,810 | \$ 21,346,473 |
| | | |
| Net Pension Liability - Ending (a) - (b) | \$ 5,131,156 | \$ 7,183,351 |
| | | |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 82.51% | 74.82% |
| | | |
| Covered Employee Payroll | \$ 1,308,625 | \$ 1,298,166 |
| Net Pension Liability as a Percentage of covered Employee Payroll | 392.10% | 553.35% |

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

| | <u>09/30/2014</u> | <u>9/30/2013</u> |
|--------------------------------------|--------------------|--------------------|
| Actuarially Determined Contribution | 1,659,991 | 1,668,403 |
| Contributions in Relation to the | | |
| Actuarially Determined Contributions | 1,681,948 | 1,691,261 |
| Contribution Deficiency (Excess) | <u>\$ (21,957)</u> | <u>\$ (22,858)</u> |
| | | |
| Covered Employee Payroll | \$ 1,308,625 | \$ 1,298,166 |
| Contributions as a Percentage of | | |
| Covered Employee Payroll | 128.53% | 130.28% |

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: | Entry Age Normal Actuarial Cost Method. |
| Amortization Method: | Level Percentage of Pay, Closed. |
| Remaining Amortization Period: | 10 Years (as of 10/01/2012). |
| 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. |
| | |
| Inflation: | 3.0% per year. |
| Salary Increases: | See Table on next page. |
| Interest Rate: | 6.75% per year, compounded annually, net of investment related expenses. A 7.5% assumption was utilized for valuations prior to October 1, 2012. |
| Payroll Increase: | None. |
| Cost-of-Living Adjustment: | 2% for 25 years, beginning 5 years after retirement, payable to Normal and Early Retirees. |
| Retirement Age: | One year following satisfaction of the Plan's requirement for Normal Retirement. |
| Early Retirement: | Commencing upon eligibility for Early Retirement, Members are assumed to retire with an immediate benefit at the rate of 5% per year. |

Termination Rates: See table below.
 Disability Rates: See table below.
 Mortality: RP2000 Combined Healthy Mortality Table (sex distinct), projected to the valuation date with Schedule AA. Static mortality rates were utilized for prior valuations.
 Other Information: Termination, Disability and Salary Rate Tables.

| <u>Age</u> | <u>% Terminating During the Year</u> | <u>% Becoming Disabled During the Year</u> | <u>Average Salary Increase</u> |
|------------|--|--|------------------------------------|
| 20 | 18.6% | 0.14% | 7.8% |
| 30 | 11.0% | 0.18% | 6.3% |
| 40 | 9.2% | 0.30% | 5.4% |
| 50 | 8.2% | 1.00% | 4.8% |

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

| | <u>09/30/2014</u> | <u>09/30/2013</u> |
|--------------------------------------|-------------------|-------------------|
| Annual Money-Weighted Rate of Return | | |
| Net of Investment Expense | 11.00% | 12.96% |

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

General Information about the Pension Plan

Plan Description

Regular, full-time employees who are not sworn police officers enter on date of employment.

The Plan is administered by a Board of Trustees comprised of:

2 Members of the Plan (1 with under 15 years of service, 1 with 15 years of service or more), 1 Department Director appointed by the City Manager, 3 Council appointees, 1 chosen by the other 6 Members of the Board.

Plan Membership as of October 1, 2013:

| | |
|---|-----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 65 |
| Inactive Plan Members Entitled to but Not Yet Receiving Benefits | 69 |
| Active Plan Members | 25 |
| | 159 |

Benefits Provided

The Plan provides retirement, termination and death benefits.

Normal Retirement:

Date: Attainment of age 65 with 6 years of Credited Service. For Members with 15 years or more of Credited Service as of 9/30/11 (12/31/11 for Police Dispatchers), it is the attainment of age 60 with 5 years of Credited Service.

Additionally, those Members who attained age 60 with 5 years of Credited Service prior to 10/1/11 (1/1/12 for Police Dispatchers) remain under the prior eligibility requirements for the Normal Retirement Date.

Benefit: 3.0% of Average Final Compensation times Credited Service before 5/1/11 (1/1/12 for Police Dispatchers) plus 1.68% of Average Final Compensation times Credited Service after 4/30/11 (12/31/11 for Police Dispatchers).

Early Retirement:

Date: Attainment of age 60 with 6 years of Credited Service. For Members with 15 years or more of Credited Service as of 9/30/11 (12/31/11 for Police Dispatchers), it is the attainment of age 55 with 5 years of Credited Service.

Additionally, those Members who attained age 55 with 5 years of Credited Service prior to 10/1/11 (1/1/12 for Police Dispatchers) remain under the prior eligibility requirements for the Early Retirement Date.

Benefit: Accrued Benefit on Early Retirement Date, reduced 5.0% for each year that Early Retirement Date precedes the Normal Retirement Date.

Termination of Employment:

| | | |
|-------------------|-------------------------|-----------------|
| Vesting Schedule: | <u>Years of Service</u> | <u>Vested %</u> |
| | Less than 6 | 0% |
| | 6 or more | 100% |

Additionally, Members with at least 5 years of Credited Service as of 9/30/11 (12/31/11 for Police Dispatchers), are 100% vested in their accrued benefit.

Benefit: Vested Accrued benefit payable at the Normal Retirement Date (unreduced) or the Early Retirement Date (reduced).

Pre-Retirement Death Benefits:

Eligibility: 5 Years of Credited Service.

Benefit: ½ of the actuarially reduced accrued benefit payable for the life of the spouse or beneficiary beginning at the Member's otherwise Early Retirement Date.

Cost-of-Living Adjustment:

To all Normal and Early Retirees after October 17, 2006, 2% automatic COLA for 25 years, beginning on the first

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 | 4.80% - 7.80% |
| Investment Rate of Return | 6.75% |

RP2000 Combined Healthy Mortality Table (sex distinct), projected to the valuation date with Schedule AA.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 2002-2006.

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 | 38.00% | 7.80% |
| International Equity | 15.00% | 2.20% |
| Bonds | 23.00% | 3.70% |
| TIPS | 2.00% | 2.00% |
| Convertibles | 10.00% | 5.30% |
| Private Real Estate | 5.00% | 4.90% |
| MLPs | 5.00% | 12.70% |
| Cash | <u>2.00%</u> | |

Discount Rate:

The discount rate used to measure the total pension liability was 6.75 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 | \$ 28,529,824 | \$ 21,346,473 | \$ 7,183,351 |
| Changes for a Year: | | | |
| Service Cost | 196,178 | | 196,178 |
| Interest | 1,895,908 | | 1,895,908 |
| Change In Excess State Money | - | | - |
| Share Plan Allocation | - | | - |
| Differences Between Expected and Actual Experience | - | | - |
| Contributions - Employer | | 1,681,948 | (1,681,948) |
| Contributions -State | | - | - |
| Contributions - Employee | | 65,431 | (65,431) |
| Net Investment Income | | 2,424,391 | (2,424,391) |
| Benefit Payments, Including Refunds of Employee Contributions | (1,276,944) | (1,276,944) | - |
| Administrative Expense | | (27,489) | 27,489 |
| Other Changes | - | - | - |
| New Changes | 815,142 | 2,867,337 | (2,052,195) |
| Balances at September 30, 2014 | \$ 29,344,966 | 24,213,810 | 5,131,156 |

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

| | Current Discount | | |
|---------------------------------|------------------|--------------|--------------|
| | 1% Decrease | Rate | 1% Increase |
| | 5.75% | 6.75% | 7.75% |
| Sponsor's Net Pension Liability | \$ 8,559,578 | \$ 5,131,156 | \$ 2,251,718 |

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 \$404,597. On September 30, 2015 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 | - | - |
| Changes of Assumptions | - | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 774,843 |
| Total | <u>\$ -</u> | <u>\$ 774,843</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 | \$ (193,711) |
| 2017 | \$ (193,711) |
| 2018 | \$ (193,711) |
| 2019 | \$ (193,710) |
| 2020 | \$ - |
| Thereafter | \$ - |

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

| | 09/30/2014 | 09/30/2013 |
|--|----------------------|----------------------|
| Total Pension Liability | | |
| Service Cost | 196,178 | 183,773 |
| Interest | 1,895,908 | 1,851,553 |
| 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 | (1,276,944) | (1,504,296) |
| Net Change in Total Pension Liability | 815,142 | 531,030 |
| Total Pension Liability - Beginning | 28,529,824 | 27,998,794 |
| Total Pension Liability - Ending (a) | <u>\$ 29,344,966</u> | <u>\$ 28,529,824</u> |
| Plan Fiduciary Net Position | | |
| Contributions - Employer | 1,681,948 | 1,691,261 |
| Contributions - State | - | 0 |
| Contributions - Employee | 65,431 | 64,908 |
| Net Investment Income | 2,424,391 | 2,436,581 |
| Benefit Payments, Including Refunds of Employee Contributions | (1,276,944) | (1,504,296) |
| Administrative Expense | (27,489) | (31,229) |
| Other | - | - |
| Net Change in Plan Fiduciary Net Position | 2,867,337 | 2,657,225 |
| Plan Fiduciary Net Position - Beginning | 21,346,473 | 18,689,248 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 24,213,810</u> | <u>\$ 21,346,473</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 5,131,156</u> | <u>\$ 7,183,351</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 82.51% | 74.82% |
| Covered Employee Payroll | \$ 1,308,625 | \$ 1,298,166 |
| Net Pension Liability as a Percentage of covered Employee Payroll | 392.10% | 553.35% |

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

| | <u>09/30/2014</u> | <u>09/30/2013</u> |
|--------------------------------------|--------------------|--------------------|
| Actuarially Determined Contribution | 1,659,991 | 1,668,403 |
| Contributions in Relation to the | | |
| Actuarially Determined Contributions | 1,681,948 | 1,691,261 |
| Contribution Deficiency (Excess) | <u>\$ (21,957)</u> | <u>\$ (22,858)</u> |
| | | |
| Covered Employee Payroll | \$ 1,308,625 | \$ 1,298,166 |
| Contributions as a Percentage of | | |
| Covered Employee Payroll | 128.53% | 130.28% |

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: | Entry Age Normal Actuarial Cost Method. |
| Amortization Method: | Level Percentage of Pay, Closed. |
| Remaining Amortization Period: | 10 Years (as of 10/01/2012). |
| 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 demeris bias that is above or below the Market Value of Assets. |
| Inflation: | 3.0% per year. |
| Salary Increases: | See Table on next page. |
| Interest Rate: | 6.75% per year, compounded annually, net of investment related expenses. A 7.5% assumption was utilized for valuations prior to October 1, 2012. |
| Payroll Increase: | None. |
| Cost-of-Living Adjustment: | 2% for 25 years, beginning 5 years after retirement, payable to Normal and Early Retirees. |
| Retirement Age: | One year following satisfaction of the Plan's requirement for Normal Retirement. |
| Early Retirement: | Commencing upon eligibility for Early Retirement, Members are assumed to retire with an immediate benefit at the rate of 5% per year. |

Termination Rates: See table below.
 Disability Rates: See table below.
 Mortality: RP2000 Combined Healthy Mortality Table (sex distinct), projected to the valuation date with Schedule AA. Static mortality rates were utilized for prior valuations.
 Other Information: Termination, Disability and Salary Rate Tables.

| <u>Age</u> | <u>% Terminating During the Year</u> | <u>% Becoming Disabled During the Year</u> | <u>Average Salary Increase</u> |
|------------|--|--|------------------------------------|
| 20 | 18.6% | 0.14% | 7.80% |
| 30 | 11.0% | 0.18% | 6.30% |
| 40 | 9.2% | 0.30% | 5.40% |
| 50 | 8.2% | 1.00% | 4.80% |

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2015

| | Net Pension Liability | Deferred Inflows | Deferred Outflows | Pension Expense |
|---|--------------------------|---------------------|----------------------|-----------------|
| Beginning balance | 7,183,351 | - | 1,681,948 | |
| Total pension liability factors: | | | | |
| Service cost | 196,178 | | | 196,178 |
| Interest | 1,895,908 | | | 1,895,908 |
| 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 | (1,276,944) | | | (1,276,944) |
| Net change | 815,142 | - | - | 815,142 |
| Plan fiduciary net position: | | | | |
| Contributions - employer | 1,681,948 | | (1,681,948) | |
| Contributions - state | - | | | - |
| Contributions - employee | 65,431 | | | (65,431) |
| Net investment income | 1,455,836 | | | (1,455,836) |
| Difference between projected and actual earnings on pension plan investments | | | | |
| Current year amortization | 968,554 | 968,554 | - | (193,711) |
| Benefit payments | (1,276,944) | (193,711) | - | 1,276,944 |
| Administrative expenses | (27,489) | | | 27,489 |
| Other | - | | | - |
| Net change | 2,867,337 | 774,843 | (1,681,948) | (410,545) |
| Ending Balance | 5,131,156 | 774,843 | - | 404,597 |