

CITY OF SANIBEL
GENERAL EMPLOYEES' RETIREMENT PLAN

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2017

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDED SEPTEMBER 30, 2019

January 23, 2018

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. Included are the related results for GASB Statements No. 67 and No. 68. The funding 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 calculation of the liability for GASB results was performed for the purpose of satisfying the requirements of GASB Statements No. 67 and No. 68. Please note that these valuations may not be applicable for any other purposes.

The valuations have 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 reflect laws and regulations issued to date pursuant to the provisions of Chapters 112, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in these valuations, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations.

In conducting the valuations, we have relied on personnel, plan design, and asset information supplied by the Board of Trustees, financial reports prepared by the custodian bank, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The 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, 2016. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2017 using generally accepted actuarial principles. It is our opinion that the assumptions used for this purpose are internally consistent, reasonable, and comply with the requirements under GASB No. 67 and No. 68.

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: 
Christine M. O'Neal, FSA, EA, MAAA
Enrolled Actuary #17-7916

CMON/Ike

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, 2017, 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, 2019.

The contribution requirements, compared with those developed in the October 1, 2016, actuarial valuation, are as follows:

Valuation Date	10/1/2017	10/1/2016
Applicable to Plan/Fiscal Year Ending	<u>9/30/2019</u>	<u>9/30/2018</u>
Total Required Contribution	\$1,729,031	\$2,007,929
Member Contributions (Est.)	51,926	60,609
Balance from City	\$1,677,105	\$1,947,320

Experience since the prior valuation has been more favorable than expected, on the basis of the Plan's actuarial assumptions. The primary sources of favorable experience included a 13.22% investment return (Market Value Basis), exceeding the 6.75% assumption, and favorable turnover and retirement experience. These gains were partially offset by the effect of no inactive mortality and average increases in pensionable compensation that were more than the assumed rate.

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: Christine M. O'Neal
Christine M. O'Neal, FSA, EA, MAAA

By: Sara E. Carlson
Sara E. Carlson

CHANGES SINCE PRIOR VALUATION

Plan Changes

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

Actuarial Assumption/Method Changes

As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed from the rates used by the Florida Retirement System actuary in the July 1, 2015 actuarial valuation to the rates used in the July 1, 2016 actuarial valuation for non-special risk lives.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2017</u>	<u>10/1/2016</u>
A. Participant Data		
Actives	17	21
Service Retirees	73	69
DROP Retirees	2	0
Beneficiaries	3	3
Terminated Vested	<u>59</u>	<u>63</u>
 Total	 154	 156
 Total Annual Payroll	 \$970,082	 \$1,132,833
Payroll Under Assumed Ret. Age	970,082	1,132,833
 Annual Rate of Payments to:		
Service Retirees	1,641,237	1,551,874
DROP Retirees	45,094	0
Beneficiaries	23,110	8,278
Terminated Vested	783,553	890,696
 B. Assets		
Actuarial Value (AVA) ¹	29,028,391	25,558,259
Market Value (MVA) ¹	29,028,391	25,558,259
 C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	3,420,211	4,107,621
Death Benefits	37,149	57,577
Vested Benefits	482,574	495,029
Refund of Contributions	0	0
Service Retirees	20,751,921	19,885,746
DROP Retirees ¹	703,376	0
Beneficiaries	244,531	52,666
Terminated Vested	<u>7,892,253</u>	<u>8,976,794</u>
Total	33,532,015	33,575,433

C. Liabilities - (Continued)	<u>10/1/2017</u>	<u>10/1/2016</u>
Present Value of Future Salaries	5,871,706	6,409,323
Present Value of Future Member Contributions	293,585	320,466
Normal Cost (Retirement)	78,473	101,118
Normal Cost (Death)	1,928	3,451
Normal Cost (Vesting)	28,277	31,016
Normal Cost (Refunds)	<u>0</u>	<u>0</u>
Total Normal Cost	108,678	135,585
Present Value of Future Normal Costs	538,610	610,484
Accrued Liability (Retirement)	3,066,731	3,698,332
Accrued Liability (Death)	27,328	40,687
Accrued Liability (Vesting)	307,265	310,724
Accrued Liability (Refunds)	0	0
Accrued Liability (Inactives) ¹	<u>29,592,081</u>	<u>28,915,206</u>
Total Actuarial Accrued Liability (EAN AL)	32,993,405	32,964,949
Unfunded Actuarial Accrued Liability (UAAL)	3,965,014	7,406,690
Funded Ratio (AVA / EAN AL)	88.0%	77.5%

D. Actuarial Present Value of Accrued Benefits	<u>10/1/2017</u>	<u>10/1/2016</u>
Vested Accrued Benefits		
Inactives ¹	29,592,081	28,915,206
Actives	2,397,201	3,037,701
Member Contributions	<u>497,800</u>	<u>556,796</u>
Total	32,487,082	32,509,703
Non-vested Accrued Benefits	<u>0</u>	<u>0</u>
Total Present Value Accrued Benefits (PVAB)	32,487,082	32,509,703
Funded Ratio (MVA / PVAB)	89.4%	78.6%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	(580,334)	
Benefits Paid	(1,583,257)	
Interest	2,140,970	
Other	<u>0</u>	
Total	(22,621)	

Valuation Date	10/1/2017	10/1/2016
Applicable to Fiscal Year Ending	<u>9/30/2019</u>	<u>9/30/2018</u>

E. Pension Cost

Normal Cost ²	\$116,345	\$145,081
Administrative Expenses ²	38,706	36,998
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 10 years (as of 10/1/2017) ²	1,573,980	1,825,850
Total Required Contribution	1,729,031	2,007,929
Expected Member Contributions ²	51,926	60,609
Expected City Contribution	1,677,105	1,947,320

F. Past Contributions

Plan Years Ending:	<u>9/30/2017</u>
City Requirement	1,595,492
Actual Contributions Made:	
Members (excluding buyback)	52,815
City	<u>1,595,492</u>
Total	1,648,307

G. Net Actuarial (Gain)/Loss (2,412,302)

¹ The asset values and liabilities include accumulated DROP Plan Balances as of 9/30/2017 and 9/30/2016.

² Contributions developed as of 10/1/2017 displayed above have been adjusted to account for assumed salary increase and interest components.

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

<u>Year</u>	<u>Projected Unfunded Actuarial Accrued Liability</u>
2017	3,965,014
2018	2,663,159
2019	1,857,294
2021	658,414
2023	181,077
2027	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2017	5.36%	3.72%
Year Ended	9/30/2016	2.88%	3.47%
Year Ended	9/30/2015	3.98%	3.60%

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

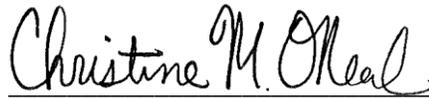
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2017	13.22%	6.75%
Year Ended	9/30/2016	6.17%	6.75%
Year Ended	9/30/2015	-2.23%	6.75%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2017	\$970,082
	10/1/2007	5,190,903
(b) Total Increase		-81.31%
(c) Number of Years		10.00
(d) Average Annual Rate		-15.44%

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.



Christine M. O'Neal, EA, FSA, MAAA
Enrolled Actuary #17-7916

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

(1) Unfunded Actuarial Accrued Liability as of October 1, 2016	\$7,406,690
(2) Sponsor Normal Cost developed as of October 1, 2016	78,943
(3) Expected administrative expenses for the year ended September 30, 2017	34,576
(4) Expected interest on (1), (2) and (3)	506,447
(5) Sponsor contributions to the System during the year ended September 30, 2017	1,595,492
(6) Expected interest on (5)	53,848
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2017 (1)+(2)+(3)+(4)-(5)-(6)	6,377,316
(8) Change to UAAL due to Actuarial (Gain)/Loss	(2,412,302)
(9) Unfunded Actuarial Accrued Liability as of October 1, 2017	3,965,014

<u>Type of Base</u>	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2017 Amount</u>	<u>Amortization Amount</u>
method change	10/1/2004	5	680,324	154,394
prior losses	10/1/2004	5	1,719,785	390,291
actuarial gain	10/1/2005	5	(423,529)	(96,116)
benefit change	10/1/2005	5	611,373	138,746
actuarial loss	10/1/2006	5	282,112	64,023
benefit change	10/1/2006	5	242,100	54,943
actuarial loss	10/1/2007	5	200,295	45,455
actuarial loss	10/1/2008	1	546,946	546,946
method change	10/1/2008	5	(808,887)	(183,570)
actuarial loss	10/1/2009	2	395,170	204,036
assum. change	10/1/2009	5	122,054	27,699
actuarial loss	10/1/2010	3	341,134	121,214
benefit change	10/1/2010	5	(1,103,757)	(250,489)
actuarial loss	10/1/2011	4	499,940	137,484
actuarial loss	10/1/2012	5	629,545	142,870
method change	10/1/2012	5	(626,759)	(142,238)
assum. change	10/1/2012	5	321,629	72,991
actuarial gain	10/1/2013	6	(594,204)	(115,879)
assum. change	10/1/2013	6	(39,101)	(7,625)
actuarial gain	10/1/2014	7	(656,354)	(113,095)
actuarial loss	10/1/2015	8	1,666,834	258,963

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2017 <u>Amount</u>	Amortization <u>Amount</u>
assum. change	10/1/2016	9	1,677,412	238,622
actuarial loss	10/1/2016	9	693,254	98,619
actuarial gain	10/1/2017	10	<u>(2,412,302)</u>	<u>(318,032)</u>
			3,965,014	1,470,252

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rates

Healthy Active Lives:

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

Male: RP2000 Generational, 50% White Collar / 50% Blue Collar, Scale BB

Healthy Inactive Lives:

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

Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB

Disabled Lives:

Female: 100% RP2000 Disabled Female set forward two years

Male: 100% RP2000 Disabled Male setback four years

The assumed rates of mortality are mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in the July 1, 2016 FRS actuarial valuation report for non-special risk lives. We feel this assumption sufficiently accommodates future mortality improvements.

Previously, the non-special risk rates from the July 1, 2015 FRS actuarial valuation report were used.

Termination Rates

See Table on following page, adopted by the Board with the October 1, 2013 valuation, based on historical experience.

Disability Rates

See Table on following page. These rates are consistent with other municipal Florida non-special-risk plans.

Retirement Age

One year following satisfaction of the Plan's requirement for Normal Retirement. This assumption is consistent with historical Plan experience.

<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. This assumption is consistent with historical Plan experience.
<u>Interest Rate</u>	6.75% per year, compounded annually, net of investment related expenses. This assumption is reasonable, given the Plan' investment policy and long-term expected returns by asset class.
<u>Salary Increases</u>	See Table below. These rates are consistent with long term Plan experience.
<u>Payroll Increase</u>	None for amortization of the Unfunded Actuarial Accrued Liability.
<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 2.75% annually for 25 years, beginning 3 years after retirement.
<u>Administrative Expenses</u>	\$36,155, based on actual non-investment related expenses incurred in the prior fiscal year.
<u>Entry Age Normal Actuarial Cost Method</u>	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 3.56% assumption.
<u>Asset Methodology</u>	Fair Market Value, net of investment-related expenses.

<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

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 administrative expenses 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, 2017

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Pooled Cash	52.36	52.36
Money Market	861,256.00	861,256.00
Cash	542.07	542.07
 Total Cash and Equivalents	 861,850.43	 861,850.43
Receivables:		
Member Contributions in Transit	2,423.40	2,423.40
Investment Income	77,969.52	77,969.52
 Total Receivable	 80,392.92	 80,392.92
Investments:		
Fixed Income	8,786,277.35	8,887,711.65
Equities	11,915,989.62	14,579,305.19
Mutual Funds:		
Equity	1,140,739.45	2,572,219.31
Pooled/Common/Commingled Funds:		
Real Estate	1,831,613.07	2,062,021.68
 Total Investments	 23,674,619.49	 28,101,257.83
 Total Assets	 24,616,862.84	 29,043,501.18
 <u>LIABILITIES</u>		
Payables:		
Investment Expenses	15,110.52	15,110.52
 Total Liabilities	 15,110.52	 15,110.52
 NET POSITION RESTRICTED FOR PENSIONS	 24,601,752.32	 29,028,390.66

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017
Market Value Basis

ADDITIONS

Contributions:

Member	52,814.52	
City		1,595,492.00

Total Contributions 1,648,306.52

Investment Income:

Net Realized Gain (Loss)	614,762.51	
Unrealized Gain (Loss)		2,105,263.47
Net Increase in Fair Value of Investments		2,720,025.98
Interest & Dividends		875,252.21
Less Investment Expense ¹		(154,040.88)

Net Investment Income 3,441,237.31

Total Additions 5,089,543.83

DEDUCTIONS

Distributions to Members:

Benefit Payments	1,581,154.58	
Lump Sum DROP Distributions		0.00
Refunds of Member Contributions		2,102.19

Total Distributions 1,583,256.77

Administrative Expense 36,155.27

Total Deductions 1,619,412.04

Net Increase in Net Position 3,470,131.79

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 25,558,258.87

End of the Year 29,028,390.66

Actuarial Asset Rate of Return 13.2%

Actuarial Gain/(Loss) due to Investment Return 1,684,175.90

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

DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2016 to September 30, 2017

Beginning of the Year Balance	0.00
Plus Additions	18,688.35
Investment Return Earned	348.13
Less Distributions	0.00
End of the Year Balance	19,036.48

STATISTICAL DATA ¹

	<u>10/1/2014</u>	<u>10/1/2015</u>	<u>10/1/2016</u>	<u>10/1/2017</u>
<u>Actives</u>				
Number	24	22	21	17
Average Current Age	52.8	53.8	54.6	53.4
Average Age at Employment	39.9	37.7	38.1	37.6
Average Past Service	12.9	16.1	16.5	15.8
Average Annual Salary	\$52,846	\$54,926	\$53,944	\$57,064
<u>Service Retirees</u>				
Number	65	65	69	73
Average Current Age	67.6	67.8	68.1	68.8
Average Annual Benefit	\$20,918	\$21,508	\$22,491	\$22,483
<u>DROP Retirees</u>				
Number	3	1	0	2
Average Current Age	64.4	64.6	N/A	65.6
Average Annual Benefit	\$6,778	\$7,980	N/A	\$22,547
<u>Beneficiaries</u>				
Number	0	2	3	3
Average Current Age	N/A	68.6	78.7	69.3
Average Annual Benefit	N/A	\$1,671	\$2,759	\$7,703
<u>Terminated Vested</u>				
Number	66	66	63	59
Average Annual Benefit ²	\$15,207	\$15,041	\$14,138	\$13,281

¹ Prior to 10/1/2015, averages were salary weighted.

² The Average Annual Benefit excludes participants awaiting a refund of contributions.

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	0	0	0	0	0	0	0
35 - 39	0	0	0	0	0	0	0	1	0	0	0	1
40 - 44	0	0	0	0	0	0	2	0	1	0	0	3
45 - 49	0	0	0	0	0	0	0	1	0	0	0	1
50 - 54	0	0	0	0	0	1	2	0	2	0	0	5
55 - 59	0	0	0	0	0	0	1	0	1	0	0	2
60 - 64	0	0	0	0	0	1	1	1	0	1	0	4
65+	0	0	0	0	0	0	1	0	0	0	0	1
Total	0	0	0	0	0	2	7	3	4	1	0	17

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2016	21
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. Disabled	0
e. Retired	(1)
f. DROP	<u>(2)</u>
g. Continuing participants	17
h. New entrants	<u>0</u>
i. Total active life participants in valuation	17

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

	Service Retirees, Vested Receiving <u>Benefits</u>	DROP <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested <u>Deferred</u>	<u>Total</u>
a. Number prior valuation	69	0	3	0	63	135
Retired	4	0	0	0	(3)	1
DROP	0	2	0	0	0	2
Vested Deferred	0	0	0	0	1	1
Death, With Survivor	0	0	1	0	(1)	0
Death, No Survivor	0	0	0	0	0	0
Disabled	0	0	0	0	0	0
Refund of Contributions	0	0	0	0	0	0
Rehires	0	0	0	0	0	0
Expired Annuities	0	0	0	0	0	0
Data Corrections	0	0	(1)	0	0	(1)
b. Number current valuation	73	2	3	0	59	137

SUMMARY OF PLAN PROVISIONS

<u>Effective Date of Latest Amendment</u>	November 1, 2011
<u>Eligibility</u>	Participants 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 2.75% 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.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2017

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Pooled Cash	53
Money Market	861,256
Cash	542
Total Cash and Equivalents	861,851
Receivables:	
Member Contributions in Transit	2,423
Investment Income	77,970
Total Receivable	80,393
Investments:	
Fixed Income	8,887,712
Equities	14,579,305
Mutual Funds:	
Equity	2,572,219
Pooled/Common/Commingled Funds:	
Real Estate	2,062,022
Total Investments	28,101,258
Total Assets	29,043,502
<u>LIABILITIES</u>	
Payables:	
Investment Expenses	15,111
Total Liabilities	15,111
NET POSITION RESTRICTED FOR PENSIONS	29,028,391

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2017
Market Value Basis

ADDITIONS

Contributions:

Member	52,815	
City	1,595,492	
Total Contributions		1,648,307
Investment Income:		
Net Increase in Fair Value of Investments	2,720,026	
Interest & Dividends	875,252	
Less Investment Expense ¹	(154,041)	
Net Investment Income		3,441,237
Total Additions		5,089,544

DEDUCTIONS

Distributions to Members:

Benefit Payments	1,581,155	
Lump Sum DROP Distributions	0	
Refunds of Member Contributions	2,102	
Total Distributions		1,583,257
Administrative Expense		36,155
Total Deductions		1,619,412
Net Increase in Net Position		3,470,132
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		25,558,259
End of the Year		29,028,391

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

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

Plan Description

Plan Administration

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of: Two Members of the Plan (1 with under 15 years of service, 1 with 15 years of service or more), one Department Director appointed by the City Manager, three Council appointees, one chosen by the other six Members of the Board. All employees hired on or after February 7, 2012 are not eligible for participation in the plan.

Plan Membership as of October 1, 2016:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	72
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	63
Active Plan Members	21
	156

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.

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.

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.

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Contributions

Employee Contributions: Plan A Members: 5% of base pay. Plan B Members: None.

City 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, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	38%
International Equity	15%
Bonds	23%
TIPS	2%
Convertibles	10%
Private Real Estate	5%
MLPs	5%
Cash	2%
<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, 2017, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 13.22 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, 2017 is \$19,036.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2017 were as follows:

Total Pension Liability	\$ 33,617,634
Plan Fiduciary Net Position	<u>\$ (29,028,391)</u>
Sponsor's Net Pension Liability	<u>\$ 4,589,243</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	86.35%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2016 updated to September 30, 2017 using the following actuarial assumptions:

Inflation	2.70%
Salary Increases	4.80% - 7.80%
Discount Rate	6.75%
Investment Rate of Return	6.75%

Mortality Rate Healthy Lives:

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

Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 100% RP2000 Disabled Female set forward two years.

Male: 100% RP2000 Disabled Male setback four years.

The most recent actuarial experience study used to review the other significant assumptions was dated December 4, 2008.

The Long-Term Expected Rate of Return on Pension Plan investments can be 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 2017 the inflation rate assumption of the investment advisor was 2.60%.

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 geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.00%
International Equity	3.70%
Bonds	4.00%
TIPS	2.90%
Convertibles	6.00%
Private Real Estate	4.80%
MLPs	9.70%
Cash	0.80%

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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	\$ 8,457,242	\$ 4,589,243	\$ 1,348,882

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

	09/30/2017	09/30/2016	09/30/2015
Total Pension Liability			
Service Cost	161,673	174,845	191,062
Interest	2,137,003	1,993,132	1,945,199
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	612,956	(230,237)	48,718
Changes of assumptions	-	1,738,848	-
Benefit Payments, including Refunds of Employee Contributions	(1,583,257)	(1,480,739)	(1,436,535)
Net Change in Total Pension Liability	1,328,375	2,195,849	748,444
Total Pension Liability - Beginning	32,289,259	30,093,410	29,344,966
Total Pension Liability - Ending (a)	<u>\$ 33,617,634</u>	<u>\$ 32,289,259</u>	<u>\$ 30,093,410</u>
Plan Fiduciary Net Position			
Contributions - Employer	1,595,492	1,457,341	1,795,876
Contributions - Employee	52,815	60,710	63,855
Net Investment Income	3,441,237	1,509,708	(553,543)
Benefit Payments, including Refunds of Employee Contributions	(1,583,257)	(1,480,739)	(1,436,535)
Administrative Expense	(36,155)	(34,576)	(37,648)
Net Change in Plan Fiduciary Net Position	3,470,132	1,512,444	(167,995)
Plan Fiduciary Net Position - Beginning	25,558,259	24,045,815	24,213,810
Plan Fiduciary Net Position - Ending (b)	<u>\$ 29,028,391</u>	<u>\$ 25,558,259</u>	<u>\$ 24,045,815</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 4,589,243</u>	<u>\$ 6,731,000</u>	<u>\$ 6,047,595</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	86.35%	79.15%	79.90%
Covered Employee Payroll ¹	\$ 1,056,286	\$ 1,214,204	\$ 1,396,431
Net Pension Liability as a percentage of Covered Employee Payroll	434.47%	554.35%	433.08%

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.

The inflation assumption rate was lowered from 3.00% to 2.70%, 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	196,178	183,773
Interest	1,895,908	1,851,553
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(1,276,944)</u>	<u>(1,504,296)</u>
Net Change in Total Pension Liability	815,142	531,030
Total Pension Liability - Beginning	<u>28,529,824</u>	<u>27,998,794</u>
Total Pension Liability - Ending (a)	<u><u>\$ 29,344,966</u></u>	<u><u>\$ 28,529,824</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	1,681,948	1,691,261
Contributions - Employee	65,431	64,908
Net Investment Income	2,424,391	2,436,581
Benefit Payments, including Refunds of Employee Contributions	<u>(1,276,944)</u>	<u>(1,504,296)</u>
Administrative Expense	<u>(27,489)</u>	<u>(31,229)</u>
Net Change in Plan Fiduciary Net Position	2,867,337	2,657,225
Plan Fiduciary Net Position - Beginning	<u>21,346,473</u>	<u>18,689,248</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 24,213,810</u></u>	<u><u>\$ 21,346,473</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 5,131,156</u></u>	<u><u>\$ 7,183,351</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	82.51%	74.82%
Covered Employee Payroll ¹	\$ 1,308,625	\$ 1,298,166
Net Pension Liability as a percentage of Covered Employee Payroll	392.10%	553.35%

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

	09/30/2017	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	1,595,492	1,457,341	1,629,315	1,659,991	1,668,403
Contributions in relation to the Actuarially Determined Contributions	1,595,492	1,457,341	1,795,876	1,681,948	1,691,261
Contribution Deficiency (Excess)	\$ -	\$ -	\$ (166,561)	\$ (21,957)	\$ (22,858)
Covered Employee Payroll ¹	\$ 1,056,286	\$ 1,214,204	\$ 1,396,431	\$ 1,308,625	\$ 1,298,166
Contributions as a percentage of Covered Employee Payroll	151.05%	120.02%	128.60%	128.53%	130.28%

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: 10/01/2015
 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 dollar funding requirement:
 Interest: A half year, based on the current 6.75% assumption.
 Salary: A full year, based on the current 3.47% assumption.

Amortization Method: Level Percentage of Pay, Closed.
 Remaining Amortization Period: 11 Years (as of 10/01/2015).
 Mortality: RP2000 Combined Healthy Mortality Table (sex distinct), projected to the valuation date with Schedule AA. We believe this assumption sufficiently accommodates expected future mortality improvements.

Termination Rates: See Table on following page, adopted by the Board with the October 1, 2013 valuation, based on historical experience.

Disability Rates: See Table on following page. These rates are consistent with other municipal Florida non-special-risk plans.

Retirement Age: One year following satisfaction of the Plan’s requirement for Normal Retirement. This assumption is consistent with historical Plan experience.

Early Retirement: Commencing upon eligibility for Early Retirement, Members are assumed to retire with an immediate benefit at the rate of 5% per year. This assumption is consistent with historical Plan experience.

Interest Rate: 6.75% per year, compounded annually, net of investment related expenses. This assumption is reasonable, given the Plan’ investment policy and long-term expected returns by asset class.

Salary Increases: See Table on following page. These rates are consistent with long term Plan experience.

Payroll Increase: None for amortization of the Unfunded Actuarial Accrued Liability.

Cost-of-Living Adjustment: 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.

Asset Smoothing Methodology: Fair Market Value, net of investment-related expenses.

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Termination, Disability and Salary Rate Tab

Age	% Terminating During the Year	Disabled During the Year	Average Salary Increase
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%

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	<u>09/30/2017</u>	<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	13.22%	6.17%	-2.23%	11.00%	12.96%

NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2018)

General Information about the Pension Plan

Plan Description

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of: Two Members of the Plan (1 with under 15 years of service, 1 with 15 years of service or more), one Department Director appointed by the City Manager, three Council appointees, one chosen by the other six Members of the Board. Regular, full-time employees who are not sworn police officers enter on date of employment. All employees hired on or after February 7, 2012 are not eligible for participation in the plan.

Plan Membership as of October 1, 2016:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	72
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	63
Active Plan Members	21
	156
	156

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.

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.

Termination of Employment:

Vesting Schedule:	<u>Years of Service</u>	<u>Vested %</u>
	Less than 6	0
	6 or more	1

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.

Contributions

Employee Contributions: Plan A Members: 5% of base pay. Plan B Members: None.

City 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.

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Net Pension Liability

The measurement date is September 30, 2017.

The measurement period for the pension expense was October 1, 2016 to September 30, 2017.

The reporting period is October 1, 2017 through September 30, 2018.

The Sponsor's Net Pension Liability was measured as of September 30, 2017.

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, 2016 updated to September 30, 2017 using the following actuarial assumptions:

Inflation	2.70%
Salary Increases	4.80% - 7.80%
Discount Rate	6.75%
Investment Rate of Return	6.75%

Mortality Rate Healthy Lives:

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

Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 100% RP2000 Disabled Female set forward two years.

Male: 100% RP2000 Disabled Male setback four years.

The most recent actuarial experience study used to review the other significant assumptions was dated December 4, 2008.

The Long-Term Expected Rate of Return on Pension Plan investments can be 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 2017 the inflation rate assumption of the investment advisor was 2.60%.

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 geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2017 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%	7.00%
International Equity	15%	3.70%
Bonds	23%	4.00%
TIPS	2%	2.90%
Convertibles	10%	6.00%
Private Real Estate	5%	4.80%
MLPs	5%	9.70%
Cash	2%	0.80%
<u>Total</u>	<u>100%</u>	

GASB 68

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)
Reporting Period Ending September 30, 2017	\$ 32,289,259	\$ 25,558,259	\$ 6,731,000
Changes for a Year:			
Service Cost	161,673	-	161,673
Interest	2,137,003	-	2,137,003
Differences between Expected and Actual Experience	612,956	-	612,956
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - Employer	-	1,595,492	(1,595,492)
Contributions - Employee	-	52,815	(52,815)
Net Investment Income	-	3,441,237	(3,441,237)
Benefit Payments, including Refunds of Employee Contributions	(1,583,257)	(1,583,257)	-
Administrative Expense	-	(36,155)	36,155
Net Changes	1,328,375	3,470,132	(2,141,757)
Reporting Period Ending September 30, 2018	\$ 33,617,634	\$ 29,028,391	\$ 4,589,243

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	\$ 8,457,242	\$ 4,589,243	\$ 1,348,882

Pension Plan Fiduciary Net Position.

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

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

For the year ended September 30, 2017, the Sponsor has recognized a Pension Expense of \$2,296,452.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan investments	1,023,950	-
Employers contributions subsequent to the measurement date	1,595,492	-
Total	\$ 2,619,442	\$ -

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

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

Year ended September 30:			
2018	\$	269,182	
2019	\$	269,181	
2020	\$	462,892	
2021	\$	22,695	
2022	\$	-	
Thereafter	\$	-	

**PRELIMINARY PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS
FISCAL YEAR SEPTEMBER 30, 2018**

For the year ended September 30, 2018, the Sponsor will recognize a Pension Expense of \$1,094,981.

On September 30, 2018, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan investments	-	617,296
Employers contributions subsequent to the measurement date	TBD	-
Total	TBD	\$ 617,296

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2018.

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

Year ended September 30:		
2019	\$	(73,835)
2020	\$	119,876
2021	\$	(320,321)
2022	\$	(343,016)
2023	\$	-
Thereafter	\$	-

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

Reporting Period Ending Measurement Date	09/30/2018 09/30/2017	09/30/2017 09/30/2016	09/30/2016 09/30/2015
Total Pension Liability			
Service Cost	161,673	174,845	191,062
Interest	2,137,003	1,993,132	1,945,199
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	612,956	(230,237)	48,718
Changes of assumptions	-	1,738,848	-
Benefit Payments, including Refunds of Employee Contributions	(1,583,257)	(1,480,739)	(1,436,535)
Net Change in Total Pension Liability	1,328,375	2,195,849	748,444
Total Pension Liability - Beginning	32,289,259	30,093,410	29,344,966
Total Pension Liability - Ending (a)	<u>\$ 33,617,634</u>	<u>\$ 32,289,259</u>	<u>\$ 30,093,410</u>
Plan Fiduciary Net Position			
Contributions - Employer	1,595,492	1,457,341	1,795,876
Contributions - Employee	52,815	60,710	63,855
Net Investment Income	3,441,237	1,509,708	(553,543)
Benefit Payments, including Refunds of Employee Contributions	(1,583,257)	(1,480,739)	(1,436,535)
Administrative Expense	(36,155)	(34,576)	(37,648)
Net Change in Plan Fiduciary Net Position	3,470,132	1,512,444	(167,995)
Plan Fiduciary Net Position - Beginning	25,558,259	24,045,815	24,213,810
Plan Fiduciary Net Position - Ending (b)	<u>\$ 29,028,391</u>	<u>\$ 25,558,259</u>	<u>\$ 24,045,815</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 4,589,243</u>	<u>\$ 6,731,000</u>	<u>\$ 6,047,595</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	86.35%	79.15%	79.90%
Covered Employee Payroll ¹	\$ 1,056,286	\$ 1,214,204	\$ 1,396,431
Net Pension Liability as a percentage of Covered Employee Payroll	434.47%	554.35%	433.08%

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.

The inflation assumption rate was lowered from 3.00% to 2.70%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

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

Reporting Period Ending	09/30/2015	09/30/2014
Measurement Date	09/30/2014	09/30/2013
Total Pension Liability		
Service Cost	196,178	183,773
Interest	1,895,908	1,851,553
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>
Contributions - Employer	1,681,948	1,691,261
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)
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	\$ 1,308,625	\$ 1,298,166
Net Pension Liability as a percentage of Covered Employee Payroll	392.10%	553.35%

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

	09/30/2017	09/30/2016	09/30/2015	09/30/2013	09/30/2013
Actuarially Determined Contribution	1,595,492	1,457,341	1,629,315	1,659,991	1,668,403
Contributions in relation to the Actuarially Determined Contributions	1,595,492	1,457,341	1,795,876	1,681,948	1,691,261
Contribution Deficiency (Excess)	\$ -	\$ -	\$ (166,561)	\$ (21,957)	\$ (22,858)
Covered Employee Payroll ¹	\$ 1,056,286	\$ 1,214,204	\$ 1,396,431	\$ 1,298,166	\$ 1,298,166
Contributions as a percentage of Covered Employee Payroll	151.05%	120.02%	128.60%	130.28%	130.28%

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: 10/01/2015

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 dollar funding requirement: Interest: A half year, based on the current 6.75% assumption. Salary: A full year, based on the current 3.47% assumption.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	11 Years (as of 10/01/2015).
Mortality:	RP2000 Combined Healthy Mortality Table (sex distinct), projected to the valuation date with Schedule AA. We believe this assumption sufficiently accommodates expected future mortality improvements.
Termination Rates:	See Table on following page, adopted by the Board with the October 1, 2013 valuation, based on historical experience.
Disability Rates:	See Table on following page. These rates are consistent with other municipal Florida non-special-risk plans.
Retirement Age:	One year following satisfaction of the Plan's requirement for Normal Retirement. This assumption is consistent with historical Plan experience.
Early Retirement:	Commencing upon eligibility for Early Retirement, Members are assumed to retire with an immediate benefit at the rate of 5% per year. This assumption is consistent with historical Plan experience.
Interest Rate:	6.75% per year, compounded annually, net of investment related expenses. This assumption is reasonable, given the Plan's investment policy and long-term expected returns by asset class.
Salary Increases:	See Table on following page. These rates are consistent with long term Plan experience.
Payroll Increase:	None for amortization of the Unfunded Actuarial Accrued Liability. □
Cost-of-Living Adjustment:	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.
Asset Smoothing Methodology:	Fair Market Value, net of investment-related expenses.

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Termination, Disability and Salary Rate Tables:

Age	% Terminating During the Year	Disabled During the Year	Average Salary Increase
20	9.30%	0.14%	7.80%
30	5.50%	0.18%	6.30%
40	4.60%	0.30%	5.40%
50	4.10%	1.00%	4.80%

FINAL COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2017

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 6,047,595	\$ 581,133	\$ 3,218,130	\$ -
Employer Contributions made after September 30, 2016	-	-	1,595,492	-
Total Pension Liability Factors:				
Service Cost	174,845	-	-	174,845
Interest	1,993,132	-	-	1,993,132
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(230,237)	230,237	-	-
Current year amortization of experience difference	-	(230,237)	-	(230,237)
Change in assumptions about future economic or demographic factors or other inputs	1,738,848	-	1,738,848	-
Current year amortization of change in assumptions	-	-	(1,738,848)	1,738,848
Benefit Payments	(1,480,739)	-	-	-
Net change	<u>2,195,849</u>	<u>-</u>	<u>1,595,492</u>	<u>3,676,588</u>
Plan Fiduciary Net Position:				
Contributions - Employer	1,457,341	-	(1,457,341)	-
Contributions - Employee	60,710	-	-	(60,710)
Projected Net Investment Income	1,623,185	-	-	(1,623,185)
Difference between projected and actual earnings on Pension Plan investments	(113,477)	-	113,477	-
Current year amortization	-	(193,711)	(462,894)	269,183
Benefit Payments	(1,480,739)	-	-	-
Administrative Expenses	(34,576)	-	-	34,576
Net change	<u>1,512,444</u>	<u>(193,711)</u>	<u>(1,806,758)</u>	<u>(1,380,136)</u>
Ending Balance	<u>\$ 6,731,000</u>	<u>\$ 387,422</u>	<u>\$ 3,006,864</u>	<u>\$ 2,296,452</u>

PRELIMINARY COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2018

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 6,731,000	\$ 387,422	\$ 3,006,864	\$ -
Employer Contributions made after September 30, 2017	-	-	TBD*	-
Total Pension Liability Factors:				
Service Cost	161,673	-	-	161,673
Interest	2,137,003	-	-	2,137,003
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	612,956	-	612,956	-
Current year amortization of experience difference	-	-	(612,956)	612,956
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(1,583,257)	-	-	-
Net change	<u>1,328,375</u>	<u>-</u>	<u>-</u>	<u>2,911,632</u>
Plan Fiduciary Net Position:				
Contributions - Employer	1,595,492	-	(1,595,492)	-
Contributions - Employee	52,815	-	-	(52,815)
Projected Net Investment Income	1,726,158	-	-	(1,726,158)
Difference between projected and actual earnings on Pension Plan investments	1,715,079	1,715,079	-	-
Current year amortization	-	(536,726)	(462,893)	(73,833)
Benefit Payments	(1,583,257)	-	-	-
Administrative Expenses	(36,155)	-	-	36,155
Net change	<u>3,470,132</u>	<u>1,178,353</u>	<u>(2,058,385)</u>	<u>(1,816,651)</u>
Ending Balance	<u>\$ 4,589,243</u>	<u>\$ 1,565,775</u>	<u>TBD</u>	<u>\$ 1,094,981</u>

* Employer and State Contributions subsequent to the measurement date made after September 30, 2017 but made on or before September 30, 2018 need to be added.

AMORTIZATION SCHEDULE - INVESTMENTS

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

Plan Year Ending	Differences Between Projected and Actual Earnings	Recognition Period (Years)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
2014	\$ (968,554)	5	\$ (193,711)	\$ (193,711)	\$ (193,711)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 2,200,987	5	\$ 440,198	\$ 440,197	\$ 440,197	\$ 440,197	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 113,477	5	\$ 22,696	\$ 22,696	\$ 22,695	\$ 22,695	\$ 22,695	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ (1,715,079)	5	\$ -	\$ (343,015)	\$ (343,016)	\$ (343,016)	\$ (343,016)	\$ (343,016)	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 269,183	\$ (73,833)	\$ (73,835)	\$ 119,876	\$ (320,321)	\$ (343,016)	\$ -	\$ -	\$ -	\$ -	\$ -

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)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
2016	\$ 1,738,848	1	\$ 1,738,848	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 1,738,848	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
2016	\$ (230,237)	1	\$ (230,237)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ 612,956	1	\$ -	\$ 612,956	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (230,237)	\$ 612,956	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -