

CITY OF SANIBEL
GENERAL EMPLOYEES' RETIREMENT PLAN
ACTUARIAL VALUATION
AS OCTOBER 1, 2018

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2020

GASB 67/68 DISCLOSURE INFORMATION
AS OF SEPTEMBER 30, 2018



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

January 3, 2019

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. Use of the results for other purposes may not be applicable and may produce significantly different results.

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 Chapter 112, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in the 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. Due to the limited scope of the valuation, we did not perform an analysis of the potential range of such future measurements.

In conducting the valuations, we have relied on personnel, plan design, and asset information supplied by the City of Sanibel, 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, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2018 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 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: 
Sara E. Carlson, ASA, EA, MAAA
Enrolled Actuary #17-8546

SEC/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, 2018, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ending September 30, 2020.

The contribution requirements, compared with those set forth in the October 1, 2017 actuarial valuation report, are as follows:

| | | |
|----------------------------------|------------------|------------------|
| Valuation Date | 10/1/2018 | 10/1/2017 |
| Applicable to Fiscal Year Ending | <u>9/30/2020</u> | <u>9/30/2019</u> |
| Minimum Required Contribution | \$1,006,864 | \$1,729,031 |
| Member Contributions (Est.) | 53,018 | 51,926 |
| City Required Contribution | \$953,846 | \$1,677,105 |

As you can see, the Minimum Required Contribution shows a decrease when compared to the results determined in the October 1, 2017 actuarial valuation report. The decrease is mainly attributable to an amortization charge from 2008 being fully paid off, as well as favorable actuarial experience as described in the following paragraph.

Plan experience was favorable overall on the basis of the plan's actuarial assumptions. Sources of favorable experience included more inactive mortality than expected and an investment return of 6.80% (Actuarial Asset Basis) which exceeded the 6.75% assumption. These gains were offset in part by losses associated with more retirements than expected and less turnover than expected.

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 any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 
Sara E. Carlson, ASA, EA, MAAA

By: 
Julie E. Franken, EA

CHANGES SINCE PRIOR VALUATION

Plan Changes

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

Actuarial Assumption/Method Changes

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

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

| | <u>10/1/2018</u> | <u>10/1/2017</u> |
|------------------------------------|------------------|------------------|
| A. Participant Data | | |
| Actives | 16 | 17 |
| Service Retirees | 79 | 73 |
| DROP Retirees | 2 | 2 |
| Beneficiaries | 6 | 3 |
| Terminated Vested | <u>50</u> | <u>59</u> |
| Total | 153 | 154 |
| Total Annual Payroll | \$990,200 | \$970,082 |
| Payroll Under Assumed Ret. Age | 990,200 | 970,082 |
| Annual Rate of Payments to: | | |
| Service Retirees | 1,817,159 | 1,641,237 |
| DROP Retirees | 45,094 | 45,094 |
| Beneficiaries | 39,149 | 23,110 |
| Terminated Vested | 590,754 | 783,553 |
| B. Assets | | |
| Actuarial Value (AVA) ¹ | 31,278,146 | 29,028,391 |
| Market Value (MVA) ¹ | 31,278,146 | 29,028,391 |
| C. Liabilities | | |
| Present Value of Benefits | | |
| Actives | | |
| Retirement Benefits | 3,430,437 | 3,420,211 |
| Disability Benefits | 0 | 0 |
| Death Benefits | 36,834 | 37,149 |
| Vested Benefits | 494,191 | 482,574 |
| Refund of Contributions | 0 | 0 |
| Service Retirees | 23,191,966 | 20,751,921 |
| DROP Retirees ¹ | 752,043 | 703,376 |
| Beneficiaries | 318,134 | 244,531 |
| Terminated Vested | <u>5,803,898</u> | <u>7,892,253</u> |
| Total | 34,027,503 | 33,532,015 |

| C. Liabilities - (Continued) | <u>10/1/2018</u> | <u>10/1/2017</u> |
|---|-------------------|-------------------|
| Present Value of Future Salaries | 5,684,186 | 5,871,706 |
| Present Value of Future Member Contributions | 284,209 | 293,585 |
| Normal Cost (Retirement) | 75,370 | 78,473 |
| Normal Cost (Death) | 1,986 | 1,928 |
| Normal Cost (Vesting) | 26,573 | 28,277 |
| Normal Cost (Refunds) | <u>0</u> | <u>0</u> |
| Total Normal Cost | 103,929 | 108,678 |
| Present Value of Future Normal Costs | 496,261 | 538,610 |
| Accrued Liability (Retirement) | 3,115,028 | 3,066,731 |
| Accrued Liability (Death) | 27,528 | 27,328 |
| Accrued Liability (Vesting) | 322,645 | 307,265 |
| Accrued Liability (Refunds) | 0 | 0 |
| Accrued Liability (Inactives) ¹ | <u>30,066,041</u> | <u>29,592,081</u> |
| Total Actuarial Accrued Liability (EAN AL) | 33,531,242 | 32,993,405 |
| Unfunded Actuarial Accrued Liability (UAAL) | 2,253,096 | 3,965,014 |
| Funded Ratio (AVA / EAN AL) | 93.3% | 88.0% |

| D. Actuarial Present Value of Accrued Benefits | <u>10/1/2018</u> | <u>10/1/2017</u> |
|--|------------------|------------------|
| Vested Accrued Benefits | | |
| Inactives ¹ | 30,066,041 | 29,592,081 |
| Actives | 2,423,301 | 2,397,201 |
| Member Contributions | <u>520,669</u> | <u>497,800</u> |
| Total | 33,010,011 | 32,487,082 |
| Non-vested Accrued Benefits | <u>0</u> | <u>0</u> |
| Total Present Value Accrued Benefits (PVAB) | 33,010,011 | 32,487,082 |
| Funded Ratio (MVA / PVAB) | 94.8% | 89.4% |
| Increase (Decrease) in Present Value of Accrued Benefits Attributable to: | | |
| Plan Amendments | 0 | |
| Assumption Changes | 0 | |
| New Accrued Benefits | 89,047 | |
| Benefits Paid | (1,701,568) | |
| Interest | 2,135,450 | |
| Other | <u>0</u> | |
| Total | 522,929 | |

| | | |
|----------------------------------|------------------|------------------|
| Valuation Date | 10/1/2018 | 10/1/2017 |
| Applicable to Fiscal Year Ending | <u>9/30/2020</u> | <u>9/30/2019</u> |

E. Pension Cost

| | | |
|---|-----------|-----------|
| Normal Cost ² | \$111,294 | \$116,345 |
| Administrative Expenses ² | 43,407 | 38,706 |
| Payment Required to Amortize Unfunded Actuarial Accrued Liability over 10 years (as of 10/1/2018) ² | 852,163 | 1,573,980 |
| Minimum Required Contribution | 1,006,864 | 1,729,031 |
| Expected Member Contributions ² | 53,018 | 51,926 |
| Expected City Contribution | 953,846 | 1,677,105 |

F. Past Contributions

| | |
|-----------------------------|------------------|
| Plan Years Ending: | <u>9/30/2018</u> |
| City Requirement | 1,947,320 |
| Actual Contributions Made: | |
| Members (excluding buyback) | 51,991 |
| City | <u>1,947,323</u> |
| Total | 1,999,314 |

G. Net Actuarial (Gain)/Loss (68,122)

¹ The asset values and liabilities include accumulated DROP Plan Balances as of 9/30/2018 and 9/30/2017.

² Contributions developed as of 10/1/2018 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> |
|-------------|---|
| 2018 | 2,253,096 |
| 2019 | 1,555,692 |
| 2020 | 1,001,055 |
| 2022 | 138,033 |
| 2028 | 0 |

I. (i) 5 Year Comparison of Actual and Assumed Salary Increases

| | <u>Actual</u> | <u>Assumed</u> |
|----------------------|---------------|----------------|
| Year Ended 9/30/2018 | 7.66% | 3.73% |
| 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% |
| Year Ended 9/30/2014 | 3.14% | 3.76% |

(ii) 5 Year Comparison of Investment Return on Market Value and Actuarial Value

| | <u>Market Value</u> | <u>Actuarial Value</u> | <u>Assumed</u> |
|----------------------|---------------------|------------------------|----------------|
| Year Ended 9/30/2018 | 6.80% | 6.80% | 6.75% |
| Year Ended 9/30/2017 | 13.22% | 13.22% | 6.75% |
| Year Ended 9/30/2016 | 6.17% | 6.17% | 6.75% |
| Year Ended 9/30/2015 | -2.23% | -2.23% | 6.75% |
| Year Ended 9/30/2014 | 11.00% | 11.00% | 6.75% |

(iii) Average Annual Payroll Growth

| | | |
|-------------------------|-----------|-----------|
| (a) Payroll as of: | 10/1/2018 | \$990,200 |
| | 10/1/2008 | 5,448,952 |
| (b) Total Increase | | -81.83% |
| (c) Number of Years | | 10.00 |
| (d) Average Annual Rate | | -15.68% |

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.



Sara E. Carlson, ASA, EA, MAAA
Enrolled Actuary #17-8546

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, 2017 | \$3,965,014 |
| (2) Sponsor Normal Cost developed as of October 1, 2017 | 60,174 |
| (3) Expected administrative expenses for the year ended September 30, 2018 | 36,155 |
| (4) Expected interest on (1), (2) and (3) | 272,920 |
| (5) Sponsor contributions to the System during the year ended September 30, 2018 | 1,947,323 |
| (6) Expected interest on (5) | 65,722 |
| (7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2018 (1)+(2)+(3)+(4)-(5)-(6) | 2,321,218 |
| (8) Change to UAAL due to Assumption Change | 0 |
| (9) Change to UAAL due to Actuarial (Gain)/Loss | (68,122) |
| (10) Unfunded Actuarial Accrued Liability as of October 1, 2018 | 2,253,096 |

| <u>Type of Base</u> | <u>Date Established</u> | <u>Years Remaining</u> | <u>10/1/2018 Amount</u> | <u>Amortization Amount</u> |
|---------------------|-------------------------|------------------------|-------------------------|----------------------------|
| method change | 10/1/2004 | 4 | 489,346 | 134,571 |
| prior losses | 10/1/2004 | 4 | 1,237,010 | 340,179 |
| actuarial gain | 10/1/2005 | 4 | (304,637) | (83,776) |
| benefit change | 10/1/2005 | 4 | 439,749 | 120,931 |
| actuarial loss | 10/1/2006 | 4 | 202,918 | 55,803 |
| benefit change | 10/1/2006 | 4 | 174,138 | 47,888 |
| actuarial loss | 10/1/2007 | 4 | 144,069 | 39,619 |
| method change | 10/1/2008 | 4 | (581,818) | (160,001) |
| actuarial loss | 10/1/2009 | 1 | 177,838 | 177,838 |
| assum. change | 10/1/2009 | 4 | 87,791 | 24,143 |
| actuarial loss | 10/1/2010 | 2 | 204,622 | 105,651 |
| benefit change | 10/1/2010 | 4 | (793,912) | (218,327) |
| actuarial loss | 10/1/2011 | 3 | 337,242 | 119,831 |
| actuarial loss | 10/1/2012 | 4 | 452,821 | 124,526 |
| method change | 10/1/2012 | 4 | (450,816) | (123,975) |
| assum. change | 10/1/2012 | 4 | 231,342 | 63,619 |
| actuarial gain | 10/1/2013 | 5 | (445,051) | (101,001) |
| assum. change | 10/1/2013 | 5 | (29,287) | (6,646) |
| actuarial gain | 10/1/2014 | 6 | (505,468) | (98,574) |

| Type of <u>Base</u> | Date <u>Established</u> | Years <u>Remaining</u> | 10/1/2018 <u>Amount</u> | Amortization <u>Amount</u> |
|------------------------|----------------------------|---------------------------|----------------------------|-------------------------------|
| actuarial loss | 10/1/2015 | 7 | 1,309,934 | 225,713 |
| assum. change | 10/1/2016 | 8 | 1,338,702 | 207,983 |
| actuarial loss | 10/1/2016 | 8 | 553,270 | 85,957 |
| actuarial gain | 10/1/2017 | 9 | (1,948,585) | (277,198) |
| actuarial gain | 10/1/2018 | 10 | <u>(68,122)</u> | <u>(8,981)</u> |
| | | | 2,253,096 | 795,773 |

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

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.

Interest Rate

6.75% per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Salary Increases

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

Payroll Growth

0.00% for purposes of amortizing the Unfunded Actuarial Accrued Liability. This assumption cannot exceed the ten-year average payroll growth, in compliance with Part VII of Chapter 112, Florida Statutes.

Administrative Expenses

\$40,535 annually, based on actual expenses incurred in the prior fiscal year.

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.

Termination Rates

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

Disability Rates

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

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 2.75% annually for 25 years, beginning 3 years after retirement.

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 3.59% assumption.

Fair Market Value, net of investment-related expenses.

Asset Methodology

| <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 |

GLOSSARY

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

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

- (a) The normal cost accrual rate equals:
 - (i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by
 - (ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.
- (b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.
- (c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

(d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

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, 2018

| <u>ASSETS</u> | COST VALUE | MARKET VALUE |
|--|-------------------|-------------------|
| Cash and Cash Equivalents: | | |
| Pooled Cash | 1,058.49 | 1,058.49 |
| Money Market | 763,104.00 | 763,104.00 |
| Cash | 3.53 | 3.53 |
| Total Cash and Equivalents | 764,166.02 | 764,166.02 |
| Receivables: | | |
| From Broker for Investments Sold | 24,516.41 | 24,516.41 |
| Investment Income | 80,008.63 | 80,008.63 |
| Total Receivable | 104,525.04 | 104,525.04 |
| Investments: | | |
| Fixed Income | 9,486,896.46 | 9,466,106.97 |
| Equities | 12,962,872.83 | 15,628,320.10 |
| Mutual Funds: | | |
| Equity | 910,739.45 | 2,706,717.03 |
| Pooled/Common/Commingled Funds: | | |
| Real Estate | 2,378,789.41 | 2,665,988.36 |
| Total Investments | 25,739,298.15 | 30,467,132.46 |
| Total Assets | 26,607,989.21 | 31,335,823.52 |
| <u>LIABILITIES</u> | | |
| Payables: | | |
| Investment Expenses | 15,676.23 | 15,676.23 |
| To Broker for Investments Purchased | 42,001.62 | 42,001.62 |
| Total Liabilities | 57,677.85 | 57,677.85 |
| NET POSITION RESTRICTED FOR PENSIONS | 26,550,311.36 | 31,278,145.67 |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018
Market Value Basis

ADDITIONS

Contributions:

| | | |
|--------|-----------|--------------|
| Member | 51,990.86 | |
| City | | 1,947,323.00 |

| | | |
|---------------------|--|--------------|
| Total Contributions | | 1,999,313.86 |
|---------------------|--|--------------|

Investment Income:

| | | |
|---|------------|--------------|
| Net Realized Gain (Loss) | 666,014.74 | |
| Unrealized Gain (Loss) | 298,981.65 | |
| Net Increase in Fair Value of Investments | | 964,996.39 |
| Interest & Dividends | | 1,197,981.03 |
| Less Investment Expense ¹ | | (170,433.98) |

| | | |
|-----------------------|--|--------------|
| Net Investment Income | | 1,992,543.44 |
|-----------------------|--|--------------|

| | | |
|-----------------|--|--------------|
| Total Additions | | 3,991,857.30 |
|-----------------|--|--------------|

DEDUCTIONS

Distributions to Members:

| | | |
|---------------------------------|--------------|--|
| Benefit Payments | 1,701,567.58 | |
| Lump Sum DROP Distributions | 0.00 | |
| Refunds of Member Contributions | 0.00 | |

| | | |
|---------------------|--|--------------|
| Total Distributions | | 1,701,567.58 |
|---------------------|--|--------------|

| | | |
|------------------------|--|-----------|
| Administrative Expense | | 40,534.71 |
|------------------------|--|-----------|

| | | |
|------------------|--|--------------|
| Total Deductions | | 1,742,102.29 |
|------------------|--|--------------|

| | | |
|------------------------------|--|--------------|
| Net Increase in Net Position | | 2,249,755.01 |
|------------------------------|--|--------------|

NET POSITION RESTRICTED FOR PENSIONS

| | | |
|-----------------------|--|---------------|
| Beginning of the Year | | 29,028,390.66 |
|-----------------------|--|---------------|

| | | |
|-----------------|--|---------------|
| End of the Year | | 31,278,145.67 |
|-----------------|--|---------------|

| | | |
|--------------------------------|--|-------|
| Actuarial Asset Rate of Return | | 6.80% |
|--------------------------------|--|-------|

| | | |
|--|--|-----------|
| Actuarial Gain/(Loss) due to Investment Return | | 14,651.05 |
|--|--|-----------|

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

DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2017 to September 30, 2018

| | |
|-------------------------------|-----------|
| Beginning of the Year Balance | 19,036.48 |
| Plus Additions | 45,094.44 |
| Investment Return Earned | 2,594.69 |
| Less Distributions | 0.00 |
| End of the Year Balance | 66,725.61 |

STATISTICAL DATA

| | <u>10/1/2015</u> | <u>10/1/2016</u> | <u>10/1/2017</u> | <u>10/1/2018</u> |
|-------------------------------------|------------------|------------------|------------------|------------------|
| <u>Actives</u> | | | | |
| Number | 22 | 21 | 17 | 16 |
| Average Current Age | 53.8 | 54.6 | 53.4 | 54.3 |
| Average Age at Employment | 37.7 | 38.1 | 37.6 | 37.9 |
| Average Past Service | 16.1 | 16.5 | 15.8 | 16.4 |
| Average Annual Salary | \$54,926 | \$53,944 | \$57,064 | \$61,888 |
| <u>Service Retirees</u> | | | | |
| Number | 65 | 69 | 73 | 79 |
| Average Current Age | 67.8 | 68.1 | 68.8 | 68.9 |
| Average Annual Benefit | \$21,508 | \$22,491 | \$22,483 | \$23,002 |
| <u>DROP Retirees</u> | | | | |
| Number | 1 | 0 | 2 | 2 |
| Average Current Age | 64.6 | N/A | 65.6 | 66.6 |
| Average Annual Benefit | \$7,980 | N/A | \$22,547 | \$22,547 |
| <u>Beneficiaries</u> | | | | |
| Number | 2 | 3 | 3 | 6 |
| Average Current Age | 68.6 | 78.7 | 69.3 | 68.9 |
| Average Annual Benefit | \$1,671 | \$2,759 | \$7,703 | \$6,525 |
| <u>Disability Retirees</u> | | | | |
| Number | 0 | 0 | 0 | 0 |
| Average Current Age | N/A | N/A | N/A | N/A |
| Average Annual Benefit | N/A | N/A | N/A | N/A |
| <u>Terminated Vested</u> | | | | |
| Number | 66 | 63 | 59 | 50 |
| Average Annual Benefit ¹ | \$15,041 | \$14,138 | \$13,281 | \$11,815 |

¹ 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 | 1 | 0 | 1 | 0 | 0 | 2 |
| 45 - 49 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 2 |
| 50 - 54 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 3 |
| 55 - 59 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 2 |
| 60 - 64 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 1 | 0 | 1 | 0 | 5 |
| 65+ | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Total | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 3 | 3 | 1 | 0 | 16 |

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

| | |
|---|----------|
| a. Number in prior valuation 10/1/2017 | 17 |
| b. Terminations | |
| i. Vested (partial or full) with deferred benefits | 0 |
| 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>0</u> |
| g. Continuing participants | 16 |
| h. New entrants | <u>0</u> |
| i. Total active life participants in valuation | 16 |

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

| | Service Retirees, Vested Receiving <u>Benefits</u> | <u>DROP Benefits</u> | Receiving Death <u>Benefits</u> | Receiving Disability <u>Benefits</u> | <u>Vested Deferred</u> | <u>Total</u> |
|-----------------------------|--|--------------------------|---------------------------------------|--|----------------------------|--------------|
| a. Number prior valuation | 73 | 2 | 3 | 0 | 59 | 137 |
| Retired | 9 | 0 | 0 | 0 | (8) | 1 |
| DROP | 0 | 0 | 0 | 0 | 0 | 0 |
| Vested Deferred | 0 | 0 | 0 | 0 | 0 | 0 |
| Death, With Survivor | (1) | 0 | 3 | 0 | (1) | 1 |
| Death, No Survivor | (2) | 0 | 0 | 0 | 0 | (2) |
| 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 | 0 | 0 | 0 | 0 |
| b. Number current valuation | 79 | 2 | 6 | 0 | 50 | 137 |

SUMMARY OF CURRENT PLAN

| | |
|---|--|
| <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, 2018

| <u>ASSETS</u> | MARKET VALUE |
|--------------------------------------|--------------|
| Cash and Cash Equivalents: | |
| Pooled Cash | 1,058 |
| Money Market | 763,104 |
| Cash | 4 |
| Total Cash and Equivalents | 764,166 |
| Receivables: | |
| From Broker for Investments Sold | 24,516 |
| Investment Income | 80,009 |
| Total Receivable | 104,525 |
| Investments: | |
| Fixed Income | 9,466,107 |
| Equities | 15,628,320 |
| Mutual Funds: | |
| Equity | 2,706,717 |
| Pooled/Common/Commingled Funds: | |
| Real Estate | 2,665,989 |
| Total Investments | 30,467,133 |
| Total Assets | 31,335,824 |
| <u>LIABILITIES</u> | |
| Payables: | |
| Investment Expenses | 15,676 |
| To Broker for Investments Purchased | 42,002 |
| Total Liabilities | 57,678 |
| NET POSITION RESTRICTED FOR PENSIONS | 31,278,146 |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2018
Market Value Basis

ADDITIONS

Contributions:

| | | |
|---|-----------|------------------|
| Member | 51,991 | |
| City | 1,947,323 | |
| Total Contributions | | 1,999,314 |
| Investment Income: | | |
| Net Increase in Fair Value of Investments | 964,996 | |
| Interest & Dividends | 1,197,981 | |
| Less Investment Expense ¹ | (170,434) | |
| Net Investment Income | | 1,992,543 |
| Total Additions | | 3,991,857 |

DEDUCTIONS

Distributions to Members:

| | | |
|---|-----------|------------------|
| Benefit Payments | 1,701,567 | |
| Lump Sum DROP Distributions | 0 | |
| Refunds of Member Contributions | 0 | |
| Total Distributions | | 1,701,567 |
| Administrative Expense | | 40,535 |
| Total Deductions | | 1,742,102 |
| Net Increase in Net Position | | 2,249,755 |
| NET POSITION RESTRICTED FOR PENSIONS | | |
| Beginning of the Year | | 29,028,391 |
| End of the Year | | 31,278,146 |

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

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2018)

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, 2017:

| | |
|---|-----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 78 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | 59 |
| Active Plan Members | 17 |
| | 154 |

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, 2018:

| <u>Asset Class</u> | <u>Target Allocation</u> |
|----------------------|--------------------------|
| Domestic Equity | 38.0% |
| International Equity | 15.0% |
| Bonds | 23.0% |
| TIPS | 2.0% |
| Convertibles | 10.0% |
| Private Real Estate | 5.0% |
| MLPs | 5.0% |
| Cash | 2.0% |
| <u>Total</u> | <u>100.0%</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, 2018, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 6.80 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, 2018 is \$66,726.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2018 were as follows:

| | |
|--|------------------------|
| Total Pension Liability | \$ 33,506,766 |
| Plan Fiduciary Net Position | <u>\$ (31,278,146)</u> |
| Sponsor's Net Pension Liability | <u>\$ 2,228,620</u> |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 93.35% |

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 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 Active 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 Inactive 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 2018 the inflation rate assumption of the investment advisor was 2.50%.

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, 2018 are summarized in the following table:

| <u>Asset Class</u> | <u>Long Term Expected Real Rate of Return</u> |
|----------------------|---|
| Domestic Equity | 8.10% |
| International Equity | 3.40% |
| Bonds | 3.60% |
| TIPS | 2.70% |
| Convertibles | 6.70% |
| Private Real Estate | 4.90% |
| MLPs | 9.40% |
| Cash | 0.70% |

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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 | \$ 5,998,443 | \$ 2,228,620 | \$ (937,462) |

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

| | 09/30/2018 | 09/30/2017 | 09/30/2016 |
|--|----------------------|----------------------|----------------------|
| Total Pension Liability | | | |
| Service Cost | 129,594 | 161,673 | 174,845 |
| Interest | 2,220,510 | 2,137,003 | 1,993,132 |
| Changes of benefit terms | - | - | - |
| Differences between Expected and Actual Experience | (759,405) | 612,956 | (230,237) |
| Changes of assumptions | - | - | 1,738,848 |
| Benefit Payments, including Refunds of Employee Contributions | (1,701,567) | (1,583,257) | (1,480,739) |
| Net Change in Total Pension Liability | (110,868) | 1,328,375 | 2,195,849 |
| Total Pension Liability - Beginning | 33,617,634 | 32,289,259 | 30,093,410 |
| Total Pension Liability - Ending (a) | <u>\$ 33,506,766</u> | <u>\$ 33,617,634</u> | <u>\$ 32,289,259</u> |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | 1,947,323 | 1,595,492 | 1,457,341 |
| Contributions - Employee | 51,991 | 52,815 | 60,710 |
| Net Investment Income | 1,992,543 | 3,441,237 | 1,509,708 |
| Benefit Payments, including Refunds of Employee Contributions | (1,701,567) | (1,583,257) | (1,480,739) |
| Administrative Expense | (40,535) | (36,155) | (34,576) |
| Net Change in Plan Fiduciary Net Position | 2,249,755 | 3,470,132 | 1,512,444 |
| Plan Fiduciary Net Position - Beginning | 29,028,391 | 25,558,259 | 24,045,815 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 31,278,146</u> | <u>\$ 29,028,391</u> | <u>\$ 25,558,259</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 2,228,620</u> | <u>\$ 4,589,243</u> | <u>\$ 6,731,000</u> |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 93.35% | 86.35% | 79.15% |
| Covered Employee Payroll ¹ | \$ 1,039,827 | \$ 1,056,286 | \$ 1,214,204 |
| Net Pension Liability as a percentage of Covered Employee Payroll | 214.33% | 434.47% | 554.35% |

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.

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

| | 09/30/2015 | 09/30/2014 | 09/30/2013 |
|--|----------------------|----------------------|----------------------|
| Total Pension Liability | | | |
| Service Cost | 191,062 | 196,178 | 183,773 |
| Interest | 1,945,199 | 1,895,908 | 1,851,553 |
| Changes of benefit terms | - | - | - |
| Differences between Expected and Actual Experience | 48,718 | - | - |
| Changes of assumptions | - | - | - |
| Benefit Payments, including Refunds of Employee Contributions | (1,436,535) | (1,276,944) | (1,504,296) |
| Net Change in Total Pension Liability | 748,444 | 815,142 | 531,030 |
| Total Pension Liability - Beginning | 29,344,966 | 28,529,824 | 27,998,794 |
| Total Pension Liability - Ending (a) | <u>\$ 30,093,410</u> | <u>\$ 29,344,966</u> | <u>\$ 28,529,824</u> |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | 1,795,876 | 1,681,948 | 1,691,261 |
| Contributions - Employee | 63,855 | 65,431 | 64,908 |
| Net Investment Income | (553,543) | 2,424,391 | 2,436,581 |
| Benefit Payments, including Refunds of Employee Contributions | (1,436,535) | (1,276,944) | (1,504,296) |
| Administrative Expense | (37,648) | (27,489) | (31,229) |
| Net Change in Plan Fiduciary Net Position | (167,995) | 2,867,337 | 2,657,225 |
| Plan Fiduciary Net Position - Beginning | 24,213,810 | 21,346,473 | 18,689,248 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 24,045,815</u> | <u>\$ 24,213,810</u> | <u>\$ 21,346,473</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 6,047,595</u> | <u>\$ 5,131,156</u> | <u>\$ 7,183,351</u> |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 79.90% | 82.51% | 74.82% |
| Covered Employee Payroll ¹ | \$ 1,396,431 | \$ 1,308,625 | \$ 1,298,166 |
| Net Pension Liability as a percentage of Covered Employee Payroll | 433.08% | 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

| Fiscal Year Ended | Actuarially Determined Contribution | Contributions in relation to the Actuarially Determined Contributions | Contribution Deficiency (Excess) | Covered Employee Payroll ¹ | Contributions as a percentage of Covered Employee Payroll |
|-------------------|-------------------------------------|---|----------------------------------|---------------------------------------|---|
| 09/30/2018 | \$ 1,947,320 | \$ 1,947,323 | \$ (3) | \$ 1,039,827 | 187.27% |
| 09/30/2017 | \$ 1,595,492 | \$ 1,595,492 | \$ - | \$ 1,056,286 | 151.05% |
| 09/30/2016 | \$ 1,457,341 | \$ 1,457,341 | \$ - | \$ 1,214,204 | 120.02% |
| 09/30/2015 | \$ 1,629,315 | \$ 1,795,876 | \$ (166,561) | \$ 1,396,431 | 128.60% |
| 09/30/2014 | \$ 1,659,991 | \$ 1,681,948 | \$ (21,957) | \$ 1,308,625 | 128.53% |
| 09/30/2013 | \$ 1,668,403 | \$ 1,691,261 | \$ (22,858) | \$ 1,298,166 | 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: 10/01/2016
 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:

Mortality Rates: *Healthy 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 above assumption rates were 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 Milliman’s July 1, 2015 FRS valuation report for non-special risk employees. We feel this assumption sufficiently accommodates 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.

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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.

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 3.51% assumption.

Amortization Method: Level Percentage of Pay, Closed.

Remaining Amortization Period: 10 Years (as of 10/01/2016).

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

Termination, Disability and Salary Rate
Tables:

| Age | % Terminating During the Year | % Becoming 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

| Fiscal Year Ended | Annual Money-Weighted Rate of Return Net of Investment Expense |
|-------------------|---|
| 09/30/2018 | 6.80% |
| 09/30/2017 | 13.22% |
| 09/30/2016 | 6.17% |
| 09/30/2015 | -2.23% |
| 09/30/2014 | 11.00% |
| 09/30/2013 | 12.96% |

NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2019)

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, 2017:

| | |
|---|-----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 78 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | 59 |
| Active Plan Members | 17 |
| | 154 |
| | 154 |

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, 2018.

The measurement period for the pension expense was October 1, 2017 to September 30, 2018.

The reporting period is October 1, 2018 through September 30, 2019.

The Sponsor's Net Pension Liability was measured as of September 30, 2018.

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, 2017 updated to September 30, 2018 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 Active 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 Inactive 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 2018 the inflation rate assumption of the investment advisor was 2.50%.

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, 2018 are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return |
|----------------------|-------------------|---|
| Domestic Equity | 38.0% | 8.10% |
| International Equity | 15.0% | 3.40% |
| Bonds | 23.0% | 3.60% |
| TIPS | 2.0% | 2.70% |
| Convertibles | 10.0% | 6.70% |
| Private Real Estate | 5.0% | 4.90% |
| MLPs | 5.0% | 9.40% |
| Cash | 2.0% | 0.70% |
| Total | 100.0% | |

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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.

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, 2018 | \$ 33,617,634 | \$ 29,028,391 | \$ 4,589,243 |
| Changes for a Year: | | | |
| Service Cost | 129,594 | - | 129,594 |
| Interest | 2,220,510 | - | 2,220,510 |
| Differences between Expected and Actual Experience | (759,405) | - | (759,405) |
| Changes of assumptions | - | - | - |
| Changes of benefit terms | - | - | - |
| Contributions - Employer | - | 1,947,323 | (1,947,323) |
| Contributions - Employee | - | 51,991 | (51,991) |
| Net Investment Income | - | 1,992,543 | (1,992,543) |
| Benefit Payments, including Refunds of Employee Contributions | (1,701,567) | (1,701,567) | - |
| Administrative Expense | - | (40,535) | 40,535 |
| Net Changes | (110,868) | 2,249,755 | (2,360,623) |
| Reporting Period Ending September 30, 2019 | \$ 33,506,766 | \$ 31,278,146 | \$ 2,228,620 |

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 | \$ 5,998,443 | \$ 2,228,620 | \$ (937,462) |

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, 2018**

For the year ended September 30, 2018, the Sponsor has recognized 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 |
| Employer contributions subsequent to the measurement date | 1,947,323 | - |
| Total | \$ 1,947,323 | \$ 617,296 |

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, 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 | | \$ - |

**PRELIMINARY PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS
FISCAL YEAR SEPTEMBER 30, 2019**

For the year ended September 30, 2019, the Sponsor will recognize a Pension Expense of -\$467,579.

On September 30, 2019, 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 | - | 563,017 |
| Employer contributions subsequent to the measurement date | TBD | - |
| Total | TBD | \$ 563,017 |

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, 2019.

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: | |
|--------------------------|--------------|
| 2020 | \$ 114,987 |
| 2021 | \$ (325,210) |
| 2022 | \$ (347,905) |
| 2023 | \$ (4,889) |
| 2024 | \$ - |
| Thereafter | \$ - |

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

| Reporting Period Ending | 09/30/2019 | 09/30/2018 | 09/30/2017 |
|--|----------------------|----------------------|----------------------|
| Measurement Date | 09/30/2018 | 09/30/2017 | 09/30/2016 |
| Total Pension Liability | | | |
| Service Cost | 129,594 | 161,673 | 174,845 |
| Interest | 2,220,510 | 2,137,003 | 1,993,132 |
| Changes of benefit terms | - | - | - |
| Differences between Expected and Actual Experience | (759,405) | 612,956 | (230,237) |
| Changes of assumptions | - | - | 1,738,848 |
| Benefit Payments, including Refunds of Employee Contributions | (1,701,567) | (1,583,257) | (1,480,739) |
| Net Change in Total Pension Liability | (110,868) | 1,328,375 | 2,195,849 |
| Total Pension Liability - Beginning | 33,617,634 | 32,289,259 | 30,093,410 |
| Total Pension Liability - Ending (a) | <u>\$ 33,506,766</u> | <u>\$ 33,617,634</u> | <u>\$ 32,289,259</u> |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | 1,947,323 | 1,595,492 | 1,457,341 |
| Contributions - Employee | 51,991 | 52,815 | 60,710 |
| Net Investment Income | 1,992,543 | 3,441,237 | 1,509,708 |
| Benefit Payments, including Refunds of Employee Contributions | (1,701,567) | (1,583,257) | (1,480,739) |
| Administrative Expense | (40,535) | (36,155) | (34,576) |
| Net Change in Plan Fiduciary Net Position | 2,249,755 | 3,470,132 | 1,512,444 |
| Plan Fiduciary Net Position - Beginning | 29,028,391 | 25,558,259 | 24,045,815 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 31,278,146</u> | <u>\$ 29,028,391</u> | <u>\$ 25,558,259</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 2,228,620</u> | <u>\$ 4,589,243</u> | <u>\$ 6,731,000</u> |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 93.35% | 86.35% | 79.15% |
| Covered Employee Payroll ¹ | \$ 1,039,827 | \$ 1,056,286 | \$ 1,214,204 |
| Net Pension Liability as a percentage of Covered Employee Payroll | 214.33% | 434.47% | 554.35% |

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.

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 Measurement Date | 09/30/2016 09/30/2015 | 09/30/2015 09/30/2014 | 09/30/2014 09/30/2013 |
|--|--------------------------|--------------------------|--------------------------|
| Total Pension Liability | | | |
| Service Cost | 191,062 | 196,178 | 183,773 |
| Interest | 1,945,199 | 1,895,908 | 1,851,553 |
| Changes of benefit terms | - | - | - |
| Differences between Expected and Actual Experience | 48,718 | - | - |
| Changes of assumptions | - | - | - |
| Benefit Payments, including Refunds of Employee Contributions | (1,436,535) | (1,276,944) | (1,504,296) |
| Net Change in Total Pension Liability | 748,444 | 815,142 | 531,030 |
| Total Pension Liability - Beginning | 29,344,966 | 28,529,824 | 27,998,794 |
| Total Pension Liability - Ending (a) | <u>\$ 30,093,410</u> | <u>\$ 29,344,966</u> | <u>\$ 28,529,824</u> |
| Contributions - Employer | 1,795,876 | 1,681,948 | 1,691,261 |
| Contributions - Employee | 63,855 | 65,431 | 64,908 |
| Net Investment Income | (553,543) | 2,424,391 | 2,436,581 |
| Benefit Payments, including Refunds of Employee Contributions | (1,436,535) | (1,276,944) | (1,504,296) |
| Administrative Expense | (37,648) | (27,489) | (31,229) |
| Net Change in Plan Fiduciary Net Position | (167,995) | 2,867,337 | 2,657,225 |
| Plan Fiduciary Net Position - Beginning | 24,213,810 | 21,346,473 | 18,689,248 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 24,045,815</u> | <u>\$ 24,213,810</u> | <u>\$ 21,346,473</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 6,047,595</u> | <u>\$ 5,131,156</u> | <u>\$ 7,183,351</u> |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 79.90% | 82.51% | 74.82% |
| Covered Employee Payroll ¹ | \$ 1,396,431 | \$ 1,308,625 | \$ 1,298,166 |
| Net Pension Liability as a percentage of Covered Employee Payroll | 433.08% | 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.

EXPENSE DEVELOPMENT AND AMORTIZATION SCHEDULES

The following information is not required to be disclosed but is provided for informational purposes.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

| Fiscal Year Ended | Actuarially Determined Contribution | Contributions in relation to the Actuarially Determined Contributions | Contribution Deficiency (Excess) | Covered Employee Payroll ¹ | Contributions as a percentage of Covered Employee Payroll |
|-------------------|---|---|--|---|---|
| 09/30/2018 | \$ 1,947,320 | \$ 1,947,323 | \$ (3) | \$ 1,039,827 | 187.27% |
| 09/30/2017 | \$ 1,595,492 | \$ 1,595,492 | \$ - | \$ 1,056,286 | 151.05% |
| 09/30/2016 | \$ 1,457,341 | \$ 1,457,341 | \$ - | \$ 1,214,204 | 120.02% |
| 09/30/2015 | \$ 1,629,315 | \$ 1,795,876 | \$ (166,561) | \$ 1,396,431 | 128.60% |
| 09/30/2014 | \$ 1,659,991 | \$ 1,681,948 | \$ (21,957) | \$ 1,308,625 | 128.53% |
| 09/30/2013 | \$ 1,668,403 | \$ 1,691,261 | \$ (22,858) | \$ 1,298,166 | 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: 10/01/2016

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:

Mortality Rates:

Healthy 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 above assumption rates were 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 Milliman’s July 1, 2015 FRS valuation report for non-special risk employees. We feel this assumption sufficiently accommodates 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.

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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.

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 3.51% assumption.

Amortization Method: Level Percentage of Pay, Closed.

Remaining Amortization Period: 10 Years (as of 10/01/2016).

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

| Termination, Disability and Salary Rate Tables: | Age | % Terminating During the Year | % Becoming 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, 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 | - | - | 1,947,323 | - |
| 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, including Refunds of Employee Contributions | (1,583,257) | - | - | - |
| Net change | <u>1,328,375</u> | <u>-</u> | <u>1,947,323</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, including Refunds of Employee Contributions | (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>\$ 2,895,802</u> | <u>\$ 1,094,981</u> |

PRELIMINARY COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2019

| | Net Pension Liability | Deferred Inflows | Deferred Outflows | Pension Expense |
|---|--------------------------|---------------------|----------------------|---------------------|
| Beginning balance | \$ 4,589,243 | \$ 1,565,775 | \$ 2,895,802 | \$ - |
| Employer Contributions made after September 30, 2018 | - | - | TBD* | - |
| Total Pension Liability Factors: | | | | |
| Service Cost | 129,594 | - | - | 129,594 |
| Interest | 2,220,510 | - | - | 2,220,510 |
| Changes in benefit terms | - | - | - | - |
| Differences between Expected and Actual Experience with regard to economic or demographic assumptions | (759,405) | 759,405 | - | - |
| Current year amortization of experience difference | - | (759,405) | - | (759,405) |
| Change in assumptions about future economic or demographic factors or other inputs | - | - | - | - |
| Current year amortization of change in assumptions | - | - | - | - |
| Benefit Payments, including Refunds of Employee Contributions | (1,701,567) | - | - | - |
| Net change | <u>(110,868)</u> | <u>-</u> | <u>-</u> | <u>1,590,699</u> |
| Plan Fiduciary Net Position: | | | | |
| Contributions - Employer | 1,947,323 | - | (1,947,323) | - |
| Contributions - Employee | 51,991 | - | - | (51,991) |
| Projected Net Investment Income | 1,968,097 | - | - | (1,968,097) |
| Difference between projected and actual earnings on Pension Plan investments | 24,446 | 24,446 | - | - |
| Current year amortization | - | (541,617) | (462,892) | (78,725) |
| Benefit Payments, including Refunds of Employee Contributions | (1,701,567) | - | - | - |
| Administrative Expenses | (40,535) | - | - | 40,535 |
| Net change | <u>2,249,755</u> | <u>(517,171)</u> | <u>(2,410,215)</u> | <u>(2,058,278)</u> |
| Ending Balance | <u>\$ 2,228,620</u> | <u>\$ 1,048,604</u> | <u>TBD</u> | <u>\$ (467,579)</u> |

* Employer and State Contributions subsequent to the measurement date made after September 30, 2018 but made on or before September 30, 2019 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) | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|--|---|-------------------------------|--------------|--------------|--------------|--------------|--------------|------------|------|------|------|------|------|
| 2014 | \$ (968,554) | 5 | \$ (193,711) | \$ (193,711) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2015 | \$ 2,200,987 | 5 | \$ 440,197 | \$ 440,197 | \$ 440,197 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ 113,477 | 5 | \$ 22,696 | \$ 22,695 | \$ 22,695 | \$ 22,695 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2017 | \$ (1,715,079) | 5 | \$ (343,015) | \$ (343,016) | \$ (343,016) | \$ (343,016) | \$ (343,016) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2018 | \$ (24,446) | 5 | \$ - | \$ (4,890) | \$ (4,889) | \$ (4,889) | \$ (4,889) | \$ (4,889) | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net Increase (Decrease) in Pension Expense | | | \$ (73,833) | \$ (78,725) | \$ 114,987 | \$ (325,210) | \$ (347,905) | \$ (4,889) | \$ - | \$ - | \$ - | \$ - | \$ - |

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) | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 |
|--|--|----------------------------|------------|--------------|------|------|------|------|------|------|------|------|------|
| 2017 | \$ 612,956 | 1 | \$ 612,956 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2018 | \$ (759,405) | 1 | \$ - | \$ (759,405) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net Increase (Decrease) in Pension Expense | | | \$ 612,956 | \$ (759,405) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |