



April 20, 2017

Board of Trustees

City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust

c/o Ms. Audrey Ross

The Resource Centers, LLC

4360 Northlake Blvd, Suite 206

Palm Beach Gardens, FL 33410

RE: GASB Statement No.67 and No.68 – City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust

Dear Board:

We are pleased to present to the Board GASB Statement No.67 and No.68 measured as of September 30, 2016 for the City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust.

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

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

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

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

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

Respectfully submitted,

Foster & Foster, Inc.

By:

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

DHL/lke
Enclosures

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	5,891,235
Prepaid Expenses	7,952
Cash	2,315
Total Cash and Equivalents	5,901,502
Receivables:	
Member Contributions in Transit	96,531
Member Buy-Back Contributions	1,342
Additional City Contributions	8,931
State Contributions	601,707
From Broker for Investments Sold	585,186
Commission Recaptures	2,470
Investment Income	221,784
Total Receivable	1,517,951
Investments:	
U. S. Bonds and Bills	3,770,703
Federal Agency Guaranteed Securities	11,164,123
Corporate Bonds	8,672,236
Municipal Obligations	104,098
Stocks	86,215,379
Hedge Fund of Funds	18,385,989
Mutual Funds:	
Equity	1,743,931
Pooled/Common/Commingled Funds:	
Real Estate	6,512,345
Total Investments	136,568,804
Total Assets	143,988,257
<u>LIABILITIES</u>	
Payables:	
Investment Expenses	174,086
Administrative Expenses	34,981
To Broker for Investments Purchased	580,261
Total Liabilities	789,328
NET POSITION RESTRICTED FOR PENSIONS	143,198,929

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

ADDITIONS

Contributions:

Member	1,285,750
Buy-Back	22,723
City	7,874,125
State	601,707

Total Contributions	9,784,305
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Investment Income:

Net Increase in Fair Value of Investments	9,254,221
Interest & Dividends	2,439,148
Less Investment Expense ¹	(705,111)

Net Investment Income	10,988,258
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Total Additions	20,772,563
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DEDUCTIONS

Distributions to Members:

Benefit Payments	8,459,975
Lump Sum DROP Distributions	1,052,358
Refunds of Member Contributions	24,765

Total Distributions	9,537,098
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Administrative Expense	148,100
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Total Deductions	9,685,198
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Net Increase in Net Position	11,087,365
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NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year	132,111,564
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End of the Year	143,198,929
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¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2016)

Plan Description

Plan Administration

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of: Five persons; two of whom shall be legal residents of the City of Hallandale Beach and who shall be appointed by the City Commission. One Member of the Board of Trustees shall be a police officer who shall be elected by a majority of police officers who are active members of the Plan. One member shall be a firefighter who shall be elected by a majority of the firefighters who are active employee members of the Plan. A fifth member of the Board shall be chosen by a majority of the previous four persons, and such person's name shall be submitted to the City Commission for appointment. The City Commission shall appoint the fifth member selected by the other four as ministerial duty.

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	181
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	6
Active Plan Members	147
	334

Benefits Provided

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

Normal Retirement:

Eligibility: Earlier of: 1) Age 52 with 10 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age.

Benefit: Tier 1: 3.20% of Final Average Compensation for all years of Credited Service.
 Tier 2: 3.00% of Final Average Compensation for all years of Credited Service. □

Maximum Benefit: Tier 1: 80% of Final Average Compensation.
 Tier 2: 75% of Final Average Compensation.

Additionally, any Police Officer who was not eligible for Normal Retirement or who had not completed 24 years of service as of March 20, 2013, or any Firefighter who was not eligible for Normal Retirement as of August 7, 2013 or who will not have completed 24 years of service as December 28, 2013 is subject to a \$95,000 annual maximum benefit, determined on the basis of the Normal Form of Benefit.

Early Retirement:

Eligibility: Age 45 with 10 years of Credited Service.

Benefit: Accrued benefit, reduced 6% per year that the benefit commencement date precedes age 52.

Vesting:

Less than 5 Years: Refund of Member contributions without interest.

5-10 years: Refund of Member contributions with 3% interest through the termination date.

10 or more years: Greater of a refund of Member contributions with 3% interest and the accrued benefit, payable at the Normal Retirement Date.

Disability:

Service Incurred: Covered from Date of Employment.

Non-Service Incurred: 10 years of Credited Service.

Benefit Service Incurred: 75% of Pensionable Earnings, less 64% of Social Security Disability Benefits received, further reduced by 33% of Workers' Compensation Benefits received, plus outside income to the extent that the sum of the Workers' Compensation Benefit and Disability Retirement benefit exceed 100% of Basic Compensation. In no case will the Disability Retirement Benefit be less than the greater of the accrued Normal Retirement Benefit and 42% of Basic Compensation.

Benefit Non-service Incurred: Accrued Benefit, less 64% of Social Security Disability Benefits received. In no case will the Disability Retirement Benefit be less than 25% of Final Average Compensation, nor more than 50% of Final Average Compensation as of the date of disability.

Pre-Retirement Death Benefits:

Service Incurred: Covered from Date of Employment.

Non-Service Incurred: 10 years of Credited Service.

Service Incurred Benefit: Accrued Benefit, but not less than 30% of Basic Compensation.

Non-Service Incurred Benefit: Accrued Benefit.

Health Care Stipend

Eligibility: Date of Employment prior to January 1, 1996.

The stipend is payable for all types of retirement benefits; DROP retirees do not receive the stipend while participating in the DROP.

Benefit: \$10 per month for each year of Credited Service, up to a maximum of \$200 per month.

Cost-Of-Living Increases:

Retired Police Officers prior to March 20, 2013 and Retired Firefighters prior to August 7, 2013:

2% increase effective each January provided that the CPI-U is greater than or equal to 0.5% for the preceding 12 month period ending September 30, applied to Normal and DROP Retirees. The Health Care Stipend is not subject to the COLA. *Police Officers eligible for Normal Retirement or with 24 years of service as of March 20, 2013, and Firefighters eligible for Normal Retirement as of August 7, 2013, or will have completed 24 years of service as of December 28, 2013:*

2.0% increase effective each January as previously described.

All other Police Officers hired prior to March 20, 2013 and all other Firefighters hired prior to August 7, 2013:

2.0% increase effective each January as previously described. However, these Members are subject to a limitation of eight (8) total adjustments once the \$95,000 maximum annual benefit is realized. Also, these Members are not entitled to receive any adjustments while participating in the DROP.

Police Officers hired on or after March 20, 2013 and Firefighters hired on or after August 7, 2013:

Not entitled to any automatic COLA structure.

Contributions

Member Contributions: 9.5% of Salary.

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

InvestmentsInvestment Policy:

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

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	52.50%
International Equity	10.00%
Fixed Income	17.50%
Real Estate	5.00%
Hedge Funds	15.00%
<u>Total</u>	<u>100.00%</u>

Concentrations:

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

Rate of Return:

For the year ended September 30, 2016, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 8.38 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 (Tier 1 Only)

Eligibility: Earlier of: 1) Age 52 with 20 years of Credited Service, 2) the completion of 25 years of Credited Service, regardless of age, or 3) the date when the maximum benefit is earned.

Participation: Not to exceed 60 months.

Rate of Return: Plan Earnings, less 0.5% per year for administrative expenses. A one-time election to credit DROP accounts with the valuation assumption for investment return has been allowed since 2002. Upon exit from the DROP, interest credit reverts to Plan earnings on DROP balances.

The DROP balance as September 30, 2016 is \$25,717,074.

NET PENSION LIABILITY OF THE SPONSOR

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

Total Pension Liability	\$ 210,700,892
Plan Fiduciary Net Position	<u>\$ (143,198,929)</u>
Sponsor's Net Pension Liability	<u>\$ 67,501,963</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	67.96%

Actuarial Assumptions:

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

Inflation	2.30%
Salary Increases	Service based
Discount Rate	7.70%
Investment Rate of Return	7.70%

Mortality Rate Healthy Lives:

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

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The most recent actuarial experience study used to review the other significant assumptions was dated September 26, 2016.

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

For 2016, the inflation rate assumption of the investment advisor was 2.30%.

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

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

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.42%
International Equity	6.90%
Fixed Income	2.40%
Real Estate	3.70%
Hedge Funds	2.63%

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.70 percent.

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

	1% Decrease	Current	1% Increase
	6.70%	Discount Rate 7.70%	8.70%
Sponsor's Net Pension Liability	\$ 90,149,974	\$ 67,501,963	\$ 48,821,125

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

	09/30/2016	09/30/2015
Total Pension Liability		
Service Cost	2,198,923	2,114,287
Interest	14,732,084	13,946,642
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	1,635,041	3,413,322
Changes of assumptions	8,988,193	-
Contributions - Buy Back	22,723	33,396
Benefit Payments, including Refunds of Employee Contributions	(9,537,098)	(9,377,998)
Net Change in Total Pension Liability	18,039,866	10,129,649
Total Pension Liability - Beginning	192,661,026	182,531,377
Total Pension Liability - Ending (a)	<u>\$210,700,892</u>	<u>\$192,661,026</u>
Plan Fiduciary Net Position		
Contributions - Employer	7,874,125	7,851,700
Contributions - State	601,707	673,170
Contributions - Employee	1,285,750	1,205,723
Contributions - Buy Back	22,723	33,396
Net Investment Income	10,988,258	(574,125)
Benefit Payments, including Refunds of Employee Contributions	(9,537,098)	(9,377,998)
Administrative Expense	(148,100)	(137,847)
Net Change in Plan Fiduciary Net Position	11,087,365	(325,981)
Prior year adjustment	-	204,046
Plan Fiduciary Net Position - Beginning	132,111,564	132,233,499
Plan Fiduciary Net Position - Ending (b)	<u>\$143,198,929</u>	<u>\$132,111,564</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 67,501,963</u>	<u>\$ 60,549,462</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	67.96%	68.57%
Covered Employee Payroll ¹	\$ 13,167,794	\$ 14,267,482
Net Pension Liability as a percentage of Covered Employee Payroll	512.63%	424.39%

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, amounts reported as changes of assumptions resulted from a special Experience Study. The following changes have been incorporated:

- Salary Scale – Reduced for service between 1-9 years.
- Normal Retirement rates – Modified, based on whether Credited Service exceeds or falls short of 25 years on the date of termination.
- Early Retirement rates – Reduce from 15.0% to 0.0%, i.e. assume no Early Retirements.
- Withdrawal – Change from age-based to rates based on Credited Service.
- Mortality – Incorporation of rates pursuant to Chapter 2015-157, Laws of Florida.

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- Investment Return – Lowered from 7.75% to 7.70%. Additional reductions will occur with future valuations according to the below table:

10/1/17 - 7.65%

10/1/18 - 7.60%

10/1/19 – 7.55%

10/1/20 – 7.50%

For measurement date 09/30/2015, the inflation rate assumption was lowered from 4% to 3%.

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

	09/30/2014	09/30/2013
Total Pension Liability		
Service Cost	2,068,244	1,919,484
Interest	13,484,951	13,065,637
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Contributions - Buy Back	-	-
Benefit Payments, including Refunds of Employee Contributions	(9,905,885)	(9,540,860)
Net Change in Total Pension Liability	5,647,310	5,444,261
Total Pension Liability - Beginning	176,884,067	171,439,806
Total Pension Liability - Ending (a)	<u>\$182,531,377</u>	<u>\$176,884,067</u>
Plan Fiduciary Net Position		
Contributions - Employer	7,988,891	7,520,029
Contributions - State	662,916	620,891
Contributions - Employee	1,190,421	1,225,133
Contributions - Buy Back	-	-
Net Investment Income	13,794,259	17,699,778
Benefit Payments, including Refunds of Employee Contributions	(9,905,885)	(9,540,860)
Administrative Expense	(109,957)	(142,874)
Net Change in Plan Fiduciary Net Position	13,620,645	17,382,098
Prior year adjustment	-	-
Plan Fiduciary Net Position - Beginning	118,612,854	101,230,756
Plan Fiduciary Net Position - Ending (b)	<u>\$132,233,499</u>	<u>\$118,612,854</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 50,297,878</u>	<u>\$ 58,271,213</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	72.44%	67.06%
Covered Employee Payroll ¹	\$ 12,179,211	\$ 12,528,346
Net Pension Liability as a percentage of Covered Employee Payroll	412.98%	465.11%

Notes to Schedule:

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	8,528,110	8,676,637	8,651,807	8,140,920
Contributions in relation to the Actuarially Determined Contributions	8,475,832	8,728,916	8,651,807	8,140,920
Contribution Deficiency (Excess)	\$ 52,278	\$ (52,279)	\$ -	\$ -
Covered Employee Payroll ¹	\$ 13,167,794	\$ 14,267,482	\$ 12,179,211	\$ 12,528,346
Contributions as a percentage of Covered Employee Payroll	64.37%	61.18%	71.04%	64.98%

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Notes to Schedule

Valuation Date: 10/01/2014

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Actuarial Cost Method. The following loads are utilized for determination of the Total Required Contribution:	
	- Interest - A half-year, based on the current 7.75% assumption.	
	- Salary - A full-year, based on the current 7.1% average increase assumption.	
Amortization Method:	Level Percentage of Pay, Closed.	
Remaining Amortization Period:	28 Years (as of 10/01/2014).	
Mortality:	RP2000, Combined Healthy Mortality Table without projection. Disabled Members set forward 5 years.	
	Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.	
Interest Rate:	7.75% per year compounded annually, net of investment related expenses.	
Early Retirement:	Upon attainment of Early Retirement eligibility (age 45 with 10 years of Credited Service), Members are assumed to retire at the rate of 15% per year.	
Normal Retirement	Number of Years after First Eligibility for Normal Retirement	Probability of Retirement
	0	50%
	1	50%
	2	100%
Disability Rates:	See table on following page. 75% of disabilities are assumed to be service incurred.	
Termination Rates:	See table on following page.	
Salary Increases:	10.0% for less than 10 years of Credited Service. For 10 or more years of Credited Service, the assumption is 4.5%.	
Payroll Growth:	4.24% per year for all bases created prior to 2011, 0.0% for all bases created thereafter.	

Post Retirement COLA:

Retired Police Officers prior to March 20, 2013 and Retired Firefighters prior to August 7, 2013:

2% per year for Normal Retirement.

Police Officers eligible for Normal Retirement or with 24 years of service as of March 20, 2013, and Firefighters eligible for Normal Retirement as of August 7, 2013, or will have completed 24 years of service as of December 28, 2013:

2% per year for Normal Retirement, but limited to a total of eight (8) annual adjustments.

All other Police Officers hired prior to March 20, 2013 and all other Firefighters hired prior to August 7, 2013:

2.0% per year for Normal Retirement, but limited to eight (8) adjustments once the \$95,000 maximum benefit is realized.

Police Officers hired on or after March 20, 2013 and Firefighters hired on or after August 7, 2013:

None.

Asset Valuation Method:

The Actuarial Value of Assets utilizes a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.

Termination and Disability Rate Table:

Age	% Terminating During the Year	% Becoming Disabled During the Year
20	12.0%	0.14%
25	10.4%	0.15%
30	10.0%	0.18%
35	7.6%	0.23%
40	5.2%	0.30%
45	3.2%	0.51%
50	1.6%	1.00%
55	0.6%	1.00%

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	<u>09/30/2016</u>	<u>09/30/2015</u>	<u>09/30/2014</u>	<u>09/30/2013</u>
Annual Money-Weighted Rate of Return				
Net of Investment Expense	8.38%	-0.44%	11.72%	17.51%

NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2017)

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: Five persons; two of whom shall be legal residents of the City of Hallandale Beach and who shall be appointed by the City Commission. One Member of the Board of Trustees shall be a police officer who shall be elected by a majority of police officers who are active members of the Plan. One member shall be a firefighter who shall be elected by a majority of the firefighters who are active employee members of the Plan. A fifth member of the Board shall be chosen by a majority of the previous four persons, and such person's name shall be submitted to the City Commission for appointment. The City Commission shall appoint the fifth member selected by the other four as ministerial duty.

Full-time employees who are classified as Police Officers or Firefighters participate as a condition of employment.

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	181
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	6
Active Plan Members	147
	334

Benefits Provided

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

Normal Retirement:

Eligibility: Earlier of: 1) Age 52 with 10 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age.

Benefit:	Tier 1: 3.20% of Final Average Compensation for all years of Credited Service.	
	Tier 2: 3.00% of Final Average Compensation for all years of Credited Service.	□
Maximum Benefit:	Tier 1: 80% of Final Average Compensation.	
	Tier 2: 75% of Final Average Compensation.	

Additionally, any Police Officer who was not eligible for Normal Retirement or who had not completed 24 years of service as of March 20, 2013, or any Firefighter who was not eligible for Normal Retirement as of August 7, 2013 or who will not have completed 24 years of service as December 28, 2013 is subject to a \$95,000 annual maximum benefit, determined on the basis of the Normal Form of Benefit.

Early Retirement:

Eligibility: Age 45 with 10 years of Credited Service.

Benefit: Accrued benefit, reduced 6% per year that the benefit commencement date precedes age 52.

Vesting:

Less than 5 Years: Refund of Member contributions without interest.

5-10 years: Refund of Member contributions with 3% interest through the termination date.

10 or more years: Greater of a refund of Member contributions with 3% interest and the accrued benefit, payable at the Normal Retirement Date.

Disability:

Service Incurred: Covered from Date of Employment.

Non-Service Incurred: 10 years of Credited Service.

Benefit Service Incurred: 75% of Pensionable Earnings, less 64% of Social Security Disability Benefits received, further reduced by 33% of Workers' Compensation Benefits received, plus outside income to the extent that the sum of the Workers' Compensation Benefit and Disability Retirement benefit exceed 100% of Basic Compensation. In no case will the Disability Retirement Benefit be less than the greater of the accrued Normal Retirement Benefit and 42% of Basic Compensation.

Benefit Non-service Incurred: Accrued Benefit, less 64% of Social Security Disability Benefits received. In no case will the Disability Retirement Benefit be less than 25% of Final Average Compensation, nor more than 50% of Final Average Compensation as of the date of disability.

Pre-Retirement Death Benefits:

Service Incurred: Covered from Date of Employment.

Non-Service Incurred: 10 years of Credited Service.

Service Incurred Benefit: Accrued Benefit, but not less than 30% of Basic Compensation.

Non-Service Incurred Benefit: Accrued Benefit.

Health Care Stipend

Eligibility: Date of Employment prior to January 1, 1996.

The stipend is payable for all types of retirement benefits; DROP retirees do not receive the stipend while participating in the DROP.

Benefit: \$10 per month for each year of Credited Service, up to a maximum of \$200 per month.

Cost-Of-Living Increases:

Retired Police Officers prior to March 20, 2013 and Retired Firefighters prior to August 7, 2013:

2% increase effective each January provided that the CPI-U is greater than or equal to 0.5% for the preceding 12 month period ending September 30, applied to Normal and DROP Retirees. The Health Care Stipend is not subject to the COLA.

Police Officers eligible for Normal Retirement or with 24 years of service as of March 20, 2013, and Firefighters eligible for Normal Retirement as of August 7, 2013, or will have completed 24 years of service as of December 28, 2013:

2.0% increase effective each January as previously described.

All other Police Officers hired prior to March 20, 2013 and all other Firefighters hired prior to August 7, 2013:

2.0% increase effective each January as previously described. However, these Members are subject to a limitation of eight (8) total adjustments once the \$95,000 maximum annual benefit is realized. Also, these Members are not entitled to receive any adjustments while participating in the DROP.

Police Officers hired on or after March 20, 2013 and Firefighters hired on or after August 7, 2013:

Not entitled to any automatic COLA structure.

Contributions

Member Contributions: 9.5% of Salary.

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

GASB 68

Net Pension Liability

The measurement date is September 30, 2016.

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

The reporting period is October 1, 2016 through September 30, 2017.

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

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

Actuarial Assumptions:

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

Inflation	2.30%
Salary Increases	Service based
Discount Rate	7.70%
Investment Rate of Return	7.70%

Mortality Rate Healthy Lives:

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

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The most recent actuarial experience study used to review the other significant assumptions was dated September 26, 2016.

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

For 2016, the inflation rate assumption of the investment advisor was 2.30%.

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

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	52.50%	7.42%
International Equity	10.00%	6.90%
Fixed Income	17.50%	2.40%
Real Estate	5.00%	3.70%
Hedge Funds	15.00%	2.63%
Total	100.00%	

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.70 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, 2016	\$ 192,661,026	\$ 132,111,564	\$ 60,549,462
Changes for a Year:			
Service Cost	2,198,923	-	2,198,923
Interest	14,732,084	-	14,732,084
Differences between Expected and Actual Experience	1,635,041	-	1,635,041
Changes of assumptions	8,988,193	-	8,988,193
Changes of benefit terms	-	-	-
Contributions - Employer	-	7,874,125	(7,874,125)
Contributions - State	-	601,707	(601,707)
Contributions - Employee	-	1,285,750	(1,285,750)
Contributions - Buy Back	22,723	22,723	-
Net Investment Income	-	10,988,258	(10,988,258)
Benefit Payments, including Refunds of Employee Contributions	(9,537,098)	(9,537,098)	-
Administrative Expense	-	(148,100)	148,100
Net Changes	18,039,866	11,087,365	6,952,501
Reporting Period Ending September 30, 2017	\$ 210,700,892	\$ 143,198,929	\$ 67,501,963

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.70%	7.70%	8.70%
Sponsor's Net Pension Liability	\$ 90,149,974	\$ 67,501,963	\$ 48,821,125

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, 2016**

For the year ended September 30, 2016, the Sponsor has recognized a Pension Expense of \$7,106,715.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	2,275,548	-
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan investments	5,917,769	-
Employer and State contributions subsequent to the measurement date	8,475,832	-
Total	<u>\$ 16,669,149</u>	<u>\$ -</u>

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer and State contributions subsequent to the measurement date has been recognized as a reduction of the Net Pension Liability in the year ended September 30, 2016.

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:	
2017	\$ 2,387,187
2018	\$ 2,387,187
2019	\$ 1,249,413
2020	\$ 2,169,530
2021	\$ -
Thereafter	\$ -

**PRELIMINARY 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 will recognize a Pension Expense of \$10,444,712.

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	2,364,054	-
Changes of assumptions	6,741,144	-
Net difference between Projected and Actual Earnings on Pension Plan investments	4,071,740	-
Employer and State contributions subsequent to the measurement date	TBD	-
Total	<u>TBD</u>	<u>\$ -</u>

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer and State contributions subsequent to the measurement date will be 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	\$ 4,893,841
2019	\$ 3,756,067
2020	\$ 4,676,184
2021	\$ (149,154)
2022	\$ -
Thereafter	\$ -

Payable to the Pension Plan

On September 30, 2016, the Sponsor reported a payable of \$8,931 for the outstanding amount of contributions of the Pension Plan required for the year ended September 30, 2016.

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

Reporting Period Ending	09/30/2017	09/30/2016
Measurement Date	09/30/2016	09/30/2015
Total Pension Liability		
Service Cost	2,198,923	2,114,287
Interest	14,732,084	13,946,642
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	1,635,041	3,413,322
Changes of assumptions	8,988,193	-
Contributions - Buy Back	22,723	33,396
Benefit Payments, including Refunds of Employee Contributions	(9,537,098)	(9,377,998)
Net Change in Total Pension Liability	18,039,866	10,129,649
Total Pension Liability - Beginning	192,661,026	182,531,377
Total Pension Liability - Ending (a)	<u>\$210,700,892</u>	<u>\$192,661,026</u>
Plan Fiduciary Net Position		
Contributions - Employer	7,874,125	7,851,700
Contributions - State	601,707	673,170
Contributions - Employee	1,285,750	1,205,723
Contributions - Buy Back	22,723	33,396
Net Investment Income	10,988,258	(574,125)
Benefit Payments, including Refunds of Employee Contributions	(9,537,098)	(9,377,998)
Administrative Expense	(148,100)	(137,847)
Net Change in Plan Fiduciary Net Position	11,087,365	(325,981)
Plan Fiduciary Net Position - Beginning	132,111,564	132,437,545
Plan Fiduciary Net Position - Ending (b)	<u>\$143,198,929</u>	<u>\$132,111,564</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 67,501,963</u>	<u>\$ 60,549,462</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	67.96%	68.57%
Covered Employee Payroll ¹	\$ 13,167,794	\$ 14,267,482
Net Pension Liability as a percentage of Covered Employee Payroll	512.63%	424.39%

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, amounts reported as changes of assumptions resulted from a special Experience Study. The following changes have been incorporated:

- Salary Scale – Reduced for service between 1-9 years.
- Normal Retirement rates – Modified, based on whether Credited Service exceeds or falls short of 25 years on the date of termination.
- Early Retirement rates – Reduce from 15.0% to 0.0%, i.e. assume no Early Retirements.
- Withdrawal – Change from age-based to rates based on Credited Service.
- Mortality – Incorporation of rates pursuant to Chapter 2015-157, Laws of Florida.

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- Investment Return – Lowered from 7.75% to 7.70%. Additional reductions will occur with future valuations according to the below table:

10/1/17 - 7.65%

10/1/18 - 7.60%

10/1/19 – 7.55%

10/1/20 – 7.50%

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	2,068,244	1,919,484
Interest	13,484,951	13,065,637
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Contributions - Buy Back	-	-
Benefit Payments, including Refunds of Employee Contributions	(9,905,885)	(9,540,860)
Net Change in Total Pension Liability	5,647,310	5,444,261
Total Pension Liability - Beginning	176,884,067	171,439,806
Total Pension Liability - Ending (a)	<u>\$182,531,377</u>	<u>\$176,884,067</u>
Plan Fiduciary Net Position		
Contributions - Employer	8,192,937	7,520,029
Contributions - State	662,916	620,891
Contributions - Employee	1,190,421	1,225,133
Contributions - Buy Back	-	-
Net Investment Income	13,794,259	17,699,778
Benefit Payments, including Refunds of Employee Contributions	(9,905,885)	(9,540,860)
Administrative Expense	(109,957)	(142,874)
Net Change in Plan Fiduciary Net Position	13,824,691	17,382,098
Plan Fiduciary Net Position - Beginning	118,612,854	101,230,756
Plan Fiduciary Net Position - Ending (b)	<u>\$132,437,545</u>	<u>\$118,612,854</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 50,093,832</u>	<u>\$ 58,271,213</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	72.56%	67.06%
Covered Employee Payroll ¹	\$ 12,179,211	\$ 12,528,346
Net Pension Liability as a percentage of Covered Employee Payroll	411.31%	465.11%

Notes to Schedule:

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	8,528,110	8,676,637	8,651,807	8,140,920
Contributions in relation to the				
Actuarially Determined Contributions	8,475,832	8,524,870	8,855,853	8,140,920
Contribution Deficiency (Excess)	\$ 52,278	\$ 151,767	\$ (204,046)	\$ -
Covered Employee Payroll ¹	\$ 13,167,794	\$ 14,267,482	\$ 12,179,211	\$ 12,528,346
Contributions as a percentage of				
Covered Employee Payroll	64.37%	59.75%	72.71%	64.98%

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Notes to Schedule

Valuation Date: 10/01/2014

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Actuarial Cost Method. The following loads are utilized for determination of the Total Required Contribution:	
	- Interest - A half-year, based on the current 7.75% assumption.	
	- Salary - A full-year, based on the current 7.1% average increase assumption.	
Amortization Method:	Level Percentage of Pay, Closed.	
Remaining Amortization Period:	28 Years (as of 10/01/2014).	
Mortality:	RP2000, Combined Healthy Mortality Table without projection. Disabled Members set forward 5 years.	
	Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.	
Interest Rate:	7.75% per year compounded annually, net of investment related expenses.	
Early Retirement:	Upon attainment of Early Retirement eligibility (age 45 with 10 years of Credited Service), Members are assumed to retire at the rate of 15% per year.	
Normal Retirement	Number of Years after First Eligibility for Normal	Probability of Retirement
	0	0.5
	1	0.5
	2	1
Disability Rates:	See table on following page. 75% of disabilities are assumed to be service incurred.	
Termination Rates:	See table on following page.	
Salary Increases:	For 10 or more years of Credited Service, the assumption is 4.5%.	
Payroll Growth:	4.24% per year for all bases created prior to 2011, 0.0% for all bases created thereafter.	

Post Retirement COLA:

Retired Police Officers prior to March 20, 2013 and Retired Firefighters prior to August 7, 2013:

2% per year for Normal Retirement.

Police Officers eligible for Normal Retirement or with 24 years of service as of March 20, 2013, and Firefighters eligible for Normal Retirement as of August 7, 2013, or will have completed 24 years of service as of December 28, 2013:

2% per year for Normal Retirement, but limited to a total of eight (8) annual adjustments.

All other Police Officers hired prior to March 20, 2013 and all other Firefighters hired prior to August 7, 2013:

2.0% per year for Normal Retirement, but limited to eight (8) adjustments once the \$95,000 maximum benefit is realized.

Police Officers hired on or after March 20, 2013 and Firefighters hired on or after August 7, 2013:

None.

Asset Valuation Method:

The Actuarial Value of Assets utilizes a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.

Termination and Disability Rate Table:	Age	% Terminating During the	% Becoming Disabled During
		Year	the Year
	20	12.00%	0.14%
	25	10.40%	0.15%
	30	10.00%	0.18%
	35	7.60%	0.23%
	40	5.20%	0.30%
	45	3.20%	0.51%
	50	1.60%	1.00%
	55	0.60%	1.00%

FINAL COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning Balance	\$ 50,093,832	\$ 3,680,468	\$ 8,524,870	\$ -
Employer and State Contributions made after 09/30/2015	-	-	8,475,832	-
Total Pension Liability Factors:				
Service Cost	2,114,287	-	-	2,114,287
Interest	13,946,642	-	-	13,946,642
Changes in benefit terms	-	-	-	-
Contributions - Buy Back	33,396	-	-	33,396
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	3,413,322	-	3,413,322	-
Current year amortization of experience difference	-	-	(1,137,774)	1,137,774
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(9,377,998)	-	-	(9,377,998)
Net change	10,129,649	-	10,751,380	7,854,101
Plan Fiduciary Net Position:				
Contributions - Employer	7,851,700	-	(7,851,700)	-
Contributions - State	673,170	-	(673,170)	-
Contributions - Employee	1,205,723	-	-	(1,205,723)
Contributions - Buy Back	33,396	-	-	(33,396)
Net Investment Income	10,273,525	-	-	(10,273,525)
Difference between projected and actual earnings on Pension Plan investments	(10,847,650)	-	10,847,650	-
Current year amortization	-	(920,117)	(2,169,530)	1,249,413
Benefit Payments	(9,377,998)	-	-	9,377,998
Administrative Expenses	(137,847)	-	-	137,847
Net change	(325,981)	(920,117)	153,250	(747,386)
Ending Balance	\$ 60,549,462	\$ 2,760,351	\$ 19,429,500	\$ 7,106,715

PRELIMINARY COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2017

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 60,549,462	\$ 2,760,351	\$ 19,429,500	\$ -
Employer and State Contributions made after 09/30/2016	-	-	TBD*	-
Total Pension Liability Factors:				
Service Cost	2,198,923	-	-	2,198,923
Interest	14,732,084	-	-	14,732,084
Changes in benefit terms	-	-	-	-
Contributions - Buy Back	22,723	-	-	22,723
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	1,635,041	-	1,635,041	-
Current year amortization of experience difference	-	-	(1,546,535)	1,546,535
Change in assumptions about future economic or demographic factors or other inputs	8,988,193	-	8,988,193	-
Current year amortization of change in assumptions	-	-	(2,247,049)	2,247,049
Benefit Payments	(9,537,098)	-	-	(9,537,098)
Net change	18,039,866	-	6,829,650	11,210,216
Plan Fiduciary Net Position:				
Contributions - Employer	7,874,125	-	(7,874,125)	-
Contributions - State	601,707	-	(601,707)	-
Contributions - Employee	1,285,750	-	-	(1,285,750)
Contributions - Buy Back	22,723	-	-	(22,723)
Net Investment Income	10,242,487	-	-	(10,242,487)
Difference between projected and actual earnings on Pension Plan investments	745,771	745,771	-	-
Current year amortization	-	(1,069,272)	(2,169,530)	1,100,258
Benefit Payments	(9,537,098)	-	-	9,537,098
Administrative Expenses	(148,100)	-	-	148,100
Net change	11,087,365	(323,501)	(10,645,362)	(765,504)
Ending Balance	\$ 67,501,963	\$ 2,436,850	TBD	\$ 10,444,712

* Employer and State Contributions subsequent to the measurement date made after September 30, 2016 but made on or before September 30, 2017 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													
Differences Between													
Plan Year	Projected and Actual	Recognition											
Ending	Earnings	Period (Years)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
2014	\$ (4,600,584)	5	\$ (920,116)	\$ (920,117)	\$ (920,117)	\$ (920,117)	\$ (920,117)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 10,847,650	5	\$ -	\$ 2,169,530	\$ 2,169,530	\$ 2,169,530	\$ 2,169,530	\$ 2,169,530	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (745,771)	5	\$ -	\$ -	\$ (149,155)	\$ (149,154)	\$ (149,154)	\$ (149,154)	\$ (149,154)	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (920,116)	\$ 1,249,413	\$ 1,100,258	\$ 1,100,259	\$ 1,100,259	\$ 2,020,376	\$ (149,154)	\$ -	\$ -	\$ -	\$ -

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	\$ 8,988,193	4	\$ 2,247,049	\$ 2,247,048	\$ 2,247,048	\$ 2,247,048	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 2,247,049	\$ 2,247,048	\$ 2,247,048	\$ 2,247,048	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - EXPERIENCE

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience													
Differences Between													
Plan Year	Expected and Actual	Recognition											
Ending	Experience	Period (Years)	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
2015	\$ 3,413,322	3	\$ 1,137,774	\$ 1,137,774	\$ 1,137,774	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 1,635,041	4	\$ -	\$ 408,761	\$ 408,760	\$ 408,760	\$ 408,760	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 1,137,774	\$ 1,546,535	\$ 1,546,534	\$ 408,760	\$ 408,760	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

