

CITY OF COCOA
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

December 21, 2018

Board of Trustees
City of Cocoa
General Employees' Retirement Plan
603 Brevard Avenue
Cocoa, FL 32922

Re: City of Cocoa 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 Cocoa 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 Cocoa, 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 Cocoa, 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:



Douglas H. Lozen, EA, MAAA
Enrolled Actuary #17-7778

DHL/lke
Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Cocoa 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. Funding requirements are projected for a lump sum deposit on October 1, 2019, based on the Board's adoption of a Beginning of Year Funding Method.

The contribution requirements, compared with those set forth in the August 17, 2018 Beginning of Year Funding Analysis (determined as of October 1, 2017), are as follows:


Valuation Date Applicable to Fiscal Year Ending	10/1/2018 <u>9/30/2020</u>	10/1/2017 <u>9/30/2019</u>
Minimum Required Contribution	\$345,907	\$528,322
Member Contributions (Est.)	3,706	5,690
City Required Contribution	\$342,201	\$522,632

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 8.28% (Actuarial Asset Basis) which exceeded the 7.00% assumption. There were no significant sources of unfavorable experience.

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 
Douglas H. Lozen, EA, MAAA

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

CHANGES SINCE PRIOR VALUATION

Plan Changes

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

Actuarial Assumption/Method Changes

Funding requirements are based on a Beginning of Year funding methodology, effective with the requirements determined as of October 1, 2017 (as applicable to the fiscal year beginning October 1, 2018). It is assumed that the City will deposit the actuarially determined contribution annually on October 1. Please refer to our August 17, 2018 analysis.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2018</u>	New Method <u>10/1/2017</u>	Old Method <u>10/1/2017</u>
A. Participant Data			
Actives	1	2	2
Service Retirees	39	43	43
DROP Retirees	2	2	2
Beneficiaries	6	5	5
Disability Retirees	1	1	1
Terminated Vested	<u>0</u>	<u>0</u>	<u>0</u>
Total	49	53	53
Total Annual Payroll	\$69,273	\$106,361	\$106,361
Payroll Under Assumed Ret. Age	69,273	106,361	106,361
Annual Rate of Payments to:			
Service Retirees	1,142,621	1,148,853	1,148,853
DROP Retirees	81,227	101,377	101,377
Beneficiaries	70,920	62,143	62,143
Disability Retirees	5,289	5,289	5,289
Terminated Vested	0	0	0
B. Assets			
Actuarial Value (AVA) ¹	14,331,345	13,879,523	13,879,523
Market Value (MVA) ¹	14,587,473	13,731,230	13,731,230
C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	846,296	1,194,551	1,194,551
Disability Benefits	1,764	1,225	1,225
Death Benefits	765	1,040	1,040
Vested Benefits	0	4,621	4,621
Refund of Contributions	0	0	0
Service Retirees	13,255,179	13,249,526	13,249,526
DROP Retirees ¹	1,647,454	1,848,464	1,848,464
Beneficiaries	885,457	785,287	785,287
Disability Retirees	51,428	51,800	51,800
Terminated Vested	<u>0</u>	<u>0</u>	<u>0</u>
Total	16,688,343	17,136,514	17,136,514

C. Liabilities - (Continued)	<u>10/1/2018</u>	New Method <u>10/1/2017</u>	Old Method <u>10/1/2017</u>
Present Value of Future Salaries	69,273	106,361	106,361
Present Value of Future Member Contributions	3,464	5,318	5,318
Normal Cost (Retirement)	4,246	9,344	9,344
Normal Cost (Disability)	195	383	383
Normal Cost (Death)	36	67	67
Normal Cost (Vesting)	0	2,463	2,463
Normal Cost (Refunds)	<u>0</u>	<u>0</u>	<u>0</u>
Total Normal Cost	4,477	12,257	12,257
Present Value of Future Normal Costs	4,477	12,258	12,258
Accrued Liability (Retirement)	842,050	1,185,206	1,185,206
Accrued Liability (Disability)	1,569	842	842
Accrued Liability (Death)	729	973	973
Accrued Liability (Vesting)	0	2,158	2,158
Accrued Liability (Refunds)	0	0	0
Accrued Liability (Inactives) ¹	<u>15,839,518</u>	<u>15,935,077</u>	<u>15,935,077</u>
Total Actuarial Accrued Liability (EAN AL)	16,683,866	17,124,256	17,124,256
Unfunded Actuarial Accrued Liability (UAAL)	2,352,521	3,244,733	3,244,733
Funded Ratio (AVA / EAN AL)	85.9%	81.1%	81.1%

D. Actuarial Present Value of Accrued Benefits	<u>10/1/2018</u>	New Method <u>10/1/2017</u>	Old Method <u>10/1/2017</u>
Vested Accrued Benefits			
Inactives ¹	15,839,518	15,935,077	15,935,077
Actives	719,796	1,026,077	1,026,077
Member Contributions	<u>55,753</u>	<u>85,795</u>	<u>85,795</u>
Total	16,615,067	17,046,949	17,046,949
Non-vested Accrued Benefits	<u>0</u>	<u>0</u>	<u>0</u>
Total Present Value Accrued Benefits (PVAB)	16,615,067	17,046,949	17,046,949
Funded Ratio (MVA / PVAB)	87.8%	80.5%	80.5%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	0	0	
New Accrued Benefits	(389,301)	0	
Benefits Paid	(1,194,075)	0	
Interest	1,151,494	0	
Other	<u>0</u>	<u>0</u>	
Total	(431,882)	0	

		New Method	Old Method
Valuation Date	10/1/2018	10/1/2017	10/1/2017
Applicable to Fiscal Year Ending	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2019</u>
E. Pension Cost			
Normal Cost ²	\$4,790	\$13,115	\$13,566
Administrative Expenses ²	69,766	62,961	65,127
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 20 years (as of 10/1/2018) ²	271,351	452,246	467,807
Minimum Required Contribution	345,907	528,322	546,500
Expected Member Contributions ²	3,706	5,690	5,886
Expected City Contribution	342,201	522,632	540,614
F. Past Contributions			
Plan Years Ending:	<u>9/30/2018</u>		
City Requirement	585,687		
Actual Contributions Made:			
Members (excluding buyback)	3,954		
City	<u>585,825</u>		
Total	589,779		
G. Net Actuarial (Gain)/Loss	(581,015)		

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	2,352,521
2019	2,245,848
2020	2,235,722
2025	2,489,891
2029	1,725,110
2034	312,982
2038	0

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

	<u>Actual</u>	<u>Assumed</u>
Year Ended 9/30/2018	9.12%	6.50%
Year Ended 9/30/2017	2.38%	6.50%
Year Ended 9/30/2016	3.81%	6.50%
Year Ended 9/30/2015	2.72%	6.50%
Year Ended 9/30/2014	3.08%	6.50%

(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	11.42%	8.28%	7.00%
Year Ended 9/30/2017	13.04%	8.08%	7.20%
Year Ended 9/30/2016	8.39%	8.45%	7.40%
Year Ended 9/30/2015	0.69%	10.79%	7.60%
Year Ended 9/30/2014	10.60%	10.59%	7.80%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2018	\$69,273
	10/1/2008	510,730
(b) Total Increase		-86.44%
(c) Number of Years		10.00
(d) Average Annual Rate		-18.11%

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.



Douglas H. Lozen, EA, MAAA
Enrolled Actuary #17-7778

Please let us know when the report is approved by the Board and unless otherwise directed we will provide a copy of the report to the following office to comply with Chapter 112 Florida Statutes:

Mr. Keith Brinkman
Bureau of Local
Retirement Systems
Post Office Box 9000
Tallahassee, FL 32315-9000

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1) Unfunded Actuarial Accrued Liability as of October 1, 2017	\$3,244,733
(2) Sponsor Normal Cost developed as of October 1, 2017	6,939
(3) Expected administrative expenses for the year ended September 30, 2018	58,842
(4) Expected interest on (1), (2) and (3)	229,677
(5) Sponsor contributions to the System during the year ended September 30, 2018	585,825
(6) Expected interest on (5)	20,830
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2018 (1)+(2)+(3)+(4)-(5)-(6)	2,933,536
(8) Change to UAAL due to Assumption Change	0
(9) Change to UAAL due to Actuarial (Gain)/Loss	(581,015)
(10) Unfunded Actuarial Accrued Liability as of October 1, 2018	2,352,521

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2018 <u>Amount</u>	Amortization <u>Amount</u>
Method Change	10/1/2003	15	911,598	93,541
Method Change	10/1/2004	16	485,466	48,028
Actuarial Loss	10/1/2004	10	404,465	53,819
Actuarial Gain	10/1/2005	10	(64,603)	(8,596)
Actuarial Gain	10/1/2006	10	(157,230)	(20,922)
Actuarial Gain	10/1/2007	10	(63,174)	(8,406)
Assum. Change	10/1/2007	19	61,879	5,595
Method Change	10/1/2008	10	551,599	73,397
Actuarial Loss	10/1/2009	1	97,211	97,211
Actuarial Loss	10/1/2010	2	100,526	51,963
Actuarial Loss	10/1/2011	3	106,911	38,073
Actuarial Loss	10/1/2012	4	87,432	24,124
Assum. Change	10/1/2012	14	270,775	28,936
Actuarial Gain	10/1/2013	5	(414,130)	(94,395)
Assum. Change	10/1/2013	15	211,077	21,659
Actuarial Gain	10/1/2014	6	(276,679)	(54,249)
Assum. Change	10/1/2014	16	226,496	22,408
Actuarial Gain	10/1/2015	7	(206,571)	(35,822)
Assum. Change	10/1/2015	17	243,569	23,316
Actuarial Gain	10/1/2016	8	(648,395)	(101,482)
Assum. Changes	10/1/2016	18	1,098,665	102,076

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2018 <u>Amount</u>	Amortization <u>Amount</u>
Actuarial Gain	10/1/2017	9	(394,582)	(56,601)
Assum. Change	10/1/2017	19	301,231	27,238
Actuarial Gain	10/1/2018	10	<u>(581,015)</u>	<u>(77,312)</u>
			2,352,521	253,599

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2017	\$3,244,733
(2) Expected UAAL as of October 1, 2018	2,933,536
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(173,344)
Salary Increases	14,451
Active Decrements	6,178
Inactive Mortality	(457,145)
Other	<u>28,845</u>
Increase in UAAL due to (Gain)/Loss	(581,015)
Assumption Changes	<u>0</u>
(4) Actual UAAL as of October 1, 2018	\$2,352,521

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

7.00% 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

6.50% per year until the assumed retirement age; see table on following page. Projected salary at retirement is increased 20% to account for non-regular compensation.

The assumed rate of salary increases is reasonable, based on 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.

<u>Administrative Expenses</u>	\$65,202 annually, based on actual expenses incurred in the prior fiscal year.
<u>Retirement Age</u>	Age 50 and 25 years of service or age 57. Any Member who has reached Normal Retirement on the valuation date is assumed to continue employment for one additional year. We feel this is reasonable based upon plan provisions.
<u>Early Retirement</u>	Commencing at the earliest Early Retirement Age (55), Members are assumed to retire with an immediate subsidized benefit at the rate of 2% per year. We feel this is reasonable based upon plan provisions.
<u>Disability Rate</u>	See table that follows (1202). It is assumed that 75% of disablements and active deaths that occur are service related. The assumed rates are consistent with other Florida general employee plans.
<u>Termination Rate</u>	See table that follows (1305). The assumed rates are consistent with other Florida general employee plans.
<u>Cost-of-Living Increase</u>	3.0% per year beginning at age 65.
<u>Funding Method</u>	Entry Age Normal Actuarial Cost Method. An interest load equal to 1 year (previously, 1.5 years) has been applied for determination of required sponsor and Member contributions.
<u>Actuarial Asset Method</u>	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value returns, net of fees. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

<u>Age</u>	<u>% Becoming Disabled During the Year</u>	<u>% Terminating During the Year</u>	<u>Current Salary as a % of Salary at Age 55</u>
20	0.051%	17.2%	11.0%
30	0.058%	15.0%	20.7%
40	0.121%	8.2%	38.9%
50	0.429%	1.7%	73.0%

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:		
Money Market	349,189.05	349,189.05
Total Cash and Equivalents	349,189.05	349,189.05
Receivables:		
Member Contributions in Transit	81.18	81.18
City Contributions in Transit	140,500.00	140,500.00
Investment Income	35,336.28	35,336.28
Total Receivable	175,917.46	175,917.46
Investments:		
U. S. Bonds and Bills	165,980.90	165,155.47
Federal Agency Guaranteed Securities	636,153.01	617,570.40
Corporate Bonds	876,396.14	842,759.52
Equities	5,640,807.25	6,838,916.24
Mutual Funds:		
Fixed Income	525,565.94	472,726.18
Equity	1,092,482.41	3,078,427.04
Pooled/Common/Commingled Funds:		
Real Estate	1,545,108.55	2,046,811.28
Total Investments	10,482,494.20	14,062,366.13
Total Assets	11,007,600.71	14,587,472.64
<u>LIABILITIES</u>		
Total Liabilities	0.00	0.00
NET POSITION RESTRICTED FOR PENSIONS	11,007,600.71	14,587,472.64

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

ADDITIONS

Contributions:

Member	3,953.53	
City		585,825.01

Total Contributions		589,778.54
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Investment Income:

Net Realized Gain (Loss)	240,890.75		
Unrealized Gain (Loss)	874,413.40		
Net Increase in Fair Value of Investments		1,115,304.15	
Interest & Dividends		443,590.02	
Less Investment Expense ¹		(33,152.94)	

Net Investment Income		1,525,741.23
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Total Additions		2,115,519.77
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DEDUCTIONS

Distributions to Members:

Benefit Payments	1,194,074.76	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	0.00	

Total Distributions		1,194,074.76
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Administrative Expense		65,202.42
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Total Deductions		1,259,277.18
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Net Increase in Net Position		856,242.59
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NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		13,731,230.05
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End of the Year		14,587,472.64
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¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION
SEPTEMBER 30, 2018

Actuarial Assets for funding purposes are developed by increasing the Actuarial Assets used in the most recent actuarial valuation of the Fund by the average annual market value rate of return (net of investment related expenses) for the past four years. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Details of the derivation are set forth as follows:

Plan Year End	Rate of Return ¹	
09/30/2015	0.69%	
09/30/2016	8.39%	
09/30/2017	13.04%	
09/30/2018	11.42%	
Annualized Rate of Return for prior four (4) years:		8.28%
(A) 10/01/2017 Actuarial Assets:		\$13,879,523.27
(I) Net Investment Income:		
1. Interest and Dividends	443,590.02	
2. Realized Gains (Losses)	240,890.75	
3. Change in Actuarial Value	469,992.63	
4. Investment Related Expenses	(33,152.94)	
Total		1,121,320.46
(B) 10/01/2018 Actuarial Assets:		\$14,331,345.09
Actuarial Asset Rate of Return = 2I/(A+B-I):		8.28%
10/01/2018 Limited Actuarial Assets:		\$14,331,345.09
10/01/2018 Market Value of Assets:		\$14,587,472.64
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		\$173,344.23

¹Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2018
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	3,953.53	
City	585,825.01	
Total Contributions		589,778.54
Earnings from Investments:		
Interest & Dividends	443,590.02	
Net Realized Gain (Loss)	240,890.75	
Change in Actuarial Value	469,992.63	
Total Earnings and Investment Gains		1,154,473.40

EXPENDITURES

Distributions to Members:		
Benefit Payments	1,194,074.76	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	0.00	
Total Distributions		1,194,074.76
Expenses:		
Investment related ¹	33,152.94	
Administrative	65,202.42	
Total Expenses		98,355.36
Change in Net Assets for the Year		451,821.82
Net Assets Beginning of the Year		13,879,523.27
Net Assets End of the Year²		14,331,345.09

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

²Net Assets may be limited for actuarial consideration.

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

Beginning of the Year Balance	310,840.21
Plus Additions	121,846.47
Investment Return Earned	43,876.85
Less Distributions	0.00
End of the Year Balance	476,563.53

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	3	2	2	1
Average Current Age	52.5	50.8	51.8	52.4
Average Age at Employment	27.7	24.4	24.4	21.4
Average Past Service	24.8	26.4	27.4	31.0
Average Annual Salary	\$56,821	\$51,944	\$53,181	\$69,273
<u>Service Retirees</u>				
Number	52	43	43	39
Average Current Age	75.6	75.1	74.7	74.8
Average Annual Benefit	\$23,917	\$25,325	\$26,718	\$29,298
Average Life Expectancy	12.6	14.2	14.7	14.8
<u>DROP Retirees</u>				
Number	2	3	2	2
Average Current Age	55.6	57.4	61.0	57.1
Average Annual Benefit	\$52,326	\$53,206	\$50,689	\$40,614
Average Life Expectancy	27.2	27.7	24.4	28.2
<u>Beneficiaries</u>				
Number	5	7	5	6
Average Current Age	71.0	70.5	69.8	69.5
Average Annual Benefit	\$14,426	\$13,997	\$12,429	\$11,820
Average Life Expectancy	17.1	19.4	19.3	18.2
<u>Disability Retirees</u>				
Number	1	1	1	1
Average Current Age	51.0	52.0	53.0	54.0
Average Annual Benefit	\$5,289	\$5,289	\$5,289	\$5,289
Average Life Expectancy	28.1	19.2	18.7	18.2
<u>Terminated Vested</u>				
Number	1	1	0	0
Average Current Age	53.0	54.0	N/A	N/A
Average Annual Benefit	\$17,385	\$17,385	N/A	N/A
Average Life Expectancy	31.5	34.2	N/A	N/A

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	0	0	0	0	0
40 - 44	0	0	0	0	0	0	0	0	0	0	0	0
45 - 49	0	0	0	0	0	0	0	0	0	0	0	0
50 - 54	0	0	0	0	0	0	0	0	0	0	1	1
55 - 59	0	0	0	0	0	0	0	0	0	0	0	0
60 - 64	0	0	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0	0	1	1

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2017	2
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	0
f. DROP	<u>(1)</u>
g. Continuing participants	1
h. New entrants	<u>0</u>
i. Total active life participants in valuation	1

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

	Service Retirees, Vested Receiving	DROP Benefits	Receiving Death Benefits	Receiving Disability Benefits	Vested Deferred	<u>Total</u>
a. Number prior valuation	43	2	5	1	0	51
Retired	1	(1)	0	0	0	0
DROP	0	1	0	0	0	1
Vested Deferred	0	0	0	0	0	0
Death, With Survivor	(1)	0	1	0	0	0
Death, No Survivor	(4)	0	0	0	0	(4)
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	39	2	6	1	0	48

SUMMARY OF CURRENT PLAN
(Through Ordinance 07-2013)

<u>Original Effective Date</u>	July 1, 1969.
<u>Effective Date of Last Amendment</u>	May 10, 2016.
<u>Eligibility</u>	Full-time employees hired before 7/1/96 who are not classified as Police Officers or Firefighters are covered from date of employment.
<u>Credited Service</u>	Total years and fractional parts of years of employment with the City as a General Employee.
<u>Average Final Compensation</u>	Average total compensation (W-2 Earnings plus tax-exempt, tax-deferred and tax-sheltered income) for the 3 best years of the 10 years immediately preceding retirement or termination.
<u>Member Contributions</u>	5% of Salary.
<u>Interest on Member Contributions</u>	4 ½% per year.
<u>City Contributions</u>	Any remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII, Chapter 112, F.S..
<u>Normal Retirement</u>	
Date	Age 50 and 25 years of Credited Service, or age 57 (age 57 and 10 years of service if hired after 3/31/94).
Benefit	3% of Average Final Compensation <u>times</u> Credited Service.
Form of Benefit	Life Annuity (options available).
<u>Early Retirement</u>	
Eligibility	Age 55 and 10 Years of Credited Service.
Benefit	Accrued benefit, reduced 1/15 th for each of the first 5 years and 1/30 th for each of the next 5 years prior to Normal Retirement.
<u>Cost-of-Living Increase for Retirees</u>	3% per year beginning at age 65.

Vesting

Less Than 10 Years	Refund of Member Contributions, with interest.
10 or More Years	Accrued pension payable at Normal Retirement, or refund of Member Contributions, with interest.

Disability

Eligibility	Total and permanent; unable to perform any regular and continuous duties as a General Employee (as determined by the Board).
Benefit	
Service Incurred	50% of average pay for the 12 months preceding disability.
Non-Service Incurred	25% of average pay for the 12 months preceding disability.
Duration	Benefit payable for life with 120 payments guaranteed or until recovery (as determined by the Board).
Benefit Offsets	If Plan benefit plus Social Security and/or Worker's Compensation exceeds 100% of pay, Plan benefit is reduced so total is 100% of pay.

Pre-Retirement Death Benefits

Not Vested or Eligible to Retire	Refund of Member Contributions, with interest.
Vested or Eligible to Retire	Beneficiary receives accrued benefit for 10 years at the otherwise Normal (unreduced) or Early (reduced) Retirement Date, or refund of Member Contributions, with interest.

Board of Trustees

- a) Two Council appointees (City residents), and
- b) Three Plan Members elected by the Membership.

Deferred Retirement Option Plan

Eligibility	Satisfaction of requirements for Normal Retirement.
Participation	Not more than 60 months.
Rate of Return	Actual net rate of investment return (total return net of brokerage commissions, transaction costs, and management fees) based on Actuarial Value of plan assets.
Form of Distribution	Cash lump sum (options available) payable at termination of employment.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2018

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Money Market	349,189
Total Cash and Equivalents	349,189
Receivables:	
Member Contributions in Transit	81
City Contributions in Transit	140,500
Investment Income	35,337
Total Receivable	175,918
Investments:	
U. S. Bonds and Bills	165,156
Federal Agency Guaranteed Securities	617,570
Corporate Bonds	842,760
Equities	6,838,916
Mutual Funds:	
Fixed Income	472,726
Equity	3,078,427
Real Estate	2,046,811
Total Investments	14,062,366
Total Assets	14,587,473
Total Liabilities	0
NET POSITION RESTRICTED FOR PENSIONS	14,587,473

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

ADDITIONS

Contributions:

Member	3,954	
City	585,825	
Total Contributions		589,779
Investment Income:		
Net Increase in Fair Value of Investments	1,115,304	
Interest & Dividends	443,590	
Less Investment Expense ¹	(33,153)	
Net Investment Income		1,525,741
Total Additions		2,115,520

DEDUCTIONS

Distributions to Members:

Benefit Payments	1,194,075	
Lump Sum DROP Distributions	0	
Refunds of Member Contributions	0	
Total Distributions		1,194,075
Administrative Expense		65,202
Total Deductions		1,259,277
Net Increase in Net Position		856,243
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		13,731,230
End of the Year		14,587,473

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:

- a) Two Council appointees (City residents), and
- b) Three Plan Members elected by the Membership.

Plan Membership as of October 1, 2017:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	51
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	2
	53

Benefits Provided

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

Normal Retirement:

Date: Age 50 and 25 years of Credited Service, or age 57 (age 57 and 10 years of service if hired after 3/31/94).

Benefit: 3% of Average Final Compensation times Credited Service.

Early Retirement:

Eligibility: Age 55 and 10 Years of Credited Service.

Benefit: Accrued benefit, reduced 1/15th for each of the first 5 years and 1/30th for each of the next 5 years prior to Normal Retirement.

Cost-of-Living Increase for Retirees:

3% per year beginning at age 65.

Vesting:

Less Than 10 Years: Refund of Member Contributions, with interest.

10 or More Years: Accrued pension payable at Normal Retirement, or refund of Member Contributions, with interest.

Disability:

Eligibility: Total and permanent; unable to perform any regular and continuous duties as a General Employee (as determined by the Board).

Benefit: Service Incurred 50% of average pay for the 12 months preceding disability.

Non-Service Incurred 25% of average pay for the 12 months preceding disability.

Benefit Offsets: If Plan benefit plus Social Security and/or Worker's Compensation exceeds 100% of pay, Plan benefit is reduced so total is 100% of pay.

Pre-Retirement Death Benefits:

Not Vested or Eligible to Retire: Refund of Member Contributions, with interest.

Vested or Eligible to Retire: Beneficiary receives accrued benefit for 10 years at the otherwise Normal (unreduced) or Early (reduced) Retirement Date, or refund of Member Contributions, with interest.

Contributions

Member Contributions: 5% of Salary.

Interest on Member Contributions: 4 ½% per year.

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

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2018:

Asset Class	Target Allocation
Domestic Equity	45.0%
International Equity	15.0%
Broad Market Fixed Income	15.0%
Global Fixed Income	5.0%
Real Estate	10.0%
Alternative	10.0%
Total	100.0%

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 11.42 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 requirements for Normal Retirement.

Participation: Not more than 60 months.

Rate of Return: Actual net rate of investment return (total return net of brokerage commissions, transaction costs, and management fees) based on Actuarial Value of plan assets.

The DROP balance as September 30, 2018 is \$476,564.

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	\$ 17,100,204
Plan Fiduciary Net Position	\$ (14,587,473)
Sponsor's Net Pension Liability	\$ 2,512,731
Plan Fiduciary Net Position as a percentage of Total Pension Liability	85.31%

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	2.50%
Salary Increases	6.50%
Discount Rate	7.00%
Investment Rate of Return	7.00%

Mortality Rate 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.

Mortality Rate Healthy Active Lives:

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

Male: RP2000 Generational, 50% Combined Healthy White Collar / 50% Combined Healthy 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 date of the most recent experience study for which significant assumptions are based upon is not available.

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	Long Term Expected Real Rate of Return
Domestic Equity	7.50%
International Equity	8.50%
Broad Market Fixed Income	2.50%
Global Fixed Income	3.50%
Real Estate	4.50%
Alternative	6.00%

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Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.00 percent.

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Sponsor's Net Pension Liability	\$ 4,214,846	\$ 2,512,731	\$ 1,080,450

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	16,218	14,181	29,795
Interest	1,180,886	1,249,866	1,188,448
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	(353,443)	(810,338)	90,981
Changes of assumptions	-	320,883	1,307,508
Benefit Payments, including Refunds of Employee Contributions	(1,194,075)	(1,338,089)	(1,265,867)
Net Change in Total Pension Liability	(350,414)	(563,497)	1,350,865
Total Pension Liability - Beginning	17,450,618	18,014,115	16,663,250
Total Pension Liability - Ending (a)	\$ 17,100,204	\$ 17,450,618	\$ 18,014,115
Plan Fiduciary Net Position			
Contributions - Employer	585,825	622,133	651,442
Contributions - Employee	3,954	4,993	8,293
Net Investment Income	1,525,741	1,621,502	1,014,663
Benefit Payments, including Refunds of Employee Contributions	(1,194,075)	(1,338,089)	(1,265,867)
Administrative Expense	(65,202)	(58,842)	(58,000)
Net Change in Plan Fiduciary Net Position	856,243	851,697	350,531
Plan Fiduciary Net Position - Beginning	13,731,230	12,879,533	12,529,002
Plan Fiduciary Net Position - Ending (b)	\$ 14,587,473	\$ 13,731,230	\$ 12,879,533
Net Pension Liability - Ending (a) - (b)	\$ 2,512,731	\$ 3,719,388	\$ 5,134,582
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	85.31%	78.69%	71.50%
Covered Employee Payroll ¹	\$ 79,071	\$ 99,870	\$ 165,865
Net Pension Liability as a percentage of Covered Employee Payroll	3177.81%	3724.24%	3095.64%

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 09/30/2017, as required by Chapter 2015-157, Laws of Florida, the assumed rates of mortality have been changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS valuation report. Additionally, the investment rate of return was lowered from 7.20% to 7.00% per year compounded annually, net of investment related expenses.

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 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

The investment rate of return was lowered from 7.40% to 7.20% per year compounded annually, net of investment related expenses.

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	42,355	47,142	43,812
Interest	1,212,220	1,212,422	1,212,249
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	(148,809)	-	-
Changes of assumptions	280,514	-	-
Benefit Payments, including Refunds of Employee Contributions	(1,261,866)	(1,253,011)	(1,261,222)
Net Change in Total Pension Liability	124,414	6,553	(5,161)
Total Pension Liability - Beginning	16,538,836	16,532,283	16,537,444
Total Pension Liability - Ending (a)	<u>\$ 16,663,250</u>	<u>\$ 16,538,836</u>	<u>\$ 16,532,283</u>
Plan Fiduciary Net Position			
Contributions - Employer	711,229	789,489	632,521
Contributions - Employee	11,199	14,167	17,745
Net Investment Income	88,087	1,269,824	1,604,165
Benefit Payments, including Refunds of Employee Contributions	(1,261,866)	(1,253,011)	(1,261,222)
Administrative Expense	(63,707)	(48,959)	(44,257)
Net Change in Plan Fiduciary Net Position	(515,058)	771,510	948,952
Plan Fiduciary Net Position - Beginning	13,044,060	12,272,550	11,323,598
Plan Fiduciary Net Position - Ending (b)	<u>\$ 12,529,002</u>	<u>\$ 13,044,060</u>	<u>\$ 12,272,550</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 4,134,248</u>	<u>\$ 3,494,776</u>	<u>\$ 4,259,733</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.19%	78.87%	74.23%
Covered Employee Payroll ¹	\$ 360,114	\$ 282,176	\$ 354,890
Net Pension Liability as a percentage of Covered Employee Payroll	1148.04%	1238.51%	1200.30%

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 09/30/2015, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.60% to 7.40%.

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	Total Contributions as a percentage of Covered Employee Payroll
09/30/2018	\$ 585,687	\$ 585,825	\$ (138)	\$ 79,071	740.88%
09/30/2017	\$ 622,133	\$ 622,133	\$ -	\$ 99,870	622.95%
09/30/2016	\$ 651,442	\$ 651,442	\$ -	\$ 165,865	392.75%
09/30/2015	\$ 711,229	\$ 711,229	\$ -	\$ 360,114	197.50%
09/30/2014	\$ 789,489	\$ 789,489	\$ -	\$ 282,176	279.79%
09/30/2013	\$ 632,521	\$ 632,521	\$ -	\$ 354,890	178.23%

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:

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 other than special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

Interest Rate:

7.20% 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.

Retirement Age:

Age 50 and 25 years of service or age 57. Any Member who has reached Normal Retirement on the valuation date is assumed to continue employment for one additional year. We feel this is reasonable based upon plan provisions.

Early Retirement:

Commencing at the earliest Early Retirement Age (55), Members are assumed to retire with an immediate subsidized benefit at the rate of 2% per year. We feel this is reasonable based upon plan provisions.

Disability Rates:

See table on following page (1202). It is assumed that 75% of disablements and active deaths that occur are service related. The assumed rates are consistent with other Florida general employee plans.

Termination Rates:

See table on following page (1305). The assumed rates are consistent with other Florida general employee plans.

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Salary Increases:	6.50% per year until the assumed retirement age; see table on following page. Projected salary at retirement is increased 20% to account for non-regular compensation. The assumed rate of salary increases is reasonable, based on long-term plan experience.
Payroll Growth:	None.
Cost-of-Living Increase:	3.0% per year beginning at age 65.
Funding Method:	Entry Age Normal Actuarial Cost Method. The following funding loads are utilized for determination of the funding requirements: <ul style="list-style-type: none"> • Interest – A half-year, based on the current 7.20% assumption. • Salary – A full-year, based on the current 6.50% assumption.
Asset Valuation Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value returns, net of fees. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

Termination and Disability Rate Table:

Age	% Becoming Disabled During the Year	% Terminating During the Year
20	0.051%	17.2%
30	0.058%	15.0%
40	0.121%	8.2%
50	0.429%	1.7%

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

Fiscal Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
09/30/2018	11.42%
09/30/2017	13.04%
09/30/2016	8.39%
09/30/2015	0.69%
09/30/2014	10.60%
09/30/2013	14.59%

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

General Information about the Pension Plan

Plan Description

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- a) Two Council appointees (City residents), and
- b) Three Plan Members elected by the Membership.

Full-time employees hired before 7/1/96 who are not classified as Police Officers or Firefighters are covered from date of employment.

Plan Membership as of October 1, 2017:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	51
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	2
	53
	53

Benefits Provided

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

Normal Retirement:

Date: Age 50 and 25 years of Credited Service, or age 57 (age 57 and 10 years of service if hired after 3/31/94).

Benefit: 3% of Average Final Compensation times Credited Service.

Early Retirement:

Eligibility: Age 55 and 10 Years of Credited Service.

Benefit: Accrued benefit, reduced 1/15th for each of the first 5 years and 1/30th for each of the next 5 years prior to Normal Retirement.

Cost-of-Living Increase for Retirees:

3% per year beginning at age 65.

Vesting:

Less Than 10 Years: Refund of Member Contributions, with interest.

10 or More Years: Accrued pension payable at Normal Retirement, or refund of Member Contributions, with interest.

Disability:

Eligibility: Total and permanent; unable to perform any regular and continuous duties as a General Employee (as determined by the Board).

Benefit: Service Incurred 50% of average pay for the 12 months preceding disability.

Non-Service Incurred 25% of average pay for the 12 months preceding disability.

Benefit Offsets: If Plan benefit plus Social Security and/or Worker's Compensation exceeds 100% of pay, Plan benefit is reduced so total is 100% of pay.

Pre-Retirement Death Benefits:

Not Vested or Eligible to Retire: Refund of Member Contributions, with interest.

Vested or Eligible to Retire: Beneficiary receives accrued benefit for 10 years at the otherwise Normal (unreduced) or Early (reduced) Retirement Date, or refund of Member Contributions, with interest.

Contributions

Member Contributions: 5% of Salary.

Interest on Member Contributions: 4 ½% per year.

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

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, 2017 through September 30, 2018.

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	2.50%
Salary Increases	6.50%
Discount Rate	7.00%
Investment Rate of Return	7.00%

Mortality Rate 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.

Mortality Rate Healthy Active Lives:

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

Male: RP2000 Generational, 50% Combined Healthy White Collar / 50% Combined Healthy 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 date of the most recent experience study for which significant assumptions are based upon is not available.

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>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	45.00%	7.50%
International Equity	15.00%	8.50%
Broad Market Fixed Income	15.00%	2.50%
Global Fixed Income	5.00%	3.50%
Real Estate	10.00%	4.50%
Alternative	10.00%	6.00%
<u>Total</u>	<u>100.00%</u>	

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Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.00 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)
Balance at September 30, 2017	\$ 17,450,618	\$ 13,731,230	\$ 3,719,388
Changes for a Year:			
Service Cost	16,218	-	16,218
Interest	1,180,886	-	1,180,886
Differences between Expected and Actual Experience	(353,443)	-	(353,443)
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - Employer	-	585,825	(585,825)
Contributions - Employee	-	3,954	(3,954)
Net Investment Income	-	1,525,741	(1,525,741)
Benefit Payments, including Refunds of Employee Contributions	(1,194,075)	(1,194,075)	-
Administrative Expense	-	(65,202)	65,202
Net Changes	(350,414)	856,243	(1,206,657)
Balance at September 30, 2018	\$ 17,100,204	\$ 14,587,473	\$ 2,512,731

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.00%	7.00%	8.00%
Sponsor's Net Pension Liability	\$ 4,214,846	\$ 2,512,731	\$ 1,080,450

Pension Plan Fiduciary Net Position.

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

**PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED
INFLOWS OF RESOURCES RELATED TO PENSIONS**

For the year ended September 30, 2018, the Sponsor will recognize a Pension Expense of -\$212,381.

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	-	772,290
Total	\$ -	\$ 772,290

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	\$ (108,325)
2020	\$ (284,393)
2021	\$ (261,975)
2022	\$ (117,597)
2023	\$ -
Thereafter	\$ -

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	16,218	14,181	29,795
Interest	1,180,886	1,249,866	1,188,448
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	(353,443)	(810,338)	90,981
Changes of assumptions	-	320,883	1,307,508
Benefit Payments, including Refunds of Employee Contributions	(1,194,075)	(1,338,089)	(1,265,867)
Net Change in Total Pension Liability	(350,414)	(563,497)	1,350,865
Total Pension Liability - Beginning	17,450,618	18,014,115	16,663,250
Total Pension Liability - Ending (a)	<u>\$ 17,100,204</u>	<u>\$ 17,450,618</u>	<u>\$ 18,014,115</u>
Plan Fiduciary Net Position			
Contributions - Employer	585,825	622,133	651,442
Contributions - Employee	3,954	4,993	8,293
Net Investment Income	1,525,741	1,621,502	1,014,663
Benefit Payments, including Refunds of Employee Contributions	(1,194,075)	(1,338,089)	(1,265,867)
Administrative Expense	(65,202)	(58,842)	(58,000)
Net Change in Plan Fiduciary Net Position	856,243	851,697	350,531
Plan Fiduciary Net Position - Beginning	13,731,230	12,879,533	12,529,002
Plan Fiduciary Net Position - Ending (b)	<u>\$ 14,587,473</u>	<u>\$ 13,731,230</u>	<u>\$ 12,879,533</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 2,512,731</u>	<u>\$ 3,719,388</u>	<u>\$ 5,134,582</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	85.31%	78.69%	71.50%
Covered Employee Payroll ¹	\$ 79,071	\$ 99,870	\$ 165,865
Net Pension Liability as a percentage of Covered Employee Payroll	3177.81%	3724.24%	3095.64%

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.

Effective for the City's fiscal year ending 09/30/2016, the GASB 68 measurement date of the Pension Expense has been approved and changed from 09/30/2015 to 09/30/2016.

Changes of assumptions:

For measurement date 09/30/2017, as required by Chapter 2015-157, Laws of Florida, the assumed rates of mortality have been changed from those in the July 1, 2015 FRS valuation report to those used in the July 1, 2016 FRS valuation report. Additionally, the investment rate of return was lowered from 7.20% to 7.00% per year compounded annually, net of investment related expenses.

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 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

The investment rate of return was lowered from 7.40% to 7.20% per year compounded annually, net of investment related expenses.

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	42,355	47,142	43,812
Interest	1,212,220	1,212,422	1,212,249
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	(148,809)	-	-
Changes of assumptions	280,514	-	-
Benefit Payments, including Refunds of Employee Contributions	(1,261,866)	(1,253,011)	(1,261,222)
Net Change in Total Pension Liability	124,414	6,553	(5,161)
Total Pension Liability - Beginning	16,538,836	16,532,283	16,537,444
Total Pension Liability - Ending (a)	\$ 16,663,250	\$ 16,538,836	\$ 16,532,283
Plan Fiduciary Net Position			
Contributions - Employer	711,229	789,489	632,521
Contributions - Employee	11,199	14,167	17,745
Net Investment Income	88,087	1,269,824	1,604,165
Benefit Payments, including Refunds of Employee Contributions	(1,261,866)	(1,253,011)	(1,261,222)
Administrative Expense	(63,707)	(48,959)	(44,257)
Net Change in Plan Fiduciary Net Position	(515,058)	771,510	948,952
Plan Fiduciary Net Position - Beginning	13,044,060	12,272,550	11,323,598
Plan Fiduciary Net Position - Ending (b)	\$ 12,529,002	\$ 13,044,060	\$ 12,272,550
Net Pension Liability - Ending (a) - (b)	\$ 4,134,248	\$ 3,494,776	\$ 4,259,733
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	75.19%	78.87%	74.23%
Covered Employee Payroll ¹	\$ 360,114	\$ 282,176	\$ 354,890
Net Pension Liability as a percentage of Covered Employee Payroll	1148.04%	1238.51%	1200.30%

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 09/30/2015, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 7.60% to 7.40%.

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	Total Contributions as a percentage of Covered Employee Payroll
09/30/2018	\$ 585,687	585,825	\$ (138)	\$ 79,071	740.88%
09/30/2017	\$ 622,133	\$ 622,133	\$ -	\$ 99,870	622.95%
09/30/2016	\$ 651,442	\$ 651,442	\$ -	\$ 165,865	392.75%
09/30/2015	\$ 711,229	\$ 711,229	\$ -	\$ 360,114	197.50%
09/30/2014	\$ 789,489	\$ 789,489	\$ -	\$ 282,176	279.79%
09/30/2013	\$ 632,521	\$ 632,521	\$ -	\$ 354,890	178.23%

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:

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 other than special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

Interest Rate:

7.20% 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.

Retirement Age:

Age 50 and 25 years of service or age 57. Any Member who has reached Normal Retirement on the valuation date is assumed to continue employment for one additional year. We feel this is reasonable based upon plan provisions.

Early Retirement:

Commencing at the earliest Early Retirement Age (55), Members are assumed to retire with an immediate subsidized benefit at the rate of 2% per year. We feel this is reasonable based upon plan provisions.

Disability Rates:

See table on following page (1202). It is assumed that 75% of disablements and active deaths that occur are service related. The assumed rates are consistent with other Florida general employee plans.

Termination Rates:

See table on following page (1305). The assumed rates are consistent with other Florida general employee plans.

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Salary Increases:	6.50% per year until the assumed retirement age; see table on following page. Projected salary at retirement is increased 20% to account for non-regular compensation. The assumed rate of salary increases is reasonable, based on long-term plan experience.
Payroll Growth:	None.
Cost-of-Living Increase:	3.0% per year beginning at age 65.
Funding Method:	Entry Age Normal Actuarial Cost Method. The following funding loads are utilized for determination of the funding requirements: <ul style="list-style-type: none"> • Interest – A half-year, based on the current 7.20% assumption. • Salary – A full-year, based on the current 6.50% assumption.
Asset Valuation Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value returns, net of fees. It is possible that over time this technique will produce an insignificant bias above or below Market Value.

Termination and Disability Rate Table:

Age	% Becoming Disabled During the	% Terminating During the Year
20	0.05%	17.2%
30	0.06%	15.0%
40	0.12%	8.2%
50	0.43%	1.7%

EXPENSE DEVELOPMENT AND AMORTIZATION SCHEDULES

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

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2018

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 3,719,388	\$ 715,975	\$ 352,136	\$ -
Total Pension Liability Factors:				
Service Cost	16,218	-	-	16,218
Interest	1,180,886	-	-	1,180,886
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(353,443)	353,443	-	-
Current year amortization of experience difference	-	(353,443)	-	(353,443)
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	(1,194,075)	-	-	-
Net change	<u>(350,414)</u>	<u>-</u>	<u>-</u>	<u>843,661</u>
Plan Fiduciary Net Position:				
Contributions - Employer	585,825	-	-	-
Contributions - Employee	3,954	-	-	(3,954)
Projected Net Investment Income	937,754	-	-	(937,754)
Difference between projected and actual earnings on Pension Plan investments	587,987	587,987	-	-
Current year amortization	-	(355,604)	(176,068)	(179,536)
Benefit Payments, including Refunds of Employee Contributions	(1,194,075)	-	-	-
Administrative Expenses	(65,202)	-	-	65,202
Net change	<u>856,243</u>	<u>232,383</u>	<u>(176,068)</u>	<u>(1,056,042)</u>
Ending Balance	<u><u>\$ 2,512,731</u></u>	<u><u>\$ 948,358</u></u>	<u><u>\$ 176,068</u></u>	<u><u>\$ (212,381)</u></u>

AMORTIZATION SCHEDULE - INVESTMENTS

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

Plan Year Ending	Differences Between Projected and Actual Earnings	Recognition Period (Years)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
2014	\$ (356,046)	5	\$ (71,209)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 880,342	5	\$ 176,068	\$ 176,068	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (112,090)	5	\$ (22,418)	\$ (22,418)	\$ (22,418)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ (721,889)	5	\$ (144,378)	\$ (144,378)	\$ (144,378)	\$ (144,378)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ (587,987)	5	\$ (117,599)	\$ (117,597)	\$ (117,597)	\$ (117,597)	\$ (117,597)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (179,536)	\$ (108,325)	\$ (284,393)	\$ (261,975)	\$ (117,597)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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
2018	\$ (353,443)	1	\$ (353,443)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (353,443)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -