

TOWN OF LONGBOAT KEY  
GENERAL EMPLOYEES'  
RETIREMENT SYSTEM

ACTUARIAL VALUATION AND REPORT  
AS OF OCTOBER 1, 2014

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

January 26, 2015

Board of Trustees  
Town of Longboat Key  
501 Bay Isles Road  
Longboat Key, FL 34228

Re: Town of Longboat Key  
General Employees' Retirement System

Dear Board:

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

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Chapter 112, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

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

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

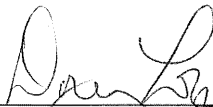
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the Town of Longboat Key, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the Town of Longboat Key General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

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

Respectfully submitted,

Foster & Foster, Inc.

By:

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

DHL/lke

Enclosures

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## SUMMARY OF REPORT

The regular annual actuarial valuation of the Town of Longboat Key General Employees' Retirement System, performed as of October 1, 2014, has been completed, and the results are presented in this Report. The results of this valuation are applicable to the plan/fiscal year ended September 30, 2016.

The contribution requirements, compared with those developed in the October 1, 2013, actuarial valuation, are as follows:

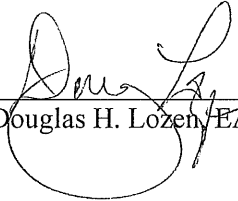
Valuation Date	10/1/2013	10/1/2014
Applicable Fiscal Year	<u>9/30/2015</u>	<u>9/30/2016</u>
Total Required Contribution	\$704,515	\$738,676

Experience during the prior 12 months has been more favorable than expected on the basis of the actuarial assumptions. The principal source of favorable experience is due to a 7.9% investment return (Actuarial Asset Basis), exceeding the 7.00% assumption. This gain was partially offset by lower than expected Retiree mortality.

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

CHANGES SINCE PRIOR VALUATION

Plan Changes

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

Actuarial Assumption/Method Changes

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

## COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2014</u>	<u>10/1/2013</u>
A. Participant Data		
Number Included		
Actives	24	25
Service Retirees	35	32
DROP Retirees	9	11
Beneficiaries	0	0
Terminated Vested	12	21
Total	<u>80</u>	<u>89</u>
Total Annual Payroll	N/A	N/A
Payroll Under Assumed Ret. Age	N/A	N/A
Annual Rate of Payments to:		
Service Retirees	708,412	591,940
DROP Retirees	274,827	378,560
Beneficiaries	0	0
Terminated Vested	139,615	139,615
B. Assets		
Actuarial Value <sup>1</sup>	9,776,235	9,306,433
Market Value <sup>1</sup>	10,203,725	9,561,296
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	2,844,450	2,645,057
Death Benefits	44,630	46,163
Vested Benefits	158,181	209,940
Refund of Contributions	0	0
Service Retirees	7,311,289	6,153,800
DROP Retirees <sup>1</sup>	3,539,243	4,520,702
Beneficiaries	0	0
Terminated Vested	1,017,164	1,109,319
Total	<u>14,914,957</u>	<u>14,684,981</u>

	<u>10/1/2014</u>	<u>10/1/2013</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	N/A	N/A
Present Value of Future Member Cont.	N/A	N/A
Normal Cost (Entry Age Normal)		
Retirement Benefits	0	0
Death Benefits	2,151	2,197
Vested Benefits	0	0
Refund of Contributions	0	0
Total Normal Cost	<u>2,151</u>	<u>2,197</u>
Present Value of Future Normal Costs	12,575	13,774
Actuarial Accrued Liability		
Retirement Benefits	2,844,450	2,645,057
Death Benefits	32,055	32,389
Vested Benefits	158,181	209,940
Refund of Contributions	0	0
Inactives <sup>1</sup>	11,867,696	11,783,821
Total Actuarial Accrued Liability	<u>14,902,382</u>	<u>14,671,207</u>
Unfunded Actuarial Accrued Liability	5,126,147	5,364,774
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives <sup>1</sup>	11,867,696	11,783,821
Actives	2,319,096	2,142,758
Member Contributions	728,165	758,403
Total	<u>14,914,957</u>	<u>14,684,982</u>
Non-vested Accrued Benefits	<u>0</u>	<u>0</u>
Total Present Value Accrued Benefits	14,914,957	14,684,982
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	32,048	
Benefits Paid	(801,953)	
Interest	999,880	
Other	0	
Total:	<u>229,975</u>	



Valuation Date Applicable to Fiscal Year Ending	10/1/2014 <u>9/30/2016</u>	10/1/2013 <u>9/30/2015</u>
E. Pension Cost		
Normal Cost <sup>2</sup>	\$2,377	\$2,428
Administrative Expense <sup>2</sup>	55,090	25,958
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 28 years <sup>2</sup> (as of 10/1/2014)	681,209	676,129
Total Required Contribution	738,676	704,515
Expected Member Contributions	0	0
Expected Town Contribution	738,676	704,515

## F. Past Contributions

Plan Years Ending:	<u>9/30/2014</u>
Total Required Contribution	597,459
Town Requirement	597,459
Actual Contributions Made:	
Members	-
Town	597,459
Total	<u>597,459</u>

G. Net Actuarial Gain (Loss) 22,455

<sup>1</sup> The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/2013 and 9/30/2014.

<sup>2</sup> Contributions include an interest load for timing of Town Contributions.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2014	\$5,126,147
2015	4,825,344
2016	4,512,062
2021	3,044,903
2026	1,538,587
2036	(238,547)
2042	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	N/A	N/A
Year Ended	9/30/2013	N/A	N/A
Year Ended	9/30/2012	-3.5%	6.0%

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


		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	7.9%	7.00%
Year Ended	9/30/2013	6.6%	7.75%
Year Ended	9/30/2012	4.3%	8.00%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2014	N/A
	10/1/2004	2,944,775
(b) Total Increase		N/A
(c) Number of Years		10.00
(d) Average Annual Rate		N/A

## 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 1/26/15  
Enrolled Actuary #14-7778

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

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

## RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2013	\$5,364,774
(2)	Sponsor Normal Cost developed as of October 1, 2013	2,197
(3)	Expected Administrative expenses for the fiscal year ended September 30, 2014	23,491
(4)	Expected Interest on (1), (2) and (3)	376,510
(5)	Sponsor Contributions to the System during the year ending September 30, 2014	597,459
(6)	Expected Interest on (5)	20,911
(7)	Expected Unfunded Actuarial Accrued Liability as of October 1, 2014 [(1)+(2)+(3)+(4)-(5)-(6)]	5,148,602
(8)	Unfunded Actuarial Accrued Liability as of October 1, 2014	5,126,147
(9)	Change to UAAL due to Actuarial (Gain)/Loss (8)-(7)	(22,455)

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2014 Amount</u>	<u>Amortization Amount</u>
	10/1/1985	1	8,014	8,014
	10/1/1991	7	206,010	35,725
	10/1/1996	12	(152,851)	(17,985)
	10/1/1997	13	100,496	11,238
	10/1/2001	17	242,842	23,246
method change	10/1/2002	18	1,662,621	154,472
prior losses	10/1/2002	14	1,561,712	166,891
actuarial gain	10/1/2003	14	(475,001)	(50,761)
actuarial loss	10/1/2004	14	320,809	34,283
actuarial loss	10/1/2005	14	180,071	19,243
actuarial gain	10/1/2006	14	(29,162)	(3,116)
benefit change	10/1/2006	22	(203,079)	(17,158)
actuarial loss	10/1/2007	14	304,183	32,506
assum. change	10/1/2007	23	264,205	21,905
benefit change	10/1/2007	23	287,090	23,803
actuarial loss	10/1/2008	4	147,983	40,831
method change	10/1/2008	14	124,194	13,272
actuarial loss	10/1/2009	5	732,377	166,935
actuarial gain	10/1/2010	6	(236,661)	(46,402)
actuarial loss	10/1/2011	7	145,147	25,171
actuarial gain	10/1/2012	8	(647,652)	(101,365)
assum. change	10/1/2012	18	12,969	1,205
benefit change	10/1/2012	28	(723,753)	(55,730)
actuarial loss	10/1/2013	9	268,632	38,534
assum. change	10/1/2013	19	1,047,406	94,710
actuarial gain	10/1/2014	10	(22,455)	(2,988)
			5,126,147	616,479

## ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rates</u>	RP 2000 Combined Healthy (sex distinct), projected to valuation year using scale AA.										
<u>Termination Rates</u>	Table 1305, see sample rates below.										
	<table> <thead> <tr> <th><u>Age</u></th> <th><u>% Terminating During the Year</u></th> </tr> </thead> <tbody> <tr> <td>20</td> <td>17.2%</td> </tr> <tr> <td>30</td> <td>15.0</td> </tr> <tr> <td>40</td> <td>8.2</td> </tr> <tr> <td>50</td> <td>1.7</td> </tr> </tbody> </table>	<u>Age</u>	<u>% Terminating During the Year</u>	20	17.2%	30	15.0	40	8.2	50	1.7
<u>Age</u>	<u>% Terminating During the Year</u>										
20	17.2%										
30	15.0										
40	8.2										
50	1.7										
<u>Retirement Age</u>	Earlier of age 62 or age 55 and completion of 30 years of Credited Service. Also, any Member who has reached normal Retirement is assumed to continue employment for one additional year.										
<u>Early Retirement</u>	5% per year, for each year of eligibility, beginning at Age 50 with 15 years of Credited Service.										
<u>Interest Rate</u>	7.0% per year, compounded annually, net of investment related expenses.										
<u>Salary Increases</u>	None.										
<u>Payroll Growth</u>	None.										
<u>Administrative Expenses</u>	\$49,855 annually.										
<u>Funding Method</u>	Entry Age Normal Actuarial Cost Method. An interest load equal to 1.5 years has been applied for determination of the Total Required Contribution.										
<u>Asset Valuation Method</u>	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.										

## VALUATION NOTES

Total Annual Payroll not applicable.

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 over the anticipated number of years of participation, determined as of the entry age.

Individual Entry Age Normal Actuarial Cost Method (Level Dollar) is the method used to determine required contributions under the Plan. The use of this method involves the systematic funding of the Normal Cost (described above) and the Unfunded Accrued (Past Service) Liability. The actuarial accrued liability for active participants is the difference between the present value of future benefits and the present value of future Normal Costs. The actuarial accrued liability for inactive participants is the present value of future benefits.

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

Total Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability over no more than 30 years. The required amount is adjusted for interest according to the timing of contributions during the year.

ACTUARIAL ASSET VALUATION  
SEPTEMBER 30, 2014

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*	
09/30/2011	-1.60%	
09/30/2012	13.98%	
09/30/2013	10.30%	
09/30/2014	9.53%	
Annualized Rate of Return for prior four (4) years:		7.89%
(A) 10/01/2013 Actuarial Assets:		\$9,306,433.41
(I) Net Investment Income:		
1. Interest and Dividends		245,366.87
2. Realized Gains (Losses)		115,694.58
3. Change in Actuarial Value		397,396.60
4. Investment Related Expenses		(34,307.00)
	Total	724,151.05
(B) 10/01/2014 Actuarial Assets:		\$9,776,235.40
Actuarial Asset Rate of Return = $2I/(A+B-I)$ :		7.89%
10/01/2014 Limited Actuarial Assets:		\$9,776,235.40

\*Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 SEPTEMBER 30, 2014  
 Actuarial Asset Basis

REVENUES

Contributions:		
Town	597,458.94	
Total Contributions		597,458.94
Earnings from Investments:		
Interest & Dividends	245,366.87	
Net Realized Gain (Loss)	115,694.58	
Change in Actuarial Value	397,396.60	
Total Earnings and Investment Gains		758,458.05

EXPENDITURES

Distributions to Members:		
Benefit Payments	641,286.40	
Lump Sum DROP Distributions	65,426.95	
Refunds of Member Contributions	95,239.63	
Total Distributions		801,952.98
Expenses:		
Investment Related <sup>1</sup>	34,307.00	
Administrative	49,855.02	
Total Expenses		84,162.02
Change in Net Assets for the Year		469,801.99
Net Assets Beginning of the Year		9,306,433.41
Net Assets End of the Year <sup>2</sup>		9,776,235.40

<sup>1</sup>Investment Related expenses include investment advisory, custodial and performance monitoring fees.

<sup>2</sup>Net Assets may be limited for actuarial consideration.



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

09/30/2013 Balance	99,364.12
Plus Additions	330,263.63
Investment Return Earned	16,238.79
Less Distributions	(65,426.95)
09/30/2014 Balance	380,439.59

## STATISTICAL DATA

(Averages are salary weighted prior to 10/1/2014)

	<u>10/1/2011</u>	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>
<u>Active Members</u>				
Number	44	44	25	24
Average Current Age	49.9	49.9	46.2	48.0
Average Age at Employment	36.9	36.5	33.3	33.9
Average Past Service	13.0	13.4	12.9	14.1
Average Annual Salary	\$54,854	\$54,607	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	1	0	0	0	0	1
35 - 39	0	0	1	0	0	0	2	1	0	0	0	4
40 - 44	0	0	0	0	0	0	3	0	0	0	0	3
45 - 49	0	0	0	0	0	1	1	1	0	0	0	3
50 - 54	0	0	1	0	0	1	0	1	1	3	0	7
55 - 59	0	0	0	0	0	3	1	2	0	0	0	6
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	2	0	0	5	8	5	1	3	0	24

## VALUATION PARTICIPANT RECONCILIATION

## 1. Active lives

a. Number in prior valuation 10/1/2013	25
b. Terminations	
i. Vested (partial or full) with deferred benefits	1
ii. Non-vested or full lump sum distribution received	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Retired	0
e. DROP Retired	0
f. Voluntary withdrawal	0
g. Continuing participants	24
h. New entrants	0
i. Total active life participants in valuation	24

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

	<u>Service Retirees, Vested Receiving Benefits</u>	<u>Receiving Death Benefits</u>	<u>Vested Deferred</u>	<u>DROP Retirees</u>	<u>Total</u>
a.Number prior valuation	32	0	21	11	64
b.In	4	0	1	0	5
c.Out	1	0	10	2	13
d.Number current valuation	35	0	12	9	56

SUMMARY OF PLAN PROVISIONS  
(Through Ordinance No. 2013-15)

**The information below is for historical reference only. Benefits are frozen as of September 30, 2013.**

<u>Effective Date</u>	April 1, 1992
<u>Latest Amendment</u>	August 14, 2013
<u>Eligibility</u>	Full-time employees hired before September 30, 2013 become Members as a condition of employment.
<u>Compensation</u>	W-2 earnings, plus tax-deferred, tax-sheltered, and tax-exempt income. Salary earned after September 30, 2013 is not counted for determination of the accrued benefit.
<u>Average Final Compensation</u>	Average Compensation paid an employee during the best 5 years within the last 10 years preceding September 30, 2013.
<u>Credited Service</u>	Years and fractional parts of years of service with the Town as a General Employee through September 30, 2013.
<u>Normal Retirement</u>	
Eligibility	Earlier of 1) Age 62 or 2) Age 55 and the completion of 30 years of Credited Service.
Benefit	2.75% of Average Final Compensation times Years of Credited Service. The benefit is frozen as of September 30, 2013.
Form of Benefit	Life Annuity with 120 months certain (options available).
<u>Early Retirement</u>	
Date	Attainment of age 50 and the completion of 15 years of Credited Service.
Benefit	Accrued benefit reduced 3.0% for each year preceding the Normal Retirement Date.

Death Benefit

Not Vested

Refund of Member Contributions.

Vested

Accrued benefit paid to Beneficiary for 120 months at Member's otherwise Early (reduced) or Normal Retirement Date.

Post-Retirement

According to optional form of benefit selected.

Termination of Employment

Upon an employee's termination of employment for reason other than death, disability or retirement, he shall be entitled to the payment of the Vested Percentage of his or her accrued pension at the otherwise Early (reduced) or Normal Retirement Date. The applicable Vested Percentage is determined by the following table:

<u>Years of Service</u>	<u>Percentage</u>
Less than 5	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10	100%

Members are 100% vested on September 30, 2013.

Deferred Retirement Option Plan

Eligibility

Within 12 months following satisfaction of Normal Retirement requirements (age 62 or age 55 and 30 years of Credited Service.) New DROP Participants are not allowed after September 30, 2013.

Participation

Not to exceed 60 months.

Rate of Return

At election of Member (may change once during the DROP period) either: 1) actual net rate of investment return (total return net of brokerage commissions, management fees, and transaction costs), or 2) 6.5%. Earnings are credited each fiscal quarter.

Form of Distribution

Cash lump sum (options available) at termination of employment.

Contributions

Employee

None.

Town

Amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability over 30 years (per Chapter 112, F.S.).

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

ANNUAL PENSION COSTS AND RELATED INFORMATION  
(General Employees)

Contribution rates as of 9/30/2014

Town	597,459
Plan Members	None

Actuarially Determined Contribution 597,459

Contributions made 597,459

Actuarial valuation date 10/1/2012

Actuarial cost method Entry Age Normal

Amortization method Level Percentage of Pay, Closed

Remaining amortization period 30 Years as of 10/1/2012

Asset valuation method 4 Year Smooth

Actuarial assumptions:

Investment rate of return	7.75% (as of 10/1/2012)
Projected salary increase*	N/A (as of 10/1/2012)
* Includes inflation at	N/A
Post Retirement COLA	0.0%

THREE YEAR TREND INFORMATION

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/14	598,068	99.90%	(9,655)
9/30/13	986,811	99.94%	(10,264)
9/30/12	832,147	99.94%	(10,835)



DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

DEVELOPMENT OF NET PENSION OBLIGATION (NPO)

This municipal Defined Benefit Plan has been subject to the minimum funding standards since the adoption of the "Florida Protection of Public Employee Retirement Benefits Act" (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the sponsor has funded the actuarially determined required contributions for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the NPO on October 1, 1997, is 0.

The development of the Net Pension Obligation to date is as follows:

	<u>9/30/12</u>	<u>9/30/13</u>	<u>9/30/14</u>
Actuarially Determined			
Contribution (A)	831,624	986,240	597,459
Interest on NPO	(909)	(867)	(795)
Adjustment to (A)	1,432	1,438	1,404
	-----	-----	-----
Annual Pension Cost	832,147	986,811	598,068
Contributions Made	831,624	986,240	597,459
	-----	-----	-----
Increase in NPO	523	571	609
NPO Beginning of Year	(11,358)	(10,835)	(10,264)
	-----	-----	-----
NPO End of Year	(11,358)	(10,835)	(9,655)

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2014

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	323,562.40
Total Cash and Equivalents	323,562.40
Receivables:	
Investment Income	15,675.25
Total Receivable	15,675.25
Investments:	
U. S. Bonds and Bills	1,045,100.28
Federal Agency Guaranteed Securities	408,831.23
Corporate Bonds	1,775,118.95
Mutual Funds:	
Equity	6,643,321.91
Total Investments	9,872,372.37
Total Assets	10,211,610.02
<u>LIABILITIES</u>	
Payables:	
Investment Expenses	7,241.00
Administrative Expenses	644.30
Total Liabilities	7,885.30
NET POSITION RESTRICTED FOR PENSIONS	10,203,724.72

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

ADDITIONS

Contributions:		
Town	597,458.94	
Total Contributions		597,458.94
Investment Income:		
Net Increase in Fair Value of Investments	685,718.24	
Interest & Dividends	245,366.87	
Less Investment Expense <sup>1</sup>	(34,307.00)	
Net Investment Income		896,778.11
Total Additions		1,494,237.05
<u>DEDUCTIONS</u>		
Distributions to Members:		
Benefit Payments	641,286.40	
Lump Sum DROP Distributions	65,426.95	
Refunds of Member Contributions	95,239.63	
Total Distributions		801,952.98
Administrative Expense		49,855.02
DROP Account Net Change		
Total Deductions		851,808.00
Net Increase in Net Position		642,429.05
<u>NET POSITION RESTRICTED FOR PENSIONS</u>		
Beginning of the Year		9,561,295.67
End of the Year		10,203,724.72

<sup>1</sup>Investment Related expenses include investment advisory, custodial and performance monitoring fees.

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

Plan Description

*Plan Administration*

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

- a. Two legal residents of the Town appointed by the Town Commission,
- b. Two Members of the System elected by a majority of the General Employees who are Members of the System,
- c. Fifth Trustee who is chosen by a majority of the first four Trustees.

*Plan Membership as of October 1, 2013:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	43
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	21
Active Plan Members	25
	89

*Benefits Provided*

The Plan provides retirement, termination, and death benefits.

Retirement benefits are calculated as 2.75% of Average Final Compensation times Credited Service. **Benefits are frozen as of September 30, 2013.**

Normal Retirement:

Date: Earlier of 1) Age 62 or 2) Age 55 and the completion of 30 years of Credited Service.

Benefit: 2.75% of Average Final Compensation times Years of Credited Service. The benefit is frozen as of September 30, 2013.

Early Retirement:

Date: Attainment of age 50 and the completion of 15 years of Credited Service.

Benefit: Accrued benefit reduced 3.0% for each year preceding the Normal Retirement Date

Vesting (Termination):

Upon an employee's termination of employment for reason other than death, disability or retirement, he shall be entitled to the payment of the Vested Percentage of his or her accrued pension at the otherwise Early (reduced) or Normal Retirement Date. The applicable Vested Percentage is determined by the following table:

<u>Years of Service</u>	<u>Percentage</u>
Less than 5	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10	100%

Pre-Retirement Death Benefits:

Vested: Accrued benefit paid to Beneficiary for 120 months at Member's otherwise Early (reduced) or Normal Retirement Date.

Non-Vested: Refund of Member Contributions.

*Contributions*

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

## Investments

### *Investment Policy:*

The following was the Board's adopted asset allocation policy as of September 30, 2014:

Asset Class	Target Allocation
Domestic Equity	45%
International Equity	15%
Broad Market Fixed Income	40%
Total	100%

### *Concentrations:*

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's fiduciary net position.

### *Rate of Return:*

For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 9.53 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: Within 12 months following satisfaction of Normal Retirement requirements (age 62 or age 55 and 30 years of Credited Service.) New DROP Participants are not allowed after September 30, 2013.

Participation: Not to Exceed 60 Months.

At election of Member (may change once during the DROP period) either: 1) actual net rate of investment return (total return net of brokerage commissions, management fees, and transaction costs), or 2) 6.5%. Earnings are credited each fiscal quarter.

The DROP balance as September 30, 2014 is \$380,440.

## NET PENSION LIABILITY OF THE SPONSOR

The components of the net pension liability of the sponsor on September 30, 2014 were as follows:

Total Pension Liability	\$ 14,870,522
Plan Fiduciary Net Position	\$ (10,203,725)
Sponsor's Net Pension Liability	\$ 4,666,797
Plan Fiduciary Net Position as a percentage of Total Pension Liability	68.62%

*Actuarial Assumptions:*

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	0.00%
Investment Rate of Return	7.00%

RP-2000 Table with no projection - Based on a study of over 650 public safety funds, this table reflects a 10% margin for future morality improvements. (Disabled lives set forward 5 years).

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 1992-2006.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.5%
International Equity	8.5%
Broad Market Fixed Income	2.5%

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	\$ 6,279,913	\$ 4,666,797	\$ 3,314,135

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

	<u>09/30/2014</u>	<u>09/30/2013</u>
Total Pension Liability		
Service Cost	2,197	2,053
Interest	999,070	976,287
Change in Excess State Money	-	-
Share Plan Allocation	-	-
Changes of Benefit Terms		
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	
Benefit Payments, Including Refunds of Employee Contributions	(801,953)	(504,068)
Net Change in Total Pension Liability	199,314	474,272
Total Pension Liability - Beginning	14,671,208	14,196,936
Total Pension Liability - Ending (a)	<u>\$ 14,870,522</u>	<u>\$ 14,671,208</u>
 Plan Fiduciary Net Position		
Contributions - Employer	597,459	986,240
Contributions- State	-	-
Contributions - Employee	-	153,500
Net Investment Income	896,778	865,755
Benefit Payments, Including Refunds of Employee Contributions	(801,953)	(504,068)
Administrative Expense	(49,855)	(23,491)
Other	-	-
Net Change in Plan Fiduciary Net Position	642,429	1,477,937
 Plan Fiduciary Net Position - Beginning	9,561,296	8,083,359
Plan Fiduciary Net Position - Ending (b)	<u>\$ 10,203,725</u>	<u>\$ 9,561,296</u>
 Net Pension Liability - Ending (a) - (b)	<u>\$ 4,666,797</u>	<u>\$ 5,109,912</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.62%	65.17%
 Covered Employee Payroll	\$ 1,373,718	\$ 2,558,341
Net Pension Liability as a Percentage of covered Employee Payroll	339.72%	199.74%



SCHEDULE OF CONTRIBUTIONS  
Last 10 Fiscal Years

	09/30/2014	9/30/2013
Actuarially Determined Contribution	597,459	\$ 986,240
Contributions in Relation to the		
Actuarially Determined Contributions	597,459	986,240
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll	\$ 1,373,718	\$ 2,558,341
Contributions as a Percentage of		
Covered Employee Payroll	43.49%	38.55%

Notes to Schedule

Valuation Date: 10/01/2012 (AIS 8/8/2013)

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

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Actuarial Cost Method.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	30 Years (as of 10/01/2012).
Asset Valuation Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.
Inflation:	3.0% per year.
Salary Increases:	None (previously a schedule based on credited service.) Projected salary through the freeze date is increased based on information provided by the Town to account for non-regular compensation.
Interest Rate:	7.75% per year, compounded annually, net of investment related expenses.
Payroll Growth:	None.
Retirement Age:	Earlier of age 62 or age 55 and completion of 30 years of Credited Service. Also, any Member who has reached normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	5% per year, for each year of eligibility, beginning at Age 50 with 15 years of Credited Service.

Termination Rates:

Table 1305:

<u>Age</u>	<u>% Terminating During the Year</u>
20	17.2%
30	15.0
40	8.2
50	1.7

Mortality:

RP 2000 Combined Healthy (sex distinct), projected to valuation date using scale AA.

SCHEDULE OF INVESTMENT RETURNS  
Last 10 Fiscal Years

	<u>09/30/2014</u>	<u>09/30/2013</u>
Annual Money-Weighted Rate of Return		
Net of Investment Expense	9.53%	10.30%

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

General Information about the Pension Plan

*Plan Description*

Full-time employees hired before September 30, 2013 become Members as a condition of employment.

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

- a. Two legal residents of the Town appointed by the Town Commission,
- b. Two Members of the System elected by a majority of the General Employees who are Members of the System,
- c. Fifth Trustee who is chosen by a majority of the first four Trustees.

*Plan Membership as of October 1, 2013:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	43
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	21
Active Plan Members	25
	89
	89

*Benefits Provided*

The Plan provides retirement, termination, and death benefits.

Normal Retirement:

Date: Earlier of 1) Age 62 or 2) Age 55 and the completion of 30 years of Credited Service.

Benefit: 2.75% of Average Final Compensation times Years of Credited Service. The benefit is frozen as of September

Early Retirement:

Date: Attainment of age 50 and the completion of 15 years of Credited Service.

Benefit: Accrued benefit reduced 3.0% for each year preceding the Normal Retirement Date

Vesting (Termination):

Upon an employee's termination of employment for reason other than death, disability or retirement, he shall be entitled to the payment of the Vested Percentage of his or her accrued pension at the otherwise Early (reduced) or Normal Retirement Date. The applicable Vested Percentage is determined by the following table:

Years of Service	Percentage
Less than 5	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10	100%

Pre-Retirement Death Benefits:

Vested: Accrued benefit paid to Beneficiary for 120 months at Member's otherwise Early (reduced) or Normal Retirement Date.

Non-Vested: Refund of Member Contributions.

*Contributions*

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

*Net Pension Liability*

The Sponsor's net pension liability was measured as of September 30, 2014.  
The total pension liability used to calculate the net pension liability was determined as of that date.

*Actuarial Assumptions:*

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	0.00%
Investment Rate of Return	7.00%

RP-2000 Table with no projection - Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 1992-2006.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September, 30 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	45%	7.5%
International Equity	15%	8.5%
Broad Market Fixed Income	40%	2.5%
Total	100%	

**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)
Balances at September 30, 2013	\$ 14,671,208	\$ 9,561,296	\$ 5,109,912
Changes for a Year:			
Service Cost	2,197		2,197
Interest	999,070		999,070
Change In Excess State Money	-		-
Share Plan Allocation	-		-
Differences Between Expected and Actual Experience	-		-
Contributions - Employer		597,459	(597,459)
Contributions -State		-	-
Contributions - Employee		-	-
Net Investment Income		896,778	(896,778)
Benefit Payments, Including Refunds of Employee Contributions	(801,953)	(801,953)	-
Administrative Expense		(49,855)	49,855
Other Changes	-	-	-
New Changes	199,314	642,429	(443,115)
Balances at September 30, 2014	<u>\$ 14,870,522</u>	<u>10,203,725</u>	<u>4,666,797</u>

*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	\$ 6,279,913	\$ 4,666,797	\$ 3,314,135

*Pension plan fiduciary net position.*

Detailed information about the pension plan's fiduciary net position is available in a separately issued Plan financial report.

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

For the year ended September 30, 2015 the Sponsor will recognize a pension expense of \$343,455. On September 30, 2015 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	189,111
Total	<u>\$ -</u>	<u>\$ 189,111</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$ (47,278)
2017	\$ (47,278)
2018	\$ (47,278)
2019	\$ (47,277)
2020	\$ -
Thereafter	\$ -

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

	09/30/2014	09/30/2013
Total Pension Liability		
Service Cost	2,197	2,053
Interest	999,070	976,287
Change in Excess State Money	-	-
Share Plan Allocation	-	-
Changes of Benefit Terms		-
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(801,953)	(504,068)
Net Change in Total Pension Liability	199,314	474,272
Total Pension Liability - Beginning	14,671,208	14,196,936
Total Pension Liability - Ending (a)	\$ 14,870,522	\$ 14,671,208
 Plan Fiduciary Net Position		
Contributions - Employer	597,459	986,240
Contributions - State	-	-
Contributions - Employee	-	153,500
Net Investment Income	896,778	865,755
Benefit Payments, Including Refunds of Employee Contributions	(801,953)	(504,068)
Administrative Expense	(49,855)	(23,491)
Other	-	-
Net Change in Plan Fiduciary Net Position	642,429	1,477,937
 Plan Fiduciary Net Position - Beginning	9,561,296	8,083,359
Plan Fiduciary Net Position - Ending (b)	\$ 10,203,725	\$ 9,561,296
 Net Pension Liability - Ending (a) - (b)	\$ 4,666,797	\$ 5,109,912
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.62%	65.17%
 Covered Employee Payroll	\$ 1,373,718	\$ 2,558,341
Net Pension Liability as a Percentage of covered Employee Payroll	339.72%	199.74%



SCHEDULE OF CONTRIBUTIONS  
Last 10 Fiscal Years

	09/30/2014	09/30/2013
Actuarially Determined Contribution	597,459	986,240
Contributions in Relation to the		
Actuarially Determined Contributions	597,459	986,240
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll	\$ 1,373,718	\$ 2,558,341
Contributions as a Percentage of		
Covered Employee Payroll	43.49%	38.55%

Notes to Schedule

Valuation Date: 10/01/2012 (AIS 8/8/2013)  
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Actuarial Cost Method.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	30 Years (as of 10/01/2012).
Asset Valuation Method:	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-year average Market Value return. It is possible that over time this technique will produce an insignificant bias above or below Market Value.
Inflation:	3.0% per year.
Salary Increases:	None (previously a schedule based on credited service.) Projected salary through the freeze date is increased based on information provided by the Town to account for non-regular compensation.
Interest Rate:	7.75% per year, compounded annually, net of investment related expenses.
Payroll Growth:	None.
Retirement Age:	Earlier of age 62 or age 55 and completion of 30 years of Credited Service. Also, any Member who has reached normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	5% per year, for each year of eligibility, beginning at Age 50 with 15 years of Credited Service.

Termination Rates:

Table 1305:

<u>Age</u>	<u>% Terminating During the Year</u>
20	17.2%
30	15.0
40	8.2
50	1.7

Mortality:

RP 2000 Combined Healthy (sex distinct), projected to valuation date using scale AA.

COMPONENTS OF PENSION EXPENSE  
FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	5,109,912	-	597,459	
Total pension liability factors:				
Service cost	2,197			2,197
Interest	999,070			999,070
Change in Excess State Money	-			-
Share Plan Allocation	-			-
Changes in benefit terms	-			-
Differences between expected and actual experience with regard to economic or demographic assumptions				
Current year amortization	-	-	-	-
Changes in assumptions about future economic or demographic factors or other inputs				
Current year amortization	-	-	-	-
Benefit payments	(801,953)			(801,953)
Net change	199,314	-	-	199,314
Plan fiduciary net position:				
Contributions - employer	597,459		(597,459)	
Contributions - state	-			-
Contributions - employee	-			-
Net investment income	660,389			(660,389)
Difference between projected and actual earnings on pension plan investments				
Current year amortization	236,389	236,389	-	(47,278)
Benefit payments	(801,953)			801,953
Administrative expenses	(49,855)			49,855
Other	-			-
Net change	642,429	189,111	(597,459)	144,141
Ending Balance	4,666,797	189,111	-	343,455