

CITY OF PALMETTO  
GENERAL EMPLOYEES' RETIREMENT SYSTEM

ACTUARIAL VALUATION REPORT  
AS OF OCTOBER 1, 2014

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



February 5, 2015

Board of Trustees  
c/o Ms. Karen Simpson  
City of Palmetto General Employees' Retirement System  
P. O. Box 1209  
Palmetto, FL 34220

Re: City of Palmetto  
General Employees' Retirement System

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Palmetto 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 Board of Trustees, financial reports prepared by the custodian bank, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

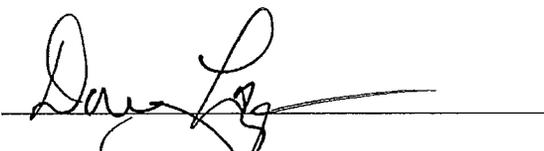
The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the 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 Palmetto, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Palmetto 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 City of Palmetto 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 funding requirements, compared with amounts developed in the October 1, 2013 actuarial valuation report, are as follows:

Valuation Date Applicable to Plan/Fiscal Year Ending	10/1/2013 <u>9/30/2015</u>	10/1/2014 <u>9/30/2016</u>
Total Required Contribution % of Total Annual Payroll	35.66%	33.85%
Member Contributions (Est.) % of Total Annual Payroll	5.00%	5.00%
Balance from City % of Total Annual Payroll	30.66%	28.85%

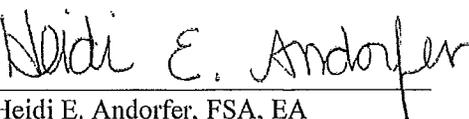
During the past 12 months, the actuarial experience was more favorable than expected on the basis of the actuarial assumptions. The primary sources of actuarial gain included average salary increases that were lower than the assumption by more than 3.0%, higher than expected retiree mortality, and a 9.73% investment return (Actuarial Asset Basis), exceeding the assumed rate of 7.50%.

The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By:   
 Douglas H. Lozen, EA, MAAA

By:   
 Heidi E. Andorfer, FSA, EA

## CHANGES SINCE PRIOR VALUATION

### Plan Changes Since Prior Valuation

There have been no plan changes since the prior valuation.

### Actuarial Assumption/Method Changes Since Prior Valuation

In conjunction with this valuation of the Plan, mortality rates are based on the RP 2000 Combined Healthy Table, projected to October 1, 2014 using Scale AA. The prior valuation projected rates to October 1, 2013 using Scale AA.

## COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2014</u>	<u>10/1/2013</u>
A. Participant Data		
Number Included		
Actives	68	66
Service Retirees	46	43
DROP Retirees	3	7
Beneficiaries	9	8
Terminated Vested	5	3
Disability Retirees	<u>3</u>	<u>3</u>
Total	134	130
Total Annual Payroll	\$2,878,797	\$2,772,626
Payroll Under Assumed Ret. Age	2,795,219	2,733,174
Annual Rate of Payments to:		
Service Retirees	658,555	600,919
DROP Retirees	86,388	156,895
Beneficiaries	73,063	40,349
Terminated Vested	30,148	19,108
Disability Retirees	37,324	37,324
B. Assets		
Actuarial Value <sup>1</sup>	10,740,894	10,039,392
Market Value <sup>1</sup>	11,300,338	10,639,447
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	8,008,974	7,828,769
Disability Benefits	407,021	402,420
Death Benefits	92,051	95,646
Vested Benefits	538,411	527,365
Refund of Contributions	154,505	135,085
Service Retirees	6,267,082	5,763,330
DROP Retirees <sup>1</sup>	1,283,656	2,270,297
Beneficiaries	742,974	349,463
Terminated Vested	259,096	205,893
Disability Retirees	<u>404,677</u>	<u>409,676</u>
Total	18,158,447	17,987,944

C. Liabilities - (Continued)	<u>10/1/2014</u>	<u>10/1/2013</u>
Present Value of Future Salaries	23,289,750	22,332,375
Present Value of Future Member Contributions	1,164,488	1,116,619
EAN Normal Cost (Retirement)	317,086	292,867
EAN Normal Cost (Disability)	20,442	18,981
EAN Normal Cost (Death)	4,922	4,921
EAN Normal Cost (Vesting)	25,157	25,537
EAN Normal Cost (Refunds)	<u>33,859</u>	<u>28,214</u>
Total Normal Cost (Entry Age Method)	401,466	370,520
Present Value of Future Normal Costs (Entry Age)	3,217,974	2,923,882
Accrued Liability (Retirement)	5,394,393	5,456,292
Accrued Liability (Disability)	224,162	231,448
Accrued Liability (Death)	51,905	56,390
Accrued Liability (Vesting)	286,874	297,676
Accrued Liability (Refunds)	25,654	23,597
Accrued Liability (Inactives) <sup>1</sup>	<u>8,957,485</u>	<u>8,998,659</u>
Total Actuarial Accrued Liability	14,940,473	15,064,062
Unfunded Actuarial Accrued Liability (UAAL)	4,199,579	5,024,670
 D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Retirement Benefits		
Inactives <sup>1</sup>	8,957,485	8,998,659
Actives	2,394,320	2,537,871
Member Contributions	<u>959,277</u>	<u>945,367</u>
Total	12,311,082	12,481,897
Non-vested Accrued Retirement Benefits	<u>445,342</u>	<u>387,381</u>
Total Present Value Accrued Benefits	12,756,424	12,869,278
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	181,137	
Benefits Paid	(1,213,674)	
Interest	919,683	
Other	<u>0</u>	
Total:	(112,854)	

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 (with interest) % of Total Annual Payroll <sup>2</sup>	14.90	14.06
Administrative Expenses (with interest) % of Total Annual Payroll <sup>2</sup>	0.75	0.89
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 27 years (with interest) (as of 10/1/2014) % of Total Annual Payroll <sup>2</sup>	18.20	20.71
Total Required Contribution % of Total Annual Payroll <sup>2</sup>	33.85	35.66
Expected Member Contributions % of Total Annual Payroll <sup>2</sup>	5.00	5.00
Expected City Contribution % of Total Annual Payroll <sup>2</sup>	28.85	30.66
F. Past Contributions		
Plan Years Ending:	<u>9/30/2014</u>	
Total Required Contribution	971,504	
City Requirement	837,688	
Actual Contributions Made:		
Members	133,816	
City	<u>837,688</u>	
Total	971,504	
G. Net Actuarial Gain (Loss)	608,625	

<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 developed as of 10/1/2014 are expressed as a percentage of Payroll Under Assumed Retirement Age at 10/1/2014 of \$2,795,219.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2014	4,199,579
2015	3,987,417
2016	3,723,008
2019	3,102,060
2024	2,243,634
2034	207,880
2041	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	3.84%	7.40%
Year Ended	9/30/2013	3.90%	7.40%
Year Ended	9/30/2012	0.57%	7.42%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	9.73%	7.50%
Year Ended	9/30/2013	4.70%	7.50%
Year Ended	9/30/2012	2.26%	7.50%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2014	\$2,878,797
	10/1/2004	2,753,730
(b) Total Increase		4.54%
(c) Number of Years		10.00
(d) Average Annual Rate		0.45%

## 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 #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 (UAAL) as of October 1, 2013	\$5,024,670
(2) Sponsor Normal Cost developed as of October 1, 2013	233,861
(3) Expected administrative expenses for the year ended September 30, 2014	23,501
(4) Expected interest on (1), (2) and (3)	395,271
(5) Sponsor contributions to the System during the year ended September 30, 2014	837,688
(6) Expected interest on (5)	31,411
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2014 (1)+(2)+(3)+(4)-(5)-(6)	4,808,204
(8) Change to UAAL due to Actuarial (Gain)/Loss	(608,625)
(9) Unfunded Accrued Liability as of October 1, 2014	4,199,579

	<u>Date</u> <u>Established</u>	<u>Years</u> <u>Remaining</u>	<u>10/1/2014</u> <u>Amount</u>	<u>Amortization</u> <u>Amount</u>
Assumption Change	10/1/1989	5	(9,613)	(\$2,210)
Amendment	10/1/1989	5	955	220
Assumption Change	10/1/1990	6	1,534	304
Amendment	10/1/1990	6	135,624	26,878
Assumption Change	10/1/1991	7	22,662	3,980
Funding Method Change	10/1/1992	8	232,641	36,947
Assumption Change	10/1/1992	8	(35,164)	(5,585)
Funding Method Change	10/1/1993	9	(230,284)	(33,582)
Amendment	10/1/1994	10	16	2
Amendment	10/1/1996	12	115,310	13,867
Assumption Change	10/1/1998	14	(144,538)	(15,838)
Amendment	10/1/1998	14	320,376	35,107
Experience Gain	10/1/2000	1	(33,790)	(33,790)
Experience Loss	10/1/2001	2	32,339	16,754
Assumption Change	10/1/2001	17	7,226	712
Experience Loss	10/1/2002	3	301,913	107,997
Experience Gain	10/1/2003	4	(6,049)	(1,680)
Experience Gain	10/1/2004	5	(53,733)	(12,354)
Experience Gain	10/1/2005	6	(80,175)	(15,889)
Experience Loss	10/1/2006	7	453,373	79,625
Experience Loss	10/1/2007	8	15,748	2,501
Assumption Change	10/1/2007	23	1,794,676	154,484
Experience Loss	10/1/2008	19	1,450,045	135,442
Assum. & Method Change	10/1/2008	24	(395,655)	(33,511)
Experience Loss	10/1/2009	20	347,641	31,722
Experience Gain	10/1/2010	21	(340,390)	(30,407)
Assumption Change	10/1/2010	21	(220,421)	(19,690)
Asset Method Change	10/1/2010	21	388,138	34,672
Experience Loss	10/1/2011	22	404,430	35,434
Amendment	10/1/2011	27	(38,193)	(3,105)
Experience Loss	10/1/2012	23	222,567	19,158

## RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

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(8) Change to UAAL due to Actuarial (Gain)/Loss	(608,625)
(9) Unfunded Accrued Liability as of October 1, 2014	4,199,579

	<u>Date</u> <u>Established</u>	<u>Years</u> <u>Remaining</u>	<u>10/1/2014</u> <u>Amount</u>	<u>Amortization</u> <u>Amount</u>
Assumption Change	10/1/2012	23	261,125	22,477
Experience Gain	10/1/2013	24	(112,130)	(9,497)
Experience Gain	10/1/2014	25	<u>(608,625)</u>	<u>(50,791)</u>
			4,199,579	490,354

## DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2013	\$5,024,670
(2) Expected UAAL as of October 1, 2014	4,808,204
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(220,884)
Salary Increases	(290,688)
Active Decrements	42,250
Inactive Mortality	(211,432)
Other	<u>72,129</u>
Increase in UAAL due to (Gain)/Loss	(608,625)
(4) Actual UAAL as of October 1, 2014	\$4,199,579

## ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rates</u>	RP-2000 Combined Healthy, projected to the valuation date with Schedule AA.	
<u>Interest Rate</u>	7.50% per year compounded annually, net of investment related expenses.	
<u>Normal Retirement Age</u>	<u>Number of Years after First Eligibility for Normal Retirement</u>	<u>Probability of Retirement</u>
	0-1	75%
	1-2	25%
	2-3	50%
	3+	100%
<u>Early Retirement Age</u>	<u>Number of Years after First Eligibility for Early Retirement</u>	<u>Probability of Retirement</u>
	0-1	25%
	1-2	10%
	2-3	10%
	3-4	10%
	4-5	10%
<u>Salary Increases</u>	<u>Years of Service</u>	<u>Rates</u>
	Less than 20	7.50%
	20-24	7.00%
	25-29	6.50%
	30 or more	6.00%
<u>Terminal Leave Pay</u>	<u>Credited Service as of October 1, 2012</u>	<u>Liability Load</u>
	10 or more years	4.50%
	At least 5, less than 10 years	3.00%
	Less than 5 years	0.00%
<u>Cost of Living Adjustments</u>	None.	
<u>Payroll Increases</u>	None.	
<u>Administrative Expenses</u>	\$20,097.	
<u>Funding Method</u>	Entry Age Normal Actuarial Cost Method.	

Actuarial Value of Assets

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

Termination Rates

Age and service based rates shown in table below.

<u>Sample Ages</u>	<u>Years of Service</u>	<u>% of Active Members Separating Within Next Year</u>
All	0-1	22.00%
	1-2	20.00%
	2-3	18.00%
	3-4	16.00%
	4-5	14.00%
	5-6	12.00%
	6-7	10.00%
	7-8	9.00%
	8-9	8.00%
	9-10	7.00%
30 and older	10 or more	2.00%

Disability Rates

Age based table shown below.

<u>Age</u>	<u>Probability of Disability</u>
25	0.09%
30	0.12%
35	0.14%
40	0.25%
45	0.35%
50	0.55%
55	0.74%
60	0.97%
65 and older	1.19%

## VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the valuation year of all covered Members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Normal (Current Year's) Cost is determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.

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

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

Total Required Contribution is equal to the Normal Cost plus 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 recognizing the total actuarial investment gain or loss for each Plan Year over a four year period. In the first year, 25% of the gain or loss is recognized. In the second year 50%, in the third year 75%, and in the fourth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Plan Year Ending	Gain/(Loss)	<u>Gains/Losses Not Yet Recognized</u>			
		Amounts Not Yet Recognized by Valuation Year			
		2014	2015	2016	2017
09/30/2011	(700,482)	0	0	0	0
09/30/2012	703,389	175,847	0	0	0
09/30/2013	564,642	282,321	141,160	0	0
09/30/2014	135,034	101,276	67,517	33,759	0
Total		559,444	208,677	33,759	0

<u>Development of Investment Gain/Loss</u>	
Market Value of Assets, 09/30/2013	10,639,447
Contributions Less Benefit Payments & Admin Expenses	(262,267)
Expected Investment Earnings *	788,124
Actual Net Investment Earnings	923,158
09/30/2014 Actuarial Investment Gain/Loss	135,034

\*Expected Investment Earnings =  $0.075 * [10,639,447 + 0.5 * (262,267)]$

<u>Development of Actuarial Value of Assets</u>	
(1) Market Value of Assets, 09/30/2014	11,300,338
(2) (Gains)/Losses Not Yet Recognized	559,444
(3) Actuarial Value of Assets, 09/30/2014, (1) - (2)	10,740,894
(A) 09/30/2013 Actuarial Assets:	10,039,392
(I) Net Investment Income:	
1. Interest and Dividends	205,033
2. Realized Gains (Losses)	806,464
3. Change in Actuarial Value	27,720
4. Investment Expenses	(75,448)
Total	963,769
(B) 09/30/2014 Actuarial Assets:	10,740,894
Actuarial Assets Rate of Return = $2I/(A+B-I)$ :	9.73%
Market Value of Assets Rate of Return:	8.77%
10/01/2014 Limited Actuarial Assets:	10,740,894

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

REVENUES		
Contributions:		
Member	133,815.99	
City	837,688.10	
Total Contributions		971,504.09
Earnings from Investments:		
Interest & Dividends	205,032.91	
Net Realized Gain (Loss)	806,464.34	
Change in Actuarial Value	27,720.06	
Total Earnings and Investment Gains		1,039,217.31
EXPENDITURES		
Distributions to Members:		
Benefit Payments	720,915.36	
Lump Sum DROP Distributions	432,055.07	
Lump Sum PLOP Distributions	10,288.67	
Refunds of Member Contributions	50,414.41	
Total Distributions		1,213,673.51
Expenses:		
Investment Related <sup>1</sup>	75,448.44	
Administrative	20,097.45	
Total Expenses		95,545.89
Change in Net Assets for the Year		701,502.00
Net Assets Beginning of the Year		10,039,391.90
Net Assets End of the Year <sup>2</sup>		10,740,893.90

<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	492,932.64
Plus Additions	139,761.58
Investment Return Earned	18,221.18
Less Distributions	(432,055.07)
09/30/2014 Balance	218,860.33

RECONCILIATION OF CITY'S SHORTFALL/(PREPAID) CONTRIBUTION  
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2014

(1) Required City Contribution for Fiscal 2014	\$837,688.10
(2) Less 2013 Prepaid Contribution	0.00
(3) Less Actual City Contributions	<u>(837,625.57)</u>
(4) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2014	\$62.53

## STATISTICAL DATA \*

	<u>10/1/2011</u>	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>
Number	64	66	66	68
Average Current Age	47.5	46.1	47.0	45.4
Average Age at Employment	38.5	37.9	38.5	37.4
Average Past Service	9.0	8.2	8.5	8.0
Average Annual Salary	\$41,693	\$41,079	\$42,009	\$42,335

\* Prior to 10/1/2014, averages were salary weighted.

## 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	3	1	1	0	0	0	0	0	0	0	0	5
25 - 29	2	1	1	0	0	1	0	0	0	0	0	5
30 - 34	0	0	1	0	1	3	0	0	0	0	0	5
35 - 39	0	0	1	0	0	1	2	1	0	0	0	5
40 - 44	3	1	1	0	0	2	1	0	0	0	0	8
45 - 49	1	3	0	0	0	2	3	2	0	0	1	12
50 - 54	1	0	0	1	0	2	3	2	1	0	0	10
55 - 59	2	0	1	1	1	2	2	3	1	0	0	13
60 - 64	0	0	0	0	1	1	0	0	0	0	0	2
65+	0	1	0	0	0	0	1	1	0	0	0	3
Total	12	7	6	2	3	14	12	9	2	0	1	68

## VALUATION PARTICIPANT RECONCILIATION

## 1. Active lives

a. Number in prior valuation 10/1/2013	66
b. Terminations	
i. Vested (partial or full) with deferred benefits	2
ii. Non-vested or full lump sum distribution received	6
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	1
f. DROP	1
g. Voluntary withdrawal	<u>0</u>
h. Continuing participants	56
i. New Hire	<u>12</u>
j. Total active life participants in valuation	68

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

	<u>Service Retirees, Vested Receiving Benefits</u>	<u>DROP</u>	<u>Receiving Death Benefits</u>	<u>Receiving Disability Benefits</u>	<u>Vested Deferred</u>	<u>Total</u>
a. Number prior valuation	43	7	8	3	3	64
Retired	6	(5)	0	0	0	1
DROP	0	1	0	0	0	1
Vested Deferred	0	0	0	0	2	2
Death, With Survivor	(2)	0	2	0	0	0
Death, No Survivor	(1)	0	(1)	0	0	(2)
Disabled	0	0	0	0	0	0
Refund of Contributions	0	0	0	0	0	0
Rehires	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0
d. Number current valuation	46	3	9	3	5	66

SUMMARY OF PLAN PROVISIONS  
(Through Ordinance 2013-08)

<u>Latest Amendment</u>	August 5, 2013.
<u>Eligibility</u>	Actively employed persons (except Police Officers) in the regular full-time service of the City.
<u>Salary</u>	Total compensation reportable on form W-2, plus tax deferred, tax sheltered, and tax exempt items of income.  Effective July 1, 2011, Salary shall not include overtime pay in excess of 300 hours per calendar year. Additionally, lump sum payments of unused sick and vacation pay shall not utilize hours in excess of those accrued as of July 1, 2011.
<u>Average Final Compensation</u>	Average of the five (5) best years of the final 10 years of service prior to termination or retirement.
<u>Credited Service</u>	Years and fractional parts of years of service with the City as a General Employee with Member Contributions, when required.
<u>Normal Retirement</u>	
Date	Earlier of: 1) the attainment of age 60 with 10 years of Credited Service (the service component is 5 years for participants hired prior to January 1, 1995), or 2) the completion of 30 years of Credited Service, regardless of age.
Benefit	2.50% of Average Final Compensation <u>times</u> Credited Service.
Form of Benefit	Life Annuity (options available).
<u>Early Retirement</u>	
Date	Age 55 with the completion of 10 years of Credited Service. The service component is 5 years for participants hired prior to January 1, 1995.
Benefit	Determined as for Normal Retirement and reduced 3.00% for each year the Early Retirement Date precedes the otherwise Normal Retirement Date, determined as if the Member had continued employment.
Form of Benefit	Life Annuity (options available).

Death Benefit

## Pre-Retirement

Not Vested

Refund of Member Contributions, with interest.

Vested

Accrued benefit, payable for 10 years at the Member's otherwise Normal Retirement Date (unreduced), at the otherwise Early Retirement Date (reduced as for Early Retirement), or immediately (actuarially reduced from the Early Retirement Date).

## Post-Retirement

According to optional form of benefit selected at retirement.

Disability Benefit

Date

Completions of 10 years of Credited Service (5 year requirement for participants hired prior to January 1, 1995).

Benefit

2.50% of Average Final Compensation times Credited Service, payable as of the date the Board determines such entitlement.

Form of Benefit

Life Annuity (options available).

Termination of Employment

Less than ten years

Refund of Member Contributions with 4.00% interest per annum.

Ten or more years

Refund of Contributions, with interest, or vested accrued benefit payable at Normal (unreduced) or Early (reduced) Retirement Date, determined as if the Member had continued employment.

Member Contributions

Amount

5.00% of Salary.

Interest

4.00% per year.

Deferred Retirement Option Plan

Eligibility	Satisfaction of Normal Retirement requirements.
Participation	Not to exceed the date which is 5 years from the date on which the Member first becomes eligible for Normal Retirement.
Rate of Return	At Member's election:  (1) Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or  (2) 6.50% per annum compounded monthly.  Members may elect to change the form of return once while participating in the DROP.
Form of Distribution	Cash lump sum (options available) at termination of employment.

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

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/2014	
City	31.30%
Plan Members	5.00%
Actuarially Determined Contribution	837,688
Contributions made	837,688
Actuarial valuation date	10/1/2012
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar, closed
Remaining amortization period	29 Years (as of 10/1/2012)
Asset valuation method	4 Year Smoothed Market Value
Actuarial assumptions:	
Investment rate of return	7.50% (as of 10/1/2012)
Projected salary increase *	6.00 - 7.50%
* Includes inflation at	3.00%
Post Retirement COLA	0.00%

THREE YEAR TREND INFORMATION

<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of (APC)</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
9/30/2014	839,861	99.74%	(254,967)
9/30/2013	740,865	100.75%	(257,140)
9/30/2012	627,720	99.76%	(251,570)

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 recent development of the Net Pension Obligation is as follows:

	<u>9/30/2011</u>	<u>9/30/2012</u>	<u>9/30/2013</u>	<u>9/30/2014</u>
Actuarially Determined				
Contribution (A)	660,373	625,581	738,739	837,688
Interest on NPO	(20,178)	(18,983)	(18,868)	(19,286)
Adjustment to (A)	36,112	21,122	20,994	21,459
	-----	-----	-----	-----
Annual Pension Cost	676,307	627,720	740,865	839,861
Contributions Made	660,373	626,182	746,435	837,688
	-----	-----	-----	-----
Increase in NPO	15,934	1,538	(5,570)	2,173
NPO Beginning of Year	(269,042)	(253,108)	(251,570)	(257,140)
	-----	-----	-----	-----
NPO End of Year	(253,108)	(251,570)	(257,140)	(254,967)

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2014

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	64,278.01
Money Market	223,113.99
Cash	12,464.30
Total Cash and Equivalents	299,856.30
Receivables:	
Member Contributions in Transit	5,067.30
City Contributions in Transit	31,674.59
Additional City Contributions	62.53
From Broker for Investments Sold	15,277.61
Investment Income	21,960.13
Total Receivable	74,042.16
Investments:	
U. S. Bonds and Bills	801,936.29
Federal Agency Guaranteed Securities	277,179.72
Corporate Bonds	690,644.15
Equities	6,380,795.76
Mutual Funds:	
Equity	592,185.96
Pooled/Common/Commingled Funds:	
Fixed Income	1,113,383.05
Real Estate	1,084,381.94
Total Investments	10,940,506.87
Total Assets	11,314,405.33
<u>LIABILITIES</u>	
Payables:	
To Broker for Investments Purchased	14,067.43
Total Liabilities	14,067.43
NET POSITION RESTRICTED FOR PENSIONS	11,300,337.90

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

ADDITIONS

Contributions:		
Member	133,815.99	
City	837,688.10	
Total Contributions		971,504.09
Investment Income:		
Net Increase in Fair Value of Investments	793,573.40	
Interest & Dividends	205,032.91	
Less Investment Expense <sup>1</sup>	(75,448.44)	
Net Investment Income		923,157.87
Total Additions		1,894,661.96
<u>DEDUCTIONS</u>		
Distributions to Members:		
Benefit Payments	720,915.36	
Lump Sum DROP Distributions	432,055.07	
Lump Sum PLOP Distributions	10,288.67	
Refunds of Member Contributions	50,414.41	
Total Distributions		1,213,673.51
Administrative Expense		20,097.45
Total Deductions		1,233,770.96
Net Increase in Net Position		660,891.00
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		10,639,446.90
End of the Year		11,300,337.90

<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 City of Palmetto General Employees' Retirement System is a defined benefit pension plan administered by a Board of Trustees which acts as the administrator of the plan. The Board consists of 7 Trustees, 2 of whom are legal residents of the City who are appointed pursuant to City Charter, 2 of whom are members of the plan who are elected by a majority of the General Employees who are members of the plan, one of whom is the City Clerk, and a sixth and seventh Trustee who are chosen by a majority if the first 5 Trustees.

*Plan Membership as of October 1, 2013:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	61
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	3
Active Plan Members	66
	130
	130

*Benefits Provided*

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

Normal Retirement:

Date: Earlier of: 1) the attainment of age 60 with 10 years of Credited Service (the service component is 5 years for participants hired prior to January 1, 1995), or 2) the completion of 30 years of Credited Service, regardless of age.

Benefit: 2.5% of Average Final Compensation times Credited Service.

Early Retirement:

Date: Age 55 with the completion of 10 years of Credited Service. The service component is 5 years for participants hired prior to January 1, 1995.

Benefit: Determined as for Normal Retirement and reduced 3% for each year the Early Retirement Date precedes the otherwise Normal Retirement Date, determined as if the Member had continued employment.

Termination of Employment:

Less than ten years of Service: Refund of Member Contributions with 4.0% interest per annum.

Ten or more years: Refund of Contributions, with interest, or vested accrued benefit payable at Normal (unreduced) or Early (reduced) Retirement Date, determined as if the Member had continued employment.

Disability Benefit:

Date: Completions of 10 years of Credited Service (5 year requirement for participants hired prior to January 1, 1995).

Benefit: 2.5% of Average Final Compensation times Credited Service, payable as of the date the Board determines such entitlement.

Pre-Retirement Death Benefits:

Vested: Accrued benefit, payable for 10 years at the Member's otherwise Normal Retirement Date (unreduced), at the otherwise Early Retirement Date (reduced as for Early Retirement), or immediately (actuarially reduced from the Early Retirement Date).

Non-Vested: Refund of Member Contributions, with interest.

*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	50%
International Equity	10%
Fixed Income	20%
Hedge Funds	10%
Real Estate	10%
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 8.77 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Deferred Retirement Option Program

Eligibility: Satisfaction of Normal Retirement requirements.

Participation: Not to exceed the date which is 5 years from the date on which the Member first becomes eligible for Normal Retirement.

Rate of Return: At Member's election:

- (1) Actual net rate of investment return (total return net of brokerage commissions, management fees and transaction costs) credited each fiscal quarter, or
- (2) 6.5% per annum compounded monthly.

Members may elect to change the form of return once while participating in the DROP.

The DROP balance as September 30, 2014 is \$218,860.

## 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	\$ 15,140,628
Plan Fiduciary Net Position	<u>\$ (11,300,338)</u>
Sponsor's Net Pension Liability	<u>\$ 3,840,290</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	74.64%

*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	6.00% - 7.50%
Investment Rate of Return	7.50%

RP-2000 Combined Healthy, projected to the valuation date with Schedule AA.

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>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.8%
International Equity	7.7%
Fixed Income	2.3%
Hedge Funds	5.1%
Real Estate	6.9%

Discount Rate:

The discount rate used to measure the total pension liability was 7.50 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 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Sponsor's Net Pension Liability	\$ 5,438,674	\$ 3,840,290	\$ 2,477,644

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

	<u>09/30/2014</u>
Total Pension Liability	
Service Cost	388,341
Interest	1,098,660
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	<u>(1,213,674)</u>
Net Change in Total Pension Liability	273,327
Total Pension Liability - Beginning	14,867,301
Total Pension Liability - Ending (a)	<u><u>\$ 15,140,628</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	837,688
Contributions - State	-
Contributions - Employee	133,816
Net Investment Income	923,158
Benefit Payments, Including Refunds of Employee Contributions	(1,213,674)
Administrative Expense	(20,097)
Other	-
Net Change in Plan Fiduciary Net Position	<u>660,891</u>
Plan Fiduciary Net Position - Beginning	10,639,447
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 11,300,338</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 3,840,290</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.64%
Covered Employee Payroll	\$ 2,676,320
Net Pension Liability as a Percentage of covered Employee Payroll	143.49%

SCHEDULE OF CONTRIBUTIONS  
Last 10 Fiscal Years

	09/30/2014
Actuarially Determined Contribution	837,688
Contributions in Relation to the	
Actuarially Determined Contributions	837,688
Contribution Deficiency (Excess)	\$ -
Covered Employee Payroll	\$ 2,676,320
Contributions as a Percentage of	
Covered Employee Payroll	31.30%

Notes to Schedule

Valuation Date: 10/01/2012

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 (Level Percent of Pay).  
 Amortization Method: Level Dollar, Closed.  
 Remaining Amortization Period: 29 Years (as of 10/01/2012).  
 Actuarial Value of Assets: The Actuarial Value of Assets utilize four-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a four-year period.

Inflation: 3.0% per year.

	Years of Service	Rates
Salary Increases:	Less than 20	7.5%
	20-24	7.0%
	25-29	6.5%
	30 or more	6.0%

	Credited Service as of October 1, 2012	Liability Load
Terminal Leave Pay:	10 or more years	4.5%
	At least 5, less than 10 years	3.0%
	Less than 5 years	0.0%

Interest Rate: 7.5% per year compounded annually, net of investment related expenses.

Payroll Increases: None.

Normal Retirement Age:	<u>Number of Years after First Eligibility</u> <u>for Normal Retirement</u>	<u>Probability of</u> <u>Retirement</u>
	0-1	75%
	1-2	25%
	2-3	50%
	3+	100%

Early Retirement Age:	<u>Number of Years after First Eligibility</u> <u>for Early Retirement</u>	<u>Probability of</u> <u>Retirement</u>
	0-1	25%
	1-2	10%
	2-3	10%
	3-4	10%
	4-5	10%

Termination Rates:	<u>Sample Ages</u>	<u>Years of Service</u>	<u>% of Active Members Separating Within</u> <u>Next Year</u>
	All	0-1	22.0%
		1-2	20.0%
		2-3	18.0%
		3-4	16.0%
		4-5	14.0%
		5-6	12.0%
		6-7	10.0%
		7-8	9.0%
		8-9	8.0%
		9-10	7.0%
	30 and older	10 or more	2.0%

Disability Rates:	<u>Age</u>	<u>Probability of Disability</u>
	25	0.09%
	30	0.12%
	35	0.14%
	40	0.25%
	45	0.35%
	50	0.55%
	55	0.74%
	60	0.97%
	65 and older	1.19%

Mortality: RP-2000 Combined Healthy, projected to the valuation date with Schedule AA. Static rates from RP2000 were utilized for the prior valuation.

SCHEDULE OF INVESTMENT RETURNS  
Last 10 Fiscal Years

	<u>09/30/2014</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	8.77%

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

General Information about the Pension Plan

*Plan Description*

Actively employed persons (except Police Officers) in the regular full-time service of the City.

The City of Palmetto General Employees' Retirement System is a defined benefit pension plan administered by a Board of Trustees which acts as the administrator of the plan. The Board consists of 7 Trustees, 2 of whom are legal residents of the City who are appointed pursuant to City Charter, 2 of whom are members of the plan who are elected by a majority of the General Employees who are members of the plan, one of whom is the City Clerk, and a sixth and seventh Trustee who are chosen by a majority of the first 5 Trustees.

*Plan Membership as of October 1, 2013:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	61
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	3
Active Plan Members	66
	<u>130</u>

*Benefits Provided*

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

Normal Retirement:

Date: Earlier of: 1) the attainment of age 60 with 10 years of Credited Service (the service component is 5 years for participants hired prior to January 1, 1995), or 2) the completion of 30 years of Credited Service, regardless of age.

Benefit: 2.5% of Average Final Compensation times Credited Service.

Early Retirement:

Date: Age 55 with the completion of 10 years of Credited Service. The service component is 5 years for participants hired prior to January 1, 1995.

Benefit: Determined as for Normal Retirement and reduced 3% for each year the Early Retirement Date precedes the otherwise Normal Retirement Date, determined as if the Member had continued employment.

Termination of Employment:

Less than ten years of Service: Refund of Member Contributions with 4.0% interest per annum.

Ten or more years: Refund of Contributions, with interest, or vested accrued benefit payable at Normal (unreduced) or Early (reduced) Retirement Date, determined as if the Member had continued employment.

Disability Benefit:

Date: Completions of 10 years of Credited Service (5 year requirement for participants hired prior to January 1, 1995).

Benefit: 2.5% of Average Final Compensation times Credited Service, payable as of the date the Board determines such entitlement.

Pre-Retirement Death Benefits:

Vested: Accrued benefit, payable for 10 years at the Member's otherwise Normal Retirement Date (unreduced), at the otherwise Early Retirement Date (reduced as for Early Retirement), or immediately (actuarially reduced from the Early Retirement Date).

Non-Vested: Refund of Member Contributions, with interest.

*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	6.00% - 7.50%
Investment Rate of Return	7.50%

RP-2000 Combined Healthy, projected to the valuation date with Schedule AA.

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	50.00%	7.80%
International Equity	10.00%	7.70%
Fixed Income	20.00%	2.30%
Hedge Funds	10.00%	5.10%
Real Estate	10.00%	6.90%
Total	<u>100.00%</u>	

### Discount Rate:

The discount rate used to measure the total pension liability was 7.50 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	\$ 14,867,301	\$ 10,639,447	\$ 4,227,854
Changes for a Year:			
Service Cost	388,341		388,341
Interest	1,098,660		1,098,660
Change In Excess State Money	-		-
Share Plan Allocation	-		-
Differences Between Expected and Actual Experience	-		-
Contributions - Employer		837,688	(837,688)
Contributions -State		-	-
Contributions - Employee		133,816	(133,816)
Net Investment Income		923,158	(923,158)
Benefit Payments, Including Refunds of Employee Contributions	(1,213,674)	(1,213,674)	-
Administrative Expense		(20,097)	20,097
Other Changes	-	-	-
New Changes	273,327	660,891	(387,564)
Balances at September 30, 2014	\$ 15,140,628	11,300,338	3,840,290

*Sensitivity of the net pension liability to changes in the discount rate.*

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.50%	7.50%	8.50%
Sponsor's Net Pension Liability	\$ 5,438,674	\$ 3,840,290	\$ 2,477,644

*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 \$558,152. 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	-	108,027
Total	<u>\$ -</u>	<u>\$ 108,027</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	\$ (27,007)
2017	\$ (27,007)
2018	\$ (27,007)
2019	\$ (27,006)
2020	\$ -
Thereafter	\$ -

Payable to the Pension Plan

On September 30, 2014, the Sponsor reported a payable of \$62.53, for the outstanding amount of contributions of the pension plan required for the year ended September 30, 2014.

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

	<u>09/30/2014</u>
Total Pension Liability	
Service Cost	388,341
Interest	1,098,660
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	(1,213,674)
Net Change in Total Pension Liability	<u>273,327</u>
Total Pension Liability - Beginning	14,867,301
Total Pension Liability - Ending (a)	<u>\$ 15,140,628</u>
Plan Fiduciary Net Position	
Contributions - Employer	837,688
Contributions- State	-
Contributions - Employee	133,816
Net Investment Income	923,158
Benefit Payments, Including Refunds of Employee Contributions	(1,213,674)
Administrative Expense	(20,097)
Other	-
Net Change in Plan Fiduciary Net Position	<u>660,891</u>
Plan Fiduciary Net Position - Beginning	10,639,447
Plan Fiduciary Net Position - Ending (b)	<u>\$ 11,300,338</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 3,840,290</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.64%
Covered Employee Payroll	\$ 2,676,320
Net Pension Liability as a Percentage of covered Employee Payroll	143.49%

SCHEDULE OF CONTRIBUTIONS  
Last 10 Fiscal Years

	09/30/2014
Actuarially Determined Contribution	837,688
Contributions in Relation to the Actuarially Determined Contributions	837,688
Contribution Deficiency (Excess)	\$ -
Covered Employee Payroll	\$ 2,676,320
Contributions as a Percentage of Covered Employee Payroll	31.30%

Notes to Schedule

Valuation Date: 10/01/2012  
 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 (Level Percent of Pay).  
 Amortization Method: Level Dollar, Closed.  
 Remaining Amortization Period: 29 Years (as of 10/01/2012).  
 Actuarial Value of Assets: The Actuarial Value of Assets utilize four-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a four-year period.

Inflation: 3.0% per year.

Salary Increases:	Years of Service	Rates
	Less than 20	7.5%
	20-24	7.0%
	25-29	6.5%
	30 or more	6.0%

Terminal Leave Pay:	Credited Service as of October 1, 2012	Liability Load
	10 or more years	4.5%
	At least 5, less than 10 years	3.0%
	Less than 5 years	0.0%

Interest Rate: 7.5% per year compounded annually, net of investment related expenses.  
 Payroll Increases: None.

Normal Retirement Age:	<u>Number of Years after First Eligibility</u>	<u>Probability of</u>
	<u>for Normal Retirement</u>	<u>Retirement</u>
	0-1	75%
	1-2	25%
	2-3	50%
Early Retirement Age:	<u>Number of Years after First Eligibility</u>	<u>Probability of</u>
	<u>for Early Retirement</u>	<u>Retirement</u>
	0-1	25%
	1-2	10%
	2-3	10%
	3-4	10%
	4-5	10%

Termination Rates:	<u>Sample Ages</u>	<u>Years of Service</u>	<u>% of Active Members Separating Within</u>
	All	0-1	Next Year
		1-2	22.0%
		2-3	20.0%
		3-4	18.0%
	4-5	16.0%	
	5-6	14.0%	
	6-7	12.0%	
	7-8	10.0%	
	8-9	9.0%	
	9-10	8.0%	
	30 and older	10 or more	7.0%
			2.0%

Disability Rates:	<u>Age</u>	<u>Probability of Disability</u>
	25	0.09%
	30	0.12%
	35	0.14%
	40	0.25%
	45	0.35%
	50	0.55%
	55	0.74%
	60	0.97%
	65 and older	1.19%

Mortality: RP-2000 Combined Healthy, projected to the valuation date with Schedule AA. Static rates from RP2000 were utilized for the prior valuation.

COMPONENTS OF PENSION EXPENSE  
FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	4,227,854	-	837,688	
Total pension liability factors:				
Service cost	388,341			388,341
Interest	1,098,660			1,098,660
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	(1,213,674)			(1,213,674)
Net change	273,327	-	-	273,327
Plan fiduciary net position:				
Contributions - employer	837,688		(837,688)	
Contributions - state	-			-
Contributions - employee	133,816			(133,816)
Net investment income	788,124			(788,124)
Difference between projected and actual earnings on pension plan investments				
Current year amortization	135,034	135,034	-	(27,007)
Benefit payments	(1,213,674)			1,213,674
Administrative expenses	(20,097)			20,097
Other	-			-
Net change	660,891	108,027	(837,688)	284,824
Ending Balance	3,840,290	108,027	-	558,152