

CITY OF PALMETTO
POLICE OFFICERS' RETIREMENT PLAN

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2014

CONTRIBUTIONS APPLICABLE TO THE CITY'S
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2016



February 6, 2015

Board of Trustees
c/o Ms. Karen Simpson
City of Palmetto Police Officers' Retirement Plan
P. O. Box 1209
Palmetto, FL 34220

Re: City of Palmetto
Police Officers' Retirement Plan

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Palmetto Police Officers' Retirement Plan. 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 Chapters 112, and 185, 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, financial reports, and asset information supplied by the Board of Trustees, in addition to 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 Police Officers' Retirement Plan. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

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

Respectfully submitted,

Foster & Foster, Inc.

By: 

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

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Enclosures

TABLE OF CONTENTS

Section	Title	Page
I	<u>Introduction</u>	
	a. Summary of Report	5
	b. Changes Since Prior Valuation	7
	c. Requirements of Chapter 112, Part VII, Florida Statutes	8
II	<u>Valuation Information</u>	
	a. Reconciliation of Unfunded Actuarial Accrued Liabilities	13
	b. Detailed Actuarial (Gain)/Loss Analysis	15
	c. Actuarial Assumptions and Methods	16
	d. Valuation Notes	18
	e. Excess State Monies Reserve	19
III	Trust Fund	20
IV	<u>Member Statistics</u>	
	a. Statistical Data	23
	b. Age and Service Distribution	24
	c. Valuation Participant Reconciliation	25
V	Summary of Plan Provisions	26
VI	Governmental Accounting Standards Board Disclosure Information	29

SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Palmetto Police Officers' Retirement Plan, performed as of October 1, 2014, has been completed, and the results are presented in this Report. The contribution amounts developed in this valuation are applicable to the plan/fiscal year ended September 30, 2016.

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

Valuation Date	10/1/2013	10/1/2014
Applicable Plan/Fiscal Yr. End	<u>9/30/2015</u>	<u>9/30/2016</u>
Total Required Contribution % of Total Annual Payroll	39.70%	38.57%
Member Contributions % of Total Annual Payroll	5.00%	5.00%
City and State Required Contribution % of Total Annual Payroll	34.70%	33.57%
State Contribution ¹ % of Total Annual Payroll	97,971 6.61%	97,971 6.61%
Balance from City % of Total Annual Payroll	28.09%	26.96%

¹ Under the traditional interpretation of Chapter 99-1, Florida Statutes, the City may use annual State Contributions up to \$101,867, if received, in determining its minimum recommended funding requirement. For budgeting purposes, the required Sponsor Contribution (City and State) is 33.57% of Pensionable Earnings for the fiscal year ending September 30, 2016. The precise City requirement for the year is this amount, less actual State Contributions (up to the maximum \$101,867).

Experience during the last 12 months has been more favorable than expected, relative to the Plan's actuarial assumptions. The primary sources of favorable experience included a 10.3% investment return (Actuarial Asset Basis), exceeding the 7.7% assumption, and average increases in pensionable compensation that were less than the assumed rates by more than 6%. There were no material sources of actuarial loss.

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

Respectfully submitted,

FOSTER & FOSTER, INC.



By: _____
Douglas H. Lozen, EA, MAAA



By: _____
Jason Franken, FSA, EA, MAAA

CHANGES SINCE PRIOR VALUATION

Plan Changes

There were no changes in benefits since the prior valuation.

Actuarial Assumption/Method Changes

In conjunction with this valuation, the investment return assumption has been decreased from 7.7% to 7.6% per year compounded annually, net of investment related expenses. The Board previously approved a reduction in the investment return assumption by 0.1% each year until the assumption ultimately reaches 7.5%.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Assum <u>10/1/2014</u>	Old Assum <u>10/1/2014</u>	Old Assum <u>10/1/2013</u>
A. Participant Data			
Number Included			
Actives	32	32	33
Service Retirees	22	22	23
DROP Retirees	2	2	1
Beneficiaries	1	1	0
Terminated Vested	4	4	4
Disability Retirees	2	2	2
Total	<u>63</u>	<u>63</u>	<u>63</u>
Total Annual Payroll	1,483,191	1,483,191	1,641,125
Payroll Under Assumed Ret. Age	1,483,191	1,483,191	1,583,202
Annual Rate of Payments to:			
Service Retirees	552,642	552,642	559,907
DROP Retirees	60,719	60,719	37,222
Beneficiaries	7,265	7,265	0
Terminated Vested	61,965	61,965	61,965
Disability Retirees	25,376	25,376	25,376
B. Assets			
Actuarial Value ¹	10,090,242	10,090,242	9,147,738
Market Value ¹	10,609,954	10,609,954	9,579,905
C. Liabilities			
Present Value of Benefits			
Active Members			
Retirement Benefits	6,300,595	6,190,963	6,585,188
Disability Benefits	529,241	521,526	574,640
Death Benefits	97,990	96,350	105,376
Vested Benefits	337,159	329,253	355,497
Refund of Contributions	28,790	28,790	43,381
Service Retirees	6,075,564	6,024,357	6,159,396
DROP Retirees ¹	838,696	831,853	499,663
Beneficiaries	48,041	47,809	0
Terminated Vested	574,996	568,064	540,815
Disability Retirees	210,038	208,807	214,938
Excess State Reserve	21,251	21,251	21,251
Total	<u>15,062,361</u>	<u>14,869,023</u>	<u>15,100,145</u>

C. Liabilities - (Continued)	New Assum <u>10/1/2014</u>	Old Assum <u>10/1/2014</u>	Old Assum <u>10/1/2013</u>
Present Value of Future Salaries	13,666,466	13,589,221	15,573,437
Present Value of Future Member Cont.	683,323	679,461	778,672
Normal Cost (Entry Age Normal)			
Retirement Benefits	288,945	283,393	299,220
Disability Benefits	50,044	49,477	50,679
Death Benefits	6,011	5,913	6,258
Vested Benefits	20,857	20,386	21,436
Refund of Contributions	6,106	6,106	6,948
Total Normal Cost	<u>371,963</u>	<u>365,275</u>	<u>384,541</u>
Present Value of Future Normal Costs	3,204,741	3,127,737	3,595,911
Actuarial Accrued Liability			
Retirement Benefits	3,754,974	3,709,142	3,735,400
Disability Benefits	135,782	134,647	136,269
Death Benefits	46,407	45,908	46,923
Vested Benefits	146,889	144,466	145,303
Refund of Contributions	4,982	4,982	4,276
Inactives ¹	7,747,335	7,680,890	7,414,812
State Excess Reserve	21,251	21,251	21,251
Total Actuarial Accrued Liability	<u>11,857,620</u>	<u>11,741,286</u>	<u>11,504,234</u>
Unfunded Actuarial Accrued Liability (UAAL)	1,767,378	1,651,044	2,356,496
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives ¹	7,747,335	7,680,890	7,414,812
Actives	2,233,925	2,197,653	2,187,191
Member Contributions	<u>650,683</u>	<u>650,683</u>	<u>609,450</u>
Total	10,631,943	10,529,226	10,211,453
Non-vested Accrued Benefits	463,665	454,938	426,571
Total Present Value Accrued Benefits	<u>11,095,608</u>	<u>10,984,164</u>	<u>10,638,024</u>
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	111,444	0	
New Accrued Benefits	0	134,828	
Benefits Paid	0	(585,282)	
Interest	0	796,594	
Other	0	0	
Total:	<u>111,444</u>	<u>346,140</u>	

Valuation Date Applicable to the Fiscal Year Ending	New Assum 10/1/2014 <u>9/30/2016</u>	Old Assum 10/1/2014 <u>9/30/2016</u>	Old Assum 10/1/2013 <u>9/30/2015</u>
E. Pension Cost			
Normal Cost (with interest) % of Total Annual Payroll ²	26.03	25.58	25.22
Administrative Expense (with interest) % of Total Annual Payroll ²	1.18	1.18	1.38
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 25 years as of 10/1/14 (with interest) % of Total Annual Payroll ²	11.36	10.75	13.10
Total Required Contribution % of Total Annual Payroll ²	38.57	37.51	39.70
Expected Member Contributions % of Total Annual Payroll ²	5.00	5.00	5.00
Expected City & State Contrib. % of Total Annual Payroll ²	33.57	32.51	34.70

F. Past Contributions

Plan Year Ending:	<u>9/30/2014</u>
Total Required Contribution City and State Requirement	599,228 524,660
Actual Contributions Made:	
Members	74,568
State	97,971
City	426,776
Total	<u>599,315</u>

G. Actuarial Gain (Loss) 695,597

¹ Assets and DROP Liabilities include accumulated DROP Balances as of 9/30/13 and 9/30/14.² Contributions developed as of 10/1/14 are expressed as a percentage of Payroll Under Assumed Retirement Age at 10/1/14 of \$1,483,191

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2014	\$1,767,378
2015	1,727,024
2016	1,663,351
2021	1,394,180
2026	939,017
2031	214,863
2036	(156,431)
2039	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	1.0%	7.7%
Year Ended	9/30/2013	5.9%	8.1%
Year Ended	9/30/2012	1.2%	8.0%

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

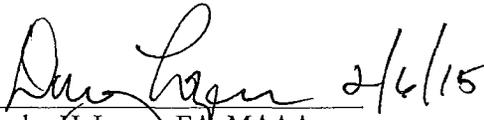
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	10.3%	7.7%
Year Ended	9/30/2013	5.1%	7.8%
Year Ended	9/30/2012	3.5%	7.9%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2014	\$1,483,191
	10/1/2004	1,388,563
(b) Total Increase		6.8%
(c) Number of Years		10.00
(d) Average Annual Rate		0.7%

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.

 2/6/15
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 copies of the report to the following offices to comply with Chapter 112 Florida Statutes:

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

Ms. Sarah Carr
Municipal Police and Fire
Pension Trust Funds
Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2013	\$2,356,496
(2)	City Normal Cost Applicable for the Year	305,381
(3)	Expected Administrative Expenses for the Year	21,056
(4)	Interest on (1), (2), and (3)	205,775
(5)	Sponsor Contributions to the System during the year ending September 30, 2014	524,747
(6)	Interest on (5)	17,320
(7)	Expected Unfunded Accrued Liability as of October 1, 2014 (1)+(2)+(3)+(4)-(5)-(6)	2,346,641
(8)	New UAAL due to Experience (Gain)/Loss	(695,597)
(9)	Increase in UAAL due to Assumption Change	116,334
(10)	UAAL as of October 1, 2014	\$1,767,378

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2014 Amount</u>	<u>Amortization Amount</u>
UAAL	10/1/1987	3	2,939	1,052
Amendment	10/1/1989	5	47,539	10,949
Assumption Change	10/1/1990	6	(62,748)	(12,462)
Method Change	10/1/1991	7	37,623	6,624
Amendment	10/1/1991	7	13,081	2,303
Method Change	10/1/1992	8	24,592	3,917
Assumption Change	10/1/1994	10	28,006	3,809
Assumption Change	10/1/1995	11	(17,566)	(2,243)
Amendment	10/1/1995	11	(152,163)	(19,426)
Assumption Change	10/1/1998	14	(198,534)	(21,863)
Amendment	10/1/1998	14	322,059	35,466
Experience Gain	10/1/2000	1	(18,826)	(18,826)
Experience Gain	10/1/2001	2	(1,649)	(855)
Experience Loss	10/1/2002	3	91,354	32,707
Amendment	10/1/2002	18	14,385	1,387
Experience Gain	10/1/2003	4	(22,676)	(6,306)
Assumption Change	10/1/2003	19	(25,591)	(2,406)
Experience Loss	10/1/2004	5	14,788	3,406
Experience Gain	10/1/2005	6	(114,676)	(22,775)
Assumption Change	10/1/2005	21	121,293	10,910
Experience Loss	10/1/2006	7	41,555	7,317
Amendment	10/1/2006	22	152,416	13,450
Experience Gain	10/1/2007	8	(102,819)	(16,377)

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

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(8)	New UAAL due to Experience (Gain)/Loss	(695,597)
(9)	Increase in UAAL due to Assumption Change	116,334
(10)	UAAL as of October 1, 2014	\$1,767,378

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2014 Amount</u>	<u>Amortization Amount</u>
Assumption Change	10/1/2008	24	(501,449)	(42,796)
Experience Loss	10/1/2008	19	1,672,794	157,251
Experience Loss	10/1/2009	20	236,006	21,679
Experience Gain	10/1/2010	21	(161,078)	(14,489)
Assumption Change	10/1/2010	21	100,911	9,077
Method Change	10/1/2010	21	367,567	33,062
Experience Gain	10/1/2011	22	(137,462)	(12,130)
Assumption Change	10/1/2011	22	103,451	9,129
Amendment	10/1/2011	22	(10,626)	(938)
Experience Loss	10/1/2012	23	113,703	9,860
Assumption Change	10/1/2012	23	106,946	9,274
Experience Loss	10/1/2013	24	147,976	12,629
Assumption Change	10/1/2013	24	113,520	9,688
Experience Gain	10/1/2014	25	(695,597)	(58,504)
Assumption Change	10/1/2014	25	116,334	9,784
			<u>1,767,378</u>	<u>162,334</u>

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1)	Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2013	2,356,496
(2)	Expected UAAL as of October 1, 2014	2,346,641
(3)	Summary of Actuarial (Gain)/Loss, by component:	
	Investment Return (Actuarial Asset Basis)	(241,366)
	Active Decrements (excluding mortality)	(4,268)
	Mortality (active and inactive)	23,155
	Salary Increases	(448,514)
	Other	<u>(24,604)</u>
	Change in UAAL due to (Gain)/Loss	(695,597)
	Increase in UAAL for Assumption Change	116,334
(4)	Actual UAAL as of October 1, 2014	1,767,378

ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rates</u>	RP 2000 Combined Healthy – Sex Distinct. Disabled lives set forward 5 years.	
	Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.	
<u>Interest Rate</u>	7.6% (previously 7.7%) 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	80%
	1-4	40%
	5	100%
<u>Early Retirement Rate</u>	5% for each eligible year.	
<u>Salary Increases</u>	<u>Years of Service</u>	<u>Rates</u>
	Less than 10	9.4%
	11-15	6.0%
	16-20	6.5%
	21 or more	4.0%
<u>Terminal Leave Pay</u>	<u>Credited Service as of 10/1/2011</u>	<u>Percentage Increase to Liabilities</u>
	10 or more years	4.5%
	1-10 years	3.5%
	Less than 1 year	0.0%
<u>Cost of Living Adjustments</u>	None.	
<u>Payroll Increases</u>	None.	
<u>Administrative Expenses</u>	\$16,881.	
<u>Funding Method</u>	Entry Age Normal Actuarial Cost Method.	

Termination Rates

<u>Age</u>	<u>Rates</u>
25	5.7%
30	5.0%
35	3.8%
40	2.6%
45	1.6%
50	0.8%

Disability Rates

<u>Age</u>	<u>Probability of Disability</u>
25	0.15%
30	0.18%
35	0.23%
40	0.30%
45	0.51%
50	1.00%

It is assumed that 75% of disablements and active Member deaths are service related.

Actuarial Asset Method

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.

VALUATION NOTES

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

EXCESS STATE MONIES RESERVE

	<u>Actual State Contribution</u>	<u>Applicable "Frozen" Amount</u>	<u>Addition to Excess State Monies Reserve</u>
1998	\$59,560.23	\$59,560.23	\$0.00
1999	57,050.17	59,560.23	0.00
2000	64,923.90	59,560.23	5,363.67
2001	64,608.10	59,560.23	5,047.87
2002	74,901.71	59,560.23	15,341.48
2003	99,422.54	59,560.23	39,862.31
2004	103,045.19	59,560.23	43,484.96
2005	108,732.34	59,560.23	49,172.11
2006	110,320.22	59,560.23	50,759.99
2007	108,732.34	101,867.23	6,865.11
2008	108,732.34	101,867.23	6,865.11
2009	102,966.30	101,867.23	1,099.07
2010	102,744.94	101,867.23	877.71
2011	102,428.40	101,867.23	561.17
2012	99,465.82	101,867.23	0.00
2013	106,849.88	101,867.23	4,982.65
2014	97,970.88	101,867.23	<u>0.00</u>
Total			230,283.21
Reserve used for benefits in Ord. 06-901			<u>(209,032.39)</u>
Total State Monies Reserve			21,250.82

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	(381,853)	0	0	0	0
09/30/2012	642,681	160,670	0	0	0
09/30/2013	275,053	137,526	68,763	0	0
09/30/2014	295,354	221,516	147,677	73,839	0
Total		519,712	216,440	73,839	0

Development of Investment Gain/Loss

Market Value of Assets, 09/30/2013	9,579,905
Contributions Less Benefit Payments & Admin Expenses	(2,848)
Expected Investment Earnings *	737,543
Actual Net Investment Earnings	1,032,897
09/30/2014 Actuarial Investment Gain/(Loss)	295,354

*Expected Investment Earnings = $0.077 * [9,579,905 + 0.5 * (2,848)]$

Development of Actuarial Value of Assets

(1) Market Value of Assets, 09/30/2014	10,609,954
(2) Gains/(Losses) Not Yet Recognized	519,712
(3) Actuarial Value of Assets, 09/30/2014, (1) - (2)	10,090,242
(A) 09/30/2013 Actuarial Assets:	9,147,738
(I) Net Investment Income:	
1. Interest and Dividends	220,613
2. Realized Gains (Losses)	538,594
3. Change in Actuarial Value	246,972
4. Investment Expenses	(60,828)
Total	945,352
(B) 09/30/2014 Actuarial Assets:	10,090,242
Actuarial Assets Rate of Return = $2I/(A+B-I)$:	10.34%
Market Value of Assets Rate of Return:	10.85%
10/01/2014 Limited Actuarial Assets:	10,090,242

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

REVENUES

Contributions:		
Member	74,567.99	
City	426,776.26	
State	97,970.88	
Total Contributions		599,315.13
Earnings from Investments:		
Interest & Dividends	220,613.15	
Net Realized Gain (Loss)	538,594.16	
Change in Actuarial Value	246,972.42	
Total Earnings and Investment Gains		1,006,179.73
	EXPENDITURES	
Distributions to Members:		
Benefit Payments	585,282.12	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	0.00	
Total Distributions		585,282.12
Expenses:		
Investment Related ¹	60,828.01	
Administrative	16,881.36	
Total Expenses		77,709.37
Change in Net Assets for the Year		942,503.37
Net Assets Beginning of the Year		9,147,738.43
Net Assets End of the Year ²		10,090,241.80

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

²Net Assets may be limited for actuarial consideration.

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

09/30/2013 Balance	41,840.71
Plus Additions	56,802.56
Investment Return Earned	4,593.25
Less Distributions	0.00
09/30/2014 Balance	103,236.52

STATISTICAL DATA

	<u>10/1/2011</u>	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>
Actives	33	32	33	32
Average Current Age	39.9	39.3	39.9	40.2
Average Age at Employment	30.8	30.9	31.2	30.7
Average Past Service	9.1	8.4	8.7	9.5
Average Annual Salary	\$45,635	\$44,533	\$49,731	\$46,350

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	1	2	0	0	1	0	0	0	0	0	4
30 - 34	0	1	0	2	0	3	0	0	0	0	0	6
35 - 39	0	0	1	0	0	2	3	0	0	0	0	6
40 - 44	0	0	0	1	0	0	2	0	0	0	0	3
45 - 49	0	1	0	0	0	2	3	1	0	1	0	8
50 - 54	0	0	0	0	0	0	0	2	1	0	0	3
55 - 59	0	0	0	0	0	2	0	0	0	0	0	2
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	3	3	3	0	10	8	3	1	1	0	32

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/13	33
b. Terminations	
i. Vested (partial or full) with deferred benefits	0
ii. Non-vested or full lump sum distribution received	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	0
f. DROP	1
g. Voluntary withdrawal	0
h. Continuing participants	32
i. New entrants	0
j. Total active life participants in valuation	32

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

	Service Retirees, Vested Receiving <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	<u>DROP</u>	Vested Deferred	<u>Total</u>
a. Number prior valuation	23	0	2	1	4	30
b. In	0	1	0	1	0	2
c. Out	1	0	0	0	0	1
d. Number current valuation	22	1	2	2	4	31

SUMMARY OF PLAN PROVISIONS
(Through Ordinance No. 2013-09)

<u>Eligibility</u>	Full-time employees who are classified as Police Officers participate as a condition of employment.
<u>Credited Service</u>	Total years and fractional parts of years of employment with the City as a Police Officer.
<u>Salary</u>	Gross Compensation reportable on the Member's W-2 form, including overtime, bonuses, lump sum payments of unused sick and vacation time. Effective July 1, 2011, annual overtime shall not exceed 300 hours. Additionally, lump sum payments for accrued unused sick and vacation time at the time of termination or retirement shall not exceed the amounts in place on July 1, 2011.
<u>Average Final Compensation</u>	Average Salary for the 5 best years of the 10 years immediately preceding retirement or termination.
<u>Member Contributions</u>	5.0% of Salary.
<u>City and State Contributions</u>	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII, Chapter 112, F.S.
<u>Normal Retirement</u>	
Date	Earlier of: 1) age 55 with 10 years of Credited Service, or 2) the completion of 23 years of Credited Service, regardless of age.
Benefit	3.0% of Average Final Compensation for each year of Credited Service.
Maximum Benefit	75% of Average Final Compensation for Members hired after June 7, 1982.
Form of Benefit	Ten Year Certain and Life Annuity (options available).

Early Retirement

Eligibility	Age 50 with 10 years of Credited Service.
Benefit	Accrued benefit, reduced 3% per year that the benefit commencement date precedes the Normal Retirement Date.

Vesting

Schedule	100% after 10 years of Credited Service.
Benefit Amount	Member will receive the vested portion of his (her) accrued benefit payable at the Early (reduced) or Normal Retirement Date.

Death Benefits

10 or more years of Credited Service	Monthly accrued benefit payable to designated beneficiary for life at otherwise Early (reduced) or Normal (unreduced) Retirement Date.
Less than 10 years of Credited Service	Refund of accumulated contributions.
Post-Retirement	Benefits payable to beneficiary in accordance with option selected at retirement.

Deferred Retirement Option Plan (DROP)

Eligibility	Satisfaction of Normal Retirement requirements.
Participation	Not to exceed 60 months from the date of first eligibility for Normal Retirement.
Rate of Return	At Member's election, either: a) 6.5% effective annual rate, or b) Net Investment Return (total return less brokerage commission, transaction costs and management fees) credited each fiscal quarter.
Distribution	Cash lump sum (options available) at termination of employment.

Disability

Eligibility	Covered from Date of Employment.
Exclusions	Disability resulting from use of drugs, illegal participation in riots, service in military, etc.
Benefit	
Service Incurred	Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 62% of Average Final Compensation.
Non-Service Incurred	
10 or More Years of Credited Service	Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 25% of Average Final Compensation.
Less than 10, but at least 5 Years of Credited Service	Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 20% of Average Final Compensation.
Less Than 5 Years of Credited Service	Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement.
Maximum Benefit	75% of Average Final Compensation for Members hired after June 7, 1982.
Duration	Payable for life (with 120 payments guaranteed) or until recovery (as determined by the Board). Optional forms of payment are available.

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

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/14

City and State	35.18%
Plan Members	5.00%
Actuarially Determined Contribution (City and State)	524,660
Contributions made	524,747
Actuarial valuation date	10/1/2012
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Remaining amortization period	26 Years (as of 10/1/2012)
Asset valuation method	4 Year Smooth
Actuarial assumptions:	
Investment rate of return	7.8% (as of 10/1/2012)
Projected salary increase*	4.0%-9.4%
* Includes inflation at	4.0%
Post Retirement COLA	none

THREE YEAR TREND INFORMATION

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
9/30/2014	525,831	99.79%	(181,393)
9/30/2013	483,339	100.81%	(182,477)
9/30/2012	434,307	99.73%	(178,557)

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>9/30/12</u>	<u>9/30/13</u>	<u>9/30/14</u>
Actuarially Determined			
Contribution (A)	433,096	482,075	524,660
Interest on NPO	(14,379)	(14,106)	(14,416)
Adjustment to (A)	15,590	15,370	15,587
	-----	-----	-----
Annual Pension Cost	434,307	483,339	525,831
Contributions Made	433,130	487,259	524,747
	-----	-----	-----
Increase in NPO	1,177	(3,920)	1,084
NPO Beginning of Year	(179,734)	(178,557)	(182,477)
	-----	-----	-----
NPO End of Year	(179,734)	(178,557)	(181,393)

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	684,032.60
Total Cash and Equivalents	684,032.60
Receivables:	
Overpayment of Retirement Benefits	7,718.64
Investment Income	21,512.05
Total Receivable	29,230.69
Investments:	
U. S. Bonds and Bills	599,847.10
Federal Agency Guaranteed Securities	420,485.76
Corporate Bonds	1,660,296.70
Stocks	5,515,621.39
Mutual Funds:	
Fixed Income	461,001.04
Equity	1,239,438.52
Total Investments	9,896,690.51
Total Assets	10,609,953.80
<u>LIABILITIES</u>	
Total Liabilities	0.00
NET POSITION RESTRICTED FOR PENSIONS	10,609,953.80

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

ADDITIONS

Contributions:

Member	74,567.99
City	426,776.26
State	97,970.88

Total Contributions	599,315.13
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Investment Income:

Net Increase in Fair Value of Investments	873,111.58
Interest & Dividends	220,613.15
Less Investment Expense ¹	(60,828.01)

Net Investment Income	1,032,896.72
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Total Additions	1,632,211.85
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DEDUCTIONS

Distributions to Members:

Benefit Payments	585,282.12
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Total Distributions	585,282.12
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Administrative Expense	16,881.36
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Total Deductions	602,163.48
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Net Increase in Net Position	1,030,048.37
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NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year	9,579,905.43
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End of the Year	10,609,953.80
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¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

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

Plan Description

Plan Administration

The City of Palmetto Police Officers' Retirement Plan is a defined benefit pension plan administered by a Board of Trustees which acts as the administrator of the plan. The Board consists of 5 Trustees, 2 of whom shall be legal residents of the City who are appointed by the City Commission, 2 of whom are Members of the plan who are elected by a majority of the Police Officers who are Members of the plan and a fifth Trustee who is chosen by a majority of the first 4 Trustees.

Plan Membership as of October 1, 2013:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	26
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	4
Active Plan Members	33
	<u>63</u>

Benefits Provided

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

Normal Retirement:

Date: Earlier of: 1) age 55 with 10 years of Credited Service, or 2) the completion of 23 years of Credited Service, regardless of age.

Benefit: 3.0% of Average Final Compensation for each year of Credited Service.

Maximum Benefit: 75% of Average Final Compensation for Members hired after June 7, 1982.

Early Retirement:

Eligibility: Age 50 with 10 years of Credited Service.

Benefit: Accrued benefit, reduced 3% per year that the benefit commencement date precedes the Normal Retirement Date.

Vesting:

Schedule: 100% after 10 years of Credited Service.

Benefit Amount: Member will receive the vested portion of his (her) accrued benefit payable at the Early (reduced) or Normal Retirement Date.

Disability:

Eligibility: Covered from Date of Employment.

Benefit Amount Service Incurred: Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 62% of Average Final Compensation.

Benefit Amount Non-Service Incurred:

10 or More Years of Credited Service: Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 25% of Average Final Compensation.

Less than 10, but at least 5 Years of Credited Service: Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 20% of Average Final Compensation.

Less Than 5 Years of Credited Service: Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement.

Maximum Benefit: 75% of Average Final Compensation for Members hired after June 7, 1982.

Death Benefits:

10 or more years of designated Credited Service: Monthly accrued benefit payable to beneficiary for life at otherwise Early (reduced) or Normal (unreduced) Retirement Date.

Less than 10 years of Credited Service: Refund of accumulated 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:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	45%
International Equity	15%
Broad Market Fixed Income	30%
Global Fixed income	5%
Real Estate	5%
<u>Total</u>	<u>100%</u>

Concentrations:

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

Rate of Return:

For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 10.85 percent.

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

Deferred Retirement Option Program

Eligibility: Satisfaction of Normal Retirement requirements.

Participation: Not to exceed 60 months from the date of first eligibility for Normal Retirement.

Rate of Return: At Member's election, either: a) 6.5% effective annual rate, or b) Net Investment Return (total return less brokerage commission, transaction costs and management fees) credited each fiscal quarter.

The DROP balance as September 30, 2014 is \$103,237.

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	\$ 12,239,343
Plan Fiduciary Net Position	\$ (10,609,954)
Sponsor's Net Pension Liability	<u>\$ 1,629,389</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	86.69%

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	4.00%
Salary Increases	4.00% - 9.40%
Investment Rate of Return	7.60%

RP 2000 Combined Healthy – Sex Distinct. Disabled lives set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

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	7.5%
International Equity	8.5%
Broad Market Fixed Income	2.5%
Global Fixed income	3.5%
Real Estate	4.5%

Discount Rate:

The discount rate used to measure the total pension liability was 7.60 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 6.60%	Current Discount Rate 7.60%	1% Increase 8.60%
Sponsor's Net Pension Liability	\$ 2,946,105	\$ 1,629,389	\$ 513,396

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

	<u>09/30/2014</u>
Total Pension Liability	
Service Cost	393,530
Interest	883,658
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	(585,282)
Net Change in Total Pension Liability	<u>691,906</u>
Total Pension Liability - Beginning	11,547,437
Total Pension Liability - Ending (a)	<u><u>\$ 12,239,343</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	426,776
Contributions- State	97,971
Contributions - Employee	74,568
Net Investment Income	1,032,897
Benefit Payments, Including Refunds of Employee Contributions	(585,282)
Administrative Expense	(16,881)
Other	-
Net Change in Plan Fiduciary Net Position	<u>1,030,049</u>
Plan Fiduciary Net Position - Beginning	9,579,905
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 10,609,954</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 1,629,389</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.69%
Covered Employee Payroll	\$ 1,491,360
Net Pension Liability as a Percentage of covered Employee Payroll	109.26%

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

	09/30/2014
Actuarially Determined Contribution	524,660
Contributions in Relation to the Actuarially Determined Contributions	524,747
Contribution Deficiency (Excess)	\$ (87)
Covered Employee Payroll	\$ 1,491,360
Contributions as a Percentage of Covered Employee Payroll	35.19%

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.
 Amortization Method: Level dollar.
 Remaining Amortization Period: 26 Years (as of 10/01/2012).
 Asset Valuation Method: 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.

Inflation: 4.0% per year.

	Years of Service	Rates
Salary Increases:	Less than 10	9.4%
	11-15	6.0%
	16-20	6.5%
	21 or more	4.0%

Interest Rate: 7.8% (previously 7.9%) per year compounded annually, net of investment related expenses.

Payroll Increases: None.

	Credited Service as of 10/1/2011	Percentage Increase to Liabilities
Terminal Leave Pay:	10 or more years	4.5%
	1-10 years	3.5%
	Less than 1 year	0.0%

Normal Retirement Age:	<u>Number of Years after First Eligibility for Normal Retirement</u>	<u>Probability of Retirement</u>
	0	80%
	1-4	40%
	5	100%

Early Retirement Rate: 5% for each eligible year.

Termination Rates: See table below.

Disability Rates: See table below. It is assumed that 75% of disablements and active Member deaths are service related.

Mortality: RP 2000 Combined Healthy – Sex Distinct. Disabled lives set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>Termination Rates</u>	<u>Probability of Disability</u>
25	5.7%	0.15%
30	5.0%	0.18%
35	3.8%	0.23%
40	2.6%	0.30%
45	1.6%	0.51%
50	0.8%	1.00%

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	<u>09/30/2014</u>
Annual Money-Weighted Rate of Return	
Net of Investment Expense	10.85%

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

General Information about the Pension Plan

Plan Description

Full-time employees who are classified as Police Officers participate as a condition of employment. The City of Palmetto Police Officers' Retirement Plan is a defined benefit pension plan administered by a Board of Trustees which acts as the administrator of the plan. The Board consists of 5 Trustees, 2 of whom shall be legal residents of the City who are appointed by the City Commission, 2 of whom are Members of the plan who are elected by a majority of the Police Officers who are Members of the plan and a fifth Trustee who is chosen by a majority of the first 4 Trustees.

Plan Membership as of October 1, 2013:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	26
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	4
Active Plan Members	33
	63

Benefits Provided

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

Normal Retirement:

Date: Earlier of: 1) age 55 with 10 years of Credited Service, or 2) the completion of 23 years of Credited Service, regardless of age.

Benefit: 3.0% of Average Final Compensation for each year of Credited Service.

Maximum Benefit: 75% of Average Final Compensation for Members hired after June 7, 1982.

Early Retirement:

Eligibility: Age 50 with 10 years of Credited Service.

Benefit: Accrued benefit, reduced 3% per year that the benefit commencement date precedes the Normal Retirement Date.

Vesting:

Schedule: 100% after 10 years of Credited Service.

Benefit Amount: Member will receive the vested portion of his (her) accrued benefit payable at the Early (reduced) or Normal Retirement Date.

Disability:

Eligibility: Covered from Date of Employment.

Benefit Amount Service Incurred: Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 62% of Average Final Compensation.

Benefit Amount Non-Service Incurred:

10 or More Years of Credited Service: Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 25% of Average Final Compensation.

Less than 10, but at least 5 Years of Credited Service: Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement, but not less than 20% of Average Final Compensation.

Less Than 5 Years of Credited Service: Benefit accrued to date of disability, actuarially reduced for payment prior to Normal Retirement.

Maximum Benefit: 75% of Average Final Compensation for Members hired after June 7, 1982.

Death Benefits:

10 or more years of designated Credited Service: Monthly accrued benefit payable to beneficiary for life at otherwise Early (reduced) or Normal (unreduced) Retirement Date.

Less than 10 years of Credited Service: Refund of accumulated 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	4.00%
Salary Increases	4.00% - 9.40%
Investment Rate of Return	7.60%

RP 2000 Combined Healthy -- Sex Distinct. Disabled lives set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

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	45.00%	7.50%
International Equity	15.00%	8.50%
Broad Market Fixed Income	30.00%	2.50%
Global Fixed income	5.00%	3.50%
Real Estate	5.00%	4.50%
Total	<u>100.00%</u>	

Discount Rate:

The discount rate used to measure the total pension liability was 7.60 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	\$ 11,547,437	\$ 9,579,905	\$ 1,967,532
Changes for a Year:			
Service Cost	393,530		393,530
Interest	883,658		883,658
Change In Excess State Money	-		-
Share Plan Allocation	-		-
Differences Between Expected and Actual Experience	-		-
Contributions - Employer		426,776	(426,776)
Contributions -State		97,971	(97,971)
Contributions - Employee		74,568	(74,568)
Net Investment Income		1,032,897	(1,032,897)
Benefit Payments, Including Refunds of Employee Contributions	(585,282)	(585,282)	-
Administrative Expense		(16,881)	16,881
Other Changes	-	-	-
New Changes	691,906	1,030,049	(338,143)
Balances at September 30, 2014	\$ 12,239,343	10,609,954	1,629,389

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.60%	7.60%	8.60%
Sponsor's Net Pension Liability	\$ 2,946,105	\$ 1,629,389	\$ 513,396

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 \$332,579. On September 30, 2015 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	243,946
Total	<u>\$ -</u>	<u>\$ 243,946</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	\$ (60,986)
2017	\$ (60,986)
2018	\$ (60,987)
2019	\$ (60,987)
2020	\$ -
Thereafter	\$ -

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

	<u>09/30/2014</u>
Total Pension Liability	
Service Cost	393,530
Interest	883,658
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	(585,282)
Net Change in Total Pension Liability	691,906
Total Pension Liability - Beginning	11,547,437
Total Pension Liability - Ending (a)	<u>\$ 12,239,343</u>
Plan Fiduciary Net Position	
Contributions - Employer	426,776
Contributions- State	97,971
Contributions - Employee	74,568
Net Investment Income	1,032,897
Benefit Payments, Including Refunds of Employee Contributions	(585,282)
Administrative Expense	(16,881)
Other	-
Net Change in Plan Fiduciary Net Position	1,030,049
Plan Fiduciary Net Position - Beginning	9,579,905
Plan Fiduciary Net Position - Ending (b)	<u>\$ 10,609,954</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 1,629,389</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.69%
Covered Employee Payroll	\$ 1,491,360
Net Pension Liability as a Percentage of covered Employee Payroll	109.26%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	09/30/2014
Actuarially Determined Contribution	524,660
Contributions in Relation to the Actuarially Determined Contributions	524,747
Contribution Deficiency (Excess)	\$ (87)
Covered Employee Payroll	\$ 1,491,360
Contributions as a Percentage of Covered Employee Payroll	35.19%

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.	
Amortization Method:	Level dollar.	
Remaining Amortization Period:	26 Years (as of 10/01/2012).	
Asset Valuation Method:	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.	
Inflation:	4.0% per year.	
Salary Increases:	<u>Years of Service</u>	<u>Rates</u>
	Less than 10	9.4%
	11-15	6.0%
	16-20	6.5%
	21 or more	4.0%
Interest Rate:	7.8% (previously 7.9%) per year compounded annually, net of investment related expenses.	
Payroll Increases:	None.	
Terminal Leave Pay:	<u>Credited Service as of 10/1/2011</u>	<u>Percentage Increase to Liabilities</u>
	10 or more years	4.5%
	1-10 years	3.5%
	Less than 1 year	0.0%

Normal Retirement Age:	<u>Number of Years after First Eligibility for Normal Retirement</u>	<u>Probability of Retirement</u>
	0	80%
	1-4	40%
	5	100%

Early Retirement Rate: 5% for each eligible year.

Termination Rates: See table below.

Disability Rates: See table below. It is assumed that 75% of disablements and active Member deaths are service related.

Mortality: RP 2000 Combined Healthy – Sex Distinct. Disabled lives set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>Termination Rates</u>	<u>Probability of Disability</u>
25	5.7%	0.15%
30	5.0%	0.18%
35	3.8%	0.23%
40	2.6%	0.30%
45	1.6%	0.51%
50	0.8%	1.00%

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	1,967,532	-	426,776	
Total pension liability factors:				
Service cost	393,530			393,530
Interest	883,658			883,658
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	(585,282)			(585,282)
Net change	691,906	-	-	691,906
Plan fiduciary net position:				
Contributions - employer	426,776		(426,776)	
Contributions - state	97,971			(97,971)
Contributions - employee	74,568			(74,568)
Net investment income	727,965			(727,965)
Difference between projected and actual earnings on pension plan investments	304,932	304,932	-	
Current year amortization		(60,986)	-	(60,986)
Benefit payments	(585,282)			585,282
Administrative expenses	(16,881)			16,881
Other	-			-
Net change	1,030,049	243,946	(426,776)	(359,327)
Ending Balance	1,629,389	243,946	-	332,579