Agenda Item 4A

Town of Longboat Key Consolidated Retirement System

Introduction to Governmental Accounting Standards GASB67/GASB68 And Senate Bill 534

November 7, 2014

Old GASB Statements 25 and 27

Currently

- Accounting liabilities are generally identical to the funding liabilities
- Funding and accounting numbers are married!
- A municipality records as a liability on their books the cumulative difference between what the actuary says is the required contribution (ARC) versus what the municipality actually contributes = (net pension obligation)
  - For actuarially determined contribution plans, it is likely that the municipality currently records a $0 liability
  - For fixed contribution rate plans, it will depend upon the amortization period
- Actuarial valuation numbers are used for accounting and funding purposes

Highlights of New Standards No. 67 and 68

New Standards

- More prominent disclosure
  - Funded status moves from the footnotes to the balance sheet
  - Additional footnote and RSI disclosures

- Move from income statement focus to balance sheet focus
  - Old “Are we making adequate ARC contributions?”
  - New “How big is our Net Pension Liability?”

What is the Impact?

- Accounting liabilities will likely be higher than funding liabilities
- Accounting liability will need to be recorded for the first time
- May impact credit ratings
- We have new terminology
- Will increase complexity to a complex topic
- Might bring increased scrutiny to the plan
- Most trend information won’t carry over
- Most likely increases third party fees

What is the Impact?

- GASB does not set funding standards
- Changes in accounting rules do not “require” a change to contribution strategy
  - Adoption of a funding policy will be helpful in applying the new rules
- New GASB rules separates accounting/financial reporting standards from funding requirements
  - Potentially adds volatility to accounting expense and liability
- Volatility in accounting does not “need” to cause volatility in cash contributions
  - To the contrary, development of a level contribution could help in applying the new rules

Impact on Funding

- Actual Funding Method
  - GASB requires Entry Age Normal (EAN)
  - What is current funding method?
- Actuarial Asset Value
  - GASB requires use of market value
  - How are actuarial value of plan assets currently determined?
- Will current funding levels lead to depletion?
  - If yes, when?

Impact on Funding

- Purpose of funding policy
  - Ensure that most important consideration in all funding decisions is protection of members' promised benefits
  - Develop contribution pattern that is rational and predictable
  - Aim funding at building and maintaining a cushion against future adverse deviations
  - Can focus on plan's ability to meet projected cash flow obligations
  - Fluid document to be revised as necessary
  - Although best practice, not a requirement

Impact on Funding

- Example of Funding policy language
  - Maintain adequate funding to meet plans' benefit obligations (avoid asset depletion)
  - Contribute the greater of…

    -level dollar amount over ____ years which will fund all benefits promised to current plan participants

    OR

    -amount of Required Contribution determined by the Plan Actuary

New Terminology

- **Normal Cost**
  - An employee earns new benefits each year. Actuaries call the value of an employees benefit accrual the normal cost. The normal cost is always reflected in the cash and accounting cost of the plan.
  - GASB refers to Normal Costs as **Service Costs**.

- **Actuarial Liability**
  - The actuarial liability is the value of benefits already earned by the employee.
  - GASB refers to Actuarial Liability as **Total Pension Liability Cost.**

New Terminology

- **Unfunded Liability**
  - Amount by which actuarial liability exceeds the value of the plan's net assets.
    - -For GASB purposes, assets reflect the fair market value of assets
    - -For funding purposes, impact of investment gains/losses may be smoothed out over time in determining the actuarial value of plan assets
  - For GASB purposes:
    - Net Assets are referred to as Net Fiduciary Position
    - Unfunded Liability is referred to as **Net Pension Liability.**

New Terminology

- Total Pension Liability (TPL)

Actuarial present value of projected benefit payments allocated during past periods of employee service

- Net Pension Liability (NPL)

 - Total pension liability minus the pension plan's fiduciary net position

 - Fiduciary net position = market value of assets

- Pension Expense (PE)

The difference between the NPL from the prior fiscal year to the current fiscal year, with some adjustments

Highlights of New Standards No. 67 and 68

Old –GASB25 /27

Calculations based upon methods and assumptions blessed by GASB

- Six (6) allowable actuarial cost methods
- Long term expected rate of return on assets is the discount rate
- Amortizations of any kind (gains/losses, assumption changes, benefit changes, etc.) over a maximum of thirty (30) years

New –GASB67/68

- Must use Entry Age Normal cost method
- May require use of a blended discount rate (between long-term expected rate of return and municipal bond rate)
- Shorter amortization periods (no longer up to 30 years)
  - Five (5) years for investment gains/losses
  - Average future working lifetime for other gains/losses or assumption changes

Highlights of New Standards No. 67 and 68

Deferred Outflows and Inflows

- New Reporting Concept, not an asset or liability
  - Similar to depreciation, spread out over future years
  - First time using this concept for some employers
- Requires several multi-year spreadsheets maintained from now on
  - Differences between projected and actual experience
  - Changes in assumptions
  - Difference between projected and actual earnings
- Detailed accounting task

Summary of Change

	Pre-GASB 68 (Statement 27)	Post-GASB68
Balance Sheet (Government Wide Financial Statements)	Long-term liability was recorded in the footnotes of the financial statements	A new calculation of long-term liability, called Net Pension Liability, will be on the Balance Sheet and the footnotes will be more extensive
Income Statement (Government Wide)	Pension expense equaled the annual required contribution	Pension expense will now be calculated based on accrual accounting, thus it will not equal the annual required contribution
Deferred Outflows and Inflows		New requirement
Required Contributions	The annual actuarial valuation process calculates the required contributions	Same process

Unfunded Accrued Liability (UAL)

- Before the GASB68 statement, employers disclosed their long-term pension liability (UAL) in their footnotes
- This long-term pension liability was calculated the following way:

Actuarial Accrued Liability − Actuarial Value of Assets = UAL

Actuarial Accrued Liability

- The total value of benefits earned by members under a plan to date
- This number uses the actuarial assumed rate of return, which is currently varies among the three plans

Actuarial Value of Assets

- The value of pension plan investments
- This calculation uses a smoothed asset value, which causes the amount to be different than the amount actually held in the trust for the plan (market value of assets)

A New Calculation

- After GASB68 statement, employers will disclose a new calculation of their long-term pension liability on their balance sheet
- This new calculation, called Net Pension Liability (NPL) is calculated the following way:

Total Pension Liability − Fiduciary Net Position = NPL

- This number is similar to the Actuarial Accrued Liability (AAL), however for some plans the number will be calculated using a different discount rate

- The actual amount of asset held in the pension trust for a plan at the measurement date (market value of assets)

Changes in the Net Pension Liability – Year 1

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a) – (b)**
Balances at 9/30/14	$ 2,853,455	$ 2,052,589	$ 800,866
Changes for the year:			
Service cost	75,864	-	75,864
Interest	216,515	-	216,515
Differences between expected and actual experience	(37,545)	-	(37,545)
Contributions—employer	-	79,713	(79,713)
Contributions—employee	-	31,451	(31,451)
Net investment income	-	196,155	(196,155)
	(119,434)	(119,434)	-
	-	(3,365)	3,365
	135,400	184,520	(49,120)
	$ 2,988,855	$ 2,237,109	$ 751,746

Changes in the Net Pension Liability – Year 1

Items in red are components of pension expense

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at 9/30/14	$ 2,853,455	$ 2,052,589	$ 800,866
Changes for the year:			
Service cost	75,864	-	75,864
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Contributions—employee	-	31,451	(31,451)
Net investment income	-	196,155	(196,155)
	(119,434)	119,434)	-
	-	(3,365)	3,365
	135,400	184,520	(49,120)
	$ **2,988,855**	$ **2,237,109**	$ **751,746**

Example – Background Information – 2015

Items in red are components of pension expense

	2015
Actual Investment Earnings	$ 196,155
Assumed Investment Earnings 7.75%	150,000
Difference	(46,155)
Differences between actual and expected experience	(37,545)
Net Pension Obligation - 09/30/2014	45,989
Average expected remaining service life of current members (active, inactive, and retired)	15 years

Amortized over 5 Years

Amortized over 15 Years

Deferred Inflows/Outflows Amortization Schedules – Year 1

Year 1 - 2015

	Actual investment earnings vs. assumed	Actual experience vs. expected	Total remaining amortization
	(46,155)	(37,545)	
	5	15	
2015	$ (9,231)	$ (2,503)	
2016	(9,231)	(2,503)	$ (11,734)
2017	(9,231)	(2,503)	(11,734)
2018	(9,231)	(2,503)	(11,734)
2019	(9,231)	(2,503)	(11,734)
2020	-	(2,503)	(2,503)
2021	-	(2,503)	(2,503)
2022	-	(2,503)	(2,503)
2023	-	(2,503)	(2,503)
2024	-	(2,503)	(2,503)
2025	-	(2,503)	(2,503)
2026	-	(2,503)	(2,503)
2027	-	(2,503)	(2,503)
2028	-	(2,503)	(2,503)
2029	-	(2,503)	(2,503)
	$ (46,155)	$ (37,545)	$ (71,966)

Components of Pension Expense – Year 1

Components of Pension	
Expense Normal costs	$ 75,864
Interest on the Net Pension Liability at 7.5%	216,515
Projected investment earnings at 7.75%	(150,000)
Contributions	(111,164)
Administrative expenses and other	3,365
Subtotal	**34,580**
Amortization - Actual investment earnings different than assumed	(9,231)
Amortization - Differences between actual and expected experience	(2,503)
Subtotal	**(11,734)**
Total components recorded as pension expense	$ 22,846

Components of Change to Deferred Inflow/Outflow of Resources – Year 1

Components of change to deferred inflow/outflow of resources:

Actual investment earnings different than assumed (150,000 - 196,154)	$	(46,155)
Less Amortization		9,231
Differences between actual and expected experience		(37,545)
Less Amortization		2,503
Total components recorded to change to deferred inflow/outflow of resources	$	(71,966)

Example – Background Information – 2015

Items in red are components of pension expense

	2015
Actual Investment Earnings	$ 196,155
Assumed Investment Earnings 7.75%	150,000
Difference	(46,155)
Differences between actual and expected experience	(37,545)
Net Pension Obligation - 09/30/2014	45,989
Average expected remaining service life of current members (active, inactive, and retired)	15 years

Amortized over 5 Years

Amortized over 15 Years

Statement of Net Position – Prior to GASB 68

City
Statement of Net Position
September 30, 2015

Assets	
Cash & Cash Equivalents	$ 1,225,599
Accounts Receivable	105,595
Capital Assets Being Depreciation, Net	1,556,644
Total Assets	2,887,838
Liabilities	45,667
Accounts Payable	
Long-Term Liabilities	456,450
Bonds Payable	
Net Pension Obligation	45,989
Total Liabilities	548,106
Net Position	1,100,194
Net Investment in Capital Assets	
Unrestricted	1,239,538
Total Net Position	$ 2,339,732

Statement of Net Position – Year 1 after GASB 68

City			
Statement of Net Position			
September 30, 2015	**Before**	**AJEs**	**After**
Assets	$ 1,225,599		$ 1,225,599
Cash & Cash Equivalents			
Accounts Receivable	105,595		105,595
Capital Assets Being Depreciation, Net	1,556,644		1,556,644
Total Assets	2,887,838		2,887,838
Liabilities	45,667		45,667
Accounts Payable			
Long-Term Liabilities Bonds Payable	456,450		456,450
Net Pension Obligation	45,989	(45,989)	-
Net Pension Liability	-	751,746	751,746
Total Liabilities	548,106		1,253,863
Deferred Inflows of Resources			
Difference Between Projected and Actual Earnings	-	36,924	36,924
Difference Between Expected and Actual Experience	-	35,042	35,042
Total Deferred Inflows of Resources	-		71,966
Net Position			
Net Investment in Capital Assets	1,100,194		1,100,194
Unrestricted	1,239,538	(777,723)	461,815
Total Net Position	$ 2,339,732		$ 1,562,009

The Bottom Line

- If pension is well-funded (95%), the liability is likely small
- If plan is less well-funded (60%), the new liability could be the largest number on the balance sheet
- The new standard will make local governments appear weaker

GASB Statement No. 67, Financial Reporting for Pension Plans
GASB Statement No. 68, Accounting and Financial Reporting for Pensions

Note Disclosures

Statement 67: Note Disclosures

- **Description of the pension benefits**:
  - Name of the plan, PERS or entity that administers the plan, identification of the type of plan (single employer, agent multiple-employer, cost-sharing multiple-employer)
  - Description of benefits and authority under which benefit provisions are established or may be amended
  - Classes of employees and number of employees covered in the following groups:
    - Retired employees or beneficiaries currently receiving benefits
    - Inactive employees entitled to, but not yet receiving, benefits
    - Active employees
  - Whether plan issues stand alone financial report and, if so, how to obtain it
- **Assumptions used to measure total pension liability**
  - Detailed disclosure requirements for the discount rate
- **Brief description of changes in benefit terms and assumptions that affect measurement of the total pension liability**

Statement 67: Note Disclosures

- **Disclosures for the discount rate:**
  - Assumptions made about contributions of the employer, employees, and non employer contributing entities and other projected cash flows into and out of the plan
  - Long term expected rate of return on plan investments and a description of how that rate was determined, including:
    - How the combined rate of return was developed, for example, the assumed asset allocation of the portfolio
    - The best estimate for the long-term expected real rate of return for each major asset class
    - Whether the expected rates of return are presented as arithmetic or geometric means
  - The municipal bond index rate, the index from which the rate is derived and the reasons for the selection of the index
  - The periods of projected benefit payments to which the rate of return on plan investments and the municipal bond index were applied
  - The effect of a one-percentage-point increase and decrease in the discount rate on the current-period net pension liability

Note Example: Changes in the Net Pension Liability

Net Pension Liability of the County

The components of the net pension liability of the County at June 30, 20X9, were as follows:

Total pension liability	$ 2,988,861
Plan fiduciary net position	(2,237,108)
County's net pension liability	$ 751,753
Plan fiduciary net position as a percentage of the total pension liability	74.85%

Note Example: Impact of +/- 1% change in discount rate on NPL

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the County, calculated using the discount rate of 7.75 percent, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's net pension liability	$ 826,928	$ 751,753	$ 661,543

Statement 67: Financial Reporting for Pension Plans

- **Required Supplementary Information**

Ten (10) years of information required

- –Schedule of changes in the net pension liability
- –Schedule of components of the net pension liability and related ratios
- –Schedule of actuarially determined contributions
- –Schedule of the annual money-weighted rate of return on plan investments
- –Notes to RSI

Statement 68: Note Disclosures

- Information regarding pension plan's fiduciary net position or reference to plan report
- Measurement date, actuarial valuation date
- Changes of assumptions/other inputs and changes of benefit terms
- Changes subsequent to measurement date
- Pension expense in current reporting period
- Deferred outflows/deferred inflows of resources (balances by source)
- A schedule presenting the net amount of the employer's balances of deferred outflows of resources and deferred inflows of resources that will be recognized in the employer's pension expense for each of the subsequent five years, and in the aggregate thereafter

Senate Bill 534

Senate Bill 534

- Also known as Chapter 2013-100, Laws of Florida
- Applies to all local government plans
- Incorporates new GASB standards No. 67 and 68 but contains significant additional disclosure requirements
- Substantial noncompliance penalties
- The FRS is exempted from SB534
- Town must electronically report to the Department of Management Services within 60 days after receipt of the certified actuarial report
- Requirements to post data and reports on-line
- State of Florida not liable for any shortfalls
- Takes effect July 1 2013

Senate Bill 534: Section 112.664 F.S. Actuarial and Financial Disclosure Requirements

- Town must prepare an additional set of annual financial statements using criteria as set forth below:
  - GASB67/68, using RP-2000 Combined Healthy Mortality tables, by gender, with generational projection by Scale AA
  - 2% lower Investment assumption than the plan's assumed rate of return/discount rate
    - Consider supplementing the new required 200 basis point calculation with yet another sensitivity disclosure using a 200 basis point higher figure as well. (e.g. if the plan is currently using 7.75% assumption, sensitivity analysis could be performed showing impact of both 5.75% and 9.75%)

Senate Bill 534: Section 112.664 F.S. Actuarial and Financial Disclosure Requirements

- Additional disclosure continued….
  - Requires reporting of a fictitious “run out date” for how long the current market value of assets can sustain the payment of retirement benefits based on the calculations using the prescribed Mortality tables and the sensitivity analysis described above.
    - This projection ignores employer contributions, member contributions, assumed investment earnings and the receipt of premium taxes. Some have analogized this calculation to asking a doctor what your life expectancy would be assuming you stopped eating and breathing.

Senate Bill 534: Section 112.664 F.S. Actuarial and Financial Disclosure Requirements

- Additional disclosure continued….
  - Alternative contributions. Requires reporting of contributions to fund the plan based on the calculations using the prescribed Mortality tables and the sensitivity analysis described above.
  - These alternative contribution values are in addition to the actual recommended contribution set forth in the plan's latest valuation.

Senate Bill 534: Section 112.664 F.S. Actuarial and Financial Disclosure Requirements

- Additional disclosure continued….
  - 5 Year historic Comparisons. Requires reporting side-by-side comparisons of the plan's assumed rate of return compared to actual rate of return for previous 5 years beginning 2013
  - Portfolio construction. Requires reporting side-by-side comparison of percentages of cash, equity, bond and alternative investments in the plan's portfolio during each of the previous 5 years.

Senate Bill 534: Section 112.664 F.S. Actuarial and Financial Disclosure Requirements

- Requirement to post data and reports on-line
  - Town must provide information required in SB534, including the plan's funding ratio as part of the disclosure.
  - Can be reported on any website that contains budget information relating to the plan sponsor or performance information related to the system or plan.
  - Website or web page within the Town's site must contain:
    - Plan's most recent financial statement
    - Actuarial valuation
    - Link to Division of Retirement's fact sheet

Senate Bill 534: Section 112.664 F.S. Actuarial and Financial Disclosure Requirements

- Penalties for non-compliance
  - The Dept. of Management Services “may” notify Dept. of Revenue and Dept. of Financial Services, which “shall” withhold any funds not pledged for satisfaction of bond debt service until the required information is provided.

Questions?

SUNSHINE CITY
RETIREMENT SYSTEM

CURRENT GASB 25/27 REQUIREMENTS

DISCLOSURE INFORMATION PER STATEMENT NO. 25 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

The schedule provided below has been prepared in accordance with the requirements of paragraph 37 of Statement No. 25 of the Governmental Accounting Standards Board.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/01/13	38,000,000	66,000,000	28,000,000	57.58%	6,300,000	444.44%
10/01/12	33,000,000	62,000,000	29,000,000	53.23%	6,000,000	483.33%
10/01/11	31,000,000	61,000,000	30,000,000	50.82%	6,500,000	461.54%
10/01/10	28,000,000	50,000,000	22,000,000	56.00%	8,000,000	275.00%
10/01/09	26,000,000	43,500,000	17,500,000	59.77%	7,500,000	233.33%
10/01/08	22,500,000	39,500,000	17,000,000	56.96%	7,000,000	242.86%

The schedule provided below has been prepared in accordance with the requirements of paragraph 38 of Statement No. 25 of the Governmental Accounting Standards Board.

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

Year Ended September 30	Annual Required Contribution	District Contribution	State Contribution	Percentage Contributed
2013	3,800,000	3,300,000	500,000	100.00%
2012	3,600,000	3,100,000	500,000	100.00%
2011	3,000,000	2,500,000	500,000	100.00%
2010	3,000,000	2,500,000	500,000	100.00%
2009	2,400,000	2,000,000	550,000 *	106.25%
2008	2,000,000	1,500,000	550,000 *	102.50%

* Frozen per Chapter 175, F.S., as amended.

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

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/13	
District & State	63.0%
Plan Members	7.0%
Annual Pension Cost	3,900,000
Contributions made	3,800,000
Actuarial valuation date	10/1/2011
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Closed
Remaining amortization period	28 Years (as of 10/1/11)
Asset valuation method	4 Year Smooth
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increase*	6.0%
* Includes inflation at	3.0%
Post Retirement COLA	3.0% for 17 years

THREE YEAR TREND INFORMATION

Year Ending	Annual Pension Cost (APC)	Percentage of (APC) Contributed	Net Pension Obligation
9/30/13	3,900,000	97%	(511,282)
9/30/12	3,800,000	95%	(611,282)
9/30/11	2,600,000	115%	(638,506)
9/30/10	2,500,000	120%	(666,943)

Beginning with the year ending 9/30/12 the APC and contributions made include State Money.

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

DEVELOPMENT OF NET PENSION OBLIGATION (NPO)

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

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

	9/30/10	9/30/11	9/30/12	9/30/13
Actuarially Determined Contribution (A)	2,300,000	2,500,000	3,600,000	3,800,000
Interest on NPO	(55,732)	(53,355)	(51,080)	(48,903)
Adjustment to (A)	85,435	81,792	78,304	74,966
Annual Pension Cost	2,500,000	2,600,000	3,800,000	3,900,000
Contributions Made	300,000	3,000,000	3,600,000	3,800,000
Increase in NPO	(500,000)	(400,000)	200,000	100,000
NPO Beginning of Year	(696,646)	(66,943)	(638,506)	(611,282)
NPO End of Year	(666,943)	(638,506)	(611,282)	(511,282)

Beginning with the fiscal year ending September 30, 2012 the Actuarially Determined Contribution and the Contributions Made include State Money.

SUNSHINE CITY
RETIREMENT SYSTEM

NEW GASB 67/68 REQUIREMENTS (replaces GASB 25/27)

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

SUNSHINE CITY
RETIREMENT SYSTEM

GASB 67 EXAMPLE

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014

ASSETS	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	0.00
Checking Account	0.00
Savings Account	0.00
Prepaid Expenses	0.00
Money Market	346,603.00
Cash	22,432.41
Receivables:	0.00
Total Cash and Equivalents	369,035.41
Receivables:	
Member Buy-Back Contributions	0.00
District Contributions in Transit	0.00
District Contributions for Members	0.00
Additional District Contributions	0.00
State Contributions	0.00
From Police Officers' Trust Fund	0.00
From Firefighters' Trust Fund	0.00
From Broker for Investments Sold	0.00
Tax Reclaims	0.00
Investment Income	120,135.56
Investments:	0.00
Total Receivable	120,135.56
Investments:	
Federal Agency Guaranteed Securities	0.00
Corporate Bonds	10,209,331.34
Stocks	20,372,850.93
Mutual Funds:	0.00
Fixed Income	
Equity	6,435,188.46
Fixed Income	
Equity	0.00
Real Estate	3,561,295.79
Assets Held by Insurance Company	0.00
Total Investments	42,556,364.32
LIABILITIES	0.00
Total Assets	43,045,535.29

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014

LIABILITIES	
Payables:	
Benefit Payments	0.00
Investment Expenses	0.00
Administrative Expenses	0.00
To Firefighters' Trust Fund	0.00
To General Employees' Trust Fund	0.00
To Broker for Investments Purchased	0.00
Prepaid Member Contribution	0.00
Prepaid District Contribution	63,820.81
RECEIPTS	0.00
Member Contributions	0.00
Total Liabilities	63,820.81
NET POSITION RESTRICTED FOR PENSIONS	42,981,714.48

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

<u>ADDITIONS</u>		
Contributions:		
Member	431,931.11	
Buy-Back	5,632.27	
District	3,334,847.58	
State	552,532.41	
Total Contributions		4,324,943.37
Investment Income:		
Net Increase in Fair Value of Investments	5,540,131.41	
Interest & Dividends	882,699.37	
Less Investment Expense[1]	(241,207.39)	
Net Investment Income		6,181,623.39
Other		0.00
Total Additions		10,506,566.76
<u>DEDUCTIONS</u>		
Total Distributions		2,474,812.60
Administrative Expense		33,134.69
Other		0.00
Total Deductions		2,507,947.29
Net Increase in Net Position		7,998,619.47
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		34,983,095.01
End of the Year		42,981,714.48

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

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

Plan Description

Plan Administration
The Plan is administered by a Board Of Trustees comprised of
a. Two District appointees
b. Two Members of the Department elected by the membership, and
c. Fifth Member elected by other 4 and appointed by the District.

Plan Membership as of September 30, 2014:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	43
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	2
Active Plan Members	76
	121

Benefits Provided
The Plan provides retirement, disability and death benefits.
Retirement benefits are calculated as 3.58% (3.00% for Firefighters hired after June 1, 2010) of Average Final Compensation times Credited Service.
<u>Normal Retirement:</u>
Earlier of age 55 and 10 years of Credited Service, or age 50 and 25 years of Credited Service
<u>Early Retirement:</u>
Age 50 and 10 Years of Credited Service.
<u>Disability Retirement:</u>
Service Incurred: Covered from Date of Employment
Non-Service Incurred: 10 years of Credited Service.
Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred).
<u>Death Benefits:</u>
Vested: Monthly accrued benefit payable to designated beneficiary for 10 years.
Non-Vested: Refund of accumulated contributions without interest.
<u>Cost of Living Adjustment:</u>
Normal and Early service Retirees after January 1, 2000 receive 3% annual benefit increases for 17 years (12 years for Firefighters hired after June 1, 2010), commencing 1 year after retirement.

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

Investments

Investment Policy:

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

Asset Class	Target Allocation
Domestic Equity	45%
International Equity	19%
Fixed Income	25%
Real Estate	10%
Cash	1%
Other	0%
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 13.9 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

Satisfaction of Normal Retirement requirements (earlier of (1) Age 55 with 10 years of Credited Service, or (2) Age 50 with 25 years of Credited Service).

At the Member’s election: (1) 6.5% annual rate, or (2) actual net rate of investment return (total return net of brokerage commissions, management fees, and transaction costs).

The DROP balance as September 30, 2014 is $1,037,020.

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	$	72,552,197
Plan Fiduciary Net Position	$	(42,981,714)
Sponsor's Net Pension Liability	$	29,570,483
Plan Fiduciary Net Position as a percentage of Total Pension Liability		59.24%

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%
Investment Rate of Return	8.00%

Mortality rates were based on the RP-2000 Table with no projection for Males and Females, as appropriate.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 2003-2013.

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

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	5.4%
International Equity	5.5%
Fixed Income	1.3%
Real Estate	4.5%
Cash	0.0%

Discount Rate:

The discount rate used to measure the total pension liability was 8.00 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability	$ 32,533,874	$ 29,570,483	$ 22,504,126

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years
(Dollar Amounts in Thousands)

	9/30/14
Total Pension Liability	
Service Cost	1,736,946
Interest	5,415,856
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	675,546
Changes of Assumptions	
Benefit Payments, Including Refunds of Employee Contributions	(2,474,813)
Net Change in Total Pension Liability	5,353,536
Total Pension Liability - Beginning	67,198,662
Total Pension Liability - Ending (a)	$ 72,552,197
Plan Fiduciary Net Position	
Contributions - Employer	3,334,848
Contributions- State	552,532
Contributions - Employee	437,563
Net Investment Income	6,181,623
Benefit Payments, Including Refunds of Employee Contributions	(2,474,813)
Administrative Expense	(33,135)
Other	-
Net Change in Plan Fiduciary Net Position	7,998,619
Plan Fiduciary Net Position - Beginning	34,983,095
Plan Fiduciary Net Position - Ending (b)	$ 42,981,714
Net Pension Liability - Ending (a) - (b)	$ 29,570,483
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.24%
Covered Employee Payroll	$ 6,170,444
Net Pension Liability as a Percentage of covered Employee Payroll	479.23%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years
(Dollar Amounts in Thousands)

		09/30/14
Actuarially Determined Contribution		4,504,424
Contributions in Relation to the Actuarially Determined Contributions		3,887,380
Contribution Deficiency (Excess)	$	617,044
Covered Employee Payroll	$	6,170,444
Contributions as a Percentage of Covered Employee Payroll		63.00%

Notes to Schedule

Valuation Date: 10/1/2012

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:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Pay, Closed
Remaining Amortization Period:	28 Years (as of 10/1/11)
Asset Valuation Method:	4 Year Smooth
Inflation:	3.0%
Salary Increases:	6.0% per year until retirement age
Investment Rate of Return:	8.0% per year, compounded annually, net of investment
Normal Retirement:	Earlier of age 55 and 10 years of Credited Service, or age 50
Early Retirement:	Age 50 and 10 Years of Credited Service.
Disability Retirement:	Service Incurred: Covered from Date of Employment Non-Service Incurred: 10 years of Credited Service. Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred).
Mortality:	RP-2000 Table with no projection - Based on a study of over 650 public safety funds, this table reflects a 10% margin for future morality improvements. (Disabled lives set forward 5 years).
Other Information:	

SCHEDULE OF INVESTMENT RETURNS

	09/30/14
Annual Money-Weighted Rate of Return Net of Investment Expense	13.90%

SUNSHINE CITY
RETIREMENT SYSTEM

GASB 68 EXAMPLE

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

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

General Information about the Pension Plan

Plan Description
The Plan provides pensions for all full-time employees of the District who are classified as full-time Firefighters. The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:
a. Two District appointees
b. Two Members of the Department elected by the membership, and
c. Fifth Member elected by other 4 and appointed by the District.

Plan Membership as of September 30, 2014:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	43
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	2
Active Plan Members	76
	121

Benefits Provided
The Plan provides retirement, disability and death benefits.
Retirement benefits are calculated as 3.58% (3.00% for Firefighters hired after June 1, 2010) of Average Final Compensation times Credited Service.
<u>Normal Retirement:</u>
Earlier of age 55 and 10 years of Credited Service, or age 50 and 25 years of Credited Service
<u>Early Retirement:</u>
Age 50 and 10 Years of Credited Service.
<u>Disability Retirement:</u>
Service Incurred: Covered from Date of Employment
Non-Service Incurred: 10 years of Credited Service.
Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred).
<u>Death Benefits:</u>
Vested: Monthly accrued benefit payable to designated beneficiary for 10 years.
Non-Vested: Refund of accumulated contributions without interest.
<u>Cost of Living Adjustment:</u>
Normal and Early service Retirees after January 1, 2000 receive 3% annual benefit increases for 17 years (12 years for Firefighters hired after June 1, 2010), commencing 1 year after retirement.

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 liaiblity 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%
Investment Rate of Return	8.00%

Mortality rates were based on the RP-2000 Table with no projection for Males and Females, as appropriate.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 2003-2013.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	45%	5.4%
International Equity	19%	5.5%
Fixed Income	25%	1.3%
Real Estate	10%	4.5%
Cash	1%	0.0%
Other	0%	0.0%
	100%	

Discount Rate:
The discount rate used to measure the total pension liability was 8.00 percent.
The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.
Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2013	$ 67,198,662	$ 34,983,095	$ 32,215,567
Changes for a Year:			
Service Cost	1,736,946		1,736,946
Interest	5,415,856		5,415,856
Differences Between Expected and Actual Experience	675,546		675,546
Contributions - Employer		3,334,848	(3,334,848)
Contributions -State		552,532	(552,532)
Contributions - Employee		437,563	(437,563)
Net Investment Income		6,181,623	(6,181,623)
Benefit Payments, Including Refunds of Employee Contributions	(2,474,813)	(2,474,813)	-
Administrative Expense		(33,135)	33,135
Other Changes	-	-	-
New Changes	5,353,536	7,998,619	(2,645,084)
Balances at September 30, 2014	$ 72,552,197	42,981,714	29,570,483

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

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability	$ 32,533,874	$ 29,570,483	$ 22,504,126

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in a separately issue 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 recognized pension expense of $4,107,206.
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	-	(554,913)
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	2,648,237
Total	$ -	$ 2,093,324

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	$ (541,426)
2017	$ (541,426)
2018	$ (541,426)
2019	$ (541,426)
2020	$ 72,380
Thereafter	$ -

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years
(Dollar Amounts in Thousands)

	09/30/14
Total Pension Liability	
Service Cost	1,736,946
Interest	5,415,856
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	675,546
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(2,474,813)
Net Change in Total Pension Liability	5,353,536
Total Pension Liability - Beginning	67,198,662
Total Pension Liability - Ending (a)	$ 72,552,197
Plan Fiduciary Net Position	
Contributions - Employer	3,334,848
Contributions- State	552,532
Contributions - Employee	437,563
Net Investment Income	6,181,623
Benefit Payments, Including Refunds of Employee Contributions	2,474,813
Administrative Expense	(33,135)
Other	-
Net Change in Plan Fiduciary Net Position	12,948,245
Plan Fiduciary Net Position - Beginning	34,983,095
Plan Fiduciary Net Position - Ending (b)	$ 42,981,714
Net Pension Liability - Ending (a) - (b)	$ 29,570,483
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.24%
Covered Employee Payroll	$ 6,170,444
Net Pension Liability as a Percentage of covered Employee Payroll	479.23%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years
(Dollar Amounts in Thousands)

		9/30/14
Actuarially Determined Contribution		4,504,424
Contributions in Relation to the Actuarially Determined Contributions		3,887,380
Contribution Deficiency (Excess)	$	617,044
Covered Employee Payroll	$	6,170,444
Contributions as a Percentage of Covered Employee Payroll		63.00%

Notes to Schedule

Valuation Date: 10/1/2012

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:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Pay, Closed
Remaining Amortization Period:	28 Years (as of 10/1/11)
Asset Valuation Method:	4 Year Smooth
Inflation:	3.0%
Salary Increases:	6.0% per year until retirement age
Investment Rate of Return:	8.0% per year, compounded annually, net of investment related expenses
Normal Retirement:	Earlier of age 55 and 10 years of Credited Service, or age 50 and 25 years of Credited Service
Early Retirement:	Age 50 and 10 Years of Credited Service.
Disability Retirement:	Service Incurred: Covered from Date of Employment Non-Service Incurred: 10 years of Credited Service. Benefit accrued to date of disability but not less than 42% of Average Final Compensation (Service Incurred).
Mortality:	RP-2000 Table with no projection - Based on a study of over 650 public safety funds, this table reflects a 10% margin for future morality improvements. (Disabled lives set forward 5 years).
Other Information:	

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	(32,215,567)	-	3,334,848	
Total pension liability factors:				
Service cost	(1,736,946)			1,736,946
Interest	(5,415,856)			5,415,856
Changes in benefit terms	-			-
Differences between expected and actual experience with regard to economic or demographic assumptions	(675,546)	(675,546)	-	
Current year amortization		120,633	-	120,633
Changes in assumptions about future economic or demographic factors or other inputs	-	-	-	
Current year amortization		-	-	-
Benefit payments	2,474,813			(2,474,813)
Net change	(5,353,536)	(554,913)	-	4,798,623
Plan fiduciary net position:				
Contributions - employer	3,334,848		(3,334,848)	
Contributions - state	552,532			(552,532)
Contributions - employee	437,563			(437,563)
Net investment income	2,871,327			(2,871,327)
Difference between projected and actual earnings on pension plan investments	3,310,296	3,310,296	-	
Current year amortization		(662,059)	-	662,059
Benefit payments	(2,474,813)			2,474,813
Administrative expenses	(33,135)			33,135
Other	-			-
Net change	7,998,619	2,648,237	(3,334,848)	(691,417)
Ending Balance	(29,570,483)	2,093,324	-	4,107,206

Agenda Item 4B

SUNSHINE CITY
RETIREMENT SYSTEM

SENATE BILL 534
(SECTION 112.664, FLORIDA STATUTES)
REQUIREMENTS EXAMPLE

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years
(Dollar Amounts in Thousands)

	ACTUAL	HYPOTHETICAL		
	8.00% RP-2000 Static 9/30/14	8.00% RP-2000 Generational 9/30/14	6.00% RP-2000 Generational 9/30/14	10.00% RP-2000 Generational 9/30/14
Total Pension Liability				
Service Cost	1,736,946	1,834,469	2,941,826	1,176,223
Interest	5,415,856	5,559,050	5,488,531	5,458,949
Changes of Benefit Terms				
Differences Between Expected and Actual Experience	675,546	675,546	682,240	668,852
Changes of Assumptions				
Benefit Payments, Including Refunds of Employee Contributions	(2,474,813)	(2,474,813)	(2,474,813)	(2,474,813)
Net Change in Total Pension Liability	5,353,536	5,594,253	6,637,784	4,829,211
Total Pension Liability - Beginning	67,198,662	68,891,065	89,771,095	54,650,671
Total Pension Liability - Ending (a)	$ 72,552,197	$ 74,485,317	$ 96,408,879	$ 59,479,882
Plan Fiduciary Net Position				
Contributions - Employer	3,334,848	3,334,848	3,334,848	3,334,848
Contributions- State	552,532	552,532	552,532	552,532
Contributions - Employee	437,563	437,563	437,563	437,563
Net Investment Income	6,181,623	6,181,623	6,181,623	6,181,623
Benefit Payments, Including Refunds of Employee Contributions	(2,474,813)	(2,474,813)	(2,474,813)	(2,474,813)
Administrative Expense	(33,135)	(33,135)	(33,135)	(33,135)
Other	-	-	-	-
Net Change in Plan Fiduciary Net Position	7,998,618	7,998,618	7,998,618	7,998,618
Plan Fiduciary Net Position - Beginning	34,983,095	34,983,095	34,983,095	34,983,095
Plan Fiduciary Net Position - Ending (b)	$ 42,981,714	$ 42,981,714	$ 42,981,714	$ 42,981,714
Net Pension Liability - Ending (a) - (b)	$ 29,570,483	$ 31,503,603	$ 53,427,165	$ 16,498,168
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.24%	57.70%	44.58%	72.26%
Covered Employee Payroll	$ 6,170,444	$ 6,170,444	$ 6,170,444	$ 6,170,444
Net Pension Liability as a Percentage of covered Employee Payroll	479.23%	510.56%	865.86%	267.37%

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan's Assumptions: 8.00% and RP-2000 Static Mortality

Year	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2014	42,981,714	-	4,124,217	-	3,273,568	42,131,066
2015	42,131,066	-	3,313,328	-	3,237,952	42,055,690
2016	42,055,690	-	3,457,595	-	3,226,151	41,824,247
2017	41,824,247	-	3,616,847	-	3,201,266	41,408,665
2018	41,408,665	-	3,773,589	-	3,161,750	40,796,827
2019	40,796,827	-	4,048,090	-	3,101,823	39,850,559
2020	39,850,559	-	4,602,327	-	3,003,952	38,252,184
2021	38,252,184	-	4,928,433	-	2,863,037	36,186,789
2022	36,186,789	-	5,106,615	-	2,690,679	33,770,852
2023	33,770,852	-	5,245,295	-	2,491,856	31,017,414
2024	31,017,414	-	5,557,874	-	2,259,078	27,718,618
2025	27,718,618	-	6,031,821	-	1,976,217	23,663,013
2026	23,663,013	-	6,417,902	-	1,636,325	18,881,436
2027	18,881,436	-	7,424,904	-	1,213,519	12,670,051
2028	12,670,051	-	8,038,956	-	692,046	5,323,140
2029	5,323,140	-	8,688,923	-	78,294	(3,287,489)

*All DROP Balances paid in 2014.

Number of Years Expected Benefit Payments Sustained: 15

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 8.00% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 2
Bill 534 Assumptions: 8.00% and RP-2000 Generational Mortality

Year	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2014	42,981,714	-	4,124,520	-	3,273,556	42,130,750
2015	42,130,750	-	3,315,046	-	3,237,858	42,053,563
2016	42,053,563	-	3,460,886	-	3,225,850	41,818,526
2017	41,818,526	-	3,622,118	-	3,200,597	41,397,006
2018	41,397,006	-	3,781,236	-	3,160,511	40,776,280
2019	40,776,280	-	4,058,337	-	3,099,769	39,817,713
2020	39,817,713	-	4,618,413	-	3,000,680	38,199,980
2021	38,199,980	-	4,949,084	-	2,858,035	36,108,931
2022	36,108,931	-	5,134,197	-	2,683,347	33,658,081
2023	33,658,081	-	5,288,073	-	2,481,124	30,851,131
2024	30,851,131	-	5,612,714	-	2,243,582	27,481,999
2025	27,481,999	-	6,106,335	-	1,954,307	23,329,971
2026	23,329,971	-	6,509,893	-	1,606,002	18,426,080
2027	18,426,080	-	7,538,230	-	1,172,557	12,060,407
2028	12,060,407	-	8,176,496	-	637,773	4,521,684
2029	4,521,684	-	8,857,978	-	7,416	(4,328,879)

*All DROP Balances paid in 2014.

Number of Years Expected Benefit Payments Sustained: 15

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 8.00% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 3
Bill 534 Assumptions: 6.00% and RP-2000 Generational Mortality

Year	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2014	42,981,714	-	4,124,520	-	2,455,167	41,312,361
2015	41,312,361	-	3,315,046	-	2,379,290	40,376,606
2016	40,376,606	-	3,460,886	-	2,318,770	39,234,489
2017	39,234,489	-	3,622,118	-	2,245,406	37,857,777
2018	37,857,777	-	3,781,236	-	2,158,030	36,234,571
2019	36,234,571	-	4,058,337	-	2,052,324	34,228,558
2020	34,228,558	-	4,618,413	-	1,915,161	31,525,306
2021	31,525,306	-	4,949,084	-	1,743,046	28,319,268
2022	28,319,268	-	5,134,197	-	1,545,130	24,730,201
2023	24,730,201	-	5,288,073	-	1,325,170	20,767,298
2024	20,767,298	-	5,612,714	-	1,077,656	16,232,240
2025	16,232,240	-	6,106,335	-	790,744	10,916,650
2026	10,916,650	-	6,509,893	-	459,702	4,866,459
2027	4,866,459	-	7,538,230	-	65,841	(2,605,930)

*All DROP Balances paid in 2014.

Number of Years Expected Benefit Payments Sustained: 13

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 6.00% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 4
Bill 534 Assumptions: 10.00% and RP-2000 Generational Mortality

Year	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2014	42,981,714	-	4,124,520	-	4,091,945	42,949,139
2015	42,949,139	-	3,315,046	-	4,129,162	43,763,255
2016	43,763,255	-	3,460,886	-	4,203,281	44,505,650
2017	44,505,650	-	3,622,118	-	4,269,459	45,152,991
2018	45,152,991	-	3,781,236	-	4,326,237	45,697,993
2019	45,697,993	-	4,058,337	-	4,366,882	46,006,538
2020	46,006,538	-	4,618,413	-	4,369,733	45,757,859
2021	45,757,859	-	4,949,084	-	4,328,332	45,137,106
2022	45,137,106	-	5,134,197	-	4,257,001	44,259,910
2023	44,259,910	-	5,288,073	-	4,161,587	43,133,424
2024	43,133,424	-	5,612,714	-	4,032,707	41,553,417
2025	41,553,417	-	6,106,335	-	3,850,025	39,297,107
2026	39,297,107	-	6,509,893	-	3,604,216	36,391,430
2027	36,391,430	-	7,538,230	-	3,262,232	32,115,432
2028	32,115,432	-	8,176,496	-	2,802,718	26,741,654
2029	26,741,654	-	8,857,978	-	2,231,267	20,114,943
2030	20,114,943	-	9,095,751	-	1,556,707	12,575,899
2031	12,575,899	-	9,980,388	-	758,570	3,354,081
2032	3,354,081	-	10,742,201	-	(201,702)	(7,589,823)

*All DROP Balances paid in 2014.

Number of Years Expected Benefit Payments Sustained: 18

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 10.00% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent.

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR ENDING SEPTEMBER 30, 2016

Valuation Date: 10/1/2014

	ACTUAL	HYPOTHETICAL		
	8.00% RP-2000 Static 9/30/14	8.00% RP-2000 Generational 9/30/14	6.00% RP-2000 Generational 9/30/14	10.00% RP-2000 Generational 9/30/14
Total Required Contribution	$4,934,719	$5,225,814	$7,466,260	$3,411,059
Expected Member Contribution	472,802	472,802	472,802	472,802
Expected State Money	552,532	552,532	552,532	552,532
Expected Sponsor Contribution (Fixed $)	$3,909,385	$4,200,480	$6,440,926	$2,385,725
Expected Sponsor Contribution (% of Payroll)	57.8%	62.1%	95.4%	35.3%
ASSETS				
Actuarial Value	38,677,586	38,677,586	38,677,586	38,677,586
Market Value	42,981,714	42,981,714	42,981,714	42,981,714
LIABILITIES				
Present Value of Benefits				
Active Members				
Retirement Benefits	37,227,360	39,442,308	62,368,065	26,186,910
Disability Benefits	415,619	435,010	621,682	317,486
Death Benefits	225,054	158,211	219,149	116,628
Vested Benefits	2,035,933	2,135,882	3,540,649	1,343,347
Refund of Contributions	144,183	144,183	144,183	144,183
Service Retirees	30,657,536	31,619,385	39,403,392	26,173,238
Beneficiaries	89,003	91,946	104,872	81,681
Terminated Vested	258,298	269,616	409,650	183,668
Disability Retirees	0	0	0	0
DROP Members	11,734,987	12,188,777	14,811,191	10,318,804
Excess State Monies Reserve	0	0	0	0
Total:	82,787,973	86,485,318	121,622,833	64,865,945
Present Value of Future Salaries	61,538,263	61,624,045	69,784,820	55,044,711
Present Value of Future Member Contributions	4,307,678	4,313,683	4,884,937	3,853,130
Total Normal Cost (Entry Age Method)	1,736,946	1,834,469	2,941,826	1,176,223
Present Value of Future Normal Costs (Entry Age)	15,924,009	16,891,930	31,149,417	9,512,951
Total Actuarial Accrued Liability	66,863,964	69,593,388	90,473,416	55,352,994
Unfunded Actuarial Accrued Normal Costs (Entry Age)	28,186,378	30,915,802	51,795,830	16,675,408

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR ENDING SEPTEMBER 30, 2016

Valuation Date: 10/1/2014

	ACTUAL	HYPOTHETICAL		
	8.00% RP-2000 Static 9/30/14	8.00% RP-2000 Generational 9/30/14	6.00% RP-2000 Generational 9/30/14	10.00% RP-2000 Generational 9/30/14
PENSION COST				
Normal Cost (with interest)	1,914,809	2,022,319	3,211,886	1,309,136
Administrative Expenses (with interest)	36,528	36,528	36,177	36,879
Payment Required To Amortize UAAL	2,983,382	3,166,967	4,218,198	2,065,044
Total Required Contribution	$4,934,719	$5,225,814	$7,466,260	$3,411,059

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

October 27 2014

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

RE: GASB Statement No. 67 – Town of Longboat Key Police Officers' Retirement System

Dear Board:

We are pleased to present to the Board the GASB Statement No. 67 measured as of September 30, 2013 for the Town of Longboat Key Police Officers' Retirement System.

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

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of October 1, 2013. The total pension liability was rolled-back from the valuation date to the plan's fiscal year ending September 30th, 2012 to obtain the beginning amount using generally accepted actuarial principles. There were no assumption changes that required an adjustment to the roll-back liabilities. It is our opinion that the assumptions used for this purposes are internally consistent, reasonable, and comply with the requirements under GASB No.67. Certain schedules should include a 10-year history of information. As provided for in GASB No. 67, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB No. 67. The historical information in this report will begin with the information presented for the fiscal year ending September 30th, 2013.

It is our understanding that this early adoption of GASB Statement No.67 will be utilized for the Plan sponsor's 2014 Comprehensive Annual Financial Report (CAFR).

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

Respectfully submitted,

Foster & Foster, Inc.

By: ______________________

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

DHL/lke
Enclosures

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2013

ASSETS	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	452,869
Cash	(600)
Total Cash and Equivalents	452,269
Receivable:	
Accrued Income	17,200
Total Receivable	17,200
Investments:	
U. S. Bonds and Bills	1,063,292
Corporate Bonds	724,821
Stocks	4,601,386
Total Investments	6,389,499
TOTAL ASSETS	6,858,968
LIABILITIES AND NET ASSETS	
Liabilities:	
Payable:	
Prepaid Town Contribution	26,619
Total Liabilities	26,619
Net Assets, including DROP Account Balances	6,832,349
TOTAL LIABILITIES AND NET ASSETS	6,858,968

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013
Market Value Basis

ADDITIONS		
Contributions:		
Member	100,547	
Town	824,909	
State	77,298	
Total Contributions		1,002,754
Investment Income:		
Net Increase in Fair Value of Investments	689,252	
Interest & Dividends	151,320	
Less Investment Expense[1]	(54,841)	
Net Investment Income		785,731
Total Additions		1,788,485
Total Distributions		744,769
Administrative Expense		28,794
Total Deductions		773,564
Net Increase in Net Position		1,014,921
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		5,817,427
End of the Year		6,832,349

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

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2013)

Plan Description

Plan Administration
The Plan is administered by a Board of Trustees comprised of:
a. Five Commission appointees, and
b. Two Town Manager appointees.

Plan Membership as of September 30, 2013:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	20
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	2
Active Plan Members	16
	38

Benefits Provided
The Plan provides retirement, disability and death benefits.
Retirement benefits are calculated as 3.50% of Average Final Compensation times Credited Service. Benefits are frozen as of February 1, 2014.
<u>Normal Retirement:</u>
Attainment of 1) age 60, 2) age 55 and the completion of 10 years of Credited Service or 3) the completion of 25 years of Credited Service, regardless of age.
<u>Early Retirement (removed with Ordinance 2013-13)</u>
Age 45 and the completion of 15 years of Credited Service or Age 50 and the completion of 10 years of Credited Service.
<u>Disability Retirement:</u>
Service Incurred: Covered from Date of Employment
Non-Service Incurred: 10 years of Credited Service.
Benefit: 3.5% of Average Final Compensation times Credited Service (but not less than 42% of Average Final Compensation for Service Incurred). Average Final Compensation and Credited Service for purposes of determining the applicable minimum Disability Benefit are frozen as of January 31,2014.
<u>Death Benefits:</u>
Vested or Eligible for Retirement: Monthly accrued benefit payable to designated beneficiary. The accrued benefit is frozen as of January 31, 2014.
Non-Vested: Refund of Member Contributions

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

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2013:

Asset Class	Target Allocation
Domestic Equity	55.00%
International Equity	10.00%
Fixed Income	35.00%
Total	100.00%

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, 2013 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 13.2 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

Satisfaction of Normal Retirement requirements. Not to exceed 36 months.

At the Member's election:

a) Actual net rate of investment return credited each fiscal quarter, or

b) A fixed rate money market account.

The DROP balance as September 30, 2013 is $291,700.

NET PENSION LIABILITY OF THE SPONSOR

The components of the net pension liability of the sponsor on September 30, 2013 were as follows:

Total Pension Liability	$	11,605,061
Plan Fiduciary Net Position	$	(6,832,349)
Sponsor's Net Pension Liability	$	4,772,712
Plan Fiduciary Net Position as a percentage of Total Pension Liability		58.87%

Actuarial Assumptions:
The total pension liability was determined by an actuarial valuation as of October 1, 2013 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	0.00%
Investment Rate of Return	7.50%

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

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 1993-2006.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.
These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.
Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2013 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.80%
International Equity	7.70%
Fixed Income	2.30%

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	$ 5,941,321	$ 4,772,712	$ 3,794,147

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years
(Dollar Amounts in Thousands)

	09/30/2013
Total Pension Liability	
Service Cost	6,043
Interest	835,385
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	-
Changes of Assumptions	
Benefit Payments, Including Refunds of Employee Contributions	(744,769)
Net Change in Total Pension Liability	96,658
Total Pension Liability - Beginning	11,508,403
Total Pension Liability - Ending (a)	$ 11,605,061
Plan Fiduciary Net Position	
Contributions - Employer	824,909
Contributions- State	77,298
Contributions - Employee	100,547
Net Investment Income	785,731
Benefit Payments, Including Refunds of Employee Contributions	(744,769)
Administrative Expense	(28,794)
Other	-
Net Change in Plan Fiduciary Net Position	1,014,921
Plan Fiduciary Net Position - Beginning	5,817,427
Plan Fiduciary Net Position - Ending (b)	$ 6,832,349
Net Pension Liability - Ending (a) - (b)	$ 4,772,712
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.87%
Covered Employee Payroll	$ 1,005,469
Net Pension Liability as a Percentage of covered Employee Payroll	474.68%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years
(Dollar Amounts in Thousands)

	09/30/2013
Actuarially Determined Contribution	902,207
Contributions in Relation to the Actuarially Determined Contributions	902,207
Contribution Deficiency (Excess)	$ (0)
Covered Employee Payroll	$ 1,005,469
Contributions as a Percentage of Covered Employee Payroll	89.73%

Notes to Schedule

Valuation Date: 10/01/2011

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:

Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method.
Amortization Method:	Level Dollar.
Remaining Amortization Period:	26 Years (as of 10/01/2011).
Asset Valuation Method:	4 Year Smooth
Inflation:	3.00% annually for Normal and Early Retirees beginning five years after retirement.
Salary Increases:	6.00% per year until the assumed retirement age; see table below. Projected salary in the year of retirement is increased 20.00% to account for non-regular compensation.
Investment Rate of Return:	8.00% per year compounded annually, net of investment related expenses.
Retirement Age:	The earlier of age 60, age 55 with 10 years of credited service, or 25 years of credited service, regardless of age. Any Member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	Commencing at the earliest Early Retirement age (45), Members are assumed to retire with an immeidate benefit at the rate of 5.00% per year.
Disability Rates:	See table below.
Mortality Rates:	RP2000 Combined Healthy - Sex Distinct. Disabled lives are set forward 5 years.

Other Financial Information:

Age	% Terminating During the Year	% Becoming Disabled During the Year	Current Salary as % of Salary at age 53
20	9.20%	0.14%	14.60%
30	7.30%	0.18%	26.20%
40	3.50%	0.30%	46.90%
50	0.80%	1.00%	84.00%

SCHEDULE OF INVESTMENT RETURNS

	09/30/2013
Annual Money-Weighted Rate of Return Net of Investment Expense	13.20%

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

October 27, 2014

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

RE: GASB Statement No. 67 – Town of Longboat Key General Employees' Retirement System

Dear Board:

We are pleased to present to the Board the GASB Statement No. 67 measured as of September 30, 2013 for the Town of Longboat Key General Employees' Retirement System.

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

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of October 1, 2013. The total pension liability was rolled-back from the valuation date to the plan's fiscal year ending September 30th, 2012 to obtain the beginning amount using generally accepted actuarial principles. There were no assumption changes that required an adjustment to the roll-back liabilities. It is our opinion that the assumptions used for this purposes are internally consistent, reasonable, and comply with the requirements under GASB No.67. Certain schedules should include a 10-year history of information. As provided for in GASB No. 67, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB No. 67. The historical information in this report will begin with the information presented for the fiscal year ending September 30th, 2013.

It is our understanding that this early adoption of GASB Statement No.67 will be utilized for the Plan sponsor's 2014 Comprehensive Annual Financial Report (CAFR).

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

Respectfully submitted,

Foster & Foster, Inc.

By: ________________________________

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

DHL/lke
Enclosures

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2013

ASSETS	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	1,691,358.22
Total Cash and Equivalents	1,691,358.22
Receivable:	
Additional Town Contributions	2,246.08
Accrued Income	32,104.12
Total Receivable	34,350.20
Investments:	
U. S. Bonds and Bills	876,243.88
Federal Agency Guaranteed Securities	456,459.76
Corporate Bonds	1,963,467.55
Mutual Funds:	
Equity	4,539,416.06
Total Investments	7,835,587.25
TOTAL ASSETS	9,561,295.67
LIABILITIES AND NET ASSETS	
Total Liabilities	0.00
Net Assets, including DROP Account Balances	9,561,295.67
TOTAL LIABILITIES AND NET ASSETS	9,561,295.67

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013
Market Value Basis

ADDITIONS		
Contributions:		
Member	153,500.44	
Town	986,240.33	
Total Contributions		1,139,740.77
Investment Income:		
Net Increase in Fair Value of Investments	686,387.31	
Interest & Dividends	209,849.96	
Less Investment Expense[1]	(30,482.03)	
Net Investment Income		865,755.24
Total Additions		2,005,496.01
Total Distributions		504,067.66
Administrative Expense		23,491.21
Total Deductions		527,558.87
Net Increase in Net Position		1,477,937.14
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		8,083,358.53
End of the Year		9,561,295.67

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

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2013)

Plan Description

Plan Administration
The Plan is administered by a Board Of Trustees comprised of
a. Two legal residents of the Town apppointed by the Town Commission,
b. Two Members of the System elected by a majority of the General Employees who are Members of the System,
c. Fifth Trustee who is chosen by a majority of the first four Trustees.

Plan Membership as of September 30, 2013:

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

Benefits Provided
The Plan provides retirement, disability and death benefits.
Retirement benefits are calculated as 2.75% of Average Final Compensation times Credited Service. **Benefits are frozen as of September 30, 2013.**
<u>Normal Retirement:</u>
Earlier of 1) Age 62 or 2) Age 55 and the completion of 30 years of Credited Service.
<u>Early Retirement:</u>
Attainment of age 50 and the completion of 15 years of Credited Service.
<u>Death Benefits:</u>
Not Vested: Refund of Member Contributions.
Vested: Accrued benefit paid to Beneficiary for 120 months at Member's otherwise Early (reduced) or Normal Retirement Date.

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, 2013:

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

Concentrations:

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

Rate of Return:

For the year ended September 30, 2013 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 10.3 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

Within 12 months following satisfaction of Normal Retirement requirements (age 62 or age 55 and 30 years of Credited Service.) Not to exceed 60 months. New DROP Participants are not allowed after September 30, 2013.

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

The DROP balance as September 30, 2013 is $99,364.

NET PENSION LIABILITY OF THE SPONSOR

The components of the net pension liability of the sponsor on September 30, 2013 were as follows:

Total Pension Liability	$	14,671,208
Plan Fiduciary Net Position	$	(9,561,296)
Sponsor's Net Pension Liability	$	5,109,912
Plan Fiduciary Net Position as a percentage of Total Pension Liability		65.17%

Actuarial Assumptions:
The total pension liability was determined by an actuarial valuation as of October 1, 2013 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	0.00%
Investment Rate of Return	8.00%

Mortality rates were based on the RP-2000 Combined Healthy (sex distinct), projected to valuation year using scale AA.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.
These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.
Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2013 are summarized in the following table:

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

Discount Rate:
The discount rate used to measure the total pension liability was 8.00 percent.
The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability	$ 6,766,080	$ 5,109,912	$ 3,725,540

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years
(Dollar Amounts in Thousands)

	09/30/13
Total Pension Liability	
Service Cost	2,053
Interest	976,287
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	-
Changes of Assumptions	
Benefit Payments, Including Refunds of Employee Contributions	(504,068)
Net Change in Total Pension Liability	474,272
Total Pension Liability - Beginning	14,196,936
Total Pension Liability - Ending (a)	$ 14,671,208
Plan Fiduciary Net Position	
Contributions - Employer	986,240
Contributions- State	-
Contributions - Employee	153,500
Net Investment Income	865,755
Benefit Payments, Including Refunds of Employee Contributions	(504,068)
Administrative Expense	(23,491)
Other	-
Net Change in Plan Fiduciary Net Position	1,477,937
Plan Fiduciary Net Position - Beginning	8,083,359
Plan Fiduciary Net Position - Ending (b)	$ 9,561,296
Net Pension Liability - Ending (a) - (b)	$ 5,109,912
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.17%
Covered Employee Payroll	$ 2,558,341
Net Pension Liability as a Percentage of covered Employee Payroll	199.74%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years
(Dollar Amounts in Thousands)

	09/30/13
Actuarially Determined Contribution	986,240
Contributions in Relation to the Actuarially Determined Contributions	986,240
Contribution Deficiency (Excess)	$ (0)
Covered Employee Payroll	$ 2,558,341
Contributions as a Percentage of Covered Employee Payroll	38.55%

Notes to Schedule

Valuation Date: 10/1/2011

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:

Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method
Amortization Method:	Level Percentage of Pay, Closed
Remaining Amortization Period:	26 Years (as of 10/01/11)
Asset Valuation Method:	4 Year Smooth
Inflation:	3.0%
Salary Increases:	6% per year up to the assumed retirement age; see Table below. Projected salary at retirement is increased 25% to account for non-regular compensation.
Interest Rate:	8% per year, compounded annually, net of investment related expenses.
Retirement Age:	Earlier of age 62 or age 55 and completion of 30 years of Credited Service. Also, any Member who has reached normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	Commencing at the Member's eligibility for Early Retirement Age (50), Members are assumed to retire with an immediate, subsidized benefit at the rate of 5% per year.
Mortality:	RP-2000 Combined Healthy - Sex Distinct. Disabled lives are set forward 5 years.

Age	% Terminating During the Year	Current Salary as % of Salary at age 60
20	17.20%	9.70%
30	15.00%	17.40%
40	8.20%	31.20%
50	1.70%	55.80%

SCHEDULE OF INVESTMENT RETURNS

	09/30/13
Annual Money-Weighted Rate of Return Net of Investment Expense	10.30%

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

October 27, 2014

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

RE: GASB Statement No. 67 – Town of Longboat Key Firefighters' Retirement System

Dear Board:

We are pleased to present to the Board the GASB Statement No. 67 measured as of September 30, 2013 for the Town of Longboat Key Firefighters' Retirement System.

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

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of October 1, 2013. The total pension liability was rolled-back from the valuation date to the plan's fiscal year ending September 30^{th}, 2012 to obtain the beginning amount using generally accepted actuarial principles. There were no assumption changes that required an adjustment to the roll-back liabilities. It is our opinion that the assumptions used for this purposes are internally consistent, reasonable, and comply with the requirements under GASB No.67. Certain schedules should include a 10-year history of information. As provided for in GASB No. 67, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB No. 67. The historical information in this report will begin with the information presented for the fiscal year ending September 30^{th}, 2013.

It is our understanding that this early adoption of GASB Statement No.67 will be utilized for the Plan sponsor's 2014 Comprehensive Annual Financial Report (CAFR).

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

Respectfully submitted,

Foster & Foster, Inc.

By: ______________________________

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

DHL/lke
Enclosures

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2013

ASSETS	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	124,334
Money Market	1,051,061
Pending Trades Receivable	3,750
Pending Trades Payable	(15,786)
Cash	12,468
Total Cash and Equivalents	1,175,827
Receivable:	
Member Contributions in Transit	4,019
State Contributions	269,818
Accrued Income	45,530
Total Receivable	319,368
Investments:	
U. S. Bonds and Bills	2,352,004
Federal Agency Guaranteed Securities	1,001,677
Corporate Bonds	1,095,516
Stocks	8,992,616
Total Investments	13,441,813
TOTAL ASSETS	14,937,008
LIABILITIES AND NET ASSETS	
Liabilities:	
Payable:	
Prepaid Town Contribution	273,608
Total Liabilities	273,608
Net Assets, including DROP Account Balances	14,663,400
TOTAL LIABILITIES AND NET ASSETS	14,937,008

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2013
Market Value Basis

ADDITIONS		
Contributions:		
Member	259,097	
Town	1,542,566	
State	269,818	
Total Contributions		2,071,481
Investment Income:		
Net Increase in Fair Value of Investments	1,177,006	
Interest & Dividends	344,269	
Less Investment Expense[1]	(119,462)	
Net Investment Income		1,401,812
Total Additions		3,473,294
Total Distributions		1,426,754
Administrative Expense		54,125
Total Deductions		1,480,879
Net Increase in Net Position		1,992,415
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		12,670,985
End of the Year		14,663,400

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

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2013)

Plan Description

Plan Administration
The Plan is administered by a Board Of Trustees comprised of
a. Five Commission appointees
b. Two Town Manager appointees.

Plan Membership as of September 30, 2013:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	36
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	19
Active Plan Members	11
	66

Benefits Provided
The Plan provides retirement, disability and death benefits.
Retirement benefits are calculated as 3.50% of Average Final Compensation times years of Credited Service. The accrued benefit is frozen as of September 30, 2013.
Normal Retirement:
Attainment of 1)age 60, 2) age 55 and the completion of 10 years of Credited Service or 3) the completion of 25 years of Credited Service, regardless of age.
Early Retirement (removed with Ordinance 2013-13)
Age 45 and the completion of 15 years of Credited Service or Age 50 and the completion of 10 years of Credited Service.
Disability Retirement:
Service Incurred: Covered from Date of Employment
Non-Service Incurred: 10 years of Credited Service.
Benefit, 3.50% of Average Final Compensation times Credited Service (but not less than 42.00% of Average Final Compensation for Service Incurred). Average Final Compensation and Credited Service for purposes of determining the applicable minimum Disability Benefit are frozen as of September 30, 2013.
Death Benefits:
Vested or Eligible for Retirement: Monthly accrued benefit payable to designated beneficiary. The accrued benefit is frozen as of September 30, 2013.
Non-Vested: Refund of Member Contributions.

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

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2013:

Asset Class	Target Allocation
Domestic Equity	50.00%
International Equity	15.00%
Fixed Income	35.00%
Total	100.00%

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, 2013 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 10.62 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

Satisfaction of Normal Retirement requirements. New DROP participants are not permitted after September 30, 2013. Not to exceed 36 months.

At the Member's election:

a) Actual net rate of investment return credited each fiscal quarter, or

b) A fixed rate money market account.

The DROP balance as September 30, 2013 is $145,065.

NET PENSION LIABILITY OF THE SPONSOR

The components of the net pension liability of the sponsor on September 30, 2013 were as follows:

Total Pension Liability	$	26,913,700
Plan Fiduciary Net Position	$	(14,663,400)
Sponsor's Net Pension Liability	$	12,250,300
Plan Fiduciary Net Position as a percentage of Total Pension Liability		54.48%

Actuarial Assumptions:
The total pension liability was determined by an actuarial valuation as of October 1, 2013 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	0.00%
Investment Rate of Return	8.00%

Mortality rates were based on the RP-2000 (combined healthy with no projection). Bases on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disabled lives set forward 5 years.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.
These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.
Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2013 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.80%
International Equity	7.70%
Fixed Income	2.30%

Discount Rate:

The discount rate used to measure the total pension liability was 8.00 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability	$ 15,333,586	$ 12,250,300	$ 9,685,581

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years
(Dollar Amounts in Thousands)

		09/30/2013
Total Pension Liability		
Service Cost		15,910
Interest		2,046,450
Changes of Benefit Terms		
Differences Between Expected and Actual Experience		-
Changes of Assumptions		
Benefit Payments, Including Refunds of Employee Contributions		(1,426,754)
Net Change in Total Pension Liability		635,607
Total Pension Liability - Beginning		26,278,093
Total Pension Liability - Ending (a)	$	26,913,700
Plan Fiduciary Net Position		
Contributions - Employer		1,542,566
Contributions- State		269,818
Contributions - Employee		259,097
Net Investment Income		1,401,812
Benefit Payments, Including Refunds of Employee Contributions		(1,426,754)
Administrative Expense		(54,125)
Other		-
Net Change in Plan Fiduciary Net Position		1,992,415
Plan Fiduciary Net Position - Beginning		12,670,985
Plan Fiduciary Net Position - Ending (b)	$	14,663,400
Net Pension Liability - Ending (a) - (b)	$	12,250,300
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		54.48%
Covered Employee Payroll	$	2,590,971
Net Pension Liability as a Percentage of covered Employee Payroll		472.81%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years
(Dollar Amounts in Thousands)

	09/30/2013
Actuarially Determined Contribution	1,812,384
Contributions in Relation to the Actuarially Determined Contributions	1,812,384
Contribution Deficiency (Excess)	$ -
Covered Employee Payroll	$ 2,590,971
Contributions as a Percentage of Covered Employee Payroll	69.95%

Notes to Schedule

Valuation Date: 10/01/2011

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:

Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	26 Years (as of 10/01/2011).
Asset Valuation Method:	4 Year Smooth.
Inflation:	3.00% per year, beginning 5 years after retirement.
Salary Increases:	6.00% per year until the assumed retirement age; see table below. Projected salary at retirement is increased 30% to account for non-regular compensation.
Investment Rate of Return:	8.00% per year, compounded annually, net of investment related expenses.
Retirement Age:	The earlier of age 60, age 55 with 10 years of credited service, or 25 years of credited service, regardless of age. Also any Member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	Commencing with attainment of Early Retirement Status (age 45 with 15 years of service or age 50 with 10 years of service), Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
Disability Rates:	See table below.
Mortality:	RP2000 Combined Healthy - Sex Distinct. Disabled lives are set forward five years.

Other information:

Age	% Terminating During the Year	% Becoming Disabled During the Year	Current Salary as % of Salary at age 53
20	12.40%	0.14%	14.60%
30	10.50%	0.18%	26.20%
40	5.70%	0.30%	46.90%
50	1.50%	1.00%	84.00%

SCHEDULE OF INVESTMENT RETURNS

	09/30/2013
Annual Money-Weighted Rate of Return Net of Investment Expense	10.62%

End of Agenda Item