

January 22, 2015

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

RE: GASB Statement No. 67 and No. 68–Town of Longboat Key General Employees’ Retirement System

Dear Board:

We are pleased to present to the Board the GASB Statement No. 67 and No. 68 measured as of September 30, 2014 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 No.68 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-forward from the valuation date to the plan’s fiscal year ending September 30<sup>th</sup>, 2014 to obtain the beginning amount using generally accepted actuarial principles. There were no assumption changes that required an adjustment to the roll-forward 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 and No.68.

Certain schedules should include a 10-year history of information. As provided for in GASB No. 67 and No.68, 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<sup>th</sup>, 2013.

To the best of our knowledge, these statements are complete and accurate and are in accordance with generally recognized actuarial practices and methods.

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

DHL/lke  
Enclosures

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2014

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

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

ADDITIONS

Contributions:

Town 597,458.94

Total Contributions 597,458.94

Investment Income:

Net Increase in Fair Value of Investments 685,718.24

Interest & Dividends 245,366.87

Less Investment Expense<sup>1</sup> (34,307.00)

Net Investment Income 896,778.11

Total Additions 1,494,237.05

DEDUCTIONS

Distributions to Members:

Benefit Payments 641,286.40

Lump Sum DROP Distributions 65,426.95

Refunds of Member Contributions 95,239.63

Total Distributions 801,952.98

Administrative Expense 49,855.02

DROP Account Net Change

Total Deductions 851,808.00

Net Increase in Net Position 642,429.05

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 9,561,295.67

End of the Year 10,203,724.72

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

NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2014)

Plan Description

*Plan Administration*

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

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

*Plan Membership as of October 1, 2013:*

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

*Benefits Provided*

The Plan provides retirement, termination, and death benefits.

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

Normal Retirement:

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

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

Early Retirement:

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

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

Vesting (Termination):

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

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

Pre-Retirement Death Benefits:

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

Non-Vested: Refund of Member Contributions.

*Contributions*

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

## Investments

### *Investment Policy:*

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

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

### *Concentrations:*

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

### *Rate of Return:*

For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 9.53 percent.

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

### Deferred Retirement Option Program

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

Participation: Not to Exceed 60 Months.

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

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

## NET PENSION LIABILITY OF THE SPONSOR

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

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

*Actuarial Assumptions:*

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

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

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

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

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

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

Discount Rate:

The discount rate used to measure the total pension liability was 7.00 percent.

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Sponsor's Net Pension Liability	\$ 6,279,913	\$ 4,666,797	\$ 3,314,135

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

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

## SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

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

### Notes to Schedule

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

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

Methods and assumptions used to determine contribution rates:

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

Termination Rates:

Table 1305:

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

Mortality:

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

SCHEDULE OF INVESTMENT RETURNS  
Last 10 Fiscal Years

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

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

General Information about the Pension Plan

*Plan Description*

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

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

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

*Plan Membership as of October 1, 2013:*

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

*Benefits Provided*

The Plan provides retirement, termination, and death benefits.

Normal Retirement:

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

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

Early Retirement:

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

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

Vesting (Termination):

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

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

Pre-Retirement Death Benefits:

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

Non-Vested: Refund of Member Contributions.

*Contributions*

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

*Net Pension Liability*

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

*Actuarial Assumptions:*

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

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

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

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

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

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

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.00 percent.  
 The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.  
 Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## CHANGES IN NET PENSION LIABILITY

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

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.00%	7.00%	8.00%
Sponsor's Net Pension Liability	\$ 6,279,913	\$ 4,666,797	\$ 3,314,135

*Pension plan fiduciary net position.*

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

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

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

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

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

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

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

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

**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years

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

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

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

Termination Rates:

Table 1305:

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

Mortality:

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

COMPONENTS OF PENSION EXPENSE  
FISCAL YEAR SEPTEMBER 30, 2015

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

January 23, 2015

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

RE: GASB Statement No. 67 and No. 68–Town of Longboat Key Police Officers’ Retirement System

Dear Board:

We are pleased to present to the Board the GASB Statement No. 67 and No. 68 measured as of September 30, 2014 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 No.68 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-forward from the valuation date to the plan’s fiscal year ending September 30<sup>th</sup>, 2014 to obtain the beginning amount using generally accepted actuarial principles. There were no assumption changes that required an adjustment to the roll-forward 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 and No.68.

Certain schedules should include a 10-year history of information. As provided for in GASB No. 67 and No.68, 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<sup>th</sup>, 2013.

To the best of our knowledge, these statements are complete and accurate and are in accordance with generally recognized actuarial practices and methods.

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

DHL/1ke  
Enclosures

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2014

<u>ASSETS</u>	MARKET VALUE
Short Term Investments	283,387
Cash	5,980
Total Cash and Equivalents	289,367
Receivables:	
State Contributions	81,017
Investment Income	15,864
Total Receivable	96,881
Investments:	
U. S. Bonds and Bills	1,322,206
Corporate Bonds	751,671
Stocks	4,410,566
Total Investments	6,484,443
Total Assets	6,870,691
<u>LIABILITIES</u>	
Payables:	
Investment Expenses	6,253
Administrative Expenses	4,893
Prepaid Town Contribution	1,505
Total Liabilities	12,651
NET POSITION RESTRICTED FOR PENSIONS	6,858,040

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

ADDITIONS

Contributions:		
Member	35,601	
Town	552,573	
State	81,017	
Total Contributions		669,191
Investment Income:		
Net Increase in Fair Value of Investments	559,797	
Interest & Dividends	143,455	
Less Investment Expense <sup>1</sup>	(40,359)	
Net Investment Income		662,893
Total Additions		1,332,084
<u>DEDUCTIONS</u>		
Distributions to Members:		
Benefit Payments	683,611	
Lump Sum DROP Distributions	366,421	
Refunds of Member Contributions	217,251	
Total Distributions		1,267,283
Administrative Expense		39,110
Total Deductions		1,306,393
Net Increase in Net Position		25,691
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		6,832,349
End of the Year		6,858,040

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

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

Plan Description

*Plan Administration*

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

- a. Five Commission appointees, and
- b. Two Town Manager appointees

*Plan Membership as of October 1, 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, termination, disability and death benefits.

Normal Retirement:

Date: 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.

Benefit: 3.5% of Average Final Compensation times Years of Credited Service. The accrued benefit is frozen as of January 31, 2014.

Early Retirement (removed with Ordinance 2013-13):

Date: Age 45 and the completion of 15 years of Credited Service or Age 50 and the completion of 10 years of Credited Service.

Benefit: Accrued benefit, reduced 3% per year.

Vesting (Termination):

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

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

Members are 100% vested in their frozen accrued benefit as of January 31, 2014.

Disability:

Eligibility: Service Incurred: Covered from Date of Employment.

Non-Service Incurred 10 years of Credited Service.

Benefit Amount: .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.

Pre-Retirement Death Benefits:

Vested: Monthly accrued benefit payable to designated beneficiary. The accrued benefit is frozen as of January 31, 2014.

Non-Vested: Refund of Member Contributions.

Cost-of-Living Adjustment:

Service Retirees receive a 3% annual increase in benefits commencing on the October 1 following the receipt of 5 years

Supplemental Benefit:

\$10.00 per month for each year of Credited Service, payable to age 65. Credited Service is frozen as of January 31, 2014 for determination of the Supplemental Benefit.

*Contributions*

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

## Investments

### *Investment Policy:*

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

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	55%
International Equity	10%
Fixed Income	35%
Total	100%

### *Concentrations:*

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

### *Rate of Return:*

For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 9.94 percent.

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

### Deferred Retirement Option Program

Eligibility: Satisfaction of Normal Retirement requirements.

Participation: Not to exceed 36 months.

At 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, 2014 is \$64,350.

## 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	\$ 11,167,348
Plan Fiduciary Net Position	\$ (6,858,040)
Sponsor's Net Pension Liability	\$ 4,309,308
Plan Fiduciary Net Position as a percentage of Total Pension Liability	61.41%

*Actuarial Assumptions:*

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

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

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

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 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, 2014 are summarized in the following table:

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

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	\$ 5,445,079	\$ 4,309,308	\$ 3,356,507

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

	09/30/2014	09/30/2013
Total Pension Liability		
Service Cost	6,496	6,043
Interest	823,074	835,385
Change in Excess State Money	-	-
Share Plan Allocation	-	-
Changes of Benefit Terms		
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	
Benefit Payments, Including Refunds of Employee Contributions	(1,267,283)	(744,769)
Net Change in Total Pension Liability	(437,713)	96,658
Total Pension Liability - Beginning	11,605,061	11,508,403
Total Pension Liability - Ending (a)	\$ 11,167,348	\$ 11,605,061
 Plan Fiduciary Net Position		
Contributions - Employer	552,573	824,909
Contributions- State	81,017	77,298
Contributions - Employee	35,601	100,547
Net Investment Income	662,893	785,731
Benefit Payments, Including Refunds of Employee Contributions	(1,267,283)	(744,769)
Administrative Expense	(39,110)	(28,794)
Other	-	-
Net Change in Plan Fiduciary Net Position	25,691	1,014,921
 Plan Fiduciary Net Position - Beginning	6,832,349	5,817,427
Plan Fiduciary Net Position - Ending (b)	\$ 6,858,040	\$ 6,832,349
 Net Pension Liability - Ending (a) - (b)	\$ 4,309,308	\$ 4,772,712
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.41%	58.87%
 Covered Employee Payroll	\$ 900,553	\$ 1,005,469
Net Pension Liability as a Percentage of covered Employee Payroll	478.52%	474.68%

**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years

	09/30/2014		9/30/2013
Actuarially Determined Contribution	633,590	\$	902,207
Contributions in Relation to the			
Actuarially Determined Contributions	633,590		902,207
Contribution Deficiency (Excess)	\$ -	\$	-
 Covered Employee Payroll	 \$ 900,553	 \$	 1,005,469
Contributions as a Percentage of			
Covered Employee Payroll	70.36%		89.73%

Notes to Schedule

Valuation Date: 10/01/2012 (AIS 1/17/2014)

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

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Actuarial Cost Method.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	30 Years (as of 10/01/2012).
Asset Valuation Method:	The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a deminis bias that is above or below the Market Value of Assets.
Inflation:	3.0% per year.
Salary Increases:	None.
Interest Rate:	7.5% per year, compounded annually, net of investment-related expenses.
Payroll Growth:	None.
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:	None.

Termination Rates: See table below (1304A).  
 Disability Rates: See Table below (1205). 75% of Disability Retirements are assumed to Service-related.  
 Mortality: 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.  
 Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	9.2%	0.14%
30	7.3%	0.18%
40	3.5%	0.30%
50	0.8%	1.00%

SCHEDULE OF INVESTMENT RETURNS  
Last 10 Fiscal Years

	<u>09/30/2014</u>	<u>09/30/2013</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	9.94%	13.20%

**NOTES TO THE FINANCIAL STATEMENTS**

(For the Year Ended September 30, 2014)

**General Information about the Pension Plan**

*Plan Description*

Full-time Police Officers participate as a condition of employment. Members hired after January 31, 2014 do not participate in this System.

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 October 1, 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
	38

*Benefits Provided*

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

Normal Retirement:

Date: 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.

Benefit: 3.5% of Average Final Compensation times Years of Credited Service. The accrued benefit is frozen as of January 31, 2014.

Early Retirement (removed with Ordinance 2013-13):

Date: Age 45 and the completion of 15 years of Credited Service or Age 50 and the completion of 10 years of Credited Service.

Benefit: Accrued benefit, reduced 3% per year.

Vesting (Termination):

Upon an employee's termination of employment for reason other than death, disability or retirement, he shall be entitled to the payment of the Vested Percentage of his or her accrued pension at the otherwise Early (reduced) or Normal

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

Members are 100% vested in their frozen accrued benefit as of January 31, 2014.

Disability:

Eligibility: Service Incurred: Covered from Date of Employment.

Non-Service Incurred 10 years of Credited Service.

Benefit Amount: .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.

Pre-Retirement Death Benefits:

Vested: Monthly accrued benefit payable to designated beneficiary. The accrued benefit is frozen as of January 31, 2014.

Non-Vested: Refund of Member Contributions.

Cost-of-Living Adjustment:

Service Retirees receive a 3% annual increase in benefits commencing on the October 1 following the receipt of 5 years of benefit payments.

Supplemental Benefit:

\$10.00 per month for each year of Credited Service, payable to age 65. Credited Service is frozen as of January 31, 2014 for determination of the Supplemental Benefit.

*Contributions*

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

## Net Pension Liability

The Sponsor's net pension liability was measured as of September 30, 2014.

The total pension liability used to calculate the net pension liability was determined as of that date.

### *Actuarial Assumptions:*

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

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

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

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 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 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	55%	7.5%
International Equity	10%	8.5%
Fixed Income	35%	2.50%
Total	<u>100%</u>	

### Discount Rate:

The discount rate used to measure the total pension liability was 7.50 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2013	\$ 11,605,061	\$ 6,832,349	\$ 4,772,712
Changes for a Year:			
Service Cost	6,496		6,496
Interest	823,074		823,074
Change In Excess State Money	-		-
Share Plan Allocation	-		-
Differences Between Expected and Actual Experience	-		-
Contributions - Employer		552,573	(552,573)
Contributions -State		81,017	(81,017)
Contributions - Employee		35,601	(35,601)
Net Investment Income		662,893	(662,893)
Benefit Payments, Including Refunds of Employee Contributions	(1,267,283)	(1,267,283)	-
Administrative Expense		(39,110)	39,110
Other Changes	-	-	-
New Changes	(437,713)	25,691	(463,404)
Balances at September 30, 2014	\$ 11,167,348	6,858,040	4,309,308

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.50%	7.50%	8.50%
Sponsor's Net Pension Liability	\$ 5,445,079	\$ 4,309,308	\$ 3,356,507

*Pension plan fiduciary net position.*

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

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

For the year ended September 30, 2015 the Sponsor will recognize a pension expense of \$228,659. On September 30, 2015 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	139,490
Total	<u>\$ -</u>	<u>\$ 139,490</u>

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

Year ended September 30:	
2016	\$ (34,873)
2017	\$ (34,873)
2018	\$ (34,872)
2019	\$ (34,872)
2020	\$ -
Thereafter	\$ -

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

	<u>09/30/2014</u>	<u>09/30/2013</u>
Total Pension Liability		
Service Cost	6,496	6,043
Interest	823,074	835,385
Change in Excess State Money	-	-
Share Plan Allocation	-	-
Changes of Benefit Terms		-
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(1,267,283)	(744,769)
Net Change in Total Pension Liability	(437,713)	96,658
Total Pension Liability - Beginning	11,605,061	11,508,403
Total Pension Liability - Ending (a)	<u>\$ 11,167,348</u>	<u>\$ 11,605,061</u>
Plan Fiduciary Net Position		
Contributions - Employer	552,573	824,909
Contributions- State	81,017	77,298
Contributions - Employee	35,601	100,547
Net Investment Income	662,893	785,731
Benefit Payments, Including Refunds of Employee Contributions	(1,267,283)	(744,769)
Administrative Expense	(39,110)	(28,794)
Other	-	-
Net Change in Plan Fiduciary Net Position	25,691	1,014,921
Plan Fiduciary Net Position - Beginning	6,832,349	5,817,427
Plan Fiduciary Net Position - Ending (b)	<u>\$ 6,858,040</u>	<u>\$ 6,832,349</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 4,309,308</u>	<u>\$ 4,772,712</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61.41%	58.87%
Covered Employee Payroll	\$ 900,553	\$ 1,005,469
Net Pension Liability as a Percentage of covered Employee Payroll	478.52%	474.68%

**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years

	09/30/2014	09/30/2013
Actuarially Determined Contribution	633,590	902,207
Contributions in Relation to the		
Actuarially Determined Contributions	633,590	902,207
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll	\$ 900,553	\$ 1,005,469
Contributions as a Percentage of		
Covered Employee Payroll	70.36%	89.73%

Notes to Schedule

Valuation Date: 10/01/2012 (AIS 1/17/2014)  
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Actuarial Cost Method.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	30 Years (as of 10/01/2012).
Asset Valuation Method:	The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a deminis bias that is above or below the Market Value of Assets.
Inflation:	3.0% per year.
Salary Increases:	None.
Interest Rate:	7.5% per year, compounded annually, net of investment-related expenses.
Payroll Growth:	None.
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:	None.

Termination Rates: See table below (1304A).

Disability Rates: See Table below (1205). 75% of Disability Retirements are assumed to Service-related.

Mortality: 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.

Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	9.2%	0.14%
30	7.3%	0.18%
40	3.5%	0.30%
50	0.8%	1.00%

COMPONENTS OF PENSION EXPENSE  
 FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	4,772,712	-	552,573	
Total pension liability factors:				
Service cost	6,496			6,496
Interest	823,074			823,074
Change in Excess State Money	-			-
Share Plan Allocation	-			-
Changes in benefit terms	-			-
Differences between expected and actual experience with regard to economic or demographic assumptions				
Current year amortization	-	-	-	-
Changes in assumptions about future economic or demographic factors or other inputs				
Current year amortization	-	-	-	-
Benefit payments	(1,267,283)			(1,267,283)
Net change	(437,713)	-	-	(437,713)
Plan fiduciary net position:				
Contributions - employer	552,573		(552,573)	
Contributions - state	81,017			(81,017)
Contributions - employee	35,601			(35,601)
Net investment income	488,531			(488,531)
Difference between projected and actual earnings on pension plan investments				
Current year amortization	174,362	174,362	-	(34,872)
Benefit payments	(1,267,283)			1,267,283
Administrative expenses	(39,110)			39,110
Other	-			-
Net change	25,691	139,490	(552,573)	666,372
Ending Balance	4,309,308	139,490	-	228,659

January 23, 2015

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

RE: GASB Statement No. 67 and No. 68–Town of Longboat Key Firefighters’ Retirement System

Dear Board:

We are pleased to present to the Board the GASB Statement No. 67 and No. 68 measured as of September 30, 2014 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 No.68 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-forward from the valuation date to the plan’s fiscal year ending September 30<sup>th</sup>, 2014 to obtain the beginning amount using generally accepted actuarial principles. There were no assumption changes that required an adjustment to the roll-forward 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 and No.68.

Certain schedules should include a 10-year history of information. As provided for in GASB No. 67 and No.68, 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<sup>th</sup>, 2013.

To the best of our knowledge, these statements are complete and accurate and are in accordance with generally recognized actuarial practices and methods.

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, 2014

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	110,018.00
Money Market	976,675.53
Cash	37,347.75
Total Cash and Equivalents	1,124,041.28
Receivables:	
From Broker for Investments Sold	6,236.37
Investment Income	48,954.22
Total Receivable	55,190.59
Investments:	
U. S. Bonds and Bills	2,502,066.92
Federal Agency Guaranteed Securities	1,012,121.48
Corporate Bonds	970,468.15
Stocks	10,081,182.93
Total Investments	14,565,839.48
Total Assets	15,745,071.35
<u>LIABILITIES</u>	
Payables:	
Administrative Expenses	1,423.00
To Broker for Investments Purchased	34,000.86
Prepaid Town Contribution	2,098.94
Total Liabilities	37,522.80
NET POSITION RESTRICTED FOR PENSIONS	15,707,548.55
TOTAL LIABILITIES AND NET ASSETS	15,745,071.35

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

ADDITIONS

Contributions:

Town	1,526,725.00	
Total Contributions		1,526,725.00

Investment Income:

Net Increase in Fair Value of Investments	1,181,730.50	
Interest & Dividends	329,244.16	
Less Investment Expense <sup>1</sup>	(126,795.34)	
Net Investment Income		1,384,179.32
Total Additions		2,910,904.32

DEDUCTIONS

Distributions to Members:

Benefit Payments	1,411,181.48	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	395,391.80	
Total Distributions		1,806,573.28
Administrative Expense		60,182.60
Total Deductions		1,866,755.88
Net Increase in Net Position		1,044,148.44

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		14,663,400.11
End of the Year		15,707,548.55

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

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

Plan Description

*Plan Administration*

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

- a. Five Commission appointees, and
- b. Two Town Manager appointees.

*Plan Membership as of October 1, 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, termination, disability and death benefits.

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

Normal Retirement:

Eligibility: 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.

Benefit: 3.5% of Average Final Compensation times Years of Credited Service. The accrued benefit is frozen as of September 30, 2013.

Early Retirement (removed with Ordinance 2013-13):

Eligibility: Age 45 and the completion of 15 years of Credited Service or Age 50 and the completion of 10 years of Credited Service.

Benefit: Accrued benefit, reduced 3% per year.

Vesting (Termination):

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

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

\* Members are 100% vested in their frozen accrued benefit as of September 30, 2013.

Disability:

Eligibility: 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 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.

Cost-of-Living Adjustment:

Service Retirees receive a 3% annual increase in benefits commencing on the October 1 following the receipt of 5 years of benefit payments.

Supplemental Benefit:

\$10.00 per month for each year of Credited Service, payable to age 65. Credited Service is frozen as of September 30, 2013 for determination of the Supplemental Benefit.

*Contributions*

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

**Investments**

*Investment Policy:*

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

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	50%
International Equity	15%
<u>Fixed Income</u>	<u>35%</u>
<u>Total</u>	<u>100%</u>

*Concentrations:*

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

*Rate of Return:*

For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 9.6 percent.

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

Deferred Retirement Option Program

Eligibility: Satisfaction of Normal Retirement requirements. New DROP participants are not permitted after September 30, 2013.

Participation: Not to Exceed 36 Months.

Rate of Return: 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, 2014 is \$629,785.

## 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	\$ 28,652,782
Plan Fiduciary Net Position	\$ (15,707,548)
Sponsor's Net Pension Liability	\$ 12,945,234
Plan Fiduciary Net Position as a percentage of Total Pension Liability	54.82%

*Actuarial Assumptions:*

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

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

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 1992-2006.

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

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.80%
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	\$ 16,287,340	\$ 12,945,234	\$ 10,170,601

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

	09/30/2014	09/30/2013
Total Pension Liability		
Service Cost	17,183	15,910
Interest	2,082,208	2,046,450
Change in Excess State Money	-	-
Share Plan Allocation	-	-
Changes of Benefit Terms		
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	1,446,265	
Benefit Payments, Including Refunds of Employee Contributions	(1,806,573)	(1,426,754)
Net Change in Total Pension Liability	1,739,083	635,607
Total Pension Liability - Beginning	26,913,700	26,278,093
Total Pension Liability - Ending (a)	\$ 28,652,783	\$ 26,913,700
 Plan Fiduciary Net Position		
Contributions - Employer	1,526,725	1,542,566
Contributions- State	-	269,818
Contributions - Employee	-	259,097
Net Investment Income	1,384,179	1,401,812
Benefit Payments, Including Refunds of Employee Contributions	(1,806,573)	(1,426,754)
Administrative Expense	(60,183)	(54,125)
Other	-	-
Net Change in Plan Fiduciary Net Position	1,044,148	1,992,415
 Plan Fiduciary Net Position - Beginning	14,663,400	12,670,985
Plan Fiduciary Net Position - Ending (b)	\$ 15,707,548	\$ 14,663,400
 Net Pension Liability - Ending (a) - (b)	\$ 12,945,235	\$ 12,250,300
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.82%	54.48%
 Covered Employee Payroll	\$ 849,832	\$ 2,590,971
Net Pension Liability as a Percentage of covered Employee Payroll	1523.27%	472.81%

**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years

	09/30/2014		9/30/2013
Actuarially Determined Contribution	1,526,725	\$	1,812,384
Contributions in Relation to the			
Actuarially Determined Contributions	1,526,725		1,812,384
Contribution Deficiency (Excess)	\$ -	\$	-
Covered Employee Payroll	\$ 849,832	\$	2,590,971
Contributions as a Percentage of			
Covered Employee Payroll	179.65%		69.95%

Notes to Schedule

Valuation Date: 10/01/2012 (AIS 6/28/2013)

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

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Actuarial Cost Method.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	30 Years (as of 10/01/2012).
Asset Valuation Method:	The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a deminis bias that is above or below the Market Value of Assets.
Inflation:	3.0% per year.
Salary Increases:	N/A (previously 6.0% per year until the assumed retirement age). Projected salary at the freeze date is adjusted based on the eligible estimated payouts provided by the Town as of September 21, 2013.
Interest Rate:	8% per year, compounded annually, net of investment-related expenses.
Payroll Growth:	None (previously 3.1% per year).
Cost of Living Adjustment:	3.0% per year, beginning 5 years after retirement.
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:	N/A (previously 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).

Termination Rates:

See table below.

Disability Rates:

See table below. 75% of Disability Retirements are assumed to service-related.

Mortality:

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.

Other Information:

Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	9.2%	0.03%
30	7.3%	0.04%
40	3.5%	0.07%
50	0.8%	0.18%

SCHEDULE OF INVESTMENT RETURNS  
Last 10 Fiscal Years

	<u>09/30/2014</u>	<u>09/30/2013</u>
Annual Money-Weighted Rate of Return		
Net of Investment Expense	9.60%	10.62%

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

General Information about the Pension Plan

*Plan Description*

Full-time certified Firefighters participate as a condition of employment. Members hired after September 30, 2013 do not participate in this System.

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 October 1, 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, termination, disability and death benefits.

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

Normal Retirement:

Eligibility: 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.

Benefit: 3.5% of Average Final Compensation times Years of Credited Service. The accrued benefit is frozen as of September 30, 2013.

Early Retirement (removed with Ordinance 2013-13):

Eligibility: Age 45 and the completion of 15 years of Credited Service or Age 50 and the completion of 10 years of Credited Service.

Benefit: Accrued benefit, reduced 3% per year.

Vesting (Termination):

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

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

\* Members are 100% vested in their frozen accrued benefit as of September 30, 2013.

Disability:

Eligibility: 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 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.

Cost-of-Living Adjustment:

Service Retirees receive a 3% annual increase in benefits commencing on the October 1 following the receipt of 5 years of benefit payments.

Supplemental Benefit:

\$10.00 per month for each year of Credited Service, payable to age 65. Credited Service is frozen as of September 30, 2013 for determination of the Supplemental Benefit.

*Contributions*

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

## Net Pension Liability

The Sponsor's net pension liability was measured as of September 30, 2014.

The total pension liability used to calculate the net pension liability was determined as of that date.

### *Actuarial Assumptions:*

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

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

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 1992-2006.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September, 30 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	50%	7.80%
International Equity	15%	7.70%
Fixed Income	35%	2.30%
Total	<u>100%</u>	

### Discount Rate:

The discount rate used to measure the total pension liability was 7.50 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

## CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2013	\$ 26,913,700	\$ 14,663,400	\$ 12,250,300
Changes for a Year:			
Service Cost	17,183		17,183
Interest	2,082,208		2,082,208
Change In Excess State Money	-		-
Share Plan Allocation	-		-
Differences Between Expected and Actual Experience	-		-
Contributions - Employer		1,526,725	(1,526,725)
Contributions -State		-	-
Contributions - Employee		-	-
Net Investment Income		1,384,179	(1,384,179)
Benefit Payments, Including Refunds of Employee Contributions	(1,806,573)	(1,806,573)	-
Administrative Expense		(60,183)	60,183
Other Changes	1,446,265	-	1,446,265
New Changes	1,739,083	1,044,148	694,935
Balances at September 30, 2014	<u>\$ 28,652,783</u>	<u>\$ 15,707,548</u>	<u>\$ 12,945,235</u>

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.50%	7.50%	8.50%
Sponsor's Net Pension Liability	\$ 16,287,340	\$ 12,945,235	\$ 10,170,601

*Pension plan fiduciary net position.*

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

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

For the year ended September 30, 2015 the Sponsor will recognize a pension expense of \$1,988,208. On September 30, 2015 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	413,219	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	179,767
Total	<u>\$ 413,219</u>	<u>\$ 179,767</u>

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

Year ended September 30:	
2016	\$ 368,277
2017	\$ (44,942)
2018	\$ (44,942)
2019	\$ (44,941)
2020	\$ -
Thereafter	\$ -

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

	<u>09/30/2014</u>	<u>09/30/2013</u>
Total Pension Liability		
Service Cost	17,183	15,910
Interest	2,082,208	2,046,450
Change in Excess State Money	-	-
Share Plan Allocation	-	-
Changes of Benefit Terms		-
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	1,446,265	-
Benefit Payments, Including Refunds of Employee Contributions	<u>(1,806,573)</u>	<u>(1,426,754)</u>
Net Change in Total Pension Liability	1,739,083	635,607
Total Pension Liability - Beginning	26,913,700	26,278,093
Total Pension Liability - Ending (a)	<u>\$ 28,652,783</u>	<u>\$ 26,913,700</u>
Plan Fiduciary Net Position		
Contributions - Employer	1,526,725	1,542,566
Contributions- State	-	269,818
Contributions - Employee	-	259,097
Net Investment Income	1,384,179	1,401,812
Benefit Payments, Including Refunds of Employee Contributions	(1,806,573)	(1,426,754)
Administrative Expense	(60,183)	(54,125)
Other	-	-
Net Change in Plan Fiduciary Net Position	1,044,148	1,992,415
Plan Fiduciary Net Position - Beginning	14,663,400	12,670,985
Plan Fiduciary Net Position - Ending (b)	<u>\$ 15,707,548</u>	<u>\$ 14,663,400</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 12,945,235</u>	<u>\$ 12,250,300</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	54.82%	54.48%
Covered Employee Payroll	\$ 849,832	\$ 2,590,971
Net Pension Liability as a Percentage of covered Employee Payroll	1523.27%	472.81%

**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years

	09/30/2014	09/30/2013
Actuarially Determined Contribution	1,526,725	1,812,384
Contributions in Relation to the		
Actuarially Determined Contributions	1,526,725	1,812,384
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll	\$ 849,832	\$ 2,590,971
Contributions as a Percentage of		
Covered Employee Payroll	179.65%	69.95%

Notes to Schedule

Valuation Date: 10/01/2012 (AIS 6/28/2013)  
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Actuarial Cost Method.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	30 Years (as of 10/01/2012).
Asset Valuation Method:	The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a deminis bias that is above or below the Market Value of Assets.
Inflation:	3.0% per year.
Salary Increases:	N/A (previously 6.0% per year until the assumed retirement age). Projected salary at the freeze date is adjusted based on the eligible estimated payouts provided by the Town as of September 21, 2013.
Interest Rate:	8% per year, compounded annually, net of investment-related expenses.
Payroll Growth:	None (previously 3.1% per year).
Cost of Living Adjustment:	3.0% per year, beginning 5 years after retirement.
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:	N/A (previously 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).

Termination Rates:

See table below.

Disability Rates:

See table below. 75% of Disability Retirements are assumed to service-related.

Mortality:

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.

Other Information:

Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	9.2%	0.03%
30	7.3%	0.04%
40	3.5%	0.07%
50	0.8%	0.18%

COMPONENTS OF PENSION EXPENSE  
 FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	12,250,300	-	1,526,725	
Total pension liability factors:				
Service cost	17,183			17,183
Interest	2,082,208			2,082,208
Change in Excess State Money	-			-
Share Plan Allocation	-			-
Changes in benefit terms	-			-
Differences between expected and actual experience with regard to economic or demographic assumptions				
Current year amortization	-	-	-	-
Changes in assumptions about future economic or demographic factors or other inputs				
Current year amortization	1,446,265	-	1,446,265	
Benefit payments	(1,806,573)	-	(1,033,046)	1,033,046
Net change	<u>1,739,083</u>	<u>-</u>	<u>413,219</u>	<u>1,325,864</u>
Plan fiduciary net position:				
Contributions - employer	1,526,725		(1,526,725)	
Contributions - state	-			-
Contributions - employee	-			-
Net investment income	1,159,471			(1,159,471)
Difference between projected and actual earnings on pension plan investments				
Current year amortization	224,709	224,709	-	-
Benefit payments	(1,806,573)	(44,942)	-	(44,942)
Administrative expenses	(60,183)			1,806,573
Other	-			60,183
Net change	<u>1,044,148</u>	<u>179,767</u>	<u>(1,526,725)</u>	<u>662,344</u>
Ending Balance	<u>12,945,234</u>	<u>179,767</u>	<u>413,219</u>	<u>1,988,208</u>