

**CONSOLIDATED POLICE OFFICERS AND
FIREFIGHTERS RETIREMENT PLAN OF THE
CITY OF GAINESVILLE, FLORIDA**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2018

**CONSOLIDATED POLICE OFFICERS AND
FIREFIGHTERS RETIREMENT PLAN OF THE
CITY OF GAINESVILLE, FLORIDA**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

SEPTEMBER 30, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Consolidated Police Officers and Firefighters
Retirement Plan of the City of Gainesville, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Consolidated Police Officers and Firefighters Retirement Plan (the Consolidated Plan), a fiduciary fund of the City of Gainesville, Florida, which comprise the statement of fiduciary net position as of September 30, 2018, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Consolidated Plan as of September 30, 2018, and its changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

Board of Trustees
Consolidated Police Officers and Firefighters
Retirement Plan of the City of Gainesville, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Emphasis of Matter

As discussed in Note 1 to the financial statements, the accompanying financial statements present only the Consolidated Pension Fund and do not purport to, and do not, present fairly the financial position of the City of Gainesville, Florida, as of September 30, 2018, the changes in financial position, or where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedules identified in the table of contents as required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.


August 1, 2019
Gainesville, Florida

FINANCIAL STATEMENTS

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS
RETIREMENT PLAN OF THE CITY OF GAINESVILLE, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2018**

Assets	
Cash and cash equivalents	\$ 15,098,576
Investments, at fair value	<u>238,565,881</u>
Total Assets	253,664,457
Liabilities	
Accounts payable and accrued liabilities	<u>442,629</u>
Net Position Restricted for Pension Benefits	<u><u>\$ 253,221,828</u></u>

See accompanying notes to financial statements.

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS
RETIREMENT PLAN OF THE CITY OF GAINESVILLE, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SEPTEMBER 30, 2018**

Additions

Contributions	
Employer contributions	\$ 5,874,197
Employee contributions	4,644,864
	<hr/>
Total Contributions	10,519,061
	<hr/>
Investment income:	
Net appreciation in fair value of investments	21,908,859
Dividends and interest	2,868,600
	<hr/>
Total investment income	24,777,459
	<hr/>
(Less investment expense)	(721,331)
	<hr/>
Net investment income	24,056,128
	<hr/>
Total Additions	34,575,189
	<hr/>
Deductions	
Benefit payments	21,859,750
Refunds of contributions	286,167
Administrative expenses	699,346
	<hr/>
Total Deductions	22,845,263
	<hr/>
Change in Net Position	11,729,926
	<hr/>
Net Position, Beginning	241,491,902
	<hr/>
Net Position, Ending	\$ 253,221,828
	<hr/> <hr/>

See accompanying notes to financial statements.

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN
OF THE CITY OF GAINESVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies

The Consolidated Police Officers and Firefighters Retirement Plan (the Consolidated Plan) of the City of Gainesville, Florida is a contributory defined benefit single-employer pension plan that covers City sworn police officers and firefighters. The Plan is established under City of Gainesville (the City) Code of Ordinances, Article 7, Chapter 2, Division 8. It complies with the provisions of Chapter 112, Part VII, Florida Statutes; Chapter 22D-1 of the Florida Administrative Code; Chapters 175 and 185, Florida Statutes; and Article X, Section 14 of the Florida Constitution, governing the establishment, operation, and administration of plans.

Basis of Accounting

The accompanying financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable.

Pension Trust Fund

The accompanying financial statements include only the Consolidated Plan, which is reported as a trust fund in the City's comprehensive annual financial report.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Note 2 - Plan Description

Plan Board

The Board of Trustees of the Consolidated Plan is composed of five individuals. Two are appointed by the City Commission, one police officer is elected by active police members, one firefighter is elected by active fire members and a fifth member selected by the other four trustees and confirmed by the City Commission through a ministerial function. This Consolidated Plan and any amendments were adopted through a City Ordinance by the Commission of the City of Gainesville in accordance with State Statute. The Board of Trustees approves plan amendments.

Plan Membership

As of September 30, 2018, Consolidated Plan membership consisted of the following:

Active employees	396
Inactive employees:	
Retirees and beneficiaries currently receiving benefits	20
Retirees and beneficiaries receiving benefits	447
Total	<u><u>863</u></u>

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN
OF THE CITY OF GAINESVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note 2 - Plan Description (Continued)

Plan Membership (Concluded)

In order to become a member of the Consolidated Plan, a person must be employed by the City on a full-time basis as a certified firefighter or law enforcement officer. An otherwise eligible employee may elect to have future City contributions made to ICMA's defined contribution plan in lieu of continuing active membership in the Consolidated Plan.

Plan Benefit Terms

The Consolidated Plan provides retirement, disability, termination, and death benefits to plan members and beneficiaries.

Monthly Accrued Benefit

- Prior to October 1, 2005, 2.5% of final average earning multiplied by credited service.
- From October 1, 2005 to January 1, 2014, 2.625% of final average earning multiplied by credited service.
- The multiplier applied to credited service earned after July 1, 2013, for police officers, or January 1, 2014, for firefighters was changed to 2.5%.

Final Average Earnings

- Average earnings for the highest 36 consecutive months, or highest 48 consecutive months for police officers who became members on or after July 1, 2013.
- For members who joined the plan on or after October 1, 1996, earnings are limited to \$150,000 per year (as indexed).

Normal Retirement Age and Benefit

Age – Age 55 with at least 10 years of credited service or at any age with at least 20 years of credited service, or any age if combined age and credited service is at least 70. For police officers who become participants on or after July 1, 2013, and firefighters who become participants on or after January 1, 2014, the normal retirement date is age 55 with at least 10 years of credited service or any age with at least 25 years of credited service, or any age if combined age and credited service is at least 70.

Amount – Monthly accrued benefit as described above.

Form of Payment –

- Life annuity with ten years certain (normal form of payment)
- Life annuity
- Actuarially reduced by 66 2/3% joint and contingent annuity (optional)
- Actuarially reduced by 50% joint and last survivor annuity (optional)
- Actuarially reduced by 66 2/3% joint and last survivor annuity (optional)
- Actuarially reduced by 75% joint and last survivor annuity (optional)
- Actuarially reduced by 100% joint and last survivor annuity (optional)

All forms of payment guarantee at least the return of member contributions. In addition, the member may change the joint annuitant after retirement under the conditions set forth in the Consolidated Plan.

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN
OF THE CITY OF GAINESVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note 2 - Plan Description (Continued)

Early Retirement Age and Benefit

Age – Age 50 with at least 10 years of credited service.

Amount – Monthly accrued benefit actuarially reduced by no more than 3% per year for each year that age at retirement precedes age 55.

Form of Payment – Same as for Normal Retirement.

Disability Retirement Eligibility and Benefit

Eligibility – Active members are eligible for a disability benefit provided that they either: (1) become totally and permanently disabled in the line of duty, or (2) have earned at least 5 years of credited service and become totally and permanently disabled not in the line of duty.

Amount – A monthly benefit equal to the largest of (a), (b), or (c), as follows:

- (a) Monthly Accrued Benefit;
- (b) 42% of final average earnings (for disabilities incurred in the line of duty); or
- (c) 25% of final average earnings (for all other disabilities)

Form of Payment – Same as for normal retirement, but in no event will payments be made after the member's recovery from such disability.

Termination Benefit

Age – Age 55 with early commencement available as early as age 50 with at least 10 years of credited service.

Amount – Monthly accrued benefit actuarially reduced, but not to exceed 3% per year, for each year that age at retirement precedes age 55.

Form of Payment – Same as for normal retirement. (Note: Members with less than 10 years of credited service who terminate employment will receive a refund of their membership contributions. Members with at least 10 years of credited service who terminate employment may elect to receive a refund of their member contributions in lieu of any other Plan benefit).

Cost of Living Adjustments (COLA)

- A retired member on or before October 1, 1999, will receive an annual 2% COLA beginning at the later of November 1, 1999, and the October 1 following the member's 62nd birthday.
- A member who retires after October 1, 1999, (including DROP participants) with 25 or more years of service will receive an annual 2% adjustment beginning at the later of November 1, 1999 and the October 1 following the member's 55 birthday.
- A member who retires after October 1, 1999, (including DROP participants) with 20 or more years of service but less than 25 years of service or who retires on or after July 9, 2007, under the Rule of 70 with less than 20 years of service will receive an annual 2% adjustment beginning at the later of November 1, 1999, and the October 1 following the member's 62nd birthday.
- A member who receives a disability retirement after October 1, 1999, shall upon attainment of age 62 on or before October 1 have the next monthly retirement benefit adjusted by 2% beginning the benefit for the month of October next coincident with the retiree's attainment of age 62.

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN
OF THE CITY OF GAINESVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note 2 - Plan Description (Concluded)

Cost of Living Adjustments (COLA) (Concluded)

- Members who are police officers with less than 20 years of service as of July 1, 2013, are required to have 25 years of service to receive a COLA of 1% beginning at age 55, increasing to 2% at age 62. Such members who retire with less than 25 years of service will receive no COLA.

Contribution Requirements

The contribution requirements of Plan members and the City are established and may be amended by City Ordinance approved by the City Commission in accordance with Part V11, Chapter 112, Florida Statutes.

Firefighters contribute 9.0% of gross pay and police officers contribute 7.5% of gross pay. The City is required to contribute at an actuarially determined rate; the rate for fiscal year 2018 was 16.75% of covered payroll for police personnel and 21.45% for fire personnel. This rate was influenced by the issuance of the Taxable Pension Obligation Bonds, Series 2003B. In addition, State contributions are also made to the Plan on behalf of the City under Chapters 175/185, Florida Statutes. Administrative costs are financed through investment earnings.

Reserves

The Plan receives annual contributions from the State of Florida under Chapters 175-185, Florida Statutes. Chapter 185 premium tax revenue up to \$558,361.13 will be used to offset annual required contributions with excess amounts going to the Supplemental Retirement Program. Chapter 175 premium tax revenue up to \$580,918.87 will be used to offset annual required contributions with excess amounts reserved for extra benefits.

Deferred Retirement Option Program

Effective October 1, 1999, a deferred retirement option plan (DROP) has been established. A member is eligible for participation in the DROP after completing 25 years of service or provided combined age and Credited Service is at least 70. Members of the DROP continue as active employees but no longer contribute or accrue benefits. The accrued benefit is calculated at entry into the DROP and is paid into an account within the Plan designated by the member for investment. The maximum period of participation is 60 months. At termination of employment, participant is paid balance of account in the form elected. The balance due to DROP participants at September 30, 2018 is \$6,219,892 and is held by the Consolidated Plan pursuant to the DROP.

Effective July 10, 2007, a reverse deferred retirement option program (reverse DROP) has been established. A member is eligible for participation in the reverse DROP if eligibility for the DROP has been met as of the effective date of commencement in the DROP. Participation in the reverse DROP allows the participant to select a date in the past (the effective date of commencement) for participation in the DROP.

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN
OF THE CITY OF GAINESVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note 3 - Deposits with Financial Institutions and Investments

Cash Deposits

Deposits in financial institutions are collateralized as public funds through a state procedure provided for in Chapter 280, Florida Statutes. Financial institutions qualifying as public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, F. S., no public depositor shall be liable for any loss thereof. The City's operating and Component Units cash deposits are placed with qualified financial institutions and are fully insured or collateralized.

Equity in Pooled Cash and Investments

The City, for accounting and investment purposes, maintains an internal investment pool that includes all of the City's cash deposits and investments, except for those monies which are legally restricted to separate administration or are administered by other agencies. This provides the City the ability to invest large amounts of idle cash for short periods of time and maximize earning potential.

Deposits and investments as of September 30, 2018 are classified in the accompanying financial statements as follows:

Statement of Net Position

Cash and Cash Equivalents	\$ 12,126,781
Equity in Pooled Cash and Investments	2,971,795
Investments	238,565,881
Total Cash and Investments	\$ 253,664,457

Deposits and investments as of September 30, 2018 consist of the following:

Deposits with Financial Institutions	\$ 15,098,576
Investments	238,565,881
Total Cash and Investments	\$ 253,664,457

Rate of Return

For the year ended September 30, 2018, the annual money-weighted rate of return on the Consolidated Plan investments, net of investment expense, was 10.22%. The money-weighted rate of return expresses investments performance, net of investment expense, adjusted for the changing amounts actually invested.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment policies described below provide guidelines for the credit ratings of specific types of investments. Presented below is the rating as of year-end for each investment type:

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN
OF THE CITY OF GAINESVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note 3 - Deposits with Financial Institutions and Investments (Continued)

Credit Risk (Concluded)

Investment Type	Fair Value	Unrated / Exempt	AAA	AA	A	BBB
Equities	\$ 192,121,613	\$ 192,121,613	\$ -	\$ -	\$ -	\$ -
Limited partnerships	3,747,141	3,747,141	-	-	-	-
Real estate	3,840,872	3,840,872	-	-	-	-
Mutual funds	26,931,103	26,931,103	-	-	-	-
U.S. government bonds	11,925,152	-	11,925,152	-	-	-
Total	\$ 238,565,881	\$ 226,640,729	\$ 11,925,152	\$ -	\$ -	\$ -

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater is the sensitivity of its fair value to changes in market interest rates. The Consolidated Plan's investment policies do not provide specific restrictions as to maturity length of investments. Information about the sensitivity of the fair values of the Consolidated Plan's investments to market interest rate fluctuations is provided below, using the segmented time distribution method:

Investment Type	Fair Value	*	< 2 Years	2-5 Years	5-10 Years	> 10 Years
Equities *	\$ 192,121,613	\$ 192,121,613	\$ -	\$ -	\$ -	\$ -
Limited partnerships *	3,747,141	3,747,141	-	-	-	-
Real estate *	3,840,872	3,840,872	-	-	-	-
Mutual funds *	26,931,103	26,931,103	-	-	-	-
U.S. government bonds	11,925,152	-	1,925,687	4,720,585	4,242,733	1,036,147
Total	\$ 238,565,881	\$ 226,640,729	\$ 1,925,687	\$ 4,720,585	\$ 4,242,733	\$ 1,036,147

* Included but not required to be presented by maturity date.

Investment Policy

The investment policy of the Consolidated Plan is established and amended by the Board of Trustees. There were no significant changes to the investment policy during fiscal year 2018.

The primary investment objective of the Plan is to ensure an adequate level of assets are available to fund the benefits guaranteed to City Police and Fire employees and their beneficiaries at the time they are payable. In meeting this objective, the Board of Trustees seeks to achieve a high level of investment return consistent with a prudent level of risk.

A secondary objective is to earn total rate of return after expenses that equals or exceeds the actuarial investment return assumption. The trustees, with the help from actuary and investment consultant, will use the Consolidated Plan's asset allocation as the primary tool to achieve this objective. As this is a long-term projection and investments are subject to short-term volatility, this main investment focus of the Trustee towards the Consolidated Plan and each investment manager will be on performance relative to the appropriate asset class, mix of asset classes, and peer performance over relevant time periods. Each manager is expected to maintain consistent philosophy and style, perform well versus other utilizing the same style, and add incremental value after costs.

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN
OF THE CITY OF GAINESVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note 3 - Deposits with Financial Institutions and Investments (Concluded)

Investment Policy (Concluded)

Other general investment objectives for the Consolidated Plan are:

- Long-term growth of capital – In the absence of contributions and withdrawals, the asset value of the Consolidated Plan should grow in the long run and earn rates of return greater than those of its Policy Index while avoiding excessive risk.
- Preservation of purchasing power – Asset growth, exclusive of contributions and withdrawals, should exceed the rate of inflation (as measured by annual CPI) in order to preserve purchasing power.
- Maintain sufficient funding – Funding should be sufficient to cover unexpected developments, possible future benefit increases and reduction of expected investment returns.

The investment managers may exercise full investment discretion within the prescribed investment policy guidelines and must adhere with Chapters 175/185, Florida Statutes and Section 112.661, Florida Statutes.

Note 4 - Fair Value Measurements

The Consolidated Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Consolidated Plan has the following recurring fair value measurements as of September 30, 2018:

- Equities – Valued at the daily closing price.
- Mutual Funds – Valued at the daily closing price as reported by the fund.
- Real Estate Investment Trust – Valued based on property appraisals.
- U.S. Government Bonds – Valued using quoted market prices.
- Corporate Bonds – Valued using a matrix-pricing model.
- Mortgage and Asset Backed Securities – Valued using interest rate curves and credit spreads applied to the terms of the instrument and consider the counterparty credit rating.

The following table summarizes the Consolidated Plan’s assets for which fair values are determined on a recurring basis:

<u>Investment Type</u>	<u>September 30, 2018</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equities	\$ 192,121,613	\$ 165,987,232	\$ -	\$ 26,134,381
Limited partnerships	3,747,141	-	-	3,747,141
Real estate	3,840,872	3,840,872	-	-
Mutual funds	26,931,103	-	26,931,103	-
U.S. government bonds	11,925,152	11,925,152	-	-
Totals	<u>\$ 238,565,881</u>	<u>\$ 181,753,256</u>	<u>\$ 26,931,103</u>	<u>\$ 29,881,522</u>

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN
OF THE CITY OF GAINESVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
(Continued)**

Note 5 - Net Pension Liability

The components of the net pension liability, measured as of September 30, 2018, were as follows:

Total Pension Liability	\$ 285,979,686
Plan Fiduciary Net Position	<u>(253,221,825)</u>
Net Pension Liability	<u>\$ 32,757,861</u>
Plan fiduciary net position as a percentage of the total pension liability	88.55%

Significant Actuarial Assumptions

The total pension liability, measured as of September 30, 2018, was determined based on October 1, 2017 actuarial valuation, using the following actuarial assumptions:

Inflation	3.00%
Salary Increase for Police Employees with Less Than 5 Years of Service	6.00%
Salary Increase for Fire Employees with Less Than 5 Years of Service	5.00%
Salary Increase for Police Employees with 5 to 9 Years of Service	5.00%
Salary Increase for Fire Employees with 5 to 9 Years of Service	4.00%
Salary Increase for Police Employees with 10 to 14 Years of Service	4.00%
Salary Increase for Fire Employees with 10 to 14 Years of Service	3.00%
Salary Increase for Police Employees with more than 14 Years of Service	3.00%
Salary Increase for Fire Employees with more than 14 Years of Service	2.00%
Investment Rate of Return	8.00%

Mortality rates were based on the RP-2000 Combined Fully Generational Mortality Table with Blue Collar adjustment based on Mortality Improvement Scale AA. 50% of deaths among active members are assumed to be service incurred, and 50% are assumed to be non-service incurred. Disabled mortality is based on the RP-2000 Disability Retiree Mortality Table.

The actuarial assumptions were based on the assumptions approved by the Board of Trustees in conjunction with an experience study covering the 5-year period ending on September 30, 2010. Due to Plan changes first valued in the October 1, 2012, actuarial valuation, changes to the assumed retirement rates and the valuation methodology for the assumed increase in benefit service for accumulated sick leave and accumulated vacation paid upon termination were made. Payroll growth assumptions were updated in 2012, and investments was reviewed by the Board of Trustees in February of 2015, based on an asset liability study reflecting the current investment policy.

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. 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 City contributions will be made at rates equal to the actuarially determined contribution rates less the member and State contributions. Based on those assumptions, the Consolidated 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 the Consolidated Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CONSOLIDATED POLICE OFFICERS AND FIREFIGHTERS RETIREMENT PLAN
OF THE CITY OF GAINESVILLE, FLORIDA
NOTES TO FINANCIAL STATEMENTS
(Concluded)**

Note 5 - Net Pension Liability (Concluded)

Long-term Expected Rate of Return

The long-term expected rate of return on the Consolidated Plan investments was determined over a 30-year time horizon based on the allocation of assets as shown in the current investment policy using the expected geometric return, expected arithmetic return, and the standard deviation arithmetic return. The analysis represented investment rates of return net of investment expenses. The return is expected to be above 8.75% for 60% of market simulations and below 8.75% for 40% of the market simulations.

Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation are summarized in the following table:

	Target Allocation	Long-term Expected Rate of Return *
Large cap equity	35.00%	6.60%
Small cap Equity	15.00%	6.40%
International equity	15.00%	6.90%
Securitized credit	6.00%	4.50%
High yield	4.50%	4.40%
EMD sovereign	4.50%	4.00%
Private markets	5.00%	5.50%
Real estate	10.00%	5.60%
TIPS	2.50%	3.10%
Intermediate government	2.50%	3.40%
Total	100.00%	

* Based on 10 year returns

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 8.00%, as well as what the Consolidated Plan's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (7.00%) or 1 percentage-point higher (9.00%) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Net Pension Liability	\$ 66,361,485	\$ 32,757,861	\$ 4,917,902

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF CHANGES IN CITY'S NET PENSION LIABILITY AND RELATED RATIOS
POLICE OFFICERS' AND FIREFIGHTERS' CONSOLIDATED RETIREMENT PLAN**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability					
Service costs	\$ 3,682,078	\$ 4,254,335	\$ 3,812,252	\$ 4,094,841	\$ 3,730,365
Interest	21,993,597	21,463,554	20,156,185	23,375,806	19,299,422
Differences between expected and actual experience	(2,419,821)	2,311,687	(6,006,515)	(140,568)	-
Changes of assumptions	4,612,282	2,158,450	2,719,455	2,608,508	2,523,158
Benefit payments, including refunds of employee contributions	(19,464,524)	(16,100,144)	(15,444,821)	(17,602,583)	(12,898,782)
Net change in total pension liability	<u>8,403,612</u>	<u>14,087,882</u>	<u>5,236,556</u>	<u>12,336,004</u>	<u>12,654,163</u>
Total pension liability-beginning	<u>277,576,074</u>	<u>263,488,192</u>	<u>258,251,636</u>	<u>245,915,632</u>	<u>233,261,469</u>
Total pension liability-ending (a)	<u>\$ 285,979,686</u>	<u>\$ 277,576,074</u>	<u>\$ 263,488,192</u>	<u>\$ 258,251,636</u>	<u>\$ 245,915,632</u>
Plan fiduciary net position					
Employer contributions	\$ 4,507,892	\$ 4,294,312	\$ 3,716,354	\$ 3,682,847	\$ 3,855,020
Employee contributions	1,963,471	2,024,693	2,093,074	1,972,417	2,067,685
State contributions	1,366,304	1,254,172	1,242,740	1,269,827	1,259,995
Net investment income	24,056,126	31,854,789	22,310,321	(93,259)	21,911,535
Benefit payments, including refunds of employee contributions	(19,464,524)	(16,100,144)	(15,444,821)	(17,602,583)	(12,898,782)
Administrative expense	(699,346)	(564,203)	(585,416)	(609,229)	(609,264)
Net change in plan fiduciary net position	<u>11,729,923</u>	<u>22,763,619</u>	<u>13,332,252</u>	<u>(11,379,980)</u>	<u>15,586,189</u>
Plan fiduciary net position-beginning	<u>241,763,801</u>	<u>219,000,182</u>	<u>205,667,930</u>	<u>217,047,910</u>	<u>201,461,721</u>
Adjustment to beginning of year	<u>(271,899)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position-ending (b)	<u>\$ 253,221,825</u>	<u>\$ 241,763,801</u>	<u>\$ 219,000,182</u>	<u>\$ 205,667,930</u>	<u>\$ 217,047,910</u>
City's net pension liability-ending (a)-(b)	<u>\$ 32,757,861</u>	<u>\$ 35,812,273</u>	<u>\$ 44,488,010</u>	<u>\$ 52,583,706</u>	<u>\$ 28,867,722</u>
Plan fiduciary net position as a percentage of the total pension liability	88.55%	87.10%	83.12%	79.64%	88.26%
Annual covered payroll	\$ 25,263,376	\$ 25,501,291	\$ 23,885,642	\$ 25,539,198	\$ 24,364,333
Net pension liability as a percentage of covered payroll	129.67%	140.43%	186.25%	205.89%	118.48%

Notes to Schedule:

Changes of Assumptions: The investment rate of return was changed from 8.10% to 8.00% for 2018.
The schedule will present ten years comparative data in the future.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF POLICE OFFICERS' AND FIREFIGHTERS' CONSOLIDATED
PENSION PLAN EMPLOYER CONTRIBUTIONS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 4,507,892	\$ 4,294,312	\$ 3,716,354	\$ 3,682,847	\$ 3,855,020
Contributions in relation to the actuarially determined contribution	4,507,892	4,294,312	3,716,354	3,682,847	3,855,020
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 25,263,376	\$ 25,501,291	\$ 23,885,642	\$ 25,539,198	\$ 24,364,333
Contributions as percentage of covered payroll	17.84%	16.84%	15.56%	14.42%	15.82%

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage, closed
Remaining amortization period	30 years
Asset valuation method	Actuarial value
Inflation rate	3.00%
Investment return rate	8.00%, net of investment expenses
Salary increase rate	2.00% to 6.00%
Mortality rates	RP-2000 combined fully generational mortality table with blue collar adjustment

The schedule will present ten years comparative data in the future.

REQUIRED SUPPLEMENTARY INFORMATION

**POLICE OFFICERS' AND FIREFIGHTERS' CONSOLIDATED RETIREMENT PLAN
CITY OF GAINESVILLE, FLORIDA
SCHEDULE OF INVESTMENT RETURNS**

FY	Annual Money-Weighted Rate of Return on Pension Plan Investments
2018	10.22%
2017	15.10%
2016	11.20%
2015	0.00%
2014	11.01%

Note to Schedule

The schedule will present ten years comparative data in the future.