

City of Gainesville

General Employees Pension Plan

Actuarial Valuation Report

As of October 1, 2016

November 2017

Board of Trustees
City of Gainesville
General Employees Pension Plan
200 East University Avenue
Gainesville, FL 32601

This report presents the results of the actuarial valuation of the City of Gainesville General Employees Pension Plan ("Plan") as of October 1, 2016. The purpose of this report is to provide a summary of the funded status of the Plan as of October 1, 2016, to determine the minimum required contribution amount for the fiscal year ending September 30, 2018, and to satisfy State reporting requirements. In addition, this report provides a record of any plan amendments or other changes affecting the financial status of the Plan. We have relied solely on reports prepared by Actuarial Concepts for information shown in this report for periods before October 1, 2016. We have not verified nor are we certifying to the accuracy of this historical information.

This report is prepared for the Board of Trustees for use in its review of the operation of this plan. It is expected that the Board will use the results of this report for the purpose of determining contributions to be made to the Plan, as well as the funding status of Plan benefits. The report is to be used in the preparation of an audited financial report prepared by the plan accountant, if any. The use of this report by other parties and/or for other purposes is not recommended without advance review of the appropriateness of such application by Conduent. Conduent will not accept any liability for any such statement made without prior review by Conduent.

Summary of Valuation Results

Currently, the Plan receives contributions from the City of Gainesville and active members. The amount of the City contribution varies from year to year, while the member contributions are equal to a fixed percentage of 5.0% of payroll. After taking into account expected member contributions, the total required contribution from the City for the 2017/2018 fiscal year is 18.41% of projected payroll. For comparative purposes, the required City contribution for the 2016/2017 fiscal year was 17.45% of payroll.

Discussion of Valuation Results

The contributions received by the Plan are used to pay for the normal cost of the Plan plus provide a payment toward the unfunded actuarial accrued liability. Currently, the Plan has \$526,326,537 in accrued liability and \$352,075,915 in assets at actuarial value, resulting in an unfunded accrued liability of \$174,250,622. The funded percentage increased from 66.47% as October 1, 2015 to 66.89% as of October 1, 2016 primarily due to better than expected investment performance which was offset somewhat by the net impact of assumption changes. The funded percentage is a snapshot measure of the funding of the plan as of the valuation date. It is determined as a ratio of the actuarial value of assets divided by the total actuarial accrued liability on the valuation date. The funded percentage can differ depending on whether the market value of assets is used or the actuarial value of assets. Also, the funded percentages provided in this report do not imply any assessment of the funded position in the event of a settlement.

The City's contribution of \$16,777,348 is determined as the normal cost (including administrative expenses) of \$9,032,752 plus the amortization of the unfunded liability of \$10,588,425, plus the interest adjustment of \$1,713,370, reduced for expected employee contributions \$4,557,199. The City's contribution amounts to 18.41% of projected payroll and is payable during 2017/2018 fiscal year.

Actuarial Experience

The Plan experienced actuarial gains of \$12,580,602. The return on the actuarial value of assets was approximately 13.77%, which compares to the assumed return on the actuarial value of assets of 8.20%. The greater than expected asset return resulted in an actuarial gain of approximately \$17.6 million. There was a \$5.1 million liability loss primarily due to salary increases higher than expected (5.32% average assumed salary increases vs. actual salary increases of 12.39%), greater than expected retirements and other actuarial experience. A reconciliation of the actuarial experience can be found in Table II.

Changes in Plan Provisions

In preparing the actuarial valuation as of October 1, 2016, we have used the same plan provisions as were used to complete the valuation as of October 1, 2015. A summary of the plan provisions can be found in Table XI.

Prescribed Assumptions under Chapter 112

The mortality assumption was updated in accordance with the changes that were enacted in the 2015 legislative session to sections 112.63 and 112.664, Florida Statutes, which require local government pension plans to use the mortality tables used in either of the two most recently published actuarial valuation reports of the Florida Retirement System (FRS), including the projection scale for mortality improvement, and appropriate risk and collar adjustments based on plan demographics. The assumption used in this valuation is the same assumption used in the 2016 FRS valuation as it applies to "other than special risk" participants.

Changes in Actuarial Assumptions and Methods as of October 1, 2016

The investment rate of return assumption was decreased from 8.20% to 8.10% to better reflect expectations on future investment returns. The mortality assumption was updated in accordance with the changes that were enacted in the 2015 legislative session to sections 112.63 and 112.664, Florida Statutes, which require local government pension plans to use the mortality tables used in either of the two most recently published actuarial valuation reports of the Florida Retirement System (FRS), including the projection scale for mortality improvement, and appropriate risk and collar adjustments based on plan demographics. The assumption used in this valuation is the same assumption used in the 2016 FRS valuation as it applies to "other than special risk" participants. The salary increase assumption was adjusted to reflect the City's future salary increase expectations. The asset valuation method was changed to a 5-year phase-in of market value investment gains and losses. The method for amortizing unfunded liability bases was changed. Outstanding bases as of October 1, 2015 were re-amortized over their remaining periods without regard to the one-year delay in payment. Those bases were then rolled forward to October 1, 2016. New bases established at October 1, 2016 and later will be amortized over a period of 30 years, which is the maximum amortization period allowed by Chapter 112.64, Florida Statutes.

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The effect of the assumption changes are summarized as follows:

Event	Entry Age Normal Accrued Liability	Entry Age Normal Cost	City Contribution
Original	\$ 506,814,982	\$ 8,355,553	\$ 15,741,118
Investment Rate of Return	511,423,767	8,526,176	16,110,148
Change to FRS Mortality	533,072,748	8,938,391	17,787,091
Salary Scale	526,326,537	8,361,885	16,777,348

The payroll growth assumption of 4.5% per year reflects the City's expectation for future payroll increases. The City of Gainesville intends to keep the payroll growth assumption that was grandfathered under current Florida Statutes of 5.0% with an adjustment to reflect changes in salary increase assumptions. The payroll growth assumption does not affect the total liability, but changes how the unfunded liability is amortized over time in the City's contribution. A summary of the actuarial methods and assumptions used in the valuation can be found in Tables X.

Basis for the Actuarial Assumptions

The economic and demographic assumptions used in the valuation were adopted by the City in consultation with Conduent. The salary scale was revised effective with the 2016 valuation to reflect the City's future expectations. Conduent recommends a thorough experience review be performed in conjunction with the 2017 valuation.

In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are reasonably related to the experience of the Plan and to reasonable long-term expectations.

Financial and Member Data

This valuation was performed using employee and financial data supplied by the City of Gainesville. The census data was received as of October 1, 2016. Conduent did not audit this data, although it was reviewed for reasonableness and consistency with the prior year's information. The results of the valuation are dependent on the accuracy of the data. Tables VIII through VIId provide a summary of the data used in the valuation.

Estimated Impact of Pension Obligation Bond

As requested, we have estimated the City's contribution rate without reflecting the pension obligation bond contribution. For this purpose we have excluded from the Plan's assets the special contribution of \$38,634,133 and investment earnings of \$77,925,812 as reported by the Plan. On this basis, the City's contribution rate would have been 26.35% of projected payroll for the fiscal year ending 2018. In Table Ia we present a comparison of the contribution requirements with and without the pension obligation bond contribution.

Contents of the Report

A summary of the results of the valuation is presented in Table I. Information for the auditors can be found in Table III. The disclosure information required by Chapter 112, Florida Statutes, is presented in Table IV-IVb. Tables V through VII provide information about the Plan's assets. Table VII provides a historical record of the growth, expenditures, and annual returns of the Plan. Tables VIII through VIIIId provide information regarding the participant population.

Throughout this report, information for valuation years prior to October 1, 2016 was provided for illustrative purposes and is consistent with the information contained in the actuarial valuation reports produced by Actuarial Concepts. Please refer to the prior valuation reports for further details.

Certification

This actuarial valuation was prepared under our direct supervision and we acknowledge responsibility for the results. To the best of our knowledge, the results are complete and accurate and, in our opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the Plan and/or paid from the Plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in Plan costs or required contribution rates have been taken into account in the valuation.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, changes expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions, applicable law or regulations. An analysis of the potential range of such future differences is beyond the scope of this report.

This valuation was prepared in accordance with the standards of practice prescribed by the Actuarial Standards Board, based on the current provisions of the Plan and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Plan. We are members of the American Academy of Actuaries and meet the Academy's qualification standards to issue this Statement of Actuarial opinion. We are available to answer questions regarding any of the content within this report.

Conduent Human Resource Services



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Summary of Valuation Results

Table I

October 1, 2016

1. Number of Members

a. Active Members	1,519
b. Deferred Vested Members	428
c. Retired Members:	
i. Non-disabled	1,122
ii. Disabled	39
iii. Beneficiaries	105
iv. Sub-total	<u>1,266</u>
d. Total Members	3,213

2. Total Annual Compensation

\$ 87,219,116

3. Valuation Payroll

\$ 91,143,976

4. Total Retired Member Benefits

\$ 31,378,761

5. Annual Cost

a. Present Value of Future Benefits	\$ 590,253,827
b. Present Value of Future Normal Cost	63,927,290
<i>City Portion</i>	29,028,803
<i>Member Portion</i>	34,898,487
c. Actuarial Accrued Liability (AAL)	526,326,537
d. Actuarial Value of Assets (AVA)	(352,075,915)
e. Unfunded AAL (UAAL)	<u>\$ 174,250,622</u>
f. Funded Percentage (AVA / AAL)	66.89%
g. Normal Cost	\$ 8,361,885
h. Payment to Amortize Unfunded Liability/(Surplus)	10,588,425
i. Administrative Expenses	670,867
j. Interest adjustment	1,713,370
k. Total	<u>\$ 21,334,547</u>
l. Expected Member Contributions	\$ 4,557,199
m. Estimated City Contributions	16,777,348
n. Total	<u>\$ 21,334,547</u>

6. Annual Cost (as a % of Valuation Payroll)

a. Total Required Contributions	23.41%
b. Expected Member Contributions	5.00%
c. Estimated City Contributions	18.41%

Valuation Results With and Without Pension Bond

Table Ia

	With Pension Bond October 1, 2016	Without Pension Bond October 1, 2016
1. Number of Members		
a. Active Members	1,519	1,519
b. Deferred Vested Members	428	428
c. Retired Members:		
i. Non-disabled	1,122	1,122
ii. Disabled	39	39
iii. Beneficiaries	105	105
iv. Sub-total	1,266	1,266
d. Total Members	3,213	3,213
2. Total Annual Compensation	\$ 87,219,116	\$ 87,219,116
3. Valuation Payroll	\$ 91,143,976	\$ 91,143,976
4. Total Retired Member Benefits	\$ 31,378,761	\$ 31,378,761
5. Annual Cost		
a. Present Value of Future Benefits	\$ 590,253,827	\$ 590,253,827
b. Present Value of Future Normal Cost	63,927,290	63,927,290
<i>City Portion</i>	29,028,803	29,028,803
<i>Member Portion</i>	34,898,487	34,898,487
c. Actuarial Accrued Liability (AAL)	526,326,537	526,326,537
d. Actuarial Value of Assets (AVA)	(352,075,915)	(247,413,211)
e. Unfunded AAL (UAAL)	\$ 174,250,622	\$ 278,913,326
f. Funded Percentage (AVA / AAL)	66.89%	47.01%
g. Normal Cost	\$ 8,361,885	\$ 8,361,885
h. Payment to Amortize Unfunded Liability/(Surplus)	10,588,425	17,248,636
i. Administrative Expenses	670,867	670,867
j. Interest adjustment	1,713,370	2,294,957
k. Total	\$ 21,334,547	\$ 28,576,345
l. Expected Member Contributions	\$ 4,557,199	\$ 4,557,199
m. Estimated City Contributions	16,777,348	24,019,146
n. Total	\$ 21,334,547	\$ 28,576,345
6. Annual Cost (as a % of Valuation Payroll)		
a. Total Required Contributions	23.41%	31.35%
b. Expected Member Contributions	5.00%	5.00%
c. Estimated City Contributions	18.41%	26.35%

Gain and Loss Analysis

Table II

1. Actual Unfunded Accrued Liability as of October 1, 2015¹	\$ 163,923,299
2. Expected Change in Unfunded Liability During the 2015/2016 Plan Year	
a. Due to Employer Normal Cost and Administrative Expenses*	\$ 3,587,449
b. Due to Interest on the Unfunded Liability	13,441,711
c. City Contributions	(13,481,032)
d. Due to Interest on City Contributions	(552,722)
e. Total Expected Change	<u>\$ 2,995,406</u>
3. Expected Unfunded Accrued Liability as of October 1, 2016	\$ 166,918,705
4. Change in Unfunded Liability During the 2015/2016 Plan Year Due to:	
a. Method Changes	\$ 0
b. Assumption Changes	19,912,519
c. Plan Amendments	0
d. Experience (Gain)/Loss	(12,580,602)
e. Total Change	<u>\$ 7,331,917</u>
5. Actual Unfunded Accrued Liability as of October 1, 2016	\$ 174,250,622
6. Development of Outstanding Amortization Obligations as of October 1, 2016	
a. Expected Outstanding Obligations as of October 1, 2016	\$ 166,714,794
b. Assumption Changes	19,912,519
c. Plan Amendments	0
d. Experience (Gain)/Loss	(12,580,602)
e. (Gain)/Loss due to Contribution Timing	203,911
f. Total Outstanding Obligations as of October 1, 2016	<u>\$ 174,250,622</u>
7. Items Affecting Calculation of Accrued Liability	
a. Plan provisions reflected in the accrued liability (see Table XI on page 29)	
b. Plan amendments reflected in item 4.c. above	
c. Actuarial assumptions and methods used to determine accrued liability (see Table X on page 24)	
d. Changes in actuarial assumptions and methods reflected in items 4.a. and 4.b. above (see Table Xa on page 28)	

* As requested by the State Actuary, the normal cost represents the employer portion only, net of actual employee contributions and includes actual administrative expenses.

Gain and Loss Analysis

Table II
(continued)

8. Expected Unfunded Accrued Liability Contribution Rate as of October 1, 2016	12.73%
9. Net Actuarial (Gains)/Losses During the 2015/2016 Plan Year	
a. Due to Salary/Service/Data	0.16%
b. Due to Investment Performance	(0.96%)
c. Due to Turnover/Mortality	(0.02%)
d. Due to New Retirements	0.08%
e. Due to Difference and Timing in Contributions	0.01%
f. Due to New Members	0.03%
g. Total	<u>(0.70%)</u>
10. Change in Unfunded Accrued Liability Rate During the 2015/2016 Plan Year Due to:	
a. Method changes	0.00%
b. Assumption changes	1.14%
c. Plan amendments	<u>0.00%</u>
d. Total Change	<u>1.14%</u>
11. Other Effects	<u>(1.55%)</u>
12. Unfunded Accrued Liability Contribution Rate as of October 1, 2016	11.62%
13. Comments on Change in Unfunded Accrued Liability Contribution Rate:	

Salary/Service/Data: Average salary increases of 12.39% compared to expected increases of 5.32%. Also adjustments in the reported data.

Investment Performance: 13.77% actual vs. 8.20% expected return on the actuarial value of assets.

Turnover/Mortality: Net effect on the valuation liabilities of actual deaths, terminations of employment and disabilities different from what was anticipated in the aggregate by the assumptions related to those events.

New retirements: Net effect on the valuation liabilities of retirements (including DROP) and refund of employee contributions.

New members: Liability created from new members entering the plan.

Due to Differences and Timing of Contributions: Due to the one year lag of when the required contribution is determined and when it is deposited into the fund.

Assumption changes: Please refer to Table Xa for a summary of changes.

Plan amendments: None.

Other effects: Overall payroll increases and adjustments in the amortization of the unfunded actuarial accrued liability.

Present Value of Accrued Benefits

Table III

1. Actuarial Present Value of Accrued Benefits

	October 1, 2015¹	October 1, 2016
a. Vested Accrued Benefits:		
i. Inactive members and beneficiaries	\$ 355,798,087	\$ 382,997,223
ii. Active members	91,122,334	83,025,364
iii. Sub-total	\$ 446,920,421	\$ 466,022,587
b. Non-vested Accrued Benefits	3,104,776	20,838,435
c. Total Benefits	\$ 450,025,197	\$ 486,861,022
d. Market Value of Assets	\$ 334,603,948	\$ 357,298,271
e. Percentage Funded	74.4%	73.4%
f. Interest Rate	8.20%	8.10%

2. Statement of Changes in Total Actuarial Present Value of All Accrued Benefits

a. Actuarial Present Value as of October 1, 2015 ¹	\$ 450,025,197
b. Increase (Decrease) During 2015/2016 Plan Year Attributable to:	
i. Interest	\$ 35,518,432
ii. Benefits accumulated	11,597,723
iii. Benefits paid	(33,747,177)
iv. Plan amendments	0
v. Changes in actuarial assumptions	23,466,847
vi. Net increase (decrease)	\$ 36,835,825
c. Actuarial Present Value as of October 1, 2016	\$ 486,861,022

3. Items Affecting Calculation of Actuarial Present Value of Accrued Benefits

- Plan provisions reflected in the accrued benefits (see Table XI page 29)
- Plan amendments reflected in item 2.b.iv. above
- Actuarial assumptions and methods used to determine present values (see Table X on page 24)
- Changes in actuarial assumptions and methods reflected in item 2.b.v. above (see Table Xa on page 28)

¹ All results prior to October 1, 2016 were developed by the prior actuary.

Information Required by Florida Statute (Chap. 112)

Table IV

	October 1, 2015 ¹	October 1, 2016
1. Participant Data		
a. Active members:		
i. Number	1,465	1,519
ii. Total annual payroll	\$ 80,223,575	\$ 87,219,116
iii. Valuation annual payroll	83,833,636	91,143,976
b. Retired members and beneficiaries:		
i. Number	1,188	1,227
ii. Total annualized benefit	\$ 29,598,883	\$ 31,152,882
c. Disabled members receiving benefits:		
i. Number	37	39
ii. Total annualized benefit	\$ 200,935	\$ 225,879
d. Terminated vested members:		
i. Number	431	428
ii. Total annualized benefit	\$ 2,463,322	\$ 2,668,659
2. Assets		
a. Actuarial Value of Assets	\$ 324,954,509	\$ 352,075,915
b. Market Value of Assets	334,603,948	357,298,271
3. Liabilities		
a. Present value of all future expected benefit payments:		
i. Active members:		
Retirement benefits	\$ 176,583,122	\$ 190,541,237
Vesting benefits	6,584,173	6,524,183
Disability benefits	5,575,296	6,044,582
Death benefits	1,626,975	2,890,938
Return of member contributions	1,708,505	1,255,664
Sub-total	\$ 192,078,071	\$ 207,256,604
ii. Terminated vested members	\$ 8,913,374	\$ 10,670,876
iii. Retired members and beneficiaries:		
Retired (other than disabled) and beneficiaries	\$ 345,457,993	\$ 370,489,557
Disabled members	1,426,720	1,836,790
Sub-total	\$ 346,884,713	\$ 372,326,347
iv. Total present value of all prospective benefits	\$ 547,876,158	\$ 590,253,827

¹ All results prior to October 1, 2016 were developed by the prior actuary.

Information Required by Florida Statute (Chap. 112)

Table IV
(continued)

	October 1, 2015 ¹	October 1, 2016
b. Liabilities due and unpaid	\$ 0	\$ 0
c. Actuarial accrued liability	\$ 488,877,808	\$ 526,326,537
d. Unfunded actuarial accrued liability	\$ 163,923,299	\$ 174,250,622
4. Actuarial Present Value of Accrued Benefits (refer to Table IV for further details)	\$ 450,025,197	\$ 486,861,022
5. Pension Cost		
a. Normal cost		
Retirement benefits	\$ 6,370,741	\$ 6,767,880
Vesting benefits	483,840	623,422
Disability benefits	412,644	427,749
Death benefits	70,187	109,445
Return of member contributions	175,014	433,389
Total normal cost	<u>\$ 7,512,426</u>	<u>\$ 8,361,885</u>
As a % of valuation payroll	8.96%	9.17%
Administrative expenses	633,264	670,867
Total normal cost including admin expenses	<u>\$ 8,145,690</u>	<u>\$ 9,032,752</u>
As a % of valuation payroll	9.72%	9.91%
b. Payment to amortize unfunded liability	\$ 10,671,228	\$ 10,588,425
As a % of valuation payroll	12.73%	11.62%
d. Amount to be contributed by members	\$ 4,191,682	\$ 4,557,199
As a % of valuation payroll	5.00%	5.00%
e. Expected City Contribution:	\$ 14,625,236	\$ 16,777,348
As a % of valuation payroll	17.45%	16.53%
6. Prior Fiscal Year Contributions for year ending	September 30, 2015	September 30, 2016
a. Required Employer contribution	\$ 12,728,606	\$ 14,098,494
b. Actual contribution made by:		
i. Employer	\$ 11,746,935	\$ 13,481,032
iii. Members	4,429,289	4,441,258

¹ All results prior to October 1, 2016 were developed by the prior actuary.

Information Required by Florida Statute (Chap. 112)

Table IV (continued)

	October 1, 2015 ¹		October 1, 2016	
7. Net actuarial (gain)/loss	\$	(4,708,126)	\$	(12,376,691)
8. Other disclosures				
a. Present value of active members':				
i. Future salaries:				
at attained age			\$	697,969,749
at entry age		n/a		n/a
ii. Future contributions:				
at attained age			\$	34,898,487
at entry age		n/a		n/a
b. Present value of future contributions from City			\$	29,028,803
c. Present value of future expected benefit payments for active members at entry age		n/a		n/a
d. Amount of active members' accumulated contributions	\$	32,863,391	\$	33,520,452

¹ All results prior to October 1, 2016 were developed by the prior actuary.

Projection of Benefit Payments

Table IVa

Fiscal Year Beginning	Active Members	Emerging Retirees		Retired Members		Total Retired	
	Number of Active Members	Number of Members	Projected Benefits	Number of Members	Projected Benefits	Number of Members	Projected Benefits
2016	1,519	0	\$ 897,403	1,694	\$ 31,423,577	1,694	\$ 32,320,980
2017	1,392	81	2,064,301	1,668	31,454,727	1,749	33,519,028
2018	1,286	165	3,393,026	1,651	31,610,125	1,816	35,003,151
2019	1,190	254	4,838,028	1,634	31,713,023	1,888	36,551,051
2020	1,105	340	6,220,209	1,615	31,788,890	1,955	38,009,099
2021	1,031	422	7,703,364	1,595	31,911,235	2,017	39,614,599
2022	958	505	9,474,243	1,574	31,992,195	2,079	41,466,438
2023	885	586	11,312,933	1,552	32,106,488	2,138	43,419,421
2024	814	661	13,068,281	1,529	32,196,185	2,190	45,264,466
2025	748	728	14,934,341	1,504	32,294,089	2,232	47,228,431
2026	680	795	16,825,852	1,479	32,272,354	2,274	49,098,206
2027	614	857	18,736,447	1,452	32,313,196	2,310	51,049,642
2028	551	914	20,500,578	1,424	32,266,438	2,338	52,767,016
2029	500	957	22,062,353	1,395	32,118,676	2,352	54,181,029
2030	455	992	23,569,169	1,364	31,916,342	2,356	55,485,512

Unfunded Liability Bases

Table IVb

Description	Original Amount ¹	Outstanding Balance as of October 1, 2015	2015/2016 Amortization Payment	Outstanding Balance as of October 1, 2016	2016/2017 Amortization Payment	Years Remaining October 1, 2016
1. 10/1/2004 2004 Fresh Start		\$ 10,135,762	\$ 716,545	\$ 10,191,593	\$ 743,559	18
2. 10/1/2006 Actuarial Losses		7,324,134	483,115	7,401,983	500,964	20
3. 10/1/2007 Actuarial Gains		(2,617,919)	(167,367)	(2,651,497)	(173,488)	21
4. 10/1/2008 Actuarial Losses		20,019,902	1,242,937	20,316,676	1,287,948	22
5. 10/1/2009 Actuarial Losses		41,684,420	2,517,761	42,378,325	2,608,038	23
6. 10/1/2009 Assumption Change		33,194,593	2,004,971	33,747,171	2,076,861	23
7. 10/1/2010 Actuarial Losses		1,266,236	74,528	1,289,428	77,174	24
8. 10/1/2010 Assumption Change		(9,379,854)	(552,081)	(9,551,650)	(571,682)	24
9. 10/1/2011 Actuarial Losses		39,844,370	2,288,722	40,635,211	2,369,184	25
10. 10/1/2011 Assumption Change		(9,292,336)	(533,766)	(9,476,773)	(552,531)	25
11. 10/1/2012 Actuarial Losses		24,403,238	1,369,915	24,922,055	1,417,606	26
12. 10/1/2013 Actuarial Gains		(2,153,829)	(118,313)	(2,202,428)	(122,392)	27
13. 10/1/2013 Assumption Change		4,679,633	257,059	4,785,225	265,921	27
14. 10/1/2014 Actuarial Gains		(12,447,977)	(669,894)	(12,743,886)	(692,767)	28
15. 10/1/2014 Assumption Change		17,202,254	925,748	17,611,179	957,357	28
16. 10/1/2015 Actuarial Gains	\$ (4,708,126)	(4,708,126)	(248,495)	(4,825,321)	(256,898)	29
17. 10/1/2015 Assumption Change	\$ 4,768,798	4,768,798	251,697	4,887,503	260,209	29
18. 10/1/2016 Actuarial Gains	\$(12,376,691)			(12,376,691)	(646,050)	30
19. 10/1/2016 Assumption Change	\$ 19,912,519			19,912,519	1,039,412	30
Total		\$163,923,299	\$ 9,843,082	\$174,250,622	\$10,588,425	

Projected Unfunded Liability

Date	Total
October 1, 2016	174,250,622
October 1, 2017	176,918,836
October 1, 2018	179,288,100
October 1, 2019	0

¹ All bases established prior to October 1, 2016 were developed by the prior actuary. The original amounts of these bases were not available.

Assets

Table V

	October 1, 2015	October 1, 2016
1. Market Value of Assets*		
a. Cash and cash equivalents (2%)	\$ 5,268,066	\$ 5,845,458
b. U.S. government bonds & notes (0%)	741,968	627,188
c. Corporate bonds (1%)	4,044,103	4,471,702
d. Equities (84%)	265,454,146	299,369,535
e. Insurance contracts (0%)	0	0
f. Real Estate (12%)	54,938,842	45,197,689
g. Mortgages/loans (0%)	278,554	160,020
h. Other assets (1%)	4,087,999	2,073,133
i. Accrued income receivable (0%)	0	203,638
j. Contributions receivable (0%)	0	0
k. Other receivables (0%)	346,395	443,476
l. Benefits payable (0%)	0	0
m. Other payables (0%)	(556,125)	(1,093,568)
n. Other adjustments (0%)	0	0
o. Market Value of Assets	<u>\$ 334,603,948</u>	<u>\$ 357,298,271</u>

* The percentages in parentheses indicate the proportion of assets committed to each type of investment as of October 1, 2016.

Asset Reconciliation

Table Va

Year Ending	September 30, 2015	September 30, 2016
1. Market Value of Assets as of the beginning of the year	\$ 347,480,566	\$ 334,603,948
2. Increases Due to:		
a. Contributions:		
i. Employer	\$ 11,746,935	\$ 13,481,032
ii. Members	4,429,289	4,441,258
iii. Total	<u>\$ 16,176,224</u>	<u>\$ 17,922,290</u>
b. Investment income (interest and dividends)	3,890,095	4,384,647
c. Realized and unrealized gains/(losses)	(4,455,593)	36,534,605
d. Transfer from the disability plan	2,320,442	0
e. Total increases	<u>\$ 17,931,168</u>	<u>\$ 58,841,542</u>
3. Decreases Due to:		
a. Benefit payments	\$ (24,740,015)	\$ (26,862,768)
b. DROP pension payments	(3,371,411)	(6,454,788)
c. Refund of member contributions	(194,781)	(429,621)
d. Administrative expenses	(580,988)	(670,867)
e. Investment expenses	(1,920,591)	(1,729,175)
f. Total decreases	<u>\$ (30,807,786)</u>	<u>\$ (36,147,219)</u>
4. Market Value of Assets as of the end of the year	\$ 334,603,948	\$ 357,298,271

Reconciliation of DROP Accounts

Table Vb

Year Ending	September 30, 2015	September 30, 2016
1. Market Value of Assets as of the beginning of the year	\$ 11,311,721	\$ 12,457,815
2. Increases Due to:		
a. Contributions to DROP Accounts	\$ 3,818,727	\$ 3,505,811
b. Investment Return	698,778	530,078
c. Total increases	<u>\$ 4,517,505</u>	<u>\$ 4,035,889</u>
3. Decreases Due to:		
a. Pension Payments	\$ (3,371,411)	\$ (6,454,788)
b. Expense Charges	0	0
c. Total decreases	<u>\$ (3,371,411)</u>	<u>\$ (6,454,788)</u>
4. Market Value of Assets as of the end of the year	\$ 12,457,815	\$ 10,038,916

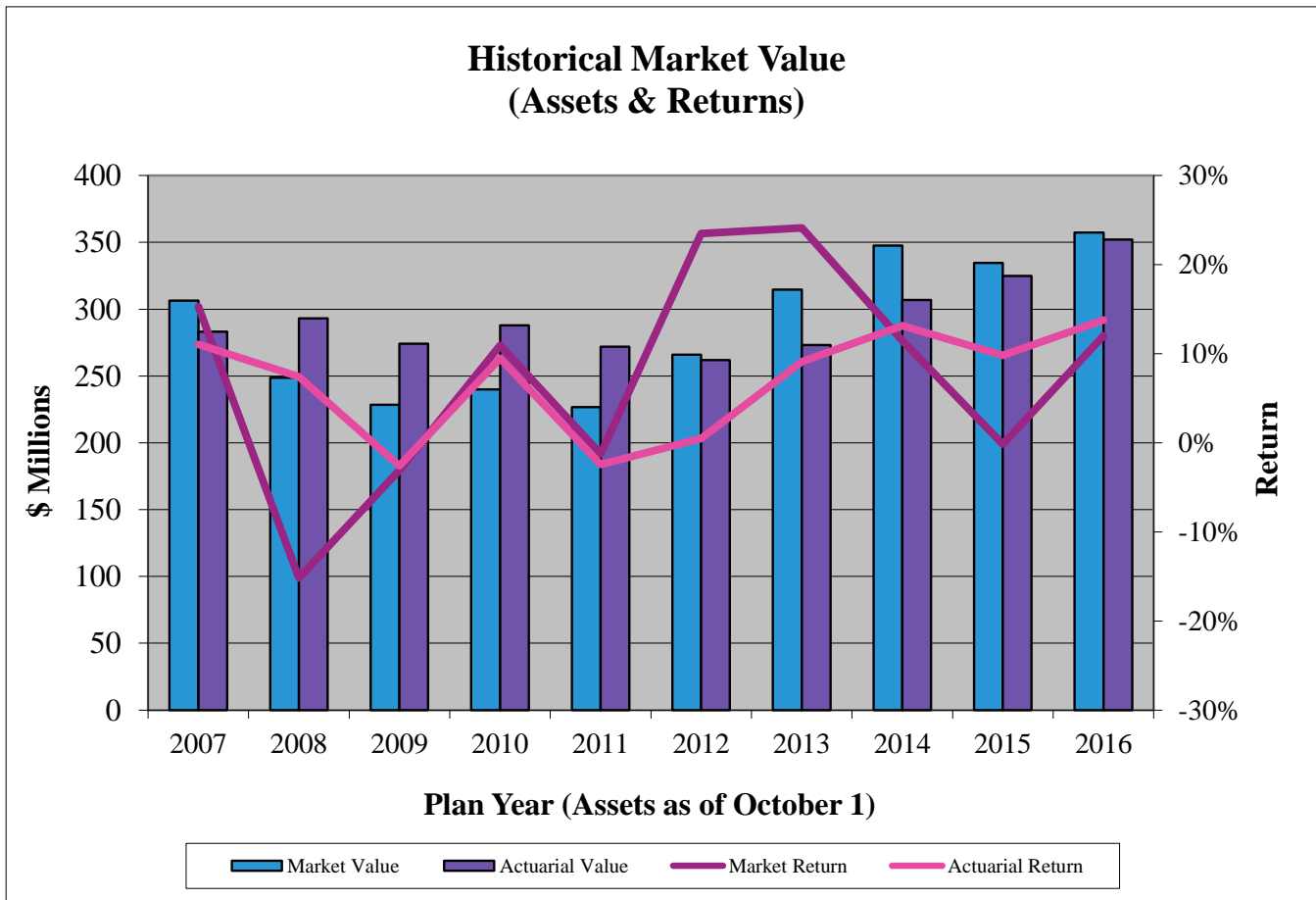
Development of Actuarial Value of Assets

Table Vc

Year Ending		September 30, 2016
1.	Market Value of Assets, beginning of year	
a.	Market Value including DROP Accounts	\$ 334,603,948
b.	DROP Accounts	(12,457,815)
c.	Market Value net of DROP Accounts	<u>\$ 322,146,133</u>
2.	Net Cash Flow	
	(Contributions less Benefit Payments and Administrative Expenses)	\$ (14,076,855)
3.	Gain (Loss) on Investments	
a.	Actual Net Investment Earnings	
	(Net of investment-related expenses)	\$ 39,190,077
b.	Expected Investment Earnings	25,850,202
c.	Net gain (loss)	<u>\$ 13,339,875</u>
4.	Deferral of Gain / (Loss) Recognition in Actuarial Value	
	<u>Year Ending</u>	<u>Total Gain / (Loss)</u>
	2012	\$ 31,769,509
	2013	38,730,860
	2014	8,266,792
	2015	(27,504,055)
	2016	13,339,875
		<u>\$ 5,222,356</u>
5.	End of Year Assets	
a.	Market Value (net of DROP Accounts)	\$ 347,259,355
b.	Actuarial Value (prior to the application of the 80%/120% corridor)	
	(5.a. - 4.)	\$ 342,036,999
6.	Adjustments to Actuarial Value of Assets	
a.	80% of Market Value	\$ 277,807,484
b.	120% of Market Value	416,711,226
c.	Actuarial Value of Assets net of DROP Accounts	
	(5.b., not less than 6.a., nor greater than 6.b.)	342,036,999
d.	DROP Accounts	10,038,916
e.	Final Actuarial Value of Assets (6.c. plus 6.d.)	<u>\$ 352,075,915</u>

Historical Asset Information

Table VI



Plan Year Ending ¹	Market Value as of October 1	Actuarial Value as of October 1	Benefit Payments ²	Administrative Expenses	City and Member Contributions	Market Value Return	Actuarial Value Return
2006	\$ 274,971,260	\$ 262,621,476					
2007	306,491,809	283,130,641	\$ 18,779,354	\$ 431,608	\$ 9,926,883	15.27%	11.06%
2008	248,617,329	293,077,340	17,399,727	627,426	7,210,872	-15.18%	7.41%
2009	228,505,410	274,206,492	18,405,801	636,802	7,611,211	-3.08%	-2.59%
2010	239,911,906	287,894,287	20,104,037	622,604	9,012,253	10.95%	9.47%
2011	226,630,947	271,957,136	22,209,084	548,007	13,704,199	-1.23%	-2.43%
2012	265,874,748	261,967,520	24,120,481	566,863	13,369,217	23.49%	0.50%
2013	314,659,802	273,171,031	26,638,294	552,549	15,147,104	24.12%	9.08%
2014	347,480,566	306,917,954	27,833,871	613,886	15,779,907	11.46%	13.16%
2015	334,603,948	324,954,509	28,306,207	580,988	16,176,224	-0.17%	9.81%
2016	357,298,271	352,075,915	33,747,177	670,867	17,922,290	12.01%	13.77%

¹ Asset values from plan years 2014 and later reflect the inclusion of DROP account balances.

² Includes contributions refunded and payments to DROP accounts.

Revenues by Source and Expenses by Type

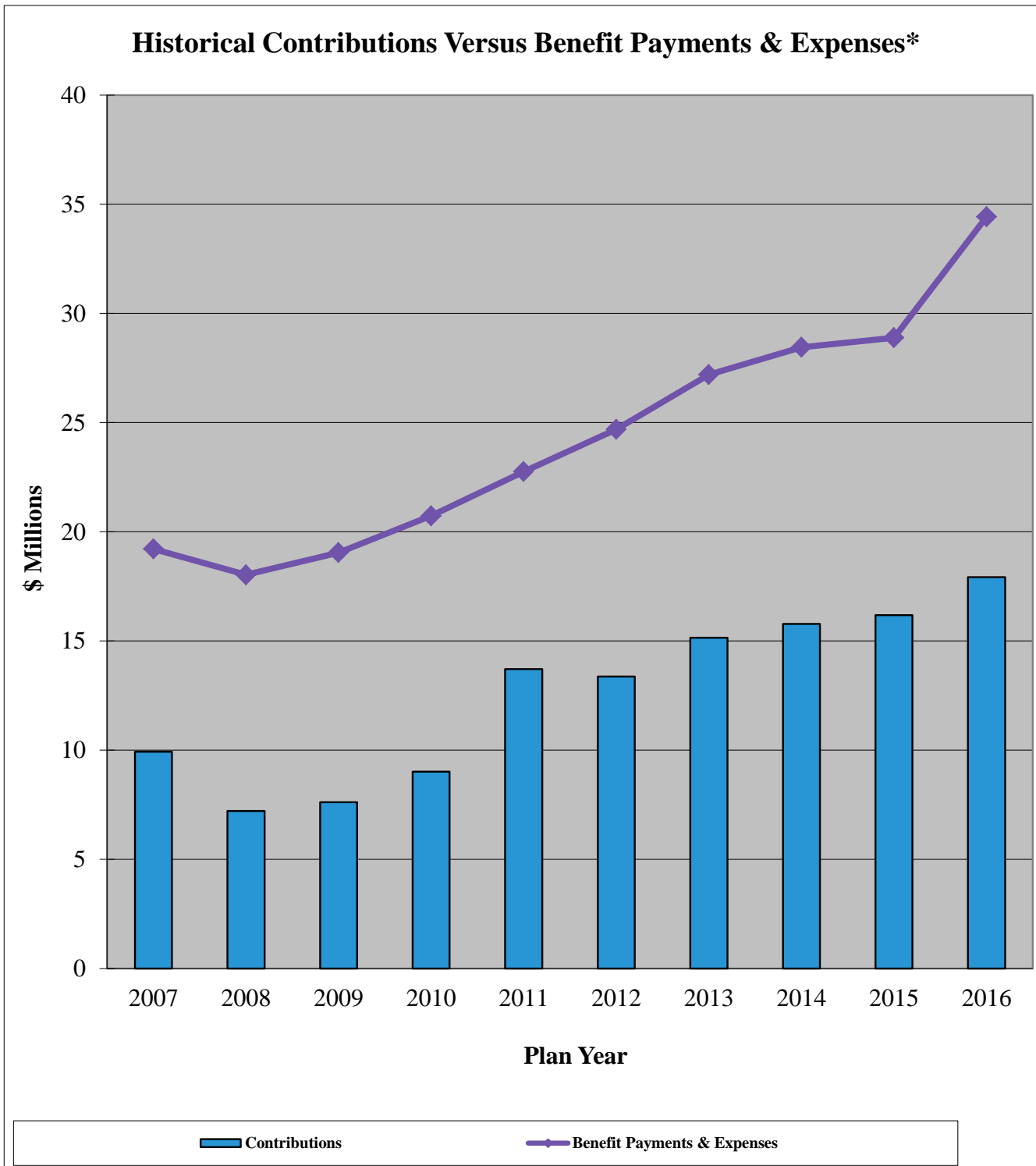
Table VIa

Fiscal Year	REVENUES					
	City Contrib.	Member Contrib.	Total Contrib.	Net Invest. Income	Other	Total
2007	\$ 2,648,008	\$ 7,278,875	\$ 9,926,883	\$ 41,246,813	\$ (1,738,665)	\$ 49,435,031
2008	3,173,929	4,036,943	7,210,872	(45,584,410)	0	(38,373,538)
2009	3,279,364	4,331,847	7,611,211	(7,463,451)	0	147,760
2010	4,431,480	4,580,773	9,012,253	24,324,533	0	33,336,786
2011	8,837,192	4,867,007	13,704,199	(2,886,470)	0	10,817,729
2012	8,684,927	4,684,290	13,369,217	51,765,112	0	65,134,329
2013	10,206,334	4,940,770	15,147,104	62,481,775	0	77,628,879
2014	11,521,139	4,258,768	15,779,907	35,873,600	11,311,721	62,965,228
2015	11,746,935	4,429,289	16,176,224	(565,498)	2,320,442	17,931,168
2016	13,481,032	4,441,258	17,922,290	40,919,252	0	58,841,542

Fiscal Year	EXPENSES					
	Benefits Paid	Member Refunds	DROP Payments	Administrative Expenses	Investment Expenses	Total
2007	\$ 14,358,817	N/A	\$ 4,420,537	\$ 431,608	\$ 1,536,492	\$ 20,747,454
2008	15,522,180	N/A	1,877,547	627,426	1,473,789	19,500,942
2009	16,265,470	181,217	1,959,114	636,802	1,217,076	20,259,679
2010	17,890,641	221,221	1,992,175	622,604	1,203,649	21,930,290
2011	19,157,450	293,291	2,758,343	548,007	1,341,597	24,098,688
2012	20,342,550	290,591	3,487,340	566,863	1,203,184	25,890,528
2013	21,669,654	242,428	4,726,212	552,549	1,652,982	28,843,825
2014	23,032,860	289,246	4,511,765	613,886	1,696,708	30,144,465
2015	24,740,015	194,781	3,371,411	580,988	1,920,591	30,807,786
2016	26,862,768	429,621	6,454,788	670,867	1,729,175	36,147,219

Contributions vs. Payments

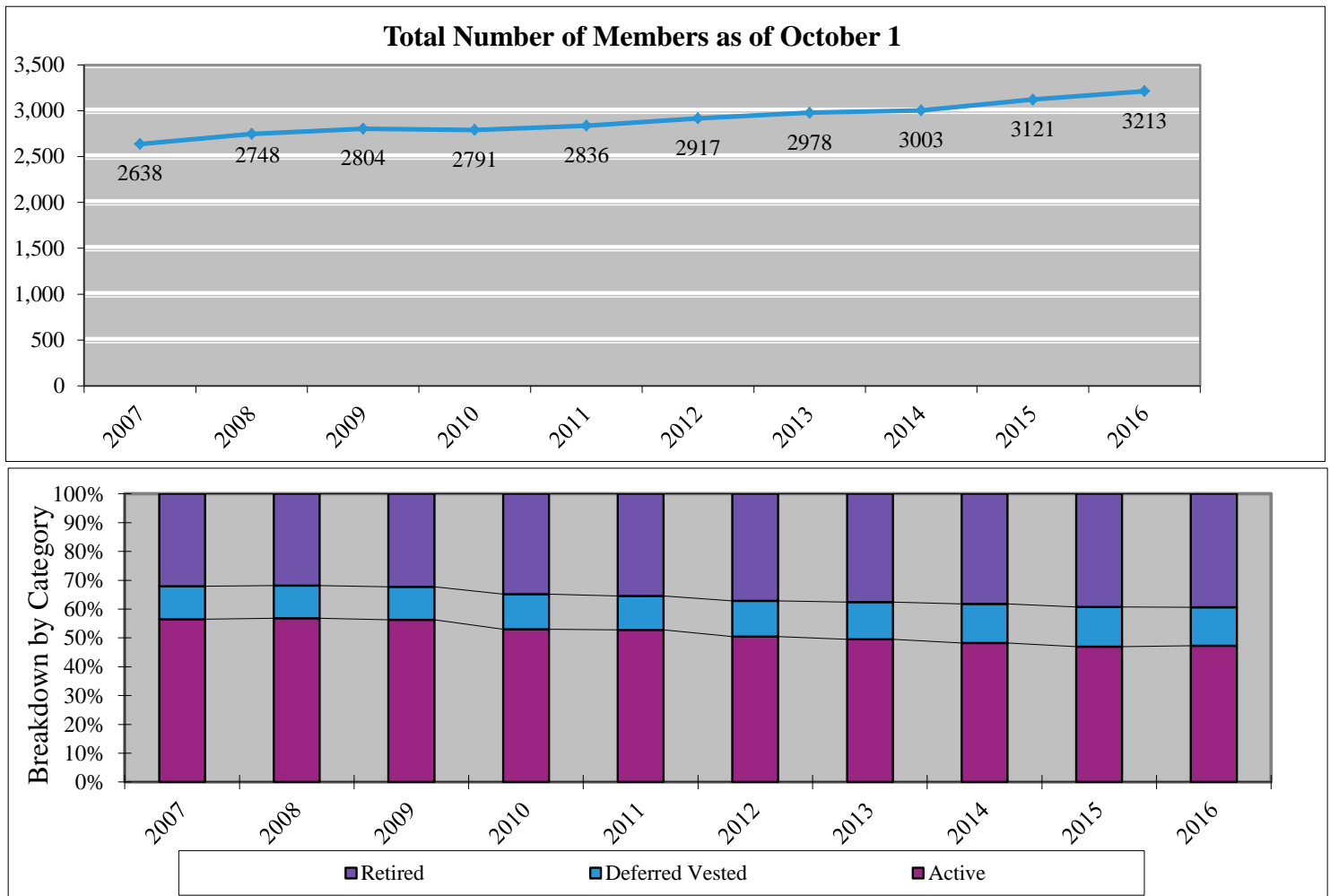
Table VII



* Please reference Table VIa on page 16 for the historical benefit payments, expenses, and contributions.

Summary of Member Data

Table VIII



	<u>October 1, 2015</u>	<u>October 1, 2016</u>
1. Active Members	1,465	1,519
2. Inactive Members not in Receipt	431	428
3. Inactive Members in Receipt		
a. Retirees (excluding DROP)	996	1,048
b. DROP Retirees	92	74
c. Disabled	37	39
d. Beneficiaries	100	105
e. Sub-total	<u>1,225</u>	<u>1,266</u>
4. Total Members	3,121	3,213

Active Data

Table VIIIa

Historical Average Age and Service		
Date	Total	
	Average Service	Average Age
10/01/2007	9.6	43.9
10/01/2008	9.5	44.1
10/01/2009	9.6	44.8
10/01/2010	9.9	45.3
10/01/2011	9.8	45.8
10/01/2012	9.5	45.9
10/01/2013	9.7	46.2
10/01/2014	10.0	46.5
10/01/2015	9.9	46.6
10/01/2016	9.6	46.2

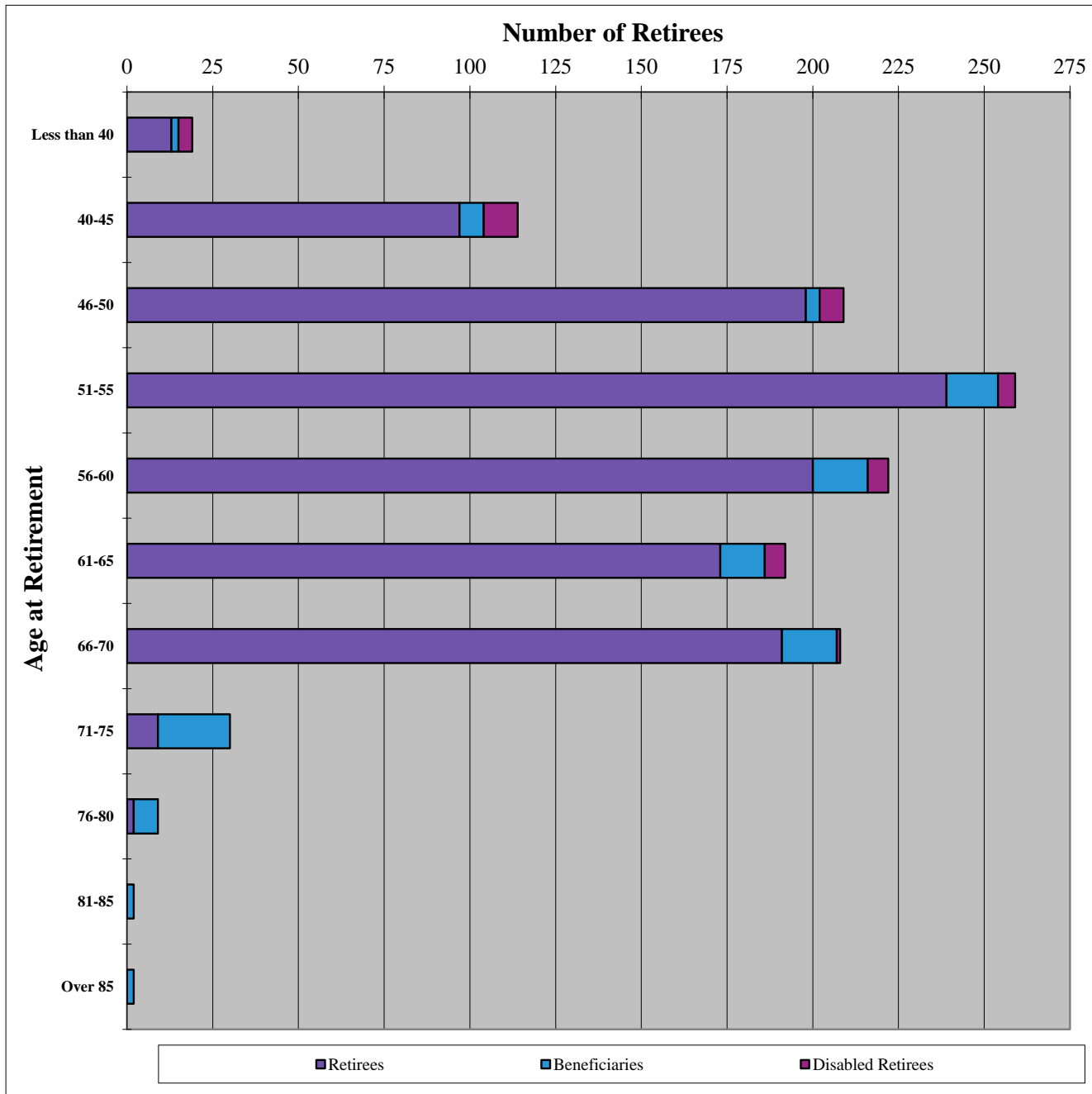
Historical Salary Rate		
Date	Payroll for Fiscal Year	Average Salary
10/01/2007	\$ 72,728,508	48,778
10/01/2008	76,546,090	49,005
10/01/2009	79,691,765	50,502
10/01/2010	76,544,772	51,685
10/01/2011	75,877,965	50,619
10/01/2012	74,750,454	50,816
10/01/2013	77,784,273	52,771
10/01/2014	76,239,783	52,579
10/01/2015	76,530,882	52,240
10/01/2016	87,219,116	57,419

Historical Salary Increase		
Date	Assumed Salary Increase	Actual Salary Increase
10/01/2006	5.46%	11.83%
10/01/2007	5.61%	7.91%
10/01/2008	5.63%	6.14%
10/01/2009	5.68%	4.40%
10/01/2010	5.77%	3.00%
10/01/2011	5.73%	3.01%
10/01/2012	5.74%	3.45%
10/01/2013	5.66%	2.65%
10/01/2014	5.64%	2.74%
10/01/2015	5.56%	2.74%
10/01/2016	5.32%	12.39%

¹ As of October 1, 2016, the 10-year average of historical payroll growth was 1.83%.

Retiree Data

Table VIIIb



	Avg. <u>Age</u>	Average Monthly <u>Benefit</u>
Non-Disabled Retirees	66.5	\$ 2,191.48
Disabled Retirees	62.9	482.65
Beneficiaries	72.4	1,307.03
All Retired Members	66.8	2,065.48

Data Reconciliation

Table VIIIc

	Active	Non-active, Non-retired	Retired	Total
1. Number of members as of October 1, 2015	1,465	431	1,225	3,121
2. Change in status during the plan year:				
a. Actives who became inactive	(36)	36		
b. Actives who retired	(51)		51	
c. Inactives who became active	5	(5)		
d. Inactives who retired		(8)	8	
e. Retirees who became active				
3. No longer members due to:				
a. Death	(3)	(5)	(27)	(35)
b. Permanent break-in-service				
c. Receipt of lump sum payment	(53)	(20)		(73)
d. Expiration of certain period				
e. Included in error last year	(2)	(1)		(3)
4. New member due to:				
a. Initial membership	194			194
b. Death of another member			9	9
c. Excluded in error last year				
d. Reinstatement				
5. Number of members as of October 1, 2016	1,519	428	1,266	3,213

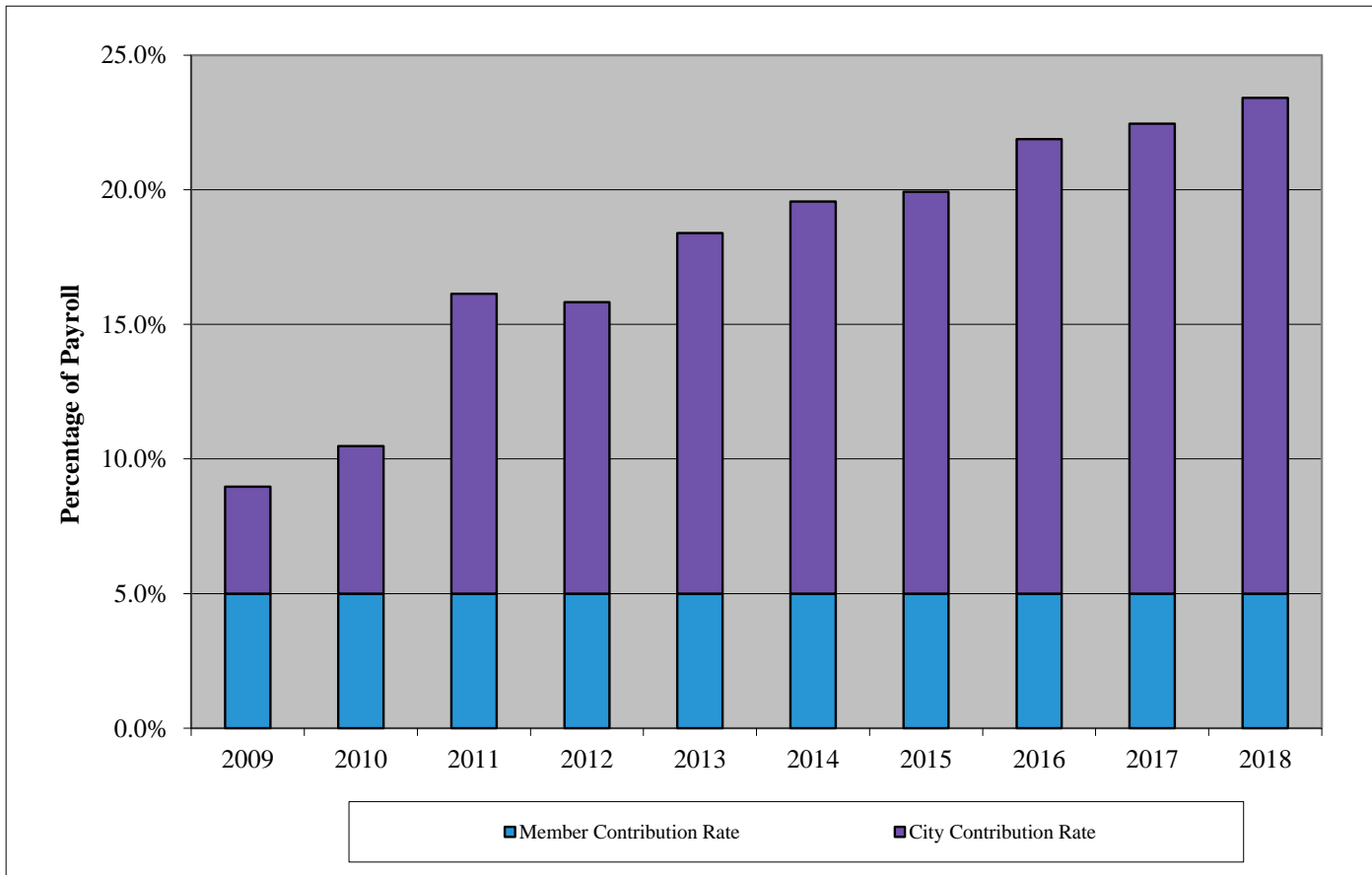
Age-Service-Salary Table

Table VIId

Attained Age	Completed Years of Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	10	14									24
Avg. Pay	26,636	37,492									32,969
25 to 29	41	43	17								101
Avg. Pay	33,998	42,509	48,025								39,982
30 to 34	31	50	39	23							143
Avg. Pay	35,570	46,433	58,354	62,415							49,900
35 to 39	28	55	50	45	27						205
Avg. Pay	35,383	51,525	62,821	63,692	64,031						56,393
40 to 44	25	53	37	48	32	12					207
Avg. Pay	38,653	53,792	54,644	70,286	67,175	72,762					59,109
45 to 49	17	38	53	49	43	29	8				237
Avg. Pay	53,059	52,053	59,894	66,560	64,367	79,344					63,239
50 to 54	21	34	54	53	37	21	14	2			236
Avg. Pay	41,707	52,151	53,698	64,856	65,222	76,725	78,727				60,254
55 to 59	16	26	35	45	43	20	12	2			199
Avg. Pay	34,036	54,598	63,683	63,707	67,519	74,603	83,020				63,258
60 to 64	6	17	33	25	31	7	7	1		1	128
Avg. Pay		51,278	58,730	56,459	64,293						59,824
65 to 69	3	4	7	10	4	3	1			1	33
Avg. Pay				61,353							54,843
70 & up				5		1					6
Avg. Pay											
Total	198	334	325	303	217	93	42	5		2	1,519
Avg. Pay	38,376	49,450	57,795	64,267	65,349	74,480	79,164				57,485

Historical Contribution Rate

Table IX



Fiscal Year Ending	Member Contribution Percentage	Expected City Contribution Percentage¹	Fiscal Year	Member Contribution Percentage	Expected City Contribution Percentage¹
2009	5.00%	3.97%	2014	5.00%	14.56%
2010	5.00%	5.48%	2015	5.00%	14.92%
2011	5.00%	11.14%	2016	5.00%	16.88%
2012	5.00%	10.82%	2017	5.00%	17.45%
2013	5.00%	13.39%	2018	5.00%	18.41%

¹ All results prior to fiscal 2018 were developed by the prior actuary.

Table X: Actuarial Assumptions and Methods

Basis for Assumptions

The economic and demographic assumptions used in the valuation were adopted by the City in consultation with Conduent. Conduent recommends a thorough experience review be performed in conjunction with the 2017 valuation.

The mortality assumption was updated in accordance with the changes that were enacted in the 2015 legislative session to sections 112.63 and 112.664, Florida Statutes, which require local government pension plans to use the mortality tables used in either of the two most recently published actuarial valuation reports of the Florida Retirement System (FRS), including the projection scale for mortality improvement, and appropriate risk and collar adjustments based on plan demographics. The assumption used in this valuation is the same assumption used in the 2016 FRS valuation as it applies to “other than special risk” participants.

Actuarial Cost Method

The method used to determine Normal Cost and Accrued Actuarial Liability is the Entry Age Normal Cost Method.

Decrements

Healthy Inactive Mortality

Female: RP-2000 Annuitant Table with White Collar Adjustment projected generationally with Mortality Improvement Scale BB.

Male: RP-2000 Annuitant Table with 50% White Collar and 50% Blue Collar Adjustment projected generationally with Mortality Improvement Scale BB.

Healthy Active Mortality

Female: RP-2000 Combined Healthy Table with White Collar Adjustment projected generationally with Mortality Improvement Scale BB.

Male: RP-2000 Combined Healthy Table with 50% White Collar and 50% Blue Collar Adjustment projected generationally with Mortality Improvement Scale BB.

Disabled Mortality

Female: RP-2000 Disabled Female Retiree Table set forward two years.

Male: RP-2000 Disabled Male Retiree Table set back four years.

Table X: Actuarial Assumptions and Methods (continued)

Retirement

Members with Hire Dates On or Before October 1, 2007						
	Years of Service					
Age	10-14	15-19	20	21 - 24	25 - 26	27+
56 & Under	0.0%	7.5%	20.0%	5.0%	10.0%	25.0%
57 - 59	0.0	7.5	30.0	7.5	10.0	25.0
60 - 64	0.0	7.5	30.0	30.0	10.0	25.0
65 & Over	33.0	33.0	50.0	30.0	20.0	100.0

Members with Hire Dates On or After October 2, 2007 But On or Before October 1, 2012						
	Years of Service					
Age	10-14	15-19	20-24	25	26-29	30+
56 & Under	0.0%	5.0%	5.0%	20.0%	10.0%	25.0%
57 - 59	0.0	5.0	5.0	30.0	10.0	25.0
60 - 64	0.0	5.0	5.0	30.0	10.0	25.0
65 & Over	33.0	33.0	33.0	50.0	20.0	100.0

Members with Hire Dates On or After October 2, 2012						
	Years of Service					
Age	10-14	15-19	20-24	25	26-29	30+
56 & Under	0.0%	5.0%	5.0%	5.0%	5.0%	25.0%
57 - 59	0.0	5.0	5.0	5.0	5.0	25.0
60 - 61	0.0	5.0	5.0	5.0	5.0	25.0
62	0.0	7.5	15.0	15.0	15.0	50.0
63 - 64	0.0	5.0	5.0	5.0	5.0	50.0
65 & Over	33.0	33.0	33.0	33.0	33.0	100.0

Permanent Withdrawal from Active Status

Males						
	Years of Service					
Age	0 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
Under 30	14.0%	12.0%	8.0%	6.0%	5.0%	4.0%
30 - 34	14.0	12.0	8.0	6.0	5.0	3.0
35 - 39	14.0	12.0	8.0	6.0	5.0	2.5
40 - 64	14.0	12.0	8.0	6.0	5.0	2.0
65 & Over	14.0	12.0	8.0	6.0	5.0	0.0

Females						
	Years of Service					
Age	0 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
Under 30	22.0%	16.0%	13.0%	11.0%	10.0%	7.0%
30 - 34	22.0	16.0	13.0	11.0	10.0	5.0
35 - 39	22.0	16.0	13.0	11.0	10.0	4.0
40 - 64	22.0	16.0	13.0	11.0	10.0	3.0
65 & Over	22.0	16.0	13.0	11.0	10.0	0.0

Table X: Actuarial Assumptions and Methods (continued)

Disability

Representative values of the assumed annual rates of disability among members in active service are set forth in the following table. Two-thirds of disabilities are assumed to be ordinary and one-third is assumed to be service-related. 30% of disabilities are assumed to qualify for Social Security benefits.

Age	Males	Females
25	0.0300%	0.0100%
30	0.0580%	0.0250%
35	0.0730%	0.0480%
40	0.1020%	0.0750%
45	0.1880%	0.1650%
50	0.3130%	0.2850%
55	0.5230%	0.4780%
60	0.6860%	0.5990%
65	0.2390%	0.1500%

Interest Rates

8.10% per annum, net of investment expense and commissions

Marriage Assumption

Percent Married

100% of members are assumed to be married

Age Difference Between Spouses

Male spouses are assumed to be two years older than female spouses.

Salary Increases

Salaries are assumed to increase at the annual rates set forth in the following table:

Years of Service	Rate
6 and Under	5.00%
7 - 11	4.00
Over 11	3.00

Expenses

Annual administrative expenses, exclusive of investment expenses and commissions, are assumed to be equal to the actual administrative expenses incurred since the previous valuation.

Table X: Actuarial Assumptions and Methods (continued)

Assets

The actuarial value of assets is based on a method which fully recognizes benefit payments, expenses, contributions, interest and dividends for the year, and recognizes gains or losses in the fair market value of assets at the rate of 20% per year. The result cannot be greater than 120% of market value or less than 80% of market value.

Unfunded Liability Bases and Funding Period (Pursuant to Chapter 112, Florida Statutes)

All unfunded liability bases which were established prior to October 1, 2004, as well as those bases established as of that date, were combined into a single, "fresh-start" base effective October 1, 2004. Prior to the October 1, 2016 valuation, this base and new bases established after October 1, 2004 were amortized over a period of 30 years, with a one-year delay in payment.

Effective with the October 1, 2016 valuation, outstanding bases as of October 1, 2015 were re-amortized over their remaining periods without regard to the one-year delay in payment. Those bases were then rolled forward to October 1, 2016. New bases established at October 1, 2016 and later will be amortized over a period of 30 years, which period is within the maximum amortization period allowed by Chapter 112.64, Florida Statutes. In addition, the annual payment towards the unfunded actuarial accrued liability has been determined as a level percentage of payroll. Total payroll has been assumed to increase at the rate of 4.50% per annum.

Vacation Payout and Accumulated Sick Leave

Service credits were adjusted by 0.15 year for employees in the paid-time-off (PTO) program and 0.25 year for employees not in the PTO program for benefit determination to recognize any accumulated unused sick leave. Final year of earnings was increased by 10% if service greater than 24, 8% if service greater than 17, 6% if service greater than 12, 4% if service greater than 7 and 2% if service 7 or less for benefit determination for non-PTO employees to recognize credits for special pay. No final earnings adjustment was made for PTO employees.

Table Xa: Assumption and Method Changes

The following assumptions have been changed since the prior valuation:

Effective October 1, 2016:

- a. The investment rate of return assumption was decreased from 8.20% to 8.10% to better reflect expectations on future investment returns.
- b. The mortality assumption was updated in accordance with the changes that were enacted in the 2015 legislative session to sections 112.63 and 112.664, Florida Statutes, which require local government pension plans to use the mortality tables used in either of the two most recently published actuarial valuation reports of the Florida Retirement System (FRS), including the projection scale for mortality improvement, and appropriate risk and collar adjustments based on plan demographics. The assumption used in this valuation is the same assumption used in the 2016 FRS valuation as it applies to “other than special risk” participants.
- c. The salary increase assumptions were adjusted to reflect the City’s future salary increase expectations.
- d. The asset valuation method was changed to a 5-year phase-in of investment gains and losses.
- e. The method for amortizing unfunded liability bases was changed. Outstanding bases as of October 1, 2015 were re-amortized over their remaining periods without regard to the one-year delay in payment. Those bases were then rolled forward to October 1, 2016. New based established at October 1, 2016 and later will be amortized over a period of 30 years, which period is within the maximum amortization period allowed by Chapter 112.64, Florida Statutes.

Table XI: Plan Provisions

Ordinances

Original Ordinance: Chapter 2, Article VII, Division 5 (Employees Pension Plan). Most Recent Ordinance No. 120218 effective September 10, 2012.

Member

All full-time, permanent employees of the City of Gainesville (except police officers and firefighters) or the Gainesville Gas Company are eligible for membership in the Plan upon date of hire.

Member Contributions

5% of Earnings.

Credited Service

Credited Service means the total number of months of service with the City, expressed in terms of full and fractional years. Credited Service will include unused sick leave credits and personal critical leave bank (PLCB) credits. For service earned on or after October 1, 2012, no service shall be credited for unused sick leave or PLCB credits earned on or after October 1, 2012.

Employees who previously chose to participate in the City's 457 plan or defined contribution plan and elect to transfer to this Plan may purchase Credited Service for periods of employment during which they participated in the previous plan.

Earnings

Pay received by a Member as compensation for services to the City, including vacation termination pay, overtime pay, longevity pay and certain other specified pay. For Members with hire dates on or before October 1, 2012, no more than 300 hours of overtime pay earned after October 1, 2012 will be included, nor will termination vacation pay. For Members with hire dates on or after October 2, 2012, no more than 150 hours of overtime pay earned after October 1, 2012 will be included, nor will termination vacation pay.

Final Average Earnings

Final Average Earnings mean average earnings over a consecutive-month period determined by the member's date of hire, according to the following:

For Members with hire dates on or before October 1, 2007	36 months
For Members with hire dates on or after October 2, 2007 but on or before October 1, 2012	48 months
For Members with hire dates on or after October 2, 2012	60 months

Table XI: Plan Provisions (continued)

Monthly Accrued Benefit

A monthly benefit payable for life commencing at Normal Retirement Age equal to a percentage of Final Average Earnings multiplied by Credited Service, where the percentage is determined by the member's date of hire, according to the following:

For Members with hire dates on or before October 1, 2012	2.00%
For Members with hire dates on or after October 2, 2012	1.80%

For Gainesville Gas Company Employees, a monthly benefit payable for life starting at Normal Retirement Age, equal to:

- (i) the accrued benefit earned under the Gainesville Gas Company Employees Pension Plan ("predecessor plan") as of January 10, 1990; plus
- (ii) 2% of Final Average Earnings times Credited Service earned after January 10, 1990; plus
- (iii) for each year of service earned after January 10, 1990, an additional 2% of Final Average Earnings will be credited, not to exceed the service years earned under the accrued benefit formula under the predecessor plan; less
- (iv) for each year of predecessor plan service credited under (iii) above, the portion of the accrued benefit determined under (i) above based on such years.

Normal Retirement Age and Benefit

Eligibility

For Members with hire dates on or before October 1, 2007, the eligibility date is the earlier of age 65 and 10 years of Credited Service or 20 years of Credited Service at any age.

For Members with hire dates on or after October 2, 2007 and on or before October 1, 2012, the eligibility date is the earlier of age 65 and 10 years of Credited Service or 25 years of Credited Service at any age.

For Members with hire dates on or after October 2, 2012, the eligibility date is the earlier of age 65 and 10 years of Credited Service or 30 years of Credited Service at any age.

Amount

Monthly Accrued Benefit

Form of Payment

Life annuity;

Actuarially reduced $66\frac{2}{3}\%$ joint and contingent annuity (optional);

Actuarially reduced $66\frac{2}{3}\%$ joint and last survivor annuity (optional);

Social Security option (optional)

(Note: All forms of payment guarantee at least the return of the Member Contributions.)

Table XI: Plan Provisions (continued)

Early Retirement Age and Benefit

Eligibility

For Members with hire dates on or before October 1, 2012, the eligibility date is the attainment of age 55 and 15 years of Credited Service.

For Members with hire dates on or after October 2, 2012, the eligibility date is the attainment of age 60 and 20 years of Credited Service.

Amount

Monthly Accrued Benefit reduced by 5% per year for each year that age at retirement precedes age 65.

Form of Payment

Same as for Normal Retirement

Deferred Retirement Option Program (DROP)

Eligibility

A member is eligible for participation in the DROP after completing 27 years of Credited Service

Benefit

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 and is credited with a guaranteed rate of interest, compounded monthly. If the Member is hired on or before October 1, 2012, the guaranteed interest rate is 6%. For Members hired after October 1, 2012, the interest rate is 2.25%.

The maximum period of participation is the earlier of 60 months or the attainment of 35 years of Credited Service. At termination of employment, participant is paid the balance of the account in a lump sum or rollover distribution.

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 five consecutive years as a regular employee and become totally and permanently disabled not in the line of duty.

Amount

A monthly benefit equal to Final Average Earnings multiplied by his basic disability percentage, which is a percentage equal to Credited Service multiplied 2.00%, but not less than 42% for disabilities incurred in the line of duty, or 25% for all other disabilities; offset by his disability benefit percentage, up to a maximum of 50%, multiplied by the initial monthly Social Security Primary Insurance Amount (whether or not in payment status) to which a Member is entitled. The benefit is limited to \$3,750 per month or an amount equal to his maximum benefit percentage with the above reductions, payable beginning the month of disability or the month following the termination of sick leave payments.

Form of Payment

Monthly benefit payable for life, but in no event will payments be made after the Member's recovery from such disability.

Table XI: Plan Provisions (continued)

Termination Benefit

Eligibility

Five years of Credited Service.

Amount

Monthly Accrued Benefit payable at age 65.

Form of Payment

Same as for Normal Retirement

(Note: Members with fewer than 5 years of Credited Service who terminate employment will receive a refund of their Member Contributions without interest.)

Pre-Retirement Death Benefit

In the case of the death of a member prior to retirement, his beneficiary will receive the member's accumulated contributions without interest, or if such member had attained eligibility for normal or early retirement, then his beneficiary will receive the member's benefit accrued as of the date of death and payable in the form chosen by the beneficiary, reduced if paid at the deceased member's Early retirement date and unreduced if paid at the deceased member's normal retirement date.

Cost-of-Living Adjustments

A retired member on or before October 1, 2000 will receive an annual 2% adjustment beginning at the later of October 1, 2000 and the October 1 following his 62nd birthday.

For Members with at least 25 years of Credited Service on or before October 1, 2012, a 2% per year increase for retired Members and their beneficiaries, commencing at the later of October 1, 2000, or the October 1 following the Member's age 60.

For Members with at least 20 years of Credited Service (but less than 25) on or before October 1, 2012, a 2% per year increase for retired Members and their beneficiaries, commencing at the later of October 1, 2000, or the October 1 following the Member's age 62.

For Members hired on or before October 1, 2012 who do not have 20 years of Credited Service on or before October 1, 2012, the eligibility date is attainment of age 65 and 25 years of Credited Service.

For new members hired after October 1, 2012, the eligibility date is attainment of age 65 and 30 years of Credited Service.

Cost-of-living increases do not apply during the DROP period.

Actuarial Equivalence

Actuarial equivalence shall mean a benefit of equivalent value to the benefit which otherwise would have been provided to the member, based on the 1994 Group Annuity Mortality Basic Table-Unisex 50/50 and an interest rate of 9.5 percent, unless otherwise specified.