

**ADDENDUM NO. 1**

Date: June 12, 2018

Bid Date: June 25, 2018  
at 3:00 P.M. (Local Time)

Bid Name RFP for Actuarial Services for City of Gainesville  
General Employees' Pension Plan and the City of Gainesville  
Retiree Health Insurance Trust Fund

Bid No.: FPEN-180084-DH

NOTE: This Addendum has been issued only to the holders of record of the specifications.

The original Specifications remain in full force and effect except as revised by the following changes which shall take precedence over anything to the contrary:

1. Any questions shall be submitted in writing to the City of Gainesville Purchasing Division by 3:00 p.m. (local time), June 18, 2018. Questions may be submitted as follows:  
 Email: [holderds@cityofgainesville.org](mailto:holderds@cityofgainesville.org)  
 or  
 Faxed (352) 334-3163  
 Attention: Diane Holder
2. Please find attached:
  - a) Copy of the black out period information (Financial Procedures Manual Section 41-423 Prohibition of lobbying in procurement matters)) distributed during mandatory pre-bid meeting.
  - b) Exhibit A-October 1, 2016 Valuation Report-General Employees Retirement Plan
  - c) Exhibit B-2015 Retiree Health Fund Valuation Report final 7-28-16
  - d) Exhibit C-FY2017 General Employees' Pension GASB 67 Report
  - e) Exhibit D-FY2017 General Employees' Pension GASB 68 Report
  - f) Exhibit E-FY17 Retiree Health Insurance Fund GASB 45 and 74 Report Final

The following are answers/clarifications to questions received:

3. Question: Who is your current provide and can we get the latest copies of your valuation and GASB reports?  
 Answer: Conduent currently provides actuarial services for the City of Gainesville General Employees' Pension Plan and the Retiree Health Insurance Trust Fund. Requested Reports attached.
4. Question: Why are you going out to bid?  
 Answer: Original Agreement was with Xerox/Buck which was changed to Conduent in 2017. Now Conduent actuarial services business is being sold to H.I.G. Private Equity. Too many firm changes, and actuarial services team turnover.

5. Question: Are there any service issues with your current provider?  
Answer: No
6. Question: What fees do you currently pay for the services covered by the RFP?  
Answer: General Employees' Pension Valuation Report \$28,500  
General Employees' Pension GASB 67 & 68 \$12,500  
General Employees' Pension FL Chapter 112.664 Disclosure \$5,500  
General Employees' Pension Benefit Calculation Review \$250  
Retiree Health Fund Valuation Report/GASB 45 \$25,500  
Retiree Health Fund GASB 74 & 75 \$5,500
7. Question: Can you provide the amount of the total fees paid to the current actuarial vendor in 2015, 2016 and 2017? Was the scope of that work the same as required in this RFP?  
Answer: Most recent/current fees have been provided. Scope of work is the same as required in RFP.
8. Question: Please identify a current actuarial vendor. How long has the current actuarial vendor served the City in that capacity?  
Answer: Prior to 2016, Actuarial Concepts was actuary for referenced City Plans for over 20 years. Through a 2016 RFP process, Xerox/Buck was hired as actuary. In 2017 Xerox/Buck became Conduent, who is current actuary.
9. Question: Is the current actuarial vendor allowed to bid on this assignment?  
Answer: Yes.
10. Question: Has the City been totally satisfied with the current vendor?  
Answer: Yes.
11. Question: Can you provide the copies of the most recent actuarial funding valuation report for Pension and OPEB plans and GASB disclosure reports (if prepared separately)?  
Answer: Previously provided.
12. Question: Will any preference be given to the bidder maintaining an office in the State of Florida?  
Answer: No.
13. Question: Is it mandatory that the successful bidder provides the similar services for public entities in the State of Florida?  
Answer: Preferred.
14. Question: How many live meetings will be required under the terms of the engagement and must be included into the total fees?  
Answer: 1
15. Question: Must our proposal cover all services listed in the RFP or will the City accept proposals only providing the requested GASB Reporting and Biannual Actuarial Valuation Reports Plan and the Retiree Health Insurance Trust Fund?  
Answer: Proposals should cover all services listed in RFP.

16. Question: Please provide the most recent Pension and OPEB actuarial reports and experience study  
Answer: See Attachments, No recent Experience Studies are available.
17. Question: Were any plan changes made since the last valuation reports?  
Answer: The assumed rate of return on investments was lowered from 8.10% in FY2016 to 8.0% in FY2017, and will be lowered to 7.9% in FY2018.
18. Question: Is the OPEB plan fully insured or self-insured?  
Answer: Self-Insured.
19. Question: What is the budget for services being requested in this RFP?  
Answer: The budget will be in line with previous fees paid for actuarial services, with adjustments made for fees quoted in the newly accepted proposal.
20. Question: How long has the current actuary been providing these services?  
Answer: See question #8.
21. Question: Is the current actuary invited to bid on this RFP?  
Answer: See #9
22. Question: Are you open to accepting mutually-agreeable contract terms, which include some limitation of liability on the work performed by the contracting actuarial firm? Also, are there any statutory requirements regarding limitation of liability of which we should be aware?  
Answer: The City will negotiate contract terms with the firm whose proposal is accepted. Limitations of liability are negotiable. There are no statutory requirements regarding limitations of liability.
23. Question: How many full time employees does the municipality currently have?  
Answer: See attached Actuarial Valuations
24. Question: How many retirees currently receiving healthcare benefits does the municipality have?  
Answer: See attached Actuarial Valuations
25. Question: Are you self-insured or fully-insured?  
Answer: Self-Insured
26. Question: Are there different types of plans (high-coverage, low-coverage, etc.) that retirees can choose from? Or is everyone covered by the same plan?  
Answer: The City offers one plan for retirees. When a retiree reaches age 65 Medicare eligibility, they can choose to enroll in a Medicare Supplement sponsored by the employer and billed to the employer. The City's contribution can be applied to the Medicare Supplement and Part D option or the City's Health Plan.

27. Question: Does the plan provide just health insurance, or do you provide dental, vision, life insurance, or any other type?  
Answer: Health Insurance only. There is a separate Group Life Insurance Policy for active employees that has a retiree classification. The retiree benefit reduces at retirement until it reaches a minimum benefit of \$5000.
28. Question: Are there any other post-retirement benefits that need to be included in the valuation?  
Answer: No
29. Question: Will your valuation need to be broken out by different employee departments? If so, how many departments? (Note: this will most likely increase the cost of the valuation)  
Answer: No
30. Question: Does the City have a trust fund which post employments benefits are paid?  
Answer: Yes
31. Question: Subsidized post-employment life insurance is or not provided?  
Answer: Employer paid Life Insurance is provided for active employees - at retirement, the benefit is gradually reduced to \$5000.
32. Question: Are there unit(s) for which costs and liabilities must be separately disclosed?  
Answer: No
33. Question: Does the municipality value life insurance?  
Answer: Employer paid Life Insurance program is not for of the Retiree health Insurance Trust Fund, and is not included in the actuarial valuation of that Fund.

ACKNOWLEDGMENT: Each Proposer shall acknowledge receipt of this Addendum No. 1 by his or her signature below, **and a copy of this Addendum to be returned with proposal.**

CERTIFICATION BY PROPOSER

The undersigned acknowledges receipt of this Addendum No. 1 and the Proposal submitted is in accordance with information, instructions, and stipulations set forth herein.

PROPOSER: \_\_\_\_\_

BY: \_\_\_\_\_

DATE: \_\_\_\_\_

# CITY OF \_\_\_\_\_ FINANCIAL SERVICES GAINESVILLE PROCEDURES MANUAL

## **41-423      Prohibition of lobbying in procurement matters**

Except as expressly set forth in Resolution 060732, Section 10, during the black out period as defined herein no person may lobby, on behalf of a competing party in a particular procurement process, City Officials or employees except the purchasing division, the purchasing designated staff contact. Violation of this provision shall result in disqualification of the party on whose behalf the lobbying occurred.

Black out period means the period between the issue date which allows for immediate submittals to the City of Gainesville Purchasing Department for an invitation for bid or the request for proposal, or qualifications, or information, or the invitation to negotiate, as applicable, and the time the City Officials and Employee awards the contract.

Lobbying means when any natural person for compensation, seeks to influence the governmental decision making, to encourage the passage, defeat, or modification of any proposal, recommendation or decision by City Officials and Employees, except as authorized by procurement documents.

**ADDENDUM NO. 1**

Bid Name RFP for Actuarial Services for City of Gainesville

Bid No.: FPEN-180084-DH

**EXHIBIT A**  
**2016 Valuation Report-General**  
**Employees Retirement Plan**

# 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.

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 VIIIId 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



Joseph L. Griffin, ASA, EA, MAAA, FCA  
Principal, Retirement Consulting  
Enrollment No. 17-06938



Timothy G. Bowen, EA, MAAA, FCA  
Principal, Retirement Consulting  
Enrollment No. 17-07204

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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	<b>3,213</b>

### 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)	<b>66.89%</b>
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
<b>1. Number of Members</b>		
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
<b>2. Total Annual Compensation</b>	\$ 87,219,116	\$ 87,219,116
<b>3. Valuation Payroll</b>	\$ 91,143,976	\$ 91,143,976
<b>4. Total Retired Member Benefits</b>	\$ 31,378,761	\$ 31,378,761
<b>5. Annual Cost</b>		
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
<b>6. Annual Cost (as a % of Valuation Payroll)</b>		
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

<b>1. Actual Unfunded Accrued Liability as of October 1, 2015<sup>1</sup></b>	<b>\$ 163,923,299</b>
<b>2. Expected Change in Unfunded Liability During the 2015/2016 Plan Year</b>	
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>
<b>3. Expected Unfunded Accrued Liability as of October 1, 2016</b>	<b>\$ 166,918,705</b>
<b>4. Change in Unfunded Liability During the 2015/2016 Plan Year Due to:</b>	
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>
<b>5. Actual Unfunded Accrued Liability as of October 1, 2016</b>	<b>\$ 174,250,622</b>
<b>6. Development of Outstanding Amortization Obligations as of October 1, 2016</b>	
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>
<b>7. Items Affecting Calculation of Accrued Liability</b>	
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)

<b>8. Expected Unfunded Accrued Liability Contribution Rate as of October 1, 2016</b>	12.73%
<b>9. Net Actuarial (Gains)/Losses During the 2015/2016 Plan Year</b>	
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>
<b>10. Change in Unfunded Accrued Liability Rate During the 2015/2016 Plan Year Due to:</b>	
a. Method changes	0.00%
b. Assumption changes	1.14%
c. Plan amendments	0.00%
d. Total Change	<u>1.14%</u>
<b>11. Other Effects</b>	<u>(1.55%)</u>
<b>12. Unfunded Accrued Liability Contribution Rate as of October 1, 2016</b>	11.62%
<b>13. Comments on Change in Unfunded Accrued Liability Contribution Rate:</b>	

**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

	<b>October 1, 2015<sup>1</sup></b>	<b>October 1, 2016</b>
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	<b>\$ 450,025,197</b>	<b>\$ 486,861,022</b>
d. Market Value of Assets	<b>\$ 334,603,948</b>	<b>\$ 357,298,271</b>
e. Percentage Funded	<b>74.4%</b>	<b>73.4%</b>
f. Interest Rate	<b>8.20%</b>	<b>8.10%</b>

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

a. Actuarial Present Value as of October 1, 2015 <sup>1</sup>	<b>\$ 450,025,197</b>
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)	<b>\$ 36,835,825</b>
c. Actuarial Present Value as of October 1, 2016	<b>\$ 486,861,022</b>

### 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)

<sup>1</sup> 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 <sup>1</sup>	October 1, 2016
<b>1. Participant Data</b>		
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
<b>2. Assets</b>		
a. Actuarial Value of Assets	\$ 324,954,509	\$ 352,075,915
b. Market Value of Assets	334,603,948	357,298,271
<b>3. Liabilities</b>		
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

<sup>1</sup> 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 <sup>1</sup>	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
<b>4. Actuarial Present Value of Accrued Benefits</b> (refer to Table IV for further details)	\$ 450,025,197	\$ 486,861,022
<b>5. Pension Cost</b>		
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	\$ 7,512,426	\$ 8,361,885
As a % of valuation payroll	8.96%	9.17%
Administrative expenses	633,264	670,867
Total normal cost including admin expenses	\$ 8,145,690	\$ 9,032,752
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%
<b>6. Prior Fiscal Year Contributions for year ending</b>	<b>September 30, 2015</b>	<b>September 30, 2016</b>
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

<sup>1</sup> 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 <sup>1</sup>		October 1, 2016	
<b>7. Net actuarial (gain)/loss</b>	\$	(4,708,126)	\$	(12,376,691)
<b>8. Other disclosures</b>				
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

<sup>1</sup> 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 <sup>1</sup>	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
<b>Total</b>		<b>\$163,923,299</b>	<b>\$ 9,843,082</b>	<b>\$174,250,622</b>	<b>\$10,588,425</b>	

### 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

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

	October 1, 2015	October 1, 2016
<b>1. Market Value of Assets*</b>		
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
<b>1. Market Value of Assets as of the beginning of the year</b>	<b>\$ 347,480,566</b>	<b>\$ 334,603,948</b>
<b>2. Increases Due to:</b>		
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>
<b>3. Decreases Due to:</b>		
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>
<b>4. Market Value of Assets as of the end of the year</b>	<b>\$ 334,603,948</b>	<b>\$ 357,298,271</b>



## Reconciliation of DROP Accounts

Table Vb

Year Ending	September 30, 2015	September 30, 2016
<b>1. Market Value of Assets as of the beginning of the year</b>	<b>\$ 11,311,721</b>	<b>\$ 12,457,815</b>
<b>2. Increases Due to:</b>		
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>
<b>3. Decreases Due to:</b>		
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>
<b>4. Market Value of Assets as of the end of the year</b>	<b>\$ 12,457,815</b>	<b>\$ 10,038,916</b>

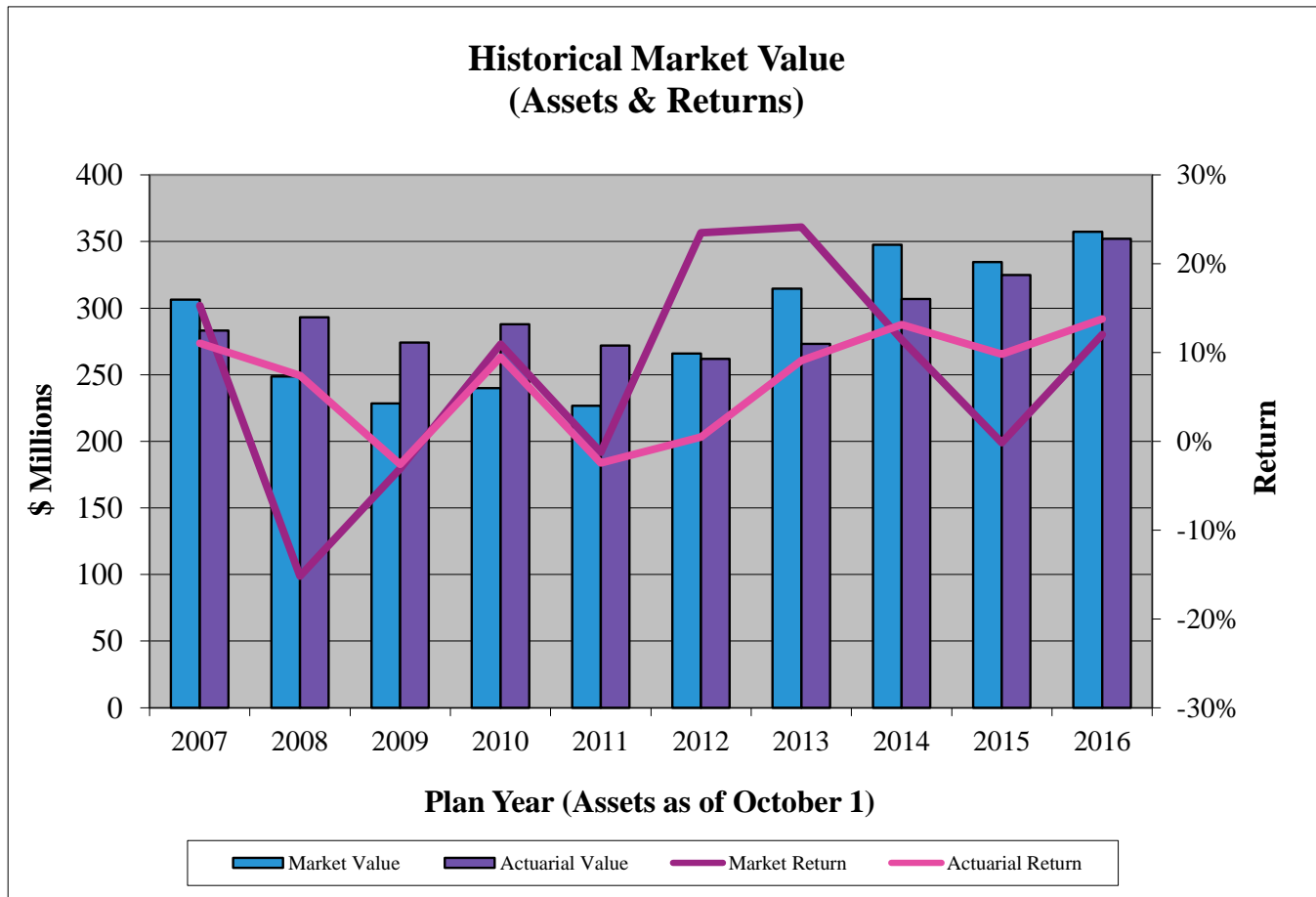
## Development of Actuarial Value of Assets

## 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	\$ 322,146,133
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)	\$ 13,339,875
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
		\$ 5,222,356
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.)	\$ 352,075,915

## Historical Asset Information

Table VI



Plan Year Ending <sup>1</sup>	Market Value as of October 1	Actuarial Value as of October 1	Benefit Payments <sup>2</sup>	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%

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

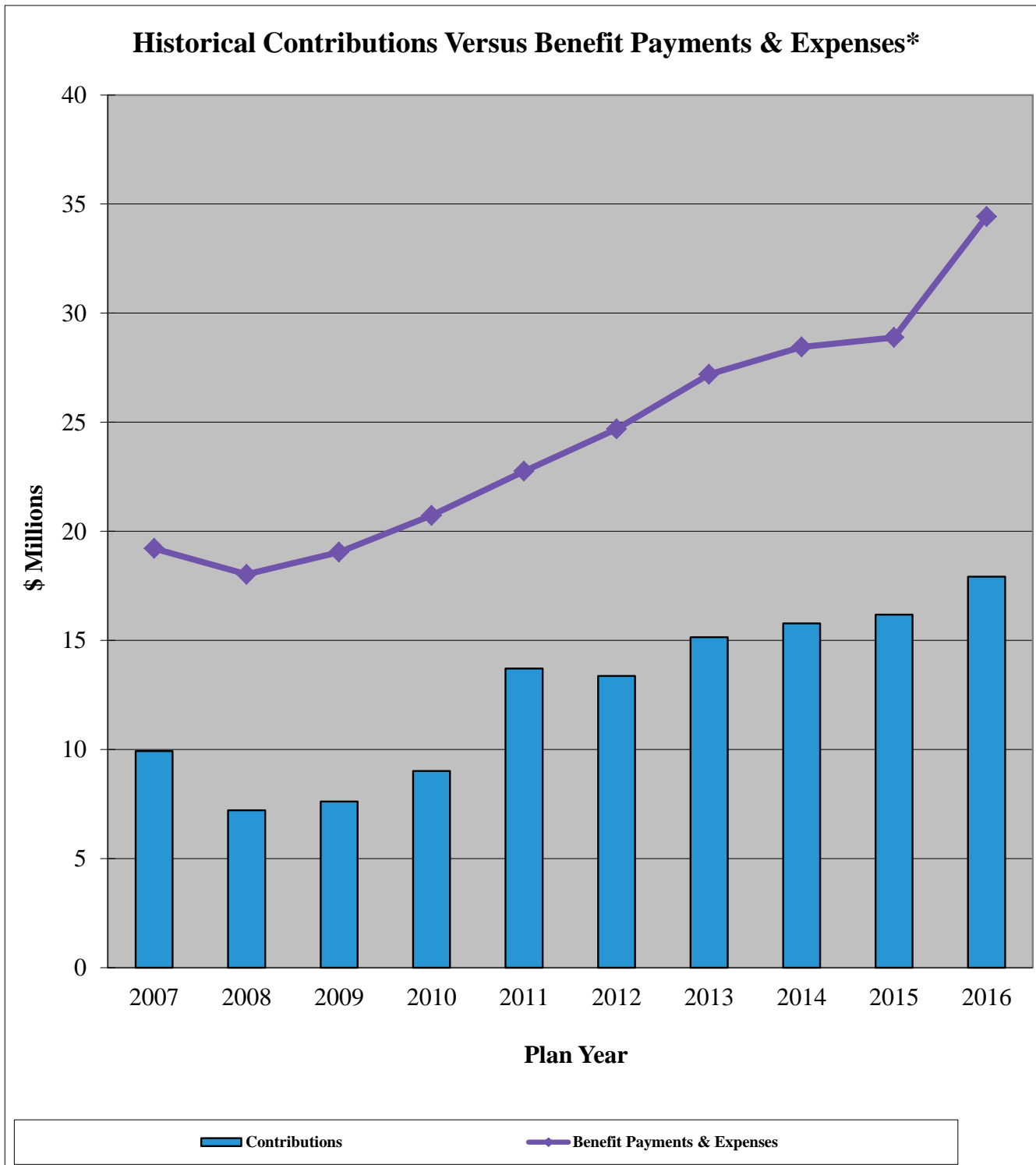
<sup>2</sup> Includes contributions refunded and payments to DROP accounts.

## 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

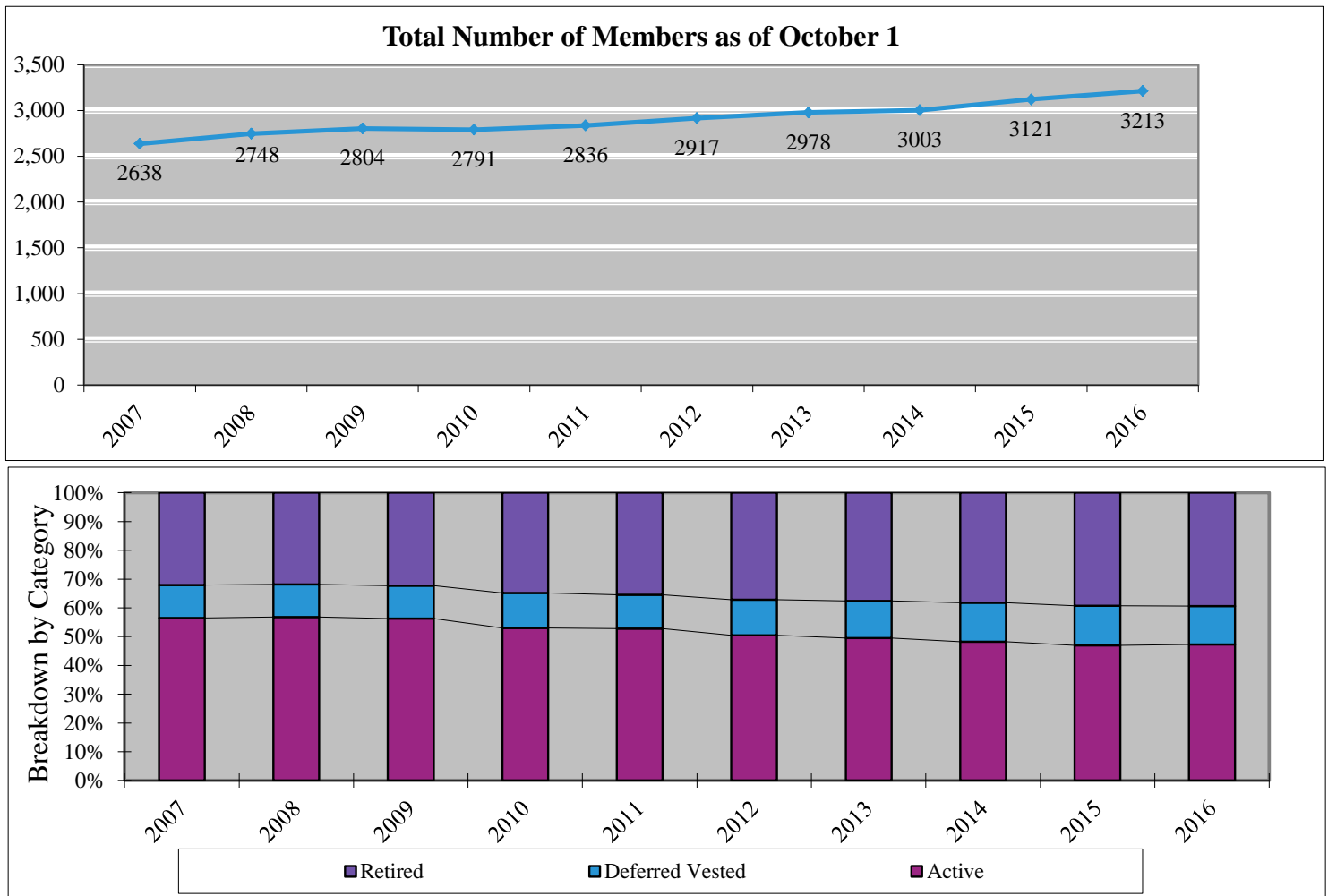
Fiscal Year	EXPENSES					
	Benefits Paid	Member Refunds	DROP Payments	Administrative Expenses	Investment Expenses	Total
2007	\$ 14,358,817	N/A	\$ 4,420,537	\$ 431,608	\$ 1,536,492	\$ 20,747,454
2008	15,522,180	N/A	1,877,547	627,426	1,473,789	19,500,942
2009	16,265,470	181,217	1,959,114	636,802	1,217,076	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



\* 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>
<b>1. Active Members</b>	<b>1,465</b>	<b>1,519</b>
<b>2. Inactive Members not in Receipt</b>	<b>431</b>	<b>428</b>
<b>3. Inactive Members in Receipt</b>		
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>
<b>4. Total Members</b>	<b>3,121</b>	<b>3,213</b>

## Active Data

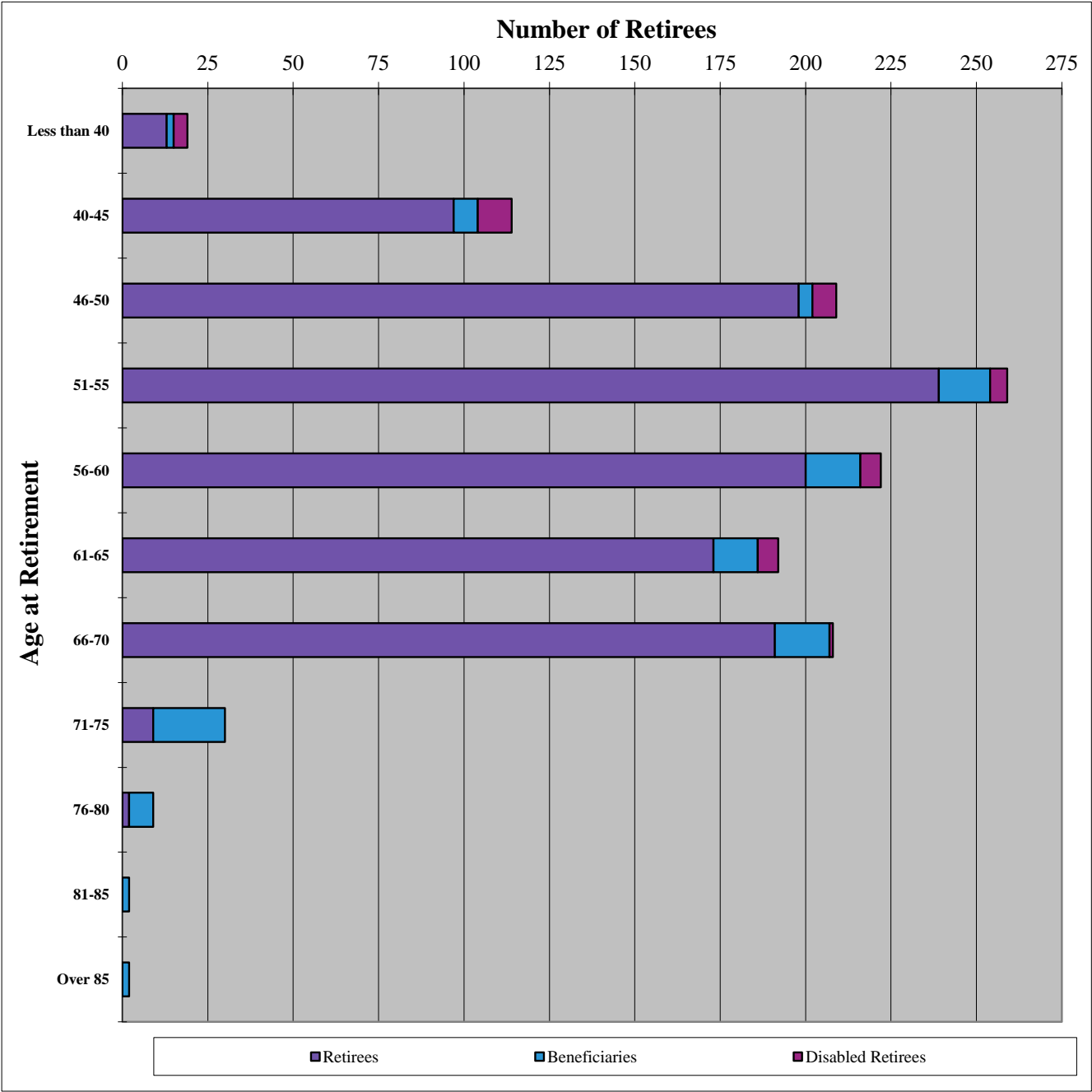
## Table VIIIa

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%

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



	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



	Active	Non-active, Non-retired	Retired	Total
<b>1. Number of members as of October 1, 2015</b>	<b>1,465</b>	<b>431</b>	<b>1,225</b>	<b>3,121</b>
<b>2. Change in status during the plan year:</b>				
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				
<b>3. No longer members due to:</b>				
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)
<b>4. New member due to:</b>				
a. Initial membership	194			194
b. Death of another member			9	9
c. Excluded in error last year				
d. Reinstatement				
<b>5. Number of members as of October 1, 2016</b>	<b>1,519</b>	<b>428</b>	<b>1,266</b>	<b>3,213</b>

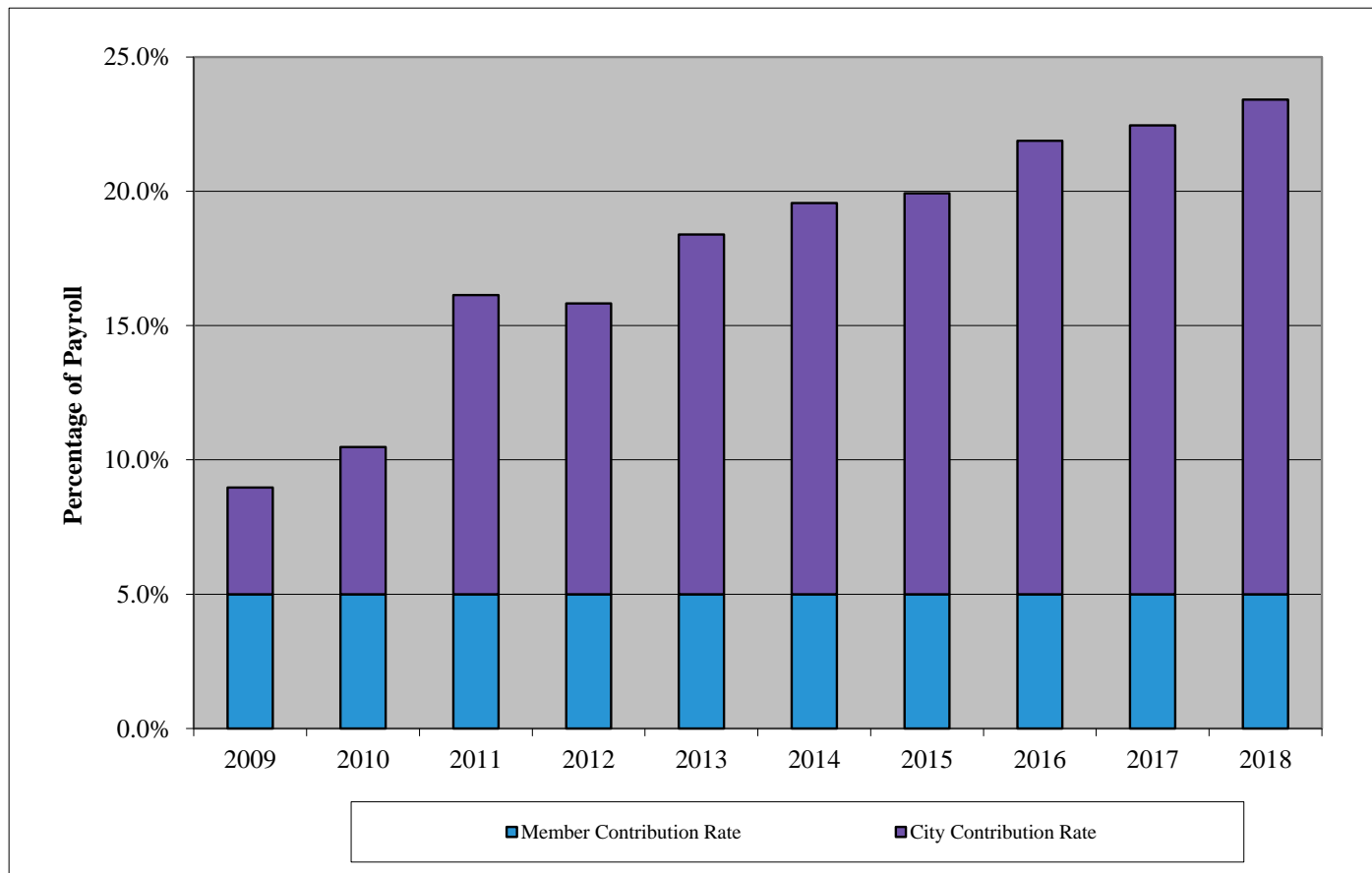
# Age-Service-Salary Table

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

<sup>1</sup> 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<sup>2</sup>/<sub>3</sub>% joint and contingent annuity (optional);

Actuarially reduced 66<sup>2</sup>/<sub>3</sub>% 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 62<sup>nd</sup> 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.

## **ADDENDUM NO. 1**

Bid Name RFP for Actuarial Services for City of Gainesville

Bid No.: FPEN-180084-DH

# **EXHIBIT B**

## **Exhibit B-2015 Retiree Health Fund Valuation Report final 7-28-16**

CITY OF GAINESVILLE  
RETIREE HEALTH CARE PLAN

2015 ACTUARIAL VALUATION REPORT

JULY 2016

ACTUARIAL VALUATION AS OF OCTOBER 1, 2015  
TO DETERMINE CONTRIBUTIONS TO BE PAID  
IN THE FISCAL YEAR BEGINNING OCTOBER 1, 2016

July 28, 2016

Ms. April Shuping  
Finance Director  
City of Gainesville  
P. O. Box 490  
Gainesville, Florida 32602

Dear Ms. Shuping:

This report presents the results of the October 1, 2015, actuarial valuation of the City of Gainesville Retiree Health Care Plan incorporating current actuarial assumptions. Actuarial Concepts was retained by the City to perform the actuarial valuation and prepare this report.

The major purpose of the valuation is to determine the liabilities and related annual funding for the Retiree Health Care Plan. A summary of results is provided in Section 1. The methodology involved in the valuation process is summarized in Section 2. The recommended contributions to the Plan effective for the 2015-16 and 2016-17 fiscal years are presented in Section 2. A review of the valuation methodology is important in interpreting the welfare plan funding estimate, as well as in judging its limitations.

The actuarial computations and report have been prepared in accordance with generally accepted actuarial principles and practices, with full reliance on the accuracy and completeness of the information provided for this purpose. The use of the valuation results for financial or administrative purposes, other than those outlined in the report, is not recommended without an advance review by Actuarial Concepts of the appropriateness of such application.

We would be pleased to discuss the results of the valuation and to provide any additional information that may be desired.

Very truly yours,

ACTUARIAL CONCEPTS



By: \_\_\_\_\_

Michael J. Tierney  
ASA, MAAA, FCA, EA #14-01337

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## SECTION 1

### **KEY VALUATION RESULTS SUMMARY**

The 2015 actuarial valuation of the City of Gainesville Retiree Health Care Plan presents a statement of the financial status of the Plan as of October 1, 2015. This report establishes the contribution recommendation for the 2015-16 and 2016-17 fiscal years.

#### **Key Results Synopsis**

The major conclusions of the report are:

- The Plan experienced an overall actuarial loss over the last 24 months of approximately \$8.2 million.
- Total City recommended contribution for the 2015-2016 fiscal year is \$540,372 or 0.50% of anticipated active member payroll.
- Total City recommended contribution for the 2016-2017 fiscal year is \$551,179 or 0.50% of anticipated active member payroll.

#### **Contribution Policy**

The City's contribution policy is to pay the normal cost amount applicable to the City yearly cost of the current benefit structure (the fixed dollar structure including COLA adjustment). In addition, if there were ever an unfunded actuarial accrued liability (UAAL), then the City would amortize those UAALs over 10 years from inception as an additional contribution.

The City has chosen to prepay much of its retiree medical liabilities through issued retiree medical bonds; any difference between the expense "contribution requirement" and actual City contributions will be "funded" with recognition of a portion of these prepayments.

#### **Changes Since Last Valuation**

There have been no changes in the Plan provisions or actuarial cost method since the last valuation. However, the Plan assumed investment return rate has been lowered to 8.2%.

Valuation results are presented in Section 2. In addition, pro forma results excluding the current value of the pension obligation bond (POB) proceeds are presented in Section 3.

A summary of plan provisions is contained in Appendix A and actuarial assumptions and cost method are described in Appendix B.

## SECTION 2

### **VALUATION RESULTS**

#### **Date and Basis of Valuation**

Actuarial present values (APVs) of projected medical benefits to be provided by the Retiree Medical Insurance Plan have been estimated as of October 1, 2015, based upon:

1. the revised provisions of the Plan effective January 1, 2009, as summarized in Appendix A;
2. the actuarial assumptions and actuarial cost method, as summarized in Appendix B; and
3. the participant data provided by the City, as summarized in Appendix C.

Note the valuation basis does not include any “implicit cost subsidy,” as the expected future “implicit gain subsidy” attributable to active employees is expected to balance the “implicit cost subsidy” of the retiree group. The City’ funding policy is only to fund the explicit retiree benefits promised by the Plan.

The employee data has been supplied by the City and provided as accurate for the current active and retiree group. While the employee information was reviewed for overall reasonableness, Actuarial Concepts has relied on the City for this information and does not assume responsibility for either its accuracy or completeness.

The 2015 actuarial valuation presents a statement of the financial status of the Plan as of October 1, 2015. Information in the report provides a basis for determining funding for the retiree medical plan.

#### **Current Plan**

Plan provisions were completely revised in September 2008 to be effective January 1, 2009. The City has adopted a revised benefit structure applicable to all current retired and future retired employees. Instead of promising a percentage of premium reimbursement, a fixed dollar subsidy is provided to offset the costs of participating in the City medical plan. Disabled employees have an increased level of reimbursement and pre-January 1, 2009 retirees over age 65 have a minimum of then current reimbursement levels.

**Valuation Financial Values - Composite Premium Basis**

	10/1/2015
1. Actuarial Present Value (APV) of Future Benefits	
(a) Active Employees with less than 10 Years of Service	\$ 3,476,876
(b) Active Employees with between 10 and 20 Years of Service	6,792,116
(c) Active Employees with at least 20 Years of Service	8,065,971
(d) Current Retirees and Disableds	27,675,293
(e) Total	<u>\$ 46,010,256</u>
2. APV of Future Normal Costs	3,987,019
3. Actuarial Accrued Liability [(1)-(2)]	
(a) Active Employees with less than 10 Years of Service	1,489,939
(b) Active Employees with between 10 and 20 Years of Service	5,230,544
(c) Active Employees with at least 20 Years of Service	7,627,461
(d) Current Retirees and Disableds	27,675,293
(e) Total	<u>\$ 42,023,237</u>
4. Actuarial Value of Assets	56,422,165
5. Unfunded Actuarial Accrued Liability [(3)-(4)]	
(a) Active Employees with less than 10 Years of Service	-
(b) Active Employees with between 10 and 20 Years of Service	-
(c) Active Employees with at least 20 Years of Service	-
(d) Current Retirees and Disableds	-
(e) Total	<u>\$ -</u>
6. Normal Cost*	540,372
Normal Cost Rate	0.50%
7. UAAL Amortization Payment	\$ -
UAAL Amortization Payment Rate	0.00%
8. Total Recommended Contribution for 2015-16 [(6)+(7)]	\$ 540,372
Percentage of Payroll	0.50%
9. Total Recommended Contribution for 2016-17*	\$ 551,179
Percentage of Payroll	0.50%

\* Payments start 1 year from valuation date;  
includes a payroll growth rate of 4.5% per year.

**Funding Approach**

The Individual Entry Age Actuarial Cost Method was used. This method assigns total projected costs as a level percent of pay over each employee's anticipated work years. The funding arrangement consists of two components: one, an ongoing cost (called normal cost), and the other, a temporary cost to provide for payment of costs assigned to prior years but not funded during those years (called amortization payment).

**Valuation Components****Actuarial Present Value (APV) of Future Benefits**

The APV of future benefits is determined by first measuring what future subsidy would be available for each employee at various future dates (assuming future service credits earned and expected age at retirement) upon retirement or disablement. Then the future value of those benefit entitlements is determined by multiplying the various subsidy amounts by the then current value of the annuities associated with those amounts. Finally, the APV of those future benefit values is determined by applying discounts to recognize the time value of money and probabilities of death, withdrawal, termination of employment, etc.

**APV of Total Future Normal Costs**

The APV of future normal costs is that portion of the total APV of future benefits, as described above, that is assigned to future plan years by the Individual Entry Age Actuarial Cost Method (described in Appendix B).

**Actuarial Accrued Liability (AAL) and Unfunded Actuarial Accrued Liability (UAAL)**

The AAL and the UAAL (the AAL less the actuarial value of assets) are actuarial values generated under the Individual Entry Age Actuarial Cost Method, as described in Appendix B. These liability amounts are not the APV of benefits accrued to date by employees. They are actuarially determined amounts based on the accrual of Individual Entry Age normal cost amounts due prior to the valuation date.

**Normal Cost**

The normal cost represents the ongoing long-term estimate of costs for the proposed schedule of City subsidies. It has been derived as a level percentage of each year's anticipated payroll. As determined by the Individual Entry Age Actuarial Cost Method, it represents the current year's allocation of the APV of total future normal costs. In the absence of actuarial gains or losses, changes to the Plan or changes in the characteristics of the participating group, the normal cost percentage is expected to remain level over time, and the normal cost amount is expected to increase as payroll increases.

**Amortization Payment**

The amortization payment is a temporary payment that will disappear at the end of the amortization period. It represents the funding of normal costs assigned to past periods. Once the past normal costs have been funded, amortization payments stop. With the adoption of the new plan provisions, the Plan has no UAAL as of the valuation date.

**Recommended City Contribution**

The recommended funding of the City's Retiree Health Care Plan consists of the ongoing normal cost. The contributions provided are effective for fiscal years 2015-16 and 2016-17; the 2016-17 requirements include growth in valuation payroll from the valuation date to date of payment.

**Plan Experience**

The Plan experienced an overall actuarial loss over the last 24 months of approximately \$8.2 million. This unfavorable experience was due mostly to asset yields less than the assumed rate of return, a loss of about \$6.3 million. In addition, there was a loss due to increased retiree liability.

**Development of Unfunded Actuarial Accrued Liability (UAAL)**

1.	UAAL as of 10/1/2013	\$ (16,420,896)
2.	Normal Cost	577,920
3.	Interest on (1) to 9/30/2014	(1,379,355)
4.	Contributions	2,746,676
5.	Interest on (4) to 9/30/2014	113,035
6.	Expected UAAL as of 9/30/2014 [(1)+(2)+(3)-(4)-(5)]	\$ (20,082,041)
7.	Normal Cost	577,920
8.	Interest on (6) to 9/30/2015	(1,686,891)
9.	Contributions	2,972,451
10.	Interest on (9) to 9/30/2015	122,326
11.	Expected UAAL as of 9/30/2015 [(6)+(7)+(8)-(9)-(10)]	\$ (24,285,790)
12.	Changes in UAAL due to:	
	(a) Plan Change	-
	(b) Assumptions Changes	1,650,275
	(c) Actuarial (Gain)/Loss	8,236,586
13.	UAAL as of 10/01/2015 [(11)+(12a)+(12b)+(12c)]	\$ (14,398,928)

## SECTION 3

**PRO FORMA VALUATION RESULTS**

The City is interested in knowing what the financing impact would have been if the “pension” obligation bond (POB) had not been issued. The pro forma results are presented below.

**Valuation Financial Values - Composite Premium Basis; No POB Proceeds**

	<u>10/1/2015</u>
1. Actuarial Present Value (APV) of Future Benefits	
(a) Active Employees with less than 10 Years of Service	\$ 3,476,876
(b) Active Employees with between 10 and 20 Years of Service	6,792,116
(c) Active Employees with at least 20 Years of Service	8,065,971
(d) Current Retirees and Disableds	<u>27,675,293</u>
(e) Total	\$ 46,010,256
2. APV of Future Normal Costs	3,987,019
3. Actuarial Accrued Liability [(1)-(2)]	
(a) Active Employees with less than 10 Years of Service	1,489,939
(b) Active Employees with between 10 and 20 Years of Service	5,230,544
(c) Active Employees with at least 20 Years of Service	7,627,461
(d) Current Retirees and Disableds	<u>27,675,293</u>
(e) Total	\$ 42,023,237
4. Actuarial Value of Assets	18,634,016
5. Unfunded Actuarial Accrued Liability [(3)-(4)]	
(a) Active Employees with less than 10 Years of Service	1,489,939
(b) Active Employees with between 10 and 20 Years of Service	5,230,544
(c) Active Employees with at least 20 Years of Service	7,627,461
(d) Current Retirees and Disableds	<u>9,041,277</u>
(e) Total	\$ 23,389,221
6. Normal Cost*	551,179
Normal Cost Rate	0.50%
7. UAAL Amortization Payment*	\$ 4,348,094
UAAL Amortization Payment Rate	3.94%
8. Total Recommended Contribution [(6)+(7)]*	\$ 4,899,273
Percentage of Payroll	4.44%

\* Payments start 1 year from valuation date;  
includes a payroll growth rate of 4.5% per year.



## SECTION 4

### **OTHER CONSIDERATIONS**

#### **Risks and Limitations**

Although the valuation results are based on what we believe to be reasonable assumptions, the valuation result is only an estimate of what future costs might actually be. Deviations in any of several factors influencing valuation results could result in actual costs being greater (or less) than estimated. Some of these factors include:

1. Future interest discounts lower than that assumed. We have assumed a long-term rate of interest of 8.2% per annum. To the extent that actual interest discounts are lower than 8.2%, the Plan's cost will be higher. (Note that the contrary is also true; that if actual interest rates are greater than 8.2% in the future, the Plan's cost will be less.)
2. Medical cost inflation risk. In our opinion, the major risk associated with the valuation estimate is that medical costs may continue to significantly exceed the underlying CPI rate. As described in Section 2, historically the medical cost rate has been substantially greater than the underlying CPI rate. If medical cost inflation is greater than assumed, Plan costs will be higher than estimated. For example, if medical cost increases were to reach an ultimate level of 7% per annum (rather than 6% per our assumptions), then the assumed annual adjustments would need to be revised, increasing the liabilities and related contribution requirements.

#### **True Costs**

The true costs of a retiree health plan cannot be determined until its future unfolds. No one can precisely predict the future health cost levels, mortality experience, etc. A reasonable approximation of this true cost can be provided through actuarial estimates based on past experience with similar groups and on the judgment of the actuary and plan sponsor.

As actual experience emerges under the Plan, the continued appropriateness of the techniques and assumptions employed should be examined, with modifications made as judged necessary, and the liability estimate adjusted consistent with the revised assumptions.

## CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

**SUMMARY OF PLAN PROVISIONS THAT AFFECT THE VALUATION****Definitions**

1. Plan Year: October 1 to September 30.
  
2. Employees Eligible to Receive Benefits: Any Employee terminating employment under the Normal, Early or Delayed Retirement provisions of the City General Employees' Pension Plan or the Consolidated Police Officers' & Firefighters' Retirement Plan; or who received benefits under the ICMA deferred compensation plan and who would have met retirement conditions under either retirement plan; or who becomes eligible to receive benefits under the City of Gainesville Disability Plan. If the employee is married at date of retirement or disablement, benefits are payable for each covered individual for life or until a surviving spouse becomes eligible for other coverage. Benefits are payable for dependent children until age 19 or extended benefits up to age 25.
  
3. Credited Service: The number of full and fractional years of employment, plus any unused sick leave.
  
4. Retirement Date:
 

General Plan

Normal Retirement Eligibility Date—the earlier of age 65 with 10 years of Credited Service and 20 years of Credited Service at any age.

Early Retirement Eligibility Date—the attainment of age 55 with 15 years of Credited Service.

Consolidated Plan

Normal Retirement Eligibility Date—the earlier of age 55 with 10 years of Credited

Service and 20 years of Credited Service at any age.

Early Retirement Eligibility Date—none.

5. Applicable Provisions: Plan benefits effective on and after January 1, 2009.

### **City Contributions for Future Retirees**

For persons retiring, or applying for retirement, as applicable, after the August 31, 2008, the City contribution towards a monthly Premium shall be determined as follows:

- (a) *Normal or early retirement.* Subject to the provisions contained herein, the amount that the City will contribute towards the required Premium for persons first retired effective after August 31, 2008, under normal or early retirement, will be calculated in accordance with the following formula:

\$10 times number of years of credited service and portion thereof:

- (1) plus \$5 times number of years of age and portion thereof over 65, on the date that retiree first enters the Retiree Health Insurance Program, or
  - (2) minus \$5 times number of years of age and portion thereof under 65, on the date that retiree first enters the Retiree Health Insurance Program.
- (b) *DROP service.* Employees who have entered a regular DROP after August 31, 2008, or who declare their intention to reverse DROP after August 31, 2008, shall not have the period of employment while in regular DROP, or the period of employment after the effective date of commencement of participation in the (reverse) DROP, count as credited service under (a) above.
- (c) *Disability retirees.* The amount that the City will contribute towards the required premium, for persons who became retirees based upon an application for disability retirement submitted after August 31, 2008, will be:
- (1) For approved “in-line-of-duty” disabilities under the Consolidated Police Officers and Firefighters Retirement Plan or the City of Gainesville Employees Disability Plan, the City will contribute towards an individual premium an amount equal to 80% of the individual premium of the least costly (lowest Premium) City Group Health Insurance Plan option being offered at the time the disability retirement is approved.
  - (2) For approved “in-line-of-duty” disabilities under the Consolidated Police Officers and Firefighters Retirement Plan or the City of Gainesville

Employees Disability Plan, the City will contribute towards any other (than described in (1) above) tier of coverage an amount equal to 150% of the individual premium of the least costly (lowest Premium) City Group Health Insurance Plan option being offered at the time the disability retirement is approved.

- (3) For approved disabilities other than "in-line-of-duty", the City will contribute 50% of the amount described in (1) and (2) above.

### **City Contributions for Current Retirees**

For persons retiring or applying for retirement, as applicable, before September 1, 2008, the City contribution towards a premium shall be determined as follows:

- (a) *Normal or early retirement.* Subject to the provisions contained herein, the amount that the City will contribute towards the required Premium for persons first retired effective before September 1, 2008, under normal or early retirement will be calculated in accordance with the following formula:

\$10 times number of years of credited service and portion thereof of:

- (1) plus \$5 times number of years of age and portion thereof over 65, on the date that retiree first enters the Retiree Health Insurance Program or January 1, 2009, whichever is later; or
  - (2) minus \$5 times number of years of age and portion thereof under 65, on the date that retiree first enters the Retiree Health Insurance Program or January 1, 2009, whichever is later.
- (b) *DROP service.* Employees who have entered a regular DROP before September 1, 2008, or who have declared their intention to reverse DROP before September 1, 2008, shall have the period of employment while in the regular DROP, or the period of employment after the effective date of commencement of participation in the (reverse) DROP, added to credited service for purposes of the calculation under (a) above.
- (c) *Disability retirees.*
- (1) The amount that the city will contribute towards the required Premium, for persons who became retirees based upon application for disability retirement submitted before September 1, 2008, will be an amount equal to 80% of the individual premium of the least costly (lowest Premium) City Group Health Plan option being offered at that time.

- (2) The City will contribute towards any other (than described in (1) above) tier of coverage of an amount equal to 150% of the individual premium of the least costly (lowest premium) City Group Health Plan option being offered at that time.
- (d) *Retirees at least 65 years of age January 1, 2009.* For current retirees age 65 years or older on January 1, 2009, the amount the City will contribute towards the required Premium will be the greater of the amount contributed for the month of August 2008 or the amount determined under the provisions of subsection (a) above.

In no event shall the City's contribution toward a required Premium exceed the amount of the Premium the City contributes for active employees for the least costly (lowest Premium) City Group Health Plan option being offered at that time, for the applicable tier of coverage involved. In the event that the eligible retiree has elected to participate in the City sponsored, if any, Medicare Supplement Plan in lieu of participating in the City Group Health Plan(s), the City's contribution shall not exceed the amount of the Premium for the Medicare Supplement Plan.

### **Annual Adjustments**

The City's contribution towards the required Premium will be adjusted annually at the rate of 50% of the annual percentage change in the individual premium for the least costly (lowest Premium) City Group Health Plan option being offered, compared to the Premium of the least costly (lowest Premium) option offered the prior plan year.

## CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

**SUMMARY OF ACTUARIAL ASSUMPTIONS AND ACTUARIAL COST METHOD****Actuarial Assumptions**

1. Discount Rate: 8.2% per annum, compounded annually, net of investment expenses.

2. Health Care Cost Trend Rate: 6% per year.

3. Mortality Rates: RP-2000 Mortality Table  
Probability of Death  
Within One Year  
After Attaining Age Shown

<u>Age</u>	<u>Male</u>	<u>Female</u>
25	0.04%	0.02%
35	0.08	0.05
45	0.15	0.11
55	0.36	0.27
65	1.27	0.97

4. Withdrawal Rates:

General/GRU EmployeesMalesYears of Service

<u>Age</u>	<u>0 - 1</u>	<u>1 - 2</u>	<u>2 - 3</u>	<u>3 - 4</u>	<u>4 - 5</u>	<u>5+</u>
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 and Over	14.0	12.0	8.0	6.0	5.0	0.0

FemalesYears of Service

<u>Age</u>	<u>0 - 1</u>	<u>1 - 2</u>	<u>2 - 3</u>	<u>3 - 4</u>	<u>4 - 5</u>	<u>5+</u>
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 and Over	22.0	16.0	13.0	11.0	10.0	0.0

Police EmployeesYears of Service

<u>Age</u>	<u>0 - 1</u>	<u>1 - 2</u>	<u>2 - 3</u>	<u>3 - 4</u>	<u>4 - 5</u>	<u>5+</u>
Under 30	20.0%	12.0%	8.0%	6.0%	4.0%	4.0%
30 - 34	20.0%	12.0%	8.0%	6.0%	4.0%	3.5%
35 - 39	20.0%	12.0%	8.0%	6.0%	4.0%	2.0%
40 - 44	20.0%	12.0%	8.0%	6.0%	4.0%	1.5%
45 - 49	20.0%	16.0%	8.0%	6.0%	4.0%	1.0%
50 - 54	20.0%	12.0%	8.0%	6.0%	4.0%	0.5%
55 & Over	20.0%	12.0%	8.0%	6.0%	4.0%	0.0%

Fire Employees

<u>Age</u>	<u>Rate</u>
Under 30	2.5%
30 - 34	2.0%
35 - 39	1.5%
40 - 44	1.0%
45 - 49	0.5%
50 & Over	0.0%

## 5. Disability Rates:

Probability of Disability  
Within One YearAfter Attaining Age Shown

<u>Age</u>	<u>General/GRU</u>	<u>Police/Fire</u>
25	0.15%	0.105%
35	0.26	0.182%
45	0.62	0.434%
55	1.82	1.274%

## 6. Retirement Rates\*:

General/GRU Employees

Members with Hire Dates On or Before October 1, 2007

## Probability of Retiring Within

## One Year After Retirement Eligibility

After Attaining Age and Service ShownYears of Service

<u>Age</u>	<u>10-14</u>	<u>15-19</u>	<u>20</u>	<u>21 - 24</u>	<u>25 - 26</u>	<u>27+</u>
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

General/GRU Employees

Members with Hire Dates On or After October 2, 2007 But On or Before October 1, 2012

Probability of Retiring Within  
One Year After Retirement Eligibility  
After Attaining Age and Service Shown  
Years of Service

<u>Age</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25</u>	<u>26-29</u>	<u>30+</u>
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

General/GRU Employees

Members with Hire Dates On or After October 2, 2012

Probability of Retiring Within  
One Year After Retirement Eligibility  
After Attaining Age and Service Shown  
Years of Service

<u>Age</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25</u>	<u>26-29</u>	<u>30+</u>
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

Police/Fire Employees\*\*

Years of Service

	<u>0-9</u>	<u>10-19</u>	<u>20</u>	<u>21-24</u>	<u>25</u>
All Ages	0%	0%	25%	5%	100%

\*All retirees were assumed to have retiree medical coverage start at the later of retirement and age 55.

\*\*100% of members retire upon reaching age 58.

8. Dependent Coverage and Ages: Retiring participants were assumed to elect the same coverage they currently have under the City Health Care Plan while active employees. Actual current coverage was used and status was assumed to continue.
9. Growth Rate of Future Active Employee Payroll: 4.5% per year.
10. Actuarial Value of Assets: Market value.



11. Administrative Expenses: Assumed payable outside Plan.

### **Actuarial Cost Method**

The Individual Entry Age Actuarial Cost Method was used. Under this method, the cost of each member's projected retiree medical benefit is funded through a series of annual payments, determined as a level percentage of each year's earnings, from age at hire to assumed exit age. This level percentage, known as normal cost, is thus computed as though the Plan had always been in effect. A yearly normal cost for each member is individually determined by multiplying each member's level percentage by the applicable yearly earnings, then adding together to obtain the normal cost amount for the Plan for that year. The accrued value of normal cost payments due prior to the valuation date is termed the actuarial accrued liability (AAL). This amount minus actuarial value of assets is known as the unfunded actuarial accrued liability (UAAL). The annual cost of a plan consists of two components: normal cost and a payment, which may vary between prescribed limits, toward the UAAL.

Actuarial gains (or losses), a measure of the difference between actual experience and that expected based upon the actuarial assumptions during the period between two valuation dates, as they occur, reduce (or increase) the UAAL.

The original UAAL as of October 1, 1994, funded over 20 years, has been fully amortized. Payments were assumed to begin on October 1, 1994, and to continue monthly for the 20 remaining years. Changes in the UAAL resulting from actuarial gains or losses, or changes in actuarial assumptions, are amortized over 10 years through monthly contributions expressed as a level percentage of each month's total payroll, incorporating an assumption that future payroll will grow at the rate of 4.5% per year.

### **Premium Trend Rate**

The premium trend rate is assumed to be 6% per year. The premium cost trend rate is an assumption about the annual rate of change in the per capita cost of health care benefits provided by the Plan. It implicitly considers estimates of medical cost inflation, changes in utilization and technological improvements.

In determining an appropriate medical cost inflation rate, the medical care component of the Consumer Price Index for Urban Consumers (CPI-U) was analyzed. The following table shows the levels of the CPI-U indices for "all items" and "medical care" only during December for the most recent 10 years:

CPI-U (1967=100) (Unadjusted)	All Items	% Change	Medical Care	% Change
December 2005	589.4	3.4%	1163.9	4.3%
December 2006	604.5	2.6%	1205.8	3.6%
December 2007	629.2	4.1%	1268.6	5.2%
December 2008	629.8	0.1%	1301.5	2.6%
December 2009	646.9	2.7%	1345.8	3.4%
December 2010	656.6	1.5%	1390.2	3.3%
December 2011	676.0	3.0%	1437.5	3.5%
December 2012	687.8	1.7%	1483.5	3.2%
December 2013	698.1	1.5%	1514.6	2.0%
December 2014	703.4	0.8%	1560.0	3.0%
December 2015	708.5	0.7%	1600.6	2.6%

The increases in these indices from December 2005 to December 2015 were 20.2% (1.86% per year) for "all items" and 37.5% (3.24% per year) for "medical care" items. Therefore, during this period, the increase in costs for medical care is 174% of the CPI taken as a whole.

While this comparison is one measure of the increase in the cost of medical care, it is probably not a good measure of the cost increase experienced by group health plans. The medical care component of the CPI reflects how individuals spend their health care dollars, including the retiree payment of health insurance. Not reflected in this component is the amount of employer contributions nor the effect of increased use of health facilities. Neither does this component reflect the leveraged effect of employer-absorbed increases in total costs.

In addition to increasing prices, there are other factors affecting the costs of group health plans that result in cost increases exceeding the medical care component of the CPI:

1. Increased utilization, both in the frequency of services and in the scope or intensity of those services.
2. Cost shifting, resulting from the lack of full reimbursement to providers by Medicare and Medicaid.
3. Cost leveraging where, due to annual deductibles and coinsurance provisions, Plan costs increase more than medical expenses increase (e.g., if deductibles and coinsurance limits are frozen, a 10% increase in medical expenses might lead to a 15% increase in Plan costs).

Many group health insurers continue to anticipate cost trends in excess of the medical component of the CPI.

Over the last 10 years, the average rate of increase of the medical component of the CPI was 174% of the CPI as a whole. For valuation purposes, we have assumed the health care cost trend rate ultimately averages the greater of 175% of the last 10-year average of the “all items” CPI (4% per year) or 160% of a 3.75% long-term rate of inflation (or 6% per year). Thus, the current valuation uses a 6% health care cost trend rate.

### **Miscellaneous Valuation Procedures**

The assumed retirement rates reflect expected election of retiree medical benefit coverage at the end of DROP participation in both City pension plans. The assumed retirement rate structure is based on when the employee terminates employment, rather than at the point of “retirement” from the pension plans. There will be some employees whose “retirement” and termination of employment will be the same, since they can elect to retire before eligibility for DROP. Thus, the retirement rates before DROP eligibility reflect this anticipated behavior. Note, however, the employees who elect to retire pre-DROP are assumed not to start medical coverage until age 55.

The deferral of receipt of retiree medical benefits through the end of the DROP period reduces the liability otherwise applicable if benefits were not deferred, as the assumed escalation in medical costs is more than made up for by the delay in receipt.

## CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

**FUND BALANCE AS OF 9/30/2015**

Cash & Equivalent	\$ 1,238,639
Investments	55,203,041
Accounts Payable	<u>(19,515)</u>
Fund Balance	\$ 56,422,165

## CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

**ANALYSIS OF CHANGE IN ACTUARIAL VALUE OF ASSETS**

Actuarial Value of Assets as of 9/30/2013	\$ 57,374,787
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## Add:

Employer Contributions	2,746,676
Retiree Contributions	2,788,980
Dividends and Interest	917,264
Unrealized Gain/(Loss)	2,333,355
Realized Gain/(Loss)	1,732,865
Total Additions	<u>\$ 10,519,140</u>

## Deduct:

General Government & GRU Premium Reimbursements	7,568,607
Investment Expense	446,513
Administrative Expenses	11,493
Total Deductions	<u>\$ 8,026,613</u>

Actuarial Value of Assets as of 9/30/2014	59,867,314
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## Add:

Employer Contributions	2,972,451
Retiree Contributions	3,098,399
Dividends and Interest	906,242
Unrealized Gain/(Loss)	(4,195,645)
Realized Gain/(Loss)	2,419,223
Total Additions	<u>\$ 5,200,670</u>

## Deduct:

General Government & GRU Premium Reimbursements	8,180,439
Investment Expense	453,532
Administrative Expenses	11,848
Total Deductions	<u>\$ 8,645,819</u>

Actuarial Value of Assets as of 9/30/2015	56,422,165
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## CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

**SUMMARY OF CENSUS DATA USED IN THE VALUATION**

The data used in the actuarial valuation was furnished by the City current as of September 30, 2015. A summary of the data follows:

1. Future Retirees Under Age 65*	
(a) Currently Eligible Upon Retirement	338
(b) Not Yet Eligible	1,187
(c) Total	<u>1,525</u>
2. Future Retirees Over Age 65	34
3. Retired Participants Receiving Benefits	
(a) Under Age 65	268
(b) Age 65 and Over	445
4. Disabled Participants Receiving Benefits	36
5. Spouses Receiving Benefits**	176
6. Other Dependents Receiving Benefits**	48
7. Total Number of Participants and Dependents Included in Valuation	<u>2,532</u>

\* Does not include active employees not receiving coverage.

\*\* Includes all spouses and dependents with coverage, regardless of City contributions.

Statistical breakdowns for future retirees by age and service are presented on the following page.

## CITY OF GAINESVILLE RETIREE HEALTH CARE PLAN

**DISTRIBUTION OF FUTURE RETIREES BY ATTAINED AGE AND  
COMPLETED YEARS OF SERVICE AS OF 9/30/2015**

Attained Age	Completed Years of Service											Total
	0	1	2	3-4	5-9	10-14	15-19	20-24	25-29	30-34	35 & Over	
Under 25	1	7	2	3	0	0	0	0	0	0	0	13
25-29	4	22	20	26	35	1	0	0	0	0	0	108
30-34	1	12	13	33	67	28	1	0	0	0	0	155
35-39	0	13	14	27	55	70	17	1	0	0	0	197
40-44	3	5	12	14	49	71	44	17	0	0	0	215
45-49	1	8	6	15	52	55	50	50	17	1	0	255
50-54	3	9	4	18	42	47	38	34	40	19	0	254
55-59	1	4	8	14	37	33	33	18	25	20	1	194
60	0	0	0	5	4	3	5	3	3	4	0	27
61	1	0	2	2	11	3	5	3	7	3	0	37
62	0	1	2	2	6	4	4	0	3	3	0	25
63	0	1	0	2	7	9	6	0	0	1	1	27
64	0	0	0	0	5	5	3	1	1	2	1	18
65 & Over	0	1	0	3	5	9	3	4	2	4	3	34
Total	15	83	83	164	375	338	209	131	98	57	6	1559

**ADDENDUM NO. 1**

Bid Name RFP for Actuarial Services for City of Gainesville

Bid No.: FPEN-180084-DH

**EXHIBIT C**

**FY2017 General Employees'  
Pension GASB 67 Report**





9040 Roswell Road  
Suite 700  
Atlanta GA 30350

December 22, 2017

Mr. William Johnston  
Investment Officer  
City of Gainesville  
P.O. Box 490  
Gainesville, Florida 32602-0490

**Re: The City of Gainesville General Employees Pension Plan  
GASB 67 Disclosures for Fiscal Year Ending September 30, 2017**

Dear William:

This valuation provides information concerning the City of Gainesville General Employees Pension Plan ("the Pension Plan"), in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 67. We certify that the information contained in this Actuarial Report has been prepared in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information fairly presents the actuarial position of the Pension Plan in accordance with the requirements of GASB Statement No. 67 as of September 30, 2017, based upon a measurement date of September 30, 2017 and a valuation date of October 1, 2016.

GASB Statement No. 67 sets forth certain items of information to be disclosed in the financial statements of the Pension Plan. Information regarding the Plan Sponsor's financial statements under GASB Statement No. 68 will be published under a separate report. The City may use this report for the review of the operation of the plan and as a source of information for the Pension Plan's financial statements. Use of this report for any other purpose or by anyone other than the City or the staff of the City may not be appropriate and may result in mistaken conclusions due to failure to understand applicable assumptions, methodologies, or inapplicability of the report for that purpose. Because of the risk of misinterpretation of actuarial results, you should ask Conduent to review any statement you wish to make on the results contained in this report. Conduent will not accept any liability for any such statement made without prior review.

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

In preparing the actuarial results, we have relied upon information provided by the City of Gainesville regarding plan provisions, plan participants, plan assets, contribution rates and other matters used in the actuarial valuation. The member data used is as of October 1, 2016 and is the same as the data used in producing the October 1, 2016 actuarial valuation report for funding purposes. We have not performed an audit of the data or other information provided. The accuracy of the results presented herein is dependent on the accuracy of the data. A summary of the data and plan provisions is provided in the *City of Gainesville General Employees Pension Plan Actuarial Valuation Report as of October 1, 2016* dated November 2017.

Mr. William Johnston  
December 22, 2017

The following assumption changes were made since the prior valuation. These changes are effective October 1, 2016 and are reflected in this valuation.

- The investment rate of return assumption was decreased from 8.20% to 8.10% to better reflect the City's expectations on future investment returns. GASB Statement No. 67 requires the use of a discount rate consistent with the investment rate of return assumption to the extent the Plan Fiduciary Net Position is projected to be sufficient to fund the expected future benefit payments of current members. Accordingly, a discount rate of 8.10% was used as the Plan Fiduciary Net Position is projected to be sufficient to cover the future benefit payments of current members.
- 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 assumptions were adjusted to reflect the City's future salary increase expectations.

Except as noted above, the data, assumptions, methods and plan provisions are the same as those provided in the *City of Gainesville General Employees Pension Plan 2016 GASB 67 Disclosures* dated June 6, 2017.

In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are reasonably related to the experience of the Retirement System and to reasonable long-term expectations. The mortality improvement assumption was selected in accordance with Actuarial Standard of Practice No. 35.

This valuation was prepared under the supervision of Timothy Bowen, an Enrolled Actuary and a Member of the American Academy of Actuaries, who has met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. I am available to answer any questions on the content of the report.

Please let us know if you require additional information.

Conduent

Sincerely,

A handwritten signature in black ink, appearing to read "Timothy G. Bowen", is written over a light gray rectangular background.

Timothy G. Bowen, EA, MAAA, FCA  
Principal

**The City of Gainesville General Employees Pension Plan**  
**Information Required Under GASB 67 as of September 30, 2017**

**Exhibit I**

Schedule of Changes in Net Pension Liability and Related Ratios	2017	2016
<b>Total pension liability</b>		
Service cost	\$ 8,355,553	\$ 7,789,638
Interest	39,789,214	38,334,654
Changes of benefit terms	0	0
Differences between expected and actual experience	7,646,058	1,125,189
Changes of assumptions	21,043,627	4,858,954
One time adjustment for DROP account balances	0	10,038,916
Benefit payments, including refunds of employee contributions	(38,469,162)	(33,747,177)
Net change in total pension liability	\$ 38,365,290	\$ 28,400,174
Total pension liability-beginning	\$ 499,347,420	\$ 470,947,246
Total pension liability-ending (a)	\$ 537,712,710	\$ 499,347,420
<b>Plan fiduciary net pension</b>		
Contributions- city	\$ 14,654,934	\$ 13,481,032
Contributions-member	4,829,122	4,441,258
Net investment income	58,605,302	39,190,078
Benefit payments	(38,469,162)	(33,747,177)
Administrative expense	(604,905)	(670,868)
Other	0	0
Net change in plan fiduciary net position	\$ 39,015,291	\$ 22,694,323
Plan fiduciary net position-beginning	\$ 357,298,271	\$ 334,603,948
Plan fiduciary net position-ending (b)	\$ 396,313,562	\$ 357,298,271
Employer's net pension liability-ending (a)-(b)	\$ 141,399,148	\$ 142,049,149
Plan fiduciary net position as a percentage of the total pension liability	73.70%	71.55%
Covered-employee payroll	\$ 91,143,976	\$ 80,223,575
Net pension liability as a percentage of covered-employee payroll	155.14%	177.07%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Net pension liability	\$ 202,787,977	\$ 141,399,148	\$ 89,907,875

**Notes to Schedule for 2017:**

**A. Benefit changes:** None

**B. Changes of assumptions:**

- 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 to the assumptions used in the 2016 FRS valuation as it applies to "other than special risk" participants.
- The salary increase assumptions were adjusted to reflect the City's future salary increase expectations.

**The City of Gainesville General Employees Pension Plan**  
**Information Required Under GASB 67 as of September 30, 2017**

**Exhibit II**

<b>Schedule of Employer Contributions</b>	<b>2017</b>	<b>2016</b>
Actuarially determined contribution	\$ 14,654,934	\$ 13,481,032
Contributions related to the actuarially determined contribution	14,654,934	13,481,032
Contribution deficiency (excess)	\$ 0	\$ 0

**Notes to Schedule for 2017:**

**A. Valuation date:** Actuarially determined contribution calculated as of October 1, 2015 applies for the fiscal year ended September 30, 2017.

**B. Methods and assumptions used to determine the actuarially determined contribution:**

<b>Actuarial cost method:</b>	Entry Age Normal
<b>Amortization method:</b>	Level percent, closed
<b>Amortization period:</b>	30 years
<b>Asset valuation method:</b>	Actuarial value
<b>Salary increases:</b>	Please see the <i>City of Gainesville General Employees Pension Plan October 1, 2015 Actuarial Valuation Report</i> provided by Actuarial Concepts in August 2016.
<b>Payroll Growth:</b>	4.50%
<b>Investment rate of return:</b>	8.20%, net of investment expenses
<b>Retirement age:</b>	Please see the <i>City of Gainesville General Employees Pension Plan October 1, 2015 Actuarial Valuation Report</i> provided by Actuarial Concepts in August 2016.
<b>Healthy Mortality:</b>	Please see the <i>City of Gainesville General Employees Pension Plan October 1, 2015 Actuarial Valuation Report</i> provided by Actuarial Concepts in August 2016.
<b>Disabled Mortality:</b>	Please see the <i>City of Gainesville General Employees Pension Plan October 1, 2015 Actuarial Valuation Report</i> provided by Actuarial Concepts in August 2016.
<b>Other information:</b>	Please see the <i>City of Gainesville General Employees Pension Plan October 1, 2015 Actuarial Valuation Report</i> provided by Actuarial Concepts in August 2016.

**The City of Gainesville General Employees Pension Plan**  
*Information Required Under GASB 67 as of September 30, 2017*

**Exhibit III**

Summary of Member Data	October 1, 2016	October 1, 2015
<b>Active Members</b>	1,519	1,465
<b>Inactive Members not in Receipt</b>		
Terminated Members	428	431
Disabled Members	0	0
Beneficiaries	0	0
<b>Total Inactive Members Not Receiving Benefits</b>	428	431
<b>Members Receiving Benefits</b>		
Retired Members	1,122	1,088
Disabled Members	39	37
Beneficiaries	105	100
<b>Total Members Receiving Benefits</b>	1,266	1,225
<b>Total Members</b>	3,213	3,121

Member Statistics	October 1, 2016	October 1, 2015
<b>Active members</b>		
Number	1,519	1,465
Average age	46.2	46.6
Average service	9.6	9.9
<b>Terminated vested members</b>		
Number	428	431
Average age	49.3	48.5
Average annual retirement benefits	\$6,235	\$5,715
<b>Retired members</b>		
Number	1,122	1,088
Average age	66.5	65.9
Average annual retirement benefits	\$26,298	\$25,804
<b>Disabled members</b>		
Number	39	37
Average age	62.9	62.6
Average annual retirement benefits	\$5,792	\$5,431
<b>Survivors and beneficiaries of members</b>		
Number	105	100
Average age	72.4	72.1
Average annual retirement benefits	\$15,684	\$15,245
<b>Total Number of Members</b>	3,213	3,121

**ADDENDUM NO. 1**

Bid Name RFP for Actuarial Services for City of Gainesville

Bid No.: FPEN-180084-DH

**EXHIBIT D**

**FY2017 General Employees'  
Pension GASB 68 Report**



9040 Roswell Road  
Suite 700  
Atlanta GA 30350

December 22, 2017

Mr. William Johnston  
Investment Officer  
City of Gainesville  
P.O. Box 490  
Gainesville, Florida 32602-0490

**Re: The City of Gainesville General Employees Pension Plan  
GASB 68 Disclosures for the Fiscal Year Ending September 30, 2017**

Dear William:

This valuation provides information concerning the City of Gainesville General Employees Pension Plan ("the Pension Plan"), in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 68. We certify that the information contained in this Actuarial Report has been prepared in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information fairly presents the actuarial position of the Pension Plan in accordance with the requirements of GASB Statement No. 68 as of September 30, 2017, based upon a measurement date of September 30, 2017 and a valuation date of October 1, 2016.

GASB Statement No. 68 sets forth certain items of information to be disclosed in the financial statements of the Plan Sponsor. Information regarding the Pension Plan's financial statements under GASB Statement No. 67 will be published under a separate report. The City may use this report for the review of the operation of the plan and as a source of information for the City's financial statements. Use of this report for any other purpose or by anyone other than the City or the staff of the City may not be appropriate and may result in mistaken conclusions due to failure to understand applicable assumptions, methodologies, or inapplicability of the report for that purpose. Because of the risk of misinterpretation of actuarial results, you should ask Conduent to review any statement you wish to make on the results contained in this report. Conduent will not accept any liability for any such statement made without prior review.

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

In preparing the actuarial results, we have relied upon information provided by the City of Gainesville regarding plan provisions, plan participants, plan assets, contribution rates and other matters used in the actuarial valuation. The member data used is as of October 1, 2016 and is the same as the data used in producing the October 1, 2016 actuarial valuation report for funding purposes. We have not performed an audit of the data or other information provided. The accuracy of the results presented herein is dependent on the accuracy of the data. A summary of the data and plan provisions is provided in the *City of Gainesville General Employees Pension Plan Actuarial Valuation Report as of October 1, 2016* dated November 2017.

Mr. William Johnston  
December 22, 2017

The following assumption changes were made since the prior valuation. These changes are effective October 1, 2016 and are reflected in this valuation.

- The investment rate of return assumption was decreased from 8.20% to 8.10% to better reflect the City's expectations on future investment returns. GASB Statement No. 68 requires the use of a discount rate consistent with the investment rate of return assumption to the extent the Plan Fiduciary Net Position is projected to be sufficient to fund the expected future benefit payments of current members. Accordingly, a discount rate of 8.10% was used as the Plan Fiduciary Net Position is projected to be sufficient to cover the future benefit payments of current members.
- 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 assumptions were adjusted to reflect the City's future salary increase expectations.

Except as noted above, the data, assumptions, methods and plan provisions are the same as those provided in the *City of Gainesville General Employees Pension Plan 2016 GASB 68 Disclosures* dated June 6, 2017.

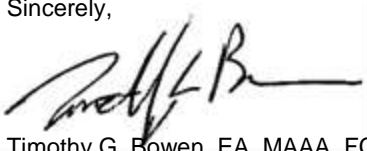
In our opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are reasonably related to the experience of the Retirement System and to reasonable long-term expectations. The mortality improvement assumption was selected in accordance with Actuarial Standard of Practice No. 35.

This valuation was prepared under the supervision of Timothy Bowen, an Enrolled Actuary and a Member of the American Academy of Actuaries, who has met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. I am available to answer any questions on the content of the report.

Please let us know if you require additional information.

Conduent

Sincerely,



Timothy G. Bowen, EA, MAAA, FCA  
Principal



**The City of Gainesville General Employees Pension Plan**  
**GASB 68 Disclosures for Fiscal Year Ending September 30, 2017**

**Exhibit I**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
<b>Change in the Net Pension Liability</b>			
<b>Balances at September 30, 2016</b>	<u>\$ 499,347,420</u>	<u>\$ 357,298,271</u>	<u>\$ 142,049,149</u>
<b>Changes for the year:</b>			
Service Cost	\$ 8,355,553		\$ 8,355,553
Interest	39,789,214		39,789,214
Change in benefit terms	0		0
Differences between expected and actual experience	7,646,058		7,646,058
Change in assumptions	21,043,627		21,043,627
Contributions - city		\$ 14,654,934	(14,654,934)
Contributions - member		4,829,122	(4,829,122)
Contributions - state		0	0
Net investment income		58,605,302	(58,605,302)
Benefit payments, including refunds of employee contributions	(38,469,162)	(38,469,162)	0
Administrative expense		(604,905)	604,905
<b>Net changes</b>	<u>\$ 38,365,290</u>	<u>\$ 39,015,291</u>	<u>\$ (650,001)</u>
<b>Balances at September 30, 2017</b>	<u><u>\$ 537,712,710</u></u>	<u><u>\$ 396,313,562</u></u>	<u><u>\$ 141,399,148</u></u>

	Current Discount Rate		
	1% Decrease (7.10%)	(8.10%)	1% Increase (9.10%)
<b>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</b>			
Net Pension Liability	\$ 202,787,977	\$ 141,399,148	\$ 89,907,875

<b>Reconciliation of Net Pension Liability</b>	
Net Pension Liability at September 30, 2016	142,049,149
Pension Expense for the Fiscal Year Ended September 30, 2017	23,285,107
City Contributions made during the Fiscal Year Ending September 30, 2017, excluding City Contributions after measurement date	(14,654,934)
Change in Deferred Outflows during the Fiscal Year Ending September 30, 2017, excluding City Contributions after measurement date	12,387,348
Change in Deferred Inflows during the Fiscal Year Ending September 30, 2017	(21,667,522)
<b>Net Pension Liability at September 30, 2017</b>	<u><u>141,399,148</u></u>

**The City of Gainesville General Employees Pension Plan**  
***GASB 68 Disclosures for Fiscal Year Ending September 30, 2017***

**Exhibit II**

Components of Pension Expense for the Fiscal Year Ended September 30, 2017	
Service cost	\$ 8,355,553
Interest on the total pension liability and net cash flow	39,789,214
Projected earnings on pension plan investments	(28,495,268)
Current period effect of benefit changes	0
Current period difference between expected and actual experience	1,560,420
Current period effect of changes in assumptions	4,294,618
Current period difference between projected and actual investment earnings	(6,022,007)
Member contributions	(4,829,122)
Pension plan administrative expenses	604,905
Current period recognition of prior years' deferred outflows of resources	10,447,299
Current period recognition of prior years' deferred inflows of resources	(2,420,505)
<b>Total pension expense</b>	<b>\$ 23,285,107</b>

Remaining Service Lives as of September 30, 2016			
Group	Number	Service	Average
Retired members and survivors of deceased members currently receiving benefits	1,266		
Terminated members and survivors of deceased members entitled to benefits but not yet receiving benefits	428		
Active members	1,519	15,889	
<b>Total</b>	<b>3,213</b>	<b>15,889</b>	<b>4.9</b>

**The City of Gainesville General Employees Pension Plan**  
**GASB 68 Disclosures for Fiscal Year Ending September 30, 2017**

**Exhibit III**

**Deferred Outflows/Inflows of Resources**

Deferred Outflows of Resources as of September 30, 2017

Difference between expected and actual experience	\$ 7,719,277
Changes in assumptions	27,523,573
Difference between projected and actual investment earnings	12,456,239
Change in proportion	0
Contributions after measurement date	0
Total Deferred Outflows as of September 30, 2017	<u>\$ 47,699,089</u>

Deferred Inflows of Resources as of September 30, 2017

Difference between expected and actual experience	\$ 0
Changes in assumptions	0
Difference between projected and actual investment earnings	(31,349,541)
Change in proportion	0
Total Deferred Inflows as of September 30, 2017	<u>\$ (31,349,541)</u>

**Summary of Deferred Outflows/Inflows of Resources**

**Deferred Outflows**

<u>Date Established</u>	<u>Description</u>	<u>Initial Amount</u>	<u>Outstanding Balance</u>	<u>Amortization Amount</u>	<u>Years Remaining</u>
9/30/2015	Liability Loss	1,954,558	977,278	325,760	3.0
9/30/2015	Change of Assumptions	15,880,346	7,940,174	2,646,724	3.0
9/30/2015	Investment Loss	31,140,596	12,456,239	6,228,119	2.0
9/30/2016	Liability Loss	1,125,189	656,361	234,414	2.8
9/30/2016	Change in Assumptions	4,858,954	2,834,390	1,012,282	2.8
9/30/2017	Change in Assumptions	21,043,627	16,749,009	4,294,618	3.9
9/30/2017	Liability Loss	7,646,058	<u>6,085,638</u>	1,560,420	3.9
			47,699,089		

**Deferred Inflows**

<u>Date Established</u>	<u>Description</u>	<u>Initial Amount</u>	<u>Outstanding Balance</u>	<u>Amortization Amount</u>	<u>Years Remaining</u>
9/30/2016	Investment Gain	(12,102,524)	(7,261,514)	(2,420,505)	3.0
9/30/2017	Investment Gain	(30,110,034)	<u>(24,088,027)</u>	(6,022,007)	4.0
			(31,349,541)		

**Future Years' Recognition of Deferred Outflows/Inflows**

<u>Fiscal Year</u>	<u>Amount</u>
FY 2018 \$	7,859,825
FY 2019	7,859,826
FY 2020	1,382,370
FY 2021	(752,473)
Thereafter	0

**ADDENDUM NO. 1**

Bid Name RFP for Actuarial Services for City of Gainesville

Bid No.: FPEN-180084-DH

**EXHIBIT E**

**FY17 Retiree Health Insurance Fund  
GASB 45 and 74 Report Final**

March 2018

Mr. William Johnston  
Investment Officer  
City of Gainesville  
P.O. Box 490  
Gainesville, Florida 32602-0490

**Re: The City of Gainesville Retiree Health Plan GASB 45 and 74 Disclosures for the Fiscal Year Ending September 30, 2017**

Dear William:

This report provides information concerning the City of Gainesville Retiree Health Plan ("the Plan"), in accordance with the Governmental Accounting Standards Board (GASB) Statement Nos. 45 and 74 (GASB 45 and GASB 74) for the fiscal year ending September 30, 2017.

Appendix A contains the following exhibits which provide information under GASB No. 45:

- A - I: Valuation Highlights
- A - II: Development of Annual Required Contribution (ARC)
- A - III: Calculation of Net OPEB Obligation
- A - IV: Schedule of Employer Contributions and Funding Progress
- A - V: Expected Net Benefit Payments
- A - VI: Sensitivity to Discount Rate and Healthcare Cost Trend
- A - VII: Analysis of Assets
- A - VIII: Schedule of Amortization

Appendix B contains the following exhibits which provide information under GASB No. 74:

- B - I: Schedule of Changes in Net OPEB Liability, Related Ratios, and Sensitivity of the Net OPEB Liability to Changes in the Discount Rate
- B - II: Schedule of City Contributions
- B - III: Projection of Fiduciary Net Position
- B - IV: Actuarial Present Values of Projected Benefit Payments
- B - V: Summary of Member Data and Member Statistics

Appendix C contains an exhibit that summarizes the actuarial (gains)/losses associated with the assumption and benefit related changes since the GASB 45 report for the fiscal year ending September 30, 2016.

### **Data, Assumptions, Methods and Plan Provisions**

The Total OPEB Liability as of September 30, 2017 was determined based on a roll-forward of entry age normal liabilities as of October 1, 2015.

The following assumption changes were made since the GASB 45 report for the fiscal year ending September 30, 2016:

- The mortality assumptions were updated to match the September 30, 2017 Gainesville Police Officers' and Firefighters' Retirement Plan and the September 30, 2017 Gainesville General Employees' Pension Plan. The assumption used in this valuation is the same assumption used in the 2016 Florida Retirement System (FRS) valuation as it applies to "special risk" and "other than special risk" participants.
- The retirement rates for firefighters and the withdrawal rates and salary increase assumption for firefighters and police officers were updated to reflect the results of an experience study conducted by Conduent in 2017 based on plan year experience for the six years ending September 30, 2015.
- The salary increase assumption for general employees was updated to reflect the City's future salary increase expectations.
- The healthcare claim costs per participant were updated to include retiree claims experience from October 2016 through September 2017. Specifically, the aggregate<sup>1</sup> pre-Medicare per capita claim costs at age 65 per covered individual for the period October 1, 2015 through September 30, 2016 were decreased from \$16,132 to \$13,845. Similarly, the post-Medicare per capita claim costs were decreased from \$4,587 to \$4,224. Premiums and city contribution adjustments were also updated to reflect 2018 calendar year premiums.
- The Plan assumed investment rate of return has been decreased from 8.20% as of October 1, 2016 to 8.10% as of September 30, 2017. This reduction was made to better reflect expectations for future investment returns.

For 2016, retired Medicare-eligible participants were offered Alternative Medicare coverage in Medicare Supplement and Medicare Part D prescription drug plans. Retirees who elect these more affordable, Alternative Medicare options are able to use their City subsidy to help pay for the associated premium cost of this coverage. The following assumption changes were made in order to reflect expectations about participation in these newly available Alternative Medicare options:

- Both pre-Medicare and Medicare-eligible future retirees (i.e. active employees) and DROP participants were assumed to elect medical coverage according to the "Plan Participation" table shown on page 14 of the GASB 45 report dated March 13, 2017, with a slight modification (sample rates below). Specifically, the participation rate was reduced to 90% at age 68 and above. Future Medicare-eligible participants were assumed to choose coverage under Alternative Medicare plans. Participants who do not elect to participate in the medical plan were assumed to waive coverage.

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<sup>1</sup> The claim costs outlined above are aggregate of the medical, prescription drug, and administrative per capita claim costs.

Age at Retirement	Pre-Medicare and Medicare Plan Participation
45	0%
50	20%
55	40%
60	60%
65	80%
66	84%
67	88%
68	90%
69	90%
70+	90%

- Deferred retirees (both pre-Medicare and Medicare-eligible participants, currently without medical coverage) were assumed to elect medical coverage at a rate of 10%. These participants were assumed to elect this coverage through an Alternative Medicare plan once they become eligible for Medicare.
- 50% of Medicare-eligible retirees (currently with medical coverage) and their spouses were assumed to migrate to the Alternative Medicare options, while the other 50% were assumed to remain in the traditional Florida Blue plan.
- Alternative Medicare plan participants were assumed to utilize 95% of their available subsidy.
- Alternative Medicare participants are assumed to continue coverage for life.

Assumption change impacts are summarized in Appendix C.

The changes associated with the Alternative Medicare options significantly increased the plan's liability since the last valuation. While the explicit dollar value of the City subsidy available to each retiree has not changed since the last valuation, the expectation for retirees utilizing this benefit has changed dramatically. In short, the valuation now assumes that more Medicare-eligible retirees will use the City subsidy and for a longer time. Emerging experience should be monitored closely.

Retirees are required to pay a significant amount of money out-of-pocket (above the level of the City-funded subsidy) to procure health coverage through the City's traditional Medicare plan. As such, the prior valuation incorporated participation and persistency (or lapse) assumptions that reflected an expectation that many Medicare-eligible retirees would choose either not to participate in the City plan or to drop coverage from the plan over time due to affordability concerns. Once a retiree drops coverage or opts out of the plan, that retiree does not receive the City-provided medical subsidy. The newly available Alternative Medicare options are a good value for retirees (with less out-of-pocket premium costs), and this is reflected in the valuation through the assumed Alternative Medicare participation and persistency rates for this option.

The projection of cash flows used to determine the discount rate assumes that retired plan member contributions will be made and City contributions will continue based upon the City's funding policy. Based on those assumptions, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

In preparing the actuarial results, we have relied upon information provided by the City of Gainesville regarding plan provisions, plan participants, plan assets, contribution rates and other matters used in the actuarial valuation. As of September 30, 2017, the fiduciary net position held in trust is \$63,500,353. The member data used as of October 1, 2015 was supplied by the City administration office. Although we did not audit the data, we reviewed the data for reasonableness and consistency with the prior year's information. The accuracy of the results presented herein is dependent on the accuracy of the data.

Unless otherwise noted, the Data, Assumptions, Methods and Plan Provisions used in this valuation are the same as those documented in our *City of Gainesville Retiree Health Plan Valuation, Disclosure for FYE September 30, 2016* dated March 13, 2017.



## **Certification**

I certify that the information contained in this Actuarial Report has been prepared in accordance with generally accepted actuarial principles and practices. To the best of my knowledge, the information fairly presents the actuarial position of the Plan in accordance with the requirements of GASB Statement Nos. 45 and 74 as of September 30, 2017.

The City may use this report for the review of the operation of the plan and as a source of information for the City's financial statements. The report may also be used in the preparation of the Plan's audited financial statements.

Use of this report for any other purpose may not be appropriate and may result in mistaken conclusions due to failure to understand applicable assumptions, methodologies, or inapplicability of the report for that purpose. Because of the risk of misinterpretation of actuarial results, you should ask Conduent to review any statement you wish to make on the results contained in this report. Conduent will not accept any liability for any such statement made without prior review.

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

In my 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.

This report was prepared under the supervision of Stephen Oates, who is an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries and has met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. Mr. Oates is available to answer questions about this analysis. This report has been prepared in accordance with all applicable Actuarial Standards of Practice.

We are available to answer any questions about the report.

Conduent HR Consulting, LLC



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Stephen R. Oates, ASA, EA, MAAA, FCA  
Principal, Health Actuary

**City of Gainesville**  
**Retiree Health Plan**

*Information Required Under GASB 45 as of September 30, 2017*

**Exhibit A-I**

**September 30, 2017 Valuation Highlights**

	<b>9/30/2017</b>	<b>9/30/2016</b>
<b>1. Valuation Results</b>		
Actuarial Accrued Liability (AAL)	\$ 67,590,558	\$ 59,679,811
Market Value of Assets	\$ 63,500,353	\$ 59,442,474
Unfunded Actuarial Accrued Liability (UAAL)	\$ 4,090,205	\$ 237,337
Annual Required Contribution	\$ 1,820,901	\$ 1,070,129
Annual OPEB Cost	\$ 2,481,058	\$ 1,677,380
<b>2. Key Economic Assumptions</b>		
Valuation Data as of	10/1/2015	10/1/2015
Discount Rate	8.10%	8.20%
Trend Rate (Pre/Post-Medicare) at FYE		
Initial	7.95%/7.33%	8.10%/7.50%
Ultimate	4.50%/4.50%	4.50%/4.50%
Ultimate Year	2034/2034	2034/2034

**City of Gainesville**  
**Retiree Health Plan**

**Exhibit A-II**

*Information Required Under GASB 45 as of September 30, 2017*

**Development of ARC For Fiscal Year Ending 2017**

	Consolidated	General	FYE 2017
1. Actuarial Accrued Liability (AAL) <sup>1</sup>			
a. Active Members	\$ 4,855,447	\$ 18,120,475	\$ 22,975,922
b. Retired Members	\$ 11,821,726	\$ 32,792,910	\$ 44,614,636
c. Total AAL	\$ 16,677,173	\$ 50,913,385	\$ 67,590,558
2. Service Cost (excluding interest)	\$ 336,010	\$ 969,472	\$ 1,305,482
3. Market Value of Assets			\$ 63,500,353
4. Unfunded Actuarial Accrued Liability (UAAL)			
a. Amount			\$ 4,090,205
b. As a % of Pay			3.3%
5. Amortization Payment for UAAL			
a. Amount			\$ 474,116
b. As a % of Pay			0.4%
6. Employer Normal Cost (excluding interest)			
a. Amount			\$ 1,305,482
b. As a % of Pay			1.1%
7. Interest Cost			\$ 41,303
8. Annual Required Contribution (5 + 6 + 7)			\$ 1,820,901
9. Actual net benefit payments for the year			\$ 1,622,729
10. Open Amortization Period for UAAL (years)			10
11. Annual Payroll			\$ 122,798,859

<sup>1</sup> Estimation of excise tax included in Medical AAL estimates.



**City of Gainesville  
Retiree Health Plan**

**Exhibit A-III**

*Information Required Under GASB 45 as of September 30, 2017*

**Calculation of Net OPEB Obligation For Fiscal Year Ending 2017**

	<b>FYE 2017</b>	<b>FYE 2016</b>
1. NOO as of beginning of year	\$ (18,907,614)	\$ (17,669,214)
2. Annual Required Contribution (ARC)	1,820,901	1,070,129
3. Interest on NOO	(1,531,517)	(1,448,876)
4. Adjustment to ARC	<u>2,191,674</u>	<u>2,056,127</u>
5. Annual OPEB Cost for FY (2 + 3 + 4)	\$ 2,481,058	\$ 1,677,380
6. Total Employer Contribution for FY	1,622,729	2,915,780
7. NOO as of end of year (1 + 5 - 6)	<u><u>\$ (18,049,284)</u></u>	<u><u>\$ (18,907,614)</u></u>

**City of Gainesville  
Retiree Health Plan**

**Exhibit A-IV**

*Information Required Under GASB 45 as of September 30, 2017*

**Schedule of Employer Contributions For Fiscal Year Ending 2017**

<b>Fiscal Year Ending September 30</b>	<b>Annual OPEB Cost</b>	<b>City Contributions</b>	<b>Percentage of OPEB Cost Contributed</b>	<b>Net OPEB Obligation (NOO)<sup>1</sup></b>
2017	\$ 2,481,058	\$ 1,622,729	65.40%	\$ (18,049,284)
2016	1,677,380	2,915,780	173.83%	(18,907,614)
2015	3,585,790	2,972,451	82.90%	(17,669,214)
2014	3,440,342	2,746,676	79.84%	(18,282,553)

**Schedule of Funding Progress For Fiscal Year Ending 2017**

<b>Fiscal Year Ending</b>	<b>Market Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (c) = (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (e)</b>	<b>UAAL as a Percentage of Covered Payroll (c) / (e)</b>
September 30, 2017	\$ 63,500,353	\$ 67,590,558	\$ 4,090,205	93.95%	\$ 122,798,859	3.33%
September 30, 2016	59,442,474	59,679,811	237,337	99.60%	117,510,870	0.20%
September 30, 2015	56,422,165	63,325,773	6,903,608	89.10%	131,000,000	5.27%
September 30, 2014	59,867,314	66,343,732	6,476,418	90.24%	126,000,000	5.14%

<sup>1</sup> FYE 2016 information per the City's FYE-2016 CAFR.



**City of Gainesville  
Retiree Health Plan**

**Exhibit A-V**

*Information Required Under GASB 45 as of September 30, 2017*

**Expected Net Benefit Payments For Fiscal Year Ending 2017**

(\$000s)

<b>Fiscal Year Ending</b>	<b>Consolidated</b>	<b>General</b>	<b>Total</b>
2017	\$ 1,199	\$ 3,824	\$ 5,023
2018	1,204	4,135	5,339
2019	1,315	4,229	5,544
2020	1,410	4,369	5,779
2021	1,467	4,653	6,120
2022	1,477	4,735	6,212
2023	1,533	4,859	6,392
2024	1,593	4,953	6,546
2025	1,678	5,093	6,771
2026	1,698	5,089	6,787
2027	1,691	5,145	6,836
2028	1,729	5,221	6,950
2029	1,719	5,218	6,937
2030	1,777	5,285	7,062
2031	1,787	5,187	6,974
2032	1,743	5,122	6,865
2033	1,828	5,065	6,893
2034	1,798	5,003	6,801
2035	1,834	4,978	6,812
2036	1,762	4,933	6,695
2037	1,755	4,834	6,589
2038	1,750	4,766	6,516
2039	1,776	4,643	6,419
2040	1,798	4,582	6,380
2041	1,863	4,536	6,399



**City of Gainesville  
Retiree Health Plan**

**Exhibit A-VI**

*Information Required Under GASB 45 as of September 30, 2017*

**Sensitivities For Fiscal Year Ending 2017**

	<b>Actuarial Accrued Liability</b>		<b>Service Cost (Excluding Interest)</b>	
1. As of September 30, 2017	\$	67,590,558	\$	1,305,482
2. Increase in Discount Rate of + 100 bps (9.10%) % Change	\$	(5,255,485) -7.8%	\$	(212,817) -16.3%
3. Decrease in Discount Rate of - 100 bps (7.10%) % Change	\$	6,066,518 9.0%	\$	262,462 20.1%
4. Increase in Healthcare Trend of + 1% % Change	\$	7,493,527 11.1%	\$	211,914 16.2%
5. Decrease in Healthcare Trend of - 1% % Change	\$	(6,433,633) -9.5%	\$	(167,229) -12.8%

**City of Gainesville**  
**Retiree Health Plan**

**Exhibit A-VII**

*Information Required Under GASB 45 as of September 30, 2017*

**Fund Balance Fiscal Year Ending 2017**

1. Cash & Equivalent	\$	838,788
2. Investments		62,737,578
3. Accounts Payable		(76,013)
4. Fund Balance (1 + 2 + 3)		63,500,353

**Asset Analysis For Fiscal Year Ending 2017**

1. Market Value of Assets at 9/30/2016	\$	59,442,474
2. Additions:		
a. Employer Contributions		1,622,729
b. Retiree Contributions		3,405,757
c. Dividends and Interest		1,231,202
d. Net Appreciation/(Depreciation) of Fair Value of Investments		5,786,262
3. Deductions:		
a. General Government and GRU Premium Reimbursements		7,514,930
b. Investment Expense		467,059
c. Administrative Expenses		6,082
4. Market Value of Assets at 9/30/2017		63,500,353





**City of Gainesville**  
**Retiree Health Plan**

*Information Required Under GASB 45 as of September 30, 2017*

**Exhibit A-VIII**

**Schedule of Amortization For Fiscal Year Ending 2017**

<b>FYE</b>		<b>UAAL</b>		<b>Amortization Payment</b>
2017	\$	4,090,205	\$	474,116
2018		3,908,992		495,451
2019		3,690,038		517,747
2020		3,429,247		541,045
2021		3,122,146		565,392
2022		2,763,851		590,835

# City of Gainesville

## Retiree Health Plan

Information Required Under GASB 74 as of September 30, 2017

Exhibit B-I

Schedule of Changes in Net OPEB Liability and Related Ratios	2017
<b>Total OPEB liability</b>	
Service cost (excluding interest)	\$ 1,282,158
Interest (including interest on the service cost)	5,274,094
Changes of benefit terms	0
Differences between expected and actual experience	(914,359)
Changes of assumptions	559,494
Benefit payments, including refunds of employee contributions	(4,109,173)
Net change in total OPEB liability	\$ 2,092,214
Total OPEB liability-beginning <sup>1</sup>	\$ 65,498,345
Total OPEB liability-ending (a)	\$ 67,590,558
<b>Plan fiduciary net position</b>	
Contributions- City	\$ 1,622,729
Contributions-member	0
Contributions-state	0
Net investment income	6,550,405
Net benefit payments	(4,109,173)
Administrative expense	(6,082)
Other	0
Net change in plan fiduciary net position	\$ 4,057,879
Plan fiduciary net position-beginning	\$ 59,442,474
Plan fiduciary net position-ending (b)	\$ 63,500,353
City's net OPEB liability-ending (a)-(b)	\$ 4,090,205
Plan fiduciary net position as a percentage of the total OPEB liability	93.95%
Covered-employee payroll	\$ 122,798,859
Net OPEB liability as a percentage of covered-employee payroll	3.33%

### Notes to Schedule for 2017:

**A. Benefit changes:** None.

### **B. Changes of assumptions:**

- The discount rate was updated from 8.2% at 9/30/2016 to 8.1% at 9/30/2017.

<sup>1</sup> The following assumption changes are reflected in both the total OPEB liability at the beginning of FYE 2017 and the total OPEB liability at the end of FYE 2017:

- 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.

- The retirement rates for firefighters and the withdrawal rates and salary increase assumption for firefighters and police officers were updated to reflect the results of an experience study conducted by Conduent in 2017.

- The salary increase assumption for general employees was updated to reflect the results of an experience study conducted by Conduent in 2017.

- The healthcare claims costs per participant assumption was updated to include October 2016 through September 2017 actual claims.

- Updated valuation model for Medicare participants due to the implementation of Alternative Medicare options in 2016:

- Assumed both pre-Medicare and Medicare-eligible future retirees (i.e. active employees) and DROP participants would assumed to elect medical coverage according to the "Plan Participation" table shown on page 14 of the GASB 45 report dated March 13, 2017, with a slight modification (sample rates in cover letter).

- Assumed 10% of deferred retirees and terminated vested participants elect coverage after age 65, all under the Alternative Medicare options.

- Assumed 50% of currently covered post-65 retirees elect coverage under the Alternative Medicare options, with the other 50% remaining in the Florida Blue plan.

- Alternative Medicare plan participants were assumed to utilize 95% of their available subsidy.

- Participants covered by Alternative Medicare options are assumed to continue coverage for life.

**City of Gainesville**  
**Retiree Health Plan**

**Exhibit B-I**

*Information Required Under GASB 74 as of September 30, 2017*

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Net OPEB liability	\$ 10,156,721	\$ 4,090,205	\$ (1,165,281)

Sensitivity of the Net OPEB Liability to Changes in the Health Care Trend Rate	1% Decrease	Current Trend Rate	1% Increase
Net OPEB liability	\$ (2,343,426)	\$ 4,090,205	\$ 11,583,731

# City of Gainesville Retiree Health Plan

Exhibit B-II

Information Required Under GASB 74 as of September 30, 2017

Schedule of City Contributions	2017
Actuarially determined contribution	\$ 616,087
Contributions related to the actuarially determined contribution	1,622,729
Contribution deficiency (excess)	\$ 1,006,642
Covered-employee payroll	\$ 122,798,859
Contribution as a percent of payroll	1.3%

## Notes to Schedule for 2017:

**A. Valuation date:** Actuarially determined contribution calculated as of October 1, 2015 applies for the fiscal year ended September 30, 2017.

## B. Methods and assumptions used to determine the actuarially determined contribution:

<b>Actuarial cost method:</b>	Entry Age Normal
<b>Amortization method:</b>	Level percent, closed
<b>Amortization period:</b>	10 years
<b>Asset valuation method:</b>	Actuarial value
<b>Inflation:</b>	3.75%
<b>Salary increases:</b>	Please refer to the Actuarial Assumptions Summary in the Funding Report.
<b>Payroll Growth:</b>	4.50%
<b>Investment rate of return:</b>	8.20%, net of investment expenses
<b>Retirement age:</b>	Please refer to the Actuarial Assumptions Summary in the Funding Report.
<b>Healthy Mortality:</b>	Please refer to the Actuarial Assumptions Summary in the Funding Report.
<b>Disabled Mortality:</b>	Please refer to the Actuarial Assumptions Summary in the Funding Report.
<b>Other information:</b>	Please refer to the Actuarial Assumptions Summary in the Funding Report.

The Funding Report was prepared by Actuarial Concepts (dated July 2016) and titled:  
*City of Gainesville Retiree Health Care Plan Actuarial Valuation Report as of October 1, 2015*

Schedule of Investment Returns	2017
Annual money-weighted rate of return, net of investment expenses	11.25%

**City of Gainesville**  
**Retiree Health Plan**

**Exhibit B-III**

*Information Required Under GASB 74 as of September 30, 2017*

Projection of Fiduciary Net Position (000's omitted)						
Fiscal Year Ending Sept. 30	Beginning Fiduciary Net Position	City Contributions	Net Benefit Payments	Admin. Expenses	Investment Earnings	Ending Fiduciary Net Position
2017	\$ 59,442	\$ 1,623	\$ 4,109	\$ 6	\$ 6,550	\$ 63,500
2018	63,500	1,638	5,339	6	4,993	64,786
2019	64,786	1,590	5,544	6	5,087	65,913
2020	65,913	1,547	5,779	6	5,167	66,843
2021	66,843	1,505	6,120	6	5,227	67,449
2022	67,449	1,461	6,212	6	5,271	67,962
2023	67,962	1,409	6,392	6	5,303	68,276
2024	68,276	1,353	6,546	6	5,320	68,397
2025	68,397	1,289	6,771	6	5,318	68,227
2026	68,227	1,236	6,787	6	5,301	67,971
2027	67,971	1,171	6,836	6	5,276	67,576
2028	67,576	1,100	6,950	6	5,237	66,957
2029	66,957	1,028	6,937	6	5,184	66,226
2030	66,226	969	7,062	6	5,117	65,243
2031	65,243	921	6,974	6	5,039	64,223
2032	64,223	868	6,864	6	4,959	63,180
2033	63,180	809	6,893	6	4,871	61,961
2034	61,961	747	6,801	6	4,773	60,674
2035	60,674	684	6,812	6	4,666	59,206
2036	59,206	627	6,694	6	4,550	57,682
2037	57,682	573	6,589	6	4,428	56,089
2038	56,089	520	6,516	6	4,300	54,387
2039	54,387	460	6,419	6	4,164	52,585
2040	52,585	407	6,380	6	4,017	50,624
2041	50,624	361	6,400	6	3,856	48,435
2042	48,435	323	6,232	6	3,684	46,204
2043	46,204	285	6,166	6	3,504	43,820
2044	43,820	245	5,978	6	3,317	41,398
2045	41,398	200	5,806	6	3,126	38,912
2046	38,912	155	5,586	6	2,932	36,406
2047	36,406	111	5,326	6	2,737	33,922
2048	33,922	70	5,073	6	2,545	31,458
2049	31,458	31	4,766	6	2,356	29,074
2050	29,074	7	4,427	6	2,176	26,823
2051	26,823	4	4,073	6	2,008	24,756
2052	24,756	2	3,683	6	1,856	22,925
2053	22,925	1	3,301	6	1,723	21,342
2054	21,342	1	3,017	6	1,606	19,926
2055	19,926	0	2,689	6	1,505	18,737
2056	18,737	0	2,459	6	1,418	17,690
2057	17,690	0	2,228	6	1,342	16,798
2058	16,798	0	2,016	6	1,279	16,055
2059	16,055	0	1,849	6	1,225	15,426

**City of Gainesville  
Retiree Health Plan**

**Exhibit B-III**

*Information Required Under GASB 74 as of September 30, 2017*

Projection of Fiduciary Net Position (000's omitted)						
Fiscal Year Ending Sept. 30	Beginning Fiduciary Net Position	City Contributions	Net Benefit Payments	Admin. Expenses	Investment Earnings	Ending Fiduciary Net Position
2060	15,426	0	1,701	6	1,180	14,899
2061	14,899	0	1,568	6	1,143	14,468
2062	14,468	0	1,452	6	1,113	14,123
2063	14,123	0	1,345	6	1,089	13,861
2064	13,861	0	1,242	6	1,072	13,685
2065	13,685	0	1,148	6	1,062	13,592
2066	13,592	0	1,059	6	1,058	13,585
2067	13,585	0	974	6	1,061	13,666
2068	13,666	0	893	6	1,071	13,838
2069	13,838	0	816	6	1,088	14,103
2070	14,103	0	744	6	1,112	14,465
2071	14,465	0	675	6	1,144	14,928
2072	14,928	0	610	6	1,184	15,495
2073	15,495	0	549	6	1,233	16,172
2074	16,172	0	492	6	1,290	16,964
2075	16,964	0	438	6	1,356	17,877
2076	17,877	0	387	6	1,432	18,916
2077	18,916	0	340	6	1,518	20,087
2078	20,087	0	297	6	1,615	21,400
2079	21,400	0	257	6	1,723	22,860
2080	22,860	0	220	6	1,842	24,476
2081	24,476	0	187	6	1,975	26,257
2082	26,257	0	158	6	2,120	28,213

# City of Gainesville

## Retiree Health Plan

### Exhibit B-IV

Information Required Under GASB 74 as of September 30, 2017

Actuarial Present Values of Projected Benefit Payments (000's omitted)								
Fiscal Year Ending Sept. 30	Beginning Fiduciary Net Position	Benefit Payments	Benefit Payments		Present Value of Benefit Payments			
			Funded Portion	Unfunded Portion	Funded	Unfunded	Using a Single	
					Portion at 8.10%	Portion at 3.35%	Discount Rate of 8.10%	
2017	\$ 59,442	\$ 4,109	\$ 4,109	\$ 0	\$ 3,952	\$ 0	\$ 3,952	
2018	63,500	5,339	5,339	0	4,751	0	4,751	
2019	64,786	5,544	5,544	0	4,563	0	4,563	
2020	65,913	5,779	5,779	0	4,400	0	4,400	
2021	66,843	6,120	6,120	0	4,311	0	4,311	
2022	67,449	6,212	6,212	0	4,048	0	4,048	
2023	67,962	6,392	6,392	0	3,853	0	3,853	
2024	68,276	6,546	6,546	0	3,650	0	3,650	
2025	68,397	6,771	6,771	0	3,492	0	3,492	
2026	68,227	6,787	6,787	0	3,238	0	3,238	
2027	67,971	6,836	6,836	0	3,018	0	3,018	
2028	67,576	6,950	6,950	0	2,838	0	2,838	
2029	66,957	6,937	6,937	0	2,620	0	2,620	
2030	66,226	7,062	7,062	0	2,468	0	2,468	
2031	65,243	6,974	6,974	0	2,254	0	2,254	
2032	64,223	6,864	6,864	0	2,053	0	2,053	
2033	63,180	6,893	6,893	0	1,907	0	1,907	
2034	61,961	6,801	6,801	0	1,740	0	1,740	
2035	60,674	6,812	6,812	0	1,612	0	1,612	
2036	59,206	6,694	6,694	0	1,466	0	1,466	
2037	57,682	6,589	6,589	0	1,335	0	1,335	
2038	56,089	6,516	6,516	0	1,221	0	1,221	
2039	54,387	6,419	6,419	0	1,113	0	1,113	
2040	52,585	6,380	6,380	0	1,023	0	1,023	
2041	50,624	6,400	6,400	0	949	0	949	
2042	48,435	6,232	6,232	0	855	0	855	
2043	46,204	6,166	6,166	0	783	0	783	
2044	43,820	5,978	5,978	0	702	0	702	
2045	41,398	5,806	5,806	0	631	0	631	
2046	38,912	5,586	5,586	0	561	0	561	
2047	36,406	5,326	5,326	0	495	0	495	
2048	33,922	5,073	5,073	0	436	0	436	
2049	31,458	4,766	4,766	0	379	0	379	
2050	29,074	4,427	4,427	0	326	0	326	
2051	26,823	4,073	4,073	0	277	0	277	
2052	24,756	3,683	3,683	0	232	0	232	
2053	22,925	3,301	3,301	0	192	0	192	
2054	21,342	3,017	3,017	0	163	0	163	
2055	19,926	2,689	2,689	0	134	0	134	
2056	18,737	2,459	2,459	0	113	0	113	

# City of Gainesville

## Retiree Health Plan

Exhibit B-IV

Information Required Under GASB 74 as of September 30, 2017

Actuarial Present Values of Projected Benefit Payments (000's omitted)							
Fiscal Year Ending Sept. 30	Beginning Fiduciary Net Position	Benefit Payments	Benefit Payments		Present Value of Benefit Payments		
			Funded Portion	Unfunded Portion	Funded Portion at 8.10%	Unfunded Portion at 3.35%	Using a Single Discount Rate of 8.10%
2057	17,690	2,228	2,228	0	95	0	95
2058	16,798	2,016	2,016	0	80	0	80
2059	16,055	1,849	1,849	0	67	0	67
2060	15,426	1,701	1,701	0	57	0	57
2061	14,899	1,568	1,568	0	49	0	49
2062	14,468	1,452	1,452	0	42	0	42
2063	14,123	1,345	1,345	0	36	0	36
2064	13,861	1,242	1,242	0	31	0	31
2065	13,685	1,148	1,148	0	26	0	26
2066	13,592	1,059	1,059	0	22	0	22
2067	13,585	974	974	0	19	0	19
2068	13,666	893	893	0	16	0	16
2069	13,838	816	816	0	14	0	14
2070	14,103	744	744	0	12	0	12
2071	14,465	675	675	0	10	0	10
2072	14,928	610	610	0	8	0	8
2073	15,495	549	549	0	7	0	7
2074	16,172	492	492	0	6	0	6
2075	16,964	438	438	0	5	0	5
2076	17,877	387	387	0	4	0	4
2077	18,916	340	340	0	3	0	3
2078	20,087	297	297	0	2	0	2
2079	21,400	257	257	0	2	0	2
2080	22,860	220	220	0	2	0	2
2081	24,476	187	187	0	1	0	1
2082	26,257	158	158	0	1	0	1



# City of Gainesville Retiree Health Plan

Exhibit B-V

Information Required Under GASB 74 as of September 30, 2017

Summary of Member Data	October 1, 2015
<b>Active Members</b>	1,867
<b>DROP Members</b>	133
<b>Inactive Members not in Receipt</b>	
Retired Members	574
Terminated Members	335
Disabled Members	18
Beneficiaries	125
<b>Total Inactive Members Not Receiving Benefits</b>	1,052
<b>Members Receiving Benefits</b>	
Retired Members	701
Disabled Members	35
Beneficiaries	10
<b>Total Members Receiving Benefits</b>	746
<b>Total Members</b>	3,798

Member Statistics	October 1, 2015
<b>Active members</b>	
Number	1,867
Average age	45.0
Average service	10.9
<b>DROP members</b>	
Number	133
Average age	55.8
<b>Terminated vested members</b>	
Number	335
Average age	49.2
<b>Retired members</b>	
Number	1,275
Average age	66.4
<b>Disabled members</b>	
Number	53
Average age	59.3
<b>Survivors</b>	
Number	135
Average age	71.9
<b>Total Number of Members</b>	3,798

**City of Gainesville**  
**Retiree Health Plan**

*Actuarial Accrued Liability (Gain)/Loss for GASB Nos. 45 and 74*

**Exhibit C**

Actuarial Accrued Liability (Gain)/Loss (Amounts in Millions)	
Actuarial Accrued Liability per the October 1, 2015 GASB 45 Valuation	\$ 59.7
Updates as of October 1, 2016:	
Mortality Tables (2016 FRS)	-
Retirement and Withdrawal Tables and Salary Scale for Consolidated Employees	0.4
Salary Scale for General Employees	(0.1)
Healthcare Claim Costs and Premiums	(13.6)
Adjustments to Valuation Model Associated With Implementation of Alternative Medicare Options	19.0
Actuarial Accrued Liability as of October 1, 2016	\$ 65.4
Passage of Time (October 1, 2016 to September 30, 2017)	2.5
Deviation from Expected Plan Experience	(0.9)
Change in Discount Rate from 8.20% to 8.10%	0.6
Actuarial Accrued Liability as of September 30, 2017	\$ 67.6