

RETIREMENT PLAN FOR THE POLICE OFFICERS
OF THE CITY OF GULF BREEZE
(REVISED)

ACTUARIAL VALUATION
AS OF OCTOBER 1, 2014

DETERMINES THE CONTRIBUTION
FOR THE 2014/15 FISCAL YEAR



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May 20, 2015

Introduction

This report presents the revised results of the October 1, 2014 actuarial valuation for the Retirement Plan for the Police Officers of the City of Gulf Breeze. The report is based on the participant data and asset information provided by the pension plan administrator and, except for a cursory review for reasonableness including a comparison to the data provided for the previous valuation, we have not attempted to verify the accuracy of this information. The revision reflects corrected plan compensation for active employees.

The primary purpose of this report is to provide a summary of the funded status of the plan as of October 1, 2014 and to determine the minimum required contribution under Chapter 112, Florida Statutes, for the 2014/15 plan year. In addition, this report provides a projection of the long-term funding requirements of the plan, accounting disclosures pursuant to Governmental Accounting Standards Board Statement Nos. 25 and 27 (GASB 25/27), statistical information concerning the assets held in the trust, statistical information concerning the participant population, and a summary of any recent plan changes.

The liabilities and cost presented in this report are based on numerous assumptions concerning the cost of benefits to be provided in the future, long-term investment returns, and the future demographic experience of the current participants. Anyone referring to this report should remember that the cost developed herein is only an *estimate* of the true cost of providing post-employment pension benefits. No one can predict with certainty whether the true cost will be higher or lower than the cost presented in this report. The calculated cost is entirely dependent upon the assumptions that are described in Table V-A. If any of the assumptions is changed, then the cost shown in this report will change accordingly. Likewise, if any of the assumptions is not completely realized, then the cost shown in this report will change in the future.

Certain assumptions play a bigger role than others in determining the cost of the post-employment pension benefits. In some cases, relatively small changes in a particular assumption can have a dramatic impact on the anticipated cost of benefits. Although a thorough analysis of the impact of such changes is beyond the scope of this report, Table I-B illustrates the impact that alternative long-term investment returns would have on the normal cost rate.

Minimum Required Contribution

Table I-A shows the development of the minimum required contribution for the 2014/15 plan year. The minimum required contribution rate is 23.72% of covered payroll, which represents a decrease of 19.01% of payroll from the prior valuation.

The normal cost rate is 22.91%, which is 18.35% lower than the normal cost rate that was developed in the prior valuation. Table I-C provides a breakdown of the sources of change in the normal cost rate. Significantly, the rate decreased by 0.65% of payroll due to investment gains, increased by 4.66% of payroll due to demographic experience,



and decreased by another 22.36% of payroll due to the plan changes that are described below. The market value of assets earned 8.31% during the 2013/14 plan year, whereas a 7.00% annual investment return was required to maintain a stable contribution rate.

Chapter 112, Florida Statutes, sets forth the rules concerning the minimum required contribution for public pension plans within the state. Essentially, the City must contribute an amount equal to the annual normal cost of the plan plus an adjustment as necessary to reflect interest on any delayed payment of the contribution beyond the valuation date. On this basis, the City's 2014/15 minimum required contribution will be equal to 23.72% multiplied by the total pensionable earnings for the 2014/15 plan year for the active employees who are covered by the plan and reduced by the portion of the Chapter 175/185 contribution that is allowed to be recognized during the 2014/15 plan year. As of the date of this report, the allowable portion of the Chapter 175/185 contribution is \$58,434 per year. However, this amount is subject to change depending on the amount of the Chapter 175/185 contribution for the 2014/15 plan year and whether additional qualifying benefit improvements have been adopted at that time. Furthermore, if an actuarial valuation is not prepared as of October 1, 2015, then the 23.72% contribution rate should also be applied to the covered payroll for the 2015/16 plan year and offset by the allowable Chapter 175/185 contribution in order to determine the minimum required contribution for that year.

Based on the current assets, participant data, and actuarial assumptions and methods that are used to value the plan, the present-day value of the total long-term funding requirement is \$5,347,291. As illustrated in Table I-A, current assets are sufficient to cover \$3,769,799 of this amount, the employer's 2014/15 expected contribution will cover \$132,984 of this amount, and future employee contributions are expected to cover \$234,511 of this amount, leaving \$1,209,997 to be covered by future employer funding beyond the 2014/15 fiscal year. Again, demographic and investment experience that differs from that assumed will either increase or decrease the future employer funding requirement.

Employer Contribution Shortfall

The minimum required contribution for the 2013/14 plan year was \$211,471, which is equal to 42.73% of pensionable earnings for the year. When the City's actual 2013/14 contribution of \$140,120 is combined with the allowable Chapter 175/185 contribution of \$58,434, the City's contribution falls short of the minimum required contribution by \$12,917. We have treated the shortfall as a contribution receivable as of October 1, 2014. Therefore, the first \$12,917 of employer contributions made during the 2014/15 plan year will be applied to satisfy the minimum funding requirement for the prior year.

Excess Chapter 175/185 Contributions

As of October 1, 2014, the plan has accumulated excess Chapter 175/185 contributions of \$14,876 as shown in Table III-F. This amount is equal to the \$9,727 accumulated excess Chapter 175/185 contribution balance as of October 1, 2013 plus \$5,149 of Chapter 175/185 distribution in excess of the allowable amount. The total Chapter 175/185 distribution received during the 2013/14 plan year was \$63,583, \$58,434 of which was allowed to be used to offset the City's minimum required contribution. The accumulated excess Chapter 175/185 contributions cannot be



used to pay for the current plan of benefits. Instead, the excess contributions may only be used to pay for qualifying benefit improvements in excess of the Chapter 175/185 minimum benefits. Tables III-G and III-H provide a history of the Chapter 175/185 contributions and the portion that is allowed to be recognized.

Contents of the Report

Tables I-D through I-G provide a detailed breakdown of various liability amounts by type of benefit and by participant group. Tables II-A through II-C provide information needed by both the plan's and the employer's accountants in order to prepare the relevant financial statements that cover the period October 1, 2013 through September 30, 2014. Tables III-A through III-F provide information concerning the assets of the trust fund. Specifically, Table III-A shows the development of the actuarial value of assets, which is based on the market value adjusted to reflect any excess Chapter 175/185 contributions and advance employer contributions. Tables IV-A through IV-G provide statistical information concerning the plan's participant population. In particular, Table IV-G gives a 10-year projection of the cash that is expected to be required from the trust fund in order to pay benefits to the current group of participants. Finally, Tables V-A through VI-B provide a summary of the actuarial assumptions and methods that are used to value the plan's benefits and of the relevant plan provisions as of October 1, 2014, as well as a summary of the changes that have occurred since the previous valuation report was prepared.

Refund of Participant Contributions

It is our understanding that there are 11 participants who are due a refund of their employee contributions. We have estimated the accumulated amount of their refunds to be \$5,148 as of October 1, 2014. The average amount owed is \$468. If possible, we recommend that the accumulated contributions be distributed to these individuals in order to simplify the administration of the plan and to reduce future administrative costs.

Plan Changes

Since the previous valuation was prepared, several plan changes were adopted. First, the benefit formula multiplier for service earned after March 2, 2014 was reduced from 3.50% to 3.00%. Second, the employee contribution rate was increased from 1.00% of pensionable earnings to 4.00% of pensionable earnings. Third, the definition of pensionable earnings was changed to exclude compensation in excess of base pay after February 3, 2014. Finally, the 3.00% automatic cost-of-living adjustment is delayed for three years after retirement with respect to benefits earned after February 3, 2014.

Certification

This actuarial valuation was prepared by me or under my direct supervision and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate and, in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of 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 change in plan costs or required contribution rates have been taken into account in the valuation.

For the firm,



Charles T. Carr
Consulting Actuary
Southern Actuarial Services Company, Inc.

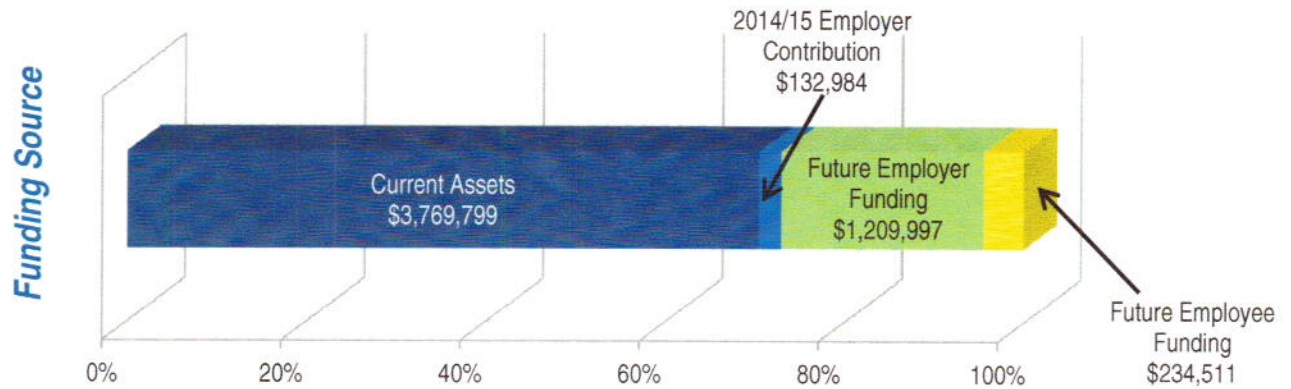
Enrolled Actuary No. 14-04927

The individual above is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



Minimum Required Contribution

Table I-A



For the 2014/15 Plan Year

Present Value of Future Benefits	\$5,255,323
Present Value of Future Administrative Expenses	\$91,968
Actuarial Value of Assets	(\$3,769,799)
Present Value of Future Employee Contributions	(\$234,511)
Present Value of Future Normal Costs	\$1,342,981
Present Value of Future Payroll	÷ \$5,862,758
Normal Cost Rate	= 22.907%
Expected Payroll	x \$560,545
Normal Cost	\$128,404
Adjustment to Reflect Semi-Monthly Employer Contributions	\$4,580
Preliminary Employer Contribution for the 2014/15 Plan Year	\$132,984
Expected Payroll for the 2014/15 Plan Year	÷ \$560,545

Minimum Required Contribution Rate 23.72%

(The actual contribution should be based on the minimum required contribution rate multiplied by the actual payroll for the year.)

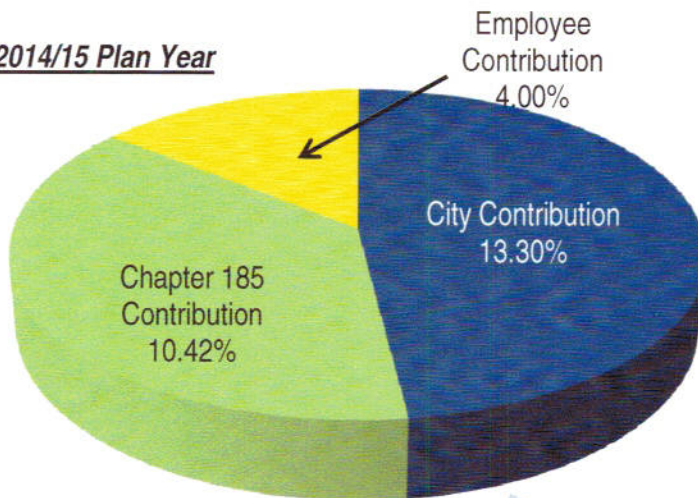


Minimum Required Contribution

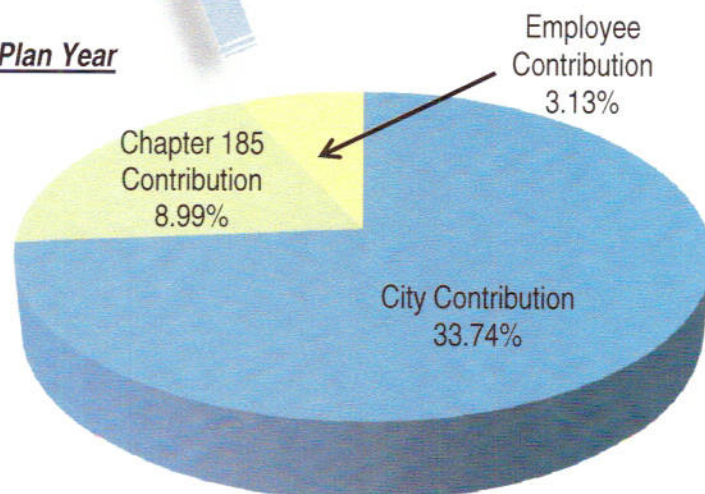
Table I-A
(continued)

The minimum required contribution rate of 23.72% includes both the City contribution and the allowable Chapter 185 contribution. In addition, employees are required to contribute 4.00% of pensionable earnings. The actual City contribution rate is expected to be approximately 13.30% based on the allowable Chapter 185 contribution for the previous year. The chart below shows the expected contribution rate by source for the 2014/15 plan year based on the expected payroll. A comparative chart shows the contribution rate by source for the previous plan year.

For the 2014/15 Plan Year

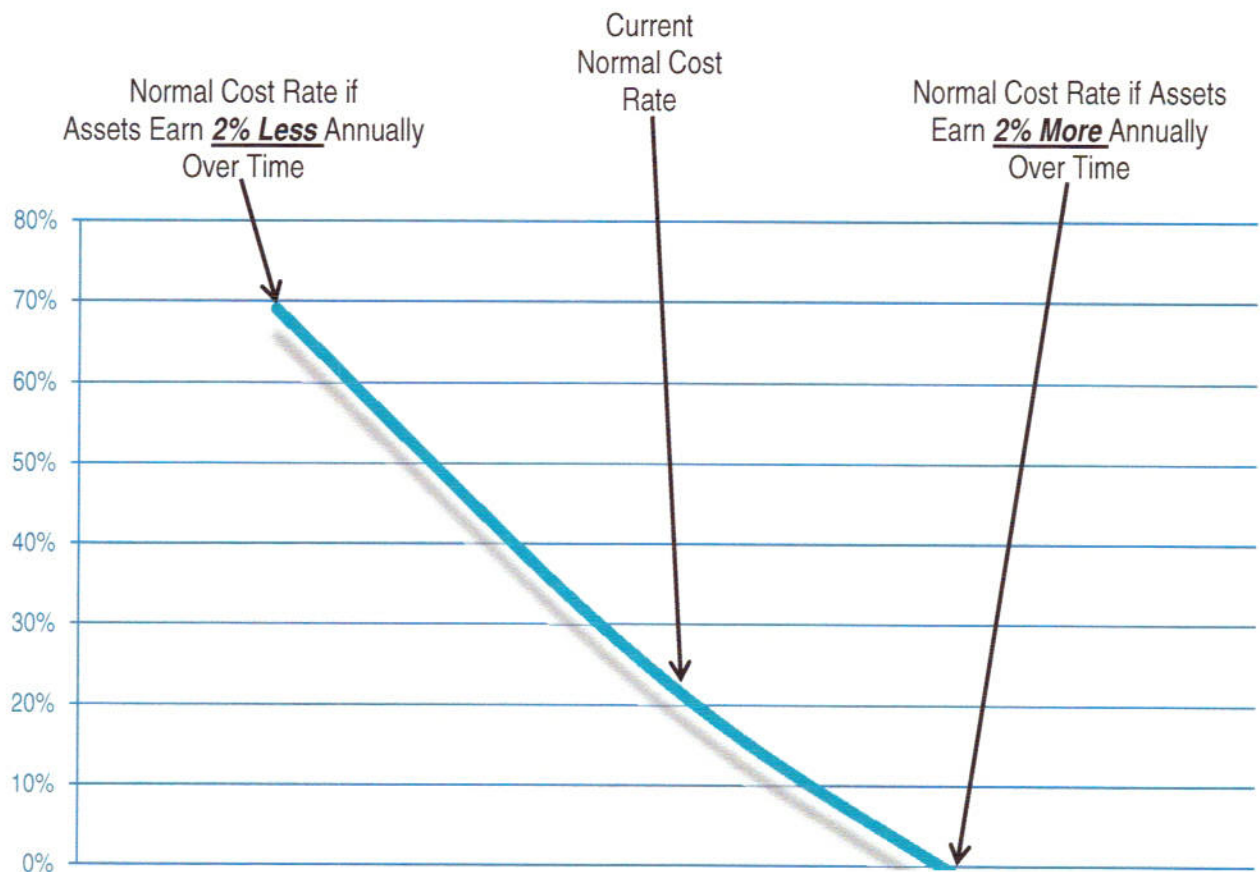


For the 2013/14 Plan Year



Sensitivity Analysis

Table I-B



The line above illustrates the sensitivity of the normal cost rate to changes in the long-term investment return.



Gain and Loss Analysis

Table I-C

Previous normal cost rate	41.26%
Increase (decrease) due to investment gains and losses	-0.65%
Increase (decrease) due to demographic experience	4.66%
Increase (decrease) due to plan amendments	-22.36%
Increase (decrease) due to actuarial assumption changes	0.00%
Increase (decrease) due to actuarial method changes	0.00%
Current normal cost rate	<u>22.91%</u>



Present Value of Future Benefits

Table I-D

	Old Assumptions <u>w/o Amendment</u>	Old Assumptions <u>w/ Amendment</u>	New Assumptions <u>w/ Amendment</u>
<u>Actively Employed Participants</u>			
Retirement benefits	\$5,864,567	\$4,108,874	\$4,108,874
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$5,864,567	\$4,108,874	\$4,108,874
<u>Deferred Vested Participants</u>			
Retirement benefits	\$305,271	\$305,271	\$305,271
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$305,271	\$305,271	\$305,271
<u>Due a Refund of Contributions</u>	\$5,148	\$5,148	\$5,148
<u>Deferred Beneficiaries</u>	\$0	\$0	\$0
<u>Retired Participants</u>			
Service retirements	\$836,030	\$836,030	\$836,030
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	\$836,030	\$836,030	\$836,030
<u>Grand Total</u>	<u>\$7,011,016</u>	<u>\$5,255,323</u>	<u>\$5,255,323</u>
Present Value of Future Payroll	\$7,270,918	\$5,862,758	\$5,862,758
Present Value of Future Employee Contribs.	\$72,709	\$234,511	\$234,511
Present Value of Future Employer Contribs.	\$3,291,201	\$1,342,981	\$1,342,981



Present Value of Accrued Benefits

Table I-E

	Old Assumptions <u>w/o Amendment</u>	Old Assumptions <u>w/ Amendment</u>	New Assumptions <u>w/ Amendment</u>
<u>Actively Employed Participants</u>			
Retirement benefits	\$1,901,590	\$1,874,569	\$1,874,569
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$1,901,590	\$1,874,569	\$1,874,569
<u>Deferred Vested Participants</u>			
Retirement benefits	\$305,271	\$305,271	\$305,271
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$305,271	\$305,271	\$305,271
<u>Due a Refund of Contributions</u>	\$5,148	\$5,148	\$5,148
<u>Deferred Beneficiaries</u>	\$0	\$0	\$0
<u>Retired Participants</u>			
Service retirements	\$836,030	\$836,030	\$836,030
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	\$836,030	\$836,030	\$836,030
<u>Grand Total</u>	<u>\$3,048,039</u>	<u>\$3,021,018</u>	<u>\$3,021,018</u>



Present Value of Vested Benefits

Table I-F

	Old Assumptions <u>w/o Amendment</u>	Old Assumptions <u>w/ Amendment</u>	New Assumptions <u>w/ Amendment</u>
<u>Actively Employed Participants</u>			
Retirement benefits	\$1,834,039	\$1,812,629	\$1,812,629
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$1,834,039	\$1,812,629	\$1,812,629
<u>Deferred Vested Participants</u>			
Retirement benefits	\$305,271	\$305,271	\$305,271
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$305,271	\$305,271	\$305,271
<u>Due a Refund of Contributions</u>	\$5,148	\$5,148	\$5,148
<u>Deferred Beneficiaries</u>	\$0	\$0	\$0
<u>Retired Participants</u>			
Service retirements	\$836,030	\$836,030	\$836,030
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	\$836,030	\$836,030	\$836,030
<u>Grand Total</u>	<u>\$2,980,488</u>	<u>\$2,959,078</u>	<u>\$2,959,078</u>



Entry Age Normal Accrued Liability

Table I-G

	Old Assumptions w/o Amendment	Old Assumptions w/ Amendment	New Assumptions w/ Amendment
<u>Actively Employed Participants</u>			
Retirement benefits	\$2,868,087	\$2,189,279	\$2,189,279
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$2,868,087	\$2,189,279	\$2,189,279
<u>Deferred Vested Participants</u>			
Retirement benefits	\$305,271	\$305,271	\$305,271
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	\$305,271	\$305,271	\$305,271
<u>Due a Refund of Contributions</u>	\$5,148	\$5,148	\$5,148
<u>Deferred Beneficiaries</u>	\$0	\$0	\$0
<u>Retired Participants</u>			
Service retirements	\$836,030	\$836,030	\$836,030
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	\$836,030	\$836,030	\$836,030
<u>Grand Total</u>	<u>\$4,014,536</u>	<u>\$3,335,728</u>	<u>\$3,335,728</u>



GASB 25/27 Results

Table II-A

Development of the Net Pension Obligation (Asset)

Net Pension Obligation (Asset) as of October 1, 2013	(\$47,709)
Annual Pension Cost for the 2013/14 Plan Year	\$264,244
Employer Contributions for the 2013/14 Plan Year	(\$211,471)
Net Increase (Decrease) in NPO	<u>\$52,773</u>
Net Pension Obligation (Asset) as of October 1, 2014	<u><u>\$5,064</u></u>



GASB 25/27 Disclosures

Table II-B

Schedule of Employer Contributions

Year Ended <u>September 30</u>	Annual Required <u>Contribution</u>	% <u>Contrib.</u>	Annual Pension <u>Cost</u>	% <u>Contrib.</u>
2009	\$159,513	100%	\$159,513	100%
2010	\$168,672	100%	\$168,672	100%
2011	\$269,422	114%	\$269,422	114%
2012	\$283,513	102%	\$283,660	102%
2013	\$240,653	102%	\$249,818	102%
2014	\$263,991	80%	\$264,244	80%

Schedule of Funding Progress

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability * (AAL)	Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1) ÷ (2)	Covered Payroll	UAAL as % of Covered Payroll (3) ÷ (5)
Not Applicable	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2010	\$1,821,794	\$2,445,151	\$623,357	74.51%	\$514,615	121.13%
Not Applicable	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2012	\$2,779,873	\$3,608,235	\$828,362	77.04%	\$563,728	146.94%
October 1, 2013	\$3,314,601	\$4,156,871	\$842,270	79.74%	\$617,823	136.33%
October 1, 2014	\$3,769,799	\$3,335,728	\$0	113.01%	\$560,545	0.00%

* The AAL has been calculated under the entry age normal cost method.

Additional Information

Valuation Date **October 1, 2014**

Actuarial Cost Method **Aggregate**

Amortization Method **Level dollar, open**

Remaining Amortization Period **30 years**

Asset Valuation Method **Market value**

Discount Rate **7.00%**

Salary Increase Rate **4.00%**



SFAS 35 Disclosures

Table II-C

Actuarial Present Value of Accrued Benefits

	<u>As of October 1, 2013</u>	<u>As of October 1, 2014</u>
<u>Vested Benefits</u>		
Participants currently receiving benefits	\$581,064	\$836,030
Other participants	\$1,807,625	\$2,123,048
Sub-total	<u>\$2,388,689</u>	<u>\$2,959,078</u>
<u>Non-Vested Benefits</u>	\$54,550	\$61,940
<u>Total Benefits</u>	<u><u>\$2,443,239</u></u>	<u><u>\$3,021,018</u></u>
<u>Funded Percentage</u>	135.66%	124.79%
(based on the market value of assets)		

Statement of Change in Actuarial Present Value of Accrued Benefits

<u>Actuarial Present Value as of October 1, 2013</u>	<u>\$2,443,239</u>
<u>Increase (Decrease) Due To:</u>	
Interest	\$171,027
Benefits accumulated	\$476,434
Benefits paid	(\$42,661)
Plan amendments	(\$27,021)
Changes in actuarial methods and assumptions	\$0
Net increase (decrease)	<u>\$577,779</u>
<u>Actuarial Present Value as of October 1, 2014</u>	<u><u>\$3,021,018</u></u>



Actuarial Value of Assets

Table III-A

Market Value of Assets as of October 1, 2014	\$3,784,675
Minus DROP account balances	\$0
Minus advance employer contributions	\$0
Minus excess Chapter 175/185 contributions	(\$14,876)
Actuarial Value of Assets as of October 1, 2014	<u>\$3,769,799</u>

Historical Actuarial Value of Assets

October 1, 2005	\$801,629
October 1, 2006	\$1,049,545
October 1, 2007	\$1,343,358
October 1, 2008	\$1,291,508
October 1, 2009	\$1,495,015
October 1, 2010	\$1,821,794
October 1, 2011	\$2,141,195
October 1, 2012	\$2,779,873
October 1, 2013	\$3,314,601
October 1, 2014	\$3,769,799

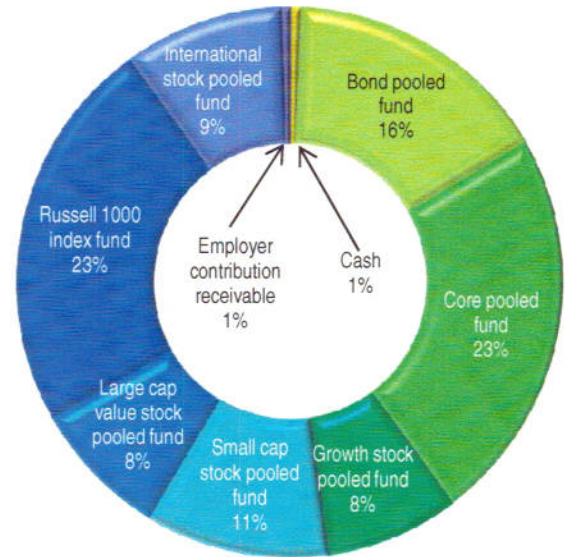


Market Value of Assets

Table III-B

As of October 1, 2014

Market Value of Assets	<u>\$3,784,675</u>
Cash	\$22,581
Bond pooled fund	\$602,171
Core pooled fund	\$880,674
Growth stock pooled fund	\$301,085
Small cap stock pooled fund	\$410,229
Large cap value stock pooled fund	\$308,612
Russell 1000 index fund	\$880,675
International stock pooled fund	\$357,539
Employer contribution receivable	\$20,145
Employee contribution receivable	\$964

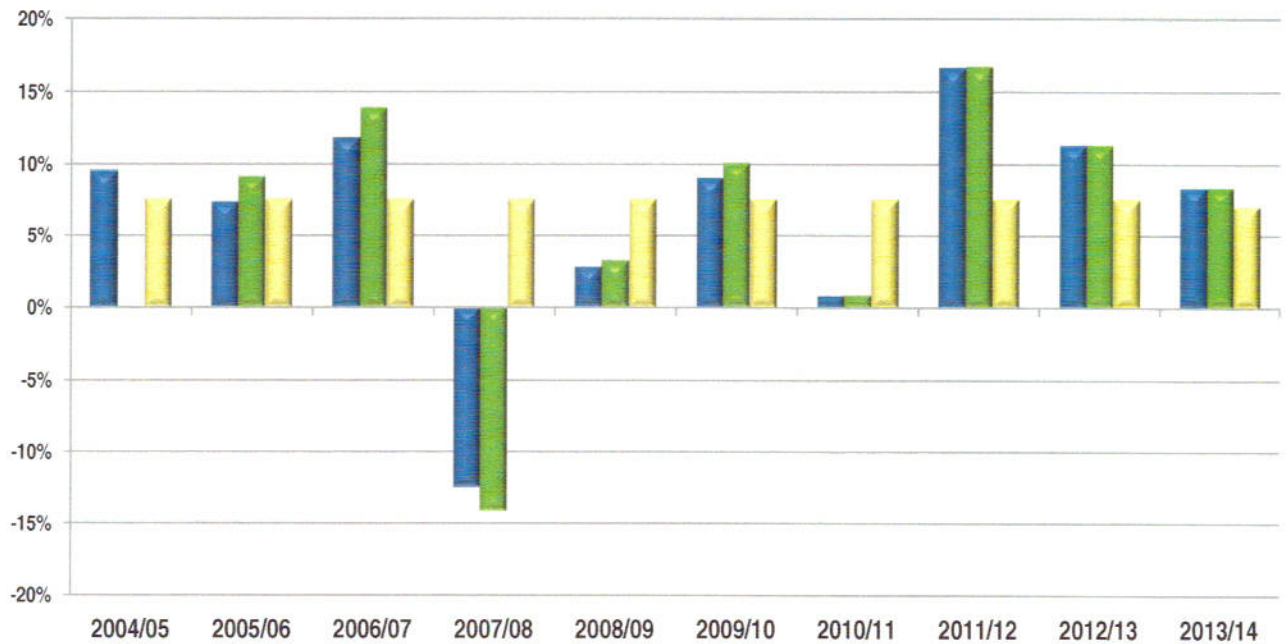
**Historical Market Value of Assets**

October 1, 2005	\$1,044,277
October 1, 2006	\$1,247,951
October 1, 2007	\$1,537,265
October 1, 2008	\$1,490,280
October 1, 2009	\$1,685,693
October 1, 2010	\$1,994,190
October 1, 2011	\$2,158,922
October 1, 2012	\$2,789,600
October 1, 2013	\$3,324,328
October 1, 2014	\$3,784,675



Investment Return

Table III-C

*Annual Investment Returns*

■ Market Value Return
 ■ Actuarial Value Return
 ■ Assumed Return

Plan Year	Market Value Return	Actuarial Value Return	Assumed Return
2004/05	9.46%	N/A	7.50%
2005/06	7.30%	9.12%	7.50%
2006/07	11.80%	13.87%	7.50%
2007/08	-12.45%	-14.17%	7.50%
2008/09	2.81%	3.21%	7.50%
2009/10	8.99%	10.03%	7.50%
2010/11	0.81%	0.84%	7.50%
2011/12	16.59%	16.69%	7.50%
2012/13	11.28%	11.31%	7.50%
2013/14	8.31%	8.34%	7.00%
10yr. Avg.	6.20%	6.20%	7.45%



Asset Reconciliation

Table III-D

	<u>Market Value</u>	<u>Actuarial Value</u>
As of October 1, 2013	\$3,324,328	\$3,314,601
<i>Increases Due To:</i>		
Employer Contributions	\$153,037	\$153,037
Chapter 175/185 Contributions	\$63,583	\$63,583
Employee Contributions	\$20,348	\$20,348
Service Purchase Contributions	\$0	\$0
Total Contributions	<u>\$236,968</u>	<u>\$236,968</u>
Interest and Dividends	\$0	
Realized Gains (Losses)	\$0	
Unrealized Gains (Losses)	\$283,677	
Total Investment Income	<u>\$283,677</u>	<u>\$283,677</u>
Other Income	\$0	
Total Income	<u>\$520,645</u>	<u>\$520,645</u>
<i>Decreases Due To:</i>		
Monthly Benefit Payments	(\$40,536)	(\$40,536)
Refund of Employee Contributions	(\$2,125)	(\$2,125)
DROP Credits		\$0
Total Benefit Payments	<u>(\$42,661)</u>	<u>(\$42,661)</u>
Investment Expenses	\$0	
Administrative Expenses	(\$17,637)	(\$17,637)
Advance Employer Contribution		\$0
Excess Chapter 175/185 Contribution		(\$5,149)
Total Expenses	<u>(\$60,298)</u>	<u>(\$65,447)</u>
As of October 1, 2014	<u>\$3,784,675</u>	<u>\$3,769,799</u>



Historical Trust Fund Detail

Table III-E

Income

Plan Year	Employer Contribs.	Chapter Contribs.	Employee Contribs.	Service Purchase Contribs.	Interest / Dividends	Realized Gains / Losses	Unrealized Gains / Losses	Other Income
2004/05	\$70,297	\$56,351	\$4,337	\$0	\$0	\$0	\$84,739	\$0
2005/06	\$67,127	\$58,100	\$4,178	\$2,224	\$0	\$0	\$80,772	\$0
2006/07	\$72,070	\$62,536	\$4,458	\$0	\$0	\$0	\$155,234	\$0
2007/08	\$92,500	\$62,954	\$5,707	\$0	\$0	\$0	-\$200,969	\$0
2008/09	\$92,763	\$58,656	\$5,723	\$0	\$0	\$0	\$43,988	\$0
2009/10	\$93,148	\$57,242	\$5,750	\$0	\$0	\$0	\$158,352	\$0
2010/11	\$95,501	\$58,284	\$5,892	\$0	\$0	\$0	\$16,662	\$0
2011/12	\$221,267	\$59,317	\$5,513	\$0	\$0	\$0	\$378,939	\$0
2012/13	\$196,995	\$56,576	\$5,689	\$0	\$0	\$0	\$326,283	\$0
2013/14	\$153,037	\$63,583	\$20,348	\$0	\$0	\$0	\$283,677	\$0

Expenses

Plan Year	Monthly Benefit Payments	Contrib. Refunds	Admin. Expenses	Invest. Expenses	<u>Other Actuarial Adjustments</u>		
					DROP Credits	Advance Employer Contribs.	Excess Chapter Contribs.
2004/05	\$0	\$0	\$3,232	\$0	\$0	N/A	N/A
2005/06	\$0	\$1,225	\$7,502	\$0	\$0	-\$9,197	-\$35,045
2006/07	\$0	\$0	\$4,984	\$0	\$0	-\$8,601	\$4,102
2007/08	\$0	\$0	\$7,177	\$0	\$0	\$345	\$4,520
2008/09	\$0	\$551	\$5,166	\$0	\$0	-\$8,316	\$222
2009/10	\$0	\$578	\$5,417	\$0	\$0	-\$18,282	\$0
2010/11	\$1,859	\$0	\$9,748	\$0	\$0	-\$154,669	\$0
2011/12	\$28,241	\$0	\$6,117	\$0	\$0	-\$8,883	\$883
2012/13	\$39,355	\$0	\$11,460	\$0	\$0	\$0	\$0
2013/14	\$40,536	\$2,125	\$17,637	\$0	\$0	\$0	\$5,149

Note: Information was not available to separate the investment expenses from the investment income nor was information available to separate the investment income by source.



Other Reconciliations

Table III-F

Advance Employer Contribution

Advance Employer Contribution as of October 1, 2013	\$0
Additional Employer Contribution	\$211,471
Minimum Required Contribution	(\$211,471)
Net Increase in Advance Employer Contribution	\$0
Advance Employer Contribution as of October 1, 2014	\$0

Excess Chapter 175/185 Contribution

Excess Chapter 175/185 Contribution as of October 1, 2013	\$9,727
Additional Chapter 175/185 Contribution	\$63,583
Allowable Chapter 175/185 Contribution	(\$58,434)
Net Increase in Excess Chapter 175/185 Contribution	\$5,149
Excess Chapter 175/185 Contribution as of October 1, 2014	\$14,876



Allowable Chapter 175/185 Contribution

Table III-G

1997 Base Amounts

Chapter 175 Regular Distribution	\$0
Chapter 175 Supplemental Distribution	\$0
Chapter 185 Distribution	\$42,693

Qualifying Benefit Improvements

Prior Ordinance	\$12,408
Ordinance 09-06	\$3,333



Historical Chapter 175/185 Contributions

Table III-H

Total Accumulated Excess Chapter 175/185 Contribution **\$14,876**

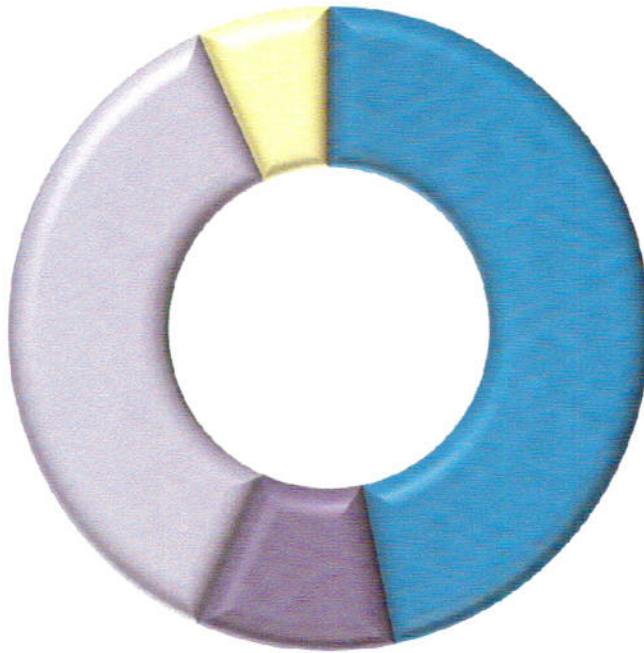
	Chapter 175 Regular Distribution	Chapter 175 Supplemental Distribution	Chapter 185 Distribution	Allowable Amount
1998 Distribution	\$0	\$0	\$59,929	(\$55,101)
1999 Distribution	\$0	\$0	\$0	\$0
2000 Distribution	\$0	\$0	\$55,787	(\$55,787)
2001 Distribution	\$0	\$0	\$0	\$0
2002 Distribution	\$0	\$0	\$129,768	(\$110,202)
2003 Distribution	\$0	\$0	\$61,164	(\$55,101)
2004 Distribution	\$0	\$0	\$56,351	(\$55,101)
2005 Distribution	\$0	\$0	\$58,100	(\$93,145)
2006 Distribution	\$0	\$0	\$62,536	(\$58,434)
2007 Distribution	\$0	\$0	\$62,954	(\$58,434)
2008 Distribution	\$0	\$0	\$58,656	(\$58,434)
2009 Distribution	\$0	\$0	\$57,242	(\$57,242)
2010 Distribution	\$0	\$0	\$58,284	(\$58,284)
2011 Distribution	\$0	\$0	\$59,317	(\$58,434)
2012 Distribution	\$0	\$0	\$56,576	(\$56,576)
2013 Distribution	\$0	\$0	\$63,583	(\$58,434)
Interest Adjustment				\$3,338



Summary of Participant Data

Table IV-A

As of October 1, 2014

Actively Employed Participants

Active Participants	14
DROP Participants	0

Inactive Participants

Deferred Vested Participants	3
Due a Refund of Contributions	11
Deferred Beneficiaries	0

Participants Receiving a Benefit

Service Retirements	2
Disability Retirements	0
Beneficiaries Receiving	0

Total Participants 30Number of Participants Included in Prior Valuations

	<i>Active</i>	<i>DROP</i>	<i>Inactive</i>	<i>Retired</i>	<i>Total</i>
October 1, 2005	12	0	0	0	12
October 1, 2006	N/A	N/A	N/A	N/A	N/A
October 1, 2007	13	0	10	0	23
October 1, 2008	N/A	N/A	N/A	N/A	N/A
October 1, 2009	N/A	N/A	N/A	N/A	N/A
October 1, 2010	13	0	10	0	23
October 1, 2011	N/A	N/A	N/A	N/A	N/A
October 1, 2012	13	0	12	2	27
October 1, 2013	13	0	14	2	29
October 1, 2014	14	0	14	2	30



Data Reconciliation

Table IV-B

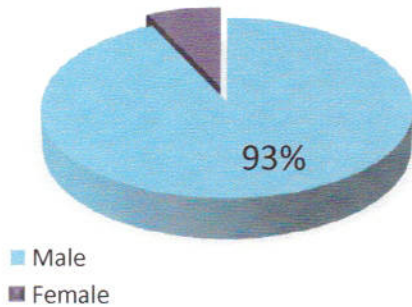
	<u>Active</u>	<u>DROP</u>	<u>Deferred Vested</u>	<u>Due a Refund</u>	<u>Def. Benef.</u>	<u>Service Retiree</u>	<u>Disabled Retiree</u>	<u>Benef. Rec'v.</u>	<u>Total</u>
<u>October 1, 2013</u>	13	0	3	11	0	2	0	0	29
<u>Change in Status</u>									
Re-employed	1			(1)					
Terminated	(2)			2					
Retired									
<u>Participation Ended</u>									
Transferred Out									
Cashed Out				(1)					(1)
Died									
<u>Participation Began</u>									
Newly Hired	2								2
Transferred In									
New Beneficiary									
<u>Other Adjustment</u>									
<u>October 1, 2014</u>	14	0	3	11	0	2	0	0	30



Active Participant Data

Table IV-C

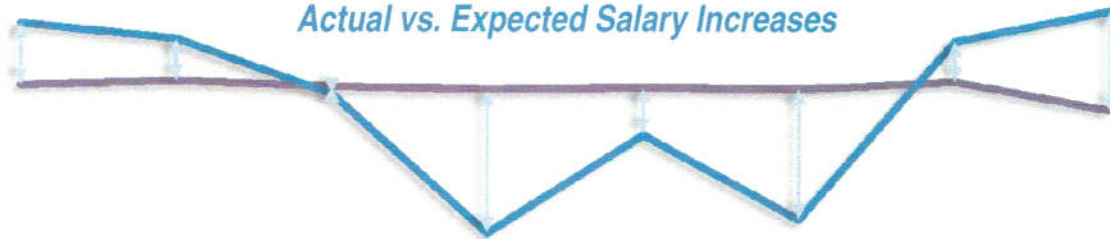
Gender Mix



As of October 1, 2014

Average Age	39.2 years
Average Service	7.9 years
Total Annualized Compensation for the Prior Year	\$538,987
Total Expected Compensation for the Current Year	\$560,545
Average Increase in Compensation for the Prior Year	9.94%
Expected Increase in Compensation for the Current Year	4.00%

Actual vs. Expected Salary Increases



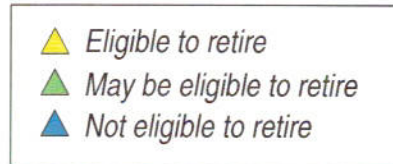
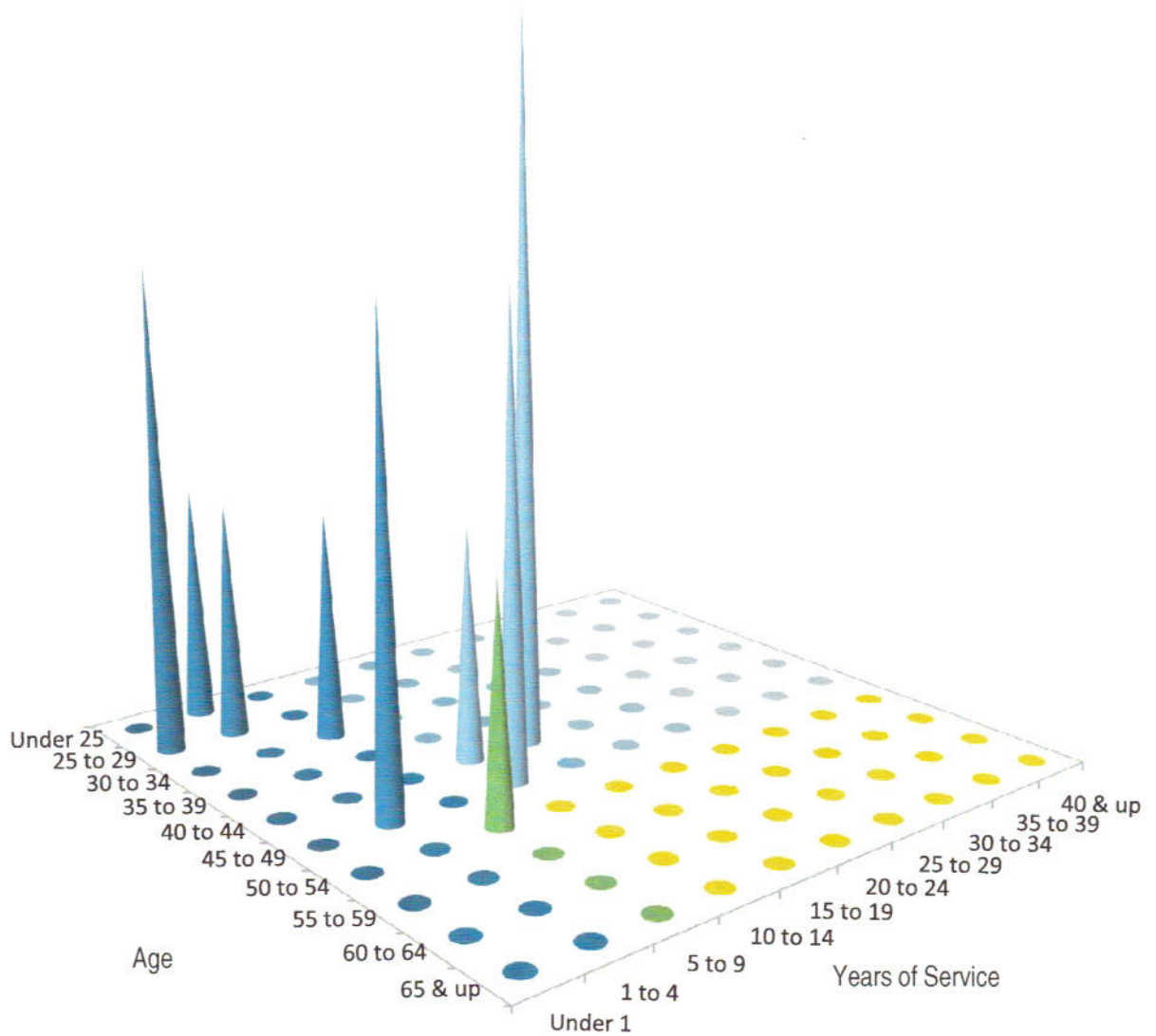
Active Participant Statistics From Prior Valuations

	Average Age	Average Service	Average Salary	Average Expected Salary Increase	Average Actual Salary Increase
October 1, 2005	37.9	4.3	\$35,577	5.15%	10.82%
October 1, 2006	N/A	N/A	\$33,635	5.07%	-1.37%
October 1, 2007	39.2	4.8	\$34,885	5.52%	9.22%
October 1, 2008	N/A	N/A	N/A	5.75%	8.28%
October 1, 2009	N/A	N/A	N/A	5.42%	4.96%
October 1, 2010	41.5	7.3	\$44,208	5.21%	-3.26%
October 1, 2011	N/A	N/A	N/A	5.31%	2.51%
October 1, 2012	38.6	6.8	\$39,077	5.23%	-2.47%
October 1, 2013	37.2	7.6	\$42,479	5.69%	8.12%
October 1, 2014	39.2	7.9	\$38,499	4.00%	9.94%



Active Age-Service Distribution

Table IV-D



Active Age-Service-Salary Table

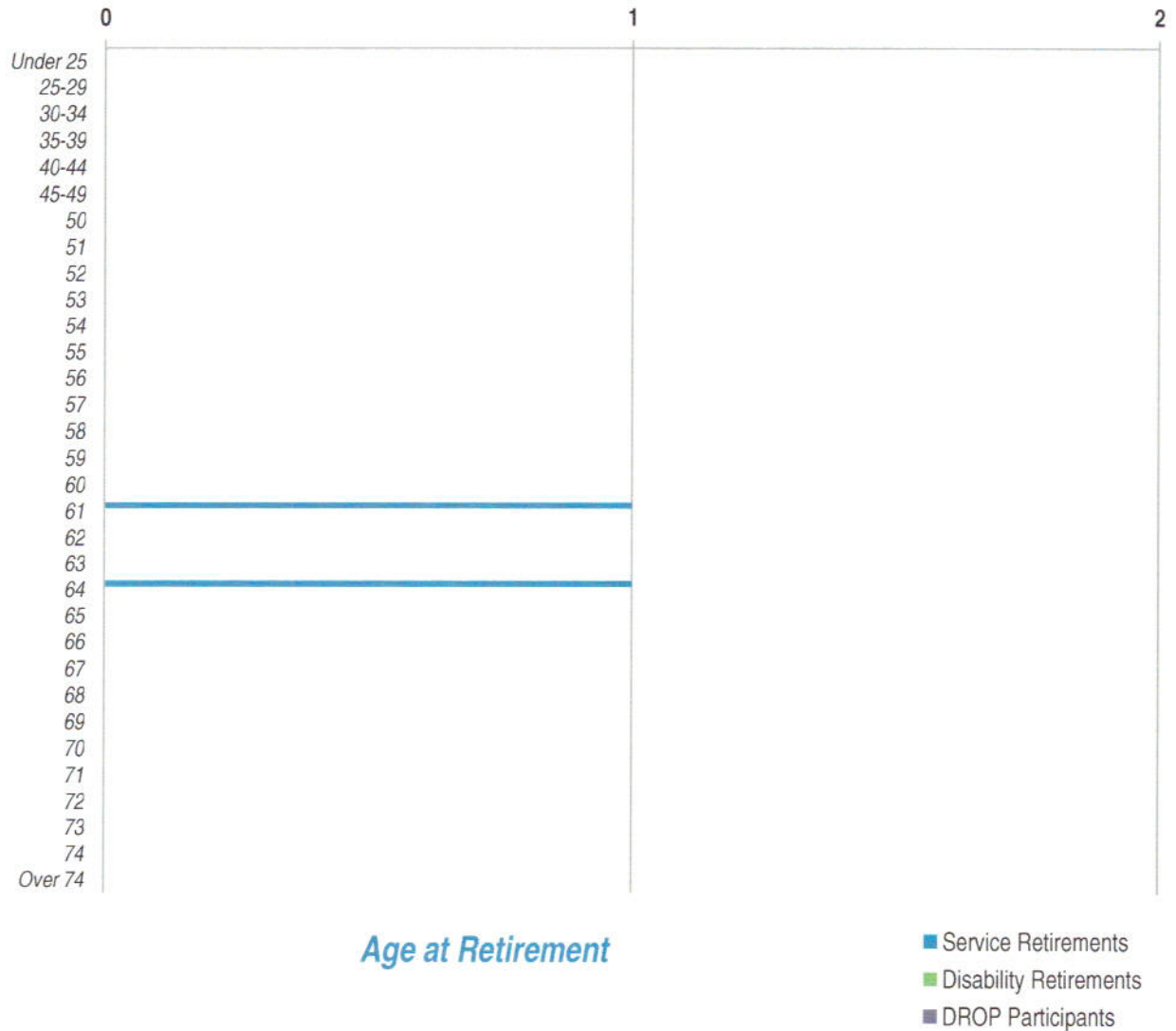
Table IV-E

Attained Age	Completed Years of Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	0	1	0	0	0	0	0	0	0	0	1
Avg. Pay	0	31,636	0	0	0	0	0	0	0	0	31,636
25 to 29	2	1	0	0	0	0	0	0	0	0	3
Avg. Pay	38,492	31,832	0	0	0	0	0	0	0	0	36,272
30 to 34	0	0	1	0	0	0	0	0	0	0	1
Avg. Pay	0	0	40,763	0	0	0	0	0	0	0	40,763
35 to 39	0	0	0	0	0	0	0	0	0	0	0
Avg. Pay	0	0	0	0	0	0	0	0	0	0	0
40 to 44	0	0	0	1	3	0	0	0	0	0	4
Avg. Pay	0	0	0	40,329	45,451	0	0	0	0	0	44,171
45 to 49	0	2	0	2	0	0	0	0	0	0	4
Avg. Pay	0	34,352	0	39,011	0	0	0	0	0	0	36,681
50 to 54	0	0	1	0	0	0	0	0	0	0	1
Avg. Pay	0	0	34,364	0	0	0	0	0	0	0	34,364
55 to 59	0	0	0	0	0	0	0	0	0	0	0
Avg. Pay	0	0	0	0	0	0	0	0	0	0	0
60 to 64	0	0	0	0	0	0	0	0	0	0	0
Avg. Pay	0	0	0	0	0	0	0	0	0	0	0
65 & up	0	0	0	0	0	0	0	0	0	0	0
Avg. Pay	0	0	0	0	0	0	0	0	0	0	0
Total	2	4	2	3	3	0	0	0	0	0	14
Avg. Pay	38,492	33,043	37,564	39,450	45,451	0	0	0	0	0	38,499



Inactive Participant Data

Table IV-F

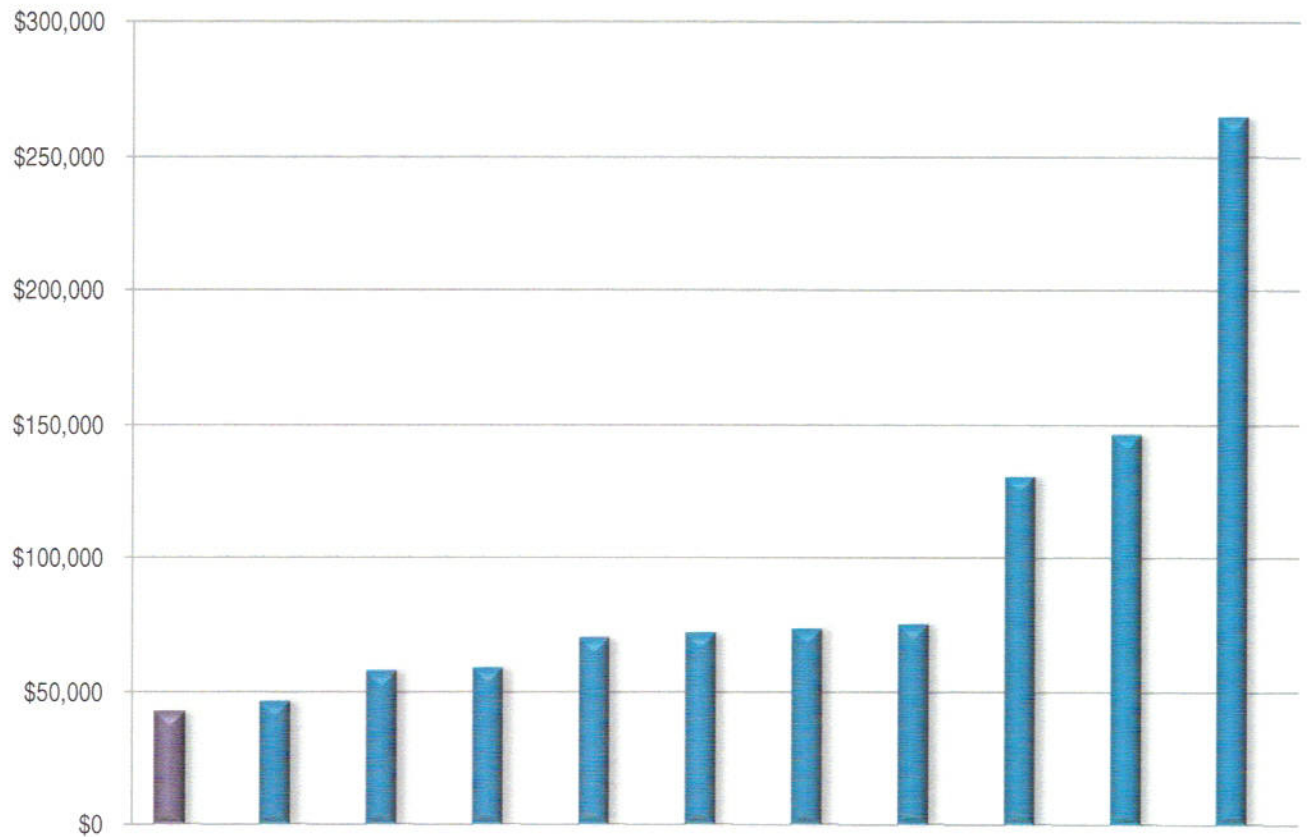
Average Monthly Benefit

Service Retirements	\$1,739.68
Disability Retirements	Not applicable
Beneficiaries Receiving	Not applicable
DROP Participants	Not applicable
Deferred Vested Participants	\$828.89
Deferred Beneficiaries	Not applicable



Projected Benefit Payments

Table IV-G

Actual

For the period October 1, 2013 through September 30, 2014

\$42,661

Projected

For the period October 1, 2014 through September 30, 2015

\$46,646

For the period October 1, 2015 through September 30, 2016

\$57,822

For the period October 1, 2016 through September 30, 2017

\$59,149

For the period October 1, 2017 through September 30, 2018

\$70,396

For the period October 1, 2018 through September 30, 2019

\$72,074

For the period October 1, 2019 through September 30, 2020

\$73,722

For the period October 1, 2020 through September 30, 2021

\$75,332

For the period October 1, 2021 through September 30, 2022

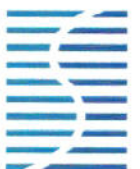
\$130,695

For the period October 1, 2022 through September 30, 2023

\$146,559

For the period October 1, 2023 through September 30, 2024

\$265,019



Summary of Actuarial Methods and Assumptions

Table V-A

1. Actuarial Cost Method

Aggregate cost method. Under this actuarial cost method, a funding cost is developed for the plan as a level percentage of payroll. The level funding percentage is calculated as the excess of the total future benefit liability over accumulated assets and future employee contributions, with this excess spread over the expected future payroll for current active participants. The normal cost is equal to the level funding percentage multiplied by the expected payroll for the year immediately following the valuation date. The actuarial accrued liability is equal to the accumulated assets. Therefore, under the aggregate cost method, no unfunded accrued liability is developed.

2. Asset Method

The actuarial value of assets is equal to the market value of assets.

3. Interest (or Discount) Rate

7.00% per annum

4. Salary Increases

Plan compensation is assumed to increase at the rate of 4.00% per annum, unless actual plan compensation is known for a prior plan year.

5. Decrements

- Pre-retirement mortality: None assumed
- Post-retirement mortality: Sex-distinct mortality rates set forth in the RP-2000 Mortality Table for annuitants, projected to 2015 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430; future generational improvements in mortality have not been reflected.
- Disability: None assumed
- Termination: None assumed
- Retirement: Retirement is assumed to occur at normal retirement age.



Summary of Actuarial Methods and Assumptions

Table V-A

(continued)

6. **Form of Payment**

Future retirees have been assumed to select the 10-year certain and life annuity.

7. **Expenses**

The total projected benefit liability has been loaded by 1.75% to account for anticipated administrative expenses. In addition, the interest rate set forth in item 3. above is assumed to be net of investment expenses and commissions.



Changes in Actuarial Methods and Assumptions

Table V-B

No assumptions or methods have been changed since the completion of the previous valuation.



Summary of Plan Provisions

Table VI-A

1. Monthly Accrued Benefit

3.50% of Average Final Compensation multiplied by Credited Service earned prior to March 3, 2014 plus
3.00% of Average Final Compensation multiplied by Credited Service earned after March 2, 2014

2. Normal Retirement Age and Benefit

- **Age**

Age 55 with at least six years of Credited Service; or
Age 52 with at least 25 years of Credited Service

- **Amount**

Monthly Accrued Benefit

- **Form of Payment**

Actuarially increased single life annuity (optional);
10-year certain and life annuity (normal form of payment);
Actuarially reduced 50% joint and contingent annuity (optional);
Actuarially reduced 66 $\frac{2}{3}$ % joint and contingent annuity (optional);
Actuarially reduced 75% joint and contingent annuity (optional);
Actuarially reduced 100% joint and contingent annuity (optional);
Any other actuarially equivalent form of payment approved by the Board; or
Actuarially equivalent lump sum distribution (automatic if the single sum value of the participant's benefit is less than or equal to \$5,000 or the monthly annuity is less than \$100)

(Note: A participant may change his joint annuitant up to two times after retirement.)

3. Early Retirement Age and Benefit

- **Age**

Age 50 with at least six years of Credited Service

- **Amount**

Monthly Accrued Benefit (payable at Normal Retirement Age); or
Monthly Accrued Benefit reduced by 3% for each year by which the participant's Early Retirement Date precedes his Normal Retirement Date (payable at Early Retirement Age)

- **Form of Payment**

Same as for Normal Retirement



Summary of Plan Provisions

Table VI-A

(continued)

4. Service Incurred Disability Eligibility and Benefit

- **Eligibility**

The participant is eligible if his disability was incurred during the course of his employment with the City.

- **Condition**

The Board must find that the participant has a physical or mental condition resulting from bodily injury, disease, or a mental disorder which renders him incapable of employment as a police officer.

- **Amount Payable**

A monthly 10-year certain and life annuity equal to the larger of (a) or (b), as follows, but offset as necessary to preclude the total of the participant's worker's compensation, disability benefit, and other City-provided disability compensation from exceeding his Average Monthly Earnings:

- (a) Monthly Accrued Benefit; or
- (b) 42% of Average Final Compensation

5. Non-Service Incurred Disability Eligibility and Benefit

- **Eligibility**

The participant must have earned at least 10 years of Credited Service if his disability was incurred other than during the course of his employment with the City.

- **Condition**

Same as for a Service Incurred Disability Benefit

- **Amount Payable**

A monthly 10-year certain and life annuity equal to the larger of (a) or (b), as follows, but offset as necessary to preclude the total of the participant's worker's compensation, disability benefit, and other City-provided disability compensation from exceeding his Average Monthly Earnings:

- (a) Monthly Accrued Benefit; or
- (b) 25% of Average Final Compensation

6. Delayed Retirement Age and Benefit

- **Age**

After Normal Retirement Age

- **Amount**

Monthly Accrued Benefit

- **Form of Payment**

Same as for Normal Retirement



Summary of Plan Provisions

Table VI-A

(continued)

7. Deferred Vested Benefit

- **Age**
Any age with at least six years of Credited Service
- **Amount**
Monthly Accrued Benefit (payable at Normal Retirement Age); or
Monthly Accrued Benefit reduced by 3% for each year by which the participant's Early Retirement Date precedes his Normal Retirement Date (payable at Early Retirement Age)
- **Form of Payment**
Same as for Normal Retirement

8. Pre-Retirement Death Benefit

In the case of the death of a vested participant prior to retirement, his beneficiary will receive the participant's Monthly Accrued Benefit payable for 10 years beginning on the participant's early or normal retirement date. In the case of the death of a non-vested participant prior to retirement, his beneficiary will receive the participant's Accumulated Contributions in lieu of any other benefits payable from the plan.

9. Average Final Compensation

Average of the highest five years of Compensation out of the last 10 years of employment (or career average, if higher).

10. Compensation

Prior to February 4, 2014, Compensation includes total cash remuneration, including overtime pay, but excluding amounts paid for extra duty and special detail work performed for a secondary party; after February 3, 2014, Compensation includes only base pay; annual compensation in excess of \$200,000 (as indexed) is excluded in accordance with Internal Revenue Code (IRC) §401(a)(17).

11. Credited Service

The elapsed time from the participant's date of hire until his date of termination, retirement, or death.



Summary of Plan Provisions

Table VI-A

(continued)

12. Participation Requirement

All police officers of the City of Gulf Breeze, Florida automatically become a participant in the plan on their date of hire.

13. Accumulated Contributions

The Employee Contributions accumulated with no interest; if the participant terminates his employment with less than six years of Credited Service, he receives his Accumulated Contributions in lieu of any other benefits payable from the plan.

14. Participant Contribution

4.00% of earnings (1.00% of earnings prior to February 4, 2014)

15. Definition of Actuarially Equivalent

- **Interest Rate**

7.00% per annum

- **Mortality Table**

The unisex mortality table promulgated by the Secretary of the Treasury for purposes of determining lump sum distributions pursuant to Internal Revenue Code (IRC) section 417(e)(3)

16. Plan Effective Date

January 1, 1996

17. Automatic Cost-of-Living Adjustment (COLA)

All benefits include an automatic 3% annual COLA; the COLA is delayed for three years with respect to benefits earned after February 3, 2014.

18. Supplemental Retirement Benefit

All retirees receive a supplemental monthly benefit equal to \$5.00 for each year of Credited Service payable for their lifetime only.

19. Deferred Retirement Option Program (DROP)

A DROP is available to all active participants who are eligible for normal retirement. Individuals may participate in the DROP for a period of up to five years.



Summary of Plan Amendments

Table VI-B

Since the completion of the previous valuation, Ordinances 01-14 and 02-14 were adopted. These ordinances made the following changes to the plan:

- (1) The benefit formula multiplier for service earned after March 2, 2014 was reduced from 3.50% to 3.00%.
- (2) The employee contribution rate was increased from 1.00% of pensionable earnings to 4.00% of pensionable earnings.
- (3) The definition of pensionable earnings was changed to exclude compensation in excess of base pay after February 3, 2014.
- (4) The 3.00% automatic cost-of-living adjustment is delayed for three years after retirement with respect to benefits earned after February 3, 2014.

