

RETIREMENT PLAN FOR THE FIREFIGHTERS AND  
POLICE OFFICERS OF THE CITY OF LONGWOOD

ACTUARIAL VALUATION  
AS OF OCTOBER 1, 2015

DETERMINES THE CONTRIBUTION  
FOR THE 2016/17 FISCAL YEAR



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January 31, 2016

## Introduction

This report presents the results of the October 1, 2015 actuarial valuation of the Retirement Plan for the Firefighters and Police Officers of the City of Longwood. 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 primary purpose of this report is to provide a summary of the funded status of the plan as of October 1, 2015 and to determine the minimum required contribution under Chapter 112, Florida Statutes, for the 2016/17 plan year. In addition, this report provides a projection of the long-term funding requirements of the plan, 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 IV-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 minimum required contribution rate.

## Minimum Required Contribution

Table I-A shows the development of the minimum required contribution for the 2016/17 plan year. The minimum required contribution rate is 21.20% of covered payroll, which represents an increase of 5.62% of payroll from the prior valuation.

The normal cost rate is 20.85% of payroll, which is 5.18% higher 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 increased by 2.65% of payroll due to investment losses and increased by another 2.53% of payroll due to demographic experience. The market value of assets lost 0.08% during the 2014/15 plan year, whereas a 7.00%





annual investment return was required to maintain a stable contribution rate. The demographic loss occurred primarily because pay increases were much greater than expected.

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 2016/17 minimum required contribution will be equal to 21.20% multiplied by the total pensionable earnings for the 2016/17 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 2016/17 plan 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 \$15,178,960. As illustrated in Table I-A, current assets are sufficient to cover \$9,649,781 of this amount, the employer's 2015/16 expected contribution will cover \$461,359 of this amount, the employer's 2016/17 expected contribution will cover \$652,762 of this amount, and future employee contributions are expected to cover \$253,090 of this amount, leaving \$4,161,968 to be covered by future employer funding beyond the 2016/17 fiscal year. Again, demographic and investment experience that differs from that assumed will either increase or decrease the future employer funding requirement.

#### Advance Employer Contribution

The City has made contributions to the plan in excess of the minimum amount that was required to be contributed pursuant to Chapter 112. In this report, the excess contributions are referred to as an "advance employer contribution." As of October 1, 2015, the advance employer contribution is \$318,692, which reflects the advance employer contribution of \$390,127 as of October 1, 2014 minus \$71,435 to cover a shortfall between the minimum required contribution for the 2014/15 plan year and the actual employer contribution for that year as shown in Table II-F.

The City may apply all or any portion of the advance employer contribution towards the minimum required contribution for the 2015/16 plan year or for any later plan year. The minimum required contribution for that plan year will be reduced dollar-for-dollar by the amount of the advance employer contribution that is applied in this manner.

Alternatively, at any time, the City may apply all or any portion of the advance employer contribution as an *extra* contribution in excess of the minimum required contribution. In this case, the immediate application of the entire balance of the advance employer contribution as of October 1, 2015 would reduce the normal cost rate to 19.59% of payroll and would reduce the minimum required contribution for the 2016/17 plan year to 19.85% of payroll.

#### DRAGO Fund

Any Chapter 175/185 contributions received in excess of the "base amount" are deposited into the Defined Retirement Accumulation Group Obligation (DRAGO) Fund. As of October 1, 2015, the "base amount" is \$780,597, which is equal to the portion of the annual Chapter 175/185 contributions that the City may apply towards the minimum required contribution. In addition, the DRAGO Fund is credited with interest at the valuation rate of 7.00% as of each





September 30, whereby the interest rate is applied to the balance in the DRAGO Fund as of the preceding October 1. DRAGO Fund assets are comingled with the pension fund assets. Upon retirement from active employment, the retiree is entitled to receive a pro-rata share of the DRAGO Fund balance as of his date of retirement, where his pro-rata share is determined by dividing the retiree's credited service as of the October 1 preceding his last day of employment by the total credited service for all active employees on that date.

As of October 1, 2015, the DRAGO Fund balance is \$1,950,722, which reflects the DRAGO Fund balance of \$1,823,105 as of October 1, 2014 plus investment earnings of \$127,617 for the 2014/15 plan year as shown in Table II-F.

### 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-F provide information concerning the assets of the trust fund. Specifically, Table II-A shows the development of the actuarial value of assets, which is based on the market value of assets. Tables III-A through III-G provide statistical information concerning the plan's participant population. In particular, Table III-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 IV-A through V-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, 2015, 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 27 participants who are due a refund of their contributions. We have estimated the accumulated amount of their refunds to be \$11,636 as of October 1, 2015. The average amount owed to these individuals is \$431 each. We recommend that the accumulated contributions be distributed to these individuals if possible in order to simplify the administration of the plan and to reduce future administrative costs.

### 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*

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

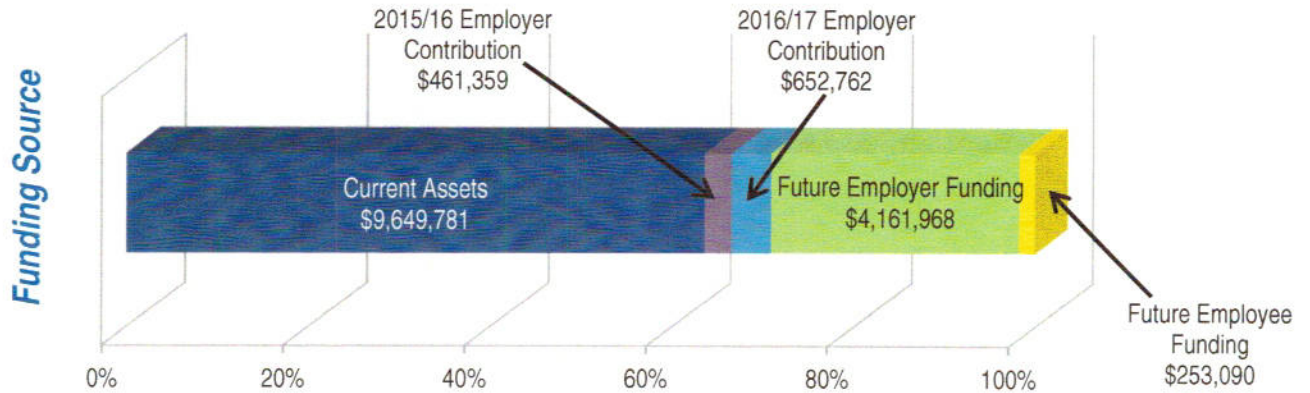
Enrolled Actuary No. 14-04927

*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 2016/17 Plan Year

Present Value of Future Benefits	\$14,736,854
Present Value of Future Administrative Expenses	\$442,106
Actuarial Value of Assets	(\$9,649,781)
Present Value of Future Employee Contributions	(\$253,090)
Present Value of Future Normal Costs	\$5,276,089
Present Value of Future Payroll	÷ \$25,308,981
Normal Cost Rate	= 20.8467%
Expected Payroll	x \$2,961,226
Normal Cost	\$617,318
Adjustment to Reflect Monthly Employer Contributions	\$22,922
Expected Employer Contribution for the 2015/16 Plan Year	(\$461,359)
Remaining Contribution Due/(Credit) for the 2015/16 Plan Year	\$178,881
	x 0.07
One Year's Interest Charge/(Credit) on the Remaining Contribution	\$12,522
Preliminary Employer Contribution for the 2016/17 Plan Year	\$652,762
Expected Payroll for the 2016/17 Plan Year	÷ \$3,079,675

**Minimum Required Contribution Rate** **21.20%**

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

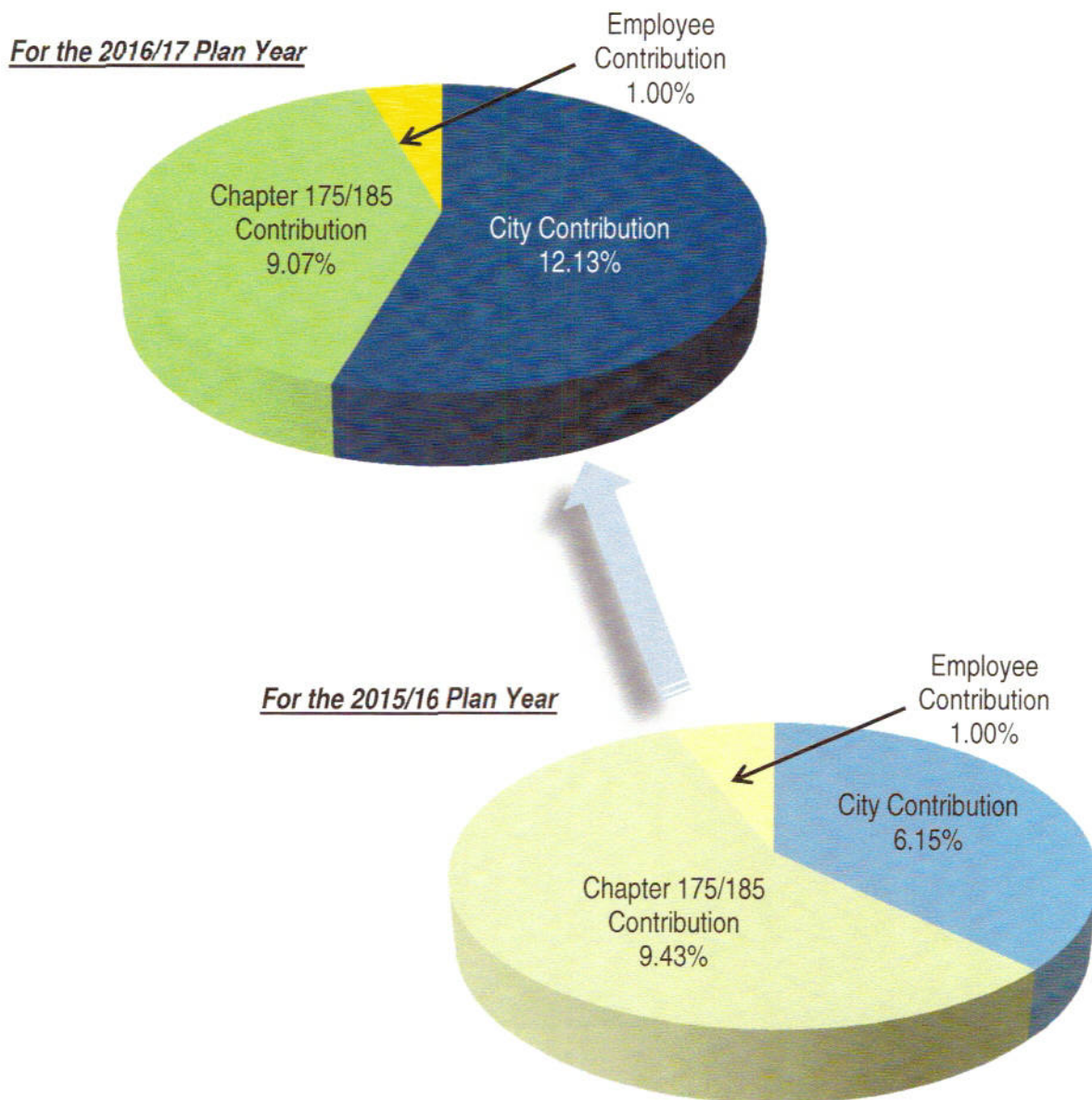




Minimum Required Contribution

Table I-A  
(continued)

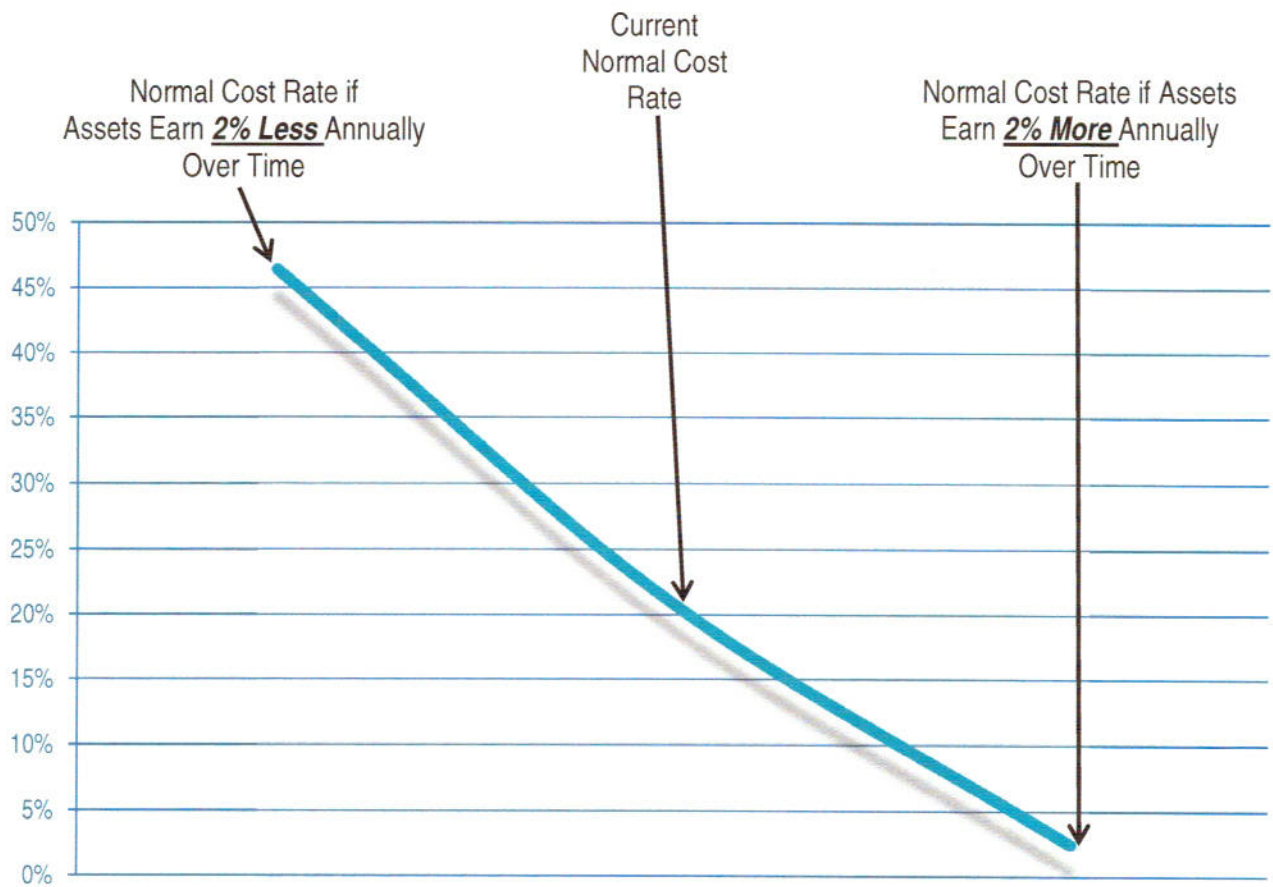
The minimum required contribution rate of 21.20% includes both the City contribution and the allowable Chapter 175/185 contribution. In addition, employees are required to contribute 1.00% of pensionable earnings. The actual City contribution rate is expected to be approximately 12.13% based on the allowable Chapter 175/185 contribution for the previous year. The chart below shows the expected contribution rate by source for the 2016/17 plan year based on the expected payroll. A comparative chart shows the contribution rate by source for the previous 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	15.67%
Increase (decrease) due to investment gains and losses	2.65%
Increase (decrease) due to demographic experience	2.53%
Increase (decrease) due to plan amendments	0.00%
Increase (decrease) due to actuarial assumption changes	0.00%
Increase (decrease) due to actuarial method changes	0.00%
Current normal cost rate	<u>20.85%</u>





Present Value of Future Benefits

Table I-D

	Old Assumptions w/o Amendment	Old Assumptions w/ Amendment	New Assumptions w/ Amendment
<i>Actively Employed Participants</i>			
Retirement benefits	\$10,209,430	\$10,209,430	\$10,209,430
Termination benefits	\$1,057,551	\$1,057,551	\$1,057,551
Disability benefits	\$474,905	\$474,905	\$474,905
Death benefits	\$75,861	\$75,861	\$75,861
Refund of employee contributions	\$56,665	\$56,665	\$56,665
Sub-total	<b>\$11,874,412</b>	<b>\$11,874,412</b>	<b>\$11,874,412</b>
<i>Deferred Vested Participants</i>			
Retirement benefits	\$2,184,938	\$2,184,938	\$2,184,938
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	<b>\$2,184,938</b>	<b>\$2,184,938</b>	<b>\$2,184,938</b>
<i>Due a Refund of Contributions</i>	<b>\$11,636</b>	<b>\$11,636</b>	<b>\$11,636</b>
<i>Deferred Beneficiaries</i>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<i>Retired Participants</i>			
Service retirements	\$0	\$0	\$0
Disability retirements	\$665,868	\$665,868	\$665,868
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	<b>\$665,868</b>	<b>\$665,868</b>	<b>\$665,868</b>
<i>Grand Total</i>	<b><u>\$14,736,854</u></b>	<b><u>\$14,736,854</u></b>	<b><u>\$14,736,854</u></b>
Present Value of Future Payroll	\$25,308,981	\$25,308,981	\$25,308,981
Present Value of Future Employee Contribs.	\$253,090	\$253,090	\$253,090
Present Value of Future Employer Contribs.	\$5,276,089	\$5,276,089	\$5,276,089



Present Value of Accrued Benefits

Table I-E

	Old Assumptions w/o Amendment	Old Assumptions w/ Amendment	New Assumptions w/ Amendment
<i>Actively Employed Participants</i>			
Retirement benefits	\$3,629,340	\$3,629,340	\$3,629,340
Termination benefits	\$391,592	\$391,592	\$391,592
Disability benefits	\$360,841	\$360,841	\$360,841
Death benefits	\$42,364	\$42,364	\$42,364
Refund of employee contributions	\$30,222	\$30,222	\$30,222
Sub-total	<b>\$4,454,359</b>	<b>\$4,454,359</b>	<b>\$4,454,359</b>
<i>Deferred Vested Participants</i>			
Retirement benefits	\$2,184,938	\$2,184,938	\$2,184,938
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	<b>\$2,184,938</b>	<b>\$2,184,938</b>	<b>\$2,184,938</b>
<i>Due a Refund of Contributions</i>	<b>\$11,636</b>	<b>\$11,636</b>	<b>\$11,636</b>
<i>Deferred Beneficiaries</i>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<i>Retired Participants</i>			
Service retirements	\$0	\$0	\$0
Disability retirements	\$665,868	\$665,868	\$665,868
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	<b>\$665,868</b>	<b>\$665,868</b>	<b>\$665,868</b>
<i>Grand Total</i>	<b><u>\$7,316,801</u></b>	<b><u>\$7,316,801</u></b>	<b><u>\$7,316,801</u></b>





Present Value of Vested Benefits

Table I-F

	<u>Old Assumptions w/o Amendment</u>	<u>Old Assumptions w/ Amendment</u>	<u>New Assumptions w/ Amendment</u>
<i><u>Actively Employed Participants</u></i>			
Retirement benefits	\$3,629,340	\$3,629,340	\$3,629,340
Termination benefits	\$377,450	\$377,450	\$377,450
Disability benefits	\$360,841	\$360,841	\$360,841
Death benefits	\$40,416	\$40,416	\$40,416
Refund of employee contributions	\$30,824	\$30,824	\$30,824
Sub-total	<b>\$4,438,871</b>	<b>\$4,438,871</b>	<b>\$4,438,871</b>
<i><u>Deferred Vested Participants</u></i>			
Retirement benefits	\$2,184,938	\$2,184,938	\$2,184,938
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	<b>\$2,184,938</b>	<b>\$2,184,938</b>	<b>\$2,184,938</b>
<i><u>Due a Refund of Contributions</u></i>	<b>\$11,636</b>	<b>\$11,636</b>	<b>\$11,636</b>
<i><u>Deferred Beneficiaries</u></i>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<i><u>Retired Participants</u></i>			
Service retirements	\$0	\$0	\$0
Disability retirements	\$665,868	\$665,868	\$665,868
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	<b>\$665,868</b>	<b>\$665,868</b>	<b>\$665,868</b>
<i><u>Grand Total</u></i>	<b><u>\$7,301,313</u></b>	<b><u>\$7,301,313</u></b>	<b><u>\$7,301,313</u></b>



Entry Age Normal Accrued Liability

Table I-G

	Old Assumptions <u>w/o Amendment</u>	Old Assumptions <u>w/ Amendment</u>	New Assumptions <u>w/ Amendment</u>
<i><u>Actively Employed Participants</u></i>			
Retirement benefits	\$5,896,629	\$5,896,629	\$5,896,629
Termination benefits	\$620,244	\$620,244	\$620,244
Disability benefits	\$281,463	\$281,463	\$281,463
Death benefits	\$44,873	\$44,873	\$44,873
Refund of employee contributions	\$34,783	\$34,783	\$34,783
Sub-total	<b>\$6,877,992</b>	<b>\$6,877,992</b>	<b>\$6,877,992</b>
<i><u>Deferred Vested Participants</u></i>			
Retirement benefits	\$2,184,938	\$2,184,938	\$2,184,938
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	<b>\$2,184,938</b>	<b>\$2,184,938</b>	<b>\$2,184,938</b>
<i><u>Due a Refund of Contributions</u></i>	<b>\$11,636</b>	<b>\$11,636</b>	<b>\$11,636</b>
<i><u>Deferred Beneficiaries</u></i>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<i><u>Retired Participants</u></i>			
Service retirements	\$0	\$0	\$0
Disability retirements	\$665,868	\$665,868	\$665,868
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	<b>\$665,868</b>	<b>\$665,868</b>	<b>\$665,868</b>
<i><u>Grand Total</u></i>	<b><u>\$9,740,434</u></b>	<b><u>\$9,740,434</u></b>	<b><u>\$9,740,434</u></b>





Actuarial Value of Assets

Table II-A

Market Value of Assets as of October 1, 2015	\$11,919,195
Minus DRAGO account balances	(\$1,950,722)
Minus advance employer contributions	(\$318,692)
Minus excess Chapter 175/185 contributions	\$0
<b>Actuarial Value of Assets as of October 1, 2015</b>	<b><u>\$9,649,781</u></b>

<b>Historical Actuarial Value of Assets</b>	
October 1, 2006	\$1,910,281
October 1, 2007	\$2,657,859
October 1, 2008	\$2,224,672
October 1, 2009	\$2,788,273
October 1, 2010	\$3,865,856
October 1, 2011	\$4,551,114
October 1, 2012	\$6,337,454
October 1, 2013	\$7,990,635
October 1, 2014	\$9,257,516
October 1, 2015	\$9,649,781

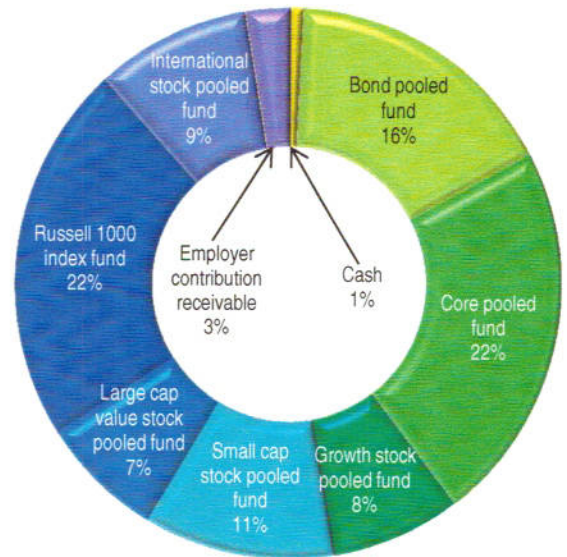


Market Value of Assets

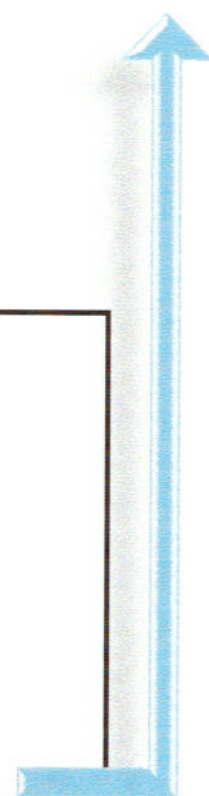
Table II-B

**As of October 1, 2015**

<b>Market Value of Assets</b>	<b><u>\$11,919,195</u></b>
Cash	\$92,838
Bond pooled fund	\$1,949,588
Core pooled fund	\$2,669,079
Growth stock pooled fund	\$916,771
Small cap stock pooled fund	\$1,357,749
Large cap value stock pooled fund	\$870,352
Russell 1000 index fund	\$2,657,474
International stock pooled fund	\$1,090,841
Employer contribution receivable	\$313,138
Employee contribution receivable	\$1,365



<b>Historical Market Value of Assets</b>	
October 1, 2006	\$4,149,606
October 1, 2007	\$5,124,356
October 1, 2008	\$4,885,316
October 1, 2009	\$5,529,653
October 1, 2010	\$6,500,141
October 1, 2011	\$7,010,091
October 1, 2012	\$8,673,088
October 1, 2013	\$10,200,434
October 1, 2014	\$11,470,748
October 1, 2015	\$11,919,195



Investment Return

Table II-C



Annual Investment Returns

- Market Value Return
- Actuarial Value Return
- Assumed Return

Plan Year	Market Value Return	Actuarial Value Return	Assumed Return
2005/06	7.27%	17.94%	7.50%
2006/07	11.62%	25.09%	7.50%
2007/08	-12.30%	-23.69%	7.50%
2008/09	2.52%	5.31%	7.50%
2009/10	9.21%	17.29%	7.50%
2010/11	0.86%	1.39%	7.50%
2011/12	16.98%	25.41%	7.50%
2012/13	11.84%	15.90%	7.50%
2013/14	8.45%	10.73%	7.00%
2014/15	-0.08%	-0.10%	7.00%
10yr. Avg.	5.33%	8.53%	7.40%





## Asset Reconciliation

Table II-D

	<u>Market Value</u>	<u>Actuarial Value</u>
<b>As of October 1, 2014</b>	<b>\$11,470,748</b>	<b>\$9,257,516</b>
<b><i>Increases Due To:</i></b>		
Employer Contributions	\$226,408	\$226,408
Chapter 175/185 Contributions	\$279,152	\$279,152
Employee Contributions	\$34,304	\$34,304
Service Purchase Contributions	\$0	\$0
Total Contributions	<u>\$539,864</u>	<u>\$539,864</u>
Interest and Dividends	\$0	
Realized Gains (Losses)	\$0	
Unrealized Gains (Losses)	(\$9,679)	
Total Investment Income	<u>(\$9,679)</u>	(\$9,679)
Other Income	\$0	
<b>Total Income</b>	<u><b>\$530,185</b></u>	<u><b>\$530,185</b></u>
<b><i>Decreases Due To:</i></b>		
Monthly Benefit Payments	(\$37,140)	(\$37,140)
Lump Sum Distributions	\$0	\$0
DRAGO Credits		(\$127,617)
Total Benefit Payments	<u>(\$37,140)</u>	<u>(\$164,757)</u>
Investment Expenses	\$0	
Administrative Expenses	(\$44,598)	(\$44,598)
Advance Employer Contribution		\$71,435
Excess Chapter 175/185 Contribution		\$0
<b>Total Expenses</b>	<u><b>(\$81,738)</b></u>	<u><b>(\$137,920)</b></u>
<b>As of October 1, 2015</b>	<u><u><b>\$11,919,195</b></u></u>	<u><u><b>\$9,649,781</b></u></u>



## Historical Trust Fund Detail

## Table II-E

Income

<u>Plan</u> <u>Year</u>	<u>Employer</u> <u>Contribs.</u>	<u>Chapter</u> <u>Contribs.</u>	<u>Employee</u> <u>Contribs.</u>	<u>Service</u> <u>Purchase</u> <u>Contribs.</u>	<u>Interest /</u> <u>Dividends</u>	<u>Realized</u> <u>Gains /</u> <u>Losses</u>	<u>Unrealized</u> <u>Gains /</u> <u>Losses</u>	<u>Other</u> <u>Income</u>
2005/06	\$96,650	\$384,648	\$16,956	\$0	\$0	\$0	\$264,862	\$0
2006/07	\$69,969	\$398,349	\$21,665	\$0	\$0	\$0	\$509,213	\$0
2007/08	\$0	\$428,332	\$23,854	\$0	\$0	\$0	-\$655,939	\$0
2008/09	\$173,541	\$347,204	\$26,294	\$0	\$0	\$0	\$129,697	\$0
2009/10	\$179,107	\$277,356	\$27,138	\$0	\$0	\$0	\$529,526	\$0
2010/11	\$192,762	\$267,689	\$29,123	\$0	\$0	\$0	\$58,116	\$0
2011/12	\$177,290	\$263,829	\$29,128	\$0	\$0	\$0	\$1,227,569	\$0
2012/13	\$220,073	\$276,919	\$31,080	\$0	\$0	\$0	\$1,055,248	\$0
2013/14	\$203,639	\$312,175	\$30,855	\$0	\$0	\$0	\$878,167	\$0
2014/15	\$226,408	\$279,152	\$34,304	\$0	\$0	\$0	-\$9,679	\$0

Expenses

<u>Plan</u> <u>Year</u>	<u>Monthly</u> <u>Benefit</u> <u>Payments</u>	<u>Lump</u> <u>Sum</u> <u>Distribs.</u>	<u>Admin.</u> <u>Expenses</u>	<u>Invest.</u> <u>Expenses</u>	<u>Other Actuarial Adjustments</u>		
					<u>DRAGO</u> <u>Credits</u>	<u>Advance</u> <u>Employer</u> <u>Contribs.</u>	<u>Excess</u> <u>Chapter</u> <u>Contribs.</u>
2005/06	\$0	\$1,082	\$15,400	\$0	\$134,243	\$9,695	\$0
2006/07	\$0	\$1,617	\$22,829	\$0	\$157,202	\$69,969	\$0
2007/08	\$0	\$808	\$34,479	\$0	\$198,974	-\$4,827	\$0
2008/09	\$0	\$3,470	\$28,929	\$0	\$132,770	-\$52,034	\$0
2009/10	\$0	\$0	\$42,639	\$0	\$98,336	-\$205,431	\$0
2010/11	\$0	\$1,849	\$35,891	\$0	\$105,711	-\$281,019	\$0
2011/12	\$0	\$1,400	\$33,419	\$0	\$113,639	-\$236,982	\$0
2012/13	\$0	\$2,631	\$53,343	\$0	\$122,162	-\$247,997	\$0
2013/14	\$23,310	\$63,724	\$67,488	\$0	\$72,114	-\$68,681	\$0
2014/15	\$37,140	\$0	\$44,598	\$0	\$127,617	-\$71,435	\$0

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 II-F

**DRAGO\* Account Reconciliation**

DRAGO Fund Balance as of October 1, 2014	\$1,823,105
DRAGO Fund Contribution	\$0
DRAGO Fund Investment Return	\$127,617
DRAGO Fund Benefits Paid	\$0
Net DRAGO Fund Credit	\$127,617
DRAGO Fund Balance as of October 1, 2015	<u>\$1,950,722</u>

**Advance Employer Contribution**

Advance Employer Contribution as of October 1, 2014	\$390,127
Additional Employer Contribution	\$505,560
Minimum Required Contribution	(\$576,995)
Net Increase in Advance Employer Contribution	(\$71,435)
Advance Employer Contribution as of October 1, 2015	<u>\$318,692</u>

**Excess Chapter 175/185 Contribution**

Excess Chapter 175/185 Contribution as of October 1, 2014	\$0
Additional Chapter 175/185 Contribution	\$279,152
Allowable Chapter 175/185 Contribution	(\$279,152)
Transfer to DRAGO Fund	\$0
Net Increase in Excess Chapter 175/185 Contribution	\$0
Excess Chapter 175/185 Contribution as of October 1, 2015	<u>\$0</u>

\* Defined Retirement Accumulation Group Obligation





## Allowable Chapter 175/185 Contribution

Table II-G

**1997 Base Amounts**

Chapter 175 Regular Distribution	\$65,706
Chapter 175 Supplemental Distribution	\$8,353
Chapter 185 Distribution	\$103,034

**Cost of Extra Benefits Being Provided**

Prior Ordinance	\$125,719
Ordinance 11-1980	\$12,534
Additional Cost of Extra Benefits	\$465,251



## Historical Chapter 175/185 Contributions

Table II-H

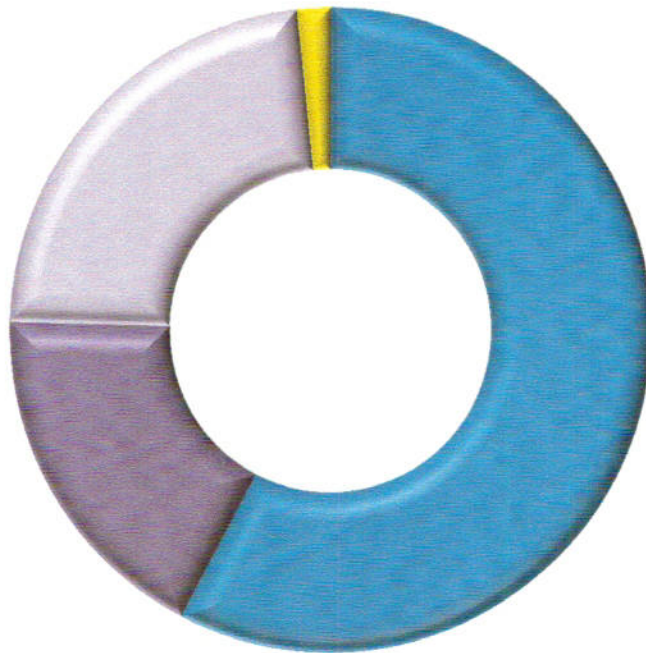
	<b>Total Accumulated Excess Chapter 175/185 Contribution</b>			<b>\$0</b>
	<u>Chapter 175 Regular Distribution</u>	<u>Chapter 175 Supplemental Distribution</u>	<u>Chapter 185 Distribution</u>	<u>Allowable Amount</u>
1998 Distribution	\$70,510	\$0	\$144,758	(\$215,268)
1999 Distribution	\$54,190	\$16,685	\$212,828	(\$283,703)
2000 Distribution	\$126,870	\$30,920	\$175,880	(\$333,670)
2001 Distribution	\$0	\$66,667	\$193,561	(\$260,228)
2002 Distribution	\$66,623	\$0	\$229,657	(\$296,280)
2003 Distribution	\$63,805	\$37,122	\$241,584	(\$342,511)
2004 Distribution	\$79,077	\$44,423	\$244,933	(\$368,433)
2005 Distribution	\$94,044	\$45,671	\$244,933	(\$384,648)
2006 Distribution	\$96,983	\$56,433	\$244,933	(\$398,349)
2007 Distribution	\$100,801	\$82,598	\$244,933	(\$428,332)
2008 Distribution	\$88,274	\$79,120	\$179,810	(\$347,204)
2009 Distribution	\$82,165	\$47,018	\$148,173	(\$277,356)
2010 Distribution	\$82,301	\$39,376	\$146,012	(\$267,689)
2011 Distribution	\$85,023	\$32,402	\$146,404	(\$263,829)
2012 Distribution	\$96,118	\$36,905	\$143,896	(\$276,919)
2013 Distribution	\$107,701	\$58,799	\$145,675	(\$306,831)
2014 Distribution	\$110,502	\$15,115	\$153,535	(\$279,152)
To DRAGO Fund				(\$5,344)



Summary of Participant Data

Table III-A

As of October 1, 2015



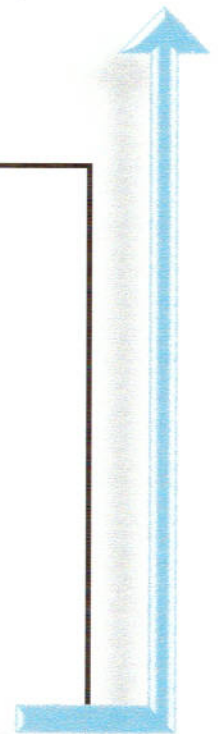
Participant Distribution by Status

<u>Actively Employed Participants</u>		
◆	Active Participants	68
◆	DROP Participants	0
<u>Inactive Participants</u>		
◆	Deferred Vested Participants	21
◆	Due a Refund of Contributions	27
◆	Deferred Beneficiaries	0
<u>Participants Receiving a Benefit</u>		
◆	Service Retirements	0
◆	Disability Retirements	2
◆	Beneficiaries Receiving	0

**Total Participants 118**

Number of Participants Included in Prior Valuations

	<i>Active</i>	<i>DROP</i>	<i>Inactive</i>	<i>Retired</i>	<i>Total</i>
October 1, 2006	37	0	12	0	49
October 1, 2007	N/A	N/A	N/A	N/A	N/A
October 1, 2008	51	0	20	0	71
October 1, 2009	55	0	18	0	73
October 1, 2010	58	0	24	0	82
October 1, 2011	57	0	25	0	82
October 1, 2012	58	0	26	0	84
October 1, 2013	65	0	30	0	95
October 1, 2014	67	0	35	1	103
October 1, 2015	68	0	48	2	118





Data Reconciliation

Table III-B

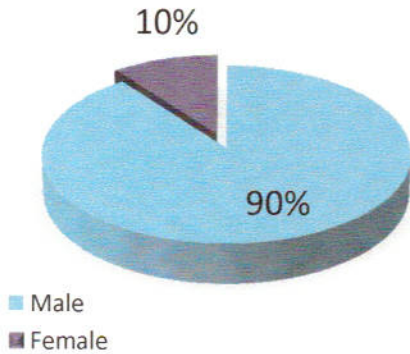
	<u>Active</u>	<u>DROP</u>	<u>Deferred Vested</u>	<u>Due a Refund</u>	<u>Def. Benef.</u>	<u>Service Retiree</u>	<u>Disabled Retiree</u>	<u>Benef. Rec'v.</u>	<u>Total</u>
<u>October 1, 2014</u>	67	0	17	18	0	0	1	0	103
<u>Change in Status</u>									
Re-employed									
Terminated	(13)		4	9					
Retired	(1)						1		
<u>Participation Ended</u>									
Transferred Out									
Cashed Out									
Died									
<u>Participation Began</u>									
Newly Hired	15								15
Transferred In									
New Beneficiary									
<u>Other Adjustment</u>									
<u>October 1, 2015</u>	68	0	21	27	0	0	2	0	118



Active Participant Data

Table III-C

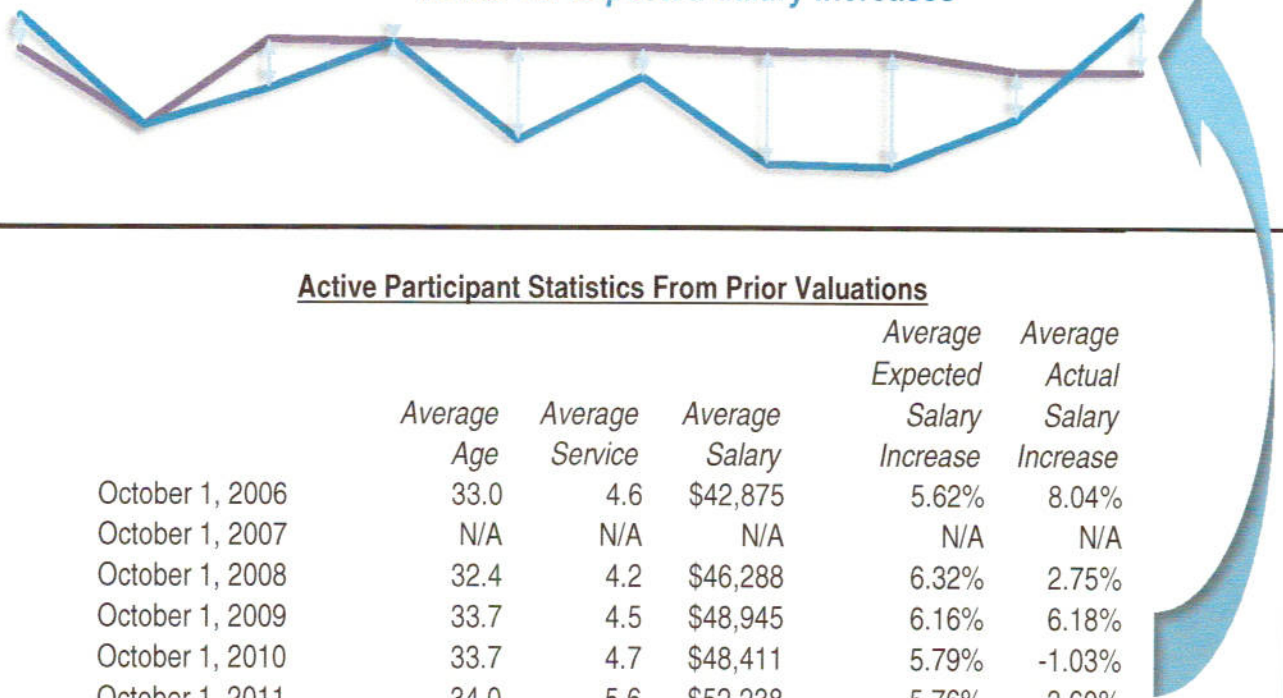
Gender Mix



As of October 1, 2015

Average Age	34.6 years
Average Service	6.3 years
Total Annualized Compensation for the Prior Year	\$3,341,847
Total Expected Compensation for the Current Year	\$2,961,226
Average Increase in Compensation for the Prior Year	8.15%
Expected Increase in Compensation for the Current Year	4.00%

Actual vs. Expected Salary Increases



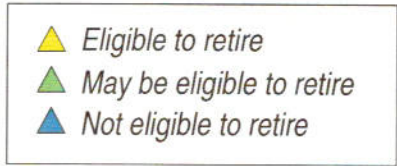
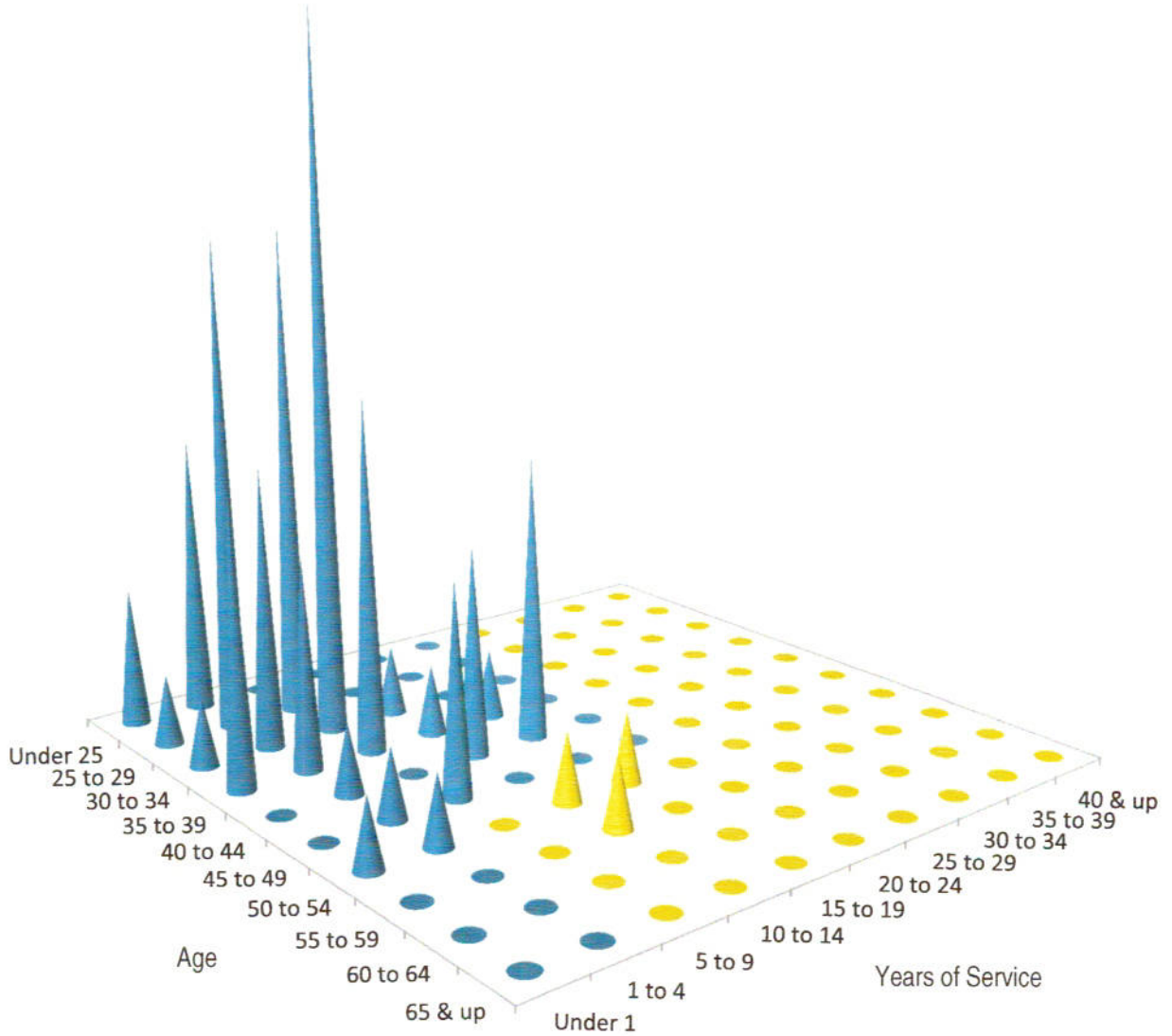
Active Participant Statistics From Prior Valuations

	Average Age	Average Service	Average Salary	Average Expected Salary Increase	Average Actual Salary Increase
October 1, 2006	33.0	4.6	\$42,875	5.62%	8.04%
October 1, 2007	N/A	N/A	N/A	N/A	N/A
October 1, 2008	32.4	4.2	\$46,288	6.32%	2.75%
October 1, 2009	33.7	4.5	\$48,945	6.16%	6.18%
October 1, 2010	33.7	4.7	\$48,411	5.79%	-1.03%
October 1, 2011	34.0	5.6	\$52,238	5.76%	3.60%
October 1, 2012	33.9	6.4	\$50,216	5.47%	-2.80%
October 1, 2013	34.0	6.2	\$47,080	5.37%	-3.06%
October 1, 2014	33.8	6.2	\$46,746	4.00%	0.48%
October 1, 2015	34.6	6.3	\$49,145	4.00%	8.15%



Active Age-Service Distribution

Table III-D





## Active Age-Service-Salary Table

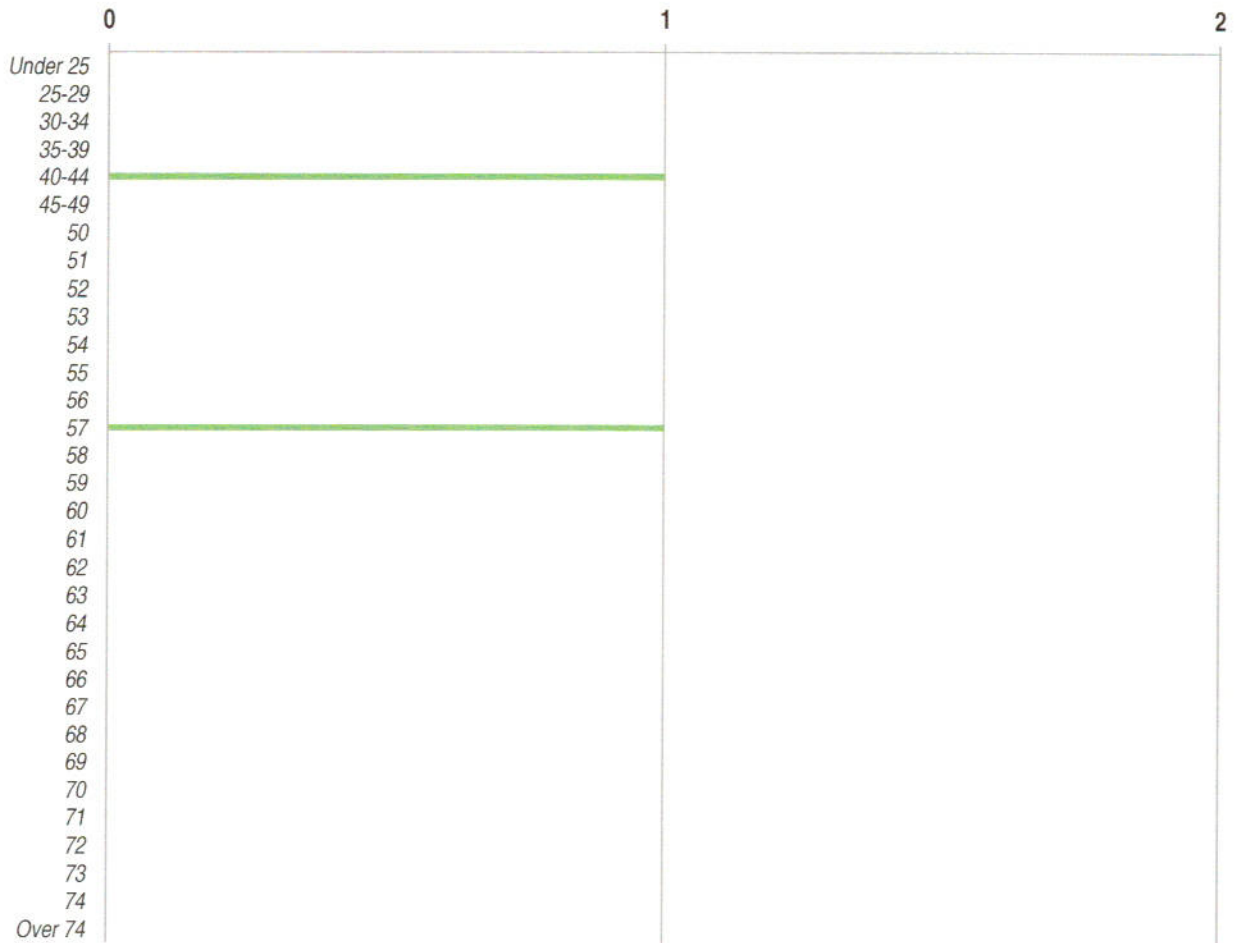
Table III-E

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	
<b>Under 25</b>	2	4	0	0	0	0	0	0	0	0	6
Avg.Pay	40,812	52,424	0	0	0	0	0	0	0	0	48,553
<b>25 to 29</b>	1	7	7	0	0	0	0	0	0	0	15
Avg.Pay	24,598	47,222	48,828	0	0	0	0	0	0	0	46,463
<b>30 to 34</b>	1	4	10	1	0	0	0	0	0	0	16
Avg.Pay	40,478	45,838	48,899	45,864	0	0	0	0	0	0	47,418
<b>35 to 39</b>	4	3	5	1	1	0	0	0	0	0	14
Avg.Pay	35,335	43,385	52,947	50,468	50,559	0	0	0	0	0	45,518
<b>40 to 44</b>	0	1	0	3	4	0	0	0	0	0	8
Avg.Pay	0	49,229	0	56,418	64,243	0	0	0	0	0	59,432
<b>45 to 49</b>	0	1	3	0	0	0	0	0	0	0	4
Avg.Pay	0	53,558	50,585	0	0	0	0	0	0	0	51,328
<b>50 to 54</b>	1	1	0	1	1	0	0	0	0	0	4
Avg.Pay	42,010	38,615	0	54,762	63,381	0	0	0	0	0	49,692
<b>55 to 59</b>	0	0	0	1	0	0	0	0	0	0	1
Avg.Pay	0	0	0	78,107	0	0	0	0	0	0	78,107
<b>60 to 64</b>	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
<b>65 &amp; up</b>	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	9	21	25	7	6	0	0	0	0	0	68
Avg.Pay	36,672	47,388	49,891	56,922	61,819	0	0	0	0	0	49,145



Inactive Participant Data

Table III-F



**Age at Retirement**

- Service Retirements
- Disability Retirements
- DROP Participants

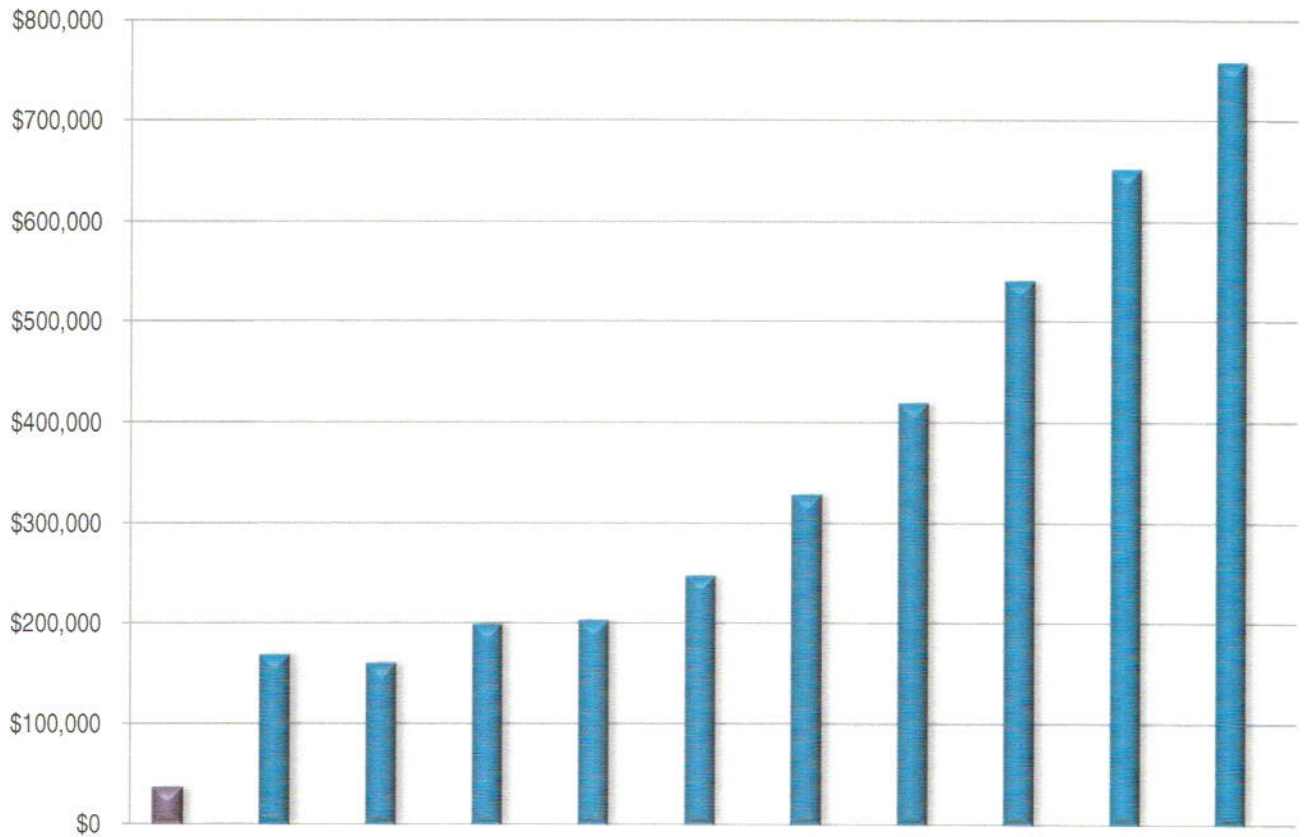
Average Monthly Benefit

Service Retirements	Not applicable
Disability Retirements	\$2,164.35
Beneficiaries Receiving	Not applicable
DROP Participants	Not applicable
Deferred Vested Participants	\$1,193.67
Deferred Beneficiaries	Not applicable



Projected Benefit Payments

Table III-G



Actual

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

\$37,140

Projected

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

\$169,789

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

\$160,931

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

\$200,199

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

\$203,893

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

\$248,793

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

\$329,689

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

\$419,966

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

\$541,415

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

\$652,589

For the period October 1, 2024 through September 30, 2025

\$757,715





## Summary of Actuarial Methods and Assumptions

Table IV-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, reduced by the DRAGO Fund balance and any accumulated excess employer contributions.

**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: Sex-distinct 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.
- Post-retirement mortality: Sex-distinct 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.



## Summary of Actuarial Methods and Assumptions

## Table IV-A

(continued)

- Disability: Age- and gender-based rates of disability were assumed, ranging from 0.067% for males and 0.040% for females at age 25, 0.119% for males and 0.118% for females at age 35, 0.462% for males and 0.435% for females at age 45, and 1.000% for males and 0.840% for females at age 55; all disabilities are assumed to be service-related.
- Termination: With respect to participants with less than 10 years of service, the termination rates are both gender- and service-based, ranging from 15.00% for males and 10.01% for females with less than two years of service to 4.30% for males and 4.75% for females with between eight and 10 years of service; with respect to participants with at least 10 years of service, the termination rates are both gender- and age-based, ranging from 4.28% for males and 5.41% for females at age 25 to 0.00% for both genders at age 55.
- Retirement: Retirement is assumed to occur upon the attainment of normal retirement age.

## 6. Form of Payment

Future retirees have been assumed to select the 10-year certain and life annuity, except that participants who terminate their service with less than 15 years of service or prior to age 40 are assumed to receive a refund of their accumulated employee contributions.

## 7. Expenses

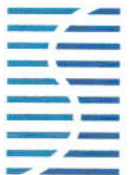
The total projected benefit liability has been loaded by 3.00% to account for anticipated administrative expenses. In addition, the interest rate set forth in item 3. above is assumed to be net of investment expenses and commissions.



## Changes in Actuarial Methods and Assumptions

Table IV-B

No assumptions or methods were changed since the previous valuation was completed.





## Summary of Plan Provisions

## Table V-A

### 1. Monthly Accrued Benefit

3% of Average Final Compensation multiplied by Credited Service

### 2. Normal Retirement Age and Benefit

- **Age**

Age 50 with at least five years of Credited Service; or  
Any age 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<sup>2</sup>/<sub>3</sub>% 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. 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 firefighter or 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 Final Compensation:

- (a) Monthly Accrued Benefit based on a 2% benefit formula multiplier; or
- (b) 50% of Average Final Compensation

- **Form of Payment**

Same as for Normal Retirement



Summary of Plan Provisions

Table V-A

(continued)

4. **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 Final Compensation:

(a) Monthly Accrued Benefit based on a 2% benefit formula multiplier; or

(b) 25% of Average Final Compensation

- **Form of Payment**

Same as for Normal Retirement

5. **Delayed Retirement Age and Benefit**

- **Age**

After Normal Retirement Age

- **Amount**

Monthly Accrued Benefit

- **Form of Payment**

Same as for Normal Retirement

6. **Deferred Vested Benefit**

- **Age**

Any age with at least five years of Credited Service

- **Amount**

Monthly Accrued Benefit (payable at Normal Retirement Age)

- **Form of Payment**

Same as for Normal Retirement



Summary of Plan Provisions

Table V-A

(continued)

**7. 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 at normal retirement age for 10 years certain plus an immediate \$50,000 lump sum payment. In the case of the death of a non-vested participant prior to retirement, his beneficiary will receive the participant's Accumulated Contributions plus an immediate \$50,000 lump sum payment.

**8. Average Final Compensation**

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

**9. Compensation**

Total cash remuneration, excluding overtime in excess of 300 hours per year after the effective date of the first collective bargaining agreement that comes into effect after June 30, 2011, excluding payments for extra duty or special detail work performed on behalf of a second party employer, and excluding lump sum payments for accrued annual leave and sick leave; annual compensation in excess of \$200,000 (as indexed) is excluded in accordance with Internal Revenue Code (IRC) §401(a)(17).

**10. Credited Service**

The elapsed time from the participant's date of hire until his date of termination, retirement, or death, provided that the participant made all required contributions.

**11. Participation Requirement**

All police officers and full-time firefighters of the City of Longwood automatically become a participant in the plan on their date of hire; however, the police chief, fire chief, and public safety director are not eligible to participate.

**12. Accumulated Contributions**

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





Summary of Plan Provisions

Table V-A

(continued)

13. **Participant Contribution**

1.00% of earnings

14. **Definition of Actuarially Equivalent**

- **Interest Rate**

7.50% per annum

- **Mortality Table**

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

15. **Plan Effective Date**

January 1, 1996



## Summary of Plan Amendments

Table V-B

No significant plan changes were adopted since the completion of the previous valuation.

