

RETIREMENT PLAN FOR THE POLICE OFFICERS  
OF THE CITY OF GULF BREEZE

ACTUARIAL VALUATION  
AS OF OCTOBER 1, 2015

DETERMINES THE CONTRIBUTION  
FOR THE 2015/16 FISCAL YEAR



	<u>Page</u>
Discussion	1
 <b><u>Funding Results</u></b>	
Table I-A Minimum Required Contribution	I-1
Table I-B Sensitivity Analysis	I-3
Table I-C Gain and Loss Analysis	I-4
Table I-D Present Value of Future Benefits	I-5
Table I-E Present Value of Accrued Benefits	I-6
Table I-F Present Value of Vested Benefits	I-7
Table I-G Entry Age Normal Accrued Liability	I-8
 <b><u>Assets</u></b>	
Table II-A Actuarial Value of Assets	II-1
Table II-B Market Value of Assets	II-2
Table II-C Investment Return	II-3
Table II-D Asset Reconciliation	II-4
Table II-E Historical Trust Fund Detail	II-5
Table II-F Other Reconciliations	II-6
Table II-G Allowable Chapter 175/185 Contribution	II-7
Table II-H Historical Chapter 175/185 Contributions	II-8
 <b><u>Data</u></b>	
Table III-A Summary of Participant Data	III-1
Table III-B Data Reconciliation	III-2
Table III-C Active Participant Data	III-3
Table III-D Active Age-Service Distribution	III-4
Table III-E Active Age-Service-Salary Table	III-5
Table III-F Inactive Participant Data	III-6
Table III-G Projected Benefit Payments	III-7
 <b><u>Methods &amp; Assumptions</u></b>	
Table IV-A Summary of Actuarial Methods and Assumptions	IV-1
Table IV-B Changes in Actuarial Methods and Assumptions	IV-3
 <b><u>Plan Provisions</u></b>	
Table V-A Summary of Plan Provisions	V-1
Table V-B Summary of Plan Amendments	V-5



April 7, 2016

## Introduction

This report presents the results of the October 1, 2015 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 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 2015/16 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 normal cost rate.

## Minimum Required Contribution

Table I-A shows the development of the minimum required contribution for the 2015/16 plan year. The minimum required contribution rate is 30.35% of covered payroll, which represents an increase of 6.63% of payroll from the prior valuation.

The normal cost rate is 29.30%, which is 6.39% 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 3.55% of payroll due to investment losses and increased by another 2.84% of payroll due to demographic experience. The market value of assets lost 0.10% during the 2014/15 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 2015/16 minimum required contribution will be equal to 30.35% multiplied by the total pensionable earnings for the 2015/16 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 2015/16 plan year. As of the date of this report, the allowable portion of the Chapter 175/185 contribution is \$58,434 per year. Furthermore, if an actuarial valuation is not prepared as of October 1, 2016, then the 30.35% contribution rate should also be applied to the covered payroll for the 2016/17 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 \$6,151,502. As illustrated in Table I-A, current assets are sufficient to cover \$3,901,457 of this amount, the employer's 2015/16 expected contribution will cover \$191,984 of this amount, and future employee contributions are expected to cover \$270,267 of this amount, leaving \$1,787,794 to be covered by future employer funding beyond the 2015/16 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 2014/15 plan year was \$164,799, which is equal to 23.72% of pensionable earnings for the year. When the City's actual 2014/15 contribution of \$100,301\* is combined with the allowable Chapter 175/185 contribution of \$58,434, the City's contribution falls short of the minimum required contribution by \$6,064. We have treated the shortfall as a contribution receivable as of October 1, 2015. Therefore, the first \$6,064 of employer contributions made during the 2015/16 plan year will be applied to satisfy the minimum funding requirement for the prior year.

\* Cash deposits of \$113,218 minus the \$12,917 employer contribution receivable as of September 30, 2014

#### Excess Chapter 175/185 Contributions

As of October 1, 2015, the plan has accumulated excess Chapter 175/185 contributions of \$22,442 as shown in Table II-F. This amount is equal to the \$14,876 accumulated excess Chapter 175/185 contribution balance as of October 1, 2014 plus \$7,566 of Chapter 175/185 distribution in excess of the allowable amount. The total Chapter 175/185 distribution received during the 2014/15 plan year was \$66,000, \$58,434 of which was allowed to be used to offset the City's minimum required contribution. Currently, the accumulated excess Chapter 175/185 contributions cannot be used to pay for the current plan of benefits. Tables II-G and II-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-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 adjusted to reflect any excess Chapter 175/185 contributions and advance employer contributions. 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 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, 2015. 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.

### 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.

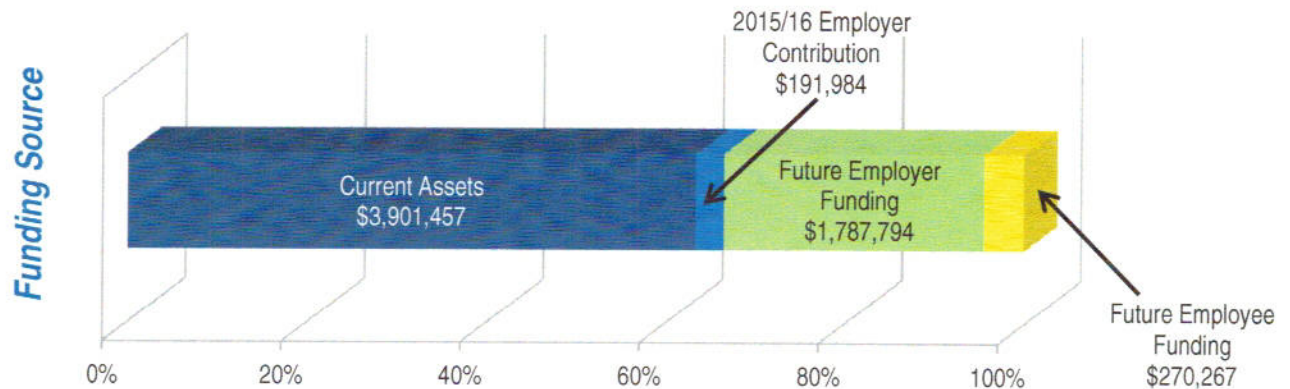
Enrolled Actuary No. 14-04927

*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 2015/16 Plan Year

Present Value of Future Benefits	\$6,045,702
Present Value of Future Administrative Expenses	\$105,800
Actuarial Value of Assets	(\$3,901,457)
Present Value of Future Employee Contributions	(\$270,267)
Present Value of Future Normal Costs	\$1,979,778
Present Value of Future Payroll	÷ \$6,756,729
Normal Cost Rate	= 29.3008%
Expected Payroll	x \$632,650
Normal Cost	\$185,372
Adjustment to Reflect Semi-Monthly Employer Contributions	\$6,612
Preliminary Employer Contribution for the 2015/16 Plan Year	\$191,984
Expected Payroll for the 2015/16 Plan Year	÷ \$632,650

**Minimum Required Contribution Rate** **30.35%**

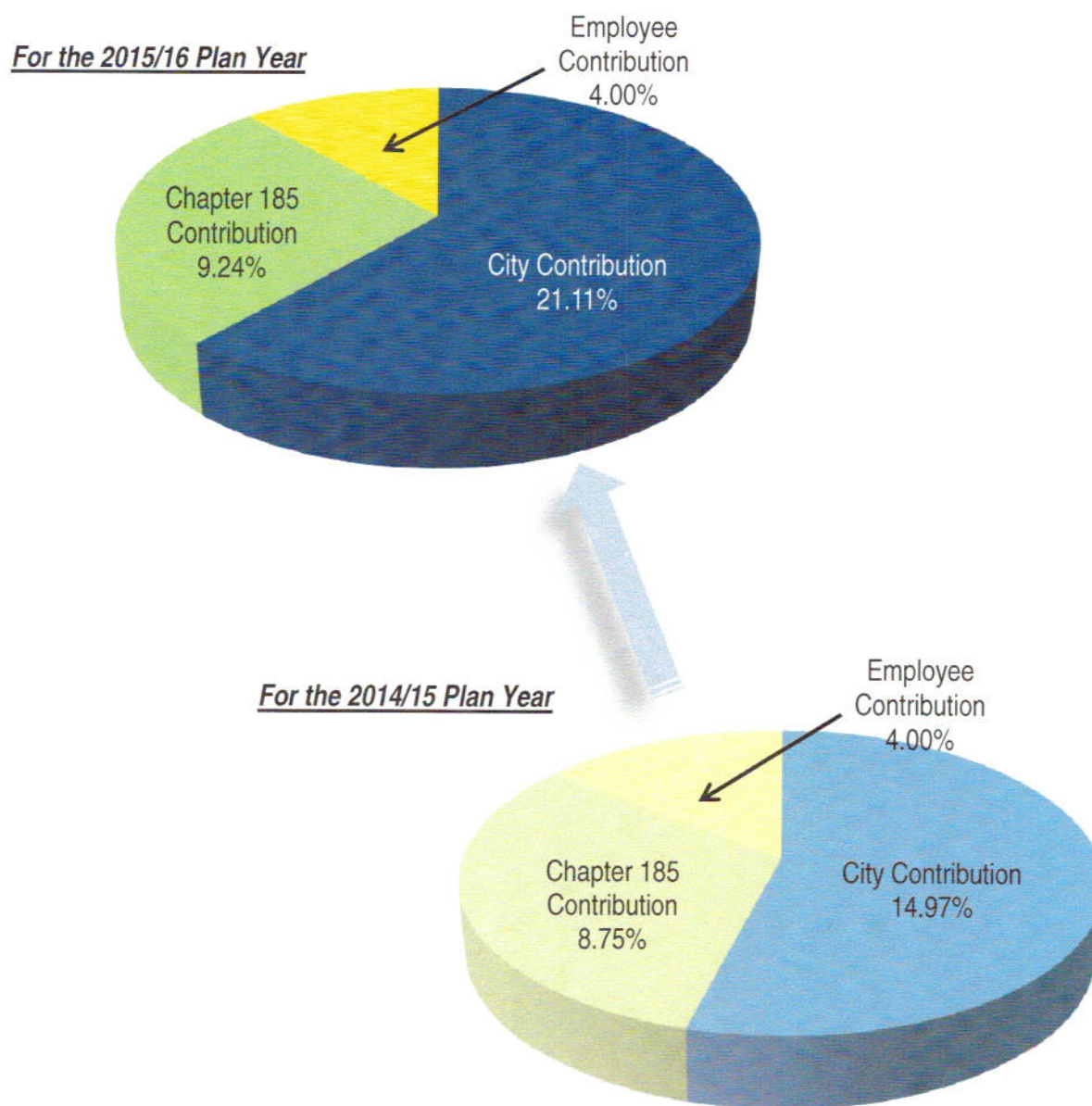
(The actual contribution should be based on the minimum required contribution rate multiplied by the actual payroll for the year.)



## Minimum Required Contribution

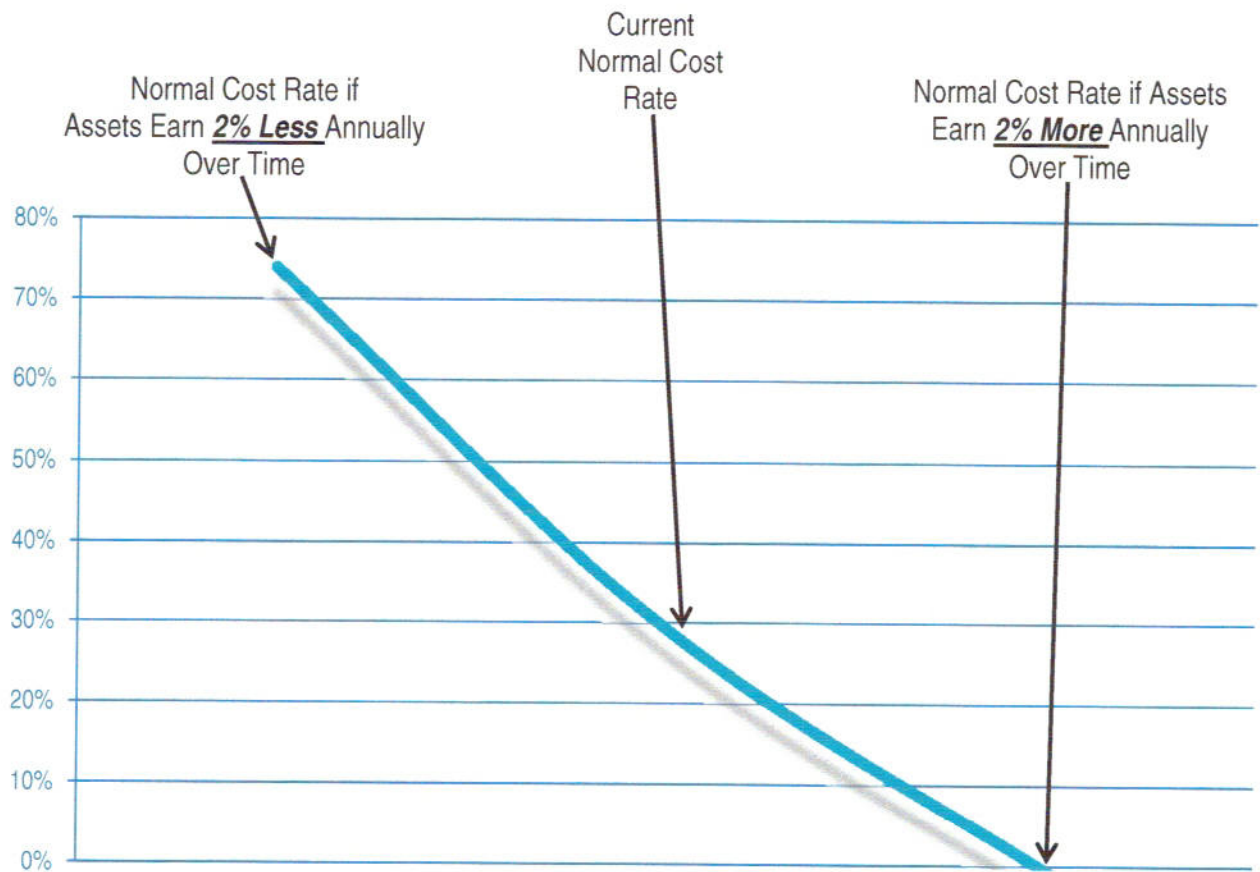
Table I-A  
(continued)

The minimum required contribution rate of 30.35% 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 21.11% based on the allowable Chapter 185 contribution for the previous year. The chart below shows the expected contribution rate by source for the 2015/16 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	22.91%
Increase (decrease) due to investment gains and losses	3.55%
Increase (decrease) due to demographic experience	2.84%
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>29.30%</u>



Present Value of Future Benefits

Table I-D

	Old Assumptions w/o Amendment	Old Assumptions w/ Amendment	New Assumptions w/ Amendment
<u>Actively Employed Participants</u>			
Retirement benefits	\$4,391,936	\$4,391,936	\$4,391,936
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>\$4,391,936</b>	<b>\$4,391,936</b>	<b>\$4,391,936</b>
<u>Deferred Vested Participants</u>			
Retirement benefits	\$787,222	\$787,222	\$787,222
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>\$787,222</b>	<b>\$787,222</b>	<b>\$787,222</b>
<u>Due a Refund of Contributions</u>	<b>\$5,148</b>	<b>\$5,148</b>	<b>\$5,148</b>
<u>Deferred Beneficiaries</u>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<u>Retired Participants</u>			
Service retirements	\$861,396	\$861,396	\$861,396
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	<b>\$861,396</b>	<b>\$861,396</b>	<b>\$861,396</b>
<u>Grand Total</u>	<b><u>\$6,045,702</u></b>	<b><u>\$6,045,702</u></b>	<b><u>\$6,045,702</u></b>
Present Value of Future Payroll	\$6,756,729	\$6,756,729	\$6,756,729
Present Value of Future Employee Contribs.	\$270,267	\$270,267	\$270,267
Present Value of Future Employer Contribs.	\$1,979,778	\$1,979,778	\$1,979,778



## 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	\$1,449,216	\$1,449,216	\$1,449,216
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>\$1,449,216</b>	<b>\$1,449,216</b>	<b>\$1,449,216</b>
<u>Deferred Vested Participants</u>			
Retirement benefits	\$787,222	\$787,222	\$787,222
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>\$787,222</b>	<b>\$787,222</b>	<b>\$787,222</b>
<u>Due a Refund of Contributions</u>	<b>\$5,148</b>	<b>\$5,148</b>	<b>\$5,148</b>
<u>Deferred Beneficiaries</u>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<u>Retired Participants</u>			
Service retirements	\$861,396	\$861,396	\$861,396
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	<b>\$861,396</b>	<b>\$861,396</b>	<b>\$861,396</b>
<u>Grand Total</u>	<b><u>\$3,102,982</u></b>	<b><u>\$3,102,982</u></b>	<b><u>\$3,102,982</u></b>
<u>Funded Ratio</u>	125.73%	125.73%	125.73%



Present Value of Vested Benefits

Table I-F

	Old Assumptions w/o Amendment	Old Assumptions w/ Amendment	New Assumptions w/ Amendment
<u>Actively Employed Participants</u>			
Retirement benefits	\$1,335,152	\$1,335,152	\$1,335,152
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>\$1,335,152</b>	<b>\$1,335,152</b>	<b>\$1,335,152</b>
<u>Deferred Vested Participants</u>			
Retirement benefits	\$787,222	\$787,222	\$787,222
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>\$787,222</b>	<b>\$787,222</b>	<b>\$787,222</b>
<u>Due a Refund of Contributions</u>	<b>\$5,148</b>	<b>\$5,148</b>	<b>\$5,148</b>
<u>Deferred Beneficiaries</u>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<u>Retired Participants</u>			
Service retirements	\$861,396	\$861,396	\$861,396
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	<b>\$861,396</b>	<b>\$861,396</b>	<b>\$861,396</b>
<u>Grand Total</u>	<b><u>\$2,988,918</u></b>	<b><u>\$2,988,918</u></b>	<b><u>\$2,988,918</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>
<u>Actively Employed Participants</u>			
Retirement benefits	\$2,099,380	\$2,099,380	\$2,099,380
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>\$2,099,380</b>	<b>\$2,099,380</b>	<b>\$2,099,380</b>
<u>Deferred Vested Participants</u>			
Retirement benefits	\$787,222	\$787,222	\$787,222
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>\$787,222</b>	<b>\$787,222</b>	<b>\$787,222</b>
<u>Due a Refund of Contributions</u>	<b>\$5,148</b>	<b>\$5,148</b>	<b>\$5,148</b>
<u>Deferred Beneficiaries</u>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<u>Retired Participants</u>			
Service retirements	\$861,396	\$861,396	\$861,396
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	<b>\$861,396</b>	<b>\$861,396</b>	<b>\$861,396</b>
<u>Grand Total</u>	<b><u>\$3,753,146</u></b>	<b><u>\$3,753,146</u></b>	<b><u>\$3,753,146</u></b>



## Actuarial Value of Assets

Table II-A

Market Value of Assets as of October 1, 2015	\$3,923,899
Minus DROP account balances	\$0
Minus advance employer contributions	\$0
Minus excess Chapter 175/185 contributions	(\$22,442)
<b>Actuarial Value of Assets as of October 1, 2015</b>	<b><u>\$3,901,457</u></b>

**Historical Actuarial Value of Assets**

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
October 1, 2015	\$3,901,457

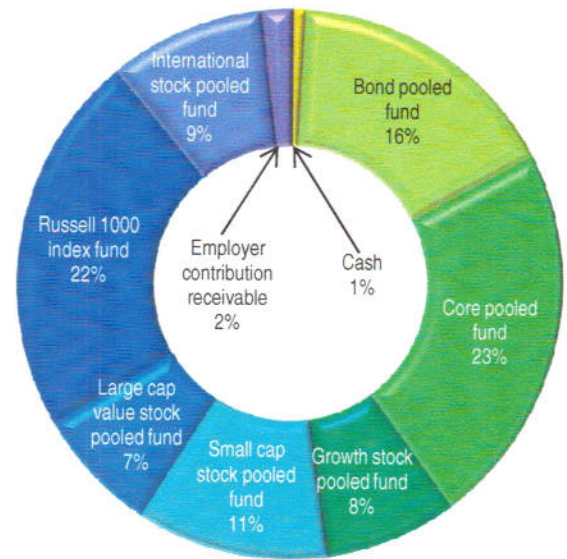


## Market Value of Assets

Table II-B

As of October 1, 2015

<b>Market Value of Assets</b>	<b><u>\$3,923,899</u></b>
Cash	\$30,815
Bond pooled fund	\$647,108
Core pooled fund	\$885,922
Growth stock pooled fund	\$304,295
Small cap stock pooled fund	\$450,665
Large cap value stock pooled fund	\$288,888
Russell 1000 index fund	\$882,070
International stock pooled fund	\$362,072
Employer contribution receivable	\$72,064

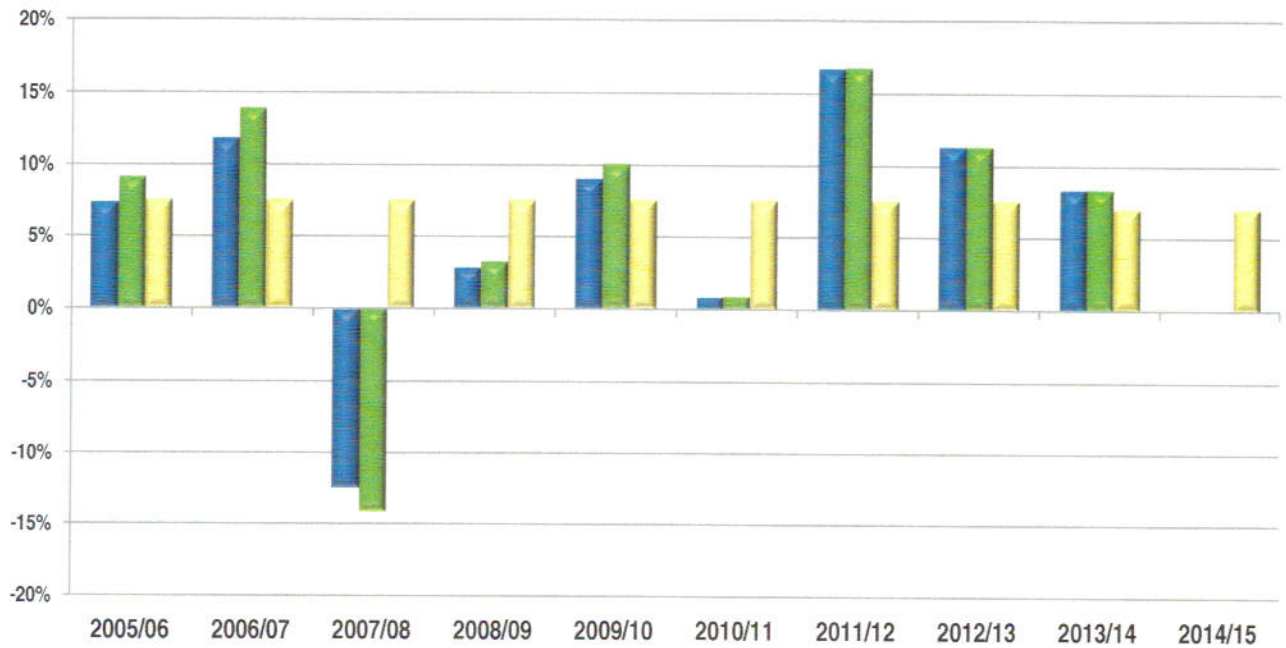
Historical Market Value of Assets

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
October 1, 2015	\$3,923,899



## 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	7.30%	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%
2014/15	-0.10%	-0.10%	7.00%
10yr. Avg.	5.23%	5.55%	7.40%



## Asset Reconciliation

Table II-D

	<u>Market Value</u>	<u>Actuarial Value</u>
<b>As of October 1, 2014</b>	<b>\$3,784,675</b>	<b>\$3,769,799</b>
<b><i>Increases Due To:</i></b>		
Employer Contributions	\$106,365	\$106,365
Chapter 175/185 Contributions	\$66,000	\$66,000
Employee Contributions	\$26,716	\$26,716
Service Purchase Contributions	\$0	\$0
Total Contributions	<u>\$199,081</u>	<u>\$199,081</u>
Interest and Dividends	\$0	
Realized Gains (Losses)	\$0	
Unrealized Gains (Losses)	<u>(\$3,851)</u>	
Total Investment Income	<u>(\$3,851)</u>	<u>(\$3,851)</u>
Other Income	\$0	
<b>Total Income</b>	<u><b>\$195,230</b></u>	<u><b>\$195,230</b></u>
<b><i>Decreases Due To:</i></b>		
Monthly Benefit Payments	(\$41,752)	(\$41,752)
Refund of Employee Contributions	\$0	\$0
DROP Credits		\$0
Total Benefit Payments	<u>(\$41,752)</u>	<u>(\$41,752)</u>
Investment Expenses	\$0	
Administrative Expenses	(\$14,254)	(\$14,254)
Advance Employer Contribution		\$0
Excess Chapter 175/185 Contribution		(\$7,566)
<b>Total Expenses</b>	<u><b>(\$56,006)</b></u>	<u><b>(\$63,572)</b></u>
<b>As of October 1, 2015</b>	<u><b>\$3,923,899</b></u>	<u><b>\$3,901,457</b></u>



## Historical Trust Fund Detail

Table II-E

**Income**

Plan	Employer	Chapter	Employee	Service	Interest /	Realized	Unrealized	Other
<u>Year</u>	<u>Contribs.</u>	<u>Contribs.</u>	<u>Contribs.</u>	<u>Purchase</u>	<u>Dividends</u>	<u>Gains /</u>	<u>Gains /</u>	<u>Income</u>
				<u>Contribs.</u>		<u>Losses</u>	<u>Losses</u>	
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
2014/15	\$106,365	\$66,000	\$26,716	\$0	\$0	\$0	-\$3,851	\$0

**Expenses**

Plan	Monthly				<u><b>Other Actuarial Adjustments</b></u>		
<u>Year</u>	<u>Benefit</u>	<u>Contrib.</u>	<u>Admin.</u>	<u>Invest.</u>	<u>DROP</u>	<u>Advance</u>	<u>Excess</u>
	<u>Payments</u>	<u>Refunds</u>	<u>Expenses</u>	<u>Expenses</u>	<u>Credits</u>	<u>Employer</u>	<u>Chapter</u>
						<u>Contribs.</u>	<u>Contribs.</u>
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
2014/15	\$41,752	\$0	\$14,254	\$0	\$0	\$0	\$7,566

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

**Advance Employer Contribution**

Advance Employer Contribution as of October 1, 2014	\$0
Additional Employer Contribution	\$164,799
Minimum Required Contribution	(\$164,799)
Net Increase in Advance Employer Contribution	\$0
Advance Employer Contribution as of October 1, 2015	<u>\$0</u>

**Excess Chapter 175/185 Contribution**

Excess Chapter 175/185 Contribution as of October 1, 2014	\$14,876
Additional Chapter 175/185 Contribution	\$66,000
Allowable Chapter 175/185 Contribution	(\$58,434)
Net Increase in Excess Chapter 175/185 Contribution	\$7,566
Excess Chapter 175/185 Contribution as of October 1, 2015	<u>\$22,442</u>



## Allowable Chapter 175/185 Contribution

Table II-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

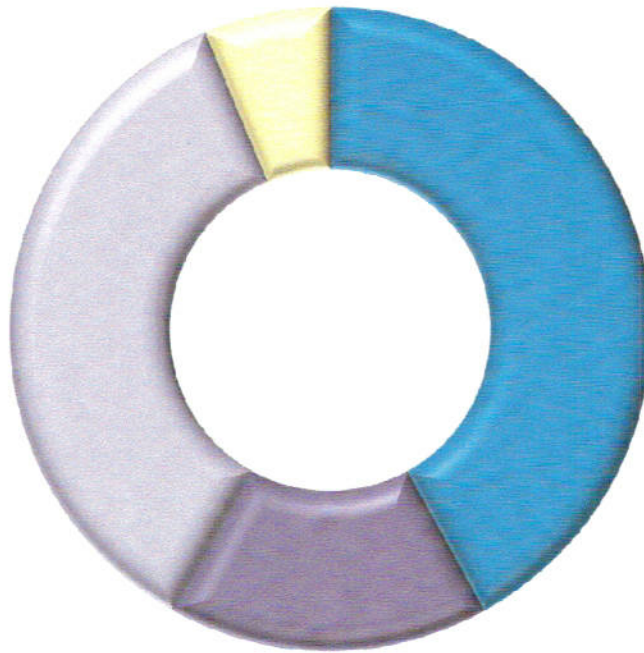
Table II-H

<b>Total Accumulated Excess Chapter 175/185 Contribution</b>				<b>\$22,442</b>
	<u>Chapter 175 Regular Distribution</u>	<u>Chapter 175 Supplemental Distribution</u>	<u>Chapter 185 Distribution</u>	<u>Allowable Amount</u>
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)
2014 Distribution	\$0	\$0	\$66,000	(\$58,434)
Interest Adjustment				\$3,338



## Summary of Participant Data

Table III-A

**As of October 1, 2015**Actively Employed Participants

Active Participants	13
DROP Participants	0

Inactive Participants

Deferred Vested Participants	5
Due a Refund of Contributions	11
Deferred Beneficiaries	0

Participants Receiving a Benefit

Service Retirements	2
Disability Retirements	0
Beneficiaries Receiving	0

**Total Participants 31**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	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
October 1, 2015	13	0	16	2	31



## Data Reconciliation

Table III-B

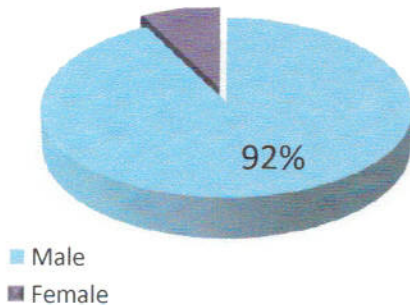
	<u>Active</u>	<u>DROP</u>	<u>Deferred Vested</u>	<u>Due a Refund</u>	<u>Def. Benef.</u>	<u>Service Retiree</u>	<u>Disabled Retiree</u>	<u>Benef. Rec'v.</u>	<u>Total</u>
<u>October 1, 2014</u>	14	0	3	11	0	2	0	0	30
<u>Change in Status</u>									
Re-employed									
Terminated	(2)		2						
Retired									
<u>Participation Ended</u>									
Transferred Out									
Cashed Out									
Died									
<u>Participation Began</u>									
Newly Hired	1								1
Transferred In									
New Beneficiary									
<u>Other Adjustment</u>									
<u>October 1, 2015</u>	13	0	5	11	0	2	0	0	31



## Active Participant Data

## Table III-C

## Gender Mix



As of October 1, 2015

Average Age	40.4 years
Average Service	6.5 years
Total Annualized Compensation for the Prior Year	\$650,562
Total Expected Compensation for the Current Year	\$632,650
Average Increase in Compensation for the Prior Year	4.53%
Expected Increase in Compensation for the Current Year	4.00%

## Actual vs. Expected Salary Increases



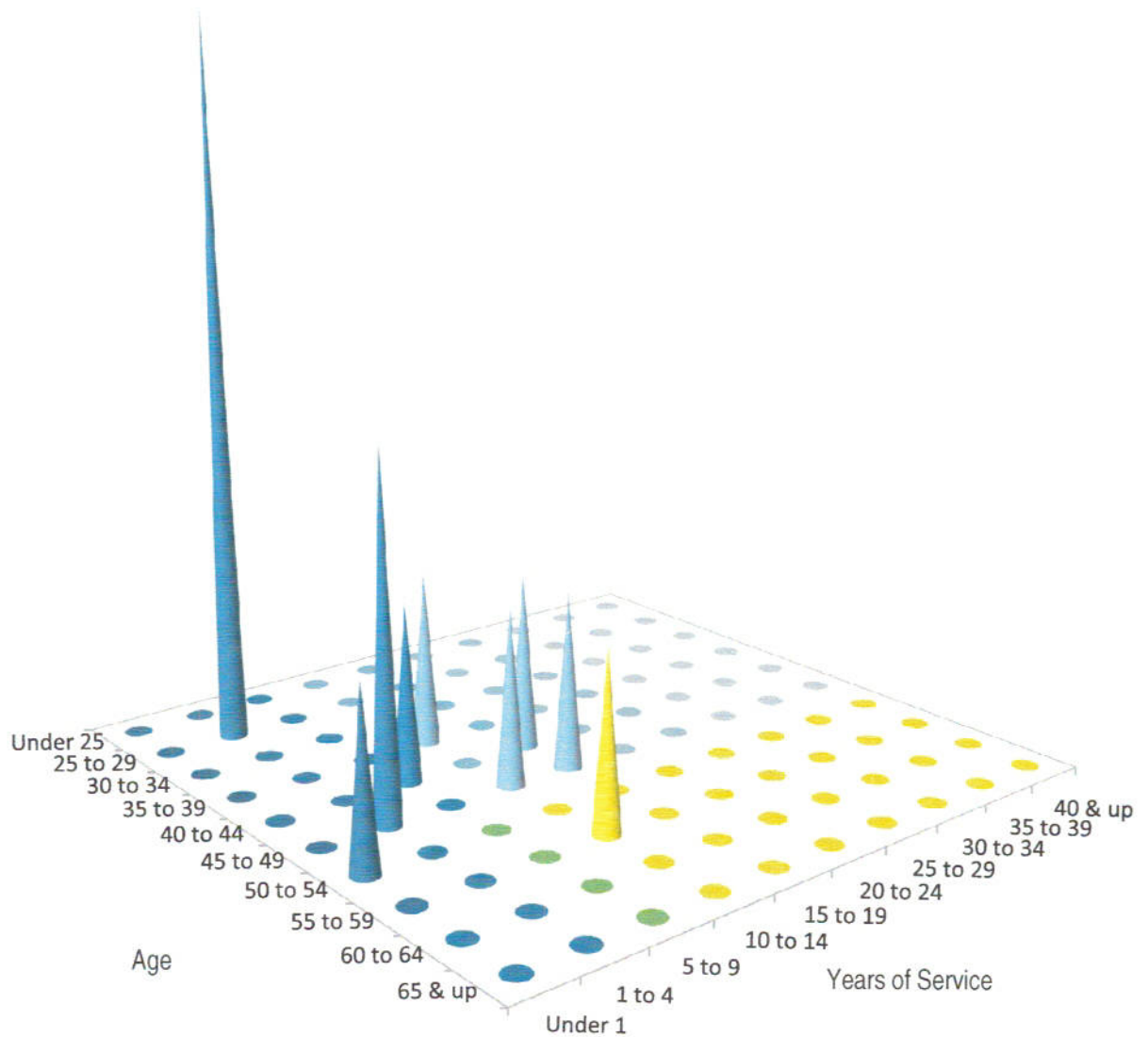
## Active Participant Statistics From Prior Valuations

	Average Age	Average Service	Average Salary	Average Expected Salary Increase	Average Actual Salary Increase
October 1, 2006	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%
October 1, 2015	40.4	6.5	\$50,043	4.00%	4.53%



# Active Age-Service Distribution

Table III-D



- ▲ Eligible to retire
- ▲ May be eligible to retire
- ▲ Not eligible to retire



Active Age-Service-Salary Table

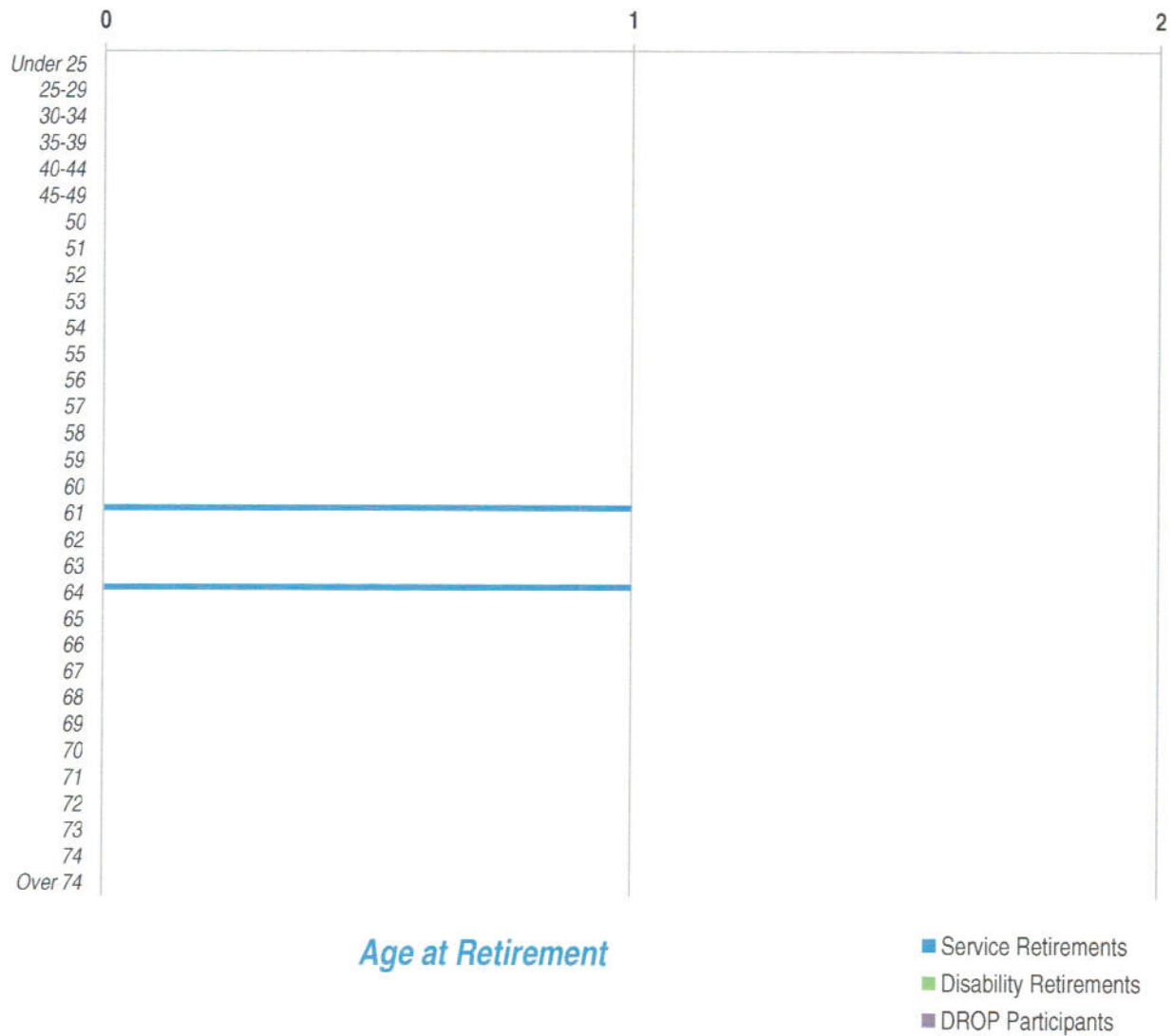
Table III-E

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	
Under 25	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
25 to 29	0	4	0	0	0	0	0	0	0	0	4
Avg.Pay	0	41,984	0	0	0	0	0	0	0	0	41,984
30 to 34	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	1	0	0	0	0	0	0	1
Avg.Pay	0	0	0	57,361	0	0	0	0	0	0	57,361
40 to 44	0	0	1	0	1	0	0	0	0	0	2
Avg.Pay	0	0	73,588	0	66,156	0	0	0	0	0	69,872
45 to 49	0	2	0	1	1	0	0	0	0	0	4
Avg.Pay	0	42,560	0	56,164	58,165	0	0	0	0	0	49,862
50 to 54	1	0	0	0	0	0	0	0	0	0	1
Avg.Pay	43,827	0	0	0	0	0	0	0	0	0	43,827
55 to 59	0	0	0	1	0	0	0	0	0	0	1
Avg.Pay	0	0	0	42,244	0	0	0	0	0	0	42,244
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	1	6	1	3	2	0	0	0	0	0	13
Avg.Pay	43,827	42,176	73,588	51,923	62,161	0	0	0	0	0	50,043



## Inactive Participant Data

Table III-F

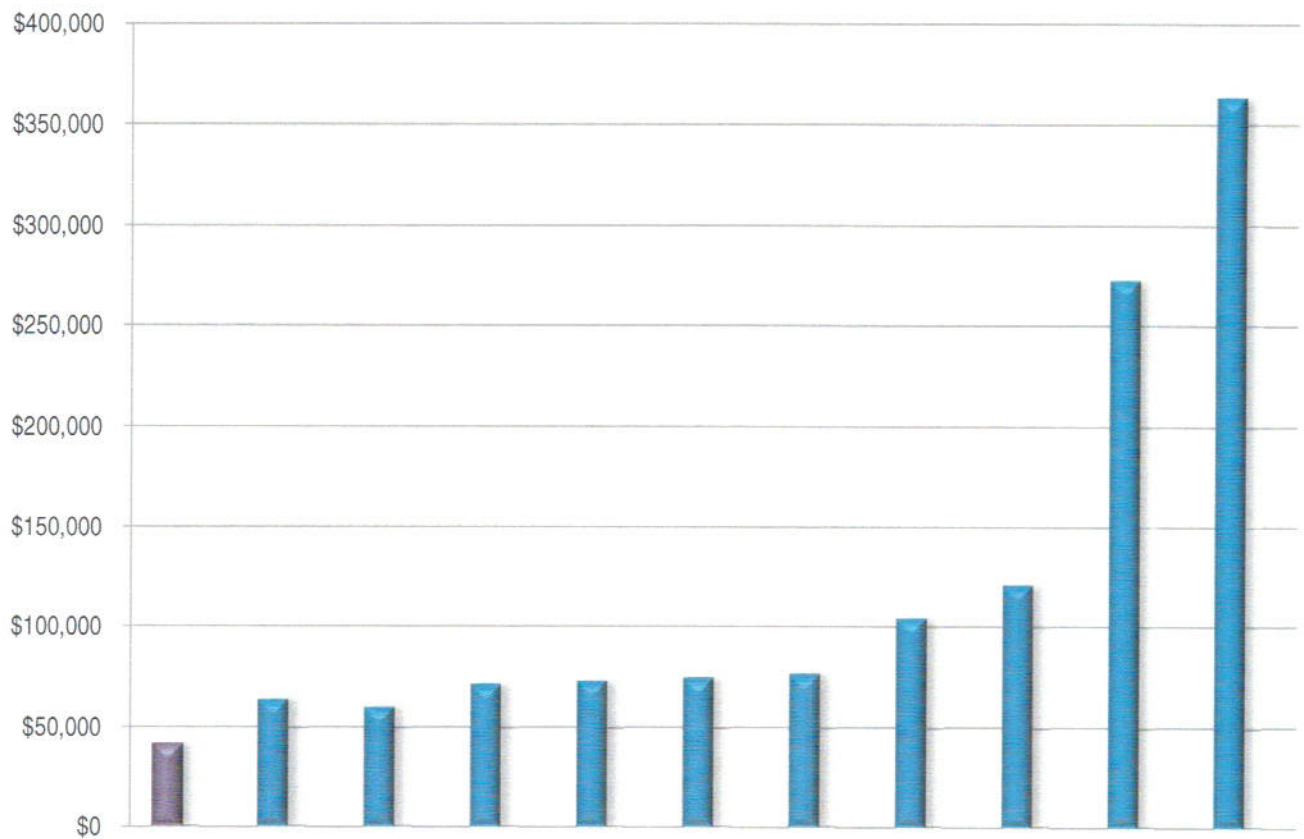
Average Monthly Benefit

Service Retirements	\$1,791.87
Disability Retirements	Not applicable
Beneficiaries Receiving	Not applicable
DROP Participants	Not applicable
Deferred Vested Participants	\$1,397.86
Deferred Beneficiaries	Not applicable



## Projected Benefit Payments

Table III-G

Actual

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

\$41,752

Projected

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

\$63,816

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

\$60,008

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

\$71,265

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

\$72,973

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

\$74,651

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

\$76,292

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

\$104,046

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

\$120,410

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

\$272,131

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

\$363,114



## 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.

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 IV-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 IV-B

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



## Summary of Plan Provisions

## Table V-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 V-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 V-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 V-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 V-B

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

