

CITY OF NORTH PORT
POLICE OFFICERS' PENSION - LOCAL OPTION TRUST FUND
ACTUARIAL VALUATION
AS OF OCTOBER 1, 2019
CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2021
GASB 67/68 DISCLOSURE INFORMATION
AS OF SEPTEMBER 30, 2019



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

December 5, 2019

Board of Trustees
The Resource Center, LLC
4100 Center Pointe Drive, Ste. 108
Fort Myers, FL 33916

Re: City of North Port Police Officers' Pension - Local Option Trust Fund

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of North Port Police Officers' Pension - Local Option Trust Fund. Included are the related results for GASB Statements No. 67 and No. 68. The funding valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year. The calculation of the liability for GASB results was performed for the purpose of satisfying the requirements of GASB Statements No. 67 and No. 68. Use of the results for other purposes may not be applicable and may produce significantly different results.

The valuations have been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflect laws and regulations issued to date pursuant to the provisions of Chapters 112 and 185, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in the valuations, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope of the valuations, we did not perform an analysis of the potential range of such future measurements.

In conducting the valuations, we have relied on personnel, plan design, and asset information supplied by the City of North Port, financial reports prepared by the custodian bank, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of October 1, 2018. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2019 using generally accepted actuarial principles. It is our opinion that the assumptions used for this purpose are internally consistent, reasonable, and comply with the requirements under GASB No. 67 and No. 68.


The undersigned are familiar with the immediate and long-term aspects of pension valuations, and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.


To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of North Port, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the Police Officers' Pension - Local Option Trust Fund. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact us at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By: 
Christine M. O'Neal, FSA, EA, MAAA
Enrolled Actuary #17-7916


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Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of North Port Police Officers' Pension - Local Option Trust Fund, performed as of October 1, 2019, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ending September 30, 2021.

The contribution requirements, compared with those set forth in the October 1, 2018 actuarial valuation report, are as follows:

Valuation Date	10/1/2019	10/1/2018
Applicable to Fiscal Year Ending	<u>9/30/2021</u>	<u>9/30/2020</u>
Minimum Required Contribution	\$2,452,712	\$2,749,936
Member Contributions (Est.)	501,697	526,190
City And State Required Contribution	1,951,015	2,223,746
State Contribution (Est.) ¹	280,000	280,000
City Required Contribution ²	\$1,671,015	\$1,943,746

¹ As per a Mutual Consent Agreement between the Membership and the City, all State Monies received each year up to \$280,000, if received, will be available to offset the City's required contribution.

² Please note that the City has access to a prepaid contribution of \$629,677.39 that is available to offset a portion of the above stated requirements for the fiscal year ending September 30, 2020.

As you can see, the Minimum Required Contribution shows a decrease when compared to the results determined as of October 1, 2018. The decrease is mainly attributable to an amortization charge from 2009 being fully paid off, as well as favorable actuarial experience as described in the following paragraph.

Plan experience was favorable overall on the basis of the plan's actuarial assumptions. Sources of actuarial gain included an average salary increase of 2.87% which fell short of the 7.59% assumption and an investment return of 7.89% (Actuarial Asset Basis) which exceeded the 7.55% assumption. There were no significant sources of actuarial loss.

CHANGES SINCE PRIOR VALUATION

Plan Changes

There have been no changes in benefits since the prior valuation.

Actuarial Assumption/Method Changes

Since the prior valuation the investment return assumption was decreased from 7.55% to 7.45%.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Assump <u>10/1/2019</u>	Old Assump <u>10/1/2019</u>	<u>10/1/2018</u>
A. Participant Data			
Actives	61	61	65
Service Retirees	33	33	29
DROP Retirees	0	0	1
Beneficiaries	4	4	3
Disability Retirees	11	11	11
Terminated Vested	<u>23</u>	<u>23</u>	<u>25</u>
Total	132	132	134
Total Annual Payroll	\$5,659,986	\$5,659,986	\$5,913,522
Payroll Under Assumed Ret. Age	5,659,986	5,659,986	5,913,522
Annual Rate of Payments to:			
Service Retirees	1,693,056	1,693,056	1,478,529
DROP Retirees	0	0	82,852
Beneficiaries	187,012	187,012	110,896
Disability Retirees	345,833	345,833	345,833
Terminated Vested	87,858	87,858	151,382
B. Assets			
Actuarial Value (AVA) ¹	45,952,844	45,952,844	42,592,203
Market Value (MVA) ¹	45,831,290	45,831,290	44,685,624
C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	32,556,697	31,968,339	32,461,609
Disability Benefits	1,733,097	1,707,705	1,737,900
Death Benefits	486,101	478,392	497,946
Vested Benefits	1,899,452	1,863,008	1,838,155
Refund of Contributions	83,961	83,824	80,838
Service Retirees	19,605,163	19,422,984	16,968,816
DROP Retirees ¹	0	0	1,291,216
Beneficiaries	2,079,955	2,061,477	1,352,180
Disability Retirees	3,787,357	3,752,406	3,786,271
Terminated Vested	474,036	465,495	804,096
Share Plan Balances ¹	<u>665,533</u>	<u>665,533</u>	<u>526,063</u>
Total	63,371,352	62,469,163	61,345,090

C. Liabilities - (Continued)	New Assump <u>10/1/2019</u>	Old Assump <u>10/1/2019</u>	<u>10/1/2018</u>
Present Value of Future Salaries	48,345,982	48,090,790	51,979,556
Present Value of Future Member Contributions	3,867,679	3,847,263	4,158,364
Normal Cost (Retirement)	1,340,195	1,311,955	1,378,211
Normal Cost (Disability)	128,643	126,995	129,030
Normal Cost (Death)	43,346	42,764	43,502
Normal Cost (Vesting)	118,413	115,943	115,329
Normal Cost (Refunds)	<u>20,054</u>	<u>20,048</u>	<u>15,586</u>
Total Normal Cost	1,650,651	1,617,705	1,681,658
Present Value of Future Normal Costs	13,308,469	12,966,795	14,045,488
Accrued Liability (Retirement)	21,487,475	21,195,553	20,695,245
Accrued Liability (Disability)	724,587	717,446	699,089
Accrued Liability (Death)	152,849	151,352	151,671
Accrued Liability (Vesting)	1,077,470	1,061,659	1,010,054
Accrued Liability (Refunds)	8,458	8,463	14,901
Accrued Liability (Inactives) ¹	25,946,511	25,702,362	24,202,579
Share Plan Balances ¹	<u>665,533</u>	<u>665,533</u>	<u>526,063</u>
Total Actuarial Accrued Liability (EAN AL)	50,062,883	49,502,368	47,299,602
Unfunded Actuarial Accrued Liability (UAAL)	4,110,039	3,549,524	4,707,399
Funded Ratio (AVA / EAN AL)	91.8%	92.8%	90.0%

D. Actuarial Present Value of Accrued Benefits	New Assump <u>10/1/2019</u>	Old Assump <u>10/1/2019</u>	<u>10/1/2018</u>
Vested Accrued Benefits			
Inactives + Share Plan Balances ¹	26,612,044	26,367,895	24,728,642
Actives	11,486,965	11,274,862	10,842,989
Member Contributions	<u>3,857,781</u>	<u>3,857,781</u>	<u>3,754,949</u>
Total	41,956,790	41,500,538	39,326,580
Non-vested Accrued Benefits	<u>1,593,087</u>	<u>1,557,937</u>	<u>1,508,448</u>
Total Present Value Accrued Benefits (PVAB)	43,549,877	43,058,475	40,835,028
Funded Ratio (MVA / PVAB)	105.2%	106.4%	109.4%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	491,402	0	
Plan Experience	0	2,039,332	
Benefits Paid	0	(2,793,476)	
Interest	0	2,977,591	
Other	<u>0</u>	<u>0</u>	
Total	491,402	2,223,447	

	New Assump	Old Assump	
Valuation Date	10/1/2019	10/1/2019	10/1/2018
Applicable to Fiscal Year Ending	<u>9/30/2021</u>	<u>9/30/2021</u>	<u>9/30/2020</u>
E. Pension Cost			
Normal Cost ²	\$1,828,906	\$1,793,266	\$1,870,442
Administrative Expenses ²	113,197	113,251	102,265
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 26 years (as of 10/1/2019) ²	510,609	456,540	777,229
Minimum Required Contribution	2,452,712	2,363,057	2,749,936
Expected Member Contributions ²	501,697	501,939	526,190
Expected City and State Contribution	1,951,015	1,861,118	2,223,746
F. Past Contributions			
Plan Years Ending:	<u>9/30/2019</u>		
City and State Requirement	2,249,588		
Actual Contributions Made:			
Members (excluding buyback)	439,024		
City	1,969,588		
State	<u>280,000</u>		
Total	2,688,612		
G. Net Actuarial (Gain)/Loss	(558,378)		

¹ The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2019 and 9/30/2018.

² Contributions developed as of 10/1/2019 displayed above have been adjusted to account for assumed salary increase and interest components.

H. Schedule Illustrating the Amortization of the Total Unfunded Actuarial Accrued Liability as of:

<u>Year</u>	<u>Projected Unfunded Actuarial Accrued Liability</u>
2019	4,110,039
2020	3,921,061
2021	3,748,227
2027	2,360,441
2033	992,441
2039	14,483
2045	0

I. (i) 5 Year Comparison of Actual and Assumed Salary Increases

	<u>Actual</u>	<u>Assumed</u>
Year Ended 9/30/2019	2.87%	7.59%
Year Ended 9/30/2018	11.59%	7.61%
Year Ended 9/30/2017	7.65%	7.96%
Year Ended 9/30/2016	6.86%	8.37%
Year Ended 9/30/2015	2.68%	8.86%

(ii) 5 Year Comparison of Investment Return on Market Value and Actuarial Value

	<u>Market Value</u>	<u>Actuarial Value</u>	<u>Assumed</u>
Year Ended 9/30/2019	2.55%	7.89%	7.55%
Year Ended 9/30/2018	9.13%	7.05%	7.65%
Year Ended 9/30/2017	12.74%	6.80%	7.75%
Year Ended 9/30/2016	7.41%	6.99%	7.75%
Year Ended 9/30/2015	-0.62%	9.36%	7.75%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2019	\$5,659,986
	10/1/2009	6,052,200
(b) Total Increase		-6.48%
(c) Number of Years		10.00
(d) Average Annual Rate		-0.67%

STATEMENT BY ENROLLED ACTUARY

This actuarial valuation was prepared and completed 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 Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.



Christine M. O'Neal, FSA, EA, MAAA
Enrolled Actuary #17-7916

Please let us know when the report is approved by the Board and unless otherwise directed we will provide copies of the report to the following offices to comply with Chapter 112 Florida Statutes:

Mr. Keith Brinkman
Bureau of Local
Retirement Systems
Post Office Box 9000
Tallahassee, FL 32315-9000

Mr. Ste e ardin
Municipal Police and Fire
Pension Trust Funds
Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1) Unfunded Actuarial Accrued Liability as of October 1, 2018	\$4,707,399
(2) Sponsor Normal Cost developed as of October 1, 2018	1,208,576
(3) Expected administrative expenses for the year ended September 30, 2019	91,943
(4) Expected interest on (1), (2) and (3)	450,127
(5) Sponsor contributions to the System during the year ended September 30, 2019	2,249,588
(6) Expected interest on (5)	100,555
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2019 (1)+(2)+(3)+(4)-(5)-(6)	4,107,902
(8) Change to UAAL due to Assumption Change	560,515
(9) Change to UAAL due to Actuarial (Gain)/Loss	(558,378)
(10) Unfunded Actuarial Accrued Liability as of October 1, 2019	4,110,039

<u>Type of Base</u>	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2019 Amount</u>	<u>Amortization Amount</u>
	10/1/1990	1	15,924	15,924
	10/1/1997	8	64,623	10,248
	10/1/1999	10	114,240	15,454
	10/1/2000	11	99,161	12,584
method change	10/1/2004	15	1,008,979	106,049
actuarial loss	10/1/2004	9	797,231	116,070
actuarial loss	10/1/2005	9	635,054	92,458
actuarial gain	10/1/2006	9	(189,625)	(27,608)
actuarial loss	10/1/2007	9	706,088	102,800
method change	10/1/2008	9	49,528	7,211
actuarial loss	10/1/2010	1	12,201	12,201
assum. change	10/1/2010	11	153,346	19,461
benefit change	10/1/2010	21	147,735	13,151
actuarial loss	10/1/2011	2	258,441	133,861
actuarial loss	10/1/2012	3	171,457	61,305
assum. change	10/1/2012	13	(591,369)	(67,541)
actuarial gain	10/1/2013	4	(620,788)	(172,303)
actuarial gain	10/1/2014	5	(530,710)	(121,916)
actuarial gain	10/1/2015	6	(658,325)	(130,329)

Type of <u>Base</u>	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2019 <u>Amount</u>	Amortization <u>Amount</u>
benefit change	10/1/2015	26	3,203	263
assum. change	10/1/2016	17	652,476	64,149
actuarial loss	10/1/2016	7	392,599	68,864
actuarial gain	10/1/2017	8	(172,511)	(27,358)
assum. change	10/1/2017	18	496,647	47,453
actuarial loss	10/1/2018	9	595,416	86,687
assum. change	10/1/2018	19	496,881	46,263
actuarial gain	10/1/2019	10	(558,378)	(75,535)
assum. change	10/1/2019	20	<u>560,515</u>	<u>50,976</u>
			4,110,039	460,842

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2018	\$4,707,399
(2) Expected UAAL as of October 1, 2019	4,107,902
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(144,899)
Salary Increases	(635,846)
Active Decrements	(114,608)
Inactive Mortality	(93,675)
Other	<u>430,650</u>
Increase in UAAL due to (Gain)/Loss	(558,378)
Assumption Changes	<u>560,515</u>
(4) Actual UAAL as of October 1, 2019	\$4,110,039

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Active Lives:

Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB
Male: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB

Healthy Inactive Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB
Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB

Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale
Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale

The above assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman’s July 1, 2018 FRS valuation report for special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

75% of active deaths are assumed to be service-incurred.

Interest Rate

7.45% (prior year 7.55%) per year compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Salary Increases

<u>Salary Scale</u>	
<u>Service</u>	<u>Rate</u>
< 2	17.0%
2 - 10	8.5%
11 - 20	6.0%
20+	2.0%

The above rates were adopted in conjunction with the September 5, 2013 Experience Study.

Final Year Salary Load

Projected salary at retirement is increased 20% to account for non-regular compensation (no load for Members hired after January 1, 2012).

Payroll Growth

0.00% for purposes of amortizing the Unfunded Actuarial Accrued Liability. This assumption cannot exceed the ten-year average payroll growth, in compliance with Part VII of Chapter 112, Florida Statutes.

Administrative Expenses

\$102,164 annually, based on the average of actual expenses incurred in the prior two fiscal years.

Normal Retirement

The below rates were adopted in conjunction with the September 5, 2013 Experience Study.

% Retiring During the Year	
Years Eligible for Normal Retirement	Rate
0	66.7%
1	0.0%
2+	100.0%

Early Retirement

Commencing with attainment of Early Retirement Status (age 45 with 10 years of service), Members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year. These rates were adopted in conjunction with the September 5, 2013 Experience Study.

Termination Rates

% Terminating During the Year	
Service	Rate
< 1	24.0%
1 - 4	6.0%
5 - 19	3.0%
20+	0.0%

The above rates were adopted in conjunction with the September 5, 2013 Experience Study.

Disability Rates

% Becoming Disabled During the Year	
Age	Rate
20	0.14%
25	0.15%
30	0.18%
35	0.23%
40	0.30%
45	0.51%
50	1.00%
55	1.55%
59+	2.09%

75% of Disability Retirements are assumed to be service-incurred.

Marital Assumption

80% are assumed Married with husbands three years older than their wives.

Asset Smoothing Methodology

The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a negligible bias that is above or below the Market Value of Assets.

Funding Method

Entry Age Normal Actuarial Cost Method. The following loads are applied for determination of the Sponsor funding requirement:

Interest – A half year, based on the current 7.45% assumption.

Salary – A full year, based on the current 6.82% assumption.

Amortization Method

New UAAL amortization bases are established according to the following amortization periods:

Experience: 10 Years.

Assumption/Method Changes: 20 Years.

Benefit Changes: 30 Years.

GLOSSARY

Total Annual Payroll is the projected annual rate of pay for the fiscal year following the valuation date of all covered Members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Normal (Current Year's) Cost is the current year's cost for benefits yet to be funded.

Unfunded Actuarial Accrued Liability (UAAL) is a liability which arises when a pension plan is initially established or improved and such establishment or improvement is applicable to all years of past service. Under the Entry Age Normal Actuarial Cost Method, there is also a new UAAL created each year equal to the actuarial gain or loss for that year.

Total Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability over no more than 30 years. The required amount is adjusted for interest according to the timing of contributions during the year.

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

(a) The normal cost accrual rate equals:

- (i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by
- (ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.

(b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

(c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

(d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

DISCUSSION OF RISK

ASOP No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions, states that the actuary should identify risks that, in the actuary's professional judgment, may reasonably be anticipated to significantly affect the plan's future financial condition.

Throughout this report, actuarial results are determined using various actuarial assumptions. These results are based on the premise that all future plan experience will align with the plan's actuarial assumptions; however, there is no guarantee that actual plan experience will align with the plan's assumptions. It is possible that actual plan experience will differ from anticipated experience in an unfavorable manner that will negatively impact the plan's funded position.

Below are examples of ways in which plan experience can deviate from assumptions and the potential impact of that deviation. Typically, this results in an actuarial gain or loss representing the current-year financial impact on the plan's unfunded liability of the experience differing from assumptions; this gain or loss is amortized over a period of time determined by the plan's amortization method. When assumptions are selected that adequately reflect plan experience, gains and losses typically offset one another in the long term, resulting in a relatively low impact on the plan's contribution requirements associated with plan experience. When assumptions are too optimistic, losses can accumulate over time and the plan's amortization payment could potentially grow to an unmanageable level.

- Investment Return: When the rate of return on the Actuarial Value of Assets falls short of the assumption, this produces a loss representing assumed investment earnings that were not realized. Further, it is unlikely that the plan will experience a scenario that matches the assumed return in each year as capital markets can be volatile from year to year. Therefore, contribution amounts can vary in the future.
- Salary Increases: When a plan participant experiences a salary increase that was greater than assumed, this produces a loss representing the cost of an increase in anticipated plan benefits for the participant as compared to the previous year. The total gain or loss associated with salary increases for the plan is the sum of salary gains and losses for all active participants.
- Demographic Assumptions: Actuarial results take into account various potential events that could happen to a plan participant, such as retirement, termination, disability, and death. Each of these potential events is assigned a liability based on the likelihood of the event and the financial consequence of the event for the plan. Accordingly, actuarial liabilities reflect a blend of financial consequences associated with various possible outcomes (such as retirement at one of various possible ages). Once the outcome is known (e.g. the participant retires) the liability is adjusted to reflect the known outcome. This adjustment produces a gain or loss depending on whether the outcome was more or less favorable than other outcomes that could have occurred.

Impact of Plan Maturity on Risk

For newer pension plans, most of the participants and associated liabilities are related to active members who have not yet reached retirement age. As pension plans continue in operation and active members reach retirement ages, liabilities begin to shift from being primarily related to active members to being shared amongst active and retired members. Plan maturity is a measure of the extent to which this shift has occurred. It is important to understand that plan maturity can have an impact on risk tolerance and the overall risk characteristics of the plan. For example, closed plans with a large amount of retired liability do not have as long of a time horizon to recover from losses (such as losses on investments due to lower than expected investment returns) as plans where the majority of the liability is attributable to active members. For this reason, less tolerance for investment risk may be warranted for highly mature closed plans with a substantial inactive liability. Similarly, mature closed plans paying substantial retirement benefits resulting in a small positive or net negative cash flow can be more sensitive to near term investment volatility, particularly if the size of the fund is shrinking, which can result in less assets being available for investment in the market.

To assist with determining the maturity of the plan, we have provided some relevant metrics in the table following titled “Plan Maturity Measures and Other Risk Metrics”. Highlights of this information are discussed below:

- The Support Ratio, determined as the ratio of active to inactive members, has decreased from 228.9% on October 1, 2016 to 119.6% on October 1, 2019, indicating that the plan has been maturing during the period.
- The Accrued Liability Ratio, determined as the ratio of the Inactive Accrued Liability, which is the liability associated with members who are no longer employed but are due a benefit from the plan, to the Total Accrued Liability, is 51.8%. With a plan of this maturity, losses due to lower than expected investment returns or demographic factors may result in larger increases in contribution requirements than would be needed for a less mature plan. Please note Chapter 112, Florida Statutes, requires that the plan sponsor contributes the minimum required contribution; thus, there is minimal solvency risk to the plan.
- The Funded Ratio, determined as the ratio of the Actuarial Value of Assets to the Total Accrued Liability, has increased from 89.5% on October 1, 2016 to 91.8% on October 1, 2019, due to net favorable experience realized by the plan.
- The Net Cash Flow Ratio, determined as the ratio of the Net Cash Flow (contributions minus benefit payments and administrative expenses) to the Market Value of Assets, decreased from 1.8% on October 1, 2016 to 0.0% on October 1, 2019.

It is important to note that the actuary has identified the risks in this section as the most significant risks based on the characteristics of the plan and the nature of the project, however, it is not an exhaustive list of potential risks that could be considered. Additional advanced modeling, as well as the identification of additional risks, can be provided at the request of the audience addressed on page 2 of this report.

PLAN MATURITY MEASURES AND OTHER RISK METRICS

	<u>10/1/2016</u>	<u>10/1/2017</u>	<u>10/1/2018</u>	<u>10/1/2019</u>
<u>Support Ratio</u>				
Total Actives	87	76	65	61
Total Inactives ¹	38	43	48	53
Actives / Inactives ¹	228.9%	176.7%	135.4%	119.6%
<u>Asset Volatility Ratio</u>				
Market Value of Assets (MVA)	34,995,161	40,416,303	44,685,624	45,831,290
Total Annual Payroll	6,579,405	6,217,446	5,913,522	5,659,986
MVA / Total Annual Payroll	531.9%	650.0%	755.7%	809.7%
<u>Accrued Liability (AL) Ratio</u>				
Inactive Accrued Liability	18,864,068	21,137,406	24,202,579	25,946,511
Total Accrued Liability (EAN)	40,082,030	43,440,160	47,299,602	50,062,883
Inactive AL / Total AL	47.1%	48.7%	51.2%	51.8%
<u>Funded Ratio</u>				
Actuarial Value of Assets (AVA)	35,884,478	39,251,020	42,592,203	45,952,844
Total Accrued Liability (EAN)	40,082,030	43,440,160	47,299,602	50,062,883
AVA / Total Accrued Liability (EAN)	89.5%	90.4%	90.0%	91.8%
<u>Net Cash Flow Ratio</u>				
Net Cash Flow ²	637,837	895,011	553,991	(1,868)
Market Value of Assets (MVA)	34,995,161	40,416,303	44,685,624	45,831,290
Ratio	1.8%	2.2%	1.2%	0.0%

¹ Excludes terminated participants awaiting a refund of member contributions.

² Determined as total contributions minus benefit payments and administrative expenses.

PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1998	48,260.66	_____%
1999	51,574.48	6.9%
2000	51,511.40	-0.1%
2001	56,480.66	9.6%
2002	76,778.55	35.9%
2003	88,977.27	15.9%
2004	132,825.30	49.3%
2005	163,669.80	23.2%
2006	191,599.50	17.1%
2007	232,905.15	21.6%
2008	221,662.73	-4.8%
2009	275,946.30	24.5%
2010	278,182.12	0.8%
2011	257,676.16	-7.4%
2012	282,742.64	9.7%
2013	297,989.02	5.4%
2014	306,641.87	2.9%
2015	341,431.51	11.3%
2016	378,332.56	10.8%
2017	405,720.10	7.2%
2018	453,917.98	11.9%
2019	495,381.00	9.1%

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2019

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	542,759.85	542,759.85
Prepaid Expenses	3,359.00	3,359.00
Total Cash and Equivalents	546,118.85	546,118.85
Receivables:		
City Contributions in Transit	492,397.00	492,397.00
Investment Income	117,855.65	117,855.65
Total Receivable	610,252.65	610,252.65
Investments:		
U. S. Bonds and Bills	4,669,699.11	4,851,062.50
Federal Agency Guaranteed Securities	236,025.41	235,198.48
Corporate Bonds	3,265,303.16	3,301,868.55
Stocks	9,709,324.04	10,045,338.04
Mutual Funds:		
Fixed Income	4,589,618.30	4,152,838.10
Equity	14,307,435.21	18,523,597.22
Pooled/Common/Commingled Funds:		
Real Estate	3,500,000.00	4,222,531.10
Total Investments	40,277,405.23	45,332,433.99
Total Assets	41,433,776.73	46,488,805.49
 <u>LIABILITIES</u>		
Payables:		
Investment Expenses	23,032.30	23,032.30
Administrative Expenses	4,805.62	4,805.62
Prepaid City Contribution	629,677.39	629,677.39
Total Liabilities	657,515.31	657,515.31
 NET POSITION RESTRICTED FOR PENSIONS	 40,776,261.42	 45,831,290.18

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019
Market Value Basis

ADDITIONS

Contributions:			
Member		439,023.54	
City		1,969,588.00	
State		495,381.00	
Total Contributions			2,903,992.54
Investment Income:			
Net Realized Gain (Loss)	2,494,383.89		
Unrealized Gain (Loss)	(2,368,238.92)		
Net Increase in Fair Value of Investments		126,144.97	
Interest & Dividends		1,146,949.35	
Less Investment Expense ¹		(125,559.60)	
Net Investment Income			1,147,534.72
Total Additions			4,051,527.26

DEDUCTIONS

Distributions to Members:			
Benefit Payments		2,159,031.20	
Lump Sum DROP Distributions		274,305.08	
Lump Sum Share Distributions		75,596.35	
Lump Sum PLOP Distributions		213,284.05	
Refunds of Member Contributions		71,258.92	
Total Distributions			2,793,475.60
Administrative Expense			112,385.31
Total Deductions			2,905,860.91
Net Increase in Net Position			1,145,666.35

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		44,685,623.83
End of the Year		45,831,290.18

¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION
SEPTEMBER 30, 2019

Actuarial Assets for funding purposes are developed by increasing the Actuarial Assets used in the most recent actuarial valuation of the Fund by the average annual market value rate of return (net of investment related expenses) for the past four years. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Details of the derivation are set forth as follows:

Plan Year End	Rate of Return ¹	
09/30/2016	7.41%	
09/30/2017	12.74%	
09/30/2018	9.13%	
09/30/2019	2.55%	
Annualized Rate of Return for prior four (4) years:		7.89%
(A) 10/01/2018 Actuarial Assets:		\$42,592,203.12
(I) Net Investment Income:		
1. Interest and Dividends	1,146,949.35	
2. Realized Gains (Losses)	2,494,383.89	
3. Unrealized Gains (Losses)	(2,368,238.92)	
4. Change in Actuarial Value	2,214,974.26	
5. Investment Related Expenses	(125,559.60)	
Total		3,362,508.98
(B) 10/01/2019 Actuarial Assets:		\$45,952,843.73
Actuarial Asset Rate of Return = 2I/(A+B-I):		7.89%
10/01/2019 Limited Actuarial Assets:		\$45,952,843.73
10/01/2019 Market Value of Assets:		\$45,831,290.18
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		\$144,898.99

¹Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2019
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	439,023.54	
City	1,969,588.00	
State	495,381.00	
 Total Contributions		 2,903,992.54
Earnings from Investments:		
Interest & Dividends	1,146,949.35	
Net Realized Gain (Loss)	2,494,383.89	
Unrealized Gain (Loss)	(2,368,238.92)	
Change in Actuarial Value	2,214,974.26	
 Total Earnings and Investment Gains		 3,488,068.58

EXPENDITURES

Distributions to Members:		
Benefit Payments	2,159,031.20	
Lump Sum DROP Distributions	274,305.08	
Lump Sum Share Distributions	75,596.35	
Lump Sum PLOP Distributions	213,284.05	
Refunds of Member Contributions	71,258.92	
 Total Distributions		 2,793,475.60
Expenses:		
Investment related ¹	125,559.60	
Administrative	112,385.31	
 Total Expenses		 237,944.91
 Change in Net Assets for the Year		 3,360,640.61
 Net Assets Beginning of the Year		 42,592,203.12
 Net Assets End of the Year ²		 45,952,843.73

¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

²Net Assets may be limited for actuarial consideration.


DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2018 to September 30, 2019

Beginning of the Year Balance	274,305.08
Plus Additions	0.00
Investment Return Earned	0.00
Less Distributions	(274,305.08)
End of the Year Balance	0.00

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SUPPLEMENTAL CHAPTER 185 SHARE PLAN ACTIVITY
October 1, 2018 through September 30, 2019

9/30/2018 Balance	526,062.98
Prior Year Adjustment	(12,149.37)
Plus Additions	215,381.00
Investment Return Earned (est.)	11,834.52
Administrative Fees	0.00
Less Distributions	(75,596.35)
9/30/2019 Balance (est.)	665,532.78



RECONCILIATION OF CITY'S SHORTFALL/(PREPAID) CONTRIBUTION
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2019

(1) Required City and State Contributions	\$2,249,588.00
(2) Less Allowable State Contribution	<u>(280,000.00)</u>
(3) Required City Contribution for Fiscal 2019	1,969,588.00
(4) Less 2018 Prepaid Contribution	(629,677.39)
(5) Less Actual City Contributions	<u>(1,969,588.00)</u>
(6) Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2019	(\$629,677.39)

STATISTICAL DATA

	<u>10/1/2016</u>	<u>10/1/2017</u>	<u>10/1/2018</u>	<u>10/1/2019</u>
<u>Actives</u>				
Number	87	76	65	61
Average Current Age	38.6	39.0	39.7	40.3
Average Age at Employment	29.1	28.5	28.2	28.2
Average Past Service	9.5	10.5	11.5	12.1
Average Annual Salary	\$75,625	\$81,809	\$90,977	\$92,787
<u>Service Retirees</u>				
Number	22	24	29	33
Average Current Age	60.1	59.9	58.7	58.3
Average Annual Benefit	\$53,365	\$51,892	\$50,984	\$51,305
<u>DROP Retirees</u>				
Number	1	1	1	0
Average Current Age	58.4	59.4	60.4	N/A
Average Annual Benefit	\$82,852	\$82,852	\$82,852	N/A
<u>Beneficiaries</u>				
Number	3	3	3	4
Average Current Age	50.1	51.1	52.1	56.7
Average Annual Benefit	\$36,965	\$36,965	\$36,965	\$46,753
<u>Disability Retirees</u>				
Number	9	9	11	11
Average Current Age	57.4	58.4	57.4	58.4
Average Annual Benefit	\$29,840	\$29,840	\$31,439	\$31,439
<u>Terminated Vested</u>				
Number	22	25	25	23
Average Current Age ¹	40.3	44.7	40.4	39.9
Average Annual Benefit ²	\$8,931	\$36,457	\$37,846	\$29,286

¹ Effective 10/1/2018, the Average Current Age excludes participants awaiting a refund of contributions.

² The Average Annual Benefit excludes participants awaiting a refund of contributions.

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	0	0	0	0	0	0	0	0	0	0	0	0
25 - 29	0	0	0	2	0	1	0	0	0	0	0	3
30 - 34	0	0	0	0	0	9	3	0	0	0	0	12
35 - 39	0	0	0	0	1	4	10	0	0	0	0	15
40 - 44	0	0	0	0	0	3	6	3	0	0	0	12
45 - 49	0	0	0	0	0	1	6	2	0	1	0	10
50 - 54	0	0	0	0	0	0	3	2	2	0	0	7
55 - 59	0	0	0	0	0	0	0	1	1	0	0	2
60 - 64	0	0	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	0	2	1	18	28	8	3	1	0	61

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2018	65
b. Terminations	
i. Vested (partial or full) with deferred annuity	0
ii. Vested in refund of member contributions only	0
iii. Refund of member contributions or full lump sum distribution received	(1)
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	(3)
f. DROP	<u>0</u>
g. Continuing participants	61
h. New entrants	<u>0</u>
i. Total active life participants in valuation	61

2. Non-Active lives (including beneficiaries receiving benefits)

	Service Retirees, Vested Receiving <u>Benefits</u>	DROP <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested (Deferred Annuity)	Vested (Due Refund)	<u>Total</u>
a. Number prior valuation	29	1	3	11	4	21	69
Retired	5	(1)	0	0	(1)	0	3
DROP	0	0	0	0	0	0	0
Vested (Deferred Annuity)	0	0	0	0	0	0	0
Vested (Due Refund)	0	0	0	0	0	0	0
Hired/Terminated in Same Year	0	0	0	0	0	0	0
Death, With Survivor	(1)	0	1	0	0	0	0
Death, No Survivor	0	0	0	0	0	0	0
Disabled	0	0	0	0	0	0	0
Refund of Contributions	0	0	0	0	0	(1)	(1)
Rehires	0	0	0	0	0	0	0
Expired Annuities	0	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0	0
b. Number current valuation	33	0	4	11	3	20	71

SUMMARY OF CURRENT PLAN
(Through Ordinance 2018-53)

<u>Original Plan Effective Date</u>	December 14, 1979
<u>Latest Amendment</u>	September 25, 2018
<u>Credited Service</u>	<p>a.) Total aggregate period of service, including military leave if reemployed by City within 1 year of discharge under honorable conditions.</p> <p>b.) Upon termination, prior Credited Service will be forfeited if refund of contributions elected, or if not reemployed within (5) years, and not vested at termination.</p> <p>The Plan is closed to Police Officers hired after December 31, 2015.</p>
<u>Average Final Compensation</u>	Average total W-2 earnings, plus tax deferred and tax exempt income, during the best 5 years of the last 10 years of service.
<u>Normal Retirement</u>	
Eligibility	The earlier of 1) age 55 and the completion of 10 Years of Service or 2) the completion of 25 Years of Service, regardless of age. For Members hired after May 27, 2014, there is an age 52 requirement, in addition to the completion of 25 years of Credited Service.
<u>Benefit Amount</u>	3.50% of Average Final Compensation for each year of Credited Service. For Member hired after May 27, 2014, the benefit accrual rate is 3.15% for each year of Credited Service.
Form of Benefit	Ten Year Certain and Life Annuity (options available).

Early Retirement

Eligibility	Age 45 and 10 Years of Service.
Benefit Amount	Accrued benefit, reduced by 3% per year for each year prior to the Normal Retirement Date if the Member has less than 15 years of service, 2% per year if the Member has at least 15 but less than 20 years of service or 1% per year of the Member has 20 or more years of service at the time of retirement. The Normal Retirement date is the earlier of 55 and 10 or when the Member would have reached 25 years of service. For Members hired after May 27, 2014, the reduction is a flat 3% per year for each year prior to the Normal Retirement Date (determined as if employment had continued).

Disability

Service Connected	
Eligibility	a.) Years of Service: None b.) Total and permanent disability prior to Normal Retirement Date.
Benefit Amount	Greater of 1) 2% times Average Final Compensation times Credited Service, or 2) 60% of earnings in effect at time of disability (80% AFC minimum for intentional violence); 10 year certain and life annuity form of benefit (optional forms available).
Non-Service Connected	
Eligibility	a.) 10 Years of Service. b.) Total and permanent disability prior to Normal Retirement.
Benefit Amount	Same as Service Connected except minimum 50% of earnings.

Supplemental Benefit

\$165 per month for all service retirees, disability retirees, vested terminated Members, and beneficiaries. The supplemental benefit is not payable for Members hired after May 27, 2014.

Pre-Retirement Death

Coverage from date of hire (service-incurred) or after 5 Years of Service (non-service). Benefit is 60% (Service incurred) or 50% (non-service) of compensation in effect at time of death payable to spouse for life (service incurred) or for life or until remarriage (non-service). If no spouse, children receive benefit in equal shares until age 18 (or age 23 if full-time student). Minimum benefit for vested Members is accrued benefit, less any benefits paid pursuant to other death benefit provisions.

Vesting (Termination)

Less than 10 years of Service

Refund of Member Contributions Contributing without interest.

10 years or more

Accrued benefit payable at age 45 or later, on reduced basis if to commence prior to age 55, or Refund of Member Contributions.

Contributions

Employee

8.0% of total compensation.

Premium Tax

0.85% tax on premiums for casualty insurance.

City

Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability as provided in Part VII of Chapter 112, Florida Statutes. In no event will City contributions be less than 18% of the Members' total pay.

Board of Trustees

a.) Two City residents appointed by the City Commission,

b.) Two Police Officers elected by a majority of Police Officers, and

c.) Fifth Member elected by the Board and appointed (as a ministerial duty) by the City Commission.

Deferred Retirement Option Plan

Eligibility	Satisfaction of Normal Retirement requirements (earlier of 1) Age 55 and 10 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age).
Participation	Not to exceed 36 months.
Rate of Return	Actual net rate of investment return (total return net of brokerage commissions, management fees, and transaction costs) credited each fiscal quarter.
Form of Distribution	Cash lump sum (options available) at termination of employment.

Share Plan

Chapter 185 State Monies received by the City each year in excess of the \$280,000 applicable frozen amount shall be allocated to each Members share account.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2019

<u>ASSETS</u>		MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments		542,760
Prepaid Expenses	AJE #7	3,359
Total Cash and Equivalents		546,119
Receivables:		
City Contributions in Transit	1-0	492,397
Investment Income	1-1 117,856.00	117,856
	1-2 - 66,266.00	
	1-T Total = 51,590.00	
Total Receivable		610,253
Investments:		
U. S. Bonds and Bills		4,851,063
Federal Agency Guaranteed Securities		235,198
Corporate Bonds		3,301,869
Stocks		10,045,338
Mutual Funds:		
Fixed Income		4,152,838
Equity		18,523,597
Pooled/Common/Commingled Funds:		
Real Estate		4,222,531
Total Investments		45,332,434
Total Assets		46,488,806
 <u>LIABILITIES</u>		
Payables:		
Investment Expenses		23,032
Administrative Expenses		4,806
Total Liabilities		27,838
NET POSITION RESTRICTED FOR PENSIONS		46,460,968

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2019
Market Value Basis

<u>ADDITIONS</u>		
Contributions:		
Member	439,024	
City	1,969,588	
State	495,381	
Total Contributions		2,903,993
Investment Income:		
Net Increase in Fair Value of Investments	126,145	
Interest & Dividends	1,146,949	
Less Investment Expense ¹	(125,559)	
Net Investment Income		1,147,535
Total Additions		4,051,528
<u>DEDUCTIONS</u>		
Distributions to Members:		
Benefit Payments	2,159,031	
Lump Sum DROP Distributions	274,305	
Lump Sum Share Distributions	75,597	
Lump Sum PLOP Distributions	213,284	
Refunds of Member Contributions	71,259	
Total Distributions		2,793,476
Administrative Expense		112,385
Total Deductions		2,905,861
Net Increase in Net Position		1,145,667
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		45,315,301
End of the Year		46,460,968

¹Investment related expenses include investment advisory, custodial and performance monitoring fees.

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2019)

Plan Description

Plan Administration

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- a. Two City residents appointed by the City Commission,
- b. Two Police Officers elected by a majority of Police Officers, and
- c. Fifth Member elected by the Board and appointed (as a ministerial duty) by the City Commission.

Each person employed by the City Police Department as a full-time Police Officer before March 1, 2016 elected to continue to be a Member of the plan or to participate in the Florida Retirement System (FRS). All Police Officers hired on or after March 1, 2016 shall be compulsory members of the FRS and shall not be eligible for membership in this system. This system shall be closed to new members effective March 1, 2016. All remaining eligible Police Officers are therefore eligible for all plan benefits as provided for in the plan document and by applicable law.

Plan Membership as of October 1, 2018:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	44
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	25
Active Plan Members	65
	134

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

A summary of the benefit provisions can be found in the October 1, 2018 Actuarial Valuation Report for the City of North Port Police Officers' Pension - Local Option Trust Fund prepared by Foster & Foster Actuaries and Consultants.

Contributions

Employee: 8.0% of total compensation.

Premium Tax: 0.85% tax on premiums for casualty insurance.

City: Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability as provided in Part VII of Chapter 112, Florida Statutes. In no event will City contributions be less than 18% of the Members' total pay.

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2019:

Asset Class	Target Allocation
Domestic Equity	45.0%
International Equity	15.0%
Intermediate Fixed Income	20.0%
Global Bond	5.0%
Real Estate	10.0%
GTAA	5.0%
Total	100.00%

Concentrations:

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's Fiduciary Net Position.

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Rate of Return:

For the year ended September 30, 2019, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 2.55 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program

Eligibility: Satisfaction of Normal Retirement requirements (earlier of (1) Age 55 and 10 years of Credited Service, or (2) the completion of 25 years of Credited Service, regardless of age).

Participation: Not to exceed 36 months.

Rate of Return: Actual net rate of investment return (total return net of brokerage commissions, management fees, and transaction costs) credited each fiscal quarter.

The DROP balance as September 30, 2019 is \$0.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2019 were as follows:

Total Pension Liability	\$ 50,000,939
Plan Fiduciary Net Position	\$ (46,460,968)
Sponsor's Net Pension Liability	\$ 3,539,971
Plan Fiduciary Net Position as a percentage of Total Pension Liability	92.92%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2018 updated to September 30, 2019 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	2.00% - 17.00%
Discount Rate	7.45%
Investment Rate of Return	7.45%

Mortality Rate Healthy Active Lives:

Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB.

Male: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB.

Mortality Rate Healthy Inactive Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The above assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2018 FRS valuation report for special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

75% of active deaths are assumed to be service-incurred.

The most recent actuarial experience study used to review the other significant assumptions was dated September 5, 2013.

The Long-Term Expected Rate of Return on Pension Plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2019 the inflation rate assumption of the investment advisor was 2.50%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2019 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.50%
International Equity	8.50%
Intermediate Fixed Income	2.50%
Global Bond	3.50%
Real Estate	4.50%
GTAA	3.50%

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Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.45 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	1% Decrease	Current Discount Rate	1% Increase
	6.45%	7.45%	8.45%
Sponsor's Net Pension Liability	\$ 9,830,781	\$ 3,539,971	\$ (1,677,885)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

	09/30/2019	09/30/2018	09/30/2017
Total Pension Liability			
Service Cost	1,707,877	1,780,290	1,882,560
Interest	3,518,999	3,364,267	3,103,881
Change in Excess State Money	-	-	-
Share Plan Allocation	215,381	173,918	125,720
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	488,870	(582,492)	472,241
Changes of assumptions	565,173	528,699	569,256
Contributions - Buy Back	-	1,225	53,000
Benefit Payments, including Refunds of Employee Contributions	(2,793,476)	(2,329,700)	(1,827,860)
Net Change in Total Pension Liability	3,702,824	2,936,207	4,378,798
Total Pension Liability - Beginning	46,298,116	43,361,909	38,983,111
Total Pension Liability - Ending (a)	<u>\$ 50,000,940</u>	<u>\$ 46,298,116</u>	<u>\$ 43,361,909</u>
Plan Fiduciary Net Position			
Contributions - Employer	1,969,588	2,045,282	1,831,771
Contributions - State	495,381	453,918	405,720
Contributions - Employee	439,024	475,208	504,859
Contributions - Buy Back	-	1,225	53,000
Net Investment Income	1,147,535	3,715,330	4,526,131
Benefit Payments, including Refunds of Employee Contributions	(2,793,476)	(2,329,700)	(1,827,860)
Administrative Expense	(112,385)	(91,943)	(72,479)
Net Change in Plan Fiduciary Net Position	1,145,667	4,269,320	5,421,142
Plan Fiduciary Net Position - Beginning	45,315,301	41,045,981	35,624,839
Plan Fiduciary Net Position - Ending (b)	<u>\$ 46,460,968</u>	<u>\$ 45,315,301</u>	<u>\$ 41,045,981</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 3,539,972</u>	<u>\$ 982,815</u>	<u>\$ 2,315,928</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	92.92%	97.88%	94.66%
Covered Payroll ¹	\$ 5,487,798	\$ 5,940,108	\$ 6,310,736
Net Pension Liability as a percentage of Covered Payroll	64.51%	16.55%	36.70%

Notes to Schedule:

¹ The Covered Payroll numbers shown are in compliance with GASB 82.

Changes of assumptions:

For measurement date 09/30/2019, amounts reported as changes of assumptions resulted from lowering the investment return assumption from 7.55% to 7.45% net of investment related expenses.

For measurement date 09/30/2018, amounts reported as changes of assumptions resulted from lowering the investment return assumption from 7.65% to 7.55% net of investment related expenses.

For measurement date 09/30/2017, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed from the mortality tables for special risk employees used by the Florida Retirement System (FRS) actuary in the July 1, 2015 actuarial valuation to the mortality tables used for special risk employees in the July 1, 2016 FRS actuarial valuation.

Additionally, the investment return assumption was lowered from 7.75% to 7.65% net of investment related expenses.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

	09/30/2016	09/30/2015
Total Pension Liability		
Service Cost	1,693,377	1,991,280
Interest	2,867,478	2,731,953
Change in Excess State Money	(688,670)	162,203
Share Plan Allocation	159,765	-
Changes of benefit terms	4,812	-
Differences between Expected and Actual Experience	(860,314)	(1,105,298)
Changes of assumptions	782,433	-
Contributions - Buy Back	71,560	24,568
Benefit Payments, including Refunds of Employee Contributions	(1,878,394)	(1,323,014)
Net Change in Total Pension Liability	2,152,047	2,481,692
Total Pension Liability - Beginning	36,831,064	34,349,372
Total Pension Liability - Ending (a)	<u>\$ 38,983,111</u>	<u>\$ 36,831,064</u>
Plan Fiduciary Net Position		
Contributions - Employer	2,270,516	2,374,183
Contributions - State	378,332	341,432
Contributions - Employee	500,840	519,932
Contributions - Buy Back	71,560	24,568
Net Investment Income	2,365,230	(190,608)
Benefit Payments, including Refunds of Employee Contributions	(1,878,394)	(1,323,014)
Administrative Expense	(75,340)	(69,536)
Net Change in Plan Fiduciary Net Position	3,632,744	1,676,957
Plan Fiduciary Net Position - Beginning	31,992,095	30,315,138
Plan Fiduciary Net Position - Ending (b)	<u>\$ 35,624,839</u>	<u>\$ 31,992,095</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 3,358,272</u>	<u>\$ 4,838,969</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	91.39%	86.86%
Covered Payroll ¹	\$ 6,260,499	\$ 6,550,454
Net Pension Liability as a percentage of Covered Payroll	53.64%	73.87%

Notes to Schedule:

¹ The Covered Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period.

Changes of benefit terms:

For measurement date 09/30/2016, amounts reported as changes of benefit terms resulted from the following changes:

- Ordinance 2015-54, effective January 1, 2016, closed the Plan to new entrants, in addition to establishing a Share Plan with Chapter 185 excess premium tax revenue.
- Ordinance 2016-06, adopted and effective July 12, 2016, amended Plan language for compliance with requirements under the Internal Revenue Code. A letter of no actuarial impact was submitted for these changes.

Changes of assumptions:

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	<u>09/30/2014</u>	<u>09/30/2013</u>
Total Pension Liability		
Service Cost	1,967,848	1,826,309
Interest	2,485,396	2,249,376
Change in Excess State Money	127,413	-
Share Plan Allocation	-	-
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Contributions - Buy Back	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(1,267,557)</u>	<u>(1,076,074)</u>
Net Change in Total Pension Liability	3,313,100	2,999,611
Total Pension Liability - Beginning	<u>31,036,272</u>	<u>28,036,661</u>
Total Pension Liability - Ending (a)	<u><u>\$ 34,349,372</u></u>	<u><u>\$ 31,036,272</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	2,250,656	2,204,949
Contributions - State	306,642	297,989
Contributions - Employee	546,581	517,988
Contributions - Buy Back	-	-
Net Investment Income	2,171,807	3,040,119
Benefit Payments, including Refunds of Employee Contributions	<u>(1,267,557)</u>	<u>(1,076,074)</u>
Administrative Expense	<u>(68,425)</u>	<u>(70,311)</u>
Net Change in Plan Fiduciary Net Position	3,939,704	4,914,660
Plan Fiduciary Net Position - Beginning	<u>26,375,434</u>	<u>21,460,774</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 30,315,138</u></u>	<u><u>\$ 26,375,434</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 4,034,234</u></u>	<u><u>\$ 4,660,838</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	88.26%	84.98%
Covered Payroll ¹	\$ 6,605,273	\$ 6,274,152
Net Pension Liability as a percentage of Covered Payroll	61.08%	74.29%

Notes to Schedule:

¹ The Covered Payroll numbers shown are in compliance with GASB 82.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions ²	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
09/30/2019	\$ 2,249,588	\$ 2,249,588	\$ -	\$ 5,487,798	40.99%
09/30/2018	\$ 2,325,282	\$ 2,325,282	\$ -	\$ 5,940,108	39.15%
09/30/2017	\$ 2,111,771	\$ 2,111,771	\$ -	\$ 6,310,736	33.46%
09/30/2016	\$ 2,449,745	\$ 3,079,422	\$ (629,677)	\$ 6,260,499	49.19%
09/30/2015	\$ 2,553,412	\$ 2,553,412	\$ -	\$ 6,550,454	38.98%
09/30/2014	\$ 2,429,885	\$ 2,429,885	\$ -	\$ 6,605,273	36.79%
09/30/2013	\$ 2,384,178	\$ 2,384,178	\$ -	\$ 6,274,152	38.00%

¹ The Covered Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period.

² Including Excess State Money Reserve amounts.

Notes to Schedule

Valuation Date: 10/01/2017

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Mortality Rate:

Healthy Active Lives:

Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB.

Male: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB.

Healthy Inactive Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The assumed rates of mortality were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS) for special risk participants. The above rates are those outlined in the July 1, 2016 FRS actuarial valuation report. We feel these assumptions sufficiently accommodate future mortality improvements.

Additionally, 75% of active Member deaths are assumed to be service-related.

Interest Rate:

7.65% per year compounded annually, net of investment related expenses. This assumption is supported by the Plan's target asset allocation and expected long-term rate of return by asset class.

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Normal Retirement:	Years Eligible for Normal Retirement	Percent Retiring
	0	66.7%
	1	50.0%
	2 or More	100.0%

The above rates were adopted in conjunction with the September 5, 2013 Experience Study.

Early Retirement: Commencing with attainment of Early Retirement Status (age 45 with 10 years of service), Members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year.
The above rates were adopted in conjunction with the September 5, 2013 Experience Study.

Salary Increases:	Credited Service	Assumption
	First 2 Years	17.0%
	2 -10 Years	8.5%
	11-20 Years	6.0%
	More than 20 Years	2.0%

The above rates were adopted in conjunction with the September 5, 2013 Experience Study.

Final Year Salary Load: Projected salary at retirement is increased 20% to account for non-regular compensation (no load for Members hired after January 1, 2012).

Payroll Growth: 0% per year, established with Plan closure under Ordinance 2015-54.

Termination Rates:	Credited Service	Assumption
	First Year	24.0%
	1-4 Years	6.0%
	5-19 Years	3.0%
	20 or more Years	0.0%

The above rates were adopted in conjunction with the September 5, 2013 Experience Study.

Disability Rates: See table below for sample rates. 75% of Disability Retirements are assumed to be service-incurred.

Age	% Becoming Disabled During the Year
20	0.14%
30	0.18%
40	0.30%
50	1.00%

Marital Assumption: 80% are assumed Married with husbands three years older than their wives.

Asset Smoothing Methodology: The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a negligible bias that is above or below the Market Value of Assets.

Funding Method: Entry Age Normal Actuarial Cost Method. The following loads are applied for determination of the Sponsor funding requirement:

Interest – A half year, based on the current 7.65% assumption.

Salary – A full year, based on the current 7.8% assumption.

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

Fiscal Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
09/30/2019	2.55%
09/30/2018	9.13%
09/30/2017	12.74%
09/30/2016	7.41%
09/30/2015	-0.62%
09/30/2014	8.12%
09/30/2013	13.52%

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2020)

General Information about the Pension Plan

Plan Description

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- a. Two City residents appointed by the City Commission,
- b. Two Police Officers elected by a majority of Police Officers, and
- c. Fifth Member elected by the Board and appointed (as a ministerial duty) by the City Commission.

Each person employed by the City Police Department as a full-time Police Officer before March 1, 2016 elected to continue to be a Member of the plan or to participate in the Florida Retirement System (FRS). All Police Officers hired on or after March 1, 2016 shall be compulsory members of the FRS and shall not be eligible for membership in this system. This system shall be closed to new members effective March 1, 2016. All remaining eligible Police Officers are therefore eligible for all plan benefits as provided for in the plan document and by applicable law.

Plan Membership as of October 1, 2018:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	44
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	25
Active Plan Members	65
	134

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

A summary of the benefit provisions can be found in the October 1, 2018 Actuarial Valuation Report for the City of North Port Police Officers' Pension - Local Option Trust Fund prepared by Foster & Foster Actuaries and Consultants.

Incorporated are the benefit changes for measurement date 09/30/2019 as noted under the Notes to Schedule of Changes in Net Pension Liability and Related Ratios.

Contributions

Employee: 8.0% of total compensation.

Premium Tax: 0.85% tax on premiums for casualty insurance.

City: Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability as provided in Part VII of Chapter 112, Florida Statutes. In no event will City contributions be less than 18% of the Members' total pay.

Net Pension Liability

The measurement date is September 30, 2019.

The measurement period for the pension expense was October 1, 2018 to September 30, 2019.

The reporting period is October 1, 2019 through September 30, 2020.

The Sponsor's Net Pension Liability was measured as of September 30, 2019.

The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2018 updated to September 30, 2019 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	2.00% - 17.00%
Discount Rate	7.45%
Investment Rate of Return	7.45%

Mortality Rate Healthy Active Lives:

Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB.

Male: RP2000 Generational, 10% Combined Healthy White Collar / 90% Combined Healthy Blue Collar, Scale BB.

Mortality Rate Healthy Inactive Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The above assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman’s July 1, 2018 FRS valuation report for special risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

75% of active deaths are assumed to be service-incurred.

The most recent actuarial experience study used to review the other significant assumptions was dated September 5, 2013.

The Long-Term Expected Rate of Return on Pension Plan investments can be determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2019 the inflation rate assumption of the investment advisor was 2.50%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	45.0%	7.50%
International Equity	15.0%	8.50%
Intermediate Fixed Income	20.0%	2.50%
Global Bond	5.0%	3.50%
Real Estate	10.0%	4.50%
GTAA	5.0%	3.50%
Total	100.0%	

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.45 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension	Plan Fiduciary	Net Pension
	Liability	Net Position	Liability
	(a)	(b)	(a)-(b)
Reporting Period Ending September 30, 2019	\$ 46,298,116	\$ 45,315,301	\$ 982,815
Changes for a Year:			
Service Cost	1,707,877	-	1,707,877
Interest	3,518,999	-	3,518,999
Share Plan Allocation	215,381	-	215,381
Differences between Expected and Actual Experience	488,870	-	488,870
Changes of assumptions	565,173	-	565,173
Changes of benefit terms	-	-	-
Contributions - Employer	-	1,969,588	(1,969,588)
Contributions - State	-	495,381	(495,381)
Contributions - Employee	-	439,024	(439,024)
Contributions - Buy Back	-	-	-
Net Investment Income	-	1,147,535	(1,147,535)
Benefit Payments, including Refunds of Employee Contributions	(2,793,476)	(2,793,476)	-
Administrative Expense	-	(112,385)	112,385
Net Changes	3,702,824	1,145,667	2,557,157
Reporting Period Ending September 30, 2020	\$ 50,000,940	\$ 46,460,968	\$ 3,539,972

Sensitivity of the Net Pension Liability to changes in the Discount Rate.

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.45%	7.45%	8.45%
Sponsor's Net Pension Liability	\$ 9,830,781	\$ 3,539,972	\$ (1,677,885)

Pension Plan Fiduciary Net Position.

Detailed information about the pension Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

**FINAL PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED
INFLOWS OF RESOURCES RELATED TO PENSIONS
FISCAL YEAR SEPTEMBER 30, 2019**

For the year ended September 30, 2019, the Sponsor has recognized a Pension Expense of \$1,852,306.

On September 30, 2019, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	314,828	1,369,850
Changes of assumptions	1,193,682	-
Net difference between Projected and Actual Earnings on Pension Plan investments	-	893,821
Employer and State contributions subsequent to the measurement date	2,464,969	-
Total	<u>\$ 3,973,479</u>	<u>\$ 2,263,671</u>

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer and State contributions subsequent to the measurement date has been recognized as a reduction of the Net Pension Liability in the year ended September 30, 2019.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

Year ended September 30:	
2020	\$ 90,151
2021	\$ (432,329)
2022	\$ (464,984)
2023	\$ 52,001
2024	\$ -
Thereafter	\$ -

**PRELIMINARY PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND
DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS
FISCAL YEAR SEPTEMBER 30, 2020**

For the year ended September 30, 2020, the Sponsor will recognize a Pension Expense of \$2,450,081.

On September 30, 2020, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	627,217	952,066
Changes of assumptions	1,314,800	-
Net difference between Projected and Actual Earnings on Pension Plan investments	826,933	-
Employer and State contributions subsequent to the measurement date	TBD	-
Total	TBD	\$ 952,066

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer and State contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2020.

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

Year ended September 30:			
2021	\$	233,220	
2022	\$	200,565	
2023	\$	717,550	
2024	\$	665,549	
2025	\$	-	
Thereafter	\$	-	

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

Reporting Period Ending Measurement Date	09/30/2020 09/30/2019	09/30/2019 09/30/2018	09/30/2018 09/30/2017
Total Pension Liability			
Service Cost	1,707,877	1,780,290	1,882,560
Interest	3,518,999	3,364,267	3,103,881
Change in Excess State Money	-	-	-
Share Plan Allocation	215,381	173,918	125,720
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	488,870	(582,492)	472,241
Changes of assumptions	565,173	528,699	569,256
Contributions - Buy Back	-	1,225	53,000
Benefit Payments, including Refunds of Employee Contributions	(2,793,476)	(2,329,700)	(1,827,860)
Net Change in Total Pension Liability	3,702,824	2,936,207	4,378,798
Total Pension Liability - Beginning	46,298,116	43,361,909	38,983,111
Total Pension Liability - Ending (a)	\$ 50,000,940	\$ 46,298,116	\$ 43,361,909
Plan Fiduciary Net Position			
Contributions - Employer	1,969,588	2,045,282	1,831,771
Contributions - State	495,381	453,918	405,720
Contributions - Employee	439,024	475,208	504,859
Contributions - Buy Back	-	1,225	53,000
Net Investment Income	1,147,535	3,715,330	4,526,131
Benefit Payments, including Refunds of Employee Contributions	(2,793,476)	(2,329,700)	(1,827,860)
Administrative Expense	(112,385)	(91,943)	(72,479)
Net Change in Plan Fiduciary Net Position	1,145,667	4,269,320	5,421,142
Plan Fiduciary Net Position - Beginning	45,315,301	41,045,981	35,624,839
Plan Fiduciary Net Position - Ending (b)	\$ 46,460,968	\$ 45,315,301	\$ 41,045,981
Net Pension Liability - Ending (a) - (b)	\$ 3,539,972	\$ 982,815	\$ 2,315,928
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	92.92%	97.88%	94.66%
Covered Payroll ¹	\$ 5,487,798	\$ 5,940,108	\$ 6,310,736
Net Pension Liability as a percentage of Covered Payroll	64.51%	16.55%	36.70%

Notes to Schedule:

¹ The Covered Payroll numbers shown are in compliance with GASB 82.

Changes of assumptions:

For measurement date 09/30/2019, amounts reported as changes of assumptions resulted from lowering the investment return assumption from 7.55% to 7.45% net of investment related expenses.

For measurement date 09/30/2018, amounts reported as changes of assumptions resulted from lowering the investment return assumption from 7.65% to 7.55% net of investment related expenses.

For measurement date 09/30/2017, as mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed from the mortality tables for special risk employees used by the Florida Retirement System (FRS) actuary in the July 1, 2015 actuarial valuation to the mortality tables used for special risk employees in the July 1, 2016 FRS actuarial valuation.

Additionally, the investment return assumption was lowered from 7.75% to 7.65% net of investment related expenses.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

Reporting Period Ending Measurement Date	09/30/2017 09/30/2016	09/30/2016 09/30/2015
Total Pension Liability		
Service Cost	1,693,377	1,991,280
Interest	2,867,478	2,731,953
Change in Excess State Money	(688,670)	162,203
Share Plan Allocation	159,765	-
Changes of benefit terms	4,812	-
Differences between Expected and Actual Experience	(860,314)	(1,105,298)
Changes of assumptions	782,433	-
Contributions - Buy Back	71,560	24,568
Benefit Payments, including Refunds of Employee Contributions	(1,878,394)	(1,323,014)
Net Change in Total Pension Liability	2,152,047	2,481,692
Total Pension Liability - Beginning	36,831,064	34,349,372
Total Pension Liability - Ending (a)	\$ 38,983,111	\$ 36,831,064
Plan Fiduciary Net Position		
Contributions - Employer	2,270,516	2,374,183
Contributions - State	378,332	341,432
Contributions - Employee	500,840	519,932
Contributions - Buy Back	71,560	24,568
Net Investment Income	2,365,230	(190,608)
Benefit Payments, including Refunds of Employee Contributions	(1,878,394)	(1,323,014)
Administrative Expense	(75,340)	(69,536)
Net Change in Plan Fiduciary Net Position	3,632,744	1,676,957
Plan Fiduciary Net Position - Beginning	31,992,095	30,315,138
Plan Fiduciary Net Position - Ending (b)	\$ 35,624,839	\$ 31,992,095
Net Pension Liability - Ending (a) - (b)	\$ 3,358,272	\$ 4,838,969
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	91.39%	86.86%
Covered Payroll ¹	\$ 6,260,499	\$ 6,550,454
Net Pension Liability as a percentage of Covered Payroll	53.64%	73.87%

Notes to Schedule:

¹ The Covered Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period.

Changes of benefit terms:

For measurement date 09/30/2016, amounts reported as changes of benefit terms resulted from the following changes:

- Ordinance 2015-54, effective January 1, 2016, closed the Plan to new entrants, in addition to establishing a Share Plan with Chapter 185 excess premium tax revenue.
- Ordinance 2016-06, adopted and effective July 12, 2016, amended Plan language for compliance with requirements under the Internal Revenue Code. A letter of no actuarial impact was submitted for these changes.

Changes of assumptions:

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions ²	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a percentage of Covered Payroll
09/30/2019	\$ 2,249,588	\$ 2,249,588	\$ -	\$ 5,487,798	40.99%
09/30/2018	\$ 2,325,282	\$ 2,325,282	\$ -	\$ 5,940,108	39.15%
09/30/2017	\$ 2,111,771	\$ 2,111,771	\$ -	\$ 6,310,736	33.46%
09/30/2016	\$ 2,449,745	\$ 3,079,422	\$ (629,677)	\$ 6,260,499	49.19%
09/30/2015	\$ 2,553,412	\$ 2,553,412	\$ -	\$ 6,550,454	38.98%
09/30/2014	\$ 2,429,885	\$ 2,429,885	\$ -	\$ 6,605,273	36.79%
09/30/2013	\$ 2,384,178	\$ 2,384,178	\$ -	\$ 6,274,152	38.00%

¹ The Covered Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period.

² Including Excess State Money Reserve amounts.

Notes to Schedule

Valuation Date: 10/01/2017

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Mortality Rate:

Healthy Active Lives:

Female: RP2000 Generational, 100% Combined Healthy White Collar, Scale BB.

Male: RP2000 Generational, 10% Combined Healthy White Collar / 90%

Combined Healthy Blue Collar, Scale BB.

Healthy Inactive Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 10% Annuitant White Collar / 90% Annuitant Blue Collar, Scale BB.

Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The assumed rates of mortality were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS) for special risk participants. The above rates are those outlined in the July 1, 2016 FRS actuarial valuation report. We feel these assumptions sufficiently accommodate future mortality improvements.

Additionally, 75% of active Member deaths are assumed to be service-related.

Interest Rate:

7.65% per year compounded annually, net of investment related expenses. This assumption is supported by the Plan's target asset allocation and expected long-term rate of return by asset class.

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Normal Retirement:

Years Eligible for Normal Retirement	Percent Retiring
0	66.7%
1	50.0%
2 or More	100.0%

The above rates were adopted in conjunction with the September 5, 2013 Experience Study.

Early Retirement:

Commencing with attainment of Early Retirement Status (age 45 with 10 years of service), Members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year.

The above rates were adopted in conjunction with the September 5, 2013 Experience Study.

Salary Increases:

Credited Service	Assumption
First 2 Years	17.0%
2 -10 Years	8.5%
11-20 Years	6.0%
More than 20 Years	2.0%

The above rates were adopted in conjunction with the September 5, 2013 Experience Study.

Final Year Salary Load:

Projected salary at retirement is increased 20% to account for non-regular compensation (no load for Members hired after January 1, 2012).

Payroll Growth:

0% per year, established with Plan closure under Ordinance 2015-54.

Termination Rates:

Credited Service	Assumption
First Year	24.0%
1-4 Years	6.0%
5-19 Years	3.0%
20 or more Years	0.0%

The above rates were adopted in conjunction with the September 5, 2013 Experience Study.

Disability Rates:

See table below for sample rates. 75% of Disability Retirements are assumed to be service-incurred.

Age	% Becoming Disabled During the Year
20	0.14%
30	0.18%
40	0.30%
50	1.00%

Marital Assumption:

80% are assumed Married with husbands three years older than their wives.

Asset Smoothing Methodology:

The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a negligible bias that is above or below the Market Value of Assets.

Funding Method:

Entry Age Normal Actuarial Cost Method. The following loads are applied for determination of the Sponsor funding requirement:

Interest – A half year, based on the current 7.65% assumption.

Salary – A full year, based on the current 7.8% assumption.

EXPENSE DEVELOPMENT AND AMORTIZATION SCHEDULES

The following information is not required to be disclosed but is provided for informational purposes.

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2019

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 2,315,928	\$ 2,601,405	\$ 5,031,663	\$ -
Employer and State Contributions made after 09/30/2018	-	-	2,464,969	-
Total Pension Liability Factors:				
Service Cost	1,780,290	-	-	1,780,290
Interest	3,364,267	-	-	3,364,267
Share Plan Allocation	173,918	-	-	173,918
Contributions - Buy Back	1,225	-	-	1,225
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(582,492)	582,492	-	-
Current year amortization of experience difference	-	(417,786)	(78,707)	(339,079)
Change in assumptions about future economic or demographic factors or other inputs	528,699	-	528,699	-
Current year amortization of change in assumptions	-	-	(331,020)	331,020
Benefit Payments, including Refunds of Employee Contributions	(2,329,700)	-	-	-
Net change	<u>2,936,207</u>	<u>164,706</u>	<u>2,583,941</u>	<u>5,311,641</u>
Plan Fiduciary Net Position:				
Contributions - Employer	2,045,282	-	(2,045,282)	-
Contributions - State	453,918	-	(453,918)	-
Contributions - Employee	475,208	-	-	(475,208)
Contributions - Buy Back	1,225	-	-	(1,225)
Projected Net Investment Income	3,161,208	-	-	(3,161,208)
Difference between projected and actual earnings on Pension Plan investments	554,122	554,122	-	-
Current year amortization	-	(468,772)	(555,135)	86,363
Benefit Payments, including Refunds of Employee Contributions	(2,329,700)	-	-	-
Administrative Expenses	(91,943)	-	-	91,943
Net change	<u>4,269,320</u>	<u>85,350</u>	<u>(3,054,335)</u>	<u>(3,459,335)</u>
Ending Balance	<u>\$ 982,815</u>	<u>\$ 2,851,461</u>	<u>\$ 4,561,269</u>	<u>\$ 1,852,306</u>

PRELIMINARY COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2020

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 982,815	\$ 2,851,461	\$ 4,561,269	\$ -
Employer and State Contributions made after 09/30/2019	-	-	TBD*	-
Total Pension Liability Factors:				
Service Cost	1,707,877	-	-	1,707,877
Interest	3,518,999	-	-	3,518,999
Share Plan Allocation	215,381	-	-	215,381
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	488,870	-	488,870	-
Current year amortization of experience difference	-	(417,784)	(176,481)	(241,303)
Change in assumptions about future economic or demographic factors or other inputs	565,173	-	565,173	-
Current year amortization of change in assumptions	-	-	(444,055)	444,055
Benefit Payments, including Refunds of Employee Contributions	(2,793,476)	-	-	-
Net change	<u>3,702,824</u>	<u>(417,784)</u>	<u>433,507</u>	<u>5,645,009</u>
Plan Fiduciary Net Position:				
Contributions - Employer	1,969,588	-	(1,969,588)	-
Contributions - State	495,381	-	(495,381)	-
Contributions - Employee	439,024	-	-	(439,024)
Projected Net Investment Income	3,421,235	-	-	(3,421,235)
Difference between projected and actual earnings on Pension Plan investments	(2,273,700)	-	2,273,700	-
Current year amortization	-	(456,929)	(1,009,875)	552,946
Benefit Payments, including Refunds of Employee Contributions	(2,793,476)	-	-	-
Administrative Expenses	(112,385)	-	-	112,385
Net change	<u>1,145,667</u>	<u>(456,929)</u>	<u>(1,201,144)</u>	<u>(3,194,928)</u>
Ending Balance	<u>\$ 3,539,972</u>	<u>\$ 1,976,748</u>	<u>TBD</u>	<u>\$ 2,450,081</u>

* Employer and State Contributions subsequent to the measurement date made after September 30, 2019 but made on or before September 30, 2020 need to be added.

AMORTIZATION SCHEDULE - INVESTMENTS

Increase (Decrease) in Pension Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on Pension Plan Investments

Plan Year Ending	Differences Between Projected and Actual Earnings	Recognition Period (Years)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2019	\$ 2,273,700	5	\$ -	\$ 454,740	\$ 454,740	\$ 454,740	\$ 454,740	\$ 454,740	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ (554,122)	5	\$ (110,826)	\$ (110,824)	\$ (110,824)	\$ (110,824)	\$ (110,824)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ (1,730,524)	5	\$ (346,105)	\$ (346,105)	\$ (346,105)	\$ (346,105)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 163,274	5	\$ 32,655	\$ 32,655	\$ 32,655	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 2,612,399	5	\$ 522,480	\$ 522,480	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014	\$ (59,205)	5	\$ (11,841)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 86,363	\$ 552,946	\$ 30,466	\$ (2,189)	\$ 343,916	\$ 454,740	\$ -	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - CHANGES OF ASSUMPTIONS

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions

Plan Year Ending	Changes of assumptions	Recognition Period (Years)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
2019	\$ 565,173	5	\$ -	\$ 113,033	\$ 113,035	\$ 113,035	\$ 113,035	\$ 113,035	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ 528,699	5	\$ 105,739	\$ 105,740	\$ 105,740	\$ 105,740	\$ 105,740	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ 569,256	6	\$ 94,876	\$ 94,876	\$ 94,876	\$ 94,876	\$ 94,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 782,433	6	\$ 130,405	\$ 130,406	\$ 130,406	\$ 130,406	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 331,020	\$ 444,055	\$ 444,057	\$ 444,057	\$ 313,651	\$ 113,035	\$ -	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - EXPERIENCE

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience

Plan Year Ending	Differences Between		2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	Expected and Actual Experience	Recognition Period (Years)											
2019	\$ 488,870	5	\$ -	\$ 97,774	\$ 97,774	\$ 97,774	\$ 97,774	\$ 97,774	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ (582,492)	5	\$ (116,500)	\$ (116,498)	\$ (116,498)	\$ (116,498)	\$ (116,498)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ 472,241	6	\$ 78,707	\$ 78,707	\$ 78,707	\$ 78,707	\$ 78,707	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (860,314)	6	\$ (143,386)	\$ (143,386)	\$ (143,386)	\$ (143,386)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ (1,105,298)	7	\$ (157,900)	\$ (157,900)	\$ (157,900)	\$ (157,900)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (339,079)	\$ (241,303)	\$ (241,303)	\$ (241,303)	\$ 59,983	\$ 97,774	\$ -	\$ -	\$ -	\$ -	\$ -