

CITY OF BUSHNELL
REGULAR EMPLOYEES' PENSION PLAN

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2016

CONTRIBUTIONS APPLICABLE TO THE PLAN/
FISCAL YEAR ENDED SEPTEMBER 30, 2018

February 3, 2017

Board of Trustees
Bushnell Regular Employees'
Pension Board
Post Office Box 115
Bushnell, FL 33513

Re: Regular Employees' Pension Plan

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Bushnell Regular Employees' Pension Plan. The 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. Please note that this valuation may not be applicable for any other purposes.

The valuation has 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 reflects laws and regulations issued to date pursuant to the provisions of Chapter 112, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, 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.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the Board of Trustees, 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 undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets 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 Bushnell, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Bushnell Regular Employees' Pension Plan. 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 me at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By: 
Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #14-6595

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Enclosures

Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Bushnell Regular Employees' Pension Plan, performed as of October 1, 2016, has been completed and the results are presented in this Report. The contributions developed in the valuation apply to the plan/fiscal year ended September 30, 2018.

The funding requirements, compared with the amounts developed in the October 1, 2015 actuarial valuation report, are as follows:

| | | |
|--|------------------|------------------|
| Valuation Date | 10/1/2016 | 10/1/2015 |
| Applicable Fiscal Year | <u>9/30/2018</u> | <u>9/30/2017</u> |
| Total Required Contribution % of Total Annual Payroll | 18.6% | 16.9% |

Overall actuarial experience during the past year was less favorable than expected, on the basis of the actuarial assumptions. The primary components of unfavorable experience included lower than expected employee turnover and a 6.29% investment return (Actuarial Asset Basis) that fell short of the 7.75% assumption. These losses were partially offset by a favorable distribution of salary increases. For a specific analysis that details the gains and losses by component, please refer to Page 16.

The balance of this report presents additional details of the actuarial valuation and the regular operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: Patrick T. Donlan
Patrick T. Donlan, ASA, EA, MAAA

By: Sara Baumer
Sara E. Baumer

CHANGES SINCE PRIOR VALUATION

Plan Changes

There have been no plan changes since the prior valuation.

Actuarial Assumption/Method Changes

As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed from the RP-2000 Combined Healthy Table, projected to the valuation date using scale AA, to the mortality table used by the Florida Retirement System actuary in the July 1, 2015 actuarial valuation for other than special-risk employees. The impact of this change on the City's funding requirements is shown in the Comparative Summary of Principal Valuation Results section of this report.

CONTRIBUTION IMPACT OF ANNUAL CHANGES

| | |
|---|--------------|
| (1) Contribution Determined as of October 1, 2015 | 16.9% |
| | |
| (2) Summary of Contribution Impact by component: | |
| Change in Normal Cost Rate | -0.3% |
| Change in Administrative Expense Percentage | -0.4% |
| Investment Return (Actuarial Asset Basis) | 0.5% |
| Salary Increases | -0.3% |
| Payroll Change Effect on UAAL Amortization | -0.1% |
| Active Decrements | 0.9% |
| Inactive Mortality | 0.0% |
| Assumption Change | 1.5% |
| Other | <u>-0.1%</u> |
| Total Change in Contribution | 1.7% |
| | |
| (3) Contribution Determined as of October 1, 2016 | 18.6% |

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

| | New Assump <u>10/1/2016</u> | Old Assump <u>10/1/2016</u> | <u>10/1/2015</u> |
|---------------------------------|--------------------------------|--------------------------------|------------------|
| A. Participant Data | | | |
| Actives | 17 | 17 | 18 |
| Service Retirees | 2 | 2 | 1 |
| Beneficiaries | 0 | 0 | 0 |
| Disability Retirees | 0 | 0 | 0 |
| Terminated Vested | 9 | 9 | 9 |
| Total | 28 | 28 | 28 |
| Total Annual Payroll | \$1,029,843 | \$1,029,843 | \$1,001,832 |
| Payroll Under Assumed Ret. Age | 1,029,843 | 1,029,843 | 1,001,832 |
| Annual Rate of Payments to: | | | |
| Service Retirees | 10,235 | 10,235 | 3,459 |
| Beneficiaries | 0 | 0 | 0 |
| Disability Retirees | 0 | 0 | 0 |
| Terminated Vested | 40,161 | 40,161 | 40,161 |
| B. Assets | | | |
| Actuarial Value (AVA) | 2,557,013 | 2,557,013 | 2,261,201 |
| Market Value (MVA) | 2,546,025 | 2,546,025 | 2,221,400 |
| C. Liabilities | | | |
| Present Value of Benefits | | | |
| Actives | | | |
| Retirement Benefits | 2,770,599 | 2,663,555 | 2,409,880 |
| Disability Benefits | 155,342 | 185,597 | 168,237 |
| Death Benefits | 74,383 | 37,143 | 33,498 |
| Vested Benefits | 167,719 | 162,765 | 165,493 |
| Refund of Contributions | 0 | 0 | 0 |
| Service Retirees | 102,955 | 98,430 | 33,417 |
| Beneficiaries | 0 | 0 | 0 |
| Disability Retirees | 0 | 0 | 0 |
| Terminated Vested | <u>397,583</u> | <u>382,973</u> | <u>358,612</u> |
| Total | 3,668,581 | 3,530,463 | 3,169,137 |

| C. Liabilities - (Continued) | New Assump <u>10/1/2016</u> | Old Assump <u>10/1/2016</u> | <u>10/1/2015</u> |
|---|--------------------------------|--------------------------------|------------------|
| Present Value of Future Salaries | 8,046,506 | 8,151,156 | 7,758,834 |
| Present Value of Future Member Contributions | 0 | 0 | 0 |
| Normal Cost (Retirement) | 92,380 | 88,420 | 87,944 |
| Normal Cost (Disability) | 8,105 | 9,630 | 8,873 |
| Normal Cost (Death) | 2,568 | 1,410 | 1,323 |
| Normal Cost (Vesting) | 9,778 | 9,549 | 10,701 |
| Normal Cost (Refunds) | <u>0</u> | <u>0</u> | <u>0</u> |
| Total Normal Cost | 112,831 | 109,009 | 108,841 |
| Present Value of Future Normal Costs | 799,500 | 782,213 | 753,963 |
| Accrued Liability (Retirement) | 2,111,409 | 2,025,493 | 1,797,729 |
| Accrued Liability (Disability) | 86,933 | 102,749 | 89,184 |
| Accrued Liability (Death) | 52,823 | 24,984 | 21,834 |
| Accrued Liability (Vesting) | 117,378 | 113,621 | 114,398 |
| Accrued Liability (Refunds) | 0 | 0 | 0 |
| Accrued Liability (Inactives) | <u>500,538</u> | <u>481,403</u> | <u>392,029</u> |
| Total Actuarial Accrued Liability (AL) | 2,869,081 | 2,748,250 | 2,415,174 |
| Unfunded Actuarial Accrued Liability (UAAL) | 312,068 | 191,237 | 153,973 |
| Funded Ratio (AVA / AL) | 89.1% | 93.0% | 93.6% |

| D. Actuarial Present Value of Accrued Benefits | New Assump <u>10/1/2016</u> | Old Assump <u>10/1/2016</u> | <u>10/1/2015</u> |
|--|--------------------------------|--------------------------------|------------------|
| Vested Accrued Benefits | | | |
| Inactives | 500,538 | 481,403 | 392,029 |
| Actives | 1,249,974 | 1,202,292 | 1,124,630 |
| Member Contributions | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | 1,750,512 | 1,683,695 | 1,516,659 |
| Non-vested Accrued Benefits | <u>92,669</u> | <u>90,947</u> | <u>41,038</u> |
| Total Present Value Accrued Benefits (PVAB) | 1,843,181 | 1,774,642 | 1,557,697 |
| Funded Ratio (MVA / PVAB) | 138.1% | 143.5% | 142.6% |
| Increase (Decrease) in Present Value of Accrued Benefits Attributable to: | | | |
| Plan Amendments | 0 | 0 | |
| Assumption Changes | 68,539 | 0 | |
| New Accrued Benefits | 0 | 104,524 | |
| Benefits Paid | 0 | (7,991) | |
| Interest | 0 | 120,412 | |
| Other | <u>0</u> | <u>0</u> | |
| Total | 68,539 | 216,945 | |

| | New Assump | Old Assump | |
|----------------------------------|------------------|------------------|------------------|
| Valuation Date | 10/1/2016 | 10/1/2016 | 10/1/2015 |
| Applicable to Fiscal Year Ending | <u>9/30/2018</u> | <u>9/30/2018</u> | <u>9/30/2017</u> |

E. Pension Cost

| | | | |
|---|------|------|------|
| Normal Cost (with interest) % of Total Annual Payroll ¹ | 11.4 | 11.0 | 11.3 |
| Administrative Expenses (with interest) % of Total Annual Payroll ¹ | 1.0 | 1.0 | 1.4 |
| Payment Required to Amortize Unfunded Actuarial Accrued Liability over 20 years (as of 10/1/2016, with interest) % of Total Annual Payroll ¹ | 6.2 | 5.1 | 4.2 |
| Total Required Contribution % of Total Annual Payroll ¹ | 18.6 | 17.1 | 16.9 |
| Expected Member Contributions % of Total Annual Payroll ¹ | 0.0 | 0.0 | 0.0 |
| Expected City Contribution % of Total Annual Payroll ¹ | 18.6 | 17.1 | 16.9 |

F. Past Contributions

| | |
|-----------------------------|------------------|
| Plan Years Ending: | <u>9/30/2016</u> |
| Total Required Contribution | 166,333 |
| City Requirement | 166,333 |
| Actual Contributions Made: | |
| Members (excluding buyback) | 0 |
| City | <u>166,333</u> |
| Total | 166,333 |

G. Net Actuarial (Gain)/Loss 66,914

¹ Contributions developed as of 10/1/2016 are expressed as a percentage of total annual payroll at 10/1/2016 of \$1,029,843.

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

| <u>Year</u> | <u>Projected Unfunded Actuarial Accrued Liability</u> |
|-------------|---|
| 2016 | 312,068 |
| 2017 | 269,959 |
| 2018 | 224,584 |
| 2023 | 153,295 |
| 2027 | 97,554 |
| 2032 | 43,476 |
| 2036 | 0 |

I. (i) 3 Year Comparison of Actual and Assumed Salary Increases

| | | <u>Actual</u> | <u>Assumed</u> |
|------------|-----------|---------------|----------------|
| Year Ended | 9/30/2016 | 6.92% | 6.00% |
| Year Ended | 9/30/2015 | 5.95% | 6.00% |
| Year Ended | 9/30/2014 | 5.20% | 6.00% |

(ii) 3 Year Comparison of Investment Return on Actuarial Value

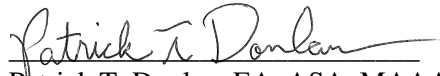
| | | <u>Actual</u> | <u>Assumed</u> |
|------------|-----------|---------------|----------------|
| Year Ended | 9/30/2016 | 6.29% | 7.75% |
| Year Ended | 9/30/2015 | 8.39% | 7.75% |
| Year Ended | 9/30/2014 | 8.28% | 7.75% |

(iii) Average Annual Payroll Growth

| | | |
|-------------------------|-----------|-------------|
| (a) Payroll as of: | 10/1/2016 | \$1,029,843 |
| | 10/1/2006 | 626,188 |
| (b) Total Increase | | 64.46% |
| (c) Number of Years | | 10.00 |
| (d) Average Annual Rate | | 5.10% |

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.


Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #14-6595

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

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

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

| | |
|--|-----------|
| (1) Unfunded Actuarial Accrued Liability as of October 1, 2015 | \$153,973 |
| (2) Sponsor Normal Cost developed as of October 1, 2015 | 108,841 |
| (3) Expected administrative expenses for the year ended September 30, 2016 | 13,400 |
| (4) Expected interest on (1), (2) and (3) | 20,887 |
| (5) Sponsor contributions to the System during the year ended September 30, 2016 | 166,333 |
| (6) Expected interest on (5) | 6,445 |
| (7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2016 (1)+(2)+(3)+(4)-(5)-(6) | 124,323 |
| (8) Change to UAAL due to Assumption Change | 120,831 |
| (9) Change to UAAL due to Actuarial (Gain)/Loss | 66,914 |
| (10) Unfunded Actuarial Accrued Liability as of October 1, 2016 | 312,068 |

| Type of <u>Base</u> | Date <u>Established</u> | Years <u>Remaining</u> | 10/1/2016 <u>Amount</u> | Amortization <u>Amount</u> |
|------------------------|----------------------------|---------------------------|----------------------------|-------------------------------|
| Method Change | 10/1/2003 | 19 | \$18,004 | \$1,709 |
| Prior Losses | 10/1/2004 | 12 | 15,567 | 1,892 |
| Actuarial Gain | 10/1/2004 | 12 | (17,362) | (2,111) |
| Actuarial Loss | 10/1/2005 | 12 | 128,934 | 15,673 |
| Actuarial Loss | 10/1/2006 | 2 | 51,372 | 26,644 |
| Method Change | 10/1/2007 | 12 | (113,387) | (13,783) |
| Actuarial Loss | 10/1/2008 | 3 | 20,020 | 7,177 |
| Actuarial Gain | 10/1/2008 | 4 | (21,712) | (6,050) |
| Assumption Change | 10/1/2009 | 14 | 8,006 | 888 |
| Actuarial Loss | 10/1/2010 | 5 | 78,901 | 18,219 |
| Actuarial Gain | 10/1/2010 | 6 | (36,692) | (7,310) |
| Assumption Change | 10/1/2011 | 16 | 31,355 | 3,235 |
| Actuarial Loss | 10/1/2011 | 7 | 14,417 | 2,548 |
| Software Change | 10/1/2012 | 17 | (91,325) | (9,137) |
| Assumption Change | 10/1/2013 | 17 | 76,289 | 7,633 |
| Actuarial Gain | 10/1/2014 | 8 | (35,881) | (5,740) |
| Actuarial Gain | 10/1/2015 | 9 | (2,183) | (321) |
| Actuarial Loss | 10/1/2016 | 10 | 66,914 | 9,151 |
| Assumption Change | 10/1/2016 | 20 | <u>120,831</u> | <u>11,210</u> |
| | | | 312,068 | 61,527 |

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

| | |
|---|----------------|
| (1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2015 | \$153,973 |
| | |
| (2) Expected UAAL as of October 1, 2016 | 124,323 |
| | |
| (3) Summary of Actuarial (Gain)/Loss, by component: | |
| Investment Return (Actuarial Asset Basis) | 34,100 |
| Salary Increases | (23,764) |
| Active Decrements | 64,193 |
| Inactive Mortality | 1,078 |
| Other | <u>(8,693)</u> |
| Increase in UAAL due to (Gain)/Loss | 66,914 |
| Assumption Changes | <u>120,831</u> |
| | |
| (4) Actual UAAL as of October 1, 2016 | \$312,068 |

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate

Healthy Lives:

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

Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB

Disabled Lives:

Female: 100% RP2000 Disabled Female set forward two years

Male: 100% RP2000 Disabled Male set back four years

The above assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption 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, 2015 FRS valuation report for other than special-risk employees. We feel this assumption sufficiently accommodates future mortality improvements.

Prior: RP 2000 Combined Healthy (sex distinct), projected to valuation date using scale AA. Disabled lives were set forward 5 years.

Interest Rate

7.75% per year compounded annually, net of investment related expenses. This assumption is in line with the national average for public programs and is reasonable based on the asset allocation.

Retirement Age

Earlier of age 62 or 30 years of service, regardless of age. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year. We feel that this assumption is reasonable based on the plan provisions.

Early Retirement

Beginning 10 years prior to Normal Retirement, Members are assumed to retire with an immediate subsidized benefit at the rate of 3% per year. We feel that this assumption is reasonable based on the plan provisions.

Disability Rate

See table on following page (1202). This assumption was developed from those used by other plans containing Florida municipal General Employees. It is assumed that 25% of disablements that occur are service related.

Termination Rate

See table on following page (1305). These rates are similar to those utilized by other municipal General Employee programs.

Salary Increases

6.0% per year until the assumed retirement age; see table on following page. This assumption was developed from those used by other plans containing general municipal employees.

Payroll Growth

None for amortizing UAAL.

Administrative Expenses

\$9,500 annually. This is equal to the actual non-investment related expenses paid out of the trust during the year, rounded up to the nearest \$100.

Funding Method

Entry Age Normal Actuarial Cost Method.

Actuarial Asset Method

Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

| <u>Age</u> | <u>% Terminating During the Year</u> | <u>% Becoming Disabled During the Year</u> | <u>Current Salary as % of Salary at age 62</u> |
|------------|--|--|--|
| 20 | 17.2% | 0.05% | 8.7% |
| 30 | 15.0 | 0.06 | 15.5 |
| 40 | 8.2 | 0.12 | 27.8 |
| 50 | 1.7 | 0.43 | 49.7 |
| 60 | 0.5 | 1.61 | 89.0 |

VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the fiscal year beginning on 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.

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.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016

| <u>ASSETS</u> | COST VALUE | MARKET VALUE |
|--|------------------|------------------|
| Cash and Cash Equivalents: | | |
| Prepaid Benefits | 852.94 | 852.94 |
| Money Market | 139,366.65 | 139,366.65 |
| Cash | 650.31 | 650.31 |
| Total Cash and Equivalents | 140,869.90 | 140,869.90 |
| Receivables: | | |
| City Contributions in Transit | 14,053.05 | 14,053.05 |
| From Broker for Investments Sold | 10,990.61 | 10,990.61 |
| Investment Income | 7,203.92 | 7,203.92 |
| Total Receivable | 32,247.58 | 32,247.58 |
| Investments: | | |
| U. S. Bonds and Bills | 354,048.68 | 358,567.92 |
| Federal Agency Guaranteed Securities | 116,922.98 | 117,088.45 |
| Corporate Bonds | 311,119.01 | 312,334.11 |
| Equities | 1,357,807.54 | 1,608,119.29 |
| Total Investments | 2,139,898.21 | 2,396,109.77 |
| Total Assets | 2,313,015.69 | 2,569,227.25 |
| <u>LIABILITIES</u> | | |
| Payables: | | |
| To Broker for Investments Purchased | 16,910.86 | 16,910.86 |
| Prepaid City Contribution | 6,291.43 | 6,291.43 |
| Total Liabilities | 23,202.29 | 23,202.29 |
| NET POSITION RESTRICTED FOR PENSIONS | 2,289,813.40 | 2,546,024.96 |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016
Market Value Basis

ADDITIONS

| | | | |
|---|------------|-------------|--------------|
| Contributions: | | | |
| City | | 166,333.25 | |
| Total Contributions | | | 166,333.25 |
| Investment Income: | | | |
| Net Realized Gain (Loss) | 25,573.59 | | |
| Unrealized Gain (Loss) | 128,473.26 | | |
| Net Increase in Fair Value of Investments | | 154,046.85 | |
| Interest & Dividends | | 44,331.55 | |
| Less Investment Expense ¹ | | (22,653.01) | |
| Net Investment Income | | | 175,725.39 |
| Total Additions | | | 342,058.64 |
| <u>DEDUCTIONS</u> | | | |
| Distributions to Members: | | | |
| Benefit Payments | | 7,991.38 | |
| Total Distributions | | | 7,991.38 |
| Administrative Expense | | | 9,442.00 |
| Total Deductions | | | 17,433.38 |
| Net Increase in Net Position | | | 324,625.26 |
| NET POSITION RESTRICTED FOR PENSIONS | | | |
| Beginning of the Year | | | 2,221,399.70 |
| End of the Year | | | 2,546,024.96 |

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

ACTUARIAL ASSET VALUATION
SEPTEMBER 30, 2016

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 | |
|--|-----------------------------|----------------|
| 09/30/2013 | 10.25% | |
| 09/30/2014 | 9.50% | |
| 09/30/2015 | -1.84% | |
| 09/30/2016 | 7.71% | |
| Annualized Rate of Return for prior four (4) years: | | 6.29% |
| (A) 10/01/2015 Actuarial Assets: | | \$2,261,201.16 |
| (I) Net Investment Income: | | |
| 1. Interest and Dividends | 44,331.55 | |
| 2. Realized Gains (Losses) | 25,573.59 | |
| 3. Change in Actuarial Value | 99,659.55 | |
| 4. Investment Related Expenses | (22,653.01) | |
| Total | | 146,911.68 |
| (B) 10/01/2016 Actuarial Assets: | | \$2,557,012.71 |
| Actuarial Asset Rate of Return = 2I/(A+B-I): | | 6.29% |
| 10/01/2016 Limited Actuarial Assets: | | \$2,557,012.71 |
| 10/01/2016 Market Value of Assets: | | \$2,546,024.96 |
| Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis) | | (\$34,100.33) |

¹Market Value Basis, net of investment related expenses.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2016
 Actuarial Asset Basis

REVENUES

| | | |
|-------------------------------------|------------|------------|
| Contributions: | | |
| City | 166,333.25 | |
| Total Contributions | | 166,333.25 |
| Earnings from Investments: | | |
| Interest & Dividends | 44,331.55 | |
| Net Realized Gain (Loss) | 25,573.59 | |
| Change in Actuarial Value | 99,659.55 | |
| Total Earnings and Investment Gains | | 169,564.69 |

EXPENDITURES

| | | |
|---|-----------|--------------|
| Distributions to Members: | | |
| Benefit Payments | 7,991.38 | |
| Total Distributions | | 7,991.38 |
| Expenses: | | |
| Investment related ¹ | 22,653.01 | |
| Administrative | 9,442.00 | |
| Total Expenses | | 32,095.01 |
| Change in Net Assets for the Year | | 295,811.55 |
| Net Assets Beginning of the Year | | 2,261,201.16 |
| Net Assets End of the Year ² | | 2,557,012.71 |

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

²Net Assets may be limited for actuarial consideration.

RECONCILIATION OF CITY'S SHORTFALL/(PREPAID) CONTRIBUTION
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2016

| | | |
|-----|--|---------------------|
| (1) | Total Required Contribution Rate | 16.9% |
| (2) | Pensionable Payroll Derived from Member Contributions | \$984,220.39 |
| (3) | Total Required Contribution (1) x (2) | 166,333.25 |
| (4) | Less Actual Member Contributions | <u>0.00</u> |
| (5) | Equals Required City Contribution for Fiscal 2016 | 166,333.25 |
| (6) | Less 2015 Prepaid Contribution | 0.00 |
| (7) | Less Actual City Contributions | <u>(172,624.68)</u> |
| (8) | Equals City's Shortfall/(Prepaid) Contribution as of September 30, 2016 | (\$6,291.43) |

STATISTICAL DATA ¹

| | <u>10/1/2013</u> | <u>10/1/2014</u> | <u>10/1/2015</u> | <u>10/1/2016</u> |
|----------------------------|------------------|------------------|------------------|------------------|
| <u>Actives</u> | | | | |
| Number | 21 | 19 | 18 | 17 |
| Average Current Age | 45.5 | 44.4 | 44.8 | 44.6 |
| Average Age at Employment | 36.7 | 35.8 | 34.8 | 33.6 |
| Average Past Service | 8.8 | 8.6 | 10.0 | 11.0 |
| Average Annual Salary | \$49,651 | \$53,512 | \$55,657 | \$60,579 |
| <u>Service Retirees</u> | | | | |
| Number | | 1 | 1 | 2 |
| Average Current Age | | 63.4 | 64.4 | 65.7 |
| Average Annual Benefit | | \$3,358 | \$3,459 | \$5,118 |
| <u>Beneficiaries</u> | | | | |
| Number | | 0 | 0 | 0 |
| Average Current Age | | N/A | N/A | N/A |
| Average Annual Benefit | | N/A | N/A | N/A |
| <u>Disability Retirees</u> | | | | |
| Number | | 0 | 0 | 0 |
| Average Current Age | | N/A | N/A | N/A |
| Average Annual Benefit | | N/A | N/A | N/A |
| <u>Terminated Vested</u> | | | | |
| Number | | 8 | 9 | 9 |
| Average Current Age | | 41.8 | 44.2 | 45.2 |
| Average Annual Benefit | | \$3,440 | \$4,462 | \$4,462 |

¹ Prior to 10/1/2014, averages were salary weighted.

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 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| 30 - 34 | 0 | 0 | 0 | 0 | 0 | 1 | 2 | 0 | 0 | 0 | 0 | 3 |
| 35 - 39 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 1 |
| 40 - 44 | 0 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 0 | 0 | 0 | 3 |
| 45 - 49 | 0 | 0 | 0 | 0 | 0 | 4 | 0 | 0 | 1 | 0 | 0 | 5 |
| 50 - 54 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| 55 - 59 | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 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 | 1 | 0 | 0 | 0 | 0 | 1 |
| Total | 0 | 0 | 0 | 0 | 0 | 9 | 5 | 1 | 2 | 0 | 0 | 17 |

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

| | |
|---|------------|
| a. Number in prior valuation 10/1/2015 | 18 |
| b. Terminations | |
| i. Vested (partial or full) with deferred benefits | 0 |
| ii. Non-vested or full lump sum distribution received | 0 |
| c. Deaths | |
| i. Beneficiary receiving benefits | 0 |
| ii. No future benefits payable | 0 |
| d. Disabled | 0 |
| e. Retired | <u>(1)</u> |
| f. Continuing participants | 17 |
| g. New entrants | <u>0</u> |
| h. Total active life participants in valuation | 17 |

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

| | Service Retirees, Vested Receiving <u>Benefits</u> | Receiving Death <u>Benefits</u> | Receiving Disability <u>Benefits</u> | Vested <u>Deferred</u> | <u>Total</u> |
|-----------------------------|--|---------------------------------------|--|---------------------------|--------------|
| a. Number prior valuation | 1 | 0 | 0 | 9 | 10 |
| Retired | 1 | 0 | 0 | 0 | 1 |
| Vested Deferred | 0 | 0 | 0 | 0 | 0 |
| Death, With Survivor | 0 | 0 | 0 | 0 | 0 |
| Death, No Survivor | 0 | 0 | 0 | 0 | 0 |
| Disabled | 0 | 0 | 0 | 0 | 0 |
| Refund of Contributions | 0 | 0 | 0 | 0 | 0 |
| Rehires | 0 | 0 | 0 | 0 | 0 |
| Expired Annuities | 0 | 0 | 0 | 0 | 0 |
| Data Corrections | 0 | 0 | 0 | 0 | 0 |
| b. Number current valuation | 2 | 0 | 0 | 9 | 11 |

SUMMARY OF PLAN PROVISIONS
(Through Ordinance 2012-09)

| | |
|-----------------------------------|---|
| <u>Eligibility</u> | Full-time General Employees and Regular Employees, including Senior Management Employees, hired on or after January 1, 1996, and on or before September 30, 2012 shall participate in the Plan as a condition of employment. |
| <u>Credited Service</u> | Total years and completed days of service with the City. |
| <u>Salary</u> | Base compensation, including regular earnings, vacation pay, sick pay, and all tax deferred items, but excluding lump sum payments. |
| <u>Average Final Compensation</u> | Average of Salary paid during the best five (5) years of covered employment. |
| <u>Normal Retirement</u> | |
| Date | Earlier of age 62, or 30 years of Credited Service, regardless of age. |
| Benefit | 1.6% of Average Final Compensation <u>times</u> Credited Service. Benefit rate increases to 1.63% at age 63 or 31 years, to 1.65% at age 64 or 32 years, and 1.68% at age 65 or 33 years. Benefit Rate for Senior Management is 2.0%. |
| Form of Benefit | Life Annuity (options available). |
| <u>Early Retirement</u> | |
| Eligibility | 6 Years of Credited Service, regardless of age. |
| Benefit | Accrued benefit, reduced 5% for each year prior to Normal Retirement. |
| <u>Vesting</u> | |
| Schedule | 100% after 6 years of Credited Service. |
| Benefit Amount | Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date. |

Disability

Eligibility

Service Incurred

Covered from Date of Employment.

Non-Service Incurred

6 years of Credited Service.

Benefit

Benefit accrued to date of disability, but not less than 42% of Average Final Compensation (Service Incurred), or 25% of Average Final Compensation (Non-Service Incurred).

Duration

Payable for life (with 10 year guarantee) or until recovery (as determined by the Board).

Death Benefits

Pre-Retirement

Vested

Joint Annuitant receives an immediate or deferred monthly benefit computed based on the assumption that the Member retired on the date of death and elected the 100% joint and survivor annuity. Joint Annuitant is a spouse, dependent child, or any person receiving 50% or more of their support from the Member.

Non-Vested

Refund of any Member contributions.

Post-Retirement

Benefits payable to beneficiary in accordance with option selected at retirement.

Cost-of-Living Adjustments

Each July 1 following the retirement the monthly benefit amount is increased 3%. The increase is based on the June benefit, excluding any health insurance subsidy.

Member Contributions

None.

City Contributions

Amounts required in order to pay current costs and amortize unfunded past service cost, if any, over no more than 40 years.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016

| <u>ASSETS</u> | MARKET VALUE |
|--------------------------------------|--------------|
| Cash and Cash Equivalents: | |
| Prepaid Benefits | 853 |
| Money Market | 139,367 |
| Cash | 650 |
| Total Cash and Equivalents | 140,870 |
| Receivables: | |
| City Contributions in Transit | 14,053 |
| From Broker for Investments Sold | 10,991 |
| Investment Income | 7,204 |
| Total Receivable | 32,248 |
| Investments: | |
| U. S. Bonds and Bills | 358,568 |
| Federal Agency Guaranteed Securities | 117,088 |
| Corporate Bonds | 312,334 |
| Equities | 1,608,119 |
| Total Investments | 2,396,109 |
| Total Assets | 2,569,227 |
| <u>LIABILITIES</u> | |
| Payables: | |
| To Broker for Investments Purchased | 16,911 |
| Total Liabilities | 16,911 |
| NET POSITION RESTRICTED FOR PENSIONS | 2,552,316 |

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2016
Market Value Basis

ADDITIONS

Contributions:

| | | |
|---|----------|---------|
| City | 172,625 | |
| Total Contributions | | 172,625 |
| Investment Income: | | |
| Net Increase in Fair Value of Investments | 154,047 | |
| Interest & Dividends | 44,331 | |
| Less Investment Expense ¹ | (22,653) | |
| Net Investment Income | | 175,725 |
| Total Additions | | 348,350 |

DEDUCTIONS

Distributions to Members:

| | | |
|------------------------------|-------|---------|
| Benefit Payments | 7,992 | |
| Total Distributions | | 7,992 |
| Administrative Expense | | 9,442 |
| Total Deductions | | 17,434 |
| Net Increase in Net Position | | 330,916 |

NET POSITION RESTRICTED FOR PENSIONS

| | | |
|-----------------------|--|-----------|
| Beginning of the Year | | 2,221,400 |
| End of the Year | | 2,552,316 |

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

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2016)

Plan Description

Plan Administration

The City of Bushnell General Employees' Pension Plan is a single-employer defined benefit pension plan administered by a Board of trustees which acts as the Administrator of the Plan. The Board consists of 5 Trustees, 2 who are legal residents of the City appointed by the City Council, 2 who are employee members elected by a majority of the Members of the Plan, and a fifth Trustee, who is chosen by a majority of the first 4 Trustees.

Plan Membership as of October 1, 2015:

| | |
|---|----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 1 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | 9 |
| Active Plan Members | 18 |
| | 28 |

Benefits Provided

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

Normal Retirement:

Date: Earlier of age 62, or 30 years of Credited Service, regardless of age.

Benefit: 1.6% of Average Final Compensation times Credited Service. Benefit rate increases to 1.63% at age 63 or 31 years, to 1.65% at age 64 or 32 years, and 1.68% at age 65 or 33 years. Benefit Rate for Senior Management is 2.0%.

Early Retirement:

Eligibility: 6 Years of Credited Service, regardless of age.

Benefit: Accrued benefit, reduced 5% for each year prior to Normal Retirement.

Vesting:

Schedule: 100% after 6 years of Credited Service.

Benefit Amount: Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date.

Disability:

Eligibility: Service Incurred: Covered from Date of Employment.

Non-Service Incurred: 6 years of Credited Service.

Benefit: Benefit accrued to date of disability, but not less than 42% of Average Final Compensation (Service Incurred), or 25% of Average Final Compensation (Non-Service Incurred).

Pre-Retirement Death Benefits:

Vested: Joint Annuitant receives an immediate or deferred monthly benefit computed based on the assumption that the Member retired on the date of death and elected the 100% joint and survivor annuity. Joint Annuitant is a spouse, dependent child, or any person receiving 50% or more of their support from the Member.

Non-Vested: Refund of any Member contributions.

Cost-of-Living Adjustments:

Each July 1 following the retirement the monthly benefit amount is increased 3%. The increase is based on the June benefit, excluding any health insurance subsidy.

Contributions

Member Contributions: None.

City Contributions: Amounts required in order to pay current costs and amortize unfunded past service cost, if any, over no more than 40 years.

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2016:

| Asset Class | Target Allocation |
|----------------------|-------------------|
| Domestic Equity | 50% |
| International Equity | 15% |
| Fixed Income | 35% |
| Total | 100% |

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.

Rate of Return:

For the year ended September 30, 2016, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 7.71 percent.

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

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2016 were as follows:

| | |
|--|-------------------|
| Total Pension Liability | \$ 2,786,903 |
| Plan Fiduciary Net Position | \$ (2,552,316) |
| Sponsor's Net Pension Liability | <u>\$ 234,587</u> |
| Plan Fiduciary Net Position as a percentage of Total Pension Liability | 91.58% |

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions:

| | |
|---------------------------|-------|
| Inflation | 2.30% |
| Salary Increases | 6.00% |
| Discount Rate | 7.75% |
| Investment Rate of Return | 7.75% |

Mortality Rate Healthy Lives:

Mortality Table - RP2000 Fully Generational with Scale BB, with collar and annuitant adjustments as follows:

Males – 50% Annuitant White Collar, 50% Annuitant Blue Collar.

Females – 100% Annuitant White Collar.

Mortality Rate Disabled Lives:

Mortality Table - RP2000 without projection, with the following adjustments:

Males – 100% Disabled Male with four year setback

Females – 100% Disabled Female with two year set forward.

The date of the most recent experience study for which significant assumptions are based upon is not available.

The Long-Term Expected Rate of Return on Pension Plan investments was 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 2016 the inflation rate assumption of the investment advisor was 2.30%.

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, 2016 are summarized in the following table:

| <u>Asset Class</u> | <u>Long Term Expected Real Rate of Return</u> |
|----------------------|---|
| Domestic Equity | 7.74% |
| International Equity | 7.30% |
| Fixed Income | 2.47% |

GASB 67

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.75 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 6.75% | Current Discount Rate 7.75% | 1% Increase 8.75% |
|---------------------------------|----------------------|-----------------------------------|----------------------|
| Sponsor's Net Pension Liability | \$ 756,962 | \$ 234,587 | \$ (180,611) |

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

| | 09/30/2016 | 09/30/2015 | 09/30/2014 |
|--|---------------------|---------------------|---------------------|
| Total Pension Liability | | | |
| Service Cost | 113,579 | 117,691 | 123,708 |
| Interest | 192,514 | 173,476 | 152,883 |
| Changes of benefit terms | - | - | - |
| Differences between Expected and Actual Experience | (3,405) | (35,779) | - |
| Changes of assumptions | 117,742 | - | - |
| Benefit Payments | (7,992) | (3,260) | (6,460) |
| Net Change in Total Pension Liability | 412,438 | 252,128 | 270,131 |
| Total Pension Liability - Beginning | 2,374,465 | 2,122,337 | 1,852,206 |
| Total Pension Liability - Ending (a) | <u>\$ 2,786,903</u> | <u>\$ 2,374,465</u> | <u>\$ 2,122,337</u> |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | 172,625 | 171,231 | 176,075 |
| Net Investment Income | 175,725 | (39,743) | 173,326 |
| Benefit Payments | (7,992) | (3,260) | (6,460) |
| Administrative Expense | (9,442) | (13,316) | (5,524) |
| Net Change in Plan Fiduciary Net Position | 330,916 | 114,912 | 337,417 |
| Plan Fiduciary Net Position - Beginning | 2,221,400 | 2,106,488 | 1,769,071 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 2,552,316</u> | <u>\$ 2,221,400</u> | <u>\$ 2,106,488</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 234,587</u> | <u>\$ 153,065</u> | <u>\$ 15,849</u> |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 91.58% | 93.55% | 99.25% |
| Covered Employee Payroll ¹ | \$ 984,220 | \$ 968,164 | \$ 989,185 |
| Net Pension Liability as a percentage of Covered Employee Payroll | 23.83% | 15.81% | 1.60% |

Notes to Schedule:

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

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.

The inflation assumption rate was lowered from 3.00% to 2.30%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

| | 09/30/2016 | 09/30/2015 | 09/30/2014 |
|---|------------|------------|------------|
| Actuarially Determined Contribution | 166,333 | 171,231 | 176,075 |
| Contributions in relation to the Actuarially Determined Contributions | 172,625 | 171,231 | 176,075 |
| Contribution Deficiency (Excess) | \$ (6,292) | \$ - | \$ - |
| | | | |
| Covered Employee Payroll ¹ | \$ 984,220 | \$ 968,164 | \$ 989,185 |
| Contributions as a percentage of Covered Employee Payroll | 17.54% | 17.69% | 17.80% |

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

Notes to Schedule

Valuation Date: 10/01/2014
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:

Funding Method: Entry Age Normal Actuarial Cost Method.
 Amortization Method: Level Percentage of Pay, Closed.
 Remaining Amortization Period: 21 Years (as of 10/01/2014).
 Mortality: RP 2000 Combined Healthy – Projected to Valuation Date. Disabled lives are set forward 5 years.
 Interest Rate: 7.75% per year compounded annually, net of investment related expenses.
 Retirement Age: Earlier of age 62 or 30 years of service, regardless of age. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year.
 Early Retirement: Beginning at 10 years of service, Members are assumed to retire with an immediate subsidized benefit at the rate of 3% per year.
 Disability Rates: See table on following page (1202). It is assumed that 25% of disablements that occur are service related.
 Termination Rates: See table on following page (1305).
 Salary Increases: 6.0% per year until the assumed retirement age.
 Payroll Growth: None for amortizing UAAL.
 Actuarial Asset Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

| Termination and Disability Rate Table: | % Terminating During the Year | % Becoming Disabled During the Year |
|--|-------------------------------------|---|
| Age | | |
| 20 | 17.20% | 0.05% |
| 30 | 15.00% | 0.06% |
| 40 | 8.20% | 0.12% |
| 50 | 1.70% | 0.43% |
| 60 | 0.50% | 1.61% |

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

| | <u>09/30/2016</u> | <u>09/30/2015</u> | <u>09/30/2014</u> |
|--------------------------------------|-------------------|-------------------|-------------------|
| Annual Money-Weighted Rate of Return | | | |
| Net of Investment Expense | 7.71% | -1.84% | 9.50% |

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2017)

General Information about the Pension Plan

Plan Description

The City of Bushnell General Employees' Pension Plan is a single-employer defined benefit pension plan administered by a Board of trustees which acts as the Administrator of the Plan. The Board consists of 5 Trustees, 2 who are legal residents of the City appointed by the City Council, 2 who are employee members elected by a majority of the Members of the Plan, and a fifth Trustee, who is chosen by a majority of the first 4 Trustees.

Full-time General Employees and Regular Employees, including Senior Management Employees, hired on or after January 1, 1996, and on or before September 30, 2012 shall participate in the Plan as a condition of employment.

Plan Membership as of October 1, 2015:

| | |
|---|----|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 1 |
| Inactive Plan Members Entitled to But Not Yet Receiving Benefits | 9 |
| Active Plan Members | 18 |
| | 28 |
| | 28 |

Benefits Provided

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

Normal Retirement:

Date: Earlier of age 62, or 30 years of Credited Service, regardless of age.

Benefit: 1.6% of Average Final Compensation times Credited Service. Benefit rate increases to 1.63% at age 63 or 31 years, to 1.65% at age 64 or 32 years, and 1.68% at age 65 or 33 years. Benefit Rate for Senior Management is 2.0%.

Early Retirement:

Eligibility: 6 Years of Credited Service, regardless of age.

Benefit: Accrued benefit, reduced 5% for each year prior to Normal Retirement.

Vesting:

Schedule: 100% after 6 years of Credited Service.

Benefit Amount: Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date.

Disability:

Eligibility: Service Incurred: Covered from Date of Employment.

Benefit: Benefit accrued to date of disability, but not less than 42% of Average Final Compensation (Service Incurred), or 25% of Average Final Compensation (Non-Service Incurred).

Pre-Retirement Death Benefits:

Vested: Joint Annuitant receives an immediate or deferred monthly benefit computed based on the assumption that the Member retired on the date of death and elected the 100% joint and survivor annuity. Joint Annuitant is a spouse, dependent child, or any person receiving 50% or more of their support from the Member.

Non-Vested: Refund of any Member contributions.

Cost-of-Living Adjustments:

Each July 1 following the retirement the monthly benefit amount is increased 3%. The increase is based on the June benefit, excluding any health insurance subsidy.

Contributions

Member Contributions: None.

City Contributions: Amounts required in order to pay current costs and amortize unfunded past service cost, if any, over no more than 40 years.

Net Pension Liability

The measurement date is September 30, 2016.

The measurement period for the pension expense was October 1, 2015 to September 30, 2016.

The reporting period is October 1, 2016 through September 30, 2017.

The Sponsor's Net Pension Liability was measured as of September 30, 2016.

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, 2015 updated to September 30, 2016 using the following actuarial assumptions:

| | |
|---------------------------|-------|
| Inflation | 2.30% |
| Salary Increases | 6.00% |
| Discount Rate | 7.75% |
| Investment Rate of Return | 7.75% |

Mortality Rate Healthy Lives:

Mortality Table - RP2000 Fully Generational with Scale BB, with collar and annuitant adjustments as follows:

Males – 50% Annuitant White Collar, 50% Annuitant Blue Collar.

Females – 100% Annuitant White Collar.

Mortality Rate Disabled Lives:

Mortality Table - RP2000 without projection, with the following adjustments:

Males – 100% Disabled Male with four year setback

Females – 100% Disabled Female with two year set forward.

The date of the most recent experience study for which significant assumptions are based upon is not available.

The Long-Term Expected Rate of Return on Pension Plan investments was 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 2016 the inflation rate assumption of the investment advisor was 2.30%.

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, 2016 are summarized in the following table:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long Term Expected Real Rate of Return</u> |
|----------------------|--------------------------|---|
| Domestic Equity | 50% | 7.74% |
| International Equity | 15% | 7.30% |
| Fixed Income | 35% | 2.47% |
| Total | <u>100%</u> | |

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.75 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 Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a)-(b) |
| Reporting Period Ending September 30, 2016 | \$ 2,374,465 | \$ 2,221,400 | \$ 153,065 |
| Changes for a Year: | | | |
| Service Cost | 113,579 | - | 113,579 |
| Interest | 192,514 | - | 192,514 |
| Differences between Expected and Actual Experience | (3,405) | - | (3,405) |
| Changes of assumptions | 117,742 | - | 117,742 |
| Changes of benefit terms | - | - | - |
| Contributions - Employer | - | 172,625 | (172,625) |
| Net Investment Income | - | 175,725 | (175,725) |
| Benefit Payments | (7,992) | (7,992) | - |
| Administrative Expense | - | (9,442) | 9,442 |
| Net Changes | 412,438 | 330,916 | 81,522 |
| Reporting Period Ending September 30, 2017 | \$ 2,786,903 | \$ 2,552,316 | \$ 234,587 |

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

| | Current Discount | | |
|---------------------------------|------------------|------------|--------------|
| | 1% Decrease | Rate | 1% Increase |
| | 6.75% | 7.75% | 8.75% |
| Sponsor's Net Pension Liability | \$ 756,962 | \$ 234,587 | \$ (180,611) |

Pension Plan Fiduciary Net Position.

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

**PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED
INFLOWS OF RESOURCES RELATED TO PENSIONS**

For the year ended September 30, 2017, the Sponsor will recognize a Pension Expense of \$187,622.

On September 30, 2017, 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 | - | 28,393 |
| Changes of assumptions | 98,119 | - |
| Net difference between Projected and Actual Earnings on Pension Plan investments | 115,405 | - |
| Employer contributions subsequent to the measurement date □ | TBD | - |
| Total | TBD | \$ 28,393 |

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2017.

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: | | |
|--------------------------|----|--------|
| 2018 | \$ | 50,260 |
| 2019 | \$ | 50,260 |
| 2020 | \$ | 56,232 |
| 2021 | \$ | 14,434 |
| 2022 | \$ | 13,945 |
| Thereafter | \$ | - |

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

| Reporting Period Ending | 09/30/2017 | 09/30/2016 | 09/30/2015 |
|--|---------------------|---------------------|---------------------|
| Measurement Date | 09/30/2016 | 09/30/2015 | 09/30/2014 |
| Total Pension Liability | | | |
| Service Cost | 113,579 | 117,691 | 123,708 |
| Interest | 192,514 | 173,476 | 152,883 |
| Changes of benefit terms | - | - | - |
| Differences between Expected and Actual Experience | (3,405) | (35,779) | - |
| Changes of assumptions | 117,742 | - | - |
| Benefit Payments | (7,992) | (3,260) | (6,460) |
| Net Change in Total Pension Liability | 412,438 | 252,128 | 270,131 |
| Total Pension Liability - Beginning | 2,374,465 | 2,122,337 | 1,852,206 |
| Total Pension Liability - Ending (a) | <u>\$ 2,786,903</u> | <u>\$ 2,374,465</u> | <u>\$ 2,122,337</u> |
| Plan Fiduciary Net Position | | | |
| Contributions - Employer | 172,625 | 171,231 | 176,075 |
| Net Investment Income | 175,725 | (39,743) | 173,326 |
| Benefit Payments | (7,992) | (3,260) | (6,460) |
| Administrative Expense | (9,442) | (13,316) | (5,524) |
| Net Change in Plan Fiduciary Net Position | 330,916 | 114,912 | 337,417 |
| Plan Fiduciary Net Position - Beginning | 2,221,400 | 2,106,488 | 1,769,071 |
| Plan Fiduciary Net Position - Ending (b) | <u>\$ 2,552,316</u> | <u>\$ 2,221,400</u> | <u>\$ 2,106,488</u> |
| Net Pension Liability - Ending (a) - (b) | <u>\$ 234,587</u> | <u>\$ 153,065</u> | <u>\$ 15,849</u> |
| Plan Fiduciary Net Position as a percentage of the Total Pension Liability | 91.58% | 93.55% | 99.25% |
| Covered Employee Payroll ¹ | \$ 984,220 | \$ 968,164 | \$ 989,185 |
| Net Pension Liability as a percentage of Covered Employee Payroll | 23.83% | 15.81% | 1.60% |

Notes to Schedule:

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

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.

The inflation assumption rate was lowered from 3.00% to 2.30%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

| | 09/30/2016 | 09/30/2015 | 09/30/2014 |
|---|------------|------------|------------|
| Actuarially Determined Contribution | 166,333 | 171,231 | 176,075 |
| Contributions in relation to the Actuarially Determined Contributions | 172,625 | 171,231 | 176,075 |
| Contribution Deficiency (Excess) | \$ (6,292) | \$ - | \$ - |
| Covered Employee Payroll ¹ | \$ 984,220 | \$ 968,164 | \$ 989,185 |
| Contributions as a percentage of Covered Employee Payroll | 17.54% | 17.69% | 17.80% |

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

Notes to Schedule

Valuation Date: 10/01/2014

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:

Funding Method: Entry Age Normal Actuarial Cost Method.
 Amortization Method: Level Percentage of Pay, Closed.
 Remaining Amortization Period: 21 Years (as of 10/01/2014).
 Mortality: RP 2000 Combined Healthy – Projected to Valuation Date. Disabled lives are set forward 5 years.
 Interest Rate: 7.75% per year compounded annually, net of investment related expenses.
 Retirement Age: Earlier of age 62 or 30 years of service, regardless of age. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year.
 Early Retirement: Beginning at 10 years of service, Members are assumed to retire with an immediate subsidized benefit at the rate of 3% per year.
 Disability Rates: See table on following page (1202). It is assumed that 25% of disablements that occur are service related.
 Termination Rates: See table on following page (1305).
 Salary Increases: 6.0% per year until the assumed retirement age.
 Payroll Growth: None for amortizing UAAL.
 Actuarial Asset Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

| Termination and Disability Rate Table: | % Terminating During the Year | % Becoming Disabled During the Year |
|--|-------------------------------------|---|
| Age | | |
| 20 | 17.20% | 0.05% |
| 30 | 15.00% | 0.06% |
| 40 | 8.20% | 0.12% |
| 50 | 1.70% | 0.43% |
| 60 | 0.50% | 1.61% |

FINAL COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

| | Net Pension Liability | Deferred Inflows | Deferred Outflows | Pension Expense |
|---|--------------------------|---------------------|----------------------|--------------------|
| Beginning balance | \$ 15,849 | \$ 23,892 | \$ 171,231 | \$ - |
| Employer Contributions made after September 30, 2015 | - | - | 172,625 | - |
| Total Pension Liability Factors: | | | | |
| Service Cost | 117,691 | - | - | 117,691 |
| Interest | 173,476 | - | - | 173,476 |
| Changes in benefit terms | - | - | - | - |
| Differences between Expected and Actual Experience with regard to economic or demographic assumptions | (35,779) | 35,779 | - | - |
| Current year amortization of experience difference | - | (5,112) | - | (5,112) |
| Change in assumptions about future economic or demographic factors or other inputs | - | - | - | - |
| Current year amortization of change in assumptions | - | - | - | - |
| Benefit Payments | (3,260) | - | - | (3,260) |
| Net change | <u>252,128</u> | <u>30,667</u> | <u>172,625</u> | <u>282,795</u> |
| Plan Fiduciary Net Position: | | | | |
| Contributions - Employer | 171,231 | - | (171,231) | - |
| Net Investment Income | 169,246 | - | - | (169,246) |
| Difference between projected and actual earnings on Pension Plan investments | (208,989) | - | 208,989 | - |
| Current year amortization | - | (5,973) | (41,797) | 35,824 |
| Benefit Payments | (3,260) | - | - | 3,260 |
| Administrative Expenses | (13,316) | - | - | 13,316 |
| Net change | <u>114,912</u> | <u>(5,973)</u> | <u>(4,039)</u> | <u>(116,846)</u> |
| Ending Balance | <u>\$ 153,065</u> | <u>\$ 48,586</u> | <u>\$ 339,817</u> | <u>\$ 165,949</u> |

PRELIMINARY COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2017

| | Net Pension Liability | Deferred Inflows | Deferred Outflows | Pension Expense |
|---|--------------------------|---------------------|----------------------|--------------------|
| Beginning balance | \$ 153,065 | \$ 48,586 | \$ 339,817 | \$ - |
| Employer Contributions made after September 30, 2016 | - | - | TBD* | - |
| Total Pension Liability Factors: | | | | |
| Service Cost | 113,579 | - | - | 113,579 |
| Interest | 192,514 | - | - | 192,514 |
| Changes in benefit terms | - | - | - | - |
| Differences between Expected and Actual Experience with regard to economic or demographic assumptions | (3,405) | 3,405 | - | - |
| Current year amortization of experience difference | - | (5,679) | - | (5,679) |
| Change in assumptions about future economic or demographic factors or other inputs | 117,742 | - | 117,742 | - |
| Current year amortization of change in assumptions | - | - | (19,623) | 19,623 |
| Benefit Payments | (7,992) | - | - | (7,992) |
| Net change | <u>412,438</u> | <u>(2,274)</u> | <u>98,119</u> | <u>312,045</u> |
| Plan Fiduciary Net Position: | | | | |
| Contributions - Employer | 172,625 | - | (172,625) | - |
| Net Investment Income | 178,172 | - | - | (178,172) |
| Difference between projected and actual earnings on Pension Plan investments | (2,447) | - | 2,447 | - |
| Current year amortization | - | (5,973) | (42,288) | 36,315 |
| Benefit Payments | (7,992) | - | - | 7,992 |
| Administrative Expenses | (9,442) | - | - | 9,442 |
| Net change | <u>330,916</u> | <u>(5,973)</u> | <u>(212,466)</u> | <u>(124,423)</u> |
| Ending Balance | <u>\$ 234,587</u> | <u>\$ 40,339</u> | <u>TBD</u> | <u>\$ 187,622</u> |

* Employer Contributions subsequent to the measurement date made after September 30, 2016 but made on or before September 30, 2017 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) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|---|-------------------------------|------------|------------|------------|------------|------------|-----------|--------|------|------|------|------|
| 2014 | \$ (29,865) | 5 | \$ (5,973) | \$ (5,973) | \$ (5,973) | \$ (5,973) | \$ (5,973) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2015 | \$ 208,989 | 5 | \$ - | \$ 41,797 | \$ 41,798 | \$ 41,798 | \$ 41,798 | \$ 41,798 | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ 2,447 | 5 | \$ - | \$ - | \$ 490 | \$ 490 | \$ 489 | \$ 489 | \$ 489 | \$ - | \$ - | \$ - | \$ - |
| Net Increase (Decrease) in Pension Expense | | | \$ (5,973) | \$ 35,824 | \$ 36,315 | \$ 36,315 | \$ 36,314 | \$ 42,287 | \$ 489 | \$ - | \$ - | \$ - | \$ - |

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) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|------------------------|----------------------------|------|------|-----------|-----------|-----------|-----------|-----------|-----------|------|------|------|
| 2014 | \$ - | 7 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2015 | \$ - | 7 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2016 | \$ 117,742 | 6 | \$ - | \$ - | \$ 19,623 | \$ 19,623 | \$ 19,624 | \$ 19,624 | \$ 19,624 | \$ 19,624 | \$ - | \$ - | \$ - |
| Net Increase (Decrease) in Pension Expense | | | \$ - | \$ - | \$ 19,623 | \$ 19,623 | \$ 19,624 | \$ 19,624 | \$ 19,624 | \$ 19,624 | \$ - | \$ - | \$ - |

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 Expected and Actual Experience | Recognition Period (Years) | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|--|--|----------------------------|------|------------|------------|------------|------------|------------|------------|------------|------|------|------|
| 2014 | \$ - | 7 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2015 | \$ (35,779) | 7 | \$ - | \$ (5,112) | \$ (5,112) | \$ (5,111) | \$ (5,111) | \$ (5,111) | \$ (5,111) | \$ (5,111) | \$ - | \$ - | \$ - |
| 2016 | \$ (3,405) | 6 | \$ - | \$ - | \$ (567) | \$ (567) | \$ (567) | \$ (568) | \$ (568) | \$ (568) | \$ - | \$ - | \$ - |
| Net Increase (Decrease) in Pension Expense | | | \$ - | \$ (5,112) | \$ (5,679) | \$ (5,678) | \$ (5,678) | \$ (5,679) | \$ (5,679) | \$ (5,679) | \$ - | \$ - | \$ - |