



TheStandard®

October 1, 2016

**TOWN OF MEDLEY
DEFINED BENEFIT PLAN**

ACTUARIAL VALUATION

Group Annuity Contract 802330
EIN: 59-6013404

March 8, 2017

Mr. Roy Danziger
Town of Medley
7777 NW 72nd Avenue
Medley, FL 33166

Dear Mr. Danziger:

This report contains the results of the actuarial valuation of the Town of Medley Defined Benefit Plan as of October 1, 2016. This report develops funding levels and the Annual Required Contribution for the Plan Year beginning October 1, 2016, and discusses recent funding progress.

The Annual Required Contribution to the Plan has been determined under the Aggregate Funding Method. Accounting disclosures, based on the Entry Age Normal method, have been presented separately.

It is important to note that the report presumes the Plan to be an ongoing retirement program. Separate calculations would be required to measure liabilities in the event of plan termination.

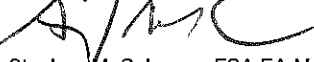
The results presented herein are based upon:

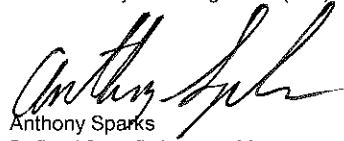
- ♦ Financial information provided to us as of the valuation date.
- ♦ Unaudited employee data furnished to us as of the valuation date.
- ♦ Provisions of the plan as summarized herein.
- ♦ Actuarial method and assumptions presented in this report.

The valuation was based upon generally accepted actuarial methods and assumptions. We performed such tests as necessary to help assure the accuracy of the results presented herein. In our opinion, the results of this valuation have been appropriately determined based upon the actuarial cost method and assumptions and within the framework of federal law and regulations.

If you have any questions regarding the contents of this report, please contact Rita Taylor-Rodriguez at (281) 517-5476 or one of us.

Sincerely,


Stephen M. Coleman, FSA EA MAAA
Defined Benefit Actuary
(971) 321-8558


Anthony Sparks
Defined Benefit Account Manager
(971) 321-4554

ENROLLED ACTUARY CERTIFICATION

This actuarial valuation and/or determination 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.



Stephen M. Coleman, FSA EA MAAA
Standard Retirement Services, Inc.

MARCH 8, 2017

Date

14-03631
Enrollment Number

HIGHLIGHTS OF THE OCTOBER 1, 2016 VALUATION

- ♦ The Annual Required Contribution for this plan for the plan year beginning October 1, 2016 is \$871,538. The prior year ARC had been \$985,108. Key factors contributing to the decline include favorable investment experience and a gradual shift to more recently hired participants with less valuable benefits.
- ♦ No changes in assumptions were made in conjunction with this valuation.
- ♦ The actuarial value of assets increased by \$1,542,017, from \$15,762,507 on October 1, 2015 to \$17,304,524 on October 1, 2016.
- ♦ Recent investment rates of return on plan assets have been as follows:

Year ending September 30, 2014:	9.44%
Year ending September 30, 2015:	(1.35%)
Year ending September 30, 2016:	8.69%
- ♦ The plan's funded ratio (the ratio of plan assets to the value of accrued benefits) has increased from 89.9% to 93.2%.
- ♦ The number of covered participants grew from 148 in the prior valuation to 154 in this valuation.

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ANALYSIS

Overview

In this report, we have valued benefit liabilities and determined required funding levels for the Plan Year beginning October 1, 2016. The purpose of this Analysis is to summarize major results and highlight important points. If you have any questions, we urge you to contact us at your convenience.

Funding of the Plan

The plan is funded solely by employer contributions.

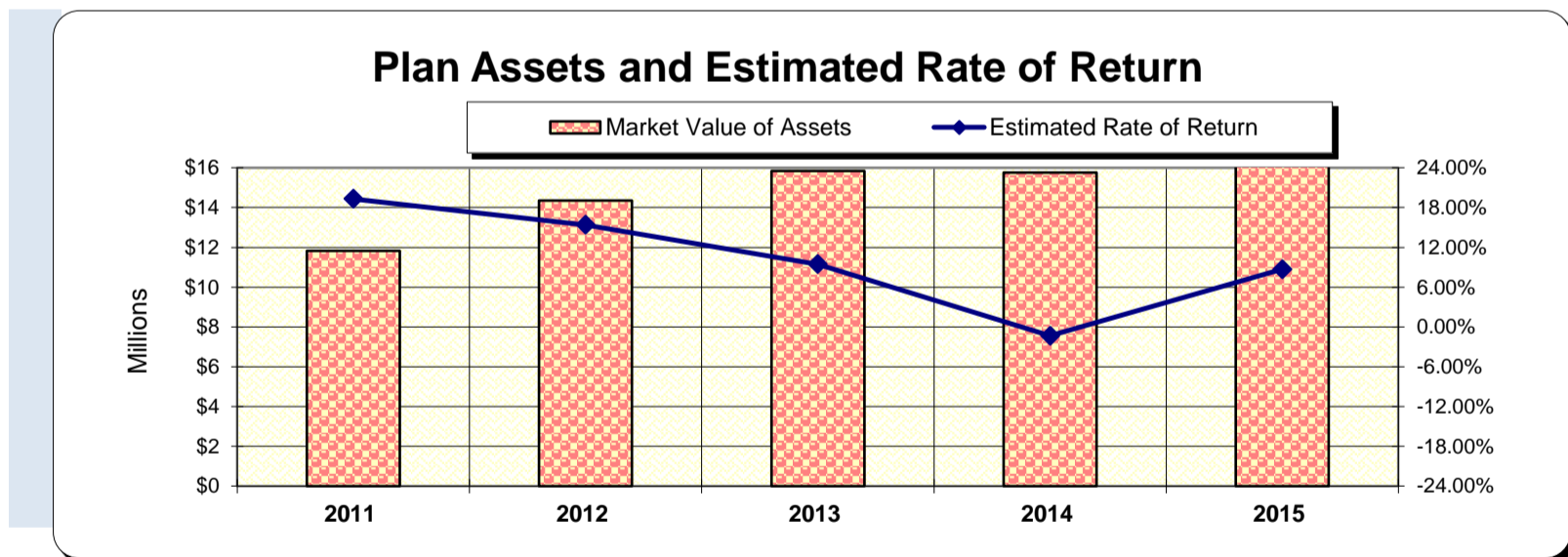
As in prior years, employer contributions are determined by application of the Aggregate Funding Method. As with all actuarial funding methods, the Aggregate Method attempts to establish an orderly pattern of contributions intended to accumulate sufficient assets to pay benefits as they come due.

Contribution Requirement

The Annual Funding Requirement for the plan has decreased from \$985,108 to \$871,538, under the Aggregate Method. Key factors contributing to the decline include favorable investment experience and a gradual shift to more recently hired participants with less valuable benefits.

Asset Summary and Reconciliation

In the period from October 1, 2015 to September 30, 2016, the actuarial value of plan assets increased by \$1,542,017, from \$15,762,507 to \$17,304,524. Contributions of \$1,000,000 and benefit payments of \$810,015 contributed to the net change in assets. An estimate of the investment return is 8.69% for the year.



Change in Actuarial Assumptions

There have been no changes made to the Actuarial Assumptions for this valuation

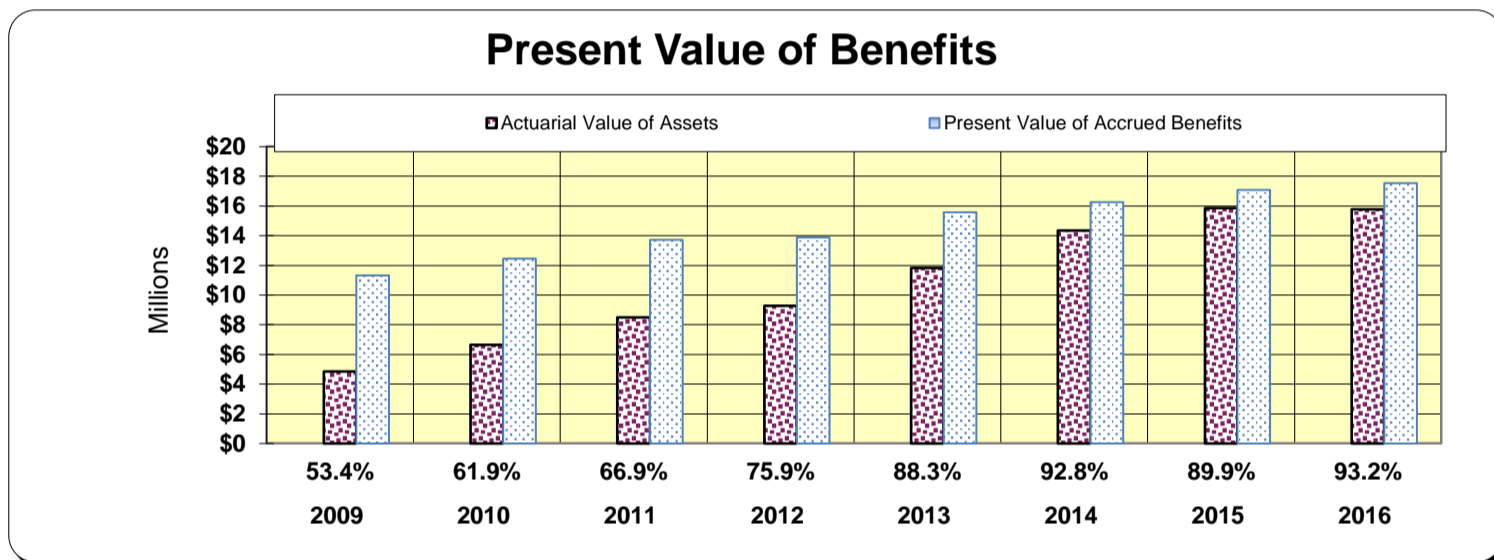
Change in Plan Provisions

There are no changes in plan provisions reflected in this valuation.

Present Value of Accumulated Benefits

The Present Value of Accumulated (or Accrued) Benefits is a measure of the value of benefits earned for service to date. This value increased from \$17,540,331 on October 1, 2015 to \$18,569,710 on October 1, 2016.

One measure of the funding adequacy of the plan is to compare the Present Value of Accumulated Benefits to the plan assets. In this case, the October 1, 2016 Actuarial Value of Assets of \$17,304,524 results in a funded ratio of 93.2% (compared to 89.9% on October 1, 2015).



Please note that although this ratio is an estimate of the funding adequacy of the plan, it does not determine the actual amounts the employer needs to contribute into the plan.

SUMMARY AND COMPARISON

	<u>October 1, 2015</u>	<u>October 1, 2016</u>
1. Number of Participants		
Active Participants	104	110
Terminated Participants with Vested Benefits	14	13
Retirees Receiving Benefits	30	31
Total	148	154
2. Current Annual Compensation		
Active Participants Below Retirement Age	\$ 2,349,826	\$ 2,471,933
All Other Active Participants	302,681	500,013
Total	\$ 2,652,507	\$ 2,971,946
3. Present Value of All Projected Future Benefits	\$ 22,888,469	\$ 24,179,475
4. Present Value of Accumulated (i.e. Earned to Date) Benefits	\$ 17,540,331	\$ 18,569,710
5. Present Value of Vested Accumulated (i.e., Nonforfeitable) Benefits	\$ 17,052,617	\$ 17,974,446
6. Actuarial Value of Plan Assets	\$ 15,762,507	\$ 17,304,524
7. Normal Cost (including Estimated Expenses) Aggregate Method	\$ 924,984	\$ 818,346
8. Annual Required Contribution (with interest to year end) Aggregate Method	\$ 985,108	\$ 871,538
9. Annual Required Contribution as a Percentage of Compensation (Actives Below Retirement Age) Aggregate Method	41.9%	35.3%

OUTLINE OF PLAN

This outline of the plan is intended as a general description of the major plan provisions. For exact provisions as administered, please refer to your plan document and pertinent amendments, if any.

Effective Date And Plan Year

The effective date of the plan is April 1, 2003. The plan anniversary is each October 1. The plan was most recently amended by Resolution C-1335 in July, 2015, which provided for a reduced benefit accrual for employees hired after June of 2014, and introduced a benefit for Part Time employees.

Eligibility

All employees with the exception of police officers are eligible to be covered under the plan.

An eligible employee, other than an elected official, is one who has attained age 21 and is credited with one year of preliminary service. Plan entry is each April 1 or October 1, thereafter. Participating employees accrue service credits for each month of employment.

Elected officials eligible for the plan are the mayor and council members. They are eligible to enter the plan on the first April 1 or October 1 after commencement of service in their elected positions. Elected officials accrue service credits for each month or part of a month they are in office.

Contributions

The employer contributes whatever amounts are required to fund the plan benefits.

Amount Of Retirement Benefit

The participant's Normal Retirement Benefit is determined based on the participant's job classification as follows:

General Employees - Union & Non-Union

The normal retirement benefit is determined as a percent of basic monthly earnings. The percent is based on the number of years of Benefit Service at calculation date. Benefit Service is limited to 30 years. The applicable percent, based on the following table, is multiplied by all years of service at the time the benefit is determined.

<u>Hired Prior to January 1, 2011</u>		<u>Hired From January 1, 2011, to June 30, 2014</u>	
<u>Benefit Service</u>	<u>Percent</u>	<u>Benefit Service</u>	<u>Percent</u>
0 to 10	2.00%	0 to 15	2.00%
10 to 15	2.25%	15 to 20	2.25%
15 to 30	2.50%	20 to 30	2.50%
<u>Hired after June 30, 2014</u>			
<u>Benefit Service</u>	<u>Percent</u>		
0 to 30	1.67%		

Basic monthly earnings means the average monthly compensation paid for service performed during the 5-consecutive-plan-year period within the most recent 10 years which will produce the highest average, provided the participant received compensation in each of the consecutive whole months.

Mayor

The normal retirement benefit is equal to one-twelfth of \$5,500 multiplied by the number of years of credited benefit service as mayor.

Elected Council Members

The normal retirement benefit is equal to one-twelfth of \$2,500 multiplied by the number of years of credited benefit service as a council member.

Part-Time Employees

The normal retirement benefit is determined based on Age and Years of Service. There is no vesting until eligibility to retire is attained, and there is no pre-retirement death benefit.

<u>Age</u>	<u>Years of Service</u>	<u>Monthly Benefit</u>	<u>Age</u>	<u>Years of Service</u>	<u>Monthly Benefit</u>
65	20	\$100	75	20	\$145
65	25	\$110	75	25	\$170
70	20	\$120	78	15	\$120
70	25	\$130	78	20	\$160
			78	25	\$210

Benefit Limits

Council Members' and Mayor benefits are limited to 100% of Basic Monthly Earnings, including Cost of Living adjustments. General Employees' benefits are limited to 75% of Basic Monthly Earnings, including Cost of Living adjustments.

Annuity Forms

Prior to July 1, 2007, the normal annuity form was a monthly income payable for life. After June 30, 2007, the normal form of benefit is a 20 Year Certain-and-Life annuity. At the participant's option, retirement income may be paid with a certain period, or on a joint-and-survivor basis. Election of an optional form may be made at any time before retirement. For any annuity form, the amount of income is adjusted so the cost to the fund is the same as it would have been under the normal annuity form.

The normal annuity form for a General employee hired after July 1, 2014 is a 10 Year Certain-and-Life annuity.

The annuity form for a Part-Time employee is a Straight Life annuity, with no other optional forms available.

Normal Retirement

For elected officials, normal retirement date is first of the month coincident with, or immediately following, the later of (1) age 55 or (2) 8 completed years of vesting service as an elected official.

For General employees hired before January 1, 2011, normal retirement date is first of the month coincident with, or immediately following, the earlier of (1) age 62 or (2) 30 completed years of vesting service.

For General employees hired after January 1, 2011 but before July 1, 2014, normal retirement date is first of the month coincident with, or immediately following, the earlier of (1) age 65 or (2) 35 completed years of vesting service.

For Part-time employees , effective July 1, 2015, normal retirement date is first of the month coincident with, or immediately following, the attainment of an Age and Service combination which designates eligibility for a monthly benefit.

Early Retirement

For elected officials, early retirement date is the first of the month coincident with, or immediately following, the last day of the last year of service as an elected official. An elected official who has attained age 50 and completed eight (8) years of service is eligible for an unreduced early retirement benefit.

For General Employees, early retirement date is the first of the month coincident with, or immediately following, the attainment of age 50.

Part Time employees are not eligible for an early retirement benefit.

Late Retirement

If termination of employment is postponed beyond the normal retirement date, benefits will continue to accrue according to the benefit formula. In no event will the benefit be less than the benefit accrued to normal retirement, increased by tabular factors.

Cost-of-Living Adjustment

Effective each January 1, a cost-of-living adjustment (COLA) will be calculated based on the Consumer Price Index (Urban Wage Earners and Clerical Workers) for the third quarter of the year preceding the adjustment date. The percentage of increase is rounded to the nearest 1/10th of 1%. Cost of living adjustments will cease if the plan terminates. The COLA is limited to no more than 3% per year effective July 1, 2007 and thereafter. The adjusted benefit is limited to 75% of final earnings.

Disability Benefit

A participant (other than a part-time employee) who becomes disabled will be treated as though he had accrued a year of vesting service for each plan year during which his disablement continues. Total and permanent disability shall cease on the earliest of (1) the date he is no longer totally and permanently disabled, (2) date of death, or (3) attainment of normal retirement age.

Death Benefit

In the event of the death of a participant (other than a part-time employee) before retirement but after becoming vested in a portion of his accrued benefit, the participant's beneficiary will receive a monthly benefit for a Certain Period based on the participant's pension credit accrued to the date of his death, and which would have been payable if the participant had retired and had elected a Certain-and-Life annuity of that same duration. For those hired prior to July 1, 2014, the length of the Certain Period is 20 years. For those hired after June 30, 2014, the Certain Period is 10 years. The benefit may commence no later than the date the participant would have reached age 70-1/2.

Vesting

A participant who terminates with vesting is entitled to receive a vested monthly benefit starting at normal retirement date. Elected officials are automatically 100% vested. General employees hired before July 1, 2014 become vested upon the completion of five (5) years of service. General employees hired after July 1, 2014 become vested upon the completion of eight (8) years of service. A year of vesting service is earned for each plan year in which the participant works at least 1,500 hours. Part-time employees do not earn or accrue vesting service until eligibility to retire is attained.

In addition, a participant shall be 100% vested upon attainment of retirement age while an employee.

ACTUARIAL METHODS AND ASSUMPTIONS

Costs and liabilities were estimated on the basis of the plan specifications outlined in this report, the employee data furnished The Standard and the following methods and assumptions:

- Actuarial Cost Method** - funding calculations are based on the Aggregate Method, with normal cost as level percent of salary

- Asset Value** - Fair Market value

- Funding Entry Age** - Age nearest birthday on valuation date coinciding with or immediately following the date at which eligibility requirements are satisfied

- Expense Assumption** - Estimated fees to be paid from plan assets during the year

- Before Retirement**
 - Interest - 6.50%
 - Mortality - IRS 2008+ Combined Static Mortality (dynamic)
 - Disability - 1987 Commissioner's Group Disability Table, six month elimination period, male and female - sample rates as follows:

<u>Age</u>	<u>Rate of Disablement</u>
25	0.0854%
30	0.0986%
40	0.1760%
50	0.5396%

- Terminations - Table V from August 1992 Pension Forum published by the Society of Actuaries, multiplied by 0.35 - sample rates as follows:

<u>Age</u>	<u>Rate of Withdrawal</u>
25	4.76%
30	3.54%
40	2.28%
50	1.58%

- Salary Scale - Level 3.50% per year

After Retirement or Separation

Interest - 6.50%
Mortality - IRS 2008+ Combined Static Mortality (dynamic)

Retirement Age - Normal retirement age

Cost-of-Living Adjustment - 2.50%

Marriage Assumption - 75% of males and 75% of females with males 3 years older than spouses

Participant Data

Active participants and inactive participants with vested benefits, were included in the valuation. Employees who have not completed the eligibility requirements were not included. Terminated employees without vested benefits were not included whether they had incurred a break in service or not. No cost consideration was made for employees hired in the future.

Change In Actuarial Assumptions

No changes have been made to the Actuarial Assumptions since the last valuation.

DESCRIPTION OF ACTUARIAL METHOD

The Aggregate Cost Method

The Aggregate Actuarial Cost Method has been used to determine contribution levels for the plan. Contribution levels have a single component:

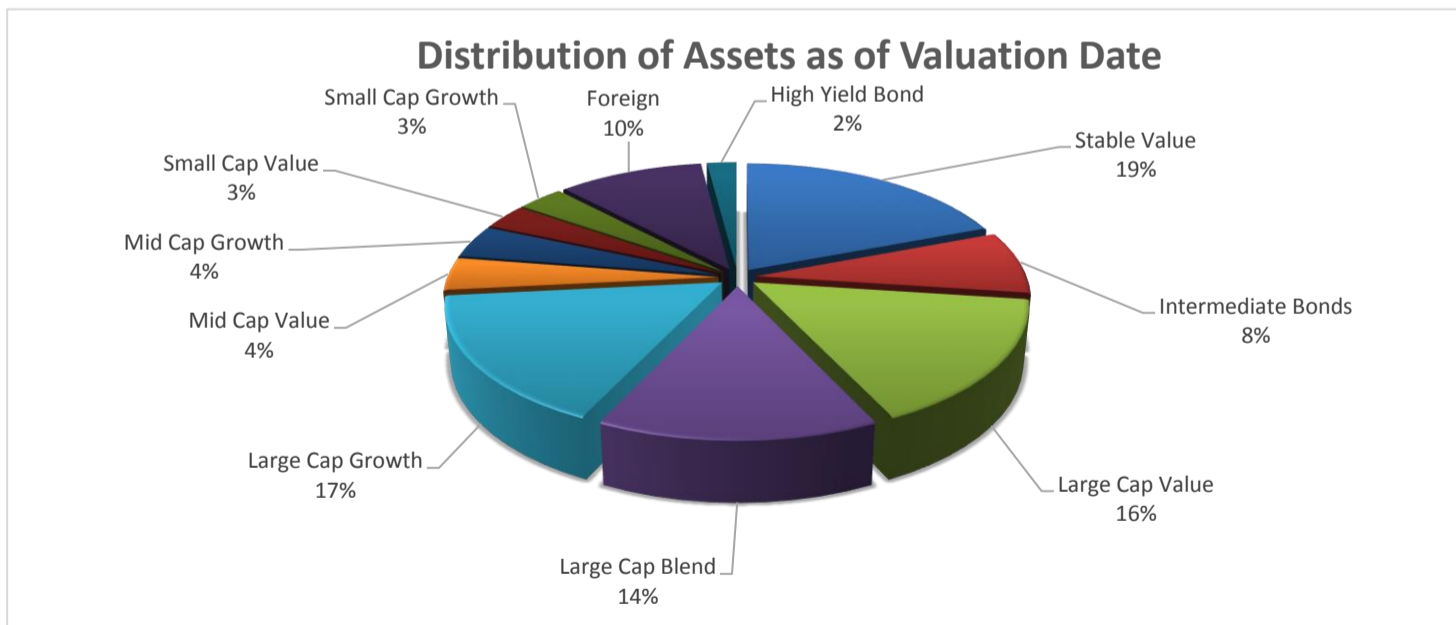
Normal Cost

Under this method, the excess of the present value of projected benefits of the participants over the value of assets, after adjustment for any credit balance, is allocated on a level basis over the earnings of the participants from the valuation date to assumed retirement dates. This allocation is performed for the group as a whole, not as a sum of individual allocations. The normal cost is the portion of the excess allocated to a valuation year.

ASSET SUMMARY AND RECONCILIATION

Statement of Plan Net Assets

	<u>September 30, 2015</u>	<u>September 30, 2016</u>
Assets:		
Cash		
Checking/Savings Account	\$ 0.00	\$ 0.00
Investments		
Insurance contracts at contract value		
Available for nonretired lives	\$ 0.00	\$ 0.00
Reserved for retired lives	0.00	0.00
Unallocated Separate Accounts at Fair Value	12,361,465.48	13,977,791.79
Allocated Separate Accounts at Fair Value	0.00	0.00
Other	<u>3,401,041.02</u>	<u>3,326,731.86</u>
Subtotal	\$ 15,762,506.50	\$ 17,304,523.65
Accrued Transfer to Police Plan	<u>0.00</u>	<u>0.00</u>
Total Assets	\$ 15,762,506.50	\$ 17,304,523.65
Liabilities:		
Accrued Expenses	\$ 0.00	\$ 0.00
Accrued Distributions	<u>0.00</u>	<u>0.00</u>
Total Liabilities	\$ 0.00	\$ 0.00
Net assets available for benefits:	\$ 15,762,506.50	\$ 17,304,523.65



ASSET SUMMARY AND RECONCILIATION

Statement of Changes in Plan Net Assets

	<u>Year Ending September 30, 2015</u>	<u>Year Ending September 30, 2016</u>
Additions:		
Contributions		
Employer Contributions	\$ 900,000.00	\$ 1,000,000.00
Accrued Contributions	0.00	0.00
Total Contributions	\$ 900,000.00	\$ 1,000,000.00
Investment Income		
Net appreciation/(depreciation) in fair value of investments	(263,782.97)	\$ 1,333,089.61
Contract Investment Income	46,150.94	43,296.68
Dividend Income	0.00	0.00
Other Income	0.00	0.00
Total Investment Income	\$ (217,632.03)	\$ 1,376,386.29
Total Additions	\$ 682,367.97	\$ 2,376,386.29
Deductions:		
Pension Payments	\$ 746,171.81	\$ 810,014.72
Administrative expenses	20,889.25	24,354.42
Increase in Accrued Transfer - (Spun off Assets)	0.00	0.00
Annuity Purchases	0.00	0.00
Other expenses	0.00	0.00
Total Deductions	\$ 767,061.06	\$ 834,369.14
Net increase/(decrease)	\$ (84,693.09)	\$ 1,542,017.15
Net Assets on October 1	\$ 15,847,199.59	\$ 15,762,506.50
Net Assets on September 30	\$ 15,762,506.50	\$ 17,304,523.65
Estimated Rate of Return at Year End	(1.35%)	8.69%

**ACTUARIAL VALUE OF ASSETS
AND DEVELOPMENT OF ANNUAL REQUIRED CONTRIBUTION**

	<u>October 1, 2015</u>	<u>October 1, 2016</u>
1. Present Value of Retirement Benefits		
Active Participants, Vested Benefits	\$ 6,387,477	\$ 6,915,077
Retirees In Pay Status	9,416,762	9,768,868
Terminated with Vested Benefits	<u>1,248,378</u>	<u>1,290,501</u>
Present Value of Vested Benefits	\$ 17,052,617	\$ 17,974,446
Non-Vested Benefits	<u>487,714</u>	<u>595,264</u>
Present Value of Accrued Benefits	\$ 17,540,331	\$ 18,569,710
Present Value of Future Accruals	<u>5,348,138</u>	<u>5,609,765</u>
Present Value of Future Benefits	\$ 22,888,469	\$ 24,179,475
2. Actuarial Value of Plan Assets		
Total Assets Held Under Contract	\$ 15,762,507	\$ 17,304,524
Accrued Contribution received after Valuation Date	<u>0</u>	<u>0</u>
Total	\$ 15,762,507	\$ 17,304,524
3. Present Value of Future Normal Costs = (1) - (2)	\$ 7,125,962	\$ 6,874,951
4. Present Value of Future Salaries	\$ 18,280,640	\$ 20,997,728
5. Current Annual Salaries for Active Participants Below Assumed Retirement Age	\$ 2,349,826	\$ 2,471,933
6. Normal Cost Rate = (3) / (4)	38.9809%	32.7414%
7. Normal Cost		
Normal Cost = (5) * (6)	\$ 915,984	\$ 809,346
Estimated Plan Expenses	<u>9,000</u>	<u>9,000</u>
	\$ 924,984	\$ 818,346
8. Annual Required Contribution (Includes interest to Year-End)	\$ 985,108	\$ 871,538

PRESENT VALUE OF ACCUMULATED BENEFITS

	<u>October 1, 2015</u>	<u>October 1, 2016</u>
Present Value of Nonvested Accumulated Benefits	\$ 487,714	\$ 595,264
Present Value of Vested Accumulated Benefits		
a. Retirees In Pay Status	9,416,762	9,768,868
b. Active members	6,387,477	6,915,077
c. Inactive members	<u>1,248,378</u>	<u>1,290,501</u>
Present Value of Accumulated Benefits	\$ 17,540,331	\$ 18,569,710

Actuarial Present Value of Accumulated Benefits At Beginning of Prior Year \$ 17,540,331

Increase (Decrease) during the Year Attributable to:

Benefits Earned during the Year (Including Experience Gains and Losses)	699,272
Change in Plan Provisions	0
Change in Actuarial Assumptions	0
Increase for Interest Due to the Decrease in the Discount Period	1,140,122
Benefits Paid	<u>(810,015)</u>
Net Increase (Decrease)	\$ 1,029,379

Actuarial Present Value of Accumulated Benefits at End of Year \$ 18,569,710

CHANGE IN NUMBER OF PARTICIPANTS

	Active Participants	Disabled and Terminated with Deferred Benefits	Beneficiaries and Retirees in Pay Status	Total
1. Number on 10/01/2015	104	14	30	148
2. New Entrants - Full Time	12	0	0	12
3. New Entrants - Part Time	2	0	0	2
4. Rehired Participants	0	0	0	0
5. Terminated without Vesting	(7)	0	0	(7)
6. Terminated with Vesting	0	0	1	1
7. Retired	(1)	0	0	(1)
8. New Beneficiary	0	0	0	0
9. Deceased	0	0	0	0
10. Data Corrections *	0	(1)	0	(1)
11. Number on 10/01/2016	110	13	31	154

	<u>October 1, 2015</u>	<u>October 1, 2016</u>
12. Average Salary for Active Participants	\$46,535	\$45,722
13. Average Age of Active Participants		
General Service Employees & Elected Officials	46.83	48.15
Part Time Employees	56.47	55.06
All Active Participants	<u>51.19</u>	<u>50.98</u>
14. Average Service Credits for Active Participants		
General Service Employees & Elected Officials	10.20	9.58
Part Time Employees	9.77	11.18
All Active Participants	<u>10.01</u>	<u>10.23</u>