



GASB 67/68 Accounting Valuation Report

Prepared for the

Town of Medley Defined Benefit Plan

a Single Employer Defined Benefit Plan

Fiscal Year ending September 30, 2015

Measurement Date: September 30, 2015

Valuation Date: October 1, 2014

January 11, 2016

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

Dear Roy:

This report contains accounting results for the Town of Medley Defined Benefit Plan for the fiscal year ending September 30, 2015. It is intended to assist with compliance with Government Accounting Standards Board Statements 67 and 68.

GASB Statement 67, Financial Reporting for Pension Plans, is an amendment of GASB 25. It is effective for financial statements prepared for fiscal years beginning after June 15, 2013.

GASB Statement 68, Accounting and Financial Reporting for Pensions, is an amendment of GASB 27, effective for fiscal years beginning after June 15, 2014.

Results in this report rely on several sources of data:

- ◆ Financial information provided to Standard Retirement Services
- ◆ Unaudited employee data furnished to us
- ◆ Provisions of the plan as summarized in this report
- ◆ Actuarial method and assumptions presented in this report

If you have any questions regarding the contents of this report, please contact me at your convenience.

Sincerely,

Stephen M. Coleman, FSA EA MAAA
Defined Benefit Actuary
(800) 262-7111 ext. 8558

Actuarial Certification

This report provides disclosure and reporting information as required under Government Accounting Standards Board Statements 67 and 68 (GASB 67 and GASB 68) for the Town of Medley Defined Benefit Plan, a single employer defined benefit plan, for the fiscal year ending September 30, 2015.

Determinations for purposes other than financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

Results in this report are based on a September 30, 2015 measurement date. Liabilities were initially valued as of October 1, 2014 and then rolled forward to the measurement date. Actuarial assumptions and plan provisions used for the calculation are summarized in this report. I believe the assumptions to be appropriate.

This valuation has been calculated in accordance with generally accepted actuarial principles and practices, as well as my understanding of the financial accounting and reporting requirements. The information in this report is not intended to supersede the advice and interpretations of the employer's auditor. The report may not provide all the information necessary to complete the required disclosures under GASB 68. The employer should supplement and update the information in this report as necessary.

The undersigned meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. I am not aware of any relationship between The Standard and Town of Medley that would impact objectivity.

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

Date

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Asset Summary and Reconciliation

Statement of Fiduciary Net Position

	<u>September 30, 2014</u>	<u>September 30, 2015</u>
Assets:		
Cash		
Accrued Employer Contributions	\$ 0.00	\$ 0.00
Accrued Member Contributions	0.00	0.00
Checking/Savings Account	0.00	0.00
	<u>\$ 0.00</u>	<u>\$ 0.00</u>
 Receivables		
Employer Contributions	\$ 0.00	\$ 0.00
Employee Contributions	0.00	0.00
Total Receivables	<u>\$ 0.00</u>	<u>\$ 0.00</u>
 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	12,711,973.40	12,361,465.48
Allocated Separate Accounts at Fair Value	0.00	0.00
Other	3,135,226.19	3,401,041.02
Total Investments	<u>\$ 15,847,199.59</u>	<u>\$ 15,762,506.50</u>
Total Assets	<u>\$ 15,847,199.59</u>	<u>\$ 15,762,506.50</u>
 Liabilities:		
Accrued administrative expenses	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Total Liabilities	<u>\$ 0.00</u>	<u>\$ 0.00</u>
 Net position restricted for pensions:	 <u>\$ 15,847,199.59</u>	 <u>\$ 15,762,506.50</u>

Asset Summary and Reconciliation
Statement of Changes in Fiduciary Net Position

	<u>September 30, 2014</u>	<u>September 30, 2015</u>
Additions:		
Contributions		
Employer Contributions	\$ 850,000.00	\$ 900,000.00
Members' Contributions	0.00	0.00
Total Contributions	<u>\$ 850,000.00</u>	<u>\$ 900,000.00</u>
Investment Income		
Net appreciation/(depreciation) in fair value	\$ 1,314,800.97	\$ (263,782.98)
Contract Investment Income	46,728.29	46,150.95
Dividend Income	0.00	0.00
Other Income	0.00	0.00
Total Investment Income	<u>\$ 1,361,529.26</u>	<u>\$ (217,632.03)</u>
Total Additions	<u>\$ 2,211,529.26</u>	<u>\$ 682,367.97</u>
Deductions:		
Benefit Payments	\$ 707,981.34	\$ 746,171.81
Administrative Service Fees	9,307.75	20,889.25
Other Expenses	0.00	0.00
Other	0.00	0.00
Total Deductions	<u>\$ 717,289.09</u>	<u>\$ 767,061.06</u>
Net increase in net position	<u>\$ 1,494,240.17</u>	<u>\$ (84,693.09)</u>
Net Position Restricted for Pensions		
Beginning of Year	<u>\$ 14,352,959.42</u>	<u>\$ 15,847,199.59</u>
End of Year	<u>\$ 15,847,199.59</u>	<u>\$ 15,762,506.50</u>
Estimated Rate of Return at Year End	9.44%	(1.37%)

GASB Statement 67

GASB Statement 67, Financial Reporting for Pension Plans, is an amendment of GASB 25. It is effective for financial statements prepared for fiscal years beginning after June 15, 2013.

Net Pension Liability as of September 30, 2014

The determination of pension liability at fiscal year end, below, is based on a roll-forward technique utilizing calculations performed as of the start of the fiscal year.

Three separate calculations of pension liability are displayed, one using the stated discount rate together with calculations based on a 1% increase and 1% decrease in that rate. The additional calculations are required by GASB 67 to illustrate the sensitivity of net pension liability to changes in the discount rate.

Total Pension Liability

	discount rate:	baseline 6.50%	1% increase 7.50%	1% decrease 5.50%		
Total Pension Liability at October 1, 2013	\$	17,492,105	\$	15,636,660	\$	19,724,830
Service Cost		373,706		299,525		469,585
Benefit Payments		(707,981)		(707,981)		(707,981)
Interest to September 30, 2014		1,138,268		1,168,665		1,091,223
Projected Total Pension Liability at September 30, 2014	\$	18,296,098	\$	16,396,868	\$	20,577,657

Components of Net Pension Liability

Total Pension Liability	\$	18,296,098	\$	16,396,868	\$	20,577,657
Fiduciary Net Position		15,847,200		15,847,200		15,847,200
Net Pension Liability	\$	2,448,898	\$	549,669	\$	4,730,457
 Fiduciary Net Position as % of Total Pension Liability		86.62%		96.65%		77.01%

Actuarial assumptions

Investment Rate of Return	6.50%
Discount Rate	6.50%
Inflation Rate	3.50%
Mortality Rates	2008+ IRS Combined Static Table

Discount rate

The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made at actuarially determined contribution rates. 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.

Investment rate of return

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 expense and inflation) are developed for each major asset class. 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.

GASB Statement 67

Net Pension Liability as of September 30, 2015

The determination of pension liability at fiscal year end, below, is based on a roll-forward technique utilizing calculations performed as of the start of the fiscal year.

Three separate calculations of pension liability are displayed, one using the stated discount rate together with calculations based on a 1% increase and 1% decrease in that rate. The additional calculations are required by GASB 67 to illustrate the sensitivity of net pension liability to changes in the discount rate.

Total Pension Liability

	discount rate:	baseline 6.50%	1% increase 7.50%	1% decrease 5.50%		
Total Pension Liability at October 1, 2014	\$	19,113,050	\$	17,085,583	\$	21,548,642
Service Cost		449,137		362,236		561,242
Benefit Payments		(746,172)		(746,172)		(746,172)
Interest to September 30, 2015		1,247,292		1,280,605		1,195,524
Projected Total Pension Liability at September 30, 2015	\$	20,063,307	\$	17,982,252	\$	22,559,236

Components of Net Pension Liability

Total Pension Liability	\$	20,063,307	\$	17,982,252	\$	22,559,236
Fiduciary Net Position		15,762,507		15,762,507		15,762,507
Net Pension Liability	\$	4,300,800	\$	2,219,746	\$	6,796,730
Fiduciary Net Position as % of Total Pension Liability		78.56%		87.66%		69.87%

Actuarial assumptions

Investment Rate of Return	6.50%
Discount Rate	6.50%
Inflation Rate	3.50%
Mortality Rates	2008+ IRS Combined Static Table

Discount rate

The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made at actuarially determined contribution rates. 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.

Investment rate of return

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 expense and inflation) are developed for each major asset class. 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.

GASB Statement 67

Schedule of Changes in Net Pension Liability

	<u>September 30, 2014</u>	<u>September 30, 2015</u>
Total Pension Liability		
Service cost	\$ 373,706	\$ 449,137
Interest	1,138,268	1,247,292
Benefit payments	(707,981)	(746,172)
Difference between expected and actual experience	-	816,952
Plan amendment	-	-
Changes in assumptions	-	-
Net change in Total Pension Liability	\$ 803,993	\$ 1,767,209
Total Pension Liability - beginning	17,492,105	18,296,098
Total Pension Liability - ending	\$ 18,296,098	\$ 20,063,307
Fiduciary Net Position		
Contributions - employer	\$ 850,000	\$ 900,000
Contributions - employees	-	-
Net investment income	1,361,529	(217,632)
Benefit payments	(707,981)	(746,172)
Administrative expenses	(9,308)	(20,889)
Other	-	-
Net change in Fiduciary Net Position	\$ 1,494,240	\$ (84,693)
Fiduciary Net Position - beginning	14,352,959	15,847,200
Fiduciary Net Position - ending	\$ 15,847,200	\$ 15,762,507
Net Pension Liability	\$ 2,448,898	\$ 4,300,800
Fiduciary Net Position as % of Total Pension Liability	86.62%	78.56%
Covered Employee Payroll	\$ 2,118,023	\$ 2,594,629
Net Pension Liability as a % of Payroll	115.62%	165.76%

Notes:

GASB Statement 68

Development of Pension Expense

		<u>September 30, 2015</u>
Service Cost	\$	449,137
Interest on Total Pension Liability		1,247,292
Effect of Plan Amendments		-
Employee Contributions		-
Expected Earnings on Investments		(1,034,388)
Administrative Expense		20,889
Recognition of Deferred Outflows/(Inflows)		387,161
Total Pension Expense	\$	1,070,090

Deferred Outflow/(Inflow) of Resources

Layers of Deferred Outflow/(Inflow)

Origin code	First Year of Amortization	Recognition Period (Years)	Initial balance	Amount recognized, period ending 9/30/2015	Remaining balance, 9/30/2015
1	9/30/2015	5.97	\$ 816,952	\$ 136,757	\$ 680,195
2	9/30/2015	5.00	1,252,021	250,404	1,001,616
totals:				\$ 387,161	\$ 1,681,811

- Origin codes:
- 1 = Differences between expected and actual experience (recognized over average future service of all participants)
 - 2 = Net difference between projected and actual investment earnings (recognized over a 5 year period)
 - 3 = Change of assumptions (recognized over average future service of all participants)

Recognition of Deferred Outflow/(Inflow) in Future Years

Amounts reported as deferred outflows and inflows will be recognized in pension expense as follows:

year ending:	September 30, 2016	\$	387,161
	September 30, 2017		387,161
	September 30, 2018		387,161
	September 30, 2019		387,161
	September 30, 2020		133,167
	thereafter		-

DESCRIPTION OF PLAN PROVISIONS

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 restated effective October 1, 2012.

Eligibility

All employees who were hired with the expectation of working at least 36 hours each week and who are not 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.

Hired Prior to January 1, 2011		Hired After January 1, 2011	
<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%

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.

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.

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 all other participants, 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.

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 all other participants, early retirement date is the first of the month coincident with, or immediately following, the attainment of age 50.

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 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 a participant's death before retirement but after becoming vested in a portion of his accrued benefit, the participant's beneficiary will receive a monthly benefit for 20 years 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 20 Year Certain-and-Life annuity. 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. Other participants become vested upon the completion of five (5) years of service. A year of vesting service is earned for each plan year in which the participant works at least 1,500 hours.

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 unaudited employee data furnished to

Actuarial Cost Method	- The Entry Age actuarial cost method is used to attribute the actuarial present value of projected benefit payments of each plan member to periods in conformity with the following: <ul style="list-style-type: none">> Attribution is made on an individual plan-member-by-plan-member basis.> Each plan member's service costs is level as a percentage of that member's pay.						
Funding Entry Age	- Age nearest birthday on valuation date coinciding with or immediately following the date at which eligibility requirements are satisfied						
Asset Value	- Market Value						
Interest	- 6.50%						
Salary Increase	- 3.50%						
Cost-of-Living Adjustment	- 2.50%						
Mortality	- 2008+ IRS Combined Static Table						
Disability	- 1987 Commissioner's Group Disability Table, six month elimination period						
Terminations	- 35% of V Table, published by the Society of Actuaries in the August 1992 issue of Pension Forum; sample rates follow: <table data-bbox="925 1060 1209 1155"><tr><td>Age 25</td><td>9.52%</td></tr><tr><td>Age 40</td><td>4.55%</td></tr><tr><td>Age 55</td><td>0.00%</td></tr></table>	Age 25	9.52%	Age 40	4.55%	Age 55	0.00%
Age 25	9.52%						
Age 40	4.55%						
Age 55	0.00%						
Retirement Age	- Normal Retirement Age						
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.