

TOWN OF MEDLEY  
POLICE OFFICERS' RETIREMENT SYSTEM

ACTUARIAL VALUATION  
AS OF OCTOBER 1, 2015

CONTRIBUTIONS APPLICABLE TO THE TOWN'S  
PLAN/FISCAL YEAR ENDED SEPTEMBER 30, 2017

March 2, 2016

Board of Trustees  
Town of Medley  
Police Officers' Retirement System  
7331 NW 74<sup>th</sup> St.  
Medley, FL 33166

Re: Town of Medley  
Police Officers' Retirement System

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the Town of Medley Police Officers' Retirement System. 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(s). 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 Chapters 112 and 185, 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 Town, 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.

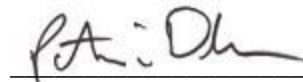
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the Town of Medley, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the Town of Medley Police Officers' Retirement System. 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, ASA, MAAA  
Enrolled Actuary #14-6595

PTD/lke

Enclosures

## TABLE OF CONTENTS

Section	Title	Page
I	<u>Introduction</u>	
	a. Discussion	5
	b. Changes Since Prior Report	7
	c. Comparative Summary of Principal Valuation Results	8
II	<u>Valuation Results</u>	
	a. Reconciliation of Unfunded Actuarial Accrued Liabilities	13
	b. Actuarial Assumptions and Methods	14
	c. Valuation Notes	16
	d. History of State Contributions	17
III	Trust Fund	18
IV	<u>Member Statistics</u>	
	a. Statistical Data	23
	b. Age and Service Distribution	24
	c. Member Reconciliation	25
V	Summary of Plan Provisions	26
VI	Governmental Accounting Standards Board Disclosure Information	28

## INTRODUCTORY DISCUSSION

The regular annual actuarial valuation of the Town of Medley Police Officers' Retirement System, performed as of October 1, 2015, has been completed, and the results are presented in this Report. The results of this valuation are applicable to the Town's fiscal year ended September 30, 2017.

The contribution requirements developed in this valuation, compared with the amounts developed in the October 1, 2014 valuation as revised on May 20, 2015, are as follows:

Valuation Date	10/1/2015	10/1/2014
Applicable Plan/Fiscal Year End	<u>9/30/2017</u>	<u>9/30/2016</u>
Sponsor Required Contribution		
% of Pensionable Payroll	31.1%	34.3%
Applicable State Contribution <sup>1</sup>		
% of Pensionable Payroll	4.2%	4.2%
Balance From Town <sup>2</sup>		
% of Pensionable Payroll	26.9%	30.1%

<sup>1</sup> Amount shown represents actual State Monies received in fiscal 2015. The Town may use contributions of up to \$703,459, if received, in determining their requirement, based on “traditional” interpretation of Chapter 99-1, Florida Statutes.


<sup>2</sup> For budgeting purposes, the required Sponsor Contribution is 31.1% of Pensionable Earnings for the fiscal year ending September 30, 2017. The precise Town requirement for the year is this amount, less actual State Contributions (up to the maximum \$703,459). Additionally, please note that there is a prepaid Town contribution of \$1,111,184.95 (see Page 19) which may be used to help offset the above stated requirement for fiscal 2016.

As can be seen, the Sponsor Required Contribution has decreased when expressed as a percentage of Pensionable Payroll. This decrease is a result of net favorable actuarial experience during the past year. The primary components of favorable experience included a 10.33% investment return (Actuarial Asset Basis) that exceeded the 7.5% assumption, average increases in Pensionable Earnings that were below the assumed rate, and greater than expected turnover and inactive mortality. There were no significant sources of actuarial loss during the year.

The balance of this Report presents additional details of the actuarial valuation and the general 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, ASA, MAAA

By:   
Tyler A. Koftan

## CHANGES SINCE PRIOR VALUATION

### Plan Changes

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

### Actuarial Assumption/Method Changes

There have been no assumption or method changes since the prior valuation report.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2015</u>	<u>10/1/2014</u>
<b>A. Participant Data</b>		
Number Included		
Actives	37	37
Service Retirees	14	13
Beneficiaries	1	0
Disability Retirees	0	0
Terminated Vested	<u>2</u>	<u>3</u>
Total	54	53
Total Annual Payroll	\$2,885,418	\$2,881,548
Payroll Under Assumed Ret. Age	2,885,418	2,881,548
Annual Rate of Payments to:		
Service Retirees	920,824	844,661
Beneficiaries	52,072	0
Disability Retirees	0	0
Terminated Vested	55,943	100,612
<b>B. Assets</b>		
Actuarial Value	18,192,002	16,273,229
Market Value	18,843,266	18,668,199
<b>C. Liabilities</b>		
Present Value of Benefits		
Actives		
Retirement Benefits	14,148,000	14,106,181
Disability Benefits	750,562	739,708
Death Benefits	65,866	65,928
Vested Benefits	497,643	515,686
Refund of Contributions	53,182	55,735
Service Retirees	10,368,646	9,487,147
Beneficiaries	534,783	0
Disability Retirees	0	0
Terminated Vested	542,644	1,030,544
Excess State Monies Reserve	<u>0</u>	<u>0</u>
Total	26,961,326	26,000,929



C. Liabilities - (Continued)	<u>10/1/2015</u>	<u>10/1/2014</u>
Present Value of Future Salaries	22,096,975	22,055,660
Present Value of Future Member Contributions	1,104,849	1,102,783
FIL Normal Cost (Sponsor)	237,505	323,423
Present Value of Future Normal Costs (Entry Age)	4,612,287	4,581,674
Total Actuarial Accrued Liability	24,037,626	22,422,634
Unfunded Actuarial Accrued Liability (UAAL)	5,845,624	6,149,405
Funded Ratio (AVA / AL)	75.7%	72.6%

D. Actuarial Present Value of Accrued Benefits

Vested Accrued Benefits		
Inactives	11,446,073	10,517,691
Actives	7,110,666	7,290,016
Member Contributions	<u>831,354</u>	<u>777,283</u>
Total	19,388,093	18,584,990
Non-vested Accrued Benefits	<u>999,063</u>	<u>803,212</u>
Total Present Value Accrued Benefits	20,387,156	19,388,202
Funded Ratio (MVA / PVAB)	92.4%	96.3%

Increase (Decrease) in Present Value of  
Accrued Benefits Attributable to:

Plan Amendments	0
Assumption Changes	0
New Accrued Benefits	538,137
Benefits Paid	(957,396)
Interest	1,418,213
Other	<u>0</u>
Total	998,954

Valuation Date	10/1/2015	10/1/2014
Applicable to Fiscal Year Ending	<u>9/30/2017</u>	<u>9/30/2016</u>

E. Pension Cost

Sponsor Normal Cost (with interest) % of Pensionable Annual Payroll <sup>1</sup>	8.5	11.6
Administrative Expenses (with interest) % of Pensionable Annual Payroll <sup>1</sup>	1.3	1.0
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 28 years (as of 10/1/2015, with interest) % of Pensionable Annual Payroll <sup>1</sup>	21.3	21.7
Required Town & State Contribution % of Pensionable Annual Payroll <sup>1</sup>	31.1	34.3

F. Past Contributions

Plan Years Ending:	<u>9/30/2015</u>
Town and State Requirement	1,076,688
Actual Contributions Made:	
Members (excluding buyback)	141,669
Town	956,367
State	<u>120,321</u>
Total	1,218,357

G. Net Actuarial (Gain)/Loss N/A

<sup>1</sup> Contributions developed as of 10/1/2015 are expressed as a percentage of payroll payroll under assumed retirement age at 10/1/2015 of \$2,885,418.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2015	5,845,624
2016	5,647,354
2017	5,434,214
2024	3,420,816
2030	667,160
2037	340,893
2043	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2015	4.03%	5.22%
Year Ended	9/30/2014	3.80%	5.20%
Year Ended	9/30/2013	4.10%	5.16%

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

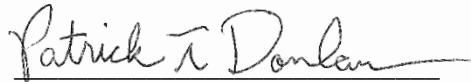
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2015	10.33%	7.50%
Year Ended	9/30/2014	9.69%	7.50%
Year Ended	9/30/2013	9.93%	7.50%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2015	\$2,885,418
	10/1/2006	2,183,767
(b) Total Increase		32.13%
(c) Number of Years		9.00
(d) Average Annual Rate		3.14%

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 copies of the report to the following offices to comply with Chapter 112 Florida Statutes:

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

Ms. Sarah Carr  
Municipal Police and Fire  
Pension Trust Funds  
Division of Retirement  
Post Office Box 3010  
Tallahassee, FL 32315-3010

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1) Unfunded Actuarial Accrued Liability as of October 1, 2014	\$6,149,405
(2) Sponsor Normal Cost developed as of October 1, 2014	323,423
(3) Expected administrative expenses for the year ended September 30, 2015	28,300
(4) Expected interest on (1), (2) and (3)	486,523
(5) Sponsor contributions to the System during the year ended September 30, 2015	1,076,688
(6) Expected interest on (5)	65,339
(7) Unfunded Actuarial Accrued Liability as of September 30, 2015 (1)+(2)+(3)+(4)-(5)-(6)	5,845,624
(8) Change to UAAL due to Assumption Change	0
(9) Unfunded Accrued Liability as of October 1, 2015	5,845,624

<u>Date</u> <u>Established</u>	<u>Years</u> <u>Remaining</u>	<u>10/1/2015</u> <u>Amount</u>	<u>Amortization</u> <u>Amount</u>
10/1/2010	15	\$4,850,719	\$511,186
10/1/2011	26	573,538	47,217
10/1/2013	28	421,367	33,868
		5,845,624	592,271

## ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rate</u>	RP-2000 Table with no projection. We believe this sufficiently accounts for future mortality improvements.
<u>Interest Rate</u>	7.5% per year compounded annually, net of investment related expenses. This is supported by the target asset class allocation of the trust and the expected long-term return by asset class.
<u>Retirement Age</u>	Earlier of Age 55 and 10 years of service or Age 52 and 25 years of service. Also, any member who has reached the above criteria is assumed to continue employment for one additional year. We feel that this assumption is reasonable based on Plan provisions.
<u>Early Retirement</u>	Commencing with the earliest Early Retirement Age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year. We feel that this assumption is reasonable based on Plan provisions.
<u>Disability Rates</u>	See table on the following page. It is assumed that 75% of disablements and active Member deaths are service related. This assumption was developed from those used by other plans containing Florida municipal Police Officers.
<u>Termination Rate</u>	See table on the following page (1302). This assumption was developed from those used by other plans containing Florida municipal Police Officers.
<u>Salary Increases</u>	APH Table S-5 + 2.5%; see table on the following page. Projected salary in the year of retirement is increased 20% to account for non-regular compensation. This assumption is consistent with long term Plan experience.
<u>Administrative Expenses</u>	\$35,551 annually. This is equal to the non-investment-related expenses from the prior year.
<u>Payroll Increase</u>	N/A (UAAL amortized as level dollar).
<u>Funding Method</u>	Frozen Initial Liability Cost Method.
<u>Actuarial Asset Method</u>	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-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.

<u>Age</u>	<u>% Becoming Disabled During the Year</u>	<u>% Terminating During the Year</u>	<u>% of Salary Increase</u>
20	0.14%	6.0%	6.68% (age 25)
30	0.18%	5.0%	6.07%
40	0.30%	2.6%	5.22%
50	1.00%	0.8%	4.62%

## VALUATION NOTES

Total Annual Payroll is the projected rate of pay as of the valuation date of all covered Members.

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

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

Total Required Contribution is equal to the Normal Cost plus administrative expenses adjusted for interest according to the timing of contributions during the year.

Frozen Initial Liability Funding Method (Level Percent of Compensation) is the method used to determine required contributions under the Plan. The use of this method involves the systematic funding of the Normal Cost (described above) and the Unfunded Actuarial Accrued Liability (UAAL). The UAAL is reconciled each valuation with charges and credits as follows:

- (a) Charges: the Normal Cost for the prior year, in addition to interest (at the valuation assumption of 7.5%) on the Normal Cost and prior year's UAAL balance.
- (b) Credits: Sponsor contributions with interest at the valuation assumption of 7.5%.

New UAAL bases will be created only for changes in methods, assumptions, or benefits. Actuarial gains and losses are funded as part of the Normal Cost.



PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
2006	50,461.55	_____%
2007	58,214.43	15.4%
2008	44,764.83	-23.1%
2009	73,584.94	64.4%
2010	64,298.13	-12.6%
2011	56,266.95	-12.5%
2012	72,718.45	29.2%
2013	73,866.06	1.6%
2014	109,520.58	48.3%
2015	120,320.93	9.9%

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2015

<u>ASSETS</u>	MARKET VALUE
Investments:	
Mutual Funds:	
Fixed Income	6,402,501.22
Equity	13,551,977.01
Total Investments	19,954,478.23
Total Assets	19,954,478.23
 <u>LIABILITIES</u>	
Prepaid Member Contribution	27.51
Prepaid Town Contribution	1,111,184.95
Total Liabilities	1,111,212.46
NET POSITION RESTRICTED FOR PENSIONS	18,843,265.77

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
Market Value Basis

ADDITIONS

Contributions:		
Member	141,669.46	
Town	956,366.97	
State	120,320.93	
 Total Contributions		 1,218,357.36
Investment Income:		
Net Increase in Fair Value of Investments	(48,344.60)	
Less Investment Expense <sup>1</sup>	(2,000.00)	
 Net Investment Income		 (50,344.60)
 Total Additions		 1,168,012.76

DEDUCTIONS

Distributions to Members:		
Benefit Payments	902,151.15	
Refunds of Member Contributions	55,244.51	
 Total Distributions		 957,395.66
 Administrative Expense		 35,550.73
 Total Deductions		 992,946.39
 Net Increase in Net Position		 175,066.37
 NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		18,668,199.40
 End of the Year		 18,843,265.77

<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 SEPTEMBER 30, 2015  
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	141,669.46	
Town	956,366.97	
State	120,320.93	
 Total Contributions		 1,218,357.36
Earnings from Investments:		
Change in Actuarial Value	1,695,362.13	
 Total Earnings and Investment Gains		 1,695,362.13

EXPENDITURES

Distributions to Members:		
Benefit Payments	902,151.15	
Refunds of Member Contributions	55,244.51	
 Total Distributions		 957,395.66
Expenses:		
Investment related <sup>1</sup>	2,000.00	
Administrative	35,550.73	
 Total Expenses		 37,550.73
 Change in Net Assets for the Year		 1,918,773.10
 Net Assets Beginning of the Year		 16,273,229.32
 Net Assets End of the Year <sup>2</sup>		 18,192,002.42

<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.

<sup>2</sup>Net Assets may be limited for actuarial consideration.

ACTUARIAL ASSET VALUATION  
SEPTEMBER 30, 2015

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*	
09/30/2012	18.05%	
09/30/2013	15.36%	
09/30/2014	9.09%	
09/30/2015	-0.25%	
Annualized Rate of Return for prior four (4) years:		10.33%
(A) 10/01/2014 Actuarial Assets:		\$16,273,229.32
(I) Net Investment Income:		
1. Interest and Dividends	0.00	
2. Realized Gains (Losses)	0.00	
3. Change in Actuarial Value	1,695,362.13	
4. Investment Related Expenses	(2,000.00)	
Total		1,693,362.13
(B) 10/01/2015 Actuarial Assets:		\$18,192,002.42
Actuarial Asset Rate of Return = 2I/(A+B-I):		10.33%
10/01/2015 Limited Actuarial Assets:		\$18,192,002.42
10/01/2015 Market Value of Assets:		\$18,843,265.77
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		\$464,417.02

\*Market Value Basis, net of investment related expenses.

RECONCILIATION OF TOWN'S SHORTFALL/(PREPAID) CONTRIBUTION  
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2015

(1)	Total Required Contribution Rate	43.0%
(2)	Pensionable Payroll Derived from Member Contributions	\$2,833,389.20
(3)	Total Required Contribution (1) x (2)	1,218,357.36
(4)	Less Actual Member Contributions	(141,669.46)
(5)	Less Allowable State Contribution	<u>(120,320.93)</u>
(6)	Equals Required Town Contribution for Fiscal 2015	956,366.97
(7)	Less 2014 Prepaid Contribution	(767,551.92)
(8)	Less Actual Town Contributions	<u>(1,300,000.00)</u>
(9)	Equals Town's Shortfall/(Prepaid) Contribution as of September 30, 2015	(\$1,111,184.95)

STATISTICAL DATA

	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>	<u>10/1/2015</u>
<u>Actives</u>				
Number	34	37	37	37
Average Current Age	42.7	41.8	41.4	41.4
Average Age at Employment	30.1	30.6	30.8	31.0
Average Past Service	12.6	11.2	10.6	10.4
Average Annual Salary	\$79,076	\$77,828	\$77,880	\$77,984
<u>Service Retirees</u>				
Number			13	14
Average Current Age			59.9	60.1
Average Annual Benefit			\$64,974	\$65,773
<u>Beneficiaries</u>				
Number			0	1
Average Current Age			N/A	63.3
Average Annual Benefit			N/A	\$52,072
<u>Disability Retirees</u>				
Number			0	0
Average Current Age			N/A	N/A
Average Annual Benefit			N/A	N/A
<u>Terminated Vested <sup>1</sup></u>				
Number			2	1
Average Current Age			49.7	47.4
Average Annual Benefit			\$50,306	\$55,943

<sup>1</sup> Excludes non-vested terminated Members awaiting a refund of Member Contributions.

## AGE AND SERVICE DISTRIBUTION

### PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	0	0	0	0	0	0	0	0	0	0	0	0
25 - 29	3	1	0	1	0	2	0	0	0	0	0	7
30 - 34	0	1	0	0	0	2	0	0	0	0	0	3
35 - 39	1	0	2	0	0	1	1	0	0	0	0	5
40 - 44	0	1	0	0	0	4	0	2	0	0	0	7
45 - 49	0	0	1	0	1	3	0	1	3	1	0	10
50 - 54	0	0	0	0	0	0	0	0	0	1	1	2
55 - 59	0	0	0	0	0	0	0	1	1	1	0	3
60 - 64	0	0	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	4	3	3	1	1	12	1	4	4	3	1	37



## VALUATION PARTICIPANT RECONCILIATION

### 1. Active lives

a. Number in prior valuation 10/1/2014	37
b. Terminations	
i. Vested (partial or full) with deferred benefits	(1)
ii. Non-vested or full lump sum distribution received	(2)
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	<u>(1)</u>
f. Continuing participants	33
g. New entrants	<u>4</u>
h. Total active life participants in valuation	37

### 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>	<u>Vested Deferred</u> <sup>1</sup>	<u>Total</u>
a. Number prior valuation	13	0	0	3	16
Retired	2	0	0	(1)	1
Vested Deferred	0	0	0	1	1
Death, With Survivor	(1)	1	0	0	0
Death, No Survivor	0	0	0	0	0
Disabled	0	0	0	0	0
Refund of Contributions	0	0	0	(1)	(1)
Rehires	0	0	0	0	0
Expired Annuities	0	0	0	0	0
Data Corrections	0	0	0	0	0
b. Number current valuation	14	1	0	2	17

<sup>1</sup> Includes non-vested terminated Members awaiting a refund of Member Contributions.

POLICE OFFICERS'  
RETIREMENT SYSTEM

<u>Eligibility</u>	Employees who are classified as full-time sworn police officers shall participate in the System as a condition of employment.
<u>Credited Service</u>	Total years and fractional parts of years of employment with the Town as a Police Officer.
<u>Salary</u>	Total W-2 compensation plus tax exempt, tax sheltered, and tax deferred items of income (including overtime payments up to 300 hours per calendar year, but not including payments for extra duty or special detail work for second party employer). Additionally, Salary shall exclude payments for unused, accrued sick and annual leave hours earned on or after December 5, 2011.
<u>Average Final Compensation</u>	Average Salary for the best 5 years during the 10 years immediately preceding retirement or termination.
<u>Member Contributions</u>	5.0% of Salary.
<u>Town and State Contributions</u>	Remaining amount required in order to pay current costs and amortize any unfunded past service cost over 30 years.
<u>Normal Retirement</u>	
Date	Earlier of: 1) age 55 and 10 years of Credited Service, or 2) age 52 and 25 years of Credited Service.
Benefit	3.0% of Average Final Compensation <u>times</u> Credited Service (maximum 75% for those hired on and after October 1, 2008).
Form of Benefit	Ten Year Certain and Life Annuity (options available).
<u>Early Retirement</u>	
Eligibility	Age 50 and 10 Years of Credited Service.
Benefit	Accrued benefit, reduced 3% for each year prior to Normal Retirement.
<u>Vesting</u>	
Schedule	100% after 10 years of Credited Service.
Benefit Amount	Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date (no imputing).

## Disability

### Eligibility

Service Incurred Covered from Date of Employment.

Non-Service Incurred 10 years of Credited Service.

Exclusions Disability resulting from use of drugs, illegal participation in riots, service in military, etc.

Benefit Benefit accrued to date of disability under 2.5% benefit accrual rate but not less than 42% of Average Final Compensation (if Service Incurred) or 25% of Average Final Compensation (if not in-line-of-duty).

Duration Payable for life and ten years certain or until recovery (as determined by the Board). Options available.

## Death Benefits

### Pre-Retirement

Vested Monthly accrued benefit payable to designated beneficiary for 10 years at otherwise Normal Retirement Date or Early Retirement Date (reduced).

Non-Vested Refund of accumulated contributions without interest.

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

## Cost-of-Living Adjustment (COLA)

Effective January 1, 2015, all future retirees, including terminated vested members, disability retirees and pre-retirement death beneficiaries are entitled to a 1.0% annual COLA from benefit commencement date until the date the member attains or would have attained age 62.

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2015

<u>ASSETS</u>	MARKET VALUE
Total Cash and Equivalents	0
Total Receivable	0
Investments:	
Mutual Funds:	
Fixed Income	6,402,501
Equity	13,551,977
Total Investments	19,954,478
Total Assets	19,954,478
Total Liabilities	0
NET POSITION RESTRICTED FOR PENSIONS	19,954,478

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
Market Value Basis

ADDITIONS

## Contributions:

Member	141,697	
Town	2,067,552	
State	120,321	
 Total Contributions		 2,329,570

## Investment Income:

Net Increase in Fair Value of Investments	(48,344)	
Less Investment Expense <sup>1</sup>	(2,000)	
 Net Investment Income		 (50,344)
 Total Additions		 2,279,226

DEDUCTIONS

## Distributions to Members:

Benefit Payments	902,151	
Refunds of Member Contributions	55,245	
 Total Distributions		 957,396
 Administrative Expense		 35,551
 Total Deductions		 992,947
 Net Increase in Net Position		 1,286,279

## NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		18,668,199
 End of the Year		 19,954,478

<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.

**NOTES TO THE FINANCIAL STATEMENTS**  
(For the Year Ended September 30, 2015)

Plan Description

*Plan Administration*

The Plan is a single-employer defined benefit pension plan administered by the Board of Trustees of the Town of Medley Police Officers' Retirement System. The Plan Administrator is responsible for the overall administration of the Plan. It has discretionary authority to construe the terms of the Plan and make determinations on questions that may affect eligibility for benefits. The Plan Administrator may also retain the services of attorneys, accountants, actuaries, investment advisors and other professionals.

*Plan Membership as of October 1, 2014:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	13
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	3
Active Plan Members	37
	53
	53

*Benefits Provided*

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

Normal Retirement:

Date: Earlier of: 1) age 55 and 10 years of Credited Service, or 2) age 52 and 25 years of Credited Service.

Benefit: 3.0% of Average Final Compensation times Credited Service (maximum 75% for those hired on and after October 1, 2008).

Early Retirement:

Eligibility: Age 50 and 10 Years of Credited Service.

Benefit: Accrued benefit, reduced 3% for each year prior to Normal Retirement.

Vesting:

Schedule: 100% after 10 years of Credited Service.

Benefit Amount: Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date (no imputing).

Disability:

Eligibility: Service Incurred: Covered from Date of Employment. Non-Service Incurred: 10 years of Credited Service.

Benefit accrued to date of disability under 2.5% benefit accrual rate but not less than 42% of Average Final Compensation (if Service Incurred) or 25% of Average Final Compensation (if not in-line-of-duty).

Pre-Retirement Death Benefits:

Vested: Monthly accrued benefit payable to designated beneficiary for 10 years at otherwise Normal Retirement Date or Early Retirement Date (reduced).

Non-Vested: Refund of accumulated contributions without interest.

Cost-of-Living Adjustment (COLA):

Effective January 1, 2015, all future retirees, including terminated vested members, disability retirees and pre-retirement death beneficiaries are entitled to a 1.0% annual COLA from benefit commencement date until the date the member attains or would have attained age 62.

*Contributions*

Member Contributions: 5.0% of Salary.

Town and State Contributions: Remaining amount required in order to pay current costs and amortize any unfunded past service cost over 30 years.

Investments

*Investment Policy:*

The following was the Board's adopted asset allocation policy as of September 30, 2015:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	54%
International Equity	10%
Fixed Income	15%
Cash	15%
Real Estate Equity	6%
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, 2015, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was -0.25 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, 2015 were as follows:

Total Pension Liability	\$ 22,596,242
Plan Fiduciary Net Position	\$ (19,954,478)
Sponsor's Net Pension Liability	<u>\$ 2,641,764</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	88.31%

*Actuarial Assumptions:*

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	4.62% - 6.68%
Discount Rate	7.50%
Investment Rate of Return	7.50%

Mortality Rate: RP-2000 Table with no projection. We believe this sufficiently accounts for future mortality improvements.

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.

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, 2015 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	5.75%
International Equity	5.75%
Fixed Income	0.75%
Cash	0.00%
Real Estate Equity	5.75%

**Discount Rate:**

The Discount Rate used to measure the Total Pension Liability was 7.50 percent.

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

	1% Decrease	Current Discount Rate	1% Increase
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Sponsor's Net Pension Liability	\$ 5,141,181	\$ 2,641,764	\$ 525,301



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

	<u>09/30/2015</u>	<u>09/30/2014</u>
Total Pension Liability		
Service Cost	610,822	616,903
Interest	1,638,723	1,541,234
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(413,419)	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(957,396)</u>	<u>(747,028)</u>
Net Change in Total Pension Liability	878,730	1,411,109
Total Pension Liability - Beginning	<u>21,717,512</u>	<u>20,306,403</u>
Total Pension Liability - Ending (a)	<u><u>\$ 22,596,242</u></u>	<u><u>\$ 21,717,512</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	2,067,552	1,165,048
Contributions - State	120,321	109,521
Contributions - Employee	141,697	141,619
Net Investment Income	(50,344)	1,596,653
Benefit Payments, including Refunds of Employee Contributions	(957,396)	(747,028)
Administrative Expense	<u>(35,551)</u>	<u>(28,220)</u>
Net Change in Plan Fiduciary Net Position	1,286,279	2,237,592
Plan Fiduciary Net Position - Beginning	<u>18,668,199</u>	<u>16,430,607</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 19,954,478</u></u>	<u><u>\$ 18,668,199</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 2,641,764</u></u>	<u><u>\$ 3,049,313</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	88.31%	85.96%
Covered Employee Payroll	\$ 2,943,855	\$ 2,832,374
Net Pension Liability as a percentage of Covered Employee Payroll	89.74%	107.66%

**Notes to Schedule:**

*\*For the 2014 Fiscal year, the Covered Employee Payroll figure was not available. Pensionable Salary has been reported instead.*

**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years

	09/30/2015	09/30/2014
Actuarially Determined Contribution	1,076,688	1,274,568
Contributions in relation to the Actuarially Determined Contributions	2,187,873	1,274,568
Contribution Deficiency (Excess)	\$ (1,111,185)	\$ -
Covered Employee Payroll*	\$ 2,943,855	\$ 2,832,374
Contributions as a percentage of Covered Employee Payroll	74.32%	45.00%

\*For the 2014 Fiscal year, the Covered Employee Payroll figure was not available. Pensionable Salary has been reported instead.

Notes to Schedule

Valuation Date: 10/01/2013 (AIS 05/20/2015)  
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: Frozen Initial Liability Cost Method.  
 Amortization Method: Level Dollar.  
 Remaining Amortization Period: 30 Years (as of 10/01/2013).  
 Mortality: RP-2000 Table with no projection. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.  
 Interest Rate: 7.5% per year compounded annually, net of investment related expenses.  
 Inflation: 3.0% per year.  
 Retirement Age: Earlier of Age 55 and 10 years of service or Age 52 and 25 years of service. Also, any member who has reached the above criteria is assumed to continue employment for one additional year.  
 Early Retirement: Commencing with the earliest Early Retirement Age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.  
 Disability Rates: See table below. It is assumed that 75% of disablements and active Member deaths are service related.  
 Termination Rates: See table below.  
 Salary Increases: APH Table S-5 + 2.5%; see table below. Projected salary in the year of retirement is increased based on individual accruals to account for non-regular compensation.  
 Payroll Increase: N/A (UAAL amortized as level dollar).  
 Cost-of-Living Adjustment: 1.0% annually until attainment of age 62.  
 Actuarial Asset Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-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.

Termination and Disability Rate Table:	Age	% Becoming Disabled During the Year	% Terminating During the Year
	20	0.14%	6.00%
30	0.18%	5.00%	
40	0.30%	2.60%	
50	1.00%	0.80%	

SCHEDULE OF INVESTMENT RETURNS  
Last 10 Fiscal Years

	<u>09/30/2015</u>	<u>09/30/2014</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	-0.25%	9.09%

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

General Information about the Pension Plan

*Plan Description*

The Plan is a single-employer defined benefit pension plan administered by the Board of Trustees of the Town of Medley Police Officers' Retirement System. The Plan Administrator is responsible for the overall administration of the Plan. It has discretionary authority to construe the terms of the Plan and make determinations on questions that may affect eligibility for benefits. The Plan Administrator may also retain the services of attorneys, accountants, actuaries, investment advisors and other professionals. Employees who are classified as full-time sworn police officers shall participate in the System as a condition of employment.

*Plan Membership as of October 1, 2014:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	13
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	3
Active Plan Members	37
	53
	53

*Benefits Provided*

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

Normal Retirement:

Date: Earlier of: 1) age 55 and 10 years of Credited Service, or 2) age 52 and 25 years of Credited Service.

Benefit: 3.0% of Average Final Compensation times Credited Service (maximum 75% for those hired on and after October 1, 2008).

Early Retirement:

Eligibility: Age 50 and 10 Years of Credited Service.

Benefit: Accrued benefit, reduced 3% for each year prior to Normal Retirement.

Vesting:

Schedule: 100% after 10 years of Credited Service.

Benefit Amount: Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date (no imputing).

Disability:

Eligibility: Service Incurred: Covered from Date of Employment. Non-Service Incurred: 10 years of Credited Service.

Benefit accrued to date of disability under 2.5% benefit accrual rate but not less than 42% of Average Final Compensation (if Service Incurred) or 25% of Average Final Compensation (if not in-line-of-duty).

Pre-Retirement Death Benefits:

Vested: Monthly accrued benefit payable to designated beneficiary for 10 years at otherwise Normal Retirement Date or Early Retirement Date (reduced).

Non-Vested: Refund of accumulated contributions without interest.

Cost-of-Living Adjustment (COLA):

Effective January 1, 2015, all future retirees, including terminated vested members, disability retirees and pre-retirement death beneficiaries are entitled to a 1.0% annual COLA from benefit commencement date until the date the member attains or would have attained age 62.

*Contributions*

Member Contributions: 5.0% of Salary.

Town and State Contributions: Remaining amount required in order to pay current costs and amortize any unfunded past service cost over 30 years.

Net Pension Liability

The measurement date is September 30, 2015.

The measurement period for the pension expense was October 1, 2014 to September 30, 2015.

The reporting period is October 1, 2015 through September 30, 2016.

The Sponsor's Net Pension Liability was measured as of September 30, 2015.

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, 2014 updated to September 30, 2015 using the following actuarial assumptions:

Inflation	2.50%
Salary Increases	4.62% - 6.68%
Discount Rate	7.50%
Investment Rate of Return	7.50%

Mortality Rate: RP-2000 Table with no projection. We believe this sufficiently accounts for future mortality improvements.

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.

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, 2015 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	54%	5.75%
International Equity	10%	5.75%
Fixed Income	15%	0.75%
Cash	15%	0.00%
Real Estate Equity	6%	5.75%
Total	100%	

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.50 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, 2015	\$ 21,717,512	\$ 18,668,199	\$ 3,049,313
Changes for a Year:			
Service Cost	610,822	-	610,822
Interest	1,638,723	-	1,638,723
Differences between Expected and Actual Experience	(413,419)	-	(413,419)
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - Employer	-	2,067,552	(2,067,552)
Contributions - State	-	120,321	(120,321)
Contributions - Employee	-	141,697	(141,697)
Net Investment Income	-	(50,344)	50,344
Benefit Payments, including Refunds of Employee Contributions	(957,396)	(957,396)	-
Administrative Expense	-	(35,551)	35,551
Net Changes	878,730	1,286,279	(407,549)
Reporting Period Ending September 30, 2016	\$ 22,596,242	\$ 19,954,478	\$ 2,641,764

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.50%	7.50%	8.50%
Sponsor's Net Pension Liability	\$ 5,141,181	\$ 2,641,764	\$ 525,301

*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, 2016, the Sponsor will recognize a Pension Expense of \$866,154.

On September 30, 2016, 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	-	354,360
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan investments	996,273	-
Employer and State Contributions subsequent to the measurement date	TBD	-
Total	\$ 996,273	\$ 354,360

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer and State Contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2016. 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:		
2017	\$	172,993
2018	\$	172,992
2019	\$	172,992
2020	\$	241,056
2021	\$	(59,060)
Thereafter	\$	(59,060)

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

Reporting Period Ending	09/30/2016	09/30/2015
Measurement Date	<u>09/30/2015</u>	<u>09/30/2014</u>
Total Pension Liability		
Service Cost	610,822	616,903
Interest	1,638,723	1,541,234
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(413,419)	-
Changes of assumptions	-	-
Contributions - Buy Back	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(957,396)</u>	<u>(747,028)</u>
Net Change in Total Pension Liability	878,730	1,411,109
Total Pension Liability - Beginning	<u>21,717,512</u>	<u>20,306,403</u>
Total Pension Liability - Ending (a)	<u><u>\$ 22,596,242</u></u>	<u><u>\$ 21,717,512</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	2,067,552	1,165,048
Contributions - State	120,321	109,521
Contributions - Employee	141,697	141,619
Net Investment Income	(50,344)	1,596,653
Benefit Payments, including Refunds of Employee Contributions	(957,396)	(747,028)
Administrative Expense	<u>(35,551)</u>	<u>(28,220)</u>
Net Change in Plan Fiduciary Net Position	1,286,279	2,237,592
Plan Fiduciary Net Position - Beginning	<u>18,668,199</u>	<u>16,430,607</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 19,954,478</u></u>	<u><u>\$ 18,668,199</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 2,641,764</u></u>	<u><u>\$ 3,049,313</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	88.31%	85.96%
Covered Employee Payroll	\$ 2,943,855	\$ 2,832,374
Net Pension Liability as a percentage of Covered Employee Payroll	89.74%	107.66%

**Notes to Schedule:**

*\*For the 2014 Fiscal year, the Covered Employee Payroll figure was not available. Pensionable Salary has been reported instead.*



**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years

Reporting Period Ending	09/30/2016	09/30/2015
Measurement Date	09/30/2015	09/30/2014
Actuarially Determined Contribution	1,076,688	1,274,568
Contributions in relation to the		
Actuarially Determined Contributions	2,187,873	1,274,568
Contribution Deficiency (Excess)	<u>\$ (1,111,185)</u>	<u>\$ -</u>
Covered Employee Payroll*	\$ 2,943,855	\$ 2,832,374
Contributions as a percentage of		
Covered Employee Payroll	74.32%	45.00%

*\*For the 2014 Fiscal year, the Covered Employee Payroll figure was not available. Pensionable Salary has been reported instead.*

Notes to Schedule

Valuation Date: 10/01/2013 (AIS 05/20/2015)  
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: Frozen Initial Liability Cost Method.  
Amortization Method: Level Dollar.  
Remaining Amortization Period: 30 Years (as of 10/01/2013).  
Mortality: RP-2000 Table with no projection. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.  
Interest Rate: 7.5% per year compounded annually, net of investment related expenses.  
Inflation: 3.0% per year.  
Retirement Age: Earlier of Age 55 and 10 years of service or Age 52 and 25 years of service. Also,  
Early Retirement: Commencing with the earliest Early Retirement Age (50), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.  
Disability Rates: See table below. It is assumed that 75% of disablements and active Member deaths are service related.  
Termination Rates: See table below.  
Salary Increases: APH Table S-5 + 2.5%; see table below. Projected salary in the year of retirement is increased based on individual accruals to account for non-regular compensation.  
  
Payroll Increase: N/A (UAAL amortized as level dollar).  
Cost-of-Living Adjustment: 1.0% annually until attainment of age 62.  
Actuarial Asset Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric 4-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.

Termination and Disability Rate Table:	% Becoming	% Terminating
	Disabled During	During the
	the Year	Year
	<u>Age</u>	<u>Year</u>
	20	6.00%
	30	5.00%
	40	2.60%
	50	0.80%

FINAL COMPONENTS OF PENSION EXPENSE  
FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 3,875,797	\$ -	\$ 1,274,569	\$ -
Employer and State Contributions made after 09/30/2014	-	-	2,187,873	-
Total Pension Liability Factors:				
Service Cost	616,903	-	-	616,903
Interest	1,541,234	-	-	1,541,234
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	-	-	-	-
Current year amortization of experience difference	-	-	-	-
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(747,028)	-	-	(747,028)
Net change	<u>1,411,109</u>	<u>-</u>	<u>2,187,873</u>	<u>1,411,109</u>
Plan Fiduciary Net Position:				
Contributions - Employer	1,165,048	-	(1,165,048)	-
Contributions - State	109,521	-	(109,521)	-
Contributions - Employee	141,619	-	-	(141,619)
Net Investment Income	1,256,331	-	-	(1,256,331)
Difference between projected and actual earnings on Pension Plan investments	340,322	340,322	-	-
Current year amortization	-	(68,065)	-	(68,065)
Benefit Payments	(747,028)	-	-	747,028
Administrative Expenses	(28,220)	-	-	28,220
Net change	<u>2,237,593</u>	<u>272,257</u>	<u>(1,274,569)</u>	<u>(690,767)</u>
Ending Balance	<u>\$ 3,049,313</u>	<u>\$ 272,257</u>	<u>\$ 2,187,873</u>	<u>\$ 720,342</u>

**PRELIMINARY COMPONENTS OF PENSION EXPENSE**  
**FISCAL YEAR SEPTEMBER 30, 2016**

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 3,049,313	\$ 272,257	\$ 2,187,873	\$ -
Employer and State Contributions made after 09/30/2015	-	-	TBD*	-
Total Pension Liability Factors:				
Service Cost	610,822	-	-	610,822
Interest	1,638,723	-	-	1,638,723
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(413,419)	413,419	-	-
Current year amortization of experience difference	-	(59,059)	-	(59,059)
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(957,396)	-	-	(957,396)
Net change	<u>878,730</u>	<u>354,360</u>	<u>-</u>	<u>1,233,090</u>
Plan Fiduciary Net Position:				
Contributions - Employer	2,067,552	-	(2,067,552)	-
Contributions - State	120,321	-	(120,321)	-
Contributions - Employee	141,697	-	-	(141,697)
Net Investment Income	1,450,238	-	-	(1,450,238)
Difference between projected and actual earnings on Pension Plan investments	(1,500,582)	-	1,500,582	-
Current year amortization	-	(68,065)	(300,117)	232,052
Benefit Payments	(957,396)	-	-	957,396
Administrative Expenses	(35,551)	-	-	35,551
Net change	<u>1,286,279</u>	<u>(68,065)</u>	<u>(987,408)</u>	<u>(366,936)</u>
Ending Balance	<u>\$ 2,641,764</u>	<u>\$ 558,552</u>	<u>TBD</u>	<u>\$ 866,154</u>

\* Employer and State Contributions subsequent to the measurement date made after September 30, 2015 but made on or before September 30, 2016 needs to be added.