

**CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND**

Actuarial Valuation Report
as of October 1, 2014

(Determining costs for Plan Year
beginning October 1, 2015)

Prepared by:

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January 12, 2015

Pension Board
City of Pensacola Police Officers' Retirement Fund
222 West Main Street
Pensacola, Florida 32502

Actuarial Report as of October 1, 2014

Gentlemen:

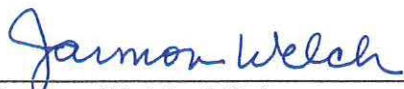
We are pleased to forward our report on the actuarial valuation of the City of Pensacola Police Officers' Retirement Fund as of October 1, 2014. The cost recommendations cover the Plan Years beginning October 1, 2015.

This is based on participant data and on asset information provided by the City and on the terms of the Plan in effect on October 1, 2014. Valuation pay is the greater of the annualized rate of pay or FY2014 pensionable earnings. All of the data has been reviewed for consistency with prior data and for general reasonableness.

Statement by Actuary:

This actuarial valuation and/or cost 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 that may require material increases in Plan costs or required contribution rates have been taken into account in the valuation.

I am a member of the American Academy of Actuaries and meet its Qualification Standards to render the actuarial opinion contained herein.



Jarmon Welch, A.S.A.
PENSION BOARD CONSULTANTS, INC.

Date

14 - 1108
Enrollment Number

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Actuarial Report for the Plan Year Beginning October 1, 2014

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CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Section I: Summary and Cost Analysis

Contribution Surplus

Contribution surplus and administrative expense accumulations have been maintained for the Plan since October 1, 1987. The Contribution Surplus account accumulates actual nonemployee contributions in excess of the minimum required contribution for each Plan Year and subtracts the accumulation of actual noninvestment expenses in excess of expected noninvestment expenses.

1. Contribution Surplus		
as of October 1, 2013		\$623,030
2. Required and Actual City Contribution		
of \$3,825,656 for 13/14 Plan Year paid		
on October 1		\$0
3. Interest at 7.5% plus deviations in Non-City		
contributions from expected		\$77,478
4. Contribution Surplus		
as of October 1, 2014		\$700,508

Minimum Required Contributions

This valuation calls for a minimum required contribution of \$4,640,556 from all sources to this Plan. The following table illustrates the expected minimum required contributions.

Valuation <u>Date</u>	Application Year <u>Beginning</u>	<u>City</u>	<u>Employees</u>	<u>State</u>	<u>Total Contributions</u>
10/01/2014	10/01/2015	\$3,939,619*	\$227,654	\$473,283	\$4,640,556

*payable on October 1

Chapter 185 Contributions

The State of Florida, Chapter 185 contributions are accumulated in excess of the 1997 base year amount of \$619,399. This accumulation has remained at \$396,897 in recent years.

Reconciliation with 2013 Minimum Contribution

<u>Comparison of Key Statistics and City Contributions</u>			
	<u>Year Beginning October 1, 2013</u>	<u>Year Beginning October 1, 2014</u>	<u>Percent Change</u>
<u>Key Statistics (excluding DROPs)</u>			
Number of Active Participants	108	91	(15.74%)
Covered Valuation Payroll	\$4,870,112	\$4,377,970	(10.11%)
Average Annual Pay	\$45,094	\$49,366	9.47%
Average Age	39.1	40.8	1.7 years
<u>City Contribution (payable October 1)</u>			
Dollar Amount	\$3,826,253	\$3,939,619	2.96%
Covered Valuation Payroll %	78.57%	89.99%	11.42%
Market Value of Assets	\$79,153,159	\$84,437,986	6.68%
Unfunded Actuarial Accrued Liability	\$37,802,957	\$38,614,210	2.15%

Comments

The October 1, 2013, minimum required City contribution was \$3,826,253. This increased to \$3,939,619 on October 1, 2014.

The increase of \$113,366 is due to the interaction of the following factors:

1. Based on actuarial value, the fund yielded 11.01% for the plan year ending September 30, 2014. This is greater than the assumed investment return of 7.50%. This decreased costs \$250,030.
2. Changes in interest assumption (described on page 7) increased costs \$331,658.
3. Pay increases averaging 8.1% versus the 4.0% assumption, along with deviations of other experience factors from expected, produced a net increase in costs of \$31,738.

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Section II: Statement of Actuarial Position as of October 1, 2014

Derivation of Required Contribution Levels

	<u>October 1, 2013</u>	<u>October 1, 2014</u>
1. Present Value of Future Benefits		
a. Active Participants		
(i) Retirement	\$23,110,985	\$24,501,994
(ii) Death	\$434,179	\$433,207
(iii) Disability	\$3,654,249	\$3,548,061
(iv) Withdrawal	\$706,993	\$748,647
(v) Return of Contributions	<u>\$82,465</u>	<u>\$52,241</u>
(vi) Total	\$27,988,871	\$29,284,150
b. Inactive Participants		
(i) Retirees and Beneficiaries	\$48,979,122	\$57,859,591
(ii) Disableds	\$3,141,827	\$3,577,698
(iii) Terminated Vested	\$1,003,363	\$1,012,184
(iv) DROP's Plus Accumulated Balances	<u>\$36,695,469</u>	<u>\$32,878,016</u>
(v) Total	\$89,819,781	\$95,327,489
c. Total	\$117,808,652	\$124,611,639
2. Value of Assets		
a. Actuarial Value of Assets	\$74,087,357	\$80,562,282
b. Contribution Surplus Account Available	\$623,030	\$700,508
c. Accumulated Chapter 185 Premium Tax	<u>\$396,897</u>	<u>\$396,897</u>
d. Net Actuarial Value of Assets (a. - b. - c.)	\$73,067,430	\$79,464,877
3. Unfunded Actuarial Accrued Liability	\$37,802,957	\$38,614,210
a. Amortization Payment BOY	\$3,623,069	\$3,751,814
4. Present Value of Future Normal Costs: (1.) - (2.) - (3.)	\$6,938,265	\$6,532,552
5. Ratio of Present Value of Future Salaries to Current Salaries		
a. 1% of PV of Future Salaries	\$399,672	\$354,024
b. Non DROP Payroll (Covered Payroll)	\$4,870,112	\$4,377,970
c. Ratio (a. / b.)	8.206629	8.086488
6. Individual Entry Age Normal Cost BOY		
a. Dollar Amount	\$860,340	\$818,742
b. As % of Covered Payroll	17.67%	18.70%
7. Expense Funding		
a. Annual Expense	\$70,000	\$70,000
d. As % of Covered Payroll	1.44%	1.60%
8. Annual Plan Cost		
a. Total Required Contribution BOY (3.a. + 6.a. + 7.a.)	\$4,553,409	\$4,640,556
b. Expected State Contribution	\$473,910	\$473,283
c. Expected Employee Contribution 10/1/2014 Change (5.2% x 5.b.)	\$253,246	\$227,654
d. Minimum Required City Contribution* (8.a. - 8.b. - 8.c.)	\$3,826,253	\$3,939,619

* payable October 1

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND
Section II: Statement of Actuarial Position as of October 1, 2014
Unfunded Actuarial Accrued Liability as of October 1, 2014

Unfunded Actuarial Accrued Liability

1. Entry Age Normal Accrued Liability	
Actives	\$22,751,598
Inactives	<u>\$95,327,489</u>
	\$118,079,087
2. Net Actuarial Value of Assets	\$79,464,877
3. Unfunded Actuarial Accrued Liability	\$38,614,210

Minimum Required Amortization

<u>UAAL as of 10/1/2014</u>	<u>Remaining Period</u>	<u>Beginning of Year Minimum Required Amortization Amount</u>
\$38,614,210	17 years	\$3,751,814

NOTE: Beginning October 1, 2014, the UAAL is being amortized at 7.25% as a level dollar amount.

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Section II: Statement of Actuarial Position as of October 1, 2014

Actuarial Methods

Cost Method

Individual Entry Age

Asset Valuation Method

Five-year smoothing method.

Actuarial Assumptions

Mortality: Pre- and Post-Retirement: RP-2000 Combined Healthy Mortality Table, separate by sex, Projection Scale BB to valuation date. No future mortality improvements were projected. Post-Disablement: RP-2000 Disabled Retiree, separate by sex, no projection.

Probability Death: Line of Duty: 15%; Non-Line of Duty: 85%.

Expense Loading: \$70,000.

Annual Investment Yield: 7.25% compounded annually (net of money manager fees).

Departure: Annual rates consistent with the following representative figures:

<u>Age</u>	<u>Probability of Disability</u>	<u>Probability of Withdrawal</u>
25	0.002387	0.060
30	0.002800	0.060
35	0.003867	0.060
40	0.005733	0.020
45	0.010600	0.000
50	0.018467	0.000
55	0.030600	0.000

Probability Disability: Line of Duty: 45%; Non-Line of Duty: 55%.

Salary Scale: 4.0% compounded annually, applied to pay to allow for future salary increases reflecting inflation, productivity, and seniority.

Increase in Benefits: 2.5% per year after retirement.

TABLE II-D
(Continued)

Percent Married: Current and future assumption of 80% of active participants married with spouses three years younger. Inactive and DROP participant status is same as reported tax status.

Retirement: The greater of the service only rates or the age and service rates consistent with the following:

<u>Service</u>	<u>Annual Rate</u>
25 YOS	0.50
26-29 YOS	0.25
30 YOS	1.00

<u>Age</u>	<u>Annual Rate</u>	<u>Age</u>	<u>Annual Rate</u>
45	.05	53	.10
46	.05	54	.10
47	.05	55	.10
48	.05	56	.10
49	.05	57	.50
50	.10	58	.70
51	.10	59	.90
52	.10	60	1.00

State Contributions: Assumed to equal actual contributions in previous plan year.

Changes in Actuarial methods and Assumptions Since the October 1, 2013 Valuation

1. Beginning with the October 1, 2015 Plan Year, the asset valuation method will use a growth factor of 7.25% rather than 7.5% currently used.
2. The annual net investment yield was reduced from 7.5% to 7.25%.

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Section II: Statement of Actuarial Position as of October 1, 2014

Plan Outline

Effective Date: October 1, 1959, as amended through October 1, 2014.

Eligibility: All sworn Police Officers of the Police Department and sworn Enforcement Officers of the City of Pensacola **hired before January 1, 2013 and who elected to continue in the Fund.**

Credited Service: All service as a Police Officer.

Full Year of Credited Service: A twelve consecutive calendar month period commencing on a Police Officer's employment date wherein the Police Officer was employed by the department for more than six months and has not withdrawn his or her contributions to the Fund **for such year.**

Compensation: Total compensation before pre-tax salary deferral or salary reduction contributions, and any Code Section 457 and 125 plans of the City, less any educational incentive pay, court pay, auto, meals and uniform expense, accumulated sick leave and vacation pay at retirement, special duty pay, shift differential pay, or special bonuses. **Overtime not included after January 1, 2013.**

Average Final Compensation: 1/12 of the average annual Compensation of the last 5 years of Credited Service (**best 2 of last 5 for those with 20 YOS on January 1, 2013**).

Normal Retirement Date: Age 55 with **12** years of Credited Service or 25 years of Credited Service.

Normal Annual Retirement Benefit: 3% of Average Final Compensation for each Full Year of Credited Service.

Late Retirement: Permitted, with increases in benefit to actual retirement date.

Early Retirement Benefit: Age 50 and **12** years of Credited Service. Normal benefit is reduced by monthly equivalent depending on number of months actual retirement precedes Normal Retirement Date according to the following table:

<u>Age at Retirement</u>	<u>Factor</u>	<u>Monthly Equivalent</u>
55	1.000	0.25%
54	.970	0.25%
53	.940	0.25%
52	.910	0.25%
51	.880	0.25%
50	.850	0.25%

Form of Retirement Benefit: 10 years certain and **life** to spouse or to legitimate children under 18 (**20 YOS on January 1, 2013, also 100% J&S**).

Pre-Retirement Death and Disability in Line of Duty: Same as Normal Retirement Benefit with benefits commencing immediately with a minimum of 42% of average monthly salary.

Pre-Retirement Death and Disability Not in Line of Duty: Return of employee contributions, or after **12** years of Credited Service, same as Normal Retirement Benefit with a minimum of 25% of average monthly salary, with benefits commencing immediately.

Termination of Service: (a) Refund of employee contributions without interest or (b) 100% vesting after completing **12** years of Credited Service with benefits payable from age 55.

Contributions:

Effective October 1, **2014:** **5.2%** for all Police Officers (**3.5% October 1, 2013; 1.5% on January 1, 2013**).

Other: Premium Taxes, Gifts, etc.

Additional City requirement to meet minimum State contribution requirements.

Post-Retirement Cost of Living Increase: Board of Trustees shall have authority to increase benefits up to 3% per annum based on DOL CPI (**retirees and DROP participants on or after January 1, 2013 have maximum increase of 2% after 10 years**) calculated each September 30 and effective the following January 1.

Deferred Retirement Option Plan (DROP): Effective January 10, 2000, with the current following main provisions:

Pension amount frozen at date of entry to DROP

Maximum 5 years DROP period

No employee or City contributions while in DROP

Account balances are credited with 4% annual interest

New DROPs after January 1, 2013 receive 1.3% interest and no COLA during DROP. DROPs (and retirees) before January 1, 2013 receive COLAs.

Changes Since the October 1, 2013 Valuation

None.

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Section III: Key Statistics

Key Statistics

Class of Participant	Valuation Date				
	10/01/10	10/01/11	10/01/12	10/01/13	10/01/14
Continuing Actives*	141	129	109	104	91
Pay Increase %	2.0%	6.8%	-4.0%	3.0%	8.1%
<hr/>					
Active					
Number	142	136	122	108	91
Average Age	40.2	40.3	38.3	39.1	40.8
Average Annual Pay	\$49,062	\$49,188	\$43,506	\$45,094	\$49,366
Average Past Service	12.4	12.1	10.6	11.4	13.0**
<hr/>					
Terminated Vested					
Number	6	7	6	18	14
Average Age	45.5	45.0	44.4	39.0	40.4
Average Annual Benefit	\$13,533	\$13,206	\$13,321	\$9,200	\$9,953
<hr/>					
Retired					
Number	66	68	74	76	83
Average Age	67.3	66.7	66.7	65.8	65.2
Average Annual Benefit	\$30,518	\$32,801	\$34,926	\$37,754	\$40,271
<hr/>					
Disabled					
Number	20	19	17	17	17
Average Age	69.7	70.6	70.4	69.7	68.5
Average Annual Benefit	\$10,042	\$10,903	\$11,869	\$14,212	\$15,467
<hr/>					
Survivors					
Number	29	32	31	33	33
Average Age	70.9	72.0	72.2	72.3	72.2
Average Annual Benefit	\$17,392	\$18,295	\$17,933	\$19,140	\$19,753
<hr/>					
DROPs					
Number	16	21	36	32	27
Average Age	53.7	52.4	51.9	52.9	53.0
Average Annual Benefit	\$56,015	\$55,233	\$55,727	\$59,759	\$60,397

* Excluding DROP's

** Includes buy back service.

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Section III: Key Statistics

Reconciliation of Number of Participants by Status

	<u>Actives</u>	<u>Retirees</u>	<u>Vested Terminations</u>	<u>Disabilities</u>	<u>Beneficiaries</u>	<u>DROPs</u>
Members on 10/01/2013	108	76	18	17	33	32
New Entrants						
Non-Vested Terminations or Terminated with Refund	(3)					
Vested Terminations						
Retirees	(1)	9				(8)
Disabilities	(1)			1		
Deaths with Beneficiaries		(1)		(1)		
Deaths without Beneficiaries		(1)			(2)	
New Beneficiaries					2	
Data Correction	(9)		(4)			
New DROPS	(3)					3
Members on 10/01/2014	<u>91</u>	<u>83</u>	<u>14</u>	<u>17</u>	<u>33</u>	<u>27</u>

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Section III: Key Statistics

Age and Service Table as of October 1, 2014

Age	Service													ALL
	<1	>=1 <2	>=2 <3	>=3 <4	>=4 <5	>=5 <10	>=10 <15	>=15 <20	>=20 <25	>=25 <30	>=30 <35	>=35 <40	>=40	
<25	0 0.00 0.00 0	0 0.00 0.00 0	1 23.13 2.04 37627	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	1 23.13 2.04 37627
>=25 <30	0 0.00 0	1 25.58 1.96 37627	1 25.64 2.04 37627	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	2 25.61 2.00 37627
>=30 <35	0 0.00 0	0 0.00 0	1 32.77 2.04 38723.5	0 0.00 0	2 31.83 4.08 37627	12 31.58 7.67 42418	8 34.13 10.98 43823	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	23 32.54 8.26 42329
>=35 <40	0 0.00 0	1 36.94 1.96 37627	1 36.60 2.04 37627	0 0.00 0	0 0.00 0	2 38.56 8.36 39884	9 36.92 12.54 43634	4 38.22 15.42 55089	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	17 37.40 11.49 45181
>=40 <45	0 0.00 0	0 0.00 0	0 0.00 0	2 42.37 3.50 37627	0 0.00 0	3 43.22 7.05 39284	5 43.30 13.49 42786	11 41.97 17.45 55247	1 43.64 22.30 70845	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	22 42.56 14.08 49345
>=45 <50	0 0.00 0	0 0.00 0	1 49.93 2.55 37627	0 0.00 0	0 0.00 0	3 46.97 12.51 42169	1 49.40 19.96 54624	8 47.31 22.22 69194	2 48.57 25.02 70834	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	15 47.72 19.19 60932
>=50 <55	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	3 51.83 13.49 49095	1 54.78 15.78 50604	4 53.23 22.88 68462	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	8 52.90 18.47 58967
>=55 <60	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	1 59.58 10.43 40685	1 56.55 18.02 52118	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	2 58.07 14.23 46401
>=60 <65	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	1 60.10 19.30 73653	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	0 0.00 0	1 60.10 19.30 73653
>=65	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0
ALL	0 0.00 0.00 0	2 31.26 1.96 37627	5 33.61 2.14 37846	2 42.37 3.50 37627	2 31.83 4.08 37627	17 34.46 7.64 41567	29 40.61 12.30 43852	19 43.97 17.19 55740	13 48.85 22.43 69096	2 48.57 25.02 70834	0 0.00 0.00 0	0 0.00 0.00 0	0 0.00 0.00 0	91 40.77 13.02 49366

Cell Format: Number In Each Group, Average Age, Average Service, And Average Salary
Includes both sexes

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Section IV: Accounting for Pension Costs and Liabilities
Based on GASB Statements No. 67 and 68

In June 2012, the Governmental Accounting Standards Board (GASB) approved two new statements, Statements No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68, *Accounting and Financial Reporting for Pensions*. These statements replace Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans*, and Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. These new statements require the addition of plan unfunded liabilities to the employer's balance sheet and also change how the System has to calculate its expense for financial disclosures, but does not change how the System has to calculate its liabilities for its contribution requirements.

GASB No. 67 is effective for the City of Pensacola Police Officers' Retirement Fund ("CPPORF") for fiscal years beginning October 1, 2013, and GASB No. 68 is effective for fiscal years beginning October 1, 2014.

**Notes to the Financial Statements
for the Year Ended September 30, 2014**

Summary of Significant Accounting Policies

Method used to value investments. Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real estate assets are reported at fair value utilizing an income approach to valuation.

Plan Description

Plan administration. The Board of Trustees administers the CPPORF -- a single-employer defined benefit pension plan that covers sworn and State certified Police Officers and Crime Scene Investigators who are employed by and receive compensation from the City of Pensacola. The City, by action of the City Council, is granted the authority to establish and amend the benefit terms.

Management of the CPPORF is vested in the Board of Trustees, which consists of five members – two legal residents of the City appointed by the City Council, and two active Police Officers elected by active Police members, and one selected by the aforementioned four Board members.

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Section IV: Accounting for Pension Costs and Liabilities
Based on GASB Statements No. 67 and 68

Plan membership. At January 1, 2013, the CPPORF was closed to new participants. At September 30, 2014, plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	133
Inactive plan members entitled to but not yet receiving benefits	14
DROP members	27
Active plan members	91
Total	<hr/> 265

Benefits provided. The CPPORF provides retirement, disability, and death benefits. Retirement benefits generally are calculated as 3 percent of the employee's final 5 year average compensation for each Full Year of Credited Service payable for life with 10 years certain.

Employees are eligible for non-duty related death and disability benefits after 12 years of service and for duty-related death and disability benefits upon hire. Terminated employees may, or must, withdraw their contributions.

The Board of Trustees shall have authority to increase benefits up to 3% per annum based on DOL CPI (retirees and DROP participants on or after January, 1, 2013, have maximum increase of 2% after 10 years).

Contributions. The Board of Trustees establishes contributions based on an actuarially determined amount recommended by an independent actuary. This amount is the estimated cost of benefits earned by employees during the year, with an additional amount to finance the unfunded accrued liability. The City is required to contribute the difference between the actuarially determined amount, the contribution of employees, and any Chapter 185 funds applied. For the year ended September 30, 2014, the contributions paid were City \$3,825,656, employees \$156,000, and Chapter \$473,283.

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Section IV: Accounting for Pension Costs and Liabilities
Based on GASB Statements No. 67 and 68

Investments

Investment policy. The pension plan's policy for the allocation of invested assets is established by a majority vote of the Board. The Board pursues an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The policy discourages the use of cash equivalents, except for liquidity purposes, and refrains from dramatically shifting asset class allocations over short time spans. The following was the Board's asset allocation as of a recent date:

<u>Asset Class</u>	<u>12/31/2013</u>	<u>Target</u>
Domestic equity	48.5%	45%
International equity	13.8	15
Fixed income	23.2	
Global fixed income	5.0	
Broad market fixed income		25
TIPS		5
Alternatives		10
Real estate	7.8	
Cash	1.7	
Total	100.0%	100.0%

Rate of return. For the year ended September 30, 2014, the annual money-weighted rate of return on pension plan investments was 9.0%. This reflects the changing amounts actually invested.

Reserves

A small portion of funds have been deposited in a Contribution Surplus Account (\$700,508) and a Chapter Funds Account (\$396,897) as of September 30, 2014. The Board uses these to make up for any contribution deficits and possibly for benefit improvements.

Deferred Retirement Option Program

DROP after 25 YOS (or age 55 and 12 YOS). Maximum period 5 years. 4.0% annual interest credited for DROPs before January 1, 2013, 1.3% thereafter. COLAs for pre January 1, 2013, DROPs only. The DROP balance as of September 30, 2014 is \$4,529,916.

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Section IV: Accounting for Pension Costs and Liabilities
Based on GASB Statements No. 67 and 68

Actuarial assumptions. The actuarial assumptions used in the October 1, 2014, valuation were based on the results of an actuarial experience study for the period October 1, 2006 – September 30, 2011.

Inflation	2.5 percent
Salary increases	4.0 percent, including inflation
Investment (discount rate)	7.25 percent (prior year 7.5), including inflation

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB.

The expected arithmetic real rate of return was determined for each major asset class. These are combined to produce the 7.25 percent expected rate of return, or discount rate, by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation (diversification and volatility also impact this).

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return (gross less 2.5% inflation)</u>
Domestic equity	5.4%
International equity	5.5%
Fixed income	1.3%
Global fixed income	1.4%
Real estate	4.5%
Cash	0.0%

Discount rate. The projection of cash flows used to determine the 7.25 percent discount rate assumed that contributions will continue at the current rates. The fiduciary net position was projected to cover all future benefit payments of current plan members.

Sensitivity of the net pension liability to changes in the discount rate.

	1% Decrease <u>(6.25%)</u>	Current Discount <u>Rate (7.25%)</u>	1% Increase <u>(8.25%)</u>
City's net pension liability	\$49,977,931	\$34,738,506	\$21,981,611

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Statement of Plan Net Assets

	<u>2013</u>	<u>2014</u>
<u>Assets</u>		
Cash and short-term investments	\$1,033,248	\$1,860,739
Real Estate	\$6,413,757	\$7,086,177
Receivables	\$88,208	\$7,306
Investments, at fair value		
Fixed Income Securities	\$22,833,949	\$23,384,445
Equities		
Domestic	\$45,358,327	\$47,007,762
International	\$3,405,340	\$5,021,520
Accrued Income	<u>\$208,118</u>	<u>\$171,289</u>
Total assets	\$79,340,947	\$84,539,238
 <u>Liabilities</u>		
Accounts payable	\$187,788	\$101,252
 Net assets held in trust for pension benefits	 <u><u>\$79,153,159</u></u>	 <u><u>\$84,437,986</u></u>

Note: The market values shown above include \$4,564,867 as of 09/30/13 and \$4,529,916 as of 09/30/14 for accumulated DROP accounts with interest.

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Statement of Changes in Plan Net Assets

	<u>2013</u>	<u>2014</u>
<u>Additions</u>		
Contributions		
Employer	\$2,485,715	\$3,825,656
Plan members	\$61,590	\$156,000
State of Florida - Insurance	\$473,910	\$473,283
Purchase of Service by Members	<u>\$237,089</u>	<u>\$12,024</u>
Total contributions	\$3,258,304	\$4,466,963
Investment income		
Investment income & realized gains	\$4,164,430	\$2,813,426
Market valuation adjustment	\$6,044,637	\$4,503,803
Miscellaneous	(\$56)	(\$46)
	<u>\$10,209,011</u>	<u>\$7,317,183</u>
Less investment expense	<u>\$369,293</u>	<u>\$436,161</u>
Net investment income	<u>\$9,839,718</u>	<u>\$6,881,022</u>
Total additions	<u>\$13,098,022</u>	<u>\$11,347,985</u>
<u>Deductions</u>		
Benefits	\$3,595,156	\$4,059,344
Refund of contributions	\$2,508	\$4,201
DROP payouts	\$914,238	\$1,930,562
Lump Sum PV - FRS conversion	\$93,570	\$0
Administrative expense	<u>\$74,488</u>	<u>\$69,051</u>
Total deductions	<u>\$4,679,960</u>	<u>\$6,063,158</u>
Net increase	\$8,418,062	\$5,284,827
Net assets held in trust for pension benefits		
Beginning of year	<u>\$70,735,097</u>	<u>\$79,153,159</u>
End of year	<u><u>\$79,153,159</u></u>	<u><u>\$84,437,986</u></u>

Note: The market values shown above include \$4,564,867 as of 09/30/13 and \$4,529,916 as of 09/30/14 for accumulated DROP accounts with interest.

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Schedule of Changes in Net Pension Liability and Related Ratios

	2014	2013	2012	2011	2010
Total pension liability					
Service Cost (BOY)	\$930,340	\$1,282,649	\$1,605,230		
Interest	\$8,156,321	\$8,164,809	\$7,835,535		
Changes of benefit terms	\$0	(\$5,724,271)	\$0		
Differences between expected and actual experience	\$791,709	\$1,943,060	(\$2,734,414)		
Changes of assumptions	\$3,431,350	\$3,373,204	\$2,145,252		
Benefit payments, including refunds of member contributions	(\$5,994,107)	(\$4,605,472)	(\$3,967,087)		
Net change in total pension liability	\$7,315,613	\$4,433,979	\$4,884,516		
Total pension liability -- beginning	\$110,763,474	\$106,329,495	\$101,444,979		
Total pension liability -- ending(a)	\$118,079,087	\$110,763,474	\$106,329,495		
Plan fiduciary net position					
Contributions--employer	\$3,825,656	\$2,485,715	\$3,025,714		
Contributions--member	\$156,000	\$61,590	\$29,199		
Net investment income	\$6,881,022	\$9,839,718	\$11,504,769		
Benefit payments, including refunds of member contributions	(\$5,994,107)	(\$4,605,472)	(\$3,967,087)		
Administrative expense	(\$69,051)	(\$74,488)	(\$73,465)		
State Insurance	\$473,283	\$473,910	\$477,014		
Member buybacks	\$12,024	\$237,089	\$763,031		
Other					
Net change in plan fiduciary net position	\$5,284,827	\$8,418,062	\$11,759,175		
Plan fiduciary net position -- beginning	\$79,153,159	\$70,735,097	\$58,975,922		
Plan fiduciary net position -- ending	\$84,437,986	\$79,153,159	\$70,735,097		
less reserve accounts	\$1,097,405	\$1,019,927	\$847,359		
Total Plan fiduciary net position -- ending(b)	\$83,340,581	\$78,133,232	\$69,887,738		
City's net pension liability--ending(a)-(b)	\$34,738,506	\$32,630,242	\$36,441,757		
Plan fiduciary net position as a percentage of the total pension liability	70.6%	70.5%	65.7%		
Covered-employee payroll	\$4,377,970	\$4,870,112	\$5,296,929		
City's pension liability as a percentage of covered-employee payroll	2697.1%	2274.4%	2007.4%		

PRIOR INFORMATION
NOT AVAILABLE

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Schedule of City Contributions

FYE	Actual and Actuarially Required City Contribution 1)	State Insurance Amount 2)	Total Required Contribution 1) plus 2) = 3)	Covered Payroll 4)	3) divided by 4) 5)
2014	\$3,825,656	\$473,283	\$4,298,939	\$4,466,862	96.24%
2013	\$2,358,245	\$473,910	\$2,832,155	\$4,870,112	58.15%
2012	\$2,879,703	\$477,014	\$3,356,717	\$5,296,929	63.37%
2011	\$3,543,815	\$474,152	\$4,017,967	\$6,766,158	59.38%
2010	\$2,647,226	\$486,190	\$3,133,416	\$6,966,752	44.98%
2009	\$2,751,192	\$527,249	\$3,278,441	\$7,093,224	46.22%
2008	\$2,821,540	\$662,759	\$3,484,299	\$7,577,663	45.98%
2007	\$2,570,124	\$662,759	\$3,232,883	\$7,600,743	42.53%
2006	\$2,318,002	\$662,759	\$2,980,761	\$7,152,673	41.67%
2005	\$2,296,474	\$662,759	\$2,959,233	\$7,933,608	37.30%

Notes to Schedule

Valuation date: 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 used to determine contribution rates:

Actuarial cost method	Individual Entry age
Amortization method	Level dollar amount, closed
Remaining amortization period	17 years
Asset valuation method	5-year weighted index

SCHEDULE OF INVESTMENT RETURNS

Annual money-weighted rate of
return, net of investment expense.

2014	9.00%
2013	14.64%
2012	20.16%
2011	1.77%
2010	9.70%
2009	0.79%
2008	-11.03%
2007	12.90%
2006	6.42%
2005	8.03%

CITY OF PENSACOLA
POLICE OFFICERS' RETIREMENT FUND

Section V: State of Florida Information

A. Participant Data See Section III, Tables III-A, III-B, and III-C.

B. Assets See Section IV, page 18.

C. Liabilities

	<u>As of</u> <u>10/1/2013</u>	<u>Before</u> <u>Changes</u> <u>10/1/2014</u>	<u>Assumption</u> <u>Changes</u> <u>10/1/2014</u>
1. Present Value of Future Benefits for:			
Retirement Benefits	\$23,110,985	\$23,335,207	\$24,501,994
Death Benefits	\$434,179	\$412,880	\$433,207
Disability Benefits	\$3,654,249	\$3,409,856	\$3,548,061
Withdrawal Benefits	\$706,993	\$696,790	\$748,647
Return of Contributions	<u>\$82,465</u>	<u>\$51,803</u>	<u>\$52,241</u>
Total Active	\$27,988,871	\$27,906,537	\$29,284,150
Terminated Vested Retirees and Beneficiaries	\$1,003,363	\$965,595	\$1,012,184
Disableds	\$48,979,122	\$56,361,126	\$57,859,591
DROPs	\$3,141,827	\$3,487,246	\$3,577,698
	<u>\$36,695,469</u>	<u>\$31,992,950</u>	<u>\$32,878,016</u>
Total Inactive	\$89,819,781	\$92,806,917	\$95,327,489
Total Present Value of Future Benefits	\$117,808,652	\$120,713,454	\$124,611,639

E. <u>Entry Age Normal Actuarial Accrued Liability</u>			
	As of <u>10/1/2013</u>	Before Changes <u>10/1/2014</u>	Assumption Changes <u>10/1/2014</u>
Actives			
Retirement Benefits	\$18,178,191	\$19,101,900	\$19,911,338
Death Benefits	\$286,582	\$284,110	\$295,161
Disability Benefits	\$2,337,166	\$2,284,161	\$2,355,237
Withdrawal Benefits	\$362,750	\$384,362	\$405,830
Return of Contributions	<u>-\$220,996</u>	<u>-\$213,713</u>	<u>-\$215,968</u>
Total Actives	\$20,943,693	\$21,840,820	\$22,751,598
Total Inactives	\$89,819,781	\$92,806,917	\$95,327,489
Total Entry Age Normal Actuarial Accrued Liability	\$110,763,474	\$114,647,737	\$118,079,087

F. <u>Pension Cost</u>			
	As of <u>10/1/2013</u>	Before Changes <u>10/1/2014</u>	Assumption Changes <u>10/1/2014</u>
Normal Actuarial Cost	\$930,340	\$839,703	\$886,742
Minimum Payment to UAAL	\$3,623,069	\$3,445,048	\$3,728,021
Expected Usable Contributions From State			
Dollar Amount	\$473,910	\$473,283	\$473,283
% of Covered Payroll	9.73%	10.81%	10.81%
Expected Contributions From Employees			
Dollar Amount	\$253,246	\$227,654	\$227,654
% of Covered Payroll	5.20%	5.20%	5.20%
Expected Contributions From City			
Dollar Amount	\$3,826,253	\$3,583,814	\$3,915,826
% of Covered Payroll	78.57%	81.86%	89.44%

G. Past Contributions

Expected contributions for Plan Year ending September 30, 2014. See E. above. Actual contributions for Plan Year ending September 30, 2014 - See page 18.

H. Net Actuarial Gain (Loss)

For period ended 09/30/2014 – \$2,340,317

I. Present Value of

	<u>As of</u> <u>10/1/2013</u>	<u>Before</u> <u>Changes</u> <u>10/1/2014</u>	<u>Assumption</u> <u>Changes</u> <u>10/1/2014</u>
Future Salaries	\$39,967,200	\$34,945,400	\$35,402,400
Future City Contributions	\$38,773,723	\$35,408,755	\$39,233,773
Future Employee Contributions	\$2,078,296	\$1,817,157	\$1,840,921
Future Contributions from Other Sources	\$3,889,203	\$3,777,793	\$3,827,197

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

<u>Year Ended</u>	<u>Actual</u>	<u>Assumed</u>
09/30/14	8.1%	4.0%
09/30/13	3.0%	5.0%
09/30/12	(4.0%)	5.5%

(ii) Five-Year Comparison of Net Investment Returns

<u>Year Ended</u>	<u>Market Value</u>	<u>Actuarial Value</u>	<u>Assumed</u>
09/30/14	8.78%	11.01%	7.5%
09/30/13	14.05%	11.09%	7.75%
09/30/12	19.47%	7.36%	8.0%
09/30/11	1.37%	2.02%	8.0%
09/30/10	9.39%	2.52%	8.0%

(iii) Average Annual Growth in Payroll, last 10 Years

<u>Plan Year</u>	<u>Total Valuation Payroll</u>
2003/2004	\$6,883,189
2004/2005	\$7,933,608
2005/2006	\$7,152,673
2006/2007	\$7,600,743
2007/2008	\$7,577,663
2008/2009	\$7,093,224
2009/2010	\$6,966,752
2010/2011	\$6,850,528
2011/2012	\$5,296,929
2012/2013	\$4,870,112
2013/2014	\$4,377,970
Total % Increase	(36.40%)
Annual % Increase (10 year average)	(4.42%)

J. Benefits and Expenses of Plans not Explicitly or Implicitly Provided for in Valuation

None.

K. Trends Not Taken Into Account But Which Are Likely to Result in Future Cost Increases

None.

L. Statement by Enrolled Actuary

See Cover Letter.

M. Age/Service Distribution of Active Employees

See Section III, Table III-C.

N. Derivation of Costs on Current Plan Basis

See Section II, Table II-A.

