

February 16, 2017

Board of Trustees
Town of Longboat Key
501 Bay Isles Road
Longboat Key, FL 34228

RE: GASB Statement No. 67 and No. 68 – Town of Longboat Key Police Officers’ Retirement System

Dear Board:

We are pleased to present to the Board a GASB Statement No. 67 and No. 68 measured as of September 30, 2016 for the Town of Longboat Key Police Officers’ Retirement System.

The calculation of the liability associated with the benefits referenced in this report was performed for the purpose of satisfying the requirements of GASB No.67 and No.68 and is not applicable for purposes, such as determining the plans’ funding requirements. A calculation of the plan’s liability for other purposes may produce significantly different results.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of October 1, 2015. The total pension liability was rolled-forward from the valuation date to the plan’s fiscal year ending September 30th, 2016 using generally accepted actuarial principles. It is our opinion that the assumptions used for this purposes are internally consistent, reasonable, and comply with the requirements under GASB No.67 and No.68.

Certain schedules should include a 10-year history of information. As provided for in GASB No. 67 and No.68, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB No. 67 and No.68.

To the best of our knowledge, these statements are complete and accurate and are in accordance with generally recognized actuarial practices and methods.

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: 

Douglas H. Lozen, EA, MAAA
Enrolled Actuary #14-7778

DHL/lke
Enclosures

STATEMENT OF
FIDUCIARY NET POSITION
SEPTEMBER 30, 2016

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	2,698
Prepaid Benefits	66,664
Money Market	178,823
Cash	1,966
Total Cash and Equivalents	250,151
Receivables:	
From Broker for Investments Sold	5,966
Investment Income	12,577
Total Receivable	18,543
Investments:	
U. S. Bonds and Bills	619,883
Federal Agency Guaranteed Securities	590,532
Corporate Bonds	863,509
Stocks	2,245,970
Equity	2,061,877
Total Investments	6,381,771
Total Assets	6,650,465
<u>LIABILITIES</u>	
Payables:	
Investment Expenses	2,335
Administrative Expenses	7,214
To Broker for Investments Purchased	4,475
Total Liabilities	14,024
NET POSITION RESTRICTED FOR PENSIONS	6,636,441

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

ADDITIONS

Contributions:

Town	623,019	
Total Contributions		623,019
Investment Income:		
Net Increase in Fair Value of Investments	421,792	
Interest & Dividends	134,791	
Less Investment Expense ¹	(36,724)	
Net Investment Income		519,859
Total Additions		1,142,878

DEDUCTIONS

Distributions to Members:

Benefit Payments	738,610	
Lump Sum DROP Distributions	201,546	
Total Distributions		940,156
Administrative Expense		39,247
Total Deductions		979,403
Net Increase in Net Position		163,475

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		6,472,966
End of the Year		6,636,441

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

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

Plan Description

Plan Administration

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- a. Five Commission appointees, and
- b. Two Town Manager appointees.

Full-time Police Officers participate as a condition of employment. Members hired after January 31, 2014 do not participate in this System.

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	20
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	4
	24
	24

Benefits Provided

The below information is for historical reference only. Benefits are frozen as of February 1, 2014.

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

Normal Retirement:

Eligibility: Attainment of 1) age 60, 2) age 55 and the completion of 10 years of Credited Service or 3) the completion of 25 years of Credited Service, regardless of age.

Benefit: 3.5% of Average Final Compensation times Years of Credited Service. The accrued benefit is frozen as of January 31, 2014.

Early Retirement (removed with Ordinance 2013-13):

Eligibility: Age 45 and the completion of 15 years of Credited Service or Age 50 and the completion of 10 years of Credited Service.

Benefit: Accrued benefit, reduced 3% per year.

Supplemental Benefit:

\$10.00 per month for each year of Credited Service, payable to age 65. Credited Service is frozen as of January 31, 2014 for determination of the Supplemental Benefit.

Cost-of-Living Adjustment:

Service Retirees receive a 3% annual increase in benefits commencing on the October 1 following the receipt of 5 years of benefit payments.

Vesting (Termination):

Upon an employee's termination of employment for reason other than death, disability or retirement, he shall be entitled to the payment of the Vested Percentage of his or her accrued pension at the otherwise Early (reduced) of Normal Retirement Date. The applicable Vested Percentage is determined by the following table:

Years of Service	Percentage ¹
Less than 5	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10	100%

¹Members are 100% vested in their frozen accrued benefit as of January 31, 2014.

Death Benefit:

Vested or Eligible for Retirement: Monthly accrued benefit payable to designated beneficiary. The accrued benefit is frozen as of January 31, 2014.

Non-Vested: Refund of Member Contributions.

Disability:

Eligibility: Service Incurred: Covered from Date of Employment.

Non-Service Incurred 10 years of Credited Service.

Benefit Amount: 3.5% of Average Final Compensation times Credited Service (but not less than 42% of Average Final Compensation for Service Incurred). Average Final Compensation and Credited Service for purposes of determining the applicable minimum. Disability Benefit are frozen as of January 31, 2014.

Contributions

Member Contributions: None.

Town Contributions: Amount necessary to maintain actuarial soundness and meet State requirements.

Investments

Investment Policy:

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

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	45%
International Equity	15%
Fixed Income	25%
Real Estate	10%
Master Limited Partnerships	5%
Total	100%

Concentrations:

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's Fiduciary Net Position.

Rate of Return:

For the year ended September 30, 2016, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 8.25 percent.

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

Deferred Retirement Option Program

Eligibility: Satisfaction of Normal Retirement requirements.

Participation: Not to exceed 36 months.

At Member's election:

- a. Actual net rate of investment return credited each fiscal quarter, or
- b. A fixed rate money market account.

The DROP balance as September 30, 2016 is \$0.

NET PENSION LIABILITY OF THE SPONSOR

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

Total Pension Liability	\$ 12,035,458
Plan Fiduciary Net Position	\$ (6,636,441)
Sponsor's Net Pension Liability	<u>\$ 5,399,017</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	55.14%

Actuarial Assumptions:

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

Inflation	2.30%
Salary Increases	None
Discount Rate	7.00%
Investment Rate of Return	7.00%

Mortality Rate Healthy Lives:

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

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The most recent actuarial experience study used to review the other significant assumptions was dated February 25, 2008.

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2016 the inflation rate assumption of the investment advisor was 2.30%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.80%
International Equity	7.30%
Fixed Income	2.45%
Real Estate	3.78%
Master Limited Partnerships	6.50%

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.00 percent.

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

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Sponsor's Net Pension Liability	\$ 6,646,850	\$ 5,399,017	\$ 4,255,998

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

	<u>09/30/2016</u>	<u>09/30/2015</u>
Total Pension Liability		
Service Cost	14,674	28,625
Interest	797,181	812,505
Changes of benefit terms	(9,211)	-
Differences between Expected and Actual Experience	(337,539)	(4,365)
Changes of assumptions	653,987	570,366
Benefit Payments, including Refunds of Employee Contributions	<u>(940,156)</u>	<u>(717,957)</u>
Net Change in Total Pension Liability	178,936	689,174
Total Pension Liability - Beginning	<u>11,856,522</u>	<u>11,167,348</u>
Total Pension Liability - Ending (a)	<u>\$ 12,035,458</u>	<u>\$ 11,856,522</u>
Plan Fiduciary Net Position		
Contributions - Employer	623,019	621,921
Contributions - State	-	-
Contributions - Employee	-	-
Net Investment Income	519,859	(246,652)
Benefit Payments, including Refunds of Employee Contributions	(940,156)	(717,957)
Administrative Expense	<u>(39,247)</u>	<u>(42,386)</u>
Net Change in Plan Fiduciary Net Position	163,475	(385,074)
Plan Fiduciary Net Position - Beginning	<u>6,472,966</u>	<u>6,858,040</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 6,636,441</u>	<u>\$ 6,472,966</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 5,399,017</u>	<u>\$ 5,383,556</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	55.14%	54.59%
Covered Employee Payroll ¹	\$ 429,341	\$ 603,217
Net Pension Liability as a percentage of Covered Employee Payroll	1257.51%	892.47%

Notes to Schedule:

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Changes of benefit terms:

For measurement date 09/30/2016, amounts reported as changes of benefit terms resulted from Ordinance 2016-22, adopted and effective July 5, 2016, provided a lump sum cash out option to active Members and prior Vested participants who were due a deferred monthly benefit.

Changes of Assumptions:

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

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

For measurement date 09/30/2015, amounts reported as changes of assumptions were resulted from lowering the investment rate of return from 7.50% to 7.00%.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years

	<u>09/30/2014</u>	<u>09/30/2013</u>
Total Pension Liability		
Service Cost	6,496	6,043
Interest	823,074	835,385
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(1,267,283)</u>	<u>(744,769)</u>
Net Change in Total Pension Liability	(437,713)	96,659
Total Pension Liability - Beginning	<u>11,605,061</u>	<u>11,508,403</u>
Total Pension Liability - Ending (a)	<u>\$ 11,167,348</u>	<u>\$ 11,605,061</u>
Plan Fiduciary Net Position		
Contributions - Employer	552,573	824,909
Contributions - State	81,017	77,298
Contributions - Employee	35,601	100,547
Net Investment Income	662,893	785,731
Benefit Payments, including Refunds of Employee Contributions	(1,267,283)	(744,769)
Administrative Expense	<u>(39,110)</u>	<u>(28,794)</u>
Net Change in Plan Fiduciary Net Position	25,691	1,014,922
Plan Fiduciary Net Position - Beginning	<u>6,832,349</u>	<u>5,817,427</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 6,858,040</u>	<u>\$ 6,832,349</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 4,309,308</u>	<u>\$ 4,772,713</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	61.41%	58.87%
Covered Employee Payroll	N/A	N/A
Net Pension Liability as a percentage of Covered Employee Payroll	N/A	N/A

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	623,019	621,921	633,590	902,207
Contributions in relation to the Actuarially Determined Contributions	623,019	621,921	633,590	902,207
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll ¹	\$ 429,341	\$ 603,217	N/A	N/A
Contributions as a percentage of Covered Employee Payroll	145.11%	103.10%	N/A	N/A

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Notes to Schedule

Valuation Date: 10/01/2014
 Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost Method. An interest load equal to 1.5 years has been applied for determination of the Total Required Contribution.

Amortization Method: Level Dollar.

Remaining Amortization Period: 28 Years (as of 10/01/2014).

Mortality: RP-2000 (combined healthy with no projection). Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disabled lives set forward 5 years.

Termination Rates: See table below (1304A).

Disability Rates: See table below (1205). 75% of Disability Retirements are assumed to Service-related.

Retirement Age: The earlier of age 60, age 55 with 10 years of Credited Service, or 25 years of Credited Service, regardless of age. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year.

Interest Rate: 7.5% per year, compounded annually, net of investment-related expenses.

Salary Increases: None.

Early Retirement: None.

Cost of Living Adjustment: 3.0% per year, beginning 5 years after retirement.

Payroll Growth: None.

Asset Valuation Method: The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a deminis bias that is above or below the Market Value of Assets.

Termination and Disability Rate Table:	Age	% Terminating During the Year	% Becoming Disabled During the Year
	20	9.2%	0.14%
30	7.3%	0.18%	
40	3.5%	0.30%	
50	0.8%	1.00%	

SCHEDULE OF INVESTMENT RETURNS

Last 10 Fiscal Years

	<u>09/30/2016</u>	<u>09/30/2015</u>	<u>09/30/2014</u>	<u>09/30/2013</u>
Annual Money-Weighted Rate of Return				
Net of Investment Expense	8.25%	-3.67%	9.94%	13.20%

NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2017)

General Information about the Pension Plan

Plan Description

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- a. Five Commission appointees, and
- b. Two Town Manager appointees.

Full-time Police Officers participate as a condition of employment. Members hired after January 31, 2014 do not participate in this System.

Plan Membership as of October 1, 2015:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	20
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	4
	24
	24

Benefits Provided

The below information is for historical reference only. Benefits are frozen as of February 1, 2014.

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

Normal Retirement:

Eligibility: Attainment of 1) age 60, 2) age 55 and the completion of 10 years of Credited Service or 3) the completion of 25 years of Credited Service, regardless of age.

Benefit: 3.5% of Average Final Compensation times Years of Credited Service. The accrued benefit is frozen as of January 31, 2014.

Early Retirement (removed with Ordinance 2013-13):

Eligibility: Age 45 and the completion of 15 years of Credited Service or Age 50 and the completion of 10 years of Credited Service.

Benefit: Accrued benefit, reduced 3% per year.

Supplemental Benefit:

\$10.00 per month for each year of Credited Service, payable to age 65. Credited Service is frozen as of January 31, 2014 for determination of the Supplemental Benefit.

Cost-of-Living Adjustment:

Service Retirees receive a 3% annual increase in benefits commencing on the October 1 following the receipt of 5 years of benefit payments.

Vesting (Termination):

Upon an employee's termination of employment for reason other than death, disability or retirement, he shall be entitled to the payment of the Vested Percentage of his or her accrued pension at the otherwise Early (reduced) or Normal Retirement Date. The applicable Vested Percentage is determined by the following table:

Years of Service	Percentage ¹
Less than 5	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10	100%

¹Members are 100% vested in their frozen accrued benefit as of January 31, 2014.

Death Benefit:

Vested or Eligible for Retirement: Monthly accrued benefit payable to designated beneficiary. The accrued benefit is frozen as of January 31, 2014.

Non-Vested: Refund of Member Contributions.

Disability:

Eligibility: Service Incurred: Covered from Date of Employment.

Non-Service Incurred 10 years of Credited Service.

Benefit Amount: 3.5% of Average Final Compensation times Credited Service (but not less than 42% of Average Final Compensation for Service Incurred). Average Final Compensation and Credited Service for purposes of determining the applicable minimum. Disability Benefit are frozen as of January 31, 2014.

Contributions

Member Contributions: None.

Town Contributions: Amount necessary to maintain actuarial soundness and meet State requirements.

Net Pension Liability

The measurement date is September 30, 2016.

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

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

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

The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

Actuarial Assumptions:

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

Inflation	2.30%
Salary Increases	None
Discount Rate	7.00%
Investment Rate of Return	7.00%

Mortality Rate Healthy Lives:

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

Male: RP2000 Generational, 10% Annuitant White Collar /90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The most recent actuarial experience study used to review the other significant assumptions was dated February 25, 2008.

The Long-Term Expected Rate of Return on Pension Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, Net of Pension Plan investment expenses and inflation) are developed for each major asset class.

For 2016 the inflation rate assumption of the investment advisor was 2.30%.

These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	45%	7.80%
International Equity	15%	7.30%
Fixed Income	25%	2.45%
Real Estate	10%	3.78%
<u>Master Limited Partnerships</u>	<u>5%</u>	<u>6.50%</u>
Total	<u>100%</u>	

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 7.00 percent.

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

CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Reporting Period Ending September 30, 2016	\$ 11,856,522	\$ 6,472,966	\$ 5,383,556
Changes for a Year:			
Service Cost	14,674	-	14,674
Interest	797,181	-	797,181
Differences between Expected and Actual Experience	(337,539)	-	(337,539)
Changes of assumptions	653,987	-	653,987
Changes of benefit terms	(9,211)	-	(9,211)
Contributions - Employer	-	623,019	(623,019)
Net Investment Income	-	519,859	(519,859)
Benefit Payments, including Refunds of Employee Contributions	(940,156)	(940,156)	-
Administrative Expense	-	(39,247)	39,247
Net Changes	178,936	163,475	15,461
Reporting Period Ending September 30, 2017	\$ 12,035,458	\$ 6,636,441	\$ 5,399,017

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

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.00%	7.00%	8.00%
Sponsor's Net Pension Liability	\$ 6,646,850	\$ 5,399,017	\$ 4,255,998

Pension Plan Fiduciary Net Position.

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

FINAL PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED
INFLOWS OF RESOURCES RELATED TO PENSIONS
FISCAL YEAR SEPTEMBER 30, 2016

For the year ended September 30, 2016, the Sponsor will recognize a Pension Expense of \$773,644.

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	-	2,183
Changes of assumptions	285,183	-
Net difference between Projected and Actual Earnings on Pension Plan investments	500,036	-
Employer contributions subsequent to the measurement date	623,019	-
Total	\$ 1,408,238	\$ 2,183

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 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	\$ 399,291
2018	\$ 116,291
2019	\$ 116,291
2020	\$ 151,163
2021	\$ -
Thereafter	\$ -

**PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED
INFLOWS OF RESOURCES RELATED TO PENSIONS
FISCAL YEAR SEPTEMBER 30, 2017**

For the year ended September 30, 2017, the Sponsor will recognize a Pension Expense of \$1,101,151.

On September 30, 2017, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan investments	320,365	-
Employer contributions subsequent to the measurement date	TBD	-
Total	TBD	\$ -

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

Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

Year ended September 30:		
2018	\$	100,446
2019	\$	100,446
2020	\$	135,318
2021	\$	(15,845)
2022	\$	-
Thereafter	\$	-

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

Reporting Period Ending	09/30/2017	09/30/2016
Measurement Date	<u>09/30/2016</u>	<u>09/30/2015</u>
Total Pension Liability		
Service Cost	14,674	28,625
Interest	797,181	812,505
Changes of benefit terms	(9,211)	-
Differences between Expected and Actual Experience	(337,539)	(4,365)
Changes of assumptions	653,987	570,366
Benefit Payments, including Refunds of Employee Contributions	<u>(940,156)</u>	<u>(717,957)</u>
Net Change in Total Pension Liability	178,936	689,174
Total Pension Liability - Beginning	<u>11,856,522</u>	<u>11,167,348</u>
Total Pension Liability - Ending (a)	<u><u>\$ 12,035,458</u></u>	<u><u>\$ 11,856,522</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	623,019	621,921
Contributions - State	-	-
Contributions - Employee	-	-
Net Investment Income	519,859	(246,652)
Benefit Payments, including Refunds of Employee Contributions	(940,156)	(717,957)
Administrative Expense	<u>(39,247)</u>	<u>(42,386)</u>
Net Change in Plan Fiduciary Net Position	163,475	(385,074)
Plan Fiduciary Net Position - Beginning	<u>6,472,966</u>	<u>6,858,040</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 6,636,441</u></u>	<u><u>\$ 6,472,966</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 5,399,017</u></u>	<u><u>\$ 5,383,556</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	55.14%	54.59%
Covered Employee Payroll ¹	\$ 429,341	\$ 603,217
Net Pension Liability as a percentage of Covered Employee Payroll	1257.51%	892.47%

Notes to Schedule:

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Changes of benefit terms:

For measurement date 09/30/2016, amounts reported as changes of benefit terms resulted from Ordinance 2016-22, adopted and effective July 5, 2016, provided a lump sum cash out option to active Members and prior Vested participants who were due a deferred monthly benefit.

Changes of Assumptions:

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

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

For measurement date 09/30/2015, amounts reported as changes of assumptions were resulted from lowering the investment rate of return from 7.50% to 7.00%.

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

Reporting Period Ending	09/30/2015	09/30/2014
Measurement Date	<u>09/30/2014</u>	<u>09/30/2013</u>
Total Pension Liability		
Service Cost	6,496	6,043
Interest	823,074	835,385
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	-	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	<u>(1,267,283)</u>	<u>(744,769)</u>
Net Change in Total Pension Liability	(437,713)	96,659
Total Pension Liability - Beginning	<u>11,605,061</u>	<u>11,508,403</u>
Total Pension Liability - Ending (a)	<u>\$ 11,167,348</u>	<u>\$ 11,605,061</u>
Plan Fiduciary Net Position		
Contributions - Employer	552,573	824,909
Contributions - State	81,017	77,298
Contributions - Employee	35,601	100,547
Net Investment Income	662,893	785,731
Benefit Payments, including Refunds of Employee Contributions	(1,267,283)	(744,769)
Administrative Expense	<u>(39,110)</u>	<u>(28,794)</u>
Net Change in Plan Fiduciary Net Position	25,691	1,014,922
Plan Fiduciary Net Position - Beginning	<u>6,832,349</u>	<u>5,817,427</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 6,858,040</u>	<u>\$ 6,832,349</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 4,309,308</u>	<u>\$ 4,772,713</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	61.41%	58.87%
Covered Employee Payroll	N/A	N/A
Net Pension Liability as a percentage of Covered Employee Payroll	N/A	N/A

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

	09/30/2016	09/30/2015	09/30/2014	09/30/2013
Actuarially Determined Contribution	623,019	621,921	633,590	902,207
Contributions in relation to the Actuarially Determined Contributions	623,019	621,921	633,590	902,207
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll ¹	\$ 429,341	\$ 603,217	N/A	N/A
Contributions as a percentage of Covered Employee Payroll	145.11%	103.10%	N/A	N/A

¹ The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

Notes to Schedule

Valuation Date: 10/01/2014

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

- Funding Method: Entry Age Normal Actuarial Cost Method. An interest load equal to 1.5 years has been applied for determination of the Total Required Contribution.
- Amortization Method: Level Dollar.
- Remaining Amortization Period: 28 Years (as of 10/01/2014).
- Mortality: RP-2000 (combined healthy with no projection). Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. Disabled lives set forward 5 years.
- Termination Rates: See table below (1304A).
- Disability Rates: See table below (1205). 75% of Disability Retirements are assumed to Service-related.
- Retirement Age: The earlier of age 60, age 55 with 10 years of Credited Service, or 25 years of Credited Service, regardless of age. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year.
- Interest Rate: 7.5% per year, compounded annually, net of investment-related expenses.
- Salary Increases: None.
- Early Retirement: None.
- Cost of Living Adjustment: 3.0% per year, beginning 5 years after retirement.
- Payroll Growth: None.
- Asset Valuation Method: The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a deminis bias that is above or below the Market Value of Assets.

Termination and Disability Rate Table:	% Terminating	% Becoming
	During the	Disabled During
Age	Year	the Year
20	9.20%	0.14%
30	7.30%	0.18%
40	3.50%	0.30%
50	0.80%	1.00%

FINAL COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 4,309,308	\$ 139,489	\$ 621,921	\$ -
Employer Contributions made after 09/30/2015	-	-	623,019	-
Total Pension Liability Factors:				
Service Cost	28,625	-	-	28,625
Interest	812,505	-	-	812,505
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(4,365)	4,365	-	-
Current year amortization of experience difference	-	(2,182)	-	(2,182)
Change in assumptions about future economic or demographic factors or other inputs	570,366	-	570,366	-
Current year amortization of change in assumptions	-	-	(285,183)	285,183
Benefit Payments	(717,957)	-	-	(717,957)
Net change	<u>689,174</u>	<u>2,183</u>	<u>908,202</u>	<u>406,174</u>
Plan Fiduciary Net Position:				
Contributions - Employer	621,921	-	(621,921)	-
Net Investment Income	509,162	-	-	(509,162)
Difference between projected and actual earnings on Pension Plan investments	(755,814)	-	755,814	-
Current year amortization	-	(34,873)	(151,162)	116,289
Benefit Payments	(717,957)	-	-	717,957
Administrative Expenses	(42,386)	-	-	42,386
Net change	<u>(385,074)</u>	<u>(34,873)</u>	<u>(17,269)</u>	<u>367,470</u>
Ending Balance	<u>\$ 5,383,556</u>	<u>\$ 106,799</u>	<u>\$ 1,512,854</u>	<u>\$ 773,644</u>

PRELIMINARY COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2017

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 5,383,556	\$ 106,799	\$ 1,512,854	\$ -
Employer Contributions made after 09/30/2016	-	-	TBD*	-
Total Pension Liability Factors:				
Service Cost	14,674	-	-	14,674
Interest	797,181	-	-	797,181
Changes in benefit terms	(9,211)	-	-	(9,211)
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(337,539)	337,539	-	-
Current year amortization of experience difference	-	(339,722)	-	(339,722)
Change in assumptions about future economic or demographic factors or other inputs	653,987	-	653,987	-
Current year amortization of change in assumptions	-	-	(939,170)	939,170
Benefit Payments	(940,156)	-	-	(940,156)
Net change	<u>178,936</u>	<u>(2,183)</u>	<u>(285,183)</u>	<u>461,936</u>
Plan Fiduciary Net Position:				
Contributions - Employer	623,019	-	(623,019)	-
Net Investment Income	440,634	-	-	(440,634)
Difference between projected and actual earnings on Pension Plan investments	79,225	79,225	-	-
Current year amortization	-	(50,717)	(151,163)	100,446
Benefit Payments	(940,156)	-	-	940,156
Administrative Expenses	(39,247)	-	-	39,247
Net change	<u>163,475</u>	<u>28,508</u>	<u>(774,182)</u>	<u>639,215</u>
Ending Balance	<u>\$ 5,399,017</u>	<u>\$ 133,124</u>	<u>TBD</u>	<u>\$ 1,101,151</u>

* Employer Contributions subsequent to the measurement date made after September 30, 2016 but made on or before September 30, 2017 need to be added.

Town of Longboat Key Police Officers' Retirement System

AMORTIZATION SCHEDULE - INVESTMENTS

Increase (Decrease) in Pension Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on Pension Plan Investments

Plan Year Ending	Differences Between Projected and Actual Earnings	Recognition Period (Years)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014	\$ (174,362)	5	\$ (34,873)	\$ (34,873)	\$ (34,872)	\$ (34,872)	\$ (34,872)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 755,814	5	\$ -	\$ 151,162	\$ 151,163	\$ 151,163	\$ 151,163	\$ 151,163	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (79,225)	5	\$ -	\$ -	\$ (15,845)	\$ (15,845)	\$ (15,845)	\$ (15,845)	\$ (15,845)	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ (34,873)	\$ 116,289	\$ 100,446	\$ 100,446	\$ 100,446	\$ 135,318	\$ (15,845)	\$ -	\$ -	\$ -	\$ -

Town of Longboat Key Police Officers' Retirement System

AMORTIZATION SCHEDULE - CHANGES OF ASSUMPTIONS

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions

Plan Year Ending	Differences Between Expected and Actual Experience	Recognition Period (Years)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014	\$ -	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ 570,366	2	\$ -	\$ 285,183	\$ 285,183	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 653,987	1	\$ -	\$ -	\$ 653,987	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ 285,183	\$ 939,170	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Town of Longboat Key Police Officers' Retirement System

AMORTIZATION SCHEDULE - EXPERIENCE

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience

Plan Year Ending	Differences Between Expected and Actual Experience	Recognition Period (Years)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
2014	\$ -	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	\$ (4,365)	2	\$ -	\$ (2,182)	\$ (2,183)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (337,539)	1	\$ -	\$ -	\$ (337,539)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ -	\$ (2,182)	\$ (339,722)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -