

City of Vero Beach General Employee Retirement Plan

Actuarial Valuation and Review as of
October 1, 2015 - Revised





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March 9, 2016

Board of Trustees
City of Vero Beach General Employee Retirement Plan
1053 20th Place
Vero Beach, FL 32960

Dear Board Members:

We are pleased to submit this revised Actuarial Valuation and Review as of October 1, 2015. This Actuarial Valuation should replace the version initially submitted on February 18, 2016. The census information on which our calculations were based was prepared by the City's Finance Department in conjunction with the Human Resources Department and the financial information was provided by the City's Finance Department. That assistance is gratefully acknowledged.

Statement by Enrolled 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 which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.**

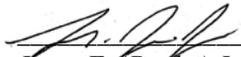
The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

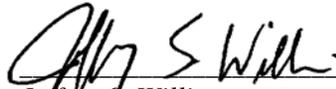
The actuarial calculations were directed under our supervision. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By: 
Leon F. (Rocky) Joyner, Jr.
Vice President and Consulting Actuary


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SECTION 1: Valuation Summary for the City of Vero Beach General Employee Retirement Plan

Purpose

This report has been prepared by Segal Consulting to present a valuation of the City of Vero Beach General Employee Retirement Plan as of October 1, 2015. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board;
- The characteristics of covered active participants, inactive vested participants, and retired participants and beneficiaries as of October 1, 2015, provided by the Administrative Office;
- The assets of the Plan as of October 1, 2015, provided by the City's Financial Department;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

The assumptions and methods used to value the Plan were approved by the Board based on the five-year experience study for the period ended September 30, 2008. The discount rate and amortization methodology were updated in this valuation because of the plan freeze.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

1. Effective June 30, 2015, the accrued benefits of all participants of the Plan were frozen, with no future accruals and no new entrants, and all eligible participants at that time became fully vested.
2. In conjunction with the plan freeze and as a result of conversations with actuaries from the State's Bureau of Local Retirement Systems, the following changes were made to the Plan's assumptions and amortization methodology:
 - The discount rate was lowered from 7.75% to 6.50%.
 - The unfunded actuarial accrued liability is now amortized on a level dollar basis over twelve years to approximate the average future-working lifetime of the remaining active population; the period will be evaluated annually and adjusted as necessary.

SECTION 1: Valuation Summary for the City of Vero Beach General Employee Retirement Plan

3. The change in discount rate and amortization methodology were previously disclosed in the Impact Statement provided to the State detailing the impacts of the plan freeze.
4. The recommended contribution has decreased by \$615,718, from \$4,889,995 in the prior valuation to \$4,274,277 this year. Of the \$615,718 decrease, \$585,197 was attributable to the plan freeze.
5. The Schedule of Funding Progress, provided in Exhibit III of Section 4, shows that the funded ratio has increased from 66.86% as of October 1, 2014 to 67.61% as of October 1, 2015. This increase is primarily due to the plan freeze.
6. The investment rate of return on an actuarial basis for the year ended September 30, 2015 was 9.11%. Since the rate of return was greater than the assumed rate of return of 7.75% per year, there was an actuarial investment gain amounting to \$907,598. The return on a market value basis was 1.20%. As of the valuation date, the smoothed actuarial value of assets is equal to 100.44% of market value.
7. There was a loss from sources other than investments of \$380,561. This loss is primarily attributable to mortality and retirement experience among active and terminated vested participants, offset by salary increases less than expected for ongoing active participants.
8. As indicated in Section 2, Subsection B of this report, the total unrecognized investment loss as of September 30, 2015 is \$316,232. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent it is not offset by recognition of investment gains derived from future experience.
9. The actuarial valuation report as of October 1, 2015 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Unfavorable asset experience will increase the actuarial cost of the Plan, while favorable experience will decrease the actuarial cost of the Plan. For example, a 10% change in the current year's actuarial value of assets would produce an \$885,295 change in the recommended contribution level.
10. An administrative expense assumption of \$32,265, assumed to be payable monthly, was added for the first time in this valuation. Administrative expenses were previously assumed to be paid by the City.

SECTION 1: Valuation Summary for the City of Vero Beach General Employee Retirement Plan

Summary of Key Valuation Results

| | 2015 | 2014 |
|---|--------------|--------------|
| Contributions for plan year beginning October 1: | | |
| Recommended | \$4,274,277 | \$4,889,995 |
| Actual | -- | 4,889,995 |
| Employer elements for plan year beginning October 1: | | |
| Employer Normal cost (including administrative expenses) | \$31,187 | \$665,715 |
| Market value of assets | 71,912,556 | 71,926,346 |
| Actuarial value of assets | 72,228,788 | 67,033,343 |
| Actuarial accrued liability | 106,830,456 | 100,265,184 |
| Unfunded/(overfunded) actuarial accrued liability | 34,601,668 | 33,231,841 |
| Funded ratio- Actuarial Value assets | 67.61% | 66.86% |
| Funded ratio- Market Value of assets | 67.31% | 71.74% |
| Demographic data for plan year beginning October 1: | | |
| Number of retired participants and beneficiaries | 356 | 348 |
| Number of vested former participants | 92 | 87 |
| Number of active participants | 323 | 339 |
| Total payroll | \$15,456,663 | \$15,704,293 |
| Average payroll | 47,853 | 46,325 |

SECTION 1: Valuation Summary for the City of Vero Beach General Employee Retirement Plan

Important Information About Actuarial Valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a pension plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal Consulting (“Segal”) relies on a number of input items. These include:

- **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
- **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by the City. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
- **Assets** The valuation is based on the market value of assets as of the valuation date, as provided by the City. The Plan uses an “actuarial value of assets” that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.
- **Actuarial assumptions** In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan’s assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.

SECTION 1: Valuation Summary for the City of Vero Beach General Employee Retirement Plan

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared at the request of the City. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- If the City is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The City should look to their other advisors for expertise in these areas.

As Segal Consulting has no discretionary authority with respect to the management or assets of the Plan, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Plan.

SECTION 2: Valuation Results for the City of Vero Beach General Employee Retirement Plan

A. PARTICIPANT DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, vested terminated participants, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the participant population has changed over the past ten valuations can be seen in this chart.

CHART 1
Participant Population: 2006 – 2015

| Year Ended September 30 | Active Participants | Vested Terminated Participants* | Retired Participants and Beneficiaries | Ratio of Non-Actives to Actives |
|--------------------------------|----------------------------|--|---|--|
| 2006 | 356 | 80 | 222 | 0.85 |
| 2007 | 355 | 85 | 233 | 0.90 |
| 2008 | 356 | 84 | 243 | 0.92 |
| 2009 | 386 | 83 | 249 | 0.86 |
| 2010 | 407 | 84 | 275 | 0.88 |
| 2011 | 405 | 88 | 281 | 0.91 |
| 2012 | 379 | 95 | 309 | 1.07 |
| 2013 | 350 | 91 | 324 | 1.19 |
| 2014 | 339 | 87 | 348 | 1.28 |
| 2015 | 323 | 92 | 356 | 1.39 |

**Includes beneficiaries entitled to deferred benefits if applicable.*

SECTION 2: Valuation Results for the City of Vero Beach General Employee Retirement Plan

Active Participants

Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 323 active participants with an average age of 49.5, average years of service of 15.8 years and average payroll of \$47,853. The 339 active participants in the prior valuation had an average age of 49.2, average service of 15.2 years and average payroll of \$46,325.

Inactive Participants

In this year's valuation, there were 92 participants with a vested right to a deferred or immediate vested benefit.

These graphs show a distribution of active participants by age and by years of service.

CHART 2
Distribution of Active Participants by Age as of September 30, 2015

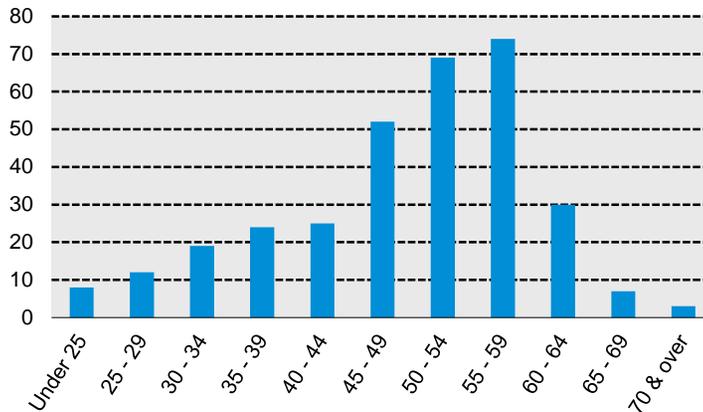
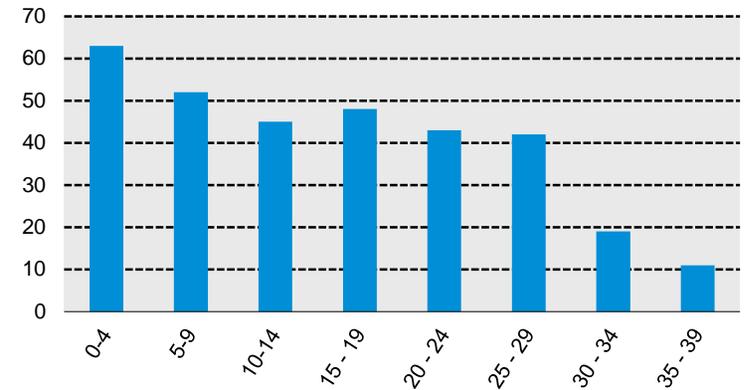


CHART 3
Distribution of Active Participants by Years of Service as of September 30, 2015



SECTION 2: Valuation Results for the City of Vero Beach General Employee Retirement Plan

Retired Participants and Beneficiaries

As of September 30, 2015, 314 retired participants and 42 beneficiaries were receiving total monthly benefits of \$502,069. For comparison, in the previous valuation, there were 304 retired participants and 44 beneficiaries receiving monthly benefits of \$479,500.

These graphs show a distribution of the current retired participants based on their monthly amount and age, by type of pension.

CHART 4

Distribution of Retired Participants by Type and by Monthly Amount as of September 30, 2015

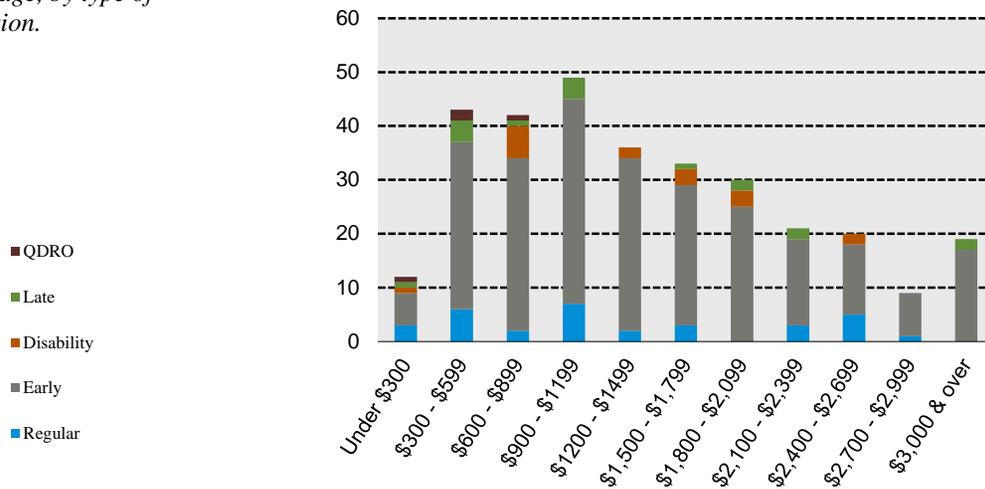
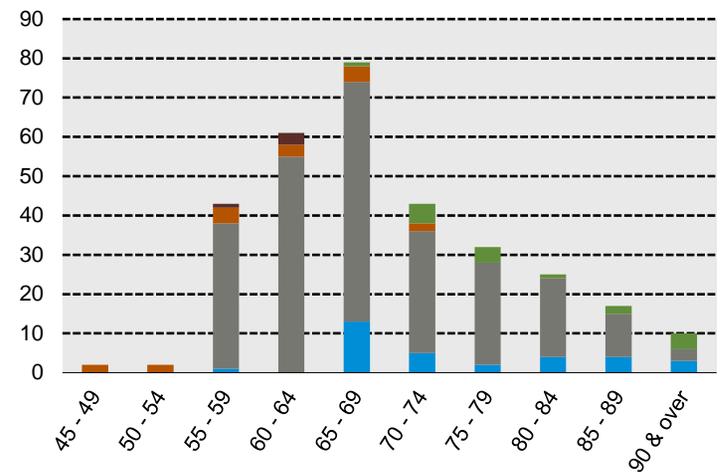


CHART 5

Distribution of Retired Participants by Type and by Age as of September 30, 2015



SECTION 2: Valuation Results for the City of Vero Beach General Employee Retirement Plan

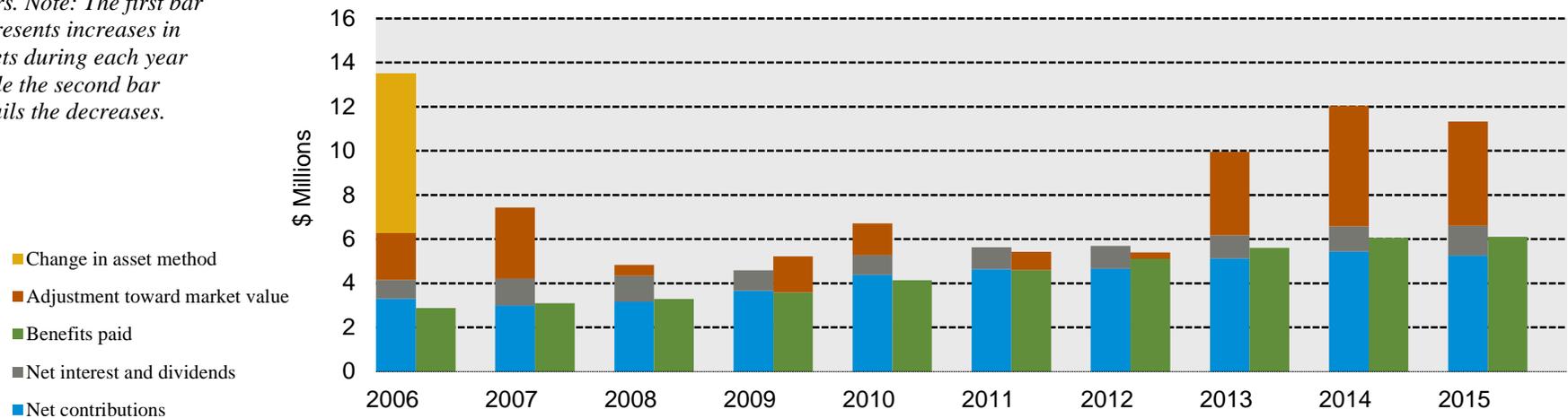
B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both contributions and net investment earnings (less investment fees and administrative expenses) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

The chart depicts the components of changes in the actuarial value of assets over the last ten years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended September 30, 2006 – 2015



SECTION 2: Valuation Results for the City of Vero Beach General Employee Retirement Plan

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

CHART 7

Determination of Actuarial Value of Assets for Year Ended September 30, 2015

The chart shows the determination of the actuarial value of assets as of the valuation date.

| | | | |
|--|-------------------|-----------------------|---------------------|
| 1. Market value of assets, September 30, 2015 | | | \$71,912,556 |
| 2. Calculation of unrecognized return | Original Amount * | Unrecognized Return** | |
| (a) Year ended September 30, 2015 | -\$4,680,845 | -\$3,744,676 | |
| (b) Year ended September 30, 2014 | 1,917,756 | 1,150,654 | |
| (c) Year ended September 30, 2013 | 2,975,144 | 1,190,058 | |
| (d) Year ended September 30, 2012 | 5,438,661 | 1,087,732 | |
| (e) Year ended September 30, 2011 | -3,008,760 | <u>0</u> | |
| (f) Total unrecognized return | | | -316,232 |
| 3. Preliminary actuarial value: (1) - (2f) | | | 72,228,788 |
| 4. Adjustment to be within 20% corridor | | | 0 |
| 5. Final actuarial value of assets as of September 30, 2015: (3) + (4) | | | <u>\$72,228,788</u> |
| 6. Actuarial value as a percentage of market value: (5) ÷ (1) | | | 100.44% |
| 7. Amount deferred for future recognition: (1) - (5) | | | -\$316,232 |

**Total return minus expected return on a market value basis*

***Recognition at 20.00% per year over five years*

****Deferred return as of September 30, 2015 recognized in each of the next five years:*

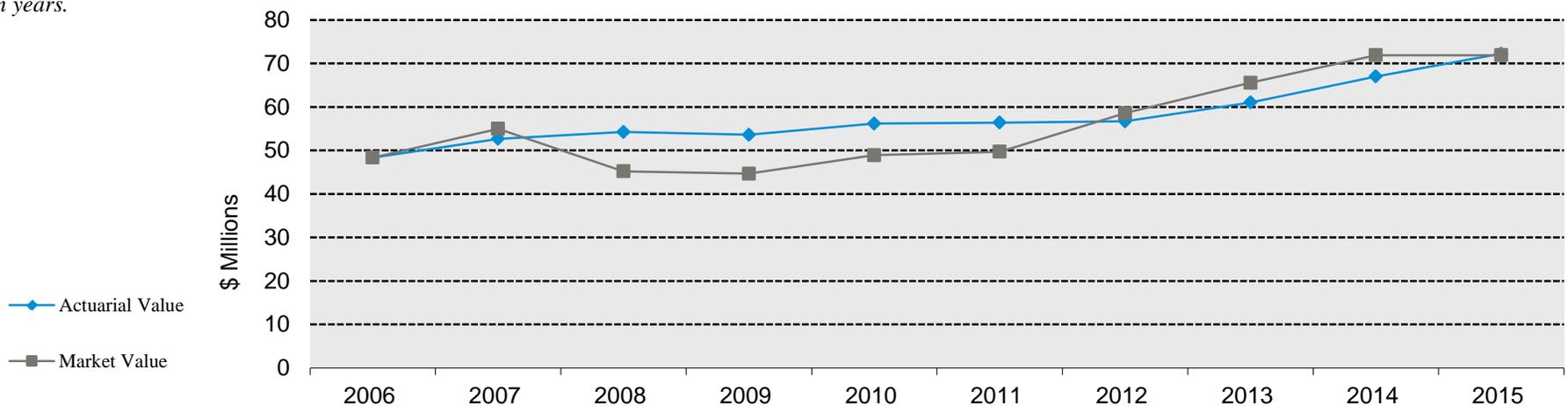
| | |
|---|-------------|
| (a) Amount recognized on September 30, 2016 | \$1,130,143 |
| (b) Amount recognized on September 30, 2017 | 42,411 |
| (c) Amount recognized on September 30, 2018 | -552,618 |
| (d) Amount recognized on September 30, 2019 | -936,169 |
| (e) Amount recognized on September 30, 2020 | 0 |

SECTION 2: Valuation Results for the City of Vero Beach General Employee Retirement Plan

Both the actuarial value and market value of assets are representations of the Plan's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Plan's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the actuarial value of assets versus the market value over the past ten years.

CHART 8
Actuarial Value of Assets vs. Market Value of Assets as of September 30, 2006 – 2015



SECTION 2: Valuation Results for the City of Vero Beach General Employee Retirement Plan

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total gain is \$527,037, including a gain of \$907,598 from investments, a loss of \$34,523 from administrative expenses, and \$346,038 in losses from all other sources. The net experience variation from individual sources other than investments was 0.4% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 9

Actuarial Experience for Year Ended September 30, 2015

| | |
|---|-----------------|
| 1. Net gain/(loss) from investments* | \$907,598 |
| 2. Net gain/(loss) from administrative expenses | -34,523 |
| 3. Net gain/(loss) from other experience** | <u>-346,038</u> |
| 4. Net experience gain/(loss): (1) + (2) + (3) | \$527,037 |

* Details in Chart 10

** Details in Chart 13

SECTION 2: Valuation Results for the City of Vero Beach General Employee Retirement Plan

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Plan’s investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets for the 2015 plan year was 7.75%. The actual rate of return on an actuarial basis for the 2015 plan year was 9.11%.

Since the actual return for the year was greater than the assumed return, the Plan experienced an actuarial gain during the year ended September 30, 2015 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 10
Actuarial Value Investment Experience for Year Ended September 30, 2015

| | |
|-------------------------------------|------------------|
| 1. Actual return | \$6,068,838 |
| 2. Average value of assets | 66,596,647 |
| 3. Actual rate of return: (1) ÷ (2) | 9.11% |
| 4. Assumed rate of return | 7.75% |
| 5. Expected return: (2) x (4) | \$5,161,240 |
| 6. Actuarial gain/(loss): (1) – (5) | <u>\$907,598</u> |

SECTION 2: Valuation Results for the City of Vero Beach General Employee Retirement Plan

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last ten years, including five-year and ten-year averages.

To better reflect expectations due to the plan freeze, the city has changed the assumed rate of return 6.50%. This adjustment was made to reflect the change from a level percent of pay to a level dollar amortization method.

CHART 11

Investment Return – Actuarial Value vs. Market Value: 2006 - 2015

| Year Ended September 30 | Net Interest and Dividend Income | | Recognition of Capital Appreciation | | Change in Asset Method | | Actuarial Value Investment Return | | Market Value Investment Return | |
|----------------------------|-------------------------------------|---------|--|---------|------------------------|---------|--------------------------------------|---------|-----------------------------------|---------|
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent |
| 2006 | \$855,288 | 2.26% | \$2,137,285 | 5.64% | \$7,232,383 | 19.07% | \$10,224,956* | 26.97% | \$3,767,338 | 8.49% |
| 2007 | 1,221,463 | 2.53 | 3,221,562 | 6.67 | -- | -- | 4,443,025 | 9.20 | 6,757,891 | 13.99 |
| 2008 | 1,177,126 | 2.24 | 497,950 | 0.94 | -- | -- | 1,675,076 | 3.18 | -9,681,175 | -17.62 |
| 2009 | 918,445 | 1.69 | -1,638,013 | -3.02 | -- | -- | -719,568 | -1.33 | -614,363 | -1.36 |
| 2010 | 875,864 | 1.63 | 1,441,638 | 2.68 | -- | -- | 2,317,502 | 4.31 | 3,965,519 | 8.85 |
| 2011 | 996,912 | 1.77 | -814,957 | -1.45 | -- | -- | 181,955 | 0.32 | 782,364 | 1.60 |
| 2012 | 1,032,672 | 1.84 | -296,881 | -0.53 | -- | -- | 735,791 | 1.31 | 9,274,615 | 18.74 |
| 2013 | 1,050,845 | 1.86 | 3,778,664 | 6.69 | -- | -- | 4,829,509 | 8.55 | 7,494,369 | 12.85 |
| 2014 | 1,145,044 | 1.88 | 5,453,286 | 8.98 | -- | -- | 6,598,330 | 10.86 | 6,975,362 | 10.69 |
| 2015 | <u>1,370,200</u> | 2.06 | <u>4,698,638</u> | 7.05 | -- | -- | <u>6,068,838</u> | 9.11 | <u>859,603</u> | 1.20 |
| Total | \$10,643,859 | | \$18,479,172 | | \$7,232,383 | | \$36,355,414 | | \$29,581,523 | |
| | | | | | | | Five-year average return | 6.22% | | 8.65% |
| | | | | | | | Ten-year average return | 6.69% | | 5.57% |

Note: Each year's yield is weighted by the average asset value in that year.

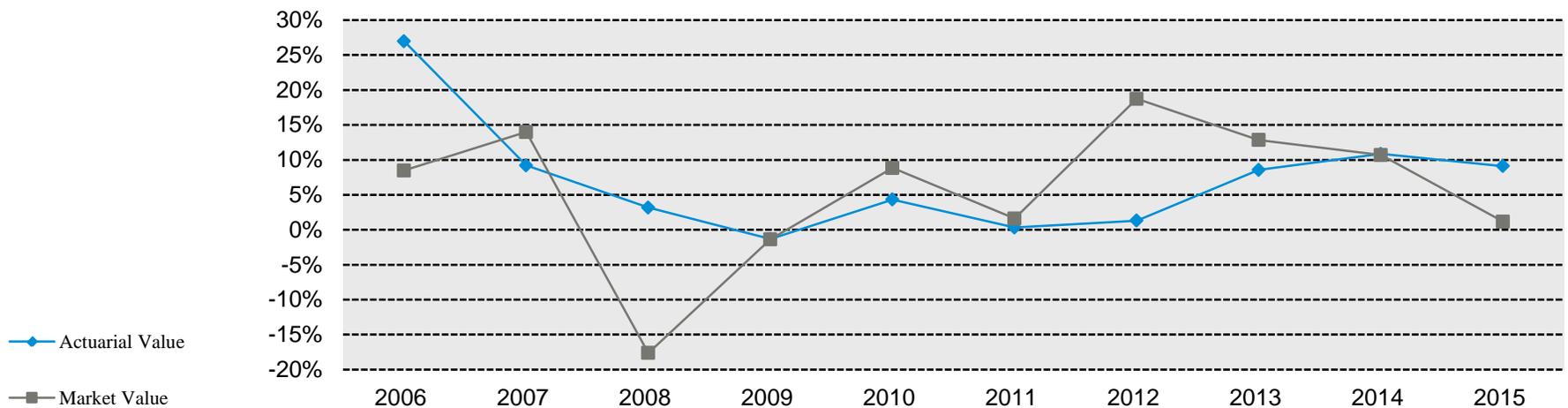
*Includes change in asset method.

SECTION 2: Valuation Results for the City of Vero Beach General Employee Retirement Plan

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

This chart illustrates how this leveling effect has actually worked over the years 2006 - 2015.

CHART 12
Market and Actuarial Rates of Return for Years Ended September 30, 2006 - 2015



SECTION 2: Valuation Results for the City of Vero Beach General Employee Retirement Plan

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net loss from this other experience for the year ended September 30, 2015 amounted to \$346,038, which is 0.4% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the Plan for the year ended September 30, 2015 is shown in the chart below.

The chart shows elements of the experience gain/(loss) for the most recent year.

CHART 13

Experience Due to Changes in Demographics for Year Ended September 30, 2015

| | |
|--|-------------------|
| 1. Salary experience for continuing actives | \$406,717 |
| 2. Turnover experience | 131,629 |
| 3. Change in the number of actives | 65,089 |
| 4. Disability retirement experience | 9,804 |
| 5. Pre-Retirement mortality | -48,426 |
| 6. Retirement experience for active and terminated vested participants | -351,560 |
| 7. Post-Retirement mortality experience | -430,324 |
| 8. Other demographic experience | <u>-128,967</u> |
| 9. Total | <u>-\$346,038</u> |

SECTION 2: Valuation Results for the City of Vero Beach General Employee Retirement Plan

D. RECOMMENDED CONTRIBUTION

As a result of the plan freeze effective July 1, 2015, the amount of annual contribution required to fund the Plan is comprised of payment on the unfunded actuarial accrued liability.

The recommended contribution is based on a 12-year, level dollar amortization of the unfunded actuarial accrued liability.

The contribution requirements as of October 1, 2015 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

The chart compares this valuation's recommended contribution with the prior valuation.

CHART 14
Recommended Contribution

| | Year Beginning October 1 | |
|--|--------------------------|-------------------|
| | 2015 | 2014 |
| | Amount | Amount |
| 1. Total normal cost (including administrative expenses) | \$31,187 | \$1,115,054 |
| 2. Expected employee contributions | <u>0</u> | <u>-449,339</u> |
| 3. Employer normal cost: (1) + (2) | \$31,187 | \$665,715 |
| 4. Actuarial accrued liability | 106,830,456 | 100,265,184 |
| 5. Actuarial value of assets | <u>72,228,788</u> | <u>67,033,343</u> |
| 6. Unfunded actuarial accrued liability: (4) - (5) | \$34,601,668 | \$33,231,841 |
| 7. Payment on unfunded actuarial accrued liability | 3,982,219 | 4,190,288 |
| 8. Total recommended contribution: (3) + (7), adjusted for timing* | \$4,274,277 | \$4,889,995 |

*Recommended contributions are assumed to be paid at the end of every year.

SECTION 2: Valuation Results for the City of Vero Beach General Employee Retirement Plan

Reconciliation of Recommended Contribution

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

CHART 15

Reconciliation of Recommended Contribution from October 1, 2014 to October 1, 2015

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

| | |
|---|-------------------|
| Recommended Contribution as of October 1, 2014 | \$4,889,995 |
| Effect of plan freeze | -\$585,197 |
| Effect of investment gain | -87,493 |
| Effect of other gains and losses on accrued liability | <u>56,972</u> |
| Total change | <u>-\$615,718</u> |
| Recommended Contribution as of October 1, 2015 | \$4,274,277 |

SECTION 3: Supplemental Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT A

Table of Plan Coverage

| Category | Year Ended September 30 | | Change From Prior Year |
|--|--------------------------------|--------------|-------------------------------|
| | 2015 | 2014 | |
| Active participants in valuation: | | | |
| Number | 323 | 339 | -4.7% |
| Average age | 49.5 | 49.2 | N/A |
| Average years of service | 15.8 | 15.2 | N/A |
| Total payroll | \$15,456,663 | \$15,704,293 | -1.6% |
| Average payroll | 47,853 | 46,325 | 3.3% |
| Account balances | 5,194,177 | 5,079,878 | 2.3% |
| Total active vested participants | 323 | 272 | 18.8% |
| Vested terminated participants* | 92 | 87 | 4.6% |
| Beneficiaries with rights to a deferred benefit | 3 | 3 | 0.0% |
| Retired participants: | | | |
| Number in pay status | 297 | 288 | 3.1% |
| Average age | 70.4 | 69.7 | N/A |
| Average monthly benefit | \$1,459 | \$1,424 | 2.5% |
| Disabled participants: | | | |
| Number in pay status | 17 | 16 | 6.3% |
| Average age | 61.5 | 60.8 | N/A |
| Average monthly benefit | \$1,314 | \$1,273 | 3.2% |
| Beneficiaries in pay status: | | | |
| Number in pay status | 42 | 44 | -4.5% |
| Average age | 77.9 | 78.0 | N/A |
| Average monthly benefit | \$1,108 | \$1,115 | -0.6% |

**Includes beneficiaries entitled to deferred benefits.*

SECTION 3: Supplemental Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT B

**Participants in Active Service as of September 30, 2015
By Age, Years of Service, and Average Payroll**

| Age | Years of Service | | | | | | | | |
|--------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Total | 0-4 | 5-9 | 10-14 | 15 - 19 | 20 - 24 | 25 - 29 | 30 - 34 | 35 & over |
| Under 25 | 8 | 8 | -- | -- | -- | -- | -- | -- | -- |
| | \$29,369 | \$29,369 | | | | | | | |
| 25 - 29 | 12 | 11 | 1 | -- | -- | -- | -- | -- | -- |
| | 30,824 | 30,228 | \$37,378 | -- | -- | -- | -- | -- | -- |
| 30 - 34 | 19 | 5 | 9 | 5 | -- | -- | -- | -- | -- |
| | 40,444 | 44,040 | 39,133 | \$39,208 | -- | -- | -- | -- | -- |
| 35 - 39 | 24 | 7 | 8 | 5 | 4 | -- | -- | -- | -- |
| | 40,825 | 41,162 | 40,211 | 40,745 | \$41,566 | -- | -- | -- | -- |
| 40 - 44 | 25 | 3 | 9 | 4 | 3 | 6 | -- | -- | -- |
| | 46,417 | 41,091 | 46,663 | 49,818 | 45,187 | \$47,058 | -- | -- | -- |
| 45 - 49 | 52 | 5 | 9 | 9 | 14 | 6 | 8 | 1 | -- |
| | 42,809 | 48,021 | 31,434 | 40,374 | 43,799 | 50,527 | \$44,610 | \$66,456 | -- |
| 50 - 54 | 69 | 9 | 4 | 7 | 9 | 12 | 16 | 11 | 1 |
| | 52,358 | 57,510 | 33,729 | 45,721 | 43,913 | 49,642 | 53,557 | 66,573 | \$59,987 |
| 55 - 59 | 74 | 7 | 7 | 9 | 11 | 10 | 17 | 6 | 7 |
| | 52,202 | 44,209 | 44,304 | 46,731 | 51,219 | 64,400 | 49,912 | 61,851 | 56,541 |
| 60 - 64 | 30 | 4 | 4 | 4 | 6 | 8 | 1 | 1 | 2 |
| | 54,759 | 27,359 | 37,821 | 36,746 | 71,453 | 67,344 | 30,555 | 59,342 | 88,842 |
| 65 - 69 | 7 | 2 | 1 | 2 | -- | 1 | -- | -- | 1 |
| | 67,739 | 82,256 | 31,658 | 92,536 | -- | 52,312 | -- | -- | 40,622 |
| 70 & over | 3 | 2 | -- | -- | 1 | -- | -- | -- | -- |
| | 41,504 | 43,359 | -- | -- | 37,794 | -- | -- | -- | -- |
| Unknown | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Total | 323 | 63 | 52 | 45 | 48 | 43 | 42 | 19 | 11 |
| | \$47,853 | \$41,697 | \$39,271 | \$45,224 | \$48,753 | \$56,192 | \$49,830 | \$64,695 | \$61,280 |

SECTION 3: Supplemental Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT C

Reconciliation of Participant Data

| | Active Participants | Vested Former Participants* | Disableds | Retired Participants | Beneficiaries | Total |
|--------------------------------------|--------------------------------|--|------------------|---------------------------------|----------------------|--------------|
| Number as of October 1, 2014 | 339 | 87 | 16 | 288 | 44 | 774 |
| New participants | 12 | N/A | N/A | N/A | N/A | 12 |
| Terminations – with vested rights | -8 | 8 | 0 | 0 | 0 | 0 |
| Terminations – without vested rights | -8 | N/A | N/A | N/A | N/A | -8 |
| Retirements | -11 | -2 | N/A | 13 | N/A | 0 |
| New disabilities | -1 | 0 | 1 | N/A | N/A | 0 |
| Return to work | 0 | 0 | 0 | 0 | N/A | 0 |
| Died with beneficiary | 0 | 0 | 0 | -1 | 1 | 0 |
| Died without beneficiary | 0 | 0 | 0 | -3 | -3 | -6 |
| Lump sum payoffs | 0 | -1 | 0 | 0 | 0 | -1 |
| Rehire | 0 | 0 | N/A | 0 | N/A | 0 |
| Certain period expired | N/A | N/A | 0 | 0 | 0 | 0 |
| Data adjustments | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Number as of October 1, 2015 | 323 | 92 | 17 | 297 | 42 | 771 |

**Includes beneficiaries entitled to deferred benefits.*

SECTION 3: Supplemental Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis

| | Year Ended September 30, 2015 | Year Ended September 30, 2014 |
|---|-------------------------------|-------------------------------|
| Net assets at actuarial value at the beginning of the year | \$67,033,343 | \$61,051,915 |
| Contribution income: | | |
| Employer contributions | \$4,889,995 | \$4,972,378 |
| Employee contributions | 373,250 | 461,199 |
| Less administrative expenses | <u>-32,265</u> | <u>0</u> |
| Net contribution income | 5,230,980 | 5,433,577 |
| Investment income: | | |
| Interest, dividends and other income | \$1,766,134 | \$1,534,085 |
| Recognition of capital appreciation | 4,698,638 | 5,453,286 |
| Less investment fees | <u>-395,934</u> | <u>-389,041</u> |
| Net investment income | <u>6,068,838</u> | <u>6,598,330</u> |
| Total income available for benefits | \$11,299,818 | \$12,031,907 |
| Less benefit payments: | | |
| Pension Payments | -\$6,070,239 | -\$5,970,531 |
| Refunds | <u>-34,134</u> | <u>-79,948</u> |
| Net benefit payments | -\$6,104,373 | -\$6,050,479 |
| Change in reserve for future benefits | \$5,195,445 | \$5,981,428 |
| Net assets at actuarial value at the end of the year | \$72,228,788 | \$67,033,343 |

SECTION 3: Supplemental Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT E

Summary Statement of Income and Expenses on a Market Value Basis

| | Year Ended September 30, 2015 | Year Ended September 30, 2014 |
|--|-------------------------------|-------------------------------|
| Net assets at market value at the beginning of the year | \$71,926,346 | \$65,567,886 |
| Contribution income: | | |
| Employer contributions | \$4,889,995 | \$4,972,378 |
| Employee contributions | 373,250 | 461,199 |
| Less administrative expenses | <u>-32,265</u> | <u>0</u> |
| Net contribution income | 5,230,980 | 5,433,577 |
| Investment income: | | |
| Interest, dividends and other income | \$1,766,134 | \$1,534,085 |
| Appreciation/(depreciation)* | -510,597 | 5,830,318 |
| Less investment and administrative fees | <u>-395,934</u> | <u>-389,041</u> |
| Net investment income | <u>859,603</u> | <u>6,975,362</u> |
| Total income available for benefits | \$6,090,583 | \$12,408,939 |
| Less benefit payments: | | |
| Pension Payments | -\$6,070,239 | -\$5,970,531 |
| Refunds | <u>-34,134</u> | <u>-79,948</u> |
| Net benefit payments | -\$6,104,373 | -\$6,050,479 |
| Change in reserve for future benefits | -\$13,790 | \$6,358,460 |
| Net assets at market value at the end of the year | \$71,912,556 | \$71,926,346 |
| <i>*Total realized investment gains and losses</i> | \$820,763 | \$6,667,971 |
| <i>Total unrealized investment gains and losses</i> | <u>-1,331,360</u> | <u>-837,653</u> |
| | <u>\$510,597</u> | <u>\$5,830,318</u> |

SECTION 3: Supplemental Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT F

Summary Statement of Plan Assets

| | Year Ended September 30, 2015 | Year Ended September 30, 2014 |
|--------------------------------------|-------------------------------|-------------------------------|
| Investments: | | |
| Equities | \$35,383,409 | \$38,246,490 |
| International Equities | 7,057,065 | 5,114,759 |
| Fixed income | 25,722,786 | 28,565,097 |
| Real Estate | <u>3,755,418</u> | <u>0</u> |
| Total assets | \$71,918,678 | \$71,926,346 |
| Less accounts payable | -\$6,122 | \$0 |
| Net assets at market value | <u>\$71,912,556</u> | <u>\$71,926,346</u> |
| Net assets at actuarial value | <u>\$72,228,788</u> | <u>\$67,033,343</u> |

SECTION 3: Supplemental Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT G

Development of the Fund Through September 30, 2015

| Year Ended September 30 | Employer Contributions | Employee Contributions | Net Investment Return* | Administrative Expenses | Benefit Payments | Actuarial Value of Assets at End of Year |
|------------------------------------|-----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|-----------------------------|---|
| 2006 | \$3,008,235 | \$288,416 | \$10,224,956** | \$0 | \$2,873,078 | \$48,355,225 |
| 2007 | 2,656,451 | 334,089 | 4,443,025 | 0 | 3,093,547 | 52,695,243 |
| 2008 | 2,866,308 | 295,394 | 1,675,076 | 0 | 3,283,957 | 54,248,064 |
| 2009 | 3,347,010 | 321,102 | -719,568 | 0 | 3,579,773 | 53,616,835 |
| 2010 | 4,050,000 | 339,504 | 2,317,502 | 0 | 4,133,241 | 56,190,600 |
| 2011 | 4,115,761 | 520,384 | 181,955 | 0 | 4,605,651 | 56,403,049 |
| 2012 | 4,153,621 | 507,866 | 735,791 | 0 | 5,099,786 | 56,700,541 |
| 2013 | 4,641,428 | 483,024 | 4,829,509 | 0 | 5,602,587 | 61,051,915 |
| 2014 | 4,972,378 | 461,199 | 6,598,330 | 0 | 6,050,479 | 67,033,343 |
| 2015 | 4,889,995 | 373,250 | 6,068,838 | 32,265 | 6,104,373 | 72,228,788 |

* Net of investment fees and administrative expenses prior to fiscal 2015

** Includes effect of change in asset method

SECTION 3: Supplemental Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT H

Development of Unfunded Actuarial Accrued Liability for Year Ended September 30, 2015

| | | |
|---|------------------|---------------------|
| 1. Unfunded/(overfunded) actuarial accrued liability at beginning of year | | \$33,231,841 |
| 2. Employer normal cost at beginning of year | | 665,715 |
| 3. Total employer contributions | | -4,889,995 |
| 4. Interest | | |
| (a) For whole year on (1) + (2) | \$2,627,061 | |
| (b) For half year on (3) | <u>-342,349</u> | |
| (c) Total interest | | <u>2,284,712</u> |
| 5. Expected unfunded/(overfunded) actuarial accrued liability | | \$31,292,273 |
| 6. Changes due to: | | |
| (a) (Gain)/loss | -\$527,037 | |
| (b) Plan Freeze | <u>3,836,432</u> | |
| (c) Total changes | | <u>3,309,395</u> |
| 7. Unfunded/(overfunded) actuarial accrued liability at end of year | | <u>\$34,601,668</u> |

SECTION 3: Supplemental Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT I

Table of Amortization Bases

| Type | Date Established | Initial Years | Initial Amount | Annual Payment* | Years Remaining | Outstanding Balance |
|--------------------------------------|-------------------------|----------------------|-----------------------|------------------------|------------------------|----------------------------|
| Unfunded actuarial accrued liability | 10/1/2015 | 12 | \$34,601,668 | \$3,982,219 | 12 | \$34,601,668 |

**Effective October 1, 2015, the unfunded actuarial accrued liability is amortized on a level dollar basis over twelve years to approximate the average future-working lifetime of the remaining active population; the period will be evaluated annually and adjusted as necessary.*

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT J

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial

Assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Withdrawal rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost:

The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial Accrued Liability

For Actives:

The value of all projected benefit payments for current members less the portion that will be paid by future normal costs.

Actuarial Accrued Liability

For Pensioners:

The single-sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued

Liability:

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

Amortization of the Unfunded

Actuarial Accrued Liability: Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Investment Return:

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT K

Supplementary State of Florida Information - Summary of Salary Changes

| Year Ended September 30 | Total Salary | Percent Change in Total Salary | Percent Change in Salary of Employees Remaining Active | Expected Percent Change in Salary of Employees Remaining Active |
|------------------------------------|---------------------|---|---|--|
| 2005 | \$15,030,075 | 2.58% | 5.30% | 5.30% |
| 2006 | 14,905,998 | -0.83% | 4.20% | 5.20% |
| 2007 | 15,539,566 | 4.25% | 7.20% | 5.20% |
| 2008 | 16,548,463 | 6.49% | 6.90% | 5.20% |
| 2009 | 18,811,487 | 13.68% | 5.80% | 5.10% |
| 2010 | 19,305,268 | 2.62% | 0.60% | 5.00% |
| 2011 | 18,830,488 | -2.46% | 0.66% | 5.07% |
| 2012 | 17,094,905 | -9.22% | -0.70% | 5.05% |
| 2013 | 16,224,526 | -5.09% | 1.65% | 5.01% |
| 2014 | 15,704,293 | -3.21% | 1.22% | 4.99% |
| 2015 | 15,456,663 | -1.58% | 3.71% | 4.96% |

Note: The average total payroll growth for the most recent ten years was 0.30% per year.

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT K (continued)

Supplementary State of Florida Information – Recent History of Recommended and Actual Contributions

| Fiscal Year Ended September 30 | Valuation Date September 30 | Contribution Rate as Percent of Valuation Payroll | Valuation Payroll | Recommended Contribution | Actual Contribution |
|---------------------------------------|------------------------------------|--|--------------------------|---------------------------------|----------------------------|
| 2007 | 2006 | 17.82% | \$14,905,998 | \$2,656,451 | \$2,656,451 |
| 2008 | 2007 | 18.45% | 15,539,566 | 2,866,308 | 2,866,308 |
| 2009 | 2008 | 20.23% | 16,548,463 | 3,347,010 | 3,347,010 |
| 2010 | 2009 | 21.42% | 18,811,487 | 4,028,814 | 4,050,000 |
| 2011 | 2010 | 21.32% | 19,305,268 | 4,115,761 | 4,115,761 |
| 2012 | 2011 | 22.06% | 18,830,488 | 4,153,621 | 4,153,621 |
| 2013 | 2012 | 27.15% | 17,094,905 | 4,641,428 | 4,641,428 |
| 2014 | 2013 | 30.65% | 16,224,526 | 4,972,378 | 4,972,378 |
| 2015 | 2014 | 31.14% | 15,704,293 | 4,889,995 | 4,889,995 |
| 2016 | 2015 | N/A | N/A | 4,274,277 | -- |

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT L (continued)

Supplementary State of Florida Information - Comparative Summary of Principal Valuation Results

| | Year Ended September 30, 2015 | | Year Ended September 30, 2014 |
|---|-------------------------------|-----------------------------|----------------------------------|
| | New Plan New Assumptions | Old Plan Old Assumptions | |
| Participant data | | | |
| Active members | 323 | 323 | 339 |
| Retired members and beneficiaries | 356 | 356 | 348 |
| Total annualized benefit | \$6,024,828 | \$6,024,828 | \$5,754,000 |
| Terminated vested members | 92 | 92 | 87 |
| Total annualized benefit | \$774,312 | \$774,312 | \$767,304 |
| Actuarial value of assets | \$72,255,600 | \$72,255,600 | \$67,033,343 |
| Present value of all future expected benefit payments: | | | |
| Active members: | | | |
| Retirement benefits | \$27,041,961 | \$36,873,971 | \$36,852,757 |
| Vesting benefits | 883,933 | 1,043,152 | 1,150,062 |
| Disability benefits | 1,530,108 | 1,895,378 | 1,963,836 |
| Death benefits | 975,983 | 1,298,187 | 1,330,464 |
| Return of contributions | <u>5,194,177</u> | <u>5,194,177</u> | <u>5,079,878</u> |
| Total | \$35,626,162 | \$46,304,865 | \$46,376,997 |
| Terminated vested members | 4,052,199 | 3,228,813 | 3,116,355 |
| Retired members and beneficiaries | 67,152,095 | 60,680,262 | 58,460,386 |
| Total | \$106,830,456 | \$110,213,940 | \$107,953,738 |

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT L (continued)

Supplementary State of Florida Information – Comparative Summary of Principal Valuation Results

| | Year Ended September 30, 2015 | | Year Ended September 30, 2014 |
|---|-------------------------------|-----------------------------|----------------------------------|
| | New Plan New Assumptions | Old Plan Old Assumptions | |
| Unfunded actuarial accrued liability | \$34,601,668 | \$30,765,236 | \$33,231,841 |
| Actuarial present value of accrued benefits | | | |
| Vested accrued benefits | | | |
| Active members | \$35,464,922 | \$28,643,247 | \$28,597,307 |
| Inactive members | 4,052,199 | 3,228,813 | 3,116,355 |
| Pensioners and beneficiaries | 67,152,095 | 60,680,262 | 58,460,386 |
| Nonvested active members | <u>263,160</u> | 414,508 | 361,005 |
| Total | \$106,932,376 | \$92,966,830 | \$90,535,053 |
| Pension cost | | | |
| Employer normal cost (including administrative expenses) | \$31,187 | \$656,533 | \$665,715 |
| Payment to amortize unfunded actuarial accrued liability* | \$3,982,219 | 4,169,161 | 4,190,288 |
| Total minimum annual cost payable monthly at valuation date | 4,274,277 | 4,859,474 | 4,889,995 |

**Prior to the 2015 plan freeze, the unfunded actuarial accrued liability was amortized as a level percent of pay.*

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT L (continued)

Supplementary State of Florida Information - Actuarial Present Value of Accumulated Plan Benefits

The factors that affected the change in the actuarial present value of accumulated plan benefits from the preceding to the current benefit information date are as follows:

| Factors | Change in Actuarial Present Value of Accumulated Plan Benefits |
|---|---|
| Actuarial present value of accumulated benefits as of October 1, 2014 | \$90,535,053 |
| Benefits accumulated, net experience gain or loss, changes in data | \$1,775,598 |
| Plan changes* | 13,965,545 |
| Benefits paid | -6,104,044 |
| Interest | <u>6,760,224</u> |
| Net increase | <u>16,397,323</u> |
| Actuarial present value of accumulated benefits as of October 1, 2015 | \$106,932,376 |

**Includes change to the discount rates as a result of the plan freeze*

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

| | |
|--|-----|
| 1. Retired participants as of the valuation date (including 42 beneficiaries in pay status) | 356 |
| 2. Participants inactive during year ended September 30, 2015 with vested rights (including three beneficiaries with rights to deferred pensions) | 92 |
| 3. Participants active during the year ended September 30, 2015 | 323 |

The actuarial factors as of the valuation date are as follows:

| | |
|---|--------------|
| 1. Normal cost (including administrative expenses) | \$31,187 |
| 2. Actuarial accrued liability | 106,830,456 |
| Retired participants and beneficiaries | \$67,152,095 |
| Inactive participants with vested rights | 4,052,199 |
| Active participants | 35,626,162 |
| 3. Actuarial value of assets (\$71,912,556 at market value as reported by Plan Administrator) | 72,228,788 |
| 4. Unfunded actuarial accrued liability | \$34,601,668 |

The determination of the recommended contribution is as follows:

| | |
|---|--------------------|
| 1. Total normal cost (including administrative expenses) | \$31,187 |
| 2. Expected employee contributions | <u>0</u> |
| 3. Employer normal cost: (1) + (2) | \$31,187 |
| 4. Payment on unfunded/(overfunded) actuarial accrued liability | 3,982,219 |
| 5. Total recommended contribution: (3) + (4), adjusted for timing | <u>\$4,274,277</u> |

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT II

Schedule of City Contributions

| Plan Year Ended September 30 | Actuarially Determined Employer Contributions (ADEC)* | Actual Contributions | Percentage Contributed |
|---|--|---------------------------------|-----------------------------------|
| 2011 | \$4,115,761 | \$4,115,761 | 100.0% |
| 2012 | 4,153,621 | 4,153,621 | 100.0% |
| 2013 | 4,641,428 | 4,641,428 | 100.0% |
| 2014 | 4,972,378 | 4,972,378 | 100.0% |
| 2015 | 4,889,995 | 4,889,995 | 100.0% |
| 2016 | 4,274,277 | -- | -- |

**Prior to 2012, this amount was the Annual Required Contribution (ARC)*

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress

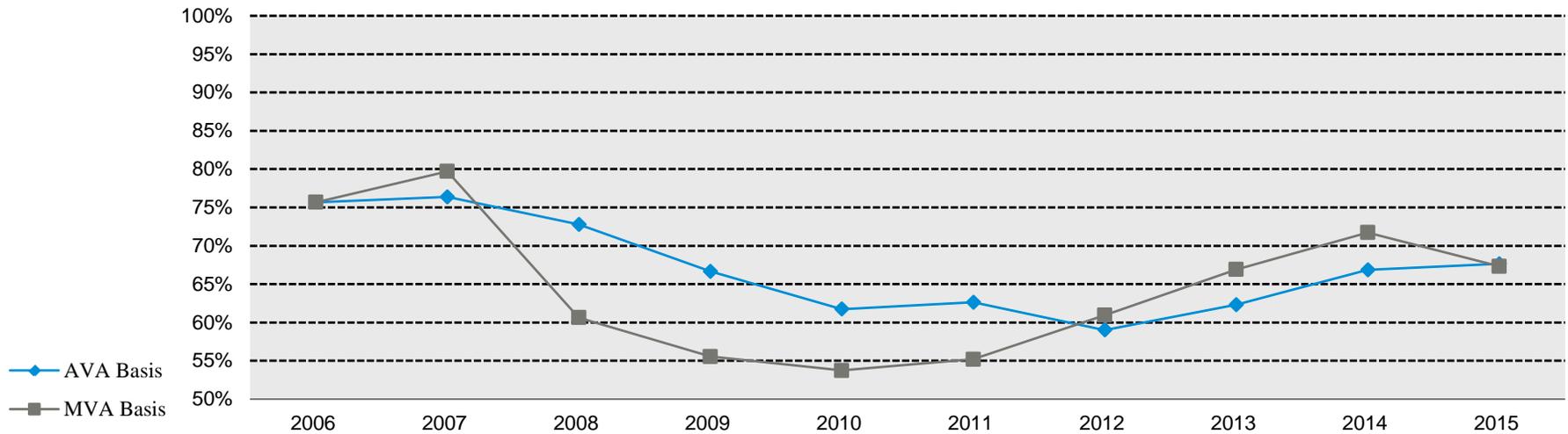
| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded/ (Overfunded) AAL (UAAL) (b) - (a) | Funded Ratio (a) / (b) |
|---|--|--|--|---------------------------------------|
| 10/01/2010 | \$56,190,600 | \$91,016,655 | \$34,826,055 | 61.74% |
| 10/01/2011 | 56,403,049 | 90,069,213 | 33,666,164 | 62.62% |
| 10/01/2012 | 56,700,541 | 96,081,699 | 39,381,158 | 59.01% |
| 10/01/2013 | 61,051,915 | 97,981,168 | 36,929,253 | 62.31% |
| 10/01/2014 | 67,033,343 | 100,265,184 | 33,231,841 | 66.86% |
| 10/01/2015 | 72,228,788 | 106,830,456 | 34,601,668 | 67.61% |

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

**EXHIBIT IV
Funded Ratio**

A critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the Plan as calculated. High ratios indicate a well-funded plan with assets sufficient to cover the plan's actuarial accrued liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

The chart below depicts a history of the funded ratios for this plan.



SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method

Mortality Rates:

Healthy: 1994 Group Annuity Mortality Table, set back one year for males and three years for females

Disabled: RP-2000 Disabled Retiree Mortality Table

These mortality tables were determined to contain provision appropriate to reasonably reflect future mortality improvement, based on a five-year review of mortality experience for the 2003-2008 period. Specifically, the healthy mortality tables were expected to provide for an approximate margin of 9% between actual experience and expected deaths. Per Florida Statute Section 112.63, the mortality tables will be updated in the October 1, 2016 actuarial valuation.

Termination Rates before Retirement:

| Age | Rate (%) | | | |
|-----|-----------|--------|------------|-------------|
| | Mortality | | Disability | Withdrawal* |
| | Male | Female | | |
| 20 | 0.05 | 0.03 | 0.03 | 15.57 |
| 25 | 0.06 | 0.03 | 0.04 | 11.44 |
| 30 | 0.08 | 0.03 | 0.05 | 10.27 |
| 35 | 0.08 | 0.04 | 0.07 | 8.06 |
| 40 | 0.10 | 0.06 | 0.10 | 5.59 |
| 45 | 0.15 | 0.08 | 0.16 | 3.38 |
| 50 | 0.23 | 0.11 | 0.27 | 1.43 |
| 55 | 0.40 | 0.17 | 0.45 | 0.65 |
| 60 | 0.71 | 0.29 | 0.73 | 0.00 |
| 65 | 1.29 | 0.58 | 0.00 | 0.00 |

* Withdrawal rates cut off at Early Retirement Age.

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

| Retirement Rates: | Retirement Age | Rate (per year) |
|--------------------------|---------------------------|----------------------------|
| | 55 | 22.00% |
| | 56-57 | 2.50 |
| | 58 | 8.00 |
| | 59-61 | 10.00 |
| | 62 | 40.00 |
| | 63 | 10.00 |
| | 64 | 17.50 |
| | 65 | 25.00 |
| | 66-69 | 35.00 |
| | 70 | 100.00 |

Retirement Age for Inactive Vested Participants: 65

Unknown Data for Participants: Same as those exhibited by Participants with similar known characteristics. If not specified, Participants are assumed to be male.

Percent Married: 80%

Age of Spouse: Females 3 years younger than males

Net Investment Return: 6.50%, net of investment expenses

Salary Increases: N/A

Payroll Growth Rate: N/A

Cost of Living Adjustments: 1% per year to all retirees and beneficiaries

Administration Expenses: \$32,265, paid monthly

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

| | |
|-----------------------------------|---|
| Actuarial Value of Assets: | Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period. The actuarial value of assets is further adjusted, if necessary, to be within 20% of the market value. |
| Actuarial Cost Method: | Entry Age Normal Cost Method. Entry Age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability is calculated on an individual basis and are allocated by service, with Normal Cost determined as if the current benefit accrual rate had always been in effect. |
| Changes in Assumptions: | <ul style="list-style-type: none">➤ The amortization period was changed to twelve years to approximate the future working lifetime of the remaining active group and was calculated as a level dollar amount; this period will be evaluated annually and adjusted as necessary.➤ The discount rate was lowered to 6.50%.➤ An administrative expense assumption of \$32,265 was added. |

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

EXHIBIT VI

Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year: October 1 through September 30

Plan Status: Frozen, with no future accruals as of July 1, 2015

Normal Retirement:

Participants with 25 years of service or vested participants who have reached age 65 by September 30, 2010:

| | |
|-----------------------------------|---|
| <i>Age Requirement</i> | 65 |
| <i>Service Requirement</i> | 5 years of continuous service |
| <i>Amount</i> | 2.25% of Average Basic Monthly Compensation for each of the first 25 years of continuous service plus 0.5% of Average Basic Monthly Compensation for each year thereafter |
| <i>Basic Monthly Compensation</i> | The average salary of the Member's highest five consecutive years within the last 10 years of consecutive service preceding retirement. The salary in effect on each January 1 st shall be used as the basis for this computation. |
| <i>Normal Annuity Form</i> | Single life |

Participants with less than 25 years of service or employees younger than age 65 on October 1, 2010:

| | |
|-----------------------------------|---|
| <i>Age Requirement</i> | 65 |
| <i>Service Requirement</i> | 5 years of continuous service |
| <i>Amount</i> | 2.25% of Average Basic Monthly Compensation for each year of service accrued before October 1, 2010 plus 1.60% of Average Basic Monthly Compensation for each year of service accrued after September 30, 2010 |
| <i>Basic Monthly Compensation</i> | The average salary of the Member's highest five consecutive years within the last 10 years of consecutive service preceding retirement. The salary in effect on each January 1 st shall be used as the basis for this computation. |
| <i>Normal Annuity Form</i> | Single life |

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

Early Retirement:

Participants with 25 years of service or vested participants who have reached age 65 by September 30, 2010:

| | |
|----------------------------|---|
| <i>Age Requirement</i> | 55 |
| <i>Service Requirement</i> | 5 years of continuous service |
| <i>Amount</i> | Normal pension accrued reduced by 1.5% for each year preceding normal retirement. |

Participants with less than 25 years of service or employees younger than age 65 on October 1, 2010:

| | |
|----------------------------|--|
| <i>Age Requirement</i> | 55 |
| <i>Service Requirement</i> | 5 years of continuous service |
| <i>Amount</i> | Normal pension accrued reduced by 1.5% for each year preceding normal retirement for benefits accrued before October 1, 2010 and 3% for each year preceding normal retirement for benefits accrued after September 30, 2010. |

Disability:

| | |
|----------------------------|---|
| <i>Age Requirement</i> | None |
| <i>Service Requirement</i> | 5 years of continuous service |
| <i>Amount</i> | Normal pension accrued, but not less than 25% of Basic Monthly Compensation at date of disability. The monthly benefit payable when combined with any benefit payable under workers compensation and social security, shall not exceed 100% of the participants final basic monthly salary at the time of disability. |

Vesting:

| | |
|----------------------------|--|
| | All participants vested as of July 1, 2015. |
| <i>Age Requirement</i> | None |
| <i>Service Requirement</i> | 5 years of continuous service |
| <i>Amount</i> | Refund of contributions or the Normal retirement benefit, payable at Normal retirement date. If participant elects an earlier commencement date, early retirement reduction factors apply. |

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

Pre-Retirement Death Benefit:

Requirement

Death while in active service or on total and permanent disability.

Amount

a. Before Vesting

If a member dies before becoming Vested, the spouse (or designated beneficiary, if not married) receives 100% of the member's contributions without interest.

b. After Vesting

A benefit payable to the spouse (or designated beneficiary, if not married) as though participant had retired on his date of death and chosen the 66 2/3% joint and survivor option; benefit begins when the participant would have reached age 55.

Participation:

Effective October 1, 2010, an employee begins participation on the first day of the month following date of hire. For employees hired prior to October 1, 2010 who had not met the previous eligibility requirement for participation in the Plan, participation began on October 1, 2010.

Contributions:

Members no longer pay contributions, but some have balances remaining in the plan.

Military Service Buy Back:

Vested employees with prior military service may elect to purchase up to 4 years of retirement credit. The cost of purchase shall be determined by the employee's current contribution rate at the time of purchase, multiplied by the number of months being purchased.

Cost-of-Living Adjustment:

Benefits will be increased 1% each year on October 1st for all retirees and beneficiaries receiving benefits at the time of each increase and who retired on or after October 1, 1998. The Board may grant the COLA to annuitants who retired prior to October 1, 1998 at their discretion.

SECTION 4: Reporting Information for the City of Vero Beach General Employee Retirement Plan

Changes in Plan Provisions:

The accrued benefits of all participants of the Plan were frozen on June 30, 2015; all eligible participants at that time became fully vested and their benefit was calculated according to the Plan provisions in effect at that time.

The frozen accrued benefit is payable to the participant upon termination of employment with the City and attaining Normal or Early Retirement Date.

There is no further accrual of benefits, nor required employee contributions on or after July 1, 2015.

Any plan participant employed on June 30, 2015, upon meeting required plan eligibility requirements, may elect to receive the greater of their accumulated contributions or actuarial present value of their frozen accrued benefit. Any benefit with a present value of \$5,000 or less will be distributed in the form of a lump sum cash payment, which may be rolled over into a qualified retirement plan as directed by the participant.

Participants of the Plan who retired or terminated employment with a right to a deferred benefit prior to July 1, 2014 shall be entitled to benefits defined by the Plan provisions at the time of their retirement or termination of employment.

After June 30, 2015, all current and future employees began participation in the City's defined contribution retirement plan. Benefits will be distributed and contributions will be made in accordance with the new plan, which may be amended from time to time

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2018 Powers Ferry Road SE Suite 850 Atlanta, GA 30339-7200
T 678.306.3100 www.segalco.com

VIA EMAIL

March 4, 2016

Ms. Cindy Lawson
Finance Director
City of Vero Beach
1053 20th Place
Vero Beach, FL 32960

Re: GASB Statements 67 & 68 Disclosures for the City of Vero Beach General Employee Retirement Plan for Fiscal Year Ending September 30, 2015 - UPDATED

Dear Cindy:

We are pleased to submit these updated Governmental Accounting Standards Board Statements 67 and 68 disclosures for the City of Vero Beach Employee Retirement Plan fiscal year ending September 30, 2015. Please disregard the original disclosures provided on February 19, 2016. The exhibits contain information that will need to be disclosed in order to comply with the new GASB requirements for pension plan reporting. See Illustration 3 of GASB Statement 67 and Illustration 2 of GASB Statement 68 for items to be included in the financial statements, note disclosures, and required supplementary information. These can be found on the GASB website under Pronouncements. Information shown in Illustration 3 of GASB Statement 67 and Illustration 2 of GASB Statement 68 not included here will need to be provided by the City of Vero Beach Finance and/or Human Resource departments, investment consultant or auditor.

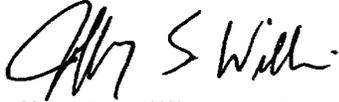
This report was prepared in accordance with generally accepted actuarial principles and practices to assist in administering the Retirement Plan. The census and financial information on which our calculations were based was provided by the Finance Department, in conjunction with the Human Resource Department. That assistance is gratefully acknowledged.

The measurements shown in these disclosures may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

Cindy Lawson
March 4, 2016
Page 2

The actuarial calculations were completed under our supervision. We are members of the American Academy of Actuaries and meet their Qualification Standards to render the actuarial opinion herein. To the best of our knowledge, the information supplied in these disclosures is complete and accurate. Further, in our opinion, the assumptions as approved by the Board of Trustees are reasonably related to the experience for the Plan.

Sincerely,



Jeffrey S. Williams, FCA, ASA, MAAA, EA
Vice President and Consulting Actuary



Leon F. (Rocky) Joyner, Jr.
Vice President and Consulting Actuary

EXHIBIT 1**General Information – “Financial Statements”, Note Disclosures and Required Supplementary Information for a Single Employer Pension Plan**

Plan membership: All qualified participants of the General Employee Retirement Plan of Vero Beach, Florida

At September 30, 2014, pension plan membership consisted of the following:

| | |
|---|------------|
| Retirees or beneficiaries currently receiving benefits | 348 |
| Terminated participants entitled to, but not yet receiving benefits | 87 |
| Active employees | <u>339</u> |
| Total | 774 |

At September 30, 2015, pension plan membership consisted of the following:

| | |
|---|------------|
| Retirees or beneficiaries currently receiving benefits | 356 |
| Terminated participants entitled to, but not yet receiving benefits | 92 |
| Active employees | <u>323</u> |
| Total | 771 |

EXHIBIT 2**Summary of Plan Provisions**

Plan Year: October 1 through September 30

Plan Status: Frozen, with no future accruals, as of July 1, 2015

Benefits provided: This exhibit summarizes the major plan provisions of the Plan included in the October 1, 2015 actuarial valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Normal Retirement:

Participants with 25 years of service or vested participants who have reached age 65 by September 30, 2010:

| | |
|-----------------------------------|---|
| <i>Age Requirement</i> | 65 |
| <i>Service Requirement</i> | 5 years of continuous service |
| <i>Amount</i> | 2.25% of Average Basic Monthly Compensation for each of the first 25 years of continuous service plus 0.5% of Average Basic Monthly Compensation for each year thereafter |
| <i>Basic Monthly Compensation</i> | The average salary of the Member's highest five consecutive years within the last 10 years of consecutive service preceding retirement. The salary in effect on each January 1 st shall be used as the basis for this computation. |
| <i>Normal Annuity Form</i> | Single life |

Participants with less than 25 years of service or employees younger than age 65 on October 1, 2010:

| | |
|-----------------------------------|---|
| <i>Age Requirement</i> | 65 |
| <i>Service Requirement</i> | 5 years of continuous service |
| <i>Amount</i> | 2.25% of Average Basic Monthly Compensation for each year of service accrued before October 1, 2010 plus 1.60% of Average Basic Monthly Compensation for each year of service accrued after September 30, 2010 |
| <i>Basic Monthly Compensation</i> | The average salary of the Member's highest five consecutive years within the last 10 years of consecutive service preceding retirement. The salary in effect on each January 1 st shall be used as the basis for this computation. |
| <i>Normal Annuity Form</i> | Single life |

Early Retirement:

Participants with 25 years of service or vested participants who have reached age 65 by September 30, 2010:

| | |
|----------------------------|---|
| <i>Age Requirement</i> | 55 |
| <i>Service Requirement</i> | 5 years of continuous service |
| <i>Amount</i> | Normal pension accrued reduced by 1.5% for each year preceding normal retirement. |

Participants with less than 25 years of service or employees younger than age 65 on October 1, 2010:

| | |
|----------------------------|--|
| <i>Age Requirement</i> | 55 |
| <i>Service Requirement</i> | 5 years of continuous service |
| <i>Amount</i> | Normal pension accrued reduced by 1.5% for each year preceding normal retirement for benefits accrued before October 1, 2010 and 3% for each year preceding normal retirement for benefits accrued after September 30, 2010. |

Disability:

| | |
|----------------------------|---|
| <i>Age Requirement</i> | None |
| <i>Service Requirement</i> | 5 years of continuous service |
| <i>Amount</i> | Normal pension accrued, but not less than 25% of Basic Monthly Compensation at date of disability. The monthly benefit payable when combined with any benefit payable under workers compensation and social security, shall not exceed 100% of the participants final basic monthly salary at the time of disability. |

Vesting:

| | |
|----------------------------|--|
| <i>Age Requirement</i> | None |
| <i>Service Requirement</i> | 5 years of continuous service |
| <i>Amount</i> | Refund of contributions or the Normal retirement benefit, payable at Normal retirement date. If participant elects an earlier commencement date, early retirement reduction factors apply. |

Pre-Retirement Death Benefit:

Requirement

Death while in active service or on total and permanent disability.

Amount

a. Before Vesting

If a member dies before becoming Vested, the spouse (or designated beneficiary, if not married) receives 100% of the member's contributions without interest.

b. After Vesting

A benefit payable to the spouse (or designated beneficiary, if not married) as though participant had retired on his date of death and chosen the 66 2/3% joint and survivor option; benefit begins when the participant would have reached age 55.

Participation:

Effective October 1, 2010, an employee begins participation on the first day of the month following date of hire. For employees hired prior to October 1, 2010 who had not met the previous eligibility requirement for participation in the Plan, participation began on October 1, 2010.

Contributions:

Members no longer pay contributions, but some have balances remaining in the plan.

Military Service Buy Back:

Vested employees with prior military service may elect to purchase up to 4 years of retirement credit. The cost of purchase shall be determined by the employee's current contribution rate at the time of purchase, multiplied by the number of months being purchased.

Cost-of-Living Adjustment:

Benefits will be increased 1% each year on October 1st for all retirees and beneficiaries receiving benefits at the time of each increase and who retired on or after October 1, 1998. The Board may grant the COLA to annuitants who retired prior to October 1, 1998 at their discretion.

Changes in Plan Provisions:

The accrued benefits of all participants of the Plan were frozen on June 30, 2015; all eligible participants at that time became fully vested and their benefit was calculated according to the Plan provisions in effect at that time.

The frozen accrued benefit is payable to the participant upon termination of employment with the City and attaining Normal or Early Retirement Date.

There is no further accrual of benefits, nor required employee contributions on or after July 1, 2015.

Any plan participant employed on June 30, 2015, upon meeting required plan eligibility requirements, may elect to receive the greater of their accumulated contributions or actuarial present value of their frozen accrued benefit. Any benefit with a present value of \$5,000 or less will be distributed in the form of a lump sum cash payment, which may be rolled over into a qualified retirement plan as directed by the participant.

Participants of the Plan who retired or terminated employment with a right to a deferred benefit prior to July 1, 2014 shall be entitled to benefits defined by the Plan provisions at the time of their retirement or termination of employment.

After June 30, 2015, all current and future employees began participation in the City's defined contribution retirement plan. Benefits will be distributed and contributions will be made in accordance with the new plan, which may be amended from time to time.

EXHIBIT 3**Net Pension Liability**

The components of the net pension liability of the Retirement Plan at September 30, 2015 were as follows:

| | |
|--|-------------------|
| Total pension liability | \$103,934,289 |
| Plan fiduciary net position | <u>71,912,556</u> |
| City's net pension liability | 32,021,733 |
| Plan fiduciary net position as a percentage of the total pension liability | 69.19% |

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of October 1, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|----------------------------|--|
| Inflation | N/A |
| Salary increases | N/A |
| Investment rate of return | 6.50%, including inflation, net of pension plan investment expense |
| Cost-of-living adjustments | 1.00% annually |

Healthy mortality rates were based on the sex-distinct 1994 Group Annuity Mortality Table, set back one year for males and three years for females. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table. The current tables were determined to contain a margin of 9% to anticipate future mortality improvement based on the review of mortality experience for the 2003-2008 period.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an experience study for the period October 1, 2003 to September 30, 2008. Per Florida Statute Section 112.63, the mortality tables will be updated in the October 1, 2016 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan’s target asset allocation as of September 30, 2015 are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-------------------------|-------------------|--|
| Domestic equity | 50% | 6.6% |
| International equity | 10% | 7.7% |
| Fixed income | 30% | 2.2% |
| Short-term money market | 5% | 1.8% |
| Real estate | <u>5%</u> | 4.4% |
| Total | 100% | |

Discount rate: The blended discount rate used to measure the total pension liability is 6.50%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at their applicable contribution rates and that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the Fund’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 the Plan’s investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability of the Fund, calculated using the discount rate of 6.50%, as well as what the Plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.50%) or one percentage point higher (7.50%) than the current rate:

| | 1% Decrease (5.50%) | Current Discount Rate (6.50%) | 1% Increase (7.50%) |
|-----------------------|------------------------|-------------------------------------|------------------------|
| Net pension liability | \$43,983,153 | \$32,021,733 | \$21,990,726 |

EXHIBIT 4**Schedules of Changes in Retirement Fund's Net Pension Liability – Last Ten Fiscal Years**

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|-----------------------------|----------------------------|------|------|---|
| Total pension liability | | | | | |
| Service cost | | | | | (Historical information prior to implementation of GASB 67/68 is not required.) |
| Interest | \$1,455,560 | \$1,525,171 | | | |
| Change of benefit terms | 7,466,958 | 7,257,316 | | | |
| Differences between expected and actual experience | -1,270,795 | 0 | | | |
| Changes of assumptions | 2,986,908 | 0 | | | |
| Benefit payments, including refunds of employee contributions | 0 | 0 | | | |
| | <u>-6,104,373</u> | <u>-6,050,479</u> | | | |
| Net change in total pension liability | \$4,534,258 | \$2,732,008 | | | |
| Total pension liability – beginning | 99,400,031 | 96,668,023 | | | |
| Total pension liability – ending (a) | <u>\$103,934,289</u> | <u>\$99,400,031</u> | | | |
| Plan fiduciary net position | | | | | |
| Contributions – employer | \$4,889,995 | \$4,972,378 | | | |
| Contributions – employee | 373,250 | 461,199 | | | |
| Net investment income | 859,603 | 6,975,362 | | | |
| Benefit payments, including refunds of employee contributions | -6,104,373 | -6,050,479 | | | |
| Administrative expense | -32,265 | 0 | | | |
| Other | <u>0</u> | <u>0</u> | | | |
| Net change in plan fiduciary net position | -\$13,790 | \$6,358,460 | | | |
| Plan fiduciary net position – beginning | 71,926,346 | 65,567,886 | | | |
| Plan fiduciary net position – ending (b) | \$71,912,556 | \$71,926,346 | | | |
| City's net pension liability – ending (a) – (b) | <u>\$32,021,733</u> | <u>\$27,473,685</u> | | | |
| Plan fiduciary net position as a percentage of the total pension liability | 69.19% | 72.36% | | | |
| Covered employee payroll | \$15,456,663 | \$15,704,293 | | | |
| City's net pension liability as percentage of covered employee payroll | 207.17% | 174.94% | | | |

Notes to Schedule:*Benefit changes:* See the end of Exhibit I for changes in benefit provisions.*Change of assumptions:* The discount rate was lowered from 7.75% to 6.50%.

EXHIBIT 5**Schedule of City of Vero Beach's Contributions to General Employee Retirement Fund – Last Ten Fiscal Years**

| Year Ended September 30 | Actuarially Determined Contribution | Contributions in Relation to the Actuarially Determined Contribution | Contribution Deficiency (Excess) | Covered-Employee Payroll | Contributions as a Percentage of Covered-Employee Payroll |
|------------------------------------|--|---|---|-------------------------------------|--|
| 2006 | 3,008,235 | 3,008,235 | 0 | 15,030,075 | 20.01% |
| 2007 | 2,656,451 | 2,656,451 | 0 | 14,905,998 | 17.82% |
| 2008 | 2,866,308 | 2,866,308 | 0 | 15,539,566 | 18.45% |
| 2009 | 3,347,010 | 3,347,010 | 0 | 16,548,463 | 20.23% |
| 2010 | 4,028,814 | 4,050,000 | (21,186) | 18,811,487 | 21.42% |
| 2011 | 4,115,761 | 4,115,761 | 0 | 19,305,268 | 21.32% |
| 2012 | 4,153,621 | 4,153,621 | 0 | 18,830,488 | 22.06% |
| 2013 | 4,641,428 | 4,641,428 | 0 | 17,094,905 | 27.15% |
| 2014 | 4,972,378 | 4,972,378 | 0 | 16,224,526 | 30.65% |
| 2015 | 4,889,995 | 4,889,995 | 0 | 15,704,293 | 31.14% |

EXHIBIT 6**Notes to Required Supplementary Information**

| | |
|--|--|
| Valuation date | Actuarially determined contribution is calculated using an October valuation date as of the beginning of the fiscal year in which contributions are reported |
| Methods and used assumptions to determine contribution rates: | |
| Actuarial cost method | Entry Age Normal Cost Method |
| Amortization method | Level dollar |
| Remaining amortization period | Effective period of 12 years remaining as of October 1, 2015 |
| Asset valuation method | Market value of assets |
| Actuarial assumptions: | |
| Investment rate of return | 6.50%, including inflation, net of pension plan investment expense |
| Inflation rate | N/A |
| Projected salary increases | N/A |
| Cost-of-living adjustment | 1.00% |
| Retirement rates | Rates based on age ranging from 55 to 70 years, with 100% retirement at age 70 |
| Mortality: | |
| <i>Healthy</i> | 1994 Group Annuity Mortality Table, set back one year for males and three years for females. |
| <i>Disabled</i> | RP-2000 Disabled Retiree Mortality Table |
| Other information: | See Exhibit 3 for the history of changes to plan provisions and assumptions, if any. |

Exhibit 7**Detailed development of pension expense**

Pension expense for the year ended September 30, 2015

| | | |
|---|-------------|-------------|
| Service cost | \$1,455,560 | |
| Interest on Total Pension Liability | 7,466,958 | |
| Employee contributions | (373,250) | |
| Administrative expenses | 32,265 | |
| Expected return on assets | (5,540,448) | |
| Expensed portion of current year period differences between expected and actual experience in Total Pension Liability | 746,727 | |
| Expensed portion of current year period assumption changes | 0 | |
| Current year plan changes | (1,270,795) | |
| Expensed portion of current year period differences between projected and actual investment earnings | 936,169 | |
| Current year recognition of deferred inflows and outflows established in prior years | -- | |
| Total expense | | \$3,453,186 |

Exhibit 8**GASB 68 Pension Expense and Deferrals for City of Vero Beach General Employee Retirement Plan**

For the year ended September 30, 2015 the City's recognized pension expense is \$3,453,186. At September 30, 2015, the City 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 | \$2,240,181 | -- |
| Net difference between projected and actual earnings on pension plan investments | <u>3,744,676</u> | <u>--</u> |
| Total | <u>\$5,984,857</u> | <u>--</u> |

It is our understanding that there were not any contributions reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to subsequent to September 30, 2015; if such contributions exist, they 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 | Recognition of deferred outflows/(inflows) |
|--------------------|---|
| September 30, 2016 | \$1,682,896 |
| September 30, 2017 | \$1,682,896 |
| September 30, 2018 | \$1,682,896 |
| September 30, 2019 | \$936,169 |
| Thereafter | -- |

Exhibit 9**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (continued)****Projected recognition of deferred outflows/(inflows)**

| | Year Established | Outstanding Balance at September 30, 2015 | Amount Recognized During FYE September 30, 2015 | Outstanding Balance at September 30, 2016 | Deferred Outflows/(Inflows) Recognized in Future Years | | | | | |
|-------------------------------|------------------|---|---|---|--|------------------------|------------------------|------------------------|---------------------------------------|-----------|
| | | | | | FYE September 30, 2016 | FYE September 30, 2017 | FYE September 30, 2018 | FYE September 30, 2019 | FYE September 30, 2020 and Thereafter | |
| Fiscal Year Inflows | | | | | | | | | | |
| Plan change | 2015 | <u>(\$1,270,795)</u> | <u>(\$1,270,795)</u> | -- | -- | -- | -- | -- | -- | -- |
| Total Inflows | | (\$1,270,795) | (\$1,270,795) | -- | -- | -- | -- | -- | -- | -- |
| Fiscal Year Outflows | | | | | | | | | | |
| Investment | 2015 | \$4,680,845 | \$936,169 | \$3,744,676 | \$936,169 | \$936,169 | \$936,169 | \$936,169 | -- | -- |
| Liability | 2015 | <u>\$2,986,908</u> | <u>\$746,727</u> | <u>\$2,240,181</u> | <u>\$746,727</u> | <u>\$746,727</u> | <u>\$746,727</u> | -- | -- | -- |
| Total Outflows | | \$7,667,742 | \$1,682,896 | \$5,984,857 | \$1,682,896 | \$1,682,896 | \$1,682,896 | \$936,169 | -- | -- |
| Total (Inflow)/Outflow | | \$6,396,958 | \$412,101 | \$5,984,857 | \$1,682,896 | \$1,682,896 | \$1,682,896 | \$936,169 | | |

Exhibit 10

Projection of Pension Plan's Fiduciary Net Position for Use in Calculation of Discount Rate

| Year Beginning October 1, | Projected Beginning Plan Fiduciary Net Position (a) | Projected Total Contributions (b) | Projected Benefit Payments (c) | Projected Administrative Expenses (d) | Projected Investment Earnings (e) | Projected Ending Plan Fiduciary Net Position (f)= (a) + (b) + (c) + (d) + (e) |
|----------------------------------|--|--|---------------------------------------|--|--|--|
| 2014 | \$71,926,346 | \$5,263,245 | \$6,104,044 | \$32,265 | \$827,009 | \$71,912,556 |
| 2015 | 71,912,556 | 4,011,226 | 6,245,630 | 32,265 | 4,600,649 | 74,246,536 |
| 2016 | 74,246,536 | 3,884,498 | 6,542,434 | 32,265 | 4,738,593 | 76,294,928 |
| 2017 | 76,294,928 | 3,891,359 | 6,789,053 | 32,265 | 4,863,947 | 78,228,916 |
| 2018 | 78,228,916 | 3,966,967 | 7,071,487 | 32,265 | 4,982,934 | 80,075,065 |
| 2019 | 80,075,065 | 4,082,533 | 7,339,307 | 32,265 | 5,097,985 | 81,884,011 |
| 2020 | 81,884,011 | 4,082,533 | 7,586,616 | 32,265 | 5,207,529 | 83,555,192 |
| 2021 | 83,555,192 | 4,082,533 | 7,783,564 | 32,265 | 5,309,755 | 85,131,651 |
| 2022 | 85,131,651 | 4,082,533 | 7,989,273 | 32,265 | 5,405,540 | 86,598,186 |
| 2023 | 86,598,186 | 4,082,533 | 8,153,013 | 32,265 | 5,495,543 | 87,990,984 |
| 2024 | 87,990,984 | 4,082,533 | 8,268,443 | 32,265 | 5,582,323 | 89,355,132 |
| 2025 | 89,355,132 | 4,082,533 | 8,455,189 | 32,265 | 5,664,924 | 90,615,135 |
| 2026 | 90,615,135 | 4,082,533 | 8,516,904 | 32,265 | 5,744,818 | 91,893,317 |
| 2027 | 91,893,317 | 103,572 | 8,617,329 | 32,265 | 5,695,320 | 89,042,615 |
| 2028 | 89,042,615 | 230,300 | 8,600,961 | 32,265 | 5,514,675 | 86,154,364 |
| 2029 | 86,154,364 | 223,439 | 8,562,025 | 32,265 | 5,327,981 | 83,111,494 |
| 2030 | 83,111,494 | 147,831 | 8,513,171 | 32,265 | 5,129,325 | 79,843,214 |
| | | | | | | |
| 2107 | 123,245,292 | 32,265 | 0 | 32,265 | 8,010,944 | 131,256,236 |
| 2108 | 131,256,236 | | | | | |
| 2108 Discounted Value | | 375,497* | | | | |

* When discounted with interest at the rate of 6.50% per annum, \$131,265,236 has a value of \$375,497 as of September 30, 2014

Notes:

- (1) The projected beginning plan fiduciary net position amounts shown have not been adjusted for the time value of money.
- (2) Actual contributions, benefit payments, administrative expenses, and investment earnings are used in the determination of the September 30, 2015 Fiduciary Net Position.
- (3) The projection above is based on the actuarial valuation as of October 1, 2015, which was used as the basis of the TPL measurements as of September 30, 2015. The NPL measurements corresponding to these TPL measurements were used for the purpose of GASB 67 disclosures and GASB 68 disclosures as of September 30, 2015. The projection demonstrates that the current funding policy supports the use of the full 6.50% rate of return.
- (4) Projected benefit payments have been determined in accordance with Paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive vested, retired members and beneficiaries as of October 1, 2015. Benefit payments are assumed to be paid with an average timing equivalent to mid-year payment.
- (5) Administrative expenses are assumed to be \$32,265, payable at the end of each year.
- (6) Projected investment earnings are based on the assumed investment rate of return of 6.50% per annum.
- (7) As illustrated in this Exhibit, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected "cross-over date" when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 6.50% per annum was applied to all periods of projected benefit payments to determine the total pension liability, pursuant to Paragraph 44 of GASB Statement No. 67.

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