

CITY OF TEMPLE TERRACE
POLICE OFFICERS' RETIREMENT SYSTEM

SECTION 112.664, FLORIDA STATUTES
COMPLIANCE

With respect to the reporting standards for defined benefit retirement plans or systems contained in Section 112.664(1), F.S., the actuarial disclosures required under this section were 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, meet the requirements of Section 112.664(1), Florida Statutes, and Rule 60T-1.0035, Florida Administrative Code.

By: Patrick T. Donlan Date: 1/12/2016

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Enrolled Actuary #14-6595



When reviewing the following schedules, please note the following:

- 1) The purpose of producing this report is solely to satisfy the requirements set forth by Section 112.664, Florida Statutes, and is mandatory for every Florida public pension fund, excluding the Florida Retirement System (FRS).
- 2) None of the schedules shown have any impact on the funding requirements of the Plan. These schedules are for statutory compliance purposes only.
- 3) In the schedules that follow, the columns labeled “ACTUAL” represent the final recorded GASB 67/68 results. The columns labeled “HYPOTHETICAL” illustrate what the results would have been if different assumptions were used.
- 4) It is our opinion that the Plan’s actual assumptions utilized in the October 1, 2015 Actuarial Valuation Report, as adopted by the Board of Trustees, are reasonable individually and in the aggregate, and represent our best estimate of future Plan experience.
- 5) The “Number of Years Expected Benefit Payments Sustained” calculated in Section II: Asset Sustainability should not be interpreted as the number of years the Plan has left until it is insolvent. This calculation is required by 112.664, Florida Statutes, but the numeric result is irrelevant, since in its calculation we are to assume there will be no further contributions to the Fund. As long as the Actuarially Determined Contribution is made each year the Plan will never become insolvent.

	ACTUAL		HYPOTHETICAL	
	7.50% RP-2000 Static 9/30/2015	7.50% RP-2000 Generational 9/30/2015	5.50% RP-2000 Generational 9/30/2015	9.50% RP-2000 Generational 9/30/2015
<u>GASB 67: Schedule of Changes in Net Pension Liability</u>				
<u>Total Pension Liability</u>				
Service Cost	634,011	660,363	998,193	463,945
Interest	2,909,094	3,062,126	2,948,622	3,082,542
Changes of Benefit Terms	(295,206)	(308,473)	(427,019)	(232,776)
Differences Between Expected and Actual Experience	(7,809)	(53,727)	(190,386)	28,453
Changes of Assumptions	444,806	491,773	756,839	335,597
Benefit Payments, Including Refunds of Employee Contributions	(2,078,269)	(2,078,269)	(2,078,269)	(2,078,269)
Net Change in Total Pension Liability	1,606,627	1,773,793	2,007,980	1,599,492
Total Pension Liability - Beginning	38,991,553	40,992,044	53,135,591	32,931,444
Total Pension Liability - Ending (a)	<u>\$ 40,598,180</u>	<u>\$ 42,765,837</u>	<u>\$ 55,143,571</u>	<u>\$ 34,530,936</u>
<u>Plan Fiduciary Net Position</u>				
Contributions - Employer	1,562,285	1,562,285	1,562,285	1,562,285
Contributions - State	165,332	165,332	165,332	165,332
Contributions - Employee	303,704	303,704	303,704	303,704
Net Investment Income	87,712	87,712	87,712	87,712
Benefit Payments, Including Refunds of Employee Contributions	(2,078,269)	(2,078,269)	(2,078,269)	(2,078,269)
Administrative Expenses	(32,080)	(32,080)	(32,080)	(32,080)
Net Change in Plan Fiduciary Net Position	8,684	8,684	8,684	8,684
Plan Fiduciary Net Position - Beginning	21,012,529	21,012,529	21,012,529	21,012,529
Plan Fiduciary Net Position - Ending (b)	<u>\$ 21,021,213</u>	<u>\$ 21,021,213</u>	<u>\$ 21,021,213</u>	<u>\$ 21,021,213</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 19,576,967</u>	<u>\$ 21,744,624</u>	<u>\$ 34,122,358</u>	<u>\$ 13,509,723</u>

GASB 68: Pension Expense for Fiscal Year Ending September 30, 2015

Pension Expense	<u>\$ 1,468,962</u>	<u>\$ 1,637,947</u>	<u>\$ 2,208,236</u>	<u>\$ 1,131,825</u>
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PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: 7.50% and RP-2000 Static Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2015	21,021,213	-	3,148,494	-	1,458,522	19,331,241
2016	19,331,241	-	2,541,473	-	1,354,538	18,144,306
2017	18,144,306	-	2,611,495	-	1,262,892	16,795,703
2018	16,795,703	-	2,698,676	-	1,158,477	15,255,504
2019	15,255,504	-	2,751,625	-	1,040,977	13,544,856
2020	13,544,856	-	2,802,261	-	910,779	11,653,374
2021	11,653,374	-	2,889,773	-	765,637	9,529,238
2022	9,529,238	-	2,931,552	-	604,760	7,202,446
2023	7,202,446	-	2,980,389	-	428,419	4,650,476
2024	4,650,476	-	3,056,100	-	234,182	1,828,558
2025	1,828,558	-	3,103,849	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 10.59

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.50% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 2
Hypothetical Assumptions: 7.50% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2015	21,021,213	-	3,148,685	-	1,458,515	19,331,043
2016	19,331,043	-	2,542,633	-	1,354,479	18,142,889
2017	18,142,889	-	2,614,423	-	1,262,676	16,791,142
2018	16,791,142	-	2,704,044	-	1,157,934	15,245,032
2019	15,245,032	-	2,762,409	-	1,039,787	13,522,410
2020	13,522,410	-	2,816,999	-	908,543	11,613,954
2021	11,613,954	-	2,909,305	-	761,948	9,466,597
2022	9,466,597	-	2,957,139	-	599,102	7,108,560
2023	7,108,560	-	3,013,471	-	420,137	4,515,226
2024	4,515,226	-	3,096,767	-	222,513	1,640,972
2025	1,640,972	-	3,154,066	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 10.52

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.50% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 3
Hypothetical Assumptions: 5.50% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2015	21,021,213	-	3,148,685	-	1,069,578	18,942,106
2016	18,942,106	-	2,542,633	-	971,893	17,371,366
2017	17,371,366	-	2,614,423	-	883,528	15,640,471
2018	15,640,471	-	2,704,044	-	785,865	13,722,292
2019	13,722,292	-	2,762,409	-	678,760	11,638,643
2020	11,638,643	-	2,816,999	-	562,658	9,384,302
2021	9,384,302	-	2,909,305	-	436,131	6,911,128
2022	6,911,128	-	2,957,139	-	298,791	4,252,780
2023	4,252,780	-	3,013,471	-	151,032	1,390,341
2024	1,390,341	-	3,096,767	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 9.45

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.50% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 4
Hypothetical Assumptions: 9.50% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2015	21,021,213	-	3,148,685	-	1,847,453	19,719,981
2016	19,719,981	-	2,542,633	-	1,752,623	18,929,971
2017	18,929,971	-	2,614,423	-	1,674,162	17,989,710
2018	17,989,710	-	2,704,044	-	1,580,580	16,866,246
2019	16,866,246	-	2,762,409	-	1,471,079	15,574,916
2020	15,574,916	-	2,816,999	-	1,345,810	14,103,727
2021	14,103,727	-	2,909,305	-	1,201,662	12,396,084
2022	12,396,084	-	2,957,139	-	1,037,164	10,476,109
2023	10,476,109	-	3,013,471	-	852,090	8,314,728
2024	8,314,728	-	3,096,767	-	642,803	5,860,764
2025	5,860,764	-	3,154,066	-	406,954	3,113,652
2026	3,113,652	-	3,209,437	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 11.97

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 9.50% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2017

Valuation Date: 10/1/2015

	ACTUAL		HYPOTHETICAL	
	7.50% RP-2000 Static	7.50% RP-2000 Generational	5.50% RP-2000 Generational	9.50% RP-2000 Generational
Total Required Contribution (Fixed \$)	\$2,587,666	\$2,772,575	\$3,690,618	\$2,049,336
Total Required Contribution (Fixed %)	87.6%	93.9%	125.0%	69.4%
Expected Member Contribution	343,164	343,164	339,856	346,471
Expected State Money	165,332	165,332	165,332	165,332
Expected Sponsor Contribution (Fixed \$)	\$2,079,170	\$2,264,079	\$3,185,430	\$1,537,533
Expected Sponsor Contribution (% of Payroll)	70.4%	76.7%	107.9%	52.1%

ASSETS

Actuarial Value ¹	21,549,757	21,549,757	21,549,757	21,549,757
Market Value ¹	21,021,213	21,021,213	21,021,213	21,021,213

LIABILITIES

Present Value of Benefits				
Active Members				
Retirement Benefits	8,631,445	9,104,888	13,754,011	6,391,870
Disability Benefits	261,208	276,903	389,586	206,857
Death Benefits	81,725	63,212	78,115	52,028
Vested Benefits	1,930,197	1,996,676	3,102,241	1,348,278
Refund of Contributions	413,323	413,414	435,734	393,334
Service Retirees	25,699,619	26,904,636	34,295,847	21,909,396
DROP Retirees ¹	4,683,133	4,839,574	6,064,978	4,033,290
Beneficiaries	866,562	890,921	1,094,696	748,966
Disability Retirees	1,567,027	1,666,241	1,988,996	1,430,694
Terminated Vested	494,146	514,852	658,343	414,696
Excess State Monies Reserve	13,669	13,669	13,669	13,669
Total:	44,642,054	46,684,986	61,876,216	36,943,078
Present Value of Future Salaries	16,355,402	16,368,091	17,835,784	15,136,247
Present Value of Future Member Contributions	1,831,805	1,833,226	1,997,608	1,695,260
Total Normal Cost	634,713	663,329	1,017,213	457,783
Present Value of Future Normal Costs (Entry Age Normal)	3,534,450	3,713,209	6,344,473	2,319,564
Total Actuarial Accrued Liability ¹	41,107,604	42,971,777	55,531,743	34,623,514
Unfunded Actuarial Accrued Liability (UAAL)	19,557,847	21,422,020	33,981,986	13,073,757

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2017

Valuation Date: 10/1/2015

	ACTUAL	HYPOTHETICAL		
	7.50% RP-2000 Static	7.50% RP-2000 Generational	5.50% RP-2000 Generational	9.50% RP-2000 Generational
<u>PENSION COST</u>				
Normal Cost ²	701,318	732,937	1,113,123	510,697
Administrative Expenses ²	35,446	35,446	35,105	35,788
Payment Required To Amortize UAAL ²	1,850,902	2,004,192	2,542,390	1,502,851
Total Required Contribution	\$2,587,666	\$2,772,575	\$3,690,618	\$2,049,336

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/2015.

² Contributions developed as of 10/1/2015 have been adjusted to account for assumed salary increase and interest components.