

February 27, 2017

VIA EMAIL

Mr. Robert Anderson, Secretary
Firefighters' Retirement Fund
Post Office Box 1748
Fort Walton Beach, FL 32549-1748

Re: City of Fort Walton Beach Municipal Firefighters' Pension Trust Fund
Senate Bill 534 (Section 112.664, Florida Statutes) Compliance

Dear Robert:

Please find enclosed the annual disclosures that satisfy the October 1, 2016 financial reporting requirements made under Section 112.664.

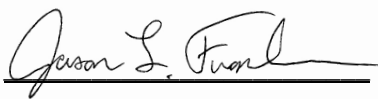
Our office will submit this information electronically to the Department of Management Services by the February 1, 2016 deadline. However, it is important for you to be aware that this report must also be made available on the Plan or Plan Sponsor's website, if such website exists. A deadline for this website publication is not made clear in the law.

In addition to the enclosed report, the Plan or Plan Sponsor's website must provide a link to the Division of Retirement's Actuarial Summary Fact Sheet for the Plan, and also report the previous five years' assumed and actual rates of return, along with their respective asset allocations. The Board should contact its Investment Consultant for this information.

If there are any questions, concerns, or comments about any of the items contained in this report, please feel free to contact me.

Respectfully submitted,

Foster & Foster, Inc.

By: 

Jason L. Franken, FSA, EA, MAAA
Enrolled Actuary #14-6888

JFL/lke
Enclosures

cc via email: H. Lee Dehner, Board Attorney
cc via email: Carol Godwin, Budget and Grants Analyst

CITY OF FORT WALTON BEACH
MUNICIPAL FIREFIGHTERS' PENSION TRUST FUND

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: Jason L. Franken Date: 2/27/2017

Jason L. Franken, FSA, EA, MAAA
Enrolled Actuary #14-6888



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, 2016 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.

GASB 67: SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FISCAL YEAR SEPTEMBER 30, 2016

	ACTUAL	HYPOTHETICAL	
	8.00% RP-2000 Generational	6.00% RP-2000 Generational	10.00% RP-2000 Generational
Total Pension Liability			
Service Cost	453,506	765,184	312,789
Interest	1,645,954	1,698,415	1,740,395
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	261,007	230,150	233,732
Changes of Assumptions	1,243,794	9,085	(66,755)
Benefit Payments, Including Refunds of Employee Contributions	(1,237,389)	(1,237,389)	(1,237,389)
Net Change in Total Pension Liability	2,366,872	1,465,445	982,772
Total Pension Liability - Beginning	20,739,618	28,160,421	17,709,860
Total Pension Liability - Ending (a)	<u>\$ 23,106,490</u>	<u>\$ 29,625,866</u>	<u>\$ 18,692,632</u>
Plan Fiduciary Net Position			
Contributions - Employer	744,019	744,019	744,019
Contributions - State	201,904	201,904	201,904
Contributions - Employee	164,876	164,876	164,876
Net Investment Income	969,107	969,107	969,107
Benefit Payments, Including Refunds of Employee Contributions	(1,237,389)	(1,237,389)	(1,237,389)
Administrative Expenses	(43,625)	(43,625)	(43,625)
Net Change in Plan Fiduciary Net Position	798,892	798,892	798,892
Plan Fiduciary Net Position - Beginning	13,590,508	13,590,508	13,590,508
Plan Fiduciary Net Position - Ending (b)	<u>\$ 14,389,400</u>	<u>\$ 14,389,400</u>	<u>\$ 14,389,400</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 8,717,090</u>	<u>\$ 15,236,466</u>	<u>\$ 4,303,232</u>

GASB 68: PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

	ACTUAL	HYPOTHETICAL	
	8.00%	6.00%	10.00%
Pension Expense	<u>\$ 1,773,153</u>	<u>\$ 2,907,358</u>	<u>\$ 1,262,213</u>

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: 8.00% and 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
2016	14,389,400	-	1,430,706	-	1,093,924	14,052,618
2017	14,052,618	-	1,380,853	-	1,068,975	13,740,740
2018	13,740,740	-	1,393,960	-	1,043,501	13,390,281
2019	13,390,281	-	1,457,089	-	1,012,939	12,946,131
2020	12,946,131	-	1,512,951	-	975,172	12,408,352
2021	12,408,352	-	1,525,608	-	931,644	11,814,388
2022	11,814,388	-	1,537,151	-	883,665	11,160,902
2023	11,160,902	-	1,631,168	-	827,625	10,357,359
2024	10,357,359	-	1,733,146	-	759,263	9,383,476
2025	9,383,476	-	1,795,541	-	678,856	8,266,791
2026	8,266,791	-	1,848,777	-	587,392	7,005,406
2027	7,005,406	-	1,853,350	-	486,298	5,638,354
2028	5,638,354	-	1,835,107	-	377,664	4,180,911
2029	4,180,911	-	1,822,096	-	261,589	2,620,404
2030	2,620,404	-	1,814,335	-	137,059	943,128
2031	943,128	-	1,835,715	-	-	-

*All DROP Balances paid in 2016.

Number of Years Expected Benefit Payments Sustained: 15.51

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 8.00% 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: 6.00% and 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
2016	14,389,400	-	1,430,706	-	820,443	13,779,137
2017	13,779,137	-	1,380,853	-	785,323	13,183,607
2018	13,183,607	-	1,393,960	-	749,198	12,538,845
2019	12,538,845	-	1,457,089	-	708,618	11,790,374
2020	11,790,374	-	1,512,951	-	662,034	10,939,457
2021	10,939,457	-	1,525,608	-	610,599	10,024,448
2022	10,024,448	-	1,537,151	-	555,352	9,042,649
2023	9,042,649	-	1,631,168	-	493,624	7,905,105
2024	7,905,105	-	1,733,146	-	422,312	6,594,271
2025	6,594,271	-	1,795,541	-	341,790	5,140,520
2026	5,140,520	-	1,848,777	-	252,968	3,544,711
2027	3,544,711	-	1,853,350	-	157,082	1,848,443
2028	1,848,443	-	1,835,107	-	55,853	69,189
2029	69,189	-	1,822,096	-	-	-

*All DROP Balances paid in 2016.

Number of Years Expected Benefit Payments Sustained: 13.04

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 6.00% 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: 10.00% and 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
2016	14,389,400	-	1,430,706	-	1,367,405	14,326,099
2017	14,326,099	-	1,380,853	-	1,363,567	14,308,813
2018	14,308,813	-	1,393,960	-	1,361,183	14,276,036
2019	14,276,036	-	1,457,089	-	1,354,749	14,173,696
2020	14,173,696	-	1,512,951	-	1,341,722	14,002,467
2021	14,002,467	-	1,525,608	-	1,323,966	13,800,825
2022	13,800,825	-	1,537,151	-	1,303,225	13,566,899
2023	13,566,899	-	1,631,168	-	1,275,132	13,210,863
2024	13,210,863	-	1,733,146	-	1,234,429	12,712,146
2025	12,712,146	-	1,795,541	-	1,181,438	12,098,043
2026	12,098,043	-	1,848,777	-	1,117,365	11,366,631
2027	11,366,631	-	1,853,350	-	1,043,996	10,557,277
2028	10,557,277	-	1,835,107	-	963,972	9,686,142
2029	9,686,142	-	1,822,096	-	877,509	8,741,555
2030	8,741,555	-	1,814,335	-	783,439	7,710,659
2031	7,710,659	-	1,835,715	-	679,280	6,554,224
2032	6,554,224	-	1,821,560	-	564,344	5,297,008
2033	5,297,008	-	1,840,283	-	437,687	3,894,412
2034	3,894,412	-	1,815,312	-	298,676	2,377,776
2035	2,377,776	-	1,791,273	-	148,214	734,717
2036	734,717	-	1,772,279	-	-	-

*All DROP Balances paid in 2016.

Number of Years Expected Benefit Payments Sustained: 20.41

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 10.00% 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, 2018

Valuation Date: 10/1/2016

	ACTUAL	HYPOTHETICAL	
	8.00% RP-2000 Generational	6.00% RP-2000 Generational	10.00% RP-2000 Generational
Total Required Contribution (Fixed \$)	\$1,214,876	\$1,793,220	\$764,191
Total Required Contribution (% of Payroll)	58.0%	85.5%	36.5%
Expected Member Contribution	167,709	167,709	167,709
Expected State Money	201,904	201,904	201,904
Expected Sponsor Contribution (Fixed \$)	\$845,263	\$1,423,607	\$394,578
Expected Sponsor Contribution (% of Payroll)	40.4%	67.9%	18.9%

ASSETS

Actuarial Value ¹	15,084,292	15,084,292	15,084,292
Market Value ¹	14,389,400	14,389,400	14,389,400

LIABILITIES

Present Value of Benefits			
Active Members			
Retirement Benefits	9,582,557	14,794,688	6,567,708
Disability Benefits	411,002	554,990	315,490
Death Benefits	330,523	469,395	245,063
Vested Benefits	772,353	1,221,029	511,579
Refund of Contributions	94,937	100,150	90,271
Service Retirees	12,394,824	14,979,770	10,526,235
DROP Retirees ¹	1,088,603	1,342,498	911,587
Beneficiaries	1,612,204	1,987,666	1,354,776
Disability Retirees	0	0	0
Terminated Vested	393,099	558,259	287,985
Excess State Monies Reserve	0	0	0
Total:	26,680,102	36,008,445	20,810,694
Present Value of Future Salaries	16,147,187	17,890,199	14,714,855
Present Value of Future Member Contributions	1,291,775	1,431,216	1,177,188
Total Normal Cost	482,074	769,996	316,461
Present Value of Future Normal Costs (Entry Age Normal)	3,596,955	6,421,673	2,131,534
Total Actuarial Accrued Liability ¹	23,083,147	29,586,772	18,679,160
Unfunded Actuarial Accrued Liability (UAAL)	7,998,855	14,502,480	3,594,868

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2018

Valuation Date: 10/1/2016

	ACTUAL	HYPOTHETICAL	
	8.00% RP-2000 Generational	6.00% RP-2000 Generational	10.00% RP-2000 Generational
<u>PENSION COST</u>			
Normal Cost (with interest)	501,357	793,096	332,284
Administrative Expenses (with interest)	45,370	44,934	45,806
Payment Required To Amortize UAAL (with interest)	668,149	955,190	386,101
Total Required Contribution	\$1,214,876	\$1,793,220	\$764,191

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/2016.