

May 8, 2017

VIA EMAIL

Carol Godwin, Budget and Grants Analyst
City of Fort Walton Beach
General Retirement Fund
107 Miracle Strip Parkway, SW
Fort Walton Beach, FL 32548

Re: City of Fort Walton Beach General Employees' Retirement Fund
Senate Bill 534 (Section 112.664, Florida Statutes) Compliance

Dear Carol:

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

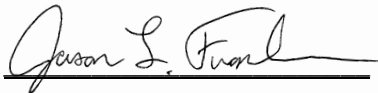
Our office will submit this information electronically to the Department of Management Services. However, it is important for you to be aware that this report must also be made available on the Plan or Plan Sponsor's website, if such website exists. A deadline for this website publication is not made 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 #17-6888

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Enclosures

cc via email: Scott R. Christiansen
cc via email: H. Lee Dehner

CITY OF FORT WALTON BEACH
GENERAL EMPLOYEES' RETIREMENT 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: 5/8/2017

Jason L. Franken, FSA, EA, MAAA
Enrolled Actuary #17-6888



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

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.90% RP-2000 Generational	5.90% RP-2000 Generational
<u>Total Pension Liability</u>		
Service Cost	557,163	915,324
Interest	3,317,396	3,307,352
Changes of Benefit Terms	-	-
Differences Between Expected and Actual		
Experience	400,221	465,332
Changes of Assumptions	4,485,495	2,297,243
Benefit Payments, Including Refunds of		
Employee Contributions	(2,858,889)	(2,858,889)
Net Change in Total Pension Liability	5,901,386	4,126,362
Total Pension Liability - Beginning	42,864,631	56,570,930
Total Pension Liability - Ending (a)	<u>\$ 48,766,017</u>	<u>\$ 60,697,292</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	1,280,082	1,280,082
Contributions - Employee	202,268	202,268
Net Investment Income	4,031,981	4,031,981
Benefit Payments, Including Refunds of		
Employee Contributions	(2,858,889)	(2,858,889)
Administrative Expenses	(35,704)	(35,704)
Net Change in Plan Fiduciary Net Position	2,619,738	2,619,738
Plan Fiduciary Net Position - Beginning	38,086,889	38,086,889
Plan Fiduciary Net Position - Ending (b)	<u>\$ 40,706,627</u>	<u>\$ 40,706,627</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 8,059,390</u>	<u>\$ 19,990,665</u>

GASB 68: PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.90%	5.90%
Pension Expense	<u>\$ 845,875</u>	<u>\$ 1,454,630</u>

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: 7.90% 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
2016	40,706,627	-	3,133,598	-	3,092,046	40,665,075
2017	40,665,075	-	3,224,356	-	3,085,179	40,525,898
2018	40,525,898	-	3,375,958	-	3,068,196	40,218,136
2019	40,218,136	-	3,458,952	-	3,040,604	39,799,788
2020	39,799,788	-	3,606,967	-	3,001,708	39,194,529
2021	39,194,529	-	3,726,156	-	2,949,185	38,417,558
2022	38,417,558	-	3,852,875	-	2,882,799	37,447,482
2023	37,447,482	-	3,913,397	-	2,803,772	36,337,857
2024	36,337,857	-	3,998,121	-	2,712,765	35,052,501
2025	35,052,501	-	4,049,046	-	2,609,210	33,612,665
2026	33,612,665	-	4,141,794	-	2,491,800	31,962,671
2027	31,962,671	-	4,172,608	-	2,360,233	30,150,296
2028	30,150,296	-	4,172,581	-	2,217,056	28,194,771
2029	28,194,771	-	4,178,246	-	2,062,346	26,078,871
2030	26,078,871	-	4,173,795	-	1,895,366	23,800,442
2031	23,800,442	-	4,141,541	-	1,716,644	21,375,545
2032	21,375,545	-	4,107,126	-	1,526,437	18,794,856
2033	18,794,856	-	4,072,348	-	1,323,936	16,046,444
2034	16,046,444	-	4,044,406	-	1,107,915	13,109,953
2035	13,109,953	-	3,991,666	-	878,015	9,996,302
2036	9,996,302	-	3,925,647	-	634,645	6,705,300
2037	6,705,300	-	3,859,901	-	377,253	3,222,652
2038	3,222,652	-	3,794,191	-	-	-

Number of Years Expected Benefit Payments Sustained: 22.85

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.90% 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: 5.90% 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
2016	40,706,627	-	3,133,598	-	2,309,250	39,882,279
2017	39,882,279	-	3,224,356	-	2,257,936	38,915,859
2018	38,915,859	-	3,375,958	-	2,196,445	37,736,346
2019	37,736,346	-	3,458,952	-	2,124,405	36,401,799
2020	36,401,799	-	3,606,967	-	2,041,301	34,836,133
2021	34,836,133	-	3,726,156	-	1,945,410	33,055,387
2022	33,055,387	-	3,852,875	-	1,836,608	31,039,120
2023	31,039,120	-	3,913,397	-	1,715,863	28,841,586
2024	28,841,586	-	3,998,121	-	1,583,709	26,427,174
2025	26,427,174	-	4,049,046	-	1,439,756	23,817,884
2026	23,817,884	-	4,141,794	-	1,283,072	20,959,162
2027	20,959,162	-	4,172,608	-	1,113,499	17,900,053
2028	17,900,053	-	4,172,581	-	933,012	14,660,484
2029	14,660,484	-	4,178,246	-	741,710	11,223,948
2030	11,223,948	-	4,173,795	-	539,086	7,589,239
2031	7,589,239	-	4,141,541	-	325,590	3,773,288
2032	3,773,288	-	4,107,126	-	-	-

Number of Years Expected Benefit Payments Sustained: 16.92

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.90% 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

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.90%	5.90%
	RP-2000	RP-2000
	Generational	Generational
Total Required Contribution (Fixed \$)	\$1,935,258	\$2,968,296
Total Required Contribution (% of Payroll)	61.0%	93.5%
Expected Member Contribution	158,676	158,676
Expected Sponsor Contribution (Fixed \$)	\$1,776,582	\$2,809,620
Expected Sponsor Contribution (% of Payroll)	56.0%	88.5%

ASSETS

Actuarial Value	41,543,246	41,543,246
Market Value	40,706,627	40,706,627

LIABILITIES

Present Value of Benefits		
Active Members		
Retirement Benefits	14,841,756	20,821,234
Disability Benefits	810,699	1,037,641
Death Benefits	497,437	721,057
Vested Benefits	414,481	709,353
Refund of Contributions	31,164	31,583
Service Retirees	30,946,261	37,334,483
Beneficiaries	2,011,279	2,417,578
Disability Retirees	328,909	369,902
Terminated Vested	1,336,402	1,791,738
Total:	<u>51,218,388</u>	<u>65,234,569</u>
Present Value of Future Salaries	19,394,296	21,158,693
Present Value of Future Member Contributions	969,715	1,057,935
Total Normal Cost	481,481	747,358
Present Value of Future Normal Costs (Entry Age Normal)	2,617,560	4,517,871
Total Actuarial Accrued Liability	48,600,828	60,716,698
Unfunded Actuarial Accrued Liability (UAAL)	7,057,582	19,173,452

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

Valuation Date: 10/1/2016

	ACTUAL	HYPOTHETICAL
	7.90%	5.90%
	RP-2000	RP-2000
	Generational	Generational
<u>PENSION COST</u>		
Normal Cost (with interest)	500,499	769,405
Administrative Expenses (with interest)	37,114	36,757
Payment Required To Amortize UAAL (with interest)	1,397,645	2,162,134
Total Required Contribution	\$1,935,258	\$2,968,296