

May 8, 2017

VIA EMAIL

Sgt. Matthew Holt  
Police Officers' Pension Fund  
Ft. Walton Beach Police  
7 Hollywood Boulevard, Northeast  
Fort Walton Beach, FL 32548

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

Dear Sgt Holt:

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.

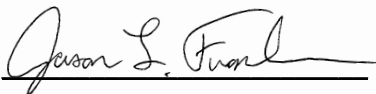
In addition to the enclosed report, the Plan or Plan Sponsor's website must provide a link to the Division of Retirement's Actuarial Summary Fact Sheet for the Plan, and also report the previous five years' assumed and actual rates of return, along with their respective asset allocations. The Board should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

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  
POLICE OFFICERS' 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

	ACTUAL	HYPOTHETICAL	
	8.00% RP-2000 Generational	6.00% RP-2000 Generational	10.00% RP-2000 Generational
<u>Total Pension Liability</u>			
Service Cost	344,958	600,007	236,084
Interest	1,948,181	1,977,223	2,104,932
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(425,107)	(537,355)	(430,615)
Changes of Assumptions	1,633,122	145,205	(72,695)
Benefit Payments, Including Refunds of Employee Contributions	(1,744,710)	(1,744,710)	(1,744,710)
Net Change in Total Pension Liability	1,756,444	440,370	92,996
Total Pension Liability - Beginning	24,982,724	33,329,132	21,788,655
Total Pension Liability - Ending (a)	<u>\$ 26,739,168</u>	<u>\$ 33,769,502</u>	<u>\$ 21,881,651</u>
<u>Plan Fiduciary Net Position</u>			
Contributions - Employer	609,270	609,270	609,270
Contributions - State	181,303	181,303	181,303
Contributions - Employee	102,214	102,214	102,214
Net Investment Income	1,698,093	1,698,093	1,698,093
Benefit Payments, Including Refunds of Employee Contributions	(1,744,710)	(1,744,710)	(1,744,710)
Administrative Expenses	(44,882)	(44,882)	(44,882)
Net Change in Plan Fiduciary Net Position	801,288	801,288	801,288
Plan Fiduciary Net Position - Beginning	19,119,281	19,119,281	19,119,281
Plan Fiduciary Net Position - Ending (b)	<u>\$ 19,920,569</u>	<u>\$ 19,920,569</u>	<u>\$ 19,920,569</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 6,818,599</u>	<u>\$ 13,848,933</u>	<u>\$ 1,961,082</u>

## GASB 68: PENSION EXPENSE

FISCAL YEAR SEPTEMBER 30, 2016

	ACTUAL	HYPOTHETICAL	
	8.00%	6.00%	10.00%
Pension Expense	<u>\$ 799,489</u>	<u>\$ 1,247,550</u>	<u>\$ 606,789</u>

## PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1  
Plan Assumptions: 8.00% 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	19,920,569	-	1,824,299	-	1,520,674	19,616,944
2017	19,616,944	-	1,859,814	-	1,494,963	19,252,093
2018	19,252,093	-	1,885,844	-	1,464,734	18,830,983
2019	18,830,983	-	1,912,255	-	1,429,988	18,348,716
2020	18,348,716	-	1,973,852	-	1,388,943	17,763,807
2021	17,763,807	-	2,016,349	-	1,340,451	17,087,909
2022	17,087,909	-	2,034,014	-	1,285,672	16,339,567
2023	16,339,567	-	2,049,072	-	1,225,202	15,515,697
2024	15,515,697	-	2,115,381	-	1,156,641	14,556,957
2025	14,556,957	-	2,122,886	-	1,079,641	13,513,712
2026	13,513,712	-	2,159,520	-	994,716	12,348,908
2027	12,348,908	-	2,184,236	-	900,543	11,065,215
2028	11,065,215	-	2,192,821	-	797,504	9,669,898
2029	9,669,898	-	2,217,721	-	684,883	8,137,060
2030	8,137,060	-	2,227,209	-	561,876	6,471,727
2031	6,471,727	-	2,214,516	-	429,158	4,686,369
2032	4,686,369	-	2,213,688	-	286,362	2,759,043
2033	2,759,043	-	2,196,468	-	132,865	695,440
2034	695,440	-	2,166,993	-	-	-

Number of Years Expected Benefit Payments Sustained: 18.32

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 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	19,920,569	-	1,824,299	-	1,140,505	19,236,775
2017	19,236,775	-	1,859,814	-	1,098,412	18,475,373
2018	18,475,373	-	1,885,844	-	1,051,947	17,641,476
2019	17,641,476	-	1,912,255	-	1,001,121	16,730,342
2020	16,730,342	-	1,973,852	-	944,605	15,701,095
2021	15,701,095	-	2,016,349	-	881,575	14,566,321
2022	14,566,321	-	2,034,014	-	812,959	13,345,266
2023	13,345,266	-	2,049,072	-	739,244	12,035,438
2024	12,035,438	-	2,115,381	-	658,665	10,578,722
2025	10,578,722	-	2,122,886	-	571,037	9,026,873
2026	9,026,873	-	2,159,520	-	476,827	7,344,180
2027	7,344,180	-	2,184,236	-	375,124	5,535,068
2028	5,535,068	-	2,192,821	-	266,319	3,608,566
2029	3,608,566	-	2,217,721	-	149,982	1,540,827
2030	1,540,827	-	2,227,209	-	-	-

Number of Years Expected Benefit Payments Sustained: 14.69

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 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	19,920,569	-	1,824,299	-	1,900,842	19,997,112
2017	19,997,112	-	1,859,814	-	1,906,721	20,044,019
2018	20,044,019	-	1,885,844	-	1,910,110	20,068,285
2019	20,068,285	-	1,912,255	-	1,911,216	20,067,246
2020	20,067,246	-	1,973,852	-	1,908,032	20,001,426
2021	20,001,426	-	2,016,349	-	1,899,325	19,884,402
2022	19,884,402	-	2,034,014	-	1,886,740	19,737,128
2023	19,737,128	-	2,049,072	-	1,871,259	19,559,315
2024	19,559,315	-	2,115,381	-	1,850,162	19,294,096
2025	19,294,096	-	2,122,886	-	1,823,265	18,994,475
2026	18,994,475	-	2,159,520	-	1,791,472	18,626,427
2027	18,626,427	-	2,184,236	-	1,753,431	18,195,622
2028	18,195,622	-	2,192,821	-	1,709,921	17,712,722
2029	17,712,722	-	2,217,721	-	1,660,386	17,155,387
2030	17,155,387	-	2,227,209	-	1,604,178	16,532,356
2031	16,532,356	-	2,214,516	-	1,542,510	15,860,350
2032	15,860,350	-	2,213,688	-	1,475,351	15,122,013
2033	15,122,013	-	2,196,468	-	1,402,378	14,327,923
2034	14,327,923	-	2,166,993	-	1,324,443	13,485,373
2035	13,485,373	-	2,147,986	-	1,241,138	12,578,525
2036	12,578,525	-	2,113,260	-	1,152,190	11,617,455
2037	11,617,455	-	2,074,664	-	1,058,012	10,600,803
2038	10,600,803	-	2,036,135	-	958,274	9,522,942
2039	9,522,942	-	1,984,766	-	853,056	8,391,232
2040	8,391,232	-	1,928,550	-	742,696	7,205,378
2041	7,205,378	-	1,876,219	-	626,727	5,955,886
2042	5,955,886	-	1,812,830	-	504,947	4,648,003
2043	4,648,003	-	1,749,363	-	377,332	3,275,972
2044	3,275,972	-	1,680,716	-	243,561	1,838,817
2045	1,838,817	-	1,611,181	-	103,323	330,959
2046	330,959	-	1,533,364	-	-	-

Number of Years Expected Benefit Payments Sustained: 30.22

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 \$)	\$927,436	\$1,559,736	\$402,386
Total Required Contribution (% of Payroll)	46.4%	78.1%	20.2%
Expected Member Contribution	99,862	99,862	99,862
Expected State Money	181,303	181,303	181,303
Expected Sponsor Contribution (Fixed \$)	\$646,271	\$1,278,571	\$121,221
Expected Sponsor Contribution (% of Payroll)	32.3%	64.0%	6.1%

**ASSETS**

Actuarial Value	21,039,562	21,039,562	21,039,562
Market Value	19,920,569	19,920,569	19,920,569

**LIABILITIES**

Present Value of Benefits			
Active Members			
Retirement Benefits	5,502,823	9,087,068	3,554,792
Disability Benefits	534,160	755,607	393,577
Death Benefits	229,210	337,898	164,553
Vested Benefits	822,724	1,454,394	490,103
Refund of Contributions	108,896	115,625	102,857
Service Retirees	18,180,266	22,128,674	15,334,463
Beneficiaries	1,418,783	1,631,825	1,253,366
Disability Retirees	1,233,047	1,459,260	1,067,820
Terminated Vested	1,149,751	1,563,057	875,634
Excess State Monies Reserve	103,064	103,064	103,064
Total:	29,282,724	38,636,472	23,340,229
Present Value of Future Salaries	17,559,134	19,976,053	15,653,296
Present Value of Future Member Contributions	877,957	998,803	782,665
Total Normal Cost	329,262	546,468	209,731
Present Value of Future Normal Costs (Entry Age Normal)	2,685,035	5,130,898	1,506,958
Total Actuarial Accrued Liability	26,597,689	33,505,574	21,833,271
Unfunded Actuarial Accrued Liability (UAAL)	5,558,127	12,466,012	793,709



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
<b><u>PENSION COST</u></b>			
Normal Cost (with interest)	342,432	562,862	220,218
Administrative Expenses (with interest)	46,677	46,228	47,126
Payment Required To Amortize UAAL (with interest)	538,327	950,646	135,042
Total Required Contribution	\$927,436	\$1,559,736	\$402,386