

July 1, 2016

VIA EMAIL

Ms. Ruby Williams, Administrator
City of Palatka
General Employees' Retirement Plan
201 North 2nd Street
Palatka, FL 32177

Re: City of Palatka General Employees' Retirement Plan
Senate Bill 534 (Section 112.664, Florida Statutes) Compliance

Dear Ruby:

Please find enclosed the annual disclosures that satisfy the October 1, 2015 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: 

Patrick T. Donlan, EA, ASA, MAAA
Enrolled Actuary #14-6595

PTD/lke
Enclosures

cc via email: Bonni Jensen, Board Attorney
Matt Reynolds, Finance Director

CITY OF PALATKA
GENERAL EMPLOYEES' RETIREMENT PLAN

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: 7/1/2016

Patrick T. Donlan, EA, ASA, MAAA
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	
	8.00% RP-2000 Static 9/30/2015	8.00% RP-2000 Generational 9/30/2015	6.00% RP-2000 Generational 9/30/2015	
<u>GASB 67: Schedule of Changes in Net Pension Liability</u>				
<u>Total Pension Liability</u>				
Service Cost	347,539	356,468	490,823	
Interest	1,684,998	1,717,912	1,608,990	
Changes of Benefit Terms	-	-	-	
Differences Between Expected and Actual Experience	24,797	(8,010)	6,471	
Changes of Assumptions	-	-	-	
Benefit Payments, Including Refunds of Employee Contributions	(1,788,086)	(1,788,086)	(1,788,086)	
Net Change in Total Pension Liability	269,248	278,284	318,198	
Total Pension Liability - Beginning	21,608,977	22,011,479	27,219,722	
Total Pension Liability - Ending (a)	\$ 21,878,225	\$ 22,289,763	\$ 27,537,920	
<u>Plan Fiduciary Net Position</u>				
Contributions - Employer	686,530	686,530	686,530	
Contributions - Employee	169,514	169,514	169,514	
Net Investment Income	(410,102)	(410,102)	(410,102)	
Benefit Payments, Including Refunds of Employee Contributions	(1,788,086)	(1,788,086)	(1,788,086)	
Administrative Expenses	(27,956)	(27,956)	(27,956)	
Net Change in Plan Fiduciary Net Position	(1,370,100)	(1,370,100)	(1,370,100)	
Plan Fiduciary Net Position - Beginning	18,151,027	18,151,027	18,151,027	
Plan Fiduciary Net Position - Ending (b)	\$ 16,780,927	\$ 16,780,927	\$ 16,780,927	
Net Pension Liability - Ending (a) - (b)	\$ 5,097,298	\$ 5,508,836	\$ 10,756,993	

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

Pension Expense	\$ 468,892	\$ 507,437	\$ 810,588
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PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: 8.00% 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	16,780,927	-	2,175,361	-	1,255,460	15,861,026
2016	15,861,026	-	1,672,982	-	1,201,963	15,390,007
2017	15,390,007	-	1,674,874	-	1,164,206	14,879,339
2018	14,879,339	-	1,680,765	-	1,123,117	14,321,691
2019	14,321,691	-	1,673,921	-	1,078,778	13,726,548
2020	13,726,548	-	1,679,031	-	1,030,963	13,078,480
2021	13,078,480	-	1,702,970	-	978,160	12,353,670
2022	12,353,670	-	1,700,957	-	920,255	11,572,968
2023	11,572,968	-	1,701,949	-	857,759	10,728,778
2024	10,728,778	-	1,712,771	-	789,791	9,805,798
2025	9,805,798	-	1,705,984	-	716,224	8,816,038
2026	8,816,038	-	1,693,207	-	637,555	7,760,386
2027	7,760,386	-	1,676,981	-	553,752	6,637,157
2028	6,637,157	-	1,659,435	-	464,595	5,442,317
2029	5,442,317	-	1,637,080	-	369,902	4,175,139
2030	4,175,139	-	1,618,996	-	269,251	2,825,394
2031	2,825,394	-	1,596,313	-	162,179	1,391,260
2032	1,391,260	-	1,556,798	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 17.89

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: 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
2015	16,780,927	-	2,175,361	-	1,255,460	15,861,026
2016	15,861,026	-	1,673,021	-	1,201,961	15,389,966
2017	15,389,966	-	1,675,086	-	1,164,194	14,879,074
2018	14,879,074	-	1,681,312	-	1,123,073	14,320,835
2019	14,320,835	-	1,675,266	-	1,078,656	13,724,225
2020	13,724,225	-	1,681,339	-	1,030,684	13,073,570
2021	13,073,570	-	1,706,465	-	977,627	12,344,732
2022	12,344,732	-	1,705,885	-	919,343	11,558,190
2023	11,558,190	-	1,708,607	-	856,311	10,705,894
2024	10,705,894	-	1,721,471	-	787,613	9,772,036
2025	9,772,036	-	1,716,976	-	713,084	8,768,144
2026	8,768,144	-	1,706,778	-	633,180	7,694,546
2027	7,694,546	-	1,693,441	-	547,826	6,548,931
2028	6,548,931	-	1,679,199	-	456,747	5,326,479
2029	5,326,479	-	1,660,403	-	359,702	4,025,778
2030	4,025,778	-	1,646,152	-	256,216	2,635,842
2031	2,635,842	-	1,627,701	-	145,759	1,153,900
2032	1,153,900	-	1,592,575	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 17.72

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 3
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
2015	16,780,927	-	2,175,361	-	941,595	15,547,161
2016	15,547,161	-	1,673,021	-	882,639	14,756,779
2017	14,756,779	-	1,675,086	-	835,154	13,916,847
2018	13,916,847	-	1,681,312	-	784,571	13,020,106
2019	13,020,106	-	1,675,266	-	730,948	12,075,788
2020	12,075,788	-	1,681,339	-	674,107	11,068,556
2021	11,068,556	-	1,706,465	-	612,919	9,975,010
2022	9,975,010	-	1,705,885	-	547,324	8,816,449
2023	8,816,449	-	1,708,607	-	477,729	7,585,571
2024	7,585,571	-	1,721,471	-	403,490	6,267,590
2025	6,267,590	-	1,716,976	-	324,546	4,875,160
2026	4,875,160	-	1,706,778	-	241,306	3,409,688
2027	3,409,688	-	1,693,441	-	153,778	1,870,025
2028	1,870,025	-	1,679,199	-	61,826	252,652
2029	252,652	-	1,660,403	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 14.15

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.

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

Valuation Date: 10/1/2015

	ACTUAL	HYPOTHETICAL	
	8.00% RP-2000 Static	8.00% RP-2000 Generational	6.00% RP-2000 Generational
Total Required Contribution (Fixed \$)	\$834,508	\$876,048	\$1,324,802
Total Required Contribution (% of Payroll)	28.4%	29.8%	45.2%
Expected Member Contribution	176,152	176,152	176,152
Expected Sponsor Contribution (Fixed \$)	\$658,356	\$699,896	\$1,148,650
Expected Sponsor Contribution (% of Payroll)	22.4%	23.8%	39.2%

ASSETS

Actuarial Value ¹	17,997,756	17,997,756	17,997,756
Market Value ¹	16,780,927	16,780,927	16,780,927

LIABILITIES

Present Value of Benefits			
Active Members			
Retirement Benefits	6,018,412	6,241,290	8,996,716
Disability Benefits	720,459	748,317	1,029,396
Death Benefits	211,344	191,600	269,318
Vested Benefits	793,454	818,692	1,267,382
Refund of Contributions	84,761	84,764	87,512
Service Retirees	12,057,417	12,206,891	14,427,656
DROP Retirees ¹	2,423,715	2,443,754	2,870,871
Beneficiaries	1,745,531	1,762,444	2,001,345
Disability Retirees	0	0	0
Terminated Vested	164,788	166,856	220,458
Total:	24,219,881	24,664,608	31,170,654
Present Value of Future Salaries	20,540,964	20,562,061	22,794,215
Present Value of Future Member Contributions	1,232,458	1,233,724	1,367,653
Total Normal Cost	307,429	316,320	446,444
Present Value of Future Normal Costs (Entry Age Normal)	2,018,796	2,085,997	3,276,903
Total Actuarial Accrued Liability ¹	22,201,085	22,578,611	27,893,751
Unfunded Actuarial Accrued Liability (UAAL)	4,203,329	4,580,855	9,895,995

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

Valuation Date: 10/1/2015

	ACTUAL	HYPOTHETICAL	
	8.00% RP-2000 Static	8.00% RP-2000 Generational	6.00% RP-2000 Generational
<u>PENSION COST</u>			
Normal Cost (with interest)	319,726	328,973	459,837
Administrative Expenses (with interest)	29,074	29,074	28,795
Payment Required To Amortize UAAL (with interest)	485,708	518,001	836,170
Total Required Contribution	\$834,508	\$876,048	\$1,324,802

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