

**FIREMEN'S RETIREMENT SYSTEM OF ST. LOUIS**  
GASB STATEMENT NOS. 67 AND 68 PLAN REPORTING AND  
ACCOUNTING SCHEDULES  
OCTOBER 1, 2016

January 16, 2017

Mr. John D. Brewer  
Executive Director  
The Firemen's Retirement System of St. Louis  
1601 South Broadway  
St. Louis, MO 63104

Dear Mr. Brewer:

This report provides information required by the Firemen's Retirement System of St. Louis (FRS) in connection with the Governmental Accounting Standards Board (GASB) Statements No. 67 and 68 "Financial Reporting for Pension Plans."

Our actuarial calculations for this report were prepared for the purpose of complying with the requirements of GASB Statements No. 67 and 68. These calculations have been made on a basis that is consistent with our understanding of these accounting standards.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB Statements No. 67 and 68. The calculation of the plan's liability for this report may not be applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statements No. 67 and 68 may produce significantly different results. This report may be provided to parties other than the Firemen's Retirement System of St. Louis ("FRS") only in its entirety and only with the permission of FRS. GRS is not responsible for unauthorized use of this report.

This report is based upon information, furnished to us by FRS, concerning retirement and ancillary benefits, active members, deferred vested members, retirees and beneficiaries, and financial data.

This report is also based on discussions with the City's auditor concerning the application of the entry age normal method for closed plans with frozen accrued benefits. If your understanding of this information is different, please let us know. This information was checked for internal consistency, but it was not audited.

This report complements the actuarial valuation report that was provided to FRS and should be considered in conjunction with that report. Please see the actuarial valuation report as of October 1, 2016, for additional discussion of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

To the best of our knowledge, the information contained with this report is accurate and fairly represents the actuarial position of the Firemen's Retirement System of St. Louis as it applies to GASB Statements No. 67 and 68. All calculations have been made in conformity with generally

Mr. John D. Brewer  
Executive Director  
The Firemen's Retirement System of St. Louis  
Page 2

accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

The signing actuaries are independent of the plan sponsor.

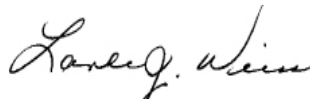
Alex Rivera and Lance J. Weiss are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

**Gabriel, Roeder, Smith & Company**



Alex Rivera, FSA, EA, MAAA, FCA  
Senior Consultant



Lance J. Weiss, EA, MAAA, FCA  
Senior Consultant

Auditor's Note – This information is presented in draft form for review by the Plan's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the Plan's financial statements.

**TABLE OF CONTENTS**

|                  | <u>Page</u>                                                                                             |
|------------------|---------------------------------------------------------------------------------------------------------|
| <b>Section A</b> | Executive Summary                                                                                       |
|                  | Executive Summary .....1                                                                                |
|                  | Discussion .....2                                                                                       |
| <b>Section B</b> | Financial Statements                                                                                    |
|                  | Statement of Fiduciary Net Position .....6                                                              |
|                  | Statement of Changes in Fiduciary Net Position .....7                                                   |
| <b>Section C</b> | Required Supplementary Information                                                                      |
|                  | Schedule of Changes in Net Pension Liability and Related Ratios Multiyear .....8                        |
|                  | Schedule of Net Pension Liability Multiyear .....9                                                      |
|                  | Schedule of Contributions Multiyear .....10                                                             |
|                  | Notes to Schedule of Contributions .....11                                                              |
|                  | Schedule of Investment Returns Multiyear .....12                                                        |
| <b>Section D</b> | Notes to Financial Statements                                                                           |
|                  | Asset Allocation .....13                                                                                |
|                  | Sensitivity of Net Pension Liability to the Single Discount Rate Assumption .....14                     |
|                  | Summary of DROP Accounts .....16                                                                        |
|                  | Summary of Population Statistics .....17                                                                |
| <b>Section E</b> | GASB No. 68 Pension Expense .....18                                                                     |
| <b>Section F</b> | Summary of Benefits .....22                                                                             |
| <b>Section G</b> | Actuarial Cost Method and Actuarial Assumptions                                                         |
|                  | Valuation Methods, Entry Age Normal .....27                                                             |
|                  | Actuarial Assumptions, Input to Discount Rates, Mortality Assumptions and<br>Experience Studies .....28 |
| <b>Section H</b> | Calculation of the Single Discount Rate                                                                 |
|                  | Calculation of the Single Discount Rate .....33                                                         |
|                  | Projection of Funded Status .....34                                                                     |
|                  | Development of Single Equivalent Discount Rate .....35                                                  |
| <b>Section I</b> | Glossary of Terms .....36                                                                               |

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**SECTION A**

EXECUTIVE SUMMARY

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## EXECUTIVE SUMMARY AS OF OCTOBER 1, 2016

|                                                                                                        | <b>2016</b>                       |                                  |
|--------------------------------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Actuarial Valuation Date                                                                               | October 1, 2016                   |                                  |
| Pension Plan's Fiscal Year Ending Date (Measurement Date & Reporting Date)                             | October 1, 2016                   |                                  |
| <b>Membership</b>                                                                                      |                                   |                                  |
| Number of                                                                                              |                                   |                                  |
| - Retirees and Beneficiaries                                                                           | 944                               |                                  |
| - Active DROP Members                                                                                  | 62                                |                                  |
| - Active Non-DROP Members                                                                              | 478                               |                                  |
| - Total                                                                                                | 1,484                             |                                  |
| Covered Payroll <sup>1</sup>                                                                           | \$                                | 30,219,253                       |
| <b>Net Pension Liability</b>                                                                           |                                   |                                  |
| Total Pension Liability                                                                                | \$                                | 489,518,153                      |
| Plan Fiduciary Net Position <sup>2</sup>                                                               | 453,640,021                       |                                  |
| Net Pension Liability                                                                                  | \$                                | 35,878,132                       |
| Plan Fiduciary Net Position as a Percentage                                                            |                                   |                                  |
| of Total Pension Liability                                                                             | 92.67%                            |                                  |
| Net Pension Liability as a Percentage                                                                  |                                   |                                  |
| of Covered Payroll                                                                                     | 118.73%                           |                                  |
| <b>Development of the Single Discount Rate</b>                                                         |                                   |                                  |
| Single Discount Rate Beginning of Year                                                                 | 7.300%                            |                                  |
| Single Discount Rate End of Year                                                                       | 7.300%                            |                                  |
| Long-Term Expected Rate of Return                                                                      | 7.300%                            |                                  |
| Long-Term Municipal Bond Rate Beginning of Year <sup>3</sup>                                           | 3.71%                             |                                  |
| Long-Term Municipal Bond Rate End of Year <sup>3</sup>                                                 | 3.06%                             |                                  |
| Year Plan is projected to be fully funded                                                              | 2044                              |                                  |
| <b>GASB No. 68 Pension Expense</b>                                                                     | \$                                | 19,982,009                       |
| <b>Deferred Outflows and Deferred Inflows of Resources to be recognized in Future Pension Expenses</b> |                                   |                                  |
|                                                                                                        | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
| Difference between expected and actual non-investment experience                                       | \$ 6,635                          | \$ 5,138,343                     |
| Changes in assumptions                                                                                 | \$ 21,334,564                     | \$ -                             |
| Difference between expected and actual investment earnings                                             | \$ 29,203,085                     | \$ 9,830,759                     |
| Total                                                                                                  | \$ 50,544,284                     | \$ 14,969,102                    |

<sup>1</sup> Excludes payroll for current DROP members.

<sup>2</sup> Excludes Future Benefit Fund restricted for SHARE program benefits.

<sup>3</sup> Source: "20-Bond GO Index" is the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality. In describing this index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA. The rates shown are the weekly rate closest to but not later than the measurement date.

## DISCUSSION

### Accounting Standard

For pension plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach for measuring the pension liability. Similarly, GASB Statement No. 68 establishes standards for state and local government employers (as well as non-employer contributing entities) to account for and disclose the net pension liability, pension expense and other information associated with providing retirement benefits to their employees (and former employees) on their basic financial statements.

The following discussion provides a summary of the information that is required to be disclosed under these accounting standards. A number of these disclosure items are provided in this report. However, certain additional required information, such as notes regarding accounting policies and investments, is not included in this report and the retirement system and/or plan sponsor will be responsible for preparing and disclosing that information to comply with these accounting standards.

### Financial Statements

GASB Statement No. 68 requires state or local governments to recognize the net pension liability and the pension expense on their financial statements. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets.

The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the liability and investment experience.

Pension plans that prepare their own, stand-alone financial statements, are required to present two financial statements – a statement of fiduciary net position and a statement of changes in fiduciary net position in accordance with GASB Statement No. 67. The *statement of fiduciary net position* presents the assets and liabilities of the pension plan at the end of the pension plan's reporting period. The *statement of changes in fiduciary net position* presents additions, such as contributions and investment income, and deductions, such as benefit payments and expenses and net increase or decrease in the fiduciary net position.



## Notes to Financial Statements

GASB Statement No. 68 requires, in the notes of the employer's financial statements, a disclosure of the total pension expense, the pension plan's liabilities and assets and deferred outflows and inflows of resources related to pensions.

Both GASB Statements, No. 67 and 68, require the notes of the financial statements for the employers and pension plans, to include certain additional information. The list of additional disclosure items should include:

- A description of benefits provided by the plan;
- The type of employees and number of members covered by the pension plan;
- A description of the plan's funding policy, which includes member and employer contribution requirements;
- The pension plan's investment policies;
- The pension plan's fiduciary net position, net pension liability and the pension plan's fiduciary net position as a percentage of the total pension liability;
- The net pension liability using a discount rate that is 1% higher and 1% lower than used to calculate the total pension liability and net pension liability for financial reporting purposes;
- Significant assumptions and methods used to calculate the total pension liability;
- Inputs to the discount rates; and
- Certain information about mortality assumptions and the dates of experience studies.

Retirement systems that issue stand-alone financial statements are required to disclose additional information in accordance with Statement No. 67. This information includes:

- The composition of the pension plan's board and the authority under which benefit terms may be amended;
- A description of how fair value is determined;
- Information regarding certain reserves and investments, which include concentrations of investments greater than or equal to 5%, receivables, and insurance contracts excluded from plan assets; and
- Annual money-weighted rate of return.

## Required Supplementary Information

GASB Statement No. 67 requires a 10-year fiscal history of:

- Sources of changes in the net pension liability;
- Information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability and the net pension liability as a percent of covered-employee payroll;
- Comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy; and
- The annual money-weighted rate of return on pension plan investments for each year.

These tables may be built prospectively as the information becomes available.

### Measurement of the Net Pension Liability

The net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In traditional actuarial terms, this will be the accrued liability less the market value of assets.

### Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least once every two years. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

The total pension liability shown in this report is based on an actuarial valuation performed as of October 1, 2016 and a measurement date of October 1, 2016.

### Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects: (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be available and sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The long-term expected rate of return for the FRS funding is assumed to be 7.000%. Per Statute, this rate is net of both investment and administrative expenses. GASB Statements No. 67 and 68 require the long-term expected rate of return to be determined net of pension plan investment expense but without reduction for pension plan administrative expense. Administrative expenses are assumed to be approximately 30 basis points; consequently, the long-term expected rate of return used for purposes of GASB Statements No. 67 and 68 is increased by 30 basis points to 7.300%. This rate is gross of administrative expenses.

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.300%, the municipal bond rate is 3.060% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve); and the resulting single discount rate is 7.300%.

The single discount rate is the same as the expected rate of return on pension plan assets because FRS is closed to new members, benefits are frozen as of February 1, 2013, and the plan is projected to be fully funded by 2044. Our projection assumes the City will make contributions as required by statute.

### **Effective Date and Transition**

GASB Statement No. 67 is effective for a pension plan's fiscal years beginning after June 15, 2013, and GASB Statement No. 68 is effective for a pension plan's fiscal years beginning after June 15, 2014; however, earlier application is encouraged by the GASB.

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## **SECTION B**

### FINANCIAL STATEMENTS

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Auditor's Note – This information is subject to review by the System's auditor. Please let us know if the System's auditor recommends any changes.

**STATEMENT OF FIDUCIARY NET POSITION  
AS OF OCTOBER 1, 2016**

|                                                                   | <b>2016</b>           |
|-------------------------------------------------------------------|-----------------------|
| <b>Assets</b>                                                     |                       |
| Investments                                                       |                       |
| Fixed income                                                      | \$ 101,553,066        |
| Equities                                                          | 225,679,172           |
| Real estate                                                       | 41,979,114            |
| Hedge funds                                                       | 76,203,322            |
| Money market funds                                                | 9,015,964             |
| Total Investments                                                 | \$ 454,430,638        |
| Cash and Deposits                                                 | \$ 3,896,091          |
| Receivables                                                       |                       |
| Interest and dividends                                            | \$ 764,130            |
| Unsettled investment transactions                                 | 425,823               |
| Other receivables                                                 | 654,268               |
| Employer contributions                                            | -                     |
| Total Receivables                                                 | \$ 1,844,221          |
| Capital Assets, less Accumulated Depreciation                     | \$ 504,257            |
| <b>Total Assets</b>                                               | <b>\$ 460,675,207</b> |
| <b>Deferred Outflows of Resources</b>                             |                       |
| Systems' staff pension related                                    | \$ 149,219            |
| <b>Liabilities</b>                                                |                       |
| Payables                                                          |                       |
| Unsettled investment transactions                                 | \$ 1,235,031          |
| Accrued investment management fees                                | 450,499               |
| Net pension liability - Systems' staff pension related            | 254,939               |
| Members contributions refundable                                  | 154,174               |
| Accrued administrative expenses                                   | 30,679                |
| Due to The Firefighters' Retirement Plan of the City of St. Louis | -                     |
| Total Liabilities                                                 | \$ 2,125,322          |
| <b>Deferred Inflows of Resources</b>                              |                       |
| Systems' staff pension related                                    | \$ 7,900              |
| <b>Net Position</b>                                               | <b>\$ 458,691,204</b> |
| <b>Future Benefit Fund Restricted for SHARE Program</b>           | <b>\$ 5,051,183</b>   |
| <b>Net Position Restricted for Pensions</b>                       | <b>\$ 453,640,021</b> |

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR YEAR ENDED OCTOBER 1, 2016**

|                                                         | <b>2016</b>           |
|---------------------------------------------------------|-----------------------|
| <b>Additions</b>                                        |                       |
| Contributions                                           |                       |
| Employer                                                | \$ 2,715,140          |
| Employee                                                | -                     |
| Other                                                   | -                     |
| <b>Total Contributions</b>                              | <b>\$ 2,715,140</b>   |
| Investment Income                                       |                       |
| Net Appreciation in Fair Value of Investments           | \$ 33,864,366         |
| Dividends                                               | 4,319,908             |
| Interest                                                | 1,865,183             |
| Class action lawsuit proceeds                           | 468,757               |
| Securities Lending Income                               | 274,015               |
| Less Investment Expense                                 | (2,150,417)           |
| <b>Net Investment Income</b>                            | <b>\$ 38,641,812</b>  |
| Other                                                   | \$ -                  |
| <b>Total Additions</b>                                  | <b>\$ 41,356,952</b>  |
| <b>Deductions</b>                                       |                       |
| Benefit Payments                                        | 32,154,888            |
| Refunds of Employee Contributions                       | 1,278,330             |
| Pension Plan Administrative Expense                     | 1,095,335             |
| Other                                                   | -                     |
| <b>Total Deductions</b>                                 | <b>\$ 34,528,553</b>  |
| <b>Net Increase in Net Position</b>                     | <b>\$ 6,828,399</b>   |
| <b>Transfer out due to Settlement Agreement</b>         | <b>\$ -</b>           |
| <b>Net Position</b>                                     |                       |
| Beginning of Year                                       | \$ 451,862,805        |
| End of Year                                             | <b>\$ 458,691,204</b> |
| <b>Future Benefit Fund Restricted for SHARE Program</b> | <b>\$ 5,051,183</b>   |
| <b>Net Position Restricted for Pensions</b>             | <b>\$ 453,640,021</b> |

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## **SECTION C**

### **REQUIRED SUPPLEMENTARY INFORMATION**

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Auditor's Note – This information is subject to review by the System's auditor. Please let us know if the System's auditor recommends any changes.

**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS MULTIYEAR**

| Fiscal year ending October 1,                                                 | 2016                  | 2015                  | 2014 - Restated       | 2014                  |
|-------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Total Pension Liability</b>                                                |                       |                       |                       |                       |
| Service Cost                                                                  | \$ -                  | \$ -                  | \$ -                  | \$ 3,917,882          |
| Interest on the Total Pension Liability                                       | 34,916,115            | 34,403,495            | 34,449,637            | 35,325,590            |
| Benefit Changes                                                               | -                     | -                     | -                     | -                     |
| Difference between Expected and Actual Experience                             | (6,984,303)           | 15,441                | -                     | -                     |
| Assumption Changes                                                            | -                     | 43,915,338            | -                     | -                     |
| Benefit Payments                                                              | (32,154,888)          | (33,561,947)          | (34,001,921)          | (34,001,921)          |
| Refunds                                                                       | (1,278,330)           | (1,294,477)           | (1,205,393)           | (1,205,393)           |
| <b>Net Change in Total Pension Liability</b>                                  | <b>(5,501,406)</b>    | <b>43,477,850</b>     | <b>(757,677)</b>      | <b>4,036,158</b>      |
| <b>Total Pension Liability - Beginning</b>                                    | <b>495,019,559</b>    | <b>451,541,709</b>    | <b>452,299,386</b>    | <b>461,095,233</b>    |
| <b>Total Pension Liability - Ending (a)</b>                                   | <b>\$ 489,518,153</b> | <b>\$ 495,019,559</b> | <b>\$ 451,541,709</b> | <b>\$ 465,131,391</b> |
| <b>Plan Fiduciary Net Position</b>                                            |                       |                       |                       |                       |
| Employer Contributions                                                        | \$ 2,715,140          | \$ -                  | \$ 1,007,760          | \$ 1,007,760          |
| Employee Contributions                                                        | -                     | -                     | -                     | -                     |
| Pension Plan Net Investment Income                                            | 38,228,538            | (10,931,763)          | 48,269,780            | 48,269,780            |
| Benefit Payments                                                              | (32,154,888)          | (33,561,947)          | (34,001,921)          | (34,001,921)          |
| Refunds                                                                       | (1,278,330)           | (1,294,477)           | (1,205,393)           | (1,205,393)           |
| Pension Plan Administrative Expense                                           | (1,095,335)           | (1,593,979)           | (1,424,217)           | (1,424,217)           |
| Transfer (Out)/In Due to Settlement Agreement                                 | 166,792               | -                     | (10,278,591)          | (10,278,591)          |
| <b>Net Change in Plan Fiduciary Net Position</b>                              | <b>6,581,917</b>      | <b>(47,382,166)</b>   | <b>2,367,418</b>      | <b>2,367,418</b>      |
| <b>Plan Fiduciary Net Position - Beginning <sup>a</sup></b>                   | <b>447,058,104</b>    | <b>494,440,270</b>    | <b>492,221,578</b>    | <b>492,221,578</b>    |
| <b>Plan Fiduciary Net Position - Ending (b)</b>                               | <b>\$ 453,640,021</b> | <b>\$ 447,058,104</b> | <b>\$ 494,588,996</b> | <b>\$ 494,588,996</b> |
| <b>Net Pension Liability - Ending (a) - (b)</b>                               | <b>35,878,132</b>     | <b>47,961,455</b>     | <b>(43,047,287)</b>   | <b>(29,457,605)</b>   |
| <b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b> | <b>92.67 %</b>        | <b>90.31 %</b>        | <b>109.53 %</b>       | <b>106.33 %</b>       |
| <b>Covered Employee Payroll</b>                                               | <b>\$ 30,219,253</b>  | <b>\$ 30,288,086</b>  | <b>\$ 29,767,542</b>  | <b>\$ 29,767,542</b>  |
| <b>Net Pension Liability as a Percentage of Covered Employee Payroll</b>      | <b>118.73 %</b>       | <b>158.35 %</b>       | <b>(144.61)%</b>      | <b>(98.96)%</b>       |
| <b>Notes to Schedule:</b>                                                     |                       |                       |                       |                       |

<sup>a</sup> Reflects a net pension liability adjustment for the Systems' staff pension plan of \$148,726 excluded from the market value of assets as of September 30, 2014, and provided for the valuation as of October 1, 2014.

10 fiscal years will be built prospectively.



**SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF THE NET PENSION LIABILITY MULTIYEAR**

| <b>FY Ending<br/>October 1,</b> | <b>Total<br/>Pension<br/>Liability</b> | <b>Plan Net<br/>Position</b> | <b>Net Pension<br/>Liability</b> | <b>Plan Net Position<br/>as a % of Total<br/>Pension Liability</b> | <b>Covered<br/>Payroll</b> | <b>Net Pension Liability<br/>as a % of<br/>Covered Payroll</b> |
|---------------------------------|----------------------------------------|------------------------------|----------------------------------|--------------------------------------------------------------------|----------------------------|----------------------------------------------------------------|
| 2014                            | \$ 465,131,391                         | \$ 494,588,996               | \$ (29,457,605)                  | 106.33%                                                            | \$ 29,767,542              | -98.96%                                                        |
| 2014 - Restated                 | 451,541,709                            | 494,588,996                  | (43,047,287)                     | 109.53%                                                            | 29,767,542                 | -144.61%                                                       |
| 2015                            | 495,019,559                            | 447,058,104                  | 47,961,455                       | 90.31%                                                             | 30,288,086                 | 158.35%                                                        |
| 2016                            | 489,518,153                            | 453,640,021                  | 35,878,132                       | 92.67%                                                             | 30,219,253                 | 118.73%                                                        |

*10 fiscal years will be built prospectively.*

**SCHEDULE OF CONTRIBUTIONS MULTIYEAR  
LAST 10 FISCAL YEARS**

| <b>FY Ending<br/>October 1,</b> | <b>Actuarially<br/>Determined<br/>Contribution</b> | <b>Actual<br/>Contribution</b> | <b>Contribution<br/>Deficiency<br/>(Excess)</b> | <b>Covered<br/>Payroll</b> | <b>Actual Contribution<br/>as a % of<br/>Covered Payroll</b> |
|---------------------------------|----------------------------------------------------|--------------------------------|-------------------------------------------------|----------------------------|--------------------------------------------------------------|
| 2014                            | \$ 1,007,760                                       | \$ 1,007,760                   | \$ -                                            | \$ 29,767,542              | 3.39%                                                        |
| 2015                            | -                                                  | -                              | -                                               | 30,288,086                 | 0.00%                                                        |
| 2016                            | 2,715,140                                          | 2,715,140                      | -                                               | 30,219,253                 | 8.98%                                                        |

*10 fiscal years will be built prospectively.*

## NOTES TO SCHEDULE OF CONTRIBUTIONS

**Valuation Date:** October 1, 2016

Notes Actuarially determined contribution rates are calculated as of October 1, which corresponds to the beginning of the plan year in which contributions will be made.

**Methods and Assumptions Used to Determine Contributions:**

|                               |                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Actuarial Cost Method         | Entry Age - Frozen Initial Liability (FIL)                                                                                                                                                                                                                                                                                                      |
| Amortization Method           | 30-year closed period from establishment                                                                                                                                                                                                                                                                                                        |
| Remaining Amortization Period | Various                                                                                                                                                                                                                                                                                                                                         |
| Asset Valuation Method        | 3-year smoothed market                                                                                                                                                                                                                                                                                                                          |
| Inflation                     | 2.75%                                                                                                                                                                                                                                                                                                                                           |
| Salary Increases <sup>a</sup> | 3.00% to 4.00% based on service. FRS benefits were frozen as of February 1, 2013, therefore no salary increases have been assumed in FRS for purposes of determining benefits.                                                                                                                                                                  |
| Investment Rate of Return     | 7.000%, net of investment and administrative expenses                                                                                                                                                                                                                                                                                           |
| Retirement Age                | Experience-based table of rates that are specific to the type of eligibility condition. Updated for the 2015 valuation pursuant to an experience study of the period October 1, 2010, through September 30, 2014.                                                                                                                               |
| Mortality                     | The post-retirement ordinary mortality rates are based on the RP-2014 Healthy Annuitant mortality table, sex distinct.<br>The pre-retirement mortality rates are based on the RP-2014 Employee mortality tables, sex distinct.<br>The post-disability mortality rates are assumed to be 20 percent higher than post-retirement mortality rates. |

**Other Information:**

Notes There were no benefit changes during the year.

**Methods and Assumptions Used for Accounting Purposes as of the Valuation Date:**

|                       |                                                                                                 |
|-----------------------|-------------------------------------------------------------------------------------------------|
| Actuarial Cost Method | Entry Age Normal, assumes all benefits are fully accrued as of the freeze date of July 1, 2013. |
| Discount Rate         | 7.300% as of the October 1, 2015, valuation.<br>7.300% as of the October 1, 2016, valuation.    |

<sup>a</sup> The present value of future salaries is used to develop the normal cost under the FIL cost method.

**SCHEDULE OF INVESTMENT RETURNS MULTIYEAR  
LAST 10 FISCAL YEARS**

| <b>FY Ending<br/>October 1,</b> | <b>Annual<br/>Return<sup>1</sup></b> |
|---------------------------------|--------------------------------------|
| 2013                            | 14.41 %                              |
| 2014                            | 11.97 %                              |
| 2015                            | (9.52)%                              |
| 2016                            | 9.20 %                               |

<sup>1</sup> Annual money-weighted rate of return, net of investment expenses.

*Calculated by FRS. 10 fiscal years will be built prospectively.*

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## **SECTION D**

### **NOTES TO FINANCIAL STATEMENTS**

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Auditor's Note – This information is subject to review by the System's auditor. Please let us know if the System's auditor recommends any changes.

### Long-Term Expected Return on Plan Assets

The assumed rate of investment return was adopted by the plan's trustees after considering input from the plan's investment consultant(s) and actuary(s). Additional information about the assumed rate of investment return is included in our actuarial valuation report as of October 1, 2016. The assumed rate of investment return was most recently analyzed in the experience review for the period October 1, 2010, through September 30, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of October 1, 2014, these best estimates are summarized in the following table:

#### ASSET ALLOCATION

| <u>Asset Class</u>                 | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Real Rate of Return</u> |
|------------------------------------|--------------------------|---------------------------------------------------|
| Fixed Income                       | 25.00%                   | -1.30%                                            |
| Domestic Equity                    | 26.00%                   | 4.30%                                             |
| International Equity               | 24.00%                   | 4.70%                                             |
| Private Equity                     | 0.00%                    | 9.40%                                             |
| Real Estate                        | 15.00%                   | 4.80%                                             |
| Nondirectional Hedge Fund of Funds | 10.00%                   | 2.20%                                             |
| Money Market                       | 0.00%                    | 0.00%                                             |
| <b>Total</b>                       | <u>100.00%</u>           |                                                   |

The above long-term expected real rate of returns represents best estimates of arithmetic rates of return for each major asset class included. These rate of returns are shown net of inflation assumed at 2.75%, by actuary) and net of investment expenses (assumed at 0.50%, by investment consultant).

*Asset allocation information provided by the Plan's investment consultant.*

**Single Discount Rate**

A single discount rate of 7.300% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.300%. The projection of cash flows used to determine this single discount rate assumed that the plan sponsor would make the required contributions as defined by Statute. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.300%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is one percentage-point lower or one percentage-point higher:

**SENSITIVITY OF NET PENSION LIABILITY  
TO THE SINGLE DISCOUNT RATE ASSUMPTION**

| <b>1% Decrease</b> | <b>Current Single Discount<br/>Rate Assumption</b> | <b>1% Increase</b> |
|--------------------|----------------------------------------------------|--------------------|
| <b>6.300%</b>      | <b>7.300%</b>                                      | <b>8.300%</b>      |
| \$86,386,995       | \$35,878,132                                       | (\$6,433,521)      |



### Disclosure Regarding the Deferred Retirement Option Program

A member eligible for service retirement may defer receipt of the service retirement benefit for up to five years while continuing active employment. The amount the member would have received as a service retirement benefit is deposited into the DROP account. A member terminating the DROP plan may retire or continue active service. Service while in the DROP will not count as creditable service. Upon termination of employment, the member may choose to receive the DROP account with the interest earned by the account.

### SUMMARY OF DROP ACCOUNTS AS OF VALUATION DATE

|      | Active Members |              |                    |              | Non-Active Members |               | Total Members     |               |
|------|----------------|--------------|--------------------|--------------|--------------------|---------------|-------------------|---------------|
|      | In DROP        |              | Previously in DROP |              | Previously in DROP |               | with DROP Balance |               |
|      | Count          | DROP Balance | Count              | DROP Balance | Count              | DROP Balance  | Count             | DROP Balance  |
| 2015 | 62             | \$ 5,715,901 | 36                 | \$ 6,881,961 | 108                | \$ 14,587,927 | 206               | \$ 27,185,789 |
| 2016 | 62             | 5,499,507    | 42                 | 8,361,399    | 92                 | 16,269,758    | 196               | 30,130,664    |

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**SUMMARY OF POPULATION STATISTICS**

|                                                                     |             |
|---------------------------------------------------------------------|-------------|
| Inactive Plan Members or Beneficiaries Currently Receiving Benefits | 944         |
| Active Plan Members Currently in the DROP                           | 62          |
| Active Plan Members                                                 | 478         |
| Total Plan Members                                                  | <hr/> 1,484 |

*Additional information about the member data used can be found in the October 1, 2016, actuarial valuation report.*

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**SECTION E**

**GASB NO. 68 PENSION EXPENSE**

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## Net Pension Liability for Fiscal Year ending October 1, 2016

|                                                                                          |                              |
|------------------------------------------------------------------------------------------|------------------------------|
| <b>A. Total pension liability</b>                                                        |                              |
| 1. Service Cost                                                                          | \$ -                         |
| 2. Interest on the Total Pension Liability                                               | 34,916,115                   |
| 3. Changes of benefit terms                                                              | -                            |
| 4. Difference between expected and actual experience                                     | (6,984,303)                  |
| 5. Changes of assumptions                                                                | -                            |
| 6. Benefit payments                                                                      | (32,154,888)                 |
| 7. Refunds of employee contributions                                                     | (1,278,330)                  |
| 8. Net change in total pension liability                                                 | \$ (5,501,406)               |
| 9. Total Pension liability - beginning (October 1, 2015)                                 | 495,019,559                  |
| 10. Total Pension liability - ending (October 1, 2016)                                   | <u><u>\$ 489,518,153</u></u> |
| <b>B. Plan fiduciary net position</b>                                                    |                              |
| 1. Contributions – employer                                                              | \$ 2,715,140                 |
| 2. Contributions – employee                                                              | -                            |
| 3. Net investment income                                                                 | 38,228,538                   |
| 4. Benefit payments, including refunds<br>of employee contributions                      | (33,433,218)                 |
| 5. Pension Plan Administrative Expense                                                   | (1,095,335)                  |
| 6. Transfer (Out)/In Due to Settlement Agreement                                         | 166,792                      |
| 7. Net change in plan fiduciary net position                                             | \$ 6,581,917                 |
| 8. Plan fiduciary net position - beginning (October 1, 2015)                             | 447,058,104                  |
| 9. Plan fiduciary net position - ending (October 1, 2016)                                | <u><u>\$ 453,640,021</u></u> |
| <b>C. Net pension liability as of October 1, 2016</b>                                    | <u><u>\$ 35,878,132</u></u>  |
| <b>D. Plan fiduciary net position as a percentage<br/>of the total pension liability</b> | <b>92.67%</b>                |
| <b>E. Covered-employee payroll</b>                                                       | <b>\$ 30,219,253</b>         |
| <b>F. Net pension liability as a percentage<br/>of covered employee payroll</b>          | <b>118.73 %</b>              |

## Pension Expense

### (for Fiscal Year ending October 1, 2016)

**A. Expense**

|                                                                             |           |                   |
|-----------------------------------------------------------------------------|-----------|-------------------|
| 1. Service Cost                                                             | \$        | -                 |
| 2. Interest on the Total Pension Liability                                  |           | 34,916,115        |
| 3. Current-Period Benefit Changes                                           |           | -                 |
| 4. Employee Contributions (made negative for addition here)                 |           | -                 |
| 5. Projected Earnings on Plan Investments (made negative for addition here) |           | (31,480,140)      |
| 6. Pension Plan Administrative Expense                                      |           | 1,095,335         |
| 7. Other Changes - Transfer Due to Settlement Agreement                     |           | (166,792)         |
| 8. Recognition of Outflow (Inflow) due to Liability Experience              |           | (1,841,557)       |
| 9. Recognition of Outflow (Inflow) due to Assumption Changes                |           | 11,290,387        |
| 10. Recognition of Outflow (Inflow) due to Investment Experience            |           | 6,168,661         |
| <b>11. Total Pension Expense</b>                                            | <b>\$</b> | <b>19,982,009</b> |

**B. Reconciliation of Net Pension Liability**

|                                                                |           |                   |
|----------------------------------------------------------------|-----------|-------------------|
| 1. Net Pension Liability beginning of year                     | \$        | 47,961,455        |
| 2. Pension Expense                                             |           | 19,982,009        |
| 3. Employer Contributions                                      |           | (2,715,140)       |
| 4. Change in Deferred Liability Experience (Inflows)/Outflows  |           | (5,142,746)       |
| 5. Change in Deferred Assumption Changes (Inflows)/Outflows    |           | (11,290,387)      |
| 6. Change in Deferred Investment Experience (Inflows)/Outflows |           | (12,917,059)      |
| <b>7. Net Pension Liability end of year</b>                    | <b>\$</b> | <b>35,878,132</b> |

**C. Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses**

| Year Ending<br>September 30 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources | Net Deferred Outflows<br>(Inflows) of Resources |
|-----------------------------|-----------------------------------|----------------------------------|-------------------------------------------------|
| 2017                        | \$ 21,029,151                     | \$ 5,411,660                     | \$ 15,617,491                                   |
| 2018                        | 19,780,770                        | 5,411,661                        | 14,369,108                                      |
| 2019                        | 9,734,363                         | 2,796,103                        | 6,938,260                                       |
| 2020                        | -                                 | 1,349,678                        | (1,349,678)                                     |
| 2021                        | -                                 | -                                | -                                               |
| Total                       | \$ 50,544,284                     | \$ 14,969,102                    | \$ 35,575,181                                   |

## Schedule of Outflows and Inflows of Resources for PYE 2016

### A. Change in Outflows and (Inflows) of Resources for Plan Year End September 30, 2016

|                                                                 | Balance at<br>Beginning of Year | Amortization<br>Factor | Amortization          | Balance at<br>End of Year |
|-----------------------------------------------------------------|---------------------------------|------------------------|-----------------------|---------------------------|
| <b>Experience (Gain)/Loss</b>                                   |                                 |                        |                       |                           |
| 1. Differences between expected and actual liability experience | \$ (6,984,303)                  | 3,783,561              | \$ (1,845,960)        | \$ (5,138,343)            |
| 2. Assumption changes                                           | -                               | 3,783,561              | -                     | -                         |
| 3. Difference between expected and actual investment experience | (6,748,398)                     | 5,000,000              | (1,349,680)           | (5,398,718)               |
| <b>4. Total</b>                                                 | <b>\$ (13,732,701)</b>          |                        | <b>\$ (3,195,640)</b> | <b>\$ (10,537,061)</b>    |

### B. Outflows and Inflows of Resources by Source to be Recognized in Current Pension Expense

|                                                                 | Outflows<br>of Resources | Inflows<br>of Resources | Net Outflows (Inflows)<br>of Resources |
|-----------------------------------------------------------------|--------------------------|-------------------------|----------------------------------------|
| 1. Differences between expected and actual liability experience | \$ -                     | \$ 1,845,960            | \$ (1,845,960)                         |
| 2. Assumption changes                                           | -                        | -                       | -                                      |
| 3. Difference between expected and actual investment experience | -                        | 1,349,680               | (1,349,680)                            |
| <b>4. Total</b>                                                 | <b>\$ -</b>              | <b>\$ 3,195,640</b>     | <b>\$ (3,195,640)</b>                  |

### C. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

|                                                                 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources | Net Deferred Outflows<br>(Inflows) of Resources |
|-----------------------------------------------------------------|-----------------------------------|----------------------------------|-------------------------------------------------|
| 1. Differences between expected and actual liability experience | \$ -                              | \$ 5,138,343                     | \$ (5,138,343)                                  |
| 2. Assumption changes                                           | -                                 | -                                | -                                               |
| 3. Difference between expected and actual investment experience | -                                 | 5,398,718                        | (5,398,718)                                     |
| <b>4. Total</b>                                                 | <b>\$ -</b>                       | <b>\$ 10,537,061</b>             | <b>\$ (10,537,061)</b>                          |

### D. Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

| Year Ending<br>September 30 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|-----------------------------|-----------------------------------|----------------------------------|
| 2017                        | \$ -                              | \$ 3,195,640                     |
| 2018                        | -                                 | 3,195,640                        |
| 2019                        | -                                 | 2,796,103                        |
| 2020                        | -                                 | 1,349,678                        |
| 2021                        | -                                 | -                                |
| Thereafter                  | -                                 | -                                |
| <b>Total</b>                | <b>\$ -</b>                       | <b>\$ 10,537,061</b>             |

### E. Change In Deferred Outflows (Inflows) - Year Ending September 30

|      | Liability<br>Experience | Assumption<br>Changes | Investment<br>Experience | Total           |
|------|-------------------------|-----------------------|--------------------------|-----------------|
| 2016 | \$ (5,138,343)          | \$ -                  | \$ (5,398,718)           | \$ (10,537,061) |
| 2017 | 1,845,960               | -                     | 1,349,680                | 3,195,640       |
| 2018 | 1,845,960               | -                     | 1,349,680                | 3,195,640       |
| 2019 | 1,446,423               | -                     | 1,349,680                | 2,796,103       |
| 2020 | -                       | -                     | 1,349,678                | 1,349,678       |

### F. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses as of September 30, 2016

|                                                                 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources | Net Deferred Outflows<br>(Inflows) of Resources |
|-----------------------------------------------------------------|-----------------------------------|----------------------------------|-------------------------------------------------|
| 1. Differences between expected and actual liability experience | \$ -                              | \$ 5,138,343                     | \$ (5,138,343)                                  |
| 2. Assumption changes                                           | -                                 | -                                | -                                               |
| 3. Difference between expected and actual investment experience | -                                 | 5,398,718                        | (5,398,718)                                     |
| <b>4. Total</b>                                                 | <b>\$ -</b>                       | <b>\$ 10,537,061</b>             | <b>\$ (10,537,061)</b>                          |

## Schedule of Outflows and Inflows of Resources for PYE 2015

### A. Change in Outflows and (Inflows) of Resources for Plan Year End September 30, 2015

|                                                                 | Balance at<br>Beginning of Year | Amortization<br>Factor | Amortization         | Balance at<br>End of Year |
|-----------------------------------------------------------------|---------------------------------|------------------------|----------------------|---------------------------|
| <b>Experience (Gain)/Loss</b>                                   |                                 |                        |                      |                           |
| 1. Differences between expected and actual liability experience | \$ 15,441                       | 3,506705               | \$ 4,403             | \$ 11,038                 |
| 2. Assumption changes                                           | 43,915,338                      | 3,889622               | 11,290,387           | 32,624,951                |
| 3. Difference between expected and actual investment experience | 48,671,807                      | 5,000000               | 9,734,361            | 38,937,446                |
| <b>4. Total</b>                                                 | <b>\$ 92,602,586</b>            |                        | <b>\$ 21,029,151</b> | <b>\$ 71,573,435</b>      |

### B. Outflows and Inflows of Resources by Source to be Recognized in Current Pension Expense

|                                                                 | Outflows<br>of Resources | Inflows<br>of Resources | Net Outflows (Inflows)<br>of Resources |
|-----------------------------------------------------------------|--------------------------|-------------------------|----------------------------------------|
| 1. Differences between expected and actual liability experience | \$ 4,403                 | \$ -                    | \$ 4,403                               |
| 2. Assumption changes                                           | 11,290,387               | -                       | 11,290,387                             |
| 3. Difference between expected and actual investment experience | 9,734,361                | -                       | 9,734,361                              |
| <b>4. Total</b>                                                 | <b>\$ 21,029,151</b>     | <b>\$ -</b>             | <b>\$ 21,029,151</b>                   |

### C. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

|                                                                 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources | Net Deferred Outflows<br>(Inflows) of Resources |
|-----------------------------------------------------------------|-----------------------------------|----------------------------------|-------------------------------------------------|
| 1. Differences between expected and actual liability experience | \$ 11,038                         | \$ -                             | \$ 11,038                                       |
| 2. Assumption changes                                           | 32,624,951                        | -                                | 32,624,951                                      |
| 3. Difference between expected and actual investment experience | 38,937,446                        | -                                | 38,937,446                                      |
| <b>4. Total</b>                                                 | <b>\$ 71,573,435</b>              | <b>\$ -</b>                      | <b>\$ 71,573,435</b>                            |

### D. Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

| Year Ending<br>September 30 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|-----------------------------|-----------------------------------|----------------------------------|
| 2016                        | \$ 21,029,151                     | \$ -                             |
| 2017                        | 21,029,151                        | -                                |
| 2018                        | 19,780,770                        | -                                |
| 2019                        | 9,734,363                         | -                                |
| 2020                        | -                                 | -                                |
| Thereafter                  | -                                 | -                                |
| <b>Total</b>                | <b>\$ 71,573,435</b>              | <b>\$ -</b>                      |

### E. Change In Deferred Outflows (Inflows) - Year Ending September 30

|      | Liability<br>Experience | Assumption<br>Changes | Investment<br>Experience | Total         |
|------|-------------------------|-----------------------|--------------------------|---------------|
| 2015 | \$ 11,038               | \$ 32,624,951         | \$ 38,937,446            | \$ 71,573,435 |
| 2016 | (4,403)                 | (11,290,387)          | (9,734,361)              | (21,029,151)  |
| 2017 | (4,403)                 | (11,290,387)          | (9,734,361)              | (21,029,151)  |
| 2018 | (2,232)                 | (10,044,177)          | (9,734,361)              | (19,780,770)  |
| 2019 | -                       | -                     | (9,734,363)              | (9,734,363)   |

### F. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses as of September 30, 2016

|                                                                 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources | Net Deferred Outflows<br>(Inflows) of Resources |
|-----------------------------------------------------------------|-----------------------------------|----------------------------------|-------------------------------------------------|
| 1. Differences between expected and actual liability experience | \$ 6,635                          | \$ -                             | \$ 6,635                                        |
| 2. Assumption changes                                           | 21,334,564                        | -                                | 21,334,564                                      |
| 3. Difference between expected and actual investment experience | 29,203,085                        | -                                | 29,203,085                                      |
| <b>4. Total</b>                                                 | <b>\$ 50,544,284</b>              | <b>\$ -</b>                      | <b>\$ 50,544,284</b>                            |

## Schedule of Outflows and Inflows of Resources for PYE 2014

### A. Change in Outflows and (Inflows) of Resources for Plan Year End September 30, 2014

|                                                                 | Balance at<br>Beginning of Year | Amortization<br>Factor | Amortization          | Balance at<br>End of Year |
|-----------------------------------------------------------------|---------------------------------|------------------------|-----------------------|---------------------------|
| <b>Experience (Gain)/Loss</b>                                   |                                 |                        |                       |                           |
| 1. Differences between expected and actual liability experience | \$ -                            | 3.604332               | \$ -                  | \$ -                      |
| 2. Assumption changes                                           | -                               | 3.604332               | -                     | -                         |
| 3. Difference between expected and actual investment experience | (11,080,101)                    | 5.000000               | (2,216,020)           | (8,864,081)               |
| <b>4. Total</b>                                                 | <b>\$ (11,080,101)</b>          |                        | <b>\$ (2,216,020)</b> | <b>\$ (8,864,081)</b>     |

### B. Outflows and Inflows of Resources by Source to be Recognized in Current Pension Expense

|                                                                 | Outflows<br>of Resources | Inflows<br>of Resources | Net Outflows (Inflows)<br>of Resources |
|-----------------------------------------------------------------|--------------------------|-------------------------|----------------------------------------|
| 1. Differences between expected and actual liability experience | \$ -                     | \$ -                    | \$ -                                   |
| 2. Assumption changes                                           | -                        | -                       | -                                      |
| 3. Difference between expected and actual investment experience | -                        | 2,216,020               | (2,216,020)                            |
| <b>4. Total</b>                                                 | <b>\$ -</b>              | <b>\$ 2,216,020</b>     | <b>\$ (2,216,020)</b>                  |

### C. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

|                                                                 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources | Net Deferred Outflows<br>(Inflows) of Resources |
|-----------------------------------------------------------------|-----------------------------------|----------------------------------|-------------------------------------------------|
| 1. Differences between expected and actual liability experience | \$ -                              | \$ -                             | \$ -                                            |
| 2. Assumption changes                                           | -                                 | -                                | -                                               |
| 3. Difference between expected and actual investment experience | -                                 | 8,864,081                        | (8,864,081)                                     |
| <b>4. Total</b>                                                 | <b>\$ -</b>                       | <b>\$ 8,864,081</b>              | <b>\$ (8,864,081)</b>                           |

### D. Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

|              | Year Ending<br>September 30 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--------------|-----------------------------|-----------------------------------|----------------------------------|
| 2015         |                             | \$ -                              | \$ 2,216,020                     |
| 2016         |                             | -                                 | 2,216,020                        |
| 2017         |                             | -                                 | 2,216,020                        |
| 2018         |                             | -                                 | 2,216,021                        |
| 2019         |                             | -                                 | -                                |
| Thereafter   |                             | -                                 | -                                |
| <b>Total</b> |                             | <b>\$ -</b>                       | <b>\$ 8,864,081</b>              |

### E. Change In Deferred Outflows (Inflows) - Year Ending September 30

|      | Liability<br>Experience | Assumption<br>Changes | Investment<br>Experience | Total          |
|------|-------------------------|-----------------------|--------------------------|----------------|
| 2014 | \$ -                    | \$ -                  | \$ (8,864,081)           | \$ (8,864,081) |
| 2015 | -                       | -                     | 2,216,020                | 2,216,020      |
| 2016 | -                       | -                     | 2,216,020                | 2,216,020      |
| 2017 | -                       | -                     | 2,216,020                | 2,216,020      |
| 2018 | -                       | -                     | 2,216,021                | 2,216,021      |

### F. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses as of September 30, 2016

|                                                                 | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources | Net Deferred Outflows<br>(Inflows) of Resources |
|-----------------------------------------------------------------|-----------------------------------|----------------------------------|-------------------------------------------------|
| 1. Differences between expected and actual liability experience | \$ -                              | \$ -                             | \$ -                                            |
| 2. Assumption changes                                           | -                                 | -                                | -                                               |
| 3. Difference between expected and actual investment experience | -                                 | 4,432,041                        | (4,432,041)                                     |
| <b>4. Total</b>                                                 | <b>\$ -</b>                       | <b>\$ 4,432,041</b>              | <b>\$ (4,432,041)</b>                           |



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**SECTION F**

SUMMARY OF BENEFITS

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The Retirement System was revised effective January 1, 1960, under Ordinance 49623.

Prior to January 1, 1960, there were two groups of members, one group referred to as “Old Plan” and the other group as “New Plan.” There is no longer a need for this separation in the active members because the revised system makes no distinction between the “Old Plan” members and the “New Plan” members. The retirees are divided into Old Plan, 1944 Plan (New Plan) and 1960 Plan (Ordinance 49623).

## **Provisions Attributable to Board Bill 109**

First effective with the valuation as of October 1, 2013, the valuation reflects the changes attributable to Ordinance 69245, Ordinance 69353, and Judge Dierker’s subsequent ruling (Board Bill 109 or BB109). Our understanding of the key changes to the FRS is as follows:

- FRS is frozen as of February 1, 2013. That is, benefits paid from FRS will be based on the member’s service and salary earned as of February 1, 2013. Participants with benefit service in FRS are classified as “grandfathered” members.
- Firefighters hired after February 1, 2013, are not members of FRS.
- Vesting and eligibility service earned after February 1, 2013, in the newly established Firemen’s Retirement Plan of St. Louis (FRP) will count towards vesting and eligibility service in FRS.
- Ancillary benefits, for pre-retirement death or disability occurring after February 1, 2013, are assumed to be paid from the newly established FRP. FRS members who become disabled or die before retirement are eligible for a refund of contributions made to FRS.
- Employer contributions to the frozen FRS will continue to be calculated under the Frozen Initial Liability cost method.
- Member contributions after February 1, 2013, from “grandfathered” participants in FRS will be paid to the FRP.
- Grandfathered members with 20 or more years of service as of February 1, 2013, are eligible to retire with unreduced FRP benefits if retirement commences before age 55.
- Grandfathered members with less than 20 years of service as of February 1, 2013, are eligible to retire with actuarially reduced FRP benefits if retirement commences before age 55.

## **Service Retirement**

Retirements after June 3, 1978: Voluntary retirement after 20 or more years of service. Compulsory retirement at age 60 with 30 years of service. The monthly retirement allowance consists of 40 percent of the final two-year average monthly compensation at 20 years of service, plus 2.0 percent of such final average compensation for each of the next five years of service (50 percent of final average compensation after 25 years of service), plus 4.0 percent of such final average compensation for each additional year of service over 25 years, but with a maximum of 30 years (70 percent of final average compensation after 30 years of service).

Effective October 3, 1982, any retired firemen may act as a special advisor to the retirement system and thereby be entitled to a minimum pension of \$350.00 per month.

Effective October 1, 1989, any unused accrued sick leave will be added to the years of service

used to determine the monthly pension allowance. If the total years of service are limited to 30 years as described above, the unused accrued sick leave will be added to 30.

Effective November 28, 1995, the monthly retirement allowance consists of 40 percent of the final two-year average monthly compensation at 20 years of service, plus 2.0 percent of such final average compensation for each of the next five years of service (50 percent of final average compensation after 25 years of service), plus 5.0 percent of such final average compensation for each additional year of service over 25 years, but with a maximum of 30 years (75 percent of final average compensation after 30 years of service).

Effective July 1, 2002, a Member has three options for use of unused sick leave and service retirement:

- Receive 100 percent of the value (sick leave multiplied by rate of pay) as a lump sum deposit into the DROP account;
- Receive 100 percent of the sick leave as service added to the credited service used in the calculation of the retirement benefit; or
- Receive 50 percent of the value as a lump sum deposit into the DROP account, and receive 25 percent as service added to the credited service used in the calculation of the retirement benefit and receive 25 percent of the value as additional pay solely for purposes of determining the final average earnings used in the calculation of the retirement benefit.

In 2010, the City of St. Louis passed ordinances 67845 and 67846 which effectively ended the practice of firefighters accruing sick leave for retirement benefit purposes. Sick leave accrued prior to September 26, 2010, can be converted to a pension benefit at retirement.

As part of the 2015 Settlement Agreement, accrued sick leave earned through February 1, 2013, can be converted to a pension benefit at retirement.

### **Ordinary Disability Retirement**

Provides a service retirement allowance if 20 or more years of service. Provides for a monthly retirement allowance after five years of service (but less than 20 years) which is the largest of (a) 90 percent of the monthly service retirement allowance based on the actual service or (b) one-fourth of the final two-year average monthly compensation. In addition, a monthly benefit of 10 percent of the final two-year average monthly compensation, for each unmarried dependent child under age eighteen, but not in excess of three children, is provided.

**Benefits are paid by FRS if disability occurred prior to February 1, 2013.**

## Accidental Disability Retirement

Provides for retirement if the member is totally and permanently incapacitated for duty as the result of an accident or exposure occurring while in the actual performance of duty. The monthly retirement allowance is 75 percent of the highest monthly salary in effect for the highest step in the range of salary, for his rank held at retirement.

If the accident immediately, totally and permanently incapacitates the member from performing any type of work and confines him to his home, the Board may provide an increased retirement allowance not to exceed 100 percent of the member's actual rate of compensation as of the date his disability allowance began.

**Benefits are paid by FRS if disability occurred prior to February 1, 2013.**

## DROP Benefit

A member eligible for service retirement may defer receipt of the service retirement benefit for up to five years while continuing active employment. Contributions by the member while in the DROP are one percent of annual compensation. The amount the member would have received as a service retirement benefit is deposited into the DROP account. A member terminating the DROP plan may retire or continue active service. Service while in the DROP will not count as creditable service. Upon termination of employment, the member may choose to receive the DROP account with the interest earned by the account.

## Ordinary Death Benefit

Provides for the following benefits after death which occurs:

- (1) While in service, a monthly retirement allowance to the widow during widowhood of the greater of (1) 50 percent<sup>a</sup> of the final two-year average monthly compensation or (2) \$200. In addition, 10 percent of each unmarried dependent child under age 18 in her care, but not in excess of three children. **Benefits are paid by FRS if death occurred prior to February 1, 2013.**
- (2) After service retirement, accidental disability retirement or ordinary disability retirement, a monthly allowance to the widow during widowhood of the greater of (1) 50 percent<sup>a</sup> of the final two-year average monthly compensation, or (2) \$200. In addition, 10 percent of such compensation for each unmarried dependent child under 18 in her care but not in excess of three children. **Benefits are paid by FRS if retirement occurred prior to February 1, 2013.**

<sup>a</sup> Assumes the widow has applied for and been appointed to the status of special consultant; if not the amount is 25 percent.

## Accidental Death Benefit

Provides, if death is the result of an accident or exposure while in the actual performance of duty, a monthly allowance to the widow during her widowhood of the greater of (1) 50 percent of the final two-year average monthly compensation or (2) \$200. In addition, 10 percent for each

unmarried dependent child under 18 in her care but not in excess of three children. **Benefits are paid by FRS if death occurred prior to February 1, 2013.**

### **\$2,000 Lump Sum Death Benefit**

Provides a \$2,000 lump sum amount upon the death of an active or retired member. **Lump sum death benefits are paid by FRS if retirement occurred prior February 1, 2013, or if pre-retirement death occurred prior to February 1, 2013.**

### **Cost-of-Living Adjustments**

(Ordinance 56444) Retirement allowances to members who retired after March 16, 1973, and prior to December 28, 1983, shall be increased 3.0 percent whenever the Consumer Price Index released by the U.S. Department of Labor shows an increase of at least 3.0 percent for three consecutive months in the preceding twelve-month period. Prior to August 31, 1980, each increase was applied to the base retirement benefit at time of retirement. Commencing August 31, 1980, the cost-of-living adjustment is made to the current retirement benefit.

Ordinance 59018 changed the cost-of-living provision for anyone retiring after December 28, 1983. For those members who retired subsequent to December 28, 1983, the cost-of-living increases for service or ordinary disability retirement are based upon the number of years of service at retirement, and are subject to a maximum of the actual increase in the Consumer Price Index over the most recent 12 months.

For a member with less than 25 years of service at retirement, the cost-of-living is 1.5 percent per year up to age 60 and 5.0 percent per year after age 60 with a 25 percent maximum applied past age 60. For a member with at least 25 years of service but less than 30 years at retirement, the cost-of-living increase is 2.25 percent per year up to age 60 and 5.0 percent per year after age 60 with a 25 percent maximum applied past age 60. For a member with 30 or more years of service at retirement, the cost-of-living increase is 3.0 percent per year up to age 60 and 5.0 percent per year after age 60 with a 25 percent maximum applied past age 60. For a member who retires at age 60 or later, the cost-of-living increase is 5.0 percent per year with a 25 percent maximum applied.

For a member who retires with an accidental disability retirement, the cost-of-living increase is 3.0 percent per year up to age 60 and 5.0 percent per year after age 60 with a 25 percent maximum applied past age 60.

### **Return of Contributions**

Upon service retirement, ordinary disability, accidental disability or death of an active member, contributions without interest are refunded. Upon withdrawal from service of a member prior to eligibility for a service retirement allowance, the entire amount of the member's contributions with interest accumulated is returned to the member in lieu of any other benefits.

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**SECTION G**

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

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## ACTUARIAL COST METHOD

***Actuarial Cost Method for GASB Nos. 67 and 68 reporting purposes.*** The method used in this GASB Statements No. 67 and 68 report is the Entry Age Actuarial Cost Method (EAN). The EAN is a funding method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit ages(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.

The actuarial accrued liability is equal to the present value of frozen accrued benefits as of February 1, 2013, and DROP balances as of the measurement date.

The actuarial liability is based on frozen benefits and DROP balances provided by FRS. This valuation assumes FRP will be responsible for benefits due to disability or pre-retirement death occurring after the freeze date.

***The Actuarial Cost Method.*** The method used in the funding valuation is the Frozen Entry Age Actuarial Cost Method. This method determines a normal cost on an aggregate basis expressed as a level percentage of pay. The normal cost rate equals the ratio of (a) the present value of future benefits less the actuarial value of assets less the frozen unfunded actuarial liability, to (b) the present value of future salaries. Under this method, the actuarial gains (losses), as they occur, reduce (increase) future normal costs.

***Amortization of Frozen Unfunded Accrued Liabilities.*** Unfunded actuarial accrued liabilities attributable to changes in assumptions, plan provisions or methods are amortized on a level basis over 30 years from the creation of the unfunded base.

The total contribution is equal to the normal cost plus the amortization of the frozen unfunded accrued liabilities.

***Actuarial Value of Assets.*** The calculated value is determined by adjusting the market value of assets, excluding the future benefit fund, to reflect the investment gains and losses (the difference between the actual investment return and the expected investment return) during each of the last three years at a rate of 33 percent per year.

### ACTUARIAL VALUATION ASSUMPTIONS

*For funding purposes, the assumed rate of investment return* used was 7.000 percent, net of investment and administrative expenses, annually.

*For GASB Statements No. 67 and 68 reporting purposes, the assumed rate of investment return* used was 7.300 percent, net of investment expenses.

*The post-retirement healthy mortality rates* are based on the RP-2014 Healthy Annuitant mortality table, sex distinct. This assumption is used to measure the probabilities of members dying after retirement and the probabilities of each benefit payment being made after retirement. Illustrative rates are shown below. This table provides a margin, of approximately 41 percent based on the most recent experience study, for near-term and long-term mortality improvements.

| <b>Post Retirement Mortality</b> |         |         |
|----------------------------------|---------|---------|
| <b>Rate Per 1,000 Employees</b>  |         |         |
| Age                              | Male    | Female  |
| 45                               | 2.7430  | 2.1130  |
| 50                               | 4.0640  | 2.7680  |
| 55                               | 5.7350  | 3.6220  |
| 60                               | 7.7710  | 5.1910  |
| 65                               | 11.0130 | 8.0480  |
| 70                               | 16.7690 | 12.8680 |
| 75                               | 26.8260 | 20.9380 |
| 80                               | 44.7220 | 34.8440 |
| 85                               | 77.4970 | 60.5040 |

*The pre-retirement mortality rates* are based on the RP-2014 Employee mortality tables, sex distinct. Illustrative rates are shown below.

| <b>Ordinary Pre Retirement Mortality</b> |        |        |
|------------------------------------------|--------|--------|
| <b>Rate Per 1,000 Employees</b>          |        |        |
| Age                                      | Male   | Female |
| 25                                       | 0.4840 | 0.1730 |
| 35                                       | 0.5230 | 0.2860 |
| 45                                       | 0.9730 | 0.6570 |
| 55                                       | 2.7880 | 1.6730 |
| 65                                       | 8.2770 | 3.6960 |



*The post-disability mortality rates* are assumed to be 20 percent higher than post-retirement mortality rates. Illustrative rates are shown below.

| <b>Post - Disability Mortality<br/>Rate Per 1,000 Employees</b> |             |               |
|-----------------------------------------------------------------|-------------|---------------|
| <b>Age</b>                                                      | <b>Male</b> | <b>Female</b> |
| 45                                                              | 3.2916      | 2.5356        |
| 55                                                              | 6.8820      | 4.3464        |
| 65                                                              | 13.2156     | 9.6576        |
| 75                                                              | 32.1912     | 25.1256       |
| 85                                                              | 92.9964     | 72.6048       |

*Rates of separation from active membership* are represented by the following table (rates do not apply to members eligible to retire and do not include separation on account of death or disability). This assumption measures the probabilities of members terminating employment.

| <b>Employee Withdrawal Rate Per<br/>1,000 Employees</b> |                           |
|---------------------------------------------------------|---------------------------|
| <b>Years of Service</b>                                 | <b>Rate of Withdrawal</b> |
| 0                                                       | 75.0                      |
| 1                                                       | 100.0                     |
| 2                                                       | 50.0                      |
| 3                                                       | 50.0                      |
| 4                                                       | 22.5                      |
| 5                                                       | 22.5                      |
| 6                                                       | 22.5                      |
| 7                                                       | 22.5                      |
| 8                                                       | 22.5                      |
| 9                                                       | 22.5                      |
| 10                                                      | 22.5                      |
| 11                                                      | 12.5                      |
| 12                                                      | 12.5                      |
| 13                                                      | 12.5                      |
| 14                                                      | 12.5                      |
| 15                                                      | 12.5                      |
| 16                                                      | 5.0                       |
| 17                                                      | 5.0                       |
| 18                                                      | 5.0                       |
| 19                                                      | 5.0                       |
| 20 or more                                              | 0.0                       |

*The annual rates of salary increase* used for individual members are shown below and include a wage inflation assumption of 3.00 percent. This assumption is used to project a member's current salary for purposes of determining the present value of future salaries. Because FRS benefits have been frozen as of February 1, 2013, this assumption is not used to determine benefits.

| Sample<br>Service | Salary Increase Assumptions<br>For an Individual Member |  |
|-------------------|---------------------------------------------------------|--|
|                   | Increase<br>Next Year                                   |  |
| 0                 | 4.00%                                                   |  |
| 1                 | 4.00%                                                   |  |
| 2                 | 4.00%                                                   |  |
| 3                 | 4.00%                                                   |  |
| 4                 | 4.00%                                                   |  |
| 5                 | 3.50%                                                   |  |
| 6                 | 3.50%                                                   |  |
| 7                 | 3.50%                                                   |  |
| 8                 | 3.50%                                                   |  |
| 9                 | 3.50%                                                   |  |
| 10                | 3.00%                                                   |  |
| 11                | 3.00%                                                   |  |
| 12                | 3.00%                                                   |  |
| 13                | 3.00%                                                   |  |
| 14                | 3.00%                                                   |  |
| 15 or more        | 3.00%                                                   |  |

*The rates of disability* for active members are broken out between ordinary and accidental disability. Ordinary disability accounts for 60 percent of total disabilities and accidental disability accounts for 40 percent of total disabilities.

| <b>Employee Disablement<br/>Rate Per 1,000 Employees</b> |                 |                   |
|----------------------------------------------------------|-----------------|-------------------|
| <b>Age</b>                                               | <b>Ordinary</b> | <b>Accidental</b> |
| 25                                                       | 3.00            | 2.00              |
| 30                                                       | 3.00            | 2.00              |
| 35                                                       | 3.00            | 2.00              |
| 40                                                       | 6.00            | 4.00              |
| 45                                                       | 6.00            | 4.00              |
| 50                                                       | 6.00            | 4.00              |
| 55                                                       | 6.00            | 4.00              |
| 60                                                       | 9.00            | 6.00              |

*Probabilities of retirement* for members eligible to retire during the next year were as follows:

| <b>Rates of Retirement</b> |                           |
|----------------------------|---------------------------|
| <b>Years of Service</b>    | <b>Rate of Retirement</b> |
| 20                         | 4.00 %                    |
| 21                         | 2.00                      |
| 22                         | 2.00                      |
| 23                         | 2.00                      |
| 24                         | 2.00                      |
| 25                         | 3.00                      |
| 26                         | 4.00                      |
| 27                         | 4.00                      |
| 28                         | 4.00                      |
| 29                         | 4.00                      |
| 30                         | 10.00                     |
| 31                         | 10.00                     |
| 32                         | 10.00                     |
| 33                         | 20.00                     |
| 34                         | 20.00                     |
| 35 or more                 | 100.00                    |

100% retirement assumed at age 70

It was assumed that grandfathered members with less than 20 years of service as of February 1, 2013, will not retire prior to age 55. The retirement rates for the year the member first becomes eligible at age 55 were increased by 5.00% for each year of service over 20 years.

**Marital status** varies by gender. A male spouse is assumed to be three years older than a female spouse. One hundred percent of members are assumed to be married.

**Sick Leave Benefits.** In 2010, the City of St. Louis passed ordinances 67845 and 67846 which effectively ended the practice of firefighters accruing sick leave for retirement benefit purposes. Sick leave accrued prior to September 26, 2010, can still be used for retirement benefit purposes. Based on the 2015 Settlement between FRS and the City, the accrued sick leave balance as of February 1, 2013, can be converted to a pension benefit upon retirement.

It is assumed that the sick leave balance remaining as of the valuation date will be maintained until the member retires. It is assumed that members will elect to receive 50 percent of the value as a lump sum deposit into the DROP account, and receive 25 percent as service added to the credited service used in the calculation of the retirement benefit and receive 25 percent of the value as additional pay solely for purposes of determining the final average earnings used in the calculation of the retirement benefit.

Furthermore, it is assumed that if a member has not participated in the DROP, the member will participate in the DROP when pension payments commence and the benefit increase and lump sum will be payable four years later at actual retirement. If the member has participated in the DROP and subsequently returned to active service, the benefit increase and lump sum are assumed to be payable immediately upon retirement.

Pursuant to BB109, and subsequent settlement agreements, it is assumed that sick leave benefits do not include salary increases after February 1, 2013.

**Shift Differential.** No assumption is made for shift differential because it was removed for active members for City fiscal year ending June 30, 2011, and is not expected to be reinstated.

**DROP Benefits.** It is assumed that members will enter the DROP with 23 years of service. If the member has more than 23 years of service at the valuation date, it is assumed that the member will enter the DROP the following year. Members with less than 20 years of service as of February 1, 2013, are assumed to enter the DROP at the later of 23 years of service or age 55. It is assumed that members who enter the DROP with less than 30 years of service will return to active status after completing five years in the DROP. DROP balances are assumed to earn 7.00 percent. If a member with a DROP balance dies prior to termination of employment, it is assumed that a lump sum payment equal to the amount in the member's DROP account shall be paid to the beneficiary or the member's estate.

Pursuant to BB109, it is assumed that DROP benefits do not include salary increases after February 1, 2013.

**Pay Adjustments.** Pay as of October 1, 2016, was assumed to be equal to pay as of October 1, 2015, increased by the actuarial valuation assumed salary scale rate based on service as of the actuarial valuation date.

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**SECTION H**

CALCULATION OF THE SINGLE DISCOUNT RATE

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## CALCULATION OF THE SINGLE DISCOUNT RATE

GASB Statements No. 67 and 68 include specific requirements for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be available or sufficient to meet benefit payments, the use of a “risk-free” rate is required, as described in the following paragraph.

The *single discount rate* (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

The long-term expected rate of return for the FRS funding is assumed to be 7.000%. Per Statute, this rate is net of both investment and administrative expenses. GASB Statements No. 67 and 68 requires the long-term expected rate of return to be determined net of pension plan investment expense but without reduction for pension plan administrative expense. Administrative expenses are assumed to be approximately 30 basis points; consequently, the long-term expected rate of return used for purposes of GASB Statements No. 67 and 68 is increased by 30 basis points to 7.300%. This rate is gross of administrative expenses.

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.300%, the municipal bond rate is 3.060%, and the resulting single discount rate is 7.300%.

The following tables show the projection of assets and funded ratios for current members as of the valuation date.

## GASB Nos. 67 and 68

## Projection of Assets and Funded Ratio

| Plan Year<br>End 10/1 | Assets (bo)    | Member<br>Contributions | Employer<br>Contributions | Expenses     | Benefit<br>Payments | Income on<br>Cash Flow | Assets (eoy)   | Present Value<br>of Benefits (eoy) | Funded<br>Ratio (eoy) |
|-----------------------|----------------|-------------------------|---------------------------|--------------|---------------------|------------------------|----------------|------------------------------------|-----------------------|
| 2017                  | \$ 453,640,021 | \$ -                    | \$ 3,313,602              | \$ 1,249,357 | \$ 44,509,594       | \$ 31,474,937          | \$ 442,669,609 | \$ 479,147,398                     | 92%                   |
| 2018                  | 442,669,609    | -                       | 5,101,669                 | 1,225,304    | 39,179,513          | 30,866,081             | 438,232,542    | 473,540,780                        | 93%                   |
| 2019                  | 438,232,542    | -                       | 4,773,276                 | 1,209,935    | 40,918,738          | 30,480,362             | 431,357,507    | 465,723,290                        | 93%                   |
| 2020                  | 431,357,507    | -                       | 4,717,503                 | 1,192,940    | 38,904,716          | 30,051,311             | 426,028,665    | 459,421,362                        | 93%                   |
| 2021                  | 426,028,665    | -                       | 4,676,691                 | 1,178,687    | 38,089,771          | 29,692,038             | 421,128,936    | 453,503,561                        | 93%                   |
| 2022                  | 421,128,936    | -                       | 4,644,832                 | 1,159,261    | 41,705,156          | 29,205,417             | 412,114,769    | 443,408,738                        | 93%                   |
| 2023                  | 412,114,769    | -                       | 4,552,089                 | 1,136,278    | 39,548,728          | 28,625,530             | 404,607,382    | 434,810,744                        | 93%                   |
| 2024                  | 404,607,382    | -                       | 4,492,417                 | 1,110,789    | 42,135,479          | 27,985,652             | 393,839,183    | 422,905,591                        | 93%                   |
| 2025                  | 393,839,183    | -                       | 4,375,630                 | 1,081,930    | 40,528,289          | 27,258,237             | 383,862,830    | 411,796,182                        | 93%                   |
| 2026                  | 383,862,830    | -                       | 4,272,986                 | 1,050,816    | 42,062,366          | 26,476,071             | 371,498,705    | 398,286,701                        | 93%                   |
| 2027                  | 371,498,705    | -                       | 4,125,492                 | 1,017,200    | 40,548,330          | 25,628,985             | 359,687,652    | 385,359,354                        | 93%                   |
| 2028                  | 359,687,652    | -                       | 4,010,740                 | 987,766      | 37,252,147          | 24,886,025             | 350,344,504    | 374,902,684                        | 93%                   |
| 2029                  | 350,344,504    | -                       | 3,960,525                 | 960,501      | 37,394,186          | 24,199,860             | 340,150,202    | 363,535,546                        | 94%                   |
| 2030                  | 340,150,202    | -                       | 3,871,023                 | 931,727      | 36,876,546          | 23,475,268             | 329,688,220    | 351,874,808                        | 94%                   |
| 2031                  | 329,688,220    | -                       | 3,802,282                 | 901,802      | 36,617,869          | 22,721,892             | 318,692,723    | 339,630,788                        | 94%                   |
| 2032                  | 318,692,723    | -                       | 3,722,401                 | 871,425      | 35,604,511          | 21,956,646             | 307,895,834    | 327,542,649                        | 94%                   |
| 2033                  | 307,895,834    | -                       | 3,638,707                 | 840,300      | 35,504,468          | 21,173,177             | 296,362,950    | 314,675,705                        | 94%                   |
| 2034                  | 296,362,950    | -                       | 3,544,582                 | 807,222      | 35,281,111          | 20,340,471             | 284,159,670    | 301,100,842                        | 94%                   |
| 2035                  | 284,159,670    | -                       | 3,416,041                 | 774,222      | 33,663,534          | 19,508,817             | 272,646,772    | 288,210,592                        | 95%                   |
| 2036                  | 272,646,772    | -                       | 3,336,822                 | 742,562      | 32,501,591          | 18,711,174             | 261,450,614    | 275,582,959                        | 95%                   |
| 2037                  | 261,450,614    | -                       | 3,264,287                 | 711,437      | 31,602,949          | 17,927,194             | 250,327,709    | 262,964,375                        | 95%                   |
| 2038                  | 250,327,709    | -                       | 3,195,813                 | 680,472      | 30,740,847          | 17,147,244             | 239,249,447    | 250,317,648                        | 96%                   |
| 2039                  | 239,249,447    | -                       | 3,112,764                 | 649,950      | 29,661,931          | 16,378,312             | 228,428,642    | 237,865,314                        | 96%                   |
| 2040                  | 228,428,642    | -                       | 3,058,003                 | 619,566      | 29,003,052          | 15,613,109             | 217,477,135    | 225,186,463                        | 97%                   |
| 2041                  | 217,477,135    | -                       | 2,964,833                 | 589,433      | 27,908,534          | 14,853,975             | 206,797,976    | 212,715,820                        | 97%                   |
| 2042                  | 206,797,976    | -                       | 2,888,648                 | 560,107      | 26,801,929          | 14,115,128             | 196,439,716    | 200,481,106                        | 98%                   |
| 2043                  | 196,439,716    | -                       | 2,832,485                 | 531,510      | 25,833,944          | 13,394,710             | 186,301,457    | 188,355,952                        | 99%                   |
| 2044                  | 186,301,457    | -                       | 2,768,809                 | 503,775      | 24,710,098          | 12,695,909             | 176,552,302    | 176,509,805                        | 100%                  |
| 2045                  | 176,552,302    | -                       | 2,715,141                 | 477,144      | 23,602,353          | 12,024,896             | 167,212,842    | 164,946,355                        | 101%                  |

**GASB Statements No. 67 and 68**  
**Development of single equivalent discount rate**

| <b>Plan Year<br/>End 10/1</b>                | <b>Benefit<br/>Payments</b> | <b>Discount<br/>Rate</b> | <b>Discounted<br/>Benefit<br/>Payment</b> |
|----------------------------------------------|-----------------------------|--------------------------|-------------------------------------------|
| 2017                                         | \$44,509,594                | 7.300%                   | \$42,968,854                              |
| 2018                                         | 39,179,513                  | 7.300%                   | 35,250,027                                |
| 2019                                         | 40,918,738                  | 7.300%                   | 34,310,174                                |
| 2020                                         | 38,904,716                  | 7.300%                   | 30,402,075                                |
| 2021                                         | 38,089,771                  | 7.300%                   | 27,740,202                                |
| 2022                                         | 41,705,156                  | 7.300%                   | 28,306,833                                |
| 2023                                         | 39,548,728                  | 7.300%                   | 25,016,948                                |
| 2024                                         | 42,135,479                  | 7.300%                   | 24,839,910                                |
| 2025                                         | 40,528,289                  | 7.300%                   | 22,266,945                                |
| 2026                                         | 42,062,366                  | 7.300%                   | 21,537,552                                |
| 2027                                         | 40,548,330                  | 7.300%                   | 19,349,774                                |
| 2028                                         | 37,252,147                  | 7.300%                   | 16,567,406                                |
| 2029                                         | 37,394,186                  | 7.300%                   | 15,499,138                                |
| 2030                                         | 36,876,546                  | 7.300%                   | 14,244,722                                |
| 2031                                         | 36,617,869                  | 7.300%                   | 13,182,479                                |
| 2032                                         | 35,604,511                  | 7.300%                   | 11,945,638                                |
| 2033                                         | 35,504,468                  | 7.300%                   | 11,101,652                                |
| 2034                                         | 35,281,111                  | 7.300%                   | 10,281,278                                |
| 2035                                         | 33,663,534                  | 7.300%                   | 9,142,497                                 |
| 2036                                         | 32,501,591                  | 7.300%                   | 8,226,404                                 |
| 2037                                         | 31,602,949                  | 7.300%                   | 7,454,754                                 |
| 2038                                         | 30,740,847                  | 7.300%                   | 6,758,056                                 |
| 2039                                         | 29,661,931                  | 7.300%                   | 6,077,230                                 |
| 2040                                         | 29,003,052                  | 7.300%                   | 5,537,965                                 |
| 2041                                         | 27,908,534                  | 7.300%                   | 4,966,425                                 |
| 2042                                         | 26,801,929                  | 7.300%                   | 4,445,014                                 |
| 2043                                         | 25,833,944                  | 7.300%                   | 3,992,989                                 |
| 2044                                         | 24,710,098                  | 7.300%                   | 3,559,444                                 |
| 2045                                         | 23,602,353                  | 7.300%                   | 3,168,569                                 |
| 2046                                         | 22,552,185                  | 7.300%                   | 2,821,609                                 |
| 2056                                         | 11,642,694                  | 7.300%                   | 720,053                                   |
| 2066                                         | 3,855,532                   | 7.300%                   | 117,869                                   |
| 2076                                         | 1,050,341                   | 7.300%                   | 15,873                                    |
| 2086                                         | 263,865                     | 7.300%                   | 1,971                                     |
| 2096                                         | 48,185                      | 7.300%                   | 178                                       |
| 2106                                         | 6,039                       | 7.300%                   | 11                                        |
| 2116                                         | 248                         | 7.300%                   | 0                                         |
| <b>Total Present Value - October 1, 2016</b> |                             |                          | <b>\$489,518,153</b>                      |



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**SECTION I**

GLOSSARY OF TERMS

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## GLOSSARY OF TERMS

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|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i><b>Accrued Service</b></i>                                                                 | Service credited under the system which was rendered before the date of the actuarial valuation.                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <i><b>Actuarial Accrued Liability (AAL)</b></i>                                               | The AAL is the difference between the actuarial present value of all benefits and the actuarial value of future normal costs. The definition comes from the fundamental equation of funding which states that the present value of all benefits is the sum of the Actuarial Accrued Liability and the present value of future normal costs. The AAL may also be referred to as "accrued liability" or "actuarial liability."                                                                                          |
| <i><b>Actuarial Assumptions</b></i>                                                           | These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation. |
| <i><b>Actuarial Cost Method</b></i>                                                           | A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the pension trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.                                                                                                                                                                                                                                       |
| <i><b>Actuarial Equivalent</b></i>                                                            | A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.                                                                                                                                                                                                                                                                                                                                              |
| <i><b>Actuarial Gain (Loss)</b></i>                                                           | The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.                                                                                                                                                                                                                                                                                                                                     |
| <i><b>Actuarial Present Value (APV)</b></i>                                                   | The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.                                                                                                                                                                                                                                                                                      |
| <i><b>Actuarial Valuation</b></i>                                                             | The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total pension liability and related actuarial present value of projected benefit payments for pensions.                                                                                                                                                                                                                                                                                                              |
| <i><b>Actuarial Valuation Date</b></i>                                                        | The date as of which an actuarial valuation is performed.                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <i><b>Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)</b></i> | A calculated contribution into a defined benefit pension plan for the reporting period, most often determined based on the funding policy of the plan. Typically the Actuarially Determined Contribution has a normal cost payment and an amortization payment.                                                                                                                                                                                                                                                       |

## GLOSSARY OF TERMS

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| <b><i>Amortization Method</i></b>                                                                     | The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be “open” (meaning, reset each year) or “closed” (the number of years remaining will decline each year).                                                                                                                                                                                                                                                                                                 |
| <b><i>Amortization Payment</i></b>                                                                    | The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b><i>Cost-of-Living Adjustments</i></b>                                                              | Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b><i>Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (cost-sharing pension plan)</i></b> | A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.                                                                                                                                                                                                                                                                                                                                   |
| <b><i>Covered-Employee Payroll</i></b>                                                                | The payroll of covered employees, which is typically only the pensionable pay and does not include pay above any pay cap.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b><i>Deferred Inflows and Outflows</i></b>                                                           | The deferred inflows and outflows of pension resources are amounts used under GASB Statement No. 68 in developing the annual pension expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.                                                                                                                                                                                                               |
| <b><i>Deferred Retirement Option Program (DROP)</i></b>                                               | A program that permits a plan member to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The plan member continues to provide service to the employer and is paid for the service by the employer after the DROP entry date; however, the pensions that would have been paid to the plan member are credited to an individual member account within the defined benefit pension plan until the end of the DROP period. Other variations for DROP exist and will be more fully detailed in the plan provision section of the valuation report. |
| <b><i>Discount Rate</i></b>                                                                           | For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically: <ol style="list-style-type: none"> <li>1. The benefit payments to be made while the pension plans' fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period; and</li> <li>2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.</li> </ol>                      |

## GLOSSARY OF TERMS

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| <b><i>Entry Age Actuarial Cost Method (EAN)</i></b>          | The EAN is a funding method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit ages(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits. |
| <b><i>Fiduciary Net Position</i></b>                         | The fiduciary net position is the market value of the assets of the trust dedicated to the defined benefit provisions.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b><i>GASB</i></b>                                           | The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b><i>Long-Term Expected Rate of Return</i></b>              | The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b><i>Money-Weighted Rate of Return</i></b>                  | The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 68, money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b><i>Multiple-Employer Defined Benefit Pension Plan</i></b> | A multiple-employer plan is a defined benefit pension plan that is used to provide pensions to the employees of more than one employer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b><i>Municipal Bond Rate</i></b>                            | The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b><i>Net Pension Liability (NPL)</i></b>                    | The NPL is the liability of employers and non-employer contribution entities to plan members for benefits provided through a defined benefit pension plan.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b><i>Non-Employer Contribution Entities</i></b>             | Non-employer contribution entities are entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of the GASB accounting statements, plan members are not considered non-employer contribution entities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b><i>Normal Cost</i></b>                                    | The actuarial present value of the pension trust benefits allocated to the current year by the actuarial cost method.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

## GLOSSARY OF TERMS

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| <b><i>Other Postemployment Benefits (OPEB)</i></b>        | All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.                                                                                                                                                                                                                                                                                                                                                       |
| <b><i>Real Rate of Return</i></b>                         | The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b><i>Service Cost</i></b>                                | The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b><i>Total Pension Expense</i></b>                       | The total pension expense is the sum of the following items that are recognized at the end of the employer's fiscal year: <ol style="list-style-type: none"> <li>1. Service Cost</li> <li>2. Interest on the Total Pension Liability</li> <li>3. Current-Period Benefit Changes</li> <li>4. Employee Contributions (made negative for addition here)</li> <li>5. Projected Earnings on Plan Investments (made negative for addition here)</li> <li>6. Pension Plan Administrative Expense</li> <li>7. Other Changes in Plan Fiduciary Net Position</li> <li>8. Recognition of Outflow (Inflow) of Resources due to Liabilities</li> <li>9. Recognition of Outflow (Inflow) of Resources due to Assets</li> </ol> |
| <b><i>Total Pension Liability (TPL)</i></b>               | The TPL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b><i>Unfunded Actuarial Accrued Liability (UAAL)</i></b> | The UAAL is the difference between actuarial accrued liability and valuation assets.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b><i>Valuation Assets</i></b>                            | The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of GASB Statements No. 67 and 68, the valuation assets are equal to the market value of assets.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |