



May 31, 2016

Ms. Mayte D. Gamiotea  
Pension Administrator  
Retirement Plan for Employees of the  
Town of Surfside  
9293 Harding Avenue  
Surfside, Florida 33154

**Re: Retirement Plan for Employees of the Town of Surfside  
GASB Statement Nos. 67 and 68 Year End (*True-Up*)**

Dear Mayte:

As requested, we are pleased to enclose a copy of the Year-End Disclosure Report of actuarial information as of September 30, 2015 for the Retirement Plan for Employees of the Town of Surfside (Plan) required under GASB Statement Nos. 67 and 68.

We are pleased to enclose the following exhibits:

- Statement of Change in Net Pension Liability and Ratios
- Schedule of Contributions
- Notes to Schedule of Contributions
- Discount Rate
- Sensitivity Analysis

For GASB Statement No. 67, the actuarial valuation of the liabilities is determined as of the beginning of the year, October 1, 2014, and *rolled forward* to the measurement date, September 30, 2015. For GASB Statement No. 68, the actuarial valuation of the liabilities is determined as of the beginning of the year, October 1, 2013, *rolled forward* to the measurement date, September 30, 2014 for reporting date September 30, 2015. As you are aware, using the beginning year valuation liabilities allows for timelier reporting at year end. If significant changes occur during the year, such as benefit changes or changes in assumptions or methods, these may need to be reflected in the process.

The enclosed exhibits were based upon draft financial information as of September 30, 2015, which was furnished by the Town. **If this draft financial information changes during the auditing process, these exhibits may require revision.**

Please note there are other items not listed above that will be required in the Plan's financial statements and / or the Town's Comprehensive Annual Financial Report (CAFR) to fully comply with GASB Statement Nos. 67 and 68 standards. This additional information will need to be

provided by the Plan's investment consultants, accountants or other financial statement preparers.

### **Required Disclosures**

Plan provisions, member census data and actuarial assumptions and methods employed for purposes of our calculations are the same Plan provisions, member census data and actuarial assumptions and methods utilized for the October 1, 2014 Actuarial Valuation.

The actuarial assumptions used in this Actuarial Valuation are as adopted by the Board of Trustees. The economic and demographic actuarial assumptions are based on the results of actuarial Experience Studies for the periods October 1, 2001 - September 30, 2006 and October 1, 2007 - September 30, 2010. Each assumption represents an estimate of future Plan experience.

Financial data was provided by the Town for the October 1, 2015 Actuarial Valuation. DROP account balances total \$167,155 as of September 30, 2015.

The GASB Net Pension Liability and Plan Fiduciary Net Position as a Percentage of Total Pension Liability may not be appropriate for assessing the sufficiency of Plan assets to meet the estimated cost of settling benefit obligations but may be appropriate for assessing the need for or the amount of future contributions.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: Plan experience differing from anticipated under the economic or demographic assumptions; changes in economic or anticipated under the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in Plan provisions or applicable law. Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

This report should not be relied on for any purpose other than the purpose described in the primary communication. Determinations of the financial results associated with the benefits described in this report in a manner other than the intended purpose may produce significantly different results.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement plans. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the Plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

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This report may be provided to parties other than the Board only in its entirety and only with the permission of an approved representative of the Board.  
The signing actuaries are independent of the Plan sponsor.

The undersigned are Members of the American Academy of Actuaries and meet the qualification standards of the American Academy of Actuaries to render the actuarial opinions contained in this report.

If you should have any questions concerning the above or if we may be of further assistance with this matter, please do not hesitate to contact us.

Sincerest regards,



Lawrence F. Wilson, E.A., A.S.A.  
Senior Consultant and Actuary



Jennifer M. Borregard, E.A.  
Consultant and Actuary

Enclosures

**Retirement Plan for Employees of the  
Town of Surfside, Florida**

**GASB Statement Numbers 67 and 68 Information**

**I. Net Pension Liability and Related Ratios**

Measurement date	<u>9/30/2014</u>	<u>9/30/2015</u>
<b>A. <u>Total Pension Liability (TPL)</u></b>		
Service Cost	\$ 888,988	\$ 901,998
Interest	1,227,596	1,336,817
Benefit Changes	35,244	0
Difference Between Actual and Expected Experience	170,264	100,031
Assumption Changes	0	0
Benefit Payments, including Refunds of Member Contributions	(545,746)	(665,019)
Net Change in Total Pension Liability	<u>\$ 1,776,346</u>	<u>\$ 1,673,827</u>
Total Pension Liability (TPL) - (beginning of year)	<u>15,562,038</u>	<u>17,338,384</u>
Total Pension Liability (TPL) - (end of year)	<u><u>\$ 17,338,384</u></u>	<u><u>\$ 19,012,211</u></u>
<b>B. <u>Plan Fiduciary Net Position</u></b>		
Contributions - Town	\$ 631,584	\$ 727,022
Contributions - Member	349,600	387,678
Net Investment Income	1,396,431	(128,796)
Benefit Payments, including Refunds of Member Contributions	(545,746)	(665,019)
Administrative Expenses	(80,194)	(85,426)
Other	0	0
Net Change in Plan Fiduciary Net Position	<u>\$ 1,751,675</u>	<u>\$ 235,459</u>
Plan Fiduciary Net Position - (beginning of year)	<u>14,506,355</u>	<u>16,258,030</u>
Plan Fiduciary Net Position - (end of year)	<u><u>\$ 16,258,030</u></u>	<u><u>\$ 16,493,489</u></u>
<b>C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u></b>	\$ 1,080,354	\$ 2,518,722
<b>D. <u>Plan Fiduciary Net Position as a Percentage of TPL: (B) / (A)</u></b>	93.77 %	86.75 %
<b>E. <u>Covered Employee Payroll</u> *</b>	\$ 5,103,795	\$ 5,321,296
<b>F. <u>NPL as a Percentage of Covered Employee Payroll: (C) / (E)</u></b>	21.17 %	47.33 %
<b>G. <u>Notes to Schedule:</u></b>		
Valuation Date	10/01/2013	10/01/2014
Reporting Date (GASB 68)	9/30/2015	9/30/2016
Update procedures used to roll forward TPL excluding DROP account balances to the measurement dates - actual DROP account balances as of measurement dates included in TPL.		

No benefit and / or assumption changes during FYE 2015.

See page 6, Item III. for benefit changes in FYE 2014. No assumption changes in FYE 2014.

\* Reported payroll on which contributions to the Plan are based as provided under GASB Statement Number 82

**Retirement Plan for Employees of the  
Town of Surfside, Florida**

**GASB Statement Numbers 67 and 68 Information**

**II. Schedule of Employer Contributions**

Fiscal Year End 9/30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll <sup>1,2</sup>	Actual Contribution as a % of Covered Payroll
2006	\$ 203,274	\$ 230,812	\$ (27,538)	\$ 3,170,278	7.28%
2007	264,370	264,370	0	3,653,048	7.24%
2008	384,905	384,416	489	3,978,291	9.66%
2009	423,747	423,747	0	4,568,544	9.28%
2010	553,919	553,919	0	4,059,522	13.64%
2011	625,963	625,963	0	4,016,852	15.58%
2012	515,440	515,440	0	4,053,208	12.72%
2013	534,209	534,209	0	4,359,957	12.25%
2014	631,584	631,584	0	5,103,795	12.37%
2015	727,022	727,022	0	5,321,296	13.66%

<sup>1</sup> Projected prior to fiscal year ended September 30, 2014

<sup>2</sup> Reported payroll on which contributions to the Plan are based as provided under GASB Statement Number 82

Deferred Outflows for Town Contributions to Be Recognized in Fiscal Year Ending September 30, 2016 Pension Expense	\$ 727,022
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**Retirement Plan for Employees of the  
Town of Surfside, Florida**

**GASB Statement Numbers 67 and 68 Information**

III. Notes to Schedule of Contributions

**Valuation Date:** Actuarially determined contributions are calculated as of October 1st - two years prior the fiscal year end in which contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age
Amortization Method	Level dollar amount, Closed
Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5%
Salary Increases	4.0% - 13.5%
Investment Rate of Return	7.5%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition

**Mortality** For healthy General Employee participants, RP 2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with 15 years generational projection from valuation date for actives - 7 years generational projection from valuation date for inactives with Scale AA.

For healthy Police Officer participants, RP 2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with Blue Collar Adjustment and 15 years generational projection from valuation date for actives - 7 years generational projection from valuation date for inactives with Scale AA

For disabled participants, RP 2000 Combined Disabled Mortality Tables, separate rates for males and females, with 15 years generational projection from valuation date for actives - 7 years generational projection from valuation date for inactives with Scale AA.

**Cost of Living Adjustment** 1.5%

**Other Information:**

**Benefit Changes**

2013: Police Officers - normal retirement eligibility updated to include completion of 15 years and 4 months of service if hired on a full time basis in March 2003; General Employees - may enter DROP upon attainment of normal retirement. 2012: Police Officers - normal retirement eligibility updated to the earliest of (1) age 52 with 20 years of Creditable Service, (2) age 62 with 5 years of Creditable Service or (3) completion of 25 years of Creditable Service. 2011: Town Manager and Town Attorney allowed to opt out of Plan. 2009: Member contributions *picked-up* by the Town. 2006: Police Officers - vesting percentages updated.

**Retirement Plan for Employees of the  
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**GASB Statement Numbers 67 and 68 Information**

III. Notes to Schedule of Contributions (cont'd)

Assumption Changes

2012: Mortality assumption for General Employees updated to RP 2000 Combined Healthy Participant Mortality Tables (RP 2000 Disabled Mortality Table for disabled lives), separate rates for males and females, with 15 years generational projection from valuation date for actives - 7 years generational projection from valuation date for inactives with Scale AA; mortality assumption for Police Officer participants updated to RP 2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with Blue Collar Adjustment and 15 years generational projection from valuation date for actives - 7 years generational projection from valuation date for inactives with Scale AA. 2010: Salary increase factors updated. 2007: Mortality assumption for healthy participants updated to 1994 UP Mortality Table (RP 2000 Disabled Mortality Table for Disabled Lives) projected to 2007 with separate rates for males and females, salary increase factors, withdrawal rates and service related disability assumptions updated.

**Retirement Plan for Employees of the  
Town of Surfside, Florida**

**GASB Statement Numbers 67 and 68 Information**

**IV. Discount Rate**

A discount rate of 7.5% was used to measure the September 30, 2015 TPL. This discount rate was based on the expected rate of return on Plan investments of 7.5%. The projection of cash flows used to determine this discount rate assumed member contributions will be made at the current member contribution rate and employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member contribution rate. Based on these assumptions, the pension Plan's fiduciary net position was projected to be available to make all projected future expected benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the TPL.

**V. Sensitivity of the NPL to the Discount Rate Assumption**

Measurement date: September 30, 2015

	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.5%	7.5%	8.5%
NPL	\$ 5,137,865	\$ 2,518,722	\$ 357,822