



January 15, 2018

Mr. Shawn Boyle
Finance and Administrative Services Director
City of Winter Springs
1126 East State Road 434
Winter Springs, Florida 32708

**Re: City of Winter Springs Defined Benefit Plan
GASB Statement No. 67 Year End (True-Up)**

Dear Shawn:

As requested, we are pleased to enclose a copy of the Year-End Disclosure Report of actuarial information as of September 30, 2017 for the City of Winter Springs Defined Benefit Plan (Plan) required under GASB Statement No 67.

Enclosed are the following exhibits:

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

The actuarial valuation of the liabilities is determined as of the beginning of the year, October 1, 2016, and *rolled forward* to the measurement date, September 30, 2017. 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, 2017, which was furnished by the Plan. **If any of this information changes during the auditing process, then these exhibits will need to be revised.**

Please note there are other items not listed above that will be required in the Plan's financial statements and / or the City's Comprehensive Annual Financial Report (CAFR) to fully comply with GASB Statement No. 67 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, 2016 Actuarial Valuation. The actuarial assumptions used in this report were last updated in 2016 and are as adopted by the Board. Each assumption represents an estimate of future Plan experience.

Financial data was provided by the City for the October 1, 2017 Actuarial Valuation.

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 systems. 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.

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.

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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, A.S.A., E.A.
Senior Consultant and Actuary



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

Enclosures

GASB Statement Number 67 Information

I. Net Pension Liability and Related Ratios

Measurement date	<u>9/30/2014</u>	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>
A. <u>Total Pension Liability (TPL)</u>				
Service Cost	\$ 886,819	\$ 834,402	\$ 808,281	\$ 697,459
Interest	3,666,120	3,851,130	4,059,813	4,229,901
Benefit Changes	0	0	0	0
Difference Between Actual and Expected Experience	(581,481)	(107,513)	275,994	(592,087)
Assumption Changes	0	8,107	0	526,115
Benefit Payments, including Refunds of Member Contributions	<u>(1,974,208)</u>	<u>(2,202,769)</u>	<u>(2,450,972)</u>	<u>(2,679,408)</u>
Net Change in Total Pension Liability	\$ 1,997,250	\$ 2,383,357	\$ 2,693,116	\$ 2,181,980
Total Pension Liability (TPL) - (beginning of year)	<u>46,508,261</u>	<u>48,505,511</u>	<u>50,888,868</u>	<u>53,581,984</u>
Total Pension Liability (TPL) - (end of year)	<u>\$ 48,505,511</u>	<u>\$ 50,888,868</u>	<u>\$ 53,581,984</u>	<u>\$ 55,763,964</u>
B. <u>Plan Fiduciary Net Position</u>				
Contributions - County and City	\$ 2,527,508	\$ 2,392,948	\$ 2,586,936	\$ 2,605,753
Contributions - Member	369,500	358,106	479,257	342,209
Net Investment Income	3,885,344	5,160	4,077,452	5,851,493
Benefit Payments, including Refunds of Member Contributions	(1,974,208)	(2,202,769)	(2,450,972)	(2,679,408)
Administrative Expenses	(159,424)	(11,937)	(28,208)	(55,697)
Other	0	0	0	0
Net Change in Plan Fiduciary Net Position	\$ 4,648,720	\$ 541,508	\$ 4,664,465	6,064,350
Plan Fiduciary Net Position - (beginning of year)	<u>32,172,541</u>	<u>36,821,261</u>	<u>37,362,769</u>	<u>42,027,234</u>
Plan Fiduciary Net Position - (end of year)	<u>\$ 36,821,261</u>	<u>\$ 37,362,769</u>	<u>\$ 42,027,234</u>	<u>\$ 48,091,584</u>
C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u>	\$ 11,684,250	\$ 13,526,099	\$ 11,554,750	\$ 7,672,380
D. <u>Plan Fiduciary Net Position as a Percentage of TPL: (B) / (A)</u>	75.91 %	73.42 %	78.44 %	86.24 %
E. <u>Covered Employee Payroll *</u>	\$ 7,369,943	\$ 7,070,355	\$ 6,671,503	\$ 5,846,435
F. <u>NPL as a Percentage of Covered Employee Payroll: (C) / (E)</u>	158.54 %	191.31 %	173.20 %	131.23 %
G. <u>Notes to Schedule:</u>				
Valuation Date	10/01/2013	10/01/2014	10/01/2015	10/01/2016
Reporting Date (GASB Number 68)	9/30/2015	9/30/2016	9/30/2017	9/30/2018

Update procedures were used to roll forward the TPL to the measurement date.

No method or benefit changes during the year. Mortality assumption was updated during the year.

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

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II. Schedule of Employer Contributions

<u>Fiscal Year End 9/30</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution ¹</u>	<u>Contribution Deficiency / (Excess)</u>	<u>Covered Payroll ²</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2008	\$ 2,005,100	\$ 2,009,085	\$ (3,985)	\$ 11,190,013	17.95%
2009	1,781,651	1,781,197	454	10,767,596	16.54%
2010	2,311,058	2,311,058	0	10,752,720	21.49%
2011	2,616,924	2,616,924	0	10,304,054	25.40%
2012	1,965,643	1,913,717	51,926	8,875,836	21.56%
2013	2,258,769	2,258,798	(29)	8,216,342	27.49%
2014	2,474,578	2,527,508	(52,930)	7,369,943	34.29%
2015	2,230,908	2,392,948	(162,040)	7,070,355	33.84%
2016	2,067,445	2,586,936	(519,491)	6,671,503	38.78%
2017	1,831,495	2,605,753	(774,258)	5,846,435	44.57%

¹ Per City CAFR prior to September 30, 2014

² Reported payroll on which contributions to the Plan are based as provided under GASB Number 82 (projected prior to fiscal year ended September 30, 2014)

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III. Notes to Schedule of Contributions

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, closed
Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.0%
Salary Increases	3.0% - 7.5%
Investment Rate of Return	8.0%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	<p>For healthy General Employee participants, RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.</p> <p>For healthy Firefighter and Police Officer participants, RP-2000 Combined Healthy Participant Mortality Tables with Blue Collar Adjustment, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.</p> <p>For disabled participants, RP-2000 Disabled Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.</p>

Other Information:

Benefit Changes

2011: Plan closed to future general employees; pensionable earnings to base pay, overtime - maximum 150 hours and accrued leave balance as of July 1, 2011; vesting schedule updated; unreduced early retirement eligibility updated; final average pay updated to five year average and future service benefit accrual rate reduced for general employees. 2008: Benefit accrual rate increased.

Assumption Changes

2014: Disability rates updated. 2008: Mortality, salary increase, withdrawal, disability and retirement rates updated; administrative expense assumption introduced and actuarial cost method updated.

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IV. Discount Rate

A discount rate of 8% was used to measure the TPL. This discount rate was based on the expected rate of return on Plan investments of 8%. 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, 2017

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Discount Rate	7%	8%	9%
NPL	\$ 14,259,497	\$ 7,672,380	\$ 2,129,852