

CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM
FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2016
AND INDEPENDENT AUDITORS' REPORT

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POLICE OFFICERS' RETIREMENT SYSTEM
FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2016

AND INDEPENDENT AUDITORS' REPORT

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
 Basic Financial Statements	
Statement of Fiduciary Net Position.....	10
Statement of Changes in Fiduciary Net Position.....	11
Notes to Financial Statements	12-22
 Required Supplementary Information	
Schedule of Changes in Net Pension Liability and Related Ratios Multi-Year.....	23
Schedule of Funding Progress	24
Schedule of Net Pension Liability Multi-Year	25
Schedule of Contributions from Employer and Other Participating Entities	26
Note to Required Supplementary Information Schedule of Contributions	27
Note to Required Supplementary Information Schedule of Investment Returns	28



INDEPENDENT AUDITORS' REPORT

To the Trustees of
The City of Jacksonville Beach, Florida
Police Officers' Retirement System
Honorable Mayor and Members of the City Council
Jacksonville Beach, Florida

Report on the Financial Statements

We have audited the accompanying statement of fiduciary net position of the City of Jacksonville Beach, Florida, Police Officers' Retirement System (the PORs) as of September 30, 2016, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the PORs's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the PORs's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PORs's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Certified Public Accountants

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MEMBERS OF AMERICAN AND FLORIDA INSTITUTES OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS PRIVATE COMPANIES AND S.E.C. PRACTICE SECTIONS

To the Trustees of
The City of Jacksonville Beach, Florida
Police Officers' Retirement System
Honorable Mayor and Members of the City Council
Jacksonville Beach, Florida

INDEPENDENT AUDITORS' REPORT
(Concluded)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the PORS as of September 30, 2016, and the changes in its financial status for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



March 8, 2017
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Jacksonville Beach, Florida, Police Officers' Retirement System (the Plan) provides an overview of the financial activities and funding conditions for the fiscal year ended September 30, 2016.

Financial Highlights

- The Plan's total net position held in trust for the payment of benefits and to meet the Plan's future obligations to its members and their beneficiaries was \$19,972,236. The Plan's position increased by \$1,220,470, a 6.51% increase for the year.
- Employer contributions to the Plan increased \$87,690 over the previous year. The actual employer contributions were \$432,769 for 2016, and \$345,079 for 2015. The increase is attributable to an increase in the actuarially calculated contribution requirement.
- Employee contributions to the Plan increased by \$14,447 from the previous year. The actual employee contributions were \$343,112 for 2016, and \$328,665 for 2015. The increase in employee contributions is attributable to an increase in covered payroll dollars.
- The net investment income increased by \$1,558,291 compared to 2015. The actual results were \$1,498,726 for 2016, and \$(59,565) for 2015. Investment income increased due to an improvement in all asset classes compared to the previous year.
- Benefit payments and refund of contributions decreased by \$(108,596) compared to 2015. The benefit payments and refund of contributions were \$1,217,358 for 2016, and \$1,325,954 for 2015. The decrease is attributable to fewer employees receiving refunds of their contributions at termination and fewer benefits being paid.

Pension plan provisions for the Police Officers' Retirement System were modified significantly in Fiscal Year 2014 to improve the Plan's financial sustainability. The modifications included increasing the employee's contribution rate, changing the vesting periods, modifying pensionable pay exclusions, and modifying the Deferred Retirement Option Program (DROP). Details of the changes can be found in the Notes to the Financial Statements beginning on page 12. The funding objective of the Police Officers' Retirement System is to meet its long-term pension benefit obligations through employer and employee contributions and investment returns. The Plan fiduciary net position as a percentage of total pension liability was 86.26% as of September 30, 2016.

Financial Analysis

The following discussion and analysis are intended to serve as an introduction to the City of Jacksonville Beach, Florida, Police Officers' Retirement System financial statements, which are comprised of the Statement of Fiduciary Net Position, the Statement of Changes in Fiduciary Net Position, Notes to Financial Statements, and certain required supplementary information.

The financial statements reflect the activities of the Police Officers' pension plan and are reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position. These statements are presented on a full accrual basis and reflect all trust activities as incurred.

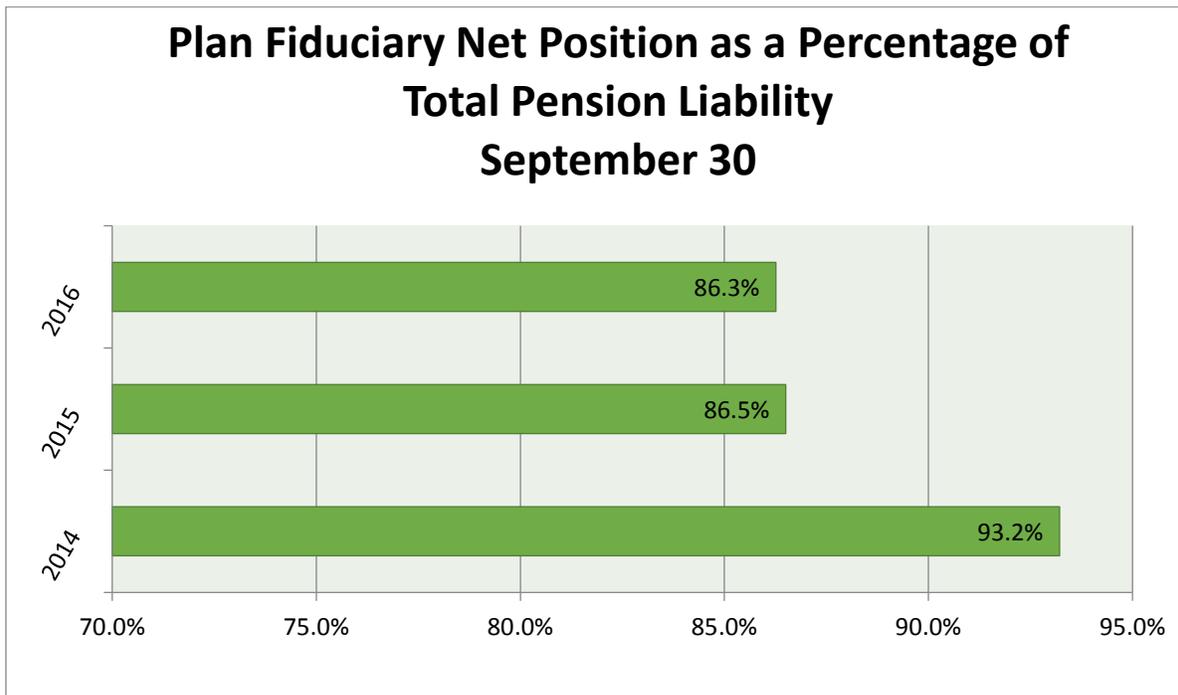
MANAGEMENT’S DISCUSSION AND ANALYSIS
(Continued)

Financial Analysis (Continued)

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Jacksonville Beach’s progress in funding its obligation to provide pension benefits to its employees.

In 2014, the City implemented Governmental Accounting Standards Board Statement No. 67 (GASB 67) as required for the Police Officers’ Retirement System. This statement requires additional disclosures in the Plan financial statements. The statement also requires the net pension liability to be measured as of the Plans’ most recent fiscal year-end using methods prescribed by GASB that differ significantly from previous methods. The required disclosures for the Police Officers’ Retirement System can be found in the Notes to the Financial Statements beginning on page 12 and the Required Supplementary Information beginning on page 23.

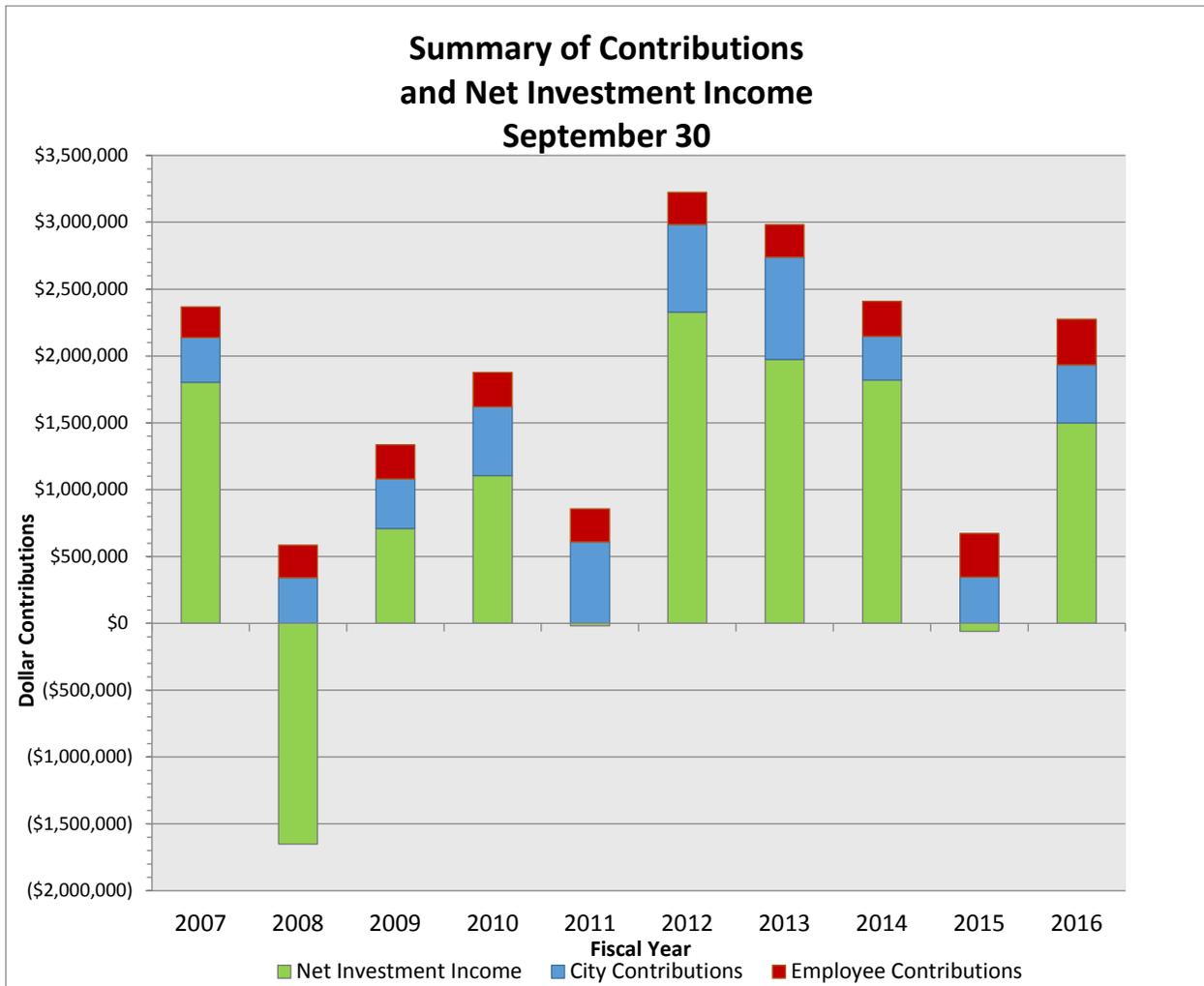
There are several ways to measure the Plan’s financial status. One means is to determine the Plan’s net position available to pay benefits. This is the difference between total assets and total liabilities. Another way is to refer to the Plan’s Net Pension Liability, which takes into account the total pension liability and the Plan fiduciary net position. The chart below displays the Plan fiduciary net position as a percentage of total pension liability for the past three years.



MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Financial Analysis (Continued)

The funding objective of the Retirement System is to establish and receive contributions (expressed as a percent of active member payroll) which should remain level from year-to-year and not have to be increased for future generations of citizens in the absence of benefit improvements. The Retirement System is supported by member contributions, City contributions, property insurance premium tax monies received from the state (pursuant to Chapters 185 Florida Statutes), and investment income from the Retirement System assets as displayed on the chart below:



MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Financial Analysis (Continued)

Actuarial differences between actual and assumed investment return are phased-in over a closed four-year period. Therefore, during periods when investment performance exceeds the assumed rate, asset values will tend to be less than market value. Conversely, during periods when investment performance is less than the assumed rate, valuation assets will tend to be greater than market value. As of October 1, 2015, the date of the last actuarial valuation, the Plan had a market value of \$18,751,766 and a funding value of \$19,488,736, as shown in the chart below:

Market/Funding Value of Assets

Plan Year Ended 9-30	Market Value	Funding Value
2006	\$ 13,811,694	\$ 13,706,874
2007	15,331,815	14,694,480
2008	13,389,964	15,103,933
2009	13,751,378	15,342,170
2010	14,616,340	15,645,784
2011	14,335,554	15,547,681
2012	16,529,793	16,364,606
2013	18,210,225	17,469,215
2014	19,317,303	18,366,538
2015	18,751,766	19,488,736

The Statement of Fiduciary Net Position is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities that are owed at this time.

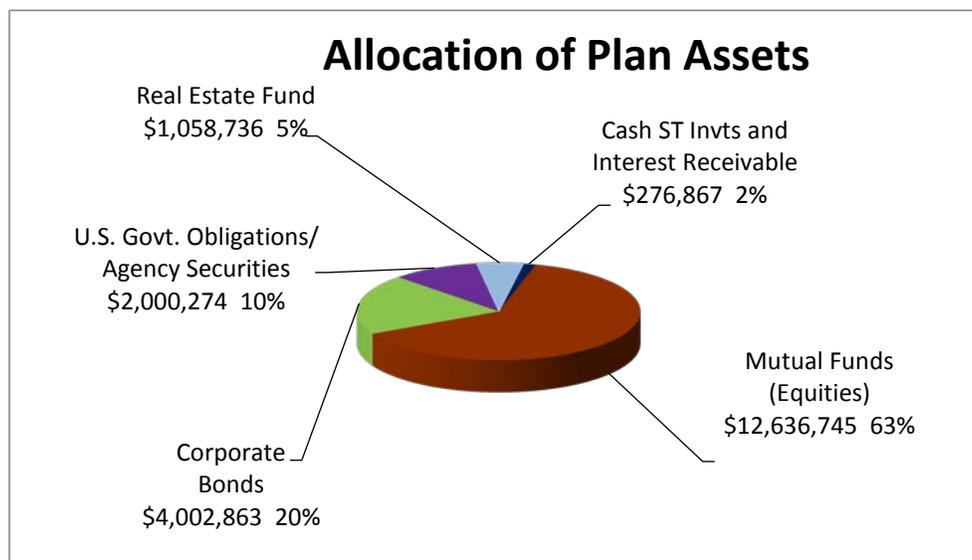
Fiduciary Net Position Restricted for Pension Benefits as of September 30

	2016	2015	Increase/ (Decrease)
Cash and Short-term Investments	\$ 247,391	\$ 542,721	\$ (295,330)
Interest Receivable	29,476	35,001	(5,525)
Investments	19,698,618	18,175,784	1,522,834
Total Assets	19,975,485	18,753,506	1,221,979
Accounts Payable	2,934	1,155	1,779
Other Accrued Liabilities	315	585	(270)
Total Liabilities	3,249	1,740	1,509
Net Position Restricted for Pension Benefits	\$ 19,972,236	\$ 18,751,766	\$ 1,220,470

The net position of the Police Officers' Retirement System, as of September 30, 2016, was \$19,972,236. The allocation of the Plan's total assets as of September 30, 2016, is shown on the pie chart on the following page:

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Financial Analysis (Continued)



Revenues essential to funding the Plan are obtained from member contributions, City contributions, State premium tax distributions, and investment income from the retirement system assets. For the Plan year ended September 30, 2016, Plan participants were required to pay 7.95% of their annual pensionable salary to the Plan. The City makes periodic contributions totaling 100% of the annual actuarially determined amount to the Plan. The Plan receives an annual distribution of casualty insurance premium tax monies from the State of Florida pursuant to Chapter 185, Florida Statutes.

The Statement of Changes in Fiduciary Net Position provides a view of current year additions to and deductions from the Plan's net position. The sum of net investment earnings and contributions were higher than deductions, resulting in an overall 6.51% increase in plan net position for the year. Earnings and losses on investments are reported net of investment expenses. The following table shows a comparative summary of the changes in net position and reflects the Plan's activities for the fiscal years ended September 30.

Changes in Fiduciary Net Position for the Year Ended September 30

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>	<u>Percentage Change</u>
Additions:				
Contributions	\$ 1,005,806	\$ 891,500	\$ 114,306	12.82%
Net Investment Earnings	1,498,726	(59,565)	1,558,291	2,616.12%
Transfers for Retirants	53,533	30,202	23,331	77.25%
Total Additions, Net	<u>2,558,065</u>	<u>862,137</u>	<u>1,695,928</u>	196.71%
Deductions:				
Benefits and Refunds	1,217,358	1,325,954	(108,596)	-8.19%
Administrative Expenses	66,704	71,518	(4,814)	-6.73%
Transfers for Retirants	53,533	30,202	23,331	77.25%
Total Deductions	<u>1,337,595</u>	<u>1,427,674</u>	<u>(90,079)</u>	-6.31%
Change in Net Position	1,220,470	(565,537)	1,786,007	315.81%
Beginning of Year, Net Position	<u>18,751,766</u>	<u>19,317,303</u>	<u>(565,537)</u>	-2.93%
End of Year, Net Position	<u>\$ 19,972,236</u>	<u>\$ 18,751,766</u>	<u>\$ 1,220,470</u>	6.51%

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Continued)

Financial Analysis (Concluded)

The Plan's investment earnings result from market gains and losses on investments during the year as well as dividend and interest earnings.

Additions to the Fiduciary Net Position

The monies to pay benefits are accumulated from the contributions made from employers, employees, State distributions of Chapter 185 premium taxes, and income generated from the Plan's investments. Earnings and losses on investments are reported net of investment expenses.

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>
Additions:			
Employee Contributions	\$ 343,112	\$ 328,665	\$ 14,447
Employer Contributions	432,769	345,079	87,690
State of Florida Contributions	229,925	217,756	12,169
Net Investment Income	1,498,726	(59,565)	1,558,291
Transfers In	<u>53,533</u>	<u>30,202</u>	<u>23,331</u>
Total Additions	<u>\$ 2,558,065</u>	<u>\$ 862,137</u>	<u>\$ 1,695,928</u>

Deductions from the Fiduciary Net Position

The Plan provides a lifetime pension benefit to its retired members, as well as survivor, and disability benefits. Annual expenses to the Plan include retirement benefits, refunds of employee contributions, and administrative expenses.

	<u>2016</u>	<u>2015</u>	<u>Increase/ (Decrease)</u>
Deductions:			
Benefits	\$ 1,211,453	\$ 1,263,089	\$ (51,636)
Refund of Contributions	5,905	62,865	(56,960)
Administrative Expenses	66,704	71,518	(4,814)
Transfers Out	<u>53,533</u>	<u>30,202</u>	<u>23,331</u>
Total Deductions	<u>\$ 1,337,595</u>	<u>\$ 1,427,674</u>	<u>\$ (90,079)</u>

The benefit payments are payments to retirees, or their beneficiaries (if the retiree is deceased). The refund of contribution amounts are refunds of employee contributions plus interest distributed to terminated employees who are not vested or who are vested but elect to not receive plan benefits. Administrative expenses include all expenses necessary to administer the retirement plan. Transfers represent amounts moved among the two reserve accounts: the retirement reserve, and members' savings reserve.

Notes to Financial Statements and Required Supplementary Information

Notes to financial statements provide additional information that is essential to a full understanding of the data provided. They begin on page 12 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Concluded)

Notes to Financial Statements and Required Supplementary Information (Concluded)

The Governmental Accounting Standards Board (GASB) in Statement No. 67 requires several schedules of historical trend information to be presented as required supplementary information immediately after the notes to the financial statements. The required schedules are: (a) a schedule of changes in the net pension liability and related ratios multi-year that presents the beginning and ending balances of the total pension liability, the pension plan's fiduciary net position, the net pension liability and the effects on those items; (b) a schedule of net pension liability multi-year; (c) a schedule of the City's contributions that identifies whether the information relates to employers, nonemployers, or both; and (d) a schedule of investment returns that provides information about the annual money-weighted rate of return on pension Plan investments.

These schedules contain information pertaining to the City of Jacksonville Beach, Florida, Police Officers' Retirement System's actuarial methods and assumptions, including data on the investment returns of the Plan. They can be found on pages 23-28.

Plan Membership

The table below reflects the Plan membership as of September 30 for active participants, retirees, beneficiaries, disabled members, and terminated vested members.

	September 30, 2016	September 30, 2015	Change
Vested	31	32	(1)
Nonvested	31	31	0
Total Active Participants	62	63	(1)
Retirees Receiving Benefits	28	29	(1)
Beneficiaries Receiving Benefits	5	5	0
Disability Benefits	6	7	(1)
Total Receiving Benefits	39	41	(2)
Terminated Vested Members	4	3	1
Total Members Currently Receiving Benefits and Terminated Employee Entitled to Benefits, But Not Yet Receiving Them	43	44	(1)

Funding Status

Of primary concern to most pension plan participants is the amount of money available to pay benefits. Historically, defined benefit pension plans have been under-funded when the employer failed to make annual actuarially required contributions to the Plan. The City's defined benefit plan has been subject to the minimum funding standards since the adoption of the *Florida Protection of Public Employee Retirement Benefits Act* (Part VII of Chapter 112, Florida Statutes) in 1980. In addition, the Police Officers' pension plan receives a distribution of premium tax monies for the State of Florida pursuant to Chapter 185, Florida Statutes. Accordingly, the City has funded the actuarially determined contribution for each year as required.

Requests for Information

The financial report is designed to provide users with an overview of the Plan's finances and the prudent exercise of the Board's oversight. Questions concerning this report should be addressed to the City's Finance Officer, 11 North Third Street, Jacksonville Beach, Florida 32250.

FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2016
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM

Assets

Cash and Short-term Investments	\$	247,391
Interest Receivable		29,476
Investments:		
Mutual Funds (Equities)		12,636,745
Corporate Bonds		4,002,863
U.S. Government Obligations/Agencies		2,000,274
Real Estate Fund		1,058,736
Total Investments		<u>19,698,618</u>
Total Assets		<u>19,975,485</u>
Liabilities		
Accounts Payable		(2,934)
Other Accrued Liabilities		(315)
Total Liabilities		<u>(3,249)</u>
Net Position Restricted for Pensions	\$	<u><u>19,972,236</u></u>

See accompanying notes.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SEPTEMBER 30, 2016
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM

	<u>Members' Savings Reserve</u>	<u>Retirement Reserve</u>	<u>Total</u>
Additions			
Contributions			
Employee	\$ 343,112		\$ 343,112
Employer		\$ 432,769	432,769
State of Florida		229,925	229,925
Total Contributions	<u>343,112</u>	<u>662,694</u>	<u>1,005,806</u>
Investment Income			
Net Appreciation in Fair Value of Investments	<u>0</u>	<u>876,300</u>	<u>876,300</u>
Interest:			
Members' Savings Reserve	128,122		128,122
Retirement Reserve		415,838	415,838
Total Interest	<u>128,122</u>	<u>415,838</u>	<u>543,960</u>
Realized Gains	<u>0</u>	<u>131,425</u>	<u>131,425</u>
Gross Investment Income	128,122	1,423,563	1,551,685
(Investment Expense)		<u>(52,959)</u>	<u>(52,959)</u>
Net Investment Income	<u>128,122</u>	<u>1,370,604</u>	<u>1,498,726</u>
Transfers			
Transfers for Retirants		<u>53,533</u>	<u>53,533</u>
Total Transfers	<u>0</u>	<u>53,533</u>	<u>53,533</u>
Total Additions	<u>471,234</u>	<u>2,086,831</u>	<u>2,558,065</u>
Deductions			
Benefits		1,211,453	1,211,453
Refunds of Contributions	5,905		5,905
Administrative Expense		66,704	66,704
Transfers for Retirants from Members' Savings Reserve	<u>53,533</u>		<u>53,533</u>
(Total Deductions)	<u>(59,438)</u>	<u>(1,278,157)</u>	<u>(1,337,595)</u>
Net Increase	411,796	808,674	1,220,470
Beginning of Year	<u>3,323,404</u>	<u>15,428,362</u>	<u>18,751,766</u>
End of Year	<u>\$ 3,735,200</u>	<u>\$ 16,237,036</u>	<u>\$ 19,972,236</u>

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2016
 CITY OF JACKSONVILLE BEACH, FLORIDA
 POLICE OFFICERS' RETIREMENT SYSTEM**

Note 1 - Description of Plan

Reporting Entity

The City of Jacksonville Beach, Florida, Police Officers' Retirement System (the PORS) was formed on April 1, 2000, as a result of amendments to the Florida Statutes. Chapter 175.061 governing firefighters' pensions and Chapter 185.05 governing police officers' pensions were amended to require separate pension plans for each of these groups of employees. On March 31, 2000, the predecessor pension plan (the Public Employees' Retirement System) ceased operations and its assets, liabilities, and fund balance were divided among three distinct pension plans:

- General Employees' Retirement System
- Police Officers' Retirement System
- Firefighters' Retirement System

Plan Description

Covered individuals under the Police Officers' Retirement System (PORS) include all employees hired by the City of Jacksonville Beach, Florida, (the City) for the position of police officer regularly requiring 1,000 or more hours work in a year, except as follows:

- Reserve Police Officers
- Police Chief, unless specifically elected to participate

The PORS is a single-employer, defined benefit pension plan, and as it relates to police officers is the successor entity for the plan that was established by the City on November 1, 1951, in accordance with a State of Florida legislative act which amended Chapter 27.643, Laws of Florida, 1951. Although the PORS presents separate financial statements, it is included (reported as a pension trust fund) in the City's financial reporting entity. The PORS is administered by a Board of Trustees comprised of two residents of the City appointed by the City Council, two members of the PORS elected by the membership, and a fifth member elected by the other four board members.

Membership

As of October 1, 2015 (date of the latest annual actuarial valuation), employee membership data related to the Pension Plan were:

Inactive Plan Members or their Beneficiaries Currently	
Receiving Benefits (Including DROP Participants)	41
Inactive Plan Members Entitled to Benefits,	
But Not Yet Receiving Them	3
Active Plan Members	<u>63</u>
Total	<u><u>107</u></u>

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM
(Continued)

Note 1 - Description of Plan (Continued)

Benefits

The Pension Plan provides retirement benefits, deferred vested benefits, and death and disability benefits. The Plan assets are available to pay the police officers. Pension Plan provisions for the PORS were modified significantly in fiscal year 2014. The modifications included increasing the employees' contribution rate, changing the vesting periods, modifying pensionable pay exclusions, and modifying the Deferred Retirement Option Program (DROP). The chart below provides a comparison of the Pension Plan provisions that occurred in fiscal year 2014. In addition, the paragraphs following the chart provide a detailed description of the changes.

SUMMARY COMPARISON OF PENSION PROVISIONS

CITY OF JACKSONVILLE BEACH POLICE OFFICERS' PENSION PLAN				
Provision	Employees with Less Than 5 Years of Service on June 23, 2014	Employees with at Least 5 Years of Service but Less Than 10 Years of Service on June 23, 2014	Employees with 10 or More Years of Service on June 23, 2014	Employees with 30 Years of Service; Age 52 with 25 Years of Service; Age 55 with 5 Years of Service on June 23, 2014
Benefit Formula	3% for all years of service (\$90,000 or 90% maximum)			3% - first 30 years; 2% thereafter (100% maximum)
Normal Retirement Date	Age 52 with 25 years of service; or Age 55 with 10 years of service; or 30 years of service regardless of age		Age 52 with 25 years of service; or Age 55 with 5 years of service; or 30 years of service regardless of age	
Pensionable Pay	Base pay + 300 hours of overtime per year + longevity pay + incentive pay; excluding overtime >300 hours, leave payouts, and all other compensation			Base pay, longevity, overtime, shift differential, and incentive pay

- **Normal Retirement**—Plan participants who retired prior to October 1, 1990, are entitled to pension payments for the remainder of their lives equal to 2-1/2% of their final average compensation times the number of years they were employed by the City and were a member of the Retirement System. The final average compensation is the highest five out of the last ten years of employment. Compensation includes up to 300 hours overtime, longevity pay, shift differentials, and incentive pay. The maximum annual pension payment to these participants is 75% of their final five-year average compensation.

Plan participants who retired after September 30, 1990 but before June 23, 2014, are entitled to pension payments for the remainder of their lives equal to 3% of their final average compensation times the number of years they were employed by the City and were a member of the Retirement System up to a maximum of 30 years. After thirty years, the pension benefit is reduced to 2% of their final average compensation times the number of years of service over 30 years. A maximum annual pension benefit to these employees is 100% of their final average compensation.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM
(Continued)

Note 1 - Description of Plan (Continued)

Benefits (Continued)

■ **Normal Retirement—(Concluded)**

Plan participants who retire on or after June 23, 2014, are entitled to payments for the remainder of their lives equal to 3% of their final average compensation times the number of years they were employed by the City, and were a member of the Retirement System up to a maximum of \$90,000 or 90%, whichever is less. Accrued benefits in excess of the maximum amount are retained by the Plan. Compensation includes base pay, longevity pay, incentive pay, and up to 300 hours of overtime pay per calendar year. All other forms of compensation are excluded.

Eligibility requirements for normal retirement are as follows for participants with ten years of service on June 23, 2014: 30 years of service regardless of age, or age 52 with 25 or more years of service, or age 55 with five years of service.

Eligibility requirements for normal retirement are as follows for participants with less than ten years of service on June 23, 2014: 30 years of service regardless of age, or age 52 with 25 or more years of service, or age 55 with ten years of service. There is no mandatory retirement age.

The normal form of benefit is a benefit payable for the life of the retired member with the first ten years guaranteed. Optional benefit forms are available on an actuarial equivalent basis.

- **Early Retirement**—Early Retirement is available with a reduced benefit only to participants age 50 with ten or more years of service or 20 years of service as of June 23, 2014. Members that do not meet these conditions are not eligible for early retirement.
- **Non-Duty Disability Retirement**—Disability retirement is available to Plan participants that have attained at least ten years of service. Until the Plan participant reaches normal retirement age, the minimum non-duty disability is 25% of the participants' final average compensation.
- **Duty Disability Retirement**—The ten-year service requirement is waived if the retirement is caused by a duty-related disability. The amount of a duty disability pension is the larger of the member's accrued pension and 50% of the member's final average compensation. At regular retirement age, the participant may elect to continue to be covered by duty disability or have the benefit recomputed as a normal retirement with additional service credit granted from the date of retirement to the later of normal retirement age or five years after date of disability. The minimum benefit shall not be less than 42% of the participants' final average compensation.
- **Non-Duty Death Before Retirement**—Non-duty death benefits are available at 100% of the Plan participant's normal retirement benefit provided the Plan participant attained ten or more years of service.
- **Duty Death Before Retirement**—The ten-year service requirement is waived if the death is duty-related. The surviving spouse is entitled to receive 100% of the participants' normal retirement benefit. The minimum benefit to the spouse shall not be less than 35% of the participants' final average compensation.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM
(Continued)

Note 1 - Description of Plan (Concluded)

Benefits (Concluded)

- **Backwards Deferred Retirement Option Program (BackDROP)**—A participant of the retirement system who meets the normal retirement requirements on or after June 23, 2014, is eligible for BackDROP. The participant may elect a BackDROP period for the number of months employed beyond their normal retirement date, up to a maximum of thirty-six consecutive months. Benefits are computed as if the participant chose to terminate on any date within the thirty-six month period after the normal retirement date, using credited service and final average compensation at the normal retirement date. In addition to the monthly pension, there will be a lump-sum payment. The lump-sum payment will be computed as if the monthly benefits had started and were accumulated in an account and credited with 3% interest, compounded annually during the period between the date chosen for BackDROP retirement and the date of termination.

Contributions

For the year ending September 30, 2016, Plan participants were required to pay 7.95% of their annual compensation to the Pension Plan. The payments are deducted from the employees' wages or salary and remitted by the City to the PORS at the end of each pay period. If an employee leaves the employment of the City before he or she is vested (attaining five years of service prior to June 23, 2014, or attaining ten years of service on or after June 23, 2014), the accumulated contributions plus earned interest are refunded to the employee or the employee's designated beneficiary. If an employee leaves the employment of the City after becoming vested, but before attaining retirement age, the employee or the employee's designated beneficiary has the option of being refunded the accumulated contributions plus earned interest or keeping the funds in the Plan and receiving benefits under the Plan upon reaching normal retirement age.

The City makes periodic contributions totaling a minimum of 100% of the annual actuarially determined amount to the Pension Plan. In addition, the Plan receives an annual distribution of casualty insurance premium tax monies from the State of Florida pursuant to Chapter 185, Florida Statutes. For the year ended September 30, 2016, the actuarially determined contribution amount as determined by the October 1, 2014 actuarial valuation, was \$635,555 (\$432,758 City and \$197,425 State of Florida). The actual contribution was \$662,694 (\$432,769 City and \$229,925 State of Florida).

For the year ended September 30, 2016, the total covered payroll (police officers only) amounted to \$4,315,874. Covered payroll refers to all compensation paid by the City to active employees covered by the PORS on which contributions to the Pension Plan are based. Total payroll for the police officers (covered and uncovered) for the year ended September 30, 2016, was \$4,514,977.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM
(Continued)

Note 2 - Summary of Significant Accounting Policies and Plan Position Matters

Basis of Accounting

The PORS financial statements are prepared on the accrual basis of accounting. Contributions from the City and the City's employees are recognized as revenue in the period in which employees provide services to the City. Interest and dividend income is recognized when earned by the Pension Plan. Realized gains and losses on the sale of investments held by the Pension Plan are recognized when incurred. Net appreciation in the fair value of investments held by the Pension Plan is recorded as an increase to investment income based on the valuation of investments as of the date of the statement of plan net position available for benefits. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments

Investments in securities are reported at fair value. Corporate bond securities are assigned a value based on yields currently available on securities of issuers with credit ratings similar to the securities held by the Pension Plan. Unrestricted capital stock securities are assigned a value based on quoted market prices. There are no investments in, loans to, or leases with parties related to the Pension Plan.

Fund Balance Reserves

Two separate fund balance reserves are required to separately account for the net Plan position available for Plan benefits. Investment income is allocated to the members' savings based on a predetermined formula. The remainder of net investment income (realized gains and appreciation of fair value of investments, plus interest and dividends, net of administrative costs) is allocated to the retirement reserve. The purpose of these two reserve fund balances and the formula used to allocate net investment income is summarized as follows:

- **Retirement Reserve**—this reserve accounts for all City and state contributions, transfers from the members' savings reserves, and pension benefit payments made to retired employees (transfers in are assumed to be made as of the beginning of the year). The amount of net investment income recorded into this reserve is the balance remaining after allocations are made to the members' savings reserve.
- **Members' Savings Reserve**—this reserve includes all employee contributions. Investment income is allocated to this reserve based on 3.5% of the average reserve balance outstanding during the year. Transfers are made from this reserve to the retirement reserve as employees retire during the year. Termination refunds are remitted back to the employee, or maintained in this reserve at the option of the terminated employee depending on the employee's total years of service.

New Accounting Pronouncement

During the year ended September 30, 2016, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. This statement clarifies the definition of fair value as an exit price. This Statement also defines an investment as a security or other asset that: (a) a government holds primarily to generate income or profit and (b) has a present service capacity based solely on that asset's ability to generate cash or to generate cash when sold. Governmental entities are required to record investments at fair value unless an exception applies and disclose the fair value measurement and hierarchy.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM
(Continued)

Note 3 - Cash and Investments

Chapter 185 of the Florida Statutes authorizes the PORS to invest in time and savings accounts of a bank or a savings and loan association insured by the Federal Deposit Insurance Corporation. In addition, other Florida Statutes and City ordinances authorize the PORS to invest in obligations of the United States; in obligations guaranteed as to principal and interest by the United States; and in bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States, provided that the corporation is listed on one or more of the recognized national stock exchanges and holds a rating of the three highest classifications by a major rating service. Corporate fixed income securities must hold a rating of A or higher by a Nationally Recognized Statistical Rating Organization (Moody's, Standard & Poor's, Fitch).

Following is a summary of the investments and maturities held by the PORS at September 30, 2016:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Mutual Fund (Equities)	\$ 12,636,745	\$12,636,745			
U.S. Government Securities	1,215,865	583,015	\$ 216,481	\$ 64,487	\$ 351,882
Federal Agency Securities:					
Federal Home Loan Mort. Corp.	424,533	484	8,047	4,961	411,041
Federal National Mort. Assoc.	359,876		4,279	139,563	216,034
Corporate Bonds	4,002,863	123,397	717,649	2,984,903	176,914
Real Estate Fund	1,058,736	1,058,736			
Total	\$ 19,698,618	14,402,377	\$ 946,456	\$ 3,193,914	\$ 1,155,871

Credit quality distribution for the PORS investments with credit exposure as a percentage of the total pension investment is as follows:

Investment Type	Moody's Credit Rating	Percent of Total
U.S. Government Securities	Aaa	1.5%
Federal Agency Securities	Aaa	1.0%
Corporate Bonds	A1	0.8%
Corporate Bonds	A2	0.6%
Corporate Bonds	A3	1.7%
Corporate Bonds	Aa1	0.4%
Corporate Bonds	Aa2	0.2%
Corporate Bonds	Aa3	0.2%
Corporate Bonds	Baa1	0.6%
Corporate Bonds	Baa2	0.4%

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM
(Continued)

Note 3 - Cash and Investments (Continued)

Cash and money market funds totaling \$247,391 at September 30, 2016, are classified as cash and short-term investments on the accompanying statement of fiduciary net position because they are available for immediate withdrawal or transfer.

Risk Disclosure

The Plan's investment policies do not specifically address its exposure to interest rate changes, custodial credit risk, or quality credit risk. The following items discuss the pension funds' exposure to various risks in the fixed rate portions of their investment portfolios:

- **Interest Rate Risk**—the City's pension funds limit their risk by averaging investment maturities at approximately three to five years.
- **Custodial Credit Risk**—for an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the fund will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The fund generally utilizes third party custodians to help manage custodial credit risk.
- **Concentration of Credit Risk**—the pension funds' investment policies and practices require investments to be diversified to the extent practicable to control the risk of loss resulting from overconcentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are purchased and sold.

Identification of Investments

- **Equities**—Investments in equity securities must be traded on the national exchange or electronic network. No more than 5% of the Plan's assets, at the time of purchase, may be invested in the common stock, capital stock, or convertible stock of any one issuing company. In addition, the aggregate investment in any one company shall not exceed 5% of the outstanding capital stock of that company. No more than 10% of the Plan's assets, at the time of purchase, may be invested in the shares of companies that have been publicly traded for less than one year.
- **Fixed Income**—Investments in corporate fixed income securities shall be limited to those securities rated "A" (or its equivalent) or higher by a Nationally Recognized Statistical Rating Organization. The maximum maturity of any single security in the Plan's fixed income portfolio shall not exceed 30 years, and the average effective duration of the portfolio shall not exceed that of the benchmark index by more than 20%. No more than 10% of the Plan's assets, at the time of purchase, shall be invested in securities of any single corporate issuer. Investments in Collateralized Mortgage Obligations (CMO) shall be limited to 10% of the market value of the Plan's fixed income portfolio and shall be restricted to those issues that are currently paying interest, receiving principal pay-downs and do not contain leverage.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM
(Continued)

Note 3 - Cash and Investments (Continued)

Identification of Investments (Concluded)

- **Real Estate Fund**—All real estate investments shall be managed by experienced and qualified professional real property investment managers. The Board will seek to diversify its real estate investment by property type (residential, industrial, office, retail, timberland, etc.) and property location (geographic region).

The Pension Board Trustees (the Board) has adopted the following asset allocation policy as of September 30, 2016:

Asset Class	Target Allocation
Domestic Equity	50%
International Equity	10%
Fixed Income	35%
Real Estate Fund	5%
Total	100%

Concentration

The Plan did not hold investments in any one organization that represents 5% or more of the Pension Plan's fiduciary net position.

Rate of Return

For the year ended September 30, 2016, the annual money-weighted rate of return on Plan investments, net of Plan investment expense, was 8.15%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Fair Value Measurements

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

- **Level 1 inputs**-are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- **Level 2 inputs**-are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- **Level 3 inputs**-are unobservable inputs for an asset or liability. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM
(Continued)

Note 3 - Cash and Investments (Concluded)

Fair Value Measurements (Concluded)

The Plan's investments are measured at fair value on a recurring basis. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value in the hierarchy described above. The fair value measurements for the Plan's operating investments are as follows at September 30, 2016:

<u>Investments by Fair Value Level</u>	<u>Amount</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equities	\$ 12,636,745	\$ 12,636,745		
U.S. Government Securities	1,215,865	1,215,865		
Federal Agency Securities:				
Federal Home Loan Mortgage Corporation	424,533		\$ 424,533	
Federal National Mortgage Association	359,876		359,876	
Corporate Bonds	4,002,863		4,002,863	
Total Investments Measured at Fair Value	<u>\$ 18,639,882</u>	<u>\$ 13,852,610</u>	<u>\$ 4,787,272</u>	<u>\$ 0</u>
<u>Investments Measured at the Net Asset Value (NAV)</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Redemption Notice Period</u>
Real Estate Fund	\$ 1,058,736	\$ 0	Quarterly	45 days
Total Investments	<u>\$ 19,698,618</u>			

Equities and U.S. Government Securities are valued based on prices quoted in active markets and are categorized as Level 1 in the fair value hierarchy. Federal Agency Securities are valued using matrix pricing techniques that value securities based on their relationship to benchmark quoted prices. Corporate bonds are valued using quoted prices for similar securities in active markets and are categorized as Level 2 in the fair value hierarchy. The Real Estate Fund is valued at Net Asset Value (NAV) which is determined using certified annual appraisals of investment properties held by the fund.

Note 4 - Pension Cost

The pension cost for the year ended September 30, 2016, was \$432,769 (actual contribution - City share). The pension cost for the 2016 fiscal year was determined as part of an October 1, 2014 roll-forward actuarial valuation using the entry age actuarial cost method.

The actuarial assumptions in the October 1, 2014 valuation included: (a) 8% investment rate of return (includes 3.5% inflation and 4.5% real investment return); and (b) projected salary increases ranging from 4.5% to 12.1% per year. The assumptions did not include postretirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a four-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at October 1, 2014, was five to 25 years.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM
(Continued)

Note 5 - Net Pension Liability

The Pension Plan's fiscal year-end net pension liability as of September 30, 2016, was as follows:

Total Pension Liability	\$ 23,153,060
Plan Fiduciary Net Position	<u>19,972,236</u>
Net Pension Liability	<u>\$ 3,180,824</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.26%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2015, updated to September 30, 2016, using the following actuarial assumptions applied to all measurement periods.

Inflation	3.5%
Salary Increases	4.5-12.1% (Including Inflation)
Investment Rate of Return	8%

Mortality rates were based on the 1994 Group Annuity Mortality Tables with no projection for men and women. This table was first used for the October 1, 2002 valuation. No margin for future mortality improvements is included in these tables.

The long-term expected rate of return on the Plan investments was determined using the building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges 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. Best estimates of arithmetic real rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2016, are summarized below:

<u>Asset Class</u>	<u>Long-term Expected Rate of Return (Excluding Inflation)</u>
Domestic Equity	7.5%
International Equity	8.5%
Domestic Bonds	2.5%
International Bonds	3.5%
Real Estate Fund	4.5%
Cash	0%

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM
(Concluded)

Note 5 - Net Pension Liability (Concluded)

Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the single discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. 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. The single discount rate reflects the long-term expected rate of return on Pension Plan investments including inflation.

The table below provides the sensitivity of the net pension liability to changes in the discount rate. The table represents the Plan's net pension liability, if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher than the single discount rate.

**Sensitivity of Net Pension Liability to the
Single Discount Rate Assumption**

1% Decrease	Current Discount Rate	1% Increase
<u>7.00%</u>	<u>8.00%</u>	<u>9.00%</u>
\$ 5,748,319	\$ 3,180,824	\$ 992,307

The total pension liability information is based on the actuarial valuation performed October 1, 2015. The total pension liability was rolled-forward from the valuation date to the Plan year ended September 30, 2016, using generally accepted actuarial principles.

REQUIRED SUPPLEMENTARY INFORMATION

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS MULTI-YEAR
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM**

(Ultimately 10 Years Will Be Displayed)

Fiscal Year Ended September 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service Cost	\$ 608,970	\$ 583,329	\$ 517,788
Interest on the Total Pension Liability	1,709,163	1,628,197	1,568,728
Benefit Changes (See Notes to Schedule)*			(2,590,277)
Difference Between Expected and Actual Experience	(393,421)	59,378	
Assumption Changes#	776,974		
Benefit Payments	(1,211,452)	(1,263,089)	(1,275,228)
Refunds	(5,905)	(62,865)	(150,660)
Net Change in Total Pension Liability	<u>1,484,329</u>	<u>944,950</u>	<u>(1,929,649)</u>
Total Pension Liability-Beginning	<u>21,668,731</u>	<u>20,723,781</u>	<u>22,653,430</u>
Total Pension Liability-Ending (a)	<u>\$ 23,153,060</u>	<u>\$ 21,668,731</u>	<u>\$ 20,723,781</u>
 Plan Fiduciary Net Position			
Employer and State Contributions	\$ 662,694	\$ 562,835	\$ 530,453
Employee Contributions	343,112	328,665	263,978
Pension Plan Net Investment Income	1,498,725	(29,363)	1,840,038
Benefit Payments	(1,211,452)	(1,263,089)	(1,275,228)
Refunds	(5,905)	(62,865)	(150,660)
Pension Plan Administrative Expenses	(66,704)	(71,518)	(81,366)
Other		(30,202)	(20,137)
Net Change in Plan Fiduciary Net Position	<u>1,220,470</u>	<u>(565,537)</u>	<u>1,107,078</u>
Plan Fiduciary Net Position-Beginning	<u>18,751,766</u>	<u>19,317,303</u>	<u>18,210,225</u>
Plan Fiduciary Net Position-Ending (b)	<u>\$ 19,972,236</u>	<u>\$ 18,751,766</u>	<u>\$ 19,317,303</u>
 Net Pension Liability-Ending (a) – (b)	<u>\$ 3,180,824</u>	<u>\$ 2,916,965</u>	<u>\$ 1,406,478</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.26%	86.54%	93.21%
Covered Employee Payroll	<u>\$ 4,315,874</u>	<u>\$ 4,134,151</u>	<u>\$ 3,945,943</u>
Net Pension Liability as a Percentage of Covered Employee Payroll	73.70%	70.56%	35.64%

Notes to Schedule:

*For the 2014 Fiscal Year, benefit changes were determined as of the beginning of the year. Benefit terms were modified during 2014 to include longer vesting periods, changes in the benefit formula, and changes in what is considered pensionable compensation.

#Assumption changes were reflected as of October 1, 2015, and rolled-forward to October 1, 2016.

Assumption changes include adding a 3% load on the present value of future benefits as a margin for future mortality improvements.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM**

(In Thousands, Except Percentages)

Actuarial Valuation Date 10/1	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age	(b-a) Unfunded (Overfunded) AAL	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/(c)] UAAL as a Percentage of Covered Payroll
2007	\$ 14,694	\$ 17,434	\$ 2,740	84.3%	\$ 3,572	76.7%
2008	15,104	19,480	4,376	77.5%	3,931	111.3%
2009	15,342	20,083	4,741	76.4%	3,873	122.4%
2010	15,646	20,688	5,042	75.6%	3,896	129.4%
2011	15,458	21,630	6,172	71.5%	3,786	163.0%
2012	16,365	22,171	5,806	73.8%	3,743	155.1%
2013	17,469	22,653	5,184	77.1%	3,559	145.6%

Note: The Funding Progress calculations listed above were performed as required by GASB 25 and 27. However, new schedules are required by GASB 67. Therefore a separate schedule (Net Pension Liability Multi-year) is being presented on the next page. The above schedule is only presented for historical reference and will be removed from the RSI when 5 years of data are presented on the "Schedule of Net Pension Liability Multi-year".

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NET PENSION LIABILITY MULTI-YEAR
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM**

(Ultimately 10 Years Will Be Displayed)

Fiscal Year Ended October 1,	Total Pension Liability (TPL)	Plan Net Position	Net Pension Liability	Plan Net Position as a % of TPL	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2013	\$ 22,653,430	\$ 18,210,225	\$ 4,443,205	80.39%	\$ 3,771,000	117.83%
2014	20,723,781	19,317,303	1,406,478	93.21%	3,945,943	35.64%
2015	21,668,731	18,751,766	2,916,965	86.54%	4,134,151	70.56%
2016	23,153,060	19,972,236	3,180,824	86.26%	4,315,874*	73.70%

*Source: Implicit payroll based on employee contributions as of October 1, 2016.

Note: The above calculations were performed in accordance with the requirements of GASB 67.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS FROM EMPLOYER
AND OTHER PARTICIPATING ENTITIES
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM**

<u>Year Ended 9/30</u>	<u>Actuarial Valuation Date 10/1</u>	<u>Required Contribution (1)</u>	<u>Actual Contribution</u>	<u>Percentage Contribution</u>
2009	2007	\$ 503,281	\$ 550,995	109.5%
2010	2008	713,865	690,515*	96.7%
2011	2009	777,408	777,408	100.0%
2012	2010	818,251	818,251	100.0%
2013	2012	930,958	930,958	100.0%

(1) Includes 100% of contributions from the State of Florida under Chapter 185, Florida Statutes, plus the required City contribution.

* A net pension asset resulted from the City overfunding the required contribution in 2008. Contributions in 2011 were reduced to eliminate the net pension asset.

Note: The chart above was performed as required by GASB 25 and 27. However, new schedules are now required by GASB 67. Therefore, an additional schedule (Schedule of Contributions) is presented on the next page. The above schedule is only presented for historical reference and will be removed from the RSI when 5 years of data are presented on the "Schedule of Contributions".

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM**

(Ultimately 10 Years Will Be Displayed)

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
2014	\$ 490,666	\$ 530,453	\$ (39,787)	\$ 3,945,943	13.44%
2015	511,049	562,835	(51,786)	4,134,151	13.61%
2016	633,555	662,694	(29,139)	4,315,874*	15.35%

*Source: Implicit payroll based on employee contributions as of October 1, 2016.

Notes to Schedule of Contributions

Valuation Date: October 1, 2015
Notes: Actuarially determined contribution rates are calculated as of October 1, which is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Actuarially Determine Contribution Rates

Actuarial Cost Method: Entry Age Normal
Amortization Method: Level Percentage of Payroll, Closed
Remaining Amortization Period: 5-25 Years
Asset Valuation Method: 4-Year Smoothed Market
Inflation: 4.50% Wage Inflation, 3.50% Price Inflation
Salary Increases: 4.50% to 12.10% Including Inflation
Investment Rate of Return: 8.00%
Retirement Age: Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2002 valuation.
Mortality: The 1994 Group Annuity Mortality Tables, set back 0 years for men and 0 years for women. This table was first used for the October 1, 2002 valuation. No margin for future mortality improvements is included in these tables.

Other Information

Notes: The Employer Contribution for fiscal year 2016 was determined in the Actuarial October 1, 2014 valuation report dated May 8, 2015.

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
CITY OF JACKSONVILLE BEACH, FLORIDA
POLICE OFFICERS' RETIREMENT SYSTEM**

Fiscal Year Ended September 30,	Annual Money-weighted Rate of Return Net of Investment Expense
2016	8.15%
2015	-0.35%
2014	10.22%
2013	11.97%
2012	16.52%
2011	-0.17%
2010	8.16%
2009	5.45%
2008	-10.88%
2007	13.54%