

CITY OF HALLANDALE BEACH
POLICE OFFICERS' AND FIREFIGHTERS'
PERSONNEL RETIREMENT TRUST

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2014

CONTRIBUTIONS APPLICABLE TO THE CITY'S
PLAN/FISCAL YEAR ENDING SEPTEMBER 30, 2016



May 14, 2015

Board of Trustees
City of Hallandale Beach
Police Officers' and Firefighters' Personnel Retirement Trust
c/o Ms. Audrey Ross
The Resource Centers, LLC
4360 Northlake Blvd, Suite 206
Palm Beach Gardens, FL 33410

Re: City of Hallandale Beach
Police Officers' and Firefighters' Personnel Retirement Trust

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Chapters 112, 175 and 185, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the Board of Trustees, financial reports prepared by the custodian bank, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Hallandale Beach, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By:



Douglas H. Lozen, EA, MAAA
Enrolled Actuary #14-7778

DHL/lke
Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Hallandale Beach Police Officers' and Firefighters' Personnel Retirement Trust, performed as of October 1, 2014, has been completed, and the results are presented in this Report. The contribution amounts developed in this valuation are applicable to the plan/fiscal year ended September 30, 2016.

The contribution requirements, compared with amounts developed in the October 1, 2013 Actuarial Valuation Report, are as follows:

Valuation Date	10/1/2013	10/1/2014
Applicable Plan/Fiscal Yr. End	<u>9/30/2015</u>	<u>9/30/2016</u>
Total Required Contribution % of Total Annual Payroll	\$9,914,971	\$9,797,508
Member Contributions % of Total Annual Payroll	\$1,238,334	\$1,269,398
City and State Required Contribution % of Total Annual Payroll	\$8,676,637	\$8,528,110
State Contribution (1) % of Total Annual Payroll	\$662,916	\$662,916
Balance from City (1) % of Total Annual Payroll	\$8,013,721	\$7,865,194

(1) The City may use up to \$1,534,241 in State Contributions for determining its minimum funding requirements, based on the traditional interpretation of Chapter 99-1, Florida Statutes.

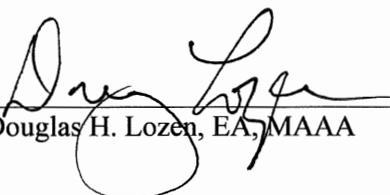
Please note the City has a prepaid contribution in the amount of \$204,045.97 that is available to help offset a portion of the above stated requirements for Fiscal 2015.

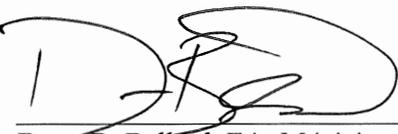
As can be seen, the Total Required Contribution has decreased slightly since the previous valuation. This result is due to net favorable actuarial experience during the past year, relative to the Plan's actuarial assumptions. The primary components of favorable experience included a 12.1% investment return (Actuarial Asset basis), which exceeded the 7.75% assumption, average increases in Pensionable Compensation that were less than the assumption, and favorable inactive mortality. These gains were partially offset by the effect of no employee turnover.

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board to discuss the Report and answer any questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 
Douglas H. Lozen, EA, MAAA

By: 
Drew D. Ballard, EA, MAAA

CHANGES SINCE PRIOR VALUATION

Plan Changes

There have been no changes in benefits since the prior valuation.

Actuarial Assumption/Method Changes

There have been no changes to the assumptions or methods since the prior valuation.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2014</u>	<u>10/1/2013</u>
A. Participant Data		
Number Included		
Actives	146	148
Service Retirees	141	138
Beneficiaries	14	12
Terminated Vested	4	5
Disability Retirees	8	9
DROP Retirees	17	18
Total	<u>330</u>	<u>330</u>
Total Annual Payroll	\$12,765,641	\$12,459,090
Payroll Under Assumed Ret. Age	12,010,846	11,738,849
Annual Rate of Payments to:		
Service Retirees	7,582,168	7,007,173
Beneficiaries	299,912	314,282
Terminated Vested	54,360	54,360
Disability Retirees	278,109	311,778
DROP Retirees	1,333,095	1,453,821
B. Assets		
Actuarial Value ¹	119,827,093	107,082,903
Market Value ¹	132,233,499	118,612,854
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	51,148,617	50,976,759
Disability Benefits	1,821,936	1,762,111
Death Benefits	508,716	493,947
Vested Benefits	4,067,318	3,950,822
Refund of Contributions	493,083	448,152
Service Retirees	94,591,398	86,456,510
Beneficiaries	2,614,337	2,194,247
Terminated Vested	490,719	465,727
Disability Retirees	2,632,258	2,926,063
DROP Retirees ¹	41,591,269	41,021,556
Excess State Monies Reserve	0	0
Total	<u>199,959,651</u>	<u>190,695,894</u>

	<u>10/1/2014</u>	<u>10/1/2013</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	82,785,449	80,384,301
Present Value of Future Member Cont.	7,864,618	7,636,509
Normal Cost (Entry Age)		
Retirement Benefits	1,466,567	1,461,540
Disability Benefits	157,651	153,300
Death Benefits	38,907	37,813
Vested Benefits	236,422	239,418
Refund of Contributions	72,906	64,733
Total Normal Cost	<u>1,972,453</u>	<u>1,956,804</u>
Present Value of Future Normal Costs	13,226,843	12,888,643
Actuarial Accrued Liability		
Retirement Benefits	41,048,840	41,119,980
Disability Benefits	738,527	713,856
Death Benefits	243,888	236,939
Vested Benefits	2,554,405	2,475,259
Refund of Contributions	227,167	197,114
Inactives ¹	141,919,981	133,064,103
Excess State Monies Reserve	0	0
Total Actuarial Accrued Liability	<u>186,732,808</u>	<u>177,807,251</u>
Unfunded Actuarial Accrued Liability	66,905,715	70,724,348
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives ¹	141,919,981	133,064,103
Actives	18,918,532	12,061,455
Member Contributions	9,612,359	9,427,802
Total	<u>170,450,872</u>	<u>154,553,360</u>
Non-vested Accrued Benefits	<u>6,781,489</u>	<u>4,804,011</u>
Total Present Value Accrued Benefits	177,232,361	159,357,371
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	15,814,532	
Benefits Paid	(9,905,885)	
Interest	11,966,343	
Other	0	
Total:	<u>17,874,990</u>	

Valuation Date Applicable to Fiscal Year Ending	10/1/2014 <u>9/30/2016</u>	10/1/2013 <u>9/30/2015</u>
E. Pension Cost		
Normal Cost ²	\$2,194,356	\$2,172,882
Administrative Expense ²	122,328	158,650
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 28 years (as of 10/1/14) ²	7,480,824	7,583,439
Total Required Contribution	9,797,508	9,914,971
Expected Member Contributions ²	1,269,398	1,238,334
Expected City & State Contrib.	\$8,528,110	\$8,676,637

F. Past Contributions

Plan Year Ending:	<u>9/30/2014</u>
Total Required Contribution	9,961,987
City and State Requirement	8,651,807
Actual Contributions Made:	
Members	1,190,421
City	7,988,891
State	662,916
Total	<u>9,842,228</u>

G. Net Actuarial Gain (Loss) 1,393,641

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 09/30/2013 and 09/30/2014.

² Contributions developed as of 10/1/2014 displayed above have been adjusted to account for assumed salary increase and interest components

H. Schedule Illustrating the Amortization of the Total Unfunded Actuarial Accrued Liability as of:

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2014	\$66,905,715
2015	64,845,443
2016	62,468,356
2017	59,743,239
2018	56,636,179
2028	11,367,591
2042	0

I. (i) 3 Year Comparison of Actual and Assumed Increases in Pensionable Earnings.

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	5.8%	6.9%
Year Ended	9/30/2013	5.3%	6.7%
Year Ended	9/30/2012	2.8%	6.6%

(ii) 3 Year Comparison of Investment Return on Actuarial Value

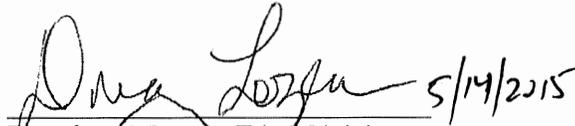
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	12.1%	7.75%
Year Ended	9/30/2013	9.8%	7.75%
Year Ended	9/30/2012	2.6%	7.75%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2014	\$12,765,641
	10/1/2004	7,615,305
(b) Total Increase		67.6%
(c) Number of Years		10.00
(d) Average Annual Rate		5.30%

STATEMENT BY ENROLLED ACTUARY

This actuarial valuation was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.

 5/14/2015
Douglas H. Lozen, EA, MAAA
Enrolled Actuary #14-7778

Please let us know when the report is approved by the Board and unless otherwise directed we will provide copies of the report to the following offices to comply with Chapter 112 Florida Statutes:

Mr. Keith Brinkman
Bureau of Local
Retirement Systems
Post Office Box 9000
Tallahassee, FL 32315-9000

Ms. Sarah Carr
Municipal Police and Fire
Pension Trust Funds
Division of Retirement
Post Office Box 3010
Tallahassee, FL 32315-3010

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2013	\$70,724,348
(2)	Sponsor Normal Cost developed as of October 1, 2013	841,613
(3)	Expected Administrative Expenses during the year ending September 30, 2014	142,874
(4)	Interest on (1), (2) and (3)	5,551,898
(5)	Sponsor Contributions to the System during the year ending September 30, 2014	8,651,807
(6)	Interest on (5)	309,570
(7)	Expected Unfunded Accrued Liability as of October 1, 2014 (1)+(2)+(3)+(4)-(5)-(6)	68,299,356
(8)	Change in UAAL due to (Gain)/Loss	(1,393,641)
(9)	Unfunded Accrued Liability as of October 1, 2014	\$66,905,715

	Date Established	Years Remaining	10/1/2014 Amount	Amortization Amount
Plan Amendment	10/1/1993	9	8,574,696	1,083,730
Assumption Change	10/1/1994	10	799,762	92,410
Method Change	10/1/1994	10	(1,837,168)	(212,280)
Assumption Change	10/1/1995	11	(816,392)	(87,105)
Assumption Change	10/1/1996	12	206,492	20,511
Plan Amendment	10/1/1997	13	3,058,562	284,801
Assumption Change	10/1/1999	15	312,893	26,034
Plan Amendment	10/1/2000	16	1,759,070	139,311
Plan Amendment	10/1/2001	17	5,488,965	415,340
Asset Method Change	10/1/2002	18	(2,907,025)	(210,882)
Assumption Change	10/1/2002	18	(1,597,669)	(115,898)
Plan Amendment	10/1/2002	18	11,254,972	816,460
Plan Amendment	10/1/2007	13	11,380,865	1,059,742
Plan Amendment	10/1/2009	25	(1,011,638)	(58,528)
Assumption Change	10/1/2010	16	2,348,352	185,980
Assumption Change	10/1/2011	17	1,500,697	150,150
Method Change	10/1/2011	17	29,102,542	2,911,821
Actuarial Loss	10/1/2012	8	4,687,055	749,787
Plan Amendment	10/1/2012	28	(3,887,234)	(319,054)
Actuarial Gain	10/1/2013	9	(118,441)	(17,414)
Actuarial Gain	10/1/2014	10	(1,393,641)	(190,587)
			66,905,715	6,724,329

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1)	Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2013	70,724,348
(2)	Expected UAAL as of October 1, 2014	68,299,356
(3)	Summary of Actuarial (Gain)/Loss, by component:	
	Investment Return (Actuarial Asset Basis)	(4,650,691)
	Salary Increases	(241,873)
	Active Decrements	2,580,571
	Inactive Mortality	(938,240)
	Other	<u>1,856,592</u>
	Increase in UAAL due to (Gain)/Loss	(1,393,641)
(4)	Actual UAAL as of October 1, 2014	66,905,715

ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rate</u>	<p>RP2000, Combined Healthy Mortality Table without projection. Disabled Members set forward 5 years.</p> <p>Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.</p>	
<u>Interest Rate</u>	7.75% per year compounded annually, net of investment related expenses.	
<u>Retirement Rates</u>		
Early Retirement	Upon attainment of Early Retirement eligibility (age 45 with 10 years of Credited Service), Members are assumed to retire at the rate of 15% per year.	
Normal Retirement	<u>Number of Years after First Eligibility for Normal Retirement</u>	<u>Probability of Retirement</u>
	0	50%
	1	50%
	2	100%
<u>Disability Rate</u>	See table on the following page. 75% of disabilities are assumed to be service-incurred.	
<u>Termination Rate</u>	See table on the following page.	
<u>Salary Increases</u>	10.0% for less than 10 years of Credited Service. For 10 or more years of Credited Service, the assumption is 4.5%.	
<u>Payroll Growth</u>	4.24% per year for all bases created prior to 2011, 0.0% for all bases created thereafter.	
<u>Administrative Expenses</u>	\$109,957.	
<u>Funding Method</u>	<p>Entry Age Normal Actuarial Cost Method. The following loads are utilized for determination of the Total Required Contribution:</p> <ul style="list-style-type: none"> • Interest – A half-year, based on the current 7.75% assumption. • Salary – A full-year, based on the current 7.1% average increase assumption. 	

Post Retirement COLA

Retired Police Officers prior to March 20, 2013 and Retired Firefighters prior to August 7, 2013:

2% per year for Normal Retirement.

Police Officers eligible for Normal Retirement or with 24 years of service as of March 20, 2013, and Firefighters eligible for Normal Retirement as of August 7, 2013, or with 24 years of service as of December 28, 2013:

2% per year for Normal Retirement.

All other Police Officers hired prior to March 20, 2013 and all other Firefighters hired prior to August 7, 2013:

2.0% per year for Normal Retirement, but limited to eight (8) adjustments once the \$95,000 maximum benefit is realized.

Police Officers hired on or after March 20, 2013 and Firefighters hired on or after August 7, 2013:

None.

Actuarial Asset Method

The Actuarial Value of Assets utilizes a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.

<u>Age</u>	<u>% Becoming Disabled During the Year</u>	<u>% Terminating During the Year</u>
20	0.14%	12.0%
25	0.15%	10.4%
30	0.18%	10.0%
35	0.23%	7.6%
40	0.30%	5.2%
45	0.51%	3.2%
50	1.00%	1.6%
55	1.00%	0.6%

VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay as of the valuation date of all covered Members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

(a) The normal cost accrual rate equals:

- (i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by
- (ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.

(b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

(c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

(d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

Total Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability over no more than 30 years. The required amount is adjusted for interest according to the timing of sponsor contributions during the year.

EXCESS STATE MONIES RESERVE

	Firefighters' Distribution						Police Officers' Distribution		
	Regular Distribution			Special Distribution			Actual State Contribution	Applicable "Frozen" Amount **	Excess State Monies Reserve
	Actual State Contribution	Applicable "Frozen" Amount **	Excess State Monies Reserve	Actual State Contribution	Applicable "Frozen" Amount **	Excess State Monies Reserve	Actual State Contribution	Applicable "Frozen" Amount **	Excess State Monies Reserve
1998 - 2009	*	*	*	*	*	*	*	*	*
2010	393,106.07	759,862.66	0.00	4,719.34	4,719.34	0.00	244,679.51	769,659.00	0.00
2011	354,398.71	748,591.22	0.00	15,990.78	15,990.78	0.00	211,610.42	769,659.00	0.00
2012	361,394.93	718,657.42	0.00	45,924.58	45,924.58	0.00	227,691.58	769,659.00	0.00
2013	365,062.55	729,982.88	0.00	34,599.12	34,599.12	0.00	221,228.95	769,659.00	0.00
2014	371,628.34	713,492.77	0.00	51,089.23	51,089.23	0.00	240,198.33	769,659.00	0.00
			0.00			0.00			0.00
Firefighters' Regular Excess			0.00						
Firefighters' Special Excess			0.00						
Police Officers' Excess			0.00						
Total State Monies Reserve			0.00						

* Accumulated Excess State Monies Prior to 2010 Utilized for Benefit Improvements.

** Reflects traditional interpretation of Chapter 99-1, Florida Statutes.

ACTUARIAL ASSET VALUATION
September 30, 2014

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a five year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Plan Year Ending	Gain/(Loss)	<u>Gains/Losses Not Yet Recognized</u>				
		Amounts Not Yet Recognized by Valuation Year				
		2014	2015	2016	2017	2018
09/30/2010	507,598	0	0	0	0	0
09/30/2011	(6,643,194)	(1,328,639)	0	0	0	0
09/30/2012	10,320,575	4,128,230	2,064,115	0	0	0
09/30/2013	9,866,705	5,920,023	3,946,682	1,973,341	0	0
09/30/2014	4,608,490	3,686,792	2,765,094	1,843,396	921,698	0
Total		12,406,406	8,775,891	3,816,737	921,698	0

Development of Investment Gain/Loss

Market Value of Assets, 09/30/2013, including Prepaid Contributions	118,612,854
Contributions Less Benefit Payments & Admin Expenses	(173,615)
Expected Investment Earnings*	9,185,769
Actual Net Investment Earnings	13,794,259
2014 Actuarial Investment Gain/(Loss)	<u>4,608,490</u>

*Expected Investment Earnings = $0.0775 * [118,612,854 + 0.5 * (173,615)]$

Development of Actuarial Value of Assets

(1) Market Value of Assets, 09/30/2014	132,233,499
(2) Gains/(Losses) Not Yet Recognized	12,406,406
(3) Actuarial Value of Assets, 09/30/2014, (1) - (2)	<u>119,827,093</u>

(A) 09/30/2013 Actuarial Assets, including Prepaid Contributions 107,082,903

(I) Net Investment Income:

1. Interest and Dividends	2,094,654
2. Realized Gains (Losses)	10,767,198
3. Change in Actuarial Value	702,660
4. Investment Expenses	(646,708)
Total	<u>12,917,804</u>

(B) 09/30/2014 Actuarial Assets, including Prepaid Contributions 120,031,139

Actuarial Assets Rate of Return = $2I/(A+B-I)$: 12.06%
Market Value of Assets Rate of Return: 11.72%

10/01/2014 Limited Actuarial Assets: 119,827,093

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2014
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	1,157,025.46	
Buy-Back	33,395.70	
City	7,988,891.10	
State	662,915.90	
Total Contributions		9,842,228.16
Earnings from Investments:		
Interest & Dividends	2,094,654.17	
Net Realized Gain (Loss)	10,767,198.36	
Change in Actuarial Value	702,659.81	
Total Earnings and Investment Gains		13,564,512.34

EXPENDITURES

Distributions to Members:		
Benefit Payments	7,864,797.34	
Lump Sum DROP Distributions	2,031,837.68	
Refunds of Member Contributions	9,250.47	
Total Distributions		9,905,885.49
Expenses:		
Investment Related ¹	646,707.88	
Administrative	109,957.26	
Total Expenses		756,665.14
Change in Net Assets for the Year		12,744,189.87
Net Assets Beginning of the Year		107,082,902.73
Net Assets End of the Year²		119,827,092.60

¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

²Net Assets may be limited for actuarial consideration.

DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2013 to September 30, 2014

09/30/2013 Balance	20,565,429.53
Plus Additions	1,430,806.23
Investment Return Earned	1,654,383.73
Less Distributions	(2,031,837.68)
09/30/2014 Balance	21,618,781.81

Note:

Form of benefit for one new DROP participant assumed to be the Normal Form

RECONCILIATION OF CITY'S PREPAID CONTRIBUTION FOR THE
FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2014

(1) City and State Required Contribution (from the July 25, 2013 Actuarial Impact Statement)	\$8,651,807
(2) Less Allowable State Contribution	<u>(662,915.90)</u>
(3) Equals Required City Contribution	7,988,891.10
(4) Less Actual City Contributions	<u>(8,192,937.07)</u>
(5) Equals City's Prepaid Contribution as of September 30, 2014	\$204,045.97

STATISTICAL DATA

	<u>10/1/2011</u>	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>
Number	149	161	148	146
Average Current Age	37.9	38.3	38.3	38.6
Average Age at Employment	29.1	27.0	27.2	27.5
Average Past Service	8.7	11.3	11.1	11.1
Average Annual Salary	\$81,155	\$82,264	\$84,183	\$87,436

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	0	2	0	0	0	0	0	0	0	0	0	2
25 - 29	2	1	4	2	3	5	0	0	0	0	0	17
30 - 34	1	2	4	1	3	23	2	0	0	0	0	36
35 - 39	0	1	2	0	0	13	7	2	0	0	0	25
40 - 44	0	0	2	0	2	11	8	4	1	0	0	28
45 - 49	1	0	0	0	0	4	5	9	2	0	0	21
50 - 54	0	0	1	1	1	2	2	3	2	0	0	12
55 - 59	0	0	0	0	0	1	0	1	2	0	0	4
60 - 64	0	0	0	0	0	0	1	0	0	0	0	1
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	4	6	13	4	9	59	25	19	7	0	0	146

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2013	148
b. Terminations	
i. Vested (partial or full) with deferred benefits (including non-vested terminated members awaiting a refund of member contributions)	0
ii. Non-vested or full lump sum distribution received	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	0
f. Entered DROP	7
g. Continuing participants	141
h. New entrants	5
i. Total active life participants in valuation	146

2. Non-Active lives (including beneficiaries receiving benefits)

	Service Retirees, Vested Receiving <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested <u>Deferred</u>	<u>DROP</u>	<u>Total</u>
a. Number prior valuation	138	12	9	5	18	182
b. In	8	3	0	0	7	18
c. Out	5	1	1	1	8	16
d. Number current valuation	141	14	8	4	17	184

SUMMARY OF PLAN PROVISIONS

<u>Eligibility</u>	Full-time employees who are classified as Police Officers or Firefighters participate as a condition of employment.
<u>Tier 1 Member</u>	Police Officers hired prior to March 20, 2013, or Firefighters hired prior to August 7, 2013.
<u>Tier 2 Member</u>	Police Officers hired on or after March 20, 2013, or Firefighters hired on or after August 7, 2013.
<u>Credited Service</u>	Total years and fractional parts of years of employment with the City as a Police Officer or Firefighter.
<u>Pensionable Earnings</u>	Base salary, including Pick-Up Amounts, for all straight time hours worked, overtime, assignment pay, premium pay, state educational incentive payments and payments received for vacation, sick leave and bereavement leave taken in lieu of pay for actual services rendered. Basic Compensation shall not include bonuses, commissions, uniform or expense allowance, Outside Service Duty Detail Compensation, or payments for accrued sick leave, vacation, sick leave buyback amounts, or compensatory leave paid as a lump sum upon separation of service.
<u>Final Average Compensation</u>	<p><i>Tier 1:</i> Average of Pensionable Earnings for the two most recent completed calendar years prior to retirement or termination with the City.</p> <p><i>Tier 2:</i> Average of Pensionable Earnings for the five most recent completed calendar years prior to retirement or termination with the City.</p>
<u>Member Contributions</u>	9.5% of Salary.
<u>City and State Contributions</u>	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Part VII, Chapter 112, F.S.

Normal Retirement

Date	Earlier of: 1) Age 52 with 10 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age.
Benefit	<p><i>Tier 1:</i> 3.20% of Final Average Compensation for all years of Credited Service.</p> <p><i>Tier 2:</i> 3.00% of Final Average Compensation for all years of Credited Service.</p>
Maximum Benefit	<p><i>Tier 1:</i> 80% of Final Average Compensation.</p> <p><i>Tier 2:</i> 75% of Final Average Compensation.</p> <p>Additionally, any Police Officer who was not eligible for Normal Retirement or who had not completed 24 years of service as of March 20, 2013, or any Firefighter who was not eligible for Normal Retirement as of August 7, 2013 or who will not have completed 24 years of service as December 28, 2013 is subject to a \$95,000 annual maximum benefit, determined on the basis of the Normal Form of Benefit.</p>
Form of Benefit	Ten Year Certain and Life Annuity (options available).

Early Retirement

Eligibility	Age 45 with 10 years of Credited Service.
Benefit	Accrued benefit, reduced 6% per year that the benefit commencement date precedes age 52.

Vesting

Less than 5 Years	Refund of Member contributions without interest.
5-10 years	Refund of Member contributions with 3% interest through the termination date.
10 or more years	Greater of a refund of Member contributions with 3% interest and the accrued benefit, payable at the Normal Retirement Date.

Disability

Eligibility

Service Incurred

Covered from Date of Employment.

Non-Service Incurred

10 years of Credited Service.

Exclusions

Disability resulting from use of drugs, illegal participation in riots, service in military, etc.

Benefit

Service Incurred

75% of Pensionable Earnings, less 64% of Social Security Disability Benefits received, further reduced by 33% of Workers' Compensation Benefits received, plus outside income to the extent that the sum of the Workers' Compensation Benefit and Disability Retirement benefit exceed 100% of Basic Compensation.

In no case will the Disability Retirement Benefit be less than the greater of the accrued Normal Retirement Benefit and 42% of Basic Compensation.

Non-Service Incurred

Accrued Benefit, less 64% of Social Security Disability Benefits received.

In no case will the Disability Retirement Benefit be less than 25% of Final Average Compensation, nor more than 50% of Final Average Compensation as of the date of disability.

Duration

Payable for life (with 120 payments guaranteed) or until recovery (as determined by the Board). Optional forms of payment are available.

Death Benefits

Eligibility

Service Incurred Covered from Date of Employment.

Non-Service Incurred 10 years of Credited Service.

Benefit (Pre-Retirement)

Service Incurred Accrued Benefit, but not less than 30% of Basic Compensation.

Non-Service Incurred Accrued Benefit.

Benefit (Post-Retirement)

Benefits payable to beneficiary in accordance with option selected at retirement.

Form of Benefit

10 Year Certain and Life Annuity.

Health Care Stipend

Eligibility

Date of Employment prior to January 1, 1996.

The stipend is payable for all types of retirement benefits; DROP retirees do not receive the stipend while participating in the DROP.

Benefit

\$10 per month for each year of Credited Service, up to a maximum of \$200 per month.

Form of Benefit

Payable for the life of the retiree and any survivor, if a joint and survivor option is chosen by the Retiree.

Cost of Living Increases

Retired Police Officers prior to March 20, 2013 and Retired Firefighters prior to August 7, 2013:

2% increase effective each January provided that the CPI-U is greater than or equal to 0.5% for the preceding 12 month period ending September 30, applied to Normal and DROP Retirees. The Health Care Stipend is not subject to the COLA.

Police Officers eligible for Normal Retirement or with 24 years of service as of March 20, 2013, and Firefighters eligible for Normal Retirement as of August 7, 2013, or with 24 years of service as of December 28, 2013:

2.0% increase effective each January as previously described.

All other Police Officers hired prior to March 20, 2013 and all other Firefighters hired prior to August 7, 2013:

2.0% increase effective each January as previously described. However, these Members are subject to a limitation of eight (8) total adjustments once the \$95,000 maximum annual benefit is realized. Also, these Members are not entitled to receive any adjustments while participating in the DROP.

Police Officers hired on or after March 20, 2013 and Firefighters hired on or after August 7, 2013:

Not entitled to any automatic COLA structure.

Deferred Retirement Option Plan (Tier 1 Only)

Eligibility	Earlier of: 1) Age 52 with 20 years of Credited Service, 2) the completion of 25 years of Credited Service, regardless of age, or 3) the date when the maximum benefit is earned.
Participation	Not to exceed 60 months.
Rate of Return	Plan Earnings, less 0.5% per year for administrative expenses. A one-time election to credit DROP accounts with the valuation assumption for investment return has been allowed since 2002. Upon exit from the DROP, interest credit reverts to Plan earnings on DROP balances.
Form of Distribution	Cash lump sum (options available) at termination of employment.

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/2014

City and State	\$8,651,807
Plan Members	9.50%
Actuarially Determined Contribution (City and State)	8,651,807
Contributions made (City and State)	8,651,807
Actuarial valuation date	10/1/2012
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent, Closed
Remaining amortization period	30 Years (as of 10/1/2012)
Asset valuation method	5 Year Smooth (Market)
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increase*	4.5% to 10% based on service
* Includes inflation at	4.0%
Post Retirement COLA	2% per year (with exceptions) for Normal and DROP Retirees on and after 10/1/2002

THREE YEAR TREND INFORMATION

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2014	8,690,512	99.55%	(614,495)
9/30/2013	8,182,063	99.50%	(653,200)
9/30/2012	9,163,610	99.79%	(694,343)

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

DEVELOPMENT OF NET PENSION OBLIGATION (NPO)

This municipal 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. Accordingly, the sponsor has funded the actuarially determined required contributions for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the NPO on October 1, 1997, is 0.

The recent development of the Net Pension Obligation is as follows:

	<u>9/30/2012</u>	<u>9/30/2013</u>	<u>9/30/2014</u>
Actuarially Determined			
Contribution (A)	9,137,817	8,140,920	8,651,807
Interest on NPO	(57,115)	(53,812)	(50,623)
Adjustment to (A)	82,908	94,955	89,328
	-----	-----	-----
Annual Pension Cost	9,163,610	8,182,063	8,690,512
Contributions Made	9,144,014	8,140,920	8,651,807
	-----	-----	-----
Increase in NPO	19,595	41,143	38,705
NPO Beginning of Year	(713,938)	(694,343)	(653,200)
	-----	-----	-----
NPO End of Year	(694,343)	(653,200)	(614,495)

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	3,874,410
Prepaid Expenses	11,623
Cash	2,057
Total Cash and Equivalents	3,888,090
Receivables:	
Member Contributions	44,679
Member Buy-Back Contributions	1,257
City Contributions in Transit	1,864,598
State Contributions	662,916
From Broker for Investments Sold	1,271,200
Commission Recapture	497
Investment Income	229,389
Total Receivable	4,074,536
Investments:	
U. S. Bonds and Bills	4,062,663
Federal Agency Guaranteed Securities	8,082,559
Corporate Bonds	9,459,079
Stocks	79,907,034
Hedge Fund of Funds	18,455,455
Municipal Obligations	98,440
Pooled/Common/Commingled Funds:	
Real Estate	5,185,608
Total Investments	125,250,838
Total Assets	133,213,464
<u>LIABILITIES</u>	
Payables:	
Benefit Payments	7,780
Investment Expenses	128,046
Administrative Expenses	7,715
To Broker for Investments Purchased	632,377
Prepaid City Contribution	204,046
Total Liabilities	979,964
NET POSITION RESTRICTED FOR PENSIONS	132,233,499

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014
Market Value Basis

ADDITIONS

Contributions:

Member	1,157,025
Buy-Back	33,396
City	7,988,891
State	662,916

Total Contributions 9,842,228

Investment Income:

Net Increase in Fair Value of Investments	12,346,313
Interest & Dividends	2,094,654
Less Investment Expense ¹	(646,708)

Net Investment Income 13,794,259

Total Additions 23,636,487

DEDUCTIONS

Distributions to Members:

Benefit Payments	7,864,797
Lump Sum DROP Distributions	2,031,838
Refunds of Member Contributions	9,250

Total Distributions 9,905,885

Administrative Expense 109,957

Total Deductions 10,015,842

Net Increase in Net Position 13,620,645

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 118,612,854

End of the Year 132,233,499

¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2014)

Plan Description

Plan Administration

The Board of Trustees shall consist of five persons; two of whom shall be legal residents of the City of Hallandale Beach and who shall be appointed by the City Commission. One Member of the Board of Trustees shall be a police officer who shall be elected by a majority of police officers who are active members of the Plan. One member shall be a firefighter who shall be elected by a majority of the firefighters who are active employee members of the Plan. A fifth member of the Board shall be chosen by a majority of the previous four persons, and such person's name shall be submitted to the City Commission for appointment. The City Commission shall appoint the fifth member selected by the other four as ministerial duty.

Plan Membership as of October 1, 2013:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	177
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	5
Active Plan Members	148
	330
	330

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement:

Eligibility: Earlier of: 1) Age 52 with 10 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age.

Benefit: Tier 1: 3.20% of Final Average Compensation for all years of Credited Service.
 Tier 2: 3.00% of Final Average Compensation for all years of Credited Service. □

Maximum Benefit: Tier 1: 80% of Final Average Compensation.
 Tier 2: 75% of Final Average Compensation.

Additionally, any Police Officer who was not eligible for Normal Retirement or who had not completed 24 years of service as of March 20, 2013, or any Firefighter who was not eligible for Normal Retirement as of August 7, 2013 or who will not have completed 24 years of service as December 28, 2013 is subject to a \$95,000 annual maximum benefit, determined on the basis of the Normal Form of Benefit.

Early Retirement:

Eligibility: Age 45 with 10 years of Credited Service.

Benefit: Accrued benefit, reduced 6% per year that the benefit commencement date precedes age 52.

Vesting:

Less than 5 Years: Refund of Member contributions without interest.

5-10 years: Refund of Member contributions with 3% interest through the termination date.

10 or more years: Greater of a refund of Member contributions with 3% interest and the accrued benefit, payable at the Normal Retirement Date.

Disability:

Service Incurred: Covered from Date of Employment.

Non-Service Incurred: 10 years of Credited Service.

Benefit Service Incurred: 75% of Pensionable Earnings, less 64% of Social Security Disability Benefits received, further reduced by 33% of Workers' Compensation Benefits received, plus outside income to the extent that the sum of the Workers' Compensation Benefit and Disability Retirement benefit exceed 100% of Basic Compensation. In no case will the Disability Retirement Benefit be less than the greater of the accrued Normal Retirement Benefit and 42% of Basic Compensation.

Benefit Non-service Incurred: Accrued Benefit, less 64% of Social Security Disability Benefits received. In no case will the Disability Retirement Benefit be less than 25% of Final Average Compensation, nor more than 50% of Final Average Compensation as of the date of disability.

Pre-Retirement Death Benefits:

Service Incurred: Covered from Date of Employment.

Non-Service Incurred: 10 years of Credited Service.

Service Incurred Benefit: Accrued Benefit, but not less than 30% of Basic Compensation.

Non-Service Incurred Benefit: Accrued Benefit.

Cost-Of-Living Adjustments:

Retired Police Officers prior to March 20, 2013 and Retired Firefighters prior to August 7, 2013: 2% increase effective each January provided that the CPI-U is greater than or equal to 0.5% for the preceding 12 month period ending September 30, applied to Normal and DROP Retirees. The Health Care Stipend is not subject to the COLA.

Police Officers eligible for Normal Retirement or with 24 years of service as of March 20, 2013, and Firefighters eligible for Normal Retirement as of August 7, 2013, or will have completed 24 years of service as of December 28, 2013: 2.0% increase effective each January as previously described. However, these Members are subject to a limitation of eight (8) total adjustments.

All other Police Officers hired prior to March 20, 2013 and all other Firefighters hired prior to August 7, 2013: 2.0% increase effective each January as previously described. However, these Members are subject to a limitation of eight (8) total adjustments once the \$95,000 maximum annual benefit is realized. Also, these Members are not entitled to receive any adjustments while participating in the DROP.

Police Officers hired on or after March 20, 2013 and Firefighters hired on or after August 7, 2013: Not entitled to any automatic COLA structure.

Contributions

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2014:

Asset Class	Target Allocation
Domestic Equity	52.50%
International Equity	10.00%
Fixed Income	17.50%
Real Estate	5.00%
Hedge Funds	15.00%
Total	100.00%

Concentrations:

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

Rate of Return:

For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 11.72 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program

Eligibility: Earlier of: 1) Age 52 with 20 years of Credited Service, 2) the completion of 25 years of Credited Service, regardless of age, or 3) the date when the maximum benefit is earned.

Participation: Not to Exceed 60 Months.

Rate of Return: Plan Earnings, less 0.5% per year for administrative expenses. A one-time election to credit DROP accounts with the valuation assumption for investment return has been allowed since 2002. Upon exit from the DROP, interest credit reverts to Plan earnings on DROP balances.

The DROP balance as September 30, 2014 is \$21,618,782.

NET PENSION LIABILITY OF THE SPONSOR

The components of the net pension liability of the sponsor on September 30, 2014 were as follows:

Total Pension Liability	\$ 182,531,377
Plan Fiduciary Net Position	\$ (132,233,499)
Sponsor's Net Pension Liability	<u>\$ 50,297,878</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	72.44%

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	4.00%
Salary Increases	6.90%
Investment Rate of Return	7.75%

RP2000, Combined Healthy Mortality Table without projection. Disabled Members set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 1990-2010.

The long-term expected rate of return on pension plan investments was determined using a 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 pension plan's target asset allocation as of September 30, 2014 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.80%
International Equity	7.70%
Fixed Income	2.30%
Real Estate	6.90%
Hedge Funds	5.10%

Discount Rate:

The discount rate used to measure the total pension liability was 7.75 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those 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.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension Liability	\$ 68,501,187	\$ 50,297,878	\$ 35,107,069

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	<u>09/30/2014</u>	<u>09/30/2013</u>
Total Pension Liability		
Service Cost	2,068,244	1,919,484
Interest	13,484,951	13,065,637
Change in Excess State Money	-	-
Share Plan Allocation	-	-
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(9,905,885)	(9,540,860)
Net Change in Total Pension Liability	5,647,310	5,444,261
Total Pension Liability - Beginning	\$ 176,884,067	171,439,806
Total Pension Liability - Ending (a)	<u>\$ 182,531,377</u>	<u>\$ 176,884,067</u>
Plan Fiduciary Net Position		
Contributions - Employer	7,988,891	7,520,029
Contributions - State	662,916	620,891
Contributions - Employee	1,190,421	1,225,133
Net Investment Income	13,794,259	17,699,778
Benefit Payments, Including Refunds of Employee Contributions	(9,905,885)	(9,540,860)
Administrative Expense	(109,957)	(142,874)
Other	-	-
Net Change in Plan Fiduciary Net Position	13,620,645	17,382,098
Plan Fiduciary Net Position - Beginning	118,612,854	101,230,756
Plan Fiduciary Net Position - Ending (b)	<u>132,233,499</u>	<u>\$ 118,612,854</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 50,297,878</u>	<u>\$ 58,271,213</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.44%	67.06%
Covered Employee Payroll	\$ 12,179,211	\$ 12,528,346
Net Pension Liability as a Percentage of covered Employee Payroll	412.98%	465.11%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	<u>09/30/2014</u>	<u>9/30/2013</u>
Actuarially Determined Contribution	8,651,807	8,140,920
Contributions in Relation to the		
Actuarially Determined Contributions	<u>8,651,807</u>	<u>8,140,920</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>-</u>
Covered Employee Payroll	\$ 12,179,211	\$ 12,528,346
Contributions as a Percentage of		
Covered Employee Payroll	71.04%	64.98%

Notes to Schedule

Valuation Date: 10/01/2012 (AIS 07/25/2013)

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost Method
Amortization Method: Level Percentage of Pay, Closed.
Remaining Amortization Period: 30 Years (as of 10/01/2012).
Asset Valuation Method: The Actuarial Value of Assets utilizes a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.

Inflation: 4.0% per year.
Salary Increases: 10.0% for less than 10 years of Credited Service. For 10 or more years of Credited Service, the assumption is 4.5%.
Interest Rate: 7.75% per year compounded annually,
Payroll Growth: 4.24% per year for all bases created prior to 2011, 0.0% for all bases created thereafter.
Cost-of-Living (COLA): 2% per year for Normal Retirement.

Normal Retirement	<u>Number of Years after</u>	
	<u>First Eligibility for</u> <u>Normal Retirement</u>	<u>Probability of</u> <u>Retirement</u>
	0	50%
	1	50%
	2	100%

Early Retirement: Upon attainment of Early Retirement eligibility (age 45 with 10 years of Credited Service), Members are assumed to retire at the rate of 15% per year.

Termination Rates: See table below.

Disability Rates: See table below. 75% of disabilities are assumed to be service incurred.

Mortality: RP2000, Combined Healthy Mortality Table without projection. Disabled Members set forward 5 years.

Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	12.0%	0.14%
25	10.4%	0.15%
30	10.0%	0.18%
35	7.6%	0.23%

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	<u>09/30/2014</u>	<u>09/30/2013</u>
Annual Money-Weighted Rate of Return		
Net of Investment Expense	11.72%	17.51%

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2014)

General Information about the Pension Plan

Plan Description

Full-time employees who are classified as Police Officers or Firefighters participate as a condition of employment. The Board of Trustees shall consist of five persons; two of whom shall be legal residents of the City of Hallandale Beach and who shall be appointed by the City Commission. One Member of the Board of Trustees shall be a police officer who shall be elected by a majority of police officers who are active members of the Plan. One member shall be a firefighter who shall be elected by a majority of the firefighters who are active employee members of the Plan. A fifth member of the Board shall be chosen by a majority of the previous four persons, and such person's name shall be submitted to the City Commission for appointment. The City Commission shall appoint the fifth member selected by the other four as ministerial duty.

Plan Membership as of October 1, 2013:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	177
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	5
Active Plan Members	148
	330

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement:

Eligibility: Earlier of: 1) Age 52 with 10 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of age.

Benefit: Tier 1: 3.20% of Final Average Compensation for all years of Credited Service.
Tier 2: 3.00% of Final Average Compensation for all years of Credited Service.

Maximum Benefit: Tier 1: 80% of Final Average Compensation.
Tier 2: 75% of Final Average Compensation.

Additionally, any Police Officer who was not eligible for Normal Retirement or who had not completed 24 years of service as of March 20, 2013, or any Firefighter who was not eligible for Normal Retirement as of August 7, 2013 or who will not have completed 24 years of service as December 28, 2013 is subject to a \$95,000 annual maximum benefit, determined on the basis of the Normal Form of Benefit.

Early Retirement:

Eligibility: Age 45 with 10 years of Credited Service.

Benefit: Accrued benefit, reduced 6% per year that the benefit commencement date precedes age 52.

Vesting:

Less than 5 Years: Refund of Member contributions without interest.

5-10 years: Refund of Member contributions with 3% interest through the termination date.

10 or more years: Greater of a refund of Member contributions with 3% interest and the accrued benefit, payable at the Normal Retirement Date.

Disability:

Service Incurred: Covered from Date of Employment.

Benefit Service Incurred: 75% of Pensionable Earnings, less 64% of Social Security Disability Benefits received, further reduced by 33% of Workers' Compensation Benefits received, plus outside income to the extent that the sum of the Workers' Compensation Benefit and Disability Retirement benefit exceed 100% of Basic Compensation. In no case will the Disability Retirement Benefit be less than the greater of the accrued Normal Retirement Benefit and 42% of Basic Compensation.

Benefit Non-service Incurred: Accrued Benefit, less 64% of Social Security Disability Benefits received. In no case will the Disability Retirement Benefit be less than 25% of Final Average Compensation, nor more than 50% of Final Average Compensation as of the date of disability.

Pre-Retirement Death Benefits:

Service Incurred: Covered from Date of Employment.

Non-Service Incurred: 10 years of Credited Service.

Service Incurred Benefit: Accrued Benefit, but not less than 30% of Basic Compensation.

Non-Service Incurred Benefit: Accrued Benefit.

Cost-Of-Living Adjustments:

Retired Police Officers prior to March 20, 2013 and Retired Firefighters prior to August 7, 2013: 2% increase effective each January provided that the CPI-U is greater than or equal to 0.5% for the preceding 12 month period ending September 30, applied to Normal and DROP Retirees. The Health Care Stipend is not subject to the COLA.

Police Officers eligible for Normal Retirement or with 24 years of service as of March 20, 2013, and Firefighters eligible for Normal Retirement as of August 7, 2013, or will have completed 24 years of service as of December 28, 2013: 2.0% increase effective each January as previously described. However, these Members are subject to a limitation of eight (8) total adjustments.

All other Police Officers hired prior to March 20, 2013 and all other Firefighters hired prior to August 7, 2013: 2.0% increase effective each January as previously described. However, these Members are subject to a limitation of eight (8) total adjustments once the \$95,000 maximum annual benefit is realized. Also, these Members are not entitled to receive any adjustments while participating in the DROP.

Police Officers hired on or after March 20, 2013 and Firefighters hired on or after August 7, 2013: Not entitled to any automatic COLA structure.

Contributions

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

Net Pension Liability

The Sponsor's net pension liability was measured as of September 30, 2014.

The total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

Inflation	4.00%
Salary Increases	6.90%
Investment Rate of Return	7.75%

RP2000, Combined Healthy Mortality Table without projection. Disabled Members set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 1990-2010.

The long-term expected rate of return on pension plan investments was determined using a 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 pension plan's target asset allocation as of September, 30 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	52.50%	7.80%
International Equity	10.00%	7.70%
Fixed Income	17.50%	2.30%
Real Estate	5.00%	6.90%
Hedge Funds	15.00%	6.90%
Total	<u>100.00%</u>	

Discount Rate:

The discount rate used to measure the total pension liability was 7.75 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

Based on those 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.

CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2013	\$ 176,884,067	\$ 118,612,854	\$ 58,271,213
Changes for a Year:			
Service Cost	2,068,244		2,068,244
Interest	13,484,951		13,484,951
Change In Excess State Money	-		-
Share Plan Allocation	-		-
Differences Between Expected and Actual Experience	-		-
Changes of Assumptions	-		-
Changes of Benefit Terms	-		-
Contributions - Employer		7,988,891	(7,988,891)
Contributions - State		662,916	(662,916)
Contributions - Employee		1,190,421	(1,190,421)
Net Investment Income		13,794,259	(13,794,259)
Benefit Payments, Including Refunds of Employee Contributions	(9,905,885)	(9,905,885)	-
Administrative Expense		(109,957)	109,957
Other Changes	-	-	-
New Changes	5,647,310	13,620,645	(7,973,335)
Balances at September 30, 2014	\$ 182,531,377	132,233,499	50,297,878

Sensitivity of the net pension liability to changes in the discount rate.

	Current Discount		
	1% Decrease	Rate	1% Increase
	6.75%	7.75%	8.75%
Sponsor's Net Pension Liability	\$ 68,501,187	\$ 50,297,878	\$ 35,107,069

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in a separately issued Plan financial report.

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended September 30, 2015 the Sponsor will recognize a pension expense of \$3,702,348. On September 30, 2015 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	3,686,792
Total	<u>\$ -</u>	<u>\$ 3,686,792</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$ (921,698)
2017	\$ (921,698)
2018	\$ (921,698)
2019	\$ (921,698)
2020	\$ -
Thereafter	\$ -

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	09/30/2014	09/30/2013
Total Pension Liability		
Service Cost	2,068,244	1,919,484
Interest	13,484,951	13,065,637
Change in Excess State Money	-	-
Share Plan Allocation	-	-
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(9,905,885)	(9,540,860)
Net Change in Total Pension Liability	5,647,310	5,444,261
Total Pension Liability - Beginning	\$ 176,884,067	171,439,806
Total Pension Liability - Ending (a)	\$ 182,531,377	\$ 176,884,067
Plan Fiduciary Net Position		
Contributions - Employer	7,988,891	7,520,029
Contributions - State	662,916	620,891
Contributions - Employee	1,190,421	1,225,133
Net Investment Income	13,794,259	17,699,778
Benefit Payments, Including Refunds of Employee Contributions	(9,905,885)	(9,540,860)
Administrative Expense	(109,957)	(142,874)
Other	-	-
Net Change in Plan Fiduciary Net Position	13,620,645	17,382,098
	-	-
Plan Fiduciary Net Position - Beginning	118,612,854	101,230,756
Plan Fiduciary Net Position - Ending (b)	\$ 132,233,499	\$ 118,612,854
Net Pension Liability - Ending (a) - (b)	\$ 50,297,878	\$ 58,271,213
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.44%	67.06%
Covered Employee Payroll	\$ 12,179,211	\$ 12,528,346
Net Pension Liability as a Percentage of covered Employee Payroll	412.98%	465.11%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	<u>09/30/2014</u>	<u>09/30/2013</u>
Actuarially Determined Contribution Contributions in Relation to the Actuarially Determined Contributions Contribution Deficiency (Excess)	8,651,807	8,140,920
	<u>8,651,807</u>	<u>8,140,920</u>
	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll Contributions as a Percentage of Covered Employee Payroll	\$ 12,179,211 71.04%	\$ 12,528,346 64.98%

Notes to Schedule

Valuation Date: 10/01/2012 (AIS 07/25/2013)
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost Method
Amortization Method: Level Percentage of Pay, Closed.
Remaining Amortization Period: 30 Years (as of 10/01/2012).
Asset Valuation Method: The Actuarial Value of Assets utilizes a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.
Inflation: 4.0% per year.
Salary Increases: 10.0% for less than 10 years of Credited Service. For 10 or more years of
Interest Rate: 7.75% per year compounded annually,
Payroll Growth: 4.24% per year for all bases created prior to 2011, 0.0% for all bases created
Cost-of-Living (COLA): 2% per year for Normal Retirement.

Normal Retirement	<u>Number of Years after</u>	<u>Probability of</u>
	<u>First Eligibility for</u>	<u>Retirement</u>
	<u>Normal Retirement</u>	
	0	50%
	1	50%
	2	100%

Early Retirement: Upon attainment of Early Retirement eligibility (age 45 with 10 years of Credited Service), Members are assumed to retire at the rate of 15% per year.

Termination Rates: See table below.

Disability Rates: See table below. 75% of disabilities are assumed to be service incurred.

Mortality: RP2000, Combined Healthy Mortality Table without projection. Disabled Members set forward 5 years.

Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	12.0%	0.14%
25	10.4%	0.15%
30	10.0%	0.18%
35	7.6%	0.23%

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	58,271,213	-	7,988,891	
Total pension liability factors:				
Service cost	2,068,244			2,068,244
Interest	13,484,951			13,484,951
Change in Excess State Money	-			-
Share Plan Allocation	-			-
Changes in benefit terms	-			-
Differences between expected and actual experience with regard to economic or demographic assumptions				
Current year amortization	-	-	-	-
Changes in assumptions about future economic or demographic factors or other inputs				
Current year amortization	-	-	-	-
Benefit payments	(9,905,885)			(9,905,885)
Net change	5,647,310	-	-	5,647,310
Plan fiduciary net position:				
Contributions - employer	7,988,891		(7,988,891)	
Contributions - state	662,916			(662,916)
Contributions - employee	1,190,421			(1,190,421)
Net investment income	9,185,769			(9,185,769)
Difference between projected and actual earnings on pension plan investments				
Current year amortization	4,608,490	4,608,490	-	(921,698)
		(921,698)	-	(921,698)
Benefit payments	(9,905,885)			9,905,885
Administrative expenses	(109,957)			109,957
Other	-			-
Net change	13,620,645	3,686,792	(7,988,891)	(1,944,962)
Ending Balance	50,297,878	3,686,792	-	3,702,348