

TOWN OF BELLEAIR  
MUNICIPAL POLICE OFFICERS' RETIREMENT SYSTEM

ACTUARIAL VALUATION REPORT  
AS OF OCTOBER 1, 2014

CONTRIBUTIONS APPLICABLE TO THE PLAN/  
FISCAL YEAR ENDED SEPTEMBER 30, 2016



January 19, 2015

Ms. Donna Carlen, Recording Secretary  
Town of Belleair Municipal Police Officers'  
Retirement System  
901 Ponce de Leon Blvd.  
Belleair, FL 33756

Re: Town of Belleair Municipal Police Officers'  
Retirement System

Dear Donna:

We are pleased to present to the Board this report of the annual actuarial valuation of the Town of Belleair Municipal Police Officers' Retirement System. 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 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.

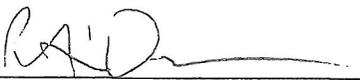
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the Town of Belleair, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the Town of Belleair Municipal Police Officers' Retirement System. 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:

  
Patrick T. Donlan, A.S.A., M.A.A.A.  
Enrolled Actuary #14-6595

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Enclosures

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## SUMMARY OF REPORT

The annual actuarial valuation of the Town of Belleair Municipal Police Officers' Retirement System, performed as of October 1, 2014, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ended September 30, 2016.

The contribution requirements, compared with those developed in the October 1, 2013 actuarial valuation report, are as follows:

Valuation Date	10/1/2013	10/1/2014
Applicable Plan/Fiscal Year End	<u>9/30/2015</u>	<u>9/30/2016</u>
Total Required Contribution	\$310,801	\$242,732
Less Member Cont's (Est.)	49,750	44,743
Equals Required Town and State	261,051	197,989
State Contribution *	46,612	46,612
Balance from Town	214,439	151,377

\* \$46,612 represents the amount that was received for fiscal 2014. The annual "Frozen" amount is \$54,032.19 (the maximum amount that can be considered when determining the Town's bottom line requirement) according to the traditional interpretation of Chapter 99-1, Florida Statutes.

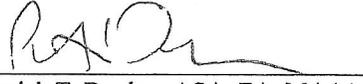
As can be seen, the Total Required Contribution has decreased from the last valuation date. This reduction is attributable to net favorable actuarial experience over the past 12 months. The primary sources of favorable experience included the death of one active Police Officer and an 8.70% investment return (Actuarial Asset basis) that exceeded the 7.75% assumed rate. These gains were partially offset by the effect of average increases in pensionable compensation that exceeded the assumed rate, no employee turnover and no retiree mortality.

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 of Trustees in order to discuss the Report and any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By:   
Drew D. Ballard, EA, MAAA

By:   
Patrick T. Donlan, ASA, EA, MAAA

Plan Changes Since Prior Valuation

There have been no changes to the plan since the prior valuation.

Actuarial Assumption/Method Changes Since Prior Valuation

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	10	12
Service Retirees	5	4
Beneficiaries	0	0
Terminated Vested	6	5
Disability Retirees	0	0
Total	<u>21</u>	<u>21</u>
Total Annual Payroll	\$674,091	\$749,510
Payroll Under Assumed Ret. Age	674,091	749,510
Annual Rate of Payments to:		
Service Retirees	130,780	119,766
Beneficiaries	0	0
Terminated Vested	0	0
Disability Retirees	0	0
B. Assets		
Actuarial Value	2,734,680	2,354,251
Market Value	2,906,563	2,494,508
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	2,296,707	2,213,975
Disability Benefits	30,703	39,418
Death Benefits	11,562	11,671
Vested Benefits	74,497	67,185
Refund of Contributions	10,169	9,848
Service Retirees	1,362,497	1,276,300
Beneficiaries	0	0
Terminated Vested	20,674	17,377
Disability Retirees	0	0
Excess State Monies Reserve	0	0
Total	<u>3,806,809</u>	<u>3,635,774</u>

	<u>10/1/2014</u>	<u>10/1/2013</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	2,442,352	2,503,418
Present Value of Future Member Contributions	146,541	150,205
Normal Cost (FIL Method)	147,130	207,762
Present Value of Future Normal Costs (Entry Age)	584,228	640,008
Actuarial Accrued Liability	3,273,732	2,941,833
Unfunded Actuarial Accrued Liability (UAAL)	539,052	587,582
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives	1,383,171	1,293,677
Actives	1,131,562	951,024
Member Contributions	335,208	311,661
	<hr/>	<hr/>
Total	2,849,941	2,556,362
Non-vested Accrued Benefits	71,937	233,563
	<hr/>	<hr/>
Total Present Value Accrued Benefits	2,921,878	2,789,925
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	63,062	
Benefits Paid	(141,832)	
Interest	210,723	
Other	0	
	<hr/>	
Total:	131,953	

Valuation Date	10/1/2014	10/1/2013
Applicable to Fiscal Year Ending	<u>9/30/2016</u>	<u>9/30/2015</u>

## E. Pension Cost

Normal Cost*	\$162,765	\$229,841
Administrative Expenses*	22,847	21,758
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 26 years (as of 10/1/14)*	57,120	59,202
Total Required Contribution*	242,732	310,801
Expected Member Contributions*	44,743	49,750
Expected Town & State Contrib.*	197,989	261,051

## F. Past Contributions

Plan Years Ending:	<u>9/30/2014</u>
Total Required Contribution	\$ 332,931
Town and State Requirement	286,371
Actual Contributions Made:	
Members	44,305
Town	239,759
State	46,612
Total	<u>330,676</u>

G. Net Actuarial Gain (Loss)	N/A
------------------------------	-----

\* Contributions developed as of 10/1/14 displayed above have been adjusted to account for 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	\$539,052
2015	525,193
2016	508,592
2021	374,454
2026	217,498
2040	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	8.3%	6.5%
Year Ended	9/30/2013	-1.6%	6.5%
Year Ended	9/30/2012	2.2%	6.5%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	8.7%	7.75%
Year Ended	9/30/2013	8.0%	7.75%
Year Ended	9/30/2012	3.6%	7.75%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2014	\$674,091
	10/1/2004	457,189
(b) Total Increase		47.4%
(c) Number of Years		10.00
(d) Average Annual Rate		3.96%

## 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.

  
Patrick T. Donlan, EA, ASA, MAAA  
Enrolled Actuary #14-6595

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	\$587,582
(2)	Town and State Normal Cost Applicable for the year *	182,459
(3)	Interest on (1) and (2)	59,678
(4)	Sponsor Contributions to the System during the year ending September 30, 2014	286,371
(5)	Interest on (4)	4,296
(6)	Unfunded Accrued Liability as of October 1, 2014 (1)+(2)+(3)-(4)-(5)	539,052

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2014 Amount</u>	<u>Amortization Amount</u>
Benefit/Method	10/1/1992	8	\$103,031	\$15,000
Benefit Change	10/1/1997	13	93,525	9,296
Method Change	10/1/1997	13	45,954	4,568
Benefit Change	10/1/2006	22	203,874	14,286
Method Change	10/1/2008	14	14,915	1,405
Assum Changes	10/1/2010	16	96,382	8,268
Benefit Changes	10/1/2010	26	<u>(18,629)</u>	<u>(1,190)</u>
			539,052	51,633

\*Includes \$19,668 for administrative expenses.

## ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rate</u>	RP2000 Combined Healthy – Sex Distinct. Disabled lives set forward five years. Based upon a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.
<u>Interest Rate</u>	7.75% per year compounded annually, net of investment related expenses.
<u>Retirement Age</u>	Earlier of Age 55 with 5 years of credited service or 25 years of credited service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.
<u>Early Retirement</u>	Commencing with the earliest Early Retirement (Age 50 with 10 years of Credited Service), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
<u>Disability Rate</u>	See table below (65% of which are assumed to be regular in-line of duty, 10% catastrophic, and 25% not-in-line of duty).
<u>Termination Rate</u>	See table below.
<u>Salary Increases</u>	6.5% per year until the assumed retirement age; see table below. Projected salary at retirement is increased 20% to account for final non-regular compensation.
<u>Payroll Growth</u>	Up to 3.0% per year (3.0% for 10/1/14 Val).
<u>Funding Method</u>	Frozen Entry Age Actuarial Cost Method.
<u>Actuarial Asset Method</u>	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average Market Value return (net of fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.

## ACTUARIAL ASSUMPTIONS AND METHODS

Administrative Expenses                      \$20,652 annually.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>	<u>Current Salary as % of Salary at age 55</u>
20	12.0%	0.03%	11.0%
30	10.0	0.04	20.7
40	5.2	0.07	38.9
50	1.6	0.18	73.0

## VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the fiscal year beginning on 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.

Normal (Current Year's) Cost is the current year's cost for benefits yet to be funded.

Unfunded Accrued Liability is a liability which arises when a pension plan is initially established or improved and such establishment or improvement is applicable to all years of past service.

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 contributions during the year.

Frozen Entry Age Actuarial Cost Method is the method used to determine required contributions under the Plan. The use of this method involves the systematic funding of the Normal Cost (described above) and the Unfunded Accrued (Past Service) Liability. See the "Reconciliation of Unfunded Actuarial Accrued Liability" for details regarding the current status of the separate liabilities.

## PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1993	16,743.14	
1994	25,378.41	51.6%
1995	24,381.20	-3.9%
1996	27,829.18	14.1%
1997	30,994.69	11.4%
1998	37,803.15	22.0%
1999	33,216.82	-12.1%
2000	35,340.56	6.4%
2001	36,830.80	4.2%
2002	44,841.11	21.7%
2003	55,114.78	22.9%
2004	39,498.56	-28.3%
2005	34,990.81	-11.4%
2006	36,678.80	4.8%
2007	38,602.39	5.2%
2008	40,456.88	4.8%
2009	43,674.67	8.0%
2010	45,233.89	3.6%
2011	40,965.43	-9.4%
2012	43,341.36	5.8%
2013	41,618.00	-4.0%
2014	46,611.95	12.0%

EXCESS STATE MONIES RESERVE

Fire Regular Distribution

	Actual State Contribution	Applicable "Frozen" Amount	Excess State Monies For Reserve
1998	\$8,632.59	\$8,632.59	\$0.00
1999	8,432.88	19,585.35	0.00
2000	7,915.14	16,943.87	0.00
2001	9,238.22	16,776.71	0.00
2002	10,730.80	10,730.80	0.00
2003	16,012.37	8,632.59	7,379.78
2004	0 *	8,632.59	0.00
2005	0 *	19,585.35	0.00
			7,379.78

Fire Special Distribution

	Actual State Contribution	Applicable "Frozen" Amount	Excess State Monies For Reserve
	N/A	N/A	N/A
	3,869.51	3,869.51	0.00
	4,604.34	4,604.34	0.00
	4,501.80	4,501.80	0.00
	4,854.42	4,382.60	471.82
	5,948.63	3,869.51	2,079.12
	8,922.01	5,187.08	3,734.93
	0 *	5,187.08	0.00
			6,285.87

Police Regular Distribution

	Actual State Contribution	Applicable "Frozen" Amount	Excess State Monies For Reserve
1998	19,203.19	19,203.19	0.00
1999	20,914.43	20,914.43	0.00
2000	22,821.08	22,821.08	0.00
2001	23,090.78	23,090.78	0.00
2002	29,255.89	29,255.89	0.00
2003	33,153.78	31,867.19	1,286.59
2004	30,549.62	30,549.62	0.00
2005	34,990.81	31,867.19	3,123.62
2006	36,678.80	31,867.19	4,811.61
2007	38,602.39	53,343.19	0.00
2008	40,456.88	53,343.19	0.00
2009	43,674.67	53,343.19	0.00
2010	45,233.89	53,343.19	0.00
2011	40,965.43	54,032.19	0.00
2012	43,341.36	54,032.19	0.00
2013	41,618.00	54,032.19	0.00
2014	46,611.95	54,032.19	0.00
			9,221.82

	Accumulated Fire Regular Excess	Accumulated Police Regular Excess	Accumulated Fire Special Excess	Total Excess State Monies
	7,379.78	9,221.82	6,285.87	22,887.47
				(22,887.47)

Less amounts used to help fund Ord. No. 444 (3.5% Benefit Rate)  
 Equals current Excess State Monies Reserve  
 \* There are no more active firefighters. Therefore, the State is withholding the Chapter 175 monies.

0.00

ACTUARIAL ASSET VALUATION  
SEPTEMBER 30, 2014

Actuarial Assets for funding purposes are developed by increasing the Actuarial Assets used in the most recent actuarial valuation of the Fund by the average annual market value rate of return (net of investment related expenses) for the past four years. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Details of the derivation are set forth as follows:

Plan Year End	Rate of Return*	
09/30/2011	-1.24%	
09/30/2012	16.53%	
09/30/2013	10.46%	
09/30/2014	9.84%	
Annualized Rate of Return for prior four (4) years:		8.70%
(A) 10/01/2013 Actuarial Assets:		\$2,354,251.05
(I) Net Investment Income:		
1. Interest and Dividends		59,057.92
2. Realized Gains (Losses)		253,230.52
3. Change in Actuarial Value		(68,645.39)
4. Investment Related Expenses		(31,405.82)
	Total	212,237.23
(B) 10/01/2014 Actuarial Assets:		\$2,734,680.48
Actuarial Asset Rate of Return = $2I/(A+B-I)$ :		8.70%
10/01/2014 Limited Actuarial Assets:		\$2,734,680.48

\*Market Value Basis, net of investment related expenses.

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

REVENUES

Contributions:		
Member	44,305.30	
Town	239,759.05	
State	46,611.95	
 Total Contributions		 330,676.30
Earnings from Investments:		
Interest & Dividends	59,057.92	
Net Realized Gain (Loss)	253,230.52	
Change in Actuarial Value	(68,645.39)	
 Total Earnings and Investment Gains		 243,643.05
	 EXPENDITURES	
Distributions to Members:		
Benefit Payments	128,026.65	
Refunds of Member Contributions	13,805.49	
 Total Distributions		 141,832.14
Expenses:		
Investment Related <sup>1</sup>	31,405.82	
Administrative	20,651.96	
 Total Expenses		 52,057.78
 Change in Net Assets for the Year		 380,429.43
 Net Assets Beginning of the Year		 2,354,251.05
 Net Assets End of the Year <sup>2</sup>		 2,734,680.48

<sup>1</sup>Investment Related expenses include investment advisory, custodial and performance monitoring fees.

<sup>2</sup>Net Assets may be limited for actuarial consideration.

## STATISTICAL DATA

(Averages are salary weighted)

	<u>10/1/2011</u>	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>
Number	13	12	12	10
Average Current Age	51.8	53.6	54.9	53.9
Average Age at Employment	44.6	47.6	47.9	45.4
Average Past Service	7.2	6.0	7.0	8.5
Average Annual Salary	\$56,772	\$58,454	\$62,459	\$67,409

## 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	0	0	0	0	0	0	0	0	0	0	0
25 - 29	0	0	0	0	0	0	0	0	0	0	0	0
30 - 34	0	0	0	1	0	0	0	0	0	0	0	1
35 - 39	0	0	0	0	0	0	0	0	0	0	0	0
40 - 44	0	0	0	0	0	1	1	0	0	0	0	2
45 - 49	0	0	0	0	0	0	0	0	0	0	0	0
50 - 54	0	0	0	0	0	0	0	0	0	0	0	0
55 - 59	0	0	0	0	0	1	0	0	1	0	0	2
60 - 64	0	0	1	0	0	4	0	0	0	0	0	5
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	0	1	1	0	6	1	0	1	0	0	10

## VALUATION PARTICIPANT RECONCILIATION

## 1. Active lives

a. Number in prior valuation 10/1/13	12
b. Terminations	
i. Vested (partial or full) with deferred benefits	0
ii. Non-vested or full lump sum distribution received	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	1
d. Disabled	0
e. Retired	1
f. Voluntary withdrawal	0
g. Continuing participants	10
h. New entrants	0
i. Total active life participants in valuation	10

## 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 Deferred	<u>Total</u>
a. Number prior valuation	4	0	0	5	9
b. In	1	0	0	1	2
c. Out	0	0	0	0	0
d. Number current valuation	5	0	0	6	11

## SUMMARY OF CURRENT PLAN

<u>EFFECTIVE DATE</u>	July 1, 1968.
<u>AMENDED</u>	September 18, 2013.
<u>CREDITED SERVICE</u>	Years and fractional parts of years of service as a Full-time Police Officer.
<u>SALARY</u>	W-2 earnings plus tax deferred, tax sheltered and tax exempt income.
<u>AVERAGE FINAL COMPENSATION</u>	Average of Salary during the best 5 years of the last 10.
<u>NORMAL RETIREMENT</u>	
Eligibility	Age 55 and the completion of 5 years of Credited Service or the completion of 25 years of Credited Service, regardless of age.
Benefit Amount	3.50% of Average Final Compensation <u>times</u> Credited Service.
Form of Benefit	10 year certain and life thereafter (Options available).
<u>EARLY RETIREMENT</u>	
Eligibility	Age 50 and 10 years of Credited Service.
Benefit Amount	Accrued benefit, reduced 3% for each year that benefit commencement precedes normal retirement.
<u>DISABILITY</u>	
Eligibility	Total and permanent disability prior to Normal Retirement Date. 10 years of Creditable Service required for non-service related disability.

## Benefit Amount

(Service) Unreduced accrued benefit, but not less than 42% of Average Final Compensation.

(Non-service) Unreduced accrued benefit.

DEATH

Vested or On-Duty Member's accrued benefit payable at what would have been the Member's Normal or Early (reduced) Retirement Date for 10 years.

Non-vested, Off-Duty Refund of Member contributions.

VESTING (TERMINATION)

Less than 10 years of Credited Service Refund of member contributions.

10 or more years of Service Accrued benefit payable at age 50 or later, on Credited an actuarially reduced basis if to commence prior to Normal Retirement Date, or a refund of member contributions with interest.

CONTRIBUTIONS

Employee 6% of Salary.

Town and State Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability as provided in Part VII, Florida Statutes, Chapter 112.

BOARD OF TRUSTEES

- a) Two Town Commission appointees,
- b) Two Members of the System elected by a majority of the other covered Police Officers, and
- c) A fifth Member elected by the other 4 and appointed by Commission.

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

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 9/30/14

Town & State	\$286,371
Plan Members	6.0%

Annual Pension Cost	288,146
Contributions made	286,371
Actuarial valuation date	10/1/2012
Actuarial cost method	Frozen Entry Age
Amortization method	Level Percentage of Pay, Closed
Remaining amortization period	28 Years (as of 10/1/12)
Asset valuation method	4 Year Smooth
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increase*	6.5%
* Includes inflation at	3.0%
Post Retirement COLA	0.0%

THREE YEAR TREND INFORMATION

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
9/30/14	288,146	99%	(7,217)
9/30/13	192,037	99%	(8,992)
9/30/12	153,496	98%	(11,012)

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 to date is as follows:

	<u>9/30/12</u>	<u>9/30/13</u>	<u>9/30/14</u>
Actuarially Determined			
Contribution (A)	151,125	190,017	286,371 *
Interest on NPO	(1,037)	(853)	(697)
Adjustment to (A)	3,408	2,873	2,472
	-----	-----	-----
Annual Pension Cost	153,496	192,037	288,146
Contributions Made	151,125	190,017	286,371 *
	-----	-----	-----
Increase in NPO	2,371	2,020	1,775
NPO Beginning of Year	(13,383)	(11,012)	(8,992)
	-----	-----	-----
NPO End of Year	(11,012)	(8,992)	(7,217)

\* Beginning 9/30/12 this includes both Town and State Contributions.

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2014

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	84,125.33
Total Cash and Equivalents	84,125.33
Receivables:	
Member Contributions in Transit	1,379.45
Town Contributions in Transit	3,356.65
Town Contributions	131,949.39
Investment Income	8,262.01
Total Receivable	144,947.50
Investments:	
U. S. Bonds and Bills	237,440.00
Federal Agency Guaranteed Securities	5,853.32
Corporate Bonds	402,667.55
Stocks	1,032,486.48
Mutual Funds:	
Fixed Income	339,034.45
Equity	660,008.57
Total Investments	2,677,490.37
Total Assets	2,906,563.20
<u>LIABILITIES</u>	
Payables:	
Total Liabilities	0.00
Total Liabilities	0.00
NET POSITION RESTRICTED FOR PENSIONS	2,906,563.20

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

<u>ADDITIONS</u>		
Contributions:		
Member	44,305.30	
Town	239,759.05	
State	46,611.95	
Total Contributions		330,676.30
Investment Income:		
Net Increase in Fair Value of Investments	216,210.75	
Interest & Dividends	59,057.92	
Less Investment Expense <sup>1</sup>	(31,405.82)	
Net Investment Income		243,862.85
Total Additions		574,539.15
<u>DEDUCTIONS</u>		
Distributions to Members:		
Benefit Payments	128,026.65	
Refunds of Member Contributions	13,805.49	
Total Distributions		141,832.14
Administrative Expense		20,651.96
Total Deductions		162,484.10
Net Increase in Net Position		412,055.05
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		2,494,508.15
End of the Year		2,906,563.20

<sup>1</sup>Investment 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 Plan is administered by a Board of Trustees comprised of:

- a) Two Town Commission appointees,
- b) Two Members of the System elected by a majority of the other covered Police Officers, and
- c) A fifth Member elected by the other 4 and appointed by Commission.

*Plan Membership as of October 1, 2013:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	4
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	5
Active Plan Members	12
	21

*Benefits Provided*

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

Normal Retirement:

Eligibility: Age 55 and the completion of 5 years of Credited Service or the completion of 25 years of Credited Service, regardless of age.

Benefit Amount: 3.50% of Average Final Compensation times Credited Service.

Early Retirement:

Eligibility: Age 50 and 10 years of Credited Service.

Benefit Amount: Accrued benefit, reduced 3% for each year that benefit commencement precedes normal retirement.

Vesting (Termination):

Less than 10 years of Credited Service: Refund of member contributions.

10 or more years of Service: Accrued benefit payable at age 50 or later, on Credited an actuarially reduced basis if to commence prior to Normal Retirement Date, or a refund of member contributions with interest.

Disability:

Eligibility: Total and permanent disability prior to Normal Retirement Date. 10 years of Creditable Service required for non-service related disability.

Benefit Amount: (Service): Unreduced accrued benefit, but not less than 42% of Average Final Compensation.

(Non-service): Unreduced accrued benefit.

Pre-Retirement Death Benefits:

Vested or On-Duty: Member's accrued benefit payable at what would have been the Member's Normal or Early (reduced) Retirement Date for 10 years.

Non-vested, Off-Duty: Refund of Member contributions.

*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	45%
International Equity	15%
Domestic Fixed Income	35%
Global Fixed income	5%
Total	100%

### *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 9.84 percent.

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

## 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	\$ 3,317,444
Plan Fiduciary Net Position	\$ (2,906,563)
Sponsor's Net Pension Liability	<u>\$ 410,881</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	87.61%

*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	3.00%
Salary Increases	6.50%
Investment Rate of Return	7.75%

RP2000 Combined Healthy – Sex Distinct. Disabled lives set forward five years. Based upon 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>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.5%
International Equity	8.5%
Domestic Fixed Income	2.5%
Global Fixed income	3.5%

**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	\$ 735,334	\$ 410,881	\$ 133,515

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

	<u>09/30/2014</u>
Total Pension Liability	
Service Cost	239,594
Interest	243,710
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	(141,832)
Net Change in Total Pension Liability	<u>341,472</u>
Total Pension Liability - Beginning	2,975,972
Total Pension Liability - Ending (a)	<u>\$ 3,317,444</u>
Plan Fiduciary Net Position	
Contributions - Employer	239,759
Contributions- State	46,612
Contributions - Employee	44,305
Net Investment Income	243,863
Benefit Payments, Including Refunds of Employee Contributions	(141,832)
Administrative Expense	(20,652)
Other	-
Net Change in Plan Fiduciary Net Position	<u>412,055</u>
Plan Fiduciary Net Position - Beginning	2,494,508
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,906,563</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 410,881</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%
Covered Employee Payroll	\$ 738,422
Net Pension Liability as a Percentage of covered Employee Payroll	55.64%

SCHEDULE OF CONTRIBUTIONS  
Last 10 Fiscal Years

	09/30/2014
Actuarially Determined Contribution	286,371
Contributions in Relation to the Actuarially Determined Contributions	286,371
Contribution Deficiency (Excess)	\$ -
 Covered Employee Payroll	 \$ 738,422
Contributions as a Percentage of Covered Employee Payroll	38.78%

Notes to Schedule

Valuation Date: 10/01/2012

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:	Frozen Entry Age Actuarial Cost Method.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	28 Years (as of 10/01/2012).
Asset Valuation Method:	4 Year Smooth.
Inflation:	3.0% per year.
Salary Increases:	6.5% per year until the assumed retirement age. Projected salary at retirement is increased 20% to account for final non-regular compensation.
Interest Rate:	7.75% per year compounded annually, net of investment related expenses.
Payroll Growth:	Up to 3.0% per year (3.0% for 10/1/12 Valuation).
Retirement Age:	Earlier of Age 55 with 5 years of credited service or 25 years of credited service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	Commencing with the earliest Early Retirement (Age 50 with 10 years of Credited Service), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

Termination Rate: See table below.  
 Disability Rate: See table below. (65% of which are assumed to be regular in-line of duty, 10% catastrophic, and 25% not-in-line of duty).  
 Mortality: RP2000 Combined Healthy – Sex Distinct. Disabled lives set forward five years. Based upon a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.  
 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%	0.03%
30	10.0%	0.04%
40	5.2%	0.07%
50	1.6%	0.18%

SCHEDULE OF INVESTMENT RETURNS  
Last 10 Fiscal Years

	<u>09/30/2014</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	9.84%

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

General Information about the Pension Plan

*Plan Description*

Each person employed by the Town Police as a full-time Police Officer ("Member") becomes a member of the Plan as a condition of his employment and are therefore eligible for all plan benefits as provided for in the plan document and by applicable law. The Police Chief, however, may elect, within 90 days of employment, to opt out of the system.

The Plan is administered by a Board of Trustees comprised of:

- a) Two Town Commission appointees,
- b) Two Members of the System elected by a majority of the other covered Police Officers, and
- c) A fifth Member elected by the other 4 and appointed by Commission.

*Plan Membership as of October 1, 2013:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	4
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	5
Active Plan Members	12
	21
	21

*Benefits Provided*

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

Normal Retirement:

Eligibility: Age 55 and the completion of 5 years of Credited Service or the completion of 25 years of Credited Service, regardless of age.

Benefit Amount: 3.50% of Average Final Compensation times Credited Service.

Early Retirement:

Eligibility: Age 50 and 10 years of Credited Service.

Benefit Amount: Accrued benefit, reduced 3% for each year that benefit commencement precedes normal retirement.

Vesting (Termination):

Less than 10 years of Credited Service: Refund of member contributions.

10 or more years of Service: Accrued benefit payable at age 50 or later, on Credited an actuarially reduced basis if to commence prior to Normal Retirement Date, or a refund of member contributions with interest.

Disability:

Eligibility: Total and permanent disability prior to Normal Retirement Date. 10 years of Creditable Service required for non-service related disability.

Benefit Amount: (Service): Unreduced accrued benefit, but not less than 42% of Average Final Compensation.

(Non-service): Unreduced accrued benefit.

Pre-Retirement Death Benefits:

Vested or On-Duty: Member's accrued benefit payable at what would have been the Member's Normal or Early (reduced) Retirement Date for 10 years.

Non-vested, Off-Duty: Refund of Member contributions.

*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	3.00%
Salary Increases	6.50%
Investment Rate of Return	7.75%

RP2000 Combined Healthy – Sex Distinct. Disabled lives set forward five years. Based upon 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	45.00%	7.50%
International Equity	15.00%	8.50%
Domestic Fixed Income	35.00%	2.50%
Global Fixed income	5.00%	3.50%
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	\$ 2,975,972	\$ 2,494,508	\$ 481,464
Changes for a Year:			
Service Cost	239,594		239,594
Interest	243,710		243,710
Change In Excess State Money	-		-
Share Plan Allocation	-		-
Differences Between Expected and Actual Experience	-		-
Contributions - Employer		239,759	(239,759)
Contributions -State		46,612	(46,612)
Contributions - Employee		44,305	(44,305)
Net Investment Income		243,863	(243,863)
Benefit Payments, Including Refunds of Employee Contributions	(141,832)	(141,832)	-
Administrative Expense		(20,652)	20,652
Other Changes	-	-	-
New Changes	341,472	412,055	(70,583)
Balances at September 30, 2014	\$ 3,317,444	2,906,563	410,881

*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	\$ 735,334	\$ 410,881	\$ 133,515

*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 \$204,393. 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	-	35,217
Total	<u>\$ -</u>	<u>\$ 35,217</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	\$	(8,804)
2017	\$	(8,804)
2018	\$	(8,804)
2019	\$	(8,805)
2020	\$	-
Thereafter	\$	-

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

	<u>09/30/2014</u>
Total Pension Liability	
Service Cost	239,594
Interest	243,710
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	(141,832)
Net Change in Total Pension Liability	<u>341,472</u>
Total Pension Liability - Beginning	2,975,972
Total Pension Liability - Ending (a)	<u>\$ 3,317,444</u>
 Plan Fiduciary Net Position	
Contributions - Employer	239,759
Contributions- State	46,612
Contributions - Employee	44,305
Net Investment Income	243,863
Benefit Payments, Including Refunds of Employee Contributions	(141,832)
Administrative Expense	(20,652)
Other	-
Net Change in Plan Fiduciary Net Position	<u>412,055</u>
 Plan Fiduciary Net Position - Beginning	<u>2,494,508</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,906,563</u>
 Net Pension Liability - Ending (a) - (b)	<u>\$ 410,881</u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.61%
 Covered Employee Payroll	\$ 738,422
Net Pension Liability as a Percentage of covered Employee Payroll	55.64%

**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years

	09/30/2014
Actuarially Determined Contribution	286,371
Contributions in Relation to the Actuarially Determined Contributions	286,371
Contribution Deficiency (Excess)	\$ -
Covered Employee Payroll	\$ 738,422
Contributions as a Percentage of Covered Employee Payroll	38.78%

Notes to Schedule

Valuation Date: 10/01/2012

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:	Frozen Entry Age Actuarial Cost Method.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	28 Years (as of 10/01/2012).
Asset Valuation Method:	4 Year Smooth.
Inflation:	3.0% per year.
Salary Increases:	6.5% per year until the assumed retirement age. Projected salary at retirement is increased 20% to account for final non-regular compensation.
Interest Rate:	7.75% per year compounded annually, net of investment related expenses.
Payroll Growth:	Up to 3.0% per year (3.0% for 10/1/12 Valuation).
Retirement Age:	Earlier of Age 55 with 5 years of credited service or 25 years of credited service, regardless of age. Also, any member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	Commencing with the earliest Early Retirement (Age 50 with 10 years of Credited Service), members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

Termination Rate: See table below.  
 Disability Rate: See table below. (65% of which are assumed to be regular in-line of duty, 10% catastrophic, and 25% not-in-line of duty).  
 Mortality: RP2000 Combined Healthy – Sex Distinct. Disabled lives set forward five years. Based upon a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.  
 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%	0.03%
30	10.0%	0.04%
40	5.2%	0.07%
50	1.6%	0.18%

COMPONENTS OF PENSION EXPENSE  
FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	481,464	-	239,759	
Total pension liability factors:				
Service cost	239,594			239,594
Interest	243,710			243,710
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	(141,832)			(141,832)
Net change	341,472	-	-	341,472
Plan fiduciary net position:				
Contributions - employer	239,759		(239,759)	
Contributions - state	46,612			(46,612)
Contributions - employee	44,305			(44,305)
Net investment income	199,842			(199,842)
Difference between projected and actual earnings on pension plan investments				
Current year amortization	44,021	44,021	-	(8,804)
Benefit payments	(141,832)	(8,804)	-	141,832
Administrative expenses	(20,652)			20,652
Other	-			-
Net change	412,055	35,217	(239,759)	(137,079)
Ending Balance	410,881	35,217	-	204,393