

# Financial Reporting for Pension Plans

Government Accounting Standards Board  
(GASB) Statement No. 67

Plan Year Ending  
September 30, 2016

Retirement Income Plan for General Employees of City of  
Pembroke Pines

427083

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## Accounting and Financial Reporting for Pensions

Government Accounting Standards Board  
(GASB) Statement No. 68

For Fiscal Year Ending  
September 30, 2017

CITY OF PEMBROKE PINES - GENERAL

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# Introduction

## General Information

### Purpose of report

The Governmental Accounting Standards Board (GASB) has published standards for the accounting and financial reporting of pensions by government entities. These standards are defined in Statement No. 67, Financial Reporting for Pension Plans, and Statement No. 68, Accounting and Financial Reporting for Pensions.

This report gives you the actuarial information needed to comply with the standards required by Statements No. 67 and 68. The amounts shown in this report are for your accountant's purposes only. They are not to be used for setting plan contributions or plan termination calculations. This report should not be used for other purposes, distributed to anyone other than the plan sponsor and auditor, or relied upon by any other person without prior consent from the Principal Life Insurance Company.

### Information you are required to provide

You will need to provide information in addition to what is included in this report to satisfy all the Statement No. 67 and 68 disclosure requirements. Look for the tables labeled **Plan Sponsor must disclose** throughout the report for reminders of the additional information needed.

### Measurement date

A measurement period of 10/01/2015 to 09/30/2016 has been used for the plan year ending 09/30/2016 for GASB 67 reporting and for the fiscal year ending 09/30/2017 for GASB 68 reporting.

### Participant group

The active, deferred vested and retiree census is as of 09/30/2016.

### Employee payroll

The Covered Employee Payroll shown in this report is the reported payroll for the measurement period, as required by GASB Statements 67 and 68. This is different from the Annual Member Compensation shown in the 10/01/2016 Actuarial Valuation Report, which is the projected payroll for the upcoming plan year. If the total payroll paid to covered employees during the measurement period or fiscal year is different than the payroll reported for pension purposes, you will need to adjust the payroll amounts and ratios displayed in this report.

### Treasury Department Circular No. 230

The subject matter in this communication is provided with the understanding that The Principal® is not rendering legal, accounting, or tax advice. You should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax, or accounting obligations and requirements.

### For additional information

For additional information you may contact your actuarial analyst, Gary R Pepper:

- Phone – 800-557-6627 extension 49379, or 412-394-9379
- Email – [Peffer.Gary@principal.com](mailto:Peffer.Gary@principal.com)

## Statement of Actuary

The calculations shown in this report for CITY OF PEMBROKE PINES - GENERAL reflect our interpretations of pension related accounting standards published by the Governmental Accounting Standards Board (GASB). The results may not be the most advantageous for your particular financial accounting situation and should not be used for other purposes, distributed to anyone other than the plan sponsor and auditor, or relied on by any other person without prior consent from Principal Life Insurance Company.

In preparing this report, I have relied on:

- reports of participants, salary, and service provided by the plan sponsor.
- information for any retirees, beneficiaries, and alternate payees being paid by Principal Life Insurance Co.
- benefit, contribution, and expense transaction information for the preceding plan year, and the market value of assets reported by Principal Financial Group and the plan sponsor.
- plan documents on file with Principal Life Insurance Company, including changes as noted on the Summary of Plan Provisions section of this report.

Appropriate tests of reasonableness and accuracy have been made and reviewed. The information provided is adequate to support the results in this report.

I confirm that as the actuary for this pension plan, I am completely independent of the plan sponsor and any of its officers or key personnel. Neither I nor anyone closely associated with me has any relationship known to me which would impair our independence.

In my opinion, each assumption and method chosen by the actuary is reasonable (taking into account the experience of the plan and reasonable expectations) and which, in combination, offer my best estimate of anticipated experience under the plan.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. To the best of my knowledge, this report is complete and accurate, and complies with all relevant pension actuarial standards and legal requirements.



03/08/2017

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03/09/2017

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# Required Disclosures

## Statement of Fiduciary Net Position

<b>Measurement date</b>	<b>09/30/2016</b>	<b>09/30/2015</b>
<b>Fiscal year end</b>	<b>09/30/2017</b>	<b>09/30/2016</b>
<b>Assets</b>		
Cash and cash equivalents	\$0	\$0
<b>Receivables</b>		
Employer contributions receivable	\$4,000,000.00	\$2,500,000.00
Employee contributions receivable	3,408.57	10,968.38
Investment income receivable	0.00	0.00
Total Receivables	\$4,003,408.57	\$2,510,968.38
<b>Investments</b>		
Large U.S. Equity	\$56,056,664.89	\$48,618,162.30
Small/Mid U.S. Equity	10,404,361.58	12,374,902.55
International Equity	21,806,791.58	18,883,136.44
Balanced/Asset Allocation	3,413,434.88	7,454,281.76
Short-Term Fixed Income	0.00	0.00
Fixed Income	71,805,454.34	68,777,443.61
Other	0.00	0.00
Assets held outside Principal	0.00	
Total Investments	\$163,486,707.27	\$156,107,926.66
Assets used in plan operations	\$0	\$0
Total Assets	\$167,490,115.84	\$158,618,895.04
<b>Liabilities</b>		
Benefits payable	\$0.00	\$0.00
Refunds of EE contributions payable	0.00	0.00
Accrued expenses payable	0.00	0.00
Accrued invest fees payable	0.00	0.00
Total Liabilities	\$0.00	\$0.00
<b>Fiduciary Net Position</b>		
Fiduciary Net Position	\$167,490,115.84	\$158,618,895.04

## Statement of Changes in Fiduciary Net Position

<b>Measurement date</b>	<b>09/30/2016</b>
<b>Fiscal year end</b>	<b>09/30/2017</b>
<b>Additions</b>	
<b>Contributions</b>	
Employee contributions	249,519
Employer contributions	6,500,000
Other contributions	0
Total Contributions	\$6,749,519
<b>Net Investment Income</b>	
Investment return	12,414,477
Other income	0
Investment expenses	(47,576)
Net investment income	\$12,366,901
Total additions	\$19,116,420
<b>Deductions</b>	
Benefit payments	10,243,459
Administration expenses	1,740
Other expenses	0
Other deductions	0
Total deductions	\$10,245,199
<b>Net change</b>	
Net Change	\$8,871,221
<b>Fiduciary Net Position</b>	
Beginning of period	\$158,618,895
End of period	\$167,490,116

## Statement of Changes in Net Pension Liability

A measurement date of 09/30/2016 has been used for the fiscal year ending 09/30/2017.

	<b>Total Pension Liability</b>	<b>Fiduciary Net Position</b>	<b>Net Pension Liability</b>
<b>Balance, beginning of period</b>	\$160,773,620	\$158,618,895	\$2,154,725
<b>Changes for the year, increase/(decrease)</b>			
Service cost	277,835		277,835
Interest	11,678,072		11,678,072
Benefit payments	(10,243,459)	(10,243,459)	0
Differences between expected and actual experience	562,441		562,441
Changes in assumptions	13,441,392		13,441,392
Change in benefit terms	0		0
Employee contributions		249,519	(249,519)
Employer contributions		6,500,000	(6,500,000)
Other contributions		0	0
Net investment income		12,366,901	(12,366,901)
Administration expenses		(1,740)	1,740
Other expenses		0	0
Other deductions		0	0
<b>Net changes</b>			
Net changes	\$15,716,281	\$8,871,221	\$6,845,060
<b>Balance, end of period</b>	\$176,489,901	\$167,490,116	\$8,999,785

## Sensitivity to Changes in Discount Rate

	<b>1% decrease 5.75%</b>	<b>Discount Rate 6.75%</b>	<b>1% increase 7.75%</b>
<b>Net Pension Liability</b>	30,103,866	8,999,785	(8,567,430)



## Statement of Pension Expense

The Pension Expense for the fiscal year ended 09/30/2017 is \$16,360,465.

See the Components of Pension Expense topic in the Additional Information section for a complete breakdown of the expense components and calculations.

## Statement of Deferred Outflows and (Inflows) of Resources

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	0	0
Effects of changes in assumptions	0	0
Net differences between expected and net investment income	8,439,758	(1,472,111)
<b>Total Deferred Outflows and (Inflows) of Resources</b>	<b>\$8,439,758</b>	<b>\$(1,472,111)</b>
Employer contributions made after measurement date	*	

### \* Plan Sponsor must disclose:

- Employer contributions made subsequent to the 09/30/2016 measurement date of the Net Pension Liabilities and before the end of the 09/30/2017 reporting period. GASB 68 paragraph 34 requires these contributions be reported as deferred outflows of resources.

Amounts reported as Deferred Outflows and (Inflows) of Resources related to pensions will be recognized in the pension expense as follows:

Fiscal Year ending 09/30	Amount to be Recognized
2018	\$2,233,565
2019	2,233,566
2020	2,656,884
2021	(156,368)
2022	0
Thereafter	0

See the Schedule of Deferred Outflows and (Inflows) of Resources topic in the Additional Information section for a more detailed list.

# Notes to the Financial Statements

## Summary of Significant Accounting Policies

### Method used to value investments

Investments are valued as of the measurement date.

Investments in separate accounts held at The Principal Financial Group are commingled pools, rather than individual securities and are valued at fair market value.

### Net Fiduciary Position

The Fiduciary Net Position and Changes in Fiduciary Net Position have been determined on the same basis for both GASB Statement 67 and Statement 68 reporting purposes.

## Plan Description

### Plan Description

Retirement Income Plan for General Employees of City of Pembroke Pines is a single-employer defined benefit pension plan sponsored by CITY OF PEMBROKE PINES - GENERAL.

There are no nonemployer contributing entities, as defined by GASB 67 and 68, for this plan.

There are no special funding situations, as defined by GASB 67 and 68, for this plan.

### Plan Administration

#### Plan Sponsor must disclose:

- The authority under which benefit terms are established or may be amended.
- The pension plan's board and its composition (for example the number of trustees by source of selection or the types of constituency or credential applicable to selection).

## Plan membership

Measurement date	09/30/2016
Fiscal year end	09/30/2017
Active plan members	39
Inactive plan members entitled to but not yet receiving benefits	255
Disabled plan members entitled to benefits	2
Retired plan members or beneficiaries currently receiving benefits	393
Total	689

The pension plan is closed to new entrants as of 10/01/2014.

The pension benefit accruals are frozen as of 07/01/2010 for those covered under bargaining agreement.

## Benefits provided

The pension plan provides for retirement and other benefits as shown in Appendix 1 of this report.

There have been no changes in plan provisions during the measurement period.

There have been no changes in plan provisions between the 09/30/2016 measurement date and 02/27/2017.

### Plan Sponsor must disclose:

- Changes in the plan provisions made after the certification date of this report and before the end of the reporting period.
- Estimated impact of these changes on Net Pension Liability.

## Contributions

The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's Actuarial Valuation Report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses

In accordance with the plan's governing document, employees may be required to contribute to the plan.

Employees are currently required to contribute 7.25% of salary.

The actuarially determined employer contribution for the measurement period ending 09/30/2016 is \$758,577 and the expected employee contributions are \$232,462.

The actuarially determined employer contribution for the upcoming measurement period ending 09/30/2017 is \$566,798 and the expected employee contributions are \$248,141.

### Plan Sponsor must disclose:

- The authority under which contribution requirements for employer and employees are established.
- The authority under which contribution requirements for employer and employees may be amended.
- All employer contributions made after the 09/30/2016 measurement date of the Net Pension Liabilities and before the end of the 09/30/2017 reporting period as deferred outflows of resources.

## Investments

### Investment policy

A general listing of plan assets as of the 09/30/2016 measurement date is shown in Detail of Plan Assets by Category topic in the Additional Information section.

#### Plan Sponsor must disclose:

- Investment policies and strategies.
- Procedures and authority for establishing and amending investment policy decisions.
- Policies pertaining to asset allocation.
- Description of significant investment policy changes during the reporting period.

Principal Financial Advisors, Inc., a registered investment advisor and wholly owned subsidiary of Principal Financial Group, has been hired to manage the asset allocation strategy for your plan. They will provide additional information to assist you and your plan auditor in preparing the required disclosures.

### Concentrations

As of the measurement date, the following are investments (other than US Government and US Government guaranteed obligations) in any one organization that represents 5 percent or more of the pension plan's fiduciary net position.  $\$167,490,116 \times 0.05 = \$8,374,506$

Principal Financial Group

\$163,486,707

### Money-weighted Rate of Return

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the actual timing and amount of cash flows. This return is calculated net of investment expenses.

The annual money-weighted rate of return on plan investments for the measurement period of 10/01/2015 to 09/30/2016 is 8.01%.

The actual date and amount of each contribution, benefit payment and administrative expense payment was used in the calculation of the money-weighted rate of return. Please refer to the List of Transactions in the pension plan's fund statement for details.

	Amount	Interest	Amount with Interest
Fiduciary Net Position, beginning	\$158,618,895	\$12,699,032	\$171,317,927
Total benefit payments	(10,243,459)	(427,508)	(10,670,967)
Total contributions	6,749,519	95,466	6,844,985
Total administrative expenses	(1,740)	(89)	(1,829)
Fiduciary Net Position, ending			\$167,490,116

## Receivables

### Plan Sponsor must disclose:

- Receivables from any long-term contracts for contributions.
- The terms of these contracts.
- The balances outstanding on any such long-term contracts at the end of the reporting period.
- Description of significant investment policy changes during the reporting period.

## Allocated Insurance Contracts

No annuities were purchased for plan members during the measurement period.

## Reserves

### Plan Sponsor must disclose:

- Reserves set aside for purposes such as benefit increases or reduced employer contributions, a portion of the pension plan's fiduciary net position that otherwise would be available for existing pensions or for pension plan administration.
- A description of the policy related to such reserves.
- The authority under which the policy was established and may be amended.
- The purposes for and conditions under which the reserves are required or permitted to be used.
- The balances of the reserves.

## Deferred Retirement Option Program (DROP)

The pension plan provides for DROP benefits as shown in Appendix 1- Plan Summary of this report.

The DROP fund balance held by the pension plan as of the measurement date was \$0. These funds are included in the plan's Fiduciary Net Position.

## Net Pension Liability

### Cost Method

The entry age actuarial cost method is used for this disclosure. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service cost.

### **Measurement date**

A measurement period of 10/01/2015 to 09/30/2016 has been used for the plan year ending 09/30/2016 for GASB 67 reporting and for the fiscal year ending 09/30/2017 for GASB 68 reporting.

The net pension liability reported for CITY OF PEMBROKE PINES - GENERAL's fiscal year end of 09/30/2017 was measured as of 09/30/2016, using the total pension liability that was determined by an actuarial valuation as of 09/30/2016.

### **Assumptions**

The end of period total pension liability was determined using the assumptions and methods described in Appendix 2.

### **Long-term rate of return**

The expected long-term rate of return assumption as of the end of period is 6.75%. The expected long term rate of return was selected by City.

The expected long-term rate of return assumption as of the beginning of period is 7.50%. The expected long term rate of return was selected by City.

### **Discount Rate**

The discount rate used to determine the end of period Total Pension Liability is 6.75%.

The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period from 2016 to 2071. Benefit payments after 2106 are projected to be \$0.

The long-term rate of return of 6.75% is used to calculate the actuarial present value of projected payments for each future period when the projected Fiduciary Net Position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate of 3.66% is used. The municipal bond rate is from Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities, as of the 09/30/2016 measurement date. The discount rate is a single rate that incorporates the long-term rate of return and municipal bond rate as described.

The discount rate used to determine the beginning of period Total Pension Liability is 6.75%. The municipal bond rate as of 09/30/2015 was 4.08%.

# Required Supplementary Information

## Schedule of Changes in Net Pension Liability

Measurement Period Ending	09/30/2016	09/30/2015	09/30/2014		
Fiscal Year Ending	09/30/2017	09/30/2016	09/30/2015		
<b>Total Pension Liability</b>					
Service cost	277,835	267,925	210,178		
Interest	11,678,072	11,551,682	11,362,422		
Benefit payments	(10,243,459)	(9,814,147)	(10,021,946)		
Difference between expected and actual experience	562,441	135	1,255,121		
Change in assumptions	13,441,392	838,952	3,309,464		
Change in benefit terms	0	0	0		
<b>Net Change in Total Pension Liability</b>	<b>\$15,716,281</b>	<b>\$2,844,547</b>	<b>\$6,115,239</b>		
Total Pension Liability, beginning of period	\$160,773,620	\$157,929,073	\$151,813,834		
<b>Total Pension Liability, end of period</b>	<b>\$176,489,901</b>	<b>\$160,773,620</b>	<b>\$157,929,073</b>		
<b>Fiduciary Net Position</b>					
Employee contributions	249,519	251,779	245,607		
Employer contributions	6,500,000	9,174,902	16,474,902		
Other contributions	0	0	0		
Net investment income	12,366,901	(1,774,130)	12,873,758		
Benefit payments	(10,243,459)	(9,814,147)	(10,021,946)		
Administration expenses	(1,740)	(280)	(2,299)		
Other expenses	0	0	0		
Other deductions	0	0	0		
<b>Net Change in Fiduciary Net Position</b>	<b>\$8,871,221</b>	<b>(\$2,161,876)</b>	<b>\$19,570,022</b>		
Fiduciary Net Position, beginning of period	\$158,618,895	\$160,780,771	\$141,210,749		
<b>Fiduciary Net Position, end of period</b>	<b>\$167,490,116</b>	<b>\$158,618,895</b>	<b>\$160,780,771</b>		
<b>Net Pension Liability</b>					
<b>Net Pension Liability</b>	<b>\$8,999,785</b>	<b>\$2,154,725</b>	<b>\$(2,851,698)</b>		
<b>End of period assumptions</b>					
Long-term rate of return	6.75%	7.50%	7.75%		
Discount rate	6.75%	7.50%	7.55%		
Salary increase assumption	S5 + 2.50%	S5 + 2.50%	S5 + 2.50%		
COLA increase assumption*	2.0% & 3.0%	2.0% & 3.0%	2.0% & 3.0%		
Retirement age assumption	55 + 10 yrs svc	55 + 10 yrs svc	55 + 10 yrs svc		
Plan changes	none	none	none		

\*depending on location

## Schedule of Pension Liability Ratios

Measurement Period Ending Fiscal Year Ending	09/30/2016 09/30/2017	09/30/2015 09/30/2016	09/30/2014 09/30/2015		
<b>Ratios</b>					
Fiduciary net position as a percentage of total pension liability	94.90%	98.66%	101.81%		
Covered employee payroll*	\$3,441,627	\$3,280,160	\$3,163,848		
Net pension liability as a percentage of covered employee payroll	261.50%	65.69%	-90.13%		

**\* Plan Sponsor must adjust:**

- Covered employee payroll and ratios if the total payroll paid to covered employees during the measurement period is different than the payroll reported for pension purposes.



## Schedule of Employer (ER) Contributions for GASB 67 and 68

Measurement Period Ending	09/30/2016	09/30/2015	09/30/2014		
Fiscal Year Ending	09/30/2016	09/30/2015	09/30/2014		
<b>Contributions</b>					
Actuarially determined ER contributions	\$758,577	\$2,707,856	\$3,892,070		
ER contributions received by the plan	6,500,000	9,174,902	16,474,902		
<b>Contribution deficiency/(excess)</b>	(5,741,423)	(6,467,046)	(12,582,832)		
<b>Ratios</b>					
Covered employee payroll	\$3,441,627*	\$3,280,160	\$3,163,848		
ER contributions received as a percentage of covered employee payroll	188.86%	279.71%	520.72%		
Long-term rate of return on assets	6.75%	7.50%	7.75%		
Interest rate	6.75%	7.50%	7.75%		
Salary increase assumption	55 + 2.50%	55 + 2.50%	55 + 2.50%		
COLA increase assumption*	2.0% & 3.0%	2.0% & 3.0%	2.0% & 3.0%		
Retirement age assumption	55 + 10 yrs svc	55 + 10 yrs svc	55 + 10 yrs svc		
Plan changes	none	none	none		

\*depending on location

A complete list of assumptions and methods used to calculate the Actuarially Determined Contribution is found in the annual Actuarial Valuation Report.

**\* Plan Sponsor must adjust:**

- Covered employee payroll and ratios if the total payroll paid to covered employees during the measurement period is different than the payroll reported for pension purposes.

## Schedule of Money-weighted Investment Returns

Measurement Period Ending	09/30/2016	09/30/2015	09/30/2014		
Fiscal Year Ending	09/30/2017	09/30/2016	09/30/2015		
Annual money-weighted rate of return on plan investments, net of investment expense	8.01%	(1.12%)	14.04%		

# Additional Information

## Detail of Plan Assets by Category

A measurement date of 09/30/2016 has been used for the fiscal year ending 09/30/2017.

<b>Asset Class/Investment Advisor</b>	<b>Investment Option</b>	<b>as of 09/30/2016 measurement date</b>
<b>Large U.S. Equity</b>		
Edge Asset Management, Inc.	Equity Income Sep Acct-I3	\$11,687,366.41
Principal Global Investors	LargeCap Value Sep Acct-I2	11,234,032.67
Principal Global Investors	LargeCap S&P 500 Index SA-I5	9,926,262.24
T. Rowe Price/Brown Advisory	LargeCap Growth I Sep Acct-I2	23,209,003.57
<b>Small/Mid U.S. Equity</b>		
Principal Global/Barrow Hanley	MidCap Value III Sep Acct-I4	3,369,875.29
Robert Baird/William Blair	MidCap Growth III Sep Acct-I2	3,386,068.38
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Sep Acct-I2	1,793,922.82
AB/Brown/Emerald	SmallCap Growth I Sep Acct-I2	1,854,495.09
<b>International Equity</b>		
Principal Global Investors	Intl Emerging Mkts SA-I5	2,863,732.64
Causeway / Barrow Hanley	Overseas Sep Acct-Z	18,943,058.94
<b>Balanced/Asset Allocation</b>		
Multiple Sub-Advisors	Diversified Real Asset SA-I3	3,413,434.88
<b>Short-Term Fixed Income</b>		
<b>Fixed Income</b>		
JP Morgan / Neuberger Berman	High Yield I Separate Acct-I2	6,984,987.24
Mellon Capital Mgmt	Bond Market Index Sep Acct-I3	13,539,123.75
Principal Global Investors	Core Plus Bond Separate Act-I5	41,238,866.29
Principal Real Estate Inv	U.S. Property SA-I5	10,042,477.06
<b>Ending Balance</b>		<b>\$163,486,707.27</b>

A general listing of plan assets as of the measurement date is shown here, but additional disclosure may be appropriate. You should obtain information on investment options from the applicable investment manager or sponsor.

## Components of Pension Expense

For Fiscal Year Ending	09/30/2017
<b>Pension Expense</b>	
Service cost	\$277,835
Interest cost	11,678,072
Contributions from employees	(249,519)
Expected investment income	(11,585,061)
Administrative expenses	1,740
Other expenses	0
Other deductions	0
Change in benefit provisions	0
Recognition of Deferred Outflows and (Inflows) due to:	
Differences between expected and actual experience	562,441
Changes in assumptions	13,441,392
Differences between expected and actual investment earnings	2,233,565
<b>Total pension expense</b>	<b>\$16,360,465</b>
<b>Rates used to determine pension expense</b>	
Discount rate	7.50%
Long-term rate of return	7.50%

## Development of Components of Pension Expense

For Fiscal Year Ending	09/30/2017
<b>Interest Cost</b>	
Using 7.50% discount rate ...	
On \$160,773,620 total pension liability	\$12,058,021
On \$277,835 service cost	20,838
Adjustment for benefit distributions of \$10,243,459	(400,787)
<b>Interest Cost</b>	<b>\$11,678,072</b>
<b>Expected Investment Income</b>	
Using 7.50% long-term rate of return...	
On \$158,618,895 fiduciary net position	\$(11,896,417)
Adjustment for benefit distributions of \$10,243,459	400,787
Adjustment for administration expenses of \$1,740	83
Adjustment for other expenses of \$0	0
Adjustment for other deductions of \$0	0
Adjustment for employee contributions \$249,519	(8,693)
Adjustment for employer contributions \$6,500,000	(80,821)
<b>Expected investment income</b>	<b>\$(11,585,061)</b>

The following Deferred Outflows and (Inflows) are recognized in Pension Expense:

- Differences between expected and actual experience, over a closed period equal to the average of the expected remaining service lives of all employees (active employees, vested terminated, and retirees).
- Changes in assumptions, over a closed period equal to the average of the expected remaining service lives of all employees (active employees, vested terminated, and retirees).
- Differences between projected and actual earnings on pension plan investments, over a closed five-year period.

<b>Recognition of Deferred Outflows and Inflows</b>						
<b>Date Established</b>	<b>Type</b>	<b>Initial or Prior Year Balance</b>	<b>Current Amount Recognized</b>	<b>Deferred Balance</b>	<b>Upcoming Amount Recognized</b>	<b>Years Remaining</b>
09/30/2017	Experience	\$562,441	\$562,441	\$0	\$0	0.00
09/30/2017	Assumption	13,441,392	13,441,392	0	0	0.00
09/30/2017	Investment Income	(781,840)	(156,368)	(625,472)	(156,368)	4.00
09/30/2016	Investment Income	11,253,011	2,813,253	8,439,758	2,813,253	3.00
09/30/2015	Investment Income	(1,269,959)	(423,320)	(846,639)	(423,320)	2.00
<b>Total</b>		<b>\$23,205,045</b>	<b>\$16,237,398</b>	<b>\$6,967,647</b>	<b>\$2,233,565</b>	

### Additional Information

# Appendices

## Appendix 1 – Plan Summary

This report reflects the maximum benefit limits under Internal Revenue Code (IRC) Section 415 and maximum compensation limits under IRC Section 401 in effect on the first day of each plan year.

The following is a summary of plan provisions and does not alter the intent or meanings of the provisions contained in the contract or plan document.

Plan Eligibility	
<b>Class</b>	<p>Any general or utility employee whose customary employment with the employer is at least 30 hours per week or an elected official subject to the provisions of Chapter 112.048 of the Florida Statutes.</p> <p>Bargaining - no employee hired on and after 02/01/2010 will become an active participant and no inactive participant or former participant will again become an active participant.</p> <p>Non-collective bargaining - no employee hired on and after 10/01/2014 will become an active participant and no inactive participant or former participant will again become an active participant.</p>

Normal Retirement Benefit	
<b>Age</b>	The later of attained age 55 or ten years vesting service.
<b>Form</b>	Monthly annuity payable for life with payments guaranteed to be at least equal to the participant's accumulation on the normal retirement date (optional forms may be elected in advance of retirement).
<b>Amount (Accrued Benefit)</b>	<p>2.85% of average compensation multiplied by accrual service. Maximum benefit is 80% of average compensation (28.07 years).</p> <p>Benefit is frozen effective 07/01/2010 for those covered under the bargaining agreement.</p>

Early Retirement Benefit	
<b>Age</b>	Attained age 50.
<b>Service</b>	Completed 5 years of service.
<b>Form</b>	Same as Normal Retirement Benefit
<b>Amount</b>	Accrued Benefit on Early Retirement Date reduced by 6 2/3% for each year that the Early Retirement Date precedes Normal Retirement Date.

<b>Late Retirement Benefit</b>	
<b>Age</b>	No maximum age
<b>Form</b>	Same as Normal Retirement Benefit.
<b>Amount</b>	Greater of Accrued Benefit on Late Retirement Date or Accrued Benefit on Normal Retirement Date increased to recognize that annuity commences subsequent to normal retirement.

<b>Termination Benefit</b>	
<b>Vesting Percentage</b>	Subsequent to five years of service, 50%, plus 10% for each year of service thereafter, up to 100%. However, vesting shall be 100% on or subsequent to the earliest of normal retirement date, date when first eligible to early retire or the date of total and permanent disability.
<b>Form</b>	Same as Normal Retirement Benefit with income deferred until Normal Retirement Date.
<b>Amount</b>	<p>Equal to the sum of</p> <ul style="list-style-type: none"> <li>(a) The amount of retirement annuity which could be purchased on his normal retirement date by his participant's required contribution account.</li> <li>(b) Vesting percentage times the excess of the pension benefit as of the date of termination over (a) above.</li> </ul> <p>At any time on or after termination, the participant may elect to receive his participant's required contribution account in cash in lieu of any and all retirement benefits that could be provided by his participant's required contribution account.</p>

<b>Disability Benefit</b>	
<b>Eligibility</b>	An active participant who becomes totally and permanently disabled prior to his retirement date. Ten years of vesting service is required for a non-service related disability benefit to be payable.
<b>Form</b>	Monthly income payable until normal retirement, death, or recovery and a deferred annuity payable at the Normal Retirement Date.
<b>Amount</b>	<p>For a service related disability, the greater of his accrued benefit on date of disability or 40% of his current monthly compensation on such date.</p> <p>For a non-service related disability, the accrued benefit on date of disability.</p>

<b>Contributions</b>	
<b>Salary Reduction Contribution</b>	<p>Tax deductible contributions made by the employer on behalf of the employee. This is 7.25% of monthly earnings that have been deducted from the employees pay.</p> <p>Effective 07/01/2010, 0% of monthly earnings will be deducted for those covered under the bargaining agreement.</p>

## Death Benefit

### Greater of A or B below.

#### A. Single Sum Death Benefit

<b>Form</b>	Single sum.
<b>Amount</b>	Participant's accumulation on date of death.
<b>B. Pre-Retirement Death Benefit</b>	
<b>Age</b>	Attained age 50.
<b>Service</b>	Five years of service.
<b>Form</b>	Monthly annuity payable to spouse.
<b>Amount</b>	If death occurs between Early Retirement Date and Normal Retirement Date, the benefit is an annuity to the spouse for an amount no less than would have been received had the participant elected a joint and 50% survivorship benefit option and early retired the day before death.

## Deferred Retirement Option Plan

<b>Eligibility</b>	An active participant first becomes eligible to elect the DROP on the first day of the month on or after reaching normal retirement date.
<b>Election</b>	An election to participate in the DROP shall constitute an irrevocable election to resign from service not later than sixty (60) months of reaching the start of the DROP eligibility period. An election to participate must be made within the first five years of eligibility. The period of participation in the DROP cannot exceed a period ending sixty months from first becoming eligible for the DROP or when the participant ceases to be an employee.
<b>Form</b>	Same as normal retirement benefit. While the employee is in the DROP the pension benefit payments will be credited to a separate account that will earn a return based on investments chosen by the employee.
<b>Amount</b>	Accrued benefit on retirement date. No additional accrual service will accumulate after entry into the DROP. Any changes in pension benefits shall not apply to participants in the DROP.  Once the DROP period expires or the participant ceases to be an employee, any subsequent pension benefit payments will be paid to the employee. The accumulation in the DROP account will be paid to the employee based on his payment option once the participant ceases to be an employee.

### Optional Forms of Benefit

- A monthly income to the employee for life. No benefits are payable at death.
- A monthly income to the employee for life, with a 5, 10, or 15 year period where payments continue to the beneficiary.
- A monthly income to the employee for life. If the employee dies before the amount paid equals the employee account on the retirement date, payments continue to the beneficiary until the totals equal that amount.
- A monthly income to the employee for life, with a 50%, 66 2/3%, 75%, or 100% of the monthly benefit paid to the surviving spouse.

### Cost of Living Adjustment

#### Amount

Annual 2% cost of living adjustment effective 10/01/2003 to active participants and DROP participants on and after 10/01/2003 and to participants who started receiving retirement or disability benefits on or after 10/01/2001.

Effective 10/01/2004 the cost of living adjustment was increased to 3.0%.

Effective 02/01/2010 the cost of living adjustment is decreased to 2% for any plan participant who attains normal retirement date or becomes a participant in the DROP after 02/01/2010.

Effective 07/01/2010 the cost of living adjustment shall not apply for those who are covered under the bargaining agreement and have not reached normal retirement date by 07/01/2010.

### Early Retirement Window

Available to any participant who is employed with the city of Pembroke in the position of Assistant City Manager, Director Community Services, Assistant Director Community Services, Administrative Services Director, has attained age 50, has 14 years of vesting service, and elected an early retirement date between September 3, and September 12, 2008. The retirement benefit will not be reduced for the application of the early retirement reduction factors. In addition, for the Assistant City Manager position, the retirement benefit will be calculated as if the participant was employed until Normal Retirement Date.

### Definitions

#### Average Compensation

The monthly average of total pay received for the two years out of all compensation years prior to retirement date which gives the highest average.

#### Participant's Required Contribution Account

Participant's contributions, accumulated to the date of determination with interest of 5% compounded annually, plus salary reduction contributions not previously paid out or applied.

#### Accrual Service

An employee's current and all prior periods of continuous service expressed in whole years and fractional parts of a year.



## Appendix 2 – Assumptions and Methods

<b>Assumptions and Methods Prescribed by GASB used to determine the Total Pension Liability and the Discount Rate</b>	
<b>Asset Method</b>	Market value of assets, as of the measurement date.
<b>Discount Rate and basis</b>	6.75% Long-term rate of return assumption!
<b>Muni Bond Rate and basis</b>	3.66%  Barclays Municipal GO Long Term (17+ Y) Index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as of the measurement date.
<b>Cost method</b>	Entry Age cost method, level percent of pay. Attribution is made on an individual basis, beginning with the first period in which the employee’s service accrues pension benefit through all assumed exit ages, through retirement.
<b>Participant group</b>	The active, deferred vested and retiree census is as of 09/30/2016.  No new participants join the group during the projection period.

<b>Assumptions and Methods Selected by Actuary used to determine the Total Pension Liability and the Discount Rate</b>	
<b>Long-term rate of return on plan assets</b>	6.75%  The interest rate is developed as a long-term expected geometric return on plan assets. Arithmetic expected return is calculated as the weighted average of broad asset classes’ arithmetic returns of the plan’s target asset allocation, and then converted to the geometric under lognormal distribution assumption. See <a href="#">Long-Term Capital Market Assumptions 2014</a> for additional information.
<b>Interest Rate for Employee Accumulations</b>	5.00%  As defined in the plan document.
<b>Retirement Cost of Living Adjustment (COLA)</b>	2.00% and 3.00% increase per year depending on location.
<b>Retirement</b>	Age 55 and 10 years of service.

<b>Inflation</b>	<p>2.25% increase per year.</p> <p>See <a href="#">Long-Term Capital Market Assumptions</a> for additional information.</p>								
<b>Upcoming Salary Increases</b>	<p>Table S-5 from the Actuary's Pension Handbook plus 2.50%.</p> <p>Selected rates of increase are shown below:</p> <table border="1" data-bbox="565 407 956 562"> <thead> <tr> <th>Age</th> <th>Upcoming Increase</th> </tr> </thead> <tbody> <tr> <td>25</td> <td>6.68%</td> </tr> <tr> <td>40</td> <td>5.22%</td> </tr> <tr> <td>55</td> <td>4.38%</td> </tr> </tbody> </table> <p>Expected salary increase is composed of salary inflation, a real wage growth and a merit increase.</p>	Age	Upcoming Increase	25	6.68%	40	5.22%	55	4.38%
Age	Upcoming Increase								
25	6.68%								
40	5.22%								
55	4.38%								
<b>Compensation Limit Increase</b>	<p>2.25% increase per year.</p> <p>Compensation limit increase should be consistent with the inflation assumption.</p>								
<b>Mortality</b>	<p><b>During Benefit Payment Period</b> IRS Prescribed Mortality - Generational Annuitant, male and female.</p> <p><b>Before Benefit Payment Period</b> IRS Prescribed Mortality- Generational Non-annuitant, male and female.</p>								
<b>Disability</b>	<p>1987 Commissioner's Group Disability Table, six month elimination period, male and female.</p> <p>We rely on a publicly published table due to the limited size of the plan. The 1987 CGDT was recommended by the Society of Actuaries for pension valuation purposes.</p>								
<b>Withdrawal</b>	<p>2003 Society of Actuaries Basic Plan Age Table, multiplied by 0.75.</p> <p>We rely on a publicly published table due to the limited size of the plan. The SOA Basic Plan Age Table is the most recent withdrawal experience table published by the Society of Actuaries. A multiplier of 0.75 is applied to this table to reflect the results of the most recent experience analysis and anticipated future experience.</p>								
<b>Marriage</b>	<p>75% married; male is 3 years older than the female.</p> <p>This assumption does not have material impact on the results of this report and has been selected based on our best estimate of active workforce.</p>								

<b>Form of Benefit</b>	<p>Participants are assumed to receive their benefits on the normal form at the assumed retirement age.</p> <p>The optional forms of payment available under the plan are considered to be actuarially equivalent.</p>
<b>Retirees</b>	<p>Assets and liabilities for current and future retirees are included.</p>
<b>Funding Policy for Employer Contributions</b>	<p>Assume 100% of the estimated Actuarially Determined Contribution amount is contributed midway during each projection period.</p>
<b>Future Employer Contributions</b>	<p>Assumed employer contributions are equal to:</p> <ul style="list-style-type: none"> <li>• Employer Contribution is assumed to continue at 73.44% of payroll throughout the projection period.</li> <li>• Expenses are assumed to start at \$50,000 and grow with the inflation assumption throughout the projection period. This is the best estimate available of upcoming years' expenses.</li> </ul>
<b>Future Employee Contributions</b>	<p>Employee contributions continue at 7.25% during the projection period.</p>

## Appendix 3 – GASB 40 Information

GASB No. 3, as amended by GASB No. 40, requires government entities to disclosure certain risks associated with the plan’s deposits and investments. GASB 53 requires investment derivative instruments be reported at fair value and disclosed according to GASB 40 requirements. NOTE: Effective Durations are updated quarterly.

### Deposits

The plan held no deposits as of the measurement date.

### Investment Rate Risk

The effective duration is shown in years. A general listing of plan assets as of the current measurement date is shown in Additional Information – Detail of Plan Assets by Category.

<b>Fixed Income Investment Options</b>	<b>Effective Duration as of 09/30/2016</b>
General Account at contract value	5.19
Core Plus Bond I Separate Account	
Principal Bond and Mortgage Separate Account	
Principal Government & High Quality Bond Separate Account	3.07
Principal Inflation Protection Separate Account	7.78
Principal High Yield I Separate Account	4.04
Principal Income Separate Account	4.87
Principal Short Term Income Separate Account	1.87
Principal Preferred Securities Separate Account	4.60
Principal LDI Long Duration Separate Account	14.88
Principal Money Market Separate Account <sup>1</sup>	
U.S. Property Separate Account <sup>2</sup>	
Principal Bond Market Index Separate Account	5.46
Principal LDI Short Duration Separate Account	2.78
Principal LDI Intermediate Duration Separate Account	7.37
Principal LDI Extended Duration Separate Account	26.30

4 - Principal Bond and Mortgage Separate Account had a name change on 08/31/2015 to Core Plus Bond Separate Account

3 - Core Plus Bond I Separate Account merged into Principal Bond and Mortgage Separate Account

2 - U.S. Property Separate Account is subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. Therefore, an effective duration is not calculated.

1 - Principal Money Market Separate Account is shown in average weighted maturity.

For more performance information, including most recent month-end performance, visit the Principal Sponsor Service Center at [www.Principal.com](http://www.Principal.com), or contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

### Credit Risk

Separate accounts held at The Principal Financial Group are commingled pools, rather than individual securities. As a result, these accounts are not rated. Accounts held at The Principal Financial Group are not subject to concentration of credit risk, custodial credit risk or foreign currency risk.

### Derivatives

Separate accounts held at The Principal Financial Group may use derivatives as part of their investment strategy. These accounts are comingled pools, rather than individual securities.