

TOWN OF INDIALANTIC
POLICE OFFICERS' AND FIREFIGHTERS'
RETIREMENT SYSTEM

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2015

CONTRIBUTIONS APPLICABLE TO THE TOWN'S
PLAN/FISCAL YEAR ENDED SEPTEMBER 30, 2017

December 11, 2015

Town of Indialantic
c/o Ms. Laura Eaton
216 Fifth Avenue
Indialantic, FL 32903

Re: Town of Indialantic
Police Officers' and Firefighters' Retirement System

Dear Laura:

We are pleased to present to the Board this report of the annual actuarial valuation of the Town of Indialantic Police Officers' and Firefighters' 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. Please note that this valuation may not be applicable for any other purposes.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Chapters 112, 175, and 185, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations.

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 Indialantic, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the Town of Indialantic Police Officers' and Firefighters' 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:



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

DHL/lke

Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the Town of Indialantic Police Officers’ and Firefighters’ Retirement System, performed as of October 1, 2015, has been completed and the results are presented in this Report. The contributions developed in the valuation apply to the plan/fiscal year ended September 30, 2017.

The funding requirements, compared with amounts developed in the October 1, 2014, actuarial valuation, are as follows:

Valuation Date Applicable Plan/Fiscal Yr. End	10/1/2015 <u>9/30/2017</u>	10/1/2014 <u>9/30/2016</u>
Total Required Contribution % of Total Annual Payroll	27.69%	25.16%
Member Contributions (Est.) % of Total Annual Payroll	5.00%	5.00%
Town and State Required Contribution % of Total Annual Payroll	22.69%	20.16%
State Contribution ¹ % of Total Annual Payroll	79,493 7.93%	79,493 7.93%
Balance from Town ¹ % of Total Annual Payroll	14.76%	12.23%

¹ The State Contribution shown above represents the amount received in calendar year 2015; the Town may use up to \$134,157.01 under the traditional interpretation of Chapter 99-1, Florida Statutes.

¹ As you are probably aware, Governor Scott signed into law Chapter 2015-39, amending the use of future State Monies under Chapters 175 and 185. Since the Members of the Plan are represented by collective bargaining agreements, the default methodology described in Chapter 2015-39 will be implemented and effective upon entering into a collective bargaining agreement on or after July 1, 2015. Please note, however, that this default methodology can be superseded as long as there is mutual consent of the members’ collective bargaining agreements and the Town on how State Monies should be allocated.

¹ For budgeting purposes, the required Sponsor Contribution (Town and State) is 22.69% of pensionable earnings for the fiscal year ending September 30, 2017. The precise Town requirement for the year is this amount, less actual State Contributions (up to the maximum \$134,157.01). Additionally, there is a prepaid Town contribution of \$26,604.48 for the fiscal year ended September 30, 2015. This is available to the Town for the fiscal year ending September 30, 2016.

Experience since the prior valuation has been more favorable than expected, on the basis of the Plan's actuarial assumptions. The primary components of favorable experience included a 9.5% investment return (Actuarial Asset Basis), exceeding the 8.0% assumption, and an average decrease in pensionable earnings of almost 1%. These gains were partially offset by no employee turnover and the granting of a Disability Retirement to a former Vested Terminated Member.

In spite of the fact that the Plan generated a net actuarial gain for the year, the funding requirements (when expressed as a percentage of payroll) increased due to an increase in the level of Administrative Expenses, an increase in the Normal Cost rate, and a decrease in Valuation Payroll. Please see page 7 for a more detailed analysis of the change in the Town's funding percentage since the last valuation.

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 answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 

Douglas H. Lozen, EA, MAAA

By: 

Drew D. Ballard, EA, MAAA

CONTRIBUTION IMPACT OF ANNUAL CHANGES

(1) Contribution Determined as of October 1, 2014	12.35%
(2) Summary of Contribution Impact by component:	
Change in Available State Money	0.4%
Investment Return (Actuarial Asset Basis)	-1.3%
Salary Increases	-2.6%
Payroll Decrease	0.5%
Payroll Growth Assumption	0.3%
Amortization Base Payoffs	0.0%
Increase in Administrative Expenses	1.8%
Active Decrements	1.4%
Inactive Mortality	-0.1%
Increase in Normal Cost rate	0.7%
Assumption Change	0.0%
Other	<u>1.3%</u>
Total Change in Contribution	2.41%
(3) Contribution Determined as of October 1, 2015	14.76%

CHANGES SINCE PRIOR VALUATION

Benefit Changes

There have been no benefit changes since the prior valuation.

Actuarial Assumption/Method Changes

In conjunction with this valuation, the payroll growth assumption has been lowered from 3.0% to 2.2% per year in order to comply with Part VII of Chapter 112, Florida Statutes.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2015</u>	<u>10/1/2014</u>
A. Participant Data		
Number Included		
Actives	17	17
Service Retirees	7	7
DROP Retirees	1	0
Beneficiaries	1	0
Disability Retirees	6	6
Terminated Vested	<u>1</u>	<u>2</u>
Total	33	32
Total Annual Payroll	\$1,002,747	\$1,073,498
Payroll Under Assumed Ret. Age	1,002,747	1,073,498
Annual Rate of Payments to:		
Service Retirees	99,202	99,202
DROP Retirees	96,877	0
Beneficiaries	26,341	0
Disability Retirees	140,468	148,776
Terminated Vested	26,626	43,774
B. Assets		
Actuarial Value ¹	6,925,916	6,333,777
Market Value ¹	6,684,334	6,731,495
C. Liabilities		
Present Value of Benefits		
Actives		
Retirement Benefits	4,084,241	4,857,503
Disability Benefits	37,614	40,518
Death Benefits	28,876	31,988
Vested Benefits	167,942	165,133
Refund of Contributions	34,452	33,011
Service Retirees	929,976	948,202
DROP Retirees ¹	1,112,375	0
Beneficiaries	291,752	0
Disability Retirees	1,437,763	1,551,727
Terminated Vested	273,164	314,092
Excess State Monies Reserve	<u>1,871</u>	<u>1,871</u>
Total	8,400,026	7,944,045

C. Liabilities - (Continued)	<u>10/1/2015</u>	<u>10/1/2014</u>
Present Value of Future Salaries	5,779,969	5,972,949
Present Value of Future Member Contributions	288,998	298,647
Normal Cost (Retirement)	159,227	164,961
Normal Cost (Disability)	4,668	4,622
Normal Cost (Death)	2,019	2,009
Normal Cost (Vesting)	8,569	9,986
Normal Cost (Refunds)	<u>7,128</u>	<u>6,180</u>
Total Normal Cost	181,611	187,758
Present Value of Future Normal Costs	903,064	957,060
Accrued Liability (Retirement)	3,302,292	4,020,328
Accrued Liability (Disability)	17,365	19,354
Accrued Liability (Death)	20,051	22,599
Accrued Liability (Vesting)	101,342	100,099
Accrued Liability (Refunds)	9,011	8,713
Accrued Liability (Inactives) ¹	4,045,030	2,814,021
Excess State Monies Reserve	<u>1,871</u>	<u>1,871</u>
Total Actuarial Accrued Liability	7,496,962	6,986,985
Unfunded Actuarial Accrued Liability (UAAL)	571,046	653,208
Funded Ratio (AVA / AL)	92.4%	90.7%

D. Actuarial Present Value of Accrued Benefits

Vested Accrued Benefits		
Inactives ¹	4,045,030	2,814,021
Actives	1,989,497	2,558,052
Member Contributions	<u>436,152</u>	<u>457,699</u>
Total	6,470,679	5,829,772
Non-vested Accrued Benefits	<u>266,799</u>	<u>330,240</u>
Total Present Value Accrued Benefits	6,737,478	6,160,012
Funded Ratio (MVA / PVAB)	99.2%	109.3%

Increase (Decrease) in Present Value of
Accrued Benefits Attributable to:

Plan Amendments	0
Assumption Changes	0
New Accrued Benefits	346,035
Benefits Paid	(251,317)
Interest	482,748
Other	<u>0</u>
Total	577,466

Valuation Date	10/1/2015	10/1/2014
Applicable to Fiscal Year Ending	<u>9/30/2017</u>	<u>9/30/2016</u>

E. Pension Cost

Normal Cost (with interest) % of Total Annual Payroll ²	18.84	18.19
Administrative Expenses (with interest) % of Total Annual Payroll ²	3.95	1.94
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 27 years (as of 10/1/2015) % of Total Annual Payroll ²	4.90	5.03
Total Required Contribution % of Total Annual Payroll ²	27.69	25.16
Expected Member Contributions % of Total Annual Payroll ²	5.00	5.00
Expected Town & State Contribution % of Total Annual Payroll ²	22.69	20.16

F. Past Contributions

Plan Years Ending:	<u>9/30/2015</u>
Total Required Contribution	278,472
Town and State Requirement	229,907
Actual Contributions Made:	
Members (excluding buyback)	48,565
Town	146,372
State	<u>83,535</u>
Total	278,472

G. Net Actuarial (Gain)/Loss (62,615)

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/2015 and 9/30/2014.

² Contributions developed as of 10/1/2015 are expressed as a percentage of payroll under the Assumed Retirement Age at 10/1/2015 of \$1,002,747.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2015	571,046
2016	565,690
2017	558,781
2020	512,203
2025	630,628
2035	95,825
2042	0

I. (i) 3 Year Comparison of Actual and Assumed Salary Increases

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2015	-0.73%	7.00%
Year Ended	9/30/2014	0.75%	7.00%
Year Ended	9/30/2013	4.39%	7.00%

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2015	9.53%	8.00%
Year Ended	9/30/2014	9.76%	8.00%
Year Ended	9/30/2013	9.22%	8.00%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2015	\$1,002,747
	10/1/2005	805,894
(b) Total Increase		24.43%
(c) Number of Years		10.00
(d) Average Annual Rate		2.2%

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.



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

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

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

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

RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1) Unfunded Actuarial Accrued Liability as of October 1, 2014	\$653,208
(2) Sponsor Normal Cost developed as of October 1, 2014	134,083
(3) Expected administrative expenses for the year ended September 30, 2015	20,071
(4) Expected interest on (1), (2) and (3)	63,786
(5) Sponsor contributions to the System during the year ended September 30, 2015	229,907
(6) Expected interest on (5)	7,580
(7) Expected Unfunded Actuarial Accrued Liability as of September 30, 2015 (1)+(2)+(3)+(4)-(5)-(6)	633,661
(8) Change to UAAL due to Assumption Change	0
(9) Change to UAAL due to Actuarial (Gain)/Loss	(62,615)
(10) Unfunded Accrued Liability as of October 1, 2015	571,046

Type of Base	Date <u>Established</u>	Years <u>Remaining</u>	10/1/2015 <u>Amount</u>	Amortization <u>Amount</u>
method change				
and benefit change	10/1/1999	14	\$476,565	\$47,547
assum. change	10/1/2007	22	275,152	21,016
method change	10/1/2007	22	255,087	19,484
actuarial loss	10/1/2007	13	221,030	23,180
actuarial gain	10/1/2008	3	(54,876)	(19,310)
method change	10/1/2008	13	(153,635)	(16,112)
benefit change	10/1/2008	23	(552)	(41)
actuarial loss	10/1/2009	4	99,593	26,996
actuarial loss	10/1/2010	5	167,500	37,297
actuarial loss	10/1/2011	6	141,772	27,005
actuarial gain	10/1/2012	7	(170,762)	(28,613)
benefit change	10/1/2012	27	(40,260)	(2,791)
software change	10/1/2013	18	(37,778)	(3,222)
actuarial gain	10/1/2013	8	(186,269)	(28,021)
actuarial gain	10/1/2014	9	(358,906)	(49,230)
actuarial gain	10/1/2015	10	<u>(62,615)</u>	<u>(7,927)</u>
			571,046	47,258

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2014	\$653,208
(2) Expected UAAL as of October 1, 2015	633,661
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(96,769)
Salary Increases	(197,305)
Active Decrements	103,001
Inactive Mortality	(3,977)
Disability Retirement for prior Vested Terminated Member	144,141
Other	<u>(11,706)</u>
Increase in UAAL due to (Gain)/Loss	(62,615)
Assumption Changes	<u>0</u>
(4) Actual UAAL as of October 1, 2015	\$571,046

ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rate</u>	RP 2000 Combined Healthy Mortality Table, Sex Distinct. Disabled lives are set forward 5 years. Based on studies of other special risk plans, we believe these rates sufficiently accommodate expected future mortality improvements.
<u>Interest Rate</u>	8% per year compounded annually, net of investment related expenses. This assumption is consistent with the national average for municipal defined benefit pension plans.
<u>Retirement Age</u>	Earlier of: 1) age 55, or 2) age 52 and the completion of 25 years of Credited Service. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year. This assumption is consistent with long-term plan experience, and therefore deemed reasonable.
<u>Early Retirement</u>	Commencing with the earliest Early Retirement Age (50), Members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year. This assumption was reviewed and adopted by the Board as the result of an Experience Study performed in 2008.
<u>Disability Rate</u>	See table on next page (1201). It is assumed that 75% of Disability occurrences are Line-of-Duty related. These rates are consistent with the national average for municipal special risk plans.
<u>Termination Rate</u>	See table next page. This assumption was reviewed and adopted by the Board as the result of an Experience Study performed in 2008.
<u>Salary Increases</u>	7.0% per year until the assumed retirement age; see table on the following page. This assumption was reviewed and adopted by the Board as the result of an Experience Study performed in 2008.

Final Year Salary Load

<u>Years until Normal Retirement as of 10/1/2012</u>	<u>Load Assumption</u>
Less than 5 years	15%
At least 5, less than 10 years	10%
10 or more years	5%

Notwithstanding the above, the load assumption is 0% for Members with less than 5 years of Credited Service as of September 30, 2012.

The above rates are based on data provided by the Town.

Payroll Increases

2.2% (previously 3%) per year. This assumption is limited by statute to the ten-year payroll growth average as of the valuation date.

Administrative Expenses

\$38,051 annually (based on actual expenses incurred in the prior fiscal year).

Funding Method

Entry Age Normal Actuarial Cost Method.

Asset Smoothing Methodology

The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a de minimis bias that is above or below the Market Value of Assets.

<u>Age</u>	<u>% Becoming Disabled During the Year</u>	<u>% Terminating During the Year</u>	<u>Current Salary as a % of Salary at Age 55</u>
20	0.03%	20.0%	9.4%
30	0.04%	12.0%	18.4%
40	0.07%	4.0%	36.2%
50	0.18%	2.0%	71.3%

VALUATION NOTES

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

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

Normal (Current Year's) Cost is determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.

Individual Entry Age Normal Actuarial Cost Method (Level Percent of Compensation) 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. The actuarial accrued liability for active participants is the difference between the present value of future benefits and the present value of future Normal Costs. The actuarial accrued liability for inactive participants is the present value of future benefits.

Unfunded Actuarial Accrued Liability (UAAL) is the difference between the actuarial accrued liability (described above) and the actuarial value of assets. Under the Entry Age Normal Actuarial Cost Method, an actuarial gain or loss, based on actual versus expected UAAL, is determined in conjunction with each valuation of the plan.

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

PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1993	46,663.69	_____%
1994	55,809.77	19.6%
1995	54,030.05	-3.2%
1996	59,631.59	10.4%
1997	68,135.22	14.3%
1998	67,623.07	-0.8%
1999	77,467.35	14.6%
2000	82,308.22	6.2%
2001	83,786.21	1.8%
2002	90,790.24	8.4%
2003	102,009.09	12.4%
2004	108,045.41	5.9%
2005	111,980.85	3.6%
2006	123,751.96	10.5%
2007	115,979.23	-6.3%
2008	125,048.44	7.8%
2009	97,735.02	-21.8%
2010	78,203.81	-20.0%
2011	76,771.80	-1.8%
2012	82,034.74	6.9%
2013	81,555.36	-0.6%
2014	80,230.90	-1.6%
2015	83,535.47	4.1%

EXCESS STATE MONIES RESERVE

	Police Distribution			Fire Distribution		
	<u>Actual State Contribution</u>	<u>Applicable "Frozen" Amount ¹</u>	<u>Excess State Monies for Reserve</u>	<u>Actual State Contribution</u>	<u>Applicable "Frozen" Amount ¹</u>	<u>Excess State Monies for Reserve</u>
1998	\$46,828.76	\$46,828.76	\$0.00	\$20,794.31	\$20,794.31	\$0.00
1999	45,481.26	46,828.76	0.00	31,986.09	30,115.25	1,870.84
2000	43,672.02	96,015.81	0.00	38,636.20	38,636.20	0.00
2001	44,967.76	93,406.72	0.00	38,818.45	41,245.29	0.00
2002	50,831.59	92,233.33	0.00	39,958.65	42,418.68	0.00
2003	55,639.52	88,282.44	0.00	46,369.57	46,369.57	0.00
2004	58,667.27	85,273.87	0.00	49,378.14	49,378.14	0.00
2005	56,844.17	79,515.33	0.00	55,136.68	55,136.68	0.00
2006	63,480.86	74,380.91	0.00	60,271.10	60,271.10	0.00
2007	56,844.17	75,516.95	0.00	59,135.06	59,135.06	0.00
2008	56,844.17	66,447.74	0.00	68,204.27	68,204.27	0.00
2009	37,733.90	74,650.89	0.00	60,001.12	60,001.12	0.00
2010	34,122.31	34,122.31	0.00	44,081.50	87,328.25	0.00
2011	36,415.82	36,415.82	0.00	40,355.98	87,328.25	0.00
2012	42,432.43	42,432.43	0.00	39,602.31	87,328.25	0.00
2013	36,507.01	36,507.01	0.00	45,048.35	87,328.25	0.00
2014	37,600.34	37,600.34	0.00	42,630.56	87,328.25	0.00
2015	37,534.38	37,534.38	<u>0.00</u>	46,001.09	87,328.25	<u>0.00</u>
			0.00			1,870.84
Accumulated Police Excess			0.00			
Accumulated Fire Excess			<u>1,870.84</u>			
Total Excess State Monies Reserve:			1,870.84			

¹ "Frozen" under the traditional interpretation of Chapter 99-1, Florida Statutes.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
SBA Trust Fund LGIP	16,318.33	16,318.33
Short Term Investments	23,748.79	23,748.79
Checking Account	84,374.59	84,374.59
 Total Cash and Equivalents	 124,441.71	 124,441.71
Receivables:		
Investment Income	20,029.29	20,029.29
 Total Receivable	 20,029.29	 20,029.29
Investments:		
U. S. Bonds and Bills	281,123.64	283,798.25
Federal Agency Guaranteed Securities	606,521.98	612,426.52
Corporate Bonds	1,066,331.65	1,031,680.78
Municipal Obligations	319,350.35	321,301.85
Mutual Funds:		
Fixed Income	318,594.33	273,383.04
Equity	2,549,599.91	4,043,876.82
 Total Investments	 5,141,521.86	 6,566,467.26
 Total Assets	 5,285,992.86	 6,710,938.26
 <u>LIABILITIES</u>		
Prepaid Town Contribution	26,604.48	26,604.48
 Total Liabilities	 26,604.48	 26,604.48
 NET POSITION RESTRICTED FOR PENSIONS	 5,259,388.38	 6,684,333.78

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015
Market Value Basis

ADDITIONS

Contributions:

Member	48,565.06
Town	146,371.52
State	83,535.47

Total Contributions 278,472.05

Investment Income:

Net Realized Gain (Loss)	(22,930.21)
Unrealized Gain (Loss)	(169,020.12)
Net Increase in Fair Value of Investments	(191,950.33)
Interest & Dividends	181,749.71
Less Investment Expense ¹	(26,064.14)

Net Investment Income (36,264.76)

Total Additions 242,207.29

DEDUCTIONS

Distributions to Members:

Benefit Payments	251,317.10
Lump Sum DROP Distributions	0.00
Refunds of Member Contributions	0.00

Total Distributions 251,317.10

Administrative Expense 38,051.12

Total Deductions 289,368.22

Net Increase in Net Position (47,160.93)

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 6,731,494.71

End of the Year 6,684,333.78

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

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 SEPTEMBER 30, 2015
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	48,565.06	
Town	146,371.52	
State	83,535.47	
 Total Contributions		 278,472.05
Earnings from Investments:		
Interest & Dividends	181,749.71	
Net Realized Gain (Loss)	(22,930.21)	
Change in Actuarial Value	470,279.90	
 Total Earnings and Investment Gains		 629,099.40

EXPENDITURES

Distributions to Members:		
Benefit Payments	251,317.10	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	0.00	
 Total Distributions		 251,317.10
Expenses:		
Investment related ¹	26,064.14	
Administrative	38,051.12	
 Total Expenses		 64,115.26
 Change in Net Assets for the Year		 592,139.09
 Net Assets Beginning of the Year		 6,333,777.38
 Net Assets End of the Year ²		 6,925,916.47

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

²Net Assets may be limited for actuarial consideration.

ACTUARIAL ASSET VALUATION
SEPTEMBER 30, 2015

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*	
09/30/2012	16.95%	
09/30/2013	11.41%	
09/30/2014	11.06%	
09/30/2015	-0.54%	
Annualized Rate of Return for prior four (4) years:		9.53%
(A) 10/01/2014 Actuarial Assets:		\$6,333,777.38
(I) Net Investment Income:		
1. Interest and Dividends	181,749.71	
2. Realized Gains (Losses)	(22,930.21)	
3. Change in Actuarial Value	470,279.90	
4. Investment Related Expenses	(26,064.14)	
Total		603,035.26
(B) 10/01/2015 Actuarial Assets:		\$6,925,916.47
Actuarial Asset Rate of Return = 2I/(A+B-I):		9.53%
10/01/2015 Limited Actuarial Assets:		\$6,925,916.47
10/01/2015 Market Value of Assets:		\$6,684,333.78
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)		\$96,768.92

*Market Value Basis, net of investment related expenses.

DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2014 to September 30, 2015

Beginning of the Year Balance	0.00
Plus Additions	48,438.72
Investment Return Earned	1,308.31
Less Distributions	0.00
End of the Year Balance	49,747.03

RECONCILIATION OF TOWN'S SHORTFALL/(PREPAID) CONTRIBUTION
FOR THE FISCAL YEAR ENDED (FYE) SEPTEMBER 30, 2015

(1)	Total Required Contribution Rate	28.67%
(2)	Pensionable Payroll Derived from Member Contributions	\$971,301.20
(3)	Total Required Contribution (1) x (2)	278,472.05
(4)	Less Actual Member Contributions	(48,565.06)
(5)	Less Allowable State Contribution	<u>(83,535.47)</u>
(6)	Equals Required Town Contribution for Fiscal 2015	146,371.52
(7)	Less 2014 Prepaid Contribution	0.00
(8)	Less Actual Town Contributions	<u>(172,976.00)</u>
(9)	Equals Town's Shortfall/(Prepaid) Contribution as of September 30, 2015	(\$26,604.48)

STATISTICAL DATA ¹

	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>	<u>10/1/2015</u>
<u>Actives</u>				
Number	18	18	17	17
Average Current Age	43.1	41.1	42.2	41.4
Average Age at Employment	30.4	30.8	31.0	30.5
Average Past Service	12.7	10.3	11.2	10.9
Average Annual Salary	\$57,017	\$61,886	\$63,147	\$58,985
<u>Service Retirees</u>				
Number	6	7	7	7
Average Current Age	65.5	66.5	67.5	68.5
Average Annual Benefit	\$14,150	\$14,172	\$14,172	\$14,172
<u>DROP Retirees</u>				
Number	0	0	0	1
Average Current Age	N/A	N/A	N/A	53.8
Average Annual Benefit	N/A	N/A	N/A	\$96,877
<u>Beneficiaries</u>				
Number	0	0	0	1
Average Current Age	N/A	N/A	N/A	54.7
Average Annual Benefit	N/A	N/A	N/A	\$26,341
<u>Disability Retirees</u>				
Number	6	6	6	6
Average Current Age	59.0	60.0	61.0	59.1
Average Annual Benefit	\$24,796	\$24,796	\$24,796	\$23,411
<u>Terminated Vested</u>				
Number	1	1	2	1
Average Current Age	49.0	50.0	46.2	52.0
Average Annual Benefit	\$26,626	\$26,626	\$21,887	\$26,626

¹ Averages were salary-weighted prior to October 1, 2013.

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	1	0	0	0	0	0	0	0	0	0	0	1
25 - 29	0	0	1	2	0	1	0	0	0	0	0	4
30 - 34	0	0	0	0	0	1	0	0	0	0	0	1
35 - 39	0	0	0	0	0	0	0	1	0	0	0	1
40 - 44	0	0	0	0	1	0	0	1	0	0	0	2
45 - 49	0	0	0	0	0	2	1	0	0	0	0	3
50 - 54	0	0	0	0	0	0	1	0	1	1	0	3
55 - 59	0	0	1	0	0	0	0	0	0	1	0	2
60 - 64	0	0	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	1	0	2	2	1	4	2	2	1	2	0	17

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/2014	17
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	0
d. Disabled	0
e. Retired	0
f. DROP	(1)
g. Voluntary withdrawal	<u>0</u>
h. Continuing participants	16
i. New entrants	<u>1</u>
j. Total active life participants in valuation	17

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

	Service Retirees, Vested Receiving <u>Benefits</u>	DROP <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested <u>Deferred</u>	<u>Total</u>
a. Number prior valuation	7	0	0	6	2	15
Retired	0	0	0	0	0	0
DROP	0	1	0	0	0	1
Vested Deferred	0	0	0	1	0	1
Death, With Survivor	0	0	0	(1)	0	(1)
Death, No Survivor	0	0	0	0	0	0
Disabled	0	0	1	0	(1)	0
Refund of Contributions	0	0	0	0	0	0
Rehires	0	0	0	0	0	0
Data Corrections	0	0	0	0	0	0
b. Number current valuation	7	1	1	6	1	16

SUMMARY PLAN PROVISIONS
(Through Ordinance No. 13-135)

<u>Effective Date</u>	September 16, 1975
Amended	September 17, 2013
<u>Eligibility</u>	Regular full-time sworn Police Officers and certified Firefighters excluding civilian Members of each department.
<u>Credited Service</u>	Total continuous service with the Town as a Police Officer or Firefighter.
<u>Earnings</u>	Total salary earned as full-time Police Officer or Firefighter. Effective July 1, 2011 for Firefighters, and January 18, 2012 for Police Officers, annual overtime shall not exceed 300 hours. Additionally, payment for unused vacation time shall not be considered pensionable for hours accrued after these respective dates.
<u>Average Monthly Earnings</u>	Average Earnings for the 5 best years of the last 10.
<u>Member Contributions</u>	5% of Earnings.
<u>Town Contributions</u>	The amount necessary, over and above premium tax refund and Member Contributions, to meet Normal (current year's) Cost and fund Unfunded Accrued (Past Service) Liability over 30 years.
<u>Normal Retirement</u>	
Eligibility	Earlier of: 1) Age 55, or 2) Age 52 and 25 years of Credited Service.
Benefit	3% of Average Monthly Earnings <u>times</u> Credited Service.
Form of Benefit	Ten Year Certain and Life Annuity (Options available).

Early Retirement

Eligibility	Age 50 and 10 years of Credited Service.
Benefit Amount	Accrued benefit, reduced 3% for each year that Early Retirement precedes Normal Retirement.

Disability

Service Incurred

Eligibility	Permanent; unable to perform his regular duties.
Benefit	42% of Average Monthly Earnings or accrued benefit, whichever is greater.

Non-Service Incurred

Eligibility	10 years of Credited Service or more; Permanent; unable to perform regular duties.
Benefit	25% of Average Monthly Earnings or accrued benefit, whichever is greater.

Limitation on Benefits

In the event that the disability benefit plus Workers Compensation and earned Income exceeds 100% of Average Monthly Earnings in effect on the date of disability, the disability benefit for the following year is reduced by the excess.

Pre-Retirement Death

Non-vested	Refund of Member Contributions without interest.
Vested	Actuarial Equivalent to Member's Accrued Benefit.

Vesting (Termination)

Less than 10 years	Refund of Member Contributions without interest.
10 years or more	Accrued benefit payable at age 50 or later, on a partial actuarially reduced basis if to commence prior to age 55 (benefit is also payable to beneficiary of deceased vested Member) or Refund of Member Contribution without interest.

Deferred Retirement Option Plan

Eligibility	Same as requirements for Normal Retirement.
Participation	Not to exceed 60 months (or attainment of 39 years of service, if earlier).
Rate of Return	Actuarial Asset rate of return applied each September 30.
Distribution	Lump sum at termination of employment.

Board of Trustees

- a. Two legal residents appointed by the Town Council,
- b. One Police Officer and one Firefighter elected by the Members of their respective departments, and
- c. Fifth Member elected by other 4 and appointed by the Town Council.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
SBA Trust Fund LGIP	16,318
Short Term Investments	23,749
Checking Account	84,375
Total Cash and Equivalents	124,442
Receivables:	
Investment Income	20,029
Total Receivable	20,029
Investments:	
U. S. Bonds and Bills	283,798
Federal Agency Guaranteed Securities	612,426
Corporate Bonds	1,031,681
Municipal Obligations	321,302
Mutual Funds:	
Fixed Income	273,383
Equity	4,043,877
Total Investments	6,566,467
Total Assets	6,710,938
<u>LIABILITIES</u>	
Payables:	
Unearned Revenue	26,604
Total Liabilities	26,604
NET POSITION RESTRICTED FOR PENSIONS	6,684,334

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015
Market Value Basis

ADDITIONS

Contributions:

Member	48,565	
Town	146,371	
State	83,536	
Total Contributions		278,472
 Investment Income:		
Net Increase in Fair Value of Investments	(191,951)	
Interest & Dividends	181,750	
Less Investment Expense ¹	(26,064)	
Net Investment Income		(36,265)
Total Additions		242,207

DEDUCTIONS

Distributions to Members:

Benefit Payments	251,317	
Lump Sum DROP Distributions	0	
Refunds of Member Contributions	0	
Total Distributions		251,317
 Administrative Expense		 38,051
Total Deductions		289,368
Net Increase in Net Position		(47,161)

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		6,731,495
End of the Year		6,684,334

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

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2015)

Plan Description

Plan Administration

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- a) Two legal residents appointed by the Town Council,
- b) One Police Officer and one Firefighter elected by the Members of their respective departments, and
- c) Fifth Member elected by other four and appointed by the Town Council.

Plan Membership as of October 1, 2014:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	13
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	2
Active Plan Members	17
	32
	32

Benefits Provided

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

Normal Retirement:

Eligibility: Earlier of: 1) Age 55, or 2) Age 52 and 25 years of Credited Service.

Benefit: 3% of Average Monthly Earnings times Credited Service.

Early Retirement:

Date: Age 50 and 10 years of Credited Service.

Benefit Amount: Accrued benefit, reduced 3% for each year that Early Retirement precedes Normal Retirement.

Vesting (Termination):

Less than 10 years: Refund of Member Contributions without interest.

10 years or more: Accrued benefit payable at age 50 or later, on a partial actuarially reduced basis if to commence prior to age 55 (benefit is also payable to beneficiary of deceased vested Member) or Refund of Member Contribution without interest.

Disability:

Service Incurred Eligibility: Permanent; unable to perform his regular duties.

Service Incurred Benefit: 42% of Average Monthly Earnings or accrued benefit, whichever is greater.

Non-Service Incurred Eligibility: 10 years of Credited Service or more; Permanent; unable to perform regular duties.

Non-Service Incurred Benefit: 25% of Average Monthly Earnings or accrued benefit, whichever is greater.

Limitation on Benefits: In the event that the disability benefit plus Workers Compensation and earned Income exceeds 100% of Average Monthly Earnings in effect on the date of disability, the disability benefit for the following year is reduced by the excess.

Pre-Retirement Death Benefits:

Non-vested: Refund of Member Contributions without interest.

Vested Actuarial Equivalent to Member's Accrued Benefit.

Contributions

Member Contributions: 5% of Earnings.

Town Contributions: The amount necessary, over and above premium tax refund and Member Contributions, to meet Normal (current year's) Cost and fund Unfunded Accrued (Past Service) Liability over 30 years.

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2015:

Asset Class	Target Allocation
Domestic Equity	50%
International Equity	10%
Broad Market Fixed Income	35%
Non-Core 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, 2015, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was -0.54 percent.

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

Deferred Retirement Option Program

Eligibility: Same as requirements for Normal Retirement.

Participation: Not to exceed 60 months (or attainment of 39 years of service, if earlier).

Rate of Return: Actuarial Asset rate of return applied each September 30.

The DROP balance as September 30, 2015 is \$49,747.

NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2015 were as follows:

Total Pension Liability	\$ 7,430,703
Plan Fiduciary Net Position	\$ (6,684,334)
Sponsor's Net Pension Liability	<u>\$ 746,369</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	89.96%

Actuarial Assumptions:

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	7.00%
Discount Rate	8.00%
Investment Rate of Return	8.00%

Mortality Rate: RP 2000 Combined Healthy Mortality Table, Sex Distinct. Disabled lives are set forward 5 years. Based upon other studies of municipal Police Officers and Firefighters, we feel this assumption sufficiently accommodates future mortality improvements.

The actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period 1992-2006.

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, 2015 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%
Broad Market Fixed Income	2.5%
Non-Core Fixed Income	2.5%

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 8.00 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	Current Discount Rate	1% Increase
	<u>7.00%</u>	<u>8.00%</u>	<u>9.00%</u>
Sponsor's Net Pension Liability	\$ 1,546,764	\$ 746,369	\$ 68,823

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

	<u>09/30/2015</u>	<u>09/30/2014</u>
Total Pension Liability		
Service Cost	198,675	205,111
Interest	584,298	544,792
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(333,531)	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	(251,317)	(247,978)
Net Change in Total Pension Liability	<u>198,125</u>	<u>501,925</u>
Total Pension Liability - Beginning	<u>7,232,578</u>	<u>6,730,653</u>
Total Pension Liability - Ending (a)	<u><u>7,430,703</u></u>	<u><u>\$ 7,232,578</u></u>
Plan Fiduciary Net Position		
Contributions - Employer	146,371	202,293
Contributions - State	83,536	80,231
Contributions - Employee	48,565	50,759
Net Investment Income	(36,265)	659,692
Benefit Payments, including Refunds of Employee Contributions	(251,317)	(247,978)
Administrative Expense	(38,051)	(20,071)
Net Change in Plan Fiduciary Net Position	<u>(47,161)</u>	<u>724,926</u>
Plan Fiduciary Net Position - Beginning	<u>6,731,495</u>	<u>6,006,569</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 6,684,334</u></u>	<u><u>\$ 6,731,495</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 746,369</u></u>	<u><u>\$ 501,083</u></u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	89.96%	93.07%
Covered Employee Payroll*	\$ 1,020,241	\$ 1,015,179
Net Pension Liability as a percentage of Covered Employee Payroll	73.16%	49.36%

Notes to Schedule:

* The Covered Employee Payroll figures were not available. For fiscal year 2015, Pensionable Salary plus DROP Salary has been reported instead.

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	09/30/2015	09/30/2014
Actuarially Determined Contribution	229,907	282,524
Contributions in relation to the Actuarially Determined Contributions	229,907	282,524
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll*	\$ 1,020,241	\$ 1,015,179
Contributions as a percentage of Covered Employee Payroll	22.53%	27.83%

* The Covered Employee Payroll figures were not available. For fiscal year 2015, Pensionable Salary plus DROP Salary has been reported instead.

Notes to Schedule

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

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Actuarial Cost Method.								
Amortization Method:	Level Percentage of Pay, Closed.								
Remaining Amortization Period:	29 Years (as of 10/01/2013 Valuation).								
Asset Smoothing Methodology:	The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a deminis bias that is above or below the Market Value of Assets.								
Inflation:	3.0% per year.								
Salary Increases:	7.0% per year until the assumed retirement age.								
Final Year Salary Load:	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="text-align: center;">Years until Normal Retirement as of 10/01/2012</th> <th style="text-align: center;">Load Assumption</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">Less than 5 years</td> <td style="text-align: center;">15%</td> </tr> <tr> <td style="text-align: center;">At least 5, less than 10 years</td> <td style="text-align: center;">10%</td> </tr> <tr> <td style="text-align: center;">10 or more years</td> <td style="text-align: center;">5%</td> </tr> </tbody> </table>	Years until Normal Retirement as of 10/01/2012	Load Assumption	Less than 5 years	15%	At least 5, less than 10 years	10%	10 or more years	5%
Years until Normal Retirement as of 10/01/2012	Load Assumption								
Less than 5 years	15%								
At least 5, less than 10 years	10%								
10 or more years	5%								
	Notwithstanding the above, the load assumption is 0% for Members with less than 5 years of Credited Service as of September 30, 2012. Valuations prior to October 1, 2012 utilized a flat 20% load assumption.								
Interest Rate:	8% per year compounded annually, net of investment related expenses.								
Payroll Increase:	3% per year.								
Retirement Age:	Earlier of: 1) age 55, or 2) age 52 and the completion of 25 years of Credited Service. 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), Members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year.								
Termination Rates:	See table below.								
Disability Rates:	See table below.								
Mortality:	RP 2000 Combined Healthy Mortality Table, Sex Distinct. Disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.								

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Termination and Disability Rate Table:

Age	% Becoming Disabled During the Year	% Terminating During the Year
20	0.03%	20.00%
30	0.04%	12.00%
40	0.07%	4.00%
50	0.18%	2.00%

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	<u>09/30/2015</u>	<u>09/30/2014</u>
Annual Money-Weighted Rate of Return		
Net of Investment Expense	-0.54%	11.06%

NOTES TO THE FINANCIAL STATEMENTS

(For the Year Ended September 30, 2016)

General Information about the Pension Plan

Plan Description

The Plan is a single-employer defined benefit pension plan administered by the Plan's Board of Trustees comprised of:

- a) Two legal residents appointed by the Town Council,
- b) One Police Officer and one Firefighter elected by the Members of their respective departments, and
- c) Fifth Member elected by other four and appointed by the Town Council.

Regular full-time sworn Police Officers and certified Firefighters excluding civilian Members of each department.

Plan Membership as of October 1, 2014:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	13
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	2
Active Plan Members	17
	<hr style="border-top: 1px solid black;"/>
	<u>32</u>

Benefits Provided

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

Normal Retirement:

Eligibility: Earlier of: 1) Age 55, or 2) Age 52 and 25 years of Credited Service.

Benefit: 3% of Average Monthly Earnings times Credited Service.

Early Retirement:

Date: Age 50 and 10 years of Credited Service.

Benefit Amount: Accrued benefit, reduced 3% for each year that Early Retirement precedes Normal Retirement.

Vesting (Termination):

Less than 10 years: Refund of Member Contributions without interest.

10 years or more: Accrued benefit payable at age 50 or later, on a partial actuarially reduced basis if to commence prior to age 55 (benefit is also payable to beneficiary of deceased vested Member) or Refund of Member Contribution without interest.

Disability:

Service Incurred Eligibility: Permanent; unable to perform his regular duties.

Service Incurred Benefit: 42% of Average Monthly Earnings or accrued benefit, whichever is greater.

Non-Service Incurred Eligibility: 10 years of Credited Service or more; Permanent; unable to perform regular duties.

Non-Service Incurred Benefit: 25% of Average Monthly Earnings or accrued benefit, whichever is greater.

Limitation on Benefits: In the event that the disability benefit plus Workers Compensation and earned Income exceeds 100% of Average Monthly Earnings in effect on the date of disability, the disability benefit for the following year is reduced by the excess.

Pre-Retirement Death Benefits:

Non-vested: Refund of Member Contributions without interest.

Vested Actuarial Equivalent to Member's Accrued Benefit.

Contributions

Member Contributions: 5% of Earnings.

Town Contributions: The amount necessary, over and above premium tax refund and Member Contributions, to meet Normal (current year's) Cost and fund Unfunded Accrued (Past Service) Liability over 30 years.

Net Pension Liability

The measurement date is September 30, 2015.

The measurement period for the pension expense was October 1, 2014 to September 30, 2015.

The reporting period is October 1, 2015 through September 30, 2016.

The Sponsor's Net Pension Liability was measured as of September 30, 2015.

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, 2014 updated to September 30, 2015 using the following actuarial assumptions:

Inflation	3.00%
Salary Increases	7.00%
Discount Rate	8.00%
Investment Rate of Return	8.00%

Mortality Rate: RP 2000 Combined Healthy Mortality Table, Sex Distinct. Disabled lives are set forward 5 years. Based upon other studies of municipal Police Officers and Firefighters, we feel this assumption sufficiently accommodates future mortality improvements.

The actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period 1992-2006.

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, 2015 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	50%	7.5%
International Equity	10%	8.5%
Broad Market Fixed Income	35%	2.5%
Non-Core Fixed Income	5%	2.5%
Total	100%	

Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 8.00 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, 2014	\$ 7,232,578	\$ 6,731,495	\$ 501,083
Changes for a Year:			
Service Cost	198,675		198,675
Interest	584,298		584,298
Differences between Expected and Actual Experience	(333,531)		(333,531)
Changes of assumptions	-		-
Changes of benefit terms	-		-
Contributions - Employer		146,371	(146,371)
Contributions - State		83,536	(83,536)
Contributions - Employee		48,565	(48,565)
Net Investment Income		(36,265)	36,265
Benefit Payments, including Refunds of Employee Contributions	(251,317)	(251,317)	-
Administrative Expense		(38,051)	38,051
Net Changes	198,125	(47,161)	245,286
Balances at September 30, 2015	\$ 7,430,703	\$ 6,684,334	\$ 746,369

Sensitivity of the Net Pension Liability to changes in the Discount Rate.

	Current Discount		
	1% Decrease	Rate	1% Increase
	7.00%	8.00%	9.00%
Sponsor's Net Pension Liability	\$ 1,546,764	\$ 746,369	\$ 68,823

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, 2016, the Sponsor will recognize a Pension Expense of \$147,013.

On September 30, 2016, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	-	250,148
Changes of assumptions	-	-
Net difference between Projected and Actual Earnings on Pension Plan investments	353,546	-
Employer contributions subsequent to the measurement date	-	-
Total	\$ 353,546	\$ 250,148

The outcome of the Deferred Outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended September 30, 2016.

Other 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:		
2017	\$	(3,825)
2018	\$	(3,824)
2019	\$	(3,824)
2020	\$	114,871
2021	\$	-
Thereafter	\$	-

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

	09/30/2015	09/30/2014
Total Pension Liability		
Service Cost	198,675	205,111
Interest	584,298	544,792
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	(333,531)	-
Changes of assumptions	-	-
Benefit Payments, including Refunds of Employee Contributions	(251,317)	(247,978)
Net Change in Total Pension Liability	198,125	501,925
Total Pension Liability - Beginning	7,232,578	6,730,653
Total Pension Liability - Ending (a)	<u>\$ 7,430,703</u>	<u>\$ 7,232,578</u>
Plan Fiduciary Net Position		
Contributions - Employer	146,371	202,293
Contributions - State	83,536	80,231
Contributions - Employee	48,565	50,759
Net Investment Income	(36,265)	659,692
Benefit Payments, including Refunds of Employee Contributions	(251,317)	(247,978)
Administrative Expense	(38,051)	(20,071)
Net Change in Plan Fiduciary Net Position	(47,161)	724,926
Plan Fiduciary Net Position - Beginning	6,731,495	6,006,569
Plan Fiduciary Net Position - Ending (b)	<u>\$ 6,684,334</u>	<u>\$ 6,731,495</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 746,369</u>	<u>\$ 501,083</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	89.96%	93.07%
Covered Employee Payroll*	\$ 1,020,241	\$ 1,015,179
Net Pension Liability as a percentage of Covered Employee Payroll	73.16%	49.36%

Notes to Schedule:

* The Covered Employee Payroll figures were not available. For fiscal year 2015, Pensionable Salary plus DROP Salary has been reported instead.

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

	09/30/2015	09/30/2014
Actuarially Determined Contribution	229,907	282,524
Contributions in relation to the Actuarially Determined Contributions	229,907	282,524
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Employee Payroll*	\$ 1,020,241	\$ 1,015,179
Contributions as a percentage of Covered Employee Payroll	22.53%	27.83%

* The Covered Employee Payroll figures were not available. For fiscal year 2015, Pensionable Salary plus DROP Salary has been reported instead.

Notes to Schedule

Valuation Date: 10/01/2013

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

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal Actuarial Cost Method.
 Amortization Method: Level Percentage of Pay, Closed.
 Remaining Amortization Period: 29 Years (as of 10/01/2013 Valuation).
 Asset Smoothing Methodology: The Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). Over time, this may result in a deminis bias that is above or below the Market Value of Assets.

Inflation: 3.0% per year.

Salary Increases: 7.0% per year until the assumed retirement age. Projected salary at retirement is increased 15% to account for non-regular compensation.

Final Year Salary Load:	<u>Years until Normal Retirement as of 10/01/2012</u>	<u>Load Assumption</u>
		Less than 5 years
	At least 5, less than 10 years	10%
	10 or more years	5%

Notwithstanding the above, the load assumption is 0% for Members with less than 5 years of Credited Service as of September 30, 2012. Valuations prior to October 1, 2012 utilized a flat 20% load assumption.

Interest Rate: 8% per year compounded annually, net of investment related expenses.

Payroll Increase: 3% per year.

Retirement Age: Earlier of: 1) age 55, or 2) age 52 and the completion of 25 years of Credited Service. 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), Members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year.

Termination Rates: See table on next page.

Disability Rates: See table on next page.

Mortality: RP 2000 Combined Healthy Mortality Table, Sex Distinct. Disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

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Termination and Disability Rate Table:	Age	% Becoming Disabled During the Year	% Terminating During the Year
	20	0.03%	20.00%
	30	0.04%	12.00%
	40	0.07%	4.00%
	50	0.18%	2.00%

FINAL COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 724,084	\$ -	\$ 202,293	\$ -
Employer Contributions made after September 30, 2014	-	-	146,371	-
Total Pension Liability Factors:				
Service Cost	205,111	-	-	205,111
Interest	544,792	-	-	544,792
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	-	-	-	-
Current year amortization of experience difference	-	-	-	-
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(247,978)	-	-	(247,978)
Net change	<u>501,925</u>	<u>-</u>	<u>146,371</u>	<u>501,925</u>
Plan Fiduciary Net Position:				
Contributions - Employer	202,293	-	(202,293)	-
Contributions - State	80,231	-	-	(80,231)
Contributions - Employee	50,759	-	-	(50,759)
Net Investment Income	483,135	-	-	(483,135)
Difference between projected and actual earnings on Pension Plan investments	176,557	176,557	-	-
Current year amortization	-	(35,311)	-	(35,311)
Benefit Payments	(247,978)	-	-	247,978
Administrative Expenses	(20,071)	-	-	20,071
Net change	<u>724,926</u>	<u>141,246</u>	<u>(202,293)</u>	<u>(381,386)</u>
Ending Balance	<u>\$ 501,083</u>	<u>\$ 141,246</u>	<u>\$ 146,371</u>	<u>\$ 120,538</u>

PRELIMINARY COMPONENTS OF PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 501,083	\$ 141,246	\$ 146,371	\$ -
Employer Contributions made after September 30, 2015	-	-	TBD*	-
Total Pension Liability Factors:				
Service Cost	198,675	-	-	198,675
Interest	584,298	-	-	584,298
Changes in benefit terms	-	-	-	-
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(333,531)	333,531	-	-
Current year amortization of experience difference	-	(83,383)	-	(83,383)
Change in assumptions about future economic or demographic factors or other inputs	-	-	-	-
Current year amortization of change in assumptions	-	-	-	-
Benefit Payments	(251,317)	-	-	(251,317)
Net change	<u>198,125</u>	<u>250,148</u>	<u>-</u>	<u>448,273</u>
Plan Fiduciary Net Position:				
Contributions - Employer	146,371	-	(146,371)	-
Contributions - State	83,536	-	-	(83,536)
Contributions - Employee	48,565	-	-	(48,565)
Net Investment Income	538,084	-	-	(538,084)
Difference between projected and actual earnings on Pension Plan investments	(574,349)	-	574,349	-
Current year amortization	-	(35,312)	(114,869)	79,557
Benefit Payments	(251,317)	-	-	251,317
Administrative Expenses	(38,051)	-	-	38,051
Net change	<u>(47,161)</u>	<u>(35,312)</u>	<u>313,109</u>	<u>(301,260)</u>
Ending Balance	<u>\$ 746,369</u>	<u>\$ 356,082</u>	<u>TBD</u>	<u>\$ 147,013</u>

* Employer Contributions subsequent to the measurement date made after September 30, 2015 but made on or before September 30, 2016 needs to be added.