

CITY OF LAKELAND EMPLOYEES PENSION AND RETIREMENT SYSTEM

Chapter 112.664, F.S. Compliance Report

In Connection with the October 1, 2016 Funding Actuarial
Valuation Report and the Plan's Financial Reporting for the
Year Ending September 30, 2016





June 23, 2017

Board of Trustees
City of Lakeland
Employees Pension and Retirement System
Lakeland, Florida

Dear Board Members:

Gabriel, Roeder, Smith & Company (GRS) has been engaged by the City of Lakeland Employees Pension and Retirement System to prepare a disclosure report to satisfy the requirements set forth in Ch. 112.664, F.S. and as further required pursuant to Ch. 60T-1.0035, F.A.C.

This report was prepared at the request of the Board and is intended for use by the Retirement Board and those designated or approved by the Board. This report may be provided to parties other than the System only in its entirety and only with the permission of the Board. GRS is not responsible for unauthorized use of this report.

The purpose of the report is to provide the required information specified in Ch. 112.664, F.S. as well as supplement this information with additional exhibits. This report should not be relied on for any purpose other than the purpose described above.

The findings in this report are based on data or other information through September 30, 2016. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. The scope of this engagement does not include an analysis of the potential range of such measurements.

This report was based upon information furnished by the Plan Administrator concerning Plan benefits, financial transactions, plan provisions and active members, terminated members, retirees and beneficiaries. We checked for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the Plan Administrator.

Except as otherwise indicated as required for the disclosures contained herein, this report was prepared using certain assumptions selected by the Board and prescribed by the Florida Statutes as described in our October 1, 2016 actuarial valuation report. This report is also based on the Plan Provisions, census data, and financial information as summarized in our October 1, 2016 actuarial valuation report. Please refer to the October 1, 2016 actuarial valuation report, dated April 19, 2017, for summaries and descriptions of this information.

The use of an investment return assumption that is 2% higher than the investment return assumption used to determine the funding requirements does not represent an estimate of future Plan experience nor does it reflect an observation of future return estimates inherent in financial market data. The use of this investment return assumption is provided as a counterpart to the Chapter 112.664, Florida Statutes requirement to utilize an investment return assumption that is 2% lower than the assumption used to determine the funding requirements. The inclusion of the additional exhibits showing the effect of using a 2% higher investment return assumption shows a more complete assessment of the range of possible results as opposed to showing a one-sided range as required by Florida Statutes.

Jeffrey Amrose and Trisha Amrose are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The signing actuaries are independent of the plan sponsor.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the Retirement Plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

With respect to the reporting standards for defined benefit retirement plans or systems contained in Section 112.664(1) F.S., the actuarial disclosures required under this section were 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, meet the requirements of Section 112.664(1), F.S. and Section 60T-1.0035, F.A.C.

Respectfully submitted,

GABRIEL, ROEDER, SMITH AND COMPANY



By

Jeffrey Amrose, MAAA
Enrolled Actuary No. 17-6599
Senior Consultant & Actuary



By

Trisha Amrose, MAAA
Enrolled Actuary No. 17-8010
Consultant & Actuary

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RESULTS

**Schedule of Changes in the Employers' Net Pension Liability
Using Financial Reporting Assumptions per GASB Statement No. 67**

Fiscal year ending September 30,

	<u>2016</u>
1. Total pension liability	
a. Service Cost	\$ 12,454,643
b. Interest	46,369,839
c. Benefit Changes	(1,360,522)
d. Difference between actual & expected experience & Other	(189,908)
e. Assumption Changes	-
f. Benefit Payments	(38,124,534)
g. Contribution Refunds	(840,967)
h. Net Change in Total Pension Liability	18,308,551
i. Total Pension Liability - Beginning	646,612,089
j. Total Pension Liability - Ending	<u>\$ 664,920,640</u>
2. Plan Fiduciary Net Position	
a. Contributions - Employer	\$ 29,175,783
b. Contributions - State	-
c. Contributions - Member	7,468,541
d. Net Investment Income	33,659,515
e. Benefit Payments	(38,124,534)
f. Contribution Refunds	(840,967)
g. Administrative Expense	(246,010)
h. Other	-
i. Net Change in Plan Fiduciary Net Position	31,092,328
j. Plan Fiduciary Net Position - Beginning	498,769,283
k. Plan Fiduciary Net Position - Ending	<u>\$ 529,861,611</u>
3. Net Pension Liability / (Asset)	135,059,029

Certain Key Assumptions

Valuation Date	10/01/2015
Measurement Date	09/30/2016
Investment Return Assumption	7.25%
Mortality Table	RP-2000 fully generational using Scale AA

**Schedule of Changes in the Employers' Net Pension Liability
Using Assumptions required under 112.664(1)(a), F.S.**

Fiscal year ending September 30,	<u>2016</u>
1. Total pension liability	
a. Service Cost	\$ 12,454,643
b. Interest	46,369,839
c. Benefit Changes	(1,360,522)
d. Difference between actual & expected experience & Other	(189,908)
e. Assumption Changes	-
f. Benefit Payments	(38,124,534)
g. Contribution Refunds	(840,967)
h. Net Change in Total Pension Liability	18,308,551
i. Total Pension Liability - Beginning	646,612,089
j. Total Pension Liability - Ending	<u>\$ 664,920,640</u>
2. Plan Fiduciary Net Position	
a. Contributions - Employer	\$ 29,175,783
b. Contributions - State	-
c. Contributions - Member	7,468,541
d. Net Investment Income	33,659,515
e. Benefit Payments	(38,124,534)
f. Contribution Refunds	(840,967)
g. Administrative Expense	(246,010)
h. Other	-
i. Net Change in Plan Fiduciary Net Position	31,092,328
j. Plan Fiduciary Net Position - Beginning	498,769,283
k. Plan Fiduciary Net Position - Ending	<u>\$ 529,861,611</u>
3. Net Pension Liability / (Asset)	135,059,029
Certain Key Assumptions	
Valuation Date	10/01/2015
Measurement Date	09/30/2016
Investment Return Assumption	7.25%
Mortality Table	RP-2000 fully generational using Scale AA

**Schedule of Changes in the Employers' Net Pension Liability
Using Assumptions required under 112.664(1)(b), F.S.**

Fiscal year ending September 30,	<u>2016</u>
1. Total pension liability	
a. Service Cost	\$ 19,007,305
b. Interest	41,575,988
c. Benefit Changes	(1,360,522)
d. Difference between actual & expected experience & Other	-
e. Assumption Changes	-
f. Benefit Payments	(38,124,534)
g. Contribution Refunds	(840,967)
h. Net Change in Total Pension Liability	<u>20,257,270</u>
i. Total Pension Liability - Beginning	<u>792,399,020</u>
j. Total Pension Liability - Ending	<u><u>\$ 812,656,290</u></u>
 2. Plan Fiduciary Net Position	
a. Contributions - Employer	\$ 29,175,783
b. Contributions - State	-
c. Contributions - Member	7,468,541
d. Net Investment Income	33,659,515
e. Benefit Payments	(38,124,534)
f. Contribution Refunds	(840,967)
g. Administrative Expense	(246,010)
h. Other	-
i. Net Change in Plan Fiduciary Net Position	<u>31,092,328</u>
j. Plan Fiduciary Net Position - Beginning	<u>498,769,283</u>
k. Plan Fiduciary Net Position - Ending	<u><u>\$ 529,861,611</u></u>
 3. Net Pension Liability / (Asset)	 282,794,679
 Certain Key Assumptions	
Valuation Date	10/01/2015
Measurement Date	09/30/2016
Investment Return Assumption	5.25%
Mortality Table	RP-2000 fully generational using Scale AA

Schedule of Changes in the Employers' Net Pension Liability
Using Assumptions under 112.664(1)(b), F.S. except 2% higher investment return assumption

Fiscal year ending September 30,	<u>2016</u>
1. Total pension liability	
a. Service Cost	\$ 8,535,523
b. Interest	49,086,382
c. Benefit Changes	(1,360,522)
d. Difference between actual & expected experience & Other	-
e. Assumption Changes	-
f. Benefit Payments	(38,124,534)
g. Contribution Refunds	(840,967)
h. Net Change in Total Pension Liability	<u>17,295,882</u>
i. Total Pension Liability - Beginning	<u>541,610,818</u>
j. Total Pension Liability - Ending	<u><u>\$ 558,906,700</u></u>
2. Plan Fiduciary Net Position	
a. Contributions - Employer	\$ 29,175,783
b. Contributions - State	-
c. Contributions - Member	7,468,541
d. Net Investment Income	33,659,515
e. Benefit Payments	(38,124,534)
f. Contribution Refunds	(840,967)
g. Administrative Expense	(246,010)
h. Other	-
i. Net Change in Plan Fiduciary Net Position	<u>31,092,328</u>
j. Plan Fiduciary Net Position - Beginning	<u>498,769,283</u>
k. Plan Fiduciary Net Position - Ending	<u><u>\$ 529,861,611</u></u>
3. Net Pension Liability / (Asset)	29,045,089
Certain Key Assumptions	
Valuation Date	10/01/2015
Measurement Date	09/30/2016
Investment Return Assumption	9.25%
Mortality Table	RP-2000 fully generational using Scale AA

Asset and Benefit Payment Projection
Not Reflecting Any Contributions from the Employer, State or Employee
Using Assumptions from the Latest Actuarial Valuation

FYE	Market Value of Assets (BOY)	Expected Investment Return	Projected Benefit Payments	Market Value of Assets (EOY)
2017	508,587,787	35,339,682	42,287,781	501,639,688
2018	501,639,688	34,751,249	44,624,233	491,766,704
2019	491,766,704	33,967,212	46,506,884	479,227,032
2020	479,227,032	33,004,839	47,975,735	464,256,136
2021	464,256,136	31,874,230	49,223,158	446,907,209
2022	446,907,209	30,580,752	50,207,478	427,280,482
2023	427,280,482	29,129,987	50,975,113	405,435,357
2024	405,435,357	27,521,985	51,643,540	381,313,802
2025	381,313,802	25,755,674	52,126,244	354,943,232
2026	354,943,232	23,834,440	52,384,670	326,393,002
2027	326,393,002	21,761,221	52,476,461	295,677,762
2028	295,677,762	19,535,429	52,447,130	262,766,061
2029	262,766,061	17,155,201	52,285,209	227,636,053
2030	227,636,053	14,615,084	52,097,361	190,153,776
2031	190,153,776	11,908,124	51,807,583	150,254,317
2032	150,254,317	9,029,266	51,425,437	107,858,146
2033	107,858,146	5,973,369	50,933,708	62,897,807
2034	62,897,807	2,734,733	50,354,704	15,277,835
2035	15,277,835	-	49,738,782	-
2036	-	-	49,006,793	-
2037	-	-	48,197,296	-
2038	-	-	47,300,985	-
2039	-	-	46,304,408	-
2040	-	-	45,234,103	-
2041	-	-	44,072,373	-
2042	-	-	42,854,792	-

Number of years for which current market value of assets are adequate to sustain the payment of expected retirement benefits, **reflecting no contributions from the Employer, Employee or State, contrary to Florida Statutes and Plan provisions:** 18.33

Certain Key Assumptions

Valuation Investment Return Assumption 7.25%
 Valuation Mortality Table FRS Mortality - Regular Class

Note: As required in Section 112.664(c) of the Florida Statutes, the projection of the Fund assets do not include contributions from the Employer, Employee or State, which is contrary to Florida Statutes and Plan provisions. For this reason, these projections should not be viewed as a representation of the amount of time the Fund can sustain benefit payments. Under the GASB standards which DO include contributions from the employer, employee and State, the Fund is expected to be able to sustain the benefit payment demands in the near-term and long-term future.

Asset and Benefit Payment Projection
Not Reflecting Any Contributions from the Employer, State or Employee
Using Assumptions required under 112.664(1)(a), F.S.

FYE	Market Value of Assets (BOY)	Expected Investment Return	Projected Benefit Payments	Market Value of Assets (EOY)
2017	508,587,787	35,339,682	42,287,781	501,639,688
2018	501,639,688	34,751,249	44,624,233	491,766,704
2019	491,766,704	33,967,212	46,506,884	479,227,032
2020	479,227,032	33,004,839	47,975,735	464,256,136
2021	464,256,136	31,874,230	49,223,158	446,907,209
2022	446,907,209	30,580,752	50,207,478	427,280,482
2023	427,280,482	29,129,987	50,975,113	405,435,357
2024	405,435,357	27,521,985	51,643,540	381,313,802
2025	381,313,802	25,755,674	52,126,244	354,943,232
2026	354,943,232	23,834,440	52,384,670	326,393,002
2027	326,393,002	21,761,221	52,476,461	295,677,762
2028	295,677,762	19,535,429	52,447,130	262,766,061
2029	262,766,061	17,155,201	52,285,209	227,636,053
2030	227,636,053	14,615,084	52,097,361	190,153,776
2031	190,153,776	11,908,124	51,807,583	150,254,317
2032	150,254,317	9,029,266	51,425,437	107,858,146
2033	107,858,146	5,973,369	50,933,708	62,897,807
2034	62,897,807	2,734,733	50,354,704	15,277,835
2035	15,277,835	-	49,738,782	-
2036	-	-	49,006,793	-
2037	-	-	48,197,296	-
2038	-	-	47,300,985	-
2039	-	-	46,304,408	-
2040	-	-	45,234,103	-
2041	-	-	44,072,373	-
2042	-	-	42,854,792	-

Number of years for which current market value of assets are adequate to sustain the payment of expected retirement benefits, reflecting no contributions from the Employer, Employee or State, contrary to Florida Statutes and Plan provisions: 18.33

Certain Key Assumptions

Valuation Investment Return Assumption 7.25%
 Valuation Mortality Table FRS Mortality - Regular Class

Note: As required in Section 112.664(c) of the Florida Statutes, the projection of the Fund assets do not include contributions from the Employer, Employee or State, which is contrary to Florida Statutes and Plan provisions. For this reason, these projections should not be viewed as a representation of the amount of time the Fund can sustain benefit payments. Under the GASB standards which DO include contributions from the employer, employee and State, the Fund is expected to be able to sustain the benefit payment demands in the near-term and long-term future.

Asset and Benefit Payment Projection
Not Reflecting Any Contributions from the Employer, State or Employee
Using Assumptions required under 112.664(1)(b), F.S.

FYE	Market Value of Assets (BOY)	Expected Investment Return	Projected Benefit Payments	Market Value of Assets (EOY)
2017	508,587,787	25,590,805	42,287,781	491,890,811
2018	491,890,811	24,652,881	44,624,233	471,919,459
2019	471,919,459	23,554,966	46,506,884	448,967,541
2020	448,967,541	22,311,433	47,975,735	423,303,239
2021	423,303,239	20,931,312	49,223,158	395,011,393
2022	395,011,393	19,420,152	50,207,478	364,224,067
2023	364,224,067	17,783,667	50,975,113	331,032,621
2024	331,032,621	16,023,570	51,643,540	295,412,650
2025	295,412,650	14,140,850	52,126,244	257,427,256
2026	257,427,256	12,139,833	52,384,670	217,182,420
2027	217,182,420	10,024,570	52,476,461	174,730,529
2028	174,730,529	7,796,616	52,447,130	130,080,014
2029	130,080,014	5,456,714	52,285,209	83,251,519
2030	83,251,519	3,003,149	52,097,361	34,157,307
2031	34,157,307	433,310	51,807,583	-
2032	-	-	51,425,437	-
2033	-	-	50,933,708	-
2034	-	-	50,354,704	-
2035	-	-	49,738,782	-
2036	-	-	49,006,793	-
2037	-	-	48,197,296	-
2038	-	-	47,300,985	-
2039	-	-	46,304,408	-
2040	-	-	45,234,103	-
2041	-	-	44,072,373	-
2042	-	-	42,854,792	-

Number of years for which current market value of assets are adequate to sustain the payment of expected retirement benefits, reflecting no contributions from the Employer, Employee or State, contrary to Florida Statutes and Plan provisions: 14.67

Certain Key Assumptions

Valuation Investment Return Assumption 5.25%
 Valuation Mortality Table FRS Mortality - Regular Class

Note: As required in Section 112.664(c) of the Florida Statutes, the projection of the Fund assets do not include contributions from the Employer, Employee or State, which is contrary to Florida Statutes and Plan provisions. For this reason, these projections should not be viewed as a representation of the amount of time the Fund can sustain benefit payments. Under the GASB standards which DO include contributions from the employer, employee and State, the Fund is expected to be able to sustain the benefit payment demands in the near-term and long-term future.

Asset and Benefit Payment Projection
Not Reflecting Any Contributions from the Employer, State or Employee
Using Assumptions under 112.664(1)(b), F.S. except 2% higher investment return assumption

FYE	Market Value of Assets (BOY)	Expected Investment Return	Projected Benefit Payments	Market Value of Assets (EOY)
2017	508,587,787	45,088,560	42,287,781	511,388,566
2018	511,388,566	45,239,572	44,624,233	512,003,905
2019	512,003,905	45,209,418	46,506,884	510,706,439
2020	510,706,439	45,021,468	47,975,735	507,752,172
2021	507,752,172	44,690,505	49,223,158	503,219,519
2022	503,219,519	44,225,710	50,207,478	497,237,750
2023	497,237,750	43,636,893	50,975,113	489,899,530
2024	489,899,530	42,927,193	51,643,540	481,183,183
2025	481,183,183	42,098,606	52,126,244	471,155,545
2026	471,155,545	41,159,097	52,384,670	459,929,971
2027	459,929,971	40,116,486	52,476,461	447,569,996
2028	447,569,996	38,974,545	52,447,130	434,097,411
2029	434,097,411	37,735,820	52,285,209	419,548,022
2030	419,548,022	36,398,689	52,097,361	403,849,350
2031	403,849,350	34,959,964	51,807,583	387,001,731
2032	387,001,731	33,419,234	51,425,437	368,995,528
2033	368,995,528	31,776,402	50,933,708	349,838,222
2034	349,838,222	30,031,130	50,354,704	329,514,649
2035	329,514,649	28,179,686	49,738,782	307,955,553
2036	307,955,553	26,219,324	49,006,793	285,168,085
2037	285,168,085	24,148,923	48,197,296	261,119,711
2038	261,119,711	21,965,903	47,300,985	235,784,629
2039	235,784,629	19,668,499	46,304,408	209,148,721
2040	209,148,721	17,254,179	45,234,103	181,168,797
2041	181,168,797	14,719,766	44,072,373	151,816,190
2042	151,816,190	12,060,963	42,854,792	121,022,362
2043	121,022,362	9,274,810	41,508,290	88,788,882
2044	88,788,882	6,359,985	40,064,582	55,084,285
2045	55,084,285	3,311,450	38,569,658	19,826,076
2046	19,826,076	122,097	37,012,221	-

Number of years for which current market value of assets are adequate to sustain the payment of expected retirement benefits, reflecting no contributions from the Employer, Employee or State, contrary to Florida Statutes and Plan provisions: 29.50

Certain Key Assumptions

Valuation Investment Return Assumption 9.25%
 Valuation Mortality Table FRS Mortality - Regular Class

Note: As required in Section 112.664(c) of the Florida Statutes, the projection of the Fund assets do not include contributions from the Employer, Employee or State, which is contrary to Florida Statutes and Plan provisions. For this reason, these projections should not be viewed as a representation of the amount of time the Fund can sustain benefit payments. Under the GASB standards which DO include contributions from the employer, employee and State, the Fund is expected to be able to sustain the benefit payment demands in the near-term and long-term future.

ACTUARIALLY DETERMINED CONTRIBUTION

	Plan's Latest Actuarial Valuation	112.664(1)(a) F.S. Assumptions	112.664(1)(b) F.S. Assumptions	112.664(1)(b) F.S. Except 2% Higher Investment Return
A. Valuation Date	October 1, 2016	October 1, 2016	October 1, 2016	October 1, 2016
B. Actuarially Determined Contribution (ADC) to Be Paid During Fiscal Year Ending	9/30/2018	9/30/2018	9/30/2018	9/30/2018
C. Assumed Dates of Employer Contributions	Monthly	Monthly	Monthly	Monthly
D. Annual Payment to Amortize Unfunded Actuarial Liability	\$ 12,138,831	\$ 12,138,831	\$ 21,952,045	\$ 3,004,308
E. Employer Normal Cost	4,081,148	4,081,148	10,440,510	444,785
F. ADC if Paid on Valuation Date: D + E	16,219,979	16,219,979	32,392,555	3,449,093
G. ADC Adjusted for Frequency of Payments	16,836,500	16,836,500	33,292,096	3,614,891
H. ADC Adjusted for Frequency of Payments as % of Covered Payroll	19.88 %	19.88 %	39.30 %	4.27 %
I. Assumed Rate of Increase in Covered Payroll to Contribution Year	2.50 %	2.50 %	2.50 %	2.50 %
J. Covered Payroll for Contribution Year	86,825,986	86,825,986	86,825,986	86,825,986
K. ADC for Contribution Year: H x J	17,261,006	17,261,006	34,122,612	3,707,470
L. Estimated Credit for State Revenue in Contribution Year	0	0	0	0
M. Employer ADC in Contribution Year (Before Cost Sharing)	17,261,006	17,261,006	34,122,612	3,707,470
N. Employer ADC as % of Covered Payroll in Contribution Year: M ÷ J	19.88 %	19.88 %	39.30 %	4.27 %
O. Expected Member Contributions (Before Cost Sharing)	7,951,797	7,951,797	7,951,797	7,951,797
P. Total Contribution (including Members) in Contributing Year	25,212,803	25,212,803	42,074,409	11,659,267
Q. Total Contribution as a % of covered payroll in Contribution Year: P ÷ J	29.04 %	29.04 %	48.46 %	13.43 %
R. Certain Key Assumptions Investment Return Assumption	7.25%	7.25%	5.25%	9.25%
Mortality Table	FRS Mortality - Regular Class	FRS Mortality - Regular Class	FRS Mortality - Regular Class	FRS Mortality - Regular Class