

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2015

FINANCIAL STATEMENTS

of the

EMPLOYEES' PENSION AND RETIREMENT SYSTEM

A PENSION TRUST FUND OF THE CITY OF LAKELAND, FLORIDA

for the

FISCAL YEAR ENDED SEPTEMBER 30, 2015



Prepared by the
FINANCE DEPARTMENT

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Employees' Pension and Retirement System of the City of Lakeland, Florida (the "Plan"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plan, as of September 30, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the City's Net Pension Liability and Related Ratios, the Schedule of City Contributions, and the Schedule of Investment Returns on pages 15-16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.



Crowe Horwath LLP

Lakeland, Florida
March 11, 2016

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2015

ASSETS

Cash equivalents	\$	5,266,096
Receivables:		
Contributions		709,965
Accrued interest receivable		544,245
Unsettled investment sales, net		<u>2,935,334</u>
Total receivables		<u>4,189,544</u>
Investments:		
Mutual Funds		179,055,370
US Government Obligations		42,455,046
Corporate Notes and Bonds		37,692,154
Corporate Stocks		<u>234,619,888</u>
Total investments		<u>493,822,458</u>
Total assets		<u>503,278,098</u>

LIABILITIES

Payables:		
Accounts payable		522,607
Unsettled investment purchases		<u>3,986,208</u>
Total Liabilities		<u>4,508,815</u>

NET POSITION

Net Position Restricted for DROP benefits		20,193,719
Net Position Restricted for pension benefits and other purposes		<u>478,575,564</u>
	\$	<u>498,769,283</u>

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED SEPTEMBER 30, 2015

ADDITIONS	
Contributions:	
Employer	\$ 15,697,557
Plan members	7,394,407
Total contributions	23,091,964
Investment income:	
Interest and dividends	9,543,650
Net decrease in the fair value of investments	(259,689)
Less Investments Expenses:	
Investment advisor fee	(3,284,545)
Net investment income	5,999,416
Miscellaneous income	73,126
Total additions	29,164,506
DEDUCTIONS	
Benefits paid	33,851,002
Refunds, former employees	783,779
Administrative Expenses	217,810
Total deductions	34,852,591
CHANGE IN NET POSITION	(5,688,085)
NET POSITION, beginning of year	504,457,368
NET POSITION, end of year	\$ 498,769,283

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

General These financial statements represent only the Employees' Pension and Retirement System (Plan) of the City of Lakeland, Florida (City). The statements presented herein do not constitute the basic financial statements of the City which are issued separately under the title "Comprehensive Annual Financial Report" (CAFR). The following brief description of the Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

The Plan has elected not to present management's discussion and analysis as required by GASB Statement No.34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

Valuation of Investments Plan investments are reported at fair value. Money market funds are reported at cost, which approximates fair value. Fixed income and equity securities are valued at the last reported sales price.

Basis of Accounting The Plan is maintained using the accrual basis of accounting. Employee and employer contributions are recognized as revenue in the period in which the employee services are performed. Expenses are recognized when they are incurred and revenues are recognized when they are earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Accounting Principles Generally Accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, the actual results could differ from those estimates.

Realized Gains and Losses Realized gains and losses, the difference between the proceeds of sale and original costs of investments sold for the year ended September 30, 2015 were \$28,020,342.

- The calculation of realized gains and losses is independent of the calculation of the net changes in the fair value of the investments.
- Realized gains and losses on investments that were held in more than one reporting period and sold in the current period were included as a change in the fair value reported in prior periods and the current period.

Administrative Costs Administrative costs are paid by the Plan from contributions and investment income.

NOTE B – PLAN DESCRIPTION

1. General This Plan is a pension trust fund (fiduciary fund type) of the City that contains three pension plan options (Plans A, B, and C). Each plan option is part of a single employer, defined benefit pension plan offered by the City with a defined contribution option available to certain eligible employees. Plan A is eligible to employees of the City hired prior to October 1, 2003. Plan B is eligible to employees hired on or after October 1, 2003 through February 15, 2012. Plan C is eligible to employees hired after December 29, 2011 or who have made an irrevocable election to convert their prospective benefit calculation to Plan C as of February 15, 2012. The defined contribution option allows certain eligible employees to cease participation in this Plan and begin participation in the City's defined contribution plan.

2. Plan Administration The City of Lakeland Employees' Pension and Retirement System administers the City of Lakeland Employees' Pension Plan – a single, employer defined benefit pension plan that provides pensions for all full-time, regular employees of the City. The authority for the establishment and amendment of the Plan, benefits, vesting, and contributions are established by City Ordinances. Government plans are not subject to the provisions of the Employee's Retirement Income Security Act of 1974 (ERISA).

Management of the plan is vested in the Employees' Pension Board, which consists of seven (7) active members – three (3) of which are elected by plan members for 3-year terms, three (3) appointed by the City Commission for 3-year terms and one (1) appointed by the board.

3. Plan Membership Pension plan membership for the Plan as of the actuary report dated October 1, 2014 for fiscal year 2015 is shown in the following table.

Active plan members	1,407
Retirees and beneficiaries	952
DROP Participants	186
Terminated vested plan members	59
	<u>2,604</u>

CITY OF LAKE LAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

NOTE B – PLAN DESCRIPTION (Continued)

4. Plan Benefits

Pension Benefits

Plan A

Plan members may retire after attaining age 60 and contributing for 10 or more years to this plan.

The monthly benefit is determined by multiplying the average monthly salary by a service factor and a benefit factor.

- The average monthly salary is computed using the average of the highest total earnings over a consecutive period of 36 months.
- The service factor is based on the length of continuous service and is calculated by accumulating 3% per year for the first 25 years of service plus 1% per year for all service exceeding 25 years.
- The benefit factor is based on the age of the employee in years and months on the day retirement benefits commence. This value is derived from a benefit factor table as set forth in Section 23 of Article II, Division II, of the City Charter.

Plan B

Plan members may retire after attaining age 62 and contributing to the plan for 10 or more years.

The monthly benefit is determined by multiplying the average monthly salary by a service factor and a benefit factor.

- The average monthly salary is computed using the average of the highest total earnings over a consecutive period of 60 months.
- The service factor is based on the length of continuous service and is calculated by accumulating 2% per year for the first 10 years of service, then 3% for the next 20 years plus 1% for each year over 30 years of service.
- The benefit factor is based on the age of the employee in years and months on the day retirement benefits commence. This value is derived from a benefit factor table as set forth in Section 23 of Article II, Division II, of the City Charter.

Plan C

Plan members may retire after attaining age 62 and contributing to the plan for 5 or more years.

- The average monthly salary is computed using the average of the highest total earnings over a consecutive period of 60 months.
- The service factor is based on the length of continuous service and is calculated by accumulating 2.41% per year.
- The benefit factor is based on the age of the employee in years and months on the day retirement benefits commence. This value is derived from a benefit factor table as set forth in Section 23 of Article II, Division II, of the City Charter.

Cost of Living Increase Under Resolution No. 4968, to the extent there are cumulative actuarial gains experienced within the Plan, the Board of Trustees of the System may recommend a one-time additional benefit payment (ad hoc increase) to the members who are retired for at least five years. This payment would be made from the Plan's assets in an aggregate amount between 1.01% and 50% of the cumulated actuarial gains measured from October 1, 2011. Although the criteria for the Board to recommend the one-time payment is based on cumulative actuarial gains, this positive experience is not used to pay for the ad-hoc increase, and therefore, this payment is not subject to Florida Statutes, Chapter 112.61. It is important to note that, unless it occurs on a regular basis, an ad-hoc increase does not need to be pre-funded. During the fiscal year September 30, 2013, a one-time additional payment pursuant to Resolution No. 4968 was paid totaling \$766,167. The increase in the Unfunded Actuarial Accrued Liability due to this payment was amortized over a period of five (5) years. This payment caused the required employer contribution to increase by 0.22% of covered payroll. The remaining balance as of September 2015 is \$635,091.

Termination Benefits If a member employee is terminated, either voluntarily or involuntarily, the following benefits are payable:

- If the employee has less than ten years under Plan A or B or five years under Plan C of credited service, the employee will be entitled to his or her contributions to the Plan.
- If the employee has more than ten years under Plan A or B or five years under Plan C of credited service (terminated vested), the benefits will be calculated as described in the *Pension Benefits* section above, provided that the benefit calculation is based upon the benefits which existed at the time of termination of employment. If the participant elects to leave his or her contributions in the fund upon separation from service and is entitled to a vested deferred pension, the monthly pension income will be adjusted to reflect any increase in benefits becoming effective after the date of separation from service.

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

NOTE B – PLAN DESCRIPTION (Continued)

Terminated membership in the plan Effective September 7, 2004, a member can terminate membership in the Plan if he or she is not subject to collective bargaining, has attained normal retirement status or has attained thirty years of credited service.

- A member may elect to terminate membership in the plan with a vested benefit while still employed. This election allows the members to defer receipt of defined benefits until a later date and commence participation in the City's Deferred Compensation Plan. The member is guaranteed a life time defined benefit for the years of service vested and has the ability to manage his or her investments in the defined contribution plan.

Deferred Retirement Option Plan (DROP)

- DROP allows members to continue working while their monthly pension benefit is deposited into a DROP account. Once a member enters the DROP the decision is irrevocable. Members who enter the DROP prior to December 31, 2011 and non-bargaining unit members who enter the DROP prior to ratification of a collective bargaining agreement earn 6.5% per year. The members benefit shall be calculated as if the member had actually separated from service. The member remains an active employee of the City and agrees to terminate active service no later than sixty months following the date of entry into the DROP. Nothing prohibits a member to terminate service prior to the sixty months. If a member chooses to continue employment past the sixty months, beginning on the 61st month the DROP account will no longer be credited with the monthly pension benefits or interest.
- Effective upon adoption, each member and bargaining unit members who enter the DROP after December 31, 2011 may elect investment options earning interest rate based on actual net rate of return of such investments on an annual basis to have their DROP account credited and compounded semi-monthly at a variable interest rate, not to exceed three percent (3%) per annum. The Board of Trustees shall review and set the variable interest rate once each year. Within 60 days of announcing the variable interest rate, each Member of the DROP may elect to transfer all, some, or none of their existing DROP account balance and future DROP account accruals to the City of Lakeland Defined Contribution Plan, subject to Board approval, via a plan to plan transfer; provided, that all such transfers made to the City of Lakeland Defined Contribution Plan are irrevocable and shall not be transferred back to the member's DROP account at any point thereafter.
- A failure to make such an initial election means that the Member's DROP balance will remain in the Fund and earn said variable interest rate. Each year thereafter, within 60 days of the Board of Trustees setting the variable interest rate, each Member in the DROP shall elect whether any amounts remaining in the Fund and whether DROP account accruals will either: be credited at a variable interest rate, compounded semi-monthly on the prior installment's accumulated ending balance until such time as the earlier of either: the 120th payment; or the last payment made prior to final separation from service; or death; or be irrevocably transferred to the City of Lakeland Defined Contribution Plan, as above. Any member of the DROP who fails to make such a written annual election within the prescribed time shall continue with the option, as described herein in which the Member was then currently participating.
- Under Ordinance No. 5434, adopted on March 3, 2014, for members who enter the DROP on or after December 31, 2011 who have ratified Ordinance No. 5287, the interest rate credited on DROP accounts is based on a variable interest rate not to exceed 3% per year set annually by the Board of Trustees, unless the member elects to transfer DROP accruals to the City of Lakeland Defined Contribution Plan. Any actuarial gains or losses incurred by the Plan as a result of the variable interest rate for DROP members shall not be applied in the cost sharing analysis to affect the employee contribution rates.

The termination of the DROP can be lump-sum payment, direct rollover into eligible retirement plan or partial lump-sum payment which is a combination of the lump-sum payment and direct rollover. At October 1 2014, there were 186 DROP participants.

As of September 30, 2015, the Plan held \$20,193,719 pursuant to DROP benefits payable.

Death Benefits If an employee were to die prior to normal retirement, his beneficiary would receive benefits payable as provided in the Plan including various payment options elected by the employee prior to death.

- If the employee has less than ten years under Plan A or B or five years under Plan C of credited service, the employee will be entitled to his or her contributions to the Plan.
- If the employee has more than ten years under Plan A or B or five years under Plan C of credited service, the benefit received is actuarially equivalent to 50% of the benefit the employee would have received on the date of death. The percentage of the benefit payment increases to 75% if the employee is age 50.

Disability Benefits There are no disability benefits available.

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

NOTE B – PLAN DESCRIPTION (Continued)

5. Funding Requirements Contributions - City ordinance number 5287 section 23.1.1 grants the authority to establish and modify the contribution requirements of the City and active plan members to the City Commission. The Plan is subject to periodic review by an independent actuary.

The City obtains an annual review by an independent actuary utilizing census data covering both retired and active plan members and balance sheet data regarding net position of the Plan based on an effective date of October 1 with the report being issued within 6 months of the fiscal year. This review is used to determine the required funding level upon which the City bases its annual contribution to the Employees' Pension and Retirement System for the budget year commencing after the issuance of that report. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute at least quarterly to the fund in an amount equal to the required city contribution as shown by the applicable actuarial valuation system. The One Time Payment to Retirees (0.22), the actuarial experience (0.59) and the Amortization Payment on UAAL (0.09) are added to the prior Contribution Rate (18.00%), less Change in Cost Sharing (0.08) and Change in Normal Cost Rate (0.28) to calculate the current year Contribution Rate of 18.63%. For the year ended September 30, 2015, the employees contributed \$7,305,466 and buybacks were \$88,941.

Member Contributions – The actuarially determined contribution rate for the actuary report dated October 1, 2013 was 10.35% - 10.60% for General union employees, 10.60% for non-union employees in Plans A and B and 5.85% for employees in Plan C.

Employer Contributions - The City's contribution rate for the fiscal year ended September 30, 2015 was 18.63% of annual payroll. The covered payroll for the Plan was \$81,094,749 calculated in the October 1, 2013 actuary report.

Net Pension Liability of the City

The components of the net pension liability at September 30, 2015, were as follows:

Total pension liability	\$	646,612,089
Plan net position		(498,769,283)
Net pension liability		\$ 147,842,806
Plan net position as a percentage of the		
total pension liability		77.14%

6. Plan Assumptions The date of the actuarial valuation on which the total pension liability is based, is October 1, 2014 rolled forward to September 30, 2015. The following actuarial assumptions were applied to the plan.

Actuarial Valuation:

Frequency	Annual
Latest date	10/1/2014
Basis for contribution	10/1/2013
Cost method	Entry Age Normal

Amortization:

Method	Level Percentage of Pay, closed
Amortization period	30 years, closed
Remaining amortization period	28 years

Assumptions:

Investment rate of return	7.25%
Salary increases	4.0% to 14.0% depending on service, including inflation
Inflation rate	3.0%
Post-retirement benefit increases	N/A
Retirement rate	(1)
Mortality table	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected using Scale AA after 2000.

(1) Probabilities of retirement by eligible members are assigned for each attained age and length of service.

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

NOTE B – PLAN DESCRIPTION (Continued)

Rate of Return 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 expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class (Market)	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	44.44%	7.50%
International Equity	16.67%	8.50%
Domestic Bonds	22.22%	2.50%
International Bonds	5.56%	3.50%
Real Estate	11.11%	4.50%

Discount Rate The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan members' contributions will be made at the current contribution rate and the City contributions will be made at the 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 the current plan members. Therefore, the long-term expected rate of return on pension plan investments (7.25%) was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate The following presents the net pension liability of the City, calculated using the discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate.

	Decrease Rate (6.25%)	Discount Rate (7.25%)	Increase Rate (8.25%)
City's net pension liability	\$ 214,240,876	\$ 147,842,806	\$ 91,574,532

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 expenses, was 1.02%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

7. Termination of Plan Should the Plan terminate at some future time, its net position generally will not be available on a pro-rata basis to provide participants' benefits. Some benefits may be fully or partially provided, while other benefits may not be provided at all. This provision depends upon the priority of the benefits and the availability of plan assets existing at the time of such termination.

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash Equivalents Cash equivalents in the accompanying Statement of Fiduciary Net Pension is composed of the following:

Money market funds	\$ 10,887,715
Money Market Funds - City of Lakeland	(5,621,619)
Total cash equivalents	<u>\$ 5,266,096</u>

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investment Policy The Pension Board of Trustees (the Board) maintains that an important determinant of future investment returns is the expression and periodic review of the City of Lakeland Employees' Retirement Plan investment objectives. To that end, the Board has adopted a statement of Investment Policy and directs that it apply to all assets under their control. In fulfilling their fiduciary responsibility, the Board recognizes that the retirement system is an essential vehicle for providing income benefits to retired participants and their beneficiaries. The Board is to review the Statement of Investment Policy and any addendum from time to time and to amend them if necessary to reflect any changes in philosophy or objectives. If at any time the investment manager believes that the specific objectives defined cannot be met, or that the guidelines unnecessarily constrict performance, the Trustees shall be so notified in writing. The Board, in performing their investment duties, shall comply with the fiduciary standards set forth in Employee Retirement Income Security Act of 1974 (ERISA) at 29 U.S.C. s. 1104(a) (1) (A) – (C). In case of conflict with other provisions of law authorizing investments, the investment and fiduciary standards set forth in this section shall prevail.

Authorized Investments Several forms of legal provisions govern the types of investments in which the Plan monies may be invested. Plan monies may be invested in any of the following:

- Direct obligations of the Federal Government
- Interest-bearing time deposits
- The Florida State Board of Administration
- Corporate stocks and bonds
- Money market and mutual funds
- Obligations guaranteed by the Federal National Mortgage Association
- Obligations of the Federal Home Loan Mortgage Corporation
- Obligations of the Federal Home Loan Bank
- Obligations of the Federal Farm Credit Bank
- Obligations guaranteed by the Government National Mortgage Association

Asset Allocation In the City of Lakeland's Employee Pension Fund, assets shall be diversified among equities and fixed income investments to minimize overall portfolio risk consistent with the level of expected return and thereby improve the long-term return potential of assets. The diversification of the equity and fixed income securities held in the portfolio among sectors and issuers is the responsibility of the respective Investment Manager, subject to general policy and specific guidelines of each manager. Allowable fixed income investments include US government or agency obligations, marketable corporate, GNMA's, US collateral mortgaged back securities, debentures, hybrid securities, commercial paper, or certificates of deposits. The Investment Manager is expected to diversify the portfolio sufficiently to minimize the risk of a large loss from a single security. Accordingly, no single company's fixed securities shall represent more than 3% of the market value assets of the fund and no more than 5% of the market value of assets shall be in common stock of one company. Equity portfolios and all equity investments must be traded on national stock exchange or NASDAQ. As of September 30, 2015, no single company's fixed securities and common stock represented more than 3% and 5% respectively of the market value assets of the fund. The City of Lakeland's investment allocation limits and actual limits for the Employee Pension Fund as of September 30, 2015 are as follows:

Asset Class (Market)	Maximum%	Minimum%	Actual %
Domestic Equity	50%	35%	43%
International Equity	20%	10%	14%
Aggregate Fixed Income	40%	10%	25%
International Fixed	10%	0%	5%
Real Estate	15%	0%	8%
Alternative	15%	0%	4%

Concentrations The Investment Manager is expected to diversify the portfolio sufficiently to minimize the risk of a large loss from a single security. Accordingly, no single company's fixed securities shall represent more than 3% of the market value assets of the fund and no more than 5% of the market value of assets shall be in common stock of one company.

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investment Violations There were no significant violations of legal or contractual provisions for deposits and investments during the year.

Custodial Credit Risk Custodial credit risk, for an investment, is the risk that, in the event of the failure of the counterparty, the City of Lakeland will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of September 30, 2015, the City of Lakeland held \$16,272,704, \$235,964,488, and \$96,323,154 in Money Market Funds, Mutual Funds, and Commingled Trust Funds respectively. These investments are held by an investment's counterparty, not in the name of the City. The City of Lakeland's investment policy limits the investment in Money Market Funds and Mutual Funds, including Commingled Trust Funds, to 10% of total investments in each.

Foreign Currency Risk The Employee Pension Fund held \$113,730,349 in fixed income (5.07%) and equity investments of foreign issuers of non-US companies (17.73%). The investment policy for this fund limits the investments in foreign securities to 25% of the total assets held by the fund. As of September 30, 2015, the Employee Pension Fund held the following fixed income and equity investments in non-U.S. companies and/or investments denominated in a foreign currency:

Foreign Investments:

Mutual Funds:	Market Value	Denomination	Maturity
Non-US Companies:			
PIMCO Diversified Income Funds Institutional Class #106	\$ 12,769,919	USD	N/A
Templeton Global Total Return Fund Class R6	12,518,672	USD	N/A
TS&W International Large Cap	22,229,960	USD	N/A
Convergent Cap Instl Master TR LMCG emerging MKT Collective FD CL 1	21,716,794	USD	N/A
Total Mutual Funds	<u>69,235,345</u>		

Corporate Stocks:	Market Value	Denomination	Maturity
Non-US Companies:			
WCM Focused Internation Growth Fund LP	26,311,894	USD	N/A
Chipmos Technologies (Bermuda) LTD	176,564	USD	N/A
Maiden Holdings LTD SHS	143,700	USD	N/A
Mallinckrodt PLC	23,338	USD	N/A
Noble Corp PLC	29,621	USD	N/A
Tsakos energy Navigation LTD	30,626	USD	N/A
Camtek LTD	17,701	USD	N/A
Nova Measuring Instruments	73,237	USD	N/A
ASM International NV	23,961	USD	N/A
Constellium NV	67,024	USD	N/A
Dorian LPG Limited	31,291	USD	N/A
StealthGas, INC.	40,868	USD	N/A
Canadian Solar Inc Com Stk USD0	63,090	USD	N/A
Cott Corporation	121,209	USD	N/A
First Bancorp	16,113	USD	N/A
Flamel Technologies S.A.	84,421	USD	N/A
Himax Technologies, INC.	14,713	USD	N/A

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Foreign Currency Risk (continued)

Corporate Stocks:	<u>Market Value</u>	<u>Denomination</u>	<u>Maturity</u>
Non-US Companies:			
Horizon Pharma PLC	\$ 36,687	USD	N/A
Luxfer Holdings PLC	20,803	USD	N/A
Performance Sports Group LTD.	27,229	USD	N/A
Popular INC	109,705	USD	N/A
Silicon Motion Technology Corporation	98,207	USD	N/A
Trinity Biotech PLC Sponsored ADR New	104,379	USD	N/A
WNS Holdings LTD Spons ADR EA Repr 1 Ord SHS	152,970	USD	N/A
Allergan PLD	1,135,622	USD	N/A
Delphi Automotive PLC	1,039,847	USD	N/A
Ingersoll-Rand PLC	744,694	USD	N/A
Royal Caribbean Cruise	1,046,540	USD	N/A
Sc lumberger LTD	726,392	USD	N/A
Aon PLC	3,639,301	USD	N/A
Liberty Global PLC	4,276,253	USD	N/A
Liberty Lilac Group	178,459	USD	N/A
Alibaba Group Holding LTD.	1,465,405	USD	N/A
Grupo Televisa, S.A. - ADR Sponsored ADR	603,664	USD	N/A
Valeant Pharmaceuticals International INC New	1,819,476	USD	N/A
Total Corporate Stocks	<u>44,495,004</u>		
 Total Foreign Investments	 <u>\$ 113,730,349</u>		

Credit Risk Credit risk is the risk of loss due to the failure of the security issuer or other counterparty. The purpose of the City of Lakeland's investment policy is to minimize credit risk by limiting investments in securities that have higher credit risks, pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors with which the City will do business, and diversifying the investment portfolio so that potential losses on individual securities will be minimized.

The City of Lakeland's investment policy requires the following Standard & Poor's (S&P) or Moody's unsecured credit quality ratings for fixed income securities of the Employee Pension Fund:

<u>Investment Class</u>	<u>S & P Rating</u>	<u>Moody's Rating</u>	<u>Maximum %</u>
Employee Pension Fund			
Fixed Income Investments	BBB	Baa	20%
Fixed Income Investments	Less than BBB	Less than Baa	10%
Fixed Income - Single Issuer	BBB or lower	Baa or lower	2%

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk (continued)

As of September 30, 2015, the City of Lakeland's Employee Pension Fund's debt security investments had the following credit quality ratings:

S&P Rating:

	Cost	% of Total	Market	% of Total
AA+ to AA-	\$ 38,208,516	25.00%	\$ 38,341,230	22.78%
A+ to A-	16,084,110	10.52%	15,672,859	9.31%
BBB+ to BBB-	16,950,702	11.09%	16,371,545	9.73%
NR	81,613,111	53.39%	97,908,404	58.18%
	<u>\$ 152,856,439</u>	<u>100.00%</u>	<u>\$ 168,294,038</u>	<u>100.00%</u>

Moody's Rating:

	Cost	% of Total	Market	% of Total
Aaa	\$ 29,723,623	19.45%	\$ 29,849,119	17.74%
Aa1 to Aa3	3,738,532	2.45%	3,699,370	2.20%
A1 to A3	19,436,482	12.72%	18,992,256	11.29%
Baa1 to Baa3	16,977,690	11.11%	16,481,393	9.79%
NR	82,980,112	54.27%	99,271,900	58.98%
	<u>\$ 152,856,439</u>	<u>100.00%</u>	<u>\$ 168,294,038</u>	<u>100.00%</u>

As of September 30, 2015, the City of Lakeland's Employee Pension Fund's investment types had the following credit quality ratings:

S&P Rating:

	Corporate Bonds		US Government Agency Obligations		Foreign Securities	
	Market	% of Total	Market	% of Total	Market	% of Total
AA+ to AA-	\$ 7,128,615	18.91%	\$ 31,212,615	95.47%	\$ -	0.00%
A+ to A-	14,191,994	37.65%	1,480,865	4.53%	-	0.00%
BBB+ to BBB-	16,371,545	43.44%	-	0.00%	-	0.00%
NR	-	0.00%	-	0.00%	25,288,591	100.00%
	<u>\$ 37,692,154</u>	<u>100.00%</u>	<u>\$ 32,693,480</u>	<u>100.00%</u>	<u>\$ 25,288,591</u>	<u>100.00%</u>

S&P Rating:

	Money Market Funds		Bond Mutual Funds	
	Market	% of Total	Market	% of Total
NR	\$ 5,266,099	100.00%	\$ 67,353,714	100.00%
	<u>\$ 5,266,099</u>	<u>100.00%</u>	<u>\$ 67,353,714</u>	<u>100.00%</u>

Moody's Rating:

	Corporate Bonds		US Government Agency Obligations		Foreign Securities	
	Market	% of Total	Market	% of Total	Market	% of Total
Aaa	\$ -	0.00%	\$ 29,849,119	91.30%	\$ -	0.00%
Aa1 to Aa3	3,699,370	9.81%	-	0.00%	-	0.00%
A1 to A3	17,511,390	46.46%	1,480,865	4.53%	-	0.00%
Baa1 to Baa3	16,481,394	43.73%	-	0.00%	-	0.00%
NR	-	0.00%	1,363,496	4.17%	25,288,591	100.00%
	<u>\$ 37,692,154</u>	<u>100.00%</u>	<u>\$ 32,693,480</u>	<u>100.00%</u>	<u>\$ 25,288,591</u>	<u>100.00%</u>

Moody's Rating:

	Money Market Funds		Bond Mutual Funds	
	Market	% of Total	Market	% of Total
NR	\$ 5,266,099	0.00%	\$ 67,353,714	100.00%
	<u>\$ 5,266,099</u>	<u>100.00%</u>	<u>\$ 67,353,714</u>	<u>100.00%</u>

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

NOTE C – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Credit Risk (Continued)

The following investments and maturities held by the Employee Pension Fund of the City as of September 30, 2015 are collateralized by registered securities held by the City or its agents in the City's name:

Investment Type	Fair Value		Investment Maturities (in years)		
	Employee Pension	Less than 1	1-5	6-10	More than 10
US Treasury Notes	\$ 532,907	\$ -	\$ 532,907	\$ -	\$ -
US Treasury Bonds	9,228,659	-	-	-	9,228,659
Federal Farm Credit Bank	779,540	-	779,540	-	-
Federal Home Loan Bank	2,224,203	1,480,865	743,337	-	-
Federal Home Loan Mortgage Corporation	908,966	-	-	908,966	-
Federal National Mortgage Association	4,549,621	-	4,549,621	-	-
Federal Agencies Mortgage Backed (1)	24,231,150	-	429,906	3,403,780	20,397,464
Corporate Notes and Bonds	37,692,154	2,684,150	7,240,697	23,009,031	4,758,276
Corporate Stocks	190,124,886	190,124,884	-	-	-
Foreign Stocks	44,495,002	44,495,002	-	-	-
Subtotal	<u>314,767,088</u>	<u>238,784,901</u>	<u>14,276,008</u>	<u>27,321,777</u>	<u>34,384,399</u>

Other investments of the fund are collateralized by securities that exist in physical or book entry form and thus cannot be held in the City's name. The breakdown of investments, held as of September 30, 2015, by type and category of credit risk are as follows:

Investment Type	Fair Value		Investment Maturities (in years)		
	Employee Pension	Less than 1	1-5	6-10	More than 10
Money Market Funds (2)	5,266,096	5,266,096	-	-	-
Mutual Funds (2)	179,055,370	179,055,370	-	-	-
Accrued Interest Receivable	544,245	544,245	-	-	-
Subtotal	<u>184,865,711</u>	<u>184,865,711</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 499,632,799</u>	<u>\$ 423,650,615</u>	<u>\$ 14,276,008</u>	<u>\$ 27,321,777</u>	<u>\$ 34,384,399</u>

- (1) Federal Mortgage Backed Security balance includes \$775,918 in purchases in the Employee Pension Fund that had been executed but not settled as of September 30, 2015. Summary of the Investments in Transit are as follows:

Purchases:

Federal Mortgage Backed Security	775,918
	<u>\$ 775,918</u>

- (2) The rate of interest earned fluctuates during the year based on market conditions. Also, there is no stated maturity date for these types of investments. Funds may be invested, withdrawn, or reinvested at the discretion of the Plan.

NOTE D – SUBSEQUENT EVENT

On November 9, 2015, the City of Lakeland transferred an additional contribution of \$15,000,000 to the Employee's Pension and Retirement System.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS*

Fiscal year ending September 30th	2015	2014
Total pension liability:		
Service cost	\$ 12,479,291	\$ 12,663,875
Interest	45,023,294	43,427,938
Differences between expected and actual experience	(2,104,773)	(310,956)
Other (Adjustment to DROP Balance)	-	110,082
Benefit payments, including refunds of member contributions	(34,634,781)	(32,658,024)
Net change in total pension liability	20,763,031	23,232,915
Total pension liability, beginning	625,849,058	602,616,143
Total pension liability, ending	\$ 646,612,089	\$ 625,849,058
Plan fiduciary net position:		
Contributions, employer	\$ 15,697,557	\$ 15,395,603
Contributions, members	7,394,407	7,129,361
Net investment income	6,072,542	39,349,445
Benefit payments, including refunds of member contributions	(34,634,781)	(32,658,024)
Administrative expenses	(217,810)	(288,901)
Net change in plan fiduciary net position	(5,688,085)	28,927,484
Plan fiduciary net position, beginning	504,457,368	475,529,884
Plan fiduciary net position, ending	\$ 498,769,283	\$ 504,457,368
Net pension liability, ending	\$ 147,842,806	\$ 121,391,690
Plan fiduciary net position as a % of total pension liability	77.14%	80.60%
Covered payroll	\$ 88,166,248	\$ 85,901,367
Net pension liability as a % of covered payroll	167.69%	141.32%

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

SCHEDULE OF CITY CONTRIBUTIONS*

Year Ended	Percentage of Actuarially determined contributions(ADC)	Actuarially determined contributions (ADC) *	Actual contribution	Contribution deficiency (excess)	Actual Covered payroll	Contribution as a percentage of covered payroll
2015	16.77%	\$ 14,781,148	\$ 15,697,557	\$ (916,409)	\$ 88,166,248	17.80%
2014	16.39%	14,078,112	15,395,603	(1,317,491)	85,901,367	17.92%

*The actuarially determined contribution (ADC) is calculated as the actuarially determined contribution percentage multiplied by the actual pensionable payroll for the year.

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF INVESTMENT RETURNS

	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	1.02	8.03	11.23

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Accompanying notes to required supplementary information

CITY OF LAKELAND, FLORIDA
EMPLOYEES' PENSION AND RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

General – As of October 1, 2009, the actuarial cost method utilized in the actuarial report to determine the liability was changed from Frozen Entry Age cost method to Entry Age Normal cost method. The information disclosed in the Schedule of City Contributions is based on the newly adopted actuarial cost method.

Individual Entry-Age Actuarial Cost Method uses normal cost and the allocation of benefit values between services rendered before and after the valuation date. It has the following characteristics:

- (i) the annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement;
- (ii) each annual normal cost is a constant percentage of the member's year by year projected covered pay.

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: October 1, 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:

Actuarial cost method	Entry age normal
Amortization method	Level percentage
Remaining amortization period	28 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	4% to 14% depending on service, including inflation
Investment rate of return	7.25%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Generational RP-2000 Mortality Table for Males and Females
Cost of Living Adjustment	None

NOTES TO SCHEDULE OF NET PENSION LIABILITY

Valuation Date: October 1, 2014

Measurement Date: September 30, 2015

Methods and assumptions used to determine net pension liability:

Actuarial cost method	Entry age normal
Amortization method	Level percentage
Remaining amortization period	28 years
Asset valuation method	5-year smoothed market
Inflation	3.00%
Salary increases	4% to 14% depending on service, including inflation
Investment rate of return	7.25%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Generational RP-2000 Mortality Table for Males and Females
Cost of Living Adjustment	None

INDEPENDENT AUDITOR'S REPORT AND SCHEDULES

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Employees' Pension and Retirement System (The Plan) of the City of Lakeland, Florida, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated March 11, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Lakeland, Florida
March 11, 2016

EMPLOYEES' PENSION AND RETIREMENT SYSTEM

SCHEDULE OF FINDINGS

YEAR ENDED SEPTEMBER 30, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiency identified not considered to be material weakness	None Reported
Noncompliance material to financial statements noted	No

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

Report on the Financial Statements

We have audited the financial statements of the Employees' Pension and Retirement System of the City of Lakeland, Florida (the "Plan"), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated March 11, 2016.

Auditor's Responsibility

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, Section 601, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated March 11, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were not findings in the prior year.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuses that have occurred, or are likely to have occurred, that have an effect on the financial statement amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

We would like to take this opportunity to thank the Plan for the many courtesies and cooperation extended to our representatives during the course of our audit.

The purpose of this management letter is to communicate certain matters prescribed by Chapter 10.550, *Rules of the Auditor General*. Accordingly, this management letter is not suitable for any other purpose.

A handwritten signature in black ink that reads "Crowe Horwath LLP". The signature is written in a cursive, flowing style.

Crowe Horwath LLP

Lakeland, Florida
March 11, 2016

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH
SECTION 218.415, FLORIDA STATUTES**

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

We have examined the Employees' Pension and Retirement System of the City of Lakeland, Florida (the "Plan") compliance with Section 218.415, *Florida Statutes*, concerning the investment of public funds during the year ended September 30, 2015. Management is responsible for the Plan's compliance with those requirements. Our responsibility is to express an opinion on the Plan's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Plan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Plan's compliance with specified requirements.

In our opinion, the Plan complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.



Crowe Horwath LLP

Lakeland, Florida
March 11, 2016