

May 23, 2018

VIA EMAIL

Ms. Ferrell Jenne
Lead Plan Administrator
Foster & Foster, Inc.
2503 Del Prado Blvd. S., Suite 502
Cape Coral, FL 33904

Re: City of Lakeland Police Officers' Retirement System
Section 112.664, Florida Statutes Compliance

Dear Ferrell:

Please find enclosed the annual disclosures that satisfy the October 1, 2017 financial reporting requirements made under Section 112.664.

Our office will submit this information electronically to the Department of Management Services. However, it is important for you to be aware that this report must also be made available on the Plan or Plan Sponsor's website, if such website exists. A deadline for this website publication is not made clear in the law.

In addition to the enclosed report, the Plan or Plan Sponsor's website must provide a link to the Division of Retirement's Actuarial Summary Fact Sheet for the Plan, and also report the previous five years' assumed and actual rates of return, along with their respective asset allocations. The Board should contact its Investment Consultant for this information.

If there are any questions, concerns, or comments about any of the items contained in this report, please feel free to contact me.

Respectfully submitted,

Foster & Foster, Inc.

By: 

Bradley R. Henrichs, FSA, EA, MAAA
Enrolled Actuary #17-6901


BRH/lke
Enclosures

cc via email: H. Lee Dehner, Board Attorney

CITY OF LAKELAND
POLICE OFFICERS' RETIREMENT SYSTEM

SECTION 112.664, FLORIDA STATUTES
COMPLIANCE

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), Florida Statutes, and Rule 60T-1.0035, Florida Administrative Code.

By:  Date: 5/23/2018

Bradley R. Heinrichs, FSA, EA, MAAA
Enrolled Actuary #17-6901



When reviewing the following schedules, please note the following:

- 1) The purpose of producing this report is solely to satisfy the requirements set forth by Section 112.664, Florida Statutes, and is mandatory for every Florida public pension fund, excluding the Florida Retirement System (FRS).
- 2) None of the schedules shown have any impact on the funding requirements of the Plan. These schedules are for statutory compliance purposes only.
- 3) In the schedules that follow, the columns labeled “ACTUAL” represent the final recorded GASB 67/68 results. The columns labeled “HYPOTHETICAL” illustrate what the results would have been if different assumptions were used.
- 4) It is our opinion that the Plan’s actual assumptions utilized in the October 1, 2017 Actuarial Valuation Report, as adopted by the Board of Trustees, are reasonable individually and in the aggregate, and represent our best estimate of future Plan experience.
- 5) The “Number of Years Expected Benefit Payments Sustained” calculated in Section II: Asset Sustainability should not be interpreted as the number of years the Plan has left until it is insolvent. This calculation is required by 112.664, Florida Statutes, but the numeric result is irrelevant, since in its calculation we are to assume there will be no further contributions to the Fund. As long as the Actuarially Determined Contribution is made each year the Plan will never become insolvent.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FISCAL YEAR SEPTEMBER 30, 2017

	ACTUAL	HYPOTHETICAL	
	7.50% RP-2000 Generational	5.50% RP-2000 Generational	9.50% RP-2000 Generational
<u>Total Pension Liability</u>			
Service Cost	2,795,894	4,271,046	1,902,110
Interest	11,149,058	10,305,052	11,603,789
Gain Sharing Reserve	425,192	425,192	425,192
Share Plan Allocation	77,471	77,471	77,471
Changes of Benefit Terms	40	37	43
Differences Between Expected and Actual			
Experience	(808,693)	(474,292)	(1,033,329)
Changes of Assumptions	3,019,734	4,875,089	1,876,198
Contributions - Buy Back	162,221	162,221	162,221
Benefit Payments, Including Refunds of			
Employee Contributions	(7,556,063)	(7,556,063)	(7,556,063)
Net Change in Total Pension Liability	9,264,854	12,085,753	7,457,632
Total Pension Liability - Beginning	144,840,910	178,725,250	120,889,104
Total Pension Liability - Ending (a)	<u>\$ 154,105,764</u>	<u>\$ 190,811,003</u>	<u>\$ 128,346,736</u>
<u>Plan Fiduciary Net Position</u>			
Contributions - Employer	2,685,523	2,685,523	2,685,523
Contributions - State	856,398	856,398	856,398
Contributions - Employee	2,102,121	2,102,121	2,102,121
Contributions - Buy Back	162,221	162,221	162,221
Net Investment Income	12,593,460	12,593,460	12,593,460
Benefit Payments, Including Refunds of			
Employee Contributions	(7,556,063)	(7,556,063)	(7,556,063)
Administrative Expenses	(202,874)	(202,874)	(202,874)
Net Change in Plan Fiduciary Net Position	10,640,786	10,640,786	10,640,786
Plan Fiduciary Net Position - Beginning	108,664,979	108,664,979	108,664,979
Plan Fiduciary Net Position - Ending (b)	<u>\$ 119,305,765</u>	<u>\$ 119,305,765</u>	<u>\$ 119,305,765</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 34,799,999</u>	<u>\$ 71,505,238</u>	<u>\$ 9,040,971</u>

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: 7.50% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2017	119,217,450	-	15,070,055	-	8,376,182	112,523,577
2018	112,523,577	-	10,035,929	-	8,062,921	110,550,569
2019	110,550,569	-	10,311,837	-	7,904,599	108,143,331
2020	108,143,331	-	10,698,920	-	7,709,540	105,153,951
2021	105,153,951	-	10,962,573	-	7,475,450	101,666,828
2022	101,666,828	-	11,133,222	-	7,207,516	97,741,122
2023	97,741,122	-	11,346,854	-	6,905,077	93,299,345
2024	93,299,345	-	11,461,978	-	6,567,627	88,404,994
2025	88,404,994	-	11,624,969	-	6,194,438	82,974,463
2026	82,974,463	-	11,761,517	-	5,782,028	76,994,974
2027	76,994,974	-	11,678,239	-	5,336,689	70,653,424
2028	70,653,424	-	11,658,056	-	4,861,830	63,857,198
2029	63,857,198	-	11,597,407	-	4,354,387	56,614,178
2030	56,614,178	-	11,462,443	-	3,816,222	48,967,957
2031	48,967,957	-	11,299,305	-	3,248,873	40,917,525
2032	40,917,525	-	11,117,003	-	2,651,927	32,452,449
2033	32,452,449	-	10,928,341	-	2,024,121	23,548,229
2034	23,548,229	-	10,743,330	-	1,363,242	14,168,141
2035	14,168,141	-	10,542,194	-	667,278	4,293,225
2036	4,293,225	-	10,323,430	-	-	-

*All DROP and Share Balances paid in 2017.

Number of Years Expected Benefit Payments Sustained: 19.42

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.50% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 2
Hypothetical Assumptions: 5.50% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2017	119,217,450	-	15,070,055	-	6,142,533	110,289,928
2018	110,289,928	-	10,035,929	-	5,789,958	106,043,957
2019	106,043,957	-	10,311,837	-	5,548,842	101,280,962
2020	101,280,962	-	10,698,920	-	5,276,233	95,858,275
2021	95,858,275	-	10,962,573	-	4,970,734	89,866,436
2022	89,866,436	-	11,133,222	-	4,636,490	83,369,704
2023	83,369,704	-	11,346,854	-	4,273,295	76,296,145
2024	76,296,145	-	11,461,978	-	3,881,084	68,715,251
2025	68,715,251	-	11,624,969	-	3,459,652	60,549,934
2026	60,549,934	-	11,761,517	-	3,006,805	51,795,222
2027	51,795,222	-	11,678,239	-	2,527,586	42,644,569
2028	42,644,569	-	11,658,056	-	2,024,855	33,011,368
2029	33,011,368	-	11,597,407	-	1,496,697	22,910,658
2030	22,910,658	-	11,462,443	-	944,869	12,393,084
2031	12,393,084	-	11,299,305	-	370,889	1,464,668
2032	1,464,668	-	11,117,003	-	-	-

*All DROP and Share Balances paid in 2017.

Number of Years Expected Benefit Payments Sustained: 15.13

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.50% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 3
Hypothetical Assumptions: 9.50% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2017	119,217,450	-	15,070,055	-	10,609,830	114,757,225
2018	114,757,225	-	10,035,929	-	10,425,230	115,146,526
2019	115,146,526	-	10,311,837	-	10,449,108	115,283,797
2020	115,283,797	-	10,698,920	-	10,443,762	115,028,639
2021	115,028,639	-	10,962,573	-	10,406,998	114,473,064
2022	114,473,064	-	11,133,222	-	10,346,113	113,685,955
2023	113,685,955	-	11,346,854	-	10,261,190	112,600,291
2024	112,600,291	-	11,461,978	-	10,152,584	111,290,897
2025	111,290,897	-	11,624,969	-	10,020,449	109,686,377
2026	109,686,377	-	11,761,517	-	9,861,534	107,786,394
2027	107,786,394	-	11,678,239	-	9,684,991	105,793,146
2028	105,793,146	-	11,658,056	-	9,496,591	103,631,681
2029	103,631,681	-	11,597,407	-	9,294,133	101,328,407
2030	101,328,407	-	11,462,443	-	9,081,733	98,947,697
2031	98,947,697	-	11,299,305	-	8,863,314	96,511,706
2032	96,511,706	-	11,117,003	-	8,640,554	94,035,257
2033	94,035,257	-	10,928,341	-	8,414,253	91,521,169
2034	91,521,169	-	10,743,330	-	8,184,203	88,962,042
2035	88,962,042	-	10,542,194	-	7,950,640	86,370,488
2036	86,370,488	-	10,323,430	-	7,714,833	83,761,891
2037	83,761,891	-	10,115,054	-	7,476,915	81,123,752
2038	81,123,752	-	9,875,491	-	7,237,671	78,485,932
2039	78,485,932	-	9,626,780	-	6,998,891	75,858,043
2040	75,858,043	-	9,365,778	-	6,761,640	73,253,905
2041	73,253,905	-	9,089,880	-	6,527,352	70,691,377
2042	70,691,377	-	8,800,880	-	6,297,639	68,188,136
2043	68,188,136	-	8,500,737	-	6,074,088	65,761,487
2044	65,761,487	-	8,191,134	-	5,858,262	63,428,615
2045	63,428,615	-	7,874,559	-	5,651,677	61,205,733
2046	61,205,733	-	7,552,419	-	5,455,805	59,109,119
2047	59,109,119	-	7,224,479	-	5,272,204	57,156,844
2048	57,156,844	-	6,893,954	-	5,102,437	55,365,327
2049	55,365,327	-	6,560,638	-	4,948,076	53,752,765
2050	53,752,765	-	6,226,087	-	4,810,774	52,337,452
2051	52,337,452	-	5,891,085	-	4,692,231	51,138,598
2052	51,138,598	-	5,556,296	-	4,594,243	50,176,545
2053	50,176,545	-	5,222,463	-	4,518,705	49,472,787
2054	49,472,787	-	4,890,239	-	4,467,628	49,050,176
2055	49,050,176	-	4,561,052	-	4,443,117	48,932,241
2056	48,932,241	-	4,236,200	-	4,447,343	49,143,384
2057	49,143,384	-	3,916,795	-	4,482,574	49,709,163
2058	49,709,163	-	3,604,205	-	4,551,171	50,656,129
2059	50,656,129	-	3,299,844	-	4,655,590	52,011,875
2060	52,011,875	-	3,005,139	-	4,798,384	53,805,120
2061	53,805,120	-	2,721,504	-	4,982,215	56,065,831
2062	56,065,831	-	2,450,768	-	5,209,842	58,824,905
2063	58,824,905	-	2,194,224	-	5,484,140	62,114,821
2064	62,114,821	-	1,953,164	-	5,808,133	65,969,790
2065	65,969,790	-	1,728,663	-	6,185,019	70,426,146
2066	70,426,146	-	1,521,306	-	6,618,222	75,523,062

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 3
Hypothetical Assumptions: 9.50% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2067	75,523,062	-	1,331,291	-	7,111,455	81,303,226
2068	81,303,226	-	1,158,869	-	7,668,760	87,813,117
2069	87,813,117	-	1,004,140	-	8,294,549	95,103,526
2070	95,103,526	-	866,409	-	8,993,681	103,230,798
2071	103,230,798	-	744,803	-	9,771,548	112,257,543
2072	112,257,543	-	638,044	-	10,634,159	122,253,658
2073	122,253,658	-	545,082	-	11,588,206	133,296,782
2074	133,296,782	-	464,870	-	12,641,113	145,473,025
2075	145,473,025	-	395,844	-	13,801,135	158,878,316
2076	158,878,316	-	336,715	-	15,077,446	173,619,047
2077	173,619,047	-	286,003	-	16,480,224	189,813,268
2078	189,813,268	-	242,392	-	18,020,747	207,591,623
2079	207,591,623	-	204,699	-	19,711,481	227,098,405
2080	227,098,405	-	171,918	-	21,566,182	248,492,669
2081	248,492,669	-	143,407	-	23,599,992	271,949,254
2082	271,949,254	-	118,820	-	25,829,535	297,659,969
2083	297,659,969	-	97,834	-	28,273,050	325,835,185
2084	325,835,185	-	80,077	-	30,950,539	356,705,647
2085	356,705,647	-	65,302	-	33,883,935	390,524,280
2086	390,524,280	-	53,096	-	37,097,285	427,568,469
2087	427,568,469	-	43,083	-	40,616,958	468,142,344
2088	468,142,344	-	34,902	-	44,471,865	512,579,307
2089	512,579,307	-	28,245	-	48,693,693	561,244,755
2090	561,244,755	-	22,841	-	53,317,167	614,539,081
2091	614,539,081	-	18,483	-	58,380,335	672,900,933
2092	672,900,933	-	14,955	-	63,924,878	736,810,856
2093	736,810,856	-	12,067	-	69,996,458	806,795,247
2094	806,795,247	-	9,673	-	76,645,089	883,430,663
2095	883,430,663	-	7,729	-	83,925,546	967,348,480
2096	967,348,480	-	6,154	-	91,897,813	1,059,240,139
2097	1,059,240,139	-	4,869	-	100,627,582	1,159,862,852
2098	1,159,862,852	-	3,829	-	110,186,789	1,270,045,812
2099	1,270,045,812	-	2,970	-	120,654,211	1,390,697,053
2100	1,390,697,053	-	2,269	-	132,116,112	1,522,810,896
2101	1,522,810,896	-	1,689	-	144,666,955	1,667,476,162
2102	1,667,476,162	-	1,224	-	158,410,177	1,825,885,115
2103	1,825,885,115	-	853	-	173,459,045	1,999,343,307
2104	1,999,343,307	-	582	-	189,937,587	2,189,280,312
2105	2,189,280,312	-	389	-	207,981,611	2,397,261,534
2106	2,397,261,534	-	254	-	227,739,834	2,625,001,114
2107	2,625,001,114	-	163	-	249,375,098	2,874,376,049
2108	2,874,376,049	-	102	-	273,065,720	3,147,441,667
2109	3,147,441,667	-	63	-	299,006,955	3,446,448,559
2110	3,446,448,559	-	39	-	327,412,611	3,773,861,131
2111	3,773,861,131	-	23	-	358,516,806	4,132,377,914
2112	4,132,377,914	-	14	-	392,575,901	4,524,953,801
2113	4,524,953,801	-	8	-	429,870,611	4,954,824,404
2114	4,954,824,404	-	5	-	470,708,318	5,425,532,717
2115	5,425,532,717	-	3	-	515,425,608	5,940,958,322
2116	5,940,958,322	-	2	-	564,391,040	6,505,349,360

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 3
Hypothetical Assumptions: 9.50% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2117	6,505,349,360	-	1	-	618,008,189	7,123,357,548
2118	7,123,357,548	-	-	-	676,718,967	7,800,076,515

*All DROP and Share Balances paid in 2017.

Number of Years Expected Benefit Payments Sustained: 999.99

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 9.50% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2019

Valuation Date: 10/1/2017

	ACTUAL	HYPOTHETICAL	
	7.50% RP-2000 Generational	5.50% RP-2000 Generational	9.50% RP-2000 Generational
Total Required Contribution (Fixed \$)	\$6,194,178	\$9,404,895	\$3,514,102
Total Required Contribution (% of Payroll)	43.52%	66.07%	24.68%
Expected Member Contribution	2,409,711	4,013,813	1,068,927
Expected State Money	778,928	778,928	778,928
Expected Sponsor Contribution (Fixed \$)	\$3,005,539	\$4,612,154	\$1,666,247
Expected Sponsor Contribution (% of Payroll)	21.12%	32.40%	11.70%

ASSETS

Actuarial Value ¹	118,491,338	118,491,338	118,491,338
Market Value ¹	119,217,450	119,217,450	119,217,450

LIABILITIES

Present Value of Benefits			
Active Members			
Retirement Benefits	70,626,589	101,531,162	51,695,443
Disability Benefits	1,037,180	1,422,438	786,581
Death Benefits	419,778	523,853	343,409
Vested Benefits	3,650,187	5,788,830	2,433,092
Refund of Contributions	1,324,238	1,926,611	881,733
Service Retirees	67,933,638	81,084,506	58,288,269
DROP Retirees ¹	21,228,795	25,235,295	18,484,196
Beneficiaries	1,956,685	2,311,091	1,698,446
Disability Retirees	4,296,658	5,353,140	3,581,339
Terminated Vested	5,450,662	6,968,387	4,416,749
Share Plan Balances ¹	92,176	92,176	92,176
Gain Sharing Reserve	425,192	425,192	425,192
Total:	178,441,778	232,662,681	143,126,625
Present Value of Future Salaries	116,058,132	130,056,845	104,783,698
Present Value of Future Member Contributions	19,648,642	36,676,030	7,869,256
Total Normal Cost	2,739,490	4,305,791	1,793,779
Present Value of Future Normal Costs (Entry Age Normal)	21,543,095	38,002,587	12,718,197
Total Actuarial Accrued Liability ¹	156,898,683	194,660,094	130,408,428
Unfunded Actuarial Accrued Liability (UAAL)	38,407,345	76,168,756	11,917,090

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2019

Valuation Date: 10/1/2017

	ACTUAL	HYPOTHETICAL	
	7.50% RP-2000 Generational	5.50% RP-2000 Generational	9.50% RP-2000 Generational
<u>PENSION COST</u>			
Normal Cost (with interest)	2,842,221	4,424,200	1,878,984
Administrative Expenses (with interest)	210,482	208,453	212,511
Payment Required To Amortize UAAL (with interest)	3,141,475	4,772,242	1,422,607
Total Required Contribution	\$6,194,178	\$9,404,895	\$3,514,102

¹ The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2017.