

October 31, 2014

Board of Trustees  
Okaloosa Island Fire District  
Firefighters' Retirement Trust Fund  
105 Santa Rosa Blvd.  
Ft. Walton Beach, FL 32548

RE: GASB Statement No. 67 – Okaloosa Island Fire District Firefighters' Retirement Trust Fund

Dear Board:

We are pleased to present to the Board the GASB Statement No. 67 measured as of September 30, 2013 for the Okaloosa Island Fire District Firefighters' Retirement Trust Fund.

The calculation of the liability associated with the benefits referenced in this report was performed for the purpose of satisfying the requirements of GASB No.67 and is not applicable for purposes, such as determining the plans' funding requirements. A calculation of the plan's liability for other purposes may produce significantly different results.

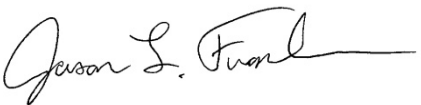
The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of October 1, 2013. The total pension liability was rolled-back from the valuation date to the plan's fiscal year ending September 30<sup>th</sup>, 2012 to obtain the beginning amount using generally accepted actuarial principles. There were no assumption changes that required an adjustment to the roll-back liabilities. It is our opinion that the assumptions used for this purposes are internally consistent, reasonable, and comply with the requirements under GASB No.67. Certain schedules should include a 10-year history of information. As provided for in GASB No. 67, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB No. 67. The historical information in this report will begin with the information presented for the fiscal year ending September 30<sup>th</sup>, 2013.

It is our understanding that this early adoption of GASB Statement No.67 will be utilized for the Plan sponsor's 2014 Comprehensive Annual Financial Report (CAFR).

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By:   
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Jason L. Franken, FSA, EA, MAAA  
Enrolled Actuary #14-06888

JLF/lke  
Enclosures

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2013

GASB 67

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Short Term Investments	180,085.12
Cash	3,018.14
Total Cash and Equivalents	183,103.26
Receivable:	
District Contributions	139,503.97
Accrued Income	17,538.99
Total Receivable	157,042.96
Investments:	
U. S. Bonds and Bills	497,801.25
Federal Agency Guaranteed Securities	18,536.81
Corporate Bonds	1,029,445.15
Stocks	3,356,309.09
Mutual Funds:	
Fixed Income	423,680.00
Total Investments	5,325,772.30
TOTAL ASSETS	5,665,918.52
<u>LIABILITIES AND NET ASSETS</u>	
Liabilities:	
Payable:	
Prepaid Member Contribution	33.89
Total Liabilities	33.89
Net Assets, including DROP Account Balances	5,665,884.63
TOTAL LIABILITIES AND NET ASSETS	5,665,918.52

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2013  
Market Value Basis

ADDITIONS

## Contributions:

Member	83,455.66
District	723,751.95
State	54,472.08

Total Contributions	861,679.69
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## Investment Income:

Net Increase in Fair Value of Investments	425,229.91
Interest & Dividends	139,081.51
Less Investment Expense <sup>1</sup>	(38,771.80)

Net Investment Income	525,539.62
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Total Additions	1,387,219.31
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Total Distributions	610,867.78
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Administrative Expense	24,160.79
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Total Deductions	635,028.57
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Net Increase in Net Position	752,190.74
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## NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year	4,913,693.89
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End of the Year	5,665,884.63
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<sup>1</sup>Investment Related expenses include investment advisory, custodial and performance monitoring fees.

NOTES TO THE FINANCIAL STATEMENTS  
(For the Year Ended September 30, 2013)

Plan Description

*Plan Administration*

The Plan is administered by a Board of Trustees comprised of:

- a. Two District appointees,
- b. Two Members of the Department elected by the membership,
- c. Fifth Member elected by other four and appointed by District.

*Plan Membership as of September 30, 2013:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	12
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	0
Active Plan Members	17
	29
	29

*Benefits Provided*

The Plan provides retirement, disability and death benefits.

Retirement benefits are calculated as 3.50% of Average Final Compensation times Credited Service.

Normal Retirement:

Earlier of: 1) Age 55 and 10 years of Credited Service, or 2) Age 52 and 25 years of Credited Service.

Early Retirement:

Age 50 and 10 Years of Credited Service.

Disability Retirement:

Service Incurred: Covered from Date of Employment

Non-Service Incurred: 10 years of Credited Service.

Benefit accrued to date of disability but not less than 42.00% of Average Final Compensation (if Service Incurred).

Death Benefits Pre-Retirement:

Vested: Monthly accrued benefit payable to designated beneficiary for 10 years.

Non-Vested: Refund of accumulated contributions without interest.

Death Benefits Post-Retirement:

Benefits payable to beneficiary in accordance with option selected at retirement.

Supplemental Monthly Benefit:

Normal and Early service retirees receive \$250 (reduced for Early) for life.

*Contributions*

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

## Investments

### *Investment Policy:*

The following was the Board's adopted asset allocation policy as of September 30, 2013:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	45.00%
International Equity	15.00%
Core Fixed Income	40.00%
<u>Total</u>	<u>100.00%</u>

### *Concentrations:*

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's fiduciary net position.

### *Rate of Return:*

For the year ended September 30, 2013 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 10.45 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## NET PENSION LIABILITY OF THE SPONSOR

The components of the net pension liability of the sponsor on September 30, 2013 were as follows:

Total Pension Liability	\$ 13,165,809
Plan Fiduciary Net Position	<u>\$ (5,665,885)</u>
Sponsor's Net Pension Liability	<u>\$ 7,499,924</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	43.03%

*Actuarial Assumptions:*

The total pension liability was determined by an actuarial valuation as of October 1, 2013 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	7.00%
Investment Rate of Return	7.75%

Mortality rates were based on the RP-2000 Mortality Table (Combined Healthy) with no projection. Based on a study of over 650 public safety funds, this table reflects a 10.00% margin for future mortality improvements. Disabled lives set forward 5 years.

The actuarial assumptions used in the October 1, 2013 valuation were based on the results of an actuarial experience study for the period 1993-2007.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2013 are summarized in the following table:

<u>Asset Class</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	7.50%
International Equity	8.50%
Core Fixed Income	2.50%

## Discount Rate:

The discount rate used to measure the total pension liability was 7.75 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Sponsor's Net Pension Liability	\$ 9,387,326	\$ 7,499,924	\$ 5,958,873

## SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Fiscal Years  
(Dollar Amounts in Thousands)

	<u>09/30/2013</u>
Total Pension Liability	
Service Cost	269,472
Interest	968,929
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	-
Changes of Assumptions	
Benefit Payments, Including Refunds of Employee Contributions	<u>(610,868)</u>
Net Change in Total Pension Liability	627,533
Total Pension Liability - Beginning	12,538,276
Total Pension Liability - Ending (a)	<u><u>\$ 13,165,809</u></u>
 Plan Fiduciary Net Position	
Contributions - Employer	723,752
Contributions - State	54,472
Contributions - Employee	83,456
Net Investment Income	525,540
Benefit Payments, Including Refunds of Employee Contributions	(610,868)
Administrative Expense	(24,161)
Other	-
Net Change in Plan Fiduciary Net Position	<u>752,191</u>
 Plan Fiduciary Net Position - Beginning	<u>4,913,694</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 5,665,885</u></u>
 Net Pension Liability - Ending (a) - (b)	<u><u>\$ 7,499,924</u></u>
 Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.03%
 Covered Employee Payroll	\$ 1,043,196
Net Pension Liability as a Percentage of covered Employee Payroll	718.94%



## SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

(Dollar Amounts in Thousands)

	09/30/2013
Actuarially Determined Contribution	778,224
Contributions in Relation to the	
Actuarially Determined Contributions	778,224
Contribution Deficiency (Excess)	\$ -
Covered Employee Payroll	\$ 1,043,196
Contributions as a Percentage of	
Covered Employee Payroll	74.60%

Notes to Schedule

Valuation Date: 10/01/2011 revised 10/10/2012

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 Actuarial Cost Method.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	30 Years.
Actuarial Asset Method:	4 Year Smooth (Market)
Inflation:	3.00%
Salary Increases:	7.00% per year until the assumed retirement age.
Interest Rate:	7.75% per year compounded annually, net of investment related expenses.
Normal Retirement:	Age 55 and 10 years of Credited Service, or age 52 and 25 years of Credited Service. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	Commencing with the earliest Early Retirement Age (50), Members are assumed to retire with an immediate subsidized benefit at the rate of 2.00% per year.
Disability Rate:	See table on following page.
Termination Rate:	See table on following page.
Payroll Increase:	3.50% per year.
Mortality:	RP-2000 Mortality Table (Combined Healthy) with no projection.
Other Information:	

Age	% Becoming Disabled During the Year	% Terminating During the Year
20	0.03%	9.30%
30	0.04%	7.90%
40	0.07%	4.30%
50	0.18%	1.10%

## SCHEDULE OF INVESTMENT RETURNS

	<u>09/30/2013</u>
Annual Money-Weighted Rate of Return	
Net of Investment Expense	10.45%