

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS'
RETIREMENT TRUST FUND**

FINANCIAL STATEMENTS
September 30, 2015 and 2014

DAVIDSON, JAMIESON & CRISTINI, P.L.
Certified Public Accountants

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

September 30, 2015 and 2014

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
 <u>FINANCIAL STATEMENTS</u>	
STATEMENTS OF FIDUCIARY NET POSITION	3
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION	4
NOTES TO FINANCIAL STATEMENTS	5
 <u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
SCHEDULE OF CHANGES IN NET PENSION LIABILITY	25
SCHEDULE OF RATIOS	26
SCHEDULE OF CONTRIBUTIONS	27
SCHEDULE OF INVESTMENT RETURN	28
NOTES TO SCHEDULES	29
 <u>ADDITIONAL INFORMATION</u>	
SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES	30

.Davidson, Jamieson & Cristini, P.L.
Certified Public Accountants

1956 Bayshore Boulevard
Dunedin, Florida 34698-2503
(727)734-5437 or 736-0771
FAX (727) 733-3487

Members of the Firm
John N. Davidson, CPA, CVA
Harry B. Jamieson, CPA
Richard A. Cristini, CPA, CPPT, CGFM
Jeanine L. Bittinger, CPA, CPPT

Member
American Institute of
Certified Public Accountants
Florida Institute of
Certified Public Accountants

The Board of Trustees
City of Port St. Lucie Municipal
Police Officers' Retirement Trust Fund
Port St. Lucie, Florida

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of City of Port St. Lucie Municipal Police Officers' Retirement Trust (Fund), which comprise the statements of fiduciary net position as of September 30, 2015 and 2014, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Plan's Board of Trustees 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain 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 Plan'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 Plan'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.

The Board of Trustees
City of Port St. Lucie Municipal
Police Officers' Retirement Trust Fund
Port St. Lucie, Florida

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 fiduciary net position of the City of Port St. Lucie Municipal Police Officers' Retirement Trust Fund as of September 30, 2015 and 2014, and the change in fiduciary net position for the years the ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying required supplementary information on pages 25 through 29 of the City of Port St. Lucie Municipal Police Officers' Retirement Trust Fund is required by Governmental Accounting Standards Board Statement No. 67 and is not a required part of the basic financial statements. The additional information on page 30 is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the above information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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.

Davidson, Jamieson & Crestini, P.L.

December 24, 2015

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

STATEMENTS OF FIDUCIARY NET POSITION
September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Receivables:		
Interest	\$ 126,173	\$ 95,453
Dividends	62,340	50,146
Employer	528	254,412
Broker-dealers	<u>56,912</u>	<u>-</u>
Total Receivables	245,953	400,011
Prepaid expenses	7,888	6,836
Investments at fair value:		
U.S. Government obligations	3,222,341	236,649
U.S. Government agencies	694,399	4,538,808
Municipal obligations	733,190	787,688
Corporate obligations	11,194,130	9,372,199
Domestic fixed investment fund	1,347,258	1,510,444
Foreign fixed investment fund	1,305,896	1,518,377
Domestic equity investment funds	18,203,432	17,844,932
Domestic stocks	16,428,819	16,394,036
Foreign equity investment fund	9,758,268	9,986,429
Real estate investment funds	5,665,041	1,656,439
Temporary investment funds	<u>3,080,020</u>	<u>3,446,023</u>
Total investments	<u>71,632,794</u>	<u>67,292,024</u>
Total assets	71,886,635	67,698,871
<u>Liabilities</u>		
Accounts payable	105,798	44,674
Accounts payable, broker-dealers	<u>1,392,499</u>	<u>-</u>
Total liabilities	<u>1,498,297</u>	<u>44,674</u>
Net position restricted for pensions	<u>\$ 70,388,338</u>	<u>\$ 67,654,197</u>

See Notes to Financial Statements.

CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

Years ended September 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Additions:		
Contributions:		
Plan members	\$ 1,407,055	\$ 1,407,206
Plan members, buy-back	20,069	4,436,554
Employer	<u>3,291,256</u>	<u>3,226,099</u>
Total contributions	4,718,380	9,069,859
Intergovernmental revenue:		
Florida State excise tax rebate	1,082,037	1,026,902
Investment income:		
Net appreciation (depreciation) in fair value of investments	(2,659,208)	4,098,241
Interest	578,458	394,852
Dividends	1,976,948	609,032
Buy-back fees	200	1,000
Class action revenue	3,377	2,620
Other	<u>130</u>	<u>-</u>
Total investment income (loss)	(100,095)	5,105,745
Less investment expenses	<u>208,354</u>	<u>197,598</u>
Net investment income (loss)	<u>(308,449)</u>	<u>4,908,147</u>
Total additions	5,491,968	15,004,908
Deductions:		
Benefits:		
Age and service	1,769,986	1,564,311
Disability	126,517	126,517
DROP payment	644,663	256,179
Refunds of contributions	31,206	518,101
Administrative expenses	<u>185,455</u>	<u>147,333</u>
Total deductions	<u>2,757,827</u>	<u>2,612,441</u>
Net increase in net position	2,734,141	12,392,467
Net position restricted for pensions:		
Beginning of year	<u>67,654,197</u>	<u>55,261,730</u>
End of year	<u>\$ 70,388,338</u>	<u>\$ 67,654,197</u>

See Notes to Financial Statements.

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

1. Description of Plan

The following brief description of the City of Port St. Lucie Municipal Police Officers' Retirement Trust Fund (Plan) is provided for general information purposes only. Participants should refer to the Plan Ordinance for more complete information.

The plan is a defined benefit pension plan covering participating full-time sworn police officers of the City of Port St. Lucie, Florida (City).

At September 30, 2015, the Plan's membership consisted of:

Retirees and beneficiaries:	
Currently receiving benefits	48
DROP Retirees	15
Terminated employees entitled to benefits but not yet receiving them	<u>24</u>
Total	<u>87</u>
Current employees:	
Vested	151
Nonvested	<u>69</u>
Total	<u>220</u>

At September 30, 2015, the date of the most recent actuarial valuation, there were 60 retirees and beneficiaries receiving benefits.

General - The Plan is a defined benefit pension plan covering all sworn police officers of the City. Police officers hired by the city after December 31, 1999 shall become participants of the fund effective on their employment date. Police officers hired following the effective date of the Plan but prior to January 1, 2000 had the irrevocable option to withdraw from the Plan up to the first anniversary of their employment date. Police officers electing to irrevocably withdraw from the Plan during the thirty (30) day window period of December 31, 1992 through January 30, 1993 shall not receive credit, for benefit purposes, for prior membership in the Plan. However, the Chief of Police shall have an option not to participate

CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

1. Description of Plan (Continued)

in the Plan, provided that such option shall be a one time irrevocable election, made in writing to the board of trustees of the Plan, within one hundred twenty (120) days of accepting the position of chief of police. Failure to make such written election shall be interpreted to be an election to participate in the Plan.

Originally established in 1982 and substantially amended in 1999, 2002, 2004, 2005, 2007 and 2013, the Plan provides for pension, death and disability benefits. The Plan is subject to provisions of Chapter 185 of the State of Florida Statutes.

The Plan, in accordance with the above statute, is governed by a five member pension board. Two police officers, two city residents and a fifth member elected by the other four members constitute the pension board. The City and the Plan participants are obligated to fund all Plan costs based upon actuarial valuations. The City is authorized to establish benefit levels and the Board of Trustees approves the actuarial assumptions used in the determination of contribution levels.

Pension Benefits - The pension plan provides retirement, death and disability benefits for its participants. A participant may retire with normal benefits after reaching age 55 and accumulating 10 or more years of credited service or age 52 and 25 or more years of credited service. Normal retirement benefits are based on 3.09% of the participant's final average salary times the number of his or her credited service years rendered up to a maximum of 100% final average salary. The final average salary for purposes of calculating benefits is the participant's average salary during the highest 5 years of a participant's last 10 years of employment. Salary includes lump sum payments for accumulated leave.

A participant with 5 or more years of credited service is eligible for deferred retirement. These benefits begin upon application on or after reaching age 50 and are computed the same as normal retirement, based upon the participant's final average salary and credited service at the date of termination. Benefits are reduced 3% per year.

Deferred Retirement Option Plan - Any Plan participant who is eligible to receive a normal retirement pension may elect to participate in a deferred retirement option plan (DROP) while continuing his or her active employment as a police officer. Upon participation in the DROP, the participant becomes a retiree for all Plan purposes so that he or she ceases to accrue any further benefits under the pension plan. Normal retirement payments that would have been payable to the participant as a result of retirement are accumulated and invested in the DROP to be distributed to the participant upon his or her termination of employment. Participation in the DROP ceases for a Plan participant after the earlier of 5 years or termination of employment.

CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

2. Description of Plan (Continued)

Deferred Retirement Option Plan (Continued) -

Satisfaction of Normal Retirement requirements - At the Member's election either:

- a) 6.5% effective annual interest, compounded monthly, or
 - b) Net investment return of the fund credited each fiscal quarter.
- Members may change election one time during DROP participation.
The DROP balance as of September 30, 2015 is \$1,579,924.

Upon termination of participation in the DROP all monthly benefits and investment earnings and losses or interest shall cease to be transferred to the participant's DROP account. Any amounts remaining in the participant's DROP account shall be paid to the participant upon termination of employment as a police officer.

Death Benefits - For any deceased employee who had been an actively employed participant eligible for early, normal or delayed retirement, the benefit payable shall be at least equal to the annuity of ten years calculated as of the date of death to the employee's designated beneficiary. Non-vested death benefits are based on the participant's accumulated contributions.

Disability Benefits - Disability benefits for service related disabilities are covered from the date of employment and are paid to a participant for life. Disability payments are based on the benefit amount accrued at the date of the disability but not less than 42% of average final compensation.

Disability benefits for non-service related disabilities are paid to a participant for life. Benefits are calculated as the accrued normal retirement amount if the disability occurs after normal retirement eligibility. If the disability occurs before normal retirement eligibility and the participant has completed ten or more years of credited service, the disability benefit is computed as the normal retirement benefit with a minimum of 25% of the participant's average final salary.

Refund of Participant Contributions - A participant who terminates his or her employment with the Police Department, either voluntarily or by discharge, and is not eligible for any other benefits under this fund, shall be entitled to the following:

- 1. If a participant has less than five years of credited service upon termination, the participant shall be entitled to a refund of his or her contributions without interest.

CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

1. Description of Plan (Continued)

2. If a participant has five or more years of credited service upon termination, the participant shall be entitled to either:
 1. A refund of his or her contributions to the Plan plus amounts contributed on behalf of the city effective October 1, 1991, at the rate of six (6%) percent of salary and effective May 5, 2005 at the rate of ten and one-half percent of salary; or
 2. A deferred monthly benefit computed as for normal retirement, which is payable at the otherwise normal retirement date or, on a reduced basis, at the otherwise early retirement date.

2. Summary of Significant Accounting Policies

Basis of Accounting - Basis of accounting is the method by which revenues and expenses are recognized in the accounts and are reported in the financial statements. The accrual basis of accounting is used for the Plan. Under the accrual basis of accounting, revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. Plan member contributions are recognized in the period in which the contributions are due. City contributions to the plan as calculated by the Plan's actuary, are recognized as revenue when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Basis of Presentation - The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement 67, *Financial Reporting for Defined Benefit Pension Plans* and the Codification of Governmental Accounting and Financial Reporting Standards which covers the reporting requirements for defined benefit pensions established by a governmental employer. The accompanying financial statements include solely the accounts of the Plan which include all programs, activities and functions relating to the accumulation and investment of the assets and related income necessary to provide the service, disability and death benefits required under the terms of the Plan and the amendments thereto.

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

2. Summary of Significant Accounting Policies (Continued)

Valuation of Investments - Investments in common stock and bonds traded on a national securities exchange are valued at the last reported sales price on the last business day of the year; securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the mean between the past reported bid and asked prices; investments in securities not having an established market value are valued at fair value as determined by the Board of Trustees. The fair value of an investment is the amount that the Plan could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale. Purchases and sales of investments are recorded on a trade date basis.

Investment income is recognized on the accrual basis as earned. Unrealized appreciation in fair value of investments includes the difference between cost and fair value of investments held. The net realized and unrealized investment appreciation or depreciation for the year is reflected in the Statement of Fiduciary Net Position.

Custody of Assets - Custodial and investment services are provided to the Plan under contract with a national trust company having trust powers in the State of Florida. The Plan's investment policies are governed by Florida State Statutes and ordinances of the City of Port St. Lucie, Florida.

Authorized Plan Investments - The Board recognizes that the obligations of the Plan are long-term and that its investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return defined as interest and dividend income plus realized and unrealized capital gains or losses commensurate with the prudent investor rule and Chapter 185 of the Florida Statutes.

Permissible investments include obligations of the U.S. Treasury and U.S. agencies, high capitalization common or preferred stocks, pooled equity funds, high quality bonds or notes and fixed income funds. In addition, the Board requires that Plan assets be invested with no more than 70% in stocks and convertible securities measured at cost.

CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

2. Summary of Significant Accounting Policies (Continued)

In addition, the Plan limits investment in common stock (equity investments) as follows:

- a. No more than five percent of the Plan's assets may be invested in the common or capital stock of any single corporation.
- b. The Plan's investment in the common stock of any single corporation shall not exceed five percent of such corporation's outstanding common or capital stock.

Actuarial Cost Method - The Plan has elected the Entry Age Normal Cost Method for funding purposes. This method provides for the systematic funding of the Plan's normal cost and its unfunded accrued (past service) liability.

Equipment - Equipment is recorded at cost, depreciation is recorded on the straight-line method over an eight year estimated useful life.

Federal Income Taxes - The Plan has not applied for a favorable determination letter from the Internal Revenue Service indicating that the Plan is qualified and exempt from Federal income taxes. The Board believes that the Plan is designed and continues to operate in compliance with the applicable requirements of the Internal Revenue Code.

Reporting Entity - The financial statements presented are only for the Plan and are not intended to present the basic financial statements of the City of Port St. Lucie, Florida.

The Plan is included in the City's Comprehensive Annual Financial Report (CAFR) for the years ended September 30, 2015 and 2014, which are separately issued documents. Anyone wishing further information about the City is referred to the City's CAFR.

The Plan is a pension trust fund (fiduciary fund type) of the City which accounts for the single employer defined benefit pension plan for all city police officers. The provisions of the Plan provide for retirement, disability, and survivor benefits.

Funding Policy - Participants are required to contribute 9.00% of their annual earnings to the Plan after August 1, 2002 and 6.00% of their annual salary prior to August 1, 2002. Prior to December, 1992, contributions to the Plan were made on an after-tax basis. Subsequent to this date, contributions are made on a pre-tax basis pursuant to an amendment to the Plan. These contributions are designated as employee contributions under Section 414(h)(2) of the Internal Revenue Code.

CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

2. Summary of Significant Accounting Policies (Continued)

During 2013 the definition of salary was changed to limit overtime to 300 hours per calendar year, in addition to a limitation on lump sum payments of sick and annual leave time to amounts in place on May 1, 2013, for participants hired prior to May 1, 2013. For participants hired after April 30, 2013, overtime is limited to 275 hours per calendar year and no lump sum payments of unused sick and annual leave are includible in the Plan definition of Salary.

The Plan also provides for the purchase of credited service for military service prior to employment by the City.

The City's funding policy is to make actuarially computed monthly contributions to the Plan in amounts, such that when combined with participants' contributions and the State insurance excise tax rebate, all participants' benefits will be fully provided for by the time that they retire.

The City's actuarially determined contribution rate for the year ended September 30, 2015 was 23.00%. The City's actuarially determined contribution rate for the year ended September 30, 2014 was 22.00%. These rates consists of 22.00% and 20.00% of member salaries to pay normal costs plus 1.00% and 2.00% to amortize the unfunded actuarially accrued liability pursuant to the September 30, 2015 and 2014 actuarial valuations.

The actuarial valuation as of September 30, 2010 changed the Plan's assumed mortality rate from the 1983 Group Annuity Mortality Table to the RP2000 Combined Healthy Mortality Table.

Administrative Costs - All administrative costs of the Plan are financed through investment earnings. The Plan has no undue investment concentrations.

Cash - The Plan considers money market and demand account bank and broker-dealer deposits as cash. Temporary investments, shown on the balance sheet are composed of investments in short-term custodial proprietary money market funds.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

2. **Summary of Significant Accounting Policies (Continued)**

New Accounting Pronouncement - Governmental Accounting Standards Board (GASB) 67, Financial Reporting for Pension Plans and GASB 68, *Accounting & Financial Reporting for Pensions (Employer)*, address accounting and financial reporting requirements for pension plan activities. The City of Port St. Lucie Municipal Police Officers' Retirement Trust Fund (Plan) is a single employer pension plan as defined by GASB 67. The requirements for GASB 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

It is important to note that the disclosures related to GASB 67 are accounting measurements, not actuarial measurements of the funded status of the plan, and are not used to develop employer contribution rates.

Subsequent Events - Management has adopted the provisions set forth in GASB Statement No. 56, *Subsequent Events*, and considered subsequent events through the date of the audit report which is the date that the financial statements were available to be issued.

3. **Deposits and Investments**

Deposits

Salem Trust Company (Salem) periodically holds uninvested cash in its respective capacity as custodian for the Plan. These funds exist temporarily as cash in the process of collection from the sale of securities.

Investments

Investments that are not evidenced by securities that exist in physical or book-entry form include investments in open-ended mutual funds.

The Plan's investments in securities and investment funds are segregated into separate accounts and managed under investment agreements with The Highland Capital Management, LLC (Highland). These accounts give Salem Trust Company (Salem) the custodianship, but gives Highland and the Board of Trustees the authority to manage the investments. Investment management fees are calculated quarterly as a percentage of the fair market value of the Plan's assets managed.

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

3. Deposits and Investments (Continued)

The Plan maintained an investment in SPDR S&P 500 ETF Trust (SPDR 500 Trust) an exchange traded fund during the fiscal year ended September 30, 2015.

The exchange traded fund (commonly referred to as "ETF"). ETFs are funds that trade like other publicly-traded securities and are designed to track an index. Similar to shares of an index mutual fund, each share of the Fund represents a partial ownership in an underlying portfolio of securities intended to track a market index. Unlike shares of a mutual fund, which can be bought and redeemed from the issuing fund by all shareholders at a price based on NAV, only authorized participants may purchase or redeem shares directly from the Fund at NAV. Also, unlike shares of a mutual fund, the shares of the Fund are listed on a national securities exchange and trade in the secondary market at market prices that change throughout the day.

The Fund invests in a particular segment of the securities market and seeks to track the performance of a securities index that generally is not representative of the market as a whole. The Fund is designed to be used as part of broader asset allocation strategies. Accordingly, an investment in the Fund should not constitute a complete investment program.

Including the investments in the Pimco Diversified Income Fund, Templeton Global Bond Fund, Vanguard Mid Cap 400 Index Fund, Vanguard Developed Market Index Fund, the SPDR 500 Trust Fund, and the American Core Realty and the ASB Allegiance Funds, the Plan's investments are uninsured and unregistered and are held in the custodian's or the Bank's accounts in the Plan's name. These investments are considered open ended mutual fund (regulated investment funds).

The Plan carried no security investments that individually represented 5% or more of the Plan's net assets available for benefits as of September 30, 2015.

The Plan has no instrument that, in whole or in part, is accounted for as a derivative instrument under GASB statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* during the current Plan year.

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

3. Deposits and Investments (Continued)

The Plan held the following fixed income investments as of September 30, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u> Standard & Poor's	<u>Effective</u> Duration (Years)
U.S. Government obligations	\$ 3,222,341	AA	7.80
U.S. Government agencies	694,399	AA	4.80
Municipal obligations	733,190	AA-AAA	5.10
Corporate obligations	11,194,130	BBB-AA	9.30
Temporary investment funds	<u>3,080,020</u>	N/A	Daily
	<u>\$ 18,924,080</u>		

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. Through its investment policies the Plan manages its exposure to fair value losses rising from increasing interest rates. The Plan's effective duration of its investment portfolio should be within 50% and 150% of the Merrill Lynch Government/Corporate Bond Index bench mark.

Credit Risk - Credit risk is the risk that a debt issuer will not fulfill its obligations. Consistent with state law the Plan's investment guidelines limit its fixed income investments to a quality rating of "A" or equivalent as rated by Moody's or by Standard & Poor's bond rating services at the time of purchase. Fixed income investments which are downgraded below the minimum rating shall be liquidated at the earliest beneficial opportunity.

CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

3. Deposits and Investments (Continued)

Custodial Credit Risk - Custodial credit risk is defined as the risk that the Plan may not recover cash and investments held by another party in the event of a financial failure. The Plan requires all securities to be held by a third party custodian in the name of the Plan. Securities transactions between a broker-dealer and the custodian involving the purchase or sale of securities must be made on a "delivery vs. payment" basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. The investments in mutual funds are considered *unclassified* pursuant to the custodial credit risk categories of GASB Statement No. 3, because they are not evidenced by securities that exist in physical or book-entry form.

Investing in Foreign Markets - Investing in foreign markets may involve special risks and considerations not typically associated with investing in companies in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social, and economic developments. Moreover, securities of foreign governments may be less liquid, subject to delayed settlements, taxation on realized or unrealized gains, and their prices are more volatile than those of comparable securities in U.S. companies.

Foreign Tax Withholdings and Reclaims - Withholding taxes on dividends from foreign securities are provided for based on rates established via treaty between the United States of America and the applicable foreign jurisdiction, or where no treaty exists at the prevailing rate established by the foreign country. Foreign tax withholdings are reflected as a reduction of dividend income in the statement of operations. Where treaties allow for a reclaim of taxes, the Fund will make a formal application for refund. Such reclaims are included as an addition to dividend income.

Investing in Real Estate - The Plan is subject to the risks inherent in the ownership and operation of real estate. These risks include, among others, those normally associated with changes in the general economic climate, trends in the industry including creditworthiness of tenants, competition for tenants, changes in tax laws, interest rate levels, the availability of financing and potential liability under environmental and other laws.

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

3. Deposits and Investments (Continued)

Investment Asset Allocation - The Plan's adopted asset allocation policy as of September 30, 2015 is as follows:

Asset Class	Target Allocation
All Cap Value Equity	25 %
Broad Growth Equity	25
International Equity	15
Investment Grade Bonds	15
Global Fixed Income	5
Real Estate	10
Tips	5
Total	100 %

Rate of Return - For the year ended September 30, 2015 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -.44 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

4. Net Increase (Decrease) in Realized and
Unrealized Appreciation (Depreciation) of Investments

The Plan's investments appreciated (depreciated) in value during the years ended September 30, 2015 and 2014 as follows:

	2015			2014		
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
Investments at fair value as determined by quoted value price:						
U.S. Government obligations	\$ (25,408)	\$ 8,203	\$ (17,205)	\$ 16,312	\$ (2,446)	\$ 13,866
U.S. Government agencies	(7,370)	28,217	20,847	(8,975)	7,906	(1,069)
Municipal obligations	515	4,603	5,118	10,867	29,207	40,074
Corporate obligations	28,831	(79,175)	(50,344)	36,459	71,236	107,695
Domestic fixed investment fund	(140,983)	(163,185)	(304,168)	-	10,444	10,444
Foreign fixed investment fund	-	(212,481)	(212,481)	-	18,377	18,377
Domestic equity investment funds	97,321	(598,265)	(500,944)	499,100	938,355	1,437,455
Domestic stocks	1,973,356	(1,207,267)	766,089	3,636,759	(568,363)	3,068,396
Real estate investment funds	-	414,447	414,447	-	27,826	27,826
Foreign equity investment fund	<u>(1,754,977)</u>	<u>(1,025,590)</u>	<u>(2,780,567)</u>	<u>-</u>	<u>(624,823)</u>	<u>(624,823)</u>
Net increase (decrease) in realized and unrealized appreciation (depreciation) of investments	<u>\$ 171,285</u>	<u>\$ (2,830,493)</u>	<u>\$ (2,659,208)</u>	<u>\$ 4,190,522</u>	<u>\$ (92,281)</u>	<u>\$ 4,098,241</u>

The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments.

Unrealized gains and losses on investments sold in 2015 that had been held for more than one year were included in net appreciation (depreciation) reported in the prior year.

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

5. Investments

The Plan's investments at both carrying value and cost or adjusted cost as of September 30, 2015 and 2014 are summarized as follows:

Investment	2015		2014	
	Cost	Fair Value	Cost	Fair Value
U.S. Government obligation	\$ 3,237,462	\$ 3,222,341	\$ 234,191	\$ 236,649
U.S. Government agencies	668,506	694,399	4,566,914	4,538,808
Municipal obligations	671,816	733,190	730,916	787,688
Corporate obligations	11,270,032	11,194,130	9,368,926	9,372,199
Domestic fixed investment fund	1,500,000	1,347,258	1,500,000	1,510,444
Domestic equity investment funds	16,365,595	18,203,432	15,267,848	17,844,932
Domestic stocks	15,146,480	16,428,819	13,905,430	16,394,036
Foreign equity investment fund	10,783,858	9,758,268	9,627,211	9,986,429
Foreign fixed investment fund	1,500,000	1,305,896	1,500,000	1,518,377
Real estate investment funds	5,222,768	5,665,041	1,628,613	1,656,439
Temporary investment funds	3,080,020	3,080,020	3,446,023	3,446,023
Total	<u>\$ 69,446,537</u>	<u>\$ 71,632,794</u>	<u>\$ 61,776,072</u>	<u>\$ 67,292,024</u>

6. Designations

A portion of the plan's net assets are designated for benefits that accrue in relation to the DROP account as further described in Note 1. Allocations to the DROP plan account for the years ended September 30, 2015 and 2014 are presented below as determined in the actuary's most recent accounting and valuation available for the fiscal years ended September 30, 2015 and 2014:

	2015	2014
Designated for DROP accounts (fully funded)	<u>\$ 1,823,127</u>	<u>\$ 1,579,924</u>
Total designated fiduciary net position	1,823,127	1,579,924
Undesignated fiduciary net position	<u>68,565,211</u>	<u>66,074,273</u>
Total fiduciary net position	<u>\$ 70,388,338</u>	<u>\$ 67,654,197</u>

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

7. Plan Amendments

The Plan was not amended during the fiscal years ended September 30, 2015 and 2014.

8. Mortgage-Backed Securities

The Plan invests in mortgage-backed securities representing interests in pools of mortgage loans as part of its interest rate risk management strategy. The mortgage-backed securities are not used to leverage investments in fixed income portfolios. The mortgage-backed securities held by the Plan were guaranteed by federally sponsored agencies such as: Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation.

All of the Plan's financial investments are carried at fair value on the Statements of Fiduciary Net Position included in investments. The gain or loss on financial instruments is recognized and recorded on the Statements of Changes in Fiduciary Net Position as part of investment income.

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

9. Plan Termination

Although it has not expressed an intention to do so, the City may terminate the Plan at any time by a written ordinance of the City Council of Port St. Lucie, duly certified by an official of the City. In the event that the Plan is terminated or contributions to the Plan are permanently discontinued, the benefits of each police officer in the Plan at such termination date would be non-forfeitable.

10. Commitments and Contingencies

As described in Note 1, certain members of the Plan are entitled to refunds of their accumulated contributions, without interest, upon termination of employment with the City prior to being eligible for pension benefits. At September 30, 2015 and 2014, aggregate contributions from active members of the Plan were approximately \$11,385,000 and \$9,978,000, respectively. The portion of these contributions which are refundable to participants who may terminate with less than five years of service has not been determined.

11. Risk and Uncertainties

The Plan invests in a variety of investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of fiduciary net position available for benefits.

CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

12. Changes to Actuarial Assumptions

The following actuarial assumptions were changed for the October 1, 2015 valuation.

Since the 2014 valuation the Board adopted a change in the investment return assumption from 8.00% to 7.75% net of investment related expenses. Additionally, the payroll growth assumption was lowered from 5.00% to 4.97% per year to comply with Florida Statutes.

13. Net Pension Liability of the City

The components of net position liability of the City of Port St. Lucie (City) as of September 30, 2015 were as follows:

Total Pension Liability	\$ 90,805,548
Plan Fiduciary Net Position	<u>70,388,338</u>
City's Net Pension Liability	<u><u>\$ 20,417,210</u></u>
Plan Fiduciary Net Position as a percentage of total pension liability	<u><u>77.52%</u></u>

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

13. Net Pension Liability of the City (Continued)

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions:

Inflation	3.00%
Salary increases	5.50% - 8.00%
Investment rate of return	7.75%
Discount rate	7.75%

Mortality rates were based on the RP-2000 Table with no projection based on a studies of municipal public safety (Police Officer) funds. We feel this assumption sufficiently accommodates future mortality improvements.

Disabled lives are set forward 5 years.

The actuarial assumptions used in the October 1, 2014 valuation were based on the results of an actuarial experience study for the period 1997-2010.

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

14. Net Pension Liability of the City (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

Target Allocation	Asset Class	Long-Term Expected Real Rate of Return
25 %	All Cap Value Equity	6.0 %
25	Broad Growth Equity	6.0
15	International Equity	5.8
15	Investment Grade Bonds	1.9
5	Global Fixed Income	2.7
5	TIPS	2.0
10	Real Estate	3.6
Total <u><u>100</u></u> %		

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.

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2015 and 2014

14. Net Pension Liability of the City (Continued)

Sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability calculated using a single discount rate of 7.75%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate.

**Sensitivity of the Net Pension Liability
to the Single Discount Rate Assumption**

	1% Decrease 6.75%	Current Single Discount Rate Assumption 7.75%	1% Increase 8.75%
	<u> </u>	<u> </u>	<u> </u>
City's net pension liability	\$ <u>31,698,100</u>	\$ <u>20,417,210</u>	\$ <u>10,752,656</u>

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY

Last Three Fiscal Years

	<u>September 30,</u> <u>2015</u>	<u>September 30,</u> <u>2014</u>	<u>September 30,</u> <u>2013</u>
Total pension liability:			
Service Cost	\$ 3,098,598	\$ 2,960,477	\$ 2,741,182
Interest	6,561,818	5,704,171	5,237,834
Changes in excess state money	364,937	309,802	-
Change of benefit terms	-	-	-
Difference between expected and actual experience	(572,414)	-	-
Changes of Assumptions	2,550,583	-	-
Member buyback	20,069	4,436,554	-
Benefit payments, including refunds of employee contributions	<u>(2,572,372)</u>	<u>(2,465,108)</u>	<u>(2,273,086)</u>
Net change in total pension liability	9,451,219	10,945,896	5,705,930
Total pension liability - beginning	<u>81,354,329</u>	<u>70,408,433</u>	<u>64,702,503</u>
Total pension liability - ending (a)	<u>\$ 90,805,548</u>	<u>\$ 81,354,329</u>	<u>\$ 70,408,433</u>
Plan fiduciary net position:			
Contributions - employer	\$ 3,291,256	\$ 3,226,099	\$ 3,085,933
Contributions - State	1,082,037	1,026,902	972,481
Contributions - employees	1,407,055	1,407,206	1,239,292
Contributions - buyback	20,069	4,436,554	-
Net investment income (loss)	(308,449)	4,908,147	6,535,806
Benefit payments, including refunds of employee contributions	(2,572,372)	(2,465,108)	(2,273,086)
Administrative expense	(185,455)	(147,333)	(109,361)
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	2,734,141	12,392,467	9,451,065
Plan fiduciary net position - beginning	<u>67,654,197</u>	<u>55,261,730</u>	<u>45,810,665</u>
Plan fiduciary net position - ending (b)	<u>\$ 70,388,338</u>	<u>\$ 67,654,197</u>	<u>\$ 55,261,730</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 20,417,210</u>	<u>\$ 13,700,132</u>	<u>\$ 15,146,703</u>

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

SCHEDULE OF RATIOS

Last Three Fiscal Years

	September 30, <u>2015</u>	September 30, <u>2014</u>	September 30, <u>2013</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>77.52%</u>	<u>83.15%</u>	<u>78.49%</u>
Covered employee payroll*	\$ <u>16,788,921</u>	\$ <u>15,644,844</u>	<u>13,765,522</u>
Net pension liability as a percentage of covered employee payroll	<u>121.61%</u>	<u>87.57%</u>	<u>110.03%</u>

Notes to Schedule of Ratios:

Change of assumptions:

For fiscal year 2015, amounts reported as changes of assumptions were resulted from lowering the investment rate of return from 8.00% to 7.75%.

**The reported Covered Employee Payroll figures for 2013 and 2014 were based on Pensionable Salary.*

SCHEDULE OF CONTRIBUTIONS

Last Three Fiscal Years

Actuarially determined contribution	\$ 4,007,828	\$ 3,944,168	\$ 3,802,380
Contributions in relation to the actuarially determined contributions	<u>4,007,828</u>	<u>3,944,168</u>	<u>3,802,380</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	<u>-</u>
Covered employee payroll	\$ <u>16,788,921</u>	\$ <u>15,644,844</u>	<u>13,765,522</u>
Contribution as a percentage of covered payroll	<u>23.87%</u>	<u>25.21%</u>	<u>27.62%</u>

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

**SCHEDULE OF INVESTMENT RETURNS
Last Three Fiscal Years**

	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Annual money-weighted rate of return net of investment expense	<u>-0.44%</u>	<u>8.27%</u>	<u>14.40%</u>

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

NOTES TO SCHEDULES

Valuation Date: 10/1/2013

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:

Funding method: Entry age normal actuarial cost method.
The following loads are applied for determination of the City's funding requirements:
Interest - A half year, based on the current 7.75% assumption.
Salary - A full year, based on the current average assumption of 6.7%.

Amortization method: Level percentage of pay, closed.

Remaining amortization period: 29 Years (as of 10/01/2013).

Asset valuation: Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric 4-year average market value return. It is possible that over time this technique will produce an insignificant bias above or below market value.

Inflation: 3.0% per year

Salary increases:

<u>Years of Service</u>	<u>Increase in Compensation</u>
Less than 5	8.0%
5 - 10	7.0%
10 - 15	6.5%
15 - 20	6.0%
More than 20	5.5%

Final salary Load:

<u>Credited Service on 10/01/2012</u>	<u>Load Assumption</u>
10 or more years	20.0%
Between 5 and 10 years	15.0%
Less than 5 years	0.0%

A flat 20% load was used for valuations prior to October 1, 2013.

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

Payroll increases: 5% per year.

Retirement age:

<u>Number of Years after First Eligibility for Normal Retirement</u>	<u>Probability of Retirement</u>
0 - 4	40.0%
5 or more	100.0%

Commencing with a members' eligibility for early retirement (Age 50 with 10 years of service); members are assumed to retire with an immediate subsidized benefit at the rate of 5.0% per year.

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

NOTES TO SCHEDULES

Termination rates: See table below.
 Disability rates: See table below. It is assumed that 75% of disabilities and active member deaths are service related.
 Mortality: RP-2000 Table with no projection - Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.
 (Disabled lives set forward 5 years.)
 Other information: Termination and disability rate table.

<u>Age</u>	<u>Percentage Terminating During the Year</u>	<u>Percentage Becoming Disabled During the Year</u>
20	12.0%	0.03%
30	10.0%	0.04%
40	5.2%	0.07%
50	1.6%	0.18%

ADDITIONAL INFORMATION

**CITY OF PORT ST. LUCIE
MUNICIPAL POLICE OFFICERS' RETIREMENT TRUST FUND**

SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES
Years ended September 30, 2015 and 2014

	2015		2014	
	Expenses		Expenses	
	<u>Investment</u>	<u>Administrative</u>	<u>Investment</u>	<u>Administrative</u>
Accounting fees	\$ -	\$ 10,300	\$ -	\$ 13,100
Actuary fees	-	40,579	-	24,208
Administration	-	54,000	-	46,725
Audit fees	-	12,500	-	8,000
Custodial fees	22,435	-	29,410	-
Dues	-	600	-	600
Fiduciary insurance	-	6,836	-	2,856
Investment management fees:				
Highland Capital				
Management, LLC	127,420	-	136,258	-
ASB Capital Management	26,330	-	-	-
Legal fees	-	14,998	-	22,131
IME Medical fees	-	12,622	-	2,004
Office expense	-	4,143	-	5,329
Performance monitor:				
Bogdahn	32,169	-	31,930	-
Seminars and travel	-	28,877	-	22,380
Total investment and administrative expenses	<u>\$ 208,354</u>	<u>\$ 185,455</u>	<u>\$ 197,598</u>	<u>\$ 147,333</u>
Percentage of plan net position	<u>0.29%</u>	<u>0.26%</u>	<u>0.29%</u>	<u>0.22%</u>