

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

FINANCIAL STATEMENTS
September 30, 2016 and 2015

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

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

September 30, 2016 and 2015

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.	1
 <u>FINANCIAL STATEMENTS</u>	
STATEMENTS OF FIDUCIARY NET POSITION	4
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION	5
NOTES TO FINANCIAL STATEMENTS	6
 <u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
SCHEDULE OF CHANGES IN NET PENSION LIABILITY.	30
SCHEDULE OF RATIOS	31
SCHEDULE OF CONTRIBUTIONS	32
SCHEDULE OF INVESTMENT RETURN.	32
NOTES TO SCHEDULES	33
 <u>ADDITIONAL INFORMATION</u>	
SCHEDULES OF INVESTMENT AND ADMINISTRATIVE EXPENSES.	35

.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
Karen Curran, CPA, CVA

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, 2016 and 2015, 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

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

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 fiduciary net position of the City of Port St. Lucie Municipal Police Officers' Retirement Trust Fund as of September 30, 2016 and 2015, 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 30 through 34 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 35 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.

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

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 & Cristini, P.L.

January 9, 2017

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

STATEMENTS OF FIDUCIARY NET POSITION
September 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Receivables:		
Interest	\$ 122,589	\$ 126,173
Dividends	78,107	62,340
Employer	-	528
Broker-dealers	<u>638,380</u>	<u>56,912</u>
Total Receivables	839,076	245,953
Prepaid expenses	7,999	7,888
Investments at fair value:		
U.S. Government obligations	3,110,391	3,222,341
U.S. Government agencies	1,337,017	694,399
Municipal obligations	752,720	733,190
Corporate obligations	12,242,653	11,194,130
Domestic fixed investment fund	1,412,533	1,347,258
Foreign fixed investment fund	1,276,034	1,305,896
Domestic equity investment funds	23,470,215	18,203,432
Domestic stocks	17,964,176	16,428,819
Foreign equity investment fund	10,458,581	9,758,268
Real estate investment funds	6,187,499	5,665,041
Temporary investment funds	<u>3,659,091</u>	<u>3,080,020</u>
Total investments	<u>81,870,910</u>	<u>71,632,794</u>
Total assets	82,717,985	71,886,635
<u>Liabilities</u>		
Accounts payable	64,041	105,798
Accounts payable, broker-dealers	<u>1,113,433</u>	<u>1,392,499</u>
Total liabilities	<u>1,177,474</u>	<u>1,498,297</u>
Net position restricted for pensions	<u>\$ 81,540,511</u>	<u>\$ 70,388,338</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, 2016 and 2015

	2016	2015
Additions:		
Contributions:		
Plan members	\$ 1,489,224	\$ 1,407,055
Plan members, buy-back	362,053	20,069
Employer	3,781,111	3,291,256
Total contributions	5,632,388	4,718,380
Intergovernmental revenue:		
Florida State excise tax rebate	1,247,468	1,082,037
Investment income:		
Net appreciation (depreciation) in fair value of investments	5,162,799	(2,659,208)
Interest	475,679	578,458
Dividends	1,524,365	1,976,948
Buy-back fees	1,709	200
Class action revenue	7,276	3,377
Other	190	130
Total investment income (loss)	7,172,018	(100,095)
Less investment expenses	220,246	208,354
Net investment income (loss)	6,951,772	(308,449)
Total additions	13,831,628	5,491,968
Deductions:		
Benefits:		
Age and service	1,904,526	1,769,986
Disability	120,553	126,517
DROP payment	266,465	644,663
Refunds of contributions	214,086	31,206
Administrative expenses	173,825	185,455
Total deductions	2,679,455	2,757,827
Net increase in net position	11,152,173	2,734,141
Net position restricted for pensions:		
Beginning of year	70,388,338	67,654,197
End of year	\$ 81,540,511	\$ 70,388,338

See Notes to Financial Statements.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

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, 2016, the Plan's membership consisted of:

Retirees and beneficiaries:	
Currently receiving benefits	49
Drop Retirees	17
Terminated employees entitled to benefits but not yet receiving them	24
	24
Total	90
Current employees:	
Vested	151
Nonvested	59
	59
Total	210

At September 30, 2015, the date of the most recent actuarial valuation, there were 63 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, 2016 and 2015

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 and 3.27% for all years of service for participants retiring on or after October 1, 2015. 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, 2016 and 2015

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, 2016 is \$2,747,609.

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, 2016 and 2015

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, 2016 and 2015

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. 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, 2016 and 2015

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, 2016 and 2015, 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, 2016 and 2015

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, 2016 was 22.4%. The City's actuarially determined contribution rate for the year ended September 30, 2015 was 23.00%. These rates consists of 19.7% and 22.00% of member salaries to pay normal costs plus 2.7% and 1.00% to amortize the unfunded actuarially accrued liability pursuant to the September 30, 2016 and 2015 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. In 2016 the assumed rates of mortality were changed to the mortality table used by the Florida Retirement System.

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, 2016 and 2015

2. Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements - Governmental Accounting Standards Board (GASB) 67, Financial Reporting for Pension Plans address accounting and financial reporting requirements for plan activities. The requirements for GASB 67 require changes in the notes to the financial statements. The implementation of GASB 67 did not significantly impact the accounts receivable and investment balances, as they were already accounted for in accordance with GASB 67 requirements. The Plan's implementation consist of the assumptions and actuarial calculation of plan liability and footnote disclosures.

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.

GASB statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Fair value is described as an exit price. Fair value measurements assume a transaction takes place in a government's principal market, or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value should not be adjusted for transaction costs.

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.

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

**NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015**

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.

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, 2016.

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.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

3. Deposits and Investments (Continued)

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, the WCM Focused International Growth 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, 2016.

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.

The Plan held the following fixed income investments as of September 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u> Standard & Poor's	<u>Effective</u> Duration (Years)
U.S. Government obligations	\$ 3,110,391	AA	8.10
U.S. Government agencies	1,337,017	AA	4.40
Municipal obligations	752,720	AA-AAA	5.70
Corporate obligations	12,242,653	BBB-AA	8.90
Temporary investment funds	3,659,091	N/A	Daily
	<u>\$ 21,101,872</u>		

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

3. Deposits and Investments (Continued)

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.

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.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

3. Deposits and Investments (Continued)

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.

Investment Asset Allocation - The Plan's adopted asset allocation policy as of September 30, 2016 is as follows:

Asset Class	Target Allocation
Domestic Equity	50 %
International Equity	15
Broad Market Fixed Income	35
Total	100 %

Rate of Return - For the year ended September 30, 2016 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.79 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, 2016 and 2015

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, 2016 and 2015 as follows:

	2016			2015		
	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	\$ 53,473	\$ 70,428	\$ 123,901	\$ (25,408)	\$ 8,203	\$ (17,205)
U.S. Government agencies	606	(8,219)	(7,613)	(7,370)	28,217	20,847
Municipal obligations	3,000	9,392	12,392	515	4,603	5,118
Corporate obligations	101,301	334,042	435,343	28,831	(79,175)	(50,344)
Domestic fixed investment fund	-	65,274	65,274	(140,983)	(163,185)	(304,168)
Foreign fixed investment fund	-	(29,862)	(29,862)	-	(212,481)	(212,481)
Domestic equity investment funds	12,438	2,457,061	2,469,499	97,321	(598,265)	(500,944)
Domestic stocks	1,250,813	142,087	1,392,900	1,973,356	(1,207,267)	766,089
Real estate investment funds	-	264,301	264,301	-	414,447	414,447
Foreign equity investment fund	(455,707)	892,371	436,664	(1,754,977)	(1,025,590)	(2,780,567)
Net increase (decrease) in realized and unrealized appreciation (depreciation) of investments	<u>\$ 965,924</u>	<u>\$ 4,196,875</u>	<u>\$ 5,162,799</u>	<u>\$ 171,285</u>	<u>\$ (2,830,493)</u>	<u>\$ (2,659,208)</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 2016 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, 2016 and 2015

5. Investments

The Plan's investments at both carrying value and cost or adjusted cost as of September 30, 2016 and 2015 are summarized as follows:

Investment	2016		2015	
	Cost	Fair Value	Cost	Fair Value
U.S. Government obligation	\$ 3,055,084	\$ 3,110,391	\$ 3,237,462	\$ 3,222,341
U.S. Government agencies	1,319,344	1,337,017	668,506	694,399
Municipal obligations	681,953	752,720	671,816	733,190
Corporate obligations	11,984,514	12,242,653	11,270,032	11,194,130
Domestic fixed investment fund	1,500,000	1,412,533	1,500,000	1,347,258
Domestic equity investment funds	19,175,318	23,470,215	16,365,595	18,203,432
Domestic stocks	16,539,750	17,964,176	15,146,480	16,428,819
Foreign equity investment fund	10,591,801	10,458,581	10,783,858	9,758,268
Foreign fixed investment fund	1,500,000	1,276,034	1,500,000	1,305,896
Real estate investment funds	5,480,924	6,187,499	5,222,768	5,665,041
Temporary investment funds	3,659,091	3,659,091	3,080,020	3,080,020
Total	<u>\$ 75,487,779</u>	<u>\$ 81,870,910</u>	<u>\$ 69,446,537</u>	<u>\$ 71,632,794</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, 2016 and 2015 are presented below as determined in the actuary's most recent accounting and valuation available for the fiscal years ended September 30, 2016 and 2015:

	2016	2015
Designated for DROP accounts (fully funded)	\$ 2,747,609	\$ 1,823,127
Total designated fiduciary net position	2,747,609	1,823,127
Undesignated fiduciary net position	78,792,902	68,565,211
Total fiduciary net position	<u>\$ 81,540,511</u>	<u>\$ 70,388,338</u>

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

7. Plan Amendments

The Plan was amended during the fiscal years ended September 30, 2016 as follows:

Ordinance 16-28, adopted June 13, 2016, and effective June 23, 2016, provided for an increase in the benefit accrual rate from 3.09% to 3.27% for all years of service for members retiring on and after October 1, 2015.

The Plan was not amended during the fiscal year ended September 30, 2015.

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, 2016 and 2015

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, 2016 and 2015, aggregate contributions from active members of the Plan were approximately \$12,874,000 and \$11,385,000, 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, 2016 and 2015

12. Changes to Actuarial Assumptions

The following actuarial assumptions were changed for the October 1, 2016 valuation.

To comply with Part VII of Chapter 112, Florida Statutes, the payroll growth assumption was lowered from 4.97% per year to 3.44% per year equal to the actual average increase in payroll over the past 10 years.

As mandated by Chapter 2015-157, Laws of Florida, the assumed rate of mortality were changed from the RP-2000 Combined Healthy Table to the mortality table used by the Florida Retirement System actuary. The impact of this change increased the City's obligation by approximately \$400,000.

13. Investment Measurement of Fair Value

Fair Value Hierarchy

The accounting standards break down the fair value hierarchy into three levels based on how observable the inputs are that make up the valuation. The most observable inputs are classified as Level 1 where the unobservable inputs are classified as Level 3.

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

As a general rule, any asset that has a daily closing price and is actively traded will be classified as a Level 1 input.

Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly. Inputs to the valuation methodology include: (1) quoted market prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in active markets, (3) inputs other than quoted prices that are observable for the asset or liability, and (4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

13. Investment Measurement of Fair Value (Continued)

Fair Value Hierarchy (Continued)

As a general rule, if an asset or liability does not fall into the requirements of a Level 1 or Level 3 input, it would default to Level 2. With Level 2 inputs, there is usually data that can be easily obtained to support the valuation, even though it is not as easily obtained as a Level 1 input would be.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As a general rule, Level 3 inputs are those that are difficult to obtain on a regular basis and require verification from an outside party, such as an auditor or an appraisal, to validate the valuation.

Net asset value (NAV) is a common measurement of fair value for Level 1, Level 2, and Level 3 investments. A fund's NAV is simply its assets less its liabilities, and is often reported as a per share amount for fair value measurement purposes. The Plan would multiply the NAV per share owned to arrive at fair value. Level 1 investment in funds such as mutual funds report at a daily NAV per share and are actively traded. NAV also comes in to play for Level 2 and 3 investments. As a matter of convenience (or referred to in accounting literature as a "practical expedient"), a Plan can use the NAV per share for investments in a nongovernmental entity that does not have a readily determined fair value, such as an alternative investment. Investments measured at NAV as a practical expedient would be excluded from the fair value hierarchy because the valuation is not based on actual market inputs but rather is quantified using the fund's reported NAV as a matter of convenience.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

13. Investment Measurement of Fair Value (Continued)

Fair Value Hierarchy (Continued)

The Plan categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The Plan has the following total recurring fair value measurements as of September 30, 2016 and 2015:

- *Debt securities* - Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used by International Data Corporation and Bloomberg LP to value securities based on the securities' relationship to benchmark quoted prices.
- *Mutual funds* - The rationale for inclusion in Level 1 or Level 2 points to the unobservable inputs involved in mutual fund pricing. Mutual funds do not trade using bid and ask, as with ETF's or common stock. Instead, the prices are determined by the net asset value of the underlying investments at the close of business for the next day's open. The underlying assets themselves may include a variety of Level 1 and Level 2 securities and some may be valued using matrix pricing which interpolates the price of a security based on the price of similar securities.
- *Fixed income funds* - Valued using pricing models maximizing the use of observable input for similar securities. This includes basing value on yield currently available on comparable securities of issues with similar credit ratings.
- *Equity funds* - Valued at market prices for similar assets in active markets.
- *Common stock* - Valued at quoted market prices for identical assets in active markets.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

13. Investment Measurement of Fair Value (Continued)

Fair Value Hierarchy (Continued)

	September 30, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government obligations	\$ 3,110,391	\$ -	\$ 3,110,391	-
U.S. Government agencies	1,337,017	-	1,337,017	-
Municipal obligations	752,720	-	752,720	-
Corporate obligations	12,242,653	-	12,242,653	-
Domestic fixed investment fund	1,412,533	1,412,533	-	-
Foreign fixed investment fund	1,276,034	1,276,034	-	-
Domestic equity investment funds	23,470,215	23,470,215	-	-
Domestic stocks	17,964,176	17,964,176	-	-
Foreign equity investment fund	10,458,581	10,458,581	-	-
Temporary investments	<u>3,659,091</u>	<u>3,659,091</u>	-	-
Total investments by fair value level	75,683,411	<u>\$ 58,240,630</u>	<u>\$ 17,442,781</u>	<u>\$ -</u>
Investment measured at the net asset value (NAV):				
Real estate investment funds ^(A)	<u>6,187,499</u>			
Total investments measured at NAV	<u>6,187,499</u>			
Total investments measured at fair value	<u>\$ 81,870,910</u>			

^(A) Liquidity and notice is quarterly.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

13. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

Investments by fair value level	September 30, 2015	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Government obligations	\$ 3,222,341	\$ -	\$ 3,222,341	\$ -
U.S. Government agencies	694,399	-	694,399	-
Municipal obligations	733,190	-	733,190	-
Corporate obligations	11,194,130	-	11,194,130	-
Domestic fixed investment fund	1,347,258	1,347,258	-	-
Foreign fixed investment fund	1,305,896	1,305,896	-	-
Domestic equity investment funds	18,203,432	18,203,432	-	-
Domestic stocks	16,428,819	16,428,819	-	-
Foreign equity investment fund	9,758,268	9,758,268	-	-
Temporary investment funds	<u>3,080,020</u>	<u>3,080,020</u>	-	-
Total investments by fair value level	65,967,753	<u>\$ 50,123,693</u>	<u>\$ 15,844,060</u>	\$ -
Investment measured at the net asset value (NAV):				
Real estate investment funds ^(A)	<u>5,665,041</u>			
Total investments measured at NAV	<u>5,665,041</u>			
Total investments measured at fair value	<u>\$ 71,632,794</u>			

^(A) Liquidity and notice is quarterly.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

14. Net Pension Liability of the City

The components of net position liability of the City of Port St. Lucie (City) as of September 30, 2016 were as follows:

Total Pension Liability	\$ 102,613,874
Plan Fiduciary Net Position	<u>81,540,511</u>
City's Net Pension Liability	<u><u>\$ 21,073,363</u></u>
Plan Fiduciary Net Position as a percentage of total pension liability	<u><u>79.46%</u></u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of October 1, 2015 updated to September 30, 2016 using the following actuarial assumptions:

Inflation	2.50%
Salary increases	5.50% - 8.00%
Investment rate of return	7.75%
Discount rate	7.75%

Mortality Rate Healthy Lives:

Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.

Male: RP2000 Generational, 10% Annuitant White Collar, / 90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives:

Female: 60% RP2000 Disabled Female set forward two years / 40% Annuitant White Collar with no setback, no projection scale.

Male: 60% RP2000 Disabled Male setback four years / 40% Annuitant White Collar with no setback, no projection scale.

The other significant assumptions are based upon the most recent actuarial experience study dated August 9th, 2011, for the period 1997-2010.

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

NOTES TO FINANCIAL STATEMENTS
September 30, 2016 and 2015

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, 2016 are summarized in the following table:

Target Allocation	Asset Class	Long-Term Expected Real Rate of Return
50 %	Domestic Equity	6.2 %
15	International Equity	8.5
<u>35</u>	Broad Market Fixed Income	2.5
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, 2016 and 2015

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	\$ 34,669,915	\$ 21,073,363	\$ 926,065
	<u> </u>	<u> </u>	<u> </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>2016</u>	<u>September 30,</u> <u>2015</u>	<u>September 30,</u> <u>2014</u>
Total pension liability:			
Service Cost	\$ 3,431,980	\$ 3,098,598	\$ 2,960,477
Interest	5,860,296	6,533,502	5,664,535
Changes in excess state money	(1,508,953)	364,937	309,802
Change of benefit terms	2,751,119	-	-
Difference between expected and actual experience	660,201	(572,414)	-
Changes of Assumptions	2,757,260	2,550,583	-
Member buyback	362,053	20,069	4,436,554
Benefit payments, including refunds of employee contributions	<u>(2,505,630)</u>	<u>(2,572,372)</u>	<u>(2,465,108)</u>
 Net change in total pension liability	 11,808,326	 9,422,903	 10,906,260
 Total pension liability - beginning	 <u>90,805,548</u>	 <u>81,314,693</u>	 <u>70,408,433</u>
 Total pension liability - ending (a)	 <u>\$ 102,613,874</u>	 <u>\$ 90,737,596</u>	 <u>\$ 81,314,693</u>
 Plan fiduciary net position:			
Contributions - employer	\$ 3,781,111	\$ 3,291,256	\$ 3,226,099
Contributions - State	1,247,468	1,082,037	1,026,902
Contributions - employees	1,489,224	1,407,055	1,407,206
Contributions - buyback	362,053	20,069	4,436,554
Net investment income (loss)	6,951,772	(308,449)	4,908,147
Benefit payments, including refunds of employee contributions	(2,505,630)	(2,572,372)	(2,465,108)
Administrative expense	(173,825)	(185,455)	(147,333)
Other	<u>-</u>	<u>-</u>	<u>-</u>
 Net change in plan fiduciary net position	 11,152,173	 2,734,141	 12,392,467
 Plan fiduciary net position - beginning	 <u>70,388,338</u>	 <u>67,654,197</u>	 <u>55,261,730</u>
 Plan fiduciary net position - ending (b)	 <u>\$ 81,540,511</u>	 <u>\$ 70,388,338</u>	 <u>\$ 67,654,197</u>
 Net Pension Liability - Ending (a) - (b)	 <u>\$ 21,073,363</u>	 <u>\$ 20,349,258</u>	 <u>\$ 13,660,496</u>

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

**SCHEDULE OF RATIOS
Last Three Fiscal Years**

	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79.46%</u>	<u>77.57%</u>	<u>83.20%</u>
Covered employee payroll*	<u>\$ 16,546,924</u>	<u>\$ 16,788,921</u>	<u>\$ 15,644,844</u>
Net pension liability as a percentage of covered employee payroll	<u>127.36%</u>	<u>121.21%</u>	<u>87.32%</u>

Notes to Schedule of Ratios:

The Covered Employee Payroll numbers shown are in compliance with GASB 82, except for the 9/30/2015 measurement period which includes DROP payroll.

Change of benefit terms:

For measurement date 9/30/2016, amounts reported as changes of benefit terms was a result of Ordinance 16-28, adopted June 13, 2016, effective June 23, 2016, provided for an increase in the benefit accrual rate from 3.09% to 3.27% for all years of service for members on and after October 1, 2015.

For measurement date 9/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rate of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees. The inflation assumption rate was lowered from 3.00% to 2.50%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

For measurement date 9/30/2015, amounts reported as changes of assumptions were resulted from lowering the investment rate of return from 8.00% to 7.75%.

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

**SCHEDULE OF CONTRIBUTIONS
Last Three Fiscal Years**

	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Actuarially determined contribution	\$ 4,498,211	\$ 4,007,828	\$ 3,944,168
Contributions in relation to the actuarially determined contributions	<u>5,038,579</u>	<u>4,007,828</u>	<u>3,944,168</u>
Contribution deficiency (excess)	\$ <u>(540,368)</u>	\$ <u>-</u>	\$ <u>-</u>
Covered employee payroll	\$ <u>16,546,924</u>	\$ <u>16,788,921</u>	\$ <u>15,644,844</u>
Contribution as a percentage of covered payroll	<u>30.39%</u>	<u>23.87%</u>	<u>25.21%</u>

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

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

	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>
Annual money-weighted rate of return net of investment expense	<u>9.79 %</u>	<u>-0.44%</u>	<u>8.27%</u>

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

NOTES TO SCHEDULES

Valuation Date: 10/1/2014

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 contribuion 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: 28 Years (as of 10/01/2014).

Asset valuation: Each year, the prior actuarial value of assets is brought forward utilizing the historical geometric 4-year average market vlaue 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:		Increase in <u>Compensation</u>
	<u>Years of Service</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: 7.75% per year compounded annually, net of related investment 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, 2016 and 2015**

	2016 Expenses		2015 Expenses	
	Investment	Administrative	Investment	Administrative
Accounting fees	\$ -	\$ 10,200	\$ -	\$ 10,300
Actuary fees	-	27,286	-	40,579
Administration	-	65,638	-	54,000
Audit fees	-	11,600	-	12,500
Custodial fees	24,715	-	22,435	-
Dues	-	600	-	600
Fiduciary insurance	-	7,888	-	6,836
Investment management fees:				
Highalnd Capital				
Management, LLC	125,355	-	127,420	-
ASB Capital Management	37,770	-	26,330	-
Legal fees	-	15,045	-	14,998
IME Medical fees	-	10,605	-	12,622
Office expense	-	4,044	-	4,143
Performance monitor:				
Bogdahn	32,406	-	32,169	-
Seminars and travel	-	20,919	-	28,877
 Total investment and administrative expenses	 <u>\$ 220,246</u>	 <u>\$ 173,825</u>	 <u>\$ 208,354</u>	 <u>\$ 185,455</u>
 Percentage of plan net position	 <u>0.27%</u>	 <u>0.21%</u>	 <u>0.29%</u>	 <u>0.26%</u>