

April 11, 2019

Mr. William Johnston  
City of Gainesville  
General Employees' Pension Plan  
P.O. Box 490, Station 8  
Gainesville, FL 32602

RE: GASB Statement No.67 and No.68 – City of Gainesville General Employees' Pension Plan

Dear Mr. Johnston:

We are pleased to present a GASB Statement No.67 and No.68 measured as of September 30, 2018 for the City of Gainesville General Employees' Pension Plan. This letter replaces the letter from January 16, 2019 due to updated asset information provided by the City on March 5, 2019 and April 3, 2019.

The calculation of the liability associated with the benefits referenced in this report was performed for satisfying the requirements of GASB No.67 and No.68 and is not applicable for other purposes, such as determining the plan's funding requirements. A calculation of the plan's liability for other purposes may produce significantly different results.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed by the prior actuary, Conduent Human Resource Services (Conduent), as of October 1, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year ending September 30, 2018 using generally accepted actuarial principles. It is our opinion that the assumptions used for this purpose are internally consistent, reasonable, and comply with the requirements under GASB No.67 and No.68. Please refer to Conduent's October 1, 2017 valuation report for a complete list of data, assumptions, methods, and plan provisions.

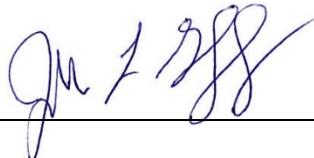
Certain schedules should include a 10-year history of information. As provided for in GASB No.67 and No.68, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB No.67 and No.68.

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

Respectfully submitted,

Foster & Foster, Inc.

By:



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Joseph L. Griffin, ASA, EA, MAAA  
Enrolled Actuary #17-6938

Enclosures

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2018

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Equity in Pooled Cash	1,822,405
Total Cash and Equivalents	1,822,405
Total Investments	431,142,295
Total Assets	432,964,700
<u>LIABILITIES</u>	
Payables:	
Accounts Payable	449,641
Accrued Payroll	6,924
Total Liabilities	456,565
NET POSITION RESTRICTED FOR PENSIONS	432,508,135

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2018  
Market Value Basis

ADDITIONS

## Contributions:

Employer	16,372,689	
Employee	4,317,403	
Employee - Through DROP	1,991,746	
Buy-Back	89,300	
 Total Contributions		 22,771,138
 Investment Income:		
Net Increase in Fair Value of Investments	46,305,668	
Interest & Dividends	5,339,000	
Less Investment Expense <sup>1</sup>	(2,424,875)	
 Net Investment Income		 49,219,793
 Total Additions		 71,990,931

DEDUCTIONS

## Distributions to Members:

Benefit Payments - Regular Pension	31,178,343	
Benefit Payments - Disability Pension	225,982	
Retiree DROP Payments	1,991,746	
Refund of Contributions	352,326	
Retiree DROP Payouts & Rollovers	1,350,077	
 Total Distributions		 35,098,474
 Administrative Expense		 697,884
 Total Deductions		 35,796,358
 Net Increase in Net Position		 36,194,573

## NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year		396,313,562
End of the Year		432,508,135

<sup>1</sup>Investment related expenses include investment advisory, custodial and performance monitoring fees.

NOTES TO THE FINANCIAL STATEMENTS  
(For the Year Ended September 30, 2018)

Plan Description

*Plan Administration*

The Employees' Plan is a contributory defined benefit single-employer pension plan that covers all permanent employees of the City, except certain personnel who elected to participate in the Defined Contribution Plan and who were grandfathered into that plan, and police officers and firefighters who participate in the Consolidated Plan. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate.

*Plan Membership as of October 1, 2017:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	1,316
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	441
Active Plan Members	1,514
	3,271
	3,271

*Benefits Provided*

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement Age and Benefit:

Eligibility:

For members with hire dates on or before October 1, 2007, the eligibility date is the earlier of age 65 and 10 years of Credited Service or 20 years of Credited Service at any age.

For members with hire dates on or after October 2, 2007 and on or before October 1, 2012, the eligibility date is the earlier of age 65 and 10 years of Credited Service or 25 years of Credited Service at any age.

For members with hire dates on or after October 2, 2012, the eligibility date is the earlier of age 65 and 10 years of Credited Service or 30 years of Credited Service at any age.

Amount:

Monthly Accrued Benefit.

Early Retirement Age and Benefit:

Eligibility:

For members with hire dates on or before October 1, 2012, the eligibility date is the attainment of age 55 and 15 years of Credited Service.

For members with hire dates on or after October 2, 2012, the eligibility date is the attainment of age 60 and 20 years of Credited Service.

Amount:

Monthly Accrued Benefit reduced by 5% per year for each year that age at retirement precedes age 65.

Disability Retirement Eligibility and Benefit:

Eligibility:

Active members are eligible for a disability benefit provided that they either: (1) become totally and permanently disabled in the line of duty, or (2) have earned at least five consecutive years as a regular employee and become totally and permanently disabled not in the line of duty.

Amount:

A monthly benefit equal to Final Average Earnings multiplied by his basic disability percentage, which is a percentage equal to Credited Service multiplied 2.00%, but not less than 42% for disabilities incurred in the line of duty, or 25% for all other disabilities; offset by his disability benefit percentage, up to a maximum of 50%, multiplied by the initial monthly Social Security Primary Insurance Amount (whether or not in payment status) to which a member is entitled. The benefit is limited to \$3,750 per month or an amount equal to his maximum benefit percentage with the above reductions, payable beginning the month of disability or the month following the termination of sick leave payments.

Termination Benefit:

Eligibility:

Five years of Credited

Amount:

Monthly Accrued Benefit payable at age 65.

Pre-Retirement Benefit:

In the case of the death of a member prior to retirement, his beneficiary will receive the member’s accumulated contributions without interest, or if such member had attained eligibility for normal or early retirement, then his beneficiary will receive the member’s benefit accrued as of the date of death and payable in the form chosen by the beneficiary, reduced if paid at the deceased member’s Early retirement date and unreduced if paid at the deceased member’s normal retirement date.

Cost-of-Living Adjustments:

A retired member on or before October 1, 2000 will receive an annual 2% adjustment beginning at the later of October 1, 2000 and the October 1 following his 62nd birthday.

For members with at least 25 years of Credited Service on or before October 1, 2012, a 2% per year increase for retired members and their beneficiaries, commencing at the later of October 1, 2000, or the October 1 following the member's age 60.

For members with at least 20 years of Credited Service (but less than 25) on or before October 1, 2012, a 2% per year increase for retired members and their beneficiaries, commencing at the later of October 1, 2000, or the October 1 following the member's age 62.

For members hired on or before October 1, 2012 who do not have 20 years of Credited Service on or before October 1, 2012, the eligibility date is attainment of age 65 and 25 years of Credited Service.

For new members hired after October 1, 2012, the eligibility date is attainment of age 65 and 30 years of Credited Service. Cost-of-living increases do not apply during the DROP period.

*Contributions*

Member Contributions: 5% of Earnings.

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

**Investments**

*Investment Policy:*

The following was the Board's adopted asset allocation policy as of September 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	47.00%
International Equity	28.00%
Broad Market Fixed Income	8.00%
Real Estate	12.00%
Alternative	5.00%
Total	100.00%

*Concentrations:*

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's Fiduciary Net Position.

*Rate of Return:*

For the year ended September 30, 2018, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense, was 12.63 percent.

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

Deferred Retirement Option Program

Eligibility: A member is eligible for participation in the DROP after completing 27 years of Credited Service.

Benefit:

Members of the DROP continue as active employees but no longer contribute or accrue benefits. The accrued benefit is calculated at entry into the DROP and is paid into an account within the Plan and is credited with a guaranteed rate of interest, compounded monthly. If a member enters DROP on or before October 1, 2012, the guaranteed interest rate is 6%. For members entering DROP after October 1, 2012, the interest rate is 2.25%.

The maximum period of participation is the earlier of 60 months or the attainment of 35 years of Credited Service. At termination of employment, participant is paid the balance of the account in a lump sum or rollover distribution.

The DROP balance as September 30, 2018 is \$4,887,049.

## NET PENSION LIABILITY OF THE SPONSOR

The components of the Net Pension Liability of the Sponsor on September 30, 2018 were as follows:

Total Pension Liability	\$ 556,402,274
Plan Fiduciary Net Position	\$ (432,508,135)
Sponsor's Net Pension Liability	<u>\$ 123,894,139</u>
Plan Fiduciary Net Position as a percentage of Total Pension Liability	<u>77.73%</u>

*Actuarial Assumptions:*

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 using the following actuarial assumptions:

Inflation	3.75%
Salary Increases	Service based
Discount Rate	8.00%
Investment Rate of Return	8.00%

*Mortality Rate Healthy Active Lives:*

Female: RP-2000 Combined Healthy Table with White Collar Adjustment projected generationally with Mortality Improvement Scale BB.

Male: RP-2000 Combined Healthy Table with 50% White Collar and 50% Blue Collar Adjustment projected generationally with Mortality Improvement Scale BB.

*Mortality Rate Healthy Inactive Lives:*

Female: RP-2000 Annuitant Table with White Collar Adjustment projected generationally with Mortality Improvement Scale BB.

Male: RP-2000 Annuitant Table with 50% White Collar and 50% Blue Collar Adjustment projected generationally with Mortality Improvement Scale BB.

*Mortality Rate Disabled Lives:*

Female: RP-2000 Disabled Female Retiree Table set forward two years.

Male: RP-2000 Disabled Male Retiree Table set back four years.

The most recent actuarial experience study used to review the other significant assumptions is unknown.

The Long-Term Expected Rate of Return on Pension Plan investments can be 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.

For 2018 the inflation rate assumption of the investment advisor was 2.50%.

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 geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2018 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.50%
International Equity	8.50%
Broad Market Fixed Income	2.50%
Real Estate	4.50%
Alternative	7.00%

## GASB 67

### Discount Rate:

The Discount Rate used to measure the Total Pension Liability was 8.00 percent.

The projection of cash flows used to determine the Discount Rate assumed that Plan Member contributions will be made at the current contribution rate and that Sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the Member rate. Based on those assumptions, the Pension Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the Long-Term Expected Rate of Return on Pension Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability	\$ 186,848,559	\$ 123,894,139	\$ 71,089,691



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

Last 10 Fiscal Years

	09/30/2018	09/30/2017 <sup>1</sup>	09/30/2016 <sup>1</sup>
Total Pension Liability			
Service Cost	8,196,544	8,355,553	7,789,638
Interest	42,877,827	39,934,706	38,189,162
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	(5,088,593)	7,646,058	1,125,190
Transfer from Disability Plan	-	-	-
Changes of assumptions	5,721,214	21,041,875	4,860,706
One time adjustment for DROP account balances	-	10,038,916	-
Contributions - Buy Back	89,300	-	-
Benefit Payments, including Refunds of Employee Contributions	(33,106,728)	(34,963,352)	(37,252,988)
Net Change in Total Pension Liability	18,689,564	52,053,756	14,711,708
Total Pension Liability - Beginning	537,712,710	485,658,954	470,947,246
Total Pension Liability - Ending (a)	<u>\$556,402,274</u>	<u>\$537,712,710</u>	<u>\$485,658,954</u>
	-		
Plan Fiduciary Net Position			
Contributions - Employer	16,372,689	14,654,934	13,481,032
Contributions - Employee	4,317,403	4,829,122	7,947,069
Contributions - Buy Back	89,300	-	-
Net Investment Income	49,219,793	58,605,302	39,190,078
Transfer from Disability Plan	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(33,106,728)	(38,469,162)	(37,252,988)
Administrative Expense	(697,884)	(604,905)	(670,867)
Net Change in Plan Fiduciary Net Position	36,194,573	39,015,291	22,694,324
Plan Fiduciary Net Position - Beginning	396,313,562	357,298,271	334,603,947
Plan Fiduciary Net Position - Ending (b)	<u>\$432,508,135</u>	<u>\$396,313,562</u>	<u>\$357,298,271</u>
Net Pension Liability - Ending (a) - (b)	<u>\$123,894,139</u>	<u>\$141,399,148</u>	<u>\$128,360,683</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	77.73%	73.70%	73.57%
Covered Employee Payroll <sup>1</sup>	\$ 89,976,976	\$ 91,143,976	\$ 80,223,575
Net Pension Liability as a percentage of Covered Employee Payroll	137.70%	155.14%	160.00%

**Note to Schedule:**

<sup>1</sup> From 2017 CAFR, City of Gainesville, FL.

*Changes of assumptions:*

For measurement date 09/30/2018, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 8.10% to 8.00%.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
Last 10 Fiscal Years

	09/30/2015 <sup>1</sup>	09/30/2014 <sup>1</sup>
Total Pension Liability		
Service Cost	7,153,541	6,612,646
Interest	35,741,289	36,171,225
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	1,954,558	1,105,967
Transfer from Disability Plan	2,455,848	-
Changes of assumptions	15,880,346	-
One time adjustment for DROP account balances	-	-
Contributions - Buy Back	-	-
Benefit Payments, including Refunds of Employee Contributions	(28,306,207)	(31,819,142)
Net Change in Total Pension Liability	34,879,375	12,070,696
Total Pension Liability - Beginning	436,067,871	423,997,175
Total Pension Liability - Ending (a)	<u>\$470,947,246</u>	<u>\$436,067,871</u>
Plan Fiduciary Net Position		
Contributions - Employer	11,746,935	11,519,431
Contributions - Employee	4,429,289	4,260,476
Contributions - Buy Back	-	-
Net Investment Income	(2,486,089)	34,176,892
Transfer from Disability Plan	2,320,442	-
Benefit Payments, including Refunds of Employee Contributions	(28,306,207)	(26,161,924)
Administrative Expense	(580,988)	(613,886)
Net Change in Plan Fiduciary Net Position	(12,876,618)	23,180,989
Plan Fiduciary Net Position - Beginning	347,480,565	324,299,576
Plan Fiduciary Net Position - Ending (b)	<u>\$334,603,947</u>	<u>\$347,480,565</u>
Net Pension Liability - Ending (a) - (b)	<u>\$136,343,299</u>	<u>\$ 88,587,306</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	71.05%	79.68%
Covered Employee Payroll <sup>1</sup>	\$ 79,930,261	\$ 81,654,532
Net Pension Liability as a percentage of Covered Employee Payroll	170.58%	108.49%

**Note to Schedule:**

<sup>1</sup> From 2017 CAFR, City of Gainesville, FL.

**SCHEDULE OF CITY CONTRIBUTIONS**  
Last 10 Fiscal Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll <sup>1</sup>	Total Contributions as a percentage of Covered Employee Payroll
09/30/2018	\$ 16,777,348	\$ 16,372,689	\$ 404,659	\$ 89,976,976	18.20%
09/30/2017 <sup>1</sup>	\$ 14,654,934	\$ 14,654,934	\$ -	\$ 91,143,976	16.08%
09/30/2016 <sup>1</sup>	\$ 13,481,032	\$ 13,481,032	\$ -	\$ 80,223,575	16.80%
09/30/2015 <sup>1</sup>	\$ 13,211,521	\$ 12,224,716	\$ 986,805	\$ 79,930,261	15.29%
09/30/2014 <sup>1</sup>	\$ 12,700,223	\$ 11,995,271	\$ 704,952	\$ 81,654,532	14.69%
09/30/2013 <sup>1</sup>	\$ 10,927,391	\$ 10,206,334	\$ 721,057	\$ 80,365,984	12.70%

<sup>1</sup> From 2017 CAFR, City of Gainesville, FL.

Notes to Schedule

Valuation Date: 10/01/2016

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method: The method used to determine Normal Cost and Accrued Actuarial Liability is the Entry Age Normal Cost Method.

Decrements: *Healthy Inactive Mortality:*  
 Female: RP-2000 Annuitant Table with White Collar Adjustment projected generationally with Mortality Improvement Scale BB.  
 Male: RP-2000 Annuitant Table with 50% White Collar and 50% Blue Collar Adjustment projected generationally with Mortality Improvement Scale BB.  
*Healthy Active Mortality:*  
 Female: RP-2000 Combined Healthy Table with White Collar Adjustment projected generationally with Mortality Improvement Scale BB.  
 Male: RP-2000 Combined Healthy Table with 50% White Collar and 50% Blue Collar Adjustment projected

*Disabled Mortality:*  
 Female: RP-2000 Disabled Female Retiree Table set forward two years.  
 Male: RP-2000 Disabled Male Retiree Table set back four years

Retirement: See tables on page 25 of the 10/01/2016 Valuation.

Permanent Withdrawal from Active Status: See tables on page 25 of the 10/01/2016 Valuation.

Disability: Representative values of the assumed annual rates of disability among members in active service are set forth in the following table. Two-thirds of disabilities are assumed to be ordinary and one-third is assumed to be service-related. 30% of disabilities are assumed to qualify for Social Security benefits.

Age	Males	Females
25	0.0300%	0.0100%
30	0.0580%	0.0250%
35	0.0730%	0.0480%
40	0.1020%	0.0750%
45	0.1880%	0.1650%
50	0.3130%	0.2850%
55	0.5230%	0.4780%
60	0.6860%	0.5990%
65	0.2390%	0.1500%

**GASB 67**

Interest Rates: 8.10% per annum, net of investment expense and commissions.  
 Mariage Assumption: *Percent Married:*  
 100% of members are assumed to be married  
*Age Difference Between Spouses:*  
 Male spouses are assumed to be two years older than female spouses.  
 Salary Increases: Salaries are assumed to increase at the annual rates set forth in the following table:

Years of Service	Rate
6 and Under	5.00%
7-11	4.00%
Over 11	3.00%

Assets: The actuarial value of assets is based on a method which fully recognizes benefit payments, expenses, contributions, interest and dividends for the year, and recognizes gains or losses in the fair market value of assets at the rate of 20% per year. The result cannot be greater than 120% of market value or less than 80% of market value.

Unfunded Liability Bases and Funding Period (Pursuant to Chapter 112, Florida Statutes) All unfunded liability bases which were established prior to October 1, 2004, as well as those bases established as of that date, were combined into a single, “fresh-start” base effective October 1, 2004. Prior to the October 1, 2016 valuation, this base and new bases established after October 1, 2004 were amortized over a period of 30 years, with a one-year delay in payment. Effective with the October 1, 2016 valuation, outstanding bases as of October 1, 2015 were re-amortized over their remaining periods without regard to the one-year delay in payment. Those bases were then rolled forward to October 1, 2016. New based established at October 1, 2016 and later will be amortized over a period of 30 years, which period is within the maximum amortization period allowed by Chapter 112.64, Florida Statutes. In addition, the annual payment towards the unfunded actuarial accrued liability has been determined as a level.

Vacation Payout and Accumlated Sick Leave: Service credits were adjusted by 0.15 year for employees in the paid-time-off (PTO) program and 0.25 year for employees not in the PTO program for benefit determination to recognize any accumulated unused sick leave. Final year of earnings was increased by 10% if service greater than 24, 8% if service greater than 17, 6% if service greater than 12, 4% if service greater than 7 and 2% if service 7 or less for benefit determination for non-PTO employees to recognize credits for special pay. No final earnings adjustment was made for PTO employees.

**SCHEDULE OF INVESTMENT RETURNS**  
Last 10 Fiscal Years

Fiscal Year Ended	Annual Money-Weighted Rate of Return Net of Investment Expense
09/30/2018	12.63%
09/30/2017 <sup>1</sup>	11.84%
09/30/2016 <sup>1</sup>	11.84%
09/30/2015 <sup>1</sup>	-0.74%
09/30/2014 <sup>1</sup>	10.61%

**NOTES TO THE FINANCIAL STATEMENTS**  
(For the Year Ended September 30, 2018)

General Information about the Pension Plan

*Plan Description*

The Employees' Plan is a contributory defined benefit single-employer pension plan that covers all permanent employees of the City, except certain personnel who elected to participate in the Defined Contribution Plan and who were grandfathered into that plan, and police officers and firefighters who participate in the Consolidated Plan. Benefits and refunds of the defined benefit pension plan are recognized when due and payable in accordance with the terms of the plan. The costs of administering the plan, like other plan costs, are captured within the plan itself and financed through contribution and investment income, as appropriate.

All full-time, permanent employees of the City of Gainesville (except police officers and firefighters) or the Gainesville Gas Company are eligible for membership in the Plan upon date of hire.

*Plan Membership as of October 1, 2017:*

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	1,316
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	441
Active Plan Members	1,514
	3,271

*Benefits Provided*

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement Age and Benefit:

Eligibility:

For members with hire dates on or before October 1, 2007, the eligibility date is the earlier of age 65 and 10 years of Credited Service or 20 years of Credited Service at any age.

For members with hire dates on or after October 2, 2007 and on or before October 1, 2012, the eligibility date is the earlier of age 65 and 10 years of Credited Service or 25 years of Credited Service at any age.

For members with hire dates on or after October 2, 2012, the eligibility date is the earlier of age 65 and 10 years of Credited Service or 30 years of Credited Service at any age.

Amount:

Monthly Accrued Benefit.

Early Retirement Age and Benefit:

Eligibility:

For members with hire dates on or before October 1, 2012, the eligibility date is the attainment of age 55 and 15 years of Credited Service.

For members with hire dates on or after October 2, 2012, the eligibility date is the attainment of age 60 and 20 years of Credited Service.

Amount:

Monthly Accrued Benefit reduced by 5% per year for each year that age at retirement precedes age 65.

Disability Retirement Eligibility and Benefit:

Eligibility:

Active members are eligible for a disability benefit provided that they either: (1) become totally and permanently disabled in the line of duty, or (2) have earned at least five consecutive years as a regular employee and become totally and permanently disabled not in the line of duty.

Amount:

A monthly benefit equal to Final Average Earnings multiplied by his basic disability percentage, which is a percentage equal to Credited Service multiplied 2.00%, but not less than 42% for disabilities incurred in the line of duty, or 25% for all other disabilities; offset by his disability benefit percentage, up to a maximum of 50%, multiplied by the initial monthly Social Security Primary Insurance Amount (whether or not in payment status) to which a member is entitled. The benefit is limited to \$3,750 per month or an amount equal to his maximum benefit percentage with the above reductions, payable beginning the month of disability or the month following the termination of sick leave payments.

## GASB 68

### Termination Benefit:

#### Eligibility:

Five years of Credited Service.

#### Amount:

Monthly Accrued Benefit payable at age 65.

### Pre-Retirement Benefit:

In the case of the death of a member prior to retirement, his beneficiary will receive the member's accumulated contributions without interest, or if such member had attained eligibility for normal or early retirement, then his beneficiary will receive the member's benefit accrued as of the date of death and payable in the form chosen by the beneficiary, reduced if paid at the deceased member's Early retirement date and unreduced if paid at the deceased member's normal retirement date.

### Cost-of-Living Adjustments:

A retired member on or before October 1, 2000 will receive an annual 2% adjustment beginning at the later of October 1, 2000 and the October 1 following his 62nd birthday.

For members with at least 25 years of Credited Service on or before October 1, 2012, a 2% per year increase for retired members and their beneficiaries, commencing at the later of October 1, 2000, or the October 1 following the member's age 60.

For members with at least 20 years of Credited Service (but less than 25) on or before October 1, 2012, a 2% per year increase for retired members and their beneficiaries, commencing at the later of October 1, 2000, or the October 1 following the member's age 62.

For members hired on or before October 1, 2012 who do not have 20 years of Credited Service on or before October 1, 2012, the eligibility date is attainment of age 65 and 25 years of Credited Service.

For new members hired after October 1, 2012, the eligibility date is attainment of age 65 and 30 years of Credited Service.

Cost-of-living increases do not apply during the DROP period.

### *Contributions*

Member Contributions: 5% of Earnings.

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

### Net Pension Liability

The measurement date is September 30, 2018.

The measurement period for the pension expense was October 1, 2017 to September 30, 2018.

The reporting period is October 1, 2017 through September 30, 2018.

The Sponsor's Net Pension Liability was measured as of September 30, 2018.

The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

### *Actuarial Assumptions:*

The Total Pension Liability was determined by an actuarial valuation as of October 1, 2017 updated to September 30, 2018 using the following actuarial assumptions:

Inflation	3.75%
Salary Increases	Service based
Discount Rate	8.00%
Investment Rate of Return	8.00%

*Mortality Rate Healthy Active Lives:*

Female: RP-2000 Combined Healthy Table with White Collar Adjustment projected generationally with Mortality Improvement Scale BB.

Male: RP-2000 Combined Healthy Table with 50% White Collar and 50% Blue Collar Adjustment projected generationally with Mortality Improvement Scale BB.

*Mortality Rate Healthy Inactive Lives:*

Female: RP-2000 Annuitant Table with White Collar Adjustment projected generationally with Mortality Improvement Scale BB.

Male: RP-2000 Annuitant Table with 50% White Collar and 50% Blue Collar Adjustment projected generationally with Mortality Improvement Scale BB.

*Mortality Rate Disabled Lives:*

Female: RP-2000 Disabled Female Retiree Table set forward two years.

Male: RP-2000 Disabled Male Retiree Table set back four years.

The most recent actuarial experience study used to review the other significant assumptions is unknown.

The Long-Term Expected Rate of Return on Pension Plan investments can be 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.

For 2018 the inflation rate assumption of the investment advisor was 2.50%.

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 geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity	47.00%	7.50%
International Equity	28.00%	8.50%
Broad Market Fixed Income	8.00%	2.50%
Real Estate	12.00%	4.50%
Alternative	5.00%	7.00%
Total	100.00%	

**Discount Rate:**

The Discount Rate used to measure the Total Pension Liability was 8.00 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.



CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at September 30, 2017	\$ 537,712,710	\$ 396,313,562	\$ 141,399,148
Changes for a Year:			
Service Cost	8,196,544	-	8,196,544
Interest	42,877,827	-	42,877,827
Differences between Expected and Actual Experience	(5,088,593)	-	(5,088,593)
Changes of assumptions	5,721,214	-	5,721,214
Changes of benefit terms	-	-	-
Contributions - Employer	-	16,372,689	(16,372,689)
Contributions - Employee	-	4,317,403	(4,317,403)
Contributions - Buy Back	89,300	89,300	-
Net Investment Income	-	49,219,793	(49,219,793)
Benefit Payments, including Refunds of Employee Contributions	(33,106,728)	(33,106,728)	-
Administrative Expense	-	(697,884)	697,884
Net Changes	18,689,564	36,194,573	(17,505,009)
Balances at September 30, 2018	\$ 556,402,274	\$ 432,508,135	\$ 123,894,139

*Sensitivity of the Net Pension Liability to changes in the Discount Rate.*

	Current Discount		
	1% Decrease	Rate	1% Increase
	7.00%	8.00%	9.00%
Sponsor's Net Pension Liability	\$ 186,848,559	\$ 123,894,139	\$ 71,089,691

*Pension Plan Fiduciary Net Position.*

Detailed information about the pension Plan's Fiduciary Net Position is available in a separately issued Plan financial report.

**PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED  
INFLOWS OF RESOURCES RELATED TO PENSIONS**

For the year ended September 30, 2018, the Sponsor will recognize a Pension Expense of \$20,343,413.

On September 30, 2018, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	5,598,683	4,028,469
Changes of assumptions	24,099,243	-
Net difference between Projected and Actual Earnings on Pension Plan investments	-	30,795,642
<b>Total</b>	<b>\$ 29,697,926</b>	<b>\$ 34,824,111</b>

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

Year ended September 30:		
2019		\$ 4,462,439
2020		\$ (2,015,017)
2021		\$ (4,149,860)
2022		\$ (3,423,747)
2023		\$ -
Thereafter		\$ -

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

Last 10 Fiscal Years

	09/30/2018	09/30/2017 <sup>1</sup>	09/30/2016 <sup>1</sup>
Total Pension Liability			
Service Cost	8,196,544	8,355,553	7,789,638
Interest	42,877,827	39,934,706	38,189,162
Changes of benefit terms	-	-	-
Differences between Expected and Actual Experience	(5,088,593)	7,646,058	1,125,190
Transfer from Disability Plan	-	-	-
Changes of assumptions	5,721,214	21,041,875	4,860,706
One time adjustment for DROP account balances	-	10,038,916	-
Contributions - Buy Back	89,300	-	-
Benefit Payments, including Refunds of Employee Contributions	(33,106,728)	(34,963,352)	(37,252,988)
Net Change in Total Pension Liability	18,689,564	52,053,756	14,711,708
Total Pension Liability - Beginning	537,712,710	485,658,954	470,947,246
Total Pension Liability - Ending (a)	<u>\$556,402,274</u>	<u>\$537,712,710</u>	<u>\$485,658,954</u>
Plan Fiduciary Net Position			
Contributions - Employer	16,372,689	14,654,934	13,481,032
Contributions - Employee	4,317,403	4,829,122	7,947,069
Contributions - Buy Back	89,300	-	-
Net Investment Income	49,219,793	58,605,302	39,190,078
Transfer from Disability Plan	-	-	-
Benefit Payments, including Refunds of Employee Contributions	(33,106,728)	(38,469,162)	(37,252,988)
Administrative Expense	(697,884)	(604,905)	(670,867)
Net Change in Plan Fiduciary Net Position	36,194,573	39,015,291	22,694,324
Plan Fiduciary Net Position - Beginning	396,313,562	357,298,271	334,603,947
Plan Fiduciary Net Position - Ending (b)	<u>\$432,508,135</u>	<u>\$396,313,562</u>	<u>\$357,298,271</u>
Net Pension Liability - Ending (a) - (b)	<u>\$123,894,139</u>	<u>\$141,399,148</u>	<u>\$128,360,683</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	77.73%	73.70%	73.57%
Covered Employee Payroll <sup>1</sup>	\$ 89,976,976	\$ 91,143,976	\$ 80,223,575
Net Pension Liability as a percentage of Covered Employee Payroll	137.70%	155.14%	160.00%

**Note to Schedule:**<sup>1</sup> From 2017 CAFR, City of Gainesville, FL.*Changes of assumptions:*

For measurement date 09/30/2018, amounts reported as changes of assumptions resulted from lowering the investment rate of return from 8.10% to 8.00%.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
Last 10 Fiscal Years

	09/30/2015 <sup>1</sup>	09/30/2014 <sup>1</sup>
Total Pension Liability		
Service Cost	7,153,541	6,612,646
Interest	35,741,289	36,171,225
Changes of benefit terms	-	-
Differences between Expected and Actual Experience	1,954,558	1,105,967
Transfer from Disability Plan	2,455,848	-
Changes of assumptions	15,880,346	-
One time adjustment for DROP account balances	-	-
Contributions - Buy Back	-	-
Benefit Payments, including Refunds of Employee Contributions	(28,306,207)	(31,819,142)
Net Change in Total Pension Liability	34,879,375	12,070,696
Total Pension Liability - Beginning	436,067,871	423,997,175
Total Pension Liability - Ending (a)	<u>\$470,947,246</u>	<u>\$436,067,871</u>
Plan Fiduciary Net Position		
Contributions - Employer	11,746,935	11,519,431
Contributions - Employee	4,429,289	4,260,476
Contributions - Buy Back	-	-
Net Investment Income	(2,486,089)	34,176,892
Transfer from Disability Plan	2,320,442	-
Benefit Payments, including Refunds of Employee Contributions	(28,306,207)	(26,161,924)
Administrative Expense	(580,988)	(613,886)
Net Change in Plan Fiduciary Net Position	(12,876,618)	23,180,989
Plan Fiduciary Net Position - Beginning	347,480,565	324,299,576
Plan Fiduciary Net Position - Ending (b)	<u>\$334,603,947</u>	<u>\$347,480,565</u>
Net Pension Liability - Ending (a) - (b)	<u>\$136,343,299</u>	<u>\$ 88,587,306</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	71.05%	79.68%
Covered Employee Payroll <sup>1</sup>	\$ 79,930,261	\$ 81,654,532
Net Pension Liability as a percentage of Covered Employee Payroll	170.58%	108.49%

**Note to Schedule:**

<sup>1</sup> From 2017 CAFR, City of Gainesville, FL.

**SCHEDULE OF CITY CONTRIBUTIONS**  
Last 10 Fiscal Years

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll <sup>1</sup>	Total Contributions as a percentage of Covered Employee Payroll
09/30/2018	\$ 16,777,348	16,372,689	\$ 404,659	\$ 89,976,976	18.20%
09/30/2017 <sup>1</sup>	\$ 14,654,934	\$ 14,654,934	\$ -	\$ 91,143,976	16.08%
09/30/2016 <sup>1</sup>	\$ 13,481,032	\$ 13,481,032	\$ -	\$ 80,223,575	16.80%
09/30/2015 <sup>1</sup>	\$ 13,211,521	\$ 12,224,716	\$ 986,805	\$ 79,930,261	15.29%
09/30/2014 <sup>1</sup>	\$ 12,700,223	\$ 11,995,271	\$ 704,952	\$ 81,654,532	14.69%
09/30/2013 <sup>1</sup>	\$ 10,927,391	\$ 10,206,334	\$ 721,057	\$ 80,365,984	12.70%

<sup>1</sup> From 2017 CAFR, City of Gainesville, FL.

Notes to Schedule

Valuation Date: 10/01/2016

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:

Decrements:

*Healthy Inactive Mortality:*

Female: RP-2000 Annuitant Table with White Collar Adjustment projected generationally with Mortality Improvement Scale BB.

Male: RP-2000 Annuitant Table with 50% White Collar and 50% Blue Collar Adjustment projected generationally with Mortality Improvement Scale BB.

*Healthy Active Mortality:*

Female: RP-2000 Combined Healthy Table with White Collar Adjustment projected generationally with Mortality Improvement Scale BB.

Male: RP-2000 Combined Healthy Table with 50% White Collar and 50% Blue

*Disabled Mortality:*

Female: RP-2000 Disabled Female Retiree Table set forward two years.

Male: RP-2000 Disabled Male Retiree Table set back four years

Retirement: See tables on page 25 of the 10/01/2016 Valuation.

Permanent Withdrawal from Active Status: See tables on page 25 of the 10/01/2016 Valuation.

Disability: Representative values of the assumed annual rates of disability among members in active service are set forth in the following table. Two-thirds of disabilities are assumed to be ordinary and one-third is assumed to be service-related. 30% of disabilities are assumed to qualify for Social Security benefits.

Age	Males	Females
25	0.0300%	0.0100%
30	0.0580%	0.0250%
35	0.0730%	0.0480%
40	0.1020%	0.0750%
45	0.1880%	0.1650%
50	0.3130%	0.2850%
55	0.5230%	0.4780%
60	0.6860%	0.5990%
65	0.2390%	0.1500%

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Interest Rates: 8.10% per annum, net of investment expense and commissions.  
 Marriage Assumption: *Percent Married:*  
 100% of members are assumed to be married  
*Age Difference Between Spouses:*  
 Male spouses are assumed to be two years older than female spouses.  
 Salary Increases: Salaries are assumed to increase at the annual rates set forth in the following table:

Years of Service	Rate
6 and Under	5.00%
7-11	4.00%
Over 11	3.00%

Assets: The actuarial value of assets is based on a method which fully recognizes benefit payments, expenses, contributions, interest and dividends for the year, and recognizes gains or losses in the fair market value of assets at the rate of 20% per year. The result cannot be greater than 120% of market value or less than 80% of market value.

Unfunded Liability Bases and Funding Period (Pursuant to Chapter 112, Florida Statutes) All unfunded liability bases which were established prior to October 1, 2004, as well as those bases established as of that date, were combined into a single, “fresh-start” base effective October 1, 2004. Prior to the October 1, 2016 valuation, this base and new bases established after October 1, 2004 were amortized over a period of 30 years, with a one-year delay in payment. Effective with the October 1, 2016 valuation, outstanding bases as of October 1, 2015 were re-amortized over their remaining periods without regard to the one-year delay in payment. Those bases were then rolled forward to October 1, 2016. New based established at October 1, 2016 and later will be amortized over a period of 30 years, which period is within the maximum amortization period allowed by Chapter 112.64, Florida Statutes. In addition, the annual payment towards the unfunded actuarial accrued liability has been determined as a level.

Vacation Payout and Accumlated Sick Leave: Service credits were adjusted by 0.15 year for employees in the paid-time-off (PTO) program and 0.25 year for employees not in the PTO program for benefit determination to recognize any accumulated unused sick leave. Final year of earnings was increased by 10% if service greater than 24, 8% if service greater than 17, 6% if service greater than 12, 4% if service greater than 7 and 2% if service 7 or less for benefit determination for non-PTO employees to recognize credits for special pay. No final earnings adjustment was made for PTO employees.

EXPENSE DEVELOPMENT AND AMORTIZATION SCHEDULES

**The following information is not required to be disclosed but is provided for informational purposes.**

**COMPONENTS OF PENSION EXPENSE**  
**FISCAL YEAR SEPTEMBER 30, 2018**

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 141,399,148	\$ 31,349,541	\$ 47,699,089	\$ -
Total Pension Liability Factors:				
Service Cost	8,196,544	-	-	8,196,544
Interest	42,877,827	-	-	42,877,827
Changes in benefit terms	-	-	-	-
Contributions - Buy Back	89,300	-	-	89,300
Differences between Expected and Actual Experience with regard to economic or demographic assumptions	(5,088,593)	5,088,593	-	-
Current year amortization of experience difference	-	(1,060,124)	(2,120,594)	1,060,470
Change in assumptions about future economic or demographic factors or other inputs	5,721,214	-	5,721,214	-
Current year amortization of change in assumptions	-	-	(9,145,544)	9,145,544
Benefit Payments, including Refunds of Employee Contributions	(35,098,474)	-	-	-
Net change	<u>16,697,818</u>	<u>4,028,469</u>	<u>(5,544,924)</u>	<u>61,369,685</u>
Plan Fiduciary Net Position:				
Contributions - Employer	16,372,689	-	-	-
Contributions - Employee	4,317,403	-	-	(4,317,403)
Contributions - Buy Back	89,300	-	-	(89,300)
Projected Net Investment Income	31,573,877	-	-	(31,573,877)
Difference between projected and actual earnings on Pension Plan investments	17,645,916	17,645,916	-	-
Current year amortization	-	(11,971,695)	(6,228,119)	(5,743,576)
Benefit Payments, including Refunds of Employee Contributions	(35,098,474)	-	-	-
Administrative Expenses	(697,884)	-	-	697,884
Net change	<u>34,202,827</u>	<u>5,674,221</u>	<u>(6,228,119)</u>	<u>(41,026,272)</u>
Ending Balance	<u><u>\$ 123,894,139</u></u>	<u><u>\$ 41,052,231</u></u>	<u><u>\$ 35,926,046</u></u>	<u><u>\$ 20,343,413</u></u>



AMORTIZATION SCHEDULE - INVESTMENTS

Increase (Decrease) in Pension Expense Arising from the Recognition of the of Differences Between Projected and Actual Earnings on Pension Plan Investments

Plan Year Ending	Differences Between Projected and Actual Earnings	Recognition Period (Years)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
2015	\$ 31,140,596	5	\$ 6,228,119	\$ 6,228,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ (12,102,524)	5	\$ (2,420,505)	\$ (2,420,505)	\$ (2,420,504)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ (30,110,034)	5	\$ (6,022,007)	\$ (6,022,007)	\$ (6,022,007)	\$ (6,022,006)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ (17,645,916)	5	\$ (3,529,183)	\$ (3,529,183)	\$ (3,529,183)	\$ (3,529,183)	\$ (3,529,184)	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			<u>\$ (5,743,576)</u>	<u>\$ (5,743,575)</u>	<u>\$ (11,971,694)</u>	<u>\$ (9,551,189)</u>	<u>\$ (3,529,184)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

AMORTIZATION SCHEDULE - CHANGES OF ASSUMPTIONS

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Changes of Assumptions

Plan Year Ending	Changes of Assumptions	Recognition Period (Years)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
2015	\$ 15,880,346	6.0	\$ 2,646,724	\$ 2,646,724	\$ 2,646,726	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 4,858,954	5.8	\$ 1,012,282	\$ 1,012,282	\$ 809,826	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ 21,043,627	4.9	\$ 4,294,618	\$ 4,294,618	\$ 4,294,618	\$ 3,865,155	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ 5,721,214	4.8	\$ 1,191,920	\$ 1,191,920	\$ 1,191,920	\$ 1,191,920	\$ 953,534	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 9,145,544	\$ 9,145,544	\$ 8,943,090	\$ 5,057,075	\$ 953,534	\$ -	\$ -	\$ -	\$ -	\$ -

AMORTIZATION SCHEDULE - EXPERIENCE

Increase (Decrease) in Pension Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience

Plan Year Ending	Differences Between Expected and Actual Experience	Recognition Period (Years)	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
2015	\$ 1,954,558	6	\$ 325,760	\$ 325,760	\$ 325,758	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2016	\$ 1,125,189	5.8	\$ 234,414	\$ 234,414	\$ 187,533	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2017	\$ 7,646,058	4.9	\$ 1,560,420	\$ 1,560,420	\$ 1,560,420	\$ 1,404,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2018	\$ (5,088,593)	4.8	\$ (1,060,124)	\$ (1,060,124)	\$ (1,060,124)	\$ (1,060,124)	\$ (848,097)	\$ -	\$ -	\$ -	\$ -	\$ -
Net Increase (Decrease) in Pension Expense			\$ 1,060,470	\$ 1,060,470	\$ 1,013,587	\$ 344,254	\$ (848,097)	\$ -	\$ -	\$ -	\$ -	\$ -