

# Financial Reporting for Pension Plans

## Government Accounting Standards Board (GASB) Statement No. 67

Plan Year Ending  
September 30, 2014

Retirement Income Plan for General Employees of City of  
Pembroke Pines  
427083

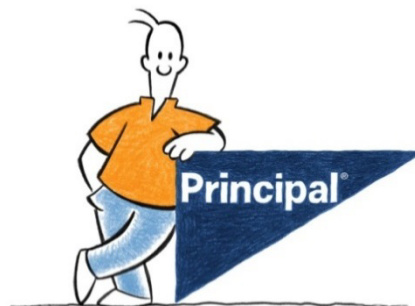
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# Accounting and Financial Reporting for Pensions

## Government Accounting Standards Board (GASB) Statement No. 68

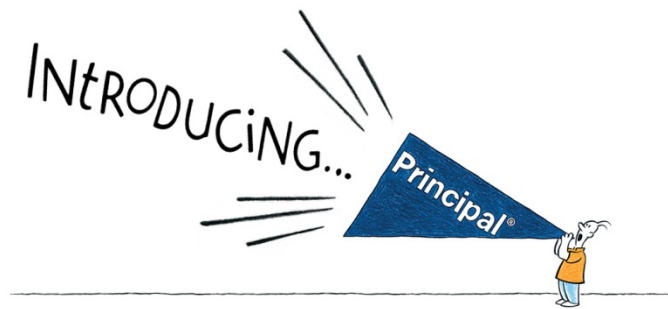
For Fiscal Year Ending  
September 30, 2015

City of Pembroke Pines



# Table of Contents

<b>NEW ACCOUNTING STATEMENTS .....</b>	<b>3</b>
<b>INTRODUCTION .....</b>	<b>4</b>
General Information .....	4
Statement of Actuary .....	5
<b>REQUIRED DISCLOSURES .....</b>	<b>6</b>
Statement of Fiduciary Net Position .....	6
Statement of Changes in Fiduciary Net Position .....	7
Statement of Changes in Net Pension Liability .....	8
Sensitivity to Changes in Discount Rate .....	8
Statement of Deferred Outflows and Inflows of Resources .....	9
Statement of Pension Expense .....	10
<b>NOTES TO THE FINANCIAL STATEMENTS .....</b>	<b>12</b>
Summary of Significant Accounting Policies .....	12
Plan Description .....	12
Investments .....	13
Net Pension Liability .....	15
<b>REQUIRED SUPPLEMENTARY INFORMATION .....</b>	<b>16</b>
Schedule of Changes in Net Pension Liability and Related Ratios .....	16
Schedule of Contributions .....	17
Schedule of Money-weighted Investment Returns .....	17
<b>ADDITIONAL INFORMATION .....</b>	<b>18</b>
Detail of Plan Assets by Category .....	18
Pension Expense for Upcoming Fiscal Year .....	19
Deferred Outflows and Inflows of Resources .....	20
<b>APPENDICES .....</b>	<b>21</b>
Appendix 1 – Plan Summary .....	21
Appendix 2 – Assumptions and Methods .....	25
Appendix 3 – Auditor Support .....	28
Appendix 4 – GASB 40 Information .....	32



## New Accounting Statements

The objective of the new Government Accounting Standards Board (GASB) Statements No. 67 and 68 is to improve financial reporting by state and local governmental pension plans. Enhanced note disclosures and new schedules of supplementary information improve the usefulness of the financial reports.

### **GASB Statement 67 – Plan Accounting**

This statement sets new financial reporting standards for pension plans, and includes Net Fiduciary Position (pension plan assets) and information about rates of return on pension plan investment. Users can also assess the relative success of the plan's investment strategy and the relative impact that investment earnings will have on the plan's ability to pay future benefits.

### **GASB Statement 68 – Governmental Entity Accounting**

This statement is intended to make the pension portion of the financial statements more useful and encourage accountability. Net pension liability provides an indication of the extent to which the total pension liability is covered by the plan's assets.

In addition, the statement requires improved consistency and transparency of information across all governmental pension plan accounting:

- a consistent methodology for determination of the discount rate
- a single actuarial cost method for all calculations
- immediate recognition in pension expense of certain items
- standardized recognition periods for deferred outflows and inflows of resources

### **Accounting Disclosure Report**

This report includes:

- Information required for your pension plan's GASB 67 Financial Reporting.
- Information required for your government entity's GASB 68 Accounting and Financial Reporting for Pensions.
- Required Supplemental 10 year history information. (GASB allows for the history to be built going forward. You do not have to go back and restate the past 10 years.)
- Additional information to help you budget for the upcoming year's pension expense.
- Information for your auditors that support the calculations in this report.

You can quickly find key topics from the Table of Contents by clicking on the topic to jump to that page in the report. The information in this report is displayed as it is in the sample disclosures in the statements. It also indicates where you need to add additional information from your records.

# Introduction

## General Information

### Purpose of report

The Governmental Accounting Standards Board (GASB) has published standards for the accounting and financial reporting of pensions by government entities. These standards are defined in Statement No. 67, Financial Reporting for Pension Plans, and Statement No. 68, Accounting and Financial Reporting for Pensions.

This report gives you the actuarial information needed to comply with the standards required by Statements No. 67 and 68. The amounts shown in this report are for your accountant's purposes only. They are not to be used for setting plan contributions or plan termination calculations.

This report should not be used for other purposes, distributed to anyone other than the plan sponsor or relied upon by any other person without prior consent from the Principal Life Insurance Company.

### Information you are required to provide

You will need to provide information in addition to what is included in this report to satisfy all the Statement No. 67 and 68 disclosure requirements. Look for the tables labeled **Plan Sponsor must disclose** throughout the report for reminders of the additional information needed.

### Measurement date

A measurement period of 10/01/2013 to 09/30/2014 has been used for the plan year ending 09/30/2014 for GASB 67 reporting and for the fiscal year ending 09/30/2015 for GASB 68 reporting.

The net pension liability reported for City of Pembroke Pines's fiscal year end of 09/30/2015 was measured as of 09/30/2014, using the total pension liability that was determined by an actuarial valuation as of 09/30/2014.

The net pension liability reported for City of Pembroke Pines's fiscal year end of 09/30/2015 was measured as of 09/30/2014, using the total pension liability that was determined by an actuarial valuation as of 09/30/2014 and projected to 09/30/2015.

### Employee payroll

The Covered Employee Payroll shown in this report is the reported payroll for the measurement period, as required by GASB Statements 67 and 68. This is different from the Annual Member Compensation shown in the 10/01/2014 Actuarial Valuation Report, which is the projected payroll for the upcoming plan year.

### For additional information

For additional information you may contact your actuarial analyst, Gary R Peffer:

- Phone – 800 557 6627 extension 49379, or 412 394 9379
- Email – [Peffer.Gary@principal.com](mailto:Peffer.Gary@principal.com)

## Statement of Actuary

The calculations shown in this report for the Retirement Income Plan for General Employees of City of Pembroke Pines reflect our interpretations of pension related accounting standards published by the Governmental Accounting Standards Board. The results may not be the most advantageous for your particular financial accounting situation.

In preparing this report, I have relied on:

- reports of participants, salary, and service provided by the plan sponsor.
- information for any participants being paid by Principal Life Insurance Co., as reported by Principal Life Insurance Company.
- market value of assets and benefit and expense transaction information for the preceding plan year, reported by Principal Financial Group and the plan sponsor.
- plan documents on file with Principal Life Insurance Company, including changes as noted on the Summary of Plan Provisions page of this report.

The assumptions used in this report are within the reasonable range of possible assumptions and are appropriate for the purposes for which they have been used.

I confirm that as the actuary for this pension plan, I am completely independent of the plan sponsor and any of its officers or key personnel. Neither I nor anyone closely associated with me has any relationship known to me which would impair our independence.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



02/12/2015

David A. Stocklas, EA, MAAA  
Consulting Actuary

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Principal Financial Group  
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412 394-9380  
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# Required Disclosures

## Statement of Fiduciary Net Position

A measurement date of 09/30/2014 has been used for the fiscal year ending 09/30/2015.

	09/30/2015	09/30/2014
<b>Assets</b>		
Cash and cash equivalents	\$0	
Receivables		
Employer contributions receivable	\$9,800,000	
Employee contributions receivable	0	
Investment income receivable	0	
Total Receivables	\$9,800,000	
Investments		
Large U.S. Equity	\$48,362,093	
Small/Mid U.S. Equity	11,581,419	
International Equity	19,127,095	
Balanced/Asset Allocation	8,076,814	
Short-Term Fixed Income	0	
Fixed Income	63,822,856	
Other	0	
Assets held outside Principal	0	
Total Investments	\$150,970,276	
Assets used in plan operations	\$0	
Total Assets	\$160,770,276	
<b>Liabilities</b>		
Benefits payable	\$0	
Refunds of EE contributions payable	0	
Accrued expenses payable	0	
Accrued invest fees payable	0	
Total Liabilities	\$0	
<b>Net Position Restricted for Pensions</b>	<b>\$160,770,276</b>	<b>\$141,210,749</b>

## Statement of Changes in Fiduciary Net Position

A measurement date of 09/30/2014 has been used for the fiscal year ending 09/30/2015.

	09/30/2015
<b>Additions</b>	
<b>Contributions</b>	
Employee contributions	\$235,112
Employer contributions	16,474,902
Other contributions	0
Total Contributions	\$16,710,014
<b>Investment Income</b>	
Investment Return	\$12,918,959
Other income	0
Investment expenses	(45,201)
Net Investment Income	\$12,873,758
Total Additions	\$29,583,772
<b>Deductions</b>	
Benefit Payments	\$10,021,946
Administration Expenses	2,299
Other Expenses	0
Other Deductions	0
Total Deductions	\$10,024,245
<b>Net Change in Fiduciary Net Position</b>	\$19,559,527
Fiduciary Net Position, beginning of period	141,210,749
<b>Fiduciary Net Position, end of period</b>	\$160,770,276

## Statement of Changes in Net Pension Liability

A measurement date of 09/30/2014 has been used for the fiscal year ending 09/30/2015.

	<b>Total Pension Liability</b>	<b>Fiduciary Net Position</b>	<b>Net Pension Liability</b>
<b>Balance, beginning of period</b>	\$151,813,834	\$141,210,749	\$10,603,085
<b>Changes for the year</b>			
Service Cost	210,178		210,178
Interest	11,426,651		11,426,651
Benefit Payments	(10,021,946)	(10,021,946)	0
Differences between expected and actual experience	1,190,892		1,190,892
Changes in assumptions	3,309,464		3,309,464
Changes in benefit terms	0		0
Employee contributions		235,112	(235,112)
Employer contributions		16,474,902	(16,474,902)
Other contributions		0	0
Net Investment Income		12,873,758	\$(12,873,758)
Administration Expenses		(2,299)	2,299
Other Expenses		0	0
Other Deductions		0	0
<b>Net Changes</b>	<b>\$6,115,239</b>	<b>\$19,559,527</b>	<b>\$(13,444,288)</b>
<b>Balance, end of period</b>	<b>\$157,929,073</b>	<b>\$160,770,276</b>	<b>\$(2,841,203)</b>

### Sensitivity to Changes in Discount Rate

	<b>1% decrease in discount rate</b>	<b>Discount Rate 7.55%</b>	<b>1% increase in discount rate</b>
<b>Net Pension Liability</b>	15,657,145	(2,841,203)	(18,276,983)



## Statement of Deferred Outflows and Inflows of Resources

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	1,190,892	0
Effects of changes in assumptions	3,309,464	0
Net differences between projected and actual investment earnings	0	(2,127,681)
<b>Total Deferred Outflows and Inflows of Resources</b>	<b>\$4,500,356</b>	<b>\$(2,127,681)</b>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the pension expense as follows:

	<b>Amount Recognized</b>
2016	\$4,074,820
2017	(425,536)
2018	(425,536)
2019	(425,536)
2020	(425,537)
Thereafter	0

See the Additional Information section for a detailed list of the Deferred Outflows and Inflows of Resources.

## Statement of Pension Expense

09/30/2015

### Components of Pension Expense

Service cost	\$210,178
Interest cost	11,426,651
Expected contributions from employees	(235,627)
Expected Investment income	(10,746,041)
Expected administrative expenses	2,299
Expected other expenses	0
Expected other deductions	0
Changes in benefit provisions	0
<b>Recognition of Deferred Outflows and Inflows due to:</b>	
Differences between expected and actual experience	0
Changes in assumptions	0
Differences between expected and actual investment earnings	0
<b>Total Pension Expense</b>	<b>\$657,460</b>
Discount rate used to determine Pension Expense	7.75%

## Development of Components of Current Year Pension Expense

<b>Service cost</b>	\$210,178
<b>Interest cost</b>	
On \$151,813,834 Total Pension Liability	\$11,765,572
On \$210,178 Service cost	16,289
Adjustment for expected benefit distributions of \$9,166,706	(355,210)
Interest cost	\$11,426,651
<b>Expected contributions from employees</b>	\$(235,627)
<b>Expected Investment income</b>	
On \$141,210,749 Fiduciary Net Position at measurement date	\$(10,943,833)
Adjustment for expected benefit distributions of \$9,166,706	355,210
Adjustment for expected administration expenses of \$2,299	54
Adjustment for expected other expenses of \$0	0
Adjustment for expected other deductions of \$0	0
Adjustment for expected employee contributions \$235,627	(9,131)
Adjustment for expected employer contributions \$3,829,070	(148,377)
Expected Investment Income	\$(10,746,077)
<b>Expected administrative expenses</b>	\$2,299
<b>Expected other expenses</b>	\$0
<b>Expected other deductions</b>	\$0
<b>Changes in benefit provisions</b>	\$0

# Notes to the Financial Statements

## Summary of Significant Accounting Policies

### Method used to value investments

Investments in separate accounts held at The Principal Financial Group are commingled pools, rather than individual securities. These investments are valued at fair market value as of the measurement date.

### Pensions – Net Fiduciary Position

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense for City of Pembroke Pines, information about the fiduciary net position of the Retirement Income Plan for General Employees of City of Pembroke Pines and additions to/deductions from Retirement Income Plan for General Employees of City of Pembroke Pines's fiduciary net position have been determined on the same basis.

## Plan Description

### Plan Description

Retirement Income Plan for General Employees of City of Pembroke Pines is a single-employer defined benefit pension plan administered by City of Pembroke Pines.

There are no nonemployer contributing entities, as defined by GASB 67 and 68, for this plan.

There are no special funding situations, as defined by GASB 67 and 68, for this plan.

### Plan Administration

#### Plan Sponsor must disclose:

- The authority under which benefit terms are established or may be amended
- The pension plan's board and its composition (for example the number of trustees by source of selection or the types of constituency or credential applicable to selection)

### Plan membership

	09/30/2015
Active plan members	43
Inactive plan members entitled to but not yet receiving benefits	285
Disabled plan members entitled to benefits	3
Retired plan members or beneficiaries currently receiving benefits	375
Total	706

The pension plan is closed to non-bargained new entrants as of 10/01/2014.

The pension benefit accruals are frozen as of 07/01/2010 for bargained employees and no new entrants are permitted into Plan.

### Benefits provided

The pension plan provides for retirement and other benefits as shown in Appendix 1 of this report.

There have been no changes in plan provisions during the measurement period.

There have been no changes in plan provisions between the measurement date and the fiscal year end.

### Contributions

The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the plan's Actuarial Valuation Report. The actuarially determined contribution rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses

In accordance with the plan's governing document, employees may be required to contribute to the plan.

Employees are currently required to contribute 7.25% of salary.

The actuarially determined contribution for the measurement period ending 09/30/2014 is \$2,707,856 for employer contributions and \$234,578 for employee contributions.

#### Plan Sponsor must disclose:

- The authority under which contribution requirements for employer and employees are established.
- The authority under which contribution requirements for employer and employees may be amended.

## Investments

### Investment policy

A general listing of plan assets as of the current measurement date is shown in Additional Information – Detail of Plan Assets by Category.

#### Plan Sponsor must disclose:

- Investment policies and strategies.
- Procedures and authority for establishing and amending investment policy decisions.
- Policies pertaining to asset allocation.
- Description of significant investment policy changes during the reporting period.

Principal Financial Advisors, Inc., a registered investment advisor and wholly owned subsidiary of Principal Financial Group, has been hired to manage the asset allocation strategy for your plan. They will provide additional information to assist you and your plan auditor in preparing the required disclosures.

### Concentrations

As of the measurement date, the following are investments (other than US Government and US Government guaranteed obligations) in any one organization, that represents 5 percent or more of the pension plan's fiduciary net position.  $\$160,770,276 \times 0.05 = \$8,038,514$

Principal Financial Group	\$150,970,276
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### Money-weighted Rate of Return

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the timing and amount of cash flows. This return is calculated net of investment expenses.

The annual money-weighted rate of return on plan investments for the measurement period is 14.04%.

### Receivables

#### Plan Sponsor must disclose:

- Receivables from any long-term contracts for contributions.
- The terms of these contracts.
- The balances outstanding on any such long-term contracts at the end of the reporting period.
- Description of significant investment policy changes during the reporting period.

### Allocated Insurance Contracts

No annuities were purchased for plan members during the measurement period.

### Reserves

#### Plan Sponsor must disclose:

- Reserves set aside for purposes such as benefit increases or reduced employer contributions, a portion of the pension plan's fiduciary net position that otherwise would be available for existing pensions or for pension plan administration.
- A description of the policy related to such reserves.
- The authority under which the policy was established and may be amended.
- The purposes for and conditions under which the reserves are required or permitted to be used.
- The balances of the reserves.

### Deferred Retirement Option Program DROP

The pension plan provides for DROP benefits as shown in Appendix 1 of this report.

The DROP fund balance held by the pension plan as of the measurement date was \$0. These funds are included in the plan's Fiduciary Net Position.

## Net Pension Liability

### Cost Method

The entry age actuarial cost method is used for this disclosure. Under this method, the present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the earnings between entry age and assumed exit age(s). The portion of the present value allocated to a year is the service cost. Projected benefits are based on projected salary and projected service.

### Measurement date

A measurement period of 10/01/2013 to 09/30/2014 has been used for the plan year ending 09/30/2014 for GASB 67 reporting and for the fiscal year ending 09/30/2015 for GASB 68 reporting.

The net pension liability reported for City of Pembroke Pines's fiscal year end of 09/30/2015 was measured as of 09/30/2014, using the total pension liability that was determined by an actuarial valuation as of 09/30/2014.

### Assumptions

The Total Pension Liability was determined using the assumptions and methods described in Appendix 2.

### Long-term rate of return

The expected long-term rate of return assumption for the plan's investments is 7.75%. This was determined using the method described in Appendix 3. The long-term rate of return assumption for the prior measurement period was 7.75%. The expected long term rate of return was selected by City

### Discount Rate

The discount rate used to determine the total pension liability was 7.55%. The discount rate used for the prior measurement date was 7.75%.

The plan's fiduciary net position and benefit payments were projected to determine if the plan's fiduciary net position was greater than or equal to the expected benefit payments for each period; see Appendix 3. The assumptions used for the projection are described in Appendix 2.

The discount rate is a single rate that incorporates the long-term rate of return assumption and a municipal bond rate of 4.16%. This rate is from Barclays Municipal GO Long Term (17+ Y) Index, which includes 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher securities.

The long-term rate of return assumption was applied to the projected benefit payments from 2014 to 2057. The municipal bond rate was applied to projected benefit payments from 2057 to 2106. Benefit payments after 2106 are projected to be \$0.

# Required Supplementary Information

GASB allows for the history to be built going forward. You do not have to restate the past 10 years.

## Schedule of Changes in Net Pension Liability and Related Ratios

Measurement date of 09/30/2014 has been used for the fiscal year ending 09/30/2015.

	<b>09/30/2015</b>			
<b>Total Pension Liability</b>				
Service Cost	210,178			
Interest	11,426,651			
Benefit Payments	(10,021,946)			
Differences in experience	1,190,892			
Changes in assumptions	3,309,464			
Changes in benefit terms	0			
<b>Net Change in Total Pension Liability</b>	<b>\$6,115,239</b>			
Total Pension Liability, beginning of period	\$151,813,834			
<b>Total Pension Liability, end of period</b>	<b>\$157,929,073</b>			
<b>Fiduciary Net Position</b>				
Employee contributions	235,112			
Employer contributions	16,474,902			
Other contributions	0			
Net Investment Income	12,873,758			
Benefit Payments	(10,021,946)			
Administration Expenses	(2,299)			
Other Expenses	0			
Other Deductions	0			
<b>Net Change in Fiduciary Net Position</b>	<b>\$19,559,527</b>			
Fiduciary Net Position, beginning of period	\$141,210,749			
<b>Fiduciary Net Position, end of period</b>	<b>\$160,770,276</b>			
<b>Net Pension Liability</b>	<b>\$(2,841,203)</b>			
Fiduciary Net Position as a percentage of the Total Pension Liability	101.80%			
Covered employee payroll	3,163,848			
Net Pension Liability as a percentage of covered employee payroll	-89.80%			
<b>Notes to Schedules</b>				
Long-term rate of return on assets	7.75%			
Discount rate	7.55%			
Salary increase assumption	55 + 2.50%			
COLA increase assumption	0.00%			
Retirement age assumption	55			
Plan changes	none			



## Schedule of Contributions

<b>For measurement period ending ...</b>	<b>09/30/2014</b>			
Actuarially determined contributions	\$2,707,856			
Contributions received by the pension plan	16,474,902			
<b>Contribution deficiency/(excess)</b>	<b>\$(13,767,046)</b>			
Covered employee payroll	\$3,163,848			
Contributions received as a percentage of covered employee payroll	520.72%			
<b>Notes to Schedules</b>				
Long-term rate of return on assets	7.75%			
Discount rate	7.55%			
Salary increase assumption	\$5 + 2.50%			
COLA increase assumption	0.00%			
Retirement age assumption	55			
Plan changes	none			

## Schedule of Contributions

Measurement date of 09/30/2014 has been used for the fiscal year ending 09/30/2015.

<b>For fiscal year ending ...</b>	<b>09/30/2015</b>			
Actuarially determined contributions	\$0			
Contributions received by the pension plan	0			
<b>Contribution deficiency/(excess)</b>	<b>\$0</b>			
Covered employee payroll	\$3,163,848			
Contributions received as a percentage of covered employee payroll	0.00%			
<b>Notes to Schedules</b>				
Long-term rate of return on assets	7.75%			
Discount rate	7.55%			
Salary increase assumption	\$5 + 2.50%			
COLA increase assumption	0.00%			
Retirement age assumption	55			
Plan changes	none			

## Schedule of Money-weighted Investment Returns

Measurement date of 09/30/2014 has been used for the fiscal year ending 09/30/2015.

	<b>09/30/2015</b>			
Annual money-weighted rate of return on plan investments, net of investment expense	14.04%			

# Additional Information

## Detail of Plan Assets by Category

A measurement date of 09/30/2014 has been used for the fiscal year ending 09/30/2015.

Asset Class/Investment Advisor	Investment Option	09/30/2015
<b>Large U.S. Equity</b>		
Edge Asset Management, Inc.	Equity Income Sep Acct-I3	\$10,039,804.69
Principal Global Investors	LargeCap Value Sep Acct-I2	9,927,165.27
Principal Global Investors	LargeCap S&P 500 Index SA-I2	9,072,637.86
T. Rowe Price/Brown Advisory	LargeCap Growth I Sep Acct-I2	19,322,484.73
<b>Small/Mid U.S. Equity</b>		
Principal Global/Barrow Hanley	MidCap Value III Sep Acct-I2	3,041,807.86
Robert Baird/William Blair	MidCap Growth III Sep Acct-I2	2,947,644.92
DFA/Vaughan Nelson/LA Capital	SmallCap Value II Sep Acct-I2	2,844,799.27
AllianceBern/CCI/Brown/Emerald	SmallCap Growth I Sep Acct-I2	2,747,166.54
<b>International Equity</b>		
Principal Global Investors	Intl Emerging Mkts SA-I3	3,860,335.24
Causeway / Barrow Hanley	Overseas SA-I2	15,266,759.53
<b>Balanced/Asset Allocation</b>		
Multiple Sub-Advisors	Diversified Real Asset SA-I3	8,076,813.69
<b>Short-Term Fixed Income</b>		
<b>Fixed Income</b>		
JP Morgan / Neuberger Berman	High Yield I Separate Acct-I2	6,274,121.67
PIMCO	Core Plus Bond I SA-R6	27,943,055.81
Principal Global Investors	Bond and Mtg SA-I2	21,387,069.83
Principal Real Estate Inv	U.S. Property SA-I3	\$8,218,608.86
<b>Ending Balance</b>		<u>\$150,970,275.77</u>

A general listing of plan assets as of the current measurement date is shown here, but additional disclosure may be appropriate. You should obtain information on investment options from the applicable investment manager or sponsor.

**Pension Expense for Upcoming Fiscal Year  
Ending 09/30/2016**

**Components of Pension Expense**

Service cost	\$267,925
Interest cost	11,574,248
Expected contributions from employees	(234,578)
Expected Investment income	(12,194,209)
Expected administrative expenses	2,299
Expected other expenses	0
Expected other deductions	0
Changes in benefit provisions	0
<b>Recognition of Deferred Outflows and Inflows due to:</b>	
Differences between expected and actual experience	1,190,892
Changes in assumptions	3,309,464
Differences between expected and actual investment earnings	(425,536)
<b>Total Pension Expense</b>	<b>\$3,490,505</b>
Discount rate used to determine Pension Expense	7.55%

## Development of Components of Pension Expense

<b>Service cost</b>	\$267,925
<b>Interest cost</b>	
On \$157,929,073 Total Pension Liability	\$11,923,645
On \$267,925 Service cost	20,228
Adjustment for expected benefit distributions of \$9,791,394	(369,625)
Interest cost	\$11,574,248
<b>Expected contributions from employees</b>	\$(234,578)
<b>Expected Investment income</b>	
On \$160,770,276 Fiduciary Net Position at measurement date	\$(12,459,696)
Adjustment for expected benefit distributions of \$9,791,394	379,417
Adjustment for expected administration expenses of \$2,299	89
Adjustment for expected other expenses of \$0	0
Adjustment for expected other deductions of \$0	0
Adjustment for expected employee contributions \$234,578	(9,090)
Adjustment for expected employer contributions \$2,707,856	(104,929)
Expected Investment Income	\$(12,194,209)
<b>Expected administrative expenses</b>	\$2,299
<b>Expected other expenses</b>	\$0
<b>Expected other deductions</b>	\$0
<b>Changes in benefit provisions</b>	\$0

## Deferred Outflows and Inflows of Resources

Date Established	Type	Prior Balance	Current Period Amount Recognized	Current Balance	Upcoming Period Amount Recognized	Years Remaining
09/30/2015	Experience	\$0	\$0	\$1,190,892	\$1,190,892	0.33
09/30/2015	Assumption	0	0	3,309,464	3,309,464	0.33
09/30/2015	Investment Earnings	0	0	(2,127,681)	(425,536)	5.00
<b>Total</b>		\$0	\$0	\$2,372,675	\$4,074,820	

### Additional Information

# Appendices

## Appendix 1 – Plan Summary

This report reflects the maximum benefit limits under Internal Revenue Code (IRC) Section 415 and maximum compensation limits under IRC Section 401 in effect on the first day of each plan year.

The following is a summary of plan provisions and does not alter the intent or meanings of the provisions contained in the contract or plan document.

Plan Eligibility	
<b>Class</b>	<p>Any general or utility employee whose customary employment with the employer is at least 30 hours per week or an elected official subject to the provisions of Chapter 112.048 of the Florida Statutes.</p> <p>Bargaining - no employee hired on and after 02/01/2010 will become an active participant and no inactive participant or former participant will again become an active participant.</p> <p>Non-collective bargaining - no employee hired on and after 10/01/2014 will become an active participant and no inactive participant or former participant will again become an active participant</p>

Normal Retirement Benefit	
<b>Age</b>	The later of attained age 55 or ten years vesting service.
<b>Form</b>	Monthly annuity payable for life with payments guaranteed to be at least equal to the participant's accumulation on the normal retirement date (optional forms may be elected in advance of retirement).
<b>Amount (Accrued Benefit)</b>	<p>2.85% of average compensation multiplied by accrual service. Maximum benefit is 80% of average compensation (28.07 years).</p> <p>Benefit is frozen effective 07/01/2010 for those covered under the bargaining agreement.</p>

Early Retirement Benefit	
<b>Age</b>	Attained age 50.
<b>Service</b>	Completed 5 years of service.
<b>Form</b>	Same as Normal Retirement Benefit
<b>Amount</b>	Accrued Benefit on Early Retirement Date reduced by 6 2/3% for each year that the Early Retirement Date precedes Normal Retirement Date.

<b>Late Retirement Benefit</b>	
<b>Age</b>	No maximum age
<b>Form</b>	Same as Normal Retirement Benefit.
<b>Amount</b>	Greater of Accrued Benefit on Late Retirement Date or Accrued Benefit on Normal Retirement Date increased to recognize that annuity commences subsequent to normal retirement.

<b>Termination Benefit</b>	
<b>Vesting Percentage</b>	Subsequent to five years of service, 50%, plus 10% for each year of service thereafter, up to 100%. However, vesting shall be 100% on or subsequent to the earliest of normal retirement date, date when first eligible to early retire or the date of total and permanent disability.
<b>Form</b>	Same as Normal Retirement Benefit with income deferred until Normal Retirement Date.
<b>Amount</b>	<p>Equal to the sum of</p> <ul style="list-style-type: none"> <li>(a) The amount of retirement annuity which could be purchased on his normal retirement date by his participant's required contribution account.</li> <li>(b) Vesting percentage times the excess of the pension benefit as of the date of termination over (a) above.</li> </ul> <p>At any time on or after termination, the participant may elect to receive his participant's required contribution account in cash in lieu of any and all retirement benefits that could be provided by his participant's required contribution account.</p>

<b>Disability Benefit</b>	
<b>Eligibility</b>	An active participant who becomes totally and permanently disabled prior to his retirement date. Ten years of vesting service is required for a non-service related disability benefit to be payable.
<b>Form</b>	Monthly income payable until normal retirement, death, or recovery and a deferred annuity payable at the Normal Retirement Date.
<b>Amount</b>	<p>For a service related disability, the greater of his accrued benefit on date of disability or 40% of his current monthly compensation on such date.</p> <p>For a non-service related disability, the accrued benefit on date of disability.</p>

<b>Contributions</b>	
<b>Salary Reduction Contribution</b>	<p>Tax deductible contributions made by the employer on behalf of the employee. This is 7.25% of monthly earnings that have been deducted from the employees pay.</p> <p>Effective 07/01/2010, 0% of monthly earnings will be deducted for those covered under the bargaining agreement.</p>

## Death Benefit

**Greater of A or B below.**

### A. Single Sum Death Benefit

<b>Form</b>	Single sum.
<b>Amount</b>	Participant's accumulation on date of death.
<b>B. Pre-Retirement Death Benefit</b>	
<b>Age</b>	Attained age 50.
<b>Service</b>	Five years of service.
<b>Form</b>	Monthly annuity payable to spouse.
<b>Amount</b>	If death occurs between Early Retirement Date and Normal Retirement Date, the benefit is an annuity to the spouse for an amount no less than would have been received had the participant elected a joint and 50% survivorship benefit option and early retired the day before death.

## Deferred Retirement Option Plan

<b>Eligibility</b>	An active participant first becomes eligible to elect the DROP on the first day of the month on or after reaching normal retirement date.
<b>Election</b>	An election to participate in the DROP shall constitute an irrevocable election to resign from service not later than sixty (60) months of reaching the start of the DROP eligibility period. An election to participate must be made within the first five years of eligibility. The period of participation in the DROP cannot exceed a period ending sixty months from first becoming eligible for the DROP or when the participant ceases to be an employee.
<b>Form</b>	Same as normal retirement benefit. While the employee is in the DROP the pension benefit payments will be credited to a separate account that will earn a return based on investments chosen by the employee.
<b>Amount</b>	Accrued benefit on retirement date. No additional accrual service will accumulate after entry into the DROP. Any changes in pension benefits shall not apply to participants in the DROP.  Once the DROP period expires or the participant ceases to be an employee, any subsequent pension benefit payments will be paid to the employee. The accumulation in the DROP account will be paid to the employee based on his payment option once the participant ceases to be an employee.

## Optional Forms of Benefit

	<ul style="list-style-type: none"> <li>A monthly income to the employee for life. No benefits are payable at death.</li> <li>A monthly income to the employee for life, with a 5, 10, or 15 year period where payments continue to the beneficiary.</li> <li>A monthly income to the employee for life. If the employee dies before the amount</li> </ul>
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	<p>paid equals the employee account on the retirement date, payments continue to the beneficiary until the totals equal that amount.</p> <ul style="list-style-type: none"> <li>• A monthly income to the employee for life, with a 50%, 66 2/3%, 75%, or 100% of the monthly benefit paid to the surviving spouse.</li> </ul>
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### Cost of Living Adjustment

<b>Amount</b>	<p>Annual 2% cost of living adjustment effective 10/01/2003 to active participants and DROP participants on and after 10/01/2003 and to participants who started receiving retirement or disability benefits on or after 10/01/2001.</p> <p>Effective 10/01/2004 the cost of living adjustment was increased to 3.0%.</p> <p>Effective 02/01/2010 the cost of living adjustment is decreased to 2% for any plan participant who attains normal retirement date or becomes a participant in the DROP after 02/01/2010.</p> <p>Effective 07/01/2010 the cost of living adjustment shall not apply for those who are covered under the bargaining agreement and have not reached normal retirement date by 07/01/2010.</p>
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### Early Retirement Window

	<p>Available to any participant who is employed with the city of Pembroke in the position of Assistant City Manager, Director Community Services, Assistant Director Community Services, Administrative Services Director, has attained age 50, has 14 years of vesting service, and elected an early retirement date between September 3, and September 12, 2008.</p> <p>The retirement benefit will not be reduced for the application of the early retirement reduction factors. In addition, for the Assistant City Manager position, the retirement benefit will be calculated as if the participant was employed until Normal Retirement Date.</p>
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### Definitions

<b>Average Compensation</b>	The monthly average of total pay received for the two years out of all compensation years prior to retirement date which gives the highest average.
<b>Participant's Required Contribution Account</b>	Participant's contributions, accumulated to the date of determination with interest of 5% compounded annually, plus salary reduction contributions not previously paid out or applied.
<b>Accrual Service</b>	An employee's current and all prior periods of continuous service expressed in whole years and fractional parts of a year.



## Appendix 2 – Assumptions and Methods

<b>Assumptions and Methods Prescribed by GASB</b>	
<b>Asset Method</b>	Market value of assets as of the measurement date.
<b>Discount Rate</b>	7.55%
<b>Discount rate basis</b>	Long-term rate of return assumption for periods when projected assets are greater than projected benefit payments, municipal bond rate for periods when projected assets are less than projected benefit payments.
<b>Muni Bond Rate basis</b>	Barclays Municipal GO Long Term (17+ Y) Index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as of the measurement date.
<b>Cost method</b>	Entry Age cost method, level percent of pay. Attribution is made on an individual basis, beginning with the first period in which the employee’s service accrues pension benefit through all assumed exit ages, through retirement.

<b>Assumptions and Methods Selected by Actuary</b>																					
<b>Long-term rate of return on plan assets</b>	7.75%  See Appendix 3, Long Term Rate of Return for rationale.																				
<b>Mortality</b>	During Benefit Payment Period IRS Prescribed Mortality- Generational Annuitant, male and female.  Before Benefit Payment Period IRS Prescribed Mortality- Generational Non-annuitant, male and female.																				
<b>Salary Increase</b>	Table S-5 from the Actuary's Pension Handbook plus 2.50%. Selected rates of increase are shown below: <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th style="background-color: #003366; color: white;">Age</th> <th style="background-color: #003366; color: white;">Increase</th> <th style="background-color: #003366; color: white;">Age</th> <th style="background-color: #003366; color: white;">Increase</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">20</td> <td style="text-align: center;">7.60%</td> <td style="text-align: center;">40</td> <td style="text-align: center;">5.22%</td> </tr> <tr> <td style="text-align: center;">25</td> <td style="text-align: center;">6.68%</td> <td style="text-align: center;">45</td> <td style="text-align: center;">4.89%</td> </tr> <tr> <td style="text-align: center;">30</td> <td style="text-align: center;">6.07%</td> <td style="text-align: center;">50</td> <td style="text-align: center;">4.62%</td> </tr> <tr> <td style="text-align: center;">35</td> <td style="text-align: center;">5.61%</td> <td style="text-align: center;">55</td> <td style="text-align: center;">4.38%</td> </tr> </tbody> </table>	Age	Increase	Age	Increase	20	7.60%	40	5.22%	25	6.68%	45	4.89%	30	6.07%	50	4.62%	35	5.61%	55	4.38%
Age	Increase	Age	Increase																		
20	7.60%	40	5.22%																		
25	6.68%	45	4.89%																		
30	6.07%	50	4.62%																		
35	5.61%	55	4.38%																		
<b>Disability</b>	1987 Commissioner’s Group Disability Table, six month elimination period, male and female.																				

<b>Withdrawal</b>	2003 Society of Actuaries Small Plan Age Table, multiplied by 0.75.  Selected rates of withdrawal are shown below: <table border="1"> <thead> <tr> <th>Age</th> <th>Rate of Withdrawal</th> <th>Age</th> <th>Rate of Withdrawal</th> </tr> </thead> <tbody> <tr> <td>20</td> <td>18.23%</td> <td>40</td> <td>7.05%</td> </tr> <tr> <td>25</td> <td>14.63%</td> <td>45</td> <td>5.48%</td> </tr> <tr> <td>30</td> <td>11.63%</td> <td>50</td> <td>4.20%</td> </tr> <tr> <td>35</td> <td>9.08%</td> <td>55</td> <td>3.15%</td> </tr> </tbody> </table>	Age	Rate of Withdrawal	Age	Rate of Withdrawal	20	18.23%	40	7.05%	25	14.63%	45	5.48%	30	11.63%	50	4.20%	35	9.08%	55	3.15%
Age	Rate of Withdrawal	Age	Rate of Withdrawal																		
20	18.23%	40	7.05%																		
25	14.63%	45	5.48%																		
30	11.63%	50	4.20%																		
35	9.08%	55	3.15%																		
<b>Long-term Inflation</b>	2.25%. See <a href="#">Long-Term Capital Market Assumptions</a> for additional information.																				
<b>Marriage</b>	75% married; male is 3 years older than the female.																				
<b>Retirement age</b>	Age 55 and 10 years of service.																				
<b>Expected Distributions for current annuitants</b>	Stream of payments at retirement.																				
<b>Expected Distributions for future annuitants</b>	Stream of payments at retirement.																				
<b>Interest Rate for Employee Accumulations</b>	5.00%.																				
<b>Compensation Limit Increase</b>	2.25% increase per year. Compensation limit increase should be consistent with the inflation assumption.																				
<b>Form of Benefit</b>	Participants are assumed to receive their benefits on the normal form at the assumed retirement age.																				
<b>Retirees</b>	Assets and liabilities for current and future retirees are included.																				

<b>Assumptions and Methods Prescribed by GASB used for Calculating the Discount Rate</b>	
With the exceptions below, all assumptions and methods are the same as those used in determining your plan's Net Pension Liability.	
<b>Participant group</b>	Census as of 09/30/2014. No new participants join the group during the projection period.
<b>Future Employee Contributions</b>	Assume employee contributions continue at 7.25%.

**Assumptions and Methods Selected by Actuary  
used for Calculating the Discount Rate**

<b>Interest rate</b>	7.75%.
<b>Funding Policy</b>	Assume 100% of the estimated Actuarially Determined Contribution amount is contributed midway during each projection period.
<b>Future Employer Contributions</b>	<p>Assumed employer contributions are equal to:</p> <ul style="list-style-type: none"> <li>• Employer Contribution is assumed to continue at 23.66% of payroll throughout the projection period.</li> <li>• Expenses are assumed to start at \$48,000 and grow with the inflation assumption throughout the projection period.</li> </ul>

## Appendix 3 – Auditor Support

### Long-Term Rate of Return

The expected long term rate of return was selected by City

### Money-weighted Rate of Return

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the size and timing of cash flow. This return is calculated net of investment expenses.

The actual date and amount of each contribution, benefit payment and administrative expense payment was used in the calculation of the money-weighted rate of return. Please refer to the List of Transactions in the pension plan's fund statement for details.

The annual money-weighted rate of return on plan investments for the measurement period is 9.27%.

	<b>Amount</b>	<b>Interest</b>	<b>Amount with Interest</b>
Fiduciary Net Position, beginning	\$141,210,749	\$13,096,848	\$154,307,597
Total benefit payments	(10,021,946)	(500,872)	(10,522,818)
Total contributions	16,710,014	277,920	16,987,934
Total administrative expenses	(2,299)	(138)	(2,438)
Fiduciary Net Position, ending			\$160,770,276

## Discount Rate

The plan's fiduciary net position and benefit payments were projected to determine the discount rate. Projected fiduciary net position includes expected employer contributions, expected contributions from current employees, projected benefit and administrative payments, and expected investment return. Projected benefit payments are based on plan provisions and participant data as of the measurement date, and include the effects of automatic cost-of-living adjustments, projected salary changes and projected service credits. Assumptions used for these projections are described in Appendix 2.

The long-term rate of return is used to calculate the actuarial present value of projected benefit payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. Otherwise, a municipal bond rate is used. The discount rate is a single rate that reflects this valuation.

This projection is only used to establish the discount rate to use for GASB 67 and 68 purposes. It should not be used to determine future employer or employee funding contributions. Please contact us if you would like a customized estimate of future contributions.

Projection Year	Projected payroll	Projected Employee Contribs	Projected Employer Contribs	Projected benefit payments	Projected admin expenses	Projected investment earnings	Projected Fiduciary Net Position
							\$150,970,276
2014	3,311,508	240,084	831,503	9,791,394	48,000	11,360,443	153,562,912
2015	3,038,851	220,317	768,072	10,162,053	49,080	11,543,745	155,883,913
2016	3,002,461	217,678	760,566	10,586,477	50,184	11,706,739	157,932,235
2017	2,682,298	194,467	685,945	11,086,037	51,313	11,842,292	159,517,589
2018	2,234,768	162,021	581,214	11,387,944	52,468	11,948,097	160,768,509
2019	2,076,668	150,558	544,989	12,034,205	53,649	12,018,107	161,394,309
2020	1,778,213	128,920	475,581	12,640,991	54,856	12,039,519	161,342,482
2021	1,303,755	94,522	364,558	13,020,653	56,090	12,015,107	160,739,926
2022	1,185,407	85,942	337,819	13,391,648	57,352	11,952,616	159,667,303
2023	923,422	66,948	277,124	13,602,817	58,642	11,858,167	158,208,083
2024	916,295	66,431	276,756	13,855,699	59,961	11,735,192	156,370,802
2025	695,473	50,422	225,859	14,132,216	61,310	11,579,444	154,033,001
2026	612,024	44,372	207,494	14,255,722	62,689	11,392,480	151,358,936
2027	608,796	44,138	208,141	14,438,524	64,100	11,178,117	148,286,708
2028	369,381	26,780	152,938	14,528,403	65,542	10,933,669	144,806,150
2029	300,850	21,812	138,198	14,648,440	67,017	10,658,453	140,909,156
2030	213,046	15,446	118,932	14,624,587	68,525	10,356,309	136,706,731
2031	212,006	15,370	120,228	14,649,573	70,067	10,029,640	132,152,329
2032	138,677	10,054	104,455	14,694,076	71,644	9,674,070	127,175,188
2033	61,071	4,428	87,705	14,554,573	73,256	9,292,819	121,932,311
2034	60,694	4,400	89,264	14,351,355	74,904	8,894,365	116,494,081
2035	60,393	4,378	90,878	14,107,084	76,589	8,482,365	110,888,029
2036	60,149	4,361	92,543	13,838,154	78,312	8,058,314	105,126,781
2037	42,775	3,101	90,195	13,506,642	80,074	7,624,456	99,257,817
2038	42,668	3,093	91,971	13,134,366	81,876	7,184,036	93,320,675
2039	42,598	3,088	93,797	12,717,798	83,718	6,740,047	87,356,091
2040	42,524	3,083	95,663	12,323,694	85,602	6,293,063	81,338,604
2041	0	0	87,528	11,840,807	87,528	5,844,911	75,342,708
2042	0	0	89,497	11,327,982	89,497	5,400,101	69,414,827

## Appendices

<b>Projection Year</b>	<b>Projected payroll</b>	<b>Projected Employee Contribs</b>	<b>Projected Employer Contribs</b>	<b>Projected benefit payments</b>	<b>Projected admin expenses</b>	<b>Projected investment earnings</b>	<b>Projected Fiduciary Net Position</b>
2043	0	0	91,511	10,787,802	91,511	4,961,622	63,588,647
2044	0	0	93,570	10,226,184	93,570	4,531,856	57,894,319
2045	0	0	95,675	9,648,356	95,675	4,112,936	52,358,899
2046	0	0	97,828	9,060,919	97,828	3,706,705	47,004,685
2047	0	0	100,029	8,469,854	100,029	3,314,656	41,849,487
2048	0	0	102,280	7,881,539	102,280	2,937,925	36,905,873
2049	0	0	104,581	7,301,214	104,581	2,577,283	32,181,942
2050	0	0	106,934	6,734,315	106,934	2,233,147	27,680,774
2051	0	0	109,340	6,185,985	109,340	1,905,553	23,400,342
2052	0	0	111,800	5,658,415	111,800	1,594,263	19,336,190
2053	0	0	114,316	5,154,909	114,316	1,298,803	15,480,084
2054	0	0	116,888	4,678,223	116,888	1,018,425	11,820,286
2055	0	0	119,518	4,230,779	119,518	752,129	8,341,636
2056	0	0	122,207	3,813,736	122,207	498,695	5,026,595
2057	0	0	124,957	3,426,344	124,957	256,790	1,857,041
2058	0	0	127,769	3,069,024	127,769	24,996	(1,186,987)
2059	0	0	130,644	2,741,456	130,644	(198,223)	(4,126,666)
2060	0	0	133,583	2,440,708	133,583	(414,395)	(6,981,769)
2061	0	0	136,589	2,166,538	136,589	(625,040)	(9,773,347)
2062	0	0	139,662	1,917,280	139,662	(831,729)	(12,522,356)
2063	0	0	142,804	1,690,146	142,804	(1,035,976)	(15,248,478)
2064	0	0	146,017	1,483,436	146,017	(1,239,240)	(17,971,154)
2065	0	0	149,302	1,296,931	149,302	(1,443,021)	(20,711,106)
2066	0	0	152,661	1,129,576	152,661	(1,648,882)	(23,489,564)
2067	0	0	156,096	978,885	156,096	(1,858,373)	(26,326,822)
2068	0	0	159,608	843,640	159,608	(2,073,020)	(29,243,482)
2069	0	0	163,199	724,307	163,199	(2,294,437)	(32,262,226)
2070	0	0	166,871	619,356	166,871	(2,524,323)	(35,405,905)
2071	0	0	170,626	526,516	170,626	(2,764,360)	(38,696,781)
2072	0	0	174,465	445,090	174,465	(3,016,248)	(42,158,119)
2073	0	0	178,390	374,711	178,390	(3,281,774)	(45,814,604)
2074	0	0	182,404	313,593	182,404	(3,562,784)	(49,690,981)
2075	0	0	186,508	260,402	186,508	(3,861,142)	(53,812,525)
2076	0	0	190,704	215,016	190,704	(4,178,803)	(58,206,344)
2077	0	0	194,995	176,605	194,995	(4,517,836)	(62,900,785)
2078	0	0	199,382	143,592	199,382	(4,880,375)	(67,924,752)
2079	0	0	203,868	115,515	203,868	(5,268,644)	(73,308,911)
2080	0	0	208,455	92,167	208,455	(5,685,012)	(79,086,090)
2081	0	0	213,145	72,869	213,145	(6,131,996)	(85,290,955)
2082	0	0	217,941	56,973	217,941	(6,612,257)	(91,960,185)
2083	0	0	222,845	43,823	222,845	(7,128,612)	(99,132,620)
2084	0	0	227,859	33,336	227,859	(7,684,069)	(106,850,025)
2085	0	0	232,986	25,184	232,986	(8,281,853)	(115,157,062)
2086	0	0	238,228	18,759	238,228	(8,925,399)	(124,101,220)
2087	0	0	243,588	13,689	243,588	(9,618,375)	(133,733,284)
2088	0	0	249,069	9,894	249,069	(10,364,714)	(144,107,892)
2089	0	0	254,673	7,072	254,673	(11,168,636)	(155,283,600)

## Appendices

<b>Projection Year</b>	<b>Projected payroll</b>	<b>Projected Employee Contribs</b>	<b>Projected Employer Contribs</b>	<b>Projected benefit payments</b>	<b>Projected admin expenses</b>	<b>Projected investment earnings</b>	<b>Projected Fiduciary Net Position</b>
2090	0	0	260,403	4,989	260,403	(12,034,672)	(167,323,261)
2091	0	0	266,262	3,470	266,262	(12,967,687)	(180,294,418)
2092	0	0	272,253	2,380	272,253	(13,972,909)	(194,269,707)
2093	0	0	278,379	1,606	278,379	(15,055,964)	(209,327,277)
2094	0	0	284,643	1,063	284,643	(16,222,905)	(225,551,245)
2095	0	0	291,047	690	291,047	(17,480,248)	(243,032,183)
2096	0	0	297,596	443	297,596	(18,835,011)	(261,867,637)
2097	0	0	304,292	278	304,292	(20,294,753)	(282,162,668)
2098	0	0	311,139	171	311,139	(21,867,613)	(304,030,452)
2099	0	0	318,140	106	318,140	(23,562,364)	(327,592,922)
2100	0	0	325,298	66	325,298	(25,388,454)	(352,981,442)
2101	0	0	332,617	39	332,617	(27,356,063)	(380,337,544)
2102	0	0	340,101	23	340,101	(29,476,161)	(409,813,728)
2103	0	0	347,753	14	347,753	(31,760,565)	(441,574,307)
2104	0	0	355,577	9	355,577	(34,222,009)	(475,796,325)
2105	0	0	363,577	4	363,577	(36,874,215)	(512,670,544)
2106	0	0	371,757	0	371,757	(39,731,967)	(552,402,511)

## Appendix 4 – GASB 40 Information

GASB No. 3, as amended by GASB No. 40, requires government entities to disclosure certain risks associated with the plan’s deposits and investments. GASB 53 requires investment derivative instruments be reported at fair value and disclosed according to GASB 40 requirements. NOTE: Effective Durations are updated quarterly.

### Deposits

The plan held no deposits as of the measurement date.

### Investment Rate Risk

The effective duration is shown in years. A general listing of plan assets as of the current measurement date is shown in Additional Information – Detail of Plan Assets by Category.

<b>Fixed Income Investment Options</b>	<b>Effective Duration</b> as of 09/30/2014 for measurement date of 09/30/2014
General Account at contract value	5.09
Core Plus Bond I Separate Account	5.38
Principal Bond and Mortgage Separate Account	5.12
Principal Government & High Quality Bond Separate Account	5.31
Principal Inflation Protection Separate Account	7.45
Principal High Yield I Separate Account	4.10
Principal Income Separate Account	5.04
Principal Short Term Income Separate Account	2.02
Principal Preferred Securities Separate Account	6.42
Principal LDI Long Duration Separate Account	13.55
Principal Money Market Separate Account <sup>1</sup>	0.13
U.S. Property Separate Account <sup>2</sup>	n/a
Principal Bond Market Index Separate Account	5.58
Principal LDI Short Duration Separate Account	2.77
Principal LDI Intermediate Duration Separate Account	6.84
Principal LDI Extended Duration Separate Account	27.26

<sup>1</sup> Principal Money Market Separate Account is shown in average weighted maturity.

<sup>2</sup> U.S. Property Separate Account is subject to investment and liquidity risk and other risks inherent in real estate such as those associated with general and local economic conditions. Therefore, an effective duration is not calculated.

For more performance information, including most recent month-end performance, visit the Principal Sponsor Service Center at [www.Principal.com](http://www.Principal.com), or contact your representative of The Principal, or call our Client Contact Center at 1-800-547-7754.

### Credit Risk

Separate accounts held at The Principal Financial Group are commingled pools, rather than individual securities. As a result, these accounts are not rated.

### Derivatives

Separate accounts held at The Principal Financial Group may use derivatives as part of their investment strategy. These accounts are comingled pools, rather than individual securities. Accounts held at The Principal Financial Group are not subject to concentration of credit risk, custodial credit risk or foreign currency risk.