

January 23, 2018

Mr. Scott Baur
The Resource Centers, LLC
4360 Northlake Blvd., Suite 206
Palm Beach Gardens, FL 33410

**Re: Okeechobee Utility Authority Employees' Retirement System
GASB No. 67 Disclosure Information for Fiscal Year Ending September 30, 2017**

Dear Scott:

As requested, we have prepared the updated actuarial disclosure information required under Governmental Accounting Standards Board (GASB) Statement No. 67 for the fiscal year ending September 30, 2017.

The following exhibits were based upon financial information as of September 30, 2017, which was provided by the auditor, as well as information furnished by the Plan Administrator. If any of this information changes during the auditing process (including benefit payments, contributions, administrative expenses, or the actual market value of assets as of September 30, 2017), then the following exhibits will need to be revised:

- Statement of Changes in Net Pension Liability and Ratios, using the Single Discount Rate
- Schedule of Net Pension Liability
- Schedule of Contributions
- Notes to Schedule of Contributions
- Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

The actuarial valuation of the liabilities has been determined as of the beginning of the year, October 1, 2016 (based on the actuarial valuation results as reported in the October 1, 2016 Actuarial Valuation Report dated May 30, 2017), and "rolled forward" to the September 30, 2017 measurement date. Using the beginning of the year valuation of liabilities allows for timely reporting at the end of the year. If significant changes occur during the year, such as benefit changes or changes in assumptions or methods, these may need to be reflected in the process. Please refer to our October 1, 2016 actuarial valuation report for information related to participant data, economic and demographic assumptions, and benefit provisions.

Please note that there are other items not listed above that will be required in the Plan's financial statements and/or the City's Comprehensive Annual Financial Report (CAFR) to fully comply with GASB No. 67 standards. This additional information will need to be provided by the Plans' investment consultants, accountants or other financial statement preparers.



Disclosures

This information is intended to assist in preparation of the financial statements of the Plan. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

Our actuarial calculations for this report were prepared for the purpose of complying with the requirements of GASB Statements No. 67. These calculations have been made on a basis that is consistent with our understanding of this Statement.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB Statements No 67. The Net Pension Liability is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimate cost of settling the employer's benefit obligation. The Net Pension Liability is not an appropriate measure for assessing the need for or amount of future employer contributions. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement No. 67 may produce significantly different results.

This report was prepared at the request of the Board and is intended for financial reporting purposes for use by the Retirement Plan and those designated or approved by the Board. This report may be provided to parties other than the Retirement Plan only in its entirety and only with permission of the Board. This report should not be relied on for any purpose other than the purpose described above.


The calculations in this report are based on financial information as of September 30, 2017 furnished by the Plan's Auditor as well as the assumptions, methods, and plan provisions outlined in our October 1, 2016 Actuarial Valuation Report dated May 30, 2017. GRS is not responsible for unauthorized use of this report.


This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To best of our knowledge, the information contained in this letter is accurate and fairly presents the actuarial position of the plan as of the valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standard Board, and with applicable statutes.

Theora P. Braccialarghe and Melissa R. Moskovitz are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. The signing actuaries are independent of the plan sponsor.

Respectfully submitted,

GABRIEL, ROEDER, SMITH AND COMPANY


Theora P. Braccialarghe, FSA, MAAA
Senior Consultant & Actuary


Melissa R. Moskovitz, EA, MAAA
Consultant & Actuary



**SCHEDULE OF CHANGES IN THE EMPLOYER'S
NET PENSION LIABILITY AND RELATED RATIOS
GASB Statement No. 67**

Fiscal year ending September 30,	<u>2017</u>	<u>2016</u>
Total pension liability		
Service Cost	\$ 285,610	
Interest	723,860	
Benefit Changes	-	
Difference between actual & expected experience	-	
Assumption Changes	109,828	
Benefit Payments	(188,987)	
Refunds	(17,426)	
Other*	(2,877,492)	
Net Change in Total Pension Liability	(1,964,607)	
Total Pension Liability - Beginning	10,301,255	10,027,831
Total Pension Liability - Ending (a)	<u>\$ 8,336,648</u>	<u>\$ 10,301,255</u>
Plan Fiduciary Net Position		
Contributions - Employer and State	\$ 287,362	
Contributions - Member	130,765	
Net Investment Income	831,485	
Benefit Payments	(188,987)	
Refunds	(17,426)	
Administrative Expense	(52,151)	
Other**	(3,111,135)	
Net Change in Plan Fiduciary Net Position	(2,120,087)	
Plan Fiduciary Net Position - Beginning	9,926,910	9,006,480
Plan Fiduciary Net Position - Ending (b)	<u>\$ 7,806,823</u>	<u>\$ 9,926,910</u>
Net Pension Liability - Ending (a) - (b)	529,825	374,345
Plan Fiduciary Net Position as a Percentage		
of Total Pension Liability	93.64 %	96.37 %
Covered Payroll	\$ 2,179,417	\$ 2,141,184
Net Pension Liability as a Percentage		
of Covered Payroll	24.31 %	17.48 %

* The Total Pension Liability, the Plan Fiduciary Net Position, and the Net Pension Liability as of September 30, 2015 were allocated based on the portion of the Employer's Total Required Contribution (from October 1, 2015 Actuarial Valuation Reports dated April 25, 2016 and April 26, 2016 for the City and OUA, respectively). The October 1, 2015 Valuation determined the required employer contribution for the plan year end September 30, 2017.

** Due to change in nature of Plan, from a cost sharing to a single employer plan (effective October 1, 2016). Also reflects \$54,027 post-valuation adjustment to match audited financial statements.

Note: Covered payroll was calculated by dividing the total member contributions for the fiscal year by the employee contribution rate.

SCHEDULE OF THE EMPLOYER'S NET PENSION LIABILITY
GASB Statement No. 67

<u>FY Ending September 30,</u>	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>	<u>Plan Net Position as a % of Total Pension Liability</u>	<u>Covered Payroll*</u>	<u>Net Pension Liability as a % of Covered Payroll</u>
2017	\$ 8,336,648	\$ 7,806,823	\$ 529,825	93.64%	\$ 2,179,417	24.31%
2016	10,301,255	9,926,910	374,345	96.37%	2,141,184	17.48%

Note: Covered payroll was calculated by dividing the total member contributions for the fiscal year by the employee contribution rate.

NOTES TO SCHEDULE OF NET PENSION LIABILITY

GASB Statement No. 67

Significant Assumptions and Methods used to Measure the Net Pension Liability

The Total Pension Liability was determined by the actuarial valuation as of October 1, 2016, using the following actuarial assumptions and methods, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Inflation	2.5%
Salary Increases	6% per year
Investment Rate of Return	7%, net of investment expenses
COLA	None
Retirement Age	100% when first eligible for Normal Retirement or DROP entry
Mortality	RP-2000 mortality tables with collar adjustments and generational projections using scale BB as used by the Florida Retirement System for the Regular Class in the July 1, 2016 actuarial valuation

Standard actuarial update procedures were used to "roll forward" the Total Pension Liability to September 30, 2017, the Plan's fiscal year end.

Other Information

See Discussion of Valuation Results on page 1 of the October 1, 2016 Report dated May 30, 2017

SCHEDULE OF CONTRIBUTIONS
GASB Statement No. 67

<u>FY Ending September 30,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2017	\$ 302,834	287,362	\$ 15,472	\$ 2,179,417	13.19%
2016	335,736	335,736	-	2,141,184	15.68%

Note: Covered payroll was calculated by dividing the total member contributions for the fiscal year by the employee contribution rate.

NOTES TO SCHEDULE OF CONTRIBUTIONS
GASB Statement No. 67

Valuation Date: October 1, 2015
Notes Actuarially determined contribution rates are calculated as of the October 1 which is 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	Aggregate
Amortization Method	N/A
Remaining Amortization Period	N/A
Asset Valuation Method	4-year smoothed market
Salary Increases	6.00%
Investment Rate of Return	7.00%
Retirement Age	100% when first eligible for Normal Retirement or DROP entry
Mortality	RP-2000 Combined Healthy Participant Mortality Table for males and females with mortality improvement projected to all future years after 2000 using Scale AA.

Other Information:
Notes See Discussion of Valuation Results on Page 1 of October 1, 2015 Actuarial Valuation Report dated April 6, 2016.

**SENSITIVITY OF NET PENSION LIABILITY TO THE SINGLE DISCOUNT RATE
ASSUMPTION
GASB Statement No. 67**

A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between the total actuarially determined contribution rates and the member rate. Based on these 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 (7.00%) was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.00%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

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

1% Decrease	Current Single Discount	1% Increase
6.00%	Rate Assumption	8.00%
7.00%		
\$1,714,869	\$529,825	(\$461,688)