



June 22, 2016

Mr. Ricky Thompson
City Clerk
City of Starke General Employees' Retirement System
P.O. Box C – 209 N. Thompson Street
Starke, Florida 32091-1278

Re: City of Starke General Employees' Retirement System

Dear Ricky:

As requested, we are pleased to enclose twenty (20) copies of the October 1, 2015 Chapter 112.664 Compliance Report for the City of Starke General Employees' Retirement System (System).

As required, we will timely upload the required data to the State's online portal prior to the filing deadline.

Please note we understand the following items must be posted on the System's website and must be posted on any website containing budget information relating to the City or actuarial or performance information relating to the System:

- this compliance report
- most recent financial statement
- most recent actuarial valuation report
- a link to the Division of Retirement Actuarial Summary Fact Sheet
http://www.dms.myflorida.com/workforce_operations/retirement/local_retirement_plans/local_retirement_section/actuarial_summary_fact_sheets
- for the previous five years - a side-by-side comparison of the System's assumed rate of return compared to the actual rate of return as well as the percentages of cash, equity, bond and alternative investments in the System portfolio
- the System's funded ratio as determined in the most recent actuarial valuation – 64.3% on a market value of assets basis as of October 1, 2015

We appreciate the opportunity to work with the Board on this important assignment.

If you should have any questions concerning the above, please do not hesitate to contact us.

Sincerest regards,

Lawrence F. Wilson, A.S.A.
Senior Consultant and Actuary

Enclosures

cc: Ronald Cohen, Esq. (w/ enclosure)

CITY OF STARKE GENERAL EMPLOYEES' RETIREMENT SYSTEM

CHAPTER 112.664, F.S. COMPLIANCE REPORT

In Connection with the October 1, 2015 Funding Actuarial Valuation Report
and the System's Financial Reporting for the Year Ended September 30, 2015



June 22, 2016

Board of Trustees
c/o Mr. Ricky Thompson
City Clerk
City of Starke General Employees' Retirement System
P.O. Box C – 209 N. Thompson Street
Starke, Florida 32091-1278

Re: October 1, 2015 Chapter 112.664 Compliance Report

Dear Board Members:

Gabriel, Roeder, Smith & Company (GRS) has been engaged by the Board of Trustees (Board) of the City of Starke General Employees' Retirement System (System) to prepare a disclosure report to satisfy the requirements set forth in Chapter 112.664, F.S. and as further required pursuant to Chapter 60T-1.0035, F.A.C.

This report was prepared at the request of the Board and is intended for use by the Board and those designated or approved by the Board. This report may be provided to parties other than the Board only in its entirety and only with the permission of the Board.

The purpose of the report is to provide the required information specified in Chapter 112.664, F.S. and to supplement this information with additional exhibits. This report should not be relied on for any purpose other than the purpose described above.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System provisions or applicable law. The scope of this engagement does not include an analysis of the potential range of such measurements.

This report was based upon information furnished by the City and the Board concerning System benefits, System provisions and System members as used in the corresponding Actuarial Valuation Reports for the Valuation Dates indicated. Financial information was provided by the City and Board as of September 30, 2015. We reviewed the information provided for internal and year-to-year consistency, but did not otherwise audit the data. We are not responsible for the accuracy or completeness of the information provided by the City and Board.

Except where specific assumptions are required by Chapter 112.664, F.S, this report was prepared using actuarial assumptions adopted by the Board as described in Section C. The economic and demographic actuarial assumptions were last updated in 2015 and are based upon the results of an actuarial experience study for the period October 1, 2009 – September 30, 2014. Each assumption represents an estimate of future System experience.

The investment return assumption of 2% higher than the investment return assumption utilized in the Actuarial Valuation Report does not represent an estimate of future System experience nor observation of the estimates inherent in market data. This assumption is provided as a counterpart to the Chapter 112.664, F.S. requirement to utilize an investment return assumption of 2% lower than the investment return assumption utilized in the Actuarial Valuation Report. The inclusion of the additional 2% higher assumption shows a more complete assessment of the range of potential results as opposed to the *one-sided* range required by statute.

If all actuarial assumptions are met and if all current and future minimum required contributions are paid System assets will be sufficient to pay all System benefits. System minimum required contributions are determined in compliance with the requirements of the Florida Protection of Public Employee Retirement Benefits Act with normal cost determined as a level percent of covered payroll and a level percent of pay amortization payment using a maximum amortization period of 30 years.

The System's funded ratio as of October 1, 2015 is 64.3% defined as the ratio of the market value of System assets to the actuarial accrued liability.

The System's funded ratio and the GASB Net Pension Liability may not be appropriate for assessing the sufficiency of System assets to meet the estimated cost of settling benefit obligations but may be appropriate for assessing the need for or the amount of future contributions.

The undersigned are members of the American Academy of Actuaries 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 System sponsor.

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


With respect to the reporting standards for defined benefit retirement plans or systems contained in Section 112.664(1), F.S., the actuarial disclosures required under this section were prepared and completed by me or under my direct supervision and I acknowledge responsibility for the results.

Board of Trustees
June 22, 2016
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To the best of our knowledge, the results are complete and accurate, and in our opinion, meet the requirements of Section 112.664(1), F.S., and Section 60T-1.0035, F.A.C.

Respectfully submitted,

GABRIEL, ROEDER, SMITH AND COMPANY

By 

Lawrence F. Wilson, M.A.A.A
Enrolled Actuary No. 14-02802
Senior Consultant & Actuary
Date: June 22, 2016

By 

Jennifer M. Borregard, M.A.A.A
Enrolled Actuary No. 14-07624
Consultant & Actuary

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SECTION A

CHAPTER 112.664, F.S. RESULTS

City of Starke General Employees' Retirement System

Net Pension Liability

Using Financial Reporting Assumptions per GASB Statements No. 67 and No. 68

Measurement Date	<u>9/30/2015</u>
A. <u>Total Pension Liability (TPL)</u>	
Service Cost	\$ 80,417
Interest	922,364
Benefit Changes	0
Difference Between Actual and Expected Experience	(120,675)
Assumption Changes	0
Benefit Payments	(812,467)
Contribution Refunds	(586)
Other	0
Net Change in Total Pension Liability	\$ 69,053
Total Pension Liability (TPL) - (beginning of year)	<u>12,331,385</u>
Total Pension Liability (TPL) - (end of year)	<u><u>\$ 12,400,438</u></u>
B. <u>System Fiduciary Net Position</u>	
Contributions - City	\$ 558,868
Contributions - State	0
Contributions - Member	9,377
Net Investment Income	(485,656)
Benefit Payments	(812,467)
Contribution Refunds	(586)
Administrative Expenses	(46,487)
Other	0
Net Change in System Fiduciary Net Position	\$ (776,951)
System Fiduciary Net Position - (beginning of year)	<u>9,256,944</u>
System Fiduciary Net Position - (end of year)	<u><u>\$ 8,479,993</u></u>
C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u>	\$ 3,920,445
Valuation Date	10/1/2014

Certain Key Assumptions

Investment Return Assumption 7.75%

Mortality Table:

For healthy participants, RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, and fully generational mortality improvements projected to each future valuation date with Scale AA. For disabled participants, RP-2000 Disabled Mortality Tables, separate rates for males and females, and fully generational mortality improvements projected to each future payment date with Scale AA.

City of Starke General Employees' Retirement System
Net Pension Liability
Using Assumptions Required Under 112.664(1)(a), F.S.

Measurement Date	9/30/2015
A. <u>Total Pension Liability (TPL)</u>	
Service Cost	\$ 81,181
Interest	925,857
Benefit Changes	0
Difference Between Actual and Expected Experience	(126,130)
Assumption Changes	0
Benefit Payments	(812,467)
Contribution Refunds	(586)
Other	0
Net Change in Total Pension Liability	\$ 67,855
Total Pension Liability (TPL) - (beginning of year)	12,381,143
Total Pension Liability (TPL) - (end of year)	\$ 12,448,998
B. <u>System Fiduciary Net Position</u>	
Contributions - City	\$ 558,868
Contributions - State	0
Contributions - Member	9,377
Net Investment Income	(485,656)
Benefit Payments	(812,467)
Contribution Refunds	(586)
Administrative Expenses	(46,487)
Other	0
Net Change in System Fiduciary Net Position	\$ (776,951)
System Fiduciary Net Position - (beginning of year)	9,256,944
System Fiduciary Net Position - (end of year)	\$ 8,479,993
C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u>	\$ 3,969,005
Valuation Date	10/1/2014

Certain Key Assumptions

Investment Return Assumption 7.75%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

City of Starke General Employees' Retirement System
Net Pension Liability
Using Assumptions Required Under 112.664(1)(b), F.S.

Measurement Date	9/30/2015
A. <u>Total Pension Liability (TPL)</u>	
Service Cost	\$ 129,234
Interest	836,399
Benefit Changes	0
Difference Between Actual and Expected Experience	(159,636)
Assumption Changes	0
Benefit Payments	(812,467)
Contribution Refunds	(586)
Other	0
Net Change in Total Pension Liability	\$ (7,056)
Total Pension Liability (TPL) - (beginning of year)	14,975,716
Total Pension Liability (TPL) - (end of year)	\$ 14,968,660
B. <u>System Fiduciary Net Position</u>	
Contributions - City	\$ 558,868
Contributions - State	0
Contributions - Member	9,377
Net Investment Income	(485,656)
Benefit Payments	(812,467)
Contribution Refunds	(586)
Administrative Expenses	(46,487)
Other	0
Net Change in System Fiduciary Net Position	\$ (776,951)
System Fiduciary Net Position - (beginning of year)	9,256,944
System Fiduciary Net Position - (end of year)	\$ 8,479,993
C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u>	\$ 6,488,667
Valuation Date	10/1/2014

Certain Key Assumptions

Investment Return Assumption 5.75%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

City of Starke General Employees' Retirement System

Net Pension Liability

Using Assumptions Required Under 112.664(1)(a), F.S. Plus 2% on Investment Return Assumption

Measurement Date	<u>9/30/2015</u>
A. <u>Total Pension Liability (TPL)</u>	
Service Cost	\$ 53,202
Interest	981,773
Benefit Changes	0
Difference Between Actual and Expected Experience	(111,120)
Assumption Changes	0
Benefit Payments	(812,467)
Contribution Refunds	(586)
Other	0
Net Change in Total Pension Liability	<u>\$ 110,802</u>
Total Pension Liability (TPL) - (beginning of year)	<u>10,507,443</u>
Total Pension Liability (TPL) - (end of year)	<u><u>\$ 10,618,245</u></u>
B. <u>System Fiduciary Net Position</u>	
Contributions - City	\$ 558,868
Contributions - State	0
Contributions - Member	9,377
Net Investment Income	(485,656)
Benefit Payments	(812,467)
Contribution Refunds	(586)
Administrative Expenses	(46,487)
Other	0
Net Change in System Fiduciary Net Position	<u>\$ (776,951)</u>
System Fiduciary Net Position - (beginning of year)	<u>9,256,944</u>
System Fiduciary Net Position - (end of year)	<u><u>\$ 8,479,993</u></u>
C. <u>Net Pension Liability (NPL) - (end of year): (A) - (B)</u>	\$ 2,138,252
Valuation Date	10/1/2014

Certain Key Assumptions

Investment Return Assumption 9.75%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

City of Starke General Employees' Retirement System

**Asset and Benefit Payment Projection
Not Reflecting Any Future Contributions
Using Financial Reporting Assumptions per GASB Statements No. 67 and No. 68**

FYE	Market Value of Assets (BOY)	Expected Investment Return	Projected Benefit Payments	Market Value of Assets (EOY)
2016	7,895,147	550,614	1,033,494	7,412,267
2017	7,412,267	513,878	1,046,436	6,879,709
2018	6,879,709	473,905	1,047,227	6,306,387
2019	6,306,387	431,584	1,030,328	5,707,643
2020	5,707,643	386,865	1,025,687	5,068,821
2021	5,068,821	339,195	1,019,663	4,388,353
2022	4,388,353	288,429	1,012,985	3,663,797
2023	3,663,797	234,419	1,004,709	2,893,507
2024	2,893,507	177,079	993,979	2,076,607
2025	2,076,607	116,165	985,171	1,207,601
2026	1,207,601	51,303	977,384	281,520
2027	281,520	2,203	966,537	-
2028	-	-	952,588	-
2029	-	-	935,171	-

Number of years for which current market value of assets are adequate to sustain the payment of expected retirement benefits reflecting no contributions from the City, Members or State: 11.25

Certain Key Assumptions

Investment return assumption 7.5%

Mortality Table:

For healthy male participants, RP-2000 Annuitant Male Mortality Table with 50% White Collar / 50% Blue Collar Adjustment, with fully generational mortality improvements projected to each future decrement date with Scale BB. For healthy female participants, RP-2000 Annuitant Female Mortality Table with White Collar Adjustment, with fully generational mortality improvements projected to each future decrement date with Scale BB. For disabled male participants, RP-2000 Disabled Male Mortality Table setback four years, without projected mortality improvements. For disabled female participants, RP-2000 Disabled Female Mortality Table set forward two years, without projected mortality improvements.

Note: As required in Section 112.664(c) of the Florida Statutes, the projection of System assets does not include future contributions from the City, Member or State. For this reason, this projection should not be viewed as representative of the amount of time the System can sustain benefit payments. Under the Government Accounting Standards Board standards which include City, Member and State contributions, the System is expected to be able to pay all future benefit payments.

City of Starke General Employees' Retirement System

**Asset and Benefit Payment Projection
Not Reflecting Any Future Contributions
Using Assumptions Required Under 112.664(1)(a), F.S.**

FYE	Market Value of Assets (BOY)	Expected Investment Return	Projected Benefit Payments	Market Value of Assets (EOY)
2016	7,895,147	550,628	1,033,158	7,412,617
2017	7,412,617	513,924	1,045,958	6,880,583
2018	6,880,583	473,998	1,046,544	6,308,037
2019	6,308,037	431,746	1,029,386	5,710,397
2020	5,710,397	387,123	1,024,417	5,073,103
2021	5,073,103	339,582	1,018,039	4,394,646
2022	4,394,646	288,984	1,010,915	3,672,715
2023	3,672,715	235,196	1,002,029	2,905,882
2024	2,905,882	178,151	990,394	2,093,639
2025	2,093,639	117,630	980,512	1,230,757
2026	1,230,757	53,276	971,501	312,532
2027	312,532	2,791	959,198	-
2028	-	-	943,569	-
2029	-	-	924,122	-

Number of years for which current market value of assets are adequate to sustain the payment of expected retirement benefits reflecting no contributions from the City, Members or State: 11.25

Certain Key Assumptions

Investment return assumption 7.5%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

Note: As required in Section 112.664(c) of the Florida Statutes, the projection of System assets does not include future contributions from the City, Member or State. For this reason, this projection should not be viewed as representative of the amount of time the System can sustain benefit payments. Under the Government Accounting Standards Board standards which include City, Member and State contributions, the System is expected to be able to pay all future benefit payments.

City of Starke General Employees' Retirement System

**Asset and Benefit Payment Projection
Not Reflecting Any Future Contributions
Using Assumptions Required Under 112.664(1)(b), F.S.**

FYE	Market Value of Assets (BOY)	Expected Investment Return	Projected Benefit Payments	Market Value of Assets (EOY)
2016	7,895,147	403,705	1,033,158	7,265,694
2017	7,265,694	368,707	1,045,958	6,588,443
2018	6,588,443	331,441	1,046,544	5,873,340
2019	5,873,340	292,617	1,029,386	5,136,571
2020	5,136,571	252,242	1,024,417	4,364,396
2021	4,364,396	209,961	1,018,039	3,556,318
2022	3,556,318	165,727	1,010,915	2,711,130
2023	2,711,130	119,504	1,002,029	1,828,605
2024	1,828,605	71,309	990,394	909,520
2025	909,520	21,274	980,512	-
2026	-	-	971,501	-
2027	-	-	959,198	-
2028	-	-	943,569	-
2029	-	-	924,122	-

Number of years for which current market value of assets are adequate to sustain the payment of expected retirement benefits reflecting no contributions from the City, Members or State: 9.92

Certain Key Assumptions

Investment return assumption 5.5%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

Note: As required in Section 112.664(c) of the Florida Statutes, the projection of System assets does not include future contributions from the City, Member or State. For this reason, this projection should not be viewed as representative of the amount of time the System can sustain benefit payments. Under the Government Accounting Standards Board standards which include City, Member and State contributions, the System is expected to be able to pay all future benefit payments.

City of Starke General Employees' Retirement System

**Asset and Benefit Payment Projection
Not Reflecting Any Future Contributions**

Using Assumptions Required Under 112.664(1)(a), F.S. Plus 2% on Investment Return Assumption

FYE	Market Value of Assets (BOY)	Expected Investment Return	Projected Benefit Payments	Market Value of Assets (EOY)
2016	7,895,147	697,611	1,033,158	7,559,600
2017	7,559,600	665,085	1,045,958	7,178,727
2018	7,178,727	628,872	1,046,544	6,761,055
2019	6,761,055	590,064	1,029,386	6,321,733
2020	6,321,733	548,581	1,024,417	5,845,897
2021	5,845,897	503,700	1,018,039	5,331,558
2022	5,331,558	455,199	1,010,915	4,775,842
2023	4,775,842	402,857	1,002,029	4,176,670
2024	4,176,670	346,526	990,394	3,532,802
2025	3,532,802	285,860	980,512	2,838,150
2026	2,838,150	220,325	971,501	2,086,974
2027	2,086,974	149,588	959,198	1,277,364
2028	1,277,364	73,468	943,569	407,263
2029	407,263	6,837	924,122	-

Number of years for which current market value of assets are adequate to sustain the payment of expected retirement benefits reflecting no contributions from the City, Members or State: 13.42

Certain Key Assumptions

Investment return assumption 9.5%

Mortality Table:

RP-2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, with fully generational mortality improvements projected to each future payment date with Scale AA.

Note: As required in Section 112.664(c) of the Florida Statutes, the projection of System assets does not include future contributions from the City, Member or State. For this reason, this projection should not be viewed as representative of the amount of time the System can sustain benefit payments. Under the Government Accounting Standards Board standards which include City, Member and State contributions, the System is expected to be able to pay all future benefit payments.

City of Starke General Employees' Retirement System

ACTUARIAL DETERMINED CONTRIBUTION				
	<u>Valuation Assumptions</u>	<u>112.664(1)(a), F.S. Assumptions</u>	<u>112.664(1)(b), F.S. Assumptions</u>	<u>112.664(1)(a), F.S. Assumptions Plus 2% on Investment Return Assumption</u>
A. Valuation Date	October 1, 2015	October 1, 2015	October 1, 2015	October 1, 2015
B. Actuarial Determined Contribution to Be Paid During Fiscal Year Ending	9/30/2017	9/30/2017	9/30/2017	9/30/2017
C. Annual Payroll of Active Employees	\$ 948,129	\$ 948,129	\$ 948,129	\$ 948,129
D. Total Minimum Funding Requirement				
1. Total Normal Cost	\$ 125,638	\$ 125,282	\$ 170,083	\$ 98,903
2. Annual Payment to Amortize Unfunded Actuarial Liability	383,737	369,190	493,730	240,930
3. Interest Adjustment	18,411	17,872	17,766	15,410
4. Total Minimum Funding Requirement	<u>\$ 527,786</u>	<u>\$ 512,344</u>	<u>\$ 681,579</u>	<u>\$ 355,243</u>
E. Expected Payroll of Active Employees for Following Plan Year (\$ / % of pay) (C x 1.000)	\$ 948,129 100.00%	\$ 948,129 100.00%	\$ 948,129 100.00%	\$ 948,129 100.00%
F. Expected Contribution Sources (\$ / % of pay)				
1. City	\$ 518,449 54.68%	\$ 503,007 53.05%	\$ 672,242 70.90%	\$ 345,906 36.48%
2. Member	9,337 0.98%	9,337 0.98%	9,337 0.98%	9,337 0.98%
3. State	0 0.00%	0 0.00%	0 0.00%	0 0.00%
4. Total	<u>\$ 527,786 55.67%</u>	<u>\$ 512,344 54.04%</u>	<u>\$ 681,579 71.89%</u>	<u>\$ 355,243 37.47%</u>

City of Starke General Employees' Retirement System

Unfunded Actuarial Accrued Liabilities Bases and Amortization Payments

Amortization Base	Amortization Payment					Remaining Funding Period
	Current Unfunded Liabilities	Valuation Assumptions	112.664(1)(a), F.S. Assumptions	112.664(1)(b), F.S. Assumptions	112.664(1)(a), F.S. Assumptions Plus 2%	
10/01/1992 Actuarial Loss (Gain)	\$ (941)	\$ (165)	\$ (165)	\$ (157)	\$ (174)	7 years
10/01/1992 Plan Amendment	19,063	3,348	3,348	3,180	3,517	7 years
10/01/1993 Actuarial Loss (Gain)	(6,662)	(1,058)	(1,058)	(997)	(1,120)	8 years
10/01/1993 Plan Amendment	10,230	1,625	1,625	1,531	1,719	8 years
10/01/1994 Actuarial Loss (Gain)	86,107	12,557	12,557	11,740	13,384	9 years
10/01/1994 Plan Amendment	50,563	7,374	7,374	6,894	7,859	9 years
10/01/1995 Actuarial Loss (Gain)	(68,665)	(9,306)	(9,306)	(8,635)	(9,987)	10 years
10/01/1995 Assumption Change	102,299	13,864	13,864	12,864	14,879	10 years
10/01/1996 Actuarial Loss (Gain)	127,784	16,249	16,249	14,967	17,556	11 years
10/01/1997 Actuarial Loss (Gain)	(96,683)	(11,627)	(11,627)	(10,633)	(12,643)	12 years
10/01/1997 Assumption Change	89,473	10,760	10,760	9,840	11,700	12 years
10/01/1998 Actuarial Loss (Gain)	39,896	4,567	4,567	4,148	4,997	13 years
10/01/1999 Actuarial Loss (Gain)	(36,625)	(4,013)	(4,013)	(3,620)	(4,417)	14 years
10/01/2000 Actuarial Loss (Gain)	216,924	22,860	22,860	20,485	25,307	15 years
10/01/2001 Actuarial Loss (Gain)	400,256	40,730	40,730	36,263	45,338	16 years
10/01/2002 Actuarial Loss (Gain)	405,119	39,947	39,947	35,344	44,704	17 years
10/01/2003 Actuarial Loss (Gain)	211,186	20,240	20,240	17,800	22,767	18 years
10/01/2003 Plan Amendment	60,418	5,791	5,791	5,092	6,513	18 years
10/01/2004 Actuarial Loss (Gain)	55,623	5,195	5,195	4,542	5,873	19 years
10/01/2005 Actuarial Loss (Gain)	2,532	231	231	201	262	20 years
10/01/2006 Actuarial Loss (Gain)	280,328	25,042	25,042	21,646	28,569	21 years
10/01/2007 Actuarial Loss (Gain)	37,592	3,294	3,294	2,832	3,774	22 years
10/01/2008 Actuarial Loss (Gain)	59,657	5,135	5,135	4,392	5,908	23 years
10/01/2009 Actuarial Loss (Gain)	558,927	47,340	47,340	40,283	54,685	24 years
10/01/2009 Assumption Change	357,778	30,303	30,303	25,786	35,005	24 years
10/01/2010 Actuarial Loss (Gain)	312,542	26,082	26,082	22,085	30,244	25 years
10/01/2011 Actuarial Loss (Gain)	339,837	27,977	27,977	23,577	32,559	26 years
10/01/2011 Assumption Changes	11,528	949	949	800	1,104	26 years
10/01/2012 Actuarial Loss (Gain)	295,720	24,043	24,043	20,168	28,078	27 years
10/01/2012 Plan Amendment	(55,904)	(4,545)	(4,545)	(3,813)	(5,308)	27 years
10/01/2013 Actuarial Loss (Gain)	(133,035)	(10,693)	(10,693)	(8,930)	(12,529)	28 years
10/01/2014 Actuarial Loss (Gain)	(317,626)	(25,262)	(25,262)	(21,005)	(29,693)	29 years
10/01/2015 Actuarial Loss (Gain)	2,526	199	199	165	235	30 years
10/01/2015 Assumption Changes	694,526	54,704	54,704	45,296	64,493	30 years
10/01/2015 Assumption Change - 112.664(1)(a), F.S. Assumptions	(184,686)	N/A	(14,547)	N/A	N/A	30 years
10/01/2015 Assumption Change - 112.664(1)(b), F.S. Assumptions	2,447,147	N/A	N/A	159,599	N/A	30 years
10/01/2015 Assumption Change - 112.664(1)(a), F.S. Assumptions Plus 2%	(2,091,641)	N/A	N/A	N/A	(194,228)	30 years

SECTION B
SUMMARY OF SYSTEM PROVISIONS

City of Starke General Employees' Retirement System

Outline of Principal Provisions of the Retirement System
(as of October 1, 2015)

A. Normal Retirement:

1. Eligibility:

For General Employees hired prior to October 1, 2012 and all Elected Officials the earlier of:

- (a) Attainment of age 60 with completion of 10 years of credited service (8 years of credited service for Elected Officials).
- (b) Completion of 30 years of credited service.

For General Employees hired on or after October 1, 2012 the earlier of:

- (a) Attainment of age 65 with completion of 10 years of credited service.
- (b) Completion of 35 years of credited service.

2. Mandatory Retirement Age:

Age 65. Extensions granted with employer consent.

3. Amount of Pension:

Elected Officials: Total credited service times 3.00% of Final Average Salary. Maximum 100% of Final Average Salary.

General Employees hired prior to October 1, 2012: Total credited service times 2.50% of Final Average Salary. Maximum 100% of Final Average Salary.

General Employees hired on or after October 1, 2012: Total credited service times 1.60% of Final Average Salary. Maximum 100% of Final Average Salary.

4. Normal Form:

The normal form of pension is a Life Annuity. Optional forms are available on an actuarial equivalent basis.

5. Final Average Salary:

For General Employees eligible for Normal Retirement as of January 31, 2013 and all Elected Officials the highest 3 consecutive years out of last 10. Salary includes base pay plus longevity pay. Lump sum payments paid at the time of retirement are not included in the determination of final average salary.

City of Starke General Employees' Retirement System

Outline of Principal Provisions of the Retirement System
(as of October 1, 2015)

5. Final Average Salary (cont'd):

For General Employees hired prior to October 1, 2012 and not eligible for Normal Retirement as of January 31, 2013 or General Employees hired on or after October 1, 2012 the highest 5 consecutive years out of last 10, provided it is not less than the definition above as of January 31, 2013 for General Employees hired prior to October 1, 2012. Salary includes base pay plus longevity pay. Lump sum payments paid at the time of retirement are not included in the determination of final average salary.

B. Early Retirement:

1. Eligibility:

25 years of credited service for General Employees hired prior to October 1, 2012 and all Elected Officials.

30 years of credited service for General Employees hired on or after October 1, 2012.

2. Amount of Pension:

Computed as for normal retirement but reduced 2.5% for each year (0.2083% for each month) that early retirement precedes the date the member would have been eligible for normal retirement.

For General Employees hired prior to October 1, 2012, benefits accrued after January 31, 2013 are reduced 6.0% for each year (0.5000% for each month) that early retirement precedes the date the member would have been eligible for normal retirement.

For General Employees hired on or after October 1, 2012, benefits are reduced 6.0% for each year (0.5000% for each month) that early retirement precedes the date the member would have been eligible for normal retirement.

C. Deferred Retirement:

1. Eligibility:

8 or more years of credited service for Elected Officials and 10 or more years of credited service for others. Pension begins at age 60 for Elected Officials and General Employees hired prior to October 1, 2012 and at age 65 for General Employees hired on or after October 1, 2012.

City of Starke General Employees' Retirement System

Outline of Principal Provisions of the Retirement System
(as of October 1, 2015)

C. Deferred Retirement (cont'd):

2. Benefit:

Computed as a normal retirement pension but based upon credited service and Final Average Salary at time of termination.

D. Duty Disability Retirement:

1. Eligibility:

No age or service requirement. Must be in receipt of worker's compensation.

2. Benefit:

Computed as a normal retirement pension. Worker's compensation payments are offset, to the extent permitted by law.

E. Non-Duty Disability Retirement:

1. Eligibility:

10 or more years of credited service.

2. Benefit:

Computed as a normal retirement pension. Worker's compensation payments are offset, to the extent permitted by law.

F. Death Before Retirement:

1. Eligibility:

15 or more years of credited service.

2. Benefit:

Computed as a normal retirement pension but actuarially reduced in accordance with a 100% joint and survivor election.

G. Post-Retirement Cost-of-Living Adjustments:

Effective October 1, 1994 all current retired members and beneficiaries received an increase in their pension of \$75/month.

City of Starke General Employees' Retirement System

Outline of Principal Provisions of the Retirement System
(as of October 1, 2015)

H. Annual Holiday Bonus:

\$100

I. Member Contributions:

The City currently picks-up the former 5.00% member contribution. For all employees hired prior to December 31, 1999, this amount is refunded upon termination of membership with 3 or more years of credited service in the absence of a pension. For all employees hired after December 31, 1999, this amount is refunded upon termination of membership with 10 or more years of credited service in the absence of a pension. Should a member die and no pension becomes or will become available, picked-up member contributions will be refunded even if the required years of service have not been attained.

If you terminate employment and receive a refund of contributions, you forfeit any rights to future benefits from the Retirement System. The taxable portion of any refund you receive is subject to an automatic 20% withholding for Federal income tax purposes, and a possible 10% excise tax. These taxes can be avoided, however, if you roll the taxable portion over to an Individual Retirement Account (IRA) or another qualified employer plan. This rollover will result in no tax being due until you begin withdrawing funds from the IRA or other qualified employer plan. The rollover of the distribution, however, MUST be made directly by the System to your chosen IRA or other qualified employer plan.

General Employees and Elected Officials not eligible for Normal Retirement as of January 31, 2013 will contribute 1.00% of pay beginning February 1, 2013.

J. City Contributions:

Actuarially determined amounts which together with member pick-up City contributions are sufficient to at least cover the requirements of the funding objective.

K. Forfeiture of Retirement Benefits:

Retirement benefits granted by the Retirement System are subject to forfeiture if an employee is convicted of an offense specified in Section 112.3173, Florida Statutes, pursuant to the procedures set forth in the cited statute.

City of Starke General Employees' Retirement System

Outline of Principal Provisions of the Retirement System
(as of October 1, 2015)

L. Deferred Retirement Option Plan (DROP):

Members may elect to freeze their retirement benefit at normal or early retirement eligibility, and continue working for a maximum of 5 years. The retirement benefit will be calculated as of the date the member elects the DROP including early retirement reductions, if any. This retirement benefit will be accumulated with interest at 4% for members who enter the DROP prior to February 1, 2013 and with interest in an amount equal to 50% of the net investment return for the System for the preceding fiscal year up to a maximum of 4% for members who enter the DROP on or after February 1, 2013 during the DROP period in a DROP account. At actual termination, the member can rollover the DROP account balance or receive the balance directly with appropriate tax consequences. The retirement benefit calculated as of the date of the DROP election becomes payable directly to the retiree or beneficiary thereafter. Member pick-up contributions will cease at the date of DROP election. Disability and death before retirement provisions will no longer apply to members who enter the DROP. Members who enter the DROP on or after February 1, 2013 will be assessed administrative fees.

M. Claims Procedure:

Claims for benefits should be filed with the Board of Trustees at the City Clerk's office. If the claim is denied, you will be notified and informed of the procedure to request a hearing before the Board of Trustees. An applicant for benefits must appeal said denial within 60 days of being informed of the denial by filing an appeal with the Board at the City Clerk's office. If no appeal is filed within the time period then the denial shall be final.

N. Disclaimer:

The preceding summary briefly describes the principal benefits of the Retirement System. Detailed benefit conditions and limitations are contained in the Retirement Ordinance which established the System. The Internal Revenue Code, Florida Statutes, and the Ordinance all govern the operation of the System and should be consulted before you take any action concerning your participation or benefits. In the case of any conflict between this summary and the provisions of the Ordinance or other applicable law, the Ordinance or other applicable law will prevail. Copies of the Ordinance are available at the City Clerk's office.

O. Change From Previous Valuation:

None.

SECTION C
ACTUARIAL ASSUMPTIONS AND COST METHODS
USED FOR FUNDING

City of Starke General Employees' Retirement System

Actuarial Assumptions and Actuarial Cost Methods Used in the Valuation
(as of October 1, 2015)

A. Mortality

For healthy male participants, RP-2000 Annuitant Male Mortality Table with 50% White Collar / 50% Blue Collar Adjustment, with fully generational mortality improvements projected to each future decrement date with Scale BB. For healthy female participants, RP-2000 Annuitant Female Mortality Table with White Collar Adjustment, with fully generational mortality improvements projected to each future decrement date with Scale BB.

For disabled male participants, RP-2000 Disabled Male Mortality Table setback four years, without projected mortality improvements. For disabled female participants, RP-2000 Disabled Female Mortality Table set forward two years, without projected mortality improvements.

B. Interest to be Earned by Fund

7.5%, compounded annually, net of investment expenses.

C. Allowances for Expenses or Contingencies

Administrative expenses are projected to continue at the same dollar amount as the average of the three (3) preceding fiscal years.

D. Employee Withdrawal Rates

The rates do not apply to members eligible to retire and do not include separation on account of death or disability. This estimate measures the probabilities of members remaining in employment. These rates were first used for the October 1, 2015 valuation.

<u>Sample Ages</u>	<u>Years of Service</u>	<u>Withdrawal Rates Per 100 Employees</u>
ALL	0	40.00
	1	40.00
	2	15.00
	3	10.00
	4	7.00
40 & Under	5 & Over	7.00
41		6.00
42		5.00
43 - 45		3.00
46 - 48		2.00
49 & Over		1.00

City of Starke General Employees' Retirement System

Actuarial Assumptions and Actuarial Cost Methods Used in the Valuation
(as of October 1, 2015)

E. Disability Rates

Probabilities of active members becoming disabled.

<u>Sample Ages</u>	<u>Percent Becoming Disabled Within Next Year</u>	
	<u>Male</u>	<u>Female</u>
20	0.07%	0.03%
25	0.09%	0.05%
30	0.10%	0.07%
35	0.14%	0.13%
40	0.21%	0.19%
45	0.32%	0.28%
50	0.52%	0.45%
55	0.92%	0.76%
60	1.53%	1.10%

F. Salary Increase Factors

Employee salaries are estimated to increase between the date of hire and date of retirement. Salary increases occur in recognition of (i) individual merit and seniority, (ii) inflation-related depreciation of the purchasing power of salaries, and (iii) competition from other employers for personnel.

<u>Age</u>	<u>Salary Increase</u>
Under 35	4.00%
35 - 39	3.50%
40 & After	3.25%

General increase in wage level due to inflation is 3%.

G. Payroll Growth Assumption

5.0% per annum - not greater than historical 10-year average (-5.5%) - minimum 0.0%

City of Starke General Employees' Retirement System

Actuarial Assumptions and Actuarial Cost Methods Used in the Valuation
(as of October 1, 2015)

H. Retirement Rates

Probabilities of an eligible General Employee member hired prior to October 1, 2012 or an Elected Official retiring at age:

General Employees hired prior to October 1, 2012 and Elected Officials		General Employees hired after October 1, 2012	
Under 25 Years of Service		Under 30 Years of Service	
Retirement	Percent	Retirement	Percent
<u>Ages</u>	<u>Retiring</u>	<u>Ages</u>	<u>Retiring</u>
60 - 61	10%	65 - 67	50%
62 - 64	25%	68 & After	100%
65 - 67	50%		
68 & After	100%		
25⁺ Years of Service		30⁺ Years of Service	
Years of	Percent	Years of	Percent
<u>Service</u>	<u>Retiring</u>	<u>Service</u>	<u>Retiring</u>
25	25%	30	25%
26 - 29	20%	31 - 34	20%
30 or More	100%	35 or More	100%

A General Employee hired prior to October 1, 2012 is eligible for retirement after 30 years of credited service or after attaining age 60 with 10 or more (8 or more if an Elected Official) years of credited service. Reduced benefits are available after 25 years of credited service. Any subsidy from the reduced benefits is taken into account in the annual funding costs.

A General Employee hired on or after October 1, 2012 is eligible for retirement after 35 years of credited service or after attaining age 65 with 10 or more years of credited service. Reduced benefits are available after 30 years of credited service. Any subsidy from the reduced benefits is taken into account in the annual funding costs.

Benefits accruing after age 65 are offset by actuarial gains from the deferred retirement.

The above rates for retirement were first used for the October 1, 2015 valuation.

City of Starke General Employees' Retirement System

Actuarial Assumptions and Actuarial Cost Methods Used in the Valuation (as of October 1, 2015)

I. Asset Valuation Method

The method used for determining the smoothed actuarial value of assets phases in the deviation between the expected and actual return on assets at the rate of 25% per year. The smoothed actuarial value of assets will be further adjusted to the extent necessary to remain within the corridor whose lower and upper limits are 80% and 120%, respectively, of the fair market value of system assets.

J. Cost Method

Normal Retirement, Termination, Disability, and Death Benefits: Entry-Age-Normal Cost Method.

Under this method the normal cost for each active employee is the amount which is calculated to be a level percentage of pay that would be required annually from his entry age to his assumed retirement age to fund his estimated benefits, assuming the system had always been in effect. The normal cost for the system is the sum of such amounts for all employees. The actuarial accrued liability as of any valuation date for each active employee or inactive employee who is eligible to receive benefits under the system is the excess of the actuarial present value of estimated future benefits over the actuarial present value of current and future normal costs. The unfunded actuarial accrued liability as of any valuation date is the excess of the actuarial accrued liability over system assets.

K. Changes From Previous Valuation

1. Mortality was:

For healthy participants, RP 2000 Combined Healthy Participant Mortality Tables, separate rates for males and females, and fully generational mortality improvements projected to each future valuation date with Scale AA.

For disabled participants, RP 2000 Disabled Mortality Tables, separate rates for males and females, and fully generational mortality improvements projected to each future valuation date with Scale AA.

2. Interest to be Earned by Fund was:

7.75%, compounded annually, net of investment expenses.

City of Starke General Employees' Retirement System

Actuarial Assumptions and Actuarial Cost Methods Used in the Valuation
(as of October 1, 2015)

K. Changes From Previous Valuation (cont'd)

3. Employee Withdrawal Rates were:

The rates do not apply to members eligible to retire and do not include separation on account of death or disability. This estimate measures the probabilities of members remaining in employment. These rates were first used for the September 30, 1976 valuation.

<u>Sample Ages</u>	<u>Years of Service</u>	<u>Withdrawal Rates Per 100 Employees</u>
ALL	0	40.00
	1	25.00
	2	15.00
	3	10.00
	4	7.00
25	5 & Over	7.00
30		7.00
35		7.00
40		7.00
45		4.50
50		2.00
55		2.00
60		2.00

4. Salary Increase Factors were:

Employee salaries are estimated to increase between the date of hire and date of retirement. Salary increases occur in recognition of (i) individual merit and seniority, (ii) inflation-related depreciation of the purchasing power of salaries, and (iii) competition from other employers for personnel.

<u>Sample Age</u>	<u>Salary Increase</u>
20	7.5%
30	6.3%
40	5.7%
50	4.7%
60	3.7%

General increase in wage level due to inflation is 3.5%.

City of Starke General Employees' Retirement System

Actuarial Assumptions and Actuarial Cost Methods Used in the Valuation
(as of October 1, 2015)

K. Changes From Previous Valuation (cont'd)

5. Retirement Rates were:

Probabilities of an eligible General Employee member hired prior to October 1, 2012 or an Elected Official retiring at age:

<u>Retirement</u> <u>Ages</u>	<u>Percent</u> <u>Retiring</u>	<u>Retirement</u> <u>Ages</u>	<u>Percent</u> <u>Retiring</u>
45	15%	55	5%
46	10%	56	5%
47	5%	57	5%
48	5%	58	5%
49	5%	59	5%
50	5%	60	5%
51	5%	61	5%
52	5%	62	30%
53	5%	63	10%
54	5%	64	10%
		65 & Over	100%

Probabilities of an eligible General Employee member hired on or after October 1, 2012 are 80% of the above rates for ages 45 through 64.

The above rates for normal retirement were first used for the September 30, 1983 valuation.

City of Starke General Employees' Retirement System

Actuarial Assumptions and Actuarial Cost Methods Used in the Valuation
(as of October 1, 2015)

L. Technical Assumptions

1. Pay Increase Timing:
Beginning of (Fiscal) year.
2. Decrement Timing:
Decrements are assumed to occur mid-year.
3. Eligibility Testing:
Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
4. Benefit Service:
Exact fractional service is used to determine the amount of benefit payable.
5. Decrement Relativity:
Decrement rates are used directly from tabular rates - no adjustment for multiple decrement table effects.
6. Decrement Operation:
Disability and mortality decrements do not operate during the first 5 years of service. Disability and withdrawal do not operate during years of retirement eligibility.
7. Incidence of Contributions:
Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made. New entrant normal cost contributions are applied to the funding of new entrant benefits.
8. Marriage Assumption:
100% of members are assumed to be married. Male spouses are assumed to be three years older than female spouses.
9. Actuarial Equivalence Basis for Optional Forms of Payment:
7.5% interest and the RP 2000 Combined Healthy Male Mortality Table projected to the fiscal year that contains the benefit commencement date for participants and the RP 2000 Combined Healthy Female Mortality Table projected to the fiscal year that contains the benefit commencement date for beneficiaries. Disabled lives are set forward 5 years.

City of Starke General Employees' Retirement System

Actuarial Assumptions and Actuarial Cost Methods Used in the Valuation
(as of October 1, 2015)

L. Technical Assumptions (cont'd)

10. Duty and Non-Duty Related Assumption:

50% are assumed in-service and 50% are assumed non-service incurred.

11. Vested members:

Vested members who terminate with a benefit worth less than 100% of their accumulated member contribution balance are assumed to withdraw their accumulated member contributions and forfeit any vested benefit.

12. Salary:

Salary reported for the actuarial valuation includes all amounts included in the final average compensation for benefit purposes.

GLOSSARY

<i>Actuarial Accrued Liability</i>	The difference between the Actuarial Present Value of Future Benefits, and the Actuarial Present Value of Future Normal Costs.
<i>Actuarial Assumptions</i>	Assumptions about future plan experience that affect costs or liabilities, such as: mortality, withdrawal, disablement, and retirement; future increases in salary; future rates of investment earnings; future investment and administrative expenses; characteristics of members not specified in the data, such as marital status; characteristics of future members; future elections made by members and other items.
<i>Actuarial Cost Method</i>	A procedure for allocating the Actuarial Present Value of Future Benefits between the Actuarial Present Value of Future Normal Costs and the Actuarial Accrued Liability.
<i>Actuarial Equivalent</i>	Of equal Actuarial Present Value, determined as of a given date and based on a given set of Actuarial Assumptions.
<i>Actuarial Present Value</i>	The amount of funds required to provide a payment or series of payments in the future. It is determined by discounting the future payments with an assumed interest rate and with the assumed probability each payment will be made.
<i>Actuarial Present Value of Future Benefits</i>	The Actuarial Present Value of amounts which are expected to be paid at various future times to active members, retired members, beneficiaries receiving benefits and inactive, non-retired members entitled to either a refund or a future retirement benefit. Expressed another way, it is the value that would have to be invested on the valuation date so that the amount invested plus investment earnings would provide sufficient assets to pay all projected benefits and expenses when due.
<i>Actuarial Valuation</i>	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a plan. An Actuarial Valuation for a governmental retirement system typically also includes calculations of items needed for compliance with GASB No. 67.
<i>Actuarial Value of Assets</i>	The value of the assets as of a given date, used by the actuary for valuation purposes. This may be the market or fair value of plan assets or a smoothed value in order to reduce the year-to-year volatility of calculated results, such as the funded ratio and the actuarially required contribution.

<i>Amortization Method</i>	A method for determining the Amortization Payment. The most common methods used are level dollar and level percentage of payroll. Under the Level Dollar method, the Amortization Payment is one of a stream of payments, all equal, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the Amortization Payment is one of a stream of increasing payments, whose Actuarial Present Value is equal to the UAAL. Under the Level Percentage of Pay method, the stream of payments increases at the rate at which total covered payroll of all active members is assumed to increase.
<i>Amortization Payment</i>	That portion of the plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
<i>Amortization Period</i>	The period used in calculating the Amortization Payment.
<i>Annual Required Contribution</i>	The employer's periodic required contributions, expressed as a dollar amount or a percentage of covered plan compensation. The annual required contribution consists of the Employer Normal Cost and Amortization Payment plus interest adjustment.
<i>Closed Amortization Period</i>	A specific number of years that is reduced by one each year, and declines to zero with the passage of time. For example if the amortization period is initially set at 30 years, it is 29 years at the end of one year, 28 years at the end of two years, etc.
<i>Employer Normal Cost</i>	The portion of the Normal Cost to be paid by the employer. This is equal to the Normal Cost less expected member contributions.
<i>Equivalent Single Amortization Period</i>	For plans that do not establish separate amortization bases (separate components of the UAAL), this is the same as the Amortization Period. For plans that do establish separate amortization bases, this is the period over which the UAAL would be amortized if all amortization bases were combined upon the current UAAL payment.
<i>Experience Gain/Loss</i>	A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two actuarial valuations. To the extent that actual experience differs from that assumed, Unfunded Actuarial Accrued Liabilities emerge which may be larger or smaller than projected. Gains are due to favorable experience, e.g., the assets earn more than projected, salaries do not increase as fast as assumed, members retire later than assumed, etc. Favorable experience means actual results produce actuarial liabilities not as large as projected by the actuarial assumptions. Losses are the result of unfavorable experience, i.e., actual results that produce Unfunded Actuarial Accrued Liabilities which are larger than projected.
<i>Funded Ratio</i>	The ratio of the Actuarial Value of Assets to the Actuarial Accrued Liability.
<i>GASB</i>	Governmental Accounting Standards Board.

***GASB No. 67 and
GASB No. 68***

These are the governmental accounting standards that set the accounting rules for public retirement plans and the employers that sponsor or contribute to them. Statement No. 67 sets the accounting rules for the plans themselves, while Statement No. 68 sets the accounting rules for the employers that sponsor or contribute to public retirement plans.

Normal Cost

The annual cost assigned, under the Actuarial Cost Method, to the current plan year.

Open Amortization Period

An open amortization period is one which is used to determine the Amortization Payment but which does not change over time. In other words, if the initial period is set as 30 years, the same 30-year period is used in determining the Amortization Period each year. In theory, if an Open Amortization Period is used to amortize the Unfunded Actuarial Accrued Liability, the UAAL will never completely disappear, but will become smaller each year, either as a dollar amount or in relation to covered payroll.

Unfunded Actuarial Accrued Liability

The difference between the Actuarial Accrued Liability and Actuarial Value of Assets.

Valuation Date

The date as of which the Actuarial Present Value of Future Benefits are determined. The benefits expected to be paid in the future are discounted to this date.