

**CITY OF OCOEE MUNICIPAL GENERAL
EMPLOYEES' RETIREMENT TRUST FUND**

FINANCIAL STATEMENTS
September 30, 2019 and 2018

SALTMARSH, CLEVELAND & GUND, P.A.
Certified Public Accountants

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

September 30, 2019 and 2018

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The Board of Trustees
City of Ocoee Municipal General Employees'
Retirement Trust Fund
Ocoee, Florida

INDEPENDENT AUDITOR'S REPORT

Report on Financial Statements

We have audited the accompanying financial statements of City of Ocoee Municipal General Employees' Retirement Trust Fund (Plan), which comprise the statement of fiduciary net position as of September 30, 2019, and the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Plan's Board of Trustees is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error, in making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Board of Trustees
City of Ocoee Municipal General Employees'
Retirement Trust Fund
Ocoee, Florida

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the City of Ocoee Municipal General Employees' Retirement Trust Fund as of September 30, 2019, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of City of Ocoee Municipal General Employees' Retirement Trust Fund as of September 30, 2018, were audited by other auditors whose report dated July 8, 2019, expressed an unmodified opinion on those statements.

Emphasis of Matter

As discussed in Note 1, these financial statements present only the City of Ocoee Municipal General Employees' Retirement Trust Fund, a pension trust fund of the City of Ocoee, Florida (City), and are not intended to present fairly the financial position and changes in financial position of the Town in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information on pages 36 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Board of Trustees
City of Ocoee Municipal General Employees'
Retirement Trust Fund
Ocoee, Florida

The City of Ocoee Municipal General Employees' Retirement Trust Fund has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.



Tampa, Florida
July 20, 2020

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

STATEMENTS OF FIDUCIARY NET POSITION
September 30, 2019 and 2018

	<u>Assets</u>	
	2019	2018
Receivables:		
Employer	\$ -	\$ 36,099
Participants	-	24,700
Interest	50,432	51,795
Dividends	10,445	11,402
Total receivables	60,877	123,996
Prepaid insurance	3,313	2,220
Investments at fair value:		
U.S. Government obligations	1,207,649	722,092
U.S. Government agency obligations	2,889,829	2,708,125
Domestic corporate bonds	3,588,205	3,456,818
International corporate bonds	591,020	561,339
International fixed investment fund	1,664,917	1,656,499
Domestic stock	7,422,533	7,797,784
Domestic equity investment funds	15,523,192	16,390,435
International equity investment fund	3,026,573	3,191,984
Real estate investment fund	4,694,482	3,460,294
Temporary investment funds	800,895	730,006
Total investments	41,409,295	40,675,376
Total assets	41,473,485	40,801,592
<u>Liabilities</u>		
Accounts payable	34,785	35,639
Total liabilities	34,785	35,639
Net position restricted for pensions	\$ 41,438,700	\$ 40,765,953

See Notes to Financial Statements.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
Years ended September 30, 2019 and 2018

	2019	2018
Additions		
Contributions:		
Employer	\$ 959,036	\$ 972,371
Employee	673,662	664,834
Total contributions	1,632,698	1,637,205
Investment income (Loss):		
Net appreciation (depreciation) in fair value of investments	(64,307)	2,711,999
Interest	296,011	291,386
Dividends	1,144,938	762,851
Class action settlements	128	2,282
Total investment income	1,376,770	3,768,518
Less investment expenses	115,644	121,151
Net investment income	1,261,126	3,647,367
Total additions	2,893,824	5,284,572
Deductions		
Benefits:		
Age and service	1,727,742	1,567,575
PLOP	211,064	40,140
Refunds of contributions	157,901	61,616
Administrative expenses	124,370	84,219
Total deductions	2,221,077	1,753,550
Net increase in net position	672,747	3,531,022
Net position restricted for pensions:		
Beginning of year	40,765,953	37,234,931
End of year	\$ 41,438,700	\$ 40,765,953

See Notes to Financial Statements.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

1. Description of Plan

The following brief description of the City of Ocoee Municipal General Employees' Retirement Trust Fund (Plan) is provided for general information purposes only. For more complete information participants should refer to the Plan Ordinance which was adopted pursuant to the provisions of Ordinance No. 2009-020 of the City of Ocoee, Florida.

The plan is a defined benefit pension plan covering all full-time general employees of the City of Ocoee.

At September 30, 2019, the Plan's membership consisted of:

Retirees and beneficiaries:	
Currently receiving benefits	110
Drop participants	6
Terminated employees entitled to benefits but not yet receiving them	<u>73</u>
Total	<u>189</u>
Current employees:	
Vested	129
Nonvested	<u>67</u>
	<u>196</u>

At September 30, 2019, the date of the most recent actuarial valuation, there were 110 retirees and beneficiaries receiving benefits.

General - The Plan is a defined benefit pension plan covering all full-time employees (except for public safety employees) of the City of Ocoee, Florida. Participation in the Plan is required as a condition of employment except that the City Manager, Assistant City Manager and directors may elect not to be participants in the Plan. Effective October 1, 2006 current and future mayors and commissioners may elect to enter the Plan as non-contributory participants and receive credited service determined as if they had been participants in the Plan on the date they took office subject to completing nine years of credited service. Originally effective on October 1, 1991 and substantially amended in 2012 and 2013, the Plan provides for pension and death benefits. The Plan is subject to provisions of Chapter 112 of the State of Florida Statutes and the oversight of the Florida Division of Retirement.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

1. Description of Plan (Continued)

The Plan, in accordance with the above statute, is governed by a five member pension board, two of whom are legal residents of the City who are appointed by the City Commission, two of whom are vested participants of the Plan who are elected by a majority of the full-time general employees who vote and are participants in the Plan and a fifth Trustee who is chosen by a majority of the first four Trustees. The City of Ocoee is obligated to fund all Plan costs based upon actuarial valuations. The City of Ocoee is authorized to establish benefit levels and the Plan's Board of Trustees approves the actuarial assumptions used in the determination of contribution levels.

Pension Benefits - Under the Plan, as of September 18, 2012, participants are entitled to annual pension benefits upon the attainment of age 62 and the completion of 7 years of credited service. If hired prior to September 18, 2012 a participant was entitled to annual pension benefits upon the attainment of age 60 regardless of years of credited service. A mayor or commissioner participant's normal retirement date on the attainment of age 60 and the completion of nine years of credited service regardless of years of credited service. Benefits are equal to 2.25 percent of the participant's average final compensation times the number of years of service provided however, in no event shall the monthly benefit exceed 70% of average final compensation. If hired prior to September 18, 2012 the normal retirement benefit is equal to 3.00 percent of average final compensation times the number of years of service provided however the monthly benefit cannot exceed 81% of average final compensation. A participant's monthly retirement benefit ceases upon the later of death or one hundred twenty months from the date of commencement.

The average final compensation for purposes of calculating benefits is 1/12 of the participant's average salary during the highest five years of the last ten years of credited service prior to termination.

A participant is eligible for early retirement upon the attainment of age 50 and the completion of seven years of credited service. If hired prior to September 18, 2012 a participant is eligible for early retirement upon the attainment of age 50 and the completion of five years of credited service. A mayor or commissioner participant is eligible for early retirement upon the attainment of age 50 and the completion of nine years of credited service.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES’
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

1. Description of Plan (Continued)

Refund of Contribution- If a participant hired prior to September 18, 2012 has less than five years of credited service upon termination of employment with the City, the participant shall be entitled to a refund of his or her accumulated contributions. If hired after September 18, 2012 and has less than seven years of credited service upon termination a participant shall be entitled to a refund of his or her accumulated contributions.

Partial Lump-Sum Option (PLOP) - A participant may elect to receive a retirement income and a percentage of a benefit in a lump sum as follows:

- (1) Five (5) percent lump sum benefit with ninety-five (95) percent paid under the normal form.
- (2) Ten (10) percent lump sum benefit with ninety (90) percent paid under the normal form.
- (3) Fifteen (15) percent lump sum benefit with eighty-five (85) percent paid under the normal form.
- (4) Twenty (20) percent lump sum benefit with eighty (80) percent paid under the normal form.

Deferred Retirement Option Plan (DROP) - Any Plan participant who is eligible to receive a normal retirement pension (under either of the two tiers as outlined under the Pension Benefit note) may elect to participate in a deferred retirement option plan (DROP) while continuing his or her active employment. Upon participation in the DROP, the participant becomes a retiree for all Plan purposes so that he or she ceases to accrue any further benefits under the pension plan. Normal retirement payments that would have been payable to the participants as a result of retirement are accumulated and invested in the DROP to be distributed to the participant upon his or her termination of employment. Participation in the DROP ceases for a Plan participant after 60 months (as of September 18, 2012) from their normal retirement date. Prior to September 18, 2012, participation in the DROP ceases for a Plan participant after 84 months from their normal retirement date.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

1. Description of Plan (Continued)

Death Benefits - For any deceased participant who had been an actively employed participant eligible for early or normal retirement, the manner of benefit payable shall be at least equal to the annuity of ten years calculated as of the date of death.

The benefit shall be calculated as for normal retirement based on the participant's credited service and average final compensation as of the date of death and reduced as for early retirement, if applicable.

Buy-Back Additional Years of Credited Service - In addition to credited service actually earned in the employment of the City, the Plan provides that a participant may also buy-back credited service under the following alternatives:

- A. Buy-back for prior government service.
- B. Buy-back for military service prior to employment.
- C. Buy-back for air time.

2. Summary of Significant Accounting Policies

Basis of Accounting - Basis of accounting is the method by which revenues and expenses are recognized in the accounts and are reported in the financial statements. The accrual basis of accounting is used by the Plan. Under the accrual basis of accounting, revenues are recognized when they are earned and collection is reasonably assured, and expenses are recognized when the liability is incurred. Participants' contributions are recognized in the period in which the contributions are due. The City of Ocoee contributions to the plan, as calculated by the Plan's actuary, are recognized as revenue when due and the City has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Basis of Presentation - The accompanying financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement 67, *Financial Reporting for Defined Benefit Pension Plans* and the Codification of Governmental Accounting and Financial Reporting Standards which covers the reporting requirements for defined benefit pensions established by a governmental employer. The accompanying financial statements include solely the accounts of the Plan which include all programs, activities and functions relating to the accumulation and investment of the assets and related income necessary to provide the service and death benefits required under the terms of the Plan as amended.

Valuation of Investments - Investments in common stock and bonds traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year; securities traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the mean between the last reported bid and asked prices; investments in securities not having an established market value are valued at fair value as determined by the Board of Trustees. The fair value of an investment is the amount that the Plan could reasonably expect to receive for it in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale. Purchases and sales of investments are recorded on a trade date basis.

Investment income is recognized on the accrual basis as earned. Unrealized appreciation in fair value of investments includes the difference between cost and fair value of investments held. The net realized and unrealized investment appreciation or depreciation for the year is reflected in the Statement of Changes in Fiduciary Net Position. The Plan has no undue investment concentrations.

Asset Allocation - The Plan's adopted asset allocation policy as of September 30, 2019 is as follows:

Asset Class	Target Allocation
Domestic equity	45.0%
International equity	15.0%
Real estate	10.0%
Broad market fixed income	25.0%
Global fixed income	5.0%
Total	100.0%

Rate of Return - For the years ended September 30, 2019 and 2018, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 2.94 percent and 9.79 percent, respectively, adjusted for the changing amounts actually invested.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

Custody of Assets - Custodial and certain investment services are provided to the Plan under contracts with a custodian having trust powers in the State of Florida. The Plan's investment policies are governed by investment objectives governed by the Florida State Statutes and ordinances of the City of Ocoee, Florida.

Authorized Plan Investments - The Board recognizes that the obligations of the Plan are long-term and that its investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return defined as interest and dividend income plus realized and unrealized capital gains or losses commensurate with the prudent investor rule and Chapter 112 of the Florida Statutes.

Permissible investments include obligations of the U.S. Treasury and U.S. agencies, high capitalization common or preferred stocks, pooled equity funds, high quality bonds or notes and fixed income funds. In addition, the Board requires that Plan assets be invested with no more than 70 percent in stocks and convertible securities measured at cost.

In addition, the Plan limits investment in common stock (equity investments) as follows:

- a. No more than 5 percent at cost of an investment manager's portfolio may be invested in the common or capital stock of any single corporation.
- b. The Plan's investment in the common stock of any single foreign corporation shall not exceed 25 percent of the Plan's total value.
- c. The Plan has no instrument that, in whole or in part, is accounted for as a derivative instrument under GASB statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* during the current Plan year.

Actuarial Cost Method - The Plan uses the entry age normal cost method. This method involves the systematic funding of the normal cost (current year's cost for benefits to be funded) and the unfunded actuarial accrued liability.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

At the request of the Florida Division of Retirement the City of Ocoee is now required to fund the Plan based on an actuarially calculated percentage of payroll. This change is designed to avoid actuarial shortfalls associated with increasing liabilities.

For the purpose of compliance with legislative intent and to maximize the likelihood of state acceptance, additions to the unfunded actuarial accrued liability will be amortized as follows:

	Existing Bases (Years)	Based on and after 10/1/08 (Years)
Gains and losses	20	10
Methods/assumptions	No change	20
Amendments	No change	30

The actuarially calculated contribution for the fiscal year ended September 30, 2019 is shown as follows:

Annual payroll	\$ 10,059,754
Actuarial percentage of payroll	16.23%
Total required contribution	1,632,698
Less participant contributions	673,662
Total employer contribution	\$ 959,036

Reporting Entity - The financial statements presented are only for the Plan and are not intended to present the basic financial statements of the City of Ocoee, Florida.

The Plan is included in the City's Comprehensive Annual Financial Report (CAFR) for the years ended September 30, 2019 and 2018, which are separately issued documents. Anyone wishing further information about the City is referred to the City's CAFR.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

The Plan is a pension trust fund (fiduciary fund type) of the City which accounts for the single employer defined benefit pension plan for all full-time general employees. The provisions of the Plan provide for retirement and survivor benefits.

Administrative Costs - All administrative costs of the Plan are financed through investment earnings.

Cash - The Plan considers money market funds held by custodians as cash. Temporary investments shown on the balance sheet are composed of investments in short-term custodial proprietary money market funds.

Federal Income Taxes - The Plan has not applied for a favorable determination letter from the Internal Revenue Service indicating that the Plan is qualified and exempt from Federal income taxes. The Board believes that the Plan is designed and continues to operate in compliance with the applicable requirements of the Internal Revenue Code.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

2. Summary of Significant Accounting Policies (Continued)

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

Subsequent Events - On January 20, 2020, the World Health Organization("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Plan's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Plan is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

The Plan's Board has evaluated subsequent events through July 20, 2020, which is the date the financial statements were officially available to be issued.

Reclassification - Certain figures for the fiscal year ended September 30, 2018 were reclassified to conform to the presentation used in the financial statements for the fiscal year ended September 30, 2019.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

**NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018**

3. Funding Policy

Each participant of the Plan, except Mayors and Commissioners shall be required to make regular contributions to the Plan in the amount of seven and four-tenths (7.4%) of his or her salary. Participant contributions withheld by the City on behalf of the participant shall be deposited with the Board at least monthly. The contributions made by each participant to the Plan shall be designated as employer contributions pursuant to §414(h) of the Code. Such designation is contingent upon the contributions being excluded from the participant's gross income for federal income tax purposes. For all other purposes of the Plan such contributions shall be considered to be Member contributions. Notwithstanding the preceding, when the participant's accrued benefit is equal to 81% of average final compensation, the participant may make a one time irrevocable election at anytime after the 81% limit is met to discontinue making participant contributions to the Plan and have his or her benefit calculated and frozen at the time of election. If no such election is made, participant contributions to the Plan shall continue.

The City of Ocoee's funding policy is to make fixed, actuarially computed annual contributions to the Plan in amounts such that all employees' benefits will be fully provided for by the time they retire. The City's actuarially calculated contribution rate for the year ended September 30, 2019 and 2018 was 8.87% and 8.87%, respectively.

This rate consists of 7.36% and 7.36% of member salaries to pay normal costs plus 1.51% and 1.51% to amortize the unfunded actuarially accrued liability pursuant to the September 30, 2019 and 2018 actuarial valuations.

The Plan also provides for the purchase of credited service for prior governmental and military service or air time through payroll deductions (6 months or less) or paying for it at one time (lump sum payment).

4. Plan Termination

Although it has not expressed an intention to do so, the City of Ocoee may terminate the Plan at any time by a written resolution of the City Commissioners, duly certified by an official of the City. In the event that the Plan is terminated or contributions to the Plan are permanently discontinued, the benefits of each employee in the Plan at such termination date would be non-forfeitable.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

5. Deposits and Investments

Deposits

Salem Trust periodically holds uninvested cash in its respective capacity as custodian of the Plan. These funds exist temporarily as cash in the process of collection from the sale of securities.

Investments

Investments that are not evidenced by securities that exist in physical or book-entry form include investments in open-ended mutual or pooled investment funds.

The Plan's investments are segregated into four separate accounts and managed under separate investment agreements with Salem Trust, GAMCO Asset Management, Inc., and Agincourt Capital Management, L.L.C. These accounts give Salem Trust the custodianship but give Ocoee Municipal General Employees' Pension draft FSGAMCO Asset Management, Inc., and Agincourt Capital Management, L.L.C. the authority to manage the investments. The Plan also holds investments in domestic equity investment funds, an international equity investment fund and an international fixed investment fund. These assets are invested in accordance with the specific investment guidelines as set forth in the Plan's Investment Policy. Investment management and custodial fees are calculated quarterly as a percentage of the fair market value of the Plan's assets managed. The account with Brown Advisory, LLC was closed as of September 30, 2017.

Further, the Plan's investments included an alternative investment in the American Core Realty Fund, Inc. This alternative investment fund invests primarily in real estate investments. The investments in the underlying fund is generally valued at fair value as determined by the management of the fund by reference to the value of the underlying securities and fund's assets, if available, or by the valuation of a fund's underlying net assets (NAV) as provided by the general partner or investment manager, if the assets are not publicly traded. The NAV is based on the value of the underlying assets owned by these funds minus its liabilities and then divided by the number of shares or percentage of ownership outstanding. The funds may also hold certain investments which may be valued by a single market maker. While the fund managers use their best judgment in estimating the fair values of underlying funds, there are inherent limitations in any estimation technique.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

5. Deposits and Investments (Continued)

Investments (Continued)

Accordingly, the fair values of an alternative investment fund have been estimated by the Plan's management in the absence of readily ascertainable market values. Therefore, the value of such fund is not necessarily indicative of the amount that could be realized in a current transaction. The fair values may differ significantly from the values that would have been used had a ready market for the underlying funds existed, and the differences could be material. Future confirming events will also affect the estimates of fair value, and the effect of such events on the estimates of fair value could be material.

The alternative investment funds expose the Plan to certain risks, including liquidity risks, counterparty risks, foreign political, economic, and governmental risks, and market risk. In addition, these investments may have initial lock-up periods, as well as restrictions for liquidating positions in these funds, that make the investment non-current and non-marketable.

Except for the real estate investment fund, the Plan's investments are uninsured and unregistered and are held in a custodial account in the Plan's name.

The Plan held no investments that individually represent 5% or more of the Plan's net assets available for benefits during the years ended September 30, 2019.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

5. Deposits and Investments (Continued)

Investments (Continued)

The Plan held the following fixed investments as of September 30, 2019 and 2018:

<u>Investment Type</u>	<u>Fair Value</u> 9/30/19	<u>Fair Value</u> 9/30/18	<u>Overall</u> Credit Rating (Standards & Poor's and Moody's)	<u>Average</u> Effective Duration (Years)
U.S. Government obligations	\$ 1,207,649	\$ 722,092	A-AA	11.2
U.S. Government agency obligations	2,889,829	2,708,125	A-AA	15.2
Domestic corporate bonds	3,588,205	3,456,818	A-AA	6.8
International corporate bonds	591,020	561,339	A-AA	3.7
International fixed investment fund	1,664,917	1,656,499	A-AA	4.3
Temporary Investment funds	<u>800,895</u>	<u>730,006</u>	AAA	N/A
Total	<u>\$ 10,742,515</u>	<u>\$ 9,834,879</u>		

Credit Risk - Credit risk is the risk that a debt issuer will not fulfill its obligations. Consistent with state law the Plan's investment guidelines limit its fixed income investments to a quality rating of 'A' or equivalent as rated by one or more recognized bond rating service at the time of purchase. Fixed income investments which are downgraded to 'BAA' or equivalent must be liquidated within a reasonable period of time not to exceed twelve months. Fixed income investments which are downgraded below 'BAA' shall be liquidated immediately.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES’
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

5. Deposits and Investments (Continued)

Investments (Continued)

The Plan’s investment policy which conforms to the Florida Statutes was adopted and contains the following sections:

1. Target allocations
2. Investment performance objectives
3. Investment guidelines
4. Communications
5. Compliance
6. Criteria for investment management review
7. Applicable city ordinances
8. Review and amendments
9. Filing of the investment policy

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment in debt securities. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. Through its investment policies the Plan manages its exposure to fair value losses arising from increasing interest rates. In this regard the Plan adopted the Barclays Aggregate and the Citigroup Government Bond Fund.

Custodial Credit Risk - Custodial credit risk is defined as the risk that the Plan may not recover cash and investments held by another party in the event of a financial failure. The Plan requires all securities to be held by a third party custodian in the name of the Plan. Securities transactions between a broker-dealer and the custodian involving the purchase or sale of securities must be made on a “delivery vs. payment” basis to ensure that the custodian will have the security or money, as appropriate, in hand at the conclusion of the transaction. The investments in mutual funds are considered *unclassified* pursuant to the custodial credit risk categories of GASB Statement No. 3, because they are not evidenced by securities that exist in physical or book entry form.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

5. Deposits and Investments (Continued)

Investments (Continued)

Investment in Foreign Markets - Investing in foreign markets may involve special risks and considerations not typically associated with investing in companies in the United States of America. These risks include revaluation of currencies, high rates of inflation, repatriation restrictions on income and capital, and future adverse political, social, and economic developments. Moreover, securities of foreign governments may be less liquid, subject to delayed settlements, taxation on realized or unrealized gains, and their prices are more volatile than those of comparable securities in U.S. companies.

Foreign Tax Withholdings and Reclaims - Withholding taxes on dividends from foreign securities are provided for based on rates established via treaty between the United States of America and the applicable foreign jurisdiction, or where no treaty exists at the prevailing rate established by the foreign country. Foreign tax withholdings are reflected as a reduction of dividend income in the statement of operations. Where treaties allow for a reclaim of taxes, the Fund will make a formal application for refund. Such reclaims are included as an addition to dividend income.

Investing in Real Estate - The Plan is subject to the risks inherent in the ownership and operation of real estate. These risks include, among others, those normally associated with changes in the general economic climate, trends in the industry including creditworthiness of tenants, competition for tenants, changes in tax laws, interest rate levels, the availability of financing and potential liability under environmental and other laws.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

5. Deposits and Investments (Continued)

Investments (Continued)

The Plan's investments at both fair value and cost or adjusted cost as of September 30, 2019 and 2018 are summarized as follows:

<u>Investments</u>	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Government obligations	\$ 1,095,703	\$ 1,207,649	\$ 749,579	\$ 722,092
U.S. Government agency obligations	2,834,821	2,889,829	2,805,939	2,708,125
Domestic corporate bonds	3,464,713	3,588,205	3,538,910	3,456,818
International corporate bonds	575,494	591,020	586,138	561,339
International fixed investment fund	1,950,520	1,664,917	1,831,255	1,656,499
Domestic stock	5,744,061	7,422,533	5,470,074	7,797,784
Domestic equity investment funds	10,214,038	15,523,192	10,844,150	16,390,435
International equity investment fund	3,150,927	3,026,573	3,137,155	3,191,984
Real estate investment fund	3,740,956	4,694,482	2,531,016	3,460,294
Temporary investment funds	800,895	800,895	730,006	730,006
Total	<u>\$ 33,572,128</u>	<u>\$ 41,409,295</u>	<u>\$ 32,224,222</u>	<u>\$ 40,675,376</u>

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

6. Investment Measurement at Fair Value

Fair Value Hierarchy

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

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

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

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

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

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES’
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

6. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

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

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

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

- *Debt securities* - Debt securities classified in Level 1 or Level 2 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used by International Data Pricing and Reference Data, LLC to value securities based on the securities' relationship to benchmark quoted prices.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES’
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

6. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

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

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

6. Investment Measurement at Fair Value (Continued)

Fair Value Hierarchy (Continued)

The Plan categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The Trust has the following total recurring fair value measurements as of September 30, 2019 and 2018:

	September 30, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Government obligations	\$ 1,207,649	\$ 1,207,649	\$ -	\$ -
U.S. Government agency obligations	2,889,829	-	2,889,829	-
Domestic corporate bonds	3,588,205	-	3,588,205	-
International corporate bonds	591,020	-	591,020	-
International fixed investment fund	1,664,917	1,664,917	-	-
Domestic stock	7,422,533	7,422,533	-	-
Domestic equity investment funds	15,523,192	15,523,192	-	-
International equity investment fund	3,026,573	3,026,573	-	-
Temporary investment funds	<u>800,895</u>	<u>800,895</u>	-	-
Total investments by fair value level	36,714,813	<u>\$ 29,645,759</u>	<u>\$ 7,069,054</u>	<u>\$ -</u>
Investment measured at the net asset value (NAV):				
Real estate investment fund	<u>4,694,482</u>			
Total investment measured at the NAV	<u>4,694,482</u>			
Total investments measured at fair value	<u>\$ 41,409,295</u>			

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

6. Investment Measurement at Fair Value (Continued)

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

<u>Investments measured at the NAV</u>	2019 Fair Value	Unfunded Commitments	Redemption Frequency (if Currently	Redemption Notice Period
Real estate investment fund	\$ <u>4,694,482</u>	\$ _____ -	Quarterly	90 days
Total investment measured at the NAV	\$ <u>4,694,482</u>	\$ _____ -		

- The real estate investment fund (American Core Realty Fund, Inc.) is an open end, commingled private real estate portfolio. This REIT - based fund is structured as a limited partnership. Its primary focus is to invest in well-leased, income producing properties within major U.S. markets. The fair values of the investments in this fund have been determined using the NAV per unit of the Trust's ownership interest in partners' capital. The investments of the fund are valued quarterly. Withdrawal requests must be made 90 days in advance and may be paid in one or more installments.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

6. Investment Measurement at Fair Value (Continued)

	September 30,	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level	2018			
U.S. Government obligations	\$ 722,092	\$ 722,092	\$ -	\$ -
U.S. Government agency obligations	2,708,125	-	2,708,125	-
Domestic corporate bonds	3,456,818	-	3,456,818	-
International corporate bonds	561,339	-	561,339	-
International fixed investment fund	1,656,499	1,656,499	-	-
Domestic stock	7,797,784	7,797,784	-	-
Domestic equity investment funds	16,390,435	16,390,435	-	-
International equity investment fund	3,191,984	3,191,984	-	-
Temporary investment funds	<u>730,006</u>	<u>730,006</u>	-	-
Total investments by fair value level	37,215,082	<u>\$ 30,488,800</u>	<u>\$ 6,726,282</u>	\$ -
Investment measured at the net asset value (NAV):				
Real estate investment fund	<u>3,460,294</u>			
Total investment measured at the NAV	<u>3,460,294</u>			
Total investments measured at fair value	<u>\$ 40,675,376</u>			

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

6. Investment Measurement at Fair Value (Continued)

<u>Investments measured at the NAV</u>	2018 Fair Value	Unfunded Commitments	Redemption Frequency (if Currently	Redemption Notice Period
Real estate investment fund	\$ <u>3,460,294</u>	\$ _____ -	Quarterly	90 days
Total investment measured at the	\$ <u><u>3,460,294</u></u>	\$ <u><u>_____</u></u> -		

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

**7. Net Increase (Decrease) in Realized
and Unrealized Appreciation of Investments**

The Plan's investments appreciated (depreciated) in value during the years ended September 30, 2019 and 2018 as follows:

	2019			2018		
	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total	Realized Appreciation (Depreciation)	Unrealized Appreciation (Depreciation)	Total
Investments at fair value as determined by quoted market price:						
U.S. Government obligations	\$ (5,649)	\$ 139,433	\$ 133,784	\$ (29,162)	\$ (19,793)	\$ (48,955)
U.S. Government agency obligations	(5,216)	152,821	147,605	(12,548)	(102,113)	(114,661)
Domestic corporate bonds	-	205,584	205,584	-	(60,327)	(60,327)
International corporate bonds	(19,006)	(110,847)	(129,853)	(19,391)	(180,300)	(199,691)
International fixed investment fund	-	(157,731)	(157,731)	-	(37,718)	(37,718)
Domestic stock	350,615	(315,268)	35,347	227,041	731,022	958,063
Domestic equity investment funds	(256,753)	(85,411)	(342,164)	-	2,169,163	2,169,163
International equity investment fund	-	18,874	18,874	-	(28,330)	(28,330)
Real estate investment fund	-	24,247	24,247	-	74,455	74,455
Net increase (decrease) in realized and unrealized appreciation of investments	<u>\$ 63,991</u>	<u>\$ (128,298)</u>	<u>\$ (64,307)</u>	<u>\$ 165,940</u>	<u>\$ 2,546,059</u>	<u>\$ 2,711,999</u>

The calculation of realized gains and losses is independent of the calculation of net appreciation (depreciation) in the fair value of plan investments.

Unrealized gains and losses on investments sold in 2019 that had been held for more than one year were included in net appreciation (depreciation) reported in the prior year.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES’
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

8. Investment and Administrative Expenses

Investment and administrative expenses for the years ended September 30, 2019 and 2018 are summarized as follows:

	2019		2018	
	Investment Expenses	Administrative Expenses	Investment Expenses	Administrative Expenses
Actuary	\$ -	\$ 56,521	\$ -	\$ 25,972
Administrator’s fees	-	23,969	-	23,231
Audit	-	16,500	-	14,200
Dues and subscriptions	-	600	-	1,350
Fiduciary insurance	-	4,586	-	5,330
Custodial fees	17,552	-	17,999	-
Investment management fees:				
Agincourt Capital Management, L.L.C.	14,519	-	19,181	-
GAMCO Asset Management, Inc.	58,573	-	58,971	-
Legal	-	10,272	-	9,228
Performance monitor	25,000	-	25,000	-
Seminars and travel	-	11,922	-	4,908
	-	-	-	-
Total	\$ 115,644	\$ 124,370	\$ 121,151	\$ 84,219
Percent of net position	0.28%	0.30%	0.30%	0.21%

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

9. Plan Amendments

There were no amendments for the fiscal years ended September 30, 2019 and 2018.

10. Actuarial Assumption/Method Changes

The payroll growth assumption, utilized for purposes of amortizing the Unfunded Actuarial Accrued Liability, was lowered from 1.96% to 1.36% per year. This reduction complies with the requirements of Part VII of Chapter 112, Florida Statutes, whereby the use of a payroll growth assumption is limited to the Plan's actual ten-year payroll growth average, determined as of the valuation date.

11. Mortgage-Backed Securities

The Plan invests in mortgage-backed securities representing interest in pools of mortgage loans as part of its interest rate risk management strategy. The mortgage-backed securities are not used to leverage investments in fixed income portfolios. The mortgage-backed securities held by the Plan were guaranteed by federally sponsored agencies such as: Government National Mortgage Association, Federal National Mortgage Association and Federal Home Loan Mortgage Corporation.

All of the Plan's financial investments are carried at fair value on the Statements of Fiduciary Net Position. The gain or loss on financial instruments is recognized and recorded on the Statements of Changes in Fiduciary Net Position as part of investment income.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES’
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

12. Commitments and Contingencies

As described in Note 1, certain members of the Plan are entitled to refunds of their accumulated contributions, without interest, upon termination of employment with the City prior to being eligible for pension benefits. At September 30, 2019, aggregate contributions from active members of the Plan were approximately \$6,830,000. The portion of these contributions which are refundable to participants who may terminate with less than five years of service has not been determined.

13. Risk and Uncertainties

The Plan invests in a variety of investment funds. Investments in general are exposed to various risks, such as interest rate, credit, and overall volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position available for benefits.

14. Designation

A portion of the plan’s net position is designated for benefits that accrue in relation to the DROP accounts as further described in Note 1. Allocation to DROP plan accounts for the year ended September 30, 2019 are presented below as determined in the most recent actuarial information available:

Designated for DROP accounts (fully funded)	\$ <u>112,339</u>
Total designated plan net position	112,339
Undesignated plan net position	<u>41,326,361</u>
Total plan net position	\$ <u><u>41,438,700</u></u>

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

15. Net Pension Liability of the City

The components of net pension liability of the City on September 30, 2019 were as follows:

Total pension liability	\$	42,275,851
Plan fiduciary net position		41,438,700
 City's net pension liability	 \$	 <u><u>837,151</u></u>
 Plan fiduciary net position as a percentage of total pension liability		 <u><u>98.02%</u></u>

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of October 1, 2018 updated to September 30, 2019 using the following actuarial assumptions applied to all measurement periods.

Inflation	2.50%
Salary increases	4.00% -5.00%
Investment rate of return	7.75%

Mortality Rate Healthy Lives:

Mortality Table - RP2000 Fully Generational with Scale BB, with collar and annuitant adjustments as follows:

Males - 50% Annuitant White Collar, 50% Annuitant Blue Collar.

Females - 100% Annuitant White Collar.

Mortality Rate Disabled Lives:

Mortality Table - RP2000 without projection, with the following adjustments:

Males - 100% Disabled Male with four year setback.

Females - 100% Disabled Female within two year set forward.

The most recent actuarial experience study used to review the other significant assumptions was dated July 25, 2014.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES’
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

15. Net Pension Liability of the City (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included the pension plan’s target asset allocation as of September 30, 2019 are summarized in the following table:

<u>Target Allocation</u>	<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>
45%	Domestic equity	5.8%
15%	International equity	8.5%
10%	Real estate	4.5%
25%	Broad market fixed income	2.5%
5%	Global fixed income	3.5%

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

NOTES TO FINANCIAL STATEMENTS
September 30, 2019 and 2018

13. Net Pension Liability of the City (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.40 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 7.40%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.40 percent) or 1-percentage-point higher (8.40 percent) than the current rate.

	1% Decrease 6.40%	Current Discount Rate 7.40%	1% Increase 8.40%
	<u> </u>	<u> </u>	<u> </u>
City's net pension liability	\$ <u>5,730,891</u>	\$ <u>837,151</u>	\$ <u>(3,280,407)</u>

It is important to note that the disclosures related to GASB 67 are accounting measurements, not actuarial measurements of the funded status of the Plan, and are not used to develop City contribution rates.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND
September 30, 2019**

**SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY
Last Seven Fiscal Years**

	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	September 30, 2015	September 30, 2014	September 30, 2013
Total pension liability:							
Service cost	\$ 1,149,974	\$ 1,211,261	\$ 1,143,018	\$ 1,134,150	\$ 1,130,748	\$ 1,099,915	\$ 1,020,803
Interest	3,227,661	2,986,898	2,806,821	2,525,541	2,667,247	1,987,864	2,075,522
Difference between expected and actual experience	(362,530)	162,806	(316,002)	175,180	(480,737)	-	-
Changes of assumptions	(125,022)	-	-	1,211,288	-	-	-
Contributions - buy-back	-	-	-	-	-	-	65,594
Benefit payments including refunds of employee contributions	<u>(2,096,707)</u>	<u>(1,669,331)</u>	<u>(1,782,085)</u>	<u>(1,911,629)</u>	<u>(1,203,157)</u>	<u>(1,060,041)</u>	<u>(1,144,061)</u>
Net change in total pension liability	1,793,376	2,691,634	1,851,752	3,134,530	2,114,101	2,027,738	2,017,858
Total pension liability - beginning	<u>40,482,475</u>	<u>37,790,841</u>	<u>35,939,089</u>	<u>32,804,559</u>	<u>30,690,458</u>	<u>28,662,720</u>	<u>26,644,862</u>
Total pension liability ending (a)	<u>\$ 42,275,851</u>	<u>\$ 40,482,475</u>	<u>\$ 37,790,841</u>	<u>\$ 35,939,089</u>	<u>\$ 32,804,559</u>	<u>\$ 30,690,458</u>	<u>\$ 28,662,720</u>
Plan fiduciary net position:							
Contributions - employer	\$ 959,036	\$ 972,371	\$ 860,420	\$ 889,744	\$ 1,055,580	\$ 1,680,046	\$ 1,844,462
Contributions - employees	673,662	664,834	631,836	609,984	604,051	611,108	580,799
Contribution - buy-back	-	-	-	-	-	-	65,594
Net investment income	1,261,126	3,647,367	3,942,440	2,786,099	700,097	2,095,631	2,961,362
Benefit payments, including refunds of employee contributions	(2,096,707)	(1,669,331)	(1,782,085)	(1,911,629)	(1,203,157)	(1,060,041)	(1,144,061)
Administrative expenses	<u>(124,370)</u>	<u>(84,219)</u>	<u>(81,307)</u>	<u>(89,688)</u>	<u>(87,084)</u>	<u>(58,424)</u>	<u>(56,812)</u>
Net change in plan fiduciary net position	672,747	3,531,022	3,571,304	2,284,510	1,069,487	3,268,320	4,251,344
Plan fiduciary net position - beginning	<u>40,765,953</u>	<u>37,234,931</u>	<u>33,663,627</u>	<u>31,379,117</u>	<u>30,309,630</u>	<u>27,041,300</u>	<u>22,789,956</u>
Plan fiduciary net position - ending (b)	<u>\$ 41,438,700</u>	<u>\$ 40,765,953</u>	<u>\$ 37,234,931</u>	<u>\$ 33,663,627</u>	<u>\$ 31,379,117</u>	<u>\$ 30,309,620</u>	<u>\$ 27,041,300</u>
Net pension liability (asset) (a) - (b)	<u>\$ 837,151</u>	<u>\$ (283,478)</u>	<u>\$ 555,910</u>	<u>\$ 2,275,462</u>	<u>\$ 1,425,442</u>	<u>\$ 380,838</u>	<u>\$ 1,621,420</u>

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND
September 30, 2019**

**SCHEDULE OF RATIOS
Last Seven Fiscal Years**

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>98.02%</u>	<u>100.70%</u>	<u>98.53%</u>	<u>93.66%</u>	<u>95.66%</u>	<u>98.77%</u>	<u>94.34%</u>
Covered employee payroll	\$ <u>9,144,437</u>	\$ <u>9,025,137</u>	\$ <u>8,579,221</u>	\$ <u>8,591,994</u>	\$ <u>8,671,290</u>	\$ <u>7,988,910</u>	\$ <u>7,896,000</u>
Net pension liability as a percentage of covered payroll	<u>9.15%</u>	<u>(3.14%)</u>	<u>6.48%</u>	<u>26.48%</u>	<u>16.44%</u>	<u>4.77%</u>	<u>20.53%</u>

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND
September 30, 2019**

**SCHEDULE OF CONTRIBUTIONS
Last Seven Fiscal Years**

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Actuarially determined contributions	\$ 955,594	\$ 971,105	\$ 857,922	\$ 921,062	\$ 1,077,570	\$ 1,629,738	\$ 1,778,969
Contributions in relation to the actuarially determined contributions	<u>959,036</u>	<u>972,370</u>	<u>860,420</u>	<u>934,082</u>	<u>1,077,570</u>	<u>1,629,738</u>	<u>1,778,969</u>
	<u>\$ (3,442)</u>	<u>\$ (1,265)</u>	<u>\$ (2,498)</u>	<u>\$ (13,020)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 9,144,437</u>	<u>\$ 9,025,137</u>	<u>\$ 8,579,221</u>	<u>\$ 8,591,994</u>	<u>\$ 8,671,290</u>	<u>\$ 7,988,910</u>	<u>\$ 7,896,000</u>
Contributions as a percentage of covered employee payroll	<u>10.49%</u>	<u>10.77%</u>	<u>10.03%</u>	<u>10.87%</u>	<u>12.43%</u>	<u>20.40%</u>	<u>22.53%</u>

The covered employee payroll numbers shown are in compliance with GASB 82, except for the 9/30/15 measurement period which includes DROP payroll.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

September 30, 2019

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: October 1, 2017

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

Methods and assumptions used to determine contribution rates:

Funding method:	Entry age normal actuarial cost method.
Amortization method:	Level percentage of pay, closed.
Remaining amortization period:	24 years (as of 10/01/2017).
Asset smoothing methodology:	The actuarial value of assets is brought forward using the historical four-year geometric average of market value returns (net-of-fees). Over time this may result in a de minimis bias that is above or below the market value of assets.
Interest rate:	7.75% per year, compounded annually, net of investment related expenses. This assumption was lowered as a result of the July 24, 2014 Experience Study.
Normal Retirement:	<u>Contribution Members Hired Prior to 09/18/2012:</u> Age 60 <u>Contribution Members Hired After 09/17/2012:</u> Age 62 and completion of 7 years of Credited service. <u>Non-Contributory Members:</u> Age 60 and completion of 9 years of credited service. Also any member who has reached normal retirement is assumed to continue employment for one additional year.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND**

September 30, 2019

NOTES TO SCHEDULE OF CONTRIBUTIONS (CONTINUED)

Mortality Rate:

Healthy Active:

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

Male: RP2000 Generational, 50% White Collar/ 50% Blue Collar, Scale BB.

Healthy Inactive Lives:

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

Male: RP2000 Generational, 50% Annuitant White Collar/ 50% Annuitant Blue Collar.

Disabled Lives:

Female: 100% RP2000 Disabled Female set forward two years.

Male: 100% RP2000 Disabled Male setback four years.

The assumed rates of mortality are mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumptions used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in the July 1, 2016 FRS actuarial valuation report for non-special risk lives. We feel this assumption sufficiently accommodates future mortality improvements.

**CITY OF OCOEE MUNICIPAL GENERAL EMPLOYEES'
RETIREMENT TRUST FUND
September 30, 2019**

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

	<u>September 30, 2019</u>	<u>September 30, 2018</u>	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>September 30, 2013</u>
Annual money-weighted rate of return net of investment expenses	<u>2.94%</u>	<u>9.79%</u>	<u>11.75%</u>	<u>8.82%</u>	<u>1.47%</u>	<u>3.92%</u>	<u>12.50%</u>