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### **Re: Change in Plan's Assumed Rate of Return**

As fiduciaries to the Plan, the Board of Trustees is required to periodically examine the various assumptions the Board uses to calculate funding requirements. Florida law and the state bodies governing the administration of our Plan require the assumptions be reasonable and realistic. In furtherance of that goal, the Board seeks the advice of their plan professionals when considering a change.

Recently the Board of Trustees sought and obtained input from the plan's investment performance monitor and the actuary. The Board also considered prevailing industry standards based on our investment matrix, both locally and statewide. Of the nearly 500 public plans in the State of Florida, the average assumed rate of return is 7.55%.<sup>1</sup>

Due to the totality of circumstances before them, the Board of Trustees elected to reduce the fund's long term assumed rate of return used for actuarial valuation purposes from 7.75% to 7.50%. This action was in light of expected future equity and fixed income asset returns being lower than past historical rates of return. Additionally, it is consistent with the trend for other Florida municipal pension plans.

Consequently, DROP participants who are (or will be) credited with earnings on their DROP accounts based on the fund's assumed rate of return, will see a marginal decrease in interest earnings. This change will go into effect on July 1, 2015, for the quarter ending September 30, 2015.

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<sup>1</sup> State of Florida - Department of Management Services' Division of Retirement, Actuarial Summary Fact Sheet