



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

July 21, 2016

VIA EMAIL

Ms. Grisell Aedo, Acting Retirement Director
City of Hialeah, Retirement Division
501 Palm Ave.
Hialeah, FL 33010

Re: City of Hialeah Employees' Retirement System
Senate Bill 534 (Section 112.664, Florida Statutes) Compliance

Dear Grisell:

Please find enclosed the annual disclosures that satisfy the October 1, 2015 financial reporting requirements made under Section 112.664.

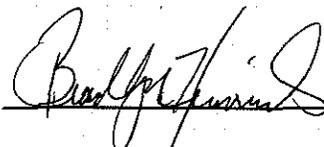
Our office will submit this information electronically to the Department of Management Services. However, it is important for you to be aware that this report must also be made available on the Plan or Plan Sponsor's website, if such website exists. A deadline for this website publication is not made clear in the law.

In addition to the enclosed report, the Plan or Plan Sponsor's website must provide a link to the Division of Retirement's Actuarial Summary Fact Sheet for the Plan, and also report the previous five years' assumed and actual rates of return, along with their respective asset allocations. The Board should contact its Investment Consultant for this information.

If there are any questions, concerns, or comments about any of the items contained in this report, please feel free to contact me.

Respectfully submitted,

Foster & Foster, Inc.

By: 

Bradley R. Heinrichs, FSA, EA, MAAA
Enrolled Actuary #14-6901

BRH/ike
Enclosures

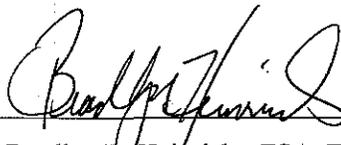
cc via email: Steve Cypen, Board Attorney

CITY OF HIALEAH
EMPLOYEES' RETIREMENT SYSTEM

SECTION 112.664, FLORIDA STATUTES
COMPLIANCE

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. To the best of my knowledge, the results are complete and accurate, and in my opinion, meet the requirements of Section 112.664(1), Florida Statutes, and Rule 60T-1.0035, Florida Administrative Code.

By:



Date: 7/21/2016

Bradley R. Heinrichs, FSA, EA, MAAA
Enrolled Actuary #14-6901



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

When reviewing the following schedules, please note the following:

- 1) The purpose of producing this report is solely to satisfy the requirements set forth by Section 112.664, Florida Statutes, and is mandatory for every Florida public pension fund, excluding the Florida Retirement System (FRS).
- 2) None of the schedules shown have any impact on the funding requirements of the Plan. These schedules are for statutory compliance purposes only.
- 3) In the schedules that follow, the columns labeled "ACTUAL" represent the final recorded GASB 67/68 results. The columns labeled "HYPOTHETICAL" illustrate what the results would have been if different assumptions were used.
- 4) It is our opinion that the Plan's actual assumptions utilized in the October 1, 2015 Actuarial Valuation Report, as adopted by the Board of Trustees, are reasonable individually and in the aggregate, and represent our best estimate of future Plan experience.
- 5) The "Number of Years Expected Benefit Payments Sustained" calculated in Section II: Asset Sustainability should not be interpreted as the number of years the Plan has left until it is insolvent. This calculation is required by 112.664, Florida Statutes, but the numeric result is irrelevant, since in its calculation we are to assume there will be no further contributions to the Fund. As long as the Actuarially Determined Contribution is made each year the Plan will never become insolvent.

	ACTUAL	HYPOTHETICAL		
	8.00% RP-2000 Static 9/30/2015	8.00% RP-2000 Generational 9/30/2015	6.00% RP-2000 Generational 9/30/2015	10.00% RP-2000 Generational 9/30/2015
<u>GASB 67: Schedule of Changes in Net Pension Liability</u>				
Total Pension Liability				
Service Cost	9,104,164	9,431,322	15,116,475	6,049,946
Interest	61,082,848	62,413,767	57,513,875	65,394,901
Change in Annuity Savings Fund	3,887,151	3,887,151	3,887,151	3,887,151
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	10,359,527	14,089,312	18,998,155	10,388,784
Changes of Assumptions	-	-	-	-
Contributions - Buy Back	975,579	975,579	975,579	975,579
Benefit Payments, Including Refunds of Employee Contributions	(66,047,848)	(66,047,848)	(66,047,848)	(66,047,848)
Net Change in Total Pension Liability	19,361,421	24,749,283	30,443,387	20,648,513
Total Pension Liability - Beginning	787,455,356	803,764,688	976,472,037	680,922,991
Total Pension Liability - Ending (a)	<u>\$ 806,816,777</u>	<u>\$ 828,513,971</u>	<u>\$ 1,006,915,424</u>	<u>\$ 701,571,504</u>
Plan Fiduciary Net Position				
Contributions - Employer	27,382,906	27,382,906	27,382,906	27,382,906
Contributions - State	461,877	461,877	461,877	461,877
Contributions - Employee	2,132,259	2,132,259	2,132,259	2,132,259
Contributions - Buy Back	975,579	975,579	975,579	975,579
Contributions - Annuity Savings Fund	3,887,151	3,887,151	3,887,151	3,887,151
Net Investment Income	2,881,487	2,881,487	2,881,487	2,881,487
Benefit Payments, Including Refunds of Employee Contributions	(66,047,848)	(66,047,848)	(66,047,848)	(66,047,848)
Net Change in Plan Fiduciary Net Position	(28,326,589)	(28,326,589)	(28,326,589)	(28,326,589)
Plan Fiduciary Net Position - Beginning	598,324,146	598,324,146	598,324,146	598,324,146
Plan Fiduciary Net Position - Ending (b)	<u>\$ 569,997,557</u>	<u>\$ 569,997,557</u>	<u>\$ 569,997,557</u>	<u>\$ 569,997,557</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 236,819,220</u>	<u>\$ 258,516,414</u>	<u>\$ 436,917,867</u>	<u>\$ 131,573,947</u>

GASB 68: Pension Expense for Fiscal Year Ending September 30, 2015

Pension Expense	<u>\$ 20,437,768</u>	<u>\$ 21,970,247</u>	<u>\$ 31,702,895</u>	<u>\$ 12,574,353</u>
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PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: 8.00% and RP-2000 Static Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2015	569,997,557	-	57,212,606	-	43,311,300	556,096,251
2016	556,096,251	-	55,983,073	-	42,248,377	542,361,555
2017	542,361,555	-	56,697,276	-	41,121,033	526,785,312
2018	526,785,312	-	57,532,037	-	39,841,543	509,094,818
2019	509,094,818	-	58,400,540	-	38,391,564	489,085,842
2020	489,085,842	-	59,202,307	-	36,758,775	466,642,310
2021	466,642,310	-	59,942,850	-	34,933,671	441,633,131
2022	441,633,131	-	60,471,272	-	32,911,800	414,073,659
2023	414,073,659	-	60,927,641	-	30,688,787	383,834,805
2024	383,834,805	-	61,349,891	-	28,252,789	350,737,703
2025	350,737,703	-	61,394,196	-	25,603,248	314,946,755
2026	314,946,755	-	61,279,541	-	22,744,559	276,411,773
2027	276,411,773	-	61,078,122	-	19,669,817	235,003,468
2028	235,003,468	-	60,703,375	-	16,372,142	190,672,235
2029	190,672,235	-	60,304,470	-	12,841,600	143,209,365
2030	143,209,365	-	59,621,015	-	9,071,909	92,660,259
2031	92,660,259	-	58,694,602	-	5,065,037	39,030,694
2032	39,030,694	-	57,676,342	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 17.68

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 8.00% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 2
Hypothetical Assumptions: 8.00% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2015	569,997,557	-	57,241,466	-	43,310,146	556,066,237
2016	556,066,237	-	56,078,333	-	42,242,166	542,230,070
2017	542,230,070	-	56,868,099	-	41,103,682	526,465,653
2018	526,465,653	-	57,785,619	-	39,805,827	508,485,861
2019	508,485,861	-	58,743,339	-	38,329,135	488,071,657
2020	488,071,657	-	59,647,521	-	36,659,832	465,083,968
2021	465,083,968	-	60,494,319	-	34,786,945	439,376,594
2022	439,376,594	-	61,137,154	-	32,704,641	410,944,081
2023	410,944,081	-	61,721,808	-	30,406,654	379,628,927
2024	379,628,927	-	62,275,824	-	27,879,281	345,232,384
2025	345,232,384	-	62,472,547	-	25,119,689	307,879,526
2026	307,879,526	-	62,519,095	-	22,129,598	267,490,029
2027	267,490,029	-	62,483,379	-	18,899,867	223,906,517
2028	223,906,517	-	62,284,300	-	15,421,149	177,043,366
2029	177,043,366	-	62,070,890	-	11,680,634	126,653,110
2030	126,653,110	-	61,581,417	-	7,668,992	72,740,685
2031	72,740,685	-	60,855,084	-	3,385,051	15,270,652
2032	15,270,652	-	60,039,873	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 17.25

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 8.00% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 3
Hypothetical Assumptions: 6.00% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2015	569,997,557	-	57,241,466	-	32,482,609	545,238,700
2016	545,238,700	-	56,078,333	-	31,031,972	520,192,339
2017	520,192,339	-	56,868,099	-	29,505,497	492,829,737
2018	492,829,737	-	57,785,619	-	27,836,216	462,880,334
2019	462,880,334	-	58,743,339	-	26,010,520	430,147,515
2020	430,147,515	-	59,647,521	-	24,019,425	394,519,419
2021	394,519,419	-	60,494,319	-	21,856,336	355,881,436
2022	355,881,436	-	61,137,154	-	19,518,772	314,263,054
2023	314,263,054	-	61,721,808	-	17,004,129	269,545,375
2024	269,545,375	-	62,275,824	-	14,304,448	221,573,999
2025	221,573,999	-	62,472,547	-	11,420,264	170,521,716
2026	170,521,716	-	62,519,095	-	8,355,730	116,358,351
2027	116,358,351	-	62,483,379	-	5,107,000	58,981,972
2028	58,981,972	-	62,284,300	-		

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 13.95

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 6.00% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 4
Hypothetical Assumptions: 10.00% and RP-2000 Generational Mortality

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2015	569,997,557	-	57,241,466	-	54,137,682	566,893,773
2016	566,893,773	-	56,078,333	-	53,885,461	564,700,901
2017	564,700,901	-	56,868,099	-	53,626,685	561,459,487
2018	561,459,487	-	57,785,619	-	53,256,668	556,930,536
2019	556,930,536	-	58,743,339	-	52,755,887	550,943,084
2020	550,943,084	-	59,647,521	-	52,111,932	543,407,495
2021	543,407,495	-	60,494,319	-	51,316,034	534,229,210
2022	534,229,210	-	61,137,154	-	50,366,063	523,458,119
2023	523,458,119	-	61,721,808	-	49,259,722	510,996,033
2024	510,996,033	-	62,275,824	-	47,985,812	496,706,021
2025	496,706,021	-	62,472,547	-	46,546,975	480,780,449
2026	480,780,449	-	62,519,095	-	44,952,090	463,213,444
2027	463,213,444	-	62,483,379	-	43,197,175	443,927,240
2028	443,927,240	-	62,284,300	-	41,278,509	422,921,449
2029	422,921,449	-	62,070,890	-	39,188,600	400,039,159
2030	400,039,159	-	61,581,417	-	36,924,845	375,382,587
2031	375,382,587	-	60,855,084	-	34,495,505	349,023,008
2032	349,023,008	-	60,039,873	-	31,900,307	320,883,442
2033	320,883,442	-	59,102,967	-	29,133,196	290,913,671
2034	290,913,671	-	57,933,114	-	26,194,711	259,175,268
2035	259,175,268	-	56,636,406	-	23,085,707	225,624,569
2036	225,624,569	-	55,261,011	-	19,799,406	190,162,964
2037	190,162,964	-	53,741,078	-	16,329,243	152,751,129
2038	152,751,129	-	52,080,803	-	12,671,073	113,341,399
2039	113,341,399	-	50,322,231	-	8,818,028	71,837,196
2040	71,837,196	-	48,514,601	-	4,757,990	28,080,585
2041	28,080,585	-	46,625,383	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 26.60

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 10.00% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

**ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2017**

Valuation Date: 10/1/2015

	ACTUAL		HYPOTHETICAL	
	8.00% RP-2000 Static	8.00% RP-2000 Generational	6.00% RP-2000 Generational	10.00% RP-2000 Generational
Total Required Contribution (Fixed \$)	\$31,891,639	\$33,747,339	\$46,385,065	\$22,624,310
Total Required Contribution (% of Payroll)	52.84%	55.92%	76.85%	37.48%
Expected Member Contribution	2,232,230	2,232,230	2,232,230	2,232,230
Expected State Money	461,877	461,877	461,877	461,877
Expected Sponsor Contribution (Fixed \$)	\$29,197,532	\$31,053,232	\$43,690,958	\$19,930,203
Expected Sponsor Contribution (% of Payroll)	48.37%	51.45%	72.38%	33.01%
ASSETS				
Actuarial Value ¹	578,960,969	578,960,969	578,960,969	578,960,969
Market Value ¹	569,997,557	569,997,557	569,997,557	569,997,557
LIABILITIES				
Present Value of Benefits				
Active Members				
Retirement Benefits	239,462,148	246,920,905	361,423,571	176,529,403
Disability Benefits	13,246,978	14,488,861	19,915,544	10,952,097
Death Benefits	2,498,874	2,433,092	3,345,325	1,844,705
Vested Benefits	16,685,051	17,187,427	26,844,054	11,539,710
Refund of Contributions	166,672	166,729	176,926	157,631
Service Retirees	474,711,383	484,316,704	577,476,748	415,747,202
DROP Retirees ¹	16,597,604	16,873,016	20,279,192	14,468,194
Beneficiaries	5,871,727	5,937,934	6,732,032	5,326,663
Terminated Vested	7,662,397	7,864,585	10,801,677	5,960,745
Disability Retirees	41,040,579	44,586,169	51,447,054	39,318,397
Annuity Savings	69,489,725	69,489,725	69,489,725	69,489,725
Total:	887,433,138	910,265,147	1,147,931,848	751,334,472
Present Value of Future Salaries	436,369,220	436,584,434	486,503,800	396,012,194
Total Normal Cost (Entry Age Normal)	8,887,641	9,203,098	14,749,267	5,905,784
Present Value of Future				
Normal Costs (Entry Age Normal)	68,341,562	70,951,979	127,880,253	40,991,835
Total Actuarial Accrued Liability ¹	819,091,576	839,313,168	1,020,051,595	710,342,637
Unfunded Actuarial Accrued Liability (Entry Age Normal)	240,130,607	260,352,199	441,090,626	131,381,668

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2017

Valuation Date: 10/1/2015

	ACTUAL	HYPOTHETICAL		
	8.00% RP-2000 Static	8.00% RP-2000 Generational	6.00% RP-2000 Generational	10.00% RP-2000 Generational
<u>PENSION COST</u>				
Normal Cost ²	9,785,121	10,132,433	15,863,637	6,653,014
Administrative Expenses ²	0	0	0	0
Payment Required To Amortize UAAL ²	22,106,518	23,614,906	30,521,428	15,971,296
Total Required Contribution	\$31,891,639	\$33,747,339	\$46,385,065	\$22,624,310

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/2015.

² Contributions developed as of 10/1/2015 are adjusted for 15 months of interest.