

CITY OF ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2016 AND 2015

CITY OF ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4
Statements of Fiduciary Net Position.....	7
Statements of Changes in Fiduciary Net Position.....	8
Notes to Financial Statements.....	9
Required Supplementary Information:	
Number of Members, Net Pension Plan Liability and Sensitivity of the Net Pension Liability to Changes in Discount Rate.....	25
Investments and the Long-term Expected Rate of Return on Pension Assets.....	26
Schedule of Changes in Net Position Liability and Related Ratios, and Schedule of Investment Returns.....	27
Notes to Required Supplementary Information.....	29



Charles E. Reed & Associates, P.C.

Certified Public Accountants & Consultants

Member

American Institute of
Certified Public Accountants

Texas Society of
Certified Public Accountants

AICPA Private
Companies Practice Section

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Orange Firemen's Relief and Retirement Fund
Orange, Texas

Report of the Financial Statements

We have audited the accompanying financial statements of the Orange Firemen's Relief and Retirement Fund (the Plan), which comprises the statement of fiduciary net position as of December 31, 2016 and 2015, and the related statement of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management 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 audits. We conducted our audits 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 includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on 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.

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 financial status of the Orange Firemen's Relief and Retirement Fund as of December 31, 2016 and 2015, and the changes in its financial net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules shown on pages 25-28 are presented for the purpose of additional analysis and are not a part of the financial statements but are supplemental information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. Such information is the responsibility of the Plan's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-6 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.

Very truly yours,

Charles E. Reed + Associates, P.C.

Charles E. Reed and Associates, P.C.
Certified Public Accountants and Consultants

Port Arthur, Texas
July 31, 2017

ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND MANAGEMENT'S DISCUSSION AND ANALYSIS

The objective of this discussion and analysis is to provide the reader with an overall review of the financial performance of the Orange Firemen's Relief and Retirement Fund (the "Plan") for the fiscal year ending December 31, 2016, as compared to the prior year ending December 31, 2015. Readers should read this discussion and analysis in combination with the financial statements and related notes.

Financial Highlights for Year Ended December 31, 2016

The assets of the Plan are held in an irrevocable trust for the exclusive benefit of eligible Plan participants. Plan fiduciary net position, which totaled \$8,154,598 as of December 31, 2016, decreased \$158,580 compared to the prior year ending December 31, 2015.

When compared to the prior year:

- Member contributions increased \$11,153 (9.65%), and City contributions increased \$19,868 (9.25%), due to increased compensation for the plan participants and a decrease in the number of participants. Participants continued to contribute 12.0% of compensation, and the employer matched 14% of compensation during 2016 and 2015, respectively.
- The Plan experienced a net gain on investments of \$393,148 in 2016 compared to a net Investment loss of \$186,511 during 2015 due to the stronger market conditions during the year ended December 31, 2016.
- Benefits paid to participants decreased \$27,962 (9.75%) due to issuance of DROP payments to two retirees during 2016.
- Plan administrative fees decreased \$5,460 (1.29%) due to a decrease in actuarial valuation services rendered in 2016.

Overview of the Financial Statements

The *Statement of Fiduciary Net Position* presents the assets and liabilities of the Plan for the current and prior year. Assets are stated at fair value and accordingly, unrealized appreciation and depreciation of the assets are reported in the *Statement of Changes in Fiduciary Net Position*. Amounts reported may include management's estimates and actual results could differ from those estimates.

The *Statement of Changes in Fiduciary Net Position* presents information showing how the Plan's net position changed during the current and prior year. All of the changes are reported as soon as the underlying event giving rise to the changes occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the Plan's financial statements. The notes include a brief description of the Plan, a summary of significant accounting policies, and comments on risks and uncertainties and Plan investments.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information consisting of schedules and related notes concerning the Plan's progress in funding its obligation to provide pension benefits to its participants.

Financial Analysis

The *Statement of Fiduciary Net Position* and the *Statement of Changes in Fiduciary Net Position* provide an indication of the Plan's financial condition. For plan year 2016, these statements indicate a decrease in net position due mainly to the depreciation of the value of the Plan's current investments and issuance of DROP payments. The Plan's net position may serve over time as a useful indicator of the Plan's financial position.

Table A-1
The Plan's Fiduciary Net Position

	2016	2015
Cash and receivables	\$418,267	\$314,358
Investments	7,756,975	8,004,084
TOTAL ASSETS	8,175,242	8,318,442
Accounts Payable	20,644	5,263
TOTAL LIABILITIES	20,644	5,263
TOTAL FIDUCIARY NET POSITION	\$8,154,598	\$8,313,179

Table A-2
Changes in the Plan's Fiduciary Net Position

	2016	2015
City Contributions	\$318,457	\$307,304
Member Contributions	264,332	244,464
Net Investment Income	393,148	(186,511)
Other Income	-	-
TOTAL ADDITIONS	975,937	365,257
Benefit payments/contribution refunds	1,115,775	1,337,192
Administrative expenses	18,742	24,202
TOTAL DEDUCTIONS	1,134,517	1,361,394
CHANGE IN FIDUCIARY NET POSITION	(158,580)	(996,137)
Fiduciary net position, January 1	8,313,178	9,309,315
TOTAL FIDUCIARY NET POSITION	\$8,154,598	\$8,313,178
DECEMBER 31		

Capital Assets and Debt Administration

Capital Assets: The Plan currently holds no capital assets.

Long-Term Debt: As of December 31, 2016, the Plan had no long-term debt outstanding. Also, no long-term debt was added or retired during the year ended December 31, 2016.

Economic Factors

The contribution rate for the members remained at 12% for the plan year ended December 31, 2016. The employer contribution rate was 14% for the plan year ended December 31, 2016.

Contacting Plan Management

This financial report is designed to provide a general overview of the finances of the Orange Firemen's Relief and Retirement Fund to those that are interested. Questions concerning any information provided in this report or requests for additional information should be addressed to the Plan Administrator, Orange Firemen's Relief and Retirement Fund, P. O. Box 520, Orange, Texas 77631-0520.

ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Cash and Cash Equivalents	\$ 411,227	\$ 304,751
Accrued Interest and Dividends	7,040	9,607
Investments at Fair Value		
Fixed Income Portfolio	3,240,372	3,292,910
Equity Portfolio	<u>4,516,603</u>	<u>4,711,174</u>
Total Assets	<u><u>8,175,242</u></u>	<u><u>8,318,442</u></u>
Liabilities		
Payable for Unsettled Sales	<u>20,644</u>	<u>5,263</u>
Total Liabilities	<u>20,644</u>	<u>5,263</u>
Net Position Held in Trust for Pension Benefits	<u><u>\$ 8,154,598</u></u>	<u><u>\$ 8,313,179</u></u>

The accompanying notes are an integral part of this financial statement

ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Additions		
Contributions:		
Employer Contributions	\$ 318,457	\$ 307,304
Participants Contribution	264,332	244,464
Total Contributions	<u>582,789</u>	<u>551,768</u>
Investment Income		
Net Appreciation (Depreciation) in Fair Value of Investments	294,158	(286,008)
Interest Income	40,675	46,914
Dividend Income	151,951	149,485
Total Investment Income (Loss)	<u>486,784</u>	<u>(89,609)</u>
Less Investment Expenses	<u>(93,636)</u>	<u>(96,902)</u>
Net Investment Income (Loss)	393,148	(186,511)
Total Additions	975,937	365,257
Deductions		
Benefits Paid	1,093,500	1,121,462
Refunds of Contributions	22,275	215,730
Administrative Expense		
Actuary and audit fees	13,451	22,779
Seminar and Travel	4,686	800
Dues	41	42
Legal fees and Other Costs	564	581
Total Deductions	<u>1,134,517</u>	<u>1,361,394</u>
Net Increase (Decrease)	(158,580)	(996,137)
Net Position Available for Pension Benefits		
Beginning of the year	<u>8,313,178</u>	<u>9,309,315</u>
End of Year	<u><u>\$ 8,154,598</u></u>	<u><u>\$ 8,313,178</u></u>

The accompanying notes are an integral part of this financial statement

**ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

NOTE 1 – SUMMARY OF PRINCIPAL FUND PROVISIONS

Authority for the Fund and Definitions

The Orange Firemen's Relief and Retirement Fund is established under the authority of the Texas Local Fire Fighter's Retirement Act (TLFFRA). The fund is administered by a Board of Trustees. The Board is made up of three members elected from and by fund members, two representatives of the City of Orange, Texas, and two citizen members.

Effective October 1, 2006, the City of Orange began contributing at a rate of 14.00 percent of each member's total pay (including regular, longevity, and overtime pay, but excluding lump sum distributions for unused sick leave or vacation).

Effective October 1, 2016, members began contributing to the fund at a rate of 12.00 percent of pay. The prior member contribution rate was 11.50 percent of pay. The definition of pay for the purposes of employee contributions is the same as the definition of pay for employer contributions. Employee contributions are "picked up" by the City, as permitted under Section 414(h)(2) of the Internal Revenue Code. For this reason, a member's contributions are excluded from taxable income when paid into the fund.

A member's service equals the years and months of continuous employment with the Orange Fire Department during which the member pays into, and keeps on deposit in the fund, the contributions required by the fund. A fund member also receives service credit for those periods during which the member received a disability benefit from the fund.

Retirement, death, disability, and termination benefits are calculated using upon a member's highest 60-month average salary. Highest 60-month average salary equals 2.167 times the average of the highest 130 biweekly pay periods out of the 208 biweekly pay periods immediately prior to the member's date of termination of service. If a member's biweekly pay has been offset by workmen's compensation benefits, the total biweekly pay will include the amount by which the biweekly pay was offset.

The fund was most recently amended effective October 15, 2015.

Eligibility

All fire fighters of the City of Orange, Texas are members of the Orange Firemen's Relief and Retirement Fund.

**ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

NOTE 1 - SUMMARY OF PRINCIPAL FUND PROVISIONS - CONTINUED

Service Retirement Benefits

A member is eligible for Service retirement benefits upon completion of 20 years of service and the attainment of age 50. A member who retires under the service retirement provisions of the Fund will receive a monthly benefit equal to the sum of a. and b., below, where:

- a. Equals 2.6 percent of the member's highest 60-month average salary multiplied by his or her number of years of service not in excess of 20, and
- b. Equals \$91 per month for each year of service in excess of 20.

Service retirement benefits are payable for the member's lifetime. In the event the member's death precedes that of his spouse, two thirds of the member's pension will be continued to the spouse for her lifetime. The spouse's benefit is forfeitable upon remarriage unless the member and his spouse were married for at least five years prior to the member's retirement.

Disability Benefits

An active member who becomes disabled will receive a monthly disability benefit. Disability benefits are payable in the same form as service retirement benefits. However, disability benefits stop if the member recovers to the point that he or she no longer meets the definition of disability under the fund. There are separate benefits for duty-related disabilities and non-duty related disabilities if a member has less than 15 years of service.

Definition of Disability

For the first two and one-half years, the member need only to be disabled to the extent of being unable to perform the duties of a position offered to him in the fire department providing the member with pay that is greater than or equal to the pay he would have received as an active employee of the fire department. After two and one-half years, the member must have an impairment rating of 50 percent or greater in order to continue receiving benefits.

Amount of Duty-Related Disability Benefit

The amount of disability benefit payable under the fund to a member who becomes disabled as a result of his duties as a fire fighter will equal to the sum of a. and b., below, where:

- a. equals 52.00 percent of the member's highest 60-month average salary, and
- b. equals \$91.00 per month for each year of service in excess of 20.

ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

NOTE 1 - SUMMARY OF PRINCIPAL FUND PROVISIONS - CONTINUED

Disability retirement benefits are payable for the member's lifetime as long as the member remains disabled under the terms of the plan. In the event the member's death precedes that of his spouse, two thirds of the member's pension will be continued to the spouse for her lifetime. The spouse's benefit is forfeitable upon remarriage unless the member and his spouse were married for at least five years prior to the member's retirement.

Amount of Benefit for Disability that is Not Duty-Related

The amount of disability payable under the Fund to a member who becomes disabled as a result of causes other than his duties as a fire fighter will equal the amount calculated under the duty-related disability benefit provisions of the Fund, multiplied by a percentage from the table, below, based on the member's years of service as of his date of disability.

<u>Number of Completed Years Of Service</u>	<u>Non-Duty Disability Benefit as a Percent Of the Duty-Related Disability Benefit</u>
0	25%
1	25%
2	25%
3	25%
4	25%
5	50%
6	50%
7	50%
8	50%
9	50%
10	75%
11	75%
12	75%
13	75%
14	75%
15 or more	100%

ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

NOTE 1 - SUMMARY OF PRINCIPAL FUND PROVISIONS - CONTINUED

Death Benefits

If a member's death is duty-related, the member's spouse will receive an immediate monthly benefit, payable for as long as he or she is living. The amount of the death benefit payable under the Fund to a member who dies as a result of his duties as a fire fighter will equal to the sum of a. and b., below, where:

- a. equals 34.67 percent of the member's highest 60-month average salary, and
- b. equals \$60.67 per month for each year of service in excess of 20.

The spouse's benefit is payable for life, but it ceases upon remarriage unless the deceased member and the member's spouse were married at least five years prior to the member's death. In addition to the above spouse's benefit, each unmarried child of the member will receive a monthly benefit of 6.93 percent of the member's highest 60-month average salary. Orphan benefits continue until a child reaches age 18. If the member's spouse subsequently dies of if there is no spouse, the benefit paid to each eligible orphan will be 13.86 percent of the member's highest 60-month average salary. Orphan benefits continue until a child reaches age 18. However, benefits will continue until age 25 for a child who is a full-time student. Orphan benefits are continued to disabled children for life.

If the member's death is determined to be not duty-related and the member has less than 15 years of service at the time of his or her death, the benefit payable to the survivors will be equal the amount calculated under the duty-related death benefit provisions of the Fund, multiplied by a percentage from the same table that is used to determine disability benefits which are not duty-related.

The total of all benefits paid as a result of the death of an active Fund member may not exceed the disability or retirement benefit such member had earned as of the date of his death. Benefits are reduced pro-rata, if necessary, in order to satisfy this limitation.

Termination Benefits

Members with Less Than Twenty Years of Credited Service

A Fund member who terminates employment prior to completing 20 years of service will be entitled to the return of the excess of his or her contributions to the Fund over the amount of any benefits he has received from the Fund. Such refund will not include any interest on the member's contributions.

**ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

NOTE 1 - SUMMARY OF PRINCIPAL FUND PROVISIONS – CONTINUED

Members with Twenty or More Years of Credited Service

A Fund member who terminates employment after completing at least 20 years of credited service, but prior to the date attains age 50, will be entitled to receive a monthly benefit starting at age 50. The monthly termination benefit will equal the sum of a. and b., below, where:

- a. equals 2.60 percent of the member's highest 60-month average salary multiplied by his or her number of years of service not in excess of 20, and
- b. equals \$91.00 per month for each year of service in excess of 20.

Vested termination benefits are payable for the member's lifetime. In the event the member's death precedes that of his spouse, two-thirds of the member's pension will be continued to the spouse for her lifetime. The spouse's benefit is forfeitable upon remarriage unless the member and his spouse were married for at least five years prior to the member's retirement.

The accrued benefit of each fire fighter who was a member of the Fund on December 7, 2007, will not be less than the benefit which the member had earned as of December 31, 2007.

Optional Forms of Payment

In lieu of the regular monthly benefit specified in the plan, a member who retires under the service provision of the Fund may elect to receive his benefits under one or more options listed below.

Social Security Leveling Option

Under the Social Security Leveling Option, a member receives a larger monthly benefit under the Fund until age 62. At age 62, the monthly amount is reduced. The amounts of monthly benefits are set to produce an approximately level total benefit when Social Security payments are taken into account.

DROP

Under the DROP, a member receives a reduced monthly benefit in return for a lump sum amount upon retirement. The lump sum amount is referred to as the DROP payment. The later of (a) the date a member had both attained the age of 53 and completed 23 years of service or (b) the date 36 months prior to the member's date of retirement is referred to as the member's DROP benefit calculation date. A member may retire under the DROP if his retirement date falls on or after his

**ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

NOTE 1 - SUMMARY OF PRINCIPAL FUND PROVISIONS – CONTINUED

Retro DROP benefits calculation date. Retirement under the plan's DROP provisions is on lieu of the regular service retirement benefit.

The monthly benefit of a member who retires under the DROP equals the monthly benefit he was entitled to as of his DROP calculation date using the benefit formula in effect on his DROP calculation date.

Upon retirement, the member will receive – in addition to his monthly retirement benefit – a single payment equal to the sum of:

- a) the amount of monthly contributions which the member has made to the fund during the time he participated in the DROP; plus
- b) the total of the monthly retirement benefits the member would have received between his or her DROP benefit calculation date and the date the member retired under the plan.

Amendment of the Plan

The plan document may be amended as provided in Section 7 of the Texas Fire Fighters' Retirement Act (Article 6243e, V.T.C.S.). Amending the plan requires approval of any proposed change by (a) an eligible actuary and (b) a majority of the participating members of the fund.

Actuarial Assumptions

In order to project future retirement benefits and to calculate the contributions necessary to fund those benefits, the actuary must choose an earnings rate which will be representative of the trust fund's future rate of return over the long term. Expected rates of mortality, disability, termination and retirement must be selected as well. It is also necessary to choose the assumed rates at which members' compensation will increase. Each of these assumed rates is referred to as an actuarial assumption. The actuary monitors the plan's experience with respect to each assumption and changes assumptions as required. The actuarial assumptions used in this valuation are listed on Appendix B.

Actuarial Cost Method

The actuarial cost method is the means for distributing the cost of a member's pension over his or her period of service with the employer. The cost attributed to each specific year is referred to as the normal cost for that year. The pattern of normal costs is what distinguishes one cost

ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

NOTE 1 - SUMMARY OF PRINCIPAL FUND PROVISIONS – CONTINUED

method from another. The specific actuarial cost method used for the actuarial valuation is described on Appendix A.

Actuarial Present Value

Actuarial valuations discount the value of future pension and other benefits from the date they are assumed to be paid, back to the valuation date. Payments are discounted for interest and for the probability that they will ultimately be paid. Probabilities that are taken into account include retirement, death, disability, and termination.

Amortization Period

The portion of the employer's contribution not needed to meet the normal cost for the year is applied to amortizing the unfunded actuarial accrued liability (UAAL). The amortization payment is first applied toward interest on the UAAL. Any remaining amount reduces principal. By taking into account the size of the UAAL, the amount available to amortize the UAAL, and the plan's assumed interest rate, the actuary can calculate the length of time that will be required to reduce the UAAL to zero. This time span is called the amortization period. It is important to note that the periodic amortization payments are not level. Rather, payments are assumed to increase each year by a percentage equal to the growth in total payroll.

The amortization is calculated using a net annual interest accumulation, $(1+j)$, equal to (a) one plus the assumed rate of return, $(1+i)$, divided by (b) one plus the assumed rate of increase in total payroll, $(1+k)$. The net interest rate (j) equals the net annual interest accumulation minus one. The payment available, as of the valuation date, to amortize the UAAL is calculated as the percentage of payroll available for amortization multiplied by annualized compensation. Annualized compensation equals expected compensation for the 12-month period following the valuation date adjusted, using the valuation interest rate, to an equivalent single-payment amount as of the valuation date.

The amortization period equals difference of A minus B, divided by C, where:

$$A = \log [(1+j) \times \text{Amortization Payment}],$$

$$B = \log [(1+j) \times \text{Amortization Payment} - (j \times \text{UAAL})], \text{ and}$$

$$C = \log [1+j].$$

**ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

NOTE 1 - SUMMARY OF PRINCIPAL FUND PROVISIONS – CONTINUED

Entry Age Normal Cost Method

Under the entry age normal cost method, the cost of a member's pension is spread over his or her entire career. The normal cost of benefits is calculated so as to be a level amount when expressed as a percentage of pay. A detailed description of the cost method used appears on Appendix A.

Normal Cost

The normal cost is the portion of the cost of a member's pension that is attributed to a specific year.

Texas Pension Review Board Guidelines for Actuarial Soundness

The Texas Pension Review Board has published guidelines which specify the basis for determining whether a public pension plan complies with the requirements of Section 802.101 of the Texas Government Code. The guidelines, as amended September 28, 2011, provide that valuations should meet the following requirements.

1. The funding of a pension plan should reflect all plan obligations and assets.
2. The allocation of the normal cost portion of contributions should be level or declining as a percent of payroll over all generations of taxpayers and should be calculated under applicable actuarial standards.
3. Funding of the unfunded actuarial accrued liability should be level or declining as a percent of payroll over the amortization period.
4. Funding should be adequate to amortize the unfunded actuarial accrued liability over a period not to exceed 40 years, with 15 to 25 years being a more preferable target. Benefit increases should not be adopted if all plan changes being considered cause a material increase in the amortization period and if the resulting amortization period exceeds 25 years.
5. The choice of assumptions should be realistic and reasonable and should comply with applicable actuarial standards.

**ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015**

NOTE 1 - SUMMARY OF PRINCIPAL FUND PROVISIONS – CONTINUED

Unfunded Actuarial Accrued Liability

The unfunded actuarial accrued liability (UAAL) represents the difference between (a) the present value of future benefits and (b) the sum of the present value of future normal costs and the actuarial value of assets. The UAAL is used in calculating the amortization payment for the year, which is a part of the annual contribution requirement. The UAAL does not represent a measure of the degree to which accrued benefits are funded. Many plans which are fully funded as far as accrued benefits are concerned nevertheless have unfunded actuarial accrued liabilities.

The amortization of the unfunded actuarial accrues liability was determined as level percentage of projected payroll. The annual compound rate of increase assumed was 4.00 percent per year. No increase in the number of active participants was assumed.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Presentation

The Fund presents its financial statements according to Government Accounting Standards Board (GASB) Statement No. 67 which generally requires a presentation of net position and valuation of investments at fair value.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which services are performed. Investment income includes dividends, interest and net appreciation (depreciation) in fair values of investment.

Net appreciation (depreciation) in fair values of investments includes (1) capital gain distributions and realized gain (loss) for sale of securities, (2) unrealized gain (loss) and (3) amortization of premiums and discounts.

Interest and dividend income are recognized when earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the Fund.

ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Estimates

The preparation of financial statements in conformity with U.S generally accepted accounting principles requires the Fund to make estimates and assumptions that affect the reported amounts of the assets, liabilities, and pension benefit obligation at the date of the financial statements and the reported amounts of additions and deductions from net assets available for benefits during the reporting period. Actual results could differ from these estimates.

Income Tax Status

The Fund obtained its latest determination letter under Section 401 (a) of the Internal Revenue Code on July 11, 2014 in which the Internal Revenue Service stated that the plan, as then designated, was in compliance with the applicable requirements of the Internal Revenue Code. As a governmental plan, the Fund is exempt from regulations under Title I of ERISA. The Plan has subsequently submitted another application for determination, which had been acknowledged as received by the Internal Revenue Service as of February 21, 2014. However the application is still pending approval as of the issue of these financial statements.

NOTE 3 – HISTORICAL TREND INFORMATION

Historical trend information designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits when due is presented in the Supplemental Information of these financial statements.

NOTE 4 – CASH AND INVESTMENTS

The fund portfolio is under professional management by investment advisors. The investment advisors are subject to the investment policies and guidelines established by the Fund's Board. The following is a summary of the Fund's investment portfolio at December 31, 2016 and 2015:

	2016		2015	
	Cost	Market	Cost	Market
Cash	\$ 167,043	\$ 167,043	\$ 164,171	\$ 164,171
Cash Equivalents: Money Market Funds	244,184	244,184	140,580	140,580
Total Cash and Cash Equivalents	411,227	411,227	304,751	304,751
Fixed Incomes Portfolio				
Mortgage and Asset Backed Securities	442,097	442,097	647,331	610,693
Corporate, Government and International Bonds	2,148,974	2,798,275	2,134,816	2,682,217
Total Fixed Income Securities	2,591,071	3,240,372	2,782,147	3,292,910
Equity Portfolio				
Common Stocks and Options	4,610,625	4,516,603	5,221,937	4,711,174
Total Cash and Investments	\$ 7,612,923	\$ 8,168,202	\$ 8,308,835	\$ 8,308,835

ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

NOTE 5 – SUMMARY OF FAIR VALUE EXPOSURE

The FASB Fair Value Measurement standard clarified the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Board has adopted this standard for its financial assets and liabilities measured on a recurring basis (ASC 820-10).

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e., an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.).

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those instruments.

The following tables provide fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2016 and 2015:

Description	2016		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 411,227	\$ -	\$ -
Corporate common and preferred stocks	7,756,975	-	-
Total Investments	<u>\$ 8,168,202</u>	<u>\$ -</u>	<u>\$ -</u>
Description	2015		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 304,751	\$ -	\$ -
Corporate common and preferred stocks	8,004,084	-	-
Total Investments	<u>\$ 8,308,835</u>	<u>\$ -</u>	<u>\$ -</u>

ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

NOTE 6 – INVESTMENTS

The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, not of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing 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 in the pension plan's target asset allocation as of December 31, 2016 are summarized in the following table:

Investments and the Long-term Expected Rate of Return on Pension Plan Assets

Asset Class	Allocation per Investment Policy Stmt	Asset Class Long-term Expected Real Rate of Return	Weighted Avg Expected Real Rate of Return	Gross Alpha Provided by Active Management	Weighted Average Gross Alpha	Long-term Expected Real Rate of Return 2
1	2	3	4	5	6	7
1. Cash and short-term fixed income	0.00%	0.00%	0.00%	0.00%	0.0000%	0.0000%
2. Fixed income	35.00%	3.00%	1.05%	0.50%	0.1750%	1.2250%
3. Equities						
(a) Large-cap Growth	13.00%	6.45%	0.84%	0.75%	0.0975%	0.9375%
(b) Large-cap Value	13.00%	7.85%	1.02%	0.75%	0.0975%	1.1175%
(c) Mid-cap	9.00%	8.45%	0.76%	0.75%	0.0675%	0.8275%
(d) International Equity	20.00%	5.30%	1.06%	0.75%	0.1500%	1.2100%
(e) Emerging Markets	10.00%	5.30%	0.53%	0.75%	0.0750%	0.6050%
4. Totals	100.00%		5.26%			5.92%

Item	Rate
1	2
Long-term Expected Real Rate of Return On Plan Assets (line 4, col 7, above)	5.92%
Assumed Fees for Active Asset Management Based on Historical Experience	1.10%
Net Long-term Expected Real Rate of Return On Plan Assets (line 5-line 6)	4.82%
Assumed Inflation	3.00%
Long-term Nominal Expected Rate of Return On Plan Assets (line 7 + line 8)	7.82%
Preliminary Discount Rate	7.66%
Decrease in Discount Rate Required Under GASB Statement No. 67, Paragraph 40, Statement No. 68, Paragraph 26	0.00%
Final Discount Rate Used to Measure the Total Pension Liability (line 10 - line 11)	7.66%
Margin Available for Adverse Investment Experience (line 9 - line 12)	0.16%

NOTE 7 – INADEQUATE FUNDING ARRANGEMENT

The January 1, 2015 valuation of the Orange Foremen's Relief and Retirement Fund determined that the plan's amortization period was 58.2 years. Guidelines published by the Texas State Pension Review Board specify that the amortization period should not exceed 40 years, with a 15 – to – 25 year period being preferable. Thus, under Pension Review Board guidelines, the fund does not represent an adequate funding arrangement at this time.

ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

NOTE 7 – INADEQUATE FUNDING ARRANGEMENT - CONTINUED

Section 802.106 of the Texas Government code requires a public retirement system to notify members if the actuary determines that the financing arrangement of the system is not adequate. The Plan complied with this provision of the code and issued a notice to members.

Since January 1, 2015, members of the fund have twice increased their contribution rate by one-half percent of pay. Thus, the City and member contribution rates are now 14 percent of pay and 12 percent of pay respectively. Thus, the amortization period is now slightly less than 47.4 years.

NOTE 8 – RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position. Plan contributions are made and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

NOTE 9 – SUBSEQUENT EVENTS

Events occurring subsequent to December 31, 2016 were evaluated by management and reviewed through July 31, 2017, date of report issuance, with no significant items reported.

NOTE 10 – ACTUARIAL COST METHOD and ACTUARIAL VALUE OF ASSETS

Actuarial Cost Method

The actuarial cost method used in the valuation is the individual entry age service actuarial cost method. This method is also referred to as the entry age actuarial cost method under the terminology developed by the Joint Committee on Pension Terminology.

Each employee's service cost equals the level percentage of pay contribution which, if paid annually from date of employment to date of assumed retirement, would fully fund the employee's benefits.

ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

**NOTE 10 – ACTUARIAL COST METHOD and ACTUARIAL VALUE OF ASSETS -
CONTINUED**

The employee's portion of the service cost equals his or her anticipated employee contributions for the year. The employer service cost for the year equals the total service cost for all employees minus the total employee service cost.

The total pension liability is developed by subtracting the present value of future service costs from the present value of future benefits. The net pension liability is calculated by subtracting the plan fiduciary net position from the total pension liability.

Actuarial Assumptions

- | | |
|--|---|
| 1. Discount rate | 7.66% per annum, compounded annually* |
| 2. Mortality | Employee and Healthy Annuitant Combined Rates from the RP-2000 Mortality Table, projected to 2024 using Scale AA, with separate rates for males and females |
| 3. Assumed retirement age for active members | Retirement rates are shown on the table below. |
| 4. Assumed retirement age for vested terminated members | Benefits for vested terminated members are assumed to start on the date the member attains age 50 or, if later, the date the member would have completed 20 years of service. |
| 5. Disability | Disability rates are shown on the table below. |
| 6. Termination | Termination rates are shown on the table below. |
| <p>* The rate used for the December 31, 2014 actuarial valuation, 7.75 percent, was lowered to 7.66 percent for the Statement No. 67 disclosures as required by Paragraph 40 of GASB Statement No. 67.</p> | |
| 7. Compensation increases for individual members | Compensation increase rates (SS Table 1415) are shown on the table below. |

ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

**NOTE 10 – ACTUARIAL COST METHOD and ACTUARIAL VALUE OF ASSETS -
CONTINUED**

- 8. Increases in total payroll** 4.00% per year, compounded annually
- 9. Marital status**
- a. Proportion married Males: 90%, Females: 90%
 - b. Difference in ages Actual age differences are used for married members. Ninety percent of members are assumed to be married at retirement. Males are assumed to be three years older than their spouses.
- 10. Assumed death benefit to children**
- Each member is assumed to have two children. The first child is assumed to have been born when the member was age 25. The second child is assumed to be two years younger. It is also assumed that benefits will be paid until each child reaches the age of 23.
- 11. Assumed contribution rates**
- a. Members 12.00% of compensation
 - b. City 14.00% of compensation
- 12. Assumed form of payment**
- Members' eligible for the DROP are assumed to elect the DROP 95% of the time and straight service retirement 5% of the time. Other members are assumed to receive straight service retirement.

ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

**NOTE 10 – ACTUARIAL COST METHOD and ACTUARIAL VALUE OF ASSETS -
CONTINUED**

Decrements are assumed to be annual rates, rather than probabilities, and are adjusted for the interaction between competing decrements. The 7.75 percent rate of return was set by examining the fund's rate of return history and by taking into account future expected rates of return for portfolios with similar asset allocations. The assumed 7.75 percent rate can be considered to include a provision for inflation at 3.00 percent per year, although other combinations of real return, risk premium, and inflation are also accounted for by an 7.75 assumed rate. The rate of return is net of trust expenses. The same inflation component was used in the assumed rate of return on the actuarial value of assets, the assumed increases in compensation for individual members, and the other actuarial assumptions. Note: a rate of 7.66 percent was used for the GASB Statement No. 67 disclosures.

The valuation includes provisions for mortality improvement to 2024. The mortality tables used in the valuation are updated periodically. The actuaries are not aware of any significant event that has occurred since the valuation date that would have materially changed any of the demographic assumptions selected for the valuation.

Rationale for the Actuarial Assumptions

The assumed rate of return was developed using both the plan's historical rates of return and expected future rates of return. Rate of return experience studies have been performed in connection with the plan's valuations. (See Exhibit 4 and Exhibit 5 of the valuation report as well as corresponding exhibits in prior valuation reports.)

The demographic assumptions were chosen based on expected future rates of retirement, mortality, disability, and termination. Mortality was taken from published studies and was updated to reflect future improvement. Retirement and salary increase rates were developed based on the plan's own experience. (See Exhibit 6 and Exhibit 7 of the valuation report.) Disability and termination rates were based on published rates, adjusted as necessary, to conform to the plan's own experience. Demographic assumptions were tested in connection with the valuation. (See Exhibit 8 of the valuation report, as well as corresponding exhibits in prior valuation reports.)

Both economic and demographic assumptions were further tested through the calculation of the plan's aggregate experience with respect to both demographic decrements and economic assumptions. (See Exhibit 9 of the valuation report as well as corresponding exhibits in prior valuation reports.)

Rationale for the actuarial assumptions is also provided in the Text Section of the valuation report.

ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 and 2015

**NOTE 10 – ACTUARIAL COST METHOD and ACTUARIAL VALUE OF ASSETS -
CONTINUED**

Changes in Actuarial Assumptions and Rationale for Changes in the Actuarial Assumptions

The assumed rate of return on the actuarial value of assets was lowered from 8.00 percent per annum to 7.75 percent per annum. The assumed retirement age for active members was changed from age 57 to a retirement table developed based on the fund's experience with respect to retirement. Twenty years of service is required in order to be eligible for service retirement under the fund. The rate at which active members' salary is assumed to increase each year was changed from 4.00 percent per year to a table based on a member's years of service. The table was developed based on the fund's experience with respect to salary increases. Note: a rate of 7.66 percent was used for the GASB Statement No. 67 disclosures.

The assumed rate of return on the actuarial value of assets was lowered to 7.75 percent in order to increase the conservatism in the rate of return assumption. The mortality table used for the valuation was changed from the *Employee and Healthy Annuitant Combined Rates* from the RP-2000 Mortality Table, projected to 2015 using Scale AA, with separate rates for males and females, to the *Employee and Healthy Annuitant Combined Rates* from the RP-2000 Mortality Table, projected to 2024 using Scale AA, with separate rates for males and females. The mortality changes were made in order to recognize mortality improvement through the valuation date and provide a margin for future mortality improvement. Disability rates were changed from SOA Disability Study Table, Class 1 rates, to the tabular rates listed in this Appendix B. Termination rates were not changed; however, they were listed as tabular rates, rather than under their original name, Table T-1 from the *Actuary's Pension Handbook*.

The increase in the member contribution rate to 12.00 percent, on October 1, 2016, was taken into account in the GASB Statement No. 67 calculations given in this report.

The effects of the valuation assumption changes are described in the Text Section of the valuation report. The assumption changes were made in order to align the assumptions with actuarial requirements, the plan's experience studies, as well as to most accurately reflect anticipated plan experience.

**ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016 and 2015**

**Number of Members, Net Pension Liability, Single Discount Rate and Sensitivity
of the Net Pension Liability to Changes in the Discount Rate**

Actuarial Valuation Date	12/31/2014	12/31/2014
Measurement Date	12/31/2016	12/31/2015

Number of Members as of December 31, 2016 and 2015

Retirees and beneficiaries currently receiving benefits	42	39
Terminated employees entitled to but not yet receiving benefits	1	1
Active Members	37	37
Total	77	74

Net Pension Liability as of December 31, 2015 and 2014

Total Plan Liability	17,101,284	16,683,530
Plan fiduciary Net Pension	8,154,599	8,313,179
Net Pension Liability	8,946,685	8,370,351

Development of of the Single Discount Rate

Single Discount Rate	7.66%	
Long-term Expected Rate of Return	7.75%	
Long-term Municipal Bond Rate	3.78%	
Last year Ending December 31 in the 100- year Projection Period for Which Projected Benefits Are Fully Funded	See Note Below	Proj'd Benefits Are Funded for All Years

**Sensitivity of the Net Pension Liability to Changes in the Discount
Rate as of December 31, 2016.**

Current Discount Rate (7.66 Percent)	One Percent Increase (8.66 Percent)
\$ 8,946,685	\$ 7,502,142

**ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016 and 2015**

Investments and the Long-term Expected Rate of Return on Pension Plan Assets

Asset Class	Allocation to Asset Class 1	Asset Class Long-term Expected Real Rate of Return	Weighted Avg Expected Real Rate of Return	Gross Alpha Provided by Active Management	Weighted Average Gross Alpha	Long-term Expected Real Rate of Return 2
1	2	3	4	5	6	7
1. Cash and short-term fixed income	0.00%	0.00%	0.00%	0.00%	0.0000%	0.0000%
2. Fixed income	35.00%	3.00%	1.05%	0.50%	0.1750%	1.2250%
3. Equities						
(a) Large-cap Growth	13.00%	6.45%	0.84%	0.75%	0.0975%	0.9375%
(b) Large-cap Value	13.00%	7.85%	1.02%	0.75%	0.0975%	1.1175%
(c) Mid-cap	9.00%	8.45%	0.76%	0.75%	0.0675%	0.8275%
(d) International Equity	20.00%	5.30%	1.06%	0.75%	0.1500%	1.2100%
(e) Emerging Markets	10.00%	5.30%	0.53%	0.75%	0.0750%	0.6050%
4. Totals	100.00%		5.26%			5.92%

1 Per Investment Policy Statement

2 Column (4) plus Column (6)

Item	Rate
1	2
Long-term Expected Real Rate of Return On Plan Assets (line 4, col 7, above)	5.92%
Assumed Fees for Active Asset Management Based on Historical Experience	1.10%
Net Long-term Expected Real Rate of Return On Plan Assets (line 5-line 6)	4.82%
Assumed Inflation	3.00%
Long-term Nominal Expected Rate of Return On Plan Assets (line 7 + line 8)	7.82%
Preliminary Discount Rate	7.66%
Decrease in Discount Rate Required Under GASB Statement No. 67, Paragraph 40, Statement No. 68, Paragraph 26	0.00%
Final Discount Rate Used to Measure the Total Pension Liability (line 10 - line 11)	7.66%
Margin Available for Adverse Investment Experience (line 9 - line 12)	0.16%

ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016 and 2015

Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Investments Returns

Discount Rate Before Assumption Changes	7.66%	7.75%	8.00%	8.00%
Annual increase in payroll	4.00%	4.00%	4.00%	4.00%
Actuarial valuation date	12/31/14	12/31/14	12/31/14	12/31/12
Measurement date	12/31/16	12/31/15	12/31/14	12/31/14

Total Pension Liability

Total Service Cost	277,080	266,423	256,176	256,176
Interest on the Total Pension Liability	1,256,448	1,235,592	1,240,296	1,240,296
Changes in benefit terms	-	-	-	-
Difference between expected and actual experience	-	-	(455,247)	-
Changes in assumptions	-	173,418	587,758	-
Benefit payments (including refunds of member contributions)	(1,115,774)	(1,337,192)	(1,084,609)	(1,084,609)
Net Change in Total Pension Liability	417,754	338,241	544,374	411,863
Total Pension Liability - Beginning of the year	16,683,530	16,345,289	15,800,915	15,800,915
Total Pension Liability - End of year	17,101,284	16,683,530	16,345,289	16,212,778

Plan Fiduciary Net Position

Contributions - employer	318,457	307,304	319,060	319,060
Contributions - members	264,332	244,464	250,694	250,694
Net Investment Income	393,146	(186,511)	251,513	251,513
Benefit Payments (including refunds of member contributions)	(1,115,774)	(1,337,192)	(1,084,609)	(1,084,609)
Administrative Expenses	(18,741)	(24,201)	(22,162)	(22,162)
Other	-	-	-	-
Net Change in Plan Fiduciary Net Position	(158,580)	(996,137)	(285,504)	(285,504)

Plan Fiduciary net Position - Beginning of the year	8,313,179	9,309,315	9,594,819	9,594,819
--	-----------	-----------	-----------	-----------

Plan Fiduciary net Position - End of the year	8,154,599	8,313,178	9,309,315	9,309,315
--	-----------	-----------	-----------	-----------

Net Pension Liability - End of the Year	8,946,685	8,370,351	7,035,974	6,903,463
--	-----------	-----------	-----------	-----------

Plan Fiduciary Net Position as a Percentage of the Total

Pension Liability - End of the Year	47.68%	49.83%	56.95%	57.42%
--	--------	--------	--------	--------

ORANGE FIREMEN'S RELIEF AND RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016 and 2015

Schedule of Changes in Net Pension Liability and Related Ratios, and Schedule of Investments Returns (continued)

Discount Rate Before Assumption Changes	* 8%	7.75%	8.00%	8.00%
Annual increase in payroll	4.00%	4.00%	4.00%	4.00%
Actuarial valuation date	12/31/14	12/31/14	12/31/14	12/31/12
Measurement date	12/31/16	12/31/15	12/31/14	12/31/14
Covered Payroll	2,274,693	2,195,029	2,279,000	2,279,000
Net Pension Liability - End of Year as a Percentage of Covered Payroll	393.31%	381.33%	308.73%	302.92%
Annual Money-weighted Rate of Return Net of Pension Plan Investment Expense With Inputs Determined At Least Monthly	4.85%	-2.08%	2.69%	2.69%
Actuarially Determined Contribution	318,457	307,304	319,060	319,060
Contributions on Relation to the Actuarially Determined Contribution	318,457	307,304	319,060	319,060
Contribution Deficiency (Excess)	-	-	-	-
Contribution as a percentage of Covered-employee Payroll	14.00%	14.00%	14.00%	14.00%
Balance of Amounts Held by the Plan Pursuant to the Revenue DROP	-	-	-	-
Interest on Total Service Cost	21,224	20,648	19,607	19,607
Interest on Changes in Benefit Terms	-	-	-	-
Interest on Difference Between Expected and Actual Experience	-	-	-	-
Interest on Changes in Assumptions	-	-	-	-
Interest on Benefit Payments	(42,734)	(51,816)	(43,384)	(43,384)
Interest on Beginning of the Year Total Pension Liability	1,277,958	1,266,760	1,264,073	1,264,073
Interest on the Total Pension Liability	1,256,448	1,235,592	1,240,296	1,240,296

Note: In accordance with Paragraph 50 of GASB Statement No. 67 and Paragraph 138 of GASB Statement 68, this Schedule only includes information which has been measured in conformity with Statements No. 67 and No. 68. Disclosures for years in which information was not developed in accordance with GASB Statements No. 67 and No. 68 have not been included.

*The discount rate used for the December 31, 2015 disclosures was lowered to 7.66%, the single discount rate required under GASB Statements No. 67 and No. 68. The 7.66% rate was also used for the December 31, 2016 GASB Statement No. 67 disclosures.

