

February 4, 2016

VIA EMAIL

Ms. Liz Willis
City of Naples Finance Department
735 8th Street South
Naples, Florida 34102

Re: City of Naples Firefighters' Pension and Retirement System
Senate Bill 534 (Section 112.664, Florida Statutes) Compliance

Dear Liz:

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

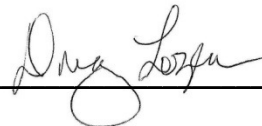
Our office will submit this information electronically to the Department of Management Services. However, it is important for you to be aware that this report must also be made available on the Plan or Plan Sponsor's website, if such website exists. A deadline for this website publication is not made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

Douglas H. Lozen, EA, MAAA
Enrolled Actuary #14-7778

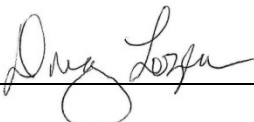
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Enclosures

cc via email: Robert Sugarman, Board Attorney

CITY OF NAPLES
FIREFIGHTERS' PENSION AND 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: 2/4/2016

Douglas H. Lozen, EA, MAAA
Enrolled Actuary #14-7778



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	
	7.50% RP-2000 Static 9/30/2015	7.50% RP-2000 Generational 9/30/2015	5.50% RP-2000 Generational 9/30/2015
<u>GASB 67: Schedule of Changes in Net Pension Liability</u>			
<u>Total Pension Liability</u>			
Service Cost	842,047	869,528	1,400,663
Interest	4,102,672	4,211,348	4,081,039
Share Plan Allocation	-	-	-
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(247,033)	(340,763)	(466,673)
Changes of Assumptions	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(2,063,933)	(2,063,933)	(2,063,933)
Net Change in Total Pension Liability	2,633,753	2,676,180	2,951,096
Total Pension Liability - Beginning	54,892,211	56,313,747	73,832,010
Total Pension Liability - Ending (a)	<u>\$ 57,525,964</u>	<u>\$ 58,989,927</u>	<u>\$ 76,783,106</u>
<u>Plan Fiduciary Net Position</u>			
Contributions - Employer	1,180,670	1,180,670	1,180,670
Contributions - State	721,101	721,101	721,101
Contributions - Employee	153,807	153,807	153,807
Net Investment Income	341,202	341,202	341,202
Benefit Payments, Including Refunds of Employee Contributions	(2,063,933)	(2,063,933)	(2,063,933)
Administrative Expenses	(63,952)	(63,952)	(63,952)
Other	-	-	-
Net Change in Plan Fiduciary Net Position	268,895	268,895	268,895
Plan Fiduciary Net Position - Beginning	44,704,902	44,704,902	44,704,902
Plan Fiduciary Net Position - Ending (b)	<u>\$ 44,973,797</u>	<u>\$ 44,973,797</u>	<u>\$ 44,973,797</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 12,552,167</u>	<u>\$ 14,016,130</u>	<u>\$ 31,809,309</u>

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

Pension Expense	<u>\$ 516,432</u>	<u>\$ 647,082</u>	<u>\$ 1,817,864</u>
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PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: 7.50% 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	44,973,797	-	3,991,571	-	3,223,351	44,205,577
2016	44,205,577	-	3,021,154	-	3,202,125	44,386,548
2017	44,386,548	-	3,092,548	-	3,213,021	44,507,021
2018	44,507,021	-	3,249,510	-	3,216,170	44,473,681
2019	44,473,681	-	3,455,663	-	3,205,939	44,223,957
2020	44,223,957	-	3,734,485	-	3,176,754	43,666,226
2021	43,666,226	-	3,900,694	-	3,128,691	42,894,223
2022	42,894,223	-	4,014,764	-	3,066,513	41,945,972
2023	41,945,972	-	4,187,042	-	2,988,934	40,747,864
2024	40,747,864	-	4,538,098	-	2,885,911	39,095,677
2025	39,095,677	-	4,713,895	-	2,755,405	37,137,187
2026	37,137,187	-	4,819,792	-	2,604,547	34,921,942
2027	34,921,942	-	4,921,927	-	2,434,573	32,434,588
2028	32,434,588	-	5,053,854	-	2,243,075	29,623,809
2029	29,623,809	-	5,154,292	-	2,028,500	26,498,017
2030	26,498,017	-	5,288,093	-	1,789,048	22,998,972
2031	22,998,972	-	5,448,394	-	1,520,608	19,071,186
2032	19,071,186	-	5,591,950	-	1,220,641	14,699,877
2033	14,699,877	-	5,687,159	-	889,222	9,901,940
2034	9,901,940	-	5,747,638	-	527,109	4,681,411
2035	4,681,411	-	5,815,888	-	-	-

*All DROP and Share Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 20.80

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.50% 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: 7.50% 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	44,973,797	-	3,991,571	-	3,223,351	44,205,577
2016	44,205,577	-	3,021,185	-	3,202,124	44,386,516
2017	44,386,516	-	3,092,690	-	3,213,013	44,506,839
2018	44,506,839	-	3,249,871	-	3,216,143	44,473,111
2019	44,473,111	-	3,456,438	-	3,205,867	44,222,540
2020	44,222,540	-	3,735,838	-	3,176,597	43,663,299
2021	43,663,299	-	3,902,802	-	3,128,392	42,888,889
2022	42,888,889	-	4,018,015	-	3,065,991	41,936,865
2023	41,936,865	-	4,191,636	-	2,988,079	40,733,308
2024	40,733,308	-	4,545,628	-	2,884,537	39,072,217
2025	39,072,217	-	4,724,164	-	2,753,260	37,101,313
2026	37,101,313	-	4,834,664	-	2,601,299	34,867,948
2027	34,867,948	-	4,941,237	-	2,429,800	32,356,511
2028	32,356,511	-	5,079,023	-	2,236,275	29,513,763
2029	29,513,763	-	5,186,767	-	2,019,028	26,346,024
2030	26,346,024	-	5,330,314	-	1,776,065	22,791,775
2031	22,791,775	-	5,501,769	-	1,503,067	18,793,073
2032	18,793,073	-	5,657,994	-	1,197,306	14,332,385
2033	14,332,385	-	5,768,377	-	858,615	9,422,623
2034	9,422,623	-	5,847,879	-	487,401	4,062,145
2035	4,062,145	-	5,937,074	-	-	-

*All DROP and Share Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 20.68

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.50% 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: 5.50% 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	44,973,797	-	3,991,571	-	2,363,791	43,346,017
2016	43,346,017	-	3,021,185	-	2,300,948	42,625,780
2017	42,625,780	-	3,092,690	-	2,259,369	41,792,459
2018	41,792,459	-	3,249,871	-	2,209,214	40,751,802
2019	40,751,802	-	3,456,438	-	2,146,297	39,441,661
2020	39,441,661	-	3,735,838	-	2,066,556	37,772,379
2021	37,772,379	-	3,902,802	-	1,970,154	35,839,731
2022	35,839,731	-	4,018,015	-	1,860,690	33,682,406
2023	33,682,406	-	4,191,636	-	1,737,262	31,228,032
2024	31,228,032	-	4,545,628	-	1,592,537	28,274,941
2025	28,274,941	-	4,724,164	-	1,425,207	24,975,984
2026	24,975,984	-	4,834,664	-	1,240,726	21,382,046
2027	21,382,046	-	4,941,237	-	1,040,129	17,480,938
2028	17,480,938	-	5,079,023	-	821,778	13,223,693
2029	13,223,693	-	5,186,767	-	584,667	8,621,593
2030	8,621,593	-	5,330,314	-	327,604	3,618,883
2031	3,618,883	-	5,501,769	-	-	-

*All DROP and Share Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 16.66

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.50% 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	
	7.50% RP-2000 Static	7.50% RP-2000 Generational	5.50% RP-2000 Generational
Total Required Contribution (Fixed \$)	\$2,218,643	\$2,344,473	\$3,819,111
Total Required Contribution (% of Payroll)	68.60%	72.50%	118.09%
Expected Member Contribution	158,787	158,787	158,787
Expected State Money	721,101	721,101	721,101
Expected Sponsor Incentive Contribution	57,135	57,135	57,135
Expected Sponsor Contribution (Fixed \$)	\$1,281,620	\$1,407,450	\$2,882,088
Expected Sponsor Contribution (% of Payroll)	39.62%	43.52%	89.11%

ASSETS

Actuarial Value ¹	44,672,607	44,672,607	44,672,607
Market Value ¹	44,973,797	44,973,797	44,973,797

LIABILITIES

Present Value of Benefits			
Active Members			
Retirement Benefits	20,625,655	21,286,201	31,800,130
Disability Benefits	1,144,239	1,187,205	1,728,881
Death Benefits	95,006	86,419	125,012
Vested Benefits	95,783	100,095	187,623
Refund of Contributions	8,128	8,128	8,403
Service Retirees	31,628,157	32,302,072	41,545,635
DROP Retirees ¹	8,757,799	8,931,584	11,527,760
Beneficiaries	84,854	85,822	97,866
Disability Retirees	592,532	603,520	749,104
Terminated Vested	476,217	488,795	683,241
Share Balances ¹	783,232	783,232	783,232
Total:	64,291,602	65,863,073	89,236,887
Present Value of Future Salaries	29,666,833	29,676,039	33,561,527
Present Value of Future Member Contributions	1,456,642	1,457,094	1,647,871
Total Normal Cost	866,173	893,436	1,442,427
Present Value of Future Normal Costs (Entry Age Normal)	6,505,202	6,724,606	11,979,221
Total Actuarial Accrued Liability ¹	57,786,400	59,138,467	77,257,666
Unfunded Actuarial Accrued Liability (UAAL)	13,113,793	14,465,860	32,585,059

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

Valuation Date: 10/1/2015

	ACTUAL	HYPOTHETICAL	
	7.50% RP-2000 Static	7.50% RP-2000 Generational	5.50% RP-2000 Generational
<u>PENSION COST</u>			
Normal Cost (with interest)	866,173	893,436	1,442,427
Administrative Expenses (with interest)	63,952	63,952	63,952
Payment Required To Amortize UAAL (with interest)	1,288,518	1,387,085	2,312,732
Total Required Contribution	\$2,218,643	\$2,344,473	\$3,819,111

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