

February 4, 2016

VIA EMAIL

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

Re: City of Naples Police Officers' Retirement Trust Fund
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

DHL/lke
Enclosures

cc via email: Robert Sugarman, Board Attorney

CITY OF NAPLES
POLICE OFFICERS' RETIREMENT TRUST FUND

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	1,007,847	1,029,338	1,573,372
Interest	4,448,873	4,525,686	4,228,455
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(860,949)	(938,307)	(1,493,014)
Changes of Assumptions	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(2,701,145)	(2,701,145)	(2,701,145)
Net Change in Total Pension Liability	1,894,626	1,915,572	1,607,668
Total Pension Liability - Beginning	59,661,030	60,663,717	76,658,202
Total Pension Liability - Ending (a)	<u>\$ 61,555,656</u>	<u>\$ 62,579,289</u>	<u>\$ 78,265,870</u>
<u>Plan Fiduciary Net Position</u>			
Contributions - Employer	1,737,998	1,737,998	1,737,998
Contributions - State	551,656	551,656	551,656
Contributions - Employee	211,290	211,290	211,290
Net Investment Income	335,023	335,023	335,023
Benefit Payments, Including Refunds of Employee Contributions	(2,701,145)	(2,701,145)	(2,701,145)
Administrative Expenses	(107,547)	(107,547)	(107,547)
Other	5,198	5,198	5,198
Net Change in Plan Fiduciary Net Position	32,473	32,473	32,473
Plan Fiduciary Net Position - Beginning	42,468,243	42,468,243	42,468,243
Plan Fiduciary Net Position - Ending (b)	<u>\$ 42,500,716</u>	<u>\$ 42,500,716</u>	<u>\$ 42,500,716</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 19,054,940</u>	<u>\$ 20,078,573</u>	<u>\$ 35,765,154</u>

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

Pension Expense	<u>\$ 1,275,843</u>	<u>\$ 1,367,748</u>	<u>\$ 2,263,130</u>
-----------------	---------------------	---------------------	---------------------

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	42,500,716	-	5,145,418	-	2,994,601	40,349,899
2016	40,349,899	-	3,946,584	-	2,878,246	39,281,561
2017	39,281,561	-	4,156,365	-	2,790,253	37,915,449
2018	37,915,449	-	4,309,563	-	2,682,050	36,287,936
2019	36,287,936	-	4,449,566	-	2,554,736	34,393,106
2020	34,393,106	-	4,637,846	-	2,405,564	32,160,824
2021	32,160,824	-	4,750,948	-	2,233,901	29,643,777
2022	29,643,777	-	4,957,471	-	2,037,378	26,723,684
2023	26,723,684	-	5,088,574	-	1,813,455	23,448,565
2024	23,448,565	-	5,147,293	-	1,565,619	19,866,891
2025	19,866,891	-	5,178,789	-	1,295,812	15,983,914
2026	15,983,914	-	5,243,901	-	1,002,147	11,742,160
2027	11,742,160	-	5,278,963	-	682,701	7,145,898
2028	7,145,898	-	5,300,250	-	337,183	2,182,831
2029	2,182,831	-	5,328,053	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 14.41

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	42,500,716	-	5,145,418	-	2,994,601	40,349,899
2016	40,349,899	-	3,946,624	-	2,878,244	39,281,519
2017	39,281,519	-	4,156,579	-	2,790,242	37,915,182
2018	37,915,182	-	4,310,108	-	2,682,010	36,287,084
2019	36,287,084	-	4,450,676	-	2,554,631	34,391,039
2020	34,391,039	-	4,639,863	-	2,405,333	32,156,509
2021	32,156,509	-	4,754,070	-	2,233,461	29,635,900
2022	29,635,900	-	4,962,254	-	2,036,608	26,710,254
2023	26,710,254	-	5,095,529	-	1,812,187	23,426,912
2024	23,426,912	-	5,156,794	-	1,563,639	19,833,757
2025	19,833,757	-	5,192,308	-	1,292,820	15,934,269
2026	15,934,269	-	5,261,917	-	997,748	11,670,100
2027	11,670,100	-	5,302,325	-	676,420	7,044,195
2028	7,044,195	-	5,329,735	-	328,450	2,042,910
2029	2,042,910	-	5,364,655	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 14.38

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	42,500,716	-	5,145,418	-	2,196,040	39,551,338
2016	39,551,338	-	3,946,624	-	2,066,791	37,671,505
2017	37,671,505	-	4,156,579	-	1,957,627	35,472,553
2018	35,472,553	-	4,310,108	-	1,832,462	32,994,907
2019	32,994,907	-	4,450,676	-	1,692,326	30,236,557
2020	30,236,557	-	4,639,863	-	1,535,414	27,132,108
2021	27,132,108	-	4,754,070	-	1,361,529	23,739,567
2022	23,739,567	-	4,962,254	-	1,169,214	19,946,527
2023	19,946,527	-	5,095,529	-	956,932	15,807,930
2024	15,807,930	-	5,156,794	-	727,624	11,378,760
2025	11,378,760	-	5,192,308	-	483,043	6,669,495
2026	6,669,495	-	5,261,917	-	222,120	1,629,698
2027	1,629,698	-	5,302,325	-	-	-

*All DROP Balances paid in 2015.

Number of Years Expected Benefit Payments Sustained: 12.31

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 \$)	\$2,736,738	\$2,825,686	\$4,018,855
Total Required Contribution (% of Payroll)	63.26%	65.32%	92.89%
Expected Member Contribution	201,176	201,176	201,176
Expected State Money	551,656	551,656	551,656
Expected Sponsor Incentive Contribution	40,356	40,356	40,356
Expected Sponsor Contribution (Fixed \$)	\$1,943,550	\$2,032,498	\$3,225,667
Expected Sponsor Contribution (% of Payroll)	44.93%	46.99%	74.56%

ASSETS

Actuarial Value ¹	42,113,491	42,113,491	42,113,491
Market Value ¹	42,500,716	42,500,716	42,500,716

LIABILITIES

Present Value of Benefits			
Active Members			
Retirement Benefits	19,427,337	19,867,212	27,686,366
Disability Benefits	993,959	1,020,894	1,422,777
Death Benefits	123,413	114,293	161,016
Vested Benefits	1,026,647	1,060,518	1,778,998
Refund of Contributions	34,159	34,160	35,739
Service Retirees	29,979,670	30,377,096	37,332,339
DROP Retirees ¹	10,900,902	11,025,580	13,561,727
Beneficiaries	1,588,418	1,609,479	1,915,668
Disability Retirees	1,154,709	1,168,098	1,449,872
Terminated Vested	1,690,204	1,713,129	2,270,620
Excess State Monies Reserve	0	0	0
Total:	66,919,418	67,990,459	87,615,122
Present Value of Future Salaries	27,922,078	27,931,359	30,805,247
Present Value of Future Member Contributions	1,298,377	1,298,808	1,432,444
Total Normal Cost	779,953	798,895	1,249,207
Present Value of Future Normal Costs (Entry Age Normal)	4,229,189	4,349,358	7,568,925
Total Actuarial Accrued Liability ¹	62,690,229	63,641,101	80,046,197
Unfunded Actuarial Accrued Liability (UAAL)	20,576,738	21,527,610	37,932,706

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)	779,953	798,895	1,249,207
Administrative Expenses (with interest)	107,547	107,547	107,547
Payment Required To Amortize UAAL (with interest)	1,849,238	1,919,244	2,662,101
Total Required Contribution	\$2,736,738	\$2,825,686	\$4,018,855

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