

CITY OF NAPLES  
POLICE OFFICERS' RETIREMENT TRUST FUND

ACTUARIAL VALUATION REPORT  
AS OF OCTOBER 1, 2012

CONTRIBUTIONS APPLICABLE TO THE CITY'S  
PLAN/FISCAL YEAR ENDED SEPTEMBER 30, 2014



February 25, 2013

Board of Trustees  
City of Naples Police Officers' Retirement Trust Fund  
c/o City of Naples Finance Department  
735 8<sup>th</sup> Street, South  
Naples, FL 34102

Re: City of Naples  
Police Officers' Retirement Trust Fund

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Naples Police Officers' Retirement Trust Fund. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Chapters 112, and 185, Florida Statutes, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the Board of Trustees, financial reports prepared by the custodian bank, Fifth Third Bank, and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

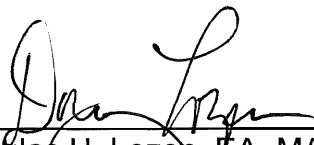
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Naples, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Naples Police Officers' Retirement Trust Fund. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By:

  
\_\_\_\_\_  
Douglas H. Lozen, EA, MAAA  
Enrolled Actuary #11-7778

DHL/lke

Enclosures

## TABLE OF CONTENTS

Section	Title	Page
I	Introduction	
	a. Summary of Report	5
	b. Changes Since Prior Valuation	7
	c. Comparative Summary of Principal Valuation Results	8
II	Valuation Information	
	a. Reconciliation of Unfunded Actuarial Accrued Liability	13
	b. Actuarial Assumptions and Methods	14
	c. Valuation Notes	17
	d. Partial History of Premium Tax Refunds	18
	e. Excess State Monies Reserve	19
III	Trust Fund	20
IV	Member Statistics	
	a. Eligibility for Retirement	26
	b. Statistical Data	27
	c. Age and Service Distribution	28
	d. Member Reconciliation	29
V	Summary of Plan Provisions	30
VI	Governmental Accounting Standards Board Statement No. 25 and No. 27	33
VII	Senate Bill 1128 Compliance	36

## SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Naples Police Officers' Retirement Trust Fund, performed as of October 1, 2012, has been completed, and the results are presented in this Report. The contribution amounts set forth herein are applicable to the City's plan/fiscal year ending September 30, 2014.

The funding requirements, compared with the amounts developed in the March 6, 2012 Actuarial Impact Statement (determined as of October 1, 2011), are as follows:

Valuation Date	10/1/11	10/1/12
Applicable Plan Year End	<u>9/30/13</u>	<u>9/30/14</u>
Total Required Contribution		
% of Total Annual Payroll	48.06%	50.98%
Less Member Contributions (Est.)		
% of Total Annual Payroll	4.89%	4.89%
City and State Required Contribution		
% of Total Annual Payroll	43.17%	46.09%
Less State Contribution (est.) *	519,409	519,409
% of Total Annual Payroll	10.32%	10.32%
Less City Incentive Contribution	40,356	40,356
% of Total Annual Payroll	0.80%	0.80%
Balance from City *		
% of Total Annual Payroll	32.05%	34.97%

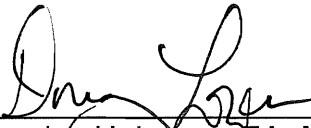
\* The City may use up to \$737,941.37 in State Contributions for determining its minimum funding requirements. For budgeting purposes, the required Sponsor Contribution (City and State) is 46.09% of Pensionable Earnings for the fiscal year ending September 30, 2014. The precise City requirement for the year is this amount, less the \$40,356 Incentive Contribution, less actual State Contributions (up to the maximum \$737,941.37). Additionally, the City has access to a \$35,849.81 prepaid contribution for the fiscal year ending September 30, 2013.

Experience since the last valuation has been less favorable than expected, relative to the Plan's actuarial assumptions. The primary components of unfavorable experience included a 3.3% investment return (Actuarial Asset Basis), falling short of the 7.5% assumption, the occurrence of one Disability Retiree, and no employee turnover. These losses were partially offset by the effect of average increases in Pensionable Compensation that fell short of the current assumption by approximately 7.5%

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By:   
Douglas H. Lozen, EA, MAAA

By:   
Drew D. Ballard

### Plan Changes Since Prior Valuation

There have been multiple changes in benefits since the prior valuation, as outlined in our March 6, 2012 Actuarial Impact Statement. Please refer to the Impact Statement for specific details regarding these changes.

### Actuarial Assumption/Method Changes Since Prior Valuation

There have been no changes in methods or assumptions since the prior valuation. However, in order to comply with Part VII, Florida Statutes, the payroll growth assumption utilized for purposes of amortizing the Unfunded Actuarial Accrued Liability has decreased from 5.0% to 4.7% per year.

## Comparative Summary of Principal Valuation Results

	<u>10/1/2012</u>	<u>10/1/2011</u>
A. Participant Data		
Number Included		
Actives	68	69
Service Retirees	53	49
Beneficiaries	6	5
Terminated Vested	10	12
Disability Retirees	2	1
DROP Retirees	3	0
Total	<u>142</u>	<u>136</u>
Total Annual Payroll	5,035,014	\$5,016,274
Annual Rate of Payments to:		
Service Retirees	2,264,746	2,160,807
Beneficiaries	145,422	110,634
Terminated Vested	123,236	137,726
Disability Retirees	92,613	43,518
DROP Retirees	241,961	0
B. Assets		
Actuarial Value	32,249,422	31,259,901
Market Value	33,753,118	28,037,422
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	22,245,709	25,296,904
Disability Benefits	1,139,897	1,083,096
Death Benefits	155,952	165,218
Vested Benefits	1,400,694	1,404,166
Refund of Contributions	50,654	40,142
Service Retirees	28,514,808	27,468,048
Beneficiaries	1,514,871	1,071,514
Terminated Vested	1,035,648	1,150,278
Disability Retirees	1,177,332	552,107
DROP Retirees	3,526,937	0
Excess State Monies Reserve	0	0
Total	<u>60,762,502</u>	<u>58,231,473</u>



	<u>10/1/2012</u>	<u>10/1/2011</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	34,463,444	34,158,675
Present Value of Future Member Cont.	1,676,117	1,707,934
Normal Cost (Entry Age Normal)		
Retirement Benefits	748,553	882,899
Disability Benefits	146,683	84,101
Death Benefits	8,898	8,842
Vested Benefits	184,806	115,492
Refund of Contributions	14,494	15,199
Total Normal Cost	<u>1,103,434</u>	<u>1,106,533</u>
Present Value of Future Normal Costs	6,362,645	6,311,792
Actuarial Accrued Liability		
Retirement Benefits	17,675,582	20,734,616
Disability Benefits	294,730	277,977
Death Benefits	106,275	114,720
Vested Benefits	546,170	543,334
Refund of Contributions	7,504	7,087
Inactives plus State Reserve	35,769,596	30,241,947
Total Actuarial Accrued Liability	<u>54,399,857</u>	<u>51,919,681</u>
Unfunded Actuarial Accrued Liability (UAAL)	22,150,435	20,659,780
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives	35,769,596	30,241,947
Actives	16,427,753	16,716,552
Member Contributions	<u>2,229,851</u>	<u>2,289,765</u>
Total	54,427,200	49,248,264
Non-vested Accrued Benefits	<u>1,004,824</u>	<u>1,673,923</u>
Total Present Value Accrued Benefits	55,432,024	50,922,187
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	3,205,363	
Benefits Paid	(2,423,798)	
Interest	3,728,272	
Other	<u>0</u>	
Total:	4,509,837	

Valuation Date	10/1/2012	10/1/2011
Applicable to Fiscal Year Ending	<u>9/30/2014</u>	<u>9/30/2013</u>

## E. Pension Cost

Normal Cost (with interest) % of Total Annual Payroll*	22.74	22.89
Administrative Expense (with interest) % of Total Annual Payroll*	1.60	1.45
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years as of 10/1/12 (with interest) % of Total Annual Payroll*	26.64	23.72
Total Required Contribution % of Total Annual Payroll*	50.98	48.06
Expected Member Contributions % of Total Annual Payroll*	4.89	4.89
Expected City & State Contrib. % of Total Annual Payroll*	46.09	43.17

## F. Past Contributions

Plan Year Ending:	<u>9/30/2012</u>
Total Required Contribution	2,454,154
City and State Requirement	2,209,916
Actual Contributions Made:	
Members	244,238
City	1,650,151
City Incentive	40,356
State	519,409
Total	<u>2,454,154</u>

G. Actuarial Gain (Loss)      (1,226,549)

\* Contributions developed as of 10/1/12 are expressed as a percentage of total annual projected payroll at 10/1/12 of \$5,035,014.

H. Schedule Illustrating the Amortization of the Total Unfunded Actuarial Accrued Liability as of:

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2012	\$22,150,435
2013	22,421,810
2014	22,648,213
2024	20,663,731
2034	6,563,609
2042	0

I. (i) 3 Year Comparison of Actual and Assumed Increases in Pensionable Compensation.

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	-1.0%	6.5%
Year Ended	9/30/2011	-0.4%	6.5%
Year Ended	9/30/2010	5.2%	6.4%

(ii) 3 Year Comparison of Investment Return on Actuarial Value


		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2012	3.3%	7.5%
Year Ended	9/30/2011	1.0%	7.5%
Year Ended	9/30/2010	2.8%	7.5%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2012	\$5,035,014
	10/1/2002	3,178,326
(b) Total Increase		58.4%
(c) Number of Years		10.00
(d) Average Annual Rate		4.7%

## STATEMENT BY ENROLLED ACTUARY

This actuarial valuation was 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, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.

  
 Douglas H. Lozen, EA, MAAA  
 Enrolled Actuary #11-7778

Please let us know when the report is approved by the Board and unless otherwise directed we will provide copies of the report to the following offices to comply with Chapter 112 Florida Statutes:

Mr. Keith Brinkman  
 Bureau of Local  
 Retirement Systems  
 Post Office Box 9000  
 Tallahassee, FL 32315-9000

Patricia Shoemaker  
 Municipal Police and Fire  
 Pension Trust Funds  
 Division of Retirement  
 Post Office Box 3010  
 Tallahassee, FL 32315-3010

## Reconciliation of Unfunded Actuarial Accrued Liabilities

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2011	\$20,659,780
(2)	City and State Normal Cost Applicable for the Year	855,719
(3)	Expected Administrative Expenses for the Year	70,007
(4)	Interest on (1), (2), and (3)	1,616,288
(5)	Sponsor Contributions to the System during the year ending September 30, 2012	2,209,916
(6)	Interest on (5)	67,992
(7)	Expected Unfunded Accrued Liability as of October 1, 2012 (1)+(2)+(3)+(4)-(5)-(6)	20,923,886
(8)	New UAAL due to Experience (Gain)/Loss	1,226,549
(9)	UAAL as of October 1, 2012	\$22,150,435

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2012 Amount</u>	<u>Amortization Amount</u>
	10/1/1997	15	1,271,184	101,281
	10/1/1999	17	1,923,374	138,575
	10/1/2000	18	(877,564)	(60,446)
	10/1/2002	20	3,573,902	226,977
	10/1/2003	21	1,964,919	120,285
Actuarial Loss	10/1/2004	22	2,215,950	131,043
Amendment	10/1/2004	22	(7,738)	(458)
Actuarial Gain	10/1/2005	23	(260,922)	(14,936)
Assum. Change	10/1/2005	23	1,029,749	58,945
Actuarial Gain	10/1/2006	24	(404,437)	(22,451)
Assum. Change	10/1/2006	24	1,079,759	59,938
Actuarial Loss	10/1/2007	25	1,504,899	81,147
Assum./Method Change	10/1/2007	25	109,428	5,901
Amendment	10/1/2007	25	731,754	39,458
Actuarial Loss	10/1/2008	26	3,184,389	167,052
Actuarial Loss	10/1/2009	27	2,378,522	121,565
Assumption Changes	10/1/2009	27	1,739,257	88,893
Actuarial Loss	10/1/2010	28	2,657,556	132,506
Actuarial Loss	10/1/2011	29	3,075,850	149,795
Benefit Changes	10/1/2011	29	(5,965,945)	(290,543)
Actuarial Loss	10/1/2012	30	1,226,549	58,410
			<u>22,150,435</u>	<u>1,292,937</u>

## ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rates</u>	RP-2000 Table projected to Valuation Date using Schedule AA – Disabled lives are set forward 5 years.
<u>Termination Rates</u>	See table on next page.
<u>Disability Rates</u>	See table on next page.
<u>Normal Retirement Age</u>	<p><u>Hired prior to 4/1/2012</u>: Earlier of 1) age 50 or 2) the completion of 25 years of credited service. The retirement rate for Members who have reached 25 years of service is 100%. See table on next page for additional rates.</p> <p><u>Hired after 3/31/2012</u>: Earlier of 1) age 60 with completion of 8 years of credited service, or 2) the completion of 30 years of credited service. The retirement rate for Members who have reached 30 years of service is 100%. See table on next page for additional rates.</p>
<u>Early Retirement Age</u>	<p><u>Hired prior to 4/1/2012</u>: Earlier of 1) age 45 or 2) the completion of 20 years of credited service. Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.</p> <p><u>Hired after 3/31/2012</u>: Attainment of age 45 and the completion of 20 years of credited service. Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.</p>
<u>Interest Rate</u>	7.50% per year, compounded annually, net of investment related expenses.
<u>Salary Increases</u>	See table on next page.
<u>Administrative Expenses</u>	\$77,797.
<u>Post Retirement COLA</u>	3% per year at ages 55 through 62 for Service Retirees and surviving Beneficiaries. No COLA for Disability Retirees, Vested Terminated Members, or Members hired after 3/31/2012.

Payroll Growth 4.7% per year for amortization of the Unfunded Actuarial Accrued Liability.

Funding Method Entry Age Normal Actuarial Cost Method

Actuarial Asset Method All assets are valued at market value with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

#### Disability Rates

Age	% Becoming Disabled During the Year
20	0.14%
25	0.15%
30	0.18%
35	0.23%
40	0.30%
45	0.51%
50	1.00%

It is assumed that 75% of disablements and active Member deaths are service related.

#### % Increase in Salary

<u>Years of Service</u>	<u>Increase</u>
1	10.0%
2-9	7.5%
10-14	6.0%
15-19	5.5%
20+	4.5%

### Retirement Rates

Number of Years After First Eligibility For Normal Retirement	Probability of Normal Retirement
0	30%
1	30%
2	30%
3	30%
4	30%
5	100%

### Mortality Rates

Age	Male	Female
50	0.17%	0.14%
55	0.29%	0.25%
60	0.56%	0.48%
65	1.08%	0.91%
70	1.85%	1.58%
75	3.19%	2.55%
80	5.71%	4.22%

### Termination Rates

Sample Ages	Years of Service	% of Active Members Separating Within Next Year
ALL	0	20.0%
	1	16.0%
	2	14.0%
	3	12.0%
	4	10.0%
	5+	10.0%
20		10.0%
25		10.0%
30		8.8%
35		6.8%
40		4.8%
45+		3.2%



## VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the fiscal year following the valuation date of all covered Members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Normal (Current Year's) Cost is determined for each participant as the present value of future benefits, determined as of the Member's entry age, amortized as a level percentage of compensation over the anticipated number of years of participation, determined as of the entry age.

Individual Entry Age Normal Actuarial Cost Method (Level Percent of Compensation) is the method used to determine required contributions under the Plan. The use of this method involves the systematic funding of the Normal Cost (described above) and the Unfunded Accrued (Past Service) Liability. The actuarial accrued liability for active participants is the difference between the present value of future benefits and the present value of future Normal Costs. The actuarial accrued liability for inactive participants is the present value of future benefits.

Unfunded Actuarial Accrued Liability (UAAL) is the difference between the actuarial accrued liability (described above) and the actuarial value of assets. Under the Entry Age Normal Actuarial Cost Method, an actuarial gain or loss, based on actual versus expected UAAL, is determined in conjunction with each valuation of the plan.

Total Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability over no more than 30 years. The required amount is adjusted for interest according to the timing of contributions during the year.

## PARTIAL HISTORY OF PREMIUM TAX REFUNDS

<u>Received During Fiscal Year</u>	<u>Amount</u>	<u>Increase from Previous Year</u>
1990	338,392.63	_____ %
1991	363,039.62	7.3%
1992	367,066.69	1.1%
1993	348,798.49	-5.0%
1994	370,674.47	6.3%
1995	399,899.77	7.9%
1996	438,677.91	9.7%
1997	486,936.40	11.0%
1998	500,979.37	2.9%
1999	521,102.07	4.0%
2000	544,431.81	4.5%
2001	578,886.07	6.3%
2002	679,725.72	17.4%
2003	780,142.25	14.8%
2004	784,881.50	0.6%
2005	726,369.64	-7.5%
2006	773,953.70	6.6%
2007	740,322.92	-4.3%
2008	726,369.64	-1.9%
2009	625,279.98	-13.9%
2010	546,848.13	-12.5%
2011	553,719.90	1.3%
2012	519,408.75	-12.5%

## EXCESS STATE MONIES RESERVE

<u>Year</u>	<u>Actual State Contribution</u>	<u>Applicable "Frozen" Amount</u>	<u>Excess State Monies For Reserve</u>
1998	500,979.37	500,979.37	0.00
1999	521,102.07	500,979.37	20,122.70
2000	544,431.81	500,979.37	43,452.44
2001	578,886.07	500,979.37	77,906.70
2002	679,725.72	500,979.37	178,746.35
2003	780,142.25	662,446.37	117,695.88
2004	784,882.00	662,446.37	122,435.63
2005	726,369.64	662,446.37	63,923.27
2006	773,953.70	662,446.37	111,507.33
2007	740,322.92	662,446.37	77,876.55
2008	726,369.64	737,941.37	0.00
2009	625,279.98	737,941.37	0.00
2010	546,848.13	737,941.37	0.00
2011	553,719.90	737,941.37	0.00
2012	519,408.75	737,941.37	0.00
		Total:	813,666.85
		Less Reserve used for Ordinance 03-10084	(320,228.19)
		Less Reserve used for Ordinance 08-12124	(493,438.66)
		Total:	0.00

City of Naples  
Police Officers' Retirement Trust Fund

BALANCE SHEET  
September 30, 2012

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Short Term Investments	52,213.80	54,796.00
Checking Account	3,552.92	3,552.92
Money Market	1,864,857.00	1,864,857.00
Cash	78.25	78.25
Total Cash and Equivalents	1,920,701.97	1,923,284.17
Receivable:		
Member Contributions in Transit	8,612.58	8,612.58
City Contributions in Transit	60,681.33	60,681.33
Total Receivable	69,293.91	69,293.91
Investments:		
Fixed Income	9,052,206.83	9,681,542.42
Equities	18,293,274.53	20,505,548.71
Pooled/Common/Commingled Funds:		
Equity	1,550,000.00	1,609,423.82
Total Investments	28,895,481.36	31,796,514.95
TOTAL ASSETS	30,885,477.24	33,789,093.03
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Prepaid Member Contributions	124.83	124.83
Prepaid City Contribution	35,849.81	35,849.81
Total Liabilities	35,974.64	35,974.64
Net Assets, including DROP Account Balances	30,849,502.60	33,753,118.39
TOTAL LIABILITIES AND NET ASSETS	30,885,477.24	33,789,093.03

City of Naples  
Police Officers' Retirement Trust Fund

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
September 30, 2012  
Market Value Basis

REVENUES

Contributions:		
Member	244,238.02	
City	1,650,150.98	
City Incentive	40,356.00	
State	519,408.75	
 Total Contributions		 2,454,153.75
 Metlife Benefit & ADM Fee Reimbursements		 5,556.00
 Earnings from Investments		
Interest & Dividends	722,138.96	
Net Realized Gain (Loss)	2,023,697.42	
Unrealized Gain (Loss)	3,171,816.39	
 Total Earnings and Investment Gains		 5,917,652.77

EXPENDITURES

Expenses:		
Investment Related*	160,071.07	
Administrative	77,797.21	
 Total Expenses		 237,868.28
 Distributions to Members:		
Benefit Payments	2,423,798.03	
Lump Sum DROP Balances	0.00	
Termination Payments	0.00	
 Total Distributions		 2,423,798.03
 Change in Net Assets for the Year		 5,715,696.21
 Net Assets Beginning of the Year		 28,037,422.18
 Net Assets End of the Year		 33,753,118.39

\*Investment Related expenses include investment advisory, custodial and performance monitoring fees.

City of Naples  
Police Officers' Retirement Trust Fund

ACTUARIAL ASSET VALUATION  
September 30, 2012

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a five year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return.

Plan Year Ending	Gain/Loss	<u>Gains/Losses Not Yet Recognized</u>				
		Amounts Not Yet Recognized by Valuation Year				
		2012	2013	2014	2015	2016
9/30/2008	(6,004,883)	0	0	0	0	0
9/30/2009	(1,127,199)	(225,440)	0	0	0	0
9/30/2010	316,219	126,488	63,244	0	0	0
9/30/2011	(2,200,443)	(1,320,266)	(880,177)	(440,089)	0	0
9/30/2012	3,653,643	2,922,914	2,192,186	1,461,457	730,729	0
Total		1,503,696	1,375,253	1,021,368	730,729	0

Development of Investment Gain/Loss

Market Value of Assets, including Prepaid Contributions, 9/30/2011	28,073,465
Contributions Less Benefit Payments & Admin Expenses	(41,885)
Expected Investment Earnings*	2,103,939
Actual Net Investment Earnings	5,757,582
2012 Actuarial Investment Gain/(Loss)	3,653,643

\*Expected Investment Earnings =  $0.075 * (28,073,465 - 0.5 * 41,885)$

Development of Actuarial Value of Assets

Market Value of Assets, 9/30/2012	33,753,118
(Gains)/Losses Not Yet Recognized	(1,503,696)
Actuarial Value of Assets, 9/30/2012	32,249,422

(A) 9/30/2011 Actuarial Assets, including Prepaid Contributions: 31,295,944

(I) Net Investment Income:

1. Interest and Dividends	722,139
2. Realized Gains (Losses)	2,023,697
3. Change in Actuarial Value	(1,548,803)
4. Investment Expenses	(160,071)
Total	1,036,963

(B) 9/30/2012 Actuarial Assets, including Prepaid Contributions: 32,285,272

Actuarial Assets Rate of Return =  $2I/(A+B-I)$ : 3.3%

Market Value of Assets Rate of Return: 20.5%

10/01/12 Limited Actuarial Assets: 32,249,422  
(Lesser of Actuarial Assets or 120% of Market Value, but no less than 80% of Market Value)

City of Naples  
Police Officers' Retirement Trust Fund

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
September 30, 2012  
Actuarial Asset Basis

REVENUES

Contributions:		
Member	244,238.02	
City	1,650,150.98	
City Incentive	40,356.00	
State	519,408.75	
Total Contributions		2,454,153.75
Metlife Benefit & ADM Fee Reimbursements		5,556.00
Earnings from Investments		
Interest & Dividends	722,138.96	
Net Realized Gain (Loss)	2,023,697.42	
Change in Actuarial Value	(1,548,802.61)	
Total Earnings and Investment Gains		1,197,033.77
	EXPENDITURES	
Expenses:		
Investment Related*	160,071.07	
Administrative	77,797.21	
Total Expenses		237,868.28
Distributions to Members:		
Benefit Payments	2,423,798.03	
Lump Sum DROP Balances	0.00	
Termination Payments	0.00	
Total Distributions		2,423,798.03
Change in Net Assets for the Year		989,521.21
Net Assets Beginning of the Year		31,259,901.18
Net Assets End of the Year**		32,249,422.39

\*Investment Related expenses include investment advisory, custodial and performance monitoring fees.

\*\*Net Assets may be limited for actuarial consideration





City of Naples  
Police Officers' Retirement Trust Fund

Reconciliation of City's Prepaid Contribution for the  
Fiscal Year Ended (FYE) September 30, 2012

(1) City and State Required Contribution Rate (from the October 1, 2010 Actuarial Valuation Report)	45.06%
(2) Pensionable Payroll Derived from Member Contributions	\$4,904,384.67
(3) Required City and State Contribution (Item 1 times Item 2)	2,209,915.73
(4) Less Allowable State Contribution	(519,408.75)
(5) Less City Prepaid Contribution at 9/30/2011	(36,043.31)
(6) Less City Incentive Contribution	<u>(40,356.00)</u>
(7) Equals Required City Contribution	1,614,107.67
(8) Less Actual City Contributions	<u>(1,649,957.48)</u>
(9) Equals City's Prepaid Contribution as of September 30, 2012	\$35,849.81

## ELIGIBILITY FOR RETIREMENT

Members are eligible for Normal Retirement based upon the following criteria:

- 1) Attained Age 50
- 2) 25 Years of Credited Service regardless of Age

Members are eligible for Early Retirement based upon the following criteria:

- 1) Attained Age 45
- 2) 20 Years of Credited Service regardless of Age

As of the date of this valuation, the following list of Members are eligible for:

Normal Retirement	Early Retirement
AYERS, RUSSELL, EMERSON, ANDREW, LINES, LINDA, MILLER, LYNN G, MONTAGANO, ROBERT, NEMETH, STEVE, STAMETS, SCOTT, UNDERHILL, MARK,	ANKENBAUER, CHARLES, ANTHONY, RALPH, BARKLEY, JOHN, BONOLLO, BUDDY, CARR, RICHARD M, DAVIS, TYRONE, DURNIK, RANDY, FLETCHER, MATTHEW, GAFFNEY, GREG, GOLDBLATT, JAMES, LUPIEN, DAVID, MASON, KEITH, MELITO, CARMELA, WALDEN, J STEPHEN, ZICCONI, JAMES,

## STATISTICAL DATA

	<u>10/1/2009</u>	<u>10/1/2010</u>	<u>10/1/2011</u>	<u>10/1/2012</u>
Number	71	66	69	68
Average Current Age	39.8	40.1	40.6	40.2
Average Age at Employment	29.3	29.4	30.1	30.4
Average Past Service	10.5	10.6	10.5	9.8
Average Annual Salary	\$75,858	\$78,185	\$79,623	\$74,044

## AGE AND SERVICE DISTRIBUTION

## PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	0	0	0	0	0	0	0	0	0	0	0	0
25 - 29	3	2	0	0	1	2	0	0	0	0	0	8
30 - 34	0	1	0	0	1	9	0	0	0	0	0	11
35 - 39	1	1	1	0	0	4	2	1	0	0	0	10
40 - 44	0	0	0	0	0	5	7	2	2	0	0	16
45 - 49	1	0	0	0	0	2	2	3	6	0	0	14
50 - 54	1	0	0	0	1	1	1	1	1	0	0	6
55 - 59	0	1	1	0	1	0	0	0	0	0	0	3
60 - 64	0	0	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	6	5	2	0	4	23	12	7	9	0	0	68

## VALUATION PARTICIPANT RECONCILIATION

## 1. Active lives

a. Number in prior valuation 10/1/11	69
b. Terminations	
i. Vested (partial or full) with deferred benefits	0
ii. Non-vested or full lump sum distribution received	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	1
e. Retired	3
f. DROP	3
g. Continuing participants	62
h. New entrants	6
i. Total active life participants in valuation	68

## 2. Non-Active lives (including beneficiaries receiving benefits)

	<u>Service Retirees, Vested Receiving Benefits</u>	<u>Receiving Death Benefits</u>	<u>Receiving Disability Benefits</u>	<u>Vested Deferred</u>	<u>DROP</u>	<u>Total</u>
a. Number prior valuation	49	5	1	12	0	67
b. In	5	1	1	0	3	10
c. Out	1	0	0	2	0	3
d. Number current valuation	53	6	2	10	3	74

POLICE OFFICERS' RETIREMENT TRUST FUND  
SUMMARY OF PLAN PROVISIONS

<u>Eligibility</u>	Full-time employees who are classified as full-time sworn Police Officers participate in the Plan as a condition of employment.
<u>Credited Service</u>	Total years and completed months of uninterrupted service with the City as a Police Officer.
<u>Salary</u>	Total pay, plus additional compensation received. Effective 3/31/2012, future accrued leave lump sum payouts shall not exceed the lesser of \$6,700 and the value accrued prior to 10/1/2011.
<u>Final Average Compensation</u>	Average Salary for the best three (3) years of service. Benefits accrued after 3/31/2012 shall be based on Average Salary for the best eight (8) years of service, however, in no event will the future Final Average Compensation be less than the amount determined as of 3/31/2012 under the prior 3 year average definition.
<u>Member Contributions</u>	5.0% of Salary. Members hired after 3/31/2012 contribute 3.0% of Salary.
<u>City and State Contributions</u>	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, over 30 years.
<u>Normal Retirement</u>	
Date	<p><u>Hired prior to 4/1/2012</u>: Earlier of age 50 or 25 years of Credited Service, regardless of age.</p> <p><u>Hired after 3/31/2012</u>: Earlier of age 60 with the completion of 8 years of Credited Service, or the completion of 30 years of Credited Service, regardless of age.</p>

Benefit Hired prior to 4/1/2012: Frozen accrued benefit as of 3/31/2012, plus a future service benefit of 3.0% of Final Average Compensation for each year of Credited Service beyond 3/31/2012

Hired after 3/31/2012: 3.0% of Final Average Compensation for all years of Credited Service.

Form of Benefit Ten Year Certain and Life Annuity (options available).

### Early Retirement

Date Hired prior to 4/1/2012: Earlier of age 45 or 20 years of Credited Service, regardless of age.

Hired after 3/31/2012: Attainment of age 45 and the completion of 20 years of Credited Service.

Benefit Accrued benefit, reduced 3% (5% for Members hired after 3/31/2012) for each year prior to Normal Retirement.

### Vesting

Schedule 100% after 5 years (8 years for Members hired after 3/31/2012) of Credited Service.

Benefit Amount Member will receive the vested portion of his (her) accrued benefit payable at the otherwise Normal Retirement Date.

Non-vested members receive a refund of member contributions accumulated with 5.5% interest.

### Disability

Eligibility Total and permanent as determined by the Board of Trustees. Members are covered from Date of Employment.





DISCLOSURE INFORMATION PER STATEMENT NO. 25 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

The schedule provided below has been prepared in accordance with the requirements  
of paragraph 37 of Statement No. 25 of the Governmental Accounting Standards Board.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
10/01/12	32,249,422	54,399,857	22,150,435	59.28%	5,035,014	439.93%
10/01/11	31,259,901	57,751,158	26,491,257	54.13%	5,016,274	528.11%
10/01/10	30,894,250	53,574,482	22,680,232	57.67%	5,490,110	413.11%
10/01/09	29,815,747	49,469,715	19,653,968	60.27%	5,738,240	342.51%
10/01/08	28,760,389	44,114,292	15,353,903	65.20%	5,434,133	282.55%
10/01/07	27,379,708	39,524,175	12,144,467	69.27%	4,633,621	262.09%

The schedule provided below has been prepared in accordance with the requirements  
of paragraph 38 of Statement No. 25 of the Governmental Accounting Standards Board.

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES

Year Ended September 30	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
2012	2,209,916	1,690,507	519,409	100.00%
2011	2,099,687	1,545,967	553,720	100.00%
2010	2,158,550	1,611,702	546,848	100.00%
2009	1,850,214	1,291,661	625,280	103.61%
2008	1,487,575	886,116	726,370	108.40%
2007	1,333,101	703,888	662,446 *	102.49%

\* "Frozen" pursuant to the provisions of Chapter 185, Florida Statutes, as amended.

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Contribution rates as of 9/30/12	
City/State (from 2010 valuation)	45.06%
Plan Members	5.00%
Actuarially Determined Contribution (City/State)	2,209,916
Contributions made (City/State)	2,209,916
Actuarial valuation date	10/1/2010
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Closed
Remaining amortization period	30 Years
Asset valuation method	Market value of assets is adjusted for investment gains and losses realized during the year. The gains/losses are phased in 20% per year, up to 100% after 5 years.
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increase*	4.5% to 10% based on service
* Includes inflation at	3.0%
Post Retirement COLA (age 55 to 62)	3.0%

THREE YEAR TREND INFORMATION

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2012	2,193,068	100.77%	(596,410)
9/30/2011	2,149,906	97.66%	(579,562)
9/30/2010	2,199,807	98.12%	(629,781)

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

DEVELOPMENT OF NET PENSION OBLIGATION (NPO)

This municipal Defined Benefit Plan has been subject to the minimum funding standards since the adoption of the "Florida Protection of Public Employee Retirement Benefits Act" (Part VII of Chapter 112, Florida Statutes) in 1980. Accordingly, the sponsor has funded the actuarially determined required contribution for all years from October 1, 1987, through the transition date, October 1, 1997. Thus, the NPO on October 1, 1997, is 0.

The development of the Net Pension Obligation to date is as follows:

	<u>9/30/2010</u>	<u>9/30/2011</u>	<u>9/30/2012</u>
Actuarially Determined			
Contribution (A)	2,158,550	2,099,687	2,209,916
Interest on NPO	(50,328)	(47,234)	(43,467)
Adjustment to (A)	91,585	97,453	26,619
	-----	-----	-----
Annual Pension Cost	2,199,807	2,149,906	2,193,068
Contributions Made	2,158,550	2,099,687	2,209,916
	-----	-----	-----
Increase in NPO	41,257	50,219	(16,848)
NPO Beginning of Year	(671,038)	(629,781)	(579,562)
	-----	-----	-----
NPO End of Year (671,038)	(629,781)	(579,562)	(596,410)

## SENATE BILL 1128 COMPLIANCE

Senate Bill 1128 amended Section 112.63 of the Florida Statutes to require that each plan report the plan's accrued vested, non-vested, and total benefits, as adopted by the Financial Accounting Standards Board, using the Florida Retirement System's assumed rate of return, which is currently 7.75%. The bill states that this is to promote comparability of actuarial data between local law plans.

While these calculations are required for compliance purposes, it is the view of Foster & Foster that utilizing this information to compare local law plans is extremely dangerous. There are many other assumptions inherent in the actuarial valuation, and they may differ widely from one plan to another. Additionally, benefit levels, funding policies, asset allocation, and the age of the plan itself all must be considered when comparing defined benefit plans.

### Present Value of Accrued Benefits at 7.75% Interest

Vested Accrued Benefits	
Inactives	\$34,913,664
Actives	15,768,591
Member Contributions	<u>2,229,851</u>
Total	52,912,106
Non-Vested Accrued Benefits	<u>962,752</u>
Total Present Value of Accrued Benefits	\$53,874,858