

CITY OF NAPLES  
FIREFIGHTERS' PENSION AND RETIREMENT SYSTEM

ACTUARIAL VALUATION REPORT  
AS OF OCTOBER 1, 2013

CONTRIBUTIONS APPLICABLE TO THE CITY'S  
PLAN/FISCAL YEAR ENDED SEPTEMBER 30, 2015

December 3, 2013

Board of Trustees  
City of Naples Firefighters' Pension and Retirement System  
c/o City of Naples Finance Department  
735 8<sup>th</sup> Street, South  
Naples, FL 34102

Re: City of Naples  
Firefighters' Pension and Retirement System

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Naples Firefighters' Pension and Retirement System. 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 175, 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 City and the Board of Trustees, financial reports prepared by the Plan's Custodian 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 Firefighters' Pension and Retirement System. 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:

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

DHL/lke

Enclosures

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## SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Naples Firefighters' Pension and Retirement System, performed as of October 1, 2013, 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, 2015.

The funding requirements, compared with the amounts developed in the May 10, 2013, Actuarial Impact Statement (determined as of October 1, 2012), are as follows:

Valuation Date	10/1/12	10/1/13
Applicable Plan Year End	<u>9/30/14</u>	<u>9/30/15</u>
Total Required Contribution		
% of Total Annual Payroll	66.93%	66.24%
Less Member Contributions (Est.)		
% of Total Annual Payroll	4.96%	4.96%
City and State Required Contribution		
% of Total Annual Payroll	61.97%	61.28%
Less State Contribution (est.) <sup>1</sup>	811,882	811,882
% of Total Annual Payroll	22.55%	22.55%
Less City Incentive Contribution	57,135	57,135
% of Total Annual Payroll	1.59%	1.59%
Balance from City <sup>1</sup>		
% of Total Annual Payroll	37.83%	37.14%

<sup>1</sup> The City may use up to \$1,668,662 in State Contributions for determining its minimum funding requirements. For budgeting purposes, the required Sponsor Contribution (City and State) is 61.28% of Pensionable Earnings for the fiscal year ending September 30, 2015. The precise City requirement for the year is this amount, less actual State Contributions (up to the maximum \$1,668,662).


Additionally, there is a receivable City contribution of \$34,350.99 for the fiscal year ended September 30, 2013. A monthly interest charge of \$215 is required for each complete month after September 30, 2013 until this deposit is made. This interest charge is based on the 7.5% valuation assumption for investment return, and is required by the Division of Retirement for approval of the Annual Report.


Experience since the prior valuation has been more favorable than expected on the basis of the Plan's actuarial assumptions. The primary sources of favorable experience included a 9.4% investment return (Actuarial Asset Basis), exceeding the 7.5% assumption, and average increases in pensionable compensation that were less than the assumption by more than 4%. These gains were partially offset by no employee turnover, no inactive mortality, and the granting of cost-of-living adjustments to Disability benefits (per opinion from the Plan Attorney).

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

Ordinance 13-13283, adopted and effective May 22, 2013, reduced benefits prospectively for Credited Service after May 31, 2013. Details are provided in the May 10, 2013, Actuarial Impact Statement.

### Actuarial Assumption/Method Changes Since Prior Valuation

Mortality rates are based on the RP 2000 Combined Healthy Table, projected to October 1, 2013 using Scale AA. The prior valuation projected rates to October 1, 2012 using Scale AA.

In order to comply with Part VII of Chapter 112, Florida Statutes, the payroll growth assumption utilized for purposes of amortizing the Unfunded Actuarial Accrued Liability has decreased from 4.1% to 3.2% per year.

Based on an opinion provided by the Plan Attorney, cost-of-living adjustments (COLA) are applicable to current and future Disability Retirees. Please note that no COLAs are attributable to benefits accrued after May 31, 2013.

## COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>10/1/2013</u>	<u>10/1/2012</u>
A. Participant Data		
Number Included		
Actives	56	52
Service Retirees	33	30
Beneficiaries	1	1
Terminated Vested	5	6
Disability Retirees	1	1
Total	<u>96</u>	<u>90</u>
Total Annual Payroll	3,600,660	3,545,457
Annual Rate of Payments to:		
Service Retirees	1,795,905	1,572,284
Beneficiaries	7,859	7,859
Terminated Vested	59,563	82,622
Disability Retirees	40,479	38,341
B. Assets		
Actuarial Value <sup>1</sup>	36,452,118	32,388,216
Market Value <sup>1</sup>	39,294,015	33,747,106
C. Liabilities		
Present Value of Benefits		
Active Members		
Retirement Benefits	28,071,643	27,991,332
Disability Benefits	1,293,753	1,087,854
Death Benefits	112,288	113,461
Vested Benefits	119,319	118,656
Refund of Contributions	10,732	9,191
Service Retirees	28,720,412	25,151,941
Beneficiaries	69,001	70,631
Terminated Vested	384,097	568,821
Disability Retirees	597,542	430,957
Share Balances <sup>1</sup>	746,126	747,394
Total	<u>60,124,913</u>	<u>56,290,238</u>



	<u>10/1/2013</u>	<u>10/1/2012</u>
C. Liabilities - (Continued)		
Present Value of Future Salaries	32,297,856	29,636,302
Present Value of Future Member Cont.	1,601,197	1,481,815
Normal Cost (Entry Age Normal)		
Retirement Benefits	955,859	1,048,919
Disability Benefits	107,541	81,961
Death Benefits	8,271	8,372
Vested Benefits	15,441	11,371
Refund of Contributions	3,215	2,728
Total Normal Cost	<u>1,090,327</u>	<u>1,153,350</u>
Present Value of Future Normal Costs	8,293,135	7,854,098
Actuarial Accrued Liability		
Retirement Benefits	20,783,617	21,008,318
Disability Benefits	450,455	369,004
Death Benefits	54,821	58,346
Vested Benefits	25,707	30,630
Refund of Contributions	0	98
Inactives plus Share Balances <sup>1</sup>	30,517,178	26,969,744
Total Actuarial Accrued Liability	<u>51,831,778</u>	<u>48,436,140</u>
Unfunded Actuarial Accrued Liability (UAAL)	15,379,660	16,047,924
D. Actuarial Present Value of Accrued Benefits		
Vested Accrued Benefits		
Inactives	29,771,052	26,222,350
Actives	20,918,851	19,006,640
Share Balances <sup>1</sup>	746,126	747,394
Member Contributions	2,151,882	2,001,635
	<u>53,587,911</u>	<u>47,978,019</u>
Total	53,587,911	47,978,019
Non-vested Accrued Benefits	<u>117,652</u>	<u>107,134</u>
Total Present Value Accrued Benefits	53,705,563	48,085,153
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	0	
Assumption Changes	0	
New Accrued Benefits	3,958,472	
Benefits Paid	(1,874,167)	
Interest	3,536,105	
Other	0	
	<u>5,620,410</u>	
Total:	5,620,410	

Valuation Date	10/1/2013	10/1/2012
Applicable to the Fiscal Year Ending	<u>9/30/2015</u>	<u>9/30/2014</u>

## E. Pension Cost

Normal Cost (with interest) % of Projected Annual Payroll <sup>2</sup>	31.42	33.75
Administrative Expense (with interest) % of Projected Annual Payroll <sup>2</sup>	1.53	1.53
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (with interest) (as of 10/1/13) % of Projected Annual Payroll <sup>2</sup>	33.29	31.65
Total Required Contribution % of Projected Annual Payroll <sup>2</sup>	66.24	66.93
Expected Member Contributions % of Projected Annual Payroll <sup>2</sup>	4.96	4.96
Expected City & State Contrib. % of Projected Annual Payroll <sup>2</sup>	61.28	61.97

## F. Past Contributions

Plan Years Ending:	<u>9/30/2013</u>
Total Required Contribution	2,890,786
City and State Requirement	2,711,291
Actual Contributions Made:	
Members	179,495
City	1,842,274
City Incentive	57,135
State	811,882
Total	<u>2,890,786</u>

G. Actuarial Gain (Loss)                      193,440

<sup>1</sup> Assets and Liabilities include accumulated Share Balances as of 9/30/12 and 9/30/13.

<sup>2</sup> Contributions developed as of 10/1/13 are expressed as a percentage of Projected Annual Payroll at 10/1/13 of \$3,600,660

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2013	\$15,379,660
2014	15,291,135
2015	15,156,226
2025	9,987,475
2035	(1,181,540)
2043	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2013	1.8%	6.3%
Year Ended	9/30/2012	-2.9%	6.1%
Year Ended	9/30/2011	4.3%	6.1%

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

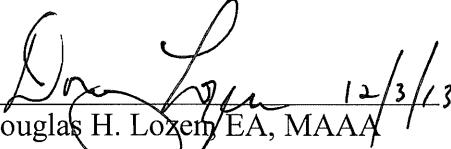
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2013	9.4%	7.5%
Year Ended	9/30/2012	4.0%	7.5%
Year Ended	9/30/2011	-0.6%	7.5%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2013	\$3,600,660
	10/1/2003	2,617,574
(b) Total Increase		37.6%
(c) Number of Years		10.00
(d) Average Annual Rate		3.2%

## 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. Lozer 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

Ms. Sarah Carr  
 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, 2012	\$16,047,924
(2)	City and State Normal Cost Applicable for the Year	976,078
(3)	Expected Administrative Expenses for the Year	52,324
(4)	Interest on (1), (2), and (3)	1,278,762
(5)	Sponsor Contributions to the System during the year ending September 30, 2013	2,711,291
(6)	Interest on (5)	70,697
(7)	Expected Unfunded Accrued Liability as of October 1, 2013 (1)+(2)+(3)+(4)-(5)-(6)	15,573,100
(8)	New UAAL due to Experience (Gain)/Loss	(193,440)
(9)	UAAL as of October 1, 2013	15,379,660

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2013 Amount</u>	<u>Amortization Amount</u>
	10/1/1997	14	1,462,702	134,400
	10/1/1999	16	2,231,374	186,104
	10/1/2000	17	(1,021,542)	(81,656)
	10/1/2002	19	4,184,017	310,168
	10/1/2003	20	2,305,931	165,300
Actuarial Loss	10/1/2004	21	2,606,218	181,089
Amendment	10/1/2004	21	(9,100)	(632)
Actuarial Gain	10/1/2005	22	(307,485)	(20,753)
Assum. Change	10/1/2005	22	1,213,508	81,904
Actuarial Gain	10/1/2006	23	(477,474)	(31,364)
Assum. Change	10/1/2006	23	1,274,752	83,735
Actuarial Loss	10/1/2007	24	1,779,607	113,970
Assum./Method Change	10/1/2007	24	129,403	8,287
Amendment	10/1/2007	24	865,329	55,418
Actuarial Loss	10/1/2008	25	3,771,394	235,858
Actuarial Gain	10/1/2009	26	(59,688)	(3,651)
Assumption Changes	10/1/2009	26	(1,619,446)	(99,046)
Actuarial Loss	10/1/2010	27	1,936,978	116,011
Actuarial Loss	10/1/2011	28	1,591,923	93,485
Actuarial Gain	10/1/2012	29	(1,008,456)	(58,133)
Amendment	10/1/2012	29	(5,276,845)	(304,186)
Actuarial Gain	10/1/2013	30	(193,440)	(10,958)
			<u>15,379,660</u>	<u>1,155,350</u>

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1)	Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2012	16,047,924
(2)	Expected UAAL as of October 1, 2013	15,573,100
(3)	Summary of Actuarial (Gain)/Loss, by component:	
	Investment Return (Actuarial Asset Basis)	(626,676)
	Administrative Expenses	791
	Retirement/DROP	(45,289)
	Employee Turnover	52,351
	Active Mortality	11,504
	Disability	(2,791)
	Inactive Mortality	51,681
	Salary Increases	(184,622)
	New Entrants	0
	Change in Projection Date for Mortality Improvement	66,994
	COLA applied to Disability Benefits	265,881
	Other (e.g. Funding Lag, Data Corrections)	216,736
	Increase in UAAL due to (Gain)/Loss	(193,440)
(4)	Actual UAAL as of October 1, 2013	15,379,660

## ACTUARIAL ASSUMPTIONS AND METHODS

<u>Mortality Rates</u>	<p>RP-2000 Table projected to the Valuation Date with Schedule AA – Disabled lives are set forward 5 years.</p> <p>Based on a study of over 650 public safety funds, RP2000 without projection reflects a 10% margin for future mortality improvements.</p>
<u>Normal Retirement Age</u>	<p>Earlier of 1) age 55, 2) the completion of 25 years of credited service, regardless of age, or 3) the attainment of age 50 with 20 years of credited service. For Members hired after May 31, 2013, the Normal Retirement Date is the earlier of Age 55 with 8 years of Credited Service, or the completion of 25 years of Credited Service, regardless of age.</p>
<u>Early Retirement Age</u>	<p>Attainment of age 50, regardless of 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>	<p>7.5% per year, compounded annually, net of investment related expenses.</p>
<u>Administrative Expenses</u>	<p>\$53,115.</p>
<u>Post Retirement COLA</u>	<p>3% per year at beginning at age 50 for Service Retirees, Disability Retirees, and surviving Beneficiaries. The COLA is not applicable for Vested Terminated Members, or for benefits accrued after May 31, 2013.</p>
<u>Payroll Growth</u>	<p>3.2% per year for amortization of the Unfunded Actuarial Accrued Liability. The assumption was 4.1% for the October 1, 2012 valuation.</p>
<u>Funding Method</u>	<p>Entry Age Normal Actuarial Cost Method.</p>

Actuarial Value of Assets

The Actuarial Value of Assets utilizes a five-year smoothing methodology. The annual difference between expected and actual investment earnings (Market Value, net of investment-related expenses), is phased-in over a five-year period.

Disability Rates

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

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%

Salary Increases

See table below.

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

Retirement Rates

<u>Number of Year After First Eligibility For Normal Retirement</u>	<u>Probability of Normal Retirement</u>
0	25%
1	50%
2	50%
3	50%
4	100%

The retirement rate for Normal Retirement is 100% for participants who have attained age 55 or 25 years of service, regardless of age.



Mortality Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	0.17%	0.13%
55	0.28%	0.24%
60	0.55%	0.47%
65	1.06%	0.91%
70	1.82%	1.57%
75	3.15%	2.53%
80	5.65%	4.19%

Termination Rates

<u>Sample Ages</u>	<u>Years of Service</u>	<u>% of Active Members Separating Within Next Year</u>
ALL	0	20.0%
	1	12.0%
	2	8.0%
	3	4.0%
	4	2.0%
20	5+	9.6%
25		5.6%
30		2.8%
35		1.4%
40		0.4%
45+		0.0%

## VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay as of 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	140,532.98	_____%
1991	145,414.36	3.5%
1992	153,586.79	5.6%
1993	149,494.29	-2.7%
1994	161,873.43	8.3%
1995	192,559.04	19.0%
1996	257,693.96	33.8%
1997	294,558.53	14.3%
1998	301,079.01	2.2%
1999	455,798.85	51.4%
2000	554,631.15	21.7%
2001	575,860.11	3.8%
2002	655,065.93	13.8%
2003	806,425.83	23.1%
2004	857,886.93	6.4%
2005	902,412.83	5.2%
2006	977,382.61	8.3%
2007	1,028,721.85	5.3%
2008	1,223,271.11	18.9%
2009	1,390,851.74	13.7%
2010	893,185.02	-35.8%
2011	765,598.10	-14.3%
2012	834,617.96	9.0%
2013	811,882.25	-2.7%

## EXCESS STATE MONIES RESERVE

<u>Year</u>	<u>Actual State Contribution</u>	<u>Applicable "Frozen" Amount</u>	<u>Excess State Monies For Reserve</u>
1999	455,798.85	436,036.07	19,762.78
2000	554,631.15	607,243.07	0.00
2001	575,860.11	607,243.07	0.00
2002	655,065.93	708,644.07	0.00
2003	806,425.83	708,644.07	97,781.76
2004	857,886.93	708,644.07	149,242.86
2005	902,412.83	708,644.07	193,768.76
2006	977,382.61	708,644.07	268,738.54
2007	1,028,721.85	775,809.07	252,912.78
2008	1,223,271.11	775,809.07	447,462.04
2009	1,390,851.74 *	1,668,662.00 *	0.00
2010	893,185.02	1,668,662.00	0.00
2011	765,598.10	1,668,662.00	0.00
2012	834,617.96	1,668,662.00	0.00
2013	811,882.25	1,668,662.00	0.00
		Total:	1,429,669.52
		Less Reserve used for Ordinance 02-9816	(19,762.78)
		Less Reserve used for Ordinance 06-11152	(709,531.92)
		Less Reserve used for Ordinance 08-12286	(18,328.88)
		Less Reserve used for Ordinance 10-12807	(682,045.94)
		Total:	0.00

\* Supplemental distribution accrued beginning the fiscal year ending September 30, 2009. Additionally, the "frozen" State contribution increased to \$1,668,662 as a result of Ordinances 09-12517 and 09-12518.

BALANCE SHEET  
September 30, 2013

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
Checking Account	4,662.17	4,662.17
Money Market	2,858,954.00	2,858,954.00
Cash	93.36	93.36
Total Cash and Equivalents	2,863,709.53	2,863,709.53
Receivable:		
Member Contributions in Transit	6,980.96	6,980.96
City Contributions in Transit	66,712.02	66,712.02
Additional City Contributions	34,350.99	34,350.99
State Contributions	285,018.15	285,018.15
Total Receivable	393,062.12	393,062.12
Investments:		
Fixed Income	8,620,701.62	8,779,983.14
Stocks	20,997,839.25	25,664,801.98
Pooled/Common/Commingled Funds:		
Real Estate	1,450,000.00	1,592,457.78
Total Investments	31,068,540.87	36,037,242.90
TOTAL ASSETS	34,325,312.52	39,294,014.55
<u>LIABILITIES AND NET ASSETS</u>		
Total Liabilities	0.00	0.00
Net Assets, including Share Account Balances	34,325,312.52	39,294,014.55
TOTAL LIABILITIES AND NET ASSETS	34,325,312.52	39,294,014.55



ACTUARIAL ASSET VALUATION  
September 30, 2013

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. Actuarial Assets shall not be less than 80% nor greater than 120% of Market Value of Assets.

Plan Year Ending	Gain/Loss	<u>Gains/Losses Not Yet Recognized</u>				
		Amounts Not Yet Recognized by Valuation Year				
		2013	2014	2015	2016	2017
09/30/2009	(761,996)	0	0	0	0	0
09/30/2010	172,359	34,472	0	0	0	0
09/30/2011	(2,253,494)	(901,398)	(450,699)	0	0	0
09/30/2012	3,493,051	2,095,831	1,397,221	698,610	0	0
09/30/2013	2,016,241	1,612,993	1,209,745	806,497	403,249	0
Total		2,841,897	2,156,266	1,505,106	403,249	0

Development of Investment Gain/Loss

Market Value of Assets including Prepaid Contributions & Share, 09/30/2012	33,747,106
Contributions Less Benefit Payments & Admin Expenses	963,504
Expected Investment Earnings*	2,567,164
Actual Net Investment Earnings	4,583,405
2013 Actuarial Investment Gain/(Loss)	2,016,241

\*Expected Investment Earnings =  $0.075 * (33,747,106 + 0.5 * 963,504)$

Development of Actuarial Value of Assets

Market Value of Assets, 09/30/2013	39,294,015
(Gains)/Losses Not Yet Recognized	(2,841,897)
Actuarial Value of Assets, 09/30/2013	36,452,118

(A) 09/30/2012 Actuarial Assets, including Prepaid Contributions and Share: 32,388,216

(I) Net Investment Income:

1. Interest and Dividends	837,164
2. Realized Gains (Losses)	1,867,135
3. Change in Actuarial Value	595,537
4. Investment Expenses	(199,438)
Total	3,100,397

(B) 09/30/2013 Actuarial Assets, including Prepaid Contributions and Share: 36,452,118

Actuarial Asset Rate of Return =  $2I/(A+B-I)$ : 9.4%  
Market Value of Assets Rate of Return: 13.4%

10/01/2013 Limited Actuarial Assets: 36,452,118





RECONCILIATION OF CITY'S SHORTFALL CONTRIBUTION FOR THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2013

(1) City and State Required Contribution Rate (from the October 1, 2011 Actuarial Valuation Report)	75.51%
(2) Pensionable Payroll Derived from Member Contributions	\$3,590,638.40
(3) Required City and State Contribution (Item 1 times Item 2)	2,711,291.06
(4) Less State Contribution	(811,882.25)
(5) Less City Incentive Contribution	<u>(57,135.00)</u>
(6) Equals Required City Contribution	1,842,273.81
(7) Less Actual City Contributions	<u>(1,807,922.82)</u>
(8) Equals City's Shortfall Contribution as of September 30, 2013	\$34,350.99

SUPPLEMENTAL CHAPTER 175 SHARE PLAN ACTIVITY  
October 1, 2012 to September 30, 2013

09/30/2012 Balance	747,394.38
Plus Additions	-
Investment Return Earned	88,035.36
Less Distributions	(89,303.29)
09/30/2013 Balance	746,126.45

STATISTICAL DATA

(Averages are salary weighted for valuations prior to 10/1/2011)

	<u>10/1/2010</u>	<u>10/1/2011</u>	<u>10/1/2012</u>	<u>10/1/2013</u>
Number	53	52	52	56
Average Current Age	39.2	39.3	39.8	38.6
Average Age at Employment	26.6	26.7	27.6	27.3
Average Past Service	12.6	12.6	12.2	11.3
Average Annual Salary	\$73,404	\$75,089	\$68,182	\$64,298

## 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	1	0	0	1	0	0	0	0	0	0	0	2
25 - 29	3	0	0	0	0	4	0	0	0	0	0	7
30 - 34	2	0	3	0	0	4	2	0	0	0	0	11
35 - 39	0	2	0	0	0	2	4	0	0	0	0	8
40 - 44	0	0	1	0	0	1	3	4	2	0	0	11
45 - 49	0	0	0	0	0	0	4	1	6	0	0	11
50 - 54	0	0	0	0	0	0	0	1	2	0	0	3
55 - 59	0	1	0	0	0	0	0	0	1	0	0	2
60 - 64	0	0	0	0	0	0	0	1	0	0	0	1
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	6	3	4	1	0	11	13	7	11	0	0	56

## VALUATION PARTICIPANT RECONCILIATION

## 1. Active lives

a. Number in prior valuation 10/1/12	52
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	0
e. Retired	2
f. Voluntary withdrawal	0
g. Continuing participants	50
h. New entrants	6
i. Total active life participants in valuation	56

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

	Service Retirees, Vested Receiving <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested <u>Deferred</u>	<u>Total</u>
a. Number prior valuation	30	1	1	6	38
b. In	3	0	0	0	3
c. Out	0	0	0	1	1
d. Number current valuation	33	1	1	5	40

FIREFIGHTERS' PENSION AND RETIREMENT SYSTEM  
SUMMARY OF PLAN PROVISIONS  
(Through Ordinance No. 13-13283)

<u>Eligibility</u>	Full-time employees who are classified as certified Firefighters participate in the Plan as a condition of employment.
<u>Credited Service</u>	Total years and completed days of uninterrupted service with the City as a Firefighter.
<u>Salary</u>	Base compensation, excluding overtime pay, holiday pay, and fringe benefits.
<u>Final Average Compensation</u>	Average of compensation paid during the five (5) highest consecutive years of service. The average cannot be less than the three-year average determined as of May 31, 2013.
<u>Member Contributions</u>	5.0% of Compensation. The contribution rate is 3% for Members hired after May 31, 2013.
<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	Earlier of 1) age 55, 2) age 50 and the completion of 20 years of Credited Service, or 3) the completion of 25 years of credited service, regardless of age.  For Members hired after May 31, 2013, the Normal Retirement Date is the earlier of 1) Age 55 with 8 years of Credited Service, or 2) the completion of 25 years of Credited Service, regardless of Age.
Benefit	The sum of the following:  a.) 4% of Final Average Compensation (using a three-year average, determined as of May 31, 2013) for each year of Credited Service through May 31, 2013, plus

b.) 3% of Final Average Compensation (using a five-year average) for Credited Service after May 31, 2013.

Members who had attained Normal Retirement eligibility as of May 31, 2013 continue to accrue benefits under Plan provisions in effect prior to Ordinance 13-13283.

Form of Benefit

Ten Year Certain and Life Annuity (options available).

### Early Retirement

Date

Age 50, regardless of years of Credited Service. Members hired after May 31, 2013 attain Early Retirement eligibility at age 50 with 8 years of Credited Service.

Benefit

Accrued benefit, reduced 3% for each year Early Retirement precedes the earlier of age 55, or the completion of 20 years of Credited Service, regardless of age.

For Members hired after May 31, 2013, the reduction is 3% for each year Early Retirement precedes the earlier of age 55 and 8 years of Credited Service, or the completion of 25 years of Credited Service, regardless of age.

### Vesting

Schedule

100% after 5 years of Credited Service. Members hired after May 31, 2013 are fully vested upon the completion of 8 years of Credited Service.

Benefit Amount

Member will receive the vested portion of his (her) accrued benefit payable at age 55 (unreduced), or age 50, reduced as for Early Retirement.

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.
Benefit	Accrued Benefit to date of disability but not less than 42% of Final Average Compensation (Service Incurred), or 25% of Final Average Compensation (Non-Service Incurred).
Duration	Payable for life with 10 years certain or until recovery (as determined by the Board).

Death Benefits

Pre-Retirement	
Vested	Accrued benefit, actuarially reduced for commencement prior to age 55. The benefit is determined as if the participant had retired immediately prior to death and had chosen the 100% joint survivor option.
Non-Vested	Refund of Member contributions, with 5.5% interest.
Post-Retirement	Benefits payable to beneficiary in accordance with option selected at retirement.

Cost of Living Adjustment

Eligibility	Normal and Early service Retirees and Beneficiaries, including Disability Retirees. Vested, terminated Members are not eligible for the COLA.
Amount	3.0% increase per year following one year of payments and the retiree's 50 <sup>th</sup> birthday.  COLAs are not applicable to benefits accrued after May 31, 2013.

Board of Trustees

Two Council appointees, two Members of the Plan elected by the Membership, and a fifth Member elected by other 4 and appointed by Council as a ministerial duty.



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)
10/01/13	36,452,118	51,831,778	15,379,660	70.33%	3,600,660	427.13%
10/01/12	32,388,216	53,780,542	21,392,326	60.22%	3,545,457	603.37%
10/01/11	29,407,601	51,166,192	21,758,591	57.47%	3,640,486	597.68%
10/01/10	28,280,330	48,047,361	19,767,031	58.86%	3,890,399	508.10%
10/01/09	26,748,426	43,855,840	17,107,414	60.99%	3,779,969	452.58%
10/01/08	23,542,873	41,532,653	17,989,780	56.69%	3,682,251	488.55%

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
2013	2,711,291	1,899,409	811,882	100.00%
2012	2,446,439	1,611,821	834,618	100.00%
2011	2,443,915	1,678,317	765,598	100.00%
2010	2,576,441	1,683,256	893,185	100.00%
2009	1,998,487	607,635	1,390,852	100.00%
2008	1,628,489	888,198	775,809 *	102.18%

\* "Frozen" pursuant to the provisions of Chapter 175, Florida Statutes, as amended.

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

Contribution rates as of 9/30/13	
City/State (from 2011 valuation)	75.51%
Plan Members	5.00%
(Members hired after May 31, 2013 contribute 3%)	
Actuarially Determined Contribution (City/State)	2,711,291
Contributions made (City/State)	2,711,291
Actuarial valuation date	10/1/2011
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 (beginning at age 50)	3.0%

THREE YEAR TREND INFORMATION

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2013	2,699,020	100.5%	(434,345)
9/30/2012	2,434,516	100.5%	(422,074)
9/30/2011	2,462,427	99.2%	(410,151)

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 contributions 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>9/30/2011</u>	<u>9/30/2012</u>	<u>9/30/2013</u>
Actuarially Determined			
Contribution (A)	2,443,915	2,446,439	2,711,291
Interest on NPO	(32,150)	(30,761)	(31,656)
Adjustment to (A)	50,662	18,838	19,385
	-----	-----	-----
Annual Pension Cost	2,462,427	2,434,516	2,699,020
Contributions Made	2,443,915	2,446,439	2,711,291
	-----	-----	-----
Increase in NPO	18,512	(11,923)	(12,271)
NPO Beginning of Year	(428,663)	(410,151)	(422,074)
	-----	-----	-----
NPO End of Year	(428,663)	(410,151)	(434,345)