

CITY OF NAPLES  
GENERAL RETIREMENT SYSTEM

ACTUARIAL VALUATION REPORT  
AS OF OCTOBER 1, 2014

CONTRIBUTIONS APPLICABLE TO THE CITY'S  
PLAN/FISCAL YEAR ENDED SEPTEMBER 30, 2016



December 8, 2014

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

Re: City of Naples  
General Retirement System

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Naples General 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 Chapter 112, 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, 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.

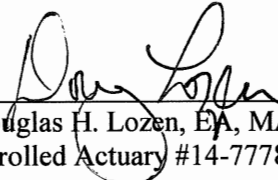
To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Naples, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Naples General Retirement 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:

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

DHL/lke

Enclosures

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## SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Naples General Retirement System, performed as of October 1, 2014, 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, 2016.

The funding requirements, compared with the amounts developed in the October 1, 2013, actuarial valuation, are as follows:

Valuation Date	10/1/2013	10/1/2014
Applicable Plan Year End	<u>9/30/2015</u>	<u>9/30/2016</u>
Total Required Contribution % of Total Annual Payroll	17.44%	16.95%
Member Contributions (Est.) % of Total Annual Payroll	4.52%	4.43%
City Required Contribution <sup>1</sup> % of Total Annual Payroll	12.92%	12.52%


<sup>1</sup> Please note that there is a City prepaid contribution of \$21,171.60 that may be utilized for the fiscal year ending September 30, 2015.

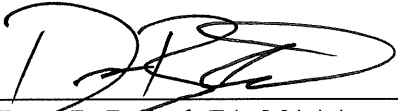
Experience since the last valuation has been more favorable than expected, relative to the Plan's actuarial assumptions. The primary sources of favorable experience included an 11.6% net-of-fees investment return (Actuarial Asset Basis), exceeding the 7.5% assumption, and average increases in pensionable compensation that were below the assumption by more than 4%.

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, EA, MAAA

## CHANGES SINCE PRIOR VALUATION

### Plan Changes

There have been no changes in benefits since the prior valuation.

### Actuarial Assumption/Method Changes

Mortality rates are based on the RP 2000 Combined Healthy Table, projected to October 1, 2014 using Scale AA. The prior valuation projected rates to October 1, 2013 using Scale AA.

Additionally, in conjunction with this valuation, the Board approved modifying the individual salary increase assumption. The prior and current salary assumption tables are shown below, and the impact of this change is displayed in the comparative summary section of this report.

<u>Years of Service</u>	<u>Current Assumed Increase</u>	<u>Prior Assumed Increase</u>
1-2	6.0%	10.0%
3	5.5%	9.5%
4	5.5%	8.5%
5	5.5%	8.0%
6	5.5%	7.5%
7-8	5.5%	7.0%
9	5.5%	6.0%
10-19	5.0%	5.5%
20+	4.0%	4.5%

## COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Assum <u>10/1/2014</u>	Old Assum <u>10/1/2014</u>	Old Assum <u>10/1/2013</u>
A. Participant Data			
Number Included			
Actives	301	301	305
Service Retirees	222	222	211
DROP Retirees	0	0	0
Beneficiaries	16	16	16
Terminated Vested	27	27	22
Disability Retirees	1	1	1
	<hr/>	<hr/>	<hr/>
Total	567	567	555
Total Annual Payroll	\$15,835,700	\$16,100,498	\$15,986,671
Annual Rate of Payments to:			
Service Retirees	3,365,465	3,365,465	3,070,673
DROP Retirees	0	0	0
Beneficiaries	132,317	132,317	133,346
Terminated Vested	276,814	276,814	267,763
Disability Retirees	10,171	10,171	10,171
B. Assets			
Actuarial Value	46,476,025	46,476,025	42,970,744
Market Value	51,236,145	51,236,145	46,745,386
C. Liabilities			
Present Value of Benefits			
Active Members			
Retirement Benefits	32,165,144	33,109,329	33,357,739
Disability Benefits	784,447	809,130	849,649
Death Benefits	361,181	372,032	341,991
Vested Benefits	1,337,098	1,385,629	1,574,600
Refund of Contributions	976,330	1,002,390	637,042
Service Retirees	32,547,621	32,547,621	29,440,199
DROP Retirees	0	0	0
Beneficiaries	1,092,041	1,092,041	1,128,063
Terminated Vested	1,986,936	1,986,936	2,118,955
Disability Retirees	86,059	86,059	88,701
	<hr/>	<hr/>	<hr/>
Total	71,336,857	72,391,167	69,536,939



	New Assum <u>10/1/2014</u>	Old Assum <u>10/1/2014</u>	Old Assum <u>10/1/2013</u>
C. Liabilities - (Continued)			
Present Value of Future Salaries	110,882,815	119,246,061	120,250,137
Present Value of Future Member Cont.	4,910,463	5,161,360	5,440,215
Normal Cost (Entry Age Normal)			
Retirement Benefits	1,043,314	1,151,429	1,146,321
Disability Benefits	37,337	40,686	42,289
Death Benefits	21,196	22,313	20,938
Vested Benefits	113,753	125,424	142,767
Refund of Contributions	128,506	130,649	90,383
Total Normal Cost	<u>1,344,106</u>	<u>1,470,501</u>	<u>1,442,698</u>
Present Value of Future Normal Costs	7,919,378	9,126,906	8,922,917
Actuarial Accrued Liability			
Retirement Benefits	25,855,420	25,768,759	26,026,306
Disability Benefits	569,861	563,628	598,372
Death Benefits	206,223	200,239	192,763
Vested Benefits	723,901	687,947	783,076
Refund of Contributions	349,417	331,031	237,587
Inactives	35,712,657	35,712,657	32,775,918
Total Actuarial Accrued Liability	<u>63,417,479</u>	<u>63,264,261</u>	<u>60,614,022</u>
Unfunded Actuarial Accrued Liability (UAAL)	16,941,454	16,788,236	17,643,278
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives <sup>1</sup>	35,712,657	35,712,657	32,775,918
Actives	16,145,946	16,151,843	16,981,632
Member Contributions	7,247,611	7,247,611	6,983,552
Total	<u>59,106,214</u>	<u>59,112,111</u>	<u>56,741,102</u>
Non-vested Accrued Benefits	<u>1,279,973</u>	<u>1,282,611</u>	<u>1,256,758</u>
Total Present Value Accrued Benefits	60,386,187	60,394,722	57,997,860
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	(8,535)	0	
New Accrued Benefits	0	2,081,815	
Benefits Paid	0	(3,888,957)	
Interest	0	4,204,004	
Other	0	0	
Total:	<u>(8,535)</u>	<u>2,396,862</u>	

	New Assum	Old Assum	Old Assum
Valuation Date	10/1/2014	10/1/2014	10/1/2013
Applicable to the Fiscal Year Ending	<u>9/30/2016</u>	<u>9/30/2016</u>	<u>9/30/2015</u>

## E. Pension Cost

Normal Cost (with interest) % of Total Annual Payroll <sup>1</sup>	8.81	9.48	9.36
Administrative Expense (with interest) % of Total Annual Payroll <sup>1</sup>	0.84	0.83	0.82
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (with interest) (as of 10/1/14) % of Total Annual Payroll <sup>1</sup>	7.30	7.13	7.26
Total Required Contribution % of Total Annual Payroll <sup>1</sup>	16.95	17.44	17.44
Expected Member Contributions % of Total Annual Payroll <sup>1</sup>	4.43	4.33	4.52
Expected City Contribution % of Total Annual Payroll <sup>1</sup>	12.52	13.11	12.92

## F. Past Contributions

Plan Years Ending:	<u>9/30/2014</u>
Total Required Contribution	2,639,330
City Requirement	1,924,183
Actual Contributions Made:	
Members	715,147
City	1,924,183
Total	<u>2,639,330</u>

G. Net Actuarial Gain (Loss) 1,087,274

<sup>1</sup> Contributions developed as of 10/1/2014 are expressed as a percentage of total annual projected payroll at 10/1/2014 of \$16,100,498 under the old assumption, and \$15,835,700 under the new assumption.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2014	\$16,941,454
2015	17,014,402
2016	17,050,904
2026	14,280,426
2036	2,453,621
2044	0

I. (i) 3 Year Comparison of Actual and Assumed Salary Increases

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	2.7%	7.0%
Year Ended	9/30/2013	2.2%	7.0%
Year Ended	9/30/2012	-0.3%	6.8%

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

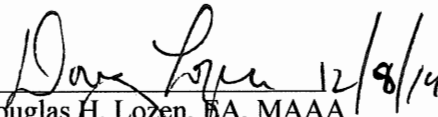
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	11.5%	7.5%
Year Ended	9/30/2013	9.3%	7.5%
Year Ended	9/30/2012	1.6%	7.5%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2014	\$15,835,700
	10/1/2004	10,945,911
(b) Total Increase		44.7%
(c) Number of Years		10
(d) Average Annual Rate		3.8%

## 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, BA, MAAA  
Enrolled Actuary #14-7778

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

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

## RECONCILIATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES

(1)	Unfunded Actuarial Accrued Liability as of October 1, 2013	\$17,643,278
(2)	Sponsor Normal Cost developed as of October 1, 2013	720,100
(3)	Expected Administrative Expenses during fiscal 2014	126,479
(4)	Interest on (1), (2) and (3)	1,381,996
(5)	Sponsor Contributions to the System during the year ending September 30, 2014	1,924,183
(6)	Interest on (5)	72,160
(7)	Expected Unfunded Accrued Liability as of October 1, 2014 (1)+(2)+(3)+(4)-(5)-(6)	17,875,510
(8)	Change to UAAL due to Experience Loss/(Gain)	(1,087,274)
(9)	Change to UAAL due to Salary Scale Assumption Change	153,218
(10)	Unfunded Accrued Liability as of October 1, 2014	\$16,941,454

	Date Established	Years Remaining	10/1/2014 Amount	Amortization Amount
Experience Loss	10/1/2002	18	1,949,138	146,615
Experience Loss	10/1/2003	19	716,111	51,894
Experience Loss	10/1/2004	20	3,241,361	226,888
Amendment	10/1/2004	20	27,453	1,922
Experience Gain	10/1/2005	21	(2,115,116)	(143,353)
Experience Gain	10/1/2006	22	(205,031)	(13,484)
Amendment	10/1/2006	22	69,382	4,563
Experience Loss	10/1/2007	23	813,757	52,031
Method/Assump Change	10/1/2007	23	4,810,068	307,554
Experience Loss	10/1/2008	24	5,941,528	370,008
Assump Changes	10/1/2009	25	(33,482)	(2,034)
Experience Loss	10/1/2009	25	7,391,094	449,025
Experience Loss	10/1/2010	26	654,715	38,860
Benefit Change	10/1/2010	26	(9,334,748)	(554,062)
Experience Loss	10/1/2011	27	2,846,937	165,318
Benefit Change	10/1/2011	27	366,618	21,289
Experience Loss	10/1/2012	28	1,075,670	61,187
Experience Gain	10/1/2013	29	(339,945)	(18,964)
Experience Gain	10/1/2014	30	(1,087,274)	(59,547)
Assump Change	10/1/2014	30	153,218	8,391
			<u>16,941,454</u>	<u>1,114,101</u>

## DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1)	Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2013	17,643,278
(2)	Expected UAAL as of October 1, 2014	17,875,510
(3)	Summary of Actuarial (Gain)/Loss, by component:	
	Investment Return (Actuarial Asset Basis)	(1,732,489)
	Salary Increases	(352,064)
	Active Decrements (excluding mortality)	267,537
	Mortality (active and inactive)	378,305
	Other	<u>351,437</u>
	Increase in UAAL due to (Gain)/Loss	(1,087,274)
(4)	Change in UAAL due to Assumption Change	153,218
(5)	Actual UAAL as of October 1, 2014	16,941,454

## ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rates                      RP-2000 Sex-Distinct Healthy Mortality Table, projected to Valuation Date using Scale AA. Disabled lives are set forward 5 years.

Interest Rate                        7.50% per year, compounded annually, net of investment related expenses.

### Termination Rates

Sample Ages	Years of Service	% of Active Members Separating Within Next Year
ALL	0	20.0%
	1	18.0%
	2	16.0%
	3	10.0%
	4	6.0%
20	5+	16.2%
25		13.2%
30		10.8%
35		9.4%
40		7.8%
45		5.8%
50		3.2%
55+		0.8%

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.

Administrative Expenses        \$128,474.

Funding Method                    Entry Age Actuarial Cost Method.

### Disability Rates

Sample Ages	% Becoming Disabled During the Year
20	0.05%
25	0.05%
30	0.06%
35	0.09%
40	0.12%
45	0.28%
50	0.43%

Salary Increases

<u>Years of Service</u>	<u>Increase</u>
1 to 2	6.0%
3	5.5%
4	5.5%
5	5.5%
6	5.5%
7 to 8	5.5%
9	5.5%
10 to 19	5.0%
20+	4.0%

Normal Retirement Rates

<u>Number of Years After First Eligibility For Normal Retirement</u>	<u>Probability of Retirement</u>
0	25%
1	25%
2	50%
3	50%
4	60%
5	80%
6	100%

For Members hired after September 30, 2011, 100% retirement is assumed at the earlier of 1) Age 65 with 8 years of Credited Service, and 2) the completion of 33 years of Credited Service, regardless of Age.

Early Retirement Rates

Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

Payroll Growth

3.5% per year for amortization of the Unfunded Actuarial Accrued Liability.



## VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay as of the valuation date for 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.

STATEMENT OF FIDUCIARY NET POSITION  
SEPTEMBER 30, 2014

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Checking Account	137.68
Money Market	1,239,735.00
Cash	422.55
 Total Cash and Equivalents	 1,240,295.23
Receivables:	
Member Contributions	13.33
 Total Receivable	 13.33
Investments:	
Fixed Income	9,587,631.64
Equities	33,238,762.18
Pooled/Common/Commingled Funds:	
Fixed Income	2,413,633.00
Hedge	2,436,818.00
Real Estate	2,342,185.87
 Total Investments	 50,019,030.69
 Total Assets	 51,259,339.25
 <u>LIABILITIES</u>	
Payables:	
Benefit Payments	2,023.14
Prepaid City Contribution	21,171.60
 Total Liabilities	 23,194.74
 NET POSITION RESTRICTED FOR PENSIONS	 51,236,144.51

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2014  
Market Value Basis

ADDITIONS

Contributions:

Member	715,146.81
City	1,924,182.67

Total Contributions 2,639,329.48

Investment Income:

Net Increase in Fair Value of Investments	5,175,931.45
Interest & Dividends	953,721.62
Less Investment Expense <sup>1</sup>	(260,792.49)

Net Investment Income 5,868,860.58

Total Additions 8,508,190.06

DEDUCTIONS

Distributions to Members:

Benefit Payments	3,352,814.98
Lump Sum DROP Distributions	0.00
Refunds of Member Contributions	536,141.76

Total Distributions 3,888,956.74

Administrative Expense 128,474.46

Total Deductions 4,017,431.20

Net Increase in Net Position 4,490,758.86

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 46,745,385.65

End of the Year 51,236,144.51

<sup>1</sup>Investment Related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION  
September 30, 2014

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				
		2014	2015	2016	2017	2018
09/30/2010	401,923	0	0	0	0	0
09/30/2011	(2,982,368)	(596,474)	0	0	0	0
09/30/2012	4,810,181	1,924,072	962,036	0	0	0
09/30/2013	2,501,369	1,500,821	1,000,548	500,274	0	0
09/30/2014	2,414,626	1,931,701	1,448,776	965,850	482,925	0
<b>Total</b>		<b>4,760,120</b>	<b>3,411,360</b>	<b>1,466,124</b>	<b>482,925</b>	<b>0</b>

Development of Investment Gain/Loss

Market Value of Assets, including Prepaid Contributions, 09/30/2013	46,745,519
Contributions Less Benefit Payments & Admin Expenses	(1,378,102)
Expected Investment Earnings*	3,454,235
Actual Net Investment Earnings	5,868,861
2014 Actuarial Investment Gain/(Loss)	<u>2,414,626</u>

\*Expected Investment Earnings =  $0.075 * [46,745,519 + 0.5 * (1,378,102)]$

Development of Actuarial Value of Assets

(1) Market Value of Assets, 09/30/2014	51,236,145
(2) Gains/(Losses) Not Yet Recognized	4,760,120
(3) Actuarial Value of Assets, 09/30/2014, (1) - (2)	<u>46,476,025</u>

(A) 09/30/2013 Actuarial Assets, including Prepaid Contributions: 42,970,877

(I) Net Investment Income:

1. Interest and Dividends	953,722
2. Realized Gains (Losses)	4,232,577
3. Change in Actuarial Value	(20,952)
4. Investment Expenses	(260,792)
<b>Total</b>	<u>4,904,554</u>

(B) 09/30/2014 Actuarial Assets, including Prepaid Contributions: 46,497,196

Actuarial Assets Rate of Return =  $2I/(A+B-I)$ : 11.60%  
Market Value of Assets Rate of Return: 12.72%

10/01/2014 Limited Actuarial Assets, not including Prepaid: 46,476,025

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
 SEPTEMBER 30, 2014  
 Actuarial Asset Basis

REVENUES

Contributions:		
Member	715,146.81	
City	1,924,182.67	
 Total Contributions		 2,639,329.48
Earnings from Investments:		
Interest & Dividends	953,721.62	
Net Realized Gain (Loss)	4,232,577.33	
Change in Actuarial Value	(42,123.88)	
 Total Earnings and Investment Gains		 5,144,175.07

EXPENDITURES

Distributions to Members:		
Benefit Payments	3,352,814.98	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	536,141.76	
 Total Distributions		 3,888,956.74
Expenses:		
Investment Related <sup>1</sup>	260,792.49	
Administrative	128,474.46	
 Total Expenses		 389,266.95
 Change in Net Assets for the Year		 3,505,280.86
 Net Assets Beginning of the Year		 42,970,743.65
 Net Assets End of the Year <sup>2</sup>		 46,476,024.51

<sup>1</sup>Investment Related expenses include investment advisory, custodial and performance monitoring fees.

<sup>2</sup>Net Assets may be limited for actuarial consideration.

RECONCILIATION OF CITY'S PREPAID CONTRIBUTION FOR THE  
FISCAL YEAR ENDED SEPTEMBER 30, 2014

(1) Required City Contribution Rate (from the October 1, 2012 actuarial valuation)	12.32%
(2) Applicable Pensionable Payroll	\$15,618,365.81
(3) Required City Contribution (Item 1 times Item 2)	1,924,182.67
(4) Less City Prepaid Contribution on 9/30/2013	(72.18)
(5) Less Actual City Contributions	<u>(1,945,282.09)</u>
(6) Equals City's Prepaid Contribution as of September 30, 2014	\$21,171.60

## STATISTICAL DATA

	<u>10/1/2011</u>	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>
Number	284	302	305	301
Average Current Age	48.2	47.1	47.3	47.8
Average Age at Employment	38.6	38.0	38.0	38.5
Average Past Service	9.6	9.1	9.3	9.3
Average Annual Salary	\$51,313	\$51,860	\$52,415	\$52,610

## 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	3	0	0	0	0	0	0	0	0	3
25 - 29	5	4	1	3	1	4	0	0	0	0	0	18
30 - 34	4	2	8	2	0	10	2	0	0	0	0	28
35 - 39	6	1	3	3	4	3	2	1	0	0	0	23
40 - 44	2	2	3	3	3	16	3	0	0	0	0	32
45 - 49	5	6	5	1	2	12	4	6	3	1	0	45
50 - 54	3	2	7	1	1	18	8	9	4	3	2	58
55 - 59	1	4	1	3	3	8	9	9	7	4	4	53
60 - 64	1	1	1	1	2	13	3	6	3	1	1	33
65+	0	0	0	0	0	3	2	1	1	0	1	8
Total	27	22	32	17	16	87	33	32	18	9	8	301



## VALUATION PARTICIPANT RECONCILIATION

## 1. Active lives

a. Number in prior valuation 10/1/2013	305
b. Terminations	
i. Vested (partial or full) with deferred benefits	8 *
ii. Non-vested or full lump sum distribution received	14
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	11
f. Entered DROP	0
g. Voluntary withdrawal	0
h. Continuing participants	272
i. New entrants	29
j. Total active life participants in valuation	301

## 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>	<u>Vested Deferred</u> *	<u>DROP</u>	<u>Total</u>
a. Number prior valuation	211	16	1	22	0	250
b. In	14	1	0	8	0	23
c. Out	3	1	0	3	0	7
d. Number current valuation	222	16	1	27	0	266

\* Includes non-vested members awaiting a refund of contributions.

GENERAL RETIREMENT SYSTEM  
SUMMARY OF PLAN PROVISIONS  
(Through Ordinance 12-13142)

<u>Eligibility</u>	Full-time General Employees hired prior to 3/1/95 enter the Plan on employment. Those hired after 2/28/95 enter following 6 months of service.
<u>Compensation</u>	Base pay, including holiday, vacation, longevity, and sick pay, but excluding overtime and all other pay.
<u>Final Average Compensation</u>	Average of Compensation paid during the eight (8) highest consecutive years of service. The average cannot be less than the three-year average determined as of September 30, 2011.
<u>Credited Service</u>	Years and completed months of service as a General Employee. Service for which the member received a refund of contributions shall not be counted.
<u>Normal Retirement</u>	
Date	<p>Earlier of 1) the attainment of age 60 and the completion of 5 years of service, or 2) the date when age plus service equals 85 (Rule of 85).</p> <p>For Members hired after September 30, 2011, the Normal Retirement Date is the earlier of 1) Age 65 with 8 years of Credited Service, or 2) the completion of 33 years of Credited Service, regardless of Age.</p>
Benefit	<p>The sum of the following:</p> <ul style="list-style-type: none"> <li>a.) 2.5% of Final Average Compensation (using a three-year average, determined as of September 30, 2011) for each year of Credited Service as of September 30, 2011, plus</li> <li>b.) 1.6% of Final Average Compensation (using an eight-year average) for Credited Service after September 30, 2011.</li> </ul>

Form of Benefit Life annuity, ceasing upon death (options available).

### Early Retirement

Date The attainment of age 55 and the completion of 5 years of service.

Benefit Determined as for Normal Retirement, reduced 3% per year for each year that the Early Retirement Date precedes age 60. The reduction is prorated monthly.

For Members hired after September 30, 2011, the reduction is 5% per year, for each year that the Early Retirement Date precedes age 65. The reduction is prorated monthly.

### Termination of Employment

Members hired before  
October 1, 2011

Less Than 5 Years Return of member contributions with interest.

5 to 10 Years,  
But Less Than Age 50 Return of member contributions with interest plus an amount equal to the accumulated contributions that would have existed had the member contributed at the rate contributed by the City.

10 or More Years or Upon  
Attaining Age 50 and 5 Years Accrued monthly benefit payable at Normal or Early (reduced basis) Retirement Date, or return of member contributions with interest.

Members hired after  
September 30, 2011

Less Than 8 Years Return of member contributions with interest.

8 or More Years The accrued benefit, payable at the Normal (unreduced), or Early (reduced) Retirement Date.

### Pre-Retirement Death

Less Than 5 Years and 6 Months Return of member contributions with interest.

More than 5 Years and 6 Months

Return of member contributions with interest plus an amount equal to the accumulated contributions that would have existed had the member contributed at the rate contributed by the City.

Deferred Retirement Option Plan

Eligibility

Non-union members who had 30 years of service in June, 2005.

Participation

Not to exceed 84 months.

Rate of Return

Actual net rate of investment return realized by the system from the short term investment fund or money market fund in which the DROP account is invested.

Form of Distribution

Cash lump sum at termination of employment.

Contributions

Members

5.0% of Compensation. The contribution rate is 3% for Members hired after September 30, 2011.

City

Remaining amount necessary to fund the Normal Cost and amortize the Unfunded Actuarial Accrued Liability over not more than 30 years.

Board of Trustees

Two Council appointees, three City Manager appointees, one retiree of the Plan elected by the membership, and a seventh Member elected by the other 6 who is a City resident.

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

Contribution rates as of 9/30/2014

City	12.32%
Plan Members	5.00%
(Members hired after 9/30/11 have a 3% contribution requirement)	

Actuarially Determined Contribution	1,924,183
Contributions made	1,924,183
Actuarial valuation date	10/1/2012
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 (as of 10/1/2012):	
Investment rate of return	7.5%
Projected salary increase*	4.5% to 10%
* Includes inflation at	3.0%
Post Retirement COLA	Not applicable

THREE YEAR TREND INFORMATION

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2014	1,899,242	101.31%	(1,044,045)
9/30/2013	1,854,472	101.55%	(1,019,104)
9/30/2012	1,638,218	101.71%	(990,314)

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 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>9/30/2012</u>	<u>9/30/2013</u>	<u>9/30/2014</u>
Actuarially Determined			
Contribution (A)	1,666,194	1,883,262	1,924,183
Interest on NPO	(72,175)	(74,274)	(76,433)
Adjustment to (A)	44,199	45,484	51,492
	-----	-----	-----
Annual Pension Cost	1,638,218	1,854,472	1,899,242
Contributions Made	1,666,194	1,883,262	1,924,183
	-----	-----	-----
Increase in NPO	(27,976)	(28,790)	(24,941)
NPO Beginning of Year	(962,338)	(990,314)	(1,019,104)
	-----	-----	-----
NPO End of Year	(962,338)	(990,314)	(1,044,045)