

CITY OF NAPLES
POLICE OFFICERS' RETIREMENT TRUST FUND

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 Police Officers' Retirement Trust Fund
c/o City of Naples Finance Department
735 8th 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, 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 #14-7778

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Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Naples Police Officers' Retirement Trust Fund, 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	10/1/13	10/1/14
Applicable Plan Year End	<u>9/30/15</u>	<u>9/30/16</u>
Total Required Contribution		
% of Total Annual Payroll	55.66%	63.39%
Less Member Contributions (Est.)		
% of Total Annual Payroll	4.74%	4.65%
City and State Required Contribution		
% of Total Annual Payroll	50.92%	58.74%
Less State Contribution (est.) ¹	540,981	540,981
% of Total Annual Payroll	12.28%	12.28%
Less City Incentive Contribution	40,356	40,356
% of Total Annual Payroll	0.92%	0.92%
Balance from City ¹		
% of Total Annual Payroll	37.72%	45.54%

¹ 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 58.74% of Pensionable Earnings for the fiscal year ending September 30, 2016. The precise City requirement for the year is this amount, less actual State Contributions (up to the

maximum \$737,941.37). Additionally, the City has access to a \$132,828.51 prepaid contribution; this is available for the fiscal year ending September 30, 2015.

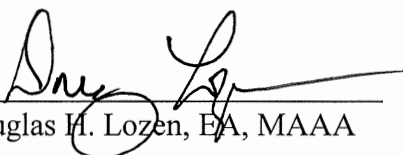
Experience since the prior valuation has been more favorable than expected on the basis of the Plan's actuarial assumptions. The primary sources of favorable experience included an 11.4% investment return (Actuarial Asset Basis), exceeding the 7.5% assumption, and average increases in pensionable compensation that were less than the assumption by more than 3%. Please see page 14 for additional details regarding Plan experience for fiscal 2014.

In spite of a net actuarial gain for the year, Plan funding requirements, when expressed as a percentage of payroll, have increased as a result of reductions in Valuation Payroll and the payroll growth assumption utilized for amortization of the Unfunded Actuarial Accrued Liability (UAAL). While these reductions result in an increase in the percent of payroll funding rate for the UAAL, the City's dollar funding requirement has remained stable since the prior valuation.

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.
- The payroll growth assumption, utilized for purposes of amortizing the Unfunded Actuarial Accrued Liability, was lowered from 2.7% to 1.2% per year. This reduction complies with the requirements of Part VII of Chapter 112, Florida Statutes, whereby the use of a payroll growth assumption is limited to the Plan's actual ten-year payroll growth average, determined as of the valuation date.
- As the result of a special actuarial analysis, the salary scale assumption was reduced since the prior valuation. Please refer to the Methods and Assumptions of this report for specific rates. The assumption change was approved by the Board of Trustees at the November 13, 2014 Board Meeting.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	new assum. <u>10/1/2014</u>	prior assum. <u>10/1/2014</u>	prior asssum. <u>10/1/2013</u>
A. Participant Data			
Number Included			
Actives	62	62	67
Service Retirees	55	55	54
Beneficiaries	7	7	6
Terminated Vested	16	16	12
Disability Retirees	2	2	2
DROP Retirees	5	5	4
Total	<u>147</u>	<u>147</u>	<u>145</u>
Total Annual Payroll	4,406,901	4,479,142	5,062,658
Annual Rate of Payments to:			
Service Retirees	2,400,897	2,400,897	2,281,565
Beneficiaries	155,964	155,964	145,422
Terminated Vested	127,816	127,816	159,236
Disability Retirees	92,613	92,613	92,613
DROP Retirees	417,591	417,591	330,358
B. Assets			
Actuarial Value ¹	38,734,162	38,734,162	35,016,680
Market Value ¹	42,468,244	42,468,244	37,977,023
C. Liabilities			
Present Value of Benefits			
Active Members			
Retirement Benefits	21,565,355	22,188,250	22,838,897
Disability Benefits	1,001,954	1,060,571	1,125,960
Death Benefits	128,208	132,418	149,178
Vested Benefits	1,116,668	1,151,432	1,332,270
Refund of Contributions	29,932	30,824	34,663
Service Retirees	29,764,893	29,764,893	28,486,571
Beneficiaries	1,594,414	1,594,414	1,493,379
Terminated Vested	1,520,000	1,520,000	1,352,376
Disability Retirees	1,162,711	1,162,711	1,170,244
DROP Retirees ¹	6,476,645	6,476,645	4,963,736
Excess State Monies Reserve	0	0	0
Total	<u>64,360,780</u>	<u>65,082,158</u>	<u>62,947,274</u>

	new assum. <u>10/1/2014</u>	prior assum. <u>10/1/2014</u>	prior assum. <u>10/1/2013</u>
C. Liabilities - (Continued)			
Present Value of Future Salaries	27,969,220	30,301,803	33,649,618
Present Value of Future Member Cont.	1,300,854	1,401,051	1,595,918
Normal Cost (Entry Age Normal)			
Retirement Benefits	585,174	669,056	746,653
Disability Benefits	110,249	122,418	145,799
Death Benefits	6,742	7,597	8,365
Vested Benefits	131,884	147,158	160,412
Refund of Contributions	6,643	6,731	7,721
Total Normal Cost	<u>840,692</u>	<u>952,960</u>	<u>1,068,950</u>
Present Value of Future Normal Costs	4,447,300	5,310,629	6,021,537
Actuarial Accrued Liability			
Retirement Benefits	18,363,224	18,312,438	18,483,861
Disability Benefits	387,151	347,510	327,699
Death Benefits	94,351	92,352	102,212
Vested Benefits	544,220	495,161	539,576
Refund of Contributions	5,871	5,405	6,083
Inactives plus State Reserve ¹	40,518,663	40,518,663	37,466,306
Total Actuarial Accrued Liability	<u>59,913,480</u>	<u>59,771,529</u>	<u>56,925,737</u>
Unfunded Actuarial Accrued Liability (UAAL)	21,179,318	21,044,513	21,909,057
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives ¹	40,518,663	40,518,663	37,466,306
Actives	16,054,456	16,051,878	16,728,377
Member Contributions	<u>2,534,807</u>	<u>2,534,807</u>	<u>2,431,127</u>
Total	59,107,926	59,105,348	56,625,810
Non-vested Accrued Benefits	<u>665,096</u>	<u>665,088</u>	<u>769,804</u>
Total Present Value Accrued Benefits	59,773,022	59,770,436	57,395,614
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	2,586	0	
New Accrued Benefits	0	798,932	
Benefits Paid	0	(2,630,150)	
Interest	0	4,206,040	
Other	<u>0</u>	<u>0</u>	
Total:	2,586	2,374,822	

	new assum.	prior assum.	prior asssum.
Valuation Date	10/1/2014	10/1/2014	10/1/2013
Applicable to 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 ²	19.79	22.07	21.91
Administrative Expense (with interest) % of Total Annual Payroll ²	1.73	1.70	1.39
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years as of 10/1/14 (with interest) % of Total Annual Payroll ²	41.87	40.67	32.36
Total Required Contribution % of Total Annual Payroll ²	63.39	64.44	55.66
Expected Member Contributions % of Total Annual Payroll ²	4.65	4.62	4.74
Expected City & State Contrib. % of Total Annual Payroll ²	58.74	59.82	50.92

F. Past Contributions

Plan Year Ending:	<u>9/30/2014</u>
Total Required Contribution	2,442,532
City and State Requirement	2,213,443
Actual Contributions Made:	
Members	229,089
City	1,632,106
City Incentive	40,356
State	540,981
Total	<u>2,442,532</u>

G. Actuarial Gain (Loss) 1,191,637

¹ Asset values and DROP liabilities include accumulated DROP Balances as of 9/30/2013 and 9/30/2014.

² Contributions developed as of 10/1/14 are expressed as a percentage of projected total annual payroll at 10/1/14 of \$4,479,142 under the prior assumption column, and \$4,406,901 under the new assumption column.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2014	\$21,179,318
2015	20,855,793
2016	20,485,061
2026	13,179,676
2036	1,390,003
2044	0

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	3.7%	6.8%
Year Ended	9/30/2013	2.8%	6.5%
Year Ended	9/30/2012	-1.0%	6.5%

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

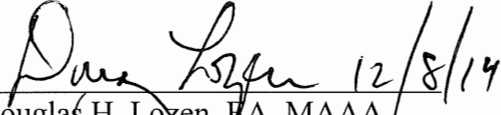
		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	11.4%	7.5%
Year Ended	9/30/2013	9.5%	7.5%
Year Ended	9/30/2012	3.3%	7.5%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2014	\$4,406,901
	10/1/2004	3,919,246
(b) Total Increase		12.4%
(c) Number of Years		10.00
(d) Average Annual Rate		1.2%

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. Lozen, F.A., MAAA
Enrolled Actuary #14-7778

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, 2013	\$21,909,057
(2)	City and State Normal Cost Applicable for the Year	828,980
(3)	Expected Administrative Expenses for the Year	67,928
(4)	Interest on (1), (2), and (3)	1,707,900
(5)	Sponsor Contributions to the System during the year ending September 30, 2014	2,213,443
(6)	Interest on (5)	64,272
(7)	Expected Unfunded Accrued Liability as of October 1, 2014 (1)+(2)+(3)+(4)-(5)-(6)	22,236,150
(8)	New UAAL due to Experience (Gain)/Loss	(1,191,637)
(9)	New UAAL due to Salary Assumption Change	134,805
(10)	UAAL as of October 1, 2014	\$21,179,318

	<u>Date Established</u>	<u>Years Remaining</u>	<u>10/1/2014 Amount</u>	<u>Amortization Amount</u>
	10/1/1997	13	1,257,766	135,517
	10/1/1999	15	1,936,633	190,488
	10/1/2000	16	(889,957)	(84,190)
	10/1/2002	18	3,668,018	324,329
	10/1/2003	19	2,026,880	174,029
Actuarial Loss	10/1/2004	20	2,296,249	191,926
Amendment	10/1/2004	20	(8,018)	(670)
Actuarial Gain	10/1/2005	21	(271,492)	(22,139)
Assum. Change	10/1/2005	21	1,071,464	87,373
Actuarial Gain	10/1/2006	22	(422,396)	(33,672)
Assum. Change	10/1/2006	22	1,127,709	89,898
Actuarial Loss	10/1/2007	23	1,577,091	123,122
Assum./Method Change	10/1/2007	23	114,678	8,953
Amendment	10/1/2007	23	766,858	59,868
Actuarial Loss	10/1/2008	24	3,347,572	256,351
Actuarial Loss	10/1/2009	25	2,507,576	188,635
Assumption Changes	10/1/2009	25	1,833,624	137,936
Actuarial Loss	10/1/2010	26	2,809,139	207,866
Actuarial Loss	10/1/2011	27	3,259,205	237,513
Benefit Changes	10/1/2011	27	(6,321,582)	(460,683)
Actuarial Loss	10/1/2012	28	1,302,591	93,590
Actuarial Gain	10/1/2013	29	(753,458)	(53,428)
Actuarial Gain	10/1/2014	30	(1,191,637)	(83,472)
Assumption Change	10/1/2014	30	134,805	9,443
			<u>21,179,318</u>	<u>1,778,583</u>

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2013	21,909,057
(2) Expected UAAL as of October 1, 2014	22,236,150
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(1,355,495)
Active Decrements (excluding mortality)	85,765
Mortality (Active and Inactive)	37,112
Salary Increases	(181,298)
Other ¹	<u>222,279</u>
Increase in UAAL due to (Gain)/Loss	(1,191,637)
Increase in UAAL due to Salary Assumption Change	134,805
(4) Actual UAAL as of October 1, 2014	21,179,318

¹ Includes change in projection date for assumed mortality improvements, in addition to revised benefit calculations for certain Retirees.

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 following.
<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>	\$73,395.
<u>Funding Method</u>	Entry Age Normal Actuarial Cost Method.

Post-Retirement COLA

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

1.2% per year for amortization of the Unfunded Actuarial Accrued Liability. The assumption was 2.7% for the 10/1/2013 valuation.

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

Years of Service	Increase
1	6.0%
2-9	5.5%
10-14	5.0%
15-19	4.5%
20+	4.0%

Retirement Rates

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

Mortality Rates

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	0.17%	0.13%
55	0.28%	0.24%
60	0.54%	0.47%
65	1.05%	0.90%
70	1.80%	1.56%
75	3.11%	2.51%
80	5.59%	4.16%

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	16.0%
	2	14.0%
	3	12.0%
	4	10.0%
20	5+	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>
1992	367,066.69	_____%
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	-6.2%
2013	512,283.63	-1.4%
2014	540,981.00	-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
2013	512,283.63	737,941.37	0.00
2014	540,981.00	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

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Checking Account	117.91
Money Market	1,079,049.00
Cash	348.62
Total Cash and Equivalents	1,079,515.53
Receivables:	
Member Contributions	55.89
State Contributions	540,981.00
Total Receivable	541,036.89
Investments:	
Fixed Income	8,046,006.16
Equities	27,217,869.92
Pooled/Common/Commingled Funds:	
Fixed Income	1,941,400.00
Hedge	1,960,050.00
Real Estate	1,815,194.03
Total Investments	40,980,520.11
Total Assets	42,601,072.53
<u>LIABILITIES</u>	
Prepaid City Contribution	132,828.51
Total Liabilities	132,828.51
NET POSITION RESTRICTED FOR PENSIONS	42,468,244.02

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

ADDITIONS

Contributions:

Member	229,088.91
City	1,632,106.48
City Incentive	40,356.00
State	540,981.00

Total Contributions 2,442,532.39

Metlife Benefit & ADM Fee Reimbursements 5,556.00

Investment Income:

Net Increase in Fair Value of Investments	4,188,829.05
Interest & Dividends	769,165.48
Less Investment Expense ¹	(211,317.17)

Net Investment Income 4,746,677.36

Total Additions 7,194,765.75

DEDUCTIONS

Distributions to Members:

Benefit Payments	2,613,218.12
Lump Sum DROP Distributions	0.00
Refunds of Member Contributions	16,931.83

Total Distributions 2,630,149.95

Administrative Expense 73,395.09

Total Deductions 2,703,545.04

Net Increase in Net Position 4,491,220.71

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 37,977,023.31

End of the Year 42,468,244.02

¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

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

REVENUES

Contributions:		
Member	229,088.91	
City	1,632,106.48	
City Incentive	40,356.00	
State	540,981.00	
Total Contributions		2,442,532.39
Metlife Benefit & ADM Fee Reimbursements		5,556.00
Earnings from Investments:		
Interest & Dividends	769,165.48	
Net Realized Gain (Loss)	3,383,840.91	
Change in Actuarial Value	36,805.14	
Total Earnings and Investment Gains		4,189,811.53
	EXPENDITURES	
Distributions to Members:		
Benefit Payments	2,613,218.12	
Lump Sum DROP Distributions	0.00	
Refunds of Member Contributions	16,931.83	
Total Distributions		2,630,149.95
Expenses:		
Investment Related ¹	211,317.17	
Administrative	73,395.09	
Total Expenses		284,712.26
Change in Net Assets for the Year		3,717,481.71
Net Assets Beginning of the Year		35,016,680.31
Net Assets End of the Year ²		38,734,162.02

¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

²Net Assets may be limited for actuarial consideration.

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	316,219	0	0	0	0	0
09/30/2011	(2,200,443)	(440,089)	0	0	0	0
09/30/2012	3,653,643	1,461,457	730,729	0	0	0
09/30/2013	1,981,363	1,188,818	792,545	396,273	0	0
09/30/2014	1,904,870	1,523,896	1,142,922	761,948	380,974	0
Total		3,734,082	2,666,196	1,158,221	380,974	0

Development of Investment Gain/(Loss)

Market Value of Assets, including Prepaid Contributions, 09/30/2013	38,018,492
Contributions Less Benefit Payments & Admin Expenses	(255,457)
Expected Investment Earnings*	2,841,807
Actual Net Investment Earnings	4,746,677
2014 Actuarial Investment Gain/(Loss)	<u>1,904,870</u>

*Expected Investment Earnings = $0.075 * [38,018,492 + 0.5 * (255,457)]$

Development of Actuarial Value of Assets

(1) Market Value of Assets, 09/30/2014	42,468,244
(2) Gains/(Losses) Not Yet Recognized	3,734,082
(3) Actuarial Value of Assets, 09/30/2014, (1) - (2)	<u>38,734,162</u>

(A) 09/30/2013 Actuarial Assets, including Prepaid Contributions: 35,058,149

(I) Net Investment Income:

1. Interest and Dividends	769,165
2. Realized Gains (Losses)	3,383,841
3. Change in Actuarial Value	36,805
4. Investment Expenses	(211,317)
Total	<u>3,978,494</u>

(B) 09/30/2014 Actuarial Assets, including Prepaid Contributions: 38,866,991

Actuarial Assets Rate of Return = $2I/(A+B-I)$: 11.38%
Market Value of Assets Rate of Return: 12.60%

10/01/2014 Limited Actuarial Assets, not including Prepaid: 38,734,162

DEFERRED RETIREMENT OPTION PLAN ACTIVITY
October 1, 2013 to September 30, 2014

09/30/2013 Balance	402,514.83
Plus Additions	362,685.06
Investment Return Earned	7,780.47
Less Distributions	0.00
09/30/2014 Balance	772,980.36

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

(1) City and State Required Contribution Rate	46.24%
(2) Pensionable Payroll Derived from Member Contributions	\$4,786,858.73
(3) Required City and State Contribution (Item 1 times Item 2)	2,213,443.48
(4) Less Allowable State Contribution	(540,981.00)
(5) Less City Prepaid Contribution at 9/30/2013	(41,468.21)
(6) Less City Incentive Contribution	<u>(40,356.00)</u>
(7) Equals Required City Contribution	1,590,638.27
(8) Less Actual City Contributions	<u>(1,723,466.78)</u>
(9) Equals City's Prepaid Contribution as of September 30, 2014	\$132,828.51

STATISTICAL DATA

	<u>10/1/2011</u>	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>
Number	69	68	67	62
Average Current Age	40.6	40.2	40.3	41.6
Average Age at Employment	30.1	30.4	30.1	30.7
Average Past Service	10.5	9.8	10.2	10.9
Average Annual Salary	\$79,623	\$74,044	\$75,562	\$71,079

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	2	0	0	0	0	0	0	0	0	0	0	2
25 - 29	0	1	2	0	0	1	0	0	0	0	0	4
30 - 34	0	0	0	0	0	9	1	0	0	0	0	10
35 - 39	0	0	1	2	0	3	1	0	0	0	0	7
40 - 44	1	1	0	0	0	4	2	4	1	0	0	13
45 - 49	0	0	1	0	0	1	4	5	5	0	0	16
50 - 54	0	0	0	0	0	3	0	1	3	0	0	7
55 - 59	0	0	1	1	0	0	0	0	0	0	0	2
60 - 64	0	0	0	0	1	0	0	0	0	0	0	1
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	3	2	5	3	1	21	8	10	9	0	0	62

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/13	67
b. Terminations	
i. Vested (partial or full) with deferred benefits	4
ii. Non-vested or full lump sum distribution received	1
c. Deaths	
i. Beneficiary receiving benefits	1
ii. No future benefits payable	0
d. Disabled	0
e. Retired	1
f. DROP	1
g. Continuing participants	59
h. New entrants	3
i. Total active life participants in valuation	62

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	54	6	2	12	4	78
b. In	1	1	0	4	1	7
c. Out	0	0	0	0	0	0
d. Number current valuation	55	7	2	16	5	85

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	<u>Hired prior to 4/1/2012:</u> Earlier of age 50 or 25 years of Credited Service, regardless of age. <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.
Benefit	<u>Hired prior to 4/1/2012:</u> 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.

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).
<u>Death Benefits</u>	
Pre-Retirement	
Vested	Actuarially reduced accrued benefit payable to designated beneficiary for life with 10 years certain.
Non-Vested	Refund of member contributions, with 5.5% interest.
Post-Retirement	Benefits payable to beneficiary in accordance with option selected at retirement.
<u>Cost of Living Adjustment</u>	
Eligibility	Normal and Early service Retirees and Beneficiaries. COLA is not payable to Disability, Vested Terminated Retirees, or any Member hired after 3/31/2012.
Amount	3.0% increase per year following one year of payments and the retiree's 55 th birthday, ceasing on the retiree's 62 nd birthday.
<u>Board of Trustees</u>	
	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. 27 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Contribution rates as of 9/30/14	
City/State	46.24%
Plan Members	5.00%
(Members hired after March 31, 2012 contribute 3%)	
Actuarially Determined Contribution (City/State)	2,213,443
Contributions made (City/State)	2,213,443
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% 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
9/30/2014	2,196,640	100.76%	(630,552)
9/30/2013	2,093,120	100.83%	(613,749)
9/30/2012	2,193,068	100.77%	(596,410)

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>9/30/2012</u>	<u>9/30/2013</u>	<u>9/30/2014</u>
Actuarially Determined			
Contribution (A)	2,209,916	2,110,459	2,213,443
Interest on NPO	(43,467)	(44,731)	(46,031)
Adjustment to (A)	26,619	27,392	29,228
	-----	-----	-----
Annual Pension Cost	2,193,068	2,093,120	2,196,640
Contributions Made	2,209,916	2,110,459	2,213,443
	-----	-----	-----
Increase in NPO	(16,848)	(17,339)	(16,803)
NPO Beginning of Year	(579,562)	(596,410)	(613,749)
	-----	-----	-----
NPO End of Year (579,562)	(596,410)	(613,749)	(630,552)