

CITY OF NAPLES
FIREFIGHTERS' PENSION AND RETIREMENT SYSTEM

ACTUARIAL VALUATION REPORT
AS OF OCTOBER 1, 2014

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

December 9, 2014

Board of Trustees
City of Naples Firefighters' Pension and Retirement System
c/o City of Naples Finance Department
735 8th 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:  _____

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 Firefighters' Pension and 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	10/1/13	10/1/14
Applicable Plan Year End	<u>9/30/15</u>	<u>9/30/16</u>
Total Required Contribution % of Total Annual Payroll	66.24%	74.00%
Less Member Contributions (Est.) % of Total Annual Payroll	4.96%	4.95%
City and State Required Contribution % of Total Annual Payroll	61.28%	69.05%
Less State Contribution (est.) ¹ % of Total Annual Payroll	871,999 28.54%	871,999 28.54%
Less City Incentive Contribution % of Total Annual Payroll	57,135 1.87%	57,135 1.87%
Balance from City ¹ % of Total Annual Payroll	30.87%	38.64%

¹ 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 69.05% 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 \$1,668,662).

Additionally, the City has access to a \$178,009.54 prepaid contribution; this is available for the fiscal year ending September 30, 2015.

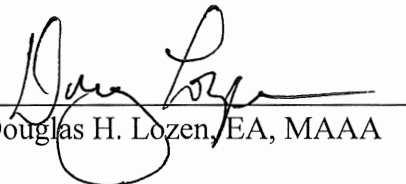
Experience since the prior valuation has been more favorable than expected on the basis of the Plan's actuarial assumptions. The primary sources of favorable experience included an 11.0% investment return (Actuarial Asset Basis), exceeding the 7.5% assumption, and average increases in pensionable compensation that were less than the assumption by more than 4%. These gains were partially offset by no employee turnover. 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 fairly 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

CHANGES SINCE PRIOR VALUATION

Benefit Changes

Ordinance 14-13466, adopted and effective May 21, 2014, added a Deferred Retirement Option Plan. A letter of No Actuarial Impact was provided by our office for this amendment.

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.
- 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 3.2% to 1.0% per year.
- 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 6, 2014 Board Meeting.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	new assum. <u>10/1/2014</u>	prior assum. <u>10/1/2014</u>	prior assum. <u>10/1/2013</u>
A. Participant Data			
Number Included			
Actives	48	48	56
Service Retirees	35	35	33
DROP Retirees	6	6	0
Beneficiaries	1	1	1
Terminated Vested	5	5	5
Disability Retirees	1	1	1
Total	<u>96</u>	<u>96</u>	<u>96</u>
Total Annual Payroll	3,055,169	3,100,203	3,600,660
Annual Rate of Payments to:			
Service Retirees	2,006,609	2,006,609	1,795,905
DROP Retirees	480,253	480,253	0
Beneficiaries	7,859	7,859	7,859
Terminated Vested	59,563	59,563	59,563
Disability Retirees	41,694	41,694	40,479
B. Assets			
Actuarial Value ¹	40,930,065	40,930,065	36,452,118
Market Value ¹	44,704,902	44,704,902	39,294,015
C. Liabilities			
Present Value of Benefits			
Active Members			
Retirement Benefits	19,288,203	20,347,228	28,071,643
Disability Benefits	1,157,775	1,205,120	1,293,753
Death Benefits	95,719	101,282	112,288
Vested Benefits	99,670	103,301	119,319
Refund of Contributions	16,742	16,791	10,732
Service Retirees	31,397,127	31,397,127	28,720,412
DROP Retirees ¹	7,737,083	7,737,083	0
Beneficiaries	67,325	67,325	69,001
Terminated Vested	413,938	413,938	384,097
Disability Retirees	588,336	588,336	597,542
Share Balances ¹	795,104	795,104	746,126
Total	<u>61,657,022</u>	<u>62,772,635</u>	<u>60,124,913</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	27,637,710	30,452,198	32,297,856
Present Value of Future Member Cont.	1,368,808	1,506,545	1,601,197
Normal Cost (Entry Age Normal)			
Retirement Benefits	724,561	773,776	955,859
Disability Benefits	87,620	89,391	107,541
Death Benefits	6,559	6,791	8,271
Vested Benefits	11,997	12,157	15,441
Refund of Contributions	6,931	6,981	3,215
Total Normal Cost	<u>837,668</u>	<u>889,096</u>	<u>1,090,327</u>
Present Value of Future Normal Costs	6,847,693	7,861,286	8,293,135
Actuarial Accrued Liability			
Retirement Benefits	13,333,100	13,435,050	20,783,617
Disability Benefits	406,306	406,774	450,455
Death Benefits	47,880	48,034	54,821
Vested Benefits	23,130	22,578	25,707
Refund of Contributions	0	0	0
Inactives plus Share Balances ¹	40,998,913	40,998,913	30,517,178
Total Actuarial Accrued Liability	<u>54,809,329</u>	<u>54,911,349</u>	<u>51,831,778</u>
Unfunded Actuarial Accrued Liability (UAAL)	13,879,264	13,981,284	15,379,660
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives ¹	40,203,809	40,203,809	29,771,052
Actives	13,115,779	13,115,779	20,918,851
Share Balances	795,104	795,104	746,126
Member Contributions	1,948,164	1,948,164	2,151,882
Total	<u>56,062,856</u>	<u>56,062,856</u>	<u>53,587,911</u>
Non-vested Accrued Benefits	<u>76,820</u>	<u>76,820</u>	<u>117,652</u>
Total Present Value Accrued Benefits	56,139,676	56,139,676	53,705,563
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	0	0	
New Accrued Benefits	0	389,367	
Benefits Paid	0	(1,911,491)	
Interest	0	3,956,236	
Other	0	0	
Total:	0	2,434,112	

	new assum.	prior assum.	prior 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 Projected Annual Payroll ²	28.45	29.75	31.42
Administrative Expense (with interest) % of Projected Annual Payroll ²	1.90	1.87	1.53
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 30 years (with interest) (as of 10/1/14) % of Projected Annual Payroll ²	43.65	42.71	33.29
Total Required Contribution % of Projected Annual Payroll ²	74.00	74.33	66.24
Expected Member Contributions % of Projected Annual Payroll ²	4.95	4.95	4.96
Expected City & State Contribution % of Projected Annual Payroll ²	69.05	69.38	61.28

F. Past Contributions

Plan Years Ending:	<u>9/30/2014</u>
Total Required Contribution	2,392,114
City and State Requirement	2,214,378
Actual Contributions Made:	
Members	177,737
City	1,285,243
City Incentive	57,135
State	871,999
Total	<u>2,392,114</u>

G. Actuarial Gain (Loss) 1,322,354

¹ Assets include accumulated Share Balances as of 9/30/13 and 9/30/14. Additionally, Assets and DROP liabilities include accumulated DROP Balances as 9/30/14.

² Contributions developed as of 10/1/14 are expressed as a percentage of Projected Annual Payroll at 10/1/14 of \$3,100,203 under the prior assumption, and \$3,055,169 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	\$13,879,264
2015	13,538,370
2016	13,158,092
2026	6,378,176
2036	(2,059,748)
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	2.3%	6.5%
Year Ended	9/30/2013	1.8%	6.3%
Year Ended	9/30/2012	-2.9%	6.1%

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


		<u>Actual</u>	<u>Assumed</u>
Year Ended	9/30/2014	11.0%	7.5%
Year Ended	9/30/2013	9.4%	7.5%
Year Ended	9/30/2012	4.0%	7.5%

(iii) Average Annual Payroll Growth

(a) Payroll as of:	10/1/2014	\$3,055,169
	10/1/2004	2,760,475
(b) Total Increase		10.7%
(c) Number of Years		10.00
(d) Average Annual Rate		1.0%

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	\$15,379,660
(2)	City and State Normal Cost Applicable for the Year	911,734
(3)	Expected Administrative Expenses for the Year	53,115
(4)	Interest on (1), (2), and (3)	1,223,846
(5)	Sponsor Contributions to the System during the year ending September 30, 2014	2,214,378
(6)	Interest on (5)	50,339
(7)	Expected Unfunded Accrued Liability as of October 1, 2014 (1)+(2)+(3)+(4)-(5)-(6)	15,303,638
(8)	New UAAL due to Experience (Gain)/Loss	(1,322,354)
(9)	New UAAL due to Assumption Change	(102,020)
(10)	UAAL as of October 1, 2014	13,879,264

	Date Established	Years Remaining	10/1/2014 Amount	Amortization Amount
	10/1/1997	13	1,429,093	155,553
	10/1/1999	15	2,200,463	218,967
	10/1/2000	16	(1,011,203)	(96,843)
	10/1/2002	18	4,167,793	373,570
	10/1/2003	19	2,303,060	200,579
Actuarial Loss	10/1/2004	20	2,609,146	221,343
Amendment	10/1/2004	20	(9,110)	(773)
Actuarial Gain	10/1/2005	21	(308,489)	(25,548)
Assum. Change	10/1/2005	21	1,217,469	100,825
Actuarial Gain	10/1/2006	22	(479,960)	(38,879)
Assum. Change	10/1/2006	22	1,281,390	103,799
Actuarial Loss	10/1/2007	23	1,792,024	142,241
Assum./Method Change	10/1/2007	23	130,306	10,343
Amendment	10/1/2007	23	871,366	69,164
Actuarial Loss	10/1/2008	24	3,803,808	296,322
Actuarial Gain	10/1/2009	25	(60,290)	(4,616)
Assumption Changes	10/1/2009	25	(1,635,767)	(125,245)
Actuarial Loss	10/1/2010	26	1,959,140	147,627
Actuarial Loss	10/1/2011	27	1,612,138	119,698
Actuarial Gain	10/1/2012	28	(1,022,432)	(74,881)
Amendment	10/1/2012	28	(5,349,979)	(391,823)
Actuarial Gain	10/1/2013	29	(196,328)	(14,197)
Actuarial Gain	10/1/2014	30	(1,322,354)	(94,506)
Assumption Change	10/1/2014	30	(102,020)	(7,291)
			13,879,264	1,285,429

DETAILED ACTUARIAL (GAIN)/LOSS ANALYSIS

(1) Unfunded Actuarial Accrued Liability (UAAL) as of October 1, 2013	15,379,660
(2) Expected UAAL as of October 1, 2014	15,303,638
(3) Summary of Actuarial (Gain)/Loss, by component:	
Investment Return (Actuarial Asset Basis)	(1,296,741)
Active Decrements (excluding mortality)	473,465
Mortality (Active and Inactive)	74,204
Salary Increases	(166,319)
Other	<u>(406,963)</u>
Change in UAAL due to (Gain)/Loss	(1,322,354)
Decrease in UAAL due to Salary Assumption Change	(102,020)
(4) Actual UAAL as of October 1, 2014	13,879,264

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>\$55,927.</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>1.0% per year for amortization of the Unfunded Actuarial Accrued Liability. The assumption was 3.2% for the October 1, 2013 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	6.0%
2-9	5.5%
10-14	5.0%
15-19	4.5%
20+	4.0%

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	0.54%	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	12.0%
	2	8.0%
	3	4.0%
	4	2.0%
	5+	9.6%
20		5.6%
25		2.8%
30		1.4%
35		0.4%
40		0.0%
45+		

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>
1991	145,414.36	_____%
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%
2014	871,999.13	7.4%

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
2014	871,999.13	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.

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Checking Account	92.39
Money Market	1,031,208.00
Cash	351.16
Total Cash and Equivalents	1,031,651.55
Receivables:	
Member Contributions	238.33
State Contributions	871,999.13
Total Receivable	872,237.46
Investments:	
Fixed Income	8,460,073.94
Equities	28,814,229.67
Pooled/Common/Commingled Funds:	
Fixed Income	1,993,870.00
Hedge	2,013,024.00
Real Estate	1,698,084.81
Total Investments	42,979,282.42
Total Assets	44,883,171.43
<u>LIABILITIES</u>	
Payables:	
Benefit Payments	260.20
Prepaid City Contribution	178,009.54
Total Liabilities	178,269.74
NET POSITION RESTRICTED FOR PENSIONS	44,704,901.69

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

ADDITIONS

Contributions:

Member	177,736.50
City	1,285,243.43
City Incentive	57,135.00
State	871,999.13

Total Contributions 2,392,114.06

Investment Income:

Net Increase in Fair Value of Investments	4,398,519.12
Interest & Dividends	808,719.54
Less Investment Expense ¹	(221,047.73)

Net Investment Income 4,986,190.93

Total Additions 7,378,304.99

DEDUCTIONS

Distributions to Members:

Benefit Payments	1,865,617.63
Lump Sum DROP Distributions	0.00
Lump Sum Share Distributions	45,873.63
Refunds of Member Contributions	0.00

Total Distributions 1,911,491.26

Administrative Expense 55,926.59

Total Deductions 1,967,417.85

Net Increase in Net Position 5,410,887.14

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 39,294,014.55

End of the Year 44,704,901.69

¹Investment 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	172,359	0	0	0	0	0
09/30/2011	(2,253,494)	(450,699)	0	0	0	0
09/30/2012	3,493,051	1,397,220	698,610	0	0	0
09/30/2013	2,016,241	1,209,745	806,496	403,248	0	0
09/30/2014	2,023,214	1,618,571	1,213,928	809,286	404,643	0
Total		3,774,837	2,719,034	1,212,534	404,643	0

Development of Investment Gain/(Loss)

Market Value of Assets, including Prepaid Contributions, 09/30/2013	39,294,015
Contributions Less Benefit Payments & Admin Expenses	424,696
Expected Investment Earnings*	2,962,977
Actual Net Investment Earnings	4,986,191
2014 Actuarial Investment Gain/(Loss)	2,023,214

*Expected Investment Earnings = $0.075 * (39,294,015 + 0.5 * 424,696)$

Development of Actuarial Value of Assets

(1) Market Value of Assets, 09/30/2014	44,704,902
(2) Gains/(Losses) Not Yet Recognized	3,774,837
(3) Actuarial Value of Assets, 09/30/2014, (1) - (2)	40,930,065

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

(I) Net Investment Income:

1. Interest and Dividends	808,720
2. Realized Gains (Losses)	3,616,798
3. Change in Actuarial Value	(151,219)
4. Investment Expenses	(221,048)
Total	4,053,251

(B) 09/30/2014 Actuarial Assets, including Prepaid Contributions: 41,108,074

Actuarial Asset Rate of Return = $2I/(A+B-I)$: 11.03%
Market Value of Assets Rate of Return: 12.67%

10/01/2014 Limited Actuarial Assets, not including Prepaid: 40,930,065

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

REVENUES

Contributions:		
Member	177,736.50	
City	1,285,243.43	
City Incentive	57,135.00	
State	871,999.13	
 Total Contributions		 2,392,114.06
Earnings from Investments:		
Interest & Dividends	808,719.54	
Net Realized Gain (Loss)	3,616,798.17	
Change in Actuarial Value	(151,219.05)	
 Total Earnings and Investment Gains		 4,274,298.66

EXPENDITURES

Distributions to Members:		
Benefit Payments	1,865,617.63	
Lump Sum DROP Distributions	0.00	
Lump Sum Share Distributions	45,873.63	
Refunds of Member Contributions	0.00	
 Total Distributions		 1,911,491.26
Expenses:		
Investment Related ¹	221,047.73	
Administrative	55,926.59	
 Total Expenses		 276,974.32
 Change in Net Assets for the Year		 4,477,947.14
 Net Assets Beginning of the Year		 36,452,117.55
 Net Assets End of the Year ²		 40,930,064.69

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

²Net Assets may be limited for actuarial consideration.

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

(1) City and State Required Contribution Rate	61.97%
(2) Pensionable Payroll Derived from Member Contributions	\$3,573,305.73
(3) Required City and State Contribution (Item 1 times Item 2)	2,214,377.56
(4) Less Allowable State Contribution	(871,999.13)
(5) Less City Incentive Contribution	<u>(57,135.00)</u>
(6) Equals Required City Contribution	1,285,243.43
(7) Less Actual City Contributions	<u>(1,463,252.97)</u>
(8) Equals City's Prepaid Contribution as of September 30, 2014	\$178,009.54

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

09/30/2013 Balance	0.00
Plus Additions	103,225.02
Investment Return Earned	0.00
Less Distributions	0.00
09/30/2014 Balance	103,225.02

Assumptions:

Additions are on the Normal Form for 6 new DROP members

Investment Return will be included with activity for October 1, 2014 to September 30, 2015

SUPPLEMENTAL CHAPTER 175 SHARE PLAN ACTIVITY
October 1, 2013 to September 30, 2014

09/30/2013 Balance	746,126.45
Plus Additions	-
Investment Return Earned	94,850.81
Less Distributions	45,873.63
09/30/2014 Balance	795,103.63

STATISTICAL DATA

	<u>10/1/2011</u>	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>
Number	52	52	56	48
Average Current Age	39.3	39.8	38.6	37.9
Average Age at Employment	26.7	27.6	27.3	27.2
Average Past Service	12.6	12.2	11.3	10.7
Average Annual Salary	\$75,089	\$68,182	\$64,298	\$63,649

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	1	0	0	0	0	0	0	0	0	0	1
25 - 29	0	2	0	0	1	2	0	0	0	0	0	5
30 - 34	0	2	0	3	0	6	2	0	0	0	0	13
35 - 39	0	1	2	0	0	2	0	3	0	0	0	8
40 - 44	0	0	0	1	0	0	4	3	2	0	0	10
45 - 49	0	0	0	0	0	0	2	4	4	0	0	10
50 - 54	0	0	0	0	0	0	0	0	0	0	0	0
55 - 59	0	0	1	0	0	0	0	0	0	0	0	1
60 - 64	0	0	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	6	3	4	1	10	8	10	6	0	0	48

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 10/1/13	56
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. DROP Retired	6
g. Voluntary withdrawal	0
h. Continuing participants	48
i. New entrants	0
j. Total active life participants in valuation	48

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

	<u>Service Retirees, Vested Receiving Benefits</u>	<u>DROP Retired</u>	<u>Receiving Death Benefits</u>	<u>Receiving Disability Benefits</u>	<u>Vested Deferred</u>	<u>Total</u>
a. Number prior valuation	33	0	1	1	5	40
b. In	2	6	0	0	0	8
c. Out	0	0	0	0	0	0
d. Number current	35	6	1	1	5	48

FIREFIGHTERS' PENSION AND RETIREMENT SYSTEM
SUMMARY OF PLAN PROVISIONS
(Through Ordinance No. 14-13466)

<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 years of the last ten years of service. The average cannot be less than the three-year average (consecutive years) 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 accrued 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 th birthday. COLAs are not applicable to benefits accrued after May 31, 2013.

Deferred Retirement Option Plan

Eligibility	Normal Retirement eligibility.
Participation	Not to exceed 60 months.
Rate of Return	1.3% annual effective rate, compounded monthly.
Form of Distribution	Cash lump sum at termination of employment.

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. 27 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Contribution rates as of 9/30/14	
City/State	61.97%
Plan Members	5.00%
(Members hired after May 31, 2013 contribute 3%)	
Actuarially Determined Contribution (City/State)	2,214,378
Contributions made (City/State)	2,214,378
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 (beginning at age 50)	3.0%

THREE YEAR TREND INFORMATION

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2014	2,204,006	100.5%	(444,717)
9/30/2013	2,699,020	100.5%	(434,345)
9/30/2012	2,434,516	100.5%	(422,074)

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)	2,446,439	2,711,291	2,214,378
Interest on NPO	(30,761)	(31,656)	(32,576)
Adjustment to (A)	18,838	19,385	22,204
	-----	-----	-----
Annual Pension Cost	2,434,516	2,699,020	2,204,006
Contributions Made	2,446,439	2,711,291	2,214,378
	-----	-----	-----
Increase in NPO	(11,923)	(12,271)	(10,372)
NPO Beginning of Year	(410,151)	(422,074)	(434,345)
	-----	-----	-----
NPO End of Year	(410,151)	(422,074)	(434,345)