

CITY OF NAPLES
FIREFIGHTERS' PENSION AND RETIREMENT SYSTEM

SECTION 112.664, FLORIDA STATUTES COMPLIANCE
DETERMINED AS OF THE
OCTOBER 1, 2021 VALUATION DATE



May 13, 2022

VIA E-MAIL

Ms. Liz Willis
City of Naples Finance Department
735 8th Street South
Naples, Florida 34102

Re: City of Naples Firefighters' Pension and Retirement System
Section 112.664, Florida Statutes Compliance

Dear Liz:

Please find enclosed the annual disclosures that satisfy the October 1, 2021 financial reporting requirements made under Section 112.664.

Our office will submit this information electronically to the Department of Management Services. However, it is important for you to be aware that this report must also be made available on the Plan or Plan Sponsor's website, if such website exists. A deadline for this website publication is not made clear in the law.

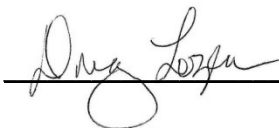
In addition to the enclosed report, the Plan or Plan Sponsor's website must provide a link to the Division of Retirement's Actuarial Summary Fact Sheet for the Plan, and also report the previous five years' assumed and actual rates of return, along with their respective asset allocations. The Board should contact its Investment Consultant for this information.

With respect to the reporting standards for defined benefit retirement plans or systems contained in Section 112.664(1), F.S., the actuarial disclosures required under this section were 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, meet the requirements of Section 112.664(1), Florida Statutes, and Rule 60T-1.0035, Florida Administrative Code.

If there are any questions, concerns, or comments about any of the items contained in this report, please feel free to contact me.

Respectfully submitted,

Foster & Foster, Inc.

By: 

Douglas H. Lozen, EA, MAAA
Enrolled Actuary #20-7778

Enclosures

cc via email: Pedro Herrera, Board Attorney
cc via email: Jessica A. De la Torre Vila

When reviewing the following schedules, please note the following:

- 1) The purpose of producing this report is solely to satisfy the requirements set forth by Section 112.664, Florida Statutes, and is mandatory for every Florida public pension fund, excluding the Florida Retirement System (FRS).
- 2) None of the schedules shown have any impact on the funding requirements of the Plan. These schedules are for statutory compliance purposes only.
- 3) In the schedules that follow, the columns labeled “ACTUAL” represent the final recorded GASB 67/68 results. The columns labeled “HYPOTHETICAL” illustrate what the results would have been if different assumptions were used.
- 4) It is our opinion that the Plan’s actual assumptions utilized in the October 1, 2021 Actuarial Valuation Report, as adopted by the Board of Trustees, are reasonable individually and in the aggregate, and represent our best estimate of future Plan experience.
- 5) The “Number of Years Expected Benefit Payments Sustained” calculated in Section II: Asset Sustainability should not be interpreted as the number of years the Plan has left until it is insolvent. This calculation is required by 112.664, Florida Statutes, but the numeric result is irrelevant, since in its calculation we are to assume there will be no further contributions to the Fund. As long as the Actuarially Determined Contribution is made each year the Plan will never become insolvent.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FISCAL YEAR SEPTEMBER 30, 2021

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
Discount Rate:	7.00%	5.00%
<u>Total Pension Liability</u>		
Service Cost	827,646	1,325,395
Interest	5,215,303	4,847,151
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	539,454	812,785
Changes of Assumptions	-	-
Contributions - Buy Back	16,509	16,509
Benefit Payments, Including Refunds of Employee Contributions	(4,781,924)	(4,781,924)
Net Change in Total Pension Liability	1,816,988	2,219,916
Total Pension Liability - Beginning	76,067,648	98,008,589
Total Pension Liability - Ending (a)	<u>\$ 77,884,636</u>	<u>\$ 100,228,505</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	1,949,767	1,949,767
Contributions - State	623,358	623,358
Contributions - Employee	169,498	169,498
Contributions - Buy Back	16,509	16,509
Net Investment Income	13,403,712	13,403,712
Benefit Payments, Including Refunds of Employee Contributions	(4,781,924)	(4,781,924)
Administrative Expenses	(76,482)	(76,482)
Net Change in Plan Fiduciary Net Position	11,304,438	11,304,438
Plan Fiduciary Net Position - Beginning	60,840,134	60,840,134
Plan Fiduciary Net Position - Ending (b)	<u>\$ 72,144,572</u>	<u>\$ 72,144,572</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 5,740,064</u>	<u>\$ 28,083,933</u>

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: Discount Rate = 7.00%

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2021	72,140,839	-	5,773,611	-	4,847,782	71,215,010
2022	71,215,010	-	4,115,382	-	4,841,012	71,940,640
2023	71,940,640	-	4,387,194	-	4,882,293	72,435,739
2024	72,435,739	-	4,727,227	-	4,905,049	72,613,561
2025	72,613,561	-	4,921,998	-	4,910,679	72,602,242
2026	72,602,242	-	5,073,853	-	4,904,572	72,432,961
2027	72,432,961	-	5,181,155	-	4,888,967	72,140,773
2028	72,140,773	-	5,338,030	-	4,863,023	71,665,766
2029	71,665,766	-	5,456,420	-	4,825,629	71,034,975
2030	71,034,975	-	5,567,024	-	4,777,602	70,245,553
2031	70,245,553	-	5,738,802	-	4,716,331	69,223,082
2032	69,223,082	-	5,930,418	-	4,638,051	67,930,715
2033	67,930,715	-	6,049,285	-	4,543,425	66,424,855
2034	66,424,855	-	6,123,383	-	4,435,421	64,736,893
2035	64,736,893	-	6,223,925	-	4,313,745	62,826,713
2036	62,826,713	-	6,290,287	-	4,177,710	60,714,136
2037	60,714,136	-	6,348,838	-	4,027,780	58,393,078
2038	58,393,078	-	6,413,212	-	3,863,053	55,842,919
2039	55,842,919	-	6,444,603	-	3,683,443	53,081,759
2040	53,081,759	-	6,454,035	-	3,489,832	50,117,556
2041	50,117,556	-	6,450,114	-	3,282,475	46,949,917
2042	46,949,917	-	6,435,509	-	3,061,251	43,575,659
2043	43,575,659	-	6,404,537	-	2,826,137	39,997,259
2044	39,997,259	-	6,354,664	-	2,577,395	36,219,990
2045	36,219,990	-	6,275,436	-	2,315,759	32,260,313
2046	32,260,313	-	6,173,160	-	2,042,161	28,129,314
2047	28,129,314	-	6,052,922	-	1,757,200	23,833,592
2048	23,833,592	-	5,910,145	-	1,461,496	19,384,943
2049	19,384,943	-	5,745,541	-	1,155,852	14,795,254
2050	14,795,254	-	5,562,963	-	840,964	10,073,255
2051	10,073,255	-	5,360,433	-	517,513	5,230,335
2052	5,230,335	-	5,140,956	-	186,190	275,569
2053	275,569	-	4,906,857	-	-	-

*All DROP and Share Balances paid in 2021.

Number of Years Expected Benefit Payments Sustained: 32.06

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.00% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 2
Hypothetical Assumptions: Discount Rate = 5.00%

Fiscal Year Beginning 10/1	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments*	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
2021	72,140,839	-	5,773,611	-	3,462,702	69,829,930
2022	69,829,930	-	4,115,382	-	3,388,612	69,103,160
2023	69,103,160	-	4,387,194	-	3,345,478	68,061,444
2024	68,061,444	-	4,727,227	-	3,284,892	66,619,109
2025	66,619,109	-	4,921,998	-	3,207,906	64,905,017
2026	64,905,017	-	5,073,853	-	3,118,405	62,949,569
2027	62,949,569	-	5,181,155	-	3,017,950	60,786,364
2028	60,786,364	-	5,338,030	-	2,905,867	58,354,201
2029	58,354,201	-	5,456,420	-	2,781,300	55,679,081
2030	55,679,081	-	5,567,024	-	2,644,778	52,756,835
2031	52,756,835	-	5,738,802	-	2,494,372	49,512,405
2032	49,512,405	-	5,930,418	-	2,327,360	45,909,347
2033	45,909,347	-	6,049,285	-	2,144,235	42,004,297
2034	42,004,297	-	6,123,383	-	1,947,130	37,828,044
2035	37,828,044	-	6,223,925	-	1,735,804	33,339,923
2036	33,339,923	-	6,290,287	-	1,509,739	28,559,375
2037	28,559,375	-	6,348,838	-	1,269,248	23,479,785
2038	23,479,785	-	6,413,212	-	1,013,659	18,080,232
2039	18,080,232	-	6,444,603	-	742,897	12,378,526
2040	12,378,526	-	6,454,035	-	457,575	6,382,066
2041	6,382,066	-	6,450,114	-	-	-

*All DROP and Share Balances paid in 2021.

Number of Years Expected Benefit Payments Sustained: 20.99

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.00% interest.

It is important to note that as long as the Actuarially Determined Contribution is made each year, the Plan will never become insolvent. Furthermore, State and local laws mandate that the Actuarially Determined Contribution be made each year.

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2023

Valuation Date: 10/1/2021

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
Investment Rate of Return:	7.00%	5.00%
Minimum Required Contribution (Fixed \$)	\$2,378,893	\$4,174,084
Minimum Required Contribution (% of Payroll)	62.94%	110.43%
Expected Member Contribution	165,546	165,546
Expected State Money	623,358	623,358
Expected Sponsor Contribution (Fixed \$)	\$1,589,989	\$3,385,180
Expected Sponsor Contribution (% of Payroll)	42.07%	89.56%

ASSETS

Actuarial Value ¹	66,205,992	66,205,992
Market Value ¹	72,140,839	72,140,839

LIABILITIES

Present Value of Benefits		
Active Members		
Retirement Benefits	21,144,577	31,500,267
Disability Benefits	1,093,624	1,586,487
Death Benefits	96,219	146,395
Vested Benefits	661,284	1,149,567
Refund of Contributions	25,097	26,196
Service Retirees	55,362,946	70,662,402
DROP Retirees ¹	2,862,408	3,414,022
Beneficiaries	1,814,918	2,273,315
Disability Retirees	1,013,202	1,274,015
Terminated Vested	53,713	83,142
Share Plan Balances ¹	822,034	822,034
Total:	84,950,022	112,937,842
Present Value of Future Salaries	32,987,081	37,399,361
Present Value of Future Member Contributions	1,444,834	1,638,092
Total Normal Cost	874,524	1,402,663
Present Value of Future Normal Costs (Entry Age Normal)	6,898,233	12,463,275
Total Actuarial Accrued Liability (EAN) ¹	78,051,789	100,474,567
Unfunded Actuarial Accrued Liability (UAAL)	11,845,797	34,268,575

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2023

Valuation Date: 10/1/2021

	ACTUAL	HYPOTHETICAL
Investment Rate of Return:	7.00%	5.00%
<u>PENSION COST</u>		
Normal Cost (with interest)	874,524	1,402,663
Administrative Expenses (with interest)	76,475	76,475
Payment Required To Amortize UAAL (with interest)	1,427,894	2,694,946
Minimum Required Contribution	\$2,378,893	\$4,174,084

¹ The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2021.