

February 28, 2018

VIA EMAIL

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

Re: City of Naples General Retirement System
Section 112.664, Florida Statutes Compliance

Dear Liz:

Please find enclosed the annual disclosures that satisfy the October 1, 2017 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.

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 #17-7778

DHL/lke
Enclosures

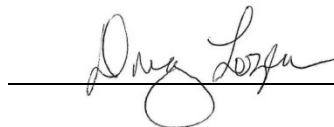
cc via email: Robert Sugarman, Board Attorney
cc via email: Jessica A. De la Torre Vila
cc via email: Pedro Herrera

CITY OF NAPLES
GENERAL RETIREMENT SYSTEM

SECTION 112.664, FLORIDA STATUTES
COMPLIANCE

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.

By:



Date: 2/28/2018

Douglas H. Lozen, EA, MAAA
Enrolled Actuary #17-7778



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, 2017 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, 2017

	ACTUAL	HYPOTHETICAL
	7.50% RP-2000 Generational	5.50% RP-2000 Generational
<u>Total Pension Liability</u>		
Service Cost	1,550,588	2,268,781
Interest	4,929,787	4,467,929
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	172,717	183,359
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Employee Contributions	(4,246,896)	(4,246,896)
Net Change in Total Pension Liability	2,406,196	2,673,173
Total Pension Liability - Beginning	66,303,352	81,089,743
Total Pension Liability - Ending (a)	<u>\$ 68,709,548</u>	<u>\$ 83,762,916</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	1,882,709	1,882,709
Contributions - Employee	670,753	670,753
Net Investment Income	6,227,518	6,227,518
Benefit Payments, Including Refunds of Employee Contributions	(4,246,896)	(4,246,896)
Administrative Expenses	(153,053)	(153,053)
Net Change in Plan Fiduciary Net Position	4,381,031	4,381,031
Plan Fiduciary Net Position - Beginning	51,938,672	51,938,672
Plan Fiduciary Net Position - Ending (b)	<u>\$ 56,319,703</u>	<u>\$ 56,319,703</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 12,389,845</u>	<u>\$ 27,443,213</u>

PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1
Plan Assumptions: 7.50% and RP-2000 Generational Mortality

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
2017	56,221,282	-	5,137,793	-	4,023,929	55,107,418
2018	55,107,418	-	5,040,162	-	3,944,050	54,011,306
2019	54,011,306	-	5,172,888	-	3,856,865	52,695,283
2020	52,695,283	-	5,326,282	-	3,752,411	51,121,412
2021	51,121,412	-	5,401,161	-	3,631,562	49,351,813
2022	49,351,813	-	5,524,229	-	3,494,227	47,321,811
2023	47,321,811	-	5,595,428	-	3,339,307	45,065,690
2024	45,065,690	-	5,630,813	-	3,168,771	42,603,648
2025	42,603,648	-	5,637,221	-	2,983,878	39,950,305
2026	39,950,305	-	5,621,192	-	2,785,478	37,114,591
2027	37,114,591	-	5,581,145	-	2,574,301	34,107,747
2028	34,107,747	-	5,532,845	-	2,350,599	30,925,501
2029	30,925,501	-	5,430,214	-	2,115,780	27,611,067
2030	27,611,067	-	5,353,383	-	1,870,078	24,127,762
2031	24,127,762	-	5,242,051	-	1,613,005	20,498,716
2032	20,498,716	-	5,129,605	-	1,345,044	16,714,155
2033	16,714,155	-	5,020,560	-	1,065,291	12,758,886
2034	12,758,886	-	4,909,035	-	772,828	8,622,679
2035	8,622,679	-	4,758,657	-	468,251	4,332,273
2036	4,332,273	-	4,592,847	-	-	-

Number of Years Expected Benefit Payments Sustained: 19.94

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.50% 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: 5.50% and RP-2000 Generational Mortality

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
2017	56,221,282	-	5,137,793	-	2,950,881	54,034,370
2018	54,034,370	-	5,040,162	-	2,833,286	51,827,494
2019	51,827,494	-	5,172,888	-	2,708,258	49,362,864
2020	49,362,864	-	5,326,282	-	2,568,485	46,605,067
2021	46,605,067	-	5,401,161	-	2,414,747	43,618,653
2022	43,618,653	-	5,524,229	-	2,247,110	40,341,534
2023	40,341,534	-	5,595,428	-	2,064,910	36,811,016
2024	36,811,016	-	5,630,813	-	1,869,759	33,049,962
2025	33,049,962	-	5,637,221	-	1,662,724	29,075,465
2026	29,075,465	-	5,621,192	-	1,444,568	24,898,841
2027	24,898,841	-	5,581,145	-	1,215,955	20,533,651
2028	20,533,651	-	5,532,845	-	977,198	15,978,004
2029	15,978,004	-	5,430,214	-	729,459	11,277,249
2030	11,277,249	-	5,353,383	-	473,031	6,396,897
2031	6,396,897	-	5,242,051	-	207,673	1,362,519
2032	1,362,519	-	5,129,605	-	-	-

Number of Years Expected Benefit Payments Sustained: 15.27

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.50% 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, 2019

Valuation Date: 10/1/2017

	ACTUAL	HYPOTHETICAL
	7.50%	5.50%
	RP-2000	RP-2000
	Generational	Generational
Total Required Contribution (Fixed \$)	\$2,650,121	\$4,004,944
Total Required Contribution (% of Payroll)	16.35%	24.72%
Expected Member Contribution	669,023	669,023
Expected Sponsor Contribution (Fixed \$)	\$1,981,098	\$3,335,921
Expected Sponsor Contribution (% of Payroll)	12.22%	20.59%

ASSETS

Actuarial Value	55,002,953	55,002,953
Market Value	56,221,282	56,221,282

LIABILITIES

Present Value of Benefits		
Active Members		
Retirement Benefits	30,803,611	42,521,331
Disability Benefits	523,164	724,420
Death Benefits	381,110	444,029
Vested Benefits	1,277,716	2,327,479
Refund of Contributions	1,158,674	1,334,538
Service Retirees	37,940,626	44,765,557
Beneficiaries	1,658,129	1,933,768
Disability Retirees	72,860	82,159
Terminated Vested	2,777,567	3,730,814
Total:	76,593,457	97,864,095
Present Value of Future Salaries	112,301,462	125,815,762
Present Value of Future Member Contributions	4,634,206	5,191,885
Total Normal Cost	1,322,313	1,976,187
Present Value of Future Normal Costs (Entry Age Normal)	8,137,650	13,915,012
Total Actuarial Accrued Liability	68,455,807	83,949,083
Unfunded Actuarial Accrued Liability (UAAL)	13,452,854	28,946,130

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2019

Valuation Date: 10/1/2017

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.50%	5.50%
	RP-2000	RP-2000
	Generational	Generational
<u>PENSION COST</u>		
Normal Cost (with interest)	1,322,313	1,976,187
Administrative Expenses (with interest)	153,053	153,053
Payment Required To Amortize UAAL (with interest)	<u>1,174,755</u>	<u>1,875,704</u>
Total Required Contribution	\$2,650,121	\$4,004,944