

CITY OF NAPLES
POLICE OFFICERS' RETIREMENT TRUST FUND

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 Police Officers' Retirement Trust Fund
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	956,334	1,502,628
Interest	5,107,552	4,607,467
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	(349,489)	(327,055)
Changes of Assumptions	-	-
Contributions - Buy Back	5,782	5,782
Benefit Payments, Including Refunds of Employee Contributions	(4,653,827)	(4,653,827)
Net Change in Total Pension Liability	1,066,352	1,134,995
Total Pension Liability - Beginning	74,335,608	92,973,623
Total Pension Liability - Ending (a)	<u>\$ 75,401,960</u>	<u>\$ 94,108,618</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	2,637,659	2,637,659
Contributions - State	757,213	757,213
Contributions - Employee	211,067	211,067
Contributions - Buy Back	5,782	5,782
Net Investment Income	12,089,552	12,089,552
Benefit Payments, Including Refunds of Employee Contributions	(4,653,827)	(4,653,827)
Administrative Expenses	(102,272)	(102,272)
Other	2,027	2,027
Net Change in Plan Fiduciary Net Position	10,947,201	10,947,201
Plan Fiduciary Net Position - Beginning	55,739,543	55,739,543
Plan Fiduciary Net Position - Ending (b)	<u>\$ 66,686,744</u>	<u>\$ 66,686,744</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 8,715,216</u>	<u>\$ 27,421,874</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	66,686,744	-	5,561,411	-	4,473,423	65,598,756
2022	65,598,756	-	4,958,746	-	4,418,357	65,058,367
2023	65,058,367	-	5,267,532	-	4,369,722	64,160,557
2024	64,160,557	-	5,417,106	-	4,301,640	63,045,091
2025	63,045,091	-	5,495,801	-	4,220,803	61,770,093
2026	61,770,093	-	5,626,051	-	4,126,995	60,271,037
2027	60,271,037	-	5,705,709	-	4,019,273	58,584,601
2028	58,584,601	-	5,736,550	-	3,900,143	56,748,194
2029	56,748,194	-	5,805,689	-	3,769,174	54,711,679
2030	54,711,679	-	5,924,789	-	3,622,450	52,409,340
2031	52,409,340	-	5,982,234	-	3,459,276	49,886,382
2032	49,886,382	-	5,997,188	-	3,282,145	47,171,339
2033	47,171,339	-	5,949,815	-	3,093,750	44,315,274
2034	44,315,274	-	5,887,665	-	2,896,001	41,323,610
2035	41,323,610	-	5,834,106	-	2,688,459	38,177,963
2036	38,177,963	-	5,751,049	-	2,471,171	34,898,085
2037	34,898,085	-	5,663,430	-	2,244,646	31,479,301
2038	31,479,301	-	5,586,752	-	2,008,015	27,900,564
2039	27,900,564	-	5,484,975	-	1,761,065	24,176,654
2040	24,176,654	-	5,373,808	-	1,504,283	20,307,129
2041	20,307,129	-	5,254,817	-	1,237,580	16,289,892
2042	16,289,892	-	5,128,425	-	960,798	12,122,265
2043	12,122,265	-	5,008,429	-	673,264	7,787,100
2044	7,787,100	-	4,884,843	-	374,127	3,276,384
2045	3,276,384	-	4,734,319	-	-	-

*All DROP Balances paid in 2021.

Number of Years Expected Benefit Payments Sustained: 24.69

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	66,686,744	-	5,561,411	-	3,195,302	64,320,635
2022	64,320,635	-	4,958,746	-	3,092,063	62,453,952
2023	62,453,952	-	5,267,532	-	2,991,009	60,177,429
2024	60,177,429	-	5,417,106	-	2,873,444	57,633,767
2025	57,633,767	-	5,495,801	-	2,744,293	54,882,259
2026	54,882,259	-	5,626,051	-	2,603,462	51,859,670
2027	51,859,670	-	5,705,709	-	2,450,341	48,604,302
2028	48,604,302	-	5,736,550	-	2,286,801	45,154,553
2029	45,154,553	-	5,805,689	-	2,112,585	41,461,449
2030	41,461,449	-	5,924,789	-	1,924,953	37,461,613
2031	37,461,613	-	5,982,234	-	1,723,525	33,202,904
2032	33,202,904	-	5,997,188	-	1,510,216	28,715,932
2033	28,715,932	-	5,949,815	-	1,287,051	24,053,168
2034	24,053,168	-	5,887,665	-	1,055,467	19,220,970
2035	19,220,970	-	5,834,106	-	815,196	14,202,060
2036	14,202,060	-	5,751,049	-	566,327	9,017,338
2037	9,017,338	-	5,663,430	-	309,281	3,663,189
2038	3,663,189	-	5,586,752	-	-	-

*All DROP Balances paid in 2021.

Number of Years Expected Benefit Payments Sustained: 17.66

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 \$)	\$2,585,326	\$4,113,692
Minimum Required Contribution (% of Payroll)	56.38%	89.70%
Expected Member Contribution	190,301	190,301
Expected State Money	757,213	757,213
Expected Sponsor Contribution (Fixed \$)	\$1,637,812	\$3,166,178
Expected Sponsor Contribution (% of Payroll)	35.72%	69.04%

ASSETS

Actuarial Value ¹	61,512,282	61,512,282
Market Value ¹	66,686,744	66,686,744

LIABILITIES

Present Value of Benefits		
Active Members		
Retirement Benefits	21,128,208	29,906,984
Disability Benefits	1,272,989	1,828,900
Death Benefits	105,056	156,307
Vested Benefits	1,040,114	1,803,992
Refund of Contributions	36,303	37,512
Service Retirees	46,929,132	57,567,402
DROP Retirees ¹	4,917,096	6,022,604
Beneficiaries	1,719,172	2,060,011
Disability Retirees	2,386,810	2,980,795
Terminated Vested	1,677,861	2,322,594
Share Plan Balances ¹	0	0
Total:	81,212,741	104,687,101
Present Value of Future Salaries	32,432,474	36,670,362
Present Value of Future Member Contributions	1,345,948	1,521,820
Total Normal Cost	836,817	1,333,607
Present Value of Future Normal Costs (Entry Age Normal)	5,378,388	9,795,305
Total Actuarial Accrued Liability (EAN) ¹	75,834,353	94,891,796
Unfunded Actuarial Accrued Liability (UAAL)	14,322,071	33,379,514

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)	836,817	1,333,607
Administrative Expenses (with interest)	101,006	101,006
Payment Required To Amortize UAAL (with interest)	1,647,503	2,679,079
Minimum Required Contribution	\$2,585,326	\$4,113,692

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