

January 4, 2019

VIA EMAIL

Ms. Kim Kilgore, Plan Administrator  
City of Neptune Beach  
Police Officers' Retirement System  
2503 Del Prado Blvd. S., Suite 502  
Cape Coral, FL 33904

Re: City of Neptune Beach Police Officers' Retirement System  
Section 112.664, Florida Statutes Compliance

Dear Kim:

Please find enclosed the annual disclosures that satisfy the October 1, 2018 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: Pedro Herrera, Board Attorney  
cc via email: Jessica A. De la Torre Vila, Legal Assistant

CITY OF NEPTUNE BEACH  
POLICE OFFICERS' 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: 1/7/2019

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



**FOSTER & FOSTER**  
ACTUARIES AND CONSULTANTS

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, 2018 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, 2018

	ACTUAL	HYPOTHETICAL
	7.75% RP-2000 Generational	5.75% RP-2000 Generational
<u>Total Pension Liability</u>		
Service Cost	180,830	274,678
Interest	786,369	733,438
Change in Excess State Money	(295,249)	(295,249)
Share Plan Allocation	122,043	122,043
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	72,076	147,872
Changes of Assumptions	-	-
Contributions - Buy Back	8,394	8,394
Benefit Payments, Including Refunds of Employee Contributions	(391,041)	(391,041)
Net Change in Total Pension Liability	483,422	600,135
Total Pension Liability - Beginning	10,456,642	12,971,534
Total Pension Liability - Ending (a)	<u>\$ 10,940,064</u>	<u>\$ 13,571,669</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	406,116	406,116
Contributions - State	-	-
Contributions - Employee	98,542	98,542
Contributions - Buy Back	8,394	8,394
Net Investment Income	624,428	624,428
Benefit Payments, Including Refunds of Employee Contributions	(391,041)	(391,041)
Administrative Expenses	(36,599)	(36,599)
Net Change in Plan Fiduciary Net Position	709,840	709,840
Plan Fiduciary Net Position - Beginning	9,389,387	9,389,387
Plan Fiduciary Net Position - Ending (b)	<u>\$ 10,099,227</u>	<u>\$ 10,099,227</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 840,837</u>	<u>\$ 3,472,442</u>

## PROJECTION OF THE NUMBER OF YEARS ASSETS WILL SUSTAIN BENEFIT PAYMENTS

Table 1  
Plan Assumptions: 7.75% 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
2018	9,896,705	-	1,455,027	-	710,612	9,152,290
2019	9,152,290	-	597,422	-	686,152	9,241,020
2020	9,241,020	-	702,864	-	688,943	9,227,099
2021	9,227,099	-	694,684	-	688,181	9,220,596
2022	9,220,596	-	694,480	-	687,685	9,213,801
2023	9,213,801	-	743,000	-	685,278	9,156,079
2024	9,156,079	-	752,366	-	680,442	9,084,155
2025	9,084,155	-	752,016	-	674,881	9,007,020
2026	9,007,020	-	793,505	-	667,296	8,880,811
2027	8,880,811	-	819,725	-	656,499	8,717,585
2028	8,717,585	-	817,416	-	643,938	8,544,107
2029	8,544,107	-	807,637	-	630,872	8,367,342
2030	8,367,342	-	815,579	-	616,865	8,168,628
2031	8,168,628	-	806,055	-	601,834	7,964,407
2032	7,964,407	-	821,149	-	585,422	7,728,680
2033	7,728,680	-	805,510	-	567,759	7,490,929
2034	7,490,929	-	799,142	-	549,580	7,241,367
2035	7,241,367	-	789,533	-	530,612	6,982,446
2036	6,982,446	-	772,964	-	511,187	6,720,669
2037	6,720,669	-	758,410	-	491,463	6,453,722
2038	6,453,722	-	744,318	-	471,321	6,180,725
2039	6,180,725	-	730,072	-	450,716	5,901,369
2040	5,901,369	-	716,147	-	429,605	5,614,827
2041	5,614,827	-	701,148	-	407,980	5,321,659
2042	5,321,659	-	683,583	-	385,940	5,024,016
2043	5,024,016	-	666,826	-	363,522	4,720,712
2044	4,720,712	-	649,207	-	340,698	4,412,203
2045	4,412,203	-	631,527	-	317,474	4,098,150
2046	4,098,150	-	613,645	-	293,828	3,778,333
2047	3,778,333	-	595,257	-	269,755	3,452,831
2048	3,452,831	-	576,311	-	245,262	3,121,782
2049	3,121,782	-	556,720	-	220,365	2,785,427
2050	2,785,427	-	536,329	-	195,088	2,444,186
2051	2,444,186	-	515,244	-	169,459	2,098,401
2052	2,098,401	-	493,376	-	143,508	1,748,533
2053	1,748,533	-	470,708	-	117,271	1,395,096
2054	1,395,096	-	447,175	-	90,792	1,038,713
2055	1,038,713	-	422,784	-	64,117	680,046
2056	680,046	-	397,584	-	37,297	319,759
2057	319,759	-	371,775	-	-	-

\*All DROP and Share Balances paid in 2018.

Number of Years Expected Benefit Payments Sustained: 39.86

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 7.75% 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: 5.75% 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
2018	9,896,705	-	1,455,027	-	527,229	8,968,907
2019	8,968,907	-	597,422	-	498,536	8,870,021
2020	8,870,021	-	702,864	-	489,819	8,656,976
2021	8,656,976	-	694,684	-	477,804	8,440,096
2022	8,440,096	-	694,480	-	465,339	8,210,955
2023	8,210,955	-	743,000	-	450,769	7,918,724
2024	7,918,724	-	752,366	-	433,696	7,600,054
2025	7,600,054	-	752,016	-	415,383	7,263,421
2026	7,263,421	-	793,505	-	394,833	6,864,749
2027	6,864,749	-	819,725	-	371,156	6,416,180
2028	6,416,180	-	817,416	-	345,430	5,944,194
2029	5,944,194	-	807,637	-	318,572	5,455,129
2030	5,455,129	-	815,579	-	290,222	4,929,772
2031	4,929,772	-	806,055	-	260,288	4,384,005
2032	4,384,005	-	821,149	-	228,472	3,791,328
2033	3,791,328	-	805,510	-	194,843	3,180,661
2034	3,180,661	-	799,142	-	159,913	2,541,432
2035	2,541,432	-	789,533	-	123,433	1,875,332
2036	1,875,332	-	772,964	-	85,609	1,187,977
2037	1,187,977	-	758,410	-	46,504	476,071
2038	476,071	-	744,318	-	-	-

\*All DROP and Share Balances paid in 2018.

Number of Years Expected Benefit Payments Sustained: 20.64

This projection assumes no further contributions, assumes no further benefit accruals, and assumes Market Value of Assets earn 5.75% 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: 10/1/2018

	ACTUAL	HYPOTHETICAL
	7.75% RP-2000 Generational	5.75% RP-2000 Generational
Total Required Contribution (Fixed \$)	\$428,172	\$711,518
Total Required Contribution (% of Payroll)	32.57%	54.12%
Expected Member Contribution	105,176	105,176
Expected State Money	45,978	45,978
Expected Sponsor Contribution (Fixed \$)	\$277,018	\$560,364
Expected Sponsor Contribution (% of Payroll)	21.07%	42.62%

**ASSETS**

Actuarial Value <sup>1</sup>	9,748,471	9,748,471
Market Value <sup>1</sup>	9,896,705	9,896,705

**LIABILITIES**

Present Value of Benefits		
Active Members		
Retirement Benefits	4,189,765	6,297,311
Disability Benefits	82,827	112,172
Death Benefits	36,260	47,587
Vested Benefits	240,239	384,870
Refund of Contributions	133,343	142,158
Service Retirees	3,846,980	4,605,375
DROP Retirees <sup>1</sup>	2,523,800	2,944,836
Beneficiaries	0	0
Disability Retirees	121,231	136,412
Terminated Vested	1,446,640	1,893,268
Share Plan Balances <sup>1</sup>	122,043	122,043
Total:	12,743,128	16,686,032
Present Value of Future Salaries	11,196,538	12,576,178
Present Value of Future Member Contributions	895,723	1,006,094
Total Normal Cost	206,524	317,911
Present Value of Future Normal Costs (Entry Age Normal)	1,620,926	2,835,089
Total Actuarial Accrued Liability <sup>1</sup>	11,122,202	13,850,943
Unfunded Actuarial Accrued Liability (UAAL)	1,373,731	4,102,472

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

Valuation Date: 10/1/2018

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.75%	5.75%
	RP-2000	RP-2000
	Generational	Generational
<b><u>PENSION COST</u></b>		
Normal Cost (with interest)	214,527	327,051
Administrative Expenses (with interest)	38,017	37,651
Payment Required To Amortize UAAL (with interest)	<u>175,628</u>	<u>346,816</u>
Total Required Contribution	\$428,172	\$711,518

<sup>1</sup> The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2018.