


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: 6/1/2018  
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
	7.75% RP-2000 Generational	5.75% RP-2000 Generational
<u>Total Pension Liability</u>		
Service Cost	186,399	284,628
Interest	758,549	712,299
Change in Excess State Money	31,981	31,981
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	(212,331)	(251,264)
Changes of Assumptions	-	-
Contributions - Buy Back	38,780	38,780
Benefit Payments, Including Refunds of Employee Contributions	(509,179)	(509,179)
Net Change in Total Pension Liability	294,199	307,245
Total Pension Liability - Beginning	10,162,443	12,664,289
Total Pension Liability - Ending (a)	<u>\$ 10,456,642</u>	<u>\$ 12,971,534</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	363,572	363,572
Contributions - State	58,873	58,873
Contributions - Employee	88,219	88,219
Contributions - Buy Back	38,780	38,780
Net Investment Income	1,006,730	1,006,730
Benefit Payments, Including Refunds of Employee Contributions	(509,179)	(509,179)
Administrative Expenses	(32,531)	(32,531)
Net Change in Plan Fiduciary Net Position	1,014,464	1,014,464
Plan Fiduciary Net Position - Beginning	8,374,923	8,374,923
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,389,387</u>	<u>\$ 9,389,387</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 1,067,255</u>	<u>\$ 3,582,147</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
2017	9,291,162	-	1,126,291	-	676,421	8,841,292
2018	8,841,292	-	574,434	-	662,941	8,929,799
2019	8,929,799	-	588,184	-	669,267	9,010,882
2020	9,010,882	-	691,848	-	671,534	8,990,568
2021	8,990,568	-	684,740	-	670,235	8,976,063
2022	8,976,063	-	684,429	-	669,123	8,960,757
2023	8,960,757	-	729,504	-	666,190	8,897,443
2024	8,897,443	-	739,417	-	660,899	8,818,925
2025	8,818,925	-	738,588	-	654,846	8,735,183
2026	8,735,183	-	776,043	-	646,905	8,606,045
2027	8,606,045	-	800,372	-	635,954	8,441,627
2028	8,441,627	-	796,666	-	623,355	8,268,316
2029	8,268,316	-	786,849	-	610,304	8,091,771
2030	8,091,771	-	789,764	-	596,509	7,898,516
2031	7,898,516	-	780,076	-	581,907	7,700,347
2032	7,700,347	-	791,888	-	566,091	7,474,550
2033	7,474,550	-	776,489	-	549,189	7,247,250
2034	7,247,250	-	768,080	-	531,899	7,011,069
2035	7,011,069	-	757,314	-	514,012	6,767,767
2036	6,767,767	-	740,925	-	495,791	6,522,633
2037	6,522,633	-	725,982	-	477,372	6,274,023
2038	6,274,023	-	711,628	-	458,661	6,021,056
2039	6,021,056	-	697,276	-	439,612	5,763,392
2040	5,763,392	-	682,675	-	420,209	5,500,926
2041	5,500,926	-	667,714	-	400,448	5,233,660
2042	5,233,660	-	650,344	-	380,408	4,963,724
2043	4,963,724	-	634,032	-	360,120	4,689,812
2044	4,689,812	-	616,975	-	339,553	4,412,390
2045	4,412,390	-	599,851	-	318,716	4,131,255
2046	4,131,255	-	582,483	-	297,601	3,846,373
2047	3,846,373	-	564,641	-	276,214	3,557,946
2048	3,557,946	-	546,277	-	254,573	3,266,242
2049	3,266,242	-	527,279	-	232,702	2,971,665
2050	2,971,665	-	507,544	-	210,637	2,674,758
2051	2,674,758	-	487,101	-	188,419	2,376,076
2052	2,376,076	-	465,901	-	166,092	2,076,267
2053	2,076,267	-	443,908	-	143,709	1,776,068
2054	1,776,068	-	421,085	-	121,328	1,476,311
2055	1,476,311	-	397,435	-	99,013	1,177,889
2056	1,177,889	-	373,008	-	76,832	881,713
2057	881,713	-	348,005	-	54,848	588,556
2058	588,556	-	322,718	-	33,108	298,946
2059	298,946	-	297,429	-	11,643	13,160
2060	13,160	-	272,349	-	-	-

\*All DROP Balances paid in 2017.

Number of Years Expected Benefit Payments Sustained: 43.05

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
2017	9,291,162	-	1,126,291	-	501,861	8,666,732
2018	8,666,732	-	574,434	-	481,822	8,574,120
2019	8,574,120	-	588,184	-	476,102	8,462,038
2020	8,462,038	-	691,848	-	466,677	8,236,867
2021	8,236,867	-	684,740	-	453,934	8,006,061
2022	8,006,061	-	684,429	-	440,671	7,762,303
2023	7,762,303	-	729,504	-	425,359	7,458,158
2024	7,458,158	-	739,417	-	407,586	7,126,327
2025	7,126,327	-	738,588	-	388,529	6,776,268
2026	6,776,268	-	776,043	-	367,324	6,367,549
2027	6,367,549	-	800,372	-	343,123	5,910,300
2028	5,910,300	-	796,666	-	316,938	5,430,572
2029	5,430,572	-	786,849	-	289,636	4,933,359
2030	4,933,359	-	789,764	-	260,962	4,404,557
2031	4,404,557	-	780,076	-	230,835	3,855,316
2032	3,855,316	-	791,888	-	198,914	3,262,342
2033	3,262,342	-	776,489	-	165,261	2,651,114
2034	2,651,114	-	768,080	-	130,357	2,013,391
2035	2,013,391	-	757,314	-	93,997	1,350,074
2036	1,350,074	-	740,925	-	56,328	665,477
2037	665,477	-	725,982	-	-	-

\*All DROP Balances paid in 2017.

Number of Years Expected Benefit Payments Sustained: 20.92

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: 10/1/2017

	ACTUAL	HYPOTHETICAL
	7.75% RP-2000 Generational	5.75% RP-2000 Generational
Total Required Contribution (Fixed \$)	\$417,216	\$676,634
Total Required Contribution (% of Payroll)	36.64%	59.41%
Expected Member Contribution	91,102	91,102
Expected State Money	26,892	26,892
Expected Sponsor Contribution (Fixed \$)	\$299,222	\$558,640
Expected Sponsor Contribution (% of Payroll)	26.28%	49.05%

**ASSETS**

Actuarial Value <sup>1</sup>	9,215,834	9,215,834
Market Value <sup>1</sup>	9,291,162	9,291,162

**LIABILITIES**

Present Value of Benefits		
Active Members		
Retirement Benefits	3,610,229	5,443,903
Disability Benefits	75,835	102,392
Death Benefits	31,865	41,611
Vested Benefits	203,897	326,588
Refund of Contributions	111,237	118,835
Service Retirees	3,901,710	4,683,489
DROP Retirees <sup>1</sup>	2,364,639	2,794,397
Beneficiaries	0	0
Disability Retirees	124,129	140,130
Terminated Vested	1,334,650	1,780,560
Share Plan Balances <sup>1</sup>	0	0
Excess State Monies Reserve	295,249	295,249
Total:	12,053,440	15,727,154
Present Value of Future Salaries	9,751,853	10,917,916
Present Value of Future Member Contributions	780,148	873,433
Total Normal Cost	175,931	271,137
Present Value of Future Normal Costs (Entry Age Normal)	1,404,232	2,442,987
Total Actuarial Accrued Liability <sup>1</sup>	10,649,208	13,284,167
Unfunded Actuarial Accrued Liability (UAAL)	1,433,374	4,068,333

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

Valuation Date: 10/1/2017

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.75%	5.75%
	RP-2000	RP-2000
	Generational	Generational
<b><u>PENSION COST</u></b>		
Normal Cost (with interest)	182,748	278,932
Administrative Expenses (with interest)	33,792	33,466
Payment Required To Amortize UAAL (with interest)	<u>200,676</u>	<u>364,236</u>
Total Required Contribution	\$417,216	\$676,634

<sup>1</sup> The asset values and liabilities include accumulated DROP and Share Plan Balances as of 9/30/2017.