

December 29, 2014

Board of Trustees
City of Marco Island
Police Officers' Pension Plan
50 Bald Eagle Dr.
Marco Island, FL 34145

RE: GASB Statement No. 67 – City of Marco Island Police Officers' Pension Plan

Dear Board:

We are pleased to present to the Board the GASB Statement No. 67 measured as of September 30, 2013 for City of Marco Island Police Officers' Pension Plan.

The calculation of the liability associated with the benefits referenced in this report was performed for the purpose of satisfying the requirements of GASB No.67 and is not applicable for purposes, such as determining the plans' funding requirements. A calculation of the plan's liability for other purposes may produce significantly different results.

The total pension liability, net pension liability, and certain sensitivity information shown in this report are based on an actuarial valuation performed as of October 1, 2013. The total pension liability was rolled-back from the valuation date to the plan's fiscal year ending September 30th, 2012 to obtain the beginning amount using generally accepted actuarial principles. There were no assumption changes that required an adjustment to the roll-back liabilities. It is our opinion that the assumptions used for this purposes are internally consistent, reasonable, and comply with the requirements under GASB No.67. Certain schedules should include a 10-year history of information. As provided for in GASB No. 67, this historical information is only presented for the years in which the information was measured in conformity with the requirements of GASB No. 67. The historical information in this report will begin with the information presented for the fiscal year ending September 30th, 2013.

It is our understanding that this early adoption of GASB Statement No.67 will be utilized for the Plan sponsor's 2014 Comprehensive Annual Financial Report (CAFR).

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 239-433-5500.

Respectfully submitted,

Foster & Foster, Inc.

By: 

Douglas H. Lozen, EA, MAAA
Enrolled Actuary #14-7778

DHL/lke
Enclosures

STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2013

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Checking Account	161,826.07
Money Market	272,381.33
Pending Trades Receivable	2,059.27
Pending Trades Payable	(9,641.29)
Cash	13,747.27
 Total Cash and Equivalents	 440,372.65
 Receivable:	
Member Buy-Back Contributions	15,711.20
State Contributions	137,352.30
Pending Equity Dividends	4,574.77
Accrued Income	5,610.23
 Total Receivable	 163,248.50
 Investments:	
Federal Agency Guaranteed Securities	2,199,766.98
Stocks	3,397,529.24
 Total Investments	 5,597,296.22
 TOTAL ASSETS	 6,200,917.37
 <u>LIABILITIES AND NET ASSETS</u>	
 Liabilities:	
Payable:	
Unpaid Administrative Expenses	4,711.00
Prepaid City Contribution	100,430.49
 Total Liabilities	 105,141.49
 Net Assets, including DROP Account Balances	 6,095,775.88
 TOTAL LIABILITIES AND NET ASSETS	 6,200,917.37

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2013
 Market Value Basis

ADDITIONS

Contributions:

Member	99,045.60
Buy-Back	18,461.20
City	701,384.39
State	137,352.30

Total Contributions 956,243.49

Investment Income:

Net Increase in Fair Value of Investments	422,959.45
Interest & Dividends	118,128.84
Less Investment Expense ¹	(48,741.66)

Net Investment Income 492,346.63

Total Additions 1,448,590.12

DEDUCTIONS

Benefit Payments	133,975.01
Termination Payments	4,532.17

Total Distributions 138,507.18

Administrative Expense 32,082.78

Total Deductions 170,589.96

Net Increase in Net Position 1,278,000.16

NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year 4,817,775.72

End of the Year 6,095,775.88

¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended September 30, 2013)

Plan Description

Plan Administration

The City of Marco Island Police Officers' Pension Plan is a defined benefit pension plan administered by a Board of Trustees. The Board consists of 5 Trustees, 2 who are appointed by the City Council, 2 of whom are full-time Police Officers, elected by a majority of the members of the Plan, and a fifth Trustee who is elected by the first 4 Trustees.

Plan Membership as of September 30, 2013:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	9
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	11
Active Plan Members	34
	54
	54

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement:

Date: Earlier of: 1) age 55 and 6 years of Credited Service, or 2) 25 years of Credited Service, regardless of age.

Benefit: 3.00% of Average Final Compensation times Credited Service.

Early Retirement:

Date: Age 50 and 6 Years of Credited Service.

Benefit: Accrued benefit, reduced 3.00% for each year prior to Normal Retirement.

Vesting:

Schedule: 100% after 6 years of Credited Service.

Benefit: Member will receive the vested portion of his/her accrued benefit payable at the otherwise Normal Retirement Date.

Disability:

Service Incurred: Covered from Date of Employment.

Non-Service Incurred: 8 years of Credited Service.

Benefit accrued to date of disability but not less than 42% of Average Final Compensation (if Service Incurred).

Pre-Retirement Death Benefits:

Vested: Monthly accrued benefit payable to designated beneficiary for 10 years beginning at the otherwise Normal Retirement Date.

Non-Vested: Refund of accumulated contributions.

Cost of Living Increase (COLA):

3.00% automatic lifetime COLA, beginning the first July 1st following the later of termination or otherwise Normal Retirement Date. The Benefit Supplement is not subject to the COLA.

Benefit Supplement:

\$3.00 per month per year of Credited Service, subject to minimum benefit of \$30.00 per month and maximum benefit of \$90.00 per month.

Contributions

Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2013:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	55%
International Equity	10%
Fixed Income	35%
<u>Total</u>	<u>100%</u>

Concentrations:

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's fiduciary net position.

Rate of Return:

For the year ended September 30, 2013 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 9.3 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NET PENSION LIABILITY OF THE SPONSOR

The components of the net pension liability of the sponsor on September 30, 2013 were as follows:

Total Pension Liability	\$ 8,470,758
Plan Fiduciary Net Position	\$ (6,095,776)
Sponsor's Net Pension Liability	\$ 2,374,982
Plan Fiduciary Net Position as a percentage of Total Pension Liability	71.96%

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of October 1, 2013 using the following actuarial assumptions applied to all measurement periods.

Inflation	3.00%
Salary Increases	6.70%
Investment Rate of Return	8.00%

RP2000, Combined Healthy – sex distinct. Disabled lives are set forward five years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2013 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity	7.80%
International Equity	7.70%
Fixed Income	2.30%

Discount Rate:

The discount rate used to measure the total pension liability was 8.00 percent.

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability	\$ 3,693,013	\$ 2,374,982	\$ 1,297,990

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	<u>09/30/2013</u>
Total Pension Liability	
Service Cost	533,312
Interest	595,815
Changes of Benefit Terms	
Differences Between Expected and Actual Experience	-
Changes of Assumptions	
Benefit Payments, Including Refunds of Employee Contributions	<u>(138,507)</u>
Net Change in Total Pension Liability	990,619
Total Pension Liability - Beginning	<u>7,480,139</u>
Total Pension Liability - Ending (a)	<u><u>\$ 8,470,758</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	701,384
Contributions- State	137,352
Contributions - Employee	117,507
Net Investment Income	492,347
Benefit Payments, Including Refunds of Employee Contributions	(138,507)
Administrative Expense	(32,083)
Other	-
Net Change in Plan Fiduciary Net Position	<u>1,278,000</u>
Plan Fiduciary Net Position - Beginning	<u>4,817,776</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 6,095,776</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 2,374,982</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.96%
Covered Employee Payroll	\$ 2,010,395
Net Pension Liability as a Percentage of covered Employee Payroll	118.14%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years

	09/30/2013
Actuarially Determined Contribution	838,737
Contributions in Relation to the	
Actuarially Determined Contributions	838,737
Contribution Deficiency (Excess)	\$ 0
Covered Employee Payroll	\$ 2,010,395
Contributions as a Percentage of	
Covered Employee Payroll	41.72%

Notes to Schedule

Valuation Date: 10/01/2011
Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Actuarial Cost Method.
Amortization Method:	Level Percentage of Pay, Closed.
Remaining Amortization Period:	34 Years (as of 10/01/2011).
Asset Valuation Method:	4-Year Smooth.
Inflation:	3.0% per year.
Salary Increases:	6.0% per year until the assumed retirement age. Projected salary at retirement is increased 20% to account for non-regular compensation.
Interest Rate:	8% per year compounded annually, net of investment related expenses.
Payroll Increase:	3.0% per year.
Retirement Age:	Earlier of Age 55 and 6 years of service or 25 years of service, regardless of age. Also, any Member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	Commencing with the earliest Early Retirement Date (Age 50 with 6 years of service), Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.

Termination Rates: See table below.
 Disability Rates: See table below.
 Mortality: RP2000, Combined Healthy – sex distinct. Disabled lives are set forward five years.
 Other Information: Termination and Disability Rate Table.

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	17.2%	0.051%
30	15.0%	0.058%
40	8.2%	0.121%
50	1.7%	0.429%

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	<u>09/30/2013</u>
Annual Money-Weighted Rate of Return	
Net of Investment Expense	9.30%