

April 11, 2017

VIA EMAIL

Ms. Beatrice Galvan
City of Sanibel
800 Dunlop Road
Sanibel, FL 33957

Re: City of Sanibel Municipal Police Officers' Retirement Trust Fund
Senate Bill 534 (Section 112.664, Florida Statutes) Compliance

Dear Beatrice:

Please find enclosed the annual disclosures that satisfy the October 1, 2016 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

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, 2016 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.

GASB 67: SCHEDULE OF CHANGES IN NET PENSION LIABILITY
FISCAL YEAR SEPTEMBER 30, 2016

	ACTUAL	HYPOTHETICAL
	7.50%	5.50%
	RP-2000	RP-2000
	Generational	Generational
<u>Total Pension Liability</u>		
Service Cost	492,835	824,478
Interest	1,620,290	1,630,009
Change in Excess State Money	(27,317)	(27,317)
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	(287,593)	(565,971)
Changes of Assumptions	594,128	(458,331)
Benefit Payments, Including Refunds of Employee Contributions	(867,064)	(867,064)
Net Change in Total Pension Liability	1,525,279	535,804
Total Pension Liability - Beginning	21,571,880	29,272,904
Total Pension Liability - Ending (a)	<u>\$ 23,097,159</u>	<u>\$ 29,808,708</u>
<u>Plan Fiduciary Net Position</u>		
Contributions - Employer	1,050,108	1,050,108
Contributions - State	85,154	85,154
Contributions - Employee	117,033	117,033
Net Investment Income	1,607,425	1,607,425
Benefit Payments, Including Refunds of Employee Contributions	(867,064)	(867,064)
Administrative Expenses	(42,535)	(42,535)
Net Change in Plan Fiduciary Net Position	1,950,121	1,950,121
Plan Fiduciary Net Position - Beginning	15,555,489	15,555,489
Plan Fiduciary Net Position - Ending (b)	<u>\$ 17,505,610</u>	<u>\$ 17,505,610</u>
Net Pension Liability - Ending (a) - (b)	<u>\$ 5,591,549</u>	<u>\$ 12,303,098</u>

GASB 68: PENSION EXPENSE
FISCAL YEAR SEPTEMBER 30, 2016

	ACTUAL	HYPOTHETICAL
	7.50%	5.50%
Pension Expense	<u>\$ 1,026,684</u>	<u>\$ 1,537,700</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
2016	17,505,610	-	2,245,110	-	1,269,687	16,530,187
2017	16,530,187	-	1,210,519	-	1,234,182	16,553,850
2018	16,553,850	-	1,223,599	-	1,235,509	16,565,760
2019	16,565,760	-	1,284,963	-	1,234,054	16,514,851
2020	16,514,851	-	1,369,906	-	1,226,817	16,371,762
2021	16,371,762	-	1,519,517	-	1,209,930	16,062,175
2022	16,062,175	-	1,543,688	-	1,185,001	15,703,488
2023	15,703,488	-	1,583,754	-	1,155,650	15,275,384
2024	15,275,384	-	1,638,906	-	1,120,335	14,756,813
2025	14,756,813	-	1,681,566	-	1,078,492	14,153,739
2026	14,153,739	-	1,694,326	-	1,031,260	13,490,673
2027	13,490,673	-	1,692,237	-	979,953	12,778,389
2028	12,778,389	-	1,681,109	-	925,182	12,022,462
2029	12,022,462	-	1,701,293	-	865,816	11,186,985
2030	11,186,985	-	1,718,333	-	800,406	10,269,058
2031	10,269,058	-	1,723,772	-	729,056	9,274,342
2032	9,274,342	-	1,720,904	-	652,076	8,205,514
2033	8,205,514	-	1,729,012	-	568,928	7,045,430
2034	7,045,430	-	1,762,612	-	477,720	5,760,538
2035	5,760,538	-	1,765,894	-	378,013	4,372,657
2036	4,372,657	-	1,775,809	-	270,068	2,866,916
2037	2,866,916	-	1,771,013	-	153,559	1,249,462
2038	1,249,462	-	1,779,582	-	-	-

*All DROP Balances paid in 2016.

Number of Years Expected Benefit Payments Sustained: 22.70

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
2016	17,505,610	-	2,245,110	-	942,026	16,202,526
2017	16,202,526	-	1,210,519	-	896,843	15,888,850
2018	15,888,850	-	1,223,599	-	878,430	15,543,681
2019	15,543,681	-	1,284,963	-	856,819	15,115,537
2020	15,115,537	-	1,369,906	-	829,759	14,575,390
2021	14,575,390	-	1,519,517	-	794,399	13,850,272
2022	13,850,272	-	1,543,688	-	752,010	13,058,594
2023	13,058,594	-	1,583,754	-	705,336	12,180,176
2024	12,180,176	-	1,638,906	-	653,242	11,194,512
2025	11,194,512	-	1,681,566	-	595,339	10,108,285
2026	10,108,285	-	1,694,326	-	532,515	8,946,474
2027	8,946,474	-	1,692,237	-	465,770	7,720,007
2028	7,720,007	-	1,681,109	-	395,569	6,434,467
2029	6,434,467	-	1,701,293	-	321,070	5,054,244
2030	5,054,244	-	1,718,333	-	241,217	3,577,128
2031	3,577,128	-	1,723,772	-	156,126	2,009,482
2032	2,009,482	-	1,720,904	-	66,069	354,647
2033	354,647	-	1,729,012	-	-	-

*All DROP Balances paid in 2016.

Number of Years Expected Benefit Payments Sustained: 17.21

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, 2018

Valuation Date: 10/1/2016

	<u>ACTUAL</u>	<u>HYPOTHETICAL</u>
	7.50% RP-2000 Generational	5.50% RP-2000 Generational
Total Required Contribution (Fixed \$)	\$1,114,440	\$1,759,109
Total Required Contribution (% of Payroll)	79.99%	126.27%
Expected Member Contribution	111,459	111,459
Expected State Money	85,154	85,154
Expected Sponsor Contribution (Fixed \$)	\$917,827	\$1,562,496
Expected Sponsor Contribution (% of Payroll)	65.88%	112.16%

ASSETS

Actuarial Value ¹	18,056,124	18,056,124
Market Value ¹	17,505,610	17,505,610

LIABILITIES

Present Value of Benefits		
Active Members		
Retirement Benefits	8,430,253	13,566,986
Disability Benefits	230,803	322,673
Death Benefits	128,553	170,492
Vested Benefits	0	0
Refund of Contributions	41,626	42,823
Service Retirees	10,093,860	12,700,103
DROP Retirees ¹	6,357,014	8,052,278
Beneficiaries	395,690	468,335
Disability Retirees	516,395	598,365
Terminated Vested	668,208	906,293
Excess State Monies Reserve	0	0
Total:	<u>26,862,402</u>	<u>36,828,348</u>
Present Value of Future Salaries	12,414,240	14,196,944
Present Value of Future Member Contributions	993,139	1,135,756
Total Normal Cost	432,729	687,851
Present Value of Future Normal Costs (Entry Age Normal)	3,737,210	6,996,555
Total Actuarial Accrued Liability ¹	23,125,192	29,831,793
Unfunded Actuarial Accrued Liability (UAAL)	5,069,068	11,775,669

ACTUAL AND HYPOTHETICAL CONTRIBUTIONS APPLICABLE TO THE FISCAL YEAR
ENDING SEPTEMBER 30, 2018

Valuation Date: 10/1/2016

	ACTUAL	HYPOTHETICAL
	7.50%	5.50%
	RP-2000	RP-2000
	Generational	Generational
<u>PENSION COST</u>		
Normal Cost (with interest)	448,956	706,767
Administrative Expenses (with interest)	44,130	43,705
Payment Required To Amortize UAAL (with interest)	621,354	1,008,637
Total Required Contribution	\$1,114,440	\$1,759,109

¹ The asset values and liabilities for DROP Members include accumulated DROP Balances as of 9/30/2016.