

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 <sup>1</sup>	(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
-----------------	--------------

<sup>1</sup>Investment 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
	<u>54</u>

*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:

Asset Class	Target Allocation
Domestic Equity	55%
International Equity	10%
Fixed Income	35%
Total	100%

### *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	<u>\$ (6,095,776)</u>
Sponsor's Net Pension Liability	<u>\$ 2,374,982</u>
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	6.00%
Investment Rate of Return	7.50%

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 7.50 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 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
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	(138,507)
Net Change in Total Pension Liability	<u>990,619</u>
Total Pension Liability - Beginning	7,480,139
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	4,817,776
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)	\$ -
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%