

**CITY OF NORTH MIAMI BEACH
RETIREMENT PLAN FOR
POLICE OFFICERS & FIREFIGHTERS**

**ACTUARIAL VALUATION
AS OF
OCTOBER 1, 2008**

(to determine the employer cost for the year starting October 1, 2009)



Bolton Partners, Inc.
Baltimore, Maryland
Washington, DC
West Palm Beach, Florida
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BOLTON PARTNERS, INC.

April 20, 2009

Marty Lebowitz
City of North Miami Beach
17011 NE 19th Ave.
Room #428
North Miami Beach, Florida 33162

*Re: Police Officers & Firefighters 2008
Valuation*

Dear Mr. Lebowitz:

The following report sets forth the actuarial valuation as of October 1, 2008 of the City of North Miami Beach Retirement Plan for Police Officers and Firefighters, for the plan year beginning on that date. The valuation is based on participant data as submitted by the Retirement administrator and unaudited asset data as submitted by the City.

INVESTMENT PERFORMANCE

The market value of plan assets as of September 30, 2008 was \$51,978,183. The average investment return for the fund on a market basis for the year ended September 30, 2008 was (14.86%) and 4.91% on an actuarial basis.

The plan utilizes an actuarial averaging method to smooth out swings in investment performance and thus in asset values from year to year. Under this method, investment gains or losses outside of the 8% gross return assumption are phased in over a five-year period. As of September 30, 2008, the actuarial value of assets was \$61,127,239. Details of the development of the actuarial value of assets are set forth later in this report.

PRINCIPAL RESULTS

The principal purpose of the valuation is to set forth the City's contributions for the fiscal year ending September 30, 2010. In addition, the report sets forth the information on the plan for the City's financial statements and for the plan's own financial statements.

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Actuarial, Benefit and Investment Consultants

Mr. Marty Lebowitz

April 20, 2009

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The total recommended employer (City) contribution for the firefighter portion of the plan remains at zero. Based on the Actuarial Value of Assets, the State contributions are expected to fully fund this portion of the plan.

The basic recommended employer contribution for the police portion of the plan for FY10 is \$4,521,657. For FY09 the recommended employer contribution for the police portion of the plan was \$4,361,589. The cost as a percentage of payroll increased from 43.2% to 46.4%. This cost is in addition to employee contributions of 10.5% of payroll for Police officers. The increase in the percentage can be broken down to the following material factors, some of which are described in more detail below.

Prior Valuation Result	43.2%
Investment Results	0.9%
Change in Assumptions	0.0%
Plan Change (DROP period)	0.0%
Other Sources	2.3%
Current Valuation Results	46.4%

The increase for "other sources" is a reflection of the expected dollar growth in the amortization payment while the actual (non-DROP) payroll declined. The Normal Cost also declined slightly.

In addition to what we have referred to as the "basic" contribution, Ordinance 2007-03 requires a minimum additional annual contribution of \$200,000 to bring the expected funded percentage to 70% by 2014. The amount needed is much higher: \$3,050,000. This would bring the total contribution to over \$7.5 million and is likely to increase materially again next year. There are material issues discussed at the end of this letter concerning the 70% funding rule.

The overall funded ratio for the plan increased from 59.7% to 60.5% (58.3% to 58.7% for Police and 77.3% to 89.7% for Firefighters). The Firefighter change was in part due to replacing future COLAs with an expanded gain sharing plan.

One key purpose of this report is to determine the contribution for the fiscal year beginning on October 1, 2009. However, the valuation date is as of a year earlier. Therefore some methodology must be used to adjust for this timing difference. The methodology that has been in place is to use the dollar cost for the year beginning October 1, 2008 and adding 5% to adjust for payroll and contribution growth to the year ending on September 30, 2010. This means that the dollar amount of the annual required contribution for FY10 will be the \$4,521,657 amount shown in this report plus the \$200,000 minimum additional annual contribution.

COMPENSATION INFORMATION AND PAYROLL GROWTH ASSUMPTION

The amortization of the unfunded liability for police is based on the selection of (1) the number of years over which the unfunded liability is amortized, (2) the interest assumption and (3) the growth in total covered payroll. This last assumption currently is that total payroll will increase 5% per year and we have not changed this assumption. We did look at the change in average police pay over the last 10 years and found that it did support a 5% growth rate. This was one of the assumptions questioned in the December 2006 audit. We agree that a 5% assumption is high. Typically, the payroll growth rate experience and assumption are in the 3% to 4% range. A lower assumption will result in a higher current required City contribution. The City needs to be prepared to lower this assumption if either (1) in the future, experience no longer supports a 5% assumption, or (2) the City believes that the 5% assumption is not a realistic assumption for the future.

The unfunded liability for Firefighters followed is amortized as a level percentage of payroll over the expected future lifetime of the remaining retirees in the plan.

In this valuation report we show an estimated FY09 payroll of \$9,286,431. This is the expected payroll for the 94 active police officers. It is based on the actual FY08 payroll (including overtime) for these same individuals plus one year's assumed pay increase. For those hired in FY08, the FY08 pay was first annualized. In the prior year's report the FY07 covered payroll for 104 police officers was \$9,608,616. There is no one who will reach the age at which the retirement assumption is 100% in the coming year, therefore the active payroll for participants under the 100% retirement assumption is \$9,286,431. Last year the City's cost as a percentage of payroll was 43.2% and based on the \$9,608,616 payroll figure. This year the cost is 46.4% and based on the \$9,286,431 amount.

INFORMATION ON PAY RAISES AND INVESTMENT RETURN OVER THE LAST FOUR YEARS

The following compares the actual and expected increases in pay and investments over the last three years. These are two of the more important assumptions used to determine the City's cost. For this purpose, pay raises are measured excluding new hires and those who left during the year.

Year	Assumed Investment Return	Actual (MV) Investment Return	Assumed Average Pay Raise	Actual Average Pay Raise
FY08	8.0%	(14.9)%	7.5%	5.6%
FY07	8.0%	13.9%	7.4%	9.0%
FY06	8.0%	7.0%	7.6%	9.2%

STATE CONTRIBUTIONS

Details of the State contribution balances are shown at the end of the report. For the Police portion of the plan, the cumulative balance is \$64,795. This is the same as in the prior year. The \$64,795 balance cannot be accessed unless another benefit improvement is made. We understand that the full balance can be used to offset the extra liability associated with a benefit improvement but this was not done when the prior improvement was made.

For the Firefighters portion, the State contribution balance for 2007 was \$659. The City passed ordinance 2009-3 eliminating future COLA increases. The money instead will be used to increase share payments. The cumulative balance for 2008 is \$230,170. This change is significant and the following points should be noted:

1. The 2001 retiree increase of 9.5% will continue to be paid and funded from excess State contributions. To the extent that there are no excess contributions, the payments will stop.
2. A portion of the basic state contribution (\$155,242) had been allocated to pay a 2% COLA each year to certain retirees. Future 2% COLAs will no longer be paid and the money that would have been allocated to the COLA will be added to the share plan allocation.
3. There were other changes made including: moving to a calendar year basis to allocate State funds, recovery of past overpayments and service crediting for the share plan design.

EXTRA CONTRIBUTIONS REQUIRED BY ORDINANCE 2007-3 AND INVESTMENT LOSSES AFTER SEPTEMBER 30, 2008

In last year's valuation we were expected to reach the 70% funding goal by the beginning of FY2014 without any additional contributions above the \$200,000 minimum. That is no longer the case. In addition, we only have four years (FY10-13) to make up the shortfall. The amount required under the current rules requires some interpretation by the trustees. However, regardless of the interpretation, losses that will be recognized in the next few valuations will require material increases in these special contributions and during a time when the number of years prior to FY2014 will be shrinking.

Our first issue for the Board is to confirm that the funded ratio in FY2014 is based on the Actuarial Value of Assets. We believe that this is the proper measurement.

Our second issue is whether to assume (1) the current actuarial value of assets will grow at 8% or (2) the market value will grow by 8% and the scheduled phase in of past market losses that will be recognized by FY2014 should be considered. I believe that we should assume that the second method is appropriate. Based on this method, the additional contribution for FY10 is \$3,050,000. This effectively recognizes the difference between the October 1, 2008 actuarial value of assets (\$61 million) and the market value (\$52 million).

Mr. Marty Lebowitz
April 20, 2009
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The final issue does not impact this year's results but will impact next year's. We understand that the Market Value of assets as of March 31, 2009 is close to \$42 million (a drop of another \$10 million). While the final September 30, 2009 value may not be known, it would seem reasonable to expect the FY11 contribution to increase by another \$3+ million due to the 70% requirements.

The balance of this report sets forth details of changes in participation in the plan and the results of the valuation. A statement of funding progress under GASB 25 is also included.

Sincerely,

BOLTON PARTNERS, INC.

A handwritten signature in black ink, appearing to read 'TBL', with a long horizontal flourish extending to the right.

Thomas B. Lowman, FSA

Trust Fund Asset Statement

City of North Miami Beach Police and Fire
Employees' Retirement Plan

**TRUST FUND ASSET STATEMENT FOR
YEAR ENDED SEPTEMBER 30, 2008**

Original Market Value at 9/30/2007	\$ 59,522,031
Adjustment to Match Auditors Report	<u>168,631</u>
Adjusted Market Value at 9/30/2007	\$ 59,690,662
<u>Receipts</u>	
State Contributions	\$ 759,296
City Contributions	4,338,288
Employee Contributions	1,179,175
Investment Income including Gain/(Loss)	<u>(8,965,682)</u>
Total Receipts	\$ (2,688,923)
<u>Disbursements</u>	
Benefit Payments	\$ 4,625,597
Return of Employee Contributions	30,934
Lump Sum Death Benefits	0
Investment Advisory Fees	200,244
Administrative Expenses	<u>166,781</u>
Total Disbursements	\$ 5,023,556
Net Increase/(Decrease)	\$ (7,712,479)
Estimated Gross Rate of Return	(14.86%)
Market Value at 9/30/2008	\$ 51,978,183

INVESTMENTS AS OF SEPTEMBER 30, 2008

Cash	\$1,567,558
Mutual Funds	10,931,154
US Government Securities	12,758,172
Corporate Bonds	5,122,909
Corporate Stocks	21,234,378
Accrued Interest and Dividends	212,132
Other Receivables	213,825
Payables	<u>(61,945)</u>
Net Assets	\$51,978,183

**Development of Actuarial
Value of Assets**

City of North Miami Beach Police and Fire
Employees' Retirement Plan

ACTUARIAL VALUE OF ASSETS

<u>Development of Gain/(Loss) on Assets</u>	10/01/2007	10/01/2008
	<u>Valuation</u>	<u>Valuation</u>
(1) Beginning of Year Market Value	\$51,526,542	\$59,690,662*
(2) Expected Interest on Assets (8.00% x (1))	4,122,123	4,775,253
(3) Total Plan Contributions	5,538,208	6,276,759
(4) Total Benefit Payouts	(4,503,688)	(4,656,531)
(5) Administrative Expenses	(146,133)	(166,781)
(6) Interest on (3), (4), and (5)	<u>34,852</u>	<u>57,019</u>
(7) Expected End of Year Market Value	\$56,571,904	\$65,976,381
(8) Actual End of Year Market Value	\$59,522,031	\$51,978,183
 (9) Gain/(Loss) on Assets ((8) - (7))	 \$2,950,127	 (\$13,998,198)
* Includes adjustment of \$168,631		
 <u>Development of Actuarial Value of Assets</u>		
(1) End of Year Market Value	\$59,522,031	\$51,978,183
(2) Phase-in of Gain or (Loss)		
(a) Excess/(Deficiency) During Valuation Year	\$2,950,127	(\$13,998,198)
(b) Excess/(Deficiency) During Valuation Year - 1	(633,906)	2,950,127
(c) Excess/(Deficiency) During Valuation Year - 2	1,190,113	(633,906)
(d) Excess/(Deficiency) During Valuation Year - 3	<u>(195,398)</u>	<u>1,190,113</u>
(e) Total Adjustment	\$2,416,723	(\$9,444,021)
[80% x (a) + 60% x (b) + 40% x (c) + 20% x (d)]		
(3) Preliminary Actuarial Asset Value as of Valuation Date	\$57,105,308	\$61,422,204
(4) 80% of Market Value	\$47,617,625	\$41,582,546
(5) 120% of Market Value	\$71,426,437	\$62,373,820
(6) Adjusted Actuarial Asset Value as of Valuation Date	\$57,105,308	\$61,422,204
[(3), but not less than (4) or more than (5)]		
(7) Amounts Excluded		
a. Excess State Contributions	(65,454)	(294,965)
b. Service and Multiplier Purchases in Process	<u>N/A</u>	<u>N/A</u>
(8) Final Actuarial Asset Value as of Valuation Date	\$57,039,854	\$61,127,239
[(6) + (7a) + (7b)]		

Participant Schedules

City of North Miami Beach Police and Fire
 Employees' Retirement Plan

PARTICIPANT SUMMARY

	Active Participant	DROP	Inactive Participants			Total
			Terminated Vested	Retirees & Beneficiaries	Disabled	
Participants as of October 1, 2007	104	7	1	94	9	215
Retired	(2)	(1)	-	3	-	-
Terminated Vested	-	-	-	-	-	-
Terminated Non-Vested/Paid Lump Sum	(1)	-	-	-	-	(1)
Disabled	(1)	-	-	-	1	-
Refunds	-	-	-	-	-	-
Deceased without Beneficiary	-	-	-	-	-	-
Rehired	-	-	-	-	-	-
QDRO Put in Pay	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
New Hires	1	-	-	-	-	1
DROP	(7)	7	-	-	-	-
Data Adjustment	-	-	-	1	(1)	-
Net Change	(10)	6	-	4	-	-
Participants as of October 1, 2008	94	13	1	98	9	215

Service - Age Distribution

City of North Miami Beach Police and Fire
 Employees' Retirement Plan

AGE, SERVICE AND AVERAGE SALARY DISTRIBUTION

Age as of 10/1/2008	Years of Service							Total
	Under 1	01 - 04	05 - 09	10 - 14	15 - 19	20 - 24	25 & up	
Under 25	0	7	0	0	0	0	0	7
	0	62,697	0	0	0	0	0	62,697
25 - 29	0	8	0	0	0	0	0	8
	0	81,081	0	0	0	0	0	81,081
30 - 34	0	4	8	3	0	0	0	15
	0	83,641	103,528	107,806	0	0	0	99,081
35 - 39	0	2	7	14	6	1	0	30
	0	88,186	96,564	108,660	103,259	128,092	0	104,040
40 - 44	0	2	3	4	6	4	0	19
	0	78,268	100,311	107,761	118,244	112,512	0	107,791
45 - 49	0	2	0	2	9	1	0	14
	0	82,871	0	98,417	108,612	113,677	0	103,840
50 - 54	0	0	0	0	0	1	0	1
	0	0	0	0	0	89,691	0	89,691
55 - 59	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
60 - 64	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
65 - 70	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
70 & up	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0
Totals	0	25	18	23	21	7	0	94
	0	76,830	100,284	107,502	109,835	111,644	0	98,792

Average Age: 37.20

Average Service: 10.36

Average Salary: \$98,792

Actuarial Costs

City of North Miami Beach Police and Fire
Employees' Retirement Plan

ACTUARIAL COSTS (Police and Firefighters)

	<u>As of</u> <u>10/01/2007</u>	<u>As of</u> <u>10/01/2008</u>
Participants		
Active	104	94
DROP	7	13
Terminated Vested	1	1
Disabled	9	9
Retirees & Beneficiaries	<u>94</u>	<u>98</u>
Total	215	215
Active Payroll	\$ 9,608,616	\$ 9,286,431
Actuarial Liability		
Active Participants	\$ 33,968,766	\$ 32,398,716
DROP	6,111,728	11,724,291
Terminated Vested Participants	98,808	106,711
Disabilities	1,411,074	1,465,507
Retirees & Beneficiaries	<u>\$ 53,973,819</u>	<u>\$ 55,379,912¹</u>
Total	\$ 95,564,195	\$101,075,137
Actuarial Value of Assets	\$ 57,039,854	\$ 61,127,239
Unfunded Actuarial Liability	\$ 38,524,341	\$ 39,947,898
Funded Percentage	59.7%	60.5%

¹ Includes \$5,947,394 of retired fire liability.

City of North Miami Beach Police and Fire
Employees' Retirement Plan

DETERMINATION OF CITY CONTRIBUTION

The City's contribution is based on (1) the Normal Cost plus (2) an amortization payment less (3) expected Employee and State contributions. The police plan amortization amounts are based on a "level percentage of pay" method which assumes payments (and covered payroll) increase by 5% each year. The firefighter plan amortization is based on the expected life of the remaining retirees. This valuation determines the employer contribution for the year ending September 30, 2010. The prior year's amounts are shown for comparison. The amounts required by Ordinance 2007-3 are not shown on this page.

	10/01/2007			10/01/2008				
	<u>Police</u>	<u>Fire</u>	<u>Total</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>		
			<u>Percent of Payroll</u>			<u>Percent of Payroll</u>		
(A) Total Normal Cost	\$3,050,386	\$15,214	\$3,065,600	\$2,973,877	\$13,920	\$2,987,797	31.9%	32.2%
(B) Amortization Amount	<u>2,171,123</u>	<u>2,229</u>	<u>2,173,352</u>	<u>2,370,911</u>	<u>15,752</u>	<u>2,386,663</u>	22.6%	25.7%
(C) Total (A + B)	\$5,221,509	\$17,443	\$5,238,952	\$5,344,788	\$29,672	\$5,374,460	54.5%	57.9%
(D) Interest for Monthly Payments	\$204,842	\$684	\$205,526	\$209,679	\$1,164	\$210,843	2.1%	2.3%
(E) Total Minimum Contribution (C + D)	\$5,426,351	\$18,127	\$5,444,478	\$5,554,467	\$30,836	\$5,585,303	56.7%	60.1%
(F) Expected Employee Contributions	\$999,405	\$0	\$999,405	\$975,075	\$0	\$975,075	10.4%	10.5%
(G) Expected State Funding	<u>273,052</u>	<u>25,337</u>	<u>298,389</u>	<u>273,052</u>	<u>49,561</u>	<u>322,613</u>	3.1%	4.6%
(H) Net City Contributions [(E - F - G), not less than 0]	\$4,153,894	\$0	\$4,153,894	\$4,306,340	\$0	\$4,306,340	43.2%	46.4%
(I) Required City Contributions for the Following Fiscal Year ((H) x 1.05)	\$4,361,589	\$0	\$4,361,589	\$4,521,657	\$0	\$4,521,657	N/A	N/A

Firefighter Liabilities

FIREFIGHTER FUNDED POSITION

All of the firefighters covered by this plan are retired. We measure their benefits two different ways: (1) with payment of the October 1, 2001 9.5% increase and (2) without payment of the October 1, 2001 9.5% increase. Unlike in prior years, there are no future COLA considered.

Method 1: The funded percentage for firefighters as of October 1, 2008 with future payment of the October 1, 2001 9.5% increase is shown in the following table. This is the basis for the liabilities shown on page 10. Our understanding is that State funding continues as long as there is an unfunded liability on this basis. In addition, State funding may continue to provide for the lump sum payments to retirees. This is based on our conversations with the State's actuaries. However, at some point (after this liability is 100% funded) the Board will need to decide when the funding is such that it must report to the State that no further State contributions should be made. We are not aware of a "bright line" test that would apply.

<u>Firefighter Liability</u>	<u>Allocated Valuation Assets</u>	<u>Funded Percentage</u>
\$5,947,394	\$5,334,390	89.7%

Method 2: The funded percentage for firefighters as of October 1, 2008, assuming no 9.5% COLA, is shown in the following table. This is the basis to determine the amortization cost on page 11.

<u>Firefighter Liability</u>	<u>Allocated Valuation Assets</u>	<u>Funded Percentage</u>
\$5,485,494	\$5,334,390	97.2%

Assumptions and Methods

ASSUMPTIONS AND METHODS

Funding Method: The Entry age Normal Cost method has been used to develop the funding requirements for the plan. The contribution equals the sum of the normal cost and the amount necessary to amortize the unfunded actuarial liabilities and any actuarial gains or losses over a period of 30 years for police and the average of expected future lifetime for firefighters. Amortization payments increase 5.0% annually.

Actuarial Asset Method: Asset smoothing method. Spreading the market value investment gains or losses in excess of the assumed return over a 5-year period. The Actuarial Value of assets cannot be less than 80%, or greater than 120% of market value. Actuarial Value of assets are adjusted not to include reserve for future benefit improvements such as excess State premium tax monies.

Valuation Rate/
Investment Return Rate: 8% compounded annually.

COLA Increases: Benefits are assumed to increase by 2.5% of the current benefit each year for police participants. Firefighter benefits are not expected to increase. This is a change from last year where benefits were expected to increase at 2.5% each year depending on available State funds or the funded status of the plan.

Salary Increases: The following graded schedule is used:

<u>Years of Service</u>	<u>Salary Scale Increase</u>
0 – 12	8.70%/yr
13 +	5.50%/yr

Salary increases for total payroll are 5.0% per year.

Inflation: 4.0% compounded annually.

Mortality: *Healthy:* Generational RP-2000 Combined Mortality Table for males and females projected using scale AA.

ASSUMPTIONS AND METHODS

(continued)

Disabled: PBGC Disabled Life Mortality Tables (III & IV).
RP-2000 for disabled retirees blended 15% female and
85% male.

Termination of Employment:

Termination rates are based on service only. Sample rates
are as follows:

<u>Years of Service</u>	Police Termination <u>Rates</u>
0 – 1	12.00%
1 – 5	6.00%
5+	0.75%

Retirement Rates:

75% of participants retire upon reaching the later of age 40
and 20 years of service. Participants continue retiring at a
rate of 50% each year until age 52 or 25 years of service.
Upon reaching age 52 or 25 years of service, 100%
retirement is assumed.

50% of retirements are assumed to join DROP. Joining
DROP is treated like a retirement. Those joining DROP
are assumed to stay in DROP for five years (this impacts
when the 2.5% COLA starts).

ASSUMPTIONS AND METHODS

(continued)

Disability Rates:

Triple the rates in the 1985 class (1) disability study rates.
 Sample rates are as follows:

Disabilities per 10,000 members

<u>Age</u>	<u>Disability</u>	<u>Age</u>	<u>Disability</u>
20	9	37	26
21	9	38	29
22	10	39	32
23	10	40	35
24	11	41	39
25	11	42	44
26	12	43	49
27	13	44	55
28	13	45	61
29	14	46	68
30	14	47	77
31	15	48	86
32	16	49	96
33	17	50	107
34	19	51	122
35	21	52	140
36	23		

Marital Status:

100% of active members are assumed to be married with
 wife 3 years younger than husband.

Plan Provisions

PLAN PROVISIONS

Eligibility Requirements:

Full-time employment with the City as a sworn police officer or former firefighter. Participants enter the plan on the first day of employment or January 1, 1990 for any employee who was a participant in the Retirement Plan for Employees of the City of North Miami Beach (effective October 1, 1965).

Final Monthly Compensation (FMC):

Average monthly compensation from the City or County for the 60 consecutive months for police officers and 18 consecutive months for firefighters, out of 120 months which gives the highest average monthly rate of compensation for the participant.

Compensation is base salary including longevity payments, but excluding overtime, bonuses, etc. Effective October 1, 1996, compensation includes day shift premiums, ALS premiums and H.V.O. premiums.

Credited Service:

Completed calendar months, from the date of employment until the first day of the month coincident with or next following a participant's date of retirement or termination.

NORMAL RETIREMENT

Normal Form of Benefit:

Life Annuity for at least a 10 year period.

Normal Retirement Date:

First of the month coincident with or immediately following the earliest of:

- (a) Attainment of age 52
- (b) For police: 20 years of service
For firefighters: 22 years of service

Normal Retirement Benefit:

For Police: 3% of final monthly compensation multiplied by years of credited service.

PLAN PROVISIONS

(continued)

For Firefighters: 3.3% of final monthly compensation multiplied by years of credited service.

Maximum Benefit: 100% of average final compensation, for members who entered the plan after 1979.

COLA:

For Police: COLA increase is 2.50% per year and is payable annually (on October 1st) to any retiree or beneficiary who has been retired for at least 3 years, and has retired on or after December 30, 1988, or retired under the Early Retirement Incentive.

For Firefighters: In lieu of the cost of living adjustments previously provided, a lump sum will be paid to all firefighter retirees and pensioners alive as of each October 1st prior to the payment of this benefit. The amount is based upon the undistributed premium tax income received during the previous calendar year, or if the payment of a year's premium tax income is delayed until after December 31st of that year then payment of the supplemental retirement benefit shall be paid within 90 days after receipt.

EARLY RETIREMENT

Normal Form of Benefit:

Life Annuity for at least a 10 year period.

Early Retirement Date:

The earlier of age 45 with 15 years of service, or the attainment of age 50 with 10 years of service.

Early Retirement Benefit:

Normal retirement benefit reduced 3% each year the employee's age at early retirement precedes their age at normal retirement.

PLAN PROVISIONS

(continued)

COLA: COLA increase is 2.50% per year and is payable annually (on October 1st) to any police officer who retired on or after December 30, 1998 and who has been retired for at least 3 years, attained age 52, and completed 20 or more years of credited service. Surviving beneficiaries receive a COLA on the same date the participant would have become eligible.

DEFERRED RETIREMENT OPTION PROVISIONS (DROP)

Normal Form of DROP Account: Lump Sum

Normal Form of DROP Benefit: Life Annuity for at least a 10 year period.

DROP Retirement Date: The earlier of age 52 with 15 years of service or the attainment of 20 years of service.

Maximum DROP Period: Eight years.

Interest Rate Credited to DROP Account: Valuation Interest Rate

DROP Benefit: Same as normal retirement benefit with FMC and service determined at entry in DROP.

COLA: COLA increase is 2.50% per year and is payable annually (on October 1st) to any police officer who has terminated active service and has been collecting benefits for at least 3 years.

DISABILITY RETIREMENT

Normal Form of Benefit: Life Annuity

Disability Retirement Date: Total and permanent disability

Disability Retirement: The greater of 60% of FMC, or the participants accrued benefit at date of disability.

PLAN PROVISIONS

(continued)

COLA:

COLA increase is 2.50% per year and is payable annually (on October 1st) to any police officer who retired on or after December 30, 1998 and who has been retired for at least 3 years and attained age 52.

Death Benefit:

In the event that the death of a disabled participant occurs after date of disability but prior to normal retirement date, the beneficiary will receive the actuarial equivalent of the greater of (A) and (B) below:

- (A) The value of the deferred monthly benefit commencing at normal retirement that the member would have accrued if they remained in active service from date of disability to date of death.
- (B) The smaller of:
 - a. 24 times FMC immediately preceding disability
 - b. 100 times the participant's anticipated monthly retirement benefit commencing on normal retirement that would have been payable if the participant had remained in service at the same rate of pay from date of disablement to date of death.

This benefit is paid as a Life Annuity and is guaranteed for at least a 10 year period

DEATH BENEFIT

Normal Form of Benefit:

Life Annuity for at least a 10 year period.

PLAN PROVISIONS

(continued)

Death Benefit

The monthly retirement income payable upon the death of a participant who is survived by a spouse and/or dependent is the actuarial equivalent of the greater of (A) and (B) below:

- (A) The single-sum value of the accrued deferred benefit commencing on Normal Retirement Date, accrued to date of death.
- (B) The smaller of:
 - a. 24 times the monthly pay on October 1 preceding the participants date of death
 - b. 100 times the anticipated monthly retirement income commencing on Normal Retirement Date.

COLA:

None.

WITHDRAWAL BENEFIT – LESS THAN 10 YEARS OF SERVICE

Form of Benefit:

Lump Sum, payable immediately.

Withdrawal Date:

First day of service, up to 10 years of credited service.

Termination Benefits:

Accumulated Employee Contributions with 3% interest.

PLAN PROVISIONS

(continued)

WITHDRAWAL BENEFIT – MORE THAN 10 AND LESS THAN 20 YEARS OF SERVICE

<u>Form of Benefit:</u>	Lump Sum paid immediately or Life Annuity for at least a 10 year period, payable at age 52.
<u>Withdrawal Date:</u>	At least 10 years of credited service, but less than 20 years of credited service.
<u>Termination Benefits:</u>	The greater of: (A) Same as normal retirement benefit with FMC and service determined at date of termination. (B) Accumulated Employee Contributions with 3% interest.

EMPLOYEE CONTRIBUTIONS

<u>Employee Contributions:</u>	Participants contribute to the plan: 10.5% of Compensation (pre-tax) for police officers. <ul style="list-style-type: none">• Ordinance 2005-6 stated in the event that the additional tax revenues provided under Section 185. Florida statutes are insufficient to fund the service related death benefit created by Ordinance 2005-6, employee contributions will increase from 10.5% to 11.1% of payroll, unless changed through collective bargaining (which it was).• Interest credited at 3% per year.
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Accounting Information

**STATEMENT NO. 25 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

Schedule of Funding Progress

(\$ in thousands)

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (2) - (1)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (2 - 1)/5
10/01/1999	\$46,825	\$53,198	88.0%	\$6,373	\$5,607	113.7%
10/01/2000	\$48,928	\$56,485	86.6%	\$7,557	\$5,782	130.7%
10/01/2001	\$48,495	\$59,272	81.8%	\$10,777	\$6,909	156.0%
10/01/2002	\$42,552	\$62,481	68.1%	\$19,929	\$7,656	260.3%
10/01/2003	\$46,360	\$70,330	65.9%	\$23,970	\$7,767	308.6%
10/01/2004	\$46,762	\$77,714	60.2%	\$30,952	\$8,137	380.4%
10/01/2005	\$47,170	\$84,260	56.0%	\$37,090	\$8,115	457.1%
10/01/2006	\$50,986	\$90,872	56.1%	\$39,886	\$8,571	465.4%
10/01/2007	\$57,040	\$95,564	59.7%	\$38,524	\$9,609	400.9%
10/01/2008	\$61,127	\$101,075	60.5%	\$39,948	\$9,286	430.2%

Schedule of Employer Cost

Fiscal Year Ended	Annual Pension Cost (APC)	Employer Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
1999	975,634	1,008,595	103%	(361,460)
2000	1,006,039	1,000,000	99%	(355,421)
2001	1,120,744	1,128,814	101%	(363,491)
2002	1,160,069	1,300,000	112%	(503,422)
2003	1,878,968	1,900,000	101%	(524,454)
2004	2,726,316	2,740,000	101%	(538,138)
2005	2,679,197	2,586,679	97%	(445,621)
2006	3,305,870	3,315,767	100%	(455,517)
2007	3,609,105	3,656,025	101%	(502,437)
2008	4,126,588 ²	4,338,288	105%	(714,137)
2009	4,346,525 ²	TBD	TBD	TBD

² Excludes \$200,000 associated with Ordinance 2007-3.

**STATEMENT NO. 25 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

(continued)

Schedule of Employer Contributions

Fiscal Year Ended September 30	Annual Required Contribution (ARC)	Employer Contribution	Percentage Contributed
1999	\$ 983,093	\$1,008,595	103%
2000	1,014,246	1,000,000	99%
2001	1,128,814	1,128,814	100%
2002	1,168,322	1,300,000	111%
2003	1,891,578	1,900,000	100%
2004	2,738,675	2,740,000	100%
2005	2,691,879	2,586,679	96%
2006	3,315,767	3,315,767	100%
2007	3,620,765	3,656,025	101%
2008	4,138,280	4,338,288	105%

Development of Net Pension Obligation

Fiscal Year Ending September 30	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual Required Contribution (ARC)	\$4,361,589	\$4,138,280	\$3,620,765
Interest on Net Pension Obligation (Asset)	(57,131)	(40,195)	(36,441)
Adjustment to ARC	<u>42,067</u>	<u>28,503</u>	<u>24,781</u>
Annual Pension Cost	4,346,525	4,126,588	3,609,105
Contributions Made	TBD	<u>4,338,288</u>	<u>3,656,025</u>
Increase (decrease) in Net Pension Obligation (Asset)	TBD	(211,700)	(46,920)
Net Pension Obligation (Asset) Beginning of Year	TBD	<u>(502,437)</u>	<u>(455,517)</u>
Net Pension Obligation (Asset) End of Year	TBD	(714,137)	(502,437)

**STATEMENT NO. 25 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

(continued)

PARTICIPANTS IN THE OCTOBER 2008 VALUATION

Active Vested	45
Active Non Vested	49
Drop	13
Terminated Vested	1
Disabled	9
Retirees and Beneficiaries	<u>98</u>
Total	215

ASSUMPTIONS AND METHODS

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Actuarial cost method	Entry Age Normal
Amortization method	Level percent of pay
Remaining amortization period	Police: Remaining Amortization periods range from 11 to 30 years. Fire: Amortization period is based on the average future lifetime of the remaining retirees.
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0% (before expenses)
Projected salary increases	Varies by service
Post Retirement Cost-of-living adjustments	2.5% per year, compounded (police only)

State Required Exhibits

City of North Miami Beach Police and Fire
 Employees' Retirement Plan

**CUMULATIVE BALANCE
 OF STATE CONTRIBUTIONS**

POLICE

Year Ending	Police State	Benefit	Base Plus	Excess	Cumulative
<u>9/30</u>	<u>Contributions</u>	<u>Changes</u>	<u>Benefit</u>	<u>Contributions</u>	<u>Balance</u>
			<u>Improvements</u>	<u>Total</u>	
2008	\$273,052	\$ -	\$308,312	\$ -	\$64,795
2007	273,052	-	308,312	-	64,795
2006	273,148	-	308,312	-	64,795
2005	273,052	42,869	308,312	-	64,795
2004	330,238	-	265,443	64,795	64,795
2003	253,218	-	265,443	-	-
2002	237,243	-	265,443	-	-
2001	226,942	-	265,443	-	-
2000	210,181	-	265,443	-	-
1999	240,327	-	265,443	-	-
1998	265,443	-	265,443	-	-

ATTACHMENT 6(b)

Recognition of Fire Benefit Improvement

The Firefighters (all now retired) had allocated certain state money to provide a variety of future COLAs and some for lump sum share payments. This had become complex and the decision was made to provide no further COLA increases but rather to increase the share payments. This change was unanimously approved by the retired members and approved by the City (Ordinance 2009-3).

The impact of this change is to reduce what had been characterized as a "recurring cost" to the 1997 base year amount. All additional funds will be used to provide lump sums or fund the "9.5%" ad-hoc COLA from 2001 which is funded on a pay-as-you-go basis. We intend to characterize these additional funds as One-time use payments.

The first new share payment was made in 2009 (during FY2009). The amount was \$549,676. This amount in part came from the following sources:

\$659 carryover + (\$272,418 + \$168,630) FY08 State contributions + \$213,825 State contribution received after 9/30/08 but in CY2008 - \$155,242 base amount for FY08 = \$500,290.

A portion of this amount (\$56,295) was allocated in FY 2008 to pay the continuing pay-as-you-go cost for the 2001 9.5% benefit increase. However, the City also added \$105,681 from the \$155,242 base amount. The \$105,681 was originally to be spent on a COLA for certain retirees but this was changed by Ordinance 2009-3. Therefore $\$500,290 - \$56,295 + \$105,681 = \$549,676 =$ amount for FY09 share payment.

The total excess amount shown below of \$230,170 plus \$213,825 plus \$105,681 equals \$549,676 paid in FY09. Of this amount, \$204,321 went to fully recover past overpayments. The balance of \$345,354 was paid in the form of lump sums.

<u>Year</u> <u>Ending</u> <u>9/30</u>	<u>Regular</u> <u>Fire State</u> <u>Contributions</u>	<u>Supplemental</u> <u>Fire State</u> <u>Contributions</u>	<u>Benefit</u> <u>Improvements</u>	<u>Base</u> <u>Amount</u>	<u>Excess</u> <u>Contributions</u> <u>Total</u>	<u>Cumulative</u> <u>Balance</u>
2008	\$272,418	\$168,630	\$56,295	155,242	229,511	\$230,170
2007						\$659

City of North Miami Beach Police and Fire
Employees' Retirement Plan

UNFUNDED LIABILITY AMORTIZATION SCHEDULES

Date of Origin	Source	10/01/2008			10/01/2008		
		Total Balance	Police	Fire	Total Payments	Police	Fire
10/01/1989	Unfunded Liability	3,930,173	3,937,709	(7,536)	409,703	410,489	N/A
10/01/1990	Actuarial (Gain)/Loss	2,960,977	2,966,656	(5,679)	286,742	287,292	N/A
10/01/1991	Actuarial (Gain)/Loss	(4,736,125)	(4,745,208)	9,083	(429,019)	(429,842)	N/A
10/01/1992	Actuarial (Gain)/Loss	(1,176,247)	(1,178,504)	2,257	(100,253)	(100,445)	N/A
10/01/1993	Actuarial (Gain)/Loss	(2,242,894)	(2,247,194)	4,300	(180,779)	(181,125)	N/A
10/01/1994	Actuarial (Gain)/Loss	2,758,184	2,763,476	(5,292)	211,157	211,562	N/A
10/01/1994	Plan Amendment	943,600	945,411	(1,811)	72,239	72,377	N/A
10/01/1995	Actuarial (Gain)/Loss	(4,196,140)	(4,204,185)	8,045	(306,301)	(306,888)	N/A
10/01/1995	Assumption Change	1,650,268	1,653,432	(3,164)	120,463	120,694	N/A
10/01/1996	Actuarial (Gain)/Loss	(447,076)	(447,933)	857	(31,223)	(31,283)	N/A
10/01/1996	Assumption Change	(205,044)	(205,439)	395	(14,320)	(14,347)	N/A
10/01/1996	Plan Amendment	11,690,756	11,713,173	(22,417)	816,459	818,025	N/A
10/01/1997	Actuarial (Gain)/Loss	(1,731,640)	(1,734,962)	3,322	(116,053)	(116,276)	N/A
10/01/1997	Plan Amendment	4,403,488	4,411,933	(8,445)	295,118	295,684	N/A
10/01/1997	Assumption Change	(7,619,183)	(7,633,793)	14,610	(510,631)	(511,610)	N/A
10/01/1998	Actuarial (Gain)/Loss	358,477	359,163	(686)	23,118	23,162	N/A
10/01/1998	Plan Amendment	1,483,540	1,486,387	(2,847)	95,671	95,855	N/A
10/01/1999	Actuarial (Gain)/Loss	(1,144,565)	(1,146,759)	2,194	(71,198)	(71,334)	N/A
10/01/2000	Actuarial (Gain)/Loss	1,591,005	1,594,057	(3,052)	95,675	95,858	N/A
10/01/2001	Actuarial (Gain)/Loss	13,689,756	13,716,008	(26,252)	797,427	798,956	N/A
10/01/2001	Assumption Change	1,876,510	1,880,106	(3,596)	109,307	109,516	N/A
10/01/2001	Methodology Change	(12,222,128)	(12,245,565)	23,437	(711,938)	(713,303)	N/A
10/01/2001	Plan Amendment - Police	(104,031)	(104,031)	0	(6,060)	(6,060)	N/A
10/01/2001	Plan Amendment - Fire	1,444,587	0	1,444,587	84,147	0	N/A

City of North Miami Beach Police and Fire
Employees' Retirement Plan

UNFUNDED LIABILITY AMORTIZATION SCHEDULES
(cont)

Date of Origin	Source	10/01/2008		10/01/2008		Fire	Police	Fire	Police	Total
		Balance	Police	Fire	Payments					
10/01/2002	Actuarial (Gain)/Loss	9,157,908	9,175,468	(17,560)	517,673	N/A	518,665	N/A	N/A	
10/01/2002	Assumption Change	4,221,896	4,229,991	(8,095)	238,653	N/A	239,110	N/A	N/A	
10/01/2003	Actuarial (Gain)/Loss	(1,656,188)	(1,429,170)	(227,018)	(91,004)	N/A	(78,530)	N/A	N/A	
10/01/2003	Plan Amendment - Police	1,511,366	1,511,366	0	83,046	N/A	83,046	N/A	N/A	
10/01/2004	Plan Amendment - Police	228,985	228,985	0	12,249	N/A	12,249	N/A	N/A	
10/01/2004	Plan Amendment - Police	460,326	460,326	0	24,625	N/A	24,625	N/A	N/A	
10/01/2004	Assumption Change	694,495	694,495	0	37,151	N/A	37,151	N/A	N/A	
10/01/2004	Actuarial (Gain)/Loss	7,115,970	6,546,708	569,262	380,663	N/A	350,211	N/A	N/A	
10/01/2005	Actuarial (Gain)/Loss	3,453,229	2,882,987	570,242	180,096	N/A	150,357	N/A	N/A	
10/01/2005	Methodology Change	1,032,719	891,582	141,137	53,859	N/A	46,499	N/A	N/A	
10/01/2006	Assumption Change	606,988	606,988	0	30,903	N/A	30,903	N/A	N/A	
10/01/2006	Actuarial (Gain)/Loss	1,551,490	1,815,667	(264,177)	78,990	N/A	92,439	N/A	N/A	
10/01/2007	Assumption Change	(372,973)	(372,973)	0	(18,559)	N/A	(18,559)	N/A	N/A	
10/01/2007	Actuarial (Gain)/Loss	(3,491,204)	(1,315,157)	(2,176,047)	(173,725)	N/A	(65,443)	N/A	N/A	
10/01/2007	Actuarial (Gain)/Loss	2,014,743	1,873,693	141,050	98,099	N/A	91,231	N/A	N/A	
	Total	39,485,998	39,334,894	151,104	2,392,170		2,370,911		15,752*	

Note: Bases are amortized as a level percent of payroll each year. Total payroll is assumed to increase 5.0% annually.

* The entire firefighter unfunded liability is amortized over the average future lifetime of the remaining retirees.

City of North Miami Beach Police and Fire
Employees' Retirement Plan

CERTIFICATION

This actuarial valuation and cost determination was 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, the techniques and assumptions used are reasonable and meet the requirements and intent of Part VII, Chapter 112, Florida Statutes. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.

Thomas B. Lowman, FSA, EA, MAAA
Chief Actuary
Enrollment number 08-3201