

MINUTES

**GENERAL EMPLOYEES' RETIREMENT COMMITTEE
AND
POLICE OFFICERS' & FIREFIGHTERS'
RETIREMENT COMMITTEE MEETING**

THURSDAY - JULY 15, 2010 - 2:00 PM

PRESENT

Councilwoman Beth Spiegel
Sgt. Leo Socorro –Chair
Chief Linda Loizzo
Sgt. Mo Asims
Councilman John Julien
Councilwoman Barbara Kramer
Councilman Frantz Pierre
Lori Helton – Chair
Vic Espinal

ALSO PRESENT

Robert Sugarman – Plan Attorney
Bonni Jensen – Pension Attorney
Larry Wilson – GRS Actuary
Martin Lebowitz – Pension Administrator
Kelvin Baker – City Manager
Darcee Siegel - City Attorney
Roz Weisblum - Asst. City Manager
Approximately 100 employees, retirees and
citizens

ABSENT

Larry Gordon

DEPARTMENT REPRESENTATIVES

The meeting was called to order at 2:12 p.m. by Sgt. Socorro and was followed by a roll call of Trustees.

I. OATH OF OFFICE TO RETIREMENT COMMITTEE MEMBERS

Swearing in of Councilwoman Beth Spiegel by Susan Owens, City Clerk the Oath of Office for City of North Miami Beach Police & Fire Retirement Committee.

II. MERGER OF MANAGEMENT PLAN INTO THE
GENERAL EMPLOYEES' RETIREMENT PLAN

(Larry Wilson)

Larry Wilson, actuary for General Employees Retirement Plan was retained by the City Attorney's Office to determine the financial effect of merging the Management Pension Plan with the Retirement Plan for General Employees' of the City of North Miami Beach.

Larry Wilson was contacted by Lori Helton(at the request of Darcee Siegel, City Attorney) to request an actuarial impact study showing the financial affect of merging the Management Plan into the General Employees Retirement Plan. The cost of the study was being paid for by the City, not the pension plan.

Larry Wilson had requested data from the City, had some questions and is awaiting responses to complete the report.

Larry Wilson handed out a comparison of the plan provisions for each plan. **SEE ATTACHED REPORT. (Exhibit 1)**

Councilman Julien asked Larry Wilson by merging the two Plans does that merger adversely affect the General Employees' Retirement Plan. Larry Wilson responded, at this time we have not received all the data and cannot make that determination. Councilman Julien had a follow-up question to Larry Wilson: since you don't have all the data necessary to render a report, the trustees for the General Employees' Retirement Plan cannot or should not make that final decision until you the actuary have completed your report. Larry Wilson agreed with Councilman Julien's statement. It is Larry Wilson's understanding that the Management Plan employees will maintain their same benefits and any new management employee hired after 9/30/2010 would come under the provision of the General Employees Plan.

Vic Espinal asked if the Management Plan merges with the General Employee Plan will there be two Retirement Boards? Bob Sugarman stated according to his understanding, the Management Plan would be administrated by the General Employees' Retirement Board.

III. ORDINANCE 2010-15, 2010-16 AND 2010-17

(Bob Sugarman)

Bob Sugarman discussed the following:

1. Our approach: what's in the best interests of the participants and beneficiaries of the pension plan? Sections 5.08(a) of each Plan and state law: 112.656 Fiduciary duties; certain officials included as fiduciaries—

(1) A fiduciary shall discharge his or her duties with respect to a plan solely in the interest of the participants and beneficiaries for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the plan.

2. Jim Linn's opinion letter

- a. No cases directly on point
- b. Cases cited are distinguishable
- c. Case that J. Linn says permits delegation may apply to facts of this case
- d. Response to suggestions for outside counsel
 - i. Bonni Jensen, pension lawyer
 - ii. Constitutional lawyer
- e. Chapter 185 calls for member votes on certain issues

Bob Sugarman introduced Bonni Jensen to both Retirement Plans to work as co-counsel on these issues. Also, Bob Sugarman would like to hire a constitutional lawyer, Bruce Rogow, who is a professor of law at Nova Southeastern Law School. There was a discussion on the fees to hire the attorneys by the trustees. Bob Sugarman stated the fees for Bruce Rogow are approximately \$750.00 an hour. Bonnie Jensen's fees will be the same rate that Bob Sugarman charges at \$270 per hour.

Following discussion, motion by Sgt. Asim, seconded by Chief Loizzo, to hire Bonni Jensen as co-counsel to Bob Sugarman contingent on the General Employees' Retirement Plan sharing the cost.

Roll Call Vote:	Councilwoman Spiegel	Yes
	Councilman Julien	Yes
	Chief Loizzo	Yes
	Sgt. Asim	Yes
	Sgt. Socorro	Yes

Motion carried.

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Following discussion, motion by Sgt. Asim, seconded by Chief Loizzo, to hire Bruce Rogow as constitutional attorney contingent on the General Employees' Retirement Plan sharing the cost.

Roll Call Vote:	Councilwoman Spiegel	Yes	
	Councilman Julien	Yes	
	Chief Loizzo	Yes	
	Sgt. Asim	Yes	
	Sgt. Socorro	Yes	<u>Motion Carried</u>

Following discussion, motion by Victor Espinal, seconded by Councilwoman Kramer, to hire Bonni Jensen as co-counsel to Bob Sugarman.

Motion carried.

Following discussion, motion by Victor Espinal, seconded by Councilwoman Kramer, to hire Bruce Rogow as constitutional attorney.

Motion carried

3. Is vote required for amendments proposed by city? Each plan requires member votes of approval "before the Plan may be amended by the City Council" unless such amendment pertains to the actuarial soundness of the Plan as determined by the actuary employed by the City Council in accordance with Section 5.06 or if such amendment shall be necessary to comply with any laws or regulations of the United States or of any State to qualify this as a tax exempt plan and trust.
 1. Can Plans be amended to delete member approval requirement without a vote of members?
 - a. This is an amendment to each Plan and thus by the terms of the Plans themselves, they require member approval
 - b. This amendment deleting member approval does not "pertain to actuarial soundness of the Plan" and is not necessary to qualify as a tax-exempt plan

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- c. Ord. 98-2, which lowered GE member approval requirement from 75% to 66 2/3% was submitted to and approved by members
 - d. But J. Linn opines that the vote of members on any amendments is unconstitutional
 - 2. Can supplemental contributions requirement of P&FF Plan be amended without a vote of the members?
 - a. Does it "pertain to the actuarial soundness of the Plan" or is it a funding requirement?
 - b. The 7 year/ 70% supplemental contributions amendment was submitted to and approved by members
 - 3. Can the members, liabilities and assets of the management plan be added to the GE plan?
 - a. It is an amendment to definition of "employee" in Article II of the Plan and thus an amendment to the membership provisions of the Plan
 - b. To the extent that managerial benefits differ, it is an amendment to the Plan
 - c. It is not necessary to qualify as a tax-exempt plan
 - d. It does not pertain to the actuarial soundness of the GE Plan.
 - 4. Interpretation of pension plans within trustees' authority: S5.05(a) of each Plan:
Construction of Plan - In order to effectuate the purposes of the Plan, the Retirement Committee shall have the power to construe the Plan, to supply any omissions therein, to reconcile and correct any errors or inconsistencies and to make equitable adjustments for any mistakes or errors made in the administration of the Plan.
 - a. Thus the trustees can "construe" the member approval sections of each Plan to decide whether:

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- i. City's proposed changes are amendments to each Plan
 - ii. Whether they pertain to actuarial soundness of GE or P&FF Plan or are necessary to qualify each Plan as tax-exempt
 - iii. Whether member approval requirements are unconstitutional and thus should not be followed or enforced
- b. Thus Trustees can decide whether to submit amendments to approval vote of members
- c. Trustees of each Plan apparently construed each plan to require member approval;
 - i. Of changing percentage of member approval required since GE trustees submitted Ord. 90-2 to member approval
 - ii. Of 7 years of supplemental contributions since P&FF trustees submitted ordinance to member approval

5. Recommendations

- a. Conduct votes of members on each amendment
 - i. If members approve by required majorities (66.67% for GE and 60% for P&FF), then matter is resolved
 - ii. If members disapprove, then inform City Council; if Council adopts an unapproved ordinance, we meet again to discuss alternatives
 - 1. prefer not to discuss alternatives now since it is speculative upon votes of members and City Council
 - 2. if conducting votes causes litigation, we can discuss litigation strategy in executive session
 - 3. if litigation is brought by members or unions, and if Plans are made parties, we can discuss in executive session

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When conducting the vote, the Trustees will not campaign for or against this proposed ballot vote.

There was a 10 minute break to have Bob Sugarman talk to the City Manager and City Attorney to see if they would table the second reading of Ordinance 2010-15 and 2010-17 for their next meeting on July 20, 2010. Bob Sugarman updated the committees as follows: none of the people Bob Sugarman spoke to have the authority to stop the council to table these ordinances.

Motion by Sgt. Asim, seconded by Chief Loizzo, to direct Martin Lebowitz to conduct a vote on Ordinance 2010-17 so that the results are available by 5:00 p.m. Tuesday July 20, 2010.

Motion carried.

Motion by Victor Espinal, seconded by Councilman Pierre, to direct Martin Lebowitz to conduct a vote on Ordinance 2010-15 so that the results are available by 5:00 p.m. Tuesday July 20, 2010.

Motion carried.

- b. Prepare for merger of managerial plan in case approved
 - i. Request legal opinion on whether City Council had authority to establish managerial plan, since managerial employees are unclassified:
 1. Charter sec. 81 only empowers City Council to provide pensions for classified employees: The city council shall by ordinance provide for a pension and retirement system for employees of the city in the classified service.
 2. Yet other sections of Charter give City Council inherent and general powers:
 - a. Sec. 7: It shall have such other powers as are hereinafter expressly or impliedly set forth, or inherent in the legislative department of government. (Res. No. 64-16, § 2, 2-13-64)

- b. Sec. 27: The city council shall have the power to adopt ordinances, resolutions, rules for the conduct of meetings and to take such other action as may be necessary to the full and complete exercise of powers herein vested in the city manager and other officers provided for herein. The exercise of any power enforceable by the imposition of punishment by fine or imprisonment the appropriation of any money, or the levy of any tax, shall be by ordinance only. Except as otherwise provided herein, any other power may be exercised by ordinance or resolution in the discretion of the council.
- ii. Obtain and review Managerial Plan documents:
 - a. Minutes of meetings of Managerial Plan Retirement Committee
 - b. Annual independent audits of Managerial Plan
 - c. All actuarial valuations
 - d. Statement of investment policy
 - e. IRS determination letter
 - iii. Request Management Plan Retirement Committee to:
 - a. Conduct final independent audit from date of last audit to date of merger
 - b. Verify pension calculations and pension rolls
 - c. Arrange to give necessary notices to League of Cities plan and arrange for wiring of funds on transfer date
 - d. Secure and pay for fiduciary liability "tail coverage" for 5 years
 - e. Obtain letter from Plan's attorney identifying any claims against Plan

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The following questions were presented to the committee from employees:

Questions were directed to Bob Sugarman regarding whether or not the changes possibly affect any changes in the person's DROP account or COLA. Answer: Nothing can change what you already earned, so the answer is no.

Benefits can change in the future if Ordinance 2010-15 and 2010-17 is passed by the City Council without the employee vote.

Question by Robert Grosswald about the make-up of the board if the Management Plan merges into the General Employees' Plan. Bob Sugarman stated that there would be no change to the Board of the General Employees' Retirement Plan.

Question by Gaby Wilson about if the merger takes place will employees who are in the General Employees Plan who are managers sometime in the future become General Management employees and contribute 8% to the Plan. Bob Sugarman spoke to Darcee Siegel City Attorney and there will no changes for existing employees in their current plan. If the merger happens, then any new managers hired after the merger will have the same benefits as the General Employees' Retirement Plan. The Management Plan will be a closed plan if the merger is done.

Both the General and Police and Fire Boards have authorized Bob Sugarman or his associate to attend the City Council Meeting on July 20, 2010.

Meeting was adjourned 6:02 p.m.

Martin Lebowitz, Pension Administrator

EXHIBIT I

CITY OF
NORTH MIAMI BEACH



COMPARISON OF:

PLAN PROVISIONS, ACTUARIAL ASSUMPTIONS AND ACTUARIAL METHODS

July 15, 2010

GRS Gabriel Roeder Smith & Company
Consultants & Actuaries

City of North Miami Beach

Outline of Principal Provisions of the Retirement Plan

A. Effective Date:

General Employees - July 1, 1957 as Amended and Restated under Ordinance No. 89.19. Most recently amended under Ordinance No. 2008-2.

Management Employees - January 24, 2003 as amended under Ordinance 2006-25..

B. Eligibility Requirements:

General Employees -

1. Permanent full-time or *contract* employees excluding Police Officers, Firefighters, City Councilmen, City Officials and the City Attorney.
2. Completion of two (2) years of credited service.

Management Employees -

1. General Management Employees
2. Date of hire

C. Credited Service:

General Employees - Service measured in completed calendar months from date of employment to date of retirement or prior termination.

Management Employees - Service measured in years and fractional parts of years from date of employment to date of retirement or prior termination.

City of North Miami Beach

Outline of Principal Provisions of the Retirement Plan

D. Final Monthly Compensation (FMC):

General Employees -

Average monthly rate of basic compensation during the best 60 successive calendar months out of the last 120 calendar months preceding date of retirement or prior termination. Basic compensation is defined as compensation actually paid to a participant excluding commissions, bonuses, overtime, expense allowances and all other extraordinary compensation.

Management Employees -

Average monthly compensation during the five best years of compensation out of the last 10 years preceding date of retirement or prior termination or the career average, whichever is greater. Earnings include total cash remuneration, but exclude lump sum payments for accrued annual or sick leave.

E. Normal Retirement:

a. Eligibility: General Employees - Attainment of age 62, or attainment of age 55 with 20 years of service.

Management Employees - Attainment of age 62 with 6 years of service, or attainment of age 55 with 20 years of service.

b. Benefit: 3.0% of FMC times credited service.

F. Early Retirement:

a. Eligibility: General Employees - Attainment of age 55 and completion of 15 years of credited service, or completion of 20 years of service.

Management Employees - Attainment of age 50 and completion of 10 years of credited service.

b. Benefit: General Employees - Benefit accrued to date of retirement, actuarially reduced to reflect commencement of benefit at an earlier age.

Management Employees - Benefit accrued to date of retirement, reduced 5% for each year the early retirement date precedes the normal retirement date.

City of North Miami Beach

Outline of Principal Provisions of the Retirement Plan

G. Deferred Retirement:

- a. Eligibility: Retirement subsequent to normal retirement date.
- b. Benefit: Benefit calculated as for normal retirement based upon FMC and credited service as of deferred retirement date.

H. Disability Retirement:

- a. Eligibility: General Employees - Total and permanent disability prior to normal retirement age for 6 months.
Management Employees - Total and permanent disability prior to normal retirement age.

- b. Benefit:

General Employees - The greater of (i) or (ii) below, payable for the lifetime of the participant.

- (i) A - B, where A is 60% of FMC at date of disability and B is 64% of the monthly Social Security disability benefit to which the participant is entitled.
- (ii) The participant's accrued benefit as of date of disability.

Management Employees - The greater of (i) or (ii) below, but offset as necessary to preclude the total of the participant's worker's compensation, disability benefit, and other City-financed disability or salary continuation benefit (excluding social security benefits) from exceeding his average monthly earnings, payable for the lifetime of the participant.

- (i) 25% of the participant's final monthly compensation.
- (ii) The participant's accrued benefit as of date of disability.

Monthly disability retirement income payable until the earliest of recovery from disability, death or normal retirement date. If the participant remains disabled until normal retirement date, the same benefit will be payable for 10 years certain (measured from normal retirement date) and life thereafter.

General Employees - If death of a disabled participant occurs prior to normal retirement date, benefit to beneficiary payable for 10 years certain and life thereafter, which can be supported by the greater of A or B, where A is the single-sum value of the accrued deferred benefit at date of death assuming continued credited service and assuming continued pay at last monthly rate to date of death and B is the lesser of (1) and (2), where (1) is 24 times FMC at date of disability and (2) is 100 times the anticipated monthly normal retirement benefit.

City of North Miami Beach

Outline of Principal Provisions of the Retirement Plan

I. Death Benefit:

General Employees -

Benefit to beneficiary (payable for 10 years certain and life thereafter) which can be supported by the greater of A or B, where A is the single-sum value of the accrued deferred benefit at date of death and B is the lesser of (i) and (ii), where (i) is 24 times monthly rate of pay on October 1 preceding date of death and (ii) is 100 times anticipated normal retirement benefit.

If death occurs subsequent to normal retirement date, benefit to beneficiary payable for 10 years certain and life thereafter, which can be supported by the single sum value of the accrued benefit as of date of death.

Management Employees -

Benefit to beneficiary of vested accrued benefit payable for 10 years certain commencing at normal retirement date or reduced payment at early retirement age and reduced for payment prior to the participant's normal retirement age at the rate of 5%. Beneficiary guaranteed to receive at least the value of the participant's accumulated contributions.

If a non-vested participant dies prior to retirement, beneficiary receives the participant's accumulated contributions.

J. Employee Contributions:

General Employees - 7% of basic annual compensation contributed on a *pre-tax* basis beginning after completion of two years of service eligibility requirement continuing until termination or actual retirement date.

Management Employees - 8% of compensation contributed on a *pre-tax* basis beginning upon date of hire and continuing until termination or actual retirement date.

City of North Miami Beach

Outline of Principal Provisions of the Retirement Plan

K. Vested Benefit Upon Termination:

- a. Eligibility: 100% vesting upon completion of six (6) years of credited service.
- b. Benefit: Accrued benefit as of date of termination multiplied by vesting percentage, payable as of normal retirement date in the normal form. An immediate reduced benefit is optional upon the member's otherwise early retirement date.

L. Termination Benefit:

- a. Eligibility: Less than six (6) years of credited service at date of termination.
- b. Benefit: Return of employee contributions plus interest at the rate of 3%, compounded annually.

M. Normal Form of Payment of Retirement Income:

10 years certain and life thereafter, subject to COLA adjustments of 2.25% per annum.

N. Deferred Retirement Option Program (DROP)

- 1. Eligibility - The attainment of normal retirement age.
- 2. The maximum period of participation in the DROP is sixty (60) months.
- 3. General Employees - The COLA is first payable following DROP participation period.
Management Employees - The COLA is payable while a member is in the DROP.
- 4. Interest is credited at the fixed rate of 6.5% per annum.

O. Benefit Restoration Plan:

General Employees - None.

Management Employees - All participants, pensioners and beneficiaries whose retirement or survivor benefits have been limited by Code Section 415 are eligible to participate in the Benefit Restoration Plan.

City of North Miami Beach

Actuarial Assumptions and Actuarial Cost Methods Used in the Valuation

A. Mortality

General Employees -

For healthy participants, the RP-2000 Mortality Table was used, with separate rates for males and females and for annuitants and non-annuitants, and with fully generational mortality improvements projected to each future decrement date.

For disabled participants, the RP-2000 Disabled Mortality Table was used, with separate rates for males and females, and with fully generational mortality improvements projected to each future decrement date.

Management Employees -

For pre-retirement mortality, the RP-2000 Mortality Table for non-annuitants was used, with separate rates for males and females.

For post-retirement mortality, the RP-2000 Mortality Table for annuitants was used, with separate rates for males and females.

B. Investment Return

General Employees - 8.25%, compounded annually, net of investment expenses.

Management Employees - 7.75% per annum, net of investment expenses and commissions.

C. Allowances for Expenses or Contingencies

General Employees - Provision for payment of administrative costs added to normal cost based upon non-investment expenses paid in previous year.

Management Employees - Administrative expenses are assumed to be \$25,000 per year.

City of North Miami Beach

Actuarial Assumptions and Actuarial Cost Methods
Used in the Valuation

D. Employee Withdrawal Rates

General Employees -

<u>Age</u>	<u>Withdrawal Rates</u>			
	<u>Per 100 Employees</u>			
	<u>Males</u>		<u>Females</u>	
	<u>First 4 Years</u>	<u>4+ Years</u>	<u>First 4 Years</u>	<u>4+ Years</u>
20	8.0	8.0	17.0	10.0
25	8.0	8.0	17.0	10.0
30	8.0	6.9	17.0	8.0
35	8.0	5.2	17.0	8.0
40	8.0	3.9	7.0	7.0
45	8.0	2.9	5.5	5.5
50	8.0	1.9	3.0	3.0
55	8.0	0.7	1.0	1.0
60 & Over	0.0	0.0	0.0	0.0

Management Employees -

With respect to participants with less than four years of service, the termination rates are both gender- and service-based, ranging from 25.00% for males and 27.00% for females with less than one year of service to 12.00% for males and 14.00% for females with between three and four years of service.

With respect to participants with at least four years of service, the termination rates are both gender- and age-based, ranging from 1.49% for males and 6.83% for females at age 25 to 0.90% for males and 0.27% for females at age 50.

E. Increase in Covered Payroll

General Employees - 4.0%, per year not greater than the average annual increase over most recent ten years (4.9%).

Management Employees - None.

City of North Miami Beach

Actuarial Assumptions and Actuarial Cost Methods
Used in the Valuation

F. Disability Incidence

General Employees - 1985 Class One Disability Study Table with separate rates for males and females.

Disability Rates Per 100 Employees		
<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.03	0.03
25	0.04	0.05
30	0.05	0.08
35	0.07	0.14
40	0.12	0.21
45	0.20	0.32
50	0.36	0.53
55	0.72	0.95
60	1.26	1.16
65	1.75	1.36
70	0.00	0.00

Management Employees - age-based rates of disability were assumed, ranging from 0.09% at age 25, 0.15% at age 35, 0.36% at age 45, and 0.61% at age 50.

G. Salary Increase Factor

General Employees -

<u>Service</u>	<u>Salary Increase</u>
0 - 5	7.50%
6 - 10	6.25%
11 - 14	6.00%
15 + years	4.75%

Management Employees - plan compensation is assumed to increase at the rate of 5.75% per annum, unless actual plan compensation is known for a prior plan year.

City of North Miami Beach

Actuarial Assumptions and Actuarial Cost Methods
Used in the Valuation

H. Rates of Retirement

General Employees -

<u>Age</u>	<u>Rates of Retirement</u>
< 55	2%
55	15%
56 - 60	10%
61	20%
62	30%
63 - 64	15%
65 - 69	20%
70 & Over	100%

35% of employees enter the DROP when first eligible.

Employees eligible for normal retirement as of the valuation date are assumed to retire one year after the valuation date.

Management Employees -

For those participants who have met the age and service requirements to retire, retirement is assumed to occur at the rate of 2.50% per year at each of ages 50 through 54, 5.00% per year at each of ages 55 through 61, and 100% at age 62; an additional 10% retirement is assumed upon the attainment of age 55 with at least 75 points (age plus service).

I. Deferred Retirement Option Program (DROP)

General Employees - The assumed period of DROP participation (COLA deferral) is four (4) years.

Management Employees - N/A.

City of North Miami Beach

Actuarial Assumptions and Actuarial Cost Methods Used in the Valuation

J. Form of Payment

General Employees - Future retirees have been assumed to select the 10-year certain and life annuity. 100% of individuals who terminate their employment vested and prior to retirement are assumed to elect to receive a monthly annuity.

Management Employees - Future retirees have been assumed to select the 10-year certain and life annuity, except that 50% of individuals who terminate their employment prior to retirement are assumed to elect a refund of their accumulated contributions in lieu of a monthly annuity.

K. Actuarial Value of Assets

General Employees -

The method used for determining the actuarial value of assets phases in the deviation between the expected and actual return on assets at the rate of 20% per year. The actuarial value of assets will be further adjusted to the extent necessary to fall within the corridor whose lower limit is 80% of the fair market value of plan assets and whose upper limit is 120% of the fair market value of plan assets.

Management Employees - the actuarial value of assets is equal to the market value of assets.

L. Actuarial Cost Method

General Employees -

Normal Retirement, Termination, Disability, and Death Benefits: Entry-Age-Normal Cost Method. Under this method the normal cost for each active employee is the amount which is calculated to be a level percentage of pay that would be required annually from his entry age to his assumed retirement age to fund his estimated benefits, assuming the Plan had always been in effect. The normal cost for the Plan is the sum of such amounts for all employees. The actuarial accrued liability as of any valuation date for each active employee or inactive employee who is eligible to receive benefits under the Plan is the excess of the actuarial present value of estimated future benefits over the actuarial present value of current and future normal costs. The unfunded actuarial accrued liability as of any valuation date is the excess of the actuarial accrued liability over the assets of the Plan.

City of North Miami Beach

Actuarial Assumptions and Actuarial Cost Methods
Used in the Valuation

L. Actuarial Cost Method (continued)

Management Employees -

Normal Retirement, Termination, Disability, and Death Benefits: Frozen Initial Liability Cost Method.

Under this actuarial cost method, an unfunded liability is developed at the inception of the plan using the individual entry age normal cost method. Over time, this unfunded liability is adjusted to reflect changes in the entry age normal accrued liability due to plan amendments and changes in actuarial assumptions and methods. The employer makes a periodic contribution towards the unfunded liability which is intended to eliminate the unfunded liability over a pre-determined period. In addition, each year the total projected liability in excess of the unfunded liability, accumulated assets, and future employee contributions is divided by the present value of future compensation to develop a level funding percentage for the plan as a whole. The level funding percentage is then multiplied by the covered payroll for the year immediately following the valuation date to determine the normal cost for that year.