

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

**ACTUARIAL VALUATION
AS OF
OCTOBER 1, 2007**

(to determine the employer cost for the year starting October 1, 2008)



Bolton Partners, Inc.
Baltimore, Maryland
Washington, DC
West Palm Beach, Florida
(800) 394-0263

TABLE OF CONTENTS

Page

Introductory Letter	1 - 5
Trust Fund Asset Statement	6
Development of Actuarial Value of Assets.....	7
Participant Schedules.....	8
Service - Age Distribution.....	9
Actuarial Costs.....	10 - 11
Firefighter Liabilities	12
Assumptions and Methods	13 - 15
Plan Provisions	16 - 21
Accounting Information	22 - 24
State Required Exhibits	25 - 28

BOLTON PARTNERS, INC.

March 6, 2008

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

*Re: Police Officers & Firefighters 2007
Valuation*

Dear Mr. Lebowitz:

The following report sets forth the actuarial valuation as of October 1, 2007 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, 2007 was \$59,522,031. The average investment return for the fund on a market basis for the year ended September 30, 2007 was 13.93% and 10.25% 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, 2007, the actuarial value of assets was \$57,039,854. 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, 2009. 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.

Bolton Partners, Inc.

Baltimore, Maryland • Washington, DC • West Palm Beach, Florida • (800) 394-0263

Actuarial, Benefit and Investment Consultants

The total recommended employer contribution for the firefighter portion of the plan remains at zero. State contributions are expected to fully fund this portion of the plan. The total recommended employer contribution for the police portion of the plan for FY09 is \$4,361,589. For FY08 the recommended employer contribution for the police portion of the plan was \$4,138,280. The cost as a percentage of payroll decreased from 46.0% to 43.2%. Ordinance 2007-03 requires a minimum additional annual contribution of \$200,000 to bring the expected funded percentage to 70% by 2014. The total FY09 employer contribution is therefore \$4,561,589. 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	46.0%
Investment Results	(0.7)%
Change in Assumptions	0.0%
Plan Change (DROP period)	(0.6)%
Other Sources	(1.5)%
Current Valuation Results	43.2%

The “other sources” reduction is a reflection of the decline in the amortization payment as a percentage of payroll due to little change in the unfunded liability and a material increase in covered payroll. The Normal Cost declined slightly as a percentage of payroll. The overall funded ratio for the plan increased from 56.1% to 59.7% (54.6% to 58.3% for Police and 72.5% to 77.3% for Firefighters).

One key purpose of this report is to determine the contribution for the fiscal year beginning on October 1, 2008. 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, 2007 and adding 5% to adjust for payroll and contribution growth to the year ending on September 30, 2009. This means that the dollar amount of the annual required contribution for FY09 will be the \$4,361,589 amount shown in this report plus the \$200,000 minimum additional annual contribution.

ASSUMPTION AND METHOD CHANGES

We changed the method used to amortize the Unfunded Actuarial Liability for Firefighters. Previously each base was amortized as a level percentage of payroll over 30 years. Payroll was assumed to increase 5.0% annually. Now the total unfunded liability is being amortized over the expected future lifetime of the remaining retirees in the plan. The factor is still level percentage of payroll.

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 amortization of unfunded liability for Firefighters followed the amortization methodology used for the police participants described above in previous years. Their amortization method was changed this year to amortize each base 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 FY08 payroll of \$9,608,616. This is the expected payroll for the 104 active police officers. It is based on the actual FY07 payroll (including overtime) for these same individuals plus one year's assumed pay increase. For those hired in FY07, the FY07 pay was first annualized. In the prior year's report the FY06 covered payroll for 98 police officers was \$8,571,071. There is one person 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 \$9,518,142. Last year the City's cost as a percentage of payroll was 46% and based on the \$8,571,071 payroll figure. This year the cost is 43% and based on the \$9,608,616 amount.

PLAN CHANGES

The plan was amended to extend the DROP period from a maximum of 5 years to 8 years. This resulted in a \$363,021 gain for the police participants. This gain is being amortized as a level percentage of payroll over 30 years.

FIREFIGHTER COLA'S

Since the last valuation report we have been asked to review the way that COLAs are paid to retired firefighters. At this point in time it appears that these retirees may have been overpaid and yet their current annuity amounts generally should be increased. This valuation is based on the revised annuity amounts and not what currently is being paid. We have not added to plan assets the recovery of any past overpayments.

The revisions of the COLA calculations also suggest that the funding method used to determine the City's cost for firefighters should be revised. We shall continue to measure the liabilities two ways, one of which is to assume that future COLAs will be paid. The second measurement will exclude any future 2.5% COLAs and exclude the future payment of the October 1, 2001 9.5% increase even if it is currently being paid. This second measurement excludes these liabilities since they will only be paid from future State contributions or if the plan is over 100% funded (excluding these future liabilities). As a result, we believe that the City should only be contributing if the State contribution offset (as defined below) is insufficient to cover plan administrative expenses and the amortization of any unfunded liability determined using the second measurement of liabilities. We are recommending that the amortization period be revised to match the average expected life expectancy of the retired firefighters.

For the purpose of determining the portion of the State contribution that can be used to offset the cost of the firefighter plan cost we have used the \$155,242 initial State contribution less that cost of the 2% COLA that we understand should come this portion of the State contribution.

The result of this calculation is that no City contribution is required at this time. There is a small unfunded liability.

We would also like to point out that we do not know how the State will view these changes. As previously reported to the State, the cost of the 2.5% and 9.5% COLAs was \$83,097 per year. This has been taken out of the State contributions as a fixed amount. The revisions will result in a variable annual cost. We would like to discuss this with the Trustees.

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 FY06 was \$(17,945). The negative balance was eliminated by the increase in State contributions. The 2007 cumulative balance is \$659. This is the balance after paying \$22,549 in lump sum payments, \$56,295 for the 9.5% benefit increase, and \$43,109 to provide a 0.5%/2.5% benefit increase to all retirees.

Mr. Marty Lebowitz
March 6, 2008
Page Five

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 'T. B. Lowman', 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, 2007**

Original Market Value at 9/30/2006	\$ 51,526,542
<u>Receipts</u>	
State Contributions	\$ 568,850
City Contributions	3,656,025
Employee Contributions	1,313,333
Investment Income including Gain/(Loss)	<u>7,231,599</u>
Total Receipts	\$ 12,769,807
<u>Disbursements</u>	
Benefit Payments	\$ 4,503,688
Return of Employee Contributions	0
Lump Sum Death Benefits	0
Investment Advisory Fees	124,497
Administrative Expenses	<u>146,133</u>
Total Disbursements	\$ 4,774,318
Net Increase/(Decrease)	\$ 7,995,489
Estimated Gross Rate of Return	13.93%
Market Value at 9/30/2007	\$ 59,522,031

**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>	<u>10/01/2006 Valuation</u>	<u>10/01/2007 Valuation</u>
(1) Beginning of Year Market Value	\$47,915,078	\$51,526,542
(2) Expected Interest on Assets (8.00% x (1))	3,833,206	4,122,123
(3) Total Plan Contributions	5,169,862	5,538,208
(4) Total Benefit Payouts	(4,607,629)	(4,503,688)
(5) Administrative Expenses	(165,628)	(146,133)
(6) Interest on (3), (4), and (5)	15,559	34,852
(7) Expected End of Year Market Value	\$52,160,448	\$56,571,904
(8) Actual End of Year Market value	\$51,526,542	\$59,522,031
(9) Gain/(Loss) on Assets ((8) - (7))	(\$633,906)	\$2,950,127
 <u>Development of Actuarial Value of Assets</u>		
(1) End of Year Market Value	\$51,526,542	\$59,522,031
(2) Phase-in of Gain or (Loss)		
(a) Excess/(Deficiency) During Valuation Year	(\$633,906)	\$2,950,127
(b) Excess/(Deficiency) During Valuation Year - 1	1,190,113	(633,906)
(c) Excess/(Deficiency) During Valuation Year - 2	(195,398)	1,190,113
(d) Excess/(Deficiency) During Valuation Year - 3	1,713,548	(195,398)
(e) Total Adjustment	\$471,494	\$2,416,723
[80% x (a) + 60% x (b) + 40% x (c) + 20% x (d)]		
(3) Preliminary Actuarial Asset Value as of Valuation Date	\$51,055,048	\$57,105,308
(4) 80% of Market Value	\$41,221,234	\$47,617,625
(5) 120% of Market Value	\$61,831,850	\$71,426,437
(6) Adjusted Actuarial Asset Value as of Valuation Date	\$51,055,048	\$57,105,308
[(3), but not less than (4) or more than (5)]		
(7) Amounts Excluded		
a. Excess State Contributions	(68,864)	(65,454)
b. Service and Multiplier Purchases in Process	N/A	N/A
(8) Final Actuarial Asset Value as of Valuation Date	\$50,986,184	\$57,039,854
[(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, 2006	98	6	1	95	8	208
Bolton Partners Adjustment	-	-	-	-	-	-
Retired	-	-	-	-	-	-
Terminated Vested	-	-	-	-	-	-
Terminated Non-Vested/Paid Lump Sum	(1)	-	-	-	-	(1)
Disabled	(1)	-	-	-	1	-
Refunds	-	-	-	-	-	-
Deceased without Beneficiary	-	-	-	(1)	-	(1)
Rehired	1	-	-	-	-	1
QDRO Put in Pay	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
New Hires	8	-	-	-	-	8
DROP	(1)	1	-	-	-	-
Data Adjustment	-	-	-	-	-	-
Net Change	-	-	-	-	-	-
Participants as of October 1, 2007	104	7	1	94	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 10/1/2007	Years of Service							Total
	Under 1	01 - 04	05 - 09	10 - 14	15 - 19	20 - 24	25 & up	
Under 25	4 36,794	3 57,828	0 0	0 0	0 0	0 0	0 0	7 45,808
25 - 29	1 52,968	7 64,580	0 0	0 0	0 0	0 0	0 0	8 63,128
30 - 34	0 0	6 72,241	10 101,249	6 112,213	0 0	0 0	0 0	22 96,328
35 - 39	0 0	3 63,883	10 93,961	14 103,285	4 111,373	1 115,375	0 0	32 98,066
40 - 44	1 62,034	1 83,025	1 100,555	3 110,309	8 98,326	4 113,503	0 0	18 100,954
45 - 49	0 0	1 69,251	0 0	2 98,888	9 111,197	4 87,543	0 0	16 101,123
50 - 54	0 0	0 0	0 0	0 0	0 0	1 90,474	0 0	1 90,474
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	6 43,696	21 66,805	21 97,745	25 105,919	21 106,327	10 101,003	0 0	104 92,391

Average Age: 37.15

Average Service: 10.12

Average Salary: \$92,391

Actuarial Costs

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

ACTUARIAL COSTS (Police and Firefighters)

	<u>As of</u> <u>10/01/2006</u>	<u>As of</u> <u>10/01/2007</u>
Participants		
Active	98	104
DROP	6	7
Terminated Vested	1	1
Disabled	8	9
Retirees & Beneficiaries	<u>95</u>	<u>94</u>
Total	208	215
Active Payroll	\$ 8,571,071	\$ 9,608,616
Actuarial Liability		
Active Participants	\$ 29,609,990	\$ 33,968,766
DROP	4,707,283	6,111,728
Terminated Vested Participants	91,491	98,808
Disabilities	1,167,768	1,411,074
Retirees & Beneficiaries	<u>\$ 55,295,874</u>	<u>\$ 53,973,819</u>
Total	\$ 90,872,406	\$ 95,564,195
Actuarial Value of Assets	\$ 50,986,184	\$ 57,039,854
Unfunded Actuarial Liability	\$ 39,886,222	\$ 38,524,341
Funded Percentage	56.1%	59.7%

Firefighter Liabilities

FIREFIGHTER FUNDED POSITION

All of the firefighters covered by this plan are retired. We measure their benefits two different ways: (1) one with future COLA increases and (2) one without future increases or payment of the October 1, 2001 9.5% increase.

Method 1: The funded percentage for firefighters as of October 1, 2007 with future cost of living adjustments 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 of up to \$20,000/year 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>
\$7,253,663	\$5,586,743	77.0%

Method 2: The funded percentage for firefighters as of October 1, 2007, assuming no future cost of living adjustments nor 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>
\$5,609,758	\$5,586,743	99.6%

Assumptions and Methods

ASSUMPTIONS AND METHODS

<u>Funding Method:</u>	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. This is a change from last year where all unfunded liabilities and gains or losses were amortized over a period of 30 years. Amortization payments increase 5.0% annually.						
<u>Actuarial Asset Method:</u>	Asset smoothing method. Spreading the market value investment gains or losses in excess of the assumed return over a 5-year period. Actuarial value of assets are adjusted not to include reserve for future benefit improvements such as excess State premium tax monies.						
<u>Valuation Rate/ Investment Return Rate:</u>	8% compounded annually.						
<u>COLA Increases:</u>	Benefits are assumed to increase by 2.5% of the current benefit each year for police participants. Firefighter benefits are increased 2.5% each year depending on available State funds or the funded status of the plan.						
<u>Salary Increases:</u>	The following graded schedule is used: <table style="margin-left: auto; margin-right: auto;"><thead><tr><th style="text-align: center;"><u>Years of Service</u></th><th style="text-align: center;"><u>Salary Scale Increase</u></th></tr></thead><tbody><tr><td style="text-align: center;">0 – 12</td><td style="text-align: center;">8.70%/yr</td></tr><tr><td style="text-align: center;">13 +</td><td style="text-align: center;">5.50%/yr</td></tr></tbody></table> Salary increases for total payroll are 5.0% per year.	<u>Years of Service</u>	<u>Salary Scale Increase</u>	0 – 12	8.70%/yr	13 +	5.50%/yr
<u>Years of Service</u>	<u>Salary Scale Increase</u>						
0 – 12	8.70%/yr						
13 +	5.50%/yr						
<u>Inflation:</u>	4.0% compounded annually.						
<u>Mortality:</u>	<i>Healthy</i> : 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). For the prior valuation,
those joining DROP were assumed to stay in DROP for
three years.

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: COLA increase is up to 2.50% per year and is payable annually (on October 1st) to any retiree or beneficiary, pursuant to actuarial analysis of the funded status of the plan and available State funds. The continued payment of the October 1, 2001 9.5% COLA is also dependent on available State funds. There is also a 2% COLA that is part of the 2.5% COLA but different rules apply.

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.

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.

PLAN PROVISIONS

(continued)

DEFERRED RETIREMENT OPTION PROVISIONS (DROP)

<u>Normal Form of DROP Account:</u>	Lump Sum
<u>Normal Form of DROP Benefit:</u>	Life Annuity for at least a 10 year period.
<u>DROP Retirement Date:</u>	The earlier of age 52 with 15 years of service or the attainment of 20 years of service.
<u>Maximum DROP Period:</u>	Eight years.
<u>Interest Rate Credited to DROP Account:</u>	Valuation Interest Rate
<u>DROP Benefit:</u>	Same as normal retirement benefit with FMC and service determined at entry in DROP.
<u>COLA:</u>	COLA increase is 2.50% per year and is payable annually (on October 1 st) to any police officer who has terminated active service and has been collecting benefits for at least 3 years.

DISABILITY RETIREMENT

<u>Normal Form of Benefit:</u>	Life Annuity
<u>Disability Retirement Date:</u>	Total and permanent disability
<u>Disability Retirement:</u>	The greater of 60% of FMC, or the participants accrued benefit at date of disability.
<u>COLA:</u>	COLA increase is 2.50% per year and is payable annually (on October 1 st) 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.

PLAN PROVISIONS

(continued)

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 (post-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.
--------------------------------	--

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%

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	4,138,280 ¹	TBD	TBD	TBD

¹ 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%

Development of Net Pension Obligation

Fiscal Year Ending September 30	<u>2007</u>	<u>2006</u>
Annual Required Contribution (ARC)	\$3,620,765	\$3,315,767
Interest on Net Pension Obligation (Asset)	(36,441)	(35,650)
Adjustment to ARC	<u>24,781</u>	<u>25,753</u>
Annual Pension Cost	3,609,105	3,305,870
Contributions Made	<u>3,656,025</u>	<u>3,315,767</u>
Increase (decrease) in Net Pension Obligation (Asset)	(46,920)	(9,897)
Net Pension Obligation (Asset) Beginning of Year	<u>(455,517)</u>	<u>(445,620)</u>
Net Pension Obligation (Asset) End of Year	(502,437)	(455,517)

STATEMENT NO. 25 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD
(continued)

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 12 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

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>	
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	-	-

FIREFIGHTERS

We have shown the reconciliation of the firefighter balance two ways. One with a retroactive application of the corrected COLA funding rules and one placing all of the adjustments in FY2007.

Retroactive Values Chart

Year Ending 9/30	Regular Fire State Contributions	Supplemental Fire State Contributions	Benefit Changes	Base Plus Benefit Improvements	Excess Contributions Total	Cumulative Balance
2007	197,999	97,800	121,953	277,195		659
2006	162,979	79,320	201,181	356,423	(114,124)	(17,945)
2005	137,339	151,648	109,432	264,674	24,313	96,179
2004	252,510	82,801	109,548	264,790	70,521	71,866
2003	148,603		-	155,242		1,346
2002				155,242		1,346
2001			94,011	155,242		1,346
2000	151,250	86,301		155,242	82,309	95,357
1999	108,855	59,435		155,242	13,048	13,048
1998	107,193	48,049		155,242		0

The City Council passed Ordinance 2006-07. This ordinance provided for lump sum payments to retired firefighters and their beneficiaries. This allowed \$201,181 in one time lump sums to be paid during the year ending 9/30/2006, and \$22,549 in one time lump sums to be paid during the year ending 9/30/2007. Other adjustments were made to reflect issues related to Firefighter COLAs.

Chart Starting with Prior Year Values

Year Ending 9/30	Regular Fire State Contributions	Supplemental Fire State Contributions	Benefit Changes	Base Plus Benefit Improvements	Excess Contributions Total	Cumulative Balance
2007	\$197,999	\$97,800	\$60,870	\$299,209	(3,410)	659
2006	162,979	79,320	201,181	439,520	(\$197,221)	\$ 4,069
2005	137,339	151,648	-	238,339	50,648	201,290
2004	252,510	82,801	-	238,339	96,972	150,642
2003	148,603	-	83,097	190,290	-	53,670
2002	-	-	-	155,242	-	95,357
2001	-	-	-	155,242	-	95,357
2000	151,250	86,301	-	155,242	82,309	95,357
1999	108,855	59,435	-	155,242	13,048	13,048
1998	107,193	48,049	-	155,242	-	-

The benefit change amount of \$60,870 equals (1) lump sum payments of \$22,549, plus (2) cost of the 9.5% COLA, plus (3) cost of the 0.5%/2.5% COLA plus (4) adjustments to the starting values of \$4,069 and \$17,945 less (5) the \$83,097 cost previously associated with Ordinance 2002-31.

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

UNFUNDED LIABILITY AMORTIZATION SCHEDULES

Date of Origin	Source	10/01/2007		10/01/2007		Fire
		Total Balance	Police	Total Payments	Police	
10/01/1989	Unfunded Liability	4,029,242	4,036,969	390,193	390,942	N/A
10/01/1990	Actuarial (Gain)/Loss	3,014,733	3,020,515	273,088	273,611	N/A
10/01/1991	Actuarial (Gain)/Loss	(4,793,890)	(4,803,084)	(408,589)	(409,373)	N/A
10/01/1992	Actuarial (Gain)/Loss	(1,184,597)	(1,186,869)	(95,479)	(95,662)	N/A
10/01/1993	Actuarial (Gain)/Loss	(2,248,924)	(2,253,235)	(172,170)	(172,500)	N/A
10/01/1994	Actuarial (Gain)/Loss	2,754,976	2,760,262	201,102	201,488	N/A
10/01/1994	Plan Amendment	942,503	944,312	68,799	68,931	N/A
10/01/1995	Actuarial (Gain)/Loss	(4,177,030)	(4,185,039)	(291,715)	(292,275)	N/A
10/01/1995	Assumption Change	1,642,753	1,645,903	114,727	114,947	N/A
10/01/1996	Actuarial (Gain)/Loss	(443,695)	(444,546)	(29,736)	(29,793)	N/A
10/01/1996	Assumption Change	(203,494)	(203,885)	(13,638)	(13,664)	N/A
10/01/1996	Plan Amendment	11,602,354	11,624,602	777,580	779,071	N/A
10/01/1997	Actuarial (Gain)/Loss	(1,713,897)	(1,717,185)	(110,527)	(110,739)	N/A
10/01/1997	Plan Amendment	4,358,369	4,366,727	281,065	281,604	N/A
10/01/1997	Assumption Change	(7,541,114)	(7,555,575)	(486,315)	(487,248)	N/A
10/01/1998	Actuarial (Gain)/Loss	353,940	354,617	22,017	22,059	N/A
10/01/1998	Plan Amendment	1,464,764	1,467,574	91,116	91,290	N/A
10/01/1999	Actuarial (Gain)/Loss	(1,127,589)	(1,129,751)	(67,807)	(67,937)	N/A
10/01/2000	Actuarial (Gain)/Loss	1,564,272	1,567,272	91,119	91,293	N/A
10/01/2001	Actuarial (Gain)/Loss	13,435,154	13,460,918	759,454	760,911	N/A
10/01/2001	Assumption Change	1,841,610	1,845,140	104,101	104,301	N/A

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

UNFUNDED LIABILITY AMORTIZATION SCHEDULES

(cont)

Date of Origin	Source	10/01/2007			10/01/2007		
		Total Balance	Police	Fire	Total Payments	Police	Fire
10/01/2001	Methodology Change	(11,994,821)	(12,017,822)	23,001	(678,036)	(679,336)	N/A
10/01/2001	Plan Amendment - Police	(102,096)	(102,096)	0	(5,771)	(5,771)	N/A
10/01/2001	Plan Amendment - Fire	1,417,721	0	1,417,721	80,140	0	N/A
10/01/2002	Actuarial (Gain)/Loss	8,972,565	8,989,771	(17,206)	493,021	493,967	N/A
10/01/2002	Assumption Change	4,136,451	4,144,382	(7,931)	227,288	227,724	N/A
10/01/2003	Actuarial (Gain)/Loss	(1,620,177)	(1,398,096)	(222,081)	(86,670)	(74,790)	N/A
10/01/2003	Plan Amendment - Police	1,478,504	1,478,504	0	79,091	79,091	N/A
10/01/2004	Plan Amendment - Police	223,689	223,689	0	11,666	11,666	N/A
10/01/2004	Plan Amendment - Police	449,680	449,680	0	23,452	23,452	N/A
10/01/2004	Assumption Change	678,433	678,433	0	35,382	35,382	N/A
10/01/2004	Actuarial (Gain)/Loss	6,951,397	6,395,301	556,096	362,536	333,534	N/A
10/01/2005	Actuarial (Gain)/Loss	3,368,954	2,812,629	556,325	171,520	143,197	N/A
10/01/2005	Methodology Change	1,007,516	869,824	137,692	51,295	44,285	N/A
10/01/2006	Assumption Change	591,457	591,457	0	29,431	29,431	N/A
10/01/2006	Actuarial (Gain)/Loss	1,511,793	1,769,210	(257,417)	75,228	88,037	N/A
10/01/2007	Assumption Change	(363,021)	(363,021)	0	(17,676)	(17,676)	N/A
10/01/2007	Actuarial (Gain)/Loss	(3,398,049)	(1,280,065)	(2,117,984)	(165,453)	(62,327)	N/A
	Total	36,880,436	36,857,422	23,014	2,184,830	2,171,123	2,229*

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. The base is amortized as a level percentage of payroll over each year. The total payroll is assumed to increase 5.0% annually.

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
Chief Actuary