

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

**ACTUARIAL VALUATION
AS OF
OCTOBER 1, 2006**

(to determine the employer cost for the year starting October 1, 2007)



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

May 22, 2007

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

Re: *Police Officers & Firefighters 2006
Valuation*

Dear Mr. Lebowitz:

The following report sets forth the actuarial valuation as of October 1, 2006 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, 2006 was \$51,526,542. The average investment return for the fund on a market basis for the year ended September 30, 2006 was 6.96% and 7.50% 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, 2006, the actuarial value of assets was \$50,986,184. 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, 2008. 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

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 FY08 is \$4,138,280. For FY07 the recommended employer contribution for the police portion of the plan was \$3,620,765. The cost as a percentage of payroll increased from 42.5% to 46.0%. 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	42.5%
Investment Results	0.1%
Change in employee contribution rate	0.6%
Change in assumptions	0.7%
Change in Service Purchase method	0.7%
Other sources	1.4%
Current Valuation Results	46.0%

The overall funded ratio for the plan increased from 56.0% to 56.1% (54.4% to 54.6% for Police and 71.2% to 72.5% for Firefighters).

One key purpose of this report is to determine the contribution for the fiscal year beginning on October 1, 2007. 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, 2006 and adding 5% to adjust for payroll and contribution growth to the year ending on September 30, 2008. This means that the dollar amount of the annual required contribution for FY08 will be the \$4,138,280 amount shown in this report.

ASSUMPTION AND METHOD CHANGES

We reviewed both the prior actuary's October 1, 2005 valuation report and the December 4, 2006 actuary audit letter prepared by Buck Consultants. We initially prepared the 2006 valuation based on the assumptions which generally coincided with those specified in these documents. As was noted in the Buck letter, the retirement age assumptions/methods specified in the 2005 valuation were not based on an ideal methodology. We did change the methodology along the lines of what Buck suggested. We continued to assume that 50% of service retirements would elect the DROP benefit. We did not view this change to be material.

Mr. Marty Lebowitz

May 22, 2007

Page Three

We are suggesting one change to the assumptions. In the 2005 valuation the assumption was made that those who join DROP would stay in the DROP for five years. While current experience is limited, we recommend lowering this assumption to three years. This does impact the liabilities since the COLA increases do not begin until three years after employees terminate employment (and leave DROP). This added about 2% to the active liability.

We also changed the method used to factor in the purchase of credited service or additional benefits. In the prior valuation the extra liability was left out of the liabilities until the extra benefit was completely purchased (employees often pay for this in installments). Under the prior method, the amount of past installment payments for incomplete purchases were left out of the actuarial value of assets. Since the additional installments are likely to be made and increase liabilities we have decided to include the extra liability in the valuation but reduced it by the present value of future installment payments. This increased the City's contribution by 0.7% of covered payroll.

COMPENSATION INFORMATION AND PAYROLL GROWTH ASSUMPTION

The amortization of the unfunded liability 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. The lower the assumption, the higher the 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.

In this valuation report we show an estimated FY07 payroll of \$8,571,071. This is the expected payroll for the 98 active police officers. It is based on the actual FY06 payroll (including overtime) for these same individuals plus one year's assumed pay increase. For those hired in FY06, the FY06 pay was first annualized. In the prior year's report the FY07 covered payroll for 100 police officers was \$8,520,253. There was also an amount shown in last year's report of \$8,115,258 which excluded some of the 100 officers who had reached the age at which they were assumed to retire (at the rate of 100%). This year there are none at the age where the rate is 100%. Last year the City's cost as a percentage of payroll was 42.5% and based on the \$8,115,258 payroll figure. This year the cost is 46.0% and based on the \$8,571,071 amount.

PLAN CHANGES

Since the last valuation, there have been two material plan changes. One was the passage of Ordinance 2006-7 which allocated certain state contributions to retired firefighters. This had no impact on the City's contribution. The second was that the police officers bargained for a return of the employee contribution rate from 11.1% to 10.5% of pay. This change is reflected in the valuation and increased the City's contribution by the difference of 0.6% of covered payroll.

Mr. Marty Lebowitz
May 22, 2007
Page Four

We would also note that there was a proposal to improve the funding level to 70% within seven years.

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 (i.e. the \$42,869 cost could have been reduced).

For the Firefighters portion, the State contribution balance for FY05 was \$201,290. The balance was mostly eliminated by the payment of \$201,181.12 in lump sums based on the passage of Ordinance 2006-7. The FY05 balance of \$201,290 did not include the receipt of \$162,979 in State contributions in the middle of calendar year 2006 (FY06); \$79,320 in October 2005 (FY06) nor \$97,800 in October 2006 (FY07 for cash purposes). There was a second set of payments sent to retirees totaling \$22,548.59 in December 2006 based on Ordinance 2006-7. It appears this amount was based on the assumption that one of the FY06 contributions was \$97,800 instead of \$79,320. We assume that this will be adjusted for in future distributions.

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.



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, 2006**

Original Market Value at 9/30/2005	\$ 47,915,078
<u>Receipts</u>	
State Contributions	\$ 515,447
City Contributions	3,315,767
Employee Contributions	1,338,648
Investment Income including Gain/(Loss)	<u>3,342,628</u>
Total Receipts	\$ 8,512,490
<u>Disbursements</u>	
Benefit Payments	\$ 4,462,111
Return of Employee Contributions	145,518
Lump Sum Death Benefits	0
Investment Advisory Fees	127,769
Administrative Expenses	<u>165,628</u>
Total Disbursements	\$ 4,901,026
Net Increase/(Decrease)	\$ 3,611,464
Estimated Gross Rate of Return	6.96%
Market Value at 9/30/2006	\$ 51,526,542

**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>10/01/2005</u>	<u>10/01/2006</u>
	<u>Valuation</u>	<u>Valuation</u>
(1) Beginning of Year Market Value	\$42,903,243	\$47,915,078
(2) Expected Interest on Assets (8.00% x (1))	3,432,259	3,833,206
(3) Total Plan Contributions	4,555,947	5,169,862
(4) Total Benefit Payouts	(4,026,937)	(4,607,629)
(5) Administrative Expenses	(154,249)	(165,628)
(6) Interest on (3), (4), and (5)	<u>14,702</u>	<u>15,559</u>
(7) Expected End of Year Market Value	\$46,724,965	\$52,160,448
(8) Actual End of Year Market value	\$47,915,078	\$51,526,542
(9) Gain/(Loss) on Assets ((8) - (7))	\$ 1,190,113	(\$633,906)
<u>Development of Actuarial Value of Assets</u>		
(1) End of Year Market Value	\$47,915,078	\$51,526,542
(2) Phase-in of Gain or (Loss)		
(a) Deficiency During Valuation Year	\$1,190,113	(\$633,906)
(b) Deficiency During Valuation Year - 1	(195,398)	1,190,113
(c) Deficiency During Valuation Year - 2	1,713,548	(195,398)
(d) Deficiency During Valuation Year - 3	<u>(6,753,717)</u>	<u>1,713,548</u>
(e) Total Adjustment	\$169,527	\$471,494
[80% x (a) + 60% x (b) + 40% x (c) + 20% x (d)]		
(3) Preliminary Actuarial Asset Value as of October 1, 2006	\$47,745,551	\$51,055,048
(4) 80% of Market Value	\$38,332,062	\$41,221,234
(5) 120% of Market Value	\$57,498,094	\$61,831,850
(6) Adjusted Actuarial Asset Value as of October 1, 2006	\$47,745,551	\$51,055,048
[(3), but not less than (4) or more than (5)]		
(7) Amounts Excluded		
a. Excess State Contributions	(266,085)	(68,864)
b. Service and Multiplier Purchases in Process	<u>(309,019)</u>	<u>N/A</u>
(8) Final Actuarial Asset Value as of October 1, 2006	\$47,170,447	\$50,986,184
[(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, 2005	100	4	1	94	8	207
Bolton Partners Adjustment	-	-	-	-	-	-
Retired	(4)	(2)	-	6	-	-
Terminated Vested	-	-	-	-	-	-
Terminated Non-Vested/Paid Lump Sum	(4)	-	-	-	-	(4)
Disabled	-	-	-	-	-	-
Refunds	-	-	-	-	-	-
Deceased without Beneficiary	-	-	-	(2)	-	(2)
Rehired	1	-	-	-	-	1
QDRO Put in Pay	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-
New Hires	8	-	-	-	-	8
DROP	(4)	4	-	-	-	-
Data Adjustment	1	-	-	(3)	-	(2)
Net Change	-	-	-	-	-	-
Participants as of October 1, 2006	98	6	1	95	8	208

Service - Age Distribution

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

AGE, SERVICE AND AVERAGE SALARY DISTRIBUTION

Age as of 10/1/2006	Years of Service							Total
	Under 1	01 - 04	05 - 09	10 - 14	15 - 19	20 - 24	25 & up	
Under 25	2 36,141	1 14,127	0 0	0 0	0 0	0 0	0 0	3 28,803
25 - 29	3 42,186	1 70,494	2 91,673	0 0	0 0	0 0	0 0	6 63,400
30 - 34	2 57,342	5 62,076	13 89,917	7 101,600	0 0	0 0	0 0	27 85,377
35 - 39	0 0	3 60,288	8 88,062	15 95,408	3 107,620	1 97,586	0 0	30 91,231
40 - 44	0 0	2 70,312	2 89,873	4 95,233	10 96,195	3 105,571	0 0	21 94,284
45 - 49	0 0	0 0	0 0	1 102,436	6 100,060	3 96,170	0 0	10 99,131
50 - 54	0 0	0 0	0 0	0 0	1 90,878	0 0	0 0	1 90,878
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	7 44,789	12 59,708	25 89,460	27 97,248	20 98,802	7 100,402	0 0	98 87,460

Average Age: 37.22

Average Service: 10.08

Average Salary: \$87,460

Actuarial Costs

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

ACTUARIAL COSTS (Police and Firefighters)

	<u>As of</u> <u>10/01/2005</u>	<u>As of</u> <u>10/01/2006</u>
Participants		
Active	100	98
DROP	4	6
Terminated Vested	1	1
Disabled	8	8
Retirees & Beneficiaries	<u>94</u>	<u>95</u>
Total	207	208
Active Payroll	\$ 8,115,258	\$ 8,571,071
Actuarial Liability		
Active Participants	\$ 29,543,724	\$ 29,609,990
DROP	2,972,846	4,707,283
Terminated Vested Participants	93,086	91,491
Disabilities	1,093,598	1,167,768
Retirees & Beneficiaries	<u>\$ 50,556,271</u>	<u>\$ 55,295,874</u>
Total	\$ 84,259,525	\$ 90,872,406
Actuarial Value of Assets	\$ 47,170,447	\$ 50,986,184
Unfunded Actuarial Liability	\$ 37,089,078	\$ 39,886,222
Funded Percentage	56.0%	56.1%

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 contributions. All amortization amounts are based on a "level percentage of pay" method which assumes payments (and covered payroll) increase by 5% each year. This valuation determines the employer contribution for the year ending September 30, 2008. The prior year's amounts are shown for comparison.

	10/01/2005			10/01/2006		
	<u>Police</u>	<u>Fire</u>	<u>Total</u>	<u>Police</u>	<u>Fire</u>	<u>Total</u>
	Percent of Payroll			Percent of Payroll		
(A) Total Normal Cost	\$2,512,418	\$21,910	\$2,534,328	\$2,777,336	\$18,425	\$2,795,761
(B) Amortization Amount	<u>1,935,290</u>	<u>117,586</u>	<u>2,052,876</u>	<u>2,143,929</u>	<u>111,270</u>	<u>2,255,199</u>
(C) Total (A + B)	\$4,447,708	\$139,496	\$4,587,204	\$4,921,265	\$129,695	\$5,050,960
(D) Interest for Monthly Payments	\$174,486	\$5,472	\$179,958	\$193,064	\$5,088	\$198,152
(E) Total Minimum Contribution (C + D)	\$4,622,194	\$144,968	\$4,767,162	\$5,114,329	\$134,783	\$5,249,112
(F) Expected Employee Contributions	\$900,794	\$0	\$900,794	\$899,962	\$0	\$899,962
(G) Expected State Funding	<u>273,052</u>	<u>238,339</u>	<u>511,391</u>	<u>273,148</u>	<u>242,299</u>	<u>515,447</u>
(H) Net City Contributions [(E - F - G), not less than 0]	\$3,448,348	\$0	\$3,448,348	\$3,941,219	\$0	\$3,941,219
(I) Required City Contributions for the Following Fiscal Year ((H) x 1.05)	\$3,620,765	\$0	\$3,620,765	\$4,138,280	\$0	\$4,138,280
			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: one with a COLA and one without.

Firefighters are entitled to a cost of living adjustment of 2.5% if the accrued liability based on the benefits and cost of living adjustments accrued through the valuation date (attributable to those members) is fully funded. As of October 1, 2006, this liability for firefighters is not fully funded. Therefore, no cost of living adjustment is payable October 1, 2006. The funded percentage for firefighters as of October 1, 2006, assuming no future cost of living adjustments, is shown in the following table:

<u>Firefighter Liability</u>	<u>Allocated Valuation Assets</u>	<u>Funded Percentage</u>
\$6,362,493	\$5,521,345	86.8%

The funded percentage for firefighters as of October 1, 2006 with future cost of living adjustments is shown in the following table:

<u>Firefighter Liability</u>	<u>Allocated Valuation Assets</u>	<u>Funded Percentage</u>
\$7,615,021	\$5,521,345	72.5%

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. 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. See Plan Provisions for more details.						
<u>Salary Increases:</u>	The following graded schedule is used: <table><thead><tr><th><u>Years of Service</u></th><th><u>Salary Scale Increase</u></th></tr></thead><tbody><tr><td>0 – 12</td><td>8.70%/yr</td></tr><tr><td>13 +</td><td>5.50%/yr</td></tr></tbody></table> <p>Salary increases for total payroll are 5.0% per year.</p>	<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. <i>Disabled:</i> PBGC Disabled Life Mortality Tables (III & IV). RP-2000 for disabled retirees blended 15% female and 85% male.						

ASSUMPTIONS AND METHODS

(continued)

Termination of Employment:

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

<u>Years of Service</u>	<u>Police Termination 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 three 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

PLAN PROVISIONS

(continued)

Normal Retirement Benefit:

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

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.

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>	Five 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.
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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%

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)

**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%

Development of Net Pension Obligation

Fiscal Year Ending September 30	<u>2006</u>	<u>2005</u>
Annual Required Contribution (ARC)	3,315,767	\$2,691,879
Interest on Net Pension Obligation (Asset)	(35,650)	(43,051)
Adjustment to ARC	<u>25,753</u>	<u>30,369</u>
Annual Pension Cost	3,305,870	2,679,197
Contributions Made	<u>3,315,767</u>	<u>2,586,679</u>
Increase (decrease) in Net Pension Obligation (Asset)	(9,897)	92,518
Net Pension Obligation (Asset) Beginning of Year	<u>(445,620)</u>	<u>(538,138)</u>
Net Pension Obligation (Asset) End of Year	(455,517)	(445,620)

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	Remaining Amortization periods range from 13 to 30 years.
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 9/30	Police State Contributions	Benefit Changes	Base Plus Benefit Improvements	Excess Contributions Total	Cumulative Balance
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

Year Ending 9/30	Regular Fire State Contributions	Supplemental Fire State Contributions	Benefit Changes	Base Plus Benefit Improvements	Excess Contributions Total	Cumulative Balance
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 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.

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

UNFUNDED LIABILITY AMORTIZATION SCHEDULES

Date of Origin	Source	10/01/2006			10/01/2006		
		Total Balance	Police	Fire	Total Payments	Police	Fire
10/01/1989	Unfunded Liability	4,102,393	4,110,259	(7,866)	371,613	372,325	(712)
10/01/1990	Actuarial (Gain)/Loss	3,051,503	3,057,355	(5,852)	260,084	260,582	(498)
10/01/1991	Actuarial (Gain)/Loss	(4,827,920)	(4,837,179)	9,259	(389,133)	(389,879)	746
10/01/1992	Actuarial (Gain)/Loss	(1,187,782)	(1,190,060)	2,278	(90,933)	(91,107)	174
10/01/1993	Actuarial (Gain)/Loss	(2,246,308)	(2,250,615)	4,307	(163,971)	(164,286)	315
10/01/1994	Actuarial (Gain)/Loss	2,742,430	2,747,691	(5,261)	191,526	191,893	(367)
10/01/1994	Plan Amendment	938,211	940,011	(1,800)	65,523	65,648	(125)
10/01/1995	Actuarial (Gain)/Loss	(4,145,444)	(4,153,393)	7,949	(277,824)	(278,357)	533
10/01/1995	Assumption Change	1,630,331	1,633,457	(3,126)	109,263	109,473	(210)
10/01/1996	Actuarial (Gain)/Loss	(439,149)	(439,991)	842	(28,320)	(28,374)	54
10/01/1996	Assumption Change	(201,409)	(201,795)	386	(12,989)	(13,013)	24
10/01/1996	Plan Amendment	11,483,472	11,505,492	(22,020)	740,552	741,972	(1,420)
10/01/1997	Actuarial (Gain)/Loss	(1,692,206)	(1,695,451)	3,245	(105,264)	(105,465)	201
10/01/1997	Plan Amendment	4,303,208	4,311,460	(8,252)	267,681	268,194	(513)
10/01/1997	Assumption Change	(7,445,671)	(7,459,949)	14,278	(463,158)	(464,046)	888
10/01/1998	Actuarial (Gain)/Loss	348,690	349,358	(668)	20,968	21,009	(41)
10/01/1998	Plan Amendment	1,443,040	1,445,808	(2,768)	86,777	86,943	(166)
10/01/1999	Actuarial (Gain)/Loss	(1,108,642)	(1,110,768)	2,126	(64,578)	(64,702)	124
10/01/2000	Actuarial (Gain)/Loss	1,535,180	1,538,124	(2,944)	86,780	86,946	(166)
10/01/2001	Actuarial (Gain)/Loss	13,163,247	13,188,490	(25,243)	723,290	724,677	(1,387)
10/01/2001	Assumption Change	1,804,338	1,807,797	(3,459)	99,144	99,334	(190)

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

UNFUNDED LIABILITY AMORTIZATION SCHEDULES

(cont)

Date of <u>Origin</u>	<u>Source</u>	10/01/2006			10/01/2006		
		<u>Total</u> Balance	<u>Police</u>	<u>Fire</u>	<u>Total</u> Payments	<u>Police</u>	<u>Fire</u>
10/01/2001	Methodology Change	(11,752,064)	(11,774,600)	22,536	(645,748)	(646,987)	1,239
10/01/2001	Plan Amendment - Police	(100,029)	(100,029)	0	(5,496)	(5,496)	0
10/01/2001	Plan Amendment - Fire	1,389,029	0	1,389,029	76,324	0	76,324
10/01/2002	Actuarial (Gain)/Loss	8,777,475	8,794,307	(16,832)	469,544	470,445	(901)
10/01/2002	Assumption Change	4,046,512	4,054,271	(7,759)	216,465	216,880	(415)
10/01/2003	Actuarial (Gain)/Loss	(1,582,707)	(1,365,762)	(216,945)	(82,543)	(71,229)	(11,314)
10/01/2003	Plan Amendment - Police	1,444,310	1,444,310	0	75,325	75,325	0
10/01/2004	Plan Amendment - Police	218,230	218,230	0	11,111	11,111	0
10/01/2004	Plan Amendment - Police	438,705	438,705	0	22,335	22,335	0
10/01/2004	Assumption Change	661,876	661,876	0	33,697	33,697	0
10/01/2004	Actuarial (Gain)/Loss	6,781,752	6,239,227	542,525	345,273	317,652	27,621
10/01/2005	Actuarial (Gain)/Loss	3,282,755	2,740,664	542,091	163,353	136,378	26,975
10/01/2005	Methodology Change	981,737	847,569	134,168	48,852	42,176	6,676
10/01/2006	Assumption Change	575,675	575,675	0	28,030	28,030	0
10/01/2006	Actuarial (Gain)/Loss	1,471,454	1,722,002	(250,548)	71,646	83,845	(12,199)
	Total	39,886,222	37,792,546	2,093,676	2,255,199	2,143,929	111,270

Note: Bases are amortized as a level percent of payroll each year. 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