

RETIREMENT PLAN FOR THE GENERAL MANAGEMENT  
EMPLOYEES OF THE CITY OF NORTH MIAMI BEACH  
(REVISED)

ACTUARIAL VALUATION  
AS OF OCTOBER 1, 2013

DETERMINES THE CONTRIBUTION  
FOR THE 2013/14 FISCAL YEAR



	<u>Page</u>
Discussion	1
<b><u>Funding Results</u></b>	
Table I-A	Minimum Required Contribution I-1
Table I-B	Sensitivity Analysis I-2
Table I-C	Gain and Loss Analysis I-3
Table I-D	Present Value of Future Benefits I-4
Table I-E	Present Value of Accrued Benefits I-5
Table I-F	Present Value of Vested Benefits I-6
Table I-G	Entry Age Normal Accrued Liability I-7
Table I-H	Development of the Normal Cost I-8
<b><u>Accounting Results</u></b>	
Table II-A	GASB 25/27 Results II-1
Table II-B	GASB 25/27 Disclosures II-2
Table II-C	SFAS 35 Disclosures II-3
<b><u>Assets</u></b>	
Table III-A	Actuarial Value of Assets III-1
Table III-B	Market Value of Assets III-2
Table III-C	Investment Return III-3
Table III-D	Asset Reconciliation III-4
Table III-E	Historical Trust Fund Detail III-5
Table III-F	Other Reconciliations III-6
<b><u>Data</u></b>	
Table IV-A	Summary of Participant Data IV-1
Table IV-B	Data Reconciliation IV-2
Table IV-C	Active Participant Data IV-3
Table IV-D	Active Age-Service Distribution IV-4
Table IV-E	Active Age-Service-Salary Table IV-5
Table IV-F	Inactive Participant Data IV-6
Table IV-G	Projected Benefit Payments IV-7
<b><u>Methods &amp; Assumptions</u></b>	
Table V-A	Summary of Actuarial Methods and Assumptions V-1
Table V-B	Changes in Actuarial Methods and Assumptions V-3
<b><u>Plan Provisions</u></b>	
Table VI-A	Summary of Plan Provisions VI-1
Table VI-B	Summary of Plan Amendments VI-5



July 14, 2014

## Introduction

This report presents the revised results of the October 1, 2013 actuarial valuation for the Retirement Plan for the General Management Employees of the City of North Miami Beach. The report is based on the participant data and asset information provided by the pension plan administrator and, except for a cursory review for reasonableness including a comparison to the data provided for the previous valuation, we have not attempted to verify the accuracy of this information. The revision reflects a changes in the assumed interest rate from 7.00% per annum in the original valuation report to 7.50% per annum in this revised valuation report.

The primary purpose of this report is to provide a summary of the funded status of the plan as of October 1, 2013 and to determine the minimum required contribution under Chapter 112, Florida Statutes, for the 2013/14 plan year. In addition, this report provides a projection of the long-term funding requirements of the plan, accounting disclosures pursuant to Governmental Accounting Standards Board Statement Nos. 25 and 27 (GASB 25/27), statistical information concerning the assets held in the trust, statistical information concerning the participant population, and a summary of any recent plan changes.

The liabilities and cost presented in this report are based on numerous assumptions concerning the cost of benefits to be provided in the future, long-term investment returns, and the future demographic experience of the current participants. Anyone referring to this report should remember that the cost developed herein is only an *estimate* of the true cost of providing post-employment pension benefits. No one can predict with certainty whether the true cost will be higher or lower than the cost presented in this report. The calculated cost is entirely dependent upon the assumptions that are described in Table V-A. If any of the assumptions is changed, then the cost shown in this report will change accordingly. Likewise, if any of the assumptions is not completely realized, then the cost shown in this report will change in the future.

Certain assumptions play a bigger role than others in determining the cost of the post-employment pension benefits. In some cases, relatively small changes in a particular assumption can have a dramatic impact on the anticipated cost of benefits. Although a thorough analysis of the impact of such changes is beyond the scope of this report, Table I-B illustrates the impact that alternative long-term investment returns would have on the contribution rate.

## Minimum Required Contribution

Table I-A shows the development of the minimum required contribution for the 2013/14 plan year. The minimum required contribution is \$598,464 (or 24.95% of covered payroll), which represents an increase of \$179,629 (or 2.44% of payroll) from the prior valuation.

Table I-C provides a breakdown of the sources of change in the minimum required contribution rate. Significantly, the rate decreased by 3.45% of payroll due to investment gains, increased by 2.77% of payroll due to demographic



experience, increased by 2.40% of payroll due to the assumption changes that are described below, and increased by another 0.72% of payroll due to the method change that is described below. The market value of assets earned 12.05% during the 2012/13 plan year, whereas a 7.75% annual investment return was required to maintain a stable contribution rate.

Chapter 112, Florida Statutes, sets forth the rules concerning the minimum required contribution for public pension plans within the state. Essentially, the City must contribute an amount equal to the annual normal cost of the plan plus assumed administrative expenses, where both amounts are adjusted as necessary to reflect interest on any delayed payment of the contribution beyond the valuation date. On this basis, the City's 2013/14 minimum required contribution is equal to \$598,464.

Based on the current assets, participant data, and actuarial assumptions and methods that are used to value the plan, the present-day value of the total long-term funding requirement is \$21,199,367 excluding future administrative expenses beyond the 2013/14 plan year. As illustrated in Table I-A, current assets are sufficient to cover \$15,781,755 of this amount, the employer's 2013/14 contribution will cover \$598,464 of this amount, and future employee contributions are expected to cover \$1,426,501 of this amount, leaving \$3,392,647 to be covered by future employer funding beyond the 2013/14 fiscal year. Again, demographic and investment experience that differs from that assumed will either increase or decrease the future employer funding requirement.

#### Advance Employer Contribution

The City has made contributions to the plan in excess of the minimum amount that was required to be contributed pursuant to Chapter 112. In this report, the excess contributions are referred to as an "advance employer contribution." As of October 1, 2013, the advance employer contribution is \$145,694 as shown in Table III-F.

The City may apply all or any portion of the advance employer contribution towards the minimum required contribution for the 2013/14 plan year or for any later plan year. The minimum required contribution for that plan year will be reduced dollar-for-dollar by the amount of the advance employer contribution that is applied in this manner.

Alternatively, at any time, the City may apply all or any portion of the advance employer contribution as an *extra* contribution in excess of the minimum required contribution. In this case, the immediate application of the entire balance of the advance employer contribution as of October 1, 2013 would reduce the minimum required contribution for the 2013/14 plan year to \$578,133.

#### Contents of the Report

Tables I-D through I-G provide a detailed breakdown of various liability amounts by type of benefit and by participant group. Tables II-A through II-C provide information needed by both the plan's and the employer's accountants in order to prepare the relevant financial statements that cover the period October 1, 2013 through September 30, 2014. Tables III-A through III-F provide information concerning the assets of the trust fund. Tables IV-A through IV-G provide statistical information concerning the plan's participant population. In particular, Table IV-G gives a 10-year projection



of the cash that is expected to be required from the trust fund in order to pay benefits to the current group of participants. Finally, Tables V-A through VI-B provide a summary of the actuarial assumptions and methods that are used to value the plan's benefits and of the relevant plan provisions as of October 1, 2013, as well as a summary of the changes that have occurred since the previous valuation report was prepared.

### Assumption and Method Changes

Since the previous valuation was prepared, three assumptions and the funding method have been changed. The assumed interest rate was decreased from 7.75% per annum to 7.50% per annum. The assumed increase in future salaries was decreased from 5.75% per year to 4.00% per year. The mortality basis was changed from the RP-2000 Mortality Table for annuitants, projected to 2007 by Scale AA, to the RP-2000 Mortality Table for annuitants, projected to 2015 by Scale AA, both as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430. Finally, the actuarial cost method was changed from the frozen initial liability cost method to the aggregate cost method. These assumption and method changes resulted in an increase in the minimum required contribution equal to 3.12% of covered payroll.

### Refund of Participant Contributions

It is our understanding that there are eight participants who are due a refund of their contributions. We have estimated the accumulated amount of their refunds to be \$74,461 as of October 1, 2013. The average amount owed to these individuals is \$9,308. If possible, we recommend that the accumulated contributions be distributed to these individuals in order to simplify the administration of the plan and to reduce future administrative costs.

### GASB 67/68 and Chapter 2013-100, Florida Statutes

A new accounting standard, the Governmental Accounting Standards Board Statements Nos. 67 and 68 (GASB 67/68), will become effective for the plan's financial statements as of September 30, 2014 and will become effective for the City's financial statements as of September 30, 2015. GASB 67/68 replaces GASB 25/27, makes major changes to the calculation of the accounting cost of the pension plan, and mandates numerous new disclosures. A separate GASB 67/68 report will be prepared that will provide the accounting cost of the plan for the 2013/14 plan year.

In addition, Chapter 2013-100, Florida Statutes, is effective for the plan year ending on September 30, 2014. This new State law requires disclosures that are similar to some of the disclosures required under GASB 67/68 and requires plan cost to be presented based on two alternative valuation bases. First, plan cost must be disclosed based on the same assumptions and methods used to calculate the GASB 67/68 accounting cost, but using the RP-2000 Combined Mortality Table with generational mortality projections. Second, plan cost must be disclosed on the same basis as described in the previous sentence, but using an interest rate that is 2.00% lower than the funding valuation interest rate. The Division of Retirement is expected to issue formatting guidelines for this purpose. Because these guidelines



have not yet been issued, a separate electronic report will be prepared at a later date that will provide the disclosures required under Chapter 2013-100, Florida Statutes.

### Certification

This actuarial valuation was prepared 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 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 change in plan costs or required contribution rates have been taken into account in the valuation.

For the firm,



Charles T. Carr  
Consulting Actuary  
Southern Actuarial Services Company, Inc.

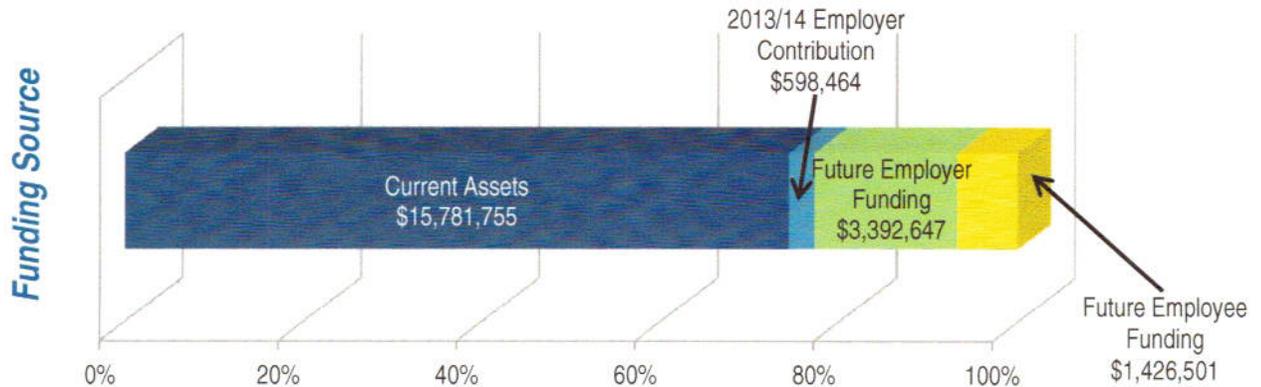
Enrolled Actuary No. 14-04927

*The individual above is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.*



## Minimum Required Contribution

Table I-A



\* Note: Future administrative expenses are not included in the chart shown above.

### For the 2013/14 Plan Year

Normal Cost for the 2013/14 Plan Year	\$536,934
Unfunded Liability Amortization Payment for the 2013/14 Plan Year	\$0
Expense Allowance for the 2013/14 Plan Year	\$40,000
	<hr/>
	\$576,934
Adjustment to Reflect Weekly Employer Contributions	\$21,530

**Minimum Required Contribution for the 2013/14 Plan Year** **\$598,464**

Expected Payroll for the 2013/14 Plan Year	÷ \$2,398,885
Minimum Required Contribution as a % of Payroll	24.95%

### Additional Disclosures

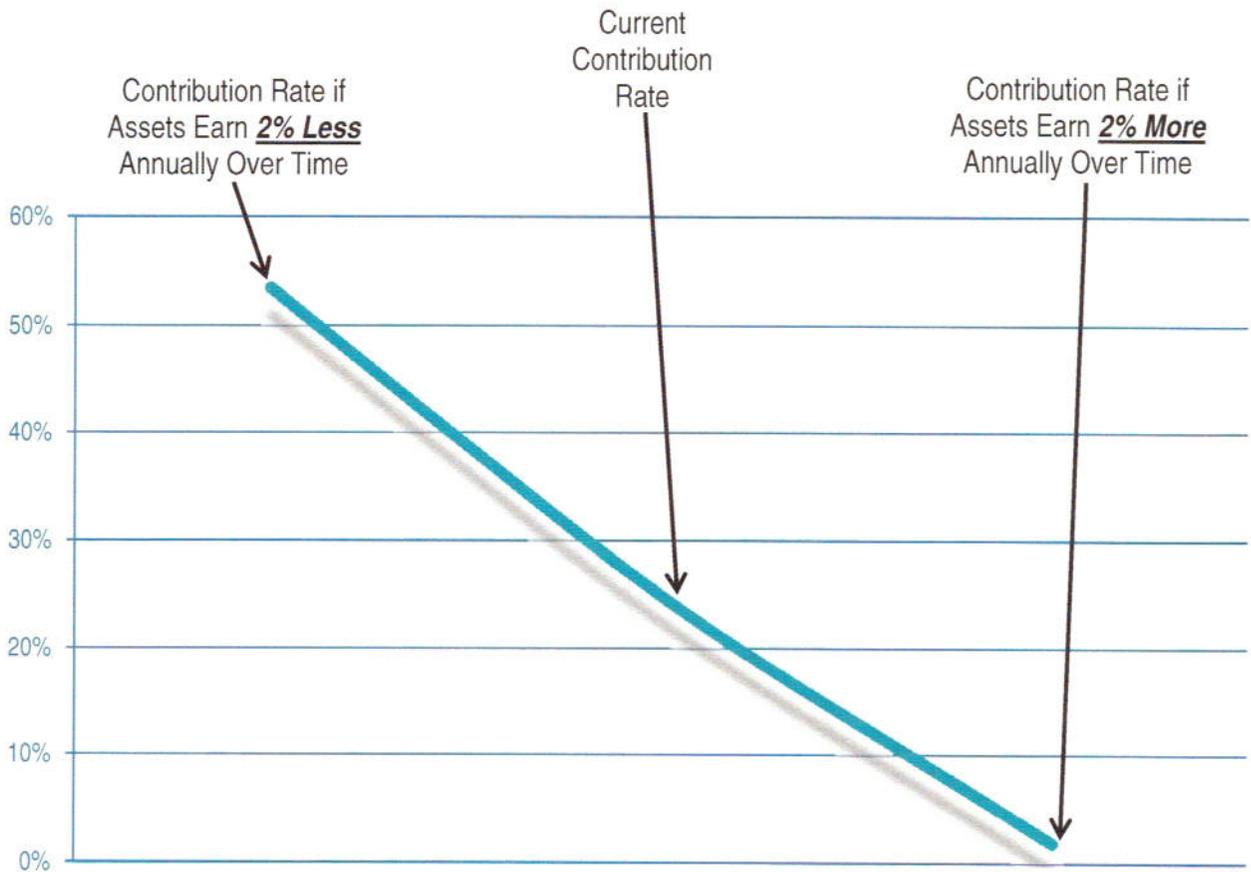
Present Value of Future Compensation	\$17,831,256
Present Value of Future Employer Contributions*	\$3,991,111
Present Value of Future Employee Contributions	\$1,426,501

\* Note: Does not include future administrative expenses.



Sensitivity Analysis

Table I-B



*The line above illustrates the sensitivity of the contribution rate to changes in the long-term investment return.*



Gain and Loss Analysis

Table I-C

**Source of Change in the Contribution Rate**

Previous minimum required contribution rate	22.51%
Increase (decrease) due to investment gains and losses	-3.45%
Increase (decrease) due to demographic experience	2.77%
Increase (decrease) due to plan amendments	0.00%
Increase (decrease) due to actuarial assumption changes	2.40%
Increase (decrease) due to actuarial method changes	0.72%
Current minimum required contribution rate	<u>24.95%</u>



## Present Value of Future Benefits

Table I-D

	Old Assumptions w/o Amendment	Old Assumptions w/ Amendment	New Assumptions w/ Amendment
<i><u>Actively Employed Participants</u></i>			
Retirement benefits	\$6,022,436	\$6,022,436	\$5,612,358
Termination benefits	\$9,765	\$9,765	\$9,970
Disability benefits	\$67,984	\$67,984	\$67,372
Death benefits	\$116,409	\$116,409	\$171,222
Refund of employee contributions	\$136,465	\$136,465	\$136,617
Sub-total	<b>\$6,353,059</b>	<b>\$6,353,059</b>	<b>\$5,997,539</b>
<i><u>Deferred Vested Participants</u></i>			
Retirement benefits	\$1,500,542	\$1,500,542	\$1,585,269
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	<b>\$1,500,542</b>	<b>\$1,500,542</b>	<b>\$1,585,269</b>
<i><u>Due a Refund of Contributions</u></i>	<b>\$74,461</b>	<b>\$74,461</b>	<b>\$74,461</b>
<i><u>Deferred Beneficiaries</u></i>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<i><u>Retired Participants</u></i>			
Service retirements	\$13,039,091	\$13,039,091	\$13,542,098
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	<b>\$13,039,091</b>	<b>\$13,039,091</b>	<b>\$13,542,098</b>
<i><u>Grand Total</u></i>	<b><u>\$20,967,153</u></b>	<b><u>\$20,967,153</u></b>	<b><u>\$21,199,367</u></b>
Present Value of Future Payroll	\$19,729,826	\$19,729,826	\$17,831,256
Present Value of Future Employee Contribs.	\$1,578,387	\$1,578,387	\$1,426,501
Present Value of Future Employer Contribs.*	\$3,607,011	\$3,607,011	\$3,991,111

\* Note: Does not include future administrative expenses.



## Present Value of Accrued Benefits

Table I-E

	Old Assumptions w/o Amendment	Old Assumptions w/ Amendment	New Assumptions w/ Amendment
<i><u>Actively Employed Participants</u></i>			
Retirement benefits	\$3,314,765	\$3,314,765	\$3,443,370
Termination benefits	\$7,191	\$7,191	\$7,604
Disability benefits	\$43,055	\$43,055	\$44,957
Death benefits	\$36,440	\$36,440	\$61,797
Refund of employee contributions	\$72,853	\$72,853	\$74,092
Sub-total	<b>\$3,474,304</b>	<b>\$3,474,304</b>	<b>\$3,631,820</b>
<i><u>Deferred Vested Participants</u></i>			
Retirement benefits	\$1,500,542	\$1,500,542	\$1,585,269
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	<b>\$1,500,542</b>	<b>\$1,500,542</b>	<b>\$1,585,269</b>
<i><u>Due a Refund of Contributions</u></i>	<b>\$74,461</b>	<b>\$74,461</b>	<b>\$74,461</b>
<i><u>Deferred Beneficiaries</u></i>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<i><u>Retired Participants</u></i>			
Service retirements	\$13,039,091	\$13,039,091	\$13,542,098
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	<b>\$13,039,091</b>	<b>\$13,039,091</b>	<b>\$13,542,098</b>
<i><u>Grand Total</u></i>	<b><u>\$18,088,398</u></b>	<b><u>\$18,088,398</u></b>	<b><u>\$18,833,648</u></b>



## Present Value of Vested Benefits

Table I-F

	<u>Old Assumptions w/o Amendment</u>	<u>Old Assumptions w/ Amendment</u>	<u>New Assumptions w/ Amendment</u>
<i><u>Actively Employed Participants</u></i>			
Retirement benefits	\$2,817,454	\$2,817,454	\$2,925,936
Termination benefits	\$7,128	\$7,128	\$7,544
Disability benefits	\$43,055	\$43,055	\$44,957
Death benefits	\$30,897	\$30,897	\$53,228
Refund of employee contributions	\$77,979	\$77,979	\$81,996
Sub-total	<b>\$2,976,513</b>	<b>\$2,976,513</b>	<b>\$3,113,661</b>
<i><u>Deferred Vested Participants</u></i>			
Retirement benefits	\$1,500,542	\$1,500,542	\$1,585,269
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	<b>\$1,500,542</b>	<b>\$1,500,542</b>	<b>\$1,585,269</b>
<i><u>Due a Refund of Contributions</u></i>	<b>\$74,461</b>	<b>\$74,461</b>	<b>\$74,461</b>
<i><u>Deferred Beneficiaries</u></i>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<i><u>Retired Participants</u></i>			
Service retirements	\$13,039,091	\$13,039,091	\$13,542,098
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	<b>\$13,039,091</b>	<b>\$13,039,091</b>	<b>\$13,542,098</b>
<i><u>Grand Total</u></i>	<b><u>\$17,590,607</u></b>	<b><u>\$17,590,607</u></b>	<b><u>\$18,315,489</u></b>



## Entry Age Normal Accrued Liability

Table I-G

	Old Assumptions w/o Amendment	Old Assumptions w/ Amendment	New Assumptions w/ Amendment
<i>Actively Employed Participants</i>			
Retirement benefits	\$3,818,895	\$3,818,895	\$3,720,400
Termination benefits	\$6,901	\$6,901	\$7,188
Disability benefits	\$45,758	\$45,758	\$46,736
Death benefits	\$61,147	\$61,147	\$97,220
Refund of employee contributions	\$74,511	\$74,511	\$75,324
Sub-total	<b>\$4,007,212</b>	<b>\$4,007,212</b>	<b>\$3,946,868</b>
<i>Deferred Vested Participants</i>			
Retirement benefits	\$1,500,542	\$1,500,542	\$1,585,269
Termination benefits	\$0	\$0	\$0
Disability benefits	\$0	\$0	\$0
Death benefits	\$0	\$0	\$0
Refund of employee contributions	\$0	\$0	\$0
Sub-total	<b>\$1,500,542</b>	<b>\$1,500,542</b>	<b>\$1,585,269</b>
<i>Due a Refund of Contributions</i>	<b>\$74,461</b>	<b>\$74,461</b>	<b>\$74,461</b>
<i>Deferred Beneficiaries</i>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<i>Retired Participants</i>			
Service retirements	\$13,039,091	\$13,039,091	\$13,542,098
Disability retirements	\$0	\$0	\$0
Beneficiaries receiving	\$0	\$0	\$0
DROP participants	\$0	\$0	\$0
Sub-total	<b>\$13,039,091</b>	<b>\$13,039,091</b>	<b>\$13,542,098</b>
<i>Grand Total</i>	<b><u>\$18,621,306</u></b>	<b><u>\$18,621,306</u></b>	<b><u>\$19,148,696</u></b>



Development of the Normal Cost

Table I-H

	<u>As of October 1, 2013</u>
Present Value of Future Benefits	\$21,199,367
Actuarial Value of Assets	(\$15,781,755)
Present Value of Future Employee Contributions	(\$1,426,501)
Present Value of Future Normal Cost	<u>\$3,991,111</u>
Present Value of Future Compensation	<u>÷ \$17,831,256</u>
Normal Cost Accrual Rate	22.382669%
Expected Payroll for the Current Year	<u>x \$2,398,885</u>
Normal Cost	<u><u>\$536,934</u></u>



**Development of the Net Pension Obligation (Asset)**

Net Pension Obligation (Asset) as of October 1, 2012	\$74,327
Annual Pension Cost for the 2012/13 Plan Year	\$417,699
Employer Contributions for the 2012/13 Plan Year	(\$418,835)
Net Increase (Decrease) in NPO	<u>(\$1,136)</u>
<b>Net Pension Obligation (Asset) as of October 1, 2013</b>	<b><u><u>\$73,191</u></u></b>

**For the 2013/14 Plan Year**

**Development of the Annual Required Contribution (ARC)**

Normal Cost	\$536,934
Amortization of the UAAL	(\$6,836)
Expense Allowance	\$40,000
Amortization of the Net Pension Obligation (Asset)	\$6,836
Interest Adjustment	\$21,530
<b>Annual Required Contribution (ARC)</b>	<b><u><u>\$598,464</u></u></b>

**Development of the Annual Pension Cost (APC)**

Annual Required Contribution (ARC)	\$598,464
Interest on the Net Pension Obligation (Asset)	\$5,489
Adjustment to the ARC	(\$6,836)
<b>Annual Pension Cost (APC)</b>	<b><u><u>\$597,117</u></u></b>



**Schedule of Employer Contributions**

Year Ended <u>September 30</u>	Annual Required <u>Contribution</u>	% <u>Contrib.</u>	Annual Pension <u>Cost</u>	% <u>Contrib.</u>
2008	\$575,493	95%	\$563,816	97%
2009	\$598,513	103%	\$587,241	105%
2010	\$1,559,617	50%	\$1,565,012	50%
2011	\$1,307,724	112%	\$1,316,866	111%
2012	\$1,181,898	102%	\$1,180,604	102%
2013	\$418,835	100%	\$417,699	100%

**Schedule of Funding Progress**

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability * (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) ÷ (2)	(5) Covered Payroll	(6) UAAL as % of Covered Payroll (3) ÷ (5)
Not Applicable	N/A	N/A	N/A	N/A	N/A	N/A
October 1, 2009	\$9,515,098	\$14,972,408	\$5,457,310	63.55%	\$2,598,465	210.02%
October 1, 2010	\$11,532,009	\$16,896,704	\$5,364,695	68.25%	\$2,526,499	212.34%
October 1, 2011	\$12,275,228	\$17,540,132	\$5,264,904	69.98%	\$2,319,552	226.98%
October 1, 2012	\$14,615,897	\$18,552,989	\$3,937,092	78.78%	\$1,860,605	211.60%
October 1, 2013	\$15,781,755	\$19,148,696	\$3,366,941	82.42%	\$2,398,885	140.35%

\* After 2012, the AAL has been calculated under the entry age normal cost method.

**Additional Information**

Valuation Date **October 1, 2013**

Actuarial Cost Method **Aggregate**

Amortization Method **Level dollar, closed**

Remaining Amortization Period **19 years**

Asset Valuation Method **Market value**

Discount Rate **7.50%**

Salary Increase Rate **4.00%**



## SFAS 35 Disclosures

## Table II-C

Actuarial Present Value of Accrued Benefits

	<u>As of October 1, 2012</u>	<u>As of October 1, 2013</u>
<u>Vested Benefits</u>		
Participants currently receiving benefits	\$11,748,731	\$13,542,098
Other participants	\$5,166,715	\$4,773,391
Sub-total	<u>\$16,915,446</u>	<u>\$18,315,489</u>
<u>Non-Vested Benefits</u>	\$446,384	\$518,159
<u>Total Benefits</u>	<u><u>\$17,361,830</u></u>	<u><u>\$18,833,648</u></u>
<u>Funded Percentage</u>	83.22%	84.57%
(based on the market value of assets)		

Statement of Change in Actuarial Present Value of Accrued Benefits

<u>Actuarial Present Value as of October 1, 2012</u>	<u>\$17,361,830</u>
<u>Increase (Decrease) Due To:</u>	
Interest	\$1,345,542
Benefits accumulated	\$484,801
Benefits paid	(\$1,103,775)
Plan amendments	\$0
Changes in actuarial methods and assumptions	\$745,250
Net increase (decrease)	<u>\$1,471,818</u>
<u>Actuarial Present Value as of October 1, 2013</u>	<u><u>\$18,833,648</u></u>



Actuarial Value of Assets

Table III-A

Market Value of Assets as of October 1, 2013	\$15,927,449
Minus advance employer contribution	(\$145,694)
<b>Actuarial Value of Assets as of October 1, 2013</b>	<b><u>\$15,781,755</u></b>

<b><u>Historical Actuarial Value of Assets</u></b>	
October 1, 2004	\$5,741,331
October 1, 2005	\$7,214,997
October 1, 2006	\$8,761,789
October 1, 2007	\$10,474,548
October 1, 2008	\$9,491,452
October 1, 2009	\$9,515,098
October 1, 2010	\$11,532,009
October 1, 2011	\$12,275,228
October 1, 2012	\$14,615,897
October 1, 2013	\$15,781,755

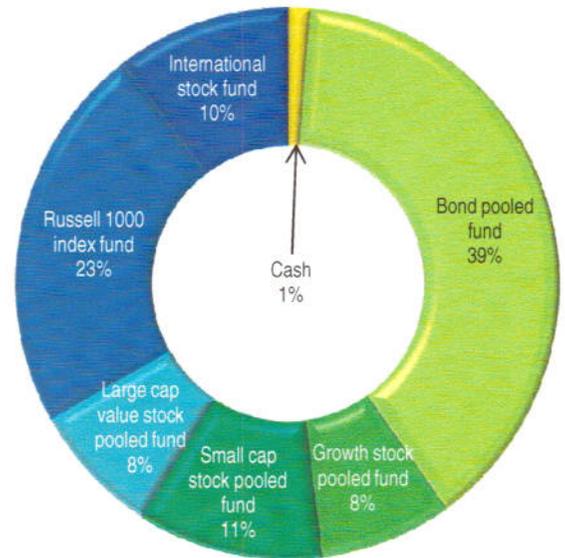


Market Value of Assets

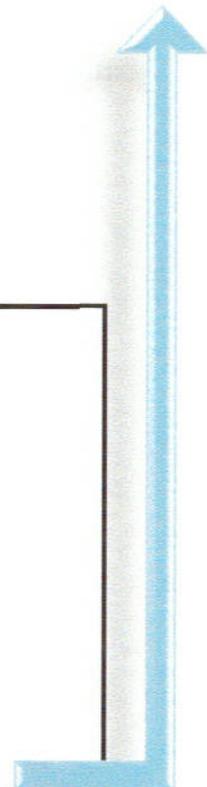
Table III-B

**As of October 1, 2013**

<b>Market Value of Assets</b>	<b><u>\$15,927,449</u></b>
Cash	\$207,005
Bond pooled fund	\$6,178,300
Growth stock pooled fund	\$1,257,953
Small cap stock pooled fund	\$1,751,580
Large cap value stock pooled fund	\$1,242,029
Russell 1000 index fund	\$3,630,548
International stock fund	\$1,656,039
Employee contribution receivable	\$3,995

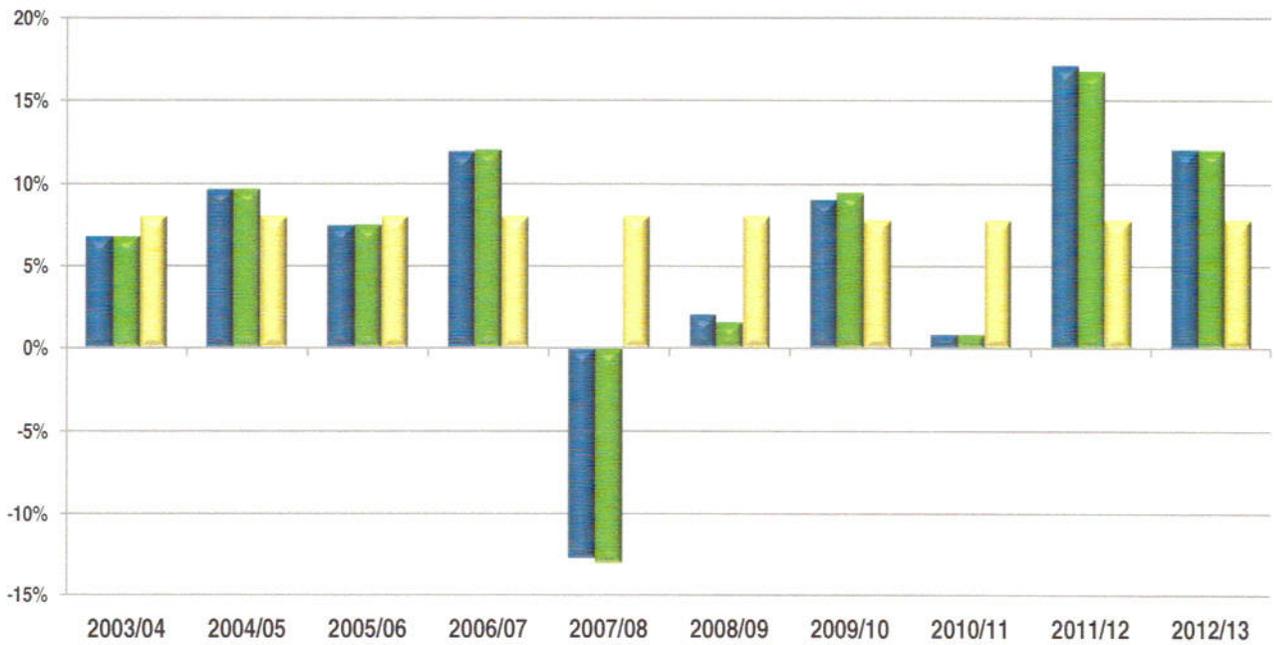


<b>Historical Market Value of Assets</b>	
October 1, 2004	\$5,715,382
October 1, 2005	\$7,265,633
October 1, 2006	\$8,780,349
October 1, 2007	\$10,670,586
October 1, 2008	\$9,813,971
October 1, 2009	\$9,948,842
October 1, 2010	\$10,921,004
October 1, 2011	\$11,896,631
October 1, 2012	\$14,448,290
October 1, 2013	\$15,927,449



Investment Return

Table III-C



*Annual Investment Returns*

■ Market Value Return  
 ■ Actuarial Value Return  
 ■ Assumed Return

Plan Year	Market Value Return	Actuarial Value Return	Assumed Return
2003/04	6.82%	6.82%	8.00%
2004/05	9.66%	9.68%	8.00%
2005/06	7.49%	7.52%	8.00%
2006/07	11.90%	12.04%	8.00%
2007/08	-12.73%	-13.03%	8.00%
2008/09	1.98%	1.56%	8.00%
2009/10	9.04%	9.44%	7.75%
2010/11	0.78%	0.75%	7.75%
2011/12	17.04%	16.67%	7.75%
2012/13	12.05%	12.04%	7.75%
10yr. Avg.	6.10%	6.03%	7.90%



## Asset Reconciliation

Table III-D

	<u>Market Value</u>	<u>Actuarial Value</u>
<b>As of October 1, 2012</b>	<b>\$14,448,290</b>	<b>\$14,615,897</b>
<b><i>Increases Due To:</i></b>		
Employer Contributions	\$739,595	\$739,595
Employee Contributions	\$176,690	\$176,690
Service Purchase Contributions	\$0	\$0
Total Contributions	<u>\$916,285</u>	<u>\$916,285</u>
Interest and Dividends	\$0	
Realized Gains (Losses)	\$0	
Unrealized Gains (Losses)	\$1,726,462	
Total Investment Income	<u>\$1,726,462</u>	\$1,726,462
Other Income	\$0	
<b>Total Income</b>	<u><b>\$2,642,747</b></u>	<u><b>\$2,642,747</b></u>
<b><i>Decreases Due To:</i></b>		
Monthly Benefit Payments	(\$1,056,604)	(\$1,056,604)
Refund of Employee Contributions	(\$47,171)	(\$47,171)
Total Benefit Payments	<u>(\$1,103,775)</u>	<u>(\$1,103,775)</u>
Investment Expenses	\$0	
Administrative Expenses	(\$59,813)	(\$59,813)
Advance Employer Contribution		(\$313,301)
<b>Total Expenses</b>	<u><b>(\$1,163,588)</b></u>	<u><b>(\$1,476,889)</b></u>
<b>As of October 1, 2013</b>	<u><b>\$15,927,449</b></u>	<u><b>\$15,781,755</b></u>



## Historical Trust Fund Detail

## Table III-E

Income

<u>Plan</u> <u>Year</u>	<u>Employer</u> <u>Contribs.</u>	<u>Employee</u> <u>Contribs.</u>	<u>Service</u> <u>Purchase</u> <u>Contribs.</u>	<u>Interest /</u> <u>Dividends</u>	<u>Realized</u> <u>Gains /</u> <u>Losses</u>	<u>Unrealized</u> <u>Gains /</u> <u>Losses</u>	<u>Other</u> <u>Income</u>
2003/04	\$550,148	\$213,348	\$156,600	\$0	\$0	\$336,416	\$0
2004/05	\$691,071	\$305,623	\$0	\$0	\$0	\$598,293	\$0
2005/06	\$629,511	\$423,396	\$0	\$0	\$0	\$578,926	\$0
2006/07	\$709,732	\$306,673	\$0	\$0	\$0	\$1,092,288	\$0
2007/08	\$672,891	\$227,778	\$0	\$0	\$0	-\$1,391,889	\$0
2008/09	\$712,428	\$231,524	\$0	\$0	\$0	\$193,321	\$0
2009/10	\$787,088	\$242,181	\$0	\$0	\$0	\$902,737	\$0
2010/11	\$1,700,324	\$226,880	\$0	\$0	\$0	\$88,402	\$0
2011/12	\$1,443,325	\$188,890	\$0	\$0	\$0	\$2,068,850	\$0
2012/13	\$739,595	\$176,690	\$0	\$0	\$0	\$1,726,462	\$0

Expenses

<u>Plan</u> <u>Year</u>	<u>Monthly</u> <u>Benefit</u> <u>Payments</u>	<u>Contrib.</u> <u>Refunds</u>	<u>Admin.</u> <u>Expenses</u>	<u>Invest.</u> <u>Expenses</u>	<u>Other Actuarial Adjustments</u> <u>Advance</u> <u>Employer</u> <u>Contribs.</u>
2003/04	\$22,385	\$1,754	\$7,482	\$0	-\$60,120
2004/05	\$29,847	\$5,505	\$9,384	\$0	\$76,585
2005/06	\$91,936	\$12,575	\$12,606	\$0	-\$32,076
2006/07	\$203,233	\$0	\$15,223	\$0	\$177,478
2007/08	\$314,411	\$32,147	\$18,837	\$0	\$126,481
2008/09	\$946,799	\$32,952	\$22,651	\$0	\$65,253
2009/10	\$911,871	\$18,113	\$29,860	\$0	-\$998,777
2010/11	\$944,431	\$65,943	\$29,605	\$0	\$232,408
2011/12	\$1,006,313	\$102,611	\$40,482	\$0	\$210,990
2012/13	\$1,056,604	\$47,171	\$59,813	\$0	\$313,301

Note: Information was not available to separate the investment expenses from the investment income nor was information available to separate the investment income by source.



## Other Reconciliations

Table III-F

**Advance Employer Contribution**

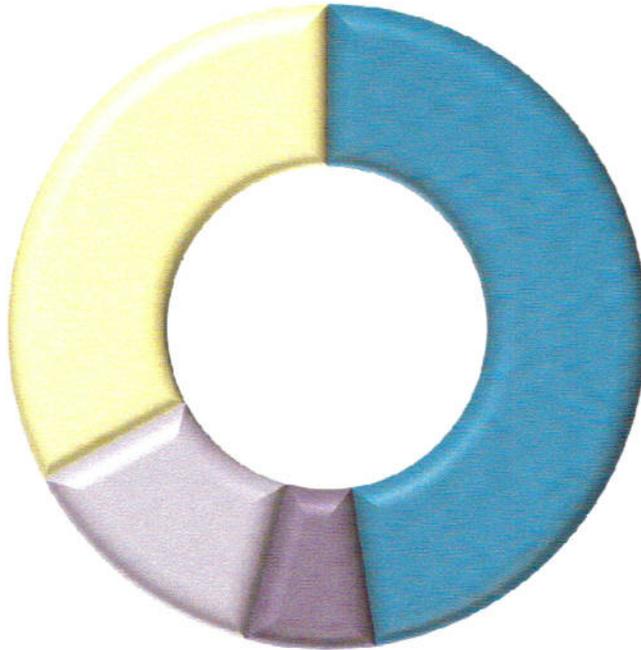
Advance Employer Contribution as of October 1, 2012	(\$167,607)
Additional Employer Contribution	\$739,595
Interest Charge on Contribution Deficiency	(\$7,459)
Minimum Required Contribution	(\$418,835)
Net Increase in Advance Employer Contribution	\$313,301
Advance Employer Contribution as of October 1, 2013	<u>\$145,694</u>



Summary of Participant Data

Table IV-A

As of October 1, 2013

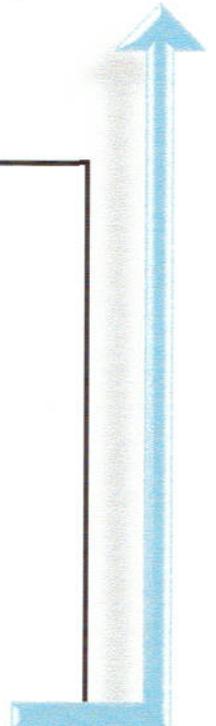


Participant Distribution by Status

<u>Actively Employed Participants</u>		
◆	Active Participants	29
◆	DROP Participants	0
<u>Inactive Participants</u>		
◆	Deferred Vested Participants	4
◆	Due a Refund of Contributions	8
◆	Deferred Beneficiaries	0
<u>Participants Receiving a Benefit</u>		
◆	Service Retirements	20
◆	Disability Retirements	0
◆	Beneficiaries Receiving	0
<b>Total Participants</b>		<b>61</b>

Number of Participants Included in Prior Valuations

	<i>Active</i>	<i>DROP</i>	<i>Inactive</i>	<i>Retired</i>	<i>Total</i>
October 1, 2004	35	0	0	1	36
October 1, 2005	33	0	0	1	34
October 1, 2006	30	0	2	4	36
October 1, 2007	33	0	2	5	40
October 1, 2008	N/A	N/A	N/A	N/A	N/A
October 1, 2009	31	0	5	16	52
October 1, 2010	31	0	9	16	56
October 1, 2011	28	0	12	18	58
October 1, 2012	24	0	11	18	53
October 1, 2013	29	0	12	20	61



Data Reconciliation

Table IV-B

	<u>Active</u>	<u>DROP</u>	<u>Deferred Vested</u>	<u>Due a Refund</u>	<u>Def. Benef.</u>	<u>Service Retiree</u>	<u>Disabled Retiree</u>	<u>Benef. Rec'v.</u>	<u>Total</u>
<u>October 1, 2012</u>	24	0	5	6	0	18	0	0	53
<u>Change in Status</u>									
Re-employed	1		(1)						
Terminated	(5)			5					
Retired	(2)					2			
<u>Participation Ended</u>									
Transferred Out									
Cashed Out				(3)					(3)
Died									
<u>Participation Began</u>									
Newly Hired	11								11
Transferred In									
New Beneficiary									
<u>Other Adjustment</u>									
<u>October 1, 2013</u>	29	0	4	8	0	20	0	0	61

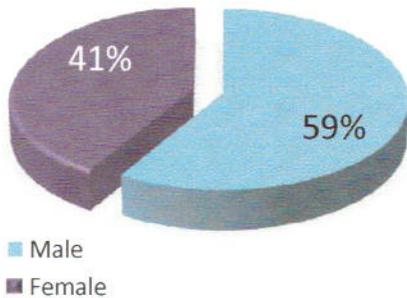


Active Participant Data

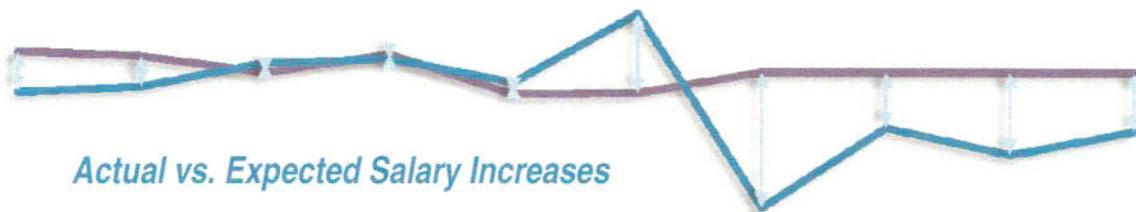
Table IV-C

As of October 1, 2013

Gender Mix



Average Age	50.7 years
Average Service	5.3 years
Total Annualized Compensation for the Prior Year	\$2,550,031
Total Expected Compensation for the Current Year	\$2,398,885
Average Increase in Compensation for the Prior Year	1.41%
Expected Increase in Compensation for the Current Year	4.00%
Accumulated Contributions for Active Employees	\$1,319,428



Actual vs. Expected Salary Increases

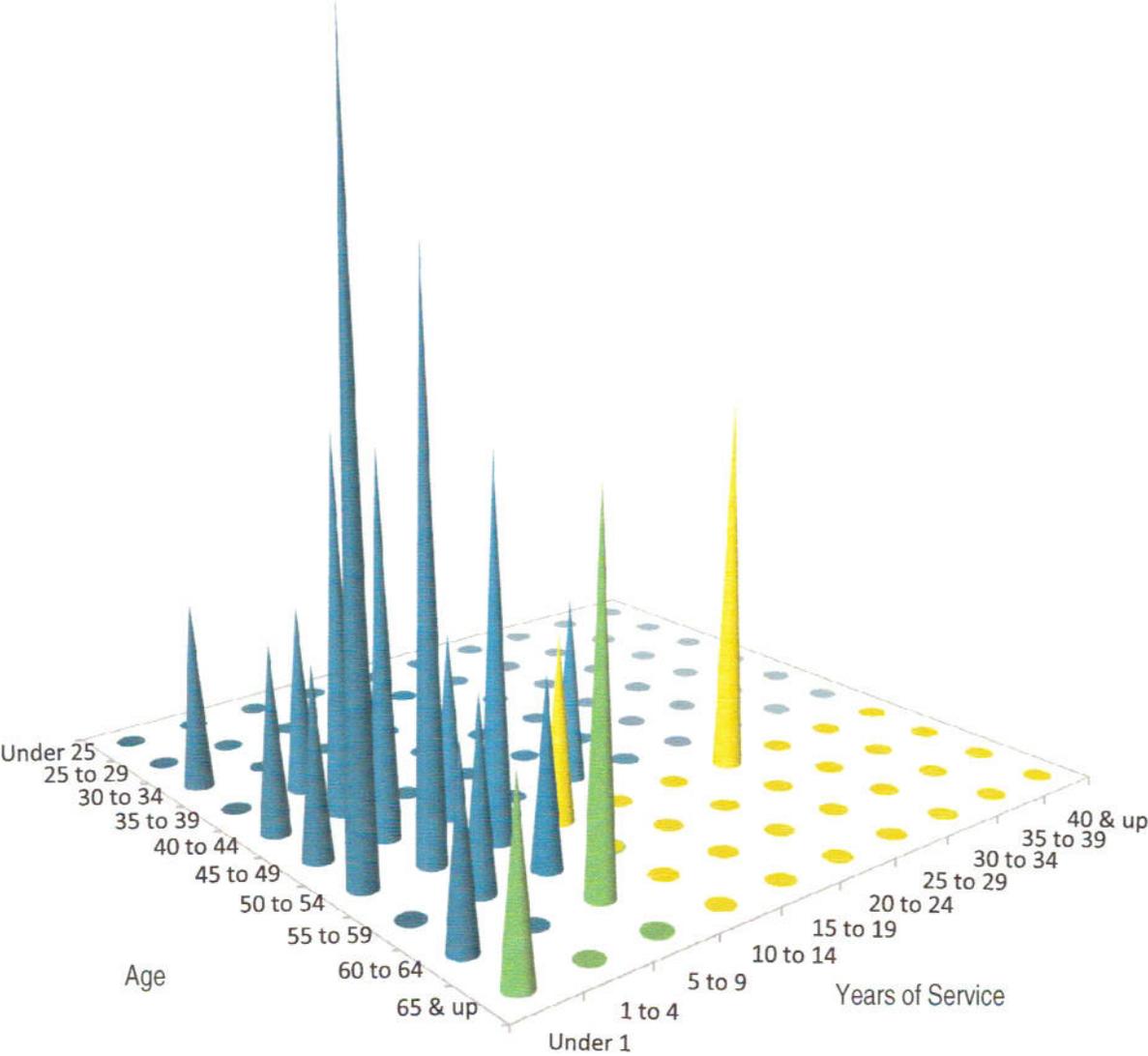
Active Participant Statistics From Prior Valuations

	Average Age	Average Service	Average Salary	Average Expected Salary Increase	Average Actual Salary Increase
October 1, 2004	50.7	10.9	\$79,058	7.30%	4.30%
October 1, 2005	52.4	12.6	\$88,341	6.93%	4.67%
October 1, 2006	52.9	13.2	\$89,065	5.69%	6.45%
October 1, 2007	52.3	12.3	\$92,690	7.09%	6.73%
October 1, 2008	N/A	N/A	N/A	4.10%	4.98%
October 1, 2009	49.6	6.2	\$93,242	4.19%	10.10%
October 1, 2010	50.9	6.5	\$86,846	5.75%	-4.19%
October 1, 2011	50.4	5.7	\$88,903	5.75%	1.69%
October 1, 2012	51.2	6.8	\$85,663	5.75%	-0.29%
October 1, 2013	50.7	5.3	\$87,932	5.75%	1.41%



Active Age-Service Distribution

Table IV-D



- ▲ Eligible to retire
- ▲ May be eligible to retire
- ▲ Not eligible to retire



Active Age-Service-Salary Table

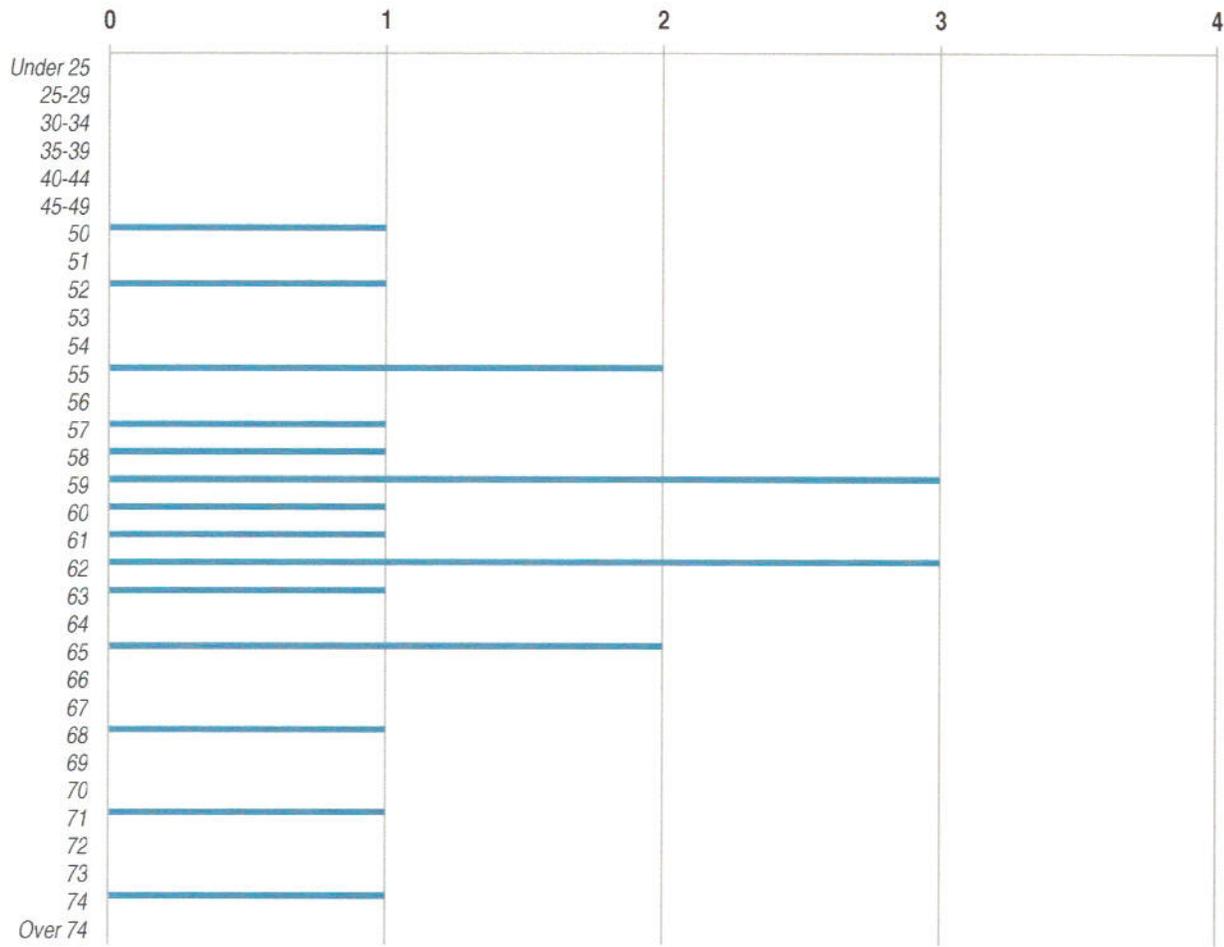
Table IV-E

Attained Age	Completed Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	0	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0	0	0
Avg.Pay	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	1	0	0	0	0	0	0	0	0	0	0	1
Avg.Pay	84,582	0	0	0	0	0	0	0	0	0	0	84,582
35 to 39	0	1	1	0	0	0	0	0	0	0	0	2
Avg.Pay	0	105,566	43,097	0	0	0	0	0	0	0	0	74,332
40 to 44	1	2	0	0	0	0	0	0	0	0	0	3
Avg.Pay	79,321	85,213	0	0	0	0	0	0	0	0	0	83,249
45 to 49	1	2	1	0	1	0	0	0	0	0	0	5
Avg.Pay	102,938	71,340	97,447	0	116,356	0	0	0	0	0	0	91,884
50 to 54	4	3	2	1	0	0	2	0	0	0	0	12
Avg.Pay	106,810	100,346	58,328	78,681	0	0	126,399	0	0	0	0	98,034
55 to 59	0	1	1	0	0	0	0	0	0	0	0	2
Avg.Pay	0	80,420	51,525	0	0	0	0	0	0	0	0	65,973
60 to 64	1	0	2	0	0	0	0	0	0	0	0	3
Avg.Pay	70,884	0	80,849	0	0	0	0	0	0	0	0	77,527
65 & up	1	0	0	0	0	0	0	0	0	0	0	1
Avg.Pay	66,681	0	0	0	0	0	0	0	0	0	0	66,681
<b>Total</b>	<b>9</b>	<b>9</b>	<b>7</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29</b>
Avg.Pay	92,405	88,903	67,203	78,681	116,356	0	126,399	0	0	0	0	87,932



Inactive Participant Data

Table IV-F



Age at Retirement

- Service Retirements
- Disability Retirements
- DROP Participants

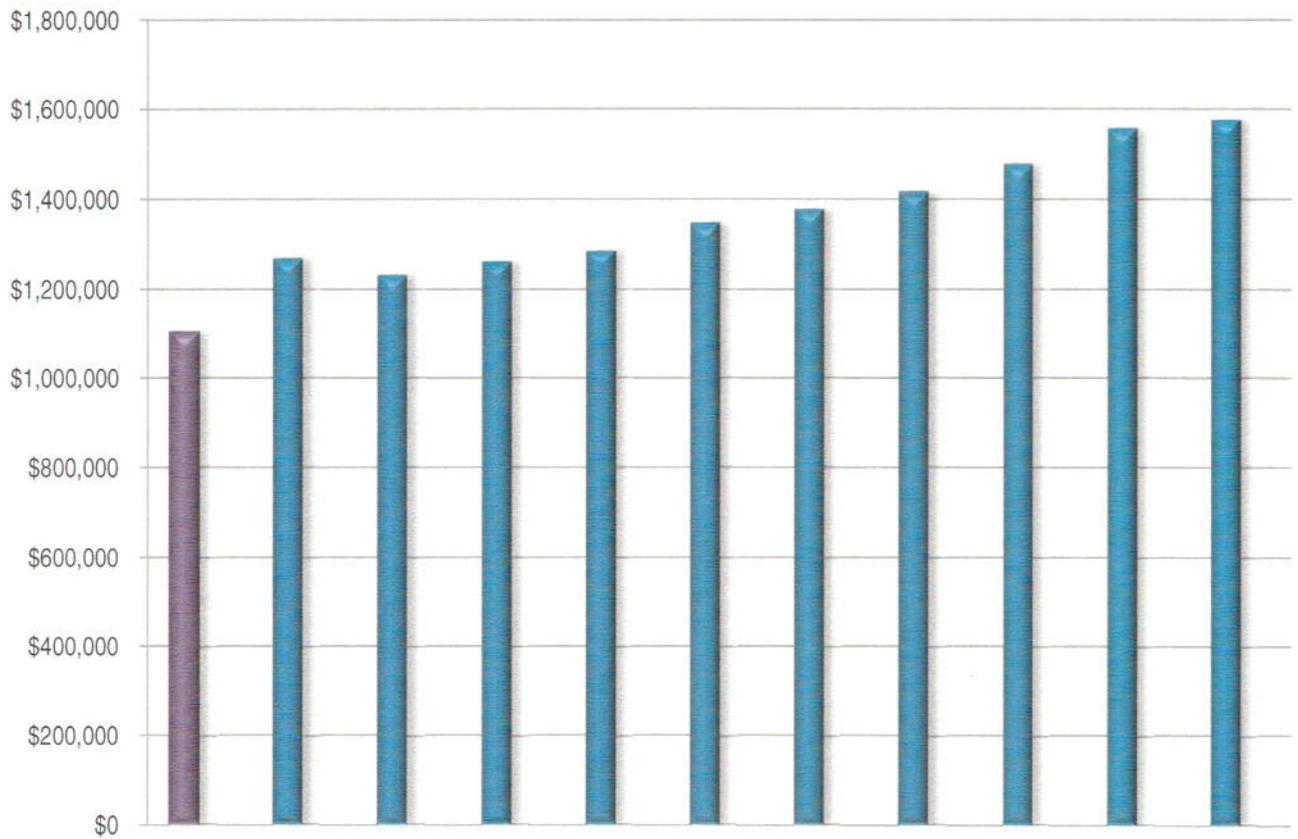
Average Monthly Benefit

Service Retirements	\$4,705.70
Disability Retirements	Not applicable
Beneficiaries Receiving	Not applicable
DROP Participants	Not applicable
Deferred Vested Participants	\$2,976.84
Deferred Beneficiaries	Not applicable



Projected Benefit Payments

Table IV-G



Actual

For the period October 1, 2012 through September 30, 2013 \$1,103,775

Projected

For the period October 1, 2013 through September 30, 2014 \$1,269,022  
 For the period October 1, 2014 through September 30, 2015 \$1,231,533  
 For the period October 1, 2015 through September 30, 2016 \$1,260,022  
 For the period October 1, 2016 through September 30, 2017 \$1,286,381  
 For the period October 1, 2017 through September 30, 2018 \$1,346,666  
 For the period October 1, 2018 through September 30, 2019 \$1,377,880  
 For the period October 1, 2019 through September 30, 2020 \$1,415,548  
 For the period October 1, 2020 through September 30, 2021 \$1,476,093  
 For the period October 1, 2021 through September 30, 2022 \$1,556,295  
 For the period October 1, 2022 through September 30, 2023 \$1,574,546



## Summary of Actuarial Methods and Assumptions

Table V-A

1. **Actuarial Cost Method**

Aggregate cost method. Under this actuarial cost method, a funding cost is developed for the plan as a level percentage of payroll. The level funding percentage is calculated as the excess of the total future benefit liability over accumulated assets and future employee contributions, with this excess spread over the expected future payroll for current active participants. The normal cost is equal to the level funding percentage multiplied by the expected payroll for the year immediately following the valuation date. The actuarial accrued liability is equal to the accumulated assets. Therefore, under the aggregate cost method, no unfunded accrued liability is developed.

2. **Asset Method**

The actuarial value of assets is equal to the market value of assets.

3. **Interest (or Discount) Rate**

7.50% per annum

4. **Salary Increases**

Plan compensation is assumed to increase at the rate of 4.00% per annum, unless actual plan compensation is known for a prior plan year.

5. **Decrements**

- Pre-retirement mortality: Sex-distinct rates set forth in the RP-2000 Mortality Table for annuitants, projected to 2015 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430
- Post-retirement mortality: Sex-distinct rates set forth in the RP-2000 Mortality Table for annuitants, projected to 2015 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430
- Disability: 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.



## Summary of Actuarial Methods and Assumptions

Table V-A

(continued)

- Termination: 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.
- Retirement: 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).

**6. Form of Payment**

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.

**7. Expenses**

Administrative expenses are assumed to be \$40,000 per year. In addition, the interest rate set forth in item 3. above is assumed to be net of investment expenses and commissions.



## Changes in Actuarial Methods and Assumptions

Table V-B

Since the completion of the previous valuation, the following assumptions and methods have been changed:

- (1) The actuarial cost method was changed from the frozen initial liability cost method to the aggregate cost method.
- (2) The assumed interest rate was decreased from 7.75% per annum to 7.50% per annum.
- (3) The assumed increase in future salaries was decreased from 5.75% per year to 4.00% per year.
- (4) The mortality basis was changed from the RP-2000 Mortality Table for annuitants, projected to 2007 by Scale AA, to the RP-2000 Mortality Table for annuitants, projected to 2015 by Scale AA, both as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430.



Summary of Plan Provisions

Table VI-A

1. **Benefit Formula**

3.00% of Average Monthly Earnings multiplied by Credited Service earned prior to February 1, 2013 plus 2.00% of Average Monthly Earnings multiplied by Credited Service earned on and after February 1, 2013

2. **Service Retirement**

Normal retirement (solely with respect to benefits earned prior to February 1, 2013):

*Age 62 with at least four years of credited service; or  
Age 55 with age plus service at least equal to 75 ("Rule of 75")*

Normal retirement (solely with respect to benefits earned on and after February 1, 2013):

*Social security retirement age with at least four years of credited service (for participants born after 1937)  
Age 62 with at least four years of credited service or age 55 with "Rule of 75"  
(for participants born prior to 1937)*

*(Social security retirement age is age 66 with respect to participants born during the years 1938 through 1954 and is age 67 with respect to participants born after 1954.)*

Early retirement (solely with respect to benefits earned prior to February 1, 2013):

*Age 50 with at least 10 years of credited service*

Early retirement (solely with respect to benefits earned on and after February 1, 2013):

*Age 55 with at least 10 years of credited service*

*(Note: In the case of early retirement, with respect to benefits earned prior to February 1, 2013, the participant's benefit is reduced by 5% for each year by which the participant's early retirement age precedes his normal retirement age. In the case of early retirement, with respect to benefits earned on and after February 1, 2013, the participant's benefit is reduced actuarially to reflect payments made prior to normal retirement age.)*



Summary of Plan Provisions

Table VI-A

(continued)

3. **Disability Retirement**

The disability benefit is a monthly 10-year certain and life annuity equal to the larger of the monthly accrued benefit or 25% of average monthly earnings, 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. The participant may convert his disability benefit into any of the optional forms of payment that are otherwise available under the plan.

*(A participant is disabled if he is found to have a mental or physical condition resulting from bodily injury, disease, or a mental disorder that renders him incapable of employment.)*

4. **Deferred Vested Retirement**

A vested participant who terminates employment before becoming eligible for retirement receives a deferred vested retirement benefit payable at the participant's early or normal retirement age. If the benefit is payable prior to normal retirement age, then the benefit is reduced as for early retirement.

A non-vested participant who terminates employment receives his accumulated contributions.

5. **Vesting**

An employee becomes 50% vested upon the attainment of four years of credited service and becomes 100% vested upon the attainment of six years of credited service.

6. **Pre-Retirement Death Benefit**

If a vested participant dies prior to retirement, the participant's beneficiary receives a 10-year certain annuity commencing at the participant's normal or early retirement age and reduced for payment prior to the participant's normal retirement age as for early retirement. The beneficiary is guaranteed to receive at least the value of the participant's accumulated contributions.

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



Summary of Plan Provisions

Table VI-A

(continued)

**7. Form of Payment**

Actuarially increased single life annuity *(optional)*;

10-year certain and life annuity *(normal form of payment)*;

Actuarially reduced 50% joint and contingent annuity *(optional)*;

Actuarially reduced 66 $\frac{2}{3}$ % joint and contingent annuity *(optional)*;

Actuarially reduced 75% joint and contingent annuity *(optional)*;

Actuarially reduced 100% joint and contingent annuity *(optional)*;

Any other actuarially equivalent form of payment approved by the Board of Trustees *(optional)*; or

Actuarially equivalent single lump sum distribution *(automatic if the single sum value of the participant's benefit is less than or equal to \$5,000 or if the monthly benefit is less than \$100)*

*(Note: All forms of payment guarantee at least the return of the participant's accumulated contributions. Furthermore, a participant may change his joint annuitant up to two times after retirement subject to an actuarially equivalent adjustment.)*

**8. Automatic Cost-of-Living Adjustment**

Participants receive an automatic annual 2.25% cost-of-living adjustment (COLA) with respect to benefits earned prior to February 1, 2013. An ad hoc COLA may be adopted from time to time by the City Council with respect to benefits earned on and after February 1, 2013.

**9. Average Monthly Earnings**

Average monthly earnings during the highest five years of compensation. Earnings include total cash remuneration prior to February 1, 2013, but exclude lump sum payments for accrued annual or sick leave, and include only base salary on and after February 1, 2013. Earnings cannot exceed the maximum amount allowed under IRC section 401(a)(17).



Summary of Plan Provisions

Table VI-A

(continued)

10. **Credited Service**

The elapsed time from the participant’s date of hire until his date of termination, retirement, or death. Prior to February 1, 2013, participants may optionally purchase up to four additional years of credited service or a higher benefit formula multiplier by paying into the plan the full actuarial cost thereof.

11. **Employee Contribution**

Employees must contribute 8.00% of plan compensation. Employee contributions are accumulated with interest at the rate of 3.00% per annum.

12. **City Contribution**

The City is required to make periodic contributions at least on a quarterly basis as determined under Chapter 112, Florida Statutes.

13. **Participant Requirement**

All general management employees of the City of North Miami Beach automatically become participants in the plan on their date of hire other than those individuals who are participating in another defined benefit pension plan that is sponsored by the City.

14. **Actuarial Equivalence**

Based on 7.50% interest per annum and the unisex mortality table promulgated by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 417(e)(3).

15. **Plan Effective Date**

The plan was originally effective on January 24, 2003.



## Summary of Plan Amendments

Table VI-B

No significant plan changes were adopted since the completion of the previous valuation.

